

### International

**US:** Initial jobless claims rose back above 1 million at an above-consensus 1.1 million for the week-ending August 14, but continuing claims (released with a one-week lag) continued to move lower to 14.8 million leaving an insured unemployment rate of 10.2%. In positive news on the housing market, sales of existing homes surged 25% m/m in July to a near 14-year high of 5.86 million (annualized). The market has been helped by pent-up demand, low interest rates and other stimulus policies and perhaps also people reportedly moving from large cities to more remote urban locations spurred by the virus pandemic.

**Europe:** The flash Eurozone PMI index slipped back to 51.6 in August from 54.9 in July, signaling a possible stalling of the economic recovery amid a pick-up in virus cases in some countries and the re-imposition of travel restrictions. Meanwhile UK retail sales were above pre-virus levels in July, +1.4% y/y.

**Japan:** The economy saw its biggest decline on record in Q2 of 27.8% y/y as pandemic-induced lockdown measures hit consumption, investment and exports. While a recovery is penciled in for Q3, it is likely to be modest at best.

**Financial markets:** Most global equity markets gained modestly amid mixed economic data. The US S&P500 rose 0.7% w/w to a new record high, while the Euro Stoxx 50 fell 1.4% w/w on virus concerns and lack of Brexit trade talk progress.

**Oil:** Brent slipped 1% w/w last week to \$44.4/bbl on weaker economic news out of Europe, while rising global coronavirus infections continue to cast a shadow over the market's recovery. This is despite the relatively bullish news of a fourth consecutive week of US crude stock declines (w/e August 14) and a sizeable gasoline draw. With US oil drillers adding 11 rigs last week, the largest hike this year, the shale comeback could be on.

### MENA Region

**Kuwait:** Finance minister Barak Al-Sheetan told parliament that state salaries beyond October may not be paid due to insufficient funds (KD2 billion in liquid assets remaining in the treasury). The state has been drawing down General Reserve Fund assets at the rate of KD1.7bn a month and estimates that the budget deficit will reach KD14 billion in FY20/21. Parliament approved the suspension of the 10% transfer into the Future Generation Fund for FY19/20 (worth KD1.7 billion). Future transfers will be contingent on achieving a budget surplus.

Meanwhile, real estate sales more than doubled m/m to KD163 million in July, helped by the easing of business restrictions, though remain well below pre-corona norms (-57% y/y). There was a surge in volumes across all three sub-sectors (residential, investment and commercial), and especially in the commercial sector which saw an exceptional nine-fold rise in transactions.

**Saudi Arabia:** Inflation jumped to 6.1% y/y (5.9% m/m) in July from 0.5% in June, following the increase in VAT from 5% to 15% from July. Most components of the CPI basket witnessed m/m price rises of 5-10%, while the 'housing', 'health', and 'education' components were the least impacted. Prices of food and beverages, which were already showing a steep increase in 1H20, were up by 14.3% y/y versus 6.4% y/y in June.

**UAE:** GDP for 1Q20 declined 0.3% y/y, while non-oil GDP fell 1.8%. Overall growth was supported by a 3.3% rise in oil GDP.

**Oman:** Oman's credit rating was cut for a second time this year by Fitch to BB- (outlook negative), which cited the "continued erosion of its fiscal and external balance sheets." Fitch expects a fiscal deficit of 20% of GDP in 2020 versus 9% in 2019.

**Egypt:** The unemployment rate increased to 9.6% in 2Q20 from 7.7% in Q1, on Covid-19 prevention measures.

**Financial markets:** GCC markets were broadly positive on recovery optimism. Gains were led by Dubai (3.7% w/w), while Kuwait's All-Share rose 1.5% helped by the listing of Al-Zour North, which rallied over 200% following its debut on Sunday.

#### Key takeaways:

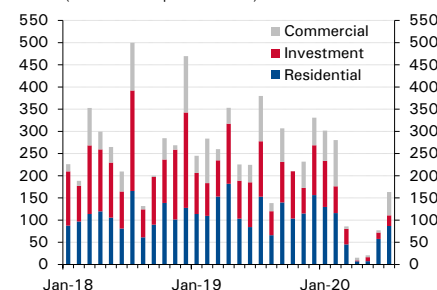
- The increase in weekly US jobless claims suggests that labor market momentum may be stalling amid recent virus-linked economic shutdowns, adding pressure on Congress and the Whitehouse to agree a new stimulus package.
- In Kuwait, the latest refusal of parliament's finance committee to approve the debt law raises serious questions about financing the budget deficit this fiscal year. However, approval is still possible before all GRF resources are depleted.
- Real estate activity in Kuwait continues to improve from the historically low sales of April and May. We expect residential activity to rebound to pre-corona norms as restrictions are fully lifted, but prices in the investment and commercial sectors may not quickly recover if the exodus of expatriates continues.
- The jump in Saudi inflation was expected given the hike in VAT. While underlying inflation has been under control, averaging just 1% in 1H20, judging by recent experience, the relatively high inflation figures will persist until mid-2021.

▶ **Chart 1: Brent crude oil price** (\$/bbl)



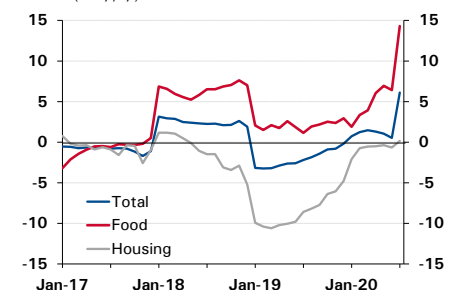
Source: Refinitiv

▶ **Chart 2: Kuwait real estate sales** (KD million per month)



Source: Ministry of Justice

▶ **Chart 3: Saudi CPI inflation** (% y/y)



Source: SAMA / Refinitiv

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,719	0.3	15.2
DAX	12,765	-1.1	-3.7
DJIA	27,930	0.0	-2.1
Eurostoxx 50	3,260	-1.4	-13.0
FTSE 100	6,002	-1.4	-20.4
Nikkei 225	22,920	-1.6	-3.1
S&P 500	3,397	0.7	5.1
<b>Regional</b>			
Abu Dhabi SM	4,543	3.6	-10.5
Bahrain ASI	1,355	3.4	-15.8
Dubai FM	2,236	3.7	-19.1
Egypt EGX 30	11,160	2.0	-20.1
MSCI GCC	508	2.4	-10.5
Kuwait SE	5,202	1.5	-17.2
KSA Tadawul	7,843	1.8	-6.5
Muscat SM 30	3,629	1.8	-8.8
Qatar Exchange	9,767	1.7	-6.3

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	0.64	-6.9	-127.0
Bunds 10 Year	-0.51	-8.6	-32.0
Gilts 10 Year	0.21	-3.7	-61.8
JGB 10 Year	0.03	-1.5	5.3
<b>Regional</b>			
Abu Dhabi 2022	0.72	-1.9	-132.4
Dubai 2022	1.16	-9.9	-130.6
Qatar 2022	0.91	3.5	-115.7
Kuwait 2022	0.90	13.6	-116.2
KSA 2023	1.34	6.3	-96.4
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	44.4	-1.0	-32.8
KEC	45.3	1.6	-33.7
WTI	42.3	0.8	-30.7
Gold	1934.6	-0.1	27.3

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhabor - 3 month	2.28	0.0	-38.3
Kibor - 3 month	1.56	0.0	-118.8
Qibor - 3 month	1.15	17.9	-110.4
Eibor - 3 month	0.47	0.6	-174.2
Saibor - 3 month	0.90	-1.9	-133.0
Libor - 3 month	0.26	-2.4	-165.2
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.1	0.9
KWD per EUR	0.362	0.1	8.6
USD per EUR	1.180	-0.4	5.2
JPY per USD	105.8	-0.8	-2.6
USD per GBP	1.309	0.0	-1.3
EGP per USD	15.88	0.0	-0.7

Updated on 21/8/2020

Source: Refinitiv

### International equity markets

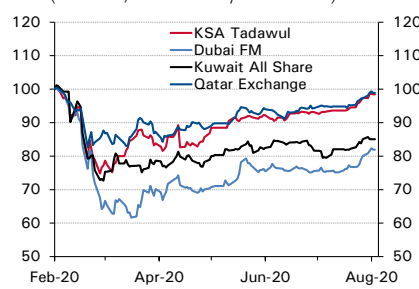
(rebased, 19 February 2020=100)



Source: Refinitiv

### GCC equity markets

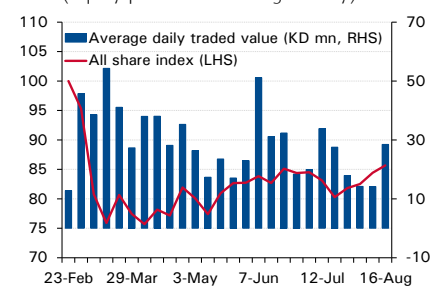
(rebased, 19 February 2020=100)



Source: Refinitiv

### Bursa Kuwait

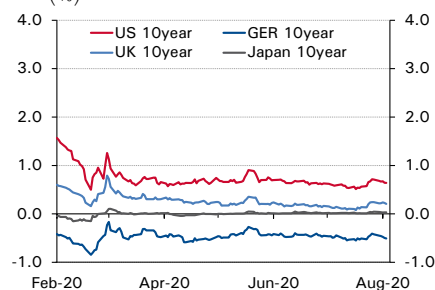
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

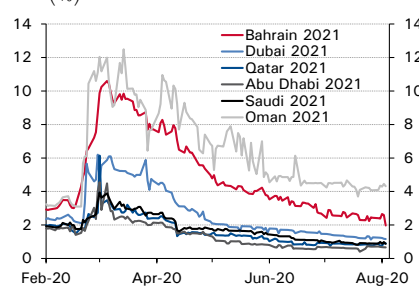
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Source: Refinitiv

### GCC bond yields

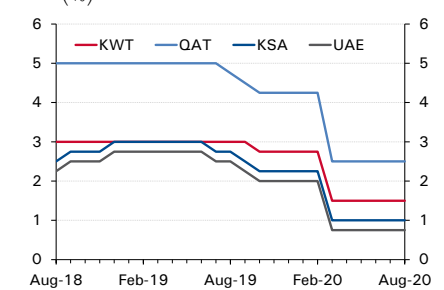
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv