Growing uncertainty amid mixed data, chances of rate cut rise, markets rally

- The US unemployment rate ticked up to 3.7% in June from a 49-year low of 3.6% in May.
- Non-farm payrolls rebounded to 224,000 in June from a low of 72,000 in May, while wage growth was unchanged.
- Core inflation rose to 2.1% in June on higher shelter, motor vehicle and medical care prices.
- Manufacturing activity eased further in June to the weakest pace of expansion since October 2016.
- Probability of one to two interest rate cuts this year has grown, while the chance of no cut has dissipated.
- 10-year treasury yields dropped to a low of 1.96% but since rebounded to 2.09% on Fed optimism.
- Stocks continued to be bullish in July, with the S&P500 reaching an all-time high above 3000 points.

Chart 1: Real GDP growth

Annualized GDP growth in 1Q was revised down to 3.1% from 3.2% on lower private and fixed investment estimates.
Source: U.S. Bureau of Economic Analysis

Chart 2: Unemployment rate

The US unemployment rate rose to 3.7% in June from a 49-year low of 3.6% in May, slightly above market expectations.
Source: U.S. Bureau of Labor Statistics

Chart 3: Non-farm payrolls (new jobs)

Non-farm payrolls rose 224,000 in June, beating expectations of 160,000, while May payrolls were revised down to 72,000.

Chart 4: Wage growth

Wage growth was unchanged at 3.1% in June amid slower business activity.
Core inflation rose to 2.1% in June from 2.0% in May, slightly beating expectations on higher shelter, motor vehicle and medical care prices. 

Source: U.S. Bureau of Labor Statistics

Retail sales growth declined to 2.9% in May from an upwardly revised 3.7% in April amid signs of weaker consumer demand.

Source: U.S. Census Bureau

Manufacturing activity eased further in June to the weakest pace of expansion since October 2016 on declining new orders.

Source: Institute for Supply Management

Housing starts declined slightly to 1.27 million units in May, while existing home sales rose to 5.34 million units.

Source: National Association of Realtors, U.S. Census Bureau

The Federal Reserve left interest rates on hold in June at 2.25-2.50% but continued to express willingness to cut rates.

Source: Thomson Reuters Eikon

Source: QCB

Source: SAMA
Expectations of no rate cuts this year have now dissipated entirely, with growing chances of one to two interest rate cuts.

Source: CME Group

Stocks continued to be bullish in July on Fed optimism, with the S&P500 reaching an all-time high, but markets remain tense amid mixed data and trade uncertainty.

Source: Thomson Reuters Eikon

10-year treasury yields dropped to the lowest since Nov. 2016 at 1.96% earlier in July but has since rebounded to 2.09%; the 3 month – 10 year yield curve remains inverted.

Source: CME Group

The dollar index declined slightly in July affected by rate cut expectations and ongoing trade uncertainty.

Source: Saudi Ministry of Finance

Source: QCB

Source: Thomson Reuters Eikon
Head Office
Kuwait
National Bank of Kuwait S.A.P.C.
Abdulrahman Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 220432451 NABKBAK
www.nbk.com

International Network
Bahrain
National Bank of Kuwait S.A.P.C
Zain Branch
Zain Tower, Building 407, Road 2086
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 660

National Bank of Kuwait S.A.P.C
Bahrain Head Office
GB Corp Tower
Block C, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 660

United Arab Emirates
National Bank of Kuwait S.A.P.C
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Courtyard Plaza
P.O. Box 9291, Dubai, U.A.E.
Tel: +971 4 3161600
Fax: +971 4 3886368

National Bank of Kuwait S.A.P.C
Abu Dhabi Branch
Sheikh Rashid Bin Sareer Al Malloom, (Old Airport Road)
P.O. Box 11567, Abu Dhabi, U.A.E.
Tel: +971 2 1499 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait S.A.P.C
Jeddah Branch
Al Khalidah District, Al Muqbal Tower, Jeddah
P.O. Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan
National Bank of Kuwait S.A.P.C
Ammam Branch
Shareef Abdul Hamid Salah St
P.O. Box 94292, Shomali, Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait (Lebanon) S.A.L.
BAC Building, Joumblat Street, Sarayeh
P.O. Box 115727, Road E5136
Boulevard 1120 2200, Lebanon
Tel: +961 1 759780
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoun Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/719144
Fax: +964 1 7184046/7171673

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149390
Fax: +20 2 26133978

United States of America
National Bank of Kuwait S.A.P.C
New York Branch
299 Park Avenue
New York, NY 10017
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait (International) Plc
Head Office
13 George Street
London W1U 3RJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait (International) Plc
Postman Square Branch
7 Postman Square
London W1H 4HA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7466 3077

France
National Bank of Kuwait (International) Plc
Paris Branch
9 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait S.A.P.C
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait S.A.P.C
Shanghai Office
Suite 1003, 10th Floor, Azec Center
T2333 Liujiazi Ring Road
Shanghai 200120, China
Tel: +86 21 6368 1819
Fax: +86 21 5047 1011

NBK Economic Research, Tel: (965) 2259 5500, Fax: (965) 2224 6973, © 2019 NBK
www.nbk.com

© Copyright Notice: The Chartbooks a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK.
While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential loss arising from its use. OCC Research House is distributed on a complimentary and discretionary basis to NBK clients and associates. The report and other NBK research can be found in the "Reports" section of the National Bank of Kuwait’s web site. Please visit our web site, www.nbk.com, for other bank publications. For further information, please contact
NBK Economic Research, Tel: (965) 2259 5500, Fax: (965) 2224 6973, Email: econ@nbk.com