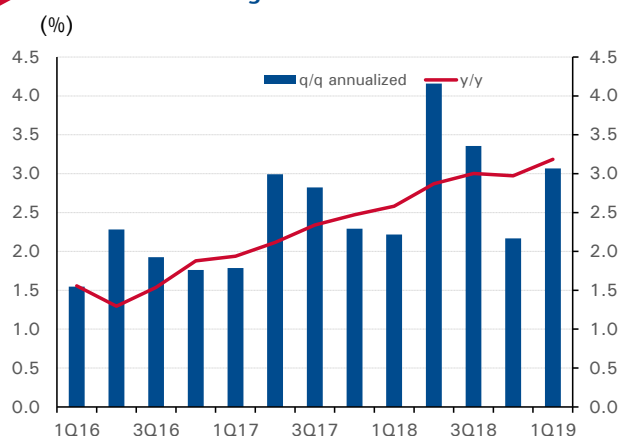


Growing uncertainty amid mixed data, chances of rate cut rise, markets rally

- 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

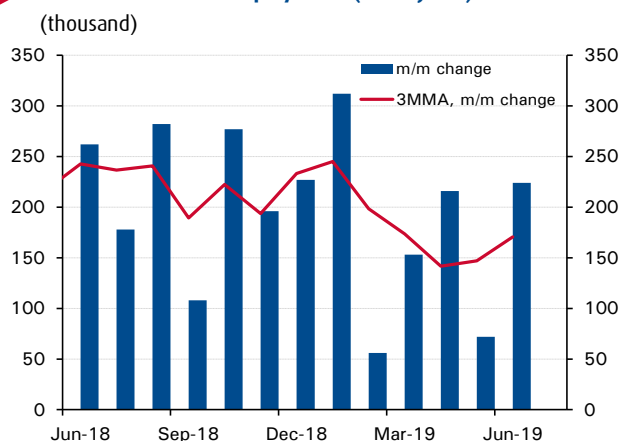
▶ **Chart 2: Unemployment rate**



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.

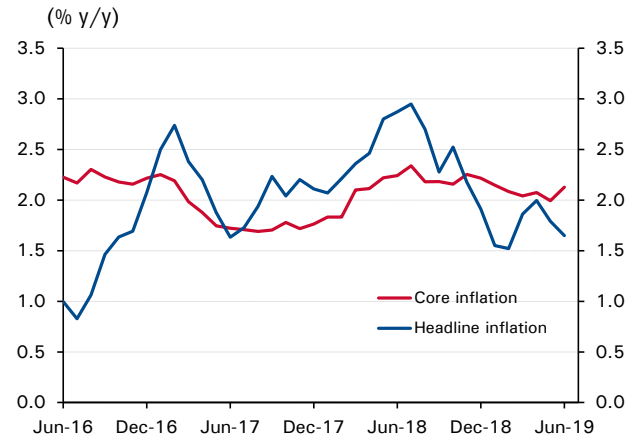
▶ **Chart 4: Wage growth**



Wage growth was unchanged at 3.1% in June amid slower business activity.

Source: U.S. Bureau of Labor Statistics

Chart 5: Consumer price index inflation



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

Source: U.S. Bureau of Labor Statistics

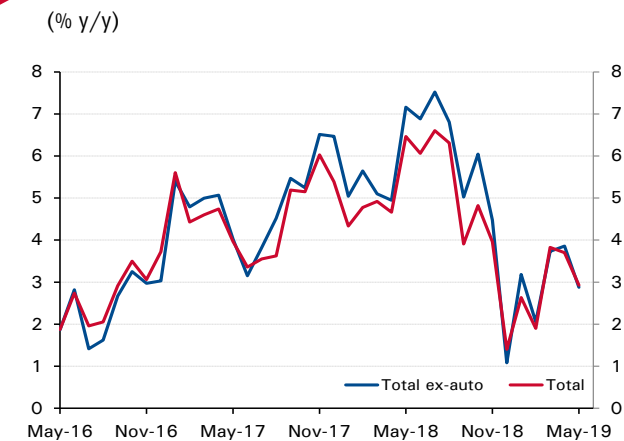
Chart 6: Commercial and industrial loans



C&I loans growth declined for the fourth consecutive month to 6.8% y/y in June from 7.4% in May on slower business activity.

Source: U.S. Board of Governors of the Federal Reserve System

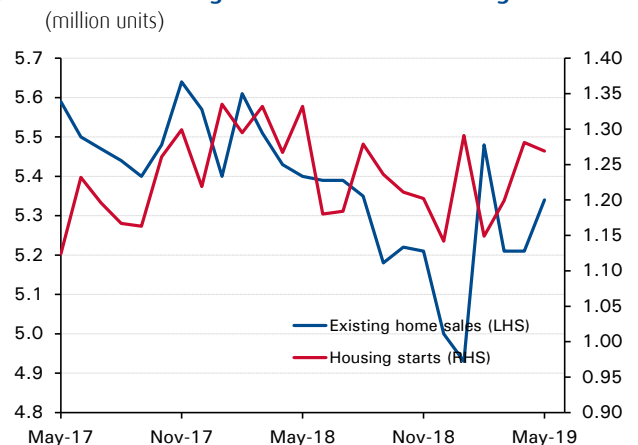
Chart 7: Retail sales



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

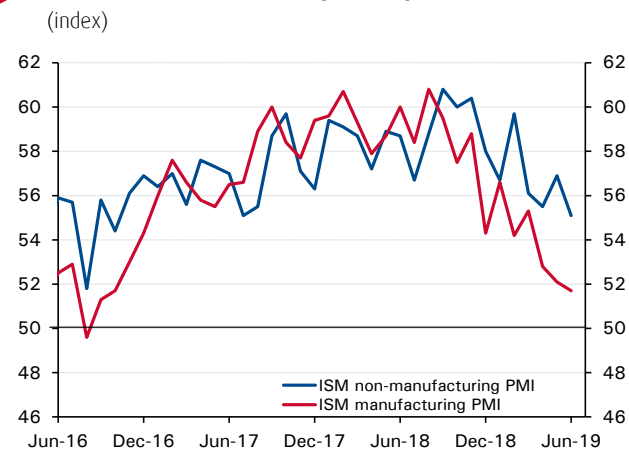
Chart 8: Existing home sales and housing starts



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

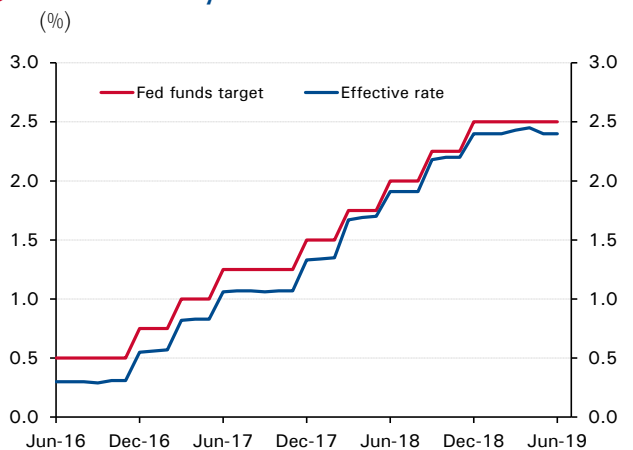
Chart 9: Business activity surveys



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

Source: Institute for Supply Management

Chart 10: Policy interest rates

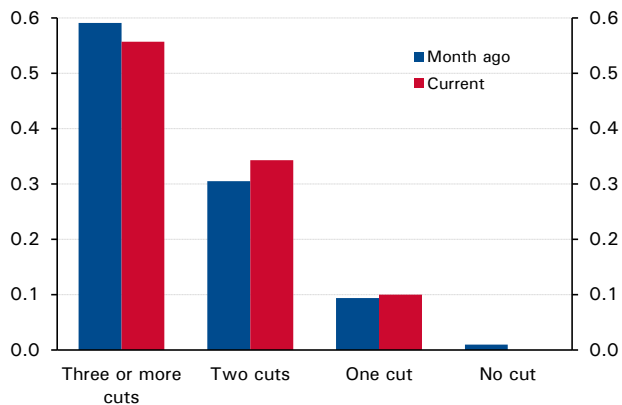


The Federal Reserve left interest rates on hold in June at 2.25-2.50% but continued to express willingness to cut rates.

Source: Thomson Reuters Eikon Source: QCB

Source: SAM

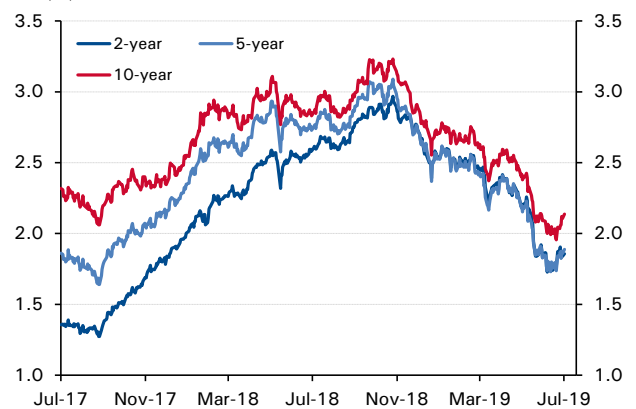
Chart 11: Fed rate hike outlook for 2019
(futures market probability, as of 15th of July 2019)



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

Source: CME Group

Chart 12: Government bond yields
(%)



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: Saudi Ministry of Finance, Eikon

Source: Statista

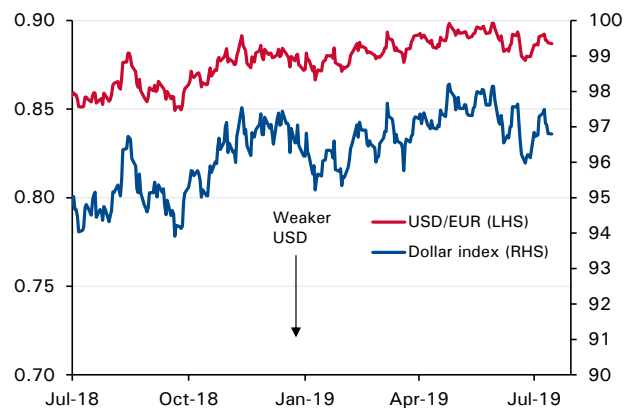
Chart 13: Stock market
(S&P 500)



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

Chart 14: Exchange rates



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

Source: Saudi Ministry of Finance, Eikon

Source: Statista

Head Office

Kuwait
National Bank of Kuwait SAKP
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates
National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal 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 SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America
National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
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 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait
(International) Plc
Portman Square Branch
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

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

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

China
National Bank of Kuwait SAKP
Shanghai Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait
NBK Capital
38th Floor, Arraya II Building, Block 6
Shuhada'a street, Sharq
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey
Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353