

### International

**US:** CPI inflation rose for the third consecutive month in August, to 1.3% y/y from 1.0% in July on a climb in the price of gasoline and especially used cars. The rate has now recovered more than half of the sharp decline seen since February. The core rate also ticked up to 1.7% from 1.6% in July. Meanwhile, initial jobless claims disappointed, rising an unchanged 884,000 in the week ending September 5, while continuing claims rose 93,000 to 13.4 million for its first rise since mid-July. The unemployment rate edged up to 9.2% having fallen for the previous five weeks.

**Europe:** The ECB as expected left monetary policy on hold (main deposit rate at -0.5%, large asset purchases) but said it would monitor FX developments given the euro's recent rise against the US dollar. The bank unexpectedly increased its inflation forecast for next year slightly to 1.0%, but projected it would be well below the near-2% target over the medium term.

**Financial markets:** Global equity markets were mostly negative amid a selloff in US tech stocks due to overvaluation concerns. The MSCI AC World lost 1.2% w/w led by the S&P500, down a steep 2.5% w/w. European stocks bucked the trend, up 1.7% w/w as investors shrugged off the US tech rout. The US 10-year treasury yield fell to a weekly low of 0.67%.

**Oil:** Brent fell 6.6% w/w to \$39.8/bbl for its second consecutive weekly drop and to its lowest since mid-June as market faith in a global demand recovery ebbed and US crude stocks remain high: the EIA reported a first increase in six weeks (+2.0 mb to 500 mb) in the w/e 4 September. Markets were also alarmed by news that the UAE may have been under-reporting its output; it admitted to pumping 103 kb/d over its target in August (2,693 kb/d) but may have produced closer to 3,000 kb/d in both August and July, if tanker tracking data is to be believed.

### MENA Region

**Kuwait:** Credit growth picked up to 0.4% m/m in July, resulting in an increase of 4.6% y/y. The growth was fully driven by household credit, which increased by the strongest pace in around five years (+1.5% m/m), resulting in 3.6% y/y growth. Business credit inched down slightly in July, the weakest monthly growth so far this year, leading to a 5.6% y/y increase. Following four months of robust growth, deposits decreased by 0.3% m/m in July, leading to a 2.9% y/y increase.

**UAE:** Inflation stood at -2.1% y/y in July versus -2.4% in June as the dip in the transportation prices started to ease (-7.7% in July versus -11.1% in June).

**Bahrain:** The government issued a \$2 billion bond in its second offering of the year. The dual tranche bond is comprised of a \$1 billion 7-year sukuk, which sold at 3.95% and a \$1 billion 12-year conventional bond at 5.45%.

**Oman:** The government plans to return to local and international debt markets this year to plug a fiscal deficit that the IMF estimates could reach almost 17% of GDP from 7% last year. \$1.43 billion of local development bonds have already been issued and a \$2 billion bridge loan has been secured, according to the MOF. Additionally, the central bank is set to release another stimulus package to help banks and financial leasing companies support the Sultanate's economic recovery.

**Egypt:** Inflation decelerated from 4.2% y/y in July to 3.4% in August, its lowest level since October 2019. The drop was due mainly to lower food and beverage costs by -4.1% y/y (-1.7% m/m), amid a slowdown in demand and increased local supplies. Core inflation ticked up to 0.8% y/y from 0.7% in July. Meanwhile, foreign reserves rose by about \$51 million to \$38.4 billion in August, but still far from the record of \$45.5 billion reached in February (the authorities' preferred level).

**Financial markets:** GCC equities were mostly negative amid lower oil prices. The MSCI GCC lost a marginal 0.1% w/w, with broad regional losses largely offset by a 1.1% w/w rise in Saudi Arabia as their finance minister said that the economy would witness a milder contraction than IMF forecasts.

#### Key takeaways:

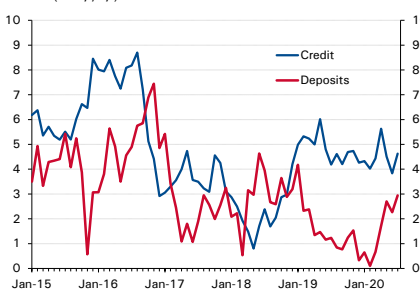
- The further rebound in US inflation shows that some of the early pandemic-related downward pressures are easing. But the weak labor market and the boost to supply as output recovers should help cap further gains. The uptick is also unlikely to worry the Fed given its new 'flexible' inflation target.
- The rebound in Kuwait's household credit was expected, compensating for the drop in March-May. Household credit could remain relatively robust in August-September given the deferral of loan repayments until the end of September.
- Despite inflation in Egypt remaining well below the central bank's 9% ( $\pm 3\%$ ) target providing room for a potential rate cut, the bank may keep rates unchanged at its September 24 meeting, preferring to sustain capital inflows and also anticipating a possible acceleration of inflation by year-end.

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



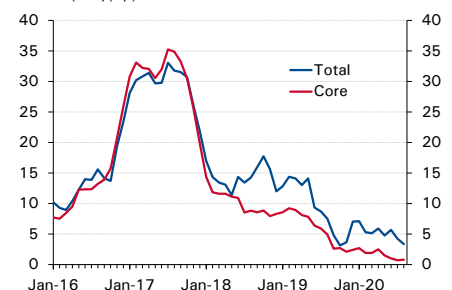
Source: Refinitiv

▶ **Chart 2: Kuwait credit & deposits** (% y/y)



Source: Refinitiv

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



Source: Refinitiv

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,627	-3.0	13.0
DAX	13,203	2.8	-0.3
DJIA	27,666	-1.7	-3.1
Eurostoxx 50	3,316	1.7	-11.5
FTSE 100	6,032	4.0	-20.0
Nikkei 225	23,406	0.9	-1.1
S&P 500	3,341	-2.5	3.4
<b>Regional</b>			
Abu Dhabi SM	4,519	-0.7	-11.0
Bahrain ASI	1,390	-1.5	-13.7
Dubai FM	2,271	-0.5	-17.9
Egypt EGX 30	11,071	-1.0	-20.7
MSCI GCC	513	-0.1	-9.6
Kuwait SE	5,324	0.0	-15.2
KSA Tadawul	8,135	1.1	-3.0
Muscat SM 30	3,686	-1.6	-7.4
Qatar Exchange	9,764	-0.7	-6.3

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	0.67	-5.6	-124.3
Bunds 10 Year	-0.48	-0.6	-29.6
Gilts 10 Year	0.18	-8.1	-64.1
JGB 10 Year	0.03	-1.1	4.7
<b>Regional</b>			
Abu Dhabi 2022	0.78	1.4	-126.0
Dubai 2022	1.17	6.4	-129.8
Qatar 2022	0.85	1.9	-121.8
Kuwait 2022	0.91	3.3	-115.3
KSA 2023	1.29	-2.2	-101.3
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	39.8	-6.6	-39.7
KEC	40.0	-10.1	-41.6
WTI	37.3	-6.1	-38.9
Gold	1937.8	0.7	27.5

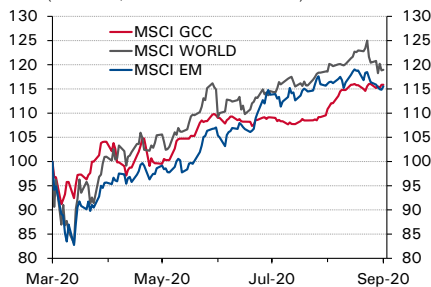
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhivor - 3 month	2.28	0.0	-38.3
Kibor - 3 month	1.63	0.0	-112.5
Qibor - 3 month	1.06	2.6	-119.3
Eibor - 3 month	0.39	-13.8	-181.6
Saibor - 3 month	0.89	0.0	-134.1
Libor - 3 month	0.25	0.0	-165.9
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.0	1.0
KWD per EUR	0.363	0.5	8.9
USD per EUR	1.185	0.1	5.7
JPY per USD	106.1	-0.1	-2.3
USD per GBP	1.279	-3.7	-3.5
EGP per USD	15.71	-0.3	-1.8

Updated on 11/9/2020

Source: Refinitiv

### International equity markets

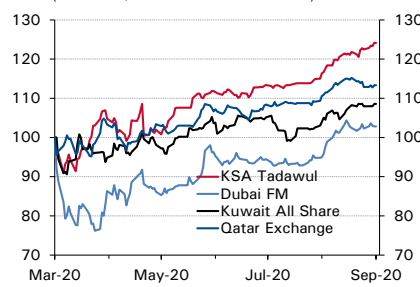
(rebased, 11 March 2020=100)



Source: Refinitiv

### GCC equity markets

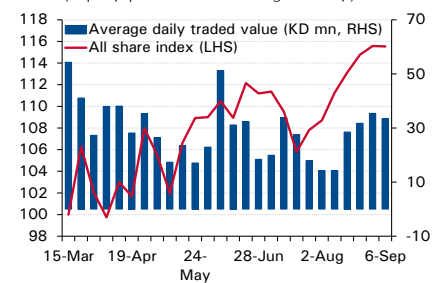
(rebased, 11 March 2020=100)



Source: Refinitiv

### Bursa Kuwait

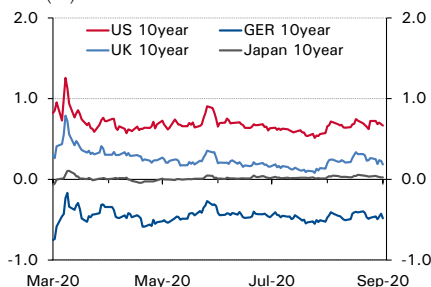
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

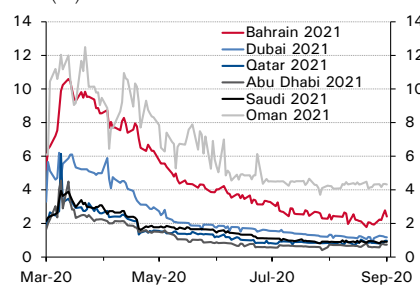
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Source: Refinitiv

### GCC bond yields

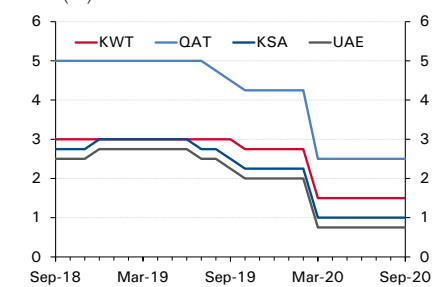
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv