International

US: As expected, the Fed left policy unchanged and confirmed its tolerance for letting inflation run above 2% for a while to offset prior weakness. However, inflation is seen remaining at or below 2% through 2023 while the Fed's forecast for the contraction in GDP this year was cut to 3.7% from 6.5% in June. Meanwhile, initial jobless claims edged down to a slightly above-consensus but still very high 860,000 in the week ending September 12. But the unemployment rate (produced with a one-week lag) dropped a sizeable 0.7% points to 8.6% due to a much sharper 916,000 drop in continuing claims. Finally, retail sales rose a solid 0.6% m/m (2.6% y/y) in August, but this was still slightly below expectations, fueling concerns that the consumer recovery may be stalling due to the weak labor market and absence of fresh fiscal stimulus.

China: The economic recovery continued in August. Supported by a combination of pent-up demand, exports and government stimulus, industrial output increased at its fastest rate this year of 5.6% y/y. Also, retail sales increased for the first time this year, up 0.5% y/y as consumer confidence rose.

Financial markets: Global equities were mostly negative amid elevated uncertainty and resurgent virus concerns. The Euro Stoxx 50 fell 1%, threatened by wider restrictions to curb the spread of the virus, while the US S&P 500 fell for the third consecutive week as the slide in tech stocks continued.

Oil: Brent rebounded 8.3% w/w to $43.2/bbl, after Saudi Arabia reassured the market that it would be "proactive" in managing supply and left open the possibility of output cuts by December. Meanwhile, the UAE admitted to overproducing its target in August by 115 kb/d (80% compliance) having also overproduced in July, but has agreed to compensate by under-producing over the next couple of months. Overall OPEC compliance was reportedly at 102% in August. News that warring Libyan factions were close to reaching a Russian-brokered deal to restart oil exports pulled prices lower on Friday.

MENA Region

Kuwait: International trade volumes plunged by 50% y/y in 2Q20 on fallout from the Covid-19 pandemic. Exports plunged 62% y/y due to lower oil exports (on lower oil prices). On the other hand, imports declined by 26% y/y mainly due to a decline in imports of motor vehicles of 28%. The trade surplus stood at just KD0.1 billion, versus KD1.8 billion in Q1.

Saudi Arabia: Inflation inched up to 6.2% y/y in August from 6.1% in July. This was mainly driven by transport prices, which increased 8.2% versus 7.3% one month before and the miscellaneous component (13% weight in the basket), up 5.2% versus 4.8% in July. In contrast, the y/y increase in food prices edged down from 14.3% in July to 13.5% in August.

UAE: GDP declined by 0.3% y/y in 1Q20 due to a fall in non-oil GDP of 1.9%, while the oil sector grew 3.3%. Meanwhile, inflation in Dubai continued to decline in August (-3.7% versus -3.1% y/y in July) as housing and transportation prices declined by -5.7% and -13.0%, respectively.

Bahrain: The government decided to pay the utility bills of all Bahraini citizens for three months starting from October, while the cabinet urged the central bank to defer loan installments until the end of the year. Meanwhile, credit to residents by retail banks increased in June by 3% y/y. The rise was due to the increase in personal and business loans of 3.8% and 2.8%, respectively, while credit to the government declined 3.9%.

Egypt: The six-month suspension of loan installments ended on September 15. The central bank said it would not be extended, but called on banks to offer facilities for clients whose financial conditions were affected by the Covid-19 crisis. The central bank also extended the cancellation of cash withdrawal fees from ATMs until December 31.

Financial markets: GCC markets were mostly positive, boosted by strong gains in Saudi Arabia (+2.5%) and Kuwait (2.3%), helped by higher oil prices. Kuwait was boosted by a 10-fold rally in Boursa Kuwait after its trading debut on Monday.

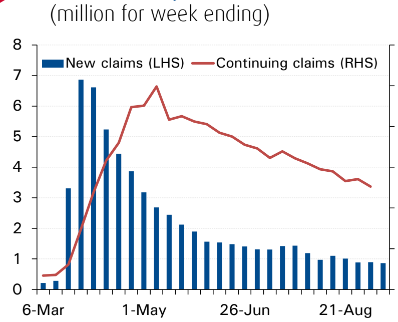
Key takeaways:

- Despite now projecting a less severe US recession than previously feared and for unemployment to fall more rapidly, the Fed's concession that inflation would remain below 2% until 2023 reinforced expectations that interest rates will not rise for years and that further policy action may still be needed.
- Oil prices may have difficulty topping August's highs in the short term given the preponderance of bearish factors, most important of which is the evolving second Covid-19 breakout in the northern hemisphere and still-high global stock levels.
- Meanwhile, long-term pressure on oil prices was highlighted by the latest report by energy major BP, which argues that oil demand will at best flat-line over the next 30 years at pre-pandemic levels due to Covid-19-provoked changes in consumer behavior and government de-carbonization policies.

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

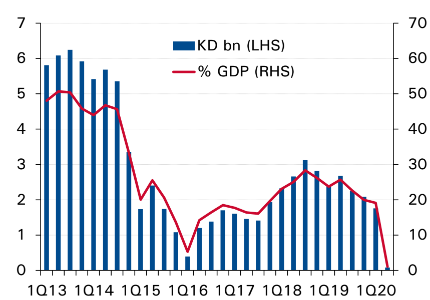
Source: Refinitiv

Chart 2: US jobless claims
(million for week ending)



Source: Refinitiv

Chart 3: Kuwait goods trade balance



Source: Refinitiv / CSB; NBK estimate of 2Q20 GDP

Key data

Stock markets	Index	Change (%) 1-week	YTD
International			
CSI 300	4,737	2.4	15.6
DAX	13,116	-0.7	-1.0
DJIA	27,657	0.0	-3.1
Eurostoxx 50	3,284	-1.0	-12.3
FTSE 100	6,007	-0.4	-20.4
Nikkei 225	23,360	-0.2	-1.3
S&P 500	3,319	-0.6	2.7
Regional			
Abu Dhabi SM	4,511	-0.2	-11.1
Bahrain ASI	1,435	3.3	-10.9
Dubai FM	2,321	2.2	-16.1
Egypt EGX 30	11,051	-0.2	-20.8
MSCI GCC	524	2.2	-7.7
Kuwait SE	5,447	2.3	-13.3
KSA Tadawul	8,338	2.5	-0.6
Muscat SM 30	3,648	-1.0	-8.4
Qatar Exchange	9,942	1.8	-4.6

Bond yields	%	Change (bps) 1-week	YTD
International			
UST 10 Year	0.69	2.7	-121.6
Bunds 10 Year	-0.48	0.0	-29.6
Gilts 10 Year	0.19	0.1	-64.0
JGB 10 Year	0.01	-1.2	3.5
Regional			
Abu Dhabi 2022	0.80	1.2	-124.8
Dubai 2022	1.22	5.3	-124.5
Qatar 2022	0.81	-3.3	-125.1
Kuwait 2022	0.92	0.5	-114.8
KSA 2023	1.29	0.8	-100.5

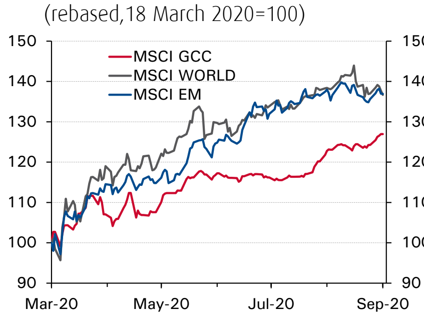
Commodities	$/unit	Change (%) 1-week	YTD
Brent crude	43.2	8.3	-34.6
KEC	43.9	9.9	-35.7
WTI	41.1	10.1	-32.7
Gold	1952.1	0.7	28.5

Interbank rates	%	Change (bps) 1-week	YTD
Bhibor - 3 month	2.28	0.0	-38.3
Kibor - 3 month	1.63	0.0	-112.5
Qibor - 3 month	0.88	-18.2	-137.5
Eibor - 3 month	0.44	4.9	-176.7
Saibor - 3 month	0.88	-1.3	-135.4
Libor - 3 month	0.23	-2.2	-168.1

Exchange rates	rate	Change (%) 1-week	YTD
KWD per USD	0.305	-0.3	0.7
KWD per EUR	0.362	-0.1	8.8
USD per EUR	1.184	-0.1	5.6
JPY per USD	104.6	-1.5	-3.7
USD per GBP	1.292	1.0	-2.6
EGP per USD	15.71	0.0	-1.8

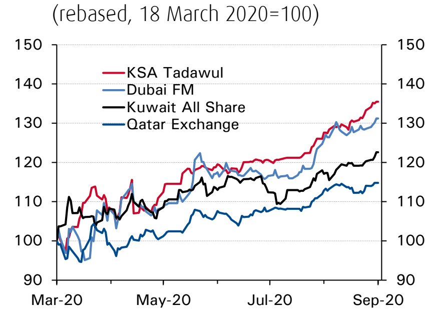
Updated on 18/9/2020 Source: Refinitiv

International equity markets
(rebased,18 March 2020=100)



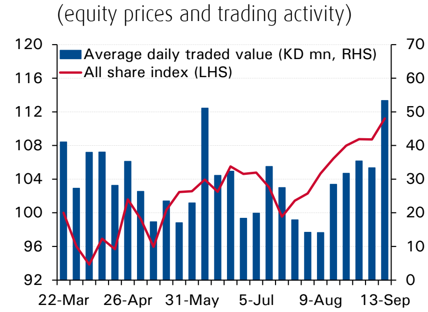
Source: Refinitiv

GCC equity markets
(rebased, 18 March 2020=100)



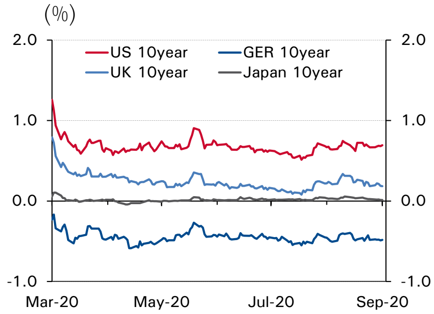
Source: Refinitiv

Boursa Kuwait
(equity prices and trading activity)



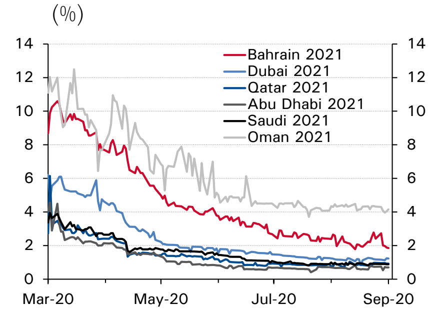
Source: Refinitiv

International bond yields
(%)



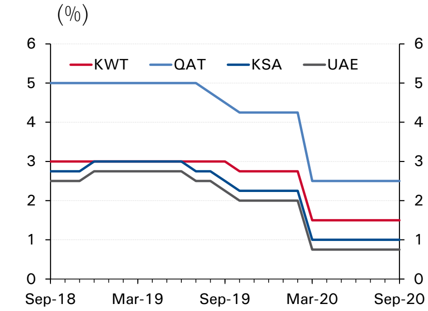
Source: Refinitiv

GCC bond yields
(%)



Source: Refinitiv

GCC key policy rates
(%)



Source: Refinitiv