

Highlights in the Foreign Exchange Market:

- The risk aversion theme witnessed last week persists in today's trading session, with a heavy selloff in Chinese stocks and Yuan. The safe haven yen is in great demand after the latest escalation in the trade war between the US and China. The two largest economies are in a deadlock over trade negotiations on Sunday as Washington demanded assurances of concrete changes to Chinese law and Beijing stated that it would not swallow any "bitter fruit" that hurt its interests. It seems that negotiations just reached a point that both sides have to admit the differences in principles. The yen appreciated around 0.80% last week and is up today by 0.20%. USD/JPY is currently trading at 109.75.
- In the bond market, demand for US government bonds soared due to the risk aversion theme overshadowing financial markets. Bond prices rose, pushing long dated yields lower. Markets witnessed a slight inversion of the yield curve when the 10-year yield on Thursday fell by 6 basis points to below the 3-month yield. The curve was briefly inverted for a short period of time, although the gap has since then shifted back to above zero. On the other side of the Atlantic, the German 10-year government bond yield sank and was headed to its largest weekly fall in seven weeks on Friday.
- As for the consumer inflation, the CPI came in at 2% last week, way below the 2.9% recorded in July 2018. Price growth has been losing momentum and the FED's preferred indicator of overall inflation grew at the slowest pace in 14 months. The US central bank is trying to achieve a price stability of 2% and has failed to attain its target as the core PCE index was last recorded at 1.6%. Price pressures have remained moderate despite a strong economy and tightening labor market. Hence, the FED's hesitation towards elevating its overnight rate makes sense, especially with the global economy cooling down.

USD/JPY

YTD Performance



US 10 Year Treasury Yield

YTD Performance



Chart Points and Other Technical Input

CCY	2nd Support	1st Support	Spot	1st Resistance	2nd Resistance
EUR	1.1110	1.1165	1.1233	1.1285	1.1335
GBP	1.2910	1.2960	1.3011	1.3065	1.3115
JPY	108.75	109.30	109.75	110.25	110.75
CHF	0.9900	0.9950	1.0100	1.0150	1.0200

Major Currencies

CCY	Closing Rate	YTD %	CCY	Closing Rate	YTD %
EUR/USD	1.1233	-2.02	EUR/GBP	0.8640	4.11
GBP/USD	1.2998	2.02	GBP/JPY	142.90	-2.05
USD/JPY	109.95	-0.05	EUR/JPY	123.52	2.05
USD/CHF	1.0118	-2.52	EUR/CHF	1.14	0.88

Brief Technical Commentary

EUR/USD: The pair moved up to the 1.1253 level during Friday's trading session and currently trading at 1.1233 EUR/USD Resistance is at (1.1285-1.1335) any break above would take the pair up to 1.1470. Short term outlook is Bullish, however a break under the 1.1110 will change the outlook to Bearish.

GBP/USD: The pair moved up to the 1.3047 level during Friday's trading session and currently trading at 1.3011 GBP/USD Support is at (1.2910-1.2960) any break below would take the pair down to 1.2860. Short term outlook is Neutral.

Local & Global Rates

CCY	1-Week	1-Month	3-Month	6-Month	1-Year
KWD	0.00	2.44	2.69	2.88	3.13
USD	2.39	2.45	2.53	2.59	2.69
EUR	-0.45	-0.42	-0.36	-0.31	-0.21
GBP	0.69	0.73	0.81	0.91	1.06
CHF	-0.81	-0.79	-0.71	-0.65	-0.52
AUD	2.78	2.87	2.96	3.06	3.34

Economic Events

Date	Country	Event	Actual	Forecast	Previous
13-May-19	USD	FOMC Member Clarida Speaks			
14-May-19	GBP	Average Earnings Index 3m/y		3.4%	3.5%
14-May-19	GBP	Unemployment Rate		3.9%	3.9%
15-May-19	CNY	Industrial Production y/y		6.5%	8.5%
15-May-19	EUR	Flash GDP q/q		0.4%	0.4%
15-May-19	USD	Core Retail Sales m/m		0.7%	1.1%
16-May-19	USD	Housing Starts		1.21M	1.14M
17-May-19	EUR	Final CPI y/y		1.7%	1.7%
17-May-19	EUR	Final Core CPI y/y		1.2%	1.2%
18-May-19	AUD	Parliamentary Elections			

Government Yields

Country	2-Year	3-Year	5-Year	10-Year	30-Year
United States	2.22	2.18	2.21	2.42	2.85
Germany	-0.63	-0.64	-0.48	-0.06	0.59
United Kingdom	0.71	0.73	0.84	1.11	1.66
Japan	-0.17	-0.17	-0.18	-0.06	0.53

Commodities

Index	Last Price	1D % Change	Index	Last Price	1D % Change
Kuwait Oil	71.53	0.28	Dow Jones	25,942.37	0.44
Brent	70.99	0.52	Nikkei 225	21,191.28	-0.72
West Texas	61.72	0.10	S&P 500	2,881.40	0.37
Gold	1,283.02	-0.24	KuwaitSE	4,778.75	-1.09

All information has been sourced from Bloomberg

This Treasury Newsletter Is a publication of the National Bank of Kuwait ("NBK"). Although the information in this document has been prepared in good faith and from sources which we believe to be reliable, we do not represent or warrant its accuracy and such information may not necessarily represent the actual market data. NBK accepts no liability whatsoever for any loss or damage arising from the use of this document or reliance on the information contained herein. NBK will not be responsible for the consequence of reliance upon any opinion or statement contained herein.

For further information or discussion, please contact the Treasury Services Desk on TSD_LIST@NBK.COM or +965 2221 6603 FAX +965 2241 9720.