

International

US: Non-farm payrolls rose by a consensus-matching 1.37 million in August, indicating further labor market recovery though the pace of hiring slowed from July (1.76 million) and was temporarily boosted by 238,000 in census-related hiring. The unemployment rate fell to 8.4% from 10.2% in July. More up-to-date weekly data were also encouraging, showing initial jobless claims increasing 881,000 for the w/e August 29, the smallest rise since the crisis began albeit still very large. Meanwhile, ISM activity surveys pointed to a still favorable recovery climate in both manufacturing (56.0) and non-manufacturing (56.9) in August, though the latter slipped slightly from July. Finally, the goods & services trade deficit in July widened to its largest since 2008 at \$63.6 billion.

China: Economic activity continued to improve in August, with services a bright spot following the easing of internal travel restrictions. The non-manufacturing PMI rose to its highest since early 2018 at 55.2. Manufacturing gauges were mixed, with the official index broadly steady at 51 but the private (Caixin/Markit) rising for the fourth month in row, to 53.1.

Financial markets: Equity markets were mostly negative, with the MSCI World -2% w/w. The fall was led by US markets, hit by losses in tech stocks due to overvaluation concerns. The S&P500 lost 2.3% w/w ending a multi-week winning streak, while European and Asian stocks also fell to a lesser extent.

Oil: Brent fell 5.3% w/w to \$42.7/bbl and its biggest weekly decline since w/e 12 June on demand concerns stemming from a mixed US jobs report, the end of a lackluster US driving season, and still-rising global coronavirus infections. Iraq is looking for OPEC+ to allow it a 2-month extension on the extra output cuts it agreed to implement in August and September.

MENA Region

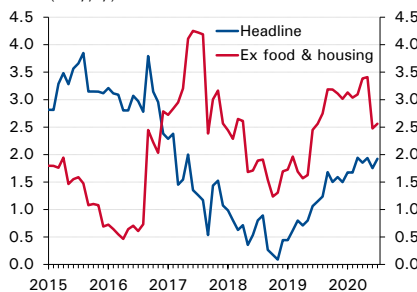
Kuwait: Inflation edged up from 1.8% y/y in June to 1.9% in July, amid rising costs in the food (3.7%), and household goods (4.0%) categories. 'Core' inflation (ex housing and food) edged up to 2.6% from 2.5% in June. Meanwhile, media reports suggest the FY20/21 budget will provide for spending of KD21.5 billion, 4% below the budget for the previous year including a 38% cut in capital spending. The deficit would reach KD14 billion. The financial and economic committee said that it could pass the urgently-needed debt law with a KD10 billion ceiling for 3 years and 10 year maturity, contingent on fiscal reforms.

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



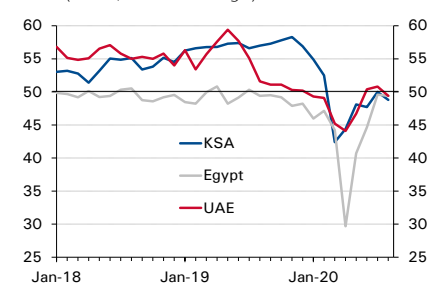
Source: Refinitiv

► **Chart 2: Kuwait CPI inflation** (% y/y)



Source: Refinitiv

► **Chart 3: MENA PMIs** (index, 50=no change)



Source: IHS Markit

Saudi Arabia: Credit growth was robust in July at 0.8% m/m and 13.2% y/y. Growth continued to be driven by mortgages, accounting for around 70% of July's increase in credit while corporate credit has been muted. Meanwhile, the PMI slipped to 48.8 in August after having hit a five-month high of 50 in July. The downturn was partly related to the rise in VAT and to ongoing social distancing measures.

UAE: The PMI dipped below the 50 benchmark in August at 49.4 on the back of job cuts. Meanwhile, domestic credit increased 5.5% y/y in June amid a rise in public sector borrowing, while private credit fell 0.7% on lower business credit. In addition, Dubai pumped AED7.3 billion into Emirates airline as fresh equity since March to mitigate virus fallout.

Bahrain: Consumer prices registered their fifth straight month of deflation at -2.7% y/y in July. Meanwhile, exports fell by 12% y/y in July, while imports plunged 23%. Consequently, the trade balance fell by 28% y/y to reach BHD135 million.

Egypt: The PMI edged down to 49.4 in August from 49.6 in July, indicating that private sector activity shrunk slightly. Output prices increased above the 50 mark for the first time in 10 months, while the jobs index fell to 45.9 from 46.1 in July. Egypt also signed a \$2 billion conventional (\$1.5bn) and Islamic (\$0.5bn) loan with several international and regional banks.

Financial markets: GCC equities were mostly positive amid improved sentiment. Gains were led by Bahrain (2.1% w/w) and Saudi Arabia (1.4%), while Kuwait's All-Share gained 0.7%.

Key takeaways:

- The US has recovered nearly half of the jobs lost since the pandemic began, but there is still a long way to go. August's sharp drop in unemployment at least offers hope that the expiration of enhanced unemployment benefits in July will do less harm to the spending outlook than feared.
- Oil prices are coming under pressure again because of a flare up in coronavirus infections. This has pushed Saudi Arabia to cut its price to Asia and the US by \$1.4 last week.
- The pick-up in Kuwait's inflation rate suggests that supply chain issues and pent-up demand are driving up prices. However lower housing rents could weigh on inflation in coming months, potentially keeping the headline rate below 2%.
- PMIs in the GCC and Egypt edged down slightly in August but broadly point to stabilization of non-oil activity following earlier steep declines. However all countries reported large job cuts with firms citing a need to lower costs.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,770	-1.5	16.4
DAX	12,843	-1.5	-3.1
DJIA	28,133	-1.8	-1.4
Eurostoxx 50	3,261	-1.7	-12.9
FTSE 100	5,799	-2.8	-23.1
Nikkei 225	23,205	1.4	-1.9
S&P 500	3,427	-2.3	6.1
Regional			
Abu Dhabi SM	4,552	0.4	-10.3
Bahrain ASI	1,410	2.1	-12.4
Dubai FM	2,283	0.6	-17.4
Egypt EGX 30	11,181	-2.5	-19.9
MSCI GCC	513	0.2	-9.5
Kuwait SE	5,326	0.7	-15.2
KSA Tadawul	8,045	1.4	-4.1
Muscat SM 30	3,746	0.2	-5.9
Qatar Exchange	9,836	-0.5	-5.7

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.72	-0.6	-118.7
Bunds 10 Year	-0.48	-6.7	-29.0
Gilts 10 Year	0.27	-4.8	-56.0
JGB 10 Year	0.04	-2.0	5.8
Regional			
Abu Dhabi 2022	0.77	-5.1	-127.4
Dubai 2022	1.11	-11.9	-136.2
Qatar 2022	0.83	-12.9	-123.7
Kuwait 2022	0.88	-8.4	-118.6
KSA 2023	1.31	-6.5	-99.1
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	42.7	-5.3	-35.4
KEC	44.5	-1.9	-35.0
WTI	39.8	-7.4	-34.9
Gold	1923.9	-2.1	26.6

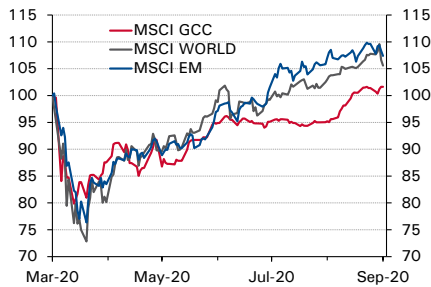
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.28	0.0	-38.3
Kibor - 3 month	1.63	6.3	-112.5
Qibor - 3 month	1.03	6.0	-121.9
Eibor - 3 month	0.53	6.0	-167.8
Saibor - 3 month	0.89	-0.3	-134.1
Libor - 3 month	0.25	0.4	-165.9
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.2	1.0
KWD per EUR	0.361	-0.8	8.4
USD per EUR	1.184	-0.5	5.6
JPY per USD	106.2	0.8	-2.2
USD per GBP	1.328	-0.5	0.2
EGP per USD	15.76	-0.4	-1.5

Updated on 4/9/2020

Source: Refinitiv

International equity markets

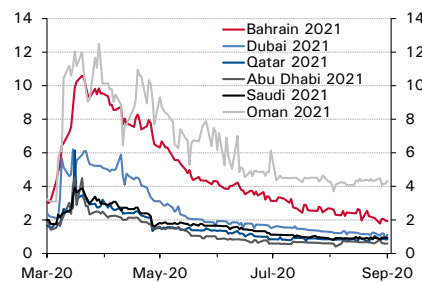
(rebased, 4 March 2020=100)



Source: Refinitiv

GCC equity markets

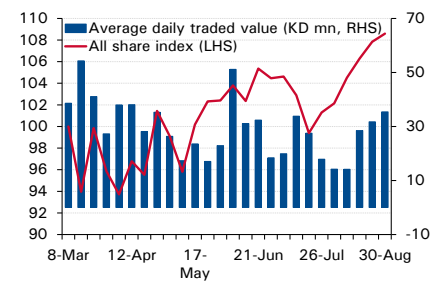
(rebased, 4 March 2020=100)



Source: Refinitiv

Bursa Kuwait

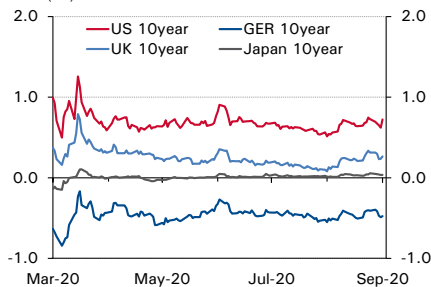
(equity prices and trading activity)



Source: Refinitiv

International bond yields

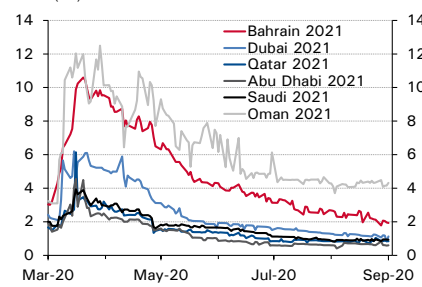
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Source: Refinitiv

GCC bond yields

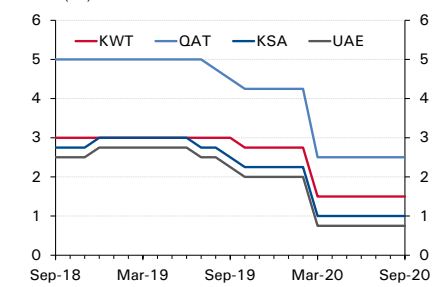
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv