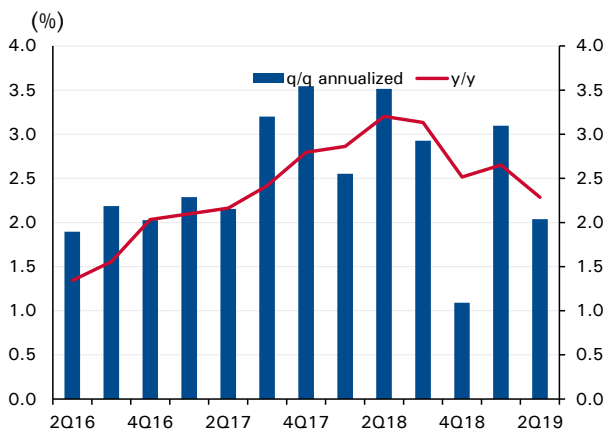


Fed cuts rates but core inflation hits 13-month high amid good consumer sentiment

- The unemployment rate was unchanged in August at 3.7%, in line with market expectations.
- Non-farm payrolls rose by 130,000 in August, below market expectations, from a revised 159,000 in July.
- Core inflation rose to a 13-month high of 2.4% in August on higher transport, medical care prices.
- Manufacturing activity in August saw the first month of contraction since August 2016.
- Futures market probabilities point to a 67% chance of at least one further rate cut this year.
- 10-year treasury yields dropped to a low of 1.5% in August before rebounding to 1.7% in September.
- Stocks gained traction and volatility eased after a turbulent August, but markets remains laden with uncertainty.

▶ Chart 1: Real GDP growth



Annualized GDP growth in 2Q was revised down to 2.0% from a preliminary estimate of 2.1%, following 3.1% growth in Q1.

Source: Refinitiv

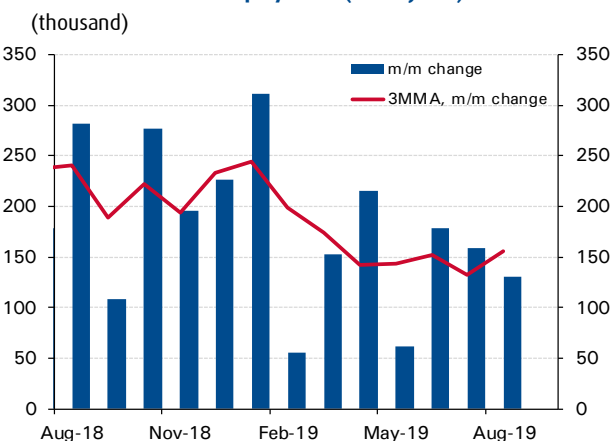
▶ Chart 2: Unemployment rate



The unemployment rate was unchanged from the previous two months in August at 3.7%, in line with market expectations.

Source: Refinitiv

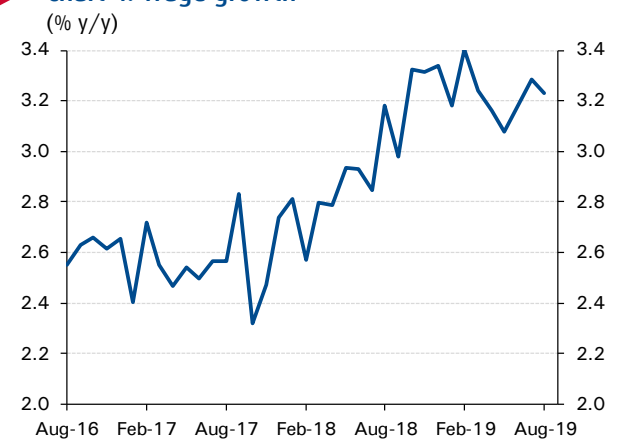
▶ Chart 3: Non-farm payrolls (new jobs)



Non-farm payrolls rose by 130,000 in August, below market expectations, from a downwardly revised 159,000 in July.

Source: Refinitiv

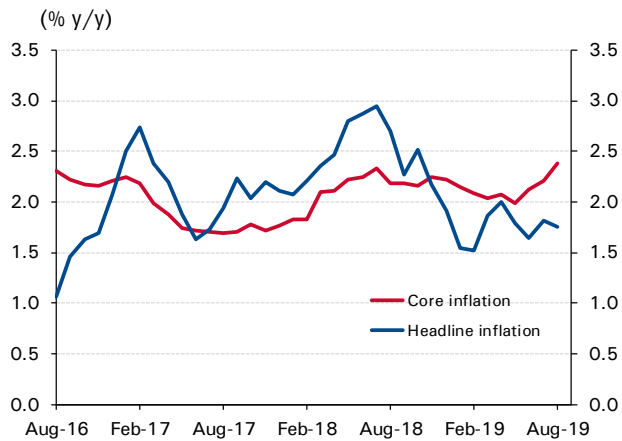
▶ Chart 4: Wage growth



Wage growth edged down to 3.2% in August from an upwardly revised 3.3% in June despite a tight labor market.

Source: Refinitiv

▶ **Chart 5: Consumer price index inflation**



Core inflation rose to a 13-month high of 2.4% in August on higher transport, medical care prices, while headline inflation eased to 1.7%

Source: Refinitiv

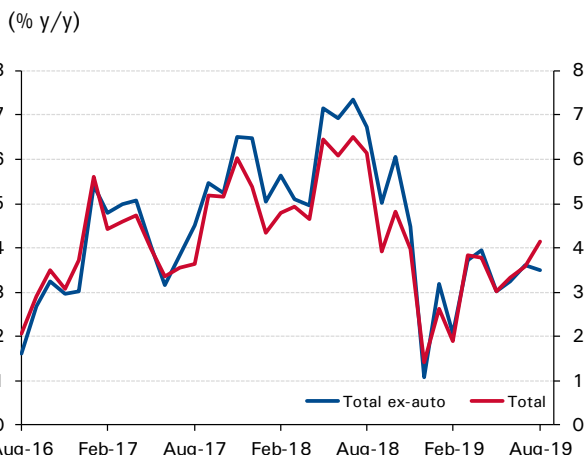
▶ **Chart 6: Commercial and industrial loans**



C&I loan growth rose to 6.6% after five months of decline, helped by lower borrowing costs.

Source: Refinitiv

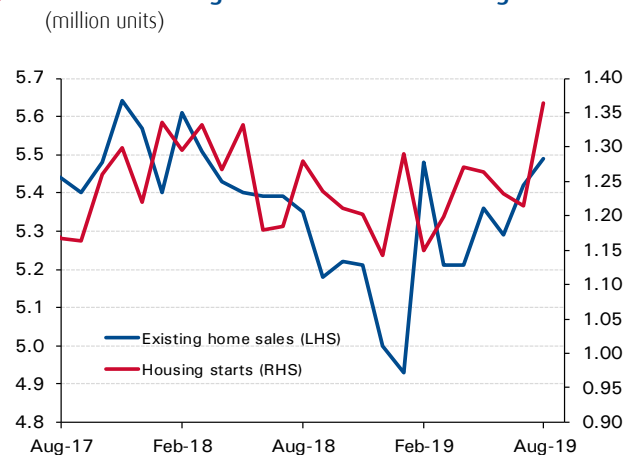
▶ **Chart 7: Retail sales**



Retail sales grew 4.1% y/y in August from an upwardly revised 3.6% in July amid continued good consumer sentiment.

Source: Refinitiv

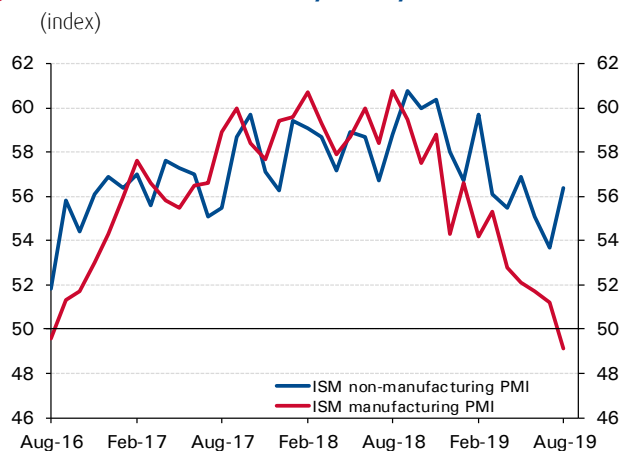
▶ **Chart 8: Existing home sales and housing starts**



Housing starts surged 12% m/m to a 12-year high of 1.36 million units in August, likely supported by lower mortgage rates.

Source: Refinitiv

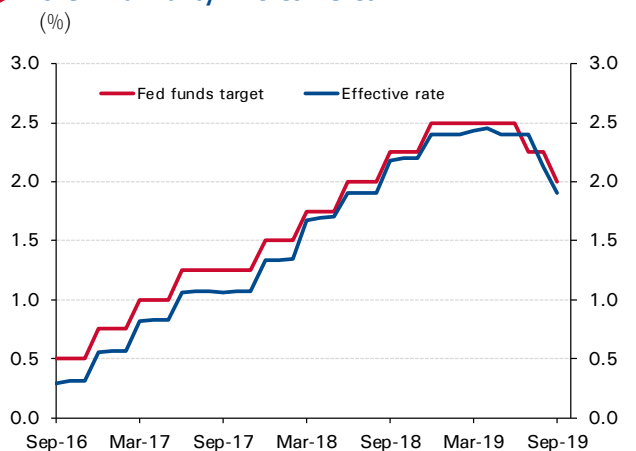
▶ **Chart 9: Business activity surveys**



Manufacturing activity saw the first month of contraction (August) since August 2016 on a decline in new orders and employment.

Source: Refinitiv

▶ **Chart 10: Policy interest rates**

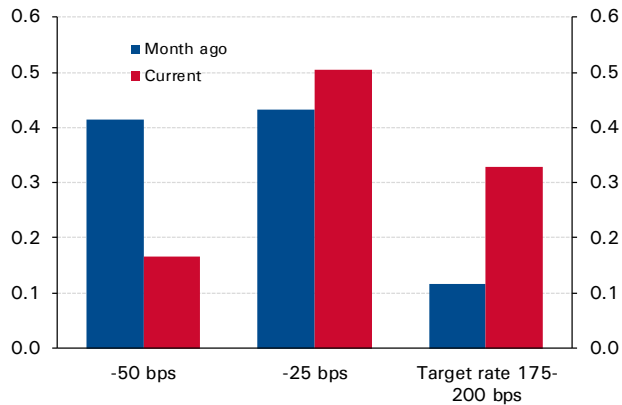


The Fed as expected cut interest rates by 25 bps to a target range of 1.75-2.00% amid slower global growth and trade risks.

Source: Refinitiv

Chart 11: Fed rate cut outlook for end-2019

(futures market probability, as of 23 September 2019)

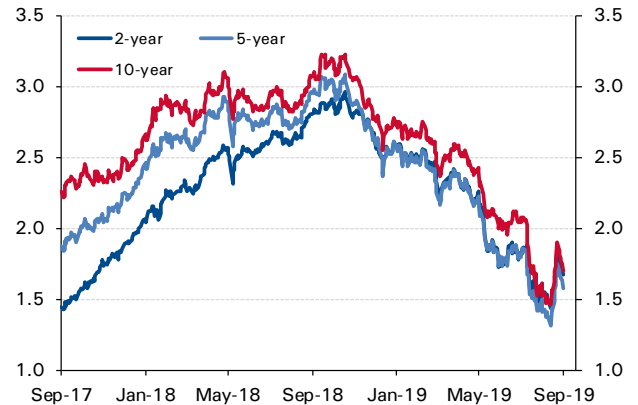


Markets place a high probability (67%) on one or two further rate cuts this year, while the chance of no further cuts has risen to 33%.

Source: CME Group

Chart 12: Government bond yields

(%)



Market uncertainty sparked volatility in bond yields; the 10-year hit a 3-year low of 1.5% (August), rebounding to 1.7% in September.

Source: Refinitiv

Chart 13: Stock market

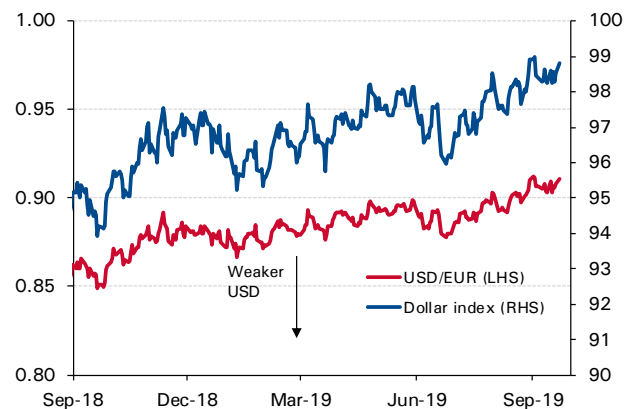
(S&P 500)



The S&P500 has regained traction and volatility eased after a turbulent August, but markets remain laden with risk and uncertainty.

Source: Refinitiv

Chart 14: Exchange rates



The dollar gained slightly from August on a softer euro and possibly a more neutral forward monetary stance by the Fed.

Source: Refinitiv

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