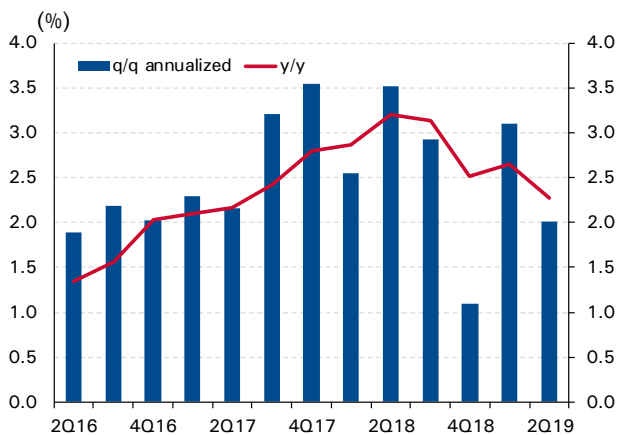


Manufacturing activity contracts and retail sales disappoint despite very low unemployment

- The unemployment rate decreased to a 50-year low of 3.5% in September, below market expectations of 3.7%.
- Non-farm payrolls rose by 136,000 in September, less than expected following 168,000 in August.
- Manufacturing activity saw the second consecutive month of contraction in September to the lowest since 2009.
- The futures market probability of one or more additional rate cuts this year has risen to 95%.
- September headline and core inflation were unchanged from August at 1.7% and 2.4%, slightly below consensus.
- The 10-year treasury yield rose 13 bps in the month-to-late October to 1.80% amid softer trade tensions.

▶ Chart 1: Real GDP growth



Annualized GDP growth in 2Q was 2.0%, unrevised from the previous estimate and down from a 3.1% expansion in 1Q19.

Source: Refinitiv

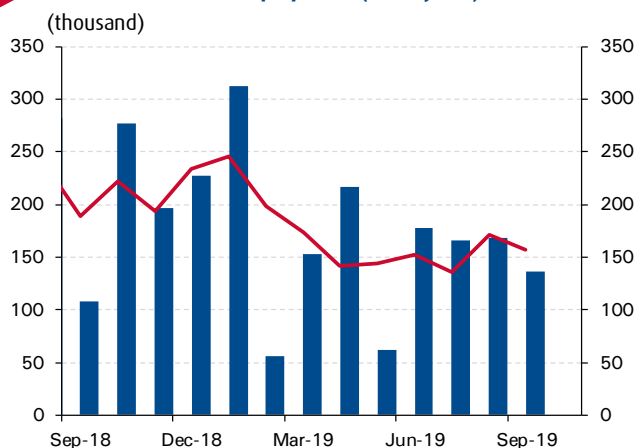
▶ Chart 2: Unemployment rate



The unemployment rate decreased to a 50-year low of 3.5% in September, below market expectations of 3.7%.

Source: Refinitiv

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



Nonfarm payrolls in the US rose by 136,000 in September, less than expected, from an upwardly revised 168,000 in August.

Source: Refinitiv

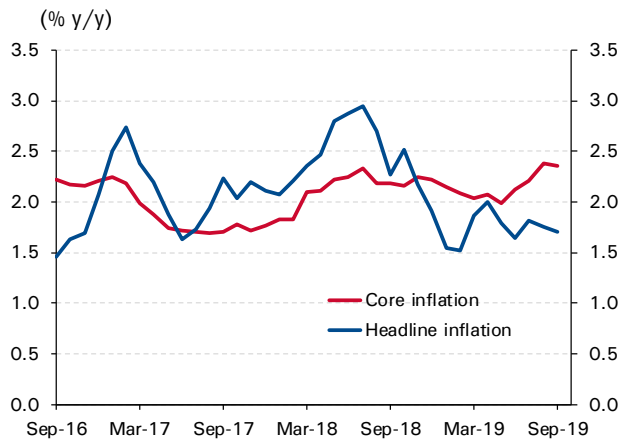
▶ Chart 4: Wage growth



Wage growth slowed to 2.9% in September from 3.2% in August despite a tightening labor market.

Source: Refinitiv

Chart 5: Consumer price index inflation



Headline and core inflation in September were 1.7% and 2.4%, respectively, unchanged from August and slightly below expectations.

Source: Refinitiv

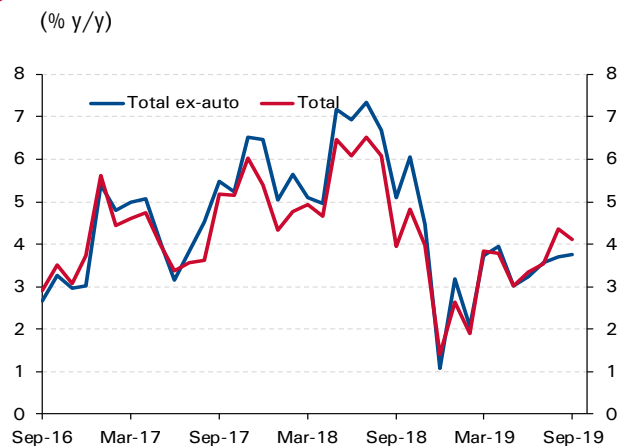
Chart 6: Commercial and industrial loans



C&I loan growth edged down to 5.9% in September from 6.7% in August on a marked slowdown in business activity.

Source: Refinitiv

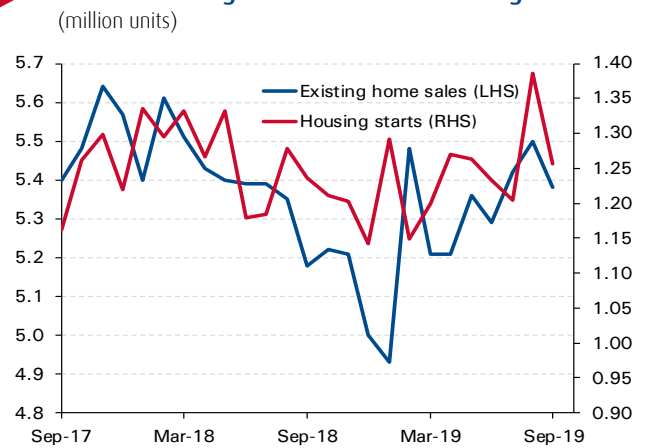
Chart 7: Retail sales



Retail sales growth eased to 4.1% in September, below market expectations, from an upwardly revised 4.4% in August.

Source: Refinitiv

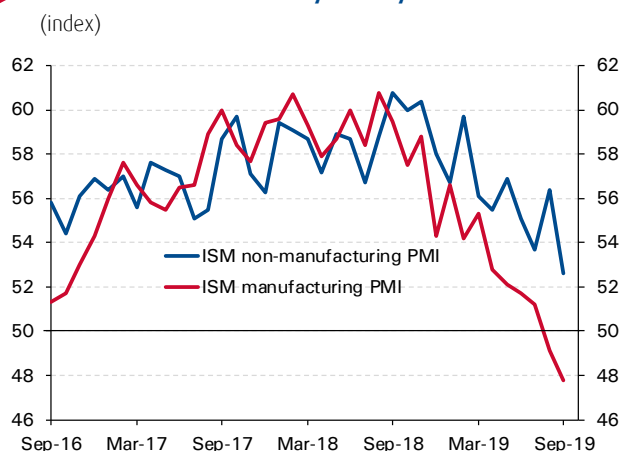
Chart 8: Existing home sales and housing starts



Housing starts fell 9.4% in September from an upwardly revised 12-year high of 1.39 million units in August. Home sales also fell.

Source: Refinitiv

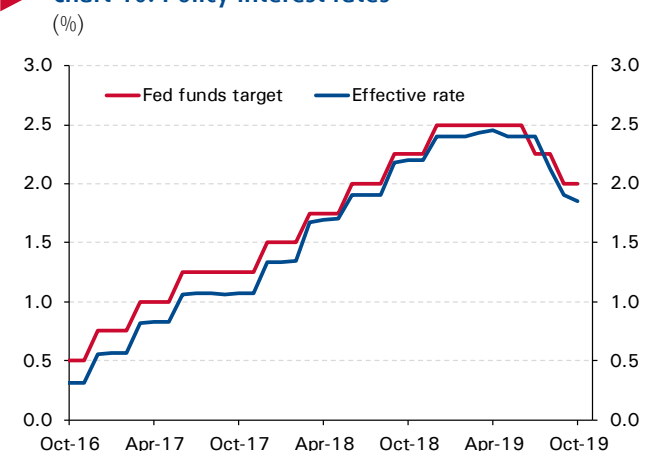
Chart 9: Business activity surveys



Manufacturing activity saw the second consecutive month of contraction in September to the lowest level since 2009.

Source: Refinitiv

Chart 10: Policy interest rates

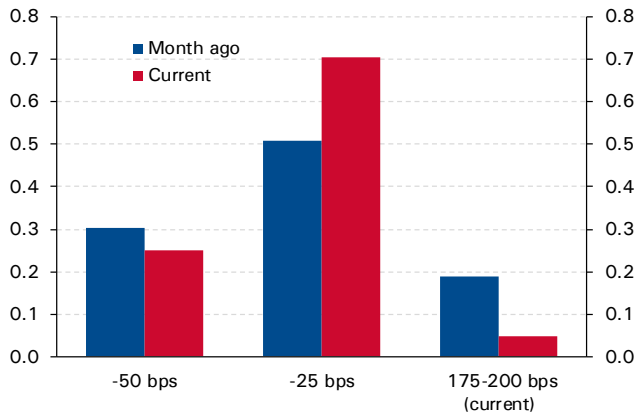


The current target range is 1.75-2.00% and the Fed is likely to cut rates by 25 bps at the next FOMC meeting on October 30.

Source: Refinitiv

Chart 11: Fed rate cut outlook for end-2019

(futures market probability, as of 24 October 2019)



The futures market probability of one or more rate cuts this year has risen to 95%, with the likelihood of no rate cuts falling to only 5%.

Source: CME Group

Chart 12: Government bond yields

(%)



The 10-year treasury yield rose 13 bps in the month-to-late October to 1.80% helped by softer trade tensions.

Source: Refinitiv

Chart 13: Stock market

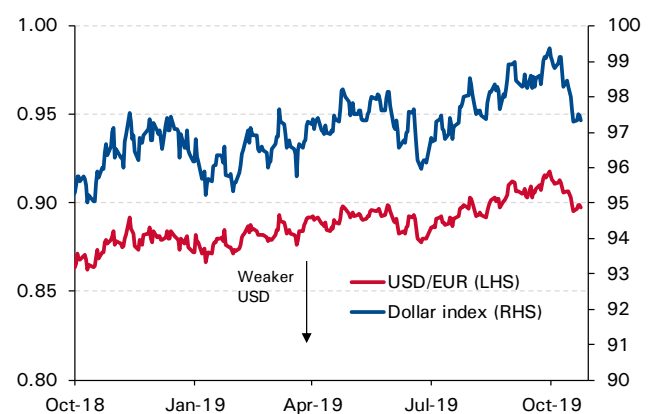
(S&P 500)



The S&P500 saw modest gains of 1% MTD in late October amid overall positive corporate earnings and following a fairly volatile September.

Source: Refinitiv

Chart 14: Exchange rates



The dollar lost strength in October on two recent and further expected Fed rate cuts.

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 17170156

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