

### International and markets

**US:** Retail sales were flat in July, but increased by a higher-than-expected 0.7% m/m when excluding vehicles and gas. Manufacturing output in July surprised on the upside, expanding by 0.7% m/m (versus a consensus of 0.2% and a decline in June). In contrast, the housing market continues to show signs of weakness: housing starts in July dropped by 10% m/m and 8% y/y, missing consensus by a wide margin. Moreover, the index of leading economic indicators fell by 0.4% in July, its fourth consecutive monthly decline. Meanwhile, the minutes of the July Fed meeting showed that participants expected GDP to expand in the second half, but at a below-trend pace.

**Europe:** Revised estimates for Eurozone GDP in 2Q showed growth at a less robust 0.6% q/q (+3.9% y/y) compared to the previously reported 0.7%. Meanwhile, UK inflation jumped to 10.1% y/y in July from 9.4% in June, surpassing the consensus forecast (9.8%) and the BoE's projection (9.9%). This was led by a 12.6% rise in food prices, while the core rate rose to 6.1% from 5.8%. However, factory inflation (input PPI) softened somewhat to 22.6% from 24.1% in June. Retail sales rose unexpectedly in July by 0.3% m/m versus a forecast of -0.2%.

**China:** The PBOC cut the 1-year Medium-Term Lending Facility (MLF) rate by 10 bps following lackluster growth across several economic indicators e.g. industrial production (3.8% y/y), retail sales (2.7%), and fixed asset investment (5.7%). The rate cut is expected to increase the supply of credit to the economy.

**Financial markets:** Global equities were mostly negative on hawkish Fed comments, with the S&P 500 down 1.2% w/w, snapping a five-week winning streak. The 10-yr treasury yield rose 14 bps w/w to a four-week high of 2.99%. GCC markets were mixed but positive overall (MSCI GCC: +0.7%), led by Qatar (2%) while Kuwait's All-Share was little changed (-0.2%).

**Oil:** Brent posted three days of gains to close at \$96.7/bbl on Friday (-1.5% w/w; +24.4% ytd), after a sizeable decline in US crude and gasoline stocks eased oil consumption fears. Prices had fallen to a six-month low earlier in the week on the weak Chinese economic data and on a possible Iran nuclear deal.

### MENA Region

**Kuwait:** The Kuwait Investment Authority (KIA) settled KD3.0 billion of the government's accrued commitments since the beginning of FY22/23.

**Saudi:** Inflation accelerated to a 13-month high of 2.7% y/y (+0.5% m/m) in July from 2.3% in June. This was driven by

housing rentals (+0.7% m/m; +2.1% y/y), transport (+1.1% m/m; +3.6% y/y) and also restaurants/hotels and recreation/culture. The IMF expects Saudi economic growth this year to be the fastest in ten years at 7.6%.

**Oman:** Rating agency Fitch upgraded Oman's sovereign credit rating to BB (stable) from BB-, citing significant improvements in the Sultanate's public finances, lessening external financing pressures and continued commitment to fiscal reforms. The Ministry of Economy launched the national program for economic diversification, which seeks to accelerate the pace of diversification by expanding the production, export and non-oil revenue-generating bases.

**Bahrain:** The government posted a budget surplus of BHD33 million (\$88m) for 1H22, with higher oil prices propelling revenues up 52% y/y. Spending increased by just 2%, signaling continued commitment to Fiscal Balance Program targets.

**Egypt:** Central bank governor Tareq Amer unexpectedly resigned after almost seven years. The CBE kept its benchmark interest rates unchanged (discount rate at 11.25%), versus expectations of a hike by some observers. The government issued LE21.5 billion (\$1.1bn) worth of treasury bills in two installments (91 days and 273 days) as part of the MoF's plan to borrow LE818 billion during the first quarter of FY22/22. The unemployment rate was stable at 7.2% in 2Q22.

### Key takeaways:

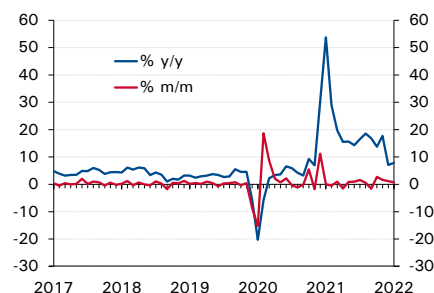
- US economic indicators point to ongoing economic sluggishness in 2H22, with growth only positive at best, following the contraction in the first two quarters of the year.
- The UK is at the sharp end of the inflation surge, with the BoE forecasting inflation to rise to 13% in the next few months and the base rate set to increase another 50 bps in September. Rate hikes have so far failed to stem weakness in the pound, which is hovering at a historically weak \$1.18/GBP.
- Strong US oil consumption data helped reverse some of oil's losses last week. While Iran's return could see up to 1.5 mb/d of extra supply within 6-12 months, the expected cessation of US Strategic Reserve releases in October and Russian oil imports by the EU in 2023 should keep balances relatively tight.
- The Central Bank of Egypt's decision to leave rates on hold came despite ongoing pound weakness and three-year high inflation. The bank highlighted the downside pressure on economic growth from international events and that certain inflation drivers could be seasonal and temporary.

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



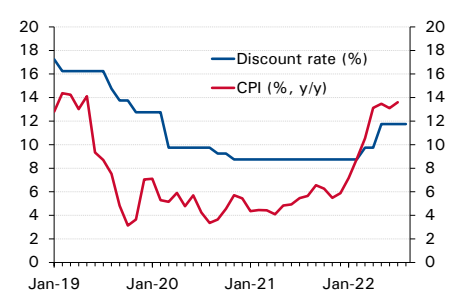
Source: Refinitiv

▶ **Chart 2: US retail sales**  
(%)



Source: Haver

▶ **Chart 3: Egypt inflation & interest rates**



Source: Haver

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,151	-1.0	-16.0
DAX	13,545	-1.8	-14.7
DJIA	33,707	-0.2	-7.2
Eurostoxx 50	3,730	-1.2	-13.2
FTSE 100	7,550	0.7	2.2
Nikkei 225	28,930	1.3	0.5
S&P 500	4,228	-1.2	-11.3
<b>Regional</b>			
Abu Dhabi SM	10,083	-1.6	18.8
Bahrain ASI	1,898	0.0	5.6
Dubai FM	3,420	0.7	7.0
Egypt EGX 30	10,094	1.1	-15.5
MSCI GCC	818	0.7	11.0
Kuwait SE	7,685	-0.2	9.1
KSA Tadawul	12,622	0.7	11.9
Muscat SM 30	4,607	-0.3	11.6
Qatar Exchange	14,018	2.0	20.6

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	2.99	14.0	147.7
Bunds 10 Year	1.23	24.4	141.3
Gilts 10 Year	2.41	30.1	144.0
JGB 10 Year	0.20	1.0	12.9
<b>Regional</b>			
Abu Dhabi 2027	3.29	16.8	84.6
Oman 2027	5.41	31.1	23.1
Qatar 2026	3.38	6.2	93.5
Kuwait 2027	3.37	11.2	96.3
Saudi Arabia 2028	3.67	13.6	73.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	96.7	-1.5	24.4
KEC	101.8	-3.8	28.8
WTI	90.8	-1.4	20.7
Gold	1747.6	-2.8	-4.4

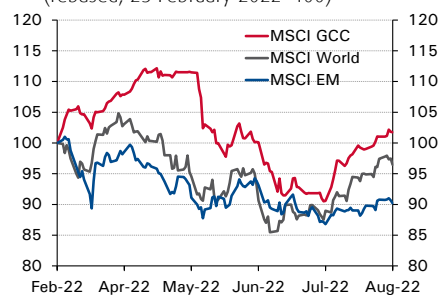
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	4.13	-1.7	260.8
Kibor - 3 month	2.56	6.3	106.3
Qibor - 3 month	2.45	0.0	132.5
Eibor - 3 month	2.88	10.4	251.7
Saibor - 3 month	2.98	-4.1	207.7
Libor - 3 month	2.96	3.6	274.9
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.4	1.7
KWD per EUR	0.313	-0.7	-9.2
USD per EUR	1.003	-2.2	-11.7
JPY per USD	136.9	2.6	19.0
USD per GBP	1.183	-2.5	-12.6
EGP per USD	19.12	0.0	22.1

Updated on 19/8/2022

Source: Refinitiv

### International equity markets

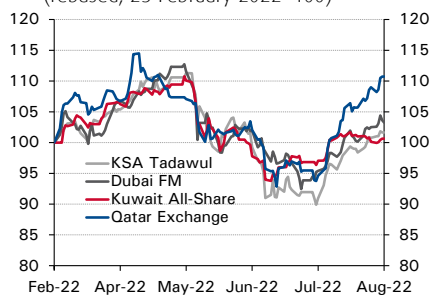
(rebased, 25 February 2022=100)



Source: Refinitiv

### GCC equity markets

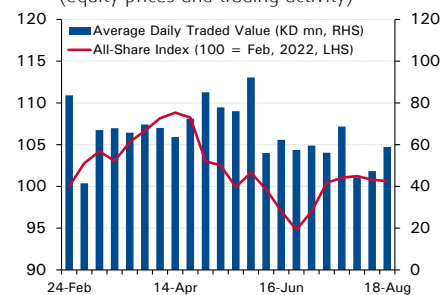
(rebased, 25 February 2022=100)



Source: Refinitiv

### Boursa Kuwait

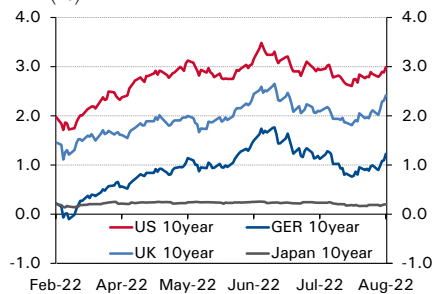
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

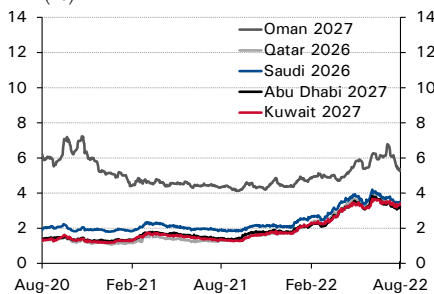
(%)



Source: Refinitiv

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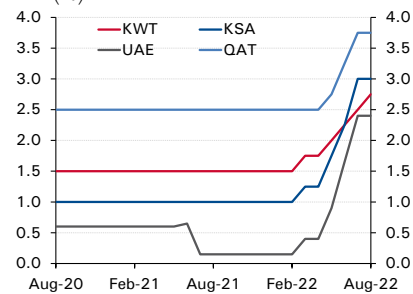
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv