

### International and markets

**US:** Non-farm payrolls rose by 235,000 in August, missing consensus expectations (around 740,000) by a wide margin with the July number revised to 1.053 million from an already-strong 943,000. The unemployment rate, however, decreased to 5.2% from 5.4% in July, while the participation rate was stable at 61.7%. In another sign of weakening consumer confidence (following the University of Michigan's plunge in July), the Conference Board's consumer confidence index fell to 113.8 in August from 125.1 in July. Meanwhile, the ISM Manufacturing Index rose to 59.9 in August (59.5 in July), with the new orders index (66.7) continuing to be particularly strong.

**EU:** Euro-area inflation spiked to a ten-year high of 3.0% in August, exceeding all forecasts. Core inflation reached 1.6%, the highest since 2012. Despite inflation topping the ECB's target rate of 2.0% by some margin, euro-area policymakers still view it largely as being transitory and stoked by supply chain disruptions and other factors, such as base effects including the temporary cut in German sales tax in 2H20.

**China:** Evidence of China's economic slowdown grows as both manufacturing and services sectors declined amid renewed restrictions due to rising cases of the Delta variant. The Caixin Manufacturing PMI fell to 49.2 in August from 50.3 in July, entering contraction territory for the first time since April 2020, while the non-manufacturing PMI plunged from 53.3 in July to 47.5 in August.

**Financial markets:** Global equity markets continued to rise, with the MSCI AC World index up 1% w/w. Gains were led by emerging markets (MSCI EM 2.6%), while US markets were mixed (S&P500 0.6%, DJIA -0.2%), curbed by the weaker-than-expected jobs data on Friday. Meanwhile, the MSCI GCC index rose 1% w/w, lifted by Saudi Arabia (1.7%). Kuwait's All-Share Index, though, rose a modest 0.3%.

**Oil:** Brent closed on Friday down 0.1% w/w at \$72.61/bbl (+40.2% ytd) on the weak US jobs report, narrowly missing out on a second consecutive week of gains. Oil prices were supported last week by optimism about oil demand—OPEC+ reaffirming its 400 kb/d monthly supply increases was seen in this way—and Hurricane Ida, which had knocked out a substantial portion of US production and refining.

### MENA Region

**Kuwait:** The CBK called on the government to accelerate reform efforts to rectify the structural imbalances in the economy. Meanwhile, the lack of liquidity in the General Reserve Fund (GRF) pushed the Minister of Finance to sound the alarm and warn that the government may not be able to respond to citizens' needs and fulfil its obligations. Kuwait's current account surplus narrowed in 2020 to KD6.9 billion (21.1% of GDP) from KD10.1 billion (24.5% of GDP) in 2019, while FX reserves increased by KD2.6 billion to reach KD14.7 billion.

**Saudi Arabia:** The PMI dropped for the second month in a row to stand at 54.1 in August (55.8 in July), mainly driven by a fall in output. Meanwhile, credit growth in July (+0.5%) slowed to the weakest rate for this year at 16.4%. Central bank's reserve assets fell by \$4.4 billion.

**Egypt:** Real GDP grew by 7.7% y/y in 2Q21 compared with -1.7% in 2Q20 due to pandemic-related restrictions. For the full fiscal year (July 20 – June 21), growth reached 3.3% compared to 3.6% in the previous fiscal year, still strong in the context of the pandemic which affected growth, especially in the first half of FY20/21. The government expects growth to reach 5.4% in FY21/22.

#### Key takeaways:

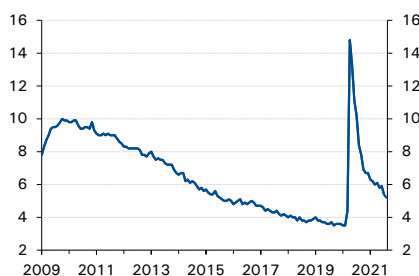
- The weak US jobs report has lowered the likelihood of the Fed announcing tapering details in the upcoming September meeting. While tapering remains the most likely scenario, further ongoing softness in economic indicators, especially job creation, might push tapering until later this year or early 2022.
- The ECB is unlikely to change its monetary policy in its policy meeting on September 9 despite rising inflation. It is not clear whether the ECB may follow the US Fed's and announce a decoupling of decisions on interest rates and the monthly asset purchase program (PEPP).
- In Kuwait, the minister of finance's warning on the lack of liquidity to finance the budget deficit is the loudest so far, and could undermine Kuwait's credit rating and its overall international standing. Action is needed and soon: While issuing public debt at this stage remains the preferred option, this will take some time to put in place and hence there is a need to resort to other measures including withdrawing from the FGF, although this is the least favorable policy especially if it is not temporary, well-structured and linked to essential fiscal reforms.

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



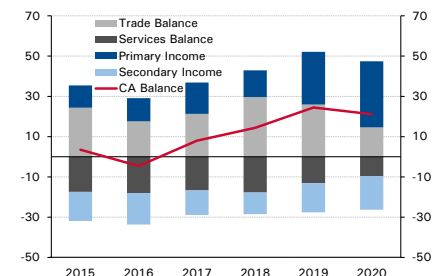
Source: Refinitiv

▶ **Chart 2: US unemployment** (%)



Source: Refinitiv

▶ **Chart 3: Kuwait's Current account** (% of GDP)



Source: Central Bank of Kuwait.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,843	0.3	-7.1
DAX	15,781	-0.4	15.0
DJIA	35,369	-0.2	15.6
Eurostoxx 50	4,202	0.3	18.3
FTSE 100	7,138	-0.1	10.5
Nikkei 225	29,128	5.4	6.1
S&P 500	4,535	0.6	20.7
<b>Regional</b>			
Abu Dhabi SM	7,653	0.4	51.7
Bahrain ASI	1,663	-0.2	11.7
Dubai FM	2,912	0.4	16.9
Egypt EGX 30	11,301	1.6	4.2
MSCI GCC	704	1.0	28.7
Kuwait SE	6,813	0.3	22.8
KSA Tadawul	11,320	1.7	30.3
Muscat SM 30	3,974	0.3	8.6
Qatar Exchange	11,071	-0.3	6.1

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.33	1.5	41.4
Bunds 10 Year	-0.36	6.1	21.7
Gilts 10 Year	0.72	13.7	52.1
JGB 10 Year	0.04	1.0	1.4
<b>Regional</b>			
Abu Dhabi 2022	0.32	-3.0	-18.2
Dubai 2022	0.27	0.0	7.4
Qatar 2022	0.40	9.9	-12.3
Kuwait 2022	0.41	-6.9	-5.2
KSA 2023	0.63	-4.5	-8.8
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	72.6	-0.1	40.2
KEC	73.7	2.3	45.5
WTI	69.3	0.8	42.8
Gold	1830.9	0.8	-3.3

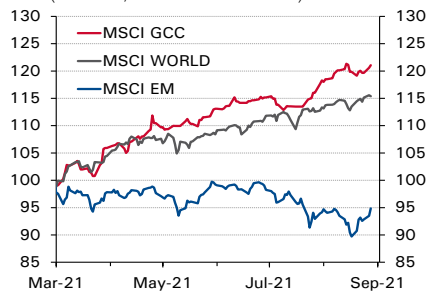
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.57	1.7	-68.3
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.10	-5.0	-2.1
Eibor - 3 month	0.28	-11.9	-23.7
Saibor - 3 month	0.80	0.0	-2.2
Libor - 3 month	0.12	-0.3	-12.1
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.300	-0.1	-1.1
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.188	0.8	-2.7
JPY per USD	109.7	-0.1	6.3
USD per GBP	1.387	0.8	1.4
EGP per USD	15.67	0.1	-0.1

Updated on 3/9/2021

Source: Refinitiv

### International equity markets

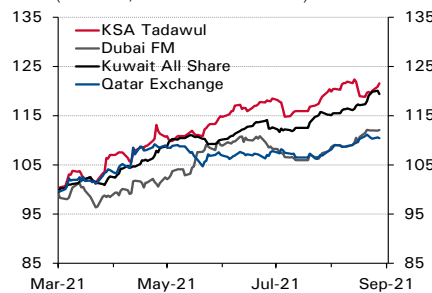
(rebased, 4 March 2021=100)



Source: Refinitiv

### GCC equity markets

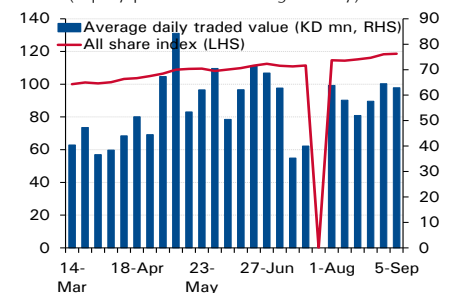
(rebased, 4 March 2021=100)



Source: Refinitiv

### Bursa Kuwait

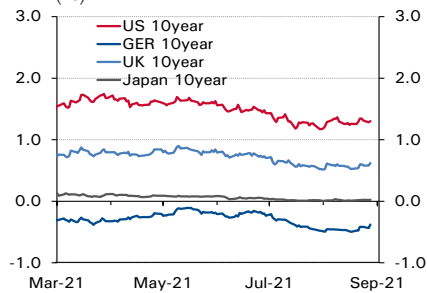
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

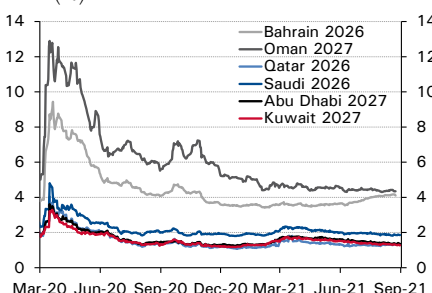
(%)



Source: Refinitiv

### GCC bond yields

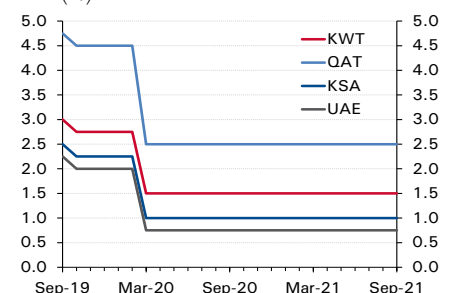
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv