

International

US: Economic data continued to send conflicting signals about the state of the US economy. Manufacturing activity eased further in June, with the ISM manufacturing PMI currently standing at 51.7, slightly above the contraction threshold. Business activity also slowed down in tandem with the deceleration in commercial and industrial loan growth. However, business sector's concern was partly alleviated by solid June retail data that came in stronger than expected growing at 3.4% y/y. Trade concerns resurfaced last week when President Trump threatened additional tariffs on China and no date has been set yet for face-to-face discussions.

EU: Consumer prices in the euro zone increased by 1.3% y/y in June, slightly above May's reading of 1.2%. German investor confidence deteriorated sharply to -24.5 in July from -21.1 in June, driven by the continued slide in incoming orders for German industry. British retail sales rebounded unexpectedly to 1.0% m/m in June, well above the forecasted 0.3% drop.

Financial markets: Global equities fell last week on mixed earnings estimates, trade concerns, and profit taking. The MSCI world was down 0.7% w/w led by the S&P 500, which declined 1.2%. This comes after an extended equity rally triggered by an expected interest rate cut in the upcoming FOMC meeting and after a short-lived easing of trade disputes between the US and China on the possible resumption of negotiations.

Oil: Oil prices increased about 1% on Friday amid rising tensions in the region after Iran seized a British ship in the Strait of Hormuz. For the week as a whole, Brent price declined by 6.4% w/w to \$62.5/bbl, as oil production in the Gulf of Mexico resumed and on worries about the Chinese economic growth slowdown.

MENA Region

Kuwait: The real estate sector recorded KD 225 million in June, very close to May's sales figure, while the number of transactions reached 437 in June, down by 22% from last month, indicating a pick-up in average transaction price. June's sales were led by the investment sector, which posted KD 101 million over 97 transactions, followed by the residential sector with sales of KD 84 million over 262 transactions. The commercial sector remained relatively active with 78 transactions worth KD 78 million.

Saudi Arabia: Real GDP grew by 1.7% y/y in 1Q19, as large public spending boosted non-oil sector growth to 2.1% y/y. Meanwhile, domestic gasoline prices increased by 3-6% starting July 14, in line with the government's plan to reform its subsidies program.

UAE: In order to improve the business environment, the government announced the reduction (reportedly, some fees will be cut by 50%) or cancellation of more than 1,500 federal government fees across three main federal ministries: Ministry of Interior, Economy and Human Resources & Emiratization.

Egypt: The economy grew by 5.6% in FY18/19, while the budget deficit narrowed from 9.7% of GDP in FY17/18 to 8.2% of GDP in FY18/19, slightly better than the official forecast of 8.4%. In this context, the IMF is due to vote on the disbursement of the final \$2 billion tranche of a \$12 billion loan to Egypt on July 24. The release of this tranche is all but certain.

Financial markets: GCC equity performance was mixed but positive overall, with the MSCI GCC up 0.5 % w/w led by Abu Dhabi (3.3%) and Dubai (2.9%) following the announcement of strong second quarter earnings in First Abu Dhabi and Emirates NBD banks. Meanwhile, Boursa Kuwait's All share index ended the week flat (premier: -0.4%), likely influenced by some profit taking after recording stellar year-to-date gains of 21% and 28% in the all-share and premier indices, respectively.

Key takeaways:

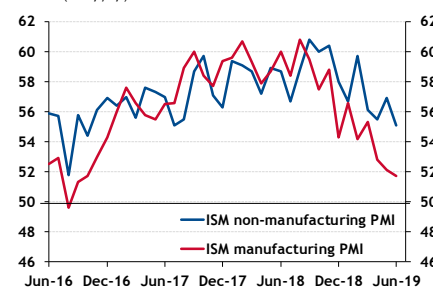
- Despite some positive news from the retail market and the Fed's view that the economy is doing well with a low unemployment rate, the discussion now is not whether the Fed will cut the interest rate but rather by how much and when. A speech by one top Fed official last week, hinting at a possible cut of 50bps in July has confused the market, which until Thursday expected a 25bps cut. The latter is still the likely outcome.
- The ECB will likely resume its stimulus program and change its guidance at its next meeting (July 25) as inflation is still low and economic growth remains sluggish. A cut in the interest rate could be on the table although this is unlikely to be decided at this meeting.
- The recent ratcheting up of regional tensions could escalate further and will continue to influence, and lead to fluctuations in, oil prices over the coming few weeks.

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



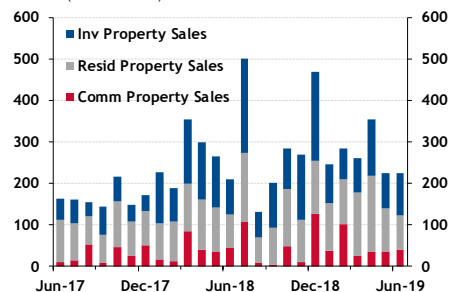
Source: Refinitiv

▶ **Chart 2: US Business surveys (ISM)** (% y/y)



Source: Refinitiv

▶ **Chart 3: Kuwait's real estate sales** (KD Million)



Source: Ministry of Justice, National Bank of Kuwait

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,808	0.0	26.5
DAX	12,260	-0.5	16.1
DJIA	27,154	-0.7	16.4
Eurostoxx 50	3,480	-0.5	16.0
FTSE 100	7,509	0.0	11.6
Nikkei 225	21,467	-1.0	7.3
S&P 500	2,977	-1.2	18.7
Regional			
Abu Dhabi SM	5,218	3.3	6.2
Bahrain ASI	1,538	0.0	15.0
Dubai FM	2,763	2.9	9.2
Egypt EGX 30	13,670	-1.0	4.9
S&P GCC 40	1,236	3.3	12.3
Kuwait SE	6,125	0.0	20.6
KSA Tadawul	9,034	0.7	15.4
Muscat SM 30	3,748	-1.6	-13.3
Qatar Exchange	10,503	-1.0	2.0

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.05	-5.6	-64.1
Bunds 10 Year	-0.32	-7.7	-56.8
Gilts 10 Year	0.74	-10.1	-53.4
JGB 10 Year	-0.13	-1.9	-13.6
Regional			
Abu Dhabi 2022	2.31	-3.7	-99.2
Dubai 2022	2.84	-7.5	-108.9
Qatar 2022	2.44	-5.7	-101.5
Kuwait 2022	2.33	-4.7	-99.5
KSA 2023	2.66	-6.2	-121.4
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	62.5	-6.4	16.1
KEC	63.3	-6.2	21.3
WTI	55.6	-7.6	22.5
Gold	1425.1	1.1	11.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	3.10	0.0	-85.0
Kibor - 3 month	2.75	0.0	43.8
Qibor - 3 month	2.78	0.5	-13.1
Eibor - 3 month	2.62	-0.2	-21.8
Saibor - 3 month	2.68	-2.1	-29.4
Libor - 3 month	2.28	-2.6	-53.0
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.1	0.4
KWD per EUR	0.341	0.0	-2.0
USD per EUR	1.122	-0.4	-2.2
JPY per USD	107.7	-0.2	-1.7
GBP per USD	1.250	-0.6	-2.0
EGP per USD	16.57	0.0	-7.2

Updated on 19/7/2019

Source: Refinitiv

International equity markets

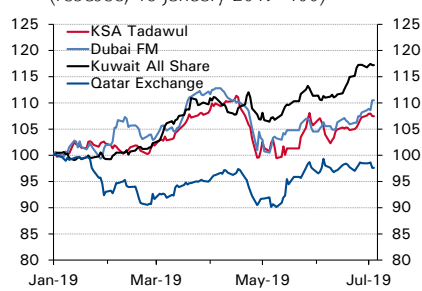
(rebased, 16 January 2019=100)



Source: Refinitiv

GCC equity markets

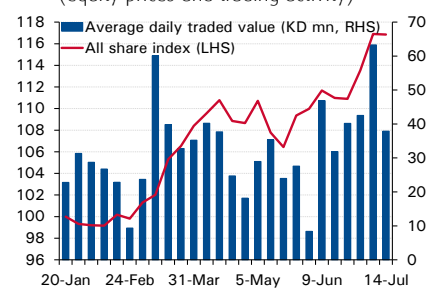
(rebased, 16 January 2019=100)



Source: Refinitiv

Boursa Kuwait

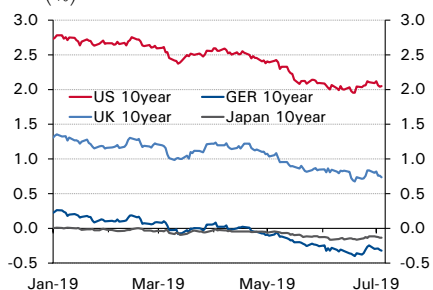
(equity prices and trading activity)



Source: Refinitiv

International bond yields

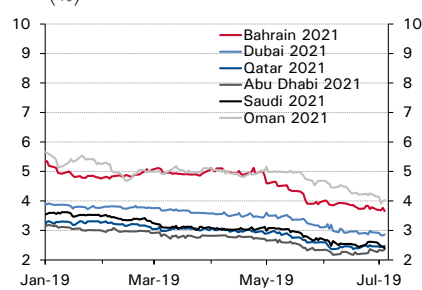
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Source: Refinitiv

GCC bond yields

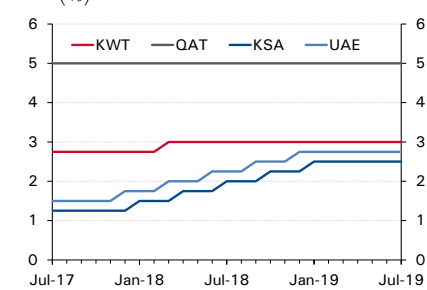
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv