

### International

**US:** The rise in new jobless claims – although easing for the 14<sup>th</sup> consecutive week – remained huge at 1.31 million in the week ending July 4. Continuing claims (released with a one-week lag) fell 0.7 million but remained very high at 18.1 million giving an insured unemployment rate of 12.4% from 12.9% before. The ISM non-manufacturing activity survey index bounced to 57.1 in June, now well above the 41.8 low recorded in April on strong readings for output (66.0) and new orders (61.6). The jobs component remained in contraction territory however at 43.1.

**UK:** The government announced a new fiscal stimulus package worth £30 billion (1.5% of GDP) to help support growth and jobs mainly for low-income groups and the young. The measures included a £1,000 per worker grant to firms who bring back furloughed staff, a 6-month cut in VAT from 20% to 5% for the tourism and hospitality sector and a temporary cut in stamp duty. Including these measures, the fiscal deficit is projected to reach more than £350 billion this year.

**Financial markets:** Equities were mostly positive on progress on a Covid-19 treatment drug. The Chinese CSI 300 surged 7.5% w/w on strong demand by retail investors backed by state bank guarantees. The DJIA and SP500 rose 1% and 1.8%.

**Oil:** Brent rose 1% w/w to \$43.2/bbl, with markets hopeful on a drug for Covid-19. The IEA lowered its forecast of the drop in 2020's oil demand from 8.3 mb/d to 7.9 mb/d. On Thursday, an unexpected increase in US crude (+5.6 mb to 539 mb) and refined product inventories had markets on the back foot.

### MENA Region

**Kuwait:** Credit was flat in May, resulting in growth of 4.5% y/y. Growth in credit to businesses softened to just 0.2% m/m, leading to a 6.2% y/y increase. Household credit decreased for the third month in a row, leading to multi-year low growth of 2.3% y/y. The expansion in personal consumption loans weakened to 22% y/y, the slowest in nearly a year. Deposit growth was robust m/m, leading to 2.7% y/y growth. Meanwhile, it was reported that the General Reserves Fund (GRF) would sell KD2 billion in assets to the Future Generation Fund (FGF) to help finance the budget deficit.

**Saudi Arabia:** The unemployment rate of Saudi nationals continued to improve in 1Q20, inching down to 11.8% from 12% in 4Q19. In contrast, following a steady increase since 4Q18,

the participation rate among Saudis ticked down from 46.7% in 4Q19 to 46.2% in 1Q20. We note that these figures are based on a survey that was carried out in January 2020, i.e. they do not reflect the impact that the coronavirus may have had.

**UAE:** Dubai's Crown Prince announced a new stimulus package worth AED1.5 billion aimed at boosting business liquidity and reducing costs, including refunds of various government fees. It is the third such package, bringing the total to AED6.3 billion.

**Bahrain:** GDP contracted 1.1% y/y in 1Q20 after a 0.4% decline in 4Q19. Non-oil GDP declined 1.7% on sharp falls in hospitality (-36%) and transport & communication (-6.3%). Oil GDP growth edged up from 1.7% in 4Q19 to 1.8% in 1Q20.

**Egypt:** The PMI improved to 44.6 in June up from 40.7 in May, but still far below the 2019 average of 49.1 and remaining in the contraction territory now for almost one year. Urban inflation accelerated to 5.6% y/y in June from 4.7% y/y in May, while the core rate fell to 1.0% from 1.5%. The government decided to keep gasoline and diesel prices unchanged until September. Meanwhile, international reserves rose \$2.2 billion to \$38.2 billion at the end of June, versus \$36 billion in May amid the payment of the first tranche (\$2 billion) of the IMF Stand-By Arrangement of \$5.2 billion agreed recently.

**Financial markets:** GCC equities were mostly positive amid higher oil prices and easing virus restrictions. Gains were led by Saudi (+1.4% w/w), while Kuwait's All-Share gained 0.1%.

#### Key takeaways:

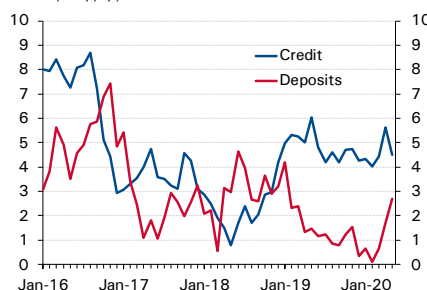
- Robust readings on the ISM activity surveys for June paint an optimistic picture on the US economic recovery. However, the outlook remains clouded by the recent re-imposition of lockdown measures in various states and by continued labor market weakness.
- Kuwait's credit growth reached a standstill in May reflecting the challenging operating environment. If softness in consumption loans is sustained it will result in a sharp deceleration of growth versus the 36% recorded in 2019.
- The possible sale of KD2 billion of Kuwait's GRF assets to the FGF would not be sufficient to finance the budget deficit this year; passing the debt law remains a priority.
- While still modest by recent standards, inflation in Egypt is expected to pick-up in 2H20 helped by a rise in electricity tariffs from July. The Monetary Policy Committee will meet on August 13 and likely keep interest rates on hold to avoid an acceleration of capital outflows.

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



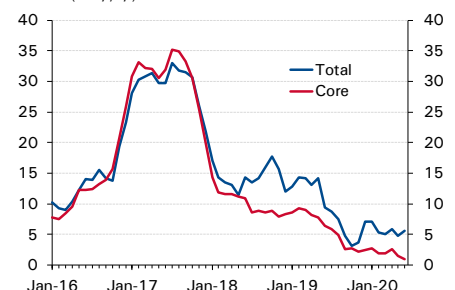
Source: Refinitiv

▶ **Chart 2: Kuwait credit and deposits** (% y/y)



Source: CBK

▶ **Chart 3: Egypt inflation** (% y/y)



Source: Refnitiv

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,753	7.5	16.0
DAX	12,634	0.8	-4.6
DJIA	26,075	1.0	-8.6
Eurostoxx 50	3,296	0.1	-12.0
FTSE 100	6,095	-1.0	-19.2
Nikkei 225	22,291	-0.1	-5.8
S&P 500	3,185	1.8	-1.4
<b>Regional</b>			
Abu Dhabi SM	4,295	-0.4	-15.4
Bahrain ASI	1,286	0.9	-20.1
Dubai FM	2,082	1.0	-24.7
Egypt EGX 30	10,957	1.8	-21.5
MSCI GCC	483	0.5	-14.9
Kuwait SE	5,131	0.1	-18.3
KSA Tadawul	7,417	1.4	-11.6
Muscat SM 30	3,494	-0.5	-12.2
Qatar Exchange	9,316	1.1	-10.6

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	0.63	-3.8	-127.7
Bunds 10 Year	-0.47	-3.8	-28.3
Gilts 10 Year	0.16	-3.2	-66.9
JGB 10 Year	0.02	-1.1	3.7
<b>Regional</b>			
Abu Dhabi 2022	0.95	8.6	-108.9
Dubai 2022	1.55	4.9	-91.6
Qatar 2022	1.03	7.6	-102.9
Kuwait 2022	0.91	9.6	-114.9
KSA 2023	1.37	4.5	-92.8
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	43.2	1.0	-34.5
KEC	43.9	1.9	-35.8
WTI	40.6	-0.2	-33.6
Gold	1798.2	0.8	18.3

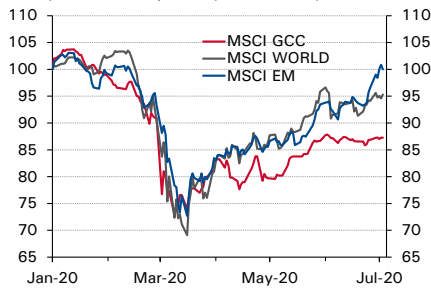
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.30	5.0	-36.7
Kibor - 3 month	1.63	0.0	-112.5
Qibor - 3 month	1.05	-1.2	-120.5
Eibor - 3 month	0.64	-11.4	-156.6
Saibor - 3 month	0.97	-1.9	-126.6
Libor - 3 month	0.27	-3.8	-164.2
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	-0.1	1.5
KWD per EUR	0.346	0.0	3.9
USD per EUR	1.130	0.4	0.8
JPY per USD	106.9	-0.6	-1.6
USD per GBP	1.262	1.1	-4.8
EGP per USD	15.94	-0.8	-0.4

Updated on 10/7/2020

Source: Refinitiv

### International equity markets

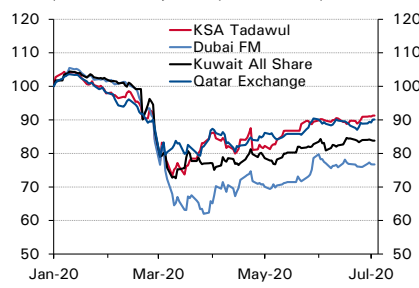
(rebased, 08 January 2020=100)



Source: Refinitiv

### GCC equity markets

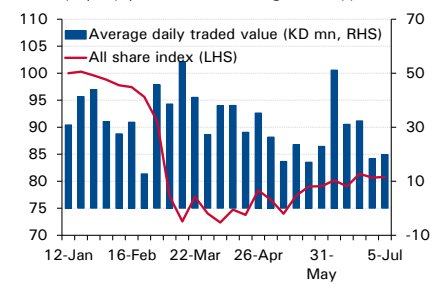
(rebased, 08 January 2020=100)



Source: Refinitiv

### Boursa Kuwait

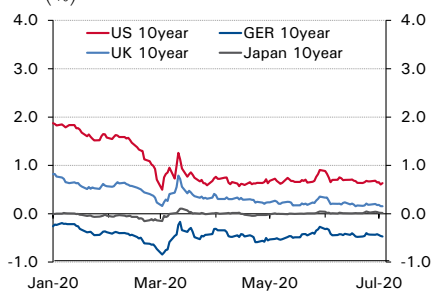
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

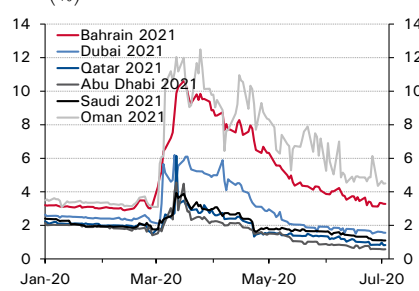
(%)



Source: Refinitiv

### GCC bond yields

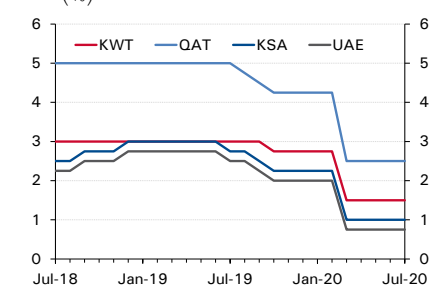
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv