

International and markets

World: The G20 finance ministers endorsed the minimum levy on multinational corporations that was agreed by the G7 last month. The G20 meeting in October will fix a globally agreed minimum tax rate and decide how to share of profits from taxation between countries.

US: The ISM index of services activity edged down to 60.1 in June from May's all-time high of 64.0, but still signaling expansion at a robust pace. While output and orders stayed strong, the employment sub-index contracted for the first time in 6 months, reflecting ongoing supply side bottlenecks. Meanwhile, minutes of the Fed's June meeting stated that the threshold of achieving 'substantial further progress' towards its inflation and employment goals had not yet been met. However, some members believed that given signs of strong economic recovery, the pace of asset purchases will need to be reduced sooner than previously expected. More recently, some Fed members are raising concerns about the impact of the Delta coronavirus variant on economic recovery.

Europe: The ECB announced a shift in its inflation target from the current 'close to but below 2%' to a more symmetric 2%. The move mirrors a similar shift by the US Fed last August, though the latter went further in requiring inflation to overshoot/undershoot 2% in future to make up for weakness/strength in the preceding period. The ECB also said it would take account of climate change factors when considering policy, including in the make-up of its corporate bond purchases.

Financial markets: Global equities were mostly negative amid renewed Covid and economic recovery concerns. The MSCI AC World index was little changed (-0.2% w/w) with declines led by emerging markets (MSCI EM -2.3%), while the DJIA was little changed (0.2%). The MSCI GCC lost 1.1% w/w with sentiment dented by OPEC policy uncertainty and the Jebel Ali port explosion incident. Declines were led by Saudi Arabia (-1.4%), while the Kuwait All-Share was down 0.3%.

Oil: The Brent oil price closed down 0.8% w/w (\$75.6/bbl, +45.8% ytd). Prices fell during the week to a low \$ 73.4/bbl as traders monitored economic recovery prospects, worries about the spread of the Covid-19 delta variant and the standoff between the UAE and Saudi Arabia over production plans. The EIA weekly report supported prices as US crude inventories fell

by 6.9 mn barrels, about 7% below the five year average, while gasoline inventories dropped by 6.1 mn barrels.

MENA Region

Kuwait: The government has recently reported that net assets in the General Reserve Fund reached KD9.7 billion by the end of December 2020, while liquid assets reached KD1.6 billion in March 2021. Meanwhile, media sources have stated the budget deficit for FY20/21 could reach 10.7 billion, or around 30% of GDP, compared with KD3.9 billion in the previous fiscal year.

Saudi Arabia: The recently-launched national strategy for transport and logistical services is targeting investments of more than SAR 500 billion by 2030. The strategy also includes targeting international transit passenger traffic by establishing a new airline. Meanwhile, the PMI was unchanged in June at 56.4, the highest level since January and now above the 50 neutral level for the tenth month in a row.

Egypt: The PMI increased for the second month in a row to 49.9 in June, its highest reading since November 2020. Output also improved considerably, while new orders recorded above the 50-mark for the first time since December. Meanwhile, urban inflation accelerated to 4.9% y/y in June from 4.8% in May, driven by an increase in food & beverages prices by 3.4% y/y. Also, net foreign reserves increased by about \$116 million in June to \$40.58 billion compared with \$40.46 billion in May.

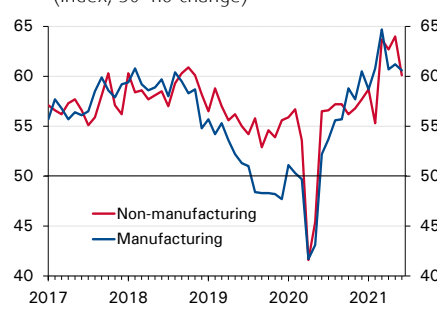
Key takeaways:

- The ECB's new symmetric 2% inflation target signals in principle a greater tolerance for inflation and scope for looser policy than before. While important longer-term, the near-term policy impact could be limited since the bank is already taking exceptional measures to support growth.
- Kuwait's large fiscal deficit in FY20/21 has forced the government to halt transfers to the FGF and swap assets with the FGF by KD7.5 billion to ensure the availability of liquidity. Still the government is facing severe liquidity constraints with the almost complete depletion of the GRF, which means passing a new debt law remains an urgent priority.
- The new Saudi airline is part of a broader plan that includes more than 300 projects in transport and logistics to turn the Kingdom into a global logistics hub. The Public Investment Fund will be the main vehicle for financing these investments, putting less strain on the budget in the medium term.

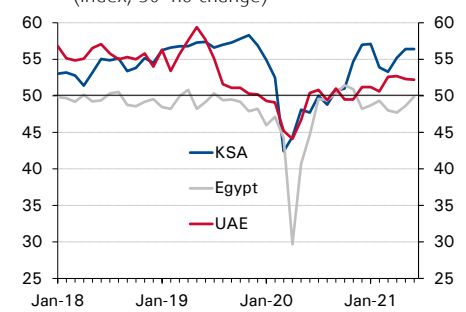
► **Chart 1: Brent crude oil price** (\$/bbl.)



► **Chart 2: ISM index for the US** (Index, 50=no change)



► **Chart 3: PMIs** (index, 50=no change)



Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,069	-0.2	-2.7
DAX	15,688	0.2	14.4
DJIA	34,870	0.2	13.9
Eurostoxx 50	4,068	-0.4	14.5
FTSE 100	7,122	0.0	10.2
Nikkei 225	27,940	-2.9	1.8
S&P 500	4,370	0.4	16.3
Regional			
Abu Dhabi SM	6,963	0.9	38.0
Bahrain ASI	1,575	-0.8	5.7
Dubai FM	2,780	-1.3	11.5
Egypt EGX 30	10,185	-0.7	-6.1
MSCI GCC	663	-1.1	21.2
Kuwait SE	6,367	-0.3	14.8
KSA Tadawul	10,825	-1.4	24.6
Muscat SM 30	4,120	1.0	12.6
Qatar Exchange	10,843	0.3	3.9

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.36	-6.9	44.9
Bunds 10 Year	-0.29	-5.7	28.3
Gilts 10 Year	0.66	-4.7	46.1
JGB 10 Year	0.03	-1.5	0.9
Regional			
Abu Dhabi 2022	0.39	7.8	-11.5
Dubai 2022	0.27	0.0	7.4
Qatar 2022	0.41	12.6	-11.4
Kuwait 2022	0.38	12.7	-8.5
KSA 2023	0.65	-2.3	-6.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	75.6	-0.8	45.8
KEC	74.3	-1.6	46.7
WTI	74.6	-0.8	53.7
Gold	1810.0	1.5	-4.4

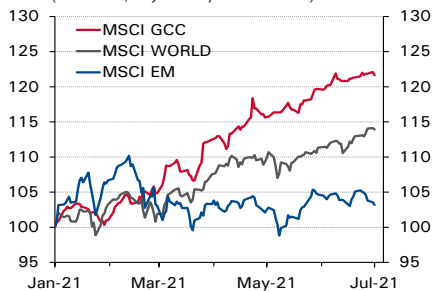
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.64	0.0	-60.8
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.03	6.7	-8.7
Eibor - 3 month	0.36	-2.6	-15.0
Saibor - 3 month	0.79	0.0	-2.5
Libor - 3 month	0.12	-2.6	-11.9
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	-0.1	-1.0
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.187	0.1	-2.8
JPY per USD	110.1	-0.8	6.7
USD per GBP	1.390	0.6	1.7
EGP per USD	15.64	0.1	-0.3

Updated on 9/7/2021

Source: Refinitiv

International equity markets

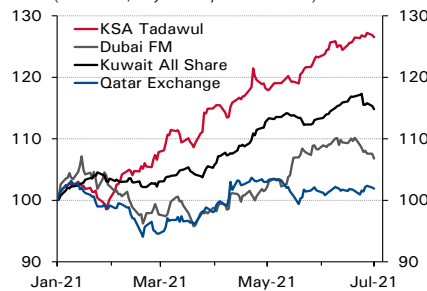
(rebased, 6 January 2021=100)



Source: Refinitiv

GCC equity markets

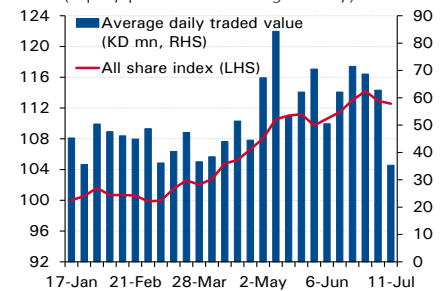
(rebased, 6 January 2021=100)



Source: Refinitiv

Boursa Kuwait

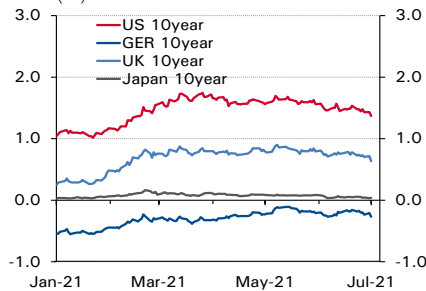
(equity prices and trading activity)



Source: Refinitiv

International bond yields

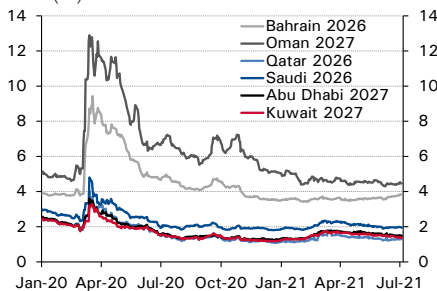
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Source: Refinitiv

GCC bond yields

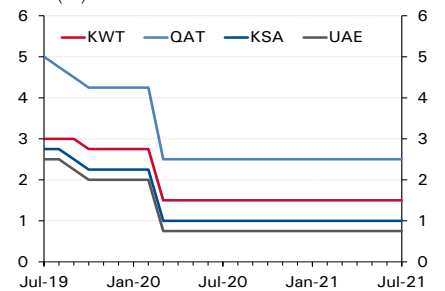
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Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv