

International and markets

US: The minutes of the Fed's July meeting revealed most participants judged that starting tapering this year may be appropriate "provided that the economy were to evolve broadly as they anticipated." In addition, the committee seems to have been keen to stress that a potential start of tapering should not be viewed as a precursor to an imminent rate hike. Meanwhile, retail sales for July fell by a more-than-expected 1.1% m/m, with car sales leading the decline (4.3%). On the other hand, industrial production came stronger than expected, increasing 0.9% m/m in July powered by an 11% expansion in motor vehicles, while jobless claims for the week ending 14 August dropped to a pandemic-era low of 348,000.

UK: Inflation fell to 2% in July, a surprise y/y decline that largely reflected the post-lockdown jump in prices in July 2020. The BoE expects inflation to spike to 4% by year-end before slowing next year and indicated that monetary policy is likely to be tightened within the next 3 years.

China: Industrial production growth decelerated from 8.3% y/y in June to the weakest rate since August 2020 of 6.4% in July, missing market forecasts (+7.8%), amid the rapid spread of the Delta virus, higher raw materials and supply chain costs. In this context, the unemployment rate inched up to a three-month high of 5.1% in July from 5% a month earlier.

Japan: Growth recovered better than expected in 2Q21 with an annualized rate of 1.3% from a decline of 3.7% in 1Q21, as private consumption (+0.8% q/q) and capital expenditures (+1.7% q/q) both gathered pace. Still, the recovery was much weaker than that of other advanced economies underscoring Japan's ongoing struggle against the fallout of the pandemic.

Financial markets: Global equities dropped last week with the Fed tapering concerns, the delta variant spread, and ongoing regulatory headwinds/economic softness in China driving the negative sentiment. China's CSI 300 (-3.6% w/w) and Japan's Nikkei 225 (-3.4%) led the declines, with US and European indices also falling from their record highs. In contrast, most GCC markets were up on the week, but the MSCI GCC index inched down by 0.2% w/w dragged down by KSA (-1.1%).

Oil: Brent tumbled 7.7% last week to \$65.2/bbl (-14.6% mtd; +25.8% ytd.) by Friday's close as concerns over the spread of the Delta variant combined with the Fed's signaling of monetary tightening (and the dollar strengthening in response) weighed

heavily on markets. An unexpected rise in US petroleum stocks was also a bearish factor.

MENA Region

Kuwait: The government's economic committee was reported last week to have looked into ways to reduce the sizeable subsidy bill estimated at more than KD4bn. Proposals explored included removing the private sector allowance (da'am amala) for employees with monthly salaries above KD3,000, canceling health insurance contracts, reducing expenses in the ministries' budgets for hospitality, training and overseas travel/conferences and cutting some energy subsidies.

Saudi Arabia: Inflation plummeted to 0.4% y/y in July from 6.2% in June given the fading base effect of the VAT hike back in July of last year. From a y/y basis, the transport sector (+7.8%) was the major inflation driver, while for the month of July (CPI up by 0.15%), the food and beverages sector (+0.5% m/m) was the main driver.

Egypt: Remittances from Egyptian expatriates increased 13% y/y during 11 months of FY20/21 (July to May), recording \$28.5 billion, compared to \$25.2 billion a year ago. Meanwhile, Egypt's unemployment rate recorded 7.3% in 2Q21 after 7.4% in 1Q21.

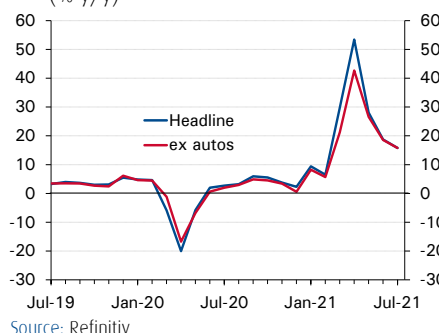
Key takeaways:

- The Fed's minutes showed a wide range of views on possible scaling back of assets purchase although most argued for tapering this year. However, this is still not a done deal given the post-meeting increasing risks of the Covid delta variant spread and the steep plunge in consumer sentiment that could dampen the economic recovery.
- The proposed measures by Kuwait's government are modest and will only make a small dent in the large budget deficit. Yet, these measures were already facing objections from some stakeholders. It is unlikely that the Parliament will agree with reforms measures that need its approval once it reconvenes in the autumn.
- The outlook for oil prices in 2H21 has weakened, with the Delta variant continuing to undermine global economic activity and OPEC+ committed to easing its supply cuts by 400 kb/d per month. Should oil demand growth underperform expectations, OPEC+ may have to slow down the pace of supply increases.

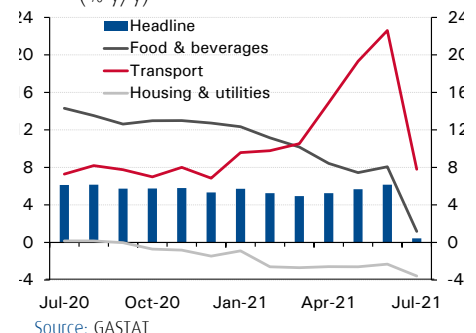
▶ **Chart 1: Brent crude oil price** (\$/bbl.)



▶ **Chart 2: US retail sales** (% y/y)



▶ **Chart 3: KSA inflation** (% y/y)



Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,769	-3.6	-8.5
DAX	15,808	-1.1	15.2
DJIA	35,120	-1.1	14.7
Eurostoxx 50	4,148	-1.9	16.7
FTSE 100	7,088	-1.8	9.7
Nikkei 225	27,013	-3.4	-1.6
S&P 500	4,442	-0.6	18.3
Regional			
Abu Dhabi SM	7,620	0.3	51.0
Bahrain ASI	1,638	0.4	10.0
Dubai FM	2,838	0.8	13.9
Egypt EGX 30	10,809	-0.7	-0.3
MSCI GCC	698	-0.2	27.6
Kuwait SE	6,668	0.8	20.2
KSA Tadawul	11,202	-1.1	28.9
Muscat SM 30	3,983	-0.5	8.9
Qatar Exchange	11,033	1.0	5.7

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.26	-2.8	34.3
Bunds 10 Year	-0.50	-3.2	8.0
Gilts 10 Year	0.52	-5.2	32.8
JGB 10 Year	0.01	-1.4	-1.1
Regional			
Abu Dhabi 2022	0.40	-3.0	-10.4
Dubai 2022	0.27	0.0	7.4
Qatar 2022	0.23	-15.1	-29.5
Kuwait 2022	0.57	14.7	10.6
KSA 2023	0.67	-1.3	-5.2
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	65.2	-7.7	25.8
KEC	67.6	-6.9	33.5
WTI	62.3	-8.9	28.4
Gold	1781.0	0.3	-5.9

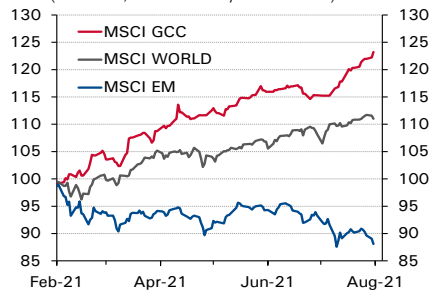
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.59	1.7	-65.8
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	0.99	6.1	-13.1
Eibor - 3 month	0.34	-2.8	-16.8
Saibor - 3 month	0.80	0.1	-2.2
Libor - 3 month	0.13	0.6	-10.8
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	0.1	-1.0
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.170	-0.8	-4.2
JPY per USD	109.8	0.2	6.4
USD per GBP	1.362	-1.7	-0.4
EGP per USD	15.65	0.0	-0.3

Updated on 20/8/2021

Source: Refinitiv

International equity markets

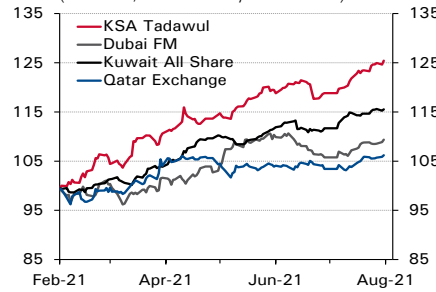
(rebased, 18 February 2021=100)



Source: Refinitiv

GCC equity markets

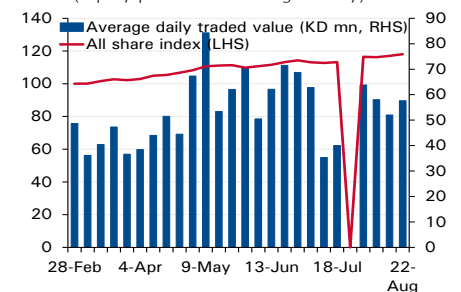
(rebased, 18 February 2021=100)



Source: Refinitiv

Bursa Kuwait

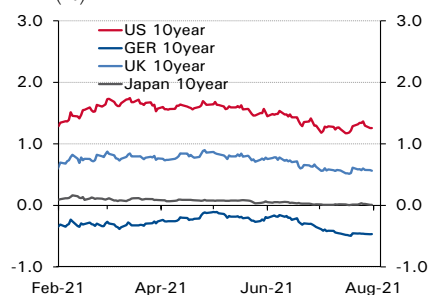
(equity prices and trading activity)



Source: Refinitiv

International bond yields

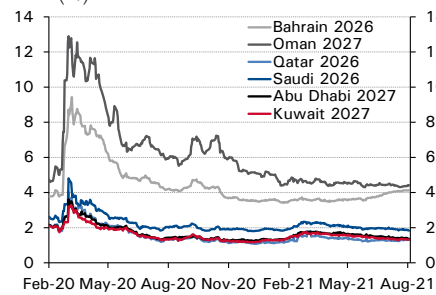
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Source: Refinitiv

GCC bond yields

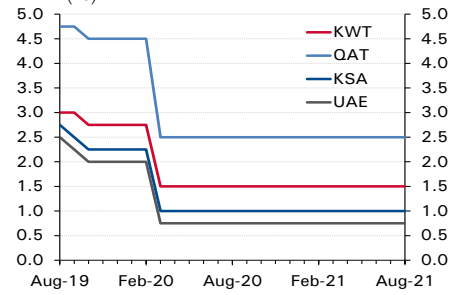
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv