

### International

**US:** The economy added a below-consensus 130,000 non-farm jobs in August, adding to concerns that the labor market may be starting to cool. The unemployment rate was unchanged at 3.7% while wage growth ticked down to 3.2% y/y. The ISM survey index showed manufacturing activity, at 49.1, falling for the first time since 2016, partly reflecting trade and tariff-related issues. Meanwhile, the US and China agreed to restart trade talks in October. Finally, Fed chairman Jay Powell said the Fed would "act as appropriate" to sustain economic expansion, and floated the idea, in principle, of 'make up' inflation to compensate for periods of undershooting the 2% target.

**UK:** Parliament passed legislation that could force PM Boris Johnson to request a minimum three-month Brexit extension from the EU (to end-January). Johnson, who now has no majority in parliament, is refusing to do so but parliament is also blocking his attempt to call a general election until the extension is agreed. The uncertainty is hitting the economy, with the construction PMI index deep in contraction at 45.0 in August, the services index slowing to 50.6 and the pound down 6% versus the US dollar since March.

**China:** The central bank cut banks' reserve requirement by 50 bps for the third time this year (and the seventh since early 2018), releasing a total of RMB900 billion (\$126 billion) in liquidity to shore up the slowing economy.

**Financial markets:** Equities rose on improved sentiment regarding trade talks and potential stimulus from the ECB. The MSCI AC World index gained 1.7% w/w led by the Eurostoxx50 (2%) and the S&P500 (1.8%).

**Oil:** Brent ended the week up 1.8% w/w at \$61.5/bbl, its fourth consecutive weekly gain. Sentiment was more upbeat following another week of crude stock draws in the US – a sign of buoyant demand – and news of a restart to US-China trade talks.

### MENA Region

**Kuwait:** Growth in the NBK consumer spending index eased from 3.2% y/y in July to 2.7% in August, albeit an improvement over the 1.7% average in the first half of this year. But we expect spending growth to trend up overall in 2H19 supported by rising loan growth and solid employment conditions.

**Saudi Arabia:** The PMI activity index rose in August to 57.0 from 56.6 in July, on an increase in output, new orders and new

export orders. Business optimism about future output rose to a three-month high. Energy minister Khalid Al-Falih has been replaced by the elder half-brother of Crown Prince Mohammed bin Salman, ahead of the planned Aramco IPO.

**UAE:** In Dubai, a committee of major developers has been set up to help counteract the supply glut in the real estate market, which has been weighing on prices since 2014. Meanwhile, the UAE PMI fell sharply from 55.1 in July to an eight-year low of 51.6 in August reflecting softness in domestic conditions as well as pressure on the external sector.

**Egypt:** The government is targeting a budget deficit of 7.2% of GDP this fiscal year, down from 8.2% in FY18/19, and a deficit of 6.2% for FY20/21. The fuel subsidy bill fell by 42% in FY18/19 to \$5.2 billion from \$7.3 billion a year earlier, following the increase of domestic fuel prices by around 50% in June 2018. Given the pound's strengthening against the dollar, Egypt ended the monthly customs exchange rate for essential items that it introduced in January 2017 following the currency float in 2016. Finally, the PMI fell back below the 50-mark in August at 49.4, from 50.3 in July.

**Financial markets:** Regional equities were mixed but positive overall. The MSCI GCC gained 0.2% w/w, led by Dubai (4.8%) on a sharp rise in Emirates NBD following the increase of foreign ownership limits, while Kuwait's All-Share gained 0.2%.

#### Key takeaways:

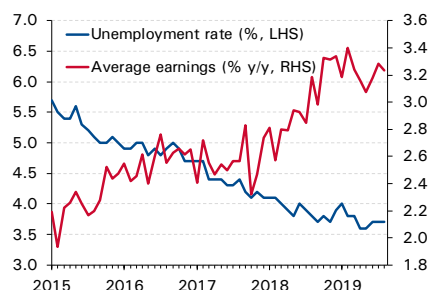
- A softer US labor market could risk undermining the consumer sector that has been the bedrock of US growth in recent quarters. All indications are that the Fed will cut rates by 25bps on 18<sup>th</sup> September.
- However, such a cut will not reduce uncertainty emanating from trade policy or improve economic performance. The recent increase in tariffs could in fact have an adverse impact on consumer spending.
- By ruling out a Brexit extension, PM Johnson may be attempting to boost his popularity ahead of an eventual general election. Polls suggest his support is rising, but a decisive win is still far from certain, implying continued Brexit uncertainty.
- Egypt's decision to unify the exchange rate is a welcome development and shows the government's intention to continue apace with economic reforms which should resonate well with foreign investors.

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



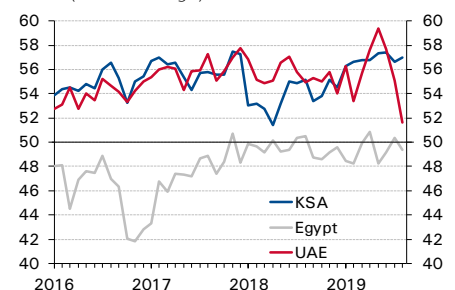
Source: Refinitiv

▶ **Chart 2: US labor market**



Source: Refinitiv

▶ **Chart 3: MENA PMIs** (50=no change)



Source: IHS Market

## Key data

Stock markets				Bond yields				Interbank rates						
Index	Change (%)			%	Change (bps)			%	Change (bps)					
	1-week	YTD			1-week	YTD			1-week	YTD				
<b>International</b>				<b>International</b>				<b>Interbank rates</b>						
CSI 300	3,949	3.9	31.2	UST 10 Year	1.55	4.4	-114.1	Bhibor - 3 month	3.03	-3.3	-91.7			
DAX	12,192	2.1	15.5	Bunds 10 Year	-0.63	7.4	-87.9	Kibor - 3 month	2.81	0.0	50.0			
DJIA	26,797	1.5	14.9	Gilts 10 Year	0.51	2.6	-76.4	Qibor - 3 month	2.78	3.3	-12.6			
Eurostoxx 50	3,495	2.0	16.5	JGB 10 Year	-0.24	3.1	-24.6	Eibor - 3 month	2.37	-6.3	-46.3			
FTSE 100	7,282	1.0	8.2	<b>Regional</b>				Saibor - 3 month	2.39	-2.6	-58.1			
Nikkei 225	21,200	2.4	5.9	Abu Dhabi 2022	1.93	-3.0	-136.5	Libor - 3 month	2.10	-3.0	-70.6			
S&P 500	2,979	1.8	18.8	Dubai 2022	2.58	6.3	-135.1	<b>Exchange rates</b>						
<b>Regional</b>				Qatar 2022	2.06	0.0	-138.8	rate			Change (%)			
Abu Dhabi SM	5,114	-1.0	4.0	Kuwait 2022	1.95	-4.0	-136.8	1-week			YTD			
Bahrain ASI	1,551	1.2	16.0	KSA 2023	2.16	17.5	-171.9	KWD per USD	0.304	0.2	0.2			
Dubai FM	2,891	4.8	14.3	<b>Commodities</b>				rate			Change (%)			
Egypt EGX 30	14,933	0.7	14.6	\$/unit			Change (%)			1-week		YTD		
S&P GCC 40	1,221	-1.0	11.0	1-week			1-week			YTD				
Kuwait SE	5,955	0.2	17.2	Brent crude	61.5	1.8	14.4	KWD per EUR	0.335	-0.6	-3.8			
KSA Tadawul	8,055	0.4	2.9	KEC	60.4	-0.3	15.8	USD per EUR	1.103	0.3	-3.9			
Muscat SM 30	3,998	-0.2	-7.5	WTI	56.5	2.6	24.5	JPY per USD	106.9	0.6	-2.4			
Qatar Exchange	10,253	0.2	-0.4	Gold	1506.2	-0.8	17.8	USD per GBP	1.228	1.0	-3.7			
								EGP per USD			16.45		-0.3	-7.9

Updated on 6/9/2019

Source: Refinitiv

### International equity markets

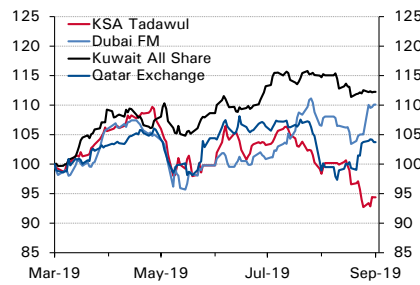
(rebased, 3 March 2019=100)



Source: Refinitiv

### GCC equity markets

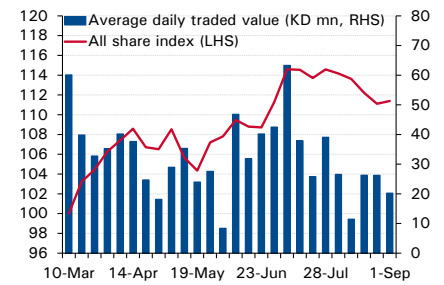
(rebased, 3 March 2019=100)



Source: Refinitiv

### Boursa Kuwait

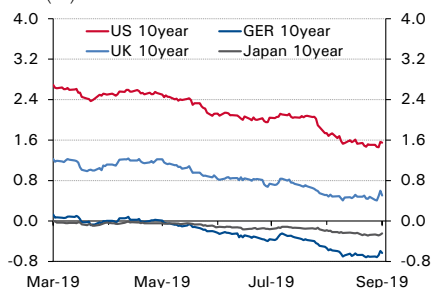
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

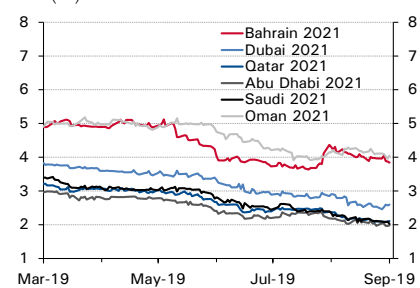
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Source: Refinitiv

### GCC bond yields

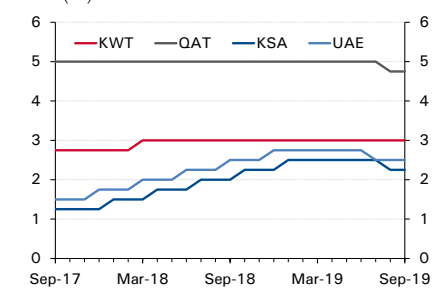
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv