

## International

**Global growth.** The IMF revised downward global growth by a modest 0.1 percentage points, to 3.2% in 2019 and 3.5% in 2020. Risks to the outlook include trade tensions, a slowdown in China, a non-deal Brexit, and escalating geopolitical tensions.

**US:** GDP growth eased to 2.1% y/y in 2Q19 (3.1% in 1Q19) beating expectations of 1.8%. The slowdown in manufacturing activities was partially compensated by robust consumer spending growth of 4.3% y/y, supported by the lowest unemployment rate in nearly 50 years. In the meantime, discussion between China and the US will resume on Monday although no major breakthroughs are expected in this round.

**EU:** The ECB has kept its interest rates unchanged but it signaled in its revised forward guidance a possible easing of monetary policy in September. The German manufacturing PMI dropped to 43.1 in July, while services PMI recorded a two-month low level of 55.4. Boris Johnson, the newly elected UK's prime minister said that Britain will be out of the EU by October 31 "with or without a deal".

**China:** With growth sliding to a near 30-year low in Q2, China's central bank injects medium-term loans with more low-cost funds to support the slowing economy; this came on top of a series of reductions in the reserve requirement ratio since last year. Trade was initiated in the newly created equity market, Star Market, which is focused on technology (the equivalent of Nasdaq). Shares rocketed by as much as 520 per cent on the first day of trading, as investors scrambled to buy the first 25 companies.

**Turkey:** The newly appointed central bank governor cut the key interest rate by 4.25 percentage points, to 19.75%, a much bigger cut than expected, jeopardizing credibility with investors as this was seen as responding to political pressures rather than economic fundamentals.

**Financial markets:** Global markets surged last week on better than expected growth in US GDP in 2Q, strong earnings in the technology sector, and still market expectations of a rate cut. The MSCI AC World index rose 1.1% w/w led by the S&P500 (1.7%) and was followed by the Eurostoxx 50 (1.3%). The US 10 year treasury advanced 3 bps w/w to 2.08%.

**Oil:** Brent prices increased by 1.6% w/w, as tensions remained high around the Strait of Hormuz and US growth came higher than expected, pointing to a favorable crude demand outlook.

## MENA Region

**Kuwait:** Headline inflation stood at 1.1% y/y in June, up from 0.8% in May. The higher inflation was driven entirely by core components (ex. food and housing), namely clothing and footwear which rose sharply to 1.7% y/y, more than offsetting a modest disinflation in food and housing components.

**UAE:** The UAE and China signed a series of strategic agreements (16) last week in a bid to strengthen economic ties between the two countries. The agreements included the collaboration of the Abu Dhabi National Oil Company (ADNOC) and China National Offshore Oil Company (CNOOC) on upstream exploration and development, oil refining and LNG trade.

**Oman:** According to recently released data, Oman's budget deficit dropped considerably through May, thanks to a 15% y/y jump in revenues and a 4% y/y drop in expenditures. Fitch affirmed Oman's credit rating at BB+ with a stable outlook.

**Egypt:** The IMF approved on Wednesday the disbursement of the final \$2 billion tranche of a \$12 billion loan to Egypt, under the three-year extended fund facility program launched in November 2016.

**Financial markets:** GCC equity markets were mixed but negative overall, with the MSCI GCC down 0.9% w/w, mostly on weakness in Saudi Arabia (-2.4%) weighed down by declines in banking and petrochemical stocks. Kuwait's Allshare was down 0.9% w/w, likely hurt by profit taking after being the top regional performer this year.

### Key takeaways:

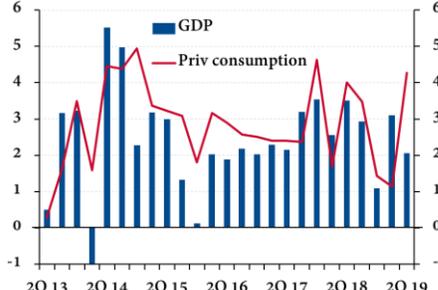
- Despite the better than expected US growth and the record low unemployment rate, the Fed is widely expected to cut its policy rate by 25 bps next week. A 50 bps cut is highly unlikely.
- With the end of Egypt's reform program with the IMF successfully, there is still an unfinished structural reforms agenda to boost private sector growth and create jobs while maintaining exchange rate flexibility, which served Egypt well.
- Kuwait's inflation is expected to see a modest rise overall this year, averaging 1% compared to 0.6% in 2018, but could be lower given recent signs of continued softness in housing rents.

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



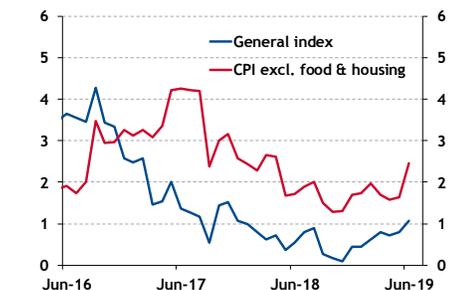
Source: Refinitiv

▶ **Chart 2: US GDP** (% y/y)



Source: Refinitiv

▶ **Chart 3: Kuwait's Inflation** (KD Million)



Source: Central Statistical Bureau

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,859	1.3	28.2
DAX	12,420	1.3	17.6
DJIA	27,192	0.1	16.6
Eurostoxx 50	3,524	1.3	17.4
FTSE 100	7,549	0.5	12.2
Nikkei 225	21,658	0.9	8.2
S&P 500	3,026	1.7	20.7
<b>Regional</b>			
Abu Dhabi SM	5,388	3.3	9.6
Bahrain ASI	1,523	-1.0	13.9
Dubai FM	2,851	3.2	12.7
Egypt EGX 30	13,510	-1.2	3.6
S&P GCC 40	1,263	3.3	14.8
Kuwait SE	6,080	-0.7	19.7
KSA Tadawul	8,819	-2.4	12.7
Muscat SM 30	3,755	0.2	-13.2
Qatar Exchange	10,631	1.2	3.2

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	2.08	3.1	-61.0
Bunds 10 Year	-0.38	-5.5	-62.3
Gilts 10 Year	0.69	-4.7	-58.1
JGB 10 Year	-0.15	-1.5	-15.1
<b>Regional</b>			
Abu Dhabi 2022	2.28	-2.2	-101.4
Dubai 2022	2.76	-7.7	-116.6
Qatar 2022	2.38	-5.2	-106.7
Kuwait 2022	2.34	1.8	-97.7
KSA 2023	2.61	-5.9	-127.3
<b>Commodities</b>			
	\$/unit	1-week	YTD
Brent crude	63.5	1.6	18.0
KEC	69.2	3.1	32.6
WTI	56.2	1.0	23.8
Gold	1418.5	-0.5	11.0

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	3.15	5.0	-80.0
Kibor - 3 month	2.75	0.0	43.8
Qibor - 3 month	2.78	0.0	-13.1
Eibor - 3 month	2.60	-2.5	-24.3
Saibor - 3 month	2.65	-3.3	-32.6
Libor - 3 month	2.26	-2.2	-55.2
<b>Exchange rates</b>			
	rate	1-week	YTD
KWD per USD	0.304	0.1	0.4
KWD per EUR	0.341	0.0	-2.0
USD per EUR	1.113	-0.8	-3.0
JPY per USD	108.7	0.9	-0.8
GBP per USD	1.238	-1.0	-3.0
EGP per USD	16.54	-0.2	-7.4

Updated on 26/7/2019

Source: Refinitiv

### International equity markets

(rebased, 23 January 2019=100)



Source: Refinitiv

### GCC equity markets

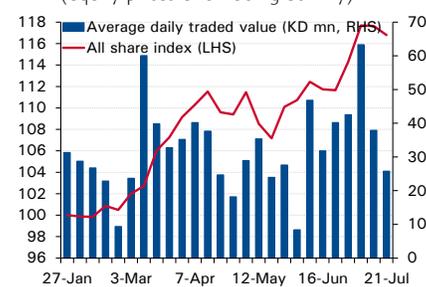
(rebased, 23 January 2019=100)



Source: Refinitiv

### Boursa Kuwait

(equity prices and trading activity)



Source: Refinitiv

### International bond yields

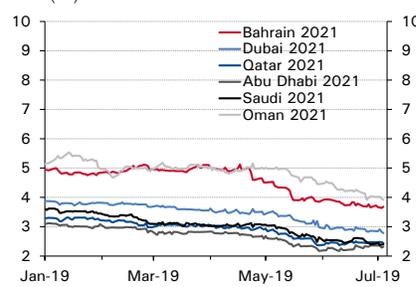
(%)



Source: Refinitiv

### GCC bond yields

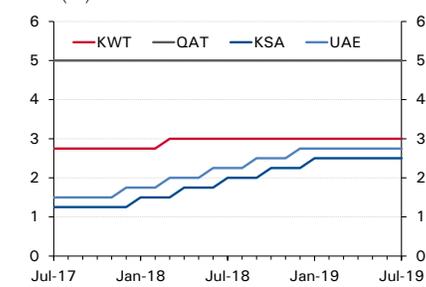
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv