

Daily Economic Update

Economic Research Department
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Europe: Voting to begin in consequential French parliamentary elections. Voting will begin this Sunday to elect members to France's 577-seat National Assembly, following president Macron's surprise calling of a snap poll earlier this month. The outcome is seen as important both for France and as a barometer of the European political climate generally, following region-wide elections three weeks ago which saw strong gains for nationalist and right-wing parties. The two-stage election will be completed the following Sunday for those constituencies in which no candidate wins a majority in the first round. While Macron himself is not up for re-election (his term as president ends in 2027), his centrist coalition (which already governs with a minority of 250 seats) is expected to lose ground. According to polls, the two most probable election outcomes are either a) victory for a coalition led by the populist and anti-immigration National Rally Party (which favors higher public spending and is hostile to EU integration projects), or b) no stable coalition with the potential for instability and legislative deadlock. The latter could endure as under France's constitution, no new elections can be called for one year. Either election outcome would make tackling the government's large fiscal deficit (5.5% of GDP in 2023) difficult, increase economic uncertainty, and erode support for region-wide policy initiatives on issues such as defense, climate and the economy in a country that has traditionally championed such projects. The French stock market has dropped 5% in recent weeks, underperforming its peers, while yields on French government bonds have spiked to multi-year highs versus German equivalents (see chart).

Chart 1: French 10-yr govt bond yield spreads
(% points, spread over German equivalents)



Source: Haver

Chart 2: Japanese yen
(JPY/\$1)



Source: Haver

Japan: Yen falls further, prompting speculation of fresh intervention. Retail sales increased by 3% y/y in May (+1.7% m/m), reaching a three-month high and exceeding market expectations of 2%. Sales of retail products (+7.1%) and machinery & equipment (+5.3%) led gains, while automobiles (-3.3%) and 'textile, clothing & personal goods' (-0.3%) declined. Retail sales activity was supported by the wage increases seen earlier in the

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quarter, which hints at a possible recovery in private consumption. Meanwhile, in the foreign currency markets, the Japanese yen continued to depreciate, breaking through the 160 level against the US dollar. The yen is now at its lowest level since December 1986, which raises the likelihood of renewed Bank of Japan intervention after the central bank acted in April/May with purchases of JPY9.8 trillion (\$61 billion). However, the authorities may opt to wait for the release in the US of the Personal Consumption Expenditure data on Friday, as a stronger than expected print there could result in a further weakening of the yen, requiring stronger action.

China: Industrial profits disappoint in May. China's industrial profits increased by 0.7% y/y in May, National Bureau of Statistics data showed. Firms' earnings, especially those in the mining sector, were boosted by higher commodity prices, though May's increase was at a significantly slower rate than April's (+4.0% y/y), underscoring the challenges faced by the world's second largest economy as it looks to overcome lackluster domestic demand. Weak demand more broadly and from the housing sector especially, a big consumer of steel and iron ore, have left industrial firms with considerable excess capacity, forcing them to lower output prices, which has squeezed profits.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	8,966	-0.40	-6.39
Bahrain (ASI)	2,034	-0.09	3.17
Dubai (DFMGI)	4,006	0.18	-1.32
Egypt (EGX 30)	27,501	0.87	10.74
GCC (S&P GCC 40)	673	-0.60	-5.53
Kuwait (All Share)	6,927	-0.73	1.61
KSA (TASI)	11,656	-0.63	-2.60
Oman (MSM 30)	4,674	1.64	3.53
Qatar (QE Index)	9,871	0.44	-8.86

International			
CSI 300	3,480	0.65	1.43
DAX	18,155	-0.12	8.38
DJIA	39,128	0.04	3.82
Eurostoxx 50	4,916	-0.41	8.72
FTSE 100	8,225	-0.27	6.36
Nikkei 225	39,667	1.26	18.54
S&P 500	5,478	0.16	14.84

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.35	0.02	-17.41
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.23	0.13	-9.92
Saudi	6.25	-1.35	3.45
LIBOR	5.60	-0.48	0.80
SOFR	5.34	-0.12	0.80

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.97	1.00	64.9
Oman 2027	5.62	10.00	46.3
Qatar 2026	5.08	-2.00	56.1
Kuwait 2027	5.05	2.00	71.0
Saudi 2028	5.09	3.00	56.9

International 10YR			
US Treasury	4.33	8.18	46.8
German Bund	2.45	3.95	42.1
UK Gilt	4.13	5.95	59.5
Japanese Gvt Bond	1.02	2.00	40.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.07	-0.13
KWD per EUR	0.33	-0.24	-0.94
USD per EUR	1.07	-0.32	-3.23
JPY per USD	160.79	0.69	13.99
USD per GBP	1.26	-0.50	-0.86
EGP per USD	48.00	-0.68	55.59

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	85.25	0.28	10.66
KEC	86.90	-0.78	9.23
WTI	80.9	0.09	12.91
Gold	2299.2	-0.75	11.48

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: Refinitiv / Haver