Daily
Economic Update

Economic Research Department
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US: Bessent vows expanded bond market interventions and a greater focus on fiscal consolidation, but market reaction muted. US Treasury Secretary Bessent on Thursday doubled down on efforts to support the long end of USTs and curbing the sharp rise in bond yields. He stated that the Treasury department retains a big toolkit and would soon announce “an increased focus on fiscal consolidation” and believes that “yields don’t reflect the underlying fundamentals.” Bessent did not offer many details, though. His comments followed last Wednesday’s surprise announcement of expanded liquidity support for the long-duration UST bonds by more than doubling the size of buybacks that drove a sharp pullback in yields on higher maturity bonds. However, over Thursday/Friday, these bonds gave up most of their gains, with yields on 10Y bonds largely back to pre-Wednesday levels and 30Y bonds continuing to hover near their highest point since 2007. The market remains concerned about key structural issues related to large fiscal deficits and a higher medium-to-long-term inflation outlook that the Treasury’s interventions may fail to address. Moreover, Bessent’s efforts to drive long-dated bond yields down may collide with Fed Chair Warsh’s belief, as Warsh recently suggested that tightening nominal and real bond yields were effectively doing some of the Fed’s work of bringing inflation down. Meanwhile, the S&P Global flash composite PMI in August climbed to its highest in over four years at 56 from July’s 54.5, driven by a solid improvement in services activity (to 56.8 versus 54.6 in July) that helped offset easing manufacturing (53.2 versus 53.9). The survey showed that price pressures moderated but remained significantly elevated versus pre-US-Iran levels on high energy costs, but that employment growth picked up strongly at the fastest pace since January 2025. The upbeat business activity indicates continued solid momentum in the underlying economy, helped by ongoing AI/tech investments and robust private consumption. Separately, trade talks between the US and Canada fell apart over the weekend, resulting in the US imposing 50% tariffs on several Canadian goods worth around $20 billion (excluding energy and goods currently subject to sectoral duties such as autos and metal). Canada, which is one of the US’s largest trading partners with around $385 billion of merchandise exports to the US in 2025, vowed to match duties “dollar for dollar”.

UK: Business activity unexpectedly gains momentum in August, but July’s retail sales fall. The flash Composite PMI in August rose to a four-month high of 52.5 from 52.2 in July as the services measure increased to 52.8 from 52.1, offsetting the slowdown in manufacturing (51.5 from 51.9). However, inflationary pressures strengthened from July amid high energy prices that may temper some optimism going forward. Moreover, employment continued to shrink, especially in the dominant services sector where jobs have been falling for almost two years in a row, though August’s decline was at a softer rate. Meanwhile, showing weaker household consumption, retail sales volumes in July fell 0.5% m/m (+1.6% y/y) after June’s downwardly revised increase of 0.7% (+3.8% y/y), matching the street’s expectations. The pullback in retail spending was driven by hot weather and fewer promotional events during the month. Combined, improving PMIs but weaker consumption signal that economic conditions are still uneven, rendering the outlook uncertain over the coming months.

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Eurozone: Expansion gains momentum in August flash PMI. The Eurozone's flash Composite PMI edged up to 52.1 in August from 52.0 in July, extending the recovery in business activity and reaching its highest level in nine months. The improvement continued to be driven primarily by manufacturing, with the manufacturing PMI rising to 52.8 in August from 51.9 in July, its strongest reading in more than four years. Meanwhile, services activity remained resilient at 51.7 in August, supporting overall private sector expansion. Furthermore, new orders increased at their fastest pace in around 40 months, pointing to strengthening demand conditions and a more broad-based recovery across the region. Lastly, it is worth noting that the August flash PMI points to a more solid growth outlook for Q3 compared with the largely stagnant conditions observed in June.

Japan: Manufacturing-led momentum supports August flash PMI, while inflation increases in July. Japan's private sector continued to expand at a solid pace in August, supported by stronger performances across both manufacturing and services. Manufacturing remained the main growth engine, with the manufacturing PMI rising to 55.1 from 54.5 in July, underpinned by robust gains in new orders and export sales amid strong semiconductor and AI-related demand. Meanwhile, the PMI gauge of services edged up to 52.3 from 51.2, reflecting resilient domestic demand conditions. Against this backdrop, Japan's flash Composite PMI increased to 53.4 in August from 52.7 in July, marking the strongest expansion in private sector activity since February and extending the current growth streak to 17 months. Separately, Japan's inflation data pointed to a modest pickup in price pressures, with the headline CPI accelerating to 1.9% y/y in July from 1.6% in June, the highest rate this year. Core CPI, which excludes fresh food, also edged up, to 1.8% y/y in July from 1.6% previously, suggesting that inflation remains on a gradual upward trend, although it is still below the Bank of Japan's 2% target.

Egypt: CBE keeps rates unchanged as remittances hit a new record. The Central Bank of Egypt (CBE) kept its policy rates unchanged for the fourth consecutive meeting, with the overnight deposit rate maintained at 19% and the lending rate at 20%. The decision came as urban inflation accelerated to 14.9% y/y in July, up from 14.3% in June, marking its first increase since March. The impact of the latest electricity price hike is also yet to be fully reflected in consumer prices, supporting the CBE's decision to maintain its cautious stance. The inflation outlook remains highly dependent on regional developments. The CBE expects inflation in FY26/27 to range between 15.2% and 17.8%, depending on whether regional tensions ease or intensify, compared with a baseline of 16.6%. Until geopolitical uncertainty subsides and the impact of administered-price adjustments becomes clearer, we expect the CBE to maintain its "adequately tight" monetary policy stance. On the external front, remittances reached a record $47.3 billion in FY25/26, up 29.6% y/y from $36.5 billion a year earlier. June remittances also remained strong, rising 15.6% y/y to $4.2 billion, highlighting the continued strength of this key source of foreign currency inflows.

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Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	10,004	-0.71	0.12
Bahrain (ASI)	1,944	-0.07	-5.94
Dubai (DFMGI)	5,857	0.29	-3.15
Egypt (EGX 30)	54,737	0.41	30.86
GCC (S&P GCC 40)	747	-0.05	1.95
Kuwait (All Share)	8,818	-0.03	-1.00
KSA (TASI)	10,954	0.26	4.42
Oman (MSM 30)	7,532	-0.24	28.38
Qatar (QE Index)	9,683	-0.92	-10.03
International			
CSI 300	4,619	0.57	-0.24
DAX	26,137	0.59	6.72
DJIA	53,277	0.98	10.85
Eurostoxx 50	6,462	0.63	11.58
FTSE 100	10,817	0.64	8.91
Nikkei 225	66,016	-0.30	31.14
S&P 500	7,674	0.43	12.11

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.16	0.00	17.64
Kuwait	3.56	0.00	0.00
Qatar	4.12	0.00	14.27
UAE	3.88	5.77	40.51
Saudi	4.77	0.00	-8.97
SOFR	3.74	0.22	9.12

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2030	4.74	0.87	77.8
Oman 2029	5.13	-0.04	60.5
Qatar 2030	4.83	1.76	84.1
Kuwait 2030	4.64	2.44	49.9
Saudi 2030	4.98	3.93	71.8
International 10YR			
US Treasury	4.73	2.69	57.2
German Bund	3.25	0.08	40.0
UK Gilt	5.06	-0.38	59.0
Japanese Gvt Bond	2.87	2.80	81.1

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	-0.31
KWD per EUR	0.36	0.00	1.75
USD per EUR	1.17	0.01	-0.56
JPY per USD	158.93	-0.08	1.46
USD per GBP	1.36	0.03	1.19
EGP per USD	50.83	0.00	6.67

Commodities	$/unit	Change (%)	
		Daily	YTD
Brent crude	94.39	0.65	55.12
KEC	93.71	3.82	55.77
WTI	87.06	-0.88	51.62
Gold	4624.1	2.39	6.90

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

Source: LSEG / Haver. *Percentage change in price from previous trading day on 7 August 2026.

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