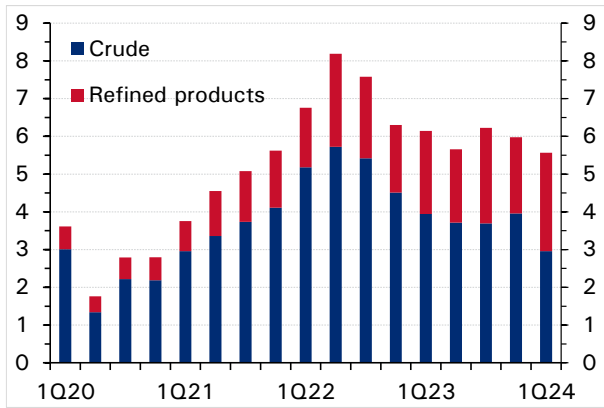


Daily Economic Update

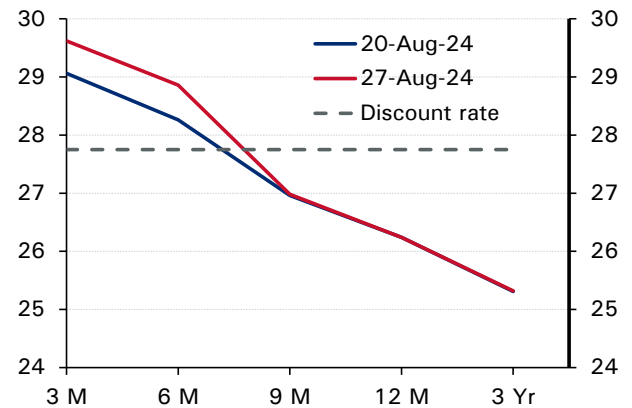
Economic Research Department
28 August 2024

US: House price gains slows, and consumer confidence rises on a mixed outlook. US house prices, based on the S&P CoreLogic Case Shiller National Price Index, rose 5.4% y/y (0.2% m/m) in June, slowing from May's gain of 5.9% (+0.3% m/m). Home prices are up 4.6% since January as the inventory of existing residential units remains low. However, the rate of increase has slowed and could further moderate over the coming months amid worsening affordability due to still-elevated mortgage rates and higher valuations. In addition, supply should also get a boost as an anticipated drop in interest rates could encourage homeowners to list their property on the market. Meanwhile, consumer confidence (based on The Conference Board survey) rose to a six-month high of 103.3 in August from 101.9 in July as the outlook on the economy and inflation improved though views on job prospects were more downbeat amid rising unemployment. Consumers indicated that they may also shelve plans for big-ticket purchases, implying an overall mixed outlook for the whole economy.

Kuwait: Refined products exports set new records. Kuwait's exports of refined products are surging to new highs following the full commissioning of the 615 kb/d Al-Zour refinery. With refined products output topping 1.3 mb/d in June 2024 and exports almost matching that at 1.27mb/d, both record highs, Kuwait's multi-billion-dollar, multi-year investment in upgrading and expanding its refined products capacity through the completed Clean Fuels and New Refinery projects is yielding substantial dividends. Total refinery capacity stands at 1.4 mb/d, the second largest in the Middle East after Saudi Arabia, giving Kuwait Petroleum Corporation the facility to process ever greater quantities of crude oil into more valuable, cleaner specification products such as gasoil/diesel and low sulphur fuel oil for sale into European and Asian markets. With crude output gains limited by OPEC+ production cuts, KPC has had to divert crude from the export market for processing through its local refineries before exporting those volumes. Exports of refined products are around 23% higher in annual average terms (1.19 mb/d), so far in 2024. In Q1 2024, trade data published by the Central Statistical Bureau showed that Kuwait's export earnings from petroleum products (KD2.61 billion) were catching up to revenues from crude sales (KD2.96 billion), with products now accounting for 47% of all hydrocarbon exports revenues. In Q2, we estimate that exports of refined products will for the first time exceed exports of crude oil in both volume (1.21 mb/d vs 1.15 mb/d) and value (KD2.9 billion vs KD2.8 billion), a significant milestone for Kuwait's oil sector and a testament to the progress it has made to move up the value chain in its energy exports over the last decade.

Chart 1: Kuwait crude & refined products exports
(KD billion)


Source: CSB

Chart 2: Egypt's LCY treasury yield curve
(%)


Source: Central Bank of Egypt

Egypt: LCY treasury yields up by 24 bps w/w even as foreign investors return to the market. Egypt's LCY treasury yields continued to go up for the sixth week in a row as treasury bills/bonds (3-12M & 3-Year) averaged 27.40% in the 4th week of August versus 27.17% in the previous week, going up by 24 bps w/w and up by 100 bps since mid-July. The short end of the curve (3-9M) saw a bigger increase while other tenors saw no change as the ministry of finance borrowed 90% of its funds on the short tenors giving an upper hand to investors to set the final yield. The 3- and 6-month t-bill yields were up by 56 bps and 60 bps w/w respectively while the other tenors were up by just 2 bps. It is worth noting that the 3 and 6-months t-bill yields saw a big increase of 3% since mid-July. Short-term treasury yields are still going up even though foreign investors have started to return to the LCY debt market, signaling that the high yields submitted by investors/banks/asset managers are mainly driven by fears of higher inflation rates and a scenario of a postponed monetary easing cycle in the coming period, which is unjustified in our view. Markets are expected to cool down once September and October inflation figures come within the 24-25% range, which would allow the central bank to commence the easing cycle later this year. We reiterate our view that markets are underestimating the magnitude of policy rate cuts that could take place between Q4 2024 and Q1 2025.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,334	-0.24	-2.55
Bahrain (ASI)	1,928	-0.02	-2.20
Dubai (DFMGI)	4,343	0.43	6.98
Egypt (EGX 30)	30,363	0.76	22.27
GCC (S&P GCC 40)	709	-0.44	-0.46
Kuwait (All Share)	7,188	0.37	5.44
KSA (TASI)	12,182	-0.64	1.79
Oman (MSM 30)	4,691	-0.13	3.92
Qatar (QE Index)	10,189	-0.33	-5.93
International			
CSI 300	3,305	-0.57	-3.67
DAX	18,682	0.35	11.52
DJIA	41,251	0.02	9.45
Eurostoxx 50	4,899	0.04	8.34
FTSE 100	8,345	0.21	7.92
Nikkei 225	38,289	0.47	14.42
S&P 500	5,626	0.16	17.95
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.32	-0.41	-20.24
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.07	10.22	-25.60
Saudi	6.08	-5.32	-14.82
LIBOR	5.32	-1.87	-26.94
SOFR	5.06	-1.95	-27.03

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.13	1.00	-19.1
Oman 2027	5.00	5.00	-15.7
Qatar 2026	4.43	-2.00	-8.9
Kuwait 2027	4.43	-7.00	9.0
Saudi 2028	4.44	1.00	-8.1
International 10YR			
US Treasury	3.83	0.94	-3.2
German Bund	2.28	3.05	24.9
UK Gilt	4.00	8.45	45.7
Japanese Gvt Bond	0.88	0.00	26.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.13	-0.70
KWD per EUR	0.34	0.07	3.16
USD per EUR	1.12	0.21	1.34
JPY per USD	143.95	-0.39	2.05
USD per GBP	1.33	0.49	4.13
EGP per USD	48.65	-0.06	57.70
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	79.55	-2.31	3.26
KEC	80.46	0.73	1.13
WTI	75.53	-2.44	5.42
Gold	2516	-0.07	21.99

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

Source: LSEG / Haver

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