

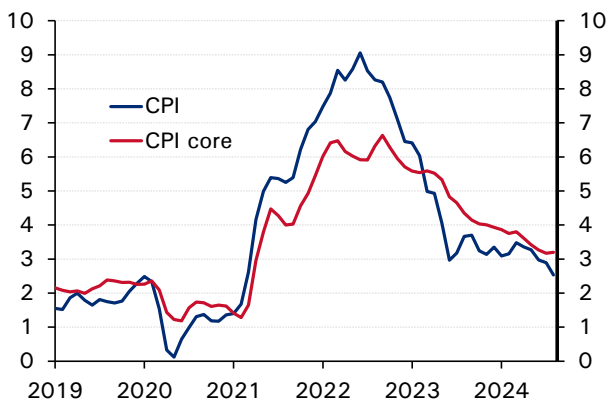
# Daily Economic Update

Economic Research Department  
12 September 2024

**US: Inflation down to 2.5% in August but sticky core likely eliminates odds of a 50bps cut next week.** The CPI increased by 0.2% m/m in August, pulling down yearly inflation to 2.5% (2.9% in July), the lowest increase since February 2021. However, core CPI was higher-than-expected, up 0.3% m/m with the y/y increase steady at 3.2%. The 0.3% monthly increase in the core index was the fastest in three months. Within key components, core goods continued to deflate and are down by 1.9% y/y. Core services accelerated for the second month, up 0.4% m/m (0.3% in July) with the y/y increase at 4.9%. Shelter continued to be the predominant driver of that, with its increase accelerating to 0.5% m/m, inching up y/y growth to 5.2%. The hotter than expected core inflation decreased the odds of an outsized 50 bps cut by the Fed in its 17-18 September meeting to less than 15% from more than 30% before, according to futures markets. But the worse-than-expected core inflation print will not derail the Fed's shift in focus away from controlling price growth towards supporting employment, and hence the impending start of the monetary easing cycle with a 25 bps rate cut.

**Chart 1: US CPI inflation**

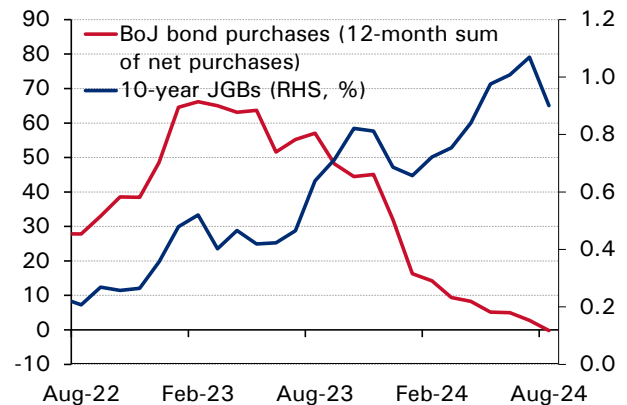
(%, y/y)



Source: Haver

**Chart 2: BoJ bond purchases & 10-year JGBs yields**

(JPY trillion)



Source: Bank of Japan, Haver

**Japan: BoJ members reiterate readiness to hike rates.** Two Bank of Japan (BoJ) board members confirmed the BoJ's hawkish monetary stance, signaling that the August market rout has not derailed plans to steadily increase borrowing costs if inflation data remain within the bank's forecasts, while calling for further hikes to bring the BoJ's policy rate to at least 1% by the end of 2025. However, they also stated that upside inflation risks remain from the tight labor markets, rising wages, and higher import prices. On the other hand, the BoJ's net purchases of bonds were negative for the 12-months up to August as redemptions surpassed new purchases while bond yields remain relatively stable, hovering at around 0.93% and hinting at a moderate and a stable increase in yields. Board member Nakagawa stated that if long-term rates spike, the BoJ could

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review its tapering plans as needed. The yen surged following these remarks to reach around JPY141/\$1 on Wednesday, its strongest since late December 2023, before pulling back to about JPY143/\$1. We expect no changes to the monetary stance in the upcoming meeting on September 19, with yen appreciation, Q2 positive GDP growth and the slowing trend in core inflation supporting the BoJ's view of the current dynamics of the economy.

**UK: Economy unexpectedly stalls for a second straight month in July.** GDP in July showed no change for a second month in a row, coming in below the market expectation of a 0.2% m/m rise. The service sector rebounded by 0.1% m/m from -0.1% in June, helped by various sporting events, but was fully offset by declining manufacturing (-1%) and construction output (-0.4%). However, annually, GDP growth accelerated to 1.2% from 0.7% in June, supported by a favorable base effect. We find it too early to read much into the weak July figure as other monthly indicators (such as PMI and job surveys) have been more upbeat lately. Moreover, July's interest rate cut and anticipation of further cuts in November/December along with recently announced large public sector pay rises should support the economy over the coming quarters. The new administration's tightened fiscal policy – much-touted tax raises and other “painful” measures in the upcoming Autumn budget– would offset some of this positivity, however.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,323	-0.85	-2.66
Bahrain (ASI)	1,954	0.26	-0.89
Dubai (DFMGI)	4,346	-0.94	7.06
Egypt (EGX 30)	30,486	1.27	22.76
GCC (S&P GCC 40)	691	-1.65	-2.94
Kuwait (All Share)	7,147	-0.66	4.84
KSA (TASI)	11,766	-1.84	-1.68
Oman (MSM 30)	4,725	-0.50	4.67
Qatar (QE Index)	10,248	-0.18	-5.38
<b>International</b>			
CSI 300	3,186	-0.30	-7.14
DAX	18,330	0.35	9.42
DJIA	40,862	0.31	8.42
Eurostoxx 50	4,764	0.35	5.35
FTSE 100	8,194	-0.15	5.96
Nikkei 225	35,620	-1.49	6.44
S&P 500	5,554	1.07	16.44
<b>3m interbank rates</b>			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.18	-0.12	-34.79
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	4.91	-7.62	-41.75
Saudi	5.93	1.29	-29.84
LIBOR	5.19	-1.76	-40.01
SOFR	4.95	2.33	-38.25

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	3.96	-1.00	-36.1
Oman 2027	4.89	0.00	-26.7
Qatar 2026	4.25	-6.00	-26.9
Kuwait 2027	4.21	-3.00	-13.0
Saudi 2028	4.28	-3.00	-24.1
<b>International 10YR</b>			
US Treasury	3.66	2.05	-20.0
German Bund	2.10	-5.00	6.7
UK Gilt	3.76	-5.60	22.3
Japanese Gvt Bond	0.85	-4.00	23.4
<b>Exchange rates</b>			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.04	-0.54
KWD per EUR	0.34	-0.01	1.74
USD per EUR	1.10	-0.07	-0.23
JPY per USD	142.35	-0.06	0.91
USD per GBP	1.30	-0.28	2.47
EGP per USD	48.33	0.04	56.66
<b>Commodities</b>			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	70.61	2.05	-8.35
KEC	72.15	-1.31	-9.31
WTI	67.31	2.37	-6.06
Gold	2512.1	-0.01	21.80

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

Source: LSEG / Haver