

Daily Economic Update

Economic Research Department
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Global: Central bank meetings in the US, Japan and UK are key events this week. In the **US**, the Fed will conclude its July meeting on Wednesday, with markets widely expecting no change in rates but a signal from the bank that it has moved closer to cutting rates: the market is assigning a 100% probability of a cut in the following meeting in September. On the data front, July's non-farm payrolls (due on Friday) will be closely watched, especially the unemployment rate, which rose for a third straight month in June, but is expected to be stable at 4.1% in July. In **Japan**, the BoJ's rate decision (Wednesday) comes amid rising core inflation, generally soft consumption, and relatively volatile currency movements (see below), complicating matters for the bank. The market also expects the bank to unveil plans of how it will reduce bond purchases. In the **UK**, the BoE will meet on Thursday, with still-high services inflation and early signs of economic recovery weighing on its decision to reduce rates, which markets see as a close call. Separately, the new government will update parliament on the fiscal position today, possibly providing a sneak peek into the Autumn budget. Finally, in the **Eurozone**, Q2 GDP growth (Tuesday) is seen steady at 0.3% q/q, as per consensus expectations.

Japan: The yen has recently strengthened to levels last seen in early May. The yen has enjoyed a strong rally recently, up around 5% since 10 July to levels (less than JPY154/\$1) last seen in early May. This appreciation was mainly driven by a growing speculation about yen-buying operations by the authorities and an increasing possibility of an interest rate hike this week by the BoJ. Conversely, an unchanged rate decision by the central bank this week could see recent yen strength go into reverse. Swap markets currently project that the BoJ could lift policy rates to around 0.5% in the next 12 months, from the current 0.1%.

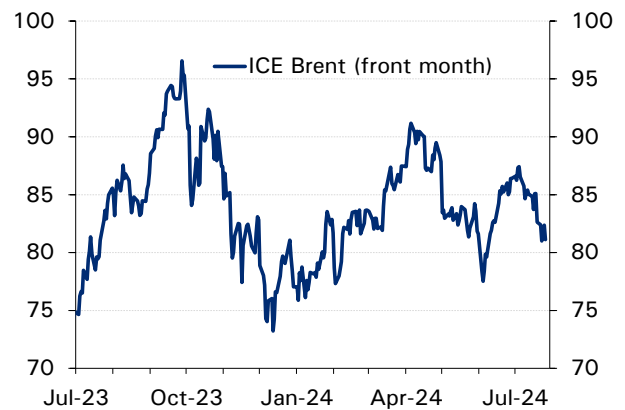
Oil: Chinese demand concerns weigh on sentiment. Brent futures closed Friday at \$81.1/bbl, notching a 1.8% w/w decline as concerns about Chinese oil demand softness outweighed continued US commercial crude oil inventory drawdowns and better-than-expected US GDP growth figures. The lackluster Chinese data released earlier in the month, including a below-consensus Q2 GDP growth reading and an 11% y/y decline in crude oil imports, means that the projected engine of growth for oil demand this year and next could disappoint expectations. Meanwhile, Energy Information Administration data revealed a 3.7 mb w/w drop in US commercial crude oil inventories in w/e July 19, recording the fourth weekly drawdown in a row. Over the weekend, tensions between Hezbollah and Israel escalated after a rocket fired from Lebanon hit Israeli-controlled town Majdal Shams and Israel retaliated with strikes inside Lebanon. The latest development threatens a widening conflict and a derailment of ceasefire talks in Gaza. Oil prices responded with Brent futures trading 0.4% higher during the Asian session.

Chart 1: JPY/USD exchange rate


Source: Refinitiv Workspace

Chart 2: Oil prices

(\$/bbl)



Source: Haver

UAE: Dubai's tourism sector remains robust in H1 2024. International visitors to Dubai remained robust in H1 2024, though growth eased to 9% y/y from 20% a year ago amid normalization from the effects of the pandemic. The level of visitors also surpassed the 2019 pre-pandemic level by 11% to reach 9.3 million overnight visitors. The main source markets were the GCC and MENA, accounting for 26% of overall visitors followed by Western Europe (20%), and south Asia (17%). Hotel occupancy rates increased to 78.7% while the average revenue per available room rose by 6% y/y. The strong jump in overnight visitors should continue to support the emirate's GDP growth in Q2, following a 3.2% y/y gain in the previous quarter, given the relatively large share of tourism-related sectors in GDP (15%).

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,318	n/a	-2.72
Bahrain (ASI)	1,970	-0.25	-0.07
Dubai (DFMGI)	4,280	n/a	5.43
Egypt (EGX 30)	29,036	-0.19	16.93
GCC (S&P GCC 40)	698	0.16	-2.06
Kuwait (All Share)	7,178	0.32	5.29
KSA (TASI)	12,175	1.24	1.74
Oman (MSM 30)	4,627	-0.63	2.50
Qatar (QE Index)	10,136	0.37	-6.42
International			
CSI 300	3,409	n/a	-0.64
DAX	18,418	n/a	9.94
DJIA	40,589	n/a	7.69
Eurostoxx 50	4,863	n/a	7.54
FTSE 100	8,286	n/a	7.14
Nikkei 225	37,667	n/a	12.56
S&P 500	5,459	n/a	14.45
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.38	0.00	-14.83
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.21	0.00	-11.82
Saudi	6.20	1.16	-4.25
LIBOR	5.52	n/a	-7.60
SOFR	5.26	n/a	-6.78

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.72	n/a	39.9
Oman 2027	5.32	n/a	16.3
Qatar 2026	4.93	n/a	41.1
Kuwait 2027	4.87	n/a	53.0
Saudi 2028	4.91	n/a	38.9
International 10YR			
US Treasury	4.19	n/a	33.3
German Bund	2.40	n/a	37.3
UK Gilt	4.10	n/a	55.8
Japanese Gvt Bond	1.06	n/a	44.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.03	-0.53
KWD per EUR	0.33	0.09	0.39
USD per EUR	1.09	0.00	-1.62
JPY per USD	153.72	0.00	8.97
USD per GBP	1.29	0.00	1.12
EGP per USD	48.28	-0.02	56.53
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	81.13	n/a	5.31
KEC	83.47	n/a	4.91
WTI	77.16	n/a	7.69
Gold	2380	n/a	15.40

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

Source: Refinitiv / Haver