

Daily Economic Update

Economic Research Department
14 August 2024

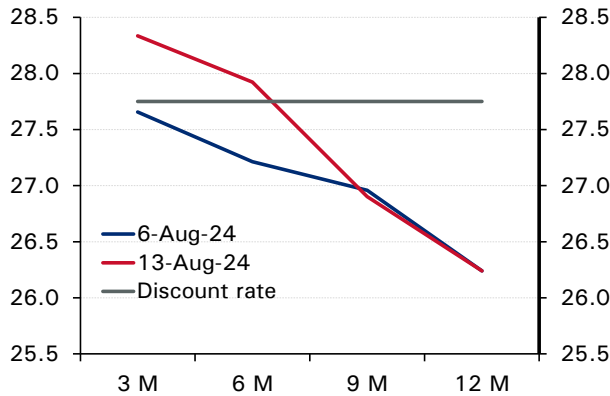
US: Producer price rises cool in more signs of easing inflation. Producer price inflation in July eased more than expected to a four-month low of 2.2% y/y (0.1% m/m) from 2.7% (0.2% m/m) in June. While goods prices rebounded (0.6% m/m), service prices fell 0.2% m/m, the first monthly drop this year, driven by a steep 1.3% m/m fall in trade services, indicating pressure on margins for wholesalers and retailers amid broadly softening household demand. However, a narrow measure that excludes energy, food, and trade rose 3.3% y/y (0.3% m/m) from 3.2% (0.1% m/m). Benign producer price inflation data, coupled with an expected softish CPI print this evening, could mean that moderating labor market conditions will now be the Fed's key focus area, and any sharp deterioration there could add to pressure for steeper interest rate cuts later this year.

UK: Unemployment rate unexpectedly falls, but wage growth slows. The unemployment rate surprisingly dropped to 4.2% in three months to June from 4.4% in March-May, the lowest reading since December-February 2024. Job gains in three months to June at 97K were the highest since the corresponding period ending last November, signaling a strong recovery in the labor market supported by improving economic prospects. However, average wage growth moderated to its lowest since August 2022 at 5.4% y/y from 5.8%, still much above the forecast of a 4.6% rise, with pay growth including bonuses easing to 4.5% from 5.7% earlier. The softness in total pay growth was distorted by a backdated pay rise for public healthcare workers in June last year. These figures further cloud Bank of England policy rate cut steps for this year: following a cut in the bank rate to 5% earlier this month, the Bank had pushed back against expectations of an accelerated monetary easing, citing high service inflation and elevated wage growth.

Egypt: 3M T-bill rise by 70bps w/w standing at 28.3% allowing foreign investors to return to the LCY debt market. Yields continued to rise during the 2nd week of August on the back of the geopolitical tensions which had triggered some foreign portfolio outflows from the LCY debt market equivalent to 7-9% (up to \$3.2bn) of the outstanding LCY debt held by foreigners (\$35bn) as per the prime minister's latest comments. Yields increased by 33bps w/w on average for 3-12M tenors with the short end (3M and 6M T-bills) seeing the highest rise of 70bps on average now standing at 28.3% and 27.9% for the 3 and 12 M tenors, respectively. The government continued to opt for shorter-term borrowing versus the longer-term borrowing in anticipation of a downward correction in yields if global markets and regional tensions cool down. It borrowed 71% of its total accepted funding through the 3M T-bill. On the positive front and in line with our previous expectations, foreign investors were net buyers' worth of \$160mn during yesterday's trading session for the first time in over 8 trading days. The cheaper EGP along with higher yields have created a new entry point and it should start to put downward pressure on yields. We re-iterate our view that the pickup in yields witnessed over the past month was not driven by a rise in inflation expectations.

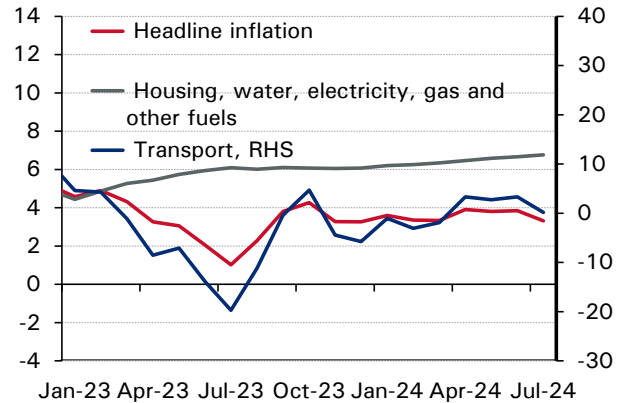
UAE: Dubai's inflation edged down in July on lower transportation prices. Inflation in Dubai eased in July to 3.3% y/y from June's reading of 3.9% driven mainly by slower growth in the transportation segment to 0.2% y/y (3.3% in June) influenced by the decline in gasoline prices in July. The housing segment, which constitutes 41% of the CPI basket, continued to increase, rising by +6.8% y/y. Core inflation (excl. food & transport) also lost some momentum in July, coming at 3.9% y/y, after remaining at 4.2% for two consecutive months. Inflationary pressures broadly appear to be easing, though figures in the upcoming months hinge on price changes in the transport segment given the steady pace of increase in housing rents.

Chart 1: Egypt LCY treasury yield curve
(%)



Source: Central Bank of Egypt

Chart 2: Dubai consumer price inflation
(%, y/y)



Source: DSC

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,175	-0.43	-4.20
Bahrain (ASI)	1,934	-0.08	-1.89
Dubai (DFMGI)	4,185	-0.40	3.07
Egypt (EGX 30)	29,331	-1.26	18.11
GCC (S&P GCC 40)	690	-0.03	-3.14
Kuwait (All Share)	7,010	-0.61	2.82
KSA (TASI)	11,797	0.48	-1.43
Oman (MSM 30)	4,660	-0.56	3.23
Qatar (QE Index)	10,071	-0.22	-7.01
International			
CSI 300	3,334	0.26	-2.82
DAX	17,812	0.48	6.33
DJIA	39,766	1.04	5.51
Eurostoxx 50	4,695	0.49	3.83
FTSE 100	8,235	0.30	6.49
Nikkei 225	36,233	3.45	8.27
S&P 500	5,434	1.68	13.93
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.37	-3.00	-11.90
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.05	-2.12	-25.49
Saudi	6.06	-1.64	-15.14
LIBOR	5.38	0.21	-21.33
SOFR	5.12	0.33	-21.54

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.23	-5.00	-9.1
Oman 2027	5.16	0.00	0.3
Qatar 2026	4.56	-3.00	4.1
Kuwait 2027	4.56	-5.00	22.0
Saudi 2028	4.56	-4.00	3.9
International 10YR			
US Treasury	3.85	-6.08	-1.4
German Bund	2.18	-4.40	15.1
UK Gilt	3.89	-2.80	34.8
Japanese Gvt Bond	0.84	-2.00	22.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.08	-0.41
KWD per EUR	0.34	0.49	1.69
USD per EUR	1.10	0.56	-0.40
JPY per USD	146.82	-0.25	4.08
USD per GBP	1.29	0.73	1.01
EGP per USD	49.34	0.14	59.94
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	80.69	-1.96	4.74
KEC	81.26	1.64	2.14
WTI	78.35	-2.14	9.35
Gold	2466.7	0.17	19.60

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

Source: LSEG / Haver