

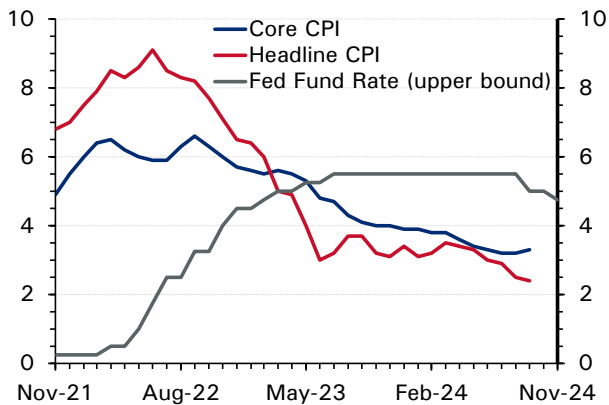
Daily Economic Update

Economic Research Department
10 November 2024

US: Fed cuts rates by 25 bps, Powell sees no election impact on the bank's near-term policy. The FOMC, as widely expected, unanimously reduced the Fed Funds target rate by 25 bps to 4.5-4.75%, noting easing labor market conditions and inflation progressing towards the bank's 2% goal. Chair Powell, at a post-meeting conference, left options open for December and subsequent meetings subject to an evolving economic outlook. He also pushed back, for now, against market worries that potential fiscal policy changes under the incoming Trump administration could impact the Fed's monetary stance over the coming months, stating it was too early to foresee the "timing and substance" of such changes. He sees the latest rise in US treasury yields as a reflection of perceived stronger economic growth rather than higher inflation expectations. Finally, Powell also dismissed talk of him prematurely stepping down if asked by the President, saying removal or demotion was "not permitted under the law."

Chart 1: US Fed rate and annual CPI inflation

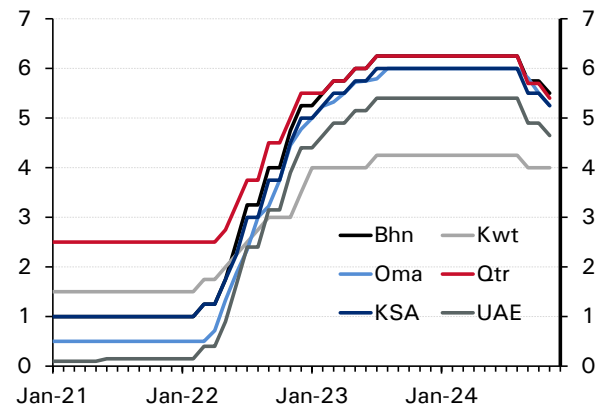
(%)



Source: Haver

Chart 2: GCC policy interest rates

(%)



Source: Haver

UK: BoE cuts rate by 25 bps but sends cautious message amid an inflationary budget. The Bank of England (BoE) cut the bank rate by 25 bps to 4.75% in an eight to one vote in favor. The BoE also updated its economic projections, seeing slower GDP growth of 1% this year (versus 1.3% in August) but faster growth of 1.5% (up from the previous 1%) in 2025. The bank mentioned that the recently announced expansionary budget would lift output by around 0.75% pts in H2 2025 but could also increase inflation by about 0.4% next summer. CPI inflation is expected to rise from 1.7% y/y in September to 2.5% by this December on unfavorable base effects and will further accelerate to 2.8% in Q3 2025 due to higher government spending and rising wages; it will fall below its 2% goal only by Q2 2027, the bank noted. Therefore, markets now expect a more gradual path of interest rate cuts ahead, forecasting no further reduction this year and two to three cuts of 25 bps in 2025.

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Eurozone: September's retail sales come in slightly higher than expected. Retail sales in the Eurozone recorded a 0.5% monthly increase in September, slightly higher than the assumed 0.4% but lower than August's 1.1% gain (revised up from 0.2%). Food sales were down 0.4% m/m but non-food store retail sales were up 1.1% with automotive fuel store sales up 0.2%.

China: Unveils \$1.4 trillion stabilization package, but absence of fresh stimulus disappoints markets. China's National People's Congress on Friday unveiled a 10 trillion yuan (\$1.4 trn) debt package to stabilize growth and increase local government debt limits to replace hidden debts. Local governments' debt quota will rise by 6 trillion yuan over the next three years and local authorities will have the right to apply for additional funds totaling 4 trillion over five years for the same purpose. Swapping the off-balance sheet debt for official debt is expected to save 600 billion yuan in interest for local governments over five years. The stimulus fell short of investors' expectations of direct fiscal stimulus to boost flagging economic growth—especially following President-elect Trump's victory last week which is likely to result in a ratcheting up of trade tariffs to 60% on imports of Chinese goods to the US. The main CSI-300 index fell by 1% on Friday, reversing intraday gains. At the post-meeting press conference, Finance Minister Lan Foan did pledge 'more forceful' fiscal measures next year, which are likely to include tax policies to support the housing market and some measures to recapitalize banks. Separately, China's consumer price inflation reached 0.3% y/y in October, its lowest reading since June and down from September's 0.4%.

GCC: Central banks cut benchmark rates, while Kuwait's CBK holds steady. GCC central banks with the exception of the Central Bank of Kuwait (CBK) followed the US Fed in cutting benchmark interest rates on Thursday. In line with the Fed, the Saudi Arabian Monetary Authority lowered its repo and reverse repo rates by 25 bps to 5.25% and 4.75%, respectively, the Central Bank of the UAE cut its overnight deposit facility by 25 bps to 4.65%, the Central Bank of Bahrain reduced its overnight deposit rate by 25 bps to 5.25% and the Central Bank of Oman lowered its repo rate by 25 bps to 5.25%. The Qatar Central Bank cut its deposit, lending and repurchase rates by a slightly deeper 30 bps to 4.9%, 5.40% and 5.15%, respectively. Kuwait, on the other hand, left its discount rate unchanged at 4.0%. In its press release, the CBK reiterated its gradualist approach to monetary policy, having increased rates in the tightening cycle far less aggressively than the US Fed and its GCC counterparts, assessing the current interest rate level to be adequate for the prevailing local and international macro-financial conditions.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,449	-0.18	-1.34
Bahrain (ASI)	2,031	0.52	3.00
Dubai (DFMGI)	4,640	-0.09	14.29
Egypt (EGX 30)	31,267	0.72	25.91
GCC (S&P GCC 40)	712	0.06	-0.01
Kuwait (All Share)	7,184	-0.12	5.37
KSA (TASI)	12,131	0.31	1.37
Oman (MSM 30)	4,706	-0.17	4.25
Qatar (QE Index)	10,569	0.00	-2.42
International			
CSI 300	4,104	-1.00	19.61
DAX	19,215	-0.76	14.71
DJIA	43,989	0.59	16.71
Eurostoxx 50	4,803	-1.01	6.22
FTSE 100	8,072	-0.84	4.39
Nikkei 225	39,500	0.30	18.04
S&P 500	5,996	0.38	25.70

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.02	0.00	-50.67
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.58	-0.60	-74.60
Saudi	5.49	0.00	-74.07
SOFR	4.52	-0.06	-80.98

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.48	1.00	15.9
Oman 2027	5.26	-5.00	10.3
Qatar 2026	4.61	0.00	9.1
Kuwait 2027	4.59	-2.00	25.0
Saudi 2028	4.81	0.00	28.9
International 10YR			
US Treasury	4.31	-1.95	44.5
German Bund	2.36	-7.50	33.5
UK Gilt	4.43	-6.75	89.3
Japanese Gvt Bond	1.00	-1.00	38.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.01	-0.16
KWD per EUR	0.33	-0.77	-0.59
USD per EUR	1.07	-0.80	-2.88
JPY per USD	152.63	-0.20	8.20
USD per GBP	1.29	-0.50	1.51
EGP per USD	49.25	0.06	59.64

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	73.87	-2.33	-4.11
KEC	74.83	-0.23	-5.95
WTI	70.38	-2.74	-1.77
Gold	2687.5	-0.40	30.31

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

Source: LSEG / Haver