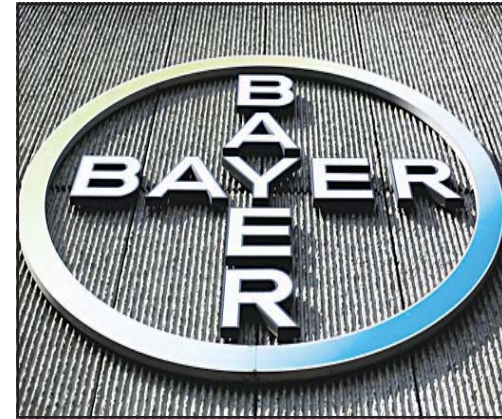


**Bayer takes additional \$4.5b charge for Roundup suits**

German pharmaceutical and chemical company Bayer said Thursday it would take a provision of \$4.5 billion against second-quarter earnings to put the company on what it said would be a path to closure of thousands of US lawsuits over a weedkiller containing the chemical glyphosate. The company said would continue to pursue legal appeals at the US Supreme Court and was hopeful of success. But it set aside the money to account for a second scenario in which it has to manage the costs of the remaining claims through a mix of litigation and settlement. The company

has faced thousands of legal actions from people claiming that glyphosate causes non-Hodgkins lymphoma, a type of cancer. "We want to provide comfort to our investors that the glyphosate litigation exposure should now be reasonably accounted for and leaves significant upside in the event of a favorable Supreme Court decision on the case," CEO Werner Baumann said during a conference call with investment analysts. "It is important for the company, our owners, and our customers that we move on and put the uncertainty and ambiguity related to

the glyphosate litigation behind us." Bayer inherited Roundup and the litigation by acquiring Monsanto in 2018. The \$4.5 billion comes on top of around \$9.6 billion in earlier litigation set-asides. The company says the compound is safe. The company additionally said that it would replace glyphosate in its Roundup weedkiller with other ingredients when it comes to sales for the US residential lawn care market from 2023, subject to regulatory review of the new ingredients. That is where most of the court cases have come from. (AP)



This file photo, shows the Bayer AG corporate logo displayed on a building of the German drug and chemicals company in Berlin. (AP)

# US equities kick off August on strong note

Investors embrace another strong set of earnings, infra bill progress



A currency trader passes by screens showing the Korea Composite Stock Price Index (KOSPI), (left), and the foreign exchange rate between U.S. dollar and South Korean won, (center), at the foreign exchange dealing room of the KEB Hana Bank headquarters in Seoul, South Korea, Friday, July 30, 2021. Asian stocks started the week higher Monday, even as China reported a slowdown in manufacturing activity and countries in the region continued to be hammered by the delta variant. (AP)

**NEW YORK, Aug 2, (AP): Stocks were rising Monday as investors embraced another strong set of earnings as well as progress in Washington on passing a large infrastructure package.**

The S&P 500 index was up 0.4% as of 11:31 a.m. Eastern. The benchmark index ended July higher, its sixth straight month of gains. The Dow Jones Industrial Average rose 124 points, or 0.4%, to 35,060 and the Nasdaq composite was up 0.6%. Technology companies made some of the broadest gains, while a variety of retailers and other companies that rely on direct consumer spending also rose. Makers of consumer and household goods, along with raw materials companies, lagged the market. This week will be one of the busiest for investors in some time. Roughly 150 members of the S&P 500 will report their results, and the July jobs report comes out on Friday. Companies that will report this week include DuPont, Eli Lilly, CVS, Kraft Heinz, General Motors and Humana, among many others. So far earnings season has been strong for corporate America. Roughly nine out of ten companies have beaten expectations on both profits and revenue. The index is on pace to have its strongest earnings season since 2009. A notable 89% of companies on the S&P 500 have beaten earnings expectations, but it is unclear if the market upswing will persist, Yeap Jun Rong of IG said. "Guidance from several big tech

companies is pointing to slower growth ahead and markets may need to find another catalyst to drive further upside," he added. In Washington, Republicans and Democrats made progress in advancing President Biden's infrastructure package over the weekend. The package is expected to be passed in the Senate by the end of the week. Construction equipment maker Caterpillar, which would stand to benefit from more spending on infrastructure, rose 1%. Square rose 11.1% after the payments company said it would acquire the "buy now, pay later" company Afterpay for \$29 billion. Bond yields were falling again. The yield on the 10-year Treasury note fell to 1.16% from 1.24% on Friday. Crude oil prices were down 4%. Investors are also getting a few pieces of economic data this week that could help them better gauge the economy's health. The Institute for Supply Management, a trade group of purchasing managers, said manufacturing slowed in July. Many companies are being held back by supply chain issues. The trade group will release its report on the services sector on Tuesday, which is a much bigger piece of the U.S. economy. The Labor Department will release its closely watched monthly employment report on Friday. France's CAC 40 added 1% in early trading to 6,677.27 while Germany's DAX gained 0.4% to 15,606.27. Britain's FTSE 100 rose 0.9% to 7,096.59. Asian stocks started the week higher, even as China reported a slowdown in manufacturing activity and countries in the region continued to be ham-

pered by the delta variant. Tokyo's Nikkei 225 jumped 1.8% to close at 27,781.02, while the Kospi in Seoul rose 0.6% to 3,221.40. The Hang Seng in Hong Kong advanced 0.9% to 26,204.46 in afternoon trading. The Shanghai Composite index added 1.9% to 3,461.34 and Australia's S&P/ASX 200 was up 1.3% at 7,491.40. Benchmarks in India, Indonesia and Singapore rose. Those in Malaysia and Thailand fell. The gains in China follow data released Saturday by the National Bureau of Statistics showing the country's official purchasing managers' index fell to 50.4 in July from 50.9 in June. Numbers above 50 indicate expansion on the 100-point scale. On Monday, a monthly manufacturing survey issued by a business magazine, Caixin, put July's reading at 50.3. That was down from June's 51.3. The official figure was the lowest since February 2020, when a lockdown to prevent the spread of the coronavirus was in place. Analysts had expected a smaller easing of manufacturing activity. China is also dealing with an outbreak of the delta variant of the coronavirus, which has already been running rampant in many other Asian nations. "None of the factors for slower manufacturing and non-manufacturing growth have gone away," Iris Pang of ING said in a report. "In fact, more policy directions were announced on 30 July, and they are directly from a meeting chaired by President Xi. Those policies aim at solving problems to achieve long-term economic stability, which could sacrifice short-term growth momentum," she said.

## ABK-Egypt Reports Solid Profit of EGP 580 Million in the First Half of 2021



Ali Marafi

Al Ahli Bank of Kuwait - Egypt (ABK-Egypt), one of Egypt's fastest growing banks, today reported strong results for the six-month period ended 30th June 2021. Net Operating Profit stood at EGP 756 Million, a 20 percent increase compared to the first half of 2020. Net Interest Income grew by 13 percent to reach EGP 1 Billion. Total Assets grew by 19 percent to reach EGP 49 Billion. The Bank's Total Customer Deposits saw a sharp increase of 27 percent standing at EGP 42.6 Billion compared to EGP 33.6 Billion for the period ended 31 December 2020. Total Loans portfolio grew by 5 percent for the six-month period compared with last year to reach EGP 22.90 Billion.

The Bank's Profit before tax stood at EGP 580 Million and Net Profit at the end of the first half of 2021 increased by 12 percent over the corresponding half in 2020 to reach EGP 396 Million. The increase in Net Profit is testament to the success of prudent management decisions in mitigating the economic impact of the pandemic.

Mr. Ali Marafi, Chairman of ABK-Egypt said; "The positive financial results achieved by the Bank in the first half of this year, despite the economic and health challenges imposed by the COVID-19 pandemic, reflect the Bank's ability to respond with agility and positivity in all circumstances to achieve sustainable profits. As one of the leading financial institutions in Egypt, we will continue our commitment to support retail and corporate

customers, providing them with high-quality banking solutions while ensuring we continue to enhance and strengthen the social fabric through the social responsibility initiatives launched by the Bank. I would like to take this opportunity to thank the executive management team and all employees for their dedication throughout this period."

Mr. Khaled El Salawy, CEO & Managing Director of ABK-Egypt expressed his pride at the positive results achieved by the Bank during the first half of the year and voiced his gratitude to the teams for their dedication in ensuring the protection of customer and shareholder interests during this challenging period. He also stressed that the Bank's priorities since the beginning of the pandemic have been to take quick measures to maintain the quality of the credit facilities portfolio, provide high liquidity ratios and invest in digital banking solutions and electronic banking services provided to retail and corporate customers, ensuring swift adaptation in an ever changing market.

In conclusion, Mr. Khaled El-Salawy stated that he is fully convinced that the banking sector has already begun to recover gradually from the effects of the pandemic, thanks to the initiatives put forward by the Central Bank of Egypt. He stressed that despite the unprecedented negative impact of the pandemic, the Egyptian economy has the ability to contain and overcome the impact of the crisis to achieve and exceed global growth rates.

ABK-Egypt will continue to innovate and implement a long-term strategy to support institutions and companies across Egypt to support economic recovery. Within the framework of this commitment, ABK-Egypt recently launched a certificate of deposit for companies at a fixed competitive rate that caters to the varying needs of businesses to provide them with the necessary flexibility to overcome economic challenges.

ABK-Egypt is committed to promoting values of social responsibility as part of its



Khaled El Salawy

dedication to serving, developing and advancing the communities in which it operates. The Bank works closely and collaboratively with non-profit organizations, government agencies and community entities to provide the necessary support. Emphasizing its commitment to support efforts to provide health care in local communities, ABK-Egypt made a financial donation in favor of Ahl Masr Burn Hospital in the name of «Ahl Masr Foundation for Development». The donation will aid the construction of the facility and the provision of life saving medical equipment to treat burn victims.

As part of its commitment to supporting health and wellbeing of the community, ABK-Egypt donated towards ten medical convoys in partnership with Ibrahim Badran Foundation. The convoys were organized for school children in ten underprivileged villages in Qalubia, and is equipped to support 7000 patients and 8000 beneficiaries over the course of 2021. In addition, the Bank donated an Ultrasound device for the second consecutive year to Dr. Moustafa Mahmoud Association Medical Center.

The Bank actively advocates and supports the empowerment of women in society. ABK-Egypt financed ten small businesses led by women, supporting initiatives that play a key role in driving economic independence for women. Through this contribution, they are able to work independently and make the necessary provisions for their families in the face of economic adversity.

**Economic Update**

NBK Economic Research Department | 2 August 2021



**Fresh virus worries dent recovery optimism as US inflation spikes higher**

- Global financial markets were mixed through July with benchmark bond yields lower but equities mostly higher amid a combination of strong but slowing economic data, ongoing pandemic pressures and a tech crackdown in China.
- US economic data remains positive but supply shortages, rising prices and a climb in Delta variant virus cases are a cause for concern. The Fed left policy unchanged but the ongoing surge in prices is challenging its 'transitory' inflation thesis.
- A rise in Delta virus cases is also a worry for the outlook in Europe, though growth came in at a better-than-expected 2.0% q/q in Q2. The ECB's new symmetric 2% inflation target and forward guidance suggest that rate hikes may be years away.

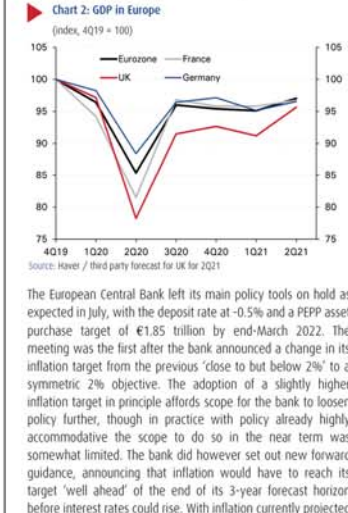
Global financial markets experienced a mixed month to late July, digesting a combination of strong but slowing economic data, inflation worries, expectations of tighter monetary policy, a tech crackdown in China and of course ongoing virus-linked uncertainty including the worrying spread of the more infectious Delta strain. Benchmark 10-year US treasury yields for example sank to near five-month lows (1.23%) but equity markets outside China (-4%) were mostly higher. In its July update, the IMF offered a reminder that pandemic pressures have by no means disappeared. It left its global growth projection for 2021 unchanged from April at 6%, but upgraded advanced economies (5.6%) and downgraded emerging markets (6.3%) partly reflecting divergences in policy support and vaccine access that will see the pandemic persist in many poorer countries for some time. Meanwhile, despite a temporary mid-July sell-off, Brent oil prices remained well above \$70/bbl in late July as markets factored in a continued recovery in global demand plus an agreement by OPEC+ to only gradually ease earlier steep production cuts by the end of next year.

US data still strong, core inflation hits 30-year high  
US economic data remains broadly strong, but there are signs that the recovery momentum is slowing amid supply shortages, rising prices (see below) and a renewed surge in Delta variant virus cases that has triggered some tighter health precautions. GDP in Q2 grew at a robust but softer-than-expected annualized 6.5% pace, up from 6.3% in Q1 as pent-up demand aided by reopening and a rebound in consumer confidence boosted household spending. But the PMI fell to 59.7 in July - a four-month low though still consistent with strong growth. And the sluggish labor market recovery continues to provide some cause for concern: new jobless claims hit a 9-week high in mid-July, but the underlying situation remains difficult to interpret due to temporary government support policies and potential short-term frictions from changing patterns of demand. The Federal Reserve as expected left policy on hold in late July, though conceded that the economic recovery was making progress and that a tapering of its \$120 billion per month bond purchases could be on the way in coming months. Chairman Jay Powell continued to play down inflation worries, despite CPI inflation surging to 5.4% y/y in June and the core rate hitting a 30-year high of 4.5% - both overshooting market expectations. (Chart 1)



lified by a jump in travel demand) - all consistent with the bank's 'transitory' inflation thesis. But the longer that even temporary or sector-specific price pressures persist, the greater the risk that they begin to feed through to other parts of the economy. Moreover, given the bank's new policy framework which targets inflation running hot for a while, the chances of the Fed mistakenly accommodating a more durable shift in inflationary pressures have undoubtedly risen.

European recovery proceeds but Delta could weigh  
Economic activity in the Eurozone is catching up with the US, though the recent climb in Delta variant cases is starting to cause some concern especially given the potential impact on the summer tourist season. GDP growth in Q21 was stronger than expected at 2.0% q/q - actually faster than in the US, although output remains 3% below pre-pandemic levels. (Chart 2) While growth in principle has scope to accelerate given the scale of the previous recession, a large virus wave that triggers either fresh restrictions or more precautionary behavior could cut into the rebound anticipated for H2. The flash composite PMI hit a 21-year high of 60.6 in July including a climb to 60.4 for services, as earlier reopening measures led to a surge in demand and boosted hiring. However, given the latest virus trends this could represent a near-term peak, and indeed firms' optimism on the year ahead slid to its lowest since February.



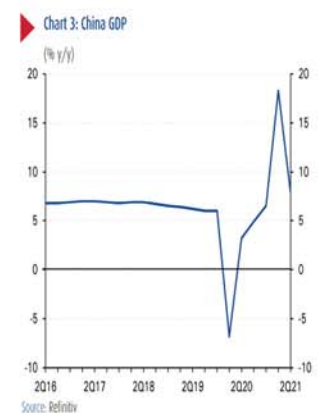
by the bank to reach 2% by 2024 at the earliest, this means that the first hike in interest rates may not occur until the second half of the decade.

In the UK, with 70% of all adults now fully vaccinated the government lifted many virus-related restrictions on July 19, despite a surge in (Delta variant-led) infections close to the peak levels recorded in January - although these have since receded. Economic activity should benefit, though ongoing voluntary precautions, work absences caused by the still-present contracting scheme and a potential lagged climb in infections triggered by the reopening may yet weigh on a full economic recovery. GDP rose 0.8% m/m in May and could rise by a very strong 5% q/q in Q21 overall, but would remain 4% below pre-crisis levels. Meanwhile, inflation jumped to an above-target 2.5% y/y in June. While some members of the Bank of England's Monetary Policy Committee are signaling growing concern over rising prices, a scaling back of the bank's QE program is likely to wait until the impact of the end to the government's furlough program in September is more evident.

Japan's economy strained as Olympics begin  
Japan's economy is struggling to shake off the drag from the pandemic after the government imposed 'quasi-emergency' measures in Tokyo and other major cities to limit the spread of the disease amid an increase in infections: country-wide case numbers doubled in the week to July 27, with 7,619 new infections reported. Only about 23% of Japan's population has been fully inoculated amid a much slower than anticipated vaccination drive. The delayed Olympics began in mid-July amid extensive precautionary measures including no spectators (and much public opposition) and in the circumstances the economic boost from the games is likely to be limited. GDP fell by 1.0% q/q in Q1 and although may have risen 0.4% in Q2, growth remains under some pressure. The flash composite PMI for July fell to 47.7 from June's already soft 48.9, with services at just 46.4 as restrictions to curb the virus remained in place throughout the month. More encouragingly, exports rose 49% y/y in June, the fourth straight month of double-digit gains and supporting hopes for an export-led recovery, although still skewed by a base effect from pandemic-induced weakness last year. Meanwhile, in its monthly economic report for July, the government kept its overall assessment unchanged from June with ongoing pandemic pressures likely to continue to cause disruptions in economic activity until the latest wave of infections passes and restrictions are lifted.

Chinese economic growth moderates  
In China, amid renewed concerns over the pandemic situation, the reintroduction of travel restrictions in some provinces, and worries over the business impact of surging commodity prices and supply chain disruptions, recent data have revealed further signs of a moderating economic recovery. With a rise of 1.3% q/q, GDP rose 7.9% y/y in Q21 after a record of 18.3% in the

previous quarter, and below expectations of 8.1% (Chart 3.) In addition, retail sales growth decelerated in June to its weakest since December (+12.1% y/y), while industrial output rose 8.3% y/y, the lowest rate in 6 months but above market forecasts, as consumption and production moderated during the latest Covid outbreaks.



Meanwhile, the central bank decided to cut the required reserve ratio (RRR) by 0.5 percentage points from July 15. This decision is expected to release long-term capital of about 1 trillion yuan (\$154.4 billion) to help consolidate the economic recovery. The surprise RRR cut has fueled speculation about further monetary easing, however, the central bank kept policy rates steady for the 15th consecutive month at its July 20 meeting. The regulatory authorities have also caused international consternation with the ongoing crackdown on some private education and also larger technology firms, whose market valuations have suffered, and which may result in overseas investors attaching greater risk to Chinese assets.

**India's recovery should benefit as Covid wave subsides**

In India, following the severe virus surge that pushed new infections to above 400,000 per day in May, cases have since declined considerably to around 38,000 as of late July and the (first dose) vaccination rate has progressed to 25% of the population. These developments are a promising sign that the economic recovery that started early in the year could regain traction. Various indicators still pointed to weakness in June, such as reported wage cuts and continued job shedding, and weak demand, reflected in the composite PMI, which fell further into contraction to 43.1 from 48.1 in May. In view of these negative developments, the IMF in July slashed India's GDP growth projection for FY2021/22 to 9.5% from 12.5% in the April estimate.

We expect forthcoming near-term data to paint a gradually more upbeat picture, as an improved Covid scene and easing mobility restrictions promote a pickup in confidence, employment, wages and demand, helping to restore recovery momentum. Indeed,