# WEEKLY **MARKET BRIEF**

Gulf Bank Economic Research Unit

19th March 2023

بنك الخليج GULF BANK

## THIS WEEK'S **HIGHLIGHTS**

- Saudi economy grew by 8.7% in 2022, the fastest among G20 countries, despite global economic uncertainties.
- The UAE GDP is expected grow at 3.2% in 2023, down from 7.9% in 2022, with the non-oil sector rising by 3.9% compared to 6.6% in 2022.
- The European Central Bank raised interest rates by 50 bps to 3.0%, despite concerns about strains in the financial system.

## EQUITIES

| | Index Close | Weekly Performance | March Performance | 2023 Performance |
|---|---|---|---|---|
| Kuwait All Share Index | 7,046 | ▼ -3.3% | ▼ -2.7% | ▼ -3.4% |
| Saudi Arabia | 9,977 | ▼ -4.6% | ▼ -1.2% | ▼ -4.8% |
| Dubai | 3,349 | ▼ -1.1% | ▼ -2.6% | ▲ 0.4% |
| Abu Dhabi | 9,650 | ▼ -1.8% | ▼ -2.0% | ▼ -5.5% |
| Emerging Markets (FTSE) | 487 | ▼ -0.8% | ▼ -1.5% | ▼ -1.2% |
| U.S. (S&P 500) | 3,917 | ▲ 1.4% | ▼ -1.3% | ▲ 2.0% |
| All World (FTSE) | 407 | ▼ -0.1% | ▼ -2.0% | ▲ 1.7% |

- Kuwait All Share index ended negative for the week, with fall in both premier market and main market stocks. Insurance sector was the top gainer, increasing by 0.6% for the week while Financial Services and Banks sectors lost the most at 4.1% and 3.9% respectively. Among premier market stocks, National Investments Company and Jazeera Airways were top gainers, rising 2.2% and 2.1% respectively for the week. Alimtiaz Investment Group Company and National Industries Group Holding were top losers, falling 7.3% and 6.4% respectively for the week. Zain Group made consolidated revenue of KD 1.7 billion (USD 5.6 billion), a 14% rise year on year. Consolidated net income was KD 196 million (USD 640 million), an increase of 6% year on year.

- GCC markets were negative for the week, with the fall mainly driven by a steep decline in oil and gas prices. Saudi economy grew by 8.7% in 2022, the fastest among the G20 countries, despite global economic uncertainties. Saudi Arabia's inflation slowed down to 3% in February from 3.4% in January, as food and transportation prices fell. S&P Global raised its sovereign rating on Saudi Arabia to "A/A-1", citing expected reform and diversification plans to boost development of the kingdom's non-oil sector and shift dependence away from oil. The UAE's real GDP is expected to be 3.2% in 2023, down from 7.9% in 2022, with the non-oil sector rising by 3.9% compared to 6.6% in 2022. Public revenue of Oman increased by 22% to RO 982 million in January 2023, up from RO 804 million in the same period in 2022. This is mostly owing to an increase in oil and gas income, which account for 88% of overall government revenue.

- Global equities were mixed for the week. In US, S&P 500 Index gained during the week, with increase in communication services and technology shares, while losses were led by Financials and Energy shares. Mega-cap tech stocks with enormous free cash flow and little exposure to regional banks performed particularly well, while large-cap growth equities outperformed their value counterparts. European stocks fell on concerns about banking system pressures. The banking sector fell the most, owing to concerns that Credit Suisse's problems could introduce counterparty risk into the financial system. Although the global banking sector's turbulence had little direct impact on Japan's financial system, negative investor sentiments affected Japanese stock markets. The Shanghai Index (China) ended the week positively, with optimism about an economic recovery and additional monetary support from Beijing offsetting concerns about global banking troubles.

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## BENCHMARK RATES/FIXED INCOME

| | Yields/Rates (in %) | Price (in USD) | March Change (in %) |
|---|---|---|---|
| Kuwait Discount Rate | 4.00 | - | - |
| U.S. Fed Fund Rate | 4.50-4.75% | - | - |
| Kuwait, 2027 | 4.31 | 97.2 | ▲ 0.78% |
| KSA, 2029 | 4.46 | 99.7 | ▲ 2.09% |
| Qatar, 2029 | 4.28 | 98.7 | ▲ 1.98% |

Note: year refers to maturity year of the sovereign bond;

- The benchmark 10 year U.S treasury yield closed the week at 3.39% compared to 3.56% last week weighed by lower economic growth expectations and higher risk aversion from investors. The U.S Fed might slow down the pace of interest rate hikes due to stress in the banking sector. A 50 bps increase in interest rates in the upcoming meeting on 21st and 22nd March appears almost unlikely because of the collapse of Silicon Valley Bank (SVB) and Signature Bank. Despite concerns about strains in the financial system, the European Central Bank (ECB) raised interest rates by 50 bps to 3.0% as inflationary pressures remained high. ECB's President Christine Lagarde mentioned that further rate hikes would depend on subsequent economic data while the central bank would also keep in mind the stress in the banking sector.

## CURRENCIES

| | Exchange Rate | Weekly Performance | March Performance | 2022 Performance |
|---|---|---|---|---|
| EUR/KWD | 0.327 | ▲ 0.2% | ▲ 0.8% | ▬ 0.0% |
| GBP/KWD | 0.374 | ▲ 1.2% | ▲ 1.2% | ▲ 1.0% |
| USD/KWD | 0.307 | ▬ 0.0% | ▬ 0.0% | ▲ 0.3% |
| EUR/USD | 1.067 | ▲ 0.2% | ▲ 0.9% | ▼ -0.3% |
| GBP/USD | 1.218 | ▲ 1.2% | ▲ 1.3% | ▲ 0.6% |

Note: Weekly change represent change over last Friday's close.

- The U.S dollar fell during the week due to turmoil in the banking sector, falling treasury yields and fears of a possible economic recession. Euro ended higher against the US dollar buoyed by ECB's 50 bps rate hike and expectations of further monetary tightening by the ECB. The Pound Sterling gained against the US Dollar and Euro as economic indicators such as the employment data was stronger than expected.

## COMMODITIES

| | Current Price | Weekly Performance | March Performance | 2023 Performance |
|---|---|---|---|---|
| Oil | 72.97 | ▼ -11.9% | ▼ -13.0% | ▼ -15.1% |
| Gold | 1,987.93 | ▲ 6.4% | ▲ 8.8% | ▲ 9.0% |

Note: Oil denotes Brent Crude, Price units – Oil in USD per barrel, Gold in USD per ounce

- Oil Price declined by 11.9%, recording its worst week in 2023, routed by the banking sector troubles and Russia selling oil to China and India at record levels at a discounted price. OPEC+ affirmed that the price fluctuations were caused by fears in the financial industry and prices would normalize soon, as volatility was not caused by changes in the balance between demand and supply of oil. Gold prices rose by 6.4% during the week caused by the U.S banking crisis. Weaker US Dollar and expectations of a slower FED rate hikes also supported gold prices.

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