WEEKLY **MARKET BRIEF**

Gulf Bank Economic Research Unit

12th March 2023

بنك الخليج GULF BANK

THIS WEEK'S **HIGHLIGHTS**

- According to Global Finance Magazine, high oil prices in 2022 increased Kuwait's oil revenue by 85% year on year, which led to a real GDP growth of 8.5% and resulted in a reduction of the fiscal deficit by 70%.
- Saudi Arabia's Q4 GDP grew at 5.5% y-o-y, with non-oil GDP growth of 6.2% surpassing the oil GDP growth of 6.1%.
- Concerns about the health of Silicon Valley Bank (SVB) grew as customers withdrew deposits, which forced the bank to sell and realize losses in securities held on its balance sheet in order to meet capital requirements.

EQUITIES

	Index Close	Weekly Performance	March Performance	2023 Performance
Kuwait All Share Index	7,283	0.0%	▲ 0.5%	▼ -0.1%
Saudi Arabia	10,463	▲ 1.8%	▲ 3.6%	▼ -0.1%
Dubai	3,386	▼ -1.0%	▼ -1.5%	▲ 1.5%
Abu Dhabi	9,828	▼ -0.8%	▼ -0.2%	▼ -3.8%
Emerging Markets (FTSE)	491	▼ -3.1%	▼ -1.1%	▼ -0.4%
U.S. (S&P 500)	3,862	▼ -4.5%	▼ -3.0%	▲ 0.6%
All World (FTSE)	407	▼ -3.5%	▼ -2.1%	▲ 1.8%

- Kuwait All Share index remained flat for the week, with slight rise in premier market and fall in main market stocks. Technology sector was the top gainer, increasing by 4.7% for the week while Financial Services and Real Estate sectors lost the most at 2% and 1.2% respectively. Among premier market stocks, Jazeera Airways and National Bank of Kuwait were top gainers, rising 4% and 1.4% respectively for the week. ALAFCO Aviation Lease Finance Co and Gulf Cable and Electrical Holding were top losers, falling 3.9% and 3.4% respectively for the week. Global Finance Magazine noted that higher oil prices in 2022 were supportive of increase in oil revenue and a reduction of fiscal deficit by 70% in 2022 while highlighting that the economy remained resilient against threats of looming global recession and higher inflation.

- GCC markets were mixed for the week. TASI gained during the week with many blue-chip stocks ending the week in positive territory. Saudi Arabia's Q4 GDP grew at 5.5% y-o-y, with non-oil GDP growth of 6.2% surpassing the oil GDP growth of 6.1%. According to the finance ministry, Saudi Arabia's 2022 budget surplus was 103.9 billion ($27.7 billion) riyals, higher than the previous projection of 102 billion riyals. The kingdom also reported oil revenues of 857.27 billion riyals. The Saudi Arabia Purchasing Managers' Index increased at its fastest rate since March 2015 in February, rising from 58.2 to 59.8. Saudi Arabia's industrial production index (IPI) climbed by 6.8% in January compared to same time last year. S&P Global's Dubai Purchasing Manager Index fell to 54.1 in February from 54.5 in previous month. Tourists visiting Sultanate of Oman increased by 348% in 2022 on y/y basis.

- Global equities were negative for the week. US stocks fell substantially this week as investors were concerned about possible Fed rate hike to tame inflation. Financials led the S&P 500 falls and contributed to the pronounced weakness in value equities. Concerns about the health of Silicon Valley Bank (SVB) grew as customers withdrew deposits, which forced the bank to sell and realize losses in securities held on its balance sheet in order to meet capital requirements. SVB witnessed a huge influx of deposits in 2021. Utilizing this, the bank purchased a over $80 billion in mortgage-backed securities with these deposits for their hold-to-maturity (HTM) portfolio. However, with the rise in Fed rates, the value of SVB's mortgage-backed securities plummeted. Prominent venture capitalists had advised portfolio businesses to withdraw their money from SVB. The euro zone failed to register any growth quarter-on-quarter in Q4 2022. European markets closed in the red during the weak owing to fears of further rate hikes by European Central Bank (ECB).

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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	4.44	96.7	▲ 0.29%
KSA, 2029	4.77	98.1	▲ 0.41%
Qatar, 2029	4.58	97.1	▲ 0.36%

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

- Silicon Valley Bank's (SVB) failure, the largest since financial crisis of 2008-09 has had a cascading effect on the short-term treasury yields, as the 2-year yields closed the week at 4.6% after opening at 4.9%. U.S FED's chair Jerome Powell signaled on larger rate hikes than the 25 bps increase authorities had planned, owing to stronger than expected economic data. With inflation still more than four times the Europe Central Bank's 2% target, ECB's President Christine Lagarde indicated on another 50 bps increase later this month. The move would total ECB's rate hikes to 350 bps since July 2022.

CURRENCIES

	Exchange Rate	Weekly Performance	March Performance	2022 Performance
EUR/KWD	0.327	▲ 0.1%	▲ 0.6%	▼ -0.2%
GBP/KWD	0.369	▼ -0.1%	▲ 0.1%	▼ -0.2%
USD/KWD	0.307	0.0%	0.0%	▲ 0.4%
EUR/USD	1.064	▲ 0.1%	▲ 0.6%	▼ -0.6%
GBP/USD	1.203	▼ -0.1%	▲ 0.1%	▼ -0.6%

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

- U.K's pound sterling declined during the week after a Bank Of England (BoE) policy makers comment on the pounds vulnerability to other central bank outlooks and U.S FED chair's hawkish stance on rate hikes. Slower wage growth and rise in unemployment weakened the U.S dollar for the week against the Euro.

COMMODITIES

	Current Price	Weekly Performance	March Performance	2023 Performance
Oil	82.78	▼ -3.6%	▼ -1.3%	▼ -3.6%
Gold	1,867.83	▲ 0.7%	▲ 2.2%	▲ 2.4%

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

- Oil Prices declined during the week as FED's comments on interest rate hikes have triggered fears of a prolonged recession that could lead to a fall in oil demand. Barclays cut its 2023 oil price forecast by USD 6/barrel to USD 92/barrel owing to resilient output from Russia. Barclays also mentioned that the market could flip into a 500,000 barrels per day (bpd) deficit in H2 2022 as China's reopening from pandemic restrictions "matures" and a slowdown in production from non-OPEC members. Gold prices rose during the week augured by U.S employment report that saw the key non-farm jobs beat market expectations.

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