

WEEKLY MARKET BRIEF

Gulf Bank Economic Research Unit

02nd April 2023



THIS WEEK'S HIGHLIGHTS

- United Real Estate Company (URC) completed the issuance of bond worth KD 80 million.
- Real GDP growth in the GCC region is anticipated to moderate from an estimated 7.6% in 2022 to 3.5% in 2023.
- The core personal consumption expenditure (PCE) price index in U.S increased by 4.6% in February, lower than the consensus estimate of 4.7%.

EQUITIES

	Index Close	Weekly Performance	March Performance	2023 Performance
Kuwait All Share Index	7,051	0.0%	-2.7%	-3.3%
Saudi Arabia	10,590	1.4%	4.8%	1.1%
Dubai	3,407	1.7%	-0.9%	2.1%
Abu Dhabi	9,430	-0.8%	-4.2%	-7.6%
Emerging Markets (FTSE)	505	1.7%	2.2%	2.5%
U.S. (S&P 500)	4,109	3.5%	3.5%	7.0%
All World (FTSE)	427	3.4%	2.7%	6.7%

- Kuwait All Share index remained flat during the week. Basic Materials sector was the top gainer, increasing by 2.7% for the week while Technology and Consumer Staples lost the most at 5.0% and 3.4% respectively. Among Premier market stocks, Integrated Holding Co. was the top gainer, with a weekly gain of 3.7%. Mezzan Holding Company was the top loser, falling 3.4% for the week. Boursa Kuwait Securities Company approved the Board of Director's recommendation to distribute cash dividends of 85 fils per share amounting to KD 17.65 million. United Real Estate Company (URC) completed the issuance of bond worth KD 80 million with Gulf Bank and KAMCO Invest as lead managers.
- GCC markets were mixed during the week as investor confidence remained fragile despite recovery in oil prices. Abu Dhabi index declined during the week owing to losses posted by major blue-chip companies. The Central bank of UAE has projected UAE's real GDP to grow by 3.9% and 4.3% in 2023 and 2024 respectively. Dubai Expo 2020 is expected to contribute AED 154.9 billion (USD 42.2 billion) to the UAE economy between 2013 and 2042 and support 1 million jobs during the period. Bahrain's real GDP grew by 4.9% in 2022, the highest rate since 2013, mainly driven by non-oil GDP growth and greater private sector contribution towards economic activities. By 2025, Saudi Arabia intends to increase the number of Fintech players and boost Fintech's contribution to GDP to USD 1.2 billion. Real GDP growth in the GCC region is anticipated to moderate from an estimated 7.6% in 2022 to 3.5% in 2023. Inflationary pressures in the GCC is likely to reduce in 2023.
- Global equities ended the week positively. S&P 500 registered a weekly gain driven by advances in banking and energy stocks. The core personal consumption expenditure (PCE) price index in U.S increased by 4.6% in February, lower than the consensus estimate of 4.7%. European stocks gained during the week as concerns of financial sector turmoil subsided and tech stocks gained. Consumer price growth in eurozone moderated to 6.9 y/y in March from 8.5% in February on the back of falling energy prices. However, the core CPI increased from 5.6% y/y in February to 5.7% y/y in March. BoE Governor Andrew Bailey reiterated that the global banking crisis would not affect Bank of England's (BoE) interest rate moves due to the resilience of U.K banks. Chinese stocks rallied during the week supported by the positive economic outlook. The IMF has projected that China's economy would grow by 5.2% in 2023.

BENCHMARK RATES/FIXED INCOME

	Yields/Rates (in %)	Price (in USD)	March Change (in %)
Kuwait Discount Rate	4.00	-	-
U.S. Fed Fund Rate	4.75-5.00%	-	25 bps
Kuwait, 2027	4.01	98.2	1.91%
KSA, 2029	4.39	100.0	2.43%
Qatar, 2029	4.08	99.7	3.04%

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

- The 2-year and 10-year U.S treasury yields were up 30 bps and 10 bps respectively for the week owing to recovery of the Silicon Valley Bank's collapse (SVB) that led to a turmoil in the banking sector. The slightly lower than anticipated increase of personal consumption expenditure price index (PCE) in February, is a comforting sign for the Fed as PCE has been a key indicator in Fed's tracking of inflation. Despite lower inflation numbers in March across Europe, increase in core prices indicated the need for interest hikes as stated by ECB policymaker Francois Villeroy de Galhau. Villeroy also mentioned that few more rate hikes were possible as the central bank aims to steer inflation back to 2% between 2024 and 2025.

CURRENCIES

	Exchange Rate	Weekly Performance	March Performance	2022 Performance
EUR/KWD	0.333	0.9%	2.4%	1.6%
GBP/KWD	0.378	1.1%	2.5%	2.3%
USD/KWD	0.307	0.2%	-0.1%	0.3%
EUR/USD	1.084	0.7%	2.5%	1.3%
GBP/USD	1.233	0.8%	2.6%	2.0%

- U.S. Dollar declined during the week, with expectations of a less aggressive stance from that FED owing to pressure in the financial sector and easing inflation numbers. Softer than expected consumption numbers also led to a weakening of the greenback. Euro and British Pound gained as higher than anticipated inflation levels suggests Central banks would continue to increase interest rates.

COMMODITIES

	Current Price	Weekly Performance	March Performance	2023 Performance
Oil	79.77	6.4%	-4.9%	-7.1%
Gold	1,967.90	-0.5%	7.7%	7.9%

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

- Oil prices jumped up by 6.4% during the week, owing to Russia's 500,00 bpd production cut in March. OPEC+ is expected to maintain production at existing levels in its meeting scheduled on 4th April as OPEC had sent signals earlier that it would refrain from altering production due to the sudden price crash. However, OPEC+ would consider its second largest member, Iraq's 450,000 barrels per day export loss before finalizing its production plans. Gold prices declined marginally by 0.5% during the week weighed by recovery in the banking sector.



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