

WEEKLY MARKET BRIEF

Gulf Bank Economic Research Unit

29th January 2023



THIS WEEK'S HIGHLIGHTS

- Kuwait's Central Bank raised its Discount rate by 50 bps to 4% ahead of the January FOMC meeting.
- UAE's Securities and Commodities Authority has stated that there are 11 IPOs in the pipeline worth more than AED 8 billion.
- U.S. Equity markets were positive ahead of the U.S. Fed's January meeting, with inflation seemingly cooling down and the possibility of the U.S. avoiding a recession becoming higher.

EQUITIES

	Index Close	Weekly Performance	January Performance	2023 Performance
Kuwait All Share Index	7,311	▲ 0.8%	▲ 0.3%	▲ 0.3%
Saudi Arabia	10,822	▲ 1.3%	▲ 3.3%	▲ 3.3%
Dubai	3,329	▼ -0.7%	▼ -0.2%	▼ -0.2%
Abu Dhabi	9,738	▼ -4.4%	▼ -4.6%	▼ -4.6%
Emerging Markets (FTSE)	535	▲ 0.9%	▲ 8.6%	▲ 8.6%
U.S. (S&P 500)	4,071	▲ 2.5%	▲ 6.0%	▲ 6.0%
All World (FTSE)	429	▲ 2.1%	▲ 7.3%	▲ 7.3%

- Kuwait All Share index registered small gains for the week. All Bourse Kuwait sectors ended positive during the week, except for technology sector which lost 5.7%. Oil & gas and Industrials sectors were top gainers, increasing by 3.1% and 1.7% respectively for the week. Among premier market stocks, ALAFCO Aviation Lease and Finance Co was the top gainer, rising 6.4% for the week. National Industries Group Holding was the top loser, falling 2.3% for the week. The Central bank of Kuwait (CBK) raised its discount rate by 50 basis points to 4% from 3.50%. According to the United Nations forecast, Kuwait's real GDP and inflation is predicted to grow at 2.8% and 3.2% respectively in 2023. The value of real estate transactions in Kuwait from January 1st to 12th 2023 was nearly KD 64.42 million, marking a decrease of 22.4% compared to the same period in 2022, when it was KD 83 million.
- GCC markets were mixed for the week, largely driven by Q4 2022 earnings. Abu Dhabi markets witnessed a sharp fall after the Q4 earnings of country's biggest lender – First Abu Dhabi Bank fell below market expectations. Saudi markets edged up slightly as blue-chip earnings were in line with market expectations. According to the National Debt Management Center (NDMC), Saudi Arabia has estimated its borrowings at nearly SAR 45 billion after securing SAR 48 billion of the 2023 total financing needs in 2022 through pre-funding activities. The Saudi Central Bank has granted license to two debt-based crowdfunding Fintechs, after testing the solutions in SAMA's regulatory sandbox. As per the Securities and Commodities Authority (SCA), UAE has 11 IPOs in the pipeline worth more than AED 8 billion, following its highest level of offerings by aggregate value in 2022 since 2008. During 2018-2021, UAE accounted for more than 50% of the number and value of venture debt deals in the MENA region.
- Global equities were positive for the week ahead of the January FOMC meeting. Smoothing inflation trends has increased the market expectations of lower hikes in 2023 and U.S. economy avoiding recession. Microsoft shares witnessed a sharp decline during the week on account of weak earnings and a decline in revenue, which is expected to continue for the rest of 2023. European shares gained as positive economic data helped alleviate fears of aggressive monetary tightening. Eurozone business activity strengthened as indicated by PMI reading of 50.2 from 49.3 in December 2022 bolstering investor confidence. Chinese markets remain closed until Jan 30 on account of Lunar New Year.

BENCHMARK RATES/FIXED INCOME

	Yields/Rates (in %)	Price (in USD)	January Change (in %)
Kuwait Discount Rate	4.00	-	▲ 0.50%
U.S. Fed Fund Rate	4.25-4.50%	-	-
Kuwait, 2027	3.93	98.4	▲ 1.34%
KSA, 2029	4.33	100.4	▲ 1.74%
Qatar, 2029	4.08	99.7	▲ 1.35%

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

- U.S Treasury yields increased during the week ahead of the FOMC meeting despite data suggesting a possible cool down in inflation. U.S. Core inflation rose 4.4% over the year ended in December, the slowest pace in 14 months. The benchmark 10-year Treasury yield closed the week at 3.52%. ECB President Christine Lagarde, Knot, and fellow Governing Council member Ollie Rehn repeated their recent calls for "significant" rate increases in February and March. The Central Bank of Kuwait issued bonds and related tawarruq worth almost KD 240 million bearing a rate of return of 4.125% during the week.

CURRENCIES

	Exchange Rate	Weekly Performance	January Performance	2023 Performance
EUR/KWD	0.332	▲ 0.1%	▲ 1.4%	▲ 1.4%
GBP/KWD	0.378	▼ 0.0%	▲ 2.3%	▲ 2.3%
USD/KWD	0.305	▼ -0.1%	▼ -0.2%	▼ -0.2%
EUR/USD	1.087	▲ 0.1%	▲ 1.5%	▲ 1.5%
GBP/USD	1.240	▲ 0.0%	▲ 2.5%	▲ 2.5%

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

- EUR gained during the week on back of market expectations that European Central Bank (ECB) would maintain its course in hiking interest rates while U.S Fed begins to slow down the pace of rate hikes. GBP remained flat despite the slowdown in U.K's economic activity as they were largely in line with market expectations. BOE is expected to hike rates in February to 4%, but the central bank might slow down the pace of rate hikes during the year owing to economic concerns.

COMMODITIES

	Current Price	Weekly Performance	January Performance	2023 Performance
Oil	86.66	▼ -1.1%	▲ 0.9%	▲ 0.9%
Gold	1,927.34	▲ 0.0%	▲ 5.6%	▲ 5.6%

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

- Oil prices ended negative during the week as indications of strong Russian oil supply outweighed better-than-expected economic activity in U.S. Oil loadings from Russia is set to rise by 50% in January from the previous month. The demand for oil from China is predicted to increase as the number of COVID-19 cases recorded is declining. OPEC+ are scheduled to meet next week. Gold prices remained flat during the week after a strong rally during the month. .



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