

# WEEKLY MARKET BRIEF

Gulf Bank Economic Research Unit

15<sup>th</sup> January 2023



## THIS WEEK'S HIGHLIGHTS

- Kuwait is expected to increase its diesel exports to Europe to 2.5 million tonnes, a fivefold raise compared to 2022.
- World Bank has revised its 2023 GDP outlook for UAE upwards to 4.1% on back of robust growth in non-oil sector.
- Headline inflation in U.S fell 0.1% m/m in December, marking its first decline since May 2020. Core CPI rose 5.7% y/y during the month, the slowest increase in the year.

## EQUITIES

	Index Close	Weekly Performance	January Performance	2023 Performance
Kuwait All Share Index	7,131	▲ 0.1%	▼ -2.2%	▼ -2.2%
Saudi Arabia	10,744	▲ 2.0%	▲ 2.5%	▲ 2.5%
Dubai	3,324	▲ 0.7%	▼ -0.4%	▼ -0.4%
Abu Dhabi	10,210	▲ 0.1%	▼ 0.0%	▼ 0.0%
Emerging Markets (FTSE)	527	▲ 3.8%	▲ 7.0%	▲ 7.0%
U.S. (S&P 500)	3,999	▲ 2.7%	▲ 4.2%	▲ 4.2%
All World (FTSE)	421	▲ 3.4%	▲ 5.4%	▲ 5.4%

- Kuwait All Share index gained for the week, supported by premier market and main market stocks. Financial services sector was the top gainer, increasing by 1.5% for the week while Industrials lost the most at 6.3% for the week. Among premier market stocks, Kuwait Projects Company Holding was the top gainer, rising 7.5% for the week. Agility Public Warehousing Company and National Investments Co. were the top losers, falling 12.8% and 2.9% respectively for the week. Kuwait is expected to increase its diesel exports to Europe to 2.5 million tonnes, a fivefold raise compared to 2022, compensating the European continent for lower Russian oil flows. Alafco Aviation Lease & Finance Co. has executed a framework agreement under for transfer of 20 Boeing 737 Max 8 jets to Macquarie AirFinance, possibly paving the way for a USD 2.2 bn acquisition by Macquarie AirFinance.
- GCC markets were largely positive for the week, with Saudi equity index supported by blue chip stocks such as SNB and Al Rajhi Bank. World Bank has revised its 2023 GDP outlook for UAE upwards to 4.1% on back of robust growth in non-oil sector. According to UAE Purchasing Managers Index, the UAE witnessed the highest increase in job creation in Q3 2022, with a 56% increase in new jobs across non-oil sectors. Central Bank of UAE's total foreign assets increased by 0.41% m/m to AED 426.03 bn in October. The total number of authorised businesses in Dubai grew by 11% from 529 in 2021 to 588 in 2022. Saudi Arabian Mining Co (Ma'aden) is set to form a joint venture with the country's sovereign wealth fund to invest in mining assets globally. Olam Group plans to list its agricultural unit in Singapore and Saudi Arabia as early as H1 2023 in the first such dual listing. Saudi Exchange's Parallel Market (Nomu) is expected to witness more IPOs in 2023, following a steep increase in number of listed companies to 46 in 2022 up from 14 companies in 2021.
- Global equities were positive for the week supported by easing inflation and quarterly earnings report. Technology and growth-oriented sectors ended positive as share prices of Amazon, Tesla and Microsoft rose. Headline inflation in U.S fell 0.1% m/m in December, marking its first decline since May 2020. Core CPI rose 5.7% y/y during the month, the slowest increase in the year. European equities gained for the week as better-than-expected economic data bolstered market sentiment. The UK's GDP grew by 0.1% m/m in November, beating the consensus forecast of a 0.2% contraction. Financial markets anticipate BoE to raise interest rate by 0.50% to 4.00% in February to combat inflation.

## BENCHMARK RATES/FIXED INCOME

	Yields/Rates (in %)	Price (in USD)	January Change (in %)
Kuwait Discount Rate	3.50	-	-
U.S. Fed Fund Rate	4.25-4.50%	-	-
Kuwait, 2027	4.17	97.6	▲ 0.42%
KSA, 2029	4.57	99.1	▲ 0.45%
Qatar, 2029	4.21	99.0	▲ 0.63%

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

- U.S Treasury yields declined during the week following the positive economic news on cooling inflation. Slowing inflation and rising hopes of a short-lived recession in the near term has boosted market sentiments. Investors and economists anticipate that U.S Fed might take a less hawkish stance in rising interest rates. The 30-year yield rate fell by 6 basis points to 3.61%. Yield on 10-year treasury note dropped to 3.49%, its lowest level since Fed's mid-December meeting during the week. A survey of economists by Bloomberg indicate U.S Fed to raise interest rates by 25 bps in February 2023. Bank of England has completed unwinding the emergency bond-buying scheme launched to calm the financial markets after Liz Truss's mini-budget.

## CURRENCIES

	Exchange Rate	Weekly Performance	January Performance	2022 Performance
EUR/KWD	0.330	▲ 1.4%	▲ 0.9%	▲ 0.9%
GBP/KWD	0.373	▲ 0.8%	▲ 0.8%	▲ 0.8%
USD/KWD	0.305	▼ -0.3%	▼ -0.2%	▼ -0.2%
EUR/USD	1.083	▲ 1.7%	▲ 1.2%	▲ 1.2%
GBP/USD	1.223	▲ 1.1%	▲ 1.1%	▲ 1.1%

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

- Pound Sterling and Euro gained during the week supported by weakness in U.S. Dollar. The greenback was weighed by easing U.S inflation numbers, which raised expectations of less aggressive rate hikes by the U.S Fed. Additionally, Sterling was strengthened by the upside surprise in U.K's GDP growth and Euro was supported by hawkish views from European Central Bank's policymakers.

## COMMODITIES

	Current Price	Weekly Performance	January Performance	2023 Performance
Oil	85.28	▲ 8.5%	▼ -0.7%	▼ -0.7%
Gold	1,920.21	▲ 2.9%	▲ 5.3%	▲ 5.3%

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

- Oil prices increased for the week driven by the drop in U.S dollar to seven-month low levels. Recent Chinese crude purchases coupled with the ease of COVID-19 restrictions fueled expectations of recovery in demand from China, the world's second largest economy. Economists anticipate OPEC+ to announce a production cut in February to further support oil prices. Morgan Stanley anticipates oil supply to remain tight during Q3 and Q4 of 2023 backed by higher demand from China. Gold prices ended positive during the week as cooling U.S inflation raised hopes of slower interest rate hikes by U.S Fed.



**LOOKING FOR A PREVIOUS REPORT?**

Click [HERE](#) to view previous weeks' reports.



For any inquiries, please email us at [Economic.Research@gulfbank.com.kw](mailto:Economic.Research@gulfbank.com.kw)