

# WEEKLY MARKET BRIEF

Gulf Bank Economic Research Unit

27<sup>th</sup> November 2022



## THIS WEEK'S HIGHLIGHTS

- Kuwait has posted a fiscal deficit of KD 3bn for FY21/22, down 72% from previous year, supported by increase in revenues.
- Abu Dhabi's quarterly GDP growth rate reached its highest value in six years during Q2 2022, jumping to 11.7% y/y.
- According to U.S Fed's November meeting minutes, most policymakers opined that it would soon be appropriate to slow the pace of interest rate hikes.

## EQUITIES

	Index Close	Weekly Performance	November Performance	2022 Performance
Kuwait All Share Index	7,587	▼ -0.3%	▲ 3.7%	▲ 7.7%
Saudi Arabia	10,939	▼ -1.8%	▼ -6.2%	▼ -3.0%
Dubai	3,305	▼ -1.4%	▼ -0.8%	▲ 3.4%
Abu Dhabi	10,528	▲ 0.6%	▲ 1.1%	▲ 24.0%
Emerging Markets (FTSE)	482	▼ -0.2%	▲ 10.1%	▼ -21.6%
U.S. (S&P 500)	4,027	▲ 1.6%	▲ 4.0%	▼ -15.5%
All World (FTSE)	412	▲ 1.5%	▲ 6.7%	▼ -17.0%

- Kuwait All Share Index was negative for the week, weighed by premier market stocks. Technology sector was the top gainer, increasing by 8.3% for the week while Financial Service sector lost the most at 2.8%. Among premier market stocks, Mezzan Holding was the top gainer, rising 3.3% for the week. Kuwait Projects Company Holding was the top loser, declining 14.5% during the week. Kuwait has posted a fiscal deficit of KD 3bn for FY21/22, down 72% from previous year, supported by increase in revenues. Kuwait Projects Company (KIPCO) has completed its merger with Qurain Petrochemical Industries (QPIC), with the merged entity trading under Kuwait Projects Company's name. The swap ratio was 2.24 KIPCO shares for every QPIC share. Standard and Poor (S&P) has upgraded Boubayan Bank's rating to A with stable outlook based on its expectation of the bank's growth and earnings prospects.
- Most GCC markets were negative for the week, weighed by weakness in oil prices. Abu Dhabi gained for the week supported by gains in International Holding Company (IHC). The company plans to list 20% of its technology unit in an IPO next year and has also planned IPO of its subsidiary Pure Health in Q1 2023. Abu Dhabi's quarterly GDP growth rate reached its highest value in six years during Q2 2022, increasing by 11.7% y/y. Profits of listed companies across the GCC declined by 8.0% q/q in Q3 2022, with aggregate profits of UAE listed firms showing a quarterly increase. DFM has launched a new general index, 8 sectoral indices and a Shariah index. Americana raised USD 1.8bn from its IPO, which was oversubscribed by 58 times. Saudi Arabia's non-oil exports increased by 13.1% y/y in Q3 2022. Luberef, a subsidiary of Saudi Aramco, has received regulatory approval for its IPO. Magrabi, a Saudi eyecare group, is considering listing of its hospitals business next year and has hired banks for the deal. Saudi Arabia is on track to launch an index to measure the performance of investment funds in the market.
- Global equities performance was positive for the week. S&P 500 was supported by positive earnings in retail and tech sector. Indications that the U.S Fed was open to slowing pace of rate hikes also boosted markets. According to a flash PMI estimate, U.S business activity continued to contract for the fifth month in November. U.S weekly jobless claims for the week ended November 19 was at 240,000, marking a 3-month high. While eurozone business activity also contracted, adding to signs of onset of recession, there was also marked drop in price pressures. Chinese equities were slightly positive amid signs of more supportive measures to stimulate the economy, even as COVID-19 restrictions continue to tighten.

## BENCHMARK RATES/FIXED INCOME

	Yields/Rates (in %)	Price (in USD)	November Change (in %)
Kuwait Discount Rate	3.00	-	-
U.S. Fed Fund Rate	3.75-4.00%	-	75 bps
Kuwait, 2027	4.62	96.0	▲ 0.53%
KSA, 2029	4.61	98.8	▲ 3.50%
Qatar, 2029	4.41	97.9	▲ 3.14%

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

- 10-year U.S treasury yield declined by 14 bps while 2-year yield declined by 9 bps for the week, further deepening the yield curve inversion. According to U.S Fed's November meeting's minutes, most policymakers opined that it would soon be appropriate to slow the pace of interest rate hikes. European Central Bank's meeting minutes indicated that policymakers feared that inflation may be getting entrenched, and rates would need to rise further. Bank of England Deputy Governor and its Chief Economist both indicated that rates may have to rise further to bring down persistently high inflation. JP Morgan has estimated that global bond yields would fall in 2023 as the balance between demand and supply will improve by \$1 trillion.

## CURRENCIES

	Exchange Rate	Weekly Performance	November Performance	2022 Performance
EUR/KWD	0.320	▲ 0.6%	▲ 4.5%	▼ -7.0%
GBP/KWD	0.372	▲ 1.7%	▲ 4.7%	▼ -9.1%
USD/KWD	0.307	▼ 0.0%	▼ -0.7%	▲ 1.8%
EUR/USD	1.040	▲ 0.7%	▲ 5.2%	▼ -8.6%
GBP/USD	1.209	▲ 1.8%	▲ 5.4%	▼ -10.6%

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

- U.K's Sterling was supported by better-than-expected preliminary PMI numbers even as it indicated economic contraction was underway. Expectation of 50 bps rate hike by Bank of England as indicated by a Reuters Poll also lent support. U.S Dollar was weighed by the indication that the U.S Fed would slow the pace of rate hikes.

## COMMODITIES

	Current Price	Weekly Performance	November Performance	2022 Performance
Oil	83.63	▼ -4.6%	▼ -11.8%	▲ 7.5%
Gold	1,756.14	▲ 0.4%	▲ 7.5%	▼ -4.0%

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

- Oil prices declined during the week weighed by rising cases in China and delay in discussions between EU government representatives on Russian oil price cap. Reports that the price cap being considered is in the range of USD 65-70 per barrel, higher than market expectations also weighed on prices. Oil had declined earlier in the week on media report that OPEC+ was considering an increase in production. However, the commodity recovered following Saudi Arabia's clarification that OPEC+ would be sticking to its output cuts. U.S gasoline inventory rose by 3.1mn barrels, much higher than 383,000 expected by analysts. Gold increased slightly for the week supported by weakness in U.S Dollar.



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