

# WEEKLY MARKET BRIEF

Gulf Bank Economic Research Unit

26<sup>th</sup> March 2023



## THIS WEEK'S HIGHLIGHTS

- Kuwait consumer price inflation rose by 3.22% y-o-y and 0.16% m-o-m in February driven by Food & Beverage prices.
- The Central banks of UAE, Saudi Arabia, Bahrain, Qatar and Oman increased their interest rates by 25 basis points in line with the U.S. Fed's rate hike.
- The U.S Fed has increased interest rates by 25 basis points raising its funds target rate to a range of 4.75-5.00%, a level not seen since the global financial crisis of 2007-08.

## EQUITIES

	Index Close	Weekly Performance	March Performance	2023 Performance
Kuwait All Share Index	7,051 ▲	0.1%	▼ -2.7%	▼ -3.3%
Saudi Arabia	10,446 ▲	4.7%	▲ 3.4%	▼ -0.3%
Dubai	3,349 ▬	0.0%	▼ -2.6%	▲ 0.4%
Abu Dhabi	9,503 ▼	-1.5%	▼ -3.5%	▼ -6.9%
Emerging Markets (FTSE)	497 ▲	2.0%	▲ 0.1%	▲ 0.8%
U.S. (S&P 500)	3,971 ▲	1.4%	▲ 0.0%	▲ 3.4%
All World (FTSE)	413 ▲	1.4%	▼ -0.6%	▲ 3.2%

- Kuwait All Share index was gained moderately during the week, with fall in premier market and increase in main market stocks. Insurance sector was the top gainer, increasing by 16.3% for the week while Utilities and Oil & Gas sectors lost the most at 1.7% and 1% respectively. Among Premier market stocks, Kuwait Projects Company Holding and Humansoft Holding Company were top gainers, rising 7.1% and 4.6% respectively for the week. Boubyan Bank and Boursa Kuwait Securities Company were top losers, falling 6.5% and 4.8% respectively for the week. Kuwait consumer price inflation rose by 3.22% y-o-y and 0.16% m-o-m in February driven by Food & Beverage prices.
- Most GCC markets were positive for the week, with Abu Dhabi registering a decline. Abu Dhabi markets were dragged down by weakness in the country's largest lender First Abu Dhabi Bank and certain large cap stocks which were trading ex-dividend. Moody's confirmed the Abu Dhabi government's long-term local and foreign currency issuer ratings at Aa2 and maintained the stable outlook as Moody's expects Abu Dhabi's balance sheet to remain strong and its net creditor position to remain comfortable for the foreseeable future, providing extensive policy buffers and shock absorption capacity. Qatar saw a rise in total credit growth by 4.1% y-o-y and M2 money supply rose by 11.25% y-o-y in February. Bahrain's current account surplus increased significantly from BD978.5 million (\$2.63 billion) in 2021 to BD2.57 billion (\$6.7 billion) in 2022, according to the Central Bank of Bahrain's (CBB) Board of Directors.
- Global equities were positive for the week. S&P 500 Index gained for the week despite the U.S. Fed's 25 bps rate hike, as the U.S. Fed's comments on further rate hikes were viewed positively by the markets. Financial stocks underperformed for a third week in a row, and the real estate sector was hurt by concerns about how stress in the regional banking system might impact the commercial real estate market, where regional banks are the main lenders. S&P U.S. Services and Manufacturing activity composite index increased from 50.1 in February to 53.3 in March, marking the strongest rate of private sector growth since last May. Despite a decline in bank stocks, European markets ended last week positively. The S&P Eurozone composite PMI increased from 52 in February to a 10-month high of 54.1 in March. In UK, the consumer price inflation rose by 10.4% y-o-y in February, more than consensus expectation. Chinese stocks gained on anticipation that the country's central bank will retain an accommodative policy amid the global banking turbulence.



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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	4.75-5.00%	-	25 bps
Kuwait, 2027	4.04	98.1	▲ 1.77%
KSA, 2029	4.36	100.2	▲ 2.62%
Qatar, 2029	4.13	99.5	▲ 2.79%

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

- The benchmark 10-year U.S treasury yield closed the week at 3.38%, mildly lower than the previous week. The U.S Fed increased interest rates by 25 basis points raising its funds target rate to a range of 4.75-5.00%, a level not seen since the global financial crisis of 2007-08. Amidst the banking sector collapse, the U.S Fed has considered the rate hike as a necessary measure to bring down sticky high inflation. The central banks of the UAE, Saudi Arabia, Bahrain, Qatar and Oman increased their interest rates by 25 basis points in line with the U.S. Fed. The Bank of England also increased interest rates by another 25 basis points after the inflation numbers for February exceeded expectations.

## CURRENCIES

	Exchange Rate	Weekly Performance	March Performance	2022 Performance
EUR/KWD	0.329 ▲	0.7%	▲ 1.5%	▲ 0.7%
GBP/KWD	0.374 ▲	0.2%	▲ 1.5%	▲ 1.2%
USD/KWD	0.306 ▼	-0.2%	▼ -0.3%	▲ 0.1%
EUR/USD	1.076 ▲	0.9%	▲ 1.7%	▲ 0.5%
GBP/USD	1.223 ▲	0.5%	▲ 1.7%	▲ 1.1%

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

- The U.S dollar fell during the week after the Fed's rate hike at its March meeting. The Euro has maintained its upward trend last week against its peers as the European Central Bank's (ECB) remarks encouraged a bullish mood amongst single currency investors. The pound reached a seven-week high following the Bank of England's rate hike. Both the Euro and Pound were able to end the week on a positive note against the US Dollar, despite the ongoing bank-related fears in Europe and the Britain.

## COMMODITIES

	Current Price	Weekly Performance	March Performance	2023 Performance
Oil	74.99 ▲	2.8%	▼ -10.6%	▼ -12.7%
Gold	1,977.22 ▼	-0.5%	▲ 8.2%	▲ 8.4%

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

- Oil Price recovered from loses during the previous week on hopes of recovering demand from China. OPEC+ is likely to keep output unchanged next month. Despite the recovery in oil prices, many analysts have cautioned that threats of an economic recession in some advanced economies would affect oil prices in the coming months. Gold prices fell by 0.5% during the past week as a result of the U.S Fed Rate hike increasing the opportunity cost of bullion investment.





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