WEEKLY **MARKET BRIEF**

Gulf Bank Economic Research Unit

20th November 2022

بنك الخليج
GULF BANK

THIS WEEK'S **HIGHLIGHTS**

- During the fiscal year 2021-22, the Kuwait Direct Investment Promotion Authority (KDIPA) attracted KD 106.1 million new direct investments from 67 investment entities.
- Saudi Arabia's inflation increased by 3.0% in October on year-on-year basis, driven by higher food prices.
- U.K government announced a cut in government spending by GBP 30 billion and increase in taxes by GBP 25 billion by 2027-28.

EQUITIES

	Index Close	Weekly Performance	November Performance	2022 Performance
Kuwait All Share Index	7,610 ▲	0.9%	▲ 4.0%	▲ 8.1%
Saudi Arabia	11,142 ▼	-0.6%	▼ -4.5%	▼ -1.2%
Dubai	3,352 ▼	-1.6%	▲ 0.6%	▲ 4.9%
Abu Dhabi	10,466 ▼	-1.5%	▲ 0.5%	▲ 23.3%
Emerging Markets (FTSE)	483 ▲	1.2%	▲ 10.4%	▼ -21.4%
U.S. (S&P 500)	3,965 ▼	-0.7%	▲ 2.4%	▼ -16.8%
All World (FTSE)	406 ▼	-0.4%	▲ 5.1%	▼ -18.2%

- Kuwait All Share Index gained for the week, supported by premier and main market stocks. Financial services sector was the top gainer, increasing by 3.8% for the week while Health care and Technology sector lost the most by 5.7% and 4.3% respectively. Among premier market stocks, Kuwait Projects Company Holding was the top gainer, rising 15.1% for the week. Alimtiaz Investments Group Co. was the top loser, declining 4.5% during the week. Commercial Bank of Kuwait reported a net profit of KD 41.5 million for the fiscal year ended 30th September 2022. During the fiscal year 2021-22, the Kuwait Direct Investment Promotion Authority (KDIPA) attracted KD 106.1 million new direct investments from 67 investment entities. Agility reported earnings of KD 12.6 million during the third quarter, up by 48.3% over the same period in 2021.
- Most GCC markets were negative for the week, owing to increasing fears about the Russia-Ukraine conflict post the blast in Poland. Among Blue Chip stocks, QNB and First Abu Dhabi Bank lost 4.9% and 4.4% respectively for the week. During the third quarter, top 10 banks in UAE reported higher profitability with ROE increasing by 1.3% on q/q basis to 15.1%. Inflation in Saudi Arabia slightly eased to 3.0% in October on y/y basis from 3.1% in September, with price increase majorly driven by higher food prices. According to the IMF, Saudi Arabia's GDP and inflation is expected to be 7.6% and 2.7% respectively in 2022. According to the Saudi Investment Ministry, the country's FDI flows were down by 85% y/y to USD 2.1 billion during Q2 2022. As per IMF forecasts, GDP growth in Oman is expected to reach 4.3% in 2022, fueled by strong hydrocarbon production.
- Global equities performance was mixed for the week. S&P 500 was weighed down by concerns of higher inflation and expectations of poor retail sales ahead of the holiday season in the US. The energy sector declined for the week on account of natural gas and European oil inventories almost reaching peak levels. Federal Reserve Governor Christopher Waller stated he would prefer a 50 bps interest rate hike rather than a 75 bps hike as Core CPI remained flat in October. European shares gained steady retail sector activity. U.K inflation increased faster than expected, reaching a 41-year high of 11.1% in October, up from 10.1% in September. UK government plans to increase taxes by GBP 25 billion and reduce government spending by GBP 30 billion by 2027-28. As a result of these measures, Britain is predicted to have a tax burden of 37.1% of the GDP by 2027-28. UK economy is anticipated to shrink by 1.4% in 2023.

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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	4.66	95.8	▲ 0.28%
KSA, 2029	4.85	97.5	▲ 2.15%
Qatar, 2029	4.57	97.1	▲ 2.25%

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

- 2-year U.S. Treasury yield gained for the week, increasing the inversion between 2-year and 10-year yields to its deepest in over 40-years, supported by Fed officials' affirmation on continuation of rate hikes. St. Louis Fed President James Bullard has stated that the Fed's terminal policy rate needs to be in the range of 5%-7% to meet its target inflation levels. U.K 10-year government bond yields rose after the government announced tax increases and spending cuts. European government bond yields remained high during the week with ECB President stating that the bank would hike rates further to contain inflation. Debt issuances in Saudi market doubled during H1 2022 on y/y basis reaching SAR 107 billion despite the interest rate hikes.

CURRENCIES

	Exchange Rate	Weekly Performance	November Performance	2022 Performance
EUR/KWD	0.318	▬ 0.0%	▲ 3.8%	▼ -7.5%
GBP/KWD	0.366	▲ 0.7%	▲ 3.0%	▼ -10.6%
USD/KWD	0.308	▲ 0.3%	▼ -0.6%	▲ 1.8%
EUR/USD	1.032	▼ -0.3%	▲ 4.5%	▼ -9.2%
GBP/USD	1.188	▲ 0.4%	▲ 3.6%	▼ -12.2%

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

- Sterling was supported by partial recovery in retail sales in Britain. However, its gains were stunted by tax increases and tighter public spending proposed in the country's budget and data highlighting onset of recession in the country. While USD was weighed by data indicating easing price pressures earlier in the week, Fed official's hawkish note supported the currency towards end of the week.

COMMODITIES

	Current Price	Weekly Performance	November Performance	2022 Performance
Oil	87.62 ▼	-8.7%	▼ -7.6%	▲ 12.7%
Gold	1,749.74 ▼	-1.2%	▲ 7.1%	▼ -4.3%

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 expectations of weaker demand outlook amid rising COVID-19 cases in China and anticipation of further rate hikes by U.S Fed. European Union's proposed ban on Russian oil from December 5th further contributed to weak oil prices on the prospect of spot crude market being pressured by more supplies from Russia. IEA has lowered its outlook for oil demand in 2023 by 40,000 bpd to 1.61 million bpd citing headwinds such as rising risk of recession, China's persistently weak economy. Gold prices were negative during the week, following indications from the U.S Fed officials to further rise interest rates to combat inflation.

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