

WEEKLY MARKET BRIEF

Gulf Bank Economic Research Unit

22nd January 2023



THIS WEEK'S HIGHLIGHTS

- Fitch has affirmed Kuwait's rating at AA- with stable outlook, citing exceptionally strong fiscal and external balance.
- Saudi Arabia's inflation rose by 3.3% y/y in December 2022, driven by housing costs.
- U.S retail sales dropped by 1.1% m/m in December 2022, with declines witnessed in sales at gas stations and discretionary spending. Producer prices declined by 0.5% m/m in December, the biggest drop since the pandemic began.

EQUITIES

	Index Close	Weekly Performance	January Performance	2023 Performance
Kuwait All Share Index	7,257 ▲	1.8%	▼ -0.5%	▼ -0.5%
Saudi Arabia	10,682 ▼	-0.6%	▲ 1.9%	▲ 1.9%
Dubai	3,353 ▲	0.9%	▲ 0.5%	▲ 0.5%
Abu Dhabi	10,187 ▼	-0.2%	▼ -0.2%	▼ -0.2%
Emerging Markets (FTSE)	531 ▲	0.6%	▲ 7.6%	▲ 7.6%
U.S. (S&P 500)	3,929 ▼	-1.8%	▲ 2.3%	▲ 2.3%
All World (FTSE)	420 ▼	-0.3%	▲ 5.1%	▲ 5.1%

- Kuwait All Share index gained for the week, led by premier market stocks. Telecommunications sector was the top gainer, increasing by 4.2% for the week while healthcare lost the most at 3.9% for the week. Among premier market stocks, Kuwait Projects Company Holding was the top gainer, rising 8.4% for the week. Jazeera Airways was the top loser, falling 3.5% for the week. Kuwait's CPI rose by 3.5% y/y in December 2022, with food and beverage segment marking an increase of 7.48% y/y. Fitch has affirmed Kuwait's rating at AA- with stable outlook, citing exceptionally strong fiscal and external balance. However, the agency has also highlighted absence of significant fiscal adjustments to recent oil price shocks and has maintained a weak outlook for reforms. Fitch has also estimated Kuwait to return to budget deficit in FY 2024 on expectations lower oil price levels. Agility has received notice from Public Authority of Industry stating the authority's unwillingness to extend certain lease contracts and to vacate those areas within 1 week. The company has stated that it would continue with legal procedures to prove the extension of contracts.
- GCC markets were mixed for the week. Saudi Arabia's inflation rose by 3.3% y/y, driven by housing costs. The country has announced enforcement of a new corporate law. Saudi Aramco has acquired Motiva Trading and launched Aramco Trading Americas LLC, which is set to be the sole supplier and 'oftaker' of Motiva Enterprises, which owns North America's largest refinery. Qatar's inflation surged to 5.93% y/y in December 2022 in the backdrop of hosting FIFA World Cup 2022. Fitch has estimated Bahrain's general government budget deficit to widen to 4% of GDP in 2023, largely as a result of lower oil prices.
- Global equities were negative for the week. S&P 500 declined with weak economic data slightly outweighing dampening inflation concerns. U.S retail sales dropped by 1.1% m/m in December 2022, with declines seen in sales at gas stations and discretionary spending. U.S manufacturing output fell by 1.3% m/m in December. Producer prices declined by 0.5% m/m in December, the biggest drop since the pandemic began. While Goldman Sachs stock prices was weighed by missed earnings estimate, Netflix and Alphabet share prices were supported by increase in subscriber base and trimming of labour force respectively. European stocks declined amid hawkish signals from central bank policymakers. U.K inflation slowed to 10.5% y/y in December. Chinese equities were positive for the week with the country's GDP expanding by 3% in 2022. While this was second slowest annual growth since 1976, it had surpassed estimates on the back of easing of COVID-19 restrictions.

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	3.93	98.5	▲ 1.36%
KSA, 2029	4.33	100.4	▲ 1.74%
Qatar, 2029	4.08	99.7	▲ 1.37%

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

- U.S Treasury yields declined slightly during the week amid weak economic data and cooling inflation. 2-year treasury yield fell by 8 bps to 4.14%. 10-year treasury yield declined to its lowest in 4 months during the week but recuperated later, closing at 3.48%. According to a Reuters poll, U.S. Fed is likely to end its tightening cycle after a 25-bps hike at each of its next two policy meetings. European Central Bank's (ECB) meeting minutes and its President's comments have reaffirmed its stance to continue raising rates to tame inflation. Bank of England's Governor has opined that U.K's second consecutive month of lower inflation reading could indicate trend of slowing inflation and that the market's expectation of 4.5% peak rate was not quite different from the bank's view.

CURRENCIES

	Exchange Rate	Weekly Performance	January Performance	2023 Performance
EUR/KWD	0.332	▲ 0.4%	▲ 1.3%	▲ 1.3%
GBP/KWD	0.379	▲ 1.5%	▲ 2.3%	▲ 2.3%
USD/KWD	0.305	▲ 0.1%	▼ -0.1%	▼ -0.1%
EUR/USD	1.086	▲ 0.2%	▲ 1.4%	▲ 1.4%
GBP/USD	1.239	▲ 1.4%	▲ 2.4%	▲ 2.4%

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

- Pound Sterling was strengthened by rise in price of services in December even as broader inflation cooled. Recent GDP data and labour market tightness has increased the expectation of further rate hikes by the central bank, lending support to the currency. Euro was supported by ECB's hawkish stance.

COMMODITIES

	Current Price	Weekly Performance	January Performance	2023 Performance
Oil	87.63	▲ 2.8%	▲ 2.0%	▲ 2.0%
Gold	1,926.57	▲ 0.3%	▲ 5.6%	▲ 5.6%

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

- Oil prices increased for second consecutive week supported by brighter outlook on Chinese demand and possible slowdown in rate hikes by U.S Fed. IEA has opined that lifting of COVID-19 restrictions in China is set to boost global oil demand this year to a new record high, while price cap sanctions on Russia could dent supply. OPEC's views were also along similar lines, setting an optimistic tone for global economic prospects in 2023. Gold gained for the week supported by weak economic data and decline in U.S Dollar.



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