

WEEKLY MARKET BRIEF

Gulf Bank Economic Research Unit

09th April 2023



THIS WEEK'S HIGHLIGHTS

- OPEC+ announced its decision to cut oil production on the 2nd of April in a measure to support price stability. According to Kuwait's energy ministry, the country would cut oil production by 128,000 barrels per day, from May to December 2023.
- Fitch raised Saudi Arabia's rating from "A" to "A+," highlighting the country's robust fiscal and external balance sheets.
- Oil prices rose for the third week in a row as markets outweighed OPEC+ production cuts and falling U.S. oil stocks than worries about global economic growth.

EQUITIES

| | Index Close | Weekly Performance | April Performance | 2023 Performance |
|-------------------------|-------------|--------------------|-------------------|------------------|
| Kuwait All Share Index | 6,969 ▼ | -1.2% | -1.2% | -4.4% |
| Saudi Arabia | 10,906 ▲ | 3.0% | 3.0% | 4.1% |
| Dubai | 3,411 ▲ | 0.1% | 0.1% | 2.2% |
| Abu Dhabi | 9,462 ▲ | 0.3% | 0.3% | -7.3% |
| Emerging Markets (FTSE) | 505 ▼ | -0.2% | -0.2% | 2.4% |
| U.S. (S&P 500) | 4,105 ▼ | -0.1% | -0.1% | 6.9% |
| All World (FTSE) | 426 ▬ | 0.0% | 0.0% | 6.6% |

- Kuwait All Share index was negative for the week, with fall in both premier market and main market stocks. Healthcare and real estate sectors were the top gainers, increasing by 1.5% and 1.2% respectively for the week while industrials and utilities lost the most at 2.8% and 1.7% respectively. Among premier market stocks, Mabaneer increased by 5.0%, and Agility fell by 6.9% during the week. OPEC+ announced its decision to cut oil production on the 2nd of April in a measure to support price stability. According to Kuwait's energy ministry, the country would cut oil production by 128,000 barrels per day, from May to December 2023. KFH Capital was the lead manager in the US\$ 1 billion Sukuk for Al Rajhi Bank, the first issue under the Saudi bank International Sukuk Program.
- GCC markets were positive for the week driven by Saudi, UAE and Qatar. On 5th April, ratings agency Fitch raised Saudi Arabia's rating from "A" to "A+," highlighting the country's robust fiscal and external balance sheets, including a favorable debt-to-GDP ratio and strong sovereign net foreign assets. Saudi Arabia Purchasing Managers' Index (PMI) was 58.7 in March, falling from an eight-year record high of 59.8 in February. The Planning and Statistics Authority (PSA) preliminary GDP estimates for Qatar showed that Q4 2022's GDP at current prices reached QR220.43 billion, up 26.2% from Q4 2021's GDP of QR174.65 billion. The number of small and medium-sized firms (SME) operating in the UAE by the end of 2022 totaled to 557,000, as per data released by the Ministry of Finance. SMEs constituted 63.5% of the country's non-oil GDP. According to the World Trade Organization, the UAE's merchandise trade reached USD1 trillion (AED3.67 trillion) in 2022 as exports and imports increased due to rising crude oil prices.
- Global equities were mixed for the week. In the U.S., S&P 500 lost mildly for the week mainly due to softening economic indicators. Weak economic data coupled with higher interest rates have increased concerns about an economic recession in the U.S. European markets were mostly positive as banks' stocks witnessed a rebound and travel and leisure stocks gained during the week. Housing prices in the European Union (EU) declined by 1.5% in the fourth quarter of last year for the first time since 2015, a record dip, as rising interest rates dampened demand for housing. With central banks in the EU likely to hike interest rates further, housing prices in the region would possibly decline in 2023. Chinese stocks gained as a rebound in services sector and real estate boosted investor confidence. The S&P Global survey of services activity increased to 57.8 in March, up from 55.0 in February, marking the third consecutive monthly increase.

BENCHMARK RATES/FIXED INCOME

| | Yields/Rates (in %) | Price (in USD) | April Change (in %) |
|----------------------|---------------------|----------------|---------------------|
| Kuwait Discount Rate | 4.00 | - | - |
| U.S. Fed Fund Rate | 4.75-5.00% | - | - |
| Kuwait, 2027 | 3.96 | 98.4 | ▲ 0.20% |
| KSA, 2029 | 4.34 | 100.3 | ▲ 0.26% |
| Qatar, 2029 | 3.97 | 100.3 | ▲ 0.56% |

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

- With weaker than expected reports on the US labor market and services sector, the benchmark 10-year U.S. treasury yield fell to 3.39%. Yield on the 2-year U.S treasury note ended at 3.97% during the week. According to data from Automatic Data Processing (ADP), private sector employment in the US increased by 145,000, below the expectations of 200,000. The Bank of England Chief Economist, Huw Pill, indicated that policymakers are considering whether to hike interest rates for the 12th time in a row in May. Due to a milder price increase in all categories, especially transport and food and beverages, the UAE Central Bank expects inflation to drop to 3.2% in 2023 and 2.8% in 2024, in line with global trends. Interest rate hikes in the UAE in line with the US FED is one of the main reasons for the subdued inflation levels in the country.

CURRENCIES

| | Exchange Rate | Weekly Performance | April Performance | 2022 Performance |
|---------|---------------|--------------------|-------------------|------------------|
| EUR/KWD | 0.334 | ▲ 0.5% | ▲ 0.5% | ▲ 2.2% |
| GBP/KWD | 0.381 | ▲ 0.7% | ▲ 0.7% | ▲ 3.0% |
| USD/KWD | 0.307 | ▬ 0.0% | ▬ 0.0% | ▲ 0.3% |
| EUR/USD | 1.090 | ▲ 0.5% | ▲ 0.5% | ▲ 1.8% |
| GBP/USD | 1.241 | ▲ 0.6% | ▲ 0.6% | ▲ 2.6% |

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

- The U.S. Dollar declined after the release of weaker than expected economic data that reinforced investor bets on a slower monetary tightening by the FED. The Euro finished the week with a gain against the US dollar as the ECB officials signaled that the rate hike is likely to continue to fight inflation amidst the banking crisis. The British pound raised against the US dollar as it is likely that the Bank of England might increase interest rates in May.

COMMODITIES

| | Current Price | Weekly Performance | April Performance | 2023 Performance |
|------|---------------|--------------------|-------------------|------------------|
| Oil | 85.12 | ▲ 6.7% | ▲ 6.7% | ▼ -0.9% |
| Gold | 2,008.02 | ▲ 2.0% | ▲ 2.0% | ▲ 10.1% |

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

- Oil prices rose for the third week in a row as markets outweighed OPEC+ production cuts and falling U.S. oil inventories than worries about global economic growth. From May 2023, oil producers are to slash output by 2 million barrels a day, the largest cut since the start of the pandemic and equivalent to about 2% of global oil demand, according to the recent decision made by OPEC+ oil producers. Gold prices increased and reached its one year high as weak economic data and expected slow down in rate hikes by the FED led to higher demand for gold.



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For any inquiries, please email us at Economic.Research@gulfbank.com.kw