

Al Arabi Quarterly GCC Stock Markets Direction Through Technical Indicators

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Contents:

1. Technical Analyses for each of the following:

- [Muscat Securities Market](#)
- [Saudi Arabia \(TASI\)](#)
- [Kuwait Stock Market](#)
- [Qatar Stock Index](#)
- [Bahrain Stock Market](#)
- [Dubai Financial Market](#)
- [Abu Dhabi Stock Market](#)

2. Support and resistance levels for major exchange rates & Commodities, [Click here](#)

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During the third quarter, OPEC released its oil report. OPEC predicts that rising demand for oil and a supply contraction will likely result in a global glut clearing by 2017. Demand for OPEC's crude is expected to average 31.9mbpd this year and 32.98mbpd in 2017. On the other hand, EIA, raised its forecast for the price of global benchmark Brent crude to USD43.73/bbl in 2016, up from the June forecast of USD43.03/bbl.

In a related context, The World Bank predicted that oil prices up to 2020 would not exceed USD60 per barrel, which will be close to the production cost and U.S. shale cost. The WB further added this "new normal" for oil prices will have important implications for the economies of the Middle East and North Africa. Fiscal balances in MENA oil exporters swung from a surplus of USD 128bn in 2013 to a deficit of USD 264bn in 2016. The group of Gulf Cooperation Council countries lost USD157bn in oil revenues last year and is expected to lose another USD100bn this year. As a result, GCC is seeking to diversify their economies and develop new sources of revenue after a supply glut triggered a plunge in crude oil prices. After Saudi plans of IPO of Aramco, Kuwait recently announced its plans as well. As per acting oil minister.

Volatility in the market performance will continue in the coming period and until the end of the fourth quarter, where several events will impact the direction of markets in the region. Globally, volatility in oil prices and speculation on the US Federal Reserve's policy of continuing to gradually lift interest rates to coincide with the US economy's growth. Locally, the announcement of the financial results for the third quarter (9 Months) of this year. Also last period witness Eid Al Fitr and Eid Al Adha which usually affect liquidity levels within the local as well as regional markets. Finally, in the last quarter all eyes are set on the last ministerial meeting of IEF in Algeria, and the fed committee meeting.

The table below summarizes the targets through technical indicators for each of the GCC Markets which we presented in this report's Issue 004, and the respective dates when the target was reached.

Country – Market Index	Old Target on 31/03/2016	Date Level Reached
Muscat Securities Market	Down to 5,750 points	31/08/2016
Saudi Stock Market	Up to 6,600 points	13/07/2016
Kuwait Stock Exchange	Down to 5,300 points	Reached 5,940 points
Qatar Exchange	Up to 10,400 points	18/07/2016
Bahrain Stock Exchange	Up to 1,160 points	12/07/2016
Dubai Financial Market	Up to 3,600 points	15/08/2016
Abu Dhabi Sec. Exchange	Up to 4,700 points	Reached 4,621 points

During the next period, If the WTI oil prices close and stay above USD 49.35 per barrel this will allow the prices of crude oil to reach the level of USD 55 per barrel. And If Brent oil prices close and stay above USD 53 per barrel this will allow the prices of crude oil to reach the level of USD 59 per barrel.

Technical Analysis – Muscat Securities Market (MSM)

Mkt. Capitalization (\$ bn): 16.91

RSI	33.30
30	70
←	→

MFI	52.12
20	80
←	→

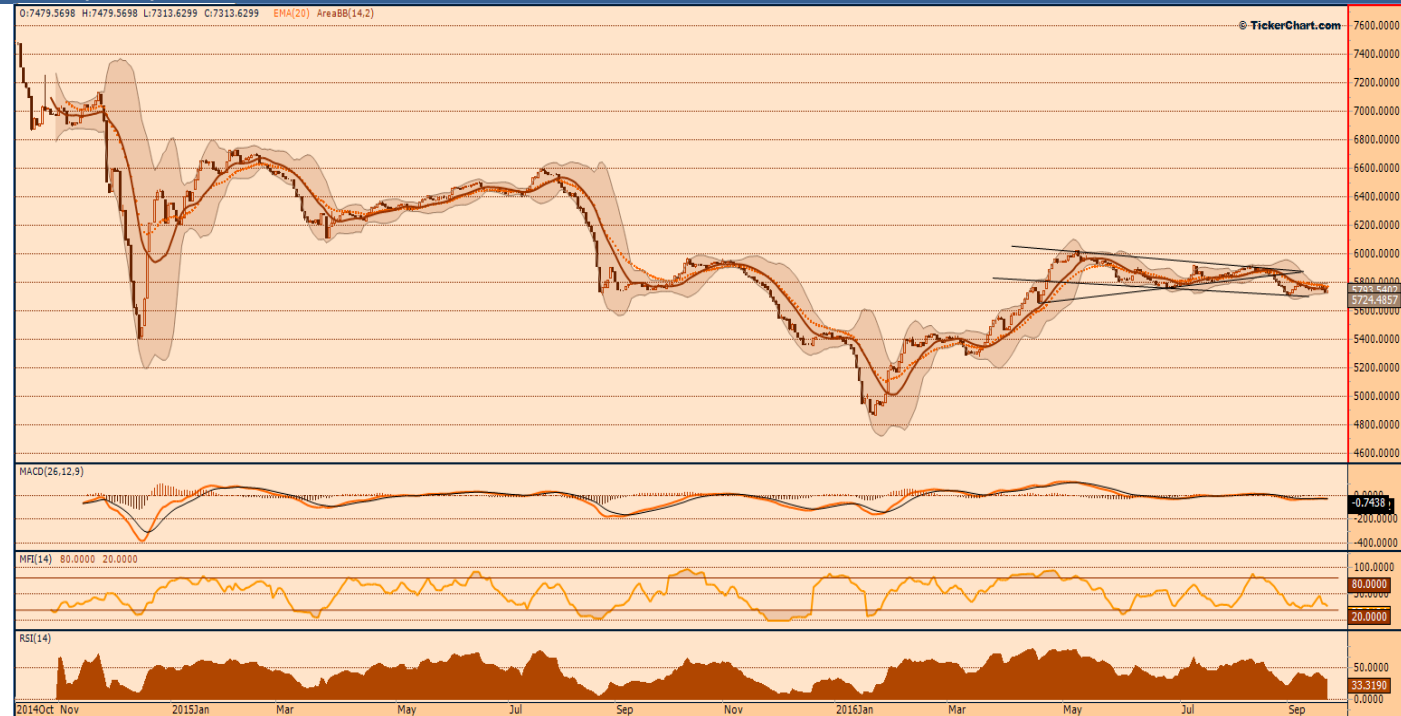
Pivot Point	5,688.70
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MA 5	MA 10
5,747.44	5,754.75
-	-

MA 20	MA 50
5,758.18	5,820.58
-	-

MACD	+
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Support 2	5,526.20
Support 1	5,626.20
Resistance 1	5,776.20
Resistance 2	5,826.20



Main technical indicators for Muscat Securities Market

- The Relative Strength index (RSI) closed the quarter at 33.30 points.
- The Money Flow Index (MFI) is below the known risk level at 80 points, to close at 52.12 points – Positive.
- The Moving Average Conversion Diversion (MACD) – Positive.
- The Bollinger Bands (BB) the middle line is at 5,759 points.

The MSM30 witnessed several fluctuations during Q3 2016, where economic and political events affected the region positively or negatively dictating index returns during the quarter especially in the second half. Despite these events, as shown in the graph, the index will continue uptrend during first period of Q4 of 2016 while if the index crossed up the level of 5,800 points the next level will be 6,000 points. Continued affected from negative technical factors will allow it to reach **5,400 points** if it crossed down the level of 5,600 points. Presently the index is supported positively above 5,600 points while if the market crossed down this level then the index will likely move to **5,400 points** (level 38.2% of the Fibonacci). In terms of performance of moving averages (MA), the MSM30 index currently is below MA of 50, 100 and 200 days, which is technically a positive indicator.

It is also noticeable that the MSM30 index in the level between the MA50 days and the MA100 days, which is again a negative indicator for the market. The market must maintain these averages and not break them or close below them to continue in the general positive direction.

Technical Analysis – 2. Saudi Stock Market

Mkt. Capitalization (\$ bn): 357.39

RSI	29.58
30	70

MFI	43.9
20	80

Pivot Point	5,585.84
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MA 5	MA 10
5,751.61	5,880.47

MA 20	MA 50
5,989.39	6,219.85

MACD	-
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Support 2	5,423.34
Support 1	5,523.34
Resistance 1	5,673.34
Resistance 2	5,723.34



In line with OAB technical analysis, the TASI index has now completed the descending triangle, so at this level we suggest to wait for the index to reach the level of the first support level at 5,335 points and then to the next support level at **4,860 points**. If the index during this quarter does not drop to the first support 5,550 points then at least the index will be moving in the range between of 6,000 points and 5,550 points.

Technical Analysis - Kuwait Stock Exchange

Mkt. Capitalization (\$ bn): 88.98

RSI	42.76
30	70

MFI	59.34
20	80

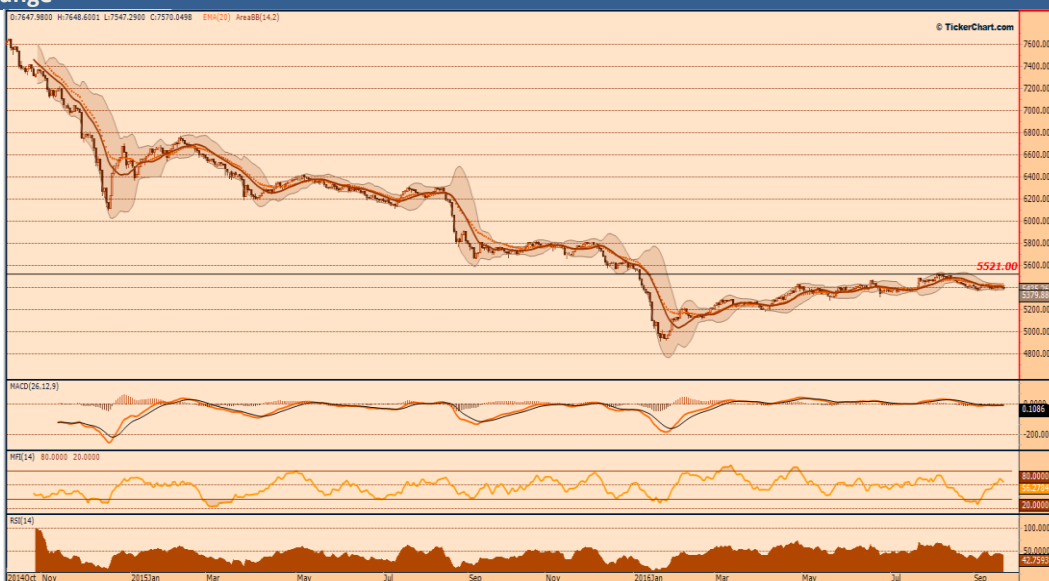
Pivot Point	5,360.89
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MA 5	MA 11
5,406.25	5,408.27

MA 21	MA 50
5,408.38	5,435.73

MACD	-
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Support 2	5,198.39
Support 1	5,298.39
Resistance 1	5,448.39
Resistance 2	5,498.39



The benchmark of Kuwait Market General Index is expected to be in a downward trend in the first part of the quarter as is crossed the level of 5,300 points to reach **5,200 points**. If this support is not broken, then the index will complete three bottoms which means that the index has next resistance level at 5,800 points.

Technical Analysis - Qatar Exchange

Mkt. Capitalization (\$ bn): 128.07

RSI	40.72
30	70

MFI	43.66
20	80

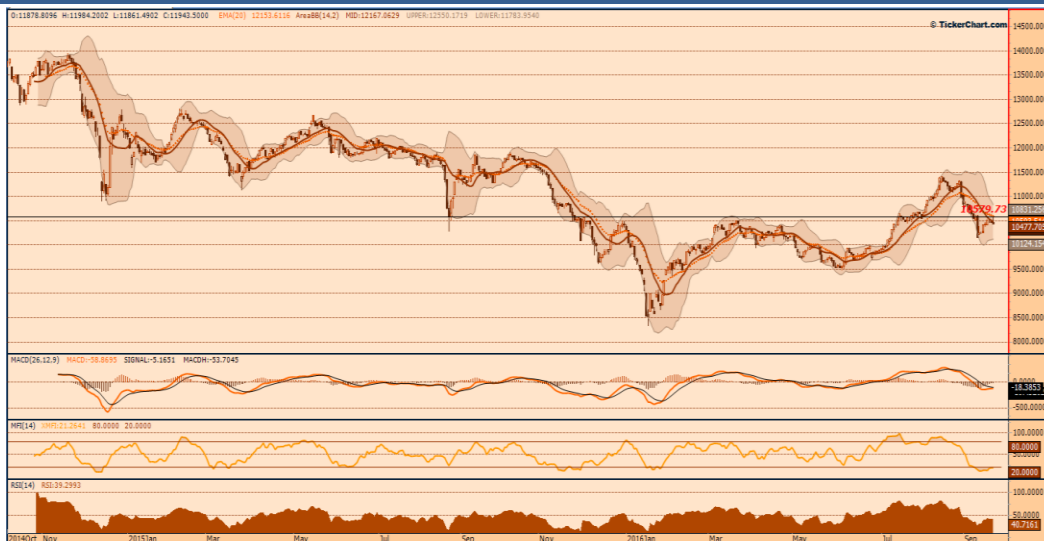
Pivot Point	10,397.96
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MA 5	MA 11
10,463.76	10,396.59

MA 21	MA 50
10,656.92	10,774.47

MACD	-
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Support 2	10,235.46
Support 1	10,335.46
Resistance 1	10,485.46
Resistance 2	10,535.46



In line with OAB technical analysis, Qatar Exchange index has currently completed 90% of reverse head and shoulders. So we suggest to wait and watch whether the index moves towards the level of the first resistance at 11,000 points. Currently the indicators shown are positive to the way of the next resistance level at 11,400 points. Currently the price crosses up the mid line in the Bollinger. The index has a support level at **9,600 points**.

Technical Analysis - Bahrain Stock Exchange

Mkt. Capitalization (\$ bn): 17.88

RSI	61.02
30	70

MFI	6.65
20	80

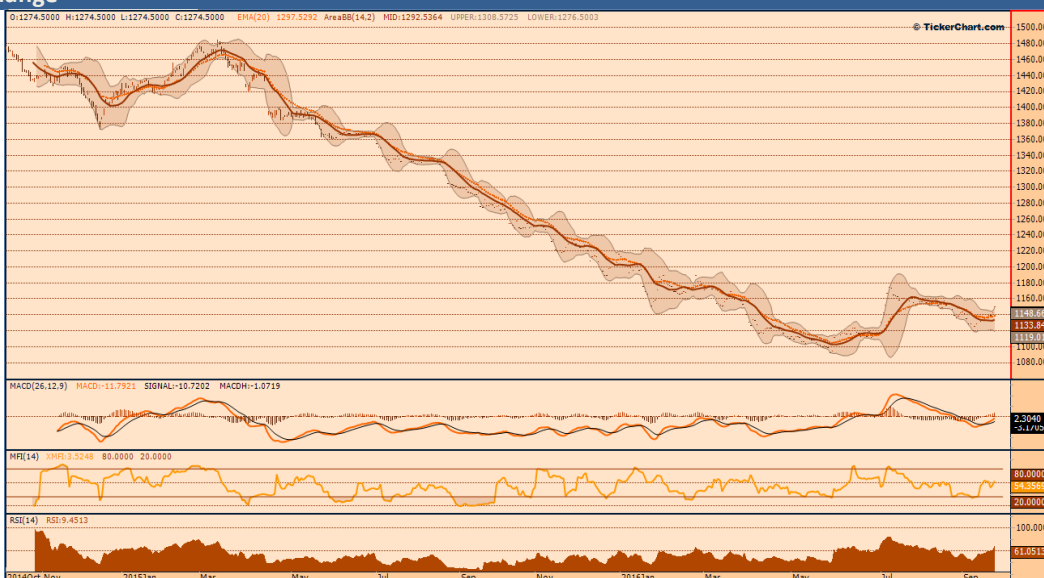
Pivot Point	1,112.50
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MA 5	MA 11
1,141.62	1,137.24

MA 21	MA 50
1,135.49	1,147.64

MACD	-
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Support 2	950.00
Support 1	1,050.00
Resistance 1	1,200.00
Resistance 2	1,250.00



In line with OAB technical analysis, the trend of the Bahrain Market General Index will reverse its trend to upward. Currently the RSI, MFI and MACD are attractive to buy. So next quarter the trend will be clear after the index crossed up the resistance level of 1,150 points in a upside momentum to be over the Short-Term of MA10. The index has a resistance level (38.2% level of the Fibonacci Retracements) at **1,160 points**.

Technical Analysis - Dubai Financial Market

Mkt. Capitalization (\$ bn): 81.82

RSI	46.18
30	70

MFI	43.14
20	80

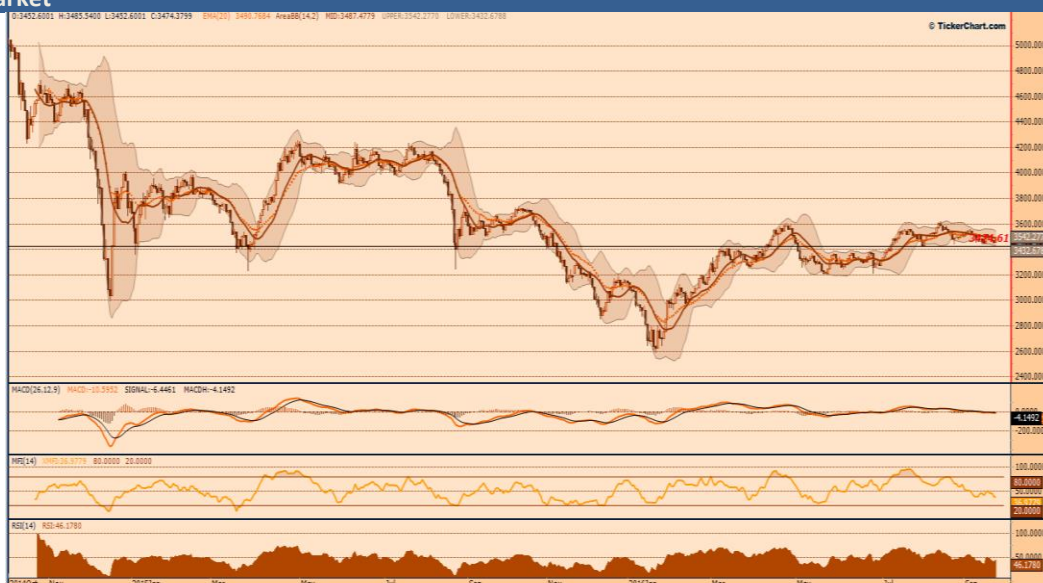
Pivot Point	3,436.88
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MA 5	MA 10
3,475.64	3,476.12

MA 20	MA 50
3,496.50	3,513.48

MACD	-
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Support 2	3,274.38
Support 1	3,374.38
Resistance 1	3,524.38
Resistance 2	3,574.38



In line with OAB technical analysis, the DFM General Index till this period is moving in a narrow band as shown by the rectangle indicator with a range of 3,200 points – 3,600. This means that 400 points will be the upside or downside depending on whether the index crossed up the 3,600 points the index will be towards 3,800 points while if the index crossed down the level of 3,200 points the index will be to **2,800 points**.

Technical Analysis - Abu Dhabi Securities Exchange

Mkt. Capitalization (\$ bn): 119.30

RSI	45.70
30	70

MFI	34.84
20	80

Pivot Point	4,438.82
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MA 5	MA 10
4,477.22	4,480.43

MA 20	MA 50
4,488.40	4,525.38

MACD	-
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Support 2	4,276.32
Support 1	4,376.32
Resistance 1	4,526.32
Resistance 2	4,576.32



In line with OAB technical analysis, currently the Abu Dhabi benchmark index has completed the symmetric triangle, which means that the index is moving towards the first resistance level at 4,700 points. In January 2016 the index touched the lowest point in RSI at 23.9 and in MACD both lines moving averages have crossed up the zero line. The index has a support level at **4,300 points**.

Support and resistance levels – Exchange Rates and Commodities

(Source: Bloomberg, Finance Chart) all prices/indices are updated till 3:00 PM Muscat time. Markets are closed on Saturday and Sunday

EUR/USD - Chart time scale Daily



GBP/USD - Chart time scale Daily



USD/JPY - Chart time scale Daily



USD/CHF - Chart time scale Daily



Gold - Chart time scale Daily



Silver - Chart time scale Daily



WTI Crude - Chart time scale Daily



US Dollar Index - Chart time scale Daily



MACD: A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A nine-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.

RSI: A technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset, the RSI ranges from 0 to 100. An asset is deemed to be overbought once the RSI approaches the 70 level, meaning that it may be getting overvalued and is a good candidate for a pullback. Likewise, if the RSI approaches 30, it is an indication that the asset may be getting oversold and therefore likely to become undervalued. The RSI calculation will depend on 14 days for this report.

MFI: A momentum indicator that is used to determine the conviction in a current trend by analyzing the price and volume of a given security. The MFI is used as a measure of the strength of money going in and out of a security and can be used to predict a trend reversal. The MFI is range-bound between 0 and 100 and is interpreted in a similar fashion as the RSI. The MFI calculation will depend on 14 days for this report.

Bollinger Bands: A band plotted two standard deviations away from a simple moving average, standard deviation is a measure of volatility, Bollinger bands adjust themselves to the market conditions. When the markets become more volatile, the bands widen (move further away from the average), and during less volatile periods, the bands contract (move closer to the average). The tightening of the bands is often used by technical traders as an early indication that the volatility is about to increase sharply. The BB calculation will depend on 21-day SMA.

Moving Average: An indicator frequently used in technical analysis showing the average value of a security's price over a set period. Moving averages are generally used to measure momentum and define areas of possible support and resistance. For this report we will use 5, 11, 21 and 50 days to calculate MA.

Note: All the prices in our charts represent the closing price. Also the source of the GCC Markets Capitalization is updated from Zawya.

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