

# WEEKLY MARKET BRIEF

Gulf Bank Economic Research Unit

05<sup>th</sup> December, 2021



## THIS WEEK'S HIGHLIGHTS

- Kuwait has imposed restrictions on granting tourist visas particularly for travelers from countries that have identified Omicron variant but does not plan to impose a partial or complete ban.
- World Bank has forecasted GCC region's 2021 GDP growth at 2.6% and expects the growth trend to continue in 2022 on account of OPEC+ sticking to production increases and improved business sentiment on higher oil prices.
- U.S Fed would be considering quicker winding down of its asset purchases in its December meeting as it sees increased risk of persistent inflation.

## EQUITIES

	Index Close	Weekly Performance	December Performance	2021 Performance
Kuwait All Share Index	6,936 ▼	-2.7%	▲ 2.2%	▲ 25.1%
Saudi Arabia	10,883 ▼	-3.7%	▲ 1.1%	▲ 25.2%
Dubai	3,073 ▼	-3.1%	▬ 0.0%	▲ 23.3%
Abu Dhabi	8,547 ▲	1.1%	▬ 0.0%	▲ 69.4%
Emerging Markets (FTSE)	609 ▼	-0.1%	▲ 0.6%	▼ -3.3%
U.S. (S&P 500)	4,538 ▼	-1.2%	▼ -0.6%	▲ 20.8%
All World (FTSE)	477 ▼	-1.2%	▼ -0.2%	▲ 11.9%

- Kuwait markets were negative for the week with all sectors except healthcare registering losses. Healthcare sector gained 1.1% for the week while Consumer Discretionary sector declined the most, losing 8.2% for the week. In terms of premier market stocks, Boursa Kuwait Securities Company gained the most at 2.8% while ALAFCO Aviation Lease and Finance declined by 9.0% for the week. While Kuwait has imposed restrictions on granting tourist visas particularly for travelers from countries that have identified Omicron variant, it does not plan to impose a partial or complete ban.
- Most GCC markets ended the week in red. Saudi Arabia index declined for the week on the back of concerns over Omicron variant in the backdrop of WHO labelling it as a variant of concern. Saudi Arabia and UAE have reported their first Omicron variant cases. Saudi Tadawul Group has raised SAR 3.78bn (USD 1.01 billion) through its IPO for institutional investors, priced at SAR 105 per share. The IPO was oversubscribed by 121 times. Individual investor subscription was set to be from 30<sup>th</sup> Nov to 2<sup>nd</sup> Dec. UAE has approved Russia's Sputnik Light vaccine as a universal booster shot against COVID-19. Dubai and Abu Dhabi markets were closed on Wednesday and Thursday of this week on account of UAE's 50<sup>th</sup> National Day. Qatar's Cabinet has approved a draft resolution to increase foreign ownership to 100% in 4 banks – Qatar National Bank, Qatar Islamic Bank, Masraf Al Rayan and Commercial Bank. Masraf Al Rayan and Al Khalij Bank have completed their merger, forming one of the largest Shariah compliant banks in the region with assets of QAR 182bn. World Bank has forecasted GCC region's 2021 GDP growth at 2.6% and expects the trend to continue in 2022 on account of OPEC+ sticking to production increases and improved business sentiment on higher oil prices.
- Global markets were negative for the week. S&P 500 index faced a volatile week, closing with a decline of 1.2%. Omicron variant scare, doubts over current vaccines' efficacy against the variant and less than expected growth in non-farm payrolls weighed the markets. CBOE VIX, a measure of implied volatility on Wall Street, reached its highest levels since January 2021 during the week, was up 7.4% for the week. U.S. registered its first case of Omicron variant during the week and cases have been detected in five states. Moderna vaccine CEO has raised concern over the vaccine's efficacy against the Omicron variant. Nonfarm payrolls increased by 210,000 during November, lesser than the estimated 573,000 jobs. Eurozone's headline inflation increased by 4.6% y/y in November. China's factory activity unexpectedly expanded in November as pressures on raw material prices and power rationing eased.

## BENCHMARK RATES/FIXED INCOME

	Yields/Rates (in %)	Price (in USD)	December Change (in %)
Kuwait Discount Rate	1.50	-	-
U.S. Fed Fund Rate	0.00-0.25	-	-
Kuwait, 2027	1.66	109.4	▲ 0.9%
KSA, 2029	2.11	115.6	▲ 1.2%
Qatar, 2029	2.10	112.9	▲ 0.5%

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

- U.S treasury yields registered increase in one to three year yields on expectation that the U.S Fed could increase rates sooner while the longer-dated yields declined for the week with 10-year yield declining by 13 bps on concerns over spread of Omicron variant. U.S Fed would be considering quicker winding down of its asset purchases in its December meeting as the risk of persistent inflation has increased. European Central Bank's President has stated that a rate hike in 2022 was unlikely but it would act to contain higher inflation if necessary.

## CURRENCIES

	Exchange Rate	Weekly Performance	December Performance	2021 Performance
EUR/KWD	0.340 ▼	-6.3%	▼ -6.3%	▼ -6.4%
GBP/KWD	0.404 ▬	0.0%	▬ 0.0%	▲ 0.3%
USD/KWD	0.303 ▲	0.1%	▲ 0.1%	▼ -0.4%
EUR/USD	1.131 ▼	0.0%	▼ -0.2%	▼ -7.4%
GBP/USD	1.323 ▼	-0.8%	▼ -0.5%	▼ -3.2%

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

- Pound Sterling declined for the week on uncertainty over Bank of England's rate hike amid the spread of Omicron variant. Meanwhile, possibility of quicker tapering by the U.S Fed lent strength to the expectation of rate hike in 2022 by the Fed, supporting the U.S Dollar.

## COMMODITIES

	Current Price	Weekly Performance	December Performance	2021 Performance
Oil	69.88 ▼	-3.9%	▼ -1.0%	▲ 34.9%
Gold	1,783.74 ▼	-0.5%	▲ 0.6%	▼ -5.9%

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

- Oil prices continued their downward trend for the sixth consecutive week on rising COVID-19 cases and concerns over Omicron variant. OPEC+ would be increasing its production by 400,000 bpd in January in line with its plan. However, the group is open to making swift adjustments if there is a change in market conditions. Gold declined for the week on the back of U.S Fed's hawkish note even as low yields and COVID-19 worries lent support.



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