

WEEKLY MARKET BRIEF

Gulf Bank Economic Research Unit

13th March, 2022



THIS WEEK'S HIGHLIGHTS

- Kuwaiti Islamic Banks have recorded the fourth best growth rate in financing operations, globally, during the period 2019-Q3 2021, according to Moody's.
- Saudi Arabia's industrial output increased by 11.1% y/y in January 2022, its third highest rise in last 3 years, on the back of increased oil production.
- Rising food and fuel costs resulted in the US inflation increasing 7.9% y/y (vs analysts expectation of 7.8%) in Feb 2022, recording a fresh 40 year high.

EQUITIES

	Index Close		Weekly Performance	March Performance	2022 Performance
Kuwait All Share Index	7,958	▲	1.4%	▲ 4.2%	▲ 13.0%
Saudi Arabia	12,684	▼	-0.6%	▲ 0.7%	▲ 12.4%
Dubai	3,402	▼	-1.4%	▲ 1.4%	▲ 6.5%
Abu Dhabi	9,636	▼	-0.5%	▲ 3.4%	▲ 13.5%
Emerging Markets (FTSE)	552	▼	-3.6%	▼ -7.1%	▼ -10.2%
U.S. (S&P 500)	4,204	▼	-2.9%	▼ -3.9%	▼ -11.8%
All World (FTSE)	438	▼	-2.1%	▼ -4.9%	▼ -11.9%

- Kuwait markets increased by 1.4% for the week, led by gains in premier market stocks. Insurance sector gained the most for the week at 2.8% while Healthcare sector fell by 2.4%. Among the premier market stocks, Boursa Kuwait and Boubyan Bank were the top gainers, increasing by 13.0% and 12.3% respectively. According to Moody's, Kuwaiti Islamic Banks have recorded fourth best growth rate in financing operations, globally, during the period 2019-Q3 2021. It has also stated that Kuwait is the fifth largest major market for Islamic Finance in the world. NBK's shareholders have approved a cash dividend of 30 fils/share and a stock dividend of 5% for FY 2021.
- GCC equities were mixed for the week due to volatility in oil markets. Saudi Arabia's industrial output increased by 11.1% y/y in January 2022, its third highest rise in last 3 years, on the back of increased oil production. Saudi Arabia has attracted SAR 81bn (USD 21.6bn) investments in the industrial sector in 2021. Saudi Tadawul Group has posted a 17.4% y/y increase in profit in 2021, supported by strong performance of Saudi capital markets. Saudi Al-Dawaa has raised SAR 1.9bn (USD 510mn) through its IPO and would be listing on Tadawul on March 14, 2022. S&P has opined that UAE's inclusion in FATF Gray List was unlikely to significantly disrupt its economy in the short-term. Dubai has passed the virtual asset law to regulate crypto assets and has established Dubai Virtual Asset Regulatory Authority to implement the law. IMF has estimated Qatar's real GDP to grow by 3.2% in 2022 on strong economic recovery, higher hydrocarbon prices and preparation for 2022 FIFA World Cup. According to EY, USD 7.9bn was raised through 21 IPOs in the MENA region in 2021, an increase of 133% by total issuances and 325% by proceeds.
- Global markets were negative for the week. S&P 500 was down by 2.9% on the back of Ukraine conflict even as Russian President signalled positive shift in talks. Sustained uptrend in inflation also strengthened expectation of aggressive rate hikes by U.S Fed, further weighing on stocks. U.S Consumer Inflation was up 7.9% y/y in February 2022, the highest increase in 40 years. Inflation could rise further due to the spike in oil prices and the conflict between Russia and Ukraine. U.S consumer sentiment dipped to nearly a 11-year low in March, weighed by rise in gasoline prices. Goldman Sachs has become the first major bank to announce closure of its operations in Russia. Meta Platforms declined by 6.2% for the week with Russia opening a case against its parent Facebook for changing hate speech rules. U.K economy has grown by 0.8% m/m in January 2022, its strongest monthly expansion since June 2021. U.K's public expectation of inflation surged to highest levels since 2008, according to a survey by Bank of England.

BENCHMARK RATES/FIXED INCOME

	Yields/Rates (in %)	Price (in USD)	March Change (in %)
Kuwait Discount Rate	1.50	-	-
U.S. Fed Fund Rate	0.00-0.25	-	-
Kuwait, 2027	2.28	105.9	▼ -0.2%
KSA, 2029	2.73	110.7	▼ -0.1%
Qatar, 2029	2.59	109.1	▼ -0.2%

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

- The European central bank announced that it will be keeping the policy rates unchanged and will wind down asset purchases faster than initially planned, pushing the yields on Core eurozone bonds higher. Investors continued to remain concerned about high inflation and possible stagflation and the latest US inflation data adds fuel. The yields on 10 year US treasury bills rose on the back of potential interest rate hikes during the forthcoming FOMC meeting scheduled to happen next week.

CURRENCIES

	Exchange Rate	Weekly Performance	March Performance	2022 Performance
EUR/KWD	0.340	■ 0.0%	■ 0.0%	■ 0.0%
GBP/KWD	0.404	■ 0.0%	■ 0.0%	■ 0.0%
USD/KWD	0.303	▲ 0.1%	▲ 0.2%	▲ 0.4%
EUR/USD	1.091	▼ -0.2%	▼ -2.8%	▼ -4.0%
GBP/USD	1.304	▼ -1.4%	▼ -2.9%	▼ -3.6%

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

- The U.K. pound continued to slip against the dollar despite better than expected UK economic growth due to geo political uncertainties. The US dollar gained against most of the currencies this week owing to its safe haven appeal and potential rate hikes by the US Fed to curb inflation. Increasing stagflation worries resulting from the Russia-Ukraine conflict added pressure to the Euro, though hawkish comments from the ECB extended some support.

COMMODITIES

	Current Price	Weekly Performance	March Performance	2022 Performance
Oil	112.67	▼ -4.6%	▲ 11.6%	▲ 44.9%
Gold	1,985.29	▲ 0.9%	▲ 4.1%	▲ 8.6%

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

- Oil prices had one of the steepest falls this week on the back of potential improvements in the supply after some producer countries signaled that they might boost supply. It was a volatile week for the yellow metal, which closed the week with a gain of 0.9%. Prices of other commodities have also sharply increased over the past week. Nickel, a component of stainless steel and other alloys, witnessed a surge as Russia (constitutes for over 9% of the world's supply) threatened to ban nickel exports.



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