**HEADLINES:**

2023 gets off to a mixed start for GCC markets

**TEASER:**

Some indices fared better than others, but the regional equities market continues to offer plenty of opportunities to investors, especially those hunting for bargains.

Global and regional equity markets rebounded in January after a tough six months.  
  
Investors were buoyed by hopes that global central banks’ tightening cycle is coming to an end. The US Federal Reserve raised rates by only 25 basis points in January, with chairman Jerome Powell citing disinflationary data as reason to suggest the hiking cycle may soon pass.   
  
“While the campaign against inflation isn’t over, the tone has clearly changed. Perhaps most importantly, the Fed seemed disinterested in the market rally so far this year—a notable shift from communication last fall that was designed at least in part to raise credit spreads and lower equity prices,” according to Wall Street bank [JP Morgan](https://privatebank.jpmorgan.com/gl/en/insights/investing/tmt/the-bulls-are-running-but-will-it-last). “The inflation emergency is over, while the latent risks to growth remain.”  
  
The [S&P 500](https://www.spglobal.com/spdji/en/documents/commentary/market-attributes-us-equities-202301.pdf) was up 6.18% in January, bringing its return for the last 12 months to -9.72%, while the Dow Jones Industrial Average gained 2.83% for the month, reducing its loss over the past 12 months to 2.98%.  
  
The global S&P benchmark shot up 7.26% in the first month of 2023, while developed markets rose 7.34%, outperforming emerging markets, which grew 6.62%. Netherlands (up 14.46%), Ireland (up 14.12%), and Italy (14.08%) led the gains for OECD countries. Meanwhile, Mexico (up 16.49%), Czech Republic (up 16.46%), and Greece (up 12.88%) were the top performing emerging equity markets.

**GCC: A MIXED BAG**

Like their emerging market counterparts, the GCC markets were also mixed with some ending in positive territory while others suffering a monthly loss in the first month of the new year.  
  
The Saudi market was the Gulf region’s best performing market, up 3% to start the year. The positive monthly close was Tadawul’s first in three months, amid a broad-based recovery. Only three sub-indices on the Tadawul were in negative territory, while capital goods (up 10.2%), insurance (up 10%), and consumer services (up 9.5%) led the gains. The volume of shares traded also shot up 8.2% during the month as investors returned to pick up bargains given Saudi Arabia’s fundamentally strong fiscal position. The market also saw three new listings in the Nomu parallel market, including Leen Alkhair Trading, Nofoth Food Products, and Alqemam for Computer Systems.  
  
Qatar was another monthly gainer, rising 2.4% in January and ending a four-month losing streak. The QE20 index briefly breached the 11,000-point barrier before receding. The market was propped up by industrials (up 7.1%), and banks and financial services (1.3%), but losses in insurances (-4.5%), real estate (-3%), transportation (-1.5%), and consumer goods and services (-1.1%) capped the gains.  
  
Bahrain, meanwhile, added to its two consecutive monthly gains with a strong 1.74% increase in January. Materials, with Aluminium Bahrain as its sole constituent, rose 11.9%, offsetting losses in communications services, real estate, and consumer discretionary sub-indices.  
  
The value of shares also surged 131.9% as investors returned to the market. The Bahrain market remains the most attractive in the region with a price-to-earnings (PE) ratio of 8.1 times, compared to the GCC average of 16.9 times.  
  
Kuwait’s main market index eked out gains of 0.5% in January. Heavyweights such as telecom (up 1.4%), banks (up 1.1%), and insurance (up 0.2%) offset steep losses in industrials (down 9.2%), and consumer discretionary index (down 5.6%). The value of shares traded shot up 37.6% during the month.  
  
The Kuwaiti index is the region’s second most expensive market with PE ratio of 18 times.  
  
Abu Dhabi’s General Index has the distinction of being the most expensive among GCC markets with a 26 times PE ratio. It was also the worst performing GCC market in January, falling 3.9%. While consumer discretionary (up 13.6%) and telecommunications (up 12.1%) posted strong gains, financials (-8.1%), healthcare (-6.4%), industrial (-5.3%), and utilities (-5.2%) dragged the market down.  
  
The value of shares traded on the ADX General Index also fell 43.8% as investors looked elsewhere for bargains.  
  
Oman’s MSM 30 Index had two strong gains in November and December but retreated in January with a decline of 3.2%. Services showed impressive growth of 3.9%, but industrials (-9%) and financials (-4.6%) weighed on the market. The value of shares traded also fell 47.8%.  
  
MSM 30 Index’s PE ratio of 11.3 times remains among the most attractive in the region.  
  
Dubai also slipped by 1% in January, its fourth monthly loss in five. The declines were broad based with five out of eight sectoral indices in negative territory. Communication services plunged 11%, while consumer staples declined 4.9%. On the positive side were industrials, up 1.5%, and utilities, which rose 1.2%.  
  
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