

Global & GCC Capital Markets Review

November 2021

GCC Asset Class Monthly Performance

Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	YTD Returns
Abu Dhabi Equity (ADI) 10.9%	KSA Equity (TASI) 5.1%	KSA Equity (TASI) 8.3%	Kuwait Equity (All Share PR) 5.8%	Abu Dhabi Equity (ADI) 8.5%	Abu Dhabi Equity (ADI) 4.2%	Abu Dhabi Equity (ADI) 7.1%	Abu Dhabi Equity (ADI) 5.0%	Qatar Equity (QE Index) 3.5%	Kuwait Equity (All Share PR) 3.5%	Abu Dhabi Equity (ADI) 55.9%
Dubai Equity (DFMGI) 3.0%	GCC Equity (S&P GCC) 3.0%	GCC Equity (S&P GCC) 6.6%	KSA Equity (TASI) 5.2%	Dubai Equity (DFMGI) 7.4%	KSA Equity (TASI) 4.1%	Kuwait Equity (All Share PR) 3.0%	Dubai Equity (DFMGI) 5.0%	KSA Equity (TASI) 1.6%	Qatar Equity (QE Index) 2.4%	KSA Equity (TASI) 34.7%
Kuwait Equity (All Share PR) 1.3%	Abu Dhabi Equity (ADI) 1.3%	Abu Dhabi Equity (ADI) 4.4%	Qatar Equity (QE Index) 4.9%	Kuwait Equity (All Share PR) 1.6%	GCC Equity (S&P GCC) 3.1%	GCC Equity (S&P GCC) 1.2%	GCC Equity (S&P GCC) 3.6%	GCC Equity (S&P GCC) 1.5%	GCC Equity (S&P GCC) 2.3%	GCC Equity (S&P GCC) 33.1%
GCC Equity (S&P GCC) -2.3%	Kuwait Equity (All Share PR) -2.3%	Qatar Equity (QE Index) 2.5%	GCC Equity (S&P GCC) 4.4%	GCC Equity (S&P GCC) 1.6%	Kuwait Equity (All Share PR) 2.8%	GCC Bonds (S&P Index) 0.7%	Qatar Equity (QE Index) 3.2%	Kuwait Equity (All Share PR) 1.1%	Abu Dhabi Equity (ADI) 2.2%	Kuwait Equity (All Share PR) 28.2%
Qatar Equity (QE Index) -2.9%	GCC Bonds (S&P Index) -2.9%	Kuwait Equity (All Share PR) 2.2%	Abu Dhabi Equity (ADI) 2.3%	KSA Equity (TASI) 1.3%	GCC Bonds (S&P Index) 1.3%	KSA Equity (TASI) 0.3%	Kuwait Equity (All Share PR) 3.1%	GCC Bonds (S&P Index) 0.3%	KSA Equity (TASI) 1.8%	Dubai Equity (DFMGI) 14.9%
KSA Equity (TASI) -3.1%	Qatar Equity (QE Index) -3.1%	Dubai Equity (DFMGI) -0.1%	Dubai Equity (DFMGI) 2.2%	GCC Bonds (S&P Index) 1.3%	Dubai Equity (DFMGI) 0.5%	Qatar Equity (QE Index) 0.2%	KSA Equity (TASI) 2.8%	Abu Dhabi Equity (ADI) 0.2%	Dubai Equity (DFMGI) 0.7%	Qatar Equity (QE Index) 12.7%
GCC Bonds (S&P Index) -3.9%	Dubai Equity (DFMGI) -3.9%	GCC Bonds (S&P Index) -0.7%	GCC Bonds (S&P Index) 0.9%	Qatar Equity (QE Index) -1.5%	Qatar Equity (QE Index) -0.2%	Dubai Equity (DFMGI) -1.6%	GCC Bonds (S&P Index) 0.2%	Dubai Equity (DFMGI) -2.0%	GCC Bonds (S&P Index) -0.6%	GCC Bonds (S&P Index) -1.4%

Global Asset Class Monthly Performance

Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	YTD Returns
Crypto (Bitcoin) 11.5%	Crypto (Bitcoin) 33.6%	Crypto (Bitcoin) 36.5%	Oil (Brent) 5.8%	Oil (Brent) 3.1%	Oil (Brent) 8.4%	Crypto (Bitcoin) 20.1%	Crypto (Bitcoin) 13.2%	Oil (Brent) 7.6%	Crypto (Bitcoin) 39.6%	Crypto (Bitcoin) 109.2%
Oil (Brent) 7.9%	Oil (Brent) 18.3%	US Equity (S&P 500) 4.2%	US Equity (S&P 500) 5.2%	EM Equity (MSCI EM) 2.1%	US Equity (S&P 500) 2.2%	US Equity (S&P 500) 2.3%	US Equity (S&P 500) 2.9%	US Bonds (US Agg. Index) -1.1%	Oil (Brent) 7.5%	Oil (Brent) 62.9%
EM Equity (MSCI EM) 3.0%	US Equity (S&P 500) 2.6%	DM Equity (MSCI World) 3.1%	DM Equity (MSCI World) 4.5%	DM Equity (MSCI World) 1.3%	DM Equity (MSCI World) 1.4%	DM Equity (MSCI World) 1.7%	EM Equity (MSCI EM) 2.4%	EM Bonds (JPMC EMBI) -2.9%	US Equity (S&P 500) 6.9%	US Equity (S&P 500) 22.6%
US Bonds (US Agg. Index) -0.7%	DM Equity (MSCI World) 2.5%	EM Bonds (JPMC EMBI) -1.0%	EM Equity (MSCI EM) 2.4%	EM Bonds (JPMC EMBI) 0.6%	US Bonds (US Agg. Index) 0.7%	Oil (Brent) 1.6%	DM Equity (MSCI World) 2.3%	EM Equity (MSCI EM) -4.2%	DM Equity (MSCI World) 5.6%	DM Equity (MSCI World) 18.0%
DM Equity (MSCI World) -1.1%	EM Equity (MSCI EM) 0.7%	US Bonds (US Agg. Index) -1.3%	EM Bonds (JPMC EMBI) 2.1%	US Equity (S&P 500) 0.5%	EM Bonds (JPMC EMBI) 0.5%	US Bonds (US Agg. Index) 1.0%	EM Bonds (JPMC EMBI) 0.6%	DM Equity (MSCI World) -4.3%	EM Equity (MSCI EM) 0.9%	EM Equity (MSCI EM) -2.1%
US Equity (S&P 500) -1.1%	US Bonds (US Agg. Index) -1.7%	EM Equity (MSCI EM) -1.7%	US Bonds (US Agg. Index) 0.6%	US Bonds (US Agg. Index) 0.1%	EM Equity (MSCI EM) -0.1%	EM Bonds (JPMC EMBI) 0.2%	US Bonds (US Agg. Index) -0.3%	US Equity (S&P 500) -4.8%	EM Bonds (JPMC EMBI) -0.2%	US Bonds (US Agg. Index) -3.0%
EM Bonds (JPMC EMBI) -1.8%	EM Bonds (JPMC EMBI) -3.4%	Oil (Brent) -3.9%	Crypto (Bitcoin) -3.6%	Crypto (Bitcoin) -35.4%	Crypto (Bitcoin) -5.7%	EM Equity (MSCI EM) -7.0%	Oil (Brent) -4.4%	Crypto (Bitcoin) -7.6%	US Bonds (US Agg. Index) -0.2%	EM Bonds (JPMC EMBI) -5.2%

What moved the markets?

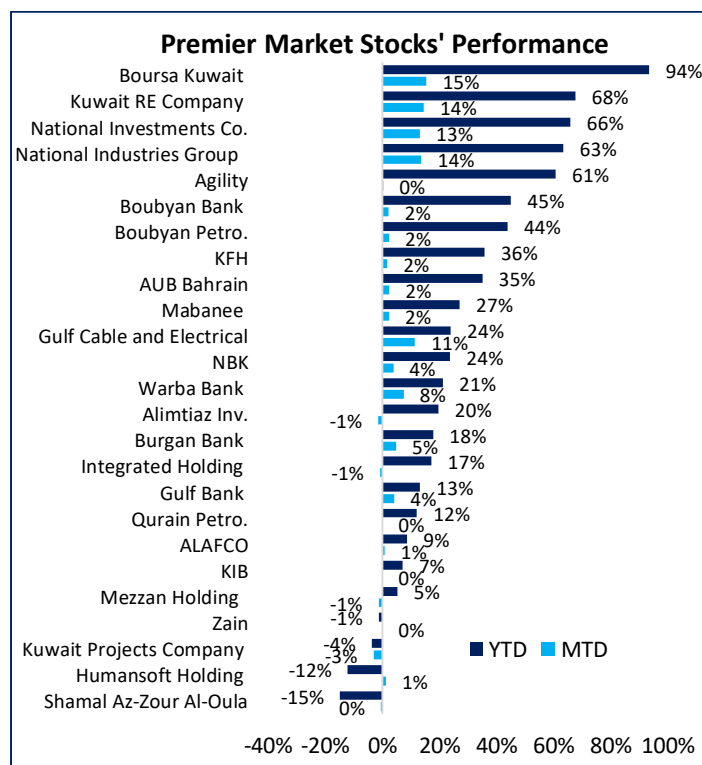
- GCC Markets continued to rally, with Kuwait, Qatar, Abu Dhabi, Saudi Arabia and Dubai equity indices in the green during October. GCC markets were driven by higher oil prices and positive earnings. The IMF has opined that GCC countries have a brighter economic outlook on the back of higher oil prices, gradual easing of production cuts and wider vaccine rollouts, with the region's GDP expected to grow by 4.2% in 2022. Saudi Arabia, Kuwait, Qatar and UAE saw upward revision in real GDP growth forecast for 2022 to 4.8%, 4.3%, 4.0% and 3.0% respectively.
- Despite October being considered as a bad month for Developed Market Equities, with sharp historical corrections, equity markets performed well on the back of record earnings while factors like inflation fears, timeline of central bank's stimulus withdrawal plans, supply chain concerns and overall economic growth largely ignored.
- Emerging market stocks registered mild gains after a lacklustre showing in the third quarter of 2021. Brazil equity markets continue to suffer while Indian equities trade at stretched valuations. Emerging markets continued to lag Developed markets due to weakness in China and investor concerns surrounding the policy-tightening stance taken by Central banks across the world.
- The UAE federal government raised USD 4 billion in its debt capital market debut garnering high demand from investors. The bonds were issued in three tranches with 10-, 20- and 40-year tenors. UAE plans to issue more USD-denominated bonds in 2022 and further explore green bonds and local currency debt.
- Bond markets start factoring possible rate hikes in the near future with major central banks signaling the start of their tapering programs. The 2-year and 5-year U.S. Treasury yields on bonds reached their highest levels since last year due to fears over possible rate hikes, while the 30-year & 20-year bond yields fell due to concerns on long-term economic growth, thereby flattening the yield curve.
- Oil prices hovered at their highest levels since 2014 as demand continues to exceed supply. Natural Gas prices softened in October after touching multi-year high price, as supply conditions in the U.S. improved.
- ESG (Environmental, Social and Governance) is no longer driven by altruism, as ESG indices from developed market countries like US, Japan and Canada outperformed their conventional counterparts. These attractive returns are luring investors towards instruments and institutions having higher ESG scores.
- October marked a positive month for cryptocurrencies with Bitcoin and Ethereum touching all-time highs, driven by huge retail demand. U.S. bitcoin futures-based ProShares Bitcoin Strategy ETF became the fastest ETF to reach the USD 1billion AUM, within two days of its launch.

Equities – Kuwait

- Kuwait's was the best performing GCC market in October, supported by the rise in Oil prices. The Boursa Kuwait All Share index rose 3.5% for the month, extending its yearly gains to 28.2%.
- Among sectors, the Consumer Discretionary was the top gainer, rising 13.1% followed by Financial Services at 9.1%. Utilities sector index registered the biggest decline, falling 1.0% for the month. The banking sector index was up by 2.8% in October.
- The Kuwait government lifted precautionary restriction measures for COVID-19 from Oct 24, with certain conditions.
- Central Bank of Kuwait is expected to gradually withdraw the relaxations related to liquidity and the capital adequacy standard for domestic banks. The easing is expected to be implemented in two stages, one at the beginning of 2022 and the other at the beginning of 2023.
- Inflation in Kuwait is among the highest across GCC countries, primarily driven by soaring prices of food items. According to the IMF's latest estimates in October 2021, Kuwait's average inflation rate for 2021 (y/y change) stood at 3.16%, which is higher than the previous estimate of 2.3% released by the IMF in April 2021.
- Installment loans in Kuwait witnessed an increase during the first eight months of 2021, rising 12.1% in August on a year-on-year basis. The increase was led by the high uptake of housing loans from commercial banks. During the same period, overall private sector credit grew by 3.8%.
- Among Premier Market stocks, Boursa Kuwait Securities Company and Kuwait Real Estate Company were the top gainers during the month, rising 15.4% and 14.5% respectively. Boursa Kuwait Securities Company extends its yearly gains to 94%.
- Kuwait Finance House and National Bank of Kuwait, the country's leading banks and the largest stocks by Market capitalization released their Q3 earnings with 9M 2021 net profits surging 51% and 66% YoY respectively.

Market Performance & Key Metrics						
Kuwait Index	Mkt. Cap. (USD Bn.)	Oct 2021	Returns YTD	5 Yr. CAGR	P/E TTM (x)	ADVT (USD Mn.)
All Share	139	3.5%	28.2%	11.1%	20.7	201
Premier Market	104	2.6%	27.1%	12.6%	22.7	92
Main Market	35	6.4%	31.3%	6.6%	15.5	109
Main Market 50	22	4.8%	33.0%	-	15.9	70

Sectoral Performance & Key Metrics					
Sector	Mkt. Cap. (USD Bn.)	Oct 2021	Returns YTD	P/E TTM (x)	ADVT (USD Mn.)
Banks	79.4	2.8%	28.3%	27.9	54.7
Basic Materials	3.3	1.0%	22.4%	26.8	2.6
Consumer Staples	0.8	-1.0%	4.0%	19.3	1.0
Consumer Disc.	-	13.1%	54.4%	-	7.0
Energy	1.0	6.0%	14.2%	16.0	1.8
Financial Services	13.1	9.1%	54.7%	8.6	64.4
Healthcare	1.3	-0.1%	-3.8%	24.8	0.0
Industrials	14.4	3.1%	35.0%	18.4	21.8
Insurance	2.0	1.9%	27.8%	10.0	1.8
Real Estate	9.9	7.0%	43.7%	28.0	37.6
Technology	0.0	7.9%	53.4%	-	0.0
Telecom	11.2	0.7%	0.1%	14.5	7.5
Utilities	-	-0.4%	-14.8%	-	0.9



Source: Refinitiv, Boursa Kuwait

Equities – GCC Markets

- S&P GCC composite index rose by 2.3%, with Kuwait, Qatar and Abu Dhabi leading the gainers. Higher oil prices and positive earnings supported the markets. Saudi Arabia's main index rose 1.8% in October and had reached 15-year highs during the month. Dubai gained the least among GCC markets at 0.7%.
- The IMF has opined that GCC countries have a brighter economic outlook on the back of higher oil prices, gradual easing of production cuts and wider vaccine rollouts, with the region's GDP expected to grow by 4.2% in 2022. Saudi Arabia, Kuwait, Qatar and UAE saw upward revision in real GDP growth for 2022 to 4.8%, 4.3%, 4.0% and 3.0% respectively.
- IIF expects GCC economies to grow by 2.1% in 2021 and 4.6% in 2022. A Reuters Poll of economists also expects GCC economies to grow faster than expected in 2022. They have also cautioned that drop in oil and gas prices is the biggest risk to their outlook.
- Abu Dhabi has set up an AED 5bn IPO fund to aid the growth of private companies, particularly SMEs, and to support them through IPO process.
- Notable IPOs during the month were that of ACWA Power (largest listing in Tadawul since Aramco) and ADNOC Drilling (largest listing in Abu Dhabi exchange). The companies gained about 30% on their debut.
- Emaar Properties' shareholders have approved the merger of Emaar Malls. Masraf Al Rayan's shareholders have approved its proposed merger with Al Khalij Commercial Bank. The merger is expected to create one of the largest banks in the Middle East.
- Fitch Ratings has opined that the impact of COVID-19 on Saudi banks has been contained with limited deterioration in asset quality and profitability on the back of government support measures.
- Among the GCC blue chip companies, the best performer was [Al Rajhi Bank \(Saudi Arabia\)](#), which gained 13.4% during the month, followed by [Etisalat \(UAE\)](#), which gained 6.6%. Al Rajhi Bank has reported a 43% y/y increase in net profit for Q3 2021 on the back of higher operating income.

Market Performance & Key Metrics						
Market	FF Adj. Mkt. Cap. (USD Bn.)	Returns			P/E TTM (x)	ADVT (USD Mn.)
		Oct 2021	YTD	5 Yr. CAGR		
GCC (S&P GCC Price Return)	674	2.3%	17.0%	8.7%	13.3	-
Saudi (TASI)	405	1.8%	34.7%	14.3%	22.1	2,014
Abu Dhabi (ADI)	120	2.2%	55.9%	12.8%	20.5	416
Qatar (QE Index)	77	2.4%	12.7%	2.9%	15.1	124
Kuwait (All Share)	77	3.5%	28.2%	11.2%	20.7	201
Dubai (DFMGI)	29	0.7%	14.9%	-2.9%	13.7	46

Performance of S&P GCC Total Return Index						
Month	2016	2017	2018	2019	2020	2021
Jan	-10.7%	1.6%	5.2%	6.9%	-0.8%	2.0%
Feb	4.0%	-0.7%	-2.3%	-0.7%	-7.1%	3.2%
Mar	3.6%	0.0%	4.8%	4.1%	-16.7%	7.6%
Apr	6.6%	0.5%	3.9%	5.5%	9.7%	5.0%
May	-4.9%	-1.1%	-0.1%	-5.4%	1.4%	1.8%
Jun	1.3%	3.3%	1.2%	2.5%	1.7%	3.1%
Jul	0.1%	0.0%	2.7%	1.5%	1.8%	1.4%
Aug	-0.8%	1.1%	-2.3%	-5.7%	6.2%	3.8%
Sep	-3.9%	-0.6%	0.3%	-0.6%	2.6%	1.6%
Oct	2.3%	-2.7%	0.1%	-2.5%	-2.7%	2.4%
Nov	7.9%	-1.5%	-2.0%	1.3%	8.3%	-
Dec	4.2%	3.5%	0.7%	5.9%	0.7%	-
Yearly Returns	8.5%	3.4%	12.7%	12.5%	2.1%	36.8%
USD 1 invested in 2016	1.08	1.12	1.26	1.42	1.45	1.99

Key Economic Forecasts - 2022f (IMF Apr 2021)				
Country	Real GDP growth	Fiscal Balance (% of GDP)	Current Acc. Balance (% of GDP)	Fiscal Breakeven Oil Price (USD/bbl.)
KSA	4.8	-1.8	3.8	72.4
UAE	3.0	-0.2	9.4	66.8
Kuwait	4.3	1.0	13.3	65.4
Qatar	4.0	5.7	11.6	44.1

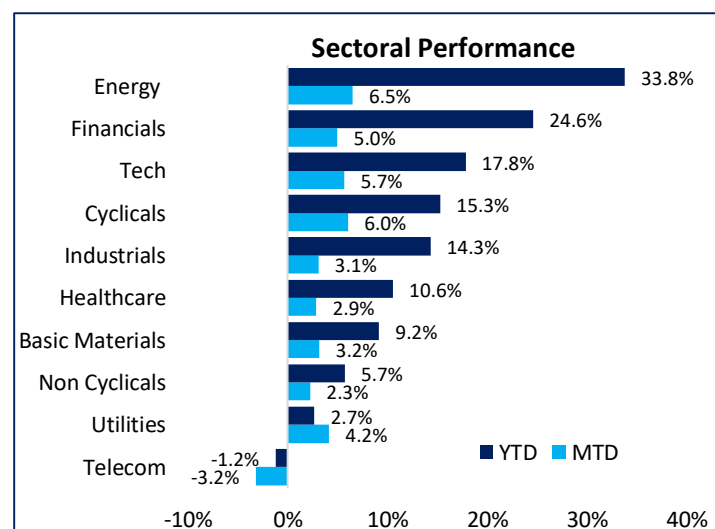
Source: Refinitiv, IMF; ADVT – Average Daily Value Traded, TTM – Trailing 12 months, FF Adj. Mkt. Cap. – Free Float Adjusted Market Capitalization

Equities – Developed Markets

- Despite October being considered as a bad month for stock markets, with large historical crashes, equity markets performed well on the back of record earnings while factors like inflation fears, timeline of central bank's stimulus withdrawal plans, supply chain concerns and overall economic growth taking a back seat.
- Energy sector stocks outperformed yet another month, supported by continuous increase in oil and natural gas prices. The worst performing sector for the month was telecom.
- Tech stocks' advertising earnings were impacted by the privacy changes made by Apple. Alphabet is relatively in a better place, given its android Operating Systems. In addition to this, shares of Facebook was hit by increased criticism and scrutiny after various reports highlighting the harmful effects of the app. It had also announced changing its name to Meta Platforms and investors are now coming up with a new acronym for the FAANG stocks. Amazon posted disappointing 3Q21 results and lower guidance on account of supply chain issues and labor shortages.
- The S&P 500 hit record highs on the back of upbeat earnings with bellwethers across sectors reporting better than expected profits and historically low interest rates. Tesla has become the most valuable vehicle organization with a market cap of more than USD 1Tn.
- Japanese stocks fell for the month ahead of the national elections. Investors anticipate that the proposed capital gains tax might make Japan less shareholder friendly. Global uncertainties like issues in China's real estate segment, increasing US bond yields, higher oil & natural gas prices and concerns over inflation & growth also acted as headwinds.
- European indices erased September losses driven by positive Q3 earnings from industry majors. Certain companies were able to handle inflation by increasing their prices, easing investor concerns regarding its impact on profits and future growth. Soaring gas prices lead to increase in European energy sector gains.
- The benchmark index in Canada rose to an all-time high this month, supported by rising oil and metal prices, higher bond yields benefiting the financial sector & easing of COVID curbs.

Market Performance & Key Metrics					
Market	Market Cap. (USD Bn.)	Oct 2021	Returns YTD	5 Yr. CAGR	P/E TTM
MSCI World Index	57,934	5.6%	18.0%	13.1%	22.9
U.S.A.	41,254	6.9%	22.6%	15.9%	26.1
Japan	6,536	-1.4%	10.9%	6.4%	14.0
U.K.	2,866	2.1%	12.0%	1.3%	14.3
France	2,734	4.8%	20.7%	6.9%	15.9
Canada	2,607	4.8%	23.0%	8.3%	19.3
Germany	1,954	2.8%	14.4%	8.1%	15.3

FAANG Stocks Performance & Key Metrics						
Company	Market Cap. (USD Bn.)	Oct 2021	Returns YTD	5 Yr. CAGR	P/E TTM	3Q21 EPS Est. Beat by
Facebook	900	-4.7%	18.5%	23.4%	23.1	1%
Amazon	1,710	2.7%	3.5%	34.3%	58.8	-31%
Apple	2,458	5.9%	12.9%	38.6%	29.3	0%
Netflix	306	13.1%	27.7%	39.1%	63.3	25%
Alphabet (Google)	1,967	10.7%	68.9%	28.1%	28.5	19%



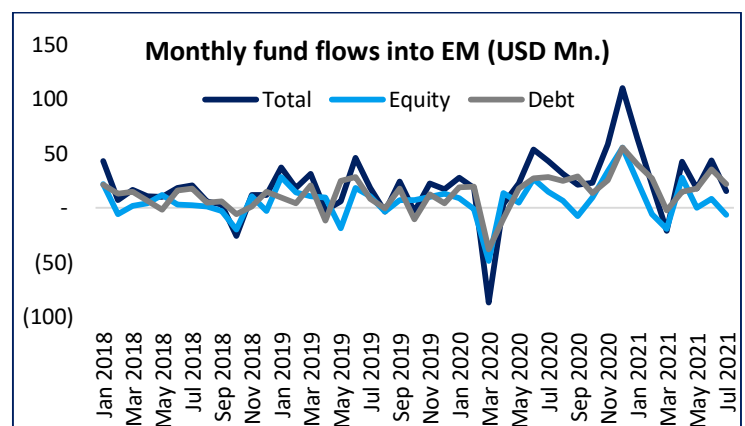
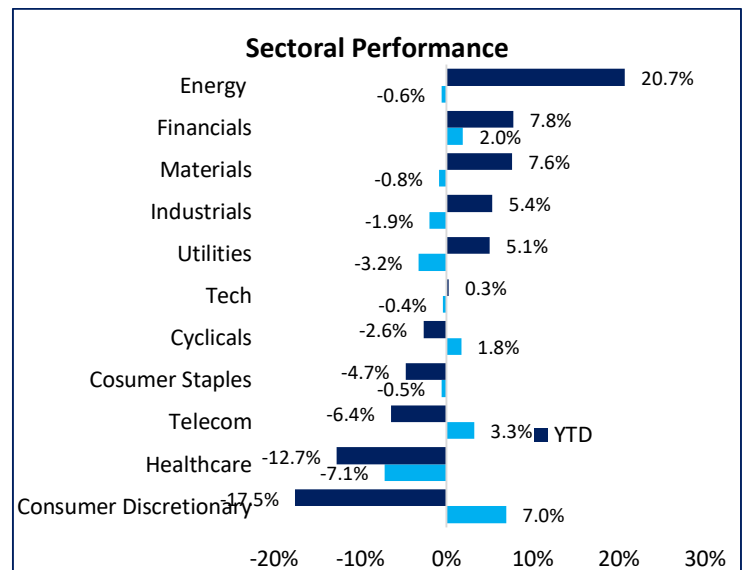
Equity Views - Sep 2021			
Market	Blackrock	JP Morgan	Franklin
U.S.A.	Neutral	Overweight	Mildly Bullish
U.K.	Neutral	Neutral	Neutral
Europe	Overweight	Overweight	Neutral
Japan	Neutral	Overweight	Mildly Bullish
Canada	NA	NA	Mildly Bullish
APAC ex- Japan	Neutral	NA	Mildly Bearish

Source: Refinitiv, Blackrock, JP Morgan, Franklin; Note: Sector Indices are provided by Refinitiv

Equities – Emerging Markets

- Emerging market stocks registered mild gains in October, after a lacklustre showing in the third quarter of 2021. Brazil equity markets continue to suffer while Indian equities trade at stretched valuations.
- Emerging markets continued to lag Developed markets due to weakness in China and investor concerns surrounding the policy tightening stance taken by Central banks across the world.
- Consumer Discretionary stocks were the top gainers among emerging markets, rebounding due to the return of consumer demand. Healthcare stocks were the weakest in October, losing 7.1%.
- Chinese stocks remained flat as economic growth in Q3 2021 slumped due to power shortages and property sector curbs. China's GDP increased by 4.9% in the third quarter from a year ago. However, fund houses such as UBS and HSBC have upgraded Chinese equities to overweight from an underweight position, stating that tighter economic regulation have now been priced in, while earnings are set to rebound in the coming quarters.
- Indian markets touched fresh highs after witnessing a rally during the first three weeks of the month. Despite stretched valuations, they became the go-to destination for foreign investors due to weakness in Chinese markets. However, there was a sharp correction close to the end of October. Nomura recently downgraded Indian equities from 'overweight' to 'neutral' stating that all positives have already been priced in.
- Brazilian markets remain under pressure due to investor concerns over rising inflation and the lack of fiscal prudence. Inflation has picked up due to central bank intervention in the currency market and the government's decision to provide more emergency financial assistance to Brazilian families. Concerns were also triggered by the statement made by Brazil's Economy Minister about the need for a waiver of the spending cap to deal with the impact of rapidly rising prices on low-income households. The decision made by Brazil's central bank to raise interest rates by 150 basis points was received with negativity from the markets, as it was higher than market expectations.

Market Performance & Key Metrics					
Market	Market Cap. (USD Bn.)	Returns			
		Oct 2021	YTD	5 Yr. CAGR	P/E TTM
MSCI Emerging Market Index	7,878	0.9%	-2.1%	8.0%	15.1
China	6,475	-0.6%	2.1%	2.7%	13.8
India	1,677	0.3%	26.4%	16.6%	26.3
Taiwan	1,874	0.3%	15.3%	12.9%	14.8
Brazil	630	-6.7%	-13.0%	11.4%	7.7



Equity Views of Fund Houses – Sep 2021			
Market	Blackrock	JP Morgan	Franklin
Emerging Markets	Neutral	Neutral	NA
Emerging Markets ex-China	NA	NA	Moderately Bearish
China	Overweight	NA	Moderately Bearish

Source: Refinitiv, IMF, JP Morgan, Franklin; Note: Sector Indices are provided by Refinitiv; Colours in Equity views indicate upgrade (green)/downgrade (red)

Fixed Income – GCC Markets

- UAE federal government has raised USD 4 billion in its debt capital market debut with orders over USD 22.5 billion, an oversubscription of 5.6x. This is the first time that UAE raises funds at a federal level. The bonds were issued in three tranches with 10, 20 and 40 year tenors. It plans to issue more dollar-denominated bonds in 2022 and would also be exploring green bonds and local currency debt.
- Saudi Arabia issued USD 2.27 billion in domestic sukuk for the month of October. The sukuk constituted of two tranches which are due in 2029 and 2023.
- Moody's has revised Oman's outlook to stable from negative citing lessening of pressures on government liquidity and external financing. It has also revised outlook for seven Omani banks from negative to stable as it expects continued improvement in their operating environment.
- Fitch affirmed Abu Dhabi at AA with stable outlook as strong fiscal and external metrics and high GDP per capita balance reliance on hydrocarbons and relatively weak but improving policy framework.
- Islamic Development Bank has sold USD 1.7 billion in five-year Islamic bonds at 25 basis points over mid-swaps. The sukuk drew more than USD 2.4 billion in orders.
- Fitch has placed Qatar's banks including Qatar National Bank, Qatar Islamic Bank on Rating Watch Negative citing increasing dependence on external funding and recent steep growth in assets.
- IIF expects GCC central banks to maintain policy rates until the end of 2022. It also expects fiscal deficits to narrow in Saudi Arabia, Oman, and Bahrain, and shift to surpluses in the UAE, Qatar, and Kuwait in 2022.
- Saudi Arabia, Kuwait, UAE have reiterated their support for Bahrain fiscal programme. This is expected to help Bahrain in the debt capital markets as it faces delays in addressing its indebted finances.
- Qatar Energy's Chief Executive has stated that the proceeds from its USD 12.5 billion bond sale in June 2021 is not being made use of to ensure adequate liquidity.

Performance of Key 10-Year Bonds			
Issuer, Maturity Year	YTM (%)	Oct-21 Price Returns (in %)	YTD Price Returns (in %)
Kuwait Sov, 2027	1.6	-1.1%	-3.7%
KSA Sov, 2029	2.2	-1.1%	-3.5%
Qatar Sov, 2029	2.1	-1.0%	-4.9%
Abu Dhabi Sov, 2029	2.1	-0.8%	-4.4%
Aramco, 2031	2.6	-0.8%	-4.8%

10Y Sovereign Yields				
Market	YTM (%)	Spread over 10Y UST (bps)		
		Current	1M ago	1Y ago
Saudi Arabia	2.46	90	93	105
Abu-Dhabi	2.09	54	46	96
Kuwait	1.64	8	-10	54
Qatar	2.31	75	75	90

5Y CDS Spreads (bps)				
Market	Current	2020	52 - Week	
			High	Low
Saudi Arabia	57.1	67.4	102.0	50.5
Abu-Dhabi	44.7	39.6	61.0	37.4
Dubai	96.6	113.8	162.7	91.1
Kuwait	55.2	38.9	55.6	38.9
Qatar	45.2	38.6	64.9	37.3

Policy Rates			
Policy Rates	Rate Used	Rate (in %)	Last Hike/Cut
U.S.	Fed Fund Rate	0.13	Mar 2020 (Cut)
Saudi Arabia	Reverse Repo Rate	0.50	Mar 2020 (Cut)
UAE	Repo Rate	0.65	Mar 2020 (Cut)
Kuwait	Discount Rate	1.50	Fed 2020 (Cut)
Qatar	Lending Rate	2.50	Apr 2020 (Cut)

Sovereign Ratings						
Market	Moody's		Fitch		S&P	
	Rating	Out - look	Rating	Out - look	Rating	Out - look
KSA	A1	Neg.	A	Neg.	A-	Stable
UAE	Aa2	Stable	AA-	Stable	AA	Stable
Kuwait	A1	Stable	AA	Neg.	A+	Neg.
Qatar	Aa3	Stable	AA-	Stable	AA-	Stable

Source: Refinitiv, GCC Central Banks, Moody's, Fitch, S&P

Fixed Income – Developed Markets

- Bond markets start factoring possible rate hikes in the near future with major central banks signalling them. Bank of Canada led the way by ending its asset purchases this month. Bank of Japan lags other banks as it holds on to its stimulus programme. The 10Y sovereign yields on bonds across geographies increased during the month.
- The 2Y & 5Y US Treasury yields reached their highest levels since last year on possible rate hikes, while the 30Y & 20Y bond yields fell due to concerns on long-term economic growth, thereby flattening the yield curve.
- In the post pandemic era, one of the main factors driving the yields and markets seem to be the investor's expectations around stimulus tapering or its timeline to be more specific. The recent increase in prices arising from supply chain bottlenecks, labour shortages and higher fuel costs increases doubts on the high inflation being transitory. One measure to curb high inflation is hiking interest rates. However, withdrawing the stimulus too soon might affect the economic recovery. The flattening of the yield curve highlights these concerns.
- Minutes of the latest U.S. Federal reserve highlighted the inclination for gradual tapering that ends in mid-2022. According to the minutes, if a decision is reached on tapering in the next policy meeting scheduled to take place in early November, the process could begin in mid-November or mid-December. The US Fed Chair also commented that the high inflation will mostly continue till next year, but the Fed is not expected to hike rates.
- The US government had decided to temporarily raise the debt ceiling this month. Congress would mostly be required to act again on this in December, with some politicians forming ideas to reform or repeal the limit altogether.
- Core Eurozone bond yields increased on account of inflation concerns surrounding the recent spike in European gas price.
- Bank of England's governor has warned that it "will have to act" over rising inflation. Alternatively, BoE's interest rate-setter Silvana Teneyro has passed comments signaling that she is in no hurry to hike interest rates.

10Y Sovereign Yields				
Market	YTM (%)	Spread over 10Y UST (bps)		
		Current	1M ago	1Y ago
U.S.A	1.56	-	-	-
UK	1.04	-52	-50	-61
Germany	-0.09	-165	-172	-147
Japan	0.09	-146	-146	-81
Canada	1.72	17	-153	-20
France	0.28	-128	-137	-119

Sovereign Ratings			
Market	Moody's	Fitch	S&P
U.S.A	Aaa	AAA	AA+
U.K.	Aa3	AA-	AA
Germany	Aaa	AAA	AAA
Japan	A1	A	A+
Canada	Aaa	AA+	AAA
France	Aa2	AA	AA

Fixed Income Views - as of H1 or Sep 2021				
Market	Blackrock	JP Morgan	Invesco	Franklin
U.S. Treasuries	Highly Under -weight	Under -weight	Over -weight	Mildly Bearish
U.K.	NA	NA	NA	Mildly Bearish
Germany/Europe	Neutral	NA	Over -weight	Neutral
Japan	NA	NA	NA	Neutral
Canada	NA	NA	NA	Mildly Bearish
TIPS	Overweight	NA	Neutral	Mildly Bullish
Global Inv. Grade	Under -weight	Neutral	Neutral	Mildly Bearish
Global High Yield	Neutral	Over-weight	Neutral	Mildly Bullish

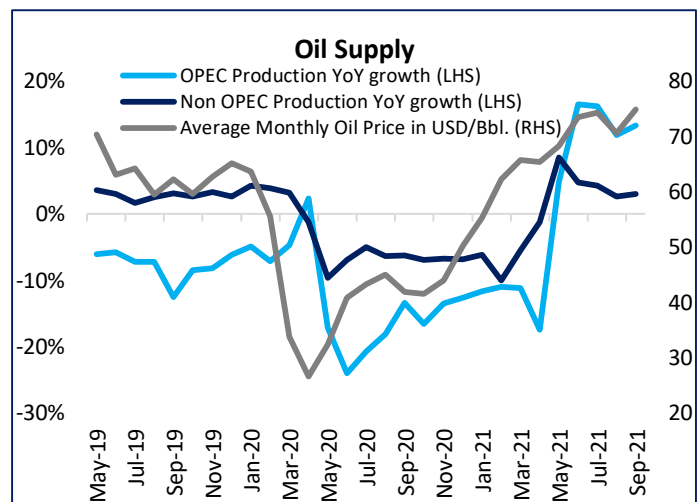
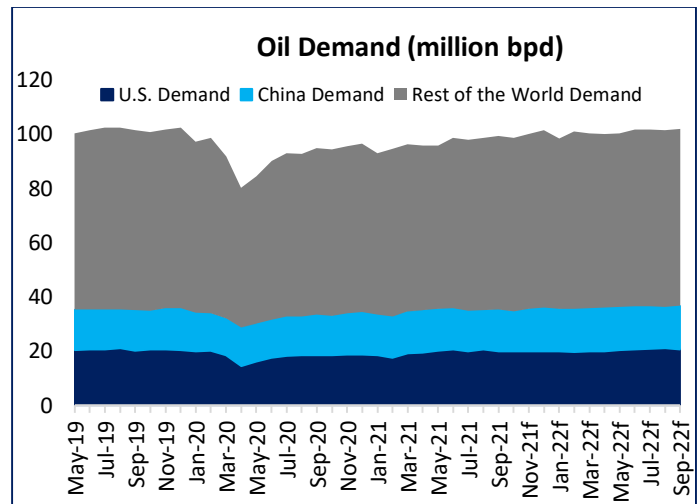
Indications of possible Rate hikes/tapering from Central Bank		
Central Bank	Asset purchase tapering	Interest rate Hike
US Fed	November 2021	Q3/Q4 of 2022
Bank of England	-	Nov or Dec 2021/Early 2022
European Central Bank	Reduction from Q4 2021; Intended to end in March 2022	End of 2022
Bank of Japan	Not anytime soon	Not anytime soon
Canada	Already started	Three hikes by end of 2022

Source: Refinitiv, IMF, JP Morgan, Franklin, Moody's, Fitch and S&P
Colours in Equity views indicate upgrade (green)/downgrade (red)

Oil & Gas

- Oil prices in October hovered over their highest since 2014, with demand pressures exceeding supply. The U.S. EIA increased their Brent price forecasts to USD 71.38 and USD 71.91 per barrel for 2021 and 2022 from USD 68.1 and USD 66.4 respectively.
- Oil prices closed at a high of USD 84.4 per barrel at the end of the month. The rise in prices for crude oil witnessed a slowdown with positive inventory reports from the American Petroleum Institute, reporting 2.32-million-barrel crude oil stockpiles but bounced back and closed on a high with expectations of OPEC and its allies sticking to their production stance.
- Price of Natural Gas decreased 7.5% over the month after touching multi-year high price during the month, as supply conditions in US improve. U.S. EIA reported addition of 87 billion cubic feet of gas in the week ending October 22. Downward pressure on Natural Gas was exacerbated with Russia committing to start pumping gas into Europe.
- OPEC's meeting in October concluded with members maintaining status quo in supply policy, and increasing demand monthly as agreed in the prior meetings, despite pressures from the oil biggest consuming countries. OPEC has also trimmed the outlook for growth in world oil demand to 5.8 million barrels per day in 2021 compared to the earlier forecast of 5.96 million barrels.
- The World Bank in their semi-annual report highlighted the risk of inflation for developing countries with a rise in oil prices. The World Bank has also increased their forecast for average oil price to \$74 from \$72 per barrel for 2022. The International Monetary Fund predicts a rise of 5.3% in oil sector in 2021 for exporting countries of Middle east and Central Asia with a rise in oil output by 4.4% in 2022
- In a bid to deal with power shortages and peaking coal prices in the country, Chinese government intervened to ensure the coal mines operate at full capacity.
- The White House is set to remove travel restrictions for fully vaccinated foreign nationals from 8th November that is expected to raise the jet fuel demand.

Performance					
Oil & Natural Gas Futures	Returns		Price Close	52 Wk. High	52 Wk. Low
	Oct-21	YTD			
Brent Crude	7.5%	62.9%	84.4	86.4	37.5
Natural Gas (NYMEX)	-7.5%	113.7%	5.43	6.31	2.31



Price Forecast (USD/bbl.)		
Provider	2021	2022
EIA - US (Oct 2021)	71.38	71.91
Morgan Stanley (Jul 2021)	75-80	75-80
Goldman Sachs (July 2021)	80	75
JP Morgan (July 2021)	80	62
BofA (July 2021)	68	75
Fitch (June 2021)	63	55

Source: Refinitiv, EIA and Press Releases; bpd – barrels per day

ESG Stocks & Debt

- ESG is no longer driven by altruism. As we can see from the table, ESG index has mostly outperformed its parent index in countries like US, Japan and Canada. These attractive returns are luring investors towards instruments and institutions having higher ESG scores. One reason could be that higher ESG rated companies tend to perform well in the long term on account of better governance and are more sustainable.
- Not only equities, the issue of sustainable debt and ESG linked bonds have been on the rise. They often have lower interest rates compared to conventional bonds. Countries in GCC, with a view to expand their investor base and take advantage of the low rates, are coming up with ESG frameworks and reporting guidance to improve their scores.
- In the third quarter, Green, social, sustainability and sustainability-linked (GSSS) bond issuance reached USD 217bn and is poised to reach USD 1tn for FY21 (vs USD 614bn issued in 2020) as per a recent Moody's report. Companies look at funding alternatives for their ESG transition plans and banks want to increase their share of impact financing, leading to the recent increase in ESG linked loans.
- The 26th UN Climate Change Conference (COP26) commenced on Oct 31st and might provide more clarity on various issues related with ESG. World leaders will try to decide on steeper emission cuts to curb rising temperatures around the world.
- Closer to home, Saudi Arabia has recently announced its plans to have net zero emissions by 2060 with Aramco having a goal to reach it a decade early. This has been extensively criticised as they don't include the emissions coming from the customers burning the fuels. Also, the KSA continues to invest in expanding its production capacity.
- The oversubscription of loans issued by GIB & Arab petroleum act as a testament to the growing demand for ESG instruments like SLLs (Sustainability Linked Loan). Qatar energy (previously Qatar petroleum) is also said to be working on an ESG framework to sell green bonds.

Read our blog on [ESG in KSA](#) for more insights or download our report of [ESG issues in GCC](#).

ESG Indices - Performance						
ESG Indices	Returns			Outperformance vs. Conventional Indices		
	Oct-21	YTD	5 Yr. CAGR	Oct-21	YTD	5 Yr. CAGR
U.S.A.	8.3%	26.5%	20.1%	1.3%	2.5%	1.3%
Japan	-3.2%	6.0%	9.7%	-4.9%	1.4%	0.7%
Canada	7.7%	27.6%	11.2%	0.3%	0.5%	-1.0%
Europe	4.1%	14.3%	11.4%	-0.3%	-1.4%	0.1%
Pan Arab	1.3%	31.9%	11.2%	-1.2%	-2.3%	-2.9%

Significant GCC issuances in October			
Company name	Type	Value (USD mn.)	Over-subscription
Etihad Airways	Sustainability Linked Loans	1,200	-
Arab Petroleum Investments	Green bonds	750	3x
GIB	Sustainability Linked Loans	625	2x

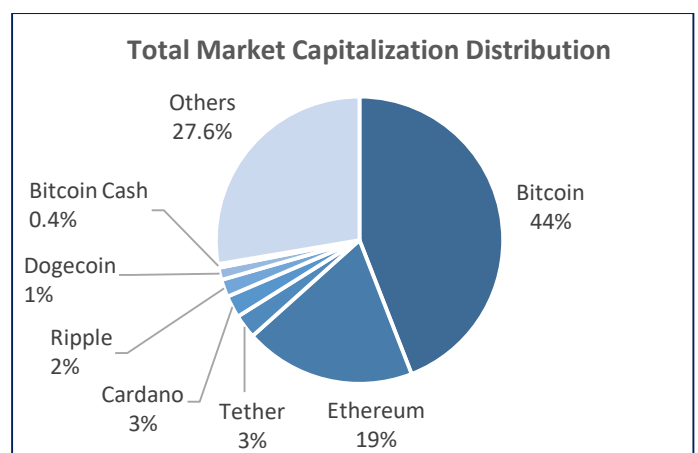
Source: Refinitiv, Bloomberg, various

Cryptocurrencies

- October marked a record-breaking month for cryptocurrencies with Bitcoin touching its all-time high in October. With bitcoin price soaring, the market cap for bitcoin also breached the 1 trillion threshold. The second largest cryptocurrency – Ethereum, also touched its all-time high of USD 4,402 in October, on the back of upward crypto momentum and a recent technical upgrade to the Ethereum network. Ethereum based meme cryptocurrency – Shiba Inu soared 155% in the last week of October and 1,000% over the month, to become the eighth largest cryptocurrency in the world. The increase is said to be driven by huge volumes among retail investors.
- The upwards momentum is said to be driven by the launch of the first U.S. bitcoin futures-based ETF – ProShares Bitcoin Strategy ETF, which closed 2.59% higher on its debut day, and became the fastest ETF to reach the USD 1billion AUM within two days of its launch. Although analysts reported that, the trading seemed to be influenced by High-Frequency Trading firms and small investors, indicating the lack of institutional investors' participation via large block trades. After touching its high, Bitcoin marked a slight decline in the closing weeks due to profit booking by various participants.
- Along with ProShares ETF, VanEck is set to launch a bitcoin ETF as well. The SEC also approved Valkyrie Investment's Bitcoin futures ETF that started trading from 22 October. Valkyrie has plans to expand further by filling for a leveraged bitcoin futures ETF days later after its ETF started trading.
- Riding on the crypto bandwagon, Walmart has announced the installation of 200 bitcoin ATMs in its selected stores spanning across the country. The decision by the retail giant is set to not only improve the access of cryptocurrency to the retail investor but is also set to give boost to the investor confidence.

Performance and Key Metrics				
Cryptocurrency	Current Price (in USD)	Market Cap (USD Bn.)	Returns Oct 2021	YTD
Bitcoin	60,655.9	1,149	39.6%	109.2%
Ethereum	4,241.8	503	42.7%	474.1%
Tether	1.0	70	0.0%	-
Cardano	2.0	65	-6.3%	65.5%
Ripple	1.1	52	16.3%	387.4%
Dogecoin	0.3	36	37.2%	-
Bitcoin Cash	596.8	11	18.7%	74.4%

Block chain ETF Performance			
ETF Name	AuM (USD Mn.)	Returns Oct 2021	YTD
Amplify Transformational Data Sharing ETF	1,492	25.8%	58.7%
Invesco Elwood Global Blockchain UCITS ETF Acc	1,039	13.8%	37.1%
Siren Nasdaq NexGen Economy ETF	306	11.9%	22.5%
First Trust Indxx Innovative Transactn & Proc ETF	138	4.0%	16.9%
Bitwise Crypto Industry Innovators ETF	92	30.3%	-



Source: Refinitiv, ETFdb

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