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Kuwait Financial Centre "Markaz"

RESEARCH

Global & GCC Capital Markets Review

January 2022

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	Nov-21	Dec-21	2021 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) 8.7%	KSA Equity (TASI) 4.8%	Abu Dhabi Equity (ADI) 68.2%
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%	Dubai Equity (DFMGI) 7.3%	Dubai Equity (DFMGI) 4.0%	GCC Equity (S&P GCC) 31.4%
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 Bonds (S&P Index) 0.1%	GCC Equity (S&P GCC) 4.0%	KSA Equity (TASI) 29.8%
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%	Qatar Equity (QE Index) -3.2%	Kuwait Equity (All Share PR) 3.7%	Dubai Equity (DFMGI) 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%	Abu Dhabi Equity (ADI) 0.2%	KSA Equity (TASI) 1.8%	Kuwait Equity (All Share PR) -4.5%	Qatar Equity (QE Index) 2.1%	Kuwait Equity (All Share PR) 27.0%
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%	GCC Bonds (S&P Index) -0.8%	Dubai Equity (DFMGI) 0.7%	GCC Equity (S&P GCC) -5.0%	GCC Bonds (S&P Index) 0.8%	Qatar Equity (QE Index) 11.4%
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) 0.0%	KSA Equity (TASI) -8.1%	Abu Dhabi Equity (ADI) -0.7%	GCC Bonds (S&P Index) 0.1%

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	Nov-21	Dec-21	2021 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%	US Bonds (US Agg. Index) 0.1%	Oil (Brent) 10.2%	Crypto (Bitcoin) 59.8%
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%	US Equity (S&P 500) -0.8%	US Equity (S&P 500) 4.4%	Oil (Brent) 50.2%
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%	EM Bonds (JPMC EMBI) -2.2%	DM Equity (MSCI World) 4.2%	US Equity (S&P 500) 26.9%
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) -2.3%	EM Equity (MSCI EM) 1.6%	DM Equity (MSCI World) 20.1%
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) -4.1%	EM Bonds (JPMC EMBI) 1.5%	US Bonds (US Agg. Index) -3.5%
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%	Crypto (Bitcoin) -5.8%	US Bonds (US Agg. Index) -0.6%	EM Equity (MSCI EM) -4.6%
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%	Oil (Brent) -16.4%	Crypto (Bitcoin) -18.9%	EM Bonds (JPMC EMBI) -5.9%

What moved the markets?

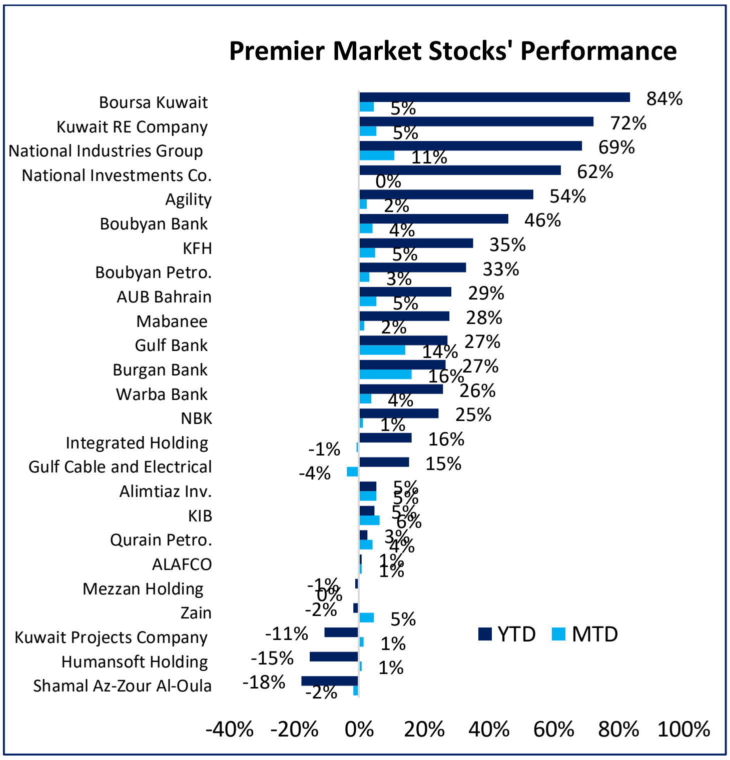
- GCC markets had a very positive year in 2021, supported by the sharp recovery in oil prices. The S&P GCC composite index ended the year with gains of 31.4%, following a 4.0% rise in December 2021. Abu Dhabi was the best performer among GCC markets, gaining 68.2% for the year followed by Saudi Arabia with yearly gains of 29.8%. Kuwait markets gained 27.0% for the year shrugging off liquidity concerns at the start of the year.
- Global equity markets marked a recovery in the month of December and ended the year positively, with the MSCI World Index posting yearly returns of 20.1%. Among major developed economies, U.S. and French markets outperformed with yearly gains of 26.9% and 28.9% respectively.
- Emerging Market severely underperformed mainly due to the poor performance of major markets such as China, South Korea and Brazil. Increasing regulatory scrutiny and the clampdown of the property sector in China led to its underperformance in 2021. Indian markets stood out with gains of 24.1% despite stretched valuations. As the volatility and risk sentiment in the market receded, emerging markets picked-up in December.
- GCC fixed income markets witnessed marginal increase for the month of December, as the yields offered by the GCC Sovereign bonds were attractive for investors, compared to their ratings.
- U.S Federal Open Market Committee (FOMC) voted to maintain the current Fed Funds rate at the zero-lower bound (0.00% – 0.25%) and accelerate the pace of tapering its asset purchase program to USD 30bn per month starting in mid-January from the current USD 15bn. Rather unexpectedly, Bank of England increased its bank rate by 15 basis points to 0.25% for the first time since the pandemic citing a more persistent outlook on inflation and a tighter labour market.
- Oil prices capped off a positive year by adding further to the gains accrued in previous months. Brent crude extended its yearly gains to 50.2% after a 10.2% surge in the month of December. OPEC+ decided to proceed with a 400,000 barrel per day output hike for February as planned earlier during their meeting on Jan 4, 2022. The move was broadly expected considering the pressure from the U.S. to boost supply. Price of Natural Gas fell sharply for the month on increasing production, rising inventory and warmer winters.
- Cryptocurrencies such as Bitcoin and Ethereum had their breakout in 2021, with many investors considering cryptocurrencies as a mainstream asset class. There was also noticeable institutional buying of Bitcoins during the year. Bitcoin and Ethereum enjoyed a bull run in 2021 while the year also witnessed the emergence of several altcoins (cryptocurrencies other than Bitcoin).
- Though on a MTD basis the outperformance of the ESG stocks was not material, on an YTD basis USA, Japan and Pan Arab ESG indices has generated excess returns of around 3-4% points. It was long argued that ESG funds exhibit their resilience in times of market downfall and tend to underperform when the markets perform well. But the 2021 outperformance has proven otherwise.

Equities – Kuwait

- Kuwait markets ended the year positively, with the recovery in oil prices supporting gains. Kuwait All Share index gained 27.0% in 2021, following a rise of 3.7% in December.
- Among sectors, Boursa Kuwait's Consumer Discretionary sector was the top gainer, rising 9.9% for the month, followed by Financial Services at 5.5%. Technology sector index declined the most, falling 7.8% for the month. Banking sector index was up by 4.2% in December.
- Kuwait's performance throughout the year has been positive despite concerns pertaining to liquidity after an impasse over the passage of a debt law that allows the state to tap the international debt markets for funding. The sharp recovery in oil prices alleviated these concerns and paved way for the recovery of the economy, which in turn supported the gains in Kuwaiti equities.
- Kuwait's 9M 2021 corporate earnings indicate that companies are on a path of gradual recovery. However, they have not reached pre-pandemic levels yet in terms of profitability. Banking stocks, which constitutes more than half of Kuwait's listed space by market capitalization, has witnessed their 9M 2021 earnings rebound 72% compared to 9M 2020. However, they are still 16% lower than 9M 2019.
- Kuwait's real GDP is expected to grow by 4.3% in 2022 supported by higher oil prices during the year according to the IMF. Inflation remains a key worry moving into 2022 due to supply chain shocks and rising global food prices.
- According to World Bank's lead economist for the Gulf, Kuwait had made least progress among GCC states to reform its wage bill. He has also stated that hiring has increased in recent years with one-third of the Kuwaiti civil service has been recruited in the past five years, making the wage bill unsustainable.
- Among Premier Market stocks, Burgan Bank and Gulf Bank were the top gainers during the month, rising 16.2% and 14.3% respectively. Boursa Kuwait and Kuwait Real Estate Company end the year as the top gainers among Premier Market stocks in 2021.

Market Performance & Key Metrics						
Kuwait Index	Mkt. Cap. (USD Bn.)	Returns			P/E TTM (x)	ADVT (USD Mn.)
		Dec 2021	2021	5 Yr. CAGR		
All Share	139	3.7%	27.0%	9.0%	12.4	176
Premier Market	104	4.0%	26.2%	11.0%	13.4	113
Main Market	35	2.9%	29.3%	4.3%	9.6	62
Main Market 50	22	4.2%	31.7%	-	9.2	51

Sectoral Performance & Key Metrics					
Sector	Mkt. Cap. (USD Bn.)	Returns		P/E TTM (x)	ADVT (USD Mn.)
		Dec 2021	2021		
Banks	79.8	4.2%	28.5%	27.5	79.1
Basic Materials	3.0	4.0%	14.0%	26.6	1.7
Consumer Staples	0.7	-0.2%	-2.0%	17.8	0.8
Consumer Disc.	-	9.9%	63.3%	-	2.8
Energy	1.0	2.9%	11.8%	17.1	1.1
Financial Services	13.6	5.5%	53.1%	9.7	53.2
Healthcare	1.3	-1.5%	-3.6%	24.6	0.0
Industrials	13.6	2.0%	28.1%	3.1	13.6
Insurance	2.0	-3.6%	32.6%	6.0	0.6
Real Estate	9.5	2.6%	39.2%	7.2	14.8
Technology	0.0	-7.8%	36.0%	-	0.0
Telecom	11.0	3.2%	-1.2%	14.6	7.6
Utilities	-	-1.7%	-17.7%	-	0.6



Source: Refinitiv, Boursa Kuwait

Equities – GCC Markets

- GCC markets had a very positive year in 2021, supported by the sharp recovery in oil prices. The S&P GCC composite index ended the year with gains of 31.4%, following a 4.0% rise in December 2021. Abu Dhabi was the best performer among GCC markets, gaining 68.2% for the year followed by Saudi Arabia with yearly gains of 29.8%.
- During December, Saudi equity market outperformed its peers, increasing 4.8% followed by Dubai equity market that increased by 4.0% in December.
- The outperformance of Saudi market is driven by its banking sector that soared on the back of mortgage boom attributed to country's target of 70% home ownership among nationals. As the economy marks a strong rebound, there is also a marked increase in non-mortgage retail lending and corporate lending.
- Saudi Arabia's banking sector released their interim financial results for Q3 2021, with net profit marking a 12% YoY growth for nine months ending September. Saudi's largest banks – Al Rajhi and SNB witnessed an increase of 7.3% and 6.6% respectively in their share price, with a fall in provisions and a subsequent increase in net profits.
- The Abu Dhabi market witnessed a drop this month, with its blue-chip stocks – Alpha Dhabi Holdings and First Abu Dhabi Bank decreasing 4.5% and 1.8% respectively over the month. Despite the drop, Abu Dhabi remains the top performing market within the GCC, with a return of 68.2% over the year.
- The outlook for UAE remains positive, with forecasts of its economy returning to pre-pandemic levels by Q1'2022. This comes from a combination of rising oil prices and increased production baseline, coupled with the boost in tourism sector, that accounts for 16% of its GDP, provided by the Dubai Expo 2020.
- Fitch Ratings upgraded Oman's outlook to stable from negative. The upgrade comes from an increase in the oil prices, along with an improvement in key financial metrics such as government debt to GDP ratio and the country's budget deficit-to-GDP that decreased to 3.4% this year from 16.4% in the prior year.

Market Performance & Key Metrics

Market	FF Adj. Mkt. Cap. (USD Bn.)	Returns Dec 2021	2021	5 Yr. CAGR	P/E TTM (x)	ADVT (USD Mn.)
GCC (S&P GCC Price Return)	694	4.0%	31.4%	8.5%	10.2	-
Saudi (TASI)	400	4.8%	29.8%	9.3%	21.3	1,907
Abu Dhabi (ADI)	140	-0.7%	68.2%	13.3%	21.2	438
Qatar (QE Index)	79	2.1%	11.4%	2.2%	15.0	80
Kuwait (All Share)	78	3.7%	27.0%	9.0%	12.4	178
Dubai (DFMGI)	38	4.0%	28.2%	-2.0%	13.7	93

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%	-5.0%
Dec	4.2%	3.5%	0.7%	5.9%	0.7%	4.0%
Yearly Returns	**8.5%**	**3.4%**	**12.7%**	**12.5%**	**2.1%**	**35.2%**
USD 1 invested in 2016	**1.08**	**1.12**	**1.26**	**1.42**	**1.45**	**1.96**

Key Economic Forecasts - 2022f (IMF Oct 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

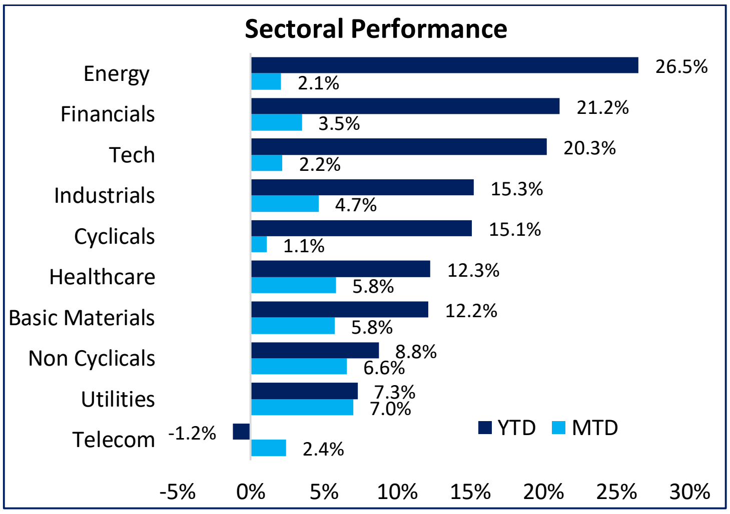
- Global equity markets marked a recovery in the month of December and ended the year positively, with the MSCI World Index posting yearly returns of 20.1%. Among major developed economies, U.S. and French markets outperformed with yearly gains of 26.9% and 28.9% respectively.
- On the sectoral performance, defensive sectors such as Utilities and Non-cyclicals were the sector leaders increasing 7.0% and 6.6% respectively over the month. Rebound in oil prices helped the energy sector mark a recovery, closing 2.1% higher in December and ending the year as a sector leader with a 26.5% rise.
- The S&P 500 index rose 4.4% in December and touched record high with a fall in weekly jobless claims and strong manufacturing data. All of the S&P 500 sector indices rose this month, with energy and technology sectors outperforming. S&P retailing index also marked a solid performance with soaring U.S. retail sales, that increased by 8.5% YoY in December. In 2021, S&P 500 marked 61 new 52-week highs and no new lows, which is indicative of the positive sentiment of the market.
- Among technology stocks – Apple and Meta lead the way, posting a return of 7.4% and 3.7% respectively in December. The market capitalisation for Apple closed in on the USD 3 trillion mark this month despite the news of Apple shutting its New York stores due to the spread of corona virus.
- Japanese broader index – Topix rose 3.3% over the month, and Nikkei 225 index marked its highest year-end closing since the 1980s bubble. Relative to 1990's when the P/E ratio for the Nikkei was roughly 50, this time around upon breaching the 30,000 level, the market trades at a P/E multiple of around 15.5. The confidence was further boosted with the release of Japan's factory output for November which rose 7.2% month over month.
- Despite record daily covid-19 cases and travel restrictions across Europe, the European markets witnessed a rise in December. Inflation concerns continue to persist across Europe, although the ECB expects inflation to fall over 2022.

Market Performance & Key Metrics

Market	Market Cap. (USD Bn.)	Returns			P/E TTM
		Dec 2021	2021	5 Yr. CAGR	
MSCI World Index	59,752	4.2%	20.1%	12.5%	21.9
U.S.A.	42,629	4.4%	26.9%	15.9%	27.1
Japan	6,384	3.3%	10.4%	5.5%	13.1
U.K	2,885	4.6%	14.3%	0.8%	15.3
Canada	2,713	2.7%	21.7%	6.6%	15.6
France	2,689	6.4%	28.9%	8.5%	19.3
Germany	1,936	5.2%	15.8%	6.6%	14.9

FAANG Stocks Performance & Key Metrics

Company	Market Cap. (USD Bn.)	Returns			P/E TTM
		Dec 2021	2021	5 Yr. CAGR	
Meta (Facebook)	936	3.7%	23.1%	20.9%	24.0
Amazon	1,691	-4.9%	2.4%	32.3%	65.2
Apple	2,913	7.4%	33.8%	42.4%	31.7
Netflix	267	-6.1%	11.4%	33.8%	55.3
Alphabet (Google)	1,922	2.1%	65.3%	28.7%	27.9
Tesla	1,061	-7.7%	49.8%	83.8%	342.9
Microsoft	2,525	1.7%	51.2%	39.1%	37.6



Equity Views – Q4 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

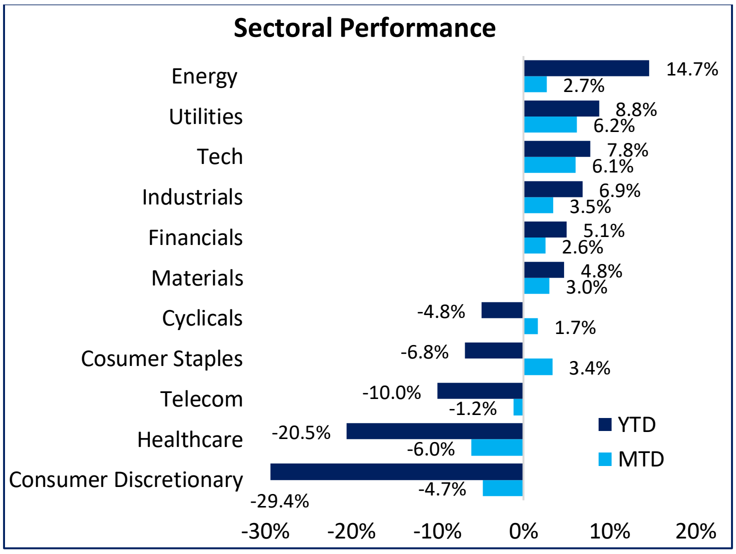
Source: Refinitiv, Blackrock, JP Morgan, Franklin; Note: Sector Indices are provided by Refinitiv

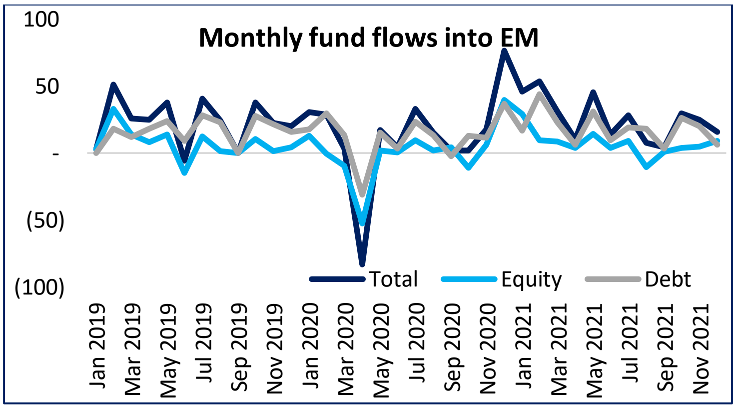
Equities – Emerging Markets

- Emerging Market severely underperformed mainly due to the poor performance of major markets such as China, South Korea and Brazil. Increasing regulatory scrutiny and the clampdown of the property sector in China led to its underperformance in 2021. Indian markets stood out with gains of 24.1% despite stretched valuations. As the volatility and risk sentiment in the market receded, emerging markets picked-up in December.
- Consumer discretionary continues to be the worst performing sector in the emerging market, shrinking 4.7% over the month and 29.4% over the year. A sharp decline in the consumer discretionary sector could be indicative of low consumer disposable income and consequently low consumer confidence.
- Chinese equity market rose 2.1% over the month, as the Government plans to rollout policies to facilitate its export sectors amid foreign trade uncertainty caused due to tensions with the U.S. coupled with a rise in covid-19 cases globally. Declining prices of raw materials slowed the industrial profit growth in November, statistics bureau reported.
- Inflation worries continue to persist within the Indian market, with the annual wholesale price-based inflation reaching a record high of 14.2% on back of rising manufacturing and food prices. Country's retail inflation also climbed to 4.9%, which is within the medium-term target of the central bank. Indian equity markets remained persistent through the month, rising 2.2% amid increasing government restrictions on business and travel.
- Brazilian markets shrank 11.9% over the year despite the rebound in December. The Brazilian government reported a budget surplus of USD 680 million for November.
- In a year marked with global economic recovery, developed markets outperformed the emerging markets. Major investment banks - Goldman Sachs Morgan Stanley and JP Morgan expect this trend to reverse in the second half of 2022.

Market Performance & Key Metrics

Market	Market Cap. (USD Bn.)	Returns			P/E TTM
		Nov 2021	2021	5 Yr. CAGR	
MSCI Emerging Market Index	7,621	1.6%	-4.6%	1.2%	13.9
China	6,475	2.1%	4.8%	1.9%	13.8
India	1,677	2.2%	24.1%	10.5%	26.3
Taiwan	2,019	4.5%	23.7%	11.4%	13.3
Brazil	623	2.9%	-11.9%	6.5%	7.1





Equity Views of Fund Houses – Dec 2021

Market	Blackrock	JP Morgan	Franklin
Emerging Markets	Neutral	Neutral	NA
Emerging Markets ex-China	NA	NA	Mildly Bearish
China	Overweight	NA	Moderately Bearish

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

Fixed Income – GCC Markets

- GCC fixed income markets witnessed marginal increase for the month of December, as the yields offered by the GCC Sovereign bonds were attractive for investors, compared to their ratings.
- Recently released Fitch Ratings report stated that government-related entity (GRE) debt as a share of GDP is lowering across GCC for 2021, amid economic recovery from COVID-19 pandemic and higher oil prices. GREs drive forward national economic agendas such as job creation, economic diversification, and privatisation. Aggregate GCC non-bank GRE debt that stood at 37% of GDP in 2020 is expected to reach 32% of GDP in 2021.
- UAE's central bank would be extending many of the measures under its Targeted Economic Support Scheme (TESS) programme including prudential relief measures relating to capital buffers and liquidity for banks until June 30, 2022 to support the country's continued economic recovery.
- Saudi Arabia expects to post a surplus of SAR 90bn (USD 23.99bn) in its budget for 2022, its first surplus since 2014. While the country expects higher revenue for 2022 at SAR 1.05tn (USD 278bn), its budgeted expenditure is down by 6% y/y. Saudi Arabia's National Debt Management Centre has completed its 2021 borrowing plan worth over SR 125billion.
- As per Fitch Ratings, economic activity in Kuwait will return to the level before the "COVID crisis" by 2023, amid a recovery in oil production in 2022.
- Oman's budget deficit at 5% of its GDP in 2022. Fitch has revised Oman's outlook to stable from Negative.
- According to Fitch Ratings, the 2022 sector outlook for Gulf GCC Islamic banks is neutral.
- According to Moody's, 2022 outlook for GCC banks remains stable as the economies recover, with higher oil prices building investor confidence. As loan repayment holidays and support schemes established during pandemic expire, the health of GCC banks remain sound to tackle rising non-performing loans.

Performance of Key 10-Year Bonds

Issuer, Maturity Year	YTM (%)	Dec-21 Price Returns (in %)	YTD Price Returns (in %)
Kuwait Sov, 2027	1.7	0.5%	-4.4%
KSA Sov, 2029	2.2	0.7%	-3.3%
Qatar Sov, 2029	2.1	0.3%	-5.0%
Abu Dhabi Sov, 2029	2.1	0.6%	-4.3%
Aramco, 2031	2.6	0.3%	-4.5%

10Y Sovereign Yields

Market	YTM (%)	Spread over 10Y UST (bps)		
		Current	1M ago	1Y ago
Saudi Arabia	2.52	102	96	97
Abu-Dhabi	2.06	57	72	71
Kuwait	1.72	22	40	28
Qatar	2.36	86	80	80

5Y CDS Spreads (bps)

Market	Current	2020	52 - Week	
			High	Low
Saudi Arabia	52.5	67.4	86.2	47.5
Abu-Dhabi	44.6	39.6	61.0	38.7
Dubai	92.1	113.8	143.8	91.1
Kuwait	44.6	38.9	55.6	39.2
Qatar	45.6	38.6	64.9	38.5

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	Stable	A	Stable	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; Colours in Sovereign rating indicate upgrade (green)/downgrade (red)

Fixed Income – Developed Markets

- U.S. inflation has surged to the highest levels seen since 1990 at 6.2% (Y/Y) due to factors such as higher shelter and car prices, which are both expected to continue rising as 2022 starts.
- The Federal Open Market Committee (FOMC) voted to maintain the current Fed Funds rate at the zero-lower bound (0.00% – 0.25%) and accelerate the pace of tapering its asset purchase program to USD 30bn per month starting in mid-January from the current USD 15bn.
- Investors received FOMC participants' revised outlooks through 2024. Growth expectations w downgraded for years 2021 and 2023, but upgraded for 2022. Inflation expectations were revised up, forecasts for core PCE increased 0.7% to 4.4% in 2021, 0.4% to 2.7% in 2022, 0.1% to 2.3% in 2023, and steady at 2.1% in 2024. The unemployment forecast is steadying out at 3.5% in 2022-2024.
- The median of the committee now expects eight rate hikes through 2024 starting in 2022. The median of the Committee expects three rate hikes in 2022 and 2023, and two rate hikes in 2024. The Fed's long-run neutral rate of 2.5% was not changed.
- Rather unexpectedly, Bank of England increased its bank rate by 15 basis points to 0.25% for the first time since the pandemic citing a more persistent outlook on inflation and a tighter labour market.
- People's Bank of China cuts the one-year loan prime rates by 5bps to 3.8%, in a move to support economic growth.
- Risk assets such as high yield and Additional Tier 1 (AT1) bonds are expected to benefit from the strength of corporate health, along with attractive valuations and low default rates. Emerging markets present a more unclear binary consideration with a tailwind of cheap valuations contrasting with a tightening of monetary conditions from developed markets.

10Y Sovereign Yields

Market	YTM (%)	Spread over 10Y UST (bps)		
		Current	1M ago	1Y ago
U.S.A.	1.50	-	-	-
U.K.	0.97	-53	-63	-72
Germany	-0.18	-168	-178	-149
Japan	0.00	-150	-138	-91
Canada	1.43	-7	13	-24
France	0.19	-130	-143	-125

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 Dec 2021

Market	Blackrock	JP Morgan	Invesco	Franklin
U.S. Treasuries	Under - weight	Under - weight	Under - weight	Neutral
U.K.	NA	NA	NA	Neutral
Germany/ Europe	Neutral	NA	Under - weight	Neutral
Japan	NA	Neutral	Under - weight	Neutral
Canada	NA	NA	NA	Mildly Bearish
TIPS	Neutral	NA	Neutral	Neutral
Global Inv. Grade	Under - weight	Neutral	Under - weight	Neutral
Global High Yield	Over-weight	Over-weight	Under - weight	Neutral

Indications of possible Rate hikes/tapering from Central Bank

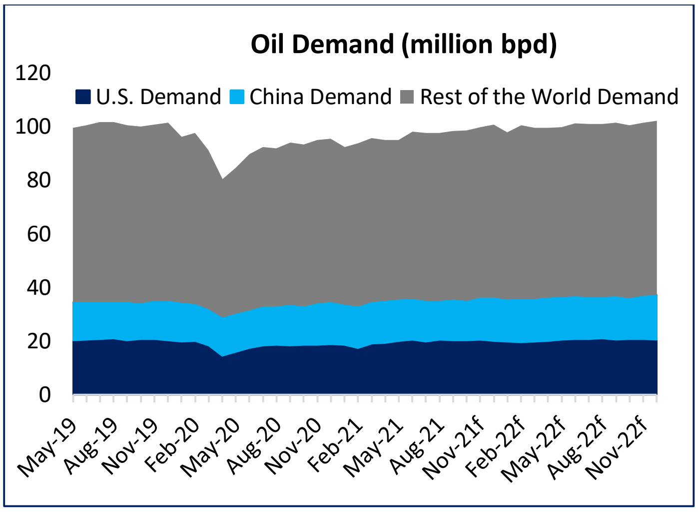
Central Bank	Asset purchase tapering	Interest rate Hike
US Fed	End by March, 2022	Three hikes expected in 2022
Bank of England	-	Raised by 15bps in Dec, 2021
European Central Bank	Reduction from Q4 2021; Intended to end in March 2022	End of 2022
Bank of Japan	Not anytime soon	Not anytime soon
Canada	Already started	Three hikes by end of 2022

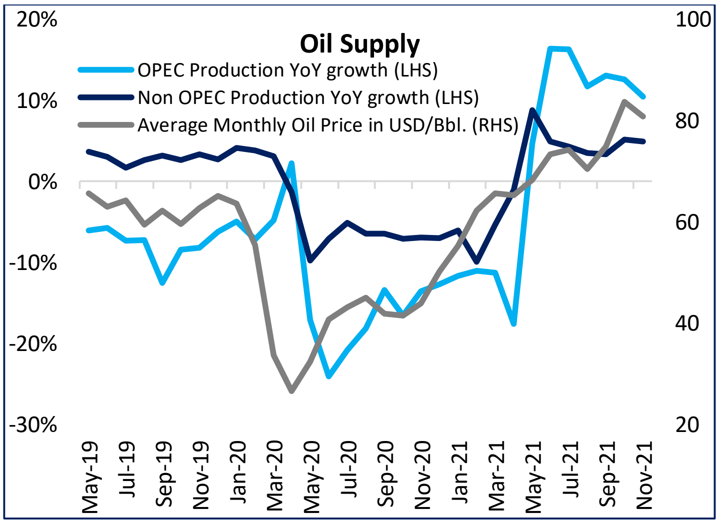
Source: Refinitiv, IMF, JP Morgan, Franklin, Moody's, Fitch and S&P
Colours in Equity views indicate upgrade (green)/downgrade (red)

Oil & Gas

- Oil prices capped off a positive year by adding further to the gains accrued in previous months. Brent crude extended its yearly gains to 50.2% after a 10.2% surge in the month of December. This is the highest annual gain for the commodity since 2016.
- OPEC+ decided to proceed with a 400,000 barrel per day output hike for February as planned earlier during their meeting on Jan 4, 2022. The move was broadly expected considering the pressure from the U.S. to boost supply.
- Oil markets closed this year in much stronger footing compared to the end of 2020. The International Energy Agency expects the increase in COVID-19 cases due to the Omicron variant to temporary slow the recovery in global oil demand. However, demand is expected to surpass pre-pandemic levels by 2022, with an average increase in oil demand by 3.3 million barrels per day.
- JP Morgan expects oil prices to hit USD 120 per barrel in 2022 and could even overshoot USD 150 per barrel in 2023. The Investment Bank believes that demand is likely to grow steadily while supply will be the key determinant for oil prices. With OPEC+ tightly managing supply and keeping inventories low, Oil prices are likely to remain high in the coming years.
- Price of Natural Gas fell sharply for the month on increasing production, rising inventory and warmer winters. Natural gas markets are expected to remain volatile in the coming weeks as weather models suggest a possible sharp cold turn in weather, which could increase the demand for natural gas.

Performance					
Oil & Natural Gas Futures	Returns Dec-21	Returns 2021	Price Close	52 Wk. High	52 Wk. Low
Brent Crude	10.2%	50.2%	77.8	86.4	51.1
Natural Gas (NYMEX)	-18.3%	46.9%	3.73	6.31	2.45





Price Forecast (USD/bbl.)	
Provider	2022
EIA - US (Dec 2021)	70.1
Fitch (Nov 2021)	72
IEA (Nov 2021)	79.4
Morgan Stanley (Nov 2021)	82.5
Goldman Sachs (Dec 2021)	85
BofA (Dec 2021)	85
JP Morgan (Dec 2021)	125

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

ESG Stocks & Debt

- Though on a MTD basis the outperformance of the ESG stocks was not material, on an YTD basis USA, Japan and Pan Arab ESG indices has generated excess returns of around 3-4% points. It was long argued that ESG funds exhibit their resilience in times of market downfall and tend to underperform when the markets perform well. But the 2021 outperformance has proven otherwise.
- The total inflows pouring into ESG focused funds worldwide as of November increased from USD 542 billion in FY 2020 to USD 649 billion.[1] ESG funds now account for 10% of worldwide fund assets.
- Market regulators are now responding to the increased investor interest by making ESG disclosures a priority and by taking various measures to spread awareness. It is anticipated that the International Sustainability Standards Board, a body announced at the recent COP26 summit, could release draft global sustainable disclosures for financial markets early this year (2022).
- Saudi National Bank (SNB) has come out with a Sustainable Reporting Framework, with HSBC acting as its sole ESG agent. SNB is also the first commercial bank in KSA to establish such a framework.
- National Energy Services Reunited, an international, industry-leading provider of integrated energy services in the MENA region, has announced that the company has secured a sustainability-linked loan (SLL) with HSBC Bank Middle East. It is the first SLL of its kind within the MENA Oilfield Services sector.
- Boursa Kuwait conducted a webinar titled ‘Environmental, Social and Governance Perspectives’ for companies listed in Kuwait and other capital market players. Bahrain Bourse has also conducted a similar webinar this month with the aim of raising awareness of the benefits and importance of ESG ecosystem.
- **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		
	Dec-21	2021	5 Yr. CAGR	Dec-21	2021	5 Yr. CAGR
U.S.A.	4.1%	31.8%	19.7%	-0.4%	3.1%	1.2%
Japan	3.0%	5.7%	9.6%	1.0%	4.2%	1.0%
Canada	4.0%	26.9%	10.0%	-0.9%	0.2%	-1.3%
Europe	7.2%	16.1%	11.0%	0.7%	-1.2%	0.1%
Pan Arab	2.8%	35.9%	10.3%	-1.2%	3.1%	-1.5%

Source: S&P

[1] Reuters

Cryptocurrencies

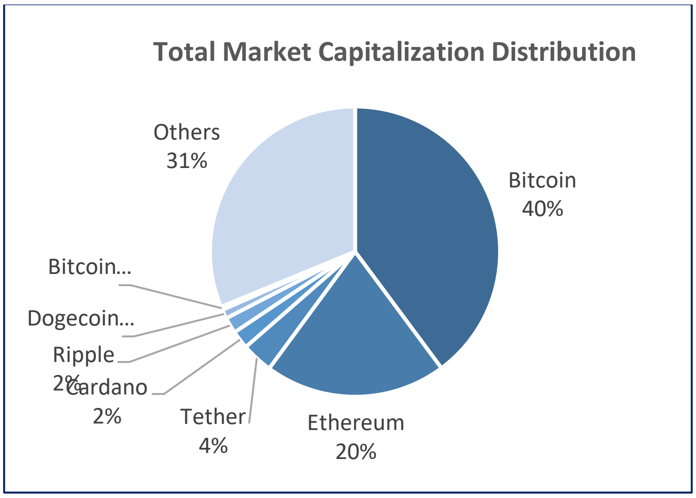
- Most cryptocurrencies registered a sharp decline for the month due to reducing risk appetite among investors following rapid spread of Omicron variant and increasing regulatory scrutiny. Despite the sour end to the year, major Cryptocurrencies such as Bitcoin and Ethereum had their breakout in 2021, with many investors considering cryptocurrencies as a mainstream asset class. There was also noticeable institutional buying of Bitcoins during the year.
- Bitcoin and Ethereum, which recorded sizeable gains in 2020, enjoyed a bull run in 2021 while the year also witnessed the emergence of several altcoins (cryptocurrencies other than Bitcoin). Currencies under the categories Etherum killers, Memecoins and tokens linked to Metaverse dominated gains during the year, with top performing currencies rising almost 162 times.
- Cryptocurrency universe is expected to witness increased volatility in 2022 as well due to ongoing talks of regulation across countries. Regulatory restrictions will make or break the fate of emerging cryptocurrencies.
- Following the crackdown of Cryptocurrency mining in China, there has been a surge in crypto mining across Thailand, with several small investors buying cryptocurrency-mining devices.
- Crypto exchanges in India have started to show interest in NFTs (Non-Fungible Tokens) amidst talks of regulating cryptocurrency trade within the country. Crypto exchanges believe that NFTs are a safer bet considering that they hold an underlying asset, which is traded in digital form.

Performance and Key Metrics

Cryptocurrency	Current Price (in USD)	Market Cap (USD Bn.)	Returns Dec 2021	Returns 2021
Bitcoin	46,309.7	880	-18.9%	59.8%
Ethereum	3,688.8	438	-20.3%	399.3%
Tether	1.0	78	-0.1%	-
Cardano	1.3	44	-16.4%	9.5%
Ripple	0.8	39	-17.2%	268.6%
Dogecoin	0.2	23	-20.8%	-
Bitcoin Cash	430.4	8	-24.6%	25.8%

Block chain ETF Performance

ETF Name	AuM (USD Mn.)	Returns Dec 2021	Returns 2021
Amplify Transformational Data Sharing ETF	1,161	-27.3%	14.7%
Invesco Elwood Global Blockchain UCITS ETF Acc	905	-10.7%	26.0%
Siren Nasdaq NexGen Economy ETF	262	-9.0%	4.3%
First Trust Indxx Innovative Transactn & Proc ETF	150	2.5%	15.8%
Bitwise Crypto Industry Innovators ETF	74	-28.0%	-



Source: Refinitiv, ETFdb

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