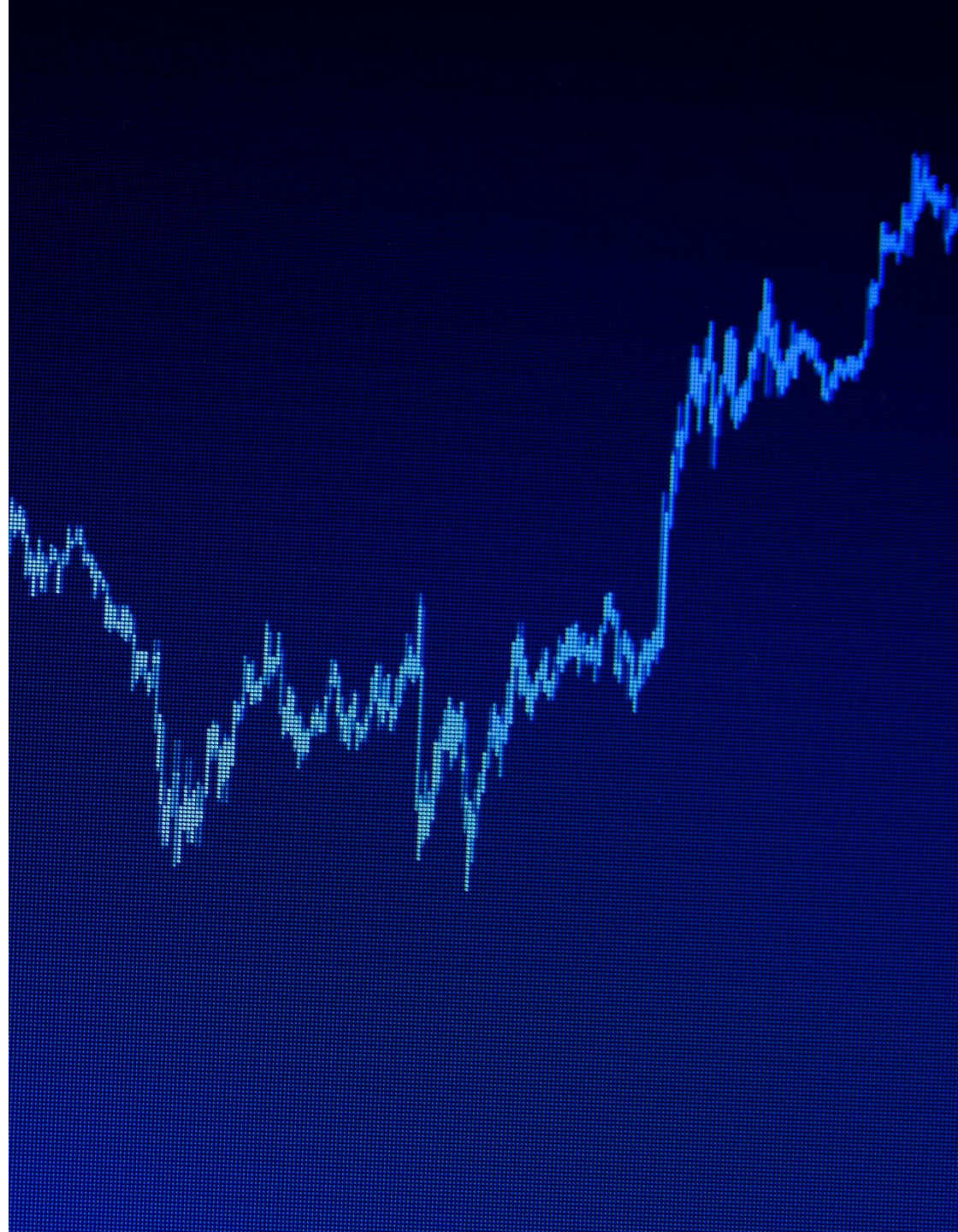


# GCC Capital Markets Review

August 2020



# Market Commentary, August 2020

- GCC equity markets extended their positive run for the fifth consecutive month in August, aided by positive sentiments and gains in oil prices. Kuwait markets were positive, with the Kuwait All Share index registering a gain of 6.6% in August.
- In Kuwait, among sectors consumer goods index was the top gainer, rising 9.9%, while consumer services index saw the biggest decline, down 5.1% for the month. Market liquidity in August as indicated by the average daily traded value has increased by 45% over July to USD 118 million. Kuwaiti parliament has allowed companies to opt for settlement with creditors or a restructuring plan before they are forced to declare bankruptcy, a move aimed at protecting ailing companies.
- Regionally, the S&P GCC composite index gained 6.1%, with all markets in the green. Dubai gained 9.5% in August, followed by Bahrain and Saudi Arabia, which gained 7.0% and 6.5% respectively. Saudi Arabia's PMI stabilized at 50 in July while UAE's PMI improved slightly to 50.8. Saudi Arabia's CPI jumped 6.1% y-o-y in July due to implementation of increase in VAT from 1st July 2020.
- Among the GCC Blue Chip companies, Industries Qatar (Qatar) and Emirates NBD (UAE) increased by 26.1% and 22.2% respectively in August. Industries Qatar has bought Qatar Petroleum's 25% stake in Qatar Fertilizer Company for USD 1 billion. Thereby, Industries Qatar has become a 100% owner of the world's largest single site urea producer. Emirates NBD is considering acquisition of Blom Bank Egypt and Bank Audi, Egypt. Saudi Aramco plans to maintain dividend payment despite 73% y-o-y drop in profit in Q2 2020.
- The performance of global equity markets was positive, driven by signs of economic recovery, with the MSCI World Index gaining 6.5% in August. U.S. (S&P 500) gained 7.0% in August supported by favourable economic data, hopes of vaccine for COVID-19 and gains in tech stocks. The UK (FTSE 100) markets gained 1.1% for the month. Emerging markets increased by 2.1% for the month.
- Oil prices closed at USD 45.3 per barrel at the end of August 2020, posting a monthly gain of 4.6%. Though OPEC+ has eased production cuts from August, signs of demand revival indicated by larger than expected draws of U.S crude has helped in maintaining price levels. Additional output cut by Iraq, reduction of output due to storms in Gulf of Mexico also supported prices.

# Pandemic Resistant GCC Stocks (1/2)

- Coronavirus outbreak had the investors reeling as markets globally plunged. GCC markets were no different as the benchmark index - S&P GCC Composite lost 15% for the year until July-end. However, In the midst of the coronavirus pandemic, a minority of GCC Companies have outperformed the index.
- They tend to be in sectors considered as essentials such as consumer non-cyclicals, utilities, healthcare, and telecom. Many of the companies in these sectors have seen their revenues and net income increase in the first quarter of this year over last year.
- All of these sectors are driven by consumption needs that are resilient and are not dependent on the vagaries of the business cycle. In addition, sectors like consumer non-cyclicals cover consumer-oriented businesses like food and retail.
- Companies in the utilities and telecom sector also benefited due to their essential nature and with many GCC organizations instituting 'working from home' arrangements.
- The lockdowns imposed in the GCC countries have not affected them and have instead resulted in increased revenues for these companies. As a result, investors have flocked to stocks in these sectors

**Table: Top Five Pandemic Resistant Companies in the GCC**

Company	Country	Market Cap. (USD million)	Market Cap. added in 2020 (USD million)	YTD gain (in %)
International Holding Company	UAE	16,316	13,241	431%
Ezdan Holding Group	Qatar	10,329	5,849	131%
Abu Dhabi National Energy Co.	UAE	35,511	19,562	123%
Abdullah Al Othaim Markets	KSA	2,784	828	42%
Savola Group Company SJSC	KSA	6,671	1,780	36%

Source: Refinitiv; As of July-end; Note: Companies with market capitalization greater than USD 1 billion have been considered.

# Pandemic Resistant GCC Stocks (2/2)

- Companies that were negatively impacted by the COVID-19 led market drawdown are mostly concentrated in sectors like financials, real estate, energy, industrials and basic materials.
- Banks, non-banking financial institutions (NBFCs), investment companies and real estate investment firms all have been hit hard by the COVID-19 crisis as investment losses were recognized and income streams (rentals and dividends) took a hit. For banks, interest income has suffered due to moratorium on loans extended.
- Reduced transportation as countries shut down borders affected the oil demand from transportation sector and exacerbated the existing demand-supply mismatch, resulting in oil price crash. Oil and Gas companies including that of petrochemicals stand impacted due to reduced volume and lower price realizations. Basic materials sector consisting mainly of companies in the cements, construction materials and chemicals have been affected at the operational level due to challenges in logistics and supply chain disruptions. Lockdowns have affected the business of logistics, infrastructure, aviation and manufacturing companies.

**Table: Top Five Companies in the GCC by YTD losses (in %)**

Company	Country	Market Cap. (USD million)	Market Cap. lost in 2020 (USD million)	YTD gain (in %)
Emaar Development PJSC	UAE	2,265	(2,004)	-47%
Burgan Bank KPSC	Kuwait	1,526	(1,080)	-41%
Rabigh Refining & Petrochem	KSA	2,995	(2,065)	-41%
Gulf Bank KSCP	Kuwait	1,892	(1,125)	-37%
Abu Dhabi Comm. Bank	UAE	9,680	(5,323)	-35%

Source: Refinitiv; As of July-end Note: Companies with market capitalization greater than USD 1 billion have been considered.



# Kuwait Banks Earnings Scorecard

S.no	Company	M.Cap (KD mn)	Q2 Comparison			Q1 Comparison			H1 Comparison			Commentary/Financial Result Link
			Q2' 2020 (KD mn)	Q2' 2019 (KD mn)	% Change	Q1' 2020 (KD mn)	Q1' 2019 (KD mn)	% Change	H1 2020 (KD mn)	H1 2019 (KD mn)	% Change	
1	Al Ahli Bank of Kuwait KSCP	280	-10.7	10.2	-205%	6.0	12.4	-51%	-4.6	22.6	-121%	<a href="#">Adverse operating environment and decrease in policy rates has impacted net interest income.</a>
2	Ahli United Bank KSCP	565	2.4	13.2	-82%	15.3	17.6	-13%	17.7	30.8	-43%	LLP increased by 143% YoY in H1 2020 to KD 11.7mn. Net interest income declined by 15% YoY in H1, 2020
3	Boubyan Bank KSCP	1,720	6.9	14.2	-51%	10.2	14.6	-30%	17.1	28.9	-41%	Allocated KD 24 million in provisions for H1, 2020 an increase of 73% over H1 2019. Interest income increased by 14% YoY in H1 2020, non-interest income decreased by 6% in H1 2020.
4	Burgan Bank KPSC	522	5.5	25.6	-78%	17.2	19.2	-10%	22.7	44.8	-49%	<a href="#">Profits lowered due to higher provisioning charges.</a>
5	Commercial Bank of Kuwait KPSC	996	0.3	8.9	-96%	0.9	1.0	-10%	1.2	9.8	-88%	Fall in net interest income of 24% (YoY basis). Bank has been aggressive and LLP decreased by 17% YoY in H1, 2020
6	Gulf Bank KSCP	655	3.2	12.2	-74%	8.6	11.8	-27%	11.8	24.0	-51%	Non-interest income declined by 43% YoY in Q2, 2020. Net interest income declined by 23% YoY & 12% YoY in Q1 & Q2 2020, respectively. LLP has remained flat (YoY) at KD 30mn in H1, 2020
7	Kuwait Finance House KSC	4,851	12.6	56.1	-77%	44.3	51.6	-14%	56.9	107.7	-47%	Profit declined after it boosted impairment charges and precautionary provisioning for bad loans. LLP increased by 86% in H1, 2020 (YoY) to KD 186mn.
8	Kuwait International Bank KSCP	197	-2.7	3.4	-178%	2.8	6.2	-56%	0.1	9.6	-99%	<a href="#">Higher provisions and adverse business environment due to COVID19</a>
9	National Bank of Kuwait SAKP	5,919	33.4	101.4	-67%	77.7	107.7	-28%	111.1	209.1	-47%	Provisions increased by 89% (KD 193mn) to KD 411mn in H1 2020 compared to 2019 same period. NPL increased from 1.10% at the start of year to 1.77% by June-20
10	Warba Bank KSCP	315	-17.0	2.7	-733%	2.1	3.8	-45%	-14.9	6.5	-329%	<a href="#">Increased provisions on account of expected credit losses impacted profit.</a>
	Bank Aggregate	16,022	34.1	247.7	-86%	185.1	245.9	-25%	219.1	493.6	-56%	

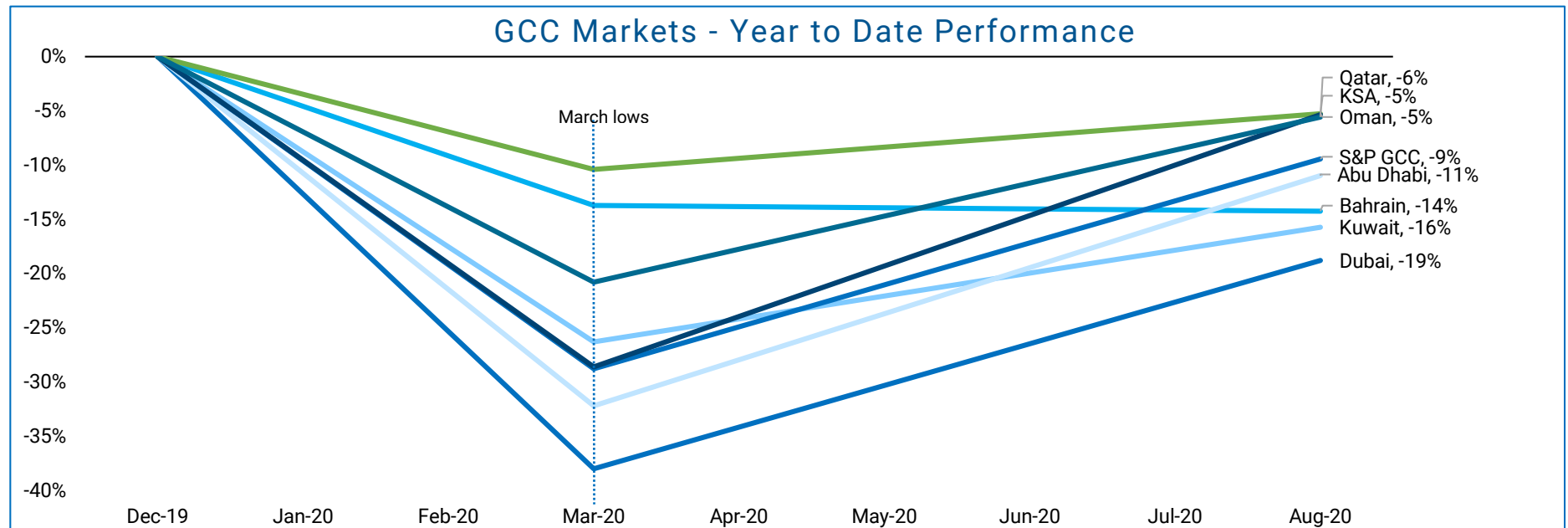
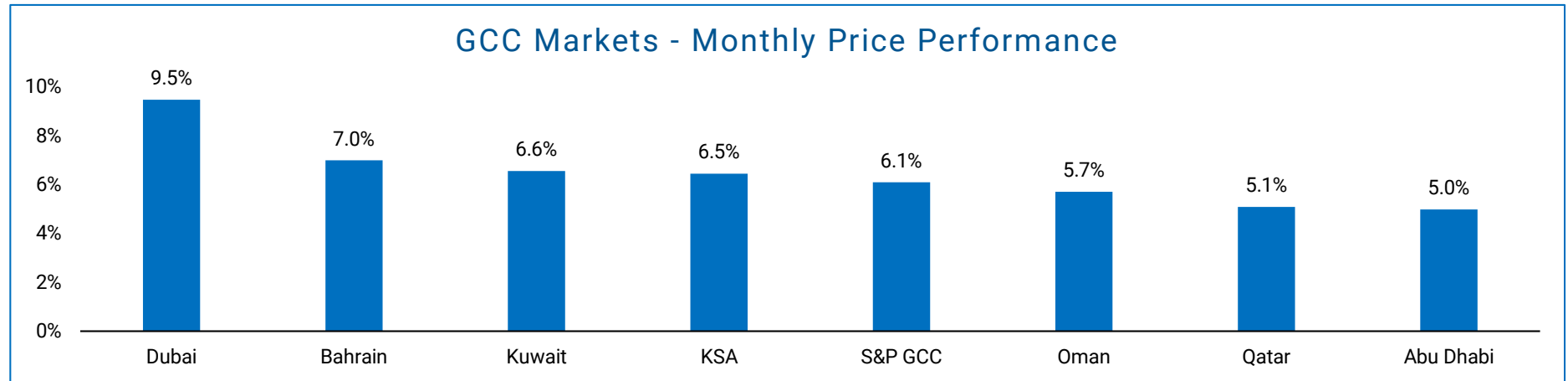
Source: Refinitiv

# KSA Banks Earnings Scorecard

S.no	Company	M.Cap (SAR mn)	Q2 Comparison			Q1 Comparison			H1 Comparison		
			Q2' 2020 (SAR mn)	Q2' 2019 (SAR mn)	% Change	Q1' 2020 (SAR mn)	Q1' 2019 (SAR mn)	% Change	H1 2020 (SAR mn)	H1 2019 (SAR mn)	% Change
1	Al Rajhi Banking & Investment Corporation SJSC	160,254	2,436	2,534	-4%	2,380	2,568	-7%	4,816	5,102	-6%
2	Alinma Bank SJSC	30,441	572	676	-15%	370	638	-42%	943	1,314	-28%
3	Arab National Bank	30,151	486	894	-46%	644	779	-17%	1,130	1,673	-32%
4	Bank Albilad SJSC	18,360	318	305	4%	270	285	-5%	588	590	0%
5	Bank Aljazira JSC	10,349	166	252	-34%	182	235	-23%	347	487	-29%
6	Banque Saudi Fransi SJSC	40,790	437	804	-46%	682	917	-26%	1,119	1,720	-35%
7	National Commercial Bank SJSC	113,553	2,088	2,686	-22%	2,834	2,776	2%	4,922	5,461	-10%
8	Riyad Bank SJSC	54,661	1,063	1,500	-29%	1,476	1,485	-1%	2,539	2,985	-15%
9	Samba Financial Group SJSC	54,001	953	934	2%	1,273	1,065	20%	2,227	1,999	11%
10	Saudi British Bank SJSC	56,507	(6,857)	(188)	nm	981	1,104	-11%	(5,877)	916	-741%
11	Saudi Investment Bank SJSC	10,920	262	(285)	nm	151	281	-46%	413	(3)	nm
	Banks Aggregate		1,924	10,111	-81%	11,243	12,133	-7%	13,167	22,243	-41%

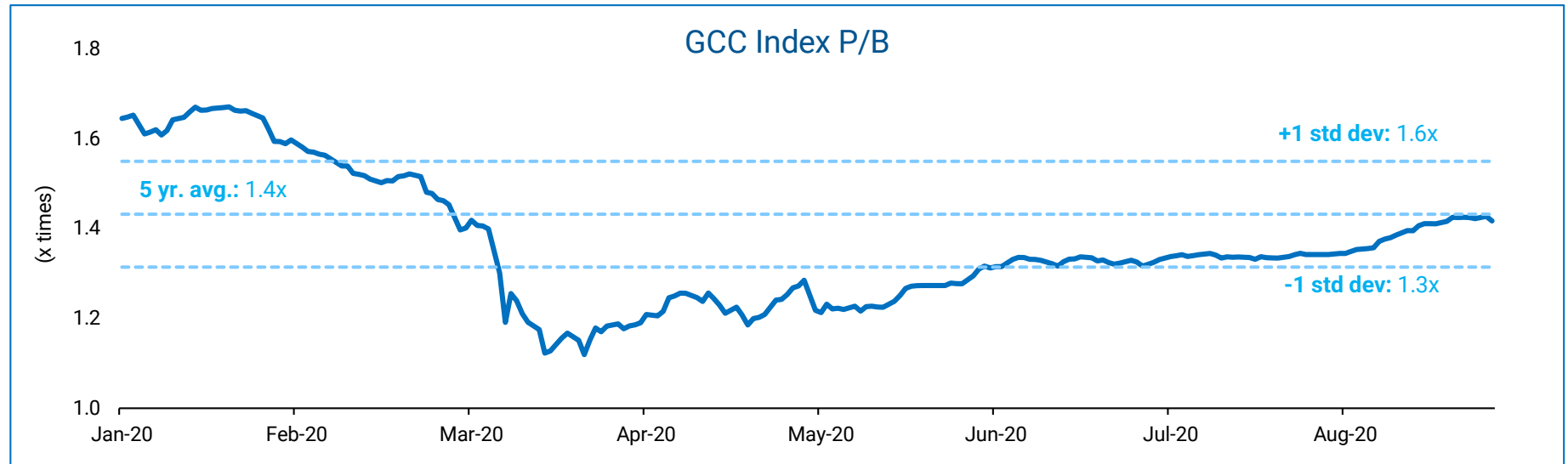
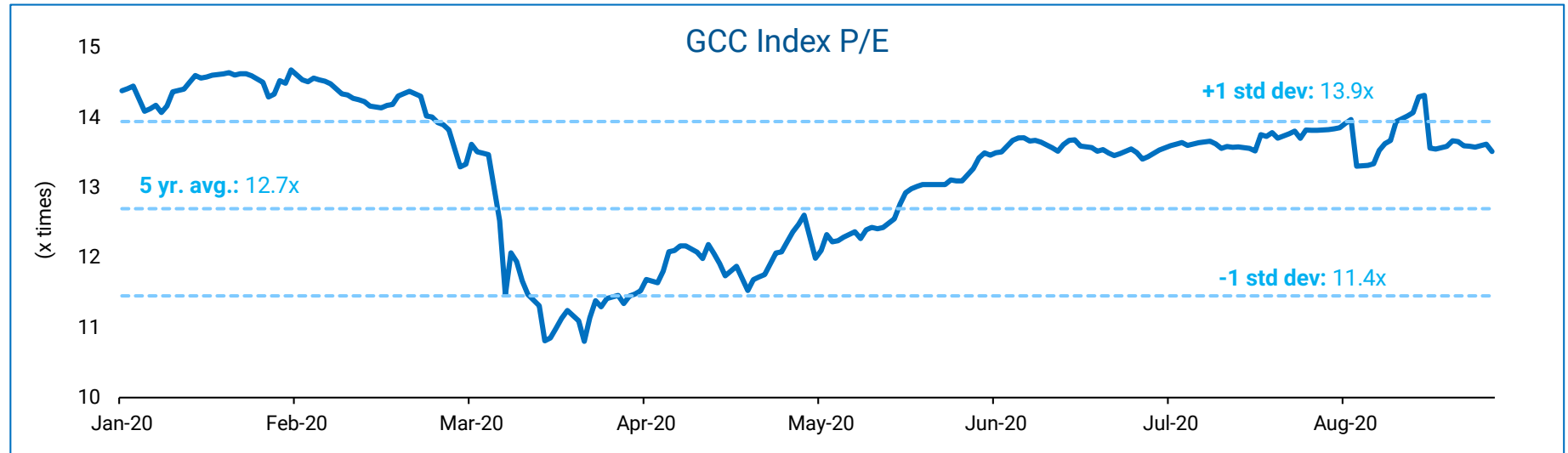
Source: Refinitiv

# GCC Equity Market performance, August 2020



Source: Refinitiv; Data as of August 31, 2020

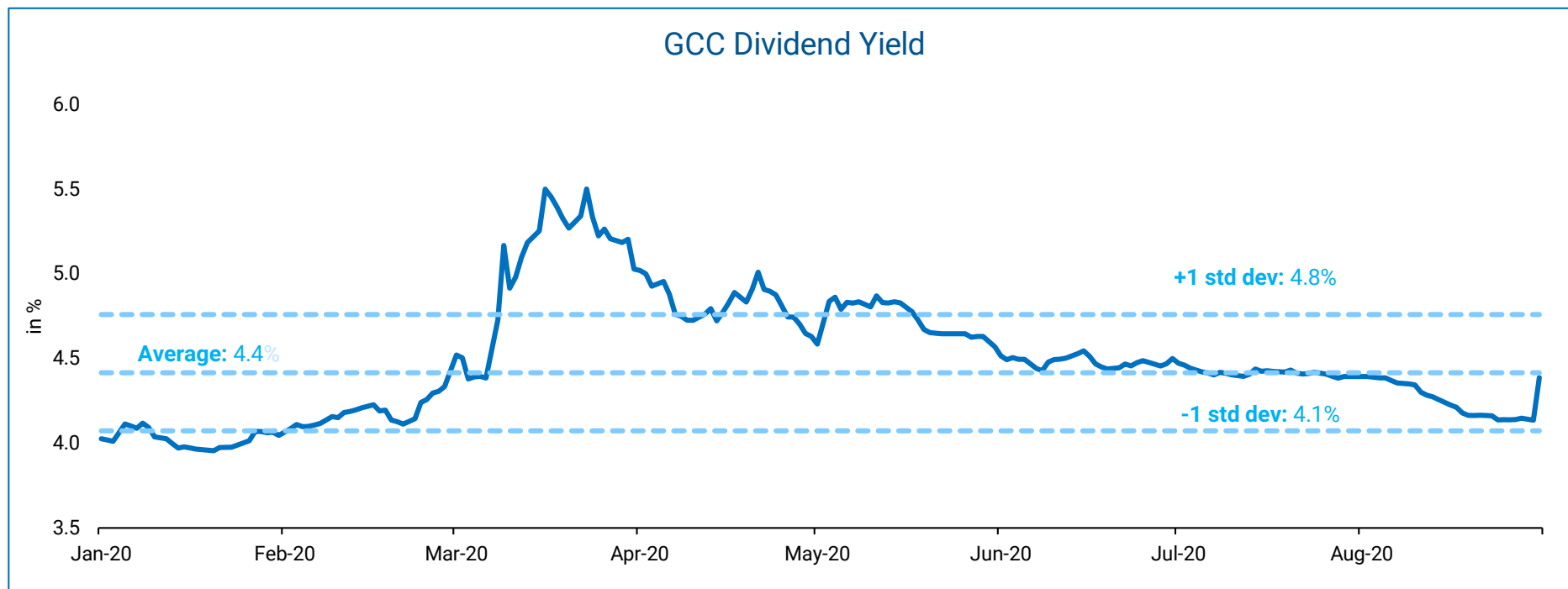
# GCC Equity Market valuation



Source: Refinitiv; Data as of August 31, 2020

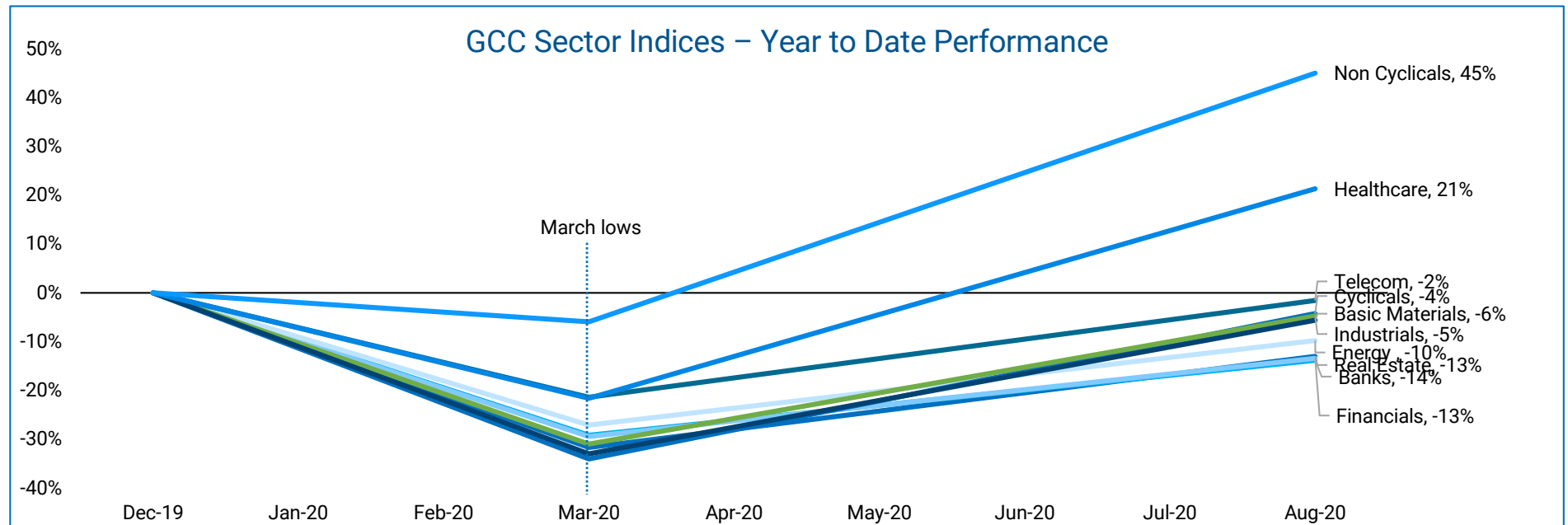
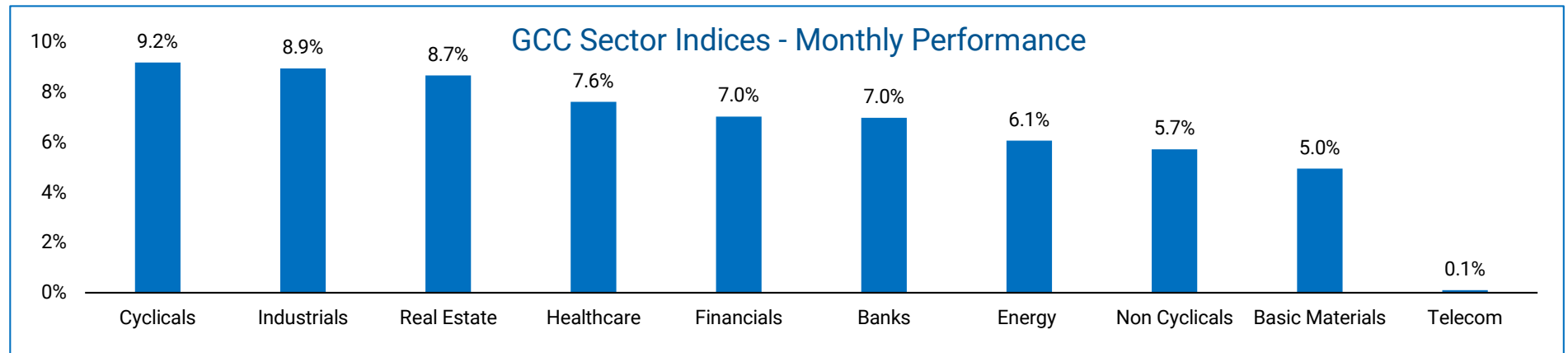


# GCC Equity Market valuation



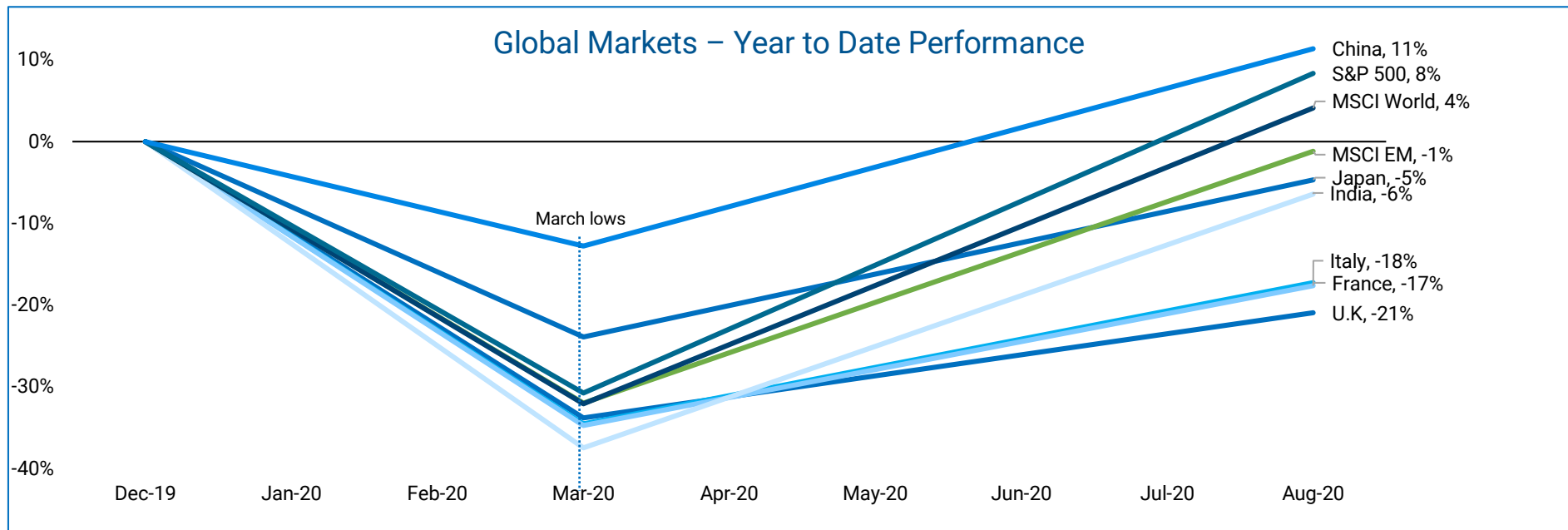
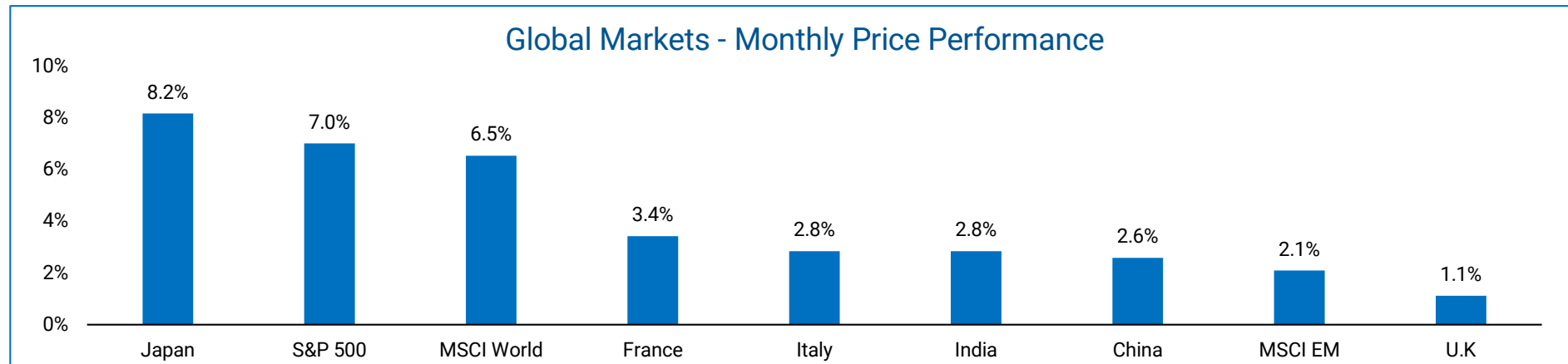
Source: Refinitiv; Data as of August 31, 2020

# GCC Sectoral performance, August 2020



Source: Refinitiv; Data as of August 31, 2020

# Global Equity Market performance, August 2020



Source: Refinitiv; Data as of August 31, 2020

# Monthly Returns and Value of USD 1 Invested

## Saudi Arabia

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Returns	\$1 invested in 2015
2015	6.5%	4.9%	-5.7%	12.0%	-1.5%	-6.2%	0.1%	-17.3%	-1.6%	-3.8%	1.6%	-4.5%	-17.1%	0.83
2016	-13.2%	1.6%	2.1%	9.4%	-5.3%	0.8%	-3.0%	-3.5%	-7.5%	6.9%	16.4%	3.0%	4.3%	0.87
2017	-1.5%	-1.8%	0.4%	0.2%	-2.0%	8.1%	-4.5%	2.3%	0.3%	-4.8%	1.0%	3.2%	0.2%	0.87
2018	5.9%	-3.0%	6.1%	4.3%	-0.6%	1.9%	-0.2%	-4.2%	0.6%	-1.2%	-2.6%	1.6%	8.3%	0.94
2019	9.4%	-0.8%	3.8%	5.5%	-8.5%	3.6%	-1.0%	-8.2%	0.9%	-4.3%	1.5%	6.7%	7.2%	1.01
2020	-1.7%	-7.5%	-14.7%	9.3%	1.4%	0.2%	3.3%	6.5%					-5.3%	0.95

## Kuwait

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Returns	\$1 invested in 2015
2015	0.6%	0.4%	-4.8%	1.5%	-1.3%	-1.4%	0.8%	-6.9%	-1.6%	0.9%	0.5%	-3.2%	-14.1%	0.86
2016	-8.9%	1.8%	0.4%	3.1%	0.2%	-0.7%	1.6%	-0.6%	-0.4%	0.0%	2.8%	3.5%	2.4%	0.88
2017	18.9%	-0.7%	3.6%	-2.7%	-0.8%	-0.3%	1.3%	0.6%	-3.1%	-2.5%	-4.9%	3.4%	11.5%	0.98
2018	4.4%	1.3%	-2.1%	-4.0%	-1.3%	3.3%	5.7%	-0.7%	-0.1%	-1.7%	1.3%	-0.6%	5.2%	1.03
2019	2.5%	0.5%	7.4%	0.2%	1.8%	1.8%	4.9%	-2.9%	-4.4%	0.7%	3.7%	6.0%	23.7%	1.28
2020	0.7%	-4.0%	-20.6%	3.2%	0.4%	2.7%	-3.2%	6.6%					-15.7%	1.07

Source: Refinitiv; Data as of August 31, 2020

# Monthly Returns and Value of USD 1 Invested

## Abu Dhabi

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Returns	\$1 invested in 2015
2015	-1.6%	5.1%	-4.7%	4.0%	-2.6%	4.3%	2.3%	-7.0%	0.2%	-4.0%	-2.0%	1.7%	-4.9%	0.95
2016	-5.9%	7.3%	0.9%	3.5%	-6.5%	5.8%	1.7%	-2.3%	0.1%	-3.9%	0.2%	5.5%	5.6%	1.00
2017	0.1%	0.1%	-2.4%	1.8%	-2.1%	0.0%	3.2%	-2.1%	-1.6%	1.9%	-4.4%	2.7%	-3.3%	0.97
2018	4.6%	-0.1%	-0.3%	1.8%	-1.4%	-1.0%	6.6%	2.6%	-1.0%	-0.7%	-2.7%	3.0%	11.7%	1.09
2019	2.6%	1.8%	-1.2%	3.6%	-4.8%	-0.5%	6.8%	-2.9%	-2.1%	1.0%	-1.5%	0.9%	3.3%	1.12
2020	1.6%	-4.9%	-23.8%	13.3%	-2.1%	3.5%	0.4%	5.0%					-11.0%	1.00

## Dubai

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Returns	\$1 invested in 2015
2015	-2.6%	5.2%	-9.1%	20.3%	-7.2%	4.2%	1.4%	-11.6%	-1.9%	-2.5%	-8.5%	-1.7%	-16.5%	0.83
2016	-4.9%	8.1%	3.6%	4.1%	-5.1%	-0.1%	5.2%	0.6%	-0.9%	-4.1%	0.9%	5.1%	12.1%	0.94
2017	3.2%	-0.3%	-4.1%	-1.9%	-2.2%	1.6%	7.1%	0.1%	-2.0%	2.0%	-5.9%	-1.5%	-4.6%	0.89
2018	0.7%	-4.4%	-4.2%	-1.4%	-3.3%	-4.8%	4.8%	-3.9%	-0.2%	-1.8%	-4.2%	-5.2%	-24.9%	0.67
2019	1.5%	2.7%	0.0%	5.0%	-5.3%	1.5%	9.8%	-5.5%	0.8%	-1.2%	-2.5%	3.2%	9.3%	0.73
2020	0.9%	-7.2%	-31.6%	14.4%	-4.0%	6.2%	-0.7%	9.5%					-18.8%	0.59

Source: Refinitiv; Data as of August 31, 2020

# Monthly Returns and Value of USD 1 Invested

## Qatar

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Returns	\$1 invested in 2015
2015	-3.1%	4.6%	-5.9%	3.9%	-1.0%	1.3%	-3.4%	-1.9%	-0.9%	1.2%	-13.0%	3.4%	-15.1%	0.85
2016	-9.1%	4.3%	4.9%	-1.8%	-6.4%	3.6%	7.3%	3.6%	-5.0%	-2.5%	-3.7%	6.6%	0.1%	0.85
2017	1.5%	1.0%	-2.9%	-3.1%	-1.6%	-8.8%	4.2%	-6.4%	-5.5%	-1.8%	-5.5%	10.5%	-18.3%	0.69
2018	8.0%	-6.0%	-0.9%	6.3%	-2.5%	1.6%	8.9%	0.6%	-0.7%	5.0%	0.6%	-0.6%	20.8%	0.84
2019	4.1%	-5.7%	0.0%	2.7%	-1.0%	1.8%	0.5%	-2.6%	1.3%	-1.7%	-0.4%	2.7%	1.2%	0.85
2020	0.2%	-9.1%	-13.5%	6.8%	0.9%	1.7%	4.1%	5.1%					-5.6%	0.80

## Oman

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Returns	\$1 invested in 2015
2015	3.4%	0.0%	-4.9%	1.4%	1.0%	0.6%	2.1%	-10.5%	-1.4%	2.4%	-6.4%	-2.6%	-14.8%	0.85
2016	-4.2%	4.2%	1.3%	8.7%	-2.2%	-0.6%	1.2%	-1.9%	-0.2%	-4.3%	0.1%	5.4%	7.0%	0.91
2017	-0.1%	0.1%	-4.0%	-0.7%	-1.7%	-5.6%	-1.8%	0.6%	1.7%	-2.5%	2.0%	-0.2%	-11.8%	0.80
2018	-1.9%	0.1%	-4.6%	-0.9%	-2.6%	-0.8%	-5.1%	1.9%	2.8%	-2.7%	-0.2%	-2.0%	-15.2%	0.68
2019	-3.6%	-0.5%	-3.9%	-1.0%	-0.3%	-1.3%	-3.2%	6.5%	0.3%	-0.4%	1.6%	-2.0%	-7.9%	0.63
2020	2.5%	1.3%	-16.5%	2.6%	0.1%	-0.8%	1.5%	5.7%					-5.3%	0.59

Source: Refinitiv; Data as of August 31, 2020



# Monthly Returns and Value of USD 1 Invested

## Bahrain

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Returns	\$1 invested in 2015
2015	-0.2%	3.5%	-1.7%	-4.1%	-1.9%	0.3%	-2.6%	-2.4%	-1.8%	-2.0%	-1.4%	-1.4%	-14.8%	0.85
2016	-2.4%	-0.7%	-4.0%	-1.8%	0.1%	0.6%	3.3%	-1.2%	0.7%	-0.1%	2.2%	3.9%	0.4%	0.86
2017	6.8%	3.5%	0.5%	-1.5%	-1.2%	-0.7%	1.4%	-1.9%	-1.5%	-0.5%	0.5%	3.7%	9.1%	0.93
2018	1.4%	1.4%	-3.8%	-4.6%	0.6%	3.6%	3.6%	-1.5%	0.0%	-1.8%	1.1%	0.6%	0.4%	0.94
2019	4.0%	1.5%	0.0%	1.5%	0.0%	2.6%	5.2%	-0.9%	-1.1%	0.4%	0.2%	5.5%	20.4%	1.13
2020	2.9%	0.2%	-18.7%	-3.0%	-3.1%	0.6%	1.0%	7.0%					-14.2%	0.97

Source: Refinitiv; Data as of August 31, 2020

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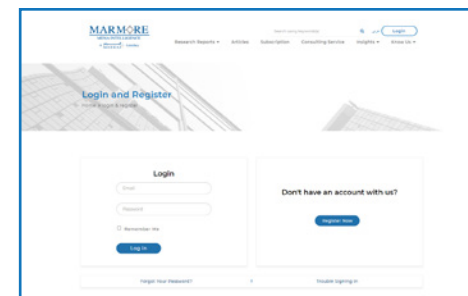
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