Global & GCC Capital Markets Review

December 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	Nov-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) 8.7%	Abu Dhabi Equity (ADI) 69.4%
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%	GCC Equity (S&P GCC) 26.4%
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%	KSA Equity (TASI) 23.8%
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%	Dubai Equity (DFMGI) 23.3%
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%	Kuwait Equity (All Share PR) -4.5%	Kuwait Equity (All Share PR) 22.4%
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%	GCC Equity (S&P GCC) -5.0%	Qatar Equity (QE Index) 9.1%
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%	KSA Equity (TASI) -8.1%	GCC Bonds (S&P Index) -0.7%

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	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%	US Bonds (US Agg.) 0.1%	Crypto (Bitcoin) 97.1%
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.) -1.1%	Oil (Brent) 7.5%	US Equity (S&P 500) -0.8%	Oil (Brent) 36.2%
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%	US Equity (S&P 500) 21.6%
US Bonds (US Agg.) -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.) 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%	DM Equity (MSCI World) 15.3%
DM Equity (MSCI World) -1.1%	EM Equity (MSCI EM) 0.7%	US Bonds (US Agg.) -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.) 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%	US Bonds (US Agg. Index) -2.9%
US Equity (S&P 500) -1.1%	US Bonds (US Agg.) -1.7%	EM Equity (MSCI EM) -1.7%	US Bonds (US Agg.) 0.6%	US Bonds (US Agg.) 0.1%	EM Equity (MSCI EM) -0.1%	EM Bonds (JPMC EMBI) 0.2%	US Bonds (US Agg.) -0.3%	US Equity (S&P 500) -4.8%	EM Bonds (JPMC EMBI) -0.2%	Crypto (Bitcoin) -5.8%	EM Equity (MSCI EM) -6.1%
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.) -0.2%	Oil (Brent) -16.4%	EM Bonds (JPMC EMBI) -7.3%

What moved the markets?

- All GCC markets barring the UAE fell during the month on profit taking due to fears over new COVID-19 variant. Dubai and Abu Dhabi markets remained resilient due to the capital market reforms initiated by the government. Saudi Arabia fell the most in November among GCC countries due to weakness in Oil markets.
- Global markets witnessed broad-based sell-off and while some markets like the US recovered to some extent, others like Japan and Germany were hit hard. A slew of economic data from CPI numbers to employment figures which released over the month was overshadowed by the recent resurgent pandemic fears.
- Emerging market equities continued to fall due to the risk-off sentiment of investors who had concerns over the ability of emerging market countries to tackle a new COVID-19 variant. Indian markets mildly corrected from their elevated valuations, while Brazil continued to tumble. Escalating tensions between U.S. and China over trade disputes and Taiwan's status did not affect the markets, with China and Taiwan ending the month in green.
- Fitch has affirmed UAE's sovereign rating at 'AA-' with stable outlook citing moderate consolidated public debt, strong net external asset position and high GDP per capita. Moody's has affirmed ratings of 9 Saudi Banks and has changed their outlook to stable from negative on the back of the banks' resilient performance.
- Global Bond markets had to digest a mix of information this month from continued high inflation readings to the emergence of a new virus variant, which could derail the global economic recovery. Early in the month, U.S. Fed decided to unwind its massive bond-buying program later this month amid the economic recovery from the COVID-19 pandemic. The U.S. Federal Reserve Chairman later indicated that no immediate rate hikes at a press conference after a two-day policy meeting.
- Oil prices declined steeply in November, after scaling multi-year high prices in October. Release of Strategic Petroleum Reserves by the U.S to lower global energy prices and concerns over the lower demand on account of new COVID-19 variant, Omicron, pressured prices during the month. U.S proposes to release about 50 million barrels of oil from its reserves. China, Japan, India, South Korea and U.K would also be releasing oil from their reserves in coordination with the U.S to contain oil prices and in turn inflation. According to IEA, this would be the fourth such coordinated move since the agency's inception in 1974.
- Cryptocurrencies declined for the month on the back of concerns over the new COVID-19 variant, tax-reporting requirement in the U.S infrastructure bill and China's increasing clampdown on cryptocurrencies. IMF has cautioned against El Salvador's adoption of cryptocurrency as legal tender given the significant risks that the move poses for consumer protection, financial integrity, and financial stability.
- In times of high uncertainty and volatility, ESG indices displayed low beta relative to their comparative indices. Major ESG indices outperformed their conventional indices in November, apart from Japan's ESG index, which already has a significant outperformance over the conventional index on a YTD basis.

Equities – Kuwait

- Kuwait, in line with the broader GCC market, ended the month in red, fuelled by sharp fall in oil prices. The growing fears over a new COVID-19 variant also led to profit taking at the end of the month.
- All sectors, except Healthcare and Insurance, declined in November. Insurance was the top gainer, rising 7.6% followed by healthcare which recorded modest gains of 1.8%. Basic materials and Industrials sector indices registered the biggest decline, falling 10.4% and 7% respectively, for the month.
- Kuwait recorded a deficit of KD 10.8 billion in FY 2020-21, an increase of 174.8%, which is the highest budget deficit in the country's history. In addition to this, the IMF has projected that Kuwait will record the highest non-oil budget deficit among GCC countries at 68.7% in 2021.
- On a positive note, Kuwaiti Government agencies have achieved a savings of about 25% of the target for reduction of their expenditures in the current fiscal year budget. The budget deficit for the seven months of FY 2021-22 was lower than expected at KD 1.2 billion vs KD 3.8 billion for the seven months of FY 2020-21, owing to higher oil revenues on the back of increased oil prices.
- Domestic credit in Kuwait had increased 4% YoY in 9M 2021 and was driven by an 11% increase in household credit in 9M 2021 vs 9M 2020. Corporate credit has been slow to recover as they still continue to be pressured by the effects of COVID along with factors like high levels of repayments/write offs hindering meaningful growth.
- Most Premier market stocks were negative, with the exception of Warba Bank and Integrated Holding, which were flat during November.
- All listed banks have come out with their Q3 results with aggregate Net interest income in 9M 2021 surpassing the levels of 9M 2020 but are yet to reach pre COVID levels owing to the prevailing low interest rate environment.

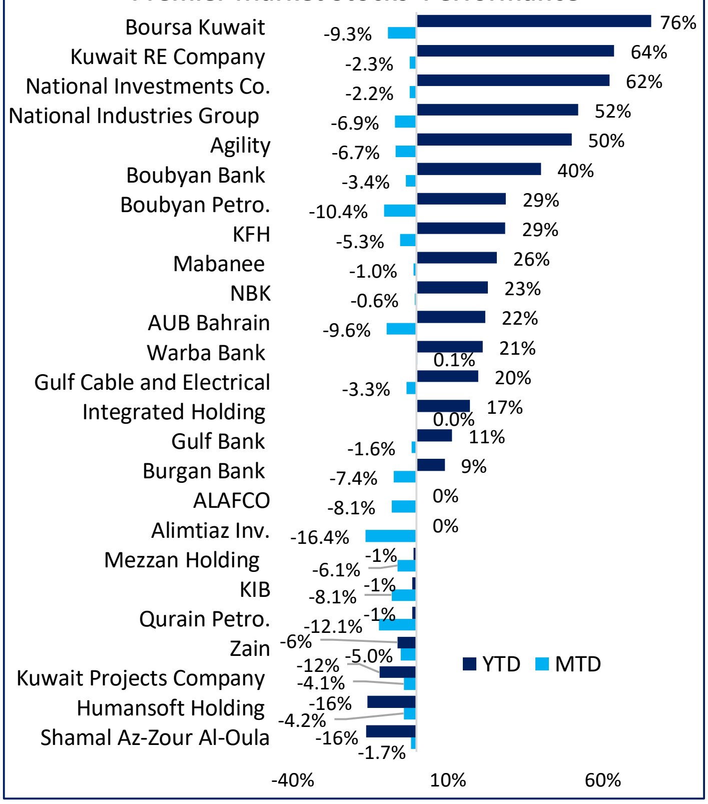
Market Performance & Key Metrics

Kuwait Index	Mkt. Cap. (USD Bn.)	Returns Nov 2021	Returns YTD	Returns 5 Yr. CAGR	P/E TTM (x)	ADVT (USD Mn.)
All Share	137	-4.5%	22.4%	9.2%	12.2	257
Premier Market	103	-4.5%	21.4%	10.6%	13.3	136
Main Market	34	-4.3%	25.6%	4.8%	9.5	121
Main Market 50	21	-4.9%	26.5%	-	9.0	87

Sectoral Performance & Key Metrics

Sector	Mkt. Cap. (USD Bn.)	Returns Nov 2021	Returns YTD	P/E TTM (x)	ADVT (USD Mn.)
Banks	78.6	-3.8%	23.4%	27.1	75.5
Basic Materials	3.0	-10.4%	9.7%	27.0	2.5
Consumer Staples	0.7	-5.6%	-1.8%	18.1	1.1
Consumer Disc.	-	-3.8%	48.6%	-	8.3
Energy	1.0	-4.9%	8.6%	16.8	1.9
Financial Services	13.2	-6.2%	45.2%	9.3	74.8
Healthcare	1.3	1.8%	-2.1%	24.4	0.0
Industrials	13.7	-7.0%	25.5%	3.1	33.8
Insurance	2.1	7.6%	37.5%	6.2	3.1
Real Estate	9.4	-5.6%	35.7%	7.1	44.6
Technology	0.0	-3.8%	47.6%	-	0.0
Telecom	11.0	-4.3%	-4.2%	14.4	10.3
Utilities	-	-1.7%	-16.2%	-	1.3

Premier Market Stocks' Performance



Source: Refinitiv, Boursa Kuwait

Equities – GCC Markets

- GCC markets were also down, as evidenced by the S&P GCC composite index, which fell 5.0% for November. Weakness in Oil prices derailed the rally of GCC markets barring the UAE, with the Abu Dhabi (8.7%) and Dubai (7.3%) indices remaining resilient due to reforms announced by the government. Saudi Arabia and Qatar equity indices fell 8.1% and 3.2% respectively, as Saudi markets were affected by the sharp cuts in oil prices.
- Dubai markets remained resilient despite the turbulence in oil markets as investors were enthused by the recent reforms undertaken by the government. Dubai unveiled plans to list utility company DEWA, which would be one among 10 government entities to be listed in the local stock exchange in the coming months. The move was followed by the decision to overhaul the board of the stock exchange.
- The Abu Dhabi Index has had one of the greatest performing years with YTD gains amounting to 69%. It has launched a derivatives market, where investors can trade in single equity futures of some of the bourse's companies. The exchange has also proposed a regulatory framework enabling the listing of special-purpose acquisition companies (SPACs).
- The increase in oil prices during the third quarter enabled KSA to post a small surplus of SAR 6.7 billion in Q3 2021, the first since 2019.
- Rating agency Moody's stated that the sovereign creditworthiness of GCC countries is expected to be stable in the upcoming 12 to 18 months due to supportive oil prices and higher production.
- Among the GCC blue chip companies, the best performer was Emirates Telecommunications (Etisalat), which gained 24.8% during the month, followed by Abu Dhabi National Energy Company, which gained 14.6%. The rally in Etisalat was triggered by the positive Q3 2021 results in terms of revenue and subscriber base, which led to the company revising its guidance upwards for the full-year 2021.

Market Performance & Key Metrics

Market	FF Adj. Mkt. Cap. (USD Bn.)	Returns			P/E TTM (x)	ADVT (USD Mn.)
		Nov 2021	YTD	5 Yr. CAGR		
GCC (S&P GCC Price Return)	662	-5.0%	26.4%	10.7%	9.9	-
Saudi (TASI)	374	-8.1%	23.8%	13.9%	20.3	1,911
Abu Dhabi (ADI)	140	8.7%	69.4%	13.8%	21.4	390
Qatar (QE Index)	74.5	-3.2%	9.1%	1.8%	14.6	79
Kuwait (All Share)	76	-4.5%	22.4%	10.2%	12.2	156
Dubai (DFMGI)	37	7.3%	23.3%	-2.4%	13.2	42

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%	-
Yearly Returns	**8.5%**	**3.4%**	**12.7%**	**12.5%**	**2.1%**	**33.6%**
USD 1 invested in 2016	**1.08**	**1.12**	**1.26**	**1.42**	**1.45**	**1.94**

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

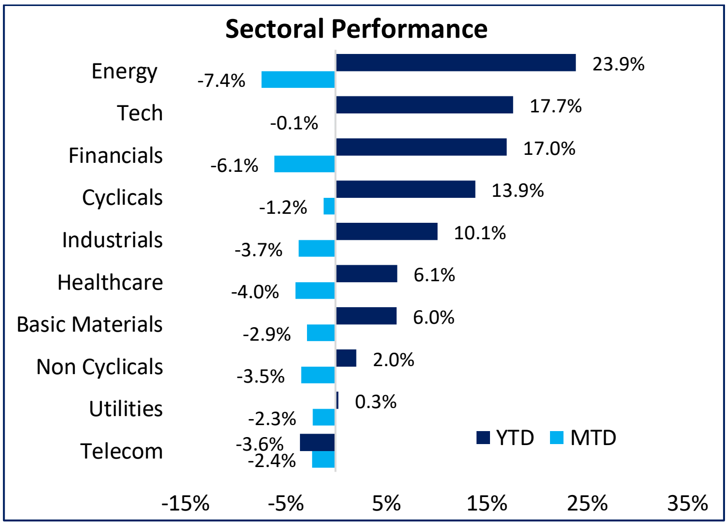
- Global markets witnessed broad-based sell-off and while some markets like the US recovered to some extent, others like Japan and Germany were hit hard. A slew of economic data from CPI numbers to employment figures which released over the month was overshadowed by the recent resurgent pandemic fears.
- Energy sector stocks had a double whammy wherein in addition to falling share prices, oil prices also declined, making them more unattractive.
- The S&P 500 ended the month with a slight fall of 0.8%. In a market that is already concerned about the spread of the new variant and efficacy of the vaccinations against it, the recent hawkish comments from the Federal Reserve Chairman prevented them from fully recovering the sell-off.
- Apple seems to be the best performer among the FAANG/MANGA stocks which share prices reaching record highs this month. It is said to be accelerating its plans to build self-driving electric cars and other products based on augmented reality. Shares of Alphabet briefly reached the USD 2 trillion market earlier this month.
- COVID cases have been rising in Austria, Germany and other parts of Europe with some of these counties reimposing complete lockdowns. Investors fear that these new restrictions might add pressure to the nascent economic recovery and existing supply chain woes.
- Japanese stocks continued their losses from last month, with the Japanese Prime minister imposing new travel restrictions baring foreign visitors as a response to the new Omicron variant. The year-to-date returns is the lowest among its developed market peers.
- The Canadian markets remained resilient for most part of the month, but fell slightly resulting from macro-economic factors like increasing COVID cases in Europe, spread of the new COVID variant and comments from the US Federal Reserve Chairman suggesting the central banks could remove the stimulus sooner than expected. It still has one of the highest YTD returns at 21%.

Market Performance & Key Metrics

Market	Market Cap. (USD Bn.)	Returns			P/E TTM
		Nov 2021	YTD	5 Yr. CAGR	
MSCI World Index	60,265	-2.3%	15.3%	12.1%	23.9
U.S.A.	41,644	-0.8%	21.6%	15.3%	25.8
Japan	6,290	-3.6%	6.9%	4.9%	12.7
U.K	2,710	-2.5%	9.3%	-0.2%	14.6
France	2,672	-1.8%	18.5%	6.2%	15.7
Canada	2,545	-1.6%	21.1%	6.7%	18.1
Germany	1,859	-3.8%	10.1%	5.6%	14.5

FAANG Stocks Performance & Key Metrics

Company	Market Cap. (USD Bn.)	Returns			P/E TTM
		Nov 2021	YTD	5 Yr. CAGR	
Meta (Facebook)	903	0.3%	18.8%	23.0%	23.2
Amazon	1,779	4.0%	7.7%	36.1%	68.6
Apple	2,712	10.3%	24.6%	41.7%	29.5
Netflix	284	-7.0%	18.7%	39.0%	58.9
Alphabet (Google)	1,887	-4.2%	61.9%	29.1%	27.3
Tesla	1,150	2.8%	62.2%	93.0%	371.5
Microsoft	2,482	-0.3%	48.6%	39.7%	37.0



Equity Views – Nov/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

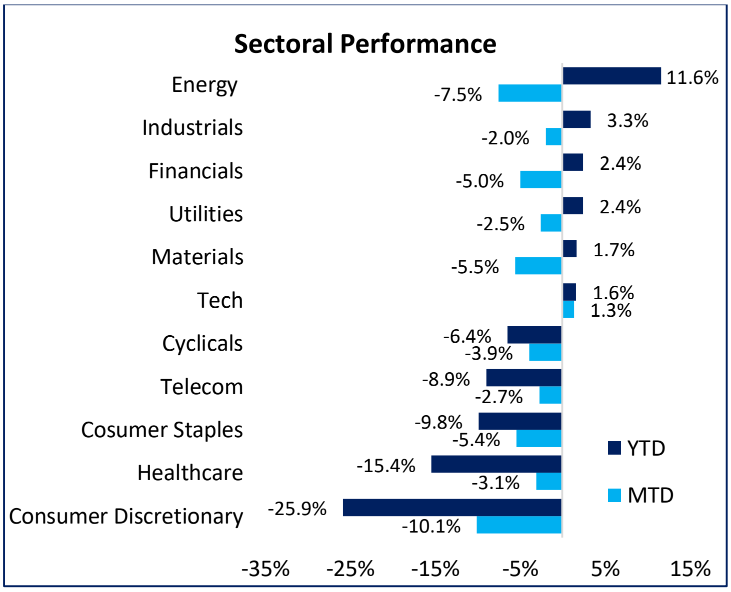
Source: Refinitiv, Blackrock, JP Morgan, Franklin; Note: Sector Indices are provided by Refinitiv

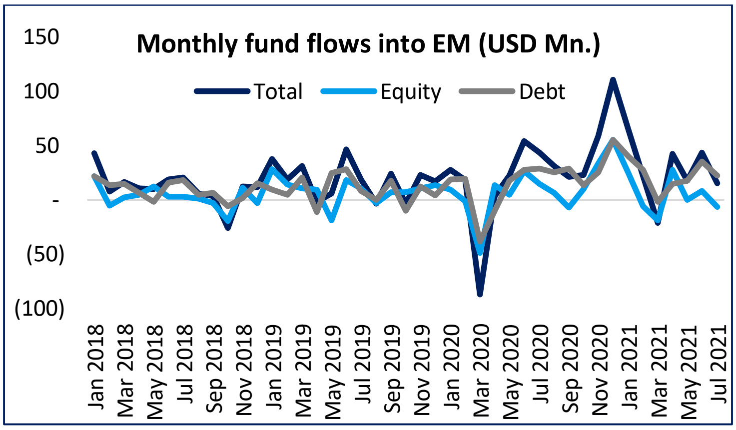
Equities – Emerging Markets

- Emerging market equities continued to fall due to the risk-off sentiment of investors who had concerns over the ability of emerging market countries to tackle a new COVID-19 variant. Indian markets mildly corrected from their elevated valuations.
- Barring the Technology sector, other sectors were negative for the month. Consumer Discretionary sector was the most affected as investors feared a reduction in demand for discretionary goods if the spread of COVID-19's new variant intensifies. Energy sector also witnessed sharp cuts due to the fall in oil prices.
- China remained flat for the month despite escalating tensions between the U.S. and China due to trade disputes and over the status of Taiwan. Taiwanese markets were one of the few equity markets that ended the month in positive territory.
- A virtual meeting between United States President Joe Biden and China's leader Xi Jinping took place during the month to help ease tension between the two countries. However, not much progress could be made in resolving lingering US-China trade war disputes. The trade war has resulted in both countries paying higher taxes to bring in goods from each other.
- Indian markets have corrected from their all-time highs due to weak global cues, premium valuations and sell-off from foreign institutional investors. Due to the absence of any major positive triggers, Indian equities, which were already valued at a premium, succumbed to fears surrounding inflation and the spread of a new COVID-19 variant.
- Brazilian markets continued to slump and is poised to witness its biggest yearly fall since 2013 unless the month of December throws any positive surprises. Fears of a resurgent pandemic, fiscal worries, political risks, and anticipated rate hikes continue to take their toll on the Brazilian markets. Brazil continues to trade at a steep discount compared to emerging market peers.

Market Performance & Key Metrics

Market	Market Cap. (USD Bn.)	Returns Nov 2021	Returns YTD	Returns 5 Yr. CAGR	P/E TTM
MSCI Emerging Market Index	8,166	-4.1%	-6.1%	7.1%	16.0
China	6,475	0.5%	2.6%	2.8%	13.8
India	1,677	-3.9%	21.5%	15.7%	26.3
Taiwan	1,926	2.6%	18.3%	13.5%	13.8
Brazil	625	-1.5%	-14.4%	11.1%	7.1





Equity Views of Fund Houses – Oct 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, JP Morgan, Franklin; Note: Sector Indices are provided by Refinitiv; Colours in Equity views indicate upgrade (green)/downgrade (red)

Fixed Income – GCC Markets

- Saudi Arabia has sold USD 2bn of Islamic debt maturing in 9-1/2 years and USD 1.25bn of 30-year conventional bonds yielding 3.36%.
- Bahrain has raised USD 2 bn with dual-tranche bond with USD 1bn in 7-1/2-year sukuk at 3.875% and USD 1bn in 12-1/2-year conventional bonds at 5.625%.
- Fitch has affirmed UAE at 'AA-' with stable outlook citing moderate consolidated public debt, strong net external asset position and high GDP per capita.
- S&P has affirmed Qatar's ratings at 'AA-/A-1+' with stable outlook. While acknowledging that the rapid growth in external funding of Qatar's banks present balance of payment risk, S&P considers the country's substantial buffers to be a mitigation factor.
- S&P has revised Bahrain's outlook to stable from negative, citing the fiscal reforms undertaken to strengthen its economy. Higher oil prices and support from other GCC members are also expected to help the country improve its fiscal position.
- Moody's has affirmed ratings of 9 Saudi Banks and has changed their outlook to stable from negative on the back of the banks' resilient performance.
- Fitch Ratings has affirmed the credit ratings of First Abu Dhabi Bank, Abu Dhabi Islamic Bank, Dubai Islamic Bank and Mashreq Bank.
- Gulf Insurance Group has raised KD 60 million in two tranches, one with a fixed coupon of 4.5% and another with a floating coupon of 2.75% over the Central Bank of Kuwait's discount rate.
- Warba Bank has mandated Standard Chartered Bank for an offering of fixed periodic distribution amount USD-denominated Regulation S PNC5 Basel III compliant Tier 1 Capital Certificates. It has also invited holders of its outstanding RegS of USD 250mn Perpetual Tier 1 Capital Certificates to tender all of such Existing Capital Certificates for cash.

Performance of Key 10-Year Bonds

Issuer, Maturity Year	YTM (%)	Nov-21 Price Returns (in %)	YTD Price Returns (in %)
Kuwait Sov, 2027	1.8	-1.1%	-4.8%
KSA Sov, 2029	2.3	-0.5%	-4.0%
Qatar Sov, 2029	2.2	-0.4%	-5.3%
Abu Dhabi Sov, 2029	2.2	-0.5%	-4.9%
Aramco, 2031	2.6	0.1%	-4.7%

10Y Sovereign Yields

Market	YTM (%)	Spread over 10Y UST (bps)		
		Current	1M ago	1Y ago
Saudi Arabia	2.40	96	90	93
Abu-Dhabi	2.16	72	54	75
Kuwait	1.84	40	8	37
Qatar	2.24	80	75	79

5Y CDS Spreads (bps)

Market	Current	2020	52 - Week	
			High	Low
Saudi Arabia	47.6	67.4	73.4	47.5
Abu-Dhabi	44.6	39.6	51.6	38.6
Dubai	96.6	113.8	120.3	91.1
Kuwait	50.3	38.9	52.1	39.2
Qatar	42.6	38.6	50.6	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	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; Colours in Sovereign rating indicate upgrade (green)/downgrade (red)

Fixed Income – Developed Markets

- Bond markets had to digest a mix of information this month from continued high inflation readings to the emergence of a new virus variant, which could derail the global economic recovery.
- Predictably, investors risk appetite waned following the emergence of a new COVID-19 strain called Omicron. Alternatively, Europe is emerging as an epicentre for COVID-19 amid rising infections again. More data is awaited on effectiveness of current vaccines against the new strain. Meanwhile, World Health Organization (WHO) has declared it as a variant of concern.
- Early in the month, U.S. Fed decided to unwind its massive bond-buying program amid the economic recovery from the COVID-19 pandemic, and Fed Chairman Jerome Powell indicated no immediate rate hikes at a press conference after a two-day policy meeting.
- U.S. consumer prices accelerated in October as Americans paid more for gasoline and food, leading to the biggest annual gain in 31 years, more signs that inflation could stay uncomfortably high well into 2022 amid snarled global supply chains. CPI rose to 6.2% that was the biggest year-on-year rise since November 1990.
- Bond markets that were earlier factoring in the possibility of rate hikes are now reversing their stance and the outlook remains uncertain. Yields that were steadily rising amid high inflation readings and on expectations that central banks would raise interest rates sooner than expected, fell during the last week of the month.
- The European Central Bank (ECB) in its financial stability review had flagged risks concerning the 'low quality credit market'. Specifically, it observed that despite the record issuance in high-yield corporate credit markets, spreads continue to narrow down, as investor appetite remained high.
- Institutions search for yield remains high. While real yields continue to be low amid increasing inflationary pressures and moderating economic growth.

10Y Sovereign Yields

Market	YTM (%)	Spread over 10Y UST (bps)		
		Current	1M ago	1Y ago
U.S.A.	1.44	-	-	-
U.K.	0.81	-63	-52	-54
Germany	-0.34	-178	-165	-141
Japan	0.06	-138	-146	-81
Canada	1.57	13	17	-16
France	0.01	-143	-128	-117

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 - Oct 2021

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

Indications of possible Rate hikes/tapering from Central Bank

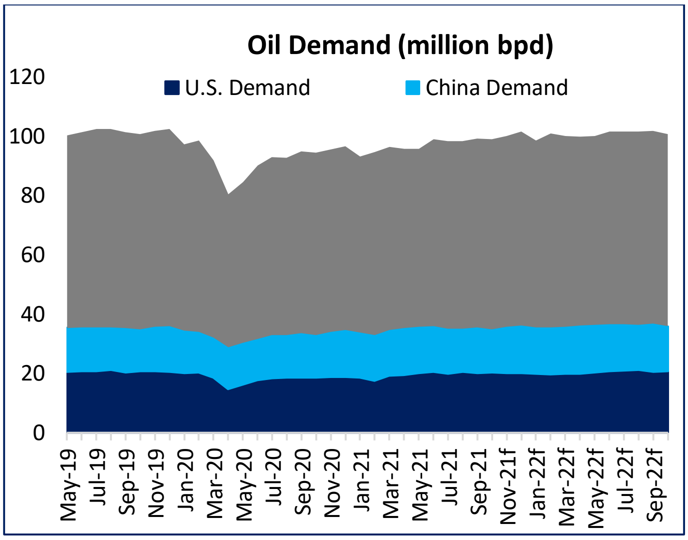
Central Bank	Asset purchase tapering	Interest rate Hike
US Fed	November 2021	Possibly from May, 2022
Bank of England	-	Dec 2021/Early 2022
European Central Bank	Reduction from Q4 2021; Intended to end in March 2022	End of 2022/Early 2023
Bank of Japan	Not anytime soon	Not anytime soon
Canada	Already started	Three hikes by end of 2022

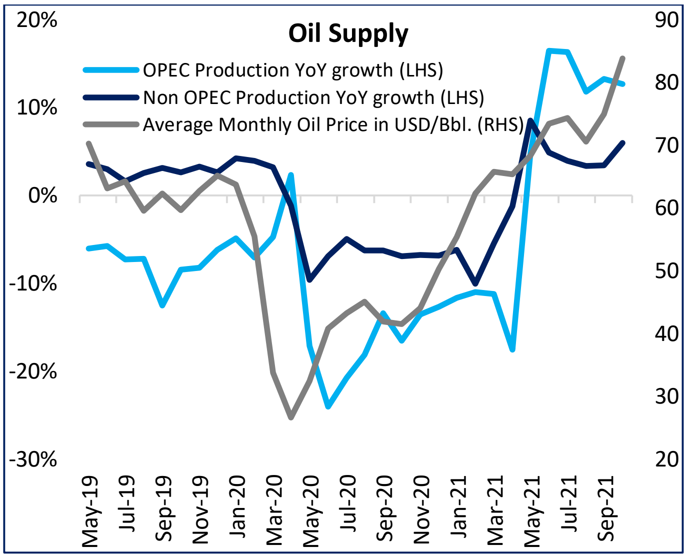
Source: Refinitiv, IMF, JP Morgan, Franklin, Moody's, Fitch and S&P
Colours in Equity views indicate upgrade (green)/downgrade (red)

Oil & Gas

- Oil prices declined steeply in November, marking its largest monthly decline since March 2020. Concerns over lower demand on account of new COVID-19 variant, Omicron, and expectation of increase in supply due to release of Strategic Petroleum Reserves by the U.S pressured prices during the month.
- U.S proposes to release about 50 million barrels of oil from its reserves. China, Japan, India, South Korea and U.K would also be releasing oil from their reserves in coordination with the U.S to contain oil prices and in turn inflation. According to IEA, this would be the fourth such coordinated move since the agency's inception in 1974.
- European countries have tightened COVID-19 restrictions and imposed lockdowns on account of surge in cases. Identification of new COVID-19 variant in South Africa and concerns over its spread across countries weighed on oil prices. The commodity dropped as much as USD 10/bbl on Nov 27th, its largest daily drop since April 2020.
- Price of Natural Gas declined for the month on increasing production and expectation of a warmer winter. Approval of Nord Stream 2 pipeline which would carry natural gas from Russia to Germany was delayed by German regulator citing non-submission of necessary paperwork. EIA expects U.S natural gas production to reach record high in 2021.
- OPEC has reduced its Q4 2021 demand forecast for oil by 330,000 bpd citing slower economic recovery due to higher energy prices. Morgan Stanley has revised downwards its Q1 2022 oil price forecast from USD 95/bbl to USD 82.5/bbl citing lower demand due to Omicron COVID-19 variant.
- IEA has revised upwards its average Brent crude oil price assumption for 2022 by USD 2.60/bbl to USD 79.40. However, it expects the recent rally in prices to ease off as three-year high price levels seen in October would incentivize global production. EIA expects oil prices to decline in 2022, on account of rising production from OPEC+ and U.S and slowdown in growth in oil demand.

Performance					
Oil & Natural Gas Futures	Returns		Price Close	52 Wk. High	52 Wk. Low
	Nov-21	YTD			
Brent Crude	-16.4%	36.2%	70.6	86.4	47.4
Natural Gas (NYMEX)	-15.8%	79.9%	4.57	6.31	2.31





Price Forecast (USD/bbl.)		
Provider	2021	2022
EIA - US (Nov 2021)	71.6	71.9
IEA (Nov 2021	-	79.4
Morgan Stanley (Nov 2021)	-	82.5
Goldman Sachs (July 2021)	80	75
JP Morgan (Nov 2021)	80	88
BofA (Nov 2021)	68	85
Fitch (Nov 2021)	71.5	72

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

ESG Stocks & Debt

- Global equity markets witnessed a decline, as investors resorted to safe haven assets, due to uncertainty posed by the new covid variant. In times of high uncertainty and volatility, ESG indices displayed low beta relative to their comparative indices. Despite negative returns, ESG indices outperformed their conventional indices, apart from Japan that underperformed mildly for the month of November.
- Last year ESG funds attracted 51.1 billion in net investments, and the trend looks to continue in the current year. As per the new study conducted by KPMG, CEOs in Saudi Arabia are transitioning their companies to incorporate ESG principles, with 42% of surveyed CEOs expressing their intention to invest more than 10% of their revenues towards sustainable practices.
- Saudi Arabia also prepares to launch its first green bond that targets at raising billions of dollars to finance projects powered entirely by renewable energy.
- The 26th UN Climate Change Conference (COP26) concluded in November, with a climate deal that targets to reduce coal, which is identified as a key contributor to global warming. The deal was met with resistance from the coal-reliant countries, and the clause was amended from “phase out” to “phase down” for countries to come to a consensus. The current carbon cuts however are estimated to restrict global warming to 2.4C, far from the target of 1.5C.
- UAE announced at COP26, the launch of a new global climate finance facility, named - Energy Transition Accelerator Financing. This is aimed to assist developing countries to adapt renewable energy. The country also committed $400 million in funding to the platform with a goal to reach a minimum of $1 billion in total funding.

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		
	Nov-21	YTD	5 Yr. CAGR	Nov-21	YTD	5 Yr. CAGR
U.S.A.	0.0%	25.0%	16.9%	0.8%	3.4%	1.2%
Japan	-3.6%	10.6%	6.6%	-0.3%	12.9%	0.7%
Canada	-4.5%	19.0%	6.2%	0.6%	1.1%	-1.2%
Europe	-2.8%	14.4%	5.9%	2.1%	7.2%	-1.4%
Pan Arab	0.1%	28.2%	6.4%	5.1%	4.0%	-1.5%

Source: S&P

Cryptocurrencies

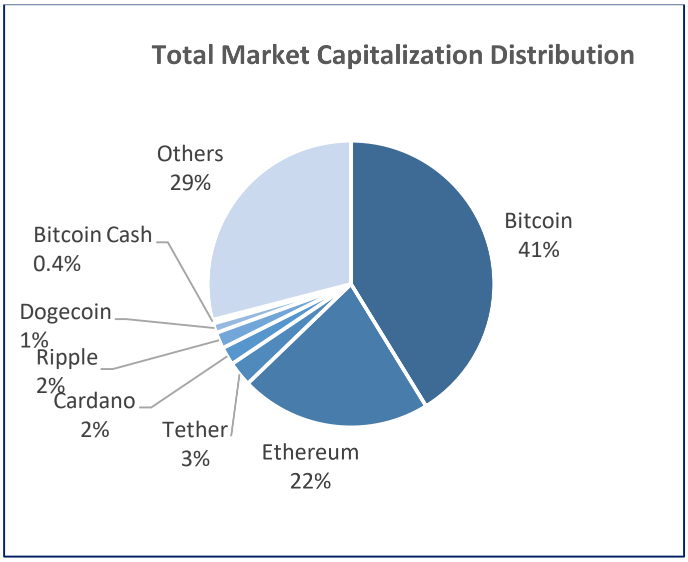
- Most cryptocurrencies declined for the month on the back of concerns over the new COVID-19 variant, tax-reporting requirement in the U.S infrastructure bill and China's increasing clampdown on cryptocurrencies.
- USD 1 trillion infrastructure bill tabled in the U.S. includes a provision for brokers to report information on traders transacting an amount of over USD 10,000 to the Internal Revenue Services (IRS). The lack of clarity in the bill on the term 'broker' raised doubts about the new regulations requiring compliance from market participants such as miners, causing weakness in the crypto markets. However, a bipartisan group of U.S. House representatives have introduced a bill that would provide more clarity and would define the term 'broker', such that software developers without the required customer information are not bound by the new provisions.
- China's National Development and Reform Commission (NDRC) plans to crack down on industrial-scale bitcoin mining as well as the involvement of state firms in mining of cryptocurrencies.
- IMF has cautioned against El Salvador's adoption of cryptocurrency as legal tender given the significant risks that the move poses for consumer protection, financial integrity, and financial stability.
- India is expected to introduce a bill to regulate cryptocurrencies. The bill would seek to create a facilitative framework for an official digital currency while prohibiting all private cryptocurrencies
- U.S banking regulators intend to clarify in 2022 what role traditional banks can legally play in the cryptocurrency market. This would include holding it on their balance sheets, issuing stablecoins and holding crypto assets and facilitating crypto trading on behalf of customers.

Performance and Key Metrics

Cryptocurrency	Current Price (in USD)	Market Cap (USD Bn.)	Returns Nov 2021	Returns YTD
Bitcoin	57,135.9	1,082	-5.8%	97.1%
Ethereum	4,629.1	561	9.1%	526.5%
Tether	1.0	73	0.0%	-
Cardano	1.6	53	-20.9%	31.0%
Ripple	1.0	48	-8.7%	345.1%
Dogecoin	0.2	29	-23.3%	-
Bitcoin Cash	570.7	11	-4.4%	66.7%

Block chain ETF Performance

ETF Name	AuM (USD Mn.)	Returns Nov 2021	Returns YTD
Amplify Transformational Data Sharing ETF	1,583	-0.6%	57.7%
Invesco Elwood Global Blockchain UCITS ETF Acc	965	2.9%	41.1%
Siren Nasdaq NexGen Economy ETF	286	-6.4%	14.7%
First Trust Indxx Innovative Transactn & Proc ETF	138	-3.4%	13.0%
Bitwise Crypto Industry Innovators ETF	132	3.4%	-



Source: Refinitiv, ETFdb

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