

## BUSINESS

## Oman budget deficit swells

Oman's government posted a budget deficit of 4.94 billion rials (\$12.8 billion) in the first 11 months of 2016 compared with a deficit of 4.07 billion rials a year earlier, as low oil export prices hit its revenues, provisional Finance Ministry data showed.

Oman Budget	01-11/16	01-10/16	01-11/15
revenue (min rials)	6,210.5	5,514.5	7,981.8
expenditure	9,648.1	8,920.7	10,948.3
actual expenditure	1,500.0	1,400.0	1,100.0
under settlement			
balance	-4,937.6	-4,806.2	-4,066.5 (RTRS)

Name: Kuwait Sharia

Compatible Indices

Providers: Al Madar Finance &amp; Investment Co.

Description: Index of Sharia

compatible companies traded on the KSE

Website: www.almadar-fi.com

Index name	Bloomberg ticker	Today's value as of	Today's closing value	Prev closing value	% change	1-week change	3-month change	YTD change	12-month change	24-month change
Kuwait Sharia Compatible Index - Composite	AMIC	January 29, 2017	192.52	188.96	1.88%	3.48%	26.01%	15.36%	35.26%	0.66%
Kuwait Sharia Compatible Index - Kuwait Only	AMIC	January 29, 2017	183.23	178.41	2.13%	3.10%	24.04%	14.66%	32.05%	-2.04%
Kuwait Sharia Compatible Index - Active	AMIC	January 29, 2017	116.26	116.25	0.01%	2.97%	61.79%	46.49%	93.32%	12.32%
Kuwait Sharia Compatible Index - Banking Sector	AMIC	January 29, 2017	298.95	293.12	1.98%	1.85%	23.24%	12.33%	21.73%	-10.99%
Kuwait Sharia Compatible Index - Investment Sector	AMIC	January 29, 2017	70.87	69.98	1.26%	2.45%	67.61%	50.85%	84.00%	-5.80%
Kuwait Sharia Compatible Index - Insurance Sector	AMIC	January 29, 2017	22.46	21.71	3.41%	18.26%	49.44%	42.42%	36.58%	-26.08%
Kuwait Sharia Compatible Index - Real Estate Sector	AMIC	January 29, 2017	58.06	57.42	1.11%	3.44%	27.42%	19.09%	26.10%	1.28%
Kuwait Sharia Compatible Index - Industrial Sector	AMIC	January 29, 2017	145.77	139.35	4.61%	5.33%	30.52%	20.87%	29.18%	3.08%
Kuwait Sharia Compatible Index - Services Sector	AMIC	January 29, 2017	228.21	222.71	2.47%	3.96%	26.29%	15.80%	40.99%	4.37%
Kuwait Sharia Compatible Index - Food Sector	AMIC	January 29, 2017	386.58	386.58	0.00%	1.25%	1.16%	1.69%	45.53%	-3.96%
Kuwait Sharia Compatible Index - Islamic Sector	AMIC	January 29, 2017	150.95	149.04	1.28%	3.40%	31.73%	17.01%	34.92%	-0.62%
Kuwait Sharia Compatible Index - Non Kuwaiti Sector	AMIC	January 29, 2017	570.72	583.32	-2.16%	10.49%	74.04%	28.73%	133.59%	107.84%
Kuwait Stock Exchange Index - Price	KWSEIDX	January 29, 2017	6,943.24	6,852.30	1.33%	4.54%	28.55%	20.79%	38.58%	5.64%
S&P 500	SPX	January 28, 2017	2,294.69	2,294.69	0.00%	1.03%	7.91%	2.50%	18.27%	14.61%
DJ Islamic Index	DJIM	January 28, 2017	2,999.41	2,998.65	0.03%	1.14%	7.74%	3.20%	15.77%	5.47%

## weekly report on FX markets



Swiss International Financial Brokerage Co

## Dollar outlook clouded by economic event risk

Report prepared by Ahmed Shibley

The week ahead brings with it the return of heavy-duty economic event risk. The Fed's favored PCE inflation data, the ISM manufacturing activity survey and January's jobs report are just the standouts on the data front. In the midst of all this, the rate-setting FOMC meeting will deliver an update on its policy stance.

If economists' expectations are broadly borne out, the statistics round-up will be relatively flattering. The core price growth rate will inch closer to the 2 percent target, the pace of manufacturing activity growth will quicken, and payrolls will swell by a larger number than in December.

This would fall broadly in line with the trend in US economic data outcomes, which have tended to outperform consensus forecasts in recent weeks. Against such a backdrop, it seems likely that the Fed will stick to a cautiously hawkish message in its policy statement.

At face value, this seems like a healthy recipe for US Dollar gains. The landscape is severely complicated by lingering uncertainty about US fiscal policy however. Indeed, "Trump-watching" has seemingly become an all-consuming activity for the financial markets.

This makes sense. Prickly rhetoric on trade relations, for example – even if it is swiftly walked back – can spook traders and stoke kneejerk volatility that affects the real economy. For its part, the Fed has said that its policy path depends on the impact of the US President's lofty plans.

The fundamental evidence seemingly points to a steady US economy that is broadly in the same place as the last time Janet Yellen and company sat down for policy meeting. Confirming as much may do little to assuage concerns that this relatively rosy status quo will not be shattered by a sharp pivot on the fiscal side.

With that in mind, the threat posed by headline risk remains acute and the near-term outlook for the US Dollar

continues to be clouded. On balance, this makes the currency asymmetrically more responsive to negative versus positive surprises on the news-flow front.

Upbeat data and a gently optimistic Fed may be just enough to counterbalance leery investors' ictch to scale back exposure to the so-called "Trump trade". Speculative net-long USD bets fell to the lowest in three months last week. A soft patch on the data docket may amplify existing outflow pressure however.

The Federal Reserve's first interest rate decision for 2017 may generate limited interest as Chair Janet Yellen and Co. are widely expected to retain the current policy, but the Bank of England's (BoE) 'Super Thursday' event may shake up the near-term outlook for GBP/USD should Governor Mark Carney and Co. show a greater willingness to gradually move away from its easing-cycle.

With Chicago Fed President Charles Evans, Philadelphia President Patrick Harker, Dallas Fed President Robert Kaplan and Minneapolis Fed President Neel Kashkari joining the Federal Open Market Committee (FOMC) in 2017, the group of new voting-members are likely to side with the majority and stick with the status quo following the 25bp rate-hike in December. In turn, more of the same from the FOMC may spark a lackluster market reaction, and the U.S. Non-Farm Payrolls (NFP) report may share a similar fate as employment is anticipated to increase 170K in January, while Average Hourly Earnings are projected to pullback from the fastest pace of growth since 2009.

Nevertheless, interest rate expectations appear to be immune to the recent series of mixed data prints coming out of the U.S. economy as Fed Fund Futures continue to highlight a 70% probability for a June-hike, and the dollar may remain supported throughout 2017 as the FOMC appears to be on course to further normalize monetary policy over the

coming months. With that said, it seems as though the bar remains high to snap the bullish sentiment surrounding the greenback especially as Chair Yellen sees the central bank 'closing in' on its dual mandate.

In the U.K., Parliament begins its two-day debate on the 'Brexit' process just ahead of the BoE interest rate decision on February 2, with the British Pound at risk of facing near-term headwinds as the region's departure from the European Union (EU) clouds the outlook for growth and inflation. However, the Monetary Policy Committee (MPC) may continue to drop its dovish tone and reiterate price growth will 'overshoot the target later in 2017 and through 2018' as U.K. consumer prices expand at the fastest pace since 2014.

Next week brings the Bank of Japan to global markets, and while little by way of 'new information' is expected, the context with which the bank is communicating to markets makes for an extremely interesting opportunity to gauge what the BoJ might be looking to do in the remainder of the year. The post-Election backdrop has brought a much-needed reprieve to the Japanese Yen, and this surely comes as a relief to the BoJ as the bank watched their currency strengthen for the first seven months of last year, undoing years' worth of monetary stimulus and accommodation as part of 'Abe-nomics'.

The Bank of Japan remains mired in a 4.5-year saga around the economic policies of Shinzo Abe, designed to stem decades' worth of deflation in the island nation. The most productive pillar of 'Abe-nomics' was Yen-weakness, which enabled exporters to fatten margins on overseas sales. And for three years, this worked beautifully as the Yen stayed weak (falling by as much as 50% against the U.S. Dollar) and Japanese exporters saw extra profits accumulate. There is only one problem: Inflation never really showed up. So when Chinese markets began to implode in the

summer of 2015, considerable capital flows ran into the Yen, starting a process of strength that really got moving in the first half of last year, and the world was facing the very real prospect of Japanese capital markets cratering, again, without inflation having ever showed up from the four-plus years of bond-buying that the Central Bank was heavily-engaged in.

This led to the 'September swap' from the Bank of Japan in which they shifted their QE target, from a rigid, set amount each month of bonds purchased each month to, instead, target the yield of the 10-year Japanese Government Bond. And while the move was largely-panned at the time, we remarked that this simply afforded the BoJ additional flexibility to more accurately direct those bond purchases. And while this helped to bring back a bit of Yen-weakness, it wasn't until November that matters really began to develop; with the catalyst being the election of Donald Trump as U.S. President. In short order, the Yen began putting in 2013-like moves of weakness, and this was without any additional action at all from the Bank of Japan.

As strength in Japanese markets has remained supported in the two-and-a-half months since the Presidential Election, confidence has slowly begun to restore. Even Japanese inflation is showing encouraging signs of improvement, with this morning's release of Japanese CPI coming in at .3% versus an expectation of .2%, and inflation excluding fresh food items (technically still deflation at this point) printed at -.2% versus the expectation for -.3% and last month's read of -.4%; so, progress. On Wednesday of this week, fears even began to circulate that the BoJ might be confident enough to start tapering bond purchases as the bank missed a scheduled buy of short-dated bonds. This fear was offset on Friday when the BoJ bought more 5-10 year maturities than expected, but the source of that concern is very

real and this is going to be something that Yen traders will need to contend with as long as this current recovery continues.

With continued strength in Japanese markets, we will likely see the bank shift their yield target higher; but this is unlikely to happen until more-confirmed signs of recovery are seen. The Bank of Japan has been attempting to be more transparent with capital markets as 'surprise' moves like enacting negative rates worked out terribly. From a macro-economic standpoint, this recent rally is in the very early, immature stages, with the primary driver being a very unpredictable and unquantifiable variable (Trump); and the Bank of Japan will likely want additional information before making any significant shifts or even signaling such a shift that might potentially hinder the prospects of a continued recovery in Japanese economic activity. The forecast for next week on the Yen will be set to bearish.

The Canadian Dollar has almost completely retraced the jawboning on January 18 from BoC Governor, Stephen Poloz against the US Dollar. For traders that hoped the Canadian Dollar would begin a renewed run of weakness, the closing final full trading week of January was likely a painful week that could lead to a continuation of the strong-CAD run that began almost exactly a year ago. The chart below highlights the lower high in USD-CAD that was created off Poloz's remarks.

On January 20, 2016, there was the culmination of the perfect storm of a strong USD in the light of a Federal Reserve that had just predicted four rate hikes in 2016 at the same time Oil was in a free-fall. USD/CAD traded at an intraday high of 1.4689 on January 20 and eventually moved down to 1.2460 in early May. The free fall in Oil ended up finishing out in early February, but there were views that oil-dependent economies had been oversold and it was time to cover short positions. The short cov-

ering in the Canadian Dollar vs. the USD led to the Canadian Dollar ending 2016 as the strongest major currency compared to the USD on a relative basis, gaining nearly 3%. In 2017, we continue to see bursts of Canadian Dollar strength that consistently fail to push USD/CAD below 1.3000 or 1.3800 on EUR/CAD. However, the developing trade rhetoric may pave the path for a rather surprising resumption of economic strength.

The economic calendar over the previous week lacked significant traditional economic announcements, but the trade talks rightfully caught the market's attention and delight. First, there was a discussion of trade negotiations between the US and NAFTA trade partners being redrafted and focus shifted to the disagreement between US President Trump and Mexican President Pena Nieto over the funding of the proposed border wall of the US-MX Border. In this scenario, it is being perceived that any weakening of Mexico's economic relationship with the US would likely be Canada's gain. Recently, we heard the following words from a Trump advisor: When Pena Nieto refused to pay for the wall, President Trump sent this string of fateful tweets.

Mexico's potential economic loss from redirected U.S. trade deficit funds could be Canada's gain, and the positive shift in Canadian trade relations aligned with new a push through of the long-sought, but Obama-fought Keystone XL Pipeline due to environmental protectionists. However, the Keystone Pipelines new proposal would help Canada's hard-to-export Oil to the market. To get a sense of how impactful the Pipeline is presumed to be when President Obama struck down the Keystone XL Project in 2015, TransCanada came out with a \$15 Billion lawsuit over Obama's decision to cancel the project and sued NAFTA for an "arbitrary and unjustified," decision.

Continued on Page 36

## investment funds

Funds	Fund Manager	Valuation	Valued date	Currency	Net Asset Value (NAV)	Prev NAV	Prev NAV Dated
<b>National Bank of Kuwait</b>							
Money Market Funds							
Watani KD Money Market Fund	NBK Global Asset Management Co. Ltd.	Weekly	Oct 4, 2016	KD	1.408	1.407	Sept 27, 2016
Watani KD Money Market Fund II	NBK Capital	Weekly	Nov 29, 2016	KD	1.021	1.020	Nov 22, 2016
Watani KD Money Market Fund (Islamic)	NBK Global Asset Management Co. Ltd.	Weekly	Oct 4, 2016	KD	1.184	1.184	Sept 27, 2016
Watani Foreign Currency Money Mkt Fund	NBK Global Asset Management Co. Ltd.	Weekly	Oct 4, 2016	USD	1.314	1.314	Sept 27, 2016
Watani Foreign Currency Money Mkt Fund (Euro)	NBK Global Asset Management Co. Ltd.	Weekly	Oct 4, 2016	Euro	1.246	1.246	Sept 27, 2016
Watani USD Money Market Fund (Acc to Islamic Shariah principles)	NBK Global Asset Management Co. Ltd.	Weekly	Oct 4, 2016	USD	1.102	1.101	Sept 27, 2016
Watani USD Money Market Fund (Acc to Islamic Shariah principles) II	NBK Global Asset Management Co. Ltd.	Weekly	Oct 4, 2016	USD	10.041	10.041	Sept 27, 2016
Watani USD Money Market Fund (Acc to Islamic Shariah principles) III	NBK Global Asset Management Co. Ltd.	Weekly	Nov 22, 2016	USD	10.160	10.160	Oct 18, 2016
Equity Funds							
NBK Gulf Equity Fund	NBK Global Asset Management Co. Ltd.	Weekly	Nov 22, 2016	KD	1.019	1.018	Oct 18, 2016
NBK Kuwait Equity Fund	NBK Capital	Weekly	Oct 13, 2016	USD	1.193	1.189	Oct 6, 2016
NBK Qatar Equity Fund	NBK Capital	Weekly	Nov 17, 2016	KD	0.604	0.566	Oct 16, 2016
NBK Oqar Equity Fund	NBK Capital	Weekly	Oct 13, 2016	USD	1.641	1.636	Oct 6, 2016
Gulf Equity Investment Fund	NBK Capital	Weekly	April 7, 2016	USD	9.995		
Ijara Fund							
Thahabi Ijara Fund VI	Wafra Capital Partners LP Cayman Islands	Monthly	April 30, 2016	USD	10.000	10.000	Feb 29, 2016
Thahabi Ijara Fund VII	Wafra Capital Partners LP Cayman Islands	Monthly	April 30, 2016	USD	10.000	10.000	Feb 29, 2016
Islamic KD Ijara Fund II	Wafra Capital Partners LP Cayman Islands	Monthly	May 31, 2016	KD	10.000	10.000	March 31, 2016
Islamic KD Ijara Fund III	Wafra Capital Partners LP Cayman Islands	Monthly	May 31, 2016	KD	10.000	10.000	Feb 29, 2016
Islamic KD Ijara Fund IV	Wafra Capital Partners LP Cayman Islands	Monthly	May 31, 2016	KD	10.000	10.000	March 31, 2016
Islamic KD Ijara Fund V	Wafra Capital Partners LP Cayman Islands	Monthly	May 31, 2016	USD	10.000	10.000	March 31, 2016
Islamic Equipment Leasing Fund I	Wafra Capital Partners LP Cayman Islands	Monthly	June 30, 2016	USD	10.000	10.000	April 30, 2016
Islamic Equipment Leasing Fund II	Wafra Capital Partners LP Cayman Islands	Monthly	June 30, 2016	USD	10.000	10.000	April 30, 2016
Islamic Equipment Leasing Fund III	Wafra Capital Partners LP Cayman Islands	Monthly	July 31, 2016	USD	10.000	10.000	May 31, 2016
Islamic Equipment Leasing Fund IV	Wafra Capital Partners LP Cayman Islands	Monthly	June 30, 2016	USD	10.000	10.000	May 31, 2016
Islamic Equipment Leasing Fund V	Wafra Capital Partners LP Cayman Islands	Monthly	July 31, 2016	USD	10.000	10.000	May 31, 2016
Islamic Equipment Leasing Fund VI	Wafra Capital Partners LP Cayman Islands	Monthly	July 31, 2016	USD	10.000	10.000	May 31, 2016
Islamic Equipment Leasing Fund VII	Wafra Capital Partners LP Cayman Islands	Monthly	June 30, 2016	USD	10.000	10.000	May 31, 2016
Multi Asset Funds							
Thahabi Multi Asset Fund - Con Portfolio	Frontier Capital Management (Jersey) Ltd	Monthly	June 30, 2016	USD	96.164	95.710	April 30, 2016
Thahabi Multi Asset Fund - Mo Portfolio	Frontier Capital Management (Jersey) Ltd	Monthly	June 30, 2016	USD	88.490	87.790	April 30, 2016
<b>Gulf Bank</b>							
Al Basha'er GCC Equity Fund	Kwt. Fin. & Inv. Co. & Gulf Fin. House	Monthly	Nov 30, 2016	USD	6.626	6.206	Oct 30, 2016
Coast Fund	Coast Investment & Dev. Co.	Monthly	Dec 30, 2016	KD	0.615	0.606	Nov 30, 2016
Sanaya Dow Jones Kuwait Index Fund	Industrial & Financial Investment Co.	Weekly	Dec 29, 2016	KD	0.561	0.563	Nov 24, 2016
Markaz Capital Preservation Program 1		Monthly	Dec 31, 2016	KD	0.917	0.916	Nov 30, 2016
Markaz Capital Preservation Program 2		Monthly	Dec 31, 2016	KD	0.940	0.938	Nov 30, 2016
Markaz Gulf Real Estate Fund		Bi-annual	Dec 31, 2016	KD	1.420	1.421	Nov 30, 2016
<b>Al Ahli Bank</b>							
Al Ahli Gulf Fund	Al Ahli Bank	Monthly	Dec 31, 2016	KD	0.690	0.675	Nov 30, 2016
Al Ahli Kuwait Fund	Al Ahli Bank	Monthly	Dec 31, 2016	KD	0.760	0.750	Nov 30, 2016
<b>Burgan Bank</b>							
Burgan Equity Fund	Burgan Bank	Monthly	Dec 31, 2016	KD	1.698	1.627	Nov 27, 2016
<b>Boubyan Bank</b>							
Boubyan KD Money Market Fund	Boubyan Bank	Weekly	Dec 27, 2016	KD	1.060	1.059	Nov 29, 2016
Boubyan KD Money Market Fund II	Boubyan Bank	Weekly	Dec 27, 2016	KD	1.004	1.003	Nov 29, 2016
<b>Boubyan Capital Investment Co.</b>							
Boubyan USD Liquidity Fund	Boubyan Capital Investment Co	Monthly	Dec 27, 2016	USD	10.170	10.000	Nov 29, 2016
Boubyan Kuwait Real Estate Fund	Boubyan Capital Investment Co	Monthly	Dec 31, 2016	KD	1.020	1.020	Sept 30, 2015
<b>Kuwait Investment Co.</b>							
Local Fund							
Al Raad Fund	Kuwait Investment Co	Weekly	Jan 19, 2017	KD	0.972	0.941	Jan 12, 2017
Kuwait Investment Fund	Kuwait Investment Co	Weekly	Dec 30, 2016	KD	0.629	0.607	Nov 30, 2016
Al Hiss Fund	Kuwait Investment Co	Monthly	Jan 23, 2017	KD	0.541	0.542	Jan 9, 2017
Al Akher Fund	Kuwait Investment Co	Weekly	Dec 31, 2016	KD	1.098	1.076	Nov 30, 2016
International							
Global Bond Fund	Kuwait Investment Co	Weekly	Dec 28, 2016	USD	23.770	23.760	Dec 21, 2016
Diversified Fund	Kuwait Investment Co	Weekly	Jan 18, 2017	USD	17.900	17.780	Jan 11, 2017
European Fund	Kuwait Investment Co	Weekly	Dec 30, 2016	Euro	19.820	19.120	Nov 30, 2016
Pacific Equity Fund	Kuwait Investment Co	Weekly	Jan 18, 2017	USD	27.920	27.810	Jan 11, 2017
North American Equity Fund	Kuwait Investment Co	Tw. Monthly	Dec 30, 2016	USD	17.150	17.120	Nov 30, 2016
<b>National Investment Co. (NIC)</b>							
Al-Wataniya Fund	NIC	Monthly	Dec 31, 2016	KD	0.560	0.547	Nov 30, 2016
Al-Darji Fund	NIC	Monthly	Dec 31, 2016	KD	0.340	0.334	Nov 30, 2016
Mawardi Fund	NIC	Monthly	Dec 31, 2016	KD	0.520	0.528	Nov