

Global mkts show optimism led by signing of 'Phase 1' trade between US and China

# GCC markets report muted gains during January-2020

Report prepared by KAMCO Research

Global capital markets showed optimism at the start of the year led by the signing of 'Phase 1' trade deal between the US and China. Asset classes across the board reacted positively to the deal as it provided confidence for better global economic growth. Crude oil prices got additional support from the attacks in Iraq and supply disruption elsewhere at the start of the year, that pushed prices to over USD 70/b of Brent crude during the first week. However, the rally reversed as fears about China's Corona virus and over-supplies pushed oil prices down by 12% by month-end. The news also trimmed gains for most major global benchmarks by the end of the month. GCC markets also started the year on mildly positive note with all the major regional indices showing low single-digit monthly gains during January-2020, barring Saudi Arabia that declined by 1.7%. Markets during the month were affected by the attacks in Iraq that pushed almost all the markets in the red by the end of the first week. However, benchmarks recovered and were in the green by mid-month as tensions eased. The signing of the trade deal and positive oil prices further supported the markets, that was partially offset by the virus scare during the last week of January-2020. Furthermore, GCC investors were also seen gearing up for the earnings season that kicked-off with major banks showing healthy profit growth in 2019. In terms of sector performance, Materials stocks, especially petrochemical companies, reported the biggest declines during the month on decline in selling prices that affected profits. The Energy index was also down as most the stocks in the sector receded. Telcos also declined during the month with shares of large-cap companies in the sector showing mid single-digit declines during the month. In terms of gainers, FMCG stocks witnessed healthy gains during the month followed by Consumer Durables and Financials.

**Boursa Kuwait**

After closing 2019 as the best performing market in the GCC and one of the best in the world, Kuwaiti benchmarks showed marginal gains during January-2020. The Premier Market index once again outperformed with a gain of 0.8%, whereas the Main Market benchmark gain was flat at 0.2% resulting in 0.7% gain for the All Share Index. In terms of sector performance, the Oil & Gas index topped during the month with a gain of 4.4% following 12.8% gain in shares of NAPESCO, although the stock was thinly traded during the month. Shares of GPI was also up by 6% that along with 2.3% gain in shares of Senergy more than offset the 12.1% decline in shares of ABAR. The Banking and Real Estate indices also witnessed marginal gains of 1.4% each during the month. In the banking sector, 8 out of 10 Kuwaiti banks recorded gains during the month that was partially offset by 1.9% decline in shares of NBK and 1.7% decline in shares of AUB Kuwait. On the decliners side, the Telecom index witnessed the biggest monthly decline of 3.8% after shares of all the three telecom service providers receded during the month.

The full year earnings season started with NBK reporting an 8.2% growth in profits during 2019 vs. 2018, whereas Boubyan Bank and KFH posted higher profit growth of 11.7% and 10.4%, respectively. NBK ascribed the growth in profits to higher non-interest income, whereas the increase in KFH's earnings came mainly on the back of higher net operating income as the company posted almost 2% improvement in its cost to income ratio. Boubyan Bank said that the growth in its full year earnings came mainly on the back of financing income.

Trading activity continued to remain elevated during January-2020 led by higher buying eyeing the upcoming MSCI Emerging Market upgrade. Volume traded during the month increased by 2.9% during the month to reach 4.2 Bn shares as compared to 4.1 Bn shares during December-19. Value traded recorded a slightly smaller growth of 1.9% to reach KWD 869.5 Mn as in January-2020 as compared to KWD 853.5 Mn during the previous month. First Investment Co. topped the monthly volume traded chart with 394.3 Mn shares traded during the month followed by Arzan Financial Group and A'ayan Leasing & Investment at 374.5 Mn and 291.3 Mn shares, respectively. On the monthly value trade chart, KFH topped with KWD 172.9 Mn worth of shares changing hands during the month followed by NBK and AUB Bahrain at KWD 154.0 Mn and KWD 76.6 Mn, respectively.

The monthly gainers chart was dominated by financial services stocks. Arzan Financial Group topped as the best performing stock during the month with a gain of 69.2% as the shares started surging after the company announced a stake sale in Netherlands

unit for EUR 10.6 Mn. Noor Financial Investment was next with a gain of 50.4% followed by Amar for Finance and Leasing with a gain of 43.7%.

**Saudi Arabia (Tadawul)**

Regional geopolitical issues and oil prices affected the performance of the Saudi equity market since the start of the year with the index mostly trending downward for most part of the month. The benchmark turned positive briefly after the US-China trade agreement on the hopes of better oil prices and faster economic growth rates. However, the China virus scare once again wiped off all the gains, thereby pushing the index down by 1.7% during January-2020 making it the only index to close in the red in the GCC. The monthly sector performance chart clearly showed that the decline came primarily on the back of large-cap sectors like Telecom, Energy, Materials and Banks. In the telecom sector, shares of STC dropped 10.3% during the month that dragged down the sector. The decline came after the telco reported 22.5% decline in Q4-19 net profit led by higher costs that more than offset the marginal increase in topline during the quarter. During the month, STC also signed an MoU to acquire Vodafone UK's 55% stake in Vodafone Egypt for a cash consideration of USD 2.39 Bn valuing the telco at USD 4.4 Bn.

The Energy and Materials sectors continued to reel under geopolitical stress that led to a decline in crude oil prices. Shares of Aramco dropped 3.1% during the month while SABIC declined by 6.8% along with most of the other petrochemical names. The performance of Banking stocks was also largely negative with 7 out of 11 listed banking stocks showing a decline during January-2020. SABB topped the banking decliners list with a fall of 7.9% followed by Samba Financial Group and NCB with declines of 6.6% and 4.7%, respectively.

Monthly stock performance chart was topped by Medgulf with a gain of 43.2% followed by Umm Al-Qura Cement and National Gypsum with gains of 31.2% and 24.6%, respectively. On the decliners side, Dar Al Arkan topped with a fall of 10.6% followed by Saudi Kayan and STC with declines of 10.4% and 10.3%, respectively. The decline in shares of Saudi Kayan came after the company announced maintenance shutdown of some of its plants. The company also reported a 14% y-o-y decline in Q4-19 and a higher net loss for the quarter of SAR 167.4 Mn as compared to SAR 110.9 Mn in Q4-18 led by lower average selling prices for products. Yanbu National Petrochemicals also reported a decline in Q4-19 sales and a 26.8% decline quarterly net profits for the period. The decline in selling prices also pushed SABIC to report its first quarter loss in a decade during Q4-19. The company reported a loss of SAR 0.72 Bn in Q4-19 as compared to a profit of SAR 3.22 Bn during Q4-18. SABIC also said that chemical demand receded during the quarter and highlighted polyethylene overcapacity. Earlier during the month, SABIC had announced to liquidate three compounding and manufacturing subsidiaries as part of its transformation plan.

Trading activity on the exchange declined but remained elevated as compared to historical levels. Total volume traded on the exchange dropped 14.1% to 3.7 Bn shares during January-2020 as compared to 4.3 Bn shares during December-19. Monthly value traded also receded by a quarter to SAR 84.4 Bn as compared to SAR 113.0 Bn during December-19. In terms of individual companies, Dar Al Arkan topped the monthly volume traded chart with 287.1 Mn shares traded during the month followed by Saudi Aramco and Alinma Bank with 250.4 Mn shares and 186.7 Mn shares, respectively. On the monthly value traded chart, Saudi Aramco topped with SAR 8.6 Bn worth of shares changing hands during the month followed by Al Rajhi Bank and SABIC at SAR 5.5 Bn and SAR 4.7 Bn, respectively.

**Abu Dhabi Securities Exchange**

After recording moderate returns in 2019, the ADX started off 2020 on a positive note. The index closed at 5256.06 points and was up 1.6% m-o-m in Jan-20. Sectoral performance was mixed, but the overall positive performance on the index was driven by large cap sectors and Consumer Staples. After featuring as the best performing sector in 2019, Consumer Staples once again was the best performing sector in Jan-20, jumping by over 69.6% m-o-m, driven singlehandedly once again by International Holdings Company, as its stock price more than doubled m-o-m. The company reported preliminary results for 2019 with revenues of AED 1.25 Bn, up 119% y-o-y from AED 570.2 Mn in 2018. Net profit growth for the company was higher and rose from AED 20.19 Mn in 2018 to AED 507.4 Mn in 2019. The Real Estate index also gained by 3.5% m-o-m, as Aldar was up 3.2% m-o-m, while RAK Properties gained by 6.7% over the same period. Services and In-



In this file photo, the Saudi stock market officials watch the stock market screen displaying Saudi Arabia's state-owned oil company Aramco after the debut of Aramco's initial public offering (IPO) on the Riyadh's stock market in Riyadh, Saudi Arabia. (AP)

dustrials sectors also gained by 3.7% and 2.8% m-o-m respectively. On the other hand, Investment & Financial Services was the worst performing sectoral index, as the sector fell by 6.5% m-o-m in Jan-20, dragged down by Wahha Capital (-8.3%) and Esraq Investments (5.6%). Insurance and Energy indices also receded by 2.5% and 2.2% m-o-m respectively.

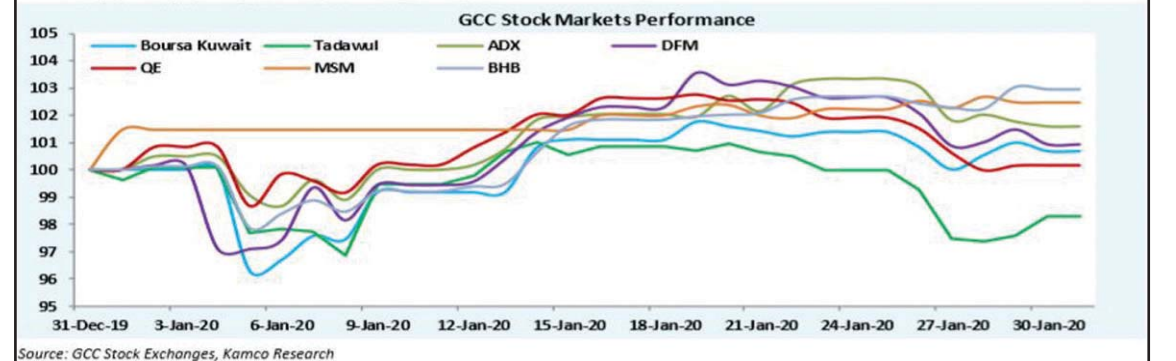
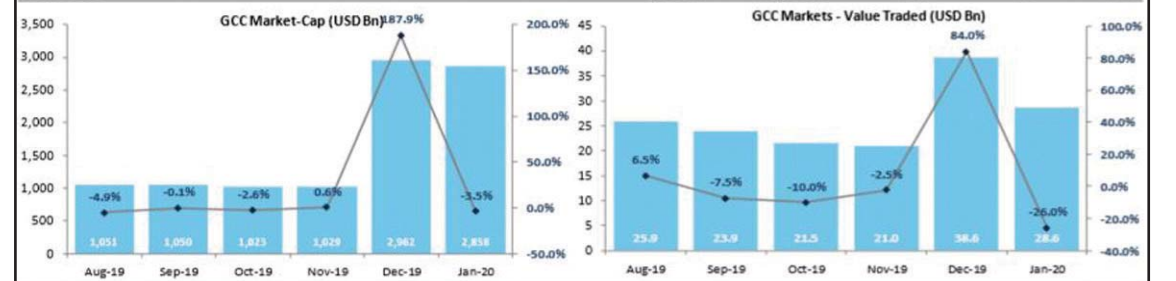
Trading activity on the exchange was down m-o-m in Jan-20, as volumes traded dropped by 56.1% to 657.7 Mn shares. Value traded fell by 77.5% m-o-m to reach AED 2.46 Bn during Jan-20. In terms of most actively traded stocks, FAB led all stocks in terms of value traded, with AED 564 mn worth of shares traded during Jan-20. ADCB and Aldar followed as AED 378 Mn and AED 346 Mn worth of shares were traded respectively. Aldar led the most active stocks list in terms of volumes traded, as 157.6 Mn shares were traded. Dana Gas and Abu Dhabi National Energy Co followed with 60.52 Mn and 55.3 Mn shares traded.

**Dubai Financial Market**

The DFM index witnessed more moderate positive returns than its other UAE counterpart in Jan-20, after ending 2019 as one of the top performers in the GCC. The DFM index gained marginally by 0.9% m-o-m in Jan-20 and closed at 2790.42 points, as sectoral performance was mixed. The Consumer Staples & Discretionary index was the best performing index as it gained by 6.3% m-o-m in Jan-20, on the back of a 6.2% m-o-m gain for DXB Entertainments. Telecoms and Banks also rose by 4.5% and 3.8% respectively. Both constituents in the Telecom index - AAN Digital Services (+13.2%) and DU (+4.5%) gained during the month, while Emirates NBD (+5.8%) was the main driver for the Banks index. In full year results announced, Emirates NBD reported a net profit growth of +44% y-o-y to AED 14.5 billion. Net interest income increased 26% y-o-y as loan growth and non-interest income grew 38% due to higher foreign exchange and credit card related income. NIMs improved 7 bps y-o-y to 2.89%, helped the expansion into Turkey, while cost to income ratio came in at 32.1%. Insurance and Transportation were the main laggards for Jan-20 as they declined by 4.4% and 3.6% m-o-m respectively. Real Estate continued trends from 2019, and remained under pressure in Jan-20, declining by 2.1% m-o-m.

In terms of trading activity, the DFM witnessed marginally lower trends, as volumes traded declined by 7.9% m-o-m to reach 2.79 Bn shares. In terms of value traded, total value of shares receded by 4.9% m-o-m to reach AED 3.97 Bn. In terms of monthly gainers, AAN Digital Services Co led all stocks as its stock price went up by 13.2% m-o-m in Jan-20. Al Salam Bank Sudan and DXB Entertainment followed, as their stock prices moved up by 11.1% and 6.2% respectively. On the other hand, shares of GULFA declined the most as its share price declined by 26.8% m-o-m. Union Properties and Gulf Navigation Holding followed, as its stock prices receded by 26.0% and 24.6% respectively m-o-m. Emirates NBD was the most actively traded stock on the exchange as AED 752.91 Mn worth of stock was traded. Emaar Properties and Dubai Islamic Bank followed with value traded of AED 688.70 Mn and AED 620.03 Mn respectively. In terms of volumes, Union Properties led all stocks as 675.9 Mn shares were traded. Air Arabia and Deeyar Development followed as 256.4 Mn and 246.9 Mn shares were traded. Market breadth was broadly

GCC Equity Markets	Index Closing	MTD Chg%	YTD Chg%	M-Cap (USD Bn)	Monthly Value Traded (USD Mn)	P/E (x) TTM	P/B (x) TTM	Div. Yield
Kuwait - Premier Market Ind	7,033.5	0.8%	0.8%	121.2	2,878.1	16.9	1.5	3.5%
Kuwait - Main Market Index	4,922.3	0.2%	0.2%					
Kuwait - All Share Index	6,325.0	0.7%	0.7%					
Saudi Arabia	8,246.6	(1.7%)	(1.7%)	2,332.9	22,500.2	18.2	2.1	4.1%
Abu Dhabi	5,156.2	1.6%	1.6%	152.4	668.6	13.2	1.4	4.8%
Dubai	2,790.4	0.9%	0.9%	103.7	1,080.4	6.9	0.9	4.3%
Qatar	10,442.0	0.2%	0.2%	104.7	1,282.4	14.0	1.4	4.0%
Bahrain	1,657.6	2.9%	2.9%	25.7	49.6	11.4	1.0	4.2%
Oman	4,079.3	2.5%	2.5%	17.5	106.0	8.5	0.7	6.8%
Total GCC				2,858.1	28,565.3	16.6	1.9	4.1%



even as 18 stocks gained ground while 21 stocks witnessed lower levels during the month of Jan-20.

**Qatar Exchange**

Qatar Exchange ended Jan-20 broadly flat m-o-m, after witnessing broadly similar trends for full year 2019. The QE 20 index gained marginally by 0.2%, and closed at 10,442.01 points, similar to trends witnessed in the broader market, as the All Share index ended almost flat as well. Market breadth was broadly even as 22 companies gained ground while 20 companies declined during Jan-20. Sectoral performance for the first month of 2020 was mixed, and the gainers were led by the Banks & Financial Services index, that moved up by 1.9% m-o-m. Qatar First Bank (+32%), Qatar Islamic Bank (+8.9%) and Doha Bank (+8.3%) were the main gainers in the sector m-o-m. Real Estate was the other large-cap index that closed in the green, as it moved up by 0.4% m-o-m ascribed to gains for Mazaya Qatar (+7.2%) and Ezzdan Real Estate (+1.5%). In terms of laggards, Industrials was the worst performing sector, witnessing a decline of 4.5% m-o-m, followed by a 2.2% decline for the Consumer Goods & Services index.

Trading activity indicators on the index was mixed m-o-m, as value traded during Jan-20 decreased by 3.2% to reach QAR 4.67 Bn, while traded volumes increased by 14.8% m-o-m to reach 1.7 Bn shares. In terms of trading activity, QNB topped the monthly value traded chart with QAR 940.4 Mn worth of shares traded, followed by Masraf Al Rayan and Qatar Islamic Bank recording QAR 525.1 Mn and QAR 355.3 Mn in monthly value traded. In terms of volumes traded, Ezzdan Holding led all stocks with traded volumes of 244.1 Mn shares. Qatar First Bank and Masraf Al Rayan followed with traded volumes of 168.6 Mn shares and 128.3 Mn shares respectively. The Banks & Financial Services sector was the most active in terms of value traded during Jan-20, accounting for 55.1% of the total value traded, followed by Industrials and Consumer Goods & Services sectors, as they accounted for 12.9% and 9.9% of

the total value traded respectively.

**Bahrain Bourse**

The Bahrain All Share continued trends from 2019 (+20.4%) into the first month of 2020, and was the best performing index in the GCC for Jan-20, gaining by 2.9% m-o-m. The index closed at 1657.63 points and sectoral performance was positive. Industrials were the best performing index with gains of 7.7% m-o-m in Jan-20, as Alba gained by 7.9% m-o-m. Commercial Banks followed with gains of 4.1% m-o-m as AUB was up 5.9% m-o-m and National Bank of Bahrain was up 3.3% m-o-m in Jan-20. The Insurance sector also gained by 1.8% Bahrain National Holding (+3.0%) and Bahrain Kuwait Insurance (+2.9%) drove the sector up m-o-m. Services companies (+0.8%) were the other gainers as Batleco moved up by 1.6% m-o-m. Market breadth favored gainers as 16 stocks closed in the green while 10 stocks saw lower levels in Jan-20 as compared to Dec-19.

Trading activity was down on all parameters in Jan-20, as value traded fell by 24.8% m-o-m to BHD 18.7 Mn. Volumes traded also receded by 33.7% m-o-m to 58.9 Mn shares. The number of trades made in the exchange however declined to 1,446 trades, down 6% m-o-m from Dec-19. AUB was the most actively traded stock in Jan-20 with BHD 20.49 Mn worth of its shares traded on the exchange. GFH and Aluminium Bahrain followed with around BHD 2.69 Mn and BHD 2.38 Mn worth of shares traded. In terms of volumes traded, AUB topped the list as well, with 19.1 Mn shares traded on the exchange. GFH Financial Group and Al Salam Bank followed with 12.1 Mn shares and 8.8 Mn shares respectively. Of the 16 stocks that closed in the green in Jan-20, Esterad Investment Co. (+9.9%) topped the gainers list, followed by Aluminium Bahrain with monthly gains of 7.9%. Khaleej Commercial Bank was the main laggard, with a m-o-m decline of 25.0%, followed by Ithmar Holding (-10%) and Bander Hotels (-8.8%).

**Muscat Securities Market**

After witnessing the biggest decline in the GCC during 2019 and touching

historical lows, the Omani stock market showed signs of recoveries during 2020. The benchmark MSM 30 index recorded the second-highest monthly gain in the GCC during the month at 2.5% backed by gains in all the three sectoral indices. The Industrial Index topped with a gain of 4.9% followed by Financial index gains at 2.7% while the Services gauge gained 2.1%. Monthly share performance in the regular market, was topped by Al Sharqia Investment Holding with a gain of 20.8% despite reporting a marginal decline in profits reported by the company. National Gas was next on the list with a gain of 14.9% followed by Raysut Cement and Muscat Finance with monthly gains of 8.9% and 7.8%, respectively. Shares of Raysut Cement gained after the company reported a significant improvement in its FY-19 profits that grew from OMR 0.3 Mn in FY-2018 to OMR 4.3 Mn in FY-2019. On the decliners side, Ooredoo Oman topped with a marginal fall of 2.3% followed by Al Maha Petroleum Products and Shell Oman Marketing that reported declines of 1.6% and 1.3%, respectively. The market breadth for the overall market was slightly skewed towards gainers that included 37 stocks while decliners included 20 companies. Prices of 13 companies remained unchanged during the month that recorded largely minimal trading activity.

Trading activity on the month receded m-o-m primarily on the back of less number of trading days after the market remained closed on the demise of Oman's Sultan Qaboos. Total volume traded on the exchange declined by 30% in January-2020 to reach 231.2 Mn shares as compared to 332.3 Mn shares during the previous month. Value traded also receded by 34.2% to reach OMR 40.8 Mn vs. OMR 62.0 Mn during December-19. The monthly volume traded chart was topped by Gulf Invest Services Holding with a total volume of 23.7 Mn shares followed by Bank Muscat and Bank Nizwa with monthly volumes of 23.5 Mn and 22.4 Mn shares, respectively.

