US equities edge up, regains footing after Friday's tumble

In this file photo, Edward Curran (left), works with fellow traders on the floor of the New York Stock Exchange, Stock indexes edged higher on Wall Street Monday as markets regain their footing following a big stumble on Friday on worries about the spread of the new variant of the coronavirus. (AP)

Technology companies make biggest gains

NEW YORK, Nov 29, (AP): Stock indexes edged higher on Wall Street Monday as markets regain their footing following a big stumble on Friday on worries about the spread of the new variant of the coronavirus.

The S&P 500 rose 0.8% as of 10:49 a.m. Eastern. The benchmark index slumped 2.3% on Friday for its worst day since February. The Dow Jones Industrial Average gave up most of an early gain and was up just 17 points, less than 0.1%, at 34,918. The Nasdaq rose 1.2%. Small-company stocks gave up an early gain and moved lower.

Technology companies made some of the biggest gains. Apple rose 1.4% and Microsoft rose 2.5%. Retailers and other companies that rely on consumer spending also made solid gains. Amazon rose 1.7% and Nike rose 1.2%.

Airlines stocks remained lower as countries reimposed travel restrictions. American Airlines fell 1.5% and Alaska Air lost 1.1%. Stocks that had benefited from people staying at home, which surged on Friday, fell back on Monday. Home exercize equipment maker Peloton gave up 6.1% and Zoom Video Commnications lost 3.9%.

US crude oil prices jumped 3.1%, recovering partly following a plunge of more than 13% on Friday.

Like stocks, the bond market and other corners of Wall Street also steadied themselves following Friday's knee-jerk reaction to run toward safety and away from risky investments. With vaccines in hand, the world may be in better position to weather this newest potential wave. Plus, Friday's market moves may have been exacerbated by many professional traders taking the day off following Thanksgiving.

"So as the initial shock wears off a bit, traders could be eyeing opportunities and coming to terms with the possibility of short-term volatility associated with a potential new wave," Chris Larkin, managing director of trading at E-Trade Financial, said in a statement.

The yield on the 10-year Treasury climbed to 1.52% from 1.49% late Friday, recovering nearly half its steep slide from that day. It tends to rise and fall with expectations for the economy's strength and for inflation. The yield on the two-year Treasury initially rose, but by mid-morning was trading at 0.50%, little changed from Friday.

Despite the reversal from Friday for yields and other areas of the market, they're still below where they were before concerns about omicron blew through markets.

Consider the VIX, an index that measures how worried investors are about upcoming drops for the S&P 500. It eased by more than 12% to 25.04, but it's still well above where it was before Thanksgiving, at 18.58.

The broader market has been gaining ground since early in 2021 when vaccines were rolled out in an effort to fight the virus pandemic that stunned the global economy in 2020. Much of the concern for investors has focused on rising inflation potentially crimping what has been a solid recovery. COVID-19 has remained a lingering concern.

A surge in cases from the delta variant stunted consumer spending and worried investors over the summer. The latest threat from COVD-19 comes from the omicron variant, which was first detected in South Africa and appeared to be spreading across the globe. The European Union and the U.K. both announced travel restrictions from southern Africa on Friday. The US also put travel restrictions on those coming from South Africa as well as seven other African nations.

A new surge in cases represents a new threat to the global economy just as people are planning to travel for the holidays and businesses are relying on holiday shoppers. It could also complicate planning by central banks that are deciding when and how to withdraw stimulus measures that have helped keep interest rates low and aided stocks.

European stocks and oil prices rebounded and Wall Street was poised to open higher Monday even as Asian markets fell further, with investors weighing the new coronavirus variant, omicron, that is being found in more countries and prompting some governments to reimpose travel controls.

Benchmarks in London, Frankfurt and Paris had gained by midday. Indexes in Shanghai, Tokyo and Hong Kong ended lower, though losses were smaller than Friday's fall, sparked by reports that the variant first spotted in South Africa appeared to spread around the globe.

"The potential for a less deadly form of the virus does appear to provide some respite to the risk-off sentiment dominating Friday's trade," said Joshua Mahony, senior market analyst at IG. "However, the weeks ahead are fraught with danger for investors."

KFH gains 5 fils, Jazeera skids

Boursa 'ekes out' modest rebound in volatile trade

By John Mathews
Arab Times Staff

KUWAIT CITY, Nov 29: Kuwait stocks pulled higher Monday as it clawed back from last session's slide. The All Shares Index climbed 22.73 pts in volatile trade to 6,951.47 points paced by heavyweights even as the overall mood turned cautiously positive.

The Premier Market rose 37.35 points to 7,550.15 pts paring the month's loss to 142 pts while Main Market shed 19.69 pts. The BK Main 50 was down 19.69 pts at 5,937.53 points. The volume turnover meanwhile fell sharply following last session's surge. Over 294 million shares changed hands – a 33 percent dip from Sunday.

The sectors closed mostly in green turf. Technology outshone the rest with 0.94 percent gain whereas Consumer Derivatives shed 3.09 pct, the biggest loser of the day. Volume wise, Financial Services topped with 121.8 million and Banking sector dominated with KD 22.44 million.

Among the day's gainers, sector bellwether National Bank of Kuwait rose 3 fils to 998 fils on back of 5.86 million shares and Kuwait Finance House scaled 5 fils after pushing 10.4 million shares. National Investment Co paced 8 fils with a volume of 10.8 million partly paring Sunday loss and Humansoft Holding sprinted 25 fils. Boursa Kuwait Securities rebounded 50 fils to KD 1.915.

Zain rose 3 fils to 586 fils on back of 2.8 million shares whereas Ooredoo gave up 3 fils. stc slipped 5 fils 849 fils whereas logistics major Agility rallied 8 fils to 956 fils after moving 2.9 million shares. KIPCO and Al Imtiaz Investment stood pat at 145 fils and 117 fils respectively whereas Mabanee Co dialed up 2 fils. Al Deera Holding skidded 19 fils to 166 fils and Noor Financial Investment slipped 6 fils.

Top gainer of the day, Sanam Real Estate Co soared 17 percent to 89.8 fils and Mashaer Holding sprinted 8.73 pct to stand next. MENA Real Estate Co skidded 12.17 pct , the steepest decliner of the day and GFH topped the volume with 49.7 million shares.

Reflecting the day's gain, the winners outnumbered the losers. 73 stocks advanced whereas 52 closed lower. Of the 142 counters active on Monday, 20 closed flat. 14,636 deals worth KD 56.06 were transacted during the session.

National Industries Group fell 2 fils to 263 fils after pushing over 4 million shares whereas Gulf Cable paced 4 fils. Jazeera Airways continued its descent with a 120 fils plunge to KD 1.000 and ALAFCO tripped 1 fil with a volume of 1.5 million. Boubyan Petrochemical Co was unchanged at 865 fils and Qurain Petrochemical Co gave up 6 fils to close at 350 fils. Mezzan Holding and Integrated Holding took in 1 fil each.

Kuwait Cement Co eased 1 fil to 232 fils and Kuwait Portland Cement shed 11 fils, HEISC added 3 fils whereas Metal and Recycling Co and ACICO Industries paused at 102 fils and 128 fils respectively. NICBM fell 2 fils to 190 fils while Equipment Holding closed 5 fils in red. NCCI eased 1 fil to 115 fils and Salbookh Trading gave up 3.3 fils.

Kuwait National Cinema Co was unchanged at 909 fils with thin trading whereas Educational Holding Co sprinted 20 fils to 600 fils. Independent Petroleum Group climbed 10 fils to 600 fils and Sultan Centre paced 4 fils. Arabi Group Holding stood pat at 182 fils whereas Kuwait and Gulf Links Transport Co trimmed 0.4 fil. Gulf Franchising Holding dropped 7 fils to 77 fils.

Burgan Company For Well Drilling rose 4 fils to 149 fils whereas Combined Group Contracting Co dialed down 2 fils. Automated Systems Co took in 1 fil while IFA Hotels and Resorts crept 0.7 fil into green. OSOS Holding Group slipped 4 fils to 111 fils and United Projects.

In the banking sector Gulf Bank and Burgan Bank took in 2 fils each whereas Kuwait International Bank paused at 211 fils after pushing 12 million shares. Boubyan Bank slipped 5 fils to 782 fils and Warb Bank gave up 3 fils. Ahli United Bank BSC climbed 5 fils to 277 fils.

The market has been largely downbeat so far during the week shedding 177 points in last two sessions. It has slid 166 points so far during the month and is up 1,405 points year-to-date.

Economic Update

NBK Economic Research Department I 29 November 2021

Public Finance

Kuwait: Fiscal deficit narrows as higher oil prices boost revenues

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Summary

Kuwait's budget deficit for the seven months of FY21/22 was lower than expected at KD1.2 billion. The reduction in the deficit came on the back of higher oil revenues thanks to the surge in oil prices. With oil prices at higher than previously anticipated levels and government spending relatively restrained, the full-year deficit could shrink to below our earlier forecast of 10.5% of GDP. Reforms to diversify the economy and improve the sustainability of the public finances should remain a priority, however.

- The government registered a cumulative fiscal deficit of KD1.2 billion by the end of the first seven months of FY21/22 (April to October), an improvement on the KD3.8 billion recorded by the end of the corresponding period in FY20/21, according to preliminary Ministry of Finance data. (Chart 1.)
- Total revenues increased by a huge 80% y/y on higher oil revenues, already achieving 88% of full-year budget estimates. This was primarily due to higher oil prices, with the price of Kuwait Export Crude (KEC) rising 104% y/y to an average of $72.3/bbl during this period. (Chart 2.) Crude oil output increased only marginally (+2.8% y/y, to an average of 2.41 mb/d).
- Non-oil revenues increased by 47% y/y to KD1.1 billion (60% of full-year budget estimates). This is largely related to the increase in "other revenues" (+74% y/y)—revenues from electricity and water as well as from other governmental services. UNCC compensation payments (a legacy from the 1990 Iraqi invasion) worth $1.47 billion (KD0.4 billion) were received in April, July, and October, with $629 million in reparations still outstanding. Furthermore, taxes and fees (29% of non-oil revenues) rose by 3.7% y/y to KD0.3 billion, helped mainly by the recovery of imports from the pandemic.
- On the other side, total seven-month expenditures reached KD10.8 billion, a sizeable increase of 18.2% over the corresponding 2020 figure that is partly a reflection of delays in recording financial transactions last year due to the pandemic. Current spending (92% of total spending) increased by 16.6% y/y to almost KD10 billion, with the compensation of employees component increasing the most to KD4.6 billion. (Chart 3.) In addition, spending on goods and services (which include the purchases of fuel for electricity generation) increased 22% y/y to KD1.8 billion, while grants (transfers to independent entities) declined to KD2.2 billion (-27% y/y). On the whole, government efforts to pare back spending this fiscal year—which, among other moves, includes targeting a 10% reduction in ministerial spending—appear to be bearing fruit, although the provisional nature of the interim data mean this is difficult to say for sure.
- Capital spending, which was weak during the first two months of FY21/22, appears to have gained some momentum since June, increasing by 41% y/y to average KD0.2 billion per month over June-October (Chart 4.). However, capex is still well below full-year budget allocations at 33%. Capex spending is expected to pick up in the coming months with the government having increased its budgetary allocations by 13.4% for this year to KD2.6 billion. According to the budget documentation, these funds will be directed towards enhancing key infrastructure (airport development: KD0.4 billion and healthcare: KD 0.14 billion). Still, based upon historical experience, capex may only reach around 80% (KD2.0 billion) of its budgeted allocation, so this will help total expenditures come in below budget for this fiscal year.
- Overall, Kuwait's public finances have clearly benefitted from the increase in oil prices in recent months, with the fiscal deficit shrinking by more than anticipated in the first 7M of FY21/22. The full year outcome is likely to be some way below our earlier estimate of 10.5% of GDP, also taking into consideration the efforts the government is making to cut budgeted ministry spending. The success of the national dialogue and the formation of a new government shortly should, hopefully, result in some concrete initiatives. Tighter liquidity that has resulted from the near-depletion of the General Reserve Fund has highlighted the imperative of passing the debt law or allowing the government to withdraw from the Future Generations Fund to meet its short-to-medium-term financing needs. More broadly, economic diversification and private sector reforms to boost non-oil revenues and reduce the government's exposure to oil price volatility will need to be prioritized.

Chart 1: Fiscal balance after 7 months (end-Oct)
(KD billion)

Source: Ministry of Finance (MOF)

Chart 2: Oil & non-oil revenues (7-months)
(% contribution to growth)

Source: MOF, OPEC

Chart 3: Current spending
(KD billion)

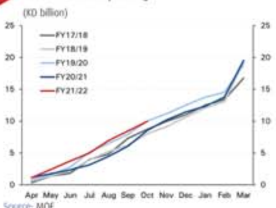
Source: MOF

Chart 4: Capital Spending
(KD billion)

Source: MOF

Table 1: Kuwait's fiscal balance (KD billion, unless otherwise indicated)

	First 7M			% y/y	
	FY2019/20	FY2020/21	FY2021/22	FY2019/20	FY2020/21
Revenues	10.1	5.3	9.6	-47.5	80.3
Non-oil	0.9	0.7	1.1	-16.1	46.7
Oil	9.3	4.6	8.5	-50.5	85.7
Total Expenditures	10.9	9.2	10.8	-15.8	18.2
Current Expenditures	10.0	8.5	10.0	-14.7	16.6
Compensation of Employees	3.6	2.9	4.6	-21.0	60.3
Goods & Services	1.8	1.5	1.8	-19.4	21.9
Subsidies	0.4	0.4	0.4	-14.2	15.6
Grants	2.9	3.1	2.2	4.3	-26.5
Social Subsidies	0.7	0.3	0.4	-50.3	28.2
Miscellaneous & Transfers	0.6	0.5	0.5	-17.4	7.6
Capital Expenditures	0.9	0.6	0.9	-29.0	41.0
Budget Balance	-0.7	-3.8	-1.2	----	-67.7
Budget Balance, % of GDP*	-3.1	-20.3	-5.2	—	—

Source: MOF, * Pro-rated GDP is estimated based on the monthly average for 7-month GDP.

to contribute to ending all forms of violence against women

Burgan Bank supports the United Nations' Orange the World initiative

Burgan Bank announced its support for the 16-day global campaign "Orange the World" in support of the United Nations initiative to eliminate all form of violence against women and girls. The Bank will light its main building in orange from November 15 to December 15, 2021, in confirmation of its strategic dedication to its social responsibility and humanitarian commitments aiming at bringing about positive change in Kuwait.

"Orange the World" initiative is part of the United Nations Declaration on the Elimination of Violence against Women that aims at increasing awareness of one of the most widespread human rights violations today and the various forms of physical and psychological violence inflicted on women around the world. The initiative was also launched to help countries achieve the sustainable development goals related to empowering women, enhancing their rights and status, and defining their vital role in the development process.

Commenting on the Bank's support for this campaign, Mr. Majed Essa Al Ajeel, Chairman of Burgan Bank Group, said, "We are proud of supporting this initiative, which reflects our corporate values aligned with the global and local efforts to combat and reduce all forms of discrimination and violence against women. Our participation also translates our strategic commitment to our social responsibility, through which we work to support all actions relevant to enhancing the well-being of society as a whole, including empowering and supporting women as an essential partner in the progress of society and the country."

Al-Ajeel added, "Burgan Bank was one of the first institutions to sign the Women Empowerment Principles (WEPS) at the United Nations website and pledged in 2018 to provide continuous support to achieve a more sustainable future by providing women with equal opportunities for advancement. The Bank is keen to continue promoting women's development and raising awareness of sensitive issues affecting them, and to consolidate its corporate culture principles of male and female employees' wellbeing, equality and equal opportunities at work."

As a leading financial institution, Burgan Bank plays a pivotal societal role and continues to support all national initiatives and State efforts to enhance the well-being of society as a whole and bring about positive change at all levels in Kuwait to help achieve the goals of equality and sustainable development within the framework of the New Kuwait Vision 2035.

US 'slaps' sanctions

WASHINGTON, Nov 29, (AP): The State Department sought Monday to keep up pressure on Russia over that country's U.S.-opposed Nord Stream 2 pipeline, sanctioning what the U.S. said was a Russia-linked company and ship working on the project.

The U.S. has unsuccessfully tried to slow or stop the construction of Nord Stream 2, which would carry Russian gas to Germany, fearing the added leverage that the energy project will give Russia in Europe.

Russian-controlled gas giant Gazprom owns the pipeline with investment from several European companies. The United States reached a deal with Germany, a key NATO ally, last summer to allow the pipeline's completion without imposing U.S. sanctions on German interests involved in the project.

Monday's move targets a business, Transadria Limited, and one of its vessels that had worked on Nord Stream.

Secretary of State Antony Blinken said in a statement the Biden administration has now sanctioned eight people and 17 vessels linked to the pipeline.

Russian President Vladimir Putin has said the country could quickly boost natural gas supplies to the European Union once German regulators allow the new pipeline to start operation. Energy prices have soared in Europe, which imports much of its natural gas from Russia, and led to pain for businesses and households.