

# EYES ON MARKETS

## GLOBAL MARKETS

The re-imposition of containment measures in some European countries has the potential to reduce consumer activity, but further restrictions are not expected to be as stringent as last year: despite the recent emergence of the new Omicron variant – which might pose some short-term risks – vaccinations, booster jabs and new antiviral pills have improved the outlook for 2022 a little. Also, China's credit impulse should gradually reassert itself, so offsetting much of the drag from a weak property market.

While inflation will start falling in the first two quarters of next year as goods prices stabilise, monetary policy will remain largely accommodative at least until QE tapering is completed before the summer. And as the Fed will remain reluctant to act too fast, too soon against high inflation despite some recent calls for greater flexibility in policy management, this should help propel stocks to new highs into the new year. However, an overheated labor market will cause inflation to re-accelerate into 2023, with the risk of higher volatility starting to impact markets sometime in H2 2022.

With "long dollar" now becoming an increasingly crowded trade, positioning for a weaker USD over a 6-month horizon makes sense to us. A depreciation should especially provide some support to underperforming Emerging Market stocks. But as the Fed is forced to turn more hawkish some time later next year, global equity market valuations may eventually peak in the expectation of positive real yields leading to further Dollar's strength in 2023.

## REGIONAL MARKETS

YTD S&P Shariah GCC Total Return Index (SPSHGT) was up 36% wherein Bahrain, UAE, Kuwait and Saudi Arabia were the outperformers i.e. up by 66%, 52%, 38% and 38% respectively. Oman and Qatar were the under-performers generating returns of 5% and 14% respectively.

S&P Saudi Shariah SAR Total Return Index (SPSHSART Index) increased YTD by 38% as cumulative inflows in the Net Foreign Portfolio Investment (NFPI) exceeded at USD5.6bn. Local cement sales recorded 8% YoY decline YTD, PMI for October 2021 declined to 57.7 from 58.6 in September, banking deposits grew 5.9% YTD as of September 2021, inflation increased to 0.8% in October vs 0.6% in September and value of POS + ATM transactions per terminal decreased by 28% YTD as of September 2021.

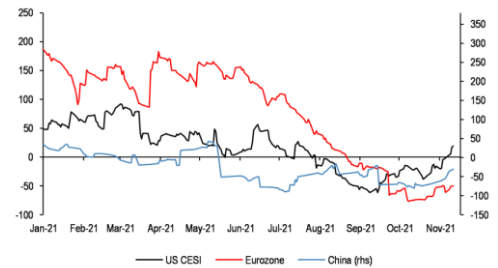
Government projected fiscal surplus in the medium term from deficit estimates in the past and WB, IMF forecast 2022 GDP growth at 4.9% and 4.8% respectively, while real GDP expanded 6.8% in 3Q21 fastest pace since 2012. Non-oil private sector output was highest in nearly four years and Government raised USD3.25bn from international bond market amidst Moody's affirming Saudi A1 rating and upgraded outlook to stable from negative. Lastly, Saudi Finance Minister asserted that VAT is not up for reduction any time soon.

YTD GCC markets mainly UAE, Qatar and Kuwait registered USD5,115mn worth of inflows from NFPI, as Moody's assigned "Stable" outlook to GCC economies for 2022 in lieu of oil prices. Dubai announced to list 10 state-owned companies for increasing stock market size to AED3trillion. Dubai's PMI reached 54.5 in October from 51.5 in September, the highest reading since October 2019. Boursa Kuwait 3Q21 Net income was up 36% YoY on the back of strong revenue growth and improved cost efficiency. S&P affirms Qatar's AA-/A-1+ ratings with 'stable' outlook, as Qatar posted USD24800mn budget surplus in 3Q21 buoyed by strong revenue growth. Saudi Arabia and Oman sign deal to develop land, air transport.

Brent increased by 40.4% YTD, while MSCI Emerging Market Index decreased by 5.3% and MSCI World Index registered 16.43% return. 2 new IPOs were announced in Saudi Arabia during the month i.e. Arabian Contracting and Nayifat were launched during the month receiving exponential bids. Due to global supply synchronization issues Bloomberg Commodity TR Index jumped 28% YTD reaching 5-year highs stoking global inflation.

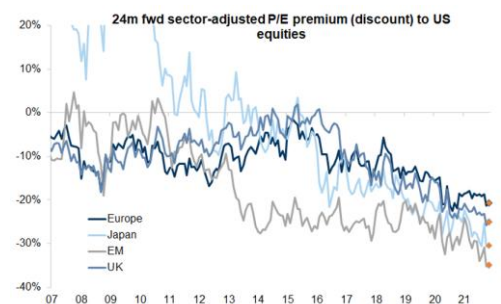
Global economy is undergoing the remnants of COVID-19 effects as sporadic scares prop up. However, normalization is underway at a faster pace. Economic growth slow down expectations were factored into the market. Market is reading the inflationary trends as temporary and is more interested in factoring in further growth from 2022. We believe that any fiscal expansion in Saudi Arabia is now shifted to 2022 budget as government reported a surplus for 3Q 2021. Already November has started and the best we can expect is clearing contract payment backlog. Tadawul IPO is likely to be finished before year end and a renewed rally in petrochemicals can't be ruled out as global prices remain stable around current levels while banks are all set to support again.

## Macro Surprises – Rolling Over



Source: J.P.Morgan

## Global Equities – The Value Of Discount



Source: Goldman Sachs

## China Equities – It's All Coming Round



Source: Credit Suisse

## GLOBAL MARKET INDICES

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2018 (%)	2019 (%)	2020 (%)
World	DJIM World TR	9668.5	3.0	20.4	27.6	26.9	24.3	19.4	13.9	(7.0)	30.9	28.2
Developed	DJIDEV TR	5436.2	3.2	23.2	30.7	27.9	25.1	19.9	14.6	(6.1)	31.6	27.4
Emerging Markets	DJIEMG TR	6030.1	1.2	(0.4)	4.8	19.7	17.9	15.2	8.1	(15.0)	22.7	35.3
Saudi	TASI	11710.5	0.1	33.7	35.8	20.6	16.0	12.3	6.6	8.3	7.2	4.4
NAREIT	All REITS (EM Inc) TR	3423.6	1.3	20.1	23.2	5.2	8.9	8.9	9.0	(5.5)	23.6	(9.2)
GSCI	All Commodities	567.1	(3.6)	38.5	53.2	17.7	9.2	9.5	(1.3)	(15.4)	16.5	(6.1)
Currencies	Euro	1.129	(2.3)	(7.6)	(4.9)	1.0	(0.5)	1.3	(1.8)	(4.5)	(2.2)	8.9
	Yen	113.99	(0.0)	(9.4)	(9.0)	(2.4)	(0.4)	(0.5)	(3.9)	2.7	1.0	5.2
	GBP	1.3451	(1.7)	(1.6)	1.4	2.0	1.5	1.7	(0.1)	(5.6)	3.9	3.1

Source: Global Data as end of 19 Nov 2021. Saudi Market Data as end of 20 Nov 2021.

\* All values beyond 1 year are annualized

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