Investors on watch and wait

Markets have remained mixed in the region, as investors continue to remain cautious about the road ahead. A **Markaz** report.

The GCC markets saw gains in February, with a high of 14 per cent in Kuwait's weighted index on account of trading up in blue chips like Zain and NIG. The MSCI GCC posted a monthly gain of 4.77 per cent in February, bringing the YTD gain to 7.6 per cent versus a gain of 0.40 per cent for MSCI Emerging Markets. The YTD gain for the GCC is being led by Kuwait, up 12 per cent for the year, while UAE markets continue to drag the index, with the DFM being the main laggard, down eight per cent.

Saudi heavyweights Samba and Al Rajhi Bank are up 18 per cent and nine per cent respectively, as record fourth quarter 2009 provisioning is seen as a positive by investors and could signify an end to high provisioning, thereby boosting future earnings potential.

In the UAE, the Dubai World debt restructuring process continues to dominate headlines, although investors have calmed somewhat in their responses to news concerning the debt plan. Trading in the UAE has turned sideways, with investors reluctant to take long-term positions as they await further clarity on Dubai World's debt plan. Recent downgrades of Abu Dhabi government-linked entities by Moody's has prompted a strong declaration of support from the government. We don't expect to see trading down in ADX given the government's support to its companies; however, we do see investors reducing their UAE positions in favour of relatively more stable regional markets like Saudi Arabia and Egypt.

In Kuwait, the story revolves around the US$9 billion sale of Zain's African assets to India's Bharti Airtel, which has pushed up trading in the stock as well as in other Kuwaiti blue chips. Zain shares are often used as collateral by retail investors when taking out new loans for stock trading purposes. Consequently, when the previous deal fell through, it not only pulled down Zain's stock, but had wider ramifications for the banking sector. With the success of the Bharti Airtel deal, the Zain stock is back on the rise with positive implications for the banking sector as well.

Volume traded in the GCC was down 19 per cent in February, while value traded contracted 12 per cent to US$23.6 billion. The UAE saw the largest decline in liquidity, with value traded shrinking 44 per cent, while Kuwait expanded 37 per cent to US$5.75 billion.

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Market indicators							
Indicators	Mid cap (US$ bn)	Last close (7-Mar-10)	YTD	Feb-09 %	2009 %	P/E 2009	P/E 2010
Saudi (TASI)	346	6566	7.26	2.96	27	20	15
Kuwait (Wghtd index)	115	432	11.92	13.5	-5	NA	11
Abu Dhabi (ADI)	82	2827	3.05	2.67	15	11	8
Qatar (Doha SM)	56	6818	-2.02	4.79	1	12	10
Dubai (DFMGI)	54	1660	-7.97	0.18	10	12	6
Oman (Muscat SM)	18	6655	4.49	2.41	17	13	11
Bahrain (BAX)	17	1501	2.90	2.69	-19	NA	11
MSCI GCC Index	473	438	7.63	6.82	18	7	13

Source: Excerpt from Markaz 'Daily Morning Brief' March 11, 2010, Market Review

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