Regional markets remain volatile

The regional markets remained subdued last month, as some corporate earnings were disappointing. A **Markaz** report.

After showing healthy returns in March (the MSCI GCC gained seven per cent, outperforming the MSCI EM), the local markets were more subdued in April amidst some corporate earnings disappointments and profit taking. The MSCI GCC was up 1.4 per cent for the month, underperforming the MSCI EM's 2.5 per cent gain. April returns in the GCC were led by Qatar, up 2.4 per cent for the month, driven by healthy corporate earnings and a positive economic outlook. The UAE's markets continue to lag as Dubai World goes back and forth with creditors concerning its debt restructuring. The DFM was down 4.7 per cent for April, despite positive earnings reported from Emaar Properties and Emirates NBD. The former's first quarter profits nearly tripled to US$207 million, while the latter's profit was nearly double analyst expectations.

The Saudi market gained 1.9 per cent for the month, mitigated by less-than-positive earnings from banks, in addition to profit-taking by investors. Banks are expected to struggle under the weight of provisions through the first half of 2010 before showing some stability in latter quarters. Saudi Arabia has a positive overall economic outlook and the market is expected to trade up in the coming months.

Kuwait's market is languishing in a loss of about 2.3 per cent for the month as the bourse continues to be influenced by negatives. Zain signed off on its asset sale to India's Bharti Airtel, which the market reacted positively to, but analysts were caught off guard by a fourth quarter net loss of US$2.4 million. Attention has now turned to Agility, the logistics firm, which is still entrenched in legal issues with the US government. It has been replaced by Dubai's Anham FZCO as the main supplier to US troops in Kuwait and Iraq, which will negatively impact Agility's future earnings. However, Agility and the US government should come to a legal agreement by the beginning of May, which ought to boost trading in the stock.

In March, liquidity was up as both volume and value traded expanded in the GCC, the former by 35 per cent while value traded expanded 37 per cent to US$32.4 billion. The largest expansion was in the UAE, up 178 per cent to US$5.35 billion. Liquidity lagged in Kuwait, with value traded increasing just two per cent to US$5.85 billion. MW

Market indicators

Indicators	Mid cap (US$ bn)	Last close (26-Apr-10)	MTD	YTD %	2009 %	P/E TTM	Div. yield %
Saudi (TASI)	365	6929	1.89	13.19	27	17	1.6
Kuwait (Wghtd Index)	114	431	-2.28	11.72	-5	16	1.7
Abu Dhabi (ADI)	82	2811	-3.36	2.45	15	10	3.7
Qatar (Doha SM)	64	7639	2.37	9.77	1	12	3.1
Dubai (DFMGI)	56	1757	-4.68	-2.57	10	10	3.2
Oman (Muscat SM)	19	6820	1.83	7.09	17	12	5.4
Bahrain (BAX)	18	1552	0.31	6.42	-19	12	4.3
MSCI GCC Index	508	464	1.42	13.94	18	21	2.3

Source: Excerpt from Markaz 'Daily Morning Brief' April 27, 2010, Market Review

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