

GCC markets ignore positive signs

The GCC markets continue to be battered, led by the Dubai Financial Market (DFM). Market volatility is likely to continue for some time to come. A **Markaz** report.

GCC markets ended January in the red as negative corporate news continued unabated. The announcement of a fiscal surplus for Kuwait, in addition to the passing of an initial bill for the creation of a Stock Market Authority, was not enough to pull the market out of the doldrums as the weighted index closed down by three per cent. The DFM was battered again in January, losing 12 per cent as the emirate grappled not only with the ongoing Dubai World saga, but also with significant declines in the profit figures of the banking sector.

Saudi Arabia, Oman and Bahrain ended in the green. The MSCI GCC lost one per cent, outperforming emerging markets, which lost 5.65 per cent for the month. On a YTD basis, the MSCI GCC is up 1.56 per cent versus other emerging market indices, which are in the red.

Dubai continues to struggle, with the

DFM down seven per cent YTD. Dubai-government-owned bank Emirates NBD lost 20 per cent of its stock value for the month amid a dispute with S&P over a revision downgrade, in addition to questions over its Dubai World exposure following a delay in its earnings announcement.

The Saudi Tadawul is up 2.41 per cent. Saudi heavyweights SABIC and Al Rajhi Bank gained five per cent and four per cent respectively in January. SABIC was spurred by healthy oil price figures in addition to a better-than-expected fourth quarter result. Sales were up 29 per cent for the quarter to US\$8.51 billion, the highest quarterly sales figure since the fourth quarter of 2008. As for Al Rajhi Bank, fourth quarter 2009 net profit was up three per cent to US\$392 million, while full year 2009 provisions came in at US\$453 million.

The region's macro factors continue to be inadequate in lifting market sentiment as investors remain cautious and reactionary to negative news while mostly ignoring any positive indications. Concerns in Saudi Arabia are centered on possible further provisioning in the banking sector and debt concerns at Zain Saudi Arabia after it failed to honour certain commitments linked to an Islamic Murabaha loan. In Kuwait, the focus has been on Agility's ongoing legal issues with the US government, in addition to the burgeoning troubles at Zain regarding the sale of its assets. These factors will continue to create market volatility, especially in light of corporate earnings figures. These have been poor in vital sectors like banking and real estate, down five per cent and 51 per cent respectively year-on-year in the fourth quarter of 2009.

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Market indicators							
Indicators	Mid cap (US\$ bn)	Last close (*11/13-Feb-10)	YTD	Jan-09	2009	P/E	P/E
				%	%	2009	2010
Saudi (TASI)	340	6269	2.41	2.14	27	20	14
Kuwait (Weighted Index)	99	400	3.69	-2.90	-5	NA	10
Abu Dhabi (ADI)	80	2744	0.01	-4.02	15	10	7
Qatar (Doha SM)	57	6932	-0.40	-5.76	1	12	11
Dubai (DFMGI)	36	1676	-7.06	-11.84	10	26	6
Oman (Muscat SM)	18	6592	3.50	2.57	17	14	11
Bahrain (BAX)	17	1514	3.80	1.37	-19	NA	10
MSCI GCC Index	454	413	1.56	-1.01	18	7	12

Source: Excerpt from Markaz 'Daily Morning Brief' February 14, 2010, Market Review. * Depending on market's trading days

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