

# Markets come back after jitters

The steady, high oil price will generate another surplus year in budgets for the GCC countries, which should use this surplus to kick start investments to impact stock markets positively. A **Markaz** report.

**E**vents in Dubai took the centre stage of the global financial markets in November. The shock that came off reports suggesting that Dubai Holdings could also restructure its debt, in addition to requesting a six-month standstill on repayments, sent jitters through developed and emerging markets alike. Regional CDS spreads jumped, in some cases by 100 per cent (Dubai), while markets reeled with the impact. The Dubai market fell 15 per cent in the four days following the announcement.

In November, the MSCI GCC total return index posted a decline of 4.44 per cent, the highest decline since March 2009. However, markets were quick to assess that the damage may be more localised and manageable. Abu Dhabi stepped in at the last minute with a US\$10 billion lifeline, US\$4.1 billion of which was for

the repayment of the maturing Nakheel sukuk, while the remainder is for covering Dubai World costs as it negotiates with creditors.

Despite the resolving of the Nakheel sukuk issue, GCC markets continue to be a mess of their own making. There continues to be a pervasive sense of uncertainty among professional and retail investors alike as markets vacillate in response to economic news, corporate announcements and, as always, mere hearsay. There continues to be a slight negative bias in GCC markets, with Saudi being the worst performer so far in December [as of December 16, 2009], while Abu Dhabi has gained 3.7 per cent thus far in December. On a YTD basis, GCC markets are again showing wildly divergent performance, from a high of 28 per cent in Saudi Arabia to a low of

20 per cent in Bahrain. Many reasons have contributed to this, including the Dubai episode. With banks and financial services still licking their wounds, earnings uptake seems to be a distant dream.

Gross GCC earnings fell a whopping 43 per cent during 2008. However, the expected growth for 2009 is nearly six per cent. This makes the markets rich in valuation and, therefore, poor in attractiveness. Pricing continues to be based on very thin volume, leading to hyper-speculation. Continued steady oil price is the only silver lining, as governments may realise yet another surplus year in budgets. However, if they do not use that surplus to support and kick start investments, the impact may not get translated to stock markets soon.

			Market indicators					
Indicators	Mid cap (US\$ bn)	Last close (16-Dec-09)	MTD	Nov-09	YTD	2008	P/E	P/E
			%	%	%	%	2008	2009
Saudi (TASI)	319	6154	-3.18	1.00	28.13	-56	23	17
Kuwait (Wghtd Index)	99	394	1.75	-6.00	-3.17	-43	NA	10
Abu Dhabi (ADI)	80	2768	3.73	-8.31	15.81	-48	11	9
Qatar(Doha SM)	58	7168	-0.36	1.00	4.09	-28	13	11
Dubai (DFMGI)	40	1890	-2.60	-7.30	15.50	-73	63	8
Oman (Muscat SM)	17	6247	-1.73	0.00	14.82	-40	17	11
Bahrain (BAX)	16	1448	0.64	-6.00	-19.76	-35	NA	12
MSCI GCC Index	448	412	-0.86	-4.44	19.27	-57	10	9

Source: Excerpt from Markaz Daily Morning Brief, December 17, 2009, December Market Review

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