The following tables summarize last week's performance of Boursa Kuwait

Description	Week 4	Week 3	Diff
	26/01/2017	19/01/2017	%
Working days	**5**	**5**	
AlShall index (38 Companies)	**411.4**	**391.8**	**5.0%**
Boursa Kuwait index (price)	**6,852.3**	**6,435.8**	**6.5%**
Value Trade (KD)	389,342,639	317,658,264	
Daily average (KD)	**77,868,528**	**63,531,653**	**22.6%**
Volume Trade (Shares)	4,368,042,990	3,799,919,334	
Daily average (Shares)	**873,608,598**	**759,983,867**	**15.0%**
Transactions	69,971	60,746	
Daily average (Transactions)	**13,994**	**12,149**	**15.2%**

Boursa Kuwait and disturbing liquidity trends

AL-SHALL WEEKLY MARKET REPORT

We mentioned in our last week report that liquidity was extremely concentrated on about 10 percent of listed companies -18 listed companies- which captured approximately 52.1 percent of the Boursa liquidity in the first 14 working days of 2017. We also mentioned that the sample included 10 large companies, whose market value is over KD 100 million and 8 companies with less than that value. During the week, the daily average trading for the first 19 working days of the current year rose to around KD 51.8 million, about 21.8 percent, higher than the average for the first 14 working days of the year. It scored about 4.5 times and about 3.3 times in the averages in 2016 and 2015 respectively, that we have mentioned about the high rising.

The impact of this high rise was slight in the components of the 18 top companies liquidity in the last week, companies in the two directions. First, liquidity within the list tilted more expensive companies, which still 10 companies whose values are over KD 100 million, by exit only one company, and enrolling a new one instead. Second, two small companies quit the list and two new ones replaced them. Therefore, there is no change in the conclusion we reached earlier, ie that liquidity is without a firm identity; it is a mix of investment intervention if private sector's funds dominate, and there is also inclination towards adventurous and speculative investment on cheap shares, which is dangerous due to its short term.

Scarce liquidity is still the share of half of the listed companies -92 companies-, which made only about KD 26.6 million out of KD 985 million from trading value since the beginning of the year, or approximately 2.7 percent of total liquidity. The majority of those companies represent a burden on the Boursa and its shareholders because listing costs do not match the shares liquidity, and if we go further in rating non-liquid companies, we find that only 50 companies captured only about 0.1 percent of the Boursa liquidity in 19 working days, including 11 companies whose shares did not witness any trading despite the unprecedented liquidity activity since 2009.

The continued scarcity at a time of unprecedented high liquidity provides enough justification for the managements of these companies and the Boursa management to accelerate the delisting process. This has interest to the withdrawing companies and strengthens the remaining ones, without much pressure on the Boursa company's revenues. Perhaps after filtering, listing might attract better companies when quality of Boursa companies improves.

Liquidity of the listed companies

As indicated above, in the 19 working days since the beginning of the year 2017, the Boursa liquidity was exceptionally high at a time of geopolitical violent events in the region and a lot of macro negative global variables and continued weak oil market, despite its slight improvement lately. This raises a big question mark for us and drives us to look at the identity in all ratings of listed companies either to contribute to their strengthening or warn against them.

In tracking the share of the biggest 10 percent of the listed companies, the highest in capital value -18 listed companies- we note they received about 31.5 percent of liquidity although they contribute by 70.6 percent of the total market capitalization value of the listed companies. This means their share of Boursa liquidity is less than half of their share of the capitalization value. Even within that list, 9 companies, or 50 percent of the highest companies in value, were liquid and received 28 percent of all Boursa liquidity leaving only 3.5 percent of that liquidity to other 9 big companies. This may be explained by the siding of the National Portfolio to half of the big companies.

Within the 9 non-liquid big companies, there are more than half -5 companies- did not get more than 0.4 percent of market liquidity pointing to an unhealthy phenomenon.

And if we go to the opposite, the smallest 10 percent in capitalization value of the 18 listed companies. The combined market value of these companies does not exceed KD 80.6 million and represent only 0.3 percent of the capitalization value of all Boursa companies, but they are more liquid.

While the average turnover of the biggest 18 companies scored about 1.49 percent, but it scored about 23.8 percent for the smallest 18 companies. Those small companies secured about 1.95 percent of Boursa liquidity, or more than 4 times of their contribution to their companies' value. But even among the smaller companies list, 5 companies only took about 1.92 percent of Boursa liquidity and left approximately 0.03 percent of Boursa liquidity to 13 other companies. That concentration suggests that the direction of adventure or harmful speculation would target a limited number of smaller companies. This yet is another indicator for an inherent danger in active trading, perhaps in trading last Thursday some of awareness, where there is a correction of the indexes and decreased in liquidity.

We repeat that it is still premature to pass judgments and market's high liquidity is commendable and is justifiable in some of its trends. However, historical experience, the unjustified rise in the prices of some companies and the rise without due rise call for caution and review. Healthy rise is phased and corrects itself every now and then.

Distribution of Liquidity on Sectors

Boursa companies fall under 12 sectors, including 5 major ones whose total value represents approximately 90.1 percent of the total value of all Boursa companies. These five sectors took liquidity in proportion to that contribution and about 87.2 percent of total liquidity in 19 trading days. However, distribution of liquidity among active sectors is not commensurate with the weight and value of each sector in the Boursa, which is not surprising, but its indicators might strengthen the dominance of the speculative trend.

The banking sector, which weighs about 47.4 percent of the value of all Boursa companies, the biggest beneficiary from the rise in share prices and the compliant with its portfolios policies took about 20.9 percent of Boursa liquidity since the beginning of this year, or 44.1 percent of its contribution percentage to the value. While the financial services sector, mainly investment companies, took about 28.6 percent of Boursa liquidity, although its contribution to the Boursa value does not exceed 10.2 percent, i.e equals three times its contribution to value. And we can explain the trend towards this type of shares by saying that these shares were compressed for a long period of time and they benefit from the rise in their assets prices, mostly shares. That contains some logic.

But the exaggerated bias towards liquidity increases investment risks. Likewise, the real estate sector captured 19.7 percent of Boursa liquidity although its contribution to its value is about 8.5 percent. This means it obtained liquidity equal to 2.3 times its contribution to its value. The real estate market is also under pressure downwards on its assets prices. Intensified trading also suggests predominance of the speculative trend.

Both the industry and the telecommunications sectors, liquid sectors, captured 12.2 percent and 8.7 percent of Boursa liquidity respectively, which are close to their contribution to the Boursa value.

Distribution of liquidity among sectors is balanced and is in par with their contribution to the Boursa value. The 5 main active sectors received about 90.1 percent of the Boursa liquidity versus 87.2 percent of its value as mentioned, while the other 7 sectors got about 9.9 percent of that liquidity versus 12.8 percent of its value. Once again, we shall not pass premature judgments on the identity of liquidity direction. But monitoring indicators, the good and the risky, may benefit some when they construct their investment decisions. Please note that what we provide here is just an opinion which might be right or wrong.

Monthly Economic Report

We're not going to review or criticize -positively or negatively- the monthly report of the Finance Minister's economic team. But we would like to recall that capital spending figures or spending on construction projects without linking them with the economic return may be counterproductive. At the beginning of this century, we stated warnings which have become redundant and boring about the danger in the rush in expansion of the fiscal policy.

Because of the repercussions of that expansion, the declared policies now call for returning a few years back to make up for these years' losses. Considering expenditures figures which are committed, approved or estimated, as positive development while the Government is unable to maintain and operate existing projects -roads, hospitals, schools and ports, etc.- could widen the structural gaps rather than bridging them, i.e. deepen the old financial policy implications. An example of the current debate about the oil pipeline from Canada to the gulf of Mexico, controversy revolves the creation of 28 thousand jobs and its types vs disadvantages of the environment to it and not about the cost.

The report mentions that the development plan targets investment spending by about KD 34 billion until 2020, without linking spending with sustainable jobs for citizens, or the targeted economic growth rates, without linking it to their impact on bridging the financial gap later and without linking it with the declared development objectives such as promoting the competitiveness of the domestic economy and accelerating its transformation into a commercial and financial center, or its general impact on the diversification of production and income sources.

In detail, raising the investment spending to 36 percent of non-oil GDP, a good level which has not been realized in 20 years, and went to projects worth KD 7.5 billion granted in 2014, signing contracts worth KD 12 billion in 2015, and an additional KD 3.6 billion granted until September 2016, and KD 1.3 billion given to expand the airport capacity. All these projects have no real effect in the diversification of income sources and serve the horizontal housing expansion, which would double the demographic imbalance and the imbalance of the labor force, all of which are non-sustainable policies and strongly press on the financial gap while Finance is suffering from a sustained deficit due to a potentially weak and ongoing oil market in the long term this time.

An economic report is not supposed to be built on unsustainable development. The origin is to act before the crisis occurs, but not to apologize when it occurs, and then looking for painful solutions to counter it. A report is not supposed to rely on credit ratings from international credit rating institutions because their audience is a global financial lender, for several years term.

Even the talk about savings in the gas and electricity subsidy expenses, which is due, is unmarketable without support by steps to address waste and rampant corruption, latest example Kuwait lost 20 places in the corruption perceptions index in one year, and without the model in government policies. Therefore, we wish that next monthly report is based on, like reports of prudent states, on unemployment, growth, the environment and the financial return and competitive and prudent spending. In other words, all fall under sustainability title.

The weekly performance of Boursa Kuwait

The performance of Boursa Kuwait for the last week, was more active compared to the previous one, where all indexes showed an increase, the traded value index, the traded volume index, number of transactions index, and general index, AlShall Index (value weighted) closed at 411.4 points at the closing of last Thursday, showing an increase of about 19.6 points or about 5 percent compared with its level last week and it increased by 48.4 points or about 13.3 percent compared with the end of 2016.

Description	Value Traded	% of Total
Sectors	KD	Market
FINANCIAL SERVICES SECTOR	109,861,682	28.2%
BANKS SECTOR	79,909,677	20.5%
REAL ESTATE SECTOR	79,226,010	20.3%
TELECOMMUNICATIONS SECTOR	41,649,006	10.7%
INDUSTRIALS SECTOR	39,926,987	10.3%

ALSHALL INDEX	Week 4	Week 3
	26/01/2017	19/01/2017
Increased Value (# of Companies)	27	25
Decreased Value (# of Companies)	3	4
Unchanged Value (# of Companies)	8	9
Total Companies	**38**	**38**

	Company Name	THU	THU	DIFF	CLOSE	DIFF
		26/01/2017	19/01/2017	%	2016	%
1	The National Bank Of Kuwait	415.5	386.2	7.6	362.9	14.5
2	The Gulf Bank	219.4	207.2	5.9	195.0	12.5
3	Commercial Bank Of Kuwait	349.7	358.2	(2.4)	349.7	0.0
4	Al-Ahli Bank Of Kuwait	219.3	212.8	3.1	196.4	11.7
5	Kuwait International Bank	239.7	235.5	1.8	214.7	11.6
6	Ahli United Bank	378.6	378.6	0.0	361.0	4.9
7	Burgan Bank	316.7	297.7	6.4	283.4	11.8
8	Kuwait Finance House	1343.4	1270.0	5.8	1172.1	14.6
	Banking Sector	**426.7**	**404.2**	**5.6**	**379.3**	**12.5**
9	Commercial Facilities Co	128.5	128.5	0.0	112.6	14.1
10	International Financial Advisors	437.7	389.1	12.5	251.3	74.2
11	National Investments	161.1	143.5	12.3	119.5	34.8
12	Kuwait Investment Projects	1270.2	1158.8	9.6	1114.2	14.0
13	Coast Investment & Development	80.6	72.4	11.3	52.6	53.2
	Investment Sector	**374.8**	**344.6**	**8.8**	**311.7**	**20.2**
14	Kuwait Insurance Company	66.2	63.9	3.6	61.7	7.3
15	Gulf Insurance Company	410.6	410.6	0.0	382.1	7.5
16	Al-Ahleia Insurance Company	169.0	169.0	0.0	170.9	(1.1)
17	Warba Insurance Company	83.6	83.6	0.0	83.6	0.0
	Insurance Sector	**151.7**	**150.6**	**0.7**	**145.0**	**4.6**
18	Kuwait Real Estate Company	134.6	124.7	7.9	100.1	34.5
19	United Realty Company	216.2	220.3	(1.9)	191.7	12.8
20	National Real Estate Company	302.7	298.1	1.5	238.5	26.9
21	Salhiah Real Estate Company	1635.3	1453.6	12.5	1433.4	14.1
	Real Estate Sector	**234.9**	**222.9**	**5.4**	**195.8**	**20.0**
22	The National Industries	143.0	126.9	12.7	109.0	31.2
23	Kuwait Cement Co	655.8	663.3	(1.1)	618.1	6.1
24	Refrigeration Industries Co	110.5	107.0	3.3	110.5	0.0
25	Gulf Cable & Electrical Industries	199.8	177.9	12.3	149.9	33.3
26	Contracting & Marine Services Co	40.9	39.1	4.6	39.1	4.6
	Industrial Sector	**200.5**	**190.6**	**5.2**	**172.4**	**16.3**
27	Kuwait National Cinemas	740.7	728.2	1.7	778.4	(4.8)
28	Kuwait Hotels Company	145.8	145.8	0.0	145.8	0.0
29	The Public Warehousing Co	2755.4	2677.8	2.9	2406.1	14.5
30	Mobile Telecommunications Co - ZAIN	775.3	728.4	6.4	541.1	43.3
31	Safat Energy Co	20.3	14.5	40.0	11.1	82.9
	Services Sector	**1013.2**	**971.4**	**4.3**	**822.1**	**23.2**
32	Livestock Transport & Trading Co	203.3	186.7	8.9	178.3	14.0
33	Danah Aalsafat Foodstuff Company	106.4	91.0	16.9	89.0	19.6
34	Kuwait United Poultry Co	64.0	60.0	6.7	65.3	(2.0)
35	Kuwait Food Co	2581.6	2581.6	0.0	2561.9	0.8
	Food Sector	**901.1**	**894.0**	**0.8**	**887.2**	**1.6**
36	Sharjah Cement Co	370.8	354.1	4.7	358.3	3.5
37	Gulf Cement Co	342.7	342.7	0.0	302.4	13.3
38	Umm Al-Qaiwain Cement Industries	610.7	588.6	3.8	551.8	10.7
	Non Kuwaiti Companies	**234.3**	**231.0**	**1.4**	**222.6**	**5.3**
	General Index	**411.4**	**391.8**	**5.0**	**363.0**	**13.3**