

SMALL-CAP RALLY COULD SHRINK ON EARNINGS, TAX HURDLES

WALL STREET WEEK AHEAD

NEW YORK: Optimism is souring around small-cap stocks for some investors, with a host of factors conspiring to up-end gains that have taken them to record highs.

Small-caps, which led the market's rally just after the Nov 8 election of Donald Trump as US president, are facing weak earnings forecasts, little progress on tax reform and recent outflows. "We have downside risk here. Earnings numbers aren't great, and valuations are ... pretty rich," said Steven DeSanctis, equity strate-

gist at Jefferies.

Investors had expected the administration of Republican Trump, with his promises of aggressive tax cuts and a healthier US economy, would be a boon for small-caps, which tend to be more domestically focused. Republicans so far have been unable to push through bills to repeal and replace the Affordable Care Act, the first leg of the Trump agenda. That has raised doubts about the likelihood of any tax reform this year. Small-caps have higher

effective tax rates - about 32 percent versus 26 percent for large-caps, a note from Nuveen Asset Management showed.

The performance of both the Russell 2000, a widely used gauge for small-caps, and the small-cap S&P 600 has lagged that of large-caps so far this year, but the Russell is up 20.3 percent since the election compared with a gain of 15.3 percent for the S&P 500.

All three indexes hit record highs in recent sessions, just as the earnings report-

ing period was getting under way. But analysts estimate earnings for S&P 600 companies declined 8.3 percent in the second quarter, dragged down by projected drops in consumer discretionary, energy and health care results, according to Thomson Reuters data. Revenue is expected to have risen slightly in the quarter.

Among consumer companies, weakness in apparel, accessories and luxury goods and other retailers is expected to have hurt results, said David Aurelio, Thomson Reuters senior research analyst.

In the small-cap energy sector, services and equipment companies continue to be affected by project cutbacks by larger companies. The small-cap outlook is in contrast to expectations for another quarter of strong profit growth for the S&P 500 and a sharp year-over-year jump in large-cap energy.

"Small-cap earnings growth has been trailing large-caps for the last four years, and that continues to be the case in the first half of this year," said Dan Suzuki, senior U.S. equity strategist at Bank of America Merrill Lynch in New York.

That does not bode well for valuation metrics for small-caps, which the bank calls "the most expensive seg-

ment of an expensive market." The Russell 2000 is trading at about 26 times forward earnings as per Thomson Reuters Datastream data, above a median of about 21. The S&P 500 trades at about 17.3 times, also above its median.

While analysts expect small-cap earnings to rebound in the second half of the year, some strategists said those lofty expectations are not likely to hold since US economic growth remains sluggish.

Large-caps have benefited from recent weakness in the US dollar, which makes foreign currency earnings for US companies worth more in dollars. "This may explain why mid- and large-caps have seen a stronger bounce in earnings revisions than small-caps recently," Lori Calvasina, Credit Suisse's chief US equity strategist, wrote in a research note.

Recent fund data also shows a weakening trend. According to Lipper, US-based small-cap funds have recorded five straight weeks of withdrawals. At the same time, technical momentum indicators are trailing the Russell 2000's recent push to new highs, a possible warning that its foray into record territory is on less than firm footing. "We're in a longer period of underperformance," Suzuki said. —Reuters

Daily Kuwait Stock Exchange Report

Sunday 23 July 2017

Index	Change	Closing	Last Closing
Price index	▲ 18.65	6,799.67	6,781.02
Weighted Index	▲ 0.78	408.48	407.70
KSX 15	▲ 0.97	932.32	931.35

Volume	119,301,623
Value (KWD)	21,403,689
Number of Trades	3,892

Security	Trades						
	High	Low	Volume	Value (KD)	Trades	Last	Change
IPG	0.0	0.0	0	0	0	330	▲ 0.0
NAPESCO	1.525	1.525	12	18	1	1,525	▲ 70.0
ENERGYH	39.6	37.5	8,640	329	9	37.5	▲ 0.2
GPI	43.0	40.3	9,012,876	374,951	252	41.9	▲ 1.7
ABAR	91	89	51,500	4,626	8	89	▼ -2.0
Oil & Gas			9,073,028	379,925	270	1038.41	▲ 29.30

KFOUC	289	289	50	14	1	289	▲ 9.0
BPCC	557	554	112,893	62,641	12	554	▼ -3.0
ALKOUT	0.0	0.0	0	0	0	590	▲ 0.0
ALQURAIN	341	336	531,442	180,055	31	336	▼ -5.0
Basic Materials			644,385	242,711	44	1238.86	▼ -0.30

KCEM	0.0	0.0	0	0	0	445	▲ 0.0
CABLE	438	435	5,483	2,391	3	438	▲ 18.0
SHIP	206	205	58,000	11,893	4	205	▲ 0.0
PCEM	921	920	6,995	6,436	4	921	▼ -1.0
PAPER	295	295	5,000	1,475	1	295	▲ 0.0
MRC	120	120	20	2	1	120	▲ 0.0
ACICO	259	259	290	75	1	259	▲ 4.0
HCC	0.0	0.0	0	0	0	208	▲ 0.0
KBMMC	0.0	0.0	0	0	0	196	▲ 0.0
NICBM	0.0	0.0	0	0	0	180	▲ 0.0
EQUIPMENT	0.0	0.0	0	0	0	49.9	▲ 0.0
NCCI	0.0	0.0	0	0	0	98	▲ 0.0
GYSUM	0.0	0.0	0	0	0	95	▲ 0.0
SALBOOKH	65	62	345,300	21,387	15	65	▲ 0.0
AGLTY	840	830	586,797	489,131	108	840	▲ 4.0
EDU	345	335	137,380	46,263	25	335	▼ -4.0
CLEANING	52	52	10	1	1	52	▲ 2.0
KGL	0.0	0.0	0	0	0	60	▲ 0.0
KCCP	0.0	0.0	0	0	0	155	▲ 0.0
HUMANSOFT	4,299	4,200	10,132	43,449	8	4,299	▲ 99.0
NAFAIS	0.0	0.0	0	0	0	150	▲ 0.0
GFC	0.0	0.0	0	0	0	70	▲ 0.0
MAYADEEN	28.4	27.4	68,400	1,904	6	28.0	▲ 0.0
CGC	616	614	17,000	10,452	9	614	▲ 0.0
MTCC	0.0	0.0	0	0	0	56	▲ 0.0
UPAC	779	779	4,000	3,116	3	779	▼ -72.0
ALAFCCO	350	340	40,850	13,949	12	348	▲ 6.0
MUBARRAD	76	73	19,869	1,444	2	76	▲ 0.1
LOGISTICS	0.0	0.0	0	0	0	51	▲ 0.0
SCEM	0.0	0.0	0	0	0	76	▲ 0.0
GCEM	76	76	49,000	3,724	2	76	▲ 0.0
QIC	0.0	0.0	0	0	0	78	▲ 0.0
FCEM	82	77	44,081	3,402	3	82	▼ -0.5
RKWC	89	89	1,200	107	1	89	▲ 6.0
SPEC	95	91	791,356	73,136	73	91	▲ 0.0
Industrials			2,191,123	733,737	282	1905.23	▲ 10.60

PAPCO	0.0	0.0	0	0	0	100	▲ 0.0
CATTL	219	219	5,000	1,095	1	219	▲ 0.0
DANAH	74	74	38,657	2,868	2	74	▲ 0.5
FOOD	2,200	2,100	430	928	2	2,100	▼ -318.0
Consumer Goods			44,087	4,891	5	1019.59	▼ -53.60

MHC	0.0	0.0	0	0	0	400	▲ 0.0
ATC	0.0	0.0	0	0	0	1,100	▲ 0.0
YIACO	179	165	6,925	1,144	4	179	▲ 15
Health Care			6,925	1,144	4	1514.56	▲ 15.20

KCIN	0.0	0.0	0	0	0	1,400	▲ 0.0
KHOT	0.0	0.0	0	0	0	250	▲ 0.0
SULTAN	0.0	0.0	0	0	0	67	▲ 0.0
CABLETV	27.0	27.0	2	0	1	27.0	▼ -1
EYAS	860	805	15,550	12,739	12	845	▼ -5
IFAHR	0.0	0.0	0	0	0	285	▲ 0.0
OULAFUEL	125	122	49,292	6,109	14	123	▲ 1
MUNTAZAHAT	80	80	12,300	983	1	80	▲ 0.0
JAZEERA	500	480	180,100	89,761	17	500	▲ 5
SOOR	125	121	56,228	6,911	17	125	▲ 2
FUTUREKID	0.0	0.0	0	0	0	106	▲ 0.0
ALRAI	122	120	80,010	9,761	3	120	▼ -2
Jiyad	53	53	100	5	1	53	▲ 2
Mezzan	920	907	765,922	696,793	66	910	▼ -7
Consumer Services			1,159,504	823,063	132	1043.44	▲ 0.70

ZAIN	433	430	2,079,056	896,632	80	432	▲ 2
OOREDOO	1,151	1,060	16,259	18,658	10	1,151	▼ -19
HITSTELEC	43.2	42.0	1,734,282	74,159	54	42.9	▲ 1
VIVA	803	801	115,694	92,785	47	802	▲ 0.0
Telecommunications			3,945,291	1,082,234	191	598.94	▲ 0.30

NBK	694	687	5,294,395	3,653,902	175	694	▲ 8
GBK	243	238	489,723	117,447	26	238	▼ -3
CBK	330	325	13,000	4,240	3	330	▲ 10
ABK	320	319	196,000	62,700	11	320	▲ 1
ALMUTAHED	405	400	66,614	26,702	4	403	▼ -1
KIB	245	241	368,763	89,386	25	245	▲ 2
BURG	350	335	2,360,654	815,852	36	342	▲ 9
KFIN	529	517	8,064,595	4,229,381	387	528	▲ 11
BOUBYAN	410	406	427,795	174,522	30	406	▼ -2
AUB	216	211	5,126,304	1,096,816	141	212	▲ 0
ITHMR	44.0	43.1	4,466,225	195,486	121	43.9	▲ 1
WARBANK	269	266	1,079,251	288,444	123	266	▲ 0.0
Banks			27,953,319	10,754,878	1,082	931.87	▲ 8.00

KINS	0.0	0.0	0	0	0	260	▲ 0.0
GINS	0.0	0.0	0	0	0	510	▲ 0.0
AINS	0.0	0.0	0	0	0	430	▲ 0.0
WINS	0.0	0.0	0	0	0	79	▲ 0.0
KUWAITRE	0.0	0.0	0	0	0	186	▲ 0.0
FTI	0.0	0.0	0	0	0	55	▲ 0.0
WETHAQ	51	45.0	16,510	842	2	45.0	▼ -6.0
BKIKWT	0.0	0.0	0	0	0	355	▲ 0.0
Insurance			16,510	842	2	982.24	▼ -23.30

Security	Trades						
	High	Low	Volume	Value (KD)	Trades	Last	Change
SOKOUK	48.5	46.9	871581	41,041	33	46.9	▼ -0.1
KRE	57	57	1,605,380	91,543	27	57	▲ 0.3
URC	88	82	11,000	903	3	88	▲ 0.1
NRE	125	124	2,042,427	254,473	33	125	▼ -1.0
SRE	0.0	0.0	0	0	0	385	▲ 0.0
TAM	0.0	0.0	0	0	0	410	▲ 0.0
AREEC	158	126	17,100	2,224	8	158	▲ 18.0
MASSALEH	43.9	43.9	50,000	2,195	1	43.9	▲ 0.0
ARABREC	34.6	33.7	50,250	1,698	7	34.5	▲ 0.0
ERESCO	40.7	39.6	751,510	30,020	43	39.6	▼ -0.9
MABANEE	774	763	1,703,502	1,303,701	86	765	▲ 2.0
INJAZZAT	0.0	0.0	0	0	0	90	▲ 0.0
INVESTORS	24.9	23.9	10,766,912	260,597	201	24.1	▼ -0.8
IRC	31.5	31.5	130,000	4,095	3	31.5	▼ -0.1
ALTUJARIA	74	73	56,220	4,134	5	74	▲ 0.7
SANAM	0.0	0.0	0	0	0	46.0	▲ 0.0
AAYANRE	84	84	10,000	839	1	84	▲ 2.1
AQAR	0.0	0.0	0	0	0	71	▲ 0.0
ALAQARIA	38.8	38.0</					