NBK Capital: Boursa Kuwait holds first position in the world in 2019

On the list of top markets, thanks to FTSE upgrade and MSCI announcement

KUWAIT: Although most GCC markets managed to close the year in the green, they have significantly underperformed compared to their developed and emerging markets peers. The only exception was in Kuwait and Bahrain with Kuwait being by far the best performer in the GCC. Status upgrade to emerging market by FTSE and the announcement of an MSCI upgrade in May 2020 provided a significant boost for Kuwait equities. The All Share Index closed the year with a gain of 23.7 percent while the blue-chip Premier Market Index recorded a 32.3 percent gain which puts it high on the list of the 2019 top performers globally. Bahrain was the second-best performer in the GCC with 20.4 percent during the year after posting a gain of 5.45 percent in December.

The Tadawul All Share Index managed to boost its yearly performance to 7.2 percent from a flat line as at the end of November after posting a gain of 6.75 percent in December placing it at the top of the best GCC performers list for December. The performance of Saudi and Kuwait boosted the S&P GCC Composite which recorded 5.6 percent in December, ending the year up 7.6 percent. In the UAE, Dubai outperformed with a monthly gain 3.2 percent against 0.89 percent for Abu Dhabi resulting in yearly gains of 9.3 percent and 3.3 percent for the UAE markets respectively.

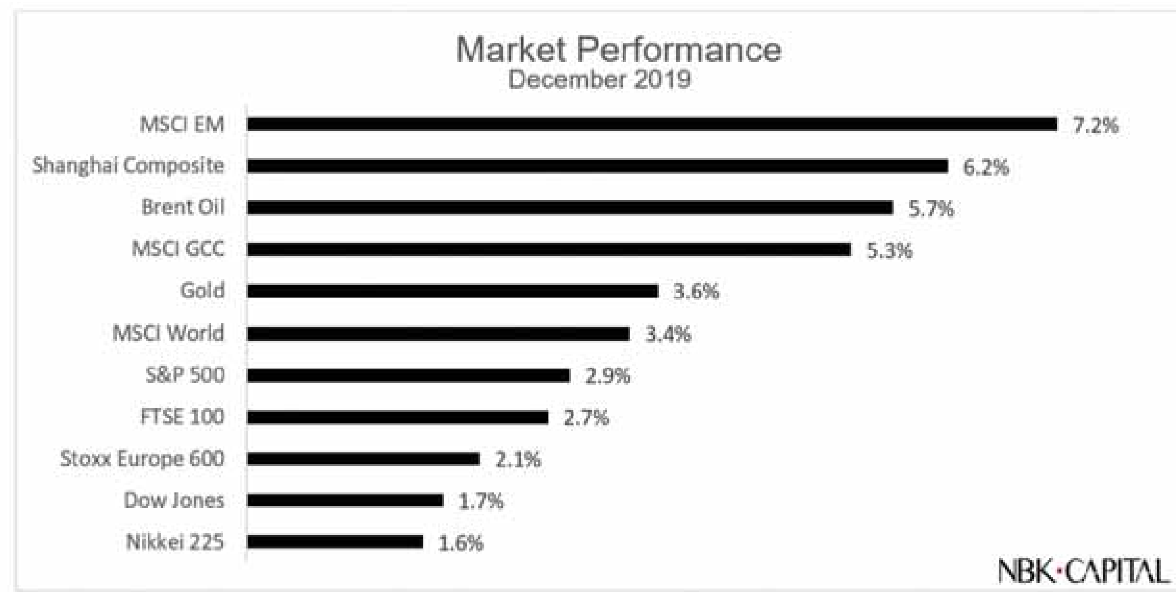
December was the best month for emerging markets since January. The MSCI EM and the MSCI Asia ex-Japan added 7.17 percent and 6.42 percent during the month respectively bringing the full 2019 performance of both indices to 15.4 percent. Emerging markets benefited from the de-escalation of the US-China trade tensions, and the positive economic growth outlook in developing countries, and in China in particular.

In Asia, the Shanghai Composite and the Taiwan Stock Exchange added 6.20 percent and 4.42 percent in December, closing the year at 22.30 percent and 23.33 percent respectively. Elsewhere in the EM space, Brazil's Ibovespa Index was among the best performers for the year with a gain of 31.58 percent. It was followed by Russia Stock Exchange Index and Turkey's Borsa Istanbul 100 Index with gains of 28.55 percent and 25.37 percent respectively. Despite heightened volatility driven mainly by trade tensions between the US and China, concerns of a slowdown of major economies, and the Brexit saga in the UK, the year 2019 turned out to be one of the best years for global markets since the financial crisis a decade ago. Trade tensions were diffused by a "phase one" deal between the US and China which the US President said he will sign on January 15 at the White House, then immediately start negotiations on phase two.

The MSCI AC World Index advanced by around 3.39 percent in December closing the year at 24.0 percent. This is its strongest performance since the financial crisis in 2009 and was mainly driven by US tech giants, and to a lesser extent by a recovery in the eurozone and Asian markets. The MSCI EAFE index, which represents the performance of developed markets outside of the US and Canada, underperformed adding 18.44 percent during the year after a 3.16 percent performance in December.

In the US, the latest reading of the third quarter GDP growth was confirmed at 2.1 percent compared to a Q2 growth of 2.0 percent, while Core Personal Consumption Expenditures (PCE) remained stable at 2.1 percent over the same period. Unemployment edged marginally lower in November to 3.5 percent from 3.6 percent a month earlier with the with the US labor participation rate at 63.2 percent virtually unchanged from the 63.1 percent at the beginning of the year. Despite the good economic numbers coming out of the US, the economic outlook is still uncertain with a persistently marked weakness in manufacturing activity.

The ISM manufacturing PMI unexpectedly declined to 47.2 in December down from a previous reading of 48.1 in November and expectations of a partial recovery to 49.0. In terms of market performance, major US indices led their global peers in terms of performance and closed the year at all-time highs. The S&P 500 ended the year up 28.88 percent after adding 2.86 percent in December, while the Dow Jones Industrial Average (DJIA) was up 22.34 percent. The tech heavy Nasdaq, on the other hand, added 3.54 percent during the last month of the year closing 2019 up 35.23 percent. Treasury yields continued their normalization and recovery which started at the beginning of September. The 10-year closed the year at 1.92 percent up from a 1.43 percent at the start of September, while the shorter term 2-year yield was range-bound and closed at 1.57 percent.



In Europe, while the Gross Domestic Product stabilized at 1.2 percent for the third quarter, there was an uptick in inflation during November as the core Consumer Price Index (CPI) edged higher to 1.3 percent from a previous reading of 1.1 percent. Manufacturing activity remained slow as the Markit Manufacturing PMI declined to 46.3 from a revised 46.9 for November. Germany's manufacturing sector weakened further as shown by the German Markit's Manufacturing PMI which declined to 43.7 from 44.1 the previous month. The equity markets, however, seem to have shrugged the economic weakness and pressed on during December to record double-digit gains. The Stoxx Europe 600 added 2.06 percent during the month to close the year with a gain of 23.16 percent, while the German DAX and the French CAC40 added 0.10 percent and 1.23 percent for the month and closed the year with gains of 25.48 percent and 26.37 percent respectively.

The sweeping victory of the UK's conservative party and Prime minister Boris Johnson seemed to have added to the market confidence that the Brexit saga is on its way to closure. The FTSE 100 surged 2.67 percent during December and managed to close the year with a gain of 12.10 percent. On the economic front, however, numbers remain weak. The Markit Manufacturing PMI for December contracted at the fastest pace since July 2012 according to IHS Markit. It fell to 47.5 marking the eighth straight month below the 50.0 level. Inflation stabilized in November as both the headline and core CPI measures were unchanged at 1.5 percent and 1.7 percent respectively.

UK retailers suffer worst Xmas since 2014

LONDON: Morrisons was the big loser as Britain's major food retailers endured their worst Christmas since 2014, hurt by intense competition and sustained consumer uncertainty which deterred shoppers from splashing out. Industry data from market researchers Nielsen and Kantar showed all of Britain's big four supermarket groups - market leader Tesco, Sainsbury's, Walmart owned Asda and Morrisons - suffered sales declines in the 12 weeks to the end of December and continued to lose market share to German-owned discounters Aldi and Lidl.

Both data sets showed Morrisons was the industry laggard and the firm's own trading statement confirmed a weak performance. Nielsen said British supermarkets' total sales over the four weeks to Dec. 28 period rose just 0.5 percent from last year - the lowest sales growth over the Christmas period in five years. It said while shoppers visited supermarkets more often, they purchased fewer items and spent less each time.

"There was no sign of the post-election rush many had hoped for in the final weeks before Christmas, with shoppers carefully watching their budgets," said Fraser McKevitt, head of retail and consumer insight at Kantar. He said consumers cut back on traditional and indulgent festive classics, with sales of Christmas puddings down 16 percent, sparkling wine sales down 8 percent and turkey sales down 1 percent.

Morrisons' own update showed its underlying sales, excluding fuel and sales tax, fell 1.7 percent in the 22 weeks to Jan. 5 - a period that included the group's third quarter and the nine-week Christmas trading period. "Throughout (the period), trading conditions remained challenging and the customer uncertainty of the last year persisted," Chief Executive David Potts told reporters.

"The market was also highly promotional (and) collectively more competitive, especially in areas such as beers, wines and spirits, fuel and in-store coupons," he said. UK pay growth has slowed since the middle of 2019 - a year characterized by political uncertainty in the run-up to several Brexit deadlines and the Dec. 12 national election. Potts said there would be uncertainty in the grocery market until the terms of Britain's exit from the European Union become clearer.

Better than feared

Morrisons' performance was, however, better than feared, with analysts forecasting a decline of 2.2 percent from the year earlier period. The firm said it still expected 2019-20 pretax profit within the range of analysts' forecasts of 400-431 million pounds ($527-$568 million), up from 396 million pounds in 2018-19, thanks to the tight management of costs. Shares in Morrisons were up 2.2 percent at 1112 GMT, reversing Monday's losses and paring losses over the last year to 10 percent.

The run up to Christmas marks the most important, and competitive, time of the year for British supermarkets. In recent years all four major groups have had to fight off the challenge from Aldi and Lidl, which are continuing to open new stores at a rapid pace. The discounters are also selling more premium products, making them more competitive over Christmas.

Kantar noted that Aldi and Lidl's combined market share of 13.7 percent is more than treble what they held in December 2009. On Monday Aldi UK reported a 7.9 percent increase in total sales for the four weeks to Dec. 24 and said its like-for-like sales were positive.

The Nielsen and Kantar data showed Sainsbury's as the least worst performer, followed by Tesco and Asda. Online seller Ocado maintained its position as Britain's fastest growing grocer with sales growth of 12.5 percent, Kantar said. Shares in Sainsbury's were up 1.6 percent, while Tesco was up 0.6 percent. Sainsbury's, which is trying to rebuild confidence in its strategy following a botched attempt to take over Asda, updates on trading today, followed by Tesco and Marks & Spencer tomorrow.—AFP

India asks refiners to stop buying Malaysian palm oil

MUMBAI/NEW DELHI: India has informally asked palm oil refiners and traders to avoid buying Malaysian palm oil, government and industry sources said yesterday, following Malaysian criticism of India's actions in the Kashmir region and its new citizenship law. India is the world's biggest buyer of the oil and palm oil inventories could spike in Malaysia, putting prices under pressure if Indian refiners reduce purchases from the country. Malaysian prices are the global benchmark for palm oil prices.

A senior official in India's vegetable oil industry, who did not wish to be named, said the government had asked refiners at a meeting attended by two dozen vegetable oil industry officials in New Delhi on Monday to boycott Malaysia.

"In Monday's meeting we have been verbally told to avoid buying Malaysian palm oil," the official said.

"We've had various rounds of meetings within the government and industry to see how we could reduce imports from Malaysia," one Indian government official said, adding India has yet to firm up a plan of action and is exploring various options. Malaysian Prime Minister Mahathir Mohamad has angered India over his comments on India's actions in Kashmir and over a new Indian citizenship law, which critics say chips away at India's secular foundations and could be used by to discriminate against Muslims.

In October, Indian traders stopped signing new contracts with Malaysia for a brief period fearing India will raise import tax on Malaysian palm oil after Mahathir told the UN General Assembly that India had "invaded and occupied" Kashmir, a disputed Muslim-majority region also claimed by Pakistan.

Last month, Mahathir, prime minister of a predominantly Muslim nation, also waded into the debate about India's new citizenship law, which has led to violent protests in India and at least 25 deaths in clashes with police. "People are dying because of this law. So why is there a necessity to do this thing when all this while, for 70 years almost, they have lived together as citizens without any problem?" Mahathir said last month.

The Indian government has made it clear it wants to punish Malaysia for these remarks and traders should support it, said another industry official. "The government has been struggling to find ways to restrict imports from Malaysia due to World Trade Organization rules. For the time being it asked for industry co-operation," he said.

India's trade ministry did not immediately respond to a request for comment. Malaysia's Primary Industries Minister Teresa Kok, responsible for the palm oil industry, told Reuters on the sidelines of an industry event that the government has not received any official statement or notice from India about cutting imports from Malaysia.

"There are some discussions going on but until they officially announce, we don't know whether it's true," said Kalyana Sundram, CEO of Malaysian Palm Oil Council, a state agency responsible for promoting palm oil. Palm oil accounts for nearly two-thirds of India's total edible oil imports. India buys more than 9 million tons of palm oil annually, mainly from Indonesia and Malaysia.

Indian refiners and traders have already contracted Malaysian palm oil for shipments in January and small amounts for February, said a Mumbai-based dealer with a global trading firm.

"The impact of Monday's meet would be clearly visible from March onward - Indonesia's exports will rise," the dealer said. Indonesia is the world's biggest producer of palm oil, followed by Malaysia. Palm oil is crucial for the Malaysian economy as it accounts for 2.8 percent of Malaysia's gross domestic product and 4.5 percent of total exports. — Reuters

KUALA LUMPUR: Palm oil is crucial for the Malaysian economy as it accounts for 2.8 percent of Malaysia's gross domestic product and 4.5 percent of total exports.