

Business

# US Fed lifts key interest rate amid banking sector concerns

## CB seeks to curb inflation, avert further banking sector upheaval

WASHINGTON: The US Federal Reserve raised its benchmark lending rate on Wednesday, as it sought to strike a balance between curbing high inflation and averting further upheaval in the commercial banking sector.

The quarter-point increase, which was in line with expectations, lifted their interest rate target to between 4.75 and 5 percent at the end of a two-day policy meeting, the Fed said in a statement. The policy-setting Federal Open Market Committee (FOMC) added that "some additional policy firming may be appropriate" to get to a stance that is sufficiently restrictive to bring inflation down.

The latest increase was the same size as the central bank's previous rate decision in February, and marks its ninth straight rate hike. The Fed also updated its economic projections on Wednesday, slightly lowering its 2023 GDP growth projections 2023 to 0.4 percent from 0.5 percent in December.

Median projections for the Fed's benchmark rate at the end of this year were unchanged, while inflation expectations rose slightly.

### 'Bumpy ride' to bring inflation down

Wednesday's decision underscores the Fed's determination to tackle inflation, which remains stubbornly above policymakers' long-term annual target of two percent despite the sustained effort to lower price increases. "Getting inflation back down to two percent has a long way to go and is likely to be bumpy," Fed Chair Jerome Powell said during a press conference on Wednesday afternoon.

The Fed warned in its earlier rate announcement that the recent banking turmoil sparked by the collapse of Silicon Valley Bank (SVB) could impact the availability of credit for households and businesses, and "weigh on economic activity, hiring, and inflation."

SVB's excessive exposure to interest-rate risk left it vulnerable when the Fed began rapidly raising rates. The Californian lender was forced to realize losses on bonds it had intended to hold for a long time, which led concerned customers to rapidly pull their money from the bank, bringing about its collapse and striking fear into the financial markets. Banking stocks tumbled in the weeks that followed, leading to the collapse of two additional regional lenders and the merger under pressure between Credit Suisse and its regional rival UBS.

In response, regulators introduced a series of policies designed to ensure that banks could access loans in a hurry if they needed, in order to avoid a repeat of the conditions that precipitated SVB's collapse.

### Regulation

The bank's management had "failed badly," Powell told reporters after the rate announcement Wednesday, adding that the Fed would look into boosting the supervision and regulation of US banks. The impact of SVB's collapse on monetary

policy was equivalent to "another rate hike, or perhaps more than that," he said, suggesting it could aid the bank in its fight against inflation. But he insisted that the US banking system remained "sound and resilient" overall.

"We will continue to closely monitor conditions in the banking system and are prepared to use all of our tools as needed to keep it safe and sound," he told reporters, adding that the Fed was "committed to learning the lessons from this episode, and to work to prevent episodes from events like this from happening again."

### Confusion

A short distance from the Fed, Treasury Secretary Janet Yellen caused confusion during a Senate hearing about the level of support US authorities were willing to extend to uninsured depositors—those who hold more than \$250,000 in a single bank.

"I have not considered or discussed anything having to do with blanket insurance, insurance, or guarantees of all deposits," Yellen told Senators on Capitol Hill. Her comments appeared to contradict Jerome Powell's comments during the Fed press conference. "Depositors should assume that their deposits are safe," he told reporters. "You've seen that we have the tools to protect depositors when there's a threat of serious harm to the economy or to the financial system, and we're prepared to use those tools," he said.



WASHINGTON: Federal Reserve Board Chair Jerome Powell speaks during a news conference at the Federal Reserve in Washington, DC, on March 22, 2023. — AFP

The S&P 500 index ended the day down almost 1.7 percent following Powell and Yellen's comments.

Wednesday's announcement follows on the heels of the European Central Bank's decision last week to raise rates by 0.5 percentage points. ECB chief Christine Lagarde warned on Wednesday that the eurozone's monetary policymakers "will still have ground to cover to make sure that inflation pressures are stamped out." She said the recent banking turmoil could add to "downside risks" in the single currency area. —AFP

## After Fed, European central banks hike their rates

ZURICH: Switzerland and Norway hiked interest rates Thursday to tackle inflation despite banking-sector turmoil, with the UK's central bank next in line after the US Federal Reserve also lifted borrowing costs. The Swiss National Bank, which helped oversee the recent UBS buyout of troubled Credit Suisse, lifted its key rate as expected by a hefty 50 basis points to 1.5 percent. Norway's central bank followed suit moments later, hiking its rate by a more modest 25 basis points to 3.0 percent after its policymakers concluded "that a higher policy rate is needed to curb inflation".

The Bank of England is forecast to join them in hiking rates in the face of stubbornly-high inflation—and as markets remain jittery over turmoil in the global banking sector. "The SNB is tightening its monetary policy further... In doing so, it is countering the renewed increase in inflationary pressure," the Swiss institution said in a statement.

The Fed decided Wednesday to push up interest rates by a quarter of a percentage point, or 25 basis points. While the Fed hiked its rate despite banking turmoil, analysts say its accompanying statement signaled it may soon pause its monetary tightening.

The Fed statement replaced a previous warning that "ongoing increases ... will be appropriate" to tame inflation with a conditional one saying "some additional policy firming may be appropriate". Recent banking sector developments "are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring and inflation," the Fed added.

The Swiss rate call, which matching the last increase in December, comes just a few days after the SNB joined other major central banks in boosting liquidity in the wake of the latest banking crisis. Switzerland at the weekend had brokered the takeover of crisis-hit Credit Suisse by its Swiss rival UBS.

The buyout followed the collapse this month of Silicon Valley Bank and Signature Bank in the United States, which sent shockwaves across global markets. A catalyst for SVB's demise was the Fed's shift from near-zero interest rates to higher borrowing costs aimed at taming decades-high inflation.

This is the reason economists have in recent days spoken about the possibility of central banks pressing the pause button on interest-rate hikes. But hot inflation remains a major problem and is widely seen as threatening a global recession this year. At the start of the week, there was much talk about how the Bank of England could decide against lifting its key rate, which stands at 4.0 percent. —AFP



BERN: (Left to right), Vice chairman of the Swiss National Bank (SNB) Martin Schlegel, SNB Chairman Thomas Jordan and member of the SNB governing board Andrea Maechler pose prior to the quarterly news conference on economic growth and monetary policy prospects in Zurich, on March 23, 2023. — AFP



شركة الصفاة للاستثمار  
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## KUWAIT BOURSA WEEKLY REPORT

WEEK ENDED ON 23 MARCH 2023

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No.	Ticker	Sector	Price Movement & Performance										Valuation Multiples *				
			Open Price	Close Price	Week High	Week Low	Range	Volume	WTD Change	WTD %	YTD %	Support Level	Resistance Level	P/E	P/B	Yield	Beta
101	National Bank of Kuwait	Banking	1,070	1,060	1,085	1,054	31	14,477,693	-6	-0.56%	-1.67%	1,055	1,068	15.8	1.97	3.3%	1.01
102	Gulf Bank	Banking	293	289	295	285	10	18,368,784	-3	-1.03%	-7.96%	285	294	14.8	1.28	3.5%	1.27
106	Kuwait International Bank	Banking	184	187	188	183	5	25,652,095	2	1.08%	-4.59%	186	194	23.4	0.57	2.2%	1.16
107	Burgan Bank	Banking	214	220	221	214	7	2,455,316	7	3.29%	0.46%	217	222	17.2	0.79	3.7%	1.27
108	Kuwait Finance House	Banking	826	824	834	819	15	58,838,526	-1	-0.12%	0.12%	815	834	25.5	1.89	1.8%	1.16
109	Boubyan Bank	Banking	700	651	700	651	49	26,814,128	-45	-6.47%	-18.42%	651	691	47.7	2.63	0.9%	1.13
201	Kuwait Investment	Financial Services	120	125	126	119	7	3,788,877	3	2.46%	-17.76%	123	129	109.6	0.58	4.0%	1.82
204	National Investments	Financial Services	234	241	253	234	19	15,616,048	7	2.99%	1.69%	237	244	21.9	0.96	18.8%	1.85
205	Kuwait Projects	Financial Services	113	120	127	111	16	46,006,406	8	7.14%	7.14%	116	122	-	0.63	4.1%	0.95
212	Arzan Financial Group	Financial Services	113	109	115	108	7	7,260,131	-3	-2.68%	-5.22%	106	110	11.2	0.79	2.1%	1.15
222	Aayan Leasing and Investment	Financial Services	126	130	134	126	8	42,978,062	3	2.36%	-2.26%	128	136	9.7	0.94	5.8%	1.66
252	Al Imtiaz Investment	Financial Services	60.1	57.1	60.1	54.4	6	4,577,543	2.1	3.82%	-23.77%	56	59.1	-	0.36	15.4%	1.23
401	Kuwait Real Estate	Real Estate	109	108	112	106	6	18,802,051	0	0.00%	0.00%	108	111	13.9	0.78	2.7%	1.08
413	Mabaneer	Real Estate	760	745	769	730	39	2,812,102	-15	-1.97%	-12.15%	734	755	15.1	1.60	1.9%	1.04
418	The Commercial Real Estate	Real Estate	104	100.1	104	99.2	5	8,782,541	-3	-2.82%	1.21%	99	104	14.1	0.60	3.0%	0.61
501	National Industries	Financial Services	191	194	196	190	6	7,045,829	3	1.57%	-10.60%	190	202	10.9	0.86	5.7%	1.51
505	Gulf Cable	Industrials	1,086	1,099	1,119	1,068	51	382,478	-19	-1.70%	-9.55%	1,090	1,149	10.6	1.06	5.5%	1.04
506	HEISCO	Industrials	600	591	611	591	20	1,081,265	-11	-1.83%	-3.59%	590	611	19.2	1.52	3.3%	0.76
514	Boubyan Petrochemical	Basic Materials	760	758	763	732	31	809,939	-2	-0.26%	-5.25%	750	769	7.6	1.47	8.1%	0.94
603	Agility	Industrials	586	613	634	583	51	44,404,083	23	3.90%	-14.86%	583	618	40.2	1.13	2.7%	1.55
605	Zain	Telecommunications	540	540	542	535	7	15,624,676	-3	-0.55%	-4.09%	528	546	12.4	1.94	6.5%	0.77
623	Human Soft Holding	Industrials	3,709	3,829	3,830	3,675	155	1,876,506	167	4.56%	8.78%	3,750	3,840	9.1	3.43	10.6%	0.63
642	ALAFCO	Industrials	189	189	191	186	5	617,627	0	0.00%	-6.90%	184	195	-	0.82	0.0%	1.18
654	JAZEERA	Consumer Discretionary	1,850	1,847	1,870	1,825	45	640,132	-21	-1.12%	-2.79%	1,820	1,880	20.2	11.13	2.5%	1.40
813	GFH Financial Group	Financial Services	72	74.4	77	71	6	39,163,061	2.5	3.48%	-2.11%	74	77	9.6	0.89	6.2%	1.36
821	Warba Bank	Banking	221	223	225	219	6	12,005,970	4	1.83%	-5.11%	216	229	30.1	1.19	1.4%	1.10
823	Mezzan Holding	Consumer Staples	384	379	390	375	15	3,999,341	-4	-1.04%	-3.56%	375	380	-	1.21	4.1%	0.48
824	Integrated Holding	Industrials	350	356	360	349	11	6,058,198	3	0.85%	-3.78%	351	358	22.8	1.43	2.8%	0.73
826	Shamal Az-Zour	Utilities	179	176	180	175	5	2,907,323	-3	-1.68%	-6.38%	175	178	13.5	1.67	10.1%	0.49
827	Boursa Kuwait	Financial Services	1,880	1,788	2,007	1,781	226	1,164,873	-91	-4.84%	-12.87%	1,770	1,840	20.1	5.52	4.7%	1.03
830	AL GHANIM	Consumer Discretionary	890	901	905	877	28	1,930,514	8	0.90%	11.93%	895	950	12.2	3.35	0.0%	0.33

\* As of end of week closing