

## GCC Equity Markets: 2018 - The Year That Was...

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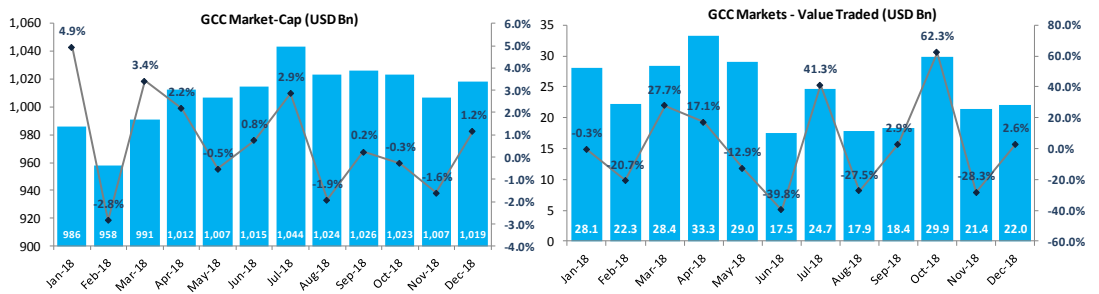
**GCC markets post best yearly performance in 5 years, beats global gloom in 2018...**

After recording flat performance in 2017, GCC equity market witnessed significant gains during 2018 with the MSCI GCC index up 12% for the year. Gains came primarily on the back of more than 20% returns for Qatar after being the worst performing market in 2017 with double digit declines. Further support came as a result of strong returns recorded by Abu Dhabi and Saudi Arabian benchmarks. Large cap stocks in Kuwait witnessed continued investor interest that pushed the Kuwait All Share Index to the green zone for the year. In addition, the decision on MSCI and FTSE index inclusions during the year were key contributors to the increase in investor appetite for large-cap blue-chip stocks in Kuwait and Saudi Arabia.

On the international front, almost all the markets were in the red with most of them posting double digit declines after recording gains across the board during 2017. This was reflected in the 11% decline in the MSCI World Index in 2018 as compared to more than 20% gains in 2017. In terms of asset class performance, USD outperformed with a gain of almost 5% during the year after falling 10% in 2017. Gold declined by 2% during the year despite being a safe haven during global market declines. Meanwhile, commodities once again declined after seeing some improvement during 2017. The broader commodity index was down 14% during 2018 as compared to gains of 6% during 2017. In the fixed income space, returns for the global high yield corporate bond declined 4% in 2018, as compared to gains of 10% in 2017 while investment grade bonds declined at a slightly smaller pace of 1.4%.

Oil prices witnessed significant volatility during the year with Brent down 20% in 2018 led by oversupply concerns. Gains until October-18 pushed prices to a 4-year high level while consistent oversupply during the final two months pushed prices back to sub-USD 50/b only to see marginal recovery by year end.

GCC Equity Markets	Index Closing	2018 Chg%	M-Cap (USD Bn)	2018 Value Traded (USD Mn)	P/E (x) TTM	P/B (x) TTM	Div. Yield
Kuwait - Premier Market Index	5,267.4	9.9%	96.0	13,664	14.6	1.2	3.9%
Kuwait - Main Market Index	4,738.6	(1.9%)					
Kuwait - All Share Index	5,079.6	5.2%					
Saudi Arabia	7,826.7	8.3%	494.8	232,222	14.8	1.7	4.0%
Abu Dhabi	4,915.1	11.7%	141.2	10,025	12.2	1.3	5.2%
Dubai	2,529.8	(24.9%)	91.0	16,140	7.1	0.9	6.2%
Qatar	10,299.0	20.8%	161.7	18,804	14.6	1.4	3.8%
Bahrain	1,337.3	0.4%	21.1	913	8.6	0.8	5.7%
Oman	4,323.7	(15.2%)	12.6	1,016	9.2	0.8	6.7%
<b>Total GCC</b>			<b>1,018.5</b>	<b>292,785</b>	<b>13.1</b>	<b>1.4</b>	<b>4.4%</b>



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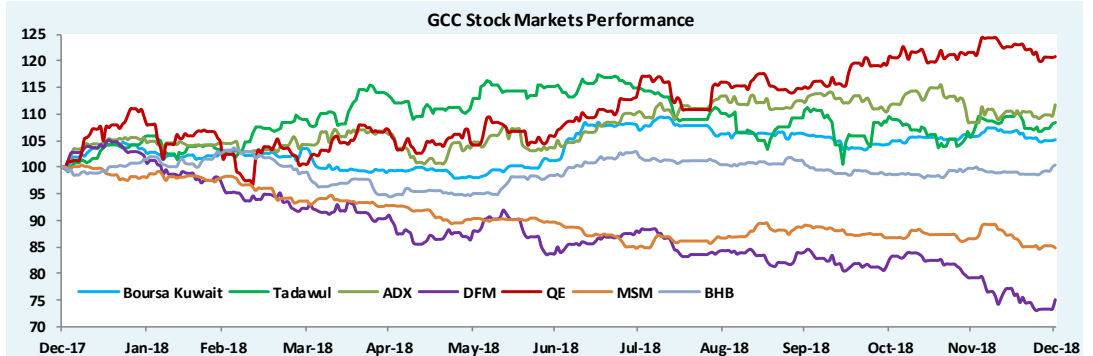
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Source: GCC Stock Exchanges, KAMCO Research

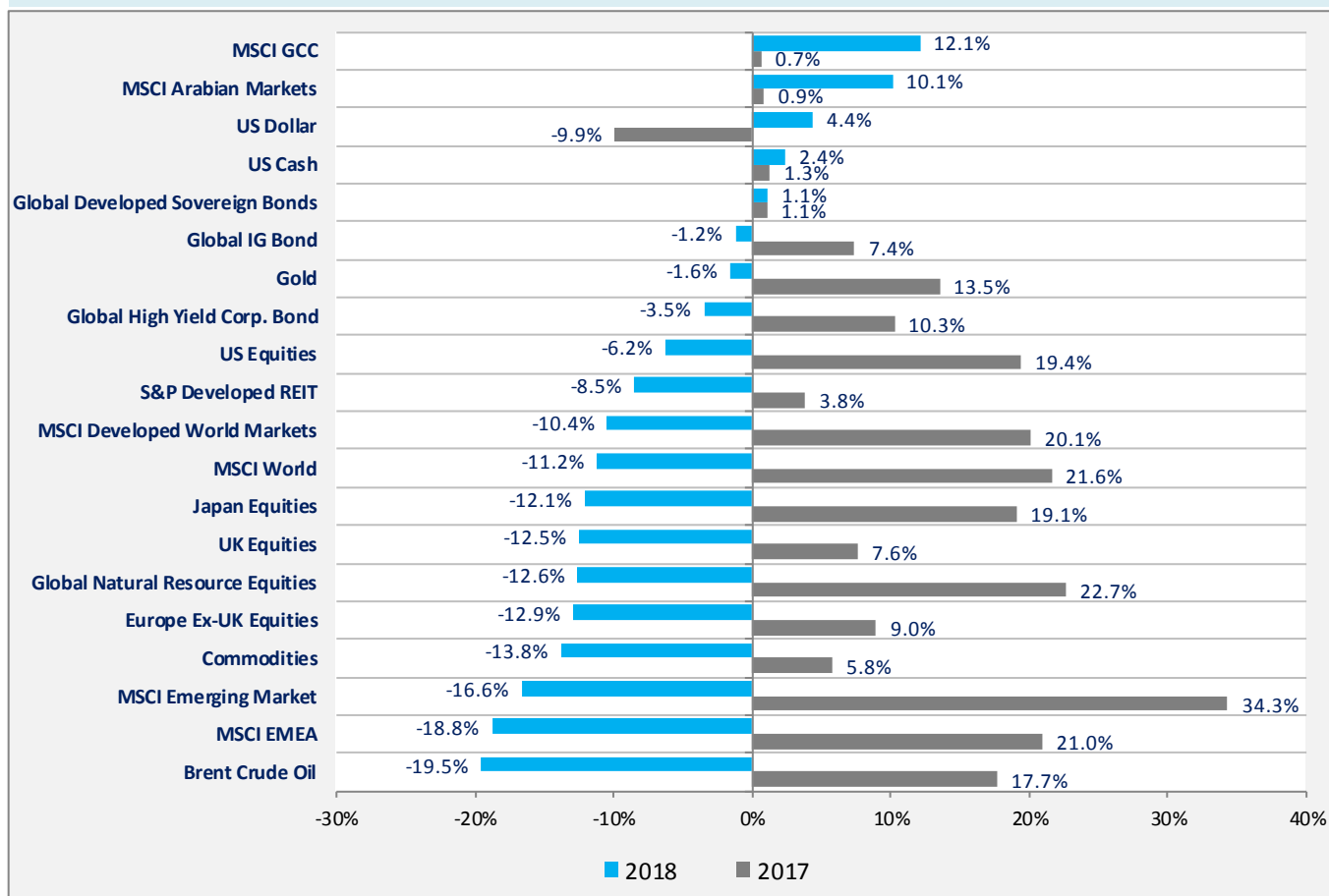
## Global Market Performance

### Global markets end 2018 in the red across the board...

Global financial markets remained under significant pressure during 2018, especially during the last quarter, after trading within a tight range since the second quarter of the year. The broad-based decline came after downside risks related global economic growth increased, resulting in reduction in growth expectations. The increase in more inward-looking policies by major trade hubs that started last year and the US-China trade war were some of the key reasons for the global rout during Q4-18 that affected almost USD 350 Bn worth of trade between the two trading partners.

In terms of regional performance, all the major regions recorded a decline during the year with Europe and Asia recording sluggish performance for almost the entire year and US declining during the final quarter. The biggest decline was recorded in Emerging Markets after being the best performing region during 2017. The Asia Pacific region was one of the main laggards with the MSCI Asia Pacific Index sliding 15.6%, led by a 25% decline in China's benchmark that more than offset India's benchmark gains of 6%. A slowdown in international trade is visible in China's economy as seen from recent economic indicators. European markets also declined by more than 13% as the region's economic growth faced heightened challenges. The confusion over Brexit pushed UK's indices down but a higher decline was

### Global Asset Class Performance - 2018 vs. 2017



Source: Bloomberg, KAMCO Research

recorded in Germany with the benchmark sliding 18.3% during the year. The economic backdrop in France and Italy further worsened the decline for the region. US market also declined during the year as declines during the final quarter wiped off record high levels reached until September-18.

On the economic front, the year also marked a recovery for oil exporting countries on the fiscal front, especially in the OPEC, backed by relatively high oil prices for a large part of the year. Oil prices initially got a boost after US announced sanctions on Iran and supply declined from Venezuela that pushed crude prices to 4-year high levels until October-18. However, threats of demand being affected due to a global economic slowdown coupled with increasing oversupply concerns due to record high oil production in the US, Russia and Saudi Arabia during the final months of the year led to a steep decline in prices.

# GCC Market Performance - 2018

GCC Historical Performance	Index	2010	2011	2012	2013	2014	2015	2016	2017	2018
Kuwait	All Share Index	25.5%	-16.2%	3.0%	8.4%	-3.1%	-13.0%	2.3%	5.6%	5.2%
Saudi Arabia	TASI	8.2%	-3.1%	6.0%	25.5%	-2.4%	-17.1%	4.3%	0.2%	8.3%
Dubai	DFM General Index	-9.6%	-17.0%	19.9%	107.7%	12.0%	-16.5%	12.1%	-4.6%	-24.9%
Abu Dhabi	ADX General Index	-0.9%	-11.7%	9.5%	63.1%	5.6%	-4.9%	5.6%	-3.3%	11.7%
Qatar	QE 20 Index	24.8%	1.1%	-4.8%	24.2%	18.4%	-15.1%	0.1%	-18.3%	20.8%
Bahrain	Bahrain All Share Index	-1.8%	-20.1%	-6.8%	17.2%	14.2%	-14.8%	0.4%	9.1%	0.4%
Oman	MSM 30 Index	6.1%	-15.7%	1.2%	18.6%	-7.2%	-14.8%	7.0%	-11.8%	-15.2%

Source: GCC Stock Exchanges, KAMCO Research. Note: Historical returns for Kuwait from 2010 - 2015 is based on Kuwait Weighted Index that has been discontinued.

GCC equity markets outperformed global peers with a yearly return of 12% in 2018 as compared to flattish returns in 2017. This was also the best yearly growth recorded by the aggregate GCC Index (MSCI GCC Index) in five years. However, unlike the previous high of 25% in 2013 that was driven by gains across the markets, the growth in 2018 was driven primarily by four exchanges i.e. Qatar, Abu Dhabi, Saudi Arabia and Kuwait. Gains came primarily on the back of 20.8% returns for Qatar, followed by Abu Dhabi and Saudi Arabia with returns of 11.7% and 8.3%, respectively. Kuwait was next on the list with a yearly return of 5.2% while Dubai and MSM recorded double digit declines of 24.9% and 15.2%, respectively. Moreover, GCC markets continued to witness high volatility during the year, in line with other global markets. The MSCI GCC index witness gains/declines of more than +/- 1% for 32 days in 2018 as compared to merely 12 days in 2017.

Market performance during the year was largely swayed by regional geopolitics in addition to oil price movement while changes in international markets had minimal impact on the GCC, as both moved in opposite directions. One of the key factors that led to the surge in Saudi Arabia and Kuwait, was the announcement by MSCI to upgrade Saudi Arabia to Emerging Market status in 2019 and would also consider upgrading Kuwait's status from Frontier Market to Emerging Market in its 2019 review. During the year, Kuwait got a further boost when FTSE upgraded the country and added it to its Emerging Market index in two stages. In addition, the introduction of VAT on a number of consumer goods and services in Saudi Arabia and UAE had limited impact on corporate profitability as most of the exchanges reported positive earnings growth for 9M-18.

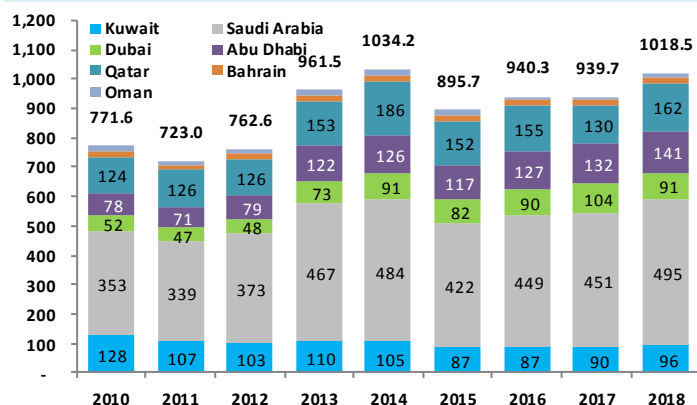
In terms of sector performance, banks recorded the best yearly returns during 2018 led by strong growth in earnings reported by most major banks during the year. The top 15 banks in the GCC by market cap added USD 74 Bn in aggregate market cap during the year equivalent to almost one-third of the market cap for these banks at the end of 2017. In addition, among the large cap sectors, Energy, Materials and Telecommunication sectors recorded strong growth during the year while on the decliners side, the prominent ones included Real Estate, Utilities and Transportation.

Trading activity in the GCC continued to slide in 2018 declining for the fourth consecutive year. Total value traded declined by 3.7% to reach USD 293.7 Bn in 2018 as compared to USD 305.0 Bn during 2017. The decline came primarily on the back of decline in trading in Kuwait, UAE and Oman, while higher value traded in Saudi Arabia, Qatar and Bahrain partially offset this decline. The biggest drop was recorded in Dubai with valued traded declining by almost 50% to reach USD 16.1 Bn in 2018 as compared USD 31.1 Bn in 2017. Saudi Arabia recorded a 4.8% increase in value traded reaching USD 232.2 Bn and accounted for 79% of total GCC value traded in 2018.

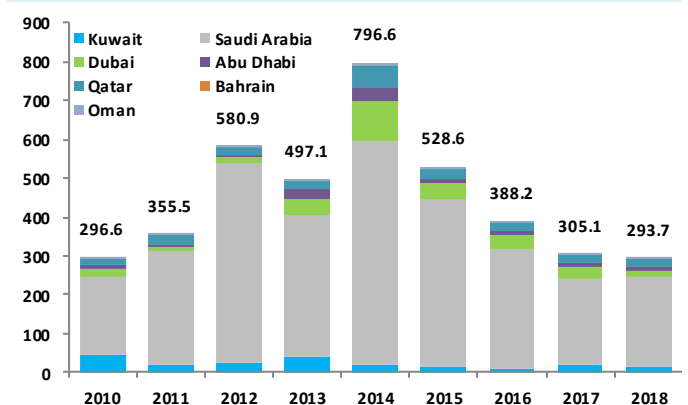
## 2018 closing indices vs. year's lowest close

Market	2017 Close	2018 Low	2018 Close	2018 Close vs. 2018 lows
KSE-All Share	4,830.36	4,731.35	5,079.56	7.4%
KSE-Premier	4,793.47	4,683.57	5,267.36	12.5%
Tadawul	7,226.32	7,171.74	7,826.73	9.1%
DFM	3,370.07	2,460.34	2,529.75	2.8%
ADX	4,398.44	4,398.44	4,915.07	11.7%
QE	8,523.38	8,252.66	10,299.01	24.8%
BHB	1,331.71	1,257.88	1,337.26	6.3%
MSM	5,099.28	4,312.94	4,323.74	0.3%

## GCC Market-Cap (USD Bn)



## GCC Markets - Value Traded (USD Bn)



Source: GCC Stock Exchanges, Bloomberg, Reuters, KAMCO Research. Value traded in Oman includes regular, parallel, under monitoring markets and rights issues.

## Boursa Kuwait

Monthly Indicators	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>Premier Market Index</b>	<b>4,921.6</b>	<b>4,982.6</b>	<b>5,000.0</b>	<b>4,778.7</b>	<b>4,690.6</b>	<b>4,904.8</b>	<b>5,297.0</b>	<b>5,261.8</b>	<b>5,343.9</b>	<b>5,234.2</b>	<b>5,317.8</b>	<b>5,267.4</b>
Monthly % Change	2.7%	1.2%	0.3%	(4.4%)	(1.8%)	4.6%	8.0%	(0.7%)	1.6%	(2.1%)	1.6%	(0.9%)
<b>Main Market Index</b>	<b>4,954.2</b>	<b>4,844.0</b>	<b>5,000.0</b>	<b>4,834.9</b>	<b>4,816.3</b>	<b>4,863.5</b>	<b>4,933.0</b>	<b>4,897.5</b>	<b>4,735.6</b>	<b>4,693.7</b>	<b>4,730.0</b>	<b>4,738.6</b>
Monthly % Change	2.6%	(2.2%)	3.2%	(3.3%)	(0.4%)	1.0%	1.4%	(0.7%)	(3.3%)	(0.9%)	0.8%	0.2%
<b>All Share Market Index</b>	<b>4,955.7</b>	<b>4,979.0</b>	<b>5,000.0</b>	<b>4,799.1</b>	<b>4,735.7</b>	<b>4,890.4</b>	<b>5,167.6</b>	<b>5,132.3</b>	<b>5,128.0</b>	<b>5,042.2</b>	<b>5,109.2</b>	<b>5,079.6</b>
Monthly % Change	2.6%	0.5%	0.4%	(4.0%)	(1.3%)	3.3%	5.7%	(0.7%)	(0.1%)	(1.7%)	1.3%	(0.6%)
<b>Thomson Reuters Kuwait TRI</b>	<b>194.4</b>	<b>197.5</b>	<b>201.6</b>	<b>198.1</b>	<b>194.5</b>	<b>202.6</b>	<b>215.6</b>	<b>214.2</b>	<b>215.5</b>	<b>212.4</b>	<b>215.5</b>	<b>214.9</b>
Monthly % Change	2.8%	1.6%	2.1%	(1.7%)	(1.9%)	4.2%	6.4%	(0.6%)	0.6%	(1.4%)	1.5%	(0.3%)
<b>Market Cap (KWD Mn)</b>	<b>27,973</b>	<b>28,036</b>	<b>28,158</b>	<b>26,912</b>	<b>26,607</b>	<b>27,473</b>	<b>29,205</b>	<b>28,989</b>	<b>29,054</b>	<b>28,578</b>	<b>29,059</b>	<b>29,013</b>
P/E (X) - TTM	14.40	14.48	14.55	14.60	14.50	14.90	15.80	15.37	15.40	14.31	14.60	14.60
P/BV (X) - TTM	1.22	1.22	1.23	1.15	1.14	1.17	1.25	1.24	1.24	1.24	1.26	1.19
Dividend Yield (%)	4.75%	4.34%	4.31%	3.44%	3.92%	3.88%	3.72%	3.78%	3.77%	3.89%	3.84%	3.86%
Volume (Mn Shares)	2,613.4	1,316.2	1,156.4	1,348.6	1,198.0	1,017.4	2,916.2	1,789.5	2,100.8	1,464.2	1,944.7	2,487.4
Value (KD Mn)	322.9	207.3	227.3	240.8	204.8	242.1	633.4	356.5	523.8	309.8	284.8	574.6
Trades ('000)	93.3	54.5	55.4	61.0	57.4	47.5	126.5	85.2	91.7	75.6	75.7	101.5

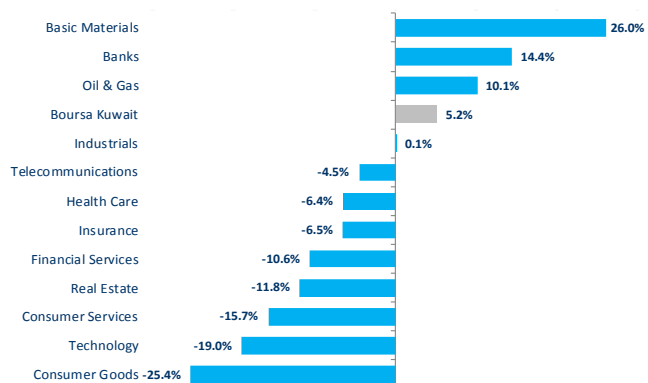
Source: Kuwait Stock Exchange, KAMCO Research

Kuwait's benchmark index recorded gains for the third consecutive year led by higher buying in large-cap stocks. The performance was reflected in the 9.9% surge in the Premier Market Index that more than offset a decline of 1.9% for the main market index resulting in 5.2% gains for the All Share Index. In terms of total return, Kuwait's growth stood even higher as seen from the 13.6% growth in the Thomson Reuters Kuwait Total Return Index. The benchmarks remained under pressure during the first half of the year but saw consistent gains during the second half primarily led by the MSCI announcement to consider Kuwait's for an upgrade to Emerging Markets next year. Positive aggregate corporate earnings in Kuwait for 9M-18, especially with most banks posting double digit earnings growth, also supported higher trading in banking stocks during the year. The yearly stock performance chart was topped by Al Madar Finance with its share gaining more than five-fold with KWD 25.2 Mn worth of shares traded during the year. Other prominent large-cap gainers for the year included Boubyan Petrochemicals with its shares gaining 45.5% during the year followed by CBK at 37.5% and Boubyan Bank with a gain of 35% during 2018.

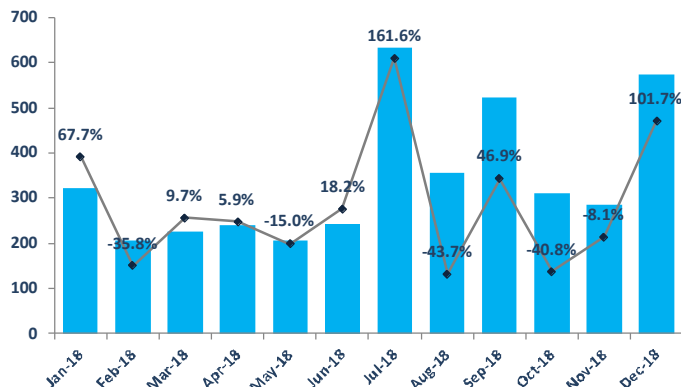
In terms of sector performance, the Basic Materials index topped the yearly chart with a return of 26% on the back of 45.5% gain in shares of Boubyan Petrochemicals, the biggest stock in the sector, followed by 40.0% gain in shares of Al Kout for Industrial Projects. Shares of Qurain Petrochemicals also gained 9.4% that collectively offset a decline in shares of Kuwait Foundry. The large cap banking index recorded the second biggest gain during 2018 at 14.4% as shares of all the Kuwaiti banks, barring Ahli United Bank - Kuwait and Warba Bank, recorded gains during the year. The Oil & Gas index was next on the list with a gain of 10.1% as all the stocks in the sector recorded gains during the year, barring Senergy Holding. On the decliners side, the Consumer Goods index witnessed the steepest decline of 25.4% during the year followed by Technology and Consumer Services indices with declines of 19.0% and 15.7%, respectively. The Real Estate sector remained weak, in line with most of the other GCC markets, with the benchmark declining 11.8% during the year.

Trading activity on the exchange declined during 2018 after showing significant growth during the previous year. Total volume of shares traded on the exchange more than halved to 21.4 Bn shares during 2018 as compared to 50.2 Bn shares during 2017. On the other hand, total value traded during the year dropped at a slightly slower pace of 27.6% during 2018 to USD 13.7 Bn as compared to USD 18.9 Bn during 2017. Aayan Leasing & Investment topped the yearly volume chart with 1.2 Bn shares traded during the year followed by AUB—Bahrain and Kuwait Finance House with 1.11 and 1.10 Bn shares traded during the year. In terms of value, Kuwait Finance House topped the year with KWD 643 Mn worth of shares changing hands during the year followed by NBK and Zain with KWD 635.4 Mn and KWD 382.1 Mn worth of shares changing hands during the year, respectively.

### Boursa Kuwait Monthly Sector Performance



### Monthly Value Traded (KWD Mn)



Source: Kuwait Stock Exchange, KAMCO Research

## Saudi Arabia (Tadawul)

Monthly Indicators	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Tadawul All Share Index	7,650.1	7,418.8	7,870.9	8,208.9	8,161.1	8,314.2	8,294.8	7,948.3	7,999.5	7,907.0	7,703.0	7,826.7
Monthly % Change	5.9%	(3.0%)	6.1%	4.3%	(0.6%)	1.9%	(0.2%)	(4.2%)	0.6%	(1.2%)	(2.6%)	1.6%
Market Cap (SAR Bn)	1,795.2	1,749.3	1,873.2	1,929.4	1,957.8	1,983.1	1,970.2	1,893.5	1,899.8	1,873.8	1,814.4	1,855.8
P/E (X) - TTM	16.34	15.04	16.12	16.25	16.37	16.73	15.93	15.34	15.41	14.88	14.58	14.84
P/BV (X) - TTM	1.76	1.67	1.75	1.82	1.81	1.85	1.85	1.77	1.78	1.75	1.71	1.74
Dividend Yield (%)	3.87%	3.99%	4.06%	3.75%	3.74%	3.62%	3.78%	3.93%	3.91%	3.94%	4.06%	4.00%
Volume (Mn Shares)	4,409.2	3,065.6	3,570.2	4,839.5	3,706.3	1,933.7	2,881.1	2,020.9	2,227.3	3,856.8	2,689.8	2,553.9
Value (SAR Mn)	82,079.2	67,740.7	87,560.8	107,967.1	83,905.9	46,427.9	73,214.0	54,251.5	49,661.6	95,741.5	62,180.7	60,141.9
Trades ('000)	2,204	1,925	2,180	2,769	2,195	1,251	2,031	1,486	1,678	2,616	2,326	2,363

Source: Tadawul, KAMCO Research

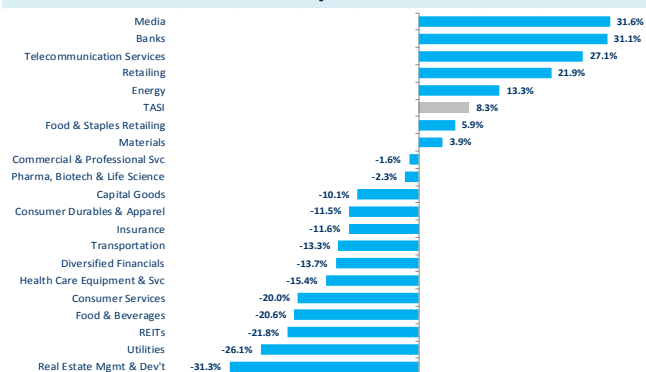
After a volatile year, Saudi Stock Exchange recorded third biggest gain in the GCC during 2018 with the benchmark TASI adding 8.3% to reach 7,826.7 points. This was the third consecutive year of positive gains for Saudi benchmark with the biggest y-o-y growth in the index in five years. The index reached a 3-year high level during July-18 with a YTD-18 return of 17.5% led by increased buying on the back of MSCI announcement. However, the index receded subsequently on the back of number of factors that included geopolitical issues as well as weak oil prices towards the end of the year.

Gains during the year were largely concentrated in large-cap sectors. The Banking index was the second-best performing index during the year with a gain of 31.1% closing following the Media index that recorded a gain of 31.6%. Shares of all the listed banks in the Kingdom recorded double digit gains during the year with Riyadh Bank recording the biggest gain of 58.6%. The Telecom index was the third biggest gainer during the year with a gain of 27.1% followed by Retailing and Energy indices with gains of 21.9% and 13.3%, respectively. On the decliners side, the Real Estate index reported the biggest drop of 31.3% after gain in shares of Saudi Real Estate and Makkah Constructions were more than offset by double digit decline in shares of most of the other real estate stocks. Jabal Omar Development and Emaar Economic City were the biggest losers in the sector with declines of 41.6% and 41.4%, respectively. The REITs index also declined during the year with a fall of 21.8%.

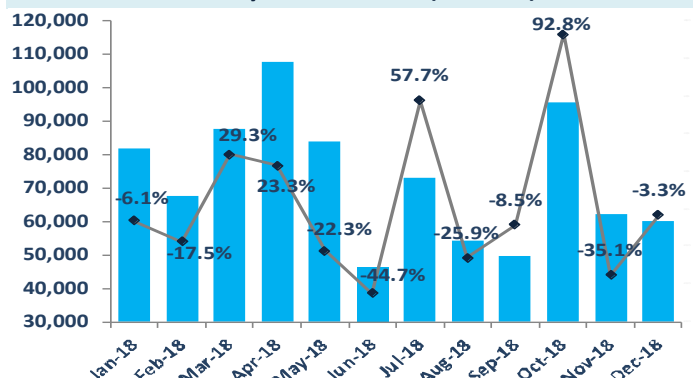
In terms of yearly performance, shares of Saudi Industrial Export topped the gainers chart with its share prices increasing almost three times during the year. United Electronics was second on the list with a gain of 60.9% followed by Riyadh Bank and Nama Chemicals Company with gains of 58.6% and 54.3%, respectively. On the decliners side, Wafa Insurance topped the list with a decline of 62.8% followed by Atheeb Telecom and Dallah Health with declines of 45.2% and 44.4%, respectively. Trading activity on the exchange increased during 2018 after declining for the previous four years. Total value of shares traded during the year increased by 4.8% to USD 232.2 Bn as compared to USD 221.6 Bn during 2017. However, total volume of shares traded on the exchange declined by 13.5% to reach 37.8 Bn shares in 2018 as compared to 43.6 Bn shares during 2017. SABIC topped the yearly value traded chart with USD 35.2 Bn (SAR 130.4 Bn) worth of shares changing hands during the year.

On the economic front, the Saudi government closed the year with an ambitious budget plan for the next year. The government approved its 2019 budget with a 7% increase in state spending in 2019 in order to provide a boost to economic growth in the Kingdom and also aimed at providing financial stability in the Kingdom. According to the budget document, spending is expected to reach a record high of SAR 1.11 Trillion in 2019 as compared to SAR 1.03 Trillion in 2018. Deficit is expected to decline marginally next year to SAR 131 Bn or 4.2% of the GDP from this years expectation of SAR 136 Bn or 4.6% of this years expected GDP. Total revenues in 2019 is expected to reach SAR 975 Bn, an increase of 9% as compared to expectations for 2018. Oil revenues are expected to grow by 9% to SAR 662 Bn backed by cut in domestic fuel price subsidies although oil price assumption for the budget was not disclosed.

### Tadawul Monthly Sector Performance



### Monthly Value Traded (SAR Mn)



Source: Tadawul, KAMCO Research

## Abu Dhabi Securities Exchange

Monthly Indicators	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>ADX General Index</b>	<b>4,602.2</b>	<b>4,597.7</b>	<b>4,585.4</b>	<b>4,669.5</b>	<b>4,605.0</b>	<b>4,560.0</b>	<b>4,859.5</b>	<b>4,986.9</b>	<b>4,935.4</b>	<b>4,901.9</b>	<b>4,770.1</b>	<b>4,823.8</b>
Monthly % Change	4.6%	(0.1%)	(0.3%)	1.8%	(1.4%)	(1.0%)	6.6%	2.6%	(1.0%)	(0.7%)	(2.7%)	1.1%
<b>Market Cap (AED Bn)</b>	<b>508.1</b>	<b>503.4</b>	<b>499.7</b>	<b>502.4</b>	<b>491.1</b>	<b>486.8</b>	<b>510.9</b>	<b>518.3</b>	<b>518.2</b>	<b>513.5</b>	<b>504.1</b>	<b>518.8</b>
P/E (X) - TTM	11.54	11.63	11.71	11.27	11.76	11.60	12.12	12.52	12.34	12.35	11.92	12.23
P/BV (X) - TTM	1.59	1.26	1.26	1.28	1.20	1.19	1.27	1.30	1.29	1.28	1.25	1.29
Dividend Yield (%)	5.94%	6.01%	6.02%	5.93%	5.52%	5.60%	5.20%	5.07%	5.16%	5.19%	5.34%	5.18%
Volume (Mn Shares)	1,276.2	1,026.9	1,305.5	1,546.9	1,403.4	942.2	686.5	597.7	1,029.2	1,141.7	1,103.4	942.7
Value (AED Mn)	3,186.1	2,348.6	2,902.3	2,807.8	2,971.8	2,485.7	2,124.5	2,193.1	3,278.0	3,067.7	4,572.6	4,886.3
Trades	23,586	17,775	20,106	22,015	26,261	17,927	16,717	15,859	22,373	24,775	32,303	26,212

Source: Abu Dhabi Securities Exchange, KAMCO Research

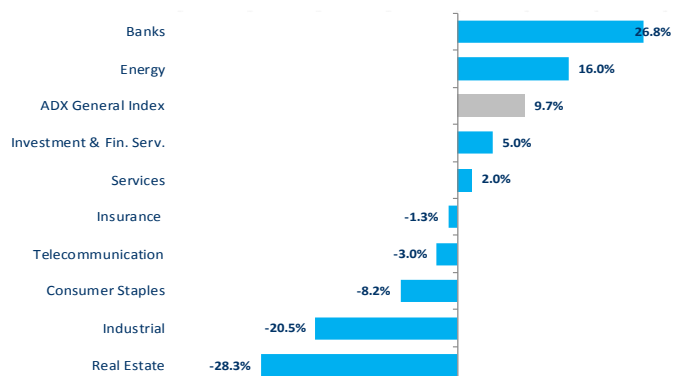
The ADX index was the second best performing index in the GCC in 2018 after declining in 2017. The index was up 11.7% y-o-y and ended the year at 4915.07 points, while sectoral performance was mixed. The Banking index was the top performer for 2018 and gained by 26.8% for the year, as investors preferred to stay with large cap names. The strong performance of banks was driven mainly by First Abu Dhabi Bank which saw its share price soar by 37.6% during the year. Union National Bank and Abu Dhabi Commercial Bank followed with returns of 23.4% and 20% respectively for 2018. Though oil prices were volatile during the year and ended the year with y-o-y declines, Energy sector stocks were up 16% for the year. Investment & Financial Services names also moved up 5% y-o-y in 2018. Abu Dhabi National Energy was the main driver as its stock price doubled over the year, while Dana Gas moved up by 18.5%. Investment and Financial Services companies also moved up by 5% for the year, largely driven by a 18.2% jump in Dec-18. Waha Capital was the main gainer in the sector with returns of 7.0%.

On the decliners side, Real Estate was the worst performing index, as it declined by 28.3% y-o-y, driven by a common theme witnessed across the GCC with lack of drivers on the demand side both on residential and corporate occupier markets. Aldar, the large cap on the index declined by 27.27%, while Eshraq Properties was the main laggard with a drop of 35.2%. The Industrials sector and Consumer Staples sector followed with declines of 20.5% y-o-y and 8.2% y-o-y respectively. Abu Dhabi Shipping Company was the Industrial stock that declined the most during 2018 plunging by 38.9%, while Ras Al Khaimah Poultry was biggest loser on the Consumer Staples index.

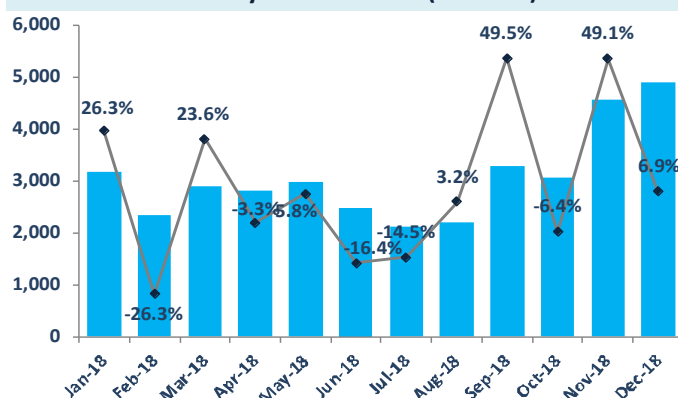
Trading activity on the ADX was however down in 2018 on all indicators. Value traded on the exchange was down 20% y-o-y from AED 46.2 Bn in 2017 to AED 36.8 Bn in 2018. In terms of volumes traded, volumes went down 47% y-o-y to 13 Bn shares in 2018 as against. In terms of most active stocks, First Abu Dhabi Bank's shares were most traded in value terms as AED 12.99 Bn was traded. Etisalat and Dana Gas followed with AED 4.76 Bn and AED 3.97 Bn worth of shares traded on the ADX. In terms of volumes traded, Dana Gas led all stocks with 3.86 Bn shares traded through the year. Aldar Properties and Eshraq Properties followed with 1.63 Bn and 1.50 Bn worth of shares traded. Abu Dhabi National Energy was the top performing stock on the index as the stock doubled to AED 1.100. First Abu Dhabi Bank and Union Cement followed with returns of 37.56% and 37.04% respectively. On the decliners side, Union Insurance Company declined the most on the ADX, receding by 49.72% followed by United Arab Bank (-44.19%) and Ras Al Khaimah Poultry & Feeding Co. (-44.12%).

In economic forecasts, ratings agency S&P Global Ratings reportedly expects Abu Dhabi's real GDP growth to reach 1.5% in 2018, from higher oil production in H2-18, while 2019 growth is pegged at 2%. They further expect growth to gradually rise to 3% by 2021 due to higher oil production, higher investment and recovering domestic credit growth. S&P reportedly assigned a stable outlook for Abu Dhabi, on the back of a steadily improving economy, strong UAE's fiscal position over the next two years, and affirmed its 'AA/A-1+' sovereign credit ratings.

### ADX Monthly Sector Performance



### Monthly Value Traded (AED Mn)



Source: Abu Dhabi Securities Exchange, KAMCO Research

## Dubai Financial Market

Monthly Indicators	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>DFM General Index</b>	<b>3,394.4</b>	<b>3,244.1</b>	<b>3,108.5</b>	<b>3,066.0</b>	<b>2,964.1</b>	<b>2,821.0</b>	<b>2,956.0</b>	<b>2,840.2</b>	<b>2,834.95</b>	<b>2,784.6</b>	<b>2,668.7</b>	<b>2,529.8</b>
Monthly % Change	0.7%	(4.4%)	(4.2%)	(1.4%)	(3.3%)	(4.8%)	4.8%	(3.9%)	(0.2%)	(1.8%)	(4.2%)	(5.2%)
<b>Market Cap (AED Bn)</b>	<b>391.8</b>	<b>377.6</b>	<b>375.6</b>	<b>373.7</b>	<b>358.7</b>	<b>352.1</b>	<b>372.2</b>	<b>362.4</b>	<b>360.5</b>	<b>354.7</b>	<b>346.2</b>	<b>334.3</b>
P/E (X) - TTM	9.11	9.16	8.70	8.38	7.97	7.68	7.84	7.67	7.66	7.54	7.52	7.15
P/BV (X) - TTM	1.17	1.10	1.05	1.04	1.02	0.97	1.04	1.00	1.00	0.98	0.95	0.90
Dividend Yield (%)	5.14%	4.71%	6.53%	5.01%	5.16%	5.39%	5.00%	5.74%	5.75%	5.91%	6.03%	6.24%
Volume (Mn Shares)	5,925.7	3,812.5	3,559.5	2,633.8	4,919.0	3,361.0	3,448.2	1,718.9	4,089.7	4,257.4	2,899.0	3,859.3
Value (AED Mn)	8,907.2	5,964.5	5,561.6	4,065.4	7,001.7	4,914.5	4,156.5	2,492.8	4,378.6	4,374.8	3,784.2	3,682.4
Trades	80,175	67,869	52,549	46,580	72,982	53,145	50,788	26,532	50,403	55,567	47,042	52,594

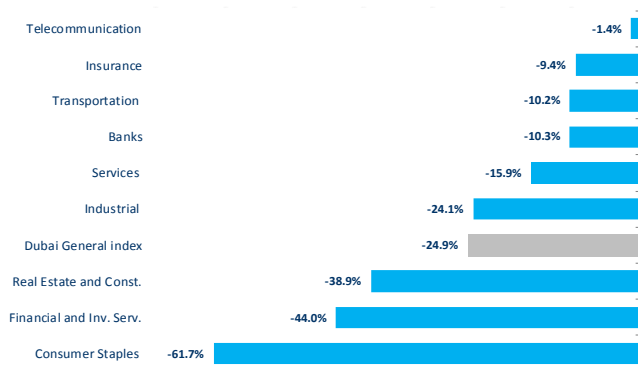
Source: Dubai Financial Market, KAMCO Research

The DFM index on the other hand continued its declining trends from 2017, and went deeper into the red in 2018, ending the year as the worst performing index. The DFM index crashed by 24.9% in 2018, closed the year at 2529.75 points, and sectoral performance was negative, as all sectors closed in the red. The Consumer Staples index was the worst performing index, plunging by 61.7% in 2018, driven mainly by 63.3% drop in the share price of DXB Entertainment, while Dubai Refreshments declined by 40.5% y-o-y. Real Estate and Construction names also declined by 38.9% y-o-y, as all traded names in the index closed the year in the red, led by DSI (-83.6%) and followed by Union Properties (-58.8%) and Damac Properties (-54.2%). The declines in the Consumer Staples and Real Estate indices are reflective of the beaten down consumer sentiment prevalent in Dubai. The Financials pack also declined, with the Financial and Investment Services sectors declining the most, by 44% y-o-y, while Banks and Insurance names receded by 10.3% and 9.4% respectively. The Telecom sector was the only sector that remained relatively unscathed as it declined by 1.4% for the year, as DU was down by 1.4%.

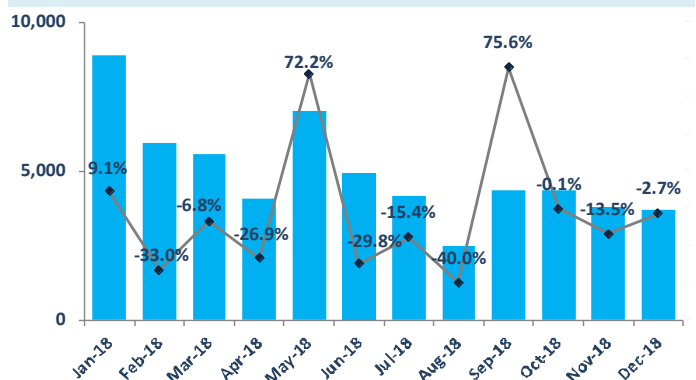
Trading activity on the exchange was also down for the year as compared to 2017, both in terms of value traded and volumes traded. Value traded declined by 48% y-o-y from AED 114 Bn in 2017 to AED 59.3 Bn in 2018. Volumes traded went down by 45% y-o-y in 2018 to around 44 Bn shares from around 80 Bn shares in 2017. In terms of sectoral trading activity, Real Estate and Construction names witnessed the highest traded value on the exchange with AED 25.7 Bn worth of trades. Banks and Transportation names followed with AED 18.7 Bn and AED 4.4 Bn worth of shares traded. The Real Estate & Construction sector also led in volumes traded as 16.62 Bn shares were traded on the DFM. Banks and Consumer Staples & Discretionary sectors followed with 11.55 Bn and 4.33 Bn shares traded on the DFM. Decliners dominated the DFM index in 2018, as 48 stocks declined, while only 9 stocks gained during the year. GULFA was the best performing stock as it more than doubled (+113.7%) in 2018. Arabian Scandinavian Insurance and Dubai National Insurance followed as their share prices moved up by 16.9% and 14.8% respectively. During the year, there were two companies that listed their stocks on the DFM as part of dual listings, NAEEM Holding which is listed from Egypt and Ithmaar Holding which is listed Bahrain. NAEEM Holding was down 12.2% for the year, while Ithmaar Holding receded by 53.3% over the same period.

In economic developments, Dubai released its annual budget for 2018 and the Ministry of Finance reportedly expects the growth of state expenditure this year to be slowdown significantly, from slower revenue expansion in an effort to stimulate business investment. Expenditure is expected to come in AED 56.8 Bn, a marginal increase from last year's AED 56.6 Bn, post a 19.5% y-o-y rise from 2017. Infrastructure expenditure in the 2018 budget reportedly jumped by almost 50%, to AED 11.9 Bn, ascribed to Expo 2020 preparations. Although, preparations are expected to continue, some Expo projects are reportedly completed, which reflects the infrastructure expenditure decline to AED 9.2 Bn. On the revenues side, state revenues are forecasted to reach AED 51 Bn in 2019, up 1.2% from the 2018 budget plan, which included a 12% jump in revenues from 2019. As a result of marginally higher revenues and expenditure, the 2019 budget projects a deficit of AED 5.8 Bn, down from the projected 2018 deficit of AED 6.2 Bn.

### DFM Monthly Sector Performance



### Monthly Value Traded (AED Mn)



Source: Dubai Financial Market, KAMCO Research

## Qatar Exchange

Monthly Indicators	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>QE 20 Index</b>	<b>9,204.6</b>	<b>8,653.3</b>	<b>8,574.0</b>	<b>9,112.0</b>	<b>8,880.5</b>	<b>9,024.0</b>	<b>9,825.1</b>	<b>9,886.5</b>	<b>9,813.3</b>	<b>10,300.9</b>	<b>10,364.5</b>	<b>10,299.0</b>
Monthly % Change	8.0%	(6.0%)	(0.9%)	6.3%	(2.5%)	1.6%	8.9%	0.6%	(0.7%)	5.0%	0.6%	(0.6%)
<b>Market Cap (QAR Bn)</b>	<b>501.8</b>	<b>461.2</b>	<b>470.5</b>	<b>509.3</b>	<b>491.7</b>	<b>493.6</b>	<b>539.9</b>	<b>546.3</b>	<b>547.4</b>	<b>580.5</b>	<b>588.4</b>	<b>588.7</b>
P/E (X) - TTM	13.70	12.23	12.21	12.82	12.72	12.68	13.75	13.82	13.84	14.47	14.75	14.65
P/BV (X) - TTM	1.22	1.11	1.12	1.20	1.16	1.17	1.27	1.29	1.29	1.35	1.38	1.37
Dividend Yield (%)	4.63%	4.67%	4.67%	4.36%	4.55%	4.51%	4.15%	4.09%	4.09%	3.88%	3.81%	3.84%
Volume (Mn Shares)	251.6	165.1	260.8	249.1	265.9	170.1	166.0	107.8	134.7	125.2	148.8	239.7
Value (QAR Mn)	6,087.8	3,948.1	6,447.5	6,074.9	10,703.2	7,966.4	4,485.2	3,187.9	4,460.4	4,270.8	5,580.1	5,252.7
Trades	97,166	66,867	89,162	81,989	107,738	78,360	70,475	59,202	67,546	73,785	97,199	152,156

Source: Qatar Exchange, KAMCO Research

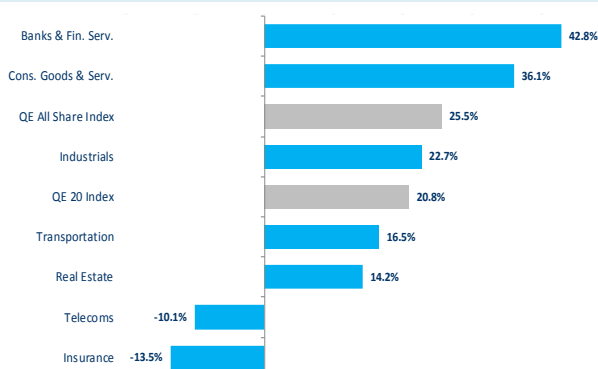
After ending 2017 as the worst performing index in the region, Qatar Exchange rebounded in 2018 and was the best performing market for the year. The QE index jumped by 20.83% in 2018 and closed at 10,299.1 points, while the broader market rally was better and gained by 25.55%. Market breadth favored gainers as well as 27 stocks gained ground, while 19 names witnessed declines. Sectoral performance was mostly positive as all sectors barring Insurance (-13.5%) and Telecoms (-10.1%) closed in the green for the year. The Banks & Financial Services index was the best performing sector as it jumped by 42.8%, driven by large cap banks such as QNB (+54.8%) and QIB (+56.7). Consumer Goods & Services followed with yearly returns of +36.1%, buoyed by +62.6% jump in Qatar Fuel Co. The Industrials sector and Transportation sector followed with gains of 22.72% y-o-y and 16.49% y-o-y respectively. The gains in the Industrials sector was driven by a 37.7% y-o-y jump in Industries Qatar and a 19.4% y-o-y increase Messaieed Qatar. Qatar Navigation (+18%) and Qatar Gas Transport (+11.4%) drove the increase in the Transportation index.

Trading activity on the exchange was mixed as value traded during this year increased by 3.4% to reach QAR 68.5 Bn in 2018 as compared to QAR 66.2Bn in 2017. Trading volume however decreased by 7.3% to reach 2.3 Bn shares in 2018, as against 2.5 shares in 2017. In terms of sector distribution of trading activity, Banks and Financial Services sector led value traded during the year, accounting for 45.1% of the total value traded, followed by the Industrials sector, which accounted for 20.6%. The Real Estate sector followed, accounting for 9.50% of the value traded on the index. In terms of traded volumes, Banks and Financial Services sector led in 2018, accounting for 30.8% of the total trading volumes, followed by Industrials sector and the Real Estate sector, as they contributed 22.9% and 17.0% respectively.

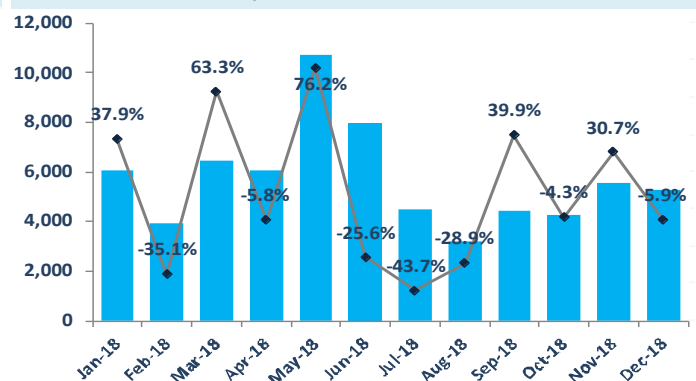
The top gainers for 2018 was led by Qatar Fuel as the stock went up by over 62.6% during the year, and was followed by QIB and QNB which gained by over 56.7% and 54.8% respectively. In terms of laggards for the year, Islamic Holding Group saw its stock price decline by over 41.7% for the year and was the worst performer followed by Qatar First Bank and Salam International Investment, as they saw their stock prices recede by over 37.5% and 37.2% respectively. QNB led the most active value traded list during this year, accounting for 21.9% of the total trading value, followed by Industries Qatar and Masraf Al Rayan, which accounted for 7.2% and 5.8% respectively. In number of trades, Banks and Financial Services led during the year accounting for 32.12% of the total number of transactions, followed by Industrials sector, which accounted for 26.41%.

Towards the end of 2018, Qatar Exchange also witnessed the IPO and listing of Qatar Aluminum Manufacturing Company (QAMCO). The IPO was oversubscribed by over 2.5 times. Nevertheless, at the end of 2018 the stock was down 25.8%. FTSE Russell announced the fast entry of QAMCO as a new constituent in FTSE All-World Index, FTSE Global Mid Cap Index and FTSE Emerging Index. In terms of participation on the stock exchange, international institutions were the largest buyers on the Qatar Exchange as they contributed to 44.4% of the buying on the exchange. Qatari individuals on the contrary mostly contributed to selling witnessed on the exchange, contributing to 36.7% of the value sold during 2018.

### QE Monthly Sector Performance



### Monthly Value Traded (QAR Mn)



Source: Qatar Exchange, KAMCO Research



## Bahrain Bourse

Monthly Indicators	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>Bahrain All Share Index</b>	<b>1,350.67</b>	<b>1,369.90</b>	<b>1,318.40</b>	<b>1,257.88</b>	<b>1,265.80</b>	<b>1,310.99</b>	<b>1,358.35</b>	<b>1,338.10</b>	<b>1,338.55</b>	<b>1,314.73</b>	<b>1,328.81</b>	<b>1,337.26</b>
Monthly % Change	1.4%	1.4%	(3.8%)	(4.6%)	0.6%	3.6%	3.6%	(1.5%)	0.0%	(1.8%)	1.1%	0.6%
<b>Market Cap (BHD Mn)</b>	<b>7,774</b>	<b>7,900</b>	<b>7,516</b>	<b>7,509</b>	<b>7,531</b>	<b>7,667</b>	<b>7,948</b>	<b>7,830</b>	<b>7,832</b>	<b>7,701</b>	<b>7,859</b>	<b>7,948</b>
P/E (X) - TTM	8.70	9.89	9.46	9.11	8.51	8.69	8.71	8.45	8.79	8.74	8.45	8.60
P/BV (X) - TTM	0.86	0.83	0.78	0.76	0.77	0.78	0.81	0.80	0.80	0.79	0.79	0.80
Dividend Yield (%)	4.98%	5.24%	5.45%	5.65%	5.92%	5.81%	5.61%	5.70%	5.69%	5.76%	5.77%	5.69%
Volume (Mn Shares)	156.3	178.0	101.9	86.6	82.4	56.2	190.5	82.8	115.2	126.6	85.4	194.6
Value (BHD Mn)	25.1	31.0	36.8	16.8	14.5	12.8	24.9	18.7	22.1	28.8	23.5	89.3
Trades	2,257	1,871	1,303	1,384	1,429	1,104	2,329	1,493	1,320	1,720	1,265	1,521

Source: Bahrain Bourse, KAMCO Research

Bahrain All Share index remained range bound in 2018 after ending 2017 as one of the best performing market in the GCC region. The index was up 0.4% in 2018 and closed at 1,337.3 points. Sectoral index performance was mixed, and Services index was the best performing index in 2018 gaining by 6% for the year. The Services sector was driven by Batelco as the Telecom company's share price rose by 37.3%. The Investment index followed, albeit marginally, as the sector moved up by 0.9% during 2018. Insurance companies also moved up by 0.8%, while Commercial Banks declined by 0.7% in 2018 as Khaleeji Commercial Bank was the key laggard in the index declining by over 28% for the year. Hotels & Tourism was the worst performing index, although declines were marginal at 1.4% for the year.

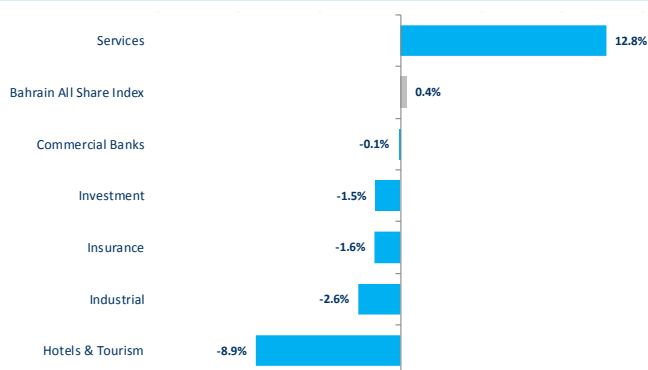
Trading activity for the year was up as value traded went up by 74% y-o-y to reach BHD 344 Mn, while traded volumes increased by 33% over the same period to reach 1.46 Mn shares. In terms of most active stocks, Ahli United Bank's shares were most traded in value terms as BHD 150 Mn worth of shares were traded. United Gulf Holding and GFH followed with AED 40.93 Mn and AED 38.37 mn worth of shares traded on the Bahrain Bourse. In terms of volumes traded as well, Ahli United led all stocks with 490 Mn shares traded through the year. GFH and Al Salam Bank followed with 274 Mn and 138 Mn worth of shares traded.

Bahrain Bourse witnessed the IPO of APM Terminals, the exclusive manager and operator of Khalifa Bin Salman Port, the only general commercial port facility in Bahrain which handles all containerized cargo to and from Bahrain, in addition to general cargo. The company offered 18 million shares at BHD 0.660/ share representing 20% of the company's total issued share capital. The IPO received strong retail institutional interest and was oversubscribed by 5.4 times. At the end of 2018, APM Terminals was down 0.6%.

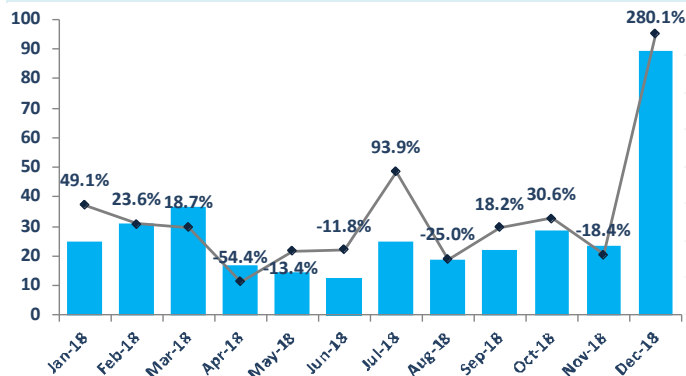
Bahrain will implement the rollout of the VAT starting on January 1, 2019. As per PWC, The Bahrain VAT Law differs from the VAT law of other GCC countries, in particular around the zero-rating and VAT exemption provisions. PWC mentioned that it expects Bahrain to apply the zero-rate on basic food items, the construction of new buildings, education and healthcare services, local transport services, as well as oil and gas and derivatives. Moreover, they mentioned that the sale and lease of real estate as well as certain financial services and life insurance and reinsurance will be exempt from VAT. PWC further mentioned that financial services provided for an explicit fee including account management, certain trade finance services and fund management will be subject to standard rate VAT.

During 2018, Bahrain Bourse listed 23 Treasury Bills and Short-Term Islamic Lease (Ijarah) Sukuk on the Bahrain Bourse with a total value of BHD 1.374 Bn. Further, the number of conventional bonds and sukuk issues listed on BHB reached 15 issues with an approximate total value of USD 7.344 Bn. In interest rate developments, by the end of 2018 the Central Bank of Bahrain (CBB) raised its key policy interest rate on the one-week deposit facility to 2.75%. Overnight deposit rate was raised to 2.50%, while lending rate was moved up to 4.50%.

### BSE Monthly Sector Performance



### Monthly Value Traded (BHD Mn)



Source: Bahrain Bourse, KAMCO Research

# Muscat Securities Market

Monthly Indicators	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>MSM 30 Index</b>	<b>5,000.0</b>	<b>5,003.4</b>	<b>4,773.5</b>	<b>4,729.1</b>	<b>4,606.7</b>	<b>4,571.8</b>	<b>4,336.6</b>	<b>4,419.3</b>	<b>4,543.7</b>	<b>4,422.9</b>	<b>4,412.1</b>	<b>4,323.7</b>
Monthly % Change	(1.9%)	0.1%	(4.6%)	(0.9%)	(2.6%)	(0.8%)	(5.1%)	1.9%	2.8%	(2.7%)	(0.2%)	(2.0%)
<b>Market Cap (OMR Mn)</b>	<b>4,396</b>	<b>4,376</b>	<b>4,115</b>	<b>4,075</b>	<b>4,063</b>	<b>4,085</b>	<b>4,532</b>	<b>4,654</b>	<b>4,993</b>	<b>4,918</b>	<b>4,937</b>	<b>4,853</b>
P/E (X) - TTM	10.85	11.01	10.77	10.16	10.01	10.08	9.34	9.36	9.65	9.15	9.36	9.25
P/BV (X) - TTM	0.90	0.88	0.85	0.84	0.82	0.82	0.82	0.82	0.85	0.83	0.84	0.83
Dividend Yield (%)	5.87%	5.84%	6.00%	6.05%	6.26%	6.34%	6.67%	6.49%	6.36%	6.54%	6.54%	6.66%
Volume (Mn Shares)	132.0	123.8	203.9	199.4	310.6	65.9	83.4	61.8	91.7	83.9	78.7	90.0
Value (OMR Mn)	30.3	30.7	61.6	44.2	94.8	17.6	17.5	14.6	24.3	20.0	17.8	17.6
Trades	6,760	7,964	7,729	9,227	7,429	2,665	4,569	3,271	5,022	4,318	3,903	4,670

Source: Muscat Securities Market, KAMCO Research. Note: Trading activity includes stocks in the regular market.

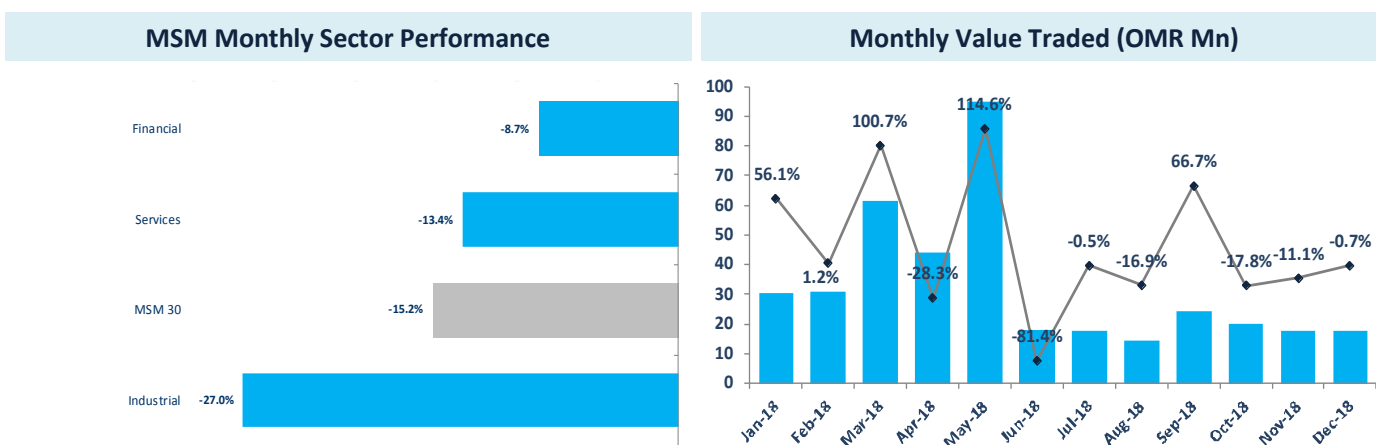
The MSM 30 index witnessed the second biggest yearly drop in the GCC during 2018 recording a decline of 15.2%. The benchmark recovered marginally after reaching the lowest point in 13 years during the last week of December-2018 on the back of increased selling pressure across sectors. All the three sectoral indices declined during the year with the Industrial index falling 27% followed by Services index at 13.4% while the Financial index recorded the smallest decline of 8.7% for the year. In terms of yearly trend in the benchmark, the index showed recovery only during Q3-18 but failed to keep the momentum for the remainder of the year.

The share of Omanis in total value of buy transactions declined marginally to 87.1% in 2018 as compared to 87.8% during 2017. In absolute terms the value of buy transactions by Omanis declined by 23.7% in 2018 to reach OMR 664 Mn as compared to OMR 871 Mn in 2017. In terms of value of sell trades, trading by Omanis totaled OMR 502.1 Mn as compared to OMR 789.7 Mn in 2017 while their share declined from 79.7% in 2017 to 65.8% in 2018 making them net buyers in the market. Participation of foreign investors in the market remained flat in terms of value of buy trades at 6.1% but saw a steep increase in terms of sell trades to reach 21.7% in 2018 as compared to 10.8% in 2017. However, in absolute terms, the participation of foreign investors dropped 23% for total value of buy trades but increased more than 50% in terms of value of sell trades.

Trading activity on the exchange also declined during the year as decline in the regular market was only partially offset by higher trades in the parallel market. Total value of shares traded during the year declined 19.4% to reach USD 1.9 Bn in 2018 as compared to USD 2.4 Bn during 2017. Value traded in the regular market declined by 40.8% during the year to reach USD 1 Bn as compared to USD 1.7 Bn in 2017 while parallel market stocks witnessed one third growth in trading that reached USD 0.9 Bn. Aggregate volumes also declined but at slightly slower pace of 5.9% to reach 4.0 Bn shares in 2018 as compared to 4.3 Bn shares in 2017. The Financial sector continued to account for a lion's share of the total value of trades during the year that reached OMR 405 Mn or 54.8% while the Services sector accounted for 27.8% or OMR 205.3 Mn.

Galfar Engineering topped the year in terms of volume traded with 478.9 Mn shares followed by Bank Muscat and Al Madina Takaful 443 Mn shares and 255.3 Mn shares, respectively. In terms of value traded, Bank Muscat topped the year with OMR 178.2 Mn in traded value followed by Galfar Engineering and Omantel at OMR 48.7 Mn and OMR 40.5 Mn in traded value during the year.

Towards the close of the year, in a significant development, ratings agency Fitch lowered Oman's long-term foreign-currency issuer default rating to non-investment grade rating of 'BB+' from 'BBB-' and gave a 'Stable' outlook. The downgrade reflects a widening of fiscal deficit to 10% of GDP in 2019 at an expected oil price of USD 65 per barrel. With this downgrade, two of the three international rating agencies Fitch and S&P have a non-investment grade rating for Oman while Moody's is the only agency that kept Oman at an investment grade rating.



Source: Muscat Securities Market, KAMCO Research

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