

January 2019

# GCC Stock Market Outlook 2019

## *Investment Focus Topics:*

1. Kuwait MSCI index inclusion
2. Dubai market meltdown
3. REITs: A rapidly evolving asset class



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## Executive Summary

### Expectations for 2019

Title	KSA	Kuwait	UAE	Qatar	Oman	Bahrain
Economic Factors	Neutral	Positive	Positive	Neutral	Positive	Negative
Valuation Attraction	Neutral	Positive	Positive	Neutral	Positive	Positive
Earnings Growth Potential	Negative	Positive	Positive	Positive	Positive	Negative
Market Liquidity	Neutral	Negative	Negative	Negative	Negative	Negative
Abu Dhabi Dubai						
Overall Market View	Neutral	Positive	Positive	Positive	Neutral	Positive
						Negative

Source: Markaz Research

Amidst muted growth expectations in global markets, economic outlook for the GCC region as a whole remains positive, as the surge in oil revenues and fiscal reforms of yesteryears will provide the necessary cushion for GCC countries to support economic growth through capital expenditure. Although the recovery in Oil prices did not last the entirety of the year, GCC economies witnessed a sizeable increase in oil revenues. Their fiscal and external balances started to recover after three lacklustre years with only Bahrain and Oman running twin deficits in 2018. With the exception of Bahrain, where there is weakness in government finances, economic factors remain largely favourable.

Growth in corporate earnings is expected to witness an uptick in the GCC during 2019 with the exception of Bahrain and Saudi Arabia. Banks will be the primary growth drivers, as the sector is expected to see a rise in profitability and credit growth due to tailwinds such as rising interest rates and new infrastructure projects. Commodity related companies are likely to see their earnings drop due to the fall in oil prices while the construction sector is expected to mildly rebound after years of underperformance.

From a valuation perspective, GCC markets except Saudi Arabia and Qatar remain at attractive levels. As earnings are expected to remain flat for Saudi stocks, it becomes difficult to justify their premium valuations. Similarly, Qatar is expected to undergo consolidation in 2019 after witnessing a rally during the second half of 2018. Market liquidity remains to be a pain point for GCC equity markets as institutional and foreign investor participation continues to remain low, weighed down by geopolitical concerns.

At the start of 2018, we were neutral on the Saudi Arabia, UAE and Kuwait, while remaining negative on Qatar. Saudi Arabia and Kuwait were in line with our expectations, gaining 8.3% and 7.8% respectively during the year. The UAE was a mixed bag, with Abu Dhabi and Dubai moving in opposite directions. Rise in Oil prices and government support supplemented the growth of Abu Dhabi while the slowdown of economic growth and the weakness in real estate market weighed in on Dubai. Qatar markets performed contrary to our expectations as the country successfully overcame the effects of the diplomatic standoff, which was initially expected to have a bearing on the country's economy. Quick establishment of alternate trade routes and the support lent to the banking system through the injection of government deposits helped the economy to stage a turnaround.

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To be the first choice for obtaining strategic intelligence on the MENA region.

### **Our mission**

Serving businesses and institutions with reliable information and intelligence about MENA, needed to catalyse growth, understand the larger environment and facilitate decision-making.

### **Our aim**

Advocate intellectual research on MENA economics, businesses and financial markets and provide customized, actionable solutions.

### **Our foundation**

- » A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history
- » Markaz research activities commenced in 2006
- » Marmore established in 2010 to intensify the research activities
- » Publishes research reports and provides consulting services

## published **research**

### **Industry research**

Marmore's industry reports provide information on industry structure, key players, market analysis, demand drivers, competitive analysis and regulatory requirements.

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These reports are produced as thematic discussions based on current issues in the economy. The reports aid key stakeholders such as investors, businessmen, market participants, and policy makers in understanding the impact of a particular theme on the economy.

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### **Periodic research**

Our periodic reports capture GCC stock markets' earnings, risk premium studies, and economic development & outlook.

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- » Industry market assessment (market size, competitors, regulations)
- » White label reports (industry reports, company newsletters, periodic research)
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- » Step 5: Analysis & reporting
- » Step 6: Review & approval
- » Step 7: Report submission / presentation

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**KNOWLEDGE  
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