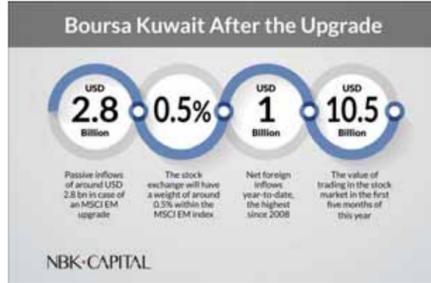


Business

NBK Capital: \$2.8 billion expected liquidity flow to Boursa Kuwait in case of upgrade to MSCI EM

MSCI Kuwait Index rose 26%, \$10.5bn in trading value in first five months of the year

KUWAIT: In September 2017, FTSE reclassified Kuwait as a secondary emerging market (EM). This kicked off Kuwait's journey towards ascending to EM status. The implementation of the FTSE upgrade in 2018 (over two phases) attracted around USD 950m of passive flows into the Kuwaiti market. Also, in another step towards EM status, S&P Dow Jones announced that Kuwait's stock market will be added to its Global Benchmark Indices with an EM classification, a move that would be effective this September. Finally, a potential upgrade to EM status by MSCI is in the cards that would cement Kuwait's EM status. Kuwait's weight in the index will likely be at 0.5% and result in passive inflows of around USD 2.8 bn. The upgrade in status will lead to an improvement in market dynamics and the resulting inflows will undoubtedly be a boon, making it a highly anticipated event that we will explore in more detail in this report.



2020. It is still not clear whether it will be implemented in a single tranche or split over two tranches. Foreign passive inflows usually hit the market around the implementation date, though, going by previous similar events, prepositioning by active investors in the market happens before the decision and implementation dates.

Expected foreign flows in case of an MSCI EM upgrade

Analysts expect passive inflows of around USD 2.8 bn in case of an MSCI EM upgrade, significantly higher than the USD 950m or so of passive inflows from the FTSE EM upgrade. Additionally, on top of the USD 500 bn or so of passive funds tracking them, the MSCI EM indices are used by actively managed funds with more than USD 1.5 tn in assets, which could lead to sizable active inflows on top of the passive ones. Unlike the passive flows, which are more or less automatic, the magnitude of the active foreign flows will depend on the attractiveness of the Kuwaiti market and the companies in an EM context. As such, liquidity, valuation, earnings growth, transparency, corporate governance practices will all be factors that will affect which companies will attract active investors. It is this incentive that will help our market improve more over time.

Impact on the market so far

The impact of the MSCI upgrade process can be mainly summarized in terms of the pick-up in traded values, foreign flows, and the performance that the market has seen this year. On traded values, the Kuwaiti market has traded in excess of USD 10.5 bn in the first five months of the year, which is almost a 170% increase over the same period last year.

Net foreign flows grew significantly this year to USD 1 bn. Even adjusted for the USD 300 mn or so of passive inflows triggered by the increase in FOL (Foreign

Ownership Limit) for banks in March, this remains the highest net foreign flow figure on record (Boursa Kuwait's data goes back to 2008). On performance, Kuwait continues its strong performance YTD and the MSCI Kuwait index is up 26%.

This compares to 16% and 14% increases for the respective GCC and World Indices. Kuwait's outperformance relative to global markets is worth highlighting, as we cannot look at market performance in absolute terms but relative to other markets due to increased correlation between equity markets globally. We believe the anticipation of a positive announcement from MSCI regarding the upgrade is in part a driver for the outperformance of Kuwait this year, in addition to solid results from certain sectors such as banking.

Outlook on Kuwaiti equities for 2019

Just to put things into context, the market has had a very good run since the FTSE EM upgrade announcement in September 2017 to mid-June this year, rising almost 36% during this period. Therefore, it is important to keep that in mind when building expectations for future returns. Nonetheless, we still have a positive outlook on the Kuwaiti stock market over the medium-term, as we believe it offers investors the right mix of fundamental attractiveness and fund flow related catalysts. We believe Kuwait is in a 'sweet-spot' from a macro perspective considering its comparatively low budget-break-even level (one of the lowest in the GCC).

This allows Kuwait to stay on course for executing its ambitious infrastructure-spending plan and maintain or potentially grow its sovereign wealth reserve. Kuwait's robust infrastructure spending plan is likely to result in

notable GDP growth over the medium-term as per IMF forecasts. This is likely to have a multiplier effect resulting in earnings growth across multiple sectors especially the banks, which are very well represented on Boursa Kuwait. Our fundamental case for Kuwait is further strengthened by the funds flow angle. Post the FTSE flows, the attention now shifts to the potential MSCI upgrade. As mentioned earlier, this is a significant event and with the right ingredients can attract foreign flows that are more sizable than what we saw during the FTSE EM implementation events.

From a structural perspective, we are also very excited about the reforms that are taking place in Kuwait to open up the market further and employ global best practices when it comes to rules and regulations that govern the market. The reform process initiated by both Boursa Kuwait and the CMA is creating a more robust platform that allows improved access, transparency, and accountability in the market. This will lead to a better functioning of the market and is at the heart of the push to upgrade Kuwait to EM status.

Mutawa Alkazi launches its strongest summer offers

KUWAIT: Mutawa Alkazi Co, the exclusive and authorized distributor and dealership of GAC Motor in Kuwait, has launched its summer "Pay the Cash Price in Installments, 0% Interest with no down payment" offer, starting from KD83 monthly. Including GS8, GS4, GS3 and GA4 models, the offer embodies an exclusive package of 11-year guarantee, 3-year free maintenance (oil and filter), 3-year registration, third party insurance in addition to thermal tinting.

As part of its keenness to boost its footprint in the local market, Mutawa Alkazi offers financing facilities in cooperation with local banks and finance companies. GAC cars are manufactured by a highly-experienced team and subjected to a range of tests around the world to ensure their readiness and suitability for Kuwait and GCC markets.

GS4: Advanced Technology

The "GS4 2019" is characterized by the best performance achieved by its high-tech engines, which are produced under strict quality control systems based on GAC Motors' strategy that puts consumers and customers at the top of its priorities list. The vehicle is designed for consumers looking for a modern driving experience, with powerful procedures to ensure distinctive driving with the most advanced and efficient power system in the world. The car features a sophisticated and secure system, emergency self-brakes, multi-level strategies and a warm-out warning system, which automatically detects the vehicle's lane departure by audible warning. The vehicle is also equipped with an electronic brake system and the highest safety



and security features such as electronic stability control system, rear-view cameras or 360 degree vision with rear parking assist system, standard airbags and new airbag for the driver's knee area and the front passenger.

GS8: Elegance and luxury

The design of the new GAC Motor "GS8 2019" three-piece headrest is butterfly-shaped giving a great sense of head cover, effectively reducing fatigue, and natural Napa chairs with specific and exclusive lining technology to show elegance, distinctive refinement, brilliance and luxury. The leather covers parts of the door aesthetically and with an innovative and elegant design, as well as luxurious trimmings with natural parts and shapes that suggest a water flow view along the forest, with a consistent and elegant manner in all details. GAC has innovated a distinctive design for the rear part of its car through the storage space door, which opens up to give greater comfort when putting luggage, not to mention the attractive rear bumper with reflective lights, a three-dimensional tunnel-shaped backlight and two exhausts of chrome.

The vehicle is equipped with headlamps aligned with the new design that is fully in line with its powerful chassis. It features automatic activation once the vehicle is turned on if ambient light is light, or if daylight is low. As for the integrated safety features on the roads, the car is equipped with radar sensors distrib-

uted around the vehicle to protect the driver and passengers, including a feature of alerting the vehicle blind spot. The illuminated LEDs on each of the external mirrors alert the driver if another vehicle approaches the blind spot, and alert the frontal and audible headlights in the event of a collision using a high-resolution camera to monitor the presence of vehicles in the foreground. Also, the car is equipped with rear-view camera to help fully see the rear area during rear alignment.

GS3: Modern driving experience

The entirely new GS3 prides itself on the superior performance of its powerful and sophisticated engines. With customers at the top of its priorities, the GAC Motors Group manufactures the car according to its strategy of strict quality controls. Designed for customers seeking a modern driving experience, the car incorporates strong features that ensure distinctive driving experience with the world's most advanced and efficient energy system.

The car has an advanced and safe suspension and automatic breaking in emergencies. A voice warning against leaving the lane is activated when the car deviates from its course. The vehicle incarnates the world's most innovative and renewable energy group, through GAC Motors' global R&D network, including cutting-edge technology and applications of the 50 technologies ever used in this vehicle.

AUB extends the opening hours of Avenues, Boulevard mall branches

KUWAIT: Ahli United Bank announced that it is ready to serve clients at the Avenues Mall and Boulevard Mall (Salmiya Park) during weekends. According to the new times, AUB branches are open to serve at the locations six days a week from Saturday to Thursday, morning hours are from 10:00 am. to 1:00 pm and evening hours commence 5:00 pm to 8:00 pm.

This step solidifies Ahli United Banks commitment to its clients to serve them during weekends and to ensure their financial requirements are met. The Avenues Mall and Boulevard mall branches, will be pioneers to open in malls on weekends in Kuwait. This initiative will also contribute to enhancing the communication and fostering existing relations between customers and the Bank at these two branches highly sought by customers to avail various banking services.

On this occasion, Ranjan Sen, General Manager Retail Banking, at AUB said: "We are pleased to announce this step which confirms our commitment to provide facilities and the best services to our customers at times convenient to them. This step also emphasizes the methodology and philosophy adopted by the bank in identifying and addressing the needs of its customers. Sen



expressed his thanks and appreciation to the Central Bank of Kuwait for approving to extend the working hours in these branches and for the support CBK provides to the Bank to be able to provide the best services to its customers.

Mishari Al-Jassim, Deputy General Manager - Retail Banking, said "Through our continuous interaction with our customers, we are inspired to innovate new ways of partnering with them to complete their financial requirements, and we are happy to extend branch working hours at the Avenues and Salmiya Park branches to evening hours throughout the weekdays, including Saturday as well.

Al-Jassim added: Our network of branches and channels of distribution of banking services is a key pillar within our framework to build partnerships with clients to achieve excellence in the light of rapid digital developments and evolving needs of our customers, we are committed to developing future initiatives to overachieve our client's expectations.

EXCHANGE RATES

Al-Muzaini Exchange Co.		Dollarco Exchange Co. Ltd		BAHRAIN EXCHANGE COMPANY WLL		Arab				
EUROPEAN & AMERICAN COUNTRIES		Rate for Transfer		CURRENCY		BUY				
US Dollar Transfer	304.600	US Dollar	304.240	British Pound	0.381956	0.395856	Hong Kong Dollar	0.037023	0.039773	
Euro	342.830	US Dollar	304.240	Czech Korune	0.005494	0.014794	Indian Rupee	0.003780	0.004552	
Sterling Pound	384.410	Canadian Dollar	228.125	Danish Krone	0.042266	0.014794	Indonesian Rupiah	0.000017	0.000023	
Canadian dollar	228.850	Sterling Pound	383.535	Euro	0.339711	0.353411	Japanese Yen	0.002757	0.002937	
Turkish lira	52.610	Euro	342.040	Georgian Lari	0.132000	0.132000	Korean Won	0.000252	0.000267	
Swiss Franc	306.750	Swiss Frank	306.025	Hungarian 0.001147	0.001337	0.036960	Malaysian Ringgit	0.069959	0.075959	
US Dollar Buying	297.250	Bahrain Dinar	809.085	Norwegian Krone	0.031760	0.036960	Nepalese Rupee	0.002677	0.003017	
ASIAN COUNTRIES		UAE Dirhams	83.235	Romanian Leu	0.065204	0.082054	Pakistan Rupee	0.001415	0.002185	
Japanese Yen	2.814	Qatari Riyals	84.475	Russian ruble	0.004800	0.004800	Philippine Peso	0.005789	0.006089	
Indian Rupees	4.365	Saudi Riyals	82.025	Slovakia	0.009095	0.019095	Singapore Dollar	0.219191	0.229191	
Pakistani Rupees	2.061	Jordanian Dinar	430.395	Swedish Krona	0.028506	0.033506	Sri Lankan Rupee	0.001351	0.001931	
Sri Lankan Rupees	1.718	Egyptian Pound	18.191	Swedish Krona	0.028506	0.033506	Taiwan	0.009986	0.010166	
Nepali Rupees	2.733	Sri Lankan Rupees	1.721	Swedish Krona	0.306025	0.317025	Thai Baht	0.009535	0.010085	
Singapore Dollar	223.560	Indian Rupees	4.371	Australia Dollar	0.203154	0.215154	Vietnamese Dong	0.000013	0.00013	
Hongkong Dollar	38.882	Pakistani Rupees	1.941	New Zealand Dollar	0.194983	0.204483				
Bangladesh Taka	3.593	Bangladesh Taka	3.604	America	0.225174	0.234174	Bahraini Dinar	0.792591	0.809091	
Philippine Peso	5.868	Philippines Peso	5.868	Canada Dollar	0.300200	0.305500	Egyptian Pound	0.018220	0.021580	
Thai Baht	9.773	Cyprus pound	18.100	US Dollars	0.300700	0.305500	Iranian Rial	0.000084	0.000086	
Malaysian ringgit	77.903	Japanese Yen	3.804	US Dollars Mint	0.300700	0.305500	Iraqi Dinar	0.000210	0.000270	
GCC COUNTRIES		Nepalese Rupees	2.739					Jordanian Dinar	0.424290	0.433290
Saudi Riyal	81.281	Malaysian Ringgit	73.690					Kuwaiti Dinar	1.000000	1.000000
Qatari Riyal	83.716	Chinese Yuan Renminbi	44.535					Lebanese Pound	0.000157	0.000257
Omani Riyal	791.683	Thai Bhat	10.725					Moroccan Dirhams	0.021363	0.024363
Bahraini Dinar	809.350							Omani Rial	0.784071	0.789751
UAE Dirham	82.986							Qatar Riyal	0.079317	0.084257
ARAB COUNTRIES								Saudi Riyal	0.080060	0.081360
Egyptian Pound - Cash	21.80							Syrian Pound	0.001290	0.001510
Egyptian Pound - Transfer	18.190							Tunisian Dinar	0.099330	0.107330
								Turkish Lira	0.045892	0.055737
								UAE Dirhams	0.081425	0.083125
								Yemeni Riyal	0.000989	0.001069