

GCC Equity Markets: 2016 - The Year That Was...

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GCC ends 2016 in the green led by last quarter gains...

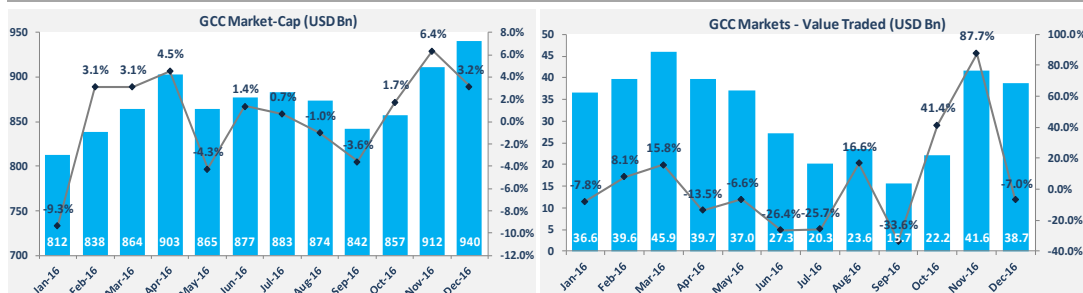
A wave of positive sentiment and optimism in the GCC led to gains for almost all the markets over the last quarter of 2016. This comes after a year when all the markets recorded steep declines (in 2015). DFM was the only market that managed to stay in the green for the most part of the year, whereas Saudi Arabia and Kuwait recorded negative YTD gains almost until the third quarter ended. The year closed with DFM recording the highest gain of 12.1% followed by MSM 30 index with a return of 7.0%.

Oil continued to remain the key contributor to the direction of the GCC markets for the second consecutive year. The price of oil steered oil-dependent economies to the lowest levels in almost two years and after the oil output agreement was sealed after a rigorous negotiation that lasted for more than a year, oil price surged to an 18-month level by year-end and gradually pulled up GCC markets. Nevertheless, markets like Dubai continue to remain largely immune to the trends in oil price owing to its relatively lower dependence on oil revenues.

Globally, markets in general closed higher as compared to previous year as seen in the MSCI World Index that reached an 18-month high level in December-16. Sentiments remained high especially in the United States with USD and the Dow Jones Industrial Average reaching a 14-year high level on the back of expectations of faster economic growth after the new government takes power.

2016 was also the year of shocks and unexpected results related initially to the Brexit vote followed by US elections. In addition, we believe that oil producers reaching an output deal was no less than a shock, especially after Russia and other non OPEC-producers committed to slash their output levels. KAMCO Research expects recovery in the GCC to be faster in 2017 led by a faster pace of economic growth and corporate profitability that continues to remain largely resilient backed by higher state spending.

GCC Equity Markets	Index Closing	2016 % Change	M-Cap (USD Bn)	Value Traded (USD Mn)	P/E (x) TTM	P/B (x) TTM	Div. Yield
Kuwait - Weighted Index	380.1	(0.4%)	86.9	9,476	16.3	1.1	4.1%
Kuwait - 15 Index	885.0	(1.7%)					
Kuwait - Price Index	5,748.1	2.4%					
Saudi Arabia	7,210.4	4.3%	448.6	308,080	13.4	1.6	4.2%
Abu Dhabi	4,546.4	5.6%	127.3	12,671	10.2	1.3	5.9%
Dubai	3,530.9	12.1%	90.4	36,194	8.7	1.2	5.0%
Qatar	10,436.8	0.1%	154.8	19,387	13.0	1.5	4.2%
Bahrain	1,220.4	0.4%	19.2	290	9.3	0.8	4.4%
Oman	5,782.7	7.0%	13.1	2,067	9.5	1.1	5.4%
Total GCC			940.3	388,165	13.2	1.5	4.3%



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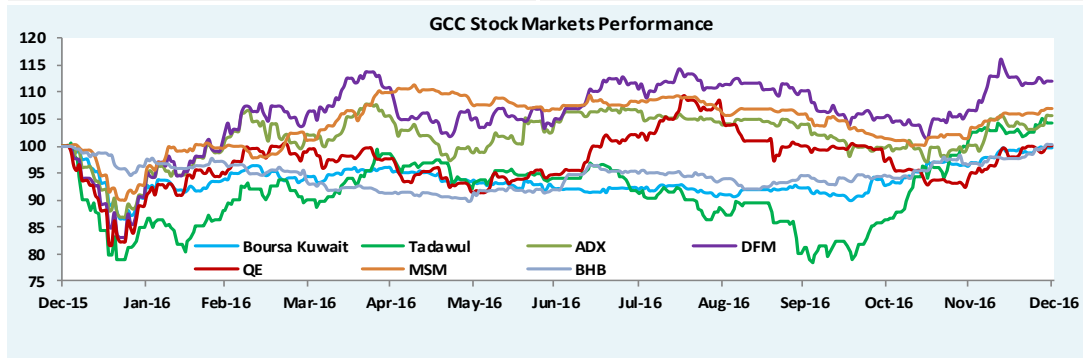
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Source: GCC Stock Exchanges, KAMCO Research

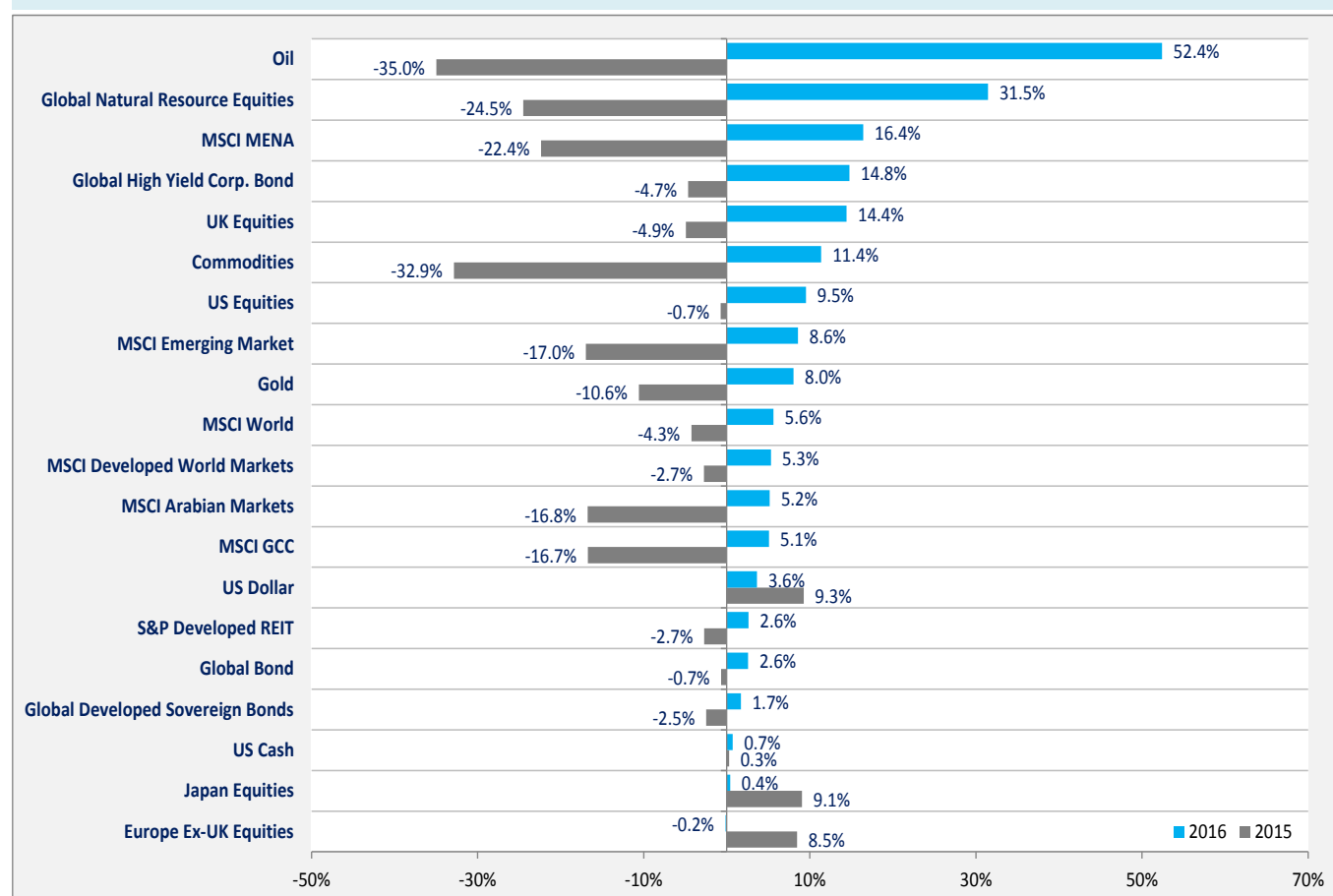
Global Market Performance

Gains across the board, a reversal from 2015...

Assets globally witnessed a significant change from last year with almost all of the asset classes recording positive returns during 2016. Commodities, which was reeling under significant pressure with declines since 2010, was investor's favorite category recording the first positive annual performance in six years. Oil topped the yearly gains with an increase of 52.4%, followed by Global Natural Resources at 31.5% and overall the commodities basket recording a return of 11.4%. Within the commodities space, natural gas was the years best performer with a return of 59% on the back of colder weather conditions coupled with supply constraints. On the other hand, the annual return for oil was the highest since the financial crisis that came as a result of the agreed supply cuts expected to be implemented starting from January-17. Moreover, all of the aforementioned indices had witnessed steep negative returns during 2015.

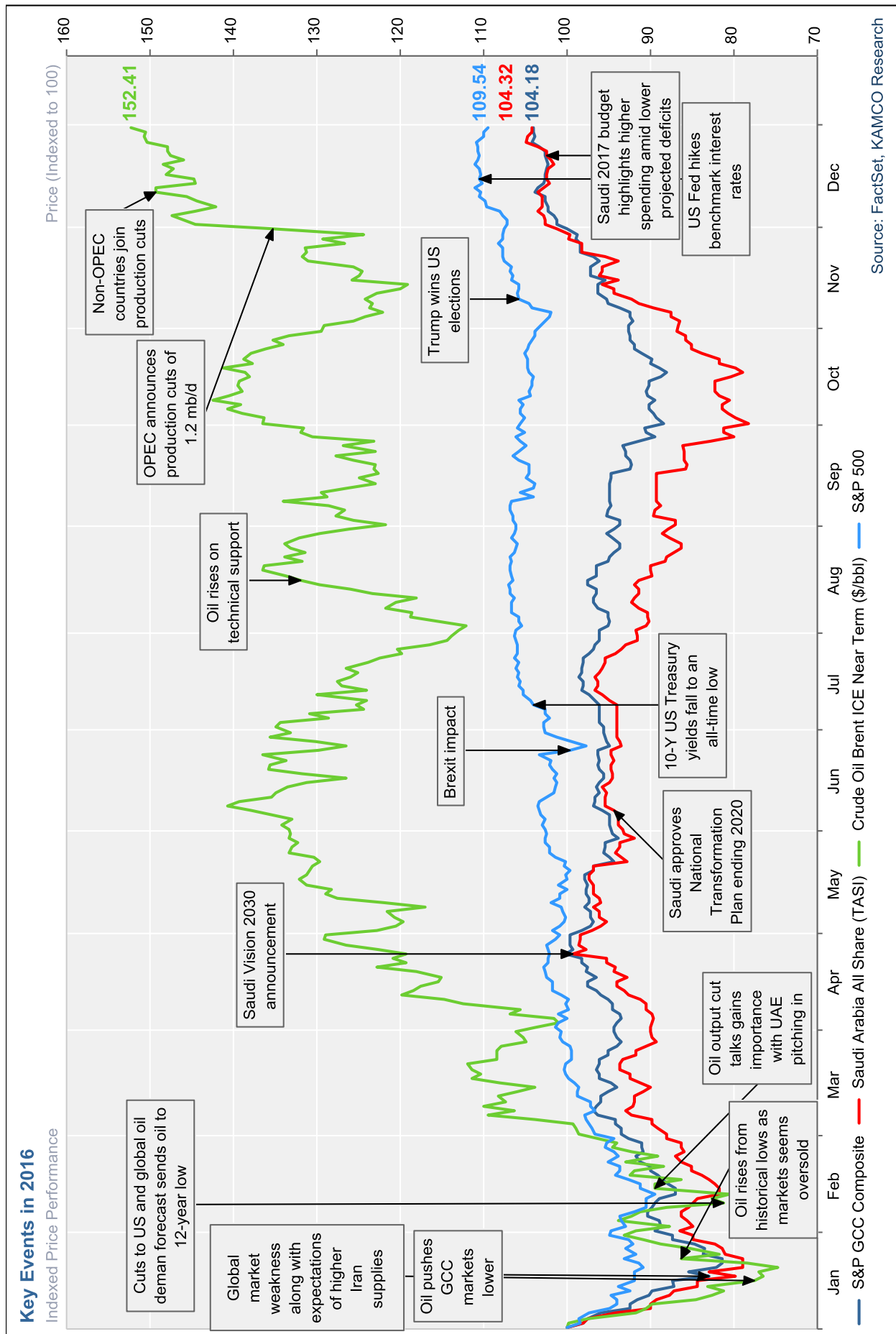
The year also saw capital flight from global emerging market equities to bond markets, especially in the US following higher economic growth and the rate hike in December-16. Meanwhile, MENA equities witnessed the third-best performance globally with the MSCI MENA index up by 16.4% vs. a negative return of 22.4% during 2015. Egypt was one of the best performing equity markets with the EGX 30 index up by 76.2%, followed by Morocco with an annual return of 30%.

Global Asset Class Performance - 2016



Source: Bloomberg, KAMCO Research

For 2017, KAMCO Research believes that downside risks largely points to be political in nature due to the uncertainties surrounding the policies expected to be formulated in the US followed by Europe choosing populist government in recent elections. In the US, we believe the Trump story is oversold and this would result in calmer markets in 2017. Europe also faces a wave of elections in 2017 starting with general election in the Netherlands in March-17, followed by France in April-17. Germany will see Angela Merkel fight to retain her position as the Chancellor in September-17. In addition, Greece faces another rising issue of bailout packages. On the positive side, growth and economic activity remains positive in the region with resilient private sector growth. This has also led to the planned tapering of quantitative easing during 2017 leading to positive market outlook on the back of datapoints. For the MENA region, diversification efforts in the GCC would drive private sector activity thereby boosting corporate profitability. This coupled with stable oil prices should provide a push to markets in the region.



GCC Market Performance - 2016

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

GCC equity markets witnessed extreme volatility during 2016 as markets were largely swayed by oil price. Geopolitical issues had minimal impact as experienced in the past few years, although the issues in some of the neighboring regional economies continue to prevail. 1H-16 witnessed weak oil prices that pushed markets to multiple-year lows. However, talks of an oil output agreement supported markets during 2H-16, particularly during the last quarter, pulling benchmark indices from negative YTD performance into the positive zone. In addition, events like Brexit and the US elections had its share of shock on the GCC markets, but the recovery in US post the election also provided support to markets globally. By year end, all of the seven exchanges in the GCC had already recovered from the yearly lows and closed the year on a positive note with Dubai leading the yearly performance recording a growth of 12.1% followed by Oman at 7.0%. Trading activity on the GCC exchanges declined for the second consecutive year although the overall value traded witnessed a strong rebound during November-16 and December-16 on the back of investor optimism related to oil output agreement. Nevertheless, value of shares traded in the GCC remains at a 5-year low level of USD 388.2 Bn, with Saudi Arabia accounting for 79% of this value followed by 9.3% for Dubai.

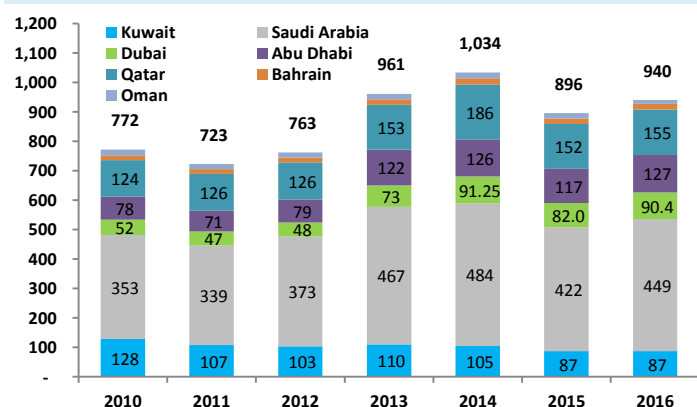
In terms of index performance, the real estate sector had a largely positive performance in Saudi Arabia and UAE, whereas petrochemical and utilities sectors were the best performer in Saudi Arabia during the year. Banking indices witnessed either negative performance or were marginally positive during the year as the ongoing liquidity crunch due to the fall in oil deposits affected sentiments for the sector. However, as also pointed out by some of the rating agencies, GCC banks continue to enjoy comfortable coverage ratios as compared to their global counterparts. We believe this was primarily due to policy adjustments by the governments as well as the existence of a healthy balance sheet by these banks. Corporate earnings have remained resilient despite the weak markets for the past two years and for the most of 2016. Overall 9M-16 earnings have although declined, it remains at healthy levels as compared to the lows of financial crisis.

For 2017, we believe that corporate earnings would continue to remain a primary support for listed companies in the GCC, whereas oil prices are expected to remain range bound between USD 50 - USD 60/b. Project execution in the GCC is expected to improve as compared to 2016 as the pipeline continues to remain strong. The projects market continues to remain robust with almost USD 5.5 Bn worth of projects already under execution as of the end of November -16 and a total of USD 2.8 Trillion worth of projects planned or under way in the GCC. We expect economic growth rate to have bottomed in 2016 and government policy changes and new investment initiatives like subsidy reduction, non-oil sector diversification, wage and labor force rationalization and taxes would result in higher growth and would be positive for the stock markets in the near term.

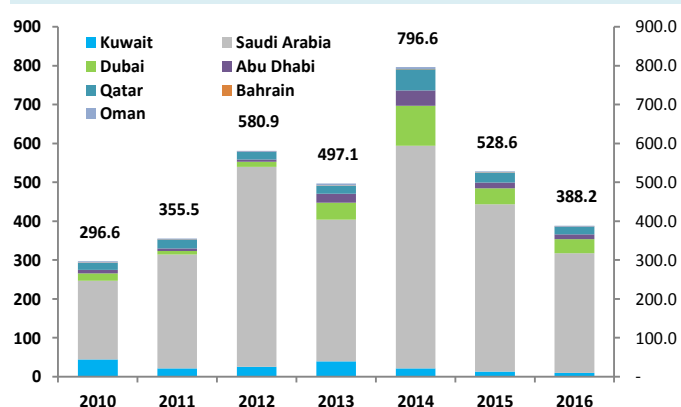
2016 closing indices vs. year's lowest close

Market	2015 Close	2016 Low	2016 Close	2016 Close vs. 2016 lows
KSE	380.09	330.24	380.09	15.1%
Tadawul	7,210.43	5,416.47	7,210.43	33.1%
DFM	3,530.88	2,621.96	3,530.88	34.7%
ADX	4,546.37	3,736.95	4,546.37	21.7%
QE	10,436.76	8,516.82	10,436.76	22.5%
BHB	1,220.45	1,092.02	1,220.45	11.8%
MSM	5,782.71	4,867.00	5,782.71	18.8%

GCC Market-Cap (USD Bn)



GCC Markets - Value Traded (USD Bn)



Source: GCC Stock Exchanges, Bloomberg, Reuters, KAMCO Research

Boursa Kuwait

Monthly Indicators	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Price Index	5,114.5	5,207.4	5,228.8	5,391.8	5,400.3	5,364.6	5,451.0	5,419.7	5,398.4	5,401.1	5,554.5	5,748.1
Monthly % Change	(8.9%)	1.8%	0.4%	3.1%	0.2%	(0.7%)	1.6%	(0.6%)	(0.4%)	0.0%	2.8%	3.5%
Weighted Index	353.4	358.3	359.8	366.3	357.4	351.4	350.7	347.3	351.9	354.0	367.1	380.1
Monthly % Change	(7.4%)	1.4%	0.4%	1.8%	(2.4%)	(1.7%)	(0.2%)	(1.0%)	1.3%	0.6%	3.7%	3.5%
Kuwait 15 Index	829.8	841.0	850.5	863.3	826.2	805.7	810.7	801.8	814.1	826.5	855.2	885.0
Monthly % Change	(7.8%)	1.4%	1.1%	1.5%	(4.3%)	(2.5%)	0.6%	(1.1%)	1.5%	1.5%	3.5%	3.5%
Market Cap (KWD Mn)	24,224	24,557	24,875	25,025	24,857	24,293	24,252	24,010	24,326	24,475	25,371	26,257
P/E (X) - TTM	14.30	13.20	13.24	15.40	15.56	15.32	15.29	15.30	15.63	15.72	16.30	16.80
P/BV (X) - TTM	1.04	1.07	1.05	1.09	1.09	1.06	1.06	1.05	1.06	1.07	1.11	1.13
Dividend Yield (%)	4.57%	4.67%	4.00%	4.14%	4.24%	4.30%	4.30%	4.37%	4.30%	4.27%	4.12%	3.98%
Volume (Mn Shares)	2,697	2,773	3,983	3,929	2,931	2,166	1,327	1,430	902	1,679	2,908	3,594
Value (KD Mn)	282	225	329	277	246	227	132	152	87	258	328	321
Trades ('000)	64.7	67.5	84.8	81.2	68.9	49.3	35.7	40.1	27.2	45.2	70.6	75.6

Source: Kuwait Stock Exchange, KAMCO Research

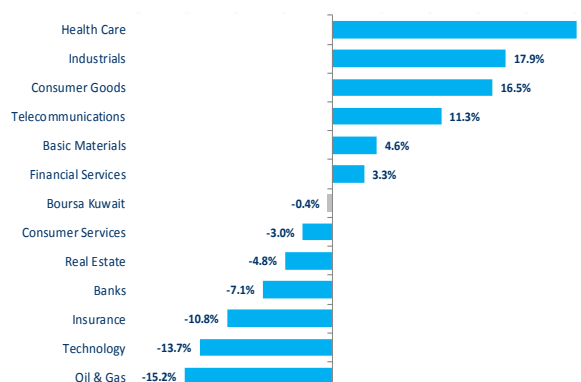
Boursa Kuwait witnessed mixed performance during 2016, with the Price Index up by 2.4%, whereas the weighted Index ended almost flat due to the poor performance of large-cap stocks. This was also evident from the 1.7% decline in the Kuwait 15 Index on the back of weak trends especially during the first half of the year partially offset by a 9% recovery in the index during the last quarter of the year. Eleven out of the 15 stocks in the large-cap index declined during the year with Burgan Bank leading the decliners list with a fall of 20.8% followed by Mezzan Holding (-15.8%) and AUB Kuwait (-14.9%). In line with the rest of the GCC markets, all of the aforementioned KSE indices witnessed positive performance during the last quarter of the year.

Prominent gainers during the year included Gulf Finance House that closed the year with more than three-fold increase in its share price followed by Human Soft Holding with an increase of 184.2%. Kuwait National Cinema and Al Imtiaz Investment also surged 35% and 34% during the year, respectively. On the other hand, key yearly decliners included Tamdeen Real Estate with a decline of 24% followed by Burgan Bank and ABK Kuwait with declines of 21% and 20%, respectively.

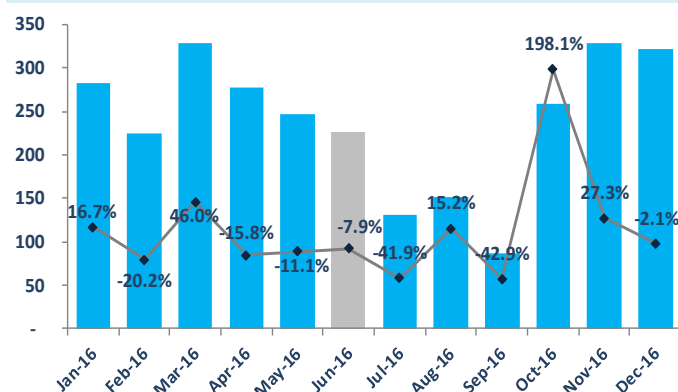
The sectoral performance chart also indicated weakness in the oil sector with the Oil & Gas Index being the biggest yearly decliner witnessing a fall of 15.2% followed by Technology (-13.7%) and Insurance (-10.8%) indices. Within the Oil & Gas sector, the individual stock performance was equally split between gainers and losers, but relatively bigger names in the sector, including Contracting & Marine (-39.8%) and Ikarus Petroleum (53.9%) witnessed higher declines. Meanwhile, all of the stocks in the Insurance sector witnessed declines during the year with Wethaq Takaful recording the steepest decline of 24.4% followed by Ahleiah Insurance (-14.2%) and First Takaful (-12.5%). In terms of sectoral gainers, the Healthcare sector saw the biggest jump of 25.2% followed by Industrials (+17.9%) and Consumer Goods (+16.5%). Within the Healthcare space, shares of Yiacco Medical surged 1.5 times during the year while Al Mowasat Healthcare surged 38.9%. In the Industrial Index, decliners outnumbered gainers, however, most of the large-cap stocks in the sector witnessed positive performance including Human Soft Holding (+184%), Agility (+29.2%), ALAFCO (+14.3%) and Kuwait Cement (+3.8%). Telecom was the other large-cap sector (along with Industrials) that recorded positive performance with a return of 11.3% during the year on the back of 17.1% gain in shares of Zain, 9.1% gain in Ooredoo and 46% gain in Hits Telecom, partially offset by 6.1% decline in Viva Kuwait shares.

Trading activity during the year declined in line with the rest of the markets in the GCC. Total value traded declined by 27.5% to KWD 2.9 Bn (USD 9.5 Bn) while volume traded during the year declined by 27% to 30.3 Bn shares. NBK topped the yearly value traded chart with KWD 307.8 Mn worth of shares traded during the year followed by KFH (KWD 305 Mn) and Zain (KWD 215.7 Mn).

Boursa Kuwait Monthly Sector Performance



Monthly Value Traded (KWD Mn)



Source: Kuwait Stock Exchange, KAMCO Research

Saudi Arabia (Tadawul)

Monthly Indicators	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Tadawul All Share Index	5,996.6	6,092.5	6,223.1	6,805.8	6,448.4	6,499.9	6,302.2	6,079.5	5,623.3	6,012.2	7,000.2	7,210.4
Monthly % Change	(13.2%)	1.6%	2.1%	9.4%	(5.3%)	0.8%	(3.0%)	(3.5%)	(7.5%)	6.9%	16.4%	3.0%
Market Cap (SAR Bn)	1,373.3	1,403.9	1,439.0	1,560.3	1,489.4	1,505.3	1,458.9	1,419.4	1,326.2	1,420.7	1,637.3	1,682.5
P/E (X) - TTM	10.73	10.88	12.29	13.41	12.76	11.87	11.77	11.49	10.75	12.31	13.44	14.73
P/BV (X) - TTM	1.31	1.33	1.49	1.64	1.55	1.53	1.48	1.43	1.32	1.42	1.65	1.70
Dividend Yield (%)	4.94%	4.84%	4.52%	3.65%	3.74%	4.60%	4.71%	4.91%	5.24%	4.90%	4.17%	4.04%
Volume (Mn Shares)	6,425	6,817	7,373	6,705	6,110	5,228	3,518	3,840	2,521	4,703	7,491	6,927
Value (SAR Mn)	115,145	120,712	131,199	117,608	117,944	84,283	59,461	67,974	41,736	65,664	118,645	114,984
Trades ('000)	2,766	3,054	2,994	2,625	2,761	1,828	1,347	1,684	1,070	1,833	2,608	2,685

Source: Tadawul, KAMCO Research

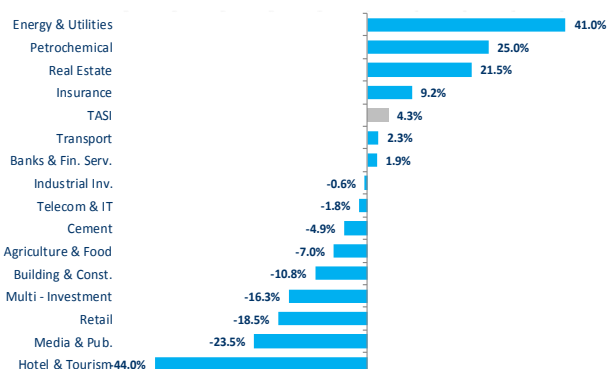
From being the worst performing market in the GCC until September-16 with a YTD-16 decline of 22%, TASI witnessed a spectacular recovery and closed the year with a return of 4.3% after witnessing consecutive gains over the last three months of the year. The index closely followed the trends in oil market and got a boost after the successful agreement to cut oil production by key global major oil producers. With the gains that ensued, the benchmark TASI index broke the psychologically important resistance level of 7,000 points at the start of December-16 and closed the year at 7,210.43 points.

Meanwhile, the sector performance chart indicated that the yearly gains for the market were primarily on the back gains in large sectors whereas a majority of the smaller indices declined during the year. The Energy & Utilities and the Petrochemical sectors surged the most during the year with a return of 41% and 25%, respectively, reflecting the optimism in the oil market. Also, both these oil-related sectors have remained YTD-16 positive consecutively over the past nine months. In the Petrochemical sector, merely three stocks declined during the year, namely Nama Chemical (-13.2%), SAFCO (-9.1%) and Rabigh Refining and Petrochemical (-4.2%), whereas the rest of the sector witnessed strong gains. Top gainers in the sector included YANSAB (+66.7%) followed by National Industrialization (+64.6%) and APPC (+46.0%) while shares of SABIC surged 19.6% during the year. In the Energy & Utilities sector, both the constituent stocks witnessed positive returns during the year with SEC gaining 43.7% while NGIC was up by 29.9%. The Real Estate sector also witnessed strong gains of 21.5% led by gains in all the constituent stocks in the sector, with the exception of marginal declines in Makkah Construction (-2.5%) and Dar Al Arkan Real Estate (-0.6%). Among the gainers, Jabal Omar Development witnessed the biggest surge of 32.6% during the year followed by Emaar Economic City at 32.6%. The year also saw the listing of the first REIT (Riyad REIT Fund) on the Tadawul Exchange after the CMA approved rules that allowed the listing of Real Estate Investment Traded Funds on the exchange.

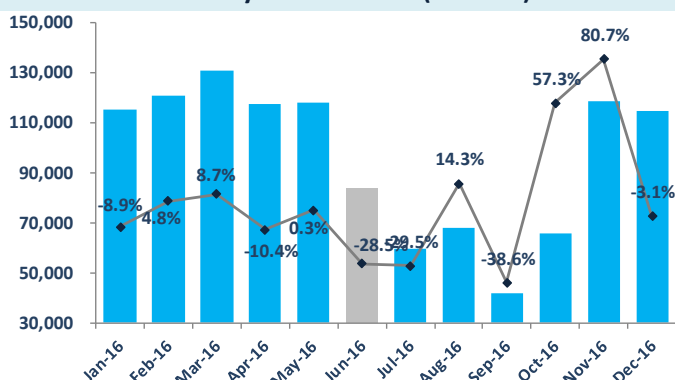
On the decliner's side, the Hotels & Tourism index saw the steepest slide of 44% with all the four stocks within the sector witnessing double digit declines. The Media & Publishing index followed with a decline of 23.5% led by fall in shares of SRMG (-41.4%) and SPCC (-23.5%) that was partially offset by Tihama Advertising (+13.9%). The Retail sector also declined as only five out of the 17 stocks in the sector reported positive returns. Sector majors Jarir Marketing and Fawaz Abdulaziz AlHokhair witnessed steep declines of 27.8% and 47.9%, respectively. Meanwhile, both Building & Construction and Cement sectors declined highlighting difficulties faced by companies due to the slowdown in economic growth.

Insurance stocks topped the gainers chart with 3 out of 5 gainers (Walaa, Al Rajhi Co-op Insurance and Arabian Shield) from the sector. Insurance companies also dominated yearly decliners with top three decliners (Malath, Alamiya and Saudi Enaya) from the insurance sector. Furthermore, a prolonged period of downturn affected value traded on the exchange that declined by almost a third to SAR 1.12 Trillion (USD 308.1 Bn). However, volume traded improved by 2.7% to reach 67.7 Bn shares by year end. Alinma Bank saw the highest trades during the year at SAR 149 Bn followed by SABIC at SAR 129.6 Bn and Dar Al Arkan Real Estate at SAR 54.0 Bn.

Tadawul Monthly Sector Performance



Monthly Value Traded (SAR Mn)



Source: Tadawul, KAMCO Research

Abu Dhabi Securities Exchange

Monthly Indicators	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
ADX General Index	4,054.4	4,351.4	4,390.4	4,543.5	4,250.2	4,497.6	4,575.3	4,471.0	4,476.3	4,300.2	4,308.8	4,546.4
Monthly % Change	(5.9%)	7.3%	0.9%	3.5%	(6.5%)	5.8%	1.7%	(2.3%)	0.1%	(3.9%)	0.2%	5.5%
Market Cap (AED Bn)	411.6	435.4	449.2	461.9	433.4	457.1	473.9	463.8	464.8	447.0	445.2	467.6
P/E (X) - TTM	9.84	10.54	10.70	11.14	10.35	10.66	10.96	10.73	10.74	10.24	10.19	10.77
P/BV (X) - TTM	1.32	1.38	1.40	1.45	1.35	1.34	1.37	1.34	1.34	1.29	1.29	1.36
Dividend Yield (%)	5.35%	4.89%	5.09%	5.01%	5.38%	5.56%	5.47%	5.68%	5.67%	5.91%	5.91%	5.60%
Volume (Mn Shares)	1,534	4,172	3,284	2,730	1,945	1,206	1,228	1,307	1,191	1,011	3,991	1,454
Value (AED Mn)	3,308	5,269	6,433	4,579	3,283	3,832	2,926	3,148	2,443	2,278	5,863	3,179
Trades	32,127	43,275	45,320	31,800	26,059	22,596	23,335	24,668	19,554	20,129	45,297	26,669

Source: Abu Dhabi Securities Exchange, KAMCO Research

The ADX General Index cooled off in 2016, after ending 2015 as the best performing market in the GCC, but still managed to move up by 5.6% for the current year. The index ended at 4,546.4 points and moved into the green, largely due to a 5.5% gain in Dec-16. The best performing sectoral index was the Real Estate index, which rose by over 20% for the year, as behemoth Aldar Properties buoyed the sectoral index with gains of over 13% for the year.

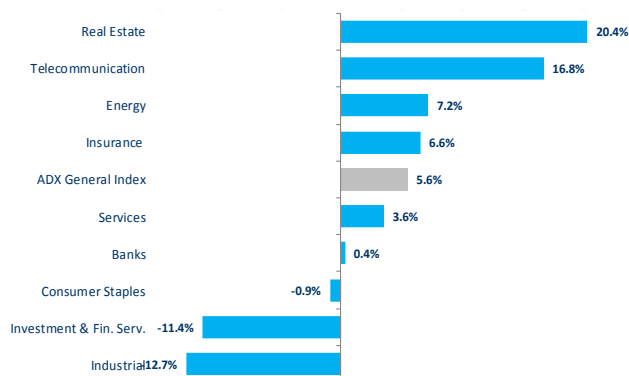
Telecoms also continued to do well in 2016, similar to 2015, as Etisalat moved up by close to 17% for the current year. Banks remained flat in 2016, despite the approval of the merger between the largest two banks in the sector, FGB and NBAD. Other sectors which gained included the Energy sector which saw healthy volumes being traded and also moved up 7.2% in 2016, despite volatility in the energy commodities' markets, as both index constituents Dana Gas and Abu Dhabi National Energy moved up during the year. Insurance and Services sectors also gained by the end of the year, as they went up by 6.6% and 3.6% respectively. The laggards for the year were mainly Industrial (-13%), followed by Investment & Financial Services (-11%), as the sectors saw another year of declines, and Consumer Staples which went down marginally by 1%.

Activity on the exchange in terms of trading activity was down y-o-y, as against 2015. Total value traded during the year declined by 20% to AED 47 Bn, as compared to AED 58 Bn achieved in 2015. Volume traded went down marginally by 2% in 2016, as 25 Bn shares were traded during the year. Total number of trades fell as well in the current year and declined by 17%, as trades recorded amounted to 0.36 Mn in 2016, as against 0.44 in 2015. Real Estate was the most actively traded sector both in terms of trading volumes and value traded, as 15 Bn of turnover was recorded for the sector, while the value traded reached AED 16 Bn for 2016. Energy followed in terms of traded volumes with a turnover of 4.2 Bn, while Banks came in second in terms of value traded with AED 14.7 Bn worth of share traded.

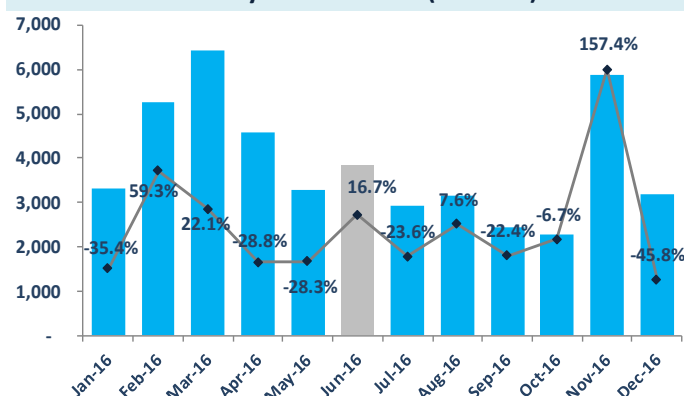
The top gainers for 2016 was led by Eshraq Properties which jumped by over 85% during the year, and was followed by International Fish Farming Co. and Emirates Driving Co which gained by over 61% and 59% respectively. In terms of laggards for the year, United Arab Bank declined by over 70% for the year followed by Al Khaleej Investment and RAK Ceramics as they saw their stock prices recede by over 52% and 25% respectively. Eshraq Properties led most active stocks for the year 2016 in terms of volume, with over 10.1 Bn shares traded on the exchange. Dana Gas and Aldar Properties followed with 3.5 Bn shares & 2.5 Bn shares for the year. Etisalat secured the top spot for top stocks traded by value with over to AED 8.9 Bn of turnover, as Eshraq Properties and Aldar followed with a value traded of over AED 8.3 bn and AED 6.5 Bn respectively.

The month of Dec-16 marked the UAE Central Bank duly following the Federal Reserve in terms of policy action, and raising interest rates of its Certificates of Deposits by 25 bps. In oil related developments, in response to OPEC agreeing to cut production Abu Dhabi National Oil Company (ADNOC) reportedly informed customers that it will cut crude supplies by 3%-5% across its three export grades.

ADX Monthly Sector Performance



Monthly Value Traded (AED Mn)



Source: Abu Dhabi Securities Exchange, KAMCO Research

Dubai Financial Market

Monthly Indicators	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
DFM General Index	2,997.8	3,239.7	3,355.5	3,491.9	3,313.7	3,311.1	3,484.3	3,504.4	3,474.4	3,332.4	3,360.9	3,530.9
Monthly % Change	(4.9%)	8.1%	3.6%	4.1%	(5.1%)	(0.1%)	5.2%	0.6%	(0.9%)	(4.1%)	0.9%	5.1%
Market Cap (AED Bn)	289.5	307.0	319.0	334.3	324.9	323.2	335.5	334.8	331.4	316.9	316.3	332.2
P/E (X) - TTM	8.16	8.68	8.98	9.36	8.90	8.16	8.87	9.09	9.01	8.77	8.71	9.25
P/BV (X) - TTM	1.14	1.19	1.24	1.28	1.24	1.12	1.27	1.28	1.27	1.22	1.23	1.29
Dividend Yield (%)	3.60%	3.51%	3.60%	3.82%	3.97%	4.82%	4.91%	4.76%	4.80%	4.99%	4.97%	4.70%
Volume (Mn Shares)	7,972	9,932	15,527	12,030	6,755	5,352	5,180	5,115	5,574	5,102	16,016	11,219
Value (AED Mn)	9,241	11,755	19,582	14,171	7,768	6,997	7,318	7,643	6,744	6,828	20,240	14,659
Trades	121,266	131,931	184,991	133,516	91,318	76,501	74,470	75,179	61,878	68,423	163,506	118,274

Source: Dubai Financial Market, KAMCO Research

After closing 2015 as the worst performing index, DFM reversed trends and ended 2016 as the best performing index as it proved a safer haven than other GCC markets. As a result, the index was up in the green seven months of the year and closed 2016 with a strong 5.1% move up in Dec-16. Nevertheless, the DFM Index did remain volatile through the year, but closed the year up by 12.1% y-o-y. The index closed at 3,530.9 points, but witnessed mixed trends in yearly trading activity, as volumes were up y-o-y for 2016, while traded value was down as against the previous year.

All the sectors barring the Industrials sector closed the year on a positive note as the sector closed lower by double digits, by over 16.7% In terms of top performing sectors, Services index led all other sectors as it gained by 36% for the year. Telecoms and Consumer Staples followed with gains of 22% each, as defensive sectors continued to do well in 2016, similar to trends witnessed in 2015. Heavyweight rate sensitive sectors such as Real estate and Banks went up as well, despite slowing credit conditions and monetary tightening. The Real Estate sector gained by 17% in 2016, after being the worst performing index in the previous year, while Banks went up moderately by 3%. The Transportation and Insurance index also gained during the year as they gained by 11.2% and 2.4% respectively.

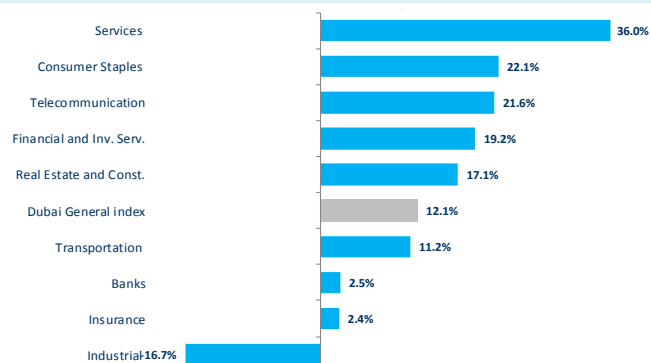
Trading activity statistics in terms of yearly value traded recorded a 12% decline to reach AED 132.9 Bn during 2016, as compared to AED 151.3 Bn during 2015. Total volumes traded during the year however improved by 8% to 105.8 Bn shares as compared to 98.2 Bn shares during 2015. The number of trades during the year declined by 17% to 1.3 Mn trades as compared to 1.6 Mn trades during 2015.

In terms of sector contribution, the Banking and the Real Estate & Construction sectors continued to account for the lion's share of the trading activity, accounting for 70% of the value traded during the year. The yearly gainers chart was topped by Shuaa Capital as its stock price went up by over 3.6 times, followed by Takaful House and Gulf Navigation Holding with yearly gains of over 164% and 157% respectively.

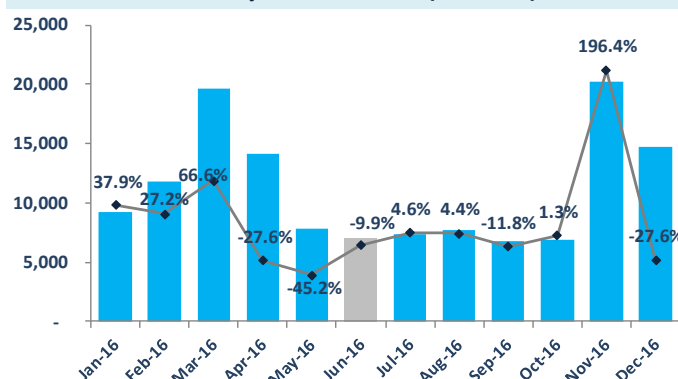
The yearly decliners chart saw Insurance names lose the most with National General Insurance leading the pack with a decline of 51.3%, followed by Oman Insurance and Ajman Bank with yearly declines of 35.2% and 25.0%, respectively. The chart for the most active stocks by volume was topped by GFH with 18.0 Bn shares traded during the year, followed by 13.2 Bn shares traded in Arabtec and 10.5 Bn shares for DSI. Meanwhile, in terms of yearly value traded, Arabtec and GFH topped the chart with AED 19.5 Bn and AED 18.6 Bn worth of shares traded in the stocks, respectively.

In Dec-16, Dubai approved their 2017 budget of AED 47.3 Bn, up 2.6% y-o-y from AED 46.1 Bn in 2016. The budget includes a 27% surge in infrastructure spending as against the previous year, as well as the creation of 3,500 jobs. Other allocations include reportedly a 20.5% of the 2017 budget earmarked for the education sector, 8.6% to the healthcare sector, 8.2% to public sector wages, 6.6% to social development and 3.3% to housing.

DFM Monthly Sector Performance



Monthly Value Traded (AED Mn)



Source: Dubai Financial Market, KAMCO Research

Qatar Exchange

Monthly Indicators	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
QE 20 Index	9,481.3	9,892.3	10,376.2	10,186.2	9,538.8	9,885.2	10,604.0	10,989.8	10,435.5	10,173.0	9,793.8	10,436.8
Monthly % Change	(9.1%)	4.3%	4.9%	(1.8%)	(6.4%)	3.6%	7.3%	3.6%	(5.0%)	(2.5%)	(3.7%)	6.6%
Market Cap (QAR Bn)	506.7	523.3	556.7	548.2	516.8	532.2	568.2	588.1	560.3	548.5	526.6	563.5
P/E (X) - TTM	10.00	11.87	12.37	12.37	12.34	12.77	13.55	14.17	13.50	13.45	13.04	13.85
P/BV (X) - TTM	1.48	1.53	1.62	1.64	1.53	1.48	1.58	1.63	1.55	1.51	1.45	1.56
Dividend Yield (%)	5.31%	4.34%	3.76%	3.87%	4.10%	4.07%	3.82%	3.72%	3.91%	4.00%	4.18%	3.93%
Volume (Mn Shares)	150	202	269	216	163	89	98	164	132	121	188	190
Value (QAR Mn)	5,050	6,570	9,081	7,234	5,466	3,282	3,785	6,799	5,934	4,360	5,822	7,204
Trades	84,665	100,763	123,003	110,526	94,675	48,686	58,170	99,903	76,124	56,888	73,428	71,747

Source: Qatar Exchange, KAMCO Research

Qatar Exchange stayed in the green in 2016, after witnessing a down year in 2015. The QE 20 index inched up by just 0.1% in 2016 and reached 10436.76 points, while the broader Total Return Index moved up by 4%. The year 2015 saw 12 out of the 44 listed companies ending the year higher, while 31 lost ground.

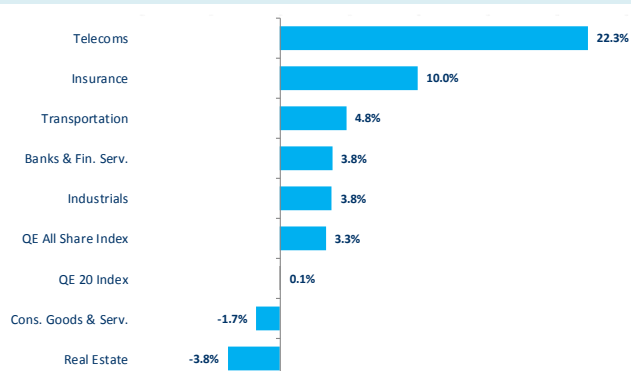
Similar to trends witnessed in other GCC markets, Telecoms in Qatar did well in 2016 as well, and was the best performing sectoral index as it went up by 22% y-o-y, buoyed by Ooredoo, which went up by over 36% for the year. Larger sectoral indices such as Banking & Financial Services and Industrials were up as well, as both indices gained close to 4% for the year. The Insurance index also closed the year strong as it went up by 9.9%, while Transportation gained by 4.8% in 2016. The two sectoral indices which receded were led by the Real Estate index which went down by 3.8% while Consumer Goods and Services index declined by a lower 1.7% for the year.

Value traded during 2016 decreased by 25% to reach QAR 70 Bn compared to QAR 93 Bn in the year prior. Trading volumes also declined by 26% to reach 1.98 Bn shares, as against 2.67 Bn shares, while the number of transactions fell by 16% to reach 1.0 Mn transactions as compared to 1.2 Mn transactions. Banks and Financial Services led the sectoral indices in terms of value traded during this year, accounting for over 35% of the total value traded, followed by Industrials sector, which accounted for close to 24%. The Real Estate sector followed, accounting for close to 12%, of the value traded during the year. In terms of trading volumes, Banks and Financial Services sector led all sectors during the year, accounting for over 30% of the total volumes traded, followed by Real Estate sector, which accounted for 20% and the Industrials sector with a contribution of over 18% to volumes traded for the year.

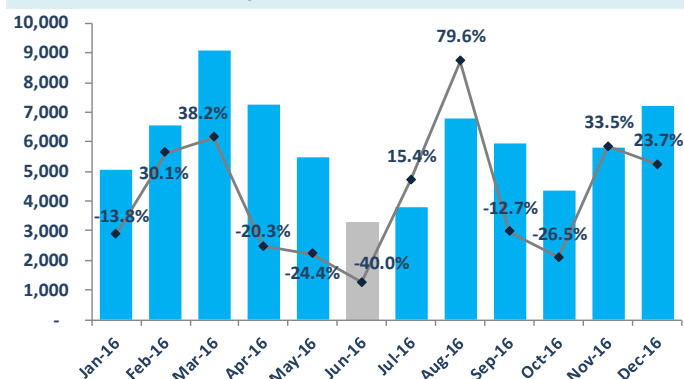
The top gainers for 2016 was led by Qatari Investors Group which jumped by over 55% during the year, and was followed by Ooredoo and Widam which gained by over 35% and 28% respectively. In terms of laggards for the year, Medicare saw its stock price decline by over 47% for the year and was the worst performer followed by Gulf International Services and Qatar First Bank, as they saw their stock prices recede by over 39% and 38% respectively. QNB led the most active stocks for the year 2016 in terms of value traded as it accounted for 9.5% of the total value traded, followed by Masraf Al Rayan and GISS as they contributed to 7.2% and 6.9% of the total value traded on the exchange.

Qatar is expected to post a budget deficit of QAR 28.3 Bn in 2017 as per their state budget, after reporting its first deficit in 15 years in 2016, mainly due to lower hydrocarbon prices. Revenues are reportedly estimated to come in at QAR 170.1 Bn, while expenditure for the coming year is estimated at QAR 198.4 Bn. The shortfall in revenues is reportedly expected to be covered by local and international debt issues. Capital spending is reportedly planned to increase 3.2% with its share of total spending rising from 46.7% in 2016 to 49.1% in 2017. Education, health and infrastructure will reportedly account for nearly half of all expenditures at QAR 87.1 Bn and will include building projects for Qatar's hosting of the 2022 World Cup.

QE Monthly Sector Performance



Monthly Value Traded (QAR Mn)



Source: Qatar Exchange, KAMCO Research

Bahrain Bourse

Monthly Indicators	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Bahrain All Share Index	1,187.10	1,178.23	1,131.11	1,110.53	1,111.56	1,118.37	1,155.62	1,142.21	1,150.00	1,148.83	1,174.12	1,220.45
Monthly % Change	(2.4%)	(0.7%)	(4.0%)	(1.8%)	0.1%	0.6%	3.3%	(1.2%)	0.7%	(0.1%)	2.2%	3.9%
Market Cap (BHD Mn)	7,025	6,973	6,694	6,573	6,574	6,615	6,836	6,757	6,803	6,796	6,946	7,221
P/E (X) - TTM	8.70	9.37	8.91	8.77	9.16	9.20	9.66	9.67	9.47	9.70	9.29	9.68
P/BV (X) - TTM	0.88	0.84	0.82	0.81	0.82	0.77	0.80	0.78	0.77	0.78	0.80	0.83
Dividend Yield (%)	5.25%	5.28%	5.72%	5.82%	5.79%	4.44%	4.27%	4.45%	4.88%	4.47%	4.39%	4.22%
Volume (Mn Shares)	23	38	33	22	26	75	36	75	37	29	55	211
Value (BHD Mn)	4	8	7	5	5	18	8	21	6	6	12	10
Trades	759	1,014	813	577	755	873	996	1,080	789	750	998	1,163

Source: Bahrain Bourse, KAMCO Research

After dropping by around 15% y-o-y in 2015, the Bahrain All Share Index remained rangebound in 2016 and went up marginally by 0.4%, as the index was aided by a 3.9% increase in Dec-16. The market capitalization as of December end was BHD 7.2 Bn and remained broadly stable from the previous year.

In terms of sectoral performance, the Investment index was able to close the year strong in the green, gaining by 12%. Commercial Banks followed with returns of 0.8% for the year. Hotels & Tourism and Industrials sectors were the worst performing sectors plunging by over 14.3% and 13.5% respectively, while Services and Insurance followed, receding by 8.3% and 4.1% respectively.

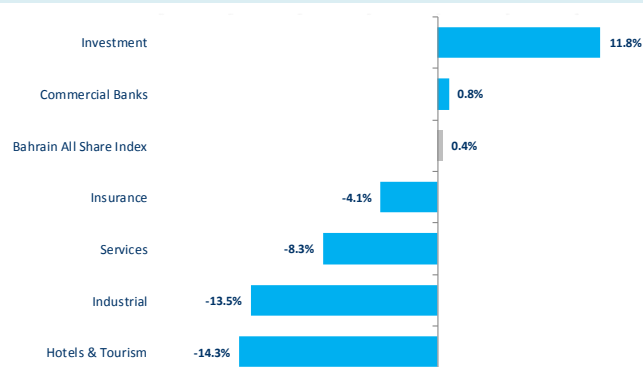
The top gainers chart for 2016 was led by GFH, which ended the year up by over three times. Ininvest came in second in the gainers list as it went up by over 31% as compared to the previous year, and also gained by 16.7% in the month of December in 2016, while InvestCorp managed to end the year on a positive note and finish third on the gainers list, gaining by c.22.7%. The laggards were led by Zain Bahrain which witnessed a drop of over 44.4% for the year ended 2016, as compared to the previous year. Takaful and Bahrain Family Leisure followed on the list of losers, declining by over 31% and 27% respectively.

In ratings related action for corporates, Moody's Investors Service reportedly assigned first-time long and short-term local and foreign currency issuer ratings of Ba3/Not-Prime to Khaleeji Commercial Bank B.S.C (KHCB) and a baseline credit Assessment (BCA) and adjusted BCA of b1. At the same time, Moody's has also assigned a Counterparty Risk Assessment of Ba2(cr)/Not-Prime(cr). The long-term issuer ratings was kept as negative.

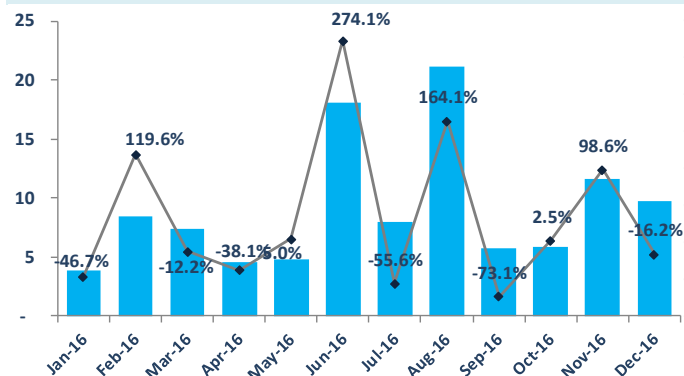
Trading activity for the year on the exchange saw volumes increasing by 28%, but overall value traded heading south marginally by 3%. Average daily volumes traded for the market as whole dropped by close to 39% in 2016, as compared to the year before to reach 2.8 Mn shares. The drop in average daily value traded was higher, as 2016 saw a decline of 58% as compared to the previous year. Daily trades also declined in 2016 as the average daily trades executed were 44 per day, as compared to 45 per day executed on average in 2015.

In sovereign ratings related action during the year, all three major ratings agencies – S&P, Fitch and Moody's downgraded Bahrain due to fiscal pressures and concerns over rising debt levels, even as the country took to international bond financing to plug in the budgetary gaps. In Dec -16, Fitch Ratings has affirmed Bahrain Mumtalakat Holding Company's Long-Term IDR and senior unsecured rating at 'BB+' and Short-Term IDR at 'B' and kept the outlook as "Stable". Further, the ratings on Mumtalakat's senior unsecured Malaysian Ringitt MYR 300 Mn notes due 2017, EMTN programme and USD 600 Mn Sukuk certificates due 2021 issued under Mumtalakat Sukuk Holding Company have also been affirmed at 'BB+'.

BSE Monthly Sector Performance



Monthly Value Traded (BHD Mn)



Source: Bahrain Bourse, KAMCO Research

Muscat Securities Market

Monthly Indicators	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
MSM 30 Index	5,179.4	5,395.1	5,467.4	5,942.7	5,811.0	5,777.3	5,843.8	5,735.0	5,726.2	5,481.4	5,487.7	5,782.7
Monthly % Change	(4.2%)	4.2%	1.3%	8.7%	(2.2%)	(0.6%)	1.2%	(1.9%)	(0.2%)	(4.3%)	0.1%	5.4%
Market Cap (OMR Mn)	6,636	6,870	6,961	7,444	7,428	7,233	7,313	7,351	7,555	7,930	7,946	5,055
P/E (X) - TTM	9.08	9.49	10.06	10.67	10.53	9.99	9.79	9.67	9.66	9.35	9.54	10.08
P/BV (X) - TTM	1.14	1.14	1.14	1.22	1.22	1.13	1.14	1.12	1.13	1.08	1.08	1.15
Dividend Yield (%)	5.15%	4.96%	5.38%	5.06%	5.10%	6.43%	6.29%	6.35%	6.34%	5.38%	5.39%	5.11%
Volume (Mn Shares)	267	339	336	575	347	254	179	199	227	127	187	147
Value (OMR Mn)	73	84	83	113	96	59	46	52	45	43	58	44
Trades	12,401	18,699	18,194	26,093	19,226	11,527	12,377	13,074	5,563	7,975	5,847	8,793

Source: Muscat Securities Market, KAMCO Research

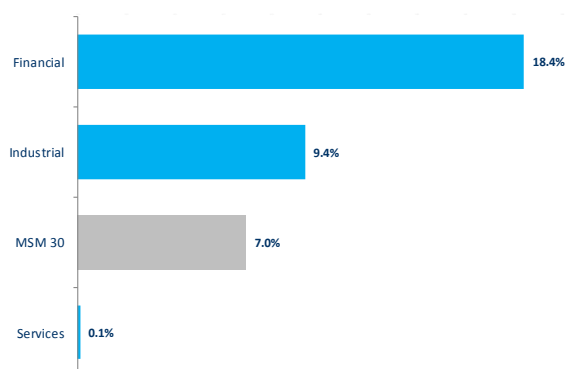
The MSM 30 Index recorded the second best performance in the GCC with a 2016 return of 7% after the exchange recorded positive returns for the last two months of the year. The trend in the benchmark has remained largely range bound since the second quarter of the year after seeing strong gains during the first four months of the year. Oman being one of the severest hit markets due to the oil price decline underwent a slew of reforms during the year with the government promoting the involvement of the private sector in order to boost investment and limit raising additional debt. Subsidy rationalization were also undertaken during the year, in line with the rest of the GCC economies. The steps taken by the government and the interim details on states finance had a significant impact on the stock market in addition to the effects of the movement in oil price.

The positive returns for 2016 comes primarily on the back of the Financial sector with the corresponding index surging 18.4% during the year. These gains were further supported by 9.4% returns for the Industrial sector, while the Services sector almost ended flat with a marginal return of 0.1%. Top gainers within the financial sector included Oman United Insurance which recorded 48.4% returns. Banks had a rather muted performance during the year although most of the banks closed the year on a positive note with merely two out of the eight banks recording negative returns.

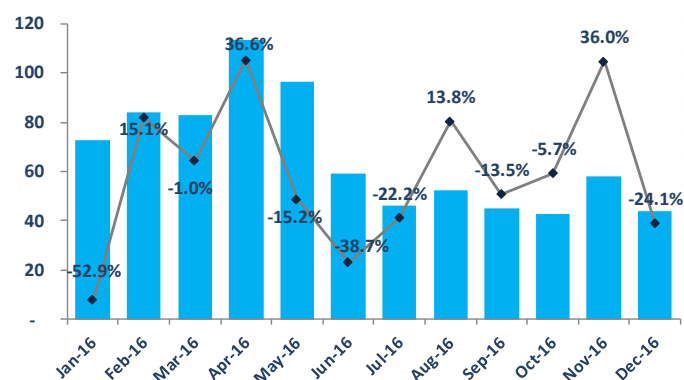
Trading activity on the exchange took a severe hit during the year as investors remained on the fence waiting for market conditions to improve. Total shares traded during the year in the regular market reached 3.2 Bn as compared to 4.6 Bn during 2015, a decline of almost a third. On the other hand, total value of shares traded declined by a higher 34.1% to reach OMR 0.8 Bn (USD 2.1 Bn) as compared to OMR 1.2 Bn during the previous year. The Financial sector continued to account for the lion's share of the total value of shares traded during the year. The sector accounted for 52% (or OMR 413.3 Mn) of the total value traded on the exchange, whereas the Services sector accounted for 32% (or OMR 252.2 Mn). The total number of transactions witnessed a smaller decline of 14.6% to reach 159,785 trades during the year.

Prominent gainers during the year included National Gas with a return of 89.4% followed by Al Jazeera Steel Products and Oman United Insurance with yearly gains of 80.9 and 48.4%, respectively. On the other hand, decliners included Al Anwar Ceramic Tiles that witnessed a decline of 44.4% followed by Al Jazeera Services and Sohar Power with the shares sliding 38.1% and 34.7%, respectively. In terms of trading, banks continue to be investor's favorite pick. Bank Sohar topped the yearly volume chart with 342 Mn shares traded during the year closely followed by Bank Muscat with 330.4 Mn shares. Al Anwar Holding and Phoenix power were the largest traded non-banking stocks with 304.9 Mn and 290.6 Mn shares traded during the year. In terms of value, Bank Muscat attracted the maximum investor funds with OMR 135 Mn worth of shares traded during the year. Oman Telecommunications and Al Anwar Holding followed with OMR 71 Mn and OMR 58 Mn worth of shares traded in these companies.

MSM Monthly Sector Performance



Monthly Value Traded (OMR Mn)



Source: Muscat Securities Market, KAMCO Research

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