

GCC Trading Activity Quarterly Report

GCC foreign investors were net sellers for the first time in 15 quarters in Q4-2023...

Foreign investors, including institutional and retail investors, were net sellers on GCC stock markets during Q4-2023 with net sales at USD 1.3 Bn as compared to USD 1.6 Bn in net buying by foreigners during Q3-2023. This came after foreign investors were net buyers consecutively for the last 14 quarters since Q1-2020, the year of the pandemic. Some of the key factors that affected the flow of foreign money in the region included regional market trends, IPOs, geopolitical issues, economic health of individual countries and crude oil prices.

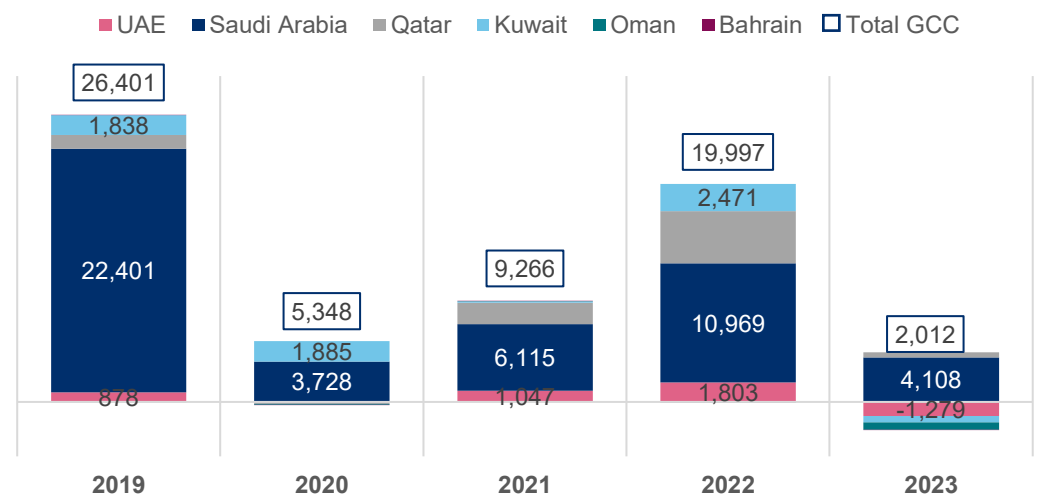
The quarterly data on trading activity on GCC exchanges showed all the exchanges recorded foreigners as net sellers during Q4-2023, barring Saudi Arabia that showed foreigners as net buyers to the tune of USD 640.3 Mn during the quarter, partially offsetting the overall net sales. Foreign investors were biggest sellers of Abu Dhabi stocks with net sales of USD 975.4 Mn during the quarter as compared to USD 462.5 Mn in net buy trades during the previous quarter. Oman was next with net sales of USD 712 Mn by foreigners followed by Dubai and Kuwait exchanges with net sales of USD 98.5 Mn and USD 81.6 Mn, respectively.

Historical trend for trading by foreigners in GCC listed stocks showed declines merely in two quarter over the last five years. Foreigners bought the most stocks during Q1-2022 with net buy transactions of USD 11.0 Bn, reflecting steep increase in buying mainly in Saudi Arabia and Qatar.

The yearly trend showed continued positive activity from foreigners on GCC exchanges during 2023, although total buying witnessed a steep decline during the year. Foreigners were net buyers during the year with net purchases of USD 2.0 Bn during 2023 as compared to USD 20.0 Bn in net buying during 2022, resulting in a y-o-y decline of almost 90%. This was also the smallest aggregate net buying by foreigners in at least over the last five years. Aggregate buying by foreign investors over the last five years stood at USD 63.0 Bn with 2019 being the year with the biggest net buying by these investors to the tune of USD 26.4 Bn.

In terms of trading activity on individual exchanges, the Saudi exchange witnessed the biggest net buying by foreign investors during 2023 at USD 4.1 Bn followed by Dubai exchange and Qatar exchange at USD 1.3 Bn and USD 0.46 Bn, respectively. On the other hand, Abu Dhabi exchange recorded the biggest net sales by foreign investors during the year at USD 3.3 Bn followed by Oman and Kuwait with net sale at USD 688.6 Mn and USD 577.1 Mn, respectively.

Net Trades by Foreign Investors in GCC - USD Mn

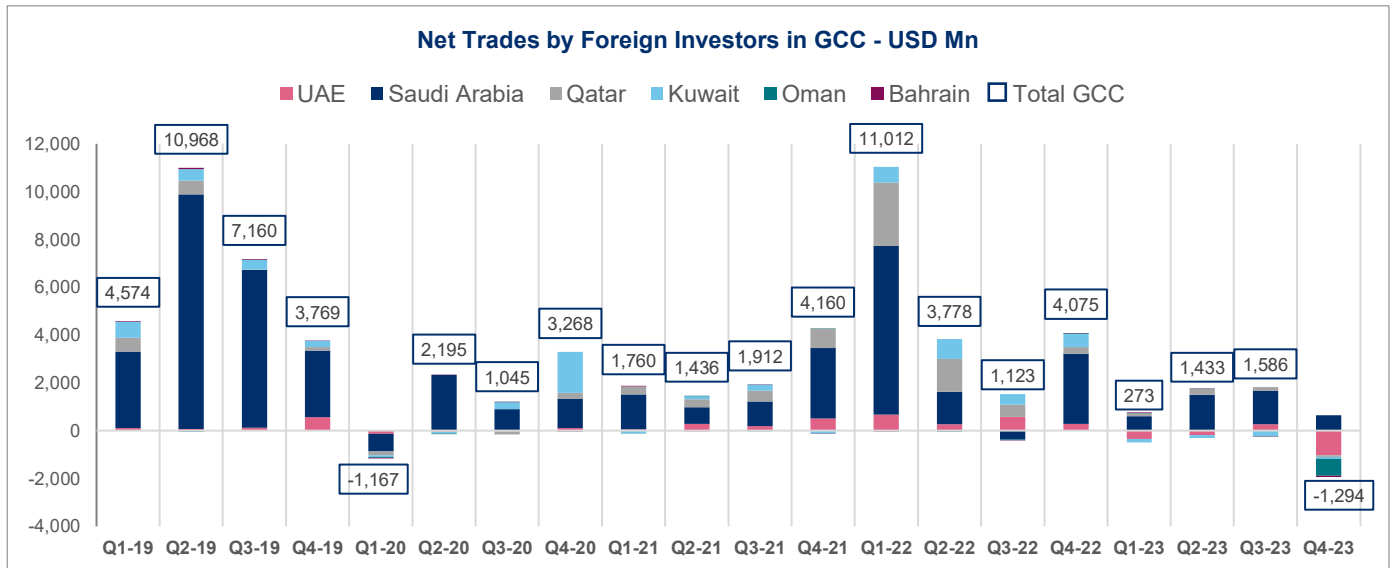


Sources : GCC Stock Exchanges, Bloomberg, Kamco Invest Research.

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GCC investors in other GCC exchanges were net buyers during 2023. Net buy trades of GCC investors reached USD 0.14 Bn compared to a net sale trades of USD 0.36 Bn in 2022. Qatar Exchange witnessed the biggest net buying by GCC investors during 2023 at USD 424.0 Mn followed by Saudi Exchange and UAE exchanges at USD 325.1 Mn and USD 176.8 Mn, respectively. On the other hand, Kuwait and Oman exchanges recorded the biggest net sales by GCC investors in 2023 partially offsetting the overall buying by GCC investors. In terms of trend during 2023, aggregate trading activity by GCC Investors on other GCC exchanges peaked during May-2023 and hit the lowest trading month in December-2023.



Sources : GCC Stock Exchanges, Bloomberg, Kamco Invest Research.

In terms of the aggregate trading activity, total GCC volume traded during the year declined by 9.2% to reach 237.3 Bn shares in 2023 as compared to 261.4 Bn shares in 2022. Dubai topped the list with a gain of 26.2% to record 47.8 Bn in 2023 compared to 37.9 Bn in 2022, followed by Saudi Arabia with 16.6% to record 50.7 Bn in 2023 vs. 43.5 Bn in 2022. Abu Dhabi, on the other hand, declined from 73.7 Bn in 2022 to 49.7 Bn in 2023.

Similarly, the total value of shares traded during 2023 also declined and was largely broad based, Dubai and Oman were the only markets that showed a gain in value traded while the rest of the markets declined during the year. Aggregate value traded reached USD 526.6 Bn during the year vs. USD 686.0 Bn in 2022. Dubai reported the biggest increase in trading activity with value traded increasing from USD 24.2 Bn in 2022 to USD 26.0 Bn in 2023 resulting a share of 4.9% vs. 3.5% in 2022. Trading activity on the Saudi Exchange declined during the year from USD 454.3 Bn in 2022 to USD 352.0 Bn in 2023, but its share in aggregate GCC trading activity increased slightly from 66.2% in 2022 or to 66.8% in 2023.

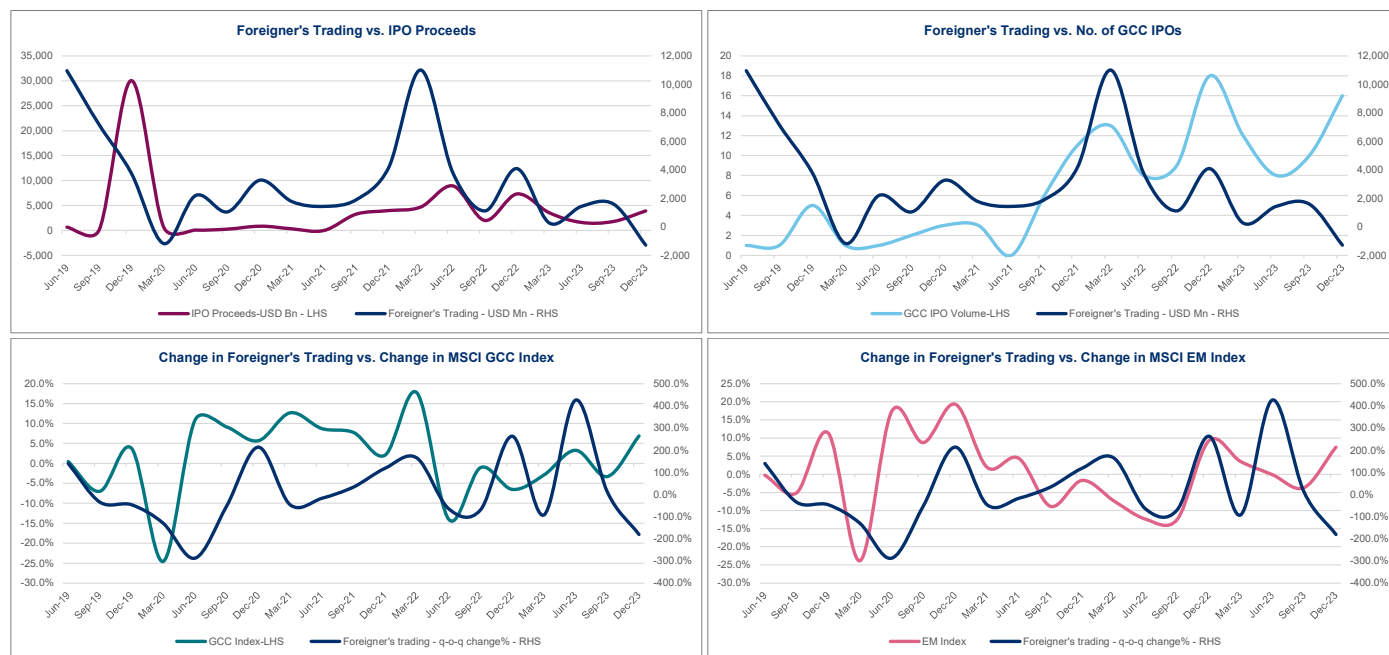
Top 10 GCC Stocks by Trading value

Five Saudi-based stocks ranked among the top 10 most traded GCC stocks by trading value in 2023. Aggregate traded value of the top 10 listed stocks in the GCC stood at USD 112.8 Bn, accounting for 21.4% of the total value traded on the GCC exchanges during the year. International Holding Co. of Abu Dhabi topped the list by recording USD 23.2 Bn in trades followed by Saudi Aramco at USD 20.8 Bn and Al Rajhi Bank at USD 20.3 Bn.



Sources : Bloomberg, Kamco Invest Research.

In the below charts we have plotted several key indicators for the GCC markets against the trend in foreign inflows on the GCC exchanges by quarter. The chart highlights the correlation between these key variables and its impact on how foreign investors invest in the region.



Sources : GCC Stock Exchanges, Bloomberg, Kamco Invest Research.

The trends clearly shows that IPOs have a significant impact on foreign inflows in the region. We've compared GCC IPO proceeds and the volume of IPOs in the region over the last five years against the inflow/outflow of foreign money on GCC exchanges. The chart shows a clear correlation between the these variables, indicating that IPOs results in higher investments from foreign investors.

The bottom charts compare the trend in regional indices against the change in foreign inflow into the region. The clearly shows a correlation between these variables but with a slight lag effect. It shows that foreign money, especially passive flow of investment funds, follow the trends in the GCC and the broader EM indices. However, the disconnect in the last quarter between these variables also indicate the flight of capital due to geopolitical issues. The region has seen minimal geopolitical events over the last five years and as a result the indices are correlated. However, the war on Gaza since the last quarter of 2023 has clearly resulted in withdrawal of money from the markets in the GCC. This was also clear during the pandemic when foreigners withdrew money from the GCC markets fearing an extended decline in benchmarks and the negative impact on the regional economy from the steep decline in crude oil prices. However, as the markets recovered, inflow of foreign capital also showed a gradual recovery.

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