

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

June 2022

The market wide negative trend increases in June

NEGATIVE PERFORMANCES FOR ALL THREE BEARBULL KUWAIT PRIVATE BANKING INVESTMENT STRATEGIES IN JUNE

Bearbull Kuwait Pension Strategy “Low Risk”	Year-to-Date -9.58%	Year 2021 +8.34%
Bearbull Kuwait Pension Strategy “Medium Risk”	Year-to-Date -8.72%	Year 2021 +14.18%
Bearbull Kuwait Pension Strategy “Dynamic Risk”	Year-to-Date -7.87%	Year 2021 +20.28%

Comments (performances in KWD)

The downward trend in the financial markets continued, pulling the Bearbull Kuwait Private Banking Investment Strategies below neutral performance once again in June. Indeed, the low-risk strategy fell by -4.26%, while the moderate-risk strategy followed the same path, losing -5.18%. The dynamic-risk strategy achieved the worst performance of the month, falling by -6.10%. The three strategies suffer from a very negative general economic context and have been in the red since the beginning of the year (-9.58%, -8.72%, and -7.87%). The bond markets are again in negative territory in June, the domestic segment is down -2.67% while internationally the decline is similar (-3.21%). Equity markets are strongly impacted by the downward trend that has been reinforced this month, the Kuwaiti segment is nevertheless reducing its momentum (-5.35% in May and -2.90% in June). The international class was hit harder and fell by -8.66% to total a cumulative loss of -20.51% at the end of the first half. The real estate sector is once again in a difficult position this month, with the domestic class falling sharply by -8.70%, while the international class is very close to the performance (-8.47%). Commodities are experiencing their first period of decline since the beginning of the year. Indeed, the sector was dragged down by the contraction of crude oil prices (-7.64%) which interrupted 5 consecutive months of increase, nevertheless, the asset class still realizes an impressive cumulative gain of +35.80% since January. Hedge funds are down again by -1.80% but are relatively better than the other asset classes this month and have achieved the best performance. Private equity collapsed again in June after having briefly returned to positive territory in May (+2.54%).

Financial market developments (performances in KWD)

The first half of the year turned out to be one of the worst in history, with all asset classes declining from -10% (Swiss bonds) to -33.07% (PE), with the exception of commodities (+35.80%). The month ended with a new unexpected rebound with the publication of the Atlanta Fed's GDPNow, which went from +0.7% on June 28 to -2.08% on July 1 and suggests that the US economy is already in recession. Expectations of an economic softening induced by the fall in household purchasing power following the rise in prices, were projected for the end of the year and will have to be reassessed. After having suffered a brutal exacerbation of fears of uncontrolled inflation with the June 10 release of the US CPI (+8.6% yoy), which simultaneously caused a jump of more than 50 basis points in most long-term yields in three days, a drop of about -10% in the equity markets and a forced 75 bp hike by the Fed, fears of recession are once again the main source of concern. The spectre of recession has thus relegated inflationary fears to the background, and rightly so in our view, as a number of indicators are already pointing logically to a reduction in tensions in the context of growing economic weakness. The financial markets are at a loss and so is the Fed, which will certainly appear to be at odds with the current economic situation once again in this context. Barely three days of rate hikes will have been enough to cause panic in all sectors, but normalization is already taking place in the financial markets, with long-term yields adjusting quickly to this new paradigm. The rise in rates was thus short-lived and did not withstand the increasing signs of economic slowdown. Yield curves quickly contracted back below the levels that prevailed before June 10. WTI crude oil (-7.7%), US gas (-33.4%) and agricultural commodities (-11.9%) also fell sharply in June and will contribute to the loss of inflation momentum in the coming weeks.

PERFORMANCES BY ASSET CLASS

JUNE

-1.80%	Hedge Funds
-2.67%	Kuwaiti Sukuk
-2.90%	Kuwaiti Equities
-3.21%	International Bonds
-7.64%	Commodities
-8.47%	International Real Estate
-8.66%	International Equities
-8.70%	Kuwaiti Real Estate
-14.92%	Private Equity

YTD

+ 35.80%	Commodities
+ 11.66%	Kuwaiti Equities
- 5.06%	Hedge Funds
- 7.75%	Kuwaiti Real Estate
- 12.05%	Kuwaiti Sukuk
- 13.91%	International Bonds
- 19.94%	International Real Estate
- 20.51%	International Equities
- 33.07%	Private Equity

COMMENTS BY ASSET CLASSES

Bonds

The changes in expectations were extreme in June, ranging from +50 bps in a generalized panic over the risks of a relaunch of an uncontrolled inflationary spiral, before correcting these excesses with stronger cuts in the more rational perspective of a slowing economy. The capital markets are now more afraid of recession than of inflation, which could already be curbed by the increasingly visible decline in consumption. Ten-year US Treasury yields initially rose by 50 bps to 3.49% before falling rapidly to 2.88% by the end of the month. In Europe and Switzerland, ten-year government yields, which had reached 1.92% and 1.59% respectively in the context of the panic mentioned above, fell back to 1.18% and 0.92%, despite inflation rising to +3.4% yoy in Switzerland.

Equities

Unlike the bond markets, the equity markets remained frozen in their post rate shock of June 10, with no real positive reaction following the impressive decline in yields observed afterwards in most markets. Risk appetite has not yet recovered. Investors still fear the onset of the earnings and the fact that the P/E correction has mainly been realized in the form of falling prices (P). The economic factor is weighing on the profit outlook.

Commodities

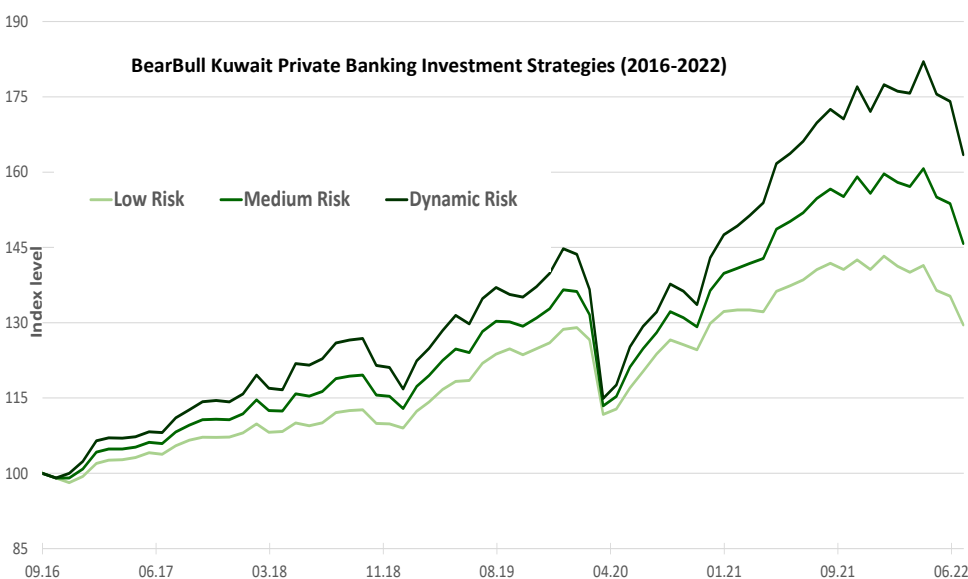
The commodities sector is experiencing its first period of decline since the beginning of the year. The asset class lost -7.64% in June, dragged down by the price of crude oil, which fell by -7.7%. Gas hasn't been spared either, as the commodity collapsed by about -33%. A drop that could relieve somewhat the inflationary pressures inflationary pressures that have been the focus of investors' attention for some months. The sector is still clearly leading in the YTD table and is even the only asset class in positive territory with a cumulative gain of +35.80%.

Real Estate

The real estate segment is continuing its downward trend in June. The domestic class is the hardest hit this month and loses -8.70% and is negative Year-to-Date (-7.75%). The international segment also suffered a strong correction in June (-8.47%), with a cumulative loss of -19.94% since January.

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	April 2022	May 2022	June 2022	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	-3.51%	-0.84%	-4.26%	-9.58%	-1.30%	-8.39%			8.34%	4.82%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	-3.54%	-0.84%	-5.18%	-8.72%	0.64%	-9.30%			14.18%	7.09%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	-3.57%	-0.84%	-6.10%	-7.87%	2.60%	-10.21%			20.28%	9.34%
Sub-indices										
Kuwaiti Sukuk	-2.96%	-1.03%	-2.67%	-12.05%	-5.91%	-3.96%			0.40%	0.78%
International Bonds	-5.48%	0.27%	-3.21%	-13.91%	-6.16%	-5.22%			-4.71%	-1.05%
Kuwaiti Equities	1.23%	-5.35%	-2.90%	11.66%	20.02%	-4.19%			30.06%	20.10%
International Equities	-8.31%	0.08%	-8.66%	-20.51%	-5.15%	-8.24%			21.82%	9.30%
Kuwaiti Real Estate	-0.61%	-4.28%	-8.70%	-7.75%	5.24%	-4.00%			41.08%	18.80%
International Real Estate	-5.28%	-4.28%	-8.47%	-19.94%	-3.53%	-9.33%			22.01%	1.44%
Commodities	5.12%	5.07%	-7.64%	35.80%	33.13%	10.45%			40.35%	9.52%
Hedge Funds	-0.90%	-1.10%	-1.80%	-5.06%	-1.35%	-1.99%			3.64%	2.44%
Private Equity	-13.19%	2.54%	-14.92%	-33.07%	-11.62%	-10.99%			51.44%	10.88%

Sources : BearBull Global Investments Group Limited, Bloomberg



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The diversified systematic strategies of the BearBull Kuwait Private Banking Investment Strategies have produced returns of +4.82% to +9.34% annualized since 2016 to date.

The composition of our private banking investment strategies is available upon request