

# Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

May 2022

## The market wide negative trend continues in May

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

Bearbull Kuwait Pension Strategy « Low Risk »	Year-to-Date <b>-5.56%</b>	Year 2021 <b>+8.34%</b>
Bearbull Kuwait Pension Strategy « Moderate Risk »	Year-to-Date <b>-3.73%</b>	Year 2021 <b>+14.18%</b>
Bearbull Kuwait Pension Strategy « Dynamic Risk »	Year-to-Date <b>-1.89%</b>	Year 2021 <b>+20.28%</b>

### Comments (performances in KWD)

The negative trend in the financial markets continued in May. Indeed, all three Bearbull Kuwait Private Banking Investment Strategies once again posted negative performances this month. The low-risk strategy fell by -0.84%, the moderate-risk strategy also fell by -0.84% and the dynamic-risk strategy decreased by -0.84%. All three strategies have been in negative territory since the beginning of the year (-5.56%, -3.73% and -1.89%). The bond sector is on either side of neutral performance in May. The domestic segment declined once again, confirming the downward trend that began a few months ago (-1.03%), while the international segment posted a gain for the first time this year (+0.27%). Equity markets were also mixed in May. The Kuwaiti segment corrected sharply by -5.35% this month and thus interrupted its long-term uptrend, but the sector is still enjoying a cumulative gain of +14.99% since the beginning of the year. The international sector managed to move into positive territory thanks to the rally at the end of the month after experiencing high volatility (+0.08%). The real estate market has also performed in a poor way in May, the domestic segment continues to fall (-5.28% in April then -3.41% in May) but remains positive YTD (+1.03%). The international class follows the same trajectory and declines once again (-4.28%) for a total decline of -12.53% since January. Commodities are unsurprisingly once again at the top of the ranking (+5.07%), the sector still being supported by the war in Ukraine and the ensuing energy crisis. Hedge funds continued their slightly downward trajectory in May, losing 1.10%. The private equity segment posted a positive performance of +2.54% after having collapsed by -13.19% in April.

### Financial market developments (performances in KWD)

The rebound of the equity markets in the last few days of May reversed the negative trend of the previous weeks and allowed the majority of the stock market indices to record a slightly positive monthly close. The S&P500 index ended the month up by a small 0.18% after having fallen by -7.8% in the previous days. During the month, the interest rate markets also experienced significant volatility, with yields initially rising before easing at the end of the month. Ten-year US Treasury yields rose from 2.9% to 3.2% at the beginning of the period before falling back to 2.85%. The Fed's negative comments on inflation and its decision to raise rates a second time on May 4<sup>th</sup> by 0.5% had an effect on investor sentiment. Concerns that a monetary tightening cycle would intensify and accelerate to counter persistently high inflation were the main factor of uncertainty at the beginning of the month. Subsequently, signs of weakness in the US economy helped to adjust the outlook for interest rate hikes and reduce fears of overly aggressive monetary policies. In Europe, the ECB's cautious measures announcing a gradual change in policy were rather reassuring. On the geopolitical front, the war in Ukraine remained a source of tension for commodities, which rose again by +5.07%, led by the rise in energy prices (+9.9%). Oil (Brent) temporarily recovered to \$125 a barrel, while gold prices slipped -3.1% with the first potential sign of a loss of momentum in US inflation, down slightly from 8.5% to 8.3% in April. Real estate investments fell by around -4.28% internationally and -3.41% domestically while private equity managed to remain positive (+2.54%). Equities may have reached their nadir after a drop of -31.4% for the Nasdaq and -20.9% for the S&P500, if lower inflation, signs of economic slowdown and lower interest rate pressures materialise in June.

#### PERFORMANCES BY ASSET CLASS

##### MAY

+ 5.07%	Commodities
+ 2.54%	Private Equity
+ 0.27%	International Bonds
+ 0.08%	International Equities
- 1.03%	Kuwaiti Sukuk
- 1.10%	Hedge Funds
- 3.41%	Kuwaiti Real Estate
- 4.28%	International Real Estate
- 5.35%	Kuwaiti Equities

##### YTD

+ 47.04%	Commodities
+ 14.99%	Kuwaiti Equities
+ 1.03%	Kuwaiti Real Estate
- 3.32%	Hedge Funds
- 9.64%	Kuwaiti Sukuk
- 11.06%	International Bonds
- 12.53%	International Real Estate
- 12.97%	International Equities
- 21.33%	Private Equity

## COMMENTS BY ASSET CLASSES

### Bonds

Expectations in the bond markets changed rapidly in May. Yield curves rose again as inflationary pressures continued, before falling as the growing risks of an economic slowdown were taken into account. Ten-year US Treasury yields initially rose by 30 bps to 3.2% before falling back to 2.9% at the end of the month. In Europe, inflationary pressures appear to be more acute, which has supported a more upward trend in yields above 1%. Yield spreads with USD and CHF rates have thus increased in favour of euro bonds. The spread between euro and Swiss franc 2-year yields reversed by 70 bps to 47 bps, the highest spread observed since the end of 2015.

### Equities

Equity markets ended the month with one of the longest sequences of negative weekly performance in history. While investors have continued to pull back sharply from equity markets, the corresponding price declines had already been very significant for many companies, including many of those in the Nasdaq index, with corrections often exceeding -50%. Confidence is improving and investors seem to be more willing to take risks, reinforcing the likelihood that the low point of the last few days will indeed be a bottom for at least a few weeks. Domestically the equity market corrected by -5.35% but is still in positive territory YTD (+14.99%)

### Commodities

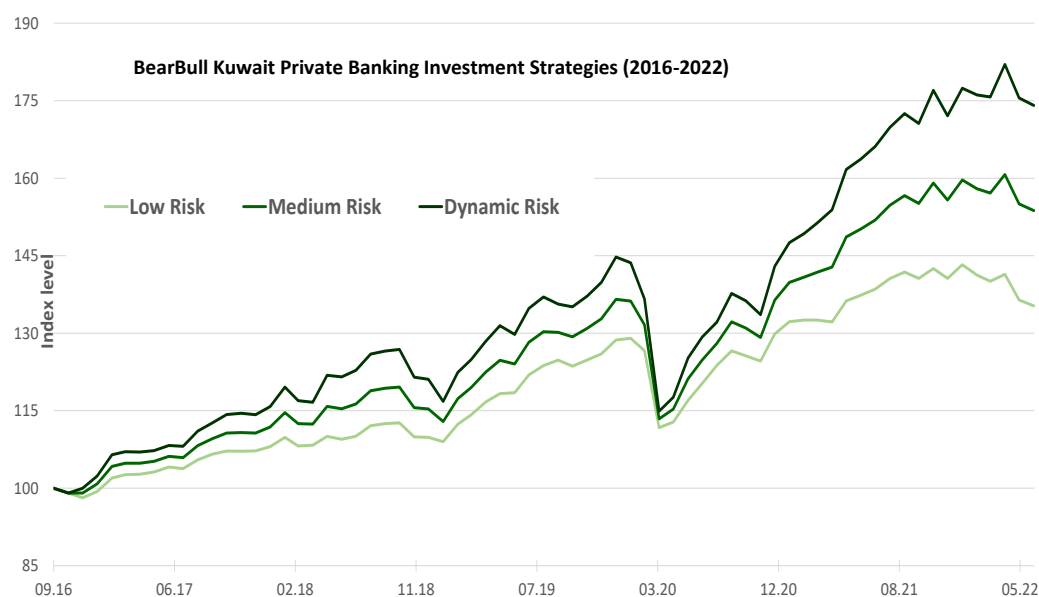
The commodities sector is the only asset class to continue on a positive trajectory in 2022. The segment is still favored by the European geopolitical situation and the ongoing war in Ukraine. Sanctions against Russia were stepped up again in May and a total embargo on Russian oil by the end of the year has been announced, raising fears of new tensions on the energy market. The segment recorded an exceptional gain of +47.04%, placing it ahead of other asset classes.

### Real Estate

The sector did not benefit from the rebound at the end of the month and continues its negative trend. Indeed, international real estate suffered a strong correction, falling by -4.28% and continuing the negative trend that the segment started last month. The asset class has accumulated a loss of -12.53% since the beginning of the year in a context of rising interest rates which is lowering the yield on real estate. In the meantime, the domestic sector encountered a strong decline as well which confirmed its negative trend (-3.41%)

BearBull Kuwait PB Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	March 2022	April 2022	May 2022	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	0.96%	-3.51%	-0.84%	-5.56%	-1.30%				8.34%	5.74%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	2.27%	-3.54%	-0.84%	-3.73%	0.64%				14.18%	8.26%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	3.59%	-3.57%	-0.84%	-1.88%	2.60%				20.28%	10.78%
<b>Sub-indices</b>										
Kuwaiti Sukuk	-1.36%	-2.96%	-1.03%	-9.64%	-5.91%				0.40%	1.29%
International Bonds	-3.05%	-5.48%	0.27%	-11.06%	-6.16%				-4.71%	-0.47%
Kuwaiti Equities	11.35%	1.23%	-5.35%	14.99%	20.02%				30.06%	21.09%
International Equities	2.74%	-8.31%	0.08%	-12.97%	-5.15%				21.82%	11.30%
Kuwaiti Real Estate	3.55%	-5.28%	-3.41%	1.03%	5.24%				41.08%	21.13%
International Real Estate	4.16%	-5.28%	-4.28%	-12.53%	-3.53%				22.01%	3.13%
Commodities	9.63%	5.12%	5.07%	47.04%	33.13%				40.35%	11.29%
Hedge Funds	0.48%	-0.90%	-1.10%	-3.32%	-1.35%				3.64%	2.82%
Private Equity	0.27%	-13.19%	2.54%	-21.33%	-11.62%				51.44%	14.42%

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 annualized returns of +5.74 to +10.78% since 2016 to date.**

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