

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

May 2024

Return to the upside this month

POSITIVE PERFORMANCES FOR THE THREE BEARBULL KUWAIT PRIVATE BANKING INVESTMENT STRATEGIES IN MAY

Bearbull Kuwait Pension Strategy	« Low risk »	May	+ 1.74%	Year-to-Date	+ 1.25%
Bearbull Kuwait Pension Strategy	« Medium risk »	May	+ 1.92%	Year-to-Date	+ 3.09%
Bearbull Kuwait Pension Strategy	« Dynamic risk »	May	+ 2.11%	Year-to-Date	+ 4.95%

Comments (performances in KWD)

Financial markets rebounded in May, driven by investors' changing assessment of economic signals. Indeed, all three BearBull Kuwait Private Banking investment strategies advanced this month. The low-risk strategy gained +1.74%, the moderate-risk strategy followed a similar path, advancing +1.92%, and the dynamic-risk approach achieved the best performance of the month (+2.11%). Year-to-date performance is back in positive territory this month (+1.25%, +3.09% and +4.95%, respectively). Bond markets were positive in May, despite what we believe was an excessive rebound in US long rates for most of the month. The domestic segment advanced by +1.55%, while the international trend was similar (+1.31%). In cumulative terms, the two asset classes are still performing negatively despite this bullish episode (-2.64% and -4.55%). Thanks to the recent positive change in psychology, equity markets appear positive in May. The Kuwaiti stock market posted a slight gain (+0.41%). The international asset class increased by +4.47%. In cumulative terms, both asset classes posted gains (+9.52% and +3.03%, respectively). The real estate segment was also positive in May. The international segment ended the month positively (+3.19%), and the domestic class increased by +3.61%. Despite the positive performance, international real estate remained negative YTD (+-6.99%), in Kuwait the cumulative performance is still in the green (+7.28%). Commodities interrupted their upward trend in May, losing -1.90%. In YTD, Private equity benefited from the weakening of prevailing pessimism and climbed +5.21%, while alternative investments moved up horizontally (+3.07%).

Financial market developments (performances in KWD)

While April was largely affected by the new uncertainties linked to the resilience of the US economy and the very reduced likelihood of rate cuts in 2024, May witnessed a more positive shift in investor sentiment. Better job market statistics and an observable slowdown in activity, now in the key service sector too, have shed new light on the forthcoming trend in the US economy. The latter is perceived as significantly less robust, and on a growth trend probably lower than that recorded and revised downwards for Q1 (+1.3%), which is already significantly weaker than initially expected. Expectations for the Fed's monetary policy have not been affected by these factors, as the consensus is still for a single rate cut in December. Against this backdrop, the consensus among forecasters certainly seems a little too pessimistic. The slowdown which is now materializing more clearly could well push the Fed into action before that date. However, the fixed-income markets have already reacted in part to this news by adjusting their yield curves downwards. Against this backdrop, May proved a positive month for most asset classes. Bond markets generally benefited from this adjustment, posting an overall gain of +1.31% and a less negative result over five months (-3.3%). International equities also benefited from the less pessimistic stock market climate, recording a +4.47% rise, taking the overall increase since the start of the year to +9.52%. Lower interest rates also benefited securitized real estate (+3.19%), particularly in Europe (+6.96%), which was the only region to rise in 2024 (+4.09%). Commodities also posted positive results for precious metals (+2.5%), while prospects of a slowdown weighed on energy prices, which declined by -4.71%.

PERFORMANCES BY ASSET CLASS

MAY

+ 4.54%	Private Equity
+ 4.47%	International Equities
+ 3.61%	Kuwaiti Real Estate
+ 3.19%	International Real Estate
+ 1.55%	Kuwaiti Sukuk
+ 1.31%	International Bonds
+ 0.60%	Hedge Funds
+ 0.41%	Kuwaiti Equities
- 1.90%	Commodities

YTD

+ 11.64%	Commodities
+ 9.52%	Kuwaiti Equities
+ 7.28%	Kuwaiti Real Estate
+ 5.21%	Private Equity
+ 3.07%	Hedge Funds
+ 3.03%	International Equities
- 2.64%	Kuwaiti Sukuk
- 4.55%	International Bonds
- 6.99%	International Real Estate



COMMENTS BY ASSET CLASSES

Bonds

A new cycle change began in May with the first decline in US 10-year government yields. The 20-bp drop is still small but should continue in June with the expected increase in statistical data pointing to a weakening US economy. Bond indices were up +1.31% overall, with only Japan and Switzerland recording negative results. Yield adjustments are likely less significant in Europe, due to smaller spreads between observed inflation levels and current yields. Despite increasingly attractive and relatively similar risk scores, the greatest opportunities are to be found in the USA and in geographical zones correlated with US rates.

Equities

Earnings reports for the 1st quarter far exceeded expectations, and the outlook for the coming months has rather bolstered investor interest. The sentiment is still generally positive, even if the consensus no longer expects the Fed to act any time soon. As a result, indices have surged to new highs without waiting for key rate cuts. Nor did the prospect of an economic slowdown affect current enthusiasm. In the absence of any real risk of recession, we believe the current uptrend is here to stay. However, valuations are high, particularly in the US. Quantitative and technical risk scores have risen again, and are now at the beginning of the consolidation risk zone.

Commodities

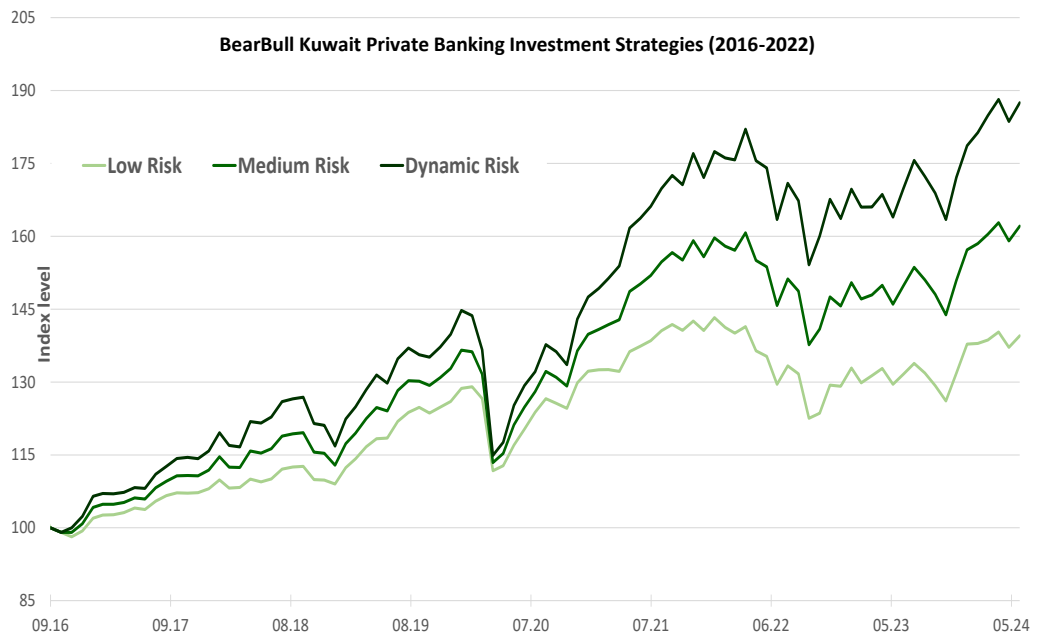
The commodities segment halted its upward trend (-1.90%) due to growing concerns over the pace of global growth. Signs of an economic slowdown in the USA are becoming more apparent, weighing on demand expectations and crude oil prices, despite continued OPEC+ production cuts. Over the month, gold nonetheless made further gains in a month marked by volatility. halted their downward trend in January. Indeed, the asset class recorded its first rise since

Real Estate

Securitized real estate is following the trend in the fixed-income markets, particularly in Europe. The domestic segment increased by +3.61%, while the international segment posted a positive performance as well (+3.19%). Since the beginning of the year, the two asset classes have been mixed, +7.28% in Kuwait and -6.99%, internationally.

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	March 2024	April 2024	May 2024	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2023	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	1.19%	-2.25%	1.74%	1.25%	1.81%				6.71%	4.59%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	1.49%	-2.33%	1.92%	3.09%	3.55%				7.95%	6.73%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	1.79%	-2.41%	2.11%	4.95%	5.31%				9.17%	8.84%
Sub-indices										
Kuwaiti Sukuk	0.90%	-1.60%	1.55%	-2.64%	-1.05%				6.08%	1.29%
International Bonds	0.55%	-2.52%	1.31%	-4.55%	-2.08%				5.71%	-0.85%
Kuwaiti Equities	-1.64%	-3.60%	0.41%	3.78%	7.65%				-7.24%	13.97%
International Equities	3.21%	-3.71%	4.47%	4.84%	8.88%				23.79%	11.73%
Kuwaiti Real Estate	1.80%	-0.10%	3.61%	7.28%	7.39%				2.37%	15.67%
International Real Estate	3.18%	-5.55%	3.19%	-6.99%	-1.53%				8.67%	0.88%
Commodities	4.73%	1.16%	-1.90%	11.64%	10.36%				-4.26%	6.57%
Hedge Funds	1.26%	0.54%	0.60%	3.07%	2.52%				3.76%	2.91%
Private Equity	3.39%	-2.97%	4.54%	5.21%	8.43%				43.28%	15.24%

Sources : BearBull Global Investments Group Limited, Bloomberg



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The systematic diversified strategies of the Bearbull Kuwait Private Banking Investment Strategies have produced annualized returns of +4.59% (Low risk) to +8.84% (Dynamic risk) since 2016.

The composition of our strategies is available upon request