

# Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

July 2024

## Private banking strategies in the green in July

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

Bearbull Kuwait Pension Strategy	« Low risk »	July	+ 1.75%	Year-to-Date	+ 3.29%
Bearbull Kuwait Pension Strategy	« Medium risk »	July	+ 1.94%	Year-to-Date	+ 5.42%
Bearbull Kuwait Pension Strategy	« Dynamic risk »	July	+ 2.13%	Year-to-Date	+ 7.58%

### Comments (performances in KWD)

Financial markets continued their upward trend in July. Indeed, all three BearBull private banking Kuwait investment strategies advanced this month and began the new quarter with gains. The low-risk strategy gained +1.75%, the moderate-risk strategy followed a similar path with a +1.94% increase, and the dynamic-risk approach achieved the best performance of the month at +2.13%. Year-to-date performance is very satisfying for all strategies (+3.29%, +5.42%, and +7.58%, respectively). Bond markets showed positive movement at the start of the third quarter. The domestic segment increased by +0.75%, while international bond markets performed better at +2.76%. In cumulative terms, however, both asset classes are still posting negative performances after this upturn (-0.28% and -0.49%). Equity markets also rose in July, with the international class climbing by +1.76% and the domestic segment advancing by +4.99%. Since January, international and Kuwaiti equities have achieved cumulative positive performances of +13.72% and +7.87%, respectively. The real estate segment is keeping pace with interest rate markets, continuing its upward trend with a +3.09% rise in Kuwait. With this performance, the asset class has accumulated an +11.93% gain since January. Commodities fell back again this month, affected by what we believe to be overvalued recession fears (-3.52%). Private equity rebounded in July, erasing last month's losses (+6.76%), while hedge funds moved horizontally (+0.74%).

### Financial market developments (performances in KWD)

July proved to be a positive month for all traditional asset classes, supported by encouraging economic statistics indicating a clear easing of tensions in the US labour market and a further decline in inflation, highlighted by the first monthly fall in the PCE (-0.1%) for June since 2020. The economy is moving in the right direction, with persistent growth, declining inflation, and a more "normal" labour market. Sentiment remained relatively positive in July as we await the next change in monetary policy, now expected in September. International bond markets rose +2.76%, reducing the seven-month decline to just -0.49%, while equity markets increased by +1.76%, reflecting a +13.72% rise over the year. The month's top performer was international real estate (+5.7%), finally benefiting from falling long-term interest rates. While July ended on a positive note, the first days of August were severely impacted by the massive reversal of carry trade positions following the BoJ rate hike on July 31. This caused extremely rapid repercussions on the exchange rate (+10% rise against USD) and the ongoing carry trade, leading many markets to fall sharply. This shift in monetary policy and its impact on the Japanese currency surprised investors, who had expected to continue borrowing at zero rates in a declining currency to finance investments in other currencies, particularly equities. Many had anticipated this "free lunch" to continue but were confronted on August 1 with a less favourable environment. The yen's swift rise disrupted the carry trade, forcing a quick unwinding of positions by buying back yen and selling off counterparty assets, notably US technology stocks, which caused the Nasdaq to plunge 15%. We believe this unwind will be brief, and the drop in share prices now represents a rational new investment opportunity.

### PERFORMANCES BY ASSET CLASS

#### JULY

+ 6.76%	Private Equity
+ 5.70%	International Real Estate
+ 4.99%	Kuwaiti Equities
+ 3.09%	Kuwaiti Real Estate
+ 2.76%	International Bonds
+ 1.76%	International Equities
+ 0.75%	Kuwaiti Sukuk
+ 0.74%	Hedge Funds
- 3.52%	Commodities

#### YTD

+ 16.19%	Private Equity
+ 13.72%	International Equities
+ 11.93%	Kuwaiti Real Estate
+ 7.87%	Kuwaiti Equities
+ 7.17%	Commodities
+ 4.78%	Hedge Funds
+ 1.65%	International Real Estate
- 0.28%	Kuwaiti Sukuk
- 0.49%	International Bonds



**COMMENTS BY ASSET CLASSES**

**Bonds**

July was another strong month for bond markets, benefiting from reassuring economic data that bolstered the likelihood of more decisive action by the Fed in September. The 40 bp drop in US ten-year yields was less pronounced in the eurozone (-15 bp), Switzerland, and the UK. The recent positive trend in inflation is bringing the prospect of key rate cuts closer, allowing yield curves to adjust. Given current and expected inflation levels, US rates still have significant potential for further decline, which is less likely for other markets, especially Swiss rates. The fall at the beginning of August is likely to create overbought conditions in the short term. Bond markets could face challenges as investors shift back into equities following the long-awaited corrections that finally occurred in early August.

**Equities**

June's risk scores indicated concerns in the equity markets. In our view, the recession risks cited as reasons for the downturn were inaccurate. The trigger for the cascade of selling was the rise in the yen and the unwinding of the "carry trade" by selling off linked positions. Although complacency quickly turned into panic within a few days, we believe that the decline at the beginning of August has, conversely, adjusted the instantaneous score levels, which now appear to be risk-neutral.

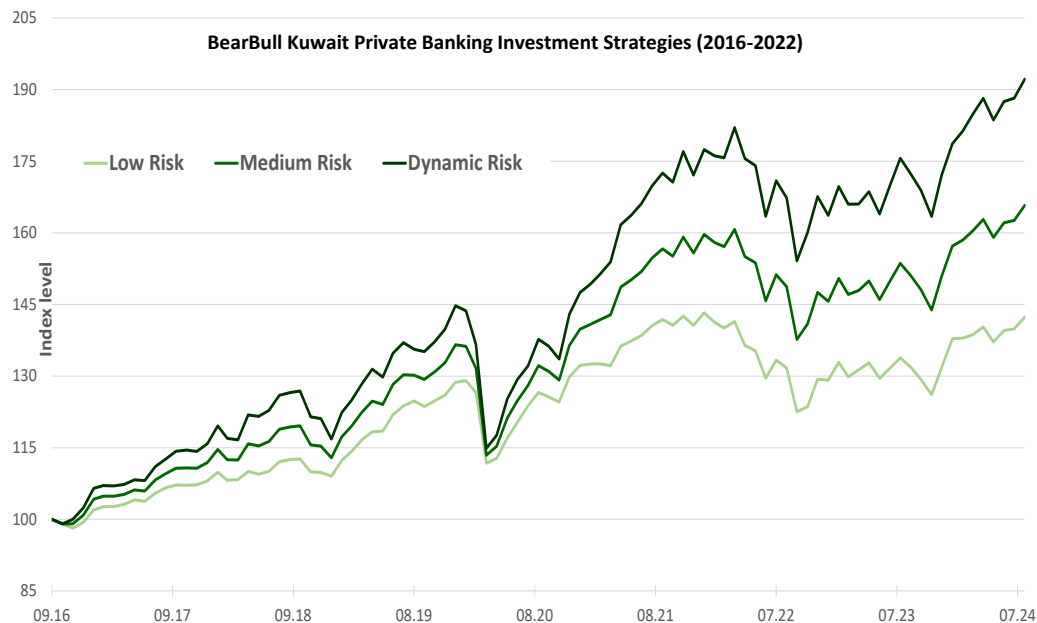
**Commodities**

Raw materials experienced another correction in July. This month, the segment fell by -3.52%, primarily due to lower crude oil prices. Despite a bullish rally on the last day of the month, oil prices were weighed down by growing fears of an economic slowdown, which we believe to be overblown. On the other hand, gold prices rose in July as expectations of a Fed monetary policy reversal increased.

**Real Estate**

Securitized real estate retains its appeal in the context of anticipated key rate cuts and is already benefiting this month from adjustments in long rates. The international segment delivered the second-best performance of the month, rising +5.70%. This increase has returned the asset class to positive YTD territory (+1.65%). The domestic asset class also performed well this month, gaining +3.09%, and now shows one of the best YTD increases at +11.93%.

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	May 2024	June 2024	July 2024	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2023	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	1.74%	0.26%	1.75%	3.29%	1.81%	-0.29%			6.71%	4.77%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	1.92%	0.31%	1.94%	5.42%	3.55%	-0.14%			7.95%	6.89%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	2.11%	0.37%	2.13%	7.58%	5.31%	0.02%			9.17%	9.00%
<b>Sub-indices</b>										
Kuwaiti Sukuk	1.55%	0.11%	0.75%	-0.28%	-1.05%	0.93%			6.08%	1.38%
International Bonds	1.31%	0.14%	2.76%	-0.49%	-2.08%	-0.56%			5.71%	-0.46%
Kuwaiti Equities	0.41%	-1.41%	4.99%	7.87%	7.65%	-6.13%			-7.24%	14.16%
International Equities	4.47%	2.03%	1.76%	13.72%	8.88%	5.93%			23.79%	12.01%
Kuwaiti Real Estate	3.61%	-2.32%	3.09%	11.93%	7.39%	2.91%			2.37%	15.41%
International Real Estate	3.19%	0.20%	5.70%	1.65%	-1.53%	0.77%			8.67%	1.63%
Commodities	-1.90%	1.43%	-3.52%	7.17%	10.36%	5.41%			-4.26%	6.12%
Hedge Funds	0.60%	0.31%	0.74%	4.78%	2.52%	2.74%			3.76%	2.98%
Private Equity	4.54%	-1.06%	6.76%	16.19%	8.43%	3.77%			43.28%	15.71%



Sources : BearBull Global Investments Group Limited, Bloomberg

**The systematic diversified strategies of the Bearbull Kuwait Private Banking Investment Strategies have produced annualized returns of +4.77% (Low risk) to +9.00% (Dynamic risk) since 2016.**

**The composition of our strategies is available upon request**

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