

U Capital Yearly Report -2021

31st December 2021

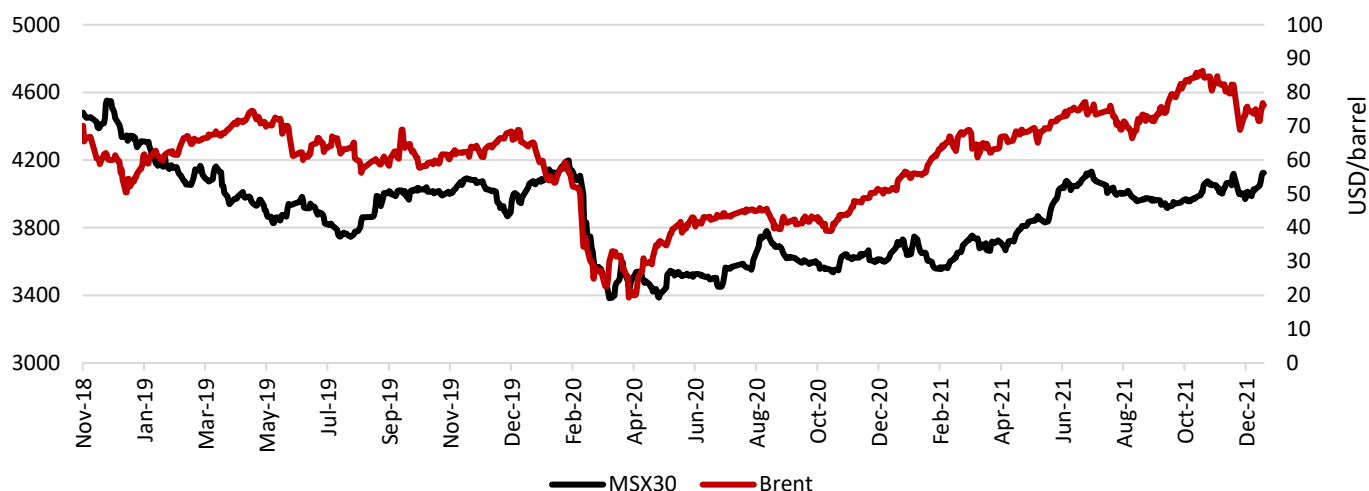
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Muscat Stock Exchange Outlook for 2022

The Muscat Stock Exchange (MSX) 30 Index closed in the positive territory after having fallen for four consecutive years, from 2017 through to 2020. As is the case with its Gulf peers, Oman’s economic prospects are closely dependent on oil price movements, and this correlation is also visible in the country’s stock market performance.

Oman’s stock market moves roughly in tandem with crude oil prices



Source: Bloomberg

In 2020, as the COVID-19 pandemic roiled the global economies and led to a 21.5% drop in Brent crude price, MSX 30 Index fell 8.1% year-on-year (YoY) in 2020. However, countries around the globe reopened gradually, supported partially by the vaccination drive, resulting in an economic growth rebound, amid elevated oil prices as well as an improved demand outlook. Oman’s economy is also recovering and accordingly, its nominal GDP during 9M21 jumped 12.7% YoY. A pickup in the economic activity has also positively impacted businesses and MSX-listed companies have registered an increase in their net profits during 9M21 on a YoY basis worth

about 5%, largely supported by then financial and industrial sectors. These developments have resulted in the appreciation of the MSX 30 index which rose 12.87% year-on-year (YoY).

Going into 2022, the Omani stock exchange is expected to continue moving in an upward trajectory, given the expectations that the Sultanate's economy will improve further. The International Monetary Fund (IMF) has forecasted Oman's real GDP to grow by 2.9% in 2022 vs. an expected 2.5% in 2021. Continued opening of the economy, rising vaccination coverage, and stimulus and initiatives undertaken by the government in the recent past are expected to lead to an acceleration in the economic activity.

In addition, a projected increase in the crude oil prices (Brent: ~USD 75 in 2022 vs. ~USD 71 in 2021 on an average, as per Refinitiv) and an increase in crude oil production on the back of OPEC+ oil production cut unwind deal would also lift government revenue. This will give more leeway to Oman to increase its expenditure on developmental activities, thereby providing the required thrust to lift GDP growth. In the aftermath of the COVID-19 pandemic, the government has launched a Medium-Term Fiscal Plan (MTFP) with an aim to gradually lower its fiscal deficit to 1.7% of GDP by 2024 which had swelled to ~15% of nominal GDP in 2020. The government has done a commendable job in managing its finances so far as it has recorded a deficit of ~OMR 1.0bn during the first 10 months of 2021. In contrast, the 2021 budget deficit stands at OMR 2.2bn. Accordingly, the IMF expects Oman's fiscal deficit as % of GDP to fall to 2.6% in 2021 and reach a surplus of 1.1% of GDP in 2022. This will be a significant improvement as compared to MTFP's fiscal deficit-to-GDP target of 8.8% for 2022.

A recovering economic growth coupled with a reducing deficit position has prompted a favorable revision in the credit rating outlook of Oman. Over the past few months, global rating agencies Moody's and Fitch have revised their outlooks on Oman to 'Stable' from 'Negative' while S&P has upgraded Sultanate's outlook to 'Positive' from 'Stable'. This bodes really well for the country's financial markets as it **increases the confidence of international investors and leads to an increase in Foreign Institutional Investors (FII) participation**, thereby driving market activity higher. Thus, in the backdrop of an expected pickup in economic growth, improvement in the fiscal position, and an upgrade in rating outlook, the Omani bourse might witness a relatively higher FII activity in the coming year.

The probable recovery in the stock market would also be **conducive to the revival of Initial Public Offer (IPO) activity**. While there are no public announcements yet, MSX may see more IPOs in 2022 after registering an IPO of Oman REIT Fund at the start of 2021 and another IPO of Oman Reinsurance (OMANRe) towards the end of 2021 and NIL in 2020. For instance, in July 2021, unconfirmed reports said Oman state energy company OQ is considering selling its partial/full stake in its drilling unit by floating it on MSX. Similarly, before the pandemic struck, there were talks of the government offloading its stake in some electricity distribution companies. Some of these plans might see the light of day in 2022 in case the overall economic and financial situation turns out as expected.

That being said, while the **government is taking steps to develop its financial market**, it still lags its peers Saudi Arabia and the UAE by a considerable margin in terms of introduction of reforms and market boosting initiatives. In this regard, the recent cooperation deal between Saudi Arabia's Tadawul and MSX is expected to be fruitful as the MSX can learn and benefit from the experience of its Saudi counterpart. The agreement also calls for dual listing, which is a positive for both the exchanges, more so for the MSX.

However, **uncertainties surrounding the coronavirus pandemic continue**, with the recently detected Omicron variant, remaining the biggest threat for the sustained improvement in the country's equity markets. While initial research suggests the new variant is not as deadly as previously thought, its rapid spread in several parts of the world is a big concern that can derail the global economic recovery and cyclical headwinds for Oman if oil & gas prices fall.

Government policy measures adopted in 2020 in the wake of covid-19 pandemic were continued during 2021 in the GCC, with rate cuts, stimulus packages and deferred loan payments continuing through 2021 and part of 2022, with multiple extensions to deadlines for deferral program expiry, thereby supporting borrowers and the economy, in general. However, most forbearance measures are expected to largely unwind during 2022.

The GCC markets ended in the green territory on YoY basis. Abu Dhabi Stock Market gained the most, at 68.23%YoY, distantly followed by the Saudi Stock Market, at 29.83%, Dubai Financial market, at 28.25%, Kuwait Stock Exchange at 26.99%, Bahrain Bourse at 20.64%, Muscat Securities Market at 12.87%, and lastly, Qatar Stock Exchange at 11.4%.

Key Things to Watch in 2022

- Covid-19:** Pandemic developments have been the market's main driver for almost two years, causing a crash in 2020 and then a sustained rally on the back of vaccination programs that allowed an economic reopening. We believe that the coronavirus will recede in its importance next year, as the advent of anti-viral pills from Pfizer Inc. and Merck & Co. will add to the medical repertoire to fight the infection. In the well-vaccinated wealthier countries of the world, year three of the pandemic will likely be better than year two, and covid-19 will likely have a much less impact on health and everyday activities as compared to poorer nations. As warned by the IMF, a disparity of outcomes between rich and poor countries will emerge. Although the supply of vaccines surged in 4Q21, many countries will remain under-vaccinated for much of 2022, as a result of distribution difficulties and vaccine hesitancy.
- Global Growth:** As per the IMF's World Economic Outlook (Oct'21), the global economy is projected to grow 5.9% in 2021 and 4.9% in 2022. The challenges to the global economy will likely arise due to supply chain disruptions and the perceived worsening pandemic dynamics. These cyclical headwinds will be partially offset by stronger near-term prospects for commodity-exporting emerging market and developing economies.
- US:** The US economy is expected to grow at a slower rate in 2022 as compared to 2021, as supply chain and labor issues are expected to weigh on the economy. The rapid spread of Omicron infections, the possible re-imposition of lockdowns to contain the virus, and waning stimulus from pandemic relief measures enacted in 2020 threaten to undermine growth.
- Europe:** Eurozone is expected to grow by 4.3% in 2022¹, but a downgrade might be on the cards. Growing supply pressures, high energy prices and the reintroduction of new social restrictions in some euro area countries are among the top concerns for the European economic growth rate, as cited by the IMF. Euro zone inflation hit its highest level ever in November, according to preliminary data, but the IMF expects inflation to subside by 2H22.
- China:** The Chinese Government is expected to avert a housing market crash through its tightening policies. Chinese property developers' liquidity crunch will not likely trigger a financial crisis, due to China's domestic-oriented financial intermediation and banking sector control. However, the economy is expected to grow below its pre-pandemic 6% potential growth rate (the IMF predicts 5.6% growth in 2022e), owing to the government's firm stance on zero-COVID policy, a continuation of the property sector deleveraging, and increasing interference in the private sector.
- Oil:** The US Energy Information Administration (EIA) sees Brent Crude prices averaging USD 73 per barrel in 1Q22. For full-year 2022, Brent is expected to average USD 70 - 75 per barrel, as per various sources.
- GCC:** The IMF is expecting the GCC region to grow at a faster in 2022 as compared to Advanced Economies and Emerging markets (whose growth is expected to be below 2021 estimates). Better oil price outlook, cost control measures adopted by some of the governments, focus on foreign investment are expected to support continued economic growth. Real oil GDP for the region is expected to grow by 0.3% in 2021 before increasing to 5.3% in 2022. Overall real GDP growth for the GCC is projected at 2.5% in 2021e and increase to about 4% in 2022e.
- US Fed Bond-buying Taper & Interest Rate Hikes:** The US Federal Open Market Committee (FOMC) has decided to accelerate its tapering of net new purchases of bonds, in response to a strengthening economy and rising inflation. These purchases had been USD 120 billion per month but are now being reduced to zero by March 2022. The US Fed chair has insisted that, despite tapering, the Fed's stance will remain "accommodative," still seeking to keep interest rates near zero. Indeed, even after tapering, the Fed will continue to have a bond portfolio worth around USD 8.5 trillion, about twice its pre-pandemic value and nearly ten times its value in mid-2007. The majority of US Fed members forecast three interest rate hikes in 2022 to fight inflation.
- Central Bank Digital Currencies:** Federal Reserve Chair Jerome Powell has acknowledged publicly that the Fed is actively assessing whether it should create a central bank digital currency (CBDC). Before making that step, the Fed will seek the views of many key constituencies.
- US Antitrust Policies:** The Biden administration reportedly has assembled the most aggressive antitrust team in decades, with likely targets ranging from the technology industry to pharmaceuticals, agriculture, health care, and finance, among others.

¹ World Economic Outlook, October 2021

Biden also has issued an executive order encompassing 72 initiatives intended to increase competition in a number of industries, raise the scrutiny of mergers, and limit the ability of employers to force employees to sign non-compete agreements. The world's largest company by market capitalization, Apple Inc. (AAPL), indicated publicly that potential antitrust action has become a major business risk.

- **Tourism:** The travel, tourism, and hospitality sectors have had especially long-lasting negative impacts from covid-19. It remains unclear whether a strong turnaround can be expected in 2022, especially given the uncertainties surrounding the omicron variant.
- **Gold:** Expectations of future inflation rates are likely to drive fluctuations in the price of gold in 2022.
- **Autos:** Used cars have been a hot market, partly due to supply bottlenecks for semiconductor chips that have been limiting the production of new cars. Record high prices for both new and used cars, as well as for rental cars, are likely to persist into 2023.
- **Labor markets:** As the economy recovers from the pandemic, labor markets have been tight, with many open positions going unfilled, partly due to "the great resignation" of workers from the workforce. Additionally, both support for unions and strikes for better pay and working conditions have been on the rise. Whether these trends persist into 2022 will have critical impacts on labor costs, supply bottlenecks, and inflation.²
- **Global Minimum Corporate Tax Rate:** The Organization for Economic Cooperation and Development (OECD) announced in October 2021, that—effective in 2023—its members have agreed to set a global corporate minimum tax rate of 15%. Key details have yet to be fleshed out, however. In 2022, announcements of these details should be forthcoming, and the impacts on the domicile choices of multinational corporations should start coming to light.
- **Metaverse:** The metaverse -- digital worlds where users can socialize, play games and conduct business -- is a multi-trillion-dollar opportunity³. The metaverse became a mainstream topic for tech investors and enthusiasts during 2021. Gaming companies like Roblox and Epic Games are the farthest ahead building metaverses. Today's metaverse users are mostly kids and teens, presenting a near-term challenge for companies to attract older users. Metaverse: Meta Platforms Inc. (née Facebook) planned to invest around USD 10 billion into Reality Labs in 2021 — the company's new augmented and virtual reality projects division — to build a metaverse in which you can have experiences as intimate as visiting your parents as a hologram or as fantastical as fencing with an Olympic athlete. Microsoft will launch Mesh for Teams, a gateway to its metaverse where employees can video conference as avatars or go to digital twins of their real-world offices. In Seoul's USD 3.3 million municipal metaverse, tentatively named "Metaverse Seoul," citizens can visit reproductions of landmarks or meet with avatar officials.
- **Inflation:** Markets looked through surging prices this year, and for good reason, as soaring corporate earnings proved that companies could pass on higher costs to a consumer that remains willing to spend. If inflationary pressures ease in coming months, a relief rally is highly unlikely, as that's what stocks have currently priced in. Should price pressures persist, or even intensify, things could get tricky. Stocks are only a good hedge against inflation up to a certain point, which Oddo BHF, WallachBeth Capital and Lombard Odier put at 3% to 5%. Sustained price growth beyond 4% would erode profit and harm stocks.
- **Decarbonization:** One reason that inflation may stay structurally higher is the transition to climate neutrality, a goal toward which the world's biggest economies -- from the U.S. to India -- collectively committed this year. Higher carbon prices and environmental taxes increase production costs for industrials, while under-investment in fossil fuels has contributed to a spike in energy costs that threatens to dampen growth and disrupt output. decarbonization creates unprecedented investment opportunities. One need to look no further than electric cars for examples: Tesla Inc. stock has risen more than 1,000% since the start of last year, while Rivian Automotive Inc.'s market value briefly soared to more than USD 100 billion after a recent trading debut, even though its sales are essentially non-existent.

² Investopedia

³ Epic Games Inc. Chief Executive Officer Tim Sweeney

Events To Watch in 2022

1Q22:

- Winter Olympics games in Beijing, China
- The People's Bank of China also plans to test out its cash-like digital currency called "e-CNY"
- US Fed meetings in Jan and Mar
- Governing Council of the ECB: monetary policy meeting in Frankfurt in Feb and Mar
- MSCI February 2022 quarterly index review released on February 9, 2022, and the changes will take place from March 1, 2022.
- 24th OPEC and non-OPEC Ministerial Meeting on Jan 4, 2022
- Dubai Expo 2021 will continue until Mar 2022.
- OECD Global Anti-Corruption & Integrity Forum in Mar
- Egypt will celebrate 100 years of independence from the United Kingdom.
- Corporate earnings announcements for FY 2021
- Bahrain's value added tax (VAT) rate will be increased to 10% from the current rate of 5%

2Q22:

- Oil-producing countries are scheduled to review their agreement on petroleum production, which expires on April 30, 2022.
- IMF will issue its semi-annual world economic outlook in April.
- US Fed meetings in April and June.
- France heads to the presidential polls.
- Deadline for loan repayment and installments ends in March-June 2022 in almost all GCC countries.
- MSCI Semi-Annual Index Review will be on May 12 and the changes will be effective from June 1, 2022.
- Corporate earnings announcements for 1Q22

3Q22:

- US Fed meetings in Jul and Sept
- An asteroid orbiting the sun between Mars and Jupiter is thought to contain enough metal that, if it could be transported back to Earth, would yield USD 10,000 quadrillion worth of iron alone. Interesting, thinks NASA, which is sending a spacecraft 1.5 billion miles to investigate Psyche. The journey is expected to take about three-and-a-half years.
- MSCI August 2022 quarterly index review will come out on August 11, 2022, and the changes will take place from September 01, 2022.
- Corporate earnings announcements for 1H22
- OPEC and allies target full end to oil production cuts by September 2022.
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4Q22:

- US Fed meetings in November and December.
- IMF will issue its semi-annual world economic outlook in October 2021.
- 2022 United States House of Representatives elections in November (US Mid-term Presidential Elections).
- SpaceX begins a five-year collaboration with the U.S. Air Force. It will allow the military to use SpaceX's Starship rocket to deliver weapons anywhere in the world in less than an hour, according to estimates
- Qatar hosts the World Cup, the biggest soccer event in the world.
- Corporate earnings announcements for 3Q22
- COP 27 in Egypt in Nov
- The world's largest single-site solar farm becomes operational in Al Dhafra, UAE, to generate electricity for approximately 160,000 homes. The plant is expected to reduce carbon dioxide emissions by more than 1.6 million metric tons per year, the equivalent of removing around 470,000 cars from the road.
- MSCI Semi-Annual Index Review will be on November 10 and the changes will be effective from December 01, 2022.

Key Investment Themes for 2022

Our investment thesis for the GCC markets revolves around a recovery in the countries' non-oil GDP, supported by elevated oil prices that will sustain ample liquidity across the region. Non-oil GDP growth will directly support the following sectors: (1) consumer as well as discretionary consumer, (2) infrastructure, (3) tourism (especially due to Expo and FIFA World Cup), (4) development real estate like infrastructure building that will in turn support the regional cement and steel producers. Further, the financial sector is expected to see rising interest & Islamic finance income, given the high probability of interest rate hikes, supported by higher credit growth (given the widespread economic recovery). However, banking sector stocks have seen valuations improve through most of 2021, and attractive opportunities need to be vetted carefully. Additionally, as long as oil prices remain firm, strong liquidity should support selected regional Frontier Market stocks to re-rate higher. The following themes are under our watch during 2022:

1. **ESG** – Environmental, social and governance (ESG) is the buzzword in recent times and is gaining prominence every year. As the social impact investing and fight against climate change is gathering pace, several fund managers are also obliged to participate in it. One way to do this is to include those companies in their portfolios that have better ESG ratings or are pursuing more sustainable activities. Thus, in 2022, corporates that are more active in ESG/sustainable activities are expected to find more favor of investors.

2. **Renewable energy** – Though renewable energy is not a new phenomenon, the growing clamor of sustainable business, ESG and the recently concluded Glasgow Climate Conference (COP26) calling to accelerate fight against climate change might put the limelight on companies indulging in development of renewable energy assets.

3. **Lithium producers/battery manufacturers** – Expectations that these businesses may attract more investors in 2022 is linked to the above two points. With majority of the auto companies across the globe committing to grow their portfolio of electric vehicles to lower fossil fuel consumption and emissions, demand for lithium-based batteries would invariably rise. Similarly, batteries are also required to store and ensure stable energy supply from renewable sources, since the power generation by solar or wind show great volatility during a day and over the seasons.

4. **Computer chip/software makers** – As the world increases its reliance on artificial intelligence (AI), big data, cloud computing, blockchain and other such sophisticated technologies, it would require more and more computing power, associated with compatible software. Accordingly, manufacturers of chips, graphic cards, software etc. are expected to find more takers next years as well as years to come.

5. **E-commerce** – E-commerce has witnessed significant growth in 2020 and 2021 at the expense of conventional trade, and the trend is anticipated to continue in the near future with a change in preferences, lifestyle and habits. This will be the case in GCC also, where the e-commerce penetration is low as compared to the global average. Hence, e-commerce companies or companies generating a larger portion of their business through this channel are likely to be in focus.

6. **Logistics** – While the logistics sector stands to benefit from a general pickup in the overall economic activity, bright future for e-commerce will also drive the businesses of logistics players higher. Hence, this could be the sector to look out for in 2022.

7. **Banking & finance** – The banking and finance sector in the GCC is also expected to witness increased activity, from the investors' point of view, with the likelihood of an increase in interest rates. As the monetary policies of GCC countries is linked to that of the US, attributable to their currency peg, this is likely to have an impact on the regional banks and finance companies. Gradual wind-down of stimulus by some banks rolled-out during the pandemic is also expected to affect their performance.

8. **Real estate** – The realty companies, more so in the UAE, may also be on investors' radar in 2022 for varying factors like a higher interest rate environment since the sector is rate sensitive, expectations of continued supply of residential units and a pick-up in economic activities. Developmental infrastructure stocks, especially companies directly contributing to this theme like cement and steel producers, need to be watched.

9. **Hotels & tourism** – As a revival in the tourist activity in the region is on the cards, with an expected rise in Hajj and Umrah pilgrims in Saudi Arabia, the ongoing EXPO in Dubai and FIFA Soccer World Cup in Qatar, this sector could also be a sector of interest for investors. However, uncertainties surrounding the pandemic might pose a risk on the downside.

10. **Listed exchanges** – The listed exchanges in the region – Tadawul and DFM – can also be on the watch list of investors as these exchanges are expected to witness a flurry of initial public offerings (IPOs) next year.

Some other activities or businesses that can come out as lucrative in 2022 from an investment viewpoint are Islamic finance (as its tenets fulfil several of the ESG criteria), cryptocurrencies, metaverse, among others.

MSX 30 Index - Technical Review & Forecast for 2022

During 2021, the MSX 30 Index witnessed several fluctuations, in addition to several events during the last few months, including economic and geopolitical events affected by the fluctuations in oil prices that affected the region, either positively or negatively. For 2021, we will review the movement of the general index of the Muscat Stock Exchange in detail during each quarter:

During the first quarter: The MSX30 index decreased during the period trying to rise even slightly to the level of 3,756 points fluctuating in the movement above the level of 61.8% Fibonacci. While it slightly went down to reach the level of 3,547.96 points (reaching its lowest point in 2021).

During the second quarter: With the beginning of the second quarter and through to the end, the Muscat Stock Exchange Index stabilized within a horizontal volatility forming an inverted head and shoulders.

During the third quarter: During the third quarter of the year, the region's markets rebounded, supported by higher oil prices, which began to rise significantly in the quarter, MSX30 index during the period, continued on its uptrend trying to rise, even slightly to the level of 4,136 points (the highest level in 2021) fluctuating in the movement above the level of 38.2% Fibonacci.

Finally, during the fourth quarter of the year, the Muscat Stock Exchange Index remained range-bound within these levels (3,935 & 4,124 points).

The index will continue to stabilize in the first half of 2022 at the level of 4,000 points, technically exposing the market in 2021 for corrective periods (the index crossed the 100-day moving average index with MSX index five times during the year).

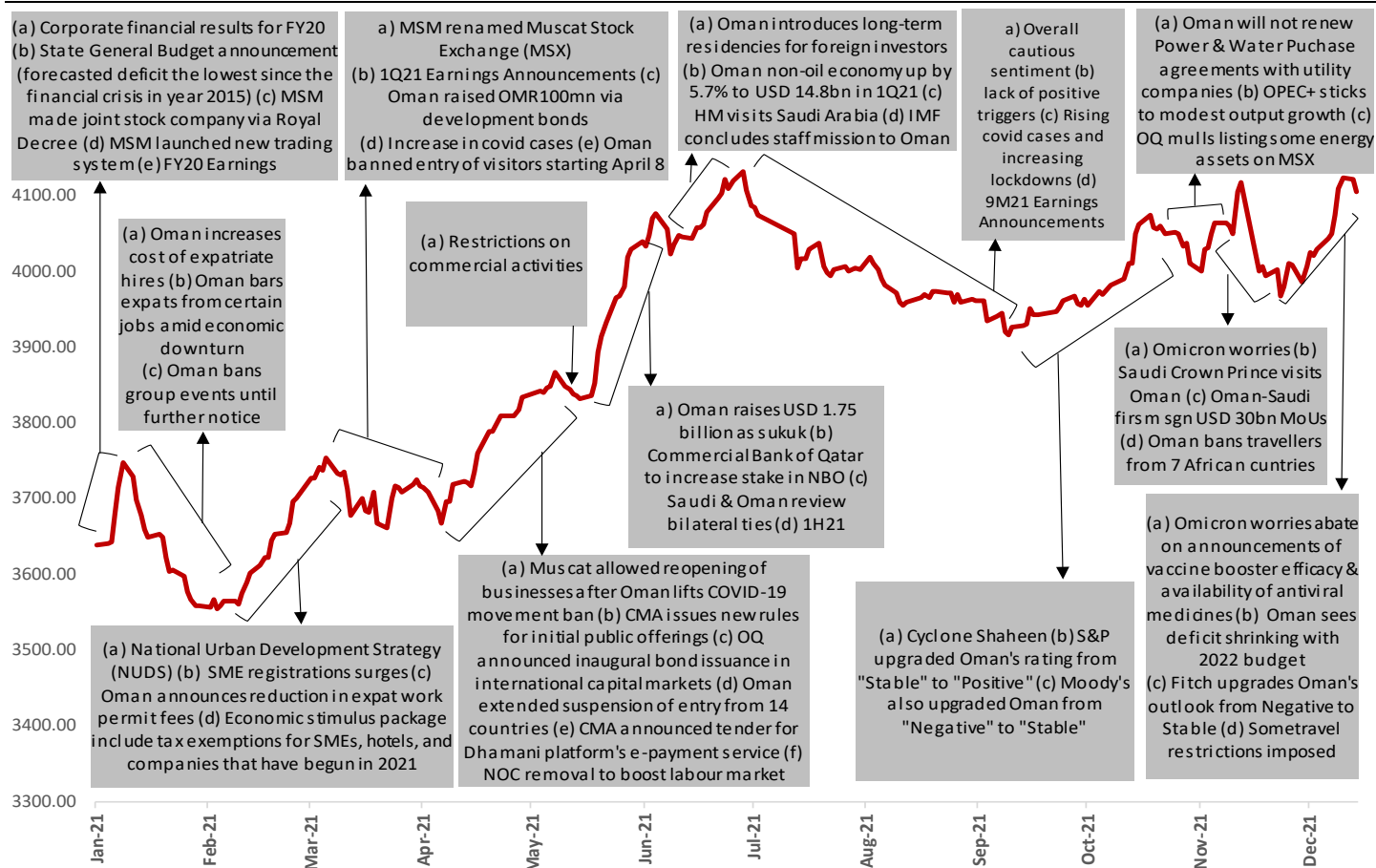
In 2022, especially in the first half, we expect the Fibonacci level at 38.2% and the index to remain at 4,130 (its first resistance). Once the index breaks this level, it will face the second resistance level at 4,300 points.

In terms of other technical indicators, we start with the Bollinger Band Index which is resisting the Mid-line at 4,000 points, and it is technically expected that the MSX index will cross up the above line of the Bollinger Band.

The MFI and the RSI are technically positive; the first stands at 79 degrees and the second stands at 55 degrees (above 70 degrees, the risk will be increased).

In the performance of the moving averages index, during the year, especially in the last quarter, the index crossed up its 50-day moving average line. We see that the index has an initial support at 3,900 points (second support at 3,830 points) and a first resistance at 4,130 points and second resistance at 4,300 points.

MSX 30 Index Performance Review for 2021



Source: U Capital Research, Bloomberg

The MSM30 Index closed **2021 up by 12.87% year-on-year (YoY) at 4129.54**, while the MSM Total Return Index was up by 19% to close the year at 4969.31. The Index has closed a year in the positive territory for the first time since 2016.

Amongst the sub-indices, **the Industrial Index gained the most, closing up YoY by 41.45%. The Financial Index rose 16.4% and the Services Index closed up by 1.82%. The MSM Shariah Index ended up by 1.56%.**

The MSM30 Index started the year on a positive note on announcement of State Budget 2021 as well as corporate's Earnings Announcements for 2020. The first quarter, however, saw a mixed performance, with the Index hitting the lowest level seen this year at 3,547.962 in February 2021, largely due to uncertainties surrounding the coronavirus pandemic. Nevertheless, the market ended 1Q21 up by 1.4% on quarter-on-quarter (QoQ) basis.

The second quarter witnessed strong recovery in the Index, which gained about 9.6%QoQ, on positive news like vaccine drive and Government initiatives to control the spread of the virus. This was despite fewer working hours during the Holy month of Ramadan. Oman also raised USD 1.75bn Sukuk in the bond market.

In the third quarter, the MSM30 Index dropped about 3.0%QoQ on the back of slower economic activities due to increased lockdowns and curfews.

The fourth quarter saw the largest increase of about 5% in the index, mostly on lots of positive news like Government's macroeconomic indicators as well as Rating agencies improving Oman's Outlook. Further, Omicron worries also subsided to some extent as third dose of vaccine was recommended by the Health Authorities, as well as regulatory approval of antiviral medicines in the US to treat covid-19.

The Index reached its highest level seen at 4,145.95 on 29th December 2021. Compared to last year's performance, the MSX index has grown substantially, especially after oil price recovery and news related to covid spread eased and cases became low with the help of a mass vaccination drive.

Factors affecting MSX Performance – Quarterly

1Q21:

- Announcements of the State General Budget and listed companies' annual financial results for the previous year, and proposed dividends.
- Uncertainties surrounding the covid-19 pandemic.
- The Central Bank of Oman extended the deadline for loan moratorium expiry.
- Oman Future Telecommunications got license to provide mobile phone services.
- Oman planned to implement VAT of 5% from April 16.
- Saudi Arabia reinstated diplomatic relations with Qatar the led to Qatar stock market increase of 2.32%, positively reflecting in the regional markets as well as Oman's.
- The Initial Public Offer (IPO) of Oman REIT fund.
- GCC recorded net foreign inflows of USD 1.33bn in 2021 lower than prior year of USD 6.4bn 2020.
- Omantel announced the launch of its 5G services for mobile devices.
- The inflation rate of Oman fell.
- Shell Oman expanded their operations in Duqm.
- Oman Oil disclosed that it has received a letter of intent to supply jet fuel to Oman Air.
- Oman's government transferred its stake in one of the Middle East's largest oil blocks.
- Oman Fisheries Company announced plans to set up two subsidiaries to oversee its investments.
- Petroleum Development Oman signed major service contracts worth USD 4bn.

2Q21:

- Oman Arab Bank AGM approved the issuance of Basel III compliant additional Tier 1 Capital Securities of up to OMR 97mn.
- Uncertainties surrounding the covid-19 pandemic, especially the Delta variant.
- The IMF forecasted the GCC region's real GDP to increase by 2.7% in 2021.
- Oman implemented value added tax on the 16th of April 2021.
- Corporates in MSX announced their results for 1Q21.
- Oman International Development and Investment Company (OMINVEST) signed a strategic partnership agreement with the General Commission of the Sultanate.
- Omantel signed a Memorandum of Understanding with Oman Oil Marketing Company.
- Oman consumption of natural gas increased by 6.3% in the first quarter of 2021 compared to 2020 first quarter.
- Fitch Ratings affirmed Oman Long-Term Foreign Currency Issuer Default Rating at 'BB-' with a Negative Outlook.
- Bank Nizwa unveiled 2025 strategic roadmap for growth.
- Commercial Bank of Qatar announced a public offer to acquire an additional 15.2% of the issued share capital of National Bank of Oman (NBO).
- MSX 30 Announced the list of Additions & Deletions for the main index along with for sub-indices.
- The US Fed held a meeting.: continued bond buying and low interest rates.

3Q21:

- Companies' quarterly financial result disclosures.
- Bank Nizwa announced that it has received regulatory approvals for rights issue of OMR 75mn.
- The Ministry of Energy and Minerals (MEM) announced establishment of a national hydrogen alliance (branded as Hy-Fly) to place Oman firmly on the map for the development and deployment of clean hydrogen.
- Oman's inflation rate increased in July as consumer prices rose after a surge in global prices of many commodities and the implementation of value-added tax (VAT) in April.
- A trade delegation from Saudi Arabia arrived in Oman to look at available economic and investment opportunities.
- Omani international bond prices continued to rise.
- National Bank of Oman had been selected by the Tax Authority as its exclusive bank to manage the strategic account for Value Added Tax.
- Expatriates who have reached the age of 23 can purchase housing units.
- The US Fed met and announced its plan related to the rate outlook.
- International markets witnessed renewed concerns as the yield on 10yr US bond spiked again.

4Q21:

- S&P Global Ratings upgraded Oman's sovereign grade for the first time since 2007 to Positive Outlook.
- Moody's changed the outlook on Oman's credit rating to stable from negative. Moody's Investors Service affirmed the long-term local and foreign currency deposit ratings of seven Omani banks.
- Oman Capital Market Authority announced the formation of a joint team to assess the damage caused by Cyclone Shaheen.
- Saudi EXIM Bank announced signing of a deal with Omani banks to boost cooperation with three major banks to boost financing ties and exchange expertise.
- Key project was launched as part of the China-Oman Industrial Complex.
- Ominvest announced issuance of Tier 1 Perpetual Bonds to its subsidiary Jabreen Capital, in order to fund its Treasury share repurchase.
- Oman Investment Authority (OIA) announced the opening of 13 national projects valued approximately at OMR 3.5bn.
- Omantel disclosed that the Zain Telecommunications Kuwait, subsidiary of Omantel, has received an offer to acquire 100% share stake in Zain Sudan and Kuwait Sudanese Holdings by Invictus Holding Limited.
- Companies' quarterly financial result disclosures

that, by virtue of provisions of this decree, an Omani closed joint stock company will be founded under the name 'Muscat Bourse Company SAOG' and that its ownership will be transferred to Oman Investment Authority.

- The Sultanate, represented by ASYAD Group, has initiated the implementation of the coveted International Road Transport System (TIR), by registering companies through SINYAR, the guaranteeing association overseeing the registration of transport companies wishing to benefit from the TIR system. SINYAR, a member of ASYAD Group, will oversee the issuance and monitoring of TIR cards, in collaboration and coordination with Royal Oman Police – Directorate of Customs; selecting reliable TIR card holders and ensuring their continued compliance with the system.
- A first-of-its-kind institution dedicated to advancing energy conservation and energy efficiency as strategic national objectives is on the anvil in the Sultanate. Initial responsibility for conceptualizing the mandate of this central body has been given to Nama Group (The Electricity Holding Company), the state-owned holding company of government-owned electricity generation, transmission, and distribution assets.
- The Sultanate's Economic Stimulus Plan (ESP) endorsed by the Council of Ministers is based on five main axes, namely:
 1. Incentives pertaining to taxes and fees.
 2. Incentives to improve business and investment environment.
 3. Incentives to boost small and medium enterprises.
 4. Incentives for the labour market and employment; and
 5. Banking Incentives aimed to enhance efforts to alleviate the impacts of Covid-19 pandemic on the national economy through a set of measures to support efforts of enhancing economic recovery, economic activities and attracting foreign investments.

2Q21

- The Capital Market Authority (CMA) issued an administrative decision specifying the credit rating for investment of the assets of insurance and Takaful companies outside the Sultanate. The decision obliged the companies to limit the investment of their assets outside the Sultanate to the countries, financial institutions, and instruments with a credit rating not less than – BBB in accordance with Standard & Poor's (S&P) rating or an equivalent.
- Omantel signed a Memorandum of Understanding with Oman Oil Marketing Company (OOMCO) to accelerate digital transformation across Oman. The agreement will enable the first Artificial Intelligence and IoT-powered Smart Store in Oman and the Middle East, with an enhanced queue-free, cashless, and grab-and-go shopping experience.
- Salalah Mills Co. disclosed the new project for a food industries center in Khazaen Economic City, on an area of (20,000) twenty thousand square meters. The project will include an industrial bakery and production lines for frozen and semi-cooked pastries in the first phase. Production lines for frozen cakes, snacks, noodles, and biscuits will be added during the second phase. The initial cost of the project is estimated at OMR 10-12mn.
- Oman Education Sector reported revenue of OMR 13.6mn in 9M-FY21 compared to OMR 14.45mn in same period last fiscal year. Sector expenses dropped considerably by over 12% to OMR 11.3mn compared to OMR 12.87mn in last fiscal year.
- Omantel successfully tested the 5G High Band at its headquarters in Madinat al Irfan under the supervision of TRA. The 5G test using the mmWave, which successfully concluded recently in association with Ericsson, demonstrated enhanced network capabilities with mmWave bandwidth more than multiple times higher than existing 5G speed. The trial demonstrated Omantel's ability to deliver multi-gigabit speeds to end-user with eight cell carrier aggregation functionalities using Ericsson's state-of-the-art Street macro mm Wave solution and advanced 5G software features. The trial used a carrier bandwidth of 800MHz at 26GHz.
- HSBC Bank Oman and the SME Development Fund signed a collaborative agreement to provide small and medium sized enterprises in Oman with OMR5 million in financing. This collaboration provides additional support to the SME development initiatives endorsed by the Omani government and will help accelerate the growth of SMEs throughout the Sultanate by giving them access to financing at an attractive rate.

3Q21

- OPEC/OPEC+ meeting discussed the possible outcome and factors which might stop them for hiking output. More and possibly explosive growth in demand is expected in the coming months as economies recover from the coronavirus pandemic. Crude oil production in the United States, a nemesis for OPEC in recent years, has been slow to recover from a precipitous drop in 2020 as investors in producers lean on the management to restrain spending. The market expectations are that the group may boost daily output by 500,000 to 1mn barrels a day. However, the demand for OPEC crude in 2021 remained unchanged from the previous month at 27.7 mb/d. this is 5.0 mb/d higher than in 2020.
- The Kingdom of Saudi Arabia and the Sultanate of Oman issued a joint communiqué, Synopsis of which is following:
 - The two sides welcomed the signing of a memorandum of understanding (MoU) on the establishment of an Omani-Saudi Coordination Council—co-chaired by the foreign ministers of both countries—to strengthen bilateral relations in all fields.
 - They also directed the officials concerned to work on finalizing several agreements and MoUs for cooperation in various economic, commercial, investment, security, cultural, diplomatic and educational fields and everything that might generate benefits or bring about prosperity to the peoples of the two countries.
 - The two sides reaffirmed their determination to accelerate the pace of economic cooperation between the two countries, notably by encouraging government and private sectors to realize meaningful commercial and investment exchanges that will live up to the aspirations and expectations of their peoples and meet the goals of Saudi Vision 2030 and Oman Vision 2040.
 - The two sides agreed to direct the authorities concerned to study opportunities for mutual investments in advanced technologies, innovation, energy projects, renewable energy, industry, health sector, pharmaceutical industries, real estate development, tourism, petrochemicals, converting industries, supply chains, logistical partnership, information technology and financial technology (fintech) that may benefit both countries—bearing in mind available potential and opportunities in both countries.
 - The two sides also welcomed the participation of Saudi companies' investment in quality projects that the Sultanate seeks to accomplish.
 - Regarding Yemen, the two sides expressed identical views on the need to continue their efforts to find a comprehensive political solution to the Yemeni crisis based on the GCC Initiative and its executive mechanism.
- Oman planned countrywide passenger railway network. Plans are being drawn up for a rail network connecting Seeb in Muscat to Sohar, to help boost connectivity between the two cities. The passenger railway is part of the Oman National Spatial Strategy (ONSS), a blueprint that looks at the planning of Oman's cities for the next 20 years. The ONSS also looks at "allocating financial and regulatory incentives to certain sites that have specific economic functions, to attract investments and promote growth."
- Oman is reconsidering plans to remove subsidies for electricity over the next few years. The government had said late last year utility tariffs will be raised gradually until the subsidies are lifted completely in 2025. Subsidies for electricity and water totaled about USD 1.95 billion, according to the 2020 budget. Since taking power in January 2020, Sultan Haitham bin Tariq has taken dramatic measures to bolster flagging public finances, cutting subsidies, introducing a value-added tax, and even planning an income tax -- as part of medium-term plan to overhaul the economy.
- MSX had technical issue in last trading session for MSX Total Return Index. The bourse said that a technical issue has existed in calculating MSX Total Return Index level on 30 /08/2021 which has resulted in podcasting incorrect index level of MSX Total Return Index of previous trading session (31/08/2021). Hence, at the end of the trading session, the correct index level was adjusted.
- MSX issued a circular for companies to update their financials and other information on the website. The bourse gave the deadline of September 15, 2021, for updating all information in English & Arabic.
- National Bank of Oman partnered with Tax Authority. Building on its long-standing relationship with the public sector, the National Bank of Oman (NBO) has been selected by the Tax Authority as its exclusive bank to manage the strategic account for

general Takaful insurance activities or health Takaful insurance activities shall, when requested by the authority, conduct an actuarial assessment of its financial position, prepare a report in this regard approved by the actuary, and submit it to it, in the manner set out by the regulation.

3Q21

- By the royal decree of 60/2021 there are Amendments to Some Provisions of the Foreigners Residency Law. The Inspector General shall determine the types of foreigner's residency in the Sultanate, the duration, and conditions for granting each of them, and the rules and procedures for their renewal. Granting residency to either of the spouses shall result in granting it to the other spouse and children residing with him in accordance with what is determined by the executive regulation of this law unless any of them is granted a residency of their own. The foreigner must apply to renew their residency 15 (fifteen) days prior to its expiry, and it is permitted to refuse to grant or renew residency without giving reasons.

4Q21

- The Central Bank of Oman (CBO) released the ninth issue of the Financial Stability Report (FSR). The FSR 2021 states that "The outlook for financial stability has improved with the roll-out of vaccines and gradual transition to normalcy". The report also highlights that the Omani banking sector continued to be robust with strong soundness indicators despite the challenging operating conditions. The banking sector showed considerable resilience to the pandemic-related deterioration in operating conditions and appeared to have the ability to withstand adverse shocks.
- The Central Bank of Oman has issued a few directives to all banks and finance leasing companies (FLCs), including the announcement of a stimulus package of procedures and incentives aimed at containing the economic impact of the Covid-19 pandemic on the lives of individuals and institutional borrowers these directives are as follows:
 1. Omani Citizens laid off from work.
 2. Omani employees with reduced wages.
 3. Pensioners from the public and private sector.
 4. Riyada card holders.
- His Excellency Qais bin Muhammad bin Moosa Al-Yousef, the Minister of Commerce, Industry and Investment Promotion, (MOCIIP), issued a Ministerial Decision No. (146/ 2021), promulgating the much-awaited Executive Regulations (the ER) of the Commercial Companies Law. The ER have set out controls, rules, and procedures for establishing and regulating the commercial companies. These regulations are applicable to all types of commercial companies, established in Oman or carrying out their principal activities in Oman, except public joint stock companies which are subject to separate regulations issued by the Capital Market Authority. The introduction of the ER forms part of the steps taken by the Omani government to enhance and improve the legislative framework for the commercial companies in a way that contributes to achieving the national priorities of Oman Vision 2040 of stimulating the private sector and activating the national economy.

MSX Snapshot

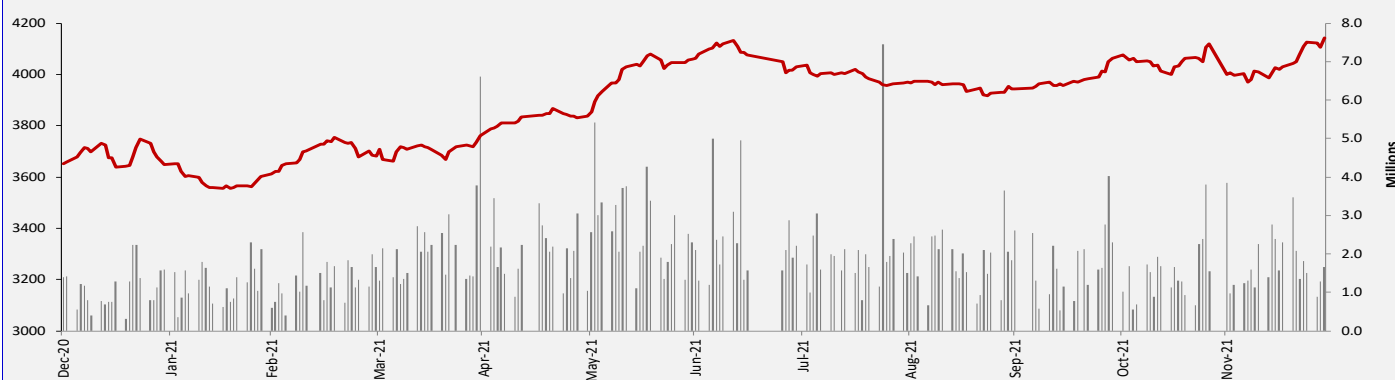
Muscat Securities Market

Market Cap: OMR 22.1bn (USD 57.4bn)

Market Summary Indicators

	Current	Previous	YTD	No. of Cos	
MSX 30	4,129.54	3,658.77	12.87%	Up	Down
MSy Total Return Index	4,969.31	4,175.48	19.01%	53	55
Volume ('000)	4,209,388	2,307,004	82.46%	↑	↓
Value (OMR'000)	818,238	441,019	85.53%		
Sub-Indices					
Financial Sector	6,577.92	5,651.08	16.40%	Unchanged	
Industry Sector	6,076.87	4,296.09	41.45%	23	
Services Sector	1,620.87	1,591.82	1.83%		
MSM Shariah Index	531.77	523.60	1.56%		

MSM 30 Index (LHS) vs. Turnover (RHS)



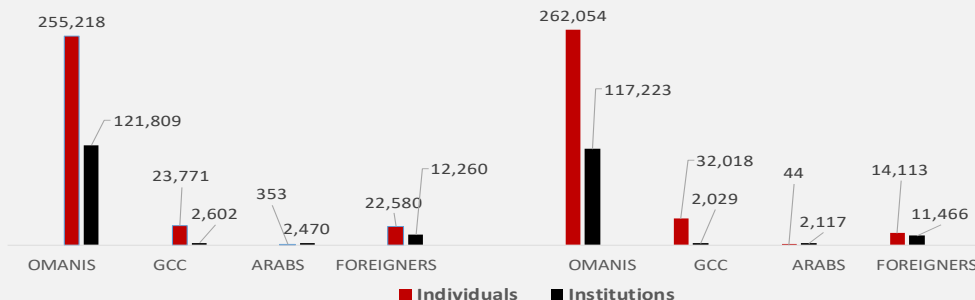
Top Equity Gainers	Price	Chg	Top Co. - Value	Price	Value	Nationality Trading - Buy		
Companies	OMR	%	Companies	OMR	OMR 'mn	Value	%	
AL JAZEERA STEEL PRODUCTS CO	0.368	168.61%	BANKMUSCAT SAOG	0.484	103.5	OMANIS	310,861,921.1	70%
AL-HASSAN ENGINEERING CO	0.018	157.14%	OMAN INVESTMENT & FINANCE	0.145	35.9	GCC	51,374,253.2	12%
OMAN CABLES INDUSTRY	1.035	145.26%	AL ANWAR INVESTMENTS CO SAO	0.093	27.2	ARABS	4,130,981.5	1%
OMAN QATAR INSURANCE CO	0.214	125.26%	RENAISSANCE SERVICES SAOG	0.432	26.6	OTHERS	74,651,890.8	17%
AL MADINA INVESTMENT CO	0.048	108.70%	OMAN TELECOMMUNICATIONS CO	0.752	26.0			

Top Equity Losers	Price	Chg	Top Co. - Volume	Price	Volume	Nationality Trading - Sell		
Companies	OMR	%	Companies	OMR	mn	Value	%	
A'SAFFA FOODS SAOG	0.190	-65.45%	AHLI BANK	0.116	373.0	OMANIS	347,195,622.8	79%
DHOFAR GENERATING CO SAOC	0.065	-65.24%	OMAN INVESTMENT & FINANCE	0.145	290.2	GCC	54,472,963.4	12%
ALDULA CO	0.038	-50.00%	AL ANWAR INVESTMENTS CO SAO	0.093	288.0	ARABS	5,120,342.3	1%
SMN POWER HOLDING SAOG	0.043	-47.56%	BANK NIZWA	0.097	267.6	OTHERS	34,230,118.1	8%
AL KAMIL POWER CO	0.202	-37.65%	BANKMUSCAT SAOG	0.484	264.4			

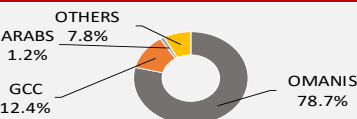
BUY - OMR 000

SELL - OMR 000

Nationality Trading - Buy










Nationality Trading - Sell

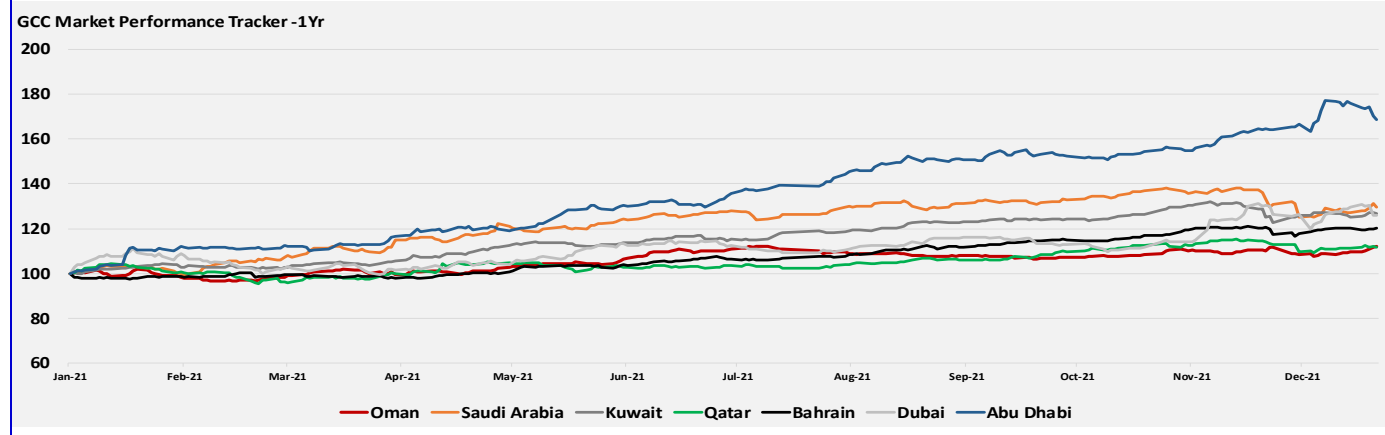


Source: MSy, Bloomberg

GCC & International Market Snapshot

GCC Market Indices		Current Close	Previous Close	Change	YoY	P/E TTM	P/B
		Index	Index		%	X	X
	Muscat SStock Exchange	4,129.54	3,658.77	470.8	12.87%	11.6	0.8
	Saudi Stock Exchange	11,281.71	8,689.53	2592.2	29.83%	24.9	2.4
	Kuwait Stock Exchange	7,044.34	5,546.04	1498.3	27.02%	21.0	1.6
	Qatar Exchange	11,625.81	10,435.96	1189.9	11.40%	16.2	1.7
	Bahrain Bourse	1,793.88	1,489.78	304.1	20.41%	10.0	0.9
	Dubai Financial Market	3,174.09	2,491.97	682.1	27.37%	21.0	1.1
	Abu Dhabi Securities Exchange	8,450.53	5,045.77	3404.8	67.48%	23.1	2.6

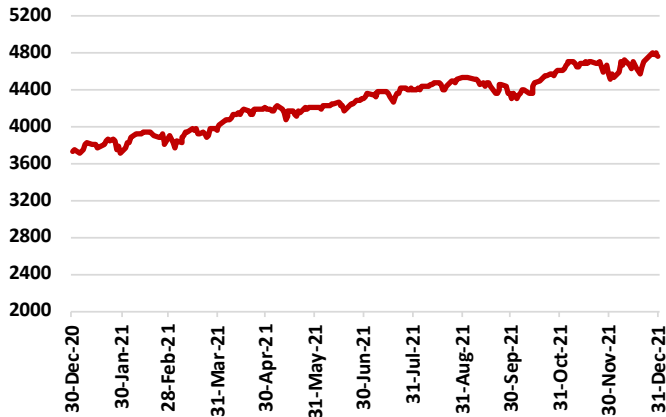
Country		Current Close	Previous Close	YoY	Commodity Prices	Price	YoY	
		Index	Index	%			%	
					USD			
Europe								
UK	FTSE 100	7,384.54	6,460.52	14.3%	Brent Crude (per bbl)	77.78	54.29%	
Germany	DAX	15,884.86	13,718.78	15.8%	WTI Crude (per bbl)	75.21	55.01%	
France	CAC 40	7,153.03	5,551.41	28.9%	Oman Crude Oil	75.79	48.43%	
United States					Gold100 OZ (per oz)	1,829.20	-3.64%	
USA	DJIA	36,338.30	30,606.48	18.7%	Silver (per oz)	23.31	-11.72%	
USA	S&P 500	4,766.18	3,756.07	26.9%	Platinum (per oz)	968.75	-9.64%	
USA	NASDAQ	15,644.97	12,888.28	21.4%	Copper, MT	9,720.50	25.17%	
Asia Pacific					Aluminium, MT	2,807.50	41.83%	
Japan	NIKKEI 225	28,791.71	27,444.17	4.9%	Lead, MT	2,304.00	15.55%	
HongKong	HANG SENG	23,397.67	27,231.13	-14.1%	Zinc, MT	3,534.00	28.46%	
Arab Market Indices					Nickel, MT	20,757.00	24.94%	
Egypt	The Egyptian Exchange	11,898.42	10,845.26	9.7%	Cross Rate for Major Currencies			
Jordan	Amman Stock Exchange	2,116.61	1,657.22	27.7%	Currency	Code	USD/1 Unit	Units/1 USD
Palestine	Palestine Sec. Exchange	602.13	471.26	27.8%	Euro	EUR	1.137	0.880
Lebanon	Blom Stock Index	1,005.30	657.89	52.8%	British Pound	GBP	1.353	0.739
MSCI					Japanese Yen	JPY	0.009	115.115
	Bahrain	116.35	93.18	24.9%	Chinese Renminbi	CNH	0.157	6.365
	Kuwait	818.29	643.87	27.1%	Indian Rupee	INR	0.013	74.516
MSCI	Oman	622.75	496.31	25.5%	Pakistani Rupee	RUB	0.565	1.769
	Qatar	878.55	785.15	11.9%	Canadian Dollar	CAD	0.791	1.264
	UAE	447.37	314.11	42.4%	Australian Dollar	AUD	0.726	1.377
	GCC Countries	583.73	462.43	26.2%				



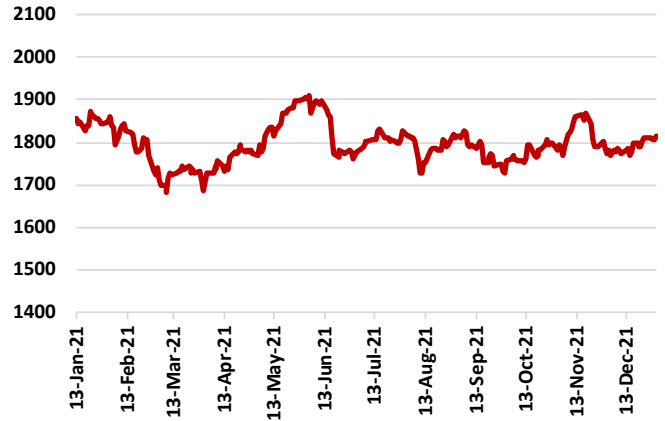
Performance of Major Asset Classes in 2021

2021 will be remembered for the persistent strength of the capital markets, despite economic uncertainty and the ongoing pandemic...

S&P 500 Index (SPX)



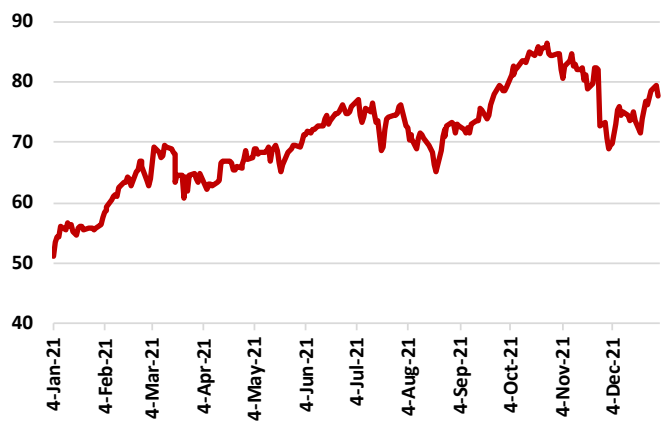
Gold Price (USD per 100oz)



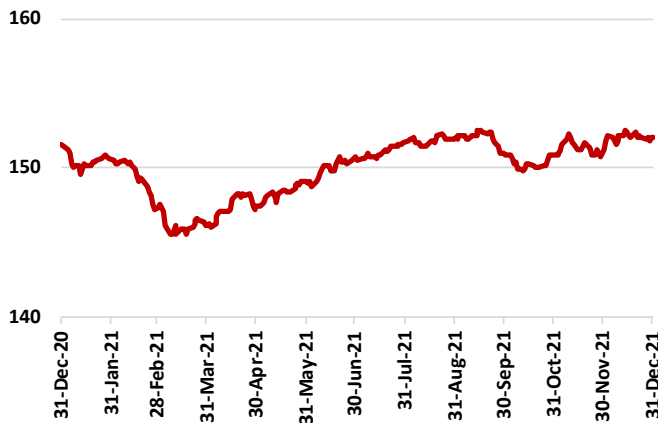
Bitcoin/USD Cross Rate



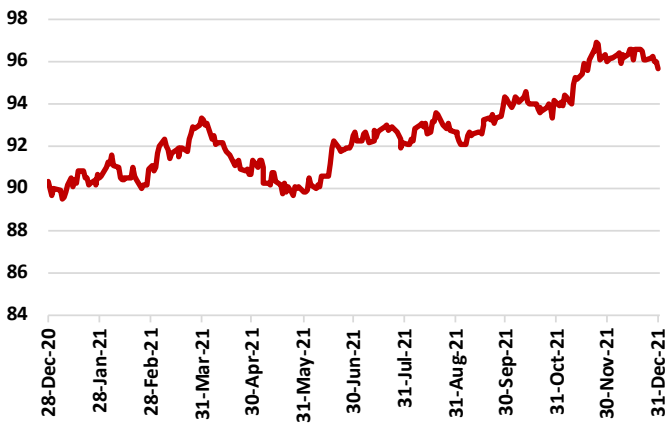
Brent Crude (USD/barrel)



S&P GCC Bond & Sukuk Index

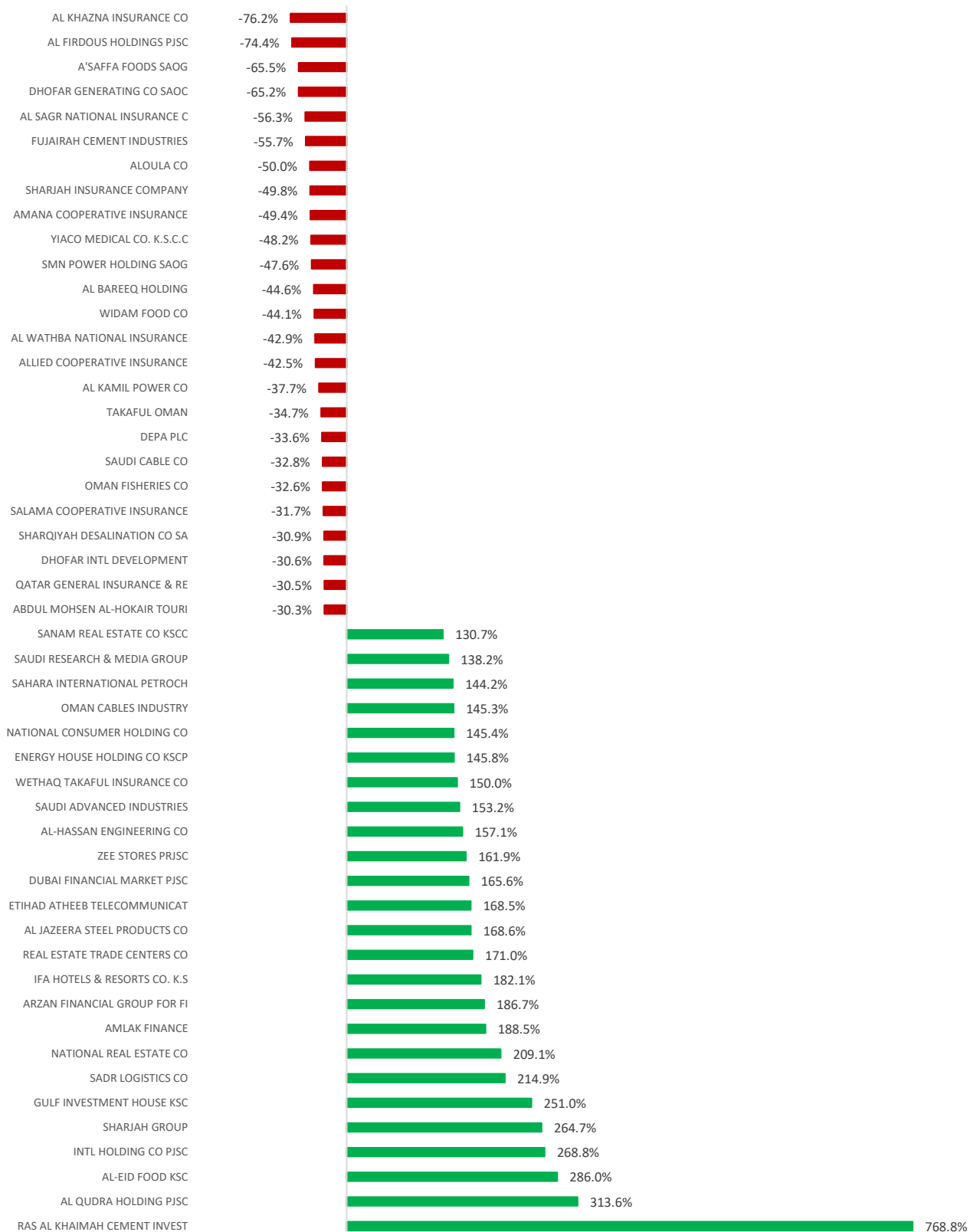


USD Index



Source: Bloomberg

Top - 25 Best & Worst Performing Stocks in the GCC



Source: Bloomberg

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