

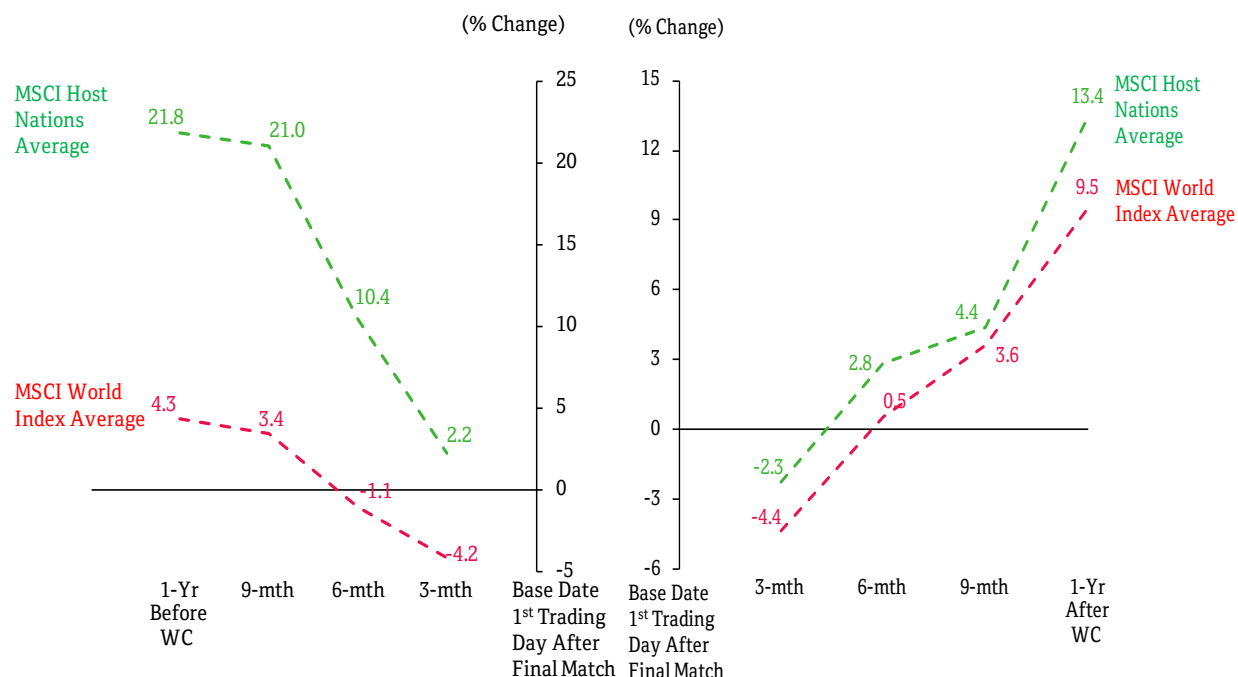
Kick Off! – Upcoming FIFA World Cup Could be a Positive Catalyst for Qatari Equities in 2022 and 2023

Qatari equities are in an investment sweet spot benefiting from unique tailwinds. High (albeit volatile) oil & gas prices, significant net foreign investment flows given Qatar’s status as a safe haven/FOL increases, the upcoming FIFA World Cup Qatar 2022 and game-changing LNG expansion provide meaningful drivers for the QSE. We have discussed these drivers in our previous [Qatar Equity Strategy Alert](#); however, here we take a deep dive into the empirical evidence related to the previous seven (excluding outlier Brazil) FIFA World Cup host markets. 2022 has been an extraordinary year with global stocks markets bearing the brunt of global central banks’ retrenchment of quantitative easing as they attempt to fight inflation without sending their economies into a recession/stagflation. Qatari equities have not been immune, as the QSE Index appreciated as much as 24.7% (April 11, 2022), but then declined to almost flattish territory in late June and is now again up by 12.1% YTD (September 05, 2022). The QSE Index remains a relative outperformer among most major regional markets. Thus, we note that these drivers could be largely priced into the market but should provide the QSE Index with high-quality catalysts that help grow or stabilize the market despite the overall prevalent global risk-off backdrop. As the world looks forward to an amazing show and experience in Qatar, empirical evidence suggests a positive impact the FIFA World Cup will likely have on the Qatar Stock Exchange in the near-term. While markets tend to fall in the first three months immediately after the WC, returns 12 months after the event are positive, outperforming the MSCI World Index by an attractive 4.0 percentage points.

Historically, equity markets of FIFA World Cup host countries have, on average, outperformed peers: Host nations’ (previous seven FIFA World Cups, excluding outlier Brazil) average MSCI country stock market index grew by 21.8% in the year leading up to the World Cup and by 13.4% in the year after, compared to the MSCI World Index average growth of 4.3% and 9.5%, respectively (Fig 1 and Fig 2). Further, a more short-term view of host nations’ equity indices show a strong average growth of 10.6 percentage points (pp) and 8.2 pp between six-to-nine months and three-six months period, respectively, prior to the FIFA World Cup (Fig 1), while a robust average growth of 9.0 pp is seen during the nine-twelve-month period after the FIFA World Cup (Fig 2). We could witness a positive boost to Qatari equities in 2022 and 2023, ceteris paribus, driven by the FIFA World Cup, primarily from construction, real estate, tourism and retail spending that trickles down to the exchange-listed companies and the broader economy as a whole. Specifically, Qatar’s objective is to use the event as a springboard to showcase its offerings, and hopefully boost international tourist arrivals from 2.1 million in 2019 to 6 million per year (2030).

Fig 1: Host Nations Stock Markets Performance (Quarterly Leading Up to FIFA World Cup)

Fig 2: Host Nations Stock Markets Performance (Quarterly After FIFA World Cup)

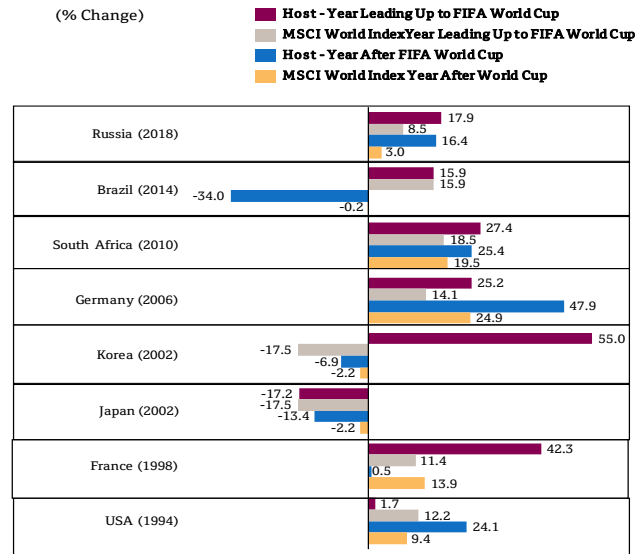


Source: Bloomberg, Reuters Datastream and QNB FS Analysis

FIFA World Cup Impact on Stock Markets – Historical Review

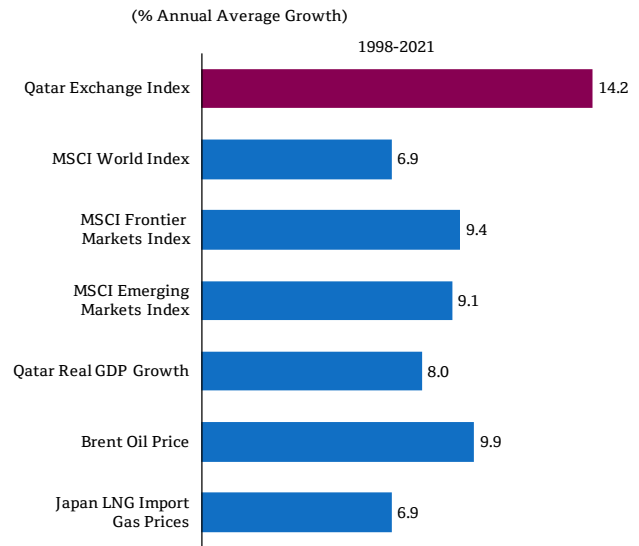
The MSCI Russia Index grew by 17.9% in the year leading up to the FIFA World Cup in 2018 and by 16.4% in following year after the FIFA World Cup in 2019 (Fig 3). As mentioned in our previous strategy alert [\(link\)](#), the Qatar Exchange remains one of the most promising markets in the region and worldwide. Historically, the QSE Index grew by an annual average of 14.2% since its inception from 1998-2021, compared to a 6.9% growth in the MSCI World Index (Fig 4).

Fig 3: Stock Markets Performance of FIFA World Cup Hosts (1994-2018)



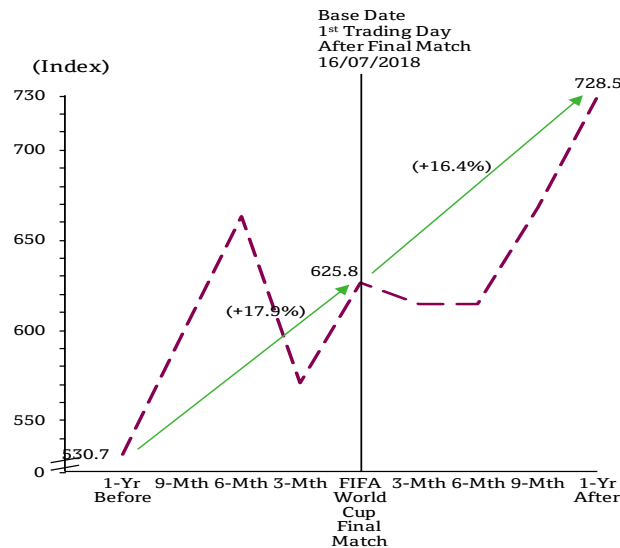
Source: Bloomberg, IMF, QSE and QNB FS analysis

Fig 4: QSE Index Comparative Performance (1998-2021)



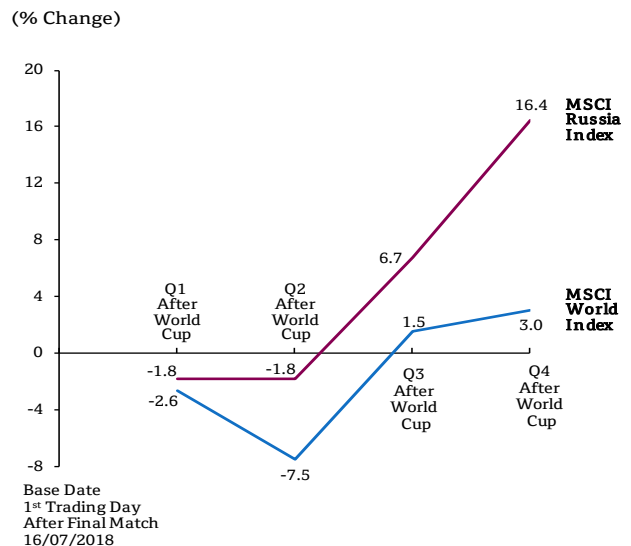
The 2018 FIFA World Cup in Russia is estimated to have cost \$13bn for new sports, transport and tourist infrastructure, with an estimated 3 million foreign tourists visiting to attend the matches. Russia's Real GDP grew by 2.8% in the year of the World Cup in 2018 and by 2.2% in the following year. Further, looking at a more short-term view of the Host Nations' stock market index shows that the MSCI Russia Index grew by 16.4% in the year after the final match (Fig 5), with the strongest performance of 9.7 percentage points coming during the fourth quarter (Fig 6).

Fig 5: MSCI Russia Index (Quarterly Leading Up to and After FIFA WC)



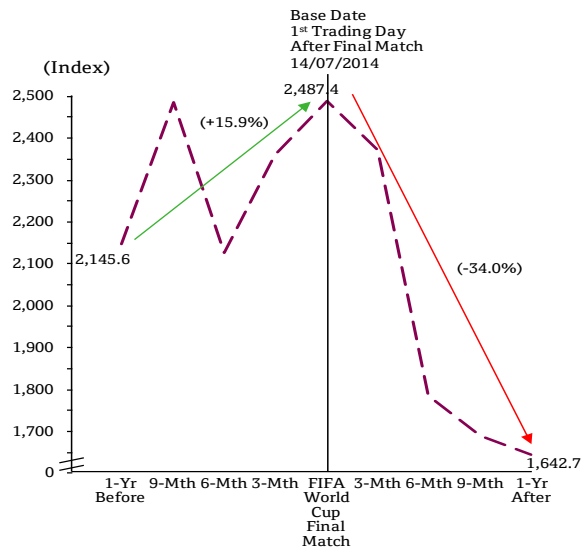
Source: Bloomberg and QNB FS Analysis

Fig 6: MSCI Russia Index Vs MSCI World Index (Quarterly Change After FIFA World Cup)



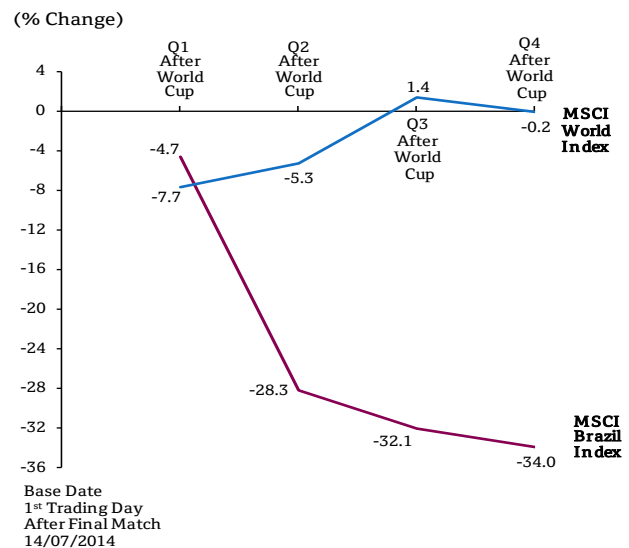
Brazil hosted the 2014 FIFA World Cup at an estimated cost of \$11.6bn for additional sports, transport and tourism related infrastructure, with about 1 million foreign tourists arriving for the event. Brazil's GDP grew by 0.5% in the year of the World Cup in 2014 and contracted by 3.5% in the following year. Brazil's MSCI Index was an outlier and declined by 34.0% in the year after the final match (Fig 7), with the largest fall by 23.6 percentage points coming during the second quarter (Fig 8). The overall drop in the index was mainly due to the prevalent economic/political crisis and high inflation at the time, which outweighed the positive effects brought about by the World Cup.

Fig 7: MSCI Brazil Index
(Quarterly Leading Up to and After FIFA WC)



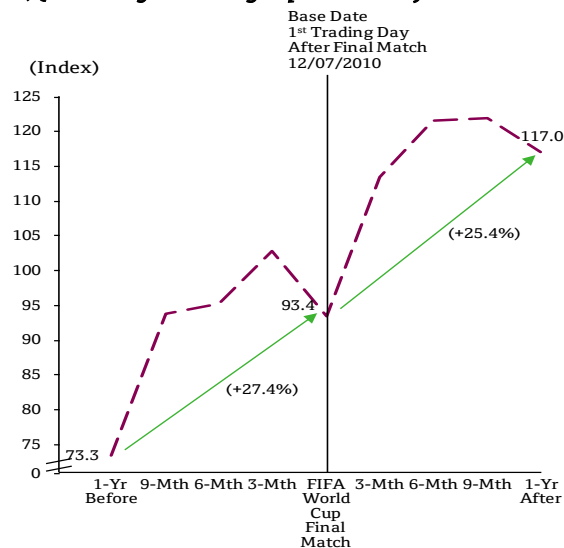
Source: Bloomberg and QNB FS Analysis

Fig 8: MSCI Brazil Index Vs MSCI World Index
(Quarterly Change After FIFA World Cup)



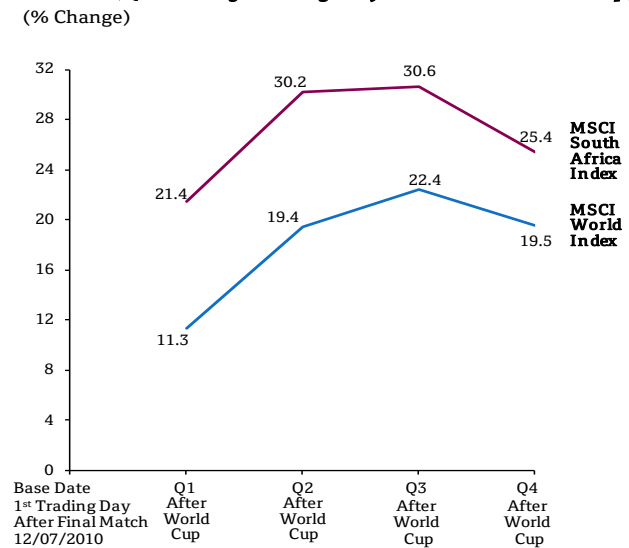
The first ever FIFA World Cup hosted by an African nation was held in South Africa in 2010 at an estimated cost of \$3.9bn for sports and related infrastructure, with a total 309,554 foreign visitors. South Africa's GDP grew by 3.0% in the year of the World Cup in 2010 and by 3.2% in the following year. Looking at South Africa's stock market performance after the FIFA World Cup indicates that the MSCI South Africa Index grew by 25.4% in the year after the final match (Fig 9), with the strongest performance of 21.4 percentage points coming during the first quarter (Fig 10).

Fig 9: MSCI South Africa Index
(Quarterly Leading Up to and After FIFA WC)



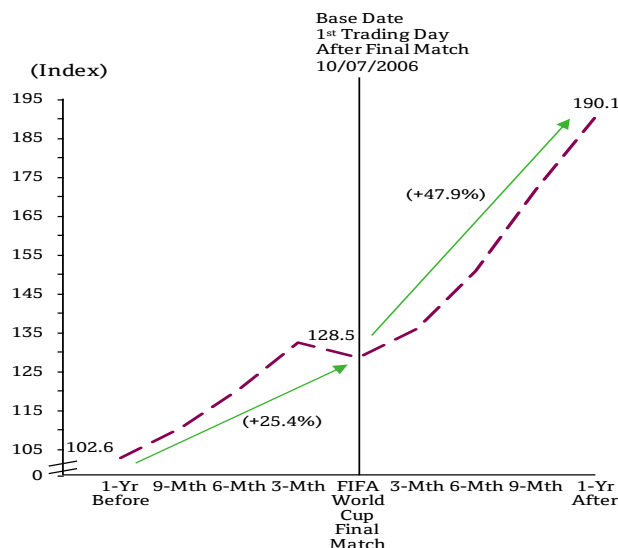
Source: Bloomberg and QNB FS Analysis

Fig 10: MSCI South Africa Index Vs MSCI World Index
(Quarterly Change After FIFA World Cup)



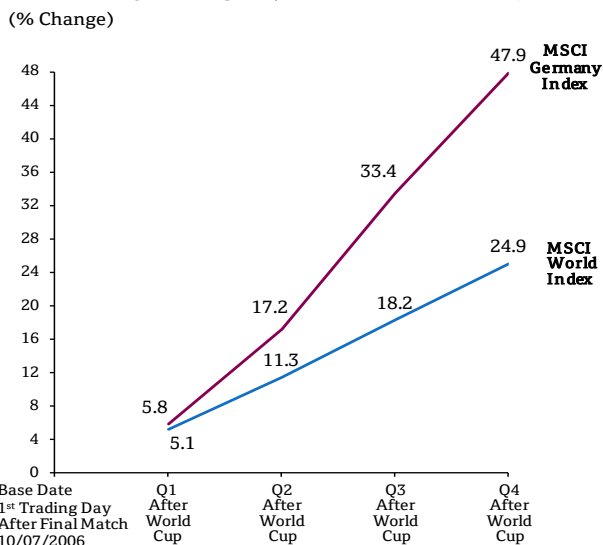
Germany hosted the 2006 FIFA World Cup with sports and related infrastructure costs estimated at \$4.6bn. Germany welcomed over 3.3 million foreign visitors for the event. Further, Germany's GDP grew by 3.8% in the year of the World Cup in 2006 and by 3.0% in the following year. Looking at the performance of Germany's stock market reveals that the MSCI Germany Index grew by an astounding 47.9% in the year after the final match (Fig 11), with the strongest performance of 16.2 percentage points coming during the third quarter (Fig 12).

Fig 11: MSCI Germany Index (Quarterly Leading Up to and After FIFA WC)



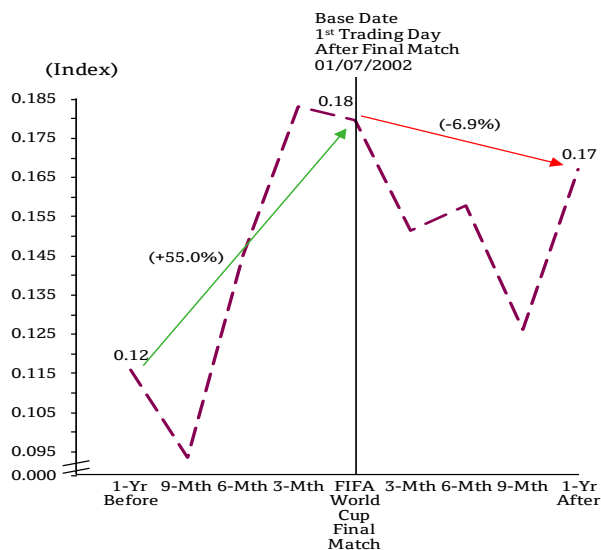
Source: Bloomberg and QNB FS Analysis

Fig 12: MSCI Germany Index Vs MSCI World Index (Quarterly Change After FIFA World Cup)



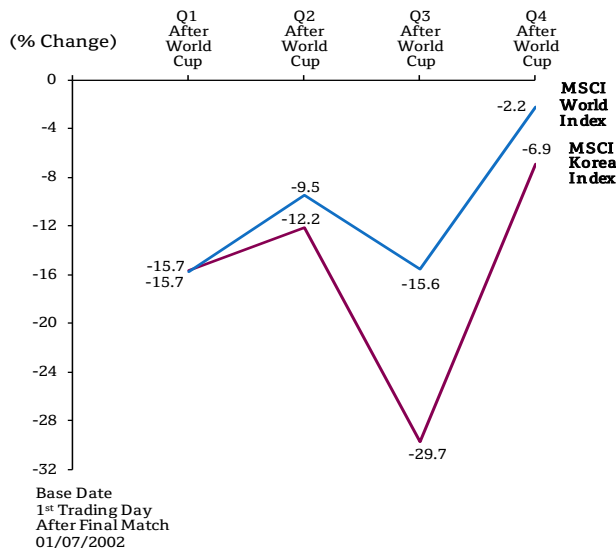
Asia hosted the FIFA World Cup for the first time in 2002 jointly through South Korea and Japan. South Korea bore an estimated cost of \$2.0bn for sports and related infrastructure. South Korea's GDP grew by 7.7% in the year of the World Cup in 2002 and by 3.1% in the following year. The stock market performance shows that the MSCI Korea Index contracted by 6.9% in the year after the final match (Fig 13), with the steepest fall of 17.5 percentage points coming during the third quarter (Fig 14).

Fig 13: MSCI South Korea Index (Quarterly Leading Up to and After FIFA WC)



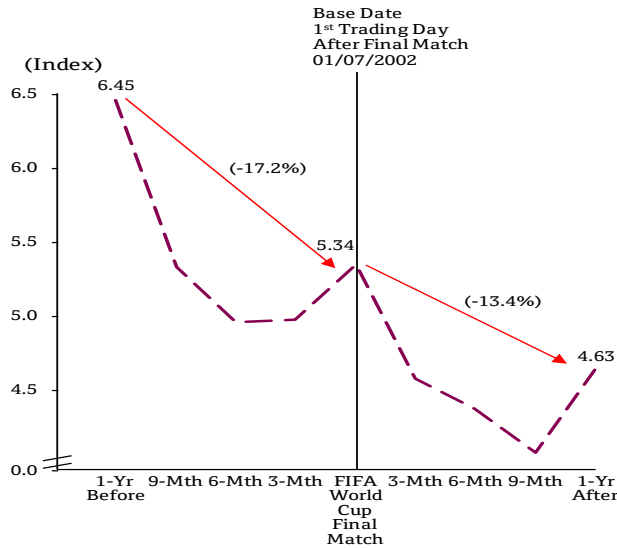
Source: Bloomberg and QNB FS Analysis

Fig 14: MSCI South Korea Index Vs MSCI World Index (Quarterly Change After FIFA World Cup)



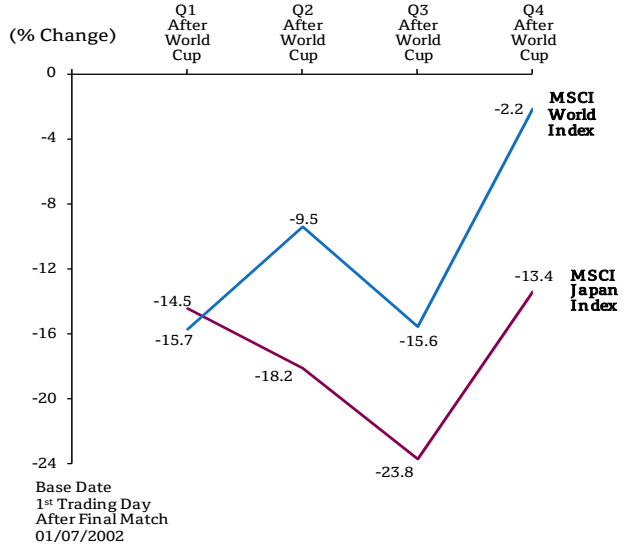
Japan the FIFA World Cup co-host in 2002 bore a much higher estimated cost of \$4.5bn for sports and related infrastructure. Japan's GDP stood almost flat in the year of the World Cup in 2002 and grew by 1.5% in the following year. Japan's stock market slide before the World Cup continued even post the event with the MSCI Japan Index declining by 13.4% in the year after the final match (Fig 15), with the sharpest drop by 14.5 percentage points coming during the first quarter (Fig 16).

Fig 15: MSCI Japan Index (Quarterly Leading Up to and After FIFA WC)



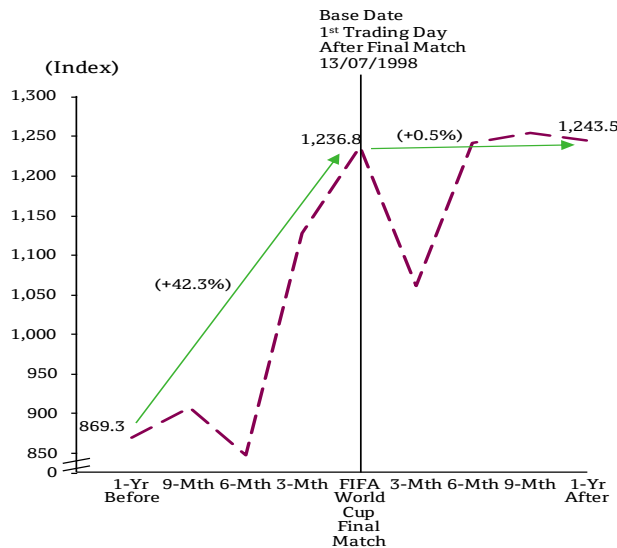
Source: Bloomberg and QNB FS Analysis

Fig 16: MSCI Japan Index Vs MSCI World Index (Quarterly Change After FIFA World Cup)



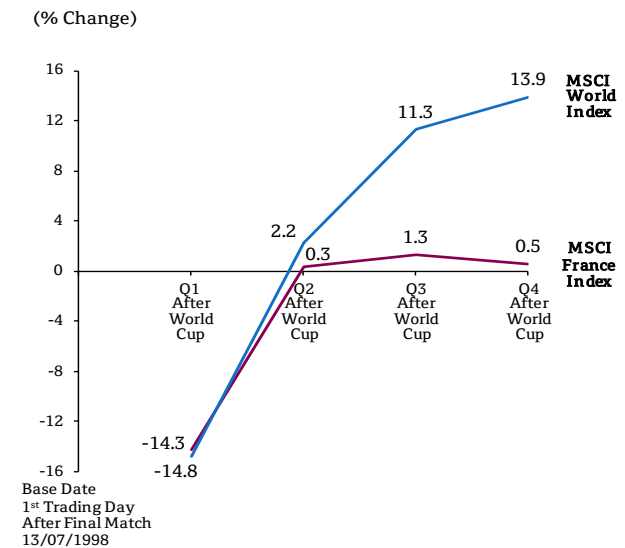
France hosted and won the FIFA World Cup in 1998 with sports and related infrastructure costs estimated at \$2.3bn. France witnessed a GDP growth of 3.6% in the year of the World Cup in 1998 and by 3.3% in the following year. Looking at the historical performance of France's stock market shows that the MSCI France Index grew by a substantial 42.3% in the year leading up to the World Cup and by a marginal 0.5% in the year after the final match (Fig 17), with the strongest performance of 14.6 percentage points coming during the second quarter (Fig 18).

Fig 17: MSCI France Index (Quarterly Leading Up to and After FIFA WC)



Source: Bloomberg and QNB FS Analysis

Fig 18: MSCI France Index Vs MSCI World Index (Quarterly Change After FIFA World Cup)



USA hosted the FIFA World Cup in 1994 with sports and related infrastructure costs estimated at \$500 million. The event in USA is termed as one of the most successful in FIFA World Cup history as the tournament broke records with an average attendance of 68,991 per game. US GDP grew by 4.0% in the year of the World Cup in 1994 and by 2.7% in the following year. Looking at the performance of the US stock market shows that the MSCI USA Index grew by a strong 24.1% in the year after the final match (Fig 19), with the strongest performance of 12.2 percentage points coming during the fourth quarter (Fig 20).

Fig 19: MSCI US Index (Quarterly Leading Up to and After FIFA WC)

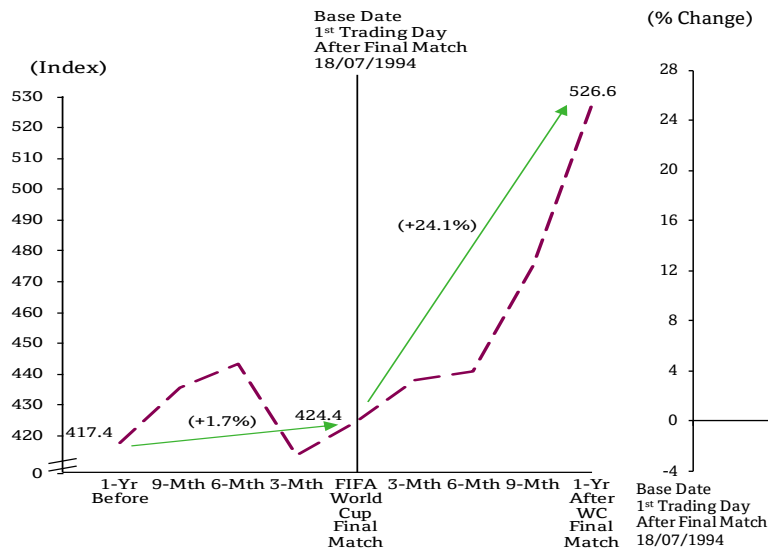
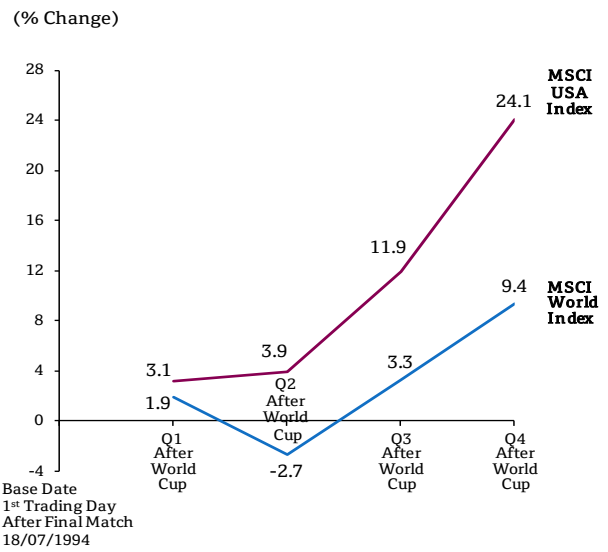


Fig 20: MSCI US Index Vs MSCI World Index (Quarterly Change After FIFA World Cup)



Source: Bloomberg and QNB FS Analysis

Contacts

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
Doha, Qatar

Saugata Sarkar, CFA, CAIA
Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

Roy Thomas
Senior Research Analyst
roy.thomas@qnbfs.com.qa

Disclaimer and Copyright Notice: This publication has been prepared by QNB Financial Services Co. W.L.L. ("QNB FS") a wholly-owned subsidiary of Qatar National Bank Q.P.S.C. ("QNB") QNB FS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNB FS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. QNB FS accepts no liability whatsoever for any direct or indirect losses arising from use of this report. Any investment decision should depend on the individual circumstances of the investor and be based on specifically engaged investment advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNB FS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. QNB FS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. For reports dealing with Technical Analysis, expressed opinions and/or recommendations may be different or contrary to the opinions/recommendations of QNB FS Fundamental Research as a result of depending solely on the historical technical data (price and volume). QNB FS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report. This report may not be reproduced in whole or in part without permission from QNB FS

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNB FS.