

Middle-east tensions, 2Q19 earnings to drive markets

The week ahead

Regional markets

Regional investors are expected to take a cautious approach to markets until the start of 2Q19 earnings season. The regional geopolitical situation remained tense after the UK seized an Iranian tanker accusing it for violating EU sanctions on Syria, in retaliation of which, Iran has also threatened to capture a British ship. In addition, lack of details about additional steps being considered by the US and China regarding their trade talks is likely to offer little support to the markets. QNB Group is scheduled to kick off 2Q19 earnings season this week.

Global markets

The week begins with the release of Germany's trade balance (May) and the UK's like-for-like retail sales (Jun) data on Monday. The US Federal Reserve's Chairman will deliver a speech on Tuesday. Wednesday's main events constitute China's consumer inflation (Jun), UK's industrial production (May) and the US Federal Open Market Committee minutes report. On Thursday, stats on Germany's consumer inflation (Jun) will be followed by the US consumer inflation (Jun). China's trade balance (Jun), Japan's industrial production (Apr) and Eurozone's industrial production (May) data will bring the week to a close on Friday.

You may be asked about

The UAE cabinet approved last week 122 economic activities spread across 13 sectors eligible for up to 100% foreign ownership, continuing with its reform spree and aiming to boost global competitiveness of the country.

The decision allows foreign investors to acquire shares in several economic activities including manufacturing, agriculture, renewable energy, space, e-commerce transport, logistics, hospitality and food services, information and communication, scientific and technical activities, educational activities, healthcare, construction and a host of others, reported Emirates News Agency (WAM). UAE's Prime Minister Sheikh Mohammed bin Rashid said in a tweet that the governments of different emirates will decide foreign ownership limit in each activity.

Note to management

Moodys Investor Services has published a report detailing how it looks at ESG factors when it examines the creditworthiness of banks. ESG factors must become a central strategic consideration in banks' boardrooms as they become a key element of how banks are perceived, valued and invested.

The old ways of paying lip-service to the ESG impact of their business are gone. Instead, hard-nosed investors, regulators and credit agencies are lining up real targets with real metrics to test real businesses.

Banks must adapt to the new reality or look forward to an uncertain future.

Read our viewpoint [HERE](#)

REGIONAL CALENDAR

| | | |
|------------|---|------------------------------------|
| 08.07.2019 | KSA Industrial Production Survey Data | - |
| 10.07.2019 | KSA Specialized Agricultural Projects' Survey | UAE Construction Cost Index |
| 11.07.2019 | KSA Weekly Money Supply Data | KSA Internal Trade Activity Survey |

GLOBAL CALENDAR

| | | |
|------------|-------------------------------|----------------------------------|
| 08.07.2019 | Germany Industrial Production | UK BRC LFL Retail Sales |
| 09.07.2019 | US Fed Chairman Speech | - |
| 10.07.2019 | China Consumer Price Index | US FOMC Minutes |
| 11.07.2019 | US CPI ex Food & Energy | Germany Harmonized CPI |
| 12.07.2019 | China Trade Balance Data | Japan Industrial Production Data |

Food for thought

IR & BEYOND

| | | |
|----------------------|--|----------------------|
| Iridium/ IR Magazine | More "G" in ESG for the Banking Sector | Link |
| The National | UAE defines industry sectors eligible for up to 100% foreign ownership | Link |
| EQS | How Companies and Investors Find Each Other Post MiFID II | Link |
| The Economist | Investors and regulators fall out of love with colossal deals | Link |
| Bloomberg Blog | Bond funds drift into risky debt | Link |

| EARNINGS CALENDAR | Market | Est/ Conf | Date |
|-------------------|--------|--------------|--------|
| QNB Group | Qatar | C | 10 Jul |
| Nakilat | Qatar | C | 10 Jul |

IN CASE YOU MISSED IT . . .

Regional markets, except Oman, ended in the green last week. Bahrain (+2.9%) gained the most. Kuwait (+2.4%) followed, driven by MSCI's decision to upgrade Kuwaiti equities to EM status in 2020. Dubai (+1.3%) was primarily aided by a rally in Emirates NBD which rose after getting approval to acquire shares in Turkey's Denizbank. Qatar (+1.2%) advanced supported by an increase in its banking stocks. Saudi Arabia (+0.6%) edged higher partially on the back of strength in its banking stocks. Abu Dhabi (+0.2%) rose slightly. Oman (-1.8%), however, fell for a second straight week. The US markets closed higher after all the three major indices touched an all-time high on 3 July. The indices advanced driven by the US and China's presidents agreeing to restart trade negotiations and nomination of the current IMF Chief, who is believed to favor an easy monetary policy, as the new head of the European Central Bank. Nasdaq Composite (+1.9%) was the top gainer, followed by S&P 500 (+1.7%) and Dow Jones (+1.2%). European indices also matched the movements in their US counterparts; FTSE 100 (+1.7%), DAX and STOXX 600 (+1.4%, each), and CAC 40 (+1.0%) all gained.

BRENT FUTURES PRICE



ASSET CLASS MONITOR

| | WTD ↓ | YTD |
|-------------|--------|--------|
| US Treasury | 3.27% | -9.80% |
| FTSE 100 | 2.72% | 13.01% |
| S&P 500 | 2.42% | 19.51% |
| MSCI World | 2.09% | 16.71% |
| MSCI EM | 0.93% | 10.24% |
| MSCI GCC | 0.80% | 10.34% |
| Gold | 0.45% | 10.42% |
| Aluminium | -0.51% | -5.22% |
| Oil | -4.88% | 17.66% |

COMMODITIES

| | WTD ↓ | YTD |
|-------------|--------|---------|
| Gold | 0.45% | 10.42% |
| Natural Gas | -1.46% | -22.11% |
| Oil (WTI) | -3.52% | 26.27% |
| Oil (Brent) | -4.88% | 17.66% |

GLOBAL AGENDA

| | |
|--------------------------|--|
| UK | Conservative Party members vote by post to choose Theresa May's successor |
| EU | Finance ministers to meet in Brussels |
| US Fed Chairman | Jerome Powell to testify before the House Financial Services Committee |
| US Fed | To release minutes of its June 18-19 meeting |
| Bank of England | Governor to speak in London at the publication of the semi-annual Financial Stability Report |
| ECB | Governing Council member Ignazio Visco to speak in Milan |
| Bank of England | Policy maker Silvana Tenreyro to deliver the 2019 Ronald Tress Memorial Lecture in London |
| US Fed Vice Chair | To deliver keynote on stress testing at a conference on |
| ECB | To publish an account of its June 5-6 policy meeting |
| Earning Releases | Delta, PepsiCo, Infosys, Levi Strauss, Izumi |

MOST READ REGIONAL SECTOR HEADLINES

| | |
|----------------------|---|
| Banks | SAMA studying license requests for two new banks |
| Energy | DP World acquires Topaz Energy in \$1.1bn deal |
| Capital Goods | Jaidah Equipment announces tie up with Terex Finlay |
| Materials | Alcoa to give up stake in Saudi Arabian facility, sees 2Q19 charge |
| Financials | Actis receives investor approval to manage two Abraaj funds |
| REIT | Dubai's ENBD REIT secures \$177mn facility from Mashreqbank |
| Utility | Abu Dhabi utility shortlists 24 firms for 2000 MW solar plant |
| Aviation | Dubai Aerospace Enterprise obtains \$440mn credit facility |
| Consumer | Six Flags to get \$7.5mn payout after DXB Entertainments ends project |
| Telecom | Vodafone Qatar, QPost join hands for better customer service |

MOST READ REGIONAL COMPANY HEADLINES

| | |
|----------------------------------|---|
| First Abu Dhabi Bank | Raises \$900mn from floating rate notes |
| Al Khaleej Sugar Refinery | Restarts output after temporary shutdown |
| ADCB | May cut about 2,000 jobs after merger |
| Warba Bank | Plans \$500mn Sukuk issue this year |
| Ooredoo | Offers enhanced cloud cyber-security services along with Akamai |
| Al Jaber | Agrees to second restructuring of \$1.5bn |
| QNB Finansbank | Converts subordinated loan from parent to AT1 loan |
| Dana Gas Egypt | Receivables down 38% over last 12 months |
| Emirates NBD | Gets key approval for Turkey Denizbank deal |
| ADNOC | Closes \$4bn pipeline deal with KKR and BlackRock |

| REGIONAL MARKETS | Last Close | YTD % | QTD % | MTD % | M-Cap (bn) | P/E (ttm) |
|---------------------|------------|--------|-------|-------|------------|-----------|
| Saudi Arabia | 8,846.5 | 13.0% | 0.3% | 0.3% | \$561.4 | 19.7x |
| ADX | 4,999.5 | 1.7% | 0.4% | 0.4% | \$137.8 | 14.8x |
| DFM | 2,660.5 | 5.2% | 0.1% | 0.1% | \$72.8 | 11.8x |
| Nasdaq Dubai | 3,140.8 | 2.2% | 0.1% | 0.1% | NP | NP |
| Qatar | 10,566.5 | 2.6% | 1.1% | 1.1% | \$138.5 | 14.8x |
| Bahrain | 1,511.2 | 13.0% | 2.7% | 2.7% | \$23.5 | 11.1x |
| Oman | 3,822.6 | -11.6% | -1.6% | -1.6% | \$11.9 | 7.5x |

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