

Middle East political tensions to weigh on markets

IN CASE YOU MISSED IT . . .

GCC markets started the week on a positive note but gave up the gains later in the week on lack of progress on geopolitical issues regarding Qatar and Yemen. Qatar (+0.8%), surged early in the week on news that its foreign minister would attend the annual GCC summit. However, it gave up most of its gains after news that other GCC members (except Kuwait) would not attend the summit. Saudi market (+0.3%) was also able to close higher, aided by rally in petrochemical stocks on Thursday. Other markets were in the red with Bahrain (-1.3), Oman (-0.9%), Dubai (-0.8%), Kuwait (-0.2%) and Abu Dhabi (-0.1%) all ending lower. US stock markets continued their strong momentum, with the Dow (0.4%) and the S&P 500 (+0.4%) up for the third straight week. Breakthrough in Brexit negotiations and finalization of Basel III standards led to strength in the European markets with FTSE 100 (+1.3%), CAC 40 (+1.5%), DAX 30 (+2.3%) and Stoxx 600 (+1.4%).

ASSET CLASS MONITOR	WTD ↓	YTD
FTSE 100	1.28%	3.52%
US Treasury Yields	0.79%	150.98%
MSCI GCC	0.62%	-1.99%
S&P 500	0.35%	18.43%
MSCI World	0.12%	19.50%
MSCI EM	-0.46%	28.82%
Oil (Brent)	-0.52%	11.58%
Gold	-2.51%	8.80%
Aluminum	-2.66%	17.56%

BRENT SPOT PRICE



COMMODITIES	WTD ↓	YTD
Oil (Brent)	-0.52%	11.58%
Oil (WTI)	-1.71%	6.78%
Gold	-2.51%	8.80%
Natural Gas	-9.44%	-25.56%

The week ahead

Regional markets

GCC markets may start the week on a strong note following the positive cues from global markets and the gain in crude oil prices on Friday. However, any upside might be limited as political tensions have flared up in the region after POTUS announced his decision to recognise Jerusalem as Israel's capital. ADNOC Distribution priced its IPO at AED 2.50, the midpoint of its revised range of AED2.35-2.65, valuing the company at AED31.1bn, the fourth largest on the Abu Dhabi Stock Exchange (ADX). The shares are likely to list on 13th December on the ADX. The company announced that the issue was multiple times oversubscribed on the qualified investor tranche and 22 times oversubscribed on the original retail tranche size.

Global markets

It is a loaded week in terms of economic data. The US Fed will be meeting this week, and is mostly expected to announce of 0.25% rate hike on Wednesday. However, the market will be more interested on hints for the timing of the next rate hike and any decision about its balance sheet unwind. The BoE and the ECB will also announce their monetary policies on Thursday. UK inflation and Eurozone economic sentiment data will be released on Tuesday, followed by Eurozone industrial activity and US inflation figures on Wednesday. Chinese, US and UK retail sales will be published on Thursday, along with US, Germany and Eurozone PMI figures. The week would end with Eurozone trade balance and US industrial activity data on Friday.

You may be asked about

MSCI announced its decision to continue valuing Qatari stocks based on onshore foreign exchange rates after the Qatari central bank pledged to supply currency at onshore rates to all investors. MSCI had earlier threatened to use offshore exchange rates, a move which would have lowered Qatari stocks weight on the index. Meanwhile, a recent report by Moody's Investor services has reiterated its outlook for banks in Saudi Arabia, Kuwait and UAE as 'stable'. In addition, the real GDP growth rate for the region has been estimated to be at around 2% in 2018 compared to 0% in 2017.

Note to management

Assets continue to flow into passive strategies. According to Morningstar, an independent investment research provider, the notion that passive managers take a laissez-faire approach to governance could not be further from the truth. To better understand the stewardship activities of index managers, the firm surveyed 12 of the largest providers of index funds and ETFs (who collectively have more than \$20 trillion in AUMs). The research shows that the shift to passive investing hasn't led to an abdication of stewardship responsibilities. Quite the contrary. Index managers are increasingly taking an active stance in the oversight of investee companies. To read more on the subject, click on this [Link](#).

REGIONAL CALENDAR

14.12.2017	KSA Weekly Money Supply	-
15.12.2017	Abu Dhabi Non-oil Foreign Trade	-

GLOBAL CALENDAR

12.12.2017	UK Consumer Inflation	US Monthly Budget Statement
13.12.2017	Fed Interest Rate Decision	US Consumer Inflation
14.12.2017	BoE Interest Rate Decision	ECB Interest Rate Decision
15.12.2017	Eurozone Trade Balance	US Industrial Production

Food for thought

IR & BEYOND

Morningstar	Passive Firms Take Active Approach to Stewardship	Link
Moody's	Outlook for GCC banks is stable	Link
Bloomberg	IFRS 9 bridges the gap between accounting and risk management	Link
EY	Can innovative corporate reporting build trust in a volatile world?	Link
The Economist	Hedge funds embrace machine learning—up to a point	Link

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	2.38	+3	-9
UK	1.28	+2	-17
Germany	0.30	-7	-6
France	0.62	-12	-18
Italy	1.64	-16	-39
Switzerland	-0.22	-8	-9
Japan	0.04	+2	-1
Hong Kong	1.74	+13	+32
India	7.10	+17	+66

GLOBAL AGENDA

US Fed	To set monetary policy
ECB	To announce monetary policy decision
BoE	Releases interest rate decision
Brexit	EU leaders are expected to discuss on Brexit developments
WTO conference	Continues in Argentina
China	Releases retail sales and industrial production data
Adobe Systems	Announces quarterly results
NAFTA negotiations	Chief technical negotiators for the US, Mexico and Canada will meet
Russian President	Holds his annual year-end news conference

MOST READ REGIONAL SECTOR HEADLINES

Banks	'Stable' outlook for GCC banks, says Moody's
Materials	SABIC may join Iraq Petrochemicals Project as Saudis sign deals
Energy	OPEC oil output falls in November to lowest since May
Financials	Oman's Taageer Finance Co. plans OMR5mn bond issue
REIT	Emirates REIT launches \$400mn debut Sukuk
Transportation	Mideast carriers to see net profits improve to \$600mn in 2018: IATA
Consumer Discretionary	Jarir Marketing forecasts slow growth in sales in 2018
Cement	Saudi issues 31 export licenses to steel, cement producers in 2017
Real Estate	Emaar and Dubai Properties in talks with banks for loan financing
Telecom	S&P lowers Batelco's credit rating; Outlook "Stable"

MOST READ REGIONAL COMPANY HEADLINES

Saudi Aramco	Saudi Aramco raises official prices for all crude to Asia in January
ADNOC	ADNOC's IPO raises AED 3.1bn after narrowing range.
QIHK	Qatar International Islamic Bank eyes Dollar benchmark Sukuk in Feb '18
DP World	Dubai's DP World increases stake in Embraport in Brazil
Dana Gas	Sharjah Court allows Dana Gas to participate in UK case
SICO	Bahrain's Securities and Investment Co. to seek shareholders' approval for shares buyback
SABIC	SABIC looking at investments in the US
GFH Financials	GFH plans to develop 'one of the key land banks in the region'
Advanced Petrochemical	Advanced Petrochemical plans 7% cash dividend for Q4 2017
TASNEE	Tasnee to finalize Tronox-Cristal merger by approval or cutting output

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	7,085.51	-1.7%	-2.7%	1.2%	\$ 450.90	16.7 x
ADX	4,276.93	-5.9%	-2.7%	-0.1%	\$ 110.47	15.3 x
DFM	3,393.46	-3.9%	-4.8%	-0.8%	\$ 78.72	21.4 x
Nasdaq Dubai	3,280.19	-0.4%	-4.2%	-0.3%	n/a	n/a
Qatar	7,773.59	-25.5%	-6.5%	0.8%	\$ 88.97	12.4 x
Bahrain	1,267.39	3.8%	-1.3%	-1.3%	\$ 19.95	7.0 x
Oman	5,066.09	-12.4%	-1.4%	-0.9%	\$ 14.22	12.2 x

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