

Macroeconomic factors, 2Q19 earnings to drive markets

IN CASE YOU MISSED IT . . .

Regional markets closed mixed last week. Both Abu Dhabi (+3.3%) and Dubai (+2.9%) were mainly driven by announcements of 2Q19 earnings from some prominent banks. Saudi Arabia (+0.7%) extended its gains of the previous week as it hit a more than two-month high midweek. Bahrain (+0.0%) ended flat. Oman (-1.6%) continued its losing spree. Qatar (-1.0%) declined primarily due to weakness in Industries Qatar and Qatar Islamic Bank. Kuwait (-0.4%) fell slightly, ending its two straight weeks of increase. The US markets slipped after registering gains in the previous two weeks. Reports that interest rate cut by the US Federal Reserve would be less than expected, talks between the US and China are stalling, and Iran saying it seized a British-flagged oil tanker primarily dragged down markets. Both the S&P500 and Nasdaq Composite clocked identical losses (-1.2%, each). Dow Jones (-0.7%) also edged lower. European indices ended mixed; STOXX600 (+0.4%) inched up, FTSE 100 (+0.0%) was flat, whereas DAX (-0.5%), and CAC 40 (-0.4%) fell.

Q2 RESULTS	PROFIT (mn)	Y-O-Y%
Jarir Marketing Company	SAR 169.1	+4.0%
Qatar Islamic Bank	QAR 740.1	+5.7%
Arriyadh Development	SAR 50.0	-5.8%
Qatar Fuel Company	QAR 221.0	+10.0%

BRENT FUTURES PRICE



ASSET CLASS MONITOR	WTD ↓	YTD
Gold	3.01%	12.76%
Aluminium	1.13%	-2.22%
MSCI GCC	0.51%	12.44%
S&P 500	-0.16%	19.48%
FTSE 100	-0.22%	11.37%
MSCI World	-0.32%	15.77%
MSCI EM	-0.33%	8.90%
US Treasury	-5.53%	-16.33%
Oil	-6.90%	15.11%

The week ahead

Regional markets

Regional markets could replicate last week's negative movements in major global indices, reacting to the likelihood that a reduction in the US interest rates is likely to be below expectations and mixed reports on the progress of the US-China trade talks. The tense geopolitical situation amid Iran seizing a British oil tanker would also weigh on investors' sentiments, though 2Q19 earnings announcements should drive the markets further down the week. Dubai Financial Market, Etisalat and du are expected to report 2Q19 earnings this week.

Global markets

The week begins with the release of the US Chicago Fed National Activity Index (Jun) on Monday, followed by the European Central Bank's Bank Lending Survey and the UK's Financial Policy Committee's meeting minutes report on Tuesday. Japan, Germany and Eurozone's preliminary manufacturing PMI (all Jul) will be revealed on Wednesday. Thursday's major events constitute ECB's interest rate decision, and stats on Germany's business climate (Jul), the US durable goods orders (Jun) and Japan (Tokyo) consumer inflation (Jul). The US 2Q19 GDP (preliminary) data will round off the week on Friday.

You may be asked about

Total funding for startups based in the Middle East & North Africa (MENA) region jumped 66% YoY in 1H 2019 to \$471 million, MENA-based startup platform MAGNiTT stated in its '1H 2019 MENA Venture Investment Report'. The number of deals also increased 28% YoY to 238. The UAE accounted for 66% of overall funding and 26% of total transactions, thus remaining a major hub of the startup ecosystem.

Saudi Arabia emerged as one of the fastest growing startup markets, as it registered 26 investments in 1H 2019 (vs. one in 1H 2018). Fintech sector's share was the highest in total deals at 17% (+9% YoY), and was followed by e-commerce (12% of all deals).

Note to management

August 28th marks the inclusion of the second tranche of Saudi stocks to be included in the MSCI Emerging Market Index. Analysts anticipate a further \$6-8 billion of passives inflows to Saudi stocks, joining the \$10 billion that has come into the market since the first tranche inclusion since March.

But this brings new risks: "Rotation", whereby active managers bank their profits through wholesale selling and buying into more favourable valuations is about to strike the Saudi market.

We assess the phenomenon [HERE](#).

REGIONAL CALENDAR

21.07.2019	KSA Average Prices	-
23.07.2019	UAE Consumer Price Index	KSA Consumer Price Index
25.07.2019	KSA Weekly Money Supply Data	KSA Real Estate Price Index
26.07.2019	KSA National Accounts Bulletin	-

GLOBAL CALENDAR

22.07.2019	Chicago Fed National Activity Index	-
23.07.2019	US Housing Price Index	US Existing Home Sales
24.07.2019	Germany Markit Manufacturing PMI	EU Markit PMI Composite
25.07.2019	US Nondefense Cap. Goods Orders ex-Aircraft	ECB Interest Rate Decision
26.07.2019	US Personal Consumption Expenditure Prices	GDP Data Annualized

Food for thought

IR & BEYOND

Iridium	Can Saudi Arabian Stocks Avoid Rotation Risk?	Link
Bloomberg Blog	Shining star of Middle East stock markets may be losing its sparkle	Link
Harvard Law	Shareholders are Dispersed and Diverse	Link
IR Magazine	Investors add risk going into equities, says BofAML	Link
Funds Global Mena	ADIA to embrace active management	Link

EARNINGS CALENDAR	Market	Est/ Conf	Date
QEWC	QAT	C	21 Jul
Gulf Warehousing	QAT	C	21 Jul
Dubai Financial Market	UAE	C	21 Jul
Gulf Navigation	UAE	C	22 Jul
Saudi Telecom	KSA	E	22 Jul
Al Khaliji Commercial Bank	QAT	C	23 Jul
Etisalat	UAE	C	23 Jul
du	UAE	E	24 Jul
Doha Bank	Qatar	C	24 Jul
Batelco	BAH	E	25 Jul
QIMC	Qatar	C	25 Jul

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GLOBAL AGENDA

Bank of Japan Governor	To give a lecture at IMF headquarters in Washington
Pakistan Prime Minister	To meet with US President Donald Trump
IMF	To release its World Economic Outlook update
ECB President	To hold a briefing after interest rate decision
South African Reserve Bank Governor	To deliver a public lecture about monetary policy, inflation and sustainable economic growth
EU	MARS bulletin to be published with Europe weather and crop conditions
UK	Prime Minister Theresa May's successor to be announced
US	GDP data to be released
Germany	Would-be Chancellor Annegret to be sworn in as defense minister
Earning Releases	Alphabet, Amazon, Twitter, Tesla, Nokia, UBS, Boeing

MOST READ REGIONAL SECTOR HEADLINES

Energy	ADNOC hires BAML, Mizuho for natural gas pipelines deal
Utility	Saudi Arabia seeks contractors for water, sewage projects
Telecommunication	Kuwait to issue virtual telecom operator license
Aviation	Qatar Airways announces over \$1bn order for 18 Gulfstream aircraft
Education	Dubai's GEMS Education to meet banks for \$1.65bn refinancing
Industrial	Saudi Steel Pipe awarded new supply contract
Healthcare	Amanat gears up to invest \$272mn in Saudi, UAE and Egypt
Materials	Oman's OCTAL secures \$625mn in loans
Financials	Emirates Strategic Investments Co readies debut Dollar Sukuk sale
Real Estate	Dubai's house prices fall 15.3% in June

MOST READ REGIONAL COMPANY HEADLINES

Ooredoo	Signs MoU to enable growth of Qatar's Smart Cities with Malomatia
Saudi Aramco	Eyes tie-up with Russia's Lukoil in Uzbek gas
Amlak Finance	Close to restructuring \$1.2bn with creditors
First Abu Dhabi Bank	Proposes removing foreign ownership cap
DP World	Set to raise \$1.3bn in bonds and Sukuk
L&T	Confirms Saudi Aramco's \$1bn Marjan field contract
Huawei	Signs MoU to develop smart railway in Saudi Arabia
Sipchem	Resumes operations at Vinyl Acetate Monomer Plant after maintenance
JGC Corporation	Gets order for Total's ship-fueling LNG plant in Oman
The Commercial Bank	Turkish unit Alternatif raises capital

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	9,033.8	15.4%	2.4%	2.4%	\$575.0	20.2x
ADX	5,218.1	6.2%	4.8%	4.8%	\$143.4	15.4x
DFM	2,763.0	9.2%	3.9%	3.9%	\$75.2	11.3x
Nasdaq Dubai	3,294.2	7.2%	5.0%	5.0%	NP	NP
Qatar	10,503.1	2.0%	0.5%	0.5%	\$137.5	14.9x
Bahrain	1,537.8	15.0%	4.5%	4.5%	\$24.0	11.0x
Oman	3,747.7	-13.3%	-3.5%	-3.5%	\$11.7	7.2x

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