

## Rate cut possibility in the US might weigh on financials

2H 2019 EVENTS CALENDAR	DATE
HSBC GEMs Conference, LON	3-5 SEP
EFG Investor Conference, LON	9-12 SEP
Arqaam Investor Conference, DXB	23-24 SEP
JPM EM Credit Conference, LON	24-26 SEP
MEIRA Conference, DXB	25 SEP
Future Investment Initiative, RUH	29-31 OCT
GS CEEMEA Conference, LON	11-12 NOV
UBS GEMs Conference, NYC	3-5 DEC

### BRENT FUTURES PRICE



Q2 RESULTS	PROFIT (mn)	Y-O-Y%
Alhokair	SAR 224.0	-10.1%
Savola Group	SAR 110.2	-21.7%
Arabian Centres	SAR 227.0	+180.4%

ASSET CLASS MONITOR	WTD ↓	YTD
US Treasury	4.71%	-18.37%
Oil	2.90%	11.38%
S&P 500	2.65%	16.60%
MSCI World	2.22%	11.69%
MSCI EM	1.26%	1.02%
FTSE 100	0.87%	5.95%
Aluminium	-0.23%	-6.98%
MSCI GCC	-0.26%	5.95%
Gold	-1.66%	16.81%

### IN CASE YOU MISSED IT ...

Regional markets closed mixed last week. Saudi Arabia (-1.2%) was primarily dragged lower by banking stocks. Kuwait (-1.1%) followed closely. Dubai (-1.0%) logged its lowest close since July 21 on the last trading day of last week. Abu Dhabi (-0.3%) edged lower as FAB slipped whereas Bahrain (-0.1%) fell marginally. Oman (+3.3%) gained for a fourth straight trading week. Qatar (+3.1%) rose on the back of buying support from domestic institutions. The US markets ended in the red amid heavy selling on Friday, after announcement of new tariffs by China on US imports led to escalation in the trade standoff between the two nations. The tech-heavy Nasdaq Composite (-1.8%) fell the most, followed by S&P500 (-1.4%) and Dow Jones (-1.0%). European indices, however, closed largely up. STOXX600 and CAC40 clocked identical gains (+0.5%, each), followed by DAX (+0.4%). FTSE100 (-0.3%) fell slightly though.

### Regional markets

Financial stocks in the region might come under pressure as the US Federal Reserve President late last week hinted at the possibility of another interest rate cut in September. The rate cut in the US is widely seen as putting pressure on the margins of lenders based in the Gulf, particularly Saudi Arabia, the UAE and Qatar as the interest rates in these economies move in tandem with the US owing to currency peg.

### Global markets

Investor focus this week will be on the release of the US 2Q19 GDP and durable goods orders data which would be helpful in assessing the strength of the economy, amid the prolonged trade war with China. Last week, the Trump administration retaliated against China's tariff's by increasing existing tariffs. Meanwhile, the treasury yields have continued to move south owing to concerns over global economic slowdown. Further, investor would also closely monitor the G7 summit scheduled this week.

### You may be asked about

The UAE Central Bank's 2018 Financial Stability Report revealed that growth rate in lending of banks to the country's real estate sector dropped sharply to 8.5% in 2018 (2017: +18.1%), attributable to lower project launches (-25% YoY) and consistent weakening in property prices. The report added that as at 2018-end, outstanding realty loans stood at AED379 billion, accounting for slightly over 20% of total credit. It should be noted that the UAE Central Bank had removed a limit of 20% on property loans late last year. The Financial Stability Report also stated that while construction sector's asset quality deteriorated in 2018, it remained stable for residential real estate and commercial loans.

### Note to management

Norway's trillion-dollar sovereign wealth fund raised its equity holdings from 66.3% at the end of 2018 to 69.3% at the end of June. At the same time, a quarter of its bondholdings are in negative rate territory. What is going on? And why is the world's only trillion-dollar sovereign so loyal to equities?

Read our viewpoint [HERE](#)

### REGIONAL CALENDAR

26.08.2019	KSA Merchandise Export and Import Data	-
27.08.2019	KSA Consumer Price Index	-
29.08.2019	KSA Weekly Money Supply Data	KSA Statistical Bulletin

### GLOBAL CALENDAR

26.08.2019	Germany IFO- Business Climate Data	-
27.08.2019	US Consumer Confidence Data	Germany GDP Data
29.08.2019	USD GDP Annualized	Germany Harmonized CPI
30.08.2019	EU Consumer Price Index	US Personal Income Data

## Food for thought

### IR & BEYOND

Iridium/ IR Magazine	Equities attract more of Norway's trillion-dollar fund	<a href="#">Link</a>
Institutional Investor	GMO Says Emerging Markets Stocks Will Trounce U.S. Equities	<a href="#">Link</a>
Bloomberg Blog	AI is solving banks' very expensive research problem	<a href="#">Link</a>
FundsGlobal MENA	Emerging markets hedge funds post record gains in Q2	<a href="#">Link</a>
ESG Clarity	Dubai Financial Market notes governance improvements	<a href="#">Link</a>

# Weekly IR Brief

Sunday, 25.08.2019

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	1.54	-51	-127
UK	0.48	-20	-80
Germany	-0.68	-30	-102
France	-0.38	-26	-106
Italy	1.31	-18	-183
Switzerland	-0.99	-27	-83
Japan	-0.24	-8	-33
Hong Kong	1.03	-30	-
India	6.57	+14	-130

## GLOBAL AGENDA

<b>France</b>	To Host G-7 summit where President Trump will meet with new UK PM
<b>EU</b>	Publication of MARS Bulletin updating EU weather and crop conditions
<b>ECB</b>	Vice President Luis de Guindos to speak in Manchester
<b>US Secretary of State</b>	To speak at the National Convention of the American Legion in Indianapolis
<b>French President</b>	Emmanuel Macron to deliver his annual speech on foreign policy
<b>Philippine President</b>	Rodrigo Duterte to visit China
<b>EU</b>	Defense ministers meet for informal talks on climate, defense and security
<b>US</b>	Durable goods data to be published
<b>Ukraine</b>	Newly elected assembly will meet for the first time
<b>Earning Releases</b>	Bank of Nova Scotia, Bank of China, Dell, Best Buy, Tiffany

## MOST READ REGIONAL SECTOR HEADLINES

<b>Industrials</b>	Dubai's Averda International in talks with banks about potential IPO
<b>Banks</b>	SAMA: KSA's bank lending grows 3.1% in 2Q19
<b>Materials</b>	Motiva to buy Flint Hills Port Arthur, Texas chemical plant
<b>Oil &amp; Gas</b>	Petronas has begun to restart Saudi-Malaysian refinery CDU
<b>Telecom</b>	Zain Saudi in talks with government to convert debt into shares
<b>Consumers</b>	UAE to tax e-smoking products, sweetened drinks starting 2020
<b>Utility</b>	Strabag-led group wins \$391mn Dubai hydro-plant contract
<b>Financials</b>	Qatar's Islamic finance sector to get central regulation
<b>Tourism</b>	Dubai's hotel occupancy hits 76% in 1H2019
<b>Entertainment</b>	STC terminates Saudi soccer games broadcast contracts

## MOST READ REGIONAL COMPANY HEADLINES

<b>Saudi Aramco</b>	Appoints Lazard and Moelis for world's biggest IPO
<b>Qatar Petroleum</b>	Concludes 5-year condensate feedstock sale deal with ExxonMobil
<b>Emirates NBD</b>	Raises \$500mn from 3 and 5-year loans
<b>CQUR Bank</b>	Russia's VTB bank buys 19% stake in Qatar's CQUR bank
<b>Mwani Qatar</b>	To build Hobyo Port in Somalia
<b>Abo Moati</b>	Shareholders approve 25% capital hike, 5% dividend
<b>Vodafone Qatar</b>	Launches GigaHome Smart home solution
<b>Alhokair</b>	Deal with M&S in KSA ends, still partners elsewhere
<b>ADNOC</b>	Awards \$3.6bn in 'smart procurement' contracts
<b>Sipchem</b>	Completes sales of fractional shares post-merger

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
<b>Saudi Arabia</b>	8,445.7	7.9%	-4.3%	-3.3%	\$537.2	20.7x
<b>ADX</b>	5,039.0	2.5%	1.2%	-5.2%	\$137.7	15.0x
<b>DFM</b>	2,768.9	9.5%	4.1%	-5.1%	\$75.4	11.6x
<b>Nasdaq Dubai</b>	3,183.7	3.6%	1.4%	-6.2%	NP	NP
<b>Qatar</b>	9,918.6	-3.7%	-5.1%	-5.6%	\$131.2	14.3x
<b>Bahrain</b>	1,533.6	14.7%	4.3%	-0.9%	\$23.9	11.4x
<b>Oman</b>	3,987.7	-7.8%	2.6%	6.0%	\$12.7	7.9x

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## For more information contact:

Iridium Advisors DMCC  
Pamela Chahine, Director  
ir@iridium.ae  
www.iridium.ae