

Resumption of US-China trade talks to comfort markets

IN CASE YOU MISSED IT . . .

Regional markets ended mostly lower last week. Qatar (-2.3%) declined due to weakness in the banking stocks. Dubai (-1.2%) reversed the previous week's gain. Abu Dhabi (-1.1%) was weighed down by a fall in First Abu Dhabi Bank and Abu Dhabi Commercial Bank. Oman (-0.9%) edged lower, followed by Saudi Arabia (-0.8%) which fell primarily on account of geopolitical tensions in the region, partly offset by a late rally after the limit on foreign share ownership was relaxed. However, Bahrain (+0.9%) added to its previous week's increase. Kuwait (+0.1%) also inched up. The US markets slipped to end their three consecutive week of gains, as the Federal Reserve's Chairman signaled he is not in a hurry to lower interest rates and as skepticism remained over the outcome of a meeting between the US and Chinese presidents over the weekend. Dow Jones (-0.4%) fell slightly, whereas Nasdaq Composite and S&P 500 clocked identical losses (-0.3%, each). European indices moved up though. DAX (+0.5%), CAC 40 and FTSE 100 (+0.2%, each), and STOXX 600 (+0.0%) all inched up.

ASSET CLASS MONITOR	WTD ↓	YTD
Oil	3.26%	23.70%
Gold	1.54%	9.93%
Aluminium	0.17%	-4.74%
MSCI EM	0.10%	9.22%
US Treasury	0.00%	-12.65%
FTSE 100	-0.30%	10.02%
MSCI World	-0.67%	14.32%
S&P 500	-0.99%	16.68%
MSCI GCC	-1.60%	9.47%

BRENT FUTURES PRICE



COMMODITIES	WTD ↓	YTD
Natural Gas	6.36%	-20.95%
Oil (WTI)	4.91%	30.87%
Oil (Brent)	3.26%	23.70%
Gold	1.54%	9.93%

The week ahead

Regional markets

Regional markets are likely to exhibit caution in their trades, given that the geopolitical situation in the region remains tense due to the US-Iran standoff. The US has threatened sanctions on the Eurozone for dealing with Iran and importers of Iranian oil whereas it has also sent F-22 fighter planes to Qatar. However, reports that POTUS has agreed to restart talks with China while not imposing additional tariffs for the time being may soothe investors' nerves. Moreover, an announcement by Russian President that it has agreed with Saudi Arabia to extend the crude oil supply cut pact should also comfort investors.

Global markets

The week begins with the release of Germany's unemployment rate and manufacturing PMI (Jun) for the US, Germany, Eurozone, the UK and China on Monday, followed by data on Germany's retail sales (May) on Tuesday. Stats on China's services PMI (Jun), Eurozone's composite PMI (Jun) and the US trade balance (May) and non-manufacturing PMI (Jun) will come out on Wednesday. Thursday's major events constitute China's consumer inflation (Jun) and Eurozone's retail sales (May). Meanwhile, the US markets will be closed on Thursday on account of Independence Day holiday. Germany's industrial production (May) and the US nonfarm payrolls (Jun) will round off the week on Friday.

You may be asked about

The government of Abu Dhabi has launched nine new initiatives to promote businesses in the Emirate. These initiatives form part of the 2019-2021 'Ghadan 21' program, which involves an AED50 billion economic stimulus package. The nine-point policy program includes a scheme of 'instant license,' under which license applications are processed instantly online and license holders, in most cases, can immediately start conducting business. In another initiative, the government has created an AED4 billion fund to boost research and development. Some of the other initiatives included introducing new licenses for technology businesses, a scheme guaranteeing 75% of loan value provided by banks to SMEs, an electricity tariff discount scheme for businesses, among others.

Note to management

There is a distinct feeling of déjà vu in the region this week, as it was announced that Kuwait will be upgraded from Frontier to Emerging Market status by MSCI in May 2020.

Like Saudi Arabia, Qatar and the UAE, the announcement was met with great excitement and positivity. And yet there are some uncomfortable truths that no one seems to have mentioned, truths which carry implications for all the GCC's equity markets.

This week we analyse what the latest upgrade means for Kuwait, for the region, and for its listed companies.

Read Iridium's viewpoint [HERE](#).

REGIONAL CALENDAR

30.06.2019	UAE Industrial Production Index	-
04.07.2019	KSA Weekly Money Supply Data	-

GLOBAL CALENDAR

01.07.2019	China Caixin Manufacturing PMI	US ISM Manufacturing PMI
02.07.2019	UK Markit Construction PMI	Germany Retail Sales
03.07.2019	US ISM Non-Manufacturing PMI	China Caixin Services PMI
04.07.2019	Japan Overall Household Spending	EU Retail Sales
05.07.2019	US Nonfarm Payrolls	US Average Hourly Earnings

Food for thought

IR & BEYOND

Iridium	The End Of The Beginning For GCC Equity Markets	Link
FT	MSCI Upgrades Kuwait To Emerging Markets Status	Link
MSCI	Results Of The MSCI 2019 Market Classification Review	Link
Bloomberg	Saudi Regulator Scraps Ownership Limit For Strategic Investors	Link
The National	SHUAA-ADFG Merger To Create Entity With \$12.8bn Assets Under Management	Link

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	2.01	-26	-86
UK	0.83	-6	-45
Germany	-0.33	-6	-63
France	-0.01	-23	-67
Italy	2.10	-54	-57
Switzerland	-0.58	-8	-45
Japan	-0.17	-7	-19
Hong Kong	1.40	-	-72
India	6.88	-	-102

GLOBAL AGENDA

OPEC nations	To meet in Vienna to set oil production policy for the rest of the year
ECB Vice President	Luis de Guindos speaks at a conference in Frankfurt
Mexico	Foreign Minister visits Beijing and meets Chinese Vice President Wang Qishan
ECB Vice President	To speaks at a conference in Frankfurt
Bank of England	Deputy Governor Ben Broadbent speaks at a conference in London
ECB Chief Economist	Philip Lane speaks in Frankfurt
Bank of Japan	Board member Yukitoshi Funo speaks in Hiroshima
The Bank of Finland	hosts a conference in Helsinki on monetary policy with speakers from around the world, including Fed Vice Chairman Richard Clarida
US	Markets will remain close on account of Independence Day holiday on Thursday
Earning Releases	Nitori, Thales, Kewpie, International Speedway

MOST READ REGIONAL SECTOR HEADLINES

Banks	UAE banks' bad loan ratio to drop with new calculation method
Insurance	Saudi insurers Solidarity, Aljazira Takaful consider merger
Financials	NBK Capital Partners abandons advanced talks to buy Abraaj's credit fund
Materials	Bawan's Algeria project likely to start commercial ops in 4Q19
E-commerce	Dubai startup Mumzworld said to weigh sale or funding round
Education	CVC said to near \$1bn deal for stake in GEMS Education
Utility	National Petroleum Construction Company plans to expand into wind power
Aviation	GACA, Meras offer first phase of budget air transport licenses
Consumer	Hassad Food buys key stake in Sunrise Foods International
Telecom	Tyntec and Ooredoo announces global A2P SMS partnership

MOST READ REGIONAL COMPANY HEADLINES

Saudi Aramco	Signs 12 deals with South Korean firms
Yara International	To explore Qatar expansion in counter to OCI-ADNOC Merger
SHUAA Capital	Abu Dhabi Financial Group and SHUAA Capital agree on merger
Abu Dhabi Islamic Bank	Finances Saudi Arabian property acquisition in Manchester
Qatar Petroleum	Partners Chevron Phillips to build Middle East's largest ethane cracker
du	Signs joint ventures deal with Bahrain's Batelco for technology infrastructure
Zain Saudi	Abandons plan to sell towers to IHS Holding
Nadec	Abandons plans to buy Danone's local unit
Al Jazeera Network	Signs key deal with Nakilat
Investcorp	Acquires Airport Centre in Germany

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	7,826.7	12.4%	-0.3%	3.3%	\$558.3	19.8x
ADX	4,915.1	1.6%	-1.6%	-0.2%	\$137.6	14.8x
DFM	2,529.8	3.8%	-0.3%	0.2%	\$72.0	11.7x
Nasdaq Dubai	3,074.3	1.9%	-2.2%	-0.7%	NP	NP
Qatar	10,299.0	1.4%	3.3%	1.7%	\$136.9	14.7x
Bahrain	1,337.3	9.8%	3.9%	2.4%	\$22.8	10.7x
Oman	4,323.7	-10.0%	-2.3%	-1.1%	\$12.1	7.7x

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