

Evolving pandemic situation to drive markets

In case you missed it...

Saudi Arabia (+1.3%) was supported by gains in SABIC and Aramco as oil prices rose amid the Kingdom's announcement to deepen its production cut in June in excess of its quota under the latest OPEC+ deal. Abu Dhabi (+0.1%) inched up. Qatar (-0.7%) slipped on selling by foreign institutions. Dubai (-1.5%) fell despite further easing in Covid-19 related restrictions in the emirate. Oman (-1.8%), Bahrain (-3.1%) and Kuwait (-3.9%) continued to tread lower. The US indices reversed trends as Dow Jones (-2.7%), S&P 500 (-2.3%) and Nasdaq Composite (-1.2%) all declined. Investors' sentiments were dampened by concerns about a second wave of infections following the government's ongoing efforts to reopen the economy. Warnings from the US Fed Chairman that the pandemic-led crisis could result in a prolonged period of low productivity growth and stagnant incomes added to the weakness in the markets. Major European indices also ended lower; CAC40 (-6.0%), DAX (-4.0%), STOXX600 (-3.8%) and FTSE100 (-2.3%) all slid.

The Week Ahead

Regional markets

Regional markets are likely to continue post mixed performances as the outlook for the regional and global economies remains extremely hazy. The crude oil prices firmed up for a third consecutive week and Brent closed above \$32 per barrel mark. However, notable upside from this level appears unlikely as emergence of new Covid-19 clusters in some countries where restrictions were relaxed casts a shadow on already gloomy demand outlook. Market movements will also depend on new regulations as governments keep adjusting to the evolving pandemic situation and earnings releases. This week, we expect AD Aviation, Emirates Insurance, Insurance House, Etisalat and others to publish results.

Global markets

The global markets were about to come out of COVID-19 outbreak shock when a second wave of the virus infections is grappling markets. This week, global markets are likely to experience subdued sentiments with warnings from the US Fed chairman of extended period of weak economic growth. Investors will, meanwhile, focus on economic sentiments in Eurozone and Japan GDP data.

You may be asked about

Saudi Arabia announced last week increasing its VAT rate and suspending cost of living allowance as it tries to cope up with the impact of slump in oil prices and Covid-19 pandemic. The VAT rate will be hiked to 15% from the current 5% with effect from 01 July 2020, according to the Kingdom's state news agency. In addition, SAR1,000 (~\$267) per month allowance for state employees, introduced in 2018, will be suspended from 01 June. The latest austerity measures undertaken are valued at around SAR100 billion (~\$26.6 billion). Ratings agency Moody's said these steps will aid to partially offset the government's revenue loss which has been hit by lower oil production and prices.

Note to management

Much attention was paid to the financials in Saudi Aramco's 1Q earnings announcement this week. But far less attention was paid to another metric: the amount of space given to ESG in its press release. This was missed by the media, but not by investors. Read more [HERE](#)

EARNINGS CALENDAR

	Market	Est/Conf	Date
Al Rajhi Bank*	KSA	C	18 May

*Earnings Calls

Q1 RESULTS

	PROFIT (mn)	Y-O-Y%
ADCB	AED207.4	-82.0%
ADIB	AED269.7	-55.1%
ADNOC	AED399.5	-30.9%
ALINMA	SAR370	-42%
ALBILAD	SAR270	-5.2%
BSFR	SAR682	-25.6%
NCB	SAR2,834	2.1
RIBL	SAR1,476	-0.6%
SAMBA	SAR1,274	19.6%
Saudi Aramco*	SAR62.5	-25.0%
Oman Insurance Company	AED55.2	3.3%
RJHI	SAR2,380	-7.3%

*values in bn

BRENT FUTURES PRICE



ASSET CLASS MONITOR

	WTD ↓	YTD
Oil	4.94%	-50.76%
Gold	2.41%	14.92%
MSCI GCC	0.67%	-22.02%
US Treasury	0.00%	-92.26%
MSCI EM	-1.15%	-19.15%
Aluminium	-1.21%	-20.39%
S&P 500	-2.26%	-11.36%
FTSE 100	-2.29%	-23.10%
MSCI World	-2.43%	-15.37%

REGIONAL CALENDAR

17.05.2020	KSA Financial Stability Report	-
19.05.2020	Abu Dhabi Consumer Inflation	-

GLOBAL CALENDAR

18.05.2020	Eurozone Group Meeting	China House Price Index
19.05.2020	Germany Economic Sentiment	Japan Industrial Production
20.05.2020	China Interest Rate Decision	Eurozone Interest Rate Decision
21.05.2020	UK Markit Services PMI	Japan Consumer Inflation
22.05.2020	Germany Markit Manufacturing PMI	Eurozone Markit PMI Composite

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	6,717.0	-19.9%	3.3%	-5.6%	\$2,126.4	19.8x
ADX	4,067.0	-19.9%	8.9%	-3.9%	\$122.6	12.2x
DFM	1,894.5	-31.5%	7.0%	-6.5%	\$56.2	7.4x
Nasdaq Dubai	2,348.9	-26.2%	10.0%	-4.7%	NP	NP
Qatar	8,735.4	-16.2%	6.4%	-0.3%	\$121.8	13.8x
Bahrain	1,240.7	-22.9%	-8.1%	-5.3%	\$19.1	8.6x
Oman	3,421.7	-14.1%	-0.8%	-3.3%	\$11.0	8.2x

COMMODITIES

	WTD ↓	YTD
Oil (WTI)	18.96%	-51.80%
Oil (Brent)	4.94%	-50.76%
Gold	2.41%	14.92%
Natural Gas	-9.71%	-24.81%

SOVEREIGN YIELDS (10YR)

	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	0.64	2	-175
UK	0.23	-7	-84
Germany	-0.54	-6	-44
France	-0.03	-6	-32
Italy	1.86	3	-82
Switzerland	-0.59	-8	-16
Japan	-0.02	-1	6
Hong Kong	0.31	-	-
India	5.72	-70	-

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GLOBAL AGENDA

FOMC	To release minutes from its latest rate deliberations
BoE	Policy maker Silvana Tenreiro to talk in a webinar on response to Covid19
EU	To publish monthly MARS bulletin on weather and crop conditions
Taiwan	President Tsai Ing-wen to start her second term in office
ECB	To publish its account of the latest monetary policy meeting
UK	PM seeks to reopen the U.K. economy
European Commission	Scheduled to release its economic policy guidelines for member states
China	National People's Congress to hold its annual policy meeting
Boston Fed President	Eric Rosengren to participate in a discussion of Covid-19's impact
Earnings announcements	SoftBank, Alibaba, Walmart, Deere, Nvidia, Hormel Foods etc.

MOST READ REGIONAL SECTOR HEADLINES

Oil & Gas	Saudi cabinet urges OPEC+ countries to further reduce production
Banks	UAE banks used 75% of \$13.6bn COVID-19 liquidity facility: CBUAE
Tourism	Abu Dhabi declare partial refund for restaurant and tourism property leases
Aviation	IATA: Airfare in Middle East may go up by up to 50%
Chemical	Oman based Liwa Plastics enters commissioning phase
Telecommunication	Coronavirus highlights GCC telecoms operators' cash flow squeeze
Power	Saudi ACWA Power, Silk Road Fund complete partnership
Healthcare	Large medical complex to be opened soon in Industrial Area in Qatar
Insurance	Kuwait's First Takaful Insurance sells entire stake in Turkey's Neova Sigorta
Foods and Beverages	Dhofar's poultry sector helps boost Oman's food security

MOST READ REGIONAL COMPANY HEADLINES

Saudi Aramco	Seeking to review price of SABIC deal
Emirates	To raise debt as it braces for most difficult months ever
Al Shafar	Dubai contractor Al Shafar buys 15% stake in UK's Costain
Mubadala	Abu Dhabi's Mubadala hires banks for bond issues
Takween	Saudi Takween Industries restructures SAR429.4mn loan
ADNOC	ADNOC opens more fuel stations in the UAE
OOMC	Introduces Covid-19 precautionary measures at its service stations
Emirates NBD	Has \$23.66mn exposure to fallen agri-trader Phoenix
Qatar Airways	Air travel demand might not recover until 2024: CEO
Ooredoo	Sign MoU for strategic partnership for Qatar with Visa

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