

## Pick-up in earnings may drive market volatility higher

### In case you missed it...

GCC markets ended mostly lower, with Kuwait (-1.8%) being the worst hit, as the IMF downgraded economic forecasts for the Gulf region over a slump in oil prices and COVID-19 crisis. Dubai (-1.4%) was hurt by weakness in property shares following the downgrade of Emaar Properties by S&P. Oman (-1.3%) slipped, preceding Abu Dhabi (-0.5%). Qatar (-0.1%) slipped partially due to weakness in banks. However, Saudi Arabia (+0.1%) just managed to maintain its positive momentum. Bahrain (+1.3%) advanced with the Kingdom announcing ~\$450 million worth of emergency spending. The US markets closed mixed. Dow Jones (+2.3%) and S&P 500 (+1.2%) gained on the back of COVID-19 vaccine hopes, prospects of sustained or increased support from the Fed and better than expected initial corporate earnings reports. Rising US-China tensions, however, weighed on Nasdaq Composite (-1.1%). Europe indices, meanwhile, ended higher, as EU leaders on 17 June started a summit to reach an agreement on €750 billion recovery fund. FTSE100 (+3.2%) rose the most, followed by DAX (+2.3%), CAC40 (+2.0%) and STOXX600 (+1.6%).

### The Week Ahead

#### Regional markets

Volatility in the GCC stock exchanges is expected to rise with the acceleration in earnings announcements. This week, du, Abu Dhabi Aviation, Gulf Hotels, BBK, CBQ, QEWC, Qatar National Cement and several others are expected to publish results. Weak sentiment, however, may prevail considering the SAMA Governor's latest comments where he predicted that the Saudi economy's performance to be worse-off in 2Q 2020 than in 1Q 2020 and global ratings agency S&P revising Kuwait's outlook to 'Negative' from 'Stable'.

#### Global markets

This week, market sentiment is expected to remain subdued as simmering tensions between the world's two biggest economies could hobble global business activity. Rolling back lockdown relaxation by many countries on the back of acceleration in COVID-19 cases can increase worries for market participants further. Investors will closely watch economic data such as the US and the UK Markit Services PMI.

#### You may be asked about

Tadawul will permit derivatives trading from August 2020. Tadawul's CEO, Khalid Al Hussan, said that an index futures contract will be the first derivative to trade. Trading in the Saudi Futures 30, which is based on the MSCI Tadawul 30 index, will begin from 30 August. Al Hussan added that the bourse is also considering launching commodities futures to expand its derivatives market. The introduction of derivatives is a part of the Financial Sector Development Program initiative of the Vision 2030. As a result of the move, Tadawul will become the second exchange after Nasdaq Dubai that will offer derivatives trading.

#### Note to management

A story from the UK this week has revealed the high stakes involved for companies that make ESG central to their investment case, but then fail to "walk the walk". When an investigative journalist went undercover and discovered sweatshop conditions, low pay and a lack of social distancing in factories, the company whose garments were being made there faced attacks on all sides. Media, investors, distributors and competitors all declared open season, and went for the jugular. Its founders doubtless did not intend this when they named the company "Boohoo". Read our thoughts on the subject [HERE](#).

#### REGIONAL CALENDAR

23.07.2020 KSA Weekly Money Supply -

#### GLOBAL CALENDAR

20.07.2020	China Interest Rate Decision	Germany Producer Price Index
21.07.2020	US Chicago Fed National Activity Index	UK Public Sector Net Borrowing
22.07.2020	US Existing Home Sales	Japan Manufacturing PMI
23.07.2020	Germany Consumer Confidence Survey	Eurozone Consumer Confidence
24.07.2020	Germany Markit Manufacturing PMI	Eurozone Markit Manufacturing PMI

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
<b>Saudi Arabia</b>	7,426.8	-11.5%	2.8%	2.8%	\$2,279.5	22.5x
<b>ADX</b>	4,274.5	-15.8%	-0.3%	-0.3%	\$160.7	14.1x
<b>DFM</b>	2,052.7	-25.8%	-0.6%	-0.6%	\$59.7	6.2x
<b>Nasdaq Dubai</b>	2,517.5	-20.9%	-0.1%	-0.1%	NP	NP
<b>Qatar</b>	9,310.7	-10.7%	3.5%	3.5%	\$133.6	15.0x
<b>Bahrain</b>	1,302.5	-19.1%	1.9%	1.9%	\$19.7	9.7x
<b>Oman</b>	3,450.2	-13.3%	-1.9%	-1.9%	\$11.1	9.9x
<b>Kuwait</b>	5,501.6	-21.1%	-1.9%	-1.9%	\$68.0	13.4x

EARNINGS CALENDAR	Market	Est/Conf	Date
EIB	UAE	C	19 Jul
Emirates NBD	UAE	C	19 Jul
Oman United Insurance*	Oman	C	19 Jul
Oman Flour Mill*	Oman	C	20 Jul
Al Kamil Power*	Oman	C	21 Jul
Etisalat	UAE	C	21 Jul
Mashreq Bank	UAE	C	22 Jul
Polarcus Ltd	UAE	C	22 Jul
Al Khaliji Commercial Bank	QAT	C	23 Jul

\* Earnings Call

Q2 RESULTS	PROFIT (mn)	Y-O-Y%
Advanced Petrochemicals	SAR155.0	-19.4%
Zain KSA	SAR59.0	-54.6%
MARK	QAR536.5	+0.5%
QIBK	QAR739.0	-0.1%
QGTS	QAR269.9	+12.6%
NBOB	OMR15.0	-40.6%
ABOB	OMR12.5	-16.2%
BKSB	OMR13.2	-29.1%
BKMB	OMR69.6	-25.7%

#### BRENT FUTURES PRICE



ASSET CLASS MONITOR	WTD ↓	YTD
FTSE 100	3.20%	-16.60%
S&P 500	1.25%	-0.19%
MSCI World	1.16%	-3.04%
Gold	0.65%	19.32%
Oil	-0.23%	-34.64%
MSCI GCC	-0.73%	-15.64%
MSCI EM	-1.33%	-5.35%
Aluminium	-1.91%	-10.09%
US Treasury	-15.38%	-92.90%

Sunday, 19.07.2020

COMMODITIES	WTD ↓	YTD
Gold	0.65%	19.32%
Oil (WTI)	0.10%	-33.52%
Oil (Brent)	-0.23%	-34.64%
Natural Gas	-4.82%	-21.52%

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	0.63	-8	-140
UK	0.16	-6	-60
Germany	-0.45	-4	-14
France	-0.14	-7	-8
Italy	1.17	-21	-38
Switzerland	-0.49	-2	17
Japan	0.00	0	15
Hong Kong	0.14	-	-114
India	5.80	-2	-58

## GLOBAL AGENDA

<b>BOE</b>	Policy maker Jonathan Haskel to speak about economic effects of Covid19
<b>ECB</b>	Vice President Luis de Guindos to speak in online annual US-EU Symposium
<b>UK</b>	Brexit negotiators to gather for a week of talks in London, with UK PM
<b>US</b>	Secretary of State Michael Pompeo to meet UK PM in London
<b>South Africa</b>	BER to release results of second-quarter inflation expectations survey
<b>Russia</b>	Bank of Russia to declare it's rate decision
<b>India</b>	Business Council to hold its annual meeting with the US counterparts
<b>EIA</b>	To publish crude oil inventory report
<b>Thailand</b>	The Thai Rice Exporters Association to brief on the outlook for 2H 2020
<b>Earnings</b>	American Express, Microsoft, IBM, Tesla, Unilever, Twitter, Coca-Cola etc.

## MOST READ REGIONAL SECTOR HEADLINES

<b>Oil &amp; Gas</b>	Saudi Arabia says OPEC+ moving to easing oil cuts on demand recovery
<b>Real Estate</b>	S&P downgraded the credit rating of three Dubai real estate companies
<b>Banking</b>	UAE bank loans increase by 6% YoY in May'20
<b>Airlines</b>	Qatar Airways to seek damages over blockade
<b>Telecom</b>	Saudi Telecom extends Vodafone Egypt stake purchase for second time
<b>Insurance</b>	Over 130k insurance policies sold through electronic channels in Oman
<b>Energy</b>	Kuwait scraps \$1.4bn solar project over Covid-19 crisis
<b>Education</b>	Dubai school operator GEMS defies virus shock as revenue holds
<b>Hotels</b>	Abu Dhabi hotel occupancy rates rise 3% YoY in the first week of July
<b>Tourism</b>	Bahrain-US accord to extend tourist visa validity to 10 years

## MOST READ REGIONAL COMPANY HEADLINES

<b>Saudi Aramco</b>	Raises gasoline prices for July
<b>Advanced Petrochem</b>	Signs loan deal with three banks
<b>Bindawood</b>	Saudi Arabia's Bindawood postpones IPO to September
<b>Drake &amp; Scull Int.</b>	To use state body to revamp \$1.3bn
<b>Bank Dhofar</b>	Joins hands with Oman Air to provide payment solution
<b>DAMAC</b>	Maple Invest mulls buying DAMAC Properties
<b>UDC</b>	Enters Financing Agreement for developing residential villas
<b>BRES</b>	Announces the negotiation of two housing projects in Al-Wakra
<b>Gulf Cable</b>	Buys stake in Boursa Kuwait above IPO price
<b>QFBQ</b>	Appoints Abdulrahman Totonji as acting CEO

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