

## Geopolitical developments to hog the limelight

### IN CASE YOU MISSED IT ...

GCC markets ended in the green last week, supported by sustained strength in oil prices. Dubai (+2.2%) jumped, buoyed by Emirates NBD and Emaar Properties. Abu Dhabi (+1.3%) rose, led by Etisalat, which clocked its highest increase in over a year, following a share buyback approval announcement. Saudi Arabia's (+1.7%) gains included a Tuesday close above its 200-day average levels. Qatar (+0.2%) rose marginally. Oman and Bahrain recorded identical gains (+0.6%, each), while Kuwait (+0.1%) ended marginally higher. The US markets ended mixed, as trade tensions continued to cause concern and the US Federal Reserve's commentary on rate hikes failed to boost investors' confidence. Dow (-1.1%) and S&P500 (-0.5%) slipped, although S&P500 clocked its best quarterly gain (+7.2%) since 4Q13. NASDAQ (+0.7%) rose, posting its ninth straight quarterly gain. Europe ended mixed; FTSE 100 (+0.7%) edged up, CAC 40 ended flat, STOXX 600 (-0.3%) fell, and DAX (-1.5%) closed firmly in the red.

ASSET CLASS MONITOR	WTD ↓	YTD
Oil (Brent)	3.84%	22.21%
FTSE 100	2.42%	-1.85%
MSCI GCC	1.57%	12.16%
MSCI EM	1.39%	-9.25%
Aluminum	0.50%	-9.50%
US Treasury Yields	0.46%	56.83%
MSCI World	-0.13%	2.42%
S&P 500	-0.57%	8.99%
Gold	-2.02%	-9.21%

### BRENT FUTURES PRICE



COMMODITIES	WTD ↓	YTD
Oil (Brent)	3.84%	22.21%
Natural Gas	2.69%	3.49%
Oil (WTI)	1.86%	19.36%
Gold	-2.02%	-9.21%

### The week ahead

#### Regional markets

This week, investors are likely to focus on geopolitical developments, including the outcome of the ongoing US-Canada negotiations over NAFTA and worsening US-China relations amid implementation of trade tariffs and POTUS' claim last week that China is attempting to interfere in the US mid-term elections. Italy-EU tensions may rise, following the new Italian government's decision to set a wider budget deficit target. Yet, regional investors are likely to remain upbeat, following solid momentum in crude, with Brent sailing well past the difficult-to-break \$80 per barrel mark last week. The upbeat sentiment may strengthen if the regional geopolitical direction, resulting from talks between Saudi Arabia's Crown Prince and the Kuwaiti Emir, is positive.

#### Global markets

The week begins with the release of September Manufacturing PMI data for Eurozone, the UK, Canada, the US and Japan on Monday. Powell's US Fed speech is expected on Tuesday. Wednesday will witness publication of September Services PMI data for Eurozone, the UK and the US, followed by August foreign investment statistics in Japan's stocks and bonds. On Thursday, US' MoM factory orders for August will be released. Switzerland's September consumer inflation numbers will bring the week to a close on Friday.

#### You may be asked about

Sovereign and quasi-sovereign debt issuers of all GCC members, except Oman, will enter JP Morgan's emerging market government bond indices in a phased manner from January 31 to September 30, 2019, in a move expected to attract billions of Dollars of new foreign investment into the debt instruments. The GCC states will be included in EMBI Global Diversified (EMBIGD), EMBI Global (EMBIG) and EURO-EMBIG indexes - representing ~11.2% of the first two indices with Saudi Arabia accounting for 3.1%, followed by the UAE (2.6%), Qatar (2.6%), Bahrain (2.1%) and Kuwait (0.8%). The minimum inclusion size for the instruments in the indexes is \$500mn and they will require maturity date beyond March 2022 during the inclusion process.

#### Note to management

After a day of speeches, panels, presentations and networking, three key themes emerged from the 10<sup>th</sup> annual MEIRA conference held in Dubai last Wednesday:

- The once-in-a-lifetime opportunity presented by emerging markets (EM) index inclusion, though this is not a gift to be shared equally.
- How mistaking PR for IR is a fatal flaw, and remains prevalent in the region.
- There is a pan-regional convergence of policy, macroeconomics and capital flows.

There was widespread agreement that the inclusion of five GCC countries in the FTSE and MSCI emerging market indices presents a tremendous opportunity; but equally this is not a gift to be shared equally. The most deserving will seize it, the undeserving will lose out.

Read our coverage of the MEIRA conference for *IR Magazine* [HERE](#)

#### REGIONAL CALENDAR

30.09.2018	Abu Dhabi Foreign Investment Statistics Data -
03.10.2018	KSA Non-Oil Export Import Data -
04.10.2018	KSA Weekly Money Supply Data -

#### GLOBAL CALENDAR

01.10.2018	US ISM Manufacturing PMI Data	Eurozone Unemployment Rate
02.10.2018	RBA Interest Rate Decision	UK PMI Construction
03.10.2018	US ISM Non-Manufacturing PMI Data	Eurozone Composite PMI Data
04.10.2018	Australia Trade Balance Data	US Factory Orders Data
05.10.2018	US Non-farm Payrolls Data	Canada Unemployment Rate

### Food for thought

#### IR & BEYOND

IR Magazine / Iridium	MEIRA Conference: IR Comes of Age in the Middle East	<a href="#">Link</a>
Harvard Business Review	Why CEOs Should Share Their Long-Term Plans with Investors	<a href="#">Link</a>
CFO Magazine	Time to Shine: CFOs to Watch 2018	<a href="#">Link</a>
Bloomberg	Musk Wins! The SEC Blinks! Tesla Loses	<a href="#">Link</a>
Institutional Investor	What Billy Beane and Jim Simons Have in Common	<a href="#">Link</a>

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	3.06	+18	+73
UK	1.57	+8	+21
Germany	0.47	+7	+1
France	0.80	+7	+6
Italy	3.14	+2	+104
Switzerland	-0.01	+12	+7
Japan	0.12	+3	+6
Hong Kong	2.32	+24	+77
India	8.02	+11	+136

## GLOBAL AGENDA

<b>US</b>	Releases non-farm payrolls, PMI and factory orders data
<b>Fed Chairman</b>	Delivers a speech at the NABE annual conference in Boston
<b>Eurozone</b>	Eurozone finance ministers to meet in Luxembourg
<b>Reserve Bank of Australia</b>	Sets its monetary policy
<b>IMF Chief</b>	Previews the key issues to be addressed at the IMF/World Bank annual meeting
<b>Reserve Bank of India</b>	Announces interest rate decision
<b>Nobel Prize</b>	Medicine, physics, chemistry, economics and peace prizes to be announced
<b>European Union</b>	EU trade ministers to meet in Austria
<b>China</b>	Financial markets to remain closed for the week due to National Day holidays
<b>Earning Releases</b>	PepsiCo, Kewpie, Novagold, Tesco, Costco

## MOST READ REGIONAL SECTOR HEADLINES

<b>Energy</b>	OPEC, Russia rebuff Trump's call for immediate boost to oil output
<b>Banks</b>	Fitch: UAE's Islamic banks see higher returns but weaker asset quality
<b>Financials</b>	Mandatory health insurance set for early 2019 roll-out in Oman
<b>Materials</b>	SABIC to hire banks for return to Dollar bond market
<b>Real Estate</b>	Aldar Properties buys remaining stake in Khidmah
<b>Transport</b>	Emirates, Etihad Airways airlines deny report they may merge
<b>Industrials</b>	Emirates Steel hires BNP Paribas to coordinate \$400mn loan financing
<b>Telecom</b>	Fitch affirms Batelco at 'BB-'; outlook 'Stable'
<b>Utilities</b>	ACWA Power delays plans for IPO
<b>Consumer Staples</b>	Saudi Fisheries inks SAR130mn Islamic loan with Banque Saudi Fransi

## MOST READ REGIONAL COMPANY HEADLINES

<b>Saudi Electricity Co.</b>	Saudi Electricity Company closes \$2.0bn international Sukuk issuance
<b>DP World</b>	London court extends injunction against Djibouti in DP World dispute
<b>Saudi Aramco</b>	Saudi Aramco to boost oil capacity by 550,000bpd in 4Q18
<b>Saudi Steel Pipe</b>	Tenaris to acquire significant stake in Saudi Steel Pipe Company
<b>Union Properties</b>	Union Properties hands over AED450mn Dubai Motor City project
<b>Kuwait Finance</b>	HSBC, Credit Suisse submit reports on Kuwait Finance, AUB merger
<b>Advanced Petrochem.</b>	Advanced Petrochemical Co. proposes SAR0.70 dividend per share for 3Q18
<b>CBQ</b>	The Commercial Bank in talks for \$1bn loan
<b>Al Hilal Bank</b>	Al Hilal Bank successfully closes \$500mn Sukuk
<b>Doha Insurance</b>	Doha Insurance Group rating affirmed at 'A-'

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
<b>Saudi Arabia</b>	7,898.7	9.3%	-5.0%	-0.6%	\$504.9	17.3x
<b>ADX</b>	4,947.9	12.5%	8.5%	-0.8%	\$132.9	13.1x
<b>DFM</b>	2,825.8	-16.2%	0.2%	-0.5%	\$75.9	7.5x
<b>Nasdaq Dubai</b>	3,253.4	-1.1%	4.8%	-0.7%	NP	NP
<b>Qatar</b>	9,784.3	14.8%	8.4%	-1.0%	\$116.4	14.5x
<b>Bahrain</b>	1,348.6	1.3%	2.9%	0.8%	\$20.7	9.1x
<b>Oman</b>	4,523.8	-11.3%	-1.0%	2.4%	\$13.8	11.1x

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We advance the science and practice of investor relations to help organizations and leaders protect downside, close gaps and unlock future potential.

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