

Upcoming US-China talks, crude oil to drive markets

IN CASE YOU MISSED IT . . .

Regional markets ended up last week, barring Oman (-1.6%). Dubai (+2.3%) was buoyed by real estate stocks, as it logged the single largest daily gain since Jul 2017 during the week. Saudi Arabia (+1.0%) climbed, led by rally in blue-chip banks and petrochemicals. Abu Dhabi (+1.4%) and Kuwait (+1.2%) also registered solid gains; Qatar (+0.6%) and Bahrain (+0.3%) rose at a relatively modest pace. The US markets advanced, as above-expected December employment data and comments by the Federal Reserve's Chairman that the central bank is not on a 'preset path' for rate hike led to a rally on Friday, offsetting sharp losses of the previous session, when Apple clocked its biggest one-day percentage decline since January 2013. Nasdaq (+2.3%), S&P 500 (+1.9%) and Dow (+1.6%) notched up notable gains. The European markets also closed higher, with STOXX 600 (+2.1%), DAX (+2.0%), FTSE 100 (+1.5%) and CAC 40 (+1.2%) ending firmly in the green.

ASSET CLASS MONITOR	WTD ↓	YTD
Oil	7.27%	4.00%
FTSE 100	1.64%	-0.53%
Gold	1.46%	0.92%
MSCI GCC	1.10%	0.27%
US Treasury	0.00%	-1.63%
MSCI EM	-0.29%	-1.67%
MSCI World	-0.47%	-1.63%
S&P 500	-1.64%	-2.35%
Aluminium	-3.80%	-2.33%

BRENT FUTURES PRICE



COMMODITIES	WTD ↓	YTD
Oil (Brent)	7.27%	4.00%
Oil (WTI)	5.56%	3.70%
Gold	1.46%	0.92%
Natural Gas	-19.14%	0.17%

The week ahead

Regional markets

Regional markets may carry forward last week's positive momentum, buoyed by the rebound in crude oil prices. Crude oil prices jumped, with Brent rising over 9% in the week ending January 4, led by release of positive economic data by the US and China, early signs of production cuts by major oil producers and fall in active US drilling rigs. The markets will also keep an eye on additional data/reports about the implementation of 1.2mn barrels daily oil production cuts by OPEC+ starting this month. In addition, the outcome of talks between US-China trade delegates in Beijing on January 7-8 shall also be keenly watched.

Global markets

The week begins with the release of ISM non-manufacturing PMI data (Dec) and factory orders (Nov) for the US on Monday. US' November trade balance statistics and key Swiss economic data, including unemployment rate (Dec), will be published on Tuesday. On Wednesday, the US Federal Open Market Committee's meeting minutes will be released and Bank of England's Governor will deliver a speech. Thursday will see the release of European Central Bank's Monetary Policy Meeting Accounts report and delivery of a speech by the US Federal Reserve's Chairman. December consumer inflation for the US and November GDP for the UK will close out the week on Friday.

You may be asked about

In 3Q18, Saudi Arabia's economy expanded at 2.5% YoY, clocking its fastest pace of growth since early-2016 and considerably above the 1.6% growth recorded in 2Q18. The expansion was primarily driven by the oil sector (+3.7% vs. +1.3% in 2Q18), even as the non-oil sector's growth moderated (+2.1% vs. +2.4% in 2Q18). While the economy continues to recover after shrinking in 2017, the sluggish growth in non-oil sector still points to muted recovery. Accordingly, Saudi Arabia plans multiple policy steps such as increased investment spending and bonuses for state employees to support the non-oil sector growth to make-up for any shortfall from potential weakness arising in the oil sector.

Note to management

Apple, once the world's trillion dollar company, has startled investors by reporting a slowdown in China, its largest market.

The response was universal and dramatic: Technology stocks, China-exposed businesses, and the US dollar were all sold heavily. US Treasury bills were the hottest asset on the street, as markets gyrated around the world.

Yet should a quarterly update really be able to cause such panic, even from a company as large as Apple? Is there not a case for cooler heads to take the longer view, to consider the strategic implications, and to put Apple's reverse into context?

We think so. Click [HERE](#) to learn why.

REGIONAL CALENDAR

07.01.2019	KSA Labour Market Data	-
10.01.2019	KSA Weekly Money Supply Data	-

GLOBAL CALENDAR

07.01.2019	US ISM Non-manufacturing PMI	US Factory Orders
08.01.2019	US Trade Balance	US Consumer Credit Change
09.01.2019	UK NIESR GDP Estimate	US FOMC Minutes
10.01.2019	China GDP Data	US New Home Sales
11.01.2019	US Consumer Price Index	UK GDP Data

Food for thought

IR & BEYOND

Iridium	The Benefits of the Long View: A Timely Reminder from China and Apple	Link
CFO Magazine	Shareholder Engagement Disclosures Shot Up in 2018	Link
The Economist	Returns on stocks in 2018 were down across the board	Link
Bloomberg Blog	Crude-oil nap time, natural gas awakening for energy in 2019	Link
IPE	Diversification: Shelter from the storms	Link

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	2.67	-25	+19
UK	1.27	-4	+3
Germany	0.20	-7	-23
France	0.69	+2	-10
Italy	2.89	-16	+90
Switzerland	-0.26	-5	-9
Japan	-0.05	-11	-10
Hong Kong	1.75	-35	-1
India	7.52	+9	+22

GLOBAL AGENDA

US-China	US delegation will be in Beijing for trade talks with Chinese officials
World Bank	To update Global Economic Prospects report, with forecasts for global growth
US Fed	To release the minutes of its December 18-19 policy meeting
UK	Parliament resumes debate on the Brexit withdrawal bill
US Fed Chairman	To speak at the Economic Club of Washington D.C.
ECB	To publish minutes from its December 13 meeting
EC President	To hold a press conference to kick-start Romania's Presidency of the Council of the EU in Bucharest
South Africa	President Cyril to deliver the ruling African National Congress's annual speech
India	Prime Minister Narendra Modi to meet Norwegian Prime Minister Erna Solberg
Earnings	Infosys, Samsung, LG, WD-40, Izumi, PriceSmart

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Banks	NCB plans early redemption of \$1.33bn Islamic bond
Utility	ACWA Power wins contract for giant Saudi water desalination plant
Consumers	Adeptio and Kuwait Food raise \$1.3bn for refinancing
Energy	QP, WOQOD sign jet fuel product sale and purchase agreement
Insurance	Doha Insurance Group sells a property in Doha for QAR38mn
Aviation	Qatar Airways acquires nearly 5% of China Southern Airlines
Materials	TASNEE obtains \$533mn facility to refinance Islamic bond
Telecom	Network and coverage obligations of Ooredoo, Vodafone Qatar approved
Construction	Arabtec wins AED222mn villa contract in Dubai
Consumer	Dubai's Atlantis raises \$1.1bn loan to refinance debt

MOST READ REGIONAL COMPANY HEADLINES

Majid Al Futtaim	Gets \$1bn loan for refinancing
Saudi Real Estate Refinance Co.	Sets up SAR11bn Sukuk program
Saudi Aramco	Buys remaining 50% of rubber joint venture from Lanxess
Al-Khodari Sons Co.	Signs an agreement for SAR135mn debt rescheduling
Almarai	Sells shares in United Farmers Holding to SALIC
Nakheel Properties	Obtains AED3.1bn from two-part loan
Bahrain Petroleum	Raises \$4.1bn financing
Qatar Petroleum	Acquires UDCD's 20% interest in SEEF
QNB Group	Makes QAR10bn of Tier-1 notes placement
Dana Gas	Gets additional Egypt payments as it plans more exploration

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	7,749.3	7.2%	-3.1%	0.6%	\$504.9	16.9x
ADX	4,831.2	9.8%	-2.1%	1.3%	\$133.4	13.2x
DFM	2,469.5	-26.7%	-12.9%	-7.5%	\$69.6	8.5x
Nasdaq Dubai	3,028.5	-7.9%	-6.8%	-1.2%	NP	NP
Qatar	10,287.7	20.7%	4.8%	-0.7%	\$136.1	15.3x
Bahrain	1,322.2	-0.7%	-1.2%	-0.5%	\$20.2	8.6x
Oman	4,344.5	-14.8%	-4.4%	-1.5%	\$13.2	10.1x

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For more information contact:

Iridium Advisors DMCC
Oliver Schutzmann, CEO
+971 52 949 7997
ir@iridium.ae
www.iridium.ae