

Middle-east tensions, 2Q19 earnings to drive markets

EARNINGS CALENDAR	Market	Est/ Conf	Date
QNB Group	Qatar	C	10 Jul
Nakilat	Qatar	C	10 Jul

IN CASE YOU MISSED IT . . .

Regional markets, except Oman, ended in the green last week. Bahrain (+2.9%) gained the most. Kuwait (+2.4%) followed, driven by MSCI's decision to upgrade Kuwaiti equities to EM status in 2020. Dubai (+1.3%) was primarily aided by a rally in Emirates NBD which rose after getting approval to acquire shares in Turkey's Denizbank. Qatar (+1.2%) advanced supported by an increase in its banking stocks. Saudi Arabia (+0.6%) edged higher partially on the back of strength in its banking stocks. Abu Dhabi (+0.2%) rose slightly. Oman (-1.8%), however, fell for a second straight week. The US markets closed higher after all the three major indices touched an all-time high on 3 July. The indices advanced driven by the US and China's presidents agreeing to restart trade negotiations and nomination of the current IMF Chief, who is believed to favor an easy monetary policy, as the new head of the European Central Bank. Nasdaq Composite (+1.9%) was the top gainer, followed by S&P 500 (+1.7%) and Dow Jones (+1.2%). European indices also matched the movements in their US counterparts; FTSE 100 (+1.7%), DAX and STOXX 600 (+1.4%, each), and CAC 40 (+1.0%) all gained.

BRENT FUTURES PRICE



ASSET CLASS MONITOR	WTD ↓	YTD
US Treasury	3.27%	-9.80%
FTSE 100	2.72%	13.01%
S&P 500	2.42%	19.51%
MSCI World	2.09%	16.71%
MSCI EM	0.93%	10.24%
MSCI GCC	0.80%	10.34%
Gold	0.45%	10.42%
Aluminium	-0.51%	-5.22%
Oil	-4.88%	17.66%

The week ahead

Regional markets

Regional investors are expected to take a cautious approach to markets until the start of 2Q19 earnings season. The regional geopolitical situation remained tense after the UK seized an Iranian tanker accusing it of violating EU sanctions on Syria, in retaliation of which, Iran has also threatened to capture a British ship. In addition, lack of details about additional steps being considered by the US and China regarding their trade talks is likely to offer little support to the markets. QNB Group is scheduled to kick off 2Q19 earnings season this week.

Global markets

The week begins with the release of Germany's trade balance (May) and the UK's like-for-like retail sales (Jun) data on Monday. The US Federal Reserve's Chairman will deliver a speech on Tuesday. Wednesday's main events constitute China's consumer inflation (Jun), UK's industrial production (May) and the US Federal Open Market Committee minutes report. On Thursday, stats on Germany's consumer inflation (Jun) will be followed by the US consumer inflation (Jun). China's trade balance (Jun), Japan's industrial production (Apr) and Eurozone's industrial production (May) data will bring the week to a close on Friday.

You may be asked about

The UAE cabinet approved last week 122 economic activities spread across 13 sectors eligible for up to 100% foreign ownership, continuing with its reform spree and aiming to boost global competitiveness of the country.

The decision allows foreign investors to acquire shares in several economic activities including manufacturing, agriculture, renewable energy, space, e-commerce transport, logistics, hospitality and food services, information and communication, scientific and technical activities, educational activities, healthcare, construction and a host of others, reported Emirates News Agency (WAM). UAE's Prime Minister Sheikh Mohammed bin Rashid said in a tweet that the governments of different emirates will decide foreign ownership limit in each activity.

Note to management

Moody's Investor Services has published a report detailing how it looks at ESG factors when it examines the creditworthiness of banks. ESG factors must become a central strategic consideration in banks' boardrooms as they become a key element of how banks are perceived, valued and invested.

The old ways of paying lip-service to the ESG impact of their business are gone. Instead, hard-nosed investors, regulators and credit agencies are lining up real targets with real metrics to test real businesses.

Banks must adapt to the new reality or look forward to an uncertain future.

Read our viewpoint [HERE](#)

REGIONAL CALENDAR

08.07.2019	KSA Industrial Production Survey Data	-
10.07.2019	KSA Specialized Agricultural Projects' Survey	UAE Construction Cost Index
11.07.2019	KSA Weekly Money Supply Data	KSA Internal Trade Activity Survey

GLOBAL CALENDAR

08.07.2019	Germany Industrial Production	UK BRC LFL Retail Sales
09.07.2019	US Fed Chairman Speech	-
10.07.2019	China Consumer Price Index	US FOMC Minutes
11.07.2019	US CPI ex Food & Energy	Germany Harmonized CPI
12.07.2019	China Trade Balance Data	Japan Industrial Production Data

Food for thought

IR & BEYOND

Iridium/ IR Magazine	More "G" in ESG for the Banking Sector	Link
The National	UAE defines industry sectors eligible for up to 100% foreign ownership	Link
EQS	How Companies and Investors Find Each Other Post MiFID II	Link
The Economist	Investors and regulators fall out of love with colossal deals	Link
Bloomberg Blog	Bond funds drift into risky debt	Link

COMMODITIES	WTD ↓	YTD
Gold	0.45%	10.42%
Natural Gas	-1.46%	-22.11%
Oil (WTI)	-3.52%	26.27%
Oil (Brent)	-4.88%	17.66%

GLOBAL AGENDA

UK	Conservative Party members vote by post to choose Theresa May's successor
EU	Finance ministers to meet in Brussels
US Fed Chairman	Jerome Powell to testify before the House Financial Services Committee
US Fed	To release minutes of its June 18-19 meeting
Bank of England	Governor to speak in London at the publication of the semi-annual Financial Stability Report
ECB	Governing Council member Ignazio Visco to speak in Milan
Bank of England	Policy maker Silvana Tenreyro to deliver the 2019 Ronald Tress Memorial Lecture in London
US Fed Vice Chair	To deliver keynote on stress testing at a conference on
ECB	To publish an account of its June 5-6 policy meeting
Earning Releases	Delta, PepsiCo, Infosys, Levi Strauss, Izumi

MOST READ REGIONAL SECTOR HEADLINES

Banks	SAMA studying license requests for two new banks
Energy	DP World acquires Topaz Energy in \$1.1bn deal
Capital Goods	Jaidah Equipment announces tie up with Terex Finlay
Materials	Alcoa to give up stake in Saudi Arabian facility, sees 2Q19 charge
Financials	Actis receives investor approval to manage two Abraaj funds
REIT	Dubai's ENBD REIT secures \$177mn facility from Mashreqbank
Utility	Abu Dhabi utility shortlists 24 firms for 2000 MW solar plant
Aviation	Dubai Aerospace Enterprise obtains \$440mn credit facility
Consumer	Six Flags to get \$7.5mn payout after DXB Entertainments ends project
Telecom	Vodafone Qatar, QPost join hands for better customer service

MOST READ REGIONAL COMPANY HEADLINES

First Abu Dhabi Bank	Raises \$900mn from floating rate notes
Al Khaleej Sugar Refinery	Restarts output after temporary shutdown
ADCB	May cut about 2,000 jobs after merger
Warba Bank	Plans \$500mn Sukuk issue this year
Ooredoo	Offers enhanced cloud cyber-security services along with Akamai
Al Jaber	Agrees to second restructuring of \$1.5bn
QNB Finansbank	Converts subordinated loan from parent to AT1 loan
Dana Gas Egypt	Receivables down 38% over last 12 months
Emirates NBD	Gets key approval for Turkey Denizbank deal
ADNOC	Closes \$4bn pipeline deal with KKR and BlackRock

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	8,846.5	13.0%	0.3%	0.3%	\$561.4	19.7x
ADX	4,999.5	1.7%	0.4%	0.4%	\$137.8	14.8x
DFM	2,660.5	5.2%	0.1%	0.1%	\$72.8	11.8x
Nasdaq Dubai	3,140.8	2.2%	0.1%	0.1%	NP	NP
Qatar	10,566.5	2.6%	1.1%	1.1%	\$138.5	14.8x
Bahrain	1,511.2	13.0%	2.7%	2.7%	\$23.5	11.1x
Oman	3,822.6	-11.6%	-1.6%	-1.6%	\$11.9	7.5x

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