

## Investor concerns over trade deepen further

### The week ahead

#### Regional markets

Investors may adopt a cautious stance next week on concerns over stability of emerging markets and the US administration's aggressive stance with major trade partners. Towards the end of last week, POTUS stated that he is ready to impose tariffs on additional Chinese goods worth \$267bn and emphasized that trade talks with Japan would commence shortly, even as negotiations with Canada become long drawn out. Further developments on the trade front should determine investor sentiment this week. Regional investors may remain bearish, following the failure of Brent crude yet again to build on positive momentum of previous weeks and advance towards the \$80 per barrel mark.

#### Global markets

The week begins with the UK's July GDP, China's consumer & producer price indices and the US' consumer credit change data on Monday. The UK's average earnings and China's FDI numbers will be released on Tuesday. The US' producer price index, Eurozone's industrial production numbers and the Federal Reserve's Beige Book report will be presented on Wednesday. Thursday will be keenly watched, with the release of US consumer inflation data, besides interest rate decisions by the Bank of England and European Central Bank. China's retail sales data will bring the week to a close on Friday.

#### You may be asked about

Last week, Abu Dhabi Commercial Bank (ADCB), the second-largest bank in Abu Dhabi, announced preliminary merger talks with Union National Bank (UNB) and unlisted Al Hilal Bank, which may lead to creation of an entity with \$113bn in assets. ADCB and UNB are majority-owned by the government, whereas Al Hilal Bank is 100% owned by the Abu Dhabi government. Abu Dhabi has been consolidating state-owned entities to offset the impact on its finances due to volatile oil prices. In 2017, Abu Dhabi's top two banks were merged to form First Abu Dhabi Bank, with assets totaling \$175bn; two of the Emirate's sovereign wealth funds were also combined.

#### Note to management

The German philosopher Friedrich Nietzsche coined the phrase "What doesn't kill you makes you stronger". This could be a rallying cry for banks in the GCC. For years, they have resisted consolidation, but the cycle seems to have been broken with the creation of FAB in Abu Dhabi and more consolidation coming in Qatar, Bahrain, Oman and Saudi, as well as the UAE.

We identify four key historical impediments to bank consolidation, and suggest that a combination of circumstances means that they can now be overcome, not least of which is the appearance of international investors on the shareholder registers of Gulf banks. We also believe that the current wave of bank consolidation in the region provides a tremendous opportunity.

FAB's share price is up 50% in the past year, and the allure of that performance is helping existing shareholders to swallow their pride and agree to merge. This kind of hyper valuation-increase is precisely what EM investors are looking for when they take the risk of committing funds to immature markets.

Read our viewpoint [HERE](#)

#### REGIONAL CALENDAR

13.09.2018 KSA Weekly Money Supply Data -

#### GLOBAL CALENDAR

10.09.2018	China Consumer Inflation Data	UK GDP Data
11.09.2018	UK Average Earnings Data	UK Unemployment Rate Data
12.09.2018	Eurozone Industrial Production Data	US Fed's Beige Book Report
13.09.2018	BoE Interest Rate Decision	ECB Interest Rate Decision
14.09.2018	US Retail Sales Data	China Industrial Production Data

### Food for thought

#### IR & BEYOND

Iridium	Banking sector consolidation: The Urge to Merge	<a href="#">Link</a>
Institutional Investor	Emerging Markets Send Pension Assets Surging	<a href="#">Link</a>
EQS	Webcast, Teleconference, and More: Technical Needs for Investor Days	<a href="#">Link</a>
Bloomberg Blog	Emerging-market rout is longest since 2008 as confidence cracks	<a href="#">Link</a>
The National	Global sukuk issuances to remain flat in 2018 on higher oil prices	<a href="#">Link</a>

3Q 2018 IR CALENDAR	DATE
EFG Hermes 1x1 Conference, LON	10-13 SEPT
GS CEEMEA 1x1 Conference, LON	12-13 SEPT
Arqaam Investor Conference, DXB	24-25 SEPT

#### IN CASE YOU MISSED IT . . .

The regional markets largely ended in the red last week, amid sustained global trade tensions. Saudi Arabia (-3.3%) was dragged notably lower. Abu Dhabi (-1.4%) fell, with news pertaining to a three-way merger in the banking space failing to lift investor sentiment; First Abu Dhabi Bank declined sharply. Kuwait (-0.6%), Qatar (-0.6%) and Dubai (-0.5%) also ended in negative territory, although Oman (+0.3%) and Bahrain (+0.1%) managed to eke out gains. The US markets declined on account of on-going trade tensions, weakness in technology stocks due to concerns over revenue visibility, and likely monetary tightening following the release of upbeat employment-related numbers. Accordingly, NASDAQ (-2.6%), S&P500 (-1.0%) and Dow (-0.2%) slipped. Europe also ended firmly in the red, with DAX (-3.3%), CAC 40 (-2.9%), Stoxx 600 (-2.2%) and FTSE 100 (-2.1%) clocking losses.

ASSET CLASS MONITOR	WTD ↓	YTD
US Treasury Yields	0.95%	53.24%
Gold	-0.10%	-7.89%
S&P 500	-0.81%	7.65%
Oil (Brent)	-1.19%	14.40%
FTSE 100	-1.53%	-4.80%
MSCI World	-1.68%	0.20%
MSCI GCC	-2.27%	9.93%
MSCI EM	-3.57%	-12.10%
Aluminum	-3.86%	-9.42%

#### BRENT FUTURES PRICE



COMMODITIES	WTD ↓	YTD
Gold	-0.10%	-7.89%
Oil (Brent)	-1.19%	14.40%
Oil (WTI)	-2.91%	12.16%
Natural Gas	-4.94%	-6.13%

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	2.94	-2	+89
UK	1.46	+15	+47
Germany	0.38	-1	+8
France	0.72	-1	+10
Italy	3.03	+12	+108
Switzerland	-0.12	-2	+10
Japan	0.10	0	+11
Hong Kong	2.09	+6	+92
India	8.02	+24	+148

## GLOBAL AGENDA

<b>US</b>	Releases consumer inflation and retail sales data
<b>ECB</b>	Announces interest rate decision
<b>BoE</b>	Sets its monetary policy
<b>IMF</b>	Hosts a conference on sovereign debt in Washington
<b>China</b>	Releases consumer inflation, retail sales and industrial production data
<b>Russian President</b>	To meet Chinese President at the Eastern Economic Forum in Vladivostok
<b>OPEC</b>	Releases monthly oil market report
<b>UK</b>	Publishes industrial production and unemployment rate data
<b>US-EU</b>	Trade chiefs meet to discuss lowering trans-Atlantic commercial barriers
<b>Canadian PM</b>	To join IMF Managing Director at the Women in the World summit in Toronto

## MOST READ REGIONAL SECTOR HEADLINES

<b>Energy</b>	OPEC's August oil output hits 2018 high despite Iran losses
<b>Banks</b>	Abu Dhabi Commercial Bank in merger talks with two rivals
<b>Financials</b>	Investcorp buys minority stake in a Swiss private bank
<b>Materials</b>	Tronox plans to request expedited hearing of appeal over Cristal deal
<b>Retail</b>	Al Meera Consumer Goods begins construction work for its new Omani branch
<b>Transport</b>	Middle East's carriers register 4.8% YoY rise in passenger demand in July
<b>Healthcare</b>	GlaxoSmithKline targets 2020 for planned UAE facility
<b>Telecom</b>	UAE's du shareholders approve cash dividend for 1H18
<b>Industrials</b>	Saudi Cable Company approves capital reduction
<b>REIT</b>	Emirates REIT's net profit rises 57% YoY in 1H18

## MOST READ REGIONAL COMPANY HEADLINES

<b>Qatar Airways</b>	Qatar Airways' plan for India airline not on hold, CEO says
<b>ADIB</b>	Moody's assigns 'B1(hyb)' rating to Tier 1 certificates of Abu Dhabi Islamic Bank
<b>Saudi Aramco</b>	Saudi Aramco plans to ship first crude oil to Malaysia JV refinery in October
<b>Burgan Bank</b>	Kuwait's Burgan Bank gets approval for bond sale
<b>Kingdom Holding</b>	Kingdom Holding sells Mövenpick hotels for SAR749mn
<b>Bahrain Islamic Bank</b>	Bahrain Islamic Bank inks Fontana Project finance deal
<b>Ezdan Holding</b>	Moody's withdraws Ezdan Holding Group's credit rating
<b>ODB</b>	Oman Development Bank funds OMR67.79mn projects in North Batinah
<b>Bupa Arabia</b>	CMA approves capital increase request for Bupa Arabia
<b>Taleem REIT</b>	Unitholders approve Taleem REIT Fund's capital hike to SAR510mn

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
<b>Saudi Arabia</b>	7,687.8	6.4%	-7.5%	-3.3%	\$491.4	16.9x
<b>ADX</b>	4,918.3	11.8%	7.9%	-1.4%	\$132.8	12.9x
<b>DFM</b>	2,826.6	-16.1%	0.2%	-0.5%	\$76.3	7.5x
<b>Nasdaq Dubai</b>	3,263.6	-0.8%	5.1%	-0.4%	NP	NP
<b>Qatar</b>	9,826.8	15.3%	8.9%	-0.6%	\$116.9	14.6x
<b>Bahrain</b>	1,339.9	0.6%	2.2%	0.1%	\$20.6	9.0x
<b>Oman</b>	4,432.6	-13.1%	-3.0%	0.3%	\$13.4	10.9x

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Iridium is the GCC region's leading IR specialist.

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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