

Weaker oil price and rate hike to keep GCC in check

IN CASE YOU MISSED IT . . .

GCC markets ended last week on a mixed note. Qatar (+5.6%) rebounded from near six-year lows, rising for all five days of the week. This was aided by the Government's stimulus plan for the private sector. Kuwait (+2.3%) too had a positive week followed by Abu Dhabi (+1.5%), which witnessed a significant listing of ADNOC's subsidiary. After a strong start to the week, Tadawul (0.1%) gave up all the gains amid weakness in shares of Saudi Electricity. Dubai (-1.1%) was weighed down by Emaar Properties dividend decision which came below market expectations. Oman (-0.1%) and Bahrain (-0.1%) were both down for the week. US markets closed at record highs on optimism over tax reforms with the Dow (1.3%), S&P 500 (0.9%) and NASDAQ (1.4%) notching weekly gains. European markets, with the exception of FTSE 100 (+1.3%), were down with the Stoxx 600 (-0.3%), DAX (-0.4%) and the CAC 40 (-0.9%) all ending in the red.

ASSET CLASS MONITOR	WTD ↓	YTD
US Treasury Yields	2.34%	156.86%
Aluminum	2.21%	20.16%
FTSE 100	1.31%	4.87%
S&P 500	0.92%	19.52%
MSCI GCC	0.80%	-1.20%
MSCI EM	0.70%	29.72%
Gold	0.64%	9.49%
MSCI World	0.60%	20.21%
Oil (Brent)	-0.27%	11.28%

BRENT SPOT PRICE



COMMODITIES	WTD ↓	YTD
Gold	0.64%	9.49%
Oil (WTI)	-0.10%	6.66%
Oil (Brent)	-0.27%	11.28%
Natural Gas	-5.77%	-29.86%

The week ahead

Regional markets

The central banks of Saudi Arabia, UAE, Qatar and Bahrain raised benchmark interest rates by 25bps following the Fed's decision. The move is likely to be a positive for banking stocks. However, the rate hike and the slight decline in Brent crude prices on Friday could dampen investor sentiment in the GCC at the beginning of the week. As per the latest IEA report released on Thursday, the global oil supply has crossed a one-year high, which may eclipse the optimism on OPEC's recent production cut extension decision.

Global markets

Eurozone retail inflation and the US housing market index are due on Monday followed by the US housing starts and building permits, Eurozone labour market and construction output change and Germany's IFO business climate on Tuesday. This would be followed by EIA crude oil stocks change and Germany's Producer price index on Wednesday. Thursday is scheduled for the Bank of Japan announcing monetary policy decision along with the release of US quarterly GDP, core personal consumption expenditure, Fed manufacturing survey and initial jobless claims. The week would end with the UK quarterly GDP, Germany consumer confidence survey, US durable goods orders and new home sales on Friday.

You may be asked about

As expected, the US Federal Reserve's announced its 25bps increase in interest rates last week, and stated that three hikes are planned for 2018. It also confirmed that it will raise the pace of shrinking its balance sheet from January to US\$20bn. While Saudi, UAE, Qatar and Bahrain central banks followed suit, Kuwait has decided to maintain interest rates in order to support economic growth. Meanwhile, the Qatari government announced its budget plan for 2018, which contained an allocation of QR 29bn to spur momentum in the private sector.

Note to management

According to Moody's, the outlook for global asset managers has been revised to stable from negative. The key drivers of the stable outlook are:

1. Rising demand supported by global economic expansion
2. Adapting to industry challenges:
 - a) New product and technology investments
 - b) Distribution models evolving with industry sales trends
 - c) Avoidance of fee compression
 - d) Cost structure adaptation, margin stabilization
 - e) M&A supporting scale & diversification

To read more, click on this presentation [Link](#)

REGIONAL CALENDAR

18.12.2017	Abu Dhabi Consumer Inflation	-
20.12.2017	Abu Dhabi Building Materials Price Stats	-
21.12.2017	KSA Weekly Money Supply	-
23.12.2017	Abu Dhabi Agriculture Producer Price Index	-

GLOBAL CALENDAR

18.12.2017	Eurozone Consumer Inflation	US NAHB Housing Market Index
19.12.2017	Germany IFO Business Climate	-
21.12.2017	BoJ Interest Rate Decision	US Q3 2017 GDP Data
22.12.2017	UK Q3 2017 GDP Figures	US Personal Consumption Expenditures

Food for thought

IR & BEYOND

Moody's	Asset Management - Global: 2018 Outlook	Link
Bloomberg	What's in store for emerging markets in 2018	Link
CFO Magazine	Top CFO Priorities for 2018: Taking Aim	Link
The Economist	Who audits the auditors?	Link
Institutional Investor	The World's Best Research Firm	Link

Sunday, 17.12.2017

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	2.35	-2	-24
UK	1.15	-16	-29
Germany	0.30	-8	-1
France	0.62	-10	-14
Italy	1.80	-3	-6
Switzerland	-0.24	-7	-9
Japan	0.03	-1	-4
Hong Kong	1.72	+8	-2
India	7.13	+7	+63

GLOBAL AGENDA

BoJ	Sets its monetary policy
Saudi Arabia	Announces its 2018 budget
US	Releases Durable Goods Orders and Personal Consumption Data
US BEA	Publishes Q3 2017 GDP (Third Estimate) Figures
Nike	Releases quarterly results
US Tax Reform Bill	Senate and the House are expected to vote on the legislation
Brexit	EU Commission to publish its directives for the Brexit transition phase
FedEx	Releases quarterly results
UK ONS	Releases Q3 2017 GDP Data

MOST READ REGIONAL SECTOR HEADLINES

Banks	Fitch: GCC Islamic banks' standalone strength weaker than conventionals
Materials	Maaden extends Islamic loan facility, reduces amount
Energy	Kuwait oil minister says crude market to re-balance by end-2018
Financials	Abu Dhabi's Gulf Capital plans \$150 mn in private equity deals next year
REIT	Fitch rates Emirates REIT and Sukuk 'BB+'
Transportation	Qatar Airways to buy 50 Airbus 321 planes
Consumer Staples	Almarai Company recommends 7.5% cash dividend for year 2017
Healthcare	Certain medicines, medical equipment exempted from VAT in Saudi Arabia
Real Estate	Emaar Properties to give special dividend of AED 4bn
Telecom	Abraaj in definitive pact to buy Dubai stake in Tunisie Telecom

MOST READ REGIONAL COMPANY HEADLINES

Saudi Aramco	Aramco to cut oil exports to Asia in January; keep Europe and US steady
Dar Al Arkan	Dar Al Arkan kicks-off global expansion with \$218mn Dubai tower
Dallah Healthcare	Dallah Healthcare recommends cash dividend for year 2017
SABIC	SABIC set to boost investments in China
Al Tayyar	Saudi's Al Tayyar may raise more than \$530 mn for expansion
Bahri	Saudi National Shipping (Bahri) cuts 2017 dividend by 40% from year ago
ADFG	Abu Dhabi Financial Group aims to raise \$200mn in Etihad REIT listing
Kuwait Finance House	KFH Capital manages over \$4bn sukuk in 2017
Emirates NBD	Emirates NBD sells Bank of Beirut stake at \$29.3m
Qatar Airways	Qatar Airways keen to increase Cathay Pacific stake from 9.9%

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	7,075.72	-1.9%	-2.8%	1.0%	\$ 448.20	16.6 x
ADX	4,339.22	-4.6%	-1.3%	1.3%	\$ 112.42	15.6 x
DFM	3,355.40	-5.0%	-5.9%	-1.9%	\$ 78.10	21.2 x
Nasdaq Dubai	3,260.11	-1.0%	-4.8%	-0.9%	n/a	n/a
Qatar	8,211.94	-21.3%	-1.2%	6.5%	\$ 93.85	13.3 x
Bahrain	1,265.59	3.7%	-1.4%	-1.4%	\$ 19.93	7.5 x
Oman	5,061.79	-12.5%	-1.5%	-0.9%	\$ 14.20	12.2 x

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