

All eyes on MSCI for Saudi Arabia EM Index inclusion

2Q 2018 IR CALENDAR

DATE

UBS LATEMEA 1x1 Conference, LON 26-28 JUN

IN CASE YOU MISSED IT . . .

Key regional markets ended mixed last week, which was shorter on account of the Eid holidays. Qatar (-1.6%) declined on weakness in Qatar National Bank and Industries Qatar. Saudi Arabia (-0.9%) fell owing to profit-taking ahead of the Eid holidays. Abu Dhabi (+1.1%) was solid, with First Abu Dhabi Bank leading the gain. Dubai (-0.1%) ended largely flat despite the emirate announcing several measures at the beginning of the week to stimulate economic growth. Bahrain (+3.4%) clocked robust gains and Kuwait (+0.8%) also edged up; Oman was flat, however. US stocks ended mixed, amid renewed trade war concerns. NASDAQ (+1.3%) advanced for a fourth straight week, while S&P 500 was flat and Dow (-0.9%) fell. Europe ended largely in the green; DAX (+1.9%), Stoxx 600 (+1.0%) and CAC40 (+0.9%) rose, whereas FTSE 100 (-0.6%) edged down.

ASSET CLASS MONITOR

	WTD ↓	YTD
US Treasury Yields	0.52%	39.57%
S&P 500	0.02%	3.97%
MSCI World	-0.37%	0.81%
FTSE 100	-0.61%	-0.70%
MSCI GCC	-0.89%	12.38%
Gold	-1.48%	-1.83%
MSCI EM	-1.91%	-3.86%
Aluminum	-2.12%	-0.11%
Oil (Brent)	-3.95%	9.83%

BRENT FUTURES PRICE



COMMODITIES

	WTD ↓	YTD
Natural Gas	4.57%	2.34%
Oil (WTI)	-1.03%	7.68%
Gold	-1.48%	-1.83%
Oil (Brent)	-3.95%	9.83%

The week ahead

Regional markets

MSCI is expected to reveal its decision on Saudi Arabia's Emerging Markets Index inclusion on 20 June. Overshadowed by the demise of Abraaj and the outcomes of what many investors called the most important week of the year with a 25bp Fed rate hike (not followed by China), the ECB's announcement to end bond-buying, the BOJ leaving its QE program in place, and the US and China on the brink of a trade war, investors are likely to be risk-off. On account of the Eid holidays, some regional markets may be spared some of the volatility in the early part of the week. Any likely guidance on easing oil output cuts will be keenly watched by investors on 22 June.

Global markets

The week begins with Italy's trade data on Monday. Central banks will take the limelight on Tuesday, with the European Central Bank President's speech and release of monetary policy minutes by the Bank of Japan. On Wednesday, New Zealand's 1Q18 GDP and the US' existing home sales numbers will be published. Thursday will see key interest rate decisions by the Bank of England and the Swiss National Bank, and data on Japan's consumer inflation. On Friday, Eurozone and Germany's PMI (preliminary) numbers and Canada's retail sales & consumer inflation will be released.

You may be asked about

Dubai announced plans to cut the municipality fee on sales at hotels and hotel restaurants in the emirate to 7% from 10%, aimed at enhancing Dubai's status as a major international tourist destination. Subsequently, Abu Dhabi's Executive Council also reduced tourism fees applied to hotel rooms and outlets to 3.5% (vs. 6%, earlier), municipality fee to 2% (vs. 4%, earlier), and the per room, per night hotel fee to AED 10 (vs. AED 15, earlier).

Note to management

Abraaj has been laid low by poor governance, absence of control, and a cavalier approach to investors' funds. The firm filed for liquidation last week. For GCC investments, the collapse of Abraaj could be an existential threat. When the Bill Gates foundation, Deloitte, and other global players find that the largest buyout house in the Arab world has misled investors, what hope is there for the future of investment? If this is how the largest private equity firm operates, how will the public markets differ?

The Abraaj debacle is another important reminder for listed companies, markets, regulators, and the wider financial and investment industry in the GCC region to step up, to take their responsibility for integrating the regional markets into the global investment universe, and for ensuring that another Abraaj never happens.

The stakes are high: with a good chance that the Saudi markets will upgrade to MSCI EM status this week, international investors will be looking closer than ever at our companies and their leaders. Get it right, and the GCC equity markets can shine. Ignore the warnings from Abraaj, and the future looks bleak.

Read our view on why the Abraaj implosion might be good news here: [Link](#)

REGIONAL CALENDAR

17.06.2018	Abu Dhabi Consumer Inflation Data	Abu Dhabi Hotel Price Index
18.06.2018	Abu Dhabi Statistical Yearbook	-
21.06.2018	KSA Weekly Money Supply Data	-

GLOBAL CALENDAR

19.06.2018	BoJ Monetary Policy Minutes	-
20.06.2018	US Home Sales Data	-
21.06.2018	BoE Interest Rate Decision	Japan Consumer Inflation Data
22.06.2018	Eurozone Manufacturing PMI (Preliminary)	US Oil Rig Count

Food for thought

IR & BEYOND

Iridium	Why the Abraaj implosion might turn out to be good news	Link
IR Magazine	Tech talk: Fighting fake news	Link
CFO Magazine	How to Quench Investors' Thirst for ESG Information	Link
BCG	Global Wealth 2018: Seizing the Analytics Advantage	Link
The Economist	Rate rises affect global markets—and may feed back to America	Link

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	2.92	-18	+77
UK	1.32	-18	+31
Germany	0.40	-20	+13
France	0.73	-11	+10
Italy	2.59	+49	+62
Switzerland	-0.09	-14	+12
Japan	0.02	-2	-2
Hong Kong	2.17	+5	+96
India	7.89	-2	+140

GLOBAL AGENDA	
OPEC	OPEC members are scheduled to meet in Vienna
BoE	Releases Monetary Policy statement
Central Bankers meet	Fed Chairman, ECB President, BoJ Governor join a panel on central bank policy
MSCI	Decides whether to reclassify Saudi Arabia as emerging market
German Chancellor	German Chancellor and French President hold a joint cabinet meeting
US Fed	Releases the results of its 2018 bank stress tests
BoJ	Releases its Monetary Policy Meeting minutes
US	Publishes its housing data
Swiss Central Bank	Releases Interest rate decision
Earning Releases	BlackBerry, FedEx, Oracle, Naspers, MegaFon

MOST READ REGIONAL SECTOR HEADLINES	
Banks	Abu Dhabi Islamic Bank finances AED118.2mn acquisition in UK
Consumers Discretionary	Fawaz Abdulaziz Alhokair raises \$300mn Islamic loan
Energy	Saudi Arabia tells OPEC it pumped more oil in May, still below quota
Telecom	UAE telecom companies added 531k subscribers in 4 months
Materials	Advanced Petrochemical announces the distribution of dividend for 2Q2018
REIT	Qatar Stock Exchange working to develop REITs; sees ETF pipeline
Financials	Waha Capital abandons plan to raise new private equity fund
Healthcare	NMC Health sees Saudi Arabia joint venture starting in 4 months
Real Estate	Arabtec subsidiary awarded AED117mn project from Emaar
Utilities	Qatar Electricity & Water Co. signed an agreement with Japanese company

MOST READ REGIONAL COMPANY HEADLINES	
Saudi Aramco	Saudi Aramco eyes partnerships as it expands refining, petrochemicals
Commercial Bank	Commercial Bank ends talks with Tabarak Investment on UAB's stake
Dubai Islamic Bank	Dubai Islamic Bank's rights share issue about three times oversubscribed
QIIB	Fitch upgrades Qatar International Islamic Bank's outlook to 'Stable'
United Electronics	United Electronics (eXtra) recommends 19% capital hike
Maaden	Maaden subsidiary, Saudi Railways sign transport services deal
Sahara Petrochemicals	Sahara gets SAR450mn revolving loan from Al Rajhi Bank
Abraaj Group	UAE 's Abraaj Group sells 5.4% stake in Orascom Construction
KIB	Kuwait International Bank closes \$250mn syndicated Murabaha facility
ADNOC	Goldman, HSBC said helping ADNOC sell stake in \$20bn unit

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	8,270.5	14.4%	5.1%	1.3%	\$534.6	18.6x
ADX	4,714.7	7.2%	2.8%	2.4%	\$128.3	12.6x
DFM	3,038.2	-9.8%	-2.3%	2.5%	\$79.1	9.8x
Nasdaq Dubai	3,271.7	-0.5%	1.0%	3.2%	NP	NP
Qatar	9,097.9	6.7%	6.1%	2.4%	\$106.7	13.6x
Bahrain	1,307.3	-1.8%	-0.8%	3.3%	\$20.1	8.5x
Oman	4,596.1	-9.9%	-3.7%	-0.2%	\$12.9	11.4x

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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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