

Rise in US-Iran confrontation to weigh on markets

IN CASE YOU MISSED IT . . .

Regional markets closed mixed last week. Qatar and Abu Dhabi posted identical gains (+1.6%, each), with both the markets primarily driven by up move in banking stocks. Dubai (+1.0%) extended its gain from the previous week, aided by rise in Dubai Islamic Bank and Emaar group companies. Bahrain (+0.4%) and Oman (+0.2%) also edged higher. However, Kuwait fell (-1.3%), followed by Saudi Arabia (-0.8%), which was mainly weighed down by the increasing confrontation between the US and Iran. The US markets ended up for a third straight week, as investors cheered positive reports on the US-China trade talks and signs that the US Federal Reserve and the European Central Bank are willing to reduce benchmark interest rates. Nasdaq Composite (+3.0%), Dow Jones (+2.4%) and S&P 500 (+2.2%) all closed higher. Europe too ended in the green with CAC 40 (+3.0%), DAX (+2.0%), STOXX 600 (+1.6%) and FTSE 100 (+0.8%) all closing up.

ASSET CLASS MONITOR	WTD ↓	YTD
Oil	5.12%	19.80%
Gold	3.44%	8.26%
MSCI EM	3.10%	9.11%
MSCI World	2.28%	15.09%
S&P 500	2.16%	17.84%
Aluminium	1.22%	-4.90%
FTSE 100	0.76%	10.35%
MSCI GCC	-0.01%	11.24%
US Treasury	-2.28%	-12.65%

BRENT FUTURES PRICE



COMMODITIES	WTD ↓	YTD
Oil (WTI)	8.36%	24.75%
Oil (Brent)	5.12%	19.80%
Gold	3.44%	8.26%
Natural Gas	-6.02%	-25.68%

The week ahead

Regional markets

Regional markets may commence the trading week on a negative tone following the heightened conflict situation between the US and Iran. The regional geopolitical situation has turned extremely volatile, after Iran shot down a US drone last week and as the US President tweeted on June 22 he is moving forward with additional sanctions on Iran, without entailing the details. Investors, however, may take solace from signals of likely stimulus from central banks of the major global economies, given the signs of tapering economic growth.

Global markets

The week begins with the release of Germany's business climate (Jun), the US Chicago Fed national activity index (May) and the BoJ's monetary policy meeting minutes report on Monday. The US housing sales (May) figures will be followed by the US Federal Reserve Chairman's speech on Tuesday. Wednesday's major events constitute Germany's consumer confidence survey (Jul), US durable goods orders (May) and Japan's retail trade (May). On Thursday, Germany's preliminary consumer inflation (Jun), US 1Q19 GDP, Japan's consumer inflation (Jun) and unemployment rate (May) figures will be revealed. The UK's 1Q19 GDP and Eurozone's preliminary consumer inflation (Jun) will draw the week to a close on Friday.

You may be asked about

Saudi Arabia intends to finalize privatization agreements worth SAR2 billion (\$533 billion) before year-end 2019, according to an interview with the Kingdom's Crown Prince Mohammad bin Salman carried in the Asharq Al-Awsat newspaper. The privatization deals, which are a part of Saudi Vision 2030, will be in sectors including medical, shipping services and flour mills. The Crown Prince added that the education sector will be offered privatization projects next year by the government amounting to SAR1 billion. He also reiterated the Saudi Arabian government's commitment to float shares in national oil company Saudi Aramco by the end of 2020 or early 2021.

Note to management

The investment industry seems to be breaking every rule in the book. For years the industry has been accused of over-charging for under-delivery. Now it stands accused of unrealistically low charges.

Zero or near-zero cost funds are now commonplace. Meanwhile, in the debt markets, the financial crisis saw the emergence of negative interest credit instruments, but this upside-down state of affairs has become the norm, with \$12.5 trillion now parked in a negative rate environment.

Issuers have every right to feel confused and alarmed. We think they should hold their nerve.

Read our viewpoint [HERE](#).

REGIONAL CALENDAR

24.06.2019	UAE Construction Cost Index	-
25.06.2019	KSA Quarterly National Accounts Indicator	-
27.06.2019	KSA Weekly Money Supply Data	KSA Statistical Bulletin
28.06.2019	UAE GDP Data	-

GLOBAL CALENDAR

24.06.2019	UK Inflation Report Hearing	BoJ Monetary Policy Minutes
25.06.2019	US Housing Price Index	US Consumer Confidence
26.06.2019	US Nondefense Capital Goods Order	Japan Retail Trade
27.06.2019	US GDP Data	Germany Harmonized CPI
28.06.2019	UK GDP Data	EU Consumer Price Index

Food for thought

IR & BEYOND

IR Magazine / Iridium	The race to the bottom in asset management	Link
FundsGlobal MENA	ADS launches Saudi smart beta fund	Link
Ipreo	The New Rules of Engagement: Investor Relations in a "DIY" World	Link
IPE	Ahead of the curve: Unlocking new insights	Link
Harvard Law School	The Specter of the Giant Three [BlackRock, Vanguard, and SSGA]	Link

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	2.08	-29	-84
UK	0.84	-22	-44
Germany	-0.26	-16	-66
France	0.09	-21	-64
Italy	2.34	-40	-26
Switzerland	-0.52	-10	-44
Japan	-0.14	-8	-16
Hong Kong	1.50	-	-70
India	6.92	-	-97

GLOBAL AGENDA

US Secretary of State	Scheduled to visit India
French President	Hosts a Mediterranean summit
BOE Governor	Testifies before Parliament's Treasury Committee on the May inflation report
French President	Emmanuel Macron makes a two-day official visit to Japan
US Fed	Releases the results of part two of its annual bank stress tests
US President	To meet Chinese President on the G-20 sidelines to resume trade negotiations
NATO	Defense ministers meet in Brussels
Summit in Jerusalem	Israel, US and Russian national security advisers discussing Syria
US Fed Chairman	Jerome Powell speaks at the Council on Foreign Relations in New York
Earning Releases	Nike, H&M, FedEx, Lennar, BlackBerry, Novagold

MOST READ REGIONAL SECTOR HEADLINES

Banks	Moody's warns of 'funding squeeze' in Oman as bank deposits lag
Construction	DAMAC in pole position to buy Roberto Cavalli
Financials	Nayifat Finance intends to list on Saudi Arabian stock exchange
Materials	Qatar Holdings buys 3.3% position in Sirius Minerals
Insurance	Draft law on new health insurance system to be unveiled soon
Consumer	Budget hotels see highest revenue growth of 30%
Utility	Dubai power utility seeks partner for 900 megawatt solar plant
Aviation	Qatar Airways poised to announce new airline investment in coming months
Automobile	Sanad Aerotech seals \$6.5bn Rolls-Royce engine repair contract
Telecom	UAE wealth fund boosts Du Holding with \$630mn stake

MOST READ REGIONAL COMPANY HEADLINES

SABB	Announces listing of the consideration shares and the completion of merger
Sohar International Bank	Seeks to raise about \$106mn from rights issue
Wala	Wala Cooperative Insurance Co. and MetLife AIG ANB consider merger
Burgan Bank	Burgan Bank to hire JPMorgan, HSBC and StanChart for bond sale
ADNOC	To combine Middle East assets with OCI
ORDS	Develops new AI technology sports platform
SABIC	To start construction of \$9bn petrochemical plant in Texas with Exxon Mobil
Kuwait Projects Co.	Seeks to raise \$313mn from new share issue
BBK	To plan tapping bond market for \$500mn
Aabar Investments	To sell remaining RHB Bank stake

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	8,869.7	13.3%	0.6%	4.1%	\$566.1	20.1x
ADX	5,044.7	2.6%	-0.6%	0.8%	\$139.2	15.0x
DFM	2,658.9	5.1%	0.9%	1.5%	\$72.7	11.8x
Nasdaq Dubai	3,174.5	3.3%	-0.9%	0.6%	NP	NP
Qatar	10,688.7	3.8%	5.8%	4.0%	\$140.7	15.0x
Bahrain	1,455.0	8.8%	2.9%	1.5%	\$22.6	10.6x
Oman	3,928.3	-9.1%	-1.4%	-0.1%	\$12.3	7.7x

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