

MSCI upgrade, OPEC deal to drive regional markets

2Q 2018 IR CALENDAR

DATE

UBS LATEMEA 1x1 Conference, LON 26-28 JUN

IN CASE YOU MISSED IT . . .

Most regional markets dropped last week, which was shorter due to the Eid holidays. Abu Dhabi (-3.8%) fell, owing to weakness in financial stocks. Dubai (-3.6%) declined on negative sentiments surrounding Air Arabia (-11.5%), which disclosed an exposure worth USD 336m in the provisional liquidation candidate Abraaj. Saudi Arabia (-0.8%) slipped, despite rising on Thursday over the news of MSCI inclusion. Qatar (-1.9%) dropped, weighed down by Qatar National Bank and Qatar Islamic Bank. Kuwait (-0.4%) edged lower. However, Oman (+0.3%) and Bahrain (+0.2%) rose moderately. US markets ended the week on a negative note, as POTUS' trade tariff rhetoric gathered pace and dampened investor sentiment. NASDAQ (-0.7%) snapped its fourth consecutive weekly winning street, while the Dow (-2.0%) fell for the second straight week, registering the largest weekly decline since March 23. S&P 500 (-0.9%) also edged down last week. Europe ended largely lower; DAX (-3.3%), CAC40 (-2.1%) and Stoxx 600 (-1.1%) slid. However, FTSE 100 (+0.6%) closed in the green.

ASSET CLASS MONITOR

| | WTD ↓ | YTD |
|--------------------|--------|--------|
| Oil (Brent) | 2.87% | 12.98% |
| FTSE 100 | 0.63% | -0.07% |
| US Treasury Yields | -0.52% | 38.85% |
| Gold | -0.66% | -2.47% |
| S&P 500 | -0.89% | 3.04% |
| MSCI World | -1.07% | -0.26% |
| MSCI GCC | -1.51% | 10.68% |
| MSCI EM | -2.31% | -6.08% |
| Aluminum | -3.26% | -3.37% |

BRENT FUTURES PRICE



COMMODITIES

| | WTD ↓ | YTD |
|-------------|--------|--------|
| Oil (WTI) | 5.41% | 13.51% |
| Oil (Brent) | 2.87% | 12.98% |
| Gold | -0.66% | -2.47% |
| Natural Gas | -2.55% | -0.27% |

The week ahead

Regional markets

Regional markets will head into the first full trading week after the Eid holidays amid a positive set of regional events over the last week. OPEC's decision to increase oil output while returning to a 100% compliance level, and Saudi Arabia's MSCI EM index inclusion may soothe the nerves of regional investors. Further, oil prices are likely to remain firm on expectations that additional crude production won't lead to a supply glut - due to renewed US sanctions on Iran and Venezuela - amid strong demand. However, the rapidly escalating global trade war, on the back of the US tit-for-tat attitude over tariff and trade barriers, may keep markets in check.

Global markets

The week begins with Germany's business climate data on Monday, followed by US home price index stats on Tuesday. Wednesday will see data on US durable goods orders and Japan's retail trade figures. Thursday will be action packed, which will witness the release of US's 1Q18 GDP, Germany's consumer inflation, Japan's consumer inflation and unemployment rate. On Friday, UK's 1Q18 GDP, Eurozone's consumer inflation and the US' personal consumption expenditures numbers will be released.

You may be asked about

MSCI announced on June 20 that it will reclassify Saudi Arabia as an emerging market from the middle of 2019, accounting for 2.6% weight of the index with 32 securities. The inclusion process will be completed in two phases in May 2019 and August 2019. The Chairman of the Saudi CMA said the inclusion could lead to attract USD 40bn worth of foreign inflows. Additionally, MSCI announced that it will include Kuwait in its 2019 Annual Market Classification Review for a potential reclassification to emerging market from frontier market.

Note to management

The inclusion of Saudi Arabia in the MSCI EM index is a game-changer for regional markets. Judging by the media and commentator response to the news, inclusion guarantees success. But inclusion is not an automatic pass to a successful future for all. There remain plenty of hurdles to cross before listed firms can reap the rewards. Among these are:

- Timing: Inclusion does not complete until August 2019 - some index adjustments are likely
- Limitations: So far, only 32 stocks will be included. The majority of stocks won't make it
- Other barriers: foreign inclusion factor, liquidity challenges and IR shortcomings

While index inclusion is to be celebrated, it is only the beginning of the journey. In case they haven't already, Saudi firms must now:

- Instigate a professional IR program and build an infrastructure to execute it.
- Understand the requirements and motivations of international investors
- Implement adequate governance and compliance standards

Saudi firms must take this element seriously, and acknowledge the journey they must undertake. Growth and success will follow. The hard work begins now. Learn more: [Link](#)

REGIONAL CALENDAR

| | | |
|------------|---|------------------------------|
| 24.06.2018 | Abu Dhabi Building Materials Price Statistics | - |
| 25.06.2018 | KSA 1Q 2018 GDP Data | - |
| 26.06.2018 | KSA Consumer Price Index Data | KSA Labor Market Data |
| 27.06.2018 | KSA Industrial Production Survey Data | - |
| 28.06.2018 | Abu Dhabi 1Q 2018 GDP Data | KSA Weekly Money Supply Data |

GLOBAL CALENDAR

| | | |
|------------|---|---------------------------------|
| 25.06.2018 | Germany Business Climate Data | - |
| 26.06.2018 | US S&P/Case-Shiller Home Price Index Data | - |
| 27.06.2018 | US Durable Goods Orders Data | Japan Retail Trade Data |
| 28.06.2018 | US 1Q 2018 GDP Data | Germany Consumer Inflation Data |
| 29.06.2018 | Eurozone Consumer Inflation Data | UK 1Q 2018 GDP Data |

Food for thought

IR & BEYOND

| | | |
|------------------------|--|----------------------|
| Iridium/ IR Magazine | What Saudi Arabia's MSCI Upgrade Means For IR In The Kingdom | Link |
| Bloomberg | Saudi Arabia Wins MSCI Upgrade; What Do Investors Think? | Link |
| Investment Week | MSCI Upgrade Paves Way For Saudi Arabia-focused Funds | Link |
| Funds Europe | Invesco Launches First Saudi Arabia ETF In Europe | Link |
| Institutional Investor | Diversification Opportunities In Emerging And Frontier Markets | Link |

| SOVEREIGN YIELDS (10YR) | CURRENT (%) | 1 MONTH (bps) | 1 YEAR (bps) |
|-------------------------|-------------|---------------|--------------|
| US | 2.89 | +10 | +75 |
| UK | 1.32 | -12 | +29 |
| Germany | 0.33 | -17 | +8 |
| France | 0.70 | -10 | +10 |
| Italy | 2.68 | +29 | +78 |
| Switzerland | -0.09 | -9 | +12 |
| Japan | 0.02 | -1 | -2 |
| Hong Kong | 2.19 | -4 | +101 |
| India | 7.82 | -3 | +136 |

GLOBAL AGENDA

| | |
|--------------------------|---|
| US | Releases 1Q 2018 GDP Data |
| China | Releases Official PMI Data |
| EU | EU leaders to discuss EU budget, Brexit, etc in Brussels |
| Federal Reserve | Releases results of part two of its annual bank stress tests |
| ECB | Publishes an economic bulletin |
| German Chancellor | Holds talks with leaders of the other parties in her coalition government |
| BoE Governor | Carney discusses the Financial Stability Report after its publication |
| Brexit | EU chief Brexit negotiator briefs European affairs ministers on the General Affairs Council |
| AIIB | Asian Infrastructure Investment Bank holds its annual meeting in Mumbai |
| Earning Releases | Nike, Accenture, Lennar, General Mills, Conagra |

MOST READ REGIONAL SECTOR HEADLINES

| | |
|--------------------------------|--|
| Banks | Saudi banks profit to grow on lower provisioning: Moody's |
| Consumers Discretionary | Saudi Research and Marketing Group's Toaq inks SAR149mn media services |
| Energy | Saudi pledges 'measurable' oil supply boost as OPEC, Russia agree deal |
| Telecom | KSA grants investment licenses for 3 international firms with 100% ownership |
| Materials | EU regulators to set conditions for Tronox- TASNEE's Cristal deal approval |
| Transportation | Air Arabia appoints legal representative to protect investments in Abraaj |
| Financials | Kuwait Finance House gets approval for up to \$1bn sukuk issuance |
| Healthcare | NMC Health gets \$250mn 1 year term loan |
| Real Estate | Aldar Properties partners with Viceroy Hotel Group for a new project |
| Utilities | ACWA Power named preferred bidder for UAE's desalination water project |

MOST READ REGIONAL COMPANY HEADLINES

| | |
|----------------------------------|--|
| Saudi Aramco | Saudi regulator says Aramco IPO may be ready before year's end |
| Emirates Global Aluminum | EGA signs five-year agreement to supply Europe's Aludium with rolling slab |
| DP World | DP World to expand capacity at Canada's Fairview terminal |
| ADFG | Abu Dhabi Financial Group offers to buy Abraaj interest in LPs |
| National Bank of Fujairah | National Bank of Fujairah plans to tap debt from 2019 |
| ADNOC | ADNOC said seeking partners for 40% of refinery unit |
| Emirates NBD | Emirates NBD signs Amwal for clearing services |
| Masraf Al Rayan | Masraf Al Rayan, Barwa Bank and Intl. Bank of Qatar call off merger plan |
| Mubadala | Mubadala buys 10% of Eni's stake in Zohr concession area |
| Qatar Petroleum | Qatar Petroleum's LNG deals in Europe face EU antitrust probe |

| REGIONAL MARKETS | Last Close | YTD % | QTD % | MTD % | M-Cap (bn) | P/E (ttm) |
|---------------------|------------|--------|-------|-------|------------|-----------|
| Saudi Arabia | 8,206.4 | 13.6% | 4.3% | 0.6% | \$531.9 | 18.5x |
| ADX | 4,535.3 | 3.1% | -1.1% | -1.5% | \$123.8 | 12.1x |
| DFM | 2,928.2 | -13.1% | -5.8% | -1.2% | \$79.1 | 9.4x |
| Nasdaq Dubai | 3,133.5 | -4.7% | -3.3% | -1.1% | NP | NP |
| Qatar | 8,922.5 | 4.7% | 4.1% | 0.5% | \$104.2 | 13.3x |
| Bahrain | 1,309.5 | -1.7% | -0.7% | 3.5% | \$20.2 | 8.5x |
| Oman | 4,609.9 | -9.6% | -3.4% | 0.1% | \$12.9 | 11.5x |

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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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