

Rate cut possibility in the US might weigh on financials

2H 2019 EVENTS CALENDAR

	DATE
HSBC GEMs Conference, LON	3-5 SEP
EFG Investor Conference, LON	9-12 SEP
Arqaam Investor Conference, DXB	23-24 SEP
JPM EM Credit Conference, LON	24-26 SEP
MEIRA Conference, DXB	25 SEP
Future Investment Initiative, RUH	29-31 OCT
GS CEEMEA Conference, LON	11-12 NOV
UBS GEMs Conference, NYC	3-5 DEC

IN CASE YOU MISSED IT . . .

Regional markets closed mixed last week. Saudi Arabia (-1.2%) was primarily dragged lower by banking stocks. Kuwait (-1.1%) followed closely. Dubai (-1.0%) logged its lowest close since July 21 on the last trading day of last week. Abu Dhabi (-0.3%) edged lower as FAB slipped whereas Bahrain (-0.1%) fell marginally. Oman (+3.3%) gained for a fourth straight trading week. Qatar (+3.1%) rose on the back of buying support from domestic institutions. The US markets ended in the red amid heavy selling on Friday, after announcement of new tariffs by China on US imports led to escalation in the trade standoff between the two nations. The tech-heavy Nasdaq Composite (-1.8%) fell the most, followed by S&P500 (-1.4%) and Dow Jones (-1.0%). European indices, however, closed largely up. STOXX600 and CAC40 clocked identical gains (+0.5%, each), followed by DAX (+0.4%). FTSE100 (-0.3%) fell slightly though.

Regional markets

Financial stocks in the region might come under pressure as the US Federal Reserve President late last week hinted at the possibility of another interest rate cut in September. The rate cut in the US is widely seen as putting pressure on the margins of lenders based in the Gulf, particularly Saudi Arabia, the UAE and Qatar as the interest rates in these economies move in tandem with the US owing to currency peg.

Global markets

Investor focus this week will be on the release of the US 2Q19 GDP and durable goods orders data which would be helpful in assessing the strength of the economy, amid the prolonged trade war with China. Last week, the Trump administration retaliated against China's tariffs by increasing existing tariffs. Meanwhile, the treasury yields have continued to move south owing to concerns over global economic slowdown. Further, investor would also closely monitor the G7 summit scheduled this week.

You may be asked about

The UAE Central Bank's 2018 Financial Stability Report revealed that growth rate in lending of banks to the country's real estate sector dropped sharply to 8.5% in 2018 (2017: +18.1%), attributable to lower project launches (-25% YoY) and consistent weakening in property prices. The report added that as at 2018-end, outstanding realty loans stood at AED379 billion, accounting for slightly over 20% of total credit. It should be noted that the UAE Central Bank had removed a limit of 20% on property loans late last year. The Financial Stability Report also stated that while construction sector's asset quality deteriorated in 2018, it remained stable for residential real estate and commercial loans.

Note to management

Norway's trillion-dollar sovereign wealth fund raised its equity holdings from 66.3% at the end of 2018 to 69.3% at the end of June. At the same time, a quarter of its bondholdings are in negative rate territory. What is going on? And why is the world's only trillion-dollar sovereign so loyal to equities?

Read our viewpoint [HERE](#)

BRENT FUTURES PRICE



Q2 RESULTS

	PROFIT (mn)	Y-O-Y%
Alhokair	SAR 224.0	-10.1%
Savola Group	SAR 110.2	-21.7%
Arabian Centres	SAR 227.0	+180.4%

ASSET CLASS MONITOR

	WTD ↓	YTD
US Treasury	4.71%	-18.37%
Oil	2.90%	11.38%
S&P 500	2.65%	16.60%
MSCI World	2.22%	11.69%
MSCI EM	1.26%	1.02%
FTSE 100	0.87%	5.95%
Aluminium	-0.23%	-6.98%
MSCI GCC	-0.26%	5.95%
Gold	-1.66%	16.81%

REGIONAL CALENDAR

26.08.2019	KSA Merchandise Export and Import Data	-
27.08.2019	KSA Consumer Price Index	-
29.08.2019	KSA Weekly Money Supply Data	KSA Statistical Bulletin

GLOBAL CALENDAR

26.08.2019	Germany IFO- Business Climate Data	-
27.08.2019	US Consumer Confidence Data	Germany GDP Data
29.08.2019	USD GDP Annualized	Germany Harmonized CPI
30.08.2019	EU Consumer Price Index	US Personal Income Data

Food for thought

IR & BEYOND

Iridium/ IR Magazine	Equities attract more of Norway's trillion-dollar fund	Link
Institutional Investor	GMO Says Emerging Markets Stocks Will Trounce U.S. Equities	Link
Bloomberg Blog	AI is solving banks' very expensive research problem	Link
FundsGlobal MENA	Emerging markets hedge funds post record gains in Q2	Link
ESG Clarity	Dubai Financial Market notes governance improvements	Link

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	1.54	-51	-127
UK	0.48	-20	-80
Germany	-0.68	-30	-102
France	-0.38	-26	-106
Italy	1.31	-18	-183
Switzerland	-0.99	-27	-83
Japan	-0.24	-8	-33
Hong Kong	1.03	-30	-
India	6.57	+14	-130

GLOBAL AGENDA

France	To Host G-7 summit where President Trump will meet with new UK PM
EU	Publication of MARS Bulletin updating EU weather and crop conditions
ECB	Vice President Luis de Guindos to speak in Manchester
US Secretary of State	To speak at the National Convention of the American Legion in Indianapolis
French President	Emmanuel Macron to deliver his annual speech on foreign policy
Philippine President	Rodrigo Duterte to visit China
EU	Defense ministers meet for informal talks on climate, defense and security
US	Durable goods data to be published
Ukraine	Newly elected assembly will meet for the first time
Earning Releases	Bank of Nova Scotia, Bank of China, Dell, Best Buy, Tiffany

MOST READ REGIONAL SECTOR HEADLINES

Industrials	Dubai's Averda International in talks with banks about potential IPO
Banks	SAMA: KSA's bank lending grows 3.1% in 2Q19
Materials	Motiva to buy Flint Hills Port Arthur, Texas chemical plant
Oil & Gas	Petronas has begun to restart Saudi-Malaysian refinery CDU
Telecom	Zain Saudi in talks with government to convert debt into shares
Consumers	UAE to tax e-smoking products, sweetened drinks starting 2020
Utility	Strabag-led group wins \$391mn Dubai hydro-plant contract
Financials	Qatar's Islamic finance sector to get central regulation
Tourism	Dubai's hotel occupancy hits 76% in 1H2019
Entertainment	STC terminates Saudi soccer games broadcast contracts

MOST READ REGIONAL COMPANY HEADLINES

Saudi Aramco	Appoints Lazard and Moelis for world's biggest IPO
Qatar Petroleum	Concludes 5-year condensate feedstock sale deal with ExxonMobil
Emirates NBD	Raises \$500mn from 3 and 5-year loans
CQUR Bank	Russia's VTB bank buys 19% stake in Qatar's CQUR bank
Mwani Qatar	To build Hobyo Port in Somalia
Abo Moati	Shareholders approve 25% capital hike, 5% dividend
Vodafone Qatar	Launches GigaHome Smart home solution
Alhokair	Deal with M&S in KSA ends, still partners elsewhere
ADNOC	Awards \$3.6bn in 'smart procurement' contracts
Sipchem	Completes sales of fractional shares post-merger

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	8,445.7	7.9%	-4.3%	-3.3%	\$537.2	20.7x
ADX	5,039.0	2.5%	1.2%	-5.2%	\$137.7	15.0x
DFM	2,768.9	9.5%	4.1%	-5.1%	\$75.4	11.6x
Nasdaq Dubai	3,183.7	3.6%	1.4%	-6.2%	NP	NP
Qatar	9,918.6	-3.7%	-5.1%	-5.6%	\$131.2	14.3x
Bahrain	1,533.6	14.7%	4.3%	-0.9%	\$23.9	11.4x
Oman	3,987.7	-7.8%	2.6%	6.0%	\$12.7	7.9x

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For more information contact:

Iridium Advisors DMCC
Pamela Chahine, Director
ir@iridium.ae
www.iridium.ae