

Optimism over US-China trade talks support markets

IN CASE YOU MISSED IT . . .

Regional markets ended mixed last week. Qatar (+1.9%) clocked the highest rise among peers, primarily driven by gains in Qatar International Bank and Qatar Fuel Company, followed by Kuwait (+1.2%). Saudi Arabia (+0.9%) maintained the positive momentum of the previous week when it was upgraded to emerging market status, aided by banking stocks. Dubai (+0.1%) rose marginally but Abu Dhabi (-0.5%) edged lower. Oman (-3.5%) declined the most, after it registered its worst day in slightly over three years midweek, due to sharp fall in some of the blue-chip stocks. Bahrain (-0.9%) too slipped. The US markets recouped losses made in the week earlier and ended in the green as optimism over an apparent progress in US-China trade talks offset release of weak economic data. Dow (+1.7%), S&P 500 (+1.2%) and Nasdaq (+1.1%) all rose, with S&P posting its best quarterly performance (+13.1%) since 3Q 2009. European indices also gained, even as the UK lawmakers rejected Brexit deal for a third time; CAC 40 (+1.5%), DAX (+1.4%), FTSE 100 (+1.0%) and STOXX 600 (+0.8%) all advanced.

FY18 RESULTS	PROFIT (mn)	Y-O-Y%
Saudi Ground Services	SAR 368.4	-26.5%
Arabian Aramco Total Services Company	SAR 446.9	+3.6%
Makkah Construction and Development	SAR 283.0	+7.2%
Middle East Healthcare	SAR 172.3	-46.1%

BRENT FUTURES PRICE



ASSET CLASS MONITOR	WTD ↓	YTD
MSCI GCC	0.56%	8.94%
Aluminium	0.26%	1.45%
Oil	-0.06%	26.06%
S&P 500	-1.38%	12.31%
Gold	-1.45%	0.62%
MSCI World	-1.63%	10.86%
FTSE 100	-1.64%	7.52%
MSCI EM	-2.29%	8.22%
US Treasury	-2.41%	-0.82%

The week ahead

Regional markets

Regional markets should commence the week on a positive note following last week's rally in major global indices on renewed optimism over progress on trade talks between the US and China, and higher crude oil prices. Last week, the US Treasury Secretary tweeted about constructive discussions between the US and China and sounded optimistic about a visit by China's Vice Premier this week for further discussions. Investors, meanwhile, will keenly watch the development in the UK over Brexit, as the possibility of a no-deal exit by the UK from the European Union on 12 April may cause chaos in global markets.

Global markets

The week begins with the release of Caixin's China manufacturing PMI (Mar), Eurozone's preliminary consumer inflation (Mar), US retail sales (Feb) and ISM's US manufacturing PMI (Mar) on Monday. On Tuesday, Eurozone's February unemployment rate will be published, followed by release of the US durable goods orders (Feb). Wednesday will witness stats on Eurozone's composite PMI by Markit and ISM's US non-manufacturing PMI (both Mar). Germany's factory orders (Feb) and Japan's overall household spending (Feb) data will be announced on Thursday. Key labor stats (Mar) for the US, including non-farm payrolls, and Japan's February leading economic index (prelim) will draw the week to a close on Friday.

You may be asked about

The world's biggest oil producer, Saudi Aramco, has signed an agreement to acquire a 70% stake in Saudi Basic Industries Corporation (SABIC) from the Kingdom's Public Investment Fund (PIF) at an agreed purchase price of SAR123.39 per share. Saudi Aramco said it has no plans to acquire SABIC's remaining 30% stake. The company also did not disclose how it plans to fund the transaction amounting \$69.1bn, but has earlier suggested it could tap debt markets. The oil giant's CEO Amin Nasser said that the transaction is a major step towards expediting the company's transformative downstream growth strategy of integrated refining and petrochemicals. Saudi Aramco and SABIC have petrochemicals production capacity of 17mn and 62mn tons per year, respectively.

Note to management

When companies prepare for an IPO, they undertake a huge amount of work to ready themselves for listing: governance, business models, strategy and accounting are all prepared for external scrutiny. Unfortunately, management thinking is often that, on listing, the work is over and they can take a long holiday. In reality, the hard work starts the day after IPO, building up to the first publicly reported earnings announcements.

Saudi firms find themselves in a very similar position today. The hard work to achieve EM index inclusion has been done, the market infrastructure is in place, and foreign investors are moving in.

But only a limited number of firms will actually be included in the index; the majority will not. We are just a few short weeks away from the first quarter reporting cycle under the new EM index spotlight. This week, we examine the very real risks of not engaging with investors now that index inclusion is here. You can read our viewpoint [HERE](#)

REGIONAL CALENDAR

31.03.2019	UAE Industrial Production Index	UAE Construction Cost Index
04.03.2019	KSA Weekly Money Supply Data	-

GLOBAL CALENDAR

01.04.2019	China Caixin Manufacturing PMI	US ISM Manufacturing PMI
02.04.2019	US Nondefense Capital Goods Orders	UK Markit Construction PMI
03.04.2019	US ISM Non-Manufacturing PMI	EU Markit PMI Composite
04.04.2019	China Caixin Services PMI	-
05.04.2019	US Nonfarm Payrolls	US Average Hourly Earnings

Food for thought

IR & BEYOND

IR Magazine / Iridium	Submerging From Emerging	Link
Citywire Middle East	Health tops ESG priorities for wealthy UAE investors	Link
IPE	European Parliament agrees stance on sustainability taxonomy	Link
Funds Global MENA	Daman Investments plans launch of two new funds	Link
Arab News	S&P sees budget boost in Saudi Arabia	Link

Sunday, 31.03.2019

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	2.41	-31	-33
UK	0.99	-30	-35
Germany	0.07	-25	-57
France	0.31	-25	-40
Italy	2.49	-26	+70
Switzerland	-0.44	-14	-41
Japan	-0.10	-6	-13
Hong Kong	1.34	-35	-51
India	7.35	-	-5

COMMODITIES	WTD ↓	YTD
Oil (Brent)	-0.84%	24.72%
Oil (WTI)	-1.13%	30.59%
Gold	-1.34%	0.57%
Natural Gas	-3.86%	-7.76%

GLOBAL AGENDA

UK Parliament	Takes up indicative votes on Brexit proposals
Bank of Japan	Releases its quarterly Tankan business sentiment survey
European Commission	President Jean-Claude Juncker visits Saarland state parliament
WTO	Releases trade forecast report for 2019-2020
NATO	Foreign ministers meet, hosted by US Secretary of State in Washington
China	New Zealand Prime Minister meets leader Xi Jinping
European Union	Informal meeting of finance ministers and central bank chiefs in Bucharest
German Chancellor	Meets eastern state premiers in Neudietendorf
China	Vice Premier Liu He leads a delegation of trade negotiators to Washington
Earning Releases	Walgreens, Kewpie, GameStop, Constellation Wirecard

MOST READ REGIONAL SECTOR HEADLINES

Energy	Saudi Aramco and Mcdermott sign deal for new oil services facility
Banks	Denizbank sale to Emirates NBD may be completed in April
Utility	UAE's regulator in final stages of issuing license for nuclear plant
Aviation	Dubai Aerospace repurchases \$250mn of common shares
Transport	Uber buys rival Careem in \$3.1bn deal
Materials	Saudi Aramco to buy SABIC in a megadeal worth \$69bn
Technology	Alfanar inks tech partnership with Huawei
Telecom	Bahrain plans to roll-out commercial 5G by June
Consumer	Panda Retail approves SAR695mn capital cut to offset losses
REIT	SHUAA Capital KSA launches real estate investment fund

MOST READ REGIONAL COMPANY HEADLINES

Qatar Gas Transport	Inks JV with Maran Ventures, expands fleet
Nebras Power	Denies considering stake sale in Paiton Energy
Network International	Mastercard to invest \$300mn in Network International's IPO
Ooredoo	Launches new business network performance reporting tool
Gulf Capital	In talks to sell Abu Dhabi Mall to Mubadala
STC	To set up international \$5bn Sukuk program
Sipchem	Signs CSR Food-Preservation agreements with Etaam
Bahri	Signs pact with SWCC to ship desalination plant spare parts
Zain Saudi	Signs SAR2.52bn tower sale and lease-back pact
ACWA Power	Complete financing for Dubai solar park along with DEWA

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	8,788.8	12.3%	12.3%	3.5%	\$561.6	19.9x
ADX	5,101.0	3.8%	3.8%	-0.7%	\$137.9	14.3x
DFM	2,631.3	4.0%	4.0%	-0.2%	\$71.4	8.8x
Nasdaq Dubai	3,208.9	4.4%	4.4%	-0.8%	NP	NP
Qatar	10,145.7	-1.5%	-1.5%	0.3%	\$132.1	14.1x
Bahrain	1,413.6	5.7%	5.7%	0.1%	\$21.7	9.1x
Oman	4,005.6	-7.4%	-7.4%	-3.4%	\$12.5	8.4x

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