

## Aramco likely to join MSCI, FTSE this week

### The Week Ahead

#### IN CASE YOU MISSED IT . . .

Kuwait (+1.7%) continued its rising spree by advancing for a 5th straight week. Bahrain and Saudi Arabia posted matching returns (+1.3%, each), with the Kingdom supported by banks and higher oil prices. Saudi Aramco, meanwhile, commenced trading on Tadawul and jumped c15% in its two days of trading. Dubai (+1.0%) was lifted by banking stocks. Qatar (-1.0%) was the top loser, dragged down by QNB and petrochemical stocks. Oman and Abu Dhabi edged lower identically (-0.2%, each). The US markets ended with gains, driven primarily by the US and China announcing initial trade deal, leading to scrapping of further duties on Chinese goods. US-Mexico-Canada reaching a tentative trade deal and the Fed holding interest rates also supported the markets. Nasdaq Composite, S&P 500 and Dow Jones rose 0.9%, 0.7% and 0.4%, respectively. European markets also closed on a positive note as the UK's PM's party comfortably won the elections; FTSE100 (+1.6%) gained the most, followed by STOXX600 (+1.1%), DAX (+0.9%) and CAC40 (+0.8%).

#### BRENT FUTURES PRICE



#### Regional markets

Stock markets in the GCC are anticipated to be buoyed by optimism in the global markets. Major global markets gained and crude oil prices strengthened (Brent closed slightly above \$65/barrel), following the announcement of the phase-I trade deal between the US and China, which is reported to be signed next month. Saudi Arabia, meanwhile, might be supported by passive fund flows as Saudi Aramco is likely to join MSCI and FTSE this week. Tadawul-listed AXA Cooperative Ins is scheduled to convene an EGM to discuss a capital increase while ADNOC BoD will discuss 2020-2022 business plans.

#### Global markets

After last week's unchanged interest rates in the US and the European Union, investor's focus this week will shift towards interest rate decisions from the UK, Japan and China. The manufacturing PMI data from Germany and Eurozone can decide the direction of the market as it will capture business conditions in the manufacturing sector which has a large share of total GDP. In addition, investors will also look forward to GDP data from the UK and the US.

#### You may be asked about

Saudi Arabia announced its 2020 budget last week entailing a projected spending of SAR1.02 trillion, slightly below an expected SAR1.048 trillion this year. Revenues are budgeted to decline c9% YoY to SAR833 billion, although the assumed crude oil price for the budget has not been revealed. The budget deficit, accordingly, is estimated to increase to SAR187 billion (6.4% of GDP) from an estimated SAR131 billion (4.7% of GDP) in 2019. The Kingdom's Finance Minister Mohammed Al Jadaan said that local and international bond issuances will be used to finance the deficit. Meanwhile, ratings agency Moody's has termed the budgeted spending cut as credit positive for Saudi Arabia.

#### Note to management

The most eagerly-anticipated IPO ever to come from the Middle East is upon us. Saudi Aramco, the world's most profitable and largest company went public a few days ago. The listing has been perhaps the most scrutinised of any flotation, and took a capital markets story from the business pages to the front pages of the world's media.

The business fundamentals of Aramco ensured huge interest in the IPO. But there is another area that has received little public commentary which will have been instrumental in driving a full take up of the IPO: Saudi Aramco has set a high benchmark in disclosing and detailing its Environmental, Social and Governance (ESG) credentials.

ESG is no longer a nice-to-have for companies seeking investment capital. It is a central requirement. Aramco recognised this, and its ESG prospectus is a masterclass in best practice.

Read our insights on Al Arabiya [HERE](#).

#### REGIONAL CALENDAR

|            |                                 |                             |
|------------|---------------------------------|-----------------------------|
| 15.12.2019 | Abu Dhabi Non-oil Foreign Trade | KSA Internal Trade Activity |
| 17.12.2019 | Abu Dhabi Consumer Inflation    | KSA Consumer Inflation      |
| 18.12.2019 | KSA Wholesale Price Inflation   | -                           |

#### GLOBAL CALENDAR

|            |                              |                                  |
|------------|------------------------------|----------------------------------|
| 16.12.2019 | China Industrial Production  | Germany Markit Manufacturing PMI |
| 17.12.2019 | UK Unemployment Rate         | US Industrial Production         |
| 18.12.2019 | UK Consumer Inflation        | Euro Zone Consumer Inflation     |
| 19.12.2019 | Japan Interest Rate Decision | UK Interest Rate Decision        |
| 20.12.2019 | US GDP                       | UK GDP                           |

### Food for thought

#### IR & BEYOND

|                        |  |                      |
|------------------------|--|----------------------|
| Iridium / Al Arabiya   | The secret sauce in Saudi Aramco's successful IPO                | <a href="#">Link</a> |
| Bloomberg              | Prince Gets His \$2 Trillion Aramco, But Victory Comes at a Cost | <a href="#">Link</a> |
| Institutional Investor | What Does World-Class Equity Research Look Like?                 | <a href="#">Link</a> |
| IPE Special Report     | ESG: The long quest for comparable data                          | <a href="#">Link</a> |
| Harvard Law            | Pay for Performance... But Not Too Much Pay                      | <a href="#">Link</a> |

| ASSET CLASS MONITOR | WTD ↓ | YTD     |
|---------------------|-------|---------|
| MSCI EM             | 3.62% | 12.54%  |
| US Treasury         | 2.61% | -35.92% |
| FTSE 100            | 1.57% | 9.29%   |
| MSCI World          | 1.32% | 21.88%  |
| Oil                 | 1.29% | 21.23%  |
| Gold                | 1.11% | 15.11%  |
| S&P 500             | 0.73% | 26.41%  |
| Aluminium           | 0.71% | -5.67%  |
| MSCI GCC            | 0.60% | 2.04%   |

| COMMODITIES | WTD ↓  | YTD     |
|-------------|--------|---------|
| Oil (WTI)   | 1.47%  | 32.28%  |
| Oil (Brent) | 1.29%  | 21.23%  |
| Gold        | 1.11%  | 15.11%  |
| Natural Gas | -1.63% | -21.90% |

Sunday, 15.12.2019

| SOVEREIGN YIELDS (10YR) | CURRENT (%) | 1 MONTH (bps) | 1 YEAR (bps) |
|-------------------------|-------------|---------------|--------------|
| US                      | 1.82        | 0             | -107         |
| UK                      | 0.79        | 8             | -45          |
| Germany                 | -0.29       | 6             | -54          |
| France                  | 0.00        | 3             | -71          |
| Italy                   | 1.25        | -7            | -168         |
| Switzerland             | -0.62       | -5            | -39          |
| Japan                   | -0.03       | 5             | -5           |
| Hong Kong               | 1.57        | -             | -52          |
| India                   | 6.79        | 27            | -65          |

## GLOBAL AGENDA

|                                 |  |
|---------------------------------|--|
| <b>BOE</b>                      | To publish its Financial Stability Report                          |
| <b>Swiss National Bank</b>      | President Thomas Jordan to speak in Frankfurt                      |
| <b>Dallas Fed President</b>     | To speak at the Council on Foreign Relations                       |
| <b>ECB</b>                      | Governing Council member Olli Rehn to speak in Helsinki            |
| <b>India</b>                    | Foreign Minister and Defense Minister to visit Washington          |
| <b>Sweden</b>                   | Riksbank to decide rate, likely to raise rates by 0.25% to zero    |
| <b>China</b>                    | President Xi Jinping to visit Macau                                |
| <b>BOE policy maker</b>         | Jonathan Haskel to speak in London                                 |
| <b>Finland</b>                  | New government to present its policies to parliament               |
| <b>Chinese Foreign Minister</b> | To visit New Delhi for talks with Indian National Security Adviser |

## MOST READ REGIONAL SECTOR HEADLINES

|                          |   |
|--------------------------|---|
| <b>Telecommunication</b> | S&P revises Bahrain Telecom's outlook to 'Positive'                       |
| <b>Hospitality</b>       | Qatar's budget hotels maintain solid performance in October               |
| <b>Technology</b>        | GCC smart home market likely to reach \$3.4bn by 2025 - Business Wire     |
| <b>Energy</b>            | OPEC forecasts small 2020 oil deficit even before latest supply cut       |
| <b>Metals</b>            | Qatar Chamber, Turkish metals sector to boost cooperation ties            |
| <b>Airline</b>           | IATA: Slowdown in capacity growth of Middle East airlines likely in 2020  |
| <b>Banks</b>             | Moody's: Saudi Arabia's largest banks will maintain strong profitability  |
| <b>Real Estate</b>       | Dubai property sales climb to 11-year high in November - Dubai Land Dept. |
| <b>Tourism</b>           | Oman tourism revenue tops OMR1.4bn in 2018                                |
| <b>Financials</b>        | SAMA ready for any Saudi Aramco-related liquidity squeeze                 |

## MOST READ REGIONAL COMPANY HEADLINES

|                           |  |
|---------------------------|--|
| <b>Ma'aden</b>            | Saudi Arabian miner Ma'aden eyes \$5bn Waad Al-Shamal debt refinancing |
| <b>Doha Bank</b>          | Plans to borrow as much as \$500mn in early 2020                       |
| <b>Ooredoo</b>            | Launches new shop at Msheireb Metro Station                            |
| <b>Almarai</b>            | Has named Majed Mazen Nofal as its new CEO                             |
| <b>ADNOC</b>              | ADNOC and Reliance to explore ethylene dichloride plant in Ruwais      |
| <b>Al Fajar Al Alamia</b> | Acquires 50% shares of Awam Minerals as part of its expansion plan     |
| <b>QNB Group</b>          | Launches National Day promotion on loans                               |
| <b>Boubyan Bank</b>       | Agrees to buy BLME Holdings for \$1.05/share in cash                   |
| <b>Omantel</b>            | Officially launches 5G network in Oman                                 |
| <b>Saudi Aramco</b>       | S&P Dow Jones may fast-track Saudi Aramco's index entry                |

| REGIONAL MARKETS    | Last Close | YTD % | QTD % | MTD % | M-Cap (bn) | P/E (ttm) |
|---------------------|------------|-------|-------|-------|------------|-----------|
| <b>Saudi Arabia</b> | 8,005.8    | 2.3%  | -1.1% | 1.9%  | \$504.4    | 20.6x     |
| <b>ADX</b>          | 5,036.5    | 2.5%  | -0.4% | 0.1%  | \$139.2    | 15.5x     |
| <b>DFM</b>          | 2,722.4    | 7.6%  | -2.1% | 1.6%  | \$77.7     | 10.8x     |
| <b>Nasdaq Dubai</b> | 3,133.8    | 1.9%  | -0.7% | 1.1%  | NP         | NP        |
| <b>Qatar</b>        | 10,256.9   | -0.4% | -1.1% | 1.1%  | \$140.5    | 14.9x     |
| <b>Bahrain</b>      | 1,567.4    | 17.2% | 3.4%  | 2.6%  | \$24.5     | 12.7x     |
| <b>Oman</b>         | 4,019.7    | -7.0% | 0.0%  | -1.1% | \$13.1     | 7.6x      |

DISCLAIMER: The information provided in this newsletter is for information purposes only and should not be construed in any way as business, financial or investment advice nor as a recommendation to buy, sell, or hold any particular security. Iridium Advisors believes the information in this newsletter to be accurate, but does not verify its accuracy, timeliness, completeness for any particular purpose and/or non-infringement. Iridium Advisors does not bear any responsibility whatsoever to provide any updates, corrections or changes to the information in this document, nor will it accept liability for any damages or losses in connection with the use of this document.

## About Iridium

Iridium is the GCC region's leading IR specialist.

We advance the science and practice of investor relations to help organizations and leaders protect downside, close gaps and unlock future potential.

We hope you enjoy IR Brief. We are always here to help you advance your IR activities. Please don't hesitate to let us know if we can be of assistance in any way.

### For more information contact:

Iridium Advisors DMCC  
 Pamela Chahine, Director  
 +971 4 429 5864  
 ir@iridium.ae  
 www.iridium.ae