

Rise in US-Iran tensions likely to turn markets cautious

In case you missed it...

GCC markets greeted 2020 with optimism, as all the main indices ended in the green last week. Oman (+3.6%) halted its decline of six weeks. Abu Dhabi (+1.0%) was primarily lifted by FAB and Etisalat. Qatar (+0.8%) was supported by foreign institutions as other group of investors turned net sellers. Kuwait (+0.7%) posted its eighth week of consecutive gains. Bahrain and Saudi Arabia clocked identical returns (+0.5%, each). Saudi Arabia maintained its positive momentum as petrochemical stocks rose amid firm oil prices. Dubai (+0.2%) was driven by DIB and Emaar. The US markets closed mixed last week, as the killing of Iranian military leader by the US and an unexpected contraction in the US' December manufacturing activity offset gains led by announcements that the US and China will sign phase I trade deal on 15 January and China's central bank will cut reserve requirement ratio. Nasdaq Composite (+0.2%) edged up, Dow Jones ended flat while S&P 500 (-0.2%) fell slightly. European indices closed largely lower. DAX (-0.9%) stood as the top loser. FTSE100 and STOXX600 slipped by 0.3%, each. However, CAC40 (+0.1%) inched up.

The week ahead

Regional markets

Regional stock markets are likely to witness increased volatility during the first full trading week of the New Year. Investors are expected to show caution as the death of Iran's top general in a US drone attack during the weekend, to which Iran has vowed to retaliate, has escalated the geopolitical risk in the region. Meanwhile, investors in the region are also likely to be in the wait and see mode as the FY 2019 earnings season approaches.

Global markets

The coming week will be the first full week of the new year and market participants will look for data related to job creation and unemployment rates in the US. During last year, the US reported its lowest unemployment rates in 50 years as job creation remained strong. Furthermore, the Eurozone is also expected to release unemployment rates which is anticipated to remain at 7.5%. Investors will also keenly watch the consumer credit data released by the Federal Reserve, the UK services and composite PMI data and German industrial production.

You may be asked about

Major GCC equity markets ended 2019 on a positive note, accompanying solid gains posted by prominent global stock markets. The MSCI World Index, which tracks stocks across the developed world, registered its best performance since 2009 by climbing ~24%. In the Gulf, Kuwait's blue-chip index emerged as the top gainer of 2019 as it jumped 32.4%, buoyed by MSCI's decision to upgrade Kuwait's status to emerging market in 2020. Dubai, despite weakness in its real estate market, rose over 9% whereas Saudi Arabia clocked 7.2% returns last year amid the much-touted listing of oil giant Saudi Aramco. Oman, on the other hand, declined for a third year in 2019 by 7.9% to close near its 15-year low.

REGIONAL CALENDAR

07.01.2020	KSA Industrial Production Survey	-
09.01.2020	KSA Weekly Money Supply	-
10.01.2020	Abu Dhabi Trade Statics	-

GLOBAL CALENDAR

06.01.2020	US Markit PMI Composite	Germany Retail Sales
07.01.2020	US Non-Manufacturing PMI	Eurozone Consumer Inflation
08.01.2020	Germany Factory Orders	US Employment Change
09.01.2020	China Consumer Inflation	Eurozone Unemployment Rate
10.01.2020	US Nonfarm Payrolls	Japan Leading Economic Index

Food for thought

IR & BEYOND

Bloomberg	Almost Everything Wall Street Expects in 2020	Link
IR Magazine	Off-season engagement continues to rise, says ESG adviser	Link
Harvard Law	Board-Shareholder Engagement Practices	Link
Integrity Research	2019 Bulge Research Analyst Headcount Shrinks 8%	Link
Institutional Investor	Are Hedge Funds Good at Being Green?	Link

ASSET CLASS MONITOR	WTD ↓	YTD
Gold	2.76%	21.03%
Oil	0.65%	27.51%
MSCI EM	0.47%	16.37%
MSCI GCC	0.35%	6.05%
MSCI World	-0.01%	24.39%
S&P 500	-0.16%	29.04%
FTSE 100	-0.29%	13.29%
Aluminium	-1.73%	-5.97%
US Treasury	-3.18%	-37.96%

BRENT FUTURES PRICE



COMMODITIES	WTD ↓	YTD
Gold	2.76%	21.03%
Oil (WTI)	2.15%	38.85%
Oil (Brent)	0.65%	27.51%
Natural Gas	-1.30%	-27.55%

SOVEREIGN YIELDS (10YR)	CURRENT (%)	1 MONTH (bps)	1 YEAR (bps)
US	1.79	1	-88
UK	0.74	0	-54
Germany	-0.29	3	-49
France	0.02	3	-67
Italy	1.34	6	-155
Switzerland	-0.57	10	-32
Japan	-0.03	3	2
Hong Kong	1.65	-	-10
India	6.52	5	-94

GLOBAL AGENDA

Philippine	President Rodrigo Duterte to sign a \$80.6bn budget for 2020
Greece	Prime Minister Kyriakos Mitsotakis to meet the US President Donald Trump
Italy	Prime Minister Giuseppe Conte to meet his government partners
Russia	President Vladimir Putin to visit Turkey
Fed Governor	Lael Brainard to join The Urban Institute for a discussion
Kiribati	President Taneti Maamau to visit China
U.K.	Parliament to resume three days of debate on Brexit deal
Ivory Coast	President Alassane Ouattara to deliver the state-of-the-nation address
Fed Vice Chairman	Richard Clarida to speak in New York
Earnings announcements	India's Infosys, Japan's Izumi & Kewpie Corp, U.S. Lennar Corp. & KB Home

MOST READ REGIONAL SECTOR HEADLINES

Telecom	Saudi telecom sector posts healthy performance in 2019: Al Rajhi Capital
Real estate	Real estate slump unlikely to dampen interest in Oman's first REIT
Infrastructure	MEA region's water, sewage projects pipeline hits \$133.2bn
Energy	The production of standard grade petrol by Omani refineries fell by 9%
Food & Beverages	AWJ Investments to open five F&B outlets in Saudi Arabia
Port	Qatari ports handled 1.2mn containers in 11 months
Automobile	Oman vehicle registrations increase 3.5% YoY as of Jun'19.
Natural Gas	Saudi Arabia on its way to double natural gas production by 2030
Tourism	Phase one Saudization of jobs in tourism accommodation sector begins
Bank	Kuwaiti bank deposits rise 1.2% YoY in October

MOST READ REGIONAL COMPANY HEADLINES

Oman Arab Bank	Offers share swap ratio for Alizz Islamic Bank merger
NCB	To distribute 12% cash dividends
Gulf Finance House	Gets shareholders' nod for \$500mn Sukuk issue
Tabreed	UAE's Tabreed studying expansions, particularly in Kuwait: Al Bayan
Dubai Aerospace	Repurchases \$450mn of common shares
Azizi Developments	Awards contract for Dubai residential project
ADIB	Oman Shipping Co. negotiates \$80mn financing facility with ADIB
SABIC	Saudi Acwa Power, SABIC partner to boost local energy content
Bawan	Saudi Bawan subsidiaries to merge in 1Q 2020
Emirates NBD	Completed \$272m digital transformation milestone

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	8,397.0	0.1%	0.1%	0.1%	\$2,431.1	22.6x
ADX	5,100.3	0.5%	0.5%	0.5%	\$141.2	15.6x
DFM	2,769.1	0.2%	0.2%	0.2%	\$78.7	11.0x
Nasdaq Dubai	3,196.2	0.4%	0.4%	0.4%	NP	NP
Qatar	10,511.7	0.8%	0.8%	0.8%	\$144.6	15.3x
Bahrain	1,612.1	0.1%	0.1%	0.1%	\$25.2	12.8x
Oman	4,005.1	0.6%	0.6%	0.6%	\$13.0	7.6x

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