NOUVELLES

OUR WEEKLY CAPITAL MARKETS UPDATE

February 02, 2015

International Market News Update

Data released last week showed that the US GDP grew at an annualized rate of 2.6% in the 4th quarter of 2014. In the 3rd quarter, the GDP had grown at an annualized rate of 5%. The S&P 500 index has fallen by over 3% last month as investors grow worried over the consequences of the stronger US dollar on US exports. The S&P 500 had been at its all-time high on December 29th last year. This January, US government bonds had their best start to a year since 1988 and the yield on the 10-year government bond last week fell to its lowest level in over 20 months, touching 1.6357%.

The inflation rate in Germany became negative in January 2015 for the 1st time since September 2009, as it fell by 0.5% last month. The yield on the 30-year German government bond fell below 1% for the 1st ever, last week. The annual inflation for the 19-member Eurozone fell to an all-time low of -0.6% in January 2015. The unemployment level for the region fell to 11.4% in December 2014, which is its lowest level since August 2012. In Germany, the unemployment rate fell to its lowest level since 1990. S&P downgraded Russia's credit rating to junk by cutting the rating to BB+, which is considered below investment grade. Concerns remain over the impact of low crude oil exports revenue as well as sanctions imposed by the US and Europe on the Russian economy.

India's benchmark stock market index, SENSEX, continued to make new all-time highs last week as investors remained confident about the growth story of the country's economy. In Japan, the trade deficit narrowed to an 18-month low in December 2014, as the falling value of the Japanese yen against the USD helped cause a big growth in exports. The country's trade deficit has become half in December 2014 of what it was in January 2014.

Commodity in Focus

Crude oil prices rose sharply last week after news released indicated that there had been a reduction in US shale gas drilling activity in January 2015. WTI crude oil rose by over 8% on Friday last week to over USD 48 and Brent crude oil rose by around 8% to touch USD 52.99 on Friday due to this news. There are growing expectations that the slowdown in US oil production will begin soon. Last week, WTI crude oil had touched its lowest price level since March 2009. It is currently down by over 55% from the level it was at in June 2014.

US Indices

	Closing	Net Change	% Change	YTD
DJIA	17,164.95	-507.65	-2.87%	-3.69%
S&P 500	1,994.99	-56.83	-2.77%	-3.10%
NASDAQ	4,635.24	-122.64	-2.58%	-2.13%

Europe Indices

	Closing	Net Change	% Change	YTD
STOXX 50	3,197.57	-52.98	-1.63%	6.45%
FTSE 100	6,749.40	-83.43	-1.22%	2.79%
CAC 40	4,604.25	-36.44	-0.79%	7.76%
DAX	10,694.32	+44.74	0.42%	9.06%
SMI	8,385.13	+223.97	2.74%	-6.66%

BRICS Indices

	Closing	Net Change	% Change	YTD
Ibovespa	46,907.68	-1,867.62	-3.83%	-6.20%
MICEX	1,647.69	-24.11	-1.44%	17.98%
SENSEX	29,182.95	+176.93	0.61%	6.12%
Shanghai Composite	3,210.36	-141.40	-4.22%	-0.75%
JSE Africa	51,266.81	+1,450.24	2.91%	3.01%

Asia-Pacific Indices

	Closing	Net Change	% Change	YTD
Nikkei 225	17,674.39	+162.64	0.93%	1.28%
Hang Seng	24,507.05	-343.40	-1.38%	3.82%
KOSPI	1,949.26	+13.17	0.68%	1.76%
ASX 200	5,588.32	+168.38	3.11%	3.28%

Commodities

	Closing	Net Change	% Change	YTD
Gold Spot	1,283.79	-10.29	-0.80%	8.39%
Silver Spot	17.25	-1.05	-5.73%	9.79%
Crude Oil (WTI)	48.24	+2.65	5.81%	-9.44%
Crude Oil (Brent)	52.99	+4.20	8.61%	-7.57%
Baltic Dry Ind	608.00	-112.00	-15.56%	-22.25%

Money Market

	Closing	Net Change (5-D)	Net Change (6-M)	Net Change (YTD)
3M Libor	0.253	-0.003	0.014	-0.003
12M Libor	0.621	-0.001	0.052	-0.008
3M Euribor	0.054	0.001	-0.155	-0.024
12M Euribor	0.270	-0.005	-0.219	-0.055
10Y US	1.641	-0.156	-0.916	-0.531
10Y UK	1.330	-0.148	-1.267	-0.426
10Y Germany	0.302	-0.060	-0.868	-0.239
10Y Japan	0.278	0.044	-0.252	-0.051
10Y India	7.692	-0.014	-0.821	-0.165

Currencies

	Closing		Closing
GBP/USD	1.506	EUR/USD	1.129
USD/JPY	117.490	AUD/USD	0.776
USD/CHF	0.920	EUR/AED	4.146
USD/INR	61.870	EUR/INR	70.211
USD/CNY	6.251	EUR/CHF	1.039
USD/RUB	69.467	AED/INR	16.916

Source: Bloomberg

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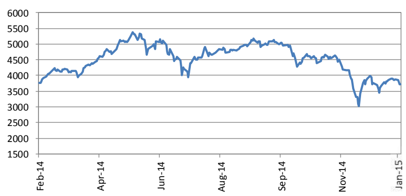
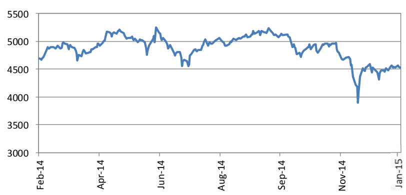
Key Indices

	Closing	Net Change	% Change	YTD
Dubai - DFM	3,840.22	-55.66	-0.57%	1.75%
Abu Dhabi - ADX	4,552.61	-34.93	-0.39%	0.52%
Saudi - TASI	9,203.30	+772.34	9.28%	10.44%
Qatar - QE	12,062.10	+205.85	1.81%	-1.82%
Bahrain - BHSE	1,417.71	-5.16	-0.77%	-0.62%
Oman - MSM 30	6,572.23	-72.28	-1.09%	3.61%
Kuwait	6,636.71	-46.30	-0.39%	1.55%

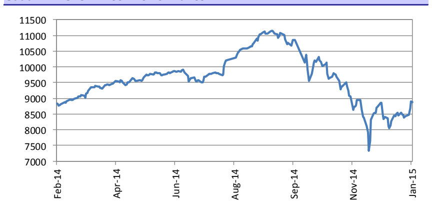
Dubai - DFM 52-Week Performance



Abu Dhabi - ADX 52-Week Performance



Saudi - TASI 52-Week Performance



Source: Bloomberg

Middle East Market News Update

The Saudi Arabian stock market benchmark index made a sharp comeback last week on hopes that crude oil prices had bottomed out. In the UAE, weaker-than-expected corporate earnings had a negative impact on the country's stock markets last week. Oil prices will continue to impact the trend of the stock markets in the GCC region this week. Kuwait's finance minister announced a draft budget last week, for the fiscal year starting April 2015, that projects a huge deficit and a nearly 18% drop in spending from the current year.

En Bref….. Biggest Market News

Volte-face by the Russian central bank. Interest rates have been cut within a month…

The Russian central bank unexpectedly lowered its benchmark rate to 15%, cutting it by 2% from the rate it had announced last month. This news caused a sharp fall in the Russian ruble and it touched a low of 71.8030 against the USD. The ruble has fallen by over 53% in the past 12 months. Russia's foreign exchange reserves have gone below 380 billion USD, a level last seen in April 2009. 2 years back, these reserves had been over 530 billion USD.

In 2014, the Russian central bank had increased the benchmark rate 6 times, including the 6.5% increase on December 16th last year that had brought the interest rate to 17%, in efforts to tame inflation and stop the continuous fall in the Russian ruble. After last week's rate cut, focus seems to have been brought back to preventing a big slump in the economy that would be a result of these current high interest rates.

The central bank projects that the economy will shrink by over 3% in 2015 and this threatens the stability of the financial system. Oil continues to be a major source of export revenue and so, current oil prices have a huge negative impact. On the other hand, Russia depends a lot on imports and the weakening ruble will cause prices to go up significantly. Inflation rose to over 13% for January 2015 and is expected to touch 17% by April 2015.