

27th August 2018

OUR WEEKLY CAPITAL MARKETS UPDATE

US & Europe Market News

US Indices				
	Closing	Net		YTD
		Change	% Change	
DJIA	25,790.35	+121.03	0.47%	4.33%
S&P 500	2,874.69	+24.56	0.86%	7.52%
NASDAQ Composite	7,945.98	+129.64	1.66%	15.10%
TSX Composite Index	16,356.05	+32.34	0.20%	0.91%
CBOE - VIX	11.99	-.65	-5.14%	8.61%

Europe Indices				
	Closing	Net		YTD
		Change	% Change	
UK - FTSE 100	7,577.49	+18.90	0.25%	-1.43%
Eurozone - STOXX 50	3,069.10	+8.77	0.29%	-3.42%
France - CAC 40	5,432.50	+87.57	1.64%	2.26%
Germany - DAX	12,394.52	+183.97	1.51%	-4.05%
Netherlands - AEX	560.29	+7.34	1.33%	2.88%
Switzerland - SMI	9,052.90	+48.99	0.54%	-3.51%

- ❖ Stocks posted gains for the week, led higher by technology and energy shares. The technology-heavy Nasdaq Composite Index, boosted by particularly strong performance from semiconductor stocks, and the Russell 2000 Index of small-cap companies outpaced the advance of the broad S&P 500 Index.
- ❖ U.S. Treasury yields decreased modestly over the week. Trump's hawkish talk about wanting Fed policymakers to keep interest rates low may have helped boost demand for Treasuries.
- ❖ The current bull market passed the 1990s rally last week to become the longest on record, stretching more than 3,450 days. This is a testament to the durability of this stock market, but we'd note that age has little predictive power over what the bull market will do from here.
- ❖ The pan-European Stoxx Europe 600 index rose slightly, snapping three weeks of declines.
- ❖ Eurozone data shed some light on the toll that trade tensions are taking on business sentiment. August manufacturing purchasing managers' indexes (PMIs) in Germany dropped, and broad eurozone PMIs showed a weakening expansion and corporate optimism at a 23-month low.
- ❖ In the UK, the FTSE 100 Index was flat as the government released contingency plans for a "no deal" Brexit, which would take effect if the UK and European Union (EU) fail to agree to an exit deal before the March 2019 date for the UK's departure.

BRICS & Asia Market News

BRICS Indices				
	Closing	Net		YTD
		Change	% Change	
Brazil - Ibovespa	76,262.23	+233.73	0.31%	-0.18%
Russia - MICEX	2,279.76	+24.64	1.09%	8.06%
India - SENSEX	38,251.80	+588.24	1.56%	12.32%
China - Shanghai	2,729.43	+60.46	2.27%	-17.47%
South Africa - JSE Africa	58,797.68	+2,150.16	3.80%	-1.19%

Asia-Pacific Indices				
	Closing	Net		YTD
		Change	% Change	
Japan - Nikkei 225	22,601.77	+331.39	1.49%	-0.72%
Hong Kong - Hang Seng	27,671.87	+458.46	1.68%	-7.51%
South Korea - KOSPI	2,293.21	+46.16	2.05%	-7.06%
Australia - ASX 200	6,247.33	-91.91	-1.45%	3.00%

- ❖ Japanese stocks posted their first weekly gain this month. The Nikkei 225 Stock Average advanced 1.5%, although the Nikkei remains in the red year to date. Japanese manufacturers' business confidence hit a seven-month high in August, thanks to the ongoing global economic expansion, but services sector sentiment remained dour. The latest poll showed the weakest services sector reading since 2016, reflecting tepid domestic demand.
- ❖ Hopes for a resolution in the U.S.-China trade battle fizzled out as each country began imposing previously announced tariffs on \$16 billion of imports from the other side, and trade officials from both countries ended two days of talks with no agreement.
- ❖ A recent decline in emerging-market (EM) stocks has left a key EM benchmark close to bear market territory. The MSCI Emerging Markets Index is down nearly 20% from its level of January 26, 2018—a downturn due to Turkey's economic turmoil and the recent strengthening of the U.S. dollar relative to key EM currencies.
- ❖ A deadline set by India's central bank to restructure an estimated 3.6 trillion rupees (US\$52 billion) of stressed loans may push dozens more companies into bankruptcy. This marks the latest attempt by the RBI to clean up banks that are suffering from the world's worst bad-loan ratios after Italy, and have more than US\$210 billion of stressed debt on their balance sheets.

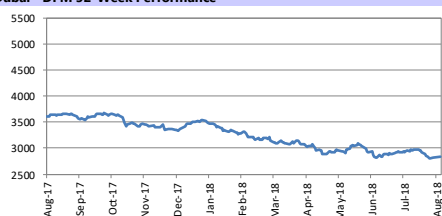
Middle East Market News

Key Indices

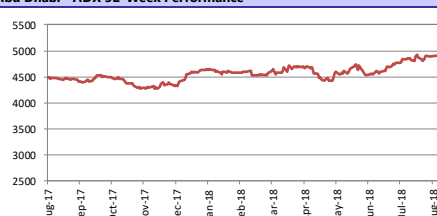
	Closing	Net		YTD
		Change	% Change	
Dubai - DFM	2,825.83	-21.31	-0.75%	-16.15%
Abu Dhabi - ADX	4,909.50	+108.60	2.26%	11.62%
Saudi Arabia - TASI	7,978.83	-86.09	-1.07%	10.41%
Qatar - QE	9,445.35	-189.65	-1.97%	10.82%
Bahrain - BHSE	1,351.64	+5.55	0.41%	1.50%
Oman - MSM 30	4,366.89	-39.46	-0.90%	-14.36%
Kuwait	5,185.92	-70.95	-1.35%	

(In Dollar Terms)

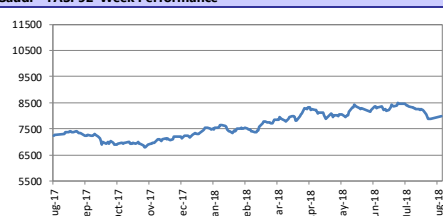
Dubai - DFM 52-Week Performance



Abu Dhabi - ADX 52-Week Performance



Saudi - TASI 52-Week Performance



- ❖ The number of investment institutions that joined the Abu Dhabi Securities Exchange (ADX) witnessed a 6% year-on-year rise, or 271 firms during the first half of 2018, registering 7,900 institutions.
- ❖ UAE-based Adab Solutions recently created the First Islamic Crypto Exchange (FICE), a Shariah compliant crypto exchange. By adhering to the high moral requirements set forth by the Shariah community, the company will utilize the in-house Shariah Advisory Board to ensure that Islam is finally included in the global cryptocurrency market.
- ❖ The IMF has warned Saudi Arabia against boosting spending in the wake of rising oil prices, urging the world's top crude exporter to also contain its wage bill. The International Monetary Fund said in a report that a rise in spending would expose the Saudi budget if there was an unexpected drop in oil prices. The report emphasized "the importance of ensuring that spending remains at a sustainable level in different oil price environments" and the need to avoid a fiscal policy that would create undue volatility in economic activity.

Commodity Market News

Commodities

	Closing	Net		YTD
		Change	% Change	
Gold Spot	1,205.35	+21.10	1.78%	-7.48%
Silver Spot	14.82	0.02	0.11%	-12.50%
Platinum Spot	791.21	2.33	0.30%	-14.76%
Palladium Spot	936.62	22.15	2.42%	-11.93%
Crude Oil (WTI)	68.72	+2.81	4.26%	13.74%
Crude Oil (Brent)	75.82	+3.99	5.55%	13.38%
Baltic Dry Ind	1,697.00	-26.00	-1.51%	24.23%

- ❖ Oil prices reversed earlier losses last week, posting the first weekly rise in five weeks. The WTI and Brent Crude were up 4.3% and 5.5% respectively. This was largely due to a tightening fundamental outlook on the back of looming Iranian supply shortages.
- ❖ Gold prices rose as the dollar came under pressure from clues about the direction of U.S. monetary policy from Federal Reserve Chairman Jerome Powell, which market watchers interpreted as dovish. A weaker U.S. currency makes dollar-denominated gold cheaper for holders of other currencies, which could boost demand and prices.

Currency Market News

Currencies			
	Closing		Closing
GBP/USD	1.285	EUR/USD	1.162
USD/JPY	111.240	AUD/USD	0.733
USD/CHF	0.984	EUR/AED	4.269
USD/INR	69.909	EUR/INR	80.983
USD/CNY	6.811	EUR/CHF	1.143
USD/RUB	67.088	AED/INR	18.994

- ❖ The dollar's safe-haven appeal dimmed after risk sentiment in the broader markets improved following a well-received speech from Federal Reserve Chairman Jerome Powell. At a closely watched symposium at Jackson Hole (Wyoming), the Fed chairman emphasised the central bank's push to raise interest rates despite President Donald Trump's recent criticism of higher borrowing costs.
- ❖ The pound slid against the euro to its weakest since mid-September, hurt by a rally in the single currency and concerns about whether Britain can secure a post-Brexit trade deal with the European Union. Sterling rose, however, against a dollar rattled by a speech by U.S. Federal Reserve Chairman Jerome Powell.
- ❖ The Turkish lira firmed against the dollar after weakening in thin holiday trade through the week, as a bitter standoff dragged on between Ankara and Washington over the fate of an American pastor being tried in Turkey.

Investment Banking Deals

- ❖ Berkshire Hathaway Inc is in talks to invest about 20-25 billion rupees (\$285.4-356.7 million) in India's One97 Communications Ltd, the parent of digital payments firm Paytm. Berkshire, the conglomerate run by billionaire Warren Buffett, is said to pick up a 3-4 per cent stake in Paytm's parent and the deal is being done through a primary subscription of shares.
- ❖ Cigna Corp shareholders on Friday voted in favor of the health insurer's proposed \$52 billion acquisition of pharmacy benefit manager Express Scripts Holding Co, although the deal still needs clearance from antitrust authorities. The vote in favor of the merger was on expected lines after activist investor Carl Icahn walked away last week from his 11th-hour attempt to rally shareholders to reject the deal.
- ❖ PepsiCo will buy carbonated drink-machine maker SodaStream for \$3.2 billion as it battles Coca-Cola for an edge in the health-conscious beverage market. It was a coveted device in British kitchens in the 1970s and 80s, allowing people to create fizzy drinks by adding syrups to carbonated tap water, but its popularity faded as bottled sodas became cheaper.
- ❖ India's Reliance Communications Ltd said here on Thursday it completed the sale of its media convergence nodes (MCNs) and related infrastructure assets worth 20 billion rupees (\$285.4 million) to Reliance Jio Infocomm. The company said 248 MCNs covering about 5 million sq. Ft. of area used for hosting the telecom infrastructure were transferred to Reliance Jio.
- ❖ Saudi Arabia has abandoned plans for a stock market listing of its state-owned oil colossus, Aramco, in a setback for Crown Prince Mohammed bin Salman's push for reform. The group of bankers assembled for what would have been the biggest ever float has been disbanded without fanfare. The budget for financial advisers, which included JPMorgan, Morgan Stanley and HSBC, who were called in to assist with the deal has not been renewed since June

Sources: CNBC, Bloomberg, Wall Street Journal & Reuters

DISCLAIMER: This material was prepared by the Morgan Gatsby Limited based in the Dubai International Financial Centre, United Arab Emirates ("U.A.E.") and regulated by the Dubai Financial Services Authority ("DFSA"). The information contained in this communication is intended for Professional Clients only, and no other persons should act upon it. The contents shall not be reproduced, redistributed or copied in whole or in part for any purpose without Morgan Gatsby's prior express consent. This material is provided for informational purposes and private circulation only and, unless otherwise stated, should not be construed as an offer to sell or a solicitation to buy any security or any other financial instrument or adopt any hedging, trading or investment strategy. The information, opinions, forecasts (if any), assumptions or estimates contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is no guarantee of current or future returns, and the investor may receive back less than he invested. Investments may carry risks that are difficult to quantify and integrate into an investment assessment. Neither Morgan Gatsby nor its officers, directors or shareholders or other persons shall be liable for any direct, indirect, incidental or other damages, including loss of profits arising in any way from the information contained in this material. The information in this document has not been independently verified nor does the Firm make any representations or warranties (express or implied) in relation to the truth, accuracy or completeness of this document or as to any opinion expressed herein. While based on information believed to be reliable, we do not guarantee and make no express or implied representation as to the accuracy, reasonableness or achievability of such statements, estimates, targets and projections, and nothing in this document is or should be relied on as a promise or representation as to the future