

1<sup>st</sup> July 2018

OUR WEEKLY CAPITAL MARKETS UPDATE

## US & Europe Market News

US Indices	Net			
	Closing	Change	% Change	YTD
DJIA	24,271.41	-309.48	-1.26%	-1.81%
S&P 500	2,718.37	-36.51	-1.33%	1.67%
NASDAQ Composite	7,510.30	-182.51	-2.37%	8.79%
TSX Composite Index	16,277.73	-172.41	-1.05%	0.42%
CBOE - VIX	16.09	+2.32	16.85%	45.74%

Europe Indices	Net			
	Closing	Change	% Change	YTD
UK - FTSE 100	7,636.93	-45.34	-0.59%	-0.66%
Eurozone - STOXX 50	3,042.96	-38.16	-1.24%	-4.24%
France - CAC 40	5,323.53	-63.85	-1.19%	0.21%
Germany - DAX	12,306.00	-273.72	-2.18%	-4.73%
Netherlands - AEX	551.68	-8.66	-1.55%	1.30%
Switzerland - SMI	8,609.30	-7.26	-0.08%	-8.23%

- ❖ US Stocks closed lower for the week. The technology-heavy Nasdaq Composite Index and the smaller-cap benchmarks fared worst after outperforming the previous week.
- ❖ On Monday, the S&P 500 suffered its worst daily decline in nearly three months, and the Dow Jones Industrial Average closed below its 200-day moving average for the first time since immediately after the surprise Brexit vote in 2016 – on the back of trade war concerns.
- ❖ The week's economic signals were mixed. New home sales jumped in May, but housing prices softened. Growth in first-quarter gross domestic product was revised lower, from 2.2% to 2.0%, as small contributions from inventory growth and net exports were reduced and became drags on the estimate.
- ❖ Key European indexes ended the week lower, weighed down by uncertainty about global trade and political wrangling over immigration. Trade volumes were down significantly at the beginning of the week, an indication of investor uncertainty about the direction of the markets.
- ❖ The eurozone headline inflation rate rose above the European Central Bank's (ECB) target for the first time in more than a year on the back of rising energy prices. According to a preliminary estimate from Eurostat, headline inflation rose 2% in the 12 months to June.

## BRICS & Asia Market News

BRICS Indices	Net			
	Closing	Change	% Change	YTD
Brazil - Ibovespa	72,762.51	+2,121.86	3.00%	-4.76%
Russia - MICEX	2,295.95	+46.27	2.06%	8.83%
India - SENSEX	35,423.48	-266.12	-0.75%	4.01%
China - Shanghai	2,847.42	-42.34	-1.47%	-13.90%
South Africa - JSE Africa	57,610.98	+754.32	1.33%	-3.18%

Asia-Pacific Indices	Net			
	Closing	Change	% Change	YTD
Japan - Nikkei 225	22,304.51	-212.32	-0.94%	-2.02%
Hong Kong - Hang Seng	28,955.11	-383.59	-1.31%	-3.22%
South Korea - KOSPI	2,326.13	-31.09	-1.32%	-5.73%
Australia - ASX 200	6,194.63	-30.59	-0.49%	2.14%

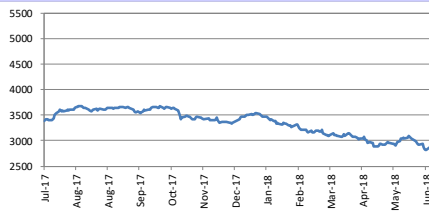
- ❖ Most Asian stocks ended the week lower, while non-Asian BRICS countries recovered their losses from over the past few weeks.
- ❖ The Japanese jobless rate unexpectedly dipped to 2.2% in May, the lowest level since August 1992. The unemployment rate was well below analysts' expectations for 2.5% and slightly less than the 2.4% rate in April.
- ❖ Fears of a trade war with the U.S. continued to weigh on investor sentiment toward China. The Shanghai Composite Index, China's benchmark stock index, lost 1.5% for the week while the large-cap CSI300 Index fared worse, falling nearly 3%. June was the worst month for Chinese stock returns in more than two years.
- ❖ China's central bank announced that it would cut the reserve requirement ratio (RRR) for most banks by 0.5 percentage points to support economic growth by encouraging banks to expand their lending. Media reports estimated that the RRR change would add more than the equivalent of \$100 billion to the Chinese economy.
- ❖ As per a World Bank Report, India continued to remain the top receiver of remittances in 2017, getting funds of \$69 billion. Keeping in mind the interests of the low-skilled Indian workers in the Gulf, from where roughly \$37 billion remittances flowed into the country in 2017, the Reserve Bank of India is committed to keeping the cost of remittances low.

## Middle East Market News

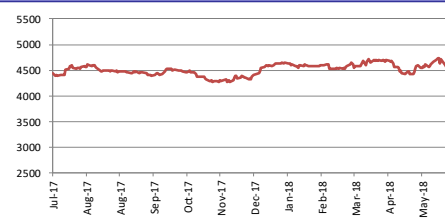
Key Indices	Net			
	Closing	Change	% Change	YTD
Dubai - DFM	2,864.42	-64.64	-2.21%	-15.00%
Abu Dhabi - ADX	4,621.15	+70.64	1.55%	5.06%
Saudi Arabia - TASI	8,332.33	-18.63	-0.22%	15.31%
Qatar - QE	9,114.23	+108.89	1.21%	6.93%
Bahrain - BHSE	1,313.57	+6.82	0.52%	-1.36%
Oman - MSM 30	4,347.05	-246.23	-5.36%	-14.75%
Kuwait	4,894.55	+70.47	1.46%	

(In Dollar Terms)

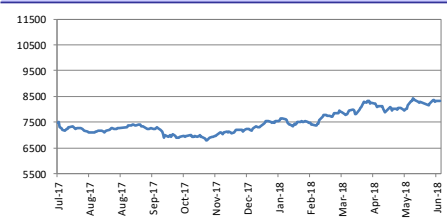
Dubai - DFM 52-Week Performance



Abu Dhabi - ADX 52-Week Performance



Saudi - TASI 52-Week Performance



- ❖ The valuation gap between stocks in Saudi Arabia and Dubai has expanded to the widest since 2011. Saudi shares have traded at a premium compared to those in Dubai most part of the time in the past seven years, but the gap has widened in 2018 as bets that the kingdom would be included in emerging-market benchmarks by MSCI and FTSE Russell fueled a rally, pushing valuations higher. In Dubai, which is already part of those indexes, concerns tied to the emirate's real estate market have been weighing on stocks. The average estimated price-to-earnings ratio for Saudi shares climbed to 14.8 this week, compared with 7.4 for stocks composing Dubai's main stock benchmark. The difference between them is the biggest since January 2011.
- ❖ Global index compiler MSCI will consider reclassifying Kuwait from Frontier Market to Emerging Market status at its annual market review in 2019. As part of the results for the 2018 Annual Market Classification Review, MSCI noted that it will include the MSCI Kuwait Index as part of its review next year. The MSCI Kuwait Index is designed to measure the performance of large and mid-cap segments of the Kuwait market. The index has eight constituents, which cover 85 percent of the Kuwait equity universe, according to MSCI. The index's constituents include the National Bank of Kuwait, the Kuwait Finance House, Mobile Telecom Co., Agility, Boubyan Banking, Mabanee Co SAKC, Burgan Bank and Kuwait Project Co Holdings.

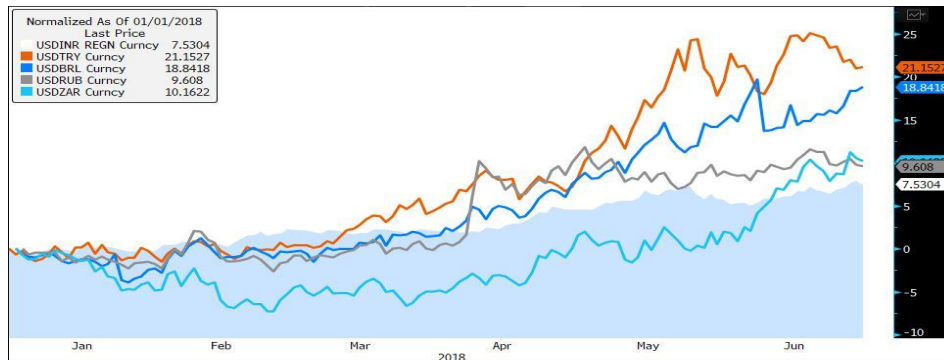
## Commodity Market News

Commodities	Net			
	Closing	Change	% Change	YTD
Gold Spot	1,252.60	-17.96	-1.41%	-3.85%
Silver Spot	16.12	-0.34	-2.07%	-4.84%
Platinum Spot	853.33	-24.04	-2.74%	-8.07%
Palladium Spot	955.48	-2.92	-0.30%	-10.16%
Crude Oil (WTI)	74.15	+5.57	8.12%	22.72%
Crude Oil (Brent)	79.23	+3.68	4.87%	18.48%
Baltic Dry Ind	1,385.00	+44.00	3.28%	1.39%

- ❖ Oil prices rose on Friday as U.S. sanctions against Iran threatened to remove a substantial volume of crude from world markets at a time of rising global demand. Iran is the fifth-largest oil producer in the world, pumping about 4.7 million barrels per day (bpd), or almost 5 percent of world's oil, much of it to China and other energy-hungry nations such as India

## Currency Market News

Currencies				
	Closing		Closing	
GBP/USD	1.321	EUR/USD	1.168	
USD/JPY	110.760	AUD/USD	0.741	
USD/CHF	0.991	EUR/AED	4.274	
USD/INR	68.470	EUR/INR	79.779	
USD/CNY	6.621	EUR/CHF	1.157	
USD/RUB	62.742	AED/INR	18.638	



- ❖ The Indian rupee hit a record low of 69 against the US dollar last week, down over 7.5% for the year. Apart from the Rupee, other BRICS currencies like the Ruble, Rand and Real are down 9.6%, 10.2% and 18.8% for the year respectively. Emerging Market currencies have suffered against the USD in the first half of 2018.
- ❖ The British pound has suffered its worst quarter since the vote to leave the European Union in June 2016 triggered one of the biggest selloffs in the currency's history. Worries that Britain will run out of time to agree a deal with the European Union for life after Brexit, a resurgent U.S. dollar and weakness in the economy have combined to hammer the pound, which had started 2018 as one of the best performing major currencies.

## Investment Banking Deals

- ❖ Sell-down of the jumbo \$13.5 billion financing backing Blackstone Group's (BX.N) \$20 billion acquisition of a 55 percent stake in Thomson Reuters' Financial and Risk unit is under way. A \$8 billion-equivalent Term Loan B is being shown to large institutional investors before an expected September launch, and a \$5.5 billion bridge loan to high-yield bond issues has also been launched.
- ❖ Amazon.com Inc wants to buy small online pharmacy PillPack, a move that will put the world's biggest online retailer in direct competition with drugstore chains, drug distributors and pharmacy benefit managers. The deal's potential to disrupt major players across the drug supply chain nationwide prompted a sell-off in shares of possible rivals, while sending Amazon shares up 2.5 percent.
- ❖ China Tower, the world's largest mobile mast operator, has won approval in Hong Kong for an IPO that could raise up to \$10 billion. China Tower won approval from Hong Kong's listing committee, an independent group of market participants convened by the Hong Kong exchange. The company could begin pre-marketing of the deal as soon as next week. Books could open as soon as July 9.

Sources: CNBC, Bloomberg, Wall Street Journal & Reuters

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