

9<sup>th</sup> July 2018

OUR WEEKLY CAPITAL MARKETS UPDATE

## US & Europe Market News

US Indices				
	Closing	Net		YTD
		Change	% Change	
DJIA	24,456.48	+240.43	0.99%	-1.06%
S&P 500	2,759.82	+43.51	1.60%	3.22%
NASDAQ Composite	7,688.39	+184.70	2.46%	11.37%
TSX Composite Index	16,371.78	+191.89	1.19%	1.00%
CBOE - VIX	13.37	-3.48	-20.65%	21.11%

Europe Indices				
	Closing	Net		YTD
		Change	% Change	
UK - FTSE 100	7,617.70	-19.23	-0.25%	-0.91%
Eurozone - STOXX 50	3,072.55	+29.59	0.97%	-3.31%
France - CAC 40	5,375.77	+52.24	0.98%	1.19%
Germany - DAX	12,496.17	+190.17	1.55%	-3.26%
Netherlands - AEX	553.62	+1.94	0.35%	1.66%
Switzerland - SMI	8,697.42	+88.12	1.02%	-7.30%

- ❖ US Stocks were volatile but rose for the holiday-shortened week. Continuing the pattern of recent months, the technology-heavy Nasdaq Composite Index and the smaller-cap benchmarks outperformed.
- ❖ Health care stocks were particularly strong within the S&P 500 Index, while financials shares lagged.
- ❖ The payrolls report came in a bit stronger than expected, helping end the week on a positive note. Employers added a healthy 213,000 jobs in June.
- ❖ Neither last week's Fed minutes nor the important payroll data had a significant impact on long-term interest rates, with the yield on the benchmark 10-year Treasury note decreasing slightly for the week.
- ❖ The German yield curve flattened due to reports that the ECB may buy more longer-dated bonds next year to control eurozone borrowing costs.
- ❖ Bank of England Governor Mark Carney spoke on Thursday about "greater confidence" in the UK's economy following recent data that showed stronger growth in the UK services sector.

## BRICS & Asia Market News

BRICS Indices				
	Closing	Net		YTD
		Change	% Change	
Brazil - Ibovespa	75,010.39	+2,247.88	3.09%	-1.82%
Russia - MICEX	2,345.38	+49.43	2.15%	11.17%
India - SENSEX	35,657.86	+234.38	0.66%	4.70%
China - Shanghai	2,747.23	-100.19	-3.52%	-16.93%
South Africa - JSE Africa	57,313.88	-297.10	-0.52%	-3.68%

Asia-Pacific Indices				
	Closing	Net		YTD
		Change	% Change	
Japan - Nikkei 225	21,788.14	-516.37	-2.32%	-4.29%
Hong Kong - Hang Seng	28,315.62	-181.70	-0.64%	-5.36%
South Korea - KOSPI	2,272.87	-53.26	-2.29%	-7.89%
Australia - ASX 200	6,272.29	+77.66	1.25%	3.42%

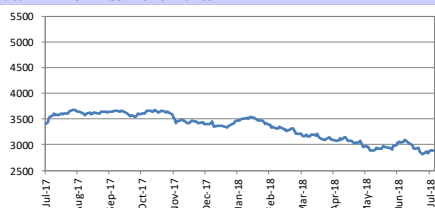
- ❖ Asian stocks bounced back to recover on Friday, recouping some of the losses from the week.
- ❖ Investors watched for developments on the trade front, as U.S. tariffs on \$34 billion worth of Chinese goods took effect, with China responding with duties on the same value in U.S. products.
- ❖ Japanese stocks declined for a third consecutive week. The Nikkei is now 4.3% lower for the year to date. The large-cap TOPIX Index and the TOPIX Small Index also declined and are down about 7% for the year to date.
- ❖ Japanese Prime Minister Shinzo Abe is firm in his conviction to raise the consumption tax from 8% to 10% in October 2019, but some observers believe that the tax should not be increased until the inflation rate reaches 2% and the economy demonstrates sustainable growth.
- ❖ China's main stock indexes extended a stretch of weekly losses as trade tensions with the U.S. ratcheted up. For the week, the benchmark Shanghai Composite Index shed 3.5% for its seventh straight down week, while the large-cap CSI300 Index fell 4.2%, its fifth weekly decline. Friday's decline pushed the Shanghai Composite Index deeper into bear market territory, off nearly 23% from its January high.

## Middle East Market News

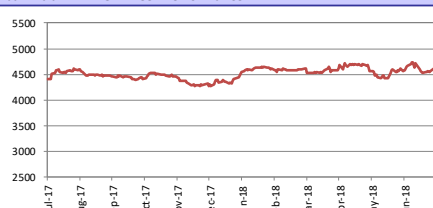
	Key Indices			
	Closing	Net Change	% Change	YTD
Dubai - DFM	2,885.35	+20.93	0.73%	-14.38%
Abu Dhabi - ADX	4,615.46	-5.69	-0.12%	4.93%
Saudi Arabia - TASI	8,222.53	-117.33	-1.41%	13.79%
Qatar - QE	9,325.15	+210.92	2.31%	9.41%
Bahrain - BHSE	1,336.32	+22.75	1.73%	0.35%
Oman - MSM 30	4,520.02	+172.97	3.98%	-11.36%
Kuwait	5,137.96	+243.41	4.97%	

(In Dollar Terms)

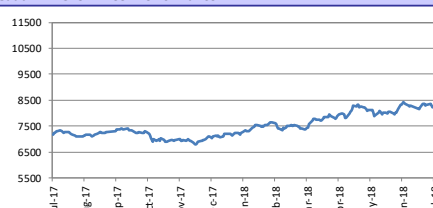
Dubai - DFM 52-Week Performance



Abu Dhabi - ADX 52-Week Performance



Saudi - TASI 52-Week Performance



- ❖ Dubai Gold and Commodities Exchange (DGCX) has achieved record results in the first half of 2018 with a 44% year on year rise in contracts, totalling over \$250 billion traded value for the time in its 13-year history. The exchange traded in 11,300,000 contracts in total, though it recorded 2,046,806 contracts in June alone, with traded value reaching \$42.3bn and marking a 74% increase from the same month last year.
- ❖ MSCI's recent move to include Saudi Arabia on the MSCI Emerging Markets index will attract "significant" capital inflows of \$45 billion to the kingdom. The inclusion should translate into \$10 billion from passive and \$35 billion from active investments, in addition to \$5 billion in inflows stemming from rival index provider FTSE's recent inclusion of Saudi Arabia on its own Emerging Market benchmark. In a statement, UBS noted that potential IPOs and an increased quota for foreign investor holdings might trigger additional inflows in coming months, with the market supported by fundamentals including higher energy prices and an ongoing recovery of corporate earnings.
- ❖ Expo 2020, economic reforms, Abu Dhabi's \$13.6 billion stimulus, and ADNOC's expansion could add about 1 percent to the UAE's non-oil real GDP growth in 2019. Structural reforms will support potential growth through higher human capital, population, real estate demand and competitiveness.

## Commodity Market News

	Commodities			
	Closing	Net Change	% Change	YTD
Gold Spot	1,255.48	+2.88	0.23%	-3.63%
Silver Spot	16.05	-0.07	-0.44%	-5.26%
Platinum Spot	844.42	-8.91	-1.04%	-9.03%
Palladium Spot	952.67	-2.81	-0.29%	-10.42%
Crude Oil (WTI)	73.80	+35	0.48%	22.14%
Crude Oil (Brent)	77.11	-2.33	-2.93%	15.31%
Baltic Dry Ind	1,622.00	+237.00	17.11%	18.74%

- ❖ Oil prices were mixed last week, with short-covering pushing up U.S. crude futures while Brent slipped on global trade tensions and increased Saudi production. In addition to reducing the price of its August barrels, Saudi Arabia also told the Organization of the Petroleum Exporting Countries (OPEC) that it increased production by almost 500,000 barrels per day last month. Renewed U.S. sanctions on Iran against its oil exports look set to tighten supply further.

## Currency Market News

Currencies			
	Closing		Closing
GBP/USD	1.328	EUR/USD	1.175
USD/JPY	110.470	AUD/USD	0.743
USD/CHF	0.989	EUR/AED	4.314
USD/INR	68.879	EUR/INR	80.712
USD/CNY	6.643	EUR/CHF	1.163
USD/RUB	62.966	AED/INR	18.723

- ❖ The dollar struggled near 3-1/2-week lows against its peers after U.S. jobs data showed slower-than-expected wage growth. The dollar index against a basket of six major currencies was 0.15 percent lower at 93.877.
- ❖ Sterling hit a two-week high against the U.S. dollar on Friday after British Prime Minister Theresa May secured a cabinet agreement for her plans to leave the European Union. The British pound rose as high as \$1.3290 against the dollar, a two-week peak, after the news.
- ❖ India's central bank may increasingly be turning to the currency futures market to stem a slide that sent the rupee to a record low last month. The Reserve Bank of India probably intervened to the tune of \$2.5 billion (Dh9.18 billion) in May, the highest for any month so far this year, and \$2 billion in June. That compares with \$3.6 billion for the entire January-April period.

## Investment Banking Deals

- ❖ Uber Technologies is in preliminary talks with rival Careem to combine their Middle Eastern ride-hailing services. The companies have discussed several potential deal structures and under one of them, Careem's current leaders would manage the new combined business while retaining one or both companies' local brands, and another proposal would be Uber acquiring the Middle East ride-hailing app.
- ❖ Xiaomi Corp's shares fell as much as 6 percent in their Hong Kong debut on concerns over the Chinese smartphone maker's valuation, in an ominous sign for its technology sector peers who have lined up listings in the city. The share performance of Xiaomi is a key test of investor sentiment for what is expected to be a packed initial public offering (IPO) calendar in the coming months. These include a \$4 billion deal from online food delivery-to-ticketing services platform Meituan Dianping and an up to \$10 billion IPO from China Tower, the world's largest mobile tower operator.
- ❖ Billionaire Anil Agarwal faces investor resistance to his \$1 billion bid to buy out minority shareholders in Vedanta Resources and take the London-listed Indian miner private. Vedanta, chaired by its 64-year-old founder Agarwal, on Monday announced that its independent board directors were prepared to back an 825 pence-a-share bid from Agarwal's family trust, Volcan, to acquire the 33.5 percent of the company that it does not already own and delist the group. But a large minority shareholder in the mining group told Reuters the bid was too low and that his investment firm will raise concerns about the deal with Vedanta's independent directors.

Sources: CNBC, Bloomberg, Wall Street Journal & Reuters

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