

16<sup>th</sup> July 2018

OUR WEEKLY CAPITAL MARKETS UPDATE

## US & Europe Market News

US Indices				
	Closing	Net		YTD
		Change	% Change	
DJIA	25,019.41	+562.93	2.30%	1.21%
S&P 500	2,801.31	+41.49	1.50%	4.78%
NASDAQ Composite	7,825.98	+137.59	1.79%	13.36%
TSX Composite Index	16,561.12	+189.34	1.16%	2.17%
CBOE - VIX	12.56	-.13	-1.02%	13.77%

Europe Indices				
	Closing	Net		YTD
		Change	% Change	
UK - FTSE 100	7,613.96	-74.03	-0.96%	-0.96%
Eurozone - STOXX 50	3,081.83	-7.99	-0.26%	-3.02%
France - CAC 40	5,421.39	+23.28	0.43%	2.05%
Germany - DAX	12,556.56	+12.67	0.10%	-2.80%
Netherlands - AEX	559.41	+1.70	0.30%	2.72%
Switzerland - SMI	8,851.93	+92.01	1.05%	-5.65%

- ❖ Most of the major US benchmarks emerged with gains after a week of substantial volatility. The smaller-cap benchmarks and the technology-heavy Nasdaq Composite Index managed to climb to new records, but the narrowly focused Dow Jones Industrial Average performed best as large-caps outpaced small-caps.
- ❖ Consumer prices in June increased 2.9% over a year ago—the highest rate in six years and more than offsetting the 2.7% increase in average annual wages over the same period.
- ❖ The impact of ongoing trade disputes was evident in producer prices, which rose 0.3% in June, building on a 0.5% increase in May. On an annualized basis, producer prices rose 3.4%, their fastest increase in nearly seven years.
- ❖ Inflation concerns failed to appear in the bond market, however, at least in terms of long-term interest rate expectations. The yield on the benchmark 10-year Treasury note ended unchanged after rising a bit early in the week.
- ❖ Most European equities ended higher in yet another week punctuated by escalating trade tensions, as well as political uncertainty amid ongoing Brexit negotiations.
- ❖ UK consumer spending on entertainment, barbecues, and televisions, prompted by hopes to win and celebrate soccer's World Cup, rose in June, according to the British Retail Consortium. Total retail sales rose 2.3% in June 2018.
- ❖ Escalating global trade tensions have soured the mood for German investors, with optimism slumping in July to its lowest in nearly six years

## BRICS & Asia Market News

BRICS Indices				
	Closing	Net		YTD
		Change	% Change	
Brazil - Ibovespa	76,594.35	+2,041.29	2.74%	0.25%
Russia - MICEX	2,346.34	-26.83	-1.13%	11.21%
India - SENSEX	36,323.77	+389.05	1.08%	6.66%
China - Shanghai	2,814.04	-1.07	-0.04%	-14.91%
South Africa - JSE Africa	55,866.95	-2,352.96	-4.04%	-6.11%

Asia-Pacific Indices				
	Closing	Net		YTD
		Change	% Change	
Japan - Nikkei 225	22,597.35	+809.21	3.71%	-0.74%
Hong Kong - Hang Seng	28,539.66	-148.84	-0.52%	-4.61%
South Korea - KOSPI	2,301.99	+16.19	0.71%	-6.71%
Australia - ASX 200	6,241.52	-44.52	-0.71%	2.91%

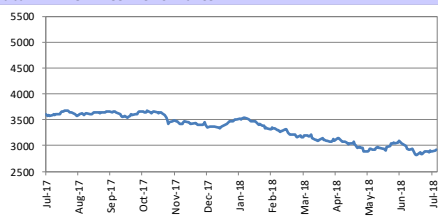
- ❖ Japanese stocks posted their best weekly gain in the past six months. The Nikkei 225 Stock Average rallied 3.7% and closed at 22,597.35 on Friday, recouping almost all its year-to-date losses.
- ❖ Rising oil and coal import costs contributed to wholesale prices rising 2.8% year over year through June, which was the fastest rate increase this year.
- ❖ The trade battle between the U.S. and China deepened after the Trump administration threatened Tuesday to impose 10% tariffs on \$200 billion of Chinese products ranging from clothing to furniture. China's trade surplus with the U.S. grew to \$28.97 billion last month. The new surplus is the highest on record.
- ❖ The IPO lane in India is getting busy as at least seven companies, including Lodha Developers and HDFC Mutual Fund, are expected to hit the capital market in the coming week to raise over Rs 140 billion (\$2.05 billion).

## Middle East Market News

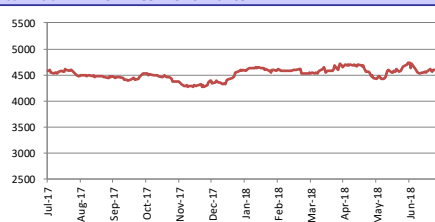
	Key Indices			
	Closing	Net		YTD
		Change	% Change	
Dubai - DFM	2,919.46	+44.14	1.54%	-13.37%
Abu Dhabi - ADX	4,747.09	+130.13	2.82%	7.93%
Saudi Arabia - TASI	8,445.67	+119.08	1.43%	16.87%
Qatar - QE	9,439.97	+174.97	1.89%	10.75%
Bahrain - BHSE	1,351.87	+17.44	1.31%	1.51%
Oman - MSM 30	4,448.77	-68.50	-1.52%	-12.76%
Kuwait	5,238.95	+107.73	2.10%	

(In Dollar Terms)

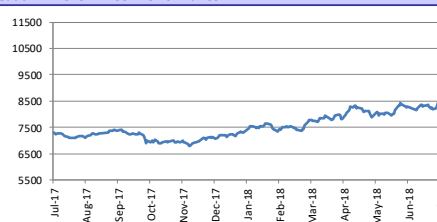
Dubai - DFM 52-Week Performance



Abu Dhabi - ADX 52-Week Performance



Saudi - TASI 52-Week Performance



- ❖ Bahrain needs a comprehensive package of reforms to reduce its fiscal deficits over the medium term, the IMF said, as the island kingdom seeks to secure crucial support from rich neighbors to avoid a currency devaluation. The IMF emphasized the need to introduce direct taxation, including a corporate income tax, while containing the public wage bill and targeting subsidies to the poorest and said Bahrain's exchange rate peg to the dollar remains appropriate for the economy.
- ❖ Saudi Arabia and the United Arab Emirates have committed to invest \$20 billion in South Africa's energy as well as tourism and mining sectors. The money forms a sizeable chunk of Ramaphosa's mission to generate \$100 billion of foreign direct investment. South Africa is the African continent's most industrialized country, its once-promising economy has suffered years of slow growth due to a decrease in the price of commodities and endemic governmental corruption.
- ❖ The Abu Dhabi Securities Exchange's (ADX) general index lost 0.55% in the second quarter of 2018, while market capitalization declined to AED 461.03 billion in Q2-18. The telecommunication sector and its only stock, Etisalat, decreased by 8.5% each from April to the end of June, while the real estate sector shed 6.42%, as Aldar Properties went down 6.16% in the same period.

## Commodity Market News

	Commodities			
	Closing	Net		YTD
		Change	% Change	
Gold Spot	1,243.69	-13.99	-1.11%	-4.54%
Silver Spot	15.80	-0.32	-1.95%	-6.71%
Platinum Spot	827.91	-22.97	-2.70%	-10.81%
Palladium Spot	936.41	-23.87	-2.49%	-11.95%
Crude Oil (WTI)	69.82	-4.03	-5.46%	15.56%
Crude Oil (Brent)	73.82	-4.25	-5.44%	10.39%
Baltic Dry Ind	1,666.00	+44.00	2.71%	21.96%

- ❖ Oil prices reversed earlier losses on Friday but posted a second straight week of decline. The International Energy Agency (IEA) warned on Thursday that the world was short of spare supply capacity. IEA also said demand for crude oil will be softer than previously expected in the second half of the year.

## Currency Market News

Currencies				
	Closing		Closing	
GBP/USD	1.326	EUR/USD	1.171	
USD/JPY	112.410	AUD/USD	0.743	
USD/CHF	0.999	EUR/AED	4.300	
USD/INR	68.619	EUR/INR	80.319	
USD/CNY	6.676	EUR/CHF	1.169	
USD/RUB	62.252	AED/INR	18.681	

- ❖ The dollar dipped against a basket of currencies, fading from a two-week peak which was tied to news of a record Chinese trade surplus that may fuel U.S.-China trade tensions and that briefly spurred safe-haven bids for the greenback.
- ❖ Sterling rebounded on Friday after U.S. President Donald Trump said he looked forward to finalising a post-Brexit trade deal with Britain, though a firm greenback and trade tensions weighed on the British currency. The week's losses have more than erased last week's modest gains on the back of growing expectations of a interest rate hike from the Bank of England in August. The British currency has fallen 9 percent from a near-two year high hit in April.

## Investment Banking Deals

- ❖ Malaysia's IHH Healthcare Bhd is set to take control of India's Fortis Healthcare after its bid of up to \$1.1 billion was chosen over a rival's, giving it ownership of over 30 hospitals amid a private healthcare boom in India. IHH's 170 rupees per share offer for as much as 57 percent of Fortis was chosen on Friday over a joint bid from Indian firm Manipal Health Enterprises Ltd and U.S. private equity firm TPG Capital.
- ❖ French oil and gas major Total has completed a \$1.5 billion deal to acquire Engie's upstream Liquefied Natural Gas (LNG) business to become the second-largest player in the global LNG market.
- ❖ JD.com Inc's finance affiliate said on Thursday it has signed binding agreements with investors to raise 13 billion yuan (\$1.96 billion) in fresh equity at a valuation of nearly \$20 billion. The fundraising underscores investor enthusiasm for big, privately-held Chinese technology companies even as public valuations falter.
- ❖ U.S. hedge fund Tiger Global has built a stake worth over \$1 billion in SoftBank Group Corp as it considers the Japanese firm undervalued, driving SoftBank shares up as much as 6.8 percent. The bump added nearly \$6 billion to SoftBank's market capitalization, narrowing the gap between the company's limited valuation as a conglomerate and the valuation that the company says it deserves, thanks to its rich investments. New York-based Tiger Global, which manages around \$22 billion in assets, told investors in a letter that SoftBank's stock price had not increased over the last five years even though its holding in Alibaba had added more than \$90 billion in value.

Sources: CNBC, Bloomberg, Wall Street Journal & Reuters

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