

24th June 2018

OUR WEEKLY CAPITAL MARKETS UPDATE

US & Europe Market News

US Indices

	Closing	Net		YTD
		Change	% Change	
DJIA	24,580.89	-509.59	-2.03%	-0.56%
S&P 500	2,754.88	-24.78	-0.89%	3.04%
NASDAQ Composite	7,692.82	-53.56	-0.69%	11.44%
TSX Composite Index	16,450.14	+135.73	0.83%	1.49%
CBOE - VIX	13.77	+1.79	14.94%	24.73%

Europe Indices

	Closing	Net		YTD
		Change	% Change	
UK - FTSE 100	7,682.27	+48.36	0.63%	-0.07%
Eurozone - STOXX 50	3,081.12	-7.68	-0.25%	-3.04%
France - CAC 40	5,387.38	-114.50	-2.08%	1.41%
Germany - DAX	12,579.72	-430.83	-3.31%	-2.62%
Netherlands - AEX	560.34	-1.37	-0.24%	2.89%
Switzerland - SMI	8,616.56	-26.04	-0.30%	-8.16%

- ❖ Major US benchmarks were flat to lower for the week.
- ❖ The narrowly focused Dow Jones Industrial Average performed worst, hurt by its focus on industrial firms and exporters as trade conflicts appeared to deepen. The technology-focused Nasdaq Composite Index fared better and reached a new record high at midweek, as did the small-cap Russell 2000 Index.
- ❖ Stocks fell sharply after President Trump directed his administration to draw up a list of tariffs on another \$200 billion of Chinese goods. Industrials shares performed worst due to trade worries, dragged lower in particular by leading exporters Boeing and Caterpillar.
- ❖ In a volatile week for European equities, most of the major indexes ended lower. The pan-European STOXX 600 Index fell by about 2%, with most of the losses coming midweek, when automobile, mining, and technology stocks led the index lower.
- ❖ Greece and its eurozone creditors reached a deal on debt relief. Ministers agreed to extend the maturities on some €100 billion of Greek debt by 10 years, effectively leaving the country with only small repayments until after 2030.
- ❖ Both Italy's coalition partners have pledged to increase the fiscal deficit to fund new spending programs. The size of Italy's government debt means that if Italy runs into trouble, the EU would not be able to bail out Italy in the way it did for Greece.

BRICS & Asia Market News

BRICS Indices

	Closing	Net		YTD
		Change	% Change	
Brazil - Ibovespa	70,640.65	-117.08	-0.17%	-7.54%
Russia - MICEX	2,249.68	+12.15	0.54%	6.63%
India - SENSEX	35,689.60	+67.46	0.19%	4.79%
China - Shanghai	2,889.76	-154.40	-5.07%	-12.62%
South Africa - JSE Africa	56,856.66	-803.84	-1.39%	-4.45%

Asia-Pacific Indices

	Closing	Net		YTD
		Change	% Change	
Japan - Nikkei 225	22,516.83	-334.92	-1.47%	-1.09%
Hong Kong - Hang Seng	29,338.70	-1,101.47	-3.62%	-1.94%
South Korea - KOSPI	2,357.22	-46.82	-1.95%	-4.47%
Australia - ASX 200	6,225.23	+131.20	2.15%	2.64%

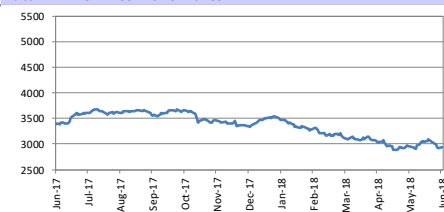
- ❖ Asian Stocks were mostly lower for the week on the back on rising trade tensions. Apart from trade, the backdrop of a deterioration in forward-looking indicators of global growth and a stronger dollar has resulted in a more cautious outlook for equity markets in the region.
- ❖ China's benchmark stock index ended the week on the verge of a bear market—commonly defined as a drop of at least 20% from its high—as China and the U.S. exchanged more barbs on trade, compounding investors' worries about China's cooling growth. For the week, the benchmark Shanghai Composite Index shed 4.4% and the large-cap CSI300 Index fell 3.8%, marking the worst week for both gauges since February.
- ❖ The Japan Trade Union Confederation announced a 2.1% wage increase for its workers in the spring wage negotiations, significantly less than Prime Minister Shinzo Abe's stated goal of 3% wage growth.
- ❖ As India battles a potentially \$165-billion bad-loan resolution, its 21 state-run banks are struggling to survive, let alone pay part of their profits to the government. Dividend payouts for FY18 would be the worst by Indian state-run banks since FY09, when the economy was seeking to clamber out of the subprime sinkhole. The payouts have fallen progressively since FY15, when banks led by the State Bank of India had paid the government Rs 6,940 crore (\$1.1 billion approximately) in dividends.

Middle East Market News

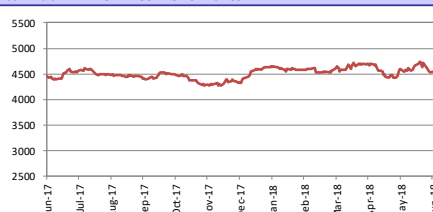
	Key Indices			
	Closing	Net		YTD
		Change	% Change	
Dubai - DFM	2,929.06	-109.17	-3.59%	-13.09%
Abu Dhabi - ADX	4,550.51	-164.22	-3.48%	3.46%
Saudi Arabia - TASI	8,350.96	+80.50	0.97%	15.56%
Qatar - QE	9,005.34	-155.63	-1.70%	5.65%
Bahrain - BHSE	1,306.75	+18.84	1.46%	-1.87%
Oman - MSM 30	4,593.28	-4.90	-0.11%	-9.92%
Kuwait	4,824.08	-11.23	-0.23%	

(In Dollar Terms)

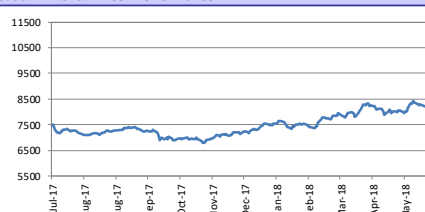
Dubai - DFM 52-Week Performance



Abu Dhabi - ADX 52-Week Performance



Saudi - TASI 52-Week Performance



- ❖ UAE-listed companies, including some of the country's biggest banks, have been asked to declare their exposure to embattled private equity firm Abraaj, which filed for provisional liquidation last week. The Securities & Commodities Authority (SCA) sent a letter last week and companies had until Thursday to submit their responses. The Middle East's biggest private equity firm, which at its peak had nearly \$14 billion of assets under management, is working with liquidators to restructure its liabilities in the wake of allegations earlier this year that it misused investors' money in a healthcare fund.
- ❖ Saudi stocks rose, riding the wave of MSCI's announcement last week that it would add the kingdom's stock market to its emerging markets benchmark. MSCI's move could help attract \$40 billion from foreign funds. Saudi Arabia's addition came after another index provider, FTSE Russell, gave Saudi Arabia emerging market status earlier this year. The Saudi index is up nearly 14 percent this year, the best performing index in the Gulf region.

Commodity Market News

	Commodities			
	Closing	Net		YTD
		Change	% Change	
Gold Spot	1,270.56	-8.38	-0.66%	-2.47%
Silver Spot	16.46	-0.11	-0.65%	-2.83%
Platinum Spot	877.37	-10.81	-1.22%	-5.48%
Palladium Spot	958.40	-32.62	-3.29%	-9.88%
Crude Oil (WTI)	68.58	+3.52	5.41%	13.51%
Crude Oil (Brent)	75.55	+2.11	2.87%	12.98%
Baltic Dry Ind	1,341.00	-104.00	-7.20%	-1.83%

- ❖ Oil prices surged as much as 5 percent on Friday as OPEC agreed to a modest increase in output to compensate for losses in production at a time of rising global demand. The Organization of the Petroleum Exporting Countries said in a statement that it would go back to 100 percent compliance with previously agreed output cuts, that would equate to an effective increase of around 1m bopd. A large decline in inventories at the U.S. storage hub of Cushing, Oklahoma also helped trigger the rally.

Currency Market News

Currencies			
	Closing		Closing
GBP/USD	1.326	EUR/USD	1.165
USD/JPY	109.970	AUD/USD	0.744
USD/CHF	0.988	EUR/AED	4.281
USD/INR	67.833	EUR/INR	78.953
USD/CNY	6.505	EUR/CHF	1.152
USD/RUB	62.880	AED/INR	18.481

- ❖ The euro climbed as traders were encouraged by improved regional economic growth data and new assurances by Italian politicians that their nation would not leave the single currency. The euro registered a weekly gain of nearly 0.5 percent against the dollar.
- ❖ The pound rose to a month high after a Bank of England meeting revived expectation of a rate hike this year, but fears of a breakdown in Brexit talks next week limited sterling's gains. The British currency has struggled through much of June, weighed down by worries about a slowdown in the economy and fraught attempts by British diplomats to secure a deal to exit the European Union in March.
- ❖ Bitcoin dropped to a more than four-month low, continuing a downtrend after more negative headlines such as Japan's financial regulator ordering six digital currency exchanges to make improvements on their anti-money laundering systems.

Investment Banking Deals

- ❖ A subsidiary of JPMorgan Chase & Co has agreed to sell its minority stake in Saudi Investment Bank for 759.3 million riyals (\$203 million).
- ❖ Chinese smartphone maker Xiaomi Corp has lined up \$548 million from seven cornerstone investors including U.S. chipmaker Qualcomm Inc for its Hong Kong IPO of up to \$6.1 billion. Xiaomi, which also makes internet-connected devices, has set a price range of HK\$17 to HK\$22 (\$2.17 to \$2.80) each for its listing in the Asian financial hub, one of the biggest tech floats globally in recent years.
- ❖ Royal Dutch Shell announced the sale of oil and gas assets in Norway and Malaysia for over \$1.3 billion, bringing it closer to a target of \$30 billion in disposals by year-end. The Anglo-Dutch company agreed to sell to OKEA, a Norwegian producer backed by private equity firm Seacrest Capital, its 45 percent interest in the Draugen Norwegian offshore field and a 12 percent in the Gjoa block for a total of \$566 million.
- ❖ Walt Disney Co raised its bid for the bulk of Twenty-First Century Fox Inc's film and television assets to \$71.3 billion, sweetening its deal with cash as it looks to upend Comcast Corp's \$65 billion offer. The new cash-or-stock deal may be attractive to Fox's largest shareholder, Rupert Murdoch, who owns 17 percent voting shares along with his family.
- ❖ Carlyle Group has raised \$6.55 billion for its Asia private equity fund, its biggest ever, which will seek buyout and strategic investment opportunities across a wide range of sectors in the region. Investor interest in Asia-focused private equity has grown as deals have increased in size following corporate restructuring and as global private equity funds make headway in key markets, including China, India and Japan.

Sources: CNBC, Bloomberg, Wall Street Journal & Reuters

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