

## - NOUVELLES -

### OUR WEEKLY CAPITAL MARKETS UPDATE

28<sup>th</sup> May 2018

## US & Europe Market News

US Indices				
	Closing	Net		YTD
		Change	% Change	
DJIA	24,753.09	+38.00	0.15%	0.14%
S&P 500	2,721.33	+8.36	0.31%	1.78%
NASDAQ Composite	7,433.85	+79.52	1.08%	7.68%
TSX Composite Index	16,075.67	-67.88	-0.42%	-0.82%
CBOE - VIX	13.22	-.20	-1.49%	19.75%

Europe Indices				
	Closing	Net		YTD
		Change	% Change	
UK - FTSE 100	7,730.28	-48.51	-0.62%	0.55%
Eurozone - STOXX 50	3,117.13	-40.40	-1.28%	-1.91%
France - CAC 40	5,542.55	-71.96	-1.28%	4.33%
Germany - DAX	12,938.01	-176.60	-1.35%	0.16%
Netherlands - AEX	562.77	-4.26	-0.75%	3.34%
Switzerland - SMI	8,759.08	-229.25	-2.55%	-6.64%

- ❖ Major US indexes were flat to slightly higher in light trading ahead of the Memorial Day weekend. Energy shares performed worst within the S&P 500 Index, while utilities stocks recorded solid gains as longer-term bond yields fell, making their relatively high dividend yields more attractive in comparison.
- ❖ Treasury Secretary Steven Mnuchin provided a boost to sentiment to start the week by remarking that the trade war with China was “on hold” after progress in talks over the weekend. However, trade sentiment turned sour again on Wednesday after the Commerce Department announced that it was investigating whether auto imports were posing a threat to the U.S. industry.
- ❖ The dovish tone of the Fed minutes and growing demand for perceived “safe-haven” assets amid geopolitical uncertainty helped push longer-term Treasury yields substantially lower for the week.
- ❖ Geopolitical uncertainty and soft economic data led to European market volatility during the week, as investors wrestled with the ever-changing developments regarding an historic meeting between the U.S. and North Korea, as well as growing concerns about political issues in Italy, Spain, and the UK. The pan-European STOXX 600 Index posted a weekly loss, breaking its longest string of gains since mid-2014.
- ❖ The eurozone purchasing managers’ index (PMI), a key survey of business activity, fell to its lowest level in more than a year, calling into question the strength of Europe’s economic recovery

## BRICS & Asia Market News

BRICS Indices				
	Closing	Net		YTD
		Change	% Change	
Brazil - Ibovespa	78,897.66	-4,184.22	-5.04%	3.27%
Russia - MICEX	2,306.57	-20.37	-0.88%	9.33%
India - SENSEX	34,924.87	+76.57	0.22%	2.55%
China - Shanghai	3,141.30	-52.00	-1.63%	-5.02%
South Africa - JSE Africa	56,916.97	-887.36	-1.54%	-4.35%

Asia-Pacific Indices				
	Closing	Net		YTD
		Change	% Change	
Japan - Nikkei 225	22,450.79	-479.57	-2.09%	-1.38%
Hong Kong - Hang Seng	30,588.04	-354.11	-1.14%	2.24%
South Korea - KOSPI	2,460.80	+12.35	0.50%	-0.27%
Australia - ASX 200	6,032.82	-54.53	-0.90%	-0.53%

(In Dollar Terms)

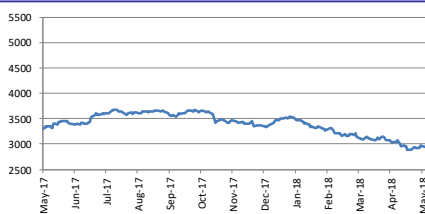
- ❖ Asian stocks closed mostly lower amid political uncertainty after Trump cancelled the North Korea summit.
- ❖ The Nikkei 225 Stock Average lost 2.09%, ending a string of eight consecutive positive weeks – pushing it back into negative territory for the year. Japanese automakers registered sharp declines amid reports that the Trump administration was considering tariffs of up to 25% on imported cars – Toyota, Nissan and Honda all closing significantly lower for the week.
- ❖ Mainland China’s benchmark stock index posted their biggest weekly drops in a month, capping a week marked by geopolitical volatility. Ending the week 1.6% lower, and 5% down Year-to-Date.
- ❖ The Indian Sensex resisted the highly volatile week and managed to end with moderate gains. The weakening macro situation following rising crude and depreciating rupee have pushed the country’s 10-year bond yield to highest level in 3.5 years, while inflation concerns anticipated interest rate hike eschewed the market players to look the other way.

## Middle East Market News

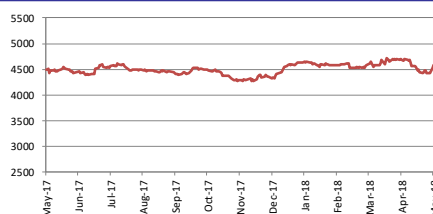
	Key Indices			
	Closing	Net Change	% Change	YTD
Dubai - DFM	2,939.14	+20.40	0.70%	-12.79%
Abu Dhabi - ADX	4,558.64	+132.78	3.00%	3.64%
Saudi Arabia - TASI	7,990.20	-27.86	-0.35%	10.57%
Qatar - QE	9,010.18	+153.28	1.73%	5.71%
Bahrain - BHSE	1,263.18	-4.08	-0.32%	-5.15%
Oman - MSM 30	4,566.98	-23.18	-0.50%	-10.44%
Kuwait	4,733.84	-66.07	-1.38%	

(In Dollar Terms)

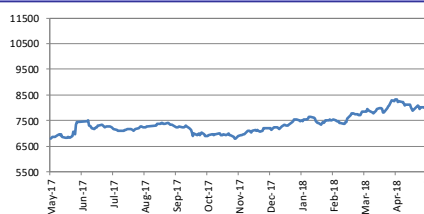
Dubai - DFM 52-Week Performance



Abu Dhabi - ADX 52-Week Performance



Saudi - TASI 52-Week Performance



- ❖ Saudi Arabia's finance ministry sold 3.95 billion riyals (\$1.05 billion) of domestic sukuk in its monthly sale by re-opening an issue originally made last month, the ministry said. It sold 3.35 billion riyals of five-year sukuk, 350 million riyals of seven-year and 250 million riyals of 10-year.
- ❖ In anticipation of a pickup in yield curve, which is at historically low levels due to rising interest rates, investors in the UAE are piling into shorter duration bonds to derive extra returns. The spread between 2 and 10-year Treasury note yields to less than half a per cent for the first time since 2007, indicating a flatter yield curve. But the curve is expected to move up as Fed continues to raise short-term policy rates, with two additional quarter-point rate hikes by year-end.
- ❖ In the Gulf, bond issuance is expected to be at \$75 - \$80 billion for 2018 as higher oil prices reduce budget deficits of Gulf countries and reduce their dependence on external borrowings. This is compared to the \$85 billion of borrowing by GCC countries in 2017.

## Commodity Market News

	Commodities			
	Closing	Net Change	% Change	YTD
Gold Spot	1,302.25	+9.21	0.71%	-0.04%
Silver Spot	16.51	0.07	0.41%	-2.52%
Platinum Spot	901.10	13.79	1.55%	-2.92%
Palladium Spot	981.35	13.72	1.42%	-7.73%
Crude Oil (WTI)	67.88	-3.40	-4.77%	12.35%
Crude Oil (Brent)	76.44	-2.07	-2.64%	14.31%
Baltic Dry Ind	1,077.00	-196.00	-15.40%	-21.16%

- ❖ Oil prices fell more than 2 percent towards \$77 a barrel on Friday as Saudi Arabia and Russia said they were ready to ease supply curbs that have pushed crude prices to their highest since 2014. Along with their counterpart from the United Arab Emirates, an output increase of about 1 million barrels per day (bpd) is being discussed.
- ❖ Gold prices broke the \$1,300 barrier as political uncertainty crept back in after Trump cancelled the North Korea summit.

## Currency Market News

Currencies			
	Closing		Closing
GBP/USD	1.331	EUR/USD	1.165
USD/JPY	109.410	AUD/USD	0.755
USD/CHF	0.991	EUR/AED	4.280
USD/INR	67.771	EUR/INR	79.280
USD/CNY	6.392	EUR/CHF	1.154
USD/RUB	62.300	AED/INR	18.434

- ❖ The dollar was little changed against a basket of major currencies after conflicting U.S. economic data released on Friday, leaving it on course for its largest weekly rise in 2017 amid a rise in expectations for inflation and U.S. interest rate hikes.
- ❖ The pound ended the week at a near five-month low of \$1.33, weighed down by worries over Brexit and signs of sustained weakness in Britain's economy. Sterling had been one of the best-performing currencies in 2018, but weak economic data and a recent surge in the dollar have erased all its gains for this year.
- ❖ Turkey's central bank raised interest rates by 300 basis points on Wednesday in an emergency move to put a floor under the plunging lira currency and calm investors unnerved by interventions from President Tayyip Erdogan. Investors had been betting the selloff in the lira - which has fallen about 20 percent so far this year to a series of record lows - would force the bank into action.

## Investment Banking Deals

- ❖ A consortium led by Swiss asset manager Partners Group Holding will buy Techem from Macquarie in a deal that values the German metering company at an enterprise value of 4.6 billion euros (\$5.4 billion). They plan to work with Techem's management to further develop the company, which supplies energy invoicing and energy management in buildings, in existing markets and expand into new geographic markets.
- ❖ Foxconn Industrial Internet (FII), a subsidiary of Foxconn, announced plans to raise up to 27.1 billion yuan (\$4.26 billion) in what will be mainland China's biggest IPO in almost three years. With 10 percent of its enlarged capital offered in the initial public offering, FII would have a valuation of about \$43 billion at listing.
- ❖ SoftBank Group Corp is selling its roughly 20 percent stake in Indian e-commerce firm Flipkart to Walmart Inc, the first public divestment by its Vision Fund. SoftBank did not disclose terms of the sale but CEO Masayoshi Son said its investment in the Indian firm was worth around \$4 billion.
- ❖ Dubai's biggest lender Emirates NBD agreed to buy Turkey's Denizbank from Russia's state-owned Sberbank for \$3.2 billion to help establish itself as a leading bank in the MENAT region. Denizbank is the fifth-largest private bank in Turkey and the biggest asset held by Sberbank outside Russia. The sale is part of a strategy by Russia's top lender to divest overseas businesses to focus on its domestic market. The deal is the biggest ever acquisition by Emirates NBD.

Sources: CNBC, Bloomberg, Wall Street Journal & Reuters

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