NOUVELLES

OUR WEEKLY CAPITAL MARKETS UPDATE

October 27, 2014

US Indices	Closing	Net Change	% Change	YTD
DJIA	16,805.41	+425.00	2.59%	1.38%
S&P 500	1,964.58	+77.82	4.12%	6.29%
NASDAQ	4,483.72	+225.28	5.29%	7.35%

Europe Indices	Closing	Net Change	% Change	YTD
STOXX 50	2,919.55	+63.51	2.22%	0.00%
FTSE 100	6,388.73	+78.44	1.24%	-5.34%
CAC 40	4,128.90	+95.72	2.37%	-3.89%
DAX	8,987.80	+137.53	1.55%	-5.91%

BRICS Indices	Closing	Net Change	% Change	YTD
Ibovespa	51,940.73	-3,783.06	-6.79%	0.84%
MICEX	1,380.39	-4.33	-0.31%	-8.22%
SENSEX	26,851.05	+851.71	3.28%	26.83%
Shanghai	2,302.28	-38.90	-1.66%	8.80%
JSE Africa	47,879.45	+42.76	0.09%	3.51%

Asia Indices	Closing	Net Change	% Change	YTD
Nikkei 225	15,291.64	+759.13	5.22%	-6.14%
Hang Seng	23,302.20	+278.99	1.21%	-0.02%
KOSPI	1,925.69	+25.03	1.32%	-4.26%

Commodities	Closing	Net Change	% Change	YTD
Gold Spot	1,231.01	-7.31	-0.59%	2.44%
Silver Spot	17.20	-.06	-0.36%	-11.64%
Crude Oil (WTI)	81.01	-1.74	-2.10%	-17.69%
Crude Oil (Brent)	86.13	-.03	-0.03%	-22.27%
Baltic Dry Ind	1,192.00	+248.00	26.27%	-47.65%

Money Market	Closing	Net Change (5-D)	Net Change (6-M)	Net Change (YTD)
3M Libor	0.233	0.002	0.005	-0.013
12M Libor	0.543	-0.004	-0.007	-0.041
3M Euribor	0.085	0.004	-0.252	-0.202
12M Euribor	0.341	0.001	-0.270	-0.215
10Y US	2.269	0.075	-0.412	-0.760
10Y UK	2.230	0.041	-0.461	-0.792
10Y Germany	0.892	0.033	-0.637	-1.037
10Y Japan	0.470	-0.006	-0.147	-0.271
10Y India	8.358	-0.032	-0.493	-0.467

Currencies	Closing		Closing
GBP/USD	1.609	EUR/USD	1.267
USD/JPY	108.160	AUD/USD	0.879
AED/INR	16.637	EUR/AED	4.654
USD/INR	61.281	EUR/INR	77.884
USD/CNY	6.117	EUR/CHF	1.206

Source: Bloomberg

For more information:

Mail: info@sidracapital.com

Tel: +971 4 4328369

Fax: +971 4 4343806

International Market News Update

In the US, S&P 500 had its best weekly gain since January 2013, driven by strong quarterly corporate earnings. Annual inflation was at 1.7% for the month of September. Weekly jobless claims were at 283,000, which is a 14-year low. Sales of existing homes rose in September to their highest level of 2014.

In Europe, UK's economy grew by 0.7% in the 3rd quarter bringing its growth rate at 2.8% for the past 12 months. In Germany, purchasing activity rose slightly in October but declined in France. The European Central Bank announced the final results of the asset-quality reviews and stress tests conducted by it on 130 lenders in the Eurozone. 25 banks failed the reviews and will require the total capital shortfall of around 25 billion euros to be raised from the financial markets within the next 6-9 months.

In Asia, exports grew strongly in Japan in September at 6.9% on an annual basis, at the fastest pace in the past 7 months. In India, festive buying on the occasion of Diwali helped prevent a major weekly fall in the price of gold.

Country in Focus

China's economy grew by 7.3% in the 3rd quarter, at its slowest pace since early 2009. This slowdown in the GDP data has been blamed on reduced structural reforms and a falling property market. Housing sales fell 10.8% for the first nine months of 2014 when compared to the same period in 2013, but real estate investments till September 2014 increased by 12.5%, thereby causing massive property over-supply. This over-capacity has caused prices of goods by industries relying on the real-estate sector, such as steel and cement, to be part of the longest period of price deflation in history; currently prices have been falling for 32 straight months till September. Factory output increased in September by 8% annually, up from the 6-year low of 6.9% recorded in August. Retail sales increased 11.6% annually in September. The benchmark stock indices in China posted their biggest weekly loss in 4 months on this economic data news as well as concerns that new IPOs are causing funds to be diverted from existing stocks.

Commodity in Focus

Saudi Arabia announced that in September it had cut oil supply to the market, causing oil prices to have a temporary bounce-back last week. This bounce-back vanished on assumptions that a cut in oil supply does not indicate that Saudi Arabia had cut its oil production as well and that Saudi Arabia had kept more of its own production output for domestic consumption. Domestic oil demand in Saudi Arabia is currently at a 12-year high. Crude oil prices are expected to remain under pressure due to the spread of Ebola and consequently less spending on travel or shopping. Also, US crude output is currently at a 30-year high due to oil drilling companies tapping the reserves in shale-rock formations.

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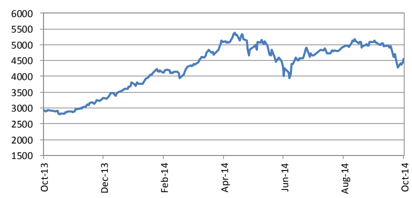
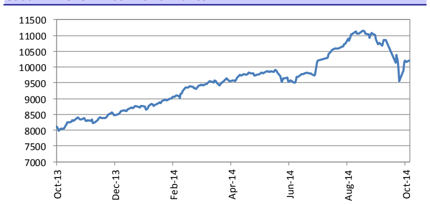
Key Indices	Closing	Net Change	% Change	YTD
Dubai - DFM	4,689.12	+269.76	6.10%	39.15%
Abu Dhabi - ADX	4,870.06	+76.51	1.60%	13.51%
Saudi - TASI	10,313.96	+538.64	5.30%	20.60%
Qatar - QE	13,544.04	+396.25	3.01%	30.49%
Bahrain - BHSE	1,437.04	-9.82	-0.68%	15.07%
Oman - MSM 30	7,009.71	+137.44	2.00%	2.56%
Kuwait	7,382.19	-5.66	-0.08%	-2.22%

Dubai - DFM 52-Week Performance



Abu Dhabi - ADX 52-Week Performance

Saudi - TASI 52-Week Performance



Source: Bloomberg

Middle East Market News Update

Stock exchanges in the GCC rebounded last week, recovering from their biggest weekly falls seen this year, due to the stronger upwards performance seen in global stock markets. Falling oil prices are preventing any sustainable recovery in the GCC stock markets. 3rd quarter earnings are expected to determine investor sentiments in the stock markets in the weeks ahead. The GCC stock markets saw a major bounce-back on opening this week.

En Bref..... Biggest Market News

Unsustainable debts and deflationary pressures. What is going wrong in the Eurozone?

The Eurozone seems to be heading for its third recession in nearly 6 years as data coming out of the region indicates poor economic growth. Unemployment, particularly in Spain, Italy and Greece, continue to be at historically high levels. The region's overall inflation rate is around 0.3% and is expected to be negative in 2015. Thus, a region that makes up close to 20% of the world output is heading towards deflation as well.

Deflation is a dangerous scenario to be in, particularly when faced along with stagnating economic growth, as people and companies expect prices to reduce and therefore, stop spending. This causes demand of goods to fall and loan defaults to rise. Politicians adopting populist measures seemed to have garnered larger election mandates in Europe over the past few years making necessary tax rises and spending cuts harder to implement.

Debt burdens have undoubtedly increased in the region in the past few years. The ratio of government debt to GDP rose from around 65% in 2007 to over 90% in 2013. The increase was more dramatic in countries like Greece, where the ratio went up to nearly 180% and Portugal, where the ratio almost doubled to around 130%. As bond yields rise, debt servicing becomes obviously difficult. Because of poor economic growth and deflationary pressures, governments will find it hard to reduce their debt obligations. Also, high private-sector debt causes overly indebted companies to find it harder to invest and grow.

Germany, the largest economy in the Eurozone, constantly insists on fiscal austerity and reducing government deficits while prompting the European Central Bank to avoid quantitative easing. This has caused France and Italy, the 2nd and 3rd largest economies in the Eurozone, to indulge in budget cuts and avoid making the structural reforms required to promote growth. Austerity also results in unemployment and lower living standards.