U Capital Morning Brief

24 February 2019

Market Indices	Current Close	Change	D/D	YTD	Price to Earnings	Price to Book	Div Yield
	Index	Point	%	%	(x)	(x)	%
U Capital Oman 20 Index	852.56	-5.32	-0.62%	-2.93%	-	-	-
U Capital GCC 50 Index	1,392.32	13.57	0.97%	6.31%	-	-	-
U Capital MENA 200 Index	1,100.09	10.52	0.96%	5.26%	-	-	-
MSCI GCC Countries Index	573.72	-0.01	0.00%	6.67%	14.66	1.86	3.7%
Muscat Securities Market	4,055.57	1.63	0.04%	-6.20%	8.39	0.78	6.4%
Saudi Stock Exchange	8,547.48	-19.76	-0.23%	9.21%	18.54	1.92	3.3%
Kuwait Stock Exchange	5,251.07	18.96	0.36%	3.38%	14.75	1.25	3.8%
Qatar Exchange	10,191.50	113.68	1.13%	-1.04%	14.52	1.51	4.3%
Bahrain Stock Exchange	1,404.84	-0.45	-0.03%	5.05%	8.99	0.87	5.8%
Dubai Financial Market	2,633.69	1.61	0.06%	4.11%	8.39	0.97	5.3%
Abu Dhabi Exchange	5,098.12	37.22	0.74%	3.72%	14.28	1.45	4.7%
Beirut Stock Exchange	938.07	-0.98	-0.10%	-3.96%	4.73	0.55	9.7%
Palestine Stock Exchange	541.16	-1.64	-0.30%	2.23%	11.38	1.21	4.4%
Tunis Se Index	7,185.67	10.44	0.15%	-1.18%	18.50	2.53	2.0%
EGX 30 Index	15,146.71	-66.83	-0.44%	16.19%	14.67	1.53	2.0%
Amman General Index	1,980.49	-3.43	-0.17%	3.76%	13.32	0.99	4.8%

** Kuwait YTD data is not available as the Index was reconstituted in April'18*

World Markets	Country	Value	D/D	YTD
Europe			%	%
FTSE 100	UK	7,178.6	0.16%	6.7%
DAX	Germany	11,457.7	0.30%	8.5%
CAC 40	France	5,215.9	0.38%	10.3%
United States				
DJIA	USA	26,031.8	0.70%	11.6%
S&P 500	USA	2,792.7	0.64%	11.4%
NASDAQ	USA	7,527.5	0.91%	13.4%
Asia Pacific				
NIKKEI 225	Japan	21,425.5	-0.18%	7.0%
HANG SENG	Hongkong	28,816.3	0.65%	11.5%
KSE 100 Index	Pakistan	40,016.1	-0.14%	8.0%
NSE Nifty 50	India	10,791.7	0.02%	-0.7%
SHANGHAI Composite	China	2,804.2	1.91%	12.4%
KOSPI Index	South Korea	2,230.5	0.08%	9.3%

Currency Cross Rates		
Currency	**USD/1 Unit**	**Units/1 USD**
Australian Dollar (AUD)	0.713	1.403
British Pound (GBP)	1.305	0.766
Canadian Dollar (CAD)	0.761	1.314
Chinese Renminbi (CNH)	0.149	6.710
Egyptian Pound (EGP)	0.057	17.539
Euro (EUR)	1.134	0.882
Indian Rupee (INR)	0.014	71.140
Japanese Yen (JPY)	0.009	110.690
New Zealand Dollar (NZD	0.685	1.461
Omani Rial (OMR)	2.598	0.385
Pakistani Rupee (PKR)	0.722	138.700
Russian Ruble (RUB)	0.015	65.384
Singapore Dollar (SGD)	0.740	1.351
Turkish Lira (TRY)	0.188	5.318

Commodity Prices	Price	D/D	YTD
	USD	%	%
Oil			
Brent Crude (per bbl)	67.1	0.07%	24.3%
WTI Crude (per bbl)	57.3	0.53%	26.1%
Oman Crude Oil (Last Closing)	67.3	0.00%	25.7%
OPEC (per bbl)	66.5	0.80%	29.0%
Precious Metals			
Gold100 OZ (per oz)	1,328.3	0.35%	3.6%
Silver (per oz)	15.9	0.73%	2.8%
Platinum (per oz)	842.8	2.39%	5.9%
Other Metals			
Copper, MT	6,478	1.54%	8.6%
Aluminium, MT	1,913	0.42%	3.6%
Lead, MT	2,075	0.44%	2.7%
Zinc, MT	2,724	1.53%	10.4%

GCC 3m Interbank Rates	Current Rate %
UAE	2.87
Saudi Arabia	2.93
Kuwait	2.63
Oman	2.84
Qatar	2.89
Bahrain	3.92

GCC Latest 10-Yr Government Bond Yields		
	Maturity date	**YTM, %**
Kuwait	3/20/2027	3.43
Abu Dhabi	10/11/2027	3.47
Qatar	6/2/2026	3.55
Saudi Arabia	3/4/2028	3.99
Oman	1/17/2028	6.50
Bahrain	10/12/2028	6.37

Midswaps	Price	YTM %
3 year	100.11	2.46
5 year	100.13	2.47
10 year	99.77	2.65
30 year	99.69	3.02

USD Libor	Rate (%)
1m	2.48
3m	2.65
6m	2.71
1 year	2.89

Source: Bloomberg

Note: All values are updated at 9:00 AM Muscat Time. Markets are closed on Saturday and Sunday

OMAN ECONOMIC & CORPORATE NEWS

U Capital: MSM30 continues decline despite good macro factors
The benchmark continued its weak performance in the past week despite good dividend announcements and attractive valuations. This could be due to weaker investors' appetite and GCC institutional selling. The MSM30 closed the week down by 1.31 per cent at 4,055.57. The Services Index led the declines within the sub-indices as it closed down by 1.92 per cent followed by the Financial Index (-0.31 per cent).
Source: **Oman Observer**

OMAN MAY CUT BORROWING AS IT TURNS TO ASSET SALES
Oman plans to slash its borrowing requirements for 2019 by as much as 70 per cent and rely on asset sales to plug its budget deficits, according to a senior government official. The sultanate will likely raise between US$2bn and US$3bn in bonds and loans, the official said on condition of anonymity because the plans haven't been made public. The budget had listed debt requirements of about US$6.2bn.
Source: **Muscat Daily**

New Oman Oil and Orpic Group to invest $28 bn over next 10 years
Oman Oil and Orpic Group, created out of the merger of Oman Oil Company SAOC (the wholly government-owned energy and strategic investment vehicle) and Orpic Group (the refining and downstream petrochemicals flagship), have pledged to invest, together with its local and international partners, in excess of $28 billion in the energy sector over the next 10 years.
Source: **Oman Observer**

Integration of power sector into Ministry of Oil and Gas ongoing
The incorporation of Oman's power sector into the Ministry of Oil and Gas, as mandated by Royal Decree 40/2018, is principally guided by two key premises: (i) coordination of all policy guidance with regard to the electricity sector with the Ministry of Oil and Gas, and (ii) recognising the Ministry's enhanced role as the sole agency to represent the power sector in the deliberations of the Council of Ministers.
Source: **Oman Observer**

Credit extended by banks reaches OMR25.1bn
The banking sector in the Sultanate continued to witness reasonable growth and support economic diversification initiatives, including providing adequate credit to the small and medium enterprise (SME) sector. The combined balance sheet of conventional and Islamic banks (other depository corporations) taken together provides a complete overview of the financial intermediation taking place in the banking system in the Sultanate.
Source: **Times of Oman**

34,828 commercial activities registered in 2018 third quarter
The number of registered commercial activities during the third quarter of 2018 was 34,828 compared with 32,567 in the same period of 2017. The statistics department of the Ministry of Commerce and Industry said that there were 6,166 construction contractors activities registered, the largest among the other activities.
Source: **Times of Oman**

Al Batinah Power's Board proposes dividend
The Board of Directors of the company has requested shareholders to authorize the Board to determine and distribute cash dividends in May/Jun 2019 and Nov/Dec 2019 out of retained earnings as per the audited financials of FY2018. Provided the aggregate amount shall not exceed 9% of the paid up share capital of the company, at the AGM on 20 March 2019.
Source: **MSM**

Al Swadi Power's Board proposes dividend
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Source: **MSM**

A'Saffa Foods' Board proposes dividend
The Board of Directors of the company has proposed a 20% cash dividend on the paid-up capital of the company as at Dec 31st, 2018., subject to regulatory and shareholder approvals at the AGM to be held on 31st March 2019.
Source: **MSM**

MIDDLE EAST ECONOMIC & CORPORATE NEWS

Mideast Stocks: Dubai ends run of gains, Gulf dragged by financials
Dubai stocks fell back on Thursday after touching a two-and-half-month high as real estate stocks slipped after leading six days of gains, while all major Gulf bourses also dropped on sliding financial stocks. Dubai's index was down 0.5 percent with DAMAC Properties shedding 3 percent and Emaar Development dropping 2.3 percent.
Source: **Zawya**

Saudi Alhokair's mall business seeks $1bln from IPO – sources
Shopping malls operator Arabian Centres Company, owned by Fawaz Alhokair Group, is seeking $1 billion from a public share listing in the second quarter, sources told Reuters. Arabian Centres, which has applied for an initial public offering with the Capital Market Authority, is looking to sell a 30 percent stake to investors on Riyadh's stock exchange, the Tadawul, sources told Reuters in January.
Source: **Zawya**

Saudi Arabia pushes reforms to boost private sector
The Eastern Province Chamber, which works to promote the role of the private sector in the Saudi economy, hosted an investment workshop at its headquarters in Dammam on Friday to highlight improvements to existing procedures and the new initiatives that are helping to cut bureaucracy and make it easier to do business in the Kingdom.
Source: **Arab News**

Kuwaiti Islamic banks show resilient asset quality, Fitch
Kuwaiti Islamic banks' asset-quality metrics remain solid but concentration remains their biggest risk, according to Fitch Ratings. In a report, the rating agency stated that the average impaired financing ratio remained stable in the first half of 2018. Kuwait Islamic banks are more exposed to the real estate sector as they are allowed to establish non-financial real estate subsidiaries.
Source: **Islamic Business**

Saudi finance ministry pays SAR 65 bln to contractors
The Ministry of Finance fulfilled about 44,000 payment orders worth SAR 65 billion for government projects, Al-Eqtisadiah reported, citing Osama Al-Afaleq, Chairman of the Saudi Contractors Authority. Contractors can use the ministry's web-portal to inquire about their payments, he said.
Source: **Argaam**

Fitch Ratings: UAE And Saudi Health Insurance Markets Are Too Crowded
The UAE and Saudi Arabian health insurance markets, the two largest in the Middle East, have an unsustainable number of providers, Fitch Ratings says. Both markets are characterised by numerous companies with minimal market share, intense competition and weak profitability. We expect several insurers will cease operations or merge with competitors in the next few years. This could be positive for the overall credit quality of the markets by removing smaller, weaker insurers and reducing competitive pressure on those that remain.
Source: **Fitch Ratings**

GCC to lead global sukuk issuance in 2019: Moody's
Global sovereign and supranational sukuk issuance will recover in 2019, after a decline last year, and surpass its record-high volumes by 2020 - and possibly sooner - if oil prices remain moderate, Moody's Investors Service said in a recent report. The recovery in issuance stems from higher deficit financing needs amid moderate oil prices, in particular for sovereign issuers in the Gulf Cooperation Council (GCC), higher sukuk refinancing needs especially in Malaysia, and a gradual increase in the share of sukuk in major issuers' fiscal deficit financing, Moody's added.
Source: **Argaam**

Saudis Signal Allure of China With $10 Billion Refinery Deal
Saudi Arabia reaffirmed its interest in the Chinese market with a deal to build a $10 billion refining and petrochemicals complex as it vies for crude-oil customers with fellow OPEC members and Russia. Saudi Arabian Oil Co., or Aramco, agreed to set up a joint venture with two Chinese companies to develop the facility in Liaoning province, according to a statement Friday.
Source: **Bloomberg**

Here's a look at deals signed by Saudi Arabia, China
Saudi Arabia signed 11 economic cooperation agreements with China at the Saudi-Chinese Investment Forum on Friday, Saudi Press Agency (SPA) reported. During Crown Prince Mohammed bin Salman's visit to the Asian country, the Saudi delegation signed the following deals:
Source: **Argaam**

INTERNATIONAL ECONOMIC & CORPORATE NEWS

Fed's policy pause sets stage for broad overhaul
When Federal Reserve policymakers last month put a three-year rate-hike campaign on hold and backed ending a yearlong push to shrink their $4 trillion balance sheet, they cited increased risks to U.S. economic growth and the need for more time to sort through the data.
Source: **Reuters**

Trump's economy 'a little under' 3 percent growth goal: Fed
The Trump administration will fall "a little under" its target of 3 percent annual growth of gross domestic product for 2018, the Federal Reserve said Friday in a report that offers an economic scorecard of sorts for the first full year of President Donald Trump's term.
Source: **Reuters**

Warren Buffett spun riches out of chocolate. Then he got burned by Kraft Heinz
Warren Buffett's Berkshire Hathaway on Saturday wrote down over $3 billion related to its investment in Kraft Heinz. Buffett helped finance Heinz's deal with Kraft in 2015, but so far that investment has been rocky. A previous food combination he financed, Mars and Wrigley, fared much better.
Source: **CNBC**

Chinese Official Extends U.S. Trade Trip as Tariff-Hike Threat Endures
The U.S. and China will extend into the weekend the current round of trade talks as negotiations in Washington yielded progress on currency policy but stopped short of a breakthrough that would prevent higher American tariffs from kicking in next week.
Source: **Bloomberg**

Global sovereign debt to jump to $50 trillion - S&P Global
Another jump in borrowing by governments will take the global mountain of sovereign debt to $50 trillion this year, ratings agency S&P Global (NYSE:SPGI) forecast on Thursday. The firm predicted sovereigns will borrow an equivalent of $7.78 trillion this year, which would be up 3.2 percent on 2018.
Source: **Investing**

COMMODITIES NEWS

Oil rises 3% this week on OPEC supply cuts and US-China trade hopes
Oil prices rose to their highest levels this year on Friday, supported by OPEC's ongoing supply cuts. Hopes that Washington and Beijing may soon end their trade dispute also support crude futures. Surging U.S. crude oil production and record crude exports offset the bullish factors.
Source: **CNBC**

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