



July 11 — July 15, 2016

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## AUSTRALIA

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Australian shares market ending this week up by 3.81%. Major story picks:

- Woodside to buy Conoco's Senegal assets for \$350 Million
- BHP says unlikely to restart Samarco operations in Brazil this year
- Whitehaven coal boosting coal production by 35%
- Forestry company TFS Corp getting two ratings upgrades

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- Greece naming Italian railways winner for Greece's TRAINOSE
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- LATAM Airlines shares soaring as Qatar takes stake
- Bondholders to take control of Gulf Keystone

## in DEPTH

Global financial markets calmed down on economic and political developments.

In the U.K., the formation of a new unity government eased market concerns.

On the economic side, there were encouraging figures from the U.S. and China.

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## STOCK MARKETS

INDEX	PRICE	1 W %	HIGH	LOW
<b>DJIA</b>	<b>18,516.55</b>	<b>2.04%</b>	18,557.43	18,161.53
<b>S&amp;P 500</b>	<b>2,161.74</b>	<b>1.49%</b>	2,169.05	2,131.72
<b>NASDAQ</b>	<b>5,029.59</b>	<b>1.47%</b>	5,045.18	4,976.54
<b>ASX 200</b>	<b>5,429.57</b>	<b>3.81%</b>	5,452.70	5,230.50
<b>EUROX 50</b>	<b>2,958.65</b>	<b>4.25%</b>	2977.61	2843.11
<b>FTSE 100</b>	<b>6,669.24</b>	<b>1.19%</b>	6,743.42	6,590.64
<b>DAX</b>	<b>10,066.90</b>	<b>4.54%</b>	10,109.86	9,690.18
<b>CAC40</b>	<b>4,372.51</b>	<b>4.34%</b>	4,402.23	4,207.37
<b>NIKKEI 225</b>	<b>16,497.85</b>	<b>9.21%</b>	16,607.32	15,375.94

## FX & COMMODITIES

(vs US\$)	PRICE	1 W %	HIGH	LOW
<b>EUR</b>	<b>1.1035</b>	<b>-0.14%</b>	1.1165	1.1016
<b>GBP</b>	<b>1.3192</b>	<b>1.84%</b>	1.3481	1.2851
<b>AUD</b>	<b>0.7578</b>	<b>0.12%</b>	0.7676	0.7522
<b>NZD</b>	<b>0.7116</b>	<b>-2.60%</b>	0.7325	0.7109
<b>JPY</b>	<b>104.88</b>	<b>-4.32%</b>	106.32	100.31
<b>CHF</b>	<b>0.9827</b>	<b>0.06%</b>	0.9894	0.9764
<b>CAD</b>	<b>1.2974</b>	<b>0.54%</b>	1.314	1.2862
<b>GOLD</b>	<b>1337.45</b>	<b>-2.11%</b>	1375.34	1320.35
<b>SILVER</b>	<b>20.23</b>	<b>-0.21%</b>	20.69	19.90
<b>U.S. CRUDE</b>	<b>45.95</b>	<b>1.19%</b>	46.93	44.42
<b>B. CRUDE</b>	<b>47.61</b>	<b>1.82%</b>	48.57	45.90

## WEEKLY ECONOMIC CALENDAR

DAY	EVENT	EST.	PRIOR
Jul 18	NZ CPI QoQ	<b>0.50%</b>	0.20%
Jul 19	RBA Policy Minutes		
Jul 19	U.K. CPI YoY	<b>0.40%</b>	0.30%
Jul 19	German ZEW Econ Sent	<b>8.2</b>	19.2
Jul 20	UK Jobs Report		
Jul 21	UK Retail Sales MoM	<b>-0.40%</b>	0.90%
Jul 21	ECB Policy Decision		
Jul 22	UK Manufacturing PMI	<b>47.8</b>	52.1
Jul 22	Eurozone Manufact PMI	<b>52.1</b>	52.8
Jul 22	Canada CPI MoM	<b>0.20%</b>	0.40%

## IMF: Brexit has negligible effect on the U.S. but could weigh on France; growth outlook lowered for Italy and raised for Russia

**U.S.** Britain's vote in a referendum to leave the EU has caused uncertainty and increased risks to the U.S. economy but thus far it looks likely to have a pretty "negligible" impact on U.S. growth, the IMF said on Tuesday. The IMF said in its formal annual review of the U.S. economy and policies that the June 23 "Brexit" vote has prompted a rise in the dollar that has been less than feared, up about 1% in nominal effective terms, while stock markets have recovered losses incurred right after the vote. Meanwhile, a safe-haven rush into U.S. Treasuries has lowered yields, and home and business financing costs, considerably. "The net effect on growth is pretty negligible," Nigel Chalk, the IMF's mission chief for the U.S., told reporters on a conference call.

**FRANCE** French economic growth will slow next year and the outlook for the country's public finances has become more uncertain since the U.K. vote. Greater uncertainty and financial volatility will delay investment around Europe, and lower economic growth in the U.K. will crimp French exports, the IMF said as it published its Article IV review of France. As a result, gross domestic product in the eurozone's second-largest economy will be closer to 1.25% in 2017 than the 1.5% the IMF's official forecast, the Fund said in a statement appended to its report. The IMF still expects GDG to grow 1.5% growth this year.

**RUSSIA** Russia's recession has been shallower than expected, the IMF said in its latest economic report on the country, and the economy is expected to return to growth next year - unless oil prices take a further tumble. "Lower oil prices and needed fiscal adjustment will keep the economy in recession in 2016 with an expected decline in real GDP of 1.2%," the IMF said in report on Russia's economic outlook. "(But) growth is expected to resume in 2017 and reach 1%, as domestic demand slowly recovers on the back of easing financial conditions and pent up demand."

**ITALY** Italy is in for a slow economic recovery and will not reach pre-crisis growth levels until the mid-2020s, the IMF warned in its latest annual report on the country on Monday. The euro zone's third-largest economy is gradually recovering after a protracted recession, but a number of structural challenges "remain significant," the IMF said. "Productivity and investment growth are low; the unemployment rate remains above 11%, with considerably higher levels in some regions and among the youth; bank balance sheets are strained by very high NPLs (non-performing loans) and lengthy judicial processes; and public debt has edged up to close to 133% of GDP, a level that limits the fiscal space to respond to shocks," it said in its report. As a result, Italy's economic recovery was "likely to be prolonged and subject to risks" the fund said. It predicted Italy's GDP would grow by 1.1% this year and about 1.25% in 2017-18.

## Japan cutting growth and inflation forecasts

Japan's government has cut its growth forecast sharply amid speculation it may soon unveil a new stimulus package to support the ailing economy. Gross domestic product is expected to grow by 0.9% this fiscal year, down from a January estimate of 1.7%. The inflation forecast was also downgraded to a rise of 0.4%, versus an earlier projection for 1.2%. PM Shinzo Abe is said to be preparing a new stimulus package that could be as large as 20 trillion yen. He could co-ordinate a move with the country's central bank, which is scheduled to hold its monetary policy meeting later this month. In January, the Bank of Japan introduced negative interest rates in an attempt to stimulate the economy. Mr Abe, whose economic policies have been dubbed Abenomics, announced last month that he would delay an increase to the country's sales tax to 10% from the current 8%. Consumer spending in Japan accounts for about 60% of economic growth.

## German inflation picking up in June

The annual rate of inflation in Germany picked up in June from May but remained far below the European Central Bank's medium-term target of close to but below 2%. The consumer price index calculated according to harmonized European standards, or HICP, increased by 0.1% on the month and rose by 0.2% on the year, the federal statistics office Destatis said Tuesday, confirming the first estimate it published on June 29. In May the HICP increased by 0.4% on the month and was unchanged on the year. Consumer prices calculated according to national standards rose by 0.1% on the month and by 0.3% on the year, Destatis said, also confirming its first estimate. The statistics office added that energy prices continued to exert downward pressure on the headline figures, falling by 6.4% on the year in June, compared with a 7.9% fall in May.

## Bank of Canada hold rates steady; cuts economic growth

The Bank of Canada cut its growth forecast for 2016 but held rates steady on Wednesday, saying it believed exports and business investment would pick up even though it may have underestimated structural challenges facing businesses. The central bank also toughened its warnings about possible speculation in the Toronto and Vancouver housing markets, while predicting economic growth will improve longer-term. Galloping price appreciation in Canada's two largest housing markets and a series of disappointments in export strength highlight the difficulty policymakers face in stimulating slow parts of the economy without unintentionally fueling near-record levels of household debt. The bank's steadfast optimism bucked market expectations for a more dovish message, and the suggestion that a rate cut is less likely drove the Canadian dollar to its strongest level since July 7. "The export recovery is alive and well. We kind of have this narrative that nothing's happened, yet what we see is seven or eight years of recovery," Poloz told reporters. As expected, the bank held its overnight rate at 0.5%, where it has been since last July, even as it trimmed its 2016 GDP forecast to 1.3% from 1.7% in April, saying it expected a bounce back in the third quarter and beyond.

Source: Bloomberg



**Global financial markets stabilized this week, with safe-haven assets (like the Yen and Gold) tumbling due to higher risk appetite, while equities jumped. To note that the U.S. Dow Jones and S&P 500 have hit new record levels.**

### **BoE unexpectedly keeping rates on hold; ready for easing in August**

The Bank of England left its key interest rate at a record low and signaled it's readying stimulus for August as the economy reels from Britain's decision to quit the EU. The 9-member MPC, led by Gove. Mark Carney, voted 8-1 to keep the benchmark at 0.5%, with only Gertjan Vlieghe saying the outlook justified an immediate reduction. The pound surged as the decision surprised investors, who had priced in more than an 80% chance the rate would be lowered. While policy makers discussed what measures could help the economy, they stopped short of detailing what those might be. "Most members of the committee expect monetary policy to be loosened in August," officials said, according to the minutes of their July 13 meeting. "The committee discussed various easing options and combinations thereof. The exact extent of any additional stimulus measures will be based on the committee's updated forecast, and their composition will take account of any interactions with the financial system." The central bank is due to publish its quarterly Inflation Report on Aug. 4, which will include new forecasts for growth and inflation and the MPC's first full take on how the referendum outcome is set to affect the U.K. Initial reports suggested economic activity was likely to weaken in the near-term, the minutes said. The MPC "had taken some reassurance" from the fact that markets continued to function effectively in the post-Brexit period, saying they dampened, rather than amplified, the impact of the vote. The sharp drop in the pound will also likely put upward pressure on inflation in the short term, the minutes said.

While officials didn't give any further details on what they may do, Carney has previously said they can cut the key rate toward zero and increase asset purchases, including widening the range of securities bought. He's also said they could shorten the horizon over which they wanted to return inflation to target, creating the expectation of more aggressive action. Former Chancellor of the Exchequer George Osborne said earlier this month that the Treasury was ready to support the BOE's Funding for Lending Scheme, which guarantees banks cheap finance in exchange for expanding credit. Carney met with newly appointed Chancellor Philip Hammond earlier Thursday. For Vlieghe, "the subdued economic outlook before the referendum had already come close to warranting further stimulus," the minutes showed. "The early evidence supported the view that demand was likely to weaken further."

### **Major Political Developments**

#### **Theresa May, officially the new Prime Minister**

Theresa May struck a populist tone in her first public remarks as British Prime Minister on Wednesday, saying she planned to continue predecessor David Cameron's "true legacy" of social justice. The Conservative Party leader spoke directly to the poor, black and white working-class residents as well as women, youth and those with mental health issues, saying, "The government I lead will be driven not by the interests of a privileged few, but by yours."

**The new cabinet**—PM May has unveiled a nearly completely new look cabinet, in a major departure from predecessor David Cameron's top team. George Osborne, Michael Gove, John Whittingdale, Nicky Morgan and Oliver Letwin have all been sacked by Mrs. May. Liz Truss is justice secretary, Justine Greening takes education and Tory leadership contender Andrea Leadsom has been promoted to environment secretary. Boris Johnson became foreign secretary. Philip Hammond was made chancellor. Eurosceptic David Davis, meanwhile, will take charge of negotiating Britain's exit from the EU, in a newly created post of Brexit secretary.

### **Positive economic data from the U.S. and China**

#### **U.S. consumer prices rising**

U.S. consumer prices increased for a fourth straight month in June as Americans paid more for housing, gasoline and health care, pointing to steadily rising inflation pressures. The Labor Department said on Friday its Consumer Price Index rose 0.2% last month after a similar gain in May. In the 12 months through June, the CPI advanced 1.0%, matching May's increase. The y-o-y increase is below the 1.7% average annual increase over the last 10 years. The so-called core CPI also rose 0.2% in June, rising by the same margin for three consecutive months. That lifted the y-o-y core CPI gain to 2.3% from 2.2% in May.

#### **U.S. retail sales climbing**

Sales at U.S. retailers rose more than forecast last month in a broad advance that shows consumers delivered for the economy in Q2. The 0.6% increase in June retail receipts followed a 0.2% gain the previous month that was smaller than previously estimated, Commerce Department figures showed Friday. So-called core sales, used to calculate gross domestic product, rose a larger-than-projected 0.5% for a second month. A prolonged period of job creation and slowly improving wage gains are providing households with the means to keep spending. Eleven of 13 major categories showed stronger demand in June from the prior month, including a 1.1% advance in receipts at online merchants and a 0.7% increase at health and personal care outlets.

#### **Manufacturing in the U.S. gaining more than forecast in June**

Manufacturing in the U.S. last month posted the strongest advance since January, helped by automobile production and a sign domestic demand is improving. The 0.4% gain at factories, which make up 75% of total industrial production, followed a 0.3% decline in May, a Federal Reserve report showed Friday in Washington. Total industrial production, which also includes mines and utilities, climbed 0.6%, the biggest jump in almost a year. Stabilization in oil and commodities prices and the fading drag from a stronger dollar are allowing manufacturers to find their footing.

#### **China economic growth stabilizing in Q2**

China's growth stabilized as lending and consumer spending picked up, suggesting the economy is responding to stepped up policy support. GDP rose 6.7% in Q2 from a year earlier, in line with the government's growth target of at least 6.5% for the full year. Industrial output and retail data for June beat estimates, investment slowed, and a report from the central bank showed the broadest measure of new credit beat all 29 analyst forecasts. A credit surge and housing recovery this year have propped up growth, while raising questions about the sustainability of the debt-fueled expansion.

#### **China exports stabilizing in June**

China's exports stabilized in June. Overseas shipments rose 1.3% in yuan terms from a year earlier, the customs administration said Wednesday. Imports fell 2.3% to leave a trade surplus of 311.2 billion yuan. The yuan posted a fifth straight drop last week, the longest losing streak this year. China sees "obvious" obstacles in foreign trade amid a severe and complex environment, the customs administration said in a statement accompanying the data.

#### **China June inflation eases further**

China's June consumer inflation grew at its slowest pace since January as increases in food prices eased, while producer prices extended their decline. The consumer price index (CPI) rose 1.9% in June from a year earlier, compared with a 2.0% increase in May, the National Bureau of Statistics said on Sunday. Consumer inflation has remained low compared with the official target of around 3% for this year, indicating persistently weak demand in the world's second-largest economy.



## STOCK MARKET TOP MOVERS

ASX / SP 200	Price	1 W %
	<b>5,429.57</b>	<b>3.81%</b>

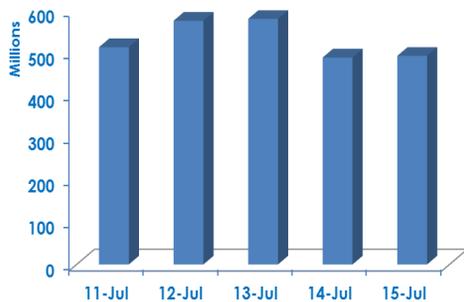
GAINERS		
SANDFIRE RESOURCES NL	6.660	24.95%
WHITEHAVEN COAL LTD	1.660	22.51%
BLUESCOPE STEEL LTD	8.250	21.86%
WESTERN AREAS LTD	2.890	16.53%
INDEPENDENCE GROUP NL	4.400	16.40%
LOSERS		
NEWCREST MINING LTD	24.470	-6.32%
TASSAL GROUP LTD	4.050	-5.81%
SYRAH RESOURCES LTD	5.640	-5.69%
SPARK NEW ZEALAND LTD	3.450	-4.70%
REGIS RESOURCES LTD	3.730	-3.62%

## TOP AVERAGE DAILY VOLUMES

ASX / SP 200	530,322,605
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SOUTH32 LTD	26,839,860
TELSTRA CORP LTD	18,761,591
FORTESCUE METALS GROUP LTD	17,100,107
SCENTRE GROUP	12,534,299
QANTAS AIRWAYS LTD	11,615,592

## DAILY VOLUMES TRADED



Source: Bloomberg

## Woodside to buy Conoco's Senegal assets for \$350 Million

Woodside Petroleum Ltd. agreed to buy ConocoPhillips's assets in Senegal for \$350 million to gain a stake in exploration blocks off the West African nation. ConocoPhillips holds 35% of a contract with the Senegal government covering three offshore blocks, Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore, Perth-based Woodside said in a statement to the stock exchange Thursday. Woodside also agreed to pay about \$80 million on the deal's completion. The acquisition includes the option for Woodside to operate the future development of any resource, the Australian company said. "It builds on our agreement to acquire a 65% interest in the AGC Profond exploration block located to the south in the Senegal-Guinea Bissau joint development zone and extends our regional focus in West Africa," CEO Peter Coleman said in the statement.

## BHP says unlikely to restart Samarco operations in Brazil this year

BHP Billiton said the Samarco iron ore operation in Brazil was unlikely to restart this year, with discussions taking place to reduce the workforce by 40% through voluntary redundancies. "Samarco has confirmed it is unlikely to have in place the necessary approvals to restart its operations in this calendar year," BHP, a 50-50 owner of Samarco with Vale, said in a statement. A burst tailings dam at the Samarco mine on Nov. 5 unleashed a mudflow that killed 19 people, left hundreds homeless and polluted a major river. The mine has been closed since then.

## Whitehaven coal boosting coal production by 35%

Whitehaven Coal has posted a 35% jump in coal production on the back of a fully operational new mine in NSW, helping the company meet its full-year production guidance. The east coast miner said it produced 19.7 million tonnes of saleable coal in the 12 months ending June 30, compared to 14.6 million tonnes the previous year. Production rose 8% in the June quarter, to 5.1 million tonnes, helping it tip over the 19.5 million-20.1 million tonnes guidance outlined at the start of the fiscal year. Whitehaven shares jumped on the news on Friday. Shares in the company have more than trebled in the past three months alone as the market has bet on improving prospects for the miner. The sharply higher production was mainly on account of additional output from Whitehaven's new Maules creek mine, which was commissioned in July 2015. It comes despite the continuing weakness in global prices - due to softer demand from China and a supply glut - that is taking a toll on leading coal producers.

## Forestry company TFS Corp getting two ratings upgrades

TFS Corp Ltd, the world's No. 1 grower of Indian sandalwood trees, has received its second ratings upgrade in a month, a bright spot for a sector that has been criticized for being the source of heavy losses for retail investors. Standard & Poor's on Friday raised its credit rating for TFS to B+ from B, citing "the global scarcity of Indian sandalwood trees and robust demand for sandalwood products for use in pharmaceutical products, religious practices and fine fragrance". Moody's Investors Service in late June upgraded its rating for the Perth-based company to B2 from B3, saying demand for sandalwood is less volatile than other forestry products. "The market continues to recognize that TFS is quite different from the failed timber plantation schemes that had flawed business models," said TFC CEO Frank Wilson.



## STOCK MARKET TOP MOVERS

	Price	1 W %
<b>ATHEX COMPOSITE (GREECE)</b>	<b>557.360</b>	<b>3.77%</b>
SELONDA AQUACULTURE SA	0.181	23.13%
MARFIN INVESTMENT GROUP HOLD	0.128	19.63%
SELECTED TEXTILE IND ASSOC	0.138	15.97%
HALCOR S.A.	0.267	-10.70%
ATHENS MEDICAL CENTER	0.697	-5.81%
EUROPEAN RELIANCE GEN INSURA	1.560	-5.45%
<b>GENERAL MARKET INDX (CYPRUS)</b>	<b>65.450</b>	<b>0.83%</b>
KEO PLC	0.510	18.60%
MINERVA INSURANCE COMPANY	0.014	16.67%
HELLENIC BANK PUBLIC CO LTD	0.944	9.77%
BANK OF CYPRUS PUBLIC CO LTD	0.139	-4.14%
SALAMIS TOURS HOLDINGS PLC	0.261	-3.33%
ATLANTIC INSURANCE CO PLC	1.000	-2.91%

## GREEK GOVERNMENT BONDS

	LAST	Δ 1 WEEK	HIGH	LOW
<b>2 y</b>	<b>7.406</b>	<b>-0.078</b>	7.930	7.045
<b>10 y</b>	<b>7.841</b>	<b>-0.156</b>	8.094	7.789
<b>15 y</b>	<b>7.782</b>	<b>-0.085</b>	7.987	7.735
<b>20 y</b>	<b>7.637</b>	<b>-0.124</b>	7.830	7.609

## MONTHLY ECONOMIC CALENDAR

DAY	EVENT	ACT	PRIOR
Jul 1	GR—Manufacturing PMI	<b>50.4</b>	48.4
Jun 7	GR—Unemployment Rate	<b>23.3%</b>	24.10%
Jul 7	CY—CPI MoM	<b>-0.14%</b>	0.62%
Jul 7	CY—CPI YoY	<b>-2.16%</b>	-2.13%
Jul 8	GR—CPI YoY	<b>-0.70%</b>	-0.90%
Jul 11	GR—Industrial Prod YoY	<b>2.90%</b>	2.80%
Jul 21	GR—Current Account Bal		-822m
Jul 29	GR—Retail Sales YoY		-3.9%

## Emergency central bank funding to Greek banks drops by 10 billion euro in June

Emergency central bank funding to Greek lenders fell by 16%, or 10 billion euros (\$11.05 billion), in June compared to the previous month, Bank of Greece data showed on Wednesday. The fall came after European Central Bank reinstated Greek banks' access to its cheap funding operations last month after more than a year on an emergency lifeline. Emergency funding, which is more costly than borrowing from the European Central Bank, dropped to 54.37 billion euros at the end of June from 64.81 billion euros at the end of May, the data showed.

## Greece naming Italian railways winner for Greece's TRAINOSE

Italian railways will buy Greece's rail company TRAINOSE after Athens accepted the group's 45 million euro bid on Thursday, saving the company from closure. Privatisations are a condition of Greece's latest international bailout but its protracted economic crisis has sapped investor interest. Athens had pushed back the original deadline for binding bids for TRAINOSE three times this year. Italy's state railways Ferrovie dello Stato last week submitted the sole binding bid for TRAINOSE, which is being sold under Greece's privatisation programme. The Italian group's offer has been approved by the board of Greece's privatisation agency (HRADF) which convened on Thursday to unseal the financial bid.

## Greek utility PPC approving grid stake sale under bailout

Shareholders in dominant Greek power utility PPC on Monday agreed to sell a 24% stake in grid subsidiary ADMIE to a strategic investor, in line with the terms of the country's latest international bailout. Under the bailout approved in August last year, PPC, which is 51-percent owned by the state, must either sell a minority stake in ADMIE or fully privatize the grid by next year. Monday's overwhelming approval came amid stiff opposition from unions, who had disrupted an earlier attempt to convene a shareholders meeting, forcing PPC to switch the venue for the gathering to the finance ministry from a central Athens hotel. Underlining the sentiment against privatizations in the country, union staff members also disrupted a meeting on the same issue on June 30.

## Greek industrial output rises 2.9% y/y in May

Greek industrial output rose 2.9% in May compared to the same month last year after an upwardly revised 3.3% rise in April, statistics service ELSTAT said on Monday. Manufacturing production grew 6.6% from the same month a year earlier. Mining output fell 22.8%, while electricity production declined by 2.1%.



STOCK MARKETS				
INDEX	PRICE	1 W %	HIGH	LOW
K.S.A	6,661.65	2.49%	6,698.88	6,494.47
ABU DHABI	4,576.73	0.02%	4,595.33	4,517.45
DUBAI	3,471.90	2.99%	3,485.69	3,357.35
QATAR	10,428.67	4.49%	10,428.67	9,962.98
OMAN	5,859.96	0.83%	5,921.14	5,813.84
EGYPT	7,583.06	5.57%	7,645.95	7,182.80
KUWAIT	5,390.70	0.40%	5,390.83	5,349.75
BAHRAIN	1,172.80	1.76%	1,179.31	1,152.31

Source: Bloomberg

### Moody's: Brexit will not have major impact on GCC

Moody's Investors Service says that the United Kingdom's vote to leave the European Union will not have a significant credit impact on GCC sovereigns because their trade exposure to the UK is limited and the size of their sovereign wealth funds offers resilience against potential fluctuations in the value of some assets. It is unlikely that a loss in value of some existing GCC investment in the UK will materially weaken GCC governments' net asset position, according to Moody's. GCC sovereign wealth fund portfolios are generally large and well diversified. This will allow it to absorb the impact of asset price and exchange rate movements associated with Brexit.

### Demand for business & personal credit slows down in UAE

Growth in demand for business credit in the United Arab Emirates slowed during the three months through June, especially in Dubai, according to a central bank survey published on Thursday. The net balance measure for business lending - the weighted percentage of respondents reporting an increase in demand for loans minus those reporting a fall in demand - fell to plus 3.1 in the quarter from plus 13.6 in the previous quarter. The slowing was most evident in Dubai, where the net balance slipped to minus 0.9. However, the survey found respondents expect growth in overall UAE demand to rebound in the current quarter, with the net balance rising back to plus 10.4. The survey also showed banks tightened credit standards further in the April-June quarter, "suggesting a higher degree of risk aversion in extending loans, especially to small and medium-sized enterprises", the central bank said. "For the September quarter, survey respondents expected further tightening in credit standards."

### Arabtec shareholders agree to give it 400 m dirham debt

Dubai-listed contractor Arabtec Holding said on Thursday its shareholder Aabar Investments had agreed to give it a 400 million dirham (\$108.9 million) debt facility to help weather "challenging" conditions in the regional construction market. The money will provide Arabtec with additional funding to use towards delivering ongoing and newly awarded projects in a timely manner, said Saeed Mohamed al-Mehairbi, acting chief executive of Arabtec Holding. Abu Dhabi state fund Aabar Investments owns 36% of the company.

### Qatar to build Zaha Hadid hotel shaped like desert flower

Qatar will construct two buildings designed by late Iraqi-British architect Zaha Hadid, including a tower shaped like a desert flower close to the site of the 2022 soccer World Cup final, a member of its ruling family said on Tuesday. Sheikh Mohammed bin Hamad al-Thani, the brother of Qatar's Emir, commissioned Hadid in 2013 to create the structures, one a 38-story hotel in the form of a hyacinth and featuring a nine-pointed base to shield visitors from the searing Gulf sun.

### Qatar Airways 2015-16 net profit jumping 328%

Qatar Airways Group, the parent company of the Doha-based airline, reported a 328% jump in net profits at its airline operations on Monday. The carrier, owned by the government of Qatar, posted a net profit of 1.6 billion riyals for the financial year to March 31, up from the 374 million riyals in profit recorded for the previous year. It is the first time Qatar Airways has released its financial results, which have come under scrutiny after U.S. airlines and their unions accused it of competing unfairly through state subsidies. Qatar Airways has denied the allegations and said U.S. airlines are losing market share due to poor service. In Monday's statement the airline said that at a group level it reduced its costs by 1.5% and increased its cash and bank balance by 54%, despite a growth in operations and an adverse movement in foreign currency exchange rates. Qatar Airways plans to launch 17 new destinations in the current financial year, a figure that includes recently-launched services to Adelaide, Atlanta, Marrakesh and Yerevan.

### Qatar Airways to buy 49% of Italy's Meridiana

Qatar Airways is to buy 49% of Meridiana in a move that could bolster the Italian carrier's ability to compete in the European market. The agreement was reached at the Farnborough International Airshow and the deal will close in early October, subject to certain conditions, Qatar Airways said in a statement on Thursday. The airline gave no further detail on the conditions or the price.

### LATAM Airlines shares soaring as Qatar takes stake

Qatar Airways has agreed to acquire up to 10% of LATAM Airlines, the two companies said on Tuesday, in a \$613 million deal that sent shares in Latin America's largest airline soaring. The deal, announced at the Farnborough air show in England, follows Qatar Airways' purchase last year of 15% of British Airways owner International Airlines Group, which, like Qatar and LATAM, is a member of the Oneworld airline alliance.

### Bondholders to take control of Gulf Keystone

Kurdish oil producer Gulf Keystone will be taken over by its bondholders, including distressed-debt funds, after the firm proposed to swap \$500 million of debt for shares, effectively wiping out its equity shareholders. The London-listed firm said on Thursday current and BlackRock, would be diluted to 5% ownership after debt conversion into equity. The London-listed company has been struggling since earlier this year to meet bond interest payments as weak oil prices and arrears for oil exports from the Iraqi Kurdistan government have crippled its balance sheet.



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