June 2017
Monthly Investment Guide

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Key Investment Views

Economy

- **Developed markets:** The US economy has showed initial signs of losing momentum, the Fed remains calm and expects to continue raising rates, albeit at a gradual pace during H2-17. Eurozone is maintaining steady improvement in leading economic indicators, confirming the recovery momentum during the first two quarters of 2017. Japan's economy continues to grow on the back of improved consumption and better industrial production.
- **Emerging markets:** Chinese economy is depicting growth in core indicators, thanks to the measures taken by the government. Indian economy is experiencing mild slowdown as suggested by the latest data, however the prospects are very encouraging going forward.
- **MENA markets:** According to the IMF's regional outlook, GCC is expected to witnessed acceleration of growth in the coming year as real GDP is projected to grow at 0.9% in 2017 and further rise to 2.5% in 2018. The growth will be led by 4.4% in the UAE, 3.8% in Oman, 3.5% in Kuwait, and 1.3% in Saudi Arabia in 2018.
- **Outlook:** Global economic activity has recorded steady growth in 1H 2017, but growth is expected to moderate in the second half of 2017. However, the bigger concern for the global economy is the hawkish tone from the central banks going forward. Moreover, the political risk has also shifted from the Eurozone to the US and continues to remain a concern that can hinder the global growth outlook. For the MENA region, the ongoing diplomatic rift has rattled the region, although the economic implications are unknown and depends on the longevity of the crisis.

Equities

- **Developed markets:** Global Equities witnessed mixed performance wherein US and European markets reported a decline, while Japan and China recorded gains in June. Although, the global growth indicators continue to improve, which is likely to drive corporate earnings but the mixed signals coming from the leading central banks made the investors nervous and uncertain about the path adopted going forward. US Equities closed on a mixed note as the Fed hiked key interest rates in June, coupled softer economic data in the month of May.
- **Emerging markets:** Shanghai SE was up by 2.4% in June as the central government makes efforts to stabilize financial markets. Indian equities, on the other hand, reported their first monthly loss of 0.7% this year in June.
- **MENA markets:** Dow Jones MENA ended on a positive note, outperforming the global markets by close to 2.7%, mainly due to Saudi Arabia. For the regional markets, all the indexes ended in the negative territory with the exception of Egypt, Dubai and Saudi during the month of June.
- **Outlook:** Global equity markets have continued the positive momentum during 1H-2017 on the back of improvement in leading economic indicators across the globe. More importantly, there is synchronized growth being witnessed by the markets, which is making investors optimistic about the future prospects and expected rise in earnings. The MENA markets are likely to remain subdued during the second half of 2017 on back of sluggish oil prices and the ongoing political rifts between Qatar and other Arab members.

Fixed Income

- **Global bonds:** The bond markets came under pressure compared to the positive momentum seen in the equity markets on the back of steady economic recovery and expectations of credit tightening by world's central banks. Thus, yields increased across the US, the UK, Germany and Japan during the month. The yields are likely to stay high as the Fed is leading the way, with another rate hike expected during the year and plan to reduce balance sheet, possibly starting from September 2017. Central banks around the world are expected to follow a similar path going forward.
- **Regional bonds:** The five-year credit default swap (CDS) spreads increased across the MENA region in June with the exception of Egypt. The ongoing rift between Qatar and other Arab states resulted in sharp rise in CDS spread in Qatar and also in Saudi Arabia, UAE and Bahrain. Given that there is no resolution in sight, CDS spreads are likely to remain at elevated levels as investors will be concerned about the impact on economies going forward.
- **Outlook:** After a period of consolidation, the bond markets are likely to face downward pressure as the central banks across economies have hinted at putting an end to loose monetary policies. Hence, the yields are likely to remain range bound on the back of rising geopolitical risk, coupled with series of elections in Europe and unexpected and unfavorable policy announcements from the US President. For the MENA region, the CDS spreads increased sharply post the decline witnessed in past three to four months, which is likely to increase the country risk in the coming months.

Alternative Investments

- **Oil:** Crude oil prices continued its downward trajectory in June on the back of an unexpected increase in US crude inventories and signs of rising productions from Nigeria and Libya. Brent crude oil retracted by 4.8%, while WTI crude fell 4.7% during the month.
- **Natural Gas:** Prices continued to decline, as it fell by 2.4% to USD3.04 per MMBtu on the back of larger-than-expected climb in US supplies and moderate weather conditions.
- **Precious metals:** Prices continued to consolidate in June, as global economic concerns ease, and demand for safe haven wanes. Gold prices were down 2.1%, while Silver slumped 4.1%.
- **Base metals:** Prices gained some momentum in June, amid mixed fundamentals in major consuming and producer countries. Copper prices surged 5.5%, while Aluminum prices fell by 0.1%.
- **Agricultural commodities:** Prices painted a mixed picture in June, as Corn, Coffee and Sugar fell on the back of hefty supplies, and rising inventories following bumper crops; while Wheat and Soybean gained momentum due to dry seasonal conditions in growing season.
- **Outlook:** Crude Oil prices continue to tumble on rising US inventories and increased production from Nigeria and Libya, while demand for Natural Gas is expected to dampen due to moderate weather conditions. Precious Metal prices are expected to consolidate, while Base Metal prices may witness volatility due to mixed fundamentals. Agri. commodity prices too may remain volatile due to weather conditions.

Economy

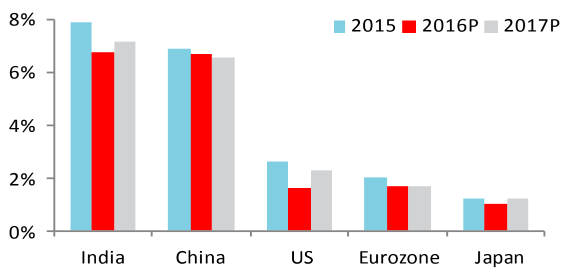
Global Economy

- **Developed markets:**
  - ⇒ US economy reported sharp rise in June payroll employment to 222,000 compared to estimates of 179,000. However, the unemployment rate remained at 4.4%, and despite good payroll numbers, wage growth remained muted during the month. Although, the US economy has showed initial signs of losing momentum, the Fed remains calm and expects to continue raising rates, albeit at a gradual pace during H2-17.
  - ⇒ Eurozone is maintaining steady improvement in leading economic indicators, confirming the recovery momentum during the first two quarters of 2017. Further, the political risk has also eased significantly over the past two quarters, which is boosting business confidence. The rise was apparent in France, Italy and German, reaching an all-time high in June.
  - ⇒ Japan's economy continues to grow on the back of improved consumption and better industrial production. The economic data is encouraging, which is pointing toward renewed strength in Japanese economy since 2006.
- **Emerging markets:**
  - ⇒ Chinese economy is depicting growth in core indicators, thanks to measures taken by the government. However, the build up in debt continues to remain a concern, which has the potential to challenge the broader economy.
  - ⇒ Indian economy is experiencing mild slowdown as suggested by the latest data, however the prospects for the future are very encouraging on the back of reforms and fiscal discipline.

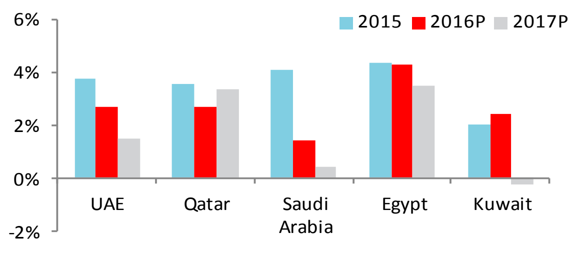
Regional Economy

- **MENA markets:**
  - ⇒ According to the IMF's regional outlook, GCC is expected to witnessed acceleration of growth in the coming year as real GDP is projected to grow at 0.9% in 2017, and further rise to 2.5% in 2018. The growth will be led by 4.4% in the UAE, 3.8% in Oman, 3.5% in Kuwait, and 1.3% in Saudi Arabia in 2018.
  - ⇒ Saudi Arabia's non-oil sector growth lost momentum in June as both new orders and output increased at the slowest rates in eight months, while growth of buying levels softened. According to the Emirates NBD, PMI stood at 54.3 in June compared to 55.3 in May, but remains in expansion mode. However, faster non-oil GDP growth this year is likely to be offset by contraction in oil sector, following OPEC's decision to extend output cuts through Q1 2018.
  - ⇒ Qatar's outlook was downgraded by Moody to 'negative', owing to concerns over disputes with neighbouring countries. This might affect Qatar's sovereign credit fundamentals negatively in future as there is no resolution in sight because both the parties do not seem to reach an agreement.
  - ⇒ Egypt's non-oil private-sector business activity contracted in June as output and new orders continued to decline. The Emirates NBD Egypt PMI dropped to 47.2 in June compared to 47.3 in the previous month. Inflation continues to remain a challenge for the government as growth is being hindered, which prompted the central bank to increase the rates by 200 bps recently to control inflation going forward.

GDP growth rate



GDP growth rate



Source: IMF WEO April 2017

Outlook: Global economic activity has recorded steady growth in 1H 2017, but it is expected to moderate in the second half of 2017. Soft data coming from the US in the previous month is being offset by continued recovery in the Eurozone and Japan, coupled with the growth seen in the Chinese economy. However, the bigger concern for the global economy is the hawkish tone of the leading central banks going forward, which is likely to end the loose monetary policies. Moreover, the political risk has also shifted from the Eurozone to the US and continues to remain a concern that can hinder the global growth outlook. For the MENA region, the ongoing diplomatic rift has rattled the region, although the economic implications are unknown and depends on the longevity of the crisis. On the other hand, countries are recognizing the need to become more self-reliant in protecting their own interests. Further the GCC's economic growth is expected to see bottoming out this year with turnaround expected from 2018 as the budget deficits start narrowing and giving the government the flexibility to gradually increase spending on the back of stable oil prices. Even, the non-oil activity continues to remain in an expansionary mode but the ongoing concerns could impact the private sector confidence.

Equities

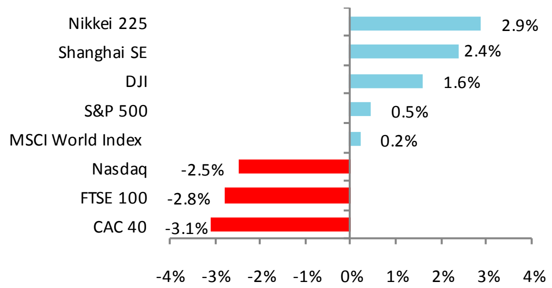
Global Equities

- **Global Equities** witnessed mixed performance wherein US and European markets reported a decline, while Japan and China recorded gains in June. Although, the global growth indicators continue to improve, which is likely to drive corporate earnings but the mixed signals coming from the leading central banks made the investors nervous and uncertain about the path adopted.
  - ⇒ **US Equities** closed on a mixed note as the Fed hiked key interest rates during the month of June, coupled with softer economic data in the month of May. For the month, S&P and DJIA were up by 0.5% and 1.6%, respectively, while Nasdaq was down by 2.5%, which was impacted by sell-off in tech companies.
  - ⇒ **European Equities** recorded the worst monthly performance in a year during June as worries over tightening monetary conditions led to caution coupled with concerns over higher valuations in equities globally. During the month, FTSE, DAX and CAC were down by 2.8%, 2.2% and 3.1%, respectively.
  - ⇒ **Japan's Nikkei** surged by 2.9% in June, supported by solid earnings expectations, despite the worries that the cheap funding from European central banks may end soon and the interest rates may rise globally.
  - ⇒ **Emerging Markets** Shanghai SE was up by 2.4% in June as the central government makes efforts to stabilize financial markets. Indian equities, on the other hand, reported their first monthly loss of 0.7% this year in June.
- On a year to date (YTD) basis, global equities continued their positive momentum, with Nasdaq and Sensex leading the pack with gains of 16.1% each, followed by 9.4% in MSCI World. In fact, S&P and Nasdaq ended 1H 2017 with the largest gains in the past few years.

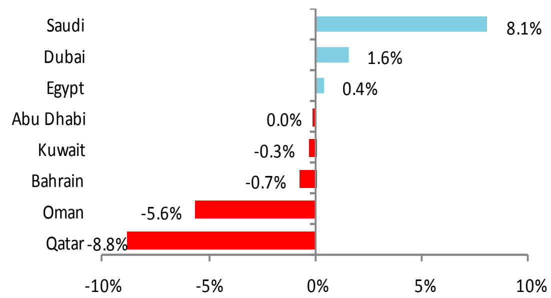
MENA Equities

- **Dow Jones MENA** ended on a positive note, outperforming the global markets by close to 2.7%, mainly due to Saudi Arabia. For the regional markets, all the indexes ended in negative territory with the exception of Egypt, Dubai and Saudi Arabia during the month of June.
  - ⇒ **UAE** markets had a mixed bag experience with Dubai being up by 1.6%, while Abu Dhabi was down 0.04%. Gains in Dubai index, after four consecutive months of decline, was led by positive performance of real estate stocks, while drop in ADX was primarily due to weak trends in the banking stocks.
  - ⇒ **Saudi Arabia's** Tadawul was up 8.1% in June, recording the best monthly performance in the region, after reporting muted performance during previous two months. Announcement from MSCI on Tadawul's possible inclusion in the emerging markets index by mid-2019 and the elevation of Deputy Crown Prince to the post of Crown Prince provided boost to the market.
  - ⇒ **Egypt** was up marginally by 0.4% in June, recording a second consecutive month of gains.
  - ⇒ **Qatar** closed lower by 8.8% for the month, as four Arab states cut diplomatic and trade ties with no early signs of possible resolution. It was the worst performing index across the MENA region as investors preferred to offload their positions.
  - ⇒ **Kuwait** closed lower by 0.3% in June, third consecutive month of losses. Bahrain was down by 0.7% and Oman by 5.6% in June, in line with the sentiments seen across the regional markets.
- On a YTD basis, Kuwait was the best performer with gains of 17.7%, followed by 8.5% in Egypt, while Qatar was the worst performer with losses of 13.5%, followed by Oman (-11.5%) and Dubai (-3.9%).

Global stock index performance, June-17



Regional stock index performance, June-17



Source: Thomson Reuters

Outlook: Global equity markets have continued the positive momentum during 1H-2017 on the back of improvement in leading economic indicators across the globe. More importantly, there is synchronized growth being witnessed by the markets, which is making investors optimistic about the future prospects and expected rise in earnings. However, the geopolitical environment have continued to weigh on global equities, which is expected to remain, especially considering the current environment in the US. Further, the central banks are beginning to turn hawkish, signaling an end to the ultra-loose monetary policy regime, which is likely to impact equities, although selective markets in terms of funds outflow. The MENA markets are likely to remain subdued during the second half of 2017 on back of sluggish oil prices and the ongoing political rifts between Qatar and other Arab members. The catalyst for the change in sentiments would be a possible agreement and improvement in earnings during the second half of 2017, driven by growth in non-oil sectors.

Fixed Income

Global Bonds

- The bond markets came under pressure compared to the positive momentum seen in the equity markets on the back of steady economic recovery and expectations of credit tightening by world's central banks. Thus, yields increased across the US, the UK, Germany and Japan during the month. The yields are likely to stay high as the Fed is leading the way, with another rate hike expected during the year and plan to reduce balance sheet, possibly starting from September 2017. Central banks around the world are expected to follow a similar path going forward.

⇒ The US 10-year treasury yield increased by 9 bps to 2.3% in June after declining by 8 bps in previous month, as the reported inflation data is unlikely to delay Fed's expected path on interest rate hikes.

⇒ The yield on 10-year UK bonds rose by 21 bps to 1.26% in June, after dropping by 9 bps since March 2017, as investors expect the global central banks to begin the curb of extensive stimulus measures, that have been in place since the financial crisis to end in the near future.

⇒ The yield on 10-year German bonds increased by 16 bps in June on the back of increased expectations for tighter monetary policy from the ECB which might end the bond purchases.

⇒ The yield on 10-year Japanese bonds increased by 4bps, reaching the highest level in more than three months. The global bond selloff spread to Asia, after Western central banks hinted on rolling back monetary stimulus. Additionally, the country's CPI for the month was much below BoJ's target, provoking investors to sell-off bonds.

Regional Bonds

- The five-year credit default swap (CDS) spreads increased across the MENA region in June with the exception of Egypt. The ongoing rift between Qatar and other Arab states resulted in sharp rise in CDS spread in Qatar and also in Saudi Arabia, UAE and Bahrain. Further, the rating agencies downgrading Qatar's outlook has also worsened the risk profile, which led to increase in CDS spreads during the month of June. Given that there is no resolution in sight, the CDS spreads are likely to remain at elevated levels as investors across the region will be concerned about the impact on economies going forward.

⇒ CDS spreads increased by **61 bps** in **Qatar, 28 bps** each in **Dubai** and **Saudi Arabia, 16 bps** in **Bahrain** and **15 bps** in **Abu Dhabi**, while it was **flat** in **Egypt** in the month of June.

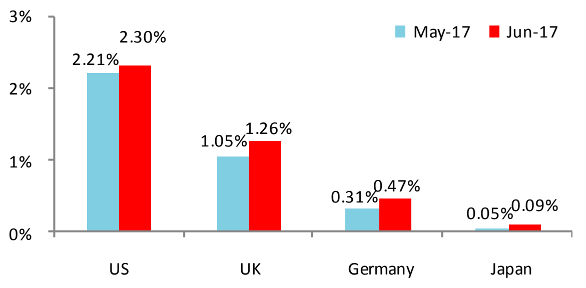
⇒ **Dubai and Abu Dhabi** witnessed increase in spreads of 28 bps and 15 bps respectively in June, which can be attributed to the ongoing political risk in the region.

⇒ In **Saudi Arabia**, the CDS hit 6 months high as spreads increased by 28 bps during the month of June due to the diplomatic rifts between the Saudi-led coalition and Qatar.

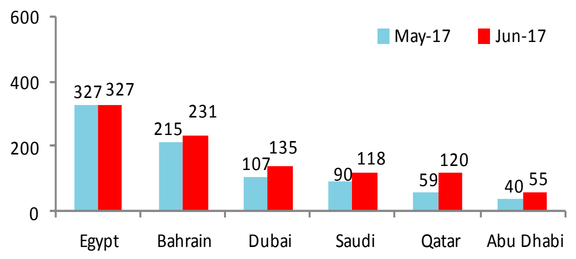
⇒ In **Qatar**, the CDS hit 16 months high with spreads rising by 61 bps in June after dropping for four consecutive months. Qatar's negative rating outlook by Fitch, S&P and Moody's, following the imposition of diplomatic and economic sanctions by 4 Arab States have affected the investors' confidence negatively, which has resulted in significant rise in the spreads.

⇒ In **Egypt**, the CDS spreads were flat in June compared to a decline of 2 bps in the previous month.

10 Year Government Bond — Yields



MENA Sovereign 5 Year CDS (bps)



Source: Thomson Reuters

Outlook: After a period of consolidation, the bond markets are likely to face downward pressure as the central banks across economies have hinted at putting an end to loose monetary policies, which have been in place since the global financial crisis. Hence, yields are likely to strengthen across the globe on the back of improvement in global growth. The rise in political risk, shifting from Eurozone to the US, has the potential to impact the global growth forecast. Hence, the yields are likely to remain range bound on the back of rising geopolitical risk, coupled with series of elections in Europe and unexpected and unfavorable policy announcements from the US President. For the MENA region, the CDS spreads increased sharply post the decline witnessed in past three to four months, which is likely to increase the country risk in the coming months. The duration of such crisis will only make matters worse for the region, especially the impact on regional economies and accordingly keep the CDS spreads at elevated levels going forward.

Alternative Investments

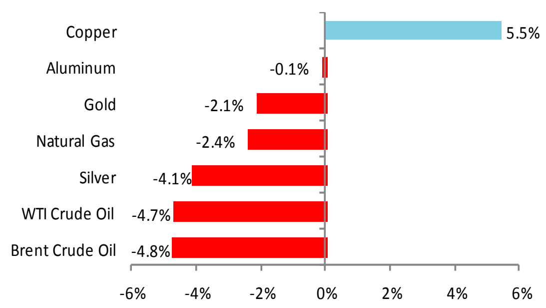
Energy

- **Crude oil** prices continued on its downward trajectory in June on the back of an unexpected increase in US crude inventories and signs of rising productions from Nigeria and Libya. Brent crude oil fell 4.8% to USD47.92 per barrel, while WTI crude declined 4.7% to USD46.04 per barrel. The spread between the two narrowed to USD 1.88 per barrel from USD1.99 per barrel in May.
  - ⇒ As per the US EIA, crude inventories in early June rose sharply by 3.3 million barrels as imports increased and exports dropped, coupled with a drop in demand of about a half million bpd, continuing a streak of weak consumption.
  - ⇒ In its June oil market report, OPEC estimated the global oil demand growth for 2016 stood at 1.44 million bpd, in line with the previous report. For 2017, oil demand growth also remained unchanged at around 1.27 million bpd.
- **Natural gas** prices continues to decline, as it fell by 2.4% to USD3.04 per MMBtu on the back of larger-than-expected climb in US supplies and moderate weather conditions.
  - ⇒ While weather conditions remain moderate, production and storage continue to be at high levels indicating that supply is beginning to overwhelm the demand, affecting the price.
  - ⇒ The latest EIA report indicated that natural gas volumes reached 2,888 billion cubic feet (bcf) on June 30 2017, which was 9.0% lower than a year earlier and 6.9% higher than the previous five-year average (2012-16).

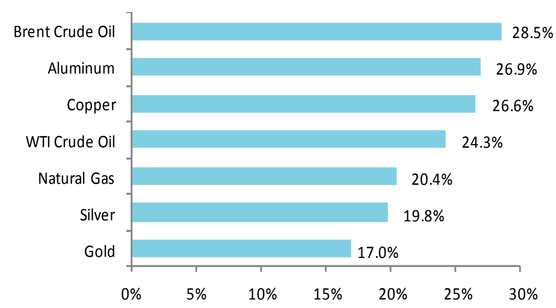
Metals

- **Precious metal** prices continued to consolidate in June. The weakness in the US dollar, political uncertainty and worries over the UK general election recently bolstered demand for the precious metal. Gold prices were down 2.1% to USD1,241.2 per ounce, while Silver slumped 4.1% to USD16.57 per ounce in June.
  - ⇒ **Gold** prices remained rather volatile in June, and have been reacting to the US dollar which has been falling recently. The gold markets are expected to remain firm in the short to mid-term, with the pullbacks offering buying opportunities.
  - ⇒ **Silver** prices too remained volatile in June largely due to the weakness in US dollar and reacting to geopolitical concerns, which suddenly have been very quiet. Prices are expected to hold firm going forward, as downsides are limited.
- **Base metal** prices gained some momentum in June, amid mixed fundamentals in major consuming and producer countries. Copper prices surged 5.5% to USD5,954.67 per ton, while Aluminum prices fell by 0.1% to reach USD1,913.36 per ton.
  - ⇒ **Copper** prices rallied in June on the heels of severe weather striking several South American mines, as well as labor issues cropping up in Indonesia. Increase in refined copper imports from China also aided in the price increase.
  - ⇒ **Aluminum** prices further eased as high inventory continues to depress the market. Excess production remains a threat with a global surplus estimated at 317,000 tonnes in 2017.

Commodity price performance, June-17



Commodity price performance, Year to Date



Source: Thomson Reuters

Outlook: Oil prices slid nearly 5% during the month after the US government reported an unexpected increase in crude inventories, fanning fears that output cuts by major oil producers have not drained the global glut. According to the EIA, crude stocks in the US grew sharply in June, while demand slipped by about half million barrels a day. Though the weekly US oil production declined to 9.3 barrels per day, prices took the fresh leg lower on new signs of rising output from Nigeria and Libya, the two OPEC members exempt from a deal to cut production. Despite higher exports from Saudi Arabia and Libya, OPEC's combined crude oil exports dropped in June compared to May, and were below the levels from October last year for a fourth time this year. The market continues to wait for signs that OPEC's strategy is achieving its stated goal, i.e. driving global crude stockpiles down to the five-year average. Natural Gas prices are expected to remain bearish as weather conditions remain moderate, dampening the overall demand, while supplies and inventory continue to climb due to increased gas drilling. The precious metals markets head into a seasonally weak period starting June and extending through August, with both fabrication demand as well as investment slowing over the next several months. Prices are expected to hold firm in short-term, with lack of any trigger for a larger move yet. Base metal prices are likely to trade volatile on the back of mixed fundamentals.

Alternative Investments (cont.)

Agri. Commodities

- The Agricultural commodities painted a mixed picture in June, largely continuing on its dismal performance since March. Prices of Corn, Coffee and Sugar fell on the back of hefty supplies, and rising inventories following bumper crops; while Wheat and Soybean gained momentum due to dry seasonal conditions.

⇒ **Wheat** prices rallied by 19.0% to 511.00 cents per bushel in June amid reports from the International Grains Council (IGC) citing the global grain production as shrinking, consumption remaining high, and possible contraction of global stocks for the first time in five years. On YTD basis, Wheat prices were up 5.7%.

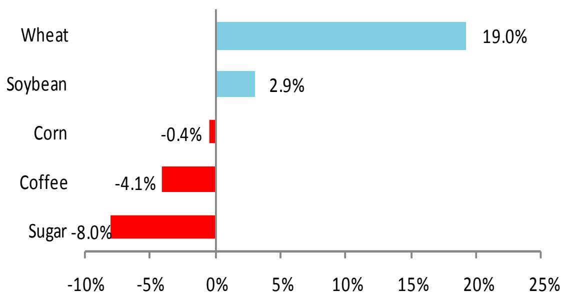
⇒ **Corn** prices fell by 0.4% in June to reach 370.50 cents per bushel after witnessing a surge last month. Prices were burdened by excess supply but could witness a rally on the back of dry conditions. On a YTD basis, Corn prices remained flat.

⇒ **Soybean** prices gained traction in June, rising by 2.9% to 942.25 cents per bushel as US crops face weather risks (dry conditions) during their growing season. However, inventories remain at high levels, both in the US and Brazil, two of the largest producers. While Brazil trails only the US as a producer, it exports more of the oilseed than any other country. On a YTD basis, Soybean prices posted the best performance amongst the lot with a rise of 7.5%.

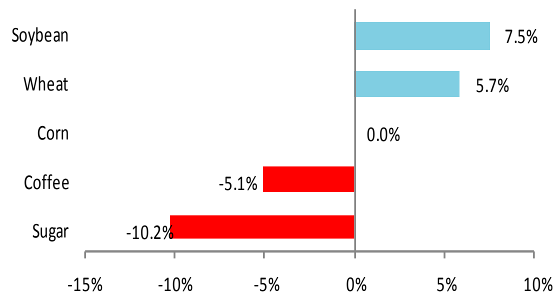
⇒ **Coffee** prices continued to plunge in June, as prices fell further 4.1% to 124.05 cents per pound on the back of increasing inventory levels and a favorable outlook for the 2017/18 crop, especially in Brazil. The market remains well supplied and inventories in consuming countries are high as a result of strong exports in the first seven months of the coffee year. Additionally, prices continued to remain depressed due to the rising US Dollar against the Brazilian Real, enticing farmers to sell more of their output to capitalize on the exchange rates, thereby increasing the supplies on a large scale. Additionally, institutional investors have been selling off their positions, adding further pressure on prices. On a YTD basis, coffee prices plunged by 5.1%.

⇒ **Sugar** prices remained the worst hit during the month of June, falling by 8.0% to reach 13.68 cents per pound, on the back of rising inventories and lack of fresh fundamental news. Overall, sugar prices have been falling since October, while the sentiment is that there will be substantial global surplus in the 2017/18 season, and yield expectations keep improving, supporting the downside. Prices are expected to fall further as the monsoons in Brazil and India already show positive signs. On a YTD basis, sugar prices plummeted by 10.2%.

Commodity price performance, June-17



Commodity price performance, Year to Date



Source: Thomson Reuters

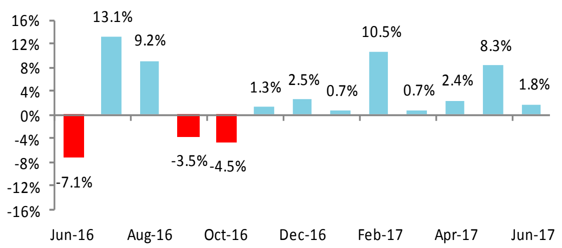
Outlook: The forecast of a normal monsoon, weak demand and rising supply of agri commodities, following a good crop, had led to the fall in prices of the produce until May. However, in June, the commodities found some balance with Wheat and Soybean gaining momentum due to weather conditions during growing season, and the IGC citing Wheat production as shrinking, with possible contraction of global stocks for the first time in five years. Following the onset on a dry season, Corn prices too could see a possible uptick, though for short-term as inventories continue to remain at high levels. Coffee prices continue to weaken and have been falling since February as a consequence of the easing of weather-related supply concerns resulting in high inventories. Moreover, the Brazilian Real is expected to weaken over the coming months, which will put further downward pressure on prices, as Brazil is the world's largest exporter. Much like Coffee, Sugar too has witnessed a downward trend as yield expectations keep improving, while consumption in India, the world's biggest consumer, has declined leaving the country with enough stock and ruling out the need for more sugar imports later this year.

Alternative Investments (cont.)

Art

- The art market continued its bullish momentum in June, on the back of global political and economic concerns, and the growing appetite amongst consumers for art. The **Skate's Art Stock Index** jumped 1.8% in June, compared to a surge of 8.3% last month. The combined market cap of the 10 companies stood at USD3,943.7 million at the end of June, compared to USD3,875.7 million during the previous month.
- The market capitalizations of five firms increased in June, while the remaining five witnessed a decline. The benchmark index was up by 26.5% on YTD basis, registering its strongest growth since December 2013.
- Amongst the gainers, the market cap of Artprice led the pack with 21.6%, followed by Art Vivant (+5.2%), Sotheby's (+2.1%), Stanley Gibbons (+1.1%), and Shinwa Art Auction (+1.1%). Amongst the losers, Art & Business Magazine was the worst performer with a fall of 21.9%, followed by Artnet (-4.7%), Seoul Auctions (-4.1%), MCH Group (-1.5%), and Collectors Universe (-0.8%).
- The market capitalization of Sotheby's, the largest auction firm, rose by 2.1% in June, after witnessing a 9.5% surge last month. The firm reported auction sales of USD483.8 million in June compared to USD929.5 million last month. The 2017 YTD auction sales stood at USD2,544.5 million compared to USD2,364.8 million during the same period in 2016.
- Earnings from the UK accounted for 75.3% of Sotheby's revenue in June, followed by Continental Europe (15.6%), North America (6.8%), and Asia (2.2%).
- On a YTD basis, North America accounted for 37.2% of the company's total revenues, followed by the UK (34.8%), Asia (16.8%), and Continental Europe (11.3%).
- For this report, Skate's Art Stock Index is assumed to comprise 10 companies specializing in art brokerage/dealership and auction sales globally. Weng Fine Art was delisted from the Frankfurt stock exchange, and is no longer constituted in the index.

Skate's Art Stock Index, m-o-m



Source: Beautiful Asset Advisors LLC, Al Masah Capital Research

Outlook: As seen since the beginning of 2017, the art market remained upbeat and extended its bullish momentum in June, ending the first half of the year on a rather positive note compared to the previous year. The market has been largely supported by a strong growth in contemporary art, thanks to financial guarantors resulting in higher bids. The market is being more and more financialized, as the growth in capital is outstripping asset prices, which is why it is witnessing more guarantees. Moreover, solid results by top houses, such as Sotheby's which posted a 76% increase in its Q1 2017 revenues, have brought the confidence back to its highest level. The market cap of Sotheby's, the index heavyweight, continued its positive growth momentum in June (up 2.1%), reflecting the overall bullish sentiments in the market. This along with the rise in other index players led to the YTD benchmark index surge by 26.5% in June, the highest since December 2013. This upbeat momentum is expected to sustain in the short to medium-term, as the wealth dynamics play out, especially in Asian countries such as China, while auction sales in the UK and EU try to make the most of a thinner summer season.

Data Gallery

Global Equities

Index/Country	30 June 2017	31 May 2017	31 Dec 2016	M-o-M	Y-T-D
Shanghai SE	3,192.43	3,117.18	3,539.18	2.4%	-9.8%
DJI	21,349.63	21,008.65	17,425.03	1.6%	22.5%
FTSE 100	7,312.72	7,519.95	6,242.32	-2.8%	17.1%
S&P 500	2,423.41	2,411.80	2,043.94	0.5%	18.6%
Sensex	31,145.80	29,918.40	26,117.54	4.1%	19.3%
CAC 40	5,120.68	5,283.63	4,637.06	-3.1%	10.4%
Nikkei 225	20,220.30	19,650.57	19,033.71	2.9%	6.2%
NASDAQ	5,646.92	5,788.80	4,593.27	-2.5%	22.9%

Source: Thomson Reuters

Regional Equities

Index/Country	30 June 2017	31 May 2017	31 Dec 2016	M-o-M	Y-T-D
Saudi	7,425.72	6,871.24	6,911.76	8.1%	7.4%
Oman	5,118.31	5,421.95	5,406.22	-5.6%	-5.3%
Kuwait	6,762.82	6,785.37	5,615.12	-0.3%	20.4%
Abu Dhabi	4,425.40	4,427.30	4,307.26	0.0%	2.7%
Bahrain	1,310.04	1,319.75	1,215.89	-0.7%	7.7%
Dubai	3,392.00	3,339.37	3,151.00	1.6%	7.6%
Qatar	9,030.44	9,901.38	10,429.36	-8.8%	-13.4%
Egypt	13,395.81	13,339.63	7,006.01	0.4%	91.2%

Source: Thomson Reuters

Fixed Income

Bond Type	30 June 2017	31 May 2017	31 Dec 2016	M-o-M	Y-T-D
10-Year US Treasury (%)	2.30%	2.21%	2.27%	0.10%	0.03%
10-Year UK Gilt (%)	1.26%	1.05%	1.96%	0.21%	-0.70%
10-Year German Bund (%)	0.47%	0.31%	0.63%	0.15%	-0.17%
10-Year Japan Govt. Bond (%)	0.09%	0.05%	0.28%	0.04%	-0.19%
5-Year CDS Dubai (bps)	135.33	106.85	238.52	28.48	-103.19
5-Year CDS Qatar (bps)	119.73	58.60	88.57	61.13	31.16
5-Year CDS Abu Dhabi (bps)	54.96	39.65	90.06	15.31	-35.10
5-Year CDS Egypt (bps)	326.95	326.83	465.87	0.12	-138.92
5-Year CDS Saudi Arabia (bps)	117.68	90.17	149.33	27.51	-31.65
5-Year CDS Bahrain (bps)	231.09	214.91	344.49	16.18	-113.40

Source: Thomson Reuters

Data Gallery (cont.)

Alternative Investments					
Commodity	**30 June 2017**	**31 May 2017**	**31 Dec 2016**	**M-o-M**	**Y-T-D**
Brent Crude Oil (US$ per barrel)	47.92	50.31	37.28	-4.8%	28.5%
WTI Crude Oil (US$ per barrel)	46.04	48.32	37.04	-4.7%	24.3%
Soybean (cents per bushel)	942.25	916.00	876.75	2.9%	7.5%
Corn (cents per bushel)	370.50	372.00	370.50	-0.4%	0.0%
Wheat (cents per bushel)	511.00	429.25	483.25	19.0%	5.7%
Sugar (cents per lb)	13.68	14.87	15.24	-8.0%	-10.2%
Natural Gas (US$ per MMBtu)	3.04	3.11	2.52	-2.4%	20.4%
Aluminum (US$ per tonne)	1,913.36	1,915.56	1,507.50	-0.1%	26.9%
Coffee (cents per lb)	124.05	129.35	130.75	-4.1%	-5.1%
Copper (US$ per tonne)	5,954.67	5,646.02	4,702.00	5.5%	26.6%
Gold (US$ per ounce)	1,241.20	1,268.09	1,060.91	-2.1%	17.0%
Silver (US$ per ounce)	16.57	17.29	13.83	-4.1%	19.8%

Source: Thomson Reuters

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