CONTACTS

Treasury & Capital Markets

Bechara Serhal
(961-1) 977421
bechara.serhal@bankaudi.com.lb

Nadine Akkawi
(961-1) 977401
nadine.akkawi@bankaudi.com.lb

Private Banking

Toufic Aouad
(961-1) 954922
toufic.aouad@bankaudipb.com

Corporate Banking

Khalil Debs
(961-1) 977229
khalil.debs@bankaudi.com.lb

RESEARCH

Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Jamil Naayem
(961-1) 977406
jamil.naayem@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Fadi Kanso
(961-1) 977470
fadi.kanso@bankaudi.com.lb

Gerard Arabian
(961-1) 964047
gerard.arabian@bankaudi.com.lb

Farah Nahlawi
(961-1) 959747
farah.nahlawi@bankaudi.com.lb

Nivine Turyaki
(961-1) 959615
nivine.turyaki@bankaudi.com.lb

The MENA WEEKLY MONITOR

Economy

p.2 S&P SAYS GCC COUNTRIES EXPANDED THEIR DONOR SUPPORT THIS YEAR TO 10 COUNTRIES IN THE REGION

Higher-rated countries in the Gulf this year expanded their donor support, pledging around US$ 50 billion in total aid to 10 countries in the Middle East and Africa.

Also in this issue

Surveys

p.5 THIRD QUARTER OF 2018 WITNESSED A TOTAL OF THREE IPOs IN THE GCC, AS PER PwC

The third quarter of the year witnessed a total of three initial public offerings (IPOs) in the GCC across a wide range of sectors, said PwC, a global provider of assurance, advisory and tax services, in a new report.

Also in this issue

Corporate News

p.7 INVESTCORP ACQUIRES US$ 311 MILLION MULTIFAMILY PROPERTIES IN US

Investcorp, a manager of alternative investments, said its US-based real estate investment team acquired six new multifamily properties in the US, totaling 2,876 units for US$ 311 million.

Also in this issue

Markets In Brief

p.9 TWO-WAY FLOWS IN REGIONAL CAPITAL MARKETS THIS WEEK

MENA equity markets saw mixed price movements this week. The heavyweight Saudi Tadawul and the Qatar Exchange registered price gains of 1.4% and 0.6% respectively, while the UAE equity markets and the Egyptian Exchange posted price falls of 5.5% and 3.3% respectively. This resulted in a shy increase in the S&P Pan Arab Composite Index of 0.1%. In parallel, MENA fixed income markets saw two-way flows. Some papers registered price gains, tracking US Treasuries move after the US Federal Reserve said that interest rates are close to a neutral level. Some other regional papers continued to trace a downward trajectory, mainly on reduced sentiment following an oil price collapse.

MENA MARKETS: WEEK OF NOVEMBER 25 - DECEMBER 01, 2018

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.1%	Weekly Z-spread based bond index	-0.1%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+5.5%	YTD Z-spread based bond index	+19.5%

Bank Audi sal - Group Research Department - Bank Audi Plaza - Bab Idriss - PO Box 11-2560 - Lebanon - Tel: 961 1 994 000 - email: research@bankaudi.com.lb

ECONOMY

S&P SAYS HIGHER-RATED GCC COUNTRIES EXPANDED THEIR DONOR SUPPORT THIS YEAR TO 10 MENA COUNTRIES

Higher-rated countries in the Gulf this year expanded their donor support, pledging around US$ 50 billion in total aid to 10 countries in the Middle East and Africa. S&P Global Ratings examines the announced aid packages and how they compare to past donor support from Gulf Cooperation Council (GCC) countries in a report recently published and titled "How Middle Eastern and African Sovereigns Benefit from Gulf Financial Support".

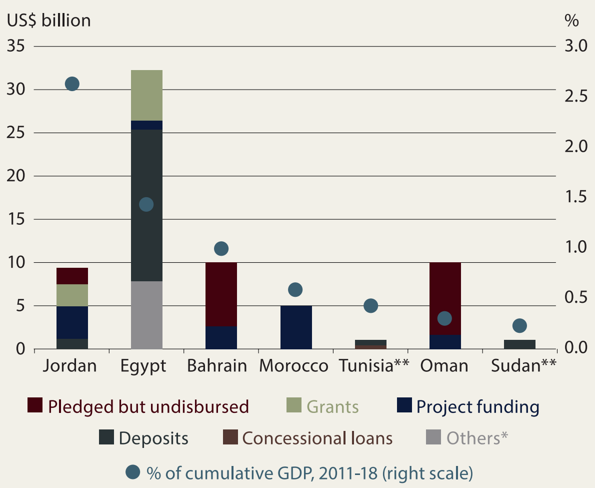
Sovereign ratings can benefit from donor support, particularly for smaller economies that are more vulnerable to external shocks (including terms of trade shocks). Depending on the form of support, whether it is a loan or a grant, budgetary or balance-of-payments related, funding may or may not add to the government's debt burden. S&P Global Ratings only rates sovereign commercial debt, but a sovereign's access to bilateral noncommercial financing generally lowers that country's cost of financing and benefits its debt profile, for example by extending average debt maturities and hence reducing commercial refinancing risks.

These Gulf Cooperation Council (GCC) donors disbursed a similar amount over 2011-2018 to a smaller group of allies including Jordan, Egypt, Bahrain, Morocco and Oman, to ensure political and social stability in a period of regional disruption, according to the report.

Historically, funding from higher-rated GCC countries (Saudi Arabia, the United Arab Emirates, Kuwait and Qatar) has supported a smaller group of strategic allies. Recent pledges to a broader group of countries reflect a more active foreign policy and evolving geopolitical priorities, according to the rating agency report.

In S&P's experience, the actual disbursement of aid from the GCC is not always consistent, fully disbursed, or large enough to alleviate financial pressures for the recipient countries, said S&P Global Ratings in its report.

GCC AID DISBURSEMENTS OVER 2011-2018



* Other reflects GCC grants to Egypt to purchase energy products in 2013/14.
** For unrated sovereigns, S&P uses GDP data from the IMF World Economic Outlook.

Source: S&P

The rating agency anticipates that GCC sovereigns will likely prioritize funding to key regional partners in the context of volatile oil prices, weaker GCC net asset positions, and their respective domestic agendas of diversifying their economies away from hydrocarbons.

S&P Global Ratings expects that further support from the GCC countries in the event of financial stress would be forthcoming for Bahrain, Oman, and Jordan. This expectation offers additional support for the ratings on these three sovereigns. There continue to be strong political and economic ties among GCC sovereigns (barring the dispute with Qatar). More importantly, the rating agency believes that GCC countries will strive to prevent contagion effects from pressure on the currency pegs of Bahrain or Oman and spillovers of social and sectarian tensions. For Jordan, the report also expects strong support from the United States.

The rating agency also notes that the funding mix of recent donor pledges is more debt-like. Budget grants, the most fungible form of aid, are becoming less prevalent. Deposits in the Central Bank and other forms of conditional aid are increasingly the norm, added the rating agency report.

OMAN BUDGET DEFICIT DROPS BY 36% YEAR-ON-YEAR TO US$ 5.0 BILLION IN 9M 2018

Oman's budget deficit dropped by 36.1% year-on-year to OMR 1.9 billion (US$ 5.0 billion) during the first nine months of 2018, due to a surge in government revenues driven by higher oil income, according to the latest statistics released by the National Centre for Statistics and Information (NCSI).

The Sultanate's budget deficit for the same period of 2017 was much higher at OMR 3.0 billion (US$ 7.8 billion), as per the same source.

Total revenues of the government surged by 29.9% year-on-year to OMR 7.75 billion in the first nine months of this year, thanks to a major recovery in oil prices. As a result of the rise in oil prices, Oman's net oil revenue jumped by 44% to OMR 4.76 billion during January-September period of 2018, compared to OMR 3.3 billion recorded in the same period of last year, as per the same source.

Revenue from natural gas rose by 26.2% to OMR 1.38 billion, while customs duty and corporate income tax contributed OMR 173.2 million and OMR 415.5 million, respectively, to total revenues during the first nine months of 2018.

Total public expenditure increased by 7.8% to attain OMR 9.1 billion during the first nine months of 2018, against OMR 8.43 billion in the same period of last year. Of total expenditures, current expenditure rose by 9.5% to OMR 6.62 billion while investment expenditure decreased by 5.8% to OMR 1.91 billion.

Omani government's total public expenditure in the year 2017 stood at OMR 12.27 billion, with a total revenue of OMR 8.51 billion, leaving a deficit of OMR 3.75 billion.

CI AFFIRMS JORDAN'S LONG-TERM FOREIGN CURRENCY ISSUER RATING AT "BB-"

Capital Intelligence (CI) affirmed Jordan's Long-Term Foreign Currency (LT FC) Issuer Rating at "BB-" and its Long-Term Local Currency (LT LC) Rating of "BB". At the same time, CI affirmed Jordan's Short-Term Foreign Currency (ST FC) and Short-Term Local Currency (ST LC) Ratings at "B". The outlook for the ratings has been affirmed as "negative".

The ratings and "negative" outlook reflect Jordan's moderately weak public finances, and in particular increasing uncertainty regarding the government's ability to deliver the scale of fiscal adjustment needed to reduce its high debt burden to a more sustainable level. The ratings and "negative" outlook also take into account substantial socio-economic pressures, including high unemployment.

While the government has implemented a number of fiscal consolidation measures in the past few years, the reform agenda has become more challenging, as evidenced by the public reaction to and subsequent watering down of the new income tax bill, and there are signs that fiscal policy has been loosened in 2018, with nominal expenditure growth clearly exceeding revenue growth in the first eight months of the year, as per CI.

Even assuming the implementation of the revised income tax bill (which seeks to generate additional revenue of around 1% of GDP), CI expects only a modest – and slower than previously expected – improvement in the public finances over the next few years.

In particular, the rating agency expects Jordan’s central government debt to decline to about 92% of GDP in 2020 (from about 96% this year), which is still considerably higher than the average for other sovereigns rated in the 'BB' range (65.5% of GDP in 2017).

The government debt profile has changed in recent years due to greater reliance on external commercial borrowing to fund the budget deficit. Borrowings from international capital markets accounted for 21.9% of total central government debt in 2017, up from 3.0% in 2012. Borrowing from international capital markets has also become an important source of financing for Jordan's very large current account deficit (10.6% of GDP in 2017). CI views the increased reliance on external commercial borrowing as an emerging risk factor since it raises the vulnerability of government and external financing to sudden shifts in foreign investor sentiment.

KSA FOREIGN RESERVES RISE BY 2.3% YEAR-ON-YEAR IN OCTOBER 2018

Saudi Arabia’s foreign reserves rose by 2.3% year-on-year or SR 42.0 billion (US$ 11.2 billion) to SR 1.892 trillion in October 2018, according to data from the Saudi Arabian Monetary Authority.

The rise of foreign reserves was attributed to a 12.6% growth in foreign cash and deposits abroad reaching SR 656.0 billion in October, against SR 582.64 billion in the same month of 2017, as per the Saudi Central Bank.

On the other hand, investments in overseas securities fell by 2.6% year-on-year to SR 1.198 trillion, compared to SR 1.230 trillion in the corresponding period of last year.

The reserves status at the International Monetary Fund (IMF) declined slightly to SR 6.62 billion in October, versus SR 6.82 billion in the same month of 2017, whereas Special Drawing Rights (SDRs) grew to SR 29.8 billion from SAR 28.9 billion. Cash gold remained unchanged at SR 1.624 billion by the end of October of 2018.

The Kingdom’s foreign reserves comprise of investments in securities abroad, foreign cash, overseas deposits, reserves status at the IMF, SDRs, and cash gold.

In parallel, trade exchange between Saudi Arabia and the GCC increased by 15.9% year-on-year to SR 68.4 billion (US$ 18.2 billion) in the first nine months of 2018, up from SR 59.0 billion (US$ 15.7 billion), according to data from the Saudi General Authority for Statistics (GASTAT).

The UAE constituted around 70.9% of the Saudi-GCC trade exchange with SR 48.5 billion (US$ 12.9 billion) from January to September, compared to SR 37.1 billion (US$ 9.9 billion) in the year-ago period of last year, as per the same source.

The Kingdom’s non-oil merchandise exports to its GCC neighbours rose by 2.3% year-on-year to SR 24.1 billion (US$ 6.4 billion) in the January-September period of 2018, compared to SR 23.6 billion in the same period of 2017.

Saudi merchandise imports from the GCC jumped by 25% to SR 44.3 billion (US$ 11.8 billion) during the first nine months of this year, up from SR 35.4 billion (US$ 9.4 billion) in the same period of 2017.

It is worth noting that Saudi Arabia posted a trade deficit with the GCC states of SR 20.2 billion in the first nine months of this year, up by 70.2% from SR 11.85 billion in the same period of last year.

SURVEYS

THIRD QUARTER OF 2018 WITNESSED A TOTAL OF THREE IPOs IN THE GCC, AS PER PwC

The third quarter (Q3) of the year witnessed a total of three initial public offerings (IPOs) in the GCC across a wide range of sectors, said PwC, a global provider of assurance, advisory and tax services, in a new report.

Unlike the first two quarters of the year which saw IPO activity confined within Saudi Arabia, this quarter saw those new offerings from the GCC - Kuwait and Oman, in addition to a listing on Saudi's Tadawul, added the titled "PwC GCC Capital Markets Watch Q3 2018".

A total of US$ 484 million was raised this quarter on the back of these three listings, with slightly higher proceeds than the previous quarter (Q2 2018: US$ 463 million). Among these, Boursa Kuwait, one of the region's oldest stock exchanges, welcomed its first IPO in more than ten years, after a thorough infrastructure restructuring and reconfiguration, raising US$ 214 million.

Equity markets activity remained subdued due to the economic slowdown and increase in interest rates driven by the US Federal interest rate hikes in the year to date. In debt markets, the oil price surge has reduced GCC governments' borrowing needs, according to PwC.

However, the corporate debt issuance activity has largely maintained pace, driven by the general consensus that there will be further interest rate increases in the near future. This encouraged a number of companies to issue their debts towards the end of the quarter, and PwC expects this trend to continue into the fourth quarter.

According to the report, the Capital Markets activity in the region is progressing at a cautious pace. There are signs of recovery, but it remains to be seen whether they are enough to counter the escalating pressure from increasing geopolitical uncertainties and interest rate hikes.

Unlike last quarter, GCC equity markets were not dominated by REIT IPOs but saw instead a healthy diversification in both sectors and geographies compared with the dominance of REITs and Saudi listings in Q1 and Q2, as per the same source.

At the regional level, Tadawul's fresh issuance activity slowed during Q3 compared to the same period last year. Leejam Sports Company was the only IPO on Tadawul during this quarter, compared to three listings during the equivalent period of last year. Proceeds were not however negatively impacted, with US$ 218 million generated – a 7% increase compared to the US$ 204 million raised from the three IPOs in the same period in 2017, as per PwC.

Boursa Kuwait was in the spotlight with its infrastructure upgrade that reconfigured and restructured the stock exchange and its announced plan to privatize. The Kuwaiti exchange's first IPO in over ten years raised US$ 214 million. And finally in Oman, the Muscat Securities Market (MSM) welcomed the listing of Dhofar Generating Company which raised US$ 52 million.

KSA'S CONSTRUCTION COSTS UP BY 1.9% YEAR-ON-YEAR IN THE THIRD QUARTER OF 2018, AS PER COLLIERS

The construction costs across Saudi Arabia surged by 1.9% during the third quarter compared to the same period last year mainly driven by key industry issues linked to workload and labor, as per real estate expert Colliers International.

The procedures implemented by Saudi Arabia to carry out nationalization in various sectors, as well as taxes imposed on expatriates, have contributed to raising labor's costs in the nation, stated Colliers in its report.

Over the last year, the project pricing has been "very aggressive" on the back of competition for work, as per the report.

As for profit margins of contractors, Colliers said it did not expect a growth in the near future until the real estate firms fill their order books. It will take significantly more projects to commence, to have a real impact on increasing margins that contractors will include within their bids. A such, reduced competition is predicted to have a minor impact on tender pricing over the next 12 months, it stated.

The tender price inflation's average for construction costs would be 1.8% in the coming 12 months, said the report.

However, the numerous projects that have been announced by the Saudi government over the last 12 months would help to bring optimism to the industry, it added.

DYNAMICS IN QATAR'S TELECOMS MARKET REMAIN VIRTUALLY UNCHANGED FROM THE PREVIOUS QUARTER, AS PER BMI

Dynamics in Qatar's telecoms market remain virtually unchanged from the previous quarter, as it behaves in line with BMI's expectations. Market maturity and high penetration levels will limit overall growth, but the agency maintains that new technologies and value-added services will continue to drive revenues. The market is competitive as both Ooredoo and Vodafone strive to offer differentiating services and attract higher-value subscribers. Both have invested heavily in their LTE-A mobile broadband services and are now focused on deployment of 5G, full launch of which is expected by the end of 2018.

It is worth noting that the strong influx of migrants will continue as the FIFA World Cup approaches and allows operators to market services to the high and low-value ends of the market. The wireline sector will follow trends present in the region, with limited to no growth in fixed voice services, but with an uptake of fixed broadband thanks to fiber investments and new converged services offerings.

Moreover, the number of mobile subscriptions contracted by 7.0% year-on-year to 4.06 million at the end of June 2018, with the number of postpaid subscriptions having increased by 11.5% to reach a share of about one fifth of the market. Although BMI expects limited subscription growth as the trend towards post-paid will continue and as inactive SIMs are discounted, 4G migration will drive market growth; 4G penetration will represent 95.25% of the mobile market by 2027.

On the other hand, Ooredoo and Vodafone are actively investing in advanced LTE-A Pro services and working diligently towards developing their 5G platforms. Ooredoo has been upgrading its LTE-A sites with CAT16 capabilities and claimed speeds of around 1Gbps in 2017.

In this context, BMI maintained its positive outlook of the market, which will in spite of saturation in terms of total subscriber numbers continue to be driven by investment into new technologies and services. A booming construction sector, fueled by infrastructure investments linked to the 2022 FIFA World Cup, as well as the government's plans to reduce the economy's reliance on oil revenues through investments into new technologies, will support growth.

CORPORATE NEWS

INVESTCORP ACQUIRES US$ 311 MILLION MULTIFAMILY PROPERTIES IN US

Investcorp, a manager of alternative investments, said its US-based real estate investment team acquired six new multifamily properties in the US, totaling 2,876 units for a combined purchase price of US$ 311 million.

These properties are located in major submarkets of three rapidly growing metro areas: Tampa (Florida), Houston (Texas) and Salt Lake City (Utah), said a statement from the Bahrain-based company.

The properties in the portfolio are all "garden-style" apartment communities. They include two properties in Tampa comprising 1,231 units, three in Houston comprising 1,392 units and one property in Salt Lake City, comprising 253 units.

With the addition of these properties, Investcorp now owns approximately 13,000 multifamily units across the US. In the last 12 months, Investcorp has acquired more than 3,400 multifamily units across key US metro markets.

DNATA ACQUIRES MAJORITY STAKE IN AI SOLUTIONS FIRM

Dnata, one of the world's largest air services providers, acquired a majority stake in bd4travel (Big Data for Travel), a tech company, which provides artificial intelligence (AI)-driven IT solutions to online travel agencies.

Based in Germany and the UK, bd4travel's services were designed specifically to meet the challenges of the travel industry. The company's sophisticated algorithms allow online travel agencies to engage with anonymous customers and personalize their shopping experience in real-time, recommending the most relevant products, services and content to them.

Operating a diverse portfolio of travel businesses, dnata offers comprehensive travel services for individuals, companies and the travel trade across 77 countries. The company and its partners manage a broad range of activities from business and incentive travel to worldwide tour operations, including destination management, leisure, sports and active holidays. dnata also offers sales and marketing services for hotels, along with specialist travel services for government, offshore and marine industries.

The acquisition is effective immediately, with no interruption to the services offered by bd4travel. The business will continue under the bd4travel branding.

SAUDI ARKAD SIGNS STRATEGIC CO-OP DEAL WITH BILFINGER

Arkad, an engineering and integrated projects company based in Saudi Arabia, signed a strategic co-operation agreement with global engineering and industrial solutions powerhouse Bilfinger to help accelerate growth and drive localization in the Kingdom.

The agreement, in harmony with the Vision 2030, paves the way to harness the opportunities in the oil and gas industry along with chemical, petrochemical, nuclear and renewable energy sectors with advanced solutions and services, while aiming at developing the local value chain and creating employment opportunities for Saudi workforce.

Arkad is a fully integrated EPC contractor offering innovative solutions to the hydrocarbon and energy sector across the Kingdom.

Arkad said the co-operation addresses strategic elements such as engineering technology, innovative asset life cycle solutions, in-Kingdom fabrication and modularization and environmental solutions.

AUBIN LAUNCHES CHEMICAL MANUFACTURING IN SAUDI ARABIA

Aubin, the chemical solutions provider to the energy industry, established a manufacturing capability in Saudi Arabia to enhance product delivery and support to the local and international oil and gas markets.

The move provides Aubin with both liquid and powder blending manufacturing capabilities in the Kingdom for the first time. It will maximize IKTVA (In Kingdom Total Value Added) product content and enhance the company's local credentials whilst supporting larger regional and international service companies in the provision of locally manufactured products.

This new offering will complement Aubin's capabilities in the UAE, as the company looks to further increase its manufacturing presence in other Middle Eastern countries.

Industrial developments in Saudi Arabia and a growing acceptance of the benefits of chemical solutions over mechanical alternatives in well services, have led to an increased demand for Aubin's stimulation and cementing solutions, particularly its acid matrix stimulation systems.

MAG UNIT NETS US$ 952 MILLION IN DUBAI PROJECT SALES

Dubai-based MAG Dubai, the property development arm of MAG Group Holding, successfully sold a total of 2,887 units worth AED 3.5 billion (US$ 952 million) in multiple developments across the emirate.

These include Mag Eye, Mag 318, Mag MBL Residence, Mag 5 Boulevard and Mag 5 in Dubai South besides The Polo Townhouses and The Polo Residences in Meydan.

Of these, 600 units - comprising studios, two, and three-bedroom townhouses with a value of AED 400 million - were sold at Mag Eye, an AED 4.7 billion project and the only fully gated townhouse and apartment community in Meydan District 7.

ZAIN TO SELL AND LEASE BACK TELECOM TOWERS IN US$ 648 MILLION DEAL

Telecom operator Zain Saudi Arabia accepted an offer from IHS Holding, a mobile tower operator, for the sale and leaseback of its tower infrastructure in a deal valued at SR 2.4 billion (US$ 647.7 million), as per a company statement.

Zain will sell 8,100 towers and related passive infrastructure and lease them back for 15 years, with an option to renew for five years, it said, adding that the deal also included the building of an additional 1,500 towers over the next six years.

Zain Saudi said the proceeds from the deal will be used to reduce its Murabaha facility, an Islamic financing structure, by SR 2.4 billion, resulting in savings to the debt servicing.

It will also allow Zain to focus on its core business and grow infrastructure with reduced investment, it added.

The company, 37%-owned by Kuwait's Zain Group, has been exploring the sale of its towers since as early as January 2015.

IHS Holding operates in Ivory Coast, Cameroon, Rwanda, Nigeria and Zambia, according to its website.

Under the terms of the deal, Zain is selling only its passive, physical infrastructure and will retain its software, technology and intellectual property with regard to managing its network, it said.

The deal is subject to a final binding agreement between the parties, as well as regulatory approval and approval from lenders, Zain Saudi said.

CAPITAL MARKETS

EQUITY MARKETS: SHY WEEKLY PRICE GAINS IN REGIONAL EQUITIES

MENA equity markets saw mixed price movements this week. The heavyweight Saudi Tadawul and the Qatar Exchange registered price gains of 1.4% and 0.6% respectively, while the UAE equity markets and the Egyptian Exchange posted price falls of 5.5% and 3.3% respectively. This resulted in a shy increase in the S&P Pan Arab Composite Index of 0.1%.

The heavyweight Saudi Tadawul led the advance in regional stock markets this week, posting a 1.4% rise in prices, mainly supported by some favorable company-specific factors. Zain Saudi Arabia's share price increased by 2.8% to SR 6.65. Zain Saudi Arabia accepted an offer from IHS Holding, a Mauritius-based mobile tower operator, for the sale and leaseback of its tower infrastructure in a deal valued at SR 2.43 billion. Saudi Industrial Export Company's share price climbed by 9.6% to SR 86.90. Al Jouf Cement extended its sale and marketing contract with SIECO for a year. Asharqiyah Development's share price surged by 12.5% to SR 51.50. The company's Board of Directors appointed a new Chairman and Vice-Chairman.

The Qatar Exchange registered a 0.6% increase in prices week-on-week, mainly helped by some foreign buying interest. 27 out of 45 listed stocks posted price gains, while 16 stocks registered price falls and two stocks saw no price change week-on-week. Qatar Industrial Manufacturing Company's share price went up by 0.7% to QR 43.50. QIMC announced plans to be a founding partner with a 50% stake in the equity capital of the local Gulf Glass Factory. Ooredoo's share price jumped by 4.9% to QR 78.99. Ezdan Holding's share price surged by 6.3% to QR 12.73. Aamal's share price closed 2.4% higher at QR 9.24.

In contrast, the UAE equity markets were top losers in the MENA region this week, registering a 5.5% fall in prices, mainly dragged by some profit-taking operations ahead of MSCI semi-annual index review and due to weak real estate stocks. In Dubai, Dubai Investments' share price shed 6.3% to AED 1.35. MSCI moved the stock from its UAE standard index to its UAE small index, effective end-November 2018. Also, realty stocks remained on the decline in an oversupplied residential market. Real estate consultancy JLL has recently projected further declines in Dubai property rents and sale prices until next year. Arabtec Holding's share price plummeted by 11.5% to AED 2.01. DAMAC Properties' share price shed 10.1% to AED 1.87. Deyaar Development's share price fell by 4.5% to AED

EQUITY MARKETS INDICATORS (NOVEMBER 25 TILL DECEMBER 01, 2018)

Market	Price Index	Week-on Week	Year- to Date	Trading Value	Week-on Week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	84.1	1.1%	-14.4%	30.8	939.5%	4.7	9,138.0	17.5%	5.2	0.71
Jordan	365.0	-3.1%	-4.7%	29.9	19.3%	19.4	22,229.6	7.0%	13.2	1.39
Egypt	278.9	-3.3%	-9.1%	298.6	10.5%	989.9	43,045.6	36.1%	10.0	1.78
Saudi Arabia	333.2	1.4%	8.9%	4,129.7	12.1%	611.5	486,167.6	44.2%	15.1	2.15
Qatar	190.9	0.6%	23.9%	571.8	93.5%	63.2	161,322.2	18.4%	14.7	2.09
UAE	112.9	-5.5%	-8.8%	828.3	104.1%	1,291.0	237,481.2	18.1%	11.2	1.73
Oman	216.4	-0.9%	-8.7%	32.9	699.0%	58.8	19,062.2	9.0%	10.0	1.08
Bahrain	121.5	-1.0%	-0.8%	18.0	55.4%	28.3	20,430.8	4.6%	9.7	1.14
Kuwait	94.9	0.8%	9.4%	294.4	64.2%	466.0	85,251.7	18.0%	14.8	1.57
Morocco	268.3	1.2%	-11.5%	65.2	326.9%	3.5	59,834.7	5.7%	18.3	2.85
Tunisia	71.9	-0.6%	-6.6%	12.5	105.3%	10.5	8,257.3	7.9%	13.3	2.25
Arabian Markets	**724.1**	**0.1%**	**5.5%**	**6,312.2**	**28.9%**	**3,546.8**	**1,152,221.0**	**28.5%**	**13.9**	**1.97**

Values in US$ million; volumes in millions * Market cap-weighted averages

Sources: S&P, Bloomberg, Bank Audi's Group Research Department

0.40. Emaar Malls' share price plunged by 5.3% to AED 1.80. Emaar Properties' share price closed 5.7% lower at AED 4.50. Emaar Hospitality, a unit of Emaar Properties, agreed to sell five hotels in Dubai to Abu Dhabi National Hotels for an undisclosed amount.

In Abu Dhabi, First Abu Dhabi Bank's share price plunged by 6.1% over the week to AED 13.60, as some market players sought to book profits before MSCI's decision to double its weighting on the stock in its semi-annual index review. Dana Gas' share price plunged by 10.7% to AED 0.92. Dana Gas has previously announced an 83% year-on-year drop in its 2018 third quarter net profits to reach AED 61 million. Taqa's share price went down by 0.5% to AED 0.975 in a lower oil price environment.

The Egyptian Exchange saw a 3.3% drop in prices week-on-week, mainly dragged by some market-specific factors. The Egyptian cabinet gave preliminary approval to a proposed amendment to the way bank taxes are calculated by scrapping a provision that lets local banks deduct taxes already paid on Treasuries from their bottom-line income tax, a move that could encourage banks to divert funds away from Treasuries and boost credit to the private sector. Also, Egypt is shutting down a mechanism that guarantees that overseas can repatriate their foreign currency earnings, a move that could mean more volatility for the Egyptian pound. Commercial International Bank's share price plunged by 6.1% to LE 74.61. Alahly Bank's share price closed 1.5% lower at LE 40.20. Credit Agricole-Egypt's share price dropped by 3.6% to LE 40.0. Egyptian Gulf Bank's share price plummeted by 7.1% to LE 0.73. El Sewedy Electric's share price fell by 3.1% to LE 16.03. Vodafone Egypt's share price shed 8.9% to LE 104.53.

FIXED INCOME MARKETS: TWO-WAY FLOWS IN REGIONAL BOND MARKETS THIS WEEK

MENA fixed income markets saw a two-way flow activity this week. Some papers registered price gains, tracking US Treasuries move after the US Federal Reserve said that interest rates are close to a neutral level. Some other regional papers continued to trace a downward trajectory, mainly on reduced sentiment following an oil price collapse.

In Dubai, sovereigns maturing in 2020 were down by 0.03 pt, while sovereigns maturing between 2021 and 2043 posted price gains ranging between 0.12 pt and 0.34 pt this week. DP World papers maturing between 2020 and 2037 saw price improvements of up to 0.19 pt, while DP World'48 traded down by 0.36 pt.

Still in the Dubai credit space, prices of Emirates Airline'23, '25 and '28 rose by up to 0.14 pt week-on-week. In contrast, DAMAC'19 and '22 were down by 0.06 pt and 1.85 pt respectively. Prices of Majid Al Futtaim'24 and '25 contracted by 0.13 pt and 0.53 pt respectively. Majid Al Futtaim Perpetuals (offering a coupon of 5.5% and 6.375% respectively) registered price declines of 0.47 pt and 0.30 pt respectively. Fitch affirmed Majid Al Futtaim Holding LLC's long-term IDR and senior unsecured rating at "BBB" with "stable" outlook. The affirmation reflects Majid Al Futtaim Properties' stable recurring income generating property portfolio in good locations in the UAE, supported by a strong tenant base and low vacancy rates.

In Abu Dhabi, sovereigns maturing in 2019 closed down by 0.03 pt, while sovereigns maturing between 2021 and 2047 posted price increases of 0.09 pt to 0.93 pt week-on-week. Standard & Poor's affirmed its "AA/A-1+" long-term and short-term foreign and local currency sovereign credit ratings on Abu Dhabi, with "Stable" outlook. The "Stable" outlook reflects S&P's expectation that economic growth would steadily recover and that the country's fiscal position would remain strong over the next two years, although structural and institutional weaknesses would likely persist.

In parallel, IPIC papers maturing in 2020, 2021, 2023 and 2026 saw weekly price contractions of up to 0.30 pt, while IPIC'22 and '41 closed up by 0.10 pt and 0.02 pt respectively. Prices of Dolphin'19 and '21 retreated by 0.11 pt and 0.29 pt respectively. In contrast, Mubadala papers maturing between 2022 and 2029 registered price gains ranging between 0.15 pt and 0.71 pt.

In the Jordanian space, sovereigns maturing in 2026 and 2027 were up by 0.75 pt each this week. Jordan'47 closed up by 0.88 pt. CI Ratings affirmed Jordan's long-term foreign currency issuer rating at “BB-” and its long-term local currency rating at “BB”. At the same time, CI Ratings affirmed Jordan's short-term foreign currency and short-term local currency ratings at “B”. The outlook for the ratings has been affirmed at “Negative”. The ratings and “Negative” outlook reflect Jordan's moderately weak public finances, and in particular increasing uncertainty regarding the government's ability to deliver the scale of fiscal adjustment needed to reduce its high debt burden to a more sustainable level.

In the Bahraini credit space, sovereigns posted price gains across the board, with papers maturing between 2020 and 2047 registering weekly price increases ranging between 0.63 pt and 2.63 pts. NOGA’24 was up by 0.34 pt, while NOGA’27 and ’28 closed down by 0.28 pt and 0.14 pt respectively. As to credit ratings, Standard & Poor’s affirmed its “B+/B” long-term and short-term foreign and local currency sovereign credit ratings on Bahrain. The outlook is “Stable”. The “Stable” outlook reflects S&P’s expectation that the Bahraini government would use the window of opportunity provided by the pledged financial support from other GCC sovereigns to accelerate the pace of fiscal consolidation against remaining external risks, exacerbated by the very low Central Bank reserves.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	30-Nov-18	23-Nov-18	29-Dec-17	Week-on-week	Year-to-date
Abu Dhabi	69	71	64	-2	5
Dubai	125	123	123	2	2
Kuwait	65	65	66	0	-1
Qatar	78	78	105	0	-27
Saudi Arabia	98	100	92	-2	6
Bahrain	295	284	276	11	19
Morocco	106	109	121	-3	-15
Egypt	355	355	316	0	39
Lebanon	793	824	520	-31	273
Iraq	444	419	424	25	20
Middle East	**243**	**243**	**211**	**0**	**32**
Emerging Markets	**194**	**198**	**136**	**-4**	**58**
Global	**189**	**185**	**132**	**4**	**57**

Sources: Bloomberg, Bank Audi's Group Research Department

Z-SPREAD BASED AUDI MENA BOND INDEX V/S INTERNATIONAL BENCHMARKS

Sources: Bloomberg, JP Morgan, Bank Audi's Group Research Department

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	B-/Stable/B	B3/Stable	B-/Stable/B
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	NR
Egypt	B/Stable/B	B3/Positive	B/Positive/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Stable	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Negative/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Negative	BB-/Stable/B
Oman	BB/Stable/B	Baa3/Negative	BBB-/Negative/F3
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3
Tunisia	NR	B2/Stable	B+/Negative/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated   RWN= Rating Watch Negative   * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	30-Nov-18	23-Nov-18	29-Dec-17	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	-0.4%
Egyptian Pound (EGP)	17.92	17.89	17.76	0.2%	0.9%
Iraqi Dinar (IQD)	1,187.34	1,182.28	1,176.53	0.4%	0.9%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.65	3.65	3.66	0.0%	-0.3%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.6%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.38	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	119.05	119.05	114.94	0.0%	3.6%
Moroccan Dirham (MAD)	9.52	9.51	9.35	0.2%	1.9%
Tunisian Dinar (TND)	2.95	3.08	2.48	-4.3%	18.9%
Libyan Dinar (LYD)	1.40	1.39	1.36	0.3%	2.9%
Sudanese Pound (SDG)	47.62	47.62	7.02	0.0%	578.8%

Sources: Bloomberg, Bank Audi's Group Research Department

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