The MENA WEEKLY MONITOR

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The MENA region saw record 564 start-up investments in 2019, an increase of 31% from 2018, with a total amount of funding of US$ 704 million, as per a recent MAGNiTT report.

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p.9 MIXED PRICE MOVEMENTS ACROSS MENA CAPITAL MARKETS

MENA equity markets registered shy price gains this week (+0.4%). The heavyweight Saudi Tadawul, the UAE equity markets, the Qatar Exchange and the Egyptian Exchange posted weekly price increases of up to 0.6%, mainly supported by oil price gains amid heightened geopolitical tensions and due to some favorable market-specific and company-specific factors. In parallel, activity in MENA fixed income markets was mostly skewed to the downside during this week, mainly weighed down by escalating geopolitical tensions after a US air strike killed a top Iranian military commander in Iraq. Within this context, regional average five-year sovereign CDS spreads saw noticeable weekly expansions.

MENA MARKETS: WEEK OF DECEMBER 29, 2019 - JANUARY 04, 2020

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+0.4%	Weekly Z-spread based bond index	+2.8%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+0.1%	YTD Z-spread based bond index	+3.2%

ECONOMY

MAGNiTT SAYS MENA SAW US$ 704 MILLION IN VENTURE FUNDING IN 2019

Saudi Arabia has seen the fastest year-on-year growth in venture funding deals in the region in 2019, which was a record year for MENA-based start-ups in investment deals, as per the 2019 MENA Venture Investment report by start-up platform MAGNiTT. The region saw record 564 start-up investments in 2019, an increase of 31% from 2018, with a total amount of funding of US$ 704 million, as per the recent MAGNiTT report.

In terms of the number of funding deals, Saudi Arabia posted the fastest growth in the region last year, with its share of total deals growing by 4% compared to the previous year. The Kingdom accounted for 12% of the number of MENA funding deals in 2019.

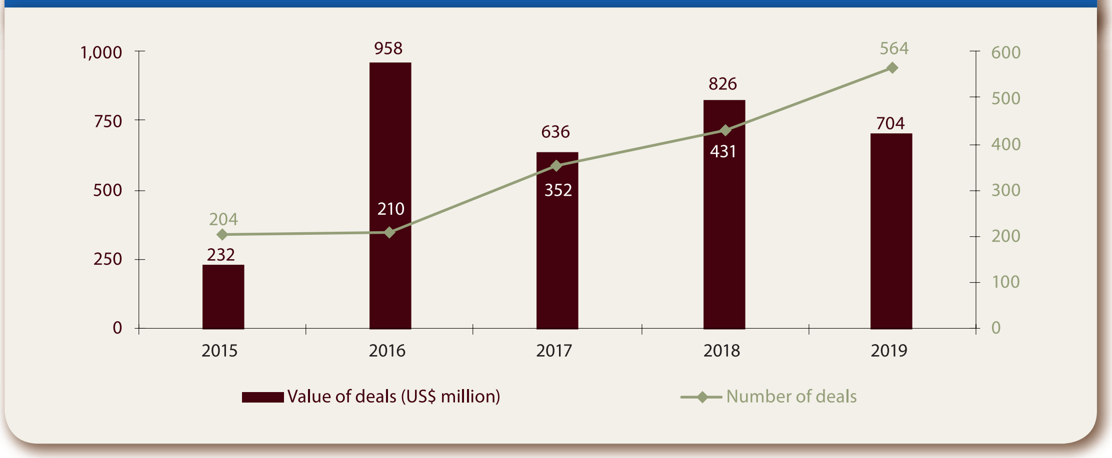
As part of Saudi Vision 2030, there is a concerted effort to develop a start-up ecosystem in Saudi Arabia and boost venture investment as an asset class, said the CEO and Founder at MAGNiTT. Saudi Arabia benefits from being one of the largest populations and economies in the MENA region, with high mobile and internet penetration. This offers an ideal testing ground for entrepreneurs to locally start ventures, as well as a key market for international companies to scale into, as per the same source.

At the same time, the government has recently launched initiatives to boost and drive entrepreneurship in the Kingdom. These include the likes of capital availability through the newly established US$ 1.07 billion Fund of Funds launched by the PIF (Public Investment Fund), as well as licensing opportunities for start-ups and VCs by SAGIA (Saudi Arabian General Investment Authority) and funding initiatives through Monsha'at, the SME authority, to support this growth, as per the same source. Also, universities across the Kingdom are seeking to address the needs of start-ups with an educational system to create and foster talent at the grass roots.

Egypt topped the region with one fourth of the number of all venture funding deals, despite a drop of 1% compared to 2018. Meanwhile, the UAE accounted for 23% of the deals but recorded a drop of 3% compared to 2018. Egypt, similarly to Saudi Arabia, has seen government support in the form of funds, while private institutions have looked to increase capital availability through accelerators and venture funds, as per MAGNiTT's CEO and Founder.

Egypt has the largest population of any country in the MENA region. It also has a strong educational system, which supports talent that is trying to solve identifiable pain points that are present in Egypt. The size of the Egyptian market makes it particularly attractive for local founders to launch a start-up, as it is a relatively cost-effective environment. This is a key attribute for Venture Investors when looking at startups in this asset class, as per MAGNiTT. Lastly, accelerator programs have provided stimulus to this growth, many of which have been established in Egypt to provide support to early-stage start-ups.

YEARLY MENA START-UP FUNDING



Sources: MAGNiTT, Bank Audi's Group Research Department

In terms of the amount of funding for start-ups in the region, the UAE retained the top spot last year accounting for 60%, though it saw a 5% drop in share compared to 2018. Saudi Arabia's share of total funding increased by 3% in 2019, accounting for 9% of MENA funding. Egypt also recorded an increase of 3% in its share of total funding, accounting for 14%.

FinTech was most active industry in terms of number of deals last year, accounting for 13% of the overall deals, while IT solutions was the fastest growing. Meanwhile, transport was the highest recipient of total venture funding with a share of 19%.

Regarding the 2020 outlook, the MAGNiTT report noted that as more countries in the region start to focus on entrepreneurship and facilitating investment into start-ups, growth is expected across the board and the geographical shift is set to continue.

MAGNiTT expects the trend seen in Saudi Arabia and Egypt to continue as they gain market share, while also expecting to see more international startups from outside of the region come to MENA to set up either organically or through acquisition. The year 2019 saw the MENA region's first unicorn exit with the US$ 3.1 billion acquisition of Dubai-based Careem by global ride-hailing firm Uber Technologies. The year 2020 will likely see another record for start-up exits, with further consolidation in crowded markets. As start-ups mature to later stage, they will also become more interesting for acquisition by large corporates or international counterparts, as per the same source.

MENA REGION'S REAL GDP TO GROW BY 2.7% IN 2020 FROM A NEAR FLAT 0.1% IN 2019, SAYS MITSUBISHI UFJ FINANCIAL GROUP

The MENA region's real GDP growth is estimated to expand by 2.7% in 2020 from a near flat 0.1% in 2019, said Mitsubishi UFJ Financial Group (MUFG), in its first Mena Economic Weekly of the year.

It is worth noting that oil prices fell on average by over 10% in 2019, despite registering stronger year-on-year growth. The report expects this bearish trend to continue in 2020, notwithstanding recent geopolitical tensions. Attending to growing financing needs in a volatile oil price environment has driven MENA oil exporters to increasingly diversify their sources of financing over the years. The report states that most of these countries have the capacity to finance their deficits and investment programs.

The GCC region's rise from an ad hoc issuer of international capital markets, to a regular and vital space for debt issuance has been remarkable in recent years, as per the report. The GCC states have had a stellar performance in line with broader EMs, despite geopolitical volatility and commodity related concerns, as per the same source. Furthermore, the report said that Saudi Arabia as well as the rest of the region will accelerate privatization plans this year, which is in line with the economic transformation strategy wherein the State slowly withdraws and allows the private sector to lead.

Looking ahead, the expectation is that the region will come out of deflation with prices rebounding in 2020 owing to a rebuild of pricing pressures due to a pick-up in non-oil GDP activity.

BAHRAIN'S REAL ECONOMY GROWS AT A RATE OF 1.6% YEAR-ON-YEAR IN THIRD QUARTER OF 2019

Bahrain's real economy grew at a rate of 1.6% year-on-year in the third quarter of 2019, said the Information & eGovernment Authority (iGA) in a new report.

The National Accounts for Q3 2019 report showed that Bahrain's economy continued to grow at a steady pace during Q3 2019, as the data indicated Gross Domestic Product (GDP) growth was supported by growth in the non-oil sector, which grew by 2.0% compared to the corresponding quarter of 2018. This reflected the diversity of Bahrain's non-oil sectors, most of which registered growth, highlighting the strength and resilience of Bahrain's economy, iGA said in the report. The preliminary data showed growth of educational services at 7.1% year-on-year, followed by hotel and restaurant activity at 6.3%.

Transportation and telecommunications achieved a growth of 6.4% annually, and manufacturing industries increased by 4.1%. Comparing Q3 2019 to Q3 2018, the results indicate that private health services grew by about 3.2%. Meanwhile, trading activity increased by 1.8%. Financial projects increased by 1.8%, and the construction sector recorded an improvement of 1.5%.

INVESTMENT IN MENA REGION PROVES RELATIVELY RESILIENT TO DOWNTURN, SAYS FITCH SOLUTIONS

Investment in the MENA region has proven relatively resilient to the downturn, as per Fitch Solutions. It is worth noting that capex was largely propped up by the major oil producers in the GCC (Saudi Arabia, the UAE and Kuwait).

Spending in these markets is heavily dominated by State-owned enterprises and while their governments rely on oil revenues to some significant degree, all have ample fiscal buffers in place to weather the drop in prices, as per the report.

This has allowed them to broadly maintain their spending, taking advantage of depressed oilfield service costs to lower overall project costs. The OPEC+ production cut deal, of which Saudi Arabia is the primary work horse, has had some dampening effect on spending, but will not be too impactful at the headline level. Overall, Fitch Solutions estimates CAPEX growth of 2.9% in 2020 and 3.2% 2021, down from around 5.0% in 2019.

Oil, which accounts for the lion's share of MENA output, has and will continue to dominate spending, as per Fitch Solutions. Much of the investment will flow towards monetization of the region's large discovered resource base, through expansion of existing production capacity.

A number of major greenfield projects sit in the pre-final investment decision projects pipeline, but many face substantial above-ground barriers to progress, as per the report. Brownfield projects are also dominating the spending in natural gas, including expansions at the giant North Pars field in Qatar, phased development of South Pars in Iran, the Hawiyah and Haradh expansion in Saudi Arabia, Zohr Phase 2 in Egypt and Khazzan Phase 2 in Oman.

The GCC will continue to drive overall capex growth, led by heavy investments into expanding oil production capacity. Saudi Arabia is investing to maintain sustainable production capacity at 12.0mn b/d, while the UAE and Kuwait are both targeting ambitious capacity expansions, as per Fitch Solutions. All three are targeting rapid growth in gas production, with the UAE's targets the most ambitious, taking aim at full self-sufficiency in gas and, ultimately, net exporter status. Saudi Arabia and the UAE have been dominating tendering activity in the region in recent quarters and both have strong projects pipelines under development. While investments in these markets remain heavily state-led both, in particular the UAE, has been pushing to expand the role of private capital in the oil and gas sector. Kuwait has a comparatively less attractive investment climate and looks liable to miss its capacity growth and production targets.

Spending in the rest of the Middle East will be more constrained, and this mainly attributed to Iraq, according to Fitch Solutions. The main drag of Iraq is the severe fiscal strain the government is under. This has limited repayments to oil companies active in the market, which has in turn dis-incentivized fresh rounds of investments. Despite some efforts at reform, the fiscal and licensing terms on offer also remain unattractive in both global and regional terms, putting Iraqi projects at a disadvantage in a globally competitive capital allocation process. That said, improvement in the security environment is opening the door to more spending and the government is renewing efforts to restore refining capacity, as well as growing both gas and oil production.

Meanwhile, spending in North Africa continues to lag the wider region because of mixed reasons. For instance, in Libya, civil conflict in the post-Gaddafi era has led to repeated slumps in production, warding off any prospective investors. Algeria suffers from a large maturing asset base and deepening decline rates. Egypt has become the bright spot in the region, with positive offshore drilling results and fast-track development of Zohr supporting capex and production growth, according to the report.

SURVEYS

HOTELS IN MENA RECORD PROFIT DIP IN NOVEMBER, AS PER HOTSTATS HOSPITALITY INTELLIGENCE

For hotels in the Middle East and North Africa, two consecutive months of profit growth gave way to a contraction in November as Dubai's hospitality sector recorded a profit drop of 9.6% year-on-year, according to a HotStats Hospitality Intelligence report.

Challenged by excessive and unabated hotel supply and development, Goppar - gross operating profit per available room - of Dubai hotels declined by 9.6% to US$ 135.4 in November, said HotStats. The coming months and years will require hoteliers to be more cost-conscious than revenue-conscious, as per the report.

According to HotStats, due to the excessive supply RevPAR (revenue per available room) in Dubai was down 9.3% year on year in November to US$ 183.1, as room rates dropped 8.6% combined with a 0.7 percentage-point decline in occupancy. Total overhead costs declined in the month, down 6.2% year-on-year, but not enough to produce positive profit growth, evidenced by a 0.4 percentage-point decline in profit margin.

In the MENA region, Goppar declined 1.7% year-over-year, according HotStats. The region had a nice, albeit short, run of Goppar gains prior to November's downtick, but the drop is more in line with MENA's overall dim 2019 performance. If there is a silver lining, the 1.7% drop is the smallest year-on-year decrease of the year and far smaller than the year to date number of -4.2%," said the report.

The MENA region's room revenue was down 2.6% compared to the same month last year, dragged down by a 5.1% drop in room rate. Occupancy for the month was up 1.9 percentage points to 76.2%.

According to the report, the drop in rooms RevPAR, along with a 1.5%year-on-year decrease in F&B RevPAR, equated into an overall decrease in total revenue of 2.7%.

And while generating revenue in November proved onerous, expense control was a bright spot. Total overhead costs on a per-available-room basis were down 3.4% and total labor costs were also down -2.4% year-on-year. Utility expenses came down 3%, while overall property and maintenance costs were down 2.6%, the HotStats report said.

In contrast to MENA trend, Egypt pushed out a positive month of profit, with a 2.9% overall year on year jump. This came on the back of a 1.3% rise in RevPAR and a 3.6% in TRevPAR (total revenue per available room).

DUBAI'S PROPERTY MARKET OUTLOOK NO LONGER AS BLEAK AS IT WAS EARLIER, AS PER PROPERTY FINDER

Dubai's property prices may continue to post declines this year, but the outlook for the market is no longer as bleak as it was earlier in 2019.

Industry analysts agreed that the real estate sector has not yet reached their bottom levels, as more residential and commercial units are still coming in and putting pressure on prices.

What will significantly help the market, however, is the upcoming Expo 2020 and continuous push by the government to introduce and implement more initiatives that can boost investor confidence.

The market is still in the correction phase and it will continue in that phase before things stabilize, as per Property Finder.

According to Property Finder's research, a total of 32,822 new apartments and villas were completed in Dubai between January and November this year, and an additional 13,216 properties are expected to be added to the market between December and the end of the first quarter of 2020.

Separate research by Property Monitor showed that property prices in Dubai declined to a seven-year low, while transaction volumes approached record high levels.

It is worth noting that the government has announced several initiatives to help stimulate the economy and attract investors to the emirate. A special committee was launched to balance supply and demand in Dubai's property market.

The Dubai Land Department also announced the launch of the Real Estate Investment Opportunities (REIOs) initiative to strengthen the emirate's investment position and competitiveness and attract new investments in the real estate sector.

The UAE cabinet announced in July that a total of 122 economic activities across 13 sectors in the UAE would be eligible for up to 100% foreign ownership, such as renewable energy, space, agriculture and manufacturing.

EGYPT'S FDIS JUMP TO US$ 2.4 BILLION IN 1Q FY20 FROM US$ 1.4 BILLION IN 1Q FY19

Beltone Financial said the foreign direct investments (FDIs) in Egypt increased to US$ 2.4 billion in the first quarter (1Q) of FY 2019/20 from US$ 1.4 billion in the same period of FY 2018/19, the highest since 2017, driven by US$ 0.8 billion increase in net inflows for Greenfield investments to US$ 1.5 billion.

In addition, a US$ 0.2 billion rise in net inflows of oil sector investments to US$ 0.7 billion. On the other hand, portfolio investment outflows eased to around US$ 2 billion from US$ 3.2 billion in 1Q19. This comes despite the rise in net disbursements of medium and long-term loans and facilitate to US$ 2.3 billion from US$ 0.2 billion last year. All this contributed to a slightly narrower balance of payment surplus of US$ 227 million from US$ 284 million.

Egypt's trade deficit narrowed by US$ 1 billion to US$ 8.8 billion during 1Q20, primarily driven by growth in non-oil exports by 18%, recording US$ 707 million year-on-year. The exports of goods grew by 5% year-on-year to record US$ 7.1 billion, despite the drop of oil exports by US$ 372 million on a lower average oil price of US$ 62/bbl from US$ 76/bbl in 1Q19. This was mitigated lower oil imports by 11%, thanks to the success of the country's recent natural gas explorations, which supported a maintained net oil balance deficit at US$ 0.6 billion.

Meanwhile, non-oil imports dropped by 2.4% yearly continued the trend that started in 4Q19, providing further support to the trade deficit. Beltone analyst believe this is a reflection of both a stronger currency and lower private spending levels as well as muted private investment growth.

Moreover, Egypt's tourism revenue has continued to recover, adding US$ 0.3 billion year-on-year and US$ 1 billion quarter-on-quarter in 1Q20 to record US$ 4.2 billion. While remittances also increased by 14% annually to US$ 6.7 billion, but they continued their drop on the quarterly basis with a reduction of US$ 0.2 billion, but coming in line with Beltone analysts' expectations.

Beltone analysts believe that, the service side will continue to outperform in FY20, with the rise in tourism revenues to US$ 14 billion. This coupled with an improving net oil balance, given the halt in natural gas imports starting January 2019, should support a reduced current account deficit. This will continue to support a stronger Egyptian pound in 2020 in their view.

CORPORATE NEWS

SODIC AND CIB SIGN LE 1 BILLION MEDIUM TERM FACILITY FOR EDNC PROJECT IN EAST CAIRO

SODIC announced that SOREAL, SODIC's fully owned subsidiary, signed a medium term facility with the Commercial International Bank (CIB) for a total amount of LE 1 billion. The facility is to partially finance the investment cost of EDNC, SODIC's first non-residential offering in East Cairo.

EDNC is the commercial component of Eastown, SODIC's mixed-use development strategically located directly on road 90, the main street and central axis of New Cairo. EDNC brings 90,000 square meters of commercial and retail space and will be the cornerstone of SODIC's recurring income portfolio.

EDNC is designed as an office and retail complex and is developed with a focus on sustainability where the buildings' form and façade are proportioned to provide ideal day-lighting through the optimum organization of office space to encourage a healthier and productive environment by reducing its carbon footprint.

PETROFAC SECURES MAJOR OMAN PDO WORK CONTRACTS

Petrofac, a leading global provider of oilfield services based in UK, said it secured a new contract from Petroleum Development Oman (PDO) and an additional scope of work with a combined value of US$ 130 million.

The new contract award, under a ten-year framework agreement signed in 2017 with PDO, is an engineering, procurement and construction management (EPCM) services contract for the Mabrouk North East Development Project in Oman.

The full field development of Mabrouk North East field is planned to be executed in a phased approach. The 34-month project scope awarded involves the development of 16 gas producing wells and export of the production to the Saih Rawl Central Processing Plant. The project will be integrated with the Mabrouk North East Line Pipe Procurement Project, which was awarded to Petrofac in June 2019.
The other scope of work awarded is to provide further services for PDO's Yibal Khuff Project. This 20-month contract includes detailed engineering, procurement, and support for construction and commissioning of nine additional wells to improve overall plant production, and laying of gas pipeline from Yibal "A" to the main processing facility.

The Yibal Khuff Project, originally awarded to Petrofac in June 2015, is already in an advanced phase of construction and pre-commissioning, and the delivery of additional wells is to be synchronized for overall readiness.

EMPOWER ENDS 2019 WITH KEY DUBAI PLANT COMMISSIONING

Emirates Central Cooling Systems Corporation (Empower) announced the successful conclusion of the year with the commissioning of a new district cooling plant at Barsha Heights that boasts a total capacity of 31,250 refrigeration tons (RT).

One of the world's largest district cooling services providers, Empower said the state-of-the-art Barsha Heights cooling plant will replace the three temporary facilities currently operating in the area.

The Dubai group awarded the AED 169 million (US$ 46 million) construction contract for the plant in December 2018 as part of its plans to develop infrastructure besides improving district cooling services and also to boost the operational efficiency across its district cooling plants.

Empower pointed out that the new plant was designed as per the highest international standards in terms of construction and building design, even taking into account the criteria of sustainable green buildings, and modern urban development in Dubai, as well as the general appearance and the external appearance of the buildings in the district.

The project is expected to be awarded the Leadership in Energy and Environmental Design (LEED) Gold certification for green buildings of the US Green Building Council (USGBC).

The plant would be equipped with the latest thermal energy storage (TES) technology, which optimizes power consumption during peak hours, as per a statement.

The Barsha Heights plant will also make use of treated sewage effluent (TSE) in its operations to help preserve natural resources.

Empower currently operates over 1.43 million RT, providing district cooling services to more than 1,090 buildings and over 100,000 clients.

ACWA POWER AND SABIC PARTNER TO BOOST LOCAL ENERGY CONTENT

Acwa Power, one of the leaders in power generation and water desalination projects, signed an agreement with Saudi Basic Industries Corporation (SABIC) for pursuing opportunities to enhance local content in Saudi Arabia.

The partnership is in alignment with Acwa Power's commitment to play a role in developing and promoting local content and establishing end-to-end Saudi value chain for all its activities and projects in the Kingdom.

Under the terms of the agreement, SABIC will support Acwa Power's efforts to develop local content in the country by assessing and conducting feasibility studies for potential opportunities which could add value to the local economy and generate employment for Saudi nationals.

SABIC will also provide market research related to the local supply chain and facilitate collaboration between Acwa Power and potential local and international partners with expertise in the field. It will additionally support Acwa Power's efforts through the Da'em and Mua'ahal programs powered by SABIC.

Similarly, Acwa Power will explore the localization potential of relevant international players to support the feasibility studies being undertaken by SABIC. Acwa Power will also provide SABIC with up-to-date technology trends, market insights and will support the growth of research and development in the renewable energy sector in the region.

SAUDI LABOR MINISTRY PARTNERS WITH STC FOR DIGITAL TRANSFORMATION

The Ministry of Labor and Social Development and the STC Group signed an MoU for strategic partnership in several areas and benefit from each other's experiences to achieve their respective goals, which are in line with the Kingdom's Vision 2030.

The deal aims at enabling digital transformation, training and qualifying employees at the ministry, providing data and internet solutions and services at high speed in accordance with international standards, as well as wired and wireless phone lines and IP telephony services, in addition to the development of fast, effective and high-quality communication and coordination tools for VIPs through technical support mechanisms and rapid response to malfunctions.

ORASCOM DEVELOPMENT EGYPT RETAKES POSSESSION OF AMOUN ISLAND

Orascom Development Egypt announced that it retook possession of Amoun Island in Aswan in cooperation with the Egyptian General Company for Tourism and Hotels (EGOTH).

The company is currently conducting a study to develop the Island, according to a company statement.

CAPITAL MARKETS

EQUITY MARKETS: SHY WEEKLY PRICE GAINS IN MENA EQUITY MARKETS

MENA equity markets registered shy price gains this week, as reflected by a 0.4% rise in the S&P Pan Arab Composite index. The heavyweight Saudi Tadawul, the UAE equity markets, the Qatar Exchange and the Egyptian Exchange posted weekly price increases of up to 0.6%, mainly supported by oil price gains amid heightened geopolitical tensions and due to some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul registered a 0.4% rise in prices week-on-week, mainly helped by oil price gains amid rising regional geopolitical tensions and improving trade relations between the US and China, in addition to some favorable company-specific factors. Brent oil prices increased by 2.6% week-on-week to reach US$ 68.6 per barrel following the assassination of a top Iranian military commander by a US airstrike, and after the US President said that the phase one of a trade deal with China would be signed on January 15, 2020. Amongst petrochemicals, Yansab's share price went up by 1.3% to SR 56.20. Advanced Petrochemical Company's share price rose by 2.5% to SR 49.90. Saudi Kayan Petrochemical Company's share price increased by 1.8% to SR 11.16. Saudi Automotive Services Company (SASCO) saw a 2.1% increase in its share price to reach SR 29.50. SASCO started operating six new stations in the Kingdom on December 31, 2019.

The UAE equity markets posted a 0.6% increase in prices week-on-week, mainly supported by oil price gains and some favorable market-specific factors. The Dubai government said that it would increase spending by 17% in 2020 to stimulate the economy and support the Expo 2020 world fair. Dubai Islamic Bank's share price rose by 1.3% to AED 5.53. Dubai Financial Market's share price surged by 3.7% to AED 0.959. Emaar Properties' share price closed 0.8% higher at AED 4.05. Air Arabia's share price went up by 1.3% to AED 1.58. In Abu Dhabi, ADNOC's share price surged by 3.1% to AED 3.0. Dana Gas' share price rose by 2.4% to AED 0.947. Etisalat's share price closed 0.5% higher at AED 16.50. ADCB's share price increased by 0.9% to AED 7.89.

The Qatar Exchange recorded a 0.4% rise in prices week-on-week, mainly driven by oil price increases and some favorable company-specific factors, and as some market players sought to add Qatari stocks to their holdings to benefit from the dividend season. 24 out of 47 listed stocks registered price gains, while 21 stocks posted price falls and two stocks saw no price change week-on-week.

EQUITY MARKETS INDICATORS (DECEMBER 29, 2019 TILL JANUARY 04, 2020)

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	69.1	-0.4%	-0.8%	2.1	-7.4%	0.2	7,476.4	1.5%	5.8	0.58
Jordan	358.1	-1.4%	-0.5%	25.7	36.6%	15.7	21,050.1	6.3%	11.7	1.36
Egypt	344.0	0.2%	-0.4%	98.0	-17.0%	383.3	45,633.1	11.2%	9.8	2.28
Saudi Arabia	368.9	0.4%	0.1%	5,156.3	-11.9%	802.7	2,400,438.8	11.2%	19.4	2.40
Qatar	185.6	0.4%	0.5%	315.2	32.5%	285.3	160,178.5	10.2%	15.1	2.06
UAE	113.7	0.6%	0.2%	423.5	-57.1%	717.9	252,104.5	8.7%	11.2	1.72
Oman	201.3	2.4%	0.1%	31.0	21.6%	76.4	17,157.4	9.4%	9.1	0.91
Bahrain	164.5	0.6%	0.3%	11.5	8.0%	18.3	24,954.5	2.4%	11.9	1.73
Kuwait	119.9	0.6%	0.1%	262.8	-52.7%	424.6	105,623.5	12.9%	17.2	1.99
Morocco	288.9	0.1%	-0.7%	142.3	-28.9%	6.8	64,994.9	11.4%	20.2	3.11
Tunisia	70.9	-0.1%	-2.0%	6.5	-38.4%	2.6	8,331.6	4.1%	13.1	2.34
Arabian Markets	**789.6**	**0.4%**	**0.1%**	**6,472.8**	**-19.3%**	**2,733.8**	**3,107,943.3**	**10.8%**	**17.9**	**2.23**

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

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

Zad Holding Company's share price went up by 1.1% to QR 14.11. Zad holding announced a capital increase following the acquisition of Meeda Company. Industries Qatar's share price closed 1.0% higher at QR 10.39. Woqod's share price increased by 1.3% to QR 23.0. Woqod announced the opening of three new petrol stations, bringing its total network to 96 petrol stations. Masraf Al Rayan's share price surged by 3.0% to QR 4.07 on bets that its stock would have a high dividend yield compared to the index.

The Egyptian Exchange posted shy price increases of 0.2% week-on-week, mainly driven by some favorable market-specific factors and on bets that the Egyptian Exchange would unleash a better performance in 2020 compared to 2019, given the country's improved macroeconomic indicators, the government's keenness to support the private sector and the eased monetary policy adopted by the Central Bank of Egypt. Beltone Financial said that net inflows of FDIs in Egypt increased to US$ 2.4 billion during the first quarter of FY 2020 from US$ 1.4 billion in the same period of FY 2019. Commercial International Bank's share price edged up by 0.2% to LE 83.10. Juhayna Food Industries' share price rose by 0.9% to LE 8.63. Eastern Tobacco Company's share price closed 1.9% higher at LE 15.24. Abu Qir Fertilizers and Chemicals' share price went up by 2.1% to LE 21.05. El Sewedy Electric's share price increased by 0.7% to LE 11.33.

FIXED INCOME MARKETS: MENA BOND PRICES MOSTLY DOWN AMID RISING GEOPOLITICAL TENSIONS

Activity in MENA fixed income markets was mostly skewed to the downside during this week, mainly weighed down by escalating geopolitical tensions after a US air strike killed a top Iranian military commander in Iraq. Within this context, regional average five-year sovereign CDS spreads saw noticeable weekly expansions.

In the Bahraini credit space, sovereigns maturing in 2029 closed down by 0.38 pt this week. Prices of NOGA'24 decreased by 0.11 pt. Regarding plans for new issues, Mumtalakat mandated Citi, Gulf International Bank, HSBC, National Bank of Bahrain and Standard Chartered Bank as joint lead managers and joint bookrunners to arrange a series of fixed income investor meetings in London, Asia and the Middle East starting January 9, 2020.

Also, GFH Financial Group won approval from shareholders to issue Sukuk worth US$ 500 million in one or more issuances, subject to obtaining relevant regulatory approvals. Standard & Poor's assigned a "B" long-term issuer credit rating to GFH Financial Group B.S.C. The outlook is "stable". The rating agency considers GFH's business position to be moderate, reflecting a still limited though improving capacity to generate recurring cash flows. The rating agency considers GFH's capital and earnings as adequate, reflecting its expectation that group's risk-adjusted capital ratio would stay at around 7.5%-8% over the next two years.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 posted price declines of 0.37 pt and 0.38 pt respectively week-on-week. Ooredoo'25 was down by 0.09 pt. Amongst financials, Commercial Bank of Qatar'23 traded down by 0.08 pt. Prices of QIB'24 rose by 0.13 pt. In the Saudi credit space, sovereigns maturing in 2025 saw price contractions of 0.38 pt week-on-week. Prices of Aramco'24 decreased by 0.20 pt. SECO'24 closed up by 0.03 pt.

In the Dubai credit space, sovereigns maturing in 2029 were down by 0.39 pt week-on-week. Prices of Emaar'26 increased by 0.16 pt. Majid Al Futtaim'29 was up by 0.11 pt. As to papers issued by financial institutions, DIB Perpetual (offering a coupon of 6.75%) were down by 0.19 pt.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 posted price falls of 0.18 pt and 0.32 pt respectively this week. ADNOC'29 was down by 0.09 pt. Prices of Taqa'26 declined by 0.07 pt. Amongst financials, ADIB Perpetual (offering a coupon of 7.125%) were down by 0.09 pt.

In the Omani credit space, sovereigns maturing in 2025 and 2029 closed down by 0.38 pt and 0.42 pt respectively week-on-week. Prices of Omantel'28 decreased by 0.25 pt.

In the Egyptian credit space, US dollar-denominated papers maturing in 2040 were down by 0.25 pt this week. Euro-denominated sovereigns maturing in 2025 and 2030 registered price increases of 0.09 pt and 0.21 pt respectively. Regarding plans of new issues, the Egyptian Financial Regulatory Authority's Chairman said that a local company is expected to issue Egypt's first green bond in early 2020. The FRA has invited environmental officials and representatives of regional and international environmental organizations to a meeting aimed at developing a taxonomy for green projects in a bid to create a green bond issuance guide.

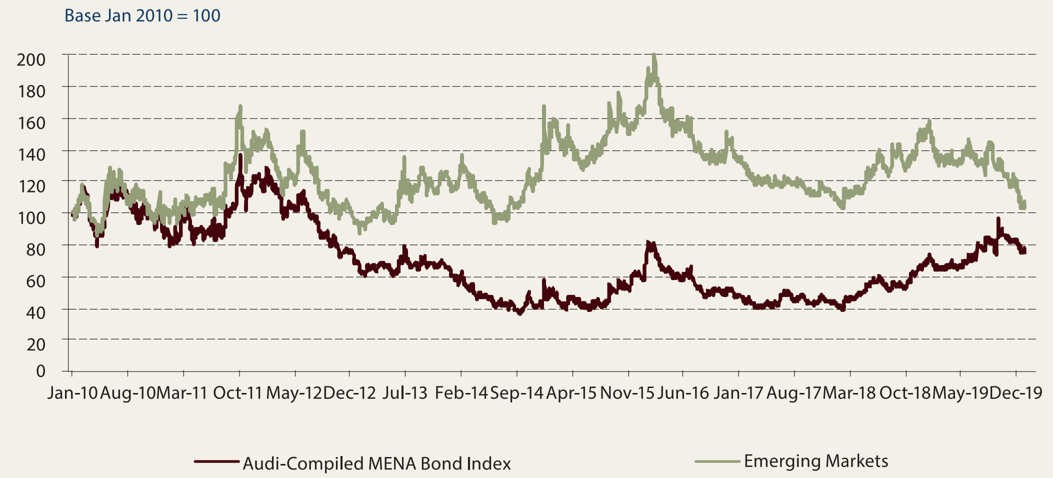
All in all, regional fixed income markets came under downward price pressures this week on the back of elevated regional geopolitical tensions, with most GCC sovereign debt papers registering price contractions and most GCC countries posting expansions in five-year CDS spreads.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	03-Jan-20	27-Dec-19	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	38	35	36	3	2
Dubai	93	87	91	6	2
Kuwait	36	37	37	-1	-1
Qatar	40	36	37	4	3
Saudi Arabia	67	56	57	11	10
Bahrain	181	176	176	5	5
Morocco	96	91	91	5	5
Egypt	282	290	277	-8	5
Lebanon	2,619	2,414	2,418	205	201
Iraq	449	398	384	51	65
Middle East	**391**	**362**	**360**	**29**	**31**
Emerging Markets	**148**	**149**	**148**	**-1**	**0**
Global	**174**	**183**	**173**	**-9**	**1**

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	CCC/Negative/C	Caa2/RUR	CC/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Stable/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/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-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Bahrain	B+/Positive/B	B2/Stable	BB-/Stable/B
Oman	BB/Negative/B	Ba1/Negative	BB+/Stable/B
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 RUR= Ratings Under Review * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	03-Jan-20	27-Dec-19	31-Dec-19	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%	-0.2%
Egyptian Pound (EGP)	16.03	16.03	16.05	0.0%	-0.2%
Iraqi Dinar (IQD)	1,182.87	1,182.87	1,182.87	0.0%	0.0%
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)	3.66	3.66	3.66	0.0%	0.1%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.39	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	119.05	0.0%	0.0%
Moroccan Dirham (MAD)	9.60	9.60	9.57	0.0%	0.3%
Tunisian Dinar (TND)	2.77	2.84	2.83	-2.5%	-2.2%
Libyan Dinar (LYD)	1.40	1.40	1.40	0.0%	0.4%
Sudanese Pound (SDG)	45.11	45.11	45.11	0.0%	0.0%

Sources: Bloomberg, Bank Audi's Group Research Department