

## The MENA WEEKLY MONITOR

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### Economy

#### **p.2 MOODY'S SAYS MENA COUNTRIES POST SHARP EXPORT CONTRACTION AND SOVEREIGNS FACE BORROWING PRESSURES**

Countries in the MENA region are experiencing some of the sharpest contractions in exports, and some sovereigns will face severe borrowing pressure in early 2021 due to economic shocks on the back of COVID-19, says Moody's.

Also in this issue

**p.3** Wealthy investors in the Middle East prefer ESG investments, says UBS

**p.3** Dubai consumer prices down by a yearly 3.7% in August 2020

**p.4** S&P believes Bahrain banks' asset quality may wane but risks remain contained for now

### Surveys

#### **p.5 MIDDLE EAST ECONOMIES TO CONTRACT BY 7.6% IN 2020, AS PER OXFORD ECONOMICS**

Economies in the Middle East are forecast to shrink by 7.6% this year, almost double the 3.9% contraction predicted in April, said the Economic Outlook report from Oxford Economics, commissioned by ICAEW.

Also in this issue

**p.6** Jordan tops Arab MENA countries in Economic Freedom, says Fraser Institute

**p.6** Saudi Arabia to contribute by 24% towards MENA's pharma market by 2023, says Informa Markets

### Corporate News

#### **p.7 SPAIN'S SEIDOR BUYS INTO MENA REGION'S LARGEST SAP BUSINESS PARTNER**

Seidor, a multinational consulting firm, said it acquired a majority stake in Procons-4IT, an accredited SAP Gold partner in the MENA region.

Also in this issue

**p.7** KSA's SIIG and Petrochem agree on talks for potential merger

**p.7** Musharaka REIT Fund acquires self-storage warehouse in Dubai

**p.8** Abu Dhabi's ADNEC in deal with Reed Expo to acquire top security event

**p.8** Abu Dhabi-backed ADQ now owns 22% stake in logistics firm Aramex

**p.8** AS World Group signs contract with Emaar Hospitality for Expo 2020

**p.8** ECity to open four new retail outlets in UAE next year

### Markets In Brief

#### **p.9 EXTENDED PRICE GAINS IN REGIONAL EQUITIES, BOND PRICES MOSTLY DOWN**

MENA equity markets saw extended price rises this week, as reflected by a 1.7% increase in the S&P Pan Arab Composite index, mainly on bets that the establishment of full diplomatic relations between UAE, Bahrain and Israel would provide a breakthrough to further peace in the region, while also driven by oil price gains and some favorable market-specific and company-specific factors. MENA fixed income markets remained mostly on the decline this week, as some market players sought to leave room for new bonds issues, and encouraging signs of progress in developing a Coronavirus vaccine raised investor appetite for riskier assets.

#### MENA MARKETS: WEEK OF SEPTEMBER 13 - SEPTEMBER 19, 2020

Stock market weekly trend	
Weekly stock price performance	+1.7%
Stock market year-to-date trend	
YTD stock price performance	-7.5%

Bond market weekly trend	
Weekly Z-spread based bond index	-0.2%
Bond market year-to-date trend	
YTD Z-spread based bond index	+34.8%

## ECONOMY

### MOODY'S SAYS MENA COUNTRIES POST SHARP EXPORT CONTRACTION AND SOVEREIGNS FACE BORROWING PRESSURES

Countries in the MENA region are experiencing some of the sharpest contractions in exports, and some sovereigns will face severe borrowing pressure in early 2021 due to economic shocks on the back of COVID-19, says Moody's.

Investment-grade emerging market sovereign bond issuance climbed above US\$ 107 billion by the end of June, 53% more than in the first six months of 2019, according to data from the global ratings agency. Moody's said there had been a sharp increase in government borrowing needs due to the pandemic, and countries including GCC States, as well as Egypt, Jordan and Lebanon, would see the sharpest contractions in exports.

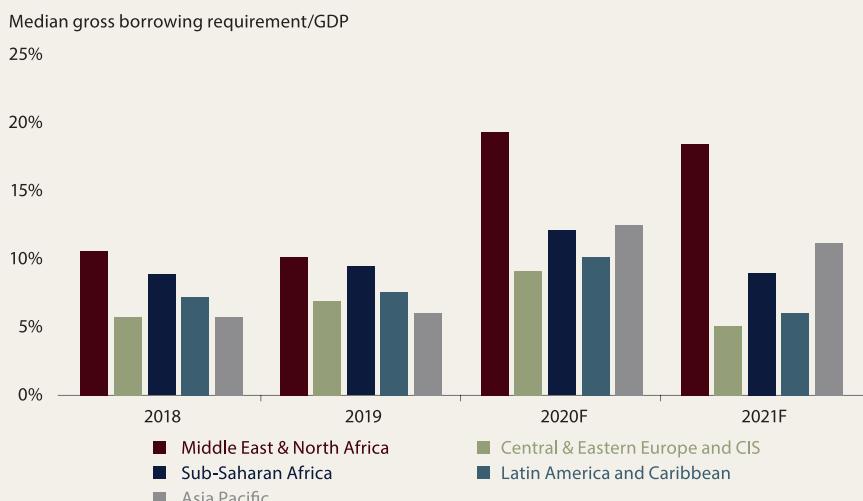
The impact of COVID-19 has widened existing fiscal and external imbalances in emerging and frontier markets, Moody's said in a new research report. COVID-19 is exacerbating liquidity pressures that have caused severe stress or default for some sovereigns.

Moody's expects double-digit contractions in exports for emerging and frontier market economies in most regions in 2020. The sharpest contraction will be in the Middle East and North Africa, among Gulf Cooperation Council (GCC) oil exporters, the region's tourism-reliant economies including Egypt (B2 stable), and those which already had high and rising macroeconomic imbalances and pressures heading into the crisis, including Jordan (B1 stable) and Lebanon (C stable), added Moody's.

There have been sharp declines in government revenues, Moody's said, and significant increases in spending to cushion the impact of weaker growth on households and businesses will lead to a substantial widening in fiscal deficits over 2020-2021. This will lead to a jump in government borrowing, with the largest increases in median 2020 gross borrowing requirements occurring in the Middle East and North Africa and Asia Pacific. Funding needs will remain elevated into 2021, the report said.

Emerging and frontier market economies have experienced a substantial shock through multiple channels: a drop in export values on lower commodity prices, weaker tourism and lower global demand, and volatility in non-resident capital flows, according to Moody's, which expects fiscal and external

### COMPARATIVE GOVERNMENT FUNDING NEEDS



Source: Moody's

imbalances to widen and, in the most severe cases, liquidity pressures to rise toward serious stress or default.

Moody's said some sovereigns had struggled to find external sources of borrowing to fund fiscal and external gaps, and have tapped emergency financing from international financial institutions such as the International Monetary Fund and other multilateral lenders.

However, as global capital flows remain volatile, many will face substantial credit challenges through their recoveries, even if they do emerge from the crisis without defaulting. Limited fiscal space and subdued foreign direct investment are likely to inhibit greater employment creation and consumption, said Moody's in its latest report.

Oman will face credit pressures in 2021, as it will have US\$ 1 billion to repay in the first six months of the year, and will see the greatest pressures from external debt repayments. Bahrain faces similar pressure on foreign exchange reserve adequacy from external debt repayments due to their reliance on commodities for foreign exchange earnings. However, there is potential for an increase in GCC support for Bahrain, Moody's report said.

## WEALTHY INVESTORS IN THE MIDDLE EAST PREFER ESG INVESTMENTS, SAYS UBS

UBS, a leading global wealth manager, said that sustainable investments are now the firm's preferred solution for private clients investing globally. UBS says that it is the first major global financial institution to make this recommendation.

According to UBS, which manages US\$ 488 billion in core sustainable assets, traditional investments will be most suitable in some circumstances, but a 100% sustainable portfolio can deliver the same or higher revenues. Year-to-date, major sustainable indices have performed better than traditional equivalents, UBS said in a statement.

The Head of Middle East and Africa at UBS Global Wealth Management said that Middle Eastern clients have expressed increasing interest in investing sustainably. Sustainable finance is firmly embedded in UBS's strategy, and the wealth manager believes this latest step can create new opportunities for investors in the region.

The co-president of UBS Global Wealth Management and President of UBS Americas said that COVID-19 has put the exclamation point on one of the most important shifts in financial services in a generation. The pandemic has brought the vulnerability and interconnected nature of societies and industries to the forefront of investors' minds and shown that sustainability considerations cannot be ignored.

## DUBAI CONSUMER PRICES DOWN BY A YEARLY 3.7% IN AUGUST 2020

The general monthly index of consumer prices (CPI) in Dubai decreased by 0.32% in August 2020 compared to July 2020. Prices for housing, water, electricity, gas and fuel decreased by 0.77% in the emirate last month compared to July 2020, according to recent figures by the Dubai Statistics Center. Restaurant and hotel prices have stabilized in August 2020 compared to the month before. Meanwhile, food and beverage as well as transportation prices increased by 0.25% and 0.74% respectively.

The Dubai Statistics Center also revealed that CPI in Dubai decreased by 3.69% in August 2020 on a yearly basis. Housing, water, electricity, gas and fuel prices in Dubai decreased by 5.72% year-on-year. The prices of transportation also saw a decline of 13% last month. According to the Dubai Statistics Center, prices of the entertainment and culture, clothing and footwear, and communication sectors dropped by 15.08%, 1.42%, and 0.03% respectively. On the other hand, food and beverages prices increased by 2.81% in Dubai.

It is worth noting that the CPI is an important economic indicator measuring changes in prices over time paid by Dubai households for a fixed basket of goods and services.

## S&P BELIEVES BAHRAIN BANKS' ASSET QUALITY MAY WANE BUT RISKS REMAIN CONTAINED FOR NOW

S&P Global Ratings believes that the adverse effects of COVID-19 and low oil prices on Bahrain's economy are likely to include an accelerated decline of real estate prices and weakened asset quality indicators and profitability of domestic retail banks. However, under S&P's base-case scenario, such deterioration would occur toward the end of 2020, when regulatory forbearance measures are lifted, and should remain broadly manageable.

The Central Bank of Bahrain's measures to ease COVID-19 impacts have been effective so far. It relaxed various prudential requirements and asked banks to defer installments for six months to help the country's private and retail sectors cope with the sharp weakening in their operating environment. If the central bank does not extend these measures, however, domestic banks' asset quality indicators will likely erode toward the end of 2020. S&P expects the system's non-performing loans (NPLs) ratio to near 10% in 2020 from 8% in 2019, and expects credit losses to increase to 180 basis points (bps) in 2020-2021 from 80 bps in 2019 (both the NPL and credit loss calculations are based on the eight largest retail banks in the system). These estimates remain consistent with S&P's current view of Bahrain's economic risk, as per its Banking Industry Country Risk Assessment (BICRA). That said, given the uncertainty around the end of the pandemic, a sharper-than-expected decline in the economy or a later-than-anticipated recovery could alter S&P's projections.

S&P forecasts a 5% contraction of Bahrain's real GDP this year, owing to the slowing effect of the pandemic and lower oil prices on consumption and investment activities. In addition, the deceleration in larger Gulf Cooperation Council (GCC) economies will weigh on Bahrain's small economy, given the close links. This will likely materialize through the tourism, transportation, and real estate sectors. Although S&P does not expect a decline in the oil and gas sector, since Bahrain is a small producer and not subject to cuts by the Organization of the Petroleum Exporting Countries, other large sectors such as financial services and manufacturing will likely slow.

S&P expects the economy to rebound in 2021, with real GDP expanding by 3.5%. S&P expects growth to average around 2.3% in 2022-2023. Bahrain's relatively diverse economy benefits from its proximity to the large market of Saudi Arabia, sound regulatory oversight of the financial sector and a relatively well-educated work force. Moreover, US\$ 10 billion in financial support from other GCC sovereigns will partially cover the government's funding needs until 2023. S&P expects the likelihood of further GCC support, should it be necessary, will help maintain confidence in the Bahraini dinar's peg to the US dollar.

Bahrain's retail banks are in a net external liability position that could prove vulnerable to domestic or regional stresses. Positively, retail banks' net external debt remains contained at 10.8% of system-wide domestic loans as of June 30, 2020, compared with 9.8% at end-2019. S&P expects it to climb to around 15% in the next 12-24 months as banks raise external funds. However, the rating agency understands that a large portion of the banking sector's external funding is from the GCC countries and would expect them to be rolled over. In 2019, banks increased their overall exposure to the sovereign and the central bank by 17.5%, reaching almost 20.0% of their total assets.

Following a review of the BICRA for Bahrain (B+/Stable/B), S&P Global Ratings maintained the group classification of Bahrain's banking sector at "7", and both the economic risk and industry risk scores remain at "7" and "6", respectively. The anchor for banks operating mainly in Bahrain therefore remains "bb". In addition, S&P continues to see stable trends for both economic risk and industry risk, adding that this review did not affect any ratings.

## SURVEYS

### MIDDLE EAST ECONOMIES TO CONTRACT BY 7.6% IN 2020, AS PER OXFORD ECONOMICS

Economies in the Middle East are forecast to shrink by 7.6% this year, almost double the 3.9% contraction predicted in April, said the Economic Outlook report from Oxford Economics, commissioned by ICAEW (the Institute of Chartered Accountants in England and Wales). However, growth is expected to return to 4% in 2021 and 2022 as lockdowns are fully eased, global travel picks up and Brent oil prices move closer to US\$ 50 per barrel.

During the first half of this year the global economy shrank at a pace unprecedented since World War II, as national governments implemented social distancing measures to battle the spread of COVID-19. While stringent lockdowns implemented in the second quarter of the year (Q2) appear to have been successful in limiting the spread of the virus in most countries, they have put a significant strain on economic activity. The outlook for the non-oil economy in GCC countries remains challenging. It is likely that travel restrictions will be a fact of life for some time, weighing on global tourist activity, an important pillar of the non-oil economy.

Oxford Economics' forecast assumes that globally, international visitor arrivals will decline 55% in 2020 and will not recover to pre-crisis volumes until 2023. While economic factors will play a role in the global recovery, how quickly travel restrictions are lifted and the speed at which people are prepared to resume foreign travel, will be more important. The region's dependence on expat workers in vulnerable sectors means the burden of job losses will mainly fall on the expat population. With expat visas depending on employment and the lack of a social safety net, an expat exodus is likely as travel restrictions are eased. This could result in the population declining by between 4% in Saudi Arabia and Oman, and around 10% in the UAE and Qatar. What makes this global recession extraordinary is both its severity as well as the speed at which it took place, as per FCA and ICAEW Regional Director for the Middle East, Africa and South Asia (MEASA). The issues faced are global in nature and require an international, collective solution. To rebuild the economy, Middle East governments must remain resilient and think long-term to make better-informed decisions, as per the same source.

Exports levels in oil-producing countries are experiencing severe damage, as they grapple with the huge collapse in oil prices which took place during March and April. The report forecasts that across the GCC, total exports will decline by between 6% to 12% in 2020. However, for oil importers, the outlook is slightly more encouraging due to the benefits from lower oil prices, even as crucial sectors such as trade and tourism take a hit and remittances come under pressure.

Global GDP contracted by around 9% in the first half of 2020, the report found, and despite a strong rebound of 6.4% in Q3, global growth will contract by 4.4% in total in 2020. However, strong momentum from the second half of the year will drive growth to 5.8% in 2021. According to Oxford Economics, the average advanced economy contracted by about 10% quarter on quarter in the second quarter of 2020 (the quarter where many countries had almost total lockdowns), after a near 2% fall in the first quarter of the year (Q1).

The crisis has severely disrupted the international flow of goods and services and may well have long-term consequences to the global trading system. Before the pandemic, global trade was already experiencing a long-term slowdown as a result of protectionism and a change in the structure of supply chains, as per the report.

Even once the virus is brought under control and economic activity has returned to pre-pandemic levels, Oxford Economics expects these issues to remain. This structural decline is likely to accelerate as governments aim to reduce the vulnerabilities that the pandemic has exposed in the global trading system.

The COVID-19 economic fallout is also reinforcing the medium-term forces that have been exerting downward pressure on long-term interest rates and government borrowing costs over the last decade, such as disinflation and slower medium-term growth, as per Oxford Economics.

The likelihood is that central banks will keep interest rates low for a considerable period. Also, quantitative easing, regulations encouraging banks and insurers to hold government bonds, a rise in precautionary savings of households and businesses, and a further increase in global demand for 'safe assets' will further keep government bond yields and borrowing costs contained for the next four to five years, as per the same source.

## JORDAN TOPS ARAB MENA COUNTRIES IN ECONOMIC FREEDOM, SAYS FRASER INSTITUTE

According to the Fraser Institute report titled "Economic Freedom of the World – 2020 Annual Report" in which it uncovers economic freedom scores for the year 2018, Jordan topped the Arab MENA region in the rankings. The country was assigned a score of 7.62 in the 2018 index of economic freedom, compared to a score of 7.44 in the 2017 index, ranking as such 39th in the world, up from the 43rd place it occupied a year before.

The index published in Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to enter markets and compete, and security of the person and privately owned property. Forty-two data points are used to construct a summary index, along with a Gender Legal Rights Adjustment to measure the extent to which women have the same level of economic freedom as men. The degree of economic freedom is measured in five broad areas. The report uncovers economic freedom scores for the year 2018 and measures the extent to which policies and institutions in 162 countries and territories across the globe foster this freedom. In fact, Fraser Institute's index of economic freedom pivots around five major pillars, namely: size of government, legal system and property rights, sound money, freedom to trade internationally, and regulation.

More specifically, Jordan's sub-indices were as follows, 7.87 in the size of government sub-index, 9.59 in the sound money sub-index, and 8.01 in the freedom to trade internationally sub-index. On the regulation front, Jordan scored 7.95 in the concerned metric in 2018 and 4.66 in the legal system and property rights sub-index. Bahrain came in the second position regionally and the 70th globally, the United Arab Emirates followed with a global rank of 74 and a score of 7.05. At the lower end, Algeria, Libya and Sudan came in the last three positions regionally with the following global ranks: 157th, 160th and 161st respectively.

## SAUDI ARABIA TO CONTRIBUTE BY 24% TOWARDS MENA'S PHARMA MARKET BY 2023, SAYS INFORMA MARKETS

Saudi Arabia is estimated to contribute by US\$ 10.7 billion or 24% towards MENA's US\$ 44 billion pharma market by 2023, notes Informa Markets, the organizers of the regional pharmaceutical event, CPhI Middle East & Africa.

In recent years, a range of healthcare reforms has taken place in Saudi Arabia to support and incentivize pharma manufacturers. These include 100% foreign direct investment (FDI) into the sector, efforts to increase the total local pharmaceutical production by 20% by the end of 2020, the launch of e-visas to make the country more accessible, as well as opportunities for business expansion, due to the country's reliance on imported pharmaceuticals.

Furthermore, socioeconomic factors, including increased medical insurance coverage, a growing population, higher living standards, and the incidence of non-communicable diseases are all driving additional demand for pharmaceuticals within the Kingdom, according to Informa Markets.

CPhI MEA is an umbrella brand, with tracks covering five main verticals in the pharmaceutical sector - CPhI for ingredients, FDF for finished dosage forms, ICSE for drug development and contract services, P-MEC for machinery, and InnoPack for packaging. Adopting an exhibition format, with a strong focus on government engagement, educational content, networking, and matchmaking, CPhI MEA's proposition aims to bring a regional mix of 70% visitors and exhibitors from KSA and 30% from outside the kingdom.

## CORPORATE NEWS

### SPAIN'S SEIDOR BUYS INTO MENA REGION'S LARGEST SAP BUSINESS PARTNER

Seidor, a multinational consulting firm, said it acquired a majority stake in Procons-4IT, an accredited SAP Gold partner in the MENA region.

Branded as Seidor Procons, the acquisition brings together the global expertise and technology of Seidor with the localized leadership of Procons-4IT to help SMEs optimize their business operations with strong ERP (Enterprise, Resource, Planning) SAP Business One solutions, machine learning, IoT, and other technologies that fulfill their digital transformation and make them prepared for unforeseen challenges, as per a statement.

Seidor Procons, part of a multinational Spanish group of companies, is a foremost SAP (Systems, Applications, Products in data processing) Master value-added reseller (VAR) with platinum partnership through United VARs, providing a wide portfolio of products and SAP solutions.

Seidor offers a wide range of solutions and services, including consulting, infrastructure services, implementation, development and maintenance of applications and outsourcing services.

### KSA'S SIIG AND PETROCHEM AGREE ON TALKS FOR POTENTIAL MERGER

Saudi Industrial Investment Group (SIIG) and the National Petrochemical Company (Petrochem) said that they have decided to start discussions on a potential deal to merge the two companies.

The SIIG and Petrochem boards have approved initial discussions to study the economic feasibility of merging the two companies, but no agreement has yet been reached on the final structure of the potential deal, the companies said in separate statements. If the deal is agreed upon, this will be subjected to the conditions and approvals of the all regulators, and the approval of the extraordinary general assembly of both companies. SIIG owns 50% of Petrochem.

Petrochem is a Saudi Joint Stock Company listed on the Saudi stock exchange. The company was established in 2008 with a current paid-in-capital of SR 4.8 billion (US\$ 1.3 billion). Petrochem's main business is investing in the petrochemical industry by utilizing its strategic partnerships and the Kingdom's natural resources. Petrochem owns 65% of the Saudi Polymer Company, located in Jubail Industrial City.

### MUSHARAKA REIT FUND ACQUIRES SELF-STORAGE WAREHOUSE IN DUBAI

KSA's Musharaka Capital, manager of Musharaka REIT Fund, has completed necessary procedures to take over one of the largest self-storage warehouses in the Middle East region for around SR 47 million. The acquired warehouse is located in Dubai city. The transaction was financed by Shariah-compliant credit facilities, according to a company filing.

Musharaka Capital signed a binding 25-year lease agreement with The Box Self Storage that can be extended for another five years. The yearly rental value is AED 4 million with 10% rental increment every five years. The acquisition is expected to increase Musharaka REIT's profits and reduce any future volatility in the revenue stream.

Hussain Lotah Law Firm was appointed as the transaction's legal advisor. Moreover, the company collaborated with other international service providers, including real estate agents and accounting firms to conduct rigorous and sober due diligence on the property.

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## ABU DHABI'S ADNEC IN DEAL WITH REED EXPO TO ACQUIRE TOP SECURITY EVENT

The Abu Dhabi National Exhibitions Company (ADNEC), part of ADQ, acquired the International Exhibition for National Security and Resilience (ISNR Abu Dhabi).

A conference in Middle East and North Africa that covers the security equipment sector, including device manufacturing and security technology development, ISNR Abu Dhabi will join the portfolio of leading international exhibitions organized by ADNEC. The acquisition comes as part of a strategic partnership signed between ADNEC and Reed Exhibitions, enabling ADNEC to further consolidate its position in the business tourism sector.

The events organized by ADNEC include the International Defence Exhibition and Conference (Idex) and the Naval Defence Exhibition (Navdex), the Unmanned Systems Exhibition (Umex) and Simulation and Training Exhibition (SimTEX) and the accompanying conference, SIAL Middle East, and the Abu Dhabi International Boat Show.

ISNR Abu Dhabi is a platform that showcases the latest innovations in the security solutions sector. The exhibition strengthens business relationships for companies protecting critical infrastructure facilities and working in border-control and counterterrorism operations. In addition, the conference enables sectors including crime management, forensic sciences, disaster, crisis, and emergency management, digital security, and safety and security at major events and crowded areas.

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## ABU DHABI-BACKED ADQ NOW OWNS 22% STAKE IN LOGISTICS FIRM ARAMEX

Abu Dhabi Developmental Holding Company (ADQ) now owns a 22.3% stake in courier giant Aramex. The global provider of logistics and transportation solutions confirmed the acquisition.

The Abu Dhabi-backed holding company earlier announced it acquired the stake through a series of on-market transactions and an off-market special deal.

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## AS WORLD GROUP SIGNS CONTRACT WITH EMAAR HOSPITALITY FOR EXPO 2020

AS World Group (DIFC) signed a corporate contract with Emaar Hospitality Group to promote exclusive room packages and special offers at 18 hotels in Dubai to visitors attending Expo 2020 Dubai, from Africa and the Middle East.

In the period leading up to Expo 2020 Dubai, as well as for the entire duration of the mega event from October 1, 2021 to March 31, 2022, AS World Group will promote Emaar Hospitality Group's extensive Dubai hotels' portfolio through exclusive room packages and special offers for federal and State governments, trade missions, chambers of commerce and industry, private and public sector businesses, and individuals, in Africa and the Middle East that intend to visit the World Expo.

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## ECITY TO OPEN FOUR NEW RETAIL OUTLETS IN UAE NEXT YEAR

UAE-based consumer electronics retail group ECity announced the opening of its newest store at the Yas Mall in Abu Dhabi.

A subsidiary of Albatha Holding, one of the largest conglomerates in the UAE, ECity is set to open four more outlets across the country in 2021- all catering to the needs of its tech-savvy customers.

The 7,500-square-foot store features a wide spectrum of the latest innovations in smart mobiles, gadgets, audio, video, large and small home appliances, personal care products, gaming and toys, laptops, smartphones, tablets, wearables and cameras.

An extensive range of different accessories across all categories as well as personal and lifestyle items are also available at the outlet, said the statement.

## CAPITAL MARKETS

### EQUITY MARKETS: WEEKLY PRICE GAINS IN MENA EQUITY MARKETS

MENA equity markets saw extended price rises this week, as reflected by a 1.7% increase in the S&P Pan Arab Composite index, mainly on bets that the establishment of full diplomatic relations between UAE, Bahrain and Israel would provide a breakthrough to further peace in the region, while also driven by oil price gains and some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul, whose market capitalization represents circa 78.2% of the total regional market capitalization, continued to trace an upward trajectory over this week, as reflected by a 2.3% increase in the S&P Saudi index, mainly on bets that historic agreements to normalize relations between UAE, Bahrain and Israel would promote peace in the region. Price gains are also driven by an oil price rebound (+8.3%) after a hurricane closed US offshore oil and gas production causing a significant drop in weekly US crude stockpiles. They are also tied to improved sentiment after Saudi Arabia started as of September 15, 2020 easing some of its Coronavirus-related travel restrictions, in addition to some favorable company-specific factors.

A closer look at individual stocks shows that Petrochemicals giant Saudi Aramco registered weekly price gains of 2.7% to SR 36.65. SABIC's share price closed 2.0% higher at SR 89.90. Mouwasat Medical Services' share price surged by 7.1% to SR 132. EFG Hermes said that Mouwasat Medical Services has a greater chance now of being upgraded from the small cap to standard group by index compiler MSCI in a November 2020 review. NCB's share price went up by 2.2% to SR 37.80. Citi raised its recommendation on NCB to "Buy". Saudi Chemical Holding Company's share price skyrocketed by 16.7% to SR 32.20. The firm signed a memorandum of understanding with the Russian Direct Investment Fund to work on providing the Coronavirus vaccine in Saudi Arabia.

Borsa Kuwait saw price gains of 2.4% week-on-week, mainly on hopes that the normalization of relations between UAE, Bahrain and Israel would provide a breakthrough to further peace in the Middle East, while also supported by some favorable market-specific factors. Borsa Kuwait made its public debut this week at more than 10 times the price its shares were offered to citizens last year (100 fils), becoming the Gulf's second publicly listed stock exchange. The trading debut comes ahead of Kuwait's upgrade to the group of countries classified as emerging market by MSCI in November 2020.

### EQUITY MARKETS INDICATORS (SEPTEMBER 13 TILL SEPTEMBER 19, 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	60.9	-0.1%	-12.6%	6.0	-7.3%	4.2	6,792.0	4.6%	-	0.21
Jordan	280.1	0.9%	-22.2%	30.9	10.6%	31.2	17,609.2	9.1%	12.2	1.25
Egypt	280.8	-0.4%	-18.7%	295.3	5.7%	1,666.8	42,588.7	36.1%	9.2	1.71
Saudi Arabia	360.9	2.3%	-2.0%	16,559.2	21.5%	2,507.8	2,478,544.8	34.7%	17.8	2.64
Qatar	172.4	1.7%	-6.6%	821.6	58.7%	1,602.6	160,266.0	26.7%	14.9	1.98
UAE	92.6	-0.4%	-18.3%	2,161.4	219.7%	2,919.4	269,128.5	41.8%	11.6	1.68
Oman	184.6	-1.8%	-8.2%	8.5	-6.6%	18.1	15,515.3	2.8%	10.4	0.86
Bahrain	140.3	4.3%	-14.5%	9.2	12.9%	25.3	20,724.0	2.3%	12.3	1.54
Kuwait	102.5	2.4%	-14.5%	756.1	84.0%	1,702.7	93,598.1	42.0%	19.9	1.91
Morocco	242.9	-2.4%	-16.5%	29.8	-2.3%	1.5	56,300.1	2.7%	16.3	2.56
Tunisia	69.0	-0.3%	-4.6%	9.1	-15.8%	6.4	7,814.3	6.0%	14.1	2.55
<b>Arabian Markets</b>	<b>729.4</b>	<b>1.7%</b>	<b>-7.5%</b>	<b>20,687.0</b>	<b>32.5%</b>	<b>10,486.0</b>	<b>3,168,880.9</b>	<b>33.9%</b>	<b>16.9</b>	<b>2.46</b>

Values in US\$ million; volumes in millions

\* Market cap-weighted averages

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

NBK's share price rose by 1.4% to KWF 871. Kuwait Finance House's share price closed 2.7% higher at KWF 642. Mabanee's share price jumped by 11.5% to KWF 710.

The Qatar Exchange posted a 1.7% increase in prices week-on-week, mainly supported by oil price gains and some favorable company-specific factors. Industries Qatar's share price surged by 3.6% to QR 10.35. Gulf International Services' share price jumped by 6.0% to QR 1.69. United Development Company's share price jumped by 17.7% to QR 1.583. United Development Company announced its intent to purchase the shares of National Central Cooling Company and Tabreed Energy Investment Company in Qatar District Cooling Company (Qatar Cool).

In contrast, the UAE equity markets continued to see price contractions for the second consecutive week, as reflected by a 0.4% weekly retreat in the S&P UAE index, as some market players sought to reshuffle their positions, leaving room for new bond issues waiting in the pipeline. First Abu Dhabi Bank's share price shed 2.3% to AED 11.16. Abu Dhabi Islamic Bank's share price went down by 2.1% to AED 4.10. Dana Gas' share price decreased by 0.7% to AED 0.726.

## FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS MOSTLY TILTED TO THE DOWNSIDE

MENA fixed income markets remained mostly on the decline this week, as some market players sought to leave room for new bonds issues, and encouraging signs of progress in developing a Coronavirus vaccine raised investor appetite for riskier assets.

In the Bahraini credit space, sovereigns maturing in 2025 and 2029 registered price falls of 0.25 pt and 0.38 pt respectively week-on-week. NOGA'24 was down by 0.06 pt. Regarding plans for new issues, Gulf International Bank issued a five-year US\$ 500 million senior unsecured bond at 205 bps over midswaps as compared to an initial price guidance of around 230 bps over midswaps, under its US\$ 2.5 billion EMTN program. The bond sale attracted orders of around US\$ 1.35 billion.

In the Qatari credit space, sovereigns maturing in 2024 were up by 0.19 pt this week. As to papers issued by financial institutions, Commercial Bank of Qatar'23 closed down by 0.19 pt. QIB'24 was down by 0.08 pt. Prices of QNB'24 contracted by 0.69 pt. QNB issued a five-year US\$ 600 million senior unsecured green bond under its EMTN Program, which is the first ever green bond issued by a Qatari bank. The bond was priced at 135 bps over midswaps versus an initial price guidance of around 160 bps over midswaps. The bond sale attracted orders of more than US\$ 1.8 billion, noting that its proceeds would be used to finance and/or refinance assets in verified Eligible Green Projects.

In the Dubai credit space, sovereigns maturing in 2029 saw price retreats of 0.33 pt week-on-week. DP World'30 closed down by 0.43 pt. Prices of Emaar'26 rose by 0.76 pt. Emirates Airline'28 was up by 0.31 pt. Amongst financials, DIB Perpetual (offering a coupon of 6.75%) traded down by 0.18 pt. Regarding plans for new issues, Emirates Islamic Bank hired Bank ABC, Citi, Dubai Islamic Bank, Emirates NBD, HSBC, The Islamic Corporation for the Development of the Private Sector and Standard Chartered to arrange investor calls for the sale of a US dollar-denominated five-year Sukuk.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 were up by 0.06 pt and 0.19 pt respectively week-on-week. Prices of Mubadala'24 declined by 0.22 pt. Etisalat'24 was down by 0.14 pt. Taqa'26 closed up by 0.06 pt. Taqa raised AED 1.08 billion through bond private placements in Morocco in the aim to diversify its funding base. The bond placement was substantially oversubscribed, resulting in over a 20% reduction in debt cost and an extension to its debt maturity date by eleven years to March 2038.

In the Jordanian credit space, sovereigns maturing in 2027 and 2047 posted price declines of 0.29 pt and 0.63 pt respectively this week. Standard and Poor's affirmed Jordan's long-term and short-term foreign and local currency sovereign credit ratings at "B+/B", with a "stable" outlook. The "stable" outlook balances S&P's expectation that, over the next 12 months, donor funding would continue to

support the government's financing needs and keep debt-servicing costs reasonably low, against the risk that the fiscal performance is significantly weaker than current projections.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2030 and 2040 posted price retreats of up to 0.36 pt week-on-week. Prices of Euro-denominated sovereigns maturing in 2025 and 2030 expanded by 0.26 pt and 0.39 pt respectively.

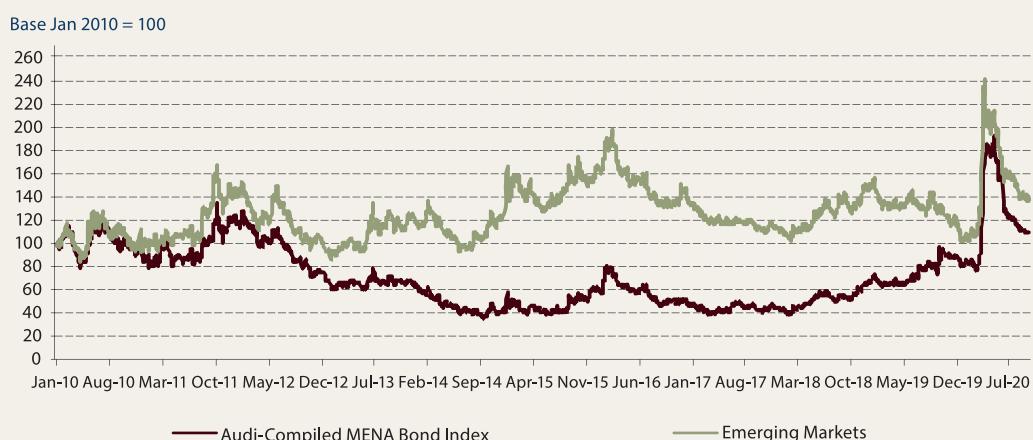
On the overall, activity in regional bond markets remained mostly skewed to the downside this week amid rising Coronavirus vaccine hopes, and as some market players sought to leave room for new bonds issued by governments and firms to prop up finances hit by a double blow of low oil prices and the Coronavirus crisis.

### MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	18-Sep-20	11-Sep-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	44	43	36	1	8
Dubai	145	145	91	0	54
Kuwait	53	53	37	0	16
Qatar	44	43	37	1	7
Saudi Arabia	82	82	57	0	25
Bahrain	303	316	176	-13	127
Morocco	124	131	91	-7	33
Egypt	419	424	277	-5	142
Iraq	606	666	384	-60	222
<b>Middle East</b>	<b>209</b>	<b>212</b>	<b>360</b>	<b>-3</b>	<b>-151</b>
<b>Emerging Markets</b>	<b>130</b>	<b>138</b>	<b>148</b>	<b>-8</b>	<b>-18</b>
<b>Global</b>	<b>151</b>	<b>141</b>	<b>163</b>	<b>10</b>	<b>-12</b>

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		
<b>LEVANT</b>					
Lebanon	SD-/SD	C/NA	RD-/C		
Syria	NR	NR	NR		
Jordan	B+/Stable/B	B1/Stable	BB-/Negative/B		
Egypt	B/Stable/B	B2/Stable	B+/Stable/B		
Iraq	B-/Stable/B	Caa1/Stable	B-/Negative/B		
<b>GULF</b>					
Saudi Arabia	A-/Stable/A-2	A1/Negative	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-/Negative/A-1+	Aa2/RUR	AA/Stable/F1+		
Bahrain	B+/Stable/B	B2/Stable	B+/Stable/B		
Oman	BB-/Negative/B	Ba3/Negative	BB-/Negative/B		
Yemen	NR	NR	NR		
<b>NORTH AFRICA</b>					
Algeria	NR	NR	NR		
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Negative/F3		
Tunisia	NR	B2/RUR	B/Stable/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\$)	18-Sep-20	11-Sep-20	31-Dec-19	Weekly change	Year-to-date
<b>LEVANT</b>					
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%	0.0%
Egyptian Pound (EGP)	15.77	15.77	16.05	0.0%	-1.7%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
<b>GULF</b>					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.1%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.68	3.68	3.66	0.0%	0.7%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	1.4%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
<b>NORTH AFRICA</b>					
Algerian Dinar (DZD)	128.21	128.21	119.05	0.0%	7.7%
Moroccan Dirham (MAD)	9.23	9.17	9.57	0.6%	-3.5%
Tunisian Dinar (TND)	2.74	2.74	2.83	0.0%	-3.4%
Libyan Dinar (LYD)	1.36	1.37	1.40	-0.4%	-2.4%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department

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