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MENA MARKETS: WEEK OF DECEMBER 22 - DECEMBER 28, 2019

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.6%	Weekly Z-spread based bond index	-0.1%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+7.9%	YTD Z-spread based bond index	+5.4%

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ECONOMY

FITCH SAYS POLITICAL INSTABILITY AND INSECURITY REMAIN KEY SOURCES OF RISK FOR MENA SOVEREIGNS

In its MENA sovereigns 2020 outlook report, Fitch Ratings said that a further weakening of oil prices and continued pressure on production volumes in 2020 could lead to tighter fiscal policy in oil exporters after some fiscal loosening in 2018-2019. However, for the most part Fitch does not expect these efforts to be sufficient to prevent deterioration of fiscal and external balance sheets. Reforms to stabilize public and external finances in both oil importers and some exporters risk further social and political backlash in 2020 in the absence of economic opportunities and improved living standards to satisfy rapidly growing, young and under-employed populations. Regional conflicts and rivalries continue to pose risks to political and economic stability across the region.

Headline fiscal balances will continue to weaken across much of the GCC in 2020. Fitch expects governments to reverse some of the fiscal loosening that took place amid an oil revenue windfall in 2018, but this will not be sufficient to completely offset the expected moderation of oil prices to an average of US$ 62.5/bbl in 2020, from around US$ 65/bbl in 2019. This will mean continued deterioration of most sovereigns' debt and net foreign asset metrics.

Production volumes are also putting pressure on hydrocarbon revenues. All GCC countries except Qatar are committed to limiting production under the OPEC+ agreement until 1Q20, and Saudi Arabia has been significantly under-producing. Output cuts may also be deepened or extended. This could have the biggest impact on Oman, whose medium-term fiscal adjustment strategy appears most reliant on eventual increases in oil and gas production.

In 2020, Fitch expects gross debt issuance of US$ 100 billion in the GCC for new financing and rollover of medium- to long-term maturities and short-term debt; over 30% of this issuance will be in international markets.

Kuwait, Abu Dhabi and Qatar are well placed to weather even a prolonged downturn in oil prices, owing to their moderate fiscal deficits, large wealth funds (as reflected in sovereign net foreign assets) and fiscal break-even oil prices that are at around current oil price levels. Fitch expects improvements in non-oil primary deficits relative to non-oil GDP in 2019 and 2020 -indicating a tighter underlying fiscal stance- after last year's deterioration in most of the GCC. This also reflects recovering non-oil growth due to previous increases in government spending.

Fitch sees mixed scorecard for reform beyond GCC. Some sovereigns are demonstrating the ability to implement fiscal and economic reforms, including Egypt and Jordan, in both cases supported by IMF programs, which Fitch expects to be renewed in some form. In Egypt, Fitch forecasts primary surpluses and a continued decline in government debt/GDP, which will nevertheless remain high at around 80% in FY21; falling inflation, which dropped into the single digits in 2019, is giving the regulator space to lower rates to support growth. Jordan has substantially reduced its budget deficit and stabilized government debt/GDP, although weak growth and political risks complicate further consolidation. Morocco has had some success in raising social spending within a prudent fiscal framework.

Elsewhere, the outlook for reforms is even more challenging. In Iraq, given popular pressure for spending on public services and its assumption that average annual oil prices will decline, Fitch forecasts a swing back to budget deficits in 2019-2021. In Tunisia, delayed government formation after the recent elections could hamper fiscal consolidation and economic reforms, with negative implications for the disbursement of official funding. Tunisia's high external financing requirements present considerable liquidity risks and could lead to disorderly exchange rate depreciation and demand contraction. Fitch forecasts general government debt to continue rising.

In Lebanon, the largest protests in more than a decade and the resignation of the Prime Minister have created renewed political uncertainty amid mounting challenges to the country's financing model. Fitch expects that the political uncertainty, protracted bank closures and informal capital controls will severely limit the ability of the banking system to attract fresh inflows of deposits, which in the past have funded twin fiscal and external deficits and a growing government debt burden (which Fitch forecasts at 154% of GDP in 2019). In the absence of inflows, Fitch expects further decline in FX reserves, pressuring the government's capacity to service debt.

Political instability and insecurity remain key sources of risk for MENA sovereigns. Tension will continue as a factor of regional instability and risks accentuating proxy conflicts even if direct conflict does not escalate. Movements towards a ceasefire in Yemen, the less confrontational policy of the UAE towards Iran, and the approach of US presidential elections in 2020 limit the downside risks. Fitch said that some of the structural problems that contributed to the Arab Spring -such as high youth unemployment and poor governance- continue to pose challenges to political stability and the implementation of sound fiscal policies in many countries across the region.

RECOVERY EXPECTED IN SAUDI ECONOMIC GROWTH NEXT YEAR, SAYS ALJAZIRA CAPITAL

According to the "Saudi Economic Outlook 2020" report by AlJazira Capital, a recovery is expected in Saudi economic growth next year, supported by increased public expenditure and improved consumer and business confidence as the effect of expat departure is expected to ease out.

The Saudi economy is on the verge of a major privatization drive with an increasing focus on diversifying the Saudi economy, with Vision 2030 gradually moving from the design phase to implementation, as per the report.

Moreover, the improved economic sentiment was supported as the Saudi government managed to keep fiscal deficit in check without digging a bigger hole in the budget as it tries to steer the economy away from its total dependence on crude oil exports, according to AlJazira Capital.

The report attributed the surge in foreign inflows to the Saudi market in 2019 to debuting the benchmark index of the Saudi Stock Exchange (Tadawul), the Tadawul All Share Index (TASI), on the MSCI and FTSE emerging market indices.

The MSCI EM inclusion pushed TASI's weight to 2.83% in the index, and led to foreign inflows of around SR 40 billion, the report noted, stating that the initial public offering (IPO) of the Saudi Arabian Oil Company (Saudi Aramco) raised around SR 96 billio-110 billion.

The inclusion of TASI in the MSCI EM and FTSE EM Indexes, and the Saudi Aramco IPO are factors expected to renew investor interest in FY20, supporting the index to exceed 9000 points, the report noted.

AlJazira expects the Public Investment Fund (PIF) to play a key role in investments in Saudi Arabia as the Aramco IPO proceeds would raise capital spending, thereby offsetting the subdued capital expenditure estimates.

While Saudi real non-oil growth is expected to strengthen to 2.9% in 2019, according to the International Monetary Fund (IMF), its best since 2015, Saudi oil GDP is expected to be impacted by a backdrop of an extension of the OPEC+ output agreement and weakness in global oil market, according to AlJazira Capital.

THREE-YEAR AED 196 BILLION BUDGET CYCLE APPROVED FOR DUBAI

The Vice President and Prime Minister of the UAE, has approved a three-year AED 196 billion budget cycle for the Government of Dubai, for the 2020-2022 period.

The three-year budget cycle meets the aspirations of Dubai's future. It also confirms its determination to continue raising people's happiness and stimulating entrepreneurship.

The plan highlights the Government of Dubai's keenness to provide the highest levels of economic stability and stimulus to the emirate's business sectors.

It also gives a clear picture of the government's economic goals in the next three years, which supports the medium-term planning of the economic sectors and provides a clearer view of the private sector.

The emirate's largest-ever annual budget, worth AED 66.4 billion for 2020, was approved. The 2020 budget seeks to realize the emirate's ambitions to stimulate the entire economy and support the organization of the largest and most prominent "Expo 2020 Dubai" in the history of the prestigious global exhibition.

In 2020, Dubai will continue supporting social services — including health, education and housing, and working on developing the Social Benefits Fund and supporting families, as part of the objective of making Dubai one of the most livable cities in the world.

KUWAIT'S PRIORITY TO FAST-TRACK ECONOMIC REFORM AND DIVERSIFY ECONOMY, SAYS EIU

According to the Economist Intelligence Unit (EIU), the Kuwaiti government's priority over the forecast period would be to fast-track economic reform and to diversify the economy away from its reliance on hydrocarbons. Kuwait's five-year development plan for fiscal years 2015/16-2019/20 (April-March) focuses on long-stalled infrastructure projects.

The EIU expects the hydrocarbons sector, which accounts for over 50% of real GDP, to continue to dominate the economy over the forecast period. OPEC oil production quotas have been extended until at least March 2020 and the EIU expects the quotas to be extended until March 2021, which would affect growth during 2020.

Plans to resume oil production in the Kuwaiti-Saudi Partitioned Neutral Zone (PNZ) are ongoing, with contracts for the provision of general support services awarded in July 2019. Resumption in oil production from the PNZ could be imminent; however, overall oil output levels will be unaffected before April 2021, owing to OPEC-mandated quotas, as per EIU.

The Economist Intelligence Unit expects average inflation to pick up slightly in 2020, to 1.7%, from an estimated 0.9% in 2019, owing to recovering credit growth in the latter half of the year. In 2021, inflation will rise to an average of 3.8% on the back of increased global food prices, which will raise import costs, and as the authorities implement the long-awaited 5% VAT rate. A further impetus to inflation will be the gradual strengthening of domestic demand.

KUWAIT SELECTED MACROECONOMIC AND BANKING INDICATORS

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Consumer prices (%, year-on-year)	0.8	0.8	0.7	0.2	0.6	0.9	1.4
Deposit rate (%, average)	1.60	1.60	1.70	1.77	1.87	1.83	1.93
Discount rate (%, end-period)	2.83	3.00	3.00	3.00	3.00	3.00	3.00
Lending rate (%, average)	4.87	4.80	4.80	4.80	4.80	4.80	4.80
Crude oil production (million barrels/day)	2.71	2.71	2.79	2.78	2.71	2.69	2.65
Exports (million KWD)	5,011	5,355	5,946	5,411	4,945	5,217	n/a
Oil exports (million KWD)	4,410	4,868	5,480	4,987	4,521	4,747	n/a
Imports (million KWD)	-2,688	-2,695	-2,807	-2,622	-2,562	-2,544	n/a
Trade balance	2,323	2,660	3,139	2,790	2,384	2,673	n/a

Source: Economist Intelligence Unit

SURVEYS

EGYPT'S REAL ESTATE SECTOR TO DECELERATE IN 2020, AS PER BELTONE

Beltone Financial Investment bank expects the Egyptian real estate sector to decelerate in 2020 as real estate sales have lost pace or are coming flat, driven by continued oversupply risks in upper middle and high-end project offerings, and slower price increases due to slower inflation readings and stabilization in the cost base.

Beltone analysts continue to list tier-1 developers, namely TMG Holding (TMGH), Palm Hills Developments (PHDC), Emaar Misr (EMFD), Orascom Development (ORHD), Sodic (OCDI), and Madinet Nasr Housing (MNHD), as they capitalize on their names and track record to drive new sales versus the small and medium sized new entrants. These tier-1 developers also deliver 7k-10k units per annum combined, which is relatively low compared to the target client segment, representing 2%-3% of Egypt's growing population as well as the number of marriages of up to 900k per annum.

Real estate sales grew by 2% year-on-year during 1H19 to EGP 31.7 billion, compared to 53% year-on-year growth in the first half of 2018 (1H18) versus 1H17, which looks to be the only slight growth due to existing projects nearing completion, thus slowing down tier-1 developers year-on-year from launching new real estate. However, Beltone analysts expect 2H19 to be stronger, driven by new project launches toward the end of the year, reaching total sales of LE 67.2 billion, higher by 18% year-on-year.

Throughout 2019, the Central Bank of Egypt's (CBE) Monetary Policy Committee (MPC) cut interest by 650 basis points, followed by another expected 300 bps cut in 2020, according to Beltone analysts' expectation. This led tier-1 to extend payment schemes to reach an average of eight years in 2H19, up from seven years in 2018, to fuel new sales, maintain current growth, and avoid lower prices year-on-year.

Most importantly, Beltone analysts believe that lower interest rates will push the resale market out of stagnation, which has been pressured by lower disposable income since the Egyptian pounds floatation. The plan is to offer affordable mortgage products for real homebuyers who intend to buy delivered homes in cash.

Beltone analysts added that reviving the resale market therefore should stabilize the local real estate market by attracting new buyers for the primary market. They also positively view that the latest joint venture including TMGH, EFG Hermes (HRHO), and GB Capital (AUTO) to fund ready-for-sale units in TMGH's Madinty and Al Rehab Projects, to be followed by funding units in other projects.

On the other hand, EFG Hermes Investment Bank expected real estate stocks to have underperformed in the general market indices in Egypt. Market conditions have been challenging, with companies facing difficulties to increase their contracted sales, selling prices, with developers offering extended payment terms, if possible, to encourage sales along with new product offerings across various projects. They added that a number of macro initiatives failed to reflect positively on the sector's activity and in turn respective stock prices. In Egypt, a series of interest rate cuts did not encourage more activity or demand on new launches, given the insignificance of the mortgage activity in the sector's performance.

Moreover, there have been extended payment terms for new projects across most developers, with a minimal positive impact seen. They expect real estate stocks in general to underperform the general market index in Egypt 2020, with a few expectations that they will relatively outperform their peers.

KSA'S INCLUSION IN MSCI EM INDEX TO HAVE POSITIVE ECONOMIC EFFECT, AS PER FRANKLIN TEMPLETON

Saudi Arabia's inclusion in the MSCI Emerging market (EM) index and the Aramco IPO will have a long-lasting positive effect on the Saudi market's overall depth and liquidity, as per Franklin Templeton Emerging Markets Equity.

The listing of Aramco, together with other funding sources should provide meaningful capital to support the government's various investment plans.

Saudi Arabia entered the MSCI EM index in two phases. The first phase took place in May 2019 and the second on August 31. The Aramco IPO raised US$ 25.6 billion and kicked off trading of its shares on the second week of December.

However, despite the positive steps the agency sees being taken inside the kingdom, it is seen that active international investors remain underinvested in Saudi stocks given its weight and prominence in the region. Saudi Arabia launched in 2016 its Vision 2030, an ambitious scheme with the aim of diversifying the oil-dependent Saudi economy and promoting national development. It is worth noting that valuations remain higher than historical averages so it is crucial that fundamentals catch up with rest of the market, which in turn would encourage new investors to add exposure, as per the same source. The various investment programs driven by the Kingdom are expected to give a fillip to the banking sector.

The agency is cautiously optimistic in 2020. The overall outlook is contingent on overall demand maintaining its upward momentum as well as the government moving ahead with its much-anticipated investment program.

The government's spending program is expected to push real GDP growth to 2.4% in 2020, compared to 0.9% in 2019 and the "much awaited project awards are expected to support construction activity and in turn boost overall credit growth in the Kingdom, as per the same source.

The agency believes that the increase in overall credit growth supported by both project lending and a booming mortgage market should counter any adverse effects to overall profits coming from margin compression and zakat taxes.

Al Rajhi Banking & Investment Corporation, the Kingdom's biggest listed bank by market capitalization has added 9.4% in the 11 months until the end of November 2019.

Banks also remain well provisioned against non-performing loans. Capitalization levels are above regulators' stringent requirements, leaving potential for increased lending or capital return through higher dividends. Valuations differentials are wide across the sector which provides ample opportunities to active investors such as us, as per the same source.

UAE JUMPS TEN SPOTS IN COMPETITIVENESS INDEX DURING FOUR YEARS, AS PER IMD BUSINESS SCHOOL

The UAE has jumped ten spots on the list of most competitive countries in the world during four years, acquiring 5th place in 2019 compared to the 15th spot in 2016.

The UAE has proven its standing as one of the world's most competitive economies, going above and beyond in areas such as productivity, digital transformation and entrepreneurship, reported the annual World Competitiveness Ranking 2019 published by the IMD Business School.

The IMD World Competitiveness Rankings, established in 1989, incorporate 235 indicators from each of the 63 ranked economies. Information gathered from the indicators is then filtered into four core areas - economic performance, infrastructure, government efficiency and business efficiency.

The young nation also ranked in the top 5 in various sub-factors of the report, including tech regulatory frameworks, wireless broadband connectivity, management of cities, public-private partnerships and attitudes towards globalization, as per IMD Business School.

To become a global leader in international competitiveness arenas, the UAE government set out the UAE National Agenda, developed by over 300 officials from 90 federal and local government entities. The Agenda includes a set of national indicators in the sectors of education, healthcare, economy, police and security, justice, society, housing, infrastructure and government services.

CORPORATE NEWS

GEMS EGYPT ACQUIRES MAJORITY STAKE IN OPTION TRAVEL

GEMS Egypt for Education Services has acquired a majority stake in Option Travel, one of the leading transportation providers in the Egyptian market.

The deal is line with GEMS Egypt's "strategy of creating a one stop shop for top tier education services in Egypt", according to a recent statement released by EFG Hermes.

GEMS Egypt for Education Services is a joint venture (JV) between GEMS Education and Egypt Education Fund managed by EFG Hermes Private Equity.

The investment will be used to boost Option Travel's growth and launch the first specialized student transport service provider in Egypt.

This is the third investment by GEMS Egypt in Egypt after acquiring four schools in 2019 and launching the development of an international school, raising the platform's total capacity to about 10,000 students.

OMAN'S TANMIA JV BREAKS GROUND ON KEY OMAN COKE CALCINING FACILITY

Oman National Investments Development Company (Tanmia) said its joint venture with Sanvira Industries Limited and United Business Trading has broken ground on a petroleum coke calcining facility within the Suhar Free Zone in the Sultanate.

Founded in 1998, Tanmia is an investment company owned by the State General Reserve Fund and the military and civil pension funds of Oman. Its mandate is to invest in projects that contribute to economic development of Oman, create job opportunities and develop skills of the local population.

Sanvira Industries Limited is one of India's largest producers of calcined petroleum coke, while United Business Trading is a specialist in the production and marketing of a range of chemicals in Oman.

The Sanvira Carbon (SFZ) project will boast a production capacity of 500,000 tons of calcined petroleum coke per year in Phase One which will mainly cater to the aluminum industry, amongst others, in Oman and the region.

In addition, the plant also features a power plant which will have the ability to produce up to 24 MW of electricity through internally generated steam.

The project, which is due for commissioning in June 2021, will generate more than 140 direct job opportunities, said senior company officials.

EXXON ACQUIRES 1.7 MILLION EXPLORATION ACREAGE OFFSHORE EGYPT

ExxonMobil Corp said it acquired 1.7 million acres for exploration offshore Egypt, with operations scheduled to begin in 2020.

The acquisition includes acreage in the 1.2 million North Marakia Offshore block located about five miles offshore Egypt's northern coast and 543,000 acres in the North East El Amriya Offshore block in the Nile Delta, the company said.

SABIC SIGNS SHARE-PURCHASE DEAL WITH SAUDI FERTILIZER GROUP

SABIC has entered into a share-purchase agreement with its manufacturing affiliate, the Saudi Arabian Fertilizer Company (SAFCO), under which the latter will acquire the newly formed SABIC Agri-Nutrients Investment Company (SANIC) in exchange for shares.

This will increase SABIC's share holding in SAFCO to 50.1%.

SABIC formed Sanic in 2018 to consolidate all its equity shares and assets currently held in several companies producing agri-nutrient products.

SANIC owns 50% shares of both the National Chemical Fertilizers company (Ibn Al-Baytar) and Jubail Fertilizer Company (Al-Bayroni), and 33.3% shares of Gulf Petrochemical Industries Company (GPIC).

Saudi Basic Industries Corporation (SABIC) manufactures chemicals and steel. The Company produces methanol, ethylene, propylene, benzene, toluene, xylene, industrial gases, thermoplastic resins, polyester, melamine, urea fertilizers, and long and flat hot and cold rolled steel products.

BURGAN BANK SELLS HQ TO UNITED INVESTMENT GROUP

Burgan Bank announced that it sold its headquarters building, located in Burgan Tower Al Sharq, to the United Investment Group (UIG). The deal is valued at KWD 19.45 million, according to a bourse filing.

IRAQ SEEKS BIDS FOR JORDAN OIL PIPELINE JV PROJECT

The Iraqi Ministry of Oil invited bids from construction firms for a joint Jordanian oil pipeline project following the completion of the prequalifying process. The Ministry said the pipeline inside Iraq will be installed according to the engineering, procurement, construction and financing contract (EPCF) model, while in Jordan it will be executed under the build–own–operate–transfer (BOOT) system.

The Phase One of the project will see installation of a 700-km-long pipeline with a capacity of 2.25 million barrels within the Iraqi territories (Rmeilah-Haditha). The Phase Two involves construction of a 900-km pipeline in Jordan between Haditha and Aqaba with a capacity of one million barrels, it stated.

DIFC SIGNS DEAL TO PROPEL REGIONAL INSURANCE LANDSCAPE

Dubai International Financial Centre (DIFC) signed individual memoranda of understanding (MoU) with two institutions to fuel the region's insurance sector by upskilling talent, as well as promoting efficiency and improvement.

MoUs were signed with Lloyd's, an insurance and reinsurance marketplace, as well as UK headquartered Chartered Insurance Institute (CII), with the aim of developing talent within the local insurance and reinsurance landscape in line with global best practice. As part of the collaboration, DIFC will join forces with Lloyd's and the CII to develop a number of courses alongside the roll-out of a series of events and programs developed in partnership with DIFC Academy.

SAUDI'S GACA BEGINS TRIAL OPERATION OF NEW ARAR AIRPORT

The General Authority of Civil Aviation (GACA) announced the start of the trial operation phase of the new Arar airport. The first arrival and departure flights from Riyadh to the new airport terminal will begin the trial operation phase. The flights will be operated by Saudi Arabian Airlines.

GACA stated that during the trial operation of the new Arar airport, the number of flights will gradually be increased. The airport will eventually connect more destinations in the coming weeks through Saudi Arabian Airlines from Riyadh and Jeddah, with flynas operating flights from Dammam.

The new Arar airport will be able to accommodate more than 1,039,000 passengers annually, and the capacity for air traffic will reach more than 10,000 flights per annum. The new airport is also considered a qualitative shift in the field of air transport for the Northern Border Region, where it will provide the best technologies and services that will in turn improve traveler experience.

CAPITAL MARKETS

EQUITY MARKETS: PRICE GAINS IN MENA EQUITY MARKETS IN 2019

Regional equity markets registered price gains of 7.9% between year-end 2018 and the last trading day of the week, mainly supported by price rises in the heavyweight Saudi Tadawul, Boursa Kuwait and the Egyptian Exchange amid some favorable market-specific factors, while the Qatar Exchange registered price drops due to some unfavorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul registered price gains of 7.8% in 2019 despite rising geopolitical tensions over the year, mainly supported by Saudi Arabia's inclusion in two major international indexes (the FTSE Russell and S&P Dow Jones' emerging markets indices) on March 18, 2019, and KSA's inclusion in MSCI emerging market index on May 28, 2019, in addition to the Kingdom's announcement of a sweeping infrastructure plan worth US$ 425 billion under Vision 2030, which triggered strong price gains in Saudi cement stocks. It is worth mentioning that the Saudi Tadawul saw on December 11, 2019 the listing of 1.5% of Saudi Aramco's shares (the equivalent of three billion shares) following the world's largest IPO that has raised a total of US$ 25.6 billion, which represents an important milestone in the history of Saudi equity market. Saudi Aramco's share price surged from an IPO price of SR 32.0 to SR 35.35, up by 10.50%, which gave the company a valuation of about US$ 2 trillion. This brought the share of the Saudi Tadawul's market capitalization in total regional market capitalization up from 43% at end-2018 to circa 77% at end-2019.

A further look at individual stocks shows that NCB's share price closed 2.5% higher over the year at SR 49.05. Al Rajhi Bank's share price went up by 14.6% to SR 65.20. SABB's share price rose by 6.3% to SR 34.70. Also, Saudi Cement's share price jumped by 44.8% to SR 70.30. Northern Cement's share price climbed by 41.0% to SR 11.76. Najran Cement's share price surged by 41.5% to SR 11.90. City Cement's share price skyrocketed by 92.8% to SR 17.76.

The Egyptian Exchange registered a strong price rebound in 2019, as reflected by a 24.6% surge in the S&P Egypt BMI index, mainly helped by a track record of economic and fiscal reforms and improvements in macroeconomic stability, and following three interest rate cuts by CBE amid eased inflationary pressures, which is forecast to drive demand for consumer goods and support corporate capital expenditure financed by lower borrowing costs. Within this context, Moody's said that interest rate cuts by CBE are credit positive to lenders. Heavyweight Commercial International Bank's share

EQUITY MARKETS INDICATORS (DECEMBER 22 TILL DECEMBER 28, 2019)

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	69.4	2.4%	-17.3%	2.3	130.6%	0.3	7,506.0	1.6%	5.8	0.58
Jordan	363.2	0.6%	-4.8%	18.8	-23.9%	11.6	20,961.0	4.7%	11.6	1.33
Egypt	343.2	0.6%	24.6%	118.2	-38.9%	429.7	45,270.9	13.6%	9.9	2.31
Saudi Arabia	367.5	0.7%	7.8%	5,852.6	-38.5%	973.5	2,409,372.2	12.6%	19.4	2.40
Qatar	184.8	1.3%	-2.0%	237.9	2.6%	294.4	159,034.3	7.8%	15.0	2.05
UAE	113.0	-0.5%	-0.1%	987.7	-52.5%	887.6	250,733.7	20.5%	11.2	1.71
Oman	196.4	-0.9%	-7.0%	25.5	-0.9%	56.1	16,756.5	7.9%	8.8	0.89
Bahrain	163.6	2.0%	36.6%	10.6	24.4%	16.8	24,819.6	2.2%	12.0	1.74
Kuwait	119.2	0.5%	25.9%	556.1	-6.6%	761.1	105,069.2	27.5%	17.1	1.98
Morocco	288.6	0.2%	7.1%	200.1	46.3%	22.4	65,110.2	16.0%	20.3	3.13
Tunisia	71.0	3.1%	1.0%	10.6	78.6%	3.2	8,173.1	6.7%	13.2	2.34
Arabian Markets	**786.3**	**0.6%**	**7.9%**	**8,017.9**	**-37.4%**	**3,456.9**	**3,112,806.7**	**13.4%**	**18.1**	**2.30**

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

Sources: S&P, Bloomberg, Bank Audi's Group Research Department price jumped by 40.0% to reach LE 82.95. Crédit Agricole Egypt's share price went up by 7.1% to LE 43.93. QNB Ahli's share price surged by 15.1% to LE 46.03. EFG Hermes' share price climbed by 12.0% to LE 17.05. Orange Egypt for Telecommunications' share price increased notably by 10.3% to LE 17.81. Egypt Kuwait Holding Company's share price closed 19.3% higher at LE 1.281. Cairo Investment & Real Estate Development's share price skyrocketed by 54.4% to LE 13.90.

Boursa Kuwait saw a strong price rally in 2019, as reflected by a 25.9% surge in the S&P Kuwait index, mainly on improved sentiment after MSCI has conditionally reclassified Kuwait to its emerging markets index in June 2019, before confirming in December 2019 that it would reclassify the MSCI Kuwait indexes from frontier to emerging markets as the Kuwaiti equity market has met all the necessary requirements. The index compiler would include the MSCI Kuwait index in the Emerging Market Index in one phase during the May 2020 semi-annual index review, a move that is expected to generate billions of dollars of inflows. Boubyan Bank's share price jumped by 26.6% to KWf 636. NBK's share price climbed by 33.5% to KWf 1,060. Kuwait Finance House's share price skyrocketed by 45.6% to KWf 809. Commercial Bank of Kuwait's share price rose by 16.6% to KWf 530. Zain's share price rose significantly by 32.3% to KWf 594. Agility's share price went up by 15.9% to KWf 808.

In contrast, the Qatar Exchange registered a 2.0% drop in prices in 2019, mainly dragged by some profit-taking operations following last year's strong price rally, and amid a 5.6% year-on-year contraction in net profits of Qatari listed companies during the first nine months of 2019, in addition to rising doubts of a breakthrough in a long-standing rift with Qatar after the country's Emir skipped the annual Arab Gulf Summit held in Riyadh on December 10, 2019. Masraf Al Rayan's share price plunged by 5.2% to QR 3.95. Ooredoo's share price shed 4.0% to QR 7.20. Barwa Real Estate's share price fell by 11.3% to QR 3.54. Qatar Insurance's share price dropped by 12.0% to QR 3.16. Aamal's share price went down by 8.5% to QR 0.809.

FIXED INCOME MARKETS: BOND PRICE RISES ACROSS THE BOARD IN MENA REGION IN 2019

MENA fixed income markets saw price gains across the board in 2019, mainly tracking US Treasuries move following three rate cuts by the US Federal Reserve aimed to ensure the US economy weathers a global trade war without slipping into a recession. Concurrently, the region posted a 30% growth in the total value of new bond issues to reach circa US$ 88 billion in 2019, as borrowers sought to take advantage of a global monetary easing environment and low funding costs to finance their needs.

In the Abu Dhabi credit space, sovereigns maturing in 2021, 2027 and 2047 posted price gains of 2.40 pts, 8.84 pts and 19.87 pts respectively in 2019. Regarding new issues, Abu Dhabi launched in September 2019 a US$ 10 billion three-tranche bond, which is its first international offering in two years. The first tranche consists of US$ 3 billion notes maturing in 2024 and issued at 65 bps over US Treasuries. The second tranche consists of US$ 3 billion notes maturing in 2029 and issued at 85 bps over US Treasuries. The third tranche consists of US$ 4 billion notes maturing in 2049 issued at 110 bps over US Treasuries.

In the Saudi credit space, sovereigns maturing in 2021, 2023, 2025 and 2049 registered decent price rises of 3.88 pts to 23.0 pts in 2019. As to new issues, Saudi Arabia raised US$ 7.5 billion in January 2019 through the issuance of international bonds. A US$ 4 billion 10-year bond was priced at 175 bps over US Treasuries. A US$ 3.5 billion 31-year old bond was priced at 230 bps over US Treasuries. The Kingdom raised US$ 2.5 billion in October 2019 through the issuance of a 10-year bond at a coupon of 2.969%. Also, Saudi Arabia raised € 3 billion in July 2019 from its first bond denominated in euros. The Kingdom sold a € 1 billion eight-year bond at a coupon of 0.75% and a € 2 billion 20-year bond at a coupon of 2.0%.

Regarding other new bond issues, Saudi Aramco raised US$ 12 billion in April 2019 through the issuance of a five-tranche debt that attracted more than US$ 100 billion in orders, divided as: US$ 1 billion three-year bond priced at +55 bps over US Treasuries; US$ 2 billion five-year bond priced at +75 bps over US Treasuries; US$ 3 billion 10-year bond priced at +105 bps over US Treasuries; US$ 3 billion

20-year bond priced at +140 bps over US Treasuries; and US$ 3 billion 30-year bond priced at +155 bps over US Treasuries.

In the Qatari credit space, sovereigns maturing in 2021, 2024, 2029, 2040 and 2049 posted price improvements ranging between 2.45 pts and 22.12 pts in 2019. Qatar raised US$ 12 billion in March 2019 through the sale of a triple-tranche bond. The US$ 2 billion five-year notes offer 90 basis points over US Treasuries, while the US$ 4 billion 10-year debt and the US$ 6 billion 30-year debt offer 135 bps and 175 bps respectively over the same benchmarks.

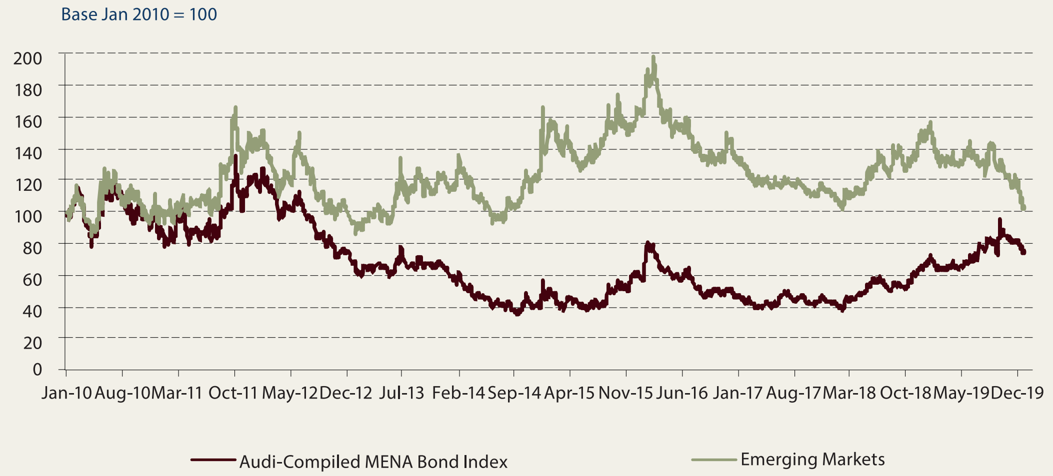
Activity in MENA bond markets was tilted to the upside in 2019, mainly tracking US Treasuries move, and as investors sought safe-haven investments amid lingering concerns about the impact of a prolonged trade battle between the US and China on global economic growth.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	27-Dec-19	20-Dec-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	35	36	67	-1	-32
Dubai	87	90	129	-3	-42
Kuwait	37	37	66	0	-29
Qatar	36	37	82	-1	-46
Saudi Arabia	56	56	105	0	-49
Bahrain	176	171	293	5	-117
Morocco	91	94	111	-3	-20
Egypt	290	288	391	2	-101
Lebanon	2,414	2,408	770	6	1,644
Iraq	398	406	519	-8	-121
Middle East	**362**	**363**	**254**	**-1**	**108**
Emerging Markets	**149**	**153**	**188**	**-4**	**-39**
Global	**183**	**190**	**189**	**-7**	**-6**

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	CCC/-/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/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   RUR= Ratings Under Review   * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	27-Dec-19	20-Dec-19	31-Dec-18	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	16.05	17.92	-0.2%	-10.6%
Iraqi Dinar (IQD)	1,182.87	1,182.87	1,192.68	0.0%	-0.8%
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	3.65	0.0%	0.3%
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	117.65	0.0%	1.2%
Moroccan Dirham (MAD)	9.60	9.64	9.54	-0.5%	0.6%
Tunisian Dinar (TND)	2.84	2.84	3.05	0.0%	-6.7%
Libyan Dinar (LYD)	1.40	1.40	1.40	0.0%	0.4%
Sudanese Pound (SDG)	45.11	45.11	47.62	0.0%	-5.3%

Sources: Bloomberg, Bank Audi's Group Research Department