

## The MENA WEEKLY MONITOR

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Nine out of 10 consumers in the UAE (90%) changed how they pay for purchases due to COVID-19, including shopping online when possible (59%), using contactless payments (52%) and not using cash as much (40%), said payment technology firm Visa in a new report.

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#### p.9 REGIONAL EQUITIES UP, BOND PRICES DOWN AFTER US FED POLICY SHIFT

Activity in MENA equity markets remained skewed to the upside over this week, as reflected by a 1.0% rise in the S&P Pan Arab Composite index, mainly tracking global equity gains (+2.7%) after the US Federal Reserve announced a major shift in its approach to managing inflation that has flocked demand for riskier assets, while also driven by some favorable market-specific and company-specific factors. In contrast, MENA bond markets saw mostly downward price movements, mainly tracking US Treasuries move after the US Federal Reserve said that it would adopt a Flexible Average Inflation Target that would allow inflation to run above the 2% target that has grounded its policy approach for decades.

#### MENA MARKETS: WEEK OF AUGUST 23 - AUGUST 29, 2020

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+1.0%	Weekly Z-spread based bond index	-0.2%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-9.7%	YTD Z-spread based bond index	+36.7%

## ECONOMY

### CAPITAL ECONOMICS SAYS ECONOMIC RECOVERY WILL BE WEAKER IF VIRUS OUTBREAKS WORSEN ACROSS MENA

Governments across the Gulf have managed to get on top of coronavirus outbreaks but Morocco, Tunisia, Jordan, and Lebanon have seen the virus spread rapidly in recent weeks, as per a recent Capital Economics note. These economies are the most vulnerable in the region to a fresh tightening of containment measures and recoveries could prove to be even weaker than currently anticipated, said Capital Economics.

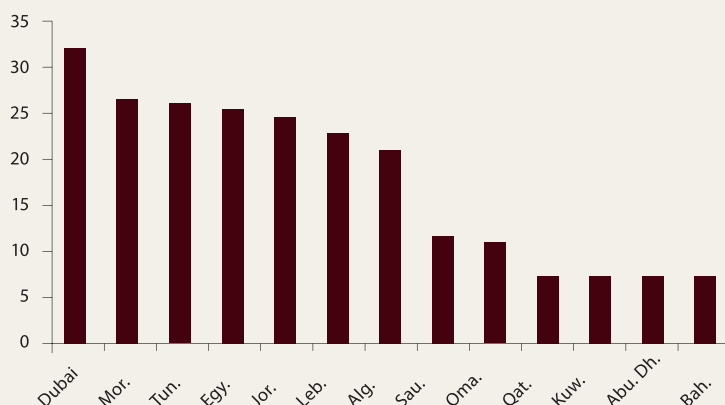
The Gulf had been the epicenter of the coronavirus outbreak in the region having accounted for around 80% of new cases between April and mid-July. But the authorities were aggressive in their response, imposing strict lockdowns and social distancing, as well as large-scale testing. As a result, the number of new daily cases has been on a downward trend since the start of July and the share of tests that come back positive is also falling, suggesting that outbreaks are coming under control, as per Capital Economics.

Elsewhere, in Egypt, Capital Economics was concerned that the easing of lockdown had come too early as daily new case numbers surged in late-May and early-June. But since then the number of new daily cases has fallen from an average of nearly 1,500 to less than 200.

In contrast, Morocco, Tunisia, Lebanon, and Jordan have seen a sharp rise in coronavirus cases in recent weeks, added Capital Economics. In Lebanon, the large-scale injuries and deaths resulting from the Beirut blast earlier this month have put further strains on an already-stretched healthcare system, prompting the authorities to impose a partial lockdown and overnight curfews.

Morocco and Tunisia have seen a sharp fall in the number of tests performed per confirmed case, meaning that outbreaks are genuinely worsening, according to the Capital Economics note. Morocco and Tunisia had appeared to have got on top of the virus, which allowed restrictions to be eased as soon as mid-June and both countries were initially included on the EU's "safe travel" list. But the new outbreak prompted Moroccan officials to enforce a travel ban between major cities in July and King Mohammed VI this month raised the prospect of re-imposing a nationwide lockdown. As a result, Morocco was removed from the EU's list earlier this month.

#### SECTORS VULNERABLE TO SOCIAL DISTANCING (% OF GDP)\*



\*Sum of wholesale & retail trade, hotels & restaurants, arts & recreation, and food sectors

Source: Capital Economics

Tunisian officials, in contrast, seem more wary of reintroducing measures due to the economic pain the lockdown had caused – GDP contracted by 20.4% quarter-on-quarter in Q2. But close to three-quarters of confirmed cases recorded since 27th June, when international borders reopened, have been imported, so officials may be inclined to re-impose a travel ban, as per Capital Economics. In any case, Tunisia could soon follow Morocco in being removed the EU's travel list and both economies will have suffered as tourists stayed away during the peak summer months, as per the same source.

Case numbers in the UAE have begun to creep up over the past few weeks to their highest levels since mid-July. The authorities have already warned that, if things continue to deteriorate, they may re-impose the national curfew and sterilization programs. Dubai is the most vulnerable economy in the region to social distancing measures, travel bans and lockdowns and, as Capital Economics warned in a Focus earlier this year, there is a real risk that the crisis triggers renewed debt problems in the Emirate.

The bigger picture is that if virus outbreaks do worsen across the region more broadly over the coming weeks and months, prompting a tightening of restrictions, economic recoveries are likely to be even weaker than Capital Economics had anticipated. The crisis could ultimately leave very deep economic scars – recent data have already shown that unemployment in Egypt jumped and a survey by Dubai's Chamber of Commerce showed over 75% of travel and tourism firms could go out of business by year-end.

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#### **BAHRAIN RAISES DEBT CEILING TO FINANCE PUBLIC SPENDING**

Bahrain's government has raised its debt ceiling to BHD 15 billion (the equivalent of US\$ 39.79 billion) from BHD 13 billion to help fund public spending, the cabinet said, as low oil prices and the coronavirus crisis have dented State revenues.

The debt ceiling was also increased to pay for other expenditure and to cover debt instalments for the financial years 2020 through 2022, the cabinet said in a statement. Bahrain last raised its debt ceiling in 2017.

The small oil producer, which avoided a credit crunch in 2018 with a US\$ 10 billion aid package from its wealthy Gulf neighbors, bolstered its finances in May with a US\$ 2 billion bond issuance to help plug its budget deficit.

The slowdown in economic activity comes despite efforts to achieve the objectives of the fiscal balance program, the cabinet said, noting initiatives that have been achieved to enhance spending efficiency and reduce recurrent government expenditures.

The International Monetary Fund has forecast Bahrain's fiscal deficit will jump to 15.7% of gross domestic product this year from 10.6% in 2019.

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#### **EGYPT PLANS TO REDUCE POVERTY AND ILLITERACY RATES**

The Egyptian government aims to reduce the poverty rate to 30% during the current fiscal year (FY) 2020/2021 budget from 32.5% in FY 2017/2018, the Minister of Planning and Economic Development said in a statement. The Egyptian official added that Egypt plans to reduce the extreme poverty rate to 5%.

The government has allocated LE 8 billion to fight poverty in 357 villages across the country under Hayah Karima (A Decent Life) initiative in FY 2020/2021 budget, the minister added.

Earlier this year, the government announced its plans to allocate LE 1.66 billion to execute several developments under the initiative.

The Egyptian official elaborated that the current budget will cover 11.8 million people with cash subsidies while increasing the number of households benefiting from the subsidies to 2.95 million.

The minister noted that the country intends to reduce the illiteracy rate to 22% in FY 2020/2021, compared to 25.8% in FY 2017/2018.

## JORDAN UNVEILS 2020-2025 STRATEGY WORTH US\$ 833.5 MILLION TO REVIVE AGRICULTURE SECTOR

The Ministry of Agriculture in Jordan announced the 2020-2025 National Agricultural Development Strategy at an estimated cost of JD 591 million, focusing on the digitization and restructuring of the sector and boosting its productivity. The strategy envisages a total of 174 interventions and projects, said the Acting Minister of Agriculture during a press conference, as reported by the Jordan News Agency, Petra.

The strategy will be financed via a host of channels, including JD 179 million from the Treasury, JD 310 million in lending from the Agricultural Credit Corporation and JD 80 million from foreign aid and grants, noting that the funding gap is estimated at JD 22 million.

Citing the strategy's performance indicators, the minister said they include increasing the agricultural GDP as share of total GDP from JD 2.6 billion currently to JD 3.66 billion by 2025 and boosting the added-value of agriculture from JD 1.6 billion to JD 2.48 billion.

Another key theme of the strategy is creating 65,000 jobs in the five-year period and replacing 21,000 foreign workers with Jordanians, noting that the strategy is also intended to increase the number of farmers using digital government-run agricultural services by 30%.

Another focus area of the strategy is export costs reduction to pave the way for a 15% increase in agricultural exports. Accordingly, the strategy is designed to help cut air and land freight costs by 12% and increase the productivity of food and agricultural manufacturers by 18% by 2025. Furthermore, the strategy is pursuing a 10% increase in the forest area by 2025, according to the Jordanian official.

The minister said that the coronavirus pandemic crisis brought to the fore a number of challenges facing the agricultural sector that were not addressed in previous agricultural policies. The lack of comprehensive agricultural databases comes at the forefront of these challenges, the minister said, noting "poor digitization or utilization of modern technologies in agriculture". These challenges limited the agro produce's access to retailers and consumers when the Kingdom enforced total lockdowns a few months ago, as per the same source.

Therefore, the government revisited agricultural policies and endorsed the 2020-2025 National Agricultural Development Strategy focusing on the following priorities, according to the Jordanian official: the restructuring, digitization of the agricultural sector, the utilization of modern technology, enhancing production and productivity, focusing on strategic crops, developing the logistics chain of operations, uplifting the agro-processing chain, developing the export chain, and expanding forest and pasture areas.

The Jordanian official noted that the ministry reviewed the strategy with local and international partners, including the Food and Agriculture Organization of the United Nations, the World Food Program, the World Bank and the United Nations Economic and Social Commission for Western Asia, to ensure it is comprehensive and consistent with best global practices.

All other sub-strategies were incorporated in the new strategy with the aim of having a uniform post-COVID-19 agricultural policy, according to the same source which added that the strategies that were integrated included the fish and marine products strategy, the date palm strategy, the rangelands strategy and forest policies.

Given the importance of agriculture in the food supply chain, the government has introduced a number of finance and credit incentives to boost producers' resilience in crisis time and also expanded the Agricultural Risk Fund's umbrella to cover all risks.

The government has also provided a set of fee exemptions to help organize the agriculture sector, support the agriculture exports chain, and encourage agricultural cooperatives to assume their role in employment and job creation.

## SURVEYS

### 90% OF UAE CONSUMERS HAVE CHANGED PAYMENT STYLE, AS PER VISA

Nine out of 10 consumers in the UAE (90%) changed how they pay for purchases due to COVID-19, including shopping online when possible (59%), using contactless payments (52%) and not using cash as much (40%), said payment technology firm Visa in a new report.

In its global Back to Business study, Visa assesses the dramatic shift to digital commerce in response to the pandemic, driven largely by changing consumer expectations for a safe and touchless payment moment. As small and micro businesses (SMBs) continue to endure the financial impact of COVID-19, one thing is clear: rethinking the checkout or point-of-sale (POS) experience is essential for survival.

Safety means touchless. Contactless payments have become a driving differentiator. Nearly all (90%, compared to 63% globally) UAE consumers would switch to buying from a store that installed contactless payment systems. In fact, almost three in four (72%, compared to 48% globally) UAE consumers wouldn't shop at a store that only offers payment methods that require contact with a cashier or other shared devices.

Despite the unpredictable nature of the pandemic, nearly all (94%, compared to 67% globally) SMBs in the UAE are beginning to feel optimistic about the future of their business but estimate it will be about six months before their businesses are back to full operation.

SMBs in the UAE have shown an incredible willingness to evolve in the face of change. In fact, 94% of SMBs in the UAE, compared to 67% globally, have pivoted to keep their businesses on track since the outbreak. Over two in five (44%, compared to 20% globally) have allowed contactless payments for the first time since the start of Covid-19. Additionally, nearly three in five (59%, compared to 33% of global SMBs) reported their business has accepted less or stopped accepting cash during the pandemic, as per Visa.

Despite their willingness to adapt to new trends, 92% of merchants in the UAE still have concerns about shifting their business online or increasing online presence (compared to 74% globally), highlighting the need for additional support to help SMBs transition to digital, according to the Visa report.

In terms of business operations, SMBs in the UAE are most concerned about data privacy and security (48%, compared to 32% globally), as well as keeping their employees safe and healthy (48%, compared to 27% globally). An overwhelming majority (89%) of UAE consumers, compared to two-thirds (67%) of consumers globally, are taking measures to keep their payment cards clean.

### ABU DHABI TOPS MIDDLE EAST CITIES IN OCCUPANCY RATES IN 1H 2020, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for the first half of 2020 (four and five star hotels), according to which occupancy rates decreased in all fourteen cities within the region.

Occupancy rates decreased in 14 cities considered in the survey with Beirut registering the most significant decrease of 57.0%. The largest declines after Beirut were seen by Cairo-City which reported a decline of 35.6% and Dubai with a fall of 33.7%.

According to the survey, the cities of Abu Dhabi, Doha and Riyadh took over the first three ranks amongst peers in hotel occupancy, with 68% for Abu Dhabi, 56% for Doha and 55% for Riyadh. At the lower end of the regional scale were Madinah (29%), Manama (29%) and Beirut (13%).

Furthermore, a total of 13 cities reported decreases in the average room rate, registering 37.2% in the case of Makkah. In this context, the rooms' yield decreased in all cities in the survey.

Abu Dhabi's hospitality sector performance has been intertwined with the extension of movement ban in response to the rising number of COVID-19 testing in the Emirate. Moreover, the stringent public health measures, halt in domestic and international travels and the suspension or cancellation of major events may have also subsided the performance levels during this period. The outlook of the sector remains slightly optimistic with the launch of "Go Safe" self-assessment certification program for the hotels and tourist destinations, and the reopening of cultural and tourist attractions, as per EY.

In Dubai, the unprecedented challenges imposed by COVID-19 pandemic has led to the downturn in hospitality sector performance. The imposition of curfew and related restrictions especially during the typical peak seasons and festivals could have also inhibited the sector growth. The gradual reopening of tourist attractions, resumption of international flights to some destinations and marketing initiatives by the Dubai Tourism represent efforts to create a turning point for the sector's road to recovery in the short-medium term.

According to EY, the subdued performance of Doha's hospitality sector during the period can be largely attributed to the continued impact of COVID-19 pandemic in terms of the rising number of virus cases, deferment of major sports events and the ongoing travel restrictions. Implementation of the four-phase normalization plan, that aims to reopen the economy gradually, as well as the 14 days of mandatory hotel quarantine for those returning from other countries are expected to act as hospitality sector lifelines in the short-medium term.

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#### MANAMA NAMED MOST FINANCIALLY ATTRACTIVE CITY, AS PER AIRINC

The GCC cities dominated the global Financial Attractiveness Index list with Bahrain's capital Manama being named the world's most financially attractive city in AIRINC's latest Global 150 Cities Index followed by Riyadh in 4th place, Kuwait City in 6th, Abu Dhabi in 7th, Dubai in 12th, and Muscat in 16th.

The index ranks 150 of the top global locations according to financial attractiveness and lifestyle attractiveness. It combines local salary levels, tax rates, living costs, and living conditions to assess how appealing each location is to live in.

Every single GCC member was represented in the top 20 most financially attractive cities in the world, according to AIRINC's latest Global 150 Cities Index.

The data is collected by AIRINC's own in-house survey team, who continuously research the costs and living conditions of many cities around the world to evaluate international mobility.

GCC economies have invested considerable sums in making themselves more attractive to international businesses in line with ambitious region-wide economic diversification efforts, it stated.

As the first GCC member to begin diversification, Bahrain offers one of the easiest and most cost-effective environments to set up and operate a business in the world. Businesses operating in the Kingdom enjoy 0% tax and 100% foreign ownership allowed.

Thanks to its comprehensive program of reforms, increasingly digital Bahrain was recently named the fourth most improved economy in the world by the World Bank's latest Ease of Doing Business report.

As well as ranking first in the world for financial attractiveness in the AIRINC index, Manama also jumped 15 places for overall attractiveness, to 48th.

AIRINC empowers clients with the right data, cutting-edge technology, and thought-leading advice needed to effectively deploy talent worldwide. Its industry expertise, innovative solutions, and excellent service enable it to partner with clients to navigate the complexity of today's global mobility programs. As the market continues to evolve, AIRINC offers creative ways to help clients address new talent mobility challenges, implementing resilient solutions fit for purpose.

## CORPORATE NEWS

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### MUBADALA AND KOHLBERG TO BUY MAJORITY STAKE IN PCI

Kohlberg & Company and Abu Dhabi's sovereign investor Mubadala signed a definitive agreement to acquire a majority stake in PCI Pharma Services, a leading pharmaceutical and biopharmaceutical global supply chain solutions provider.

PCI is a portfolio company of Partners Group and Kohlberg is a leading private equity firm headquartered in Mount Kisco, New York.

Partners Group, the global private markets investment manager, agreed the sale of its majority equity stake in PCI on behalf of its clients and alongside its consortium partners Thomas H Lee Partners and Frazier Healthcare Partners, said a statement.

Following the sale to private equity firm Kohlberg and Mubadala, Partners Group will retain a meaningful minority equity stake in the company. The terms of the transaction were not disclosed.

Headquartered in Philadelphia, Pennsylvania, PCI is an industry company and partner providing a broad range of integrated pharmaceutical supply chain solutions from the earliest stages of drug development through to commercial launch and delivering ongoing supply with global capabilities for drug development & manufacturing, clinical trials services and commercial packaging services.

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### BAHRAIN'S GFH FINANCIAL ACQUIRES MAJORITY STAKE IN GB CORP

GFH Financial Group increased its stake in Global Banking Corp (GB Corp) to 50.4% from 28.6%, following approval from the Central Bank of Bahrain.

The Manama-based financial group was given approval to acquire up to 60% of the investment bank, according to a statement.

GB Corp, incorporated in Bahrain, operates in the Gulf and global markets, with total assets of US\$ 125 million and with total assets under management over US\$ 500 million as of June 2020.

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### SAUDI'S EIC AIMS TO BUY ASSETS OF LIQUIDATED BELGIAN TRANSFORMER COMPANY

Saudi Arabia's Electrical Industries Company (EIC) is in negotiations to acquire the assets of CG Power, a leading designer and manufacturer of electrical transformers based in Belgium, which has been in liquidation since January.

In a statement, EIC said the assets of the Belgium-based company include machinery, equipment, inventory, software and intellectual property rights.

The Board has also decided to establish a Limited Liability Co in Belgium to transfer the assets in case of concluding the purchase agreement, the statement said. The technology will be transferred to EIC's factories in Saudi Arabia.

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### WAHA CAPITAL TO INVEST IN TOP LATIN AMERICAN E-TRAVEL COMPANY

Waha Capital, an investment company in Abu Dhabi, announced an investment of AED 184 million (US\$ 50 million) in Despegar.com, a leading NYSE-listed company in the online travel sector.

Despegar is an online travel company in Latin America.

It offers consumers an expansive selection of options, and its partners and travel suppliers, a comprehensive and innovative technology platform for managing the distribution of their products.

An addition to its investment program initiated in May comprising a total of US\$ 150 million in US-listed companies, the new investment supports Waha Capital's growth strategy for its Private Investments portfolio.

The two companies entered into a private placement through which Waha Capital will invest in series B preferred shares convertible into ordinary shares for an aggregate purchase price of AED 184 million.

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#### **SAUDI ARAMCO ESTABLISHES CORPORATE DEVELOPMENT ORGANIZATION**

State oil company Saudi Aramco said it was setting up a new corporate development organization to oversee the company's assets and secure greater access to growth markets and technologies.

The new organization will "support rapid and effective decision-making on the portfolio and corporate development activities," Aramco said in a statement.

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#### **VESTAS CONSORTIUM TO BUILD 250MW EGYPT WIND POWER PLANT**

Egypt's New and Renewable Energy Authority (NREA) signed a major contract with an Italian-French-Chilean consortium led by Danish turbine maker Vestas Wind Systems to build a 250 megawatt wind power plant in the Gulf of Suez.

Involving an investment of around € 228 million (US\$ 270.2 million), the project will be financed through an umbrella agreement between the Egyptian government and several European entities, including the EU, the European Investment Bank (EIB) and German and French development banks, according to a statement by NREA.

The project site is located on the west coast of the Gulf of Suez in the Red Sea Governorate.

The NREA had awarded Vestas the tender earlier this year after both Siemens Gamesa and Germany's Senvion retracted their bids late in 2019.

The wind power plant is scheduled to be completed and brought to operation within 35 months, said the statement.

Once in operation, the new facility will generate an estimated 840 gigawatts per hour, which would save about 175,000 tons of oil equivalent, as per the same source.

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#### **UAE'S EMARAT CLINCHES EXCLUSIVE LPG DISTRIBUTION DEAL**

UAE's fuel retailer Emarat signed a partnership deal to supply gas cylinders directly to households in Dubai.

The partnership agreement with Aquacool Metering, a subsidiary of Dubai Investments' Emirates District Cooling (EMICOOL), will make Emarat an exclusive distributor of liquefied petroleum gas (LPG) for Aquacool's entire residential, commercial and industrial portfolio.

The deal is the first stage in Emarat's growth strategy in the LPG market. The company seeks to increase its customer base and provide innovative services and solutions across various industries within the UAE. The initiative will allow the company to distribute LPG cylinders directly to the end users in the emirate of Dubai, through the company's exclusive partnership with Aquacool, as per the General Director general of Emarat.

With the partnership, Aquacool's customers in Dubai will get their LPG cylinders from Emarat via a fully integrated and automated online portal and application, which will be available 24 hours a day and seven days a week.



## CAPITAL MARKETS

### EQUITY MARKETS: ACTIVITY IN MENA EQUITY MARKETS REMAINS SKEWED TO THE UPSIDE

Activity in MENA equity markets remained skewed to the upside over this week, as reflected by a 1.0% rise in the S&P Pan Arab Composite index, mainly tracking global equity gains (+2.7%) after the US Federal Reserve announced a major shift in its approach to managing inflation that has flocked demand for riskier assets, while also driven by some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul saw extended price gains this week, as reflected by a 1.0% rise in the S&P Saudi index, following global equity gains while also supported by some favorable company-specific factors. Petrochemicals giant Saudi Aramco, whose market capitalization represents 78.9% of the total Saudi market capitalization, registered share price rises of 2.5% to reach SR 35.0. Saudi Aramco established a new corporate development organization to oversee the company's assets and secure greater access to growth markets and technologies. Sipchem's share price went up by 2.9% to SR 16.20.

Also, Alujan Holding's share price jumped by 26.7% week-on-week to SR 40.85. The company announced 2020 second quarter net profits of SR 183 million versus a net loss of SR 71 million a year earlier. SABB's share price surged by 7.8% to SR 27.50. SABB announced a net loss of SR 7.4 billion during the first half of 2020 that is attributed to a one-time non-cash accounting charge resulting primarily from the merger of SABB and Alawwal Bank, yet the bank signaled that when excluding the goodwill impairment, net profits would be higher by SR 177 million year-on-year. Tasnee's share price surged by 5.5% to SR 11.98.

The Qatar Exchange posted a 0.8% rise in prices week-on-week, tracking global equity gains and helped by some favorable company-specific factors. Industries Qatar's share price surged by 9.4% to QR 9.85. Industries Qatar bought Qatar Petroleum's 25% stake in Qatar Fertilizer Company for US\$ 1 billion, making it the 100% owner of the world's largest single-site urea producer. Gulf International Services' share price closed 1.5% higher at QR 1.672. Masraf Al Rayan's share price went up by 0.8% to QR 4.185. Masraf Al Rayan and Al Khaliji are negotiating over a potential merger that would create a combined entity with more than QR 164 billion in total assets. Qatar First Bank's share increased

#### EQUITY MARKETS INDICATORS (AUGUST 23 TILL AUGUST 29, 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	58.8	-0.6%	-15.6%	2.7	49.3%	0.3	6,559.0	2.1%	-	0.53
Jordan	277.7	-1.8%	-22.8%	28.0	58.2%	24.6	17,405.4	8.4%	11.1	1.21
Egypt	289.2	2.9%	-16.2%	423.1	59.5%	2,365.8	43,628.2	50.4%	9.9	1.79
Saudi Arabia	346.4	1.0%	-6.0%	9,931.6	15.2%	1,601.4	2,365,226.1	21.8%	17.7	2.67
Qatar	173.1	0.8%	-6.3%	602.4	-3.5%	1,442.4	156,537.3	20.0%	15.2	2.00
UAE	93.5	0.1%	-17.6%	801.7	-5.1%	1,714.6	268,886.4	15.5%	11.7	1.69
Oman	190.8	2.5%	-5.1%	16.1	22.1%	44.7	16,048.1	5.2%	10.8	0.88
Bahrain	134.2	1.7%	-18.2%	11.2	12.8%	23.6	19,777.7	2.9%	11.7	1.47
Kuwait	100.1	2.3%	-16.5%	462.1	20.4%	778.9	90,373.5	26.6%	19.4	1.88
Morocco	244.8	-1.4%	-15.9%	29.7	32.4%	1.6	56,610.2	2.7%	16.3	2.58
Tunisia	68.1	0.1%	-5.8%	7.7	84.0%	5.7	7,854.0	5.1%	13.2	2.50
<b>Arabian Markets</b>	<b>712.5</b>	<b>1.0%</b>	<b>-9.7%</b>	<b>12,316.4</b>	<b>14.0%</b>	<b>8,003.4</b>	<b>3,048,905.9</b>	<b>21.0%</b>	<b>16.8</b>	<b>2.48</b>

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

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

by 0.6% to QR 1.42. Qatar First Bank completed a US\$ 41 million acquisition of Varsity Brands, a 135 thousand square foot building in Texas, which marks QFB's fifth investment in the US real estate market.

The UAE equity markets saw mixed price movements this week, which resulted into a 0.1% rise in the S&P UAE index. In Dubai, Emaar Development's share price surged by 3.2% to AED 2.25. DAMAC Properties' share price closed 2.3% higher at AED 0.859. Deyaar Development's share price went up by 2.7% to AED 0.301. A UAE-based real-estate consultancy and advisory firm Devmark said that the weak performance of the US dollar in the past four months has led property sales in Dubai to increase, with more interest coming from international investors. Also, Emirates NBD's share price jumped by 4.2% to AED 11.10. Emirates NBD is emerging as a potential bidder for Egyptian assets of Lebanon's BLOM Bank. Arabtec Holding Company's share price plunged by 18.3% to AED 0.612. Arabtec announced a net loss of AED 749 million during the first half of 2020 versus net profits of AED 49 million a year earlier. Aramex's share price decreased by 1.6% to AED 3.63.

In Abu Dhabi, Taqa's share price declined by 1.9% over the week to AED 1.51. ADCB's share price decreased by 1.7% to AED 5.65. Etisalat's share price retreated by 0.2% to AED 16.90. ADIB's share price rose by 0.8% to AED 4.03. First Abu Dhabi Bank's share price increased by 0.2% to AED 11.42.

The Egyptian Exchange registered a 2.9% rise in prices week-on-week, mainly supported by some favorable company-specific factors and on bets over a tourism sector recovery. Commercial International Bank's share price increased by 3.5% to LE 68.67. Talaat Moustafa Group's share price rose by 0.9% to LE 6.71. Palm Hills Development's share price closed 0.3% higher at LE 1.506. El Sewedy Electric's share price jumped by 8.3% to LE 7.69. El Sewedy Electric reported net profits of LE 514 million during the second quarter of 2020 versus net profits of LE 464 million during the previous quarter.

#### **FIXED INCOME MARKETS: MENA BOND PRICES MOSTLY DOWN AFTER US FED NEW POLICY APPROACH**

MENA fixed income markets saw mostly downward price movements this week, mainly tracking US Treasuries move after the US Federal Reserve said that it would adopt a Flexible Average Inflation Target that would allow inflation to run above the 2% target that has grounded its policy approach for decades.

In the Abu Dhabi credit space, the government of Abu Dhabi raised this week US\$ 5 billion from the sale of a US dollar-denominated debt offering split into three tranches: US\$ 2 billion 3-year bond at a yield of 65 bps over US Treasuries; US\$ 1.5 billion 10-year bond at a yield of 105 bps over US Treasuries; and US\$ 1.5 billion 50-year bond at a yield of 2.7%, which is the longest ever bond offered by Gulf Arab governments. It is worth mentioning that the government of Abu Dhabi has raised US\$ 10 billion in April 2020 via debt issues to prop up its finances amid low oil prices and the Coronavirus crisis. ADGB'24 and '29 registered price contractions of 0.13 pt and 0.63 pt respectively week-on-week. ADNOC'29 closed down by 0.33 pt. Prices of Taqa'26 declined by 0.66 pt. Etisalat'24 was down by 0.09 pt.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 saw price decreases of 0.13 pt and 1.25 pt respectively week-on-week. Ooredoo'25 was down by 0.08 pt. Regarding new issues, Masraf Al Rayan issued a US\$ 750 million five-year Sukuk at 185 basis points over the five-year mid swap, carrying a fixed profit rate of 2.21% per annum. The bond sale attracted orders of US\$ 3.3 billion.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 saw price falls of 0.38 pt and 1.38 pt respectively this week. Prices of Aramco'24 decreased by 0.13 pt. STC'29 was down by 0.19 pt. SABIC'28 saw price declines of 0.55 pt. SECO'24 closed down by 0.14 pt.

In the Omani credit space, sovereigns maturing in 2023 and 2025 registered price contractions of 0.38 pt and 0.25 pt respectively, while sovereigns maturing in 2029 were up by 0.13 pt week-on-week. CI

Ratings affirmed Oman's Long-Term Foreign Currency Rating and Long-Term Local Currency Rating at "BB+", with a "negative" outlook. The ratings are supported by the country's modest short-term fiscal and external buffers, a relatively sound banking system, as well as CI's expectation that financial support would be forthcoming from other GCC countries in the event of need. The "negative" outlook reflects CI's expectation that public and external debt metrics would weaken further over the forecast horizon.

In the Bahraini credit space, sovereigns maturing in 2025 were down by 0.06 pt, while sovereigns maturing in 2023 and 2029 saw price rises of 0.13 pt each week-on-week. Bahrain's government lifted this week its debt ceiling to BHD 15 billion from BHD 13 billion to help finance public spending as low oil prices and the Coronavirus crisis have dented State revenues.

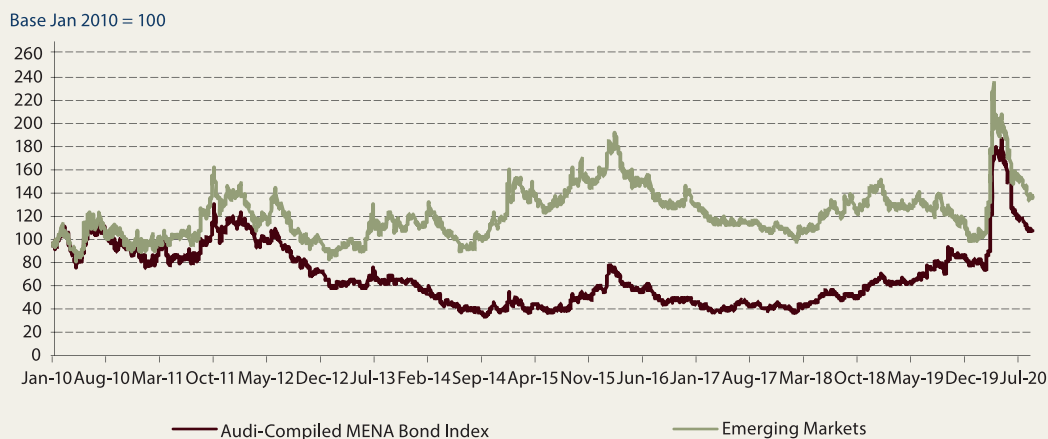
All in all activity, activity in MENA bond markets was mostly tilted to the downside this week after the US Federal Reserve announced a new policy framework to promote "average inflation targeting" in the aim to spur economic recovery.

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

in basis points	28-Aug-20	21-Aug-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	47	48	36	-1	11
Dubai	163	166	91	-3	72
Kuwait	56	56	37	0	19
Qatar	46	47	37	-1	9
Saudi Arabia	84	86	57	-2	27
Bahrain	325	305	176	20	149
Morocco	135	132	91	3	44
Egypt	437	435	277	2	160
Iraq	706	725	384	-19	322
<b>Middle East</b>	<b>222</b>	<b>222</b>	<b>360</b>	<b>0</b>	<b>-138</b>
<b>Emerging Markets</b>	<b>136</b>	<b>151</b>	<b>148</b>	<b>-15</b>	<b>-12</b>
<b>Global</b>	<b>146</b>	<b>149</b>	<b>163</b>	<b>-3</b>	<b>-17</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 &amp; 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					
<b>FX RATES (per US\$)</b>	<b>28-Aug-20</b>	<b>21-Aug-20</b>	<b>31-Dec-19</b>	<b>Weekly change</b>	<b>Year-to-date</b>
<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)	15.87	15.92	16.05	-0.3%	-1.1%
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)	3.67	3.66	3.66	0.3%	0.3%
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)	0.39	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)	9.16	9.24	9.57	-0.9%	-4.3%
Tunisian Dinar (TND)	2.74	2.74	2.83	0.0%	-3.4%
Libyan Dinar (LYD)	1.37	1.37	1.40	0.2%	-2.2%
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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