The MENA WEEKLY MONITOR

Economy

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Markets In Brief

MENA MARKETS: WEEK OF AUGUST 16 - AUGUST 22, 2020

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+2.0%	Weekly Z-spread based bond index	+0.5%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-10.5%	YTD Z-spread based bond index	+37.0%

CONTACTS

Treasury & Capital Markets

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

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

Private Banking

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

Corporate Banking

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

RESEARCH

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

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

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

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

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

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

ECONOMY

CITI SAYS GCC IS CAUGHT BETWEEN THE PANDEMIC AND SUBDUED OIL PRICES

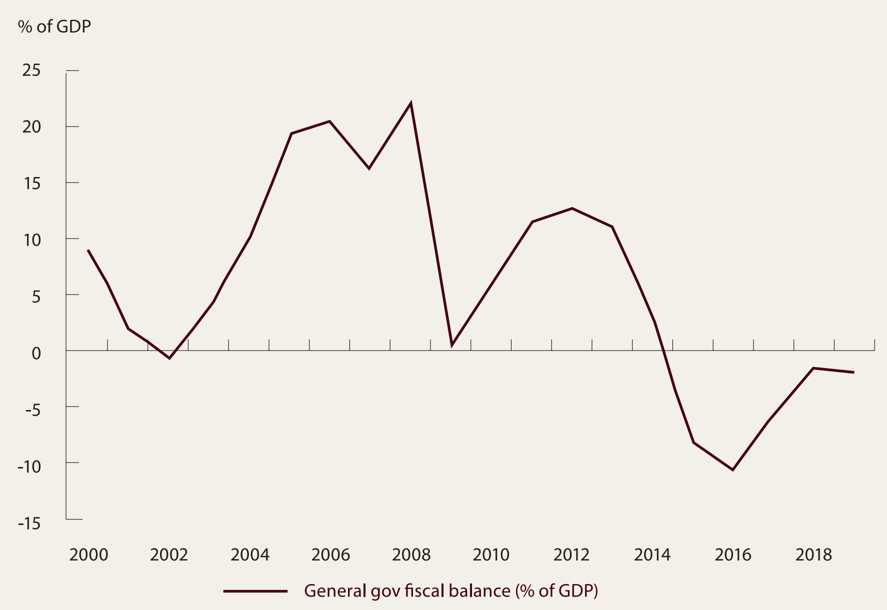
The twin shocks of coronavirus and an oil price collapse have led members of the Gulf Cooperation Council (GCC) to grapple with old and new challenges. Policymakers in the region are confronted with the largest economic shock the global economy has experienced in decades, according to a recent Citi report. A quick glance at the key macro indicators suggest that GCC States, which have greater exposure to international spillovers due to their relatively high sensitivity to global commodity markets, have entered this crisis with less favorable external and fiscal positions than was the case in the run up to the Global Financial Crisis.

The challenging macroeconomic backdrop strengthens the case for reviving the reform agenda aimed at encouraging diversification and placing public finances on a sounder footing. Citi's analysis suggests that further diversification will require, inter alia, deepening labor market reforms, bolstering human capital and improving institutions. In Citi's view, avoiding disruption to growth also entails buttressing macroeconomic stability. In this regard, Citi believes that GCC countries need to solidify their fiscal position through enhancing public expenditure efficiency, reforming energy and utility pricing, while also diversifying revenue sources.

On the back of a sharp decline in oil prices, together with production cuts and the shocks associated with the pandemic, Citi believes that the Gulf States' economies could contract by about 4.5% this year. The noted contraction and subdued oil prices, in turn, point to a considerable deterioration in the budget balances of GCC countries. In Citi's view, Saudi Arabia, the UAE, Kuwait and Qatar, thanks to their large public foreign assets, are in a stronger position to absorb large deficits than Bahrain and Oman.

A quick assessment of the standard reserve adequacy metrics suggests to Citi that, with the exception of Bahrain and, to a lesser extent, Oman, GCC countries have sufficient precautionary capabilities to sustain their petro-pegs. This, coupled with the widely acknowledged possibility of regional support to

GCC BUDGET BALANCE/GDP



Source: Citi

more vulnerable economies and the strong commitment of the core countries to the current FX regime, leads Citi to believe that the pegs are likely to ride out the crisis. Citi's empirical results demonstrate that oil price expectations, the budget balance and the public debt play a crucial role in shaping financial markets' perception of the sustainability of the pegs. This finding, in turn, reinforces the importance of fiscal prudence for bolstering the credibility of the petro-pegs in the region.

SAUDI INFLATION JUMPS TO A YEARLY 6.1% IN JULY POST VAT INCREASE

Saudi Arabia's consumer price index jumped 6.1% in July compared with a year earlier, boosted by a tripling of value-added tax, official data showed. The annual inflation rate in June was 0.5%, the smallest increase since January, before the VAT increase to 15% from 5% came into effect on July 1.

The jump in annual inflation reflected price increases in most categories, the General Authority for Statistics said. Food and transport were major contributors, rising by 14.6% and 7.3% respectively.

Saudi Arabia, the world's biggest oil exporter, said in May that it would triple VAT as it sought to shore up finances hit by the twin shock of low oil prices and the coronavirus pandemic.

SAUDI BANKS' FIRST HALF REVENUE INCREASES BUT PROFIT DROPS, AS PER MOODY'S

Banks in Saudi Arabia reported a decrease in profits for the first half of 2020, despite a rise in revenue, Moody's Investors Service said in a report. The decline in profit reflects higher loan impairments in anticipation of credit losses and weaker asset quality, a credit negative for the system, the rating agency said.

By 11 August, 10 of the 11 publicly traded Saudi Arabian banks reported H1 2020 aggregate profits of SR 19.1 billion (US$ 5.09 billion), compared to SR 21.2 billion for H1 2019, a 10% drop according to Moody's.

Banks' net revenue for the period rose by 3% but was offset by an increase in aggregate loan-loss provisioning to 0.93% of gross loans from 0.68% in 2019, the report showed. The increase in net revenue for H1 2020 reflects a 4% increase in net interest income that offset a 3% drop in non-interest income.

Net interest income was driven higher by continued balance sheet growth, with 8% first-half loan growth and 14% investment portfolio growth, according to Moody's.

In line with its expectation that the non-oil sector will contract to around 4% in 2020 from a growth of 3.3% in 2019, Moody's said it expects lower oil prices, reduced government spending and coronavirus-induced disruptions to further erode banks' asset quality over the next 12-18 months.

The banks preserved their strong capital buffers, with an aggregate shareholder ratio of 14.1% as of June 2020, compared to 14.5% as of December 2019. Moody's expects Saudi banks to maintain a high capital ratio, which are among the strongest in the GCC.

EGYPT'S UNEMPLOYMENT RATE ROSE TO 9.6% IN Q2 DUE TO CORONAVIRUS

Egypt's unemployment rate rose to 9.6% in the second quarter of 2020 compared with 7.5% a year earlier, due to the coronavirus pandemic, the statistics agency CAPMAS recently said.

The rate had stood at 7.7% in the January to March quarter, as per the same source.

FITCH DOWNGRADES OMAN FOR A SECOND TIME THIS YEAR TO "BB-" WITH "NEGATIVE" OUTLOOK

Fitch Ratings has downgraded Oman's long-term foreign currency Issuer Default Rating (IDR) to "BB-" from "BB". The outlook is "Negative". The downgrade and negative outlook reflect the continued erosion of Oman's fiscal and external balance sheets, which have accelerated amid low oil prices and the coronavirus shock, despite some progress on underlying fiscal consolidation, according to a Fitch release.

Fitch now forecasts Oman's fiscal deficit at nearly 20% of GDP in 2020 (OMR 4.8 billion), from about 8% of GDP in 2019 (already well above the “BB” median), as a 32% drop in revenue driven by lower oil prices and production more than offsets an 8% cut in spending.

The government's revised budget plans for a narrower deficit of OMR 4.1 billion (or OMR 4.5 billion excluding privatization receipts from revenue). Oman's oil export price is likely to average around US$ 45/bbl this year, above its Brent price assumption of US$ 35/bbl for the year but still well below Oman's estimated fiscal break-even oil price of over US$ 70/bbl.

A US$ 10/bbl increase in annual average oil prices could narrow the deficit by about 5% of GDP. Fitch expects fiscal reform and higher oil prices to narrow the fiscal deficit to the mid-single digits by 2022, but there are considerable downside risks to this forecast.

The large fiscal deficit will hasten the ongoing weakening of Oman's sovereign and external balance sheets, as per Fitch. The rating agency expects government debt to increase to over 80% of GDP this year, from 60% of GDP in 2019 (already above the “BB” median), partly as a result of a 16% contraction in nominal GDP.

Sovereign net foreign assets (SNFA), which have been a key support of Oman's rating and financing flexibility in the past, are set to deteriorate to about -17% of GDP (far worse than the “BB” median), from -2% of GDP in 2019, as per Fitch.

The government and broader public sector will push Oman's country-wide net external debt position towards an estimated 70% of GDP in 2020 (over 4x the “BB” median). Fitch expects that Oman's fiscal and external balance sheets will likely continue to weaken, albeit at a slower pace, beyond 2020.

The current account deficit will also widen, to just over 12% of GDP in 2020 (US$ 8 billion) from 5% of GDP last year, with compression of imports and outbound remittances likely decoupling the current account from the fiscal deficit and mitigating the pressure on reserves.

The coming three years will be a critical test of the funding flexibility that Oman has displayed in the past, and a steep maturity schedule will keep Oman's funding needs large beyond that, even as the fiscal deficit is reined in, as per Fitch.

Fitch expects that fiscal deficits and external debt maturities will total US$ 12 billion-US$ 14 billion per year (about 20% of GDP) in 2020-2022, a level last seen in 2015-2016 when Oman's balance sheet was markedly stronger. There is uncertainty around the funding needs of government related entities, which had external debt of over US$ 12 billion as at June 2020.

Fitch expects that over half of the government's funding need will have to be met with external debt, some of which, as before, could be in the form of bank loans and non-market funding. The foreign assets of Oman's State General Reserve Fund (SGRF) had fallen to about US$ 16 billion in April 2020.

Privatization receipts, domestic deposit drawdowns and domestic debt issuance will also help with financing, although the last two could put pressure on foreign exchange reserves, which rose to over US$ 17 billion in June 2020 (largely on the back of an US$ 800 million increase in the foreign liabilities of the central bank). Oman has recently secured a short-term loan of US$ 2 billion in anticipation of international bond issuance later this year.

SURVEYS

SAUDI TELCO TRENDS LIKELY TO CONTINUE POST-COVID, AS PER BCG

53% of residents in Saudi Arabia who responded to a survey expect the changes in consumption trends to continue beyond the lockdown, highlighting the importance of telco services in the Kingdom, a report said.

The new study conducted by Boston Consulting Group (BCG) highlights the key trends that are expected to continue or amplify beyond the current crisis induced by the COVID-19 pandemic and the ensuing lockdown. The study, which was conducted in 13 leading digital nations surveyed consumer actions and perception of telco services in light of the current crisis.

A major increase in usage of telco services was expected in times where digital platforms became paramount to enable work from home, access media content, and stay connected with friends and family, as per BCG.

BCG found that consumption in KSA increased the most for video conferencing, lifestyle content and online music usage at 63%, 32% and 28%, respectively. To put that in perspective, that is 8, 6, and 12 percentage points higher respectively than the countries surveyed.

Overall, 53% of respondents in KSA expect the behavior changes to last beyond the lockdown – which aligns with the survey average of 50%.

KSA consumers expressed their satisfaction with the quality and reliability of telco services since the outbreak. Citizens have had mostly stable FFB connectivity during the lockdown, aligned with other surveyed countries. Only 5% reported severe problems of connectivity issues, which aligns with the average of leading digital nations surveyed.

BCG witnessed the emergence of evolving ICT consumer behaviors in the Kingdom, particularly with regards to time spent video conferencing, and demand for digital channels. Although some will subside, others will be fundamental and change the way customers behave in the long-term, as per the report.

Based on consumer trends identified in the study, BCG recommends four action points for KSA telcos and sectoral decision-makers to address the behavioral changes.

The first is to improve digital channels experience. A strong consumer preference for digital channels for sales and support services has emerged, and telcos must focus on providing seamless digital channel experience. The second is to clearly articulate brand value proposition: The perceived importance of telco services is expected to increase post-crisis in comparison to pre-crisis. KSA telcos should focus on the continued delivery of strong services to consumers to emphasize the brand's value proposition and also to enhance perception and value for money to drive consumer decisions.

The second is to maintain emphasis on telcos to improve service quality. KSA should build on the positive experience delivered through stable connectivity to its consumers, and continue rolling out state-of-the-art infrastructure and improve the reliability of services. The third is to ensure affordable pricing for products and services. Given the economic pressures and anticipated decrease in overall standards of living due to the circumstances of the pandemic, decision-makers must ensure that telcos and service providers maintain affordable pricing.

Recent events have resulted in an underlying need for KSA telcos and decision-makers to lead the new reality, as per BCG.

DUBAI REALTY SECTOR SEES ADDITIONAL 14,000 RESIDENTIAL UNITS ADDED IN H1, AS PER VALUSTRAT

Dubai's real estate sector witnessed the completion of an estimated 14,000 residential units in the first six months of 2020 - or 30% of the 45,700 scheduled for handover this year - despite the COVID-19 lockdown restrictions and slowdown, reflecting the underlying strength of the emirate's resilient housing market.

According to the ValuStrat Price Index (VPI) report, second-quarter residential home sales transactions totaled 4,459, down 48.8% quarter-on-quarter and 39.3% year-on-year with a value of AED 7 billion and an average ticket size of AED 1.57 million. Off-plan sales represented 66% of all home sales, ValuStrat said in the report.

The value index for residential capital values stood at 69.3 points, down 4.6% quarter-on-quarter basis and 11.9% year-on-year basis. The citywide weighted average residential value dropped to AED 9,483 per square meter (sqm). The price index for residential rental values stood at 64.8 points, down 5.2% quarter-on-quarter basis and 10.7 per cent year-on-year basis. The weighted average annual residential asking rent in Dubai was AED 81,907, apartments at AED 62,176 per annum and villas at AED 203,112 per annum. Residential occupancy was estimated at 84.4%, said the report.

While there is a 50% decrease in total number of transactions during second quarter of 2020, however the occupancy rate for rentals has gone up to 84%, which is in turn supplementary to the sales and purchase market and a very positive sign for the recovery of the industry by fourth quarter of this year, as per the Chairman of Arthur Mackenzie Properties Group.

Rental RoI is lower than what it used to be. but the same is reflected in sales prices which have corrected to justify that RoI paving the path to a healthy 8%-9% return. All this coupled with the positive geopolitical movements being taken by our wise leadership, will help review the markets to their finest state.

In its June report, ValueStrat noted that Dubai's residential property values had shed most of the premium they had put on at the peak of the upturn in June 2014, with average prices now hovering to what they were during January last year. This is according to the newly-created ValueStrat Price Index, which also found that the correction was most pronounced at JBR and Downtown. The Palm also saw some of this, the ValuStrat report adds.

Dubai's office stock totaled 9.1 million square meters gross leasable area (GLA) as of the start of the year. The estimated supply for this year stood at 372,770 square meters GLA. Office sales transactions during the second quarter of 2020 were 80.2% lower when compared to the same period last year.

Overall transacted office prices fell 2.8% year-on-year basis and 7% quarter-on-quarter basis to AED 7,169 per square meter. Median office asking rents declined 8.6% annually but remained stable quarterly and stood at AED 864 per square meter for typical office units. Citywide office occupancy stood at 80.4 per cent. ValuStrat Price Index - Office capital values stood at 62.3 points, down 1.3% on a quarter-on-quarter basis and 10.1% year-on-year. The weighted average office price as of June 2020 was AED 8,600 per sqm. There are 134 malls and shopping centers in Dubai with an estimated total GLA of 4.1 million sqm. Under-construction GLA is estimated at 827,000 sqm.

As of February 2020, total stock of hotel rooms and hotel apartments stood at 101,889 and 25,935 keys, respectively. An estimated 1,309 keys were added from a total of six hotels that opened during the first quarter. Two hotel projects with a total of 1,431 rooms were announced during the first quarter.

International guests year-to-date in February reached 3.3 million, up 4.1% compared to the same period last year. The citywide occupancy rate for the same period stood at 82%, dipping two per cent year-on-year. Dubai also saw an increase in visitors from three source markets, which were the guests coming from Russia, Saudi Arabia and France. As movement restrictions due to the Covid-19 pandemic negatively impacted tourism on a global scale, it was to be expected that between March and June, hotel rooms and hotel apartments were vacant for the most part, and some hotels were closed, as per ValuStrat.

CORPORATE NEWS

IQ ACQUIRES QP'S 25% STAKE IN QAFCO FOR US$ 1 BILLION

Industries Qatar (IQ) said that it will buy Qatar Petroleum's (QP) 25% stake in Qatar Fertilizer Company (Qafco) for US$ 1 billion, transforming IQ into a 100% owner of the world's largest single site urea producer, as per a statement.

The move will enable IQ to expand its footprints in a well-established fertilizer business, with a proven track record of operational excellence and market positioning, along with resilient cash flow generation capabilities, spurred by synergistic opportunities, as per the same source.

KUWAIT'S MARKAZ EXITS US INDUSTRIAL PROPERTY

Kuwait Financial Centre (Markaz) announced the sale of its prime industrial property in California, through its US real estate arm, Mar Gulf Management. Launched in January 2019, the investment involved the acquisition and development of a greenfield land parcel into a 419,000 square feeet Class A industrial property at Stockton.

Underlining the robustness of its international real estate, Markaz said the exit, which occurred three quarters prior to underwriting estimate, delivered a net internal rate of return to investors (IRR) of 14.7%.

SAUDI PIF UNIT BUYS TEN HELICOPTERS FROM AIRBUS IN TOURISM PUSH

A company owned by Saudi Arabia's Public Investment Fund (PIF) has agreed to buy ten H125 helicopters from Airbus as it broadens its tourism offering. It is part of a plan by the Riyadh-based commercial operator The Helicopter Company (THC) to boost its fleet and roll out new services across the Kingdom "related to scenic tourism and aerial work such as filming, banner towing, and surveying", as per a statement.

GE SIGNS POWER AGREEMENTS WORTH US$ 1.2 BILLION WITH IRAQ

GE, one of the global leaders in power technology, signed two agreements valued at over US$ 1.2 billion with the Iraqi Ministry of Electricity to execute power sector projects that will secure reliable power supply across the country.

Accordingly, GE Gas Power will undertake contracts valued at US$ 500 million for the upgrade and maintenance of key power plants in the country, which are mission-critical to sustain power supply of over 6,000 MW and scale up operational efficiency.

Further, GE's Grid Solutions, in a landmark agreement, will reinforce Iraq's transmission network and interconnection with the electricity grid of Jordan, having secured a contract valued at US$ 727 million.

In addition to delivering the scope of services, GE will also work with multiple export credit agencies to facilitate the discussion of financing over US$ 1 billion for the projects.

The service agreement is a mission-critical Maintenance & Upgrade Program between the Ministry of Electricity and GE Gas Power to execute the maintenance program across multiple sites in Iraq. GE will deploy its latest technology at the sites to be identified by the Ministry such as parts, repairs and services for power plants in Basra, Mosul, Baghdad and Karbala among others, which will maintain the supply of over 6,000 MW of power. This builds on 1.575 GW of new capacity that GE added since December 2019, and the sustained delivery of 4.325 GW to meet peak summer demand.

The agreement signed by GE's Grid Solutions with the Ministry of Electricity will reinforce Iraq's transmission network and interconnection with the electricity grid of Jordan, which will contribute significantly to decongesting the grid and securing reliable power supply. GE will execute the design, supply, installation testing and commissioning of high voltage substations and specific overhead transmission lines.

SAUDI BAHRI SIGNS US$ 410 MILLION DEAL FOR TEN NEW CHEMICAL TANKERS

Bahri, one of the regional leaders in logistics and transportation, signed a new agreement with Hyundai Mipo Dockyard, a member of Hyundai Heavy Industries (HHI) Group, which owns one of the largest state-of-the-art shipyards in the world, to build ten 49,999-deadweight tonnage (dwt) Medium Range (MR) chemical tankers. The agreement was valued at US$ 410 million.

The vessel purchase agreement comes as part of Bahri's ongoing endeavors aimed at expanding its marine capabilities and renewing its fleet. Scheduled to start being delivered during the first quarter of 2022, the 10 chemical tankers will be built to the highest environmental, fuel-efficiency, and safety standards in line with the company's commitment to operating responsibly.

In May 2020, Bahri took delivery of its new dry-bulk carrier "Sara", which is the first ship received as part of the agreement signed between Bahri Dry Bulk and HMD in August 2017 to build four new dry-bulk carriers by 2020.

In addition to the three other bulk carriers that are under construction, the company is also expecting a new VLCC, which is currently being built by International Maritime Industries (IMI) and will be delivered by October 2021, lifting Bahri's fleet of multi-purpose vessels to 101.

One of the world's largest owners and operators of VLCCs and the Middle East's largest owner and operator of chemical tankers, Bahri owns and operates a total of 87 vessels, including 41 VLCCs, 34 chemical and product tankers, 6 multipurpose ro-ro vessels, and 6 dry-bulk carriers, in addition to four other carriers on order.

DIYAR AL MUHARRAQ EMBARKS ON SOLAR ENERGY TREES INSTALLATION

Bahrain's Diyar Al Muharraq said it has installed a number of solar energy trees within its integrated city, thus demonstrating its efforts to invest in innovative research projects that preserve the environment. This move will help contribute in maximizing the city's sustainable energy, as the installation of these trees will help enhance the automated control of the primary and secondary irrigation systems, as per a statement.

The Bahraini developer selected the designated areas for the placement of solar trees, as part of its efforts to fulfill its energy needs, along with reducing operational and capital costs related to electricity and maintenance bills.

It has started installing several solar trees distributed throughout the city, some of which have a capacity of 3 kW while others have a capacity of 2 kW, which are intended to supply power to primary irrigation controllers and actuator valves to secondary asset connections, said the statement from Diyar Al Muharraq.

In partnership with third parties, this initiative aims to create a smart city that provides a better lifestyle through the deployment of technological solutions, as well as diversify the economy by adopting smart solutions that promote environmental sustainability, as per the same source.

Diyar Al Muharraq has extended its objective in using sustainable technology in the construction of its park, Hadiqat Al Diyar, where it has cooperated with Gulf Fencing and Specialist Surfacing Est. and KP Smart Solar Energy to install 103 solar lighting units.

The units are characterized by a design which is tailored to Bahrain's climate, low maintenance costs, and no electricity charges, due to the contribution of technology used in protecting the environment by reducing energy consumption.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITY MARKETS ON THE RISE FOR THE FOURTH CONSECUTIVE WEEK

MENA equity markets extended their upward trajectory for the fourth consecutive week, as reflected by a 2.0% rise in the S&P Pan Arab Composite index, mainly supported by some favorable market-specific and company-specific factors, and on early signs of an oil demand recovery.

The heavyweight Saudi Tadawul registered a 1.9% rise in prices week-on-week, mainly driven by some favorable company-specific factors and as a fall in US crude oil inventories for the week ending August 14, 2020 pointed to an oil demand recovery in the world's biggest economy. Heavyweight Saudi Aramco's share price went up by 1.9% to SR 34.15. Petrochem's share price jumped by 5.7% to SR 27.70. Petro Rabigh's share price increased by 1.4% to SR 13.30. Also, NCB's share price surged by 4.0% to SR 38.60. Beltone Financial initiated coverage of NCB with a recommendation of "Buy" with a price target of SR 44.20, which implies a 19% increase from last price. Mouwasat's share price closed 0.9% higher at SR 111.0. Mouwasat announced 2020 second quarter net profits of SR 115 million versus net profits of SR 90 million during the corresponding period of the previous year.

The UAE equity markets posted a 4.1% increase in prices week-on-week, mainly supported by attractive market valuations relative to regional stock markets, some favorable company-specific factors and optimism over an oil demand recovery. In Abu Dhabi, Taqa's share price climbed by 15.8% to close at AED 1.54. ADCB, which has a US$ 981 million exposure to NMC Healthcare, saw strong share price gains of 12.7% to reach AED 5.75. NMC Healthcare said it plans to file for administration in Abu Dhabi Global Markets and seeks a debt moratorium for the business as part of a three-year business plan. In Dubai, Emaar Properties' share price surged by 4.7% to AED 2.91. Emaar Properties trades at a P/E of 4.6x versus a P/E of 6.6x for the MSCI EM Real Estate index. Emirates NBD's share price jumped by 9.2% to AED 10.65. Index compiler MSCI increased Emirates NBD's weighting in its indices.

The Qatar Exchange reported a 1.6% rise in prices week-on-week, mainly helped by some favorable company-specific factors and bets over an oil demand recovery. Industries Qatar's share price went up by 2.3% to QR 9.001. Qatar Fuel's share price jumped by 6.3% to QR 17.98. Qatar Electricity and Water Company's share price closed 2.2% higher at QR 17.38. Ezdan Holding Group's share price increased by 1.9% to QR 1.42. Al Meera's share price increased by 2.5% to QR 20.49. Al Meera announced net

EQUITY MARKETS INDICATORS (AUGUST 16 TILL AUGUST 22, 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	59.1	0.1%	-15.1%	1.8	-56.8%	0.2	6,595.0	1.4%	-	0.53
Jordan	282.8	1.5%	-21.4%	17.7	-45.0%	15.1	17,548.8	5.3%	11.2	1.21
Egypt	281.0	2.5%	-18.6%	265.3	-19.5%	1,715.1	42,261.0	32.6%	9.5	1.74
Saudi Arabia	342.9	1.9%	-6.9%	8,621.1	16.9%	1,428.4	2,316,339.5	19.4%	17.7	2.57
Qatar	171.7	1.6%	-7.1%	624.2	23.9%	1,344.7	155,329.4	20.9%	17.3	1.97
UAE	93.4	4.1%	-17.6%	844.7	76.3%	1,634.7	268,600.1	16.4%	11.4	1.65
Oman	186.1	2.8%	-7.4%	13.2	18.4%	33.5	15,734.9	4.4%	10.4	0.87
Bahrain	131.9	4.9%	-19.6%	9.9	-17.6%	19.7	19,419.7	2.7%	11.4	1.43
Kuwait	97.9	1.5%	-18.3%	383.8	-0.7%	577.5	88,942.5	22.4%	18.3	1.77
Morocco	248.2	-0.7%	-14.7%	22.4	21.1%	1.4	57,099.0	2.0%	16.6	2.60
Tunisia	68.1	-0.6%	-5.9%	4.2	-48.9%	2.6	7,765.4	2.8%	13.2	2.34
Arabian Markets	**705.8**	**2.0%**	**-10.5%**	**10,808.3**	**18.0%**	**6,773.0**	**2,995,635.2**	**18.8%**	**16.9**	**2.39**

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

Sources: S&P, Bloomberg, Bank Audi's Group Research Department profits of QR 107 million during the first half of 2020 versus net profits of QR 95 million during the corresponding period of the previous year.

Boursa Kuwait registered price gains of 1.5% week-on-week, mainly supported by some favorable market-specific factors. Morgan Stanley turned tactically positive on Kuwait stocks three months ahead of the country's addition to MSCI's emerging market index, signaling that the underperformance of Kuwaiti shares versus EM since MSCI postponed the upgrade from May 2020 to November 2020 provides "an entry point" to investors. Boubyan Bank's share price increased by 1.1% to KWf 563. NBK's share price rose by 2.2% to KWf 832. Kuwait Finance House's share price closed 0.5% higher at KWf 617. Mabanee's share price went up by 1.1% to KWf 656.

The Egyptian Exchange posted a 2.5% increase in prices week-on-week, mainly helped by some favorable market-specific factors. The Egyptian Council of Ministers approved a draft decision to exempt tourism, hotel and aviation sectors from provisional real estate taxes for nine months starting April 2020 due to the Coronavirus pandemic. Talaat Moustafa Group's share price surged by 4.1% to LE 6.65. Heliopolis housing's share price closed 2.1% higher at LE 6.44. Ezz Steel's share price jumped by 13.8% to LE 7.23. Eastern Tobacco's share price rose by 1.6% to LE 12.32. CIB's share price closed 2.9% higher at LE 66.37. EFG-Hermes' share price increased by 1.7% to LE 14.21.

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

Activity in MENA fixed income markets was mostly tilted to the downside this week, as a global race to develop a safe and effective Coronavirus vaccine and upbeat readings on US business activity and home sales in August 2020 overshadowed US-China trade concerns and regional geopolitical tensions, stoking a flight from safe-haven to riskier assets.

In the Omani credit space, sovereigns maturing in 2023, 2025 and 2029 registered price contractions of 0.35 pt, 0.74 pt and 1.25 pt respectively week-on-week. Prices of Omantel'28 increased by 0.65 pt. Fitch downgraded Oman's long-term foreign currency Issuer Default Rating from "BB" to "BB-", three steps below investment grade, with a "negative" outlook. The downgrade and "negative" outlook reflect the continued erosion of Oman's fiscal and external balance sheets, which have accelerated amid low oil prices and the Coronavirus shock, despite some progress on underlying fiscal consolidation.

In the Kuwaiti credit space, sovereigns maturing in 2027 posted price declines of 0.33 pt this week. Prices of KIPCO'27 improved by 0.12 pt. As to plans for new issues, Kuwait International Bank received Capital Markets Authority's approval on the prospectus of issuing Sukuk for an amount of US$ 750 million.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 saw price contractions of 0.38 pt and 0.50 pt respectively week-on-week. STC'29 closed down by 0.30 pt. Prices of SABIC'28 retreated by 0.34 pt. SABIC picked banks including Citi, HSBC and BNP Paribas to arrange the sale of a US dollar denominated bond issue, as the world's fourth biggest petrochemicals firm seeks to prop up its finances in response to the COVID-19 pandemic that has had a negative impact on the oil sector.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 registered price falls of 0.25 pt and 0.50 pt respectively week-on-week. The government of Abu Dhabi is in talks with banks for a new international bond issue, after having already raised US$ 10 billion via debt issues this year to prop up its finances amid low oil prices and the Coronavirus crisis. Mubadala'24 was down by 0.15 pt. Prices of ADNOC'29 decreased by 0.66 pt. Taqa'26 closed down by 0.32 pt. Amongst financials, ADIB Perpetual (offering a coupon of 7.125%) closed up by 0.40 pt. Noor Bank Perpetual (offering a coupon of 6.25%) was up by 0.27 pt.

In the Bahraini credit space, sovereigns maturing in 2023, 2025 and 2029 posted price declines of 0.38 pt, 0.44 pt and 1.0 pt respectively week-on-week. Prices of NOGA'24 decreased by 0.11 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2025 were up by 0.13 pt, while sovereigns maturing in 2030 and 2040 posted price declines of 0.03 pt and 0.50 pt respectively week-on-week. Euro-denominated sovereigns maturing in 2025 closed up by 0.06 pt, while sovereigns maturing in 2030 saw price retreats of 0.12 pt.

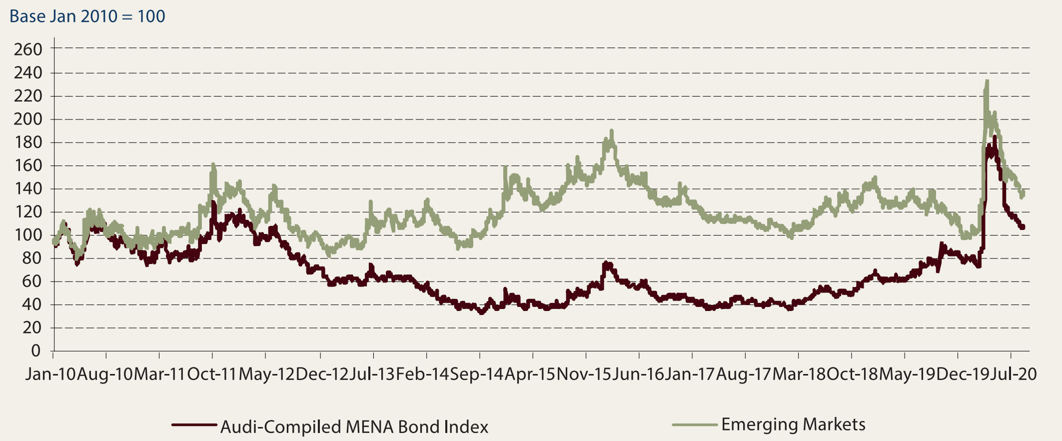
On the overall, regional bond markets saw mostly downward price movements this week after Russia registered the world's first COVID-19 vaccine and the US economy showed early signs of recovery, spurring demand for riskier assets.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	21-Aug-20	14-Aug-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	48	48	36	0	12
Dubai	166	163	91	3	75
Kuwait	56	56	37	0	19
Qatar	47	48	37	-1	10
Saudi Arabia	86	85	57	1	29
Bahrain	305	305	176	0	129
Morocco	132	137	91	-5	41
Egypt	435	433	277	2	158
Iraq	725	725	384	0	341
Middle East	**222**	**222**	**360**	**0**	**-138**
Emerging Markets	**151**	**162**	**148**	**-11**	**3**
Global	**149**	**149**	**163**	**0**	**-14**

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	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
GULF			
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
NORTH AFRICA			
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$)	21-Aug-20	14-Aug-20	31-Dec-19	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	15.92	15.92	16.05	0.0%	-0.8%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
GULF					
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)	3.66	3.66	3.66	0.0%	0.0%
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%
NORTH AFRICA					
Algerian Dinar (DZD)	128.21	128.21	119.05	0.0%	7.7%
Moroccan Dirham (MAD)	9.24	9.23	9.57	0.2%	-3.4%
Tunisian Dinar (TND)	2.74	2.75	2.83	-0.4%	-3.4%
Libyan Dinar (LYD)	1.37	1.37	1.40	0.0%	-2.4%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department