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The exchange rate pegs of GCC countries and Jordan are unlikely to change in the medium-term, and even Iraq's peg enjoys a degree of resilience, but in the lower-rated sovereigns maintenance of the pegs beyond the near term will require challenging fiscal adjustment, as per a new Fitch Ratings report.

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p.9 PRICE GAINS IN REGIONAL CAPITAL MARKETS AHEAD OF ADHA HOLIDAYS

MENA equity markets saw a reduced activity during this week that was shortened to few working days due to Adha holidays, while posting shy price gains, as reflected by a 0.9% rise in the S&P Pan Arab Composite Index. This was mainly supported by price increases in the heavyweight Saudi Tadawul, the UAE equity markets and Boursa Kuwait. In parallel, activity in MENA fixed income markets remained tilted to the upside, mainly tracking US Treasuries move, after an unprecedented annual contraction in the US real economy during the second quarter of 2020, and as rising new Coronavirus cases around the world fueled global growth concerns, spurring demand for safety.

MENA MARKETS: WEEK OF JULY 26 - AUGUST 01, 2020

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.9%	Weekly Z-spread based bond index	-2.3%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-14.9%	YTD Z-spread based bond index	+42.5%

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ECONOMY

FITCH SAYS MENA PEGS' RESILIENCE HINGES ON FISCAL CONSOLIDATION AND REFORMS

The exchange rate pegs of the Gulf Cooperation Council (GCC) countries and Jordan are unlikely to change in the medium-term, and even Iraq's peg enjoys a degree of resilience, Fitch Ratings says in a new report on exchange-rate regimes in the Middle East and North Africa (MENA) region.

Nonetheless, in the lower-rated sovereigns maintenance of the pegs beyond the near term will require challenging fiscal adjustment, which is underway to varying degrees, as per the report. In all cases, defending pegs will entail significant depletion of foreign assets and/or build-up of debt.

The oil crash and the coronavirus pandemic have opened up double-digit fiscal and current account deficits in most of the GCC. However, GCC countries prefer fiscal consolidation as a means of fiscal and external rebalancing, which in Fitch's view is consistent with their structural economic limitations and their ability to defend the pegs, alone as in Kuwait (AA/Stable), UAE, Qatar (AA-/Stable) and Saudi Arabia (A/Stable), or with likely external support as in Bahrain (BB-/Stable), where it has been amply demonstrated, and Oman (BB/Negative), where it has so far been limited.

Elsewhere in MENA, Iraq (B-/Negative) faces the oil price shock with greater oil dependence and more challenging political dynamics than the GCC, added Fitch. Extensive reliance on monetary financing and central bank reserves to meet fiscal and external deficits could put its dollar peg into question, although reserves start from a strong position, as per the report.

Jordan (BB-/Negative) is the only other Fitch-rated sovereign in the MENA region to maintain a hard peg, after de-facto devaluation in Lebanon (RD). Solid reserve coverage ratios and ready availability of external financing mitigate risks to Jordan's exchange-rate regime, provided that the government can deliver on its reform program in a difficult social context, added Fitch in its recent report.

Devaluation would result in few competitiveness benefits to the GCC countries or Iraq given the undiversified nature of their economies, instead delivering fiscal and external adjustment through erosion in the real value of government spending and residents' incomes and wealth (leaving the real value of oil revenue unchanged), as per the Fitch report.

ARAB MENA EXCHANGE RATE REGIMES

Sovereign	Rating/outlook	Exchange rate regime	De facto in place since
Abu Dhabi	AA/Stable	USD peg (UAE)	1980
Bahrain	BB-/Stable	USD peg	1981
Egypt	B+/Stable	Managed float	2016[a]
Iraq	B-/Negative	USD peg	2009[b]
Jordan	BB-/Negative	USD peg	1995
Kuwait	AA/Stable	Basket peg	1975[c]
Lebanon	RD	Multiple rates	2020
Morocco	BBB-/Negative	Basket peg with bands	2018[d]
Oman	BB/Negative	USD peg	1973[e]
Qatar	AA-/Stable	USD peg	1980
Ras Al Khaimah	A/Stable	USD peg (UAE)	1980
Saudi Arabia	A/Stable	USD peg	1986
Tunisia	B/Stable	Managed float	1972

[a] The year of Egypt's devaluation
[b] The pegged exchange rate underwent minor adjustments in 2009
[c] Kuwait briefly had a dollar peg in 2003-2007
[d] The bands for the basket peg were widened to +/- 2.5% from +/- 0.3% in January 2018 and further to +/- 5% in March 2020
[e] Oman devalued in 1986

Sources: Fitch Ratings, Bank Audi's Group Research Department

In other oil exporters, devaluation has led to import compression but has sometimes inflated large foreign currency debt burdens, exacerbated financial sector vulnerabilities and undermined macroeconomic stability, said Fitch. Successful currency adjustments have been accompanied by broader fiscal and economic reforms.

Among MENA oil importers, devaluation has greater potential benefits, but even there the record has been mixed, as per Fitch. Egypt has narrowed its fiscal and external deficits and restored investor confidence with devaluation accompanied by fiscal and economic reforms, although inflation has erased many of the competitiveness gains. By contrast, in Tunisia, currency depreciation since 2011 has yielded little improvement to the current account amid continued wage pressures, social unrest and structural challenges to exports.

In Fitch's view, fear of social unrest is another factor discouraging MENA governments from currency devaluations. Soaring cost of living has been a factor in political unrest across the region, including in the Arab Spring protests in Tunisia, Jordan and Oman in 2011. Potential social backlash is a risk stemming from both devaluation and fiscal consolidation, although fiscal policy may lend itself better to a more gradual adjustment.

GCC GOVERNMENT DEFICITS COULD EXCEED US$ 180 BILLION IN 2020, AS PER S&P

Government funding deficit across the GCC is expected to exceed US$ 180 billion in 2020 due to low oil prices and the economic repercussions of the COVID-19, according to a recent note by Standard & Poor's.

The rating agency expects the surge in deficits to increase demand for debt issuance across the region. S&P expects total GCC government debt to increase by a record-high of about US$ 100 billion in 2020 alone, with an additional US$ 80 billion run-down in government assets to finance an aggregate GCC central government deficit of about US$ 180 billion, the agency said in its report.

S&P anticipates GCC government balance sheets continue to deteriorate up until 2023. Most GCC sovereigns have demonstrated ready access to the international capital markets this year, and are in the enviable position of having substantial pools of external liquid assets to fund their fiscal deficits should market access become constrained.

S&P's projections show that GCC sovereigns' central government deficits will reach about US$ 490 billion cumulatively between 2020 and 2023. About 55% of this deficit relates to Saudi Arabia, the GCC's largest economy, followed by Kuwait with 17% and Abu Dhabi with 11%.

The projections on debt is based on central government balance and estimates of government debt refinancing and income related to the sovereign wealth fund, as including this would obscure the picture of governments' funding needs.

GCC's aggregate average government debt is projected to reach 18% of GDP this year compared with 5% in 2019.

S&P expects fiscal deficits will shrink from 2021 given S&P's assumption that oil prices will improve and the tapering of oil production cuts in line with the April 2020 OPEC Plus agreement, S&P said in a report.

Saudi Arabia's deficit makes up the majority of the GCC fiscal deficit in nominal terms. As a percentage of GDP, however, Kuwait has the highest 2020 central government deficit-to-GDP ratio of 39%, followed by Oman (17%), Saudi Arabia (15%), Abu Dhabi (13%), Bahrain (12%) and Qatar (10%).

Since the sharp fall in oil prices, many GCC sovereigns have posted sizable central government deficits. These increased funding needs prompted total GCC government debt issuance in local and foreign currency of over $90 billion in 2016 and 2017. S&P expects a new record high of about US$ 100 billion in 2020.

S&P then expects total annual debt issuance to trend down toward US$ 70 billion by 2023, largely driven by S&P's expectation of a narrowing of Saudi Arabia's fiscal deficits over the period.

KUWAIT'S ECONOMY TO CONTRACT BY 5% IN 2020, SAYS CAPITAL INTELLIGENCE

Capital Intelligence (CI) announced that it has affirmed the Long-Term Foreign Currency Rating (LT FCR) and Long-Term Local Currency Rating (LT LCR) of Kuwait at "AA-". The sovereign's Short-Term Foreign Currency Rating (ST FCR) and Short-Term Local Currency Rating (ST LCR) have been affirmed at "A1+". The outlook for the ratings remains "stable".

The ratings are supported by the country's large oil reserves, substantial external assets, continued current account surpluses, and limited government indebtedness. The ratings are also supported by a relatively low fiscal breakeven oil price (the second lowest in the GCC after Qatar), a high GDP per capita, as well as a strong banking system. The ratings are constrained by the country's reliance on hydrocarbons which renders it vulnerable to price volatility, institutional weaknesses, a difficult policymaking environment, limited data disclosure, and high geopolitical risk factors, as per CI.

The economy is expected to contract by 5% in 2020, compared to a growth of 0.7% in 2019, due to the Covid-19 fallout and lower hydrocarbon production. Based on CI's baseline scenario, the economy is expected to start recovering gradually in the last quarter of 2020 and is projected to grow by 3.4% in 2021, provided that the policymaking environment improves and hydrocarbon output increases.

Inflationary pressures are expected to remain manageable, with the consumer price index (CPI) increasing by 1.8% in 2020, compared to 1.5% in 2019. Although declining, GDP per capita remains high at around US$ 25,517 in 2020, as per CI.

Kuwait enjoys the lowest fiscal breakeven oil price among GCC member states at US$ 61.1 per barrel, according to IMF estimates. With hydrocarbon prices expected to average US$ 42.5 per barrel and given the increase in current spending on the back of the economic fallout of Covid-19, CI expects the central government budget to post a deficit of 6.7% of GDP in FY21 (which ends in March 2021) compared to a deficit of 5% in FY20.

With large financial buffers and substantial room for borrowing, the public finances are expected to weather the period of low oil prices and remain in better shape compared to those of many GCC peers. Central government debt remained low at an estimated 21.5% of GDP in FY20. However, it is expected to increase to 36.5% in FY21 in view of the contraction of nominal GDP and expected higher local borrowing.

BAHRAIN'S EXPORTS HITTING BHD 540 MILLION IN Q2 2020, DOWN BY 9.0% YEAR-ON-YEAR

Bahrain's national origin exports amounted to BHD 540 million in the second quarter of this year (April to June), decreasing by 9.0% compared to BHD 595 million for the same period of the previous year, as per the latest report from the Information and eGovernment Authority (iGA). Saudi Arabia was the top importer of Bahraini products, with a value of BHD 109 million, followed by the UAE with BHD 51 million and the US in third place with BHD 43 million, the iGA said.

On the other hand, the report said that the value of imports decreased by 8.0% to reach BHD 1.168 billion during the quarter compared to BHD 1.267 billion for the same period of the previous year. According to the report, China was ranked as the top exporter to Bahrain with BHD 194 million, followed by Saudi Arabia with BHD 79.1 million and Brazil in third place with BHD 79 million.

The trade balance, or the difference between exports and imports, amounted to a deficit of BHD 485 million, versus BHD 492 million in the same quarter of the previous year.

SURVEYS

UAE TOPS ARAB MENA COUNTRIES IN THE HENLEY PASSPORT INDEX

According to the "The Henley Passport Index: Q3 Update" issued by Henley & Partners, UAE ranked first in the Arab MENA region and 19th in the world. It was seen as the biggest climber going from the 65th position in 2010. The passport has access to 170 countries without visa.

The UAE was followed by Kuwait and Qatar where both came in second among the Arab MENA nations and 57th in the world with access to 95 countries without visa.

The Henley Passport Index is the original ranking of all the world's passports according to the number of destinations their holders can access without a prior visa. The ranking is based on exclusive data from the International Air Transport Association (IATA), which maintains the world's largest database of travel information, and is enhanced by the Henley & Partners Research Department. In details, the index is based on data provided by the International Air Transport Association (IATA) and examines 199 passports against 227 travel destinations.

According to the report, COVID-19 has been catastrophic for the Middle East, and particularly for vulnerable populations. Tens of thousands of migrant workers lost their jobs and were repatriated, negatively impacting their home countries and their families who depended on remittances. As Gulf Cooperation Council (GCC) member states closed their borders rapidly, hundreds of thousands of foreign residents were left stranded, uncertain as to when they could return. The pandemic has reminded GCC members that their dependence on huge foreign migrant workforces is a double-edged sword. While migrant workers have facilitated economic development in the region and have been a key economic driver, economic diversification also depends on the nationalization of workforces, which most GCC states have been unable to achieve meaningfully. With most Middle Eastern borders closed, international travel and tourism were halted. This greatly affected GCC states, particularly the global transit hubs of Abu Dhabi, Dubai and Qatar. The lockdown coinciding with the peak tourist season in the region was a double blow as the hot summer months see far fewer tourists and it is doubtful whether many will take advantage of tourist flights that recommenced in July. The strict international guidelines for air travel and mandatory quarantine on arrival in many Middle Eastern countries may mean that tourism will not recover until a vaccine is found.

ARAB MENA PASSPORT RANKINGS

Country	Arab MENA Rank	Access to # of countries without Visa
United Arab Emirates	1	170
Qatar	2	95
Kuwait	3	95
Bahrain	4	82
Oman	5	79
KSA	6	77
Tunisia	7	69
Morocco	8	64
Mauritania	9	59
Djibouti	10	57
Jordan	11	51
Algeria	12	51
Egypt	13	50
Sudan	14	40
Lebanon	15	40
Libya	16	38
Palestine	17	38
Somalia	18	33
Yemen	19	33
Syria	20	29
Iraq	21	28

Sources: Henley & Partners, Bank Audi's Group Research Department

GCC CUTS EMISSIONS DESPITE HIGH PETROCHEMICALS OUTPUT, AS PER GPCA

Chemical producers in the Arabian Gulf have cut waste generation by 29% in 2019 and emissions by over 35% in the last six-year period, despite a continuous increase in petrochemical production across the region, a report said.

According to the 2019 Responsible Care Performance Metrics report "Our Commitment to Sustainability" released by the Gulf Petrochemicals and Chemicals Association (GPCA), the volume of waste generated by GPCA member companies decreased by a third from the year before, while production went up 2%.

The new milestone was achieved as a result of successful waste reduction projects undertaken by chemical companies in the region in line with their commitment to sustainability and the circular economy.

Emissions reduction per ton of production recorded over the last six-years were even higher, dropping by 35% (NOx) and 39% (SOx), respectively.

However, despite remaining at a steady rate in the previous two years, average GHG emissions (in tons of CO2e) increased slightly in 2019 by 1.7%, which is largely attributed to higher production rates across the region. CO2 intensity has been on a downward trend since 2013, decreasing by 23% overall during the seven-year period.

According to the report, GPCA Responsible Care companies also implemented a series of efficiency projects to decrease wastewater generation and increase the efficiency of wastewater treatment at their plants, resulting in a 40% improvement over the last six years.

GPCA reported that the industry achieved a new safety record in 2019, with no fatalities recorded, despite an increase of 23% in man-hours worked. This, coupled with a significant drop of 51% in the Total Recordable Incident Rate (TRIR), showcases the uncompromising commitment of all GPCA member companies towards inculcating a culture of safety and compliance within their organizations.

The COVID-19 pandemic has presented innumerable challenges for all, but the efforts of GPCA member companies to ensure the highest level of safety, while maintaining high production, highlights the importance of the Responsible Care program as well as the ability of chemical companies in the region to respond to the crisis with agility and resilience.

UAE RANKS FIRST GLOBALLY IN MOBILE SUBSCRIPTION INDEX, AS PER THE UN

The UAE has maintained its first place globally in the mobile subscription index, while advancing from second to first in the international mobile broadband Internet subscription index, according to the UN E-Government Survey 2020.

The UAE also ranked first in the Gulf, Arab Region, and Western Asia, second in Asia and the seventh globally in the Telecommunication Infrastructure Index (TII), reported the UN report.

As for the Internet users index, the UAE moved up to fifth from 13th globally, achieving a qualitative leap in the fixed broadband subscription index, as it moved up to 29th from 68th in the world.

These achievements resulted from efforts of the TII Executive Team headed by the Telecommunications Regulatory Authority (TRA) and UAE mobile operators (Etisalat and du), where the team worked to raise the country's ranking in the TII sub-indicators by launching a number of initiatives over the past years, contributing to maintaining the UAE as a world leader in such indicators.

The UAE has been ranked first in the GCC, Arab region, and Western Asia, and eighth globally in the Online Service Index (OSI) issued by the United Nations within the E-Government Development Index (EGDI). The UAE is also ranked fourth in Asia in this indicator, advanced one rank in the E-participation Index, progressing to 16th from 17th in the 2018 index cycle.

CORPORATE NEWS

DP WORLD TAKES MAJORITY STAKE IN SOUTH KOREA'S UNICO

DP World, the Dubai-based provider of worldwide smart end-to-end supply chain logistics, has agreed to acquire a 60% shareholding in South Korea's Unico Logistics Co.

The transaction, subject to regulatory clearances, is expected to close in Q4 2020, and represents another strategic step in DP World's vision to build an integrated suite of service offerings that will connect directly with end-customers and beneficial cargo owners to remove inefficiencies in the supply chain and accelerate trade growth, said a statement.

Established in 2002 by H J Park, Unico has a global footprint of 25 subsidiaries in 20 countries and is one of the largest independent NVOCC (Non-Vessel Operating Common Carrier) in South Korea. Unico is a multimodal transport specialist with strong market position in the fast-growing transcontinental rail freight market between East-Asia and Central-Asia and Russia, in particular on the strategically important Trans-Siberian Railway (TSR) and Trans China Railway (TCR), it said.

The acquisition is in line with DP World's global strategy to grow as a smart supply chain solutions provider and will provide a platform to drive synergies between Unico and DP World operations in the Asia Pacific and European regions, while also continuing the expansion of logistics capabilities within DP World's portfolio. In addition, Unico's expertise in handling automotive logistics is aligned with DP World's strategic focus on this sector.

AZIZI TO INVEST US$ 952 MILLION TO DEVELOP 45 BUILDINGS IN DUBAI

Azizi Developments, a private developer in the UAE, plans to invest over AED 3.5 billion (US$ 952 million) in the next 2-3 years to construct 45 buildings comprising over 11,000 homes in Dubai.

The projects include 14 and 22 buildings in Riviera Phase 3 and 4 respectively, three Avenue buildings in MBR City, two projects in Dubai Healthcare City, and four projects in Al Furjan.

For the construction of the 45 buildings, Azizi will minimize vertical supplier structures by sourcing materials, such as concrete, steel and aluminum, locally. It will also continue to build its engineering team and construction methods.

BEE'AH LAUNCHES REGION'S FIRST SOLAR ENERGY LANDFILL PROJECT

Bee’ah, a sustainability pioneer in the Middle East region, announced plans to convert 47 of Al Saja’a landfill area into a state-of-the-art solar energy facility in Sharjah once the landfill is capped.

Driving environmental sustainability and a circular economy, Bee’ah has taken an integrated approach to waste management through a zero-waste strategy.

After waste is collected and transferred to Bee’ah’s Waste Management Complex, advanced recycling facilities recover valuable resources and recyclables.

These facilities include the Material Recovery Facility, Tyre Recycling Facility, Construction and Demolition Recycling Facility, Car and Metal Shredding Facility, Industrial Waste Water Plant, Biomass Facility and Alternative Raw Materials Facility.

Bee’ah has helped Sharjah achieve a 76% waste diversion from landfill rate, and is fast approaching the 100 percent diversion of waste with the launch of the Sharjah Waste to Energy Facility in 2021 by the Bee’ah-Masdar joint venture, Emirates Waste to Energy Company.

The Sharjah Waste to Energy Facility has an annual processing capacity of 300,000 tons of non-recyclable waste to generate 30 megawatts of electricity. On reaching the zero-waste target, Bee'ah will then be able to repurpose the Al Saja'a landfill into a solar energy farm.

NWC TO DEVELOP US$ 40 MILLION WASTEWATER PROJECT IN MADINAH

Saudi Arabia's National Water Company (NWC) said it signed a contract for the implementation of a wastewater project in Madinah region at an investment of more than SR 150 million (US$ 40 million).

Main pipelines running 7,775 meters long with diameters between 1,200 and 2,200 mm will be laid as part of the project, the company stated.

The project is to serve the districts in north and north-west Madinah region including King Fahd Airport, Al-Duwaikhlah and Al-Shafiyah districts. It will also serve southern districts including Al-Ranonaa, Al-Jabrah and Bani Bayadah, said a senior official.

It will serve 60,000 people and increase the amount of wastewater received by the wastewater treatment plant in Madinah from 100,000 to 120,000 cubic meters per day.

ARADA AWARDS CONTRACT FOR PHASE 2 OF SHARJAH MEGAPROJECT

UAE-based Arada, a real estate developer, awarded a major contract valued at AED 423 million (US$ 115 million) to build East Village, the second phase of Sharjah's AED 24 billion (US$ 6.5 billion) mixed-use district Aljada.

The contract was won by Best Building Contracting Company.

Located in the heart of Aljada, the East Village community is targeted at the younger generation and comprises a series of apartment blocks.

The contract involves the construction of 16 apartment blocks, set within a landscaped master plan. Work on East Village will begin immediately and the first homes are scheduled for completion in December 2021.

SHARAF DG ENERGY COMPLETES KEY DRYDOCKS DUBAI RETROFIT PROJECT

Sharaf DG Energy, one of the leading solar energy solution providers in the UAE, successfully completed a lighting retrofit project at Drydocks World-Dubai, with the aim of deploying energy saving measures and tackling the pressure on natural resources.

Retrofitting, a measure taken to replace conventional light fittings and accessories with new energy saving LED lights, is a key component in helping the UAE achieve their sustainable related targets.

The project was implemented on 5 buildings, workshops, and camp streets, which are mainly used for the junior staff accommodations of the shipyard.

Over the next three years, the project will help Drydocks World achieve annual savings of AED 600,000 (US$ 163,334), said a statement from Sharaf DG Energy.

It will involve replacement of 5,500 fluorescent, metal halide and conventional lights with high efficient LED fixtures, the statement added.

With the help of the latest technologies, commercial and industrial sectors can now receive a number of benefits. Advantages include the reduction of energy consumption and carbon emissions, productivity enhancement, a decreased amount of maintenance expenditure and the ability to ensure more safety measures are in place for workers.

CAPITAL MARKETS

EQUITY MARKETS: SHY PRICE GAINS IN MENA EQUITIES DURING THIS SHORT WEEK

MENA equity markets saw a reduced activity during this week that was shortened to few working days due to Adha holidays, while posting shy price gains, as reflected by a 0.9% rise in the S&P Pan Arab Composite Index. This was mainly supported by price increases in the heavyweight Saudi Tadawul, the UAE equity markets and Boursa Kuwait.

The heavyweight Saudi Tadawul registered shy price gains of 0.7% during this week that was shortened to three working days due to Adha Eid, mainly supported by some favorable company-specific factors. Amlak International for Real Estate Finance Company's share price went up by 2.1% to SR 20.40. The company announced net profits of SR 53 million during the first half of 2020 versus net profits of SR 23 million during the corresponding period of 2019. Umm Al Qura Cement Company's share price surged by 4.1% to SR 23.62. The company posted net profits of SR 59 million during the first half of 2020 versus net profits of SR 34 million a year earlier. Eastern Province Cement Company's share price jumped by 7.1% to SR 34.05. EPCCO announced a 49% year-on-year surge in its net profits during the first half of 2020 to reach SR 116 million.

The UAE equity markets posted price increases of 0.5% during this four-day week, mainly helped by some favorable company-specific factors. In Dubai, DAMAC Properties' share price surged by 9.9% to AED 0.901. DAMAC Properties confirmed that Port Investment Limited which transferred its shares to Omran Group is owned by DAMAC international Limited, a joint venture company in which DAMAC has a 20% shareholding. Arabtec Holding Company's share price skyrocketed by 40.6% to reach AED 1.27, amid growing optimism that the appointment of a new Chairman "Waleed Al Mokarrab Al Muhairi" indicates the support of the government of Abu Dhabi. Dubai Financial Market's share price went up by 2.5% to AED 0.81. Dubai Financial Market announced 2020 second quarter net profits of AED 44 million, up by 19% year-on-year.

In Abu Dhabi, ADNOC's share price increased by 1.9% week-on-week to AED 3.14. ADNOC is exploring the possibility of selling a stake in its US$ 5 billion real estate portfolio. First Abu Dhabi Bank's share price increased by 2.8% to AED 10.92. First Abu Dhabi Bank announced 2020 second quarter net profits of AED 2.4 billion as compared to net profits of AED 3.2 billion a year earlier.

EQUITY MARKETS INDICATORS (JULY 26 TILL AUGUST 01, 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	58.4	0.0%	-16.2%	2.7	-63.3%	0.2	6,509.0	2.1%	6.1	0.52
Jordan	276.8	-0.3%	-23.1%	23.8	-32.1%	17.1	17,424.1	7.1%	10.9	1.19
Egypt	264.4	1.0%	-23.4%	196.1	-2.5%	1,119.9	39,962.0	25.5%	9.0	1.66
Saudi Arabia	325.1	0.7%	-11.8%	2,420.7	-65.5%	391.4	2,234,625.5	5.6%	16.9	2.49
Qatar	165.3	-0.1%	-10.5%	333.4	-37.9%	676.0	150,901.6	11.5%	16.2	1.90
UAE	87.3	0.5%	-23.0%	388.5	-0.5%	1,270.9	249,683.8	8.1%	11.0	1.59
Oman	179.9	0.2%	-10.5%	8.5	-68.8%	23.6	15,365.0	2.9%	10.3	0.87
Bahrain	121.8	0.9%	-25.8%	5.5	17.3%	17.8	18,444.4	1.5%	10.5	1.30
Kuwait	93.2	3.3%	-22.2%	226.7	-10.0%	288.2	84,145.0	14.0%	15.9	1.63
Morocco	244.6	1.4%	-15.9%	22.7	-37.7%	0.1	56,534.1	2.1%	16.6	2.62
Tunisia	66.5	0.6%	-8.0%	3.3	-42.9%	1.9	7,689.4	2.2%	13.4	2.23
Arabian Markets	**671.0**	**0.9%**	**-14.9%**	**3,631.8**	**-57.3%**	**3,807.1**	**2,881,284.1**	**6.6%**	**16.1**	**2.32**

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

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

Boursa Kuwait registered a price recovery over this four-day week, as reflected by a 3.3% rise in the S&P Kuwait index, mainly on improved sentiment after reassuring news about the health of the Emir of Kuwait. Boubyan Bank's share price surged by 5.4% to KWf 531. NBK's share price jumped by 4.1% to KWf 789. Kuwait Finance House's share price closed 1.8% higher at KWf 578. Agility's share price increased by 2.2% to KWf 640. Mabanee's share price climbed by 6.7% to KWf 604.

In contrast, the Qatar Exchange saw two-way flows this week, which resulted into shy price contractions of 0.1%. Industries Qatar's share price fell by 4.0% to close at QR 7.82. Industries Qatar reported net profits of QR 485 million during the first half of 2020 as compared to net profits QR 1.46 billion during the same period of 2019. Qatar Insurance Company's share price dropped by 3.4% to QR 2.012. Qatar Insurance Company posted a net loss of QR 208 million during the first half of 2020 as compared to net profits of QR 410 million a year ago. Qatar Navigation's share price went down by 2.0% to QR 5.86. Qatar Navigation announced net profits of QR 300 million during the first half of 2020 as compared to net profits of QR 316 million during the corresponding period of 2019. In contrast, Ooredoo's share price closed 0.4% higher at QR 6.70. Ooredoo posted net profits of QR 432 million during the second quarter of 2020 versus net profits of QR 421 million a year earlier. Commercial Bank of Qatar's share price jumped by 8.7% to QR 4.13.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS MOSTLY SKEWED TO THE UPSIDE

Activity in MENA fixed income markets remained tilted to the upside this week, mainly tracking US Treasuries move, after an unprecedented annual contraction in the US real economy during the second quarter of 2020, and as rising new Coronavirus cases around the world fueled global growth concerns, spurring demand for safety.

In the Kuwaiti credit space, sovereigns maturing in 2027 registered price gains of 0.10 pt week-on-week. CI Ratings affirmed the long-term foreign currency rating and long-term local currency rating of Kuwait at "AA-". The sovereign's short-term foreign currency rating and short-term local currency rating have been affirmed at "A1+". The outlook for the ratings remains "stable". The ratings are supported by the country's large oil reserves, substantial external assets, continued current account surpluses, and limited government indebtedness. The "stable" outlook balances the strength of the country's fiscal and external buffers against low hydrocarbon prices, weak global economic performance, structural economic weaknesses and uncertainties relating to policy making.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 posted price improvements ranging between 0.06 pt and 0.63 pt this week. Euro-denominated sovereigns maturing in 2025 and 2030 posted price gains of 0.37 pt and 0.17 pt respectively. Fitch affirmed Egypt's long-term foreign currency Issuer Default Rating at "B+" with a "stable" outlook, supported by a recent track record of fiscal and economic reforms, policy commitment to furthering the reform program and ready availability of fiscal and external financing amid the COVID-19 crisis.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 closed up by 0.13 pt and 0.63 pt respectively this week. Prices of Etisalat'24 rose by 0.32 pt. Taqa'26 was up by 0.17 pt. As to papers issued by financial institutions, ADIB Perpetual (offering a coupon of 7.125%) posted price gains of 0.11 pt. Al Hilal Bank'23 traded up by 0.10 pt. Prices of ADCB'23 increased by 0.05 pt.

In the Qatari credit space, prices of sovereigns maturing in 2024 and 2029 expanded by 0.13 pt and 0.25 pt respectively week-on-week. Ooredoo'25 was up by 0.13 pt. Amongst financials, price of Commercial Bank of Qatar'23 increased by 0.05 pt. QIB'24 was down by 0.06 pt. Prices of QNB'24 decreased by 0.05 pt.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 posted price rises of 0.13 pt and 0.25 pt respectively week-on-week. STC'29 was up by 0.12 pt. Prices of SABIC'28 improved by 0.25 pt. In contrast, Saudi Aramco'24 closed down by 0.11 pt. Prices of SECO'24 declined by 0.08 pt.

In the Bahraini credit space, sovereigns maturing in 2023, 2025 and 2029 saw price gains of 0.15 pt, 0.13 pt and 0.50 pt respectively week-on-week. Prices of NOGA'24 increased by 0.07 pt. In the Omani credit space, sovereigns maturing in 2023 were down by 0.15 pt, while prices of sovereigns maturing in 2025 and 2029 improved by 0.13 pt and 0.63 p respectively. Omantel'28 closed up by 0.25 pt.

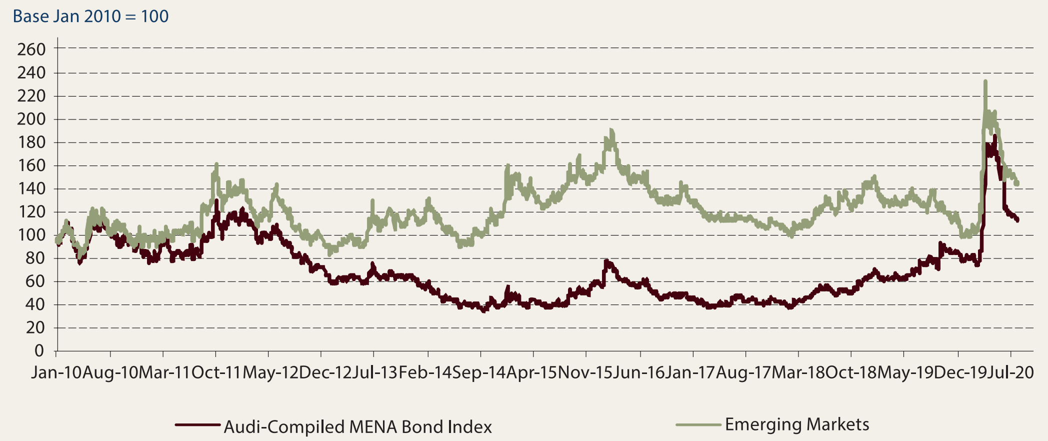
All in all, regional fixed income markets saw mostly upward price movements this week as resurgent COVID-19 and record yearly contraction in the US economy during the second quarter of 2020 flocked demand for safe haven assets.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	31-Jul-20	24-Jul-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	54	55	36	-1	18
Dubai	175	182	91	-7	84
Kuwait	58	62	37	-4	21
Qatar	53	52	37	1	16
Saudi Arabia	91	89	57	2	34
Bahrain	313	338	176	-25	137
Morocco	136	132	91	4	45
Egypt	437	444	277	-7	160
Iraq	783	813	384	-30	399
Middle East	**233**	**241**	**360**	**-8**	**-127**
Emerging Markets	**137**	**121**	**148**	**16**	**-11**
Global	**156**	**163**	**163**	**-7**	**-7**

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	BB-/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$)	31-Jul-20	24-Jul-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)	15.97	16.00	16.05	-0.2%	-0.5%
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	3.65	3.66	0.1%	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)	9.34	9.40	9.57	-0.7%	-2.4%
Tunisian Dinar (TND)	2.74	2.77	2.83	-1.2%	-3.4%
Libyan Dinar (LYD)	1.37	1.38	1.40	-1.4%	-2.4%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department