The MENA WEEKLY MONITOR

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MENA MARKETS: WEEK OF SEPTEMBER 20 - SEPTEMBER 26, 2020

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-1.0%	Weekly Z-spread based bond index	+3.1%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-8.5%	YTD Z-spread based bond index	+39.1%

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ECONOMY

IIF PROJECTS KSA ECONOMY TO GROW BY 2.3% IN 2021 AFTER CONTRACTING BY 5.2% THIS YEAR

In a recent report on the Kingdom of Saudi Arabia, the Institute of International Finance (IIF) said that it expects the economy to contract by 5.2% in 2020 to be followed by a growth of 2.3% in 2021, driven mainly by the non-oil private sector. The current private sector stimulus focuses on boosting residential housing loans, supporting SMEs, and non-oil export financing. IIF estimates show that the economy plunged by about 11% in Q2 2020 year-on-year following a contraction of 1% in Q1, fueled by pandemic-related restrictions on economic activity and the fall in crude oil production in the context of the OPEC+ production cut agreement. The IIF expects a robust rebound in H2 as the pace of new COVID-19 infections has slowed and lockdown restrictions have eased. High frequency indicators (PMI, credit to private sector, point of sale transactions, and cement output) suggest that a sizeable rebound is already underway. However, the depth of contraction in 2020 and the speed of recovery in 2021 is subject to a high degree of uncertainty.

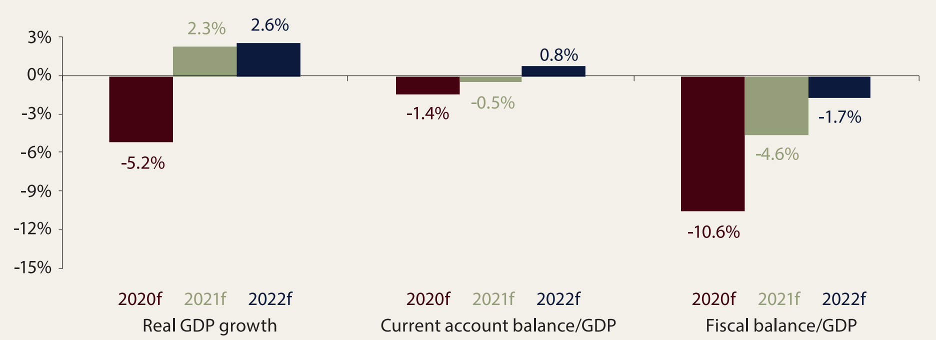
Monetary easing could limit the economic fallout from the COVID-19 and the plunge in oil prices. The repo rate has been reduced by 125 bps to 1%, and SAMA has introduced liquidity support measures amounting to 3% of GDP to support the private sector, particularly SMEs, which may be less equipped to tackle large temporary shocks. SAMA has also put mechanisms in place to encourage commercial banks to postpone private sector loan repayments for six months.

Inflation will accelerate, says the IIF. The 12-month CPI inflation rate jumped to 6.4% in August due mainly to the tripling of the VAT rate to 15% effective July. Prices of food and beverages were up by 14%. The higher VAT rate combined with modest increase in non-fuel commodity prices could raise the average inflation to 3.6% in 2020 following a deflation of 2.1% in 2019. Limited upward price pressures may also persist in 2021 as confidence and spending improve, leading to an IIF-projected average inflation rate of 3.8% in 2021.

The IIF expects the national unemployment rate to remain high in the coming years in the absence of stronger recovery in non-oil GDP. While the national unemployment rate fell to 11.8% in Q1 2020 from 12% in Q4 2019, supported by the rise in female employment, the IIF expects a significant increase in the unemployment rate given the weakness in private and public investment. IIF projections indicate that the non-oil economy needs to grow by at least 3.5% to absorb the number of national entrants to the labor force.

The banking system remains sound, with strong capitalization, adequate liquidity, and low NPLs (around 2% of total loans). While households and firms have reduced their consumption and investment, respectively, confidence in the banking system remains strong, with deposits growing by 9.4% in July, and the ratio of foreign currency deposits in total deposits declining. Credit to the private sector continued to increase in July, driven by mortgages.

SELECTED KEY KSA ECONOMIC INDICATORS



Source: IIF

The external position will remain strong despite the small current account deficit, according to IIF. Lower oil exports will weigh on the current account, which the IIF expects to shift from a surplus of 5.9% of GDP in 2019 to a deficit of close to 1.5% in 2020 despite a projected 12% fall in imports. Resident capital outflows, while declining slightly to US$ 99 billion, will continue to exceed non-resident capital inflows (US$ 63 billion in 2020). As a result, official reserves will decline by US$ 54 billion to US$ 445 billion by end-2020, equivalent to 28 months of imports of goods and services. More than half of the decline in official reserves is due to SAMA's transfers of FX to the Public Investment Fund (PIF). The PIF, with estimated assets of about US$ 330 billion, is aggressively buying stakes in global companies, particularly blue-chip.

The fiscal deficit will narrow substantially beyond 2020, supported by cuts in spending and tripling of the VAT rate. The IIF is encouraged by the resumption of fiscal consolidation despite the deep recession, and expects government spending to be reduced by at least 12% this year. Public investment will likely shoulder the brunt of the cuts in spending, as was the case in 2015 and 2016. The cost of living allowance for public employees has also been suspended, and the VAT tripled to 15% effective July of this year. Additional revenues could be raised by speeding the wave of privatizations. Official fiscal figures for the first half show a deficit of US$ 38 billion, equivalent to 5.8% of projected GDP. Under the assumption of an average Brent oil price of US$ 42.5/b, the IIF projected that the improvement in oil and non-oil revenues in H2 will be partly offset by higher seasonal spending in the fourth quarter of this year. As a result, the budget deficit could exceed US$ 70 billion this year, equivalent to 11% of GDP.

Assuming oil prices average US$ 46/b in 2021 and rise to US$ 50/b thereafter, the IIF projects narrowing of the deficit to 5% in 2021 and a balanced budget by 2023. The tripling of the VAT and the cut in government spending would drop the fiscal breakeven Brent oil price from US$ 79/b in 2019 to US$ 71/b in 2020, and US$ 61/b in 2021. The IIF projects a rise in government debt from 23% of GDP in 2019 to 37% in 2020 and 42% by 2023.

EGYPT CENTRAL BANK CUTS KEY POLICY RATES BY 50 BPS

The Monetary Policy Committee (MPC) decided to cut the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 50 basis points to 8.75%, 9.75%, and 9.25%, respectively. The discount rate was also cut by 50 basis points to 9.25%.

Annual headline urban inflation declined to 3.4% in August from 4.2% in July 2020, the second lowest rate recorded in almost 14 years, after October 2019's figure, as per an official CBE release. Annual headline inflation continued to reflect muted inflationary pressures registering below 6% since February 2020. The decline in annual headline urban inflation was driven by lower annual contribution of food items, which more than offset slightly higher annual contribution of non-food items. Hence, monthly headline inflation continued to reflect lower food prices and higher non-food prices for the fourth consecutive month. In the meantime, annual core inflation rate recorded 0.8% in August 2020, compared to 0.7% in July 2020.

Preliminary figures announced recently show that real GDP growth for FY19/20 recorded 3.5%, down from 5.6% in the previous fiscal year, said the CBE release. Meanwhile, the unemployment rate recorded 9.6% in 2020 Q2 up from 7.7% in 2020 Q1. These developments reflect COVID-19's impact on the real economy. However, the stability of some leading indicators in August and July after signs of improvement in June point to a gradual recovery in economic activity.

Globally, economic activity remained subdued despite some recovery, international oil prices broadly stabilized, and global financial conditions continued to improve, supported mainly by policy-measures despite the ongoing uncertainty.

As incoming data continues to confirm the moderation of inflation expectations, the reduction of policy rates in the MPC meeting provides appropriate support to economic activity, while remaining consistent with achieving price stability over the medium-term, said an official CBE release. In 2020 Q4, average annual headline inflation is expected by the CBE to hover around the lower band of the inflation target 9% (±3 percentage points).

UAE CENTRAL BANK EXPECTS ECONOMY TO CONTRACT BY 5.2% THIS YEAR

The UAE economy is expected to face further contraction, with a decline in GDP of 5.2% in 2020 compared to a forecast of a 3.6% decline in the Central Bank's previous quarterly review, mainly due to business setbacks triggered by the coronavirus pandemic.

In the UAE, many activities shut down in March, and the situation further deteriorated in the second quarter, resulting in negative real GDP growth in Q2 at an estimated -7.8% year-on-year, the Central Bank of UAE said in its quarterly review.

During the second quarter, there was a significant decline in economic activity in the UAE due to lockdowns which started in March and continued up to May, in line with WHO recommendations. As a regional trade, tourism and transportation hub, the UAE economy was hit by the general ban on travel, while manufacturing production shrunk due to supply chain disruptions, limited export opportunities and subdued domestic demand, said the Central Bank in its quarterly review.

Non-hydrocarbon GDP is estimated by the Central Bank to have declined by 9.3% year-on-year in the second quarter of this year, after a drop of 2.7% in the previous quarter. The third quarter would register a milder contraction of the non-hydrocarbon GDP that could linger, albeit at a much milder pace in the fourth quarter, assuming the virus is finally contained.

Non-energy growth is projected by the Central Bank to contract by 4.5% for 2020 due to the adverse implications of the COVID-19 on economic activity and sentiment, reflected by Purchasing Managers Index (PMI) and the slowdown in credit growth.

MOODY'S DOWNGRADES KUWAIT'S ISSUER RATING TO A1 AND CHANGES OUTLOOK TO STABLE

Moody's Investors Service has downgraded Kuwait's long-term foreign and local currency issuer rating to A1 from Aa2, and changed the outlook to stable, concluding the review for downgrade initiated in March of this year.

The decision to downgrade the ratings reflects both the increase in government liquidity risks and a weaker assessment of Kuwait's institutions and governance strength. In the continued absence of legal authorization to issue debt or draw on the sovereign wealth fund assets held in the Future Generations Fund (FGF), available liquid resources are nearing depletion, introducing liquidity risk despite Kuwait's extraordinary fiscal strength. And while the fractious relationship between parliament and the executive is a long-standing constraint on Moody's assessment of institutional strength, the deadlock over the government's medium-term funding strategy and the absence of any meaningful fiscal consolidation measures point to more significant deficiencies in Kuwait's legislative and executive institutions and policy effectiveness than previously assessed, added Moody’s in an official release.

While liquidity risks are particularly relevant in the next few months, over the medium term, upside and downside risks are broadly balanced reflected in the stable outlook. Kuwait has a vast stock of sovereign financial assets currently ring-fenced from the general budget by law, securing predictable access to which would eliminate government liquidity risk. Conversely, Moody's sees a continued risk that the executive and legislature perpetuate stop-gap measures in response to the funding impasse, without providing lasting visibility on the funding of Kuwait's budget. While not Moody's expectation, government liquidity risks would manifest if continuing gridlock over funding led to the exhaustion of available liquid resources ahead of the maturity dates of Kuwait's international bonds, including the US$ 3.5 billion tranche maturing in March 2022.

Kuwait's foreign currency bond ceiling has been lowered by Moody’s to Aa3, from Aa2 and the foreign currency deposit ceiling has been lowered to A1 from Aa2, whereas the short-term ceilings remain at Prime-1 (P-1). The local currency bond and deposit ceilings have been lowered to Aa3 from Aa2.

SURVEYS

UAE TOPS ARAB MENA COUNTRIES IN THE WORLD BANK'S HUMAN CAPITAL INDEX 2020

The World Bank published "The Human Capital Index (HCI) 2020 Update". The Human Capital Index is an international metric that benchmarks key components of human capital across countries.

Measuring the human capital that a child born today can expect to attain by his 18th birthday, the HCI highlights how current health and education outcomes shape the productivity of the next generation of workers. In this way, it underscores the importance for governments and societies of investing in the human capital of their citizens.

The HCI was launched in 2018 as part of the Human Capital Project (HCP), a global effort to accelerate progress towards a world where all children can achieve their full potential.

UAE ranked first in the Arab MENA region with a score of 0.67. It was followed by Bahrain and Qatar with scores of 0.65 and 0.64 respectively.

At the lower end of the scale, Sudan, Yemen and South Sudan took over the last three positions with respective scores of 0.38. 0.37 and 0.31.

In details, UAE recorded a Human Capital Index value of 0.67 for the year 2020, down from 0.68 in its 2018 value. In other words, children who are born in the UAE today will only have, by the time they grow up, 67% of the productivity they could have enjoyed had they benefited from a complete education and full health,

In details, UAE registered a "probability of survival to age 5" of 0.99, meaning that 99% of children born in UAE will survive past the age of 5. UAE's "expected years of learning-adjusted school" stood at 9.6. UAE's expected years of school and is 13.5 . UAE got 448 Harmonized Test Score (noting that 300 stands for the minimum attainment and 625 for advanced learning attainment). Furthermore, UAE's adult survival rate reached 0.94.

Over the past decade, many countries have made important progress in improving human capital. Today, however, the COVID-19 pandemic threatens to reverse many of those gains. Urgent action is needed to protect hard-won advances in human capital, particularly among the poor vulnerable.

This report presents an update to the Human Capital Index (HCI), using the most recent health and education data available as of 2020. It documents new evidence on trends over time in the HCI, examples of success, and new analytical work on utilization of human capital, as well as a primer on the COVID-19 (coronavirus) pandemic and its potential impact on human capital. COVID-19 is taking a tremendous toll on lives and economies.

Disruptions in supply chains and the lockdowns that have been enacted to stave off contagion are putting hardship on families' incomes. Coupled with disruptions in basic health services and school closures, these repercussions of COVID shocks are likely to have a significant impact on the human capital accumulation process in the short and in the long run. HCI 2020 data have been collected before the onset of COVID-19 and can act as a baseline to track the effects of COVID-19 on health and education outcomes, as policymakers consider how best to protect human capital from the shock of the pandemic.

The 2020 update of the HCI incorporates the most recent available data to report HCI scores for 174 countries, adding 17 new countries to the index relative to the 2018 edition. The 2020 update uses new and expanded data for each of the HCI components, available as of March 2020. As in 2018, data were obtained from official sources and underwent a careful process of review and curation. Given the timing of data collection, this update can serve as a benchmark of the levels of human capital accumulation that existed immediately prior to the onset of the COVID-19 pandemic.

UAE'S HIGH NET-WORTH INDIVIDUALS OPTIMISTIC ECONOMY WILL BOUNCE BACK AFTER PANDEMIC, AS PER BUPA GLOBAL

High-net-worth individuals (HNWIS) in the UAE are the most optimistic that the local economy will bounce back after the coronavirus pandemic, but many of them are experiencing burnouts and compulsive thoughts due to the crisis, according to a new survey by Bupa Global.

The study by Bupa Global, the international arm of UK-headquartered healthcare group Bupa, polled nearly 2,000 HNWIs and senior business executives in key markets.

It found that about nine in ten (88%) of UAE respondents were positive about local market recovery, higher than the average in other countries. However, only less than half of the wealthy individuals are optimistic about how the global economy will fare after the pandemic.

The survey is part of the Bupa Global Executive Wellbeing Index that analyses the effects of COVID-19 on the world's high-net-worth community. The respondents polled are based across Europe, North America, Middle East and Asia.

In the wake of the pandemic, this global study analysed how the world's high-net-worth individuals and senior executives perceive personal wellbeing, the health of their family, work life balance, healthcare infrastructure and the economy, said General Manager of Bupa Global for the Africa, India and Middle East.

The results of the study indicated a "significant shift" in behaviour and will certainly reflect on the way business is conducted in the long term.

While the super-rich in UAE are positive about the local economy, only 38%are feeling optimistic that the world economy will bounce back, slightly higher than the average global sentiment, which remains at 36%.

The study also found that the pandemic has brought about extensive physical and emotional fallout, with more than a quarter (28%) of HNWIs in the country complaining about burnouts, compared to 17% globally.

About a fifth (21%) of respondents in the UAE also experienced obsessive or compulsive thoughts, compared to just 10% globally. They also reported more cases of sadness and anxiety (35%), mental exhaustion (28%) and mood swings (27%).

Almost a quarter (24%) also reported feeling helpless or hopeless, significantly more than the global average (15%).

Given what they've been going through, many of the country's HNWIs are now re-evaluating their values and goals, and they do not imagine themselves going back to the kind of life they used to have prior to the pandemic.

The majority (64%) are re-assessing their priorities and goals, while 63% are spending more time focusing on their physical and mental wellbeing by changing their diet and exercise, and 66% are rediscovering their passions and hobbies.

More than half (53%) said they do not want to return to their fast-paced lifestyle in a post-COVID world.
Nearly seven in ten (67%) said that the pandemic has made them reconsider how much time they spend away on work. They also felt the mental health benefits of spending less time on travel and nights away, with 46%of them saying they now enjoy the time away from the road.

Most of them said they are planning to reduce the time spent travelling, from the average of 5.4 hours per week on work-related travel prior to the pandemic to 4.6 hours, as per Bupa Global.

CORPORATE NEWS

UAE INKS STRATEGIC PARTNERSHIP AGREEMENT WITH NASA TO TRAIN EMIRATI ASTRONAUTS

The Mohammed Bin Rashid Space Centre (MBRSC) and the National Aeronautics and Space Administration (NASA) announced that they signed a strategic agreement to train Emirati astronauts in NASA. This partnership aims to prepare Emirati astronauts for advanced space missions by providing them with the highest level of expertise and knowledge.

Under the agreement, four Emirati astronauts will be provided advanced training. Emirati astronauts are currently taking part in the training as part of the strategic partnership between the two organizations. Two astronauts to be selected from the second batch of the UAE Astronaut Program will also join the 2021 NASA Astronaut Candidate Class, in which they will receive the training that US space agency's astronauts undergo. The training program will prepare Emirati astronauts physically and psychologically for future space missions.

The training program will be conducted at NASA's Johnson Space Center, one of the world's largest centers for spaceflight training, research, and mission control. A pioneer in human space exploration for more than half a century, the Johnson Space Center, founded in 1961 in Houston, has been at the forefront of American human space flight programs.

DUBAI'S DRAGON MART LAUNCHES E-COMMERCE PLATFORM

Dubai-based Dragon Mart, a trading hub for Chinese products outside mainland China, launched Dragonmart.ae, the first platform in the region dedicated to a single shopping mall with an onsite fulfilment center.

The initiative, which will advance digital transformation in the retail industry, is driven by a strategic partnership between Nakheel Malls, the retail arm of master developer Nakheel, and DP World, the leading provider of worldwide smart end-to-end supply chain logistics.

Dragonmart.ae brings Dubai's largest B2B and B2C wholesale marketplace online. The e-commerce platform connects Dragon Mart retailers to customers across the UAE and beyond. The initiative is set to elevate the shopping experience as customers can now buy Dragon Mart's wide selection of goods from their homes.

With the shift to e-commerce purchases gathering pace among consumers, Dragonmart.ae will bring key benefits to the UAE's SME sector. More than 30% of items purchased from Dragon Mart are directly linked to small and medium enterprises. Businesses across the UAE, such as restaurants, will now have the ability to order their key supplies from Dragonmart.ae.

Dragonmart.ae provides users the ability to sort and discover a wide variety of products available at Dragon Mart. The online e-commerce platform features over 35,000 products across 11 high-level segments with a focus on popular categories such as Home, Games and Toys, Electronics and Fashion.

Bringing wholesale bargains to the fingertips of customers across a range of competitive price points, Dragonmart.ae delivers a contactless shopping experience. Goods will be delivered to buyers' doorsteps within 48 hours.

By utilizing DP World ports and adopting state-of-the-art logistics management practices, Dragon Mart is able to provide speedy delivery for e-commerce purchases. An onsite fulfilment center powered by DP World at Dragon Mart enables streamlined logistics and delivery, and the provision of superior B2B and B2C services across the UAE, as per a statement.

DUQM REFINERY AWARDS CONTRACT FOR NEW PETROCHEMICAL COMPLEX

US-based Lummus Technology, one of the leaders in process technologies, was awarded a contract for technology licensing, process design package, training and advisory services, and proprietary catalyst and equipment supply by Duqm Refinery and Petrochemical Industries Company LLC (DRPIC).

The contract is for the planned new petrochemical complex in Oman with multiple units, including the largest natural gas liquids (NGL) extraction units.

The refinery will have a capacity of 48 million metric standard cubic meter per day (mmscmd), one of the world's largest ethylene units with 1,600 kilo tons per annum (kta) ethylene capacity, a butadiene extraction unit with 161 kta butadiene capacity, and a Catalytic Distillation Methyl tertiary butyl ether (CDMtbe) unit (145 kta of MTBE) and 1-Butene separation (51 kta of 1-butene capacity) licensed to DRPIC. The arrangements also include the supply of Lummus' proprietary catalyst and SRT (Short Residence Time) cracking heaters to the Duqm Petrochemicals Project.

The units are part of the Duqm Petrochemicals Project, which is the second stage of DRPIC's integrated refinery and petrochemical complex, and will be located at Duqm on the Arabian Sea coast of Oman, approximately 600 kms south of Muscat. DRPIC is a joint venture between OQ S.A.O.C (OQ) and Kuwait Petroleum Europe B.V.

BESIX JV TO START PRODUCTION AT REGION'S DEBUT RDF PLANT

Emirates RDF, a partnership between leading water treatment expert Besix, Finnish group Griffin Refineries and Ajman-based Tech Group Eco, announced that it is all set to start production of alternative fuel at the company's facility in Umm Al Quwain.

As part of its strategy to generate green energy, the household waste collected will be converted into an alternative energy source called Refuse Derived Fuel (RDF), which will be used as a fuel in cement factories instead of coal.

Once operational from October 1, Emirates RDF, the first RDF facility in the region, will be able to handle over 1,000 tons of waste from the emirates of Ajman and Umm Al Quwain.

ABU DHABI PORTS ACQUIRES MICCO LOGISTICS

Abu Dhabi Ports, part of ADQ, announced another step in its drive to enhance the emirate's rank as an international hub for trade and logistics with the acquisition of UAE's Micco Logistics. With the integration of Micco as part of Abu Dhabi Ports Logistics, the group's logistical arm is setting itself apart from the competition, as per a statement. Abu Dhabi Ports Logistics leverages Micco's experience and capabilities as the emirate's first provider of end-to-end logistics solutions.

The added capacity enables the organization to manage all customer touch points including: sourcing; purchase order (PO) management; international freight handling through project, commercial, and contract logistics; customs clearance; stevedoring; local, regional, and international transportation; airline road feeder services; and, storage, order fulfilment and handling solutions via its strategically located network of distribution centers.

Abu Dhabi Ports' enhanced logistics portfolio will ensure that it remains the leading provider of logistics services for the energy sector, while at the same time expanding its value offer to other strategic sectors including retail, e-fulfilment, FMCG and pharmaceutical/healthcare.

CAPITAL MARKETS

EQUITY MARKETS: WEEKLY PRICE DECLINES IN MENA EQUITIES, TRACKING GLOBAL FALLOUT

MENA equity markets slid into negative territory this week, as reflected by a 1.0% decrease in the S&P Pan Arab Composite index, mainly tracking a global equity sell-off on fears over renewed Coronavirus-related lockdowns, and driven by falling oil prices on concerns over the global oil market outlook, in addition to some unfavorable company-specific factors.

The heavyweight Saudi Tadawul, whose market capitalization represents circa 78.4% of the total regional market capitalization, posted its first price contraction in nine weeks, as reflected by a 1.4% weekly drop in the S&P Saudi index, mainly tracking declines in global stock markets, and driven by falling oil prices (-2.9%) on expectations for return of Libyan oil production and as rising COVID-19 cases around the world stoked global oil demand concerns, in addition to some unfavorable company-specific factors.

A closer look at individual stocks shows that SABIC's share price shed 1.2% week-on-week to SR 88.80. Yansab's share price fell by 2.8% to SR 58.80. Advanced Petrochemical Company's share price plunged by 4.8% to SR 57.90. As to banking stocks, NCB, the largest banking stock by market capitalization, registered share price declines of 1.3% to reach SR 37.30. Banque Saudi Fransi's share price shed 3.2% to SR 32.0. Arab National Bank's share price dropped by 5.1% to SR 20.02. ANB announced the resignation of its Managing Director and CEO. Also, Saudi Telecom Company's share price decreased by 2.0% to SR 100.0. AlphaMena cut its recommendation on STC from "add" to "reduce" with a price target of SR 104.

The UAE equity markets posted a 1.7% drop in prices week-on-week, mainly tracking declines in global equities on mounting concerns over prolonged Coronavirus restrictions, and dragged by oil price falls. In Dubai, Emirates NBD's share price shed 5.0% to AED 10.45. Dubai Islamic Bank's share price closed 1.8% lower at AED 4.27. Arabtec Holding Company's share price plunged by 6.1% to AED 0.559. Dubai Investments' share price fell by 4.9% to AED 1.16. AlphaMena cut its recommendation on Dubai Investments from "buy" to "add" with a price target of AED 1.37. In Abu Dhabi, First Abu Dhabi Bank's share price retreated by 0.5% to AED 11.10. ADNOC's share price decreased by 1.4% to AED 3.42. Taqa's share price plunged by 5.5% to AED 1.37.

EQUITY MARKETS INDICATORS (SEPTEMBER 20 TILL SEPTEMBER 26, 2020)

Market	Price Index	Week-on Week	Year- to Date	Trading Value	Week-on Week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	60.9	0.0%	-12.6%	6.3	4.1%	0.4	6,793.0	4.8%	-	0.21
Jordan	279.7	-0.2%	-22.3%	24.0	-22.1%	25.0	17,622.9	7.1%	12.2	1.25
Egypt	277.1	-1.3%	-19.7%	345.5	17.0%	1,875.6	42,269.5	42.5%	9.1	1.73
Saudi Arabia	355.9	-1.4%	-3.4%	8,676.0	-47.6%	1,330.6	2,473,376.6	18.2%	17.4	2.59
Qatar	168.3	-2.4%	-8.9%	910.3	10.8%	1,645.2	156,360.9	30.3%	14.6	1.92
UAE	91.1	-1.7%	-19.7%	661.0	-69.4%	1,473.7	263,555.8	13.0%	11.5	1.67
Oman	183.7	-0.5%	-8.6%	6.6	-22.8%	18.9	15,425.6	2.2%	10.3	0.85
Bahrain	142.2	1.4%	-13.3%	16.7	82.6%	29.3	20,990.3	4.1%	12.4	1.56
Kuwait	105.9	3.3%	-11.6%	803.1	6.2%	1,752.1	96,287.9	43.4%	20.7	2.00
Morocco	238.2	-1.9%	-18.2%	25.3	-15.1%	1.2	55,189.0	2.4%	16.3	2.53
Tunisia	67.7	-1.9%	-6.4%	6.8	-24.8%	4.6	7,615.5	4.7%	14.2	2.53
Arabian Markets	**722.1**	**-1.0%**	**-8.5%**	**11,481.6**	**-44.5%**	**8,156.5**	**3,155,487.0**	**18.9%**	**16.6**	**2.42**

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

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

The Qatar Exchange saw price retreats of 2.4% week-on-week, amid a global risk-off market sentiment and falling oil prices, and as Moody's said that it expects Qatar's economy to contract by 3.5% in 2020 due to the Coronavirus pandemic and government spending cuts. 39 out of 47 listed stocks posted price contractions, while seven stocks registered price gains and one stock saw no price change week-on-week. QNB's share price shed 3.1% to QR 17.35. Qatar Islamic Bank's share price went down by 1.3% to QR 15.95. Industries Qatar's share price dropped by 3.8% to QR 9.96. Gulf International Services' share price plunged by 7.4% to QR 1.565. Nakilat's share price dropped by 4.0% to QR 2.610.

The Egyptian Exchange registered a 1.3% retreat in prices week-on-week, mainly hit by a global equity fallout. Commercial International Bank's share price declined by 0.6% to LE 66.98. EFG Hermes' share price closed 2.6% lower at LE 13.02. Talaat Moustafa Group's share price fell by 2.6% to LE 6.10. Palm Hills Development's share price went down by 2.1% to LE 1.371. Telecom Egypt's share price shed 3.9% to LE 11.56. Juhayna Food Industries' share price plunged by 6.9% to LE 6.30.

FIXED INCOME MARKETS: MENA BOND MARKETS UNDER DOWNWARD PRICE PRESSURES

MENA fixed income markets came under downward price pressures this week, mainly tracking a sell-off mood in emerging debt markets, as reflected by a 5.7% expansion in the JP Morgan EMBIG Z-spread, on growing concerns over resurgent Coronavirus pandemic that could cripple a global economic recovery.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 saw price decreases of 0.75 pt and 0.50 pt respectively this week. STC'29 closed down by 1.13 pt. Prices of SABIC'28 retreated by 1.66 pt. SECO'24 was down by 0.57 pt. Prices of Saudi Aramco'24 decreased by 0.19 pt. Fitch affirmed Saudi Aramco's long-term Issuer Default Rating at "A", with a "stable" outlook. Saudi Aramco's "A" long-term IDR is constrained by that of its majority shareholder Saudi Arabia ("A"/ "stable"), given the strong links between the company and the sovereign.

In the Kuwaiti credit space, sovereigns maturing in 2027 were down by 0.94 pt week-on-week. KIPCO'27 traded down by 0.38 pt. Moody's downgraded for the first time Kuwait's long-term foreign and local currency issuer rating two notches from "Aa2" to "A1", and changed the outlook to "stable". The decision to downgrade the rating reflects, according to Moody's, both the increase in government liquidity risks and a weaker assessment of Kuwait's institutions and governance strength, signaling that in the continued absence of legal authorization to issue debt or draw on the sovereign wealth fund assets held in the Future Generations Fund, available liquid resources are nearing depletion, introducing liquidity risk despite Kuwait's extraordinary fiscal strength.

In the Abu Dhabi credit space, prices of sovereigns maturing in 2024 and 2029 contracted by 0.31 pt and 0.75 pt respectively week-on-week. Mubadala'24 was down by 0.17 pt. Prices of ADNOC'29 retreated by 0.78 pt. Etisalat'24 closed down by 0.13 pt. As to papers issued by financial institutions, ADIB Perpetual (offering a coupon of 7.125%) was down by 0.87 pt. Al Hilal Bank' 23 saw price falls of 0.19 pt. As to plans for new issues, First Abu Dhabi Bank mandated FAB and Standard Chartered as joint structuring agents, and Citi, FAB, HSBC and Standard Chartered as joint lead managers and bookrunners for the sale of a benchmark fixed rate resettable USD RegS additional Tier 1 perpetual non-callable six-year bond.

In the Omani credit space, sovereigns maturing in 2023, 2025 and 2029 registered price contractions of 1.31 pt, 1.88 pt and 5.13 pts respectively week-on-week. Prices of Omantel'28 declined by 2.13 pts. Oman hired banks including HSBC Holdings, Standard Chartered, Citigroup, Bank Muscat and First Abu Dhabi Bank to arrange the sale of its first international bond in over a year.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 were down by 0.38 pt and 0.63 pt respectively this week. Ooredoo'25 posted price retreats of 0.58 pt. As to papers issued by financial institutions, Commercial Bank of Qatar'23 closed down by 0.24 pt. Prices of QNB'24 contracted by 0.53 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price declines ranging between 0.88 pt and 3.05 pts week-on-week. Prices of Euro-denominated sovereigns maturing in 2025 and 2030 fell by 1.87 pt and 3.90 pts respectively.

On the overall, activity in regional bond markets was skewed to the downside this week, tracking declines in emerging debt markets, on concerns that surging global Coronavirus cases would require new restrictions that could hurt a nascent global economic recovery, while US Federal Reserve policymakers called on the US government to provide more fiscal support.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	25-Sep-20	18-Sep-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	53	44	36	9	17
Dubai	158	145	91	13	67
Kuwait	58	53	37	5	21
Qatar	55	44	37	11	18
Saudi Arabia	99	82	57	17	42
Bahrain	352	303	176	49	176
Morocco	140	124	91	16	49
Egypt	450	419	277	31	173
Iraq	719	606	384	113	335
Middle East	**232**	**209**	**360**	**23**	**-128**
Emerging Markets	**142**	**130**	**148**	**12**	**-6**
Global	**166**	**151**	**163**	**15**	**3**

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+	A1/Stable	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$)	25-Sep-20	18-Sep-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)	15.77	15.77	16.05	0.0%	-1.7%
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)	3.68	3.68	3.66	0.0%	0.7%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	1.4%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	129.87	128.21	119.05	1.3%	9.1%
Moroccan Dirham (MAD)	9.29	9.23	9.57	0.7%	-2.9%
Tunisian Dinar (TND)	2.78	2.74	2.83	1.6%	-1.9%
Libyan Dinar (LYD)	1.37	1.36	1.40	0.6%	-1.8%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department