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p.9 PICK UP IN PRICES IN MENA EQUITIES, BOND MARKETS REMAIN ON THE RISE

Following four consecutive weeks of price contractions on coronavirus concerns, MENA equity markets bounced back this week, as reflected by a 1.0% increase in the S&P Pan Arab Composite index, mainly supported by some favorable company-specific factors. Also, activity in MENA fixed income markets remained mostly tilted to the upside, mainly tracking US Treasuries move, as intensifying fears over the spread of coronavirus outside China and bets that its economic impact would drive the US Federal Reserve to cut interest rates this year continued to drive investors into safe-haven assets.

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

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+1.0%	Weekly Z-spread based bond index	-0.5%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↑
YTD stock price performance	-3.6%	YTD Z-spread based bond index	-5.6%

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ECONOMY

MODERATE GROWTH OUTLOOK FOR GCC BANKS IN 2020-2021, SAYS FITCH SOLUTIONS

In a recent report on the region, Fitch Solutions said that the GCC commercial banking sector looks set to grow at a decelerating pace in 2020 and 2021. The bloc's aggregate asset growth picked up in 2019 to an estimated 6.5% – the fastest rate since 2014, at the early stages of a deep oil price slump. With many governments having returned to fiscal stimulus in 2018 and 2019, economic conditions have stabilized, helping to buoy credit demand. Fitch Solutions sees this playing out to a lesser extent in 2020 and 2021 as stimulus measures expire or at least moderate. Fitch Solutions also sees GCC asset growth coming in at 5.2% in 2020 and 4.4% in 2021.

Most governments will be unable or unwilling to maintain the level of support for private sector expansion that they did in 2018-2019. Broadly speaking, Fitch Solutions expects oil prices (and by extension, revenues) to be less supportive of continued fiscal expansion – at least on the kind of scale seen over the past two years – in 2020-2021. This will in turn have a negative impact on loan demand across the region, dragging on growth of not just domestic loan books but foreign ones as well, given the high degree of interconnection between the GCC credit markets.

Borrowing costs should also stop falling in 2020 as monetary easing by the US Federal Reserve – whose policies typically drive rate adjustments by GCC central banks by virtue of their currency pegs to the dollar – comes to a halt. Fitch Solutions expects the Fed to keep its key policy rate on hold at 1.50% for the foreseeable future and for GCC central banks to follow suit. This should in turn further dampen credit demand growth across the region, at least once the effects of the rate cuts in H2 2019 fully feed through.

While credit growth in Qatar, Kuwait and Bahrain outperformed the rest of the GCC in 2019, Fitch Solutions views it as unlikely that this trend will extend into 2020. Non-oil growth readings from Qatar imply weakness in business confidence and investment, and although retail spending appears to have been buoyed by some limited fiscal stimulus measures, this will probably not be enough to sustain credit demand in the country for long. Meanwhile, in Kuwait, Fitch Solutions expects the effect of lending caps being relaxed at the end of 2018 to start fading over the coming months. Finally, in Bahrain, the fastest-growing credit market in the GCC, high-frequency consumer data and business sentiment readings show that the fiscal consolidation that began in early 2019 is finally weighing on demand, which will drag on banks' lending as well.

The Fitch Solutions outlook is slightly more positive in the GCC's largest two markets, Saudi Arabia and the UAE. The Saudi government appears willing to sustain at least parts of its fiscal stimulus program in 2020, for instance by extending cost-of-living allowances, which should help keep demand relatively firm – non-oil growth stood at 4.3% year-on-year in Q319, well above the 2.0% recorded a year prior. In the UAE, meanwhile, Expo 2020 should help support credit demand by encouraging firms to build stocks, while boosting employment and giving consumers more confidence to take up credit for major purchases.

Asset quality may come under pressure in markets where private sector activity and job creation will be slow. The GCC States effectively fall into two distinct camps in terms of their non-performing loans (NPL) ratios: the majority is clustered around the 2%-3% level, while the UAE and Bahrain come in markedly higher, at 6.4% and 5.4% respectively. For markets where private sector activity and job creation are likely to face headwinds – notably Bahrain, Oman and Qatar – Fitch Solutions expects asset quality to suffer as debtors' ability to service their loans comes under pressure. The UAE may also see a lagging impact of its currently sluggish activity and slumping real estate prices on delinquencies. That said, the formalization and modernization of bankruptcy regulations across the region – already done in Saudi Arabia, the UAE and Bahrain in the last two years, and currently planned in Oman – could yet have an ameliorating effect by allowing lenders to write off greater parts of their bad loans. Regardless, banks' capitalization levels and government support are solid enough, in Fitch Solutions' view, that risks to overall sector stability are very low. Most GCC banking sectors are very well capitalized, with average capital adequacy ratios ranging between 17.5%-20.5% – comfortably above the 10.5% level stipulated under Basel III regulations. Moreover, government ownership (whether directly or via sovereign wealth funds, pension funds and social security funds) in GCC banks is extensive, meaning that many large banks can rely on government support in the case of sustained pressure on capital levels.

Combined with flat net interest margins, however, higher provisioning needs will still weigh on profits. In the absence of interest rate hikes to boost lending rates and net interest margins (deposits often being from public sources and at zero or low interest), banks in markets where delinquency rates and associated provisioning needs will rise will likely see their profits flag. This may encourage efforts to cut back on non-interest costs to keep margins intact, a trend that has already been playing out over the last few years in the form of large mergers and staff reductions, as per Fitch Solutions.

UAE BUSINESS LEADERS CONFIDENT IN THEIR COMPANIES' GROWTH PROSPECTS FOR H1-20, SAYS ROBERT HALF

UAE business leaders are confident in their company's growth prospects for the first half of 2020, with 69% expressing they are "very confident", as per a report by the Robert Half UAE.

When questioned on the rationale for optimism, many cited their company's objective to expand business opportunities (43%), ability to attract suitable talent to drive success (19%), and the improving economic climate as a catalyst for business growth (17%), added the independent research commissioned by leading international recruitment consultancy, Robert Half UAE.

Many organizations in the region are struggling to keep up with rapid technological advances, and according to 29% of business leaders, the fast pace of technological change and associated skills is the main cause of a widening skills gap. Organizations should be prepared to compete throughout the year to attract suitable talent, as 76% of business leaders believe that current skills gap will hinder their company's growth.

Business leaders in the UAE revealed that operational expansion is the primary influence for their 2020 hiring strategy. More than 2 in 5 (42%) of business leaders hold this outlook, while 44% stated that maintaining their existing workforce will be critical for sustaining growth throughout the year.

Regarding hiring plans for 2020, 29% of business leaders indicated that attracting suitable talent was the primary influence on their plan. Many organizations are also experiencing increased workload (21%) and employee turnover (17%).

Top 5 factors influencing hiring plans for 2020 included attracting suitable talent (29%), increased workload (21%), employee turnover (17%), current economic and business climate (17%) and ageing/retiring workforce (7%), as per Robert Half.

MOODY'S CHANGES TUNISIA OUTLOOK TO "STABLE" FROM "NEGATIVE" AND AFFIRMS B2 RATING

Moody's changed the outlook to "stable" from "negative" on the Government of Tunisia's issuer rating and affirmed the rating at "B2".

Moody's has also changed the outlook on the Central Bank of Tunisia's ratings to "stable" from "negative", and affirmed the "B2" senior unsecured rating and the "(P)B2" senior unsecured MTN program and senior unsecured shelf ratings. The Central Bank of Tunisia is legally responsible for the payments on all of the government's bonds. These debt instruments are issued on behalf of the government.

The "stable" outlook reflects the stabilization in the balance of payments and the debt burden that Moody's expects to be maintained as tighter monetary policy stabilizes the currency and fiscal policy prudence is likely to remain, despite significant constraints to rapid consolidation.

The affirmation of the "B2" rating reflects external vulnerability risk that remains elevated in light of large external financing needs, and a high debt burden still vulnerable to potential currency and financing shocks.

It also takes into account the relative strength of Tunisia's institutions and governance and the potential for the economy to return to stronger growth rates, given a diversified economic base and educated labor force.

Tunisia's local currency and foreign currency long-term bond and deposit ceilings remain unchanged. The long-term local currency bond and bank deposit ceilings at "Ba2", long-term foreign currency bank deposit ceiling at "B3", and the foreign currency bond ceiling at "Ba3". The short-term foreign currency bond and bank deposit ceilings remain unchanged at "Not Prime".

Moody's expects the stabilization in the current account and foreign exchange reserves that started last year to be maintained. After a period of significant balance of payments pressure, with reserves adequacy declining to very low levels, a reduction in the current account deficit and tighter monetary policy during 2019 allowed a build-up of reserves buffers.

The current account deficit narrowed to 8.8% of GDP in 2019 from over 11% in 2018 on account of a narrowing non-energy trade balance, a significant recovery in tourism revenues and higher current transfers.

AM BEST MAINTAINS "STABLE" OUTLOOK ON THE RE/INSURANCE MARKETS OF THE GCC

AM Best has maintained its "stable" outlook on the re/insurance markets of the Gulf Cooperation Council (GCC) due to the potential for premium growth and short-term opportunities, as well as extensive reinsurance support and improved regulatory sophistication.

The rating agency noted that the rollout of mandatory health insurance in Oman and Bahrain is likely to boost premiums, while the 2020 World Expo in the United Arab Emirates (UAE) could also provide growth opportunities.

Also weighing in the GCC's favour was the widespread use of reinsurance support in the markets, advances in risk management and better regulatory practices, as per the rating agency.

However, these factors were partially offset by a heightened risk environment due to elevated geopolitical risks, AM Best said.

This increases the potential for volatility in hydrocarbon prices, which may in turn affect public spending in the region.

Analysts further noted that the balance sheets of GCC insurers generally remain well-capitalized and capable of enduring catastrophe stress scenarios.

That said, regional insurers are considered vulnerable to shocks in investment markets, which may become more severe if economic and political instability increases, said AM Best.

Balance sheet strength could also come under pressure for some insurers if earnings decline and shareholder dividend expectations do not adjust.

AM Best concluded that GCC insurers that are innovative, have capital buffers, are able to rationalise their dividend policies, and have preferential access to business are in the best position to withstand the pressures of the current operating environment.

SURVEYS

UAE MOST PROSPEROUS IN THE ARAB MENA REGION, AS PER LEGATUM INSTITUTE

According to the overall Prosperity Index rankings issued by the Legatum Institute Foundation, the UAE ranked first in the region and 40th globally in the overall Prosperity Index rankings, posting a score of 67.4, down from the 38th position in the previous year.

The Prosperity Index has been developed as a practical tool to help identify what specific action needs to be taken to contribute to strengthening the pathways from poverty to prosperity globally. The Index consists of 12 pillars of prosperity, built upon 65 actionable policy areas (elements), and is underpinned by 294 indicators. The higher the value of the index, the worse off a country is.

The United Arab Emirates performs most strongly in Market Access & Infrastructure and Economic Quality but is weakest in Personal Freedom. The biggest improvement compared to a decade ago came in Economic Quality.

The Middle East and North Africa (MENA) region has improved its prosperity over the last ten years, albeit at a far slower rate than the global average. The reasons for the region's increase in prosperity, and issues holding back further improvement, are the MENA's economic environment has improved over the last decade, evidenced by improvements in both enterprise conditions and market access and infrastructure. In particular, increased internet usage and network coverage have driven a vast improvement in the region's communications infrastructure, namely in Oman (43rd).

The education improvements across MENA have resulted in higher enrolment and completion rates across each level of education since 2009. Saudi Arabia (60th) exemplifies this as it seeks to move from a resource economy towards a knowledge-based economy, increasing its tertiary enrolment rate from 31% to 69% in a decade.

The deteriorations are that the MENA has suffered the greatest deterioration in safety and security of any region over the last decade due to conflicts in Libya (161st), Yemen (163rd) and Syria (164th). These countries are among the most affected by both terrorism and war and civil conflict in the world. A number of countries in the region have seen a decline in personal freedom since 2009. Freedoms of association and speech have declined the most, with protests being put down violently in Egypt (161st). More positively, Tunisia (88th) has experienced significant improvements in press freedoms, civic autonomy

ARAB MENA COUNTRIES PROSPERITY INDEX RANKINGS

Country	2019	2018	2017
United Arab Emirates	40	38	39
Qatar	43	42	41
Bahrain	58	54	54
Oman	60	59	64
Kuwait	62	58	57
Saudi Arabia	71	72	74
Jordan	86	81	80
Tunisia	95	98	93
Morocco	100	95	94
Lebanon	104	102	98
Algeria	110	110	111
Egypt	126	129	128
Iraq	142	142	140
Libya	147	145	141
Syria	157	157	157
Yemen	166	165	165

Sources: Legatum Institute Foundation, Bank Audi's Group Research Department from the state, and rights of association. Furthermore, MENA's economic quality has deteriorated as a result of less fiscal sustainability across the region.

HOUSE PRICES IN DUBAI AND ABU DHABI WILL ONLY SEE "MARGINAL" DECLINE, AS PER JLL

House prices in Dubai and Abu Dhabi are expected to see marginal declines this year, but to a lesser extent compared to what we saw in the previous years, as per a recent report by Jones Lang Lasalle (JLL).

According to the agency, almost between 1% to 5% decline in sale prices in Dubai (in 2020), as per JLL. In Abu Dhabi, the decline could be about 1 % to 2%, as "supply is a bit more controlled."

Sale prices for apartments in Dubai declined about 5% in 2019, while rental rates fell by around 8%, JLL said in its 2019 end of year review report.

However what is seen is that on a quarterly basis, this rate of decline is beginning to slow down, rental rates and sales prices, not just in Dubai but in Abu Dhabi as well, have registered between 1% to 2% decline on a quarter-on-quarter basis (Q4 2019 vs Q3 2019), which leads us to believe that the residential market is reaching the bottom of the cycle, as per JLL.

More than 35,000 residential units were delivered in Dubai in 2019, the highest ever delivered in a year, the report said.

In Dubai there is an additional 63,000 residential units expected to come into the market, noting that a 50% materialization rate is assumed, as per the same source. By end of 2020, approximately 11,400 units are scheduled to enter the Abu Dhabi market, the JLL report said. Dubai launched the Higher Real Estate Planning Committee in September 2019, to manage the balance between supply and demand, maintain the diversity of projects and ensure that developments add real value to the national economy.

The emirate saw an instant impact following the launch of the new real estate committee. Dubai Land Department (DLD) said in September that real estate transactions increased by 134%.

On another note, Dubai Expo 2020 is set to welcome 190 participating countries with an estimated 25 million visitors from across the world. The largest event ever staged in the Arab world aspires to create a meaningful legacy that will benefit generations to come, both locally and globally, spanning everything from innovations and architecture to friendships and business opportunities.

The residential sector will likely remain exactly where it is over the next 12 months, some marginal declines (are expected) according to specific areas across Dubai and Abu Dhabi, but overall not much is going to change, as per the same source.

ECONOMY IN UAE TO GET A MAJOR BOOST FROM EXPO 2020, AS PER YOUGOV

More than half of UAE residents feel that the Expo 2020 would boost the country's economy, a survey by YouGov revealed.

YouGov's new survey shows that excitement levels are high with a large majority of UAE residents (67%) looking forward to attend the exposition. Among those who are likely to visit the expo, people aged 30 plus are more likely to be present than younger adults in the country. Working professionals are more likely than non-working residents (72% versus 51%) to visit the expo. Even married residents, especially ones with children, are more likely than the single people to attend the event. Expo 2020, which runs from October 20, 2020 to April 20, 2021, is set to welcome 190 participating countries with an estimated 25 million visitors from across the globe.

According to analysts, the expo is expected to fuel the growth of Dubai economy by 4% in the next one year as economic activity gains momentum, which will benefit the construction, interior fit-outs, banking, hospitality, aviation, event management and F&B sectors.

CORPORATE NEWS

ADPOWER AND MARUBENI SET UP CONSORTIUM FOR FUJAIRAH IPP

Abu Dhabi Power Corporation (ADPower) and Japan-based Marubeni Corporation set up a consortium for developing the Fujairah F3 independent power producer (IPP) project, the largest independent thermal power plant in the UAE.

The Fujairah F3 IPP project includes the development, financing, construction, operation, maintenance and ownership of a combined cycle gas turbine (CCGT) power plant, together with associated infrastructure.

Located in the Fujairah water and electricity complex, between the existing Fujairah F1 and Fujairah F2 water and electricity plants, the Fujairah F3 IPP project will have a contracted power capacity of 2.4 GW, bringing ADPower's current power generation capacity to 20.4 GW.

Once operational, Fujairah F3's capacity will be able to power the equivalent of 380,000 households.

Through this project, the Government of Abu Dhabi will indirectly own a 60% stake, while the remaining 40% will be owned by Marubeni Corporation.

The construction of the Fujairah F3 IPP project, which is the largest CCGT power plant in the UAE's current fleet, is expected to commence swiftly to enable EWEC to procure early power by summer 2022 and full generation by summer 2023.

BROOGE UNIT INKS NEW FUJAIRAH LAND LEASE AGREEMENT

Brooge Holdings said its wholly-owned energy investment company, Brooge Petroleum and Gas Investment Company (BPGIC), signed a land lease agreement with Fujairah Oil Industrial Zone (FOIZ) for a strategic plot of land spread over 450,000 square meters.

The area will be utilized by BPGIC to build its Phase III facility, said a statement from Brooge Holdings.

BPGIC said it expects that Phase III alone could add storage and services capacity of up to three and half times the size of its projected operations post-Phase II, which will be 1 million cubic meters.

The energy investment company said it intends to use the land to further increase its capacity for storage and refinery services by developing additional storage and refining capacity using the same award-winning technology, technical features and tank diversification as used in Phase I and II.

BPGIC's initial studies indicate that the land could house up to approximately 3.5 million cubic meters of storage tanks and, potentially, a refinery with a capacity of up to 180,000 barrels per day.

The company is currently in discussions with potential collaborators for Phase III including several top global oil majors that expressed interest in partnership for the Phase III facility.

US-BASED BOSTIK AND GERFLOR TO SET UP FLOORING PLANT IN SAUDI ARABIA

Bostik, one of the leading global adhesive specialists in the construction, consumer and industrial markets, is set to start its first production unit for flooring systems in Saudi Arabia, in partnership with Gerflor Middle East.

Gerflor is a global leader in manufacturing and marketing decorative and sustainable flooring solutions and wall finishes, with an established footprint in Saudi Arabia and the broader Middle East.

It develops specific flooring and wall solutions to meet indoor market application needs in housing, healthcare, education, sport and hospitality.

Founded in 1889, Bostik is a unit of Arkema, a specialty chemicals and advanced materials company headquartered in Paris, France.

SAUDI AL RAJHI AVIATION REAFFIRMS STRATEGIC PARTNERSHIP WITH SABRE

Al Rajhi Aviation, one of Saudi Arabia's leading travel providers, renewed an exclusive partnership with leading technology provider Sabre Corporation to support its plans to expand regionally and explore opportunities in online travel.

This agreement provides Al Rajhi Aviation with continued access to Sabre's portfolio of innovative technology and its intelligent platform Sabre Red 360, allowing it to effectively harness data and deliver superior content to its travelers, as per official sources.

This technology will help enable the travel company to differentiate its offering, compete more effectively and grow faster in the region, as well as expand into the online sector, as per the same source.

QIC AWARDS KEY RIYADH ENTERTAINMENT PROJECT CONTRACT

Qiddiya Investment Company (QIC), the entity leading the development of Riyadh's mega entertainment project, awarded a contract to Saudi Pan Kingdom Company (SAPAC) to build perimeter fencing as part of Phase One of the project.

The contract work includes 440,000 square meters of site clearing as part of the site preparation process, besides 20 kms of security fencing and 23 kms of cable barriers, as well as 1 million cubic meters of earthworks to be filled.

As per the deal, SAPAC, a Saudi construction company, will place security fencing around the entire premises of Qiddiya, the Kingdom's capital of entertainment, sports and the arts.

This first layer of security will enable a slew of construction projects, set to be launched this year, to begin bringing in heavy construction machinery and restrict unauthorized access to the site, as per a statement.

METITO CONSORTIUM STARTS WORK ON FIRST SAUDI ISTP PROJECT

A consortium led by UAE-based Metito Group, one of the leaders in total intelligent water management solutions, has begun work on Saudi Arabia's first independent sewage treatment plant project (ISTP) located in the western region of Dammam.

The consortium includes key partners Mowah, one of the largest private water desalination companies in Saudi Arabia, and Orascom Construction, a leading global engineering and construction contractor in the region.

The project is the first ISTP to be awarded by the Saudi Water Partnership Company to investors under a Build-Own-Operate-Transfer (BOOT) model and plays an integral part of the plan set by the Ministry of Environment, Water and Agriculture to tender similar projects to investors in different regions across the Kingdom.

The plant has a designed capacity of 350,000 cubic meters per day and an initial capacity of 200,000 cubic meters per day, said the statement from Metito.

The Notice to Proceed (NTP) allowing the contractors to mobilize and start construction on site has been issued following the execution of relevant project and finance documents by the banking group and the consortium developing the project, it added.

CAPITAL MARKETS

EQUITY MARKETS: PRICE REBOUND IN MENA EQUITY MARKETS THIS WEEK

Following four consecutive weeks of price contractions on coronavirus concerns, MENA equity markets bounced back this week, as reflected by a 1.0% increase in the S&P Pan Arab Composite index, mainly supported by some favorable company-specific factors.

The heavyweight Saudi Tadawul registered a 1.7% increase in prices week-on-week, mainly supported by some favorable company-specific factors. Saudi Aramco's share price closed 1.7% higher at SR 33.65. Saudi Aramco received regulatory approval to develop unconventional natural gas reserves in the eastern Jafurah field. Saudi Steel Pipe Company's share price rose by 2.7% to SR 20.34. SSPC announced a narrowing net loss of SR 27 million in 2019 against a net loss of SR 169 million in the previous year. National Medical Care's share rose by 1.0% to SR 49.20. National Medical Care reported 2019 net profits of SR 80 million, up by 29% year-on-year. Petro Rabigh's share price surged by 3.5% to SR 16.62. Alpha Mena raised its recommendation on Petro Rabigh from "Sell" to "Add". Saudi Air Catering's share price went up by 3.3% to SR 101.60. Saudi Air Catering reported a 1% year-on-year rise in its 2019 net profits to reach SR 464 million, meeting analysts' average estimate. Etihad Etisalat's share price closed 2.5% higher at SR 14.72. Etihad Etisalat posted 2019 net profits of SR 31 million versus a net loss of SR 123 million in 2018.

The Qatar Exchange posted a 0.6% rise in prices week-on-week, mainly driven by some favorable corporate earnings. Al Meera Consumer Goods Company's share price increased by 1.6% to QR 15.510. The company announced 2019 net profits of QR 187 million, up by 2.3% year-on-year. Nakilat's share price surged by 5.6% to QR 2.25. Nakilat posted 2019 net profits of QR 1 billion versus net profits of QR 891 million a year earlier. Ooredoo's share price closed 2.8% higher at QR 6.710. Ooredoo posted 2019 net profits of QR 1.73 billion versus net profits of QR 1.57 billion in 2018.

The UAE equity markets saw a 0.8% increase in prices week-on-week, mainly helped by some favorable company-specific factors. It is worth mentioning that the consolidated net profits of 67 companies listed on the Dubai Financial Market and Abu Dhabi Securities Exchange reached AED 75.6 billion in 2019, up 16.9% over the previous year.

EQUITY MARKETS INDICATORS (FEBRUARY 16 TILL FEBRUARY 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	58.7	-0.6%	-15.8%	2.0	5.5%	0.4	6,347.0	1.7%	6.3	0.52
Jordan	357.0	-2.2%	-0.8%	34.1	-29.1%	28.4	20,841.0	8.5%	11.4	1.37
Egypt	353.4	0.2%	2.4%	196.9	24.9%	876.2	48,367.8	21.2%	9.6	2.13
Saudi Arabia	350.7	1.7%	-4.8%	3,809.7	-22.1%	727.9	2,288,004.7	8.7%	16.0	2.32
Qatar	174.8	0.6%	-5.4%	341.6	40.3%	594.4	150,162.7	11.8%	14.9	1.87
UAE	111.9	0.8%	-1.3%	622.7	41.5%	1,186.1	256,816.3	12.6%	11.1	1.62
Oman	212.3	2.1%	5.6%	34.2	17.9%	96.8	17,770.5	10.0%	9.9	0.95
Bahrain	170.9	-0.3%	4.1%	11.4	-13.7%	27.2	25,933.9	2.3%	12.1	1.72
Kuwait	115.8	-0.8%	-3.4%	448.4	15.8%	1,016.2	102,650.7	22.7%	17.1	1.88
Morocco	292.7	1.5%	0.6%	100.2	32.5%	5.3	65,902.0	7.9%	21.0	3.26
Tunisia	70.6	0.4%	-2.4%	5.0	-22.8%	3.4	8,284.8	3.2%	14.4	3.01
Arabian Markets	**760.0**	**1.0%**	**-3.6%**	**5,604.4**	**-10.9%**	**4,562.3**	**2,991,081.4**	**9.7%**	**15.4**	**2.22**

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

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

In Abu Dhabi, ADNOC's share price increased by 2.0% week-on-week to AED 3.06. ADNOC reported 2019 fourth quarter net profits of AED 496 million, up by 11.3% year-on-year. Aldar Properties' share price closed 0.9% higher at AED 2.23. Aldar Properties reported a 7% year-on-year increase in 2019 net profits to reach AED 2.0 billion. Etisalat's share price went up by 1.1% to AED 16.18. Etisalat posted 2019 net profits of AED 8.7 billion, up by 1% when compared to the previous year.

In Dubai, Amanat Holdings' share price closed 2.5% higher over the week to reach AED 0.810. The company posted 2019 net profits of AED 60 million, up by 40% year-on-year. Gulf Navigation's share price went up by 2.4% to AED 0.466. The company said that its revenues grew to AED 166 million in 2019, from AED 147 million in 2018. Commercial Bank of Dubai's share price edged up by 0.8% to AED 3.98. Commercial Bank of Dubai registered a 20.5% year-on-year increase in its 2019 net profits to reach AED 1.4 billion. Amlak Finance's share price jumped by 8.2% to reach AED 0.450. Amlak Finance announced a narrowing net loss in 2019 of AED 152 million versus a net loss of AED 272 million a year earlier.

FIXED INCOME MARKETS: MENA BOND MARKETS REMAIN MOSTLY UP, TRACKING US TREASURIES MOVE

Activity in MENA fixed income markets remained mostly tilted to the upside this week, mainly tracking US Treasuries move, as intensifying fears over the spread of coronavirus outside China and bets that its economic impact would drive the US Federal Reserve to cut interest rates this year continued to drive investors into safe-haven assets.

In the Omani credit space, sovereigns maturing in 2023, 2025 and 2029 registered price gains of 0.05 pt, 0.13 pt and 1.13 pt respectively week-on-week. Prices of Omantel'28 improved by 0.50 pt. CI Ratings revised the outlook on Oman's long-term foreign currency rating and long-term local currency rating to "negative" from "stable". At the same time, the sovereign's LT FCR and LT LCR have been affirmed at "BBB-" while its Short-Term FCR and ST LCR have been affirmed at "A3". The change in the outlook to "negative" reflects CI Ratings' expectation that Oman's public and external debt would continue to increase markedly over the forecast horizon due to large deficits in the government budget and the current account.

In the Dubai credit space, sovereigns maturing in 2029 were up by 0.04 pt week-on-week. Emaar'26 closed down by 0.07 pt. Prices of DP World'30 decreased by 1.84 pt. Amongst financials, Emirates NBD Perpetual (offering a coupon of 6.125%) posted price gains of 0.26 pt. Emirates NBD raised A$ 700 million (the equivalent of US$ 469 million) through the sale of 10-year "kangaroo" bonds offering a yield of 3.115%.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 registered price gains of 0.63 pt and 0.75 pt respectively week-on-week. Prices of Mubadala'24 rose by 0.29 pt. ADNOC'29 closed up by 0.24 pt. Taqa'26 was up by 0.25 pt. As to papers issued by financial institutions, ADIB Perpetual (offering a coupon of 7.125%) registered price gains of 0.13 pt. Al Hilal Bank'23 traded up by 0.17 pt. Prices of First Gulf Bank'24 expanded by 0.10 pt.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 posted price improvements of 0.13 pt and 1.38 pt respectively week-on-week. Saudi Aramco'24 was up by 0.35 pt. Prices of SABIC'28 increased by 0.42 pt. Regarding new issues, Riyad Bank raised US$ 1.5 billion through the sale of a 10-year Sukuk, callable after five years, at 180 bps over five-year mid-swaps. This compared to an initial price guidance of 225 bps. The Sukuk sale attracted orders of more than US$ 7.8 billion.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 were up by 0.06 pt and 0.81 pt respectively week-on-week. Prices of Ooredoo'25 rose by 0.30 pt. As to papers issued by financial institutions, QIB'24 closed up by 0.08 pt. Prices of QNB'24 increased by 0.41 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2030 registered price increases of 0.33 pt, while sovereigns maturing in 2023 and 2040 closed down by 0.13 pt and 0.50 pt respectively this week. Euro-denominated sovereigns maturing in 2030 posted price gains of 0.20 pt, while sovereigns maturing in 2025 were down by 0.03 pt. Regarding plans for new issues, Egypt hired Deutsche Bank, Citibank, HSBC and Credit Agricole as bookrunners for the sale of its first international green bonds, as the country seeks to diversify its sources of financing and investor base, according to the Finance Ministry.

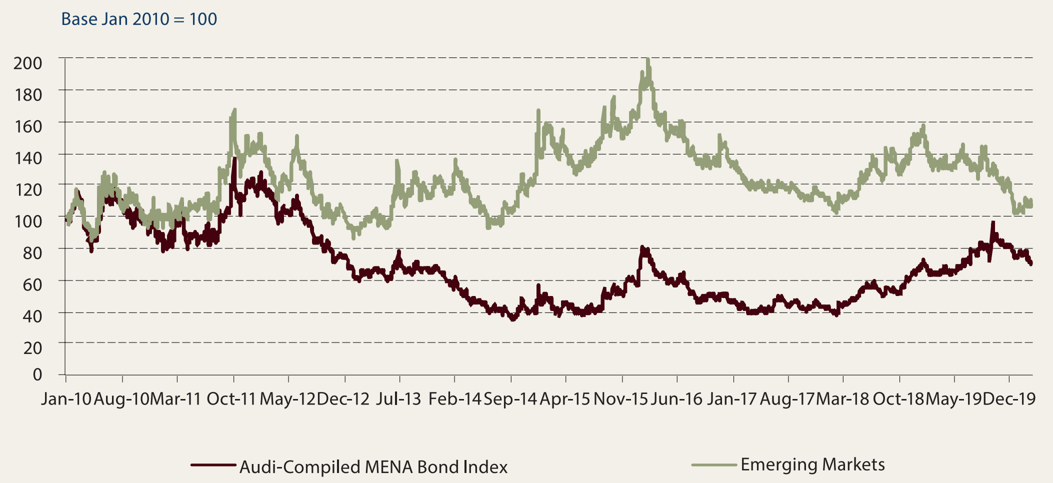
Overall, regional bond markets pursued their upward trajectory over this week, as mounting concerns about the economic impact of the coronavirus epidemic continued to fuel demand for safe-haven assets.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	21-Feb-20	14-Feb-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	38	39	36	-1	2
Dubai	99	95	91	4	8
Kuwait	40	39	37	1	3
Qatar	41	40	37	1	4
Saudi Arabia	61	60	57	1	4
Bahrain	169	172	176	-3	-7
Morocco	86	87	91	-1	-5
Egypt	260	267	277	-7	-17
Lebanon	15,415	5,060	2,418	10,355	12,997
Iraq	445	445	384	0	61
Middle East	**1,666**	**631**	**360**	**1,035**	**1,306**
Emerging Markets	**163**	**162**	**148**	**1**	**15**
Global	**351**	**220**	**173**	**131**	**178**

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	CC/Negative/C	Ca/Stable	CC/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Stable/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Stable	A/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Bahrain	B+/Positive/B	B2/Stable	BB-/Stable/B
Oman	BB/Negative/B	Ba1/Negative	BB+/Stable/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3
Tunisia	NR	B2/Stable	B+/Negative/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated RWN= Rating Watch Negative RUR= Ratings Under Review * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	21-Feb-20	14-Feb-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%	-0.2%
Egyptian Pound (EGP)	15.55	15.70	16.05	-0.9%	-3.1%
Iraqi Dinar (IQD)	1,182.87	1,182.87	1,182.87	0.0%	0.0%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.66	3.66	3.66	0.0%	0.1%
Kuwaiti Dinar (KWD)	0.31	0.30	0.30	0.9%	0.9%
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)	120.48	120.48	119.05	0.0%	1.2%
Moroccan Dirham (MAD)	9.71	9.72	9.57	-0.1%	1.5%
Tunisian Dinar (TND)	2.85	2.86	2.83	-0.1%	0.7%
Libyan Dinar (LYD)	1.41	1.41	1.40	0.0%	0.8%
Sudanese Pound (SDG)	53.23	51.63	45.11	3.1%	18.0%

Sources: Bloomberg, Bank Audi's Group Research Department