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The Abu Dhabi National Oil Company (ADNOC) said it awarded two contracts worth US$ 1.7 billion for providing engineering, procurement and construction (EPC) services at its offshore facilities within Dalma Gas Development Project site located about 190 kms northwest of the UAE capital.

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Markets In Brief

p.9 MENA CAPITAL MARKETS DOWN ON GROWING CORONAVIRUS CONCERNS

MENA equity markets came under downward price pressures this week amid deepening coronavirus fears that have stoked concerns over global economic growth and oil demand. This was reflected by a 4.2% drop in the S&P Pan Arab Composite index. In parallel, MENA fixed income markets were mostly downbeat, mainly on growing fears about the economic impact of coronavirus and rising concerns about the effect of lower oil prices on fiscal balances in countries reliant on oil income.

MENA MARKETS: WEEK OF FEBRUARY 23 - FEBRUARY 29, 2020

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-4.2%	Weekly Z-spread based bond index	+15.3%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-7.7%	YTD Z-spread based bond index	+8.8%

ECONOMY

J.P. MORGAN SAYS PANDEMIC FEARS ARE DENTING ACTIVITY FURTHER IN MENA

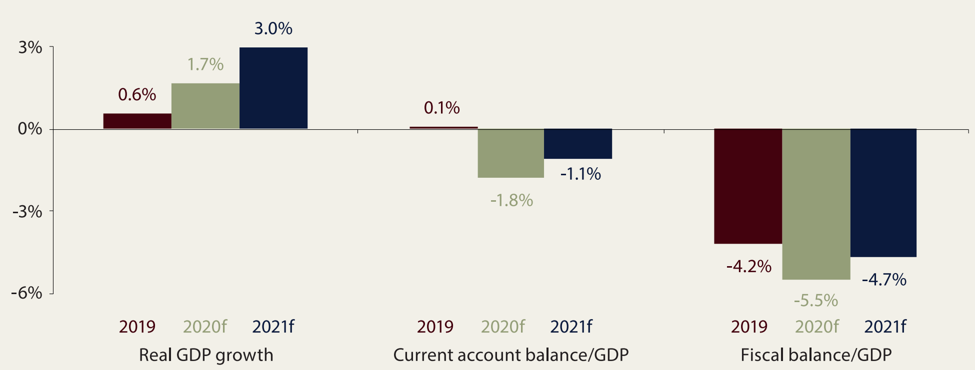
While WHO and UNWTO have issued a joint statement to guide the response to the COVID-19 outbreak, a number of MENA countries have begun restricting travel. In the event of widespread travel disruption, oil importers look the most vulnerable, as per a recent J.P. Morgan note. Although Saudi officials expect the impact of the outbreak on global oil markets to ease in 2H, the upcoming OPEC+ meeting is likely to result in further production curbs, as per J.P. Morgan.

With a flare up in fears over the global spread of the outbreak, global oil prices have sunk to the lowest level in a year. The rapid spread of the outbreak has pushed Brent crude oil prices to US$ 51 per barrel, down over 20% year-to-date. Although Russia has not made a decision on further production curbs, growing concerns over a pandemic and its impact on demand could yet unify OPEC+, which is scheduled to meet on March 5, said J.P. Morgan. Saudi Arabia's Energy Minister dismissed the claim that there was a rift between Russia and MENA oil producers, but Iran's oil minister has indicated that there is no consensus for the moment, as per the note. The OPEC+ joint technical committee has already recommended extending existing production curbs to the end of the year and deepening cuts until the end of June. Saudi officials expect the impact of the outbreak to be short term, with its repercussions easing in 2H, as per J.P. Morgan.

J.P. Morgan revised down its MENA growth forecasts sharply lower two weeks ago due to the outbreak, to 1.7% this year from 2.1% previously. For example, the bank lowered its growth estimate for Saudi Arabia from 1.7% to 0.8%, mainly due to its assumption that average crude oil production may decline by about 2% from last year. While J.P. Morgan recognizes that the opening of new sectors such as entertainment and leisure tourism is providing a welcome boost, it expects non-hydrocarbon activity to ease due to lower government spending against the background of lower oil prices.

The outbreak looks likely to dent non-hydrocarbon activity further, due to disruption to travel. Saudi Arabia has temporarily stopped religious visits and tourist visa holders from countries with reported cases of infection will be denied entry. About 9 million people visit Saudi Arabia annually on Hajj and Umrah pilgrimage, accounting for a significant portion of travel receipts which amounted to an estimated US$ 14 billion or nearly 2% of GDP last year. Following reports of infection cases in Iran, neighboring countries have begun to cut air links. A pandemic which results in greater than expected disruption to global activity and tests J.P. Morgan's assumption of a rebound in the second quarter could yet hurt MENA growth prospects further.

SELECTED KEY MENA ECONOMIC INDICATORS



Source: J.P. Morgan

In the event of widespread travel disruption, MENA oil importers are the most vulnerable, while oil exporters could see less travel related outflows. Jordan is most vulnerable in MENA to travel disruption, with net travel receipts amounting to over 9% of GDP. On the flipside, Kuwait’s net travel related outflows of almost 9% of GDP could decline, as per the note.

INSURANCE COMPANIES IN GCC TO FACE MODERATE-TO-HIGH CREDIT RISK OVER NEXT 12 TO 18 MONTHS, SAYS MOODY'S

Insurance companies in most Gulf Cooperation Council (GCC) countries will face moderate-to-high credit risk over the next 12 to 18 months, reflecting mounting geopolitical tension and intense competition, says Moody's.

Geopolitical tensions may harm investor confidence in the region and increase external financing costs. This could delay large scale infrastructure projects and weakening regional growth.

Slowing growth would weigh on insurance demand, with property and casualty lines such as construction, marine & energy being particularly affected, as per Moody’s. That being said, the GCC countries' low rate of insurance penetration remains supportive of long term future growth.

Market fragmentation in the region has led to intense competition among insurers, as small players strive to gain market share. Tough competition puts the sector's profitability and capitalization under pressure. Although many regional insurers have benefitted from ample reinsurance capacity and therefore have been able to share losses with reinsurers, Moody's expects competition to drive consolidation in the long run, especially as smaller insurers are under pressure from more onerous regulatory requirements.

Moody's also highlights that volatile investment performance remains a credit risk for many GCC insurers. Insurers in countries with more sophisticated regulatory regimes which rely on risk-based capital models and investment guidelines, such as the UAE and Saudi Arabia, are less affected.

Regulations are at different stages of development in each GCC country, but are converging towards risk-based capital requirements and actuarial reserving, as per the report. Such measures are supportive of insurers' credit quality, although they create adjustment challenges for smaller operators.

NON-OIL FOREIGN TRADE OF DUBAI GROWS BY 6% TO US$ 373.4 MILLION IN 2019

The non-oil foreign trade of Dubai grew by 6% to AED 1.371 trillion in 2019 from AED 1.299 trillion in 2018, as per official data.

The value of Dubai’s exports expanded by 22% hike last year to AED 155 billion, while re-exports registered a 4% increase to AED 420 billion, and imports rose by 3% to AED 796 billion, according to Dubai Customs.

Meanwhile, the volume of the emirate’s non-oil foreign trade jumped by 19% to around 109 million tons in 2019, compared to 91 million tons in the previous year.

In terms of volume, Dubai’s exports soared by 45% to 19 million tons last year, while re-exports climbed by 48% to 17 million tons, and imports grew by 9% to 72 million tons.

Over the last decade, the agility and flexibility of Dubai’s external trade sector resulted in a 52% rise in the value of external trade.

Dubai’s foreign trade out of free zones hit AED 592 billion in 2019, with an 11% year-on-year increase, while the direct trade reported a 2% rise to AED 770 billion.

Free zones in Dubai are a key factor behind the emirate’s trade success. The sophisticated infrastructure of our free zones, especially Jebel Ali Free Zone (JAFZA), has helped businesses benefit from different incentives and facilities, and attracted more foreign investments over the years.

Globally, China was Dubai's largest trading partner with AED 150 billion, followed by India with AED 135 billion and the US with AED 77.7 billion. Regionally, Saudi Arabia is Dubai's largest Arab trade partner and the fifth globally, with AED 56 billion.

JORDAN'S REAL GDP GROWTH WILL ACCELERATE OVER THE COMING QUARTERS, SAYS FITCH SOLUTIONS

Jordan's real GDP growth will accelerate over the coming quarters, driven largely by expansive fiscal and monetary policy and by an on-going recovery in the tourism sector, as per Fitch Solutions. Real GDP growth is expected to reach 2.8% in 2020 and 3.0% in 2021, up from an estimated 2.0% in 2019.

Jordanian fiscal policy will be moderately expansionary in 2020 with spending set to increase by 6.1% year-on-year in nominal terms according to our forecasts. The bulk of spending increases will be allocated to higher public sector wages and social transfers, which will provide tailwinds to private consumption.

Fitch Solutions is also expecting inflation to remain benign, with price growth set to average 1.5% according to forecasts. This will mean that healthy nominal rates of growth for public and private consumption will translate into strong rates of expansion in real terms.

The report is also expecting monetary policy to remain relatively easy over the coming quarters, which will support headline growth. The Central Bank of Jordan steadily cut rates over the course of 2019 and Fitch Solutions expect these to be held steady in 2020 with risks towards additional easing. This would help to stimulate lending to the private sector, which has been rising steadily as a proportion of GDP over recent years. Easier monetary policy will also ease the debt servicing costs of the debt-laden government, helping to free up resources for spending elsewhere.

Fitch Solutions is also relatively upbeat on the prospects of the tourism industry, which has been undergoing a steady recovery over recent quarters after visitor numbers tanked during the 2011 Arab Spring.

Last but not least, Jordanian economic activity is not immune to the risks presented by the ongoing Covid-19 virus outbreak. Although the country had not reported any cases at the time of this article's publication at end-February, several other MENA countries had. The most direct impact on the economy will be via the aforementioned tourism industry, which will likely see a sharp drop in visitor numbers if the regional outbreak worsens and causes further travel bans.

KSA NON-OIL PRIVATE SECTOR EXPANDS AT SLOWEST PACE IN ALMOST TWO YEARS IN FEBRUARY, SAYS IHS MARKIT

Saudi Arabia's non-oil private sector expanded in February at its slowest pace in almost two years, pulled down by falling output and new orders as well as supply chain disruptions caused by the coronavirus, according to IHS Markit.

The seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index (PMI) fell to 52.5 in February 2020, the slowest growth since April 2018, from 54.9 in January. It remained above the 50.0 mark that separates expansion from contraction.

The latest survey data highlights a sharp loss of momentum since the start of 2020, with overall business conditions improving at the slowest pace for almost two years.

February data revealed additional challenges from international supply chain disruptions following the COVID-19 outbreak in China, with firms seeking to build up inventories and source alternative suppliers of critical components, as per HIS Markit.

Saudi Arabia, the world's biggest oil exporter, has been pushing to boost its private sector and diversify its economy away from oil, which accounts for the bulk of its revenues. But falling oil prices have weighed on Saudi growth in the past five years, and the coronavirus outbreak that began in China has compounded growth problems for the Kingdom, as per the report.

SURVEYS

ABU DHABI FIRST IN THE REGION IN HOTEL OCCUPANCY RATES IN 2019

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for 2019 (four and five star hotels), according to which occupancy rates increased in 12 cities within the region and decreased in two cities, namely Beirut and Dubai.

Occupancy rates increased in 12 of the 14 cities considered in the survey with Doha and Riyadh registering the most significant increase of 8.9% and 8.5% respectively. In contrast, occupancy rates declined in Beirut and Dubai which registered decreases of 3.4% and 0.6%, according to EY.

According to the survey, the cities of Abu Dhabi, Cairo-City and Dubai took over the first three ranks amongst peers in hotel occupancy, with 79.3% for Abu Dhabi, 75.6% for Cairo-City and 75.0% for Dubai.

At the lower end of the regional scale were Jeddah (58.3%), Kuwait City (57.2%) and Manama (53.3%), as per EY.

Furthermore, a total of three cities reported increases in the average room rate, registering 6.8% in the case of Beirut. The most significant upward movements after Beirut were posted by Abu Dhabi (+1.5%) and Manama (+0.7%). The most significant decreases were registered by Dubai (-14.0%), Muscat (-10.0%) and Ras Al Khaimah (-9.8%). Madinah reported no change in the average room rate.

Jeddah, Dubai and Beirut reported the highest average room rates of US$ 265, US$ 227 and US$ 201 respectively. At the lower end were Cairo-City, Doha and Abu Dhabi with US$ 113, US$ 112 and US$ 102 respectively.

In this context, the rooms' yield decreased in five cities while nine reported an increase, according to EY.

The most significant decreases were seen in Dubai, Kuwait City and Ras Al Khaimah with -14.7%, -7.7% and -6.7% respectively, according to EY.

Doha, Riyadh and Abu Dhabi reported the highest increases of 10.1%, 8.1% and 5.4% respectively. Dubai (US$ 170), Jeddah (US$ 154) and Beirut (US$ 124) had the highest rooms' yields, while those of Muscat (US$ 83), Abu Dhabi (US$ 81) and Doha (US$ 78) were the lowest, as per EY.

ERNST & YOUNG MIDDLE EAST HOTEL BENCHMARK SURVEY

	Occupancy %		Average Room Rate (US$)		Room Yield (US$)	
	2019	2018	2019	2018	2019	2018
Abu Dhabi	79.3	76.4	102	101	81	77
Cairo	75.6	73.0	113	115	85	84
Dubai	75.0	75.6	227	264	170	199
Ras al Khaimah	74.9	72.4	148	164	111	119
Doha	69.9	61.0	112	117	78	71
Makkah	66.6	62.1	170	178	113	110
Madinah	64.8	63.1	145	145	94	92
Riyadh	64.5	56.0	162	173	105	97
Muscat	62.7	60.1	132	147	83	88
Amman	61.9	59.3	144	149	89	88
Beirut	61.7	65.1	201	188	124	122
Jeddah	58.3	58.1	265	284	154	165
Kuwait City	57.2	56.5	160	175	91	99
Manama	53.3	51.6	161	160	86	83

Sources: Ernst & Young, Bank Audi's Group Research Department

60% OF DUBAI FIRMS OPTIMISTIC ABOUT BUSINESS CONDITIONS IN 2020, AS PER DUBAI ECONOMY

More and more companies are expecting better business conditions in Dubai in the first three months of 2020. According to a survey by the Dubai Economy, the proportion of companies anticipating better business conditions in the first three months of 2020 increased to 60%, from 58% in the last quarter. Improving domestic market conditions and strong prospects for international reach have seen businesses in Dubai welcoming 2020 with optimism, the Dubai Economy said in a statement. Entrepreneurs in Dubai were less upbeat last year, particularly in the third quarter, when 19% of businesses rated their performance as below par amid a slowdown in consumer spending and commercial activity.

Uncertainty over the US-China trade war also weighed down local business sentiments. Softer demand, lower margins and less projects have had an impact in the last quarter of 2019, the Dubai Economy said.

The latest UAE Purchasing Managers' Index (PMI) by IHS Markit, which tracks business activity, showed that conditions in the non-oil private sector last month deteriorated for the first time in 10 years. As a result, job numbers fell significantly. The indicator for jobs in the index] was at one of its lowest levels seen in the survey. The rate of employment decline was one of the quickest recorded. Despite the prevailing conditions, companies in Dubai are counting on Expo 2020 to unlock business opportunities. About 56% of those polled by the Dubai Economy said they expect a rise in commercial activity as a result of the Expo, while 20% expect improvement in business or market conditions.

A smaller number of firms (14%) expect "visitor activity" to increase, while 7% bank on more construction activity. Initiatives to reinforce Dubai as a gateway and enhance ease of doing business have had a significant impact on overall economic activity in the emirate and particularly on trade and tourism," said deputy director-general of Dubai Economy. As for their plans this year, the majority of companies (63%) said they intend to keep their prices unchanged, although 29%said they will consider increasing their rates, as they expect market and business conditions to improve. Firms in the manufacturing sector are more confident about their business prospects, including areas around salaries, sales revenues, volumes, profits and hiring compared to their peers in the services and trading industries. Within the manufacturing sector, businesses in the metals segment are the most optimistic about increasing volumes. The same is true for the food and beverages and textile segments in the trading sector. For companies operating in the services sector, the most optimistic about higher volumes are hotels, and restaurants, travel and car rental companies.

MENA WATER DESALINATION MARKET TO REACH US$ 4.3 BILLION BY 2022, AS PER VENTURES ONSITE

Water scarcity in the region is of a rising concern, particularly as governments are moving away from reliance on traditional water resources to meet population demands, according to the "MENA Desalination Market" report by Ventures Onsite. The MENA region's investment in the water desalination market has increased "substantially". It noted that 48% of global water desalination projects are taking place within the region, and that further investments are expected to reach some US$ 4.3 billion by 2022. The report went on to say that the Middle East remains as one of the most water-stressed regions in the world, with seawater desalination contributing over 90% of all daily water requirements. It added that GCC countries have the highest global water desalination capacity of 81%, producing around 40% of the total world water desalination. Seawater desalination capacity of GCC countries is expected to grow by at least 37% in the next five years with investments of up to as much as US$ 100 billion by 2020, the report noted.

According to the data published, Saudi Arabia is responsible for about one-fifth of global production and leads the world in the volume of desalinated water it produces which makes up 50% of its water consumed. The country is the largest desalination market in the world producing around four million cubic meters of desalinated water per day, and approximately US$ 80 billion is expected to be invested in new projects over the next ten years. The UAE is also developing key desalination projects, with the Taweelah plant in Abu Dhabi expected to have a capacity of 909,200 cubic meters of water per day and will be 44% larger than the world's current largest reverse osmosis plant and will open in Q4 2022.

CORPORATE NEWS

ADNOC AWARDS US$ 1.7 BILLION EPC PROJECT SERVICES CONTRACTS

The Abu Dhabi National Oil Company (ADNOC) said it awarded two contracts worth US$ 1.7 billion for providing engineering, procurement and construction (EPC) services at its offshore facilities within Dalma Gas Development Project site located about 190 kms northwest of the UAE capital.

The Dalma project is a key part of the Ghasha ultra-sour gas concession which is central to ADNOC's strategic objective of enabling gas self-sufficiency for the UAE.

The contracts were awarded to Petrofac Emirates - a joint venture between the British oilfield services firm Petrofac and Nama Project Services, a leading local service provider to the energy industry across the UAE - and a joint venture between Petrofac and Sapura Energy Berhad through its subsidiary's branch office in Abu Dhabi.

Both contracts are expected to be completed in 2022 and will enable the Dalma Gas Development project to produce around 340 million standard cubic feet per day (mmscfd) of natural gas.

ADNOC said 70% of the total award value will flow into the UAE's economy under its In-Country Value (ICV) program, reinforcing the Abu Dhabi group's commitment to maximizing value for the UAE as it delivers its 2030 strategy.

Under the terms of Package B EPC contract, valued at US$ 1.1 billion, Petrofac will carry out the EPC of gas conditioning facilities for gas dehydration, compression and associated utilities in Arzanah Island located 80 kms from Abu Dhabi city.

The gas will then be sent to Habshan Gas Processing Plant for further processing required to produce sales gas, condensate, and Sulphur, said the Abu Dhabi group.

On the Package A EPC contract valued at US$ 0.6 billion, ADNOC said the Petrofac-Sapura Energy JV will execute the work on the four offshore wellhead towers, pipelines and umbilicals in Hair Dalma, Satah, and Bu Haseer fields.

KUWAIT'S KAMCO INVEST ACQUIRES CALIFORNIA PROPERTY FOR US$ 286 MILLION

Kuwait's Kamco Invest acquired ServiceNow's world headquarters, a 328,867 square foot Class A office campus located in Silicon Valley, USA for an estimated value of US$ 286 million.

ServiceNow is one of the leaders in cloud computing and IT service management business solutions and is listed on New York Stock Exchange with a market capitalization exceeding US$ 50 billion.

SAUDI KEC AND OYO SIGN MoU FOR MANAGING 1,500 HOTEL ROOMS

Knowledge Economic City (KEC) signed a memorandum of understanding (MoU) with OYO Travel Technology to cooperate in managing and operating the Islamic World district project hotels.

The MoU paves the way towards a final agreement regarding the management and operations of 1,500 hotel rooms, under the OYO brand, as the first phase of cooperation between KEC and the hospitality firm in the new project.

KEC revealed that the MoU is valid for two years, according to a statement.

BESIX UNIT WINS CONTRACT TO BUILD TWO BRIDGES AND TUNNEL IN DUBAI

Besix Group, one of the world's leading international contractors based in Belgium, said one of its units, Six Construct, secured a contract from Dubai's Roads and Transport Authority (RTA) to build two flyover bridges, a one-lane ramp and a two-lane tunnel in the Shindagha district near Port Rashid.

The scope of work includes bridge works, pavement structure, signing and road marking, street lighting, traffic systems, storm water drainage system and diversion and protection of the existing services, said the statement from Belgian group.

It is part of RTA's Shindagha Corridor Improvement project, a 13 km-long road network along Sheikh Rashid, Al Mina, Al Khaleej, and Cairo Streets, that will be executed in five phases and is due for completion in 2027, it stated. Works began on the project in October last year and are due for completion in 2022, as per the same source.

The new infrastructure will enhance the Al Falcon junction at the intersection between Al Khaleej Street, Ghubaiba Street and Khalid Bin Al Waleed Street. It includes two flyover bridges along Al Khaleej Street with six lanes in each direction, a one-lane ramp from Khaled bin Al Waleed Street towards Al Khaleej Street northbound, and a two-lane tunnel for left-turn movements from Khaled Bin Al Walid Street to Mina Street southbound.

GFH ACQUIRES 70% STAKE IN FINTECH FIRM MARSHAL

Bahrain-based GFH Financial Group (GFH) announced the acquisition of a 70% stake in Marshal, a pan-MENA fintech company, made through its investment banking arm, GFH Capital.

Dubai-headquartered Marshal, established in 1981, is one of the largest and oldest enablers of payment technology in the Middle East. It serves 16 countries and holds an 85% market share in the UAE and a majority share across other regional markets in which it operates, as per a company official.

deNovo Corporate Advisors acted as sole M&A financial advisor to GFH on the acquisition. Freshfields Bruckhaus Deringer LLP acted as legal advisor to GFH while Bonelli Erede acted as legal advisor to Marshal.

KSA'S ARABIAN DRILLING AWARDS MODERNIZATION CONTRACT TO SIEMENS

Arabian Drilling Company awarded a contract for Siemens to modernize a complete and integrated drilling-drives lineup, including auxiliaries and controls, which will be installed on an offshore jack up drilling rig for a customer in the Middle East.

The upgrade will enable the customer to meet the latest safety standards, among other features and benefits.

Delivery of the new system is planned for the early part of 2021.

The contract includes engineering, design, manufacturing, and delivery of the fully integrated modernization solutions based on Siemens's BlueDrive technology.

The Master2Blue solution will use the footprint, cable network, and communication principles of the existing system, enabling quick, modular-style installation, commissioning and startup, according to a company statement.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES UNDER DOWNWARD PRICE PRESSURES ON DEEPENING CORONAVIRUS FEARS

MENA equity markets came under downward price pressures this week amid deepening coronavirus fears that have stoked concerns over global economic growth and oil demand. This was reflected by a 4.2% drop in the S&P Pan Arab Composite index.

The heavyweight Saudi Tadawul posted a 5.3% fall in prices week-on-week, as the rapid spread of coronavirus darkened the outlook for global growth and oil demand. Brent oil prices contracted by 14.3% week-on-week, falling below the US$ 50 threshold for the first time since March 2016. Within this context, the International Energy Agency said that global oil demand is expected to see during the first quarter of 2020 its first quarterly contraction in over a decade as the new coronavirus and widespread shutdown of China's economy hits demand for crude.

Under these conditions, heavyweight Saudi Aramco's share price retreated by 0.9% week-on-week to SR 33.35. SABIC's share price plummeted by 6.3% to SR 78.70. Yansab's share price shed 4.6% to SR 49.50. Sipchem's share price plunged by 7.0% to SR 15.60. Advanced Petrochemical Company's share price dropped by 3.8% to SR 44.85. Saudi Kayan Petrochemical Company's share price fell by 5.9% to SR 8.86. As to banking stocks, NCB's share price shed 5.1% to SR 44.30. Al Rajhi Bank's share price plunged by 5.5% to SR 61.90. Banque Saudi Fransi's share price dropped by 3.1% to SR 34.05. Also, Maaden's share price plummeted by 7.0% to SR 38.10. Travel operator Seera's share price tumbled by 12.7% to SR 19.80. Saudi Arabia temporality halted religious visits to help prevent the spread of coronavirus in the Kingdom.

The Qatar Exchange registered a 4.2% drop in prices week-on-week, mainly on growing concerns over the economic impact of coronavirus and due to ex-dividend activity. 43 out of 47 listed stocks registered price contractions, while three stocks posted price gains and one stock saw no price change week-on-week. Amongst banking stocks, QNB's share price decreased by 3.4% to QR 18.840. Qatar Islamic Bank's share price plummeted by 6.6% to QR 15.60. Commercial Bank of Qatar's share price declined by 3.1% to QR 4.525. Qatar International Islamic Bank's share price shed 7.6% to QR 8.50. Also, Ooredoo's share price plunged by 5.8% to QR 6.324. Vodafone Qatar's share price tumbled by 11.6% to QR 1.033. The stock traded ex-dividend on February 25, 2020. Qatari Insurance Company's share price plummeted by 11.5% to QR 2.70. The stock traded ex-dividend on February 26, 2020.

EQUITY MARKETS INDICATORS (FEBRUARY 23 TILL FEBRUARY 29, 2020)

Market	Price Index	Week-on Week	Year- to Date	Trading Value	Week-on Week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	59.6	1.5%	-14.5%	3.9	93.0%	0.5	6,445.0	3.2%	6.1	0.52
Jordan	354.2	-0.8%	-1.6%	34.9	2.2%	33.2	20,599.8	8.8%	11.2	1.34
Egypt	334.5	-5.3%	-3.1%	207.1	5.2%	1,169.4	46,079.1	23.4%	9.5	2.05
Saudi Arabia	332.2	-5.3%	-9.8%	5,328.0	39.9%	966.4	2,246,086.6	12.3%	16.1	2.27
Qatar	167.4	-4.2%	-9.4%	342.6	0.3%	485.2	143,641.6	12.4%	14.5	1.83
UAE	107.0	-4.3%	-5.6%	755.6	21.3%	1,075.8	249,563.8	15.7%	11.0	1.60
Oman	208.9	-1.6%	3.9%	32.4	-5.2%	84.1	17,487.5	9.6%	9.9	0.94
Bahrain	169.7	-0.7%	3.4%	10.7	-6.2%	22.7	25,871.1	2.1%	12.2	1.72
Kuwait	114.0	-1.6%	-4.9%	174.2	-61.1%	1,046.7	100,856.4	9.0%	17.1	1.88
Morocco	288.7	-1.4%	-0.8%	74.6	-25.6%	6.2	65,317.9	5.9%	20.6	3.20
Tunisia	70.8	0.3%	-2.1%	4.7	-6.6%	2.6	8,281.4	3.0%	14.4	3.01
Arabian Markets	**728.1**	**-4.2%**	**-7.7%**	**6,964.8**	**24.3%**	**4,892.9**	**2,930,230.5**	**12.4%**	**15.4**	**2.17**

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

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

The UAE equity markets registered a 4.3% decrease in prices week-on-week, as investors continued to weigh the economic risks of the spreading coronavirus. In Dubai, Air Arabia's share price plunged by 10.8% to AED 1.40. Arabtec Holding Company's share price shed 10.3% to AED 0.745. Deyaar Development's share price dropped by 8.8% to AED 0.310. Emirates NBD's share price went down by 3.1% to AED 12.55. Dubai Islamic Bank's share price closed 4.8% lower at AED 5.40. In Abu Dhabi, First Abu Dhabi Bank's share price fell by 2.1% to AED 14.32. ADCB's share price decreased by 5.9% to AED 7.13. Taqa's share price plunged by 9.8% to AED 0.655. Dana Gas' share price shed 3.1% to AED 0.875.

The Egyptian Exchange registered a 5.3% fall in prices week-on-week, amid a sell-off mood triggered by mounting concerns over the economic impact of coronavirus. Commercial International Bank's share price dropped by 4.0% to LE 82.56. Eastern Tobacco's share price shed 7.8% to LE 14.34. Ezz Steel's share price tumbled by 5.2% to LE 7.98. Palm Hills Development's share price plunged by 5.6% to LE 1.409. Talaat Moustafa Group's share price decreased by 1.8% to LE 7.52.

FIXED INCOME MARKETS: MENA BOND MARKETS DOWNBEAT ON GROWING CORONAVIRUS CONCERNS

MENA fixed income markets were mostly downbeat this week, mainly on growing fears about the economic impact of coronavirus and rising concerns about the effect of lower oil prices on fiscal balances in countries reliant on oil income. Within this context, Standard and Poor's said that GCC economies would be facing a major setback if the coronavirus outbreak in China would not be contained in the first quarter of 2020.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 registered price contractions of 0.75 pt and 1.25 pt respectively week-on-week. Saudi Aramco'24 closed down by 0.27 pt. STC'29 was down by 0.07 pt. Prices of SECO'24 decreased by 0.10 pt. Prices of SABIC'28 increased by 0.45 pt. Regarding new issues, Islamic Development Bank raised US$ 2 billion through the sale of a five-year Sukuk at 40 basis points over mid-swaps and at a profit rate of 1.809% payable on semi-annual basis. The bank hired Citi, Dubai Islamic Bank, HSBC, Islamic Corporation for the Development of the Private Sector, LBBW, Natixis and Standard Chartered Bank to arrange the deal.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 posted price retreats of 0.13 pt and 0.63 pt respectively this week. Ooredoo'25 traded down by 0.41 pt. As to papers issued by financial institutions, prices of Commercial Bank of Qatar'23 contracted by 0.08 pt. QIB'24 was up by 0.13 pt. Prices of QNB'24 improved by 0.07 pt.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 closed down by 0.50 pt and 0.63 pt respectively week-on-week. Prices of ADNOC'29 were down by 0.13 pt. Taqa'26 posted price retreats of 0.27 pt. In contrast, Mubadala'24 saw price gains of 0.12 pt. Etisalat'24 traded up by 0.22 pt. Amongst financials, ADCB'23 saw price contractions of 0.11 pt. Noor Bank Perpetual (offering a coupon of 6.25%) were down by 0.13 pt. In contrast, Al Hilal'23 closed up by 0.14 pt. FGB'24 registered price increases of 0.17 pt.

In the Dubai credit space, sovereigns maturing in 2029 were down by 1.72 pt week-on-week. Prices of Emaar'26 declined by 0.52 pt. DP World'30 closed down by 2.03 pts. Prices of Emirates Airline'28 contracted by 0.44 pt. Majid Al Futtaim'29 was down by 1.29 pt. As to papers issued by financial institutions, DIB Perpetual (offering a coupon of 6.75%) registered price falls of 0.33 pt. Emirates NBD Perpetual (offering a coupon of 6.125%) traded down by 0.49 pt.

In the Jordanian credit space, sovereigns maturing in 2027 and 2047 saw price contractions of 2.49 pts and 5.11 pts respectively week-on-week. Finally, in the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price falls ranging between 1.88 pt and 6.0 pts week-on-week. Prices of Euro-denominated sovereigns maturing in 2025 and 2030 decreased by 5.71 pts and 6.90 pts respectively.

All in all, activity in MENA fixed income markets was mostly skewed to the downside this week on growing coronavirus fears, while money continued to pour into US Treasuries, pressuring Central Bankers to cut rates by sending the yield on the two-year note below 1% for the first time since 2016.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	28-Feb-20	21-Feb-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	45	38	36	7	9
Dubai	116	99	91	17	25
Kuwait	42	40	37	2	5
Qatar	49	41	37	8	12
Saudi Arabia	77	61	57	16	20
Bahrain	201	169	176	32	25
Morocco	97	86	91	11	6
Egypt	334	260	277	74	57
Lebanon	23,525	15,415	2,418	8,110	21,107
Iraq	470	445	384	25	86
Middle East	**2,496**	**1,666**	**360**	**830**	**2,136**
Emerging Markets	**198**	**163**	**148**	**35**	**50**
Global	**490**	**351**	**173**	**139**	**317**

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$)	28-Feb-20	21-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)	15.63	15.55	16.05	0.5%	-2.7%
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)	3.67	3.66	3.66	0.1%	0.2%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	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)	9.62	9.71	9.57	-1.0%	0.5%
Tunisian Dinar (TND)	2.85	2.85	2.83	0.0%	0.7%
Libyan Dinar (LYD)	1.41	1.41	1.40	0.0%	0.8%
Sudanese Pound (SDG)	54.64	53.23	45.11	2.6%	21.1%

Sources: Bloomberg, Bank Audi's Group Research Department