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The MENA WEEKLY MONITOR

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MENA equity markets registered price gains week-on-week, as reflected by a 1.0% rise in the S&P Pan Arab Composite Index, mainly supported by price increases in the heavyweight Saudi Tadawul, the UAE equity markets and the Egyptian Exchange amid some favorable company-specific factors, while the Qatar Exchange registered shy price retreats. In parallel, activity in MENA fixed income markets was tilted to the upside, mainly tracking US Treasuries move after the US Federal Reserve put rate rises on hold and said that it would be "patient" when making decisions on future monetary policy.

MENA MARKETS: WEEK OF JANUARY 27 - FEBRUARY 02, 2019

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+1.0%	Weekly Z-spread based bond index	+0.1%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+6.4%	YTD Z-spread based bond index	-11.5%

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ECONOMY

MOODY'S SAYS OUTLOOK STABLE FOR LEVANT & NORTH AFRICA SOVEREIGNS IN 2019

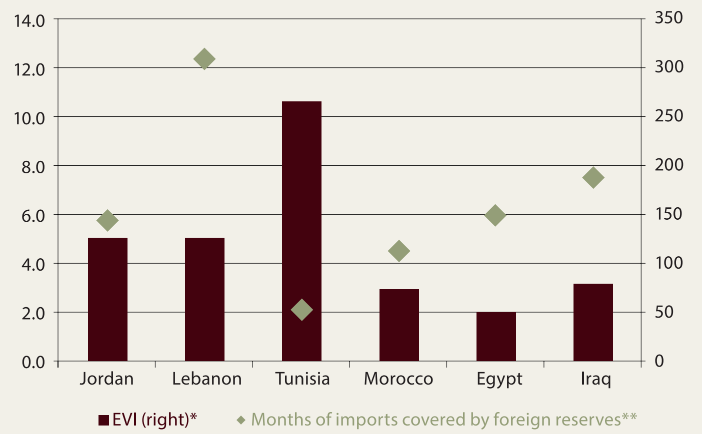
Moody's outlook for sovereign creditworthiness in the Levant and North Africa in 2019 is stable, reflecting its expectations for the fundamental credit conditions that will drive sovereign credit over the next 12-18 months. Modest domestic growth and further progress on fiscal consolidation will remain supportive of credit profiles. However, the pace of structural and fiscal reforms will slow in most countries. Moreover, high debt burdens, low debt affordability and large funding needs expose the region to rising interest rates and shifting capital flows. The improving security situation in some former conflict areas and planned reconstruction drives will support creditworthiness, but slowing global growth will weigh on the sovereigns with material trade exposures to Europe, as per Moody's. Moreover, the region will remain exposed to domestic political and geopolitical risks.

Growth continues to support credit profiles, but slowing global economy and persistent structural constraints start to bite, says the report. Structural reform in Egypt and Morocco, a gradual reopening of trade routes in former conflict areas and planned reconstruction drives in Iraq and Syria will support a modest acceleration in growth in 2019 in Iraq as well as Jordan. Moreover, close economic ties with oil-producing GCC countries will sustain tourism receipts and remittances in Jordan, Lebanon and Egypt. However, GDP growth will remain well-below pre-2009 trends, weighed down by unresolved structural challenges. With only moderate growth, the scope for reforms that would address some of these long-term constrains will remain limited in most countries, says Moody's.

Gradual winding down of armed conflicts in the region, the reopening of trade routes through the former conflict zones and international support for anticipated reconstruction efforts underpin growth prospects in Jordan, Iraq and Lebanon. Meanwhile, connections with the GCC will support tourism and remittances in Jordan, Lebanon and Egypt. However, slowing global growth and lingering conflict flare-ups will dampen the positive regional impact of security improvements in Iraq and Syria, as per the report.

However, risks are tilted to the downside, related to the global environment. Moody's expects the growth in the Group of 20 leading economies to slow to 2.9% in 2019 from 3.3% in 2018. Downside risks to baseline forecasts relate in particular to a potential intensification and broadening of the tensions between the United States and China and to a possible sharper tightening in financing conditions than currently assumed. Sovereigns with significant trade exposure, including Tunisia and Morocco who supply more

FOREIGN EXCHANGE RESERVE COVERAGE OF IMPORTS AND EVI



* External vulnerability indicator (%) for 2019. EVI is measured as the sum of short-term external debt and currently maturing long-term external debt to the available FX reserves of the Central Bank.

** Projected 2019 imports of goods and services covered by reserves at the end of 2018

Source: Moody's

than 80% of their exports to Europe, North America and Asia Pacific, would be most affected by a sharper slowdown.

But the region's long-standing structural challenges remain unaddressed, weighing most on the sovereigns with lowest economic strength, as per the report. Labor market inefficiencies including skill mismatches and low quality business environments continue to weigh on growth potential across much of the region, limiting the economies' shock-absorption capacity. Current growth rates are insufficient to reduce elevated unemployment rates and remain a source of domestic social and political pressure and event risk. Stagnating incomes in Jordan, Egypt's rapid population growth, and the region's relative scarcity of natural resources, including water, are likely to add to these pressures in the longer term.

EMIRATES NBD PMI FOR SAUDI ARABIA ROSE TO ITS HIGHEST LEVEL IN MORE THAN A YEAR IN JANUARY

The headline Emirates NBD PMI for Saudi Arabia rose to its highest level in more than a year in January. It climbed from 54.5 in December to 56.2 in January 2019.

The main driver was an acceleration in new orders growth, which appears to have been domestically driven, as export orders remained broadly flat month-on-month. Some of the growth in new orders was likely due to price discounting. Also, output prices fell by the most since May 2016. Firms were able to reduce selling prices as their purchasing costs also declined in January.

Output increased at a similar rate to December. The output index was slightly higher in January than in Q4 2018, but is still below the historical average of 63.0 suggesting that growth in output is still weaker than in previous years.

Firms increased their quantity of purchases in January, probably reflecting stronger order growth, and stocks of pre-production inventory also rose the most since September 2018.

The PMI survey showed only a modest rise in private sector jobs and wages last month, with 2.5% of firms surveyed reporting increased hiring and 2% reporting wage increases. Indeed the latest official data on jobs (Q3 2018) does not suggest a strong labour market, with fewer Saudis and non-Saudis in employment in Q3 2018 compared with a year earlier and fewer Saudis looking for work as well.

Business optimism about future output was the highest in more than five years in January 2019. The government has announced an ambitious budget for this year, with expenditure projected to rise more than 7%, as well as a number of initiatives to boost investment and expansion in the non-oil sectors of the economy, which likely contributed to positive business sentiment. The recovery in oil prices last month after a sharp sell-off in December likely also helped.

Emirates NBD expects non-oil sector growth to accelerate this year, provided oil prices remain in the US$ 60-US$ 70/b range, although oil sector growth is likely to be slower as a result of oil production cuts. Overall, the Saudi economy is expected to grow by 2.0% this year from an estimated 2.3% in 2018, as per Emirates NBD.

UAE STARTS TO RECOVER FROM SLOWDOWN THAT HIT GCC IN RECENT YEARS, SAYS IMF

The United Arab Emirates (UAE) is starting to recover from the economic slowdown that hit the Gulf Arab region in recent years and should continue implementing more economic reforms to establish a vibrant, diversified, and knowledge-based economy, according to the International Monetary Fund (IMF).

The country’s growth momentum is expected to strengthen in the next few years with increased investment and private sector credit, improved prospects in trading partners, and a boost to tourism from Expo 2020, as per the same source.

The UAE's economy, like most countries of the Gulf Cooperation Council, was badly hit by an economic slowdown that followed the sharp fall in oil prices that began in the second half of 2014 and lasted for over a year.

It is worth noting that oil prices remain volatile following a recovery last year, but prices remain higher than the lows reached in 2014 and 2015, as per the report.

The IMF maintained its most recent forecasts for the UAE's overall growth, with real GDP projected at around 3.7% for 2019–20, up from 2.9% last year. It expects non-oil growth to stand at 3.9% this year, rising to 4.2% in 2020.

The IMF Executive Directors agreed that creating a vibrant, diversified, and knowledge-based economy would require continued reforms to boost the role of the private sector and promote talent and inclusiveness. They welcomed the recently announced reforms, including the liberalization of foreign investment, and encouraged the authorities to swiftly implement them, while broadening and deepening policy initiatives to improve productivity and competitiveness.

Last year, the UAE took a number of economic reform decisions, including announcing plans to introduce 100% foreign ownership for onshore companies, but it is expected to announce the list of the sectors that would be granted this special permit this quarter. It also approved a new, 10-year-visa scheme for certain individuals such as doctors, engineers, entrepreneurs and innovators.

The UAE also approved a law that would allow expats to stay in the country after they retire provided that they own a property worth two million dirhams, or have at least one million dirhams in savings, or an active income of at least 20,000 dirhams per month.

KUWAIT'S TRADE SURPLUS LEAPS 77% YEAR-ON-YEAR IN THE FIRST 11 MONTHS OF 2018

Kuwait's trade surplus leapt 77.1% year-on-year in the first 11 months of 2018, according to data released by the Central Statistical Bureau (CSB).

From January to November, the GCC nation's trade balance surplus amounted to KWD 10.2 billion (US$ 33.8 billion), against KWD 5.8 billion (US$ 19.1 billion) in the corresponding period of 2017.

The rise in trade surplus was supported by the 34.2% year-on-year growth in Kuwait's exports to KWD 20.2 billion in the January-to-November period of 2018 from KWD 15.0 billion in the previous year.

Meanwhile, Kuwait's imports grew by 7.4% to KWD 9.9 billion in the 11-month period, against KWD 9.2 billion in the same period of 2017.

The Gulf nation's trade balance surged by 24.0% to KWD 30.1 billion in the 11 months ended 30 November 2018, compared to KWD 24.3 billion in the corresponding months a year earlier.

On a monthly basis, Kuwait's trade surplus jumped by 22.8% to KWD 905.0 million in November, from KWD 737.0 million in the same period of 2017, on the back of a 9.4% rise in exports to KWD 1.7 billion.

Meanwhile, the GCC nation's trade balance went up by 5.3% to KWD 2.51 billion in November, from KWD 2.4 billion a year ago.

SURVEYS

MIDDLE EASTERN AND AFRICAN RATED INSURERS WELL CAPITALIZED TO OFFSET REGIONAL RISKS, AS PER AM BEST

Suppressed oil prices have impacted the economies of countries in the Middle East and Africa, although (re)insurers rated by AM Best in the region generally remain well-capitalized, according to a new report by AM Best.

In the Best's Special Report, titled, "Middle Eastern and African Rated Insurers Well Capitalized to Offset Regional Risks," AM Best states that political instability presents another headwind for (re)insurers operating in the Middle East and Africa. Yet despite the economic and political challenges, the majority of rating actions (75%) in the Middle East and Africa during 2018 were affirmations, with slightly more downgrades than upgrades.

Entities rated by AM Best are based throughout the Middle East, in particular in the Gulf Cooperation Council (GCC) countries. The main markets are the United Arab Emirates (UAE), Bahrain, Jordan, Qatar, Kuwait, Lebanon and Egypt.

While rated companies in the Middle East have been impacted by the price of oil declining from the high levels reached at the end of 2014, rated entities based in Africa (Nigeria and Kenya, as well as across North Africa) have also been affected, albeit to a considerably lesser extent than those in the GCC.

Market conditions in the Middle East and Africa remain challenging, as per AM Best. One of the principal reasons is the influx of capacity, which has driven competition, strained pricing, and led to weaker technical results. In addition, there has been an increase in the number of large to medium-sized property and energy losses in the region, which have also strained underwriting performance. However, pockets of opportunity exist, with some markets encouraging new business through the introduction of mandatory health care.

The report examines how regulatory developments have played a role in improving risk awareness, particularly in Saudi Arabia and the UAE, as the Saudi Arabian Monetary Authority and the Insurance Authority have enforced regular actuarial reserving requirements and pricing reviews.

AM Best regards changes such as these to be positive as some regulators have adopted advanced, well-developed capital systems utilizing risk based capital. Although this causes pain for participants in the short term, it generally has a positive long-term effect.

DECLINE IN JORDAN'S NEW VEHICLE SALES IN 2018, AS PER FITCH SOLUTIONS

Jordanian new vehicle sales performed very poorly across 2018, with sales down by some 40% over 10M18, to 23,855 units. There were a number of reasons behind this poor sales performance. First, despite the country's economy being set to post estimated growth of 2.2% in 2018, most Jordanian consumers still lacked sufficient disposable income to make "big-ticket" purchases, such as a new car, against a backdrop of continued government austerity, high unemployment and rising inflation. Second, in February 2018 the government sharply increased the sales tax levied on hybrid cars (from 25% to 55%), which led to a collapse in demand for these types of vehicle over most of H118, until a reversal in the government's position (back to 30% tax) in June 2018.

Looking forward, Fitch Solutions believe that many of the same economic and political risk factors that have undermined sales so dramatically across 2018 will remain in play moving through 2019, leading to the maintenance of a very cautious stance on the evolution of new vehicle sales over the medium term. Fitch Solutions believes that the Jordanian market is set for, at best, only modest growth over the coming 12-month period. For 2019, therefore, the agency is forecasting just 2.2% growth in new vehicle sales, with risks to this forecast remaining to the downside. Over the coming year, used cars will continue to account for the majority of vehicles sold in Jordan, underlining the fact that owning a new car remains out of reach for most citizens.

Fitch Solutions believes that the sales outlook is slightly brighter for the CV segment as moving into 2019. The Country Risk team is forecasting Jordanian real GDP growth to accelerate moderately to 2.5% year-on-year in 2019, up from 2.2% in 2018. This slightly higher growth environment should continue to encourage Jordanian small- to medium-sized businesses to invest more in fleet renewal, lending support to light commercial vehicle (LCV) sales in particular. Rising net exports should also support headline growth, with the reopening of borders with Iraq and Syria in H218 likely to help in boosting trade in goods. Import growth, which came in at -1.3% in nominal terms over January-August 2018, looks set to remain low amid still-sluggish domestic demand, aiding Jordan's net export position. Fitch Solutions also sees scope for an increase in fixed investment over 2019, which should boost demand for heavy commercial vehicles (HCVs) as infrastructure projects are pursued. Improving regional stability, resultant opportunities for export growth, and government changes aimed at easing popular discontent in June will likely help strengthen investor confidence.

With regard to its expectations for new PV sales, Fitch Solutions believes that recent measures such as the introduction of a new income tax law, are likely to constrain Jordanian households' purchasing power over the coming months, reducing demand for 'big-ticket' items, such as a new car. In addition, the government - which accounts for over half of all employment - will retain a limited ability to create new jobs and raise wages. As private sector activity picks up only gradually, the unemployment rate - recorded at 18.7% in Q218 - is likely to remain elevated, further dampening private consumption levels. Moreover, high inflation (driven by rising oil prices, subsidy cuts and tax hikes) and interest rates both pose downside risks to new PV sales, with higher interest rates set to lead to higher vehicle financing rates for those Jordanian consumers dependent on a loan to fund a new car purchase.

BIG SPENDING AND MEGA PROJECTS TO SPARK SAUDI REAL ESTATE GROWTH, AS PER JLL

Increased government spending and progress on giga-project developments such as the King Salman Energy Park (Spark) provide a catalyst for future investment opportunities in Saudi Arabia, according to Jones Lang Lasalle (JLL), a real estate investment and advisory firm.

With stronger oil revenues and progress on new social reforms, the Kingdom's GDP growth levels are expected to register 2.4 % in 2018 according to Oxford Economics, up from -0.9% in 2017, stated JLL in its report.

The "2018 Year in Review" provided an overview of the Saudi real estate's market performance across the residential, office, retail and hotel sectors, in light of macro-economic factors and new government initiatives affecting the market's future outlook.

The year 2019 is expected to witness ongoing activity on the back of the Kingdom's largest-ever expansionary budget – SR 1 trillion (US$ 266 billion) in spending - and commitment to driving economic growth in line with Vision 2030's objectives, it stated.

With conditions remaining soft across most sectors of the market in 2018, the hospitality and entertainment industries witnessed several major development announcements, said JLL in its report. These included the launch of Al Qiddiya in Riyadh and Amaala, the luxury wellness destination forming part of a giga-projects investment portfolio launched by The Public Investment Fund (PIF), it added.

According to JLL, the entertainment sector saw the return of cinemas sparking development opportunities and significant retail opportunities. While economic reforms have weighed on the purchasing power of residents, namely VAT, subsidy cuts and expatriate levy, the retail sector overall is set to benefit from the long term growth potential presented by reformative changes.

The year 2018 saw significant progress with the inauguration of the 448-km Al Haramain High Speed Railway and the soft opening of the new King Abdulaziz International Airport in Jeddah. The market dynamics in Saudi Arabia have seen a major shift in the last year, with significant government investment and new reforms expected to have a positive long term impact on the Kingdom's real estate market, as per JLL.

CORPORATE NEWS

TRAFIGURA JV TO BUILD US$ 2.8 BILLION METAL SMELTER IN SAUDI ARABIA

Global commodities trader Trafigura reached an agreement to build a giant copper, zinc and lead smelting complex in Saudi Arabia at an investment of US$ 2.8 billion.

The mega project, SmeltCo, which will come up in Ras Al Khair Mineral City in Saudi Arabia, would be equally owned by Trafigura and Modern Mining Holding - an affiliate of the Riyadh-based Modern Industrial Investment Holding Group. Upon completion, the integrated smelter complex will boast an annual capacity of 400,000 tons of copper, 200,000 tons of zinc and 55,000 tons of lead.

As per the deal, Trafigura would provide its knowledge and understanding of the metals and mining industry and its own in-house technical and operational expertise to support the Kingdom's Vision 2030, as per a company statement.

The JV partners pointed out that SmeltCo was a pioneering project that would create significant value-added products capable of competing globally, thus giving in a major boost to the domestic metals and minerals conversion industry besides creating job opportunities for Saudi citizens.

ACCIONA WINS US$ 572 MILLION SAUDI DESALINATION PROJECT DEAL

Acciona, a supplier of sustainable infrastructure solutions and renewable energy projects, has secured a € 500 million (US$ 572 million) contract from the Saudi government to finance, design and build the new Shuqaiq 3 desalination plant and operate and maintain it for 25 years.

The project was awarded by Water and Electricity Company (WEC), the State-owned company in charge of desalination and water treatment projects, to the Acciona consortium which comprises partners Marubeni Corporation, Abdul Latif Jameel-CDC and Rawafid Alhadarah Holding Company, said a statement from Acciona.

The Spanish group said one of its business units, Acciona Agua, will be involved throughout the project structure as an investor, sole EPC (turnkey) contractor and leading and majority partner in operation and maintenance. The project will be implemented under a BOO (build, own and operate) model.

Located in the country's southwest, on the shores of the Red Sea, and scheduled for completion in 2021, Shuqaiq 3 will be one of Saudi Arabia's biggest desalination plants, using inverse osmosis technology and with a capacity to process 450,000 cubic meters per day, to cater for a population of two million people. It will also incorporate a solar photovoltaic facility to reduce its specific power consumption, said the developer.

As part of the project's social outreach measures, in the first few years the consortium will offer academic and practical training to residents of the area in order to nurture the development of water industry professionals, said the statement from Acciona.

SIEMENS LANDS US$ 228 MILLION DUQM POWER AND WATER PROJECT DEAL

Global technology giant Siemens secured a contract from the Oman government for supply of gas and steam turbines, long-term power generation services and digital solutions at its Duqm Integrated Power and Water project (DIPWP). The total order volume of the contract was in the range of € 200 million (US$ 228.3 million).

Spanning a period of 25 years, the service contract for the project marks also one of the company's longest contracts in the oil and gas sector globally. Following completion of the project in 2022, DIPWP will have an installed generating capacity of 326 MW in combined-cycle duty and 36,000 cubic meters of desalinated water for Duqm refinery and petrochemical facilities per day.

According to Siemens, the plant is set to meet the requirements of the new refinery and petrochemical complex under development at the Duqm Special Economic Zone in Oman, thus complementing the country's economic diversification plan and focus on building up its industrial sector.

The Siemens scope of supply includes a combined cycle power plant consisting of five SGT-800 industrial gas turbines, five SST-300 industrial steam turbines, and the corresponding control system. Additionally, the project scope includes Siemens' cybersecurity solutions to improve asset visibility, reliability and security, while decreasing operation and maintenance costs.

UAE'S YELLOW DOOR ENERGY RAISES US$ 65 MILLION FOR SOLAR PROJECTS

UAE-based Yellow Door Energy, a solar energy developer, raised US$ 65 million in Series A financing to scale its investments in solar energy and energy efficiency solutions in the Middle East and Africa (MEA).

The investment comes from International Finance Corporation (IFC), a World Bank member, Mitsui & Co (Mitsui), Equinor Energy Ventures (Equinor), Arab Petroleum Investments Corporation (Apicorp), and UAE-based Adenium Energy Capital (Adenium), the founding investor of Yellow Door Energy since 2015.

Yellow Door Energy provides solar leases and energy savings contracts to commercial and industrial businesses to help them reduce energy costs, improve power reliability and lower carbon emissions.

SAUDI ARAMCO IN DEAL WITH AXENS AND TECHNIPFMC ON CRUDE TO CHEMICALS TECHNOLOGY

Saudi Aramco's unit Saudi Aramco Technologies signed a joint agreement with Axens and TechnipFMC to accelerate development and commercialization of its catalytic crude to chemicals technology, as per a statement by the Saudi oil company.

Saudi Arabian Oil Company operates as integrated energy and chemicals company in Saudi Arabia. The company is engaged in the exploration, production, refining, distribution, shipping, and marketing of hydrocarbons, production of petrochemical products and production and export of crude oil and natural gas liquids.

UAE'S NSHAMA INKS DEAL WITH MAJID AL FUTTAIM RETAIL

Nshama, a UAE-based developer of master-planned communities, signed a contract with Majid Al Futtaim Retail to open a new Carrefour Hypermarket in Town Square Dubai.

Spanning 8,000 square feet, the Carrefour Hypermarket will be centrally located in Town Square Dubai and is scheduled to open in the third quarter, said the statement from Nshama.

BAHRAIN'S INVESTCORP LAUNCHES INDIA OPERATIONS WITH IDFC DEAL

Bahrain-based Investcorp, a global company for alternative investment products, launched its operations in India with the imminent completion of its first deal, acquiring two businesses of IDFC Alternatives. The acquisition includes the Private Equity and Real Estate investment management businesses of IDFC Alternatives, a subsidiary of IDFC Limited, a company listed on the National Stock Exchange of India (NSE) and the Bombay Stock Exchange (BSE).

This transaction will mark Investcorp's entry into India and is in line with the firm's long-term strategy of expanding its investment footprint and client franchise globally. The acquisition of IDFC Alternatives' Private Equity and Real Estate businesses along with the existing team of around 20 people will provide Investcorp with immediate access to the large and growing Private Equity and Real Estate markets in India, together with an experienced team of seasoned professionals with a network of well-established relationships in the domestic market developed over many years.

CAPITAL MARKETS

EQUITY MARKETS: WEEKLY PRICE GAINS IN REGIONAL EQUITIES, HELPED BY FAVORABLE FINANCIAL RESULTS

MENA equity markets registered price gains week-on-week, as reflected by a 1.0% rise in the S&P Pan Arab Composite Index, mainly supported by price increases in the heavyweight Saudi Tadawul, the UAE equity markets and the Egyptian Exchange amid some favorable company-specific factors, while the Qatar Exchange registered shy price retreats.

The heavyweight Saudi Tadawul posted price increases of 1.4% this week, mainly helped by some favorable financial results. Riyad Bank's share price surged by 6.5% to SR 22.66. Riyad Bank announced 2018 net profits of SR 4.7 billion as compared to net profits of SR 3.95 billion in the previous year. Bank Al Jazira's share price went up by 3.2% to SR 16.76. Bank Al Jazira announced 2018 net profits of SR 1 billion versus net profits of SR 858 million in the previous year. Saudi Investment Bank's share price climbed by 6.1% to SR 20.50. Saudi Investment Bank announced a 3.4% yearly increase in its 2018 net profits to reach SR 1.46 billion. Alinma's share price closed 0.4% higher at SR 24.14. The bank posted a 25.2% yearly rise in its 2018 net profits to reach SR 2.5 billion. Yansab's share price jumped by 7.2% to SR 68.90. Yansab announced 2018 net profits of SR 2.41 billion against net profits SR 2.38 billion a year earlier. National Company for Glass Industries (Zoujaj) posted a 2.8% rise in its share price to reach SR 18.68. The company announced a 13.0% yearly increase in its 2018 net profits to reach SR 29.7 million.

The UAE equity markets registered a 1.9% rise in prices week-on-week, mainly supported by some favorable company-specific factors. In Dubai, Tabreed's share price increased by 1.2% to close at AED 1.74. Tabreed reported a 7% annual increase in net profits to reach AED 428 million for the full year 2018. Deyaar Development's share price surged by 5.0% to AED 0.379. Deyaar Development posted 2018 net profits of AED 140 million as compared to net profits AED 130 million in 2017. In Abu Dhabi, First Abu Dhabi Bank's share price nudged up by 0.3% to AED 14.74. First Abu Dhabi Bank announced a 3.9% yearly rise in its 2018 fourth quarter net profits to reach AED 2.93 billion. ADCB's share price went up by 2.2% to AED 9.35. ADCB reported net profits of AED 4.8 billion for the year 2018, up by 13% year-on-year. Union National Bank's share price closed 1.8% higher at AED 5.20. ADCB, UNB and Al Hilal Bank agreed to a merger that would create the third largest bank in the UAE, with circa US$ 114 billion of assets.

EQUITY MARKETS INDICATORS (JANUARY 27 TILL FEBRUARY 02, 2019)

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	81.4	0.7%	-2.9%	2.1	-50.1%	0.3	8,848.0	1.2%	5.0	0.67
Jordan	386.9	0.5%	1.4%	26.8	-6.3%	17.2	23,147.8	6.0%	13.5	1.42
Egypt	306.5	5.5%	11.3%	325.7	137.2%	1,184.6	46,441.6	36.5%	10.4	1.78
Saudi Arabia	372.6	1.4%	10.0%	4,795.2	26.6%	823.1	540,833.7	46.1%	16.5	2.37
Qatar	194.6	-0.2%	3.2%	371.3	17.5%	42.6	168,849.7	11.4%	14.9	2.11
UAE	116.4	1.9%	2.9%	500.3	36.8%	706.6	243,081.6	10.7%	11.7	1.77
Oman	205.6	0.2%	-3.5%	21.5	-51.5%	51.0	18,243.7	6.1%	9.6	1.00
Bahrain	127.4	2.3%	6.4%	23.7	4.0%	32.2	21,852.8	5.6%	10.3	1.22
Kuwait	96.4	-1.1%	1.8%	436.9	49.4%	886.8	87,557.7	25.9%	15.1	1.59
Morocco	270.4	0.4%	0.4%	61.9	7.4%	3.1	61,361.4	5.2%	17.5	2.61
Tunisia	70.1	0.9%	-0.2%	7.6	-5.0%	4.4	8,101.1	4.9%	13.6	2.39
Arabian Markets	**775.7**	**1.0%**	**6.4%**	**6,573.1**	**29.8%**	**3,752.0**	**1,228,319.0**	**27.8%**	**14.7**	**2.08**

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

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

The Egyptian Exchange reported a 5.5% surge in prices week-on-week, mainly driven by some favorable company-specific factors. Ezz Steel's share price climbed by 8.9% to LE 20.16. HC Research upgraded its recommendation for the stock to "overweight" with a price target of LE 27. Heliopolis Company's share price surged by 9.2% to LE 18.67. The company announced plans to implement housing and commercial projects by developing unutilized land. Global Telecom Holding's share price skyrocketed by 44.9% to reach LE 4.52. The firm's major shareholder, VEON Ltd, said that it has agreed to support Global Telecom's "immediate funding requirements related to the servicing of certain debt obligations and an interest payment to external bondholders," and is exploring the option of taking the company private.

In contrast, the Qatar Exchange posted a 0.2% retreat in prices week-on-week. 20 out of 46 listed stocks registered price falls, while 22 stocks recorded price gains and four stocks saw no price change week-on-week. Doha Bank's share price plunged by 4.7% to QR 21.14. Doha Bank announced 2018 net profits of QR 830 million as compared to net profits of QR 1.1 billion in the previous year. Also, the bank's Board of Directors recommended the distribution of dividends at a rate of QR 1 per share for the year 2018 as compared to a dividend of QR 3 per share in 2017. QIIB's share price edged down by 0.1% to QR 68.84. QIIB's Board of Directors recommended the distribution of dividends at a rate of QR 4 per share for the year 2018, with no change relative to the previous year, despite announcing a 6.0% yearly rise in its 2018 net profits to reach QR 882 million.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS TILTED TO THE UPSIDE

Activity in MENA fixed income markets was tilted to the upside this week, mainly tracking US Treasuries move after the US Federal Reserve put rate rises on hold, citing tepid inflation in the US, slower growth in major markets including China and Europe, elevated uncertainty around US government policies including trade, the recent US government shutdown, Brexit and rising risks to global economic growth, adding that it would be "patient" when making decisions on future monetary policy.

In Abu Dhabi, sovereigns maturing between 2021 and 2047 registered price increases of up to 0.70 pt week-on-week. Mubadala papers saw price gains across the board, with papers maturing between 2020 and 2041 recording price rises of up to 1.21 pt. Dolphin'19 and '21 closed up by 0.03 pt and 0.14 pt respectively. Prices of ADNOC'29 went up by 0.43 pt. Etisalat'24 traded up by 0.32 pt. Taqa papers maturing between 2021 and 2036 saw price increases of up to 0.85 pt.

As to papers issued by financial institutions, ADCB papers maturing between 2019 and 2023 registered price improvements of up to 0.57 pt this week. Prices of Union National Bank'21 and '23 went up by 0.24 pt and 0.48 pt respectively. Al Hilal Bank'23 and Perpetual closed up by 0.24 pt and 0.09 pt respectively. Moody's affirmed the local and foreign currency long-term and short-term deposit ratings of ADCB at "A1/P-1", Union National Bank at "A1/P-1" and Al Hilal Bank PJSC long-term and short-term issuer ratings at "A2/P-1". In addition, Moody's affirmed the baseline credit assessments (BCAs) and adjusted BCAs, of ADCB at "baa3/baa3" and UNB at "baa3/baa3". Moody's also affirmed the BCA of AHB at "ba3" and upgraded its adjusted BCA to "ba1" from "ba3". The outlook on all banks' long-term ratings is maintained at "stable", as per Moody's.

In the Qatari credit space, sovereigns maturing between 2020 and 2048 posted price rises of up to 1.22 pt this week. CI Ratings affirmed Qatar's long-term foreign currency and long-term local currency issuer ratings at "AA-". The sovereign's short-term foreign currency and short-term local currency ratings were also affirmed at "A1+". CI Ratings revised the outlook for the ratings to "stable" from "negative".

Also, prices of Ooredoo papers maturing between 2021 and 2043 improved by 0.11 pt to 0.62 pt week-on-week. Amongst financials, Commercial Bank of Qatar'19 (offering a coupon of 2.875%), '21 and '23 were up by 0.16 pt, 0.13 pt and 0.50 pt respectively. Prices of QNB papers maturing in 2020 and 2021 improved by up to 0.22 pt. QNB hired a group of banks including Barclays, Deutsche Bank, ING and Standard Chartered for a US dollar-denominated bond deal. Qatar Islamic Bank'20 and '22 were up by 0.42 pt and 0.20 pt respectively. CI Ratings affirmed Qatar Islamic Bank's Financial Strength Rating at "A", with a "stable" outlook. The bank's long-term and short-term foreign currency ratings are also affirmed at "A+" and "A2", respectively. The outlook on the long-term foreign currency ratings is raised to "stable" from "negative", in line with the recently raised outlook on the sovereign rating, as per CI Ratings.

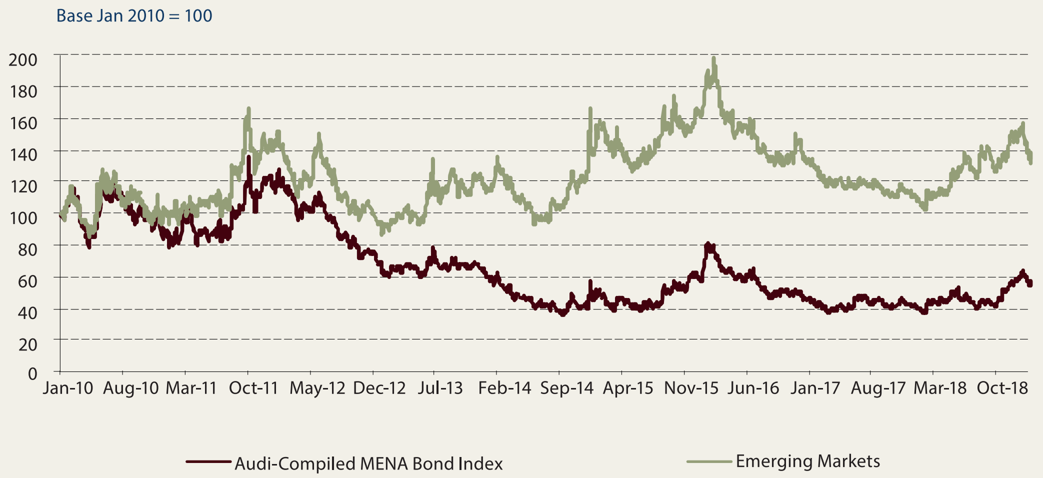
Finally, in the Egyptian credit space, sovereigns maturing in 2022 were up by 0.37 pt this week. Egypt'23 and '25 closed up by 0.21 pt each. Prices of sovereigns maturing in 2040, 2047 and 2048 improved by up to 0.58 pt. Euro-denominated sovereigns maturing in 2026 were up by 0.26 pt. Regarding plans for new issues, Egypt announced plans to issue a number of US dollar-denominated and Euro-denominated bonds as well as green bonds by the end of fiscal year 2019. Goldman Sachs, JP Morgan, HSBC and Citi would manage the dollar-denominated bond issue, while BNP Paribas, Natixis, Alex Bank and Standard Chartered would manage the euro-denominated bond issue, according to Egyptian officials.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	01-Feb-19	25-Jan-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	61	64	67	-3	-6
Dubai	125	126	129	-1	-4
Kuwait	67	67	66	0	1
Qatar	71	73	82	-2	-11
Saudi Arabia	90	89	105	1	-15
Bahrain	258	268	293	-10	-35
Morocco	108	108	111	0	-3
Egypt	415	408	391	7	24
Lebanon	708	778	770	-70	-62
Iraq	401	401	519	0	-118
Middle East	**231**	**239**	**254**	**-8**	**-23**
Emerging Markets	**191**	**191**	**188**	**0**	**3**
Global	**165**	**172**	**189**	**-7**	**-24**

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	B-/Stable/B	Caa1/Stable	B-/Negative/B
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	NR
Egypt	B/Stable/B	B3/Positive	B/Positive/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+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB/Stable/B	Baa3/Negative	BB+/Stable/F3
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 * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	01-Feb-19	25-Jan-19	31-Dec-18	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)	17.64	17.89	17.92	-1.4%	-1.6%
Iraqi Dinar (IQD)	1,192.80	1,192.80	1,192.68	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)	3.65	3.65	3.65	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	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)	117.65	119.05	117.65	-1.2%	0.0%
Moroccan Dirham (MAD)	9.52	9.54	9.54	-0.2%	-0.2%
Tunisian Dinar (TND)	3.03	3.04	3.05	-0.5%	-0.5%
Libyan Dinar (LYD)	1.38	1.39	1.40	-0.8%	-1.5%
Sudanese Pound (SDG)	47.62	47.62	47.62	0.0%	0.0%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER