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## The MENA WEEKLY MONITOR

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## Markets In Brief

**p.9 ACTIVITY IN MENA CAPITAL MARKETS TILTED TO THE UPSIDE THIS WEEK**

Activity in MENA equity markets was mostly skewed to the upside this week, as reflected by a 1.0% increase in the S&P Pan Arab Composite Index, mainly supported by price gains in the heavyweight Saudi Tadawul, the Qatar Exchange, the UAE equity markets and the Egyptian Exchange amid oil price rises and some favorable market-specific and company-specific factors. In parallel regional bond markets saw mostly upward price movements, supported by oil price gains, while also tracking US Treasuries move after weaker-than-expected core US inflation.

## MENA MARKETS: WEEK OF MARCH 10 - MARCH 16, 2019

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+1.0%	Weekly Z-spread based bond index	-0.6%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+5.7%	YTD Z-spread based bond index	-11.0%

**ECONOMY**

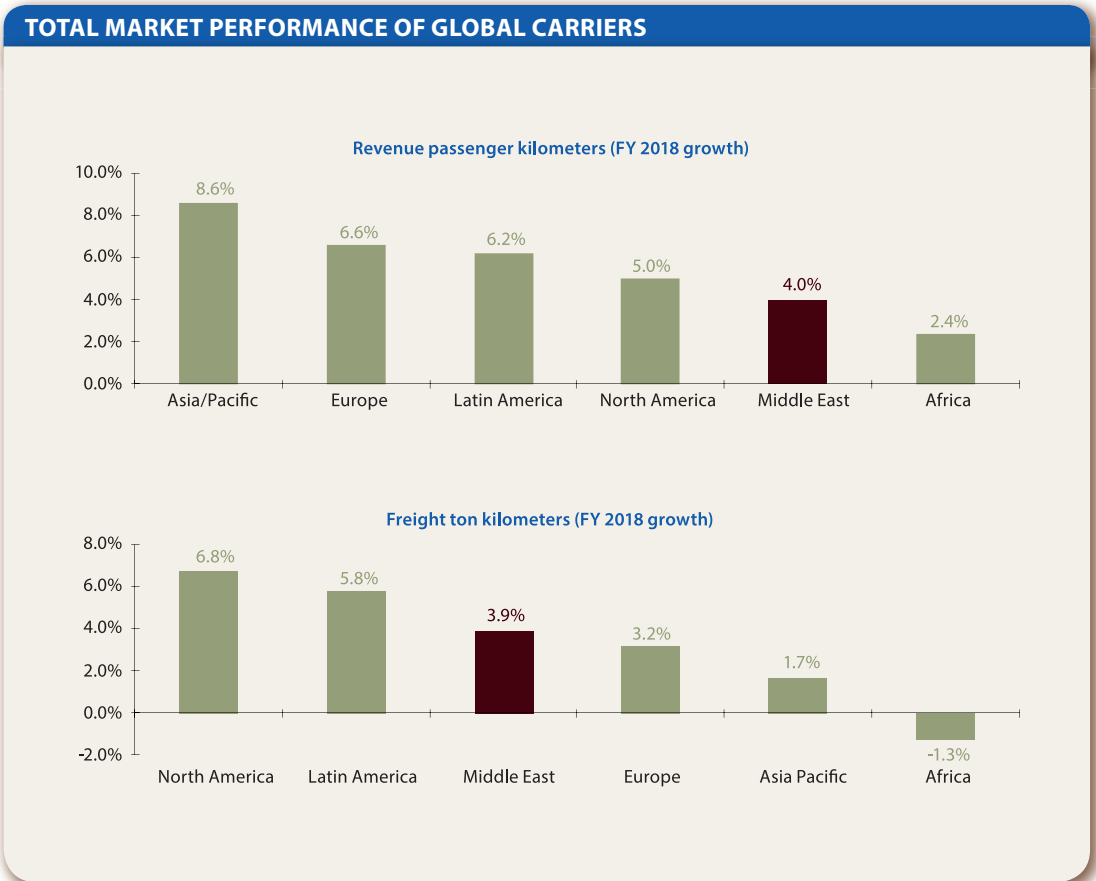
**IATA SAYS MIDDLE EASTERN CARRIERS' PASSENGER AND FREIGHT ACTIVITY GREW BY 4% IN 2018**

Figures released by the International Air Transport Association (IATA) covering the full-year 2018 show that air passenger and freight activity as recorded by Middle Eastern carriers rose by 4% last year, slowing down relative to the previous year's growth rates.

At the level of the air passenger market, carriers based in the Middle East saw a slowdown in their full-year international revenue-passenger-kilometers growth rate in 2018 from close to 7% in 2017 to around 4% in 2018. Also, the region's share of global traffic fell for the second consecutive year to around 9%, following a period of strong gains over the previous two decades, as per IATA.

Annual growth in international RPKs in the Middle East was volatile over the course of the year, reflecting the impact of a number of policy measures and geopolitical tensions in recent years, including the ban on portable electronic devices and travel restrictions.

Globally, industry-wide RPKs rose by 6.5% in 2018, i.e. at a slower pace compared to 2017. The moderation in traffic came alongside growing signs of slowing global economic expansion in the second half of 2018. Global passenger traffic is carrying solid momentum into 2019, as per the IATA, which forecasts passenger demand to rise by 6.0% this year, marking the tenth consecutive year of above-trend growth in RPKs. The outlook is being supported by forecasts of a still relatively sound global economy. Having said that, the slower rate of RPK growth in the second half of last year and the rising uncertainty about global economic conditions in 2019 pose downside risks to the passenger demand growth forecast in the upcoming year, as per the IATA.



Sources: IATA, Bank Audi's Group Research Department

At the level of the air freight market, carriers based in the Middle East saw a slowdown in their annual growth rate from circa 8% in 2017 to 3.9% last year, the third highest yearly growth rate among other regions after North America (+6.8%) and Latin America (+5.8%) and slightly above the global average growth rate of 3.5%.

Globally, freight-ton-kilometers rose by a moderate 3.5% last year, down from a well above-trend pace of 9.7% in 2017 and also a little weaker than IATA forecasts for the year (4.1%). While a slowdown in freight demand growth was expected following the boost from the inventory restocking cycle in 2017, the IATA added that there are indications that the data are also reflecting the impact of the increasing headwinds to freight demand from renewed signs of weakness in global trade and economic indicators.

### **LOAN LOSSES AT UAE BANKS EXPECTED TO RISE OVER THE NEXT 12 TO 18 MONTHS, SAYS MOODY'S**

According to a report by Moody's, loan losses at UAE banks are expected to rise over the next 12 to 18 months as falling real estate prices and rising interest rates reduce the cash flow of borrowers.

Increased bank lending to the sector, primarily owing to significant real-estate construction developments, a focus on secured lending, and technical loan reclassification, has coincided with a decline in real estate prices owing to high supply and weak demand.

However, tighter regulation on real-estate exposures since the 2008 financial crisis would help to moderate the risks, and the strong capital and profitability of UAE banks provide good loss absorption buffers.

There is limited market transparency on real estate price fluctuations, but based on anecdotal evidence, residential real-estate prices in Dubai and Abu Dhabi are estimated to have fallen by around 23% since their peak mid-2014, as per Moody's.

Thus, higher exposure to real estate will weaken loan quality, says Moody's. Involvement in large real estate developments and infrastructure projects ahead of Dubai's Expo 2020, as well as a focus on collateralized lending after high delinquencies at small and mid-sized businesses, have contributed to a rapid increase in banks' construction and real-estate lending. Lending to these segments rose to 20% of total lending at the end of 2018, from 16% at the end of 2015. The real-estate and construction industries have historically been volatile and have contributed materially to banks' problem loans. This is due to rapid supply and demand shifts in the market, partly related to a reliance on demand from foreign investors.

The rating agency added that weakening construction and real-estate markets and higher global interest rates would put pressure on borrowers. Property prices have declined in recent years, hit by low oil prices and a substantial increase in property supply. The subdued real-estate market, combined with higher interest rates, would reduce the cash flows of borrowers through lower rental prices, extended payment cycles and higher financing costs. Moody's expects financing costs to increase for borrowers as local interest rates increase in tandem with US interest rates, due to the exchange rate peg. In addition, a decline in the value of banks' real-estate collateral will push them to increase their loan-loss provisioning.

Moody's explained that strengthened regulation post the financial crisis would help to moderate the risk, and strong capital and profitability provide sound buffers. Stronger regulation and tightened underwriting practices introduced after the 2008 financial crisis would help to moderate the risks. In addition, UAE banks benefit from high buffers in the form of strong capital adequacy (14.0% tangible common equity to risk weighted assets at June 2018) and healthy profitability (1.7% net income to tangible assets). Provisioning coverage of problem loans is adequate, with loan loss reserves accounting for 104% of the banks' problem loans.

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## S&P'S "STABLE" OUTLOOK ON JORDAN REFLECTS EXPECTATIONS THAT DONOR FUNDING WOULD CONTINUE TO SUPPORT FINANCING NEEDS AND KEEP DEBT-SERVICING COSTS LOW

Standard & Poor's (S&P) affirmed the "B+/B" long-term and short-term foreign and local currency sovereign credit ratings on Jordan. The outlook remains "stable".

At the same time, the rating agency affirmed its "B+" long-term foreign currency issue rating on the sovereign-guaranteed bond of senior unsecured debt issued by The Development and Investment Projects Fund of the Jordan Armed Forces.

The "stable" outlook balances S&P's expectation that over the next 12 months donor funding would continue to support the government's financing needs and keep debt-servicing costs low, against the risk that the government would significantly increase spending to alleviate social and economic challenges.

The ratings on Jordan are constrained by its high public debt and the economy's large external financing needs, which are driven by sizable current account deficits. Ongoing pressures from regional conflicts have significantly increased its population through refugee inflows, while slowing its growth trajectory.

The country's policymaking and institutional capacity have been strained by both the regional protests and revolutions of 2011 and the Syrian crisis. Large refugee inflows, resulting in a population increase of 50% since 2011, and security concerns have weighed on public resources. In particular, rising military, medical, and education costs have led to a deterioration in Jordan's fiscal position and increased its debt levels, as well as heightened its dependence on donor support.

The ratings are, however, supported by the authorities' fiscal consolidation efforts and measures taken to reduce losses at SOEs. S&P projects that government debt would gradually decrease over the forecast horizon through 2022. S&P expects that further international assistance, particularly from the U.S. and the Gulf Cooperation Council (GCC; Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), would be forthcoming if needed. This continues to support S&P's rating on Jordan.

Standard & Poor's could lower its ratings on Jordan if it saw higher debt accumulation by the central government and/or State-owned enterprises (SOEs) such as National Electric Power Company (NEPCO). It could also lower the ratings if domestic or external funding sources were to become strained. This could happen, in S&P's view, if the Social Security Investment Fund's (SSIF) holdings of government debt were to reach a level indicating restricted capacity to further increase their exposure to the government or if strong bilateral and multilateral donor support were to diminish.

The rating agency could raise the ratings if Jordan's external imbalances were to narrow significantly, boosting foreign exchange reserves, or if previous terms-of-trade volatility stabilized.

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## EGYPT'S GAS PRODUCTION TO INCREASE TO 7 BILLION SCF/DAY NEXT JUNE

Egypt's Ministry of Petroleum aims to increase the country's natural gas production to 7 billion cubic feet daily (scf/day) by June, compared to the current production of 6.8 billion scf/day through increasing gas production from the Zohr field.

The increase from Zohr to 2.6 billion scf/day compared to 2.3 billion scf/day would compensate for the natural decline rates and increase the total local production.

New projects were connected to higher production, such as Zohr, Nawras, North Alexandria and 9B. The latter have contributed to increasing Egypt's natural gas production.

Moreover, the consumption rates of natural gas in the local market is growing, as per Reuters. The consumption of the electricity sector represents 61% of the total natural gas consumption, while the rest of the sector such as industry, household, and petroleum products consume 39%.

## SURVEYS

### UAE TOPS MENA REGION IN 2019 RULE OF LAW INDEX, AS PER THE WORLD JUSTICE PROGRAM

According to The World Justice Program's recently released Rule of Law Index 2019 report, the United Arab Emirates ranked first in the MENA region and 32nd in the world in the Rule of Law index with a score of 0.64, while Egypt took over the last position in the region and 121st globally with a score of 0.36.

The WJP Rule of Law Index 2019 presents a portrait of the rule of law in 126 countries by providing scores and rankings based on eight factors: constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice, and criminal justice.

The country scores and rankings for the WJP Rule of Law Index 2019 are derived from more than 120,000 household surveys and 3,800 expert surveys in 126 countries and jurisdictions. The Index is the world's most comprehensive dataset of its kind and the only to rely principally on primary data, measuring countries' adherence to the rule of law from the perspective of ordinary people and their experiences, as per the World Justice Program.

In details, the UAE and Egypt maintained their global rank from the previous year, while Jordan, Tunisia, Morocco and Iran ranked in lower positions. Only the rank of Lebanon improved.

It is worth noting that the UAE topped the region in most of the indicators studied in the report, namely the absence of corruption, order and security, regulatory enforcement and civil and criminal justice. However, the country ranked second in the constraints on government powers, fifth in fundamental rights and sixth in open government.

#### RULE OF LAW INDEX IN THE MIDDLE EAST AND NORTH AFRICA

	Overall Score	Global Rank
United Arab Emirates	0.64	32
Jordan	0.57	49
Tunisia	0.53	61
Algeria	0.51	72
Morocco	0.50	74
Lebanon	0.47	89
Iran	0.45	102
Egypt	0.36	121

Sources: The World Justice Program, Bank Audi's Group Research Department

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## MIDDLE EAST AND AFRICA REGION WILL SEE 200 MILLION MORE INTERNET USERS BY 2022, AS PER CISCO

The number of internet users in the Middle East and Africa region is expected to reach 549 million by the end of 2022, nearly 200 million more than the figure reported in 2017, according to US-based Cisco's latest Virtual Networking Index (VNI) report.

This means internet users will account for 32% of the MEA region's population at the end of the forecast period, up from 23% in 2017.

The region will also account for 11% of global internet users, estimated to reach 4.8 billion, by 2022.

The growth is expected to accelerate considering it took over two decades for the region to gain 350 million internet users, as per the managing director – East Region at Cisco MEA.

Governments' digitalization programs, increased internet of things (IoT) adoption and the availability of 5G are some of the key reasons expected to drive internet user growth across the region.

Cisco's VNI forecasts that the number of internet-connected devices across MEA will increase by 47% from 1.7 billion in 2017 to 2.5 billion by 2022.

Video viewing will also account for 81% of total internet traffic by the end of the forecast period, compared to 65% at the end of 2017, as per the same source.

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## EXECUTIVES IN THE MIDDLE EAST ARE NOT SWAYED BY GEOPOLITICAL RISK FACTORS, AS PER THE EIU

A new report by The Economist Intelligence Unit (EIU) "Leadership amid transformation: Business opportunities and risks in the Middle East", explores the most important geopolitical and macroeconomic risks facing senior executives in the Middle East, how executives are adjusting their market expansion strategies, and how businesses are adapting to advanced-technology led industry disruption.

The report, commissioned by banking group, Emirates NBD, is based on a survey of 400 senior executives (conducted between July and September 2018) from companies with headquarters in the Middle East.

According to the EIU, while not immune to the ongoing regional issues, business executives in the region have a longer-term view of these geopolitical risks and have learned to successfully navigate this complex environment. Executives recognize the longer-term shifts in oil demand and supply and the risks to economic growth associated with a continued reliance on oil. They strongly advocated for economic diversification to reduce the region's exposure to oil price volatility.

The report highlights that short-term mega events in the region (Expo 2020 Dubai and the World Cup in 2022) are perceived to bring positive spillovers. Respondents believe the economic benefits of Dubai's hosting of Expo 2020 will be felt beyond the UAE's borders— more than 60% of respondents in Saudi Arabia, Kuwait, Jordan, Egypt and Oman and Bahrain cited the event as an opportunity.

In the long-run, executives are most optimistic about the digital transformation under way in their countries. Over 55% of respondents have taken five or more steps to prepare for the adoption of advanced technologies. Upskilling employees (71% of respondents) and hiring new talent (66%) were prioritized over investments and redesigning business practices.

Furthermore, region-wide interviews attribute the slow adoption of advanced technologies to limited understanding among senior management, although the survey identified high capital investment, cyber-security risks and the skills shortage as greater impediments. Non-C-suite respondents are more likely to recognize that advanced technologies will increasingly disrupt their business than the C-suite.

## CORPORATE NEWS

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### SAUDI'S ACWA POWER PLANS US\$ 3 BILLION INVESTMENT IN EGYPT

Saudi-based ACWA Power, a developer of power and water desalination projects, is set to invest around US\$ 3 billion in Egypt's electricity projects during this year.

The utility developer has collaborated with Hassan Allam Holding Company to establish a 2.3-megawatt (MW) power plant in Luxor.

The power plant, being built at a cost of US\$ 2.3 billion, is expected to start Phase One of the operation in the summer of 2022 and the full commercial operation in the summer of 2023.

The power purchase agreement (PPA) is under a build-own-operate (BOO) framework with a term of 25 years. The project will be vital in meeting Egypt's increasing demand for electricity over the next years, particularly in the upper Egypt region.

The US\$ 3 billion will be allocated for implementing investments in the Upper Egypt governorates of Luxor, Aswan's Benban Solar Park, along with other projects.

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### KUWAIT-SAUDI CONSORTIUM WINS US\$ 400 MILLION OMAN SOLAR POWER STATION BID

A Kuwait-Saudi Arabia consortium won a US\$ 400 million bid to build a solar power station for the Oman Power and Water Procurement Company (OPWP).

The consortium includes Saudi Arabia's ACWA Power and Kuwait's Gulf Investment Corporation and Alternative Energy Projects Company.

The project includes the construction, ownership, and operation of a 500 megawatt independent power project, which should supply power to 33,000 houses when it begins commercial operations in early 2021, OPWP said.

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### ETIHAD UNITS SIGN KEY DEALS WITH SKY PRIME

Etihad Aviation Group's Engineering and Aviation Training divisions signed contracts to collaborate with Sky Prime, one of the largest private aviation operator in the Middle East, based in Riyadh, Saudi Arabia.

Etihad Airways Engineering has added another key customer to its VIP aircraft maintenance portfolio by joining hands with Sky Prime. The agreement allows the two companies to collaborate in multiple areas of operation, from heavy maintenance and cabin modification support including Part 21J and Part 21G engineering services.

Under the scope of the new agreement, Etihad Airways Engineering has already delivered C-checks and cabin repairs to two VIP aircraft in the Sky Prime fleet, at Maintenance, Repair and Overhaul (MRO) facility in Abu Dhabi. Additional projects are planned over the coming months which will see the engineering team deliver a wide range of engineering solutions to Sky Prime.

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### HCT SECURES DUBAI SOUTH SOLAR ROOFTOP EPC DEAL

South Energy, the energy solution arm of Dubai South (the rebranded Dubai World Central), signed up HCT Technical Services (HCT) to provide the engineering, procurement and construction (EPC) services for a 2 MWp photovoltaic system to cater to five of its facilities.

HCT, the solar arm of Haji Commercial Company (HCC), is a Dubai Electricity and Water Authority (DEWA)-approved solar contractor.



Set to power up the Dubai South headquarters and four freight complexes, this project is South Energy's first lease solar rooftop initiative where it will finance at zero upfront cost for Dubai South, manage the EPC and operate the solar plant within the ideal lifespan of 20 years, said the company in a statement.

The deal comes in line with Dubai's efforts to increase sourcing energy needs from renewable energy and meet the goals under Dubai Clean Energy Strategy 2050, as per the CEO of South Energy.

The solar plant is set to generate more than 3,000 Wh of clean energy annually and can cover from 40% up to 100% of the facilities' electricity consumption, which when achieved can cut 1,500 tons of carbon dioxide emissions per year.

South Energy is continuously working on boosting its solar activities in Dubai with another 3.5 MWp project under tender and a promising more than 40 MWp in the planning stage, as per a company statement.

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### **ENEC SIGNS MoU WITH SPANISH NUCLEAR GROUP**

The Emirates Nuclear Energy Corporation (ENEC) said it has signed an agreement with Spanish State-owned company Enusa Industrias Avanzadas for collaboration and exchange of information and expertise in the field of nuclear fuel services.

Enusa, which was incorporated in 1972, is a major player in the engineering, manufacture and supply of nuclear fuel to nuclear power plants as well as to the provision of a broad scope of fuel related services.

Owned by the SEPI holding and the CIEMAT, Enusa supplies fuel assemblies to the Spanish reactors and exports more than 60% of the production at its Juzbado nuclear fuel plant.

The memorandum comes within the framework of ENEC's strategy of working with international companies based in countries with established nuclear energy programs, as per ENEC's CEO.

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### **ADNOC AWARDS INPEX ONSHORE EXPLORATION RIGHTS**

The Abu Dhabi National Oil Company (ADNOC), a global energy and petrochemicals group, signed an agreement awarding the exploration rights for Abu Dhabi Onshore Block 4 to Japan's Inpex Corporation.

A wholly-owned Inpex subsidiary, Jodco Exploration Limited, will hold and manage the interest in the concession on behalf of Inpex.

Inpex will hold a 100% stake in the exploration phase, investing up to AED 646 million (US\$ 176 million), including a participation fee, to explore for and appraise oil and gas opportunities in the block that covers an onshore area of 6,116 square kms from Abu Dhabi city to the boundary with the Emirate of Dubai.

Following exploration activities and appraisal of the existing discoveries, Inpex will have the opportunity to develop and produce any commercial discoveries. ADNOC has the option to hold a 60% stake in the production phase of the concession.

As well as drilling wells to appraise existing discoveries, the exploration phase will see Inpex leverage and contribute financially and technically to ADNOC's mega seismic survey, which is already acquiring seismic data onshore and offshore within the block area. The survey is deploying industry-leading technologies to capture high-resolution 3D images of the complex geology up to 25,000 feet below the surface and will be used to identify potential hydrocarbon reservoirs.



## CAPITAL MARKETS

### EQUITY MARKETS: ACTIVITY IN REGIONAL EQUITIES SKEWED TO THE UPSIDE THIS WEEK

Activity in MENA equity markets was mostly skewed to the upside this week, as reflected by a 1.0% increase in the S&P Pan Arab Composite Index, mainly supported by price gains in the heavyweight Saudi Tadawul, the Qatar Exchange, the UAE equity markets and the Egyptian Exchange amid oil price rises and some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul registered price gains of 1.4% week-on-week, mainly driven by some favorable company-specific factors and a 2.2% rise in Brent oil prices amid falling US crude stockpiles that have added to the evidence of a tightening market after OPEC and its allies have curbed production and Venezuela's oil exports have collapsed under political turmoil. Also, some market players sought to add Saudi stocks to their holdings ahead of the inclusion of Saudi Arabia in the FTSE Russell emerging market index on March 18, 2019.

Petrochemicals giant SABIC's share price closed 2.1% higher over the week at SR 124.20. SABIC announced plans to merge its units Saudi Petrochemical Company and Arabian Petrochemical Company during the second half of 2019 to increase efficiency in its global operations. Yansab's share price surged by 5.0% to SR 73.50. Sipchem's share price went up by 2.0% to SR 20.80. Sahara Petrochemical Company's share price rose by 0.7% to SR 16.54. Also, Arriyadh Development Company's share price went up by 2.6% to SR 20.78. The Capital Market Authority approved an increase in capital to SR 1.78 billion from SR 1.33 billion through a bonus share issue. Al Babbain Power and Telecommunication's share price climbed by 5.1% to SR 23.20. The company was awarded a US\$ 69.5 million contract to manufacture and supply metal structures. NCB's share price surged by 3.5% to SR 53.40. Al Rajhi Bank's share price closed 1.8% higher at SR 99.70.

The UAE equity markets managed to end the week on a positive note despite ex-dividend activity, as reflected by 0.9% increase in the S&P UAE price index, mainly supported by sizeable inflows into heavyweight stocks in the Abu Dhabi Securities Exchange, and driven by some favorable company-specific factors. First Abu Dhabi Bank, which is the largest stock by market capitalization on the Abu Dhabi Securities Exchange, registered a 4.3% jump in its share price to close at AED 14.50. First Abu Dhabi Bank approved an increase in foreign ownership limit from 25% to 40% last month, and expects this development to be reflected in the MSCI index review in May 2019. Etisalat's share price edged up by 0.5% to close at AED 16.88.

#### EQUITY MARKETS INDICATORS (MARCH 10 TILL MARCH 16, 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	82.1	-1.5%	-2.1%	0.9	-87.8%	0.1	8,921.0	0.5%	5.1	0.68
Jordan	398.9	-0.4%	4.5%	30.4	-8.6%	22.4	23,323.8	6.8%	13.7	1.68
Egypt	331.6	0.6%	20.4%	305.2	24.0%	1,022.5	49,977.9	31.8%	11.7	2.26
Saudi Arabia	374.9	1.4%	10.7%	4,187.6	24.5%	682.2	543,878.2	40.0%	17.5	2.41
Qatar	177.4	1.3%	-5.9%	680.1	158.1%	75.7	153,758.4	23.0%	13.4	1.90
UAE	115.3	0.9%	1.9%	686.9	81.8%	984.2	241,017.4	14.8%	11.6	1.73
Oman	201.8	-0.8%	-5.3%	23.3	29.6%	55.4	17,702.1	6.9%	9.5	0.96
Bahrain	132.0	-0.2%	10.2%	13.5	3.2%	18.4	20,999.8	3.3%	10.2	1.28
Kuwait	99.1	0.9%	4.6%	791.1	141.5%	785.8	88,892.1	46.3%	14.7	1.68
Morocco	257.9	-1.2%	-4.3%	30.2	43.3%	1.4	58,806.9	2.7%	17.6	2.87
Tunisia	65.9	-2.4%	-6.2%	6.3	-25.7%	3.1	7,543.6	4.3%	14.0	2.75
<b>Arabian Markets</b>	<b>770.2</b>	<b>1.0%</b>	<b>5.7%</b>	<b>6,755.5</b>	<b>44.4%</b>	<b>3,651.2</b>	<b>1,214,821.2</b>	<b>28.9%</b>	<b>14.9</b>	<b>2.11</b>

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

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

In Dubai, Aramex's share price jumped by 10.3% to AED 4.80. Australia Post Transaction Services sold its 10% stake in Aramex for about AED 603 million, opening the door to new foreigners especially that the stock is at the 49% regulatory limit of foreign ownership. Emaar Malls' share price surged by 7.1% to AED 1.80. Emaar Malls' Board of Directors is set to meet on March 20, 2019 to discuss a proposal on dividend distribution for the year 2018.

The Egyptian Exchange saw a 0.6% rise in prices week-on-week, mainly helped by some favorable company-specific factors. Oriental Weavers' share price increased by 2.8% to LE 12.66. Oriental Weavers' Board of Directors recommended the distribution of dividends at a rate of LE 1.5 per share for the year 2018. Edita Food Industries' share price jumped by 10.5% to LE 19.82. Edita Food Industries announced plans to inject around LE 450 million in its potential expansions during the current year, including plans to expand towards Morocco. El Sewedy Electric's share price edged up by 0.6% to LE 16.97. El Sewedy Electric's Board of Directors approved signing a US\$ 150 million revolving credit facility with Cairo-based African Export-Import Bank.

The Qatar Exchange registered a 1.3% increase in prices week-on-week, mainly supported by oil price gains and some favorable company-specific factors. 24 out of 46 listed stocks posted price gains, while 21 stocks recorded price falls and one stock saw no price change week-on-week. Industries Qatar, which is the second heaviest stock by market capitalization on the bourse, saw a 1.9% increase in its share price to close at QR 122.0. AlphaMena upgraded Industries Qatar to "buy" with a price target of QR 152. Ooredoo's share price jumped by 10.3% to QR 69.50 ahead of a general assembly meeting on March 19, 2019 to discuss the distribution of dividends for the year 2018. Milaha's share price surged by 6.9% to QR 67.90 ahead of a general assembly meeting on March 18, 2019 to discuss the distribution of dividends for the year 2018.

#### **FIXED INCOME MARKETS: MOSTLY UPWARD PRICE MOVEMENTS IN MENA BOND MARKETS THIS WEEK**

MENA fixed income markets saw mostly upward price movements this week, supported by oil price gains amid signs of a global supply crunch, while also tracking US Treasuries move after weaker-than-expected core US inflation backed expectations that the US Federal Reserve would remain pat on any interest rate moves throughout the year 2019.

In the Qatari credit space, sovereigns maturing between 2020 and 2049 saw price increases ranging between 0.06 pt and 1.82 pt week-on-week. Ooredoo papers maturing between 2023 and 2043 posted price rises of up to 0.69 pt. Prices of RasGas'19 and '20 improved by 0.07 pt and 0.24 pt respectively. As to papers issued by financial institutions, Commercial Bank of Qatar'19 and '21 registered price increases of up to 0.28 pt. Qatar International Islamic Bank'24 closed up by 0.11 pt. Fitch affirmed Qatar International Islamic Bank's long-term IDR at "A", with a "stable" outlook. QIIB's IDRs reflect Fitch's expectation of an extremely high probability of support from the Qatari authorities for domestic banks in case of need. Prices of QNB'20 and '21 improved by up to 0.61 pt. Fitch affirmed Qatar National Bank's long-term IDR at "A+", with a "stable" outlook.

In the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2047 registered price gains of 0.75 pt, 1.06 pt and 2.21 pts respectively week-on-week. As to credit ratings, Standard & Poor's affirmed Jordan's foreign and local currency sovereign ratings at "B+/B" with a "stable" outlook, on expectations that a strong investment pipeline supported by international donors and rising exports would help boost growth.

In the Saudi credit space, sovereigns maturing between 2021 and 2050 posted price improvements of up to 0.85 pt week-on-week. SABIC'23 and '28 closed up by 0.35 pt and 0.50 pt respectively. Prices of SECO papers maturing between 2022 and 2044 expanded by up to 0.81 pt. Dar Al Arkan'19, '22 and '23 were up by 0.36 pt, 1.97 pt and 1.90 pt respectively. Prices of Almarai'24 improved by 0.11 pt.

In the Bahraini credit space, sovereigns maturing between 2024 and 2047 posted price gains ranging between 0.38 pt and 2.08 pts this week. Bahrain's CDS spreads contracted by 11 bps. Batelco'20 was

up by 0.35 pt. Prices of Mumtalakat'21 improved by 0.44 pt. NOGA'27 and '28 closed up by 0.42 pt and 0.39 pt respectively.

In the Abu Dhabi credit space, sovereigns maturing between 2021 and 2047 saw price improvements of up to 1.04 pt this week. Prices of Mubadala papers maturing between 2021 and 2041 rose by up to 0.78 pt. Dolphin'19 and '21 were up by 0.19 pt and 0.40 pt respectively. Prices of Etisalat'21, '24 and '26 went up by 0.29 pt, 1.09 pt and 0.05 pt respectively. Taqa papers maturing between 2021 and 2036 saw price increases of 0.11 pt to 1.14 pt.

In the Dubai credit space, prices of sovereigns maturing between 2021 and 2043 expanded by up to 0.81 pt week-on-week. DP World papers maturing between 2020 and 2048 registered price gains of up to 0.66 pt. Emirates Airline'25 and '28 were up by 0.43 pt and 0.14 pt respectively. Regarding plans for new issues in the UAE, National Bank of Fujairah PJSC announced plans to raise US\$ 350 million by tapping capital markets for a Tier1 issue this year.

### MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	15-Mar-19	08-Mar-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	58	61	67	-3	-9
Dubai	123	126	129	-3	-6
Kuwait	64	64	66	0	-2
Qatar	67	75	82	-8	-15
Saudi Arabia	78	86	105	-8	-27
Bahrain	242	253	293	-11	-51
Morocco	96	99	111	-3	-15
Egypt	316	318	391	-2	-75
Lebanon	742	763	770	-21	-28
Iraq	361	369	519	-8	-158
<b>Middle East</b>	<b>215</b>	<b>222</b>	<b>254</b>	<b>-7</b>	<b>-39</b>
<b>Emerging Markets</b>	<b>121</b>	<b>128</b>	<b>188</b>	<b>-7</b>	<b>-67</b>
<b>Global</b>	<b>159</b>	<b>163</b>	<b>189</b>	<b>-4</b>	<b>-30</b>

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 &amp; FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch		
<b>LEVANT</b>					
Lebanon	B-/Negative/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		
<b>GULF</b>					
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	Ba1/Negative	BB+/Stable/F3		
Yemen	NR	NR	NR		
<b>NORTH AFRICA</b>					
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					
<b>FX RATES (per US\$)</b>	<b>15-Mar-19</b>	<b>08-Mar-19</b>	<b>31-Dec-18</b>	<b>Weekly change</b>	<b>Year-to-date</b>
<b>LEVANT</b>					
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)	17.39	17.42	17.92	-0.2%	-3.0%
Iraqi Dinar (IQD)	1,182.28	1,187.58	1,192.68	-0.4%	-0.9%
<b>GULF</b>					
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	3.66	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)	0.39	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
<b>NORTH AFRICA</b>					
Algerian Dinar (DZD)	119.05	119.05	117.65	0.0%	1.2%
Moroccan Dirham (MAD)	9.60	9.63	9.54	-0.4%	0.6%
Tunisian Dinar (TND)	3.01	3.04	3.05	-1.0%	-1.3%
Libyan Dinar (LYD)	1.39	1.39	1.40	0.0%	-0.8%
Sudanese Pound (SDG)	47.62	47.62	47.62	0.0%	0.0%

Sources: Bloomberg, Bank Audi's Group Research Department

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