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The MENA WEEKLY MONITOR

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In its recently issued World Economic Outlook report, the IMF said that growth in the Middle East, North Africa, Afghanistan, and Pakistan region is expected to decline to 1.5% in 2019, before recovering to about 3.2% in 2020.

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Private equity firm Carlyle Group said it reached an agreement with Abu Dhabi-based Mubadala Investment Company to acquire a significant minority interest in leading Spanish energy major Cepsa.

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Markets In Brief

p.9 MIXED PRICE MOVEMENTS ACROSS REGIONAL CAPITAL MARKETS

MENA equity markets registered shy price gains week-on-week, as reflected by a 0.5% rise in the S&P Pan Arab Composite Index, mainly supported by price increases in the Qatar Exchange, the UAE equity markets and the Saudi Tadawul amid some favorable company-specific factors. However, regional bond markets saw mostly downward price movements, tracking US Treasuries move following a stronger-than-expected increase in China’s exports and lending activity and a lower-than-expected slide in Eurozone industrial activity in March 2019, and as some market players sought to leave room for new bond issues in the region.

MENA MARKETS: WEEK OF APRIL 07 - APRIL 13, 2019

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.5%	Weekly Z-spread based bond index	-2.1%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+10.6%	YTD Z-spread based bond index	-11.9%

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ECONOMY

IMF REVISES DOWN BROADER MENA GROWTH FOR THIS YEAR WHILE FORESEEING PICKUP IN 2020

In its recently issued World Economic Outlook report, the IMF said that growth in the Middle East, North Africa, Afghanistan, and Pakistan region is expected to decline to 1.5% in 2019 (a 0.9% downward revision relative to its January report), before recovering to about 3.2% in 2020 (a 0.2% upward revision). The outlook for the region is weighed down by multiple factors. These include slower oil GDP growth in Saudi Arabia, ongoing macroeconomic adjustment challenges in Pakistan, US sanctions in Iran and civil tensions and conflict across several other economies, including Iraq, Syria, and Yemen, where recovery from the collapse associated with the war is now expected to be slower than previously anticipated.

The IMF's medium-term outlook for the Middle East, North Africa, Afghanistan, and Pakistan region is largely shaped by the outlook for fuel prices, needed adjustment to correct macroeconomic imbalances in certain economies, and geopolitical tensions. Growth in Saudi Arabia is expected to stabilize at about 2.25%–2.50% over the medium term, as stronger non-oil growth is countered by the subdued outlook for oil prices and output. In Pakistan, in the absence of further adjustment policies, growth is projected to remain subdued at about 2.5%, with continued external and fiscal imbalances weighing on confidence. Elsewhere in the region, activity is weighed down by the expected impact of sanctions in Iran, civil strife in Syria and Yemen, and rising debt service costs and tighter financial conditions in Lebanon.

Global growth is now projected by the IMF to slow from 3.6% in 2018 to 3.3% in 2019, before returning to 3.6% in 2020. Growth for 2018 was revised down by 0.1% relative to the October 2018 World Economic Outlook, reflecting weakness in the second half of the year, and the forecasts for 2019 and 2020 are now marked down by 0.4% and 0.1%, respectively. The current forecast envisages that global growth will level off in the first half of 2019 and firm up after that.

The projected pickup in the second half of 2019 is predicated on an ongoing buildup of policy stimulus in China, recent improvements in global financial market sentiment, the waning of some temporary drags on growth in the Euro Area, and a gradual stabilization of conditions in stressed emerging market economies, including Argentina and Turkey. Improved momentum for emerging market and developing economies is projected to continue into 2020, primarily reflecting developments in economies currently experiencing macroeconomic distress, a forecast subject to notable uncertainty, as per the IMF. By contrast, activity in advanced economies is projected to continue to slow gradually as the impact of US fiscal stimulus fades and growth tends toward the modest potential for the group, as per the report.

WORLD ECONOMIC OUTLOOK PROJECTIONS

Real GDP growth	2018	2019f	2020f
World	**3.6%**	**3.3%**	**3.6%**
Advanced Economies	2.2%	1.8%	1.7%
o.w. United States	2.9%	2.3%	1.9%
o.w. Euro Area	1.8%	1.3%	1.5%
Emerging Market and Developing Economies	4.5%	4.4%	4.8%
Commonwealth of Independent States	2.8%	2.2%	2.3%
Emerging and Developing Asia	6.4%	6.3%	6.3%
Emerging and Developing Europe	3.6%	0.8%	2.8%
Latin America and the Caribbean	1.0%	1.4%	2.4%
Middle East, North Africa, Afghanistan, and Pakistan	**1.8%**	**1.5%**	**3.2%**
Sub-Saharan Africa	3.0%	3.5%	3.7%

Source: IMF

Beyond 2020, global growth is set to plateau at about 3.6% over the medium term according to the IMF, sustained by the increase in the relative size of economies, such as those of China and India, which are projected to have robust growth by comparison to slower-growing advanced and emerging market economies (even though Chinese growth will eventually moderate). As noted in previous similar reports, tepid labor productivity growth and slowing expansion of the labor force amid population aging will drag advanced economy growth lower over the projection horizon.

ECONOMIC ACTIVITY IN OMAN GRADUALLY RECOVERING, SAYS IMF

According to the International Monetary Fund's (IMF) Article IV consultation discussions with Oman, economic activity in the Sultanate is gradually recovering.

After reaching a low of 0.5% in 2017, real non-hydrocarbon GDP growth is estimated to have increased to 1.5% last year, reflecting higher confidence driven by a rebound in oil prices and higher government spending, as per the IMF.

Oil and gas production increases brought overall real GDP growth to 2.2% in 2018. Non-hydrocarbon growth is projected to increase gradually over the medium term, reaching about 4%, assuming efforts to diversify the economy continue.

Moreover, preliminary budget execution data indicates an improvement in the overall fiscal balance last year. The fiscal deficit is estimated to have declined to about 9% of GDP from 13.9% of GDP in 2017, reflecting higher oil revenues. Nonetheless, budget implementation remained challenging, with some spending overruns and tax revenue underperformance compared to the budget. In addition, after several years of improvement, the underlying (non-oil) primary balance deteriorated due to higher spending, as per the report.

The fiscal deficit is projected to decline to about 8% of GDP this year, as the impact of lower oil prices is more than offset by a decline in spending, one-off revenue, and implementation of a new excise tax on selected products. Further efforts to curtail spending and the planned introduction of VAT could reduce the deficit by another two percentage points of GDP over the next two years.

However, thereafter, assuming the IMF's projected gradual decline in oil price and production materializes, and given the expected increase in interest payments, the fiscal deficit would increase again, pushing government and external debt up and increasing vulnerability to shocks.

The IMF added that deeper fiscal consolidation is therefore important to ensure Oman's fiscal and external sustainability. The authorities are encouraged to lay out and implement an ambitious medium-term fiscal adjustment plan, based on reforms to tackle current spending rigidities particularly on the wage bill and subsidies—streamline public investment, and raise non hydrocarbon revenue. These efforts should be implemented by prioritizing measures that help limit the impact of fiscal consolidation on growth and by placing more of the adjustment burden on those who can best shoulder it.

DUBAI NON-OIL PRIVATE SECTOR ECONOMY EXPANDS AT FASTER RATE IN MARCH 2019, SAYS EMIRATES NBD

Dubai's non-oil private sector economy expanded at a faster rate in March 2019, with total business output increasing at the fastest rate since January 2015, according to Emirates NBD.

Moreover, two of the three key monitored sectors, the tourism and retail industries posted record upticks in activity and wholesale and retail - posted series record increases in activity.

The seasonally adjusted Emirates NBD Dubai Economy Tracker Index, a composite indicator developed with IHS Markit and designed to give an accurate overview of operating conditions in the non-oil private sector economy, rose to 57.6 in March 2019, the highest since May 2018, from 55.8 in February.

The March figure was also the joint-highest in nearly two years and above the long-run average of 55.2 for the series since 2010, as per the report.

The improvement in non-oil business activity was led by the travel and tourism industry - which reached a record high of 59.8, and wholesale and retail, which stood at 59.7, just shy of the last record set in October 2017.

However, business conditions within the construction industry were the weakest in 28 months due to a softening in new order growth, Emirates NBD said.

Business conditions improved at stronger rates in travel and tourism. Travel and tourism saw its headline index reach a record high of 59.8, while the headline figure for wholesale and retail was 59.7, just shy of the peak set in October 2017.

However, business conditions within the construction industry were the weakest in 28 months (51.8), due to a softening in new order growth, Emirates NBD said.

A reading of below 50 indicates that the non-oil private sector economy is generally declining; above 50, that it is generally expanding. A reading of 50 signals no change.

KUWAIT'S ECONOMY GROWS BY 1.3% IN 2018, EVENLY SPLIT BETWEEN OIL AND NON-OIL SECTORS, SAYS FITCH

Fitch affirmed Kuwait's Long-Term Foreign-Currency Issuer Default Rating (IDR) at "AA" with a "stable" outlook.

Kuwait's key credit strengths are its exceptionally strong fiscal and external metrics and, at around US$ 60/bbl, one of the lowest fiscal breakeven Brent oil prices among Fitch-rated oil exporters.

These strengths are tempered by Kuwait's heavily oil-dependent economy, geopolitical risk, and weak indicators of governance and the business environment. A generous welfare State and the large economic role of the public sector present increasing challenges to public finances, given the robust growth of the Kuwaiti population, according to Fitch.

The rating agency estimates that the foreign assets of the Kuwait Investment Authority (KIA) reached US$ 561 billion or 394% of GDP in 2018, accounting for the bulk of Kuwait's sovereign net foreign asset position of 479% of GDP. Of the KIA total, the Reserve Fund for Future Generations (RFFG) accounted for almost US$ 500 billion and has continued to increase, due to investment income and the statutory annual transfer of 10% of government revenue. Meanwhile, the value of the General Reserve Fund (GRF), which holds the accumulated government surpluses after transfers to RFFG, is estimated to have fallen for the fifth year in a row as the government tapped the GRF for deficit financing and the repayment of domestic maturities.

The rating agency expects the general government to post a surplus of around KWD 3.3 billion (7.9% of GDP) for the fiscal year ending March 2019 (FY18/19), supported by another double-digit increase in oil revenue.

Kuwait's real GDP rose by 1.3% in 2018, evenly split between the oil and non-oil sectors. The rating agency expects a similar growth rate in 2019, driven by non-oil sector growth as the OPEC agreement and delays to refinery upgrades as part of the Clean Fuels Project (CFP) restrict oil sector growth. In 2020, Fitch expects a pick-up in growth to 1.9% with the completion of the CFP and the 615,000 bbl/day Al-Zour refinery.

SURVEYS

DUBAI TOPS MIDDLE EAST CITIES IN OCCUPANCY RATES IN FIRST TWO MONTHS OF 2019, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for the first two months of 2019 (four and five star hotels), according to which occupancy rates increased in eight cities within the region and decreased in the remaining six.

Occupancy rates increased in eight of the 14 cities considered in the survey with Makkah registering the most significant increase of 12.8%. In contrast, occupancy rates declined in six cities, with the highest decrease of 11.3% registered by Madinah.

According to the survey, the cities of Dubai, Abu Dhabi and Cairo took over the first three ranks amongst peers in hotel occupancy, with 85.8% for Dubai, 84.0% for Abu Dhabi and 76.8% for Cairo.

At the lower end of the regional scale were Amman (54.4%), Manama (53.0%) and Jeddah (49.0%), as per EY.

Furthermore, a total of four cities reported increases in the average room rate, registering 16.8% in the case of Abu Dhabi. The most significant upward movements after Abu Dhabi were posted by Beirut (+10.4%) and Cairo (+9.1%). The most significant decreases were registered by Riyadh (-17.1%), Makkah (-13.4%) and Doha (-13.1%).

Dubai, Beirut and Kuwait reported the highest average room rates of US$ 269, US$ 192 and US$ 185 respectively. At the lower end were Doha, Cairo and Makkah with US$ 115, US$ 108 and US$ 100 respectively.

In this context, the rooms' yield decreased in eight cities while the other six reported an increase. The most significant decreases were seen in Kuwait, Riyadh and Madinah with -22.1%, -15.3% and -13.8% respectively. Beirut, Abu Dhabi and Cairo reported the highest increases of 30.6%, 15.9% and 14.3% respectively.

Dubai (US$ 231), Beirut (US$ 125) and Ras Al Khaimah (US$ 115) had the highest rooms' yields, while those of Doha (US$ 76), Amman (US$ 75) and Makkah (US$ 74) were the lowest.

ERNST & YOUNG MIDDLE EAST HOTEL BENCHMARK SURVEY

	Occupancy (%)		Average Room Rate (US$)		Room Yield (US$)	
	2M-2019	2M-2018	2M-2019	2M-2018	2M-2019	2M-2018
Dubai	85.8	86.3	269	303	231	261
Abu Dhabi	84.0	84.6	122	104	102	88
Cairo	76.8	73.3	108	99	83	73
Makkah	74.2	61.4	100	115	74	71
Ras al Khaimah	70.4	75.4	163	164	115	124
Muscat	66.6	61.3	149	162	99	99
Doha	65.7	56.8	115	132	76	75
Beirut	65.0	54.9	192	174	125	95
Riyadh	64.3	62.9	164	198	105	124
Madinah	61.6	72.9	124	122	77	89
Kuwait	59.1	68.2	185	205	109	140
Amman	54.4	54.6	137	141	75	77
Manama	53.0	51.7	155	162	82	84
Jeddah	49.0	48.2	171	191	84	92

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

MENA M&A DEAL VALUE TOPS US$ 70 BILLION IN 2019, AS PER MERGERMARKET

The M&A deal value in the MENA in 2019 has already surpassed all annual totals following the US$ 70.4 billion Saudi Aramco-SABIC megamerger – the second largest M&A deal globally so far this year, said Mergermarket, a provider of M&A data and intelligence. Even excluding this deal, MENA M&A would have reached its second highest quarterly value on record.

High-profile deals involving Abu Dhabi National Oil Company (ADNOC) have been key to the increase, including the sale of ADNOC Oil Pipelines to KKR and BlackRock for US$ 4 billion, marking the firm's largest divestment on Mergermarket record.

The region also saw the US$ 4 billion deal between Emirati banks Abu Dhabi Commercial Bank and Union National Bank. The move marks the second domestic banking merger in a matter of months, following the tie-up between Saudi British Bank and Alawwal Bank in October for US$ 4.7 billion.

With the region appearing to be sheltered away from macroeconomic issues elsewhere, foreign investment has seen a noticeable uptick, bucking the global trend, as per Mergermarket. A total of 22 inbound deals worth US$ 14 billion were registered in Q1, the highest quarterly value since 4Q-07, following deals such as Uber's acquisition of rival Careem Networks.

Domestic consolidation was also on the rise with a 21 domestic deals in Q1 – up from 14 in 4Q18. However, with increasing protectionist measures across much of the Western world outbound M&A figures for Q1 2019 paint a slightly different picture. While the value and volume (16 deals, US$ 2.6 billion) increased from the final quarter of 2018, the figures remain relatively low compared to recent years.

OVERALL PERFORMANCE OF JEDDAH'S REAL ESTATE MARKET REMAINED SOFT IN Q1 2019, AS PER JLL

The residential property segment in Jeddah could be poised for a rebound after the decline in rents and sale prices softened during the first quarter, as per a report from Jones Lang LaSalle (JLL).

According to the report, residential rents and sale prices declined on an annual basis. However, the rate of decline appears to have slowed down over the quarter, indicating the market may be headed towards the bottom of its cycle.

Affordability issues and inadequate access to financing weighed on the demand for Jeddah residential properties during the period, resulting to a 11% annual decline in rents for apartments and 12% for villas. Furthermore, sale prices for apartments and villas, meanwhile, continued to soften by 8% and 7%, respectively, year-on-year.

On another note, the three months to March 2019 recorded the delivery of approximately 1,660 standalone units, bringing the aggregate supply of residential units in Jeddah to 819,000. However, the first quarter saw many developers delay the delivery of their projects as demand remained subdued, JLL MENA said in the report.

Meanwhile, office rents continued to soften as vacancy rates rose due to a slowdown in commercial activity, as per JLL. The report highlights that in the short-to-medium term, the agency expects rents to continue their downward trajectory as more supply is delivered to the market. In the long-run and as business activity picks up, it can expect to see office rents regain some momentum, particularly for quality grade office buildings. In terms of location, office buildings along the primary Commercial Business District areas have been and are likely to remain popular. However, emerging areas with more advanced connectivity and amenities are expected to gain prominence and achieve a premium on office rates, as per the same source.

Looking at the retail segment, retail rental values were steady despite the growth of e-commerce in the Kingdom, while hotel occupancy rates maintained their levels as improvements to Jeddah's infrastructure continue to ease business and religious travel, JLL MENA said.

CORPORATE NEWS

CARLYLE IN DEAL TO BUY STRATEGIC CEPSA STAKE FROM MUBADALA

Private equity firm Carlyle Group said it reached an agreement with Abu Dhabi-based Mubadala Investment Company to acquire a significant minority interest in leading Spanish energy major Compania Espanola de Petroleos (Cepsa).

As part of the agreement, Carlyle will acquire a stake in Cepsa of between 30% and 40%. The transaction is subject to customary regulatory approvals and is expected to close by end-2019, said a statement from Mubadala.

The agreement marks the conclusion of a dual-track process through a public offering and private placement, conducted by Mubadala to bring in new partners as part of its portfolio management strategy, it stated.

Following the deal, the Abu Dhabi group will remain the majority shareholder of Cepsa.

Equity for this investment will come from Carlyle International Energy Partners I & II, Carlyle Partners VII, Carlyle Europe Partners V and co-investors.

DUBAI INVESTMENTS PARK INKS US$ 86 MILLION SUBSTATION CONTRACT

Dubai Investments Park, a wholly-owned subsidiary of Dubai Investments, signed a US$ 86 million contract with ABB Industries to commission a new 132/11kv substation within the development.

The 132/11kv substation from Dubai Electricity and Water Authority (DEWA) is the seventh operational substation in total across DIP 1 and 2. Located in the heart of DIP 1, it will be energized this July.

The contract covers supply, installation, testing and commissioning of the 132/11kv substation.

ABB Industries is an approved DEWA contractor and specialist in the field of 132 kv substation projects worldwide.

UK'S PENSPEN AND JQEC SEAL KUWAIT POWER STATIONS PROJECT DEAL

Penspen, a global provider of engineering and project management services to the energy industry and its project partner Jassim Qabazard Engineering Consultants (JQEC), were awarded a £ 12 million (US$ 15.6 million) construction supervision contract for a power stations rehabilitation project in Kuwait.

As per the three-year contract inked with the Ministry of Electricity and Water (MEW), both Penspen and JQEC, a Kuwaiti multidisciplinary architectural and engineering consulting company, will provide supervision services for five power stations in the country.

The project management consultancy contract will be valid for a duration of three years, said a statement from Penspen.

Penspen’s team will be responsible for the management and administration of the procurement and construction contractors for the Suwaikh, Sabiya, Doha West, Az Zour and Al Kheiran power stations.

The procurement and construction contractors’ scope includes residual engineering, detailed engineering (based on requirement), procurement and construction through to the commissioning stages of the power stations.

INVESTCORP SELLS US-BASED HOME REPAIRS FIRM

Bahrain-based Investcorp, a global company for alternative investment products, said that it agreed to the sale of The Wrench Group, a provider of home maintenance and repair services in the US, to Leonard Green & Partners, a Los Angeles-based private equity firm.

Investcorp, in partnership with management, formed Wrench in 2016. At the time of acquisition, Wrench was comprised of four like-minded, locally operated companies with market leading positions in Atlanta, Dallas, Houston and Phoenix.

Jefferies LLC acted as exclusive financial advisor to Wrench.

FRANCE'S TOTAL STRENGTHENS ITS PRESENCE IN NATURAL GAS IN OMAN

French energy major Total and the Ministry of Oil and Gas of Oman (MOG) signed a Heads of Agreement (HoA) for the award to Total of an exploration license on Block 12 with significant prospective gas resources.

Under the terms of this HoA, both parties will finalize in the coming months, on an exclusive basis, a definitive agreement that will grant to Total 100% working interest and operatorship of the exploration Block 12, located in Central Oman.

This new agreement was signed after Total, the Ministry of Oil and Gas and Oman Oil Company (OOC) reached a new milestone to implement their integrated gas project, which entails developing the gas resources of the Greater Barik area (Blocks 10 and 11), as well as building and operating a liquefaction plant to offer a bunkering service and supply Liquefied Natural Gas as a fuel to marine vessels.

Spread over 10,000 square kms, Block 12 is located onshore, in the northern part of Block 6 and to the south of the Greater Barik area (including Mabrouk North East and Mabrouk West fields).

Total's exploration program on the block will comprise seismic acquisition and drilling commitments, with the drilling of a first well in 2020.

In Oman, Total's SEC production was 38,000 barrels of oil equivalent per day in 2018. Total holds a 4% interest in the onshore Block 6 (operated by Petroleum Development Oman), as well as interests in the Oman LNG (5.5%) and Qalhat LNG (2.0%).

BAHRAIN'S EDAMAH TO BUY INTO BAHRAIN CAR PARKS COMPANY

Bahrain Real Estate Investment Company (Edamah), the property arm of the Kingdom's sovereign wealth fund, will be acquiring 36.6% of the shares in the Bahrain Car Parks Company, a publicly-listed company on the Bahrain Bourse.

The company specializes in the construction, development and management of parking lots, subject to obtaining the required regulatory approvals.

The acquisition comes as part of Edamah's long-term strategy to develop new projects, renovate previous projects, and manage them to global standards, implementing best industry practices while seeking to meet the needs of the market and creating value for the entire local community at large.

CAPITAL MARKETS

EQUITY MARKETS: SHY PRICE GAINS IN REGIONAL EQUITIES WEEK-ON-WEEK

MENA equity markets registered shy price gains week-on-week, as reflected by a 0.5% rise in the S&P Pan Arab Composite Index, mainly supported by price increases in the Qatar Exchange, the UAE equity markets and the Saudi Tadawul amid some favorable company-specific factors, while the Egyptian Exchange recorded price declines amid some unfavorable company-specific factors.

The Qatar Exchange posted a 1.3% rise in prices week-on-week, mainly helped by some favorable company-specific factors and some foreign buying amid relatively attractive market pricing ratios. In fact, the Qatari stocks currently trade at a P/E of 13.8x as compared to a P/E of 14.5x at end-2018. Qatar National Bank's share price closed 1.7% higher at QR 180.0. Qatar National Bank reported a 3.8% year-on-year rise in its 2019 first quarter net profits to reach QR 3.6 billion. Ezdan Holding's share price surged by 13.8% to QR 11.02. Ezdan Holding announced plans to hold an extraordinary general meeting to discuss a top shareholder request to reverse a plan to delist the real estate developer and turn it into a private business. Qatar Islamic Bank's share price surged by 5.6% to QR 164.05. Qatar First Bank's share price climbed by 12.7% to QR 4.87. Vodafone Qatar's share price went up by 2.2% to QR 7.83.

The UAE equity markets registered a 1.1% rise in prices week-on-week, supported by some favorable company-specific factors. In Dubai, Dubai Islamic Bank's share price increased by 1.6% to AED 5.03. Dubai Islamic Bank said that it is considering buying Dubai-based Noor Bank, which would create a new entity with US$ 75 billion in assets. Dubai Investments' share price surged by 4.9% to close at AED 1.50. Dubai Investments Park, a wholly-owned subsidiary of Dubai Investments, signed a US$ 86 million contract with UAE-based ABB Industries to commission a new Dubai Electricity and Water Authority substation.

In Abu Dhabi, National Bank of Fujairah's share price jumped by 11.9% week-on-week to AED 4.78. The bank announced that it has launched a representative office in Antwerp Diamond District, Belgium, a move that is set to bring value-added services and source market information. ADNOC's share price surged by 8.4% to AED 2.71. ADNOC's shareholders approved an increase in its dividend policy and a plan to buy back 62.5 million shares of its free float. HSBC upgraded its recommendation for ADNOC from "Hold" to "Buy" and raised its price target from AED 2.6 to AED 3.2.

EQUITY MARKETS INDICATORS (APRIL 07 TILL APRIL 13, 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	81.1	-2.0%	-3.3%	0.9	-42.8%	0.2	8,814.0	0.6%	5.1	0.68
Jordan	371.1	0.9%	-2.7%	27.3	-14.0%	19.8	22,218.4	6.4%	12.9	1.50
Egypt	338.5	-0.9%	22.9%	168.4	-28.3%	735.9	49,479.3	17.7%	11.4	2.32
Saudi Arabia	397.8	0.1%	17.4%	4,143.8	-6.7%	601.7	571,211.1	37.7%	18.4	2.58
Qatar	181.0	1.3%	-4.1%	351.5	-8.1%	72.4	157,468.0	11.6%	13.8	2.00
UAE	118.2	1.1%	4.5%	522.2	-15.1%	911.5	249,550.9	10.9%	11.6	1.74
Oman	196.5	0.5%	-7.8%	28.9	167.9%	86.8	17,365.8	8.6%	9.4	0.93
Bahrain	141.3	1.9%	18.0%	22.3	22.7%	34.4	21,866.0	5.3%	10.4	1.37
Kuwait	107.1	1.0%	13.1%	604.1	21.0%	991.4	95,275.1	33.0%	16.3	1.82
Morocco	260.3	1.7%	-3.4%	41.3	57.0%	1.9	58,650.0	3.7%	18.1	2.63
Tunisia	67.5	0.7%	-3.9%	4.1	-24.2%	2.2	7,704.3	2.7%	14.3	2.63
Arabian Markets	**806.3**	**0.5%**	**10.6%**	**5,914.8**	**-5.6%**	**3,458.3**	**1,259,602.8**	**24.4%**	**15.5**	**2.20**

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

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

The heavyweight Saudi Tadawul posted shy price gains of 0.1% week-on-week. Advanced Petrochemical Company's share price rose by 2.3% to SR 57.20. Advanced Petrochemical Company announced 2019 first quarter net profits of SR 162 million as compared to net profits of SR 98 million a year earlier. Walaa Cooperative Insurance's share price jumped by 11.5% to SR 26.60. The company's Board of Directors recommended the distribution of dividends at a rate of SR 1 per share for the year 2018 and proposed a capital increase to SR 528 million from SR 440 million through the issuance of bonus shares. United Electronics Company's share price climbed by 11.0% to SR 66.50. The firm posted a 58% year-on-year surge in its 2019 first quarter net profits to reach SR 34 million. Tasnee's share price closed 5.7% higher at SR 20.28. Tasnee said that its unit Cristal has completed the sale of its titanium dioxide business to United Kingdom-based Tronox Holdings.

In contrast, the Egyptian Exchange posted a 0.9% retreat in prices week-on-week, mainly dragged by some unfavorable company-specific factors. Egyptian Resorts' share price shed 1.9% to LE 1.92. Egyptian Resorts announced a 2018 net loss of LE 75 million against net profits of LE 69 million in 2017. Orascom Investment Holding's share price plunged by 13.3% to reach LE 0.588. Orascom Investment Holding reported standalone net profits of LE 59 million in 2018 as compared to standalone net profits of LE 606 million in 2017, a drop of 90%. Egypt Kuwait Holding's share price dropped by 8.3% to LE 1.443. Palm Hills Development's share price fell by 5.2% to LE 2.54.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS MOSTLY TILTED TO THE DOWNSIDE

MENA fixed income markets saw mostly downward price movements this week, tracking US Treasuries move following a stronger-than-expected increase in China's exports and lending activity and a lower-than-expected slide in Eurozone industrial activity in March 2019, and as some market players sought to leave room for new bond issues in the region.

In the Saudi credit space, Saudi Aramco raised US$ 12 billion through the issuance of a five-tranche debt that has attracted more than US$ 100 billion in orders and detailed as follows: US$ 1 billion three-year bond priced at +55 bps over US Treasuries; US$ 2 billion five-year bond priced at +75 bps over US Treasuries; US$ 3 billion 10-year bond priced at +105 bps over US Treasuries; US$ 3 billion 20-year bond priced at +140 bps over US Treasuries; and US$ 3 billion 30-year bond priced at +155 bps over US Treasuries. Fitch assigned Saudi Aramco's GMTN program and debut bonds issued under the program final "A+" senior unsecured ratings. The ratings are in line with Saudi Aramco's "A+" Issuer Default Rating, which has a "stable" outlook, as per Fitch.

In parallel, Saudi sovereigns maturing between 2028 and 2050 posted price falls of up to 1.77 pt week-on-week. SABIC'20 was down by 0.07 pt, while SABIC'23 and '28 posted price gains of 0.67 pt and 0.39 pt respectively. SECO papers maturing in 2022, 2023 and 2024 (offering a coupon of 4.22% coupon) registered price drops of up to 0.44 pt, while SECO papers maturing between 2024 (offering a 4% coupon) and 2044 saw price gains of up to 2.83 pts. Dar Al Arkan papers maturing in 2019, 2022 and 2023 were up by 0.10 pt, 0.40 pt and 0.09 pt respectively.

In the Kuwaiti credit space, sovereigns maturing in 2022 and 2027 posted price declines of 0.32 pt and 0.41 pt respectively week-on-week. Fitch affirmed Kuwait's long-term foreign currency Issuer Default Rating at "AA" with a "stable" outlook. Kuwait's key credit strengths are its exceptionally strong fiscal and external metrics and, at around US$ 60/bbl, one of the lowest fiscal breakeven Brent oil prices among Fitch-rated oil exporters. These strengths are tempered by Kuwait's heavily oil-dependent economy, geopolitical risks, and weak indicators of governance and the business environment.

In the Qatari credit space, sovereigns maturing between 2020 and 2049 registered weekly price contractions of up to 1.25 pt. Ooredoo papers maturing in 2019 and 2043 were down by 0.05 pt and 0.15 pt respectively, while Ooredoo papers maturing between 2021 and 2028 posted price gains of up to 0.20 pt. Prices of RasGas'19 and '20 declined by 0.21 pt and 0.02 pt respectively. Fitch affirmed Ras Laffan Liquefied Natural Gas Company Limited (II)'s (RasGas (II)) and Ras Laffan Liquefied Natural Gas Company Limited (3)'s (RasGas (3); together the company) senior secured bonds at "AA-" with a “stable” outlook. The rating is based on Fitch’s Government-Related Entities rating criteria under which Fitch equalizes the company’s rating with that of the State of Qatar, RasGas (II)’s and (3)’s indirect majority shareholder.

In the Egyptian credit space, US dollar-denominated sovereigns maturing between 2020 and 2049 posted price falls ranging between 0.21 pt and 1.88 pt week-on-week. Euro-denominated papers maturing in 2026 and 2030 closed down by 0.75 pt and 1.75 pt respectively. Regarding new issues, Egypt raised € 2 billion through the issuance of a € 750 million six-year bond at 4.75% and a € 1.25 billion 12-year bond at 6.375%. Combined order books were in excess of € 8.6 billion.

In the Omani credit space, sovereigns saw price falls across the board this week. Omani papers maturing between 2021 and 2048 posted price drops of 0.81 pt. Oman Telecom’23 and ’28 closed down by 0.14 pt and 0.35 pt respectively. Finally, in the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2047 were down by 0.38 pt, 0.31 pt and 0.92 pt respectively week-on-week. As to plans for new issues, Jordan is planning a US$ 1 billion Eurobond sale shortly.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	12-Apr-19	05-Apr-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	60	60	67	0	-7
Dubai	132	135	129	-3	3
Kuwait	61	63	66	-2	-5
Qatar	66	69	82	-3	-16
Saudi Arabia	81	80	105	1	-24
Bahrain	252	248	293	4	-41
Morocco	94	102	111	-8	-17
Egypt	319	322	391	-3	-72
Lebanon	791	773	770	18	21
Iraq	364	352	519	12	-155
Middle East	**222**	**221**	**254**	**1**	**-32**
Emerging Markets	**143**	**133**	**188**	**10**	**-45**
Global	**167**	**168**	**189**	**-1**	**-22**

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-/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+/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+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB/Stable/B	Ba1/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$)	12-Apr-19	05-Apr-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	-0.1%	-0.2%
Egyptian Pound (EGP)	17.33	17.33	17.92	0.0%	-3.3%
Iraqi Dinar (IQD)	1,189.93	1,193.04	1,192.68	-0.2%	-0.2%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.66	3.66	3.65	-0.1%	0.0%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.1%	0.1%
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)	119.05	119.05	117.65	0.0%	1.2%
Moroccan Dirham (MAD)	9.61	9.66	9.54	-0.6%	0.7%
Tunisian Dinar (TND)	3.00	3.02	3.05	-0.6%	-1.4%
Libyan Dinar (LYD)	1.39	1.39	1.40	0.2%	-0.7%
Sudanese Pound (SDG)	47.62	47.62	47.62	0.0%	0.0%

Sources: Bloomberg, Bank Audi's Group Research Department