CONTACTS

Treasury & Capital Markets

Bechara Serhal
(961-1) 977421
bechara.serhal@banqueaudi.com

Nadine Akkawi
(961-1) 977401
nadine.akkawi@banqueaudi.com

Private Banking

Toufic Aouad
(961-1) 954922
toufic.aouad@bankaudipb.com

Corporate Banking

Khalil Debs
(961-1) 977229
khalil.debs@asib.com

RESEARCH

Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Jamil Naayem
(961-1) 977406
jamil.naayem@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Fadi Kanso
(961-1) 977470
fadi.kanso@bankaudi.com.lb

Gerard Arabian
(961-1) 964047
gerard.arabian@bankaudi.com.lb

Farah Nahlawi
(961-1) 959747
farah.nahlawi@bankaudi.com.lb

Nivine Turyaki
(961-1) 959615
nivine.turyaki@bankaudi.com.lb

The MENA WEEKLY MONITOR

Economy

p.2 J.P. MORGAN SEES LIMITED TURKEY SPILLOVERS TO MOST MENA COUNTRIES

While there have been increasing linkages between Turkey and MENA economies in recent years, J.P. Morgan expects limited spillovers to most countries in the region from Turkish volatility and maintains its MENA growth projection at 3% in 2018, up from 2.1% last year.

Also in this issue

Surveys

p.5 DUBAI, ABU DHABI AND CASABLANCA RANKED AMONG THE TOP 30 FINANCIAL CENTERS IN THE WORLD, AS PER Z /YEN GROUP

According to GFCI, Abu Dhabi has moved down one place to secure the rank of 26 from the previous position of 25, while Dubai has moved up four places to be ranked 15th, having been in the 19th position.

Also in this issue

Corporate News

p.7 GIB PLAYS KEY ROLE IN US$ 253 MILLION BYRNE EQUIPMENT RENTAL SALE

GIB Capital acted as the financial advisor to Al Tala’a International Transportation Company on the US$ 253 million sale of its Byrne Equipment Rental to Itqan Investments and Tamar VPower Energy Fund.

Also in this issue

Markets In Brief

p.9 DOWNWARD WEEKLY PRICE MOVEMENTS IN REGIONAL CAPITAL MARKETS

MENA equity markets came under downward price pressures this week, as reflected by a 2.2% fall in the S&P Pan Arab Composite Index, mainly tracking weakness in emerging markets amid continued turmoil in some emerging market currencies and renewed fears over a global trade rhetoric. In parallel, MENA fixed income markets continued to see mostly downward price movements, amid weakness in emerging markets, while tracking declines in US Treasuries following higher-than-forecast US job growth in August 2018 and strong wage gains, which cemented bets for a third interest rate hike by the US Federal Reserve at the September FOMC meeting.

MENA MARKETS: WEEK OF SEPTEMBER 02 - SEPTEMBER 08, 2018

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-2.2%	Weekly Z-spread based bond index	-0.7%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+5.8%	YTD Z-spread based bond index	+4.6%

Bank Audi sal - Group Research Department - Bank Audi Plaza - Bab Idriss - PO Box 11-2560 - Lebanon - Tel: 961 1 994 000 - email: research@banqueaudi.com

ECONOMY

J.P. MORGAN SEES LIMITED TURKEY SPILLOVERS TO MOST MENA COUNTRIES

While there have been increasing linkages between Turkey and MENA economies in recent years, J.P. Morgan expects limited spillovers to most countries in the region and maintains its MENA growth projection at 3% in 2018, up from 2.1% last year. Nonetheless, it sees multiple channels through which the volatility in Turkey could have a broader regional impact, including financial spillovers and deteriorating investor sentiment in the case of economies with large imbalances and high debt, direct contagion due to exposure to corporates and banks, portfolio losses, and a potential slowdown in trade. With widespread and long-standing pegs, higher oil prices have firmed confidence in petrocurrencies, but elsewhere in the region increased EM volatility has led to a modestly weaker pound in spot and forward markets.

The tremors from Turkey's deteriorating macroeconomic and financial conditions have rippled across the region, with the MSCI GCC index declining 5% following the latest slide in the lira at the start of August, said J.P. Morgan at the closing of its report. The immediate cause was a sharp drop in GCC banks' stock prices which were impacted by concerns about financial exposures to Turkey. GCC-owned banks in Turkey had assets of US$ 56 billion (10% of Turkish banking sector assets) and off-balance sheet exposure of US$ 311 billion at the end of last year. As an indication, the contribution of some of these banks to the pre-tax income of the parent banks ranged between 3%-17% in 2Q. In addition, GCC banks are likely to have exposures through various facilities, including syndicated loans. While J.P. Morgan does not expect the overall impact on GCC banking systems to be significant, for individual banks the exposures are not immaterial.

Facing slower growth in their home markets, GCC firms have made large investments in Turkey in recent years in real estate, telecom, and banking. As a result, GCC direct investment has risen to almost 10% of the FDI stock in Turkey, led by US$ 5.5 billion from Qatar and closely followed by the UAE. Closing ranks with its ally Turkey, Qatar has pledged a further US$ 15 billion in investments recently. With large capital exporters, FDI from the GCC accounted for 93% of the total from MENA at the end of 2017.

With large public foreign assets estimated at US$ 2.5 trillion (151% of GDP), GCC is likely to have large portfolio investments in Turkey. While a significant portion of these public funds are in DM assets, J.P. Morgan believes that sovereign wealth funds in the UAE, Kuwait, and Qatar with total estimated assets of US$ 1.5 trillion and with broader investment mandates are likely to have exposure to Turkish securities.

OUTSTANDING FDI IN TURKEY FROM MENA

2017	US$ million	% of origin country GDP
MENA	**15,013**	**0.5%**
o.w. GCC	**14,024**	**0.9%**
Qatar	5,494	3.0%
UAE	4,630	1.1%
Bahrain	1,485	3.9%
Kuwait	1,284	1.0%
KSA	1,131	0.2%
Lebanon	821	1.5%
Jordan	83	0.2%
Syria	65	-
Iraq	12	-
Morocco	4	-
Egypt	4	-

Source: J.P. Morgan

The vulnerable oil importers with high debt and large imbalances have been impacted mainly through indirect financial linkages. Following renewed EM volatility, MENA sovereigns with high debt and large external and fiscal deficits, in particular, have seen spreads widen due to increased risk aversion. Oil exporters have been more resilient. MENA low yielders, mainly the affluent oil exporters in the GCC which have limited outstanding debt, have been relatively resilient throughout the recent EM volatility. Given its expectation of oil prices to remain firm with the renewal of US sanctions on Iran, J.P. Morgan expects positive market sentiment on oil producers to persist.

There are also significant trade links between MENA and Turkey due to geographic proximity, with 12M rolling sum Turkish imports from the region at US$ 22 billion (2.5% of MENA exports) at the end of May. Iran, UAE, and Saudi Arabia were Turkey's top sources of imports in MENA, reflecting mainly oil and gas trade. J.P. Morgan believes that the slowdown in Turkey is unlikely to impact imports from oil producers meaningfully given that demand for energy is highly inelastic. Egypt and Lebanon's exports to Turkey are significant for these economies, at 9% and 4% of their total exports, respectively, as per the same source. Egypt exports mainly chemicals and textiles to Turkey, while Lebanon exports fertilizers, chemicals and metal products. In comparison to the oil exporting peers, Egypt and Lebanon's trade could be more exposed to a slowdown in Turkey than the oil exporters.

EGYPT EMIRATES NBD PMI RISES TO 50.5 IN AUGUST 2018, REACHING NINE-MONTH HIGH

The Emirates NBD Purchasing Managers' Index (PMI) for Egypt rose to 50.5 in August, compared to 50.3 the previous month, representing a nine-month high for the index. Moreover, it was also the first time since September 2015 that the PMI had scored over 50.0 for two consecutive months.

It is worth noting that the headline seasonally adjusted Emirates NBD Egypt Purchasing Managers' Index™ (PMI®) is a composite indicator designed to give an accurate overview of operating conditions in the nonoil private sector economy. The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in private sector companies.

The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month.

Although the index broke into expansionary territory occasionally over the past year, it failed to cement these gains to date, falling back below 50.0 in the following survey. The break in this pattern in August suggested that the Egyptian non-oil private sector started to see the protracted recovery Emirates NBD projected would take hold in the current fiscal year, which began in July.

Although output was flat at 50.0 in August, this was the first month since April that it was not contractionary, and there were positive readings in new orders and new export orders, boding well for the coming months. Although the future output index fell to 60.7, a near two-year low, the majority of respondents still expect that conditions would remain the same (59.3%) or improve (31.0%) over the next 12 months. Only 9.7% expected deterioration, down significantly from 18.0% in July. Backlogs of work saw a second consecutive period of growth, at 51.5 compared to 51.2 the previous month.

While the reform process which began in November 2016 was positive for economic growth and stability, its implementation placed significant strain on the private sector. Although some of these costs were passed on to consumers, output prices averaged 56.8 over the past two years and stood at 55.0 in August.

Last but not least, further strain was introduced with new subsidy cuts in July, which pushed the input price index up to 76.5. However, the worst of this appears to have passed, and input price gains slowed to 68.5 in August, as per the report. Perhaps the most encouraging data point in August's survey was the 51.7 reading in the employment index, a high for the series, and the first positive reading since May 2015, according to Emirates NBD. Respondents cited inflows of new orders as a factor behind hiring new staff.

BUSINESS LICENSES IN UAE INCREASE TO 532,000 AT END-AUGUST 2018, HIGHER BY 9% FROM END-2017

The number of business licences issued in the UAE by the end of August 2018 increased to 532,000, already higher by 9% from end-2017, as per the Ministry of Economy.

Abu Dhabi and Dubai accounted for around 85% of the licenses issued by the end of August, namely 453,000, as per the same source.

Dubai came first with 249,000 licenses, comprising 46.8% of the total licenses issued by other departments of economic development across the country.

It is worth noting that the World Bank's Ease of Doing Business report revealed last year that the UAE ranked 21st globally and came on top of Arab countries for the fifth year in a row.

In terms of legal status, limited liability companies came first in terms of the number of licensed firms at 170,066 companies, followed by individual companies at 72,807, foreign companies at 2,141, and single-member limited liability companies at 1,869.

CI AFFIRMS KUWAIT SOVEREIGN RATINGS AT "AA-"

Capital Intelligence Ratings (CI) affirmed Kuwait's Long-Term Foreign Currency and Local Currency Ratings of "AA-", and its Short-Term Foreign and Local Currency Ratings of "A1+". The outlook for the ratings remains "stable".

Kuwait's ratings are underpinned by strong macroeconomic fundamentals and a large net external creditor position, as per the report. The ratings are also supported by relatively low fiscal breakeven oil price, as well as high GDP per capita, a sound banking system, and low government debt. The ratings remain constrained by the country's over-reliance on hydrocarbons, institutional weaknesses and difficult policymaking environment, as well as limited data disclosure and geopolitical risk factors.

Capital Intelligence added that real output is expected to have expanded by 1.3% in FYE 2018, compared to a contraction of 2.5% in the previous fiscal year. The return to positive growth is fuelled by increased government spending on infrastructure projects and the stabilisation of the hydrocarbon sector. Real output is expected to continue expanding at a healthier average of 3.9% in 2019-21, supported by a pickup in both the hydrocarbon and non-hydrocarbon sectors. GDP per capita is also expected to continue its upward trend, reaching US$ 30,616 in FYE 2021.

CI expects the central government budget to post growing surpluses averaging 5.8% of GDP in FYE 2019-2021, as rising oil revenues and increased investment income offset the expected pickup in capital spending and in some areas of current spending.

Excluding investment income, which the Ministry of Finance does not generally disclose and the transfers to the intergenerational equity fund, which are currently set at 10% of oil revenues, the central budget deficit narrowed to 12.3% of GDP in FYE 2018, compared to 13.7% in FYE 2017, and is expected to halve to 6.8% of GDP in FYE 2021. Moreover, non-oil fiscal deficit is expected to remain large, at 53% of non-oil GDP in FYE 2019.

With large financial buffers and substantial room for borrowing, the public finances have weathered the period of low oil prices and remain in better shape than in many GCC peers. Central government debt remains low, albeit increasing to about 20.6% of GDP in FYE 2018, and is mainly issued for monetary policy purposes and to finance capital spending.

Government financial assets are substantial and include the investments of the two state oil funds. The actual level of government assets is uncertain as public disclosure of reserve fund assets is prohibited by law but is estimated to have been over US$ 520 billion in 2017.

SURVEYS

DUBAI, ABU DHABI AND CASABLANCA RANKED AMONG THE TOP 30 FINANCIAL CENTERS IN THE WORLD, AS PER Z /YEN GROUP

According to the 24th edition of Global Financial Centres Index (GFCI), a ranking of the competitiveness of financial centers prepared by the Z/Yen group, Abu Dhabi has moved down one place to secure the rank of 26 from the previous position of 25, while Dubai has moved up four places to be ranked 15th, having been in the 19th position previously. Casablanca moved up from the 32nd position to the 28th.

It is worth noting that GFCI 24 was compiled using 137 instrumental factors. These quantitative measures are provided by third parties including the World Bank, The Economist Intelligence Unit, the OECD, and the United Nations. The financial centers were ranked based on factors such as business environment, human capital, infrastructure, financial sector development, and reputation, among others, as per the report.

The report researched 110 centers for this edition of the Global Financial Centers Index (GFCI 24). The number of financial centers in the main index has increased from 96 to 100 with the addition of Cape Town, GIFT City (Gujarat), Hangzhou, and Sofia from the associate centers list. There are ten associate centers awaiting potential inclusion in the main index.

Not for the first time, New York took first place in the index, just two points head of London, although both centers fell slightly in the ratings. Furthermore, Hong Kong is now only three points behind London. Shanghai overtook Tokyo to move into fifth place in the index gaining 25 points in the ratings. Beijing, Zurich, and Frankfurt moved into the top ten centers, replacing Toronto, Boston and San Francisco.

In the Middle East and Africa region, Dubai (15th) retained the top spot as the best financial center, followed by Abu Dhabi (26th), Casablanca (28th), Doha (34th), Bahrain (59th), and Riyadh (69th).

BMI EXPECTS GROWTH IN QATAR'S CONSTRUCTION SECTOR TO COME IN AT 15.4% YEAR-ON-YEAR IN 2018

The outlook for Qatar's construction market remains bright as the industry has coped well with the fallout from the ongoing Gulf Cooperation Council diplomatic crisis. There are numerous large-scale social infrastructure projects underway in preparation for the 2022 FIFA World Cup, and these are being supported by significant investment in the expansion of the country's road and rail network, according to BMI. The government has also committed to the improvement of greater health and education services and is keen to develop the tourism market, creating a wide range of opportunities in the construction sector. Investor confidence levels remain high and public spending capacity is expansive, making this one of the most attractive markets in the region.

It is worth noting that newly released data shows that construction industry growth in Qatar remained buoyant in 2017 at 17.5% year-on-year in real terms. While this is a significant slowdown from the 28.5% growth seen the previous year, this level of expansion is unsustainable over a multi-year time frame, and 2017 growth figures still represent considerable activity in the sector.

This also shows that Qatar's construction industry has been able to withstand the boycott led by Saudi Arabia with limited adverse impact, which augurs well for future growth prospects while the blockade remains ongoing. The agency is expecting growth to come in at 15.4% year-on-year in 2018, and averaging 14.1% year-on-year over the medium term prior to the hosting of the FIFA World Cup in 2022.

Under the 2018 State Budget, Qatar plans to spend QR 12.5 billion on national water and electricity networks and plans to develop 3,000 residential properties for nationals, as well as new healthcare facilities and schools. Transport infrastructure projects will be allocated QR 42.0 billion of spending while 2022 FIFA World Cup projects are allocated QR 11.2 billion of the new budget.

It is worth noting that Qatar will maintain the rapid construction sector growth of recent years, despite an ongoing political rift with the wider Gulf Cooperation Council region. A robust pipeline of government backed projects will combine with resilient private sector interest to drive growth across all sectors and create a wide range of opportunities for construction companies. Numerous social infrastructure projects are underway as part of preparations for the country's hosting of the 2022 FIFA World Cup, which also entails the rapid expansion of transport infrastructure connections across the country.

BMI expects construction industry growth in Qatar to remain elevated in 2018 as the government maintains investment in major infrastructure projects associated with the 2022 FIFA World Cup. This buoyant outlook is in spite of the ongoing diplomatic rift between Qatar and fellow Gulf Cooperation Council members Saudi Arabia, the UAE and Bahrain, with the economic boycott initiated by these states in June 2017 having had little impact on Qatar's construction sector.

Residential and non-residential construction makes up a large share of total construction industry value in Qatar, comprising 66% of the market. With numerous new sporting stadiums, retail and office developments and housing projects planned or underway, growth in the residential/non-residential construction sector will be robust, as per BMI.

On a side note, the transport sector is a major beneficiary of the preparations for the 2022 FIFA World Cup with road and rail in particular expanding rapidly. Projects such as the Doha metro will ensure double digit growth in the transport infrastructure sector over the short term.

Moreover, energy and utilities infrastructure remains the (comparatively) weak link in the Qatari infrastructure market. There are relatively few projects in active stages of development in either the power or water segments.

EIU FORECASTS REAL GDP GROWTH OF 2.5% IN 2018 IN TUNISIA, REPRESENTING A MODEST PICK-UP FROM 1.9% IN 2017

According to the Economist Intelligence Unit, the Tunisian government's economic policy strategy is aimed at boosting annual real GDP growth to 5% (from 1.9% in 2017) and cutting unemployment to 12% by end-2020 (from 15.4% at the end of the first quarter of 2018), by introducing a "new model" of development. As part of the new model, the government intends to relax exchange-rate regulations, boost foreign-currency reserves, speed up project authorization processes and provide financial support for struggling small- and medium-sized enterprises (SMEs). The government has also signaled its determination to move forward with reforms agreed with the IMF to halve the fiscal deficit to 3% of GDP by 2020, by cutting the public-sector wage bill to 12.5% of GDP (from around 14% at present); reducing subsidies; reforming the pension system; restructuring loss-making state-owned enterprises and keeping public-sector debt (which the EIU estimates at around 69% of GDP at end-2017) below 70% of GDP. However, these ambitious goals are almost all unrealistic. Many of the market-orientated reforms needed to achieve the plan will be opposed by left-wing parties and the powerful labor union.

During the EIU forecast period, there will be an improvement in economic growth in 2018 and 2020-22 compared with 2015-17 mainly assisted by increasing manufacturing output and an uptick in services, which together account for almost 80% of GDP (in nominal terms). However, this will not be enough to substantially reduce unemployment (which currently stands at above 15%) and ease social tensions. Growth is likely to be subdued in 2019 owing to election-related uncertainties that will affect services exports. Commercial services will suffer from weak consumer demand and a depressed business climate. Tourism will pick up (barring 2019) as European visitors gradually return to Tunisia, although the sector will remain vulnerable to insecurity. Manufacturing and wider industrial growth will gather momentum, although expansion will continue to be restrained by simmering social tensions. Agriculture in Tunisia is subject to boom and bust, owing to changes in climatic conditions and a lack of modern irrigation facilities. Hence, the EIU forecasts real GDP growth of 2.5% in 2018, representing a modest pick-up from 1.9% in 2017. Growth will remain constrained in 2019 by election-related uncertainties, and weaker demand growth in Europe will prevent a rapid rebound in the economy in 2020. The EIU therefore expects growth to average 2.1% in 2019-20. In 2021-22, real GDP growth is expected to rise above 3% as local and external conditions improve, but it will remain below the annual average of 4.2% recorded in the decade before the revolution.

CORPORATE NEWS

GIB PLAYS KEY ROLE IN US$ 253 MILLION BYRNE EQUIPMENT RENTAL SALE

GIB Capital, the investment banking arm of Gulf International Bank (GIB), acted as the financial advisor to Al Tala'a International Transportation Company (Al Tala'a or Hanco) on the SR 930 million (US$ 253 million) sale of its Byrne Equipment Rental to Itqan Investments and Tamar VPower Energy Fund.

Byrne Equipment Rental is a supplier of rental equipment including power rental solutions across the GCC region.

The company offers equipment rental solutions to a variety of sectors including oil and gas, construction and infrastructure, events, industrial and manufacturing, and marine and ports. The deal also includes other businesses within the Byrne Group, namely Spacemaker (UAE), Byrne Technical Services and Byrne Medical Equipment Rental.

SAUDI FRANSI CAPITAL FUND SET FOR US$ 136 MILLION CAPITAL BOOST

Saudi Fransi Capital, a financial services provider that manages client-focused equity and fixed income portfolios, won approval to nearly double the capital of its real estate investment trust (REIT) fund.

A subsidiary of Banque Saudi Fransi, the company manages Sharia-compliant mutual funds and conventional mutual funds for its clients.

The firm, which was formerly known as Fransi Tadawul, invests in the public equity, fixed income, and alternative asset markets across the globe with a focus on Saudi and GCC.

The unitholders of its Taleem REIT fund have backed the Saudi Fransi Capital's move to boost its capital from SR 285 million to SR 510 million (US$ 76 million to US$ 136 million) through acquisition of a new real estate asset, said the company in its statement.

During a key meeting held recently in Riyadh, the unitholders gave approval to the amended terms and conditions of the fund which include updates on the capital, the number of units, the risks involved and the mechanism of the increase in the fund's capital and the allocation mechanism of new units.

BATELCO INKS DEAL WITH DILMUNIA MALL DEVELOPMENT COMPANY

Batelco, a digital solutions provider in Bahrain, signed a partnership deal with Dilmunia Mall Development Company for its retail and leisure destination, the Mall of Dilmunia.

Under this agreement, Batelco will provide cutting-edge ICT solutions, including the most advanced network, digital solutions, security solutions, Wifi and mall management solutions to the upcoming mall.

The mall is a project by Dilmunia Mall Development Company that will provide fun and educational entertainment facilities for children and families.

ABU DHABI INSURER ADNIC SET TO BUY BACK 10% SHARES

Abu Dhabi National Insurance Company (ADNIC) said it has won approval from the UAE's Securities & Commodities Authority (SCA) for repurchasing 10% of its shares.

The Abu Dhabi-listed insurer said that the deadline of the share buyback ends on August 13, 2019, while the repurchased stocks are to be sold two years after the date of the last buying transaction, said the company.

CHINA HARBOUR WINS ARAMCO ORDER FOR DRILLING ISLANDS

Saudi Aramco awarded a contract to China Harbour Engineering Arabia for the construction of two drilling islands under the company's Berri Increment Program (BIP).

The objective of the BIP is to produce an additional 250,000 barrels per day of Arabian Light crude oil from the Berri Oil Field to reach 500,000 barrels per day to maintain Saudi Aramco's maximum sustained capacity by early 2023.

The Program includes the installation of a new Gas Oil Separation Plant (GOSP) in Abu Ali Island and additional gas processing facilities at the Khursaniyah Gas Plant (KGP) to process 40,000 barrels per day of hydrocarbon condensate associated with the Berri Crude Increment. Related pipelines, water injection facilities, onshore drilling sites, drilling islands and offshore facilities are also included.

Under the contract awarded to China Harbour Engineering, two drilling islands shall be constructed near shore at the north and south sides of the King Fahd Industrial Port (KFIP) causeway in Jubail, to support the Berri field production capacity islands.

The two drill sites referred to as Site A and Site B will have an approximate overall area 616,553 square meters and 263,855 square meters respectively.

DUBAI'S EMPOWER DRIVE HELPS CUT 4.6% ELECTRICITY CONSUMPTION

Emirates Central Cooling Systems Corporation (Empower) said its "24 degrees C Cool" campaign has been a major success with the company achieving a 4.6% reduction in electricity consumption during the second month of the three-month campaign.

The three-month campaign targets more than 85,000 end-users. It urges them to set their air conditioners at 24 degrees Celsius in summer, to reduce energy consumption and consumer bill value. This supports the achieving of sustainable development goals.

The Empower's campaign is part of its initiatives to support various energy-efficiency and demand-side management strategies of the Dubai government, including the Dubai Integrated Energy Strategy, as per the company's CEO.

SSANGYONG E&C SECURES DUBAI FIVE-STAR HOTEL CONTRACT

South Korean builder Ssangyong E&C won a US$ 62 million contract from UAE-based Wasl Asset Management Group to build a five-star boutique hotel at La Mer beachfront development in Dubai.

Wasl is a public entity that develops and manages government property assets. It currently owns 14 hotel properties in Dubai and about 25,000 resident and commercial properties. Dusit Thani, Park Hyatt and Le Meridien are three of the Dubai hotels in its portfolio.

As per the deal, Ssangyong E&C will be responsible for the construction of the 156-room Andaz Hotel, a Hyatt brand, designed by VX Studio. Work has already begun on the project and is likely to be completed in 2020.

The Andaz Hotel will be built in Jumeirah 1, one of the three areas in the coastal residential district of Dubai. Part of the Hyatt chain, the upcoming property will have seven floors above ground and two underground floors and provide 156 rooms, said the report.

Wasl is also building Dubai's first Mandarin Oriental hotel, set to open in Jumeirah by the end of this year, with a second outlet of the brand earmarked for a tower on Sheikh Zayed Road by 2020.

CAPITAL MARKETS

EQUITY MARKETS: WEEKLY PRICE FALLS IN REGIONAL EQUITIES, TRACKING EMERGING MARKET WEAKNESS

MENA equity markets came under downward price pressures this week, as reflected by a 2.2% fall in the S&P Pan Arab Composite Index, mainly tracking weakness in emerging markets amid continued turmoil in some emerging market currencies and renewed fears over a global trade rhetoric.

The heavyweight Saudi Tadawul registered a 3.5% plunge in prices week-on-week, as the sell-off mood in emerging markets compounded with relatively high Saudi valuations, which prompted some market players to trim their holdings. In fact, Saudi stocks traded at a P/E of 14.9 times as compared to a lower regional P/E of 14.0 times. NCB's share price dropped by 5.3% to SR 41.85. SABB's share price decreased by 1.8% to SR 32.60. Al Rajhi Bank's share price went down by 2.1% to SR 83.30. Saudi Electric's share price plummeted by 5.4% to SR 17.08. Almarai's share price declined by 2.3% to SR 51.80. Maaden's share price plunged by 7.1% to SR 51.10.

Also, petrochemicals stocks followed a downward trajectory over this week, mainly dragged by a 1.0% decline in Brent oil prices amidst renewed US-Chinese tariff concerns that may slow global economic growth and dent oil demand. Petrochemicals giant SABIC's share price fell by 6.2% to SR 118.20. Petro Rabigh's share price plunged by 5.7% to SR 23.10. Petrochem's share price closed 2.3% lower at SR 27.60. Sahara Petrochemical Company's share price shed 5.0% to close at SR 17.00.

The UAE equity markets posted a 0.6% retreat in prices this week, mainly dragged by emerging markets rout and fears of an escalating trade war. In Dubai, Emirates NBD's share price went down by 2.6% to AED 9.20. Commercial Bank of Dubai's share price shed 2.5% to AED 3.90. Tabreed's share price closed 1.2% lower at AED 1.63. Emaar Malls' share price decreased by 2.0% to AED 1.96. Aramex's share price shed 3.4% to close at AED 4.25. In Abu Dhabi, First Abu Dhabi Bank's share price fell by 4.3% to AED 14.16. National Bank of Ras Al Khaimah's share price retreated by 0.7% to AED 4.15. Etisalat's share price went down by 1.8% to AED 16.64. Aldar Properties' share price dropped by 1.6% to AED 1.90.

The Qatar Exchange recorded a 0.7% decline in prices week-on-week, mainly driven by emerging market fears that added to global trade woes. 25 stocks out of 45 listed stocks registered price drops,

EQUITY MARKETS INDICATORS (SEPTEMBER 02 TILL SEPTEMBER 08, 2018)

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	86.0	-1.1%	-12.5%	7.8	245.2%	0.8	9,259.0	4.4%	5.5	0.73
Jordan	401.1	1.7%	4.7%	25.9	-8.2%	18.1	23,752.9	5.7%	14.0	1.35
Egypt	323.7	-1.7%	5.5%	204.7	-5.3%	946.6	49,160.7	21.7%	11.8	2.48
Saudi Arabia	332.8	-3.5%	8.8%	3,841.0	44.8%	627.1	487,078.8	41.0%	14.9	2.07
Qatar	176.6	-0.7%	14.6%	168.2	-42.3%	27.9	148,719.8	5.9%	14.6	1.91
UAE	120.6	-0.6%	-2.6%	470.1	31.0%	912.4	247,504.1	9.9%	11.9	1.75
Oman	213.6	0.6%	-9.9%	25.2	41.2%	46.1	18,979.5	6.9%	10.3	1.17
Bahrain	126.5	1.0%	3.3%	10.6	-10.3%	19.5	20,791.8	2.7%	10.6	1.18
Kuwait	95.2	0.6%	9.8%	253.8	-13.6%	309.7	85,775.6	15.4%	15.3	1.60
Morocco	265.9	-4.1%	-12.3%	54.9	51.7%	3.6	59,944.3	4.8%	17.8	2.47
Tunisia	84.4	-4.5%	9.6%	16.4	89.9%	3.9	9,589.7	8.9%	14.3	2.36
Arabian Markets	**726.4**	**-2.2%**	**5.8%**	**5,078.7**	**29.7%**	**2,915.8**	**1,160,556.3**	**22.8%**	**14.0**	**1.93**

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

Sources: S&P, Bloomberg, Bank Audi's Group Research Department while 16 stocks posted price gains and four stocks saw no price change week-on-week. Qatar Islamic Bank's share price went down by 0.7% to QR 139.0. Doha Bank's share price closed 0.8% lower at QR 25.50. Masraf Al Rayan's share price shed 1.7% to QR 37.06. Ooredoo's share price plunged by 4.2% to QR 70.13. Vodafone Qatar's share price fell by 3.4% to QR 8.83. Nakilat's share price decreased by 1.7% to QR 17.20. Gulf Warehousing Company's share price retreated by 1.0% to QR 39.60.

The Egyptian Exchange registered a 1.7% decline in prices week-on-week, mainly tracking declines in emerging markets and driven by some unfavorable company-specific factors. Global Telecom's share price plunged by 15.4% to LE 3.63. Global Telecom said that minority shareholders may not approve an offer from shareholder VEON to acquire its assets in Pakistan and Bangladesh, which may put further pressure on the stock amid upcoming debt payments. Within this context, Global Telecom said that there are significant debt maturities, interest payments and capital requirements in the second half of 2018 and 2019 amounting to at least US$ 500 million. Ezz Steel's share price retreated by 0.9% to LE 26.23. Palm Hills Development's share price went down by 3.1% to LE 3.13. Commercial International Bank's share price fell by 2.0% to LE 85.90. EFG-Hermes' share price dropped by 2.9% to LE 17.61.

FIXED INCOME MARKETS: MENA BOND MARKETS ON THE DECLINE, TRACKING US TREASURIES MOVE

MENA fixed income markets continued to see mostly downward price movements this week, amid weakness in emerging markets, while tracking declines in US Treasuries following higher-than-forecast US job growth in August 2018 and the largest annual increase in US wages in more than nine years, which cemented expectations for a third interest rate hike by the US Federal Reserve at the September FOMC meeting.

In the Egyptian credit space, US dollar-denominated sovereigns maturing between 2020 and 2048 registered price falls ranging between 0.13 pt to 1.87 pt this week. Euro-denominated sovereigns maturing in 2026 and 2030 posted price declines of 1.63 pt and 2.25 pts respectively. As to credit rating changes, CI Ratings upgraded Egypt's long-term foreign and local currency ratings to "B+" from "B" and affirmed its short-term foreign and local currency ratings at "B". The outlook for Egypt's ratings is revised to "stable" from "positive". The revision of the outlook reflects the larger-than-forecast increase in foreign exchange reserves, allowing for better coverage of gross external financing needs and greater capacity to weather external difficulties, a decline in government debt to more sustainable levels in tandem with an improving fiscal position, and lower short-term financing risks due to improving access to international markets, among others, according to CI Ratings.

In the Bahraini credit space, sovereigns maturing in 2018, 2020, 2021 and 2022 recorded price drops of up to 0.63 pt week-on-week. Bahrain'28 and '44 closed down by 0.25 pt and 0.50 pt respectively. Prices of Batelco'20 decreased by 0.25 pt. Mumtalakat'21 was down by 0.14 pt. NOGA'27 saw price retreats of 0.68 pt. As to new issues, Bahrain raised US$ 500 million from a private placement of bonds with Bank ABC, Emirates NBD PJSC, Kuwait Finance House KSCP, Noor Bank PJSC and Sharjah Islamic Bank.

In the Dubai credit space, sovereigns maturing in 2021 and 2043 posted weekly price retreats of 0.06 pt and 0.27 pt respectively, while DUGB'20, '22, '23 and '29 posted price increases of up to 0.29 pt this week. Prices of Emaar'26 decreased by 0.14 pt. DAMAC'22 was down by 0.46 pt. DP World'23 and '37 registered price declines of 0.12 pt and 0.58 pt respectively. Majid Al Futtaim'24 and '25 traded down by 0.37 pt and 0.26 pt respectively. Prices of DEWA'20 retreated by 0.08 pt. As to credit ratings, Standard & Poor's lowered its issuer credit rating on DEWA to "BBB" from "BBB+". The outlook is "negative". According to the rating agency, credit conditions in Dubai have deteriorated, which S&P believes affects the government's likely ability to provide extraordinary financial support to its government-related entities, if needed. Dubai's income level, as measured by GDP per capita, has declined on an annual basis to US$ 37,000 in 2018 from a peak of US$ 45,000 in 2013. S&P views this decline as an indicator of weakened macroeconomic fundamentals, as a country's income level gives an indication of the potential tax and funding base for a government.

In the Qatari credit space, sovereigns maturing in 2030, 2042, 2046 and 2048 recorded price declines of 0.12 pt to 0.23 pt week-on-week. The Central Bank of Qatar raised QR 7.85 billion through the sale of conventional bonds and Sukuk. In details, the Central Bank sold QR 2.45 billion of three-year conventional bonds and QR 1.0 billion of three-year Sukuk at a yield of 3.75%. Also, it sold QR 3.2 billion of five-year conventional bonds and QR 1.2 billion of five-year Sukuk at a yield of 4.25%.

Also, Ooredoo papers maturing in 2019, 2025 and 2043 registered weekly price retreats of 0.20 pt, 0.15 pt and 0.25 pt respectively. Amongst financials, Commercial Bank of Qatar'19 (offering a coupon of 7.50%) was down by 0.28 pt. Commercial Bank of Qatar'23 closed down by 0.23 pt. Prices of Ahli Bank Qatar'22 declined by 0.15 pt.

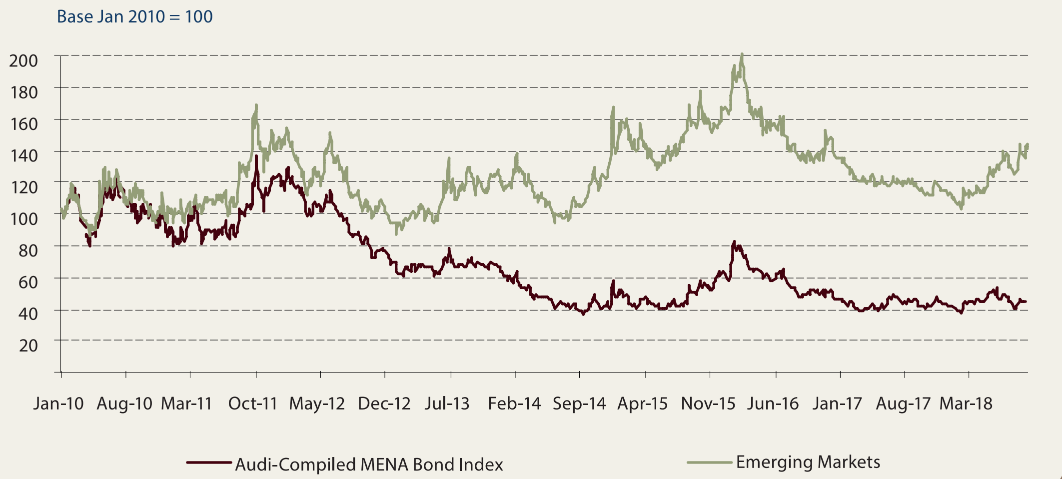
In the Saudi credit space, sovereigns maturing in 2021, 2025, 2026, 2028, 2030, 2046 and 2047 recorded price drops of 0.13 pt to 0.40 pt this week. SABIC'20 was down by 0.25 pt. SECO papers maturing in 2024 and 2043 posted price decreases of 0.15 pt and 0.22 pt respectively. Prices of Dar Al Arkan'22 and '23 went down by 0.30 pt each. Finally, in the Omani credit space, sovereigns saw price drops across the board, with prices of papers maturing between 2021 and 2048 falling by up to 1.04 pt this week.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	07-Sep-18	31-Aug-18	29-Dec-17	Week-on-week	Year-to-date
Abu Dhabi	63	64	64	-1	-1
Dubai	125	123	123	2	2
Kuwait	61	65	66	-4	-5
Qatar	82	83	105	-1	-23
Saudi Arabia	79	82	92	-3	-13
Bahrain	374	356	276	18	98
Morocco	112	105	121	7	-9
Egypt	350	350	316	0	34
Lebanon	698	637	520	61	178
Iraq	441	403	424	38	17
Middle East	**239**	**227**	**211**	**12**	**28**
Emerging Markets	**233**	**230**	**136**	**3**	**97**
Global	**163**	**162**	**132**	**1**	**31**

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	B3/Stable	B-/Stable/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-/Negative/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Negative	BB-/Stable/B
Oman	BB/Stable/B	Baa3/Negative	BBB-/Negative/F3
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Positive	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$)	07-Sep-18	31-Aug-18	29-Dec-17	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)	17.89	17.83	17.76	0.4%	0.7%
Iraqi Dinar (IQD)	1,187.58	1,187.40	1,176.53	0.0%	0.9%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.66	3.66	3.66	0.0%	-0.2%
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	0.38	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	117.65	114.94	0.0%	2.4%
Moroccan Dirham (MAD)	9.45	9.43	9.35	0.2%	1.1%
Tunisian Dinar (TND)	2.79	2.76	2.48	0.9%	12.4%
Libyan Dinar (LYD)	1.38	1.38	1.36	0.0%	1.6%
Sudanese Pound (SDG)	18.00	18.00	7.02	0.0%	156.6%

Sources: Bloomberg, Bank Audi's Group Research Department

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