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The MENA WEEKLY MONITOR

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Economic growth in the Middle East and North Africa (MENA) region is projected to slow to 0.6% this year compared with 1.2% last year, according to a new World Bank report.

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While the importance of digitization in business is widely accepted and several corporate leaders believe that it can be a major boost to revenue as well as profitability, the outcomes of companies executing their digitization strategy has varied greatly, according to a report by Strategy&, part of the PwC network.

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p.9 MENA CAPITAL MARKETS ON THE DECLINE

MENA equity markets remained on the decline this week, as reflected by a 1.2% retreat in the S&P Pan Arab Composite Index, mainly dragged by price drops in the heavyweight Saudi Tadawul and the Qatar Exchange amid lingering geopolitical tensions and driven by some market-specific factors and some profit-taking operations. In contrast, the UAE equity markets and the Egyptian Exchange registered price gains, mainly helped by some favorable market-specific factors while also tracking global markets strength on bets over US-China trade talks progress. In parallel, activity in MENA fixed income markets was tilted to the downside, mainly tracking declines in US Treasuries, on signs of progress in the US-China trade talks that has left a positive impact on the US economic outlook, in addition to optimism about a possible Brexit deal.

MENA MARKETS: WEEK OF OCTOBER 06 - OCTOBER 12, 2019

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-1.2%	Weekly Z-spread based bond index	-3.3%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+0.9%	YTD Z-spread based bond index	+18.0%

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ECONOMY

WORLD BANK SAYS MENA FACES ANOTHER YEAR OF SUBDUED GROWTH

Economic growth in the Middle East and North Africa (MENA) region is projected to slow to 0.6% this year compared with 1.2% last year, according to a new World Bank report. The growth forecast for 2019 is revised down by 0.8 percentage points from the April 2019 projection due to lower oil prices since April 2019 and a larger-than-expected contraction in Iran. MENA's economic outlook is subject to substantial downside risks, most notably intensified global economic headwinds and rising geopolitical tensions.

The latest edition of the MENA Economic Update titled "Reaching New Heights: Promoting Fair Competition in the Middle East and North Africa" discusses the current sluggish growth due to conservative oil production outputs, weak global demand for oil, and a larger-than-expected contraction in Iran. On the other hand, a boost in non-oil activities in the GCC countries, most prominently in construction, partially offset the dampening effect on the region's average growth numbers as a result of Iran's economic contraction.

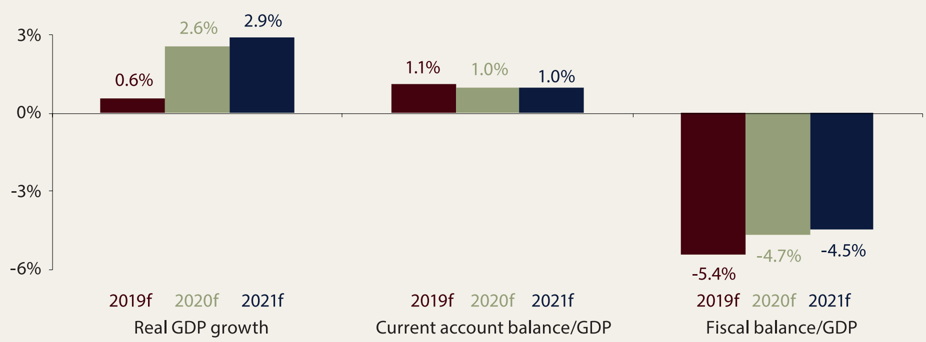
Egypt's GDP continues to lead growth in the region as its overall macroeconomic environment has improved following the country's exchange rate, fiscal, and energy reforms. Consequently, Egypt's economy grew by 5.4% in the first half of 2019, up from 5.2% in 2018.

Countries in the region have implemented bold reforms to restore macroeconomic stability, but the projected growth rate is a fraction of what is needed to create enough jobs for the fast-growing working-age population, according to the World Bank VP for the MENA region. The latter said that it is time for courageous and far-sighted leadership to deepen the reforms, to bring down the barriers to competition and to unlock the enormous potential of the region's 400 million people as a source of collective demand that could drive growth and jobs.

In the medium-term, the World Bank expects real GDP in the MENA region to grow by 2.6% in 2020 and 2.9% in 2021. The projected pick-up in growth is largely driven by increasing infrastructure investment in GCC countries and the recovery in Iran's economy as the effects of current sanctions wane.

However, the report warns that a further escalation in regional tensions could severely weaken Iran's economy and spill over to other countries in the region. While rising oil prices would benefit many regional oil exporters in the short run, the overall impact would be to hurt regional trade, investment, and spending on infrastructure.

SELECTED KEY MENA ECONOMIC INDICATORS



Source: World Bank

The World Bank report also highlights how unfair competition results from markets dominated by State-owned enterprises and politically-connected firms which deters private investment, reducing the number of jobs and preventing countless talented young people from prospering.

The lack of fair competition is holding back the development of the region's private sector, which history has shown to be the source of broad-based growth and jobs, said the World Bank MENA Chief Economist. Countries in the region have an opportunity to transform their economies by levelling the economic playing field, and creating business environments that encourage risk-taking and reward innovation and higher productivity, as per the same source.

Unleashing regional demand accompanied by arm's length regulation that fosters competition and fights anti-competitive practices could prevent the perpetuation of oligarchies. The report calls for strengthening competition laws and enforcement agencies. It also calls for more efficient management leading to potential corporatizing of State-owned enterprises, promoting the private sector, and setting up watchdogs to rebalance contestability between them.

EGYPT'S REAL GDP GROWTH REACHED 5.5% IN 2018/19, AS PER THE ECONOMIST INTELLIGENCE UNIT

Egypt's real GDP growth reached 5.5% in 2018/2019, but it is expected to slow to 4.8% in 2019/2020 as global demand weakens, as per the Economist Intelligence Unit.

Egypt's economy will expand at an annual average rate of 5.1% in 2020-21. Lower unemployment and the improved investment climate will begin to boost private consumption, although widespread poverty will remain a constraint on consumer demand growth, as per the EIU. The construction and energy sectors are the main engines of growth.

In partnership with private contractors, the government is pursuing various low-income housing schemes, as well as the construction of a new (administrative) capital city to the east of Cairo, to be completed in 2020, as per the Economist Intelligence Unit. Production from the Zohr gasfield, which came on stream at end-2017, will sharply reduce (but not eliminate) the need for fuel imports, but capital imports will remain high to support the country's infrastructure projects. The slowdown in Europe, Egypt's main export market, will affect tourism and other sectors.

Furthermore, inflation has fallen to four-year lows since mid-2019 owing to a stronger currency. In 2020, the EIU expects inflation to decline further, to an average of 6.9%, as international oil prices fall. Thereafter, the report expects inflation to remain close to these levels, with currency appreciation helping to offset the impact of higher international prices, but stronger domestic demand limiting falls in inflation and leading to a small uptick in price growth in 2022 and again in 2024, reflecting global commodity price trends. Overall, average annual inflation should remain in single digits in 2020-24.

The pound has experienced a marked appreciation in 2019 that has held up even through the reinvigorated monetary loosening cycle owing to greater confidence in Central Bank of Egypt (CBE) management and stronger capital inflows.

In the longer term, there is potential for more real exchange-rate appreciation, reflecting a growing natural-resource endowment and a downward trend in inflation, according to the EIU. The flotation has eliminated the black market and helped to restore confidence in the pound while allowing the banking system to capture much of the US dollar liquidity in unofficial circulation.

The pound will come under renewed pressure, with the CBE or state banks selling foreign exchange in a bid to support the currency, although the level of intervention will fall, with the CBE reducing the banking sector's powers to influence the market directly. The Economist Intelligence Unit expects sporadic volatility and some reversals, but overall the pound will strengthen to an average of LE 16.19:US$ 1 in 2024, with the pace of appreciation beginning to slow towards the end of the forecast period.

Despite more modest merchandise export growth as global demand growth eases, the trade deficit will continue to narrow in 2020 as the Zohr gasfield reaches peak production requiring lower energy import volumes leading to a decline in the import bill as well as an eventual rise in gas exports, as per the EIU. Although service export growth will moderate in 2020-21 after several years of rapid recovery in tourism earnings, it will still outpace service import growth, and the current account is expected to shift from a small deficit to a modest surplus in 2020, rising to 0.7% in 2021. Energy exports will continue to grow in the middle of the forecast period, but a steady flow of capital inputs for infrastructure projects and stronger consumer demand will push up import spending more strongly in 2022-24, leading to a renewed widening of the trade account in those years.

SAUDI ARABIA SCORES A MODERATE 50.2 OUT OF 100 FOR ECONOMIC OPENNESS, AS PER FITCH SOLUTIONS

Businesses in Saudi Arabia face relatively higher trade and investment risks in Saudi Arabia when compared to regional peers, according to Fitch Solutions.

Despite the Kingdom having some of the largest trade turnover and inward FDI stock volumes out of all the GCC and MENA states, Saudi Arabia still remains fairly closed off to international trade and foreign investment by virtue of its undiversified economy and export partner portfolio, as per the report.

The global slump in crude prices has highlighted the necessity of diversifying the economy and opening it up more to private and foreign investment. In this regard, there have been several positive developments, specifically with the release of the Vision 2030 economic diversification plan, the opening up of Saudi stock exchanges to foreign portfolio investment and the allowance of 100% foreign ownership in certain sectors.

Nevertheless, while these developments are noted as positive, the impact of these policies is expected to take time to filter through to diversifying Saudi Arabian export revenues away from crude oil and opening the country up even further for foreign investment, according to Fitch Solutions. As a result, Saudi Arabia scores a moderate 50.2 out of 100 for Economic Openness, which ranks it 10th out of 18 MENA states.

Saudi Arabia is a distinct MENA underperformer in terms of its levels of openness to international trade. Dependence on oil means growth, exports and government spending remain highly vulnerable to shifts in world oil prices.

Diversification and liberalization efforts in Saudi Arabia are expected to take a very long time to significantly reduce the Kingdom's heavy dependence on crude export revenues. Saudi Arabia's stringent trade regime does not help matters; while overall tariffs are below the average of those of the MENA region, time and cost burdens caused by non-tariff barriers to trade are very high. This makes Saudi Arabia a difficult import market for non-MENA states to penetrate. Consequently, the country scores a moderate 43.1 out of 100 for Trade Openness and ranks in 12th place out of 18 MENA states.

EGYPT TO SELL MINORITY STAKES IN TWO STATE-OWNED COMPANIES BY YEAR-END, SAYS REUTERS

Egypt plans to sell minority stakes in two companies by year-end, ramping up its long-delayed privatization program, as per Reuters.

The State still controls large swathes of Egypt's economy, including three of its largest banks along with much of its oil industry and real estate sector.

The government plans to sell extra shares in two state firms already trading on the Egyptian bourse, Abu Qir Fertilisers and Chemicals Industries and Alexandria Container and Cargo Handling Co., while retaining overall control, as per the same source.

The Central Bank also said last week it had selected two banks to advise on the sale of its 99.9% stake in United Bank, a deal it said several years ago would occur by end-2016.

SURVEYS

GCC FIRMS MUST IMPROVE DIGITAL TRANSFORMATION STRATEGY, AS PER STRATEGY&

While the importance of digitization in business is widely accepted and several corporate leaders believe that it can be a major boost to revenue as well as profitability, the outcomes of companies executing their digitization strategy has varied greatly, according to a report by Strategy&, part of the PwC network. Despite good intentions, few companies in the GCC have successfully implemented a digital transformation strategy. They need now to move from a conceptual appreciation of the importance of digitization to a focus on execution, stated the latest Strategy& report.

According to the Strategy& report, nearly two-thirds of global manufacturing companies have not seen any results from their digital transformation efforts. This sentiment is also echoed in "The Dell Technologies 2018 Digital Transformation Index", which highlights that more than 90% of businesses in Saudi Arabia and the United Arab Emirates (UAE) are facing major obstacles in their efforts at digital transformation. Furthermore, in Europe, Middle East, and African (EMEA) region, the Strategy& survey revealed that only 15% of companies plan to establish mature digital ecosystems in the next five years. In addition, just 5% of the companies in the EMEA region have implemented critical technologies that propel digitization, such as integrated end-to-end supply chain planning, a smart environment using the Internet of Things (IoT), or manufacturing execution systems.

More specifically, the report finds that some of the underlying reasons and challenges being faced by businesses include the following. First, the approach of many companies has focused exclusively on the technology itself. Instead, businesses should have defined the business challenge that digital transformation is supposed to tackle. Most industries cannot keep up with the rapid pace and development of digital technologies. This leaves companies asking if they should abandon their existing investment in a technology that has become outdated, or if they should spend their money on a next-generation wave of solutions. Second, organizations need to change their culture so that it becomes open to entrepreneurship and accepts more imaginative leadership styles; which encourage digitalization. This means being flexible, capable of learning from failure and responding accordingly. Third, companies have been more risk-averse when it comes to digital transformations, as per Strategy&.

UAE'S ECONOMIC AND FISCAL DATA HIGHLIGHT A MIXED PERFORMANCE, AS PER MEED

The latest economic and fiscal data from the UAE caters to those inclined towards a pick and mix approach, with offerings to satisfy both sceptics and optimists alike, as per MEED.

For those looking through the glass-half-empty prism, the seismic drop in private sector sentiment identified in the latest monthly purchase managers index (PMI) provides ample proof that the non-oil economy is hurting. The headline index for the UAE dipped to 51.1 in September from 51.6 in August, the lowest reading since May 2010. Domestic and external demand weakened and new export orders declined. Persistent real estate weakness is another negative for Dubai in particular, with rising supply and tepid demand forcing prices down.

Yet those with a rosier outlook can also find evidence to support their thesis. The IMF for one still expects a respectable 2.8% GDP growth figure for this year. The Central Bank has revised upwards it GDP growth estimate to 2.4%, in light of a 5%increase in oil sector growth, which compensates somewhat for the weakness in the non-hydrocarbons sector, according to MEED.

Governments at both federal and emirate level are, meanwhile, looking at boosting spending, which should also yield a beneficial economic impact. The 2019 federal budget envisaged a 17.3% increase in spending over the previous year, and next year's federal budget will increase to AED 61.6 billion (US$ 16.8 billion), the highest level ever, while Abu Dhabi is in the midst of an AED50bn extra-budgetary fiscal stimulus program. Moves are also underway to reduce fees for businesses and consumers. In July 2019, the government reduced and cancelled fees for a range of federal services. In Dubai, meanwhile, there is fevered anticipation of the economic bounty that will result from the Expo 2020 project, expected to lead to a 20 per cent increase in tourists to Dubai in 2020 to 20 million.

This mixed economic picture reflects a confluence of regional and domestic issues. The UAE cannot insulate itself from global challenges. The recent difficulties experienced by the country's private sector – witnessing a reduction in both foreign and local demand – points to the impact of both the global downturn.

Domestic consumption is unable to compensate fully. In the view of Dubai-based Emirates NBD, a weaker jobs market, stagnant wages and higher taxes and borrowing costs have all contributed to lower private consumption.

UAE AMONG TOP 25 IN GLOBAL COMPETITIVENESS RANKING, AS PER THE WORLD ECONOMIC FORUM

The UAE ranked first in the Arab World and 25th globally in the Global Competitiveness Report 2019, released by the World Economic Forum (WEF).

According to the report, which assesses the competitiveness landscape of 141 economies, providing unique insight into the drivers of economic growth, the UAE gained two positions since the last edition. The UAE government gives top priority to the process of continuous improvement of performance in vital sectors including economy, health, education and advanced sciences through which UAE's national economy be able to join the ranks of advanced global economies, as per the, Director General of Federal Competitiveness and Statistics Authority (FCSA). This will be made possible through continuous development of the economic structure by introducing legislations and resolutions on economic, administrative and corporate sectors which stimulate and accelerate the pace of growth in economic activities, support economic diversification strategy and create an attractive economic environment for both investment and investors.

Launched in 1979, the report provides an annual assessment of the drivers of productivity and long-term economic growth. The assessment is based on the Global Competitiveness Index, GCI, which maps the competitiveness landscape of 141 economies through 103 indicators organized into 12 pillars. These pillars are: Institutions, Infrastructure, ICT adoption, Macroeconomic stability, Health, Skills, Product market, Labor market, Financial system, Market size, Business dynamism and Innovation capability. For each indicator, the index uses a scale from 0 to 100 and the final score shows how close an economy is to the ideal state or "frontier" of competitiveness. In detail, the UAE has made significant improvements in 52 indicators in this year's report and maintained its performance in other 27 indicators of the 103 indicators. The UAE has been ranked among the world's top five countries in 19 indicators and among the first 20 countries globally in 57 indicators - more than 50% of indicators monitored by the report this year. The UAE came first globally in the Macroeconomic stability, second in ICT adoption and fourth in Product market. On the Macroeconomic stability, the UAE lead in four indicators: Inflation, Debt dynamics, Mobile-cellular telephone subscriptions and Credit gap.

The UAE also advanced in eight out of 12 key pillars: Infrastructure, ICT adoption, Education, Skills, Product market, Labor market, Business dynamism and Innovation capability. As for sub-indicators, the UAE advanced in 17 out of 22 in 2019. The UAE came in the top ten globally: Public-sector performance (4th), Domestic competition (6th), Security (7th), Trade openness (7th), Entrepreneurial culture (8th), Infrastructure and transport (8th) and Future orientation of government (9th). It came second globally in electricity access percentage of population, mobile-broadband subscriptions and internal labor mobility. It took the third place in Government's responsiveness to change and fourth in efficiency of legal framework in challenging regulations burden of government regulation, legal framework's adaptability to digital business models, future orientation of government, fiber internet subscriptions, pay and productivity and venture capital availability. It came fifth in Internet users, growth of innovative companies and distortive effect of taxes and subsidies on competition. The UAE occupied the sixth place in efficiency of legal framework in settling disputes, quality of road infrastructure, attitudes towards entrepreneurial risk and efficiency of air transport services, seventh in organized crime impact on businesses, eighth in government ensuring policy stability and critical thinking in teaching, ninth in homicide rate per 100,000 population and growth of innovative companies, prevalence of non-tariff barriers and financing of SMEs.

CORPORATE NEWS

SAUDI ARABIA'S AEC SIGNS FOUR KEY MoUs AT GITEX

Advanced Electronics Company, a Saudi Arabian Military Industries (SAMI) company, announced the signing of four new memoranda of understanding (MoUs). The strategic collaborations with Megvii, Labiba, Nutanix and the Ministry of Communication and Information Technology's Yesser e-Government Program will support AEC's drive to further develop Saudi Arabia's capabilities through the transfer and localization of technology, in line with the goals of the Kingdom's Vision 2030 roadmap for digital transformation, as per a statement.

Under the terms of the MoU, Yesser and AEC will supply specialist resources for joint engagement, with the goal of raising the productivity and efficiency of the public sector. The agreement seeks to outline a collaboration model between the parties to identify opportunities that can accelerate the Kingdom's digital evolution and address the future needs of the Saudi Arabian ICT Market.

Labiba is an Artificial Intelligence (AI) and Robotic Process Automation (RPA) company that specializes in building virtual agents that can emulate human actions in executing business processes and interact with customers. Together, Labiba and AEC intend to disrupt the region's digital landscape through the development of enterprise-level bot management platforms with native Arabic language understanding, which are capable of creating realistic conversational experiences over both voice and text channels. Under the terms of the MoU, the two parties will join forces to explore the market in Saudi Arabia, with a view to enabling their clients to harness the benefits of AI and RPA.

Megvii is an Alibaba-backed technology company that specializes in image recognition and deep-learning software. The company's full-stack solutions encompass algorithms, software, and AI-empowered Internet of Things (IoT) devices. Under the terms of the MoU, the two parties will work together on building a commercially viable business model that will bring value to their clients. Megvii's facial recognition solution stack is of particular interest to AEC, and has a number of potential applications for the monitoring of traffic flow, crowd control, and security as part of smart city initiatives.

Nutanix is a cloud computing software company that sells hyper-converged infrastructure appliances and software-defined storage. Under the terms of the MoU, Advanced Electronics Company will develop the company's capabilities in the field of cloud computing and create new job opportunities in the technology sector in the Kingdom. Such collaboration opportunities will strengthen AEC's position and provide access to new markets, as per the same source.

DEWA CONNECTS 1,354 BUILDINGS WITH PV INSTALLATIONS

Dubai Electricity and Water Authority (DEWA) has connected 1,354 photovoltaic (PV) installations on residential, commercial and industrial buildings in Dubai, with a total capacity of 125 MW.

This is due to its Shams Dubai initiative to encourage customers to install solar photovoltaic panels at their premises to generate electricity from solar power and export any excess to the power grid.

The Shams Dubai initiative's first customer to connect solar photovoltaic systems to DEWA's grid was the rooftop of the employees' building at Dubai World Central - Al Maktoum International Airport, with a capacity of 30 kilowatts at peak load (kWp), as per the MD & CEO of DEWA.

DEWA also connected a number of distributed solar projects at its own premises, including the 1.5 MWp plant at Jebel Ali Power Station. This installation covers the roof of Jebel Ali's M Station, which is one of the largest rooftop projects in the Middle East and North Africa.

DP WORLD BECOMES A FULL LOGISTICS OPERATOR IN PERU

DP World's business in Peru, which began with container handling at the Port of Callao, expanded into a fully integrated maritime and logistics operation, catering to the needs of customers across the entire supply chain.

Since building the greenfield Port of Callao, DP World has increased its investment in Peru. The company acquired Cosmos Agencia Maritima S.A.C., which offers maritime services.

Reach into Peru was extended when DP World bought Neptunia S.A and Triton Transport S.A, which run logistics hubs, warehouses, bonded storage and trucking. The integrated platform of supply chain services supports customers doing business in Peru and beyond, said the Dubai group.

As a result, DP World Callao acts as a gateway for Peru's import and export container traffic, as well as a chief point for regional transshipments. The integration has equipped DP World to turn Peru into a trade hub for the Latin America region.

ABU DHABI'S ARABTEC AND TROJAN HIRE ADVISORS FOR POTENTIAL MERGER

Arabtec Holding and Trojan Holding have mandated Swiss bank UBS and Dubai-listed Shuaa Capital as advisers on a potential merger between the two United Arab Emirates construction firms, as per Reuters.

Switzerland's UBS is working with Arabtec, while Shuaa is working with Trojan.

Trojan Holding, which owns a number of construction companies including Trojan General Contracting, has worked on large contracts for developers including Aldar Properties, Emaar Properties and Nakheel.

Arabtec Holding PJSC, together with its subsidiaries, provides construction services for residential, commercial, oil and gas, infrastructure, power, facilities management, and property development sectors in the United Arab Emirates and internationally. It operates through Construction, Mechanical, Electrical and Plumbing, Oil & Gas, Infrastructure and Power and Other segments. The company is involved in the construction of high-rise towers, buildings, and residential villas, as well as undertakes drainage, electrical, mechanical, plumbing, contracting and related, and civil and infrastructure construction works. It also engages in the real estate investment, development, leasing, and management activities, buys and sells real estate properties and leases and manages third party properties.

SANABIL INVESTMENTS ACQUIRES 49% STAKE IN CONSULTING FIRM RICHARD ATTIAS

Sanabil Investments, a subsidiary of Saudi Arabia's sovereign wealth fund, acquired 49% of consulting firm Richard Attias & Associates (RAA).

The stake acquired by Sanabil Investments focuses on making direct equity investments in local companies and projects.

FINE ACQUIRES 30% STAKE IN NAI ARABIA IN WELLNESS SHIFT

Jordan's Fine Hygienic Holding (FHH), a paper products manufacturer, became the largest single shareholder in Dubai's natural food and beverage company Nai Arabia in a deal valued at over US$ 10 million.

The signing between the two companies gave Fine a stake of more than 30%.

Founded in 1958 in Amman, FHH exports its products to more than 75 countries and has operations in Jordan, the UAE, Saudi Arabia, Egypt and Morocco. The company has sought to set up a base in the UAE, where it opened its biggest paper mill, Al Nakheel in 2017, with an investment of US$ 91 million. Its products include paper towels, tissues and business packaging.

CAPITAL MARKETS

EQUITY MARKETS: PRICE DECLINES IN MENA EQUITIES WEEK-ON-WEEK

MENA equity markets remained on the decline this week, as reflected by a 1.2% retreat in the S&P Pan Arab Composite Index, mainly dragged by price drops in the heavyweight Saudi Tadawul and the Qatar Exchange amid lingering geopolitical tensions and driven by some market-specific factors and some profit-taking operations. In contrast, the UAE equity markets and the Egyptian Exchange registered price gains, mainly helped by some favorable market-specific factors while also tracking global markets strength on bets over US-China trade talks progress.

The heavyweight Saudi Tadawul posted a 3.1% fall in prices week-on-week, mainly dragged by lingering geopolitical tensions and as some market players sought to raise liquidity on bets that Saudi Aramco's Board of Directors would give its final approval for the share sale in the coming few days, in addition to speculation on relatively muted earnings during the third quarter of the year. Saudi equity price falls took place despite news that the Tadawul would allow foreign companies to list on its exchange, a move that reflects the importance of integration between capital markets in the region. NCB's share price went down by 4.2% to SR 43.20. Al Rajhi Bank's share price plummeted by 5.7% to SR 58.0. Al Bilad Bank's share price fell by 8.7% to SR 23.42. As to petrochemicals, petrochemicals giant SABIC's share price shed 3.0% to SR 88.50. Saudi Kayan Petrochemical Company's share price plunged by 3.1% to SR 9.69. Petrochem's share price dropped by 4.4% to SR 22.46. Sipchem's share price decreased by 2.3% to SR 16.50. Saudi Advanced Industries Company's share price plummeted by 7.9% to SR 13.02. SAIC said that an agreement for the sale of its 10% stake in Al Salam Aerospace Industries was extended for a period of six months.

The Qatar Exchange registered a 0.5% retreat in prices this week, mainly on some profit-taking operations in the transportation and insurance sectors amid lingering regional geopolitical tensions. 29 out of 46 traded stocks posted price falls, while 13 stocks registered price gains and four stocks saw no price change week-on-week. Milaha's share price plunged by 6.2% to QR 6.23. Gulf Warehousing Company's share price dropped by 1.6% to QR 4.95. Nakilat's share price shed 1.7% to QR 2.34. Qatari Insurance's share price fell by 4.2% to QR 3.160. Doha Insurance's share price closed 3.0% lower at QR 0.999. Also, Qatar Islamic Bank's share price went down by 2.6% to QR 15.10. Doha Bank's share price fell by 2.7% to QR 2.53.

EQUITY MARKETS INDICATORS (OCTOBER 06 TILL OCTOBER 12, 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	68.7	-0.7%	-18.1%	0.5	-99%	0.1	7,432.0	0.3%	5.9	0.59
Jordan	356.3	-0.4%	-6.6%	39.3	-5.9%	20.0	21,067.7	9.7%	11.6	1.36
Egypt	345.3	0.8%	25.4%	170.4	-32.3%	740.7	45,454.1	19.5%	9.7	2.18
Saudi Arabia	334.5	-3.1%	1.8%	3,447.7	-13.4%	502.6	485,421.6	36.9%	16.0	2.22
Qatar	179.4	-0.5%	-4.9%	236.5	-28.5%	301.3	155,741.8	7.9%	15.6	2.05
UAE	113.5	1.2%	0.3%	336.7	6.9%	1,000.7	250,235.8	7.0%	11.3	1.73
Oman	203.1	-0.2%	-4.5%	23.8	-70.2%	78.5	17,453.5	7.1%	9.3	0.93
Bahrain	150.2	1.2%	25.4%	9.8	55.3%	15.7	23,476.1	2.2%	10.8	1.60
Kuwait	106.8	1.4%	12.8%	336.9	44.7%	516.6	95,689.8	18.3%	15.8	1.82
Morocco	268.1	-0.3%	-0.5%	35.7	-48.7%	2.1	60,248.3	3.1%	19.2	2.82
Tunisia	69.1	-0.1%	-1.6%	3.7	-19.9%	2.1	8,014.9	2.4%	13.3	2.40
Arabian Markets	**735.2**	**-1.2%**	**0.9%**	**4,640.8**	**-13.2%**	**3,180.3**	**1,170,235.5**	**20.6%**	**14.5**	**2.03**

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

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

In contrast, the UAE equity markets registered a 1.2% increase in prices week-on-week, mainly helped by some favorable company-specific factors, while also tracking increases in global equities on US-China trade talk progress. In Abu Dhabi, First Abu Dhabi's share price increased by 0.9% to AED 15.22. Etisalat's share price closed 0.9% higher at AED 16.50. Aldar Properties' share price jumped by 6.5% to AED 2.12.

In Dubai, Emirates NBD's share price rose by 1.5% over the week to AED 13.15. Emirates NBD unveiled plans to cut costs by 5% next year. Amlak Finance's share price jumped by 31.0% to AED 0.507. The Sharia-compliant finance company said it has been awarded AED 780 million in a court ruling against an arbitration that has been administrated by the Dubai International Arbitration Center since 2013. Arabtec Holding Company's share price jumped by 6.5% to AED 1.80. Arabtec Holding said that its wholly-owned subsidiary Target Engineering Construction Company has been awarded an SR 280 million engineering, procurement, and construction contract by Saudi Aramco. Also, Arabtec has hired advisers for a potential merger with construction firm Trojan Holding.

The Egyptian Exchange saw a 0.8% rise in prices week-on-week, mainly on improved sentiment after the Central Bank Governor said that Egypt is in talks with the IMF on further assistance to help it carry out structural reforms, and after annual inflation in urban parts of the country reached 4.8% in September 2019, its lowest level in almost seven years, raising bets of more possible rate cuts this year. Commercial International Bank's share price went up by 1.2% to LE 79.90. El Sewedy Electric's share price increased by 1.4% to LE 13.02. Ezz Steel's share price jumped by 11.4% to LE 12.08. Telecom Egypt's share price edged up by 0.7% to LE 11.81.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND PRICES TILTED TO THE DOWNSIDE, TRACKING US TREASURIES MOVE

Activity in MENA fixed income markets was tilted to the downside this week, mainly tracking declines in US Treasuries, on signs of progress in the US-China trade talks that has left a positive impact on the US economic outlook, in addition to optimism about a possible Brexit deal.

In Saudi Arabia, US dollar sovereigns maturing between 2021 and 2049 posted price falls ranging between 0.13 pt and 4.13 pts week-on-week. Euro-denominated papers maturing in 2027 and 2039 were down by 0.63 pt and 2.63 pts. Aramco papers maturing between 2022 and 2049 saw price declines of up to 3.11 pts. Fitch downgraded Saudi Aramco's Long-Term Issuer Default Rating to "A" from "A+" following the downgrade of Saudi Arabia, with a "stable" outlook. Fitch's assessment of Saudi Aramco's Standalone Credit Profile is unchanged at "aa+". The sovereign downgrade followed the drone and missile attack on Saudi Aramco's domestic infrastructure on 14 September 2019, which resulted in a short suspension of more than half of the company's oil production. The downgrade also took into account rising geopolitical tensions in the region, but also the country's continued fiscal deficit, among other factors.

Still in the Saudi credit space, prices of SABIC'23 increased by 0.05 pt, while SABIC'28 traded down by 0.18 pt week-on-week. Fitch downgraded SABIC's Long-Term Issuer Default Rating to "A" from "A+", with a "stable" outlook. The rating action follows the downgrade of Saudi Arabia ("A/Stable"). Fitch's assessment of SABIC's Standalone Credit Profile is unchanged at "a+". The rating actions on the sovereign and SABIC follow the drone and missile attack on Saudi Aramco's domestic infrastructure mid-September 2019, which led to a temporary suspension of almost half of SABIC's feedstock supply sourced by Saudi Aramco in Saudi Arabia. As to new issues, Dar Al Arkan raised US$ 600 million through the issuance of Sukuk at a profit rate of 6.75%.

In the Dubai credit space, prices of sovereigns maturing in 2023, 2029 and 2043 contracted by 0.14 pt, 0.33 pt and 1.34 pt respectively week-on-week. Prices of DP World'23 and '28 retreated by 0.08 pt and 0.65 pt respectively. Majid Al Futtaim'24 and '29 closed down by 0.35 pt and 0.22 pt respectively. As to papers issued by financial institutions, DIB'23 was down by 0.14 pt, while prices of DIB Perpetual (offering a coupon of 6.75%) rose by 0.19 pt. Emirates NBD'21, '22 and Perpetual (offering a coupon of 6.125%) saw price contractions of 0.20 pt, 0.10 pt and 0.12 pt respectively. Capital Intelligence affirmed the Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) of Emirates NBD at "A+" and "A1" respectively.

In the Abu Dhabi credit space, prices of sovereigns maturing in 2027 and 2047 declined by 0.38 pt and 2.50 pts respectively week-on-week. Mubadala papers maturing between 2022 and 2041 registered price retreats of up to 0.33 pt. ADNOC'29 and '47 traded down by 0.46 pt and 0.44 pt respectively. Etisalat'26 was down by 0.18 pt. Amongst financials, prices of First Abu Dhabi Bank'24 contracted by 0.17 pt. ADIB Perpetual (offering a coupon of 7.125%) closed down by 0.17 pt.

In the Bahraini credit space, sovereigns maturing in 2021, 2024, 2029 and 2047 registered price contractions of up to 0.25 pt this week. Prices of NOGA'28 rose by 0.18 pt.

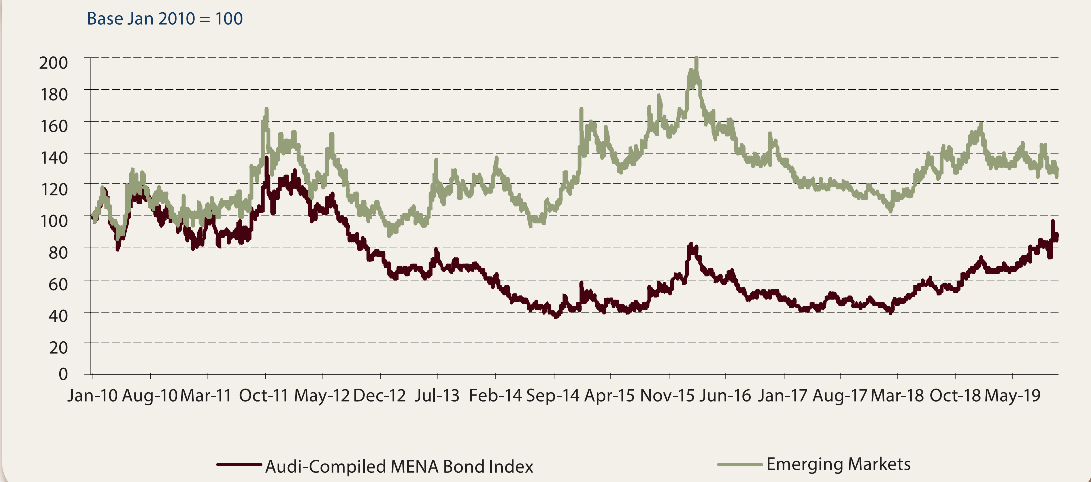
MENA bond markets came under downward price pressures, tracking US Treasuries move, mainly on optimism over a progress in US-China trade talks, which triggered a flight to riskier assets in global markets (as reflected by a 1.2% increase in the S&P global market index).

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	11-Oct-19	04-Oct-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	53	54	67	-1	-14
Dubai	130	133	129	-3	1
Kuwait	53	54	66	-1	-13
Qatar	53	54	82	-1	-29
Saudi Arabia	79	76	105	3	-26
Bahrain	234	235	293	-1	-59
Morocco	107	96	111	11	-4
Egypt	309	306	391	3	-82
Lebanon	1,202	1,261	770	-59	432
Iraq	383	380	519	3	-136
Middle East	**261**	**265**	**254**	**-4**	**7**
Emerging Markets	**173**	**170**	**188**	**3**	**-15**
Global	**181**	**189**	**189**	**-8**	**-8**

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/RUR	CCC/Stable/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Stable/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Stable	A/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB/Negative/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   RUR= Ratings Under Review   * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	11-Oct-19	04-Oct-19	31-Dec-18	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	-0.3%
Egyptian Pound (EGP)	16.29	16.31	17.92	-0.2%	-9.1%
Iraqi Dinar (IQD)	1,182.87	1,182.28	1,192.68	0.0%	-0.8%
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	0.0%	0.1%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.2%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	120.48	120.48	117.65	0.0%	2.4%
Moroccan Dirham (MAD)	9.66	9.69	9.54	-0.3%	1.3%
Tunisian Dinar (TND)	2.83	2.86	3.05	-0.8%	-6.9%
Libyan Dinar (LYD)	1.41	1.41	1.40	0.4%	1.1%
Sudanese Pound (SDG)	45.11	45.11	47.62	0.0%	-5.3%

Sources: Bloomberg, Bank Audi's Group Research Department

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