CONTACTS

Treasury & Capital Markets

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

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

Private Banking

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

Corporate Banking

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

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

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AquaChemie Middle East, a regional chemical distributor with an extensive supply chain network and manufacturing base across the GCC region, will build an AED 150 million (US$ 40 million) state-of-the-art chemical terminal facility at Jebel Ali Port in Dubai, UAE.

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Markets In Brief

p.9 MENA EQUITIES SLIGHTLY UP, TWO-WAY FLOWS IN BOND MARKETS

Activity in MENA equity markets was skewed to the upside this week, as reflected by a 0.8% price rise. The Saudi Tadawul, the Qatar Exchange and UAE equity markets posted price increases, mainly supported by oil price gains and some favorable market-specific and company-specific factors. In parallel, MENA bonds markets saw mixed price movements. Some regional papers registered price contractions, mainly tracking US Treasuries move. Some other papers posted weekly price gains, as a fall in China's exports in November added to concerns about trade war impact and spurred demand for safe-haven assets.

MENA MARKETS: WEEK OF DECEMBER 01 - DECEMBER 07, 2019

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.8%	Weekly Z-spread based bond index	-1.2%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+3.3%	YTD Z-spread based bond index	+11.6%

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

ECONOMY

IMF SAYS GLOBAL HEADWINDS IMPACT ON MENAP GROWTH SO FAR MUTED

In its latest regional economic outlook report, the IMF said that the impact on growth in the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region from global headwinds remains muted thus far. However, growth remains too low to meet the needs of growing populations, while risks to the outlook have increased. They include global trade uncertainties, volatile oil prices, geopolitical tensions, and domestic vulnerabilities in some countries.

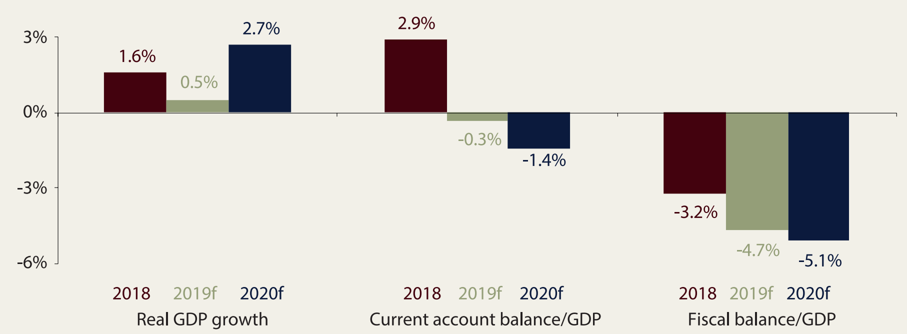
Growth for MENAP oil exporters, excluding Iran and conflict countries, will soften to 1.3% this year on lower and more volatile global oil prices, geopolitical tensions, and the global slowdown, as per the IMF. With slowing productivity and rising fiscal vulnerabilities in some countries, expansionary fiscal policy would have only a modest impact on growth while reinforcing risks from a volatile oil market and lower projected oil prices. Reducing fiscal vulnerabilities combined with enhanced emphasis on structural reforms would boost private activity and attract investment, thus helping to lift productivity and potential growth.

While easier global financial conditions provide temporary relief to MENAP oil importers, the growth outlook remains muted, with growth projected by the IMF at 3.6% this year and 3.7% in 2020. Elevated public debt is holding down growth in the region and creating acute fiscal stress amid global headwinds, volatile oil prices, and sustained social tensions. Governments confront a difficult trade-off between reducing fiscal deficits and raising growth. Growth-friendly fiscal consolidation and structural reforms can help boost growth and spur job creation.

Economies in the Middle East and Central Asia have seen a recent surge in portfolio inflows, now accounting for about 20% of the total portfolio inflows to emerging markets, relative to merely 5% before the global financial crisis, while foreign direct investment (FDI) has more than halved since 2008, said the report.

Portfolio flows to the region's economies are nearly twice as sensitive to global market sentiment compared to other emerging economies, exposing the region to abrupt shifts in such sentiments. If the VIX were to double from its 2018 level, portfolio inflows to the region would be halved, with the impact being stronger in oil-importing countries, according to the IMF. Revitalizing FDI by easing restrictions and promoting macroeconomic stability while deepening domestic financial markets can provide more stable sources of funding, thus mitigating the risk of volatile portfolio flows.

SELECTED KEY MENAP ECONOMIC INDICATORS



Source: IMF

Weak fiscal institutions in economies in the Middle East and Central Asia are associated with poor fiscal outcomes, rising debt and deficits, and pro-cyclical fiscal policy. Improving fiscal institutions, including adopting and implementing flexible fiscal rules with monitoring and enforcement mechanisms, could slow the pace of public debt build-up by 4% of GDP on average across the region, as per the report. Improving transparency and establishing a credible medium-term fiscal framework could also help reduce pro-cyclicality of government spending, especially in the region's oil exporters. Greater transparency combined with strengthened procurement processes could lower the volatility of discretionary government spending by 13% and improve the predictability of fiscal policy.

OMAN'S ECONOMY CONTRACTS BY 1.9% IN FIRST HALF OF THE YEAR AS THE NON-OIL SECTOR SHRANK

Oman's economy contracted by 1.9% in nominal terms in the first half of the year as the non-oil sector shrank, as per the Central Bank.

The Gulf State's finances have been hurt by a slump in oil prices in recent years, but the economic decline this year emanated from the non-petroleum industrial activities and services sector.

It said the non-hydrocarbon sector of the economy contracted by 3.4% in nominal terms in January-June. The hydrocarbon sector grew 2.1% in the same period, with nominal gross domestic product (GDP) from crude oil and natural gas increasing by 1.5% and 5.6%, respectively.

Despite its access to financial markets, it sold a US$ 3 billion bond in July. It is worth noting that Oman's fiscal position remains weak and its debt is rated "junk" by rating agencies.

The Central Bank told Reuters in September it expected real gross domestic product growth of 1.1% this year, down from an estimated 2.2% last year.

KSA'S NON-HYDROPOWER RENEWABLE ELECTRICITY OUTPUT TO GROW BY OVER 50% IN NEXT DECADE, SAYS FITCH SOLUTIONS

Saudi Arabia's non-hydropower renewable electricity output will grow at an annual average of over 50% over the next decade, as per Fitch Solutions.

While this growth will be from a very low base and renewables will account for less than 3% of total output by 2028, strong solar and wind potential will bring in low bids at auctions. Declining technology costs will further boost the competitiveness of the sector and attract private sector investment in the subsidized market.

The report forecast Saudi Arabia's non-hydropower renewables generation to have a strong growth of an annual average of just under 55% from 2019 to 2028. However, this growth will be from a very low base and Fitch Solutions expects that renewables will account for less than 3% of the country's total output by 2028.

The report expects that renewable electricity to be split between solar and wind power. Solar power will make up an annual average of just under 69% of total renewables output by 2028, with wind accounting for just over 31%.

The government of Saudi Arabia announced in September 2019 that it would revamp a development financing facility to target non-hydropower renewables development in the country.

The US$ 28 billion Saudi Industrial Development Fund would offer loans of up to US$ 320 million per project, primarily targeting renewables component manufacturers and independent power producers. Fitch Solutions expects this will play a significant role in attracting greater investment into the country's non-hydropower renewables sector.

CI AFFIRMS JORDAN'S LT FCR AND LT LCR AT "B+"

Capital Intelligence (CI) announced that it has affirmed Jordan's Long-Term Foreign Currency Rating (LT FCR) and Long-Term Local Currency Rating (LT LCR) at "B+". The sovereign's Short-Term Foreign Currency Rating (ST FCR) and Short-Term Local Currency Rating (ST LCR) have also been affirmed at "B". The outlook for the ratings remains "stable".

The ratings are constrained by the high level of government debt, sluggish economic growth prospects, significant socioeconomic challenges (including high unemployment), and moderate-to-high policy risk. The ratings remain supported by the moderately high likelihood of support from external donors, adequate foreign reserves and a manageable (though increasing) net external debt position, as well as the relative soundness of the banking system.

Central government gross debt is projected to rise to 96.4% of GDP in 2019 from 94.4% in 2018, on the back of a still large budget deficit and slower nominal GDP growth. Although the central government primary budget deficit (including grants) is forecast to narrow to 0.5% of GDP this year (from 1.4% in 2018), CI has some concerns about the durability of fiscal adjustment.

This is because the budget has benefited from higher non-core revenues, such as property income, and higher budget grants from the US government. Moreover, despite the adoption of a new income tax bill in late 2018, tax revenue growth has remained below expectations, as per CI. At the same time, spending on non-discretionary items such as the public wage bill and social benefits has increased.

In view of the substantial public opposition to further fiscal austerity measures, CI's baseline scenario projects only a modest improvement in the budget balance over the next two years. As a result, and given the weak prognosis for economic growth, Capital Intelligence does not expect a significant reduction of the debt burden in the intermediate term, and forecast central government debt at 96.2% of GDP in 2021.

The ratings are supported by a moderately high likelihood of support from external donors. Foreign grants from the US and, to a lesser extent, from GCC countries are a very important source of public revenue; total foreign budgetary grants amounted to 3.0% of GDP in 2018.

While this dependency on foreign grants exposes Jordan to the risk of donor fatigue, CI currently assesses the willingness of external donors to be moderately high, as exemplified by the USD2.5bn aid package from Saudi Arabia, Kuwait and the UAE in June 2018 and the February 2019 London Initiative conference which provided the government with financing commitments of USD5.1bn for the period 2019-23.

The ratings continue to be constrained by sluggish economic growth dynamics. Real GDP is forecasted to grow by 2.0% in 2019, a similar pace to that of 2018. While economic growth benefits from rising net exports (given the partial rebound in tourist arrivals), it is constrained by weak domestic demand. Furthermore, economic growth has been insufficient to alleviate pressures in the domestic labour market. As a result, unemployment continues to rise, reaching 19.2% in June 2019 from 18.7% a year earlier. Going forward, CI's baseline scenario forecasts real GDP to rise slightly to 2.2% in 2020 and 2.3% in 2021 as further increases in net exports of goods and services are expected while at the same time domestic demand is expected to remain weak.

CI regards policy risk as moderate-to-high given elevated uncertainty surrounding the future course of economic reforms. Although the current IMF-supported reform programme provides an anchor for economic policy, CI considers implementation risk in certain targets (e.g. fiscal adjustment) to be significant. Furthermore, policy making is complicated by public discontent over austerity measures and potential trade-offs between very important policy challenges such as reducing the government's large debt burden through fiscal consolidation measures whilst at the same time stimulating economic growth in order to reduce high unemployment.

SURVEYS

GCC CONSTRUCTION SECTOR EXPECTED TO BEGIN RECOVERY FROM 2020, AS PER LINESIGHT

After a challenging period of subdued performance, the Gulf Cooperation Council (GCC) region's construction sector is expected to begin a steady recovery from 2020 with Saudi Arabia leading the way, as per international construction consultancy firm Linesight.

Long-term positive factors such as economic diversification, social reform, especially in Saudi Arabia, and general demographic demand, combined with renewed government ambition, will be the key drivers, as per the same source.

In terms of project opportunities, the focus is now on Saudi Arabia, which has vast infrastructure development plans.

New forms of project procurement and finance such as public-private partnerships are gaining traction, and we are also seeing the emergence of major new construction clients such as Public Investment Fund (PIF).

It is worth noting that Saudi Arabia currently holds the greatest potential for the construction sector within the GCC, with more than 5,000 capital projects worth well over US$ 1.6 trillion in the pre-execution stage.

However, the center-piece of its ambitious Vision 2030 initiative, is the US$ 500 billion, 26,500-square kilometers, Neom project, situated along 468 km of Saudi's Red Sea coast close to Egypt and Jordan. The first phase of Neom is due for completion in 2025, as per the same source.

With these projects in mind, the best opportunities lie in both the hospitality and entertainment sectors. Despite the challenging business environment in the region, the Ireland-headquartered consultancy said it has managed to maintain a healthy project pipeline to high referral rates and strong repeat business.

At present, there is a GCC pipeline worth over US$ 10 billion and experiencing an average annual growth of 6.6%, with 40 projects under construction across locations in the UAE, Saudi Arabia and Bahrain across a number of sectors including hospitality, retail, R&D and sustainable data center facilities amongst many others.

It is worth noting that fewer new project opportunities in recent years has forced contractors to lower tender bid prices to win work, eroding profit margins. At the same time, fiscal tightening by governments has led to lengthening delays in payments.

Together, these factors are causing severe cash flow difficulties for contractors and their suppliers. Many companies have chosen to downsize and restructure their operations, and some international players have left the region.

While Dubai's infrastructure build-up ahead of Expo 2020 was a major driver of construction activity during this period, the emirate's oversupplied property market has slowed down the momentum of construction cycle.

The value of contract awards has fallen at the same time as the value of projects being completed is witnessing a rise.

The region's legacy of delayed payments, is "yet to see any significant signs of improvement" but "client selection is fundamental" to protecting the company from being overly exposed, according to Linesight.

UAE BANKS RELATIVELY UNDERVALUED COMPARED TO GCC PEERS, AS PER EFG HERMES

Banks in the UAE are undervalued compared to regional peers as they navigate a soft property market and challenging global economic conditions, but there are a number of catalysts that could lift prices of individual lenders, according to EFG Hermes.

In a series of notes published on listed UAE banks, the EFG Hermes analysts said that based on price-to-earnings ratios, UAE lenders are valued at 9.5 times their expected 2020 earnings, which is much lower than the 13.6x that Saudi banks are valued at and 15.3x valuations of Kuwaiti banks.

Although residential property prices fell 9% in Dubai and 10% in Abu Dhabi year-on-year in the third quarter, according to JLL, and prices are likely to fall further in the short term, "the government is beginning to take steps to boost demand and control supply", as per EFG Hermes.

It is worth noting that large banks with well diversified loan books and high break-even cost of risk should be better positioned to grapple with potential stress in this segment, the note said, pointing out that Emirates NBD and RAKBank have relatively low levels of exposure to the sector, at 16% of total loans and 14%, respectively. Emirates NBD, following its recent acquisition of Turkey's Denizbank and a US$ 1.75 billion rights issue, could benefit from up to US$ 1 billion worth of passive fund inflows from plans to increase its foreign ownership limit to 40 per cent of total shares. Although its purchase of the Turkish lender could dilute returns in the short-term, the deal "helps diversify the group's loan book and mitigates the impact of US rates on the group's [interest rate] spreads", the note said.

Abu Dhabi Commercial Bank, meanwhile, was trading at a 12-month low of AED 7.55 per share as markets closed last week despite the fact it recently announced a much quicker timeline for completing its three-way merger than expected (to 13-14 months from an initial 23-30 months) and increased its cost synergies target by 37% after closing overlapping branches, bringing the total number down to 84, from 130 previously.

Overall, EFG Hermes believes smaller banks in the UAE will face more pressure to consolidate. There are 50 lenders in the country, but the four biggest — First Abu Dhabi Bank, Emirates NBD, ADCB and DIB — account for 70% of total loans.

The "eroding competitiveness of the smaller banks will increase pressure on the remaining 46 banks to consolidate or find a niche to continue to have optimal profitability", it said.

SAUDI BANKS TO REMAIN PROFITABLE DESPITE MARGIN PRESSURE, AS PER MOODY'S

Profitability at Saudi Arabia's big three banks is likely to remain strong despite the recent turn in the interest rate cycle, according to a new report from ratings agency Moody's. The three banks — National Commercial Bank (NCB), Al Rajhi Bank, and Saudi British Bank (SABB), had a combined share of about 47% of the Kingdom's banking assets, but are likely to maintain profitability due to their efficient cost structures, the ratings agency said.

NCB is the Kingdom's biggest lender by assets. It had total assets of SR 498 billion at end-September 2019, compared to Al Rajhi Group's SR 368.3 billion and SABB's SR 257.8 billion, according to company filings. However, Al Rajhi Bank currently has the largest share of the retail market, with a 30.6% share, and had the highest market capitalization of SR 158.3 billion at the end of September.

The sector is also undergoing consolidation, with SABB's SR 18.6 billion merger with Alawwal completed in June and the proposed merger between NCB and Riyad Bank, which would extend its lead as the kingdom's biggest bank with combined assets of about SR 750 billion. This deal, which was announced in December last year, is still under negotiation.

Given the riyal's peg to the US dollar, the Moody's report states that profitability is set to fall slightly due to the three recent interest rate cuts by the US Federal Reserve, which are followed by the Saudi Arabian Monetary Authority, the Kingdom's Central Bank.

CORPORATE NEWS

AQUACHEMIE ME TO SET UP US$ 40 MILLION CHEMICAL FACILITY IN DUBAI

AquaChemie Middle East, a regional chemical distributor with an extensive supply chain network and manufacturing base across the GCC region, will build an AED 150 million (US$ 40 million) state-of-the-art chemical terminal facility at Jebel Ali Port in Dubai, UAE.

The facility will serve as a strategic gateway hub to enable and facilitate vital petrochemical trade across the GCC region and beyond. The new facility will benefit the global petrochemicals market, said a statement.

AquaChemie Middle East has signed on Mott MacDonald – a renowned global engineering, management and development consultancy – for the design, engineering and project management of the chemical terminal, scheduled to be commissioned by mid-2021.

The new chemical terminal will leverage its prime site location at Jebel Ali Port operated by DP World, including multiple jetty pipelines, along with other crucial existing utility and building support infrastructure.

In its entirety, the new chemical terminal will also comprise bulk storage tanks for liquid hydrocarbons (approximately 30,000 cubic meters total capacity) along with day tanks, chemical processing units, automated drumming lines, tanker loading-unloading gantry with top loading arms, covered warehousing for storage of NFPA class 1B and C chemicals, separate dry goods storage area, pump house and main hose exchange station, separate road tanker entrance with weigh bridge, loading and unloading ramp for forklift operation, office block with control room, dedicated road tankers and large trailer truck fleet and a fully-equipped firefighting unit.

DP WORLD ACQUIRES LEADING MARINE LOGISTICS PROVIDER

Unifeeder, a fully-owned subsidiary of global trade enabler DP World, announced the acquisition of a 77% stake in Singapore-based Feedertech Group, a leading marine logistics provider.

The deal is expected to close in the first quarter of 2020. The acquisition of Feedertech will expand the company's feedering and short-sea product offering to multiple geographies.

Feedertech operates two businesses: Feedertech, which is an independent feedering service, and Perma, a regional shortsea network. Both operate in the same market and connect the trade route of Asia to the Middle East via the Indian Subcontinent.

Acquired by DP World in 2018, Unifeeder is an integrated logistics company with the largest and best-connected feeder and growing short-sea network in Northern Europe with connectivity to approximately 100 ports.

Through Feedertech and Perma, Unifeeder will have the capability to offer feedering and regional short-sea connectivity in Northern Europe, the Mediterranean, North Africa and now Asia and the Indian Subcontinent.

DP World aims to preserve the common-user independent platform, while increasing efficiency to offer a more complete logistics solution to all its customers.

L&T WINS MAJOR GCC POWER AND INFRASTRUCTURE PROJECT WORK

India's engineering and construction firm Larsen & Toubro (L&T) said its key subsidiaries have secured orders from prestigious clients in GCC and India for its varied businesses.

The first one is from the UAE for the design, supply and construction of a 132kV substation project along with associated 132kV cabling works for one of the government utilities in the emirates clinched by the construction arm of L&T, said a statement from the Indian construction giant.

Additional orders have also been won in ongoing projects in the Middle East, it stated.

The second is a major add-on order from an existing client in Qatar for an expressway which was secured by L&T's Transportation Infrastructure business.

The L&T units also clinched various add-on orders through some existing projects in the Water and Effluent Treatment (WET) and Metallurgical and Material Handling (MMH) businesses, said the L&T in its statement.

SAUDI UAQ AND ALINMA UNIT LAUNCH US$ 4.5 BILLION MAKKAH REAL ESTATE FUND

Saudi-based Umm Alqura Company for Development and Construction (UAQ) has joined forces with Alinma Investment, a unit of the Kingdom's bank Alinma, to launch a real estate development fund with an investment value of over SR 17 billion (US$ 4.5 billion) mainly focused on properties in Makkah.

The new Makkah Real Estate Development Fund is being invested in seven hotel towers and two commercial complexes that will be developed within the King Abdul Aziz Road (KAAR) project in the Saudi city, said a statement from UAQ.

One of the most significant urban development projects in Makkah region, it offers multiple and varied options including housing and shopping, and provides easy mobility and means of transportation between the project facilities and the central area of the main mosque, it added.

GULF ISLAMIC INVESTMENTS EXITS AMAZON'S KEY GERMAN PROPERTY

Gulf Islamic Investments (GII) announced an early exit of transaction worth US$ 155 million of its 1 million square feet of Amazon Logistics center in Dortmund, Germany on behalf of its investors.

A UAE-based Islamic financial services company, GII said the strategic exit from Amazon Logistics center led to the distribution of total returns of 30% in two years.

The company has presence in the GCC region in the fields of real estate, private equity, venture capital and infrastructure.

Under the leadership of a committed group of shareholders and investors, GII's team enjoys a track record of managing US$ 2.5 billion in assets and securing US$ 5.5 billion in debt.

GII said its total assets under management (AUM) has surged to US$ 1.4 billion and it is now targeting to hit US$ 2 billion next year.

DUBAI HEALTH AUTHORITY SIGNS DEAL WITH VPS HEALTHCARE

Dubai Health Authority (DHA) said it signed a MoU with VPS Healthcare, a leading healthcare provider with 20 hospitals and over 125 medical centers in the Middle East, Europe and India, to boost cooperation and partnership and exchange experiences.

The MoU is aimed at facilitating the knowledge transfer and collaboration in key healthcare areas, said the Director General of the DHA.

CAPITAL MARKETS

EQUITY MARKETS: SHY WEEKLY EQUITY PRICE GAINS IN MENA REGION

Activity in MENA equity markets was skewed to the upside this week, as reflected by a 0.8% rise in the S&P Pan Arab Composite index. The heavyweight Saudi Tadawul, the Qatar Exchange and the UAE equity markets posted price increases, mainly supported by oil price gains and some favorable market-specific and company-specific factors. In contrast, the Egyptian Exchange registered price declines, mainly dragged by some profit-taking operations and some unfavorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul registered a 0.6% rise in prices week-on-week, mainly helped by some favorable company-specific factors, robust non-oil private sector with KSA's seasonally adjusted PMI index hitting in November 2019 its highest level in more than four years, and a 6.4% surge in Brent oil prices after OPEC members and several non-member allies agreed to reduce their oil supplies by an additional 500,000 barrels per day starting January 2020. Al Rajhi Bank's share price increased by 1.6% to SR 63.20. Samba's share price went up by 1.5% to SR 29.60. Riyad Bank's share price surged by 2.6% to SR 22.58. Petrochem's share price closed 1.9% higher at SR 20.92. Al Hokair Group's share price rose by 2.4% to SR 13.80. Saudi Dairy and Foodstuff Company's share price jumped by 5.5% to SR 130.0. SADAFCO's Board of Directors recommended the distribution of dividends at a rate of SR 2.5 per share for the first half of the financial year 2019-2020 ending September 30, 2019, as compared to a dividend distribution at a rate of SR 2 per share during the same period of the previous year. Anaam Holding's share price skyrocketed by 32.5% to reach SR 12.02. The company's Board of Directors recommended a capital increase through a rights issue.

The UAE equity market posted shy price gains of 0.4% week-on-week, mainly helped by oil price gains and some favorable market-specific and company-specific factors. A latest report released by IHS Markit showed that business expectations in the UAE improved to a four-month high in November 2019 as firms expressed optimism for the year ahead due to Expo 2020. In Dubai, Emirates NBD's share price rose by 2.1% to AED 11.95. Arabtec Holding Company's share price increased by 1.6% to AED 1.25. Arabtec Construction, a subsidiary of Arabtec Holding, signed a contract with Emaar Misr for Development to build an urban community with a total value of US$ 99.7 million. DAMAC Properties' share price went up by 1.3% to AED 0.79. In Abu Dhabi, Etisalat's share price increased by 1.5% to AED

EQUITY MARKETS INDICATORS (DECEMBER 01 TILL DECEMBER 07, 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	67.4	-0.4%	-19.7%	14.6	1,903.4%	0.7	7,291.0	10.4%	5.9	0.58
Jordan	356.2	-0.1%	-6.7%	27.2	4.4%	16.4	20,746.2	6.8%	11.2	1.31
Egypt	332.6	-1.5%	20.8%	183.8	16.9%	564.3	44,449.2	21.5%	9.9	2.31
Saudi Arabia	345.1	0.6%	1.3%	2,883.3	-29.2%	445.2	493,689.4	30.4%	18.4	2.27
Qatar	182.0	2.2%	-3.5%	303.2	-51.0%	361.5	156,724.1	10.1%	14.9	2.01
UAE	111.6	0.4%	-1.3%	278.4	-66.2%	351.0	247,293.0	5.9%	11.2	1.70
Oman	201.8	-1.3%	-4.1%	57.0	178.3%	56.2	17,286.8	17.1%	9.1	0.91
Bahrain	154.2	2.3%	28.8%	19.7	44.8%	23.3	23,943.2	4.3%	11.4	1.64
Kuwait	114.8	1.8%	21.3%	600.2	5.0%	1,060.2	101,703.0	30.7%	16.4	1.90
Morocco	277.6	-0.6%	3.1%	45.9	-40.1%	2.4	62,540.9	3.8%	19.5	2.99
Tunisia	69.3	1.0%	-1.4%	4.1	-21.9%	2.0	8,124.0	2.6%	13.2	2.33
Arabian Markets	**752.9**	**0.8%**	**3.3%**	**4,402.6**	**-31.1%**	**2,883.1**	**1,183,790.9**	**19.3%**	**15.5**	**2.06**

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

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

16.54. Aldar Properties' share price went up by 0.9% to AED 2.19. RAK Properties' share price closed 0.5% higher at AED 0.422. ADNOC's share price increased by 1.1% to AED 2.74.

The Qatar Exchange posted a 2.2% rise in prices week-on-week, mainly driven by an oil price rebound and on hopes that a reported visit by Qatar's Finance Minister to Saudi Arabia would help easing a 30-month Gulf diplomatic rift. 26 out of 46 listed stocks registered price gains, while 16 stocks posted price falls and four stocks saw no price change week-on-week. QNB's share price went up by 2.6% to QR 19.750. Qatar Islamic Bank's share price grew by 2.6% to QR 15.250. Commercial Bank of Qatar's share price closed 1.1% higher at QR 4.43. Industries Qatar's share price surged by 3.9% to QR 10.50. Ooredoo's share price climbed by 5.8% to QR 7.34. Barwa Real Estate's share price closed 1.5% higher at QR 3.46.

In contrast, the Egyptian Exchange posted a 1.5% drop in prices week-on-week, mainly dragged by some profit-taking operations following a strong price rally observed since the beginning of the year 2019, in addition some unfavorable market-specific and company-specific factors. Activity in Egypt's non-oil private sector contracted in November 2019 for the fourth consecutive month, falling to its lowest level since September 2017, as per data released by the IHS Markit Egypt Purchasing Managers' Index. Commercial International Bank's share price retreated by 0.4% to LE 78.47. El Sewedy Electric's share price plunged by 5.5% to LE 11.37. Talaat Moustafa Group's share price shed 3.6% to LE 8.51. Palm Hills Development's share price dropped by 4.0% to LE 1.93. Eastern Tobacco's share price declined by 1.3% to LE 14.78. Orascom Investment Holding's share price went down by 1.9% to LE 0.566. Orascom Investment Holding posted 2019 third quarter net profits of LE 63 million as compared to net profits of LE 1.2 billion a year earlier. Qalaa Holdings' share price shed 3.9% to LE 2.21. Pharos Research cut its valuation for Qatar Holdings from LE 3.29 per share to LE 2.70 per share.

FIXED INCOME MARKETS: TWO-WAY FLOWS IN MENA BOND MARKETS

MENA fixed income markets saw mixed price movements this week. Some regional papers registered price contractions, mainly tracking US Treasuries move following better-than-expected increase in non-farm payrolls in November 2019 and as the US unemployment rate reached a five-decade low. Some other papers in MENA region posted weekly price gains, as a fall in China's exports in November 2019 added to concerns about trade war impact and spurred demand for safe-haven assets.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2024, 2029 and 2040 registered price falls of up to 0.25 pt, while Egypt'22 and '49 closed up by 0.13 pt each this week. Euro-denominated sovereigns maturing in 2025 and 2030 traded down by 0.06 pt and 0.51 pt respectively. As to plans for new issues, Egypt announced plans to sell one-year US dollar denominated Treasury bills worth US$ 1 billion.

In the Bahraini credit space, sovereigns maturing in 2021, 2024, 2029 and 2047 posted price improvements ranging between 0.06 pt and 1.25 pt week-on-week. Prices NOGA'24 and '28 rose by 0.36 pt and 0.94 pt respectively. Mumtalakat'21 and '24 registered price expansions of 0.22 pt and 0.62 pt respectively. Standard & Poor's revised its outlook on Bahrain Mumtalakat Holding Co. to "positive" from "stable". At the same time, the rating agency affirmed the "B+/B" long-term and short-term foreign and local currency issuer credit ratings on the company. The "positive" outlook on Mumtalakat reflects that on Bahrain.

In the Qatari credit space, sovereigns maturing in 2021, 2029, 2040 and 2049 posted price contractions of up to 1.13 pt, while sovereigns maturing in 2024 traded up by 0.19 pt week-on-week. Prices of Ooredoo papers maturing in 2025, 2028 and 2043 improved by 0.15 pt, 0.14 pt and 0.40 pt respectively. As to papers issued by financial institutions, Commercial Bank of Qatar'23 closed up by 0.39 pt. Qatar International Bank'24 (offering a coupon of 3.982%) was up by 0.18 pt. Prices of QIIB'24 (offering a coupon of 4.264%) rose by 0.14 pt. QNB'21 closed up by 0.14 pt. As to plans for new issues, Doha Bank is mulling to tap the debt market during the first quarter of 2020.

In the Saudi credit space, US dollar-denominated sovereigns maturing between 2023 and 2049 registered price contractions ranging between 0.13 pt and 1.25 pt week-on-week. Euro-denominated sovereigns maturing in 2027 and 2039 closed down by 0.38 pt and 1.13 pt respectively. Aramco'22 was up by 0.05 pt, while Aramco papers maturing between 2024 and 2049 recorded price falls of up to 0.15 pt. Prices of SECO'22, '24 and '28 expanded by up to 0.22 pt, while SECO'44 was down by 0.06 pt.

In the Dubai credit space, sovereigns maturing in 2023 traded down by 0.26 pt over the week, while sovereigns maturing in 2029 closed up by 0.12 pt. Prices of DP World'23 declined by 0.12 pt, while DP World'28 was up by 0.08 pt. Majid Al Futtaim'24 and '29 were down by 0.03 pt and 0.08 pt respectively, while Majid Al Futtaim Perpetual (offering a coupon of 5.50%) closed up by 0.27 pt.

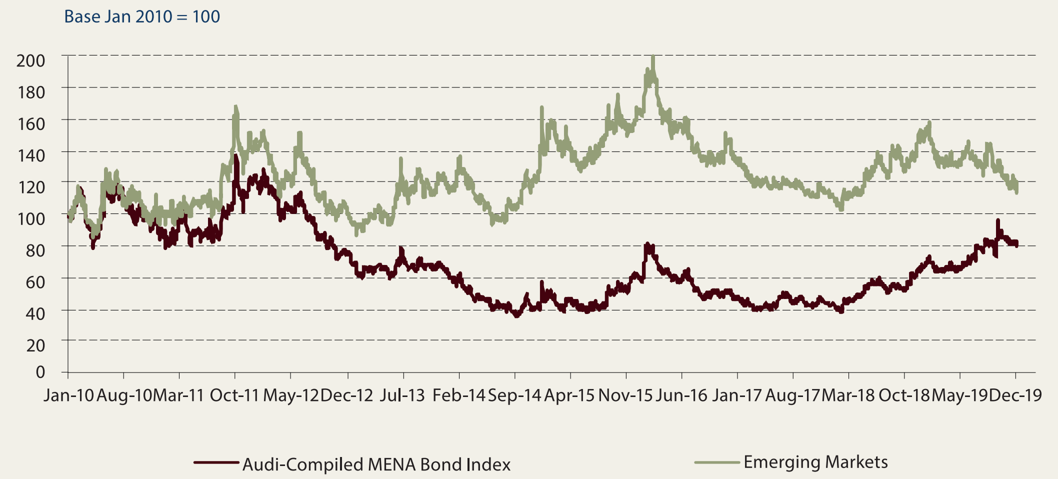
MENA fixed income markets saw two-way flows this week, with some papers tracking US Treasuries declines following better-than-forecast US jobs report in November 2019, while some others benefited from a flight to safety mode after falling Chinese exports rekindled worries about the effects of the two world largest economies' trade war.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	06-Dec-19	29-Nov-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	41	41	67	0	-26
Dubai	107	110	129	-3	-22
Kuwait	42	42	66	0	-24
Qatar	41	42	82	-1	-41
Saudi Arabia	69	70	105	-1	-36
Bahrain	196	201	293	-5	-97
Morocco	96	95	111	1	-15
Egypt	310	314	391	-4	-81
Lebanon	2,369	2,445	770	-76	1,599
Iraq	449	424	519	25	-70
Middle East	**372**	**379**	**254**	**-7**	**118**
Emerging Markets	**169**	**166**	**188**	**3**	**-19**
Global	**214**	**215**	**189**	**-1**	**25**

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	CCC/Negative/C	Caa2/RUR	CCC/-/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+/Positive/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$)	06-Dec-19	29-Nov-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%	-0.2%
Egyptian Pound (EGP)	16.13	16.13	17.92	0.0%	-10.0%
Iraqi Dinar (IQD)	1,182.87	1,182.87	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%	0.2%
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)	0.39	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)	9.65	9.66	9.54	-0.1%	1.2%
Tunisian Dinar (TND)	2.84	2.84	3.05	0.0%	-6.8%
Libyan Dinar (LYD)	1.40	1.40	1.40	0.0%	0.4%
Sudanese Pound (SDG)	45.11	45.11	47.62	0.0%	-5.3%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER