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Mergers & acquisitions (M&A) deals in the UAE more than doubled in 2018 to US$ 10.4 billion (AED 38.19 billion), according to data from Mergermarket, a provider of M&A data and intelligence.

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p.9 SHY PRICE GAINS IN REGIONAL EQUITIES, BOND PRICES MOSTLY UP

MENA equity markets registered shy price increases week-on-week, as reflected by a 0.2% rise in the S&P Pan Arab Composite Index, amid mixed price movements. The heavyweight Saudi Tadawul and the Egyptian Exchange posted price gains of 0.8% and 5.2% respectively, while the UAE equity markets and the Qatar Exchange recorded price falls of 2.4% and 0.5% respectively. In parallel, MENA fixed income markets saw mostly upward price movements, mainly tracking US Treasuries increases as market players continued to factor in the US Federal Reserve dovish interest rate view amid an uncertain global economic outlook.

MENA MARKETS: WEEK OF FEBRUARY 03 - FEBRUARY 09, 2019

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+0.2%	Weekly Z-spread based bond index	+2.5%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+6.6%	YTD Z-spread based bond index	-9.3%

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ECONOMY

FITCH BELIEVES GCC BUDGETS WILL STRUGGLE TO OFFSET LOWER OIL PRICES

Fiscal balances are set to weaken across much of the Gulf Cooperation Council (GCC) in 2019, maintaining pressure on some sovereign balance sheets, said Fitch Ratings in a comment on the region. The effects of fiscal policy loosening that started last year will be exacerbated by lower oil prices. 2019 budgets so far point to still higher spending and only gradual fiscal reform, but Fitch expects that weaker oil prices will prompt several countries to pare back their spending during the year.

In most of the GCC, Fitch expects fiscal balances to worsen by 1%-2% of GDP this year under its assumption that Brent will average US$ 65/bbl, down from over US$ 70/bbl in 2018. Fiscal plans announced for 2019 include some further reforms, such as the introduction of excise tax in Oman and Qatar, and higher expat levies and improved tax collection in Saudi Arabia. Nevertheless, these measures will only partially offset the headwind from lower oil prices and higher spending, as per Fitch.

Fitch estimates that a US$ 10/bbl change in oil prices impacts government revenues by 2%-4% of GDP, depending on the country. The rating agency estimates that the non-oil primary deficit relative to non-oil GDP, a measure of the underlying fiscal policy stance, increased in most GCC countries in 2018. This is in spite of dramatic improvements in headline fiscal balances and reflects policymakers' decisions to use up some of last year's oil revenue windfall to support social stability and the recovery in non-oil growth (which should help non-oil primary balances improve in 2019). Fiscal expansion is mirrored by higher breakeven oil prices, which remain well above expected oil price levels for Bahrain, Oman and Saudi Arabia, as per Fitch.

December's budget announcements by Saudi Arabia, Oman and Qatar all include higher spending allocations in 2019 compared with 2018 budgets. However, in Oman and Qatar, spending is still budgeted to be less than Fitch’s expectation of full-year 2018 outturns. Furthermore, in Qatar, the cycle of capital spending, around 20% of total spending, appears to be peaking, and LNG revenues, which lag oil prices, will remain somewhat supportive in 2019, added Fitch.

Saudi Arabia's planned spending is 13% above the previous budget, and 5% above 2018 outturns, partly on the assumption of oil revenue growth. Fitch expects 2019 fiscal positions in Saudi Arabia and Oman to be tighter than budgeted as lower-than-expected oil revenues limit the scope for additional spending.

Abu Dhabi and Kuwait have not published their budgets yet, said Fitch in its comment issued during January, but government spending there is likely to increase as well. In Abu Dhabi, this will partly reflect the start of the three-year stimulus package worth 5% of GDP announced last year amid concerns about weakness in non-oil growth and the real estate sector. In Kuwait (where the fiscal year ends in March), Fitch’s expectation of spending growth reflects the government's difficulty in restraining its wage bill against the backdrop of steady labor force growth, entrenched public expectations, and demands from an uncooperative National Assembly.

Only in Bahrain does Fitch expect the underlying fiscal stance to have improved in 2018, albeit modestly. Policy space was limited due to ballooning interest costs and lack of market access throughout much of last year. Fitch does not expect the Fiscal Balance Program to be implemented fully, but it will keep Bahrain on a gradual consolidation path, and interest-free loans from the GCC support package will also support headline fiscal balances. Bahrain began gradual roll-out of VAT from January 2019.

Fitch identifies erosion of fiscal and external positions as a negative rating sensitivity in all GCC sovereigns. The risk is greater for countries that are already running fiscal and external deficits. Some deterioration is already reflected in the ratings, particularly in Bahrain and Oman after downgrades in March and December 2018, respectively.

MOODY'S SEES INCREASE IN OMAN DEBT-TO-GDP RATIO TO ABOVE 60% BY 2021

Moody's expects that Oman's fiscal deficits would remain sizeable over the next several years, leading to a further increase in the debt-to-GDP ratio to above 60% by 2021 from around 44.5% in 2018. However, planned State asset sales, if successfully executed and directed to finance the budget deficit, could slow this pace somewhat.

Notwithstanding this outlook for government debt, Oman maintains a comparatively robust government balance sheet, including US$ 22.2 billion (27% of GDP) of wealth fund assets as of June 2018. This, together with long government debt maturities, demonstrated access to market financing, and high per capita income levels, would support the sovereign's creditworthiness and provides some flexibility for pursuing fiscal adjustment in the coming years.

However, in the absence of new policy measures, Oman's deteriorating debt dynamics would remain highly sensitive to oil prices, which Moody's believes could fluctuate in the US$ 55-US$ 75/barrel range in the medium term.

Based on the Omani oil export price averaging US$ 58/barrel, the 2019 budget forecasts a fiscal deficit of OMR 2.8 billion (US$ 7.3 billion or around 9% of GDP). This is only a slight reduction from the preliminary deficit estimate of OMR 2.9 billion for 2018 and would likely mean another near-double-digit fiscal deficit should oil prices remain at the average level observed so far this year.

It is worth noting that Oman's large fiscal imbalances have historically been the main driver behind the country's large current account deficits. Although last year's increase in oil prices led to a significant improvement in Oman's trade surplus, which rose to US$ 11.5 billion in the first nine months of 2018 from US$ 3.5 billion during the same period of 2017, Oman's balance of payments remained under pressure and heavily reliant on steady, large government issuances on international capital markets.

KUWAIT'S ECONOMY TO CONTINUE EXPANDING AT HEALTHY ANNUAL AVERAGE OF 2.7% IN 2019-2020, SAYS CI

Capital Intelligence (CI) affirmed Kuwait's Long-Term Foreign Currency (LT FC) and Long-Term Local Currency (LT LC) Issuer Ratings at "AA-". The sovereign's Short-Term Foreign Currency (ST FC) and Short-Term Local Currency (ST LC) Ratings have also been affirmed at "A1+". The outlook for the ratings remains "stable".

Kuwait's ratings are underpinned by strong macroeconomic fundamentals and a large net external creditor position. The ratings are also supported by a 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.

Real output is expected to have expanded by 2.3% in 2018, compared to a contraction of 3.3% in the previous year. The economy is expected to continue expanding at a healthy annual average of 2.7% in 2019-2020, fuelled by higher government spending on infrastructure projects and increased oil production (2.87 million barrels per day in 2019 compared to 2.75 million barrels in 2018). GDP per capita is also expected to continue its upward trend, reaching US$ 33,046 in 2020.

With Kuwaiti hydrocarbon prices expected to hover around US$ 56-60 per barrel, CI expects the central government budget to post substantial surpluses averaging 7.6% of GDP in FYE 2019-2021, as satisfactory oil revenues and increased investment income more than 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 transfers to the intergenerational equity fund, which are currently set at 10% of oil revenues, the central budget posted a surplus of 4.4% of GDP in the period from April to December 2018, as actual oil revenues exceeded the budgeted amount by 10%. Moreover, the non-oil fiscal deficit is expected to remain large, at 57.2% 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 at an estimated 22.5% of GDP in FYE 2019, and is mainly issued for monetary policy purposes and to finance capital spending.

MOST DUBAI BUSINESSES FORESEE ACCELERATED ECONOMIC GROWTH IN Q1 2019, SAYS DED

A majority of businesses in Dubai foresee accelerated economic growth during the first quarter of 2019, according to the quarterly survey conducted by the Department of Economic Development (DED) to gather the performance expectations and economic outlook of the local business community.

The survey, conducted during the final quarter of 2018, showed 59% of companies as optimistic about economic growth in Q1 2019, compared to 41% for the same period of 2018, and a 34% expecting stability while those expecting any decline in growth decreased from 8% to 7%.

Sustained public spending on infrastructure and social development, initiatives to increase of ease of business, and a brighter outlook on sales and profits have all contributed to businesses in Dubai welcoming the New Year with improved confidence, as per the report.

Large companies and the manufacturing sector as a whole foresee seasonal tourist footfall and the Expo 2020 as well as varied projects aimed to accelerate innovation, industry and exports as part of the Dubai Plan 2021, driving demand during Q1 2019.

The final quarter of 2018 saw the Composite Business Confidence Index (BCI) improving year-on-year and quarter-to-quarter driven by expectations of improved returns across all parameters – new purchase orders, volumes, revenues, and profits. The BCI score reached 126.2 in the last quarter of 2018, up 10.2 points from 116 points in Q4 2017, and 7.7 points from 118.5 in Q3 2018.

Projections for revenues show a year-on-year and quarter-on-quarter increase, with the net balance increasing from 26% for Q1 2018 and 42% for Q4 2018 to 52% for Q1 2019. Meanwhile, the net balance for volumes has also increased to 47% for Q1 2019 from 22% for Q1 2018, and 34% for Q4 2018. Companies anticipating increase in volumes constituted 58% while another 31% expected no change.

Competition remains the primary challenge for Dubai firms, as cited by 46% of the respondents, followed by delay in payments/receivables and demand/market conditions. However, 11% do not expect any negative factors to hinder their business operations.

SURVEYS

UAE MERGERS AND ACQUISITIONS HIT US$ 10.4 BILLION IN VALUE IN 2018, AS PER MERGERMARKET

Mergers & acquisitions (M&A) deals in the UAE more than doubled in 2018 to US$ 10.4 billion (AED 38.19 billion), according to data from Mergermarket, a provider of M&A data and intelligence.

The Middle East and North Africa (MENA) region as a whole experienced a significant spike in deal value and total number of deals in 2018. Total deal values for the region in 2018 surged to US$ 26.8 billion last year compared with US$ 15.9 billion in 2017, an increase of 68.7%. The significant growth in deal value was driven by increased deal-making in the UAE as well as blockbuster deals in Saudi Arabia and North Africa.

MENA M&A had a bumper year, particularly in H1, although the second half was somewhat muted by macro factors. Nonetheless, 2019 is expected to see continued pickup in M&A, with deals that have been waiting in the wings coming to fruition, as per the report.

Abu Dhabi National Oil Company (ADNOC) played an important role in deal flows in the UAE with a series of seven divestments on its energy assets worth US$ 6.2 billion. The total deal count in the region last year jumped by 15 deals to 148, compared to 133 in 2017, as per Mergermarket.

The first half of 2018 saw a considerable rise in value to US$ 15.2 billion, from US$ 9.1 billion in 2017, and a moderate increase in the number of deals, to 87 from 71. By contrast, the second half of the year was more subdued with 61 deals totaling US$ 11.6 billion, due to macroeconomic and geopolitical headwinds.

Cross-border MENA deals, which totaled 77 deals worth US$ 14.2 billion, saw the highest volume of inbound M&A on record and the highest value since the global financial crisis. Domestic M&A worth US$ 12.5 billion was considerably higher than US$ 8.7 billion in 2017, although deal count was marginally lower. The increase in domestic activity was driven by two sizeable deals in Saudi Arabia: Saudi British Bank and Alawwal Bank's US$ 4.7 billion tie-up, the second biggest deal in the regional Financial Services sector since 2001; and Saudi International Petrochemical's US$ 2 billion acquisition of Sahara Petrochemical.

Energy will still be a significant sector. Growth in consumer deals will probably continue, as more rapidly changing lifestyle choices impact purchasing habits. Infrastructure deals will loom large as transport and city development remains a growth driver across MENA, despite bankers warning of real estate market headwinds in the UAE, as per the report.

Despite unprecedented global levels of fund-raising and sky-high values seen elsewhere, private equity investments in Mena remained low. Nonetheless, buyout deal value in 2018 increased considerably to US$ 1.2 billion, compared to 2017 when there were just 12 deals worth US$ 264 million. Overall private equity exit deal values dropped to US$ 1.2 billion from US$ 2.3 billion, but deal count remained stable at 14.

12 MENA COUNTRIES PERCEIVED AS "NOT FREE", ACCORDING TO FREEDOM HOUSE

Freedom House issued its yearly report entitled "Freedom in the World 2019" in which only one out of 17 surveyed MENA countries was perceived as "free", four others as "partly free", whereas the other 12 were perceived as being "not free".

Freedom in the World 2019 evaluates the state of freedom in 195 countries and 14 territories during calendar year 2018. Each country and territory is assigned between 0 and 4 points on a series of 25 indicators, for an aggregate score of up to 100. These scores are used to determine two numerical ratings, for political rights and civil liberties, with a rating of 1 representing the most free conditions and 7 the least free.

Tunisia was considered the only “free” country in the region earning a score of 2 in terms of political rights and 3 in terms of civil liberties. The top performing country within the “partly free” category was Lebanon, earning a score of 5 in terms of political rights and 4 in terms of civil liberties. Syria remained the world’s least free country.

FREEDOM IN THE WORLD 2019 MENA COUNTRIES RANKS AND SCORES

	Freedom Status	Political Rights	Civil Liberties	Aggregate Score
Tunisia	Free	2	3	69
Lebanon	Partly Free	5	4	45
Morocco	Partly Free	5	5	39
Jordan	Partly Free	5	5	37
Kuwait	Partly Free	5	5	36
Algeria	Not Free	6	5	34
Iraq	Not Free	5	6	32
Qatar	Not Free	6	5	25
Oman	Not Free	6	5	23
Egypt	Not Free	6	6	22
United Arab Emirates	Not Free	7	6	17
Bahrain	Not Free	7	6	12
Yemen	Not Free	7	6	11
Libya	Not Free	7	7	9
Saudi Arabia	Not Free	7	7	7
Sudan	Not Free	7	7	7
Syria	Not Free	7	7	0

Sources: Freedom House, Bank Audi's Group Research Department

OMAN’S REAL ESTATE MARKET GROWTH SLOWS IN 2018, AS PER CAVENDISH MAXWELL

Oman’s real estate market witnessed slow growth in 2018 but there were improvements in certain areas, according to Cavendish Maxwell. The real estate transactions increased by 1.2% compared to 2017, although sales contracts decreased by a percentage point, stated the firm in its Oman Market Report for 2018. This marks the second comprehensive report on the health of Oman’s real estate industry, covering the residential, office, industrial, retail and hospitality sectors within the industry.

The market report was compiled by the firm's in-house strategic consulting and research team, in collaboration with its extensive client and partner portfolio, based on official data from the National Centre for Statistics and Information (NCSI), Ministry of Housing and the Ministry of Tourism in Oman. The 2018 report highlights the positive impacts of new visa regulations for tourists, allowing more international visitors to enter easily and spend longer periods in Oman. It also offers insights into existing and upcoming hospitality infrastructure across the sultanate.

On the residential sector, Cavendish Maxwell said the prices continued to decrease as demand remained subdued overall. Muscat’s residential market continues to be oversupplied with apartment blocks, despite a gap in the market for high-quality villas and townhouses, it stated. On the office sector, demand for business centers increased in 2018 as a result of firms downsizing and seeking fitted office premises at lower costs, said the real estate expert. Demand for Grade A stock is expected to remain stable and developers should benefit from current market conditions and lower costs to build, it added. Cavendish Maxwell pointed out that despite weaker consumer sentiment and sluggish market conditions, the retail sector witnessed developers adding more space to the existing stock in Oman, particularly in Muscat. In 2018, several new malls entered the retail market, including Landmark Group’s Oasis Malls in Sohar and Salalah, it stated.

CORPORATE NEWS

EXXONMOBIL AND QATAR TO PROCEED WITH US$ 10 BILLION LNG EXPORT PROJECT IN US

ExxonMobil and partner Qatar Petroleum said they made a final investment decision to proceed with the US$ 10 billion development of the Golden Pass LNG export project located in Sabine Pass in the US State of Texas.

Construction will begin in the first quarter of 2019 and the facility is expected to start up in 2024.

Golden Pass will provide an increased, reliable, long-term supply of liquefied natural gas to global gas markets, stimulate local growth and create thousands of jobs, as per the Chairman and CEO of ExxonMobil Corporation.

The liquefaction project will have capacity to produce around 16 million tons of LNG per year. It is expected to create about 9,000 jobs over the five-year construction period and more than 200 permanent jobs during operations.

KUWAIT'S PIC SIGNS US$ 3.2 BILLION DEAL FOR CANADIAN POLYPROPYLENE PLANT

Kuwait Petrochemical Industries Company (PIC) clinched a major contract worth US$ 3.2 billion for a project to turn propane into plastic, which will deliver world prices to western Canadian oil and gas producers.

The joint venture with Canada's Pembina Pipeline is among the Kuwaiti petrochemical firm's first foreign forays, the company said in a statement.

The project will help solidify Kuwait's position as a world-class petrochemical hub, which fits into PIC's plans of seeking more exposure abroad, the statement added.

The plants' plastic pellets will also be shipped to manufacturers around the world to be turned into recyclable products used in automobiles, medical devices, food packaging and home electronic appliances.

UAE’S NMDC WINS US$ 1.4 BILLION ABU DHABI ISLAND CONSTRUCTION CONTRACT

UAE-based National Marine Dredging Company (NMDC) was awarded a major contract by Abu Dhabi National Oil Company (ADNOC) to provide dredging, land reclamation and marine construction services contract for the first phase of development of the Ghasha Concession in the UAE capital.

Under the terms of the contract, NMDC will construct ten new artificial islands and two causeways, as well as expand an existing island, Al Ghaf, said a statement from ADNOC.

The project is expected to take 38 months to complete and will provide the infrastructure required to further develop, drill and produce gas from the sour gas fields in the Ghasha Concession, it stated.

The Ghasha Concession consists of the Hail, Ghasha, Dalma, Nasr and Mubarraz offshore sour gas fields.

The contract, valued at AED 5 billion (US$ 1.4 billion) comes as part of the construction of multiple artificial islands in the first phase of Ghasha Concession development, said the statement from ADNOC.

DUBAI-BASED EMPOWER SECURES US$ 408 MILLION LOAN FOR NEW PROJECTS

Dubai-headquartered district cooling services giant Emirates Central Cooling Systems Corporation (Empower) announced that it secured a syndicated loan of AED 1.5 billion (US$ 408.4 million) to finance the company’s new projects.

According to a statement released by Empower, the loan was arranged through a group of local and international banks comprising Citibank, Emirates NBD, Standard Chartered, Mashreq and Samba Financial Group Dubai.

The company also revealed that the loan would be utilized for expanding capacity and district cooling infrastructure in various projects such as Jumeirah Village South, International Media Production Zone, Business Bay, Barsha Heights and Deira Waterfront Development.

SPANISH GROUP CEMENGAL WINS KUWAIT CEMENT PROJECT DEAL

Cemengal, a Spanish EPC (engineering, procurement and construction) contractor specialized in the cement industry, said it was awarded a new contract by the Kuwait-based Acico Cement Factory for the supply of a second cement grinding station consisting of a complete cement mill workshop.

The main equipment to be included within this new contract is related to a 5,200 Kws ball mill fully engineered by Cemengal with all the peripheral equipment and a fourth-generation classifier for high-strength cements, said the company in a statement.

The projected grinding capacity will be one million tons per year of cement and the plant will be commissioned within the first half of 2020, it stated.

The scope of works on the project will include full engineering and complete supply of mechanical, process, electrical and automation equipment as well as the steel manufacturing from the raw materials handling areas up to the silos cement discharge.

In addition to the delivery of technology, the site supervision, training and commissioning activities will be fully provided by Cemengal at the plant´s site, said the company in a statement.

This is the second mill project awarded by Acico Cement to the Spanish EPC contractor for catering to the growing demand of high-quality cements for major future infrastructural developments in the country, it added.

ETIHAD ESCO AND DAIKIN PARTNER FOR JAFZA CHILLER PROJECT

Etihad Energy Services Company (Etihad Esco) recently partnered with Daikin, a global company in heating, ventilation and air condition (HVAC), for the replacement of existing chillers with advanced, energy efficient chillers as part of Jafza Package 3 energy retrofit project.

The project, which will see Daikin replacing 15 existing chillers with 15 new inverter chillers for 11 Jafza facilities, will result in annual energy savings of 3,019,679 kWh for Jafza.

Jafza comprises multiple areas, facilities and buildings that house a wide range of business functions. Etihad Esco has been working with Jafza to facilitate its transformation into an energy efficient zone and had renewed its partnership with Jafza for Package 3 to retrofit its Lease Office Building and food courts.

The Energy Conservation Measures (ECMs) proposed by Etihad Esco as part of the project include deep heating, ventilation, and air conditioning (HVAC) retrofit and replacement of conventional lights with LED lights.

Etihad ESCO is a DEWA venture that was recently established in 2013 to make Dubai built environment energy efficient. It enables the energy performance contracting market in Dubai by developing energy efficiency projects targeting more than 30,000 buildings. Etihad ESCO aims to jumpstart the creation of viable performance contracting market for energy service companies by executing building retrofits, increasing penetration of district cooling, building capacity of local ESCOs for private sector and facilitating access to project finance. The Dubai ESCOs market will provide new business opportunities for joint ventures, international partnerships as well as engage UAE national entrepreneurs through a diversified supply chain from financial institutions, technology providers and equipment manufacturers to service providers across the project development, management and reporting stages.

CAPITAL MARKETS

EQUITY MARKETS: MIXED PRICE MOVEMENTS IN REGIONAL EQUITIES THIS WEEK

MENA equity markets registered shy price increases week-on-week, as reflected by a 0.2% rise in the S&P Pan Arab Composite Index, amid mixed price movements. The heavyweight Saudi Tadawul and the Egyptian Exchange posted price gains of 0.8% and 5.2% respectively, helped by some favorable market-specific and company-specific sectors, while the UAE equity markets and the Qatar Exchange recorded price falls of 2.4% and 0.5% respectively, mainly dragged by some profit-taking operations, in addition to some unfavorable sector-specific and company-specific factors.

The heavyweight Saudi Tadawul posted a 0.8% rise in prices week-on-week, mainly supported by some favorable market-specific and company-specific factors. Cement stocks registered healthy weekly price gains after the Kingdom announced mega projects, including the Neom Bay project, the Red Sea project and the US$ 425 billion infrastructure plan, which is set to leave a positive impact on the Saudi cement industry. Saudi Cement Company's share price went up by 2.1% to SR 58.30. Yanbu Cement Company's share price surged by 5.9% to SR 29.65. Yamama Cement Company's share price increased by 3.1% to SR 14.60. Also, Saudi Investment Bank's share price closed 1.4% higher at SR 20.78. The bank announced 2018 net profits of SR 1.46 billion against net profits of SR 1.41 billion in 2017. Al Rajhi Bank's share price increased by 0.9% to SR 102.0. The CMA approved a capital increase for Al Rajhi Bank from SR 16.25 billion to SR 25 billion through the issuance of seven bonus shares for every 13 existing shares. Concurrently, the bank announced a 13% yearly increase in its 2018 net profits to reach SR 10.3 billion.

The Egyptian Exchange extended its upward trajectory this week, posting a 5.2% surge in prices, mainly driven by some favorable market-specific and company-specific factors. The IMF approved the fifth installment of its US$ 12 billion loan facility to Egypt, bringing the total to US$ 10 billion. Commercial International Bank's share price jumped by 7.1% to LE 88.91. CIB announced 2018 net profits of LE 9.58 billion as compared to net profits of LE 7.52 billion in 2017. Juhayna Food Industries' share price climbed by 9.6% to LE 12.60. The company announced 2018 net profits of LE 408 million against net profits of LE 198 million in 2017. Telecom Egypt's share price surged by 5.0% to LE 14.69. Talaat Moustafa Group's share price increased by 1.6% to LE 11.55.

EQUITY MARKETS INDICATORS (FEBRUARY 03 TILL FEBRUARY 09, 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	80.3	-1.4%	-4.3%	0.9	-56.4%	0.2	8,725.0	0.5%	5.0	0.67
Jordan	387.7	0.2%	1.6%	30.1	12.2%	14.4	23,279.5	6.7%	13.5	1.43
Egypt	322.4	5.2%	17.1%	360.7	10.7%	1,548.8	48,304.2	38.8%	10.7	1.79
Saudi Arabia	375.7	0.8%	10.9%	3,807.4	-20.6%	578.2	544,836.4	36.3%	17.3	2.40
Qatar	189.9	-2.4%	0.7%	288.4	-22.3%	38.4	165,615.6	9.1%	14.5	2.06
UAE	115.8	-0.5%	2.4%	584.7	16.9%	614.5	243,074.0	12.5%	11.8	1.78
Oman	205.7	0.0%	-3.5%	27.0	25.4%	74.8	18,121.9	7.7%	9.7	0.99
Bahrain	132.0	3.6%	10.2%	16.5	-30.4%	24.4	22,505.8	3.8%	11.2	1.25
Kuwait	95.8	-0.6%	1.2%	413.2	-5.4%	810.7	86,477.4	24.8%	14.8	1.58
Morocco	270.0	-0.2%	0.2%	33.7	-45.6%	1.5	61,194.9	2.9%	17.5	2.57
Tunisia	68.4	-2.5%	-2.7%	6.1	-19.9%	3.6	7,900.0	4.0%	13.3	2.31
Arabian Markets	**776.9**	**0.2%**	**6.6%**	**5,568.6**	**-15.3%**	**3,709.5**	**1,230,034.6**	**23.5%**	**15.0**	**2.09**

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 saw a 0.5% retreat in prices week-on-week, driven by some unfavorable sector-specific and company-specific factors. In Dubai, DXB Entertainment's share price shed 4.5% to AED 0.255. The company said that its "Six Flags theme park" in Dubai was put on hold as the financing for the project was no longer available. DAMAC Properties' share price dropped by 3.8% to AED 1.26. Emaar Malls' share price fell by 5.1% to AED 1.49. Emaar Development's share price plunged by 14.3% to AED 3.43. The three realty stocks were the worst performers so far in 2019 among nine realty stocks in the Dubai's real estate and construction index, which raised concerns about their exclusion from MSCI Emerging Markets Index in May 2019 under the compiler's criteria for membership in the gauge.

In Abu Dhabi, Waha Capital's share price plunged by 10.0% over the week to AED 1.62. The investment firm reported 2018 net profits of AED 145 million as compared to net profits of AED 426 million in 2017. Waha Capital's Board of Directors recommended the distribution of dividends at a rate of 7.5 fils per share for 2018, down from 15 fils per share in 2017. Aldar Properties' share price fell by 2.5% to AED 1.55.

The Qatar Exchange registered a 2.4% fall in prices week-on-week, mainly due to some profit-taking operations after it topped the gainers' list in the MENA region in 2018, in addition to some unfavorable financial results. 29 out of 46 listed stocks posted price drops, while 15 stocks recorded price gains and two stocks saw no price change week-on-week. United Development Company's share price plunged by 7.1% to QR 15.60. The firm announced 2018 net profits of QR 501 million as compared to net profits of QR 538 million in 2017. QNB's share price dropped by 3.5% to QR 190.99. Commercial Bank of Qatar's share price fell by 4.1% to QR 40.70. Ooredoo's share price shed 3.6% to QR 73.19.

FIXED INCOME MARKETS: MOSTLY UPWARD PRICE MOVEMENTS IN MENA BOND MARKETS

MENA fixed income markets saw mostly upward price movements this week, mainly tracking US Treasuries increases as market players continued to factor in the US Federal Reserve dovish interest rate view amid an uncertain global economic outlook.

In the Kuwaiti credit space, sovereigns maturing in 2027 was up by 0.04 pt, while sovereigns maturing in 2022 closed down by 0.07 pt week-on-week. KIPCO papers maturing in 2020, 2023 and 2027 posted price gains of 0.08 pt, 0.36 pt and 1.22 pt respectively. Amongst financials, National Bank of Kuwait'22 traded up by 0.26 pt. Prices of Burgan Bank'21 and Perpetual rose by 0.88 pt and 0.15. Regarding credit ratings, Capital Intelligence affirmed Kuwait's long-term foreign currency and long-term local currency Issuer Ratings at "AA-". The sovereign's short-term foreign currency and short-term local currency ratings have also been affirmed at "A1+". The outlook for the ratings remains "stable".

In the Abu Dhabi credit space, sovereigns maturing in 2021 and 2047 were up by 0.02 pt and 0.32 pt respectively this week, while sovereigns maturing in 2019, 2022, 2026 and 2027 registered price declines of up to 0.50 pt. Mubadala papers maturing in 2021 (offering a coupon of 5.50%), 2023 (offering a coupon of 3.625%) and 2041 posted price increases of up to 0.13 pt, while Mubadala papers maturing in 2019, 2021 (offering a coupon of 5.875%), 2022, 2023 (offering a coupon of 2.75%), 2024, 2028 and 2029 saw price retreats of up to 0.21 pt. Taqa papers maturing between 2021 and 2036 posted price gains of 0.12 pt to 0.34 pt.

As to papers issued by financial institutions, prices of First Abu Dhabi Bank'22, '23 and '24 improved by 0.25 pt, 0.17 pt and 0.11 pt respectively week-on-week. ADCB papers maturing between 2019 and 2023 registered price gains of up to 0.48 pt. UNB'21 was up by 0.17 pt. Fitch affirmed Union National Bank's long-term IDR at "A+" with a "stable" outlook, following the recent announcement of UNB's merger with ADCB and the subsequent acquisition by the merged entity of Al Hilal Bank.

In Dubai, sovereigns maturing between 2020 and 2043 recorded price falls of 0.11 pt to 0.44 pt this week. Prices of Emirates Airline'23, '25 and '28 rose by 0.15 pt, 0.23 pt and 0.69 pt respectively. Majid Al Futtaim'19, '24 and '25 were up by 0.04 pt, 0.65 pt and 0.40 pt respectively. DP World papers maturing between 2023 and 2048 registered price improvements of up to 0.81 pt. Amongst financials, DIB'22 and '23 closed up by 0.33 pt and 0.49 pt respectively. ENBD'19, '20 and Perpetual (offering a coupon of 6.375%) saw price rises of up to 0.14 pt. Regarding plans for new issues, Emirates NBD called for a shareholders' meeting to discuss the issuance of multi-billion dirham non-convertible securities. As to credit ratings, Fitch affirmed Emirates NBD's long-term IDR at "A+" with a "stable" outlook and Viability Rating at "bb+".

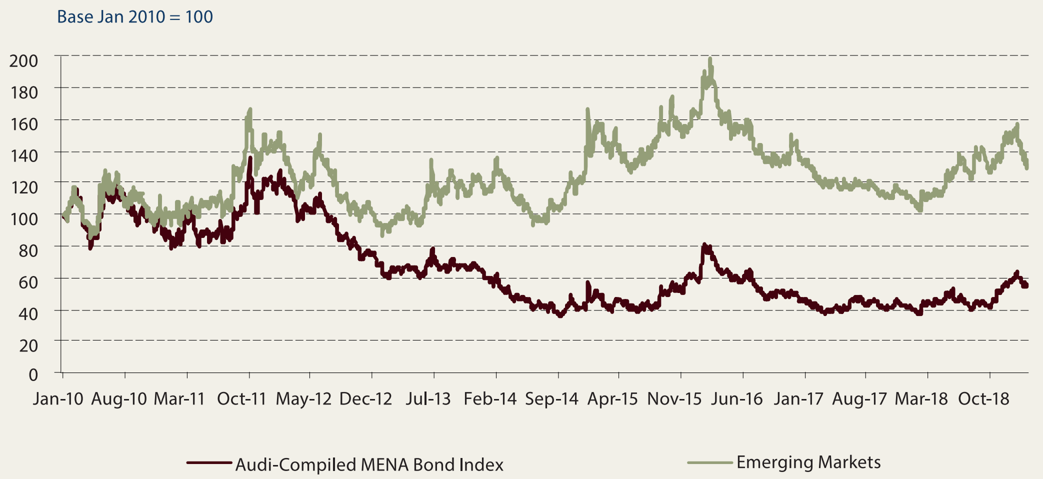
In the Qatari credit space, prices of sovereigns maturing in 2022, 2023, 2040 and 2042 improved by up to 0.57 pt, while sovereigns maturing in 2019, 2028, 2030, 2046 and 2048 posted price falls of up to 0.84 pt this week. Ooredoo papers maturing between 2021 and 2043 posted price gains of up to 0.25 pt. Amongst financials, Commercial Bank of Qatar'21 and '23 closed up by 0.31 pt and 0.50 pt respectively, while CBQ papers maturing in 2019 (offering a coupon of 2.875%) were down by 0.06 pt. QNB'20 and '21 (offering a coupon of 2.125%) traded up by 0.05 pt and 0.19 pt respectively. CI Ratings affirmed QNB's Financial Strength Rating at "AA-". Its long-term and short-term foreign currency ratings were also affirmed at "AA-" and "A1+" respectively.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	08-Feb-19	01-Feb-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	62	61	67	1	-5
Dubai	129	125	129	4	0
Kuwait	67	67	66	0	1
Qatar	76	71	82	5	-6
Saudi Arabia	92	90	105	2	-13
Bahrain	255	258	293	-3	-38
Morocco	104	108	111	-4	-7
Egypt	361	415	391	-54	-30
Lebanon	688	708	770	-20	-82
Iraq	382	401	519	-19	-137
Middle East	**222**	**231**	**254**	**-9**	**-32**
Emerging Markets	**126**	**191**	**188**	**-65**	**-62**
Global	**164**	**165**	**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	B-/Stable/B	Caa1/Stable	B-/Negative/B
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	NR
Egypt	B/Stable/B	B3/Positive	B/Positive/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Stable	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB/Stable/B	Baa3/Negative	BB+/Stable/F3
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3
Tunisia	NR	B2/Stable	B+/Negative/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated RWN= Rating Watch Negative * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	08-Feb-19	01-Feb-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%	0.0%
Egyptian Pound (EGP)	17.61	17.64	17.92	-0.2%	-1.8%
Iraqi Dinar (IQD)	1,192.92	1,192.80	1,192.68	0.0%	0.0%
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)	3.65	3.65	3.65	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.38	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	119.05	117.65	117.65	1.2%	1.2%
Moroccan Dirham (MAD)	9.54	9.52	9.54	0.2%	0.0%
Tunisian Dinar (TND)	3.05	3.03	3.05	0.9%	0.3%
Libyan Dinar (LYD)	1.39	1.38	1.40	0.5%	-1.0%
Sudanese Pound (SDG)	47.62	47.62	47.62	0.0%	0.0%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER