The MENA WEEKLY MONITOR

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Activity in MENA equity markets remained tilted to the downside this week, as reflected by a 1.8% fall in the S&P Pan Arab Composite index, mainly dragged by an oil price slump amid a growing coronavirus epidemic that has stoked concerns over global oil demand, while also driven by some unfavorable company-specific factors. In contrast, MENA fixed income markets continued to see upward price movements, as lingering global growth concerns spurred demand for safety despite positive reports on China's efforts to counter the coronavirus, and in spite of better-than-expected US manufacturing data and strong US job report in January 2020.

MENA MARKETS: WEEK OF FEBRUARY 02 - FEBRUARY 08, 2020

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-1.8%	Weekly Z-spread based bond index	-5.0%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↑
YTD stock price performance	-2.4%	YTD Z-spread based bond index	-0.1%

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ECONOMY

IMF SAYS GCC COULD EXHAUST NET FINANCIAL WEALTH BY 2034 WITHOUT DECISIVE ECONOMIC REFORMS

The Arab monarchies of the Persian Gulf face a budget reckoning and risk squandering their US$ 2 trillion in financial wealth within 15 years as oil demand nears peak levels, according to the International Monetary Fund. Global oil demand may start falling sooner than expected, putting a strain on the finances of the six-member Gulf Cooperation Council, which accounts for a fifth of the world's crude production, the IMF said in a recent report quoted by Bloomberg.

Without decisive economic reforms, the richest Middle Eastern States could exhaust their net financial wealth by 2034 as the region becomes a net debtor, the Fund projects. Within another decade, their total non-oil wealth would also be exhausted, the IMF said in the report prepared by a team of its Middle East and Central Asia specialists as well as the research department.

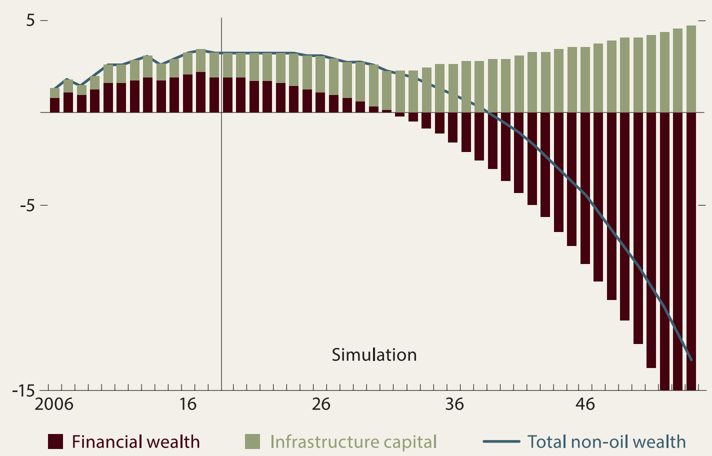
Countries in the region need to think long-term and strategically because the oil market is changing structurally both from the demand and the supply side, as per the director of the IMF's Middle East and Central Asia Department. Economic reforms already underway in some countries need to accelerate, as per the same source which added that development plans need to shift spending and job creation from governments to the private businesses and develop more non-oil sources of income more quickly. GCC countries would have to be more aggressive in their pursuit of an economic transformation to preserve their current wealth.

International oil companies and producing States have come to recognize that alternative energy sources, alongside greater efficiency, are already eroding demand. While Gulf producers such as Saudi Arabia and the UAE are developing new industries in preparation for a post-oil era, they are not moving quickly enough to avoid running out of cash, the IMF said.

Gulf oil producers sharply increased budget spending from 2007 and until 2014, when crude plunged. Despite patchy reforms, they have not fully offset the drop in oil revenue with spending cuts, leading to deficits that have eroded wealth, according to the report. Regional governments will likely need to cut spending further, save more and introduce broad-based taxation to make ends meet, the IMF said.

A further decline in oil prices this year, in the face of geopolitical tensions and threats the coronavirus poses to growth, is making that task even harder. Should global oil demand trend downward before

REAL NON-OIL WEALTH (GCC TOTAL, TRILLIONS OF 2018 US DOLLARS)



Source: IMF

those plans take root, the countries would have to cope with their longer-term economic problems even sooner, according to the Fund.

The world's demand for oil is expected to grow more slowly and eventually begin to decline in the next two decades, the IMF said. Global oil demand is likely to peak around 2041 at about 115 million barrels a day and gradually decline from there, according to the report. Improved energy efficiency or the imposition of a carbon tax by governments worldwide could bring oil's demand peak forward to as soon as 2030, the IMF said.

Increased use of oil for petrochemicals might help mitigate the slowdown in demand, the IMF said. Even as oil demand peaks, the lower costs of production will allow Gulf States to gain market share over rivals elsewhere. Even then, under the IMF's scenario, Saudi Arabia, the UAE and their neighbors face a future of slumping income and reliance on debt to support spending. Faster progress with economic diversification and private sector development will be critical to ensure sustainable growth, the IMF said.

SAUDI ARABIAN BANKS' PROFITABILITY RESILIENT AND REMAINS A RATING STRENGTH, SAYS FITCH

Saudi Arabian banks' profitability has been resilient and remains a rating strength, underpinned by strong franchises, cheap funding and limited competition, according to a recent report by Fitch. Performance metrics improved in 2018 on the back of rate hikes by the Fed but this trend is likely to reverse.

Fitch considers the soft operating environment and subdued GDP growth in Saudi Arabia as challenges to credit demand given that the economy remains highly oil-dependent, despite the government's diversification efforts.

The weak pipeline of government infrastructure projects, modest real GDP growth forecasts, still low consumer confidence, fiscal tightening and geo-political tensions remain threats to credit growth.

Asset quality metrics continue to suffer from weak consumer confidence and low credit demand, in particular from large government-related entities, and the slow pipeline of government projects, as per Fitch. Non-performing loan ratios have been rising but continue to compare very well by international standards.

Fitch views the Saudi banking sector as well capitalised, with one of the highest weighted average common equity Tier 1 ratio globally. Strong capital ratios reflect stiff regulatory requirements and benefit from low growth and strong profitability. Nevertheless, we believe high capital ratios are necessary due to high concentration levels.

Fitch considers Saudi banks' balance sheets to be very liquid, with high quality liquid assets accounting on average for 22% of total assets (partly as a result of limited growth opportunities) and covering 31% of deposits. The weighted average liquidity coverage ratio for Fitch-rated banks that are assigned a Viability Rating (VR) is high, which mitigates funding concentrations.

GROWTH MOMENTUM IN DUBAI'S NON-OIL PRIVATE SECTOR SOFTENS FOR THIRD CONSECUTIVE MONTH

Growth momentum in Dubai's non-oil private sector softened for the third month in a row in January due to slow market conditions, but businesses generally looked forward to the coming 12 months with optimism, citing hopes of market stabilization and new projects going forward, according to IHS Markit.

The IHS Markit Dubai PMI fell from 52.3 in December to 50.6 in January, signaling the weakest improvement in the health of the non-oil private sector since February 2016.

The index is derived from individual diffusion indices that measure changes in output, new orders, employment, suppliers' delivery times and stocks of purchased goods

While business expectations deteriorated further, output charges were again lowered amid efforts to reinvigorate new orders, the IHS Markit Dubai Purchasing Managers' Index shows. A further weakening of sales growth in January, which slowed to a near four-year low, prompted a much softer expansion in output and falling job numbers.

Growth primarily eased due to a weaker expansion in business activity and subsequent drop in job numbers. At the sub-sector level, there was a modest improvement in the travel and tourism industry, said the report. Notwithstanding the slow growth signs, Dubai World Expo 2020 would fuel the growth of Dubai economy by 4.0% in the next one year as economic activity gains momentum, as per the report.

Business activity expectations slid to the joint-weakest for a year-and-a-half, suggesting that firms expect little pick-up in sales in the near future. Nevertheless, efforts to improve sales through lower output prices continued, with firms reducing their charges for the 21st month in a row, as per the report.

Deteriorations in the construction, wholesale and retail sectors placed downward pressure on the headline index, said the report. Output in the Dubai non-oil economy expanded only modestly at the start of the year. The rate of growth slowed to the weakest in the current 47-month sequence.

Activity of the firms was subdued by soft new business volumes. New orders followed a similar trend to output, with latest data indicating the weakest increase in demand for nearly four years.

KUWAIT'S GDP GROWTH SLOWS TO 0.4% YEAR-ON-YEAR IN Q3 2019, SAYS NATIONAL BANK OF KUWAIT

Kuwait's GDP growth slowed to 0.4% year-on-year in the third quarter of 2019, compared to 1.8% in Q2-19, according to a report released on Saturday by the National Bank of Kuwait (NBK). This is the slowest rate since Q1-18 due to a decline in oil sector output resulted from Kuwait's OPEC+ production cut obligations, the report said.

Oil sector activity fell by 5.3% year-on-year last year, while oil production over the same time period dropped to 2.64 million barrels per day (MBPD) in Q3-19, from 2.78 MBPD in Q3-18. Moreover, Kuwait's non-oil economy grew by 7.8% year-on-year in the three-month period ended 30 September 2019, as per NBK.

In parallel, Kuwait's foreign reserves increased by 7.2% year-on-year (YoY) in December 2019 to KWD 12.1 billion (US$ 39.9 billion) compared to KWD 11.3 billion (US$ 37.1 billion) in December 2018, according to official data by the Central Bank of Kuwait (CBK).

BAHRAIN'S BUDGET DEFICIT HAS BEEN SLASHED BY 24%

Bahrain's budget deficit has been slashed by 24% annually in 2019, as per official data from the Finance and National Economy Ministry.

The deficit has fallen from 6.3% of GDP in 2018 to 4.7% of GDP in 2019. Non-oil revenues increased by 63.0% year-on-year, whilst government spending decreased 3.0% year-on-year. The Kingdom's primary budget deficit (excluding interest payments) fell by 85% year-on-year.

The fiscal improvements follow the implementation of a number of reform measures taken by the government as part of the Fiscal Balance Programme, initiated in October 2018. The programme aims to deliver a balanced budget by 2022.

Reforms implemented include a government-wide spending review and dedicated spending efficiency taskforces, new spending controls, a voluntary retirement scheme for public sector workers and the implementation of Value Added Tax (VAT).

According to the estimates, economic growth reached 2.1% in 2019, largely driven by a 2.3% increase in non-oil growth. The Kingdom forecasts strong growth to continue into this year, with GDP expected to expand by 2.7% in 2020.

SURVEYS

POSITIVE MACROECONOMIC INDICATORS GAVE EGYPT'S ECONOMY BOOST IN 2019, AS PER OXFORD BUSINESS GROUP

Egypt's economy was given a boost in 2019 due to positive macroeconomic developments on the back of its economic reforms, according to a 2019 review released by the Oxford Business Group. The report said that real GDP growth was at 5.6% in fiscal year 2018/2019, up from 5.3% in the previous fiscal year, while the Egyptian pound strengthened against the dollar over 2019, reaching LE 16.40 to the dollar by mid-September and dipping below LE 16 in December.

According to the report, the extended facility that was introduced to Egypt from the International Monetary Fund (IMF) as a US$ 12 million loan, supported wide-ranging reforms and addressed inconsistent policies that had resulted in fiscal imbalances, as well as high inflation and public debt. Another target was dwindling foreign exchange reserves, a result of the fixed exchange rate between the Egyptian pound and the US dollar. Additionally, the annual headline inflation rate reached 7.1%, which was within the Central Bank of Egypt's (CBE) target range of 9%, plus or minus three points, the report said. It added that the benefits of the floatation of the Egyptian pound in 2016 began to be felt in 2019, with company profits reaching pre-floatation levels by the end of November.

In the petroleum sector, the report highlighted that significant oil and gas discoveries in the eastern Mediterranean in March and July are set to reduce the import burden of the chemical and plastics industries through the development of downstream segments, but there are concerns that the discoveries could also aggravate the predominance of hydrocarbons in the economy. On the other hand, the report said that there are number of challenges that remain in terms of implementing these reforms, especially the pressure on consumer spending as nominal wage growth fell below inflation between 2016 and 2018.

It is worth noting that Egypt has also undertaken several legislative reforms that have had notable effects, the report noted, including changes to the income tax law which boosted government revenues, while the investment environment has been strengthened by amendments to the investment law and the implementation of the competition law. In addition, the industrial licensing regime has been streamlined, reducing the time it takes to obtain a license in low-risk industries by 80 percent.

The report predicts that Egypt will continue moving ahead with plans to transform its renewable energy capacity in 2020, spearheaded by the development of a major solar power station in November. Meanwhile, the 1.4 gigawatt Benban Solar Park in Aswan has attracted some US$ 2 billion in investment, with around 30 companies already establishing energy projects and commercial operations at the site, adding that meeting domestic power needs through renewable resources will free up oil and gas supplies to be used either for export or in other value-added industries.

RIYADH'S RESIDENTIAL PROPERTY MARKET POSTS GROWTH IN 2019, AS PER CBRE

Riyadh's property market reported an impressive growth in 2019, with the volume of residential real estate transactions increasing by 53% over the previous year, according to new data released by CBRE. The global real estate consultancy firm also reported that the value of transactions in the Saudi capital went up by 63%.

In October 2019, Saudi Arabia's Ministry of Housing launched an initiative to support residential renovations by providing financing for homes that are more than 15 years old. According to CBRE, this decision will likely result in higher activity among the existing aging stock within the central districts of Riyadh. Residential mortgages for individuals in the Kingdom recorded a growth rate of more than 250% in terms of the number of contracts signed from January 2019 to November 2019. The Saudi capital also witnessed growth across other major real estate segments, the CBRE report showed.

Hotel occupancy rose by 5% in 2019 compared to 2018, and according to CBRE's Market Snapshot, supply stood at 17,700 units in Riyadh in 2019 with 4,500 more expected to enter the market by 2023.

The retail segment of the market saw a positive performance as well. There is likely to be an increased focus on “shoppertainment”, with around ten cinemas opening in the capital since 2018 and wider plans to open more than 350 cinemas across the country by 2030, the report said.

According to the report, supply stood at 2.91 million square meters (sqm) of gross leasable area (GLA) in 2019, with 609,000 sqm GLA expected to be delivered by 2023. Saudi Arabia’s unemployment rate declined to 12% in the third quarter of 2019 from 12.8% in the same period in 2018. The jobless rates are expected to continue to decline in the short term, with a positive impact expected in terms of increased potential office demand, CBRE said. The report also noted that co-working and flexible office working structures have continued to disrupt the global office markets and are expected to reshape Riyadh’s office leasing market. With the Riyadh Metro expected to be operational this year, CBRE said properties near the transportation link will benefit from enhanced accessibility and connectivity.

MORE IPOS LIKELY IN GCC IN 2020, BUT WILL NOT SURPASS LAST YEAR’S VALUE, AS PER MARMORE

Led by Saudi Arabia and the UAE, initial public offering (IPO) activity in the Gulf is expected to pick up in 2020, with around 16 companies likely to go public as compared to nine firms last year, as per Marmore MENA Intelligence.

Though the number of IPOs are expected to surpass last year's, the value is highly unlikely to cross 2019's figures in the foreseeable future due to Saudi Aramco's record fund-raising in the last quarter of 2019.

Nine companies in the region went public in 2019 as compared to 17 in the previous year. However, 2019 was headlined by the much-awaited IPO of Saudi Aramco announced in Q4, that eventually raised US$ 29.4 billion and became the world's largest company at US$ 2 trillion. As a result, capital issuances in the GCC last year through the IPO market jumped nearly 13 times year-on-year to US$ 31.1 billion. Based on announcements, around 16 IPOs are expected in 2020 in the UAE and other GCC countries.

According to the agency, Saudi Arabia is expected to lead the region with six IPOs including supermarket group Bindawood Holding Co, fast food burger chain Hamburgini, and home financing company Amlak International for Real Estate Finance Company. In the UAE, five companies like Aafaq Islamic Finance, Bayt.Com, and MAG Development have expressed interest for an IPO. In addition, four IPOs are expected from Oman and one IPO from Kuwait.

According to Kamco Invest, the GCC IPO markets in 2020 could see healthy activity, given that corporates who were waiting for state-owned enterprises to provide leadership in primary equity markets could enter the market.

Government initiatives and regulatory reforms like the Saudi Arabian CMA easing foreign strategic ownership limits of 49% would be welcome for both primary and secondary markets, as seen in 2019. Initiatives and policies that support and encourage SMEs and family business to take the IPO route, as being considered by the UAE, would also aid primary equity markets and investors to tap into entities with a wide variety of business models and product offerings.

According to Delma Capital, markets in the UAE have not seen strong performance in recent years and trading volumes have been in decline.

The agency sees a broader market recovery in the UAE in 2020 on the back of ongoing stimulus, favorable macroeconomic conditions and improving investor sentiment. All this would support revitalization of the domestic IPO market. Saudi Arabia's IPO calendar is looking increasingly healthy in 2020 - the strong performance of Aramco has awakened spirits in the Saudi market, which is attracting a wave of IPOs.

The IPO of Oman Oil in 2020 is expected to bolster the regional IPO market, and continued listing of the region's crown jewels at investor-friendly valuations could support a potential IPO Renaissance in the region, where trading of shares is largely dominated by retail investors who are largely driven by sentiment.

CORPORATE NEWS

SWCC SECURES US$ 430 MILLION BRIDGE FINANCING FROM LOCAL BANKS

Saudi Arabia's Saline Water Conversion Corp (SWCC), which operates desalination plants and power stations in the Kingdom, signed a SR 1.6 billion (US$ 430 million) bridge financing agreement with local banks.

The financing aims to improve the utilization of assets and increase the efficiency of desalination plants Jubail 1 and Khobar 2, double their daily production, and achieve savings on energy and operational costs of up to SR 1.3 billion (US$ 330 million) annually, SWCC said.

The financing was provided by Banque Saudi Fransi and Saudi British Bank (SABB) and with the support of the financial consultant of the company HSBC Saudi Arabia, the corporation said.

The National Debt Management Center (DMO) provided advisory services to the corporation to offer the most appropriate financing solutions, as per the same source.

ADIB PROVIDES US$ 87 MILLION TO REFINANCE UK HEALTHCARE UNITS

Abu Dhabi Islamic Bank (ADIB) provided through ADIB UK a combined AED 320 million (US$ 87 million) Sharia-compliant structured financing for a private Abu Dhabi-based client to refinance an AED 900 million prime central London healthcare facility and a private Bahrain-based client for the acquisition of a AED 55 million logistics hub in Edinburgh.

The London property comprises one of the most established private healthcare facilities in the UK capital and is operated by an international healthcare group.

The Edinburgh property, let to Royal Mail, consists of a distribution warehouse and office facility extending to 94,323 square feet.

NEOM TO BUILD DESALINATION PLANT WITH "SOLAR DOME" TECHNOLOGY

Saudi Arabia's futuristic US$ 500 billion new city Neom signed an agreement with the UK-based Solar Water Limited for the construction of the first desalination plant with "Solar Dome" technology in the city.

The pilot project promises to revolutionize the water desalination process, helping solve one of the world's most pressing problems – access to fresh water, said a statement from Neom.

This comes as part of Neom's plans to deploy pioneering solar technology to produce clean, low-cost, environmentally friendly fresh water, as per the same source.

Work on the first "solar dome" will begin in February and is expected to be completed by the end of 2020, said the statement.

The technology will also significantly reduce the impact on the environment by producing more concentrated brine, a potentially harmful byproduct of the water extraction process, it added.

The "solar dome" desalination process, which can also operate at night due to the stored solar energy generated throughout the day, will reduce the total amount of brine that is created during the water extraction process.

Typically, the high salt concentration in brine makes it more difficult and expensive to process. The solar dome process helps prevent any damage to marine life as no brine is discharged into the sea, as per a top company official.

ELSEWEDY ALLIANCE WINS EGYPT DRY PORT DEAL

The Elsewedy Electric Alliance won the project to establish the first dry port in Egypt in the city of 6th of October on an area of 100 acres. Apart from Elsewedy, the alliance also includes DB Schenker Egypt and 3A International.

A project company will be established to finance, design, construct, exploit, maintain and operate the dry port under the Public Private Participation (PPP) system for concession period of 30 years. The project aims to serve Alexandria and Dekheila ports as a warehouse for customs clearance of containers. The maximum capacity of the port is 720,000 containers, and the total estimated cost of construction and equipment for the port is US$ 176 million. The project includes: container yards, utilities, roads, communication and control systems, a solar energy system for electricity generation, lifting and transport equipment, tractors, railways inside the port and UV inspection systems, in addition to a container loading and unloading station.

An integrated customs department headquarters, as well as administrative offices for the General Authority for Land and Dry Ports, the project company, shipping line agents, and shipping, clearing and transportation companies will also be part of the project.

ADPOWER AND TAQA MOVE TO CREATE UTILITIES GIANT

Abu Dhabi Power Corporation (ADPower), a public joint stock company that owns most of the water and electricity assets across the Emirate of Abu Dhabi, submitted an offer to Abu Dhabi National Energy Company (Taqa) to transfer most of its assets to Taqa.

The offer sets out the principal terms and conditions on which ADPower would transfer the majority of its water and electricity generation, transmission and distribution assets to Taqa, said a statement. The proposed transaction would create a new regional utilities company that will accelerate the transformation of the water and electricity industry in the UAE, said the statement.

SEZAD SIGNS CONTRACT TO BUILD US$ 111 MILLION BUSINESS PARK

Oman’s Special Economic Zone Authority at Duqm (Sezad) and Maysan Properties, a leading real estate developer in the Sultanate, signed a usufruct agreement to establish a business park at a cost of OMR 43 million (US$ 111 million).

The business park “Maysan Square Duqm” will be built over an area of 122,000 square meters bringing 20 buildings that include a commercial complex comprising various shops, restaurants, cafes and offices. As well, the projects offers a number of freehold, rental apartments, serviced apartments, business hotel, multi-purpose hall and other leisure and retail facilities. The complex will cover an area of 100,000 square meters, standing on a common base with a public square. The project will be developed in five phases, starting from 2021, with the first phase to witness the construction of three pavilions.

BEE'AH JV TO SET UP E-VEHICLE CHARGING STATIONS IN SHARJAH

UAE-based sustainable and smart transportation company ION has partnered with key Sharjah government entities - Sharjah City Municipality (SCM) and the Sharjah Electricity and Water Authority (SEWA) - for the smooth supply, installation and operation of public electric vehicle charging stations across the emirate.

ION is a joint venture between Sharjah-based waste plant developer Bee’ah and CE-Creates, the business incubation platform of Crescent Enterprises. The move comes as part of accelerating the UAE’s ongoing electrification of its transportation and supporting the current electric vehicle network, said a statement from ION. With a mandate to promote green mobility solutions in the region, ION would be building a vast network of charging stations across the emirate in a phased approach, paving the way for the greater use of electric vehicle mobility in the UAE.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITY MARKETS PURSUE A DOWNWARD TRAJECTORY THIS WEEK

Activity in MENA equity markets remained tilted to the downside this week, as reflected by a 1.8% fall in the S&P Pan Arab Composite index, mainly dragged by an oil price slump amid a growing coronavirus epidemic that has stoked concerns over global oil demand, while also driven by some unfavorable company-specific factors. The Saudi Tadawul, whose market capitalization represents more than 75% of regional market capitalization, saw price contractions of 2.3%, followed by the Qatar Exchange (-1.9%) and the UAE equity markets (-1.2%), while the Egyptian Exchange posted price gains of 2.1%, mainly helped by some favorable financial results.

The heavyweight Saudi Tadawul remained on the decline for the third consecutive week, posting a 2.3% weekly fall in prices that has brought year-to-date price contractions to 4.0%, amid extended oil price declines (-3.8%), and driven by some unfavorable company-specific factors. Petrochemicals giant Saudi Aramco's share price dropped by 2.2% to SR 33.40. SABIC's share price retreated by 1.4% to SR 86.30. Saudi Kayan Petrochemical Company's share price shed 3.1% to SR 9.64. Sipchem's share price plunged by 4.6% to SR 16.48. Yansab's share price fell by 4.2% to SR 50.50.

Also, Banque Saudi Fransi's share price plummeted by 6.2% week-on-week to SR 34.80. Banque Saudi Fransi announced 2019 net profits of SR 3.1 billion as compared to net profits of SR 1.4 billion in 2018, yet still missing an average analyst estimate of SR 3.5 billion. Alinma Bank's share price went down by 4.7% to SR 24.68. Alinma Bank posted an 11.3% year-on-year drop in its 2019 net profits to reach SR 2.5 billion. Maaden's share price plunged by 4.4% to SR 41.0. Maaden registered a net loss of SR 740 million in 2019 as compared to net profits of SR 1.85 billion in 2018.

The Qatar Exchange posted a 1.9% decline in prices week-on-week, mainly dragged by some unfavorable company-specific factors and on some profit-taking operations. 38 out of 47 listed stocks posted price falls, while three stocks registered price gains and six stocks saw no price change week-on-week. United Development Company's share price plunged by 11.2% to QR 1.35. United Development Company announced a 16% year-on-year fall in its 2019 net profits to reach QR 423 million. Also, the company's Board of Directors recommended the distribution of dividends at a rate of QR 5 per share for the year 2019 as compared to QR 10 per share for the year 2018. QNB's share price

EQUITY MARKETS INDICATORS (FEBRUARY 02 TILL FEBRUARY 08, 2020)

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	59.1	-7.6%	-15.2%	3.4	104.1%	0.5	6,391.0	2.7%	6.3	0.53
Jordan	365.9	-0.9%	1.7%	31.7	-32.5%	29.2	21,389.2	7.7%	11.7	1.41
Egypt	357.2	2.1%	3.4%	214.2	29.4%	1,017.6	49,019.0	22.7%	10.0	2.20
Saudi Arabia	353.7	-2.3%	-4.0%	5,152.9	7.4%	955.2	2,280,570.6	11.7%	16.6	2.41
Qatar	180.7	-1.9%	-2.2%	308.8	28.8%	453.7	155,342.2	10.3%	15.5	1.98
UAE	112.8	-1.2%	-0.5%	411.6	-21.1%	737.8	256,963.9	8.3%	11.5	1.69
Oman	208.6	1.1%	3.8%	41.7	40.8%	98.8	17,562.8	12.4%	10.0	0.96
Bahrain	170.7	-0.2%	4.0%	8.4	-8.5%	25.8	25,323.4	1.7%	12.3	1.81
Kuwait	118.8	-0.7%	-0.8%	474.5	-26.3%	1,231.6	104,911.3	23.5%	17.5	1.94
Morocco	285.8	-3.5%	-1.8%	63.0	-2.0%	3.6	64,212.6	5.1%	20.7	3.20
Tunisia	71.3	-0.1%	-1.5%	7.5	18.4%	5.3	8,296.7	4.7%	14.4	3.00
Arabian Markets	**769.5**	**-1.8%**	**-2.4%**	**6,714.4**	**2.9%**	**4,559.1**	**2,989,982.7**	**11.7%**	**16.0**	**2.30**

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

Sources: S&P, Bloomberg, Bank Audi's Group Research Department decreased by 0.6% to QR 20.310. Ooredoo's share price dropped by 3.3% to QR 6.70. Nakilat's share price fell by 6.7% to QR 2.22.

The UAE equity markets registered a 1.2% retreat in prices week-on-week, mainly dragged by an oil price slump and some unfavorable company-specific factors. In Abu Dhabi, Etisalat's share price went down by 1.0% to AED 16.12. Maroc telecom, 53% controlled by Etisalat, was fined MAD 3.3 billion (the equivalent of US$ 343 million) for anti-competitive practices. ADNOC's share price fell by 2.2% to AED 3.07. In Dubai, DAMAC Properties' share price dropped by 1.9% to AED 0.683. DAMAC Properties registered a net loss of AED 36.9 million in 2019 as compared to net profits of AED 1.15 billion in 2018. Emaar Malls' share price declined by 3.3% to AED 1.76. Emaar Malls posted 2019 net profits of AED 2.29 billion as compared to net profits of AED 2.23 billion in the previous year, yet still missing analysts' estimates.

In contrast, the Egyptian exchange posted price gains of 2.1% week-on-week, mainly helped some favorable company-specific factors, noting that foreign institutional investors remained net buyers over the week. Commercial International Bank's share price went up by 2.2% to LE 86.91. CIB announced 2019 net profits of LE 11.8 billion versus net profits of LE 9.58 billion in 2018. Vodafone Egypt's share price skyrocketed by 30.7% to LE 180.10. Vodafone Group agreed to sell its 55% stake in Vodafone Egypt to Saudi Telecom Company for US$ 2.39 billion. Telecom Egypt's share price jumped by 14.3% to LE 14.10. Egypt's Financial Regulator Authority confirmed that the STC offer to buy Vodafone's Egyptian business would be subject to a 1992 law requiring a mandatory tender for any outstanding shares, including the 45% stake held by Telecom Egypt. Within this context, Telecom Egypt said that is closely following the aforementioned potential transaction to consider all of its possible investment options and opportunities.

FIXED INCOME MARKETS: CONTINUOUS WEEKLY PRICE GAINS ACROSS MENA BOND MARKETS

MENA fixed income markets continued to see upward price movements this week, as lingering global growth concerns spurred demand for safety despite positive reports on China's efforts to counter the coronavirus, and in spite of better-than-expected US manufacturing data and strong US job report in January 2020.

In the Dubai credit space, sovereigns maturing in 2029 were up by 0.11 pt week-on-week. Prices of Emaar'26 rose by 0.31 pt. DP World'30 closed up by 0.25 pt. Amongst financials, Emirates NBD Perpetual (offering a coupon of 6.125%) posted price improvements of 0.40 pt. Emirates NBD raised US$ 500 million from the sale of five-year bonds offering a coupon of 2.625%. The deal attracted over US$ 2.2 billion in orders. ANZ, Citi, Emirates NBD Capital, JPMorgan, Société Générale and ICBC arranged the deal. DIB Perpetual (offering a coupon of 6.75%) traded up by a shy 0.02 pt. Fitch affirmed DIB's long-term Issuer Default Rating at "A" with a "stable" outlook.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 posted price improvements of 0.25 pt each week-on-week. Mubadala'24 closed up by 0.34 pt. Prices of ADNOC'29 rose by 0.15 pt. Prices of Taqa'26 expanded by 1.50 pt. As to papers issued by financial institutions, Al Hilal Bank'23 closed up by 0.15 pt. First Gulf Bank'24 and ADCB'23 posted price gains of 0.20 pt each. Regarding plans for new issues, First Abu Dhabi Bank mandated Barclays, First Abu Dhabi Bank, HSBC and Nomura as joint lead managers and bookrunners to arrange a global fixed income investor call. A benchmark fixed rate GBP-denominated Regulation S Register Senior unsecured three-year bond offering under FAB's US$ 15 billion EMTN program would follow subject to market conditions.

In the Kuwaiti credit space, sovereigns maturing in 2027 closed up by 0.51 pt this week. Capital Intelligence affirmed the long-term foreign currency rating and long-term local currency rating of Kuwait at "AA-". The sovereign's short-term foreign currency rating and short-term local currency rating have also been affirmed at "A1+". The outlook for the ratings remains "stable".

In the Saudi credit space, sovereigns maturing in 2025 closed up by 0.06 pt, while sovereigns maturing in 2030 were down by 0.38 pt week-on-week. Prices of STC'29 increased by 0.04 pt. SABIC'28 traded up by 0.04 pt. Prices of SECO improved by 0.17 pt. As to plans for new issues, Riyad Bank hired JP Morgan Chase & Co., Riyad Capital, Standard Chartered Plc, First Abu Dhabi Bank PJSC and HSBC Holdings Plc as lead managers for the sale of Islamic bonds. The bank would use the proceeds from the potential debut offering to strengthen its capital base.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price expansions ranging between 0.13 pt and 0.74 pt week-on-week. Euro-denominated sovereigns maturing in 2025 and 2030 were up by 0.62 pt and 0.97 pt respectively.

All in all, a flight-to-safety mode continued to govern MENA bond markets this week, as investors continued to weigh whether steps taken by China to contain the spreading coronavirus would be enough to minimize the economic impact.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	07-Feb-20	31-Jan-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	40	41	36	-1	4
Dubai	97	97	91	0	6
Kuwait	39	39	37	0	2
Qatar	42	46	37	-4	5
Saudi Arabia	65	68	57	-3	8
Bahrain	172	167	176	5	-4
Morocco	88	85	91	3	-3
Egypt	267	266	277	1	-10
Lebanon	4,143	3,681	2,418	462	1,725
Iraq	445	445	384	0	61
Middle East	**540**	**494**	**360**	**46**	**180**
Emerging Markets	**154**	**157**	**148**	**-3**	**6**
Global	**204**	**202**	**173**	**2**	**31**

Sources: Bloomberg, Bank Audi's Group Research Department

Z-SPREAD BASED AUDI MENA BOND INDEX V/S INTERNATIONAL BENCHMARKS

Base Jan 2010 = 100

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	CC/-/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/B
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$)	07-Feb-20	31-Jan-20	31-Dec-19	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)	15.77	15.80	16.05	-0.2%	-1.7%
Iraqi Dinar (IQD)	1,182.87	1,182.87	1,182.87	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)	3.66	3.66	3.66	0.0%	0.1%
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	119.05	0.0%	1.2%
Moroccan Dirham (MAD)	9.67	9.60	9.57	0.8%	1.1%
Tunisian Dinar (TND)	2.83	2.82	2.83	0.3%	-0.1%
Libyan Dinar (LYD)	1.40	1.40	1.40	0.0%	-0.1%
Sudanese Pound (SDG)	50.53	48.92	45.11	3.3%	12.0%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER