The MENA WEEKLY MONITOR

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The latest IATA reports covering air passenger and air freight markets show that Middle Eastern carriers underperformed global peers with a 2.4% yearly growth in revenue passenger kilometers versus a global growth of 4.2%, and a 4.8% contraction in freight ton kilometers versus a global variation of -3.3% in 2019.

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MENA equity markets remained under downward price pressures this week (-2.2%), mainly dragged by lingering global growth concerns and some unfavorable market-specific and company-specific factors. The Qatar Exchange led the decline in the region, registering price drops of 3.8%, followed by the Saudi Tadawul with -2.5%. Also, the UAE equity markets and the Egyptian Exchange recorded price decreases of 1.6% and 1.2% respectively. In contrast, activity in MENA fixed income markets remained skewed to the upside this week, mainly tracking US Treasuries move as concerns about global economic growth and a growing coronavirus epidemic outweighed the positive impact of some favorable US economic reports.

MENA MARKETS: WEEK OF FEBRUARY 09 - FEBRUARY 15, 2020

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-2.2%	Weekly Z-spread based bond index	-5.1%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↑
YTD stock price performance	-4.6%	YTD Z-spread based bond index	-5.2%

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ECONOMY

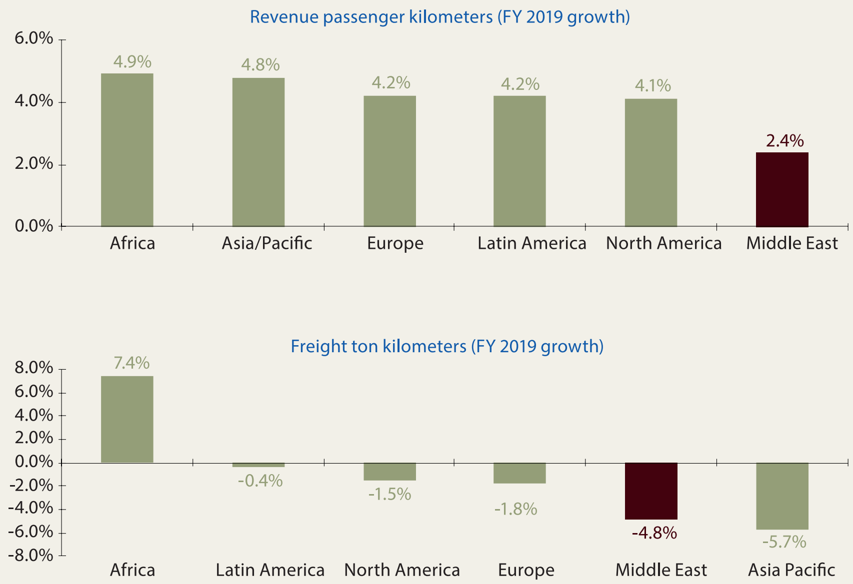
IATA REPORTS SHOW MIDDLE EAST CARRIERS UNDERPERFORMING GLOBAL PEERS IN 2019

The latest International Air Transport Association (IATA) reports covering air passenger and air freight markets show that Middle Eastern carriers underperformed global peers with a 2.4% yearly growth in revenue passenger kilometers (RPK) versus a global growth of 4.2%, and a 4.8% contraction in freight ton kilometers (FTK) versus a global variation of -3.3% in full year 2019.

At the air passenger market level, the IATA said that although Middle Eastern carriers saw the slowest pace of international RPK expansion of all regions in 2019, their recent monthly year-on-year outcomes were topping regional growth chart (+6% in December). The recent better outcomes were supported by robust growth in the larger Middle East-Asia and Middle East-Europe markets that expanded on average by around 8.5% year-on-year in October and November 2019 (latest available) – three times fast than the average growth on the routes between Jan-Sep 2019.

Globally, industry-wide RPKs expanded by 4.2% in 2019, marking the first year since the global financial crisis with passenger demand below the long-term trend of circa 5.5%, as per the IATA. The 2019 air travel demand outcome was impacted by a softer yet still supportive global economic backdrop and weaker business confidence amidst international trade tensions. Looking ahead, IATA's December forecast points to stabilization, with RPKs increasing by 4.1% in 2020. This is based on the assumption of a slightly more supportive global economic activity and an uptick in world trade growth. The IATA added that the recent outbreak of Coronavirus in China poses downside risk to this forecast. Although at this stage it is too early to estimate the exact impact, historical evidence shows that the disruption of passenger demand from health shocks is typically relatively short-lived, as per the IATA.

TOTAL MARKET PERFORMANCE OF GLOBAL CARRIERS



Sources: IATA, Bank Audi's Group Research Department

At the air freight market level, international FTKs for Middle Eastern carriers fell by 4.8% in 2019. Supply chains were disrupted by developments in both Asia and Europe and weak global trade. Airline restructuring in the region also played a part in driving the weaker freight outcome, as per the IATA. Having said that, the second half of 2019 has shown improvement. Yearly FTKs were down by 3.4% in December, comparing favorably with a decline of almost 10% earlier in the year.

Globally, industry-wide FTKs contracted by 3.3% in 2019, the first year of declining freight volumes since 2012 and the weakest outcome since the global financial crisis a decade ago. International trade tensions resulted in only weak growth in global goods trade (+0.9%) in 2019 and a key factor behind the decline in air freight volumes, as per the IATA. For 2020, industry-wide FTKs are forecast by the IATA to grow by 2.0%, mostly on the back of a recovery in world trade. The health situation in China will impact the forecasts, although at this stage it is impossible to estimate exactly how, added the IATA. The duration and geographic spread of the outbreak will be critical to understanding its impact, as per the same source.

NEW CORONAVIRUS TO WEIGH ON GROWTH PROSPECTS IN THE GCC, SAYS S&P

Given the importance of the Chinese economy to global economic activity, Standard & Poor's (S&P) expects recent developments on the new coronavirus (Covid-19) to weigh on growth prospects in the GCC, already affected by low oil prices and geopolitical uncertainty.

If the virus continues to spread, there is a risk that the economic impact could increase unpredictably, with credit implications not just for China but elsewhere. For the GCC, this could result in a drop in oil prices, economic growth, and real estate prices, alongside a change in government spending, which could put pressure on issuers rated in the region. Under S&P's base-case scenario, however, S&P expects the impact on its ratings to be limited for now.

The rate of spread and timing of the peak of the new coronavirus is still uncertain. However, modeling by epidemiologists indicates a likely range for the peak of between late-February and June.

Notwithstanding the spread of the virus, Standard & Poor's still expects oil prices to remain at US$ 60 per barrel in 2020 and decline to US$ 55 from 2021. Therefore, the rating agency thinks the impact of the new coronavirus on GCC economies will be felt mainly in terms of export volumes.

Exports could decline in view of an anticipated slowdown of economic growth in China, which in S&P's base case is projected at 5% in 2020 compared with 6.1% in 2019. OPEC's current production quotas could also be extended beyond March, which could affect S&P's estimates of fiscal and current account receipts for GCC sovereigns.

GCC countries send 4%-45% of their exported goods to China, with Oman being the most exposed (45.1%) and the United Arab Emirates (UAE) the least exposed (4.2%) based on the latest available data from the U.N.'s Comtrade database (2018), as per S&P.

Sectors in the GCC's hospitality industry--such as airlines, hotels, and retail--could also feel the effects of lower tourism inflows since the new coronavirus outbreak. This is especially because it started just before the Chinese new year, when travel to and from China typically picks up. The Chinese government has introduced travel restrictions related to the virus, and some travelers are cancelling their trips to minimize the risk of infection. Reported data suggests that around 1.4 million Chinese tourists visited the GCC in 2018 and this figure could rise to 2.2 million in 2023, with the United Arab Emirates (UAE) as the main destination.

Last but not least, few Chinese nationals own real estate in the GCC, suggesting that the new coronavirus will have a low direct effect on the market. However, an indirect impact could stem from foreign nationals' (resident or nonresident) decision to delay or cancel plans to buy real estate due to uncertainty regarding the new coronavirus, its infection rate, and treatment options, as per Standard & Poor's.

ABU DHABI'S NON-OIL MERCHANDISE TRADE DECLINES BY 6.1% YEAR-ON-YEAR IN 11M 2019

Abu Dhabi's non-oil merchandise trade declined by 6.1% year-on-year to around AED 194.4 billion during the first 11 months of 2019 from around AED 207 billion in the same period of 2018.

The non-oil exports from Abu Dhabi registered an 11.4% slide to AED 52.51 billion in the January-November period of 2019, while reporting a 9.8% decline in imports, according to recent statistics by Statistics Centre Abu Dhabi (SCAD).

As for the top trade partners with the emirate, Saudi Arabia headed the list of exports, imports, and re-exports at AED 23.56 billion, AED 15.87 billion, and around AED 11.11 billion, respectively.

EGYPTIAN ECONOMY STRONGER TO COPE WITH FOREIGN CRISES, SAYS GOVERNOR OF THE CENTRAL BANK

According to the Governor of the Central Bank of Egypt, the country's economy has become stronger to cope with foreign crises and challenges owing to the State's recent successful reform program.

The Governor reiterated that the national economy has proved its capability to face global challenges, adding that it successfully overcame challenges resulting from the trade war between the United States and China.

Meanwhile, the total foreign inflows into Egypt hit more than US$ 12 billion since January 1, 2020, noting that the inflows were in the form of remittances of Egyptians working abroad and new foreign investments. The inflows reflect international financial funds' interest in the Egyptian market as one of the most important markets attracting investments in the region.

In parallel, Egypt's Minister of Finance said that Egypt's improved economic growth is expected to further increase in the coming period on the back of increased private consumption and private investment. The latter said that the realized growth has been well-diversified across all sectors of the economy, including manufacturing, tourism, construction, trade, and oil and gas, generating new job opportunities, which has driven unemployment down to 7.5% in June 2019.

Sharing facts and figures about the economic reform program and its progress, the Finance Minister explained that the Egyptian economy's growth rate recorded 5.6% in FY 2018/2019, making it one of the top growth performers among all emerging markets in the region.

KUWAIT'S PUBLIC DEBT INSTRUMENTS DROP 41.5% ANNUALLY AT END DECEMBER 2019

Kuwait's public debt instruments dropped 41.5% annually at the end of December 2019, according to data released by the Central Bank of Kuwait (CBK).

The GCC country's debt instruments went down to KWD 2.072 billion (US$ 6.822 billion) last December, compared to KWD 3.542 billion (US$ 11.662 billion) a year earlier.

Kuwaiti public debt declined by 4.61% month-on-month in December 2019, from KWD 2.172 billion in November.

It is worth noting that Kuwait's foreign reserves increased by 7.2% annually in December 2019 to attain KWD 12.09 billion (US$ 39.9 billion).

SURVEYS

UAE, SAUDI ARABIA AND QATAR AMONG TOP 10 LOGISTICS MARKETS IN AGILITY'S INDEX

The UAE, Saudi Arabia and Qatar are among the top 10 logistics markets in the 2020 Agility Emerging Markets Logistics Index. China and India lead the list, at first and second place, respectively.

The Index, which is based on a survey of 780 supply chain professionals across 50 countries, also revealed that a big majority (64%) of respondents see a global recession in 2020, while only 12% believe that a recession is an unlikely event this year.

The Arabian Gulf countries outperformed most other emerging market regions in the 11th annual Agility Index which was put together by the Kuwait-headquartered logistics firm Agility in partnership with the British research company Transport Intelligence. The index is a broad gauge of competitiveness based on logistics strength and business fundamentals, said a statement from the company.

In the GCC, the UAE (3), Saudi Arabia (6), Qatar (7), Oman (14), Bahrain (15) and Kuwait (19) were ranked highly in the index.

For the first time since its launch in 2008, the UAE featured in the top 10 list of all three individual sub-indices of the Index – domestic logistics, business fundamentals and international logistics.

The jump in the rankings is the result of the country's continued open financial sector, transparent regulatory system and corruption protection frameworks and its progress towards a comprehensive national SME development strategy, according to Agility.

Overall, the surveyed supply chain professionals were bearish on global economic growth. Downward pressure on global trade volumes, uncertain growth prospects and the ongoing trade war between the US and China are driving this belief, as per the same source.

Egypt showed significant gains across all indices. On the overall index, Egypt rose six spots to number 20, while leaping 10 spots on the business fundamentals chart (17), six spots on the domestic opportunities index (13) and jumping five spots on the international opportunities index (23).

According to the survey, the least potential logistics markets in 2020 are Syria, Iran, Venezuela, Iraq and Libya.

CONVENIENCE IS KEY FOR MIDEAST CONSUMERS, AS PER PwC

Convenience is key for Middle East consumers who are more likely than their global counterparts to use food delivery services, willingness to pay for super quick delivery and use of mobile payment platforms, said assurance, advisory and tax services firm PwC in a new report.

To capitalize on this, PwC believes companies should continue to invest in creating seamless customer journeys that ensure that consumers can complete their purchases with minimum amount of friction.

In Abu Dhabi, consumers intend to be more cautious with their spending compared to consumers in other cities in the Middle East — almost a third plan to keep their personal spend the same in the next 12 months. They favor in-store shopping more than consumers in other cities in the Middle East. Moreover, consumers are frequent users of mobile payment platforms, such as Apple Pay and Google Wallet, to pay for purchases in-store.

Consumers in Dubai tend to access mobile loyalty and rewards coupons via apps, such as the Entertainer, more than consumers in the rest of the region and globally.

These use online grocery delivery services weekly and rely on food delivery apps more than consumers in other cities in the Middle East — in fact just 7% of respondents in Dubai said they never use food delivery apps. Furthermore, they consider safety and security the primary reason for living in their city.

Consumers in Riyadh shop online via smartphones — more than consumers in other cities in the Middle East — and are most likely to place an order using a mobile app, pay ahead and collect their purchase in-store.

They are most likely to order a meal kit from a food delivery subscription service at least once a week and are most inclined to book their hotel stays and other accommodation exclusively online, as per the same source.

According to PwC, consumers in Jeddah are most likely to purchase the majority of their groceries online and to shop using a tablet. They make more purchases using an in-store app than consumers in other cities in the region.

Consumers in Cairo are particularly bullish, with two thirds planning to spend more in the next 12 months than they did last year. They are least likely among those surveyed in the region to shop online using their smartphone because of connectivity issues. Instead, they prefer to use more traditional shopping channels.

DUBAI PROPERTY PRICES SET TO REBOUND IN 2020, AS PER VALUSTRAT

Property experts suggest that home sale prices will either ease or rebound over the next several months due to positive market sentiment and an expected decline in new project launches.

Prices could see a rebound for reasons related to a possible end of a correction cycle and an emerging positive sentiment closely related with the expected improving economy going forward, as per ValuStrat.

Property prices in the UAE have been falling since 2014 due to a combination of factors, such as a huge supply glut, negative investor sentiment, low oil prices and a strong US dollar. Since the end of 2015 alone, apartment and villa sales prices in Abu Dhabi declined by 29% and 11%, respectively.

The government has taken steps and introduced reforms to address the huge glut in the real estate market and boost investor appetite.

In 2019, a special committee was formed to curb new project launches and create a more sustainable balance between supply and demand.

Still, at least 39,000 new flats in residential towers and 10,600 units in villa communities are expected to be delivered this year and further inflate Dubai's housing supply, according to Asteco's estimates. The actual number of units with a scheduled completion date in 2020, based on initial research by Property Finder, is closer to 90,000.

Despite the high volume of anticipated units, sale price declines in Dubai are likely to ease this year, as development costs are approaching the lowest practical level, according to Asteco. Since the 2008 peak, Asteco calculated that sale prices of one-bedroom residential units have registered a 51% decline, while bigger homes posted a 47% drop, as per ValuStrat.

In Abu Dhabi, developers delivered 5,200 apartments and 1,400 villas last year. Most of the upcoming supply in the UAE capital will be located in Reem Island, Al Raha Beach, Has Island and Saadiyat Island.

CORPORATE NEWS

STC TO ACQUIRE 55% STAKE IN VODAFONE EGYPT FOR US$ 2.4 BILLION

Saudi Telecom Company (STC) and Vodafone Group signed an MoU for the sale of Vodafone's entire 55% stake in Vodafone Egypt to STC, the London-headquartered telecom company announced. With the sale, Vodafone will be exiting Egypt (as a telecom operator) as the rest of the 45% stake in Vodafone Egypt is owned by Telecom Egypt. Telecom Egypt said that it has no plans to sell its stake.

The statement noted that the two parties have agreed the basis of a long-term Partner Market Agreement, which will include use of the Vodafone brand, preferential roaming arrangements, access to Vodafone's central procurement function, and a range of other services.

DUBAI AEROSPACE SIGNS US$ 300 MILLION DUAL TRANCHE LOAN

Dubai Aerospace Enterprise (DAE) announced that it signed a US$ 300 million five-year dual tranche unsecured term financing facility with Emirates Islamic and Emirates NBD Capital, the investment banking arm of Emirates NBD.

The facility will contain a conventional and an Islamic tranche and can be upsized to US$ 600 million. The facility will support the future financing needs of DAE's business.

OMAN INSURANCE TO RAISE STAKE IN DUBAI STARR SIGORTA

Oman Insurance Company is preparing to acquire an additional 49% stake in its subsidiary Dubai Starr Sigorta.

The company said that a sale and purchase agreement will be signed following the acquisition, as the measures of the acquisition are subject to regulatory approval, the company said.

DUBAI-BASED DELIVERY-ONLY KITCHEN PLATFORM RAISES US$ 60 MILLION TO EXPAND

Kitopi, a shared kitchen platform for online food delivery, raised US$ 60 million in a new round of financing led by Knollwood Investment Advisory and Lumia Capital to expand its services, the company said.

The "Series B" financing, which is a round to fund growth, comes after it last raised US$ 27.2 million in late 2018.

Kitopi, which is headquartered in Dubai and New York, operates 30 kitchens across the United States, United Arab Emirates, Saudi Arabia, United Kingdom and Kuwait.

KSA'S QIDDIYA INVESTMENT COMPANY GETS CONTRACT TO LEAD QIDDIYA SITE PREPARATION

The Qiddiya Investment Company (QIC) has kick started 2020 by awarding the first construction contract of the year to a major Saudi company the Abdul Ali Al Ajmi Company, as building continues at the Qiddiya site.

The start of the 12-month project will include the landscaping of 7 million cubic meters of earth to ensure the site preparation of a combined area of more than 4 million square meters.

This will require upwards of 500 pieces of major earthmoving equipment to grade and develop the plots, in addition to 4,000 ton of steel and 30,000 cubic meters of concrete for storm water management so that the area is ready for the next stage of development.

Qiddiya is located on the doorstep of Riyadh and is one of Saudi Arabia's large projects.

BAHRAIN'S TATWEER AND ITALY'S ENI TO EXPLORE RENEWABLE AND LNG PROJECTS

Bahrain's Tatweer Petroleum and Italian oil and gas company Eni signed an agreement to explore new areas for collaboration.

The agreement will facilitate joint assessments as well as the launch of new initiatives in areas of mutual interest, including renewable energy and the supply and exploration of liquefied natural gas (LNG).

KSA'S ALFANAR AND FIRST SOLAR EYE SAUDI POWER PROJECT CONTRACT

Saudi-based construction group Alfanar said its consortium comprising Al Blagha Group and DTI emerged as a key bidder for Renewable Energy Project Development Office's (Repdo) 70MW (Madinah and Rafha) Solar Round II project besides US-based group First Solar.

Part of Saudi Arabia's Ministry of Energy, Industry, and Mineral Resources, Repdo recently received these bids under Category A project within Round II of its National Renewable Energy Program (NREP), which includes six solar power schemes with a total photovoltaic capacity of 1.47 GW.

Round I was launched by the Saudi organization in 2017 with key projects including Sakaka 300 MW solar PV project, now connected to the national electricity grid, and Dumat Al Jandal 400 MW wind project, currently under construction. This was followed by Round II launch in July last year.

A major player in the region, Alfanar is primarily engaged in manufacturing of a wide range of low, medium and high voltage electrical construction products besides EPC solutions for conventional and renewable power plants, allied engineering services and design engineering.

The Dammam-based group has built up an international presence throughout much of the Middle East, Asia, Africa and European region.

The other bidder, First Solar, is an American manufacturer of solar panels, and a leading provider of utility-scale PV power plants besides supporting services that include finance, construction, maintenance and end-of-life panel recycling.

BAHRAIN'S GPIC SIGNS MAJOR FEASIBILITY STUDY DEALS WITH SAIPEM

Bahrain's Gulf Petrochemical Industries Company (GPIC) signed an agreement with the Italian oilfield services company Saipem to study the feasibility of various new projects in Bahrain.

The agreement is part of GPIC's strategy to expand operations and build on recent successes by studying the viability of implementing new projects within its industrial complex at Sitra and leverage the discovery of Bahrain's largest oil field, which was announced in 2018, as per a company official.

The agreement includes studies for three projects: the technical and commercial feasibility of increasing GPIC plants' daily production of ammonia, urea and methanol by approximately 15%, through technical solutions that reduce energy consumption and use natural gas. The estimated cost of this project would be € 350 million.

The second project consists of a prefeasibility study to build a mega ammonia/urea plant with a daily production capacity of 2,200 metric tons and 3,400 tons of ammonia and urea, respectively. The estimated cost of this project is € 1.5 billion to € 2 billion.

The third project will look to determine the quality of gas feedstock in the fields discovered in 2018. If proven feasible and implemented, these gas projects are estimated to cost € 1.5 billion.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES REMAIN UNDER DOWNWARD PRICE PRESSURES THIS WEEK

MENA equity markets remained under downward price pressures this week, as reflected by a 2.2% fall in the S&P Pan Arab Composite index, mainly dragged by lingering global growth concerns and some unfavorable market-specific and company-specific factors. The Qatar Exchange led the decline in the region, registering price drops of 3.8%, followed by the Saudi Tadawul with -2.5%. Also, the UAE equity markets and the Egyptian Exchange recorded price decreases of 1.6% and 1.2% respectively.

The Qatar Exchange posted a 3.8% fall in prices week-on-week, mainly driven by some unfavorable corporate earnings. Industries Qatar's share price plunged by 6.9% to QR 9.30. The petrochemical maker announced 2019 net profits of QR 2.6 billion as compared to net profits of QR 5.0 billion in 2018, down by 48%. QNB's share price shed 4.5% to QR 19.40. QNB's shares traded ex-dividend this week. Qatar Electricity and Water Company's share price went down by 2.0% to close at QR 15.56. QEWC reported 2019 net profits of QR 1.41 billion versus net profits of QR 1.54 billion a year ago.

The heavyweight Saudi Tadawul saw a 2.5% contraction in prices week-on-week, mainly due to some unfavorable company-specific factors. Petro Rabigh's share price plunged by 14.8% to SR 16.06. Petro Rabigh posted a net loss of SR 544 million in 2019 versus net profits of SR 669 million in 2018. Zain Saudi's share price plummeted by 14.4% to reach SR 10.50. Zain Saudi said that it has ended talks with the Saudi Ministry of Finance aimed at converting debt into shares. Al Rajhi Bank's share price fell by 3.6% to SR 63.60. Al Rajhi posted 2019 net profits of SR 10.16 billion versus net profits of SR 3.77 billion in the previous year, yet still missing analysts' average estimate of SR 10.64 billion. Al Hokair's share price dropped by 4.2% to SR 27.40. Al Hokair announced a 17% year-on-year fall in its net profits during the first nine months of FY 2020 to reach SR 234 million.

The UAE equity markets registered a 1.6% fall in prices week-on-week, mainly dragged by some unfavorable company-specific factors. In Abu Dhabi, Etisalat's share price declined by 0.7% to AED 16.0. Etisalat announced 2019 full year net profits of AED 8.69 billion versus net profits of AED 8.62 billion in the previous year, yet still missing analysts' estimates. First Abu Dhabi Bank's share price went down by 1.3% to AED 14.80. HSBC cut its recommendation on FAB to "reduce" with a price target

EQUITY MARKETS INDICATORS (FEBRUARY 09 TILL FEBRUARY 15, 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	59.0	-0.1%	-15.3%	1.9	-42.9%	0.3	6,383.0	1.6%	6.3	0.53
Jordan	365.0	-0.3%	1.4%	48.2	51.9%	39.3	21,227.6	11.8%	11.7	1.42
Egypt	352.8	-1.2%	2.2%	157.6	-26.4%	709.7	48,434.4	16.9%	9.9	2.15
Saudi Arabia	345.0	-2.5%	-6.4%	4,891.8	-5.1%	936.5	2,251,257.0	11.3%	16.4	2.37
Qatar	173.8	-3.8%	-5.9%	243.5	-21.2%	466.9	149,592.9	8.5%	15.5	1.89
UAE	111.0	-1.6%	-2.1%	440.1	6.9%	904.2	253,346.5	9.0%	11.2	1.65
Oman	207.9	-0.4%	3.4%	29.0	-30.5%	74.2	17,536.9	8.6%	9.8	0.96
Bahrain	171.4	0.4%	4.4%	13.2	56.6%	27.6	25,498.0	2.7%	12.3	1.76
Kuwait	116.7	-1.8%	-2.6%	387.4	-18.4%	1,699.5	103,371.5	19.5%	17.1	1.90
Morocco	288.3	0.9%	-0.9%	75.7	20.1%	3.8	64,929.8	6.1%	20.8	3.14
Tunisia	70.4	-1.3%	-2.8%	6.5	-12.3%	4.0	8,240.4	4.1%	14.3	3.00
Arabian Markets	**752.7**	**-2.2%**	**-4.6%**	**6,293.0**	**-6.3%**	**4,865.9**	**2,949,818.0**	**11.1%**	**15.8**	**2.26**

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

Sources: S&P, Bloomberg, Bank Audi's Group Research Department of AED 13.20. ADIB's share price shed 1.7% to AED 5.65. ADIB plans to cut jobs and shut some local and international branches amid sluggish domestic economic growth.

In Dubai, Arabtec Holding Company's share price plunged by 13.2% week-on-week to AED 0.755. The company posted a net loss of AED 774 million in 2019 as compared to net profits of AED 256 million in 2018. Emaar Properties' share price dropped by 3.3% to AED 3.87. Emaar Properties posted a 1.7% year-on-year decline in its 2019 fourth quarter net profits to reach AED 1.76 billion. DAMAC Properties' share price shed 5.6% to AED 0.645. DAMAC Properties reported in 2019 its first net loss since 2010 of AED 36.9 million, which compared to net profits of AED 1.15 billion a year earlier. Dubai Financial Market's share price decreased by 7.3% to AED 0.88. Dubai Financial Market announced 2019 net profits of AED 121 million versus net profits of AED 126 million a year earlier.

The Egyptian Exchange posted a 1.2% decline in prices week-on-week, given some unfavorable market-specific and company-specific factors. Egypt's inflation inched higher for the third straight month to reach 7.2% in January 2020, reducing bets for further rate cuts by the Central Bank of Egypt in its upcoming MPC meeting on February 20, 2020. Meanwhile, Egyptian, Arab and foreign institutional investors were net sellers of Egyptian stocks over this week. Commercial International Bank's share price decreased by 1.7% to LE 85.46. Palm Hills Development's share price dropped by 3.4% to LE 1.577. Ezz Steel's share price shed 2.7% to LE 8.78. Juhayna Food Industries' share price fell by 2.6% to LE 8.90. Juhayna Food Industries announced a 19% yearly contraction in its 2019 net profits to reach LE 329 million, missing lowest estimates.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS SKEWED TO THE UPSIDE

Activity in MENA fixed income markets remained skewed to the upside this week, mainly tracking US Treasuries move as concerns about global economic growth and a growing coronavirus epidemic outweighed the positive impact of some favorable US economic reports.

In the Saudi credit space, sovereigns maturing in 2030 were up by 0.13 pt week-on-week. STC'29 closed up by 1.22 pt. Prices of SABIC'28 increased by 0.23 pt. SECO'24 posted price gains of 0.25 pt. As to plans for new issues, Riyad Bank hired JPMorgan, Riyad Capital, Standard Chartered, First Abu Dhabi Bank and HSBC as joint lead managers to arrange the sale of a US dollar-denominated Tier 2 Sukuk under the bank's new US$ 3 billion Sukuk program. Also, Dar Al Arkan Real Estate Development Co mandated Alkhair Capital, Citigroup, Deutsche Bank, Dubai Islamic Bank, Emirates NBD Capital, Mashreqbank, Nomura, Standard Chartered Bank and Warba Bank as joint lead managers and bookrunners to arrange meetings with fixed income investors in the UAE and London ahead of a planned seven-year Sukuk issuance.

In the Kuwaiti credit space, sovereigns maturing in 2027 closed up by 0.17 pt this week. Prices of KIPCO'27 increased by 0.15 pt. Regarding new issues, Boubyan Bank issued a five-year US$ 750 million Sukuk at an annual profit rate of 2.593%. The bond sale attracted an order book size of US$ 4.6 billion.

In the Dubai credit space, sovereigns maturing in 2029 registered price improvements of 0.10 pt week-on-week. Prices of Emaar'26 rose by 0.21 pt. Emirates Airline'28 was up by 0.09 pt. Prices of DP World'30 expanded by 0.28 pt. Moody's placed on review for downgrade the "Baa1" long-term issuer and senior unsecured ratings of DP World PLC and (P) Baa1 senior unsecured rating assigned to DP World Crescent Limited MTN program.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 registered price improvements of 0.25 pt and 0.38 pt respectively week-on-week. Prices of Mubadala'24 increased by 0.04 pt. Etisalat'24 traded up by 0.34 pt. Taqa'26 posted price gains of 0.38 pt. Moody's placed under review for upgrade all the ratings of Taqa. These include the company's "A3" long-term issuer rating and "P-2" short-term issuer rating. Amongst financials, First Gulf Bank'24 was up by 0.20 pt. Prices of ADCB'23 increased by 0.22 pt.

Still in the UAE credit space, S&P lowered its long-term foreign and local currency sovereign credit ratings on the Emirate of Sharjah to "BBB" from "BBB+", citing weak economic conditions in Sharjah since 2019 that have led to decreased government revenue from government-related entities and land sales and a wider-than-anticipated deficit. The outlook is "stable".

In the Qatari credit space, sovereigns maturing in 2029 closed up by 0.31 pt, while sovereigns maturing in 2024 were down by 0.06 pt this week. Fitch affirmed Qatar's long-term foreign currency IDR at "AA-" with a "stable" outlook. Qatar's ratings reflect, according to Fitch, continued fiscal and external surpluses, a strong sovereign net foreign asset position and one of the world's highest ratios of GDP per capita. Also, prices of Ooredoo'25 expanded by 0.20 pt. Amongst financials, Commercial Bank of Qatar'23 closed up by 0.21 pt. Prices of QIB'24 increased by 0.31 pt. QNB'24 traded up by 0.31 pt.

Overall, regional bond markets remained on the rise over this week, as lingering concerns over the economic impact of coronavirus continued to spur demand for safe-haven assets.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	14-Feb-20	07-Feb-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	39	40	36	-1	3
Dubai	95	97	91	-2	4
Kuwait	39	39	37	0	2
Qatar	40	42	37	-2	3
Saudi Arabia	60	65	57	-5	3
Bahrain	172	172	176	0	-4
Morocco	87	88	91	-1	-4
Egypt	267	267	277	0	-10
Lebanon	5,060	4,143	2,418	917	2,642
Iraq	445	445	384	0	61
Middle East	**631**	**540**	**360**	**91**	**271**
Emerging Markets	**162**	**154**	**148**	**8**	**14**
Global	**220**	**204**	**173**	**16**	**47**

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	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$)	14-Feb-20	07-Feb-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)	15.70	15.77	16.05	-0.5%	-2.2%
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)	9.72	9.67	9.57	0.5%	1.6%
Tunisian Dinar (TND)	2.86	2.83	2.83	1.0%	0.9%
Libyan Dinar (LYD)	1.41	1.40	1.40	0.8%	0.8%
Sudanese Pound (SDG)	51.63	50.53	45.11	2.2%	14.4%

Sources: Bloomberg, Bank Audi's Group Research Department

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