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

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.8%	Weekly Z-spread based bond index	-3.1%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-14.2%	YTD Z-spread based bond index	+38.0%

ECONOMY

REFINITIV SAYS VALUE OF MENA M&A TRANSACTIONS DOWN 55% IN H1 2020

The value of announced M&A transactions with any MENA involvement reached US\$ 50.7 billion during the first six months of 2020, which is 55% less than the value recorded during the same period in 2019, according to global data provider Refinitiv. M&A transactions reached a record high in the first six months of 2019 with Saudi Aramco's agreement to buy a stake in Saudi Basic Industries Corp for US\$ 69.1 billion.

According to Refinitiv, the number of deals declined 9% from last year to a three-year low. The value recorded during the first half of 2020 is the third highest first half total of all-time after 2019 (US\$ 112.7 billion) and 2007 (US\$ 58.5 billion).

After merger activity fell to a seven-month low of US\$ 1.9 billion in April, M&A increased in volume and in value for two consecutive months and reached US\$ 27.5 billion in June, as Saudi Arabia's National Commercial Bank announced plans to acquire Samba Financial Group for US\$ 15.6 billion and a consortium of investors agreed to buy ADNOC gas pipeline assets for US\$ 10.1 billion.

These deals are the largest to be announced in the region so far during 2020 and boosted the value of M&A in June to the second highest monthly total since Refinitiv records began in the 1980s.

Investment banking fees in the MENA region reached an estimated US\$ 522.1 million during the first half of 2020, down by 25% from last year and a three-year low with declines recorded across equity underwriting, M&A advisory, and syndicated lending, Refinitiv data revealed.

Equity capital markets underwriting fees declined by 62% to US\$ 17.1 million, marking the lowest first half year total for equity fees in the region since 2009. Advisory fees earned from completed M&A transactions generated US\$ 206.4 million, down by 7% year-on-year, while syndicated lending fees fell by 50% to a five-year low of US\$ 137.7 million.

Debt capital markets underwriting fees increased by 6% year-on-year to US\$ 161.0 million, the highest first half total since Refinitiv records began in 2000. Government & Agency fees accounted for 36% of total investment banking fees earned in the region during the first half of 2020, up from 24% during the same period last year.

Saudi Arabia generated the most fees in the region during the first six months of the year, a total of US\$ 206.0 million accounting for 39%, followed by the UAE with 29%.

KSA NON-OIL PRIVATE SECTOR BUSINESS CONDITIONS STABILIZE IN JULY

The non-oil private sector business conditions in Saudi Arabia stabilized in July 2020, as the headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index (PMI) rose to 50 in July, a five-month high, from 47 in June of the same year.

In June 2020, the Saudi non-oil private sector witnessed another reduction in business activity due to disruptions in operations and subdued customer demand amid COVID-19.

The July PMI scoring exactly 50.0 is a clear indication that the Saudi non-oil private sector is over the worst of the disruption caused by the pandemic, but remains some way from "normal" business conditions. The latest figure is the highest since February but well below the long-run trend level of 57.1, according to an IHS Markit executive.

According to the IHS Markit report, new orders provided the largest boost (+1.5 point), followed by output (+0.8 point), stocks of purchases (+0.6 point) and employment (+0.2 point). Suppliers' delivery times had a negative directional influence on the PMI.

During the month, the volume of new orders placed with the Saudi non-oil private sector companies was broadly stable, compared to the previous four months according to the report. Domestic demand was also resilient but new export orders continued to fall sharply.

Although the 12-month outlook turned positive again, sentiment was subdued as the volume of outstanding work fell for a record sixth consecutive month, as per the same source.

With capacity under-utilized, firms cut jobs for the fifth month running, while average wages and salaries dropped for a record seventh successive month in an attempt to control overheads, according to the IHS Markit executive.

Average input prices rose only marginally, having dropped last month while purchase prices rose but at a weak rate.

The report added that the volume of inputs purchased fell further as firms reported sufficient inventories to deal with current workloads. Stocks of purchases rose for the first time in five months and at a solid pace.

FITCH AFFIRMS EGYPT'S LONG-TERM FOREIGN CURRENCY ISSUER DEFAULT RATING AT "B+" WITH "STABLE" OUTLOOK

Fitch affirmed Egypt's Long-Term Foreign-Currency Issuer Default Rating (IDR) at "B+" with a "stable" outlook. Egypt's ratings and outlook are supported by a recent track record of fiscal and economic reforms, policy commitment to furthering the reform program and ready availability of fiscal and external financing in the face of the COVID-19 pandemic. The ratings are constrained by still large fiscal deficits, high general government debt/GDP and weak governance scores, which underline political risks, as per Fitch.

The coronavirus shock is negatively affecting Egypt's external finances, GDP growth and fiscal performance. The rating agency currently views the shock as a material but possibly temporary disruption to what were previously strong positive trends. The reforms in recent years have provided Egypt with a degree of flexibility to weather this shock at its current rating.

Fitch forecasts real GDP growth to be 2.5% in the fiscal year ending June 2021 (FY21), well below average growth of 5.5% in FY18 and FY19. The rating agency expects growth to recover to 5.5% in FY22 and to be maintained at just over 5% in the medium term, assuming tourism gradually returns, further growth in the energy and manufacturing sectors and gradual improvements in the business environment. Similarly, following deterioration this year, Fitch forecasts improvements in the budget deficit, government debt and the current account balance in 2021-2022.

The pandemic has hit Egypt's external finances, resulting in US\$ 18 billion (5% of GDP) of outflows from the local currency debt market, loss of tourism revenues (which were US\$ 13 billion in 2019) and likely some decline in remittance inflows.

The Central Bank of Egypt's (CBE) foreign reserves and the net foreign assets of the banking sector declined by a combined US\$ 18 billion (5% of GDP) between February and June, despite net inflows of US\$ 8.6 billion (2.5% of GDP) from Eurobond issuance and IMF funds. Egypt received US\$ 2.8 billion under the IMF's Rapid Financing Instrument and a US\$ 2.0 billion disbursement under the US\$ 5.2 billion 12-month Standby Arrangement agreed with the IMF in June.

The decline in reserves partly reflects some exceptional FX intervention by the CBE to moderate the impact of the portfolio outflows on the exchange rate. The rating agency forecasts the current account deficit (CAD) to widen to 5.0% of GDP in 2020 from 3.1% in 2019, with a decline in imports partially offsetting slashed tourism revenue and an assumed 20.0% decline in remittances. In 2021-2022, Fitch assumes smaller CADs averaging 3.6% as receipts recover from the coronavirus-induced trough.

The rating agency forecasts the CBE's official gross foreign reserves to fall to US\$ 37 billion at end-2020, slightly down from their current levels (US\$ 38 billion at end-June), and from US\$ 44 billion at end-2019. In 2021-2022, Fitch forecasts reserves to edge up in dollar terms, but to decline to around five months of current external payments, from close to six months in 2019.

Exchange rate policy and the duration of the crisis are two risk factors to these external forecasts, especially in combination, for example, if current account receipts remain depressed for longer than anticipated and exchange rate flexibility remains limited. Fiscal stimulus has been limited so far and Fitch expects Egypt to remain committed to its reform program. Since March, the government has announced fiscal stimulus totalling LE 180 billion (2.8% of GDP), added Fitch.

CENTRAL BANK OF UAE BOARD DECIDES ON ADDITIONAL MEASURES WITHIN THE TARGETED ECONOMIC SUPPORT SCHEME

The Board of the Central Bank of the UAE (CBUAE) has decided on additional measures within the Targeted Economic Support Scheme (TESS) launched initially in March 2020 to further enhance the capacity of the banking sector to support the economy.

These measures consist into reviewing the existing thresholds of two prudential ratios: the Net Stable Funding Ratio (NSFR) and the Advances to Stable Resources Ratio (ASRR) by temporarily relaxing the requirements for the structural liquidity position of banks.

This step comes as an additional measure encouraging banks to strengthen the implementation of the TESS and support their impacted customers in overcoming the repercussions of the COVID-19 pandemic, as per an official press release.

The changes affect the Net Stable Funding Ratio that is mandatory for the five largest UAE banks, and the Advances to Stable Resources Ratio, which is applicable to all other banks, including foreign branches.

The purpose of those ratios is to ensure that long-term assets are funded by stable resources of funding. The relaxation of NSFR and ASRR will provide banks with enhanced flexibility in managing their balance sheets, as per the statement.

The mandatory threshold will be temporarily relaxed by 10 percentage points for both ratios. For the NSFR ratio, banks will be allowed to go below the 100% threshold, but not lower than 90%.

For the ASRR ratio, banks will be allowed to go above the 100% threshold, but not higher than 110%. These measures will be effective until 31 December 2021.

The CBUAE has also clarified that for the purposes of calculating NSFR and ASRR, the CBUAE Zero Cost Funding Facility under the TESS program should be treated as stable funding with a 50% weight, irrespective of its maturity. The weight determines the extent to which funding sources are considered as stable, in order to be eligible to fund long-term assets.

The Governor of the Central Bank of the UAE said that the relaxation of the two structural liquidity ratios aims to further facilitate the flow of funds from banks into the economy. This measure will support the implementation of the already adopted TESS measures worth AED 256 billion.

The temporary relaxation of NSFR and ASRR will supplement the other measures CBUAE has taken under the TESS to mitigate the impact of the COVID-19 pandemic on private corporates, small and medium-sized enterprises and individuals, as per the Governor.

SURVEYS

UAE TOPS ARAB MENA REGION IN THE UNITED NATIONS E-GOVERNMENT SURVEY

The United Nations Department of Economic and Social Affairs (DESA) recently released the results of its E-government survey for the year 2020, in which the United Arab Emirates topped the list in the Arab MENA region.

Regionally, the United Arab Emirates topped the list in the Arab MENA region with an EGD I score of 0.8555, ranking 21st on an international basis, followed by Bahrain which ranked 38th globally with a score of 0.8213. Saudi Arabia ranked third in the region and 43rd globally with a score of 0.7991. Kuwait came after with a global rank of 46 and a score of 0.7913.

The United Nations E-Government Survey, published by the Department of Economic and Social Affairs, is prepared over a two-year period following an established methodology. It looks at how digital government can facilitate integrated policies and services across 193 United Nations Member States.

The survey supports countries' efforts to provide effective, accountable and inclusive digital services to all and to bridge the digital divide and leave no one behind.

As a development tool, the E-Government Survey examines countries' strengths, challenges and opportunities, and informs policies and strategies. The 2020 edition found that progress has been made across all regions, even in the least developed countries. Over 22% of countries were promoted to higher levels of e-government development.

Globally, Denmark ranked first in the E-Government Development Index with a score of 0.9758, followed by the Republic of Korea, Estonia, Finland and Australia.

ARAB MENA COUNTRIES E-GOVERNMENT DEVELOPMENT INDEX 2020

	Rank 2020	EDGI 2020
United Arab Emirates	21	0.8555
Bahrain	38	0.8213
Saudi Arabia	43	0.7991
Kuwait	46	0.7913
Oman	50	0.7749
Morocco	106	0.5729
Egypt	111	0.5527
Jordan	117	0.5309
Algeria	120	0.5173
Lebanon	127	0.4955
Syrian Arab Republic	131	0.4763
Iraq	143	0.4360
Libya	162	0.3743
Sudan	170	0.3154
Yemen	173	0.3045
South Sudan	193	0.0875

Source: United Nations

NUMBER OF NEW FDI PROJECTS LAUNCHED BY GCC STATES TO OTHER COUNTRIES DOWN BY 8% IN Q1 2020

The number of new foreign direct investment (FDI) projects launched by GCC states to other countries went down by 8% in the first quarter (Q1) of 2020 to stand at 70 projects valued at US\$ 4.9 billion. The projects' investment cost was down by 79.3%.

Saudi Arabia was the top GCC state investing overseas with a share of 49%, followed by the UAE with 38%, Bahrain with 10%, Qatar with 2%, and Kuwait with 1%, whereas no investments were recorded by Oman, according to a recent report by the Arab Investment and Export Credit Guarantee Corporation (Dhaman).

A total of five destinations accounted for 57% of the overall investment cost; these are Uzbekistan, Saudi Arabia, Egypt, Australia, and South Africa with 25%, 11%, 10%, 6%, and 5%, respectively. This is compared to the Q1-19 list of China, the United States, Iraq, Jordan, and Bahrain.

Dhaman expected the FDI inflow to the Arab region to witness from 21% to 51% decline with losses ranging between US\$ 7.1 billion and US\$ 17.2 billion, based on how long the COVID-19 pandemic period will last in 2020.

According to the report, the UAE, Saudi Arabia, and Egypt continue to be a hub for FDIs region-wide, accounting for 65.4% of the projects' investment cost. During the period between 2015 and 2019, Egypt led the most important 10 Arab states receiving FDI projects in terms of investment cost, with 476 projects worth US\$ 124.5 billion, providing up to 106,660 job opportunities.

Meanwhile, the UAE hosted the largest number of projects with 1,814 at US\$ 53.6 billion, followed by Saudi Arabia with 513 at US\$ 53 billion.

DUBAI'S RESIDENTIAL CAPITAL VALUES DOWN BY 13.2% IN JULY, AS PER VALUSTRAT

The residential capital values in Dubai for July witnessed a 13.2% drop compared to the previous year, standing at 68.1 points, according to leading Dubai-based local consulting firm ValuStrat.

The monthly decline was however 1.7%, which is a 0.2% improvement when compared to the April – June period, it stated.

Movement restrictions due to the COVID-19 pandemic were mostly lifted, allowing increased number of home sales in the city, showing transactional improvement over the previous month, however these figures were yet to indicate a full recovery when compared to pre- lockdown performance.

All properties monitored by the VPI saw monthly capital values decline by as much as 2.1%, examples of which were apartments in The Greens, Remraam, and Dubai Production City.

Lowest registered capital value declines for villas were found in Palm Jumeirah, The Lakes and Arabian Ranches.

July's sales transaction volume performance was a mixed bag. The trend of improving ready homes sales activity continued, as July's ready home sales volume was 35% higher than June. However, due to reduced project launches by developers, July's off-plan home sales declined 32% when compared to June.

Annually, July home sales were 50% below last year. Properties developed by Emaar, Damac, Nshama and Nakheel topped the sales charts overall. Top off-plan locations transacted during July were in Jumeirah Village, Downtown Dubai, Dubai Creek Harbour, and Business Bay, said ValuStrat in its report.

Most transacted ready homes were at Town Square, Dubai Marina, Jumeirah Village and Al Furjan, it added.

CORPORATE NEWS

ABU DHABI'S NMC HEALTH SECURES US\$ 250 MILLION BANK FUNDING

NMC Health, an Abu Dhabi-based hospital chain, secured a US\$ 250 million financing facility, conditional on a planned second-phase restructuring that would help the group to continue its operations, according to a statement by Alvarez & Marsal.

The funding agreed by NMC LLC's leading lenders in the UAE will provide the financial security for the business and will ensure that it can provide healthcare for patients and stability for staff and suppliers, as per a statement.

This will be provided as the hospital operator enters a second-phase restructuring. The funds have been provided "contingent on certain conditions, which the Group is close to completing," the statement added.

These conditions will be covered by the start of a second-phase restructuring and as NMC LLC begins delivery of a new three-year business plan.

The restructuring plan involves a "light touch" administration, or a similar process, for NMC LLC to protect the operating businesses. The existing NMC LLC management team would remain in operational control and all hospitals, medical centers, care facilities and other operations will continue to operate as they have to date, a statement from Alvarez & Marsal said.

This process would allow for the injection of the new funding package to support operations and will also stop adverse creditor actions, allowing for an orderly process in the interests of all creditors.

The management team of NMC LLC along with Alvarez & Marsal has developed a three-year business plan with a focused strategy that will deliver continued growth in its core UAE business.

As part of the business plan, Perella Weinberg Partners have been retained as the investment bank to explore the potential sale of the international businesses and advise on restructuring alternatives.

UNION PROPERTIES SEALS US\$ 258 MILLION DEBT RESTRUCTURING DEAL WITH ENBD

Dubai-based Union Properties said it reached an agreement with Emirates NBD for the full restructuring of its outstanding AED 946 million (US\$ 258 million) debt with the bank along with payment of the initial amount as per the new terms.

This agreement with Emirates NBD, as the main creditor of Union Properties, will substantially improve the debt profile of the group, as per a statement.

As a result, Union Properties will have a significant reduction of its installments as compared to the situation prior to this debt restructuring and better repayment terms which would improve the cash flow position of the company, as per the same source.

SAUDI ARABIA'S ELM TO ACQUIRE TABADUL STAKE FROM PIF

Saudi Arabia's Al Elm Information Security Company (Elm) signed an agreement to acquire the entire shares of the Saudi Company for Exchanging Digital Information (Tabadul) from the Public Investment Fund (PIF).

Upon closing of the transaction, Tabadul will become a wholly owned subsidiary of Elm, preserving its brand and identity.

Tabadul's current executive management will continue to lead its operations, and will report to its existing board of directors, with representation from Elm.

The transaction is likely to result in significant synergies while unlocking potential growth opportunities and expediting the achievement of the overall strategic objectives of the both companies, as per a statement.

Besides, Elm and Tabadul will have an opportunity to leverage complementary strengths, enhance competitiveness and expertise to create a one-stop-shop that will cater to the entire logistics value chain in the Kingdom, as per the same source.

Under the agreement, Tabadul will continue to operate as an independent company, under its trademark whose ownership has been transferred to Elm.

This acquisition will add to the value of the Public Investment Fund by providing an integrated entity that focuses on the digital sector, as per a statement.

Also, it creates advanced national logistical services that are aligned with the current market requirements and the need of beneficiaries, as well as facilitating innovation by taking advantage of Elm expertise to develop Tabadul products in the logistical field. Moreover, it will reduce costs while creating satisfactory economic revenues, as per a statement.

Elm is one of the biggest digital companies in the region, aiming to enhance its global reach in the near future. Established in 1986, Elm provides various technical solutions, e-products, consulting services, digital outsourcing, and training solutions to government and private businesses.

Tabadul is a pioneer in providing innovative digital integration solutions to the logistics sector, enabling the exchange of information, goods and services across government and private businesses in the Kingdom of Saudi Arabia.

The Public Investment Fund is one of the largest and most impactful sovereign wealth funds in the world, enabling the creation of new sectors and opportunities that will shape the future global economy, while driving the economic transformation of Saudi Arabia.

SAUDI RE SIGNS EXCLUSIVE REINSURER DEAL WITH MALATH

Saudi Re for Cooperative Reinsurance Company signed an exclusive agreement with Malath Cooperative Insurance Company to provide reinsurance coverage on the Inherent Defects Coinsurance Program managed by Malath on behalf of the Saudi insurance sector.

The contract's value is expected to exceed 5% of Saudi Re's gross written premiums (GWPs), with potential to increase based on the programme execution phase and expansion of the geographic scope, according to a bourse statement.

The contract term is extended over one year that can be renewed for an additional four years.

KSA'S NEOM SIGNS CONTRACT WITH US-BASED BECHTEL

KSA's NEOM signed a contract with US-based Bechtel for executive project management work on the development of the primary, base infrastructure for NEOM as the Giga-project advances work to create the world's leading destination to attract talent and investment.

Built from the ground up as a model of future living, NEOM will be one of the largest, most sophisticated and advanced infrastructure projects ever undertaken globally, as per NEOM's CEO.

CAPITAL MARKETS

EQUITY MARKETS: EQUITY PRICE GAINS IN MENA REGION AFTER ADHA HOLIDAYS

MENA equity markets registered shy price increases after Adha holidays, as reflected by a 0.8% week-on-week increase in the S&P Pan Arab Composite index, mainly supported by oil price gains after the deadly Beirut Port explosion and driven by some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul posted price rises of 0.6% week-on-week, mainly driven by oil price gains (+2.0%) as a devastating explosion which rocked Beirut on August 4, 2020 raised fears over instability in the region, while also supported by some favorable market-specific and company-specific factors. Saudi Arabia's non-oil private sector stabilized in July 2020 after four consecutive months of contractions, with the seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index reaching 50.0 as compared to 47.7 in June 2020.

A closer look at individual stocks shows that Alinma Bank's share price went up over the week by 1.0% to SR 14.80. Alinma Bank announced 2020 second quarter net profits of SR 572 million as compared to net profits of SR 370 million in the previous quarter. NCB's share price rose by 1.1% to SR 36.70. Rajhi Bank's share price increased by 1.0% to SR 59.50. Also, Southern Cement's share price surged by 6.4% to SR 68.60. The company announced a 48% year-on-year rise in its 2020 second quarter net profits to reach SR 68.60. Halwani Brothers' share price closed 2.4% higher at SR 64.50. The firm posted 2020 second quarter net profits of SR 36 million versus a net loss of SR 4 million a year earlier. Amongst petrochemicals, Sipchem's share price increased by 0.3% to SR 14.60. Advanced Petrochemical Company's share price went up by 0.8% to SR 51.90. Yansab's share price rose by 0.8% to SR 52.20.

The UAE equity markets posted price increases of 2.2% week-on-week, mainly supported by oil price gains and some favorable company-specific factors. In Dubai, Aramex's share price surged by 3.7% to AED 3.40. Aramex announced 2020 second quarter net profits of AED 94 million versus net profits of AED 67 million during the first quarter of the year. Dubai Investments' share price rose by 0.9% to AED 1.15. Dubai Investments posted a 40% year-on-year increase in its 2020 second quarter net profits to reach AED 212 million. Union Properties' share price jumped by 16.0% to AED 0.334. Union Properties plans to develop a new mixed-use project in Dubai in an oversupplied market. In Abu Dhabi, ADNOC's share price increased by 0.3% to AED 3.15. ADCB's share price rose by 1.8% to AED 5.11.

EQUITY MARKETS INDICATORS (AUGUST 02 TILL AUGUST 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	59.4	1.9%	-14.7%	1.2	-56.7%	0.1	6,630.0	0.9%	6.1	0.52
Jordan	276.1	-0.3%	-23.3%	18.3	-23.3%	14.6	17,332.2	5.5%	10.9	1.18
Egypt	269.9	2.1%	-21.8%	225.4	14.9%	1,436.0	40,678.4	28.8%	9.2	1.67
Saudi Arabia	326.9	0.6%	-11.3%	2,925.3	20.8%	476.1	2,234,129.2	6.8%	17.0	2.51
Qatar	166.4	0.7%	-9.9%	264.0	-20.8%	458.4	150,568.8	9.1%	16.4	1.92
UAE	89.2	2.2%	-21.3%	484.4	24.7%	2,128.8	253,123.8	10.0%	11.1	1.61
Oman	179.9	0.0%	-10.5%	-	-	-	15,365.8	-	10.3	0.86
Bahrain	122.1	0.2%	-25.6%	4.3	-20.8%	11.0	18,294.9	1.2%	10.4	1.30
Kuwait	93.9	0.7%	-21.7%	199.5	-12.0%	272.5	84,770.7	12.2%	16.6	1.60
Morocco	246.5	0.8%	-15.3%	23.1	1.8%	0.8	56,843.6	2.1%	16.6	2.60
Tunisia	67.7	1.8%	-6.4%	6.7	105.5%	2.6	7,772.3	4.5%	13.8	2.30
Arabian Markets	676.5	0.8%	-14.2%	4,152.2	14.3%	4,801.0	2,885,509.6	7.5%	16.2	2.33

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

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

The Qatar Exchange posted a 0.7% rise in prices week-on-week, mainly driven by oil price gains and some favorable financial results. Al Khaliji Commercial Bank's share price surged by 3.4% to QR 1.602. Al Khaliji Commercial Bank announced net profits of QR 361 million during the first half of 2020 versus net profits of QR 352 million a year earlier. Barwa Real Estate's share price increased by 2.3% to QR 3.237. Barwa Real Estate announced net profits of QR 588 million versus net profits of QR 513 million during the corresponding period of the previous year. Industries Qatar's share price went up by 2.9% to QR 8.05.

The Egyptian Exchange saw a 2.1% increase in prices week-on-week, mainly driven by some favorable market-specific and company-specific factors. IHS Markit Egypt Purchasing Managers' Index reached 49.6 in July 2020, up from 44.6 in June. Also, Egypt's net international reserves rose in July 2020 for the first time since February 2020 to reach US\$ 38.2 billion as resumed capital inflows eased the strain of the Coronavirus pandemic. Ezz Steel's share price climbed by 4.1% to LE 6.13. Ezz Steel announced a narrowing net loss of LE 860 million during the first quarter of 2020 as compared to a net loss of LE 1.08 billion a year ago. Saudi Egyptian Investment & Finance's share price jumped by 10.7% to LE 30.81. The company announced 2020 second quarter net profits of LE 8.4 million versus net profits of LE 4.4 million a year earlier. Commercial International Bank's share price rose by 1.7% to LE 64.05. EFG-Hermes' share price closed 1.3% higher at LE 13.97. Telecom Egypt's share price went up by 0.7% to LE 13.01.

FIXED INCOME MARKETS: MENA BOND PRICES REMAIN ON THE RISE THIS WEEK

Activity in MENA fixed income markets was skewed to the upside this week, as market players sought to flee to safe-haven assets amid rising geopolitical concerns after a deadly explosion rocked Beirut on August 4, 2020, intensifying US-China trade tensions, and increasing number of Coronavirus cases around the world.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 registered price gains of 0.43 pt and 0.69 pt respectively week-on-week. Prices of Aramco'24 improved by 0.17 pt. STC'29 closed up by 0.17 pt. SECO'24 was up by 0.59 pt. SABIC'28 posted price gains of 0.60 pt. Fitch affirmed SABIC's Long-Term Issuer Default Rating at "A" with a "stable" outlook. Fitch also affirmed SABIC's Short-Term IDR at "F1+". SABIC's rating is aligned with that of its parent Saudi Aramco ("A/Stable"), reflecting overall moderate ties between the two companies

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 posted price improvements of 0.15 pt and 0.50 pt respectively week-on-week. Prices of ADNOC'29 expanded by 0.40 pt. Etisalat'24 was up by 0.28 pt. Taqa'26 closed up by 0.58 pt. As to papers issued by financial institutions, FGB'24 registered price gains of 0.44 pt. ADCB'23 traded up by 0.34 pt. Regarding new issues, First Abu Dhabi Bank issued this week the largest-ever Chinese yuan denominated Formosa bond globally, with a CNH 3.25 billion five-year issuance. The bond sale attracted orders of more than CNH 3.6 billion, which allowed FAB to upsize its target issuance from CNH 1 billion to a record-breaking CNH 3.25 billion.

In the Bahraini credit space, sovereigns maturing in 2023 and 2029 posted price increases of 0.29 pt and 1.03 pt respectively week-on-week. Prices of NOGA'24 improved by 0.30 pt. In the Omani credit space, prices of sovereigns maturing in 2023, 2025 and 2029 rose by 0.82 pt, 0.88 pt and 1.60 pt respectively. Omantel'28 traded up by 0.32 pt.

In the Moroccan credit space, sovereigns maturing in 2022, 2031 and 2042 posted price improvements of 0.23 pt, 1.52 pt and 2.21 pts respectively this week. Regarding plans for new issues, Morocco is considering sovereign bond sales of about US\$ 2 billion in late September 2020 to face the Coronavirus impact. The Kingdom is pondering one issuance of € 1 billion and another of US\$ 1 billion, each with a maturity of at least five years. The new Eurobond issue would be used to build up foreign currency reserves, roll over or redeem a previous issue maturing in October 2020.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price gains of 0.54 pt, 0.84 pt, 0.10 pt and 3.30 pts respectively week-on-week. Prices of Euro-denominated sovereigns maturing in 2025 and 2030 rose by 0.97 pt and 1.65 pt respectively.

On the overall, regional bond markets saw upward price movements this week amid rising geopolitical concerns after the devastating Beirut Port blast and on heightened trade tensions between the world's two largest economies, while new bond issues are still waiting in the pipeline as the financial fallout from the Coronavirus pandemic keeps fueling debt issuances in the region. Within this context, Moody's said that the GCC countries are expected to lead a rally in the issuance of Sukuk in the second half of 2020, as governments seek to raise money to finance their responses to the Coronavirus crisis.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	07-Aug-20	31-Jul-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	51	54	36	-3	15
Dubai	171	175	91	-4	80
Kuwait	59	58	37	1	22
Qatar	50	53	37	-3	13
Saudi Arabia	88	91	57	-3	31
Bahrain	313	313	176	0	137
Morocco	139	136	91	3	48
Egypt	451	437	277	14	174
Iraq	789	783	384	6	405
Middle East	235	233	360	2	-125
Emerging Markets	156	137	148	19	8
Global	154	156	163	-2	-9

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	SD-/SD	C/NA	RD-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Negative/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Negative/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Negative	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-/Negative/A-1+	Aa2/RUR	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB-/Negative/B	Ba3/Negative	BB/Negative/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Negative/F3
Tunisia	NR	B2/RUR	B/Stable/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-Aug-20	31-Jul-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%	0.0%
Egyptian Pound (EGP)	15.95	15.97	16.05	-0.2%	-0.6%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.1%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.66	3.66	3.66	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	1.4%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	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)	128.21	128.21	119.05	0.0%	7.7%
Moroccan Dirham (MAD)	9.28	9.34	9.57	-0.6%	-3.1%
Tunisian Dinar (TND)	2.73	2.74	2.83	-0.1%	-3.6%
Libyan Dinar (LYD)	1.37	1.37	1.40	0.0%	-2.4%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department

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