CONTACTS

Treasury & Capital Markets

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

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

Private Banking

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

Corporate Banking

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

RESEARCH

Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Jamil Naayem
(961-1) 977406
jamil.naayem@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Fadi Kanso
(961-1) 977470
fadi.kanso@bankaudi.com.lb

Gerard Arabian
(961-1) 964047
gerard.arabian@bankaudi.com.lb

Farah Nahlawi
(961-1) 959747
farah.nahlawi@bankaudi.com.lb

Nivine Turyaki
(961-1) 959615
nivine.turyaki@bankaudi.com.lb

The MENA WEEKLY MONITOR

Economy

p.2 STANDARD CHARTERED LOWERS MENAP 2019 GROWTH FORECAST TO 1.4%

In a research note titled "MENAP – Shaken and Stirred" constituting an excerpt from its latest Global Focus, Standard Chartered said that geopolitical tensions in the Middle East, North Africa and Pakistan (MENAP) region have increased, compounding downside risks to growth.

Also in this issue

Surveys

p.5 JORDAN TOPS REGIONAL COUNTRIES IN ECONOMIC FREEDOM, SAYS FRASER INSTITUTE

According to the Fraser Institute report titled "Economic Freedom of the World - 2019 Annual Report", Jordan topped MENA countries and was assigned a score of 7.44 in the 2017 index of economic freedom, ranking as such 43rd in the world.

Also in this issue

Corporate News

p.7 DP WORLD COMPLETES US$ 538 MILLION FIRST PHASE OF ECUADOR PORT

Dubai-based global trade enabler DP World said that the US$ 538 million first phase of the new Deepwater Port of Posorja in Ecuador is now completed and successfully operational.

Also in this issue

Markets In Brief

p.9 WEEKLY PRICE CONTRACTIONS IN MENA CAPITAL MARKETS

MENA equity markets came under downward price pressures this week, as reflected by a 1.3% decrease in the S&P Pan Arab Composite Index, mainly weighed down by price falls in the heavyweight Saudi Tadawul, the UAE equity markets and the Qatar Exchange amid extended oil price declines and some unfavorable market-specific factors, while also tracking global market weakness following weak US economic data that have raised concerns over global economic growth. Also, regional bond markets saw rather downward price movements, as market players sought to leave room for new bond issues waiting in the pipeline. On the other hand, some high-grade names in the region traced an upward trajectory, tracking US Treasuries move amid rising bets of a third US Fed rate cut at end-October.

MENA MARKETS: WEEK OF SEPTEMBER 29 - OCTOBER 05, 2019

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-1.3%	Weekly Z-spread based bond index	+3.5%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+2.2%	YTD Z-spread based bond index	+22.1%

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

ECONOMY

STANDARD CHARTERED LOWERS MENAP 2019 GROWTH FORECAST TO 1.4%

In a research note titled "MENAP – Shaken and Stirred" constituting an excerpt from its latest Global Focus, Standard Chartered said that geopolitical tensions in the Middle East, North Africa and Pakistan (MENAP) region have increased, compounding downside risks to growth.

Standard Chartered lowered its 2019 GDP growth forecast for the MENAP region to 1.4% from 1.6%. The downgrade reflects expected GDP contractions in the region's largest oil-exporting and oil-importing economies: Saudi Arabia and Turkey. For Saudi Arabia, deeper output cuts than mandated under the OPEC+ agreement are likely to mean lower oil production. In Turkey, domestic demand is recovering more gradually than expected as downside risks from prolonged political uncertainty and domestic market turbulence have materialized. Rising regional tensions pose an additional risk to sentiment, added Standard Chartered in its latest note.

In the GCC region, Standard Chartered said that Saudi oil output and rate cuts are in focus. Saudi Arabia's over-compliance with OPEC+ cuts could overshadow its non-oil recovery. Even before the September attacks on Saudi Aramco facilities, Saudi oil output had declined significantly due to the country's over-compliance with OPEC+ cuts. Standard Chartered sees these cuts pushing oil GDP into a deeper contraction than it previously expected. This should more than offset the improving outlook for the non-oil sector due to higher fiscal spending. Standard Chartered now expects the Saudi economy to contract by 0.1% in 2019.

Standard Chartered added that US rate cuts would allow more appropriate monetary policy settings in the GCC. Recent rate cuts by the US Federal Reserve have allowed most GCC central banks to adopt a monetary policy stance more suited to domestic conditions. Standard Chartered expects one more Fed cut in Q4 this year, which is likely to be mirrored by most GCC central banks. Room to cut rates will be welcomed in the region, particularly in Saudi Arabia and the UAE, where consumer price deflation continues, as per the same source. Standard Chartered expects prices in both economies to continue to decline into year-end.

Monetary easing is welcome but an unlikely substitute for fiscal stimulus, said Standard Chartered. GCC policy makers will be counting on the transmission of lower interest rates to consumer spending to support the recovery. While lower rates could allow improved banking-sector liquidity to be channeled towards credit expansion, government spending continues to play an outsized role in driving economic activity. With few signs of a meaningful fiscal impulse (except in Saudi Arabia), Standard Chartered said it expects a slow pace of recovery in GCC non-oil sectors.

Markets will watch geopolitical developments in the region closely but struggle to price risks appropriately. Attacks on Saudi oil infrastructure have raised the geopolitical stakes. Standard Chartered continues to see direct conflict in the region as a tail risk, but one that has increased. Further ad-hoc security events (along the lines of previous attacks on tankers and pipelines) cannot be ruled out, as per the Standard Chartered note.

STANDARD & POOR'S REVISES ITS OUTLOOK ON MOROCCO TO "STABLE" FROM "NEGATIVE"

Standard & Poor's (S&P) revised its outlook on Morocco to "stable" from "negative". At the same time, the rating agency affirmed its "BBB-/A-3" long-term and short-term foreign and local currency sovereign credit ratings on Morocco.

The outlook revision reflects the rating agency's expectation that Morocco's budgetary position should gradually improve, supported by the government's comprehensive budgetary strategy and privatization proceeds over the forecast period, to reach 3% of GDP in 2022. This year, the government expects to address the shortfall in tax revenues mainly by making savings in current spending.

S&P does not expect the public sector wage hike announced in the spring to affect the budgetary outcome, because it had already been included in the 2019 budget.

Additional savings will come from lower-than-budgeted spending on subsidies for liquefied petroleum gas (LPG), as per S&P. For example, the government put in place a hedging strategy, which shields its spending on subsidies for LPG against potential increases in LPG prices during 2019.

Moreover, the government's strategy of promoting private sector activity includes the establishment of schemes similar to public-private partnerships, including concessions to private sector investors, which should allow the government to reduce public investment outlays and build on its assets (such as sea ports and real estate), according to S&P.

Given the government's commitment to privatize some assets from 2019-2024, the rating agency expects the change in net general government debt to decline as of 2019.

Standard & Poor's believes that the ongoing shift in Morocco's underlying economic structure, driven by substantial foreign direct investment and a more resilient agricultural sector, both underpinned by the government's strategy to promote private sector activity and limit or--in some sectors--reduce the government's role in the economy, benefits economic growth prospects and stability.

As a result, overhauling the economic structure, along with higher economic growth, should in S&P's view lead toward gradually reduced economic vulnerability from persistent current account and budget deficits. Standard & Poor's believes that the IMF-approved precautionary and liquidity line from December 2018 underpins the country's macrofinancial stability, and economic and budgetary policy objectives.

The ratings on Morocco are supported by moderate government debt and manageable current account deficits, despite a deterioration in 2018, amid relatively stable policymaking.

The ratings remain constrained by GDP per capita lower than that of similarly rated sovereigns, significant economic reliance on agriculture, high social needs, and a relatively slow approach to budgetary consolidation.

The outlook is "stable", balancing the rating agency's expectation of further fiscal consolidation and gradual improvement in the current account position over the next two years against risks to economic growth from domestic structural shortcomings or external shocks, for example, due to a slowdown in world trade.

The rating agency could raise the rating if budgetary consolidation prospects materially improve or the ongoing transition toward a more flexible exchange rate that targets inflation significantly bolsters Morocco's external competitiveness and ability to withstand macroeconomic external shocks.

It could also raise the ratings if Morocco's ongoing economic diversification strategy results in less volatile and higher rates of economic growth. Conversely, Standard & Poor's could lower the rating if the government deviates from its fiscal consolidation plan, resulting in substantially higher government debt compared with its forecast.

UAE PMI SLIPS TO 51.1 IN SEP 2019, LOWEST READING SINCE MAY 2010, SAYS EMIRATES NBD

According to Emirates NBD, the headline PMI for the UAE slipped to 51.1 in September 2019 from 51.6 in August, the lowest reading since May 2010. The main driver appeared to be slower growth in new work, and particularly new export orders which signals weaker external demand after a strong Q2.

The weakness in new orders was in spite of further price discounting on the part of firms, which cut selling prices even as input costs rose in September. The employment index recovered to 50.2, but this points to only fractional job growth in the non-oil private sector last month, as per the report.

Backlogs of work declined for the first time since December 2016, indicating excess capacity in the UAE's non-oil sectors. Purchasing activity slowed sharply, likely due to softer new order growth, and the stocks of inventories was unchanged from August.

While firms remain optimistic on average, they are less optimistic than they were in Q2 2019, with more than half of firms surveyed expecting their output to be unchanged in twelve months' time.

The average PMI reading in Q3 was 52.6, the lowest since Q1 2012, and signals a deceleration in non-oil sector growth after an improvement in the first half of this year.

Output and new work grew at the slowest rate since Q1 2016, despite further price discounting. Private sector job growth was only marginal in Q3, as it has been over the last 12 months.

EGYPT DISCUSSING POSSIBLE NEW IMF COOPERATION, SAYS CENTRAL BANK GOVERNOR

Egypt is discussing possible further assistance from the International Monetary Fund (IMF) to help it carry out structural reforms once its current three-year IMF program ends next month, as per the country's Central Bank Governor.

The Egyptian government and the IMF are reviewing areas for cooperation, with discussions ongoing on the subject.

The Central Bank governor announced that the country completed fiscal reform and monitoring reform. He added that the country is currently conducting structural reform, and that is where it needs the support of the IMF.

Egypt signed a three-year, US$ 12 billion Extended Fund Facility in 2016, after allowing its currency to weaken sharply, implementing a valued-added tax and raising fuel prices to reduce its balance of payments budget and deficits.

At a minimum, the post-programme monitoring which the IMF would remain as long as the loan is outstanding. Egypt's government has said it will continue to work on attracting more investment and lowering unemployment by improving the business environment.

The IMF added that the Egyptian government needed to press ahead with reforms to support private sector development and job creation.

It needs to strengthen governance and competition, better integrate women and youth in the labor market, improve access to land, and limit the role of the state in the economy, as per the same source.

The IMF also said that it stands ready to support Egypt as it continues the process of transforming the economy to achieve high, sustained and inclusive growth and job creation.

SURVEYS

JORDAN TOPS REGIONAL COUNTRIES IN ECONOMIC FREEDOM, SAYS FRASER INSTITUTE

According to the Fraser Institute report titled "Economic Freedom of the World - 2019 Annual Report", Jordan topped MENA countries and was assigned a score of 7.44 in the 2017 index of economic freedom, ranking as such 43rd in the world. Bahrain followed with a score of 7.35, ranking 50th globally. UAE came in the third position in the region, with a score of 7.17 and the 61st position globally.

At the lower end of the scale came Algeria with a score of 4.77 and a rank of 159, Sudan with a score of 4.67 and a rank of 160 and finally Libya with a score of 4.45 and a rank of 161.

The report uncovers economic freedom scores for the year 2017 and measures the extent to which policies and institutions in 162 countries and territories across the globe foster this freedom.

In fact, Fraser Institute's index of economic freedom pivots around five major pillars, namely: size of government, legal system and property rights, sound money, freedom to trade internationally, and regulation of credit, labor, and business. The value of the index is accordingly calculated by averaging the related scores on a scale from zero to ten.

More specifically, the report showed a Jordan's sub-indices, with a score of 7.55 in the size of government sub-index and a rank of 26, a score of 9.49 in the sound money sub-index with a rank of 29, a score of 7.54 in the freedom to trade internationally sub-index and a global rank of 66, and a score of 4.81 in the legal system and property rights sub-index and a rank of 94. On the regulation front, the country scored 7.79 and ranked 35th in the concerned metric in 2017.

MENA INDEX OF ECONOMIC FREEDOM

Country	Economic Freedom Index	Global Rank
Jordan	7.44	43
Bahrain	7.35	50
United Arab Emirates	7.17	61
Qatar	7.07	69
Lebanon	6.97	75
Oman	6.76	89
Morocco	6.69	92
Saudi Arabia	6.52	107
Kuwait	6.41	114
Tunisia	6.20	122
Mauritania	6.11	128
Yemen	5.84	140
Iraq	5.21	153
Syria	5.05	155
Egypt	5.05	155
Algeria	4.77	159
Sudan	4.67	160
Libya	4.45	161

Sources: Fraser Institute, Bank Audi's Group Research Department

UAE HEALTHCARE EXPENDITURE TO TOP US$ 3.6 BILLION BY 2030, AS PER COLLIERS

The latest research released by Colliers International Healthcare Analysis revealed that healthcare spending in the UAE alone has grown at a compound annual growth rate (CAGR) of 8.8% between 2011 and 2019, and expected to reach US$ 2.4 billion by 2025 and US$ 3.6 billion by 2030.

Growth in the Saudi market is even more pronounced with a CAGR of 12% during the same period and healthcare expenditure which is predicted to top US$ 160 billion by 2030.

Business confidence in the healthcare sector in the GCC and broader MENA region is understandably buoyant, as per Colliers. Increases in healthcare spending from private and public sources are the most significant drivers, closely followed by rapid market and infrastructural growth. Furthermore, an increased focus on medical tourism and mandatory medical insurance, which will continue to encourage spending and contribute to a more integrated health system, are spearheading exponential growth over the coming years.

QATAR’S FINANCIAL SECTOR NEEDS TO BOOST COMPETITIVE SIDE TO MAINTAIN GROWTH, AS PER QFC

Doha’s financial sector, whose productivity is already comparatively high and increasing, calls for further strengthening the competitive advantage to ensure sustainable growth, according to Qatar Financial Center (QFC).

Qatar’s economy has witnessed "stable" growth and the financial sector has been a "significant" contributor to this development, QFC Authority Chief Executive.

Based on data from United Nations’ statistics division, productivity of Qatar’s financial sector is comparatively high and increasing, which raises the prospect for investing strategically in a range of products, services and systems to ensure competitive international positioning.

As the economy expands and diversifies, so would the demand for innovative products and services. Meeting these demands is imperative in strengthening the sector’s productivity and competitive advantage, as per the same source.

Although Qatar faced considerable challenges in recent years in the wake of economic blockade, it exhibited its resiliency with the Qatar Stock Exchange emerging the best performer among the Middle East and North African peers during 2018.

Qatar's capital market has been expecting a slew of initial public offerings, including from the dairy farm major Baladna, and a few exchange traded funds. Expectations are also high on the prospective listing of some family owned enterprises, for which the QSE is believed to have initiated talks with the stakeholders concerned.

With the relaxed foreign ownership limits of up to 49% of the free float and the recent regulatory and legislative reforms in the capital market, international financial powerhouses are increasingly eyeing Qatar, which has already announced expanding its liquefied natural gas production to 110 million tons per annum, having lifted the decade-old moratorium on the North Field.

A higher up to 100% foreign direct investment and the planned annual 110 milion tons of LNG are slated to enhance the foreign flows into Qatar's banking system, which in turn benefits the economy, a top official of an asset management had said. Qatar's moves (both higher foreign ownership and LNG production) have encouraged foreign investors in the Qatari market and this can be seen in the latest sovereign bond issue demand, as per the same source.

CORPORATE NEWS

DP WORLD COMPLETES US$ 538 MILLION FIRST PHASE OF ECUADOR PORT

Dubai-based global trade enabler DP World said that the US$ 538 million first phase of the new Deepwater Port of Posorja in Ecuador is now completed and operational.

The overall US$ 1.2 billion project will replicate Dubai's Jebel Ali Port and free zone, making Ecuador a trade and logistics hub for South America's west coast, and opening a gateway for large container ships with capacities exceeding 10,000 TEUs.

Posorja is expected to welcome an annual volume of 750,000 TEUs during the first phase, and 1.5 million TEUs at full port capacity, as per a company statement. The Port is equipped with state of-the-art technology, world-class infrastructure, and the largest gantry cranes in South America.

Phase two of DP World's project in Ecuador will be the development of "Posorja ZEDE" a special economic zone (SEZ) for maritime, logistics and light industrial businesses. The free zone will be modelled on Dubai's Jebel Ali Port and free zone in the UAE, which is home to more than 7,500 companies, which together are responsible for around 35% of Dubai's gross domestic product (GDP) and employ more than 135,000 people, as per the same source. The Jebel Ali model has already been successfully replicated around the world including London Gateway in the UK and the greenfield terminal in Caucedo, Dominican Republic.

Once completed, the 1,000,070-square-meters special economic zone will serve the various needs of investors and traders seeking an integrated location that can act as a manufacturing and distribution hub for their products.

Vessels that in the past could not come to Ecuador due to size restrictions will now be offered a safe, productive and efficient call in Posorja. The new port is expected to be a catalyst for the creation of new businesses in Ecuador.

The Deepwater Port of Posorja is a strategic partnership between the public sector and the private sector. DP World is responsible for the design, financing, construction and operations of the facility for a period of 50 years, following which the port will be handed over to the State.

The project includes a deep water port with a capacity of 1.5 million TEUs, in addition to a 21-km access highway and a 21 nautical mile maritime access channel that is 16.5 meters in depth.

DUBAI MULTI COMMODITIES CENTRE AND JEBEL ALI FREE ZONE SIGN WAREHOUSING DEAL

Dubai's free zones Dubai Multi Commodities Centre (DMCC) and Jebel Ali Free Zone (JAFZA) will work together to bring warehousing solutions and logistic services to member companies in the DMCC Free Zone.

Based on an agreement between both free zones, DMCC member companies can make use of the full warehousing solutions and logistics services of JAFZA to boost trading through the emirate.

DMCC member companies will be exempt from registration and licensing fees related to this new service, a statement said. Logistically, DMCC members will be able to trade under a free zone customs code that exempts them from any customs duties and VAT schemes.

SIPCHEM SEALS PARTNERSHIP DEAL WITH HOYER MIDDLE EAST

Sahara International Petrochemical Company (Sipchem), an integrated global leader in the petrochemical sector, signed a Letter of Intent (LOI) with Hoyer Middle East to further enhance the reach of its chemical products.

The agreement is in line with Sipchem's vision to expand to a full-fledged distribution company capable of delivering products and services to both large and small-to-medium businesses located in the Kingdom and internationally.

Hoyer Middle East is part of the Hoyer Group, one of the worldwide market leaders in moving liquids, including chemical products, by road, rail and sea.

ARABTEC SUBSIDIARY WINS US$ 76.2 MILLION SAUDI ARAMCO PROJECT

A subsidiary of Arabtec Holding won an AED 280 million (US$ 76.2 million) contract for the expansion and upgrade of a water disposal facility in Saudi Arabia.

Target Engineering, a fully-owned unit of the contracting firm, won the contract from Saudi Aramco to upgrade the existing produced water disposal unit at Qatif's gas oil separation plant in the Eastern Province of the Kingdom, Arabtec said in a statement to the Dubai Financial Market.

Target's scope of works includes the installation of a water oil separation vessel, water disposal pumps, water injection pumps, low-pressure de-gassing tank water draw-off pumps and a pipeline to transfer oily water from Ju'aymah Terminal to Qatif.

In June, Target secured an AED 315 million contract for construction and expansion works at the Bu Hasa Integrated Field Development Project, owned by State oil giant Abu Dhabi National Oil Company. The contract was awarded by master contractor Tecnicas Reunidas, a Spanish company overseeing the engineering, procurement and construction of the project within a 39-month time frame on behalf of ADNOC Onshore, a subsidiary of the State producer.

WELLAIR LANDS KEY RIYADH METRO SUPPLY CONTRACT

WellAir, a manufacturer of HVAC (heating, ventilation and air-conditioning) and portable air purification products, was awarded the contract to supply its plasma air ionization solutions for the Riyadh Metro Project.

The contract for the deployment of plasma air ionization solutions for The Riyadh Metro Project was awarded by Petra Engineering Industries, said the Irish company in its statement.

The Riyadh project, being built at a cost of US$ 22.5 billion, consists of six metro lines spanning a total length of 176 km, with 85 stations.

Petra's Jordan facility provided the HVAC ionization equipment to lines 4, 5 and 6 and included Plasma Air in their systems. These ionization systems are designed to safely control bacteria, mold, odors, and PM2.5 effectively. The new stations will now benefit greatly from clean indoor air, free from harmful pollutants and contaminants.

WellAir (parent company of Plasma Air and Novaerus) said the move is aimed at furthering its dedication to being a top Indoor Air Quality (IAQ) solution provider in the Middle East.

MAYASEM INKS DEAL TO DEVELOP BAHRAIN'S FIRST EDUCATIONAL PARK

Bahrain Real Estate Investment Company (Edamah), the property arm of the Kingdom's sovereign wealth fund, recently signed a lease and development agreement with Mayasem Holding to develop and operate an educational park in Isa Town's education district. Spread across 16,293 square meters, the Educational Park is a first of its kind in the Kingdom, said the statement from Edamah.

A gated facility designed with all the necessary security measures, it will be fully equipped with hi-tech education centers and halls which will be leased to schools and institutions, enabling them to conduct lectures, workshops, hands-on training programs, as well as theater and art production classes, it added. Mayasem won the tender which was conducted under the supervision of the Bahrain Tender Board.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES ON THE DECLINE, TRACKING GLOBAL MARKET WEAKNESS

MENA equity markets came under downward price pressures this week, as reflected by a 1.3% decrease in the S&P Pan Arab Composite Index, mainly weighed down by price falls in the heavyweight Saudi Tadawul, the UAE equity markets and the Qatar Exchange amid extended oil price declines and some unfavorable market-specific factors, while also tracking global market weakness following weak US economic data that have raised concerns over global economic growth.

The heavyweight Saudi Tadawul posted a 1.8% decline in prices week-on-week, mainly driven by oil price collapse and some unfavorable market-specific factors, while also tracking global market weakness. Brent crude oil prices contracted by 4.4% to reach circa US$ 58 per barrel, on fears a global economic slowdown would weigh on future oil demand growth. In parallel, the latest government data showed that the Saudi economy grew by 0.5% year-on-year during the second quarter of 2019, down from 1.7% during the first quarter of the year, mainly due to oil output cuts. Accordingly, most petrochemicals stocks traced a downward trajectory this week. Petrochemicals giant SABIC's share price dropped by 1.7% to SR 91.20. Petrochem's share price retreated by 1.2% to SR 23.50. Saudi Kayan Petrochemical Company's share price shed 3.1% to SR 10.0. Advanced Petrochemical Company's share price plunged by 3.4% to SR 47.25. Sipchem's share price plummeted by 5.9% to SR 16.88.

Also, NCB's share price declined by 2.7% week-on-week to SR 45.10. Al Rajhi's share price closed 2.4% lower at SR 61.50. Samba's share price shed 3.6% to SR 27.15. Maaden's share price fell by 6.0% to SR 43.0. Saudi Cement's share price decreased by 3.3% to SR 66.50. Savola Group's share price dropped by 4.0% to SR 29.70.

The UAE equity markets saw a 1.2% fall in prices week-on-week, mainly mirroring a decline in global markets, and dragged by realty stocks on bets of a further contraction in house prices this year and next amid a slowing domestic economic growth and due to an oversupplied residential market. In Dubai, Union Properties' share price plunged by 4.4% to AED 0.30. Emaar Properties' share price shed 3.4% to AED 4.50. Arabtec Holding Company's share price retreated by 2.9% to AED 1.69. Deyaar Development's share price decreased by 2.1% to AED 0.326. Also, Emirates NBD's share price edged down by 0.4% to AED 12.95. Dubai Islamic Bank's share price closed 1.5% lower at AED 5.21.

EQUITY MARKETS INDICATORS (SEPTEMBER 29 TILL 0CTOBER 05, 2019)

Market	Price Index	Week-on Week	Year- to Date	Trading Value	Week-on Week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	69.2	-1.0%	-17.6%	32.3	2,676%	4.5	7,483.0	22.5%	5.9	0.59
Jordan	357.8	-0.1%	-6.2%	41.7	4.8%	24.3	21,176.7	10.2%	11.8	1.38
Egypt	342.5	2.5%	24.4%	251.8	-16.1%	1,368.1	45,006.5	29.1%	9.7	2.16
Saudi Arabia	345.0	-1.8%	3.7%	3,981.9	51.6%	572.6	498,717.9	41.5%	16.5	2.32
Qatar	180.2	-0.7%	-4.5%	330.7	17.2%	616.6	156,436.8	11.0%	14.2	2.06
UAE	112.1	-1.2%	-0.9%	314.9	1.7%	522.8	247,582.6	6.6%	11.2	1.72
Oman	203.5	0.2%	-4.6%	79.8	326.7%	81.0	17,502.6	23.7%	9.4	0.93
Bahrain	148.4	-0.6%	23.9%	6.3	-53.4%	11.3	23,319.6	1.4%	10.9	1.57
Kuwait	105.3	-1.5%	11.3%	232.8	-59.5%	412.4	94,521.9	12.8%	15.4	1.81
Morocco	268.8	-0.7%	-0.2%	69.7	59.3%	3.6	60,494.1	6.0%	19.3	2.81
Tunisia	69.2	0.0%	-1.6%	4.6	14.5%	2.0	7,985.2	3.0%	13.3	2.40
Arabian Markets	**744.5**	**-1.3%**	**2.2%**	**5,346.5**	**26.9%**	**3,619.1**	**1,180,226.9**	**23.6%**	**14.5**	**2.08**

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

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

In Abu Dhabi, Aldar Properties' share price plummeted by 6.1% over the week to AED 1.99. Manazel Real Estate's share price decreased by 1.2% to AED 0.40. First Abu Dhabi Bank's share price nudged down by 0.3% to AED 15.08. ADCB's share price declined by 2.8% to AED 15.08.

The Qatar Exchange registered a 0.7% retreat in prices week-on-week, mainly driven by a weak global sentiment and extended oil price declines. Industries Qatar's share price shed 1.8% to QR 10.80. Qatar Investment Group's share price plunged by 7.0% to QR 1.860. Qatar Islamic Bank's share price decreased by 3.1% to QR 15.50. Qatar International Islamic Bank's share price dropped by 3.1% to QR 8.960. Commercial Bank of Qatar's share price declined by 2.2% to QR 4.40.

In contrast, the Egyptian Exchange recovered this week from last week's losses, posting price gains of 2.5%, after the latest anti-government protests were viewed as small-scale scattered ones that pose low instability risks to the country, and helped by some favorable market-specific factors. Moody's said that Egypt's move to cut its benchmark interest rates for the third time in September 2019 is credit positive to lenders. Also, the Central Bank of Egypt said that net international reserves reached an all-time high of US$ 45 billion at end-September 2019. Commercial International Bank's share price went up by 2.7% to LE 78.93. Credit Agricole Egypt's share price jumped by 5.2% to LE 42.72. Juhayna Food Industries' share price closed 1.8% higher at LE 8.60. Palm Hills Development's share price surged by 3.5% to LE 2.07.

FIXED INCOME MARKETS: MENA BOND PRICES MOSTLY DOWN WEEK-ON-WEEK

MENA fixed income markets saw rather downward price movements this week, as market players sought to leave room for new bond issues waiting in the pipeline in the aim to benefit from a global monetary easing environment and lower borrowing costs. Concurrently, some high-grade names in the region traced an upward trajectory, mainly tracking US Treasuries move following lower-than-expected US manufacturing data and slower private sector US employment figures in September 2019, which have raised bets of a third rate cut by the US Federal Reserve at end-October 2019.

In the Bahraini credit space, sovereigns maturing in 2024 closed down by 0.06 pt, while sovereigns maturing in 2029 were up by 0.13 pt this week. Prices of NOGA'24 and '28 contracted by 0.13 pt and 0.23 pt respectively. As to credit ratings, CI Ratings affirmed the Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) of Bahrain at "BB" and "B" respectively. The outlook for all ratings remains "negative". The ratings and outlook reflect the country's weakening net external asset position and limited capacity to withstand further declines in hydrocarbon prices, as well as the relatively weak state of the public finances, according to CI Ratings.

In the Saudi credit space, US dollar-denominated sovereigns maturing in 2021, 2023, 2029 and 2049 registered price gains of up to 0.75 pt week-on-week. Euro-denominated papers maturing in 2027 and 2039 were down by 0.50 pt and 0.63 pt respectively. Prices of Aramco papers maturing between 2022 and 2049 improved by up to 1.08 pt. SECO papers maturing in 2022, 2024, 2028 and 2044 saw price falls of up to 0.66 pt.

Regarding credit ratings, S&P Global Ratings affirmed its "A-/A-2" unsolicited long-and short-term foreign and local currency sovereign credit ratings on Saudi Arabia. The outlook is "stable". The "stable" outlook reflects S&P's expectation that Saudi Arabian oil production facilities that were hit in the September 14 attacks would be swiftly repaired. The "stable" outlook also reflects S&P's view that Saudi Arabia would maintain a pace of moderate economic growth and retain strong government and external balance sheets over the next two years, despite sizable fiscal deficits and heightened regional tensions. As to plans for new issues, Dar Al Arkan announced plans to issue Senior unsecured Sukuk. Also, Gulf International Bank announced plans to raise US$ 500 million from the sale of five-year US-dollar denominated bonds.

In the Egyptian credit space, US dollar-denominated sovereigns maturing between 2022 and 2049 saw price contractions of 0.13 pt to 1.0 pt week-on-week. Euro-denominated sovereigns maturing in 2025 and 2030 were down by 0.51 pt and 1.03 pt respectively.

In the Abu Dhabi credit space, sovereigns maturing in 2027 and 2047 saw weekly price improvements of 0.50 pt and 1.13 pt respectively. Moody's assigned "Aa2" senior unsecured rating to the US$ 10 billion three-tranche bond issued by the Government of Abu Dhabi on September 23, 2019. The "Aa2" rating is at the same level as the long-term issuer rating of the Government of Abu Dhabi. Still in Abu Dhabi, prices of Mubadala papers maturing in 2022, 2024 and 2029 declined by up to 0.30 pt, while sovereigns maturing in 2026 and 2041 were up by 0.12 pt and 1.0 pt respectively this week. Taqa papers maturing in 2024, 2026 and 2030 were up by 0.05 pt, 0.19 pt and 0.15 pt respectively. Taqa raised US$ 500 million through the issuance of senior unsecured notes maturing in 2049, carrying a coupon and a re-offer yield to maturity of 4%. Prices of ADNOC'29 declined by 0.27 pt, while ADNOC'47 was up by 0.13 pt. ADNOC said that it is considering a possible bond issue to take advantage of low interest rates. Also, Aldar properties picked banks for US dollar Sukuk sale.

Several new regional bond issues are coming underway to take advantage of looser global monetary policy, while the yield on the 10-year US Treasuries notes continues to follow a downward trajectory amid rising global growth concerns and bets of a further US Fed rate cut at end of this month.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	04-Oct-19	27-Sep-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	54	55	67	-1	-13
Dubai	133	134	129	-1	4
Kuwait	54	54	66	0	-12
Qatar	54	54	82	0	-28
Saudi Arabia	76	73	105	3	-29
Bahrain	235	234	293	1	-58
Morocco	96	95	111	1	-15
Egypt	306	288	391	18	-85
Lebanon	1,261	1,201	770	60	491
Iraq	380	351	519	29	-139
Middle East	**265**	**254**	**254**	**11**	**11**
Emerging Markets	**170**	**169**	**188**	**1**	**-18**
Global	**189**	**188**	**189**	**1**	**0**

Sources: Bloomberg, Bank Audi's Group Research Department

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

Sources: Bloomberg, JP Morgan, Bank Audi's Group Research Department

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	B-/Negative/B	Caa1/RUR	CCC/Stable/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+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB/Negative/B	Ba1/Negative	BB+/Stable/F3
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3
Tunisia	NR	B2/Stable	B+/Negative/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

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

FX RATES (per US$)	04-Oct-19	27-Sep-19	31-Dec-18	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	-0.3%
Egyptian Pound (EGP)	16.31	16.31	17.92	0.0%	-9.0%
Iraqi Dinar (IQD)	1,182.28	1,182.28	1,192.68	0.0%	-0.9%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.66	3.66	3.65	0.0%	0.1%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.2%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	120.48	120.48	117.65	0.0%	2.4%
Moroccan Dirham (MAD)	9.69	9.74	9.54	-0.5%	1.6%
Tunisian Dinar (TND)	2.86	2.87	3.05	-0.5%	-6.2%
Libyan Dinar (LYD)	1.41	1.41	1.40	0.0%	0.8%
Sudanese Pound (SDG)	45.11	45.11	47.62	0.0%	-5.3%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER