Bank Audi

MENA WEEKLY MONITOR

JANUARY 15 - JANUARY 21, 2023
WEEK 3

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Activity was mixed in MENA equity markets this week, as market players weighed optimism about a recovery in global oil demand following China's reopening against weaker-than-expected US economic data in December 2022 that has deepened US recession concerns and stoked declines in global equities. This was reflected by a 0.3% retreat in the S&P Pan Arab Composite index. In contrast, regional bond markets saw across-the-board upward price movements this week, mainly tracking a global risk-off mood after weaker-than-surveyed December 2022 US economic data rekindled US recession worries, fueling bets that the US Federal Reserve may downshift its tightening monetary policy.

MENA MARKETS: JANUARY 15 - JANUARY 21, 2023

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-0.3%	Weekly Z-spread based bond index	-5.0%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+1.2%	YTD Z-spread based bond index	+9.0%

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ECONOMY

FITCH RATINGS SAY MENA SOVEREIGNS FACE MIXED REGIONAL DYNAMICS IN 2023

A new report on the MENA region has been issued by Fitch Ratings. It says credit metrics in oil-exporting sovereigns in the Middle East and North Africa (MENA) will be supported by another year of fiscal and external surpluses in most cases, based on Fitch Ratings' assumption that Brent crude oil averages US$ 85 a barrel (bbl) and that production levels broadly stabilise.

MENA oil exporters' growth will be much weaker in 2023 as oil output stabilises, following a sharp rebound in 2022 when OPEC+ countries unwound Covid-19 pandemic-era cuts for much of the year, before a new much smaller cut in November. Slower global growth in 2023 could prompt further OPEC+ cuts if the oil market shifts decisively into surplus, but concerns persist about potentially tight supply, including related to Russia. Gulf Cooperation Council (GCC) non-oil growth will retain some momentum but will slow, from 4.5% on average to 3%, given spillovers from oil prices, higher interest rates and weaker global growth; some post-pandemic gains in 2022 will also fade in 2023 according to Fitch.

In MENA non-oil economies, credit fundamentals in many countries face risks from high debt burdens and tight external financing conditions amid higher global interest rates; domestic interest rates will also remain high given inflation trends. Growth is likely to be weaker in most cases, affected by lacklustre global trade, higher interest rates, limited fiscal space and risks to particular sectors, including tourism. Multilateral and bilateral financial support is an important mitigant in some countries, alongside some progress with economic and fiscal reforms.

Fitch added two Positive Outlooks in 2022, for Ras al Khaimah and Saudi Arabia. Of the 15 MENA sovereigns that Fitch rates, only Egypt is on Negative Outlook, while Lebanon and Tunisia do not have Outlooks as Fitch typically does not assign Outlooks to sovereigns with a rating of 'CCC+' or below. Lebanon remains in default. Tunisia is rated 'CCC+', upgraded in December from 'CCC'.

CBUAE ASSETS TOTAL US$ 140 BILLION IN NOVEMBER

Total assets and liabilities of the Central Bank of the UAE (CBUAE) were recorded at AED 513.6 billion (US$ 140.0 billion) in November 2022. This figure shows a 1.5% decrease down from AED 521.5 billion (US$ 142.1 billion) at the end of 2021, as per recently released data from the CBUAE.

In details, on the asset side, cash & bank balances was registered at AED 244.4 billion (US$ 66.6 billion) in November 2022, an 8.5% decrease from figures at year end 2021. In parallel, investments decreased negligibly by 0.8% to reach AED 180.4 billion (US$ 49.2 billion) in November 2022. On the other hand, deposits saw an increase of 29.8% reaching AED 54.8 billion (US$ 14.9 billion) in November 2022 up from AED 42.2 billion (US$ 11.5 billion) at year-end 2021. Loans & advances were recorded at AED 3.6 billion (US$ 970 million) in November 2022, a 66.4% increase from AED 2.1 billion (US$ 580 million) at end-2021.

On the liabilities side, an increase of 8.4% was noticed in currency notes & coins issued reaching AED 121.2 billion (US$ 33.0 billion) in November 2022, up from AED 111.8 billion (US$ 30.5 billion) at end-2021. On the other hand, capital & reserves, certificates of deposits & monetary bills and current & deposit accounts all saw decrease of 45.6%, 6.6% and 0.2% respectively in between the end of 2021 and November 2022, as per the CBUAE.

Foreign assets have noticed a decrease of 2.7% reaching AED 453.9 billion (US$ 123.7 billion) in November 2022 down from AED 466.5 billion (US$ 127.1 billion) at the end of 2021. In details, current account balances & deposits with banks abroad decreased by 3.5% reaching AED 270.5 billion (US$ 73.7 billion) in November 2022. In parallel, foreign securities showed a negligible decline of 1.0% reaching AED 134.5 billion (US$ 36.6 billion) in November 2022, down from AED 135.9 billion (US$ 37.0 billion) at the end of 2021, as per the CBUAE.

QATAR PMI RISES AGAIN TOWARDS NEAR STABILIZATION IN DECEMBER 2022

For the second month in a row, Qatar's PMI rose to reach 49.6 in December 2022 up from 48.8 in November 2022. This points to a path towards near stabilization in non-oil private sector business conditions. Activity in wholesale, retail and services showed a sharp increase. The aforementioned sectors also noticed an inflation of prices charged for goods and services. These factors led the outlook for business activity in 2023 to reach the most positive level noticed since July 2020.

The Output Index for December 2022 was recorded at 62.8 which signifies a spike in activity.

Growth was especially noticed in the wholesale & retail and the services sectors which shows the continued positive effect of the World Cup on Qatar's economy.

Although a further halt in new business creation was noticed, especially in the construction sector, the trend in the country is softening for the second month in a row.

In parallel, business outstanding has been reducing in Qatar for the fifth month in a row.

It is worth noting that Qatar's PMI covers four sectors: manufacturing, construction, wholesale & retail and services. The study follows indicators for new orders, output, supplier delivery times, employment and purchase of stocks.

INFLATION IN OMAN REGISTERING 2% IN DECEMBER 2022

Oman's Consumer Price Index (CPI) inflation rate was recorded at 2.0% in December 2022. The statistics show an increase in primary groups in December 2022 against the same month of 2021, as per the National Center for Statistics and Information (NCSI).

In details, for foods and drinks, oils and fats hiked by 19.5%, meats inflated by 8.4%, milk, cheese and eggs increased by 7.7%. Fruits, nonalcoholic beverages and bread & cereals increased by 6.5%, 5.4% and 5.1% respectively. Other foodstuffs increased by 2.8% and sugar, jam, honey & sweets inflated by 2.3%.

Prices for hotels and restaurants saw an inflation of 4.1%, healthcare saw an increase in prices of 3.8%, household (HH) & routine HH maintenance are up by 2.3%. Housing, water, electricity, gas and other fuels increased negligibly by 0.6%.

On the other hand, a decrease in prices was noticed for fish and seafood, vegetables and communications by 5.8%, 1.0% and 0.1% respectively. Prices of tobacco have also stabilized in December 2022, as per the NCSI.

KNPC IMPLEMENTS FIFTH GAS PIPELINE PROJECT

The Kuwait National Petroleum Company (KNPC) has implemented the fifth liquefied gas pipeline project following the company's expansion of gas manufacturing capacity plans and objectives. This move comes to accommodate the expected growth in the production of gas and condensates, said the Director of the Comprehensive Planning Department at the KNPC.

The implementation of the pipeline project will ensure that Kuwait will be able to meet the global and local increase in demand for butane and propane gases.

The five pipelines will enable the company to process 3.1 billion standard cubic feet of gas per day and 332 thousand barrels of condensate and liquefied gas. This in turn will aid the development process of the country, added the Director of the Comprehensive Planning Department at the KNPC.

CBB ASSETS TOTAL US$ 12.7 BILLION IN NOVEMBER

Total assets and liabilities of the Central Bank of Bahrain (CBB) were recorded at BHD 4.8 billion (US$ 12.7 billion) in November 2022. This figure shows a 15.8% increase up from BHD 4.1 billion (US$ 10.9 billion) at the end of 2021, as per recently released data from the CBB.

In details, on the asset side, claims on government registered BHD 2.8 billion (US$ 7.4 billion) in November 2022, a 55.2% hike from figures at year end 2021. On the other hand, claims on banks recorded BHD 300.3 million (US$ 795.8 million) in November 2022, a 28.8% drop from BHD 421.7 million (US$ 1.1 billion) at end-2021. Foreign exchange decreased by 14.4% between the end of 2021 and November 2022 reaching BHD 1.3 billion (US$ 3.3 billion).

On the liabilities side, a jump of 35.1% was noticed in liabilities to banks reaching BHD 3.2 billion (US$ 8.4 billion) in November 2022, up from BHD 2.3 billion (US$ 6.2 billion) at end-2021. On the other hand, currency in circulation saw a slight decrease of 5.1% in between the end of 2021 and November 2022 reaching BHD 668 million (US$ 1.8 billion), as per the CBB.

SAUDI ARABIA'S CPI INFLATION REACHED 3% IN DECEMBER

An inflation of 3.3% year-on-year was recorded for Saudi Arabia's consumer prices in December 2022. This increase in prices was mainly driven by housing cost inflation. December's CPI inflation recorded a 0.4 percentage points increase from figures in November of the same year, according to Saudi Arabia's General Authority for Statistics (GASTAT).

It is worth noting that housing prices were deemed the main driver behind this inflation as it holds a weight of 25.5% in the country's consumer basket. Also, housing, water electricity, gas & other prices for other fuels marked a 5.9% inflation year-on-year in December 2022.

In parallel, food and beverage prices noticed a 4.2% year-on-year in December 2022 caused by the increased prices of meat and poultry. Also, as car prices increase by 5% in December 2022, transport prices in the country saw an inflation of 4.1% year-on-year in the same month, as per the GASTAT report.

Restaurants and hotel prices increased by 6.8% year-on-year in Saudi Arabia on the back of higher catering services costs. Education prices also saw an increase of 3.6% during the month due to an increase in pre-primary and primary education costs against the same period of the year prior.

On the other hand, a deflation in prices was noted in personal goods & services and clothing and footwear with decreases of 0.4% and 1.4% year-on-year respectively against December 2021.

It is worth highlighting that early estimates puts Saudi Arabia's growth in 2022 at 8.5% and average inflation rate at 2.6%. Forecasts for 2023 set real GDP growth at 3.1% and average inflation at 2.1% with a 0.4 percentage point decrease, as per the Saudi Minister of Finance.

EGYPT'S CURRENCY DEVALUATION LEADS TO INCREASED FDI

Following the steep drop in the Egyptian Pound's value and as the Egyptian government strives to increase privatization in order to acquire additional funds, foreign investors' interest in state-owned enterprises is witnessing an increase. The sectors that are witnessing the most consideration are agriculture, telecom and industry, according to the Egyptian Planning Minister.

It is worth noting that historically, Egypt found it difficult to attract foreign direct investment (FDI) to its economy, apart for the country's energy sector.

As Egypt's central bank recently depreciated the local currency further, EGP 27.4 billion (US$ 925 million at the official FX rate of EGP 29.7/US$) in FDI were transferred into the Egyptian foreign exchange market, as stated by the country's central bank.

It is worth highlighting that the aforementioned Minister of Planning saw the country's currency issue as temporary.

This statement came as the Egyptian government took the measures agreed upon with the IMF that include the liberalization of the FX rate and the rationalization of the foreign component of expenditures. Measures were also taken with the aim of offering the appropriate investment environment to secure the influx of foreign exchange stemming from FDI.

SURVEYS

STRONG HOSPITALITY MARKET PERFORMANCE IN JEDDAH, KUWAIT AND DUBAI IN 11M 2022, AS PER EY

Ernst & Young (EY) published its “Middle East Hotel Benchmark Survey Report” on the performance of 4 and 5 star hotels in the Middle East region, conveying a strong hospitality market performance in Jeddah, Kuwait and Dubai during the first eleven months of 2022.

In details, Jeddah’s hospitality sector observed a RevPAR increase of 34.5%, from US$ 98 in 11M 2021 to US$ 132 in 11M 2022. The average room rate rose by 16.7% from US$ 205 in 11M 2021 to US$ 239 in 11M 2022, along with an occupancy rate expansion of 7.4% to reach 55.3%, over the covered period.

Jeddah’s debut Red Bull Car Park Drift at Jeddah Corniche Circuit and various international MICE events (Meetings, Incentives, Conferences, and Exhibitions) such as “International Conferences on Medical and Health Science (ICMHS)”, along with pleasant weather conditions and the upcoming winter season, are expected to accelerate Jeddah’s hospitality sector performance, as per EY.

Elsewhere in the region, Kuwait’s hospitality sector witnessed a RevPAR rise of 18.0%, from US$ 86 in 11M 2021 to US$ 102 in 11M 2022. This was driven by an occupancy increase of 6.9% in 11M 2022 when compared to the same period last year to reach 45.4%, coupled with an increase in average room rate of 0.1%, standing at US$ 224 in 11M 2022.

The sector performance is expected to improve in the coming months with the winter tourism season hosting various festivals and events such as “Winter Wonderland”, which is expected to attract over 60,000 visitors.

Concurrently, Dubai’s hospitality market saw an expansion in occupancy rate of 9.8% during the first 11 months of 2022 when compared to the same period last year to attain 72.1%, as per EY. This was coupled with a 25.2% rise in the average room rate, moving from US$ 265 during the first 11M 2021 to US$ 332 in 11M 2022. Accordingly, RevPAR went up by 44.9%, from US$ 165 in 11M 2021 to US$ 239 in 11M 2022.

Looking forward with promotional campaigns like “Where the World Celebrates”, the launch of FIFA fan festival, the ongoing cruise season 2022-23, and the arrival of international visitors brought by FIFA World Cup Qatar 2022, Dubai’s hospitality market is expected to continue its strong performance.

On the other hand, Abu Dhabi’s hospitality market witnessed a retreat in occupancy rate of 1.7% in 11M 2022 when compared to 11M 2021 to reach 75.3%. This was coupled by an increase in the average room rate of 24.5% from US$ 71 in 11M 2021 to US$ 89 in 11M 2022. Consequently, RevPAR went up by 21.8% from US$ 55 in 11M 2021 to US$ 67 in 11M 2022.

Based on the report, Abu Dhabi’s hospitality sector performance is expected to be supported by the upcoming Liwa International festival and the continued arrival of football fans. Also, the launch of UAE’s “World’s Coolest Winter” campaign and “Experience Abu Dhabi, Find Your Pace” campaign, and DCT Abu Dhabi entering into strategic partnerships at World Travel Market 2022 may back the sector growth.

INFLATION WOULD WEIGH ON CONSUMERS' PROPENSITY TO CONSUME DESPITE ELEVATED OIL PRICES IN SAUDI ARABIA, AS PER FITCH SOLUTIONS

The real household spending in Saudi Arabia is expected to grow by 2.5% over the year 2023, a deceleration from the 4.6% posted in 2022, amid higher interest rates aimed to curb inflation in 2022, according to Fitch Solutions.

Consumer spending growth would return to pre-Covid levels beyond 2023, as the Saudi consumer sector's moves beyond the base effects post-pandemic and high interest rates dampen spending. Hence, the total household spending in Saudi Arabia is projected to grow by an annual average of 2.6% y-o-y from 2023 to 2027.

The year-on-year growth in consumer spending in Saudi Arabia in 2023 is in line with Fitch Solutions' Country Risk team's forecast that the domestic economy would increase by a real rate of 3.3% y-o-y, a slowing from the 9% y-o-y estimated in 2022.

The main drivers of continued economic growth in the country in 2023 would be lower inflation, steady population growth and an increase in household incomes.

Moreover, the country's unemployment rate would be stable over the year, standing at 6.4% of the labor force, although it has not yet recovered to its pre-Covid level of 5.7% in 2019. Concurrently, inflation is expected to decline y-o-y, reaching an average of 1.9% over the year.

However, there are several headwinds that could weigh on growth in 2023. These include weakening global growth momentum and interest rate hikes and energy prices.

Inflationary pressures in Saudi Arabia have been evident since 2020, when the government tripled the rate of VAT from 5% to 15%, which lifted consumer price inflation to an average of 3.5%. However, since then, inflation has eased y-o-y in comparison, even as on a global scale inflationary pressures rise.

Saudi Arabia's consumer price inflation trended higher in in the final quarter of 2022, reaching 2.9% y-o-y in October 2022, which is higher than October 2021, where inflation was at 1.1% y-o-y. This is mainly due to higher fuel and energy prices.

While some increases affecting commodity prices would feed through to consumer prices, Fitch expects inflation to ease to an average of 1.9% y-o-y over 2023, down from 2.5% y-o-y in 2022, before rising back to a more stable level of 2.2% y-o-y over the remainder of the medium term.

FITCH RATINGS AFFIRMS KUWAIT AT "AA-" WITH "STABLE" OUTLOOK

Fitch Ratings affirmed Kuwait's long-term foreign currency Issuer Default Rating (IDR) at "AA-" with a "stable" outlook.

Kuwait's key credit strengths, as per Fitch, are due to the exceptionally strong fiscal and external balance sheets, while key weaknesses include frequent institutional gridlock and political constraints on reforms that would address fiscal and structural challenges, stemming from heavy oil dependence, a generous welfare State and a large public sector.

Governance indicators are well below the "AA" median, since there has been a lack of crucial underlying fiscal adjustment to recent oil price shocks and the outlook for reforms continues to remain weak.

Kuwait's fiscal and external balance sheets remains among the strongest of Fitch-rated sovereigns, despite severe oil price swings since 2014. Fitch Ratings forecasts that Kuwait's sovereign net foreign asset position would average 470% of GDP in 2022-2024, the highest among all Fitch-rated sovereigns and more than the "AA" median.

Gross government debt/GDP is low and it would fall below 10% of GDP in the fiscal year ending March 2023, as per Fitch. However, assuming the passage of a debt law, limited fiscal reform and lower oil prices, the government debt is projected to double to nearly 20% of GDP in FY24 and rise further in subsequent years.

On the other hand, in Fitch's view, oil revenues are expected to decrease in FY23 and FY24, assuming average oil prices would range between US$ 79 per barrel and US$ 61 per barrel in those years, with broadly stable output levels (around 2.7 million b/d). Consequently, this would narrow down the budget surplus to 5.9% of GDP in FY23 and return to deficit in FY24.

CORPORATE NEWS

ADNOC ALLOCATES US$ 15 BILLION TO DECARBONIZATION PROJECTS

ADNOC, the Abu Dhabi National Oil Company, allocated US$ 15 billion (AED 55 billion) to implement a number of decarbonization projects by 2030, as indicated in a company's statement.

The projects would include investments in clean power, Carbon Capture and Storage (CCS), further electrification of operations, energy efficiency and new measures to build on ADNOC's policy of zero routine gas flaring.

The new projects and initiatives would be announced throughout 2023, including a first-of-its-kind CCS project, innovative carbon removal technologies, investment in new, cleaner energy solutions and strengthening of global partnerships.

It is worth highlighting that ADNOC's expansion of its lower carbon energy portfolio would be largely delivered through its stake in Masdar, the UAE's clean energy vehicle.

RCJY SIGNS FIVE INVESTMENT AGREEMENTS VALUED AT US$ 11.5 BILLION

Royal Commission for Jubail and Yanbu (RCJY), a Saudi-based company that plans, promotes, develops and manages petrochemicals and energy intensive industrial cities, signed five investment agreements valued at US$ 11.5 billion (SR 43 billion) for two projects in Yanbu Industrial City and three projects in Ras Al Khair City for Mining Industries, as mentioned in a company's statement.

The first agreement was signed with Saudi Conversion Industries Holding Company (Tahweel Holding) and aims to lease 157,000 square meters of land to develop a factory for the aluminium foil and rolls for a total of US$ 341 million (SR 1.281 billion). The project targets serving the local and global markets and is expected to create more than 350 job opportunities.

The second agreement was signed with Tamouh Development and Investment Company to lease 130,000 square meter of land to establish a factory for the production of high-density aluminum fluoride with an investment value of US$ 126 million (SR 474 million). The project would provide more than 127 job opportunities.

The third one was signed with the Offshore Protection Construction and Services Petroleum (OPCS) to lease 10,000 square meter to establish a factory to produce ready-mix concrete factory for marine applications with an investment value of US$ 1.3 million (SR 5 million), which would provide nearly 75 job opportunities.

The fourth agreement was signed with Red Sea Industrial Aluminium Company (RSA) to lease 703.8 hectares of land City to establish a factory project for smelting and rolling aluminum and its alloys, drawing, purifying and casting, in addition to casting non-ferrous metals. The project has an investment value of US$ 10 billion (SR 38.168 billion).

The fifth agreement was signed with EV Metals Arabia Company for Industry (EVM Arabia) to lease 127 hectares of land to build a Battery Chemicals Complex, for an investment worth US$ 899 million (SR 3.375 billion), to produce high purity chemicals required by electric vehicle and battery cell manufacturers.

MAWANI LAUNCHES PROJECT VALUED AT US$ 1.86 BILLION FOR TERMINAL DEVELOPMENT

Mawani, the Saudi Ports Authority, launched a project valued at US$ 1.86 billion (SR 7 billion) to upgrade and develop two container terminals at King Abdulaziz Port in Dammam under the Build-Operate-Transfer (BOT) contract signed with Saudi Global Ports, as mentioned in a company's statement.

The concession would work on renovating and expanding berths and facilities across the Port's first container terminal and overhauling the container yard within the second container terminal to enable the Arabian Gulf hub to handle giant containerships.

The development works would also add a custom-built sandbox to test cutting-edge technologies and integrate new processes.

This project would generate over 4,000 jobs and is expected to raise the port's overall capacity by 120% to 7.5 million TEUs. Also, it would improve the country's supply chains and rank in global indices, along with boosting its foreign trade.

ELLINGTON PROPERTIES AND DMCC ANNOUNCE US$ 327 MILLION RESIDENTIAL PROJECT

Ellington Properties, Dubai's leading design-led real estate developer, and Dubai Multi Commodities Centre (DMCC), UAE's largest free-trade zone, announce the launch of US$ 327 million (AED 1.2 billion) residential project, Upper House, as revealed in a company's statement.

The residential project, which would be built in Dubai's Jumeirah Lakes Towers (JLT), would feature apartments, a movie theatre, a record lounge and a podcast room.

Upper House would include 754 units comprising elegant studios, as well as one, two and three bedroom properties, offering residents expansive views of Jumeirah Islands and the Dubai Marina skyline.

Residents would also benefit from a various facilities including a 37-meter horizontal pool, an interactive fitness studio, a movie theatre, a residential clubhouse, a record lounge, a podcast room, a skate park, a pet play area, a kids' splash pad, a kids' play area, an outdoor barbeque area, and more.

The project is expected to be finalized by early-2026.

MAADEN SIGNS US$ 278 MILLION CONSTRUCTION CONTRACT FOR PHASE 1 OF PHOSPHATE 3 COMPLEX

Maaden, the Saudi Arabia's leading national mining company and one of the fastest-growing mining companies in the world, signs an Engineering, Procurement and Construction Management (EPCM) services contract valued at US$ 278 million (SR 1.043 billion) with WorleyParsons Arabia and JESA International for the construction of Phase 1 of its Phosphate 3 complex project, as revealed in a company's statement.

After the completion of Phases 1 and 2 of the Phosphate 3 complex, which are expected to be finalized in 2025 and 2027 respectively, the complex would produce 1.5 metric tons annually of phosphate fertilizers.

It is worth noting that the complex would allow Maaden to be one of the top three global phosphate fertilizer producers, and Saudi Arabia the second largest phosphate fertilizer exporter worldwide.

SPARK SIGNS US$ 150 MILLION AGREEMENT TO DEVELOP RESIDENTIAL COMPLEX

King Salman Energy Park (SPARK), the new megaproject operated and managed by Saudi Aramco, signed an agreement value at US$ 150 million with Affordable House Company, a subsidiary of Abdullah Bin Saedan and Sons Real Estate Group, to develop a residential complex and workers village at SPARK, as mentioned in a company's statement.

The residential complex covers an area of 30,000 square meters and would be established in two phases, where the first phase is expected to be completed by 2025. It would offer the residents with a wide range of fully furnished long-term accommodations.

Also, the development project would be integrated with sustainable construction technologies, smart systems, and eco-friendly materials, such as green concrete and solar panels.

CAPITAL MARKETS

EQUITY MARKETS: MIXED ACTIVITY IN REGIONAL EQUITIES AS US RECESSION CONCERNS WEIGH EXTENDED OIL PRICE GAINS

Activity was mixed in MENA equity markets this week, as market players weighed optimism about a recovery in global oil demand following China's reopening against weaker-than-expected US economic data in December 2022 that has deepened US recession concerns and stoked declines in global equities. This was reflected by a 0.3% retreat in the S&P Pan Arab Composite index.

The heavyweight Saudi Exchange, whose market capitalization represents two-thirds of the total regional market capitalization, registered a 0.7% decrease in prices week-on-week, mainly tracking global equity weakness amid renewed US recession worries, and due to some unfavorable company-specific factors. A closer look at individual stocks shows that Petro Rabigh's share price closed 1.8% lower at SR 10.96. Saudi Kayan Petrochemical Company's share price fell by 3.1% to SR 13.18. Yansab's share price dropped by 1.4% to SR 42.40. Aljazira Capital Company cut its recommendation on Yansab to "Neutral" from "Overweight", with a price target of SR 45.20, which implies a 6.1% increase from last price. Saudi Telecom's share price retreated by 0.5% to SR 37.5. Maaden's share price closed 1.6% lower at SR 74.8. SNB's share price shed 3.5% to SR 48.05. AlphaMena cut its recommendation on SNB to "Add" from "Buy", with a price target of SR 63.20, which implies a 27% increase from last price. SABB's share price plunged by 5.5% to SR 35.90.

The Qatar Stock Exchange continued to trace a downward trajectory for the second consecutive week, as reflected by a 1.9% decline in the S&P Qatar index, mainly tracking decreases in global equites and driven by some profit taking operations led by foreign market players. 30 out of 49 traded stocks registered price falls, while 17 stocks posted price gains and two stocks saw no price change week-on-week.

A closer look at individual stocks shows that QNB's share price dropped by 2.0% over the week to QR 17.60. Masraf Al Rayan's share price plunged by 5.8% to QR 3.034. Qatar Islamic Bank's share price dropped by 4.2% to QR 19.00. Mesaieed Petrochemical Holding Company's share price retreated by 2.0% to QR 2.170. Qatar Industrial Manufacturing's share price shed 4.0% to QR 3.100. Qatar Fuel's share price went down by 2.5% to QR 18.00. Barwa Real Estate's share price decreased by 3.9% at QR 2.871.

In contrast, Boursa Kuwait closed the week on a positive note (+2.1%), bucking global equity weakness, mainly supported by extended Brent oil price gains (+2.8% to reach US$ 87.63 per barrel on Friday) on optimism about an oil demand recovery after China eased its COVID Zero policy. A closer look at individual stocks shows that National Bank of Kuwait's share price increased by 2.8% to KWf 1,100. Al Ahli Bank of Kuwait's share price closed 0.9% higher at KWf 336. United Projects for Aviation Services' share price jumped by 8.5% to KWf 204. Zain's share price rose by 3.3% to KWf 560. Kuwait Projects Holding's share price surged by 8.4% to KWf 116.

EQUITY MARKETS INDICATORS (JANUARY 15 - JANUARY 21, 2023)

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	131.7	0.5%	2.1%	10.6	-56.5%	0.2	14,885	3.7%	-	0.31
Jordan	411.0	0.5%	5.7%	56.7	30.4%	25.6	27,013.5	10.9%	8.9	1.61
Egypt	215.2	4.1%	-9.1%	400.8	-2.9%	3,233.6	34,369.7	60.6%	9.0	1.98
Saudi Arabia	475.3	-0.7%	2.0%	4,124.0	-15.6%	444.29	2,657,605.6	8.1%	13.5	4.52
Qatar	177.7	-1.9%	0.6%	650.2	0.4%	627.3	168,817.3	20.0%	12.8	1.70
UAE	139.0	0.3%	1.1%	3,034.4	42.7%	1,495.4	857,442.0	18.4%	13.8	2.63
Oman	259.5	-1.1%	-0.3%	27.1	96.9%	56.7	21,860.2	6.5%	12.8	1.02
Bahrain	194.2	1.1%	0.7%	7.7	228.9%	10.0	17,809.8	2.3%	10.2	1.38
Kuwait	138.5	2.1%	-0.2%	744.5	20.7%	692.2	138,535.9	27.9%	20.5	2.54
Morocco	216.0	-2.5%	-2.7%	38.6	-8.7%	2.2	52,221.2	3.8%	17.3	2.74
Tunisia	63.8	-0.5%	2.8%	36.4	356.4%	17.1	7,785.2	24.3%	9.8	1.66
Arabian Markets	**924.0**	**-0.3%**	**1.2%**	**9,131.2**	**3.5%**	**6,604.6**	**3,998,345.2**	**11.9%**	**13.7**	**3.81**

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

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

The Egyptian Exchange bounced back this week, as reflected by a 4.1% surge in the S&P Egypt index, mainly on improved investor sentiment after the Central Bank of Egypt unveiled that foreign investors have injected more than US$ 925 million into the local market since the country's third currency devaluation on January 11, 2023, and driven by some favorable company-specific factors.

A closer look at individual stocks shows that CIB's share price surged by 9.5% week-on-week to LE 45.65. QNB Al Ahli's share price jumped by 7.0% to LE 20.61. Eastern Company's share price climbed by 8.1% to LE 17.28. Emaar Misr for development's share price rose by 3.3% to LE 3.16. Juhayna Food Industries' share price skyrocketed by 12.9% to LE 8.84. Ezz steel's share price closed 1.2% at LE 24.53. Ghabbour Auto's share price rose by 1.7% to LE 5.47. AlphaMena raised its recommendation on Ghabbour Auto to "Reduce" from "Sell", with a price target of LE 5.09, which implies a 5.4% decrease from last price.

FIXED INCOME MARKETS: ACROSS-THE-BOARD PRICE GAINS IN MENA BOND MARKETS, ON GLOBAL FIGHT TO SAFETY AFTER WEAK US ECONOMIC DATA

MENA fixed income markets saw across-the-board upward price movements this week, mainly tracking a global risk-off mood after weaker-than-surveyed December 2022 US economic data rekindled US recession worries, fueling bets that the US Federal Reserve may downshift its tightening monetary policy.

In the Abu Dhabi credit space, sovereigns maturing in 2026, 2027 and 2031 registered price expansions of 0.75 pt, 1.00 pt and 1.38 pt respectively this week. Mubadala'26 and '27 closed up by 1.00 pt and 0.63 pt respectively. Prices of ADNOC'29 rose by 0.25 pt. Etisalat'24 and '26 saw price increases of 0.13 pt and 0.38 pt respectively. Taqa'26 and '28 were up by 0.38 pt and 0.88 pt respectively.

Amongst financials, First Abu Dhabi Bank'24 and '25 recorded price rises of 0.13 pt and 0.50 pt respectively week-on-week. First Abu Dhabi Bank raised this week US$ 600 million from the sale of senior unsecured bonds maturing in 5-1/4 years at a spread of 105 bps over US Treasuries compared to an initial price guidance of around 130 bps over the same benchmark. The bond sale attracted orders of more than US$ 1.45 billion.

In the Dubai credit space, sovereigns maturing in 2029 posted price expansions of 2.75 pts week-on-week. Emaar'26 closed up by 0.88 pt. Emirates Airline'28 saw price increases of 0.38 pt. Majid Al Futtaim'29 traded up by 1.50 pt. Prices of DP world'30 increased by 2.00 pts. Moody's upgraded DP World's long term issuer rating to "Baa2" from "Baa3". At the same time, the senior unsecured ratings assigned to the Medium-Term Note (MTN) Programs of DP World Limited and DP World Crescent Limited were upgraded to "(P)Baa2" from "(P)Baa3" and ratings of all outstanding rated senior unsecured bonds were also upgraded to "Baa2" from "Baa3". DP World's ratings were upgraded because the company has successfully reduced net debt to EBITDA (before IFRS leases) as of December 2022 below 4.0x, in line with the target that it announced at the time of its recapitalization in 2020, according to Moody's.

In the Kuwaiti credit space, sovereigns maturing in 2027 registered price increases of 1.05 pt week-on-week. KIPCO'27 traded up by 0.50 pt. Fitch Ratings affirmed Kuwait's long-term foreign currency Issuer Default Rating at "AA-" with a "stable" outlook.

In the Bahraini credit space, sovereigns maturing in 2026, 2027, 2031 and 2032 saw price expansions of 0.83 pt to 1.55 pt this week. NOGA'27 traded up by 0.50 pt. In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 registered price increases of up to 1.00 pt this week. Prices of Omantel'28 expanded by 1.00 pt.

In the Saudi credit space, sovereigns maturing in 2026, 2027, 2030 and 2031 saw price rises of 0.88 pt to 1.75 pt this week. Aramco'25 was up by 1.63 pt. Prices of STC'29 increased by 1.00 pt. SABIC'28 traded up by 1.13 pt. SEC'24 and '28 recorded price expansions of 0.38 pt and 1.63 pt respectively.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 registered price increases of 0.63 pt and 1.25 pt respectively week-on-week. Ooredoo'26 closed up by 0.63 pt. Amongst financials, prices of QIB'24 rose by 0.25 pt. QNB'25 and '26 posted price gains of 0.63 pt and 0.75 pt respectively.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2030, 2032 and 2040 posted price rises of 1.75 pt and 3.75 pts this week. Euro-denominated sovereigns maturing in 2026 and 2031 registered price increases of 1.40 pt and 1.85 pt respectively.

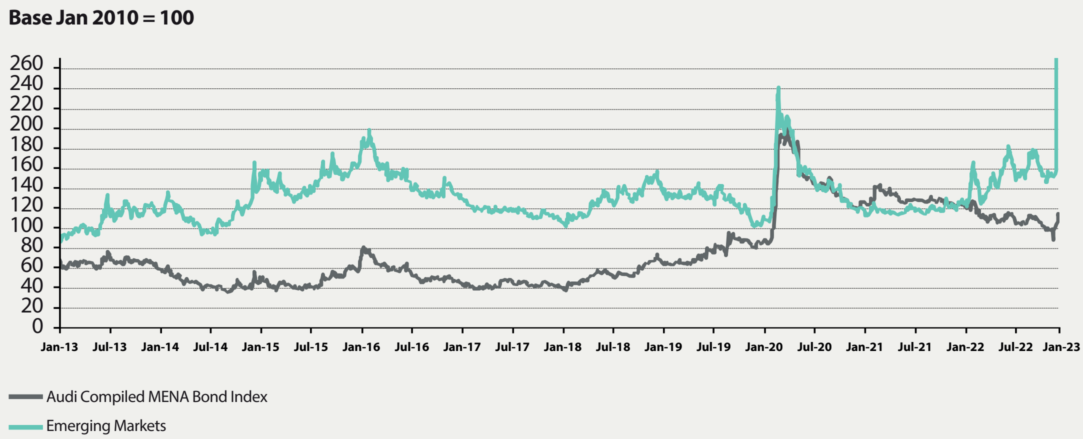
All in all, activity in regional bond markets was tilted to the upside this week amid a flight to safety, as weaker-than-forecast December 2022 US retail sales and US production prices and subsiding inflation fueled bets that the US Federal Reserve may scale back the pace of its rate increases in its next FOMC meeting.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	20-Jan-23	13-Jan-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	44	43	44	1	0
Dubai	82	82	84	0	-2
Kuwait	50	49	50	1	0
Qatar	48	47	48	1	0
Saudi Arabia	64	64	61	0	3
Bahrain	237	241	231	-4	6
Morocco	172	173	162	-1	10
Egypt	765	767	877	-2	-112
Iraq	413	400	467	13	-54
Middle East	208	207	225	1	-17
Emerging Markets	137	134	140	3	-3
Global	450	459	533	-9	-83

Sources: Bloomberg, Bank Audi's Group Research Department

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



Sources: Bloomberg, Bank Audi's Group Research Department

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	SD/-/SD	C/-	RD/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Positive	BB-/Stable/B
Egypt	B/Stable/B	B2/Negative	B+/Negative/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Positive/A-2	A1/Stable	A/Positive/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA-/Stable/F1+
Qatar	AA/Stable/A-1+	Aa3/Positive	AA-/Stable/F1+
Kuwait	A+/Stable/A-1+	A1/Stable	AA-/Stable/F1+
Bahrain	B+/Positive/B	B2/Stable	B+/Stable/B
Oman	BB/Stable/B	Ba3/Positive	BB/Stable/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BB+/Stable/A-3	Ba1/Stable	BB+/Stable/B
Tunisia	NR	Caa1/Negative	CCC+/C
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$)	20-Jan-23	13-Jan-23	30-Dec-22	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)	29.74	29.55	24.71	0.6%	20.3%
Iraqi Dinar (IQD)	1,460.00	1,460.00	1,460.00	0.0%	0.0%
GULF					
Saudi Riyal (SAR)	3.76	3.76	3.76	0.0%	-0.1%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.64	3.64	3.64	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.31	0.31	0.31	-0.2%	-0.3%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	0.0%	0.0%
Yemeni Riyal (YER)	250.23	250.21	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	136.03	136.44	137.35	-0.3%	-1.0%
Moroccan Dirham (MAD)	10.20	10.08	10.44	1.2%	-2.3%
Tunisian Dinar (TND)	3.07	3.08	3.11	-0.2%	-1.2%
Libyan Dinar (LYD)	4.77	4.78	4.83	-0.2%	-1.1%
Sudanese Pound (SDG)	575.32	575.34	573.81	0.0%	0.3%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER