

## Bank Audi

### CONTACTS

#### Treasury & Capital Markets

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

#### Corporate Banking

**Carol Ayat**  
(961-1) 959675  
carol.ayat@bankaudi.com.lb

**Mohamad Baydoun**  
(961-1) 959703  
mohamad.baydoun@bankaudi.com.lb

#### Marketing and Communications

**Marion Abou Jaoudé**  
(961-1) 977356  
marion.abou-jaoude@bankaudi.com.lb

### RESEARCH

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

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

**Michèle Khoury Sakha**  
(961-1) 977102  
michele.sakha@bankaudi.com.lb

**Stephanie Bou Sleiman**  
(961-1) 952397  
stephanie.bousleiman@bankaudi.com.lb

**Elias Missi**  
(961-1) 959747  
elias.missi@bankaudi.com.lb

### Economy

#### p.2 GCC BANKS' PROFITABILITY TO REMAIN STRONG IN 2024 ON DELAYED RATE CUTS

The U.S. Federal Reserve's delay in cutting interest rates bodes well for Gulf Cooperation Council (GCC) banks as per S&P.

Also in this issue

**p.2** Saudi Arabia registers 1.7% contraction in real GDP in Q1

**p.3** IMF, Egypt reach SLA for reforms

**p.4** Qatar's PMI improves at a faster rate in May

### Surveys / Reports

#### p.5 GCC DOMINATES FORBES MIDDLE EAST'S 2024 TOP 100 LISTED COMPANIES LIST

GCC companies dominated the Forbes Middle East's 2024 top 100 listed companies list with 92 entries, led by the UAE with 32 companies, followed by 31 from Saudi Arabia.

Also in this issue

**p.6** Moody's affirms Bahrain's ratings at "B2" with a "stable" outlook

### Corporate News

#### p.7 NMDC ENERGY JV LANDS US\$ 5.5 BILLION ADNOC EPC CONTRACT

NMDC Energy (formerly NPCC), in partnership with French group Technip Energies and Japan's JGC Corporation, secured a US\$ 5.5 billion contract from Abu Dhabi National Oil company (ADNOC), to provide Engineering, Procurement and Construction (EPC) services for its lower-carbon Ruwais LNG project in Abu Dhabi, as mentioned in a company statement.

Also in this issue

**p.7** Saudi PIF-backed Ceer signs US\$ 2.2 billion deal with Hyundai Transys

**p.7** Arada awards US\$ 394 million construction contracts for Sharjah mega project

**p.8** QatarEnergy selects CPC as NFE partner and signs 27-year LNG deal

**p.8** Dell Technologies and Aramco to tap emerging technologies potential

**p.8** Edge and Adani Defence & Aerospace sign agreement

### Markets In Brief

#### p.9 MIXED PRICE MOVEMENTS IN MENA EQUITIES, BOND PRICES MOSTLY UP

Activity was mixed in MENA equity markets ahead of Adha holidays (+0.2%), as market players balanced a global risk-on-mood, in addition to surging oil prices and some favorable company-specific factors, against the US Fed conservative approach, some unfavorable market-specific factors and news that a Saudi-US 50-year petrodollar pact has expired with no renewal. In parallel, activity in MENA fixed income markets remained mostly tilted to the upside, mainly tracking US Treasuries move as cooling May US inflation sparked bets about two interest rate cuts by the US Federal Reserve in the fourth quarter of 2024, despite the Fed's conservative approach in its June FOMC meeting.

#### MENA MARKETS: JUNE 9 - JUNE 15, 2024

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.2%	Average weekly bond price change	+0.15 pt
Stock market year-to-date trend	↓	Bond market year-to-date trend	↑
YTD stock price performance	-5.5%	Average yearly bond price change	+1.30 pt

# Bank Audi

## ECONOMY

### GCC BANKS' PROFITABILITY TO REMAIN STRONG IN 2024 ON DELAYED RATE CUTS

The U.S. Federal Reserve's delay in cutting interest rates bodes well for Gulf Cooperation Council (GCC) banks as per S&P. In its latest report, S&P Global Ratings expects the profitability of GCC banks to remain strong in 2024 due to the delay in interest rate cuts. The agency also expects asset quality to remain resilient despite the higher-for-longer rates due to supportive economies, contained leverage and a high level of precautionary reserves.

Despite resilient performance in 2024, S&P expects a slight decline in GCC banks' profitability in 2025 as the Fed starts cutting interest rates. Hence, most GCC central banks will likely follow suit to preserve their currency pegs. In its latest report, S&P also outlines several factors that will mitigate the overall effect of a decline in profitability.

In its report, S&P states: "Every 100 basis point (bp) drop in rates shaves an average of around 9% off rated GCC banks' bottom lines." However, lower interest rates will also likely reduce the amount of unrealized losses that GCC banks have accumulated over the past couple of years. Therefore, S&P estimates these losses to reach around US\$ 2.8 billion for the GCC banks or 1.9% of their total equity."

S&P doesn't expect a rate cut before the autumn of 2024. Hence, before it sees several consecutive readings of slowing month-over-month core inflation, interest rates will remain unchanged. Therefore, S&P expects the first rate cut to occur as late as December 2024. "We project that the Fed will cut rates by 100 bps over the course of 2025, to reach 4.00-4.25 percent at year-end," the report stated.

GCC central banks typically mirror the Fed's rate movements to preserve their currency pegs. This has supported their growth in the last couple of years and will continue to do so in 2024. By the end of 2023, the average return on assets of the top 45 banks in the region reached 1.7%, up from 1.2% by the end of 2021.

As rates drop, S&P expects profitability to decline. However, it outlines four different factors that will mitigate the overall impact:

1. Management actions to reposition banks' balance sheets
2. Migration of deposits back to non-interest-bearing instruments
3. Lower cost of risk for banks
4. Higher lending

The decline in profitability of GCC banks will vary when interest rates decline. S&P reveals that banks with higher corporate lending will see a larger impact. Thus, corporate lending has variable rates and banks usually reprice those loans fairly quickly. "The most vulnerable bank in our sample stands to lose around 30 percent of its bottom line with every 100 bp drop in rates," stated the report. Moreover, some retail banks could also see a moderate impact due to the structure of their balance sheets.

### SAUDI ARABIA REGISTERS 1.7% CONTRACTION IN REAL GDP IN Q1

According to recently released data from the Saudi General Authority for Statistics (GASTAT), Saudi Arabia has noted a 1.7% year-on-year contraction in its real GDP during the first quarter (Q1) of 2024 on the back of a drop in oil activity GDP. This decrease in real GDP comes in contrast with the 3.2% year-on-year expansion in real GDP during Q1 2023 while noting a slowdown in the year-on-year contractions in real GDP registered in Q3 and Q4 2023 of 3.2% and 4.3% respectively.

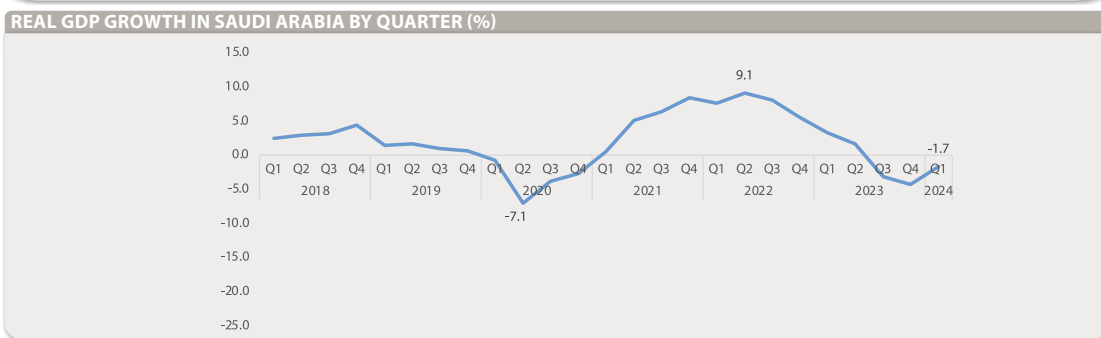
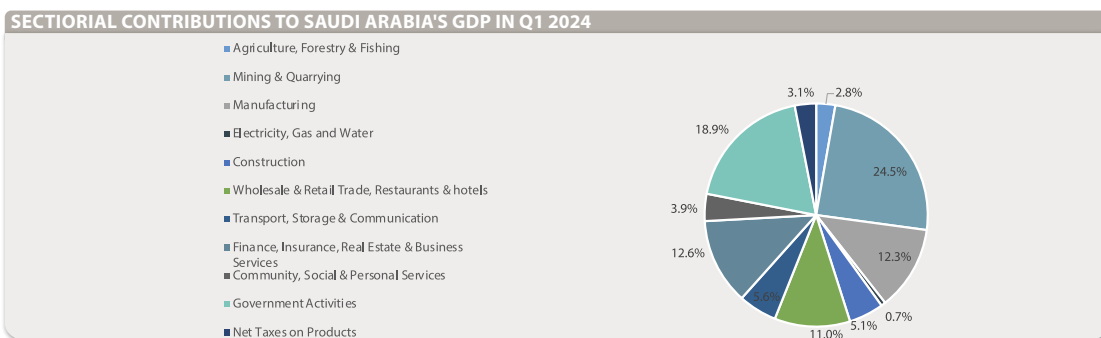
In details, real GDP in Saudi Arabia registered SAR 867.8 billion (US\$ 231.4 billion) during Q1 2024, down by 1.7% year-on-year from SAR 883.3 billion (US\$ 235.5 billion) in Q1 2023. Real GDP from oil activities (weight of 27.7%) stands behind the contraction as revenues decrease from QAR 270.3 billion (US\$ 72.1 billion) in Q1 2023 to QAR 240.1 billion (US\$ 64.0 billion) in Q1 2024 denoting an 11.2% decrease year-on-year, as per data from GASTAT.

# Bank Audi

On the other hand, GDP from non-oil activities (weight of 51.3%) posted a year-on-year expansion of 3.4% in Q1 2024 to reach QAR 445.2 billion (US\$ 118.7 billion), up from QAR 430.6 billion (US\$ 114.8 billion) in Q1 2023. Additionally, real GDP from government activities (weight of 18.9%) noted a year-on-year expansion of 2.0% in Q1 2024 against the same quarter of the year prior to reach QAR 164.2 billion (US\$ 43.8 billion) in the former. These expansions in real GDP from non-oil activities and government activities partially offset the drop in real GDP from oil activities leading to a year-on-year contraction in Gross Value Added (GVA) of 2.0% in Q1 2024 reaching QAR 842.0 billion (US\$ 224.5 billion), down from QAR 859.2 billion (US\$ 229.1 billion) in Q1 2023.

Additionally, real GDP from net taxes of products (weight of 3.1%) registered QAR 26.7 billion (US\$ 7.1 billion) in Q1 2024, up by 3.9% from QAR 25.6 billion (US\$ 6.8 billion) in Q1 2023. This expansion further offset the decrease in real GDP from oil activities leading to the 1.7% contraction noted in Saudi Arabia's real GDP during Q1 2024.

Looking at sectorial contribution to real GDP in Saudi Arabia, Mining & Quarrying took the lion's share with 24.5% of total GDP followed by Government Activities with 18.9% of the total. Finance, Insurance, Real Estate & Business Services, Manufacturing and Wholesale & Retail Trade, Restaurants & hotels followed with 12.6%, 12.3% and 11.0% of total respectively in Q1 2024. Transport, Storage & Communication, Construction, Community, Social & Personal Services and Net Taxes on Products followed with 5.6%, 5.1%, 3.9% and 3.1% of the total respectively during the period. Agriculture, Forestry & Fishing and Electricity, Gas & Water came in last with 2.8% and 0.7% of the total respectively during Q1 2024, as per data from GASTAT.



Source: GASTAT, Bank Audi Group's Research Department

## IMF, EGYPT REACH SLA FOR REFORMS

Staff from the International Monetary Fund (IMF) reached a Staff-Level Agreement (SLA) with the Egyptian authorities for a set of comprehensive policies and reforms needed to complete the third review under the Extended Fund Facility (EFF) arrangement. Egypt will in turn have access to SDR 618.1 million (circa US\$ 820 million) subject to approval by the IMF's Executive Board.

This comes as Egypt's recent efforts to restore macroeconomic stability have improved economic conditions. However, the regional environment remains a challenge. Additionally, downside risks and domestic structural challenges require decisive implementation of program commitments. In the short term, the tightening of monetary conditions is required to reduce inflation and a flexible exchange rate regime remains crucial for the wider macroeconomic program. In parallel, Egypt's fiscal consolidation

# Bank Audi

efforts remain on track. Looking forward, efforts need to focus more on growth friendly revenue mobilization, generating fiscal space to invest in human capital through health and education spending along with targeted social spending, enhancing domestic debt management and containing fiscal risks.

All conditions are available for an acceleration of structural reforms which is considered critical to achieve the objective of sustainably raising private sector led growth. The reform agenda includes measures to improve business environment through removing binding constraints on private sector activity and leveling the playing field when it comes to state entities, as per the SLA.

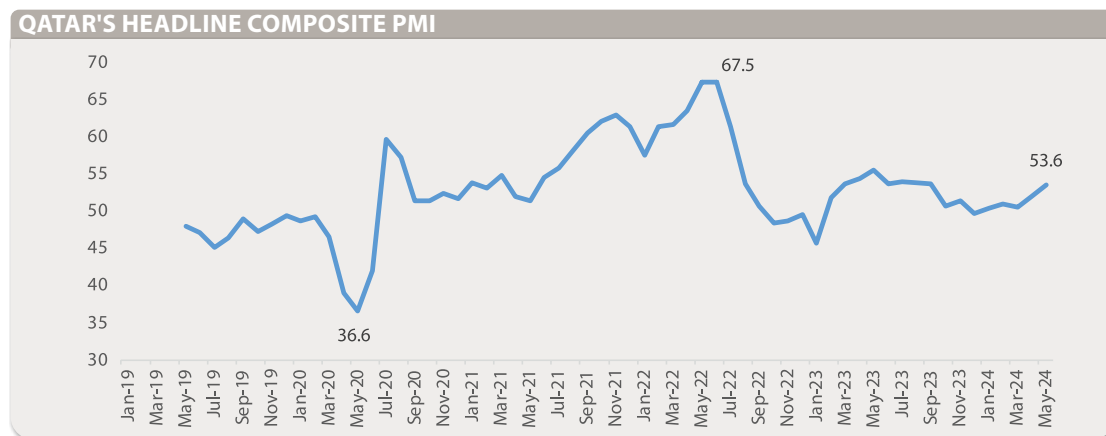
## QATAR'S PMI IMPROVES AT A FASTER RATE IN MAY

The headline Qatar Financial Centre (QFC) PMI for May 2024 recorded 53.6, up from 52.0 in the month prior. The latest figure denotes a 1.6 point increase in PMI showing an improvement in non-oil private sector activity within Qatar during the month at a faster pace.

In details, the aforementioned increase in the headline figure was among the largest registered over the past two years, and returned it above the long-run survey trend level of 52.2. Output and new orders increased at the fastest rates since the third quarter of 2023, companies continued to expand employment and the 12-month outlook improved. Inflationary pressures remained muted, with input prices broadly unchanged and output charges up only modestly since April, as per QFC's PMI report for May 2024.

May data signaled growing demand momentum in the non-energy economy. The level of incoming new work expanded at the sharpest rate in eight months, and faster than the long-run survey trend. Companies often mentioned that their reputations for high-quality products and services had attracted new clients. The accelerated increase in new business wins in May generated the fastest growth in total business activity since last August. All four broad sectors posted quicker expansions, led again by wholesale & retail and services. Although new business growth strengthened, companies were still able to reduce the volume of outstanding work during the month.

Confidence regarding the next 12 months strengthened in May. Increasing optimism among non-energy private sector companies was linked to development plans and marketing campaigns, plus the introduction of new high-quality products and services. Faster growth of output and new orders was reflected in another increase in employment. Hiring activity was linked to company development goals, including efforts to speed up the delivery of high-quality services and to gain staff experienced in new technologies. Demand for inputs rose in May, as purchasing activity increased at the second-fastest rate in ten months. Lead times continued to improve, however, as firms reported building supplier relationships. Input stocks fell for the fifth time in six months as output growth accelerated. Cost pressures were broadly stable as average purchase prices declined, offsetting higher wages. Prices charged for goods and services increased for the second time in the past seven months, but at a slower rate than the previous hike in March.



Source: QFC, Bank Audi Group Research Department

# Bank Audi

## SURVEYS / REPORTS

### GCC DOMINATES FORBES MIDDLE EAST'S 2024 TOP 100 LISTED COMPANIES LIST

GCC companies dominated the Forbes Middle East's 2024 top 100 listed companies list with 92 entries, led by the UAE with 32 companies, followed by 31 from Saudi Arabia. The list also features 14 companies from Qatar, 10 from Kuwait, four from Morocco, three from Bahrain and two entries each from Egypt, Jordan and Oman.

#### TOP LISTED COMPANIES 2024 IN MIDDLE EAST

Company	Country	Sector	Market Value (US\$ billion)
1- Saudi Aramco	KSA	Energy	1900
2- Saudi National Bank (SNB)	KSA	Banks & Financial Services	59.1
3- International Holding Company (IHC)	UAE	Investments	238.6
4- QNB Group	Qatar	Banks & Financial Services	35.1
5- First Abu Dhabi Bank (FAB)	UAE	Banks & Financial Services	37.5
6- Emirates NBD	UAE	Banks & Financial Services	28.8
7- alrajhi bank	KSA	Banks & Financial Services	82.7
8- TAQA Group	UAE	Utilities	85.7
9- Saudi Electricity Company (SEC)	KSA	Utilities	21.5
10- Kuwait Finance House (KFH)	Kuwait	Banks & Financial Services	39.0
11- stc Group	KSA	Telecommunications	51.1
12- ADNOC Gas	UAE	Energy	62.1
13- e&	UAE	Telecommunications	40.2
14- ADCB Group	UAE	Banks & Financial Services	16.6
15- Alpha Dhabi Holding (ADH)	UAE	Investments	38.6
16- National Bank of Kuwait (NBK)	Kuwait	Banks & Financial Services	23.3
17- Riyadh Bank	KSA	Banks & Financial Services	22.2
18- Dubai Electricity and Water Authority (DEWA)	UAE	Utilities	32.3
19- Saudi Awwal Bank (SAB)	KSA	Banks & Financial Services	21.9
20- Emaar Properties	UAE	Real Estate & Construction	19.6
21- Dubai Islamic Bank (DIB)	UAE	Banks & Financial Services	10.8
22- Alinma Bank	KSA	Banks & Financial Services	21.7
23- Mashreq	UAE	Banks & Financial Services	9.8
24- Banque Saudi Fransi (BSF)	KSA	Banks & Financial Services	11.6
25- Saudi Arabian Mining Company (Ma'aden)	KSA	Industrials	51.0
26- arab national bank (anb)	KSA	Banks & Financial Services	11.4
27- Abu Dhabi Islamic Bank (ADIB)	UAE	Banks & Financial Services	11.1
28- Attijariwafa bank group	Morocco	Banks & Financial Services	10.7
29- Qatar Islamic Bank (QIB)	Qatar	Banks & Financial Services	11.6
30- Aldar Properties	UAE	Real Estate & Construction	11.0
31- Ooredoo Group	Qatar	Telecommunications	8.8
32- Borouge	UAE	Petrochemicals	19.9
33- Industries Qatar (IQ)	Qatar	Industrials	19.9
34- Zain Group	Kuwait	Telecommunications	6.8
35- Bank Albilad	KSA	Banks & Financial Services	11.6
36- Arab Bank	Jordan	Banks & Financial Services	3.9
37- Emaar Development	UAE	Real Estate & Construction	9.3
38- Commercial Bank	Qatar	Banks & Financial Services	4.7
39- Almarai	KSA	Food & Beverages	15.0
40- Etihad Etisalat Company (Mobily)	KSA	Telecommunications	10.6
41- ADNOC Distribution	UAE	Retail	11.8
42- BCP Group	Morocco	Banks & Financial Services	5.9
43- Masraf Al Rayan	Qatar	Banks & Financial Services	6.3
44- ACWA Power	KSA	Utilities	81.9
45- ADNOC Drilling	UAE	Energy	16.7
46- SABIC Agri-Nutrients Company	KSA	Industrials	13.8
47- Commercial Bank of Dubai (CBD)	UAE	Banks & Financial Services	5.5
48- AD Ports Group	UAE	Logistics	7.6
49- Emirates Islamic	UAE	Banks & Financial Services	9.8
50- Bank Muscat	Oman	Banks & Financial Services	5.1

Sources: Forbes, Bank Audi's Group Research Department

# Bank Audi

In details, Saudi Aramco retains the top spot this year with US\$ 660.8 billion in assets and US\$ 1.9 trillion in market value, followed by the Saudi National Bank and the International Holding Company. The banking and financial services sector is the most represented with 45 entries generating aggregate sales of US\$ 223.5 billion, with US\$ 3.3 trillion in assets. However, the energy sector, represented by five companies, is the most profitable, with a combined profit of US\$ 127.5 billion, with Aramco contributing to the highest share.

The 2024 list welcomed six new companies including the UAE's ADNOC Gas, Borouge, PureHealth Holding and ADNOC Logistics & Services, and Saudi's Elm and ADES Holding. While notable dropouts include SABIC (ranked 2nd last year) after being hit by a US\$ 102.5 million loss in 2023, compared to a US\$ 6.3 billion profit in 2022.

---

## MOODY'S AFFIRMS BAHRAIN'S RATINGS AT "B2" WITH A "STABLE" OUTLOOK

Moody's (Moody's Investors Service) affirmed the Government of Bahrain's long-term issuer ratings at "B2" and maintained the "stable" outlook.

The affirmation of the "B2" ratings reflects Bahrain's very weak and deteriorating debt burden and debt affordability metrics, and its elevated government liquidity and external vulnerability risks, which Moody's expects to remain the key features of the government's credit profile in the near future.

These challenges are mitigated by a demonstrated commitment of financial, economic and political support from the governments of Saudi Arabia (A1 positive), Kuwait (A1 stable) and Abu Dhabi (Aa2 stable), which the agency expects to continue to limit downside credit risks for Bahrain despite the government's lack of progress in addressing its structurally large fiscal deficits, including off-budget spending, and the resulting inability to durably arrest its rising debt burden. Moody's estimates that Bahrain's government debt reached more than 130% of GDP at the end of 2023 and would likely increase further in the coming years.

The affirmation also incorporates Bahrain's relatively high per-capita income and its relatively well-diversified economy, which support the sovereign's shock absorption capacity and economic resilience, and the improvements in Bahrain's external sector since 2021, which have supported accumulation of its official foreign-currency buffers, albeit from a very low base.

On the other hand, the "stable" outlook reflects the balance of risks at the "B2" rating level. The risk is that over the next several years Bahrain's fiscal metrics deteriorate more than Moody's currently expects, in particular if oil prices decline more rapidly and more significantly than the agency currently assumes, is balanced by the high likelihood that, if required, the neighboring GCC governments would extend additional financial support to the government of Bahrain in order to ensure the country's financial, economic and political stability.

The "stable" outlook also assumes no escalation of the ongoing tensions in the Middle East that could durably disrupt maritime traffic through the Strait of Hormuz and lead to a sharp tightening of financing conditions facing Bahrain.

# Bank Audi

## CORPORATE NEWS

### NMDC ENERGY JV LANDS US\$ 5.5 BILLION ADNOC EPC CONTRACT

NMDC Energy (formerly NPCC), in partnership with French group Technip Energies and Japan's JGC Corporation, secured a US\$ 5.5 billion contract from Abu Dhabi National Oil company (ADNOC), to provide Engineering, Procurement and Construction (EPC) services for its lower-carbon Ruwais LNG project in Abu Dhabi, as mentioned in a company statement.

The project, located in Al Ruwais Industrial City, consists of two natural gas liquefaction trains with a total LNG production capacity of 9.6 million tons per annum (MTPA). The plant would use electric-driven motors instead of conventional gas turbines and would be powered by clean energy.

It is worth noting that the ADNOC plant is set to be the first LNG export facility in MENA region to run in clean power, making it one of the lowest-carbon intensity LNG plants in the world.

The project would more than double ADNOC's LNG production capacity, aligning with global natural gas demand and the shift towards decarbonization.

### SAUDI PIF-BACKED CEER SIGNS US\$ 2.2 BILLION DEAL WITH HYUNDAI TRANSYS

Saudi PIF-backed Ceer, Saudi Arabia's first Electric Vehicle (EV) brand and Original Equipment Manufacturer (OEM), signed a US\$ 2.18 billion (SR 8.2 billion) partnership with Hyundai Transys for the supply of innovative Electric Vehicle Drive Systems (EDS) for its vehicles, as reported in a company statement.

Ceer stated that Hyundai Transys' integrated Electric Drive System is a revolutionary three-in-one solution incorporating a motor for propulsion, an inverter and a reduction gear.

This advanced system significantly reduces size and weight while enhancing power efficiency, thereby streamlining the EV design process and boosting cost competitiveness.

### ARADA AWARDS US\$ 394 MILLION CONSTRUCTION CONTRACTS FOR SHARJAH MEGA PROJECT

UAE-based developer Arada awarded two contracts worth US\$ 394 million (AED 1.48 billion) for the construction of Sequoia and Saro, the final two phases of its mega woodland project Masaar in Sharjah, as revealed in a company statement.

The first contract valued at AED 650 million, was awarded to Pivot Engineering & General Contracting, for the construction of 428 homes within Sequoia phase. The Abu Dhabi-based builder is already working on the construction of residential units at Kaya, the second phase of Masaar.

The second contract worth AED 830 million for the mega project's sixth and final phase, Saro, featuring a total of 597 residential units was clinched by Sharjah-based contractor Intermass.

The construction on the Sequoia and Saro would begin immediately, with all 1,025 homes expected to be completed by summer 2026.

These awards increase the number of homes under construction at Masaar to 2,570, with 430 homes in Masaar's first phase having been completed at the end of 2023.

# Bank Audi

---

## QATARENERGY SELECTS CPC AS NFE PARTNER AND SIGNS 27-YEAR LNG DEAL

QatarEnergy signed definitive agreements with CPC Corporation Taiwan (CPC), covering the long-term supply of LNG to CPC and partnership in the North Field East LNG expansion project (NFE), as reported in a company statement.

The two parties signed an LNG Sales and Purchase Agreement (SPA) for the delivery of four Million Tons Per Annum (MTPA) of LNG from the NFE project to CPC over a period of 27 years.

The two sides also signed a share sale and purchase agreement pursuant to which QatarEnergy would transfer to CPC a 5% interest in the equivalent of one NFE train with a capacity of eight MTPA. This transfer would see CPC become a partner in the NFE project without affecting the participating interests of any of the other shareholders in the project.

It is worth noting that the NFE project is part of the overall North Field LNG expansion program that also includes the North Field South and North Field West projects, which together would raise Qatar's LNG production capacity from the current 77 MTPA to 142 MTPA in 2030

---

## DELL TECHNOLOGIES AND ARAMCO TO TAP EMERGING TECHNOLOGIES POTENTIAL

Dell Technologies, an American technology company, and Saudi oil giant Aramco signed a Memorandum of Understanding (MoU) to explore opportunities in quantum computing, Artificial Intelligence (AI), edge computing solutions and advanced computing architectures, as indicated in a company statement.

The role of technologies such as AI-enabled edge and quantum computing can help address complex problems in areas such as energy optimization, predictive maintenance, weather modelling and materials science.

The combination of AI and edge computing, along with a robust and scalable enterprise IT infrastructure, is expected to allow businesses to optimize operations, foster real-time data processing, and enhance computational efficiencies.

The MoU underscores Aramco's aim to drive innovation in the global energy sector and paves the way for potential collaborations that could lead to future technological advancements.

---

## EDGE AND ADANI DEFENCE & AEROSPACE SIGN AGREEMENT

UAE-based Edge, one of the world's leading advanced technology and defense groups, signed a cooperation agreement with Adani Defence & Aerospace, one of the leading defense and aerospace companies of India, as mentioned in a company statement.

The agreement aims to establish a global platform leveraging the defense and aerospace capabilities of both companies to bring together their respective product portfolios and cater to the requirements of global and local customers.

This includes evaluating cooperation across Edge's and Adani's core product domains, including missiles and weapons covering airborne, surface, infantry, ammunition, and air defense products, platforms and systems covering Unmanned Aerial Systems (UAS), loitering munitions, counter drone systems, Unmanned Ground Vehicles (UGV), as well as Electronic Warfare (EW) and cyber technologies.

The agreement would also explore the establishment of R&D facilities in India and the UAE; the setting up of development, production and maintenance facilities of defense and aerospace solutions to not just serve the two captive markets, but also Southeast Asian and wider global markets.



# Bank Audi

## CAPITAL MARKETS

### EQUITY MARKETS: MIXED ACTIVITY IN MENA EQUITY MARKETS AHEAD OF ADHA HOLIDAYS

Activity was mixed in MENA equity markets ahead of Adha holidays, as market players balanced a global risk-on-mood stoked by cooling May US inflation and bets about two rate cuts this year, in addition to surging oil prices and some favorable company-specific factors, against the US Fed conservative approach, some unfavorable market-specific factors and news that a Saudi-US 50-year petrodollar pact has expired with no renewal. This was mirrored by a shy rise in the S&P Pan Arab Composite index of 0.2%.

The heavyweight Saudi Exchange saw two-way flows this week, as reflected by a tiny increase in the S&P Saudi index of 0.1%, mainly as market players weighed a global equity strength, Brent oil price rebounds (+3.8% to reach US\$ 82.62 per barrel on Friday) and some favorable company-specific factors, against a 1.7% year-on-year contraction in the Saudi real GDP growth in the first quarter of 2024, and news that the Kingdom didn't renew a 50-year petrodollar agreement with the US.

A glance on individual stocks shows that Walaa Cooperative Insurance Company's share price increased by 3.7% week-on-week to SR 25.55. EFG Hermes raised its commendation for Walaa Cooperative Insurance Company's stock to "Neutral" from "Sell", with a price target of SR 25, which implies a 0.6% increase from last price. Abdul Mohsen Al-Hokair Tourism & Development Company's share price jumped by 6.5% to SR 2.63. AlphaMena raised its recommendation on Abdul Mohsen Al-Hokair Tourism & Development's stock to "Add" from "Reduce", with a price target of SR 2.82, which implies a 14% increase from last price. Mouwasat Medical Services Company's share price surged by 7.8% to SR 121.60. Al Rajhi Capital raised its recommendation on Mouwasat Medical Services' stock to "Overweight" from "Neutral", with a price target of SR 136, which implies a 16% increase from last price. Dar Al Arkan Real Estate Development Company's share price closed 1.4% higher at SR 12.00. EFG-Hermes reinstated coverage of Dar Al Arkan Real Estate Development's stock with a recommendation of "Buy", and a price target of SR 15.50, which implies a 27% increase from last price.

In contrast to Atheem Telecom's share prices topped the losers' list on the Saudi Exchange this week, plunging by 16.5% SR 88.90, followed by ACWA Power's shares with -13.2% to SR 331.80. Also, petrochemicals giant Saudi Aramco's share price shed 2.1% to SR 27.70. SABIC's share price retreated by 1.3% to SR 73.50. Advanced Petrochemical Company's share price decreased by 2.8% to SR 38.10. Saudi Kayan Petrochemical Company's share price declined by 1.0% to SR 8.01. Sipchem's share price closed 1.4% lower at SR 29.20.

### EQUITY MARKETS INDICATORS (JUNE 9 - JUNE 15, 2024)

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	150.6	-0.2%	-17.4%	4.2	11.4%	0.1	17,022.9	1.3%	-	0.35
Jordan	363.0	-0.9%	-1.8%	32.7	52.3%	17.3	23,087.6	7.4%	8.9	1.12
Egypt	231.2	-1.1%	-31.5%	276.7	9.1%	4,062.7	36,814.6	39.1%	8.3	2.15
Saudi Arabia	497.1	0.1%	-5.0%	14,392.5	82.4%	2,383.7	2,659,102.3	28.1%	15.7	4.00
Qatar	156.5	1.5%	-11.5%	641.6	26.6%	957.2	154,294.3	21.6%	12.4	1.50
UAE	125.0	0.8%	-9.3%	2,248.5	-10.8%	3,234.0	931,471.2	12.6%	11.8	2.15
Oman	257.1	-1.8%	2.5%	37.7	50.1%	89.3	23,911.4	8.2%	11.6	1.09
Bahrain	242.4	0.5%	7.9%	8.1	-12.9%	20.7	19,298.2	2.2%	13.8	1.38
Kuwait	130.8	-0.2%	4.0%	806.7	26.3%	1,109.4	133,582.7	31.4%	17.1	1.96
Morocco	279.0	-1.2%	6.0%	107.5	-32.4%	5.0	68,262.5	8.2%	19.3	3.09
Tunisia	66.7	0.5%	3.8%	36.2	241.6%	13.4	8,179.4	23.0%	10.3	1.71
<b>Arab Markets</b>	<b>920.5</b>	<b>0.2%</b>	<b>-5.5%</b>	<b>18,592.4</b>	<b>54.4%</b>	<b>11,892.8</b>	<b>4,075,027.0</b>	<b>23.7%</b>	<b>14.6</b>	<b>3.32</b>

Values in US\$ million; volumes in millions

\* markets cap-weighted averages

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

## Bank Audi

Boursa Kuwait saw mixed price movements this week, as reflected by a 0.2% retreat in the S&P Kuwait index, as a lull mood governed ahead of Adha holidays, while some market players weighed the US Fed's conservative approach against rising oil prices and global equity price gains.

A glance on individual stocks shows that National Bank of Kuwait's share price decreased by 0.6% over the week to Kwf 855. Kuwait Finance House's share price nudged down by 0.3% to Kwf 720. Boubyan Bank's share price closed 0.5% lower at Kwf 576. Mobile Telecommunications' share price declined by 0.7% to Kwf 447. Independent Petroleum Group's share price fell by 3.6% to Kwf 480. Agility Public Warehousing's share price declined by 0.7% to Kwf 293. Mabanee's share price shed 2.5% to Kwf 831. The Commercial Real estate Company's share price contracted by 3.6% to Kwf 134.

In contrast, Commercial Bank of Kuwait's share price went up by 2.0% week-on-week to Kwf 510. Kuwait International Bank's share price rose by 2.8% to Kwf 182. National Industries Group Holding's share price expanded by 4.6% to Kwf 227. Kuwait Insurance Company's share price surged by 4.0% to Kwf 515. Heavy Engineering Industries and Shipbuilding's share price rose by 2.0% at Kwf 928. National Industries Group's share price jumped by 4.6% to Kwf 227.

The Qatar Stock Exchange extended its upward trajectory this week, as reflected by a 1.5% increase in the S&P Qatar index, mainly helped by oil price gains, and tracking global risk-on mood following cooler-than-anticipated May US consumer prices and as the US Fed Chair kept the door open for more rate cuts. 30 out of 52 traded stocks registered price gains, while 18 stocks posted price falls and four stocks saw no price change week-on-week.

A closer look at individual stocks shows that QNB's share price surged by 3.7% over the week to QR 14.180. Masraf Al Rayan's share price increased by 1.1% to QR 2.355. The Commercial Bank's share price rose by 2.0% to QR 3.997. Dukhan Bank's share price nudged up by 0.2% to QR 3.563. Doha Bank's share price closed 0.3% higher at QR 1.396. Also, Industries Qatar's share price went up by 2.1% to QR 12.180. Gulf International Services' share price jumped by 5.2% to QR 3.292. QNB Financial Services raised its recommendation on Gulf International Services' stock to "Outperform" from "Accumulate", with a price target of QR 3.90, which implies a 25% increase from last price. Mesaieed Petrochemical Holding Company's share price edged up by 0.2% to QR 1.708. QatarEnergy plans to build a salt production plant in the Um Al Houll area in Qatar through a joint venture by Mesaieed Petrochemical Holding Company, Qatar Industrial Manufacturing Co. (QIMC), and other strategic partners. Nakilat's share price climbed by 5.4% to QR 4.532. Qatar Navigation's share price closed 1.4% higher at QR 10.800. Ooredoo's share price rose by 2.5% to QR 9.770. Qatar National Cement's share price went up by 2.6% to QR 3.607.

### FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS MOSTLY SKEWED TO UPSIDE, TRACKING US TREASURIES MOVE

Activity in MENA fixed income markets remained mostly tilted to the upside this week, mainly tracking US Treasuries move as cooling May US inflation sparked bets about two interest rate cuts by the US Federal Reserve in the fourth quarter of 2024, despite the Fed's conservative approach in its June FOMC meeting.

In the Abu Dhabi credit space, sovereigns maturing in 2027 and 2031 posted weekly price gains of 0.18 pt and 0.36 pt respectively. Mubadala'26 and '27 were up by 0.13 pt each. ADNOC'29 closed up by 0.39 pt. Prices of Taqa'28 went up by 0.47 pt. Fitch Ratings upgraded Taqa's long-term IDR and senior unsecured rating to "AA" from "AA-" and removed them from Under Criteria Observation. The outlook on the IDR is "Stable". The upgrade follows Fitch's reassessment of Taqa's links with Abu Dhabi under Fitch's updated Government-Related Entities Rating Criteria.

In the Dubai credit space, sovereigns maturing in 2029 posted price increases of 0.41 pt week-on-week. Prices of Emaar'26 rose by 0.13 pt. DP World'30 was up by 0.21 pt. Prices of Majid Al Futtaim'29 rose by 0.59 pt. Emirates Airlines'28 closed up by 0.12 pt. Amongst financials, Emirates NBD Perpetual (offering a coupon of 6.125%) registered price decreases of 0.09 pt.

# Bank Audi

Regarding new issues in the UAE, Arada raised US\$ 400 million from the sale of a five-year Reg S Sukuk at a yield of 8% compared to an initial price guidance in the 8.625% area.

In the Saudi credit space, sovereigns maturing in 2026, 2027, 2030 and 2031 recorded price expansions of up to 0.53 pt this week. SABIC'28 traded up by 0.44 pt. SEC'28 posted price rises of 0.45 pt. Prices of Saudi Aramco'25 went up by 0.15 pt. STC'29 traded up by 0.17 pt. In an attempt to boost the Saudi debt capital market and make local corporate bonds more appealing to foreign investors, the Saudi Capital Market Authority unveiled that it is considering to eliminate a 5% withholding tax on interest payments.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 recorded price gains of 0.11 pt and 0.54 pt respectively this week. Prices of Ooredoo'26 went up by 0.11 pt. Amongst financials, QNB'25 and '26 traded up by 0.11 pt and 0.13 pt respectively. In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 registered price expansions of up to 0.26 pt week-on-week.

In the Bahraini credit space, sovereigns maturing in 2031 and 2032 saw price increases of 0.25 pt and 0.64 pt respectively, while sovereigns maturing in 2026 saw price falls of 0.12 pt this week. Prices of NOGA'27 rose by 0.39 pt.

In the Kuwaiti credit space, prices of sovereigns maturing in 2027 increased by 0.19 pt week-on-week. KIPCO'27 closed up by 0.10 pt. In the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2030 recorded price contractions of up to 0.48 pt this week.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2032 and 2040 posted price drops of 0.27 pt, 0.20 pt and 0.24 pt respectively, while sovereigns maturing in 2030 recorded price gains of 0.27 pt week-on-week. Euro-denominated sovereigns maturing in 2026 recorded price gains of 0.24 pt, while sovereigns maturing in 2031 recorded price falls of 0.22 pt.

All in all, regional bond markets saw mostly upward price movements this week, mainly tracking increases in US Treasuries, as the US Fed dot plot showed that it was a pretty narrow decision between one and two quarter-point rate cuts, with four out of the 19 members expecting to hold the rate in its current range,

## MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	14-Jun-24	07-Jun-24	31-Dec-23	Week-on-week	Year-to-date
Abu Dhabi	40	40	41	0	-1
Dubai	61	62	63	-1	-2
Kuwait	62	62	46	0	16
Qatar	40	40	46	0	-6
Saudi Arabia	52	51	54	1	-2
Bahrain	178	178	204	0	-26
Morocco	86	88	111	-2	-25
Egypt	625	591	1,152	34	-527
Iraq	367	367	450	0	-83
Middle East	168	164	241	4	-73
Emerging Markets	62	55	42	7	20
Global	308	307	379	1	-71

Sources: Bloomberg, Bank Audi's Group Research Department

# Bank Audi

## SOVEREIGN RATINGS & FX RATES

### SOVEREIGN RATINGS

	Standard & Poor's	Moody's	Fitch
<b>LEVANT</b>			
Lebanon	SD/-/SD	C/Stable	RD/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	Ba3/Stable	BB-/Stable/B
Egypt	B-/Negative/B	Caa1/Positive	B-/Positive/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
<b>GULF</b>			
Saudi Arabia	A/Stable/A-1	A1/Positive	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1*	Aa2/Stable	AA-/Stable/F1+
Qatar	AA/Stable/A-1+	Aa2/Stable	AA/Positive/F1+
Kuwait	A+/Stable/A-1+	A1/Stable	AA-/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	B+/Stable/B
Oman	BB+/Positive/B	Ba1/Stable	BB+/Stable/B
Yemen	NR	NR	NR
<b>NORTH AFRICA</b>			
Algeria	NR	NR	NR
Morocco	BB+/Positive/A-3	Ba1/Stable	BB+/Stable/B
Tunisia	NR	Caa2/Stable	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\$)	14-Jun-24	07-Jun-24	31-Dec-23	Weekly change	Year-to-date
<b>LEVANT</b>					
Lebanese Pound (LBP)	89,500.00	89,500.00	15,000.00	0.0%	496.7%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	47.71	47.53	30.89	0.4%	54.4%
Iraqi Dinar (IQD)	1,310.00	1,310.00	1,310.00	0.0%	0.0%
<b>GULF</b>					
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)	3.64	3.64	3.64	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.31	0.31	0.31	0.0%	-0.6%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	0.0%	0.1%
Yemeni Riyal (YER)	250.30	250.33	250.27	0.0%	0.0%
<b>NORTH AFRICA</b>					
Algerian Dinar (DZD)	134.55	134.45	134.17	0.1%	0.3%
Moroccan Dirham (MAD)	9.99	9.92	9.88	0.7%	1.1%
Tunisian Dinar (TND)	3.14	3.12	3.07	0.6%	2.3%
Libyan Dinar (LYD)	4.85	4.83	4.77	0.4%	1.7%
Sudanese Pound (SDG)	647.81	647.81	647.81	0.0%	0.0%

NR = Not Rated

RWN = Rating Watch Negative

RUR = Ratings Under Review

\*Emirate of Abu Dhabi Ratings

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

## DISCLAIMER

The content of this publication is provided as general information only and should not be taken as an advice to invest or engage in any form of financial or commercial activity. Any action that you may take as a result of information in this publication remains your sole responsibility. None of the materials herein constitute offers or solicitations to purchase or sell securities, your investment decisions should not be made based upon the information herein.

Although Bank Audi sal considers the content of this publication reliable, it shall have no liability for its content and makes no warranty, representation or guarantee as to its accuracy or completeness.