

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

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

Zeina Labban
(961-1) 952426
zeina.labban@bankaudi.com.lb

Michele Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Economy

p.2 MOODY'S SAYS GCC FUND FIRMS EXPECT OIL PRICE SURGE TO SUPPORT AUM AND NET INFLOWS

Asset managers in the Gulf Cooperation Council (GCC) countries expect higher oil prices to boost their assets under management (AUM) and attract higher fund inflows, according to Moody's 2022 survey of chief investment officers (CIOs) from eight leading GCC fund firms.

Also in this issue

- p.3** Dubai's warehousing costs is up by 8% year-on-year
- p.3** Dubai firms' exports, re-exports rise 20% to US\$ 48 billion in the first eight months
- p.3** 1,659 flats and villas were sold in Dubai for US\$ 956 million in a week
- p.3** Saudi Arabia's non-oil exports rose 26% in July 2022
- p.4** Egypt's gas export revenues up to US\$ 8 billion in fiscal year
- p.4** Bahrain's GDP growth at 6.9% in Q2 2022
- p.4** Egypt's food exports to France rose 15% in 2021

Surveys

p.5 UAE RANKS FIRST IN MENA AND 11TH GLOBALLY IN UNIDO'S INDEX

Based on a report issued by United Nations Industrial Development Organization (UNIDO) and the International Network and Quality Infrastructure (INet QI), the United Arab Emirates has been ranked first in the MENA region and 11th globally in the 2022 Quality Infrastructure for Sustainable Development Index.

Also in this issue

- p.5** UAE jumps 18 positions in global Economic Freedom index
- p.6** Fitch Solutions launch its Middle East and Africa Telecommunications Insight

Corporate News

p.7 SAUDI ARABIA PLANS US\$ 9 BILLION NEW IRON AND STEEL PROJECTS

Saudi Arabia is to build three projects in the iron and steel sector with a combined production capacity of 6.2 million tons and a value of around SAR 35 billion (US\$ 9.3 billion), Saudi Minister of Industry and Mineral Resources said in a statement.

Also in this issue

- p.7** NWC signs US\$ 423 million contracts for wastewater treatment plants
- p.7** ADNOC Drilling to acquire two rigs for US\$ 140 million
- p.7** Doosan Enerbility was awarded US\$ 383 million Saudi power plant deal
- p.8** Etihad Rail seals partnership deals with top transport firms
- p.8** ADQ backs US\$ 200 million fund to invest in tech start-ups

Markets In Brief

p.9 MARKETS IN BRIEF: PRICE FALLS ACROSS MENA CAPITAL MARKETS, ON MOUNTING GLOBAL RECESSION FEARS STOKED BY MORE HAWKISH THAN EXPECTED US FED APPROACH

MENA equity markets slipped back into a negative territory this week (-3.1%), mainly tracking global equity weakness (-5.1%) on mounting fears of a global economic downturn, with the World Bank warning in a recent report that the world may be edging toward a global recession in 2023 as Central Banks across the world are simultaneously hiking interest rates in response to rampant inflation. This was exacerbated by an oil price slump stoked by darkened global oil demand outlook. Concomitantly, regional bond markets saw across-the-board downward price movements, after the US Federal Reserve raised its benchmark rate by 75 bps for the third time in a row this year, pointing to a more hawkish than expected approach that has put a fourth-straight 75 bps hike on the table for the November FOMC meeting.

MENA MARKETS: SEPTEMBER 18 - SEPTEMBER 24, 2022

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-3.1%	Weekly Z-spread based bond index	+3.9%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+0.9%	YTD Z-spread based bond index	-11.7%

ECONOMY

MOODY'S SAYS GCC FUND FIRMS EXPECT OIL PRICE SURGE TO SUPPORT AUM AND NET INFLOWS

Asset managers in the Gulf Cooperation Council (GCC) countries expect higher oil prices to boost their assets under management (AUM) and attract higher fund inflows, according to Moody's 2022 survey of chief investment officers (CIOs) from eight leading GCC fund firms. This will support fee revenues, although the sector also faces headwinds from more volatile markets, higher inflation and rising interest rates. Respondents expect continued strong demand for Shariah compliant investments, but foresee more moderate growth in investments that meet environmental social and governance (ESG) criteria.

Higher oil prices to drive net inflows and stronger AUM. Respondents are bullish regarding AUM levels despite the global market downturn. This is because high oil prices will support the value of their portfolios, which consist mainly of regional assets, while also attracting net new money. This will help counteract the adverse impact of volatile markets, higher inflation and rising rates.

Fee revenue will grow, but so will costs. Two thirds of respondents expect a modest increase in fee income, while 25% expect the rise to be significant. However, three quarters expect costs to rise, and 62% expect at least a modest increase in competitive pressure. Margin pressure, product innovation, and intensifying competition are the key three factors influencing the industry fundamentals.

Market volatility, inflation and rates are key concerns. Respondents see capital market volatility as their single biggest challenge, with 88% placing it among their top three worries. Higher inflation, which erodes asset values and increases payroll costs, and rising interest rates, which push up borrowing costs and weigh on bond prices, are also significant concerns.

Appetite for Islamic assets remains strong. Over 60% of respondents expect demand for Islamic products to outpace demand for conventional investments. An increasingly diverse Islamic product offering and the natural overlap between Islamic and socially conscious investing are also growth drivers. However, Islamic funds' relative lack of scale and the limited number of specialist Islamic asset managers are impediments to growth.

Growth in demand for ESG products to slow. Half of respondents expect a modest increase in demand for investments that meet ESG criteria. However, only one company expected a significant increase, down from three last year. Moody's believes this reflects the recent outperformance of the oil and energy sector, which will likely divert some inflows away from ESG friendly sectors as per Moody's.

DUBAI'S WAREHOUSING COSTS IS UP BY 8% YEAR-ON-YEAR

Warehousing costs in Dubai rose by 7.7% in June 2022 year-on-year, to be considered one of the most premium warehousing markets in the world, according to Savills, a real estate services provider.

The average cost of warehouse property across 52 global markets increased by 8.4% yearly in June 2022, according to Savills.

This increase is illustrated as demand surged for industrial and logistics space in the wake of the pandemic, as per Savills.

Strong demand and lack of Grade A stock in Dubai has led to warehouse occupancy costs rising to US\$19 per square foot, putting it in fourth position.

The rising warehouse costs are only part of occupiers' decision-making process when it comes to space: labour costs have also risen an average of 6% globally in the past year, whilst electricity and diesel costs jumped 39.4%, according to Savills.

Changing consumer behaviour, the ecommerce boom and shifting supply chains, resulting in a lack of space and rental growth in many highly constrained markets, have driven the global warehousing market to new heights, said the Director in the Savills in a statement.

DUBAI FIRMS' EXPORTS, RE-EXPORTS RISE 20% TO US\$ 48 BILLION IN THE FIRST EIGHT MONTHS

Dubai's firms recorded a surge in exports and re-exports in the first eight months of the year standing at AED 177 billion (US\$ 48.2 billion) representing a 20% rise when compared to same period of previous year, the Dubai Chamber of Commerce and Industry (DCCI) said in a statement.

It is worth noting that these figures are related to companies registered with DCCI only.

The total number of DCCI members has reached more than 314,000, revealing an increase of 69%.

These figures reflect the attractiveness of Dubai as a business destination, the DCCI said.

1,659 FLATS AND VILLAS WERE SOLD IN DUBAI FOR US\$ 956 MILLION IN A WEEK

The transactions for the week ending 23 September reported 1,659 apartments and villas that were sold for AED 3.5 billion and 243 plots valued at AED 1.3 billion, as mentioned in a statement.

Dubai's property market logged 2,401 deals worth AED 6.7 billion (US\$ 1.8 billion) in one week, according to the Dubai Land Department (DLD).

It is worth noting that the biggest deal of the week was for a land in Burj Khalifa worth AED100 million.

Mortgaged properties during the period reached AED 1.7 billion.

SAUDI ARABIA'S NON-OIL EXPORTS ROSE 26% IN JULY 2022

Saudi Arabia's non-oil exports rose by 26% year-on-year in July 2022 to reach SAR 26.7 billion (US\$ 7.1 billion), as per the Saudi General Authority for Statistics .

Total exports in the same month increased by 59% year-on-year to SAR 140.8 billion due to higher oil exports which rose by 69% (SAR 46.6 billion).

The non-oil exports mainly comprised chemical and allied industries, accounting for 36% of the total.

However, total exports of July 2022 witnessed a 5% decrease (SAR 4 billion) when compared to the previous month (June 2022).

On the other hand, total imports increased by 18% in July to SAR 55.1 billion compared to SAR 46.6 billion in the same period last year, yielding a positive trade balance of SAR 86 billion.

It is worth mentioning that the kingdom's crude exports grew by 188,000 b/d to 7.38 million b/d in July, a 27-month high, as per Joint Organizations Data Initiative (JODI).

EGYPT'S GAS EXPORT REVENUES UP TO US\$ 8 BILLION IN FISCAL YEAR

Egypt witnessed a significant hike in its natural gas export revenues, reaching US\$ 8 billion in the fiscal year 2021/2022, up from \$0.6 billion in 2013/2014, according to Information and Decision Support Centre (IDSC).

This performance is reported as 13-fold over increase in the past eight years, as per (IDSC).

In details, Egypt has quadrupled its exports of LNG and natural gas over the past eight years from 1.9 million tons to 7.2 million tons. Moreover, Egypt signed 108 agreements with international companies for the excavation of gas and petrol with a minimum investment value of US\$ 22 billion over the same mentioned period.

Finally, Egypt's production reached 69.2 billion m3 in 2021/2022 compared to 41.6 billion m3 in 2015/2016, witnessing a growth of 66.3%, as per IDSC.

BAHRAIN'S GDP GROWTH AT 6.9% IN Q2 2022

Bahrain's oil sector growth will be driven by higher oil production, despite a decline in the first quarter, as per ICAEW and compiled by Oxford Economics.

Based on the current OPEC+ agreement, Bahrain will see a modest increase in oil production in 2022 to 0.19 million barrels per day from 0.17 million bpd.

The rise of inflationary pressures and rate hikes by the US Fed will force the Central Bank of Bahrain into more rate increases, beyond the 225 basis points cumulative increase in the key policy rate already this year.

Inflation averaged 3.4% in the first half this year, then rising to 3.9% in July. Inflation is foreseen to average 3.9% this year after prices fell annually in both 2020 and 2021, as per ICAEW.

Consumer spending is likely to be increasingly constrained going into 2023, leading to a GDP growth slowdown to below 2% by 2024.

Finally, the current account returned to surplus in 2021 at 6.7% of GDP, the largest surplus since 2013.

EGYPT'S FOOD EXPORTS TO FRANCE ROSE 15% IN 2021

Egypt's food industry exports to France grew by 15% in 2021 standing at US\$50 million against US\$ 43 million in 2020, the Egyptian Food Export Council's (FEC) Deputy Executive Director said in a statement.

Ten food commodities dominated 92% of Egypt's food industry exports to France that reached around US\$ 45 million. Those commodities are mainly oil and resins which topped the list with US\$ 14 million, representing 29% of total exports, followed by oil seed and oleaginous fruits' exports with US\$ 7 million, representing 15%, followed by frozen strawberries and frozen vegetables came next with US\$ 7 million and US\$ 4 million, respectively.

135 Egypt-based companies exported processed food to France in 2021, including 16 firms whose exports exceed US\$ 1 million, representing 77% of the total exports, as per FEC.

In 2021, France was ranked 23rd in a list comprising top markets importing processed food from Egypt.

SURVEYS

UAE RANKS FIRST IN MENA AND 11TH GLOBALLY IN UNIDO'S INDEX

Based on a report issued by United Nations Industrial Development Organization (UNIDO) and the International Network and Quality Infrastructure (INet QI), the United Arab Emirates has been ranked first in the MENA region and 11th globally in the 2022 Quality Infrastructure for Sustainable Development Index.

QI is strongly linked to the economic size of a country. Countries are gathered into peer groups. Four GDP groups are identified based on 2020 GDP values:

- S below US\$ 10 billion.
- M between US\$ 10-100 billion.
- L between US\$ 100 billion-1 trillion.
- XL above US\$ 1 trillion.

The index is centered on five key indicators: metrology, accreditation, conformity assessment, policy, and standards.

The UAE, which is categorized in the "L group" of countries, scored 60. A closer look at indicators shows that the "policy" indicator had the highest score of 91, followed by accreditation with 79, standards with 53, conformity assessment 52 and metrology 23.

Regionally and within the same "L group", the UAE preceded Saudi Arabia, Egypt, Morocco, Algeria, Iraq, Qatar and Kuwait.

QUALITY INFRASTRUCTURE FOR SUSTAINABLE DEVELOPMENT INDEX 2022

Country	Global Rank	Index	Standards	Conformity	Metrology	Accreditation	Policy
United Arab Emirates	11	60	53	52	23	79	91
Saudi Arabia	25	47	55	46	32	1	100
Egypt	33	42	51	4	37	75	
Morocco	39	34	44	3	30	1	94
Algeria	41	28	43	2	15	51	
Iraq	43	17	42	2	22	1	
Qatar	44	16	43	3	15	1	
Kuwait	46	15	42	1	15	1	

Sources: United Nations Industrial Development Organization, Bank Audi's Research Department

UAE JUMPS 18 POSITIONS IN GLOBAL ECONOMIC FREEDOM INDEX

According to the Economic Freedom of the World report 2022, the UAE jumped by 18 positions in its 2020 ranking, reaching the 49th position globally, as a result of eased restrictions and increased access to new visas. The UAE's ranking has been significantly increasing over the past couple of years, reaching 7.35 out of 10 points, noting that the country provides investors and expatriates one of the highest levels of economic freedom in the Middle East.

The UAE has been classified the highest for the following reasons: enabling access to private sector credit, reduced licensing restrictions, zero income tax, financial openness, ease of starting a business, having the right to own foreign currency bank accounts, low tariffs, limited regulatory restrictions on the sale of real property, low inflation, the absence of black market exchange rates and highly friendly hiring regulations.

Furthermore, numerous measures have been implemented in the country to assist the process of the businesses. For instance, Abu Dhabi has canceled approximately 71% of the requirements to set up businesses, and eased many other procedures. Therefore, the cost for setting up and renewing business licenses decreased by more than 94%. Similarly, Dubai, the region's financial capital, also took several similar measures to facilitate the ease of doing business.

Globally, as stated in the Economic Freedom of the World report 2022, Honk Kong maintained its top position in the index. The next highest-scoring nations are Singapore, Switzerland, New Zealand, Denmark, Australia, the US, Estonia, Mauritius, and Ireland.

FITCH SOLUTIONS LAUNCH ITS MIDDLE EAST AND AFRICA TELECOMMUNICATIONS INSIGHT

Fitch Solutions said in a recent report titled “Middle East & Africa Telecommunications Insight” that the Saudi Telecommunication Company, the leading telecom operator in the Kingdom of Saudi Arabia, has launched its own submarine communications cable, “Vision”, that is located in the Red Sea. The cable has four landing stations in Jeddah, Yanbu, Duba and Haql, spanning 1,100 km.

STC is committed to be a part of the economic development strategy “Vision 2030”, which aims to decrease Saudi Arabia’s dependence on its hydrocarbon industry, and to achieve a higher GDP level through strengthening the public sector and the IT industry.

STC plays a vital role in enhancing the Kingdom’s connectivity and digitalization. It has already invested in 16 other regional submarine cables, and “Vision” would link to these cables to ensure a connection between Europe, Africa, and Asia. In July 2022, STC started building a subsea and terrestrial cable with Greek operator TTSA, to be known as the “East to Med Corridor (EMC)”, which would be finished by the year 2025. Moreover, in early 2022, STC craved out its digital infrastructure assets into a different entity, introduced as the MENA HUB, for the purpose of increasing the global connectivity with Saudi Arabia at the center. It was valued at SR 3.8 billion that is equivalent to US\$1 billion.

STC is also working on advancing the cloud computing operations in the Kingdom. According to Fitch Solutions estimates, Saudi Arabia is expected to emerge as the third largest cloud market in the Middle East and North Africa, rising at a CAGR of 27.8% between 2022 and 2027 to a total value of US\$ 3.46 billion.

Elsewhere in the region, regulation of Jordan’s fintech ecosystem is headed towards fostering an enabling environment for enhancing financial inclusion, led by the Central Bank of Jordan (CBJ), according to Fitch Solutions.

As promoting financial inclusion depends on access to account facilities and making cashless payments, most of the progress made so far in Jordan’s fintech industry has occurred within the digital payments vertical. By improving the access to financial services, the government aims to drive employment and economic growth.

In 2015, CBJ released electronic payments regulation, known as the Jordan Mobile Payment Switch (JoMoPay). In order to have access to JoMoPay, the CBJ released a PSP licensing guidelines. Moreover, consumers are allowed to hold a maximum of two e-wallet accounts. However, the high minimum capital requirement costs to hold a PSP license, hinders the entry for startups beginning their fintech journey. Consequently, the number of PSPs in Jordan is limited at seven, dominated by the mobile wallets operated by the country’s three cash-rich telcos: Zain, Orange and Umniah.

CBJ has simplified the KYC regulations so the consumers could set up e-wallet accounts more easily and onboard remotely via USSD or smartphone app.

On the other hand, major Jordanian banks have a stake in Umniah’s UWallet. The banks involved in the UWallet consortium have committed to the platform’s innovation, integrating new verticals such as rewards programs. In an effort to differentiate itself from competitors and reduce the gender gap as outlined in the NFIS, UWallet has created women-focused products with initiatives supporting women entrepreneurs.

The mass roll out of 5G would support the creation of advanced fintech verticals over the long term. In recent news, Jordan’s Telecommunications Regulatory Commission (TRC) is heading forward with the deployment of 5G networks and has signed agreements with Orange and Umniah. The TRC is expecting that by facilitating the deployment of 5G it would be able to increase competition and foreign investment in Jordan’s mobile market, which is a major contributor to economic growth. Moreover, the mass rollout of 5G networks is conducive to digital transformation and offers a broad variety of use cases for technology investment outside of traditional telecoms, as per Fitch Solutions.

The Jordanian government has also established several funds to encourage entrepreneurship in an effort to support SME growth as outlined in the Vision 2025 plan and NFIS.

CORPORATE NEWS

SAUDI ARABIA PLANS US\$ 9 BILLION NEW IRON AND STEEL PROJECTS

Saudi Arabia is to build three projects in the iron and steel sector with a combined production capacity of 6.2 million tons and a value of around SAR 35 billion (US\$ 9.3 billion), Saudi Minister of Industry and Mineral Resources said in a statement.

The construction of an integrated iron sheet production complex with a capacity of 1.2 million tons per year, with the complex focusing on shipbuilding, oil pipes and platforms and enormous oil reservoirs, Minister of Industry and Mineral Resources added.

NWC SIGNS US\$ 423 MILLION CONTRACTS FOR WASTEWATER TREATMENT PLANTS

Saudi Arabia's National Water Company (NWC) announced about two contracts worth around SAR 1.6 billion (US\$ 423 million) with private-sector consortiums under its Long-Term Operation and Maintenance Contracts (LTOM) program to rehabilitate, operate and maintain six wastewater treatment plants in Makkah and Jeddah, as mentioned in a statement.

It details, NWC awarded an LTOM contract worth around SAR 392 million to the Saudi consortium of Thabat and Miahona to rehabilitate, operate and maintain two sewage treatment plants in Makkah Al Mukarramah for a period of 10 years.

Moreover, NWC awarded another LTOM contract worth more than SAR 1.2 billion to consortium of France's Veolia and Saudi companies Awael and Civil Works Company (CWC) for four wastewater treatment plants in Jeddah for a 10-year period.

ADNOC DRILLING TO ACQUIRE TWO RIGS FOR US\$ 140 MILLION

ADNOC Drilling Co., a subsidiary of Abu Dhabi's national oil company ADNOC, is to acquire two offshore rigs for a total value of US\$ 140 million, as mentioned in a statement.

The sale and purchase agreement (SPA) of the subject project follows three such agreements in recent months to acquire four such rigs.

As such, ADNOC Drilling will own 32 rigs, making it one of the largest operating fleets of offshore jack-up rigs in the world, ADNOC Drilling Co. said in a statement.

DOOSAN ENERBILITY WAS AWARDED US\$ 383 MILLION SAUDI POWER PLANT DEAL

Doosan Enerbility Company, South Korea's power plant builder, obtained a US\$ 383 million contract for the construction of a combined heat and power plant in Saudi Arabia, as mentioned in a statement.

Doosan signed a deal with Korea Electric Power Corporation (Kepco) for the subject project coming up in Jafurah, 400 km east of Riyadh.

The construction work completion is scheduled for the second half of 2025, where it is expected that the plant will produce 320 MW of electricity and 314 tons an hour of steam to supply electricity and heat to the Jafurah gas field.

In details, Doosan will be in charge of the engineering, procurement and construction work as well as handling the supply of equipment, installation and test operations. Kepco will take care of business development and operation of the power plant, as mentioned in a statement.

ETIHAD RAIL SEALS PARTNERSHIP DEALS WITH TOP TRANSPORT FIRMS

Etiihad Rail, the developer and operator of the UAE's national rail network, unveiled MoUs with global transport giants - SNCF International, Alstom, Progress Rail and Thales, as mentioned in a statement.

The agreements aim supporting the UAE's economic development by driving the growth of the rail industry in the region, cover key areas which include rail operations and maintenance, service facilities, passenger stations and cargo transportation, while ensuring the integration of the latest technologies, the exchange of knowledge and expertise and investing in research and development.

All these agreements were signed at a ceremony held on the sidelines of InnoTrans 2022, the leading international trade fair for transport technology, being held in Berlin, Germany, Etiihad Rail said in a statement.

Under the terms of the MoU between Etiihad Rail and SNCF International, the two parties will collaborate and explore opportunities in different areas of mutual interest.

These areas include railway operations; train maintenance, workshops and training sessions; design, development and operations rail projects in the UAE, supply and maintenance of railway rolling stock; mobility and integration solutions between various modes of transport, station services and facilities, among others.

The MoU with Alstom centers on the integration of advanced technologies and services in the railway industry states that both parties will collaborate in a number of areas. These areas include railway innovations, from incubation to commercialization, including innovative sustainability in the field of train technology, mobility and integration solutions between various modes of transport, the performance of the railway and system's life cycle performance.

Furthermore, Etiihad Rail and Alstom will co-collaborate on a first and last-mile strategy, digitalization of mobility (MaaS system implementation, logical systems/IT architecture, cybersecurity); testing and commissioning, operation and maintenance, rolling stock configuration and facilities, the development of a learning ecosystem, local industrialization, as well as other areas of interest.

The MoU with Thales also places a major focus on the digitization of its services.

Under the terms of the agreement, both parties will collaborate in various areas including new generation rail control, European Train Control System (ETCS) Level 3, driver advisory system, intelligent traffic operation, asset management, real time passenger flow, data driven operation control center, video analytics, connectivity and passenger entertainment system, booking and ticketing system and mobility and integration solutions between various modes of transport.

In addition, the MoU with Progress Rail aims to discuss areas of cooperation to support sustainability in the railway industry through discussing potential opportunities for the development and deployment of an autonomous, zero-emissions port-to-port concept, which could serve as the foundation for future rail operations globally.

ADQ BACKS US\$ 200 MILLION FUND TO INVEST IN TECH START-UPS

Abu Dhabi's sovereign wealth fund ADQ is setting up a fund for US\$ 200 million to invest in early-stage start-ups focused on digital assets and fintech, as mentioned in a statement,

Further Ventures will focus on investments in digital assets, fintech and supply chain.

ADQ, the emirate's third-largest sovereign wealth fund with US\$ 108 billion in assets, has been one of the most active investors in the Middle East since its inception in 2018.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES SLIP BACK INTO NEGATIVE TERRITORY THIS WEEK, ON MOUNTING GLOBAL ECONOMIC GROWTH WOES

MENA equity markets slipped back into a negative territory this week, as reflected by a 3.1% fall in the S&P Pan Arab Composite index, mainly tracking global equity weakness (-5.1%) on mounting fears of a global economic downturn, as the World Bank warned in a recent report that the world may be edging toward a global recession in 2023 as Central Banks across the world are simultaneously hiking interest rates in response to rampant inflation. This was exacerbated by an oil price slump on growing concerns about darkened global oil demand outlook.

The heavyweight Saudi Exchange, whose market capitalization represents more than 70% of the total regional market capitalization, plunged into the red this week, as reflected by a 3.3% drop in the S&P Saudi index, mainly tracking a global sell-off mood stoked by prospects of aggressive global monetary tightening aimed at throttling inflation, and dragged by falling Brent oil prices (-5.7% to US\$ 86 per barrel) amid darkened global oil demand outlook, in addition to some unfavorable company-specific factors.

A closer look at individual stocks shows that Petrochemicals giant Saudi Aramco's share price fell by 1.4% week-on-week to SR 36.0. Petro Rabigh's share price plunged by 9.6% to SR 13.96. SABIC's share price dropped by 3.7% to SR 90.20. Yansab's share price declined by 2.1% to SR 47.60. Saudi Kayan Petrochemical Company's share price tumbled by 6.7% to SR 13.08. Advanced Petrochemical Company's share price decreased by 2.3% to SR 46.0. Saudi Ceramic Company's share price went down by 3.9% to SR 40.20. AlphaMena cut its recommendation on Saudi Ceramic Company to "reduce" from "buy", with a price target of SR 38.50, which implies an 8% decrease from last price. Saudi Tadawul Group Holding Company's share price shed 9.7% to SR 198.40. HSBC cut its recommendation on Saudi Tadawul Group Holding Company to "hold" from "buy", with a price target of SR 227, which implies an 11% increase from last price.

As to banking stocks, SNB's share price closed 3.4% lower over the week at SR 63.10. Al Rajhi Bank's share price declined by 3.5% to SR 84.50. SABB's share price decreased by 2.1% to SR 39.25. Banque Saudi Fransi's share price sank by 11.2% to SR 41.85. Bank Al Jazira's share price retreated by 3.6% to SR 21.80.

The Qatar Stock Exchange nosedived this week, as reflected by a 4.8% fall in the S&P Qatar index, mainly on mounting global recession fears after the US Federal Reserve engineered its third jumbo interest rate hike this year to quash soaring inflation, and dragged by an oil price slump. 42 out of 47 traded stocks posted price falls, while five stocks recorded price gains week-on-week.

A closer look at individual stocks shows that Ezdan Holding Group led the fall on the Qatar Stock Exchange this week, posting price drops of 9.6% to reach QR 1.139. Barwa Real Estate's share price shed 4.4% to QR 3.330. Industries Qatar's share price decreased by 4.0% to QR 17.150. Gulf International Services' share price went down by 3.5% to QR 1.892. Qatar Gas Transport's share price plunged by 5.5% to QR 3.611. Ooredoo's share price closed 3.7% lower at QR 8.744. As to banking stocks, QNB's share price tumbled by 5.1% to QR 19.650. The Commercial Bank's share price fell by 3.5% to QR 7.058. Qatar International Islamic Bank's share price retreated by 3.2% to QR 11.130. Qatar Islamic Bank's share price plummeted by 8.7% to QR 24.340.

EQUITY MARKETS INDICATORS (SEPTEMBER 18 - SEPTEMBER 24, 2022)

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	125.4	-2.0%	33.4%	4.2	-49.4%	0.8	14,172.4	1.6%	-	0.32
Jordan	390.0	-0.8%	11.9%	37.2	20.1%	15.8	25,507.4	7.6%	9.9	1.58
Egypt	201.2	-1.1%	-34.0%	189.8	-	1,868.5	34,382.0	28.7%	7.0	1.44
Saudi Arabia	510.3	-3.3%	-0.5%	3,685.6	-38.1%	372.54	2,899,726.5	6.6%	15.5	5.29
Qatar	206.4	-4.8%	3.6%	473.9	-44.0%	480.9	190,799.0	12.9%	14.6	2.01
UAE	143.1	-3.0%	-2.9%	4,762.2	-28.7%	4,264.1	749,310.2	33.0%	14.5	2.26
Oman	249.2	-0.9%	14.4%	12.5	-24.1%	25.1	21,037.3	3.1%	13.3	1.03
Bahrain	198.1	-0.2%	8.4%	7.0	52.1%	9.6	28,761.2	1.3%	13.4	1.83
Kuwait	139.3	-2.3%	4.4%	540.9	-12.9%	528.1	129,363.8	21.7%	20.0	2.42
Morocco	244.4	-0.5%	-22.9%	45.6	22.1%	2.33	58,392.5	4.1%	22.7	3.22
Tunisia	60.2	-2.4%	-6.0%	9.5	25.9%	5.9	7,113.7	6.9%	9.8	1.59
Arabian Markets	983.8	-3.1%	-0.9%	9,768.5	-32.7%	7,573.7	4,158,565.9	12.2%	15.3	4.35

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

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

The UAE equity markets traced a downward trajectory this week, as reflected by a 3.0% fall in the S&P UAE index, as global recession risks stoked by a more hawkish than expected global monetary approach kept investors nervous, and driven by some unfavorable company-specific factors.

In Dubai, Emirates NBD's share price decreased by 3.1% to AED 12.60. Ajman Bank's share price declined by 2.0% to AED 0.729. Air Arabia's share price went down by 3.7% to AED 2.07. Tabreed's share price plunged by 6.4% to AED 3.07. AlphaMena cut its recommendation on Tabreed to "sell" from "reduce", with a price target of AED 2.70, which implies an 18% decrease from last price. Emaar Properties' share price went down by 3.6% to AED 6.22. AlphaMena cut its recommendation on Emaar Properties to "reduce" from "add", with a price target of AED 6.85, which implies a 7.4% increase from last price. In Abu Dhabi, First Abu Dhabi Bank's share price tumbled by 6.1% to AED 18.30. ADCB's share price shed 5.1% to AED 8.86. ADNOC's share price dropped by 1.6% to AED 4.35. ADNOC Drilling's share price fell by 1.9% to AED 3.58. Alpha Dhabi Holding's share price closed 2.2% lower at AED 2.63.

Boursa Kuwait sink in the red this week, as reflected by a 2.3% fall in the S&P Kuwait index, mainly on growing concerns about a global economic downturn in the midst of a global fight against inflation, and dragged by falling oil prices. National Bank of Kuwait's share price decreased by 1.2% to Kwf 1,023. Gulf Bank's share price shed 5.3% to Kwf 320. Commercial Bank of Kuwait's share price fell by 2.9% to Kwf 466. Al Ahli Bank of Kuwait's share price went down by 2.1% to Kwf 321. Zain's share price closed 1.9% lower at Kwf 580. Boubyan Petrochemical Company's share price dropped by 2.8% to Kwf 882.

FIXED INCOME MARKETS: ACROSS-THE-BOARD DOWNWARD PRICE MOVEMENTS IN MENA BOND MARKETS ON A GLOBAL EFFORT TO COOL SPIRALING INFLATION

MENA fixed income markets saw across-the-board downward price movements this week after the US Federal Reserve raised its benchmark rate by 75 bps for the third time in a row, and forecast its Federal Fund Rate to reach 4.4% by the end of this year and 4.6% in 2023, which marks a more hawkish than expected shift in the US Fed dot plot and puts a fourth-straight 75 bps hike on the table for the November FOMC meeting.

In the Saudi credit space, sovereigns maturing in 2026 and 2030 posted price declines of 0.88 pt and 1.63 pt respectively this week. Saudi Aramco'25 closed down by 1.13 pt. Prices of STC'29 retreated by 1.25 pt. SABIC'28 was down by 1.50 pt. Prices of SEC'24 decreased by 0.25 pt. Regarding credit ratings, S&P Global Ratings affirmed its "A-/A-2" unsolicited long-term and short-term foreign and local currency sovereign credit ratings on Saudi Arabia, with a "positive" outlook. The "positive" outlook reflects, as per S&P, strong GDP growth and fiscal dynamics, tied to the country's emergence from the COVID-19 pandemic, rising oil production, and the government's reform programs.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 recorded price contractions of 0.88 pt and 2.13 pts respectively this week. Ooredoo'26 traded down by 1.75 pt. As to papers issued by financial institutions, QNB'25 posted price decreases of 1.25 pt. Fitch Ratings affirmed QNB's long-term Issuer Default Rating at "A" with a "stable" outlook. Prices of QIB'24 fell by 0.63 pt. Fitch Ratings affirmed QIB's long-term Issuer Default Rating at "A-" with a "stable" outlook. QNB's and QIB's IDRs reflect, as per Fitch, potential support from the Qatari authorities, if needed.

In the Kuwaiti credit space, prices of sovereigns maturing in 2027 declined by 1.33 pt this week. KIPCO'27 was down by 1.0 pt. In the Bahraini credit space, sovereigns maturing in 2026 and 2030 saw weekly price drops of 0.48 pt and 1.30 pt respectively.

In the Omani credit space, sovereigns maturing in 2026 and 2029 registered price declines of 1.05 pt and 1.81 pt respectively week-on-week. Omantel'28 closed down by 1.25 pt.

In the Abu Dhabi credit space, prices of sovereigns maturing in 2026 and 2031 declined by 1.13 pt and 1.75 pt respectively week-on-week. Prices of ADNOC'29 decreased by 1.38 pt. Mubadala'26 saw price retreats of 1.13 pt. Taqa'26 closed down by 1.25 pt. Amongst financials, prices of FAB'24 went down by 0.38 pt.

In the Dubai credit space, sovereigns maturing in 2029 posted price falls of 0.63 pt week-on-week. Prices of DP world'30 contracted by 1.75 pt. Majid Al Futtaim'29 closed down by 1.25 pt.

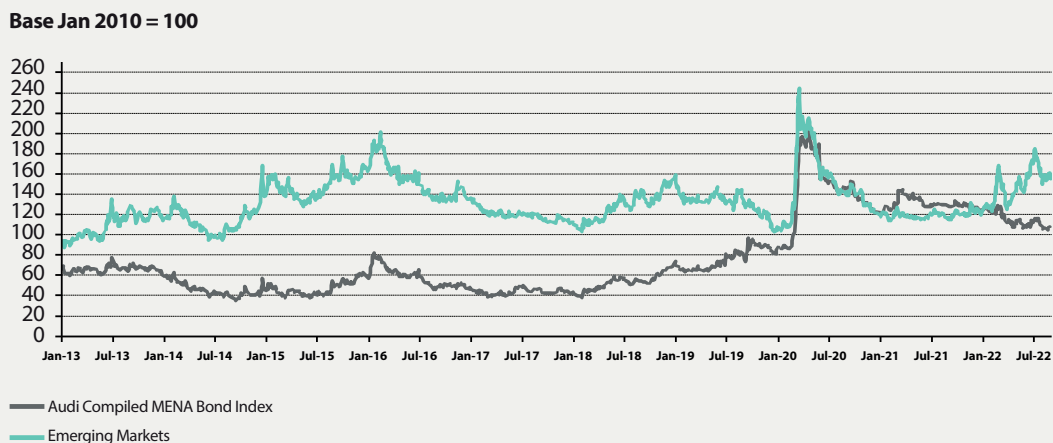
All in all, regional bond markets remained under downward price pressures this week, following a widely-expected supersized interest rate hike by the US Federal Reserve that came on the heels of hotter-than-expected August 2022 US inflation, and as policy makers forecast a further 1.25 percentage points of tightening before year-end.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	23-Sep-22	16-Sep-22	31-Dec-21	Week-on-week	Year-to-date
Abu Dhabi	54	46	43	8	11
Dubai	126	117	94	9	32
Kuwait	59	54	45	5	14
Qatar	55	47	44	8	11
Saudi Arabia	57	48	49	9	8
Bahrain	321	302	294	19	27
Morocco	264	256	95	8	169
Egypt	1,105	968	498	137	607
Iraq	804	794	554	10	250
Middle East	316	293	191	23	125
Emerging Markets	286	265	141	21	145
Global	463	514	183	-51	280

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/Stable	BB-/Stable/B
Egypt	B/Stable/B	B2/Negative	B+/Stable/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/Stable	AA-/Stable/F1+
Kuwait	A+/Stable/A-1+	A1/Stable	AA-/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	B+/Stable/B
Oman	BB-/Stable/B	Ba3/Stable	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\$)	23-Sep-22	16-Sep-22	31-Dec-21	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)	19.48	19.41	15.72	0.4%	23.9%
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%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.64	3.64	3.67	0.0%	-0.9%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	2.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.25	250.27	250.00	0.0%	0.1%
NORTH AFRICA					
Algerian Dinar (DZD)	140.85	140.43	138.89	0.3%	1.4%
Moroccan Dirham (MAD)	10.87	10.76	9.25	1.0%	17.5%
Tunisian Dinar (TND)	3.28	3.21	2.87	2.3%	14.3%
Libyan Dinar (LYD)	5.01	4.96	4.60	0.9%	8.9%
Sudanese Pound (SDG)	576.50	575.87	442.60	0.1%	30.3%

Sources: 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.