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## Economy

### p.2 FITCH SOLUTIONS SAY MENA RAPIDLY RAMPING UP CAPEX AS OIL & GAS PRICES SOAR

The Middle East & Africa Oil and Gas Insight of Fitch Solution has been issued this week. According to the report, they have increased their expectations for capital expenditure in the Middle East and North Africa region. They now expect capex to rise by 22.1% and 6.1% in 2022 and 2023, respectively, up from 10.1% and 8.3% previously.

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## Markets In Brief

### p.9 MARKETS IN BRIEF: MENA CAPITAL MARKETS DIP FURTHER INTO RED, AMID GLOBAL FIGHT AGAINST INFLATION AND INTENSIFIED FEARS OF ECONOMIC DOWNTURN

MENA equity markets remained under downward price pressures this week, as reflected by a 3.3% fall in the S&P Pan Arab Composite index, mainly tracking global equity weakness after the world top Central Bankers delivered a unified message at Jackson Hole symposium on the need to curb rampant inflation, stoking concerns over a global economic downturn. This was exacerbated by an oil price slump and mounting concerns that a hawkish-for-longer global monetary policy and renewed lockdowns in China would hit global growth. Also, regional fixed income markets saw across-the-board price contractions, mainly tracking US Treasuries move after the US Federal Reserve Chair signaled a sustained period of restrictive monetary policy to quell inflation.

### MENA MARKETS: AUGUST 28 - SEPTEMBER 3, 2022

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-3.3%	Weekly Z-spread based bond index	+2.3%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+3.5%	YTD Z-spread based bond index	-13.8%

## ECONOMY

### FITCH SOLUTIONS SAY MENA RAPIDLY RAMPING UP CAPEX AS OIL & GAS PRICES SOAR

The Middle East & Africa Oil and Gas Insight of Fitch Solution has been issued this week.

According to the report, they have increased their expectations for capital expenditure in the Middle East and North Africa region. They now expect capex to rise by 22.1% and 6.1% in 2022 and 2023, respectively, up from 10.1% and 8.3% previously.

A tight global market balance and steep rises in energy prices in the YTD are incentivising higher spending in the global oil and gas sector, although spiralling producer price inflation will limit the passthrough into higher production. Russia's invasion of Ukraine has left a large and long-term deficit in the market that needs to be plugged. Their current forecast for Russian crude oil, NGL and other liquids production is 3.14mn b/d lower than it was prior to the invasion and we see key MENA producers as among the best-placed globally to make up for the loss, given their large and generally low-cost reserves bases and strong levels of government support. This poses considerable upside risk to their five-year capex growth forecast for the region, which currently stands at an average of 3.8% over 2023-2027.

They expect the bulk of capex growth to be led by the GCC, where rising investment levels will support strong capacity expansion upstream across Saudi Arabia, the UAE, Qatar and Kuwait.

Most of the increase in their 2022 capex forecast is due to higher guidance from Saudi Aramco. After spending US\$ 31.9bn in 2021, the company now expects to spend between US\$ 40-50 bn this year.

Guidance for Abu Dhabi National Oil Company, Qatar Energy and Kuwait Petroleum Corporation is unchanged, although they expect to see it raised over the coming quarters, stimulated by higher prices and tight global market dynamics.

In Iran and Iraq, investment continues to be hampered by elevated investment risks above ground, although expected sanctions relief in the former and several major projects in the pipeline should help boost spending over the coming years.

North Africa is the regional underperformer, reflecting a smaller and maturing asset base, thinner projects pipeline and lesser foreign participation.

At the global level, Fitch Solutions say global oil and gas capex is expected to post revised growth of 17.2% in 2022 to USD 556 bn over their previous forecast of 11.6% growth over 2021. Mid-year guidance from the vast majority of oil companies show a reluctance to break from the focused capital discipline narrative targeting only mild growth of the low single digits and efforts to improve efficiency. Intense focus on driving down costs has led to high profits at time of record energy prices but less capital is being allocated to expanding production setting the stage for continued tight supply in years ahead. This multi-year strategy to focus capital investment on high margin projects has helped oil and gas companies yield record levels of profits against the background of high oil and gas prices. For vertical integrated operations with a significant downstream arm, record refining margins and strong global demand for refined fuels further added to the record gains in profit for the first half of 2022. However, the strong profits have not translated to increased capital expenditure for the years ahead as is typical when high oil prices spur new investment into the sector although they expect global investment to reach pre-pandemic levels by 2023.

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## SAUDI ARABIA'S NON-OIL PRIVATE SECTOR EXPANDS STRONGLY IN AUGUST

Saudi Arabia's non-oil private sector activity and new orders expanded to a ten-month high and cost pressures eased further, a business survey showed.

The seasonally adjusted S&P Global Saudi Arabia Purchasing Managers' Index (PMI) rose to 57.7 in August from 56.3 in July, its highest since October 2021.

The index also climbed above its series average of 56.8, boosted by as faster growth in output, new orders and stocks of purchases, the report said.

Purchasing grew to its fastest in seven years as businesses looked to fulfil current demand and build extra stocks in anticipation of further sales growth.

The Saudi Arabia PMI pointed to added resilience in the non-oil economy during August, as business activity and sales continued to rise sharply despite reports of mounting global economic distress, as per S&P Global Market Intelligence.

Total new orders rose at the quickest pace since October last year, driven by improving client demand, higher exports, and a broad recovery in economic conditions since the pandemic.

Jobs were added, albeit at a slower rate, for the fifth successive month as firms looked to build capacity.

Both input cost and output price inflation slowed during August, as global commodity prices softened. However, fuel costs and wages rose for the sixth month running.

Business confidence among the firms surveyed business remained upbeat in August. Despite slipping to a three-month low, the degree of optimism was one of the strongest seen over the last one-and-a-half years.

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## QATAR BECOMES WORLD'S LARGEST LNG EXPORTER, AS PER KAMCO INVEST

Qatar surpassed the United States as the world's largest LNG (liquefied natural gas) exporter in April this year, as its LNG exports increased to a five-year high following the conclusion of seasonal maintenance on its LNG plants, according to Kamco Invest.

Qatar's total LNG exports reached US\$ 11.9 billion in April 2022, up from US\$ 5.8 billion in April 2021. Qatar sent the majority of its LNG to China, followed by India and Japan.

According to the International Energy Agency, the Asia Pacific area will drive up to 50% of total natural gas demand increase during the timeframe. In terms of sectors, the IEA predicts that the industrial sector will account for almost 60% of global gas growth between 2021 and 2025.

Higher natural gas prices have been beneficial for the GCC, particularly for Qatar, a prominent worldwide LNG supplier.

Qatar, which accounted for 21% of the LNG exports market share in 2021, has emerged as one of the key countries from whom the EU is attempting to acquire more LNG as it scrambles to find new suppliers and increase LNG imports.

In 2021, the EU imported 24% of its 77 billion cubic meters (bcm) of LNG from Qatar, trailing Russia, at 20% and the United States who surpassed the country by a mere 2%, at 26%.

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## UAE GOVERNMENT DISBURSES ALLOWANCES TO 47,300 LOW-INCOME EMIRATI FAMILIES

The UAE government has disbursed inflation allowances to 47,300 low-income Emirati families to help them cater for the increasing prices of food, fuel, electricity and water.

The Ministry of Community Development announced as part of its latest developments in the disbursement of inflation allowances to Emirati families as part of the government's new social support program.

Inflation allowances are a government subsidy disbursed to Emirati families with low incomes to face the rise and inflation occurring worldwide in fuel prices, basic foodstuffs, electricity and water.

The program includes three types of allowances: food, electricity and water and fuel subsidies.

Early last month, UAE President directed the restructuring of the social support program for low-income citizens, doubling the initiative's budget from AED 14 billion to AED 28 billion.

The fund introduced new allocations for housing, university education, and unemployed citizens over the age of 45. The program also introduced subsidies for fuel, food, water and electricity.

Authorities said the allocation of these allowances stems from the leadership's keenness to provide citizens of limited income throughout the country with decent livelihoods.

The Ministry has pointed out that since mid-July, it started approving the disbursement of the fuel allowance for eligible people with low incomes.

These funds will benefit low-income families across the UAE, who are entitled to inflation allowances, said the Ministry's statement.

The program provides a monthly subsidy of 85% of the fuel price increase over AED 2.1 per liter.

As part of this initiative, the government bears 75% of food price inflation, as a commitment to provide the necessary assistance to Emirati families to enable them to meet their living requirements and provide them with a decent life.

The Ministry confirmed that all beneficiaries of inflation allowances registered in the fuel allowance are automatically registered in the food allowance, and text messages are sent to them confirming their registration by creating an account linked to their Emirates IDs. The families can benefit from the value of the allowance due on throughout the month, by visiting one of the approximately 100 Lulu Hypermarkets outlets across the UAE and present their Emirates IDs during payment.

The social welfare program provides a monthly subsidy of 50% for electricity consumption less than 4,000 kilowatts, and monthly subsidy for water at a value of 50% for water consumption less than 26,000 gallons.

The Ministry said that during the coming period, the beneficiaries of the inflation allowances will be automatically registered to receive the monthly subsidy for the consumption of electricity and water.

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## SEARCHES FROM GCC TO EGYPT UP 151% IN H1, AS PER WEGO

Wego, an online travel marketplace in the MENA region has revealed a 151% growth in the number of searches from the GCC to Egypt in the past 7 months in comparison to the same period in 2021.

Egypt Tourism Authority has partnered with Wego to boost the number of travelers to the country. The campaign recorded over 28 million searches between January and July 2022.

Among the top destinations searching for Egypt were Kuwait and Egypt which saw the biggest spike with 44% increase, followed by UAE with 11%.

The average trip duration is between 3 to 7 days. According to our data, people are searching 1 to 2 months ahead of their trip in 2022.

Solos are dominating the travel searches to Egypt with 79% growth in comparison to the same period in 2021, followed by families and couples.

Travelers are opting for 5-star hotel stays, which secure them a more seamless stay during COVID times, with a growth of 111% in comparison to the period last year.

## SURVEYS

### GROSS PREMIUM WRITTEN TO GROW BY 5%-10% IN SAUDI ARABIA, AS PER S&P

S&P Global Ratings foresee Gross Premium Written (GPW) in Saudi Arabia to grow by approximately 5%-10% in 2022. GPW is a closely monitored earnings metric because it reflects the growth or decline in the new insurance business.

The GPW growth in Saudi Arabia in 2022 will likely be driven by more favorable economic conditions, due to higher oil prices and the introduction of additional covers. At the same time, S&P anticipates motor business to remain under pressure due to intense competition and lower rates.

S&P expects 2022 to be another difficult year and one that will require insurers to reassess their pricing strategy, particularly for motor business. In Saudi Arabia unlike in some other emerging markets, the insurers' investment risk is relatively low, as most assets are held in fixed deposits or money market instruments at securely rated banks.

Higher minimum capital requirements will help to further accelerate merger and acquisition activity this year, particularly among the smaller and loss-making insurers.

S&P forecasts underwriting performance will remain under pressure with the net combined ratio remaining at 99%-104% in 2022, compared with 104% in 2021. Investment income, on the other hand, is expected to improve and support overall earnings as interest rates continue to rise.

The agency believes that primary and reinsurers will need to increase their minimum capital to SR 300 million over the next three years. The focus on conduct regulation is growing, and merger and acquisition activity is increasing, plus there is likely to be more consolidation as the minimum capital requirements increase, as per the same source.

Despite a challenging operating environment for insurers, S&P Global Ratings does not foresee any material rating actions in 2022.

### UAE RESIDENTS 'KEEN TO MAKE HOMES SUSTAINABLE'

About half of the UAE residents (47%) aim to make their homes as environmentally friendly as possible, with more than half (55%) considering sustainability a key factor when purchasing electronic products, a study said. The survey conducted by cooling experts Taqueef and AC manufacturer O General explores the role of sustainability in people's lifestyles and purchasing habits.

A third (33%) of respondents consider sustainability to be as important as price in their product choices and 27% would switch to another electronic brand if the goods offered are better for the environment. 29% are aware that the more sustainable the electronic goods are, the more they save in utility bills. 30% would prefer if electronic brands focused more on explaining sustainability parameters such as energy efficiency and lower carbon emissions, said the survey.

This survey shows that environmental credentials are increasingly driving the purchasing choices of UAE consumers as they look for new ways to reduce their carbon footprint. In a region where cooling is considered an essential, it's really encouraging to see that sustainability is becoming as important as brand and price for many when choosing a new AC, said Chairman and CEO of Taqueef.

Air conditioning usage represents 70% of the UAE's electricity use during the summer and this has a huge impact on the environment, but this impact can be mitigated with cooling technology that's high on energy efficiency. O General's new inverter wall-mounted (AC) series has been specifically designed for the Middle East, and sets a new standard of innovative indoor cooling that's both smart and sustainable.

### CORPORATE GOVERNANCE EMERGES AS NEW BUZZ WORD AMONG MENA COMPANIES AMID IPO RUSH

Corporate governance is the new buzz word among companies across the Middle East and North Africa (MENA) region as they step up their efforts to find credible independent members for their boards, amidst the rush for initial public offerings (IPOs) in many countries in the region, a new report said.

And it is not only the corporate biggies, but even startups across the region are also increasingly realizing the need to have well known names as independent members on their advisory boards in order to be taken seriously by established funds for extending financing, the report by EMA Partners, global leadership search firm and consultancy, revealed.

Dubai road toll operator Salik, UAE hospital group Burjeel, money exchange giant Al Ansari and power and utility major Utico are among the latest ones on a long list of companies in the region which have either firmed up or are in the process of finalizing plans for IPOs.

The UAE government has also announced plans for listing of about ten leading national companies, as part of its efforts to strengthen the country's stock exchanges.

The EMA report, considered to be the first serious attempt to map the corporate governance practices among MENA companies, said: It is perhaps unsurprising that nowadays we see a visible shift in which organizations acknowledge that corporate governance structure is no longer only a checkbox but a growing necessity.

The report said the last 36 months have been the busiest months for companies going public in the Middle East, especially in the UAE.

Going public is a massive undertaking in terms of establishing robust corporate governance and compliance systems.

With growing institutional investment, there will be radical pressure on companies to achieve world-class status, especially by putting in place a good and credible corporate governance structure, the report said.

The report said credible and truly independent company boards lead to ethical business practices, which leads to financial viability which are based on principles around sustainability, accountability, transparency, fairness and responsibility.

The past 24 months challenged most organizations on business and human capital aspects, and it has been observed that companies who adhered to most of the above characteristics performed well and will continue to push the bar, the EMA Partners report said.

Prioritizing risk management, laying solid foundations for supervision and focusing on long-term value generation are top goals for most companies.

Good corporate governance helps companies in these areas, and thereby build trust with investors and the community, which acts as a catalyst for growth, the report said.

The report also suggested that the board of directors should consist of a diverse group of individuals – those that have skills and knowledge of the business, as well as those who can bring a fresh perspective from outside of the company as well as the industry and not just comprise people who are familiar with the organization.

The report also pointed out that countries such as the UAE and Saudi Arabia have been in the forefront in the region to frame guidelines for corporate governance in their respective jurisdictions.

In the UAE, rigorous new corporate governance standards for public joint stock companies were adopted in 2020, in accordance with international best practices, with the goal of promoting accountability, fairness, gender diversity and transparency.

The Saudi Arabian Ministry of Commerce and Investment, in collaboration with the Saudi Capital Market Authority, has been active in developing and modifying corporate governance standards for both non-listed and listed firms.

Other GCC member nations have also implemented similar exercises, but it appears that the UAE and Kingdom of Saudi Arabia regions are leading the charge toward establishing a world-class corporate governance system, EMA Partners said.

While Middle Eastern authorities and governments have been implementing severe compliance standards, enterprises have been forced to play catch-up.

The MENA region has a total of 2,172 listed domestic companies as of 2021, according to the World Federation of Exchanges database.

## CORPORATE NEWS

### ORASCOM CONSTRUCTION ADDS US\$ 2 BILLION CONTRACTS TO ITS 2Q 2022 PROJECT BACKLOG

Orascom Construction added contracts to the undergoing projects in the second quarter of 2022 for a worth of US\$ 1.8 billion, adding the total value of the news contracts to US\$ 2.4 billion by first half of 2022, as mentioned in a statement.

In details, 70% of the total value of the new projects are in Egypt, signed during the second quarter of 2022. The Orascom Construction group strengthened its integrated role in developing a high-speed rail system in Egypt by signing a new phase for this project with a length of 1,325 km.

New contracts in the United States represent 30% during the second quarter of 2022, most of which were concentrated in projects in the data centers and commercial buildings sectors.

It is worth noting that the expected value of the projects under implementation amounted to US\$ 6.4 billion by end of the first half of 2022.

Finally, it is worth highlighting that the Sustainable Capital Africa Alpha Fund raised its stake in the capital of Orascom Construction Plc from 13.3% to 14.3%, with a total value of EGP 58 million, as mentioned in a statement.

### MISA CLOSES 49 DEALS WORTH US\$ 925 MILLION IN Q2

The Ministry of Investment of Saudi Arabia (MISA) signed 49 major investment deals worth at around US\$ 925 million in the 2Q-2022, creating around 2000 jobs in several sectors, as mentioned in a statement.

Some of the major deals comprise US\$ 133.3 million agreement between the Saudi Ports Authority and DP World to build a logistics park at Jeddah Islamic Port and a US\$ 37 million funding round led by global finance giant Mastercard into Saudi e-commerce firm HyperPay to expand the kingdom's digital payment ecosystem.

Other investments are a strategic agreement with pharmaceutical multinational Novartis to grow Saudi Arabia's biopharmaceutical capabilities, a US\$50 million investment by Aramco's Wa'ed Ventures into Saudi fintech Wahed and a deal by Ma'aden to build the world's largest solar-powered steam plant to be used to refine bauxite into alumina, MISA said in a statement.

The National Investment Strategy is a catalyst to deliver on Vision 2030 national objectives of achieving the private sector contributing to 65% to GDP and growing foreign direct investment to 5.7% of GDP, the Minister of Investment said in a statement.

Despite global changes, Saudi Arabia foresees strong interest from global investors in diverse industries to partner with Saudi Arabia, he added.

### DOOSAN WAS AWARDED EPC DEAL WORTH US\$ 640 MILLION

South Korea's Doosan Enerbility was awarded the engineering, procurement and construction (EPC) contract for Shuaibah Three Independent Water Project in Saudi Arabia, for a value of US\$ 640 million, as mentioned in a statement.

The subject desalination project is developed by a special purpose vehicle (Shuaibah Three Water Desalination Company) launched by Saudi utility developer Acwa Power and Water & Electricity Holding Company (Badeel) that is owned by Saudi Arabia's PIF sovereign wealth fund.

The Shuaibah 3 IWP aims to establish the largest reverse osmosis desalination facility in Shuaibah, located 110 km south of Jeddah.

Under the EPC contract, Doosan Enerbility will build a desalination plant capable of producing 600,000 cubic meter of water per day and a 60 MW solar power plant, as mentioned in a statement.

The subject project work is expected to start in September 2022 and the completion due date is scheduled for May 2025. Once completed, the desalination plant is expected to supply potable water to 2 million people. Moreover, the solar farm will provide electric power to the desalination plant.

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## ADNOC NET PROFITS DISTRIBUTION SURGES 71% HITTING US\$ 243 MILLION

Abu Dhabi's ADNOC Distribution posted net profit at around AED 891 million (US\$ 243 million) in 2Q-2022, and around AED 1.6 billion in 1H-2022, up by 36% against same half of previous year, supported by higher EBITDA, which hit AED 2.0 billion, as mentioned in a statement.

ADNOC also reported that revenues for 2Q-2022 reached AED 8.6 billion, 72% higher year-on-year, mainly due to higher fuel volumes and inventory gains, as well as non-fuel retail business.

ADNOC achieved around 60% of its 2022 network expansion target, delivering 38 new stations across the UAE and Saudi Arabia, thus growing its total network to 538 stations. This led to higher fuel volumes compared to the same period of 2021.

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## NATIONAL WATER COMPANY TO LAUNCH US\$ 29 BILLION PROJECT

The Saudi National Water Company (NWC) unveiled its intention to launch 1,429 projects for tender worth more than SAR 108 billion (US\$ 28.7 billion), making the water distribution sector's largest package of projects ever.

The projects comprise 13 administrative regions in all six sectors. NWC specified 353 projects worth SAR 39.0 billion for the Western Sector (Makkah), 240 projects worth SAR 14.2 billion for the Central Region (Riyadh) and 215 projects worth SAR12.95 billion for the Northern Sector comprising Qassim, Hail, Jauf and the Northern Borders, as mentioned in a statement.

It is worth noting that the company is to launch 328 projects worth more than SAR 15.3 billion for the Southern Sector including Asir, Jazan, Najran and Al-Baha provinces and 162 projects costing over SAR 7.7 billion for the North-west Sector comprising Madinah and Tabuk regions.

Moreover, NWC aims to implement 117 projects worth SAR 16.2 billion for the Eastern Sector (Eastern Province) and 14 projects worth more than SAR 2.7 billion to support all sectors.

The subject initiative is part of NWC's plans for developing water and environmental infrastructure, expanding the coverage of water and wastewater networks and increasing sewage treatment plants' (STPs) capacity, in addition to extending water services coverage to all citizens and residents across the Kingdom regions, said a statement.

The projects would contribute to the realization of the National Water Strategy and Vision 2030's objectives, diversify economy and boost overall development, said the acting CEO of NWC in a statement.

Moreover, these projects will complement the sustainability of water and environmental services as water and wastewater coverage will be increased in all Saudi regions following the completion of these projects, he added.

## CAPITAL MARKETS

### EQUITY MARKETS: MENA EQUITIES REMAIN ON FALL, TRACKING GLOBAL EQUITY WEAKNESS AND ON OIL PRICE SLUMP

MENA equity markets remained under downward price pressures this week, as reflected by a 3.3% fall in the S&P Pan Arab Composite index, mainly tracking global equity weakness (-3.4%) after the world top Central Bankers delivered a unified message at Jackson Hole symposium on the need to curb rampant inflation, stoking concerns over a global economic downturn. This was exacerbated by a slump in Brent oil prices (-6.0%) to reach US\$ 93.0 per barrel as the US dollar marched higher, and mounting concerns that a hawkish-for-longer global monetary policy and renewed lockdowns in China would hit global growth.

The heavyweight Saudi Exchange came under downward price pressures this week, as reflected by a 3.4% fall in the S&P Saudi index, mainly tracking global equity falls following the US Fed Chair's Jackson Hole hawkish speech and as China is pressing ahead with COVID Zero strategy after fresh outbreaks. Saudi equities were also dragged by falling oil prices amid mounting global growth concerns and stronger US dollar, in addition to some unfavorable company-specific factors.

A closer look at individual stocks shows that Petrochemicals giant Saudi Aramco's share price plunged by 5.7% week-on-week to SR 37.10. SABIC's share price dropped by 4.6% to SR 99.00. Petro Rabigh's share price fell by 4.4% to SR 17.26. Saudi Kayan Petrochemical Company's share price shed 7.6% to SR 14.50. Advanced Petrochemical Company's share price plummeted by 7.6% to SR 49.0. Sipchem's share price closed 3.7% lower at SR 49.0.

Also, SNB's share price declined by 4.2% over the week to SR 68.40. Banque Saudi Fransi's share price closed 4.5% lower at SR 49.95. Alinma Bank's share price retreated by 2.9% to SR 37.20. SABB's share price dropped by 5.5% to SR 39.65. Emaar Economic City's share price dropped by 5.6% to SR 10.20. Emaar Economic City reported 2022 second quarter net loss of SR 247 million versus a net loss of SR 178 million a year earlier. Al Jouf Cement's share price tumbled by 6.7% to SR 12.48. Al Jouf Cement reported a net loss of SR 1.7 million during the second quarter of 2022 versus net profits of SR 7.7 million a year earlier. Saudi Cement Company's share price declined by 1.3% to SR 54.80. Arqaam Capital Limited cut its recommendation on Saudi Cement Company to "Hold" from "Buy", with a price target of SR 57.20, which implies a 0.2% increase from last price.

The Qatar Stock Exchange dipped further into the red this week (-4.1%), mainly tracking a global sell-off mood on fears of a global economic downturn alongside restrictive monetary policy to quell inflation and as a renewed lockdown in China further frayed investor nerves, while also dragged by falling oil prices. 41 out of 46 listed stocks posted price falls, while five stocks recorded price gains week-on-week.

#### EQUITY MARKETS INDICATORS (AUGUST 28 - SEPTEMBER 3, 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	115.4	-7.9%	22.8%	8.8	62.8%	0.2	13,042.1	3.5%	-	0.32
Jordan	397.7	-1.1%	14.1%	29.7	-1.4%	13.7	26,141.8	5.9%	10.2	1.68
Egypt	202.1	-4.3%	-33.6%	285.5	-	3,546.3	34,457.4	43.1%	6.9	1.39
Saudi Arabia	542.4	-3.4%	5.7%	7,799.5	22.9%	677.96	3,017,456.0	13.4%	16.1	5.45
Qatar	214.9	-4.1%	7.9%	748.0	17.1%	728.5	199,696.1	19.5%	15.2	2.06
UAE	143.6	-3.9%	-2.6%	2,215.6	2.2%	1,514.0	698,878.0	16.5%	15.2	2.28
Oman	259.1	0.6%	18.9%	29.6	58.2%	59.9	21,255.7	7.2%	13.6	1.07
Bahrain	198.7	1.1%	8.7%	16.9	199.4%	11.2	28,577.5	3.1%	13.4	1.82
Kuwait	143.7	-2.5%	7.7%	581.3	-32.3%	988.0	133,600.8	22.6%	20.2	2.44
Morocco	249.4	-0.6%	-21.3%	17.1	-36.7%	1.25	59,279.2	1.5%	22.8	3.12
Tunisia	61.7	1.3%	-3.7%	11.7	61.7%	6.8	7,289.1	8.4%	10.2	1.58
<b>Arabian Markets</b>	<b>1,027.8</b>	<b>-3.3%</b>	<b>3.5%</b>	<b>11,743.6</b>	<b>12.7%</b>	<b>7,547.7</b>	<b>4,239,673.6</b>	<b>14.4%</b>	<b>16.0</b>	<b>4.52</b>

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

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

A closer look at individual stocks shows that QNB's share price shed 5.2% week-on-week to QR 20.0. The Commercial Bank's share price dropped by 4.4% to QR 7.280. Qatar Islamic Bank's share price fell by 6.0% to QR 24.90. QIIB's share price went down by 2.8% to QR 11.720. Aamal Holding's share price declined by 4.2% to QR 1.150. Barwa Real Estate's share price decreased by 2.8% to QR 3.620. Ezzan Holding Group's share price plunged by 9.7% to QR 1.30. Qatar Navigation's share price tumbled by 6.9% to QR 10.750. Mesaieed Petrochemical Holding's share price slumped by 5.1% to QR 2.559. Industries Qatar's share price decreased by 2.9% to QR 17.830.

Boursa Kuwait posted price falls of 2.5% week-on-week, mainly tracking global equity weakness on US Fed's hawkish tilt and mounting concerns about a global economic downturn, while also driven by an oil price slump. National Bank of Kuwait's share price fell by 2.8% to Kwf 1,040. Gulf Bank's share price shed 4.5% to Kwf 342. Kuwait International Bank's share price went down by 3.2% to Kwf 212. Boubyan Bank's share price dropped by 3.3% to Kwf 832. Agility Public Warehousing's share price plummeted by 5.3% to Kwf 819. Zain's share price dropped by 3.2% to Kwf 600.

The UAE equity markets plunged into the red this week, as reflected by a 3.9% drop in the S&P UAE index, mainly tracking global equity declines and dragged by oil price falls and some unfavorable company-specific factors. In Dubai, Emirates NBD's share price shed 5.5% to AED 12.95. Dubai Islamic Bank's share price closed 2.7% lower at AED 5.80. Emaar Development's share price plunged by 5.5% to AED 4.60. AlphaMena cut its recommendation on Emaar Development to "Reduce" from "Add", with a price target of AED 5.14, which implies a 7.1% increase from last price. Union Properties' share price tumbled by 5.8% to AED 0.26.

In Abu Dhabi, ADNOC's share price dropped by 6.4% over the week to AED 4.39. ADNOC Drilling Company's share price decreased by 2.7% to AED 3.55. Taqa's share price closed 0.8% lower at AED 1.24. First Abu Dhabi Bank's share price plunged by 8.1% to AED 18.56. ADCB's share price retreated by 2.7% to AED 9.0. Etisalat's share price fell by 2.9% to AED 25.32.

## FIXED INCOME MARKETS: ACROSS-THE-BOARD PRICE FALLS IN MENA BOND MARKETS, TRACKING US TREASURIES MOVE ON PROSPECTS OF SUSTAINED GLOBAL MONETARY TIGHTENING

MENA fixed income markets saw across-the-board price contractions this week, mainly tracking US Treasuries move after the US Federal Reserve Chair signaled at the Jackson Hole symposium a sustained period of restrictive monetary policy to quell inflation.

In the Saudi credit space, sovereigns maturing in 2026 and 2030 posted price contractions of 0.88 pt and 1.38 pt respectively week-on-week. Saudi Aramco'25 saw price falls of 0.44 pt. STC'29 closed down by 0.50 pt. Prices of SABIC'28 declined by 1.0 pt.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 recorded price declines of 0.50 pt and 1.38 pt respectively this week. As to papers issued by financial institutions, prices of QNB'25 retreated by 0.50 pt. In the Abu Dhabi credit space, sovereigns maturing in 2026 and 2031 were down by 0.88 pt and 1.63 pt respectively this week. Prices of ADNOC'29 declined by 1.38 pt. Mubadala'26 saw price retreats of 0.38 pt. Taqa'26 traded down by 0.75 pt. As to papers issued by financial institutions, FAB'24 was down by 0.13 pt. Prices of ADCB'23 contracted by 0.25 pt.

In the Dubai credit space, sovereigns maturing in 2029 registered price declines of 0.25 pt week-on-week. DP World'30 saw price falls of 0.38 pt. Prices of Majid Al Futtaim'29 contracted by 0.63 pt.

In the Kuwaiti credit space, prices of sovereigns maturing in 2027 decreased by 0.29 pt this week. In the Bahraini credit space, sovereigns maturing in 2026 and 2031 registered price drops of 1.38 pt and 3.25 pts week-on-week. Prices of NOGA'27 decreased by 0.75 pt.

In the Jordanian credit space, sovereigns maturing in 2026 and 2030 saw weekly price contractions of 0.50 pt and 2.38 pts respectively. In the Iraqi credit space, sovereigns maturing in 2028 traded down by 4.50 pts this week.

In the Omani credit space, sovereigns maturing in 2026 and 2029 registered price declines of 1.0 pt and 2.25 pts respectively week-on-week. Omantel'28 closed down by 0.25 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price rises of 0.18 pt to 4.25 pts this week. Euro-denominated sovereigns maturing in 2026 and 2031 closed down by 3.23 pts and 4.47 pts respectively. Regarding the cost of insuring debt against default, Egypt's five-year CDS spreads, which are a measure of market's perception of sovereign risk at large, expanded by 93 bps week-on-week, accumulating year-to-date expansions of 537 bps to reach 1,035 bps, the highest in the MENA region, amid a large recurring current account deficit, significant external debt repayments, surging inflation, dwindling FX reserves rising yields, and as the banking sector's net foreign assets are deeply negative and significantly exceed the lowest level reached during the 2016 crisis, noting that Egypt is currently in talks with the IMF to secure a new loan to cope with shocks caused by the Ukraine war.

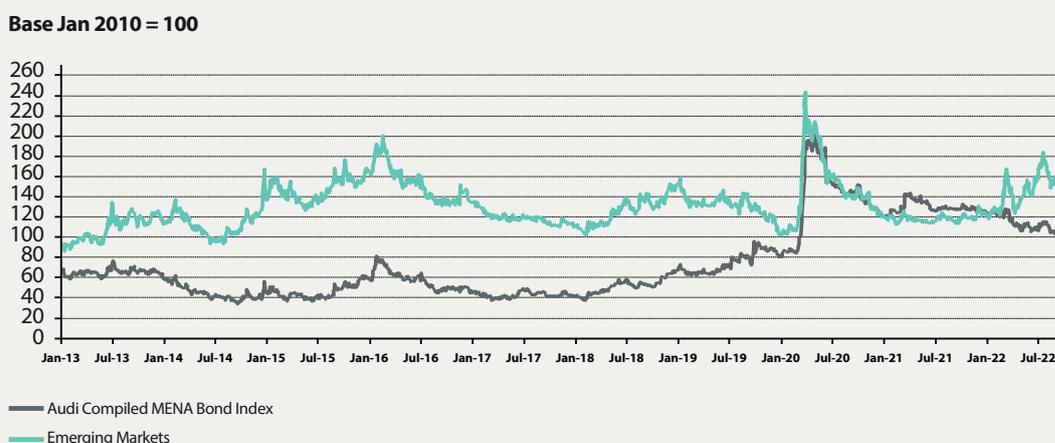
All in all, activity in regional bond markets was tilted to the downside this week, mainly tracking retreats in US Treasuries after the US Fed Chair reiterated a hawkish monetary policy to fight soaring inflation, dashing bets about a potential dovish shift.

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

in basis points	02-Sep-22	26-Aug-22	31-Dec-21	Week-on-week	Year-to-date
Abu Dhabi	46	47	43	-1	3
Dubai	119	121	94	-2	25
Kuwait	60	60	45	0	15
Qatar	47	48	44	-1	3
Saudi Arabia	48	49	49	-1	-1
Bahrain	303	307	294	-4	9
Morocco	254	256	95	-2	159
Egypt	1,035	942	498	93	537
Iraq	891	736	554	155	337
Middle East	311	285	191	26	120
Emerging Markets	415	407	141	8	274
Global	490	473	183	17	307

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
<b>LEVANT</b>			
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
<b>GULF</b>			
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
<b>NORTH AFRICA</b>			
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\$)	02-Sep-22	26-Aug-22	31-Dec-21	Weekly change	Year-to-date
<b>LEVANT</b>					
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)	19.23	19.19	15.72	0.2%	22.3%
Iraqi Dinar (IQD)	1,460.00	1,460.00	1,460.00	0.0%	0.0%
<b>GULF</b>					
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)	3.68	3.69	3.67	-0.3%	0.2%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.2%	1.9%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
<b>NORTH AFRICA</b>					
Algerian Dinar (DZD)	140.85	140.85	138.89	0.0%	1.4%
Moroccan Dirham (MAD)	10.59	10.58	9.25	0.1%	14.5%
Tunisian Dinar (TND)	3.21	3.20	2.87	0.4%	11.8%
Libyan Dinar (LYD)	4.93	4.92	4.60	0.2%	7.2%
Sudanese Pound (SDG)	575.08	573.20	437.92	0.3%	31.3%

Sources: Bloomberg, Bank Audi's Group Research Department

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