The MENA WEEKLY MONITOR

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MENA equity markets saw shy price rises this week, as reflected by a 0.5% increase in the S&P Pan Arab Composite index, mainly tracking a global bounce in equities on hopes over additional US fiscal stimulus, and driven by some favorable market-specific and company-specific factors. In parallel, regional fixed income markets saw two-way flows amid mixed US economic data and as investors continued to weigh resurgent Coronavirus pandemic against hopes of a new US fiscal package.

MENA MARKETS: WEEK OF SEPTEMBER 27 - OCTOBER 03, 2020

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.5%	Weekly Z-spread based bond index	-4.8%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-8.0%	YTD Z-spread based bond index	+32.4%

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ECONOMY

IMF SAYS MIDDLE EAST CONTINUES TO FACE CHALLENGE OF IMPROVING SOCIAL CONDITIONS AND BOOSTING INCLUSIVE GROWTH

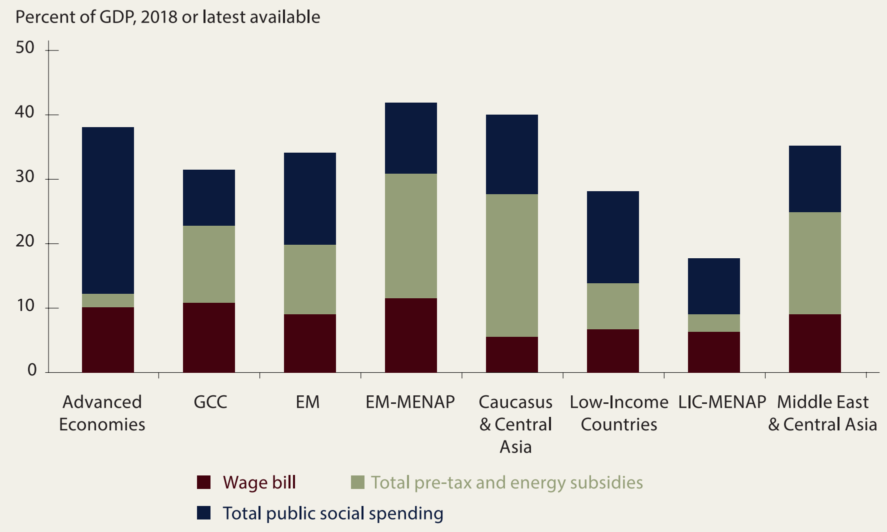
Socioeconomic outcomes in the Middle East and Central Asia have improved substantially over the last two decades. Nearly all countries in the region have made gains in health and education outcomes. And, excluding conflict-affected countries, these gains have generally been larger than in comparator economies outside the region, said the IMF in a recent note. At the same time, the COVID-19 pandemic has had a substantially adverse impact across the world, and the Middle East and Central Asia region is no exception.

Notwithstanding its past progress, the region continues to face the central challenge of improving social conditions and boosting inclusive growth, as per the IMF. Even before the COVID-19 pandemic, high and rising economic and gender inequality, elevated youth unemployment, internal conflicts, and large movements of refugees threatened economic prospects and underscored the importance of policy efforts to boost opportunities for all and meet the UN Sustainable Development Goals (SDGs). The pandemic has further magnified these challenges and brought into sharp focus the urgent need for higher social spending, particularly on health and social protection, to save lives and protect the most vulnerable.

Social spending is widely understood to be a key policy lever for supporting and promoting inclusive growth. It can play an essential role in improving the welfare and economic potential of citizens and, as shown during the COVID-19 crisis, in protecting vulnerable groups. It can also play a role in boosting long-term growth and reducing poverty and inequality. Ensuring an adequate level of public spending on education, health, and social protection and improving the efficiency of this spending are important for building a healthy and productive workforce and, more broadly, an inclusive society, said the IMF.

The IMF paper examines the role of social spending in improving socioeconomic outcomes in the Middle East and Central Asia. In particular, it addresses how large social spending across the region is, how countries in the region fare on socioeconomic outcomes, how important social spending as a determinant of these outcomes is, and how efficient social spending in the region is.

WAGE BILL, SUBSIDIES, AND SOCIAL SPENDING



Source: IMF

The key IMF findings are as follows. While countries in the Middle East and Central Asia have made notable progress in recent decades, they still lag global peers in socioeconomic outcomes, and their levels of public social spending are lower as well. Public spending on education, health, and social protection can have a meaningful impact on socioeconomic outcomes. Overall, the results suggest that a 10% increase in social spending per capita could close 20%-65% of the Human Development Index (HDI) gap between countries in the region and their global peers.

The gap in outcomes between the region's countries and global comparators is larger than that in spending, suggesting that not only the amount but also the efficiency of social spending may need to be enhanced. IMF empirical findings suggest that increasing the efficiency of spending in the region to the global frontier could -without any increase in outlays- eliminate one-third of the HDI gap. Spending efficiency is linked strongly to indicators of institutional capacity and governance, added the IMF.

Although the IMF paper uses the standard definition of "social spending," other forms of spending on health, education, and income support also matter for social outcomes. Such spending includes private outlays by households, charitable activity, and foreign-aid-funded projects outside the budget. There may also be a social component to other parts of the government budget (including the wage bill and some subsidies). Ignoring these components could, in theory, skew inferences about the adequacy and efficiency of social spending. Consistent data on these other types of social outlays, however, are often not available, and the social component of the public wage bill and subsidies is particularly difficult to identify properly. That said, to the extent that the sum total of these other forms of social spending is neither systematically higher nor lower in the region than in peer countries -and evidence suggests that they are not- the IMF said its conclusions should not be materially affected by these measurement issues.

The results suggest some key areas for policy action. Some countries -and particularly those where public social spending is relatively low- may need to focus on raising that spending. To protect fiscal sustainability, this may require reallocations within existing budget envelopes and/or expansion of those envelopes via increased revenue mobilization, as many countries in the region have done in recent years. Nearly all countries should also aim to increase the efficiency of social spending -particularly those countries with limited capacity to expand their fiscal space and those that fall significantly below the efficiency frontier, argued the IMF. Improving efficiency may require improving the targeting of social protection (while ensuring that intended beneficiaries are not mistakenly excluded), addressing existing gaps (for instance, eliminating gender gaps in access to education), promoting financial inclusion (which can facilitate the payment of benefits and reduce the scope for corruption), and perhaps most important -but also most challenging- strengthening institutions and improving transparency and accountability.

The region can build on its initial response to the pandemic. Most Middle East and Central Asian countries were able to quickly mobilize resources for additional health care and social protection outlays in response to the COVID-19 crisis. While the crisis is ongoing, the experience so far already offers valuable lessons on how to reprioritize expenditure and improve spending efficiency, including through greater use of digital technologies, said the IMF.

EXPATRIATES' MONEY TRANSFERS OUT OF UAE NEAR US$ 22 BILLION IN H1 2020

Remittances made by expatriates from the UAE reached AED 79.6 billion (US$ 21.6 billion) during the first half of the year, according to the latest data released by the UAE Central Bank.

A huge proportion of the cash outflows landed in the pockets of beneficiaries in India, the top-receiving country during the period, followed by the Philippines, Pakistan, Bangladesh, Egypt and the United States.

The remittances represent nearly half (48.2%) of the total money transferred by foreigners in the country last year, which reached AED 165 billion.

It is not clear if the first-half year remittances have posted a decline, although in its quarterly report, the central bank noted that outward personal remittances declined by 10.3% in the second quarter of the year, compared to the same period last year, noted Refinitiv.

Transfers made through exchange houses also declined by AED 4.6 billion, while remittances through banks went up by AED 0.3 billion.

The World Bank had earlier projected global remittances to decline by about 20% this year due to the economic crisis caused by the COVID-19 pandemic. The decline would be the sharpest in recent history and will be largely fueled by a fall in wages and job losses among expatriates.

KSA UNEMPLOYMENT RISES AS PANDEMIC-HIT ECONOMY SHRINKS BY 7% IN Q2 2020

Saudi Arabia's economy shrank by 7% in the second quarter, a sign of how deeply the new coronavirus hit both the oil and non-oil sectors, while unemployment hit a record high of 15.4%, according to recently released official data.

The world's largest oil exporter is facing a deep recession after the COVID-19 pandemic curbed global crude demand and measures to contain the coronavirus hurt domestic activity.

The private sector and the government sector recorded a negative growth rate of 10.1% and 3.5%, respectively, said the General Authority for Statistics.

The Saudi unemployment rate was largely impacted by the effects of the COVID-19 pandemic on the Saudi economy, it said.

In the first quarter, Saudi Arabia posted a 1% economic contraction, but that only captured part of the oil price collapse and the impact of the pandemic, which escalated in March, noted Reuters.

Back then, the oil sector slumped by 4.6%, while the non-oil sector posted a positive growth rate of 1.6%.

But the coronavirus-driven lockdowns were bound to impact the Saudi economy hard in the second quarter. The non-oil sector, which is the focus of Saudi reforms aimed at diversifying the economy away from crude revenues, shrank by 8.2%, while the oil sector declined by 5.3%, the statistics authority said.

S&P SAYS LINGERING OVERSUPPLY TO IMPACT DUBAI REAL ESTATE RECOVERY

Almost every sector of the Dubai real estate market, including properties and office spaces, will continue to be impacted by the lingering oversupply, which was in place much before the pandemic, affecting sales and revenues of developers, global ratings agency S&P said.

Even before the pandemic, there was lingering oversupply in the real estate sector in preparation for the Expo 2020. Now, developers are under significant pressure because residential prices are lower by 11%-12% and more owners have to roll out rent relief measures. This will continue to impact their topline for a while, according to an S&P director for corporate ratings quoted by Refinitiv.

According to S&P, the commercial real estate sector will witness some rationalization in terms of occupancies and rental measures and lot of it has to do with the inherent oversupply, which was there even before the coronavirus pandemic. However, it would take a few quarters before the extent of the impact is visible.

There are a lot of rental pressures in commercial space. Occupancy rates will come down and vacancy rates will go up. But it might take a while. It is not easy to shut down offices unless the businesses are going bust. It will take a few quarters before companies rationalize costs and make big decisions such as working from home and letting go of spaces, as per the S&P official.

While oversupply and softening demand have affected the various real estate segments, COVID-19-related restrictions affected hospitality, tourism and retail sectors significantly. Flights in the region have resumed in July, however S&P expects that it will take several quarters before international passenger and tourism numbers are normalized.

SURVEYS

UAE TOPS ARAB MENA COUNTRIES IN THE WORLD BANK'S 2019 GOVERNMENT EFFECTIVENESS INDEX

The United Arab Emirates ranked first among Arab MENA countries in the World Bank's 2019 Government Effectiveness Index. The country reported a score of 1.38 in 2019, compared to a score of 1.43 in the previous year.

This index comes as part of the world governance indicators. The Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for over 200 countries and territories over the period 1996–2019, for six dimensions of governance. These include, Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. These aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. They are based on over 30 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms.

Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.

Moreover, the United Arab Emirates reported the following scores. The country scored -1.12 on Voice and Accountability in 2019, compared to a score of -1.11 in 2018. It had 0.70 Political Stability and Absence of Violence in 2019 edging down slightly from 0.71 in 2018. On Regulatory Quality, the UAE scored 0.98 in 2019, up from 0.93 in 2018. As to the Rule of Law, the country reported a score of 0.84 in 2019, while it had a score of 0.81 in 2018. The UAE scored 1.11 on the Control of Corruption in 2019, while it reported 1.15 in the previous year. In details, Qatar came after the UAE on the Government Effectiveness Index with a score of 0.71, while Saudi Arabia followed with a score of 0.31. At the lower end of the scale, there were Libya, Yemen and South Sudan.

SAUDI BANKS RESPONDED WELL TO THE CRISIS, AS PER ALVAREZ AND MARSAL

Prior to the outbreak of COVID-19, the global banking sector was already in the throes of change, as per Alvarez and Marsal. New digital entrants, a subdued economic environment, increasing compliance and governance-relates costs are just a few of the factors that have led many banks to challenge their traditional business models, and look for ways to better integrate innovative technologies, systems and products while keeping the customer at the center of its core.

While it is difficult to fully predict the long-term effects of the pandemic on the banking sector, certain facts are now evident. Rates of growth have been severely reduced, asset quality issues are expected to continue increasing and operational resilience will be a key driver. While the global crisis has certainly provided strong impetus for banks to evolve quickly, it is also showing that the role of banks in a post-COVID world is crucial in supplementing governments measures to support companies and individuals alike through their recovery and rebuilding phases.

It is worth noting that the Saudi Arabia's regulatory bodies have already demonstrated a deep commitment to contain the effects of COVID-19 by introducing a series of stimulus measures worth SR 170 billion to bolster economic recovery.

Despite the twin effects of low oil prices and COVID-19 lockdowns, which may have impacted on credit demand and asset quality, Saudi banks have responded well to the crisis. While the profitability outlook for the Kingdom's banks remains relatively subdued, efficiency measures including a regimented approach to cost optimization and lower operational expenses have led cost-to-income ratios to decline for the second consecutive quarter across Saudi Arabia's top ten banks, as per Alvarez and Marsal.

Alvarez and Marsal's latest Saudi research reveals that provisions for loans increased significantly for the banks that reported second-quarter earnings.

Total provisioning rose by 64.7% quarter-on-quarter to SR 5.1 billion in the second quarter, highlighting the continuation of this volatile trend.

Meanwhile, the coverage ratio declined for the fifth consecutive quarter to reach 146.2%, as a result of the rise in the non-performing loans by 9.6%. Depending on future macroeconomic factors, reserve building is likely to continue in the third and fourth quarters.

Meanwhile, the return on equity (RoE) of the majority of banks declined as reduced operating income and increased provisioning impacted bottom-line.

Net income fell by 17.7% on account of a dual impact from lower income and higher provisioning. Profitability has seen a deteriorating movement beginning in the fourth quarter of 2019 for both Saudi Arabia and the UAE.

At present, the focus of lenders is on cost optimization and improving efficiency to further enhance their bottom line and support their viability.

In this context, the planned merger between NCB and SAMBA will no doubt create stronger institutions and further strengthen the financial ecosystem in the Kingdom.

Banks, working closely with the regulators in support of national objectives, will continue to play a leading role in driving economic recovery post-pandemic and beyond, as per the same source.

DUBAI PROPERTY PRICES AT "FAIR VALUE", SAYS UBS

After a 20% in values over the last 18-24 months, Dubai's property prices are well outside of any bubble space – in fact, they are now "fairly valued", according to the Swiss bank UBS.

Dubai's property market is placed 25th in UBS' Global Real Estate Bubble Index, which places Eurozone cities as being most at risk of being in bubble territory. Home prices in Dubai are 40% below 2014 levels in inflation-adjusted terms – a fall similar in magnitude to the crash after the global financial crisis in 2008, UBS report finds. Globally, the pandemic amplifies some long-term uncertainties surrounding urban housing.

Dubai's property market has reached a cyclical low. What UBS is seeing is price effects of high population growth and easier mortgage regulations are being offset by ongoing high supply growth and weaker oil prices, as peer the Head of Middle East and Africa at UBS Global Wealth Management.

The bank analyzed residential property prices in 25 major cities. Of these, apart from Dubai, Madrid, San Francisco and Hong Kong were the ones that saw price declines during the period. Hong Kong's dip could have much to do with the often violent protests that swept through the city in recent months, and which would have dissuaded overseas investors.

The Munich and Frankfurt markets are most at risk of overheating. Paris and Amsterdam are also "treading on bubble risk territory". Same with Zurich, Toronto and Hong Kong, while Vancouver's housing market is also overvalued. London, San Francisco and Los Angeles too are in the same situation price-wise.

To that mix, one must factor in all the uncertainties on businesses and personal incomes set off by the pandemic. However, it's clear that the acceleration over the past four quarters is not sustainable in the short run. Rents have been falling already in most cities, indicating that a correction phase will likely emerge when subsidies fade out and pressure on incomes increase, as per the Chief Investment Officer at UBS Global Wealth Management.

CORPORATE NEWS

MAJOR SAUDI FUND SIGNS US$ 43 BILLION TOURISM PROJECTS FINANCE DEAL

Saudi Arabia's Tourism Development Fund reached an agreement with local banks - Riyadh Bank and Banque Saudi Fransi - for funding of up to SR 160 billion (US$ 42.7 billion) to develop major tourism projects across the Kingdom.

The Tourism Development Fund was founded in June with an initial US$ 4 billion investment and is part of plans to diversify the economy in the face of the coronavirus pandemic and low oil prices.

The deal is based on establishing financing programs to support and develop the tourism sector with a value of up to SR 160 billion and aims to activate the programs agreed on with the two banks.

This agreement includes defining ways of cooperation between the fund and the participating banks by setting up mechanisms to support financing tourism projects in various regions of the Kingdom. The agreement was one of the fund's efforts to encourage and stimulate investments in the tourism sector and support the private sector, including support for small and medium-sized enterprises (SMEs), by providing a number of financial products, as per a statement.

ARABIAN CENTRES COMPANY COMPLETES SAUDI MALL EXTENSION

Arabian Centres Company, an owner, developer and operator of lifestyle shopping centers in Saudi Arabia, announced the soft opening of Nakheel Mall Extension (Phase One) in Riyadh, bringing online 16,000 square meters of additional GLA. The expansion work has been done on a leased land, at an investment of SR 255 million (US$ 68 million). The extension includes 73 commercial outlets that will host the most luxurious international and local restaurant, café, fashion and cosmetics brands, which would cater to the prestigious rank of the existed Mall in addition to a large Cineplex with 13 screens, said the company.

The Cineplex, which is spread over a 5,000 square meters, has been officially opened. The 1,520-seat facility boasts the latest technology and will offer an innovative movie experience for the viewers, it stated.

OMAN MINISTRY INKS COOPERATION DEAL WITH MADAYN

Oman's Ministry of Higher Education, Research and Innovation signed a program with the Public Establishment for Industrial Estates – Madayn to boost cooperation between the two in various fields that serve education, scientific research and innovation.

The cooperation program aims to develop joint plans for linking the outputs of higher education institutions with the investing companies in the industrial cities of Madayn. It will also help strengthen integration between the current and future development plans of the industrial cities and fields of higher education, scientific research and innovation, said the statement.

According to experts, this cooperation program will play a major role in developing the curricula of higher education institutions regarding the various specializations that are linked with the industrial needs of the sector and the companies in the industrial cities.

As per the agreement, Madayn will provide training opportunities at the industrial cities for the undergraduates, and vocational colleges' students.

The cooperation program also aspires to enhance the exchange of consultations and expertise to support the development of scientific research and innovation in the industrial fields, and adopt the results and outputs of innovative and viable research and project ideas and transform them into investment projects and opportunities according to mechanisms agreed upon by the related parties.

Additionally, the program will encourage the investing companies in the industrial cities to offer scholarships for higher education studies, in order to meet the employment requirements in the companies, sectors and industrial cities that fall under the umbrella of Madayn. Moreover, an electronic interactive platform will be formed with the participation of the relevant parties to exchange data and information related to the implementation of this program.

ADNOC L&S SIGNS 25-YEAR DEAL TO SERVICE ALL PETROLEUM PORTS IN ABU DHABI

ADNOC Logistics and Services (ADNOC L&S), the shipping and maritime logistics subsidiary of the Abu Dhabi National Oil Company (ADNOC), has signed a new 25-year agreement to provide critical marine services across all Petroleum Ports in Abu Dhabi on behalf of the Petroleum Ports Authority (PPA). This agreement includes the onshore Jebel Dhanna Ruwais Petroleum Port and the offshore Das Island, Zirku Island and Mubarraz Petroleum Ports in Abu Dhabi.

ADNOC L&S will provide a range of specialist port services to PPA including pilotage, towage, line handling and other marine services. The company was appointed following technical reviews and benchmarking against major regional and international ports, with the objective of aligning with international best practices and delivering optimum petroleum-port operations.

ADNOC L&S has extensive experience in managing port operations. In 2019 alone, its marine services team completed 8,659 dives, 741 towages, 2,022 line-handling jobs for incoming vessels, 5,630 pilotages and 2,806 vessel berths, in addition to managing the largest oil spill response inventory in the UAE, the company said in a statement to the media.

As the maritime logistics arm of ADNOC Group, ADNOC L&S supports the entire oil and gas supply chain in the UAE through three major business segments; shipping, integrated logistics and marine services. It provides safe, reliable and cost efficient maritime and logistics solutions to ADNOC Group companies and to more than 100 global customers.

CRÉDIT AGRICOLE SELLS REMAINING STAKE IN BANQUE SAUDI FRANSI

Crédit Agricole's Corporate and Investment Bank sold its remaining 4% stake in Banque Saudi Fransi to two government-related institutions for SR 1.5 billion (US$ 386.7 million). The Paris-based lender did not name the buyers of its stake but said it intends to retain a presence in the Kingdom.

Crédit Agricole has held a stake in Banque Saudi Fransi for decades but has been selling this down through a number of transactions over the past few years. Last year, it completed the sale of a 6% stake to US-based Ripplewood Advisors in November, following an earlier 4.9% sale to the same buyer in April.

ADCB TO EXIT ITS OPERATIONS IN CHINA AS IT CONTINUES TO FOCUS ON HOME MARKET

Abu Dhabi Commercial Bank (ADCB) said it will exit its operations in China to focus on its home market in the UAE. The bank has a branch in Shanghai, which it inherited from Union National Bank following last year's three-way merger that also featured Al Hilal Bank. Approval has been gained from the China Banking and Insurance Regulatory Commission for the closure.

The decision to exit operations in the People's Republic of China is driven by ADCB's strategy to focus on its home market, the UAE, and will have no impact on the bank's profitability, the bank said in a statement to Abu Dhabi Securities Exchange, where its shares trade.

ADCB is in contact with all relevant stakeholders to complete the formal closure process for the branch in Shanghai.

ADCB has been winding down operations in international markets to focus on its home market. Earlier this year, it discontinued operations in Jersey and last year announced a decision to sell the majority of its portfolio in India, as well as exiting the Kuwait and Qatar markets.

CAPITAL MARKETS

EQUITY MARKETS: WEEKLY PRICE GAINS IN MENA EQUITIES, TRACKING GLOBAL BOUNCE

MENA equity markets saw shy price rises this week, as reflected by a 0.5% increase in the S&P Pan Arab Composite index, mainly tracking a global bounce in equities on hopes over additional US fiscal stimulus, and driven by some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul, whose market capitalization represents 78% of the total regional market capitalization, posted a 0.7% rise in prices week-on-week, mainly tracking global equity price gains and supported by some favorable company-specific factors. Zain KSA's share price surged by 7.9% to SR 13.42. Zain KSA raised SR 6 billion loan to refinance existing debt and secure access to additional liquidity to support growth. Najran Cement's share price jumped by 13.8% to SR 17.70. Najran Cement's Board of Directors recommended the distribution of dividends at a rate of SR 0.75 per share for the first half of 2020. Petro Rabigh's share price skyrocketed by 14.8% to SR 16.34. Petro Rabigh signed joint revolving loans and facility agreements worth SR 7.5 billion for general corporate and working capital purposes. Saudi Kayan Petrochemical Company's share price climbed by 13.3% to SR 11.76. Morgan Stanley raised its recommendation on Saudi Kayan's stock from "underweight" to "equal-weight", with a price target of SR 9.90. Banque Saudi Fransi's share price closed 1.4% higher at SR 32.45. Bahri's share price went up by 5.0% to SR 41.85.

The UAE equity markets registered shy price gains of 0.5% week-on-week, mainly tracking global equities rebound and helped by some favorable market-specific and company-specific factors. The Dubai Financial Market reached the final stages of preparations to launch an equity derivatives platform in cooperation with Dubai Clear and Nasdaq Dubai as well as leading brokerage firms, enabling investors to diversify and hedge their portfolios and access leverage. Dubai Islamic Bank's share price closed 1.2% higher at AED 4.32. Emirates NBD's share price edged up by 0.5% to AED 10.50. du's share price increased by 1.0% to AED 5.30. In Abu Dhabi, First Abu Dhabi Bank's share price moved up by 0.4% to AED 11.14. ADCB's share price closed 2.4% higher at AED 5.63. ADNOC's share price increased by 2.9% to AED 3.52. ADNOC's Board of Directors recommended the distribution of dividends at a rate of 10.285 fils per share for the first half of 2020. Taqa's share price rose by 0.7% to AED 1.38.

EQUITY MARKETS INDICATORS (SEPTEMBER 27 TILL OCTOBER 03, 2020)

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	59.6	-2.1%	-14.4%	5.9	-5.9%	0.4	6,651.0	4.6%	-	0.21
Jordan	280.3	0.2%	-22.1%	27.0	12.2%	24.6	17,543.1	8.0%	12.1	1.24
Egypt	279.9	1.0%	-18.9%	302.1	-12.6%	1,559.9	42,604.3	36.9%	9.2	1.74
Saudi Arabia	358.4	0.7%	-2.7%	15,007.9	73.0%	2,548.9	2,428,044.1	32.1%	17.5	2.59
Qatar	172.8	2.7%	-6.4%	651.6	-28.4%	1,196.1	160,189.0	21.2%	14.9	1.98
UAE	91.5	0.5%	-19.3%	571.9	-13.5%	1,217.8	265,315.2	11.2%	11.5	1.67
Oman	182.4	-0.7%	-9.3%	5.4	-17.5%	14.7	15,386.9	1.8%	10.3	0.85
Bahrain	139.4	-2.0%	-15.1%	9.9	-40.7%	33.3	20,801.4	2.5%	12.3	1.53
Kuwait	102.6	-3.1%	-14.4%	444.0	-44.7%	831.8	93,588.3	24.7%	20.0	1.92
Morocco	242.6	1.8%	-16.7%	17.5	-30.5%	1.0	56,160.5	1.6%	16.4	2.59
Tunisia	65.0	-3.9%	-10.1%	9.7	42.3%	4.5	7,709.9	6.6%	14.7	2.54
Arabian Markets	**725.3**	**0.5%**	**-8.0%**	**17,053.1**	**48.5%**	**7,433.0**	**3,113,993.7**	**28.5%**	**16.7**	**2.42**

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

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

The Qatar Exchange posted a 2.7% increase in prices week-on-week, mainly tracking global equity price gains, and as some market players sought to add Qatari stocks to their holdings ahead of third quarter results. QNB's share price surged by 3.8% to QR 18.0. Qatar Islamic Bank's share price jumped by 5.0% to QR 16.75. Gulf International Services' share price closed 1.5% higher at QR 1.589. Barwa Real Estate's share price went up by 3.4% to QR 3.511.

The Egyptian Exchange registered a 1.0% rise in prices week-on-week, mainly supported by some favorable market-specific and company-specific factors. The Central Bank of Egypt lowered interest rates for the first time since an emergency cut in March 2020, a move aimed to support economic activity. EFG Hermes' share price surged by 6.0% higher at LE 13.80. Talaat Moustafa Group's share price increased by 4.4% to LE 6.37. Palm Hills Development's share price jumped by 5.0% to LE 1.44. Telecom Egypt's share price rose by 2.9% to LE 11.90.

FIXED INCOME MARKETS: TWO-WAY FLOWS IN MENA BOND MARKETS THIS WEEK

MENA fixed income markets saw two-way flows this week, amid mixed US economic data and as investors continued to weigh resurgent Coronavirus pandemic against implications of a new US fiscal stimulus.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 registered price gains of 0.25 pt and 0.75 pt respectively week-on-week. Prices of Ooredoo'25 edged down by 0.06 pt. Amongst financials, Commercial Bank of Qatar'23 was down by 0.08 pt. QIB'24 closed down by 0.20 pt. As to credit ratings, Moody's affirmed the Government of Qatar's long-term issuer and foreign-currency senior unsecured debt ratings at "Aa3" and maintained a "stable" outlook. The rating affirmation is supported by a number of strengths embedded in Qatar's credit profile, which underpin the sovereign's resilience to shocks, including the current shock triggered by the Coronavirus pandemic and lower global oil prices. In particular, these strengths include Qatar's exceptionally high level of per-capita income, its very large hydrocarbon reserves with low extraction costs, the government's very robust net asset position, and an established track record of macroeconomic policy effectiveness, as per Moody's. The "stable" outlook balances elevated regional geopolitical risks and the risk that an extended period of depressed oil prices delays the anticipated reversal of the weakening in government debt and debt affordability metrics against the potential fiscal and economic upside stemming from the planned expansion of the liquefied natural gas production capacity, according to the international rating agency.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 posted price expansions of 0.88 pt and 1.13 pt respectively week-on-week. Saudi Aramco'24 was up by 0.04 pt. SABIC'28 closed up by 0.74 pt. Prices of SECO'24 increased by 0.32 pt. STC'29 traded up by 0.10 pt. Standard and Poor's affirmed its "A-/A-2" unsolicited long-term and short-term foreign and local currency sovereign credit ratings on Saudi Arabia, with a "stable" outlook, as the Saudi economy has been hit hard by the twin shocks of the pandemic and lower oil prices and demand. The "stable" outlook indicates that S&P expects Saudi Arabia's relatively strong government and external balance sheets to continue to support the ratings.

In the Abu Dhabi credit space, prices of sovereigns maturing in 2024 expanded by 0.44 pt this week. ADNOC'29 was up by 0.07 pt. Etisalat'24 closed down by 0.14 pt. Amongst financials, ADIB Perpetual (offering a coupon of 7.125%) saw price gains of 0.44 pt. Al Hilal Bank'23 traded up by 0.08 pt. Regarding new issues, First Abu Dhabi Bank raised US$ 750 million through the sale of additional tier 1 perpetual six-year bond.

In the Omani credit space, sovereigns maturing in 2023 and 2025 posted price rises of 0.28 pt and 0.25 pt respectively, while Oman'29 closed down by 0.38 pt week-on-week. Prices of Omantel'28 declined by 0.30 pt. Regarding plans for new issues, Oman announced plans to issue US dollar-denominated bonds soon as the Gulf State seeks to bolster finances badly hit by a slump in oil prices. Within this context, Goldman Sachs said that Oman would need to raise at least US$ 3 billion each year from global debt markets through 2023 as pressures on its finances grow following oil price falls.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025 and 2040 registered price declines of 0.63 pt, 0.75 pt and 0.13 pt respectively, while Egypt'30 closed up by 1.46 pt week-on-week. Prices of Euro-denominated sovereigns maturing in 2025 and 2030 fell by 0.56 pt and 0.64 pt respectively. Egypt raised this week US$ 750 million through the sale of a five-year green bond at a yield of 5.25% versus an initial price guidance of 5.75%. The bond sale attracted orders of more than US$ 3.7 billion. The proceeds of the bond sale would be used to finance or refinance eligible green projects in accordance with Egypt's Sovereign Green Financing Framework.

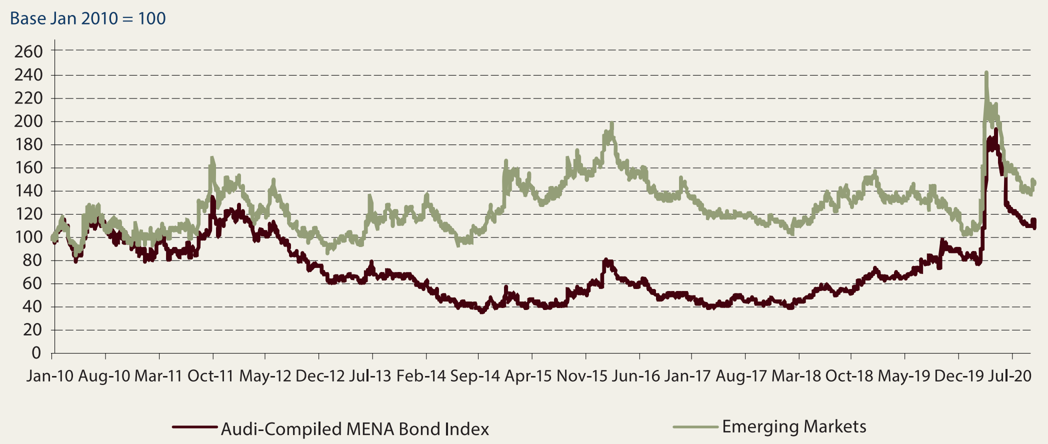
On the overall, regional bond markets saw mixed price movements this week after initial US jobless claims came lower than forecast while US manufacturing expanded less than estimated, and as market players weighed concerns over surging global Coronavirus cases against hopes of additional US fiscal stimulus.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	02-Oct-20	25-Sep-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	51	53	36	-2	15
Dubai	154	158	91	-4	63
Kuwait	61	58	37	3	24
Qatar	50	55	37	-5	13
Saudi Arabia	89	99	57	-10	32
Bahrain	346	352	176	-6	170
Morocco	130	140	91	-10	39
Egypt	450	450	277	0	173
Iraq	744	719	384	25	360
Middle East	**230**	**232**	**360**	**-2**	**-130**
Emerging Markets	**133**	**142**	**148**	**-9**	**-15**
Global	**167**	**166**	**163**	**1**	**4**

Sources: Bloomberg, Bank Audi's Group Research Department

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



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

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	SD/-/SD	C/NA	RD/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Negative/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Negative/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Negative	A/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA-/Negative/A-1+	A1/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	B+/Stable/B
Oman	BB-/Negative/B	Ba3/Negative	BB-/Negative/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Negative/A-3	Ba1/Stable	BBB-/Negative/F3
Tunisia	NR	B2/RUR	B/Stable/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

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

FX RATES (per US$)	02-Oct-20	25-Sep-20	31-Dec-19	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)	15.75	15.77	16.05	-0.2%	-1.9%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.1%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.68	3.68	3.66	0.0%	0.7%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	1.4%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	129.87	129.87	119.05	0.0%	9.1%
Moroccan Dirham (MAD)	9.26	9.29	9.57	-0.4%	-3.2%
Tunisian Dinar (TND)	2.77	2.78	2.83	-0.5%	-2.4%
Libyan Dinar (LYD)	1.37	1.37	1.40	0.0%	-1.8%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department

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