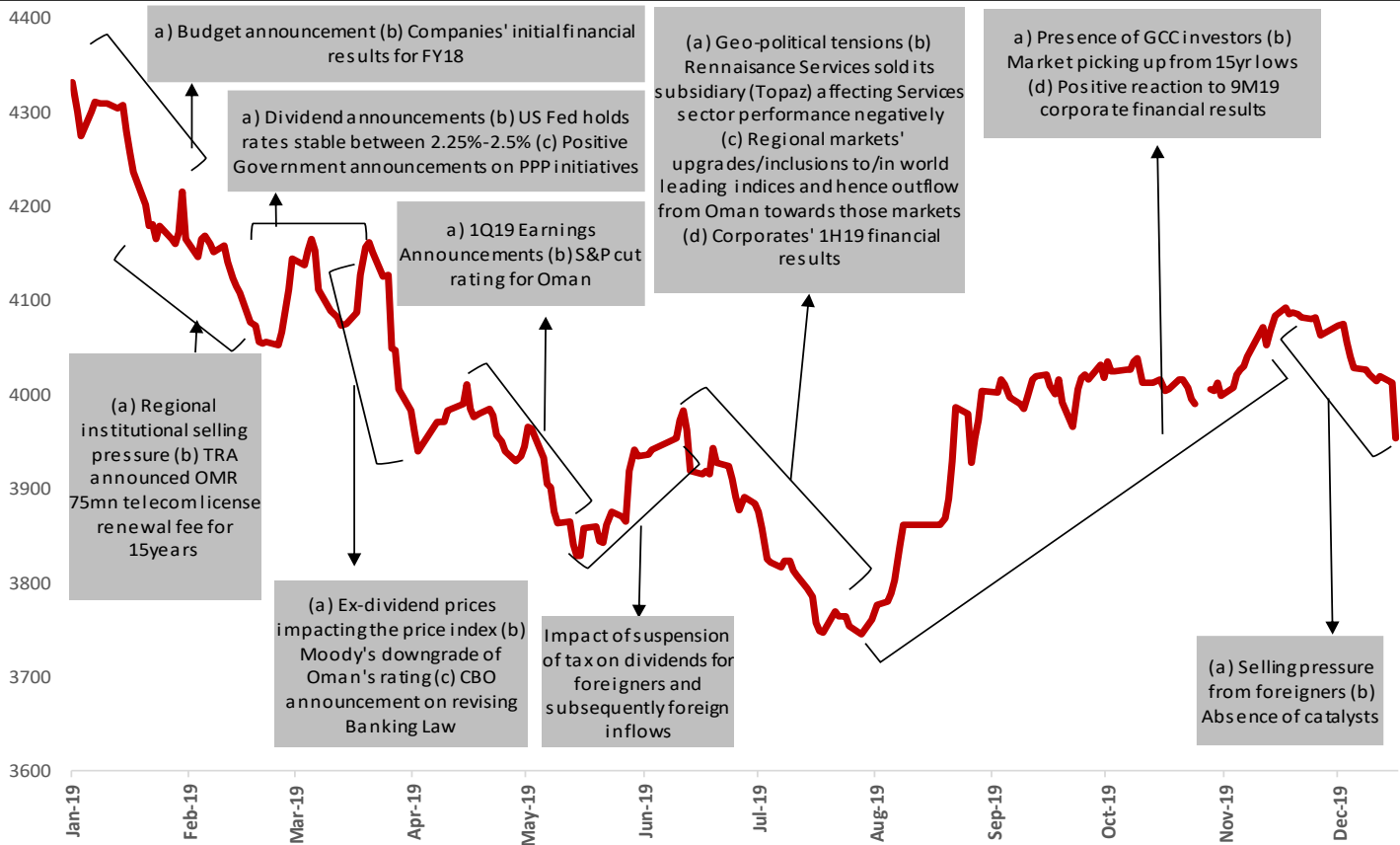


U Capital Yearly MSM Report

Market 2019 Review & 2020 Outlook



Source: Media, U Capital

The year 2019 was a challenging year for the local stock market. MSM 30 Price Index closed down, however, MSM total return index was up as it takes into account dividend reinvestment while the earlier one does not. There were a number of good news during the year on the macro-economic front, however, in spite of positive announcements by the Government, the regulator and the companies, the local market witnessed a fall during the year as per the price index while it was higher if we calculate on the MSM total return index. Overall, the price index closed down by 7.92% at 3981.19 while MSM total return index was up by 4.1% since its inception in mid-February (4076.88) to close the year at 4243.79.

Sector wise all the indices closed down led by the Services Index, which closed down by 17.19% at 1896.58 followed by the Industrial Index, which closed down by 15.7% to close at 4206.35. Financial Index dropped the least by 7.0% at 6349.26. The market capitalization stood at the year end at OMR 18.76bn. The MSM Shariah Index ended down by 9.43% at 536.07.

Turnover closed down 6.7% to OMR 711mn while the volumes dropped by 3.1% at 3.89bn.

Amongst the brokerage houses in Oman, Uthmaniyah Capital closed the year at number one position with a market share of 33.99%.

Factors affecting MSM Performance – Quarterly

1Q19:

- Announcements of the State General Budget, listed companies' annual financial results for the previous year, and dividends.
- US Fed policy rates maintained.
- Annual General Meetings of listed companies
- World Bank raised its forecasts for Oman real GDP growth in 2019 to 3.4% compared with earlier estimates of 2.5%.
- Telecommunications Regulatory Authority (TRA) finalized renewal terms of the first-class mobile telecom license of Omantel and Ooredoo Oman
- Oil price increase

2Q19:

- Companies' quarterly financial result disclosures
- Expat visa ban in Oman extended for specific professions,
- Company disclosures pertaining to awards of tenders and other partnerships
- Oman's new mining Law
- IMF slashed growth forecasts for GCC countries
- Tender Board awarded tenders
- S&P downgraded Oman to Negative from Stable
- CBO issued Government Development Bonds (No. 60)
- CBO announced that it is drafting a new Banking Law
- His Majesty issued 5 Royal Decrees (including on Oman Credit & Financial Information Centre)
- Third telecom operator was announced by TRA
- CMA announced suspension of tax on dividends
- CBO announced relaxation of re-payments terms for loans for engineering & contracting companies
- CMA regulation on takeover & acquisitions
- Imposition of 'Sin tax'
- Geo-political tensions in June
- Drafts on Bankruptcy & Insolvency Law
- Investor & analyst meets of listed companies

3Q19:

- His Majesty issued 7 Royal Decrees
- Foreign investors presence in the market at the start of the quarter
- Oman working on a New Securities Law
- Company disclosures pertaining to awards of tenders and other partnerships
- Fitch affirmed Oman's rating as Stable
- Positive macroeconomic updates
- Oman announced delay in introduction of VAT to 2021
- Government Development Bonds (Issue 61)
- Oman USD 3bn through issuance of International Bonds (USD 750mn, 5Yr; USD 2.25bn, 10Yr)
- Announcement of a new Foreign Capital Investment Law from Jan 2020
- Oman's Ministry of Commerce and Industry (MoCI) launched phase two of the Industrial Strategy 2040

4Q19:

- S&P downgraded Oman from 'stable' to 'negative' outlook, while affirming its ratings
- Musandam Power Company IPO of 40% of share capital of the Company
- IMF issued its semi-annual report and reduced real GDP growth estimates of GCC countries
- TRA granted Omantel and Ooredoo – the right to use a 100MHz 5G spectrum
- Company disclosures pertaining to awards of tenders and other partnerships
- Companies' quarterly financial result disclosures
- Omani Rial Sovereign Sukuk Program (5-year and 7-year dual-tranche)
- Stake sale of 49% of OETC (subsidiary of Nama Holding) to China; part of privatization target of Nama Holding
- Oman's Capital Market Authority issued Takaful regulations.
- Government Development Bonds (Issue 62)

The year kicked off with the announcement of the State General Budget that was expansionary in nature, resulting in slight support to the index followed by a volatile period. Corporate results which were better than 2018 gave some respite to the market however post the result period market started its decline as investors booked the profits. Low share prices and AGM announcement gave some respite to the market and we again witnessed the market picking up to get hold of companies which were estimated to announce good dividends. However, post the dividend season, market started to decline as companies went ex-dividend which affect the Index which is 'price' based. During 1Q19, market declined by 7.9%.

In the second quarter, market started on a positive note because of the low ex-dividend prices but it did not last long as various factors came into play. IMF slashed the growth forecast across the region, rating agencies downgraded/changed the outlook and announcement of third telecom operator which pressurized the existing large cap telecoms. This was followed by the generally low turnover season because of lesser working hours during the Ramadan. However, in June, announcement of removal of tax on dividends give the market a healthy breathing space and the market recovered from the lows (3828, index down by 4%) to close the quarter at 3884.9 (down by 2.5%).

In the third quarter, on the back of removal of tax on dividends, foreigners entered the market and we witnessed net foreign inflow of USD 7.2mn in the period of three months after the announcement of this news. Furthermore, government prudent policies resulted in drop of the deficit which was also taken positively by the rating agencies which changed the outlook of Oman from Negative to Stable. Various decrees were also issued to allay the fears of foreign investors as well. On the back of such news and announcements, market recovered and the third quarter proved to be the best quarter with market closing higher by 3.4%.

Riding on the positive news of the previous quarter, fourth quarter started on an upbeat note, with index going up 2% further up until mid-November on the back of good corporate announcements and better result season. However, at the start of the December, we witnessed sizable foreign outflow from the market. Since the start of December foreigners were net seller of over USD 16mn which changed the market sentiments and eroded all the gains registered from the start of 2nd half to mid-November to close the 4Q19 and the year down by 0.9% and 7.92%, respectively.

GOVERNMENT DEVELOPMENT BONDS

During the year, there were three Government Development Bond listings, i.e. issue 60 to Issue 62 amounting to OMR 400mn. More details in the following table:

Oman GDB Issues

	Issue Date	Term (Years)	Coupon (%)	Avg. Yield (%)	Amount Applied (OMR mn)	Amount Allotted (OMR mn)	Subscribed (x)
GDB 60	28.04.19	7	5.75%	5.52%	187.38	100.0	1.87
GDB 61	23.07.19	5	5.25%	4.92%	157.11	100.0	1.57
GDB 62	24.12.19	10	5.75%	5.55%	270.98	200.0	1.35

Source: CBO / Reuters

NA - Not Available

CORPORATE BONDS AND SUKUK

The total issuance value of corporate bonds and Sukuk that got listed on the Muscat Securities Market in 2019 stood at OMR 232mn, down by about 2.24% compared to total issuance value of bonds and Sukuk in 2018. SOHAR INT. BANK PERPETUAL BOND formed the highest share at 43 % of the total value.

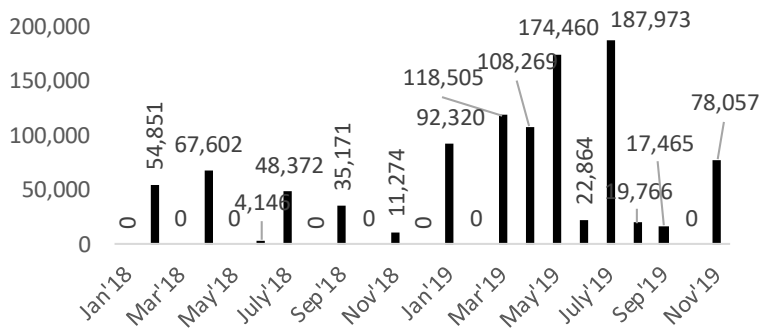
Instrument	Issue Value	Listing Date	Market Cap, OMR mn
	OMR mn		As of 31 Dec
BANK DHOFAR PERPETUAL BONDS	40.0	1-Jan-19	40.0
SOHAR INT. BANK PERPETUAL BOND	100.0	20-Mar-19	100.0
AL OMANIYA FINANCIAL BONDS2019	1.4	9-Apr-19	1.4
MEETHAQ SUKUK SERIES 2	45.6	26-May-19	45.6
AHLI BANK PERPETUAL BONDS 2019	20.0	18-Jun-19	20.0
DIDIHC UNSEC. SUB. NON.CONVERT	25.0	24-Dec-19	25.0
Total	232.0		232.0

Source: MSM

TENDERS

In 2019, tenders' worth of OMR 819.7mn were awarded according to the media and U Capital database. This represents a notable annual increase of 270.2%. Major contracts were for in health sector, education sector and infrastructure. The 2nd quarter registered the highest value of awarded tenders with contribution of 37.3% followed by the 3rd quarter with 27.5% then the first quarter with 25.7% and lastly the 4th quarter with 9.5%.

Awarded Tenders by Month, OMR (000)



Source: Media, U Capital

SPECIAL DEALS

The total value of special deals carried out on the Muscat Securities Market in 2019 stood at OMR 206mn, i.e. a yearly increase of 58.7%. Most of the deals were carried out within the Services sector and the Financial sector.

Following table shows top deals in terms of value in 2018 and 2019.

Top special deals in terms of Value

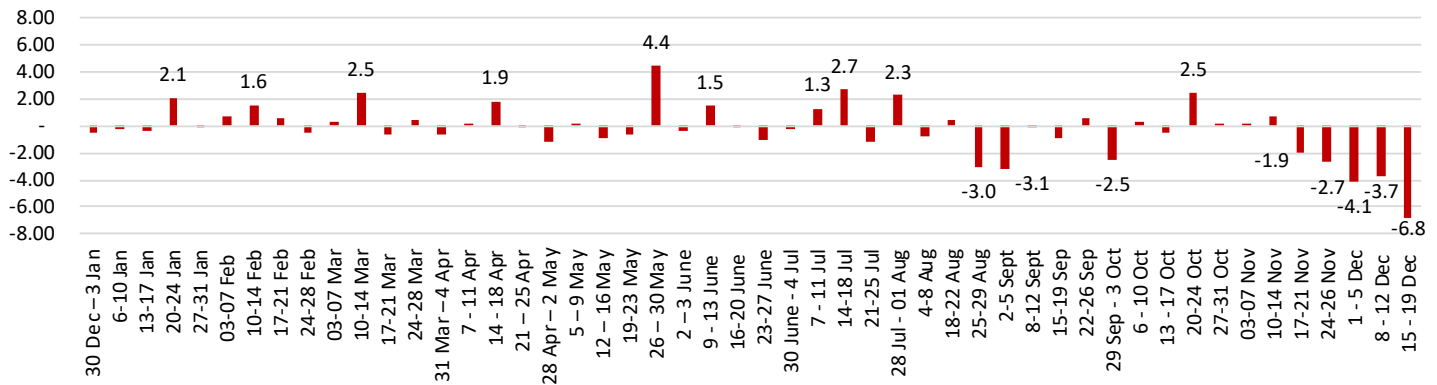
2018			2019		
Company	Date	OMR	Company	Date	OMR
AHLI BANK	9-Apr-18	22,941,933	OOREDOO	26-Aug-19	135,331,299
DHOFAH TOURISM	3-Jul-18	23,863,812	SOHAR INTERNATIONAL BANK	3-Oct-19	20,482,178
AL JAZEERA STEEL PRODUCTS	25-Mar-18	15,988,188	AL JAZEERA STEEL PRODUCTS	20-Jan-19	8,430,612
AL SUWADI POWER	10-May-18	10,420,331	RAYSUT CEMENT	4-Dec-19	7,920,396
AL BATINAH POWER	10-May-18	10,229,943	OMINVEST	26-Jun-19	7,665,304
NATIONAL FINANCE	26-Dec-18	9,758,760	BANK MUSCAT	17-Jan-19	4,904,400

Source: U-Capital, MSM

FOREIGN INFLOWS IN MSM

For the fifth year, foreigners continued to exit the market. The year started on a low note but during the year in the second quarter news regarding removal of tax on dividends for foreigners changed the investor sentiments and market started propping up on foreign inflows. However, things started to change at the end of the year and foreigners started exiting the market ending the year with negative net foreign outflow of approximately USD 13mn.

Net Foreign Flows (USD mn)



Source: MSM

IPO DURING 2019

During the year only one IPO materialized which was Musandam Power Company. The IPO in 2019 was one of the most unique as for the first time book building method was used.

The 28mn shares IPO offering, was comfortably oversubscribed with an overall subscription of around 3.5 times. In Phase I of the IPO, the Offer received a strong response with an oversubscription of 5.6 times of Phase I offer shares. While, phase II was oversubscribed 1.6 times of the Phase II offer shares.

Company on the first day moved up by 5.7% to OMR 0.334/share from OMR 0.316/share.

KEY DISCLOSURES BY COMPANIES

Listed companies' disclosures covered various topics like mergers /acquisitions, establishing new companies, compensations, issuing bonds, selling assets as well as other news.

- Oman Oil Marketing Co. announced that it will invest in Tanzania focusing on fuel retail and SFS market. Oman Oil Marketing Company also announced that it secured board approval for the construction of an in-port bunker terminal at the Port of Duqm on the Sultanate's Al Wusta coast.
- Shell Oman Marketing Co. and Al Maha Petroleum announced that they received a letter of intent to supply Oman Air with aviation fuel with a volume share of 50% for a period of two years.
- Al Maha Petroleum signed a partnership agreement with Petronas Lubricants International (PLI), a wholly owned subsidiary of Malaysia's national oil corporation, Petronas. Under this agreement, Al Maha is now the authorized distributor of PLI's innovative, high quality products.
- Bank Dhofar and National Bank of Oman announced that they have decided to discontinue the merger discussions after the parties could not agree on terms for a possible merger transaction.
- Raysut Cement finally announced that it will acquire Sohar Cement for USD 60mn. Raysut will acquire 100% of Sohar Cement, which has a production capacity of Sohar Cement is 1.7mtpa. Raysut Cement Company (RCC), announced joining hands with MSG Group in East Africa in a joint venture to set up a USD 40mn cement grinding unit in Berbera, Somaliland.
- Oman Arab Bank proposes 81%:19% share swap ratio for potential merger with Alizz Islamic Bank.
- Salalah Mills Co is planning to set up a macaroni plant in Ethiopia to target the large Ethiopian market and neighboring African markets. The company has signed a MoU with a giant Ethiopian industrial and trading group to set up the plant.
- Ooredoo Oman announced that it has signed a long term agreement (seven years) with FRIENDi Mobile to provide mobile services to FRIENDi customers.
- National Bank of Oman and Ominvest have signed a long-term secured credit facility agreement for OMR 80mn to support Ominvest's initiative for diversification and long-term growth in the sultanate.
- Bank Nizwa signed OMR 18mn MoU for a sharia-compliant financing agreement with Oman Food Investment Holding Co.
- Omantel signed a definitive share purchase agreement with Integrated Telecommunications Oman whereby Omantel acquired 40% stake in Majan Telecommunication (Renna) for a sum of OMR 5mn.
- Ominvest's fully-owned subsidiary Jabreen Capital announced that they have purchased 43% of EastBridge Partners Singapore. OMINVEST's associate IGI Holding has entered into a definitive business combination agreement with Tiberius Acquisition Corp. Tiberius Acquisition Corp is a publicly traded special purpose acquisition Company. Under the terms, IGI and Tiberius will combine under a new holding company and will be domiciled in Bermuda and is expected to be listed on Nasdaq Capital Market.
- Oman Fisheries announced investment in Al Duqm Fisheries Investment LLC at 22.5% of its capital.
- Telecommunications giant Vodafone will become the third service provider in Oman after it signed an agreement with Ministry of Transport and Communications (MoTC).
- National gas announced that the Company has been in discussions with third parties potentially interested in investing in the Indian Subsidiary for partnering in the Project by acquiring up to 40% of the share capital of the Indian Subsidiary. National Gas Company Oman SAOG (NGC), in partnership with Singapore-headquartered Petredec, has broken ground on an LPG import and storage terminal at Krishnapatnam port in the south eastern part of India. The project, valued at around OMR 21.6mn will be set up under a joint venture in India, NGC Energy India Pvt Ltd, in which NGC will have a 60% stake, while Petredec, will hold the remaining 40%.
- Gulf Investment Services accepted the subsidiary company i.e. Gulf Baader Capital Market decision taken in its board meeting to reduce its capital from OMR 7mn to OMR 2mn.

- United Finance board approved proposal to enter into discussions to explore a possible strategic collaboration with Taageer Finance, subject to approval of shareholders, regulatory authorities and Taageer Finance Board.
- Al Anwar Holding transferred its entire stake in the five manufacturing companies to Al Anwar Industrial Investments SAOS (under formation), a 100% owned special purpose vehicle (SPV) to be created with special purpose to manage these investments and divest partial stake in the SPV to strategic investors.
- Al Fajar Al Alamia announced completion of formalities for acquisition of 50% of shares of Awam Metrials LLC. Awam Materials LLC has mining license for Gypsum Quarry at Thumrait.
- Oman Cable industry signed an agreement with Takamul Investment Company LLC “Takamul” to acquire 49% stake of the capital of Oman Aluminum Processing Industry LLC (OAPIL) owned by Takamul, the acquisition value was estimated at OMR 3.2mn, to be financed from the company’s normal available resources.
- Galfar Engineering received new contracts worth OMR 188.7mn in 2019.
- Bank Muscat, announced that the Central Bank of Oman has approved the bank's request to launch a USD 100mn (OMR38.5 million) strategic Fintech investment program.
- Renaissance Services Board of Directors in a board meeting proposed and recommended to shareholders the approval of a restructure of the Company’s issued and paid up share capital from OMR 36.7mn to OMR 23.6mn. Renaissance Services also announced the successful repurchase/redemption of 100% of its dual currency Step-Up Subordinated Perpetual Notes of USD 125.5mn (OMR 48.3mn) issued by its wholly owned foreign subsidiary Renaissance International Limited.

KEY NEWS

1Q19

- Capital Intelligence (CI) announced lowering Oman's long-term foreign currency (LTFC) rating to "BBB-" from "BBB".
- The sultanate's government is planning to bring a new Foreign Capital Investment Law, which may allow foreign companies or individuals to increase their ownership in local companies up to 100%.
- Moody's downgrades Oman's rating to Ba1, outlook negative. The key driver of the downgrade is Moody's expectation that the scope for fiscal consolidation will remain more significantly constrained by the government's economic and social stability objectives than it had previously assessed.
- Oman received 25 expressions of interest from investors interested in buying stakes in two electricity companies under a privatization plan aimed at boosting state coffers,
- Moody's Investors Service, which downgraded Oman's credit rating to junk, said the sultanate would not require a bailout similar to the one that Bahrain got in the next 12 to 18 months.
- Petroleum Development Oman is planning to ramp up oil production to 670,000 barrels per day (bpd) in the next five years. This comes after it confirmed that 2018 yielded its highest oil output since 2005 of 610,170 bpd.
- Fitch Ratings downgraded National Bank of Oman, Sohar International Bank and Bank Dhofar's long-term issuer default rating (IDR) to BB from BB+ with a stable outlook. Additionally, Fitch also downgraded Bank Muscat's long-term issuer default rating to BB+ from BBB- also with a stable outlook.

2Q19

- Oman's newest mobile reseller, has commenced operations under the license of Majan Telecommunications Company LLC. Majan also owns the existing mobile reseller brand, 'Renna Mobile'.
- S&P Global Ratings cut its outlook on Oman to negative from stable while affirming its 'BB/B' long- and short-term foreign and local currency sovereign credit ratings on the country.
- In preparation for the implementation of mandatory health insurance scheme for private sector employees, expatriates and visitors in Oman, CMA announced a tender to establish an electronic platform named 'Dhamani' for exchange of health insurance information and claim settlement.
- Expats in Oman will soon be able to own Property. The move was announced as part of the country's Tanfeedh plans for economic expansion, which is being overseen by the state's Implementation, Support and Follow-up Unit (ISFU).
- Oman's construction sector, which has been facing challenges due economic slowdown and delay in payments since past few years, could breathe a sigh of relief as the banks, on directions of the Central Bank of Oman (CBO), have decided to give some relaxations in loan repayments.
- Oman's capital market authority suspended 10% tax on dividends for three years as of May 6 to boost foreign investments.
- New CMA regulation aims to limit take over and acquisition processes at not more than 25% of the shares of public joint stock companies and controlling percentage in the company to provide protection for shareholders.
- Oman will introduce 100% tax on tobacco, alcohol and pork meat from June 15, as the sultanate follows other Gulf governments in trying to pare its reliance on oil revenue.

3Q19

- Fitch Ratings affirmed Oman's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB+' with a Stable Outlook.
- Oman to delay VAT to 2021 amid sluggish growth.
- Oman issues \$3bln international bonds.

4Q19

- Rating agency Moody's warned that problem loans in Oman are set to rise to as much as 3.7% of gross loans in 2019-20, from 2.8% in June 2019, with the stressed construction sector heightening risk.
- OMRAN appoints U Capital as adviser for privatization of hotels.
- Insurance to be made mandatory for visitors.
- Nebras Power buys 9.9% Stake in Oman Solar Photovoltaic Project.
- Sultanate announces Omani Rial Sovereign Sukuk Program.
- Oman Oil Co., a state-owned holding company for investment in oil and gas industries, is working now on process of selling shares by end of next year.
- Oman to Invest USD 28bn in Petchems, Refining Over 5-7 years.
- China's State Grid acquires 49pc stake in Oman Electricity Transmission Co.
- Oman Oil and Orpic Group announced the culmination of a year of integrating nine core businesses under a new brand identity called 'OQ'.

KEY REGULATIONS / ADMINISTRATION DECISIONS AND DEVELOPMENTS DURING 2019

1Q19

- In February 2019, the amendments to the Executive Regulations of the Income Tax Law were issued, which provided more clarity on a number of tax law provisions.
 - **Withholding Tax** In line with the earlier amendments to Income Tax Law, amendments to the Executive Regulations, widened the categories of payments subject to Withholding Tax (WHT) to include dividends, interest and fees charged for services. Under the amended Executive Regulations, WHT on dividends distributions will apply only to joint WHT is not applicable to dividends distributed by limited liability companies. Further, the amendments provided definition of dividends and interest. The amendments also elaborated on categories of payments that shall not be considered as service payments subject to WHT.
 - **Tax exemptions** The amendments replaced the provisions of the Executive Regulations related to tax exemptions for companies carrying out certain activities, with new provisions limiting tax exemption to be granted only to companies carrying out their main activity in the manufacturing sector. Similarly, the amendments revoked respective provisions related to renewal of tax exemptions. Thus, tax exemption period is limited to five years only.
 - **Tax Card System** The amendments introduced the mechanism for issuance of tax cards. New taxpayers are required to apply for the tax card at the time of tax registration.
 - **Penalty for auditors** A new provision has been introduced giving wide powers to the tax authorities to temporarily restrict services of a licensed auditing firm in Oman.
 - **Special provisions related to tax on enterprises** Special rates for SME's (up to 3 per cent) have been imposed in the Income Tax Law, with intent to encourage the contribution of small businesses in the economy.
- The Excise Tax Law was promulgated in March 2019. The tax rate on certain 'unhealthy' items is up to 100 per cent their price. In addition to generating non-oil fiscal revenues, the selective tax seeks to create financial incentives to discourage unhealthy consumption patterns and improve the public health.
- CMA Issued Initial Approval for Aman Real Estate Fund: CMA's initial approval has been issued for a RO 20 million capital fund. 50 per cent of that will be offered for the public.
- New Commercial Companies Law Added to the Role of CMA: The new Commercial Companies Law (CCL) in the Sultanate was announced via Royal Decree (18/2019) on February 13, 2019 and became effective 60 days from the date of publication. As a result, the old Commercial Companies Law, which was enacted in 1974, ceased to exist. The Fundamental changes introduced by the new Commercial Companies Law are as follows:
 - Holding companies may no longer take the form of limited liability companies.
 - The law introduces a new corporate vehicle, the sole shareholder company, which is a limited liability company with only one – either natural or juristic – shareholder.
 - Capital contributions may take the form of cash, moveable or immoveable property, intangible rights, services or labor.
 - Natural persons may not incorporate more than one sole shareholder company.

2Q19

- CMA issued a Unified Health Insurance Policy: The Unified Health Insurance Policy (UHIP) is one of the central components of the compulsory health insurance for the employees of the private sector, expatriates and visitors "Dhamani". In collaboration with the concerned entities, CMA is preparing the necessary regulations and legislations to implement health insurance scheme in Oman. The health insurance scheme "Dhamani" will be phased-out in taking in account the classification of the commercial companies and the capacity of the private health institutions to accommodate the expected 2.1 million workers in the private sector.
- Royal Decree No. 38/2019 established Oman Credit and Financial Information Centre and promulgated its bylaws, which is a full-fledged independent bureau affiliated with the Central Bank of Oman (CBO). The objective of the center

is to establish a central database of credit and financial information at the national level in accordance with internationally-approved standards, which will provide its members with the data they need to manage their credit risk, facilitate supply of credit to various economic sectors, and more importantly make more informed credit decisions related to their clients.

- In July 2019, five Royal Decrees were issued that established the “Public Authority for Privatization and Partnership” and enacted (i) the new Foreign Capital Investment Law; (ii) the new Privatization Law; (iii) the Law on Public-Private Partnership; and (iv) the Bankruptcy Law. These new laws are expected to have a strong positive impact on the investment environment in Oman, and boost domestic and foreign investments.
- The excise tax took effect in June 2019 (90 days after the official publication of the Law) after the issuance of its Executive Regulations. The Selective Goods Tax Law is a result of the GCC Standard Agreement on Selective Tax, issued in 2016 by Saudi Arabia, the United Arab Emirates, the Kingdom of Bahrain, and the State of Qatar. The Excise (Selective) Tax is levied on goods that may cause damage to public health or the environment. The tax will increase the price of certain ‘unhealthy’ items by up to 100 per cent. The tax is currently imposed on tobacco products, alcoholic beverages, pork products, energy drinks, and soft (carbonated) drinks. In addition to generating non-oil fiscal revenues, the selective tax seeks to create financial incentives to discourage unhealthy consumption patterns and improve the public health.
- CMA suspended dividend tax for three years: The government decided to suspend the income tax on dividends and interest dividends amounting to 10%, which was imposed after the issuance of the Income Tax Law issued by Royal Decree No 9/2017 for a period of three years from May 6, 2019, extendable.

3Q19

- The PPP Law was published in the Official Gazette on 7 July 2019 and came into force on 8 July 2019 with Executive Regulations (and related decisions) to be issued by 8 July 2020. The PPP Law applies to Partnership Contracts and consultancy contracts relating to them. Whilst the Tender Law and the Privatization Law are expressly carved out from such contracts, the PPP Law does not affect provisions of any other laws relating to management, lease, licensing, usufruct, or concession of any public facility. The key takeaways from the PPP Law are: Partnership Contracts must relate to partnership projects which have economic or social return and are in line with the strategy of the Sultanate and its development plan; and requirement to establish a project company which may be 100% non-Omani owned;
- The Privatization Law was published in the Official Gazette on 7 July 2019 and came into force on 8 July 2019. The Privatization Law contemplates the issuance of Executive Regulations by the Authority by 8 July 2020. The Privatization Law expressly repeals the Privatization Law from 2004. The key takeaways from the Privatization Law are: distinction between: 1. “Privatization Project” (where a public project or a company wholly or partially owned by the government is transferred to a private person); and 2. “Company Transformation Project” (where a public project is to be transformed into a joint stock company wholly owned by the government)

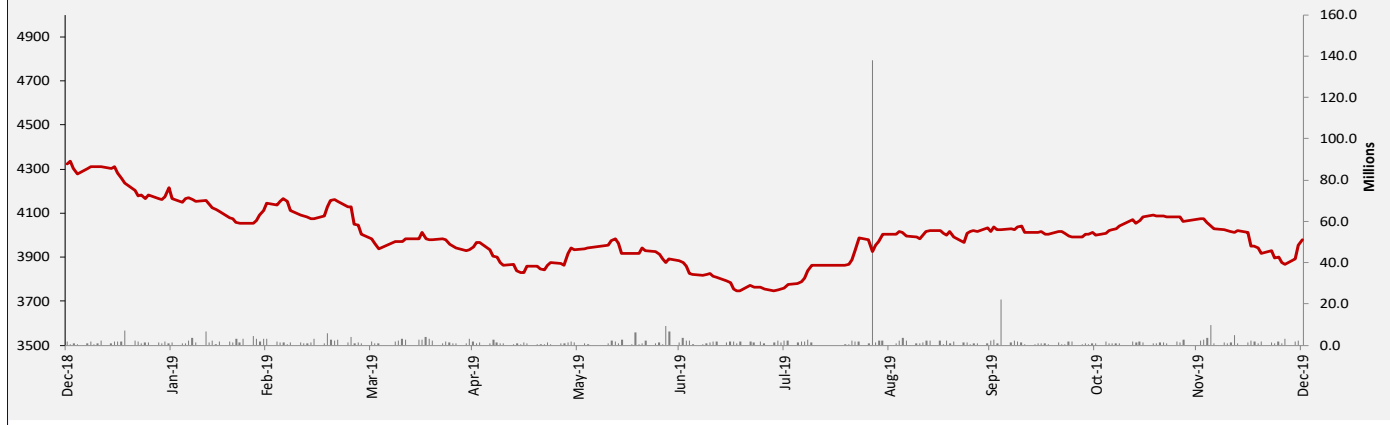
4Q19

- A new bankruptcy law that will govern the conditions under which people in Oman can declare bankruptcy, and that will help them to come out of it quickly, will come into effect from 1 July 2020 onwards. The law was passed under Royal Decree number 53/2019, and includes a set of rules and regulations pertaining to the above, as well as conditions for the bankrupt party to pay off his creditors, according to a restructuring plan that has been previously agreed upon.
- Oman's Capital Market Authority issued Takaful regulations. The issuance of Decision No. 103/2019 has specified six months for the companies to adjust their position from the date the regulation comes into force on December 23, 2019.

MSM Snapshot

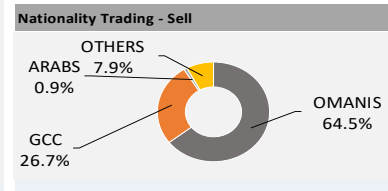
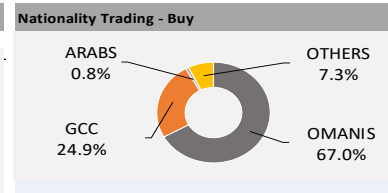
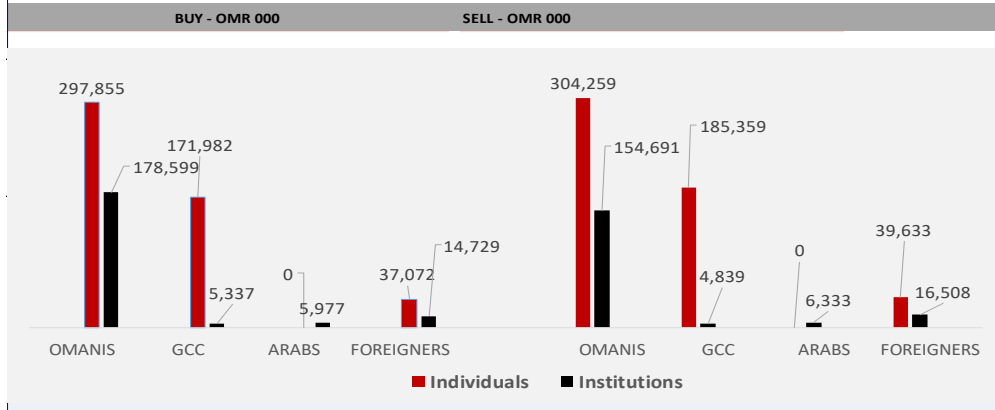
	Current	Previous	YTD	No. of Cos	
MSM 30	3,981.19	4,323.74	-7.92%	Up	Down
MSM Total Return Index	4,243.79	0.00	NA	22	69
Volume ('000)	3,896,838	558,836		↑	↓
Value (OMR'000)	711,551	165,057			
Sub-Indices				Unchanged	
Financial Sector	6,349.26	6,827.20	-7.00%		
Industry Sector	4,206.35	4,991.03	-15.72%	23	
Services Sector	1,896.58	2,290.34	-17.19%		
MSM Shariah Index	536.07	591.90	-9.43%		

MSM 30 Index (LHS) vs. Turnover (RHS)










Top Equity Gainers			Top Co. -Value			Nationality Trading - Buy		
Companies	Price	Chg	Companies	Price	Value		Value	%
AL-ANWAR CERAMIC TILES CO	0.134	88.73%	OOREDOO	0.524	152.2	OMANIS	476,472,553.6	67%
OMAN INVESTMENT & FINANCE	0.109	41.56%	BANKMUSCAT SAOG	0.434	83.6	GCC	177,296,259.4	25%
AL JAZEERA SERVICES	0.150	37.61%	SOHAR INTERNATIONAL BANK	0.110	33.7	ARABS	5,973,389.0	1%
OMAN FISHERIES CO	0.081	37.29%	GALFAR ENGINEERING&CONTRACT	0.069	31.3	OTHERS	51,809,240.9	7%
CONSTRUCTION MATERIALS IND	0.036	24.14%	OMINVEST	0.340	30.7			

Top Equity Losers			Top Co. -Volume			Nationality Trading - Sell		
Companies	Price	Chg	Companies	Price	Volume		Value	%
ALLOULA CO	0.038	-92.83%	OOREDOO	0.524	391.0	OMANIS	458,939,886.0	64%
SMN POWER HOLDING SAOG	0.070	-81.18%	GALFAR ENGINEERING&CONTRACT	0.069	377.0	GCC	190,220,452.1	27%
FINANCIAL SERVICES CO.	0.055	-68.57%	BANK NIZWA	0.095	297.0	ARABS	6,309,183.3	1%
AL JAZEERA STEEL PRODUCTS CO	0.118	-57.71%	SOHAR INTERNATIONAL BANK	0.110	295.0	OTHERS	56,081,921.4	8%
AL-OMANIYA FINANCIAL SERVICE	0.098	-51.24%	AL-ANWAR CERAMIC TILES CO	0.134	217.0			



GCC & INTERNATIONAL MARKET SNAPSHOT

GCC Market Indices		Current Close	Previous Close	Change	YTD	P/E TTM	P/B
		Index	Index		%	X	X
	Muscat Securities Market	3,981.19	4,064.14	-82.95	-7.92%	7.5	0.7
	Saudi Stock Exchange	8,389.23	7,859.06	530.17	7.19%	22.5	1.9
	Kuwait Stock Exchange	6,282.46	5,928.27	354.19	23.68%	15.5	1.5
	Qatar Exchange	10,425.51	10,147.88	277.63	1.23%	15.1	1.5
	Bahrain Bourse	1,610.18	1,526.95	83.23	20.41%	13.0	1.0
	Dubai Financial Market	2,764.86	2,678.70	86.16	9.29%	11.0	1.0
	Abu Dhabi Securities Exchange	5,075.77	5,030.76	45.01	3.27%	15.5	1.4

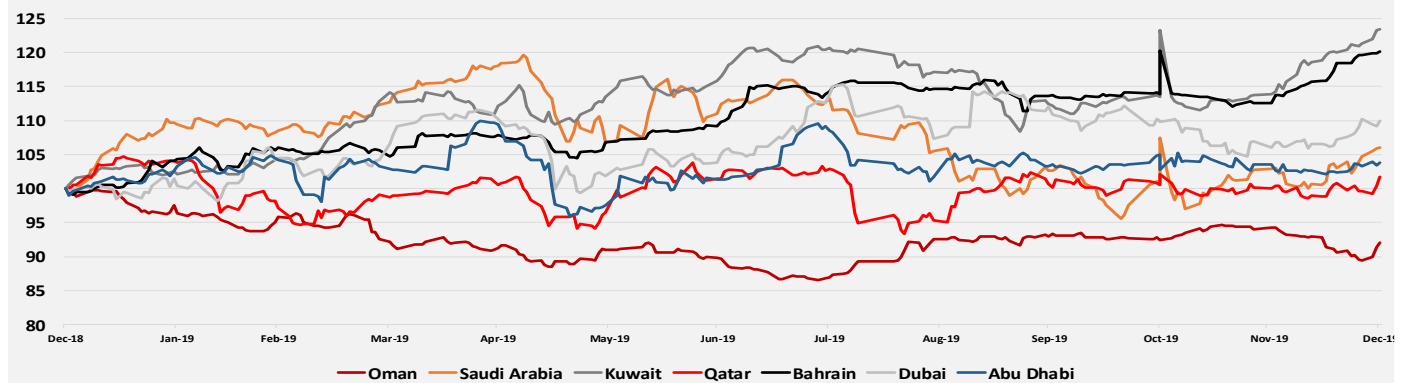
Country		Current Close	Previous Close	YTD	
		Index	Index	%	
Europe					
UK	FTSE 100	7,544.57	7,346.53	12.13%	
Germany	DAX	13,249.01	13,236.38	25.48%	
France	CAC 40	5,982.55	5,905.17	26.46%	
United States					
USA	DJIA	28,462.14	28,051.41	22.01%	
USA	S&P 500	3,221.29	3,140.98	28.50%	
USA	NASDAQ	8,945.99	8,665.47	34.82%	
Asia Pacific					
Japan	NIKKEI 225	23,656.62	23,293.91	18.20%	
HongKong	HANG SENG	28,189.75	26,346.49	9.07%	
Arab Market Indices					
Egypt	The Egyptian Exchange	13,973.47	13,849.46	7.19%	
Jordan	Amman Stock Exchange	1,815.20	1,795.21	-4.90%	
Palestine	Palestine Sec. Exchange	525.96	521.53	-0.64%	
Lebanon	Blom Stock Index	763.81	762.81	-21.80%	
MSCI					
Bahrain		109.71	98.81	11.03%	51.75%
Kuwait		740.88	694.39	6.70%	30.78%
Oman		507.81	514.59	-1.32%	-1.62%
Qatar		839.50	803.09	4.53%	-4.33%
UAE		336.59	332.26	1.30%	-0.28%
GCC Countries		506.47	484.24	4.59%	6.76%

Commodity Prices	Price	YTD	
		USD	%
Brent Crude (per bbl)	66.43	19.76%	
WTI Crude (per bbl)	61.47	35.37%	
Oman Crude Oil	67.42	26.00%	
Gold100 OZ (per oz)	1,522.69	18.73%	
Silver (per oz)	18.06	16.56%	
Platinum (per oz)	970.50	21.98%	
Copper, MT	6,219.00	4.26%	
Aluminium, MT	1,827.00	-1.03%	
Lead, MT	1,942.00	-3.91%	
Zinc, MT	2,306.00	-6.53%	
Nickel, MT	14,315.00	33.91%	

Cross Rate for Major Currencies

Currency	Code	USD/1 Unit	Units/1 USD
Euro	EUR	1.123	0.891
British Pound	GBP	1.320	0.758
Japanese Yen	JPY	0.009	108.542
Chinese Renminbi	CNH	0.144	6.964
Indian Rupee	INR	0.014	71.291
Pakistani Rupee	RUB	0.646	1.549
Canadian Dollar	CAD	0.768	1.302
Australian Dollar	AUD	0.701	1.426

GCC Market Performance Tracker -1Yr



2020 MUSCAT SECURITIES MARKET TECHNICAL FORECAST

Muscat Securities Market Index during 2019 witnessed several fluctuations, in addition to several events during the last few months, including economic and geopolitical events affected by the fluctuations in oil prices that affected the region, either positively or negatively. For 2019, we will review the movement of the general index of the Muscat Securities Market in detail during each quarter:

During first quarter: The MSM30 index decreased during the period trying to rise even slightly to the level of 4,335 points (reaching its highest point in 2019) fluctuating in the movement above the level of 261.8% Fibonacci. While it slightly goes down to reach the level of 3,983 points.

During second quarter: With the beginning of the second quarter to the end during 2019, the Muscat Securities Market Index stabilized within a horizontal volatility forming an inverted head and shoulders.

During third quarter: During the third quarter of the year, the region's markets rebounded, supported by higher oil prices, which began to rise significantly in the quarter, MSM30 index during the period, continue its uptrend trying to rise, even slightly to the level of 4,035 points (the highest level in the second and third quarter) fluctuating in the movement above the level of 100% Fibonacci. (in this quarter the lowest point reached during 2019 at 3,744.55 points).

Finally, during the fourth quarter of the year, the Muscat Securities Market Index stabilized within a range of these level (4,000 & 4,100 points). The index will continue to decline in the beginning of the first half of 2020 level of 3,900 points.

Technically exposing the market in 2019 for corrective periods (the index crossed the 100-day moving average index with MSM index two times during the year).

In 2020, especially in the first half, we expect the Fibonacci level at 61.8% to remain at 3,877 (1st support). Once the index broke this level it will face the second support level at 3,800 points.

In terms of other technical indicators, we start with the Bollinger Band Index which is resisting the Mid-line at 4,030 points, and it is technically expected that the MSM index will cross down the lowest line of the Bollinger.

The MFI and the RSI are technically positive; the first stands at 24 degrees and it is technically excellent (above 50 degrees the risk is higher in this indicator) and the second stands at 34 degrees (above 70 degrees the risk will be increased).

In the performance of the moving averages index, during the year, especially in the last quarter, the index crossed down 50-day moving averages. We see that the index has an initial support at 3,800 points (second support at 3,720 points) and a first resistance at 4,100 points and second resistance at 4,200 points.

FACTORS THAT MIGHT AFFECT MSM PERFORMANCE IN 2020

GLOBAL

- A simultaneous slowdown in big economic centres like China, US and India could catapult the global economy into another deep economic crisis.
- Protectionist policies, violations of both the rules and the spirit of free trade agreements, and a looming risk that the World Trade Organization's dispute settlement mechanism will cease to function create profound risks for the current system of international trade. In addition, the US-China trade war threatens to weaken global growth prospects while raising costs and creating supply chain disruptions for many companies.
- Trump impeachment and US election uncertainties along with implication of taxes and other regulations will have considerable implications.
- Fed uncertainties related to the rate movements will be very visible. Fed is expected to keep rates steady if not pressured by the US president.
- OPEC and Non OPEC alliance continuation suggests that they will maintain production cuts in 2020, this will give some respite to the oil prices, which are under pressure because of rising supply from multiple fronts.
- UK Prime Minister Boris Johnson is preparing to bring his Brexit bill back in his bid to ensure the country leaves the European Union by first quarter of 2020 after an election win with a sizable majority.
- More negative-yielding debt sends global investors on renewed hunt for yield in US credit.
- The recent refugee crisis in many countries in the region and worldwide and the resulting arrival of million migrants Europe and America in the past and in the coming period will pose substantial challenges.
- Digitalisation, disruptive technology and other innovation will continue to pose as a challenge and opportunity as Fintech and Artificial intelligence is making heavy inroads in everyday life.

REGIONAL

- Real GDP growth is estimated to be at 2.5% in 2020 compared to 0.7% in 2019, according to IMF.
- VAT implementation by remaining countries of GCC will result in inflationary pressures.
- We expect oil prices which are key to the future of GCC markets to remain in the range of USD 60-65/bbl., which we believe will be ideal for majority of GCC countries.
- Expected US Federal Reserve moves regarding declining interest rates, will result in lesser pressures on financing costs for corporates and will result in better valuation.
- Gulf government's will continue to raise international sovereign bonds to cover deficits which would raise the debt to GDP of the GCC countries.
- Index revisions by MSCI and their additions to emerging market indexes would result in positive foreign inflows especially in Kuwait.
- Expo 2020 in Dubai would bring in some respite to the real estate market but will still remaining challenging.
- In Qatar World Cup related contracts will pick up which will give push to banking and building / construction material sectors.
- Many countries within the GCC will expedite their privatization plans. We might witness big ticket IPOs of state owned oil / gas companies.
- More than 15 private companies in GCC have announced their IPO plans.
- Some of the GCC countries have already announced expansionary budgets while the remaining are expected to do the same in order to revive the subdued sentiments.

OMAN

- As expected government came up with an expansionary budget to boost overall market sentiments.
- Oman Government will continue to fund its budget deficit by local as well as international borrowing, which will result in increasing debt to GDP ratio.
- In terms of growth, IMF expects Oman to outdo all other GCC markets on the back of increased oil and gas production.
- Key positive developments expected to materialize which will provide impetus to credit growth are: Tanfeedh program, improvement in hydrocarbon revenues (Khazzan and Makarem Gas field).
- Privatization program of some state owned assets.
- Oman has indirectly benefit from the geopolitical tensions in the region. The trade would continue to be re-routed through Oman boosting multiple sectors.
- IPO market will remain slightly better than 2019. We expect one IPO in the insurance along with one Utilities. OQ group IPO plans are still in early stage hence we believe those will be realized a year after.
- We might see introduction of new products in the markets such as Real estate investment trusts (REITs) and exchange-traded funds (ETFs).
- Banking and leasing sector non-performing assets will grow as reported by various companies about challenging economic and business outlook.
- Consolidation in financial sector will continue and we might see companies getting acquired or merged in the sector.
- Mandatory health insurance would boost the outlook of insurance sector particularly the ones which are stronger in healthcare segment.
- Expectation of peace in Yemen is stronger in 2019, which would mean increasing post war reconstruction activity. Such proposition would be beneficial to local building material and construction companies.

OMAN BANKING SECTOR

- Credit growth is expected to remain at a mid-single digit in 2020, assuming oil prices remain at current levels.
- Expected stability in US Fed policy rates is expected to provide respite to borrowers, but will at the same time, pressurize interest yields of banks.
- Net interest margins for some banks have been showing signs of recovery. Lower cost of funding is expected to provide some respite to banks' net interest margins.
- Highly competitive environment continues to pressurize other operating income of banks, which constitutes (typically within c25-35% of total operating income of banks); we expect to see consolidation efforts from some banks (Alizz Islamic Bank and Oman Arab Bank is already ongoing)
- Efficiency metric, as measured through Cost-to-Income ratio, for most banks is expected to improve on controlled costs and rising operating income across the sector. However, some banks are continually investing in technological advancements like fraud control and anti-money laundering activities, hence operating expenses will continue to rise for some banks.
- Current capital adequacy ratios for most banks are well-above the minimum regulatory requirements through continuous capital raising activities in 2018 and 2019, and we do not foresee banks to raise any more capital in 2020.
- Cost of risk has risen for some banks, and we expect it to continue to rise in 2020. Asset quality metrics for all banks needs to be watched, unless macroeconomic situation eases. Real estate exposure might cause problem loans as real estate sector of the country has been witnessing a widespread slow-down.

OMAN LEASING SECTOR

- Oman's leasing sector is currently facing multiple challenges, from liquidity crunch to increasing defaults and delayed payments. Additionally, there has been tough competition from commercial as well as Islamic banks.
- As overall credit growth stagnates, banks are also becoming aggressive in the SME segment, crowding out the leasing companies. The total net finance assets for the six listed leasing companies reached OMR 1.03bn (2.9%YoY and -1.3%QoQ) as of Q3'19, with negative YoY growth recorded for the first time in 2019. We are forecasting a stalled sector-wide finance asset growth over the near to medium term
- We believe that over the next 12M horizon, net finance income of most leasing companies will begin to see improvement on the back of falling interest rates as cost of funding eases. However, constrained asset growth will weigh down on operating income.
- We remain cautious on asset quality and credit costs on the back of the currently subdued macroeconomic outlook.
- Further deterioration in the macroeconomic situation warrants downside risk to our valuation as it will have direct impact on credit growth.
- Currently, two companies (Taageer Finance and United Finance) are undergoing talks on a possible strategic collaboration. We believe that consolidation efforts will continue throughout the sector, and are necessary in an over-crowded leasing market like Oman's.

OMAN INSURANCE SECTOR

- Oman has a heavy project outlay of over the next 10 to 15 years to develop infrastructure, which will result in the increase in premiums. However, the challenge is in market's capacity to retain these premiums as only a small fraction of premiums is retained, and rest get reinsured with large international reinsurers. Unless the insurance companies consolidate and can retain risks locally, these investment outlays will not move the needle forward for the Insurance Industry.
- In 2018, insurance penetration (Premium underwritten/ GDP) in Oman was about 1.52%. Similarly, insurance density (premium underwritten/population) was OMR 99.7 (USD 259.3) in Oman which is expected to improve on account of regulatory changes and implementation of mandatory health insurance.
- Mandatory health insurance will be implemented in multiple phases starting next year.
- Effects of unprecedented event like cyclones and floods cannot be ruled out as climatic changes are increasing.
- Regulators across Oman are increasingly collaborating with insurance companies to educate consumers on protection and risk-mitigating insurance offerings to make a positive impact on the development of the industry.

OMAN CEMENT SECTOR

- Local and international expansion will increase the capital expenditure of the companies as multiple projects are being carried out.
- Continued competition and overall moderate macro performance will result in relatively limited growth rates.
- We expect margins to improve due to more efficient use of Kilns and energy sources.
- Cement prices will remain under pressure but lower compared to what was seen in 2016-18.
- Agreements have been made for cement export to Yemen which will provide some relief
- Level of dividend distribution might get effected as high capital expenditure plans are being envisaged by the companies.
- The existing and planned economic zones and cities are promising opportunities for growth in demand for cement.

OMAN TELECOM SECTOR

- We expect Vodafone to start operating in 2020 which will result in more competition locally. However, we do not expect an immediate impact on the existing operators in 2020 but will see erosion of market share of existing operators over the next 2-3 years.
- Falling minutes of usage (MoU) due to increased use of OTT apps will continue to weigh on voice telephony revenues.
- Relaxation in sector liberalization rules by the regulator makes the pricing for sharing an operator's physical infrastructure substantially inexpensive. Such development is beneficial for Vodafone while negative for existing operator specially Omantel which commands sizable market in fixed line.
- Mobile subscriber growth has declined to single digits and is expected to remain so in the coming year.
- We expect Omantel to start reaping the benefits of its investment in Mobile Telecommunication Company (Zain Kuwait) and to start obtaining synergies and an increase in Zain's dividend distribution on the back better performance of Zain KSA and other subsidiaries.
- Despite challenges and pressure factors, the telecom sector is still able to make reasonable cash dividends due to healthy retained earnings and the continued revenue from the main lines of business. However, we expect a greater stability in the dividend distribution of Ooredoo Oman compared to Omantel.
- Establishing of Oman Towers Company (OTC) could be potentially positive to the existing operators on the basis of sale and lease back arrangement. Such arrangement if worked out can deleverage the existing operators.

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