The MENA WEEKLY MONITOR

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Regional equity markets continued to register shy price gains this week, as reflected by a 0.4% rise in the S&P Pan Arab Composite Index, mainly supported by price increases in the heavyweight Saudi Tadawul and the Egyptian Exchange, while the UAE equity markets and the Qatar Exchange recorded price falls. In contrast, MENA fixed income markets were downbeat, tracking US Treasuries move after a better-than-expected January 2018 jobs report showing the biggest annual wage gains for workers since 2009, and following higher-than-expected US consumer confidence index.

MENA MARKETS: WEEK OF JANUARY 28, 2018 - FEBRUARY 03, 2018

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.4%	Weekly Z-spread based bond index	-2.1%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+5.4%	YTD Z-spread based bond index	-11.4%

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ECONOMY

HSBC SAYS GCC GROWTH LOOKS SET TO TURN BUT PICK-UP IS TEPID AND DEPENDENT ON RISING OIL RECEIPTS

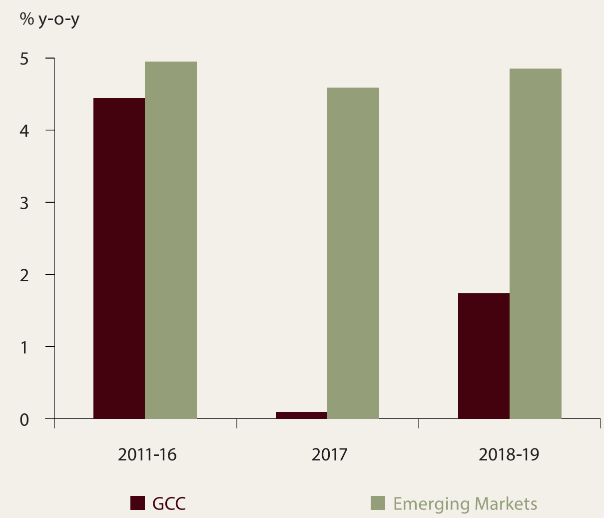
With oil prices on the rise, HSBC's longstanding conviction that 2018 would offer some relief from the stresses and disappointments that have characterized the GCC over the past four years has strengthened, the bank said in its latest CEEMEA Quarterly report. Indeed, a run through refreshed forecasts shows growth gaining momentum both this year and next (the first time growth has gained pace in two consecutive years since 2011) and per capita incomes continuing to recover from their oil-slump induced decline. In fact, the headline growth figure understates the magnitude of the change in momentum as it is held down by HSBC's expectation that OPEC-production restraints will keep real net exports flat through this year. Domestic demand should fare better.

The region's pronounced imbalances also look set to narrow. In aggregate, HSBC thinks the GCC fiscal shortfall will be the smallest since 2014 this year, and sees two States (the UAE and Kuwait) moving from budget deficit to surplus over the forecast period. The external account transformation is more marked still, and HSBC sees the region generating a cumulative current account surplus of close to US$ 120 billion over the coming 24 months. With last year's strong capital inflows likely to persist, the drawdown in assets should ease, albeit unevenly. If nothing else, the shift in oil price momentum has moved perceptions of risk, allowing Gulf currencies' forwards to continue to strengthen and narrowing the spread between regional and US benchmark interest rates.

The bulk of the gains in the outlook reflect the upward revision to HSBC's assumed oil price of around US$ 60 per barrel (from US$ 55 per barrel previously) and with Brent trading at closer to US$ 70 as this report was completed, HSBC recognizes further upside risks to its projections. In addition, progress with measures such as subsidy reform and VAT constitute important first steps toward rationalizing public finances and the usage of oil receipts. Fresh progress on economic diversification and privatization, including the corporatization of Saudi Aramco ahead of its eventual listing, speak to continued recognition of the need for structural reform. Landmark steps to ease restrictive social codes in Saudi Arabia point to an unprecedented appetite to liberalize and modernize some elements of the Kingdom's traditional structures.

Yet while HSBC is more comfortable with aspects of the region's near-term outlook, the turnaround is far from complete and it is not persuaded that a meaningful transformation of the region's oil-dominated economy is underway, or that a new phase of Gulf prosperity has begun.

GCC VS EMERGING MARKETS: WEIGHTED AVERAGE GDP GROWTH



Source: HSBC

Although HSBC sees a pick-up in growth, for example, the gain is largely cyclical, reflecting less an improvement in medium-term growth prospects than a modest pick-up from years of decline. Indeed, at less than 0.5%, last year's estimated growth rate for the GCC region was the slowest since the 2009 financial crisis and well below the pace of demographic expansion. The average rate of growth forecast during the 2018-2019 recovery is some 3% below the pace of expansion over the previous cycle and though per capita incomes are on the rise, even by 2019 they will stand 12% below 2013 in nominal terms. Strikingly, growth will also stand 3.5% below the EM average, leaving the GCC as one the clearest laggards in the synchronized recovery underway across the globe, as per the HSBC report.

SAUDI GOVERNMENT REINFORCES ITS PRIORITIZATION OF GROWTH OVER FISCAL ADJUSTMENT, SAYS CITI

According to Citi's Middle East Economic Outlook report, the Saudi government has reinforced its prioritization of growth over fiscal adjustment with an expansionary budget of almost SR 800.0 billion (US$ 213.3 billion) for 2018, representing a 5% increase in spending relative to actual outcomes for 2017.

Current spending is set to climb by SR 27 billion (3.6% year-on-year), with rises in social spending (SR 21 billion) and procurement (SR 7 billion) outweighing cuts in spending elsewhere (wages are to remain flat). Capital spending is also set to rise by SR 21 billion (11% year-on-year).

On the revenue side, the budget projects oil revenues to increase by 12% to SR 492.0 billion (US$ 132 billion), while non-oil income is projected to rise by 13% year-on-year to SR 291.0 billion (US$ 78 billion). While Citi believes that the non-oil revenue target is achievable, mainly due to the introduction of VAT in January, the report considers the oil revenue projection to be on the aggressive side.

Citi's view is that global oil prices are likely to remain relatively flat this year, despite the current market rally, and that Saudi production will remain capped by the OPEC deal. This means that any increase in Saudi oil revenues would have to come primarily from the increase in domestic oil prices. With reforms underway, the reform sees realistic prospects for a 10% rise in local oil revenues, which would result in an increase in total oil revenues of 7% (compared with 12% projected in the budget).

As a result, Citi's overall revenue forecasts are slightly lower than those in the budget, and the bank projects an overall deficit of 7.8% of GDP in 2018 (compared with 9.1% in 2017 and a target of 7.3% in the budget). Saudi's external position improved marginally in 2017, although the picture was somewhat mixed. According to the report, rising oil prices and a moderation in outward remittances have helped rehabilitate the current account to a 3.9% of GDP surplus in 2017, from a deficit of 3.5% of GDP in 2016.

The report believes the corruption purge in Saudi Arabia has created both opportunities and risks. Citi says progress in improving governance and reducing corruption would be welcome, particularly if it helps level the economic playing field and attract FDI into the Kingdom. Symbolically, the anti-corruption purge also lends significant legitimacy to the authorities' reform efforts in the eyes of the Saudi public, particularly the young. And to the extent that the purge was intended to streamline government decision-making by consolidating power under the King and Crown Prince, this could, in Citi's view, significantly improve the policy and reform outlook.

BUSINESS CONDITIONS IN EGYPT'S NON-OIL PRIVATE SECTOR BROADLY STABILIZE IN JANUARY 2018

Business conditions in the Egyptian non-oil private sector broadly stabilized in January, following a deterioration in the previous month, said Emirates NBD in its latest Egypt PMI survey.

The headline seasonally adjusted Emirates NBD Egypt Purchasing Managers' Index (PMI) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – rose from 48.3 in December to 49.9 in January. This was consistent with a broad stabilization of business conditions across Egypt's non-oil private sector. Notably, the latest reading was above its long-run average (48.1).

This mainly reflected stabilization in both output and new orders. Concurrently, new export orders registered a renewed rise amid reports of greater demand from international markets. Furthermore, firms engaged in input buying, with growth picking up to the fastest since August 2014. On the price front, rates of both input cost and output charge inflation accelerated.

The survey, sponsored by Emirates NBD and produced by IHS Markit, a world leader in critical information and analytics, contains original data collected from a monthly survey of business conditions in the Egyptian private sector.

The headline PMI reading mainly reflected a broad stabilisation in new business and output. Both indices registered close to the neutral 50.0 threshold, following reductions in the previous month. Where increases were reported firms commented on new client wins, while those companies that registered lower new orders and output mentioned unfavourable economic conditions and high prices.

At the same time, Egypt's non-oil private sector recorded a renewed expansion in new export orders during January. Stronger demand for Egyptian goods and services from international markets was cited as the key reason behind the latest increase in new export orders. That said, the rate of growth was marginal. Continuing the trend observed since June 2015, staffing levels fell during January. However, the pace of job shedding was marginal and slower than the series trend.

Private sector firms continued to face higher input costs. Despite accelerating to a three-month high, inflation remained below the series trend. According to anecdotal evidence, currency weakness contributed to greater cost pressures.

Amid reports of expected improvements in demand, firms were encouraged to engage in purchasing activity at the start of the year. Furthermore, the rate of expansion accelerated to the strongest since August 2014 and was marked overall. Nonetheless, input stocks declined, albeit fractionally.

Lastly, companies retained optimism towards the 12-month outlook for output. Furthermore, the degree of positive sentiment was stronger than the series average. Anticipated improvements in demand conditions and market stability were cited as the key factors behind optimism.

S&P AFFIRMS KUWAIT'S "AA/A-1+" LT AND ST FOREIGN AND LOCAL CURRENCY SOVEREIGN CREDIT RATINGS

Standard & Poor's (S&P) affirmed the "AA/A-1+" long-term and short-term foreign and local currency sovereign credit ratings on Kuwait. The outlook is "stable".

The "stable" outlook reflects the expectation that Kuwait's public and external balance sheets will remain strong over the forecast horizon, backed by a significant stock of financial assets. The rating agency expects these strengths to offset risks related to lower oil prices, Kuwait's undiversified economy, and rising geopolitical tensions in the region.

The rating agency could lower the ratings if the policy response to lower oil prices failed to lift income levels over the forecast horizon amid weaker fiscal and external finances, or if Standard & Poor's lowers its assessment of monetary flexibility in the country. S&P could also lower the ratings if Kuwait's domestic political stability deteriorated, or if geopolitical risks were to significantly escalate.

Standard & Poor's could raise the ratings if political reforms enhanced institutional effectiveness and improved long-term economic diversification, or if prospects for the oil sector improved significantly, though such scenarios are unlikely over the forecast horizon.

The ratings on Kuwait continue to be supported by the sovereign's high levels of accumulated fiscal and external buffers, despite the subdued--albeit recently improved--oil price environment. The ratings are constrained by the concentrated nature of the economy and regional geopolitical tensions. Kuwait derives about 60% of GDP, more than 90% of exports, and about 90% of fiscal receipts from hydrocarbon products. Given this high reliance on the oil sector, Standard & Poor's views Kuwait's economy as undiversified.

SURVEYS

SAUDI ARABIA AND UAE TOPS FOR TOUGH DEBT COLLECTION, AS PER EULER HERMES

Saudi Arabia and the United Arab Emirates are the hardest places in the world to collect unpaid debts, according to Euler Hermes.

The trade credit insurer analyzed debt collection processes around the world and ranked the results. China, Russia, Malaysia and South Africa also scored badly, appearing in the "severe" category in terms of the complexity of debt collection.

Countries in Western Europe came out better though, with Sweden at the top of the pile followed by Germany, Ireland, Finland and the Netherlands.

Euler Hermes insures its clients against the risk that their debtors are unable to pay what they owe. As part of the process, it collects debts on their behalf and has 400 debt collectors in 35 countries.

The research was based on the experience of those collectors in 50 countries, representing 90% of global gross domestic product.

It is worth noting that the difficulties come from three areas, namely payment terms, court practices, and insolvency regulations, as per the same source.

In the UAE, Russia and Saudi Arabia, payment terms are quite long. In the UAE it is over 60 days. In UAE, Euler Hermes is expecting a lot from the new insolvency law in 2016, but it hasn't yet delivered on its promise to make debt collection easier.

In Saudi Arabia payment tends to occur after 90 days and court proceedings are extremely long and uncertain. They are also costly and difficult to enforce, as per the same source.

UAE OUTSOURCING SECTOR GROWING AT A CAGR OF 11.2% FROM 2016 TO 2020, SAYS IDC

The outsourcing sector is an important pillar of the UAE's economic diversification and among the fastest-growing sectors in the country with a compound annual growth rate (CAGR) of 11.2%, according to the "UAE Outsourcing Market Outlook 2016-2020", a report by International Data Corporation (IDC).

The report estimates that operational management revenues of business process outsourcing (BPO) and cloud services were at AED 3.2 billion (US$ 876.9 million) in 2017, with projections to reach AED 3.6 billion (US$ 976.1 million) in 2018 and AED 4.4 billion (US$ 1.2 billion) in 2020.

It is worth noting that IDC's "UAE and Saudi Arabia BPO Market Size and Forecast, 2015-2021" report points out that the spend on local business outsourcing has grown by 11.7% from US$ 324 million in 2016 to US$ 363 million in 2017. The number is expected to hit US$ 404 million in 2018 and be valued at US$ 562.8 million by 2021.

The report notes that key customers of the local outsourcing market are from the banking, financial services, transport, communications, media, retail, and support industries. In terms of competencies, call center services account for the largest share at 65% and are set to dominate the market for years to come.

Human resources rank second with 14%, followed by finance, accounting, and employment services that are slated for moderate growth, as companies continue to prefer handling these functions internally.

Dubai Outsource City is home to around 140 companies operating in the sector that serve the UAE and the wider region. The country's strategic location at the crossroads between Europe, Africa, and Asia enables our business partners to meet the requirements of these diverse markets, as per the report.

The conducive business and employment environment has brought immense benefits to segments that depend on temporary workers, including call centers and shared services – the backbone of the outsourcing industry.

Furthermore, digital transformation reinforces the growing importance of technology in building future economies. The outsourcing industry plays a pivotal role in ensuring business continuity across the value chain and enhancing the sustainability of knowledge-based economic sectors, according to the IDC. Increasingly, even governments are outsourcing their non-core offerings so that they can focus on essential public services.

SOCIAL AND ECONOMIC REFORMS IN 2017 REPRESENTED KEY TURNING POINT FOR KSA, AS PER JLL

The introduction of social and economic reforms in 2017 represented a key turning point for the Kingdom of Saudi Arabia with new avenues of investment now paving the way for positive economic and real estate growth in what is set to be a year of 'implementation' ahead, said JLL.

Oxford Economics forecasts a return to positive real GDP growth of 2% in 2018, following a minor contraction of 0.7% recorded in 2017. According to JLL's KSA real estate report, this has resulted in many investors, entrepreneurs and businesses now exploring new opportunities and areas of investment as a result of the significant reforms introduced in 2017.

The government also took measures to reduce the fiscal debt in 2017 and introduced a stimulus package, waiving fees for small businesses and investors, which in turn will bolster housing construction.

The Public Investment Fund (PIF) announced a number of projects in 2017, aimed at enhancing the Kingdom's tourism and entertainment sector, extending ample opportunity for the hotel and retail sectors in the year ahead. Major investment opportunities are also on the horizon including NEOM, which is backed by $500 billion from the PIF, as per the same source.

With the introduction of various social and economic reforms in Saudi Arabia, the Kingdom embraced the transitional phase of the economy in 2017, in line with the National Transformation Program and the Saudi Vision 2030, as per JLL.

With the implementation of VAT at 5% at the start of 2018, cost of buying goods and services will increase. The sale of commercial properties and residential sales will be taxed (although sales to first home buyers up to SR 850,000 will be exempt). Although residential rents will be exempt, hospitality and commercial rents will be subject to VAT.

It is worth noting that, seven Real Estate Investment Traded Funds (REITs) were listed in 2017, bringing the total number of funds now trading on the Saudi Stock Exchange to eight. REITs benefit both developers and investors by expanding the former's investor base, and providing the latter with smaller scale investment opportunities in the real estate sector. The success to date of listed REITs, and the strong market appetite for them, will see further REITs listed in 2018, according to JLL.

CORPORATE NEWS

SAUDI TELECOM SIGNS US$ 1.8 BILLION MoU TO BROADCAST SAUDI SOCCER

State-run Saudi Telecom signed a tentative deal with the government's General Sports Authority to broadcast Saudi professional soccer matches over 10 years for SR 6.6 billion (US$ 1.8 billion), as per a statement by the authority.

The deal appears to take rights to broadcast Saudi soccer away from regional broadcaster MBC group, which in July 2014 signed a SR 4.1 billion, 10-year deal to obtain them.

Saudi Telecom Company, together with its subsidiaries, provides telecommunications, information, and media services in the Kingdom of Saudi Arabia and internationally. The company's GSM segment offers mobile, third and fourth generation, prepaid card, international roaming, and messaging services. Its PSTN segment provides fixed line, telephone cards, interconnect, and international call services. The company's DATA segment offers leased data transmission circuits and DSL. The company is also involved in the operation of communications projects; transmission and processing of information; and provision of mobile, international telecommunications, broadband, and other related services.

UAE'S AL JABER GROUP CLOSE TO US$ 1.6 BILLION DEBT RESTRUCTURING

Abu Dhabi-based Al Jaber Group expects to seal a deal to restructure around AED 5.75 billion (US$ 1.6 billion) in debt this month.

Al Jaber's debt is mostly held by local and international banks, although some hedge funds and other non-bank financial institutions also feature among the creditor group.

Al Jaber Group LLC, through its subsidiaries, engages in the businesses of construction, leasing, heavy lifting and logistics, industrial, marine transportation, trading, and marine. Its construction business includes construction of road networks, earth moving contracting and infrastructure contracting services, providing solutions in the areas of housing, villas, and urban development, engineering, procurement, and construction services, integrated process services, facilities, and equipment to the upstream oil and gas industry, and services for water pipe networks, sewerage pipe networks, pumping stations, among others.

DUBAI THEME PARK OPERATOR IN TALKS TO RESTRUCTURE US$ 327 MILLION LOAN

Dubai's Ilyas & Mustafa Galadari Group (IMG) is in talks with banks to restructure an AED 1.2 billion (US$ 326.7 million) syndicated loan and is seeking to extend its maturity, as per a company statement.

The company is also looking to upsize its existing loan facility due to cost overruns, as per the same source.

The loan taken in 2014, led by Abu Dhabi Islamic Bank and including participation from Al Hilal Bank, Commercial Bank International, Noor Bank and Sharjah Islamic Bank, was used for corporate debt and to build Worlds of Adventure theme park.

IMG opened Worlds of Adventure in August 2016, with a total area in excess of 1.5 million square feet and the capacity to accommodate more than 20,000 visitors every day.

Talks between the company and banks about loan restructuring began a few weeks ago in order to help ease the company's financial situation.

ARAMCO COMPLETES 1.7 KM CORNICHE DEVELOPMENT

Saudi Aramco has completed a 1.7 km long Baish Corniche linear public park north of Jazan Primary and Downstream Industries City along the Red Sea Coast in the Western Province.

The recreation area overlooking the sea spans about 280,000 square meters and includes five children's playgrounds, four outdoor gyms, and two large synthetic turf soccer fields with seating for spectators.

In the park's central plaza is a beachfront facility with an upscale family restaurant. Built amid a cluster of diverse industries within a 30-mile radius, the facility has now become a mini tourist attraction, as per a company statement.

Saudi Arabian Oil Company is an integrated energy and chemicals company in Saudi Arabia. The company is engaged in the exploration, production, refining, distribution, shipping, and marketing of hydrocarbons; production of petrochemical products; and production and export of crude oil and natural gas liquids. Saudi Arabian Oil Company was formerly known as Arabian American Oil Company and changed its name to Saudi Arabian Oil Company in November 1988. The company was founded in 1933 and is based in Dhahran, Saudi Arabia. It has subsidiaries and affiliates in Saudi Arabia, China, Egypt, Japan, India, the Netherlands, the Republic of Korea, Singapore, the United Kingdom, and the United States.

L&T WINS OMAN RESIDENTIAL PROJECT CONTRACT

India's top engineering and construction company firm Larsen & Toubro (L&T) said it secured a US$ 67 million construction contract for a major residential project in Oman.

The order from the Sultanate will see the company deliver MEP (mechanical, electrical and plumbing) services, structural work, architectural finishes and external development services.

A major player in the technology, engineering, construction, manufacturing and financial services, L&T also said it had secured an EPC (engineering, procurement and construction) order from Bangalore Development Authority for executing utility development and management for Nadaprabhu Kempegowda Layout on a design, build and operate (DBO) basis for Package One.

Another EPC order has been secured from the Madhya Pradesh Jal Nigam Maryadit (MPJNM) for providing water to the Seoni and Chappara Blocks of Seoni District. The scope includes supply and laying of pipelines, design and construction of intake pump houses, water treatment plant and various water storage structures including house service connections, as per a company statement.

Besides the construction contracts, L&T has also bagged major solar EPC deals.

UAE'S AL NABOODAH GROUP EXPANDS INTO SOLAR ENERGY BUSINESS

UAE's Al Naboodah Group Enterprises (ANGE), is entering the solar energy space with the launch of its newest business stream, under Al Naboodah Electrics.

As a renewable energy solutions provider, Al Naboodah Electrics recently entered into an exclusive partnership with Jakson Group, a leading Indian energy and engineering solutions company with presence in the powergen and distribution, solar, EPC and defense industries, as per a company statement.

The business will distribute Jakson's portfolio of solar products, including solar panels, in the UAE market.

Al Naboodah Electrics, which sits under ANGE's electrical business, is aligned with the group's overall strategy for diversification and sustainable growth. Already established as a supplier of eco-friendly products with Lumez, its own brand of energy-efficient LED lighting, the new business venture also supports the UAE government's Energy Plan, which aims to increase clean energy use by 50% by 2050.

CAPITAL MARKETS

EQUITY MARKETS: EXTENDED SHY WEEKLY PRICE RISES IN REGIONAL STOCK MARKETS

Regional equity markets continued to register shy price gains this week, as reflected by a 0.4% rise in the S&P Pan Arab Composite Index, mainly supported by price increases in the heavyweight Saudi Tadawul and the Egyptian Exchange, while the UAE equity markets and the Qatar Exchange recorded price falls.

In details, the heavyweight Saudi Tadawul posted a 1.7% rise in prices week-on-week, supported by some favorable market-specific and company-specific factors. Saudi Arabia said that it has seized more than US$ 106 billion in assets during an anti-corruption crackdown that targeted hundreds of people, including Princes and some of the Kingdom's wealthiest businessmen. Kingdom Holding was among top gainers, posting a 9.3% surge in its share price to close at SR 9.98. Prince Alwaleed bin Talal, the founder and 95% owner of Kingdom Holding, was released from detention in an anti-corruption campaign. Al Hokair's share price jumped by 9.1% to SR 31.37. Some of the company's major shareholders were released as well in the corruption probe. National Medical Care's share price rose by 2.9% to SR 48.19. The company reported 2017 fourth quarter net profits of SR 31 million as compared to a net loss of SR 70 million a year earlier. Saudi Kayan Petrochemical Company's share price climbed by 8.4% to SR 12.74. The company reported a smaller-than-expected 2017 fourth quarter net loss of SR 220 million as compared to a net profit of SR 92 million a year ago.

Concurrently, cement stocks continued to benefit from improved sentiment after the Saudi government announced more than 90% increase in infrastructure spending in its 2018 State budget. Jouf Cement's share price jumped by 9.2% to SR 10.82. Northern Cement's share price climbed by 8.1% to SR 10.92. City Cement's share price went up by 3.2% to SR 11.24. Najran Cement's share price closed 3.7% higher at SR 10.32.

The Egyptian Exchange posted a 0.4% rise in prices week-on-week, mainly supported by some favorable market-specific and company-specific factors. The Egyptian Parliament approved the country's first-ever bankruptcy law, a move that is set to encourage local and foreign investment in the country. The new law is credit positive for banks, as per Moody's, because it will provide them with more options to deal with viable troubled companies, making loan workouts more flexible and faster. The new bankruptcy law would also speed up the liquidation of non-viable companies, which would increase recovery amounts. Qatar National Bank Alahli's share price rose by 0.9% to LE 47.01.

EQUITY MARKETS INDICATORS (JANUARY 28, 2018 TILL FEBRUARY 03, 2018)

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	100.1	0.8%	1.9%	9.5	89.4%	1.0	10,783.0	4.6%	6.3	0.83
Jordan	396.7	2.4%	3.6%	45.5	-17.0%	22.3	24,658.5	9.6%	14.9	1.41
Egypt	314.3	0.4%	2.4%	333.5	28.5%	1,170.2	49,721.6	34.9%	10.1	2.08
Saudi Arabia	324.0	1.7%	5.9%	5,830.9	48.7%	1,087.1	480,718.7	63.1%	15.7	2.00
Qatar	165.4	-2.7%	7.4%	265.1	-35.5%	37.3	137,292.4	10.0%	15.7	1.61
UAE	128.9	-1.5%	4.1%	570.3	-15.0%	1,034.4	257,160.4	11.5%	13.2	1.99
Oman	234.6	1.2%	-1.1%	46.0	52.9%	99.9	21,089.8	11.4%	11.5	1.21
Bahrain	131.4	1.1%	7.3%	28.5	124.5%	75.1	21,698.5	6.8%	10.1	1.16
Kuwait	90.1	-2.2%	3.8%	220.4	4.6%	437.8	85,799.4	13.4%	14.9	1.43
Morocco	328.5	1.8%	8.4%	137.0	146.5%	6.4	73,239.2	9.7%	21.5	2.72
Tunisia	83.8	3.4%	8.9%	11.7	3.6%	3.9	9,439.5	6.4%	14.4	2.60
Arabian Markets	**723.7**	**0.4%**	**5.4%**	**7,498.4**	**32.9%**	**3,975.2**	**1,171,600.9**	**33.3%**	**14.9**	**1.91**

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

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

Credit Agricole Egypt's share price jumped by 6.7% to LE 45.0. Egyptian Gulf Bank's share price went up by 1.1% to LE 0.96. Commercial International Bank's share price increased by 0.6% to LE 78.93. CIB announced 2017 fourth quarter net profits of LE 1.9 billion as compared to net profits of LE 1.6 billion a year earlier.

The UAE equity markets registered a 1.5% drop in prices week-on-week, mainly dragged by some unfavorable financial results. Dubai Financial Market's share price retreated by 0.9% to AED 1.120. DFM announced 2017 net profits of AED 233 million as compared to net profits of AED 254 million in the previous year, down by 8%. Dubai Islamic Bank's share price shed 4.5% to AED 6.20. DIB's Board of Directors called for an annual general meeting on February 21, 2018 to approve a proposed capital increase via issuance of up to 1.65 billion new shares. ADCB's share price fell by 3.3% to AED 7.25. ADCB announced 2017 fourth quarter net profits of AED 1.07 billion as compared to net profits of AED 1.0 billion a year earlier, yet still missing the average analysts estimate.

The Qatar Exchange recorded a 2.7% drop in prices week-on-week, mainly driven by some profit taking operations following four consecutive weeks of price gains, triggered by signs that Qatar's economy has recovered from a boycott imposed by other Arab States. 32 out of 45 listed stocks registered price falls, while 11 stocks posted price gains and two stocks saw no price change week-on-week. QNB's share price fell by 3.0% to QR 135.70. Qatar International Bank's share price went down by 2.8% to QR 99.10. Industries Qatar's share price shed 3.4% to QR 109.70. Ooredoo's share price plunged by 4.1% to QR 95.87. Vodafone Qatar's share price plummeted by 4.3% to QR 7.05. Qatar Electricity and Water Company's share price shed 6.0% to QR 188.0. The firm posted 2017 net profits of QR 1.62 billion against net profits of QR 1.54 billion in 2016, yet still missing analysts' estimates.

FIXED INCOME MARKETS: MENA BOND MARKETS UNDER DOWNWARD PRICE PRESSURE, TRACKING US TREASURIES MOVE

MENA fixed income markets were downbeat this week, tracking US Treasuries move, with the US 10-year benchmark yield reaching its highest level in four years after a better-than-expected January 2018 jobs report showing the biggest annual wage gains for workers since 2009, and following higher-than-expected US consumer confidence index, buoyed by consumers' expectations about the US economy.

In the Omani credit space, sovereigns maturing between 2021 and 2048 registered price falls ranging between 0.24 pt and 1.48 pt week-on-week. Capital Intelligence lowered Oman's long-term foreign currency and local currency ratings to "BBB" from "BBB+". At the same time, it has lowered the short-term foreign and local currency ratings to "A3" from "A2". The outlook for Oman's sovereign ratings has been affirmed at "stable". The change in the ratings reflects the continued decline in FX reserves and consequently the decrease in reserve coverage of a growing external debt burden. It also reflects CI's expectation that both the central government budget balance and the external current account balance will continue to register large deficits in 2018-2019.

In the Kuwaiti credit space, sovereigns maturing in 2022 and 2027 posted weekly price drops of 0.29 pt and 1.10 pt respectively. Fitch said that Kuwait's recent budget outturns and the government's draft budget proposal point to the country's continuing fiscal and external strengths, which are reflected in its "AA/Stable" sovereign rating. KIPCO papers maturing between 2019 and 2027 registered price decreases of up to 1.39 pt. NBK'22 was down by 0.14 pt. Prices of Burgan Bank'21 declined by 0.47 pt, while Burgan Bank Perpetual closed up by 0.25 pt. Burgan Bank plans to issue bonds during the first half of 2018.

Moving to Dubai, sovereigns maturing between 2021 and 2043 saw weekly price falls of 0.32 pt to 1.02 pt. Prices of DP World'20, '23 and '37 retreated by up to 1.07 pt. Emirates Airline'25 was down by 0.24 pt. Prices of Majid Al Futtaim'19, '24 and '25 decreased by 0.40 pt, 0.56 pt and 0.94 pt respectively. As to papers issued by financial institutions, DIB'20, '21 and '22 saw price retreats of up to 0.62 pt. DIB launched a five-year US$ 1 billion Sukuk, emanating from the bank's US$ 5 billion Sukuk program and carrying a profit rate of 3.65%. The order book size for the Sukuk sale reached US$ 1.83 billion.

ENBD'20 and Perpetual registered price decreases of up to 0.50 pt, while ENBD'22 and '23 were up by 0.10 pt and 0.17 pt respectively. Emirates NBD launched an Australian dollar-denominated bond as part of an AS$ 1.5 billion Kangaroo program.

In the Qatari credit space, sovereigns maturing between 2019 and 2046 registered price decreases ranging between 0.08 pt and 1.49 pt week-on-week. Ooredoo papers maturing between 2018 and 2043 posted price falls of up to 1.18 pt. RasGas'19 and '20 were down by 0.29 pt and 0.30 pt respectively. Commercial Bank of Qatar'19 (offering coupons of 2.875% and 7.5% respectively) traded up by 0.14 pt and 0.13 pt respectively, while prices of Commercial Bank of Qatar'21 retreated by 0.08 pt. Commercial Bank of Qatar is looking at tapping Formosa Debt.

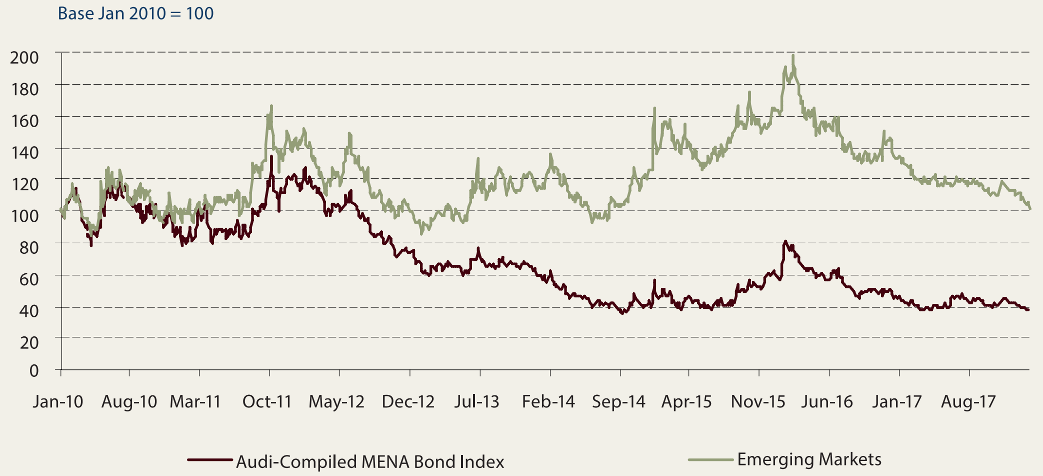
In the Saudi credit space, sovereigns maturing between 2021 and 2047 registered price drops ranging between 0.41 pt and 1.94 pt over the week. SECO papers maturing between 2022 and 2044 posted price falls of up to 1.09 pt. Prices of SABIC'20 declined by 0.39 pt. Finally, in Bahrain, sovereigns maturing between 2022 and 2047 recorded price decreases of up to 3.38 pt. Batelco'20 was down by 0.48 pt. Prices of Mumtalakat'21 retreated by 0.25 pt.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	02-Feb-18	26-Jan-18	29-Dec-17	Week-on-week	Year-to-date
Abu Dhabi	51	51	64	0	-13
Dubai	111	115	123	-4	-12
Kuwait	51	51	66	0	-15
Qatar	88	90	105	-2	-17
Saudi Arabia	77	77	92	0	-15
Bahrain	227	253	276	-26	-49
Morocco	101	99	121	2	-20
Egypt	260	274	316	-14	-56
Lebanon	421	433	520	-12	-99
Iraq	348	424	424	-76	-76
Middle East	**174**	**187**	**211**	**-13**	**-37**
Emerging Markets	**145**	**130**	**136**	**15**	**9**
Global	**114**	**121**	**132**	**-7**	**-18**

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	B-/Stable/B	B3/Stable	B-/Stable/B
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	NR
Egypt	B-/Positive/B	B3/Stable	B/Stable/B
Iraq	B-/Stable/B	NR	B-/Stable/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Stable	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Negative/A-1+	Aa3/Negative	AA-/Negative/F1+
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Negative/F1+
Bahrain	B+/Stable/B	B1/Negative	BB+/Negative/B
Oman	BB/Stable/B	Baa2/Negative	BBB-/Negative/F3
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Positive	BBB-/Stable/F3
Tunisia	NR	B1/Negative	B+/Stable/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

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

FX RATES (per US$)	02-Feb-18	26-Jan-18	29-Dec-17	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)	17.67	17.67	17.76	0.0%	-0.5%
Iraqi Dinar (IQD)	1,184.59	1,184.47	1,176.53	0.0%	0.7%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.65	3.66	3.66	-0.3%	-0.3%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	113.64	113.64	114.94	0.0%	-1.1%
Moroccan Dirham (MAD)	9.14	9.15	9.35	-0.1%	-2.2%
Tunisian Dinar (TND)	2.41	2.41	2.48	0.0%	-2.7%
Libyan Dinar (LYD)	1.33	1.33	1.36	0.0%	-2.2%
Sudanese Pound (SDG)	6.68	6.68	6.68	0.0%	0.0%

Sources: Bloomberg, Bank Audi's Group Research Department