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Barring any major increase in geopolitical risk or a sharp fall in oil prices -which is not a base case scenario- 2019 should mark a stabilization of GCC banks' financial profiles, following three years of significant pressure, said S&P Global Ratings in a recent report.

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p.9 PRICE GAINS IN REGIONAL EQUITIES, DOWNWARD PRICE PRESSURES IN BOND MARKETS

MENA equities saw mostly upward price movements this week, as reflected by a 0.6% rise in the S&P Pan Arab Composite Index, mainly supported by some favorable market-specific and company-specific factors. Activity in regional fixed income markets was yet mostly tilted to the downside, tracking US Treasuries move after the US added more-than-forecast jobs in October 2018, keeping the unemployment rate at a 48-year low and pushing the increase in worker pay to the highest level in more than nine years, in addition to optimism that the US and China would reach a trade agreement later this month.

MENA MARKETS: WEEK OF OCTOBER 28 - NOVEMBER 03, 2018

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.6%	Weekly Z-spread based bond index	-2.2%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+7.2%	YTD Z-spread based bond index	+20.7%

ECONOMY

S&P SAYS GCC BANKS SHOULD CONTINUE ON A STABLE FINANCIAL PATH NEXT YEAR

Banks in the Gulf Cooperation Council (GCC) should continue on a stable financial path in the year ahead, says S&P Global Ratings in a recently published report.

Barring any major increase in geopolitical risk or a sharp fall in oil prices -which is not S&P's base case scenario- 2019 should mark a stabilization of GCC banks' financial profiles, following three years of significant pressure, said S&P Global Ratings financial institutions sector lead.

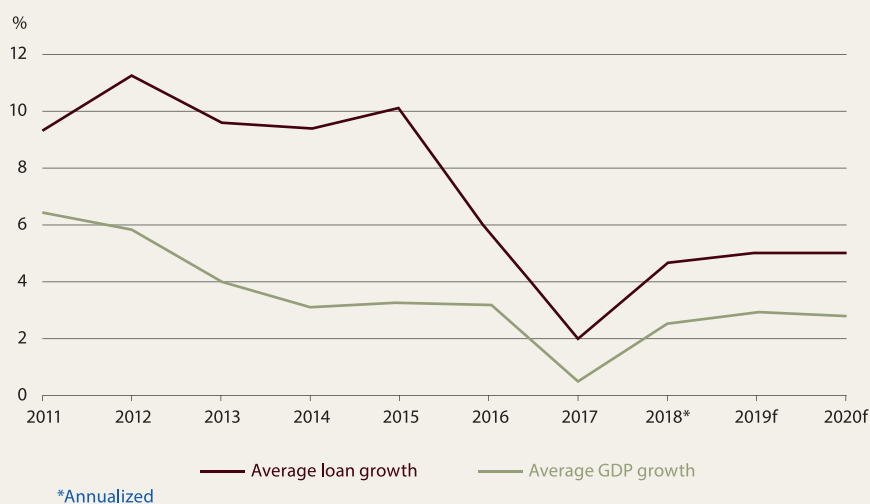
What's more, with the transition to IFRS 9, GCC banks have now recognized most of the impact of the softer economic cycle on their asset quality. S&P therefore believes that the amount of problematic assets, which it defines as IFRS 9 Stage 2 and 3 loans, will likely remain stable, but does not exclude transition between the two categories.

The situation in Qatar will continue to depend on how the boycott on the country by its GCC neighbors evolves. S&P expects GCC economies to show stronger economic growth in 2019 of about 2.8% (unweighted average of Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman). However, this growth will still be below the triple-digit oil-price era growth of 2011-2013. S&P therefore expects lending growth to remain at around the 5% mark. At the same time, the rating agency thinks that cost of risk will stabilize at around 1.0%-1.5% of total loans.

Owing to IFRS 9, the buffer of provisions that GCC banks accumulated over the past years is now stronger. The new reporting standard, adopted from the start of this year, required banks to set aside provisions in advance, based on their loss expectations.

Finally, S&P thinks that GCC banks' profitability will stabilize -with return on assets at about 1.5%-1.7% and net interest margins at 3% on average in 2018- benefitting from the higher interest rates and significant non-interest-bearing deposits on banks' balance sheets. Supporting the ratings, banks in

GCC BANKS' LOAN PORTFOLIOS GROWING IN 2018 IN LINE WITH GDP GROWTH



Source: S&P

the GCC continue to display strong capitalization by global standards, albeit with signs of qualitative deterioration.

Over the past year, S&P has affirmed ratings on most of the 24 banks rated in the GCC. S&P has taken a few negative rating actions, most of them on banks in Bahrain and Qatar. S&P upgraded one bank in the UAE based on its view of the bank's higher systemic importance and higher expected government support. Overall, 25% of S&P's rated banks in the GCC currently have a negative outlook, two-thirds of which are in Qatar, due to the potential effect of the boycott on Qatari banks' funding profiles, asset quality, and profitability. There are also a couple of other banks elsewhere in the GCC, where higher risks from their international operations drive S&P's negative outlook. The average GCC bank rating is "BBB+", added S&P in its report.

KSA PMI RISES SLIGHTLY TO 53.8 IN OCT 2018, SAYS EMIRATES NBD

The headline Emirates NBD Saudi Arabia Purchasing Managers' Index (PMI) rose slightly to 53.8 in October 2018 from 53.4 in September, as employment and new order growth picked up, according to Emirates NBD.

New export orders also recovered after contracting in September, reflecting increased external demand. However, output rose at the slowest rate since April, suggesting that the rise in new work has yet to feed through to actual output.

The employment index rose to 51.3 in October 2018 from 50.7 in September. While this is the highest reading since March, it still indicates only a modest increase in job. Indeed, only 3.1% of private sector firms surveyed indicated they had hired more staff last month. Staff costs, a good proxy for wages, remained below the neutral 50.0 level for the second month in a row, pointing to fractional wage deflation on average in the private sector.

Output (selling) prices increased modestly in October after declining in the prior three months. At the same time, input costs declined slightly last month on lower purchase costs, providing some relief for firms' margins, as per Emirates NBD.

Business optimism about future output increased markedly in October, with nearly half of all firms surveyed expecting their output to be higher in a year's time, while the other half expected current levels of output to be sustained. The rise in Brent oil prices to over US\$ 80/b on average last month, the highest level since October 2014, likely contributed to improved business sentiment, and the government also signaled increased budget spending in 2019 in its pre-budget statement released in October.

The survey data year-to-date suggests that non-oil sector growth has been slower than in 2017. However, slower non-oil sector growth is likely to be offset by stronger oil sector growth, as the Kingdom ramps up oil production. Overall, Emirates NBD retains its 2% GDP growth forecast for Saudi Arabia in 2018.

IMF TO DISBURSE US\$ 2 BILLION TO EGYPT AS ECONOMIC REFORMS CONTINUE

The International Monetary Fund agreed to disburse another US\$ 2 billion out of Egypt's US\$ 12 billion aid package as the North African country continues to undertake reforms that have helped it boost growth, reduce inflation and narrow its current account deficit.

The latest tranche, which needs approval by the IMF's executive board, would bring total disbursements to US\$ 10 billion. Egypt's fiscal policy in 2018-19 and beyond would continue to aim at keeping general government debt on a clearly declining path and achieving a primary surplus of 2% of GDP.

The government also remains committed to continuing energy subsidy reforms and raising revenues which would help create fiscal savings to invest in a well targeted social safety net, human development including health and education, and infrastructure.

Egypt has enacted a number of reforms, including increasing energy prices and devaluing the currency in order to win the IMF deal, which was agreed up on 2016. The float and accompanying reforms have helped revive the economy and boost investor confidence, as per Reuters.

Economic growth in the 2017-18 fiscal year that ended on June reached 5.4%, up from 4.2% in the year earlier period. The government is targeting growth of up to 8% for the 2021-22 fiscal year, as per the same source.

Inflation, which surged to more than 30% this year following cuts to energy subsidies, reached 16% in September. The Central Bank of Egypt's target range is 13%.

In the medium term, the CBE aims to reduce inflation to single digits. Meanwhile, in the current external environment of tighter financing conditions for emerging markets, the CBE's commitment to a flexible exchange rate policy would help enhance competitiveness, protect Egypt's foreign reserves, and cushion against external shocks.

BAHRAIN'S REAL GDP GROWTH RATE INCREASES SHARPLY TO 2.4% ANNUALLY IN Q2 2018

Bahrain's headline real growth rate increased sharply to an annual rate of 2.4% in the second quarter of 2018, as per data published in the Bahrain Economic Quarterly Report (BEQ), produced by the Bahrain Economic Development Board (EDB). This rebound was underpinned by both the normalization of oil production and markedly faster non-oil growth.

In spite of the improvement, the BEQ noted the ongoing regional economic recovery is progressing somewhat more slowly than initially expected. While GCC growth is expected to accelerate to 2.5% this year and 3.0% in 2019, this is below historical levels.

The GCC's business confidence has varied month to month while the growth of the non-oil sector has proved less pronounced than the expansion in the oil sector. This has prompted a number of governments to initiate economic stimulus programs after a period of fiscal retrenchment, as per the report.

Within this context, Bahrain's non-oil GDP expanded by an annual 2.8% in the second quarter of 2018, driven by the construction and manufacturing sectors. The ongoing expansion in the construction sector is illustrated by the total sum of infrastructure projects in Bahrain reaching US\$ 87.3 billion in mid-September, according to MEED Projects.

QATAR OPENS PROPERTY MARKET TO FOREIGN OWNERSHIP

Qatar would allow foreigners to own property, the latest in a series of measures aimed to stimulate the country's economy more than a year into its boycott by Gulf neighbors, as per Bloomberg.

Under a new law, foreigners would be able to own property in areas designated by Qatar's cabinet. Qatar has used its wealth to blunt the effects of an embargo imposed by Saudi Arabia, the United Arab Emirates, Bahrain and Egypt in June 2017, as per Bloomberg.

The country's economy is growing, the stock index recouped losses, and its US\$ 200 billion infrastructure upgrade for the 2022 World Cup has not been interrupted. As per Bloomberg. Nonetheless, the rebound has not trickled down to the property and tourism industries yet. While real estate prices increased by 4% year-on-year in the third quarter of 2018 after sliding to a four-year low in the second quarter, they're still down by 20% since 2016.

SURVEYS

FINANCIAL INCLUSION IS CONDUCTIVE TO GROWTH IN COUNTRIES IN THE MENA REGION, SAYS IIF

According to a recent report by the Institute of International Finance, bringing access to finance in the MENA region up to the world average could add an additional 0.4 to 1.0 percentage points per year to real per capita GDP growth.

Correlation analysis shows that higher financial inclusion is associated with more effective deployment of macroeconomic policies and reduction of inequality. For example, more widespread usage of financial services can facilitate consumption smoothing by reducing dependency on cash, raise the fiscal multiplier by improving the efficiency of revenue collection, and disbursement of transfer payments.

By expanding SMEs' ability to fund both new and existing projects, financial inclusion can drive job creation and foster the development of a more nimble private sector, as per the report.

It is worth noting that the marginal gains from financial inclusion are especially large for countries at low-income levels, starting out with the largest unbanked populations.

The MENA region has made major strides in financial inclusion in recent years even against the well-known headwinds of social, political, and security instability, but still lags far behind most of the world on multiple fronts. Reasons for MENA underperformance include unclear regulatory environments, burdensome legislation, underdeveloped financial infrastructure, lack of competition among banks, business models that focus on established large companies and government-related enterprises, and few dedicated financial institutions serving SMEs and the less well-off, as per the IIF.

In Egypt, for example, under 20% of firms use banks to finance investment, one of the lowest shares of bank financing across emerging economies. In addition, cultural and social barriers in much of the region impede participation of women, according to the IIF.

Overall, well under half of the adult population in MENA has an account with a financial institution, compared to over 60% in developing and emerging economies overall. Participation in financial services is relatively high in the GCC, since labor forces are dominated by non-nationals who repatriate significant funds through formal channels to their home countries.

In contrast, MENA oil importers with lower per capita incomes have less dynamic banking systems with relatively higher exposure to the public sector, reflecting a long history of crowding out of private investment.

Due to infrastructure and cultural barriers in MENA, gaps are particularly prominent among women, the poor, the young, and rural populations. Even banks themselves have been slow to adopt technologies in wide use elsewhere, such as ATM cards. Overall, ATM penetration in MENA in 2017 was well below the levels of Latin America and emerging Asia.

Notably, uptake of new technology for financial purposes has also been low. As of 2017, MENA residents were less likely than residents in other emerging economies to have made or received digital payments in the past year.

Last but not least, financial inclusion should be viewed as one arm of a broader push for structural reform. Authorities need to address several obstacles that stand in the way of achieving financial inclusion and the creation of more jobs in the private sector. While SMEs employ the largest share of workers, their limited access to financing hinders entrepreneurship and impedes their long-term growth prospects.

OVERALL 4.5% INCREASE IN 2018 BASE SALARY IN UAE ACROSS INDUSTRIES, SAYS MERCER

According to Mercer's annual Total Remuneration Survey, there was an overall increase in the base salary in the UAE across industries.

Mercer's survey revealed that the overall salary in the UAE increased by 4.5% in 2018 across industries, with the highest increase shown at 5% in the life sciences industry. Furthermore, the annual salary increases in the UAE for 2019 is forecast to grow by 4.8%, one of the highest in the region.

Notably, real wage growth (salary increase minus inflation rate) is also expected to steadily rise in the region, as per the report. While forecasts vary quite widely across specific industries, the strongest push is likely to come from the life sciences, consumer goods and high-tech industries. The energy industry, which was previously the highest paying, has now seen a downward shift.

Additionally, the energy sector is projected to perform below the market with an expected increase of 4%. That being said, it is the highest increase rate seen since 2015 for the industry, according to Mercer.

In contrast, the life sciences sector is expected to outperform the market with a 5% increase. These projections are in line with the UAE's vision of economic diversification.

Sectors such as the high tech and life sciences industries have evolved due to the growing population and the need for digital transformation across the entire market, which is generating more employment opportunities and salary increases, as per Mercer.

The overall hiring outlook in the UAE is positive with close to 50% of companies looking to increase their headcount and 45% looking to maintain headcount.

The survey also looked at pay parity (in terms of annual total cash) at different levels of management in the region. The ratio of salary difference rises steeply (up to 10 times) as employees reach senior level positions in the UAE, compared to the average of 5 times in developed markets, as per Mercer.

This trend is commonly seen in emerging markets as talent scarcity plays a major role, and there are extremely high premiums to be gained by those people with the right skills. Most notably, the highest-ranking executives in the UAE out-earn their peers in the US and UK.

The survey also looked at talent trends in the region. It found that 78% of organizations expect an increase in competition for talent in the GCC. Furthermore, 47% of organizations noted that there are not enough experts in niche fields, and that scarcity of required talent may pose a potential challenge. The reason for this trend could be due to the UAE's diversification efforts which is giving rise to niche fields in specific industries like healthcare and IT, resulting in the need for specialized experts.

53% of respondents placed labor nationalization requirements as a top GCC economic and social issue that is likely to have an impact on organizations over the next two years, according to Mercer. This would have a clear and direct impact on the hiring trends firms would adopt, particularly on the reward mechanisms that are put in place to attract local talent.

When looking at the economic and social issues that are likely to impact regional organizations over the next two years, the survey found that 39% of organizations noted fiscal policy adjustments, such as the implementation of VAT will most likely impact the organization.

CORPORATE NEWS

EGYPT SIGNS US\$ 2.3 BILLION POWER PLANT DEAL WITH KSA'S ACWA POWER

A consortium led by ACWA Power has signed a power purchase agreement (PPA) with the Egyptian Electricity Transmission Company (EETC) for a gas-fired combined cycle plant. The project, which is located in Luxor, will have a capacity to generate 2,300 MW and have an investment value of close to US\$ 2.3 billion. The project is expected to start the first phase operation in summer 2022 and the full commercial operation in summer 2023.

The PPA is under a Build-Own-Operate framework with a term of 25 years. The project would be important in meeting Egypt's increasing demand for electricity over the years to come, particularly in the upper Egypt region.

The President & CEO of ACWA Power said that signing the PPA represents a significant step in the development of the project, more importantly demonstrating the commitment of the Egyptian government to encourage the participation of the private investors in infrastructure projects. The project is very significant as it represents one of the highest foreign direct investment infrastructure project in Egypt, according to ACWA Power.

ENI AND TOTAL PARTNER WITH SONATRACH FOR EXPLORATION OFF ALGERIA

Executives of Italy's Eni SPA, France's Total SA, and Algeria's Sonatrach have signed two agreements that include an exclusive partnership for exploration offshore Algeria in a virtually unexplored geological province.

Eni and Total also will pursue obtaining exploration permits that will allow for the completion of the hydrocarbon potential assessment, the companies said.

EGYPT'S BANQUE MISR SELLS 2% STAKE IN SAUDIA ARABIA'S SAMBA FOR ABOUT US\$ 370 MILLION

Banque Misr has sold its 2% stake in Saudi Arabia's Samba Financial Group for about US\$ 370 million, the Vice Chairman of Egypt's second largest bank recently said. Egypt's second largest bank would not be selling its stake in Cairo-Amman Bank, the Vice Chairman told Reuters.

Banque Misr (S.A.E.) provides corporate, retail, investment, and Islamic banking services primarily in the Arab Republic of Egypt.

MARAFIQ SIGNS CONTRACT FOR EXPANSION OF ITS SANITARY WASTEWATER TREATMENT PLANT IN JUBAIL

Indian multinational group VA Tech Wabag (Wabag) has been awarded a major engineering, procurement and construction contract worth SR 500 million (US\$ 133 million) for the development of a sewage water treatment plant in Jubail area of the Kingdom.

The contract's aim is to expand Marafiq's Sanitary Wastewater Treatment Plant in Jubail, with Marafiq's President and CEO saying that the company is confident in providing world-class utility facilities to the new-wave of growth for the Saudi Vision 2030 industrial ventures. The total capacity of the Sanitary Wastewater Treatment Plant (SWTP-9) expansion will be 200,000 cubic meters/day.

The Sanitary Wastewater Treatment Plant (SWTP-9) expansion is to be designed and built to treat incoming sanitary wastewater from Jubail and its Industrial City. The SWTP-9 Stage 6 expansion will comprise of a stand-alone treatment works, designed and constructed for sanitary wastewater treatment.

APM TERMINALS BAHRAIN ANNOUNCES IPO OF 20% OF ISSUED SHARE CAPITAL

APM Terminals Bahrain, the exclusive operator of Bahrain's Khalifa Bin Salman Port (KBSP), has announced the initial public offering (IPO) of 18,000,000 of its shares equating to an offer size of BHD 11.88 million.

The IPO, which will offer 20% of the company's total issued share capital, is open to Bahraini and non-Bahraini corporate and individual investors, starting November 8. APM Terminals Bahrain is a joint-venture between Netherlands-based APM Terminals International BV (80%) and YBA Kanoo Holdings of Bahrain (20%), a leading diversified regional business group. The offer shares are priced at BHD 0.660 per share. The IPO stands to raise BHD 11.88 million, in what is the first IPO for a transport and logistics company in the Kingdom to list on the Bahrain Bourse.

The company, which operates a global network of 74 operating ports and terminal facilities and over 117 Inland Services operations spread over 58 countries, is part of the AP Moller - Maersk group, a global business headquartered in Copenhagen, Denmark, with activities in the transport and logistics which includes the biggest container ship operator in the world.

BAHRAIN'S INVESTCORP BUILDS £ 250 MILLION EUROPEAN REAL ESTATE PORTFOLIO

Investcorp, a leading global provider and manager of alternative investment products, announced the acquisition of five industrial units in Scotland for £ 11.5 million.

Located in Uddingston, Blantyre and Livingston, the fully let 200,000 sq. ft. portfolio is home to a number of well-known tenants across the life sciences, logistics, telecoms and packaging sectors. The industrial units are ideally located next to several key transport connections across the M8 motorway, Scotland's busiest motorway and a hugely important asset to the country's industrial sector, as per a company statement.

The acquisition marks Investcorp's seventh industrial property investment in UK since June 2017, following the acquisition of a 200,000 sq. ft. distribution warehouse near St Helens in the North West of England in the first half of 2018. It is the latest in a series of acquisitions that Investcorp has undertaken across the UK and Germany as part of its broader pan-European real estate strategy. Investcorp has invested more than £ 250 million across its portfolio of UK and European real estate assets since June 2017.

This acquisition is consistent with Investcorp's strategy to acquire well-located, income-generating industrial and logistics assets based in the UK. The portfolio is well positioned to benefit from the UK's thriving industrial market and strong supply and demand dynamics, as per company officials. The investment has been made in partnership with Citivale, a UK-based asset manager. Knight Frank advised both parties on the transaction.

SEDCO CAPITAL CONCLUDES US\$ 180 MILLION REAL ESTATE ACQUISITION IN EUROPE

SEDCO Capital UK Limited announced the conclusion of a European real estate investment of £ 137.5 million (US\$ 179.9 million) on behalf of its parent company SEDCO Capital, one of the largest asset managers in Saudi Arabia.

SEDCO Capital has acquired three properties across France and the UK as investments for its clients. The Saudi asset manager assisted in the purchase of an office building in the Levallois Perret suburb of Paris in September. The fully-let 9,800 square meter multi-let office building serves as the French headquarters to Italian energy company ENI and marks SEDCO Capital's first investment in France.

In the UK, SEDCO Capital advised on the acquisition of two properties: a 25-acre distribution site in Yorkshire for £ 31.8 million and a 4.7-acre office complex in Bracknell, Berkshire for £ 35.2 million. The distribution site, which contains a warehouse covering 413,959 square feet, is wholly occupied by British infrastructure and support services company Eddie Stobart Limited. There are circa 17 years remaining on the lease. Vodafone leases Bracknell-based office Waterside House, covering 94,867 square feet, on a 30-year term with 20.9 years remaining.

CAPITAL MARKETS

EQUITY MARKETS: ACTIVITY IN MENA EQUITY MARKETS SKEWED TO THE UPSIDE THIS WEEK

MENA equity markets saw mostly upward price movements this week, as reflected by a 0.6% rise in the S&P Pan Arab Composite Index, mainly supported by some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul registered shy price gains of 0.3% this week, mainly helped by relatively eased geopolitical tensions, some favorable financial results, and on improved sentiment after the Kingdom announced a significant yearly decline in its 2018 third quarter fiscal deficit amid rising oil revenues. Saudi Industrial Investment Group's share price surged by 8.0% to SR 26.60. The company announced a 38% year-on-year increase in its 2018 first nine months net profits to reach SR 839 million. Herfy Food Services' share price jumped by 12.3% to SR 44.35. The firm announced a 3.7% year-on-year growth in its 2018 third quarter net profits to reach SR 58 million. Zain KSA's share price went up by 4.1% to SR 6.29. Zain KSA announced 2018 third quarter net profits of SR 48 million as compared to net profits of SR 3 million during the corresponding period of the previous year. NCB's share price edged up by 0.9% to SR 45.30. Etihad Etisalat's share price closed 3.9% higher at SR 17.24. Jabal Omar Development's share price rose by 2.7% to SR 35.80.

The Egyptian Exchange posted a 1.0% increase in prices week-on-week, supported by some favorable market-specific and company-specific factors. The IMF agreed to disburse another US\$ 2 billion out of Egypt's US\$ 12 billion aid package, bringing total disbursements to US\$ 10 billion, citing continuous structural reforms that have helped Egypt boost its growth, reduce inflation and narrow its current account deficit. Eastern Tobacco's share price increased by 1.3% to LE 16.07. El Sewedy Electric's share price climbed by 7.1% to LE 15.16. Emaar Misr for Development's share price jumped by 8.7% to LE 3.24. Telecom Egypt's share price went up by 3.0% to LE 10.67. Sarwa Capital's share price surged by 3.8% to LE 6.30. Orascom Investment said that it is seeking to acquire 30% of Sarwa Capital's shares in November 2018. Raya Holding for Financial Investments' share price rose by 1.4% to LE 6.49. The Egyptian regulator mandated Raya Holding's Chairman and related group to make a buyout offer for the company.

The UAE equity markets posted a 1.4% rise in prices week-on-week, mainly driven by some favorable

EQUITY MARKETS INDICATORS (OCTOBER 28 TILL NOVEMBER 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	84.2	-0.2%	-14.3%	40.2	724.9%	7.9	9,151.0	22.9%	5.2	0.70
Jordan	374.4	-1.0%	-2.2%	48.3	60.6%	25.2	23,173.6	10.8%	13.6	1.44
Egypt	278.4	1.0%	-9.3%	223.2	18.3%	930.7	42,671.9	27.2%	10.5	2.27
Saudi Arabia	341.6	0.3%	11.7%	4,588.1	-37.7%	812.0	500,266.0	47.7%	15.6	2.21
Qatar	187.8	1.8%	21.9%	272.5	4.6%	25.6	158,504.7	8.9%	14.6	2.08
UAE	120.3	1.4%	-2.9%	477.0	16.5%	795.7	245,130.3	10.1%	12.0	1.74
Oman	216.6	-0.8%	-8.7%	29.9	11.1%	66.0	19,126.3	8.1%	10.1	1.11
Bahrain	124.3	0.3%	1.5%	17.1	75.2%	32.3	20,598.0	4.3%	9.7	1.14
Kuwait	94.4	0.9%	8.8%	212.0	22.4%	332.2	84,106.4	13.1%	14.7	1.56
Morocco	258.2	-1.5%	-14.8%	50.3	-28.5%	3.9	58,309.1	4.5%	17.7	2.76
Tunisia	74.5	0.4%	-3.2%	7.8	-4.2%	3.1	8,631.9	4.7%	13.1	2.16
Arabian Markets	735.9	0.6%	7.2%	5,966.3	-30.2%	3,034.7	1,169,669.1	26.5%	14.2	2.01

Values in US\$ million; volumes in millions

* Market cap-weighted averages

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

company-specific factors. In Dubai, Emaar Properties' share price climbed by 5.8% to AED 5.27. Emaar Properties said that it is in talks with a number of parties for the sale of hotel assets. Aramex's share price surged by 4.8% to AED 4.15. Aramex announced a 38% year-on-year rise in its 2018 third quarter net profits to reach AED 113 million. Emirates NBD's share price closed 2.8% higher at AED 9.25. Emirates NBD announced 2018 first nine months net profits of AED 7.65 billion, up by 24% relative to the same period of the previous year.

In Abu Dhabi, ADCB's share price went up by 6.8% over the week to AED 8.0. Union National Bank's share price closed 8.9% higher at 4.89. ADCB plans to acquire UNB to form a conventional lender. The Islamic divisions of ADCB and UNB are set to merge and then take over privately-held Al Hilal Bank. Abu Dhabi National Hotels' share price jumped by 14.3% to close at AED 4.0. ADNHH said that it is in talks to buy some hotel assets from Emaar Properties.

The Qatar Exchange recorded a 1.8% rise in prices week-on-week, mainly supported by some favorable market-specific factors and financial results. The combined net profits of Qatari listed companies rose by 6.7% year-on-year during the first nine months of 2018 to reach QR 31 billion, mainly driven by banking and industrial sectors. Also, Qatar said that it would allow foreigners to own property in areas designated by the cabinet, in a move aimed to stimulate the country's economy. Qatar Islamic Bank's share price surged by 7.2% to QR 154.30. QNB's share price went up by 3.2% to QR 194.0. Doha Bank's share price increased by 3.6% to QR 22.05. Barwa Real Estate's share price increased by 2.7% to QR 38.0. Ezdan Holding's share price edged up by 0.8% to QR 10.80. Ooredoo's share price closed 3.0% higher at QR 69.0.

FIXED INCOME MARKETS: DOWNWARD PRICE MOVEMENTS IN REGIONAL BOND MARKETS WEEK-ON-WEEK

Activity in regional fixed income markets was mostly tilted to the downside this week, tracking US Treasuries move after the US added more-than-forecast jobs in October 2018, keeping the unemployment rate at a 48-year low and pushing the increase in worker pay to the highest level in more than nine years, in addition to optimism that the US and China would reach a trade agreement later this month.

In Abu Dhabi, sovereigns maturing between 2019 and 2047 registered price falls of 0.04 pt to 0.62 pt this week. Fitch affirmed Abu Dhabi's long-term foreign currency Issuer Default Rating at "AA" with a "Stable" outlook. Abu Dhabi's key credit strengths are its strong fiscal and external metrics and high GDP per capita, balanced by high dependence on hydrocarbons and a relatively underdeveloped economic policy framework, as per Fitch.

Also, IPIC papers maturing between 2020 and 2026 posted price decreases of up to 0.48 pt week-on-week. Prices of ADNOC'29 and '47 retreated by 0.34 pt each. Etisalat'21, '24 and '26 recorded price drops of 0.04 pt, 0.21 pt and 0.14 pt respectively. Taqa papers maturing between 2023 and 2036 saw price falls of up to 0.33 pt. Mubadala papers maturing in 2018, 2019, 2021, 2022, 2023 and 2024 registered price declines of up to 0.30 pt. Mubadala'29 was down by 0.71 pt. Mubadala raised US\$ 800 million through the sale of senior unsecured bonds in private placement at a coupon of 4.5%.

In Dubai, sovereigns maturing in 2020, 2021 and 2043 were down by 0.03 pt, 0.01 pt and 0.22 pt respectively week-on-week. DP World papers maturing between 2020 and 2048 registered price falls of 0.14 pt to 1.78 pt. Amongst financials, DIB papers maturing between 2020 and 2023 saw price retreats of up to 0.17 pt. Prices of DIB Perpetual (offering a coupon of 6.25% and 6.75% respectively) dropped by 0.14 pt and 0.12 pt respectively.

In the Omani credit space, sovereigns maturing between 2023 and 2048 followed a downward trajectory this week, closing down by up to 0.64 pt. Prices of Omantel'23 and '28 declined by 0.30 pt each. Oman Manufacturing Group'25 and '27 were down by 0.38 pt and 0.19 pt respectively. Mazoon'27 traded down by 0.16 pt. As to papers issued by financial institutions, National Bank of Oman'19 and '23 saw price falls of 0.18 pt and 0.21 pt respectively.

In the Egyptian credit space, sovereigns saw price falls across the board this week. US dollar-denominated papers maturing between 2020 and 2048 posted weekly price decreases ranging between 0.38 pt and 1.25 pt. Euro-denominated papers maturing in 2026 and 2030 were down by 1.13 pt and 1.25 pt respectively.

In the Saudi credit space, sovereigns maturing in 2021, 2023, 2025, 2026, 2027 and 2028 registered price declines of 0.10 pt to 0.25 pt week-on-week. Saudi sovereigns maturing between 2030 and 2049 posted price falls of up to 1.13 pt. As to plans for new issues, Jeddah-based Islamic Development Bank set the size of a planned five-year Sukuk issue at € 650 million, offering an annual profit rate of 0.554%.

In the Qatari credit space, sovereigns maturing in 2019, 2020, 2023 and 2026 registered price retreats of up to 0.39 pt this week. Sovereigns maturing in 2042, 2046 and 2048 were down by 0.36 pt, 0.17 pt and 0.44 pt respectively. Ooredoo papers maturing between 2019 and 2043 saw price decreases ranging between 0.03 pt and 0.37 pt. Qatar Reinsurance Perpetual was down by 0.29 pt. Prices of RasGas'19 and '20 dropped by 0.02 pt and 0.13 pt respectively. As to papers issued by financial institutions, Commercial Bank of Qatar'19 (offering a coupon of 7.5%) and '23 closed down by 0.14 pt and 0.36 pt.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	02-Nov-18	26-Oct-18	29-Dec-17	Week-on-week	Year-to-date
Abu Dhabi	66	69	64	-3	2
Dubai	119	123	123	-4	-4
Kuwait	65	68	66	-3	-1
Qatar	72	75	105	-3	-33
Saudi Arabia	92	94	92	-2	0
Bahrain	288	289	276	-1	12
Morocco	103	103	121	0	-18
Egypt	357	369	316	-12	41
Lebanon	691	707	520	-16	171
Iraq	416	385	424	31	-8
Middle East	227	229	211	-2	16
Emerging Markets	190	205	136	-15	54
Global	173	174	132	-1	41

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/Stable/B	B3/Positive	B/Positive/B		
Iraq	B-/Stable/B	Caa1/Stable	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/Stable	AA-/Stable/F1+		
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+		
Bahrain	B+/Stable/B	B2/Negative	BB-/Stable/B		
Oman	BB/Stable/B	Baa3/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	B2/Stable	B+/Negative/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-Nov-18	26-Oct-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%	-0.4%
Egyptian Pound (EGP)	17.92	17.92	17.76	0.0%	0.9%
Iraqi Dinar (IQD)	1,192.74	1,187.34	1,176.53	0.5%	1.4%
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	-0.1%	-0.3%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.6%
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)	119.05	119.05	114.94	0.0%	3.6%
Moroccan Dirham (MAD)	9.52	9.52	9.35	0.0%	1.9%
Tunisian Dinar (TND)	2.86	2.86	2.48	0.0%	15.6%
Libyan Dinar (LYD)	1.40	1.38	1.36	1.6%	3.0%
Sudanese Pound (SDG)	47.50	47.50	7.02	0.0%	577.1%

Sources: Bloomberg, Bank Audi's Group Research Department

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