Bank Audi

MENA WEEKLY MONITOR

JUNE 4 - JUNE 10, 2023
WEEK 23

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MENA equity markets bounced back this week, as reflected by a 2.2% increase in the S&P Pan Arab Composite index, amid a deep Saudi oil output cut seen as moderately bullish for global oil prices, while also tracking global equity strength (+0.7%) ahead of a widely expected pause in US Fed interest rate hikes in June policy meeting, in addition to some favorable company-specific factors. In contrast, activity in MENA fixed income markets was mainly skewed to the downside, mainly tracking a global sell-off mood after Bank of Canada unexpectedly delivered a quarter-point interest rate hike, sending a message to global markets that a widely expected pause in US interest rate hikes this month doesn't necessarily mean that the monetary tightening cycle is over.

MENA MARKETS: JUNE 4 - JUNE 10, 2023

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+2.2%	Weekly Z-spread based bond index	-1.2%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+2.2%	YTD Z-spread based bond index	+60.0%

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ECONOMY

FRANKLIN TEMPLETON FORECASTS A FAVORABLE BACKGROUND FOR MENA EQUITIES MARKETS IN 2023

A new report by Franklin Templeton has been issued on the MENA region recently.

Driven by mega-investment projects, rising energy prices, greater fiscal prudence and better demographics, the economies of the Middle East and North Africa region are experiencing a revival in growth, according to the report by Franklin Templeton's Emerging Markets Equity Group.

The Gulf Cooperation Council countries, particularly Saudi Arabia which is the largest economy in the region, has significant expenditure plans. The Saudi government has stated its goal to invest nearly US$ 2 trillion in the domestic sector between now and the end of this decade as part of its Vision 2030 economic reform strategy.

Giga-projects, the report noted, have served as a key pillar of the region's multi-year reform effort.

Although there have been local and international headwinds, the initiatives have continued to move forward due to the requirements of diversifying the economy away from oil, attracting talent and money, and creating jobs for a youthful population.

Despite fluctuating oil prices and the pandemic, giga-projects have continued to advance steadily, demonstrating the government's long-term commitment.

The government has attempted to separate the outcomes of the projects from fluctuations in their fiscal condition and, by extension, oil prices by mandating the country's sovereign wealth fund as the independent sponsor of these projects with its own balance sheet according to the report.

This is a significant shift from the past when government expenditure was closely tied to oil prices.

The MENA region's weight in the MSCI Emerging Markets Index has also risen from 1.6% in 2016 to 7.7% in 2022. This growth has been driven by the implementation of various market-based changes in recent years.

Initial public offerings, privatization and increased foreign ownership limitations are among them.

Saudi Arabia is the largest single market, accounting for 4.1% of the index, and this figure is expected to rise.

In a world grappling with the challenges of declining birth rates and rising dependence ratios, the demography of the GCC economies, notably Saudi Arabia, is heading in the opposite direction.

The Kingdom's predicted rise in the economically active 25-64-year-old population is among the fastest in developing countries, at 19.6% between 2019 and 2039.

The report also forecast a favorable background for MENA equities markets in 2023. However, it stated that the area is not immune to risks such as the impact of interest rates hike on economy.

The reported noted that the link between oil prices and the MENA economic and market outlook is gradually fading as a result of economic diversification and an increasing dependence on sovereign wealth funds to support investment in the area, according to the Franklin Templeton report.

ASSETS AT SAMA DECREASED BY 6% OVER THE FIRST FOUR MONTHS

Assets at Saudi Arabia's Central Bank (SAMA) were recorded at SAR 1.8 trillion (US$ 486.1 billion) at end-April 2023 showing a 5.7% decrease down from SAR 1.9 trillion (US$ 515.7 billion) at the end of 2022.

In details, at the level of cash cover, gold reserves have remained unchanged over the aforementioned period. In parallel, foreign currency reserves showed a 5.2% increase reaching SAR 262.4 billion (US$ 70.0 billion) at end-April 2023, up from SAR 249.6 billion (US$ 66.6 billion) at end-2022, as per data released by SAMA.

Cash in Vault dropped by 24.1% over the aforementioned period to reach SAR 21.8 billion (US$ 5.8 billion) at end-April 2023, down from SAR 28.7 billion (US$ 7.7 billion) at end 2022. Deposits with banks abroad decreased marginally by 2.3% against figures from end-2022 to register at SAR 316.8 billion (US$ 84.5 billion) at end-April 2023. SAMA'S investments in foreign securities showed a noticeable decrease of 10.5% in the aforementioned period to reach SAR 1.0 trillion (US$ 269.8 billion) at end-April 2023 against SAR 1.1 billion (US$ 301.4 billion) at end-2022. Other assets showed a 4.6% increase between end-2022 and end-April 2023 to reach SAR 208.3 billion (US$ 55.5 billion) in the latter, as per SAMA.

At the level of liabilities, currency issued in circulation saw an increase of 8.9% against figures from end-2022 and was registered at SAR 242.2 billion (US$ 64.6 billion) at end-April 2023. On the other hand, currency issued present at SAMA registered a drop of 24.1% registering SAR 21.8 billion (US$ 5.8 billion) at end-April 2023 down from SAR 28.7 billion (US$ 7.7 billion) at end-2022.

Government deposits at SAMA saw a contraction of 18.2% and was registered at SAR 521.5 billion (US$ 139.1 billion) at end-April 2023 down from SAR 637.5 billion (US$ 170.0 billion) at end-2022. Regulatory deposits for financial institutions at SAMA registered a marginal expansion of 2.1% to reach SAR 138.8 billion (US$ 37.0 billion) at end-April 2023, up from SAR 135.9 billion (US$ 36.2 billion) at end-2022. Foreign institutions' deposits in SAR at SAMA recorded a marginal contraction of 1.9% between end-2022 and end-April 2023 to reach SAR 5.3 billion (US$ 1.4 billion) in the latter. SAMA bills and reserve purchase agreements jumped by 33.4% during the period and were registered at SAR 91.1 billion (US$ 24.3 billion) at end-April 2023, up from SAR 68.3 billion (US$ 18.2 billion) at end-2022. On the other hand, other liabilities registered a 4.0% contraction during the period and was registered at SAR 802.0 billion (US$ 213.9 billion) at end-April 2023, down from SAR 835.6 billion (US$ 222.8 billion) at end-2022, according to data from SAMA.

QATAR'S TRADE BALANCE NOTICES A 36% DROP YEAR-ON-YEAR IN APRIL

Qatar's Balance of Trade (BoT) registered a surplus of QAR 22.0 billion (US$ 6.0 billion) in April 2023. This figure denotes a year-on-year drop of 35.6% down from QAR 34.2 billion (US$ 9.4 billion) in April 2022. However, the BoT has registered a month-on-month improvement of 3.5% between March 2023 and April 2023, according to data published by Qatar's Planning and Statistics Authority (PSA).

In details, total exports were registered at QAR 30.7 billion (US$ 8.4 billion) in April 2023 which represents a 29.4% year-on-year drop down from QAR 43.5 billion (US$ 11.9 billion) in the same month of the year prior. In parallel, total import saw a 6.3% contraction year-on-year to reach QAR 8.7 billion (US$ 2.4 billion) in April 2023.

It is worth noting that Petroleum Gases and Other Gaseous Hydrocarbons took the lion's share of exports in April 2023 and was registered at QAR 18.6 billion (US$ 5.1 billion) which accounts for 84.4% of total exports. This figure represents a drop of 33.2% down from QAR 27.8 billion (US$ 7.6 billion) in April 2022, according to data from Qatar's PSA.

At the level of total exports by major countries of destination, China was the main importer from Qatar with a share of 18.3% (US$ 1.6 billion), followed by South Korea with 16.6% (US$ 1.4 billion), India with 11.4% (US$ 963.5 million), Singapore with 7.0% (US$ 592.0 million) and Japan with 6.7% (US$ 562.1 million).

In parallel, looking at total imports by major countries of origins, products from the United States of America took the biggest share of Qatar's imports with 14.7% (US$ 350.6 million) followed by China with 13.0% (US$ 309.3 million), India with 6.1% (US$ 145.1 million), Italy with 5.4% (US$ 128.3 million) and Germany with 4.9% (US$ 116.2 million), as per Qatar's PSA.

IRAQ LAUNCHES US$ 17 BILLION TRANSPORT PROJECT

Iraq has recently launched a project valued at circa US$ 17 billion with the aim of linking a port on its southern coast with the Iraqi-Turkish border. This link will be achieved with the usage of railways and roads with the aim to boost the country's economy. Linking the Grand Faw Port with Turkey would effectively turn the country into a transit hub that shortens travel between Asia and Europe.

According to the Iraqi Prime Minister, economic integration with Arab countries is effective in increasing stability. This statement came with the announcement of the launch of a regional transportation project which aims to go through Iraq. This project is seen as a building block for a sustainable economy that is not oil reliant.

The vision of Iraq's government consists of high-speed trains that would transport goods and passengers at speeds of up to 300km/h. Additionally, the lines would be extended to local energy and industry centers, including oil and gas pipelines.

It is worth noting that Iraq's train service currently does operate a handful of lines, however the sector is lackluster. The lines include slow-moving oil freighters and a single passenger train that links Baghdad and Basra that takes 10-12 hours for a 500km journey. In turn, an upgrade and revitalization efforts to the sector are long overdue.

According to the Iraqi Prime Minister, the Grand Faw Port is halfway to completion. Additionally, this plan linking passengers from Iraq to Europe dates back to major plans from the early 20th century that aimed to launch a line connecting Baghdad to Berlin. The re-establishment of this old road is the end goal in order to allow those who would want to visit the Holy Shrines in Iraq or perform Hajj or Umrah in Saudi Arabia to be able to travel faster and for cheaper.

SURVEYS

DUBAI IS MOST EXPENSIVE CITY IN MENA REGION, AS PER MERCER SURVEY

Dubai climbed 13 places in Mercer's Cost of Living City Ranking for 2023, making it the most expensive city in the MENA region, according to a survey by Mercer.

The city is now the 18th most expensive city for expats globally, with the top five made up of Hong Kong and Singapore, followed by three Swiss cities - Zurich, Geneva and Basel.

It is worth highlighting that Mercer's widely recognized Cost of Living ranking is one of the world's most comprehensive studies and is designed to help multinational companies and governments determine compensation strategies for their international assignees.

The 2023's ranking includes 227 cities from across five continents. It measures the comparative cost of more than 200 items in each location, including housing, transportation, food, clothing, household goods and entertainment.

Abu Dhabi is the second most expensive city in the region, having risen 18 places to 43rd position globally, followed by Riyadh, which also rose 18 positions to 85th, Manama in Bahrain, which rose 19 places to 98th and Jeddah, which rose 10 places to 101st. Qatar ranking rose 7 places reaching the 126th position. Muscat and Kuwait City occupied the 130th and 131st position globally.

One of the key drivers behind the changes in 2023 rankings is the surge in rental costs. Dubai is the second city in the survey where the rental cost has had a significant impact on the ranking with rent increases averaging 25%. By contrast, the impact of housing movement has been notably lower in Abu Dhabi, where the change ranges between 6-8% and in some areas remains the same as last year.

THE UAE, KSA AND EGYPT LEADING MENA DATA CENTER GROWTH ACTIVITY, AS PER CBRE

As MENA countries have grown and their built environments continued to expand and develop with a particular focus on smart cities, the region witnessed a strong expansion in the data center market, according to the report titled "Middle East & North Africa Data Centres Snapshot 2023" issued by CBRE, the global leader in commercial real estate services and investments.

Although historically national operators have largely dominated the market, there is an increased level of investment and interest from international operators who are looking to capitalize on the region's growing need for data processing and storage.

Throughout many MENA countries, Egypt, Saudi Arabia and the UAE are now registering the vast majority of interest from international operators. These three countries' strong fundamentals are driving activity levels, along with their marked improvements in ease of doing business and data protections laws and also in their subsea cable connectivity.

Currently, the data center capacity of these three markets is estimated to total around 336 MW. As these countries continue to develop, it is estimated that this is expected to grow to 707 MW by 2025, with Saudi Arabia and the UAE expected to add the bulk of the additional capacity. This forecast growth would mean that from a real estate perspective, data centers would become a core asset class in the alternative real estate market sector in all three of these countries, where CBRE expects that future activity would largely be led by join-venture partnerships.

In Egypt, the Gulf of Suez is one of the main conduits for subsea cables globally, connecting Asia with Europe. There are 16 operational cables with a further five planned to be completed by 2025, which include 2Africa, EMIC-1, Africa-1 ,IEX, Medusa and SMW6. Egypt also has 10 cable landing points in the Gulf of Suez and along the mediterranean coast providing geographical diversity.

Based on the report, Saudi Arabia has 15 in-service subsea cables, with 12 of the 15 subsea cables landing in Jeddah and other landings sites include Al Khobar, Yanbu and Duba. A further six cables are expected to be added by 2025. Furthermore, the recently launched Cloud Computing Special Economic Zone initiative, facilitates data centers investment throughout the country by providing special tax treatments, reduced fees and competitive power rates.

In parallel, the UAE has 17 operational subsea cables connecting it to other countries, the highest in the GCC. The main cable landing point is Fujairah on the east coast with 13 cables.

BAHRAIN "B+/B" RATING AFFIRMED WITH A "POSITIVE" OUTLOOK, AS PER S&P GLOBAL RATING

S&P Global Ratings affirmed its "B+/B" long-term and short-term foreign and local currency sovereign credit ratings on Bahrain, with a "positive" outlook.

The "positive" outlook is supported by continued financial sector stability and the potential for wider current account surpluses over the forecast horizon. S&P expects the government would continue implementing fiscal reforms to reduce its budget deficit and benefit from additional support from other Gulf Cooperation Council (GCC) sovereigns, if needed.

In S&P's view, the government's willingness and ability to pursue budgetary reforms under the Fiscal Balance Program (FBP) has strengthened fiscal policymaking in recent years.

In 2022, Bahrain's real GDP expanded 4.9%, its highest growth rate since 2013, reflecting a broad rebound of regional tourism, transportation, and hospitality amid higher oil prices. The recovery was also bolstered by growth in the manufacturing sector, led by increases in aluminum production at Alba, which is the first aluminium smelter in the Middle East. However, partially offsetting this growth was a 1.4% real contraction in the hydrocarbon sector, owing to continued maintenance at the onshore Bahrain field.

On the external front, Bahrain posted a record current account surplus of 15.4% of GDP in 2022, bolstered by high oil prices and a boost in aluminum production (comprising 40% and 20% of total merchandise exports, respectively).

On the other hand, the credit rating agency forecasts Bahrain's economic growth to decelerate to about 2.8% in 2023 on the back of a relative decline in commodity prices, slower global and regional growth, and tightening financing conditions. However, the government's economic recovery plan would partly compensate for this by continuing to drive non-oil activity over the medium-term, spurring domestic employment and attracting investments in strategic sectors such as tourism, housing, roads, airports, and electricity.

CORPORATE NEWS

MASDAR CLOSES DEAL FOR US$ 10 BILLION EGYPT WIND PROJECT

Abu-Dhabi based Masdar, one of the world's leading clean energy companies, along with Infinity Power, Africa's largest renewable energy developer, and Hassan Allam Utilities, a sustainable infrastructure focused investment platform, signed an agreement with Egypt's New and Renewable Energy Authority to secure land to build a 10 GW capacity onshore wind farm in Egypt, set to be one of the largest in the world, with a project value of over US$ 10 billion, as reported in a company's statement.

The landmark wind project would produce 47,790 GWh of clean energy per year and reduce around 9% of Egypt's annual carbon emissions by displacing 23.8 million tons of carbon dioxide annually.

The wind farm would also help Egypt meet its strategic objective of sourcing 42% of its energy from renewables by 2030. The 10 GW plant would save the North African nation an estimated US$ 5 billion in natural gas costs a year.

As the UAE's flagship renewable energy company, Masdar's role demonstrates its deep and lasting commitment towards supporting African nations such as Egypt to meet their ambitious renewable energy objectives.

NEOM SECURES US$ 5.6 BILLION RESIDENTIAL INVESTMENTS

Mega-project NEOM, a planned smart city in northwest Saudi Arabia on the Red Sea, finalized contracts with investors for the first phase of its residential communities' expansion, a social infrastructure project that would house the region's growing workforce, as mentioned in a company's statement.

The agreement amounts to a total value of over US$ 5.6 billion (SR 21 billion), making it one of the largest international public-private partnerships for accommodation.

The preferred bidders for the first phase of the residential communities consist of leading Saudi Arabian companies, Alfanar Global Development, Almutlaq Real Estate Investment Company (AREIC), Nesma Holding Company, and Tamasuk involved via two separate partners: Al Majal Al Arabi Group Company and the Saudi Arabian Trading and Construction Company (SATCO).

The agreement would also see an additional 10 communities established across NEOM, adding capacity for 95,000 more occupants once the first phase of the project is completed.

The agreement paves the way for more private sector participation in the development of NEOM's infrastructure. The second phase of the temporary residential project is expected to be issued to the market in the upcoming month. In addition to contract awards, NEOM is currently reviewing interest from investors with plans to shortlist pre-qualified participants.

The multi-billion-riyal investment would also have a direct economic impact on the region, helping to develop local competency, advance the use of sustainable solutions in construction, and allow for local job creation

ADNOC L&S WINS US$ 975 MILLION EPC CONTRACT TO BUILD ARTIFICIAL ISLAND

ADNOC Logistics and Services, a global energy maritime logistics leader, was awarded by ADNOC Offshore a US$ 975-million Engineering, Procurement and Construction (EPC) contract to build an artificial island, as mentioned in a company's statement.

As part of ADNOC's In-Country Value program, at least 75% of the total contract value for dredging, land reclamation and marine construction of an artificial island "G" for the Lower Zakum offshore field, would flow back into the UAE economy.

It is worth noting that this is the first major award for ADNOC L&S after it has been listed on the Abu Dhabi Securities Exchange (ADX) on June 1 2023 following an IPO that raised approximately US$ 769 million.

MA'ADEN AWARDS LCS CONTRACT TO METSO FOR SAUDI GOLD PLANTWASTE TRUCK

Metso, the leading Finnish industrial machinery company, signed a two-year Life Cycle Services (LCS) contract with Ma'aden's Base Metals and New Minerals company's new gold processing plant at the Mansourah-Massarah site in Saudi Arabia, as indicated in a company's statement.

The project scope includes commissioning, ramping up and optimizing the new greenfield site, covering both maintenance and plant operations.

Other elements of the agreement are field services and recommendations for wear and spare parts management and advisory and training services.

The aim of the LCS contract is to lift the productivity of the new plant to the target level, strengthen the skills of the Saudi employees, and achieve production and safety targets.

SHARJAH DEPARTMENT OF AGRICULTURE AND LIVESTOCK SIGNS A DEAL WITH CARREFOUR

The Sharjah Department of Agriculture and Livestock (SDAL) signed a cooperation agreement with Majid Al Futtaim's Carrefour, to establish a partnership supporting local agricultural and animal products, exchanging experiences, and developing marketing strategies, as revealed in a company's statement.

The cooperation is part of the department's plan to expand the strategic partnership with the private sector, which contributes to coming up with marketing strategies and achieving them, due to the great experience Carrefour has in retail sales and marketing both locally and globally.

The cooperation would support the diversity of national agricultural products in Carrefour stores in the UAE and provide more local products. It would also help strengthen the national economy and enhance food security and its objectives, in line with the National Strategy for Food Security 2051.

MAWANI SIGNS A DEAL WITH SAUDI POST TO DELIVER SAUDI EXPRESS MAIL SERVICE

Mawani, Saudi Ports Authority, entered into a strategic partnership agreement with Saudi Post, a government operated postal system, to enhance its exceptional solutions and optimize service delivery in alignment with the goals of the National Transport and Logistics Strategy (NTLS), as reported in a company's statement.

The partnership represents a significant advancement in digital government services, as the trusted logistics provider of the country, Saudi Post, would manage Mawani's postal requirements through its Express Mail Service (EMS).

This customized solution caters to both government and non-government sectors, offering a reliable and cost-effective distribution channel for domestic and international operations.

CAPITAL MARKETS

EQUITY MARKETS: WEEKLY PRICE REBOUNDS IN MENA EQUITY MARKETS

MENA equity markets bounced back this week, as reflected by a 2.2% increase in the S&P Pan Arab Composite index, amid a deep Saudi oil output cut seen as moderately bullish for global oil prices, while also tracking global equity strength (+0.7%) ahead of a widely expected pause in US Fed interest rate hikes in June policy meeting, in addition to some favorable company-specific factors.

The heavyweight Saudi Exchange rebounded into the green this week, as reflected by a 3.5% expansion in the S&P Saudi index, following Saudi Arabia's decision to deepen oil production cuts in July 2023 on top of a broader OPEC+ deal to limit supply into 2024, while also tracking global equity price gains, in addition to some favorable company-specific factors.

A glance on individual stocks shows that Petrochemicals giant Saudi Aramco's share price increased by 2.5% week-on-week to SR 32.45. SABIC's share price closed 0.8% higher at SR 89.00. Advanced Petrochemical Company's share price rose by 2.4% to SR 45.55. Saudi Kayan Petrochemical Company's share price went up by 2.0% to SR 13.40. Yansab's share price climbed by 10.24% to SR 46.85.

Also, Alinma Bank's share price surged by 5.2% over the week to SR 33.70. HSBC raised its recommendation on Alinma Bank's stock from "Reduce" to "Hold" with a price target of SR 28.50, which implies a 15% decrease from the last price. Riyad Bank's share price climbed by 7.1% to SR 33.85. HSBC raised its recommendation on Riyad Bank's stock from "Reduce" to "Hold", with a price target of SR 29.70, which implies a 12% decrease from the last price. Zamil Industrial's share price jumped by 9.4% to SR 21.74. AlphaMena raised its recommendation on Zamil Industrial's stock to "Reduce" from "Sell", with a price target of SR 19.10, which implies an 8.5% decrease from last price.

The Qatar Stock Exchange shifted to a positive territory this week, as reflected by a 0.5% rise in the S&P Qatar index, mainly as Brent oil prices remained broadly stable around US$ 76 per barrel since global demand fears were capped by deepened Saudi oil output cuts, while also tracking global equity strength ahead of June 14 FOMC meeting. 28 out of 50 traded stocks registered price rises, while 21 stocks posted price gains and one stock saw no price change week-on-week.

A closer look at individual stocks shows that Qatar Islamic Bank's share price closed 0.8% higher this week at QR 17.850. The Commercial Bank's share price jumped by 4.9% to QR 5.960. Mesaieed Petrochemical Holding's share price surged by 3.0% to QR 2.010. Ooredoo's share price edged up by 0.3% to QR 10.690. Barwa Real Estate's share price rose by 1.4% to QR 2.607. Qatar Navigation's share price increased by 0.8% to QR 10.280.

EQUITY MARKETS INDICATORS (JUNE 4- JUNE 10, 2023)

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	169.8	0.9%	31.6%	6.5	3.8%	0.1	19,188	1.8%	-	0.37
Jordan	373.1	0.6%	-4.1%	30.5	65.6%	17.1	25,026.5	6.3%	8.2	1.38
Egypt	228.4	-0.3%	-3.5%	376.7	7.0%	4,975.1	35,736.0	54.8%	7.6	2.10
Saudi Arabia	501.0	3.5%	7.5%	7,244.0	1.9%	712.68	2,915,123.8	12.9%	14.7	4.64
Qatar	168.8	0.5%	-4.5%	493.8	-52.9%	655.7	167,020.8	15.4%	11.9	1.59
UAE	131.3	-0.1%	-4.5%	2,211.9	-27.3%	2,291.9	889,176.6	12.9%	14.4	2.75
Oman	253.3	1.0%	-2.7%	15.8	-15.5%	25.4	22,387.8	3.7%	14.6	1.08
Bahrain	217.6	-0.4%	12.8%	10.7	-18.4%	17.5	18,649.3	3.0%	10.6	1.45
Kuwait	128.3	1.5%	-7.6%	588.2	-17.7%	497.1	129,525.4	23.6%	17.3	1.86
Morocco	236.6	0.0%	6.6%	53.3	-12.8%	7.6	56,124.1	4.9%	20.7	3.23
Tunisia	65.3	-0.4%	5.2%	7.2	-65.7%	3.0	7,941.4	4.7%	11.9	2.22
Arabian Markets	**933.0**	**2.2%**	**2.2%**	**11,038.7**	**-11.0%**	**9,203.1**	**4,285,899.4**	**13.4%**	**14.5**	**3.93**

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

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

Activity on Boursa Kuwait remained tilted to the upside this week (+1.5%), mainly tracking global equity price gain ahead of a widely expected pause in US interest rate hikes on June 14, and on relatively stable Brent oil prices. A closer look at individual stocks shows that Independent Petroleum Group's share price rose by 2.1% to KWf 489. National Bank of Kuwait's share price increased by 1.6% to KWf 932. Gulf Bank's share price went up by 2.4% to KWf 260. Burgan Bank's share price closed 2.1% higher at KWf 191. Mabanee's share price increased by 2.6% to KWf 755. Kuwait Real Estate Holding's share price nudged up by 0.9% to KWf 109.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS SKEWED TO DOWNSIDE

Activity in MENA fixed income markets was mainly skewed to the downside this week, mainly tracking a global sell-off mood after Bank of Canada unexpectedly delivered a quarter-point interest rate hike, sending a message to global markets that a widely expected pause in US interest rate hikes this month doesn't necessarily mean that the monetary tightening cycle is over.

In the Abu Dhabi credit space, sovereigns maturing in 2026, 2027 and 2031 registered weekly price contractions of 0.25 pt to 0.63 pt. First Abu Dhabi Bank'24 and '25 registered no price change week-on-week. S&P Global Ratings affirmed its "AA-/A-1+" long-term and short-term issuer credit ratings on First Abu Dhabi Bank, with a "stable" outlook.

In the Dubai credit space, sovereigns maturing in 2029 registered weekly price decreases of 0.25 pt this week. As to new issues, Commercial Bank of Dubai raised US$ 500 million from the sale of a five-year green bond at 140 bps over UST as compared to an initial price guidance of 175 bps over UST. The bond sale attracted more than US$ 1.4 billion in orders.

In the Bahraini credit space, sovereigns maturing in 2026, 2031 and 2032 posted price expansions of 0.13 pt, 0.75 pt and 0.42 pt respectively, while sovereigns maturing in 2027 registered prices declines of 0.20 pt this week.

In the Saudi credit space, sovereigns maturing in 2026, 2027, 2030 and 2031 recorded price contractions of 0.50 pt to 0.69 pt this week. Saudi Aramco'25 closed down by 0.50 pt.

In the Iraqi credit space, prices of sovereigns maturing in 2028 retreated by 0.50 pt week-on-week. In the Qatari credit space, sovereigns maturing in 2026 and 2030 saw price declines of 0.38 pt and 0.13 pt respectively week-on-week. Amongst financials, prices of Qatar Islamic Bank'24 went down by 0.50 pt.
In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 posted price contractions of 0.38 pt, 0.44 pt and 0.56 pt respectively week-on-week. Omantel'28 retreated by 0.10 pt.

In the Kuwaiti credit space, sovereigns maturing in 2027 closed down by 0.44 pt week-on-week. In the Jordanian credit space, sovereigns maturing in 2030 posted weekly price rises of 0.25 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2032 and 2040 posted price expansions of 6.88 pts, 6.03 pts and 5.75 pts respectively this week, while sovereigns maturing in 2030 posted prices declines of 0.76 pt. Euro-denominated sovereigns maturing in 2026 and 2031 traded up by 5.68 pts and 4.90 pts respectively week-on-week.

In the Tunisian credit space, US dollar-denominated sovereigns maturing in 2025 were down by 1.31 pt week-on-week. Prices of Euro-denominated sovereigns maturing in 2024 retreated by 1.13 pt. Fitch Ratings downgraded Tunisia's long-term foreign currency Issuer Default Rating (IDR) to "CCC-" from "CCC+". The downgrade to "CCC-" reflects, according to Fitch, uncertainty around Tunisia's ability to mobilize sufficient funding to meet its large financing requirement. This reflects the failure to implement prior actions for an agreed IMF program, which would be necessary to release the associated bilateral financing that underpinned Tunisia's financing plan, as per the credit rating agency.

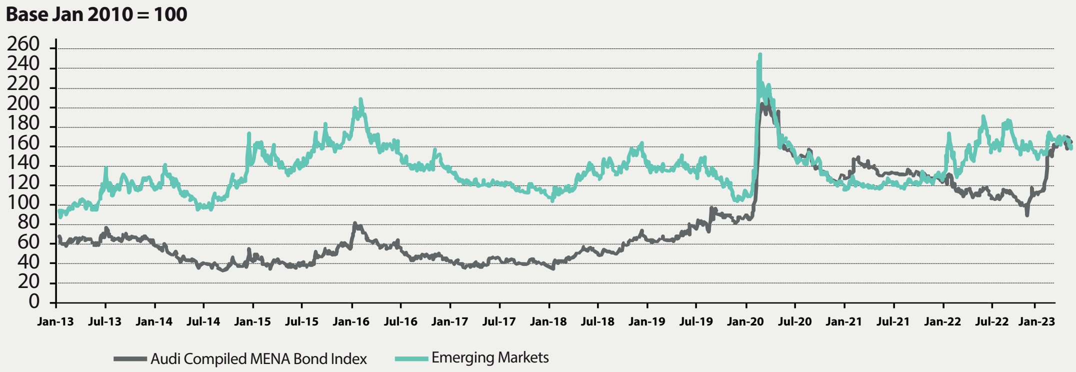
All in all, regional bond markets saw mostly downward price movements this week, mainly tracking US Treasuries move as the US swaps curve briefly fully priced in a 25 bps rate hike by the US Fed's July policy meeting following a surprise rate hike by Bank of Canada.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	09-Jun-23	02-Jun-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	37	39	44	-2	-7
Dubai	77	82	84	-5	-7
Kuwait	40	43	50	-3	-10
Qatar	37	39	48	-2	-11
Saudi Arabia	58	61	61	-3	-3
Bahrain	250	264	231	-14	19
Morocco	114	142	162	-28	-48
Egypt	1,413	1,754	877	-341	536
Iraq	445	444	467	1	-22
Middle East	275	319	225	-44	50
Emerging Markets	111	124	140	-13	-29
Global	533	452	533	81	0

Sources: Bloomberg, Bank Audi's Group Research Department

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



Sources: Bloomberg, Bank Audi's Group Research Department

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	SD/-/SD	C/-	RD/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Positive	BB-/Stable/B
Egypt	B/Negative/B	B3/Stable	B/Negative/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A/Stable/A-1	A1/Positive	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA-/Stable/F1+
Qatar	AA/Stable/A-1+	Aa3/Positive	AA-/Positive/F1+
Kuwait	A+/Stable/A-1+	A1/Stable	AA-/Stable/F1+
Bahrain	B+/Positive/B	B2/Stable	B+/Stable/B
Oman	BB/Positive/B	Ba2/Positive	BB/Positive/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BB+/Stable/A-3	Ba1/Stable	BB+/Stable/B
Tunisia	NR	Caa2/Negative	CCC-/C
Libya	NR	NR	NR
Sudan	NR	NR	NR

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

FX RATES (per US$)	09-Jun-23	02-Jun-23	30-Dec-22	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)	30.85	30.85	24.71	0.0%	24.8%
Iraqi Dinar (IQD)	1,310.00	1,310.00	1,460.00	-55.1%	-59.7%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.76	0.0%	-0.2%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.64	3.64	3.64	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.31	0.31	0.31	0.0%	0.3%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	0.1%	0.0%
Yemeni Riyal (YER)	250.29	250.22	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	135.98	136.22	137.35	-0.2%	-1.0%
Moroccan Dirham (MAD)	10.12	10.20	10.44	-0.7%	-3.0%
Tunisian Dinar (TND)	3.11	3.10	3.11	0.1%	-0.1%
Libyan Dinar (LYD)	4.83	4.82	4.83	0.2%	0.0%
Sudanese Pound (SDG)	588.49	588.62	573.81	0.0%	2.6%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER