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MENA equity markets registered further price declines this week, as reflected by a 0.3% retreat in the S&P Pan Arab Composite index, mainly pressured by some unfavorable company-specific factors and on ex-dividend activity. In contrast, activity in MENA fixed income markets was mostly tilted to the upside this week, mainly tracking US Treasuries move after the core US inflation for July 2023 posted the smallest consecutive monthly advance in more than two years, cementing bets that the US Federal Reserve would pause its interest rate hikes in September 2023.

MENA MARKETS: AUGUST 6 - AUGUST 12, 2023

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-0.3%	Weekly Z-spread based bond index	-0.5%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+3.9%	YTD Z-spread based bond index	+67.7%

ECONOMY

SAUDI BOOM PROPELS GCC PROJECTS MARKET TO NEAR DECADE HIGH

A record first half of the year for Saudi Arabia combined with Qatar's ongoing development of liquified natural gas (LNG) infrastructure has propelled the market's performance this year.

The GCC projects market has recorded its best performance in nearly a decade during the first half of this year. According to regional projects tracker MEED Projects, there were US\$ 83 billion of contract awards from 1 January to 30 June, the best total for the first six months of a year since 2015. The US\$ 83 billion total is also a significant increase on the US\$ 47 billion of contract awards recorded during the first half of 2022.

The strong performance during the first half of this year should continue for the rest of the year. Extrapolating from the total value of awards this year, the 2022 total could be the best since 2015. That year there were US\$ 170 billion of contract awards, just under the total of US\$ 174 billion recorded in 2014.

Saudi Arabia was the most active country for contract awards. During the first six months of the year there were US\$ 42 billion of contract awards in the kingdom, the most on record. The previous high was the US\$ 28 billion awarded during the first half of 2014.

The second most active market was the UAE with US\$ 22 billion of awards. While this total represents a strong rebound from the Covid-19 pandemic-related lows of 2020, it is still significantly lower than the US\$ 28 billion awarded during the first half of 2014.

The largest contract award by value this year was the US\$ 10 billion contract secured in Qatar by a joint venture of France's Technip Energies and Lebanon's Consolidated Contractors Company (CCC) for the construction of two liquified natural gas trains for the North Field South Development for Qatargas.

The second largest contract award was the estimated US\$ 3.1 billion contract secured by Dubai-based Alec for the contract to build the Wynn Resort in the UAE emirate of Ras al-Khaimah.

Qatar was also home to the third largest contract this year, with US-based Chevron Phillips Chemical and Qatar Energy awarding a joint venture of South Korea's Samsung Engineering and Taiwan's CTCI Corporation the estimated US\$ 2.8 billion contract for the construction of an ethane cracker at Ras Laffan

The major contract awards in Qatar masked a lack of activity elsewhere. According to MEED Projects there were 13 contract awards in the country during the first half of the year. The low number, combined with the major contract awards in Ras Laffan meant that the average value of contract awards in Qatar is US\$ 1.1 billion.

The average value of contract awards in Saudi Arabia was US\$ 219 million and in the UAE it was US\$ 114 million.

OMAN'S CPI INFLATION REACHES 1% IN JUNE 2023

Oman's Consumer Price Index (CPI) for June 2023 shows a year-on-year inflation of 0.6% to reach 110.4 points (pts), up from 109.7 pts in the same month of the year prior, as per data from the Omani National Center for Statistics and Information (NCSI).

In details, looking at the three CPI components with the biggest weight, the driver for this soft inflation in June is a 2.2% year-on-year inflation for Food & Non-Alcoholic Beverages (with a weight of 23.9%).

Offsetting the CPI inflation in June 2023 was a year-on-year stagnation in Housing, Water, Electricity, Gas & Other Fuels (with a weight of 26.5%) and a 1.7% year-on-year deflation in Transport prices (with a weight of 19.2%).

Additionally, Restaurants & Hotels (with a weight of 6.1%), Clothing & Footwear (with a weight 6.0%), Miscellaneous Goods & Services (with a weight of 5.2%) and Furnishings, Household Equipment & Routine Household Maintenance (with a weight of 3.8%) all saw year-on-year increases in prices of 3.7%, 0.6%, 2.3% and 2.9% respectively during the period.

In addition, year-on-year inflations were recorded between June 2023 and June 2022 for Education (with a weight of 1.4%), Health (with a weight of 1.2%), Recreation & Culture (with a weight of 1.1%) and Alcoholic Beverages, Tobacco & Narcotics (with a weight of 0.1%). These increases in price were of 0.1%, 1.2%, 1.1% and 2.1% respectively.

In parallel, the prices of Communication (with a weight of 5.6%), saw a year-on-year deflation of 0.2% during the same period.

UAE'S NON-OIL SECTOR CONTINUES ITS IMPROVING TREND IN JULY

A continued robust improvement in the United Arab Emirates' non-oil economy was registered in July 2023. The UAE's Purchasing Managers' Index (PMI) was registered at 56.0 in July, well above the long-term average, while softening by 0.6 points from the month prior.

This strong performance in the sector came amid a considerable increase in business activity levels as well as increases in employment and input levels. Additionally, the growth in the level of output was paired with an increase in sales at a softening rate due to the competitiveness of the market. In turn and as input cost inflation eased, a further reduction of output prices was possible during the month, as per S&P Global's UAE PMI report for July 2023.

In details, activity growth in the UAE's non-oil economy was strong during July with 30% of surveyed enterprises reporting output growth during the month against circa 2% reporting decreases.

This increase in output was mainly driven by an increase in new orders locally, boosted by a solid customer demand base and improving market conditions. New export orders remained relatively stagnant during the month.

However, this growth was softer than in the month prior as several firms faced greater competition leading to the dampening of sales.

In turn, because of the uptick in new orders, businesses continued to expand their staffing levels in July leading to a moderate increase in employment. Although, backlogs saw a significant increase during July despite the increase in staffing levels. This is due to demand pressures, project hold-ups and delays in payments from clients and shipments, as per S&P Global's UAE PMI report for July 2023.

Supplier delivery times improved during July as firms requested a speed up in input arrivals. In turn, an increase in input purchasing was noted during the month though at the slowest rate in four months.

Concurrently, input cost pressures eased during the month in addition to lower freight costs, which led to a limitation of price hikes by suppliers.

At the level of salary pressures, the survey denotes that they were largely dissipated in July 2023. A modest decrease in selling price, resulting from easing inflationary pressures, was noticed as firms tried to offset competitive pressures.

Looking at output expectations for the next 12 months, survey panelists noted the second highest level of optimism in over a year. This comes amid improving economic conditions, greater marketing and sales pipelines, as per S&P Global's UAE PMI report for July 2023.

SAUDI ARABIA'S NON-OIL ECONOMY SHOWS STRONG PERFORMANCE IN JULY

Saudi Arabia's Riyadh Bank Purchasing Managers' Index (PMI) for July 2023 was recorded at 57.7, slightly above the long-term average and having dropped by 1.9 points against the month prior.

This denotes a robust performance for the sector amid an expansion in business activity boosted by favorable economic conditions. However, due to a significant easing in new work orders and slower work creation, overall growth in the sector saw a sizeable contraction against June 2023.

In details, the main component that stunted Saudi Arabia's PMI growth was new work orders. While remaining sizeable, the rate of new business expansion slowed down considerably from the month prior. New work orders rose at the slowest rate in seven months amid high competitiveness, as per Riyadh Bank's PMI report for July 2023.

However, business activity growth relatively stagnated during July 2023 with the fastest rates of output expansions recorded in the manufacturing and construction sectors. The increase in output levels was boosted with firms' efforts in reducing their backlogs during the month leading to a further reduction in outstanding work albeit at a marginal rate.

Efforts to increase operating capacity due to long-term expansion plans, employment numbers continued expanding for the sixteenth month in a row.

During July, a sharp increase in input purchasing across all non-oil sectors was reported. This increase was boosted by new projects and planned growths in business activity. However, some firms were more cautious about their stock levels, which led to the slowest accumulation of pre-production inventories since April, as per Riyadh Bank's PMI report for July 2023.

Additionally, because of successful negotiations between firms and suppliers, an improvement in suppliers' delivery times was noted in July. Advance payments by firms and the local sourcing of suppliers also aided this improvement.

Input cost inflation moderated in July easing to their lowest levels in nine months. In turn, this has led to lower cost pressures from input purchases and staff wages.

Concurrently, lower inflationary pressures and stronger competitiveness in the market led to output price decreases for the first time in two and a half years.

Looking at future outlook for the next 12 months, surveyed firms remained optimistic albeit at the second lowest level since the start of 2023. This comes amid concerns surrounding competition levels and difficulties in demand stimulation, as per Riyadh Bank's PMI report for July 2023.

SURVEYS/REPORTS

SAUDI ARABIA TO LEAD GCC'S EDUCATION SECTOR WITH US\$ 50 BILLION ALLOCATION IN 2023 BUDGET, AS PER ALPEN CAPITAL

The total number of students in the GCC education sector is projected to increase by 1.1 million to reach 14.2 million by 2027, growing at a CAGR of 1.6% from an estimated 13.1 million in 2022, according to Alpen Capital recent report titled "GCC Education Industry".

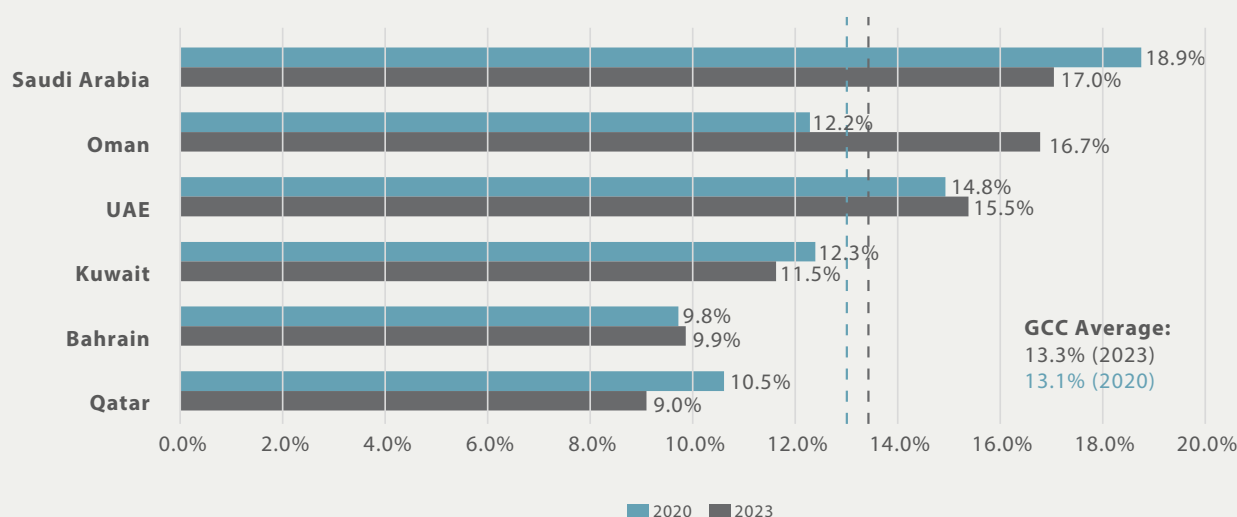
During the forecast period, the pre-primary segment is expected to grow at a CAGR of 2.2% while the primary and secondary segments are expected to witness a growth of 1.5% CAGR each, between 2022 and 2027 to reach 10.8 million students cumulatively. At the same time, the tertiary segment is expected to grow at a CAGR of 1.7% over the five-year period.

In parallel, the number of students in private schools is projected to reach 3.1 million by 2027, growing at a CAGR of 1.7% since 2022. Enrollments at public schools are likely to increase, at a marginally slower pace, recording a CAGR of 1.5% to reach 8.7 million by 2027.

The demand for schools in the GCC is likely to increase at a CAGR of 0.7% from an estimated 34,081 schools in 2022 to 35,208 schools by 2027. While the demand for public schools is expected to increase at a CAGR of 0.4%, the number of private schools is anticipated to grow at a faster rate of 1.5% during the forecast period. At the regional level, Saudi Arabia is expected to lead the GCC as the largest education market between 2022 and 2027, with an estimated US\$ 50 billion allocated for the sector in 2023.

Most GCC countries have earmarked significant proportion of spending for education. In fact, the overall education spending across the GCC increased in 2023, averaging 13.3%, compared to 13.1% in 2020. A glance on individual countries shows that Saudi Arabia allocated the highest expenditure at 17.0% in 2023 followed by Oman at 16.7%. Budget allocation for education in the UAE increased from 14.8% in 2020 to 15.5% in 2023, while Kuwait maintained a robust spending of 11.5% towards the sector.

GOVERNMENT SPENDING ON EDUCATION AS A % OF TOTAL BUDGETED EXPENDITURE, BY COUNTRY (2020 AND 2023)



Sources: Alpen Capital, Bank Audi's Group Research Department

These allocations in Saudi Arabia, Oman, UAE, and Kuwait were higher than those in the US, the UK, and Germany. However, government spending on education in Bahrain (9.9%), and Qatar (9.0%) remained below the regional average and lower than those seen in some developed nations as volatility in oil prices over the past two-years have affected the economies' fiscal positions. Amid a slowdown in the economic environment, the GCC governments are working towards their objective to lower the public expenditure and raise private investment in the education sector.

BAHRAIN'S REAL ESTATE CONTINUES GROWTH MOMENTUM IN Q2 2023, AS PER SAVILLS

UK-based Savills, one of the world's leading property agents, released its Bahrain Property Market Q2 2023, which revealed that Bahrain's real estate market witnessed steady growth across residential sales, rents, and office spaces.

In the residential sector, the sales market sentiment prevalent at the start of the year has extended into Q2 2023. Demand for villas outstrips that for apartments and inquiry levels, and transactions were concentrated across the mid-end segment. Despite the preference for villas, capital values have remained stable during the current quarter and are estimated at BHD 603/sqm, but on a y-o-y basis, values have increased by 2.3%.

Across apartments, values in the low-end segment have remained stable on a quarterly basis at BHD 465/sqm but have dropped by 4.1% on a yearly basis. Capital values across the mid-end and high-end segments have dropped marginally and are estimated at BHD 649/sqm and BHD 844/sqm, respectively.

Concurrently, rental values remain largely stable across apartments and villas in the latest quarter. While on a quarterly comparison, values have recorded little change when compared to Q2 2022. Rental values have dropped by 2%-6% for low-end and mid-end apartments. Meanwhile, rental values across low-end villas have increased by 10.3%.

At the level of the office sector, as a result of the continued movement of corporate occupiers to good quality Grade A developments, rental values have started to move upwards and have increased by 1.6% q-o-q across the high-end segment to an average value of BHD 6.5/sqm. Though rents across the mid-end segment have remained stable on a quarterly basis, on an annual comparison, they have increased by 9.1% and are estimated at BHD 6/sqm. The annual increase in rents signifies the lack of availability across good quality developments and sustained demand from corporate occupiers to lease space across such projects.

As for the retail rental market, against the backdrop of the retail sector's ongoing recovery from the effects of the Covid-19 pandemic in addition to a considerable supply/demand imbalance, retail rental rates have experienced significant downward pressure over the past year with prices declining by an average of 7% to BHD 10/sqm.

Malls have experienced the largest correction with prices down 11% on a y-o-y basis, averaging BHD 12/per sqm, compared to average mall rents of BHD 14/sqm in 2022.

A closer look at the industrial rental market, Bahrain's Economic Development Board (EDB) has undertaken several measures to help diversify the Bahrain economy away from oil, and there has been a large push to attract industrial tenants and operators to the country. This has undoubtedly assisted in providing greater stability to rents in the industrial warehousing sector.

In details, average monthly rents are currently BHD 2.8/sqm for medium units whereas large units are currently achieving monthly rents of BHD 2.7/sqm.

As great focus is placed on supply chain, food security and onshore activities, Savillis expects the industrial sector to be further strengthened in the medium term.

CORPORATE NEWS

ADNOC GAS AWARDS US\$ 3.6 BILLION DEAL TO EXPAND GAS PROCESSING INFRASTRUCTURE

ADNOC Gas, the world-class integrated gas processing company, awarded a US\$ 3.6 billion (AED 13.1 billion) contract to the joint venture between Abu Dhabi's National Petroleum Construction Company (NPCC) and Tecnicas Reunidas S.A., a Spanish-based general contractor, to expand its gas processing infrastructure in the UAE, as revealed in a company's statement.

The scope of the contract includes the commissioning of new gas processing facilities, which would enable an optimized supply to the Ruwais Industrial Complex.

ADNOC Gas' Maximizing Ethane Recovery and Monetization project aims to boost ethane extraction by 35%-40% from its onshore facilities in the Habshan complex by building new processing facilities, as well as to unlock further value from existing feedstock, delivering it to Ruwais through a 120 kilometer natural gas liquids (NGL) pipeline.

Over 70% of the award value would flow back into the UAE's economy under ADNOC's successful In-Country Value (ICV) program, supporting local economic growth and diversification.

ALKHORAYEF WINS US\$ 426 MILLION SAUDI WATER MAINTENANCE CONTRACT

Saudi Arabia's National Water Company (NWC) awarded a Long-Term Operation and Maintenance (LTOM) contract worth over US\$ 426 million (SR 1.6 billion) to Alkhorayef Water and Power Technologies Company (AWPT) for the rehabilitation, operation and maintenance of Sewage Treatment Plants (STPs) in Riyadh, as indicated in a company's statement.

The contract aims to cover the rehabilitation, operation, and maintenance of three STPs Manfouha STPs complex with a total treatment capacity of 700,000 cubic meters per day.

As part of the contract, AWPT would invest over SR 550 million in rehabilitation works, which would improve the operational performance and environmental compliance. The goal is to rehabilitate existing assets for 15 years with capital investments at competitive prices. Another goal is to attract and localize new technologies and transfer knowledge to Saudi professionals.

DANUBE LAUNCHES US\$ 218 MILLION TWIN TOWER PROJECT IN JUMEIRAH

UAE-based Danube Properties launched its twin-tower project Elitz 3, within the Jumeirah Village Circle (JVC), that includes 750 residential apartments with a mix of studios, one-, two- and three-bedroom units and a few retail stores, as mentioned in a company's statement.

The AED 800 million (US\$ 218 million) project would be located in the same area as Elitz and Elitz 2 towers, which are currently under construction.

On completion in Q4 2026, Elitz 3 would rise 40 and 46 floors high featuring more than 40 community, health, and lifestyle amenities including a health club, swimming pools, sports arena, tennis court, barbecue area, and jogging track.

AETCON LANDS US\$ 155 MILLION NEOM POWER TRANSMISSION LINE DEAL

Arabian Electrical Transmission Line Contracting (AETCON), one of the most consolidated and renowned company in Saudi Arabia, was awarded by the Saudi Electricity Company a contract to build a High-Voltage Direct Current (HVDC) transmission line within NEOM city, as mentioned in a company's statement.

The contract, valued at US\$ 155 million, is a part of the Saudi NEOM-Yanbu 525kV HVDC Transmission Line Construction Project.

The scope of work includes expansion of the power network by constructing a HVDC transmission line over a total distance of 605 kilometers from Yanbu, a power production hub on the western coast of Saudi Arabia, to NEOM.

The project is expected to be completed in July 2027.

GL HOLDING AND UMS TO ESTABLISH FIRST FACTORY FOR GREEN BATTERIES AND POWER GENERATORS IN MIDDLE EAST

Abu Dhabi-based GL Holding signed a partnership agreement with Urban Mobility Systems (UMS), a leading Dutch company in the green energy sector, to launch a series of renewable energy projects in the UAE, starting with the establishment of a factory specialized in developing and manufacturing green batteries, electric motors, chargers, and power generators as revealed in a company's statement.

GLH's partnership with UMS aims to establish the largest electric power battery and generator facility in the Middle East in Abu Dhabi, as well as transfer technologies from the Netherlands to the UAE and convert heavy civil and military equipment into machinery that does not produce emissions.

This collaboration would boost the production of clean energy in the UAE. This green technology transfer would help achieve sustainable development for future generations and provide employment opportunities for qualified local talents, consistent with the government's actions to encourage localization.

On the key partnership, the agreement aims to unite two entities committed to advancing the local industry, boosting national income and exploring new opportunities in European and Australian markets.

OMAN AND ETIHAD RAIL COMPANY PARTNERS WITH JINDAL TO ESTABLISH SUSTAINABLE LOGISTICS SOLUTION

Oman and Etihad Rail Company (OERC), the developer and operator of the UAE-Oman Rail Network, signed a Memorandum of Understanding (MoU) with Jindal Shadeed Iron & Steel (Jindal), a leading integrated steel producer in the GCC, to establish a sustainable end-to-end transport logistics solution between Jindal's steel complex at Sohar Port and the UAE, through the UAE-Oman Rail Network, as reported in a company's statement.

The MoU would allow Jindal to annually transport up to 4 million tons of raw materials and finished products from its steel complex at Sohar Port to the UAE's markets. Hence, Jindal would streamline its transportation and logistics operations and further advance its sustainability objectives and strengthen its green value chain.

Under the terms of the agreement, OERC would also leverage its rail network to support Jindal in optimizing operational integration through facilitated loading and unloading processes, while guaranteeing rolling stock and facilities' requirements of iron ore and steel.

OERC would ensure an environmentally friendly transportation and logistics solution through the Oman-UAE Rail Network, and thus, contributing to the reduction of CO2 emissions in Oman and the UAE, in line with their national goals of net-zero carbon emissions by 2050.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES CONTINUE TO OPERATE ON NEGATIVE TERRITORY THIS WEEK

MENA equity markets registered further price declines this week, as reflected by a 0.3% retreat in the S&P Pan Arab Composite index, mainly pressured by some unfavorable company-specific factors and on ex-dividend activity.

The heavyweight Saudi Exchange ended on a negative territory this week, as reflected by a 0.2% decline in the S&P Saudi index, mainly dragged by some unfavorable corporate earnings and as some stocks traded ex-dividend. This overshadowed strong price gains of 5.4% registered by the petrochemicals giant Saudi Aramco's shares, whose market capitalization represents around 73% of the total Saudi market capitalization. The latter announced a US\$ 29.4 billion dividend payout for the second quarter of 2023, which marks an increase of almost US\$ 10 billion from the first quarter due to the introduction of a "performance-linked" dividend.

A glance on individual stocks shows that Saudi Investment Bank's share price shed 4.3% week-on-week to SR 16.76. Saudi Telecom's share price closed 0.2% lower at SR 41.40. Jarir Marketing's share price retreated by 0.3% to SR 15.48. Stocks of Saudi Investment Bank, Saudi Telecom and Jarir Marketing went ex-dividend on August 6, 2023. Mouwasat Medical Services' share price plunged by 14.8% to SR 105.0. Mouwasat Medical Services' stock traded ex-dividend on August 7, 2023.

Also, Middle East Paper Company's share price dropped by 6.5% over the week to SR 33.00. Middle East Paper reported a net loss of SR 23 million for the second quarter of 2023 versus net profits of SR 99 million a year earlier. Saudi Electricity's share price decreased by 2.6% to SR 21.14. Saudi Electricity announced a 27% year-on-year contraction in its 2023 second quarter net profits to reach SR 4.0 billion. City Cement's share price declined by 2.5% to SR 21.72. City Cement announced 2023 second quarter net profits of SR 24 million, down by 2.2% year-on-year. Saudi Cement's share price fell by 3.6% to SR 55.70. Saudi Cement posted 2023 second quarter net profits of SR 85 million, down by 17% year-on-year.

The Qatar Stock Exchange continued to operate on a negative territory this week, as reflected by a 0.9% fall in the S&P Qatar index, mainly dragged by some unfavorable corporate earnings. 32 out of 50 traded stocks registered price drops, while 17 stocks posted price gains and one stock saw no price change week-on-week.

A closer look at individual stocks shows that Industries Qatar's share price went down by 1.3% to QR 13.50. Industries Qatar announced a 62% year-on-year contraction in its 2023 first half net profits to reach QR 2.1 billion. Ezdan Holding Group's share price closed 0.6% lower at QR 1.116. Ezdan Holding Group reported a 39% year-on-year fall in its 2023 first half net profits to reach QR 161 million. Mesaieed Petrochemical Holding

EQUITY MARKETS INDICATORS (AUGUST 6- AUGUST 12, 2023)

Market	Price Index	Price week-on-week	Year-to-Date	Trading Value	Trading week-on-week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	167.3	1.7%	29.7%	15.0	204.3%	0.5	18,910.9	4.1%	-	0.42
Jordan	363.6	0.2%	-6.5%	16.3	-22.3%	8.8	24,008.0	3.5%	7.9	1.25
Egypt	229.5	1.6%	-3.1%	324.7	8.4%	3,515.6	37,723.9	44.8%	7.7	2.08
Saudi Arabia	496.3	-0.2%	6.5%	6,548.1	10.7%	891.5	3,012,865.6	11.3%	16.5	4.96
Qatar	175.5	-0.9%	-0.7%	418.0	-21.5%	542.7	173,331.1	12.5%	13.2	1.64
UAE	141.3	-0.2%	2.8%	2,297.6	-9.7%	2,741.7	955,704.1	12.5%	16.1	3.15
Oman	263.1	-0.1%	1.1%	17.1	-14.3%	20.8	23,233.9	3.8%	15.3	1.07
Bahrain	228.4	0.4%	18.4%	6.4	93.6%	8.5	18,842.0	1.8%	12.6	1.46
Kuwait	131.6	-1.0%	-5.2%	566.5	0.1%	833.9	135,055.3	21.8%	16.8	1.80
Morocco	263.3	-2.2%	18.7%	101.7	53.3%	3.9	62,659.7	8.4%	20.3	3.64
Tunisia	65.6	-0.1%	5.7%	38.6	960.4%	6.5	8,053.6	24.9%	10.7	1.67
Arabian Markets	948.4	-0.3%	3.9%	10,350.0	3.7%	8,574.4	4,470,388.1	12.0%	16.1	4.23

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

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

Company's share price retreated by 2.1% to QR 1.929. Mesaieed Petrochemical Holding Company announced a 44% year-on-year drop in its 2023 first half net profits to reach QR 585 million. Qatar Aluminum Manufacturing' share price dropped by 3.9% to QR 1.301. Qatar Aluminum Manufacturing reported net profits of QR 240 million during the first half of 2023 compared to net profits of QR 611 million a year earlier.

The UAE equity markets slid back into the red this week (-0.2%), mainly drive by some unfavorable company-specific factors. Aramex's share price fell by 4.2% to AED 2.77. Aramex reported a 57% year-on-year contraction in its net profits during the second quarter of 2023 to reach AED 19 million. Emaar Properties' share price declined by 2.4% to AED 6.9. Emaar Properties announced a 15% year-on-year decline in its net profits during the second quarter of 2023 to reach AED 1.7 billion. DEWA's share price retreated by 0.8% to AED 2.61. DEWA reported 2023 second quarter net profits of AED 1.9 billion, down by 20% year-on-year, missing average analysts' estimate. Tabreed's share price edged down by 0.6% to AED 3.23. FAB Securities cut its recommendation on Tabreed to "Hold" from "Buy", with a price target of AED 3.50, which implies a 6.1% increase from last price.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS MOSTLY TILTED TO UPSIDE

Activity in MENA fixed income markets was mostly tilted to the upside this week, mainly tracking US Treasuries move after the core US inflation for July 2023 posted the smallest consecutive monthly advance in more than two years, cementing bets that the US Federal Reserve would pause its interest rate hikes in September 2023.

In the Abu Dhabi credit space, sovereigns maturing in 2026, 2027 and 2031 posted weekly price expansions of up to 0.38 pt. Prices of Mubadala'27 went up by 0.13 pt. ADNOC'29 closed down by 0.38 pt. Prices of Etisalat'26 increased by 0.25 pt. In the Dubai credit space, DP World'30 closed up by 0.25 pt week-on-week. Majid Al Futtaim'29 registered price rises of 0.50 pt.

In the Bahraini credit space, sovereigns maturing in 2026, 2027, 2031 and 2032 posted price expansions of up to 0.55 pt week-on-week.

In the Saudi credit space, sovereigns maturing in 2026, 2027 and 2031 registered price gains of 0.25 pt, 0.25 pt and 0.13 pt respectively this week. Saudi Aramco'25 retreated by 0.13 pt. SEC'24 and '28 traded down by 0.13 pt and 0.75 pt.

In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 posted price decreases of 0.42 pt, 0.38 pt and 0.69 pt respectively this week. Omantel'28 was up by 0.30 pt. In the Kuwaiti credit space, sovereigns maturing in 2027 were up by 0.08 pt week-on-week.

In the Iraqi credit space, prices of sovereigns maturing in 2028 went up by 0.88 pt this week. In the Jordanian credit space, sovereigns maturing in 2027 and 2030 recorded weekly price rises of 0.25 pt and 0.50 pt respectively.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2032 and 2040 posted price expansions of 0.50 pt to 1.50 pt this week, while sovereigns maturing in 2030 recorded price declines of 0.59 pt. Euro-denominated sovereigns maturing in 2026 and 2031 saw weekly price increases of 0.85 pt and 1.60 pt respectively. Moody's continues the review for downgrade of Egypt's "B3" long-term foreign-currency and local-currency issuer ratings. The continuation of the review balances, as per Moody's, progress on the government's privatization, fiscal, and structural reform agenda against evidence of a further weakening in external liquidity through a drawdown of commercial banks' net foreign assets at a scale that exceeds recently concluded asset sales, potentially undermining the goal to sustainably replenish the economy's foreign exchange liquidity buffers ahead of increased debt service payments in fiscal 2024 and 2025.

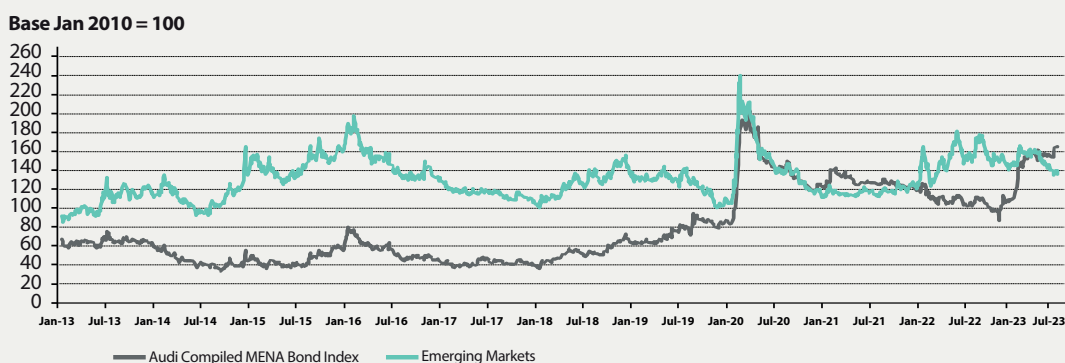
All in all, regional bond markets saw mostly upward price movements this week, mainly tracking some increases in US Treasuries after the core US consumer price index, which excludes often-volatile food and energy costs, rose only modestly for a second month in July 2023, fueling bets about an interest rate pause in the next FOMC meeting in September.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	11-Aug-23	04-Aug-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	34	35	44	-1	-10
Dubai	76	76	84	0	-8
Kuwait	39	39	50	0	-11
Qatar	34	35	48	-1	-14
Saudi Arabia	49	50	61	-1	-12
Bahrain	234	237	231	-3	3
Morocco	132	133	162	-1	-30
Egypt	1,391	1,384	877	7	514
Iraq	396	394	467	2	-71
Middle East	265	265	225	0	40
Emerging Markets	95	88	140	7	-45
Global	402	406	533	-4	-131

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\$)	11-Aug-23	04-Aug-23	30-Dec-22	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	15,000.00	15,000.00	1,507.50	0.0%	895.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	30.90	30.85	24.71	0.2%	25.0%
Iraqi Dinar (IQD)	1,310.00	1,310.00	1,460.00	0.0%	-10.3%
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	0.0%	0.0%
Yemeni Riyal (YER)	250.20	250.29	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	135.62	135.36	137.35	0.2%	-1.3%
Moroccan Dirham (MAD)	9.88	9.75	10.44	1.3%	-5.4%
Tunisian Dinar (TND)	3.07	3.06	3.11	0.4%	-1.2%
Libyan Dinar (LYD)	4.79	4.80	4.83	-0.1%	-0.8%
Sudanese Pound (SDG)	549.89	549.77	573.81	0.0%	-4.2%

Sources: Bloomberg, Bank Audi's Group Research Department

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