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The MENA WEEKLY MONITOR

Economy

p.2 IIF EXPECTS MENA CAPITAL INFLOWS TO DROP TO US$ 177 BILLION IN 2020

Capital inflows to the MENA region will remain high despite the global backdrop, as per an IIF note. Inflows would decline to US$ 177 billion in 2020 on the back of a sharp fall in portfolio inflows.

Also in this issue

Surveys

p.5 LOW OIL PRICES AND CORONAVIRUS AMONG TOP RISKS THAT THREATEN MIDDLE EAST FUTURE, AS PER FROST & SULLIVAN

Businesses in the Middle East region should adopt an "agile" strategy to mitigate the impact of prolonged low oil prices, coupled with other current challenges arising from the Coronavirus pandemic.

Also in this issue

Corporate News

p.7 MNHD, NBE, BANQUE MISR AND AAIB SIGN US$ 133 MILLION LOAN

The Madinet Nasr Housing and Development Company signed an LE 2.1 billion long-term joint financing loan with the National Bank of Egypt, Banque Misr and the Arab African International Bank.

Also in this issue

Markets In Brief

p.9 REGIONAL EQUITIES SLIGHTLY UP, TWO-WAY FLOWS IN BOND MARKETS

MENA equity markets saw shy price gains (+0.6%) during the Fitr holiday week , mainly on improved sentiment after governments started relaxing restrictions imposed by Coronavirus. In parallel, regional bond markets saw mixed price movements. Some MENA debt papers registered price gains, mainly tracking US Treasuries move, as concerns over the US response to China's move to tighten control over Hong Kong spurred demand for safety. Some other papers posted price contractions after recent Energy Information Administration data showed rising US crude oil stockpiles in the previous week.

MENA MARKETS: WEEK OF MAY 24 - MAY 30, 2020

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.6%	Weekly Z-spread based bond index	-0.2%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-18.7%	YTD Z-spread based bond index	+84.1%

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ECONOMY

IIF EXPECTS MENA CAPITAL INFLOWS TO DROP TO US$ 177 BILLION IN 2020

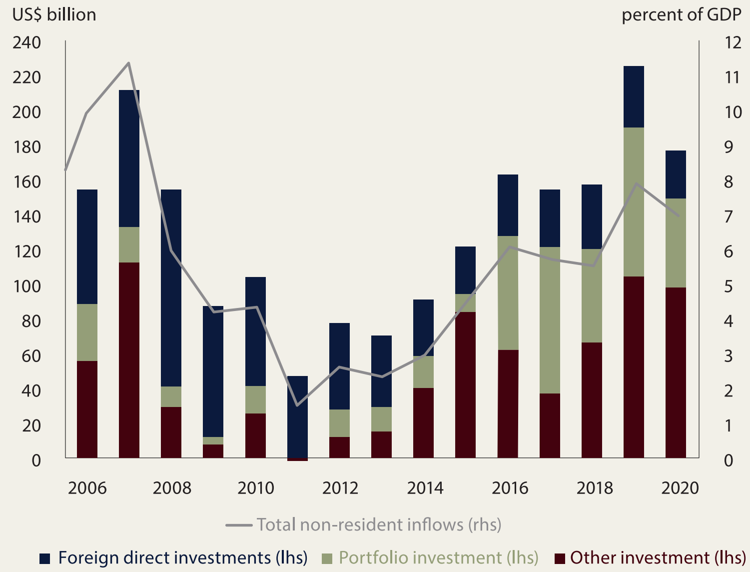
Capital inflows to the MENA region will remain high despite the global backdrop, as per a recent IIF note according to which non-resident capital inflows to the region would decline from a peak of US$ 225 billion in 2019 to US$ 177 billion in 2020 on the back of a sharp fall in portfolio inflows (albeit from a high level last year). Some countries in the region continue to play an important role in the EM investment world. So far this year Saudi Arabia, the UAE, and Kuwait have issued US$ 29 billion in sovereign bonds in the international market despite the COVID-19 shock and investors supposedly avoiding EM risk assets. Demand for the three deals exceeded US$ 140 billion, signaling continued solid demand for high-quality assets from the region. The IIF expects new bond issuances by the GCC to remain close to US$ 100 billion in 2020.

The IIF expects non-resident capital flows to the region to pick up in the second half of this year as countries emerge from COVID-19-related shutdowns. Significant premiums over the US Treasuries will attract foreign investors to buy Oman's and Bahrain's debt in the second half of this year, added the IIF. Solid returns, dollar-pegged currencies, and large financial buffers in Saudi Arabia, the UAE, Qatar, and Kuwait make debt an attractive alternative to riskier securities in other EMs. The underlying technical factors that support credits in these countries, such as incremental yield, better credit ratings, and large public foreign assets, still hold up, said the IIF.

Capital outflows from the GCC, while declining, will continue to exceed non-resident capital inflows. The plunge in oil prices will shift the aggregated current account for the GCC from a surplus of US$ 88 billion in 2019 to a deficit of US$ 34 billion in 2020, as per the IIF. While the SWF of Kuwait is bringing back some of its assets held abroad to partly finance the country's fiscal deficit, Saudi Arabia's and UAE's SWFs continue broadening their global portfolio by buying assets whose valuations have been hit hard by COVID-19 shock. The IIF expects gross public foreign assets of the GCC to remain substantial at around US$ 2.6 trillion, about 70% of which is managed by SWFs with diversified portfolios of public equities, fixed income securities, and shares in global companies.

The decline in private non-resident capital flows to oil importers will be partly offset by higher official flows. Most of the decline is due to the sharp fall in private non-resident inflows to Egypt and Lebanon.

NON-RESIDENT CAPITAL INFLOWS TO THE MENA REGION



Source: IIF

Foreign holdings of Egyptian pound Treasury bills fell from a peak of US$ 19.8 billion in February to US$ 9.5 billion in April 2020 as COVID-19 led foreign investors to pull out of EMs. However, the sharp fall in private capital will be partly offset by the increase in official inflows, according to the IIF.

The IMF recently approved the disbursement of US$ 2.7 billion under the Rapid Financing Instrument (RFI) for Egypt and the IIF expects the Fund to approve another loan under a one-year standby arrangement in the amount of US$ 5 billion. In April, the Moroccan authorities purchased all available resources (about US$ 3 billion) under the Precautionary and Liquidity Line (PLL) arrangement with the IMF to cope with the social and economic impact of COVID-19 and to maintain strong external buffers. Lebanon has also requested IMF financial assistance under the RFI (about US$ 400 million) and the Extended Fund Facility (EFF) arrangement (about US$ 8 billion). Elsewhere in the region, Jordan's and Tunisia's EFF arrangement with the IMF has been renewed.

FDI in the MENA region remains subdued and largely concentrated in the oil and gas sectors. FDI inflows to the MENA region are set to decline to US$ 24 billion (equivalent to only 1% of aggregate GDP) in 2020, as per the IIF. The UAE and Egypt remain the highest FDI recipient in the region, accounting for more than half of the total. Political instability, persistent regulatory and administrative impediments, and a lack of transparency have constrained foreign investments in the MENA region since 2011. To achieve the diversification and development goals in the GCC, particularly Saudi Arabia's Vision 2030, the region needs to attract significant FDI inflows that would spur the adoption of modern technology across a wide range of sectors, concluded the IIF.

KSA TRANSFERS US$ 40 BILLION FROM CENTRAL BANK FOREIGN RESERVES TO FUND INVESTMENTS BY PIF

Saudi Arabia transferred a total of SR 150 billion (US$ 40 billion) from Central Bank foreign reserves to fund investments by sovereign wealth fund PIF (Public Investment Fund) in March and April, according to the Finance Minister.

Saudi Arabia's Central Bank foreign reserves fell in March by nearly US$ 27 billion month-on-month, their fastest rate in at least 20 years, to around US$ 464.5 billion, according to Central Bank data.

The statement did not give a breakdown but the Finance Ministry said that the government transferred US$ 15 billion to the Public Investment Fund in March and another US$ 25 billion in April, saying foreign reserves are expected to drop in April at about the same rate as the previous month.

The official said PIF had also converted into US dollars part of its own riyal-denominated liquidity to back investments. The government did not expect a significant drop in central bank foreign reserves going forward and fluctuations will be in line with previous years, as per the same source.

ABU DHABI "AA" RATING WITH "STABLE" OUTLOOK REFLECTS STRONG FISCAL AND EXTERNAL NET ASSET POSITIONS OVER THE NEXT TWO YEARS, SAYS S&P

According to a recent report by S&P on Abu Dhabi, the rating agency's expects that Abu Dhabi's fiscal and external net asset positions would remain strong over the next two years, although structural economic and institutional weaknesses will likely persist.

Standard & Poor's could consider raising its ratings on Abu Dhabi if it observed pronounced improvements in data transparency, including on fiscal and external assets, alongside further progress in institutional reforms. Furthermore, measures to improve the effectiveness of monetary policy, such as developing domestic capital markets, could be positive for the ratings over time.

S&P could consider lowering the ratings if it expects a material deterioration of Abu Dhabi's currently strong fiscal balance sheet and net external asset position. If fiscal deficits or contingent liabilities caused liquid assets to drop below 100% of GDP, pressure on the ratings would develop. The rating agency could also lower the ratings following domestic or regional events that compromised political and economic stability in Abu Dhabi.

Oil markets have been in a period of severe supply-demand imbalance since the second quarter of 2020. In line with S&P's economic outlook, the rating agency anticipates a recovery of GDP and oil demand through the second half of 2020 and into 2021 as the most severe effects of the coronavirus outbreak moderate.

The ratings reflect the rating agency's view of Abu Dhabi's strong fiscal and external positions. The exceptional strength of the government's net asset position provides a buffer to counteract the effect of oil price swings and COVID-19 on economic growth, government revenue, and the external account, as well as the effect of increasing geopolitical uncertainty in the Gulf region and the potential crystallization of contingent liabilities.

The ratings are constrained by S&P's assessment that the emirate's political institutions are still developing, and decision-making processes remain centralized. Limited monetary policy flexibility (given the dirham's peg to the U.S. dollar); gaps and delays in the provision of macroeconomic, fiscal, and external data; as well as the underdeveloped local currency domestic bond market, also weigh on the ratings.

Since 2019, the UAE and Abu Dhabi have introduced structural measures to improve the business environment and encourage foreign investment, as per S&P. To counteract the impact of the COVID-19 pandemic, the Central Bank of the UAE has announced a UAE dirham (AED) 100 billion (about US$ 27 billion) plan to support the banking and corporate sectors.

While this should help ease the pressure on corporate issuers and small and midsize enterprises, the rating agency expects banks' credit losses to increase in 2020-2021, leading to a slump in banking sector profitability. Standard & Poor's therefore now sees the trends for economic and industry risk in the UAE banking sector as "negative" rather than "stable".

EGYPT'S ECONOMIC GROWTH FALLS TO 5% YEAR-ON-YEAR DURING Q3 OF 2019/2020 FY

Egypt's economic growth rate plunged to 5% during the third quarter of fiscal year (FY) 2019/2020, impacted by the outbreak of COVID-19, as per the country's Minister of Planning.

Prior to the crisis, the government expected a growth rate at 5.9% year-on-year in Q3 2020. Nonetheless, this drop was driven by several impacted sectors such as tourism, wholesale and retail, and industry.

The tourism sector's contribution to the gross domestic product (GDP) fell to 2.7% in Q3 2019/2020 when compared to 3.0% in the same quarter in FY 2018/2019.

The industrial segment also constituted 12.2% of GDP in Q3 2020 from 12.8% in the same period of last year. Meanwhile, the telecommunications sector's contribution to the GDP rose to 2.7% in Q3 2019/2020.

TOTAL LOANS BY EMIRATI BANKS TO SMES INCREASE BY 4.3% QUARTER-ON-QUARTER IN Q1 2020

During the first quarter of 2020, the total loans provided by Emirati banks to small and medium-sized enterprises, SMEs, totaled AED 93.4 billion, an increase of 4.3% compared to AED 89.5 billion in the fourth quarter of 2019, according to the Central Bank of the UAE's statistics.

The loans provided accounted for some 8.1% of the total cumulative balance of credit facilities given to all private-sector economic and commercial activities in the first quarter of 2020, accounting for AED 1.149 trillion, as per the same source.

Supporting SMEs is a priority of the federal government, as part of its policy to diversify the national economy and generate employment opportunities, according to Central Bank of the UAE.

In light of this, the past period witnessed intense official and private efforts to support SMEs and enable them to overcome their challenges and obstacles.

SURVEYS

LOW OIL PRICES AND CORONAVIRUS AMONG TOP RISKS THAT THREATEN MIDDLE EAST FUTURE, AS PER FROST & SULLIVAN

Businesses in the Middle East region should adopt an "agile" strategy to mitigate the impact of prolonged low oil prices, coupled with other current challenges arising from the Coronavirus pandemic, according to a new report by Frost & Sullivan. In its latest report, research and consulting firm Frost & Sullivan identified falling energy prices as one of the top global risks that can adversely impact businesses, societies, economies, cultures and personal lives in the future.

The risk of protracted low oil prices due to muted global demand, a decline in non-oil economic activity due to the lockdown, combined with risks arising from geopolitical dynamics impacts the Middle East region, as per the same source. Governments and businesses should comprehend the interconnected nature of such risks and adopt future-casting tools and an agile strategy in confronting the same, as per the same source.

According to the study, organizations need to focus on many areas to tap into growth opportunities arising from short-term, medium-term and long-term risks. Frost & Sullivan said companies must adopt a "privacy-by-design" approach that assumes global regulatory compliance to face the risk of privacy and disinformation.

For the rise of infectious diseases risk, advanced technologies will enable new approaches in the treatment of these diseases, the report said. As for the water crisis, which is another short-term risk, it can be mitigated by an innovation in agricultural practices, such as vertical farming and optimized crop selection.

The research and consulting firm said it believes that the urbanization stress will trigger a demand for smart solutions, such as intelligent grid control and electrification, smart buildings and smart storage solutions. To face climate change risks, organizations will invest in buildings with net-zero energy consumption, and greenhouse gas emissions will increase minimally.

Frost & Sullivan noted that artificial intelligence (AI) can be a strong reason for the polarization of jobs. However, it said that "investing in collaborative computational capabilities can help allocate an ideal division of tasks between humans and robots based on their distinct capabilities and deployment costs."

Another long-term risk is the national identity crisis. The Frost & Sullivan report stated that great business opportunities exist in providing digital authentication of e-government services, such as digitization of birth, marriage and death certificates, passports and driving licenses.

DROP IN OIL PRICES AND SHIFTS IN THE WORK ENVIRONMENT CAUSE SLOWDOWN IN DEMAND FOR OFFICE SPACE IN KSA, AS PER JLL

According to a report related by Jones Lang Lasalle titled "The KSA Real Estate Market Q1 2020", the drop-in oil prices combined with shifts in the work environment (towards remote working practices) has resulted in a slowdown in demand for office space.

According to the report, this reflected on the performance of office spaces in Riyadh and Jeddah, resulting in declines of 1%-5% across both Grade A and Grade B spaces. To date, the Saudi economy remains reliant on oil as a contributor to overall GDP. Despite non-oil GDP rising 4.3% in Q3 2019, the economy contracted by -0.5% as a result of oil output declines, according to the Saudi General Authority for Statistics (GSTAT).

In the short-to-medium term, corporate demand is likely to focus on smaller, fitted out and shared units, with minimal capital requirements. More specifically, JLL sees activity in the co-working space as operators take advantage of the slowdown in rental rates and strong negotiating position, as per the same source.

To support and sustain the growth of the private sector, the government announced two stimulus packages amounting to SR 120 billion. This is set to ensure business continuity and alleviate any risks to cash-flow. This comes as the government looks to increase the private sector's contribution to GDP from 40% to 65% (Saudi Vision 2030). The delivery of residential units in both Riyadh and Jeddah remains active, as the government continues its drive towards increasing homeownership in the Kingdom to 60% by 2020 and 70% by 2030. In Riyadh, a total of 7,500 units were delivered in Q1 2020. Meanwhile, in Jeddah, approximately 1,800 units were handed over in the same period. As with other sectors of the market, residential projects in the supply pipeline and currently under construction are expected to witness delays in handover, as per JLL.

In the short-to-mid term, demand remains supported by the Sakani program and the various mortgage products launched over the past couple of years. However, in light of the current conditions and with no specific stimulus package in support of the residential market, JLL can expect a slowdown in demand. While the retail sector enjoyed an uptick in performance over the past year, particularly in the better quality retail centers incorporating various entertainment outlets, Q1 2020 saw rental rates come under pressure. In the short-to-medium term, and depending on the gradual ease of lockdown and mobility, the agency might see a prolonged period of lower consumer appetite for shopping in physical retail spaces out of health concerns, according to the report. This also includes a limited appetite for socializing in public spaces which could impact the F&B and entertainment sectors. By contrast, demand for retail-driven warehousing is expected to be active. This comes as restrictions on movement and trade have led to a shift in consumer behavior, with online shopping (e-commerce) becoming more popular, as per JLL. This aligns with some of the strategic goals of Visions 2030 (Financial Sector Development Program), which aim to increase the proportion of online payments from a target of 28% in 2020, to 70% in 2030.

BAHRAIN'S TOURISM SECTOR FACES LOSSES THIS YEAR, AS PER HOSPITALITY & TOURISM COMMITTEE

Bahrain's hospitality, tourism and aviation sectors could face an estimated BHD 500 million loss by the year-end, according to industry experts from the Hospitality & Tourism Committee. Hoteliers in Bahrain are also urging for exemptions on government levies until December in order to sustain their operations. In a letter addressed to Industry, Commerce and Tourism Minister, they detailed requests to extend waivers on utility bills and monthly fees on expat workers, along with the government continuing to shoulder salaries for Bahrainis in the private sector. It comes as the Covid-19 pandemic has grounded flights, halted tourism activities and prompted a series of strict measures to limit the spread of the virus. This includes closure of King Fahad Causeway since March 8 and suspending visa on arrival since March 18 as part of travel restrictions to combat the coronavirus.

There are a total of 128 hotels in the country, including 21 five-star properties, with two new projects in the pipeline, 59 four-star properties and 47 three-star hotels, as per Hospitality expert and Skal International Bahrain board member. Hotels are in no position to pay their staff due to the Covid-19 economic shock and flights restrictions have further worsened the problem, as per the same source. Under this situation, if hotels have between 5% to 10% occupancy levels, they are lucky. The total number of rooms available in hotels and service apartments is about 15,600. The occupancy rates for four and five-star hotels increased from 41% and 49% in 2018 to 45% and 52% last year, respectively, as per the same source.

It is worth noting that the occupancy rate forecast for this year was initially set at 55%, as per the same source. However, only 5% to 8% of properties can achieve this because of the partial opening of businesses. The estimated loss for Bahrain's hospitality sector at the end of the year is BHD 500 million that includes BHD 400 million for airlines and BHD 100 million for hotels, travel agents, event management and allied sectors. Extension of waivers of utility bills, municipality fees, tourism levy and expat fees among others to help the industry survive until the end of the year was also suggested. The letter to the Minister also urges for a nine-month exemption of Value Added Tax (VAT) and government levies. It also called for a six-month exemption of utility bills, municipal fees, and expat and Social Insurance Organization fees, while pushing for benefits of expatriate staff to be subsidized.

It is worth mentioning that the hotels and restaurants sector in Bahrain recorded the highest non-oil sector annual growth at 6.8% last year, according to the latest economic indicator report released by the Finance and National Economy Ministry.

CORPORATE NEWS

MNHD, NBE, BANQUE MISR AND AAIB SIGN US$ 133 MILLION LOAN

The Madinet Nasr Housing and Development Company (MNHD) signed an LE 2.1 billion long-term joint financing loan with the National Bank of Egypt (NBE), Banque Misr and the Arab African International Bank (AAIB).

In a statement, the company said the loan will be used to finance part of the investment costs of the Saray 1 and Saray 2 project.

Another part of the finance will also be used to repay the loan previously obtained from the AAIB to finance the project's construction.

MNHD recently announced it signed a contract with Mink Real Estate Investment Company to sell an LE 1.2 billion plot of land within the Taj City project.

SAUDI ARABIA'S QIDDIYA SIGNS AGREEMENT WITH DETASAD AS IT STRATEGIC PARTNER

Qiddiya Investment Company (QIC) announced the signing of a five-year IT agreement with Detecon Al Saudia (DETASAD).

The scope of the agreement provides for a fully integrated system from DETASAD that includes all requirements of the company's IT infrastructure, managing ICT hardware and providing hybrid cloud, connectivity and manpower for all Qiddya's resources.

As Qiddiya is set to become the Kingdom's capital of entertainment, sports and the arts, it is important that the company has the right strategic partner that can provide IT solutions to support rapid growth and development, said CEO of QIC.

Construction is continuing on site at Qiddiya and it is expected that several new partnerships for the large-scale project will be announced this year.

ELSEWEDY ELECTRIC LANDS SUEZ GULF TRANSMISSION LINE DEAL

Elsewedy Electric Company said one of its subsidiaries, Elsewedy Electric for Trading and Distribution, signed a US$ 7.6 million agreement with the Egyptian Electricity Transmission Company to implement a dual-circuit overhead line in the Gulf of Suez/S4.

The scope of work includes the construction of 500 kilovolt (kV) Suez Gulf area S4 overhead transmission lines extending for 20 kms on a turnkey basis, said the company in a statement.

Elsewedy Electric for Trading and Distribution is a pioneer company in the execution of high-voltage transmission lines extending more than 1,000 kms with both 220 kV and 500 kV substations within Egypt and Africa.

The Gulf of Suez/ S4 contract will be executed over a six-month period, it added.

SAUDI TRSDC AWARDS WASTE MANAGEMENT CONTRACTS

The Red Sea Development Company (TRSDC), the developer behind one of the world's most ambitious tourism initiatives, awarded a solid waste management contract to a joint venture between waste management company Averda and the Saudi Naval Support Company (SNS).

The partnership involves collecting and recycling waste generated by administration offices, residential facilities, and construction activities, meeting the high environmental standards set for the project and with the goal of "zero waste to landfill".

Recycling and reusing waste underpin this contract approach as it will support the company in designing, building, and operating municipal solid waste (MSW) and construction and demolition waste (CDW) plants. The recyclable material that is recovered from both the MSW and CDW stream is then transferred for further processing or used as fill material on the project.

Similarly, a composting unit is then utilized for turning organic-rich waste into compost to be used for the project's landscaped areas and in the site nursery. Equally important, incinerators are used for processing any non-recyclable waste, and the ash generated is mixed with cement for the production of bricks.

The Red Sea Project site is being developed from the ground up, with no pre-existing infrastructure in place. The award of this contract represents another step forward in the development of enabling infrastructure that supports the delivery of the first and second phases of construction.

TRSDC is developing Saudi Arabia's flagship international tourism destination and is setting new standards in sustainable development. Its sustainability targets include a full reliance on renewable energy, a total ban on single-use plastics, and complete carbon neutrality in the destination's operations.

DNATA TRAVEL GROUP AND ETIHAD SIGN DEAL

Dnata Travel Group, a UK-based travel services provider, signed an agreement with Etihad Airways to provide sales and service, ground product and brand marketing functions for Etihad Holidays in the UK.

The collaboration will increase Etihad Holidays' distribution power in this market providing opportunities for greater engagement with UK travelers, as per Eitihad company officials. The partnership formally commences in May 2020, with holidays for later in 2020 available, and 2021 already on sale.

The initial priority of the partnership will be to promote Abu Dhabi, showcasing its wide variety of cultural, historic, sport and leisure and entertainment attractions to a wide range of age groups and traveler types. Etihad Holidays will be sold primarily via an enhanced website and UK-based contact center.

CAIRO AIRPORT SEEKS LOCAL BANKS FOR US$ 76 MILLION LOAN

Cairo Airport Company plans to obtain LE 1.2 billion loan to finance part of the renovation of Cairo International Airport's Terminal 1. The company has approached the National Bank of Egypt (NBE) and Banque Misr for preliminary approval. The loan tenor ranges from five to seven years, noting it might include a tier in a foreign currency.

The loan news follows the LE 2 billion loan which will be allocated by the Egyptian government to Egypt Air amid COVID-19 crisis.

QATAR PETROLEUM AND TOTAL TO BUY STAKE IN CÔTE D'IVOIRE BLOCKS

Qatar Petroleum (QP) joined France's Total to acquire a 45% participating interest in exploration blocks offshore of Côte d'Ivoire, S&P Global reported. The blocks CI-705 and CI-706 are located in the Ivorian-Tano basin, covering an area of about 3,200 square kms. The farm-in agreement marks QP's first foray into Côte d'Ivoire.

The area could include several hydrocarbons, located in water depths of 1,000 to 2,000 meters, 35 kms from shore and about 100 kms from nearby Foxtrot, Espoir and Baobab fields. The farm-in agreement is subject to customary approvals by Côte d'Ivoire's government.

Qatar has strived to boost its international presence through a number of overseas upstream and downstream deals in countries including Oman, Mozambique, South Africa, Kenya, Guyana, the US and Brazil. Earlier this month, QP entered into three farm-in agreements – also with Total – to acquire about 30% of Total's participating interest in blocks 15, 33 and 34 located in the Campeche basin, offshore Mexico. The deal brought to six the number of Mexican blocks QP holds an interest in.

CAPITAL MARKETS

EQUITY MARKETS: SHY WEEKLY PRICE GAINS IN REGIONAL EQUITIES IN HOLIDAY WEEK

MENA equity markets saw light trading volumes throughout the Fitr holiday week that was characterized by partial closure of domestic stock exchanges across the region, while regional equities posted shy price gains, mainly on improved sentiment after governments started relaxing restrictions imposed by the coronavirus pandemic. This was reflected by a 0.6% rise in the S&P Pan Arab Composite index.

The UAE equity markets registered shy price increases of 0.4% during this two-day week, mainly on improved sentiment after Dubai took further steps to open up its economy and ease measures taken to contain the spread of the coronavirus pandemic. The emirate shortened nightly curbs and allowed resuming business activity and free movement starting May 27, 2020. Under these conditions, Dubai Islamic Bank's share price closed 4.4% higher at AED 3.55. DAMAC Properties' share price surged by 4.7% to AED 0.649. Emaar Properties' share price went up by 2.5% to AED 2.50. Emaar Development's share price increased by 1.0% to AED 1.94. Emaar Malls' share price jumped by 9.1% to AED 1.32. In Abu Dhabi, Taqa's share price went up by 2.9% to AED 0.68. Etisalat's share price increased by 2.6% to AED 15.64. ADIB's share price closed 3.3% higher at AED 3.40.

Boursa Kuwait posted a 3.3% surge in prices during this two-day week, as Kuwait moved ahead with measures to ease coronavirus-related restrictions. The country replaced a 24-hour curfew by a 12-hour one during night, and unveiled a five-phase reopening plan. Boubyan Bank's share price rose by 2.6% to KWf 512. NBK's share price surged by 3.1% to KWf 775. Kuwait Finance House's share price closed 4.7% higher at KWf 624. Agility's share price jumped by 4.7% to KWf 664. Mabanee's share price increased by 3.6% to KWf 607.

The heavyweight Saudi Tadawul remained closed throughout this week due to Fitr holidays, recording year-to-date price contractions of 16.5%, mainly due to a double blow of the COVID-19 crisis and historically low oil price levels, in addition to concerns that an April OPEC+ deal to slash global supplies by 10% would not offset a historic drop in global oil demand. Petrochemicals giant Saudi Aramco's share price recorded a year-to-date price plunge of 6.4% to reach SR 33.0, slightly above its IPO price of SR 32.0. SABIC's share price fell by 11.6% since the beginning of the year 2020 to reach SR 83.0. Petro Rabigh's share price registered a year-to-date drop of 37.7% to close at SR 13.50.

EQUITY MARKETS INDICATORS (MAY 24 TILL MAY 30, 2020)

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	56.9	1.0%	-18.3%	1.4	-91.9%	0.3	6,351.0	1.2%	6.1	0.51
Jordan	295.7	5.1%	-17.8%	14.2	10.2%	6.8	17,969.0	4.1%	10.6	1.25
Egypt	255.7	0.0%	-25.9%	-	-	-	37,630.2	-	7.7	1.69
Saudi Arabia	307.6	0.0%	-16.5%	-	-	-	2,206,107.3	-	16.6	2.29
Qatar	157.6	0.0%	-14.7%	-	-	-	137,896.2	-	14.7	1.89
UAE	84.2	0.4%	-25.8%	637.9	36.0%	881.7	213,787.9	15.5%	10.4	1.51
Oman	177.6	4.9%	-11.7%	10.0	12.6%	21.9	15,328.2	3.4%	9.5	0.83
Bahrain	118.5	0.5%	-27.8%	2.4	-52.1%	4.6	17,071.4	0.7%	9.7	1.25
Kuwait	93.1	3.3%	-22.4%	242.8	-13.7%	352.9	84,093.3	15.0%	14.5	1.59
Morocco	223.1	3.1%	-23.4%	79.1	62.3%	4.0	51,768.1	7.9%	16.1	2.55
Tunisia	63.7	1.1%	-11.9%	4.5	-19.8%	2.2	7,494.9	3.1%	12.9	2.62
Arabian Markets	**641.1**	**0.6%**	**-18.7%**	**992.4**	**-89.1%**	**1,274.3**	**2,795,497.6**	**1.8%**	**15.7**	**2.16**

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

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

Also, NCB's share price shed 24.1% since the beginning of the year 2020 to reach SR 37.40. Al Rajhi's share price posted a year-to-date contraction of 14.1% to close at SR 56.20. SABB's shares recorded year-to-date price falls of 34.0% to SR 22.90.

Also, the Qatar Exchange remained closed throughout this week, registering year-to-date price falls of 14.7%, mainly driven by an oil price crash, growing fears over the worst global economic downturn since the 1930s Great Depression due to the spread of the coronavirus pandemic, and some unfavorable financial results as all listed companies registered a 20% year-on-year contraction in combined net profits during the first quarter of 2020. QNB's share price registered drops of 14.1% since the beginning of the year 2020 to close at QR 17.68. Doha Bank's share price posted year-to-date falls of 20.2% to reach QR 2.02. Ooredoo's share price plunged by 11.0% since the beginning of the year 2020 to reach QR 6.299. Industries Qatar's share price recorded year-to-date contractions of 23.4% to QR 7.87. Nakilat's share price shed 3.8% since the beginning of the year 2020 to reach QR 2.30.

FIXED INCOME MARKETS: MIXED PRICE MOVEMENTS IN MENA BOND MARKETS THIS WEEK

MENA fixed income markets saw mixed price movements this week. Some regional papers registered price gains, mainly tracking US Treasuries move, as concerns over the US response to China's move to tighten control over Hong Kong spurred demand for safety. Some other papers posted weekly price contractions after recent Energy Information Administration data showed that US crude oil stockpiles rose sharply during the week ending May 22, 2020 despite eased coronavirus-related lockdowns.

In the Saudi credit space, sovereigns maturing in 2030 closed down by 0.13 pt week-on-week. Prices of SEC'24 retreated by 0.07 pt. Standard and Poor's revised the outlook on Saudi Electricity Company to "stable" from "negative" and affirmed its "A-" rating on the company. The "stable" outlook on Saudi Electricity Company mirrors that on Saudi Arabia. S&P equalizes its long-term rating on SEC with that on Saudi Arabia because it considers that there's an almost certain likelihood of government support for SEC if needed. This view is based on recent supportive government measures, and S&P's expectations that sector reform would be a long-term process.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 registered price declines of 0.06 pt and 0.13 pt respectively week-on-week. Prices of Ooredoo'25 increased by 0.24 pt. As to papers issued by financial institutions, Commercial Bank of Qatar'23 was up by 0.39 pt. QIB'24 saw price improvements of 0.28 pt.

In the Kuwaiti credit space, sovereigns maturing in 2027 posted price retreats of 0.27 pt this week. Prices of KIPCO'27 rose by 0.24 pt. In the Omani credit space, sovereigns maturing in 2023, 2025 and 2029 registered price contractions of 1.0 pt, 2.95 pts and 4.45 pts respectively week-on-week.

In the Bahraini credit space, sovereigns maturing in 2023, 2025 and 2029 registered weekly price expansions of 0.25 pt, 0.38 pt and 0.55 pt respectively. NOGA'24 traded up by 0.87 pt over the week.

In the Dubai credit space, sovereigns maturing in 2029 closed up by 1.17 pt this week. Emirates Airline'28 traded up by 0.84 pt. Majid Al Futtaim'29 was up by 1.0 pt. Prices of DP World'30 retreated by 0.11 pt. Amongst financials, DIB Perpetual (offering a coupon of 6.75%) closed down by 0.10 pt. Emirates NBD Perpetual (offering a coupon of 6.125%) registered a shy price contraction of 0.04 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price decreases of up to 0.63 pt week-on-week. Prices of Euro-denominated sovereigns maturing in 2025 increased by 0.65 pt, while sovereigns maturing in 2030 closed down by 0.83 pt.

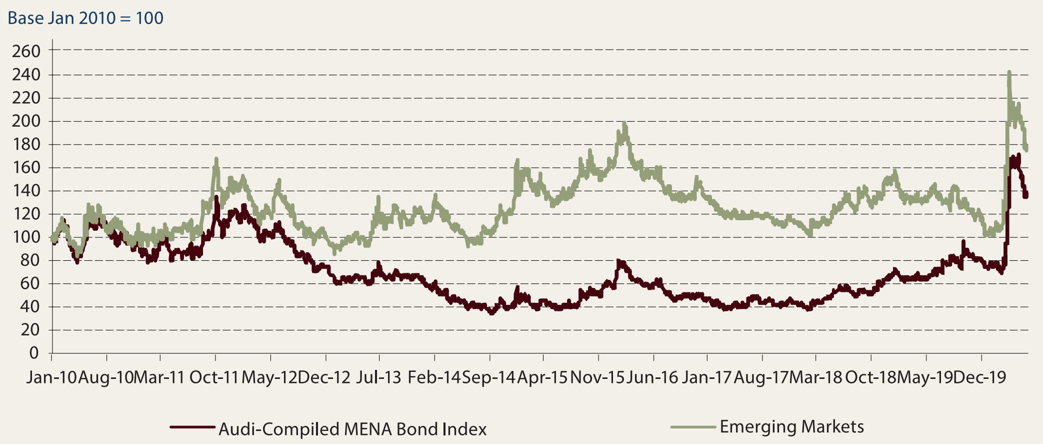
On the overall, regional bond markets saw two-way flows this week, as fears over escalating US-China tensions after China imposed new national security law on Hong Kong flocked demand for safe-haven assets, while rising US crude inventories raised concerns over a weak US fuel demand and put downward price pressures on some regional papers.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	29-May-20	22-May-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	95	98	36	-3	59
Dubai	221	232	91	-11	130
Kuwait	88	90	37	-2	51
Qatar	95	98	37	-3	58
Saudi Arabia	140	144	57	-4	83
Bahrain	426	428	176	-2	250
Morocco	151	153	91	-2	60
Egypt	561	568	277	-7	284
Iraq	862	1,214	384	-352	478
Middle East	**293**	**336**	**360**	**-43**	**-67**
Emerging Markets	**288**	**302**	**148**	**-14**	**140**
Global	**260**	**352**	**163**	**-92**	**97**

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	SD/-/SD	Ca/Stable	RD/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Negative/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Negative/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Negative	A/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA-/Stable/A-1+	Aa2/RUR	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB-/Negative/B	Ba2/RUR	BB/Negative/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Negative/F3
Tunisia	NR	B2/RUR	B/Stable/B
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$)	29-May-20	22-May-20	31-Dec-19	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)	15.85	15.85	16.05	0.0%	-1.3%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
GULF					
Saudi Riyal (SAR)	3.76	3.76	3.75	0.0%	0.3%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.66	3.67	3.66	-0.1%	0.1%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	1.7%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	128.21	128.21	119.05	0.0%	7.7%
Moroccan Dirham (MAD)	9.78	9.89	9.57	-1.1%	2.3%
Tunisian Dinar (TND)	2.87	2.90	2.83	-1.2%	1.3%
Libyan Dinar (LYD)	1.42	1.42	1.40	0.0%	1.5%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER