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The MENA WEEKLY MONITOR

Economy

p.2 WORLD BANK EXPECTS MENA ECONOMIC ACTIVITY TO CONTRACT BY MORE THAN 4% IN 2020

Economic activity in the MENA region is expected by the World Bank to contract by more than 4% in 2020, as consumption, exports, and services activity such as tourism are severely disrupted by the COVID-19 pandemic, and in oil exporters, export and fiscal revenues sharply fall with the plunge in oil prices.

Also in this issue

Surveys

p.5 FIVE KEY STEPS ARE NECESSARY FOR GCC STATES TO RESTART ECONOMIES, AS PER STRATEGY& MIDDLE EAST

The COVID-19 pandemic has altered the dynamics of the global economy, and the GCC is feeling its effects. As of early 2020, the region's GDP was projected to grow by 2.5% for the year, according to the IMF.

Also in this issue

Corporate News

p.7 UAE'S LOOTAH MAKES INVESTMENT IN SMART BUILDING TECHNOLOGY

UAE-based Lootah Real Estate Development (Lootah) said it optimized a smart building technology to significantly reduce energy consumption and the costs of maintenance and utilities for building tenants and owners.

Also in this issue

Markets In Brief

p.9 EXTENDED WEEKLY PRICE GAINS IN REGIONAL CAPITAL MARKETS

MENA equity markets remained on the rise this week, as reflected by a 0.9% increase in the S&P Pan Arab Composite index, mainly supported by a one-month extension of OPEC+ oil production cuts, in addition to some favorable market-specific and company-specific factors. In parallel, regional bond markets saw mostly upward price movements, mainly tracking US Treasuries move after the US Federal Reserve maintained a firmly dovish stance and projected to keep interest rates near zero through 2022, and helped by improved sentiment after OPEC+ members agreed to extend record oil output cuts until the end of July 2020.

MENA MARKETS: WEEK OF JUNE 07 - JUNE 13, 2020

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.9%	Weekly Z-spread based bond index	-2.8%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-15.7%	YTD Z-spread based bond index	+46.6%

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ECONOMY

WORLD BANK EXPECTS MENA ECONOMIC ACTIVITY TO CONTRACT BY MORE THAN 4% IN 2020

Economic activity in the Middle East and North Africa is expected by the World Bank to contract by more than 4% in 2020, as consumption, exports, and services activity such as tourism are severely disrupted by the COVID-19 pandemic, and in oil exporters, export and fiscal revenues sharply fall with the plunge in oil prices. Fiscal and monetary policy support in response to the pandemic has been swift in large regional economies. Regional growth is expected to resume in 2021 as the impact of the pandemic subsides and investment improves. Risks to the outlook are heavily tilted to the downside and include much more widespread regional COVID-19 outbreaks, prolonged weakness in oil prices and global activity, and intensification of regional conflicts.

As a consequence of the pandemic and oil market developments, GDP in the region is forecast to contract sharply by 4.2% in 2020, although the World Bank admits there is substantial uncertainty around this projection. The forecasts have been further downward revised from those in January and April and reflect continued deterioration of the outlook in the global economy recently. Oil exporters suffer from the plunge in oil prices and ongoing domestic outbreaks of the pandemic. Oil importers suffer spillovers from weakness in advanced economies and major EMDEs, pandemic-related disruptions, and falling tourism. Moderating inflation in much of the region has provided room for monetary authorities in some economies to loosen policy rates to mitigate the impact of the pandemic on the real economy. The baseline outlook for the region rests upon the assumptions that the pandemic subsides somewhat later in the year, and that geopolitical tensions do not escalate further.

Among oil exporters, output in 2020 is expected to continue to contract from the previous year, as low oil prices also reduce non-oil activity via income effects, said the World Bank. Iran's GDP—which had already fallen in each of the previous two years—is expected to shrink again in 2020, by 5.3%, partly reflecting the effects of the large-scale COVID-19 outbreak on domestic consumption and the services sectors. In many oil exporters, growth will be significantly constrained by renewed policy cuts in oil production. In Saudi Arabia and other GCC economies, low oil prices, elevated uncertainty associated with potential further spikes of COVID-19, and household level impacts of initial fiscal adjustments are expected to weigh heavily on non-oil activity. The economies of Algeria and Iraq continue to grapple with the consequences of low oil prices and structural vulnerabilities. Growth in oil exporters is expected to rebound in 2021, as the pandemic subsides and investment recovers, including large infrastructure investment in the GCC. Longer-term diversification programs, the recent relaxation of foreign investment restrictions, and improved regulatory environments should also support the rebound, including a recovery from adverse global spillovers and low confidence.

GLOBAL ECONOMIC PROSPECTS

Real GDP growth	2019e	2020f	2021f
World	2.4%	-5.2%	4.2%
Advanced Economies	1.6%	-7.0%	3.9%
o.w. United States	2.3%	-6.1%	4.0%
o.w. Euro Area	1.2%	-9.1%	4.5%
Emerging Market and Developing Economies	3.5%	-2.5%	4.6%
East Asia and Pacific	5.9%	0.5%	6.6%
Europe and Central Asia	2.2%	-4.7%	3.6%
Latin America and the Caribbean	0.8%	-7.2%	2.8%
Middle East and North Africa	**-0.2%**	**-4.2%**	**2.3%**
South Asia	4.7%	-2.7%	2.8%
Sub-Saharan Africa	2.2%	-2.8%	3.1%

Source: World Bank

Among oil importers, output is expected by the World Bank to contract by 0.8% in 2020, reflecting a broad-based deceleration (and in many cases contraction) in both large and small economies. Tourism, which had previously been improving and supported by government promotion initiatives, is expected to suffer substantially. Oil importers are reliant on tourism revenues, and arrivals from the Euro Area and other key source areas are expected to fall. Investment and exports are expected to contract amid weak global and domestic confidence and high policy uncertainty. Generally supportive activity in Egypt before late FY 2020 has been disrupted by the pandemic, while other smaller oil importers grapple with additional shocks to growth. Firms in smaller oil importers are also expected to suffer from anemic demand and global disruptions, given some reliance on foreign sourced inputs. Weak financial system balance sheets and high public debt have further compounded the financial stability, growth, and humanitarian challenges faced by the smaller oil importers. Lower oil prices could provide some relief to oil importers' current accounts, but high volatility in oil prices is weighing on investment and confidence, limiting their benefits.

Medium-term growth prospects for the MENA region are contingent upon no amplification of regional conflicts or their spillovers. Continued structural programs in many economies are expected to encourage growth-enhancing structural reforms (e.g., stronger fiscal management framework, water access), and reforms in the financial sector are expected to continue to strengthen the investment climate in the region. But success is contingent upon a sustained commitment to reforms, including by newly formed governments, added the World Bank in its latest Global Economic Prospects report.

GCC TO LOSE BILLIONS OF DOLLARS IN TOURIST SPENDING THIS YEAR DUE TO COVID, SAYS A.T.KEARNEY

Countries in the Gulf Cooperation Council (GCC) region are likely to lose billions of dollars in tourist spending this year due to the Coronavirus pandemic, putting millions of jobs and several businesses at risk, according to a recent report by A.T.Kearney.

In the UAE, international tourist receipts will drop by US$ 15 billion this year to just US$ 6.4 billion, compared to US$ 21.4 billion in 2019. Arrivals of overseas visitors in the GCC will likely fall by millions, anywhere between 34% and 70% in each country, as per A.T.Kearney. The report added that even using conservative estimates, international tourist arrivals and the associated income from spending and jobs would suffer in the short term, both globally and across the GCC. Tourism, which has been the backbone of the region's strategy to diversify its revenues away from oil, has been among the industries badly hit by the pandemic.

Across the region, approximately more than 2 million people are employed in the tourism industry. The industry contributes 11.2% of the UAE's gross domestic product (GDP), while in Saudi Arabia, the economic contribution is about 9.3% of GDP, as per the same source. The trend in the region isn't different from what is happening in many tourist destinations around the world, with the global average decline in tourist arrivals between 58% and 78%.

Countries around the world are restarting their economies by lifting stiff restrictions and allowing businesses to reopen. While the easing of lockdowns will likely benefit the economy, there are several steps that governments in the region and around the world must take to support the recovery in the tourism sector, as per the report.

AT Kearney suggested that governments should take a "staged approach" to ensure a "resilient emergence" of the tourism sector. It said that developing tourism recovery task forces, like what Singapore, France, Greece and Canada have done, is a step in the right direction.

Providing stimulus and relief packages to tourism businesses, which can be in the form of tax and fee waivers and deferments, restructuring or rescheduling of existing loans, would also help kick start the industry.

In other countries, some businesses have received cash injections ranging between 0.2% and 10% of the total stimulus package. For some emerging destinations like Hong Kong, Malaysia and Singapore, the amounts are equivalent to between roughly 5% to 15% of the loss in international tourism receipts.

Achieving similar results across the GCC would require up to 10% of the total stimulus package to be allotted to tourism, as per A.T.Kearney. Governments in the region have so far injected their economies with billions of US dollars to help businesses during the pandemic. As of April 20, the UAE’s announced stimulus packages amounted to US$ 70 billion, the highest in the region, while Saudi Arabia allotted US$ 45 billion.

UAE MADE MOST PROGRESS IN DIVERSIFYING AWAY FROM OIL, SAYS MOODY’S

Among GCC sovereigns, the UAE has made the most progress in diversifying away from the hydrocarbons sector, which has accounted for 23% of nominal GDP for the last five years, as per a recent report by Moody’s.

The credit strengths of the United Arab Emirates include its assumptions of unconditional financial support from the Abu Dhabi (“Aa2 stable”) government, which benefits from the sizeable sovereign assets of the Abu Dhabi Investment Authority (ADIA). Superior infrastructure, very high per capita income and vast hydrocarbon reserves also support creditworthiness. In addition, the UAE's domestic politics have a track record of stability and the country has strong international relations, as per the rating agency. Limited institutional transparency and the absence of public data on the composition of offshore assets and some of the emirates' public finances remain the UAE's main credit constraints.

The UAE's fiscal reliance on hydrocarbons at an estimated 46% of consolidated government revenue in 2019 and regional geopolitical tensions are also sources of negative credit pressure. The “stable” outlook for the UAE is supported by the “stable” outlook on Abu Dhabi, as well as medium-term upside potential from continuing diversification efforts, but constrained by lingering contingent liability risks related to government-related entities and geopolitical tensions.

Moody’s added that the Coronavirus outbreak and the oil supply glut would weaken oil revenues in the short term, but unless oil prices depart significantly and durably from our medium-term range, the credit implications of such changes in prices would be limited. An upgrade of Abu Dhabi's rating would support an upgrade of the UAE's rating given the strong interlinkages. Furthermore, a decline in contingent liability risks or a material and lasting appeasement in regional geopolitical tensions could also support an upgrade if combined with significant improvements in policy transparency and data availability at the emirate and federal level, as per the rating agency.

Similarly, a downgrade of Abu Dhabi's rating would most likely result in a downgrade of the UAE's rating. A combination of the following factors, potentially associated with a downgrade of Abu Dhabi's rating, would also put downward pressure on the UAE's rating: the crystallization of large contingent liabilities on the federal or emirates' government balance sheets or an escalation in regional political risk that threatened to disrupt trade.

EGYPT’S ANNUAL CPI CONTRACTED BY 4.7% YEAR-ON-YEAR IN MAY 2020, SAYS CAPMAS

Egypt’s annual urban consumer price index contracted by 4.7% year-on-year in May 2020 from 5.9% year-on-year in April, as per the official statistics agency CAPMAS.

The North African country of 100 million people is facing economic repercussions from the spread of the new Coronavirus, which essentially shut down its vital tourism sector from mid-March.

The latest inflation rate dropped as food and beverage costs declined by 0.3% year-on-year, reflecting a drop in demand during Ramadan when it normally surges, as per Reuters. Core inflation, which strips out volatile items such as food, fell by 1.5% year-on-year in May 2020 from 2.5% in April 2020, as per the Central Bank.

From a monetary policy angle, this is considered good news because it ensures stability for interest rates going forward. However, month-on-month inflation could start going back up in June and July. The International Monetary Fund in May approved US$ 2.8 billion in emergency financing to help Egypt grapple with the new Coronavirus pandemic through its rapid financing instrument.

SURVEYS

FIVE KEY STEPS ARE NECESSARY FOR GCC STATES TO RESTART ECONOMIES, AS PER STRATEGY& MIDDLE EAST

The COVID-19 pandemic has altered the dynamics of the global economy, and the GCC is feeling its effects. As of early 2020, the region's GDP was projected to grow by 2.5% for the year, according to the IMF. By April, that had shrunk to a contraction of 2.8%. According to the latest article by Strategy& Middle East, part of the PwC network, by taking appropriate measures during the crisis and in its aftermath, governments can have a significant impact on how the economy recovers.

Thus far, GCC governments have taken important steps to mitigate the crisis, as per a Strategy& ME official, part of the PwC network. They have correctly prioritized the provision of healthcare to their citizens. They have imposed varying degrees of lockdown to contain the pandemic and prevent the contagion from overwhelming the healthcare system. They have provided economic support, such as unemployment assistance to individuals and households, and financial aid to small businesses, as per the same source.

The next challenge for governments is to restart economies by gradually easing lockdown measures and allowing businesses to resume. Until a vaccine is found and produced in bulk, there will always be a risk of a dangerous resurgence of the virus, as has happened with previous pandemics. Governments need to lay the public health foundations, including testing and tracing procedures to identify a potential new surge of infections and swiftly contain it. Accompanying this, governments should ensure that the healthcare system is ready and available to cater for the new cases if and when they occur, as per Strategy& ME official.

Once they have laid these foundations, governments can begin to focus on five measures to promote economic stability and bring people back to work, while reducing COVID-19 risks.

The first is to assess and prioritize sectors. Governments should assess and prioritize sectors to determine the right sequence for them to resume operations. The assessment criteria should include the relative economic contribution to GDP and risk of virus transmission, based on the typical proximity of employees within the workplace. This should be followed by an assessment of sub-sectors to account for unique exposure levels and the geographical readiness of healthcare systems to manage any potential resurgence of the virus.

The second is to enact strict workforce protocols. Governments and employers should establish and enforce strict protocols for returning employees to ensure their safety. Protocols fall into different categories, ranging from medical readiness to engineering, hygiene, and travel. Further, GCC countries should focus on improving living conditions in sectors in which there is greater worker proximity and risk.

The third is to conduct extensive testing and tracing. To reduce the risk of a renewed outbreak, governments need to deploy comprehensive testing and tracing mechanisms. Testing must include both the rapid antibody procedure, which requires a blood draw, and traditional polymerase chain reaction (PCR) swab tests to maximize detection.

The fourth step is to initiate a staged workforce return and protect at-risk individuals. Economic resumption plans need to take into account the age and health condition of workers to ensure the safety of those returning to the workplace and their families.

The fifth step is to engage openly and develop trust with the population. Ongoing engagement and communication measures are essential to build trust and inspire the population to behave responsibly. Governments should proactively communicate health-related measures and their underlying rationale to help the population cope with uncertainty. Governments can also nudge citizens to encourage them to maintain the healthy behaviors which they adopted during lockdown.

WOMEN'S WEALTH IN MIDDLE EAST AT US$ 786 BILLION WITH FURTHER GROWTH EXPECTED, AS PER BCG

Women currently represent 13% of the Middle East wealth segment, with dramatic growth to be seen in the region during the coming years, according to a recent report by the Boston Consulting Group (BCG). Women's wealth in the Middle East has accounted for US$ 786 billion and is estimated to rise by 9% by 2023, noted the report titled "Managing the Next Decade of Women's Wealth". In the UAE and Saudi Arabia, women's wealth has reached US$ 103 billion and US$ 224 billion, respectively, and an expected growth of 8.3% and 5.1% will be witnessed up to 2023.

Meanwhile, the Middle East is forecast to grow by a Compound Annual Growth Rate (CAGR) of 9% by 2023, attributed to the political and economic stability and improvements in women's educational access. The report noted that female rates of primary and secondary education participation are now similar to those of males, while women outnumber men at the university level in 15 of 22 Arab countries. Moreover, women in leadership positions in the UAE increased by 2.4%, while in Saudi Arabia, females in entrepreneurial activities and labor force participation grew by 1% and 0.5%, respectively.

Labor force participation, leadership positions, entrepreneurial activities, and economic empowerment all play important roles in economic advancement, which will, in turn, contribute to further growth in women's wealth over the next decade, as per a BCG official. Examining preconceptions about female investors, moving beyond labels to treat the individual, and adopting an objective-based and evidence-backed advisory approach will enable wealth managers to ensure the full potential of women is realized in the decade ahead, as per the same source.

SAUDI ECONOMIC ACTIVITY SLOWS IN APRIL OVER COVID-19, AS PER AL RAJHI CAPITAL

The COVID-19 pandemic brought the world economy to a stand-still and this has somewhat resulted in a decline in activity in healthcare, real estate, hotel, travel and tourism in Saudi Arabia during April, according to a report by Al Rajhi Capital. Industries and manufacturing units continued to remain mostly shut during the month amid the lockdown in many countries including Saudi Arabia to prevent the spread, added Al Rajhi Capital.

The monthly data released till April showed that the POS transactions declined by 33.0% year-on-year as compared to a rise of 5.8% year-on-year in March, said the latest Economic Research report. Foreign reserves at Saudi Arabian Monetary Agency (SAMA) witnessed a yearly decline in growth (-11.2 % in April Vs -5.2% in March).

However, credit to the private sector continued to show healthy growth of 11.7% year-on-year in April 2020, which is one of the highest growth witnessed since November 2014. Mortgage loans continued to grow in April too. Further, credit to public sector enterprises grew by a yearly 0.8%. Meanwhile, deposits grew. This was mainly driven by the “Business and Individual” segment. SAMA has supported the banks with additional SR 50 billion which is mainly to help with liquidity due to the delay in repayment from large corporates while the previous SR 50 billion included guarantees and was mainly related to liquidity needs due to delay in repayments from SME segment.

Loans to deposits ratio was under control broadly, with only three banks reporting higher than 90%. Out of the decline of SR 150 billion in reserve assets in the last 2 months, most of it came from SAMA assets and less from government reserves at SAMA. The government announced to ease COVID-19 restrictions and under the new measures, domestic flights, mosques, restaurants and cafes will be reopened in phases. The report expects that economic activities would start at a slower pace initially after the lockdown ends. Consumer spending will also be less, due to the increase in VAT effective from July 2020 and the removal of the cost of living allowance from this month.

Therefore, during the next few months, more weakness in the sectors such as entertainment, travel, and tourism including food would be seen compared to other sectors. The improvement is expected especially in the later period of 2020, as per Al Rajhi Capital.

CORPORATE NEWS

UAE'S LOOTAH MAKES INVESTMENT IN SMART BUILDING TECHNOLOGY

UAE-based Lootah Real Estate Development (Lootah) said it optimized a smart building technology to significantly reduce energy consumption and the costs of maintenance and utilities for building tenants and owners.

The real estate developer partnered with International Real Estate Partners (IREP), a global facilities and asset management company, in a project called IREPort Energy Bureau.

This collaboration was made to improve building operations and sustainability of all Lootah properties by identifying head on problems related to energy consumption, faulty maintenance equipment and systems, amongst others.

The technology being utilized in the project automatically alerts IREP in cases that necessitate immediate troubleshooting for plant failure, excessive consumption, increased electricity loads, and energy management related concerns, as per a company statement.

IREP's technology comprises seven steps: compilation of information and auditing of all sites, development of energy, gas, and water management plan, site opportunity analysis and development of a site-by site-delivery plan to reduce consumption and costs, energy procurement, implementation of energy efficiency measures, investigation for alternate cleaner energy sources and implementation of a fully automated web-based monitoring, reporting and measurement solution to ensure the key performance indicators are being met.

In the Phase One, IREP will audit each Lootah property to assess its energy performance.

IREP will also retrofit a number of underperforming equipment, specifically in the cooling system and lighting system, with latest technology and smart systems.

Lootah targets their partnership with IREP to carry on with their upcoming projects, as part of their commitment spanning over five decades to deliver high-quality infrastructure.

L&T DELIVERS CRITICAL EQUIPMENT TO GCC CUSTOMERS AMID LOCKDOWN

India's engineering and construction firm Larsen & Toubro (L&T) said its key subsidiary L&T Heavy Engineering successfully delivered critical equipment to its customers in the UAE and Oman besides other key markets of China and France during lockdown.

The heavy engineering arm of Larsen & Toubro ensured dispatch of critical reactors, coke drums and sub-assemblies of nuclear fusion reactor for their global clients during the lockdown period in India from beginning of last week of March.

During this period, a final consignment of 4 (out of total package of 16) ARDS Reactors for Refinery modernization project for clean, environment friendly fuels to ADNOC, Abu Dhabi were delivered by the company, said the statement from L&T.

The final 4 coke drums, part of package of critical hydrocracking reactors for Duqm Refinery in Oman and 2 Ethylene Oxide Reactors for LPCL Petrochemical Complex in China, were delivered on time.

The sub-assemblies for International Thermonuclear Experimental Reactor (ITER) France were delivered on an urgent basis during lockdown to ensure uninterrupted assembly of cryostat in reactor pit in southern France.

UNION PROPERTIES CLAIMS US$ 408 MILLION FOR COMPLETED PROJECT WORK

Union Properties, one of the largest real estate development companies in the UAE, announced one of its subsidiary companies, initiated arbitration procedures to claim approximately AED 1.5 billion (US$ 408 million) owed to the company. The claim is related to construction work for a significant project that was completed around 10 years ago, said a statement from Union Properties.

INVESTCORP CLOSES SECOND ITALIAN NPL FUND

Investcorp, one of the leading global providers and managers of alternative investment products, announced the fully subscribed final closing of approximately € 340 million in commitments for its second vintage Italian Distressed Loan Fund II (Italian NPL Fund II), which is exclusively advised by Eidos Partners, a Milan-based advisory firm and credit specialist.

To date, more than € 460 million in assets have been allocated toward Investcorp and Eidos Partners' Italian non-performing loans (NPLs) strategy.

Italian NPL Fund II invests in non-performing loans secured by residential and commercial real estate in Italy. The fund represents Investcorp's ninth Special Opportunity Portfolio (SOP).

In 2011, Investcorp launched its first SOP with the aim of taking advantage of opportunities arising from market dislocations and structural shifts, said a statement.

KUWAIT ORGANIZATIONS IN DEAL TO BUILD NEW INDUSTRIAL PORT

The Kuwait Port Authority joined hands with the Public Authority for Industry (PAI) for the design and construction of an industrial port in the south of the country.

The MoU, which also includes a joint study for the project, aims to elevate Kuwait's position worldwide and enhance its local manufacturing capability.

A public sector body run on a commercial basis under the Ministry of Communications, the Kuwait Port Authority manages three commercial ports in Kuwait namely Shuwaikh, Shuaiba and Doha ports.

The PAI was set up by the government to develop the industrial activity in Kuwait and promote it besides supervising it and develop the industrial base so that the strategic national economic goals are achieved.

As per the deal, PAI will be responsible for the design, construction, and operation of the new port when the project's studies are approved, while the Kuwait Port Authority will choose and supervise industrial activities.

TAQA CONTRACTS ARCHER TO PLUG WELLS IN UKCS

Abu Dhabi National Energy Company (TAQA) awarded a contract to Archer for modular drilling unit and associated services in the UK Continental Shelf.

Archer will perform a 21 well plug and abandonment campaign for TAQA's Northern North Sea Cormorant Alpha platform.

The integrated P&A service delivery will include services provided by Archer's Engineering, Rentals, Oiltools and Wireline divisions, and will also require Archer to manage and deliver cementing and re-injection services from third-party providers.

The Archer Topaz is estimated to mobilize to Cormorant Alpha in H2 2021 following the removal of the existing Cormorant Alpha integral derrick equipment set, and reactivation activities on the platform by Archer's Engineering division.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITY MARKETS REMAIN ON THE RISE THIS WEEK

MENA equity markets remained on the rise this week, as reflected by a 0.9% increase in the S&P Pan Arab Composite index, mainly supported by a one-month extension of OPEC+ record oil production cuts, in addition to some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul registered price gains of 1.4% week-on-week, mainly on improved sentiment after OPEC+ members agreed to extend record oil production cuts by one month until the end of July 2020, and Saudi Arabia said that it has delayed a wide-ranging increase to customs fees that was set to start on June 10, 2020 due to Coronavirus, in addition to some favorable company-specific factors.

Most petrochemical stocks traced an upward trajectory this week. Petrochemicals giant Saudi Aramco's stock, which is the fourth most active stock by value, registered weekly price increases of 0.5% to close at SR 32.35. SABIC's share price went up by 1.0% to SR 89.0. Petro Rabigh's share price closed 0.4% higher at SR 13.90. Saudi Kayan Petrochemical Company's share price surged by 3.4% to SR 8.63. Petrochem's share price increased by 2.1% to SR 24.06.

Also, SABB's share price closed 2.9% higher week-on-week at SR 23.50. Al Rajhi Bank's share price rose by 1.9% to SR 59.20. Banque Saudi Fransi's share price surged by 3.8% to SR 31.35. Bahri's share price climbed by 7.0% to SR 36.60. Jarir Marketing Company's share price jumped by 3.6% to SR 143.80. Jarir Marketing Co. posted an 8% year-on-year rise in its 2020 first quarter net profits to reach SR 252 million.

Boursa Kuwait recorded a 1.6% increase in prices week-on-week, mainly supported by a one-month extension of OPEC+ oil production cuts, and as many listed banks issued statements to Boursa Kuwait saying that the decision of profit distributions for the year 2020 would be taken at the end of the year based on year-end financial results and according to recommendations raised by the Board of Directors to General Assembly. This helped somehow calming investors after the Kuwait Banking Association said that Kuwaiti banks would not distribute dividends for this year to preserve liquidity amid COVID-19 challenges.

EQUITY MARKETS INDICATORS (JUNE 07 TILL JUNE 13, 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	57.1	-0.2%	-18.0%	2.3	15.1%	0.2	6,373.0	1.9%	6.0	0.51
Jordan	295.3	-0.6%	-17.9%	26.9	-8.0%	22.1	18,209.0	7.7%	10.9	1.26
Egypt	270.9	2.5%	-21.6%	339.8	10.4%	2,061.0	39,314.2	44.9%	8.3	1.78
Saudi Arabia	320.9	1.4%	-12.9%	7,030.7	-13.2%	1,321.4	2,191,728.6	16.7%	16.4	2.42
Qatar	162.4	-0.6%	-12.1%	452.2	-19.6%	1,037.5	142,755.7	16.5%	15.2	1.93
UAE	88.6	0.2%	-21.9%	903.1	52.5%	2,934.8	222,816.9	21.1%	10.8	1.57
Oman	176.9	0.2%	-12.0%	19.7	71.1%	48.5	15,277.2	6.7%	9.1	0.84
Bahrain	119.1	0.6%	-27.4%	8.6	-4.9%	20.7	17,134.3	2.6%	9.8	1.28
Kuwait	94.8	1.6%	-20.9%	722.5	117.8%	793.0	85,745.5	43.8%	14.7	1.60
Morocco	226.1	-2.3%	-22.3%	101.8	39.5%	3.9	52,791.6	10.0%	16.3	2.59
Tunisia	66.2	0.4%	-8.5%	9.8	13.8%	3.6	7,842.5	6.5%	13.2	2.33
Arabian Markets	**665.0**	**0.9%**	**-15.7%**	**9,617.3**	**-4.1%**	**8,246.8**	**2,799,988.5**	**17.9%**	**15.6**	**2.27**

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

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

NBK's share price rose by 2.3% over the week to KWf 797. Commercial Facilities Company's share price surged by 9.3% to KWf 212. Also, Zain Kuwait's share price jumped by 5.8% to close at KWf 563. Agility's share price climbed by 6.2% to KWf 6.84. Agility's Board of Directors decided to reduce its 2019 dividend payout to 5 fils per share from 20 fils per share proposed in February 2020, but increased bonus share distribution to 15 shares for every 100 shares held, from 10 bonus shares before.

The Egyptian Exchange posted a 2.5% rise in prices week-on-week, mainly supported by some favorable market-specific factors. The IMF said that it has reached a staff-level agreement with Egypt for a one-year US$ 5.2 billion stand-by loan to help the country contend with the Coronavirus pandemic. Also, Egypt's annual urban consumer price inflation slowed to 4.7% in May 2020, its lowest level since November 2019, which may provide the Central Bank of Egypt more room to reduce key interest rates. Commercial International Bank's share price increased by 2.3% to LE 67.49. Ezz Steel's share price surged by 4.1% to LE 6.33. Eastern Tobacco's share price climbed by 4.2% to LE 13.02. Talaat Moustafa Group's share price jumped by 5.8% to LE 5.47. Palm Hills Development's share price closed 1.1% higher at LE 1.153.

In contrast, the Qatar Exchange registered a 0.6% decline in prices week-on-week, mainly on reduced sentiment after the State of Qatar has directed Ministries and all other government and public entities to reduce costs for non-Qatari employees by 30% as of June 1, 2020, either via pay-cuts or lay-offs. 19 out of 47 listed stocks registered price drops, while 27 stocks posted price gains and one stock saw no price change week-on-week. QNB's share price declined by 1.7% to QR 17.70. Qatar International Islamic Bank's share price shed 1.4% to QR 8.08. Vodafone Qatar's share price fell by 2.9% to QR 1.077. Milaha's share price decreased by 2.0% to QR 5.654.

FIXED INCOME MARKETS: MOSTLY UPWARD PRICE MOVEMENTS IN MENA BOND MARKETS, TRACKING US TREASURIES MOVE

MENA fixed income markets saw mostly upward price movements this week, mainly tracking US Treasuries move after the US Federal Reserve maintained a firmly dovish stance and projected to keep interest rates near zero through 2022, and helped by improved sentiment after OPEC+ members agreed on a one-month extension of record global oil production cuts.

In the Dubai credit space, sovereigns maturing in 2029 were up by 1.36 pt week-on-week. Prices of Emaar'26 improved by 0.50 pt. DP World'30 closed up by 2.04 pts. Emirates Airline'28 registered price gains of 2.31 pts. Majid Al Futtaim'29 traded up by 0.72 pt. As to papers issued by financial institutions, Emirates NBD Perpetual (offering a coupon of 6.125%) posted price rises of 1.21 pt. Dubai Islamic Bank Perpetual (offering a coupon of 6.75%) were up by 1.40 pt. Dubai Islamic Bank raised this week US$ 1 billion through the sale of a five-year Sukuk, with a profit rate of 2.95% per annum, which is 245 basis points over midswaps. The bond sale, which marks the first public benchmark Sukuk from a regional financial institution after the Covid-19 outbreak, attracted orders of over US$ 4.5 billion.

In the Abu Dhabi credit space, sovereigns maturing in 2029 saw price declines of 0.38 pt this week. Taqa'26 closed down by 0.21 pt. Amongst financials, prices of ADIB Perpetual (offering a coupon of 7.125%) expanded by 1.10 pt. Al Hilal Bank'23 was up by 0.24 pt. As to new issues, First Abu Dhabi Bank raised HK$ 750 million through the sale of a five-year green bond in a private placement, the first bond issue by a Middle East issuer denominated in Hong Kong dollars. Elsewhere in the UAE, Sharjah Islamic Bank hired banks to arrange for the sale of a benchmark US dollar Sukuk.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 posted price gains of 0.13 pt and 0.25 pt respectively week-on-week. Saudi Aramco'24 was up by 0.09 pt. Prices of STC'29 improved by 0.13 pt. SABIC'28 closed up by 0.86 pt.

In the Jordanian credit space, sovereigns maturing in 2027 and 2047 recorded price increases of 2.58 pts and 5.0 pts respectively week-on-week. As to credit ratings, CI Ratings affirmed Jordan's Long-Term Foreign Currency Rating and Long-Term Local Currency Rating at "B+". At the same time, the sovereign's Short-Term Foreign Currency Rating and Short-Term Local Currency Rating have been affirmed at "B". The outlook for the ratings remains "stable". The affirmation of the ratings and outlook reflects CI's view that while the global spread of Coronavirus has weakened the prognosis for the country's economy and public and external finances, the sovereign's credit profile remains adequately supported at the current rating level by financial assistance from external donors, which has been stepped up in recent months.

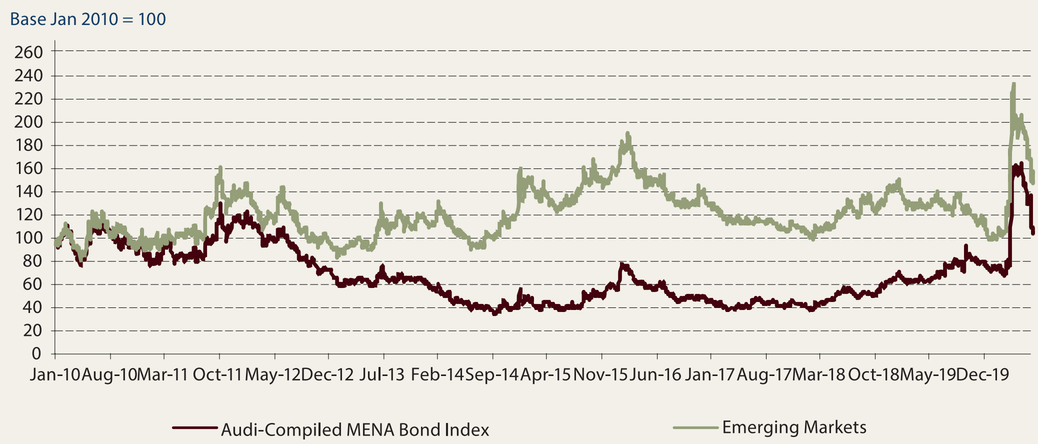
All in all, activity in MENA fixed income markets remained mostly skewed to the upside this week, mainly supported by extended global oil production cuts, while also tracking increases in US Treasuries following FOMC's dovish statement despite tentative signs that the US economy is bottoming.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	12-Jun-20	05-Jun-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	79	79	36	0	43
Dubai	192	192	91	0	101
Kuwait	72	78	37	-6	35
Qatar	79	82	37	-3	42
Saudi Arabia	101	119	57	-18	44
Bahrain	362	403	176	-41	186
Morocco	143	146	91	-3	52
Egypt	499	531	277	-32	222
Iraq	703	703	384	0	319
Middle East	**248**	**259**	**360**	**-11**	**-112**
Emerging Markets	**292**	**235**	**148**	**57**	**144**
Global	**174**	**174**	**163**	**0**	**11**

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$)	12-Jun-20	05-Jun-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)	16.18	16.23	16.05	-0.3%	0.8%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
GULF					
Saudi Riyal (SAR)	3.75	3.76	3.75	-0.2%	0.1%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.66	3.68	3.66	-0.3%	0.1%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	1.4%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	128.21	128.21	119.05	0.0%	7.7%
Moroccan Dirham (MAD)	9.67	9.68	9.57	-0.1%	1.1%
Tunisian Dinar (TND)	2.84	2.84	2.83	0.0%	0.2%
Libyan Dinar (LYD)	1.39	1.41	1.40	-1.0%	-0.3%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER