The MENA WEEKLY MONITOR

Economy

p.2 MOODY'S SAYS CORONAVIRUS & OIL PRICE SLIDE WILL HIT GCC BANKS PROFITABILITY BUT CAPITAL WILL REMAIN SOLID

In a recent report on GCC banks, Moody's said that twin challenges from the coronavirus outbreak and the drop in oil prices will severely dent profits at banks in the GCC this year.

Also in this issue

Surveys

p.5 DUBAI TOPPED THE LISTED IN THE MENA REGION IN JLL'S REAL ESTATE TRANSPARENCY IN MENA 2020

According to Jones Lang Lasalle (JLL), the 2020 real estate transparency index was launched at a time of massive economic and societal disruption. In the MENA region, Dubai came first and ranked 36th globally with a score of 2.75.

Also in this issue

Corporate News

p.7 ADNOC AND ADQ SET UP JV TO DEVELOP UAE INDUSTRIAL PROJECTS

The Abu Dhabi National Oil Company (ADNOC) said it signed a joint venture agreement with its holding company ADQ to create a new investment platform to fund and oversee the development of industrial projects within the planned Ruwais Derivatives Park, a key enabler of ADNOC Downstream's 2030 smart growth strategy and the UAE's chemicals and industrial growth strategy.

Also in this issue

Markets In Brief

p.9 REGIONAL EQUITIES SLIGHTLY DOWN, BOND PRICES UP WEEK-ON-WEEK

MENA equity markets remained subdued this week (-0.5%), mainly weighed down by significant price falls in Boursa Kuwait, and shy price retreats in the heavyweight Saudi Tadawul, the UAE equity markets and the Egyptian Exchange given some unfavorable market-specific and company-specific factors. In parallel, MENA bond markets saw mostly upward price movements, mainly tracking US Treasuries move, as investor sentiment darkened after the US President warned that the US Coronavirus outbreak is likely to worsen and US weekly unemployment claims rose for the first time in four months, in a sign that the world's largest economy is struggling to recover from the COVID-19 pandemic, in addition to concerns over escalating US-China tensions.

MENA MARKETS: WEEK OF JULY 19 - JULY 25, 2020

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-0.5%	Weekly Z-spread based bond index	-1.6%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-15.7%	YTD Z-spread based bond index	+45.9%

CONTACTS

Treasury & Capital Markets

Bechara Serhal
(961-1) 977421
bechara.serhal@bankaudi.com.lb

Nadine Akkawi
(961-1) 977401
nadine.akkawi@bankaudi.com.lb

Private Banking

Toufic Aouad
(961-1) 954922
toufic.aouad@bankaudipb.com

Corporate Banking

Khalil Debs
(961-1) 977229
khalil.debs@bankaudi.com.lb

RESEARCH

Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Jamil Naayem
(961-1) 977406
jamil.naayem@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Fadi Kanso
(961-1) 977470
fadi.kanso@bankaudi.com.lb

Gerard Arabian
(961-1) 964047
gerard.arabian@bankaudi.com.lb

Farah Nahlawi
(961-1) 959747
farah.nahlawi@bankaudi.com.lb

Nivine Turyaki
(961-1) 959615
nivine.turyaki@bankaudi.com.lb

Bank Audi sal - Group Research Department - Bank Audi Plaza - Bab Idriss - PO Box 11-2560 - Lebanon - Tel: 961 1 994 000 - email: research@bankaudi.com.lb

ECONOMY

MOODY'S SAYS CORONAVIRUS & OIL PRICE SLIDE WILL HIT GCC BANKS PROFITABILITY BUT CAPITAL WILL REMAIN SOLID

In a recent report on GCC banks, Moody's said that twin challenges from the coronavirus outbreak and the drop in oil prices will severely dent profits at banks in the Gulf Cooperation Council (GCC) area this year. Economic contraction across all six GCC countries will depress credit growth and sap the banks' two main income streams; interest on loans, and fees and commissions.

At the same time, provisioning charges for potential loan losses will rise sharply. The banks' capital will remain adequate, however, underpinning their solvency, as per the Moody's report.

Narrower margins and contraction in lending will pressure revenue, added Moody's, which expects real non-hydrocarbon GDP in the GCC to contract between 3.5% and 5% in 2020. This will erode loan demand and banks' appetite to lend, resulting in an average loan contraction between 0% and 5%, as per the rating agency.

Simultaneously, interest rate cuts and rising customer defaults will reduce banks' interest income, while funding costs will increase moderately.

Combined, these factors will narrow net interest margins. Increased government debt issuance (both bonds and Sukuks) particularly in Saudi Arabia, Bahrain and Oman will help to offset the margin pressure as banks increase their exposure to these higher yielding instruments, according to the recently released rating agency report.

Provisioning charges will rise sharply, according to Moody's. Economic recession will weigh on the creditworthiness of both corporate and household borrowers. The pandemic has hit hotels and restaurants, airlines, automotive industries, real estate, trade, tourism and retail sectors in particular, with small and mid-sized enterprises being the most vulnerable. The banks will feel the effects through rising non-performing loans, requiring higher provisioning charges.

Stimulus packages launched by GCC governments will ease, but not fully offset, the burden on borrowers, said Moody's.

Owing to these factors combined with higher provisioning levels recorded by some banks during the first quarter of 2020, Moody's expects provisions to increase significantly (loan loss provision of US$ 11.7 billion in 2019). Qatari banks' lending books are heavily skewed towards government or related entities and will be more resilient, as per the same source.

Net profits will drop but lower dividend payout will support capital and solvency. The Moody's rated GCC banks delivered aggregate net income of around US$ 34.7 billion in 2019, providing a cushion to absorb losses. Higher provisions and lower income will result in an average decline in full-year net profits of more than 20%.

Consequently, capital may dip slightly but will remain adequate as a lower asset base and low dividend payouts will offset weaker profit, underpinning the solvency profile of the GCC banks. Good provisioning coverage for systems like Kuwait, Qatar and Saudi Arabia will provide an additional cushion, added the recently issued rating agency report.

GCC CORPORATES AND INFRASTRUCTURE PLAYERS TO FEEL EFFECTS OF CREDIT DOWNTURN FROM COVID-19, SAYS S&P

Corporates and infrastructure players in the Gulf Cooperation Council (GCC) countries to be impacted by the effects of abrupt and severe global credit downturn caused by the COVID-19 pandemic, according to Standard & Poor's (S&P).

Since mid-March, the rating agency has taken "negative" rating actions on 16 rated regional players, mostly amid increased pressure from the global pandemic and a sharp fall in hydrocarbon prices, and significantly lowered S&P's economic growth forecasts for the GCC countries.

The rating agency now expects a mid-to-high single digit real GDP contraction for most rated GCC sovereigns in 2020 and operating conditions to remain weak over the next few quarters.

Although the effects on different sectors vary with reliance on oil and tourism, the picture is largely weak for the region in 2020. Currently about 65% of S&P's corporate and infrastructure ratings have a "stable" outlook, although the rating agency notes that government-related entities (GREs) represent about 55% of our portfolio, with outlooks mainly linked to those on the respective sovereigns.

With the exception of Oman ("BB-/Negative/B"), all S&P's ratings on GCC sovereigns have a "stable" outlook, as do 89% of ratings on GREs. However, excluding GREs, only 33% of S&P's rated GCC issuers are on a "stable" outlook and 60% of the corporate portfolio is on a "negative" outlook, with a one-in-three chance of a downgrade over the next 12-24 months.

The rating agency expects noticeable changes in corporate behavior as management teams tackle challenging conditions with limited visibility on the recovery path. For example, the rating agency is seeing a more cautious approach on spending across the board, and a number of rated companies have announced capital expenditure (capex) and dividend cuts and cost-reduction measures.

Given revenue growth challenges, and a lack of clear visibility on recovery timing, the key focus for most corporates rated is managing their cash flows and maintaining liquidity, as per S&P. Many are now revisiting their operating expenses, renegotiating some contracts, and eliminating unnecessary outgoings.

Standard & Poor's has also seen some companies resort to pay cuts and redundancies, particularly in more exposed sectors such as real estate, aviation, and tourism. Furthermore, some rated corporates are already cutting/eliminating dividends to keep cash, and S&P expects this trend to continue over the next few quarters.

In addition, S&P notes that a number of corporates in S&P's portfolio are trying to monetize noncore assets through divestments to manage leverage.

The rating agency thinks that current conditions may challenge disposals and valuations, but a limited number of corporates with large cash balances might look at selective opportunistic acquisitions, with a few such announcements from regional telecom operators.

Since most corporates, particularly outside the GRE space, are cutting capex substantially, the rating agency expects demand for new funding to be limited. Furthermore, regional banks remain accommodative to good credits, providing funding at better terms than the capital markets. Therefore, S&P expects relatively limited debt capital market activity for most rated GCC corporates in 2020, outside of opportunistic refinancing.

ECONOMIC ACTIVITY IN GCC TO CONTRACT SHARPLY THIS YEAR BEFORE RECOVERING IN 2021, SAYS REUTERS

Economic activity in the GCC would contract sharply this year before recovering in 2021, hit by the double shock of the coronavirus pandemic and an oil price crash, as per a quarterly Reuters poll.

Saudi Arabia's GDP is expected to shrink by 5.2% in 2020 before rebounding to 3.1% growth next year, as per Reuters. It is worth noting that a similar poll conducted three months ago saw the KSA's economy expand by 1.0% in 2020 and 2.0% in 2021.

In Kuwait, the country's GDP is anticipated to contract by 6.1% in 2020 before growing by 2.5% next year. This, Kuwait saw the sharpest decline amongst the six Gulf Cooperation Council (GCC) members, as per the same source. Three months ago, it was seen shrinking by 2.9% in 2020 and growing by 2.0% next year.

Moving on to the UAE, it is estimated to contract by 5.1% this year and 2.6% growth in 2021, as per Reuters. Three months ago, they expected the economy to shrink by 0.4% this year. Tourism, a major source of revenue for the emirate of Dubai, has been hit hard by lockdown measures and travel restrictions.

Qatar, Oman and Bahrain's outlooks also worsened for this year, with their real GDPs to shrink by 4.0%, 4.7% and 4.4% respectively. Their growth outlooks for 2021 improved from expectations three months ago, as per Reuters.

CENTRAL BANK OF JORDAN APPROVES JD 380.8 MILLION WORTH OF LOANS SINCE START OF PANDEMIC

The Central Bank of Jordan (CBJ) approved 3,942 loan requests at a value of JD 380.8 million since the onset of the pandemic until July 16 2020. The latter lies within the JD 500 million COVID-19-hit SMEs support program.

The CBJ said that the approved requests received 76.2% of the total amount allocated for the support program, noting that the average amount of approved loans reached JD 96,600, while the value of 95% of approved loans is less than JD 250,000.

Regarding the distribution of loans approved within the JD 500 million programme among various sectors, the wholesale and retail sector received 36.5% of the approved loans, followed by the manufacturing sector at 19.8%, while the value of loans offered within the programme to cover salaries and workers' wages reached 43% of the approved applications, at a value of approximately JD163 million, serving 79,000 employees who are still working, the CBJ said.

SURVEYS

DUBAI TOPPED THE LISTED IN THE MENA REGION IN JLL'S REAL ESTATE TRANSPARENCY IN MENA 2020

According to Jones Lang Lasalle (JLL), the 2020 real estate transparency index was launched at a time of massive economic and societal disruption. In the MENA region, Dubai came first and ranked 36th globally with a score of 2.75. As governments, businesses and communities grapple with the impacts of COVID-19, the pandemic has brought the issues of transparency and trust into even sharper focus. During times of such uncertainty, the need for transparent processes and accurate, timely data becomes more important than ever, as per the JLL report.

The latest survey of 99 countries and territories reveals that improvements to real estate transparency are being made across the globe, but overall progress is still not fast enough for a society demanding higher ethical standards and businesses being held to account to invest and operate transparently and sustainably.

Yet there are reasons to be optimistic and the current disruption may well force the pace of change. JLL fully expects the mass adoption of technology, together with advancement in data availability and sensor technology, to accelerate the integration of prop-tech, helping to boost real estate transparency. The real estate industry is now harnessing huge amounts of data, but JLL will need to ensure that privacy and security are protected by ethical behavior.

The transparency index is composed of six major indicators namely performance management, market fundamentals, governance of listed vehicles, regulatory and legal, transaction process and sustainability. Dubai topped the listed in the MENA region, Abu Dhabi followed and Saudi Arabia came in the third position. All three were noted as semi-transparent.

According to the report, Abu Dhabi is the global top improver in 2020, with its score boosted by government initiatives to improve corporate and real estate sustainability, such as the UAE Ministry of Climate Change and Environment working with the Abu Dhabi Global Market (ADGM), a financial free-zone, to embed sustainable finance policies. The UAE's first Green REIT was also launched in the ADGM in early 2020.

REAL ESTATE TRANSPARENCY IN MENA 2020

Transparency	Global Rank	Market	Score
Semi	36	UAE-Dubai	2.75
	48	UAE-Abu Dhabi	3.10
	57	Saudi Arabia	3.40
Low	60	Egypt	3.52
	61	Morocco	3.60
	66	Jordan	3.69
	70	Bahrain	3.83
	73	Pakistan	3.88
	74	Kuwait	3.98
	75	Qatar	4.03
	76	Iran	4.07
Opaque	81	Oman	4.16
	86	Tunisia	4.36
	87	Lebanon	4.38
	91	Algeria	4.44
	97	Iraq	4.60
	99	Libya	4.73

Sources: Jones Lang Lasalle, Bank Audi's Group Research Department

Open-data initiatives under the city's development accelerator program, Ghadan 21, have also contributed to the improvement in its score. Dubai continues to strengthen its position as the most transparent real estate market in MENA with additional advancements in market tracking, like the creation of an official transaction-based index by the Dubai Land Department and a private sector partner.

Elsewhere in the region, improvements have been muted with political and economic headwinds leading to regression in several countries including Lebanon, Iraq and Libya, with the latter taking last place in the global ranking.

MIDDLE EAST CONSUMERS INCREASINGLY SHOPPING ONLINE, AS PER PwC

53% of residents in the Middle East responding to a survey said they are shopping more online using their smartphone (computer 39%, and tablet 31%) in response to the pandemic, said professional service firm PwC in a new report.

The results highlight that while mobile shopping continues to be a growing trend here in the region, the impact of COVID-19 has forced change, according to the GCIS COVID-19 Pulse – a snapshot survey that analyses how consumer behavior and habits have changed due to the lockdown and social distancing measures.

Consumers who were previously resistant to using mobile payment channels discovered that purchasing goods and services on their smartphone was not only easy but convenient too.

The pandemic has predictably strengthened the online grocery shopping habits of consumers in the Middle East: around half (51%) of the respondents said they were shopping for groceries online or by phone, either to pick up in-store (18%) or, more commonly, to be delivered to their homes (33%).

Of those, 92% said they are likely to continue purchasing online after the pandemic is over. In comparison, only 27% of Middle East consumers in the GCIS 2020 report published in February 2020 said they were shopping for groceries "exclusively" or "mainly" online.

The outbreak has also influenced what consumers spend on – 61% indicated that their spending on groceries has increased and 41% are spending more on entertainment and media. On the flip side, Middle East consumers have decreased their spending on clothing and footwear (50%) and on restaurant food delivery and pick up (42%).

Social media platforms and messaging apps served a vital role during the pandemic – they brought people together, connecting them to their family and friends. 71% of Middle East respondents reported that their usage of messaging apps had increased since the outbreak of the pandemic, while 54% said they were using video chat apps like FaceTime, Zoom and House Party more often. More importantly, 95% of Middle East consumers who said that their social media use has increased indicated they were likely to continue using social media to the same extent post COVID-19.

While 62% of the Middle East survey respondents said they had experienced a decrease in household income due to redundancy or reduction in hours – the highest proportion of any territory surveyed – almost half (49%) expect to spend more over the next few months.

In comparison, just 33% of consumers in other territories surveyed are looking to spend more than before COVID-19 - other territories that took part in the survey are China, the UK, France, Germany, Italy, Netherlands, Spain and Sweden. In the region, consumers in Cairo seem most optimistic with 64% planning to spend more in the next few months, compared to 39% of consumers in Dubai.

The region had a strong immediate response to COVID-19 - 76% of Middle East consumers agreed that their city had been well prepared to deal with the impact of COVID-19 – far more than the 46% for all territories. Furthermore, 81% of Middle Eastern respondents agreed that their city has been managing the pandemic effectively, compared with 56% across all territories.

CORPORATE NEWS

ADNOC AND ADQ SET UP JV TO DEVELOP UAE INDUSTRIAL PROJECTS

The Abu Dhabi National Oil Company (ADNOC) said it signed a joint venture agreement with its holding company ADQ to create a new investment platform to fund and oversee the development of industrial projects within the planned Ruwais Derivatives Park, a key enabler of ADNOC Downstream's 2030 smart growth strategy and the UAE's chemicals and industrial growth strategy.

Under the terms of the agreement, ADNOC will hold a 60% majority equity share in the JV, while ADQ will have the remaining stake.

ADQ brings together a range of vital local expertise across power and logistics, industrial fabrication and manufacturing which will support the development of the planned Derivatives Park in Ruwais.

With the required approvals, the JV will be incorporated in Abu Dhabi Global Markets with both companies jointly determining the JV's management team and board..

The duo will jointly evaluate and invest in anchor chemicals projects, said, the UAE Minister of Industry and Advanced Technology and ADNOC Group CEO.

The JV partners will conduct a comprehensive feasibility study to further develop identified projects in Ruwais and take forward those that show maximum potential for value creation. The JV plans to announce the results of this study before the end of 2020, including specific details on its selected target projects and the range of potential opportunities available for prospective investors and partners.

SCHNEIDER ELECTRIC TO UPGRADE SOKHNA PROJECT POWER SYSTEM

Schneider Electric has been selected by DP World, an enabler of global trade, to implement an end-to-end smart energy medium- and low-voltage distribution system at the Sokhna Basin 2 Terminal, situated near the southern entrance to the Suez Canal on the Red Sea.

The solution will improve safety, save on electricity and maintenance costs, and reduce carbon emissions at one of Egypt's largest ports.

The EcoStruxure Power solution is Internet-Of-Things-enabled, which will allow DP World to run a variety of digital applications, analytics and other technologies across the system, to further improve operations and ensure business continuity, said the company.

The full installation will include both hardware and software to manage, monitor and optimize the power across Basin 2's electrical distribution network. The system will give DP World Sokhna's staff, both those on-site as well as people working remotely, full control of the power grid at Basin 2, and ensure that the electrical system is functioning up to the top recognized international standards, hence operations can run smoothly. Predictive maintenance will help reduce downtime at Basin 2, ensuring greater efficiency of DP World's assets and reduce operational costs.

DP World's Sokhna is part of its international network of 127 business units in 51 countries across six continents. The port's location on the Red Sea, just below the southern entrance to the Suez Canal, is ideally suited to handle cargo transiting through one of the world's busiest commercial waterways which facilitates trade between East and West. The expansion of Basin 2 at the port has been developed at a cost of US$ 520 million, taking DP World's total investments in Egypt to US$ 1.6 billion.

Once operational, DP World's total handling capacity at the Sokhna port will almost double to 1.75 million TEU, from a current 970,000 TEU. Basin 2 includes a 1,300-meters quay with additional 750 m already in use in Phase 1, and a 350,000 square meters container yard. It will also link two operational basins in the port as one entity.

KOOHEJI PICKS GERMAN GROUP SCHUCO FOR ITS BAHRAIN BAY PROJECT

Kooheji Development, a real estate developer in Bahrain, said it signed up Schuco International, a specialist in provision of system solutions for windows, doors, and facades, for its Onyx Bahrain Bay, a high-rise residential development in Bahrain Bay.

As per the deal, Schuco will supply the facade glass, sliding door technology and aluminum structure for Onyx Bahrain Bay project.

Headquartered in Bielefeld, Germany, Schuco is a leading developer and seller of system solutions for facade, windows and doors.

UAE'S GREEN PETROCHEM PLANS EXPANSION IN HAMRIYAH

Green Petrochem, one of the key players in the oil industry across the UAE, announced an expansion plan in the Hamriyah Free Zone to boost its storage capacity and meet the growing demand for its services.

Under the contract, the petrochemical company will lease a 200,000-square-feet plot of land to expand its facilities and respond to the increasing demand for its products.

Green Petrochem said the deal comes as part of its expansion strategy to augment its operations in the regional and international markets.

Green Petrochem is a company that is specialized in providing simple yet effective solutions that meet its customers' demand with a different range of petroleum and petrochemical products with quality and service delivery system that is responsive, reliable and related to today's fast-moving business environment.

In addition to its main storage facility in the free zone, the company is looking to bolster its operations by establishing additional storage facilities and is targeting a future storage capacity of a 150,000 cbm.

GULF CONTRACTORS WINS ABU DHABI ISLAND INTERCHANGE CONTRACT

Jubail Island Investment Company (JIIC) awarded an AED 86 million (US$ 23.6 million) interchange contract to Gulf Contractors Company for its community development, Jubail Island.

The scope of work includes construction of a new highway interchange on Sheikh Khalifa Highway (E-12) to provide convenient public access to the first phase of community development on Jubail Island.

The new interchange will include dual-lane entrance and exit ramps, as well as a fully signalized bridge crossing over the highway to connect with the development's internal roadway network.

Spanning a duration of 18 months, the interchange work is slated for completion in August 2021, said the developer.

With overall infrastructure works on Jubail Island amounting to approximately AED 600 million, JIIC confirmed that to date infrastructure contracts valued at AED 486 million have been approved and are currently underway.

The development will also feature spacious and well-appointed outdoor areas, including parks, walking tracks, kayaking stations and cycling routes for nature lovers and water sports enthusiasts, it stated.

CAPITAL MARKETS

EQUITY MARKETS: SHY PRICE DECLINES IN MENA STOCK MARKETS WEEK-ON-WEEK

MENA equity markets remained subdued this week, mainly weighed down by significant price falls in Boursa Kuwait, and shy price retreats in the heavyweight Saudi Tadawul, the UAE equity markets and the Egyptian Exchange given some unfavorable market-specific and company-specific factors. This was reflected by 0.5% decline in the S&P Pan Arab Composite index.

Boursa Kuwait registered significant price contractions of 4.2% week-on-week, as a wide sell-off mood governed on concerns over the Kuwait's 91-year-old ruler health after news that he was admitted to the hospital. Boubyan Bank's share price dropped by 4.9% to KWf 504. NBK's share price plunged by 5.1% to KWf 758. Kuwait Finance House's share price closed 3.9% lower at KWf 568. Agility's share price decreased by 1.8% to KWf 626.09. Mabanee's share price shed 9.3% to KWf 566.

The heavyweight Saudi Tadawul saw mixed price movements this week. Some stocks traced a downward trajectory on concerns over the health of the 84-year-old Saudi King after he was admitted to the hospital, while some others posted price gains due to some favorable company-specific factors and on improved sentiment after the Saudi Finance Minister said that the Kingdom won't enter a new "age of austerity" due to lower oil prices and the Coronavirus crisis. This resulted into shy price retreats of 0.1% in the S&P Saudi index week-on-week. Amongst losers, petrochemicals giant Saudi Aramco's share price went down by 1.2% to SR 33.0. Samba's share price decreased by 1.3% to SR 26.45. Banque Saudi Fransi's share price dropped by 1.2% to SR 30.15. Dar Al Arkan's share price declined by 0.8% to SR 7.31. Zain KSA's share price shed 3.8% to SR 11.24.

In contrast, Bahri's share price rose by 1.4% week-on-week to SR 37.45. Bahri announced net profits of SR 61 million during the second quarter of 2020 as compared to net profits of SR 46 million a year earlier. Bupa Arabia's share price closed 1.6% higher at SR 116.60. STC's share price increased by 1.1% to SR 97.10.

The UAE equity markets saw two-way flows this week, which resulted into shy price contractions of 0.2%. In Dubai, Dubai Islamic Bank's share price shed 1.3% to AED 3.80. Dubai Islamic Bank posted net profits of AED 1.01 billion during the second quarter of 2020 as compared to net profits of AED 1.38 billion a year earlier. Emaar Malls' share price declined by 0.7% to AED 1.40. HSBC cut its

EQUITY MARKETS INDICATORS (JULY 19 TILL JULY 25, 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	58.4	-4.6%	-16.2%	7.3	16.2%	0.7	6,510.0	5.8%	6.1	0.52
Jordan	277.6	0.1%	-22.8%	35.1	90.2%	24.9	17,407.8	10.5%	10.3	1.18
Egypt	261.7	-0.3%	-24.2%	201.2	-46.7%	994.6	39,327.1	26.6%	8.8	1.64
Saudi Arabia	322.9	-0.1%	-12.3%	7,007.1	-4.8%	1,305.1	2,232,428.4	16.3%	16.8	2.46
Qatar	165.4	0.3%	-10.5%	537.3	-33.0%	1,087.8	150,291.7	18.6%	15.6	1.91
UAE	86.8	-0.2%	-23.4%	390.3	5.7%	865.0	240,866.2	8.4%	11.0	1.64
Oman	179.5	2.5%	-10.7%	27.1	28.5%	58.1	15,334.9	9.2%	9.9	0.87
Bahrain	120.7	-1.6%	-26.4%	4.7	-62.8%	16.4	18,204.3	1.3%	10.0	1.27
Kuwait	90.2	-4.2%	-24.7%	251.8	-40.2%	276.1	82,156.8	15.9%	14.1	1.54
Morocco	241.3	1.3%	-17.1%	36.4	6.1%	1.9	55,908.8	3.4%	16.4	2.60
Tunisia	66.1	1.9%	-8.6%	5.7	-12.5%	3.0	7,549.8	3.9%	13.2	2.21
Arabian Markets	**665.3**	**-0.5%**	**-15.7%**	**8,504.0**	**-9.8%**	**4,633.7**	**2,865,985.7**	**15.4%**	**16.3**	**2.35**

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

Sources: S&P, Bloomberg, Bank Audi's Group Research Department recommendation on Emaar Malls to "Hold" from "Buy" with a price target of AED 1.39. In contrast, Emirates NBD's share price surged by 4.0% to AED 8.89. Emirates NBD received regulatory approval to increase its foreign ownership limit to 40% from 20%.

In Abu Dhabi, Eshraq Investments' share price surged by 12.4% over the week to AED 0.281. RAK Properties' share price went up by 3.4% to AED 0.365. Wahat Al Zaweya Holding's share price increased by 1.4% to AED 2.90. Chestertons said in a recent report that Abu Dhabi's real estate sales are expected to increase during the second half of 2020 on the back of government initiatives and incentive packages offered by various developers. Etisalat's share price rose by 1.3% to AED 16.96. Etisalat announced net profits of AED 4.6 billion during the first half of 2020 as compared to net profits of AED 4.4 billion during the corresponding period of the previous year. In contrast, First Abu Dhabi Bank's share price dropped by 2.4% to AED 10.62. ADCB's share price went down by 2.2% to AED 3.63.

The Egyptian Exchange registered a 0.3% decline in prices week-on-week, mainly on fears of Egyptian intervention in Libya's civil war and on reduced investor sentiment after a recent Reuters poll showed that Egypt's economic growth would slow to 3.1% in FY 2020/2021, down from 3.5% forecast in a similar poll three months ago. Ezz Steel's share price fell by 1.8% to LE 5.6. Telecom Egypt's share price dropped by 1.6% to LE 12.59. Talaat Moustafa Group's share price shed 4.0% to LE 5.58. Eastern Tobacco's share price retreated by 0.7% to LE 11.92. El Sewedy Electric's share price closed 2.3% lower at LE 6.29.

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

MENA fixed income markets saw mostly upward price movements this week, mainly tracking US Treasuries move, as investor sentiment darkened after the US President warned that the US Coronavirus outbreak is likely to worsen and US weekly unemployment claims rose for the first time in four months, in a sign that the world's largest economy is struggling to recover from the COVID-19 pandemic, in addition to concerns over escalating US-China tensions.

In the Kuwait credit space, prices sovereigns maturing in 2027 increased by 0.03 pt week-on-week. KIPCO'27 closed up by 0.59 pt. As to credit rating changes, Standard and Poor's revised its outlook on the long-term foreign and local currency sovereign credit ratings on "Kuwait" to "negative" from "stable". At the same time, S&P affirmed the foreign and local currency sovereign credit ratings at "AA-/A-1+". The "negative" outlook primarily reflects S&P's view of risks stemming from fiscal pressure, including the likely depletion of the General Reserve Fund, the government's main source of budget funding, while alternative financing arrangements are not yet in place. Regarding plans for new issues, Morgan Stanley said that Kuwait might issue US$ 15 billion to US$ 20 billion annually if the Parliament passes a draft law allowing the government to tap local and international debt markets.

In the Saudi credit space, sovereigns maturing in 2030 registered price gains of 0.50 pt week-on-week. Saudi Aramco'24 was up by 0.28 pt. Prices of STC'29 improved by 1.64 pt. SECO'24 closed up by 0.60 pt. SABIC'28 posted price increases of 1.54 pt. Moody's affirmed SABIC's "A1" long-term issuer rating and "A1" senior unsecured bond ratings following the completion of Saudi Arabian Oil Company's acquisition of a 70% stake in SABIC. The outlook on the ratings remains "negative". As to new issues, Saudi British Bank raised SR 5 billion through the sale of Sukuk maturing in July 2020 and callable in July 2025 in a private placement, offering a return of 6 months Saibor + margin of 195 bps.

In the Bahraini credit space, sovereigns maturing in 2023, 2025 and 2029 registered price gains of 0.16 pt, 0.56 pt and 1.88 pt this week. Prices of NOGA'24 increased by 0.54 pt. In the Omani credit space, prices of sovereigns maturing in 2023, 2025 and 2029 improved by 0.40 pt, 0.69 pt and 2.13 pts respectively. Omantel'28 traded up by 0.55 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023 were up by 0.13 pt, while sovereigns maturing in 2025, 2030 and 2040 closed down by 0.25 pt, 0.28 pt and 0.50 pt respectively week-on-week. Euro-denominated sovereigns maturing in 2025 and 2030 posted price contractions of 0.73 pt and 0.17 pt respectively. The Ministry of Finance said that Egypt is planning to issue its first Sukuk in both local and international markets in the current fiscal year.

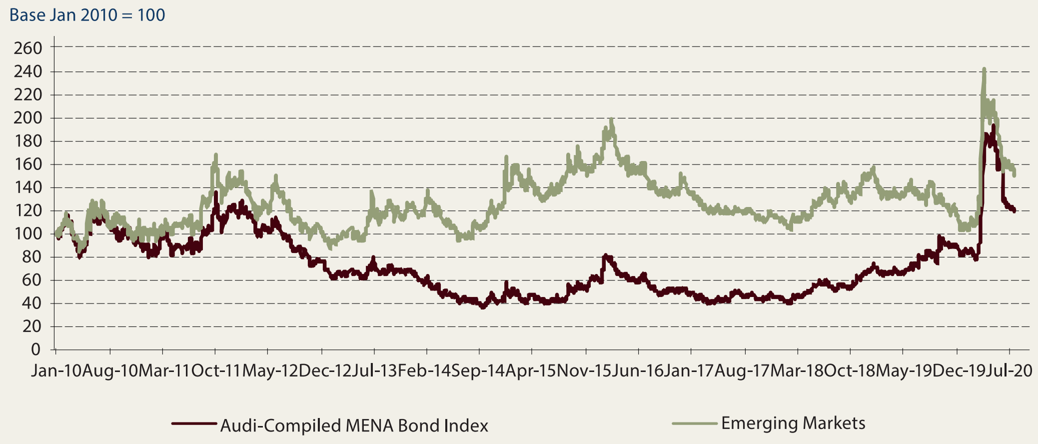
All in all, activity in MENA bond markets was mostly skewed to the upside this week, as dire US jobs data and escalating tensions between US and China flocked demand to safety. This came along expectations that GCC economies would borrow a record amount in 2020 to help cover budget deficits caused by a dual shock of the Coronavirus pandemic and lower crude prices, as per Standard and Poor's.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	24-Jul-20	17-Jul-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	55	62	36	-7	19
Dubai	182	193	91	-11	91
Kuwait	62	62	37	0	25
Qatar	52	61	37	-9	15
Saudi Arabia	89	103	57	-14	32
Bahrain	338	351	176	-13	162
Morocco	132	148	91	-16	41
Egypt	444	460	277	-16	167
Iraq	813	813	384	0	429
Middle East	**241**	**250**	**360**	**-9**	**-119**
Emerging Markets	**121**	**153**	**148**	**-32**	**-27**
Global	**163**	**167**	**163**	**-4**	**0**

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	C/NA	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-/Negative/A-1+	Aa2/RUR	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB-/Negative/B	Ba3/Negative	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$)	24-Jul-20	17-Jul-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)	16.00	15.95	16.05	0.3%	-0.3%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.1%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.65	3.66	3.66	-0.2%	-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	0.38	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)	9.40	9.58	9.57	-1.9%	-1.8%
Tunisian Dinar (TND)	2.77	2.82	2.83	-1.8%	-2.2%
Libyan Dinar (LYD)	1.38	1.39	1.40	-0.5%	-1.0%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department