The MENA WEEKLY MONITOR

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MENA equity markets saw shy price increases this week, as reflected by a 0.4% rise in the S&P Pan Arab Composite index, mainly supported by price gains in the heavyweight Saudi Tadawul, whose market capitalization represents circa 79% of the total regional market capitalization. In parallel, regional bond markets saw mostly upward price movements, mainly on improved sentiment after Brent oil prices hit a four-month high amid production cuts and a rebound in global demand, while concerns of rising global Coronavirus cases continued to spur demand for safe-haven assets.

MENA MARKETS: WEEK OF JUNE 28 - JULY 04, 2020

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.4%	Weekly Z-spread based bond index	-2.4%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-15.6%	YTD Z-spread based bond index	+35.8%

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ECONOMY

MAGNiTT SAYS 2020 HAS SO FAR SEEN MORE INVESTMENT IN FEWER STARTUPS IN MENA

In H1 2020, US$ 659 million were invested in MENA-based startups, as per MAGNiTT's H1 2020 MENA Venture Investment Report. This is already 95% of the total venture investments in the full year of 2019. This amount is up by 35% from H1 2019 and was invested across 251 investments. The total number of deals in H1 2020 is down 8% from H1 2019 and is only 45% of last year's total deals.

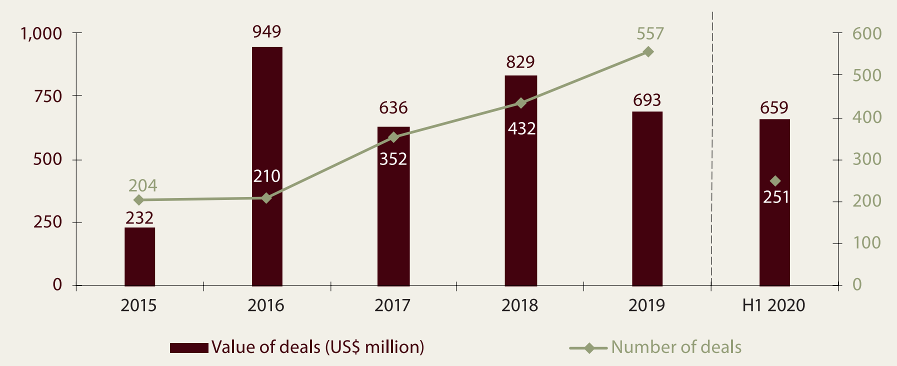
To say that COVID-19 has impacted startups and investors in the region would be an understatement, said MAGNiTT. The world has changed, and MENA's entrepreneurship space is seeing new opportunities and challenges as a result. In some ways, COVID-19 has been a hard slap in the face for many founders in MENA, as per the report. In fact, 72% of founders reported a monthly revenue drop of 25% or more in the recently published joint MAGNiTT & INSEAD Startup & Investor Sentiment Report – which has serious implications for their fundraising plans, as well as decisions to let people go.

In other ways, COVID-19 has been a much-needed and rapid accelerant of digital transformation and tech-adoption in the region. This has been reflected in the funding trends, particularly for startups in industries that have been "positively" impacted by the current pandemic climate - EdTech, FinTech, and HealthTech, as per MAGNiTT.

Unsurprisingly, the outbreak has resulted in a shift in investor appetite as well. With respect to industry, 27% of investors have indicated that they had shifted to focus on industries that are more "positively impacted". With respect to funding stage, investors have been increasingly looking at later-stage deals, either through new investments or as follow-on rounds in their existing portfolio companies. This has highlighted an approach towards larger investments on more established startups as opposed to smaller deals in "riskier" earlier stage startups. For those startups that do receive investments, MAGNiTT has also seen an increase in average ticket size across all stages, reflecting the appetite for longer runway to weather the challenging times ahead.

MAGNiTT has seen this most clearly in the UAE, which has the highest concentration of later-stage startups across MENA. The UAE continued to receive the lion's share of total funding in H1 2020 (59%). In contrast, the more nascent ecosystems of Egypt and Saudi Arabia both saw over a 100% increase

YEARLY MENA START-UP FUNDING



Sources: MAGNiTT, Bank Audi's Group Research Department in funding year-on-year. Egypt maintained its first rank by number of deals, accounting for 25% of all transactions in MENA in H1 2020. Saudi Arabia saw the largest percentage increase in total funding. The continued growth of these two ecosystems, despite the crisis, considerably contributed to a strong start to 2020.

MAGNiTT's latest research, surveying investors from across the region, revealed that the capital available to deploy in startup investments in 2020 across MENA remains at a respectable level of US$ 560 million in dry powder.

The numbers reported to date of both investments and disclosed dry powder availability, paint an optimistic picture of the future - for now. Early indicators show that MAGNiTT may well be on-track to achieve its US$ 1 billion prediction (for venture investment in MENA-based startups in 2020). Unfortunately, it is more likely that the full impact of COVID-19 will hit venture figures later in the year. It takes on average 9-12 months to fundraise in MENA, and MAGNiTT expects that the region will feel the effects of this soon. 75% of investors expect that the MENA region is heading towards an economic recession. Startups remain more pessimistic with 24% expecting that the region is heading towards a depression. MAGNiTT research also highlighted that 77% of surveyed startups have yet to benefit from government initiatives to support their operations.

Over the last 10 years, a lot of energy and investment has been put into building the ecosystem across the region. In spite of this complex backdrop, technology and startup solutions have never been more relevant to solve for society's pain points, as per the report. MAGNiTT has seen that there remains a clear appetite for venture capital as an asset class in the region. Policy decisions and initiatives are required now to support startups and their employees during this time, and help them navigate this crisis. A healthy and flourishing entrepreneurial ecosystem takes years, if not decades, to build and develop. Supporting founders and encouraging investors now will benefit the ecosystem for many years to come, added MAGNiTT.

DUBAI'S REAL GDP SHOWS 3.5% YEAR-ON-YEAR DECLINE IN Q1 2020 DUE TO COVID-19

Dubai's real GDP growth showed a 3.5% decline year-on-year in the first quarter of 2020, due to the impact of COVID-19 on the emirate's tourism and business sectors, as per the latest data from Dubai Statistics Centre (DSC).

The emirate's real GDP registered a growth of 2.2% in 2019. According to the Dubai Statistics Centre, strong management of repercussions of COVID-19 outbreak reduced economic impact of global crisis on Dubai.

Real estate, finance, manufacturing and the government sector in Dubai retained their growth in Q1 2020. Real estate activity registered a growth of 3.7% in Q1 2020 compared to Q1 2019, contributing 8% to the overall economy.

The finance and insurance sector recorded a slight growth of 0.3% in the covered period in 2020 and contributed 11.6% to Dubai's overall economy in Q1 2020. Dubai's health sector declined by 3.7% in Q1 2020 due to the need to allocate the majority of health resources to combating the pandemic.

However, trade, transport and storage activities shrank in Q1 2020 compared to Q1 2019. Though trading activity declined by 7.5% in the first quarter of the year, it retained its status as the largest contributor to the emirate's economy, accounting for 23% of total GDP.

Transport and storage activities declined by 5.5% but remained one of the highest contributors to Dubai's economy accounting for 12.1%, placing it just behind the trading sector, according to DSC.

The accommodation and food services sector (hotels and restaurants) declined by 14.8% year-on-year in Q1 2020. The sector contributed 5.1% to the overall economy of the emirate, with this weakness expected given the movement restrictions in place during the height of the lockdown as well as the prohibition of foreign and domestic tourism and the temporary closure of hospitality establishments.

JORDAN TO FACE GROWING UNREST OWING TO THE DEEPENING ECONOMIC CHALLENGES POSED BY COVID, SAYS EIU

Jordan is expected to face growing unrest owing to the deepening economic challenges posed by the coronavirus (Covid-19) pandemic, as per a recent report by the Economist Intelligence Unit (EIU).

The economic implications of the pandemic would pose considerable challenges. Although the authorities would continue to respond with a range of fiscal and monetary stimulus measures, the economy is forecast to slip into a deep recession in 2020, and the country's fiscal deficit and public debt will increase sharply, as per the report.

Fiscal consolidation under the aegis of the four-year US$ 1.3 billion extended fund facility (EFF) that was signed with the IMF in January 2020 will be put on hold in the short term while the government deals with the economic and social repercussions of the outbreak, according to the EIU. In recognition of this, Jordan and the Fund made amendments to the EFF programme on March 30th, and agreed a US$ 396 million rapid financing instrument in May. These would allow Jordan to prioritize policies aimed at containing the economic impact of the virus.

As a result, the EIU expects fiscal consolidation and further subsidy reforms to only re-emerge on the agenda after the pandemic. Given the politically sensitive nature of austerity programmes, the authorities would face a difficult task in balancing the necessity of such measures against the resulting public discontent, according to the Economist Intelligence Unit.

Jordan's GDP would contract by 5% in 2020, given the global downturn caused by the pandemic, which is disrupting trade and global supply chains and has brought tourism to a complete halt. Limited government assistance to low-income groups will provide some support in 2020-2021, but private consumption will nevertheless be severely depressed, as per the report.

Despite the authorities' efforts to prop up the economy with mitigation strategies, sluggish global demand will also lead to sharp contractions in exports and inward investment, as per EIU.

The pandemic has reduced domestic energy and transport costs substantially. This, combined with the slump in domestic demand, would drive down inflation to just 0.1% in 2020, far below the year-on-year average of 1.2% in January-May, according to the Economist Intelligence Unit.

Higher global food prices and a moderate rise in oil prices in 2021 will increase inflation to an average of 0.6% that year. The EIU expects inflation to average 3.2% a year in 2022-24, given further commodity price growth and stronger domestic demand. However, a weakening US dollar—to which the Jordanian dinar is pegged—will contain inflationary pressures.

Last but not least, lower international prices for phosphates and a decline in global demand will cause a sharp contraction in goods export earnings in 2020. Textiles, Jordan's biggest export to the US, would be hit particularly hard in 2020 owing to plunging demand. This will be offset by a contracting import bill in 2020, which will remain subdued in 2021 owing to low oil prices, then pick up in 2022-24 as international prices rise and domestic demand increases more strongly.

IRAQ SEEKS US$ 5 BILLION IMF SUPPORT, SAYS FINANCE MINISTER

The Iraqi government seeks US$ 5 billion IMF support, with the economy to shrink by between 7% and 9% this year, says Finance Minister. The country is in talks with the International Monetary Fund for a loan and is seeking Saudi investments in its natural-gas fields, as the country attempts to bolster its battered economy in the face of the coronavirus and low energy prices.

The Kingdom expressed interest in Iraqi gas projects, with the country interested to invest in the gas field of Akkas in the west or Mansuriya in the east. They could also invest in capturing gas from the southern oil deposit of Ratawi.

SURVEYS

ABU DHABI TOPS MIDDLE EAST CITIES IN OCCUPANCY RATES IN FIRST FOUR MONTHS OF 2020, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for the first four months of 2020 (four and five star hotels), according to which occupancy rates decreased in all fourteen cities within the region.

Occupancy rates decreased in 14 cities considered in the survey with Beirut registering the most significant decrease of 56.9%. The largest declines after Beirut were seen by Dubai with a fall of 33.6%, Muscat and Cairo-City which saw a decrease of 30.5% each.

According to the survey, the cities of Abu Dhabi, Doha and Dubai took over the first three ranks amongst peers in hotel occupancy, with 69% for Abu Dhabi, 60% for Doha and 58% for Kuwait City. At the lower end of the regional scale were Amman (39%), Manama (36%) and Beirut (17%). Furthermore, a total of ten cities reported decreases in the average room rate, registering 32.8% in the case of Beirut. The most significant downward movements after Beirut were posted by Abu Dhabi (-20.3%) and Manama (-18.0%). Only four cities reported increases in average room rate namely Makkah (+13.1%), Madinah (+2.2%) Kuwait City (1.8%) and Doha (+0.4%).

Dubai, Kuwait City and Riyadh reported the highest average room rates of US$ 227, US$ 176 and US$ 163 respectively. At the lower end were Makkah, Cairo-City and Abu Dhabi with US$ 107 for Makkah, US$ 105 for Cairo-City and Abu Dhabi with US$ 92. In this context, the rooms' yield decreased in all cities in the survey. The most significant decreases were seen in Beirut, Dubai and Muscat with -84.7% for Beirut and -50.3% for Dubai and -49.9% for Muscat. Dubai (US$ 117), Kuwait City (US$ 102) and Riyadh (US$ 91) had the highest rooms' yields, while those of Madina and Manama (US$ 49) and Beirut (US$ 22) were the lowest.

In details, in-line with other markets in the region, Abu Dhabi's hospitality sector also experienced a significant headwind to its performance. The strict public health measures, domestic and international travel restrictions, closure of public venues and the suspension of all events have resulted in the weak performance. However, revival of Abu Dhabi hospitality sector is expected over the medium to long term supported by government initiatives and domestic tourism. Moreover, the introduction of economic and financial relief measures are also expected to support the tourism and hospitality sector in the short to medium term, as per EY.

Furthermore, Dubai's hospitality market saw an occupancy drop of 71.0 percentage points in April 2020 when compared to the same period last year. Concurrently, ADR decreased by 66.8% from US$ 291 in April 2019 to US$ 97 in April 2020 which resulted in a year-on-year RevPAR drop of 95.7% from US$ 238 in April 2019 to US$ 10 in April 2020. With its very nature, the hospitality sector is largely dependent on tourism activities, therefore the COVID-19 outbreak and the enforcement of preventive measures such as the lockdown, travel restrictions and the suspension of major events have created an unprecedented contraction in the sector performance. The transformation of hotels into quarantine centers is likely to act as a temporary relief for the sector. However, a recovery of the hospitality sector is expected to be led by domestic demand and corporate visitors once the tourism activities gradually resume in Q3/Q4 of 2020.

In Doha, the deferment of major sports events such as Doha Diamond League and Doha Masters in Qatar along with the ban on public gatherings, closure of non-essential businesses and halting of international flights could have adversely impacted the Doha hospitality sector performance. The economic package worth QR 75 billion as introduced by the government to the private sector (including the real estate industry), coupled with six months exemption of utility charges are expected to support the economy and the industries in the short to medium term. On the other hand, considering the heavy reliance of Doha's hospitality sector on tourism from Europe, USA and Asia, the sector is expected to gradually rebound to a new normal with the reduction of travel restrictions and opening of the airspace over the next 12-24 months.

VALUE OF AWARDED BUSINESS CONTRACTS IN SAUDI ARABIA REACH US$ 12 BILLION IN Q1 2020, AS PER US-SAUDI BUSINESS COUNCIL

The value of awarded contracts reached SR 45.2 billion ($US1 2 billion) during Q1 2020 as the momentum that was witnessed in 2019 continued into 2020, according to a report by the US-Saudi Business Council (USSBC). The value of awarded contracts increased by 28% compared to Q4 2019 but decreased by 8% compared to Q1 2019. The USSBC Contract Awards Index (CAI) reached 216.60 points at the end of the first quarter. The increase in contract awards during the first quarter of 2020 saw the CAI climb by 3 percent q-o-q as the value of projects slowed during Q4'19. While the CAI ended above the 200 point mark during Q1'20, its streak of seven consecutive months above that level was broken in January. The CAI briefly fell to 196.98 in January before climbing up to 212.90 in February and ending at 216.60 in March. Nonetheless, the CAI in the first quarter of 2020 grew by 28% year-on-year reflecting the surge that was witnessed throughout the rest of 2019 and into the first quarter of 2020.

The value of awarded contracts during the first quarter of 2020 was led by the military sector, which accounted for SR 15 billion (US$ 4 billion) or 33% of all contracts. The military sector was led by two mega-projects associated with the construction of the King Salman airbase as well as the King Faisal air academy, each valued at SR 7.5 billion (US$ 2 billion). This marks the highest value of awarded contracts in a quarter and year in the military sector on record. The previous high on a quarterly basis was in the first quarter of 2019, which registered SR 7.7 billion (US$ 2 billion). The previous high on an annual basis also occurred in 2019 with SR 11.4 billion (US$ 3 billion).

The oil & gas sector continued its momentum from 2019 as it accounted for SR 11.2 billion or 25% of awarded contracts. Saudi Aramco continues to award contracts for the development of the Marjan oil field as wells as Safaniya and South Ghawar in the Eastern Province. Saudi Aramco is poised to continue awarding mega-projects in the oil & gas sector despite the impact of COVID-19 on the economy. The petrochemicals sector rose this quarter after a relatively slow year in 2019. The value of awarded contracts reached SR 8.3 billion (US$ 2.2 billion) from two contracts, accounting for 18% of total projects. This reflects a significant jump as the total value of awarded contracts in 2019 was SR 2.5 billion (US$ 662 million) for the petrochemicals sector. Judging by the pace of awarded contracts during the first quarter of 2020, the construction sector appeared on pace to continue the strong showing that was witnessed in 2019. The oil & gas sector continued to see mega-projects being awarded as Saudi Aramco continued to expand the Kingdom's hydrocarbon extraction capabilities to meet both local and global demand. The petrochemicals sector had a significant joint venture that led to the largest awarded contract of the quarter. Furthermore, the military sector awarded two long-term air base projects that is expected to provide numerous employment opportunities to the non-oil sector, as per US-Saudi Business Council.

The effects of COVID-19 on the Kingdom's economy exerted additional strains as health-related concerns were equally met with lowered state revenues resulting from depressed demand for oil. To effectively combat the negative effects of the pandemic, the Kingdom enacted stringent fiscal measures that to date, has amounted to more than SR 270 billion (US$ 72 billion) worth of budgetary cuts and stimulus plans. Further mitigation plans include the decision to raise the VAT rate from 5% to 15% starting in July 2020, which is not likely to provide a sizeable contribution to non-oil revenues in the short-term given current lowered consumer demand for goods and services. The impact of COVID-19 on the Kingdom's construction sector is expected to be steep over the next three quarters of 2020. A recent report from the Saudi Contractors Authority forecasted that contracts awards would decline between 20%-40% over the course of the year. The labor intensive nature of the construction sector, which is heavily reliant on blue collar foreigners adds financial strain on contractors to maintain their workforce while also facing mobility restrictions. These challenges have caused hardship on SMEs that are threatened with the lack of necessary funds to maintain their payrolls and access working capital.

The government has stepped in with a new injection of SR 36 billion (US$ 9.6 billion) that is aimed at supporting SMEs in the construction sector. According to the Private Sector Stimulus Office, the initiative will support more than 17,500 SMEs in the Kingdom. Another source of consternation is the challenges faced by commercial banks to withstand delays in loan repayments, thus creating a growing liquidity crunch and an increase in non-performing loans. However, the SR 50 billion (US$ 13 billion) injection into SAMA to support the banking sector and SME's will soften the impact on the financial sector.

CORPORATE NEWS

NCB SIGNS AGREEMENT WITH SAMBA FOR MERGER TALKS

Saudi Arabia's National Commercial Bank (NCB) said it entered into a framework agreement with Samba Financial Group to begin a reciprocal due diligence process and to negotiate a potential merger of the two entities.

The parties have also agreed in the framework agreement that they will negotiate definitive agreements in relation to the proposed transaction that will set out the relevant commercial terms thereof, including the final structure of the proposed transaction, the final exchange ratio, the name of the merging bank and the approach to its branding, the composition of the board and the parties' approach to the management of the merging bank, and the location of the head office of the merging bank.

The parties intend to conclude the reciprocal due diligence process and sign the definitive agreements in relation to the proposed transaction within a period of four months from the date of the announcement, as per a statement.

NCB has appointed JP Morgan Saudi Arabia Company as its financial advisor, and Abuhimed Alsheikh & Alhagbani Law Firm as its legal advisor for the proposed transaction.

Samba has appointed Morgan Stanley Saudi Arabia as its financial advisor, and Khoshaim & Associates as its legal advisor.

SAUDI MAWANI AND DP WORLD TO LAUNCH FIRST DUBAI-EGYPT SHIPPING LINE

Saudi Ports Authority (Mawani) teamed up with DP World, a provider of worldwide smart end-to-end supply chain logistics based in Dubai, to launch the first direct shipping line connecting UAE's Jebel Ali Port in Dubai with Egypt's Sokhna Port through Jeddah Islamic Port.

The announcement ushers in a new era in the region's shipping industry, as the new shipping line, the fourth to be launched by Mawani this year, aims to provide shipping services on the Red Sea coast, as per a statement.

The Transport Ministry's vision has been focused on linking the Kingdom to the surrounding countries by sea, land and air in a strategy aimed at unlocking numerous opportunities utilizing the location of Saudi Arabia and connecting it with Europe and Africa using Saudi as an important land bridge, as per the same source.

DP World in December last year was awarded a 30-year Build-Operate-Transfer, BOT, concession by Mawani, for the management and development of the Jeddah South Container Terminal at the multi-purpose Jeddah Islamic Port.

Under the agreement, DP World will invest up to US$ 500 million to improve and modernize the Jeddah Islamic Port, including major infrastructure development to enable the Port to serve the ultra-large container carriers.

PETROFAC AWARDED PROJECT BY TATWEER PETROLEUM

Petrofac, a provider of oilfield services, said that its Engineering & Production Services division (EPS) was awarded a multi-million dollar engineering, procurement, construction, and commissioning (EPCC) contract by Tatweer Petroleum for an upstream gas project in Bahrain.

Under the terms of the contract, the scope of work includes well hook-ups, associated pipelines, and tie-ins for several new gas wells that Tatweer Petroleum is planning to drill as part of its gas delivery strategy in the Bahrain field.

SCT ENTERS SATELLITE SERVICES DEAL WITH DUNES MIDDLE EAST

Space Communications Technologies (SCT) signed a memorandum of understanding (MoU) with Dunes Middle East Company to provide satellite communications services, using VSAT systems, targeting different economic sectors in the Omani market.

SCT is one of the subsidiaries of the Omani Information Technology and Communications Group.

According to the MoU, the Dunes Middle East Company will provide its services by using the latest satellite communication technologies through access to Al Amirat Earth (satellite) Station, which operates on the KA frequency band. It works to implement, operate and support the networks of operating VSAT systems. SCT will provide the necessary support to facilitate and overcome any obstacles or difficulties arising from the use of its satellite services, as per the Executive Director of SCT.

The signing of the MoU aims to support small and medium-sized companies as Dunes Middle East Company has obtained a third-class telecommunications license, which enables it to provide satellite communication services through the VSAT systems.

Dunes Middle East will provide the Omani market with the latest satellite communication services on the KA frequency band, making it one of the first companies that will contribute to the basic preparations to switch to the national satellite services in the near future, as per the same source.

NETHERLANDS-BASED MAMMOET WINS TWO CONTRACTS FOR DUQM REFINERY

Mammoet, a global company for engineered heavy lifting and transport, was awarded two contracts for Duqm oil refinery, a strategic investment for Oman that forms the cornerstone of the Duqm Special Economic Zone.

The development occupies more than 2,000 acres and, when completed, would have the capacity to process approximately 230,000 barrels of crude oil per day. It would produce high-quality products, such as diesel, jet fuel, naphtha and LPG, in compliance with global operational and safety standards.

The first contract came from a local manufacturer, involving the inland and sea transport of nine LPG storage tanks (bullets) for EPC-2 Offsite and Utilities scope of the project.

The second contract was awarded by Agility Global Logistics (Agility) and comprises receiving and transport of various reactors.

Each 780-ton bullet fabricated at a local fabrication facility in Sohar, measures 72 meters long, 11 meters high and 8 meters wide, and was loaded-out by 44 axle lines of self-propelled modular trailers (SPMT) onto a barge provided by Mammoet in Sohar, bound for the Port of Duqm. Precision positioning of the RoRo ramps, an accurate ballasting plan, expert mooring and sea fastening ensured successful load-outs.

Upon arrival at the Port of Duqm, the bullets were safely loaded-in, staged in the port's laydown area and transported 25 kms to the project site. Once at the refinery, the bullets were successfully positioned onto their foundations by 1,600-ton and 1,250-ton capacity crawler cranes working in tandem. By managing the complete logistics chain from the fabrication yard to the Duqm refinery, Mammoet was able to ensure timely and safe delivery of the bullets.

The Agility contract was an essential component of the Tecnicas Reunidas' Process Unit scope of the project. This included handling a 1,130-ton reactor measuring 33 meters long, 8.7 meters wide and 7.3 meters high, which was the heaviest cargo ever loaded-in at the Port of Duqm. All the reactors Agility handled have been received successfully and safely delivered to the project site using 54 axle lines of SPMT.

Additionally, ten hydraulic cranes and three crawler cranes have been engaged at Duqm refinery to support other subcontractors on site.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES SLIGHTLY UP THIS WEEK, HELPED BY SAUDI EQUITY PRICE GAINS

MENA equity markets saw shy price increases this week, as reflected by 0.4% rise in the S&P Pan Arab Composite index, mainly supported by price gains in the heavyweight Saudi Tadawul, whose market capitalization represents circa 79% of the total regional market capitalization.

In details, the Saudi Tadawul registered a 1.0% increase in prices week-on-week, mainly driven by rising Brent prices (+4.6%) following a drop in US unemployment in June 2020 and the first weekly decline in US crude stockpiles since May 2020, while also supported by some favorable market-specific and company-specific factors. Saudi Capital Market Authority said that it would exempt listed companies for one year from paying fees of submitting application to register shares, reviewing application related to registration, and the registration to offer new shares.

Samba's share price jumped by 12.6% over the week to SR 26.95. NCB signed an initial agreement with Samba to create a combined entity with almost US$ 214 billion in assets, which would form the third largest bank in the region after Qatar National Bank and First Abu Dhabi Bank. Sulaiman Al Habib's share price surged by 13.0% to SR 82.50. Sulaiman Al Habib's Board of Directors recommended the distribution of dividends at a rate of SR 0.50 per share for the first quarter of 2020. Also, cement shares benefited from improved sentiment after the Kingdom approved two new projects expected to provide 1,700 houses for citizens in the Qassim province. Najran Cement's share price jumped by 7.2% to SR 11.32. City Cement's share price surged by 5.4% to SR 16.30. Northern Cement's share price closed 4.9% higher at SR 10.02. Saudi Cement's share price climbed by 4.3% to SR 53.40.

In contrast, the Qatar Exchange saw two-way flows this week, which resulted into shy price declines of 0.1%. Some stocks traced a downward trajectory, mainly on lingering concerns over the economic impact of the Coronavirus, bearing in mind that Qatar has the second highest tally of infections in the Gulf region. Some other stocks posted weekly price gains, mainly supported by merger talks in the banking sector. 19 out of 47 listed stocks registered price falls, while 28 stocks posted price gains this week. Amongst losers, United Development Company's share price fell by 5.6% to QR 1.130. Gulf Warehousing Company's share price shed 4.0% to QR 4.965. Qatar National Cement Company's share price declined by 2.4% to QR 3.710.

EQUITY MARKETS INDICATORS (JUNE 28 TILL JULY 04, 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	60.2	1.7%	-13.7%	11.5	141.5%	5.4	6,710.0	8.9%	6.1	0.52
Jordan	276.6	-3.5%	-23.1%	27.4	-15.2%	21.2	17,519.2	8.1%	10.6	1.20
Egypt	267.5	-1.5%	-22.5%	164.6	-51.6%	952.8	39,992.4	21.4%	8.6	1.72
Saudi Arabia	320.4	1.0%	-13.0%	6,586.5	5.0%	1,290.5	2,222,143.2	15.4%	16.4	2.41
Qatar	162.8	-0.1%	-11.9%	716.3	49.6%	1,772.4	146,197.1	25.5%	14.4	1.95
UAE	88.1	0.0%	-22.4%	405.8	-20.4%	1,181.2	209,640.3	10.1%	10.8	1.64
Oman	177.4	-0.5%	-11.8%	15.0	11.5%	48.4	15,298.3	5.1%	9.1	0.85
Bahrain	118.0	-0.8%	-28.1%	5.5	-13.9%	20.3	17,654.9	1.6%	9.8	1.26
Kuwait	96.5	-1.0%	-19.5%	258.9	-40.0%	504.9	86,742.2	15.5%	14.9	1.63
Morocco	234.1	1.6%	-19.6%	44.7	-13.8%	2.5	54,152.0	4.3%	16.7	2.63
Tunisia	64.7	-0.5%	-10.6%	7.4	-43.0%	4.7	7,693.4	5.0%	13.6	2.35
Arabian Markets	**666.0**	**0.4%**	**-15.6%**	**8,243.6**	**1.1%**	**5,804.3**	**2,823,743.1**	**15.2%**	**15.5**	**2.27**

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

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

In contrast, Al Khaliji Commercial Bank's share price jumped by 21.5% week-on-week to QR 1.652. Masraf Al Rayan's share price went up by 3.1% to QR 4.0. Masraf Al Rayan and Al Khaliji Commercial Bank began initial negotiations to create one of the largest Islamic entities in the Middle East with about US$ 45 billion in assets. Merger talks between the two listed banks helped lifting investor sentiment, spurring demand for other banking stocks. Qatar First Bank's share price increased by 2.1% to QR 1.047. Doha Bank's share price went up by 2.6% to QR 2.131.

Boursa Kuwait saw price falls of 1.0% week-on-week, mainly on some profit-taking operations following last week's price gains after the Kuwaiti Capital Market Authority said that MSCI Kuwait Indices would be reclassified to emerging markets in November 2020. Boubyan Bank's share price edged down by 0.2% to KWf 532. NBK's share price declined by 0.5% to KWf 823. Kuwait Finance House's share price closed 1.5% lower at KWf 609. Agility's share price decreased by 0.9% to KWf 735. Mabanee's share price shed 2.7% to KWf 659.

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

MENA fixed income markets saw mostly upward price movements this week, mainly on improved sentiment after Brent oil prices hit a four-month high amid production cuts and a rebound in global demand, while concerns of rising global Coronavirus cases continued to spur demand for safe-haven assets.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 registered price gains of 0.88 pt and 1.25 pt respectively week-on-week. Prices of Mubadala'24 rose by 0.81 pt. ADNOC'29 was up by 1.18 pt. Etisalat'24 posted price increases of 0.29 pt. Taqa'26 closed up by 1.87 pt. Moody's upgraded the issuer rating of Taqa to "Aa3" from "A3" and its short term rating to "P-1" from "P-2". The outlook on all ratings is "stable". The upgrade reflects Moody's view that the transfer of the ADPower assets reinforces the strategic importance of Taqa for the government of Abu Dhabi.

In the Jordanian credit space, sovereigns maturing in 2027 were down by 0.67 pt, while sovereigns maturing in 2047 posted price improvements of 1.45 pt week-on-week. Jordan raised US$ 1.75 billion from the sale of a dual-tranche bond. The first tranche consists of a five-year US$ 500 million bond at 4.95%. The second tranche consists of a 10-year US$ 1.25 billion bond at 5.85%. The bond sale attracted bids worth over US$ 6.25 billion. The proceeds of the bond sale would be used to cover a US$ 1.25 billion bond maturing in October 2020. The government would also use some of the funds raised to inject liquidity for the private sector by paying arrears accumulated by present and previous governments, as per the Jordanian Finance Ministry.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 saw price improvements of 0.50 pt and 2.25 pts respectively week-on-week. Saudi Aramco'24 closed up by 0.39 pt. Prices of STC'29 expanded by 0.39 pt. SABIC'28 was up by 1.34 pt. Prices of SEC'24 rose by 0.53 pt. Regarding new issues, NCB raised this week SR 4.2 billion through the sale of a Perpetual redeemable Sukuk at a return of 4.25% per annum through a private placement. As to plans for new issues, Hikma Pharmaceuticals mandated BoA Securities, Citi, HSBC and Mizuho Securities as Joint Lead Managers and Bookrunners to arrange a series of fixed income investor calls. A Regulation-S Senior Unsecured US$ five-year or seven-year benchmark offering would follow, subject to market conditions.

In the Kuwaiti credit space, sovereigns maturing in 2027 were up by 1.16 pt week-on-week. Prices of KIPCO'27 closed down by 0.75 pt. Kuwait's Council of Ministers approved a proposed schedule of economic reform measures, which include speeding up a debt law allowing the government to issue bonds.

In the Dubai credit space, sovereigns maturing in 2029 were up by 0.29 pt week-on-week. DP World'30 registered price increases of 0.29 pt. Prices of Majid Al Futtaim'29 rose by 0.24 pt. Amongst financials, Emirates NBD perpetual (offering a coupon of 6.125%) closed down by 0.48 pt. Emirates NBD mandated BoA Securities, Citi, Emirates NBD Capital, FAB, HSBC and Standard Chartered Bank as joint lead managers and joint bookrunners to arrange a global investor conference call for the sale of a benchmark fixed rate US$ Regulation S additional Tier 1 Perpetual non-call six-year bond, subject to market conditions.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price expansions of 0.38 pt to 1.03 pt week-on-week. Prices of Euro-denominated sovereigns maturing in 2025 and 2030 increased by 0.42 pt and 0.99 pt respectively.

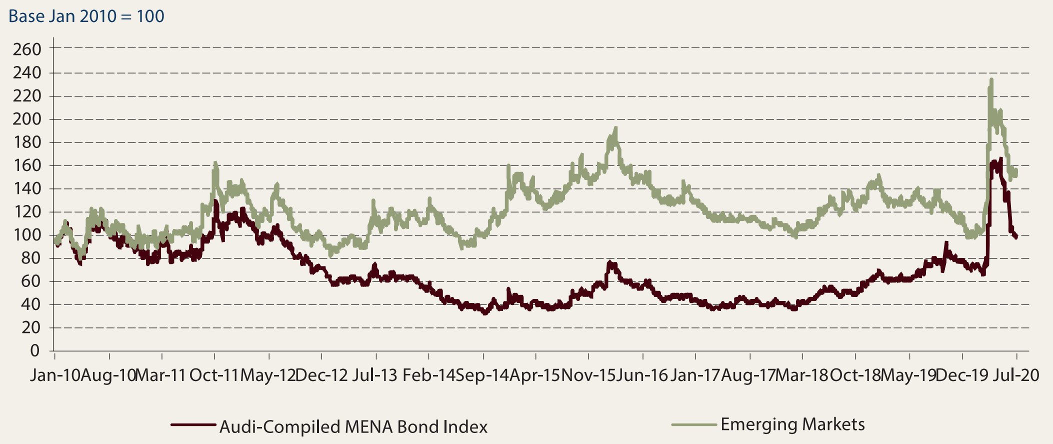
All in all, activity in regional bond markets remained tilted to the upside this week, as concerns about a second wave of Coronavirus that could complicate the still-nascent global economic recovery stoked demand for safety.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	03-Jul-20	26-Jun-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	65	76	36	-11	29
Dubai	190	190	91	0	99
Kuwait	72	73	37	-1	35
Qatar	63	76	37	-13	26
Saudi Arabia	89	101	57	-12	32
Bahrain	343	350	176	-7	167
Morocco	143	144	91	-1	52
Egypt	468	490	277	-22	191
Iraq	864	864	384	0	480
Middle East	**255**	**263**	**360**	**-8**	**-105**
Emerging Markets	**108**	**133**	**148**	**-25**	**-40**
Global	**170**	**177**	**163**	**-7**	**7**

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	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$)	03-Jul-20	26-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)	16.13	16.16	16.05	-0.2%	0.5%
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)	3.66	3.67	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	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	129.87	129.87	119.05	0.0%	9.1%
Moroccan Dirham (MAD)	9.69	9.72	9.57	-0.3%	1.3%
Tunisian Dinar (TND)	2.86	2.85	2.83	0.3%	0.9%
Libyan Dinar (LYD)	1.40	1.40	1.40	0.0%	0.1%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department