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## The MENA WEEKLY MONITOR

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Following a double-digit price contraction over the past four weeks, MENA equity markets bounced back this week, as reflected by a 1.4% rise in the S&P Pan Arab Composite index, mainly tracking a global equity price rally on hopes that a US\$ 2 trillion emergency stimulus package announced by the US to contain coronavirus pandemic would shore up global economic activity. Also, MENA fixed income markets saw mostly upward price movements, mainly on bets that the US stimulus package would help combatting the economic consequences of the coronavirus pandemic, thereby stabilizing the US and world economies.

#### MENA MARKETS: WEEK OF MARCH 22 - MARCH 28, 2020

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+1.4%	Weekly Z-spread based bond index	+6.3%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-24.8%	YTD Z-spread based bond index	+118.3%

## ECONOMY

### GOLDMAN SACHS SAYS GCC ECONOMIES WERE HIT BY TWIN SHOCK LATELY

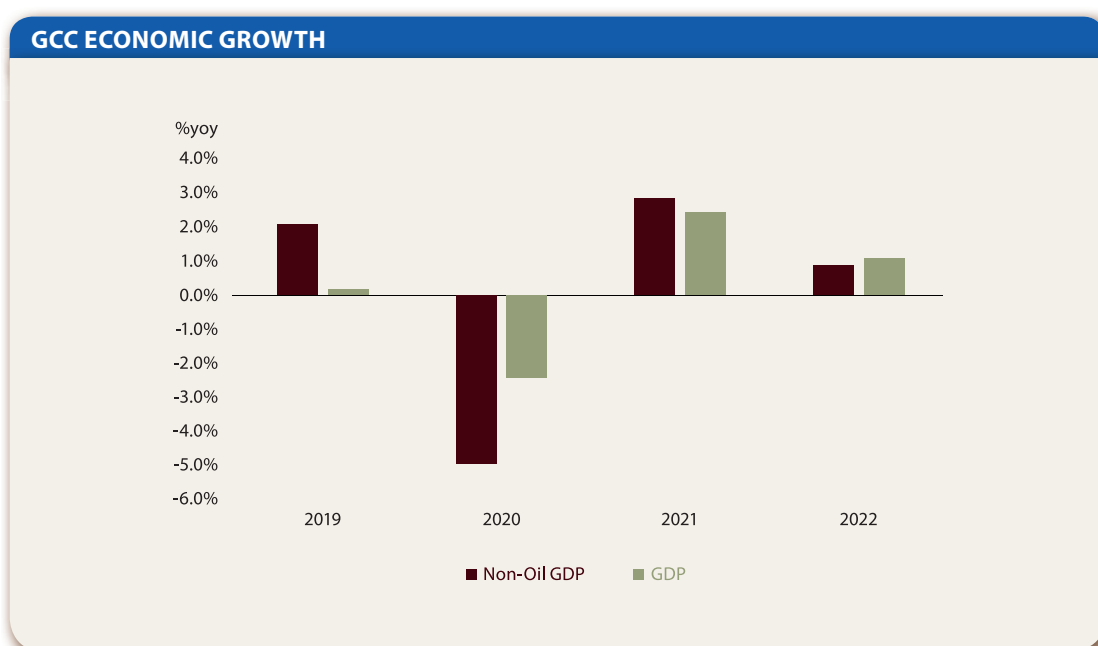
In a report on the GCC region assessing the likely impact of recent shocks on GCC economic growth, public finances and external balance sheets, Goldman Sachs said that GCC oil exporters have been hit by the twin shock of the COVID-19 pandemic and the unravelling of the OPEC+ production agreement, which have sent Brent Crude prices to below US\$ 30/bbl.

Goldman Sachs believes that, in the near term, non-oil growth in the GCC will be hard hit by the effects of COVID-19. The report estimates that the non-oil economy will contract by around 5% in 2020. Moreover, because of the sharp fall in global oil prices, Goldman Sachs is expecting a much weaker post-coronavirus recovery in economic activity than in oil-importing economies.

Goldman Sachs believes the collapse in oil prices is likely to have larger long-term fiscal and external implications for GCC economies than the direct effects of COVID-19. To assess the implications of lower oil prices, the report looks at three separate oil price scenarios, ranging from Goldman Sachs base case (where Brent crude prices recover gradually to US\$ 60/bbl by the end of 2021) to a worst case (where Brent remains stuck close to US\$ 30/bbl for the foreseeable future).

Under all three scenarios, Goldman Sachs anticipates that government financing requirements could spike to around US\$ 200 billion in 2020, from around US\$ 30 billion last year. Much of this will be absorbed by fiscal reserves, given the difficult global financial situation, as per the report. Oman and Bahrain appear to be most vulnerable from a fiscal perspective, particularly if access to markets remains restricted for a prolonged period of time, according to the same source.

Goldman Sachs finds that external buffers in Saudi Arabia, Qatar, the UAE and Kuwait should be sufficient to absorb the impact of lower oil prices even in the worst case scenario. By contrast, Oman and Bahrain look vulnerable from an external perspective, the report added. Bahrain's FX reserves are likely to be insufficient to absorb the deterioration in the current account in the worst case scenario, but risks are likely to be contained by continued support from its GCC neighbors. In Oman, Goldman Sachs expects the current account deficit to widen to 25% of GDP this year, and finds that FX reserves could be depleted as early as next year, posing risks to the peg.



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## MOODY'S PLACES "BA2" ISSUER RATING OF GOVERNMENT OF OMAN UNDER REVIEW FOR DOWNGRADE

Moody's placed the "Ba2" issuer rating of the Government of Oman under review for downgrade.

The decision to place the rating under review for downgrade reflects Oman's increased external vulnerability and government liquidity risks following the large oil price shock and the severe tightening in external financing conditions compared with a few weeks ago when Moody's downgraded Oman's ratings to Ba2 with a stable outlook.

Moody's judgment regarding effective governance was one of the drivers of this action. The severity of the external shock experienced by Oman is amplified by its relatively weak institutional and governance strength which, over the past four years, have impeded fiscal and economic adjustment to lower oil prices, leaving the sovereign exposed to further and more durable shocks.

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets.

The combined credit effects of these developments are unprecedented. Oman is highly exposed to the loss in government revenue due to the decline in oil prices and increase in financing costs that result from financial market dislocation, according to Moody's.

The review period, which may extend beyond the usual three-month horizon, will allow Moody's to take stock of Oman's financing needs and options, including an assessment of progress on the implementation of the government's fiscal adjustment program, and the implications for the government's debt and assets, and the economy's external stability.

Moody's has also placed the government of Oman's "(P)Ba2" senior unsecured medium-term note program rating on review for downgrade.

Oman's long-term local- and foreign-currency bond ceilings and its long-term local currency deposit ceilings are unchanged at "Baa3".

Oman's long-term foreign currency deposit ceilings are unchanged at "Ba3". Its short-term foreign-currency bond and deposit ceiling are unchanged at "Prime-3" and "Not Prime", respectively.

Due to depressed global oil demand arising from the coronavirus outbreak alongside a sharp increase in the supply of crude oil as the OPEC+ talks failed, Moody's revised down its oil price assumptions for 2020 and 2021 to an average of US\$ 43/barrel and US\$ 53 respectively.

Based on these oil price assumptions, Moody's now expects Oman's fiscal deficit to widen to nearly 14% of GDP in 2020 from 7.7% of GDP in 2019, while the current account deficit will increase to 12% of GDP in 2020 from 7.2% of GDP in 2019.

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## S&P AFFIRMS IRAQ "B-" LONG-TERM AND "B" SHORT-TERM FOREIGN AND LOCAL CURRENCY CREDIT RATINGS

Standard & Poor's (S&P) affirmed the "B-" long-term and "B" short-term foreign and local currency sovereign credit ratings on Iraq. The outlook is "stable".

The "stable" outlook reflects the rating agency's view that Iraq will be able to moderate the effect of oil price shocks with expenditure-side measures, containing risks to debt-servicing capacity.

S&P could lower the ratings if the government increased spending beyond its expectations, resulting in either a decline in foreign-currency reserves, or a sharp rise in its net debt and debt-servicing costs. This could also occur if oil revenue fell further than the rating agency expects and the government was unable to cut expenditure or implement further countermeasures.

Standard & Poor's does not expect to raise the ratings over the next 12 months, but it could over the forecast period if higher-than-expected nonoil growth, for instance from reinvigorated reconstruction efforts, resulted in an increase in Iraq's economic growth and higher GDP per capita.

S&P materially lowered its oil price assumption for 2020. This follows an earlier significant downward revision of its price assumptions on March 9, 2020. Prices for crude oil in spot and futures markets are more than 55% lower than levels observed during the summer of 2019 when prices increased due to rising geopolitical tensions.

The affirmation of Iraq's ratings rests primarily on the government's ability to curtail spending as the economy's dependence on oil persists. Iraq has the world's fourth-largest proven crude oil reserves and is the second-largest oil exporter in OPEC. Oil dominates the Iraqi economy, contributing about 50% of GDP, 90% of government revenue, and more than 95% of exports.

S&P forecasts a fiscal deficit of 15.8% of GDP in 2020 with revenues falling by about 40% in 2020 compared with 2019. This forecast takes into account S&P's revised oil price assumption of US\$ 30/bbl and an increase in Iraq's production and export of oil as capacity increases and the OPEC+ supply reduction agreement ends.

Non-oil revenue will not be sufficient to provide any additional support to the government's fiscal position as its ability to raise revenue outside of the oil sector is limited by weak tax collection administration. The fiscal position should remain in a deficit averaging 8% of GDP to 2023, as per S&P forecasts.

## **KSA AND KUWAIT TAKING MEASURES TO ENSURE STABILITY AMID CORONAVIRUS OUTBREAK**

Saudi Arabia's Central Bank said banks should agree to restructure financing for customers without extra fees and asked banks to provide financing needed by private sector customers who lost their jobs, as per an official statement.

More specifically, the Saudi Arabian Monetary Authority said banks should review interest and other fees levied on credit cards in line with the recent drop in interest rates.

The guidelines are part of measures aimed at stemming the impact of the coronavirus outbreak, it said. In parallel, Kuwait's Central Bank said it was ready to take all necessary measures to ensure financial and monetary stability amid the coronavirus outbreak.

The Central Bank has devised a package of measures to support growth and mitigate the economic impact of the novel coronavirus, as per an official statement.

The Kuwait Banking Association said earlier that local lenders had the financial strength to absorb the shocks created by the coronavirus pandemic.

## SURVEYS

### UAE TOPS ARAB MENA COUNTRIES IN RULE OF LAW INDEX 2020, AS PER THE WORLD JUSTICE PROGRAM

According to the recently released Rule of Law Index 2020 issued by the World Justice Program, UAE topped countries in the region and ranked 30th globally, improving two ranks from the previous year. The country had a score of 0.65. It was followed by Jordan which ranked 50th globally with a score 0.57 and Tunisia which had a global rank of 56 and a score of 0.54. Jordan ranked one position lower globally than the year before, while the rank of Tunisia improved.

The World Justice Program, an independent organization working to advance the rule of law around the world, ranks 128 countries worldwide by measuring a nation's adherence to the rule of law from the perspective of how ordinary people experience it. More particularly, the Rule of Law Index is the average of eight factors. The latter comprises constraints on government powers, which measures the extent to which those who govern are bound by law. It also includes the absence of corruption, which measures the absence of corruption in a number of government agencies.

Next comes open government, which assesses the openness of a government and to the extent to which it shares information with the public. The rule of law index also includes fundamental rights, which measures the protection of fundamental human rights. Furthermore, the index comprises order and security, which measures how well the society assures the security of persons and property. Regulatory Enforcement is also part of the index, which measures the extent to which regulations are fairly and effectively implemented and enforced. Civil Justice as well which measures whether ordinary people can resolve their grievances peacefully and effectively through the civil justice system. The final element of the index is criminal justice, which evaluates the criminal justice system.

In details, the UAE scored highest in the order & security factor with a 0.91 with a global rank of seven, followed by the absence of corruption with a score of 0.80 and a rank of 16, regulatory enforcement came in next with a score of 0.73 and a rank of 18. These were followed by civil justice which got a score of 0.68 and a rank of 24, then criminal justice with a score of 0.67 and a rank of 19. Constraints on government powers factor came in after with a score of 0.56 and a rank of 59 then the fundamental rights factor with a score of 0.46 and a rank of 98. On the other hand, UAE fared worst in the open government factor with a score of 0.36 and a rank of 113, as per the World Justice Program.

It is worth noting that the UAE score higher than the average of the region's scores in most of the indicators considered, as per the World Justice Program.

#### ARAB MENA REGION'S RULE OF LAW INDEX 2020 RANKINGS

	Overall Score	Global Rank
United Arab Emirates	0.65	30
Jordan	0.57	50
Tunisia	0.54	56
Morocco	0.50	79
Algeria	0.49	83
Lebanon	0.45	96
Egypt	0.36	125

Sources: World Justice Project, Bank Audi's Group Research Department

Globally, the Denmark ranked first with a score of 0.90, Norway followed with a score of 0.89 and third came Finland with a score of 0.87. At the lower end of the scale, the Democratic Republic of Congo came in the 126th position with a score of 0.34, Cambodia in the 127th position with a score of 0.33 and last came Venezuela with a score of 128.

### **DUBAI'S PROPERTY TRANSACTIONS SURGED IN OFF-PLAN SALES IN THE FIRST TWO MONTHS OF 2020, AS PER PROPERTY FINDER**

Dubai-based real estate transactions saw a huge uptick during the first few months of 2020 according to real estate insights platform, Property Finder. However, the surge in transactions came ahead of recent concerns of COVID-19 becoming heightened, Property Finder said.

Dubai Land Department transactions reveal that overall transactions rose 12% in January 2020, compared to January 2019. February 2020 saw the largest increase as transactions rose 33% compared to February 2019, with off plan transactions surging 76%. The month saw 504 off-plan villa transactions and 2,251 off-plan apartment transactions according to Property Finder.

Dubai Land Department's transactions registry for February shows 4,356 sale transactions, with a total value of AED 9.4 billion (US\$ 2.6 billion). Big sales concluded during the month include an AED 700.2 million purchase deal for the Shangri-La Dubai hotel on Sheikh Zayed Road, a luxurious seven-bedroom villa in Dubai Hills for a value of AED 75 million and a seven-bedroom property, also in Dubai Hills, for AED 69 million.

The most popular off-plan apartment projects sold in February 2020 were Creek Beach, Dubai Creek Harbour, selling 140 units, and Burj Crown, Downtown selling 139 units according to Property Finder. For off-plan villa projects, the Arabian Ranches 3 area and the up and coming Dubai South (Dubai World Central) zone, the closest district to the Dubai Expo 2020 site, proved most popular in February.

### **SAUDI SWITCHGEAR MARKET SET FOR 3.7% GROWTH BY 2025, AS PER 6WRESEARCH**

Saudi Arabia's switchgear market is set to perform well over the next five years growing at a compound annual growth rate (CAGR) of 3.7% by 2025, according to a report by 6Wresearch, a global market research and consulting firm.

Increasing infrastructural development activities, rapidly growing industrial sector along with expansion of the power transmission and distribution sector of the country are some of the key factors which would drive the demand for switchgears in Saudi Arabia, stated 6Wresearch in its report, titled "Saudi Arabia Switchgear Market (2019-2025)." Moreover, reviving economic conditions due to changing government policies and establishment of special economic zones would further spur the demand of the switchgear market over the coming years, it added.

Power utility along with the industrial sector dominated the overall switchgear market of Saudi Arabia in 2018, particularly on account of past developments in the power sector of the Kingdom, as per the same source. Moreover, initiatives such as the US\$ 28 billion renewable energy funding initiative, would further drive the demand for switchgears in the power utility domain of the country.

The Saudi government's efforts to diversify the industrial sector by taking various major steps would result in a jump in demand for switchgears in the respective domain, according to 6Wresearch. For instance, Saudi Industrial Development Fund (SIDF) allocated a total of US\$ 3.6 billion in 2019, out of which US\$ 2.6 billion was used to boost industrial sector.

By voltage type, low voltage switchgears had acquired majority of the revenue share in the overall switchgear market of Saudi Arabia in 2018. It is projected to maintain its dominant position over the coming years, majorly on account of its widespread deployment in residential, commercial and industrial sector. Some of the key players in Saudi Arabia switchgear market include ABB, Siemens, Schneider, Alfano, Eaton, Larsen & Turbo, Hitachi, Lucy and Legrand.

## CORPORATE NEWS

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### SAUDI'S AMAALA SIGNS UP HKS AS MASTER PLANNER FOR KEY LUXURY PROJECTS

Amaala, the luxury destination located along Saudi Arabia's northwestern coastline, has announced the appointment of international design firm HKS Architects as the master planner for its key communities - Triple Bay and The Coastal Development.

Apart from these two, Amaala's trio of communities comprises The Island, which will jointly represent three different sets of experiences for visitors.

The destination's development will be rolled out in three key phases, with completion slated ahead of the realization of Saudi Vision 2030. Triple Bay will offer a fully holistic wellness retreat, state-of-the-art diagnostic medical facilities, and authentic treatments influenced by the local environment and traditional practices.

The community will be the first truly integrated sports and entertainment community with diagnostics, medical, and transformative wellness combined with learning in a family friendly environment, said the statement from Amaala.

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### UAE'S ALDAR PLEDGES US\$ 27.2 MILLION SUPPORT FOR RESIDENTIAL AND RETAIL PARTNERS

Abu Dhabi-based property developer and investor Aldar Properties announced an AED 100 million (US\$ 27.2 million) commitment to support residents, tenants, customers and partners as part of its long-term sustainable stakeholder management approach.

In a statement, the property developer stated that it will focus efforts on various initiatives that include providing tenants in its over 5,000 unit residential portfolio with monthly payment plans to support and ease rental commitments until the end of 2020. Aldar also added that it will be allocating AED 4 billion (US\$ 1.1 billion) towards the timely payment and fulfilment of its commitments to its contractors, consultants and suppliers.

The Abu Dhabi developer said it will also adopt a series of initiatives with retail partners across its portfolio, with a particular focus on SMEs and start-ups, totalling up to AED 50 million. The Abu Dhabi property developer will also connect residents to retailers via the delivery and virtual personal shopper programs through customized offering and free delivery services.

Aldar noted that it is also committing up to AED 10 million to enhance distance learning capabilities across its education network. It is also developing initiatives to assist households that are unable to afford connectivity or hardware so that all students within its network are provided equal access to education.

The property developer is also coordinating closely with leading Abu Dhabi financial institutions to offer attractive and subsidized financing solutions to existing customers and new homeowners to ease upcoming and final payments.

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### SAUDI'S TABUK CEMENT INKS MAJOR RESTRUCTURING DEAL

Saudi-based Tabuk Cement Company said it signed an agreement for the restructuring of its credit facilities with Bank Albilad in compliance with Islamic Sharia (law). The value of the financing balance is SR 380.8 million (US\$ 101 million).

Tabuk Cement Company manufactures and markets building materials. It is also a producer and distributor of ordinary Portland cement, sulfate-resistant cement and Pozzolana cement, in addition to other cement-related products and derivatives.

Besides this, the company also focuses on the establishment of factories and lab connected with cement industries. The value of the rescheduled portion (the financing balance) is SR 380.8 million, said the cement company.

The previous bank credit repayment period was six years, of which one was a grace year which began on March 13, 2018 and ended on the same day last year. The payment of instalments, which began on June 13, is scheduled to end in 2024 with the amount being repaid in a total of 20 instalments on the Islamic financing terms, said the statement. The financial impact of the transaction will be reflected in the financial results of the company, starting from the second quarter of 2020, it added.

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### UNION COOP SIGNS CONTRACTS WORTH US\$ 108.9 MILLION

Union Coop, UAE's largest consumer cooperative, revealed that it signed contracts worth more than AED 400 million (US\$ 108.9 million) with suppliers. The step comes within the framework of its keenness to provide all goods and foodstuffs in large quantities to meet the needs of consumers during the Ramadan month.

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### KIRBY BUILDING SYSTEMS WINS BIG SAUDI MALL CONTRACT

Kirby Building Systems, one of the leading manufacturers of custom-engineered metal building systems, said it secured a major supply contract for a retail development, Hawiya Mall, coming up over a 10,224 square meters area in the Taif region of Saudi Arabia.

Kirby's scope of work includes the design, manufacturing and supply of the complete structure. Kirby said the upcoming project requires a complex geometrical design along with multi elevation roof structure. The outer cladding of the project is glazed glass at the front and block wall at the back, it added.

Kirby Building Systems is one of the largest pre-engineered steel building (PEB) companies in the world and is a 100% subsidiary of Kuwait-based multinational Alghanim Industries.

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### SAP POWERS CRESCENT PETROLEUM'S DIGITAL TRANSFORMATION

Crescent Petroleum, the Middle East's first and largest privately held oil and gas company, chose SAP as a strategic partner to power its drive to improve efficiency across all processes, and progress a digital transformation strategy in coming years.

In partnership with SAP Digital Business Services, Crescent implemented the S/4HANA real-time business suite and the SuccessFactors talent management suite to help streamline operational units across its operations to yield considerable efficiencies, said a statement.

The company became the first global implementation of SAP S/4HANA Oil and Gas Model Company 1809, achieving go-live in a record time of eight months, ahead of schedule.

Model Company is SAP's industry-leading, ready-to-use, and preconfigured process solution, which helps adoption of standard industry templates with minimal customization. Crescent worked with SAP Digital Business Services in the transformation journey and embraced industry best practices across the organization to simplify and streamline processes.

Crescent now has over 300 apps for real-time and common work centers for drilling operations, plant maintenance, procurement, project systems, finance, and human resources functions. The company now operates on a single integrated digital platform, S4/HANA, and has introduced online transaction processing to eliminate unnecessary paperwork.

Crescent plans to extend its internal digital footprint with dashboards and mobility solutions for maintenance staff, while piloting cutting-edge technology leveraging sensor-driven predictive maintenance capabilities, it said.



## CAPITAL MARKETS

### EQUITY MARKETS: PRICE REBOUND IN MENA EQUITIES AFTER US STIMULUS PACKAGE

Following a double-digit price contraction over the past four weeks, MENA equity markets bounced back this week, as reflected by a 1.4% rise in the S&P Pan Arab Composite index, mainly tracking a global equity price rally on hopes that a US\$ 2 trillion emergency stimulus package announced by the US to contain coronavirus pandemic would shore up global economic activity.

The heavyweight Saudi Tadawul posted a 1.2% increase in prices week-on-week, mainly on improved sentiment after the US announced a massive stimulus package to mitigate the economic blow from the fast-spreading coronavirus pandemic and after the US Energy Secretary said that the possibility of a joint US-Saudi oil alliance is under consideration to stabilize global oil prices.

Petrochemical giant Saudi Aramco's share price rose by 1.9% week-on-week to SR 29.90. SABIC's share price surged by 3.6% to SR 69.0. Saudi Kayan Petrochemical Company's share price closed 1.3% higher at SR 7.19. Petro Rabigh's share price went up by 1.5% to SR 10.52. As to banking stocks, NCB's share price posted price gains of 2.1% to reach SR 34.15. Al Rajhi Bank's share price rose by 2.5% to SR 54.0. Alinma Bank's share price jumped by 5.2% to SR 20.0. Also, Savola Group's share price climbed by 10.5% to SR 33.70. Savola Group announced 2019 net profits of SR 476 million versus a net loss of SR 520 million in the previous year.

The UAE equity markets saw a 3.0% rise in prices week-on-week, mainly following global equity price gains, triggered by a massive US economic stimulus package aimed to alleviate the impact of the coronavirus outbreak, and as the UAE government increased its stimulus package to AED 126 billion (the equivalent of US\$ 34 billion) to contain the economic repercussions of the coronavirus outbreak. In Dubai, Arabtec Holding Company's share price increased by 2.5% to AED 0.485. DAMAC Properties' share price climbed by 15.6% to AED 0.481. Deyaar Development's share price closed 1.9% higher at AED 0.213. Emaar Properties' share price went up by 3.1% to AED 2.30. Emaar Malls' share price jumped by 4.9% to AED 1.08. Du's share price surged by 3.0% to AED 5.15. Aramex's share price rose by 4.7% to AED 2.25. Emirates NBD's share price nudged up by 0.4% to AED 7.40. HSBC raised its recommendation of Emirates NBD to "Buy" at a price target of AED 8.20. GFH Financial Group's share price jumped by 4.9% to AED 0.540.

### EQUITY MARKETS INDICATORS (MARCH 22 TILL MARCH 28, 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	57.4	-0.6%	-17.7%	0.8	-67.2%	0.1	6,207.0	0.7%	6.3	0.52
Jordan	307.8	0.0%	-14.5%	-	-	-	18,461.3	-	10.2	1.29
Egypt	253.5	6.1%	-26.6%	247.8	-22.7%	1,267.6	37,211.0	34.6%	7.7	1.72
Saudi Arabia	275.1	1.2%	-25.3%	5,698.6	-26.0%	1,040.1	1,984,901.0	14.9%	13.9	2.01
Qatar	151.8	-2.5%	-17.8%	377.7	-41.0%	521.5	129,925.7	15.1%	13.0	1.69
UAE	78.1	3.0%	-31.2%	554.8	-32.5%	1,527.0	195,372.2	14.8%	9.2	1.29
Oman	172.6	-4.1%	-14.1%	17.6	-88.2%	36.5	15,319.2	6.0%	8.9	0.84
Bahrain	130.3	-1.2%	-20.6%	12.9	-1.7%	28.1	21,165.1	3.2%	10.1	1.38
Kuwait	87.5	7.3%	-27.0%	586.1	-18.1%	719.7	80,023.1	38.1%	13.7	1.50
Morocco	219.6	0.3%	-24.5%	109.5	-30.0%	5.9	50,900.8	11.2%	16.3	2.54
Tunisia	63.0	7.1%	-12.9%	18.6	172.6%	4.9	7,383.0	13.1%	12.9	2.66
<b>Arabian Markets</b>	<b>593.2</b>	<b>1.4%</b>	<b>-24.8%</b>	<b>7,623.6</b>	<b>-27.6%</b>	<b>5,151.4</b>	<b>2,546,869.3</b>	<b>15.6%</b>	<b>13.4</b>	<b>1.91</b>

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

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

In Abu Dhabi, First Abu Dhabi Bank's share price went up by 4.3% over the week to AED 9.79. ADCB's share price climbed by 5.7% to AED 5.37. RAK Properties' share price jumped by 9.6% to AED 0.398. Manazel's share price closed 4.3% higher at AED 0.291. Etisalat's share price increased by 1.3% to AED 13.74. Taqa's share price rose by 0.9% to AED 0.58. ADNOC's share price surged by 5.9% to AED 2.70. ADNOC said that it is engaging with partners and suppliers to ensure responsible progress at their projects.

Boursa Kuwait posted a 7.3% surge in prices week-on-week, mainly tracking a global equity price rally and as market players sought to add Kuwaiti stocks to their holdings ahead of the Kuwait's inclusion in MSCI's emerging markets benchmark index in May 2020, a move that is expected to draw passive inflows of around US\$ 3 billion. It is worth recalling that MSCI has confirmed in December 2019 that it would reclassify the MSCI Kuwait indexes from frontier to emerging markets as the Kuwaiti equity market has met all the necessary requirements. Boubyan Bank's share price jumped by 18.6% to KWF 511. NBK's share price went up by 4.6% to KWF 748. Kuwait Finance House's share price climbed by 14.4% to KWF 653. Zain Kuwait's share price closed 5.5% higher at KWF 498. Agility's share price rose significantly by 17.4% to KWF 552.

#### **FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS SKEWED TO THE UPSIDE AFTER US MASSIVE ECONOMIC PACKAGE**

MENA fixed income markets saw mostly upward price movements this week, mainly on expectations that a US\$ 2 trillion emergency stimulus package announced by the US would help combatting the economic consequences of the coronavirus pandemic, thereby stabilizing the US and world economies.

In the Kuwaiti credit space, sovereigns maturing in 2027 were up by 2.56 pts week-on-week. Prices of KIPCO'27 improved by 2.37 pts. Standard & Poor's lowered its long-term foreign currency and local currency sovereign credit ratings on Kuwait to "AA-" from "AA", with a "stable" outlook, citing materially lower oil prices in 2020 and 2021 which would have negative economic and fiscal implications for Kuwait, given the country's high reliance on hydrocarbon exports. The "stable" outlook reflects, according to S&P, the balance between risks from Kuwait's high reliance on the hydrocarbons sector and delays to structural reforms, against the country's sizable accumulated fiscal and balance-of-payments buffers, which provide the authorities policy space to maneuver over the short to medium term.

In the Saudi credit space, prices of sovereigns maturing in 2025 and 2030 expanded by 3.50 pts and 5.63 pts respectively week-on-week. Standard & Poor's affirmed its "A-/A-2" unsolicited long-term and short-term foreign and local currency sovereign credit ratings on Saudi Arabia, with a "stable" outlook. The "stable" outlook reflects S&P's expectation that the current low oil price environment, although affecting fiscal flows, would be counterbalanced by Saudi Arabia's strong government and external balance sheets, with net asset-stock positions on both.

In the Bahraini credit space, prices of sovereigns maturing in 2023, 2025 and 2029 improved by 1.50 pt, 1.95 pt and 7.0 pts respectively this week. NOGA'24 closed up by 2.21 pts. Standard & Poor's revised its outlook on Bahrain to "stable" from "positive". At the same time, S&P affirmed its "B+/B" long-term and short-term foreign and local currency ratings. The "stable" outlook reflects S&P's expectations that Bahrain's neighbors would provide timely support, as needed, through the expected low oil price environment, allowing the government to continue implementing budget-deficit-reducing measures.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 registered price expansions of 2.38 pts and 5.38 pts respectively week-on-week. Standard & Poor's affirmed its long-term and short-term foreign and local currency sovereign credit ratings on Qatar at "AA-/A-1+", with a "stable" outlook. The "stable" outlook indicates S&P's view of broadly balanced risks to the ratings. While hydrocarbon prices could remain low, S&P does not expect the government's fiscal and external positions would materially deteriorate beyond its current expectations.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 closed up by 1.76 pt and 4.13 pts respectively this week. Standard & Poor's affirmed its "AA/A-1+" long-term and short-term foreign and local currency sovereign credit ratings on Abu Dhabi, with a "stable" outlook. The "stable" outlook reflects S&P's expectation that Abu Dhabi's fiscal position would remain strong over the next two years, although structural and institutional weaknesses would likely persist.

In the Iraqi credit space, sovereigns maturing in 2023 and 2028 posted price gains of 3.55 pts and 3.50 pts respectively this week. Standard & Poor's affirmed its "B-" long-term and "B" short-term foreign and local currency sovereign credit ratings on Iraq, with a "stable" outlook. The "stable" outlook reflects S&P's view that Iraq would be able to moderate the effect of oil price shocks with expenditure-side measures, containing risks to debt-servicing capacity.

All in all, activity in MENA bond markets was mostly skewed to the upside this week, mainly on improved sentiment after a massive economic relief package announced by the US. Within this context, the average five-year CDS spreads in the GCC registered its first contraction in five weeks.

### MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	27-Mar-20	20-Mar-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	116	135	36	-19	80
Dubai	286	302	91	-16	195
Kuwait	118	125	37	-7	81
Qatar	130	150	37	-20	93
Saudi Arabia	170	194	57	-24	113
Bahrain	436	487	176	-51	260
Morocco	222	154	91	68	131
Egypt	612	527	277	85	335
Lebanon	-	14,717	2,418	-	12,299
Iraq	929	1,026	384	-97	545
<b>Middle East</b>	<b>335</b>	<b>1,782</b>	<b>360</b>	<b>-1,447</b>	<b>-25</b>
<b>Emerging Markets</b>	<b>291</b>	<b>331</b>	<b>148</b>	<b>-40</b>	<b>143</b>
<b>Global</b>	<b>647</b>	<b>646</b>	<b>173</b>	<b>1</b>	<b>474</b>

Sources: Bloomberg, Bank Audi's Group Research Department

### Z-SPREAD BASED AUDI MENA BOND INDEX V/S INTERNATIONAL BENCHMARKS

Base Jan 2010 = 100



Sources: Bloomberg, JP Morgan, Bank Audi's Group Research Department

## SOVEREIGN RATINGS &amp; FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch		
<b>LEVANT</b>					
Lebanon	SD/Negative/SD	Ca/Stable	RD/-/C		
Syria	NR	NR	NR		
Jordan	B+/Stable/B	B1/Stable	BB-/Stable/B		
Egypt	B/Stable/B	B2/Stable	B+/Stable/B		
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B		
<b>GULF</b>					
Saudi Arabia	A-/Stable/A-2	A1/Stable	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+/Positive/B	B2/Stable	BB-/Stable/B		
Oman	B+/Stable/B	Ba2/RUR	BB+/Stable/B		
Yemen	NR	NR	NR		
<b>NORTH AFRICA</b>					
Algeria	NR	NR	NR		
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3		
Tunisia	NR	B2/Stable	B+/Negative/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\$)	27-Mar-20	20-Mar-20	31-Dec-19	Weekly change	Year-to-date
<b>LEVANT</b>					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	15.75	15.75	16.05	0.0%	-1.9%
Iraqi Dinar (IQD)	1,182.87	1,182.87	1,182.87	0.0%	0.0%
<b>GULF</b>					
Saudi Riyal (SAR)	3.76	3.75	3.75	0.3%	0.3%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.68	3.67	3.66	0.4%	0.6%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	0.9%
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%
<b>NORTH AFRICA</b>					
Algerian Dinar (DZD)	123.46	123.46	119.05	0.0%	3.7%
Moroccan Dirham (MAD)	9.89	9.82	9.57	0.7%	3.4%
Tunisian Dinar (TND)	2.88	2.90	2.83	-0.6%	1.7%
Libyan Dinar (LYD)	1.43	1.40	1.40	2.1%	2.2%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department

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