The MENA WEEKLY MONITOR

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Italy-based Saipem, an oil and gas industry contractor, said it has signed an offshore contract addendum worth more than US$ 1.2 billion with Petrobel for engineering, procurement, construction and installation (EPCI) activities in relation to the "Ramp Up to Plateau" phase of the Zohr Field Development Project.

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p.9 MENA CAPITAL MARKETS INITIATE THE YEAR 2019 WITH EQUITY PRICE GAINS AND TWO-WAY BOND ACTIVITY

MENA equity markets initiated the year 2019 with weekly price gains, as reflected by a 1.0% increase in the S&P Pan Arab Composite Index, mainly supported by price rises in the heavyweight Saudi Tadawul, the UAE equity markets, the Qatar Exchange and the Egyptian Exchange amid some favorable company-specific factors. In parallel, MENA fixed income markets started the year 2019 with mixed price movements. Some papers registered weekly price gains, tracking US Treasuries move, while some other papers saw price falls week-on-week.

MENA MARKETS: WEEK OF DECEMBER 30, 2018 - JANUARY 05, 2019

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+1.0%	Weekly Z-spread based bond index	+1.2%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+0.1%	YTD Z-spread based bond index	-0.6%

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ECONOMY

IIF SAYS QATAR HAS SHOWN SIGNS OF RESILIENCE AND EXPECTS 2019 GROWTH TO ACCELERATE TO 2.9%

The ongoing rift and geopolitical tensions have created headwinds for Qatar and other GCC countries. Still, Qatar's economy has shown signs of resilience due to new trade links, buffers, and proactive policies, as per an Institute of International Finance (IIF) report on the Gulf country. The IIF expects growth to accelerate to 2.9% in 2019, driven by natural gas production and public investment. The current account and fiscal balances are likely to remain in significant surplus, according to the report, which stated that exiting from OPEC represents a symbolic message that the country wants to chart its own course.

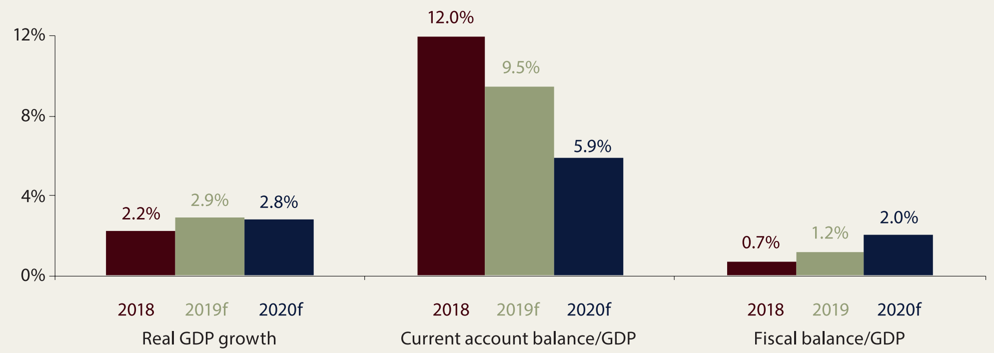
Qatar's diplomatic rift with the Saudi-led bloc, including the trade and travel embargo, is well into its second year. However, support from the Qatar Investment Authority (SWF) and establishment of new trade links has mitigated the adverse impact of the rift. Qatar's recent exit announcement from OPEC signals its commitment to pursuing an independent policy, as per the report issued during December.

The IIF expects growth to pick up to around 3% in the coming years, driven by the increase in natural gas production and robust construction in the lead-up to the World Cup. The banking system remains sound with high-quality assets, strong capitalization, and adequate liquidity, supported by large public sector deposits and the gradual return of non-resident flows.

Qatar is seeking to cement its position as the world's largest producer of LNG given its massive reserves and surging global demand. Following three years of small decline in hydrocarbon production, work is expected to start next year to increase production capacity from 77 to 110 million tons over the next five to seven years, as per the IIF.

With the resumption of non-resident capital inflows and oil prices above US$ 60/bbl, Qatar's external position and fiscal balances are expected to show marked improvement even in the face of ongoing regional tension and lingering emerging market stress, as per the report. The rift has given the government additional motivation to put into action its long-term commitment to structural reform and diversification even while oil prices remain high.

SELECTED KEY QATAR ECONOMIC INDICATORS



Source: IIF

In late November, Egypt and Saudi Arabia jointly proclaimed their intent to keep the blockade in place for the foreseeable future. Nevertheless, communication between Qatar and the GCC has continued, and external pressure for a resolution, particularly from the United States, is mounting given the cost it has imposed across the GCC. The rift has damaged GCC growth initiatives to boost regional trade and infrastructure, and has hindered capital and financial market development, as per the IIF report.

FOREIGN CURRENCY RESERVES AT CENTRAL BANK OF JORDAN EXCEED US$ 13.4 BILLION AT END-NOV 2018

The foreign currency reserves at the Central Bank of Jordan (CBJ) exceed US$ 13.4 billion at end-November 2018, which is enough to cover the cost of the Kingdom's imports of goods and services for seven months, according to the CBJ Governor.

The Governor added that monetary stability is the bank's top priority, noting that the CBJ is aware of the national economy's low growth rates and is, consequently, keen on reaching a balance between the requirements of achieving monetary stability and providing funding tools.

He pointed out that the banking system in the Kingdom is "solid and well-structured", and is able to absorb major shocks and risks because banks in Jordan possess high capitalization ratios, in addition to adequate levels of liquidity.

It is worth noting that the Central Bank launched the 2018-2020 national strategy for financial inclusion. The latter took place out of the CBJ's belief that access to financial services is a right for all, and that financial inclusion is a pillar for sustainable and comprehensive growth.

He noted that the strategy mainly focuses on five aspects: online financial services; micro-finance; financing small- and medium-sized enterprises; financial awareness and education; and protecting the financial consumer.

The Governor said that the national program for economic reform has been adopted in cooperation with the International Monetary Fund and includes a set of important reform procedures that mainly target the general monetary status, the energy sector and reducing shortcomings in the general budget.

Moreover, the Governor added that despite of the impact of some reform measures on citizens' lives, they enabled the country to overcome a significant portion of the repercussions caused by economic challenges.

He expressed hope that these measures would achieve further success in the medium term, especially in light of the stabilization of political conditions witnessed in the region. He also called for enhancing the investment environment in the Kingdom and guaranteeing so that it benefits from the upcoming reconstruction process in the region.

TUNISIA GROWTH TO PICK UP AGAIN IN 2019 AFTER Q3 2018 SLOWDOWN, SAYS BLOOMBERG ECONOMICS

According to Bloomberg Economics, Tunisia's economy lost some momentum in Q3 2018, but it is expected to pick up speed again in 2019.

The country's real GDP growth eased to 2.6% year-over-year during the third quarter of 2018 from a near four-year high of 2.8% in the second quarter of 2018. A seasonal adjustment of the data by Bloomberg Economics showed economic activity rising 0.4% quarter-over-quarter in Q3 2018, compared to rises of 1.0% and 0.9% in Q1 2018 and Q2 2018, respectively.

Furthermore, a second consecutive quarter of contracting agricultural output after a strong first quarter explained part of the slowdown in GDP growth. Manufacturing and services growth was also weaker.

According to Bloomberg Economics, Tunisia's economy is expected to pick up momentum again in 2019 on the back of moderating inflation and greater business confidence. Fewer administrative price increases compared to 2018 should boost private consumption growth but capital investment is likely to remain constrained by political risk.

BAHRAIN'S ECONOMY TO GROW BY 3% IN 2019, UP FROM 2.1% IN 2018, SAYS EIU

According to a recent report by the Economist Intelligence Unit (EIU) on Bahrain, the country's economic growth would increase by 3.0% in 2019, up from an estimated 2.1% in 2018.

The government's priority in the near term would be to rein in public spending, as per the EIU. An austerity drive would be intensified in 2019 as the new cabinet, which includes a reform-minded Finance Minister, plans to implement spending rationalization measures.

It is worth noting that the scheduled opening of the new potline at Aluminium Bahrain (Alba) in early 2019 raises the Kingdom's aluminium production capacity by over 50%. The majority State-owned smelter accounts for just under 10% of Bahrain's real GDP, indicating the significance of additional capacity to the economy. In addition, aluminium is the Kingdom's second-largest export, after oil, making up over 7% of total exports.

Moreover, a new pipeline linking the Bahrain Petroleum Company (Bapco) refinery and a Saudi Aramco plant in Saudi Arabia's Eastern Province would also boost growth. The pipeline would expand Bapco's processing capacity by about 35%, from 267,000 barrels/day (b/d) to 360,000 b/d over the coming years. Bahrain's inflation is expected to increase to an average of 3.8% in 2019, from an estimated average of 2% in 2018 as value-added tax (VAT) is introduced in the country. Part of the impact of VAT, however, would be offset by a slight fall in global oil prices, which would negatively affect domestic demand.

In 2020, as the effects of VAT start to fade and the major economies of the world experience a slowdown, Bahrain's inflation would fall to an average of 1.6%, as per the EIU. In 2021-2023, price growth would average 2.5%, owing to higher global commodity prices, recovering consumer demand and a weakening dollar.

Bahrain's currency peg to the dollar, set at BHD 0.376:US$1, has come under pressure since the oil price collapse in mid-2014, which depressed the value of Bahrain's exports. As a result, Bahrain's foreign reserves have fallen to acutely low levels. They fell to just US$ 1.5 billion in September. Nonetheless, the EIU expects Bahrain to maintain the peg to the dollar over the forecast period, given the economic stability that it brings to the country. Moreover, with financial support from the kingdom's GCC neighbours forthcoming and the government prioritising implementation of fiscal reforms, the risk of Bahrain being unable to preserve its currency peg is falling.

Lastly, the Economist Intelligence Unit expects the current account to remain in deficit throughout the forecast period. The shortfall will widen in 2019 to 2.3% of GDP as a result of a fall in global oil prices, from an estimated 2.1% of GDP in 2018. In 202,0 it would widen further to 4.3% of GDP, owing to a rise in demand for consumer and capital goods imports as economic activity gradually increases.

SURVEYS

MENA REGION TO REGISTER THE FASTEST CONSTRUCTION INDUSTRY GROWTH OF ANY REGION IN 2019, AS PER BMI

The MENA region will register the fastest construction industry growth of any region globally in 2019, averaging 7.5% year-on-year. Over the medium term, the industry will continue to see strong growth, averaging 6.8% year-on-year from 2019-2022, as per BMI. This forecast is based on BMI's expectations for positive growth in the sector across the region, with the exception of Yemen, and will be particularly driven by rapid expansion in Qatar, Oman, Egypt and Iraq. This forecast is underpinned by strong government support for infrastructure development, expansive economic diversification plans, investment to improve logistics connectivity and reconstruction efforts in conflict zones.

The agency holds a positive outlook on construction industry growth in the MENA region for 2019, forecasting average expansion of 7.5% year-on-year in the sector. This represents a slight acceleration on the previous year, and the highest annual growth rate for the region since 2013, making MENA the fastest-growing region globally for the construction sector in 2019. This reflects BMI's positive outlook on the region as a whole, with all 16 countries for which the agency provides forecasts expected to see growth except Yemen, where the agency anticipates a 1.8% contraction as the country's civil war continues to preclude construction activity. This bullish outlook is based on a number of macroeconomic, political, and infrastructure-specific factors which will contribute to a growth-supportive environment for the construction sector in 2019.

Furthermore, the macroeconomic and political situation in the MENA region will be conducive to construction sector growth, as per BMI. There are five key themes which are expected to play out in the region this year, three of which will particularly support the construction industry Specifically, GCC countries such as Qatar, Oman, the UAE and Saudi Arabia are pursuing more fiscally expansive and growth-supportive policies in order to continue driving economic diversification and job creation. This will include government investment in large-scale infrastructure projects such as the US$ 23 billion Riyadh Metro, the US$ 7 billion Dubai Expo 2020 Exhibition Centre and Oman's US$ 6.4 billion Liwa Plastics Industries Complex. Economic growth will also remain robust throughout the region, creating opportunities for investment and encouraging government spending on infrastructure. Finally, the security situation in conflict zones is expected to improve – with reconstruction efforts in Libya and Iraq providing impetus to construction growth.

Moreover, government spending on infrastructure will continue to be a crucial factor supporting construction industry growth, as reflected in the top three fastest-growing markets. Qatar's construction sector, which is expected to grow at the fastest rate in the region in 2019 at 14.5% year-on-year, will continue to benefit from government-driven preparations for the 2022 FIFA World Cup, including the construction of new stadia and metro rail infrastructure. In Oman, the second-fastest growing construction sector in the region, the government is channeling investment into water, logistics and renewables infrastructure as it seeks to drive economic diversification. BMI also expects that Egypt will see strong growth of 10.8% in 2019 as government investment supports a packed pipeline of projects intended to address infrastructure deficits and meet the needs of a rapidly growing population, with numerous power, commercial, industrial and transport developments under construction, as per BMI.

HIGHER ENERGY RETURNS EXPECTED TO HAVE LED ABU DHABI'S RETURN TO GROWTH IN 2018, AS PER OXFORD BUSINESS GROUP

Higher energy returns are expected to have led Abu Dhabi's return to growth in 2018, with expectations of further expansion in 2019 as the government rolls out an extensive stimulus program, as per Oxford Business Group.

The year 2018 opened with the introduction of a 5% value-added tax (VAT) across the UAE, as part of the government's campaign to broaden the base of state revenues and reduce reliance on energy earnings.

The introduction of the VAT had a flow-on effect on inflation, with the levy contributing to a rise in the consumer price index for the year, according to the same source.

Inflation spiked at 4.7% in January, the month when the tax came into force, before flattening in subsequent months. According to IMF estimates, inflation should close out 2018 at or around 3.5%, up on the 2017 figure of 2%, though marginally down on the September consumer inflation rate, which Statistics Centre in Abu Dhabi (SCAD) data showed as 4%.

Furthermore, inflation in the emirate, along with that of the rest of the UAE, should ease in 2019 after the full impact of the VAT increase and additional costs of measures, such as the mid-year increase in municipal housing taxes, have been absorbed.

According to projections from the IMF, Abu Dhabi's economy is expected to expand by 2.7% in 2018, reversing the 0.5% contraction posted in 2017. This growth should accelerate in 2019, with GDP set to increase by 3.4% in the coming year.

Given that oil revenue made up 48.1% of GDP in the first half of 2018, according to SCAD, much of that year's projected growth has been supported by a jump in oil prices, which rose from around US$ 65 per barrel at the beginning of the year to a high of more than US$ 86 in early October. As a result, the IMF expects energy exports to total US$ 75.4 billion in 2018, up from US$ 58.1 billion in 2017.

However, this contribution may have been eroded somewhat in the latter part of the year, with prices falling by around 25% from year-high levels in October to mid-November, returning to levels posted at the beginning of the year. This has prompted calls from producers, including Abu Dhabi, to scale back production to put a hard floor beneath prices. Elsewhere in the energy sector, the emirate has also outlined a shift in policy towards developing its gas potential.

In early November Abu Dhabi's Supreme Petroleum Council approved a new strategy to expand gas production, which aims to achieve gas self-sufficiency by 2030, and explores the possibility of becoming a net gas exporter in the future, as per the same source. To meet these goals, the authorities will look to utilize existing reserves and develop new deposits, including sour gas and other conventional reserves, which total an estimated 15trn cu feet overall.

As part of this strategy, in mid-November Abu Dhabi awarded a series of gas concessions to energy majors, including Italy's Eni, which was granted a 25% stake in the ultra-sour offshore Ghasha concession. Meanwhile, another reform designed to stimulate the non-energy sector is the government's AED 50 billion (US$ 13.6 billion) stimulus program, launched in mid-September.

Under the Ghadan (Tomorrow) 2021 strategy, investment in sectors such as tourism, manufacturing, logistics and education are to be increased, with an eye to reducing the hydrocarbon sector's contribution to GDP to 20% within the next three years.

Balanced on four separate pillars – business and investment, society, knowledge and innovation and lifestyle – the strategy sets out 50 initiatives designed to boost social and economic development.

Among the measures contained in the strategy is an expanded public-private partnership programme, to be encoded in new legislation, with up to AED 3 billion (US$ 816.9 million) in projects to come up for tender in the first quarter of 2019. According to the report, additional reforms include increased support and credit access for small and medium-sized businesses and streamlined business approval processes to bolster Abu Dhabi's appeal as an investment and business hub, according to Oxford Business Group.

CORPORATE NEWS

SAIPEM WINS AROUND US$ 1.2 BILLION EGYPT OFFSHORE EPCI SERVICES DEAL

Italy-based Saipem, an oil and gas industry contractor, said it has signed an offshore contract addendum worth more than US$ 1.2 billion with Petrobel for engineering, procurement, construction and installation (EPCI) activities in relation to the "Ramp Up to Plateau" phase of the Zohr Field Development Project situated in the Mediterranean Sea off the Egyptian coast.

Petrobel is a 50-50 joint venture between EGPC (Egyptian General Petroleum Corporation) and IEOC (an Eni subsidiary in Egypt) and is in charge of the development of Zohr on behalf of PetroShorouk, a joint venture between EGAS (Egyptian Natural Gas Holding Company) and IEOC, Rosneft, BP and Mubadala Petroleum.

The current addendum to the work includes the installation of a second 30-inch diameter gas export pipeline, infield clad lines and electrical/fiber optic cable, as well as EPCI work for the field development (in deep water) of ten wells.

The Ramp Up to Plateau phase is scheduled to commence in January 2019, in direct continuity with the Optimized Ramp Up phase which has been completed in 17-month project execution period from its contract award.

In this new phase of works, Saipem will deploy a range of highly specialized vessels including the Castorone, the latest generation of ultra-deep water pipe layer, the FDS, a subsea field development ship, the Heavy Lift Vessel S7000, the DP3 subsea construction vessel Normand Maximus; the subsea construction vessel Saipem 3000, the pipelay vessel Castoro Sei and the multipurpose Normand Cutter and Far Samson vessels.

EMAAR PROPERTIES SELLS US$ 596 MILLION PRIME HOSPITALITY ASSETS

UAE developer Emaar Properties said it has sold some of its prime hospitality assets worth AED 2.2 billion (US$ 596 million) in line with its new regional strategy.

The proceeds of the sales will be used to fund commercial properties that generate a higher return on investment (ROI), said the Dubai developer in a statement.

The company said under its new strategy, it will help its hospitality and leisure subsidiary Emaar Hospitality to focus on hotels management and operation while keeping assets light.

APICORP INKS US$ 100 MILLION FINANCE DEAL FOR OMAN'S DUQM REFINERY

The Arab Petroleum Investments Corporation (APICORP), a multilateral development bank, announced a US$ 100 million investment as part of a consortium of international and regional banks to finance the construction of Oman's Duqm Refinery.

Situated within the Duqm Special Economic Zone, the refinery is a joint venture between Kuwait Petroleum International and Oman Oil Company.

APICORP's contribution to the refinery project includes US$ 50 million as Sharia-compliant finance, while the other US$ 50 million are in a conventional tranche.

Arab Petroleum Investments Corporation, a multilateral development bank, provides various finance solutions in the Kingdom of Saudi Arabia and internationally. The company offers project finance solutions to energy companies; corporate financing solutions for oil, gas, and petrochemical industries; financial advisory services for new projects, expansion projects, acquisitions, and mergers in the energy industry; and trade finance solutions for import and export of crude oil, gas, refined products, and petrochemicals, as well as for the import of industry equipment, machinery, and services.

ABU DHABI CONTRACTOR WINS DILMUNIA GRAND CANAL PROJECT

NSCC International, an Abu Dhabi-based contractor, secured an early works contract worth US$ 4.5 million from Ithmaar Development Company (IDC) for its landmark project - Dilmunia Grand Canal & Marina. NSCC's contract includes soil improvement, soil levelling, and contiguous pile works, all of which form the pre-construction preparatory activities for Grand Canal.

The US$ 1.6 billion Dilmunia Project is a mixed-use development built on a man-made island off the coast of Muharraq with a health and wellness anchor including residences, a hotel and leisure and shopping districts anchored around a health and wellness cluster.

The development of the ambitious 125-hectares man-made island is being managed by IDC, which is a wholly-owned subsidiary of Ithmaar Bank, a Bahrain-based Islamic retail bank. Ithmaar Bank is also the Investment Manager of Dilmunia Development Fund.

The Dilmunia Grand Canal and Marina is a major element of the development.

LAMPRELL WINS SAUDI JV CONTRACT FOR TWO JACK-UP RIGS

UAE-based Lamprell, a specialist in the oil rig building, said it has received a contract for the construction and delivery of two jack-up drilling units from International Maritime Industries (IMI), the Saudi maritime joint venture in which Lamprell is a partner.

According to the letter of intent, the rigs will be built collaboratively between the IMI and Lamprell for delivery to IMI's end-client. There are ongoing discussions between end client, IMI and Lamprell to conclude the specifications and contract terms which, once determined, will result in final contract signing for the rigs.

The rigs will be built according to the stringent Schedule G requirements for operations in Saudi Arabian waters. Lamprell will undertake most of the fabrication work for both jack-up rigs at its Hamriyah yard, in the United Arab Emirates while maximizing work in Saudi Arabia to approximately 15% of the scope of work.

DEWA AND FEWA PARTNER FOR WATER INTERCONNECTION

Dubai Electricity and Water Authority (DEWA) and Federal Electricity and Water Authority (FEWA) have partnered for strategic water interconnections between the two parties and the exchange of potable water in case of emergencies, or other purposes.

The MoU sets a practical framework for strengthening cooperation between the two entities to achieve common goals. It also includes joint efforts to develop, operate, and maintain strategic water interconnections. The two water systems will be directly linked in specific locations to allow for water transfer in case of emergencies.

This cooperation will help prevent water shortages or crises, strengthening the efforts of both entities to secure the various needs of their development plans by increasing the efficiency and operational capacity of their water networks.

Dubai Electricity and Water Authority generates, transmits and distributes electricity in Dubai. It also produces potable water principally through a desalination process, and distributes it to end users in Dubai. As of August 31, 2010, the company had installed electricity capacity of 7,829 megawatts and installed water desalination capacity of 330 million imperial gallons a day. In addition, it involves in the acquisition, management, operation, and maintenance of central cooling plants and related distribution networks to provide district cooling services. Further, the company manufactures pre-insulated pipes primarily for district cooling.

CAPITAL MARKETS

EQUITY MARKETS: REGIONAL EQUITY MARKETS START THE YEAR 2019 WITH PRICE GAINS

MENA equity markets initiated the year 2019 with weekly price gains, as reflected by a 1.0% increase in the S&P Pan Arab Composite Index, mainly supported by price rises in the heavyweight Saudi Tadawul, the UAE equity markets, the Qatar Exchange and the Egyptian Exchange amid some favorable company-specific factors.

The heavyweight Saudi Tadawul posted a 1.3% increase in prices week-on-week, mainly helped by some favorable company-specific factors. Gulf Union Cooperative Insurance's share price surged by 3.7% to SR 14.62. Al Ahlia Insurance Company's share price jumped by 7.8% to SR 12.38. The Capital Market Authority approved Gulf Union Cooperative Insurance's request to increase its capital from SR 150 million to SR 242 million by issuing 9.194 million ordinary shares to acquire Al-Ahlia Insurance Company's shares through securities exchange. Southern Province Cement Company's share price increased by 1.5% to SR 37.0. SPCC signed a deal with Peakward Enterprises in Hong Kong to export 1.5 million tons of clinker to Bangladesh. NCB's share price went up by 1.7% to SR 47.70. NCB and Riyad Bank are seeking advisors for a potential merger that would create the third largest bank in the GCC. Tabuk Cement Company's share price edged up by 0.4% to SR 11.28. Tabuk Cement signed a memorandum of understanding with International Tataloat Co. Ltd. to export 600,000 tons of clinkers and 150,000 tons of cement to Yemen.

The Egyptian Exchange registered a 2.7% rise in prices week-on-week, mainly supported by some favorable company-specific factors. Talaat Moustafa Group's share price went up by 4.2% to LE 10.31. Talaat Moustafa Group said that its sales reached LE 21.3 billion in 2018, up from LE 13.1 billion a year earlier. Orascom Development's share price jumped by 5.5% to LE 7.33. Orascom Development said that it has sold some hotels, which would help reducing its debt. El Sewedy Electric's share price closed 3.2% higher at LE 17.80. Shuaa Capital reinstated coverage of Elsewedy Electric, with a recommendation of "Neutral". Commercial International Bank's share price climbed by 4.1% to LE 76.29. Juhayna Food Industries' share price increased by 1.4% to LE 11.24.

The UAE equity markets saw a 1.5% rise in prices week-on-week, mainly supported by some favorable company-specific factors. In Abu Dhabi, Dana Gas' share price jumped by 14.5% to AED 0.95. Dana Gas announced total 2018 cash collections from operations in Egypt, the Kurdistan Region of Iraq and

EQUITY MARKETS INDICATORS (DECEMBER 30, 2018 TILL JANUARY 05, 2019)

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	83.8	-0.1%	-0.1%	0.5	-97.5%	0.1	9,107.0	0.3%	5.1	0.70
Jordan	381.5	0.6%	0.0%	494.4	111.8%	107.3	22,798.5	112.8%	13.4	1.40
Egypt	281.0	2.7%	2.0%	152.9	23.9%	568.3	44,186.3	18.0%	10.0	1.74
Saudi Arabia	339.4	1.3%	0.2%	2,316.5	-29.5%	342.6	498,161.9	24.2%	15.6	2.24
Qatar	188.9	0.2%	0.2%	181.6	-28.5%	30.0	161,976.3	5.8%	14.5	2.06
UAE	112.8	1.5%	-0.3%	219.5	-3.3%	619.2	239,034.3	4.8%	11.5	1.76
Oman	209.0	-2.0%	-1.9%	11.9	-70.8%	30.5	18,600.1	3.3%	9.8	1.05
Bahrain	118.2	0.9%	-1.3%	13.4	-88.6%	31.1	20,415.5	3.4%	9.8	1.14
Kuwait	96.0	1.3%	1.4%	221.6	-11.6%	589.6	86,844.3	13.3%	15.1	1.60
Morocco	265.0	-0.8%	-1.6%	297.6	-47.6%	10.3	59,880.5	25.8%	18.0	2.73
Tunisia	68.9	-1.6%	-2.0%	6.1	-68.3%	3.0	7,940.5	4.0%	12.5	2.20
Arabian Markets	**729.8**	**1.0%**	**0.1%**	**3,916.1**	**-23.8%**	**2,332.1**	**1,168,945.3**	**17.4%**	**14.1**	**2.01**

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

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

Sharjah in the UAE of AED 1.2 billion, which would support the company's growth plans as well as stated dividend distribution policy, according to the firm. Etisalat's share price nudged up by 0.4% to AED 17.0. Union National Bank's share price rose by 1.3% to AED 4.75.

In Dubai, Gulf Finance House's share price surged by 4.8% over the week to AED 0.893. The company said that the Islamic International Rating Agency reaffirmed its international ratings with a "stable" outlook and that it would work towards achieving profitable exits from investments to benefit shareholders. Air Arabia's share price closed 4.0% higher at AED 1.05. The General Civil Aviation Authority said that the UAE aviation sector is experiencing rapid growth, propelled by the growing middle class and low airfares, as well as investments estimated currently to total AED 1.0 trillion. Union Properties' share price edged up by 0.7% to AED 0.408.

The Qatar Exchange recorded shy price gains of 0.2% week-on-week. 27 out of 46 listed stocks registered price gains, while 17 stocks posted price falls and two stocks saw no price change week-on-week. United Development Company's share price went up by 2.4% to QR 15.14. Qatar Petroleum purchased United Development Company's 20% stake in SEEF, a Qatar-based petrochemical company engaged in the manufacturing of linear alkyl benzene. Mesaieed Petrochemical Holding's share price went up by 2.1% to QR 15.32. Mesaieed Petrochemical Holding said that major shareholder Qatar Petroleum has finished distributing a tranche of free incentive shares to investors, which may improve liquidity in the stock. Ooredoo's share price closed 1.3% higher at QR 77.0. Ezdan Holding's share price went up by 3.5% to QR 13.20.

FIXED INCOME MARKETS: TWO-WAY FLOW ACTIVITY IN REGIONAL BOND PRICES

MENA fixed income markets started the year 2019 with mixed price movements. Some papers registered weekly price gains, tracking US Treasuries move after the Institute for Supply Management US manufacturing index registered a higher-than-expected drop in December 2018 to reach a two-year low, indicating a notable slowdown in the pace of growth in the US manufacturing activity. Some other regional papers saw price falls week-on-week.

In the Saudi credit space, sovereigns saw price gains across the board this week, with papers maturing between 2021 and 2049 registering price increases ranging between 0.38 pt and 1.38 pt. Prices of SABIC'20, '23 and '28 rose by 0.09 pt, 0.30 pt and 0.46 pt respectively. SECO papers maturing between 2022 and 2044 posted price improvements of up to 1.20 pt. Dar Al Arkan'23 traded up by 0.19 pt, while Dar Arkan'19 and '22 were down by 0.12 pt and 0.02 pt respectively. As to new issues, Saudi Arabia issued this week SR 1.3 billion worth of domestic Islamic bonds.

In the Kuwaiti credit space, sovereigns maturing in 2022 and 2027 closed up by 0.49 pt and 0.69 pt respectively week-on-week. As to papers issued by financial institutions, prices of National Bank of Kuwait'22 improved by 0.33 pt. Burgan Bank'21 was up by 0.17 pt, while Burgan Bank Perpetual closed down by 0.07 pt. Burgan Bank raised KWD 100 million from a private placement of bonds.

In the Qatari credit space, sovereigns maturing between 2021 and 2030 posted price increases of up to 0.30 pt this week. Prices of Qatar'46 went up by 0.75 pt, while sovereigns maturing in 2019, 2040, 2042 and 2048 recorded price contractions of up to 0.40 pt. Ooredoo papers maturing between 2021 and 2043 witnessed price rises ranging between 0.11 pt and 0.55 pt, while Ooredoo'19 closed down by 0.13 pt. Qatari Diar'20 traded down by 0.06 pt. Prices of Ras Gas'19 and '20 declined by 0.23 pt and 0.06 pt respectively. Amongst financials, Ahli Bank Qatar'22 closed down by 0.23 pt. QIB'20 and '22 were down by 0.01 pt each. In contrast, Commercial Bank of Qatar'19, '21 and '23 registered price gains of up to 0.11 pt. Prices of QNB papers maturing in 2020 and 2021 rose by up to 0.23 pt. QNB raised QR 10 billion this week by privately placing additional Tier-one notes.

In the Bahraini credit space, prices of sovereigns maturing in 2021, 2022 and 2023 expanded by 0.13 pt, 0.24 pt and 0.28 pt respectively this week. In contrast, sovereigns maturing between 2024 and 2047 saw price retreats of up to 1.73 pt. Batelco'20 was up by 0.22 pt. Prices of Mumtalakat'21 contracted by 0.11 pt. NOGA papers maturing in 2024 and 2028 saw price falls of 0.17 pt and 0.15 pt respectively.

In the Dubai credit space, sovereigns maturing between 2021 and 2043 recorded price increases of up to 0.56 pt, while DUGB'20 closed down by 0.03 pt week-on-week. Also, prices of ICD'24 increased by 0.25 pt, while ICD'20 and '27 were down by 0.01 pt and 0.08 pt respectively. Prices of Emaar'19 and '26 retreated by up to 0.14 pt. DAMAC'19 and '22 were down by 0.06 pt and 0.34 pt respectively. In contrast, Prices of DP World'20, '28 and '48 improved by 0.08 pt, 0.44 pt and 0.28 pt respectively. As to papers issued by financial institutions, DIB'20, '23 and Perpetuals saw price rises of up to 0.11 pt, while DIB'21 and '22 closed down by 0.01 pt and 0.09 pt respectively. ENBD Perpetual (offering a coupon of 5.75%) registered price gains of 0.08 pt, while ENBD'20, '22 and Perpetual (offering a coupon of 6.375%) were down by up to 0.07 pt.

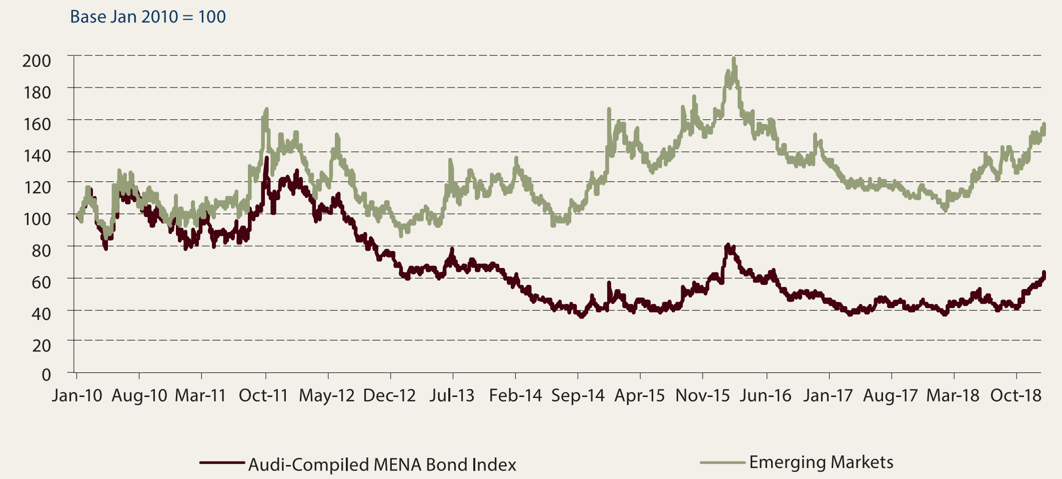
Finally, in the Egyptian credit space, US dollar-denominated sovereigns maturing in 2020, 2022 and 2023 saw weekly price drops of up to 0.24 pt, while sovereigns maturing between 2025 and 2048 saw weekly price gains of up to 0.48 pt. Euro-denominated sovereigns maturing in 2026 were up by a shy 0.01 pt, while prices of sovereigns maturing in 2030 contracted by 0.33 pt.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	04-Jan-19	28-Dec-18	29-Dec-17	Week-on-week	2017-to-date
Abu Dhabi	70	66	64	4	6
Dubai	136	130	123	6	13
Kuwait	67	66	66	1	1
Qatar	85	84	105	1	-20
Saudi Arabia	107	105	92	2	15
Bahrain	314	292	276	22	38
Morocco	113	102	121	11	-8
Egypt	383	391	316	-8	67
Lebanon	800	746	520	54	280
Iraq	539	502	424	37	115
Middle East	**262**	**249**	**211**	**13**	**51**
Emerging Markets	**189**	**188**	**136**	**1**	**53**
Global	**190**	**189**	**132**	**1**	**58**

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	B-/Stable/B	B3/Negative	B-/Negative/B
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	NR
Egypt	B/Stable/B	B3/Positive	B/Positive/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
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/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB/Stable/B	Baa3/Negative	BB+/Stable/F3
Yemen	NR	NR	NR
NORTH AFRICA			
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 * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	04-Jan-19	28-Dec-18	29-Dec-17	Weekly change	2017-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%	-0.4%
Egyptian Pound (EGP)	17.92	17.89	17.76	0.2%	0.9%
Iraqi Dinar (IQD)	1,187.64	1,182.28	1,176.53	0.5%	0.9%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.65	3.65	3.66	0.0%	-0.3%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.6%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	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)	119.05	117.65	114.94	1.2%	3.6%
Moroccan Dirham (MAD)	9.52	9.52	9.35	0.0%	1.9%
Tunisian Dinar (TND)	3.02	3.00	2.48	0.7%	22.0%
Libyan Dinar (LYD)	1.40	1.38	1.36	0.9%	2.9%
Sudanese Pound (SDG)	47.62	47.62	7.02	0.0%	578.8%

Sources: Bloomberg, Bank Audi's Group Research Department