The MENA WEEKLY MONITOR

Economy

p.2 IMF BELIEVES COVID-19 POSES FORMIDABLE THREAT FOR FRAGILE STATES IN MENA

All countries are struggling with COVID-19, but the threat is even more alarming for countries that are fragile and in conflict situations, said the IMF in a recent note. A swift, coordinated response from the international community is necessary to avoid the worst.

Surveys

p.5 UAE BUSINESSES ARE BOUNCING BACK, BUT REMOTE WORK IS EXPECTED TO STAY LONGER, AS PER WILLIS TOWERS WATSON

Even as businesses begin to reopen and quarantines around the world will ultimately end, working from home (WFH) will stick around, according to Willis Towers Watson.

Corporate News

p.7 SUNGROW TO SUPPLY INVERTER SOLUTION TO OMAN'S IBRI PROJECT

China-based Sungrow will supply 1500V SG250HX inverter solutions to 500 MWac Ibri II project in Oman, demonstrating the company's efforts in supporting Oman's ambition of lifting the renewable energy mix by 10%, as per a statement.

Markets In Brief

p.9 WEEKLY PRICE GAINS ACROSS MENA CAPITAL MARKETS

Activity in MENA equity markets was skewed to the upside this week (+4.0%), mainly supported by extended oil price gains on signs of a global demand recovery after several countries around the world started easing lockdowns imposed by the Coronavirus pandemic, and due to some favorable market-specific and company-specific factors. Also, MENA fixed income markets saw price gains across the board, mainly supported by rising oil prices, and as mounting US-China tensions, threatening to prolong a global economic slump caused by COVID-19 pandemic, spurred demand for safety.

MENA MARKETS: WEEK OF MAY 17 - MAY 23, 2020

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+4.0%	Weekly Z-spread based bond index	-3.9%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-19.2%	YTD Z-spread based bond index	+84.4%

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ECONOMY

IMF BELIEVES COVID-19 POSES FORMIDABLE THREAT FOR FRAGILE STATES IN MENA

COVID-19 will trigger a sharp drop in household incomes in MENA countries that are fragile and in conflict situations, such as Afghanistan, Djibouti, Iraq, Lebanon, Sudan, and Somalia, said the IMF in a recent note. As export earnings suffer and social distancing reduces domestic activity, incomes will decline, especially for informal and low-skilled workers, including within large internally displaced populations and refugees.

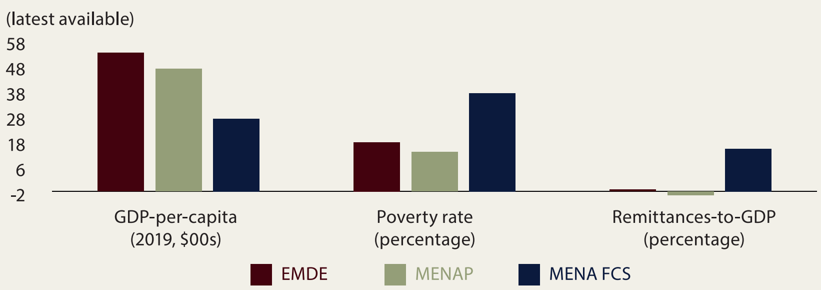
Remittances, which represent 14% of GDP in fragile countries across MENA and serve as a lifeline for many households, are also expected to tumble by 20% as global incomes fall. More broadly, real GDP in these countries is expected to shrink by 7% in 2020, relative to an average growth of 2.6% in 2019. This will lead to a significant decline in GDP per capita, from US$ 2,900 in 2018-2019 to US$ 2,100 in 2020, as per the IMF.

This dramatic downturn will aggravate existing economic and human challenges, as per the IMF. Fragile and conflict countries in MENA are already battling high poverty, political instability, weak States, and poor infrastructure. Failure to ease the potential suffering could further aggravate underlying social and political instability and could trigger a reinforcing spiral of economic hardship and conflict, thus adding to the existing humanitarian challenges of countries already in active conflict, including Libya, Syria, and Yemen.

A widespread COVID-19 outbreak is likely to overwhelm limited health capacity. Fragile and conflict countries in MENA suffer a shortage of medical doctors (8 per 10,000 people compared to 14 in emerging market and developing economies). They also face a lack of hospital beds and limited access to handwashing facilities, drinking water, and sanitation, rendering individual protection against the virus an uphill battle, as per the same source. Shortages, due to reduced imports and international competition for medical equipment, will stress vulnerabilities even further.

For a large share of the population, containing the virus might not be feasible. Together, these countries on the edge have 17.2 million internally displaced people and host 2.7 million refugees. Many of these populations live in camps or other precarious conditions, where overcrowding and lack of proper sanitation and water could result in a rapid spread of the virus.

POVERTY AND DEPENDENCE



MENA FCS = Middle East and North Africa fragile and conflict states.
It includes Afghanistan, Djibouti, Iraq, Lebanon, Libya, Somalia, Syria, West Bank and Gaza, and Yemen.
EMDE = emerging market and developing economies.
MENAP = Middle East, North Africa, Afghanistan, and Pakistan.

Source: IMF

High levels of food insecurity further compound the health and poverty challenges. Food supplies are being affected by the impact of transport restrictions, while a range of climate change shocks such as droughts, floods, and a desert locust swarm have affected production and prices in some areas. The IMF added that poverty rates and economic disruption will worsen in the absence of a fiscal response, but the scope for such action is limited by already scarce and fast-depleting resources.

Swift international support is essential to provide critical medical equipment and support the necessary increase in health spending, as well as to provide some social protection and economic support to lessen the human hardship. This will help these fragile countries to avoid the worst, including a potential increase in conflict. The IMF believes that the international community also has a part to play in helping fragile countries allocate these extra resources across communities in the best possible way. This would help reduce the risk that an unequal distribution of human and economic losses across political factions and communities fuels tensions, insecurity and localized violence. A thoughtful distribution of resources also reduces the risk that refugees or the internally displaced may be accused of spreading the disease.

Along with other international financial institutions, the IMF is providing policy advice and support to help address the economic challenges, with Afghanistan, Djibouti, and Yemen already benefitting from emergency financing and/or debt relief. In parallel, the UN has begun mobilizing resources for a US$ 2 billion response plan and has called for a global ceasefire, which is deemed by the IMF to be critical to allow for a proper medical response. Forceful action now will protect hard-earned progress on reforms in some countries and avoid a new humanitarian crisis, reducing the twin risk of future demands for international aid and increased refugee flows, said the IMF’s Director of the Middle East and Central Asia Department.

With adequate support, countries on the brink could transform this crisis into an opportunity, as per the Fund. The COVID-19 crisis, together with the risk of a second wave, constitute a call for action to establish basic health and social protection capacities, to better integrate refugees, and to build greater credibility of the State. All of which will strengthen the foundation for social and political stability moving forward. The crisis could also accelerate the push towards greater digitalization, generating broader gains in areas such as transparency, efficiency of public service, and tax administration. Increased formalization of the economy is also possible, which would improve people and firms’ future access to commodities, services, finance and markets, concluded the IMF.

IMF FINANCING TO PROVIDE SOME SUPPORT FOR EGYPT'S FOREIGN RESERVES, SAYS FITCH

IMF financing will provide some support for Egypt's (“B+/Stable”) foreign reserves and portfolio flows may be stabilizing, but the ongoing coronavirus pandemic shock could further pressure reserves, especially if the rigidity of the exchange rate persists, as per Fitch.

The external shock worsened the economy's external liquidity position by at least US$ 23 billion in March-April 2020. The Central Bank's official reserves, together with other deposits not included in reserves, declined by US$ 6 billion in both March and April.

The banking sector's foreign assets fell by US$ 10.5 billion in March (data for April are not yet available), pushing the sector into a net foreign liability positon. The gross foreign reserves of the Central Bank of Egypt (CBE) are still substantial, totaling US$ 37 billion at end-April.

Other deposits not included in reserves were US$ 3.2 billion. The rating agency projected gross foreign reserves to decline to US$ 31 billion in 2020 (4.5 months of current external payments), with the current account deficit widening by US$ 10 billion, to 5.3% of GDP, as per the report. Remaining foreign holdings of treasury bills were equivalent to US$ 9.5 billion at end-March.

Egypt is getting US$ 2.8 billion under the IMF's Rapid Financing Instrument (RFI) and has requested funds under a Standby Agreement (SBA), which could release another US$ 4 billion over a year (judging from the previous programme). Egypt would have been looking to issue around US$ 5 billion in Eurobonds in 2020, prior to the shock, said Fitch.

In 2019, Egypt successfully completed a three-year US$ 12 billion IMF programme, during which the country enacted reforms to place government debt/GDP on a downward trajectory and address foreign currency shortages, including a sharp depreciation of the Egyptian pound in late 2016. The pandemic has precipitated significant portfolio outflows, as in other emerging markets, and is denting Egypt's external receipts, in particular, tourism earnings and, probably, remittances.

The report added that foreign holdings of local-currency treasury bills tumbled by US$ 10.5 billion in March (April data not available yet). The bulk of portfolio outflows will have gone through the banking sector, but the CBE covered some legacy repatriation mechanism flows and may have sold foreign currency in the market to support the exchange rate. The CBE also used reserves in April to meet US$ 1.6 billion of external obligations, including a US$ 1.0 billion government bond repayment.

Monetary and fiscal policy will play an important part in how Egypt weathers the crisis and in any agreement on an SBA with the IMF, as per Fitch. Monetary policy has remained cautious since the end of the previous IMF program, with the CBE maintaining comfortably positive real interest rates.

However, an SBA is likely to bring renewed focus on exchange-rate flexibility, especially if foreign reserves remain under pressure. The Egyptian pound, which appreciated by 11% against the US dollar in 2019, has shown minimal volatility so far in 2020, despite the shock. There seems to be concern at the CBE and among banks, including large state-owned banks, that exchange-rate depreciation would aggravate outflows from local-currency bond markets, increase deposit dollarization (17% in February) and harm capital ratios, according to Fitch.

KSA ANNOUNCES 348 NEW INTERNATIONAL COMPANY LICENSES DURING Q1 2020

The Ministry of Investment of Saudi Arabia (MISA) announced that 348 new international companies were granted investor licenses during the first quarter of 2020, a 19% annual increase compared to the same period in 2019, and a 20% quarter-on-quarter increase from the final three months of 2019.

MISA released the figures as part of its new Investment highlights spring 2020 report, which provides an overview of the development of the Kingdom’s investment environment in the first quarter of this year.

The report places focus on the measures introduced across the government to support business community and how Saudi Arabia’s local and international investors are playing a leading role in navigating the pandemic’s economic and societal challenges.

ARAB MONETARY FUND EXTENDS NEW AUTOMATIC LOAN TO MOROCCO

The Arab Monetary Fund (AMF) extended a new Automatic Loan to the Kingdom of Morocco, for the amount of Arab Accounting Dinar MD 30.844 million, or approximately US$ 127 million.

The agreement was signed earlier this month by the Minister of Economy, Finance, and Administration Reform, on behalf of Morocco, and the Director-General Chairman of the Board of Executive Directors of the AMF, on behalf of the AMF, with the aim to provide financial support to strengthen the Kingdom’s financial position and meet emergency needs, the AMF announced in a statement.

The AMF said countries plan to implement economic, financial and structural reforms, in face of various challenges, via a number of means, including financing the needs of the balance of payments and public budgets, and financing trade through its affiliate the Arab Trade Financing Program.

The AMF is also keen to provide financial and technical support to its member countries during this period in particular, in light of the developments taking place due to COVID-19, and the ensuing economic and financial repercussions in different aspects.

The AMF assistance in this regard comes as a support to the reform efforts of member countries and the measures they are taking to stimulate the economy and provide liquidity in order to contain the negative effects of the virus outbreak.

SURVEYS

UAE BUSINESSES ARE BOUNCING BACK, BUT REMOTE WORK IS EXPECTED TO STAY LONGER, AS PER WILLIS TOWERS WATSON

Even as businesses begin to reopen and quarantines around the world will ultimately end, working from home (WFH) will stick around, according to Willis Towers Watson.

The rapid spread of coronavirus prompted the authorities last March to mandate that people stay home, shifting the traditional office to the virtual world of Zoom, Microsoft Teams and other digital tools. Now, approximately two months into the remote work environment, many are not in a hurry to get squeezed in public buses and Metro trains or sit at their not-too-socially-distant office desks.

In a new survey conducted in the UAE by Willis Towers Watson, a global advisory firm, 77% of employers said there is no fixed end date scheduled for flexible working arrangements due to the uncertain situation. Tech giant Twitter also told its 5,000 employees last week that they now have the option to work from home permanently, even after the pandemic is over. The future will look different in many respects, and working environments will be one of those elements, as per the same source. The current crisis has been a necessary experiment with clear proof that remote working is not something to fear or avoid. On the contrary, it has helped to show how organizations can be more efficient and agile, as per the same source.

Remote work is clearly one of the "legacies" that the current health crisis will leave behind. Even as businesses reopen, we know that not everyone will want to return to the office. One of the legacies of the pandemic could be fewer people working at a physical office location, as per the same source. The UAE government recently allowed commercial establishments, including cafes and restaurants, to reopen their doors after about a month of total lockdown. Offices were told to continue operating with 30% staffing, leaving the majority of the employees confined in their homes.

Remote work has been an option for some companies around the world. The idea has been advocated by employees who want to achieve a work-life balance and save a lot of time from commuting to and from work. But the scheme hasn't taken root with a lot of managers, who think their staff are more productive if they work in the office. With the "productivity" hypothesis now being tested to scale, many people now agree that there isn't really a lot of difference when employees work from home. Some would even argue that remote work has made them more productive. In Willis' survey, 50% of companies said there has been no impact on the productivity of employees, or a small negative one, due to the new working arrangements. Around 22% said remote work has increased their productivity.

MAJORITY OF STARTUPS IN MENA SEE NEGATIVE IMPACT FROM COVID-19, AS PER WAMDA AND ARABNET

The coronavirus pandemic had a negative impact on the startup ecosystem across the Middle East and North Africa, a recent research report by Wamda and Arabnet showed. The report showed that the pandemic has negatively impacted 71% of startups in the region with 50% of the respondents confirming they have a cash runway of less than six months.

The survey was conducted by Wamda, the regional ecosystem enabler, and Arabnet, the event, insights, and innovation program organizer. Findings are based on data collected from 247 startup founders, with the UAE representing the largest share (24.7%) followed by Lebanon, Saudi Arabia and Egypt.

For e-commerce startups, 54.2% reported having a cash runway of less than six months, while a third of logistics startups said they have between one and two months of runway left. For health-tech startups, 43.8% of respondents said they have less than two months of runways. Just 12% of startups reported having a runway of more than 12 months.

According to the report, founders have started putting aside talks of growth and expansion in favor of prioritizing product development and adjusting business models to sustain operations while the pandemic persists. Two thirds are now working remotely, while 8.6% said they introduced salary cuts of 50% or more and 15.9% said they reduced their number of employees.

The survival factor for over half of the startups in the region is getting new investment or grants. Financial aid whether in the form of investment, loans or bill waiver are necessary to support the region's startup ecosystem, the report said. As for funding rounds, 49.6% said that their funding round has been affected by the pandemic, while 29.5% said that they are not looking to fundraise, 11% said they will still receive funding as planned and 9.8% reported that their funding environment has improved.

JLL EXPECTS A REDUCTION IN OFFICE UTILIZATION RATES IN ABU DHABI AND DUBAI

According to Jones Lang Lasalle's "Q1 2020 UAE Real Estate Market Performance", the office market in both Abu Dhabi and Dubai is in the late downturn stage of the cycle, as leasing activity remains sluggish. Unsurprisingly, corporates are currently focused on implementing business continuity measures and developing long-term operational resilience. With work-from-home in full swing, greater emphasis is being placed on the role of technology in improving collaboration, productivity and employee wellbeing, as per the same source. Looking ahead in the short-to-mid term, JLL expects a reduction in office utilization rates. Modified workplace designs that reflect specific spatial requirements could be introduced. In Abu Dhabi in particular, in line with trends witnessed up until the end of 2019, corporate demand is expected to be active for fitted spaces with short-term leases that offer tenants flexibility. In the long-term, the agency expects demand to center on high-spec office spaces that offer more of a collaborative and social experience rather than just a place to work. There will also likely be widespread adoption of health & wellness standards (such as the WELL Building Standard Certification) to ensure employee wellbeing.

Regarding the residential market, despite the delivery of 12,400 residential units in Q1 2020 in Dubai, the remainder of stock under construction is expected to witness some delays in handover. Current market data shows transactional activity remains resilient, however, demand is likely to come under pressure in light of the present uncertainties and the impact on investor sentiment. While the agency welcomes the Central Bank initiative to ease restrictions on LTV's for first time home buyers, we expect developers to launch favorable payment plans to entice demand further.

In Dubai, sale prices and rental rates continued to decline on an annual basis, dropping -7% & -8% respectively. Despite these declines, Q1 2020 figures show that average sale prices on a per square meters basis remain 25% above Q1 2011 levels. Similarly, rental rates on a per square meters basis are 6% higher than 2011 levels, according to JLL. Meanwhile, in Abu Dhabi, sale prices and rental rates dropped at a slower rate, registering -3% & -3.5% respectively on an annual basis, as supply remains limited and new residential developments continued to attract demand, as per the same source. Looking ahead, risks of unemployment or stalling wages might put downward pressure on rents and potential values across both markets.

According to JLL, the retail sector remains challenged by the growth of e-commerce, change in consumer preferences and a significant supply pipeline, particularly in Dubai, where the total stock is at 4 million square meters of GLA. This continues to place downward pressure on rental rates across retail centers in the UAE.

Q1 2020 saw no new significant retail being handed over. A total of 954,000 square meters and 4,300 square meters are expected to be delivered in the next 9 months in Dubai and Abu Dhabi respectively. However, the emirates are likely to witness delays in the delivery of projects.

Given the drop in domestic and international consumer spending on the back of temporary mall closures and travel restrictions, retailers are having to deal with elevated risks to cash flow and increased operational costs. JLL expects non-essential goods and luxury products to be hit the hardest.

With the growth in online shopping, the short-to-mid term is likely to see more retailers adopt omni-channel retailing as a tool to mitigate costs. Various landlords work closely with retailers to alleviate some of the financial pressures is expected to be seen, as per JLL.

CORPORATE NEWS

SUNGROW TO SUPPLY INVERTER SOLUTION TO OMAN'S IBRI PROJECT

China-based Sungrow, one of the global leading inverter solution suppliers for renewables, announced it will supply 1500V SG250HX inverter solutions to the 500 MWac Ibri II project in Oman, which is the largest utility-scale PV plant in the Sultanate to date, demonstrating the company's efforts in supporting Oman's ambition of lifting the renewable energy mix by 10%, as per a statement. The delivery of inverter solutions will commence in the second quarter of this year. The Ibri II PV project is an independent power project (IPP) to be developed on a BOO (build, own, operate) basis. The US$ 400 million project was funded on a debt to equity ratio of 70:30 and a consortium consisting of ACWA Power, Gulf Investment Corporation (GIC) and the Alternative Energy Projects Company (AEPC) achieved the financial closure of it recently.

The project is expected to come online in the summer of 2021, barring aside any potential COVID-19 related considerations. It will supply clean power to State-owned utility Oman Power and Water Procurement Company (OPWP) under a 15-year contract. The plant can generate roughly 1,300 GWh annually, which is enough to power an estimated 33,000 homes and offset 340,000 tons of carbon dioxide emissions per year. The project is located in a desert around 300 kms west of Muscat with ample sunshine and abundant flat land. The system poses strict requirements on a minimized levelized cost of energy (LCOE) with cutting-edge PV technologies and the resilience to harsh conditions such as high temperature and sand corrosion.

Sungrow's SG250HX, to be installed onsite, is a good match to the project, as per a statement. The solution features 12 maximum power point tracking (MPPTs) with maximum efficiency of 99% and enables flexible block design allowing for up to 6.75 MW blocks. Compatible with bi-facial modules and tracking systems, the solution can significantly maximize ROI for a PV project, said a statement. The improved Power Line Communication (PLC) will decrease installation cost without excessive communication wiring. Equipped with 24-hour Static Var Generator (SVG) function, the solution can provide an instantaneous and effective response to power quality problems, enabling improved power system stability, reduced energy losses and complying with most demanding local power quality standards and grid codes.

ETIHAD RAIL IMPLEMENTS US$ 4.9 BILLION PHASE TWO WORK OF KSA AND UAE RAIL NETWORK

Etihad Rail, the developer and operator of the UAE's integrated railway network, began construction of the second phase of the rail network - linking Al Guwaifat on the Saudi border to Fujairah and Khor Fakkan on the emirate's eastern coast, said a top company official. Contracts worth AED 18 billion (US$ 4.9 billion) have been awarded in this phase, said the Executive Director of Relations at Etihad Rail. Etihad Rail was manufacturing a new fleet of locomotives, increasing its fleet size to 45, as well as establishing a major operations and maintenance center in Al Fayah, Abu Dhabi. The company is moving quickly to complete one of the largest and most important projects in the country, as per the same source. Etihad Rail's key project will affect many sectors, including the economy, society, the environment and tourism, as per the same source. In January, Etihad Rail began the second phase of the national railway network, with Stage A extending 139 kms to link Ruwais with Al Ghuwaifat at the Saudi border, Stage B extending 216 kms from Tarif to Seeh Shuaib, Stage C running 94 kms from Jebel Ali to Sharjah and Stage D being 145 kms from Sharjah to the ports of Fujairah and Khor Fakkan. The project will see the construction of further stages to complete the network.

Etihad Rail is constructing its central operations and maintenance center in Al Fayah, which is managed by a coalition led by the French company, Vinci Construction, as part of its future goal to create a railway network that supports the long-term growth of the nation's economy. The company is also building stations in Al Ruwais, ICAD, Khalifa Port, Dubai Industrial City, Jebel Ali Port, Al Ghail, Siji, and the ports of Fujairah and Khor Fakkan, to handle the loading and unloading of trains, as well as for container storage and maintenance.

US-BASED FLUOR TO PROVIDE CONSULTANCY FOR SAUDI AGIC PROPANE COMPLEX

US-based Fluor Corporation said that it has been named project management consultant for Advanced Global Investment Company's (AGIC) new propane dehydrogenation, polypropylene and utilities and offsite complex in Jubail Industrial City, Saudi Arabia. Fluor will perform project management consultant services for the front-end engineering design, detailed engineering, procurement and construction phases of the project. Fluor booked its portion of the undisclosed contract value in Q1 2020.

Once complete, the complex will manufacture 843,000 tons per year of propylene and 800,000 tons per year of polypropylene that will be used for the production of specialty polymers for the face masks, automotive, pipes, food packaging and textiles industries. Fluor's offices in Farnborough, UK and Al Khobar, KSA will lead the project management consulting services with support provided by the company's network of global experts.

SAUDI AGRICULTURAL DEVELOPMENT FUND APPROVES LOANS WORTH US$ 88.8 MILLION

Saudi Arabia's Agricultural Development Fund approved loans worth more than SR 333 million to finance 12 projects in a number of regions of the Kingdom and import foodstuffs from abroad. The projects include vegetable cultivation, poultry, and date factories, as well as importing rice, yellow corn and soybeans from abroad. These projects come within a package of urgent financial initiatives and measures being launched by the Kingdom to support the private sector and contribute to reducing the economic impact of the Coronavirus pandemic.

Agricultural loans worth more than SR 91 million were approved to finance 10 projects within the working capital funding initiative that includes operational loans for vegetable cultivation projects in air-conditioned greenhouses, as well as operational loans for projects in the poultry sector and projects for date factories, as per the director of the Fund. The fund also agreed to finance two loans to import rice, yellow corn and soybean crops from outside the Kingdom as part of an initiative to finance the import of agricultural products worth SR 243 million.

OMAN'S MADAYN OFFERS INCENTIVES FOR REAL ESTATE DEVELOPERS

Oman's Madayn announced a new package of investment incentives for real estate investors and developers to help them build, operate, manage, sell and lease industrial and commercial buildings and units within the projects. This was possible due to the amended provisions of the investment regulations by Madayn in a bid to enhance their competitiveness in the investment environment. The amendments comprise granting activity licenses for those holding Riyada certificate from the Public Authority for Small and Medium Enterprises Development, as well as reducing the fees for licensing the activity for small businesses that have not obtained Riyada certificate. These also include granting a new development license, development license/sub developer, and development license/operator.

DOOSAN UNIT DELIVERS US$ 2 MILLION COMPRESSORS TO SAUDI RENTAL FIRM

Doosan Bobcat, a company that manufactures compact construction machines, said one of its units, Doosan Portable Power (DPP) delivered over US$ 2 million worth of new portable compressors to Machinery Rental Alternatives Company (Ejar), one of the leading rental businesses based in Jeddah, Saudi Arabia. Ejar provides customers in Saudi Arabia with short and medium-term rental solutions. With an array of products including air compressors, generators, trucks, lift trucks, cranes and welding machines, the company offers affordable, turnkey solutions for everyday rental needs. The Doosan portable compressors have been supplied by Tamgo, the authorized dealer for DPP in Saudi Arabia, said a statement from Doosan Bobcat Europe, Middle East and Africa (EMEA).

The new order is for 50 Doosan 9/235HA portable compressors each providing 23.4 cubic meters/min of compressed air at a rated operating pressure of 8.6 bar, said the statement.

CAPITAL MARKETS

EQUITY MARKETS: ACTIVITY IN MENA EQUITIES SKEWED TO UPSIDE ON EXTENDED OIL PRICE GAINS

Activity in MENA equity markets was skewed to the upside this week, as reflected by a 4.0% rise in the S&P Pan Arab Composite index, mainly supported by extended oil price gains on signs of a global demand recovery after several countries around the world started easing lockdowns imposed by the Coronavirus pandemic, and due to some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul saw a strong price rally this week, as reflected by a 5.3% surge in the S&P Saudi index, mainly buoyed by a jump in Brent oil prices (+8.1%) on signs of a global demand recovery as several countries around the world started relaxing restrictions imposed by the COVID-19 outbreak and due to some favorable corporate earnings. Saudi Aramco, whose market capitalization represents circa 80% of the total Saudi market capitalization, posted price gains of 5.1% to reach SR 33.0, above its IPO price of SR 32.0. SABIC's share price climbed by 9.2% to SR 83.0. Petro Rabigh's share price increased by 2.4% to SR 13.50. Yansab's share price surged by 4.0% to SR 49.90.

As to banking stocks, NCB's share price climbed by 9.5% week-on-week to SR 37.40. NCB posted a 2.1% year-on-year rise in its 2020 first quarter net profits to reach SR 2.8 billion. SAMBA's share price skyrocketed by 15.5% to reach SR 23.56. SAMBA posted a 19.6% year-on-year growth in its 2020 first quarter net profits to reach SR 1.3 billion. Also, Tawuniya's share price closed 6.9% higher at SR 70.0. Tawuniya announced 2020 first quarter net profits of SR 85 million versus net profits of SR 46 million a year earlier. Al Yamamah Steel's share price rose by 7.6% to SR 15.10. The firm announced 2020 first quarter net profits of SR 32 million as compared to net profits of SR 11 million during the same period of the previous year.

The Qatar Exchange saw a 2.1% rise in prices this week, mainly supported by extended oil price gains on signs of a global demand recovery in response to lockdown-easing programs and driven by some favorable market-specific and company-specific factors. Qatar extended a program providing guarantees to local banks with interest-free loans for a full year in the aim of supporting the private sector in the face of the Coronavirus outbreak. 29 out of 47 listed stocks in the Qatar Exchange registered price gains, while 17 stocks posted price drops and one stock saw no price change week-on-week.

EQUITY MARKETS INDICATORS (MAY 17 TILL MAY 23, 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	56.4	-3.4%	-19.0%	17.9	552.8%	4.9	6,103.0	15.3%	6.4	0.53
Jordan	281.3	-1.1%	-21.8%	12.9	44.9%	8.0	17,462.7	3.8%	10.3	1.27
Egypt	255.7	-2.6%	-25.9%	205.9	-28.7%	992.6	37,565.7	28.5%	7.7	1.68
Saudi Arabia	307.8	5.3%	-16.5%	7,437.6	48.4%	1,140.2	2,204,815.8	17.5%	16.6	2.29
Qatar	157.6	2.1%	-14.7%	623.8	46.4%	969.6	137,757.1	23.5%	14.7	1.89
UAE	83.8	2.4%	-26.1%	469.1	11.2%	1,362.7	213,005.1	11.5%	10.3	1.49
Oman	169.2	-0.5%	-15.8%	8.9	-8.9%	23.2	14,845.2	3.1%	9.2	0.81
Bahrain	117.9	5.7%	-28.2%	5.1	13.2%	12.1	16,993.0	1.5%	9.7	1.24
Kuwait	90.1	5.5%	-24.8%	281.4	41.1%	363.6	82,217.0	17.8%	14.1	1.54
Morocco	216.4	3.2%	-25.7%	48.7	17.6%	2.0	50,392.9	5.0%	15.9	2.52
Tunisia	63.0	0.4%	-12.9%	5.6	-20.8%	2.5	7,388.1	3.9%	12.8	2.65
Arabian Markets	**637.1**	**4.0%**	**-19.2%**	**9,117.0**	**41.9%**	**4,881.4**	**2,788,545.4**	**17.0%**	**15.7**	**2.16**

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

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

A closer look at individual stocks shows that QIB's share price went up by 2.9% over the week to QR 15.40. Doha Bank's share price closed 2.5% higher at QR 2.02. Masraf Al Rayan's share price surged by 3.9% to QR 3.92. QNB's share price rose by 3.1% to QR 17.680. QNB announced flat net profits of QR 3.6 billion during the first quarter of 2020 when compared to the same period of the previous year. Also, Industries Qatar's share price increased by 2.2% to QR 7.87. Gulf International Services's share price jumped by 3.6% to QR 1.347.

The UAE equity markets registered a 2.4% increase in prices week-on-week, mainly supported by oil price gains and some favorable financial results. In Dubai, Dubai Financial Market's share price jumped by 9.2% to AED 0.724. Some news circulated that Dubai is looking to merge its assets with Abu Dhabi through Mubadala in a bid to cushion the economic blow of the Coronavirus, yet this was denied by the Dubai government later on. Also, Dubai Financial Market posted 2020 first quarter net profits of AED 35 million, up by 23% year-on-year. Air Arabia's share price rose by 1.0% to AED 1.01. Air Arabia reported net profits of AED 71 million during the first quarter of 2020 despite the fast-spreading Coronavirus pandemic that has forced the global airline industry into near-hibernation. Deyaar Development's share price climbed by 8.9% to AED 0.269. Deyaar Development reported revenues of AED 98.8 million and net profits of AED 2.6 million during the first quarter of 2020 after recording a precautionary provision for impairment of AED 10 million for some investment properties.

In Abu Dhabi, First Abu Dhabi Bank's share price increased by 1.1% week-on-week to AED 11.20. ADCB's share price climbed by 8.9% to AED 4.40.Aldar Properties' share price rose by 1.7% to AED 1.76. Aldar Properties said that its revenues remained stable at AED 1.76 billion during the first quarter of 2020 relative to the same period of last year. Dana Gas's share price jumped by 4.4% to AED 0.658. International Holding Company's share price went up by 4.5% to AED 27.24 at the end of last week.

FIXED INCOME MARKETS: WEEKLY PRICE GAINS IN MENA BOND MARKETS ON MOUNTING US-CHINA TENSIONS AND EXTENDED OIL PRICE GAINS

MENA fixed income markets saw price gains across the board this week, mainly supported by extended oil price gains on signs of a global demand recovery after several countries around the world started relaxing lockdowns imposed by the Coronavirus outbreak, and as mounting US-China tensions threatening to prolong a global economic slump caused by COVID-19 pandemic spurred demand for safety.

In the Abu Dhabi credit space, sovereigns maturing in 2024 and 2029 registered price gains of 0.50 pt and 1.25 pt respectively this week. Prices of Mubadala'24 increased by 0.98 pt week-on-week. ADNOC'29 closed up by 2.78 pts. Prices of Etisalat'24 improved by 0.92 pt. Taqa'26 was up by 0.95 pt. Amongst financials, ADIB Perpetual traded up by 6.57 pts. Al Hilal Bank'23 registered price gains of 1.31 pt. Prices of First Gulf Bank'24 rose by 0.35 pt. As to plans for new issues, Abu Dhabi plans to tap its triple-tranche US$ 7 billion bond issued in April 2020, as the emirate seeks to bolster its finances.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 registered price expansions of 0.38 pt and 1.63 pt respectively week-on-week. Ooredoo'25 was up by 0.53 pt. As to papers issued by financial institutions, QNB'24 posted price rises of 0.31 pt. CI Ratings affirmed the Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) of QNB at "AA-" and "A1" respectively, with a "stable" outlook. Prices of QIB'24 increased by 0.31 pt. CI Ratings affirmed the Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) of Qatar Islamic Bank (QIB) at "A+" and "A1" respectively, with a "stable" outlook.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 saw price rises of 1.25 pt and 2.13 pts respectively this week. Prices of Aramco'24 increased by 1.36 pt. STC'29 registered price improvements of 2.22 pts. SABIC'28 closed up by 1.68 pt. SECO'24 was up by 1.07 pt. In the Bahraini credit space, sovereigns maturing in 2023, 2025 and 2029 posted price gains of 1.06 pt, 1.75 pt and 2.25 pts respectively week-on-week. Prices of NOGA'24 went up by 2.43 pts over the week.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price improvements ranging between 0.88 pt and 2.0 pts this week. Prices of Euro-denominated papers maturing in 2025 and 2030 rose by 1.84 pt and 1.01 pt respectively.

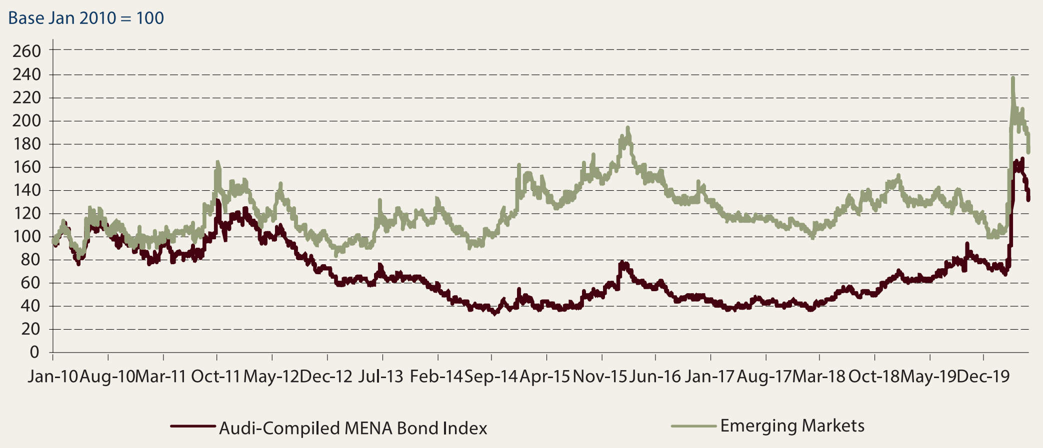
On the overall, regional bond markets saw upward price movements this week, mainly on rising oil prices amid relatively eased Coronavirus lockdowns, and as escalating US-China tensions deepened global economic concerns and flocked demand for safe-haven assets.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	22-May-20	15-May-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	98	108	36	-10	62
Dubai	232	266	91	-34	141
Kuwait	90	96	37	-6	53
Qatar	98	108	37	-10	61
Saudi Arabia	144	155	57	-11	87
Bahrain	428	460	176	-32	252
Morocco	153	168	91	-15	62
Egypt	568	613	277	-45	291
Iraq	1,214	1,214	384	0	830
Middle East	**336**	**354**	**360**	**-18**	**-24**
Emerging Markets	**302**	**327**	**148**	**-25**	**154**
Global	**352**	**343**	**163**	**9**	**189**

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/Negative/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+/Positive/B	B2/Stable	BB-/Stable/B
Oman	B+/Stable/B	Ba2/RUR	BB+/Stable/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3
Tunisia	NR	B2/RUR	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$)	22-May-20	15-May-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)	15.85	15.75	16.05	0.6%	-1.3%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
GULF					
Saudi Riyal (SAR)	3.76	3.76	3.75	0.0%	0.3%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.67	3.67	3.66	0.0%	0.2%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	-0.7%	1.7%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	128.21	128.21	119.05	0.0%	7.7%
Moroccan Dirham (MAD)	9.89	9.89	9.57	0.0%	3.4%
Tunisian Dinar (TND)	2.90	2.91	2.83	-0.2%	2.5%
Libyan Dinar (LYD)	1.42	1.41	1.40	0.4%	1.5%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER