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MENA MARKETS: JANUARY 22 - JANUARY 28, 2023

| | | | |
|---------------------------------|-------|----------------------------------|--------|
| Stock market weekly trend | ↑ | Bond market weekly trend | ↓ |
| Weekly stock price performance | +0.6% | Weekly Z-spread based bond index | +2.8% |
| Stock market year-to-date trend | ↑ | Bond market year-to-date trend | ↓ |
| YTD stock price performance | +1.8% | YTD Z-spread based bond index | +12.1% |

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ECONOMY

WORLD BANK EXPECTS GROWTH IN MENA TO DECELERATE TO 3.5% IN 2023 AND TO 2.7% IN 2024

Output in the Middle East and North Africa region rebounded in 2022, expanding by an estimated 5.7%—the region's highest growth rate in a decade—as oil exporters enjoyed windfalls from increased oil and gas prices and rising production. The rebound also reflected the ongoing recovery in services from their pandemic slump as per the World Bank. Nonetheless, the region is still characterized by widely divergent economic conditions and growth paths, high levels of poverty and unemployment in many countries, low labor productivity growth, elevated vulnerabilities, and fragile political and social contexts. Rising inflation and tightening financing conditions have weighed on consumer spending, which stagnated across the region in the first half of the year. Authorities in many countries stepped in to help stabilize economic activity by raising spending. In Saudi Arabia, for example, activity was supported by a government relief package, equivalent to 0.5% of GDP, to help households cope with the rising cost of living.

Among net oil exporters, the rise in oil prices and expansion of oil production led to a rapid increase in goods export earnings of 35% in the year to August 2022. The region's oil production in 2022 to November, at an average of 34.1 million barrels a day, was 10.4% higher than the same period a year earlier, with close to 80% of the increase being accounted for by the member countries of the Gulf Cooperation Council (GCC) and half by Saudi Arabia alone. Most of Saudi Arabia's 8.3% growth in 2022—the fastest in a decade—was due to increasing oil production. In Iraq, output grew by an estimated 8.7% last year, also driven by rising oil production; however, activity in other economic sectors has been more subdued owing to continued policy uncertainty. In Libya, oil output fell in June to about one-half of its recent peak as violence between political factions undermined production.

Economic conditions for net oil importers are starkly different from those for oil exporters. In the Arab Republic of Egypt output slowed significantly in the first half of 2022. Morocco's economy also decelerated sharply in the first half of 2022 due to the drought and rising energy prices, partially compensated by a recovery of services boosted by the tourism sector. MENA's oil importing economies have been adversely affected by the growth slowdown in the European Union (EU)—the destination for almost half of their goods exports in 2021, and accounting for about 7.4% of GDP.

Growth in MENA is projected to decelerate from 5.7% last year to 3.5% in 2023 and to 2.7% in 2024. The projected deceleration of regional growth is accounted for by the unwinding of the recent pickup in oil exporters. Risks to the baseline growth projections remain tilted to the downside. They include the possibility of adverse changes in global and domestic financing conditions, further weakness in growth in the EU (a vital export market), and rising violence and social tensions. Economies with weak policy buffers, and large fiscal and current account deficits, face elevated risks of financial crisis. The region is also at risk in the event of a global recession, which would undermine export demand and oil production. Climate change can damage economies in the short run and remains an existential threat in the long-run as per the World Bank.

The vulnerability of many of the region's economies, particularly oil importers, to external financial pressures that could arise from capital outflows has increased as a result of widening current account deficits and dwindling foreign exchange reserves. If sentiment continues to deteriorate, or global interest rates rise further than assumed, for example because of persistent inflation, oil importers could face even more adverse credit conditions as they seek to finance growing deficits. This could lead to severe difficulties meeting food and energy needs and servicing external debt. Across the region more broadly, energy subsidies averaged 13% of government revenues in 2022. With continued high food and energy prices and weakening income growth, calls for expanded subsidies may mount. Spillovers from the rest of the world are a major risk to the region's forecast as the global economy faces a heightened possibility of falling into recession. Oil exporters may face slower growth by implementing OPEC+ production cuts to stabilize oil prices at higher levels despite weakening demand. A deep recession in Europe would undermine growth among oil importing economies according to the World Bank.

EGYPT'S ECONOMIC PERFORMANCE PROJECTED TO IMPROVE IN FY 2023/24

As Egypt's economy suffers from the global economic environment, performance is projected to ameliorate in the fiscal year (FY) 2023/2024, as per the IMF's Egypt country report.

It is worth noting that Egypt's FY spans from July 1st until June 30th of the following year.

On a macroeconomic level, real GDP growth for FY 2022/23 is projected at 4.0% and is forecasted to improve by 1.3 percentage points (pp) reaching 5.3% growth in FY2023/24. Average CPI growth for the FY 2023/24 is forecasted at 11.1% which shows the softening of the upward trend by 4.7 pps from the prior FY. Gross Debt, as defined in the IMF program, is expected to decrease by 2.8 pps reaching 85.5% of GDP in FY 2023/24, down from 88.3% of GDP in FY 2022/23, as per the IMF's report.

On the level of the external sector, the growth in exports are expected to soften significantly to reach 2.2% in FY 2023/24, down from 15.5% projected for FY 2022/23. On the other hand, growth in imports is projected at 0.9 pps to reach 4.0% in FY 2023/24. This in turn will widen the country's trade balance deficit. In parallel, as the country's currency has been devalued substantially, Egypt is already becoming a more attractive environment for foreign investors. This is seen as net foreign direct investment (FDI) is projected at US\$ 12.1 billion for FY 2023/24, a 24.7% increase from US\$ 9.7 billion forecasted for FY 2022/23, as per the IMF's Egypt country report.

Gross fixed capital formation (GFCF) or the acquisition of produced assets, which includes purchases of second-hand assets, is forecasted to grow substantially by 6.8 pps reaching 7.2% growth in FY 2023/24.

At the level of the central bank of Egypt's (CBE) accounts, net foreign assets is expected to reach EGP 229 billion (US\$ 7.7 billion at the FX rate of EGP 29.74/US\$) at end-period FY 2023/24 against EGP -38 billion (US\$ -1.3 billion) at the end-period of the prior FY. In parallel, net domestic assets are projected to grow by 3.7% during the aforementioned period to reach EGP 1.6 trillion (US\$ 52.5 billion) at the end of the FY 2023/24.

At the level of the banking system's financial soundness indicators, the majority of indicators remained healthy as at end-June 2022.

In details, capital adequacy indicators have worsened slightly from end-June 2021 but remain firmly above the healthy minimum. Non-performing loans (NPL) to total loan ratio has improved slightly and decreased by 0.2 points between end-June 2021 and the same period of 2022 and remained at a healthy level. On the other hand, loan provisions to NPLs ration has slightly worsened over the aforementioned period but remains adequate showing that asset quality indicators of the banking sector in Egypt are healthy. Profitability indicators have stagnated over the period and are healthy remaining in line with the historical trends of healthy banking sector ratios. However, loans to deposits ratios have remained lower than the healthy level of 80 to 90% standing at 48.6%. This indicates that the banks in the country are not earning at their full potential, as per data in the IMF's report.

MAWANI ADDS JUBAIL COMMERCIAL PORT TO IG1

The port authorities of Saudi Arabia (MAWANI) have announced the addition of the Jubail Commercial Port to the shipping route "India Gulf Service 1 (IG1)" through Hapag-Lloyd ocean carrier. This addition falls in line with the National Transport and Logistics Strategy of integrating the country in global trade networks and increasing its UNCTAD Liner Shipping Connectivity Index to 80 points.

Jubail Commercial Port is considered the strategic gateway of Saudi Arabia's industrial and petrochemical complexes. The port is modernized and equipped for the handling of all vessels and goods.

The addition of the port to IG1 will be executed in February as a weekly service. The aforementioned service will tie the country to the UAE (Jebel Ali port), Pakistan (Karachi port), India (Mundra port), Oman (SOHAR port), Kuwait (Shuaiba port) and Iraq (Umm Qasar) through three containerships with an average carrying capacity of 2,400 20-foot containers (TEUs).

It is worth noting that MAWANI was established in 1976 with the aim of overseeing operations in Saudi ports. MAWANI also works on the transformation of the country's ports into investment platforms as well as facilitating trade with the rest of the world.

KUWAIT'S PRICES INFLATE BY 3.2% YEAR-ON-YEAR IN DECEMBER 2022

Kuwait's CPI in December 2022 saw an increase of 3.2% against prices in the same month of last year. CPI inflation with the exclusion of food and drinks registered an increase of 2.3% year-on-year in December 2022. In parallel, CPI excluding housing services showed an inflation of 4.0% in December 2022 as compared with December 2021, as per the Kuwait Central Statistical Bureau (KCSB).

In details, food & drinks inflated by 7.5% year-on-year in December 2022. Clothing & footwear also saw an increase in prices of 5.4% between December 2022 and December 2021. Additionally, prices of tobacco products increased negligibly by 0.2% year-on-year in December 2022.

Housing services and home furniture & maintenance equipment both saw inflation in their prices of 1.4% and 1.7% respectively in December 2022 against the same month of the year prior.

Concurrently healthcare services, transport, telecommunication and education saw inflation in prices of 2.6%, 3.0%, 1.0%, and 0.4% respectively between December 2022 and December 2021. Recreational & cultural activities saw an increase in prices of 3.1% year-on-year in December 2022. Hotel & restaurant prices inflated in December 2022 by 3.5% against the same month of the previous year. Additionally, miscellaneous goods and services noticed a price inflation of 3.8% year-on-year in December 2022, as per the KCSB.

OMAN'S TOTAL OIL PRODUCTION ROSE BY 10% YEAR-ON-YEAR IN 2022

Oman's total oil production for 2022 reached 388.4 million barrels which shows a 9.6% increase from figures in 2021. In turn, average oil production in the country reached 1.1 million barrels per day in 2022 up from 971,200 bpd in 2021, as per the National Center for Statistics and Information (NCSI).

In parallel, oil exports increased by 10.6% year-on-year in 2022 reaching 319.5 million barrels. China remained the biggest importer of Omani oil and accounted for the purchase of 82% of Oman's oil exports.

It is worth noting that the average price per barrel of crude oil in 2022 reached US\$ 95.4/barrel up by 48.4% from 2021's price of US\$ 64.3/barrel, as per the NCSI.

QATAR'S RETAIL INDUSTRY IS EXPECTED TO GROW IN THE FIRST QUARTER OF 2023

With steady population growth, expatriates and individuals with high net-worth and the successful conclusion of the FIFA World Cup 2022, Qatar's retail market is expected to show growth in the first quarter of 2023. The revival of the industry was also driven by the easing of travel restrictions, the strengthening of the investment environment as well as the streamlining of the industry's infrastructure by the government, as stated in BFL group's report.

Qatar's retail industry performance in 2022 was positive as project expansions were undertaken and foreign investment came into the country. Qatar also took on the building of malls, stadiums and other infrastructures which bolstered the country's economy.

With outdoor activities having returned to normal in 2022 and with increasing consumer spending, retail sales are on an upwards trajectory, as stated in the report.

Seeing as retail sales reached QAR 67.4 billion (US\$ 18.5 billion) in 2022, confidence in the industry's performance in Q1 2023 is robust as more customers are attracted. An increase in the number of retail stores is also anticipated in 2023 as the country received exposure in 2022, said the CEO and Co-Founder of BFL Group in a statement.

SURVEYS

QATAR AND KUWAIT ARE THE BIGGEST MOVERS IN Q2 2023 IN THEIR POWER RRI (RISK/REWARD INDEX), AS PER FITCH SOLUTIONS

Qatar and Kuwait are the biggest movers in Q2 2023 in their Power RRI (Risk/Reward Index), with improvements in their scores by 1.8 and 1.6 respectively, resulting in a higher global ranking, as per Fitch Solutions.

A stronger Rewards profile improved Qatar's RRI, resulting in an increase in the global rankings from 17th to 11th, while a lower Risk profile improved Kuwait's RRI moving its global ranking from 47th to 42nd.

Qatar's electricity generation and electricity capacity scores boosted the Industry Rewards profile this quarter, driven by increases in non-hydropower renewables capacity and generation, as stated in the report.

However, the market's long-term and short-term economic risks indices have contributed positively to the Country Risks profile, due to the economic growth generated by increased economic activity from the FIFA World Cup, which our Country Risk team expects to remain above trend in 2023.

In parallel, Kuwait's electricity generation and electricity capacity growth boosts its Industry Rewards, as the government has outlined plans to develop new thermal power plants, in order to meet electricity demand during its hot summer seasons and to increase electricity exports. Furthermore, lower financial barriers and improvements to the transmission and distribution network have reduced the market's Industry Risks.

| MENA POWER RISK/REWARD INDEX | | | | | | | | | |
|------------------------------|---------------|-------------|------|------------------|-----------------|---------|----------------|---------------|-------|
| Country | Regional Rank | Global Rank | RRI | Industry Rewards | Country Rewards | Rewards | Industry Risks | Country Risks | Risks |
| UAE | 1 | 5 | 72.8 | 64.9 | 68.1 | 66.2 | 82.8 | 82.7 | 82.8 |
| Qatar | 2 | 11 | 68.7 | 64.2 | 74.4 | 68.3 | 67.8 | 70.8 | 69.3 |
| Saudi Arabia | 3 | 18 | 66.8 | 72.2 | 62.9 | 68.5 | 53.5 | 75.0 | 64.3 |
| Oman | 5 | 40 | 58.0 | 46.6 | 65.3 | 54.1 | 56.9 | 71.0 | 63.9 |
| Kuwait | 6 | 42 | 56.5 | 51.7 | 62.3 | 55.9 | 52.5 | 62.2 | 57.4 |
| Bahrain | 7 | 53 | 51.2 | 39.7 | 58.0 | 47.0 | 58.4 | 56.6 | 57.5 |
| Morocco | 8 | 56 | 50.9 | 61.9 | 40.8 | 53.4 | 53.0 | 41.0 | 47.0 |
| Egypt | 9 | 57 | 50.8 | 67.5 | 54.2 | 62.2 | 28.5 | 39.0 | 33.8 |
| Iraq | 10 | 60 | 49.1 | 74.1 | 62.5 | 69.5 | 19.5 | 17.6 | 18.5 |
| Jordan | 11 | 65 | 48.1 | 46.8 | 51.3 | 48.6 | 47.0 | 48.0 | 47.5 |
| Algeria | 13 | 78 | 41.5 | 55.2 | 38.8 | 48.6 | 37.2 | 24.4 | 30.8 |
| Tunisia | 14 | 95 | 36.5 | 39.7 | 37.7 | 38.9 | 42.9 | 23.1 | 33.0 |
| Lebanon | 15 | 110 | 27.9 | 25.9 | 43.9 | 33.1 | 27.2 | 13.2 | 20.2 |

Sources: Fitch Solutions, Bank Audi's Group Research Department

On the other hand, the UAE had the largest RRI score reduction among MENA markets with an RRI score 4.3 points lower than the previous quarter, resulting in a drop in global rankings from 1st to 5th. Despite this, the market remains the region's top performer.

The UAE's lower Q2 2023 RRI score is attributed to poor performance in expected electricity capacity and electricity generation growth, which weighs down the Industry Rewards profile.

Over the 5-year forecast period, the average annual electricity generation growth rate changed from 4.4% (for 2022-2026) to 1.9% (for 2023-2027). This is due to the power market diversification strategy, which will see thermal generation capacity decrease, as the UAE frees up oil and natural gas from the power sector for exports. The decrease in thermal power generation and capacity will be offset by generation from nuclear and non-hydropower renewables.

In addition to the lower Industry Rewards profile, electricity import dependence and real GDP scores decreased from the previous quarter contributing to a weaker Country Rewards profile for the UAE.

Elsewhere in the region, Algeria had the largest drop in global rankings this quarter, falling from 71st in Q1 2023 to 78th in Q2 2023, according to Fitch Solutions.

A weaker Rewards profile has contributed to a 4-point reduction in the market's RRI score this quarter. The market's Industry Rewards profile is weighed down by a low electricity generation and electricity capacity growth pillar. Moreover, the Country Rewards profile is weighed down by a low labor market risks score from the high levels of youth unemployment and a weak real GDP growth. Algeria's weak real GDP growth faces downside risks from rising inflation and sluggish private consumption.

UAE TOPS VENTURE DEBT DEALS IN MENA, AS PER SHUAA CAPITAL AND MAGNITT

The UAE has been the most funded market through venture debt over the last few years, according to the 2022 MENA Venture Debt Investment Report, released by Shuaa Capital and MAGNITT.

The report maps the evolution of venture debt funding in the MENA region over the year from 2018 till 2022, along with its target countries and industries, along with funding and deal activity.

Despite operating against a backdrop of increasing global macroeconomic headwinds, the start-up ecosystem across MENA continues to attract both international and regional investors.

Venture debt investments in the MENA region have exceeded US\$ 260 million through 18 deals in 2022, slightly down from US\$ 266 million in the previous year, highlighting a minor decline in funding in line with a global contraction in venture investing.

The average deal size in 2022 plunged to US\$ 14.40 million from US\$ 26.60 million in 2021. However, the year 2022 witnessed the first mega-deal for venture debt in the MENA region closed by UAE-based fintech startup Tabby, contributing 39% to the total venture debt funding registered in 2022. Overall, the region continued to attract funding for start-ups despite global economic headwinds and uncertainty.

Between 2018 and 2022, UAE-based startups closed 16 venture debt deals between 2018 and 2022, taking over a share of 49% of the number of deals and value of funding reported for the MENA region.

Venture debt funding was concentrated in four countries of the MENA region, namely UAE, KSA, Egypt and Jordan.

The UAE was the most funded market through venture debt taking over 50% of the number of deals, as well as the value of funding reported for the MENA region between 2018 and 2022.

The report also noted that Saudi Arabia emerged as the second-most funded market through venture debt, accounting for 29% of total funding in the region, followed by Egypt (16%) and Jordan (5%).

Furthermore, Fintech industry accounted for the highest share of venture debt deals between 2018 and 2022, raising 61% of total venture debt funding over the same period.

The FinTech, Transport & Logistics and E-Commerce industries remain the industries of choice, however, the Agriculture industry paved its way to the top three following US\$ 50 million venture debt deal.

Additionally, the number of investors increased to 26 after the interest in venture debt funding had widened over the past two years.

The share of international investors, the non-MENA investors, also hiked to 47% in 2022 from 20% in 2021, which reflects the rising interest in venture debt as a method of financing.

CORPORATE NEWS

SELECT GROUP SIGNS CONSTRUCTION CONTRACTS WORTH US\$ 816 MILLION FOR PALM JUMEIRAH PROJECT

Select Group, one of the leading private developers in the UAE, awarded construction contracts worth over US\$ 816 million (AED 3 billion) to China State Construction Engineering Corporation (Middle East), Engineering Contracting Company (ECC Group), iBUILD Construction and Al Basti and Muktha (ABM), for its Six Senses Residences project in Palm Jumeirah in Dubai, as revealed in a company's statement.

iBUILD Construction would deliver Six Senses Residences The Palm Dubai, one of the last available plots on the West Crescent of Palm Jumeirah.

ABM would deliver Peninsula Five, The Signature Collection, and Jumeirah Living Business Bay.

ECC Group would lead the development of Peninsula Three.

The Six Senses Residences development, which covers a 1.2 million square feet area, would include penthouses, duplex sky villas and nine signature beachfront villas, alongside with a Six Senses Hotel and Six Senses Place.

The Six Senses Residences project is scheduled to be finalized by next year.

TADWEER SIGNS FIVE OPERATION CONTRACTS VALUED AT US\$ 545 MILLION

Tadweer, the Abu Dhabi Waste Management Company, signed five contracts valued at US\$ 545 million (AED 2 billion) with Alphamed Abu Dhabi, Terberg RosRoca Vehicle Manufacturing, Beeah Sharjah Environment Company, Averda Waste Management, and Nael and Bin Harmal Hydroexport, covering operations in Abu Dhabi and Al-Ain, as stated in a company's statement.

The six-year contracts cover the collection of solid waste, transportation services, public cleaning services, and waste container management.

The goal of the contracts is to improve the quality and environmental friendliness of services through the provision of electrical equipment for waste collection and transportation, cleaning services for main roads and automatic sweeping, and employee-training programs that aligns with international standards.

RED SEA GLOBAL AWARDS US\$ 266 MILLION CONTRACTS FOR SAUDI ULTRA-LUXURY TOURISM HUB

Saudi-based Red Sea Global (RSG), the multi-project developer behind the world's most ambitious regenerative tourism destinations, awarded a primary infrastructure and utility contract valued at US\$ 266 million (SR1 billion), to Al Ayuni Investment and Contracting Company to deliver the first phase of development at Amaala, an ultra-luxury tourism destination located along the country's north-western coast, across its Triple Bay masterplan, as indicated in a company's statement.

Al Ayuni Company would be responsible for delivering primary utility infrastructure systems, while minimizing Triple Bay's carbon footprint as part of Amaala's commitment towards net-zero operations.

Amaala's first phase of development, which is focused on the Triple Bay masterplan, would consist of eight hotels and upwards of 1,200 hotel keys.

Upon full completion in 2027, the destination would also provide 3,000 hotel rooms across 25 hotels, as well as high-end retail establishments, fine dining, wellness, and recreational facilities.

It is worth noting that Al Ayuni Company was selected based on its overall technical and commercial competencies, as well as regional and global credentials.

PHILEX PHARMACEUTICAL INDUSTRIES' FACTORY VALUED AT US\$ 150 MILLION LAUNCHED IN SALALAH FREE ZONE

The Salalah Free Zone, operated by Salalah Free Zone Company, a subsidiary of ASYAD Group, announced in January 2023 the opening of Phase I of Phelix Pharmaceutical Industries' factory in Oman, as mentioned in a company's statement.

The project, valued at US\$ 150 million, includes three development phases involving the establishment of an advanced factory for pharmaceutical products and a research and development center.

The company plans to produce more than 100 types of pharma products, including various types of drugs in the current phase and vaccines in the second phase, with a production capacity of one billion medicinal tablets and one billion capsules annually during the first phase. Once all phases are completed, the total investment would ultimately cover around 110,000 sqm and would produce a range of medications, including antivirals, diabetes and heart medication, blood thinners and pain killers, as well as other specialized nutritional products. The factory is the latest in the field of pharmaceutical industries in Oman, aiming to transform Salalah Free Zone as a regional center for the pharmaceutical and biological industries.

The plant has been built based on international standards, which qualifies it to enter the global markets.

TSFE SIGNS TWO AGREEMENTS WORTH LE 2 BILLION WITH B INVESTMENTS IN HEALTHCARE SECTOR

B Investments Holding, an Egypt-based private equity firm, and The Sovereign Fund of Egypt (TSFE), represented by its healthcare and pharmaceutical industries Subfund (TSFE Healthcare & Pharma Subfund), signed two agreements to invest over LE 2 billion in specialized healthcare and pharmaceutical distribution and trade services in Egypt, as reported in a company's statement.

Under the first agreement, the Subfund would invest LE 100 million in B Healthcare Investments (BHI), a fully owned subsidiary of B Investments. BHI is targeting to raise up to LE 1 billion of which B Investments and TSFE have committed to invest LE 200 million and LE 100 million, respectively, with the rest to be offered to local and regional private sector investors.

Under the second agreement, B Investments would invest in the Subfund's established platform, which aims to invest in pharmaceutical distribution and trade services. The platform aims at enhancing efficiencies and injecting capital to support infrastructure upgrades required to institutionalize the sector. The platform will be partnering with local champions in the market to accelerate their growth into under-served cities in Egypt and across the region. It will also aim at leveraging the latest technological solutions to provide a wide range of digital offerings that will lead to cost efficiencies, ensure market stability, and improve customer experience. A total of LE 1.2 billion would be deployed in the first phase with aspirations to grow even further as more investment opportunities arise.

Both agreements contribute to providing Egyptian citizens with better services in the healthcare sector. In addition, the two agreements serve the investment model of the Fund, as a mechanism to enhance partnership with investors from the private sector.

SAUDI ARAMCO INCREASES ACCESS TO NORTH AMERICA'S LARGEST OIL REFINERY

Saudi Aramco, the world's largest oil company, fully acquired US refiner Motiva Trading through its affiliate Aramco Trading Company (ATC), and launched Aramco Trading Americas LLC (ATA) in Texas, as mentioned in a company's statement.

The Saudi Exchange-listed firm launched ATA, ATC's regional office, in order to boost its trading business in North and South America to capture new opportunities and increase its existing customer base.

Under the purchase agreement, ATA would be the sole supplier and offtaker of Motiva Enterprises, the owner of North America's largest oil refinery with a crude capacity of 630,000 barrels a day of consumer and commercial grade fuels and base oils.

The newly launched entity would enable ATC to foster its business and provide customers with access to the world's solid hydrocarbon system, which would boost its value chain worldwide.

CAPITAL MARKETS

EQUITY MARKETS: ACTIVITY IN MENA EQUITIES SKEWED TO UPSIDE, MAINLY TRACKING GLOBAL EQUITY STRENGTH AND ON BETS ABOUT GLOBAL OIL DEMAND RECOVERY

Activity in MENA equity markets was skewed to the upside this week, as reflected by a 0.6% rise in the S&P Pan Arab Composite index, mainly tracking global equity strength (+2.1%) following higher-than-surveyed annual growth in the US real economy during the fourth quarter of 2022, and as bets about a less-aggressive US Fed monetary tightening and oil demand recovery in China boosted overall investor sentiment, in addition to some favorable company-specific factors.

The heavyweight Saudi Exchange bounced back this week, as reflected by a 1.5% increase in the S&P Saudi index, mainly on expectations about global oil demand recovery following China's reopening and given less-than-expected rise in the US crude inventory in the week ending January 20, 2023, in addition to some favorable company-specific factors.

A closer look at individual stocks shows that petrochemicals giant Saudi Aramco's share price went up by 2.2% week-on-week to SR 32.90. SABIC's share price rose by 1.0% to SR 95.40. Petro Rabigh's share price closed 2.9% higher at SR 11.28. Saudi Kayan Petrochemical Company's share price increased by 2.0% to SR 13.44. Yansab's share price jumped by 7.2% to SR 45.45. Aslak's share price increased by 1.1% to SR 24.96. Aslak announced 2022 net profits of SR 57 million versus net profits of SR 46 million a year earlier, up by 24.0% y-o-y. Saudi Industrial Investment group's share price surged by 4.1% to SR 24.96. HSBC raised its recommendation on Saudi Industrial Investment Group to "Buy" from "Hold", with a price target of SR 29, which implies an 18% increase from last price.

The Qatar Stock Exchange posted a price rebound this week, as reflected by a 3.3% surge in the S&P Qatar index, mainly supported by some upbeat corporate earnings and on optimism about an oil demand recovery after China eased its COVID Zero policy. 32 out of 49 traded stocks registered price gains, while 16 stocks posted price falls and one stock saw no price change week-on-week.

A closer look at individual stocks shows that Vodafone Qatar's share price surged by 6.6% over the week to QR 1.719. Vodafone Qatar reported a 53% year-on-year increase in its 2022 net profits to reach QR 502 million, exceeding analysts' estimates. Qatar International Islamic Bank's share price went up by 2.8% to QR 10.50. QIIB reported 2022 net profits of QR 1.1 billion, up by 7.2% year-on-year, exceeding analysts' estimates. Qatar National Cement's share price closed 1.0% higher at QR 5.200. Qatar National Cement announced 2022 net profits of QR 227 million versus net profits of QR 225 million a year earlier. Industries Qatar's share price nudged up by 0.9% to QR 13.830. Gulf International Services' share price surged by 5.6% to QR 1.800. Qatar Navigation's share price went up by 2.4% to QR 9.970.

EQUITY MARKETS INDICATORS (JANUARY 22 - JANUARY 28, 2023)

| 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 | 134.0 | 1.7% | 3.9% | 6.7 | -37.2% | 0.3 | 15,140 | 2.3% | - | 0.32 |
| Jordan | 412.7 | 0.4% | 6.1% | 49.4 | -12.9% | 17.2 | 27,499.7 | 9.3% | 9.0 | 1.63 |
| Egypt | 227.8 | 5.9% | -3.8% | 238.7 | -40.5% | 1,759.1 | 35,253.0 | 35.2% | 9.5 | 2.13 |
| Saudi Arabia | 482.6 | 1.5% | 3.6% | 3,913.2 | -5.1% | 449.08 | 2,707,028.0 | 7.5% | 13.6 | 4.55 |
| Qatar | 183.5 | 3.3% | 3.8% | 507.1 | -22.0% | 535.0 | 173,333.4 | 15.2% | 12.7 | 1.70 |
| UAE | 132.9 | -4.4% | -3.3% | 1,953.6 | -35.6% | 1,287.0 | 825,897.2 | 12.3% | 14.1 | 2.58 |
| Oman | 257.6 | -0.7% | -1.0% | 11.8 | -56.5% | 28.5 | 21,635.6 | 2.8% | 13.3 | 1.06 |
| Bahrain | 195.2 | 0.5% | 1.2% | 11.3 | 46.2% | 7.3 | 18,030.0 | 3.3% | 10.1 | 1.37 |
| Kuwait | 139.6 | 0.9% | 0.6% | 699.4 | -6.1% | 726.5 | 139,777.0 | 26.0% | 20.1 | 2.52 |
| Morocco | 213.0 | -1.4% | -4.0% | 24.2 | -37.4% | 1.9 | 51,639.5 | 2.4% | 17.1 | 2.73 |
| Tunisia | 64.7 | 1.4% | 4.3% | 4.4 | -88.0% | 2.4 | 7,868.6 | 2.9% | 9.7 | 1.66 |
| Arabian Markets | 929.5 | 0.6% | 1.8% | 7,419.7 | -18.7% | 4,814.3 | 4,023,101.8 | 9.6% | 13.8 | 3.83 |

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

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

Boursa Kuwait continued to operate on a positive territory this week, as reflected by a 0.9% increase in the S&P Kuwait index, mainly tracking increases in global equities and on optimism about China's oil demand. A closer look at individual stocks shows that Gulf Bank's share price surged by 4.3% to KWf 319. Al Ahli Bank of Kuwait's share price closed 1.5% higher at KWf 341. Kuwait International Bank's share price jumped by 4.6% to KWf 203. Boubyan Petroleum Company's share price went up by 2.2% to KWf 796. Independent Petroleum Group's share price climbed by 5.3% to KWf 500.

The Egyptian Exchange registered strong price gains of 5.9% this week, as international investors continued to add Egyptian stocks to their holdings after Egypt reached a final agreement with the IMF last month and following the third currency devaluation on January 11, 2023, in addition to some favorable company-specific factors.

A closer look at individual stocks shows that Commercial International Bank's share price surged by 11.5% week-on-week to LE 50.9. Juhayna Food Industries' share price jumped by 9.8% to LE 9.71. Orascom construction's share price went up by 3.2% to LE 103.00. Telecom Egypt's share price went up by 1.1% to LE 24.41. Egyptian Kuwaiti Holding's share price rose by 1.5% to LE 1.23. Alexandria Mineral Oils Company's share price increased by 1.9% to LE 7.63. AMOC announced net profits of LE 1.0 billion during the first half of fiscal year 2023 as compared to net profits of LE 408 million a year earlier. Cairo for Investment & Real Estate Development's share price closed 1.4% higher at LE 13.94. CIRA announced consolidated profit after tax of LE 107.2 million during the three-month period ended November 30, 2022, up from LE 99.6 million a year earlier.

FIXED INCOME MARKETS: MIXED ACTIVITY IN MENA BOND MARKETS THIS WEEK

Activity was mixed in MENA fixed income markets over this week, as market players balanced higher-than-forecast annual US real GDP growth during the fourth quarter of 2022 against prospects of a downshift in the pace of US Fed rate hikes after US PCE inflation cooled further in December 2022 to its slowest annual pace since September 2021.

In the Abu Dhabi credit space, sovereigns maturing in 2031 registered price declines of 0.50 pt this week. Prices of ADNOC'29 rose by 0.13 pt. In the Dubai credit space, Emaar'26 closed up by 0.25 pt. Prices of DP world'30 increased by 0.38 pt. As to papers issued by financial institutions, Emirates NBD Perpetual (offering a coupon of 6.125%) registered price gains of 0.75 pt.

In the Bahraini credit space, sovereigns maturing in 2026, 2027, 2031 and 2032 saw price expansions ranging between 0.25 pt and 0.63 pt this week. NOGA'27 traded up by 1.0 pt. In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 registered price increases of up to 0.50 pt week-on-week. Prices of Omantel'28 expanded by 0.25 pt.

In the Saudi credit space, sovereigns maturing in 2027 and 2031 saw price contractions of 0.25 pt and 0.38 pt this week. Saudi Aramco'25 was down by 0.25 pt. Prices of SABIC'28 declined by 0.13 pt.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 registered price decreases of 0.13 pt and 0.25 pt respectively week-on-week. Ooredoo'26 closed up by 0.13 pt. In the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2030 saw price expansions of 0.38 pt, 0.88 pt and 0.63 pt respectively this week.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2027, 2030, 2032 and 2040 posted price falls of 0.13 pt to 2.25 pts this week. Euro-denominated sovereigns maturing in 2026 and 2031 registered price decreases of 1.46 pt and 1.65 pt respectively. As to credit ratings, S&P Global Ratings affirmed its "B/B" long-term and short-term foreign and local currency sovereign credit ratings on Egypt, with a "stable" outlook. The affirmation reflects S&P's expectation that Egypt's funding sources would be sufficient to meet its external financing requirements, which remain high at about US\$ 17 billion in fiscal year 2023. S&P also expects that once the ongoing exchange rate adjustment runs its course, constraints on foreign currency availability in Egypt should improve.

In the Tunisian credit space, US dollar-denominated sovereigns maturing in 2025 registered weekly price retreats of 0.24 pt. Prices of Euro-denominated sovereigns maturing in 2026 expanded slightly by 0.17 pt. As to credit ratings, Moody's downgraded the Government of Tunisia's long-term foreign-currency and local-currency issuer ratings to "Caa2" from "Caa1" and changed the outlook to "negative". The downgrade is driven by Moody's assessment that the absence of comprehensive financing to date to meet the government's large funding needs raises default risks to a point no longer commensurate with a "Caa1" rating.

All in all, regional bond markets saw two-way flows this week. Some papers tracked declines in US Treasuries after recent data showed that the real economy in the US expanded at a faster-than-expected annual pace during the fourth quarter of 2022. Some other papers dipped into the red after cooling US PCE inflation affirmed bets of a less-aggressive US Fed monetary tightening, with a 25 bps rate hike already priced in the next FMOc meeting set to be held on Jan 31-Feb 1, 2023.

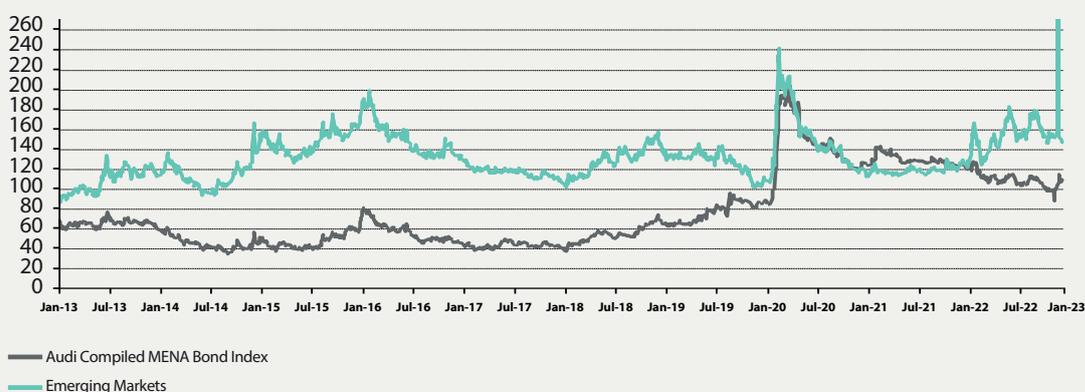
MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

| in basis points | 27-Jan-23 | 20-Jan-23 | 30-Dec-22 | Week-on-week | Year-to-date |
|------------------|-----------|-----------|-----------|--------------|--------------|
| Abu Dhabi | 43 | 44 | 44 | -1 | -1 |
| Dubai | 74 | 82 | 84 | -8 | -10 |
| Kuwait | 50 | 50 | 50 | 0 | 0 |
| Qatar | 45 | 48 | 48 | -3 | -3 |
| Saudi Arabia | 62 | 64 | 61 | -2 | 1 |
| Bahrain | 228 | 237 | 231 | -9 | -3 |
| Morocco | 173 | 172 | 162 | 1 | 11 |
| Egypt | 819 | 765 | 877 | 54 | -58 |
| Iraq | 425 | 413 | 467 | 12 | -42 |
| Middle East | 213 | 208 | 225 | 5 | -12 |
| Emerging Markets | 129 | 137 | 140 | -8 | -11 |
| Global | 450 | 450 | 533 | 0 | -83 |

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, Bank Audi's Group Research Department

SOVEREIGN RATINGS & FX RATES

| SOVEREIGN RATINGS | Standard & Poor's | Moody's | Fitch |
|----------------------|-------------------|---------------|----------------|
| LEVANT | | | |
| Lebanon | SD/-/SD | C/- | RD/-/C |
| Syria | NR | NR | NR |
| Jordan | B+/Stable/B | B1/Positive | BB-/Stable/B |
| Egypt | B/Stable/B | B2/Negative | B+/Negative/B |
| Iraq | B-/Stable/B | Caa1/Stable | B-/Stable/B |
| GULF | | | |
| Saudi Arabia | A-/Positive/A-2 | A1/Stable | A/Positive/F1+ |
| United Arab Emirates | AA/Stable/A-1+* | Aa2/Stable | AA-/Stable/F1+ |
| Qatar | AA/Stable/A-1+ | Aa3/Positive | AA-/Stable/F1+ |
| Kuwait | A+/Stable/A-1+ | A1/Stable | AA-/Stable/F1+ |
| Bahrain | B+/Positive/B | B2/Stable | B+/Stable/B |
| Oman | BB/Stable/B | Ba3/Positive | BB/Stable/B |
| Yemen | NR | NR | NR |
| NORTH AFRICA | | | |
| Algeria | NR | NR | NR |
| Morocco | BB+/Stable/A-3 | Ba1/Stable | BB+/Stable/B |
| Tunisia | NR | Caa2/Negative | CCC+/C |
| 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-Jan-23 | 20-Jan-23 | 30-Dec-22 | 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) | 29.79 | 29.74 | 24.71 | 0.2% | 20.5% |
| Iraqi Dinar (IQD) | 1,460.00 | 1,460.00 | 1,460.00 | 0.0% | 0.0% |
| GULF | | | | | |
| Saudi Riyal (SAR) | 3.75 | 3.76 | 3.76 | -0.1% | -0.1% |
| UAE Dirham (AED) | 3.67 | 3.67 | 3.67 | 0.0% | 0.0% |
| Qatari Riyal (QAR) | 3.64 | 3.64 | 3.64 | 0.0% | 0.0% |
| Kuwaiti Dinar (KWD) | 0.31 | 0.31 | 0.31 | 0.0% | -0.3% |
| Bahraini Dinar (BHD) | 0.38 | 0.38 | 0.38 | 0.0% | 0.0% |
| Omani Riyal (OMR) | 0.38 | 0.38 | 0.38 | 0.0% | 0.0% |
| Yemeni Riyal (YER) | 250.27 | 250.23 | 250.24 | 0.0% | 0.0% |
| NORTH AFRICA | | | | | |
| Algerian Dinar (DZD) | 135.64 | 136.03 | 137.35 | -0.3% | -1.2% |
| Moroccan Dirham (MAD) | 10.18 | 10.20 | 10.44 | -0.3% | -2.5% |
| Tunisian Dinar (TND) | 3.07 | 3.07 | 3.11 | 0.0% | -1.3% |
| Libyan Dinar (LYD) | 4.76 | 4.77 | 4.83 | -0.3% | -1.4% |
| Sudanese Pound (SDG) | 574.11 | 575.32 | 573.81 | -0.2% | 0.1% |

Sources: Bloomberg, Bank Audi's Group Research Department

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