Bank Audi

MENA WEEKLY MONITOR

MARCH 12 - MARCH 18, 2023
WEEK 11

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MENA equity markets plunged into the red this week, as reflected by a 4.8% fall in the S&P Pan Arab Composite index, mainly as a wave of risk aversion swept across financial markets following the US banking turmoil and Credit Suisse woes, and as Brent oil prices reached more than 14-month lows on growing concerns about global oil demand outlook. In contrast, MENA fixed income markets registered mostly upward price movements, mainly tracking a rally in US Treasuries, as investors poured into safe-haven assets on bank contagion fears.

MENA MARKETS: MARCH 12 - MARCH 18, 2023

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-4.8%	Weekly Z-spread based bond index	+4.0%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-5.4%	YTD Z-spread based bond index	+50.4%

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ECONOMY

GOLDMAN SACHS SEES TRANSFORMATION OF THE US$ 3 TRILLION EQUITY CAPITAL MARKETS; FINANCIALS IN THE SPOTLIGHT

A new report by Goldman Sachs on Middle East equities was recently issued. The Middle East capital markets are undergoing a major transformation, in their view, with an increasing focus from authorities on promoting: (1) local equity capital market activity and (2) economic diversification via investments through Sovereign Wealth Funds (SWFs).

On the local equity capital market front, this includes significant market reforms such as new listings, relaxation of foreign ownership limits (attracting foreign capital), and broadening the product suite.

Indeed, the Middle East has been at the forefront of equity capital market activity in 2022 with a record number of new listings, a significant increase in EM index weights, and growing foreign investor participation.

Post a period of fiscal austerity between 2015-20, the Middle East has benefited from a favorable macro environment in the context of higher energy prices and a rebound in economic activity.

Within this backdrop, the region has seen a marked pick-up in capital market activity including strong price performance and new listings, which has taken the market cap of Middle East equity markets to above US$ 3 trillion.

Moreover, on the international investment side, over the last five years, the Middle East SWFs have been among the most active investors in North America and Europe. This is while regional reserves have been boosted by energy windfall gains taking the aggregate AUM of the Middle East SWFs to >US$ 3 trillion (end-2021) from US$2 trillion (end-2016), and GS economists estimate that GCC external assets could increase by US$ 1.3 trillion over the next four years, which should further support SWF AUM growth and drive domestic investment into mega projects.

Going forward, they believe the SWFs are likely to play a pivotal role in regional economic diversification through both local project spend and international investments.

Within the listed space, they view GCC financials, which is the largest sector in the MSCI GCC index with a c.60% weight, as a key beneficiary higher economic activity, increased project spend as well as higher capital markets activity (e.g. with disproportional benefits from increased passive/active investor participation).

EGYPT'S PMI RECORDED AT A SOFTER DOWNTURN IN FEBRUARY

Egypt's headline Purchasing Managers' Index (PMI) was recorded at 46.9 in February remaining in a steep downturn. However, this figure shows an improvement of 1.4 points in the index against figures recorded in the prior month. This downturn in the non-oil sector of the country comes as demand continues to decrease, affected by inflationary and supply chain pressures. In turn, employment and business confidence dwindled in Egypt's non-oil sector, as per S&P's Egypt February PMI report.

In details, a continuous sharp contraction in output levels was noticed during the month due to dwindling demand conditions. This contraction however, is softer than in January.

Additionally, new business intake noted a contraction in February due to the decrease in demand caused by the inflation in prices. In parallel, due to a weaker economic climate internationally, export sales were suppressed and contracted sharply during February, as per S&P'S Egypt February PMI report.

On the side of future outlook, only 5% of survey responders expect an increase in output as surveyed parties forecast the current challenges faced in the economy to continue throughout the year. This shows a further decrease in business confidence for the coming year, almost reaching the record low noticed in October 2022. Input purchasing activity, due to the subdued future outlook, saw a sharp reduction during the month although at a softer rate than those seen in the last four months. Another driver standing behind the decision to decrease input purchase is the inflation of input prices which led to a preference within companies to utilize current stocks which in turn decreased input inventories further in February.

At the level of the supply chains, due to import controls, further pressure was exerted on lead times which led to their lengthening.

Employment levels also saw a sharp drop, caused by the decrease in new orders and demand, which means that the impact on backlogs was null. In fact, backlogs of work stabilized during February after expanding for eight months straight, as per S&P'S Egypt February PMI report.

On the side of price pressures, purchase price inflation saw a sharp contraction to the lowest point seen since October 2022. On the other hand, purchasing costs remained on a sharp uptick due to a continued depreciation of the Egyptian Pound against the US Dollar. Additionally, output price inflation retreated noticeably although remaining higher than the trend of the series.

SAUDI ARABIA POSTS POSITIVE ECONOMIC PERFORMANCE IN 2022 WITH THE FIRST BUDGET SURPLUS IN ALMOST A DECADE

Saudi Arabia announced its first budget surplus in almost a decade in 2022 reaching SAR 103.9 billion (US$ 27.7 billion), as per the Saudi Ministry of Finance.

In details, oil revenues reached SAR 857.3 billion (US$ 228.6 billion) during the year while non-oil revenue reached SAR 410.9 billion (US$ 109.6 billion) during 2022. In turn, total revenues during the year posted an increase of 31% year-on-year and was recorded at SAR 1.26 trillion (US$ 338.2 billion) in 2022.

It is worth mentioning that during the fourth quarter of 2022, the increase in non-oil revenue (19%) out-performed the increase in oil revenue (17%), as stated by the Saudi Ministry of Finance.

In parallel, total expenditures saw an increase of 12% in 2022 reaching SAR 1.16 trillion (US$ 310.5 billion) with public debt noted at circa SAR 990 billion (US$ 264.0 billion) at the end of 2022.

The aforementioned surplus was aided by the country's GDP growth which recorded 8.7% in 2022 with the oil windfall used for public finances. This performance is expected to soften by the IMF which forecasts GDP growth in 2023 to reach 2.6%.

Looking at the economic performance of the fourth quarter of the year, an economic growth of 5.5% was recorded in that period against the same period of 2021. This growth is driven by a robust non-oil sector performance. In the last three months of 2022, Saudi Arabia's non-oil sector showed a growth of 6.2% minimally outperforming the oil sector's growth of 6.1%, as per the Saudi General Authority for Statistics (GASTAT).

In details, oil and gas activities were the biggest contributor for the overall GDP (30%), followed by government services activities (15.2%) in the fourth quarter of 2022. The non-oil activities in the country also showed an increased participation in the overall GDP in Q4 2022.

The Saudi government is working towards its Vision 2030 through investments in megaprojects and different initiatives with the aim of economic diversification. This national economic transformation plan is expected to set non-oil GDP growth at circa 6% for the next three to five years.

It is worth noting that Saudi Arabia is also working on increasing female participation in its economy to help reach the country's economic potential. The number of women participating in the country's industrial sector hiked by 93.6% between 2019 and 2022 reaching 63,892. This drastic improvement in women's participation is driven by the effective implementation of laws and regulations facilitating women's contribution in the Saudi economy as well as making the work environment healthier for participants, as per the Saudi Ministry of Industry and Mineral Resources.

KUWAIT'S ECONOMIC PERFORMANCE POSITIVE IN 2022 THOUGH STILL SUSCEPTIBLE TO SHAKES

Kuwait has benefited from high energy prices in 2022 which led to an 85% increase in state revenue, 8.5% GDP growth and a decrease in fiscal deficit by 70% for the first time in three years. Additionally, amid international recession and inflationary pressures the operating environment in the country remained vastly positive driven by oil price inflation and increased demand post-pandemic. However, according to an assistant professor in Kuwait University's Finance Department, even as some economic freedoms were granted from the oil windfall the general economic environment is not sustainable due to a lack of reforms.

The lack of reforms leaves Kuwait's economy highly dependent on oil prices as hydrocarbons account for 91% of both the country's revenues and exports, as per data from the Kuwaiti Ministry of Finance. This in turn makes the country's economy susceptible to future shocks.

These worries are spreading throughout the MENA region's oil-exporting countries which are mostly working on the diversification of their economies to offset the risk tied to the inevitable decrease in oil prices.

It is worth noting that in 2015, when oil prices dropped by 59.2% in seven months reaching US$ 44.1/barrel (on January 28th 2015) down from US$ 108.0/barrel (on June 20th 2014), Kuwait was heavily affected due to its dependence on oil. The price drop led to a five-year budget deficit with efforts by the government to cover it using Kuwait's General Reserve Fund. In parallel, in 2020, following a 71.9% drop in oil prices reaching US$ 18.0/barrel in April amid Covid-19 lockdowns, Kuwait's GDP took a major hit and retracted by 9.9%.

Concurrently, as oil prices fluctuate, so will Kuwait's GDP in the same direction, therefore reforms in areas related to economic diversification, labor market and housing as well as financial management are crucial for the future sustainability of the economic prosperity in Kuwait, as per the CEO of Ahli United Bank Kuwait.

However, the Kuwaiti government continues to invest in the oil sector. Notably, at the end of 2022, the country saw the starting of operations of a new oil refinery in Al-Zour and the announcement of a US$ 120 million investment for the construction of the largest petroleum research center in the world.

SURVEYS

UAE AND KSA TOPPING GCC REGION IN GLOBAL ECONOMIC DIVERSIFICATION INDEX

The second edition of the Economic Diversification Index (EDI) was launched by the Mohammed Bin Rashid School of Government (MBRSG) with a panel of global experts from the IMF and the World Bank at the World Government Summit in Dubai, which extends the coverage to a total of 105 countries, for a period of 22 years, between the year 2000 and to the Covid19-affected years of 2020 and 2021, allowing an international, cross-country, regional comparison and ranking of commodity dependent countries.

Based on the report, the UAE and Saudi Arabia have made the most significant economic diversification progress in the GCC region.

Economic diversification is a multi-dimensional, complex and dynamic phenomenon, involving the diversification of economic activity, the diversification of international trade (products, services and countries), as well as the diversification of government revenues away from natural resources or commodity revenues.

It is worth noting that economic diversification leads to economies that are more balanced and is key to sustained economic growth and development. For the GCC and other fossil fuel producers and exporters, it would help reduce exposure to volatility and uncertainty in the global oil market and avoid the related boom-bust cycles. More diversified economies are less volatile in terms of outputs, while lower output volatility is associated with lower overall economic uncertainty for households, businesses, governments, and higher economic growth prospects.

The three aspects of the EDI are Components, Trade Diversification and Government Revenue Diversification. The GCC region has seen a significant improvement in its EDI scores over the 2000- 2019 period, supported by its diversification plans. The UAE scored 98.4 points in 2019, up from 90.9 points in 2000. Also, Saudi Arabia's score increased from 81.8 points in 2000 to 93 points in 2019.

The gains for both the UAE and Saudi Arabia have stemmed from policy measures to diversify into the non-oil sector (a relatively more recent policy in Saudi Arabia). The UAE's diversification efforts have included structural change including the buildup of both hard and soft infrastructure alongside the creation and operation of multiple free zones (that allowed for 100% foreign ownership) amid expanding non-oil sectors covering trade, transport/ logistics, tourism and more recently, new tech sectors.

In 2021, the UAE scored 94.6 points and KSA scored 89.9 points. Both UAE and Saudi Arabia have seen a significant jump within the trade component, which is unsurprising, given the change in policy direction to support non-oil sectors.

On the other hand, Bahrain, with its very limited oil resources, was already diversified among its regional peers in early-2000. However, it has not seen much improvement in its score (from 90.1 points in 2000 to 94 points in 2019), as opposed to the UAE or Saudi Arabia both of which have moved up the EDI ladder. In 2021, Bahrain scored 92.3 points.

Elsewhere in the region, Oman and Kuwait still feature among the lowest ranked, but Oman has initiated reforms to support diversification (translated into an improvement in scores overtime: 90 pre-COVID from 80 in 2000), while Kuwait, which had scored up to 85.6 in 2019 versus 81.9 in 2000, has seen a few internal impediments to economic reforms (for example, lack of consensus in the Parliament). In 2021, Oman and Kuwait scored 87.6 points and 83.0 points, respectively.

BAHRAIN ENDS 2022 WITH CONSISTENT PERFORMANCE ACROSS REAL ESTATE ASSET CLASSES, AS PER CBRE

CBRE, the global leader in commercial real estate services and investments, released its Bahrain Real Estate Market Review Q4 2022 report, which covers the retail, residential and the office sector in Bahrain.

In the retail sector, Bahrain witnessed a positive average occupancy growth in H2 2022, in the set of tracked malls across the country, according to CBRE. The average occupancy rate has increased by an average of 2.9 percentage points compared to H1 2022, standing at 66.0%. The highest occupancy rates were recorded at Dragon City and the Avenues.

Positive occupancy growth is backed by current shopping trends, with CBRE witnessing an increase in preference for in-store shopping compared to e-commerce options. The data shows that over 66% of people now prefer to shop in-store, compared to 61% in 2021. This may be attributed to the lifting of pandemic restrictions during this time, and a subsequent desire for in-person experiences. Additionally, while online shopping options in Bahrain have increased in recent years, such as for groceries, the Bahraini market remains underserved in terms of online shopping platforms.

A closer look at Bahrain's residential sector shows that the average square meter rental rate stood at BHD 4.6 across all apartment types and locations in 2022. In terms of sales, villa rental rates averaged BHD 923 per month in 2022 across all villa types and governorates in the mid-to high-income market segment.

Bahrain has seen the launch of the latest government-led housing program, which would provide 19,000 affordable housing units, at a total value of BD 1 billion. The launch of the first phase includes 771 units (both villas and apartments) in Salman Town and Khalifa Town. A number of new projects were also introduced at Cityscape Bahrain. These include Onyx Skyview in Bahrain Bay (mixed-use with a residential component), Strata at Dilmunia, and Ras HayanVillage in Askar (mixed use with villas and apartments).

As to the office sector, Grade A & B office rental rates have stabilized in 2022, at a monthly average of BHD 5.250 per square meter, after having recorded a decline in the previous year. With supply continuing to outpace demand and key pipeline projects becoming operational in the next twelve months, it is expected that rental rates would continue to face downward pressure.

IRAQ "B-/B" RATING AFFIRMED WITH A "STABLE" OUTLOOK, AS PER S&P GLOBAL RATING

S&P Global Ratings affirmed its "B-" long-term and "B" short-term foreign and local currency sovereign credit ratings on Iraq with a "stable" outlook.

The "stable" outlook reflects S&P's expectation that Iraq's foreign exchange reserves would continue to comfortably exceed debt-servicing obligations over the next 12 months. This largely offsets significant risks from the country's political uncertainty, weak institutional framework, and lack of economic diversification.

The ratings on Iraq are constrained by the country's weak institutions, high levels of perceived corruption, domestic political tensions and security risks. Despite a significant hydrocarbon endowment and historical investments in the oil sector, Iraq's GDP per capita remains low and the nonhydrocarbon sector's economic activity lackluster.

The government's volatile fiscal position, due to its dependence on oil revenue and high spending pressure, also weighs on the ratings. Iraq's private sector is largely informal and contributes little to government revenue. Further constraining the ratings are the government's poor data collection and disclosure standards and Iraq's limited monetary policy flexibility, given the pegged exchange rate and weak banking system.

The credit agency ratings are currently supported by Iraq's flow of hard currency revenue from oil exports. This has upheld the accumulation of sizable gross foreign exchange reserves at its central bank, which S&P's estimate currently cover about 10 months of current account payments. Supportive factors for the ratings also include only-moderate public and external debt levels.

Iraq has the world's fourth-largest proven crude oil reserves and is the second-largest oil exporter in the OPEC. However, successive governments have been unable to deploy the country's resource endowment for significant and broad societal improvement, perpetuating high spending pressure and weak governance.

On February 7th, the government revalued the Iraqi dinar to IQD1,300 per US dollar from IQD 1,450. This revaluation comes after the December 2020 devaluation of about 20%, following the low oil price environment and COVID-19-related economic uncertainty of 2020.

While this revaluation should return some of the lost purchasing power of the dinar and help contain inflation, it will reduce the government's local currency spending capacity, since most of the Iraqi government's revenue is earned in US dollars from oil sales, reducing fiscal flexibility. The revaluation also comes as the price of the dollar is elevated in the parallel market because of stricter compliance standards for access to the Central Bank of Iraq's US dollar auctions.

CORPORATE NEWS

RIYADH AIR NEARING US$ 35 BILLION AIRCRAFT DEAL WITH BOEING

Saudi Arabia's Public Investment Fund (PIF) is nearing to a deal to order Boeing commercial jets, valued at US$ 35 billion, for the fleet of Riyadh Air, a new national airline completely owned by the PIF, as mentioned in a company's statement.

The Boeing order involves up to 72 Boeing 787-9 Dreamliner airplanes, where 39 aircrafts are confirmed with an option to acquire 33 additional wide-body 787-9 Dreamliner airplanes.

The company is set to receive the first wide-body aircraft and launch its first international flight in early 2025. The aircraft order is part of a rapid expansion by Saudi Arabia under a strategy to transform the country into a transport hub and promote tourism. In total, national carriers announced their intent to purchase up to 121 Dreamliners 787 in what would be the fifth largest commercial order by value in Boeing's history.

Riyadh would be the company's operational hub and would connect the Saudi capital to over 100 destinations globally by 2030, making use of the country's location between Asia, Africa and Europe.

It is worth noting that the new airline is expected to add US$ 20 billion to Saudi Arabia's non-oil GDP growth and create more than 200,000 jobs both directly and indirectly.

ARAMCO REACHES A US$ 6 BILLION DEAL THAT MAY HELP KOREANS WIN SAUDI CONTRACTS

Saudi Aramco, the world's leading integrated energy and chemicals company, agreed to a US$ 6 billion framework deal with Export-Import Bank of Korea, a move that could help South Korean companies win lucrative contracts in Saudi Arabia's giga projects, as mentioned in a company's statement.

Under the three-year agreement, the Exim Bank could lend up to US$ 6 billion to Saudi Aramco, which in turn pays South Korean companies involved in projects whose orders were placed by the Saudi oil giant.

Of the US$ 6 billion, US$ 1 billion has been set aside for hydrogen and renewable energy deals. It is worth noting that the deal could give a big boost to South Korean companies in winning contracts in the Middle East. Also, South Korean companies are seeking to win construction deals in Saudi Arabia's US$ 500 billion project to develop eco-friendly and smart cities in the country's northwestern Tabuk Province.

HUTCHISON ANNOUNCES US$ 700 MILLION INVESTMENT IN EGYPTIAN PORTS

Hutchison Ports, the world's leading port network, announced a US$ 700 million investment in two major Egyptian port projects in Ain Sokhna, the country's top port, and B100, a new container terminal in the port of Alexandria, boosting the company's overall investment in Egypt to more than US$ 1.5 billion, as revealed in a company's statement.

The investment includes the development of a new container terminal in Ain Sokhna Port with a capacity of 1.7 million TEUs (twenty-foot equivalent units), which would be equipped with state-of-the-art technology and equipment to provide efficient and reliable services to customers.

The new container terminal in Sokhna would provide a significant boost to Egypt's maritime trade, as it is strategically located on the Red Sea and offers direct access to major shipping routes.

Hutchison Ports would also invest in the development of B100, a new container terminal in Port of Alexandria, which would serve as a gateway to the Egyptian market. This terminal would provide a new gateway to the Port of Alexandria, which is one of the largest ports in the Mediterranean and a key hub for trade between Europe, Asia, and Africa.

These investments are an important step forward for Hutchison Ports to expand its network and enhance its capabilities in emerging markets. Moreover, it would enable the company to provide high-quality services to customers and contribute to the growth and development of the local economy.

HEISCO LANDS US$ 223 MILLION KUWAIT OIL FLOW LINE PROJECT CONTRACT

Heavy Engineering Industries and Shipbuilding Company (Heisco), a major Engineering, Procurement and Construction (EPC) Contracting company based in Kuwait, signed a contract, worth US$ 233 (KWD 68.5 million), with Kuwait Oil Company (KOC) for the construction of flow lines and associated works on the country's western side, as indicated in a company's statement.

The entire project would be finalized within the next five years. The revenue would be shown in annual financial statements from 2023 to 2027.

It is worth highlighting that Heisco has a diversified range of businesses that includes oil and gas, petrochemicals, power, pressure equipment manufacturing, shipbuilding and repair, dredging and marine construction, civil construction and maintenance as well as other industrial services including Heavy Industry projects.

ZAMIL INDUSTRIAL SECURES A US$ 195 MILLION CONTRACT WORTH FROM MAERSK ARABIA

Zamil Steel Construction Company, a wholly-owned subsidiary of Saudi-based business Zamil Industrial Investment Company (Zamil Industrial), secured a contract worth US$ 195 million (SR 719 million) from Maersk Arabia Logistics Services for the construction of multi-purpose warehouses as well as a logistics yard at the Jeddah Islamic Port, as reported in a company's statement.

The scope of work includes performing all work required for the construction of warehouses, offices, and loading areas, including structural, civil, finishing, and MEP work.

The company would supply various products, including HVAC systems, steel buildings and structures, insulation panels, and rock wool and fiberglass insulation materials.

The project, which is due for completion by Q4 next year, would take into account sustainability requirements and also apply the green building code standards at the Golden Level. Solar panels would also be installed to generate approximately 15 megawatts of electrical energy.

The contract is expected to have a positive impact on the company's consolidated financial statements in Q2 of fiscal 2023.

TADWEER SIGNS DEAL TO EXPLORE INVESTMENT OPPORTUNITIES IN JORDAN

Tadweer, the lead company responsible for controlling and coordinating waste management activities throughout the Abu Dhabi, signed an agreement with the Greater Amman Municipality (GAM) in the Hashemite Kingdom of Jordan, to explore partnerships and potential investment opportunities in the waste management sector across Jordan, as revealed in a company's statement.

As per the deal, the duo seeks to exchange best practices, knowledge, research and studies, and organize training and awareness initiatives in the waste management sector.

Following this MoU, both parties would aim to explore partnerships and potential investment opportunities between the public and private sectors in both countries.

A part of ADQ, Tadweer is the sole custodian of waste management for Abu Dhabi and is committed to developing an integrated waste management sector and becoming a leader in extracting value from waste to contribute to national sustainability ambitions.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES PLUNGE INTO RED, AS GLOBAL BANK TURMOIL SPOOK INVESTORS

MENA equity markets plunged into the red this week, as reflected by a 4.8% fall in the S&P Pan Arab Composite index, mainly as a wave of risk aversion swept across financial markets following the US banking turmoil and Credit Suisse woes. This was exacerbated by falling oil prices to the lowest in more than 14 months, on growing concerns about global oil demand outlook.

The heavyweight Saudi Exchange, whose market capitalization represents circa two-thirds of the total regional market capitalization, slid back into the red this week, as reflected by a 5.0% drop in the S&P Saudi index, mainly as the collapse of three US banks sparked concerns about the health of the US economy, and Credit Suisse jitters sent shockwaves across global markets. This was further aggravated by falling oil prices, as Brent prices contracted significantly by 11.9% this week to reach US$ 72.97 per barrel on Friday amid rising global growth concerns, and as OPEC pointed to a modest surplus next quarter, citing a seasonal lull in demand.

A closer look at individual stocks shows that petrochemicals giant Saudi Aramco's share price shed 5.6% week-on-week to SR 30.95. Petro Rabigh's share price plunged by 7.3% to SR 9.47. SABIC's share price dropped by 5.4% to SR 85.50. Advanced Petrochemical Company's share price fell by 5.1% to SR 46.50. Sipchem's share price closed 3.9% lower at SR 35.00.

Also, Saudi National Bank, the largest shareholder in Credit Suisse, registered a 10.7% weekly plummet in its share price to reach SR 41.50. SABB's share price closed 3.6% lower at SR 33.65. Al Rajhi Bank's share price decreased by 5.9% to SR 70.60. Citi cut its recommendation on Al Rajhi Bank to "Neutral" from "Buy", with a price target of SR 80, which implies a 13% increase from last price. Alinma Bank's share price declined by 6.8% to SR 28.60. Banque Saudi Fransi's share price shed 4.4% to SR 33.90. Citi cut its recommendation on Banque Saudi Fransi to "Neutral" from "Buy", with a price target of SR 40, which implies a 21% increase from last price. Yanbu Cement Company's share price plunged by 6.4% to SR 32.30. Yanbu Cement Company reported a 35% year-on-year rise in its 2022 net profits to reach SR 215 million, yet still missing average analysts' estimates.

The Qatar Stock Exchange plummeted into negative territory this week (-7.3%), mainly as fears of contagion risks swept markets following the US banks turmoil and Credit Suisse jitters, and dragged by falling oil prices. 46 out of 50 traded stocks registered price drops, while three stocks recorded price gains and one stock saw no price change week-on-week. A closer look at individual stocks shows that Industries Qatar's share price plummeted by 11.3% to QR 12.710. Gulf International Services' share price plunged by 16.8% to QR 1.580. Ezdan Holding Group's share price shed 15.1% to QR 0.798. QNB's share price closed 4.6% lower at QR 15.770. Qatar Islamic Bank's share price dropped by 9.2% to QR 17.610. Qatar International Islamic Bank's share price fell by 11.4% to QR 9.397. Masraf Al Rayan's share price contracted by 10.4% to QR 2.500.

EQUITY MARKETS INDICATORS (MARCH 12 - MARCH 18, 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	186.5	15.9%	44.6%	13.3	26.3%	0.2	21,081	3.3%	-	0.33
Jordan	404.7	-1.9%	4.1%	40.1	19.0%	17.0	27,232.5	7.7%	8.5	1.61
Egypt	196.7	-10.2%	-16.9%	236.5	3.9%	2,440.0	30,178.3	40.8%	6.6	1.64
Saudi Arabia	440.7	-5.0%	-5.4%	5,840.8	34.0%	632.38	2,531,247.5	12.0%	12.5	3.80
Qatar	162.4	-7.3%	-8.1%	590.4	28.7%	616.8	156,358.9	19.6%	11.2	1.48
UAE	129.2	-4.2%	-6.1%	2,764.1	-40.8%	2,058.2	886,286.7	16.2%	12.8	1.77
Oman	266.2	0.4%	2.2%	92.3	138.2%	119.8	22,844.4	21.0%	13.5	1.10
Bahrain	196.2	-0.7%	1.7%	31.0	644.4%	103.7	17,323.6	9.3%	10.2	1.35
Kuwait	134.0	-4.0%	-3.5%	949.6	157.6%	673.0	133,474.8	37.0%	18.8	1.88
Morocco	217.3	-1.3%	-2.1%	30.1	0.7%	1.5	52,246.7	3.0%	19.5	3.17
Tunisia	62.4	0.2%	0.5%	22.2	278.6%	2.2	7,584.0	15.2%	10.3	2.06
Arabian Markets	**863.2**	**-4.8%**	**-5.4%**	**10,610.6**	**4.0%**	**6,664.8**	**3,885,858.6**	**14.2%**	**12.7**	**3.09**

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

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

Boursa Kuwait saw downward price movements this week, as reflected by a 4.0% decline in the S&P Kuwait index, mainly as the fallout of three US banks and Credit Suisse turmoil dented risk appetite, and as Brent oil prices dropped to more than one-year lows on growing concerns about global oil demand outlook. A closer look at individual stocks shows that National Bank of Kuwait's share price went down by 1.0% to KWf 1,066. Burgan Bank's share price closed 1.4% lower at KWf 213. Gulf Petroleum Investment's share price declined by 3.7% to KWf 12.9. Boubyan Petrochemical Company's share price dropped by 1.4% to KWf 760. Boursa Kuwait's share price closed 1.1% lower at KWf 1,879.

The UAE equity markets plunged deeper into the red this week, as reflected by a 4.2% fall in the S&P UAE index, mainly roiled by US banks' contagion fears and Credit Suisse jitters and due to falling oil prices. In Dubai, Commercial Bank of Dubai's share shed 4.7% to AED 4.29. Dubai Islamic Bank's share price fell by 3.2% to AED 5.52. Emaar Properties' share price declined by 3.5% to AED 5.30. Union Properties' share price closed 3.1% lower at AED 0.220. In Abu Dhabi, Taqa's share price decreased by 2.9% to AED 3.30. Etisalat's share price plunged by 9.7% to AED 22.784. First Abu Dhabi Bank's share price shed 5.7% to AED 13.30. Multiply Group's share price dropped by 7.7% to AED 3.48.

FIXED INCOME MARKETS: UPWARD PRICE MOVEMENTS IN MENA BOND MARKETS, TRACKING US TREASURIES MOVE AMID GLOBAL BANKING WOES

MENA fixed income markets registered mostly upward price movements this week, mainly tracking a rally in US Treasuries, as investors poured into safe-haven assets on fears of contagion risks after the collapse of three US banks and Credit Suisse turmoil.

In the Abu Dhabi credit space, sovereigns maturing in 2026, 2027 and 2031 registered price expansions of 1.13 pt, 1.75 pt and 2.38 pts respectively week-on-week. Mubadala'26 and'27 closed up by 0.50 pt and 0.63 pt respectively. Prices of ADNOC'29 increased by 1.38 pt. Taqa'28 traded up by 0.63 pt. Prices of Etisalat'24 and '26 rose by 0.50 pt and 0.25 pt respectively. Prices of First Abu Dhabi Bank'24 went up by 0.13 pt, while First Abu Dhabi'26 traded down by 0.13 pt.

In the Dubai credit space, sovereigns maturing in 2029 registered weekly price expansions of 0.25 pt. DP world'30 was up by 0.63 pt. Majid Al Futtaim'29 posted price gains of 0.25 pt.

In the Jordanian credit space, sovereigns maturing in 2026 saw price increases of 0.38 pt, while sovereigns maturing in 2027 registered price declines of 0.13 pt week-on-week. In the Kuwaiti credit space, sovereigns maturing in 2027 traded up by 0.96 pt this week. In the Iraqi credit space, prices of sovereigns maturing in 2028 rose by 0.50 pt week-on-week.

In the Saudi credit space, prices of sovereigns maturing in 2026, 2027, 2030 and 2031 registered price gains of up to 2.00 pts this week. Saudi Aramco'25 was up by 1.00 pt. SEC'28 traded up by 0.75 pt. S&P Global Ratings raised its unsolicited long-term and short-term foreign and local currency sovereign credit ratings on Saudi Arabia to "A/A-1" from "A-/A-2", with a "stable" outlook. The "stable" outlook balances S&P's expectation that the government's reform plans would support the development of the non-oil sector against the cyclicality of a still-hydrocarbon-focused economy, with fiscal and societal pressures tied to rapid population growth.

In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 posted price increases of 0.66 pt, 0.58 pt and 0.42 pt respectively week-on-week. Prices of Omantel'28 declined by 0.13 pt.

In the Bahraini credit space, sovereigns maturing in 2026, 2027, 2031 and 2032 registered price gains of up to 0.58 pt this week. Prices of NOGA'27 retreated by 0.38 pt.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 posted price expansions of 0.75 pt and 2.13 pts respectively week-on-week. Ooredoo'26 closed up by 0.13 pt. Amongst financials, prices of QNB'25 and '26 went up by 0.38 pt each.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2030, 2032 and 2040 recorded price contractions ranging between 3.13 pts and 7.87 pts this week. Prices of Euro-denominated sovereigns maturing in 2026 and 2031 contracted by 4.56 pts and 3.95 pts respectively. As to the cost of insuring debt, Egypt's five-year CDS spreads expanded by 240 bps week-on-week to reach 1,477 bps.

Within this context, it is worth mentioning that Moody's said in a recent report issued last month that Egypt's credit profile is vulnerable amid reduced external shock absorption capacity, although new IMF program and regional GCC funding support debt service capacity. The international rating agency added that the drawdown of FX liquidity has significantly reduced coverage of upcoming medium- and long-term external debt service (principal + interest) payments amid tight external funding conditions.

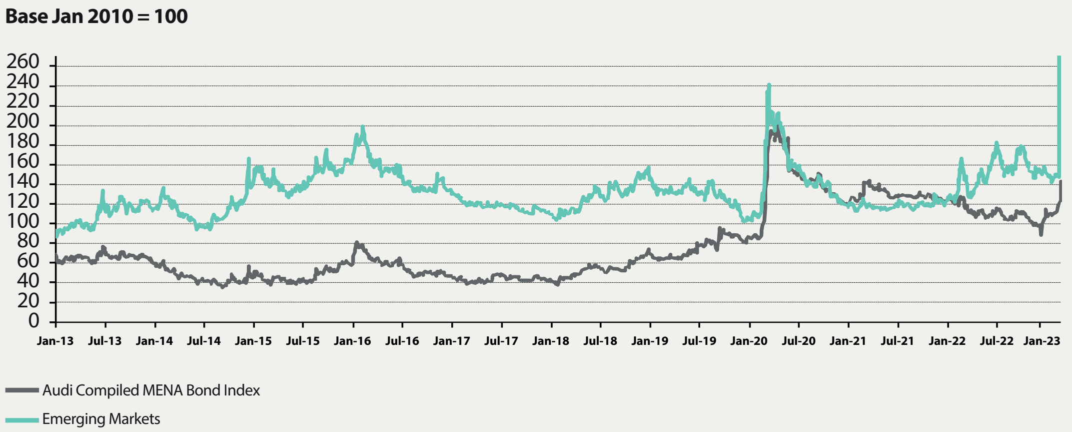
On the overall, activity in regional bond markets was mostly skewed to the upside this week, mainly tracking US Treasuries move, as the fallout of three US lenders and Credit Suisse woes spurred a flight to safety.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	17-Mar-23	10-Mar-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	46	41	44	5	2
Dubai	84	69	84	15	0
Kuwait	52	46	50	6	2
Qatar	47	42	48	5	-1
Saudi Arabia	67	59	61	8	6
Bahrain	256	216	231	40	25
Morocco	175	145	162	30	13
Egypt	1,477	1,237	877	240	600
Iraq	448	443	467	5	-19
Middle East	295	255	225	40	70
Emerging Markets	161	141	140	20	21
Global	514	456	533	58	-19

Sources: Bloomberg, Bank Audi's Group Research Department

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



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	B3/Stable	B+/Negative/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A/Stable/A-1	A1/Positive	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$)	17-Mar-23	10-Mar-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)	30.85	30.85	24.71	0.0%	24.8%
Iraqi Dinar (IQD)	1,310.00	1,310.00	1,460.00	0.0%	-10.3%
GULF					
Saudi Riyal (SAR)	3.76	3.75	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)	250.24	250.23	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	135.95	136.58	137.35	-0.5%	-1.0%
Moroccan Dirham (MAD)	10.37	10.42	10.44	-0.5%	-0.6%
Tunisian Dinar (TND)	3.11	3.13	3.11	-0.4%	0.1%
Libyan Dinar (LYD)	4.84	4.84	4.83	-0.1%	0.2%
Sudanese Pound (SDG)	583.96	583.84	573.81	0.0%	1.8%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER