Bank Audi

MENA WEEKLY MONITOR

MAY 21 - MAY 27, 2023
WEEK 21

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MENA equity markets continued to operate on a negative territory this week, as reflected by a 1.2% fall in the S&P Pan Arab Composite index, mainly tracking global equity weakness (-0.6%) on US debt ceiling worries, and dragged by some unfavorable company-specific factors. In parallel, regional fixed income markets remained under downward price pressures, mainly tracking US Treasuries move on concerns about US debt limit negotiations and after Fitch Ratings placed the US "AAA" long-term foreign currency Issuer Default Rating on "Rating Watch Negative".

MENA MARKETS: MAY 21 - MAY 27, 2023

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-1.2%	Weekly Z-spread based bond index	+4.0
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+1.0%	YTD Z-spread based bond index	+64.9

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ECONOMY

GCC ECONOMIES BOUNCE BACK WITH NATIONAL VISIONS FIRMLY IN SIGHT AS PER PWC

The GCC region is somewhat insulated from the global "rocky recovery", supported by oil prices and strong sovereign and corporate balance sheets as per a new report from PwC.

Despite the expected global growth slowdown, growth in the GCC is expected to be resilient at 3.2%, enabling further reinvestment in advancing National Visions. The non-oil economy is recovering, even in the hardest-hit sectors, fuelled in-part by returning numbers of expat populations.

As global economies experience what the IMF has described as a "rocky recovery" post pandemic, marked by inflation, high interest rates and geopolitical uncertainty, GCC economies are bouncing back, even in the worst-affected sectors. This positive outlook is attributed to high oil prices and strong balance sheets at the sovereign and corporate levels, as well as continued diversification and economic resilience as countries pursue their National Visions.

According to the report, the GCC is especially well placed to implement their long-term National Vision transformation plans due to substantial financial resources to direct to their objectives, and the leadership continuity and commitment to see them through. Overall, progress on key KPIs across the region is promising, with some room for improvement on others.

Saudi Arabia's Vision 2030, for example, is hitting the halfway mark from its announcement in 2016, and has seen an out-performance in some areas, such as its female workforce participation surging to 36%, already ahead of the 2030 target of 30%. The commitment to economic diversification is also paying off: the share of the non-oil economy is at 59% with non-oil GDP in 2022 being 15% larger in real terms and 28% in nominal terms compared to the pre-vision baseline.

According to the Partner and Chief Economist at PwC, "The GCC as a whole is making good progress towards achieving its countries' National Visions, with areas of common focus including non-oil diversification, improving infrastructure, advancing digitalisation, creating competitive business environments and workforce nationalisation targets for the private-sector. Most GCC countries are also advancing towards their sustainability objectives, such as investing in solar generation capacity. With COP 28 on the horizon, PwC expects the momentum and reinvestments driving this transformation to increase".

The report highlights that the region has been quick to secure the non-oil recovery, even in the hardest-hit sectors of hospitality, transportation and retail/wholesale trade. In 2022, the five GCC states for which regular tourism data is available, Saudi Arabia, UAE, Qatar, Bahrain, and Oman, showed a lag of -8% behind 2019 levels. However, by Q4, Qatar, Saudi and Bahrain were well above Q4-19 levels.

The latest Middle East Economy Watch outlines that although factors including the pandemic created a loss in expat populations, these numbers have since recovered -rebounding by 2.8% in 2022 and expected to surpass 2019 levels later this year. Some countries such the UAE and Saudi Arabia have set highly ambitious population expansions plans, fuelling further investment in infrastructure.

According to the Middle East Strategy and Markets Leader "The GCC economies have shown great resilience in the face of many obstacles being experienced globally, with the growth of the non-oil economy and increased focus on sustainability enabling them to lead the diversification agenda on a larger scale. Continued government investment in strategic sectors and projects in pursuit of their National Visions will underpin future growth, allowing to weather the worst of the global slowdown throughout 2023."

SLA REACHED BETWEEN THE IMF AND JORDAN ON THE SIXTH REVIEW UNDER THE EFF

The International Monetary Fund (IMF) has announced recently that it has reached a Staff-Level Agreement (SLA) with the Jordanian authorities on the sixth review of the authorities' economic reform program supported by the Extended Fund Facility (EFF) arrangement. This comes amid a visit by an IMF mission to Amman with the goal of reviewing the country's reform program.

The review, upon completion, would bring total IMF disbursements to Jordan since the start of the program in 2020 to SDR 1.3 billion (US$ 1.8 billion) with the agreement being subject to approval from the IMF's management and executive board.

According to the Head of the IMF mission to Jordan, Jordan was able to maintain macroeconomic stability as well as access to international capital markets despite a harsh regional and global environment with the use of sensible policies on both the monetary and fiscal level. This entails that the country's reform program remains on track with crucial program targets being met and the continued and robust progress on structural benchmarks.

The Central Bank of Jordan (CBJ) has managed to set its primary deficit at 3.7% of GDP in 2022, which represents a 0.8 percentage point (pp) decrease from the year prior. This development was made possible due to efficient and timely measures taken that offset the high costs of subsidies.

Additionally, the CBJ was able to maintain monetary and financial stability as well as remaining committed to the peg on the dollar which prompted the increase of policy rates in line with the United States Federal Reserve. In turn, a moderation in inflation was noticed leading to a start in decline. In parallel, Jordan's banking system remains healthy amid appropriate capitalization and liquidity.

On the level of post-COVID 19 recovery, Jordan's real GDP is forecasted to grow by 2.6% in the current year, inflationary pressures are on a softening trend with estimates for 2023 set at 2.7% as a result of an appropriately monetary policy stance. Concurrently, despite high uncertainty in the global outlook, the country's future growth in the medium-term is forecasted at 3.0%, as per the Head of the IMF mission to Jordan.

Looking forward, the IMF team recommended the continuation of prudent policies which remain crucial in preserving macro-economic stability. Through the broadening of the tax base as well as an improvement in public spending efficiency, Jordan aims to reduce its primary deficit to reach 2.9% of GDP with a gradual reduction of public debt leverage risk by setting the debt-to-GDP ratio at 80% by 2028.

Additionally, in order to protect fiscal sustainability, efforts must continue to tackle the deficit noticed in the electricity sector. A continuation of the peg should remain a priority for the monetary policy while being backed by appropriate levels of international reserves.

Additionally, as stated by the Head of the IMF mission to Jordan, structural reforms are still crucial to achieve robust and inclusive growth as well as create jobs amid high unemployment rates (22.9%) especially among the youth and women. The aforementioned reforms should include enhancing the ease of performing business and reduce its cost, promoting competition, increasing the flexibility of the labor market as well as improving governance and transparency. These steps are crucial in order to create a more dynamic private sector, attract more investments as well as create an economic growth that is job-rich.

QATAR'S NON-OIL SECTOR PERFORMANCE IMPROVES FURTHER IN APRIL

Qatar's Purchasing Managers' Index (PMI) for April 2023 was registered at 54.4 showing a 0.6 point increase against the month prior. This indicates a more robust improvement in business conditions as the demand for goods and services accelerated. This figure stands firmly above the long-term average trend line of 52.2.

It is worth noting that Qatar's PMI indices are gathered out of survey responses from a panel that includes circa 450 private sector companies. The aforementioned panel spans over the manufacturing, wholesale & retail, construction and services sectors which reflects the structure of the country's non-energy economy. The indicator is derived from a series of indicators for new orders, output, employment, suppliers' delivery times as stocks of purchases.

The main drivers standing behind the improvement in business conditions that was the strongest since July of the year prior was a faster growth in new business and positive directional influence from employment and stocks of purchases. Concurrently, the output component remained above the long-term trend although at a softening rate from the month prior with financial services standing as a crucial driver for growth, as per the Qatar Financial Center (QFC) PMI report for April 2023.

In details, new business expanded at the fastest rate in nine months with companies reporting the receipt of large orders, an expansion in customer bases and an increase in demand cause by the implementation of new projects. Additionally, new products were also cited as a driver for growth.

At the level of average salaries and wages, an increase for the third consecutive month with pay pressures set above the long-run trend. In parallel, the employment index additionally rose to a nine month high which entails an increase in workforce numbers.

While average input prices showed a further expansion during the month in line with the trend noticed so far in 2023, inflationary pressures remained modest and in line with the long-term trend. In parallel, output charges increased in April following a contraction in the month prior.

As a result of productivity improvements and an increase in the workforce, a reduction in work outstanding levels was recorded despite the stronger pressure from the inflow of new business, as per QFC's PMI report for April 2023.

At the level of future outlook, it remains strongly optimistic for the next 12-months with the average Future Output Index for 2023, registered at 71.7, comfortably set above the long-term trend of 64.6. The sector having the most optimism for future outlook was the manufacturing sector.

Concurrently, the financial services sector in Qatar continued expanding at a marked rate during the month. This comes following an expansion in new business volumes (Financial Services New Business Index recorded at 61.3 during the month) at the fastest rate since August 2022. Overall financial services activity also increased with future outlook remaining strongly optimistic. Employment remained stable with a marginal decrease against the month prior. During April, output prices increased at the slowest pace in three months paired with a decrease in input cost pressures, as per QFC's PMI report for April 2023.

SURVEYS

SAUDI ARABIA'S ECOMMERCE MARKET EXPANDING RAPIDLY, AS PER KEARNEY AND MUKATAFA

A report titled "The Impact of Cross Boarder e-commerce in KSA" was released by a mutual collaboration between Kearney, a leading management consulting firm, and Mukatafa, the only organization in the KSA working toward the collaboration and integration of public and private sectors.

This study analyzes the state of ecommerce in Saudi Arabia, particularly the role of cross-border ecommerce, which currently represents approximately 60% of the ecommerce sales.

The ecommerce market in KSA has rapidly grown with the support of changing consumer preferences during Covid-19 and government initiatives under Vision 2030. KSA's ecommerce market was valued at SR 19.3 billion (US$ 5.15 billion) in 2021, which represents 6% of the overall SR 347.2 billion retail market and is expected to reach 7.6% of the overall retail market by 2026 with a CAGR of 13% between 2021 and 2026. Covid-19 forced KSA consumers to adopt digital purchasing, facilitated by nearly universal internet access (98%+ of KSA have internet access) and a flourishing ecommerce ecosystem that empowers them to use innovative digital payment methods ranging from digital wallets to crypto to Buy Now, Pay Later and others.

There are three types of ecommerce value chains: cross-border, local, and hybrid. Cross-border players such as Aliexpress and Farfetch have limited or no local presence, investment, or direct employment in destination countries, like KSA. Most goods sold are manufactured and warehoused in source countries then packed and shipped to destination countries. After goods arrive at their destination country and clear customs, they are delivered to buyers by domestic routing and transport firms. In contrast, local players have domestic presence, investment, and employment in destination countries. Goods are manufactured locally or in other countries but shipped and stored in destination country warehouses and retail stores. Orders are domestically packed and shipped to customers via Local courier companies. Finally, hybrid players like Amazon operate both locally and cross-border in the same market to satisfy local customer demands..

Industry leaders in local ecommerce platforms believe cross-border players have a price advantage on same quality products due to differences in the cost of doing business. Local players have 17-26% higher cost of servicing than their cross-border peers. Cross-border ecommerce players are only subject to customs duty on shipments valued over SR 1000 and are not subject to VAT, corporate taxes, Zakat, and quality compliance certificate and permissions, which local companies have to comply with. The consumers see this translating into a price gap, which is the key driver to prefer cross-border.

The majority of the consumers have voted that they opt for cross-border platforms due to lower prices (72%), wider choice (47%), convenience (35%), and brand variety (31%).

In KSA, cross-border ecommerce accounted for 59% of all ecommerce revenue in 2021. However, there has been a steady decrease of cross-border ecommerce penetration between 2017 and 2021 due to the increasing ecommerce penetration in the retail sector, customers' increasing tendency to shop online, and development of local ecommerce players.

In recent years, as businesses reached scale within Saudi Arabia, many cross-border ecommerce players have found it more efficient to invest in infrastructure in the country rather than ship cross-border. In March 2022, for example, noon.com launched a new 45,000 square meter Customer Fulfillment Centre in its warehouse in Riyadh. This trend is expected to continue with estimates suggesting 2026 cross-border ecommerce penetration would decrease to 49%.

Based on the survey, 74% of online shoppers in Saudi Arabia are expected to increase their purchases from the country's ecommerce platforms compared to their purchases from China, GCC, Europe and US.

To create a level playing field for all ecommerce players while protecting consumer interests and promoting local investments, the survey proposes four key initiatives to consider, based on learnings from other markets: reducing the minimum duty threshold (SR 1000 currently), reviewing and overhauling tax laws for foreign organizations and individuals, implementing a threshold on import quantities and making it mandatory for cross-border players to comply with local quality standards.

HOSPITALITY MARKET IN CAIRO CITY OBSERVE AN ANNUAL GROWTH ACROSS KPIS IN Q1 2023, AS PER EY

Ernst & Young (EY) published its "Middle East Hotel Benchmark Survey Report", covering the performance of 4 and 5 star hotels in key hotel markets across selected countries and cities in the Middle East region. Cairo City's hospitality sector witnessed an ADR growth of 124.8% from US$ 63 in Q1 2022 to US$ 141 in Q1 2023 together with an occupancy increase of 0.9% in Q1 2023 compared to the same period last year.

This led to a notable RevPAR growth of 127.6 % from US$ 45 in Q1 2022 to US$ 103 in Q1 2023. Cairo City's hospitality sector performance could be mainly attributed to hosting of MICE (Meetings, Incentives, Conventions and Exhibitions) events such as Fencing World Cup with approximately 400 participants from over 45 nations and Egypt Petroleum Show (EGYPS) with over 32,000 attendees, 2,000 Delegates from local and international businesses, and over 500 Exhibitors from across the world.

Elsewhere in the region, in Q1 2023, Kuwait's hospitality market observed an occupancy growth of 15.7% when compared to Q1 2022 coupled with an ADR drop of 23.4% from US$ 251 in Q1 2022 to US$ 192 in Q1 2023. This led to a RevPAR growth of 4.5% from US$ 108 in Q1 2022 to US$ 112 in Q1 2023. Based on the report, during Q1 2023, Kuwait's sector performance could be attributed to multiple events like Kuwait Education and Training Exhibition (KETEX 2023) and Kuwait Medica Conference & Exhibition, which took place during the quarter.

The sector performance in Kuwait is anticipated to improve with MICE events such as "BAYTAK Exhibition" in May 2023, which is expected to have attracted over 5,000 Visitors and 500 exhibitors from across the world. Concurrently, as of Q1 2023, Doha's hospitality market observed a RevPAR growth of 3.3% from US$ 70 in Q1 2022 to US$ 68 in Q1 2023. This was mainly driven by an increase in ADR by 6.4% from US$ 108 in Q1 2022 to US$ 115 in Q1 2023.

Doha's sector performance could be attributed to hosting events such as "Digital Transformation Summit Qatar 2023", Qatar GKA Freestyle Kite World Cup 2023, Qatar Total Energies Open, Qatar ExxonMobil Open and festivals such as Qatar Balloon festival and seventh Katara Mahaseelfestival during the period, as per EY. Moving forward, the sector in Qatar looks promising in the wake of upcoming events such as "Horticultural Expo 2023" and International Hospitality and HORECA Trade Show "Hospitality Qatar".

Finally, Abu Dhabi's hospitality market witnessed a RevPAR growth of 32.5% from US$ 70 in Q1 2022 to US$ 93 in Q1 2023, which was led by an ADR increase of 35.9% from US$ 83 in Q1 2022 to US$ 113 in Q1 2023, a decline in occupancy by 2.1 percentage points from 84.4% to 82.3% over the same period.

Abu Dhabi's Q1 2023, packed by a plethora of events and festivals such as IDEX (International Defence Exhibition and Conference) 2023, Mubadala, NAVDEX (Naval Defence & Maritime Security Exhibition) 2023, Sheikh Zayed Heritage Festival, Al Dhafra Festival, Al HosnFestival, Maritime Heritage Festival, and sports event like Abu Dhabi Open Tennis and UCI UAE Tour, could have boosted Abu Dhabi's sector performance.

FITCH RATINGS DOWNGRADES EGYPT TO "B" WITH A "NEGATIVE" OUTLOOK

Fitch Ratings downgraded Egypt's long-term foreign-currency Issuer Default Rating (IDR) from "B+" to "B" with a "negative" outlook.

In Fitch's view, external financing risk has increased given high external financing requirements, constrained external financing conditions and the sensitivity of Egypt's broader financing plan to investor sentiment. All this comes against a background of high uncertainty on the exchange-rate trajectory, and reduced external liquidity buffers.

Uncertainty around Egypt's ability to meet its external financing needs has increased, reflecting still constrained prospects for market access and the lack of market confidence in the Central Bank of Egypt's (CBE) new exchange rate regime, which has held back foreign currency inflows.

Fitch sees a risk that a further delayed transition to a flexible exchange rate would further undermine confidence, and, potentially, delay the IMF program. The rating action also captures a marked deterioration of public debt metrics, including a renewed deterioration in government interest costs/revenue, which, if not reversed, would put medium-term debt sustainability at risk.

CORPORATE NEWS

BADEEL AND ACWA POWER INVEST US$ 3.2 BILLION INTO THREE NEW SOLAR PROJECTS IN SAUDI ARABIA

The Water and Electricity Holding Company (Badeel), a wholly-owned company of the Saudi Public Investment Fund (PIF), and KSA-based ACWA Power announced the signing of Power Purchase Agreements (PPAs) with the Saudi Power Procurement Company (SPPC) for the development and operation of three major new solar PV Independent Power Producer (IPP) projects in Saudi Arabia, as reported in a company's statement.

The solar projects are part of the National Renewable Energy Program (NREP) which is led and supervised by the Ministry of Energy, with PIF mandated to develop 70% of NREP's target capacity.

The new projects would be jointly owned by Badeel and ACWA Power, a leading developer, investor, and operator of power generation, water desalination and green hydrogen plants worldwide. These projects intend to produce a combined capacity of 4.55 GWac of renewable energy, powering approximately 750,000 households.

In details, the Ar Rass 2, Saad 2 and Al Kahfah projects have a capacity of approximately 2,000 MWac, 1,125 MWac and 1,425 MWac of renewable power respectively, with a combined value of US$ 3.25 billion (SR 12.2 billion). Financial close for these projects is expected by the third quarter of 2023.

It is worth highlighting that the three new solar projects are part of PIF's commitment to develop 70% of Saudi Arabia's renewable energy by 2030, in line with the National Renewable Energy Program.

ORASCOM CONSTRUCTION AND METITO CONSORTIUM SECURE US$ 2.4 BILLION UAE WATER PROJECT DEAL

A consortium of Egypt's Orascom Construction and the UAE's Metito would, together with the Abu Dhabi National Oil Company PJSC (ADNOC) and Abu Dhabi National Energy Company PJSC (TAQA), develop, own and operate a large-scale seawater treatment and water transportation project worth up to US$ 2.4 billion in the Emirate of Abu Dhabi, as mentioned in a company's statement.

As per the deal, the greenfield project would be funded through a Special Purpose Vehicle (SPV) on a Build, Own, Operate and Transfer (BOOT) model for 30 years.

ADNOC and TAQA would jointly hold a 51% stake in the SPV, and Orascom Construction and Metito would own 49% (24.5% each).

The mega project would comprise a greenfield seawater nanofiltration plant with a treatment capacity of more than 500,000 cubic meter per day, in addition to seawater intake and outfall facilities, pumping stations, a water transmission pipeline of approximately 75 km, and an infield distribution network of more than 230 km to support reservoir pressure maintenance in the Bab and Bu Hasa fields in Abu Dhabi.

The project would replace the current aquifer water injection systems used for maintaining reservoir pressure in ADNOC's onshore oil fields, thereby ensuring sustainable water supply for ADNOC's onshore operations while preserving the UAE's natural aquifer resources.

The project would also enhance energy efficiency by up to 30% and reduce ADNOC's environmental footprint compared to the current injection system.

Q HOLDING SIGNS CONTRACTS FOR HOUSING PROJECTS WORTH US$ 1.9 BILLION

Abu Dhabi-listed Q Holding signed two contracts with Abu Dhabi Housing Authority (ADHA) to design and implement housing projects worth nearly up to US$ 1.9 billion (AED 7 billion) in West Baniyas and Al Samha regions of the Emirate, as mentioned in a company's statement .

The West Baniyas residential project includes the construction of 1,500 residential villas and the implementation of infrastructure works, gardens, public facilities and services, in addition to the construction of eight mosques and 14 commercial buildings.

Al Samha project consists of 242 residential villas, in addition to the implementation of various infrastructure works, along with the construction of two mosques and a selection of retail units.

The two projects are expected to be completed by Q4 2025 and Q2 2027.

EAST PIPES SECURES US$ 480 MILLION ARAMCO SUPPLY CONTRACT

Saudi-based East Pipes Integrated Company for Industry, a major manufacturer of spiral steel pipes, secured a contract worth over US$ 480 million (SR1.8 billion) from Aramco, one of the world's largest integrated energy and chemicals companies, to manufacture and supply steel pipes for its key projects in Saudi Arabia, as indicated in a company's statement.

East Pipes presently offers Helical Submerged Arc Welded (HSAW) pipes, which are used in transport, water, oil and gas and other sectors, to customers worldwide.

The entire contract work would be completed within a 12-month period.

The financial impact of the contract would be reflected in the third and fourth quarters of the current financial year 2023/2024, as well as first quarter of FY 2024/2025.

AD PORTS AND VALE TO DEVELOP MEGA HUB FOR STEEL SECTOR

AD Ports Group, a leading facilitator of global trade, logistics and industry, signed a Memorandum of Understanding (MoU) with Brazil-based Vale, the world's largest producer of iron ore and nickel, to develop a mega hub in Abu Dhabi for industrial complexes that would produce low-carbon products for the steelmaking industry, as revealed in a company's statement.

The agreement would see an allocation of land and related services from Kezad for the mega hub, in addition to the development and management of a state-of-the-art handling facility at Khalifa Port, capable of accommodating Valemax vessels with a handling capacity of up to 50 million tons of cargo annually.

Furthermore, AD Ports Group would develop and manage conveyor infrastructure to transport iron ore and finished products to and from Khalifa Port and Kezad, and would be exploring commercial collaboration with Vale, on the marketing and sale of various by-products of the manufacturing process in the UAE and the wider region.

The agreement also includes a maritime collaboration to explore opportunities related to management and operation of Very Large Ore Carriers (VLOCs), as well as other possible avenues of partnership.

The products from the mega hub would reach both the local and seaborne markets, with a significant reduction of CO_2 emissions.

L&T UNIT WINS TWO MAJOR POWER PROJECTS IN SAUDI ARABIA

India's top engineering and construction firm Larsen & Toubro (L&T) announced that its key Power Transmission & Distribution (PT&D) unit secured two large Engineering, Procurement and Construction (EPC) orders from Saudi Arabia to establish 380kV overhead power transmission lines connecting key cities located on the Red Sea coast, as reported in a company's statement.

Confirming the orders, which range from US$ 302 million to US$ 603.6 million, these systems would strengthen projects in KSA that involve 400 KM of transmission lines to meet the growing demand in these industrial and tourism hubs.

The Indian engineering conglomerate also secured another major order from Saudi Arabia for the design, supply, and construction of a 380 kV substation in the country's central region.

This substation would be a crucial element to evacuate renewable capacity as part of the country's diversification to non-fossil fuel sources in their electricity mix.

CAPITAL MARKETS

EQUITY MARKETS: ACTIVITY IN MENA EQUITY MARKETS REMAINS TILTED TO DOWNSIDE, TRACKING GLOBAL EQUITY WEAKNESS

MENA equity markets continued to operate on a negative territory this week, as reflected by a 1.2% fall in the S&P Pan Arab Composite index, mainly tracking global equity weakness (-0.6%) on US debt ceiling worries, and dragged by some unfavorable company-specific factors.

The heavyweight Saudi Exchange, whose market capitalization represents more than two-thirds of the total regional market capitalization, plunged into the red this week, as reflected by a 1.6% contraction in the S&P Saudi index, mainly tracking a global sell-off mood as the impasse in negotiations to raise the US debt ceiling kept investors wary of risky assets, and due to some unfavorable company-specific factors.

A closer look at individual stocks shows that petrochemicals giant Saudi Aramco's share price decreased by 1.5% week-on-week to SR 31.90. SABIC's share price closed 1.2% lower at SR 90.10. Saudi Kayan Petrochemical Company's share price fell by 1.9% to SR 13.42. Maaden's share price dropped by 6.3% to SR 64.00. Maaden reported an 81% year-on-year contraction in its 2023 first quarter net profits to reach SR 419 million, missing average analysts' estimate. Red Sea International's share price decreased by 1.0% to SR 25.75. Red Sea International reported a net loss of SR 20 million in the first quarter of 2023 versus a net loss of SR 19 million a year earlier. Kingdom Holding's share price declined by 1.9% to SR 7.96. Kingdom Holding reported a 97% year-on-year fall in its 2023 first quarter net profits to reach SR 171 million.

Also, Arab National Bank's share price shed 4.0% over the week to SR 26.35. Arqaam Capital cut its recommendation on Arab National Bank to "Hold" from "Buy", with a price target of SR 28.50, which implies a 6.9% increase from last price. SABB's share price retreated by 2.2% to SR 37.65. Arqaam Capital cut its recommendation on SABB to "Hold" from "Buy", with a price target of SR 38.20, which implies a 0.8% increase from last price.

The UAE equity markets registered further price declines of 0.4% week-on-week, mainly tracking a global sell-off mood and dragged by some unfavorable company-specific factors. In Dubai, Salik Company's share price nudged down by 0.7% to AED 2.98. JP Morgan cut its recommendation on Salik Company to "Neutral" from "Overweight", with a price target of AED 3.30, which implies a 7.8% increase from last price. Emirates NBD's share price decreased by 1.4% to reach AED 13.65. Amlak Finance's share price dropped by 4.0% to AED 0.774. Aramex's share price decreased by 1.6% to AED 3.06. Emaar Properties' share price closed 1.0% lower at AED 5.89. Emaar Development's share price went down by 2.3% to AED 5.17.

In Abu Dhabi, ADNOC Drilling's share price retreated by 1.3% week-on-week to AED 3.77. Société Générale cut its recommendation on ADNOC Drilling to "Hold" from "Buy", with a price target of AED 3.87, which implies a

EQUITY MARKETS INDICATORS (MAY 21- MAY 27, 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	170.1	3.4%	31.8%	4.5	-45.3%	0.2	19,221	1.2%	-	0.40
Jordan	372.8	-0.6%	-4.1%	20.1	-30.8%	13.5	24,859.8	4.2%	8.2	1.35
Egypt	224.1	2.0%	-5.3%	223.5	-11.9%	3,158.4	34,904.8	33.3%	8.0	2.10
Saudi Arabia	491.9	-1.6%	5.6%	6,427.9	-7.1%	728.41	2,863,651.5	11.7%	14.5	4.56
Qatar	171.7	-1.8%	-2.8%	812.4	21.8%	1,314.1	170,947.7	24.7%	12.2	1.63
UAE	131.0	-0.4%	-4.8%	1,904.7	3.4%	1,927.8	886,801.0	11.2%	14.7	2.83
Oman	250.1	-2.0%	-3.9%	15.1	-43.4%	24.0	22,184.0	3.5%	14.4	1.07
Bahrain	217.9	2.2%	13.0%	9.5	-4.3%	10.4	18,775.0	2.6%	10.7	1.46
Kuwait	126.2	-0.8%	-9.1%	574.8	14.5%	542.9	127,487.5	23.4%	17.0	1.82
Morocco	231.5	1.9%	4.3%	54.3	52.2%	3.4	55,132.4	5.1%	20.3	3.25
Tunisia	64.9	0.7%	4.5%	29.6	300.9%	7.5	7,929.8	19.4%	11.5	2.27
Arabian Markets	**922.1**	**-1.2%**	**1.0%**	**10,076.4**	**-2.2%**	**7,730.6**	**4,231,894.7**	**12.4%**	**14.4**	**3.89**

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

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

2.1% increase from last price. Aldar Properties' share price decreased by 1.3% to AED 5.13. FAB Securities cut its recommendation on Aldar Properties to "Accumulate" from "Buy", with a price target of AED 6, which implies a 12% increase from last price.

The Qatar Stock Exchange dipped deeper into the red this week, as reflected by a 1.8% decline in the S&P Qatar index, mainly tracking global equity price falls as an impasse over US debt ceiling negotiations continued to weigh on investor sentiment, and driven by some unfavorable company-specific factors. 22 out of 50 traded stocks registered price drops, while 25 stocks posted price gains and three stocks saw no price change week-on-week.

A glance on individual stocks shows that QNB's share price closed 2.7% lower over the week at QR 16.500. Masraf Al Rayan's share price shed 1.9% to QR 2.666. Arqaam Capital cut its recommendation on Masraf Al Rayan to "Sell" from "Hold", with a price target of QR 2.20, which implies a 19% decrease from last price. Industries Qatar's share price declined by 2.4% to QR 12.770. Qatar Electricity & Water Company's share price fell by 1.7% to QR 17.200. Qatar Islamic Bank's share price plunged by 3.9% to QR 17.810. The Commercial Bank's share price edged down by 0.7% to QR 5.906. Barwa Real Estate's share price dropped by 3.0% to QR 2.660.

FIXED INCOME MARKETS: ACROSS-THE-BOARD WEEKLY PRICE FALLS ON MENA BOND MARKETS

MENA fixed income markets remained under downward price pressures this week, mainly tracking US Treasuries move on concerns over US debt limit negotiations, and after Fitch Ratings placed the US "AAA" long-term foreign currency Issuer Default Rating on "Rating Watch Negative", citing increased partisanship that is hindering a debt resolution to raise or suspend the debt limit despite the fast-approaching x-date.

In the Abu Dhabi credit space, sovereigns maturing in 2026, 2027 and 2031 registered weekly price contractions of 0.50 pt to 1.00 pt. Prices of ADNOC'29 declined by 0.25 pt. Mubadala'26 and '27 closed down by 0.13 pt and 0.38 pt respectively. Taqa'28 traded down by 0.63 pt.

In the Dubai credit space, sovereigns maturing in 2029 posted weekly price falls of 0.25 pt. DP World'30 closed down by 0.13 pt. Regarding plans for new issues, Majid Al Futtaim raised US$ 500 million from the sale of a 10-year dollar-denominated green Sukuk. Proceeds from MAF's fourth green Sukuk issuance would be used to refinance an US$ 800 million bond commitment maturing in May 2024.

In the Kuwaiti credit space, sovereigns maturing in 2027 posted price contractions of 0.57 pt week-on-week. KIPCO'27 closed down by 1.13 pt. KIPCO secured Capital Markets Authority's approval to set up an international Sukuk program with a value not exceeding US$ 2 billion or its equivalent in other currencies.

In the Saudi credit space, sovereigns maturing in 2026, 2027, 2030 and 2031 registered price decreases of up to 0.75 pt this week. Saudi Aramco'25 closed down by 0.63 pt. SABIC'28 registered price falls of 1.50 pt. As to new issues, Banque Saudi Fransi raised US$ 900 million this week from the sale of a five-year Reg S Sukuk at 105 bps over US Treasuries versus an initial price guidance of 130 bps over UST, offering a profit rate of 4.75%. The Sukuk sale attracted more than US$ 2.5 billion in orders.

In the Bahraini credit space, prices of sovereigns maturing in 2026, 2027, 2031 and 2032 fell by 0.35 pt to 0.63 pt respectively this week. Prices of NOGA'27 retreated by 0.13 pt. In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 registered price contractions of 0.45 pt, 0.84 pt and 1.06 pt respectively week-on-week. Omantel'28 was down by 0.67 pt.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 saw price decreases of 0.75 pt and 1.13 pt respectively week-on-week. In the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2030 posted weekly price declines of 0.75 pt each.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2030, 2032 and 2040 recorded price falls of 0.67 pt to 2.25 pts this week. Euro-denominated sovereigns maturing in 2026 traded up by 0.52 pt, while sovereigns maturing in 2031 were down by 0.61 pt.

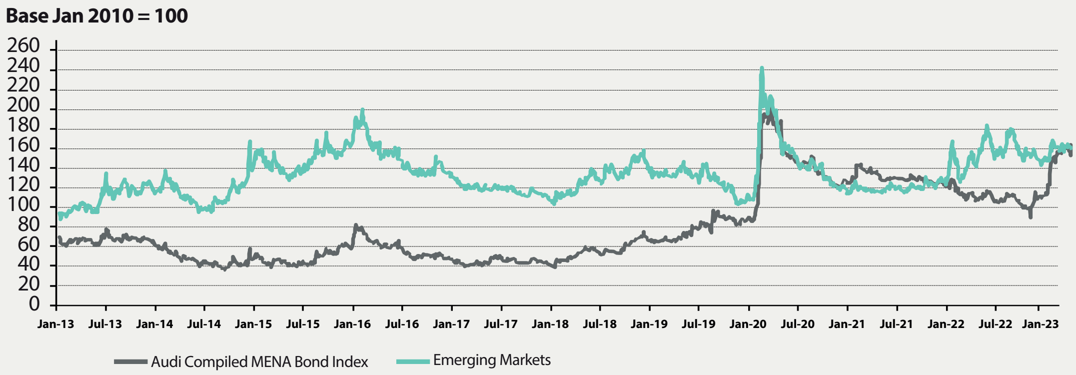
All in all, regional bond markets saw across-the-board price falls this week, mainly tracking declines in US Treasuries, as investors grew nervous over the looming US debt-ceiling deadline and after Fitch Ratings placed "Rating Watch Negative" on US debt as X-date moves closer.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	26-May-23	19-May-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	42	42	44	0	-2
Dubai	85	82	84	3	1
Kuwait	44	46	50	-2	-6
Qatar	42	42	48	0	-6
Saudi Arabia	64	65	61	-1	3
Bahrain	268	266	231	2	37
Morocco	143	166	162	-23	-19
Egypt	1,787	1,639	877	148	910
Iraq	416	424	467	-8	-51
Middle East	321	308	225	13	96
Emerging Markets	147	158	140	-11	7
Global	460	461	533	-1	-73

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/Negative/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+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA-/Stable/F1+
Qatar	AA/Stable/A-1+	Aa3/Positive	AA-/Positive/F1+
Kuwait	A+/Stable/A-1+	A1/Stable	AA-/Stable/F1+
Bahrain	B+/Positive/B	B2/Stable	B+/Stable/B
Oman	BB/Positive/B	Ba2/Positive	BB/Positive/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$)	26-May-23	19-May-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)	30.80	30.89	24.71	-0.3%	24.6%
Iraqi Dinar (IQD)	1,310.00	1,310.00	1,460.00	-54.4%	-59.1%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.76	0.0%	-0.2%
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	0.1%	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)	250.21	250.22	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	136.46	136.00	137.35	0.3%	-0.7%
Moroccan Dirham (MAD)	10.23	10.20	10.44	0.2%	-2.0%
Tunisian Dinar (TND)	3.10	3.09	3.11	0.3%	-0.4%
Libyan Dinar (LYD)	4.81	4.80	4.83	0.3%	-0.3%
Sudanese Pound (SDG)	597.13	596.70	573.81	0.1%	4.1%

Sources: Bloomberg, Bank Audi's Group Research Department