Bank Audi

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WEEK 24

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MENA equity markets remained on the rise this week, as reflected by a 1.3% increase in the S&P Pan Arab Composite index, mainly tracking global equity strength after the US Fed paused monetary tightening for the first time since March 2022 and the People's Bank of China unexpectedly cut its key lending rate to revive a faltering economy. This compounded with rising oil prices after the IEA revised upward its global oil demand growth forecast for 2023, in addition to some favorable company-specific factors. In contrast, regional bond markets saw mostly downward price movements, mainly tracking US Treasuries move after the FOMC dot plot for June 2023 showed that nine out of 18 members expect two more interest rate hikes during the second half of 2023, which pushed the median Federal Fund Rate upward to 5.6% this year.

MENA MARKETS: JUNE 11 - JUNE 17, 2023

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+1.3%	Weekly Z-spread based bond index	-0.2%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+3.5%	YTD Z-spread based bond index	+59.7%

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ECONOMY

MENA FACES US$ 994 BILLION INFRASTRUCTURE FUNDING GAP

The Middle East and North Africa region is confronting the largest infrastructure funding gap in the Organisation of Islamic Cooperation, estimated to be about US$$ 993.9 billion between 2016 and 2040, according to the ICD-Refinitiv OIC Infrastructure Outlook 2023 report.

The infrastructure funding gap is the difference between the funds required to develop and maintain infrastructure projects and the available financial resources to meet those needs.

The study noted that the region faced a funding gap of US$ 684.9 billion in the infrastructure development of roads, US$ 110.8 billion in water, US$ 47.3 billion in rail, US$ 33.6 billion in ports and US$ 24.7 million in airports during the 25 years.

Electricity infrastructure is the only sector where MENA holds a surplus of US$ 27.4 billion.

Sub-Saharan Africa, on the other hand, faced an infrastructure funding gap of US$ 665 billion between 2016 and 2040, with telecommunication accounting for US$ 178.6 billion, electricity for US$ 126.3 billion and rail for US$ 42.5 billion.

Similarly, Europe and Central Asia were better placed with a gap of US$ 547 billion, lagging by US$ 414 billion in road development.

"As Islamic markets grow in global importance ... and their potential expands as markets for consumption and investment, it is becoming increasingly vital that the gaps are filled," said the head of Islamic finance, Refinitiv, in the report.

The report further revealed that the overall funding gap for the 57-member OIC countries is estimated at US$ 2.7 trillion during the 25 years.

The top five countries in terms of infrastructure funding gaps included Turkiye with US$ 405 billion, Egypt with US$ 230 billion, Nigeria with US$ 221 billion, Bangladesh with US$ 192 billion and Iran with US$ 153 billion.

Moreover, the most significant funding gap across the OIC was in roads, making up 53 percent of the total.

Telecommunications, electricity and water contributed 38 percent of the overall gap, followed by rail, ports and airports with a combined 9 percent.

The report further said key challenges facing OIC countries in developing the infrastructure are lack of funding, limited institutional capacity, vulnerability to political risk, weak legal and regulatory frameworks, and the environmental and social implications of any infrastructure projects.
There are, however, significant opportunities to support economic growth and boost prosperity, increase trade, enhance social welfare, improve energy security and climate resilience, and improve regional integration, the report said.

EGYPT'S SCZONE SECURES US$ 3 BILLION INVESTMENT PLEDGE FROM CHINESE COMPANIES

A pledge for investments of US$ 3 billion was made from Chinese companies towards Egypt's Suez Canal Economic Zone (SCZone). The aforementioned companies are active in the industries of chemical, textile & apparel, power, pipes and iron & steel. The agreements were secured during an official Egyptian visit to China.

The focus of the deals was centered around the Suez Economic and Trade Cooperation Zone (SETC) which is an industrial estate established jointly by Egypt and China as part of the Belt and Road Initiative. It was built by the Tianjin Economic-Technological Development Area (TEDA) with the TEDA Suez Zone created in 2008 and then extended in 2016.

The various deals secured by the SCZone delegation included: a deal with Xinxing Ductile Iron Pipes Co. for the creation of a US$ 2 billion ductile cast iron pipe manufacturing plant in the Sokhna Industrial Zone. The plant will be divided into two phases of production, the first with an annual capacity of 250,000 tons and the second with an annual capacity of 500,000 tons. Another deal was struck with Shandong Tianyi Company for the establishment of a US$ 310 million Bromine and caustic soda production plant in TEDA Suez Zone.

The Bromine plant, valued at US$ 110 million, will cover an area of 270,000 m2 and a production capacity of 140,000 tons per annum. Additionally, several other projects were announce with a value of tens of millions in the industries of textiles, power generation, apparel & fashion among others. These projects are expected to be located in Suez, Sokhna and Abu Khalifa.

In parallel, a meeting between the SCZone Chairman and the China-Africa Development Fund took place to discuss investments in the industries of pharmaceuticals, automotive and green fuel with the fund expressing readiness to finance any Chinese investment initiative in the SCZone.

UAE'S MOF SETS CORPORATE TAX

The Ministry of Finance (MoF) in the United Arab Emirates (UAE) has begun rolling out a corporate tax on business income in order to diversify its revenue from non-oil sources.

This tax presents exemptions to many free zones that stand as a backbone for the country's economy as well as Small and Medium Enterprises (SMEs) with revenues standing below a certain threshold.

In details, looking at the Corporate Tax Law, the decree establishes that the tax is imposed on taxable income (The income that is subject to Corporate Tax under this Decree-Law.) earned by a taxable person (A Person subject to Corporate Tax in the State under this Decree-Law.) within a tax period (The period for which a Tax Return is required to be filed). The taxable person is liable to fill a Corporate Tax Return and then pay any due amount to the appropriate authority, as per Chapter 2 Article 2 of the UAE's Corporate Tax Law.

Looking at the imposed tax rate, we can see that there is a difference between business that are not in a free zone and those that are.

For businesses not included in free zones:

- 0% on taxable income up to and including AED 375,000 (US$ 103,022.0) as set by Cabinet Decision No. 116 of 2022.

- 9% on taxable income above AED 375,000 (US$ 103,022.0).

For businesses included in free zones:

- According to Chapter 2 Article 3 Clause 2 (a) the UAE's Corporate Tax Law, corporate tax applied on qualifying income (Any income derived by a Free Zone Person that meets the conditions of Article 18 of this Decree-Law and is subject to Corporate Tax under Clause 2 of Article 3 of this Decree-Law.) benefits from 0% corporate tax.

- A corporate tax of 9% is set on any non-Qualifying income earned by a Qualifying Free Zone Person, as per Chapter 2 Article 3 Clause 2 (b) of the UAE's Corporate Tax Law.

It is worth noting that this corporate tax comes following a 5% Value-Added Tax (VAT) introduced in 2018. These taxes were implemented by the UAE in order to diversify its revenue sources and fall in line with international and regional efforts to combat tax avoidance.

The corporate tax introduced has remained business friendly with the government ensuring that strategic sectors thrive in free zones, working to keep the UAE an attractive market place as well as keeping the environment SME and startup friendly.

Firms in the UAE have become liable to corporate tax with the start of their financial years which implies that tax returns will not be due until 2025.

The decree of the law comes in parallel with the setting of a new global minimum corporate tax by the Organization for Economic Cooperation and Development (OECD). This decision by the organization was signed by 136 signatories and included the UAE. The decision aimed to insure that big companies pay a minimum of 15% with efforts to make tax avoidance harder. However, the UAE hasn't published any regulations regarding the implementation process of the decision.

The UAE's legislation levies either 0% or 9% as stated above with caveats for small earners and does not include personal income from employment, investment or real estate.

This makes the UAE's tax legislations the second lowest in the GCC after Bahrain which does not impose a general corporate tax. In parallel, Saudi Arabia levies 20%, Kuwait 15% and Qatar 10% on foreign-owned firms with Oman having a 15% corporate rate, as per Consultancy PwC.

According to the S&P ratings agency, the tax has the potential of increasing annual revenues to the UAE by between 1.5% and 1.8% from 2025. Additionally, based on the VAT model of the country, 70% of receipts of the collecting emirate is kept with the rest given to the federal government.

According to the CEO of a mid-sized UAE-based company, the implementation of the corporate tax is a natural step to bring the country in line with international best practices. However, the key remains to ensure a competitive economy on the global and regional scale.

It is worth noting that according to the UAE's MoF, Foreign companies and other non-resident juridical persons will be subject to UAE corporate tax on income derived from real estate and other immovable property located in the UAE and will be required to register in the UAE for corporate tax purposes. This decision applies to immovable property used or held for either business or investment. The same tax bracket applies to this income as mentioned above. However, Real Estate Investment Trusts (REITs) and other Qualifying Investment Funds can be exempted from the income tax as long as the relevant conditions are met.

SURVEYS

UAE TOPPING MENA'S M&A DESTINATION IN Q1 2023 WITH US$ 2 BILLION DEALS, AS PER EY

The MENA region witnessed a 42% increase in the total value of Merger and Acquisition (M&A) deals in Q1 2023 compared to the same period last year, according to the latest EY MENA M&A insights.

In details, the UAE retained its status as the country with the highest deal activity in terms of volume and value, registering 42 deals worth US$ 2 billion. Saudi Arabia, Kuwait, Egypt and Oman followed with deal values of US$ 1.7 billion, US$ 1.3 billion, US$ 0.6 billion, and US$ 0.2 billion, respectively.

Overall, the first quarter of the year saw 165 deals amounting to US$ 25.8 billion. While the value of deals across the MENA region increased significantly, indicating robust capital market confidence, the region witnessed a drop in deal volumes by 20% compared to the same period in 2022. Analysis suggests that declining oil prices, lower real GDP per capita growth rates and rising food inflation have combined negatively impacted the M&A market so far in 2023.

Furthermore, sectoral analysis showed that the technology industry witnessed the highest number of deals in the domestic market segment in Q1 2023, with 19 deals worth a total of US$ 461 million in disclosed value. In parallel, M&A activity involving Private Equity (PE) or Sovereign Wealth Funds (SWF) represented 32% and 68% of the total deal volume and value across the three months, respectively, while cross-border deals amounted to 57% and 85%, respectively.

According to EY, domestic deals were the main driver of M&A activity in the region, contributing 43% and 15% of the overall deal volume and value, respectively. As to outbound deals, which consists of a domestic company purchases or merges with one in another country, the volume and value of outbound deals accounted for 34% and 76% of the total, respectively, as MENA buyers are seizing cheaper valuation opportunities during a period of global economic uncertainty.

Within this context, in Q1 2023, the region saw 55 outbound deals, which amounted to US$ 19.6 billion, compared to 56 outbound deals totaling US$ 8.4 billion in Q1 2022. The chemicals, technology and provider care sectors contributed 96% of the total outbound deal value.

The three outbound chemicals deals had a combined value of US$ 11.7 billion and focused on petrochemicals and specialty chemicals. The technology sector delivered 20 outbound deals, representing 36% of the quarter’s total outbound deal volume. PE or SWF involved transactions accounted for 40% and 79% of the total outbound deals in terms of volume and value, respectively.

GROWING AWARENESS OF BENEFITS OF EV ADOPTION IN UAE AND KSA, AS PER MORNING CONSULT

The Middle East is witnessing a growing awareness of the benefits and availability of electric vehicles, according to a recent study by Morning Consult commissioned by General Motors Africa and the Middle East, which explored levels of awareness of long-term cost savings associated with EV ownership, EV options, and charging facilities.

The study showed that every seven out of ten people who participated in a special survey conducted in the UAE (73%) and Saudi Arabia (69%) were interested in learning more about the potential for cost savings from owning an electric vehicle.

The data was collected online from 500 people in the UAE from February to March 2023, and 1,000 people from Saudi Arabia in December 2022.

The survey found that the general awareness of the concept of electric vehicles is very high, with 95% of UAE and 93% of KSA respondents aware of all-electric vehicles. The awareness of EVs is also consistently high among all age groups and across both men and women in both countries surveyed. This heightened awareness has also translated into strong purchase consideration, with a majority in both countries (63% in Saudi Arabia and 70% in UAE) strongly considering a future EV purchase.

In the UAE, the study found that top drivers of increased EV consideration were tackling the elevated cost of gasoline and alleviation of environmental concerns, with 64% of those who are more likely to consider an EV in comparison the year earlier.

Within Saudi Arabia on the other hand, 65% of respondents are more likely to consider an EV in comparison to a year ago. 61% of those who are more likely to consider purchasing an EV in Saudi Arabia cite fuel cost as a primary factor, while 47% find that currently there are more affordable electric vehicle options on the market compared to last year.

Looking more closely at infrastructure, as both countries work towards their carbon neutral visions, in the UAE, 38% of respondents were aware of the location of at least one convenient charging station. 80% of those aware of a convenient charging station indicated there was one available where they park their car at home, with the majority reporting that the charging stations were available in public parking areas and private shared spaces. In Saudi Arabia, 40% claimed awareness of a charging station, however, only 17% found this to be in a convenient location to their home or workplace. This indicates understanding of ongoing efforts to drive forward infrastructure, as well as room for further development. Action is firmly underway on this front, with Riyadh's ambitious goal to have 30% of all vehicles in the city be powered by electricity by 2030, while the UAE is already home to 600 charging points with a drastic growth plan to be achieved before 2050.

Another key insight derived from the study is related to concern about driving range, with UAE participants considering that the ideal driving range for an electric vehicle is about 325 kilometers as a general average, while Saudi Arabia participants found that this average is about 360 kilometers.

This favorable outlook towards EVs aligns with global EV revenue projections, anticipated to grow from around US$ 10 billion in 2023 to approximately US$ 90 billion annually by 2030. The expected regional growth also aligns with carbon neutral strategies followed across the region, which has prompted more awareness across Saudi Arabia and the UAE, along with offering a deeper understanding of EV options and their benefits.

FITCH RATINGS DOWNGRADES TUNISIA TO "CCC-"

Fitch Ratings downgraded Tunisia's long-term foreign-currency Issuer Default Rating (IDR) from "CCC+" to "CCC-".

The downgrade to "CCC-" reflects uncertainty around Tunisia's ability to mobilize sufficient funding to meet its large financing requirement. This reflects the failure to implement prior actions for an agreed IMF program, which would be necessary to release the associated bilateral financing that underpinned Tunisia's financing plan.

Fitch expects GDP growth to slow to 1.4% in 2023, from 2.4% in 2022 due to contained but still high inflation, a tighter policy mix in response to the macro and fiscal imbalances, weak growth in Europe (Tunisia's main trading partner), a high level of uncertainty regarding the direction of reforms and the economy, and unfavorable weather impacting the agriculture sector.

Fitch forecasts that government financing needs would be high at around 16% of GDP in 2023 (about US$ 7.7 billion) and 14% of GDP in 2024 (US$ 7.4 billion). This is the result of high fiscal deficits and large debt maturities, both domestically, as the government has increasingly relied on shorter-term domestic financing to compensate for scarce external financing, and externally, including Eurobond repayments (€ 500 million in 2023 and € 850 million in 2024).

On the other hand, Fitch forecasts a narrowing of the budget deficit to 5.8% of GDP in 2023 and 4.5% in 2024, from 6.9% in 2022. This is mainly the result of steady revenue performance, the contained wage bill (reducing as a share of GDP), and the lower cost of food and energy subsidies supported by lower international prices. However, Fitch believes that stalled progress on reforms is preventing the reduction of budget vulnerabilities to shocks.

CORPORATE NEWS

EMAAR PROPERTIES LAUNCHES US$ 20 BILLION LUXURIOUS WATERFRONT PROJECT

Dubai-based Emaar Properties, one the world's leading real estate development companies, introduced The Oasis by Emaar, a US$ 20 billion high-end waterfront development project, as mentioned in a company's statement.

Spread over 100 million square feet area, 7,000 residential units were developed, including mansions and villas. The development would also occupy a significant portion of land dedicated to lakes, water canals, parks, jogging tracks, green spaces, and many luxury amenities. Additionally, 1.5 million square feet area would be dedicated for a wide-range of shopping options, food outlets, and lifestyle brands.

The Oasis by Emaar, which would be situated in a prime location within Dubai, would offer access to four international golf courses.

SAUDI ARABIA'S ARAB-CHINA BUSINESS CONFERENCE INKS OVER US$ 10 BILLION IN DEALS

The 10th Arab-China Business Conference held on 11-12 June, 2023 in Riyadh has resulted in more than 30 investment agreements worth up to US$ 10 billion signed between Saudi Arabia and China. The investment agreements cover many sectors, such as technology, renewables, agriculture, real estate, minerals, supply chains, tourism and healthcare.

Some of the Government-to-Business (G2B) deals included:

- A US$ 5.6 billion agreement between Ministry of Investment of Saudi Arabia (MISA) and Human Horizons, a Chinese developer of autonomous driving technologies and manufacturer of electric cars under the HiPhi brand, to establish a joint venture for automotive research, development, manufacturing and sales.

- A US$ 266 million deal signed by MISA with Hong Kong-based Android developer Hibobi Technology Limited to develop tourism and other apps.

- A US$ 250 million deal facilitated by MISA between Saudi railway company SABATCO and Chinese State-owned and publicly traded rolling stock manufacturer, CRRC, to manufacture rail wagons and wheels in Saudi Arabia.

- A US$ 150 million deal between MISA, the Ministry of Industry and Mineral Resources (MIM) and Chinese industrial manufacturer Sunda to manufacture caustic soda, chlorine and derivatives, chlorinated paraffin, calcium chloride, poly vinyl chloride (PVC), and related conversion products in Saudi Arabia.

Some of the Business-to-Business (B2B) deals signed on the sidelines of the event included:

- A US$ 533 million deal between the KSA's AMR ALuwlaa Company and Zhonghuan International Group (Hong Kong) Limited, to establish a factory to reduce iron ore and manufacture iron pellets for smelting plants in Saudi Arabia.

- A US$ 500 million cooperation agreement between Saudi Arabia's ASK Group and the China National Geological & Mining Corporation, for the development, financing, construction and operation of an Arabian Shield copper mining project.

- A US$ 266 million framework agreement between Mabani Al- Safwah Ltd, China Gezhouba Group International Engineering Company Ltd. and Top International Engineering Corporation Arabia Ltd. for advanced building construction in Saudi Arabia.

SAUDI PORT AUTHORITY TO BUILD US$ 533 MILLION CENTER FOR FUELING SHIPS

Mawani, the Saudi Port Authority, and the global Alba Nova International, in partnership with Trafalgar Company, concluded an agreement to establish a US$ 533 million (SR 2 billion) integrated fuel supply center for ships, which is one of the projects of a leading center in King Fahd Industrial Port in Yanbu, as reported in a company's statement.

The new center, which has an area of 393 thousand square meters, aims to establish tanks for storing, trading and mixing petroleum materials, due to the need of the petroleum industries for this logistical project and according to the operational plan and its location in King Fahd Industrial Port in Yanbu.

The project is planned to be constructed in two phases. In each phase, tanks with an area of more than 196,000 square meters and a capacity of 1.2 million cubic meters would be constructed, with a capacity of 2.5 million cubic tons for all phases of the project. The number of tanks in each of the two implementation phases of the project is 144, with a volume of 8,650 cubic meters per tank.

This comes as a confirmation of the efforts made by the Ministry of Energy, in partnership with ports, to increase Saudi Arabia's share of fuel supply for ships transiting and coming to the county's ports on the Red Sea coast to 10 million tons, and to achieve the authority's goals to increase the number of logistic zones to 30 zones by 2030.

KANOO ENERGY AND ADNOC SIGN STRATEGIC MANUFACTURING DEALS

UAE-based Kanoo Energy, which provides end-to-end solutions for diverse industrial applications, signed three separate agreements with Abu Dhabi National Oil Company (ADNOC) for manufacturing of valves, flanges and establishment of reverse engineering facility in the UAE, as revealed in a company's statement.

The products are part of the US$ 19 billion worth of products in ADNOC's procurement pipeline, that the firm identified for domestic manufacturing in July 2022.

In addition to showcasing the UAE as a global hub for manufacturing and innovation, the companies seek to promote sustainability and reduce and eliminate carbon emissions within the industrial sector in line with objectives of the 'Year of Sustainability', the UAE's Net Zero by 2050 strategic initiative, and its preparations to host the 28th session of the Conference of the Parties of the UNFCCC (COP28).

MASDAR SIGNS ROADMAP FOR UP TO 1 GW WIND POWER PROJECT IN KAZAKHSTAN

UAE-based Masdar, one of the world's leading clean energy companies, signed a roadmap for developing up to 1 gigawatt (GW) wind power plant in southern Kazakhstan, as reported in a company's statement.

The roadmap for developing the up to 1 GW wind project, with a Battery Energy Storage System (BESS), was signed with the Ministry of Energy of the Republic of Kazakhstan, the Kazakhstan Investment Development Fund (KIDF) Management Company Ltd. and Samruk-Kazyna, a joint stock company sovereign wealth fund.

The UAE and Masdar aim to support Kazakhstan's goal to become carbon neutral by 2060 and to achieve half of its electricity generation from renewables by 2050.

CAPITAL MARKETS

EQUITY MARKETS: EXTENDED WEEKLY PRICE GAINS IN MENA EQUITIES

MENA equity markets remained on the rise this week, as reflected by a 1.3% increase in the S&P Pan Arab Composite index, mainly tracking global equity strength (+2.5%) after the US Federal Reserve paused monetary tightening for the first time since March 2022 and the People's Bank of China unexpectedly cut its key lending rate to revive a faltering economy. This compounded with rising oil prices after the International Energy Agency revised upward its global oil demand growth forecast for 2023, in addition to some favorable company-specific factors.

The heavyweight Saudi Exchange extended its upward trajectory this week, as reflected by a 0.9% rise in the S&P Saudi index, mainly tracking global equity price gains after the US Federal Reserve paused interest rate hikes for the first time in 15 months, and supported by a 2.4% rise in Brent oil prices to reach US$ 76.61 per barrel on Friday after the IEA increased its oil demand growth forecast for 2023 by 200,000 bpd, and China delivered its first rate cut in 10 months, unveiling plans for a broad package of stimulus measures. This came on the top of some favorable company-specific factors over the week.

A glance on individual stocks shows that Petrochemicals giant Saudi Aramco's share price increased by 0.2% week-on-week to SR 32.5. Saudi Kayan Petrochemical Company's share price went up by 4.3% to SR 13.98. Petro Rabigh share price climbed by 3.4% to SR 11.64. STC's share price closed 1.9% higher at SR 44.10. Saudi Electricity's share price rose by 1.7% to SR 22.80.

Also, Al Rajhi Bank's share price went up by 1.2% over the week to SR 74.30. Tawuniya's share price increased by 5.3% to SR 132.20. Tawuniya reported pretax profit for the first quarter of 2023 of SR 101 million against pretax profit of SR 8 million a year earlier. SAB's share price closed 0.7% higher at SR 37.70. Sulaiman AlHabib's share price surged by 2.6% to SR 275.40. SPIMACO's share price surged by 5.2% to SR 43.30. SPIMACO signed a SR 300 million Shariah-compliant credit facility agreement with Banque Saudi Fransi.

Activity on the Qatar Stock Exchange remained tilted to the upside this week (+0.4%), mainly tracking global equity strength following a widely expected US Fed rate pause, and as traders weighed IEA's increased global oil demand growth forecast for 2023 and China's stimulus plan against stronger US dollar fueled by prospects of two remaining US interest rate hikes this year. 26 out of 49 traded stocks registered price rises, while 18 stocks posted price falls and five stocks saw no price change week-on-week.

A closer look at individual stocks shows that QNB's share price closed 0.7% higher week-on-week at QR 16.210. Qatar Islamic Bank's share price rose by 1.7% to QR 18.160. Masraf Al Rayan's share price went up by 0.9% to QR 2.635. Qatar International Services' share price increased by 2.7% to QR 1.890. United Development Company's share price surged by 3.3% to QR 1.218. Ezdan Holding Group's share price jumped by 7.2% to QR 1.199.

EQUITY MARKETS INDICATORS (JUNE 11- JUNE 17, 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	169.3	-0.3%	31.3%	19.9	205.6%	0.2	19,137	5.4%	-	0.36
Jordan	366.6	-1.8%	-5.7%	28.4	-7.0%	21.2	24,753.8	6.0%	8.1	1.34
Egypt	233.7	2.3%	-1.3%	306.9	-18.5%	3,304.9	36,681.5	43.5%	7.7	2.14
Saudi Arabia	505.6	0.9%	8.5%	7,752.1	7.0%	1347.92	2,930,351.6	13.8%	14.7	4.60
Qatar	169.4	0.4%	-4.2%	710.2	43.8%	942.8	168,146.8	22.0%	11.9	1.58
UAE	134.5	2.4%	-2.2%	2,346.2	6.1%	3,021.9	898,947.3	13.6%	15.1	2.94
Oman	253.2	0.0%	-2.7%	18.8	18.9%	27.7	22,449.8	4.3%	14.7	1.08
Bahrain	220.7	1.4%	14.4%	6.9	-35.7%	15.9	18,680.3	1.9%	10.4	1.46
Kuwait	130.7	1.9%	-5.8%	723.7	23.0%	950.3	132,336.7	28.4%	17.7	1.89
Morocco	248.2	4.9%	11.8%	60.5	13.5%	13.8	58,920.8	5.3%	21.3	3.27
Tunisia	65.9	1.0%	6.2%	8.1	12.3%	5.9	8,028.6	5.2%	11.2	2.18
Arabian Markets	**944.8**	**1.3%**	**3.5%**	**11,981.5**	**8.5%**	**9,652.5**	**4,318,433.9**	**14.4%**	**14.6**	**3.94**

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

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

Boursa Kuwait recorded extended price gains this week (+1.9%), mainly tracking global equity price gains after the US Federal Reserve paused on raising rates, and on bullish oil demand growth forecasts from the IEA. A closer look at individual stocks shows that Gulf Bank's share price went up by 1.5% to KWf 264. Kuwait International Bank's share price surged by 5.5% to KWf 172. Burgan Bank's share price rose by 3.1% to KWf 197. Kuwait Projects Holding's share price jumped by 6.6% to KWf 130. Mabanee's share price skyrocketed by 11.7% to KWf 843. Kuwait Real Estate Holding's share price climbed by 7.3% to KWf 117. Zain's share price closed 1.8% higher at KWf 520.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS MOSTLY SKEWED TO DOWNSIDE

MENA fixed income markets saw mostly downward price movements this week, mainly tracking US Treasuries move after the FOMC dot plot for June 2023 showed that nine out of 18 members expect two more interest rate hikes during the second half of 2023 following the first pause in the US Federal Reserve's 15-month hiking campaign, which pushed the median Federal Fund Rate upward to 5.6% this year.

In the Dubai credit space, Emaar Properties'26 registered price drops of 0.25 pt week-on-week. Majid Al Futtaim'29 registered price contractions of 0.38 pt. Emirates Airlines'28 traded down by 0.25 pt. Emirates NBD Perpetual (offering a coupon of 6.125%) registered price decreases of 0.13 pt. Moody's upgraded Emaar Properties long-term issuer rating to "Baa2" from "Baa3". Moody's also upgraded Emaar Malls Management LLC's (EMM) long-term issuer rating to "Baa1" from "Baa2". The outlook on all ratings remains "stable". The rating action is on the back of Emaar and EMM's longstanding track record over several real estate cycles as well as the strong financial performance that both companies have reported over the past 18 months with leverage and interest coverage improving significantly for both issuers, according to Moody's.

In the Abu Dhabi credit space, sovereigns maturing in 2026, 2027 and 2031 saw weekly price expansions of 0.13 pt to 0.25 pt. Mubadala'26 and'27 closed down by 0.13 pt and 0.25 pt respectively.

In the Bahraini credit space, sovereigns maturing in 2026 and 2027 posted price declines of 0.25 pt and 0.42 pt respectively, while sovereigns maturing in 2031 and 2032 registered price expansions of 0.63 pt and 0.58 pt respectively this week.

In the Kuwaiti credit space, sovereigns maturing in 2027 closed down by 0.05 pt week-on-week. Prices of KIPCO'27 went down by 0.25 pt.

In the Qatari credit space, sovereigns maturing in 2030 saw price decreases of 0.25 pt week-on-week. Ooredoo'26 was down by 0.25 pt. Amongst financials, prices of QNB'25 and '26 dropped by 0.13 pt each. Moody's affirmed QNB's "Aa3/P-1" long-term and short-term deposit ratings of QNB as well as its "baa1" Baseline Credit Assessments (BCA) and Adjusted BCA, with a "stable" outlook. The affirmation of QNB's "baa1" BCA reflects, as per Moody's, strong profitability with return on tangible assets at 1.2% for the first three months of 2023, supported by the bank's dominant market position and strong government relationships.

In the Saudi credit space, sovereigns maturing in 2030 recorded price gains of 0.13 pt, while sovereigns maturing in 2031 recorded price falls of 0.13 pt this week. Saudi Aramco'25 closed up by 0.13 pt. Prices of STC'29 dropped by 0.25 pt. SEC'24 and '28 traded up by 0.25 pt and 0.13 pt respectively.

In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 posted price expansions of 0.24 pt, 0.31 pt and 0.39 pt respectively week-on-week. Prices of Omantel'28 edged down by 0.05 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2030, 2032 and 2040 posted price decreases of up to 1.50 pt this week. Euro-denominated sovereigns maturing in 2026 recorded price gains of 0.62 pt, while sovereigns maturing in 2031 recorded price retreats of 0.03 pt.

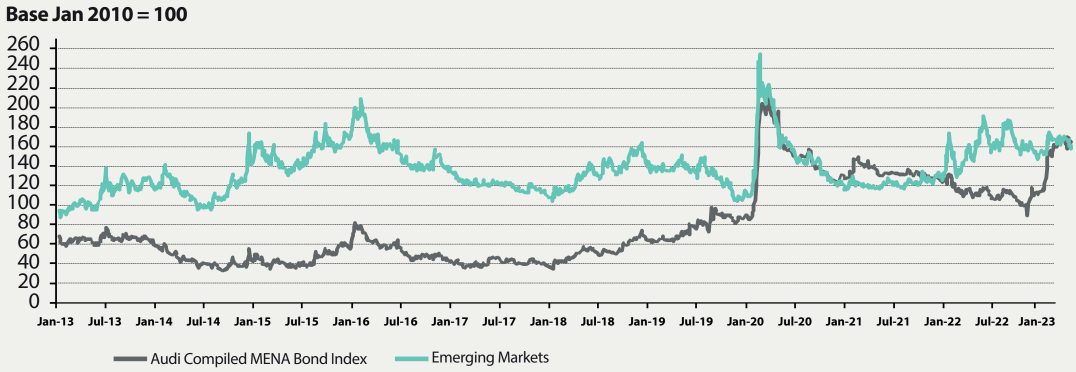
All in all, activity in regional bond markets remained tilted to the downside this week, mainly tracking declines in US Treasuries after the US Federal Reserve signaled that interest rates may still need to rise by as much as half of a percentage point by the end of this year, with rate cuts forecast to start in 2024.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	16-Jun-23	09-Jun-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	34	37	44	-3	-10
Dubai	74	77	84	-3	-10
Kuwait	40	40	50	0	-10
Qatar	34	37	48	-3	-14
Saudi Arabia	55	58	61	-3	-6
Bahrain	250	250	231	0	19
Morocco	131	114	162	17	-31
Egypt	1,565	1,413	877	152	688
Iraq	442	445	467	-3	-25
Middle East	292	275	225	17	67
Emerging Markets	108	111	140	-3	-32
Global	499	533	533	-34	-34

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$)	16-Jun-23	09-Jun-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	-55.2%	-59.8%
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	0.0%	0.3%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	0.1%	0.1%
Yemeni Riyal (YER)	250.27	250.29	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	135.23	135.98	137.35	-0.5%	-1.5%
Moroccan Dirham (MAD)	10.00	10.12	10.44	-1.2%	-4.2%
Tunisian Dinar (TND)	3.08	3.11	3.11	-0.9%	-1.0%
Libyan Dinar (LYD)	4.81	4.83	4.83	-0.4%	-0.3%
Sudanese Pound (SDG)	587.12	588.49	573.81	-0.2%	2.3%

Sources: Bloomberg, Bank Audi's Group Research Department