

CONTACTS

Treasury & Capital Markets

Bechara Serhal
(961-1) 977421
bechara.serhal@bankaudi.com.lb

Corporate Banking

Carol Ayat
(961-1) 959675
carol.ayat@bankaudi.com.lb

Mohamad Baydoun
(961-1) 959703
mohamad.baydoun@bankaudi.com.lb

Marketing and Communications

Marion Abou Jaoudé
(961-1) 977356
marion.abou-jaoude@bankaudi.com.lb

RESEARCH

Dr. Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Michèle Khoury Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Stephanie Bou Sleiman
(961-1) 952397
stephanie.bousleiman@bankaudi.com.lb

Elias Missi
(961-1) 959747
elias.missi@bankaudi.com.lb

Economy

p.2 UAE SET TO BE TOP GCC ECONOMIC PERFORMER IN 2024

As the economy heads into 2024, a more favourable oil output quota for the UAE will mean that oil GDP becomes supportive to economic growth once more.

Also in this issue

p.3 Jordan working on implementing a toll road system and amending water tariffs

p.4 Saudi Arabia sets masterplan to build 59 logistics centers covering 100 million m2

p.4 Egypt to implement incentive package for projects in strategic industries

Surveys/Reports

p.5 UAE LEADS MENA'S M&A DEALS IN H1 2023, AS PER EY

The MENA region witnessed a total of 318 Merger and Acquisition (M&A) deals amounting to US\$ 43.8 billion over the first half of this year, according to EY MENA M&A Insights H1 2023 update.

Also in this issue

p.5 Kuwait ranks 3rd in most visa applications per capita in 2022, as per Schengen Visa

p.6 Gulf CEOs expect increase in distressed businesses, as per Alvarez & Marsal

Corporate News

p.7 AVILEASE TO BUY STANDARD CHARTERED'S JET LEASING ARM FOR US\$ 3.6 BILLION

AviLease, the rising global aircraft lessor wholly owned by the Saudi Arabia's Public Investment Fund (PIF), entered into a definitive agreement to purchase the aircraft leasing business of Standard Chartered, which includes Dublin-based Pembroke Group, as reported in a company's statement.

Also in this issue

p.7 PureHealth acquires Circle Health for US\$ 1.2 billion

p.7 Mabaneer awards US\$ 985 million deal for Avenues Khobar Phase I

p.8 Abu Dhabi Holding to invest US\$ 800 million in three Egyptian companies with government guarantee

p.8 Mawani and Rotterdam Port partner to develop smart ports

p.8 SAPPCO secures HDPE Pipes supply contract

Markets In Brief

p.9 MARKETS IN BRIEF: TWO-WAY FLOWS IN MENA EQUITIES, EXTENDED UPWARD PRICE MOVEMENTS IN BOND MARKETS

MENA equity markets saw mixed price movements this week, as market players weighed global equity strength and robust oil price gains against concerns about a slowdown in China's economic growth. This was reflected by a shy rise in the S&P Pan Arab Composite index of 0.1% week-on-week. In parallel, regional bond markets continued to register upward price movements, mainly tracking US Treasuries move as a downward revision for the US economic growth during the second quarter of 2023, a fall in July 2023 US job openings to their lowest since early-2021, and a lower consumer confidence in August 2023 cemented bets that the US Fed monetary tightening cycle is nearing its end.

MENA MARKETS: AUGUST 27 - SEPTEMBER 2, 2023

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+0.1%	Weekly Z-spread based bond index	0.8%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+3.1%	YTD Z-spread based bond index	+71.3%

ECONOMY

UAE SET TO BE TOP GCC ECONOMIC PERFORMER IN 2024

As the economy heads into 2024, a more favourable oil output quota for the UAE will mean that oil GDP becomes supportive to economic growth once more.

The UAE is set to emerge as the best performing economy in the GCC in 2024 with an overall GDP growth of 4.0 per cent after navigating a soft 2023, according to forecasts made by Capital Economics.

As the economy heads into 2024, a more favourable oil output quota for the UAE will mean that oil GDP becomes supportive to economic growth once more. "With non-oil activity likely to hold up well too, we have pencilled in overall GDP growth of 4.0 per cent. This would make the UAE the best performing economy in the Gulf," James Swanston, Middle East and North Africa economist at Capital Economics, said in a report.

The GCC countries are working to maintain the momentum for the non-oil economy through concerted policy interventions and investments. The UAE is an excellent example of the GCC countries' efforts to increase the economic contribution of non-oil sectors such as tourism, exports, the industrial sector and the green economy. And with Dubai as the host for COP 28 later this year, the increased focus on the region as a whole will provide impetus for further green reforms, as the GCC seek to reduce its energy consumption, invest in renewables and champion sustainable finance.

In its last article 4 consultation report, the IMF said UAE economic outlook remains positive, supported by strong domestic activity. Overall GDP is projected to grow at 3.6 percent in 2023 and 3.9 percent in 2024, with non-hydrocarbon growth of 3.8 percent driven by continued tourism activity and increased capital expenditure. Nevertheless, the outlook is subject to significant global uncertainties, including weaker growth, tighter financial conditions, and geopolitical developments. The implementation of enhanced UAE reform efforts poses upside risks to medium-term growth.

Strong reform efforts continue under the UAE 2050 strategies. Advancement on Comprehensive Economic Partnership Agreements (CEPAs) will boost trade and integration in global value chains and further attract Foreign Direct Investment (FDI). In addition, the benefits of artificial intelligence and digitalization and investments in enabling infrastructure will further support economic diversification, foster a smooth energy transition, and help address vulnerabilities from global decarbonization efforts. Long-term vulnerabilities from global decarbonization efforts are being addressed through commitments to climate initiatives and a balanced approach to energy transition.

As per the World Bank real GDP in the UAE is projected to grow by 3.6 percent in 2023 before moderating slightly over the forecast period. The non-oil sector is anticipated to grow by 4.2 percent in 2023 supported by strong domestic demand; particularly in the tourism, real estate, construction, transportation, and manufacturing sectors.

The economies of the GCC are projected to grow at a slower pace in 2023 compared to the previous year, in the face of lower oil and gas earnings and a global economic slowdown, according to the World Bank. The GCC is expected to grow by 2.5% in 2023 and 3.2% in 2024. This compares to the region's remarkable GDP growth of 7.3% in 2022, which was fueled by a strong increase in oil production for most of that year according to Capital Economics.

JORDAN WORKING ON IMPLEMENTING A TOLL ROAD SYSTEM AND AMENDING WATER TARIFFS

The Jordanian government prepared an economic feasibility study for a proposed toll road system on specific roads within the country in the first half of 2023. This took place along with the formation of steering and technical committees for the project and the allocation of finances by the Jordanian Ministry of Investment with preparations and review of legislation documents ongoing for the new policy.

It is worth noting that in 2019, the World Bank (WB) issued a report suggesting to the Jordanian government to work on the development of 14 vital main roads of which 12 are expressways and two are ring roads. The total length of this project would be 1,379 kilometers or circa 18% of the total road network within the country. The goal of this project is to integrate these roads into a financially sustainable project through imposing charges on its users.

In parallel to the launch of this initiative, the WB is studying the financing of a project proposition by the Jordanian government titled "Sustainable Financing for Roads through imposing Charges on Users" with the study still in its design stage. The proposal sets the indicative value of the projects at circa US\$ 225 million and sets the aim at enhancing the performance of Jordan's road network and its financial sustainability through attracting private sector investments.

According to the report, the Jordanian government aims to set a uniform toll rate for traffic on the country's expressways at JOD 0.011/km for cars and JOD 0/022/km for trucks. Additionally, the long-term National Transport Strategy which was issued in 2014 suggests imposing charges on Jordan's expressways with a focus on freight transport in the medium term (2024) constituting the first phase. This is expected to generate revenue which would be used for the maintenance and improvement of the country's road system. Following that, the second phase would be implemented by 2030 which would include private vehicles under the traffic toll policy.

Concurrently, the Ministry of Water and Irrigation (MoWI) prepared an amendment proposal for the water tariff as well as the introduction of specific tiers of water users. This amendment falls in line with the "preparing the financial sustainability plan for the water sector to achieve water efficiency and self-sustainability" initiative, as per the document from MoWI.

Looking at the early stages of the economic modernization vision's executive program, the government is set to approve this amendment to the water tariff in September 2023.

It is worth noting that in early 2023, the MoWI expressed its intention for a gradual increase in water tariffs over the coming years and affirming that no changes to the tariffs would be made during 2023. Additionally, in March 2023, the cabinet approved the National Water Strategy (2023-2040) following a study on the water situation and the major scarcity of the resource in the country as well as the limited resources in contrast to the increasing demand.

According to the report, efforts are made towards multiple projects and measures aiming to reduce assaults on water sources, curb theft and in turn decreasing non-revenue water losses. This move comes as a way to aid in achieving the goals set in the financial sustainability plan. The report also indicates that during Q1 2023, non-revenue water losses had already decreases by 2.3% with work ongoing to measure Q2 2023 results.

This improvement in non-revenue water losses comes as a result of the implementation of a strategy that tackles the issue through the rehabilitation of the water networks in various regions of Jordan. Additionally, the strategy takes multiple measures for enforcement against assault and theft and replacing meters.

Additionally, the report tackles the amendment of the groundwater monitoring system through steps such as raising the extraction tariff after a free quantity of 6 piasters as well as reducing the free water quantity. Furthermore, the report mentions the modification and approval of the principles of drilling saline groundwater sources in the Jordan Valley which includes the expansion of the geographic scope of the saline wells area to include the southern Ghor region.

SAUDI ARABIA SETS MASTERPLAN TO BUILD 59 LOGISTICS CENTERS COVERING 100 MILLION M2

Saudi Arabia has unveiled a masterplan for logistics centers aiming to develop and bolster the logistical sector's infrastructure, advance the country's status as a global logistical hub as well as diversify the local economy.

According to the masterplan, 59 logistics centers will be built covering a total area of circa 100 million m2 across the country in line with the National Transport and Logistics Strategy. The plan includes the development of 12 centers in Riyadh, 12 in Makkah, 17 in the East of the country and 18 across the rest of Saudi Arabia with all centers to be completed by 2030.

This strategy aims to make use of Saudi Arabia's geographical location between three important continents (Asia, Europe and Africa) in a bid to make the country a global logistical hub and create more job opportunities. Achieving this goal is expected to increase the logistics sector's contribution to GDP from 6% up to 10%.

It is worth noting that the centers will allow local industries to export their products with high efficiency, support e-commerce through the facilitating of a rapid link between logistics and distribution centers within the country, provide high traceability as well as facilitate the issuance of logistics activity licenses.

EGYPT TO IMPLEMENT INCENTIVE PACKAGE FOR PROJECTS IN STRATEGIC INDUSTRIES

The Egyptian President has directed the Egyptian government to implement a package of incentives for the support of projects working in strategic industries within the country with the cabinet set to issue a detailed decree specifying these industries.

According to the directives of the Egyptian President, these projects will receive tax exemptions from all taxes with the exception of Value Added Taxes for a period of up to five years. The exemptions will apply only to projects that are implemented and begin operations within a maximum period of three years based on the size of the project.

Additionally, some projects may be granted an additional five year tax exemption as long as they achieve specific targets relating to foreign investment and adhere to controls set by the cabinet. Projects can also claim compensation for circa 50% of the value of their land plots if they are implemented within half of the specified period.

In parallel, an additional request was made by the Egyptian President to grant golden licenses, which allow investors to acquire or lease land and operate enterprises on it without additional governmental approval, to all projects that aim to boost local industrialization.

It is worth noting that Egypt has been working on expanding industry localization in many fields and decrease imports to mitigate the effects of the ongoing global economic crisis and the country's foreign currency crunch.

SURVEYS/REPORTS

UAE LEADS MENA'S M&A DEALS IN H1 2023, AS PER EY

The MENA region witnessed a total of 318 Merger and Acquisition (M&A) deals amounting to US\$ 43.8 billion over the first half of this year, according to EY MENA M&A Insights H1 2023 update.

Overall, the GCC region accounted for the majority of deals with 254 deals, valued at US\$ 42.5 billion. Compared with H1 2022, deal volume during this period was down by 14%, while deal value saw a slight increase of 0.4%.

In details, the UAE dominated the lists of target countries, as well as bidder countries by value last year, followed by Saudi Arabia and Kuwait in both rankings. Egypt and Oman also made it among the top five bidder countries, while Bahrain and Qatar made an appearance among the top five target countries by value.

In parallel, Sovereign Wealth Funds (SWFs), such as Abu Dhabi Investment Authority (ADIA) and Mubadala from the UAE and the Public Investment Fund (PIF) from Saudi Arabia, continued to lead the deal activity in the region to support their countries' economic strategies.

In terms of sectors, technology contributed US\$ 15 billion to the total deal volume, followed by chemicals with US\$ 11.9 billion and provider care with US\$ 3.3 billion.

Concurrently, deals involving government-related entities (GREs) amounted to a total value of US\$ 29.9 billion, accounting for 68% of the total disclosed deal value and 19% of the deal volume. Meanwhile, transactions involving Private Equity (PE) or SWFs constituted around 23% and 53% of the total deal volume and value respectively.

According to EY, cross-border deals accounted for 57% and 85% of the total deal volume and value respectively over the first half of 2023, becoming more popular among growth-focused companies. Outbound deals represented 32% of the total M&A deal volume and 70% of the value.

On the other hand, domestic M&A activity dropped by 24% in H1 2023 with 138 deals, compared with 181 deals over the same period in 2022. The disclosed deal value experienced a sharp dip of 53%, amounting to US\$ 6.7 billion, compared with US\$ 14.2 billion in H1 2022.

The technology sector witnessed the highest transaction activity in the domestic market with 33 deals by volume and US\$ 880 million by disclosed value, compared with 55 deals by volume and US\$ 584 million by disclosed value over the same period last year.

Furthermore, H1 2023 recorded a drop in inbound deals with 77 deals and US\$ 6.5 billion by disclosed value versus 94 deals worth US\$ 9.8 billion in H1 2022, representing an 18% dip in terms of volume and a 34% decrease in terms of value.

The three oil and gas inbound deals completed during this period show that the rising oil prices in 2022 had a significant impact on this year's activity. Only one of these deals had a disclosed value of US\$ 1.6 billion, which contributed to 97% of the disclosed inbound deal value.

KUWAIT RANKS 3RD IN MOST VISA APPLICATIONS PER CAPITA IN 2022, AS PER SCHENGEN VISA

Kuwait ranked 3rd in the MENA region in the list of 10 countries with most Schengen visa applications per capita in 2022, with 3,426 applicants per every 100,000 residents, followed by Qatar, with 2,939 applicants per every 100,000 residents, as reported by SchengenVisa.

This implies that 3.42% of the 4.3 million population of Kuwait have submitted an application, similar to 2.9% of the population in Qatar, which has a population of 2.7 million. Additionally, every 29th person in Kuwait and 34th in Qatar has filed a visa application to Schengen consulates in 2022. These countries filed 147,694 and 79,859 visa applications in the previous year, respectively, ranking 14th and 24th in terms of the total number of applications.

Furthermore, the UAE ranked 7th in terms of the number of applicants per capita, with 1,967 applications per 100,000 residents, which implies that every 51st person out of 9.5 million residents in the country are applying for a visa at some point in 2022.

Elsewhere in the region, applicants from Lebanon (8th) and Tunisia (9th) follow next with 1,853 and 1,351 applications per 100,000 residents, indicating that every 54th Lebanese citizen and 74th Tunisian citizen is an applicant, respectively. This further implies that 1.8% of Lebanese and 1.3% of Tunisians are Schengen visa applicants.

Bahrain is the last of ten countries with the highest applicant rates per capita, with 1,307 visa applications were filed for 100,000 residents, indicating that every 76th Bahrain national has filed an application for a visa in 2022.

GULF CEOS EXPECT INCREASE IN DISTRESSED BUSINESSES, AS PER ALVAREZ & MARSAL

A vast majority of business leaders across the Gulf Cooperation Council (GCC) region are expecting an increase in businesses experiencing distress in 2023-2024, according to the Middle East Turnaround and Restructuring Survey Q2 2023 issued by Alvarez & Marsal (A&M), a global consulting firm.

The survey features the views of CEOs, senior managers, and advisors on future market trends.

The survey found that 70% of respondents expect an increase in the number of companies experiencing distress in the next 12 months, despite an improvement in the outlook for most sectors. However, the number of respondents who expect a deterioration in the macro-economic climate over the next 12 months has fallen from 75% to 48%.

Retail remains respondents' key sector of concern over the next 12 months (still well above 50% despite some improvement in sentiment), as consumer wallets tighten alongside a continuing shift from Bricks and Mortar (B&M) to digital.

Sentiment on Industrial, Financial Services and Travel sectors has shifted positively with now less than 50% anticipating a negative year ahead.

It is worth highlighting that 73% of respondents consider that a financial restructuring should be accompanied by operational restructuring. However, 76% of respondents do not frequently see operational restructuring, along with a financial restructuring. The majority of respondents identified that the most common outcomes under a restructuring were largely temporary such as extending repayment terms, debt holidays and a reset of covenants.

On the other hand, cash management and cost reduction remain the key focus areas for business leaders looking to navigate higher interest rates and inflationary forces. Moreover, responses indicate that a shift towards more positive measures is necessary such as enhancing digitalization and boosting revenues.

CORPORATE NEWS

AVILEASE TO BUY STANDARD CHARTERED'S JET LEASING ARM FOR US\$ 3.6 BILLION

AviLease, the rising global aircraft lessor wholly owned by the Saudi Arabia's Public Investment Fund (PIF), entered into a definitive agreement to purchase the aircraft leasing business of Standard Chartered, which includes Dublin-based Pembroke Group, as reported in a company's statement.

As part of the US\$ 3.6 billion acquisition, AviLease would acquire a portfolio of 100 narrow body aircraft, while also becoming servicer for another 22 aircraft.

The combined platform would own and manage 167 of the latest technology, fuel efficient aircraft, consisting of 145 owned valued at approximately US\$ 6 billion, and 22 managed aircraft valued around US\$ 800 million, leased to 46 airlines globally.

As part of the transaction, AviLease successfully arranged US\$ 2.1 billion of competitive bridge financing commitments from four banks: BNP Paribas, Citibank N.A., HSBC Bank Middle East and MUFG Bank. The transaction is expected to close in Q4 2023.

PUREHEALTH ACQUIRES CIRCLE HEALTH FOR US\$ 1.2 BILLION

PureHealth, an Abu Dhabi-based holding company and the largest healthcare platform in the Middle East, signed an agreement to acquire Circle Health Group, UK's largest independent operators of hospitals, in a deal valued at US\$ 1.2 billion, as revealed in a company's statement.

As part of the strategic acquisition, PureHealth would gain 100% of Circle Health Group's portfolio, which includes specialties such as orthopaedics, oncology, cardiothoracic surgery, ophthalmology, neurosurgery and general surgery, as well as the new state-of-the-art hospitals that Circle Health Group has recently focused on building, including the UK's first purpose-built state-of-the-art rehabilitation hospital.

PureHealth aims to invest in scientific innovation and healthcare infrastructure within all its assets, including Circle Health Group, giving access to patients around the world to the best possible medical care with the highest international quality standards.

The acquisition of Circle Health Group is PureHealth's first entry into the UK. This acquisition forms part of PureHealth's global expansion program, which includes acquisitions previously completed in the USA, as well as entry in other international markets.

MABANEE AWARDS US\$ 985 MILLION DEAL FOR AVENUES KHOBAR PHASE I

Mabaneer, a leading Kuwaiti developer, awarded a construction contract worth up to US\$ 985 million (SR 3.66 billion) to a joint venture of Saudi group AlKifah Contracting Company and Kuwait-based Al Ahmadiyah Contracting, for phase one of its premium mixed-use project in Saudi Arabia, The Avenues Khobar, as indicated in a company's statement.

The Avenues Khobar, which spans a 197,673-sq m area in the Saudi Arabia's Eastern Province, encompasses a commercial complex, entertainment spaces, and towers including hotels, residential apartments, offices, medical facilities as well as multi-purpose halls for hosting a range of events.

As per the contract, the joint venture would be completing the work on a shopping mall and mixed-use towers within a three-year period.

The Avenues Khobar, which is scheduled to open by 2025, has the best standards for preserving the environment and energy and also includes the elements of sustainability in alignment with the Kingdom's 2030 vision.

ABU DHABI HOLDING TO INVEST US\$ 800 MILLION IN THREE EGYPTIAN COMPANIES WITH GOVERNMENT GUARANTEE

Abu Dhabi Development Holding, a State-owned investment company in the UAE, agreed to invest US\$ 800 million to buy stakes in three Egyptian government companies, with a guaranteed return of 8% per year for four years, as mentioned in a company's statement.

The deal, which is expected to be completed in this quarter, involves acquiring 25% of the National Drilling Company (NDC), 30% of the Egyptian Ethylene and Derivatives Company (ETHYDCO), and 35% of the Egyptian Linear Alkyl Benzene Company (ELAB).

The government, through the Central Bank of Egypt (CBE), would provide a four-year guarantee for the value of the investment, as well as an annual internal rate of return of 8% after tax deduction.

It is worth mentioning that the deal was signed in July 2023, after a memorandum of terms and conditions was agreed upon between the parties. The deal is part of the government's plan to exit assets worth US\$ 1.9 billion that it owns in various sectors.

MAWANI AND ROTTERDAM PORT PARTNER TO DEVELOP SMART PORTS

Mawani, the Saudi Ports Authority, reached a partnership deal with Port of Rotterdam, the largest seaport in Europe and the world's largest seaport outside of East Asia, to collaborate in the areas of smart ports, human capital development, knowledge transfer, and performance optimization, in support of Saudi Arabia's economic diversification efforts aimed at creating a state-of-the-art investment and trade hub, as mentioned in a company's statement.

The deal would further enhance cooperation between both entities in port corporatization, a widely-adopted business model based on outsourcing terminal operations to the private sector, while keeping the ownership and regulatory aspects in the hands of autonomous government bodies in a bid to upgrade efficiency and productivity, as well as upskilling the sector's workforce across managerial and scientific disciplines.

The agreement falls under Mawani's broader strategy to drive sustainable progress, reliable operations and purpose-driven innovation within the country's maritime sector, as part of the Saudi's Vision 2030.

SAPPCO SECURES HDPE PIPES SUPPLY CONTRACT

Saudi Plastic Products Company (SAPPCO), one of the largest plastic pipe producer in Saudi Arabia, secured a major contract to supply High-Density Polyethylene (HDPE) pipes for a US\$ 426 million (SR 1.6 billion) sea water cooling project in Jazan region in Saudi Arabia, as revealed in a company's statement.

The contract, awarded by the Royal Commission for Jubail and Yanbu (RCJY), is a considerable step forward in the development of the Jazan City for Primary and Downstream Industries (JCPDI).

It is worth noting that the HDPE pipes would play a critical role in forming a part of the initial phase of the seawater cooling system.

CAPITAL MARKETS

EQUITY MARKETS: MIXED PRICE MOVEMENTS IN MENA EQUITIES THIS WEEK

MENA equity markets saw mixed price movements this week, as market players weighed global equity strength and robust oil price gains against concerns about a slowdown in China's economic growth. This was reflected by a shy rise in the S&P Pan Arab Composite index of 0.1% week-on-week.

The heavyweight Saudi Exchange, whose market capitalization represents two-thirds of the total market capitalization, registered a price rebound this week, as reflected by a 0.7% increase in the S&P Saudi index, mainly tracking a global equity strength after a string of US economic data cemented bets the US Federal Reserve is getting closer to wrapping up its aggressive tightening campaign. This compounded with a 5.5% surge in Brent oil prices to reach US\$ 88.55 per barrel on Friday, mainly driven by a slump in US inventories and speculation that OPEC+ members would prolong supply cuts till October 2023.

A closer look at individual stocks shows that petrochemicals giant Saudi Aramco's share price went up by 0.7% week-on-week to SR 34.90. Advanced Petrochemical Company's share price rose by 1.4% to SR 42.55. Sipchem's share price closed 0.8% higher at SR 36.45. As to banking stocks, SNB's share price edged up by 0.4% to SR 35.75. SABB's share price increased by 1.4% to SR 35.85. Alinma Bank's share price jumped by 4.2% to SR 36.90. SAIB's share price rose by 2.3% to SR 16.60.

Also, Tasnee's share price nudged up by 0.8% over the week to SR 12.74. HSBC raised its recommendation on Tasnee's stock to "Hold" from "Reduce", with a price target of SR 11.50, which implies a 9.7% decrease from last price. Saudi Cement Company's share price closed 0.4% higher at SR 54.10. Al Rajhi Capital raised its recommendation on Saudi Cement Company's stock to "Neutral" from "Underweight", with a price target of SR 56, which implies a 3.3% increase from last price. Mouwasat Medical Services Company's share price went up by 2.0% to SR 110.20. Ubhar Capital Oman raised its recommendation on Mouwasat Medical Services Company to "Accumulate" from "Underweight", with a price target of SR 122.60, which implies a 14% increase from last price. Aldawaa Medical Services's share price expanded by 4.0% to SR 95.60. Aldawaa Medical Services's Board of Directors recommended the distribution of dividends at a rate of SR 1.25 per share for the first half of 2023.

The Egyptian Exchange remained on the rise this week, as reflected by a 5.3% surge in the S&P Egypt index, mainly as market players continued to flock to equities to hedge against soaring inflation, and on improved sentiment after the Egyptian President directed the cabinet to set new procedures and incentives to encourage investment in the industrial sector. A closer look at individual stocks shows that Emaar Misr's share price went up by 2.0% to LE 3.05. ElSewedy Electric's share price skyrocketed by 10.3% to LE 23.15. Abu Qir Fertilizers' share price surged by 3.5% to LE 52.75. CIB's share price jumped by 8.6% to LE 57. Eastern Company's share price climbed by 4.9% to LE 20.3. Talaat Mostafa Group's share price increased by 1.5 % to LE 15.95.

EQUITY MARKETS INDICATORS (AUGUST 27 - SEPTEMBER 2, 2023)

Market	Price Index	Price week-on-week	Year-to-Date	Trading Value	Trading week-on-week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	165.4	-2.1%	28.2%	7.7	-3.2%	0.2	18,687.8	2.1%	-	0.47
Jordan	361.2	0.8%	-7.1%	29.6	27.8%	17.9	23,652.1	6.5%	7.7	1.23
Egypt	250.0	5.3%	5.6%	316.9	-0.5%	3,383.5	39,983.0	41.2%	8.7	2.31
Saudi Arabia	498.2	0.7%	6.9%	6,752.7	26.3%	817.1	3,073,673.9	11.4%	16.5	4.93
Qatar	167.0	-1.7%	-5.5%	699.5	55.3%	912.6	165,542.0	22.0%	12.6	1.55
UAE	138.9	-0.7%	1.0%	1,807.2	-13.6%	1,577.3	981,325.6	9.6%	16.0	3.06
Oman	266.6	0.4%	2.4%	34.4	16.0%	63.2	22,633.7	7.9%	15.8	1.08
Bahrain	225.9	0.3%	17.1%	5.9	-20.7%	7.3	18,648.4	1.7%	12.4	1.43
Kuwait	128.8	-0.7%	-7.2%	461.2	26.0%	560.4	132,558.9	18.1%	16.3	1.76
Morocco	253.0	-0.5%	14.0%	56.2	150.3%	9.0	59,971.4	4.9%	20.0	3.52
Tunisia	64.9	1.0%	4.6%	4.3	-19.3%	2.2	8,013.1	2.8%	11.1	1.64
Arabian Markets	940.9	0.1%	3.1%	10,175.6	17.4%	7,350.7	4,544,689.9	11.6%	16.0	4.19

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

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

In contrast, the UAE equity markets registered a 0.7% decline in prices week-on-week, mainly as some market players sought to book profits on the Dubai Financial Market after Dubai's main stock index hit multi-year highs early this week buoyed by a surge in real estate activity. A glance on individual stocks shows that Deyaar's development share price dropped by 1.5% to AED 0.707. TECOM Group's share price fell by 2.6% to AED 2.580. Dubai Financial Market's share price shed 1.2% to AED 1.600. Emirates NBD's share price dropped by 3.2% to AED 16.700.

The Qatar Stock Exchange dipped further into the red this week, as reflected by a 1.7% fall in the S&P Qatar index, mainly as mounting concerns about China's economic growth after signs of weakness in factories, housing and consumer spending overshadowed bets about US Fed rate pause and surging oil prices. A closer look at individual stocks shows that Industries Qatar's share price decreased by 2.7% to QR 12.360. Mesaieed Petrochemical Holding Company's share price retreated by 2.1% to QR 1.840. Qatar Electricity & Water's share price went down by 1.2% to QR 17.910. Qatar Navigation's share price declined by 2.4% to QR 9.575. QNB's share price closed 2.3% lower at QR 15.60. Qatar Islamic Bank's share price dropped by 1.9% to QR 19.320. Masraf Al Rayan's share price declined by 2.7% to QR 2.220.

FIXED INCOME MARKETS: MENA BOND MARKETS CONTINUE TO REGISTER UPWARD PRICE MOVEMENTS

MENA fixed income markets continued to register upward price movements this week, mainly tracking US Treasuries move as a downward revision for the US economic growth during the second quarter of 2023, a fall in July 2023 US job openings to their lowest since early-2021, and a lower consumer confidence in August 2023 cemented bets that the US Fed monetary tightening cycle is nearing its end.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 saw price increases of 0.38 pt and 0.63 pt respectively week-on-week. In the Kuwaiti credit space, prices of sovereigns maturing in 2027 expanded by 0.32 pt week-on-week.

In the Abu Dhabi credit space, sovereigns maturing in 2026, 2027 and 2031 saw weekly price gains of 0.38 pt to 0.75 pt week-on-week. Mubadala'26 and '27 closed up by 0.13 pt each. Prices of Taqa'26 declined by 0.63 pt, while prices of Taqa'28 rose by 0.13 pt. Prices of ADNOC'29 went up by 0.25 pt. Regarding plans for new issues, ADCB mandated Barclays, Deutsche Bank, Emirates NBD Capital, JP Morgan, Mizuho and itself as joint bookrunners to arrange investor meetings that have started on August 30, 2023, ahead of the sale of a five-year US dollar-denominated green bond.

In the Dubai credit space, DP World'30 closed up by 0.50 pt this week. In the Bahraini credit space, prices of sovereigns maturing in 2026, 2027, 2031 and 2032 expanded by up to 0.83 pt this week. Prices of NOGA'27 rose by 0.13 pt.

In the Saudi credit space, sovereigns maturing in 2026, 2027, 2030 and 2031 registered price contractions of 0.38 pt to 0.88 pt this week. Saudi Aramco'25 traded up by 0.25 pt. In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 posted price increases of 0.27 pt, 0.83 pt and 0.75 pt respectively week-on-week. Prices of Omantel'28 declined by 0.22 pt.

In the Iraqi credit space, prices of sovereigns maturing in 2028 rose by 0.30 pt. In the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2030 recorded price gains of up to 1.13 pt week-on-week.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2030, 2032 and 2040 posted price contractions of 2.13 pts, 0.42 pt, 2.21 pts and 2.00 pts respectively this week. Euro-denominated sovereigns maturing in 2026 and 2031 recorded price drops of 1.65 pt and 1.98 pt respectively. The Egyptian cabinet approved this week issuing US\$ 500 million in five-year Samurai bonds, as the government is working to diversify funding sources to cover its deficit.

All in all, regional bond markets continued to follow an upward streak this week, mainly tracking increases in US Treasuries after a slew of soft US economic data added to bets that the US Federal Reserve is done tightening and that rate cuts next year could amount to more than 100 basis points.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	01-Sep-23	25-Aug-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	36	37	44	-1	-8
Dubai	66	66	84	0	-18
Kuwait	40	40	50	0	-10
Qatar	36	38	48	-2	-12
Saudi Arabia	47	49	61	-2	-14
Bahrain	214	222	231	-8	-17
Morocco	131	135	162	-4	-31
Egypt	1,545	1,492	877	53	668
Iraq	413	418	467	-5	-54
Middle East	281	277	225	4	56
Emerging Markets	82	83	140	-1	-58
Global	419	429	533	-10	-114

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\$)	01-Sep-23	25-Aug-23	30-Dec-22	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	15,000.00	15,000.00	1,507.50	0.0%	895.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	30.90	30.85	24.71	0.2%	25.0%
Iraqi Dinar (IQD)	1,310.00	1,310.00	1,460.00	0.0%	-10.3%
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%	0.5%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	-0.1%	0.0%
Yemeni Riyal (YER)	250.20	250.32	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	136.23	136.33	137.35	-0.1%	-0.8%
Moroccan Dirham (MAD)	10.20	10.12	10.44	0.7%	-2.3%
Tunisian Dinar (TND)	3.09	3.09	3.11	0.1%	-0.5%
Libyan Dinar (LYD)	4.82	4.82	4.83	0.2%	-0.1%
Sudanese Pound (SDG)	566.02	557.02	573.81	1.6%	-1.4%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER

The content of this publication is provided as general information only and should not be taken as an advice to invest or engage in any form of financial or commercial activity. Any action that you may take as a result of information in this publication remains your sole responsibility. None of the materials herein constitute offers or solicitations to purchase or sell securities, your investment decisions should not be made based upon the information herein.

Although Bank Audi sal considers the content of this publication reliable, it shall have no liability for its content and makes no warranty, representation or guarantee as to its accuracy or completeness.