MENA DAILY UPDATE

Market Developments

- MENA bond markets were downbeat during yesterday's trading session, as markets were negatively impacted by coronavirus fears and average five-year CDS spreads expanded by 49 bps with almost all MENA markets witnessing spread expansion.
- In Abu Dhabi, prices of sovereigns maturing between 2024 and 2029 fell by up to 0.63 pt. Moreover, ADNOC'29 and Etisalat'24 traded down by 0.60 pt and 0.12 pt respectively. As to papers issued by financial institutions, FGB'24 and ADCB'23 closed down by 0.17 pt and 0.27 pt respectively.
- In Dubai, DUGB'29 traded down by 0.97 pt and prices of Emaar'26 and DP World'30 decreased by up to 1.17 pt. Emirates Airline'28 and MAF'29 also closed down by 0.74 pt and 0.36 pt respectively.
- In the Qatari credit space, prices of Qatar'24 and '29 declined by up to 0.63 pt, and Qtel'25 traded down by 0.39 pt. In the financial space, QNB'24 and Qatar Islamic Bank'24 traded down by 0.34 pt and 0.31 pt respectively. Elsewhere in the region, prices of Egypt'23 to '40 dropped by up to 3.0 pts.

New Issues/Ratings

- The coronavirus outbreak will have a widespread impact on the UAE and the rest of the Gulf Cooperation Council (GCC) States, affecting the hospitality, real estate, banking and export sectors, according to Standard & Poor's (S&P). S&P said that if the virus, which has now infected more than 115,000 people worldwide, is not contained soon, the GCC economies will have to grapple with lower oil prices, exports, consumer spending, property sales and lending growth. As global financing conditions deteriorate, funding costs for more-leveraged borrowers are rising and investor appetite for less-creditworthy issuers could fade. The high level of uncertainty regarding the duration and severity of the crisis will increase downside risks, as per the rating agency.
- Capital Intelligence (CI) lowered Lebanon's Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) to "SD" from "C-" and "C", respectively. CI also affirmed the sovereign's Long-Term Local Currency Rating (LT LCR) at "C-" and Short-Term Local Currency Rating (ST LCR) at "C".

Data Release

- According to the Institute of International Finance, the consolidated fiscal deficit of MENA oil exporting countries would increase from 3.7% of GDP in 2019 to 6.7% in 2020. Furthermore, the IIF estimates average public debt to reach 44% of GDP this year, as compared to 20% in 2014.
- While structurally weaker oil production will weigh on the UAE's headline growth figures over the long term, Fitch Solutions remain positive that the country's exceptionally attractive business environment will attract strong inflows of investment. The country's fixed investment as a share of GDP is expected to rise from 20.4% in 2020 to 22.3% in 2029, as per the same source.
- According to Moody's, Oman's budget deficit increased to an estimated 9.2% of GDP in 2019 from 8.7% of GDP in 2018, as total expenditures decreased by 4% year-on-year, but revenues were down by 5% year-on-year.
- Egypt's IHS Markit PMI reached 47.1 in February 2019 and remained in contractionary territory, though increasing from 46.0 in January.

In the News

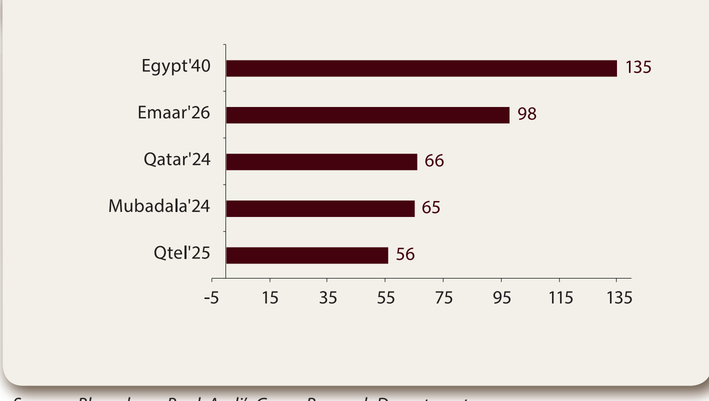
- The board of directors of Dana Gas would recommend a dividend of AED 5.5 per share to shareholders for the financial year ended December 31, 2019. This recommendation for the distribution of cash dividend is expected to take place at the Annual General Meeting on April 14, 2020.
- According to the World Bank, remittances to Egypt, estimated to be worth US$ 26.4 billion last year, make up roughly 10% of Egypt's GDP and this vital source of hard currency comes mostly from Egyptians working in countries dependent on oil exports.
- The Governor of the Central Bank of Kuwait announced the setup of a US$ 33 million fund, to be financed by Kuwaiti banks, to back up government's efforts in fighting the coronavirus.
- Commercial Bank of Dubai's shareholders approved the opening of up to 40% of the bank's capital to non-UAE Nationals ownership. The bank said in a statement that the decision is subject to obtaining the necessary approvals from the relevant regulatory authorities.

MENA 5Y CDS SPREADS V/S INTERNATIONAL BENCHMARKS

in basis points	11-Mar-20	10-Mar-20	31-Dec-19	Daily Change	Year-to-date Change
Abu Dhabi	95	84	36	12	59
Dubai	181	173	91	8	90
Kuwait	75	49	36	26	39
Qatar	110	94	37	16	73
Saudi Arabia	167	151	57	16	110
Bahrain	333	313	176	20	157
Morocco	130	102	92	28	38
Egypt	393	342	277	51	116
Lebanon	18,391	18,391	2,419	0	15,972
Iraq	782	470	387	312	395
Middle East	2,066	2,017	361	49	1,705
Emerging Markets	241	241	148	0	93
Global	536	521	173	15	363

Sources: Bloomberg, Bank Audi's Group Research Department

REGIONAL BONDS YTD Z-SPREAD VARIATION (IN BPS)



Sources: Bloomberg, Bank Audi's Group Research Department

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