

## The MENA WEEKLY MONITOR

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Output in the MENA region contracted by 0.2% in 2019 and is expected to shrink by 4.2% in 2020, although there is considerable uncertainty about this projection amid the COVID-19 pandemic, the associated collapse in global oil prices and tourism, and declining remittances, said the World Bank.

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Activity in MENA equity markets was mostly tilted to the upside this week, as reflected by a 1.8% increase in the S&P Pan Arab Composite index, mainly supported by oil price gains and some favorable market-specific and company-specific factors. Also, MENA bond markets saw price gains across the board, as reflected by a 12.6% contraction in the Z-spread based Audi compiled MENA bond index, tracking gains in emerging debt markets, after the US President called off Coronavirus stimulus negotiations until after the US elections, sending deflation bets south, while also driven by oil price rebound.

#### MENA MARKETS: WEEK OF OCTOBER 04 - OCTOBER 10, 2020

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+1.8%	Weekly Z-spread based bond index	-12.6%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-6.4%	YTD Z-spread based bond index	+15.6%

## ECONOMY

### WORLD BANK EXPECTS MENA ECONOMY TO CONTRACT BY 4.2% THIS YEAR

Output in the Middle East and North Africa (MENA) region contracted by 0.2% in 2019 and is expected to shrink by 4.2% in 2020, although there is considerable uncertainty about this projection amid the COVID-19 pandemic, the associated collapse in global oil prices and tourism, and declining remittances, said the World Bank in its annual report.

Output from the region's developing-country oil exporters is expected to contract by 5.0%, while Gulf Cooperation Council (GCC) economic output is expected to fall by 4.1%, according to the World Bank. Reflecting a broad-based deceleration of tourism, remittances and other critical sources of revenue, growth of the region's oil importers is expected by the World Bank to contract by 0.8%.

In a region where two-thirds of the population is under 35, the rate of unemployed youth stood at nearly 25% even before the pandemic. Nearly half of the region's population (42%) lives on an income below US\$ 5.50 per day. Extreme poverty (defined as living on an income below US\$ 1.90 per day) doubled from 2.4% in 2011 to 4.2% in 2015 due to conflicts and unequal access to education and basic infrastructure, as per the World Bank report.

The trend is expected to worsen as a result of COVID-19. The expected costs of the pandemic are about 3.7% of the region's 2019 GDP, equivalent to well over US\$ 100 billion, as per the World Bank's annual report. In Yemen, the ongoing conflict is adding stress on the low-capacity health care system and increasing poverty, further complicating the response.

The World Bank said it approved US\$ 3.6 billion in lending to the region for 22 operations in fiscal 2020, including US\$ 3.4 billion in IBRD commitments and US\$ 203 million in IDA commitments. Another US\$ 103 million were provided for projects supporting the West Bank and Gaza.

### MIDDLE EAST AND NORTH AFRICA: REGIONAL SNAPSHOT

Indicator	2000	2010	Current data*
Total population (millions)	279	333	389
Population growth (annual %)	1.8	1.8	1.7
GNI per capita (Atlas method, current US\$)	1,568	3,993	3,861
GDP per capita growth (annual %)	2.6	3.4	1.2
Population living below US\$ 1.90 a day (millions)	10**	7	28
Life expectancy at birth, females (years)	71	74	76
Life expectancy at birth, males (years)	68	70	72
Carbon dioxide emissions (megatons)	873	1,282	1,475
Extreme poverty (% of population below US\$ 1.90 a day, 2011 PPP)	3.4**	2.0	7.2
Debt services as a proportion of exports of goods and services	12	6	10
Ratio of female to male labor force participation rate (% , modeled ILO estimate)	24	26	26
Vulnerable employment, total (% of total employment, modeled ILO estimate)	35	32	31
Under-5 mortality rate per 1,000 live births	45	29	24
Primary completion rate (% of relevant age group)	81	89	90
Individuals using the Internet (% of population)	<1	21	60
Access to electricity (% of population)	89	96	96
Renewable energy consumption (% of total final energy consumption)	3	3	3
People using at least basic sanitation services (% of population)	82	86	89
People using at least basic drinking water services (% of population)	86	91	93

\* most current available data between 2013 and 2019

\*\* 2002 data

Source: World Bank

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## MOODY'S BELIEVES PANDEMIC AND PROLONGED LOW OIL PRICES WILL ACCELERATE REGIONAL BANK CONSOLIDATION

Merger and acquisition (M&A) activity among Gulf Cooperation Council (GCC) banks increased in the wake of the 2014 oil price slump. The coronavirus pandemic and the latest oil price declines are now prompting a new wave of mergers as banks seek ways to combat revenue pressure, argued Moody's in a recent report on GCC banks.

GCC bank consolidation will accelerate during the economic downturn, as per Moody's. Subdued economies, fragmented banking systems and stiff competition have prompted a wave of mergers and acquisitions among GCC banks in recent years. The banks now face larger cost adjustments as low oil prices and the coronavirus fallout constrain growth opportunities and severely dent their profitability, according to the rating agency.

Merger deals will be increasingly motivated by purely financial considerations. Bank consolidation in the GCC region has so far largely involved shareholders (typically the government and related entities) consolidating their positions in different banks amid weakening operating conditions. Pressures building from the oil price and pandemic shocks will increasingly drive purely financially driven transactions, particularly among smaller banks crowded out by larger competitors, according to Moody's.

Operating efficiency will be key to maintaining profitability, as per the Moody's report. The twin challenges of the pandemic and protracted low oil prices will hit GCC banks bottom-line profitability through slower credit growth, slimmer net interest margins and higher provisioning for bad loans. The revenue shock will shift management attention to cost discipline and consolidation opportunities as main sources of bottom-line uplift.

M&A activity will remain a recurring credit theme over coming years. The new era of low prices since 2014 will continue to present lower economic growth and fewer business opportunities for GCC banks. The current economic shock underscores how dependent GCC economies still are on hydrocarbon revenues, despite broad diversification agendas. Many banks will need to increase scale if they are to play a full role in the region's economic transformation, added the rating agency in its latest report.

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## KSA NON-OIL PRIVATE SECTOR BACK TO GROWTH FOR FIRST TIME SINCE FEBRUARY

Saudi Arabia's non-oil private sector returned to growth in September for the first time in seven months, a survey showed, amid stronger demand after a loosening of lockdown measures imposed to stem the spread of the coronavirus.

The seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index (PMI) rose to 50.7 from 48.8 in August, going above the 50 mark that separates growth from contraction for the first time since February, prior to the pandemic.

Business activity in the Saudi Arabia non-oil private sector ticked up in September, supported by a return to sales growth as the economy started to find its footing after the COVID-19 lockdown, according to an IHS Markit economist. In addition, the impact of a rise in VAT notably softened, after a sharp rise in prices and a dip in sales were seen in August. Cost inflation eased to just a marginal pace, according to the same source.

Saudi Arabia, the world's largest oil exporter, tripled VAT in July to 15% to boost State coffers badly hit by low oil prices and crude production cuts, in a move economists said will likely slow economic recovery from the coronavirus downturn, as per Reuters.

Business conditions had deteriorated in August, partly because of the impact of VAT on consumer spending and on input costs for businesses. In September, the rise in input costs was much weaker as the tax impact eased considerably, said the survey. Job markets, however, remained subdued, with employment decreasing for the eighth consecutive month.

Saudi Arabia said that unemployment among Saudi citizens rose to a record-high of 15.4% in the second quarter, while the economy shrank by 7%. The Saudi economy still has some way to go to fully recover, said the IHS Markit economist. Output growth remains well below normal, and jobs are still falling, albeit at a slower rate. Firms will require consistent rises in sales to support a strong end to the year, as per the same source.

#### **S&P EXPECTS DUBAI'S ECONOMY TO CONTRACT BY AROUND 11% THIS YEAR**

While it does not rate Dubai, S&P Global Ratings expects Dubai's economy will contract sharply by around 11% in 2020, owing in part to its concentration in travel and tourism, two of the industries most affected by COVID-19. S&P estimates, based on publicly available information, that Dubai's gross general government debt will reach about 77% of GDP in 2020. However, a broader assessment of the public sector, including government-related entity (GRE) debt, indicates a debt burden closer to 148% of GDP. Nevertheless, although S&P does not anticipate such a need, in the event of financial distress, it expects Dubai would receive further financial support from the United Arab Emirates (UAE), with Abu Dhabi's backing.

Although Dubai's economy is somewhat more diversified than that of most its regional peers, S&P anticipates a sharp economic contraction of around 11% of GDP in 2020, only recovering to 2019 levels by 2023. Dubai's large exposures to tourism and aviation place it in a relatively more vulnerable position to the effects of COVID-19.

Low oil prices have had broad effects on GCC economies, of which Dubai is one, but hydrocarbons directly contribute only about 1% to Dubai's total GDP. The indirect effect of weaker demand from Dubai's neighbors will dampen Dubai's trade, tourism, and real estate markets.

The fact that fewer residents left Dubai during the hot summer months and instead spent more domestically to some extent has supported the economy. Local support for the economy cannot, however, offset the almost complete shutdown of inbound international tourism for most of 2020, and the likely slow recovery of the long-haul aviation that Dubai specializes in.

The Dubai government now expects to post a historically large central government deficit of AED 12 billion (3.2% of GDP) this year, largely owing to the reduction in economic activity and the consequent expected 28% decline in revenue. S&P also expects significant off-balance sheet expenditure, resulting in the government's net debt position worsening by more than what the headline deficit would imply, as has occurred in previous years.

S&P believes the below-the-line expenditure which causes the variance between headline deficits and the change in net debt mostly involves support for Dubai's struggling government related entities (GREs), an example of which is the recently disclosed AED 7.3 billion (1.9% of GDP) already provided to Emirates Airline in 2020. Support for GREs will likely be appreciably larger in 2020 than in the past, due to the broad cross-sector shock to Dubai's economy.

In total, S&P expects new government bond issuance and loans to total around 7% of GDP in 2020. The government has issued AED 8.4 billion (2.2% of GDP) of public debt so far in 2020, marking the biggest year for Dubai's debt issuance since 2009. This, in combination with recently disclosed new bilateral and syndicated facilities through June 2020 supports S&P's estimation that 2020 will be another year where debt accumulation far exceeds the headline deficit.

S&P expects fiscal deficits to moderate over the next few years, as pandemic effects subside. However, the government's debt-to-GDP ratio is likely to remain elevated at about the current levels. S&P expects Dubai's gross general government debt to increase sharply to about 77% of GDP (AED 290 billion) in 2020, compared with 61% of GDP in 2019. The increase in the debt burden ratio is partly driven by the sharp decline in nominal GDP.

## SURVEYS

### GCC E-COMMERCE SECTOR TO REACH US\$ 50 BILLION BY 2025, AS PER KEARNEY MIDDLE EAST

The GCC e-commerce sector is forecasted to reach a value of US\$ 50 billion by 2025, according to a new report by Kearney Middle East, a management consulting firm.

The report titled "GCC e-commerce unleashed: a path to retail revival or a fleeting mirage?" predicts that e-commerce will become the main source of growth in the retail sector over the next five years.

The report forecasts a larger acceleration in e-commerce between 2020 and 2022, at 20% CAGR, and 14% until 2025. Without COVID-19, the same growth was projected at 14% and 10% respectively. This highlights the impact of the pandemic on accelerating the growth of the sector in the region.

E-commerce continues its rapid growth in the region. In their last e-commerce outlook for the GCC in 2017, Kearney Middle East forecasted growth of 35% CAGR, which was essentially more than a four-fold jump in value for the sector between 2015 and 2020. By the end of 2019, it was worth just short of US\$ 18 billion, with signs of maturing growth and intense market competition, as per Kearney Middle East.

However, COVID-19 caused an unforeseen push and gave a new, accelerated lease of life to the sector, in line with what Kearney Middle East has seen in global markets. This is due to a rapid change in consumer behavior, with unprecedented adoption of e-commerce by all population segments, spurred to a large extent by the new normal of social distancing, lock-downs and reduced capacity in physical stores, as per the same source.

While the report highlights the effects of a more definitive shift to online on major retail groups, it also explores the likely implications and imperatives on the two other key actors within the retail ecosystem; real estate and small and medium enterprises (SME).

Key challenges including the rise of pure play e-commerce marketplaces, the large investment in digital by retail giants, and the declining physical store sales pose a threat commercial real estate and the survival of SMEs that have not yet adopted to online sales channels. An earlier survey by Kearney in the UAE indicates that just 36% of SMEs have made the investment so far, while only 4% planning to sell online in the future.

The projected growth in GCC e-commerce rests on crucial factors like the logistics infrastructure, flexible manpower models and centrally governed policies. All stakeholders should take note and revisit their strategies, operating models and policies to adapt and make the best of this e-commerce driven new normal, as per Kearney Middle East. Those who have already made the investment have weathered the storm and are well positioned to lead in the post-COVID retail revival. More than ever, those who fail to make the required changes and investments will be sidelined and put their very survival in question.

### MENA CONSTRUCTION SECTOR FACES SEVERE SLUMP, SAYS GLOBALDATA

The construction sector in Middle East and North Africa is experiencing a severe slump this year and faces headwinds in 2021 with a slow recovery, but the pace of recovery will be uneven across countries in the region, according to GlobalData, a data and analytics company.

The construction output growth forecast for the region for 2020 has been cut to -4.5% from the previous estimate of -2.4%, stated Globaldata in its report. This reflects signs that the COVID-19 lockdowns and other restrictions had a more severe impact on construction activity than previous expected, it added.

Spending is likely to gather some further momentum in the near-term as more parts of the region's economy reopen. However, a further weakening in the labor market and a potential drop in expat numbers - mainly in the GCC - are likely to weigh on consumer spending in the period ahead, affecting future construction plans, as per the same source.

Public investment is likely to be moderate, which will translate into fewer prospects for private sector businesses to grow – especially within sectors such as infrastructure. Meanwhile, increase in taxes, selected subsidy cuts and the introduction of various public sector service charges will affect households' purchasing power, having a knock on effect on future commercial investments, as per the same source.

On Saudi Arabia, GlobalData has cut its forecast for construction output growth to -2.8% from an earlier estimate of -1.8%, and expects a recovery for the sector of 3.3% in 2021.

This revision reflects the extended lockdown measures that were cautiously eased in July, along with an estimated one million expatriate workers who departed in the wake of the economic shutdown, as well as the uncertainty regarding the degree to which the government will be able to offset its oil revenue losses and stabilize its debt burden in the short term, as per GlobalData.

On the UAE, GlobalData has further cut the forecast for construction output growth in the UAE to -4.8% from an earlier forecast of -2.1% in Q2 2020. The UAE is facing a deeper-than-expected economic contraction this year, with the country's central bank projecting GDP to shrink 5.2% down from its previous 3.6% forecast, as per the same source.

On Qatar and Kuwait, their growth rates for 2020 have been further cut to -4.5% and -9.5%, respectively, from an earlier estimate of -3.4%, -7.8%, while for Oman, GlobalData still holds its forecast at -8.1%.

The COVID-19 pandemic and plunging oil prices have taken a toll on Kuwait's economy. A deteriorating liquidity crunch and a delay in legal authorization to issue a new debt law has resulted in the country's first ever credit rating downgrade from Moody's, as per GlobalData.

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#### MEA DOMESTIC TRAVEL TO KEEP PACE THROUGH PEAK SEASON, AS PER SOJERN

Although travel restrictions continue to be relaxed, domestic travel in the Middle East and Africa (MEA) remains more popular than international travel, and is the trend expected to continue through the region's peak season, a report from Sojern said.

Airlines across the Middle East and Africa (MEA) are beginning to expand their flight networks and in some cases, open for service for the first time in months, added the report "COVID-19: Insights on Travel Impact, Middle East and Africa" from Sojern, a provider of data-driven digital travel marketing solutions. Oman is set to reopen its borders later in October and Bahrain has reopened for international tourists. Saudi Arabia partially lifted its suspension on international flights from September 15 and the Kingdom will end all restrictions on air, land and sea transport for Saudi citizens "after January 1 2021", with dates to be announced in December. It has also been announced that a total of 43 countries will be granted permission to enter Jordan for tourism. These countries will be classified into three categories (red, yellow and green) with varying restrictions. Although travel is opening up across the region, the UAE has issued an updated list of fines for offenders of COVID-19 safety measures, having reported its highest daily rise in infections in September.

Sojern's Real-Time Covid-19 Dashboard continues to display an upward trend in travel intent from all origins to the UAE, the report said. The main exception to this pattern is a dip in intent recorded in mid-August as a result of summer holidays coming to an end, students getting ready to return back to school, and summer promotions of staycations coming to a close. Levels of intent have since started to improve which may partly be attributed to the seasonal improvement in weather in the UAE as the end of the year approaches. Future travel intent to the UAE most notable from India, Russia and Saudi Arabia. Increases in travel intent over the past few weeks can mostly be attributed to India, Russia and Saudi Arabia. Promotions have been running in these particular markets which have subsequently led to the increases in inbound search volumes to the UAE, particularly Abu Dhabi and Dubai. As restrictions in travel to the Emirates continue to change, these trends are expected to shift accordingly.

The Middle East and Africa continue to show positive signs of domestic recovery, and international travel is picking up. Peaks in travel intent from Russia, India, and Saudi Arabia have had an impact in the growing increase in travel to the region from global origins, and Italian travelers are keen to travel to the UAE in the second half of 2021, as per Sojern report.



## CORPORATE NEWS

### SAUDI ARABIA'S NCB AND SAMBA ENTER MERGER DEAL

Saudi Arabia's National Commercial Bank (NCB) and Samba Financial Group (Samba) announced that they have entered into a binding agreement to merge.

Both banks will continue to operate independently until shareholders have voted on the merger and all legal requirements and regulatory approvals are met. The deal is expected to conclude in the first half of 2021.

NCB will be the surviving entity into which Samba will merge. New shares in NCB will be issued to Samba shareholders by way of a capital increase. The merged bank's headquarter will be in Riyadh.

### MOBILY AND ITC CONSORTIUM ENTER SNFN MODERNIZATION DEAL WITH HUAWEI

The consortium of Saudi Telecom carriers Etihad Etisalat (Mobily) and Integrated Telecom Company (ITC) signed an agreement for the Saudi National Fiber Network (SNFN) modernization project with their partner Huawei.

By building the first 5G and B2B-driven, ultra-broadband optical backbone network in the Middle East, the SNFN project will contribute to the end-to-end network transformation and agile automation strategy as part of the 2030 Vision of Saudi Arabia, said a statement.

The modernization will result in a new 120-channel, ultra-broadband, end-to-end optical backbone network in the region.

The new network shall offer comprehensive features to address the challenges facing the emerging 5G era and the ever-increasing business traffic demand with stringent Service Level Agreements (SLAs). The state-of-the-art solution provided by Huawei offers the first end-to-end 120-channels in the region. Each channel carries ultra-high and evaluative capacity from 200/400Gbps and above. Furthermore, the consortium's next-generation network will provide customers a full resilient, end-to-end network with flexible and automatic service provisioning, as per the same source.

This agreement will strengthen the long-term strategic partnership between consortium members and Huawei towards fulfilling the 2030 Vision by creating more success stories in the region and enriching the digitalization of society, the statement added.

### BESIX AND JAN DE NUL WIN FUJAIRAH PORT EXPANSION PROJECT DEAL

Six Construct, a unit of global infrastructure major Besix, said its consortium with Belgian contractor Jan De Nul has been awarded the contract for the expansion of the Port of Fujairah.

The Dibba Bulk Handling Terminal Project, which is valued at AED 371 million (US\$ 101 million), is aimed at expansion and upgrade of the port's bulk-handling capacity, according to Six Construct. The design-and-build contract includes dredging the navigation channel and port basin, reclamation and shore protection, as well as constructing breakwaters, a 765-meter-long quay wall, foundations for ship loader rails, port infrastructure and creating utilities and aids to navigation. The fishing harbor will be relocated in the process, it stated.

The expansion plans are part of Port of Fujairah's strategy to increase the port's bulk handling capacity and operational efficiency, as well as improve the quality of its service, which is considered among the best in the world. All the works will be completed within 19 months, it added.

Six Construct said the consortium's approach to optimize the design by providing "value engineering", along with the newly-established Central Marine Support department, has presented a strong, competitive solution to the client.

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### ADNOC AND GROUP 42 LAUNCH AI JOINT VENTURE COMPANY

The Abu Dhabi National Oil Company (ADNOC) announced the launch of AIQ, its artificial intelligence (AI) joint venture (JV) company with Group 42 (G42), an Abu Dhabi-based AI and cloud computing company.

The completion of the formation of AIQ follows the signing of the JV agreement between ADNOC and G42 in November 2019 with ADNOC holding a 60% stake and G42 a 40% stake in AIQ.

AIQ will focus on developing and commercializing AI products and applications for the oil and gas industry. The partnership brings together G42's expertise in AI modelling, supercomputing and its world-class team of data scientists and software engineers with ADNOC's world-class oil and gas industry know-how, domain experts and its vast amount of data.

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### AGILITY INVESTS US\$ 39.3 MILLION IN HYLIION

Agility Public Warehousing subscribed to 16.5 million shares of Hyliion at a value of KWD 12 million (US\$ 39.3 million) through Colle Capital.

The company, listed on the Dubai Financial Market (DFM) and Boursa Kuwait, has received neither a subscription confirmation nor a stock certificate yet, according to a bourse disclosure.

The company announced earlier in October that it would invest KWD 20 million (US\$ 65.5 million) in alternative technologies in cooperation with the US-based Colle Capital Venture Fund.

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### DAMAC PROPERTIES AWARDS US\$ 49.2 MILLION CONTRACT FOR ZADA PROJECT IN BUSINESS BAY

DAMAC Properties awarded Trans Emirates Contracting, LLC, a contract worth AED 181,000,000 to start main work construction of Zada, a 26-storey building located in the coveted Business Bay neighborhood in Dubai.

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### HUB71 AND BPIFRANCE TO EXPLORE INVESTMENT OPPORTUNITIES FOR ABU DHABI'S STARTUPS IN FRANCE

Abu Dhabi's Mubadala Investment Company-backed global tech ecosystem, Hub71, has entered into a strategic partnership with French national investment bank, Bpifrance, to provide opportunities for tech startups and boost innovation.

The agreement will foster close collaboration between Hub71 and Bpifrance that will bridge the gap between the tech ecosystems of Abu Dhabi and Paris, said Hub71 in a statement on Monday.

The global tech ecosystem and French investment bank have agreed to explore launching programs that immerse select startups in the Abu Dhabi and French tech ecosystems, offering the successful startup applicants with access to mentorship, meetings with potential partners and opportunities to pitch investors.

Each program aims to develop new and innovative technology products and services designed for the UAE and French markets. Hub71 and Bpifrance have also agreed to explore co-investment opportunities in startups.

According to the statement, the bank also supports non-French companies by matching them with potential investors and partners, assisting them in building strategic tech partnerships and helping global startups enter France.



## CAPITAL MARKETS

## EQUITY MARKETS: ACTIVITY IN MENA EQUITY MARKETS TILTED TO UPSIDE THIS WEEK

Activity in MENA equity markets was mostly tilted to the upside this week, as reflected by a 1.8% increase in the S&P Pan Arab Composite index, mainly supported by oil price gains and some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul saw extended price rises for the second consecutive week, as reflected by a 1.7% weekly increase in the S&P Saudi index, mainly driven by oil price gains and some favorable market-specific and company-specific factors. Brent crude price jumped by 9.1% week-on-week after Hurricane Delta shut in over 90% of production in the US-regulated northern Gulf of Mexico, and as Saudi Aramco lifted November 2020 pricing for its flagship crude oil shipped to Asia, suggesting Saudis are confident that OPEC+ supply cuts would buoy the market even as the pandemic continues to crimp demand. In parallel, Saudi Arabia's non-oil private sector returned to growth in September 2020 for the first time in seven months, with the IHS Markit Saudi Arabia Purchasing Managers Index rising to 50.7, amid stronger demand after a loosening of lockdown measures imposed to stem the spread of the Coronavirus.

A closer look at individual stocks shows that Saudi Aramco, whose market capitalization represents circa 78.3% of the total Saudi market capitalization, posted share price gains of 0.7% week-on-week to close at SR 36.0. SABIC's share price surged by 3.8% to SR 91.90. Yansab's share price increased by 3.3% to SR 60.0. Also, NCB's share price jumped by 3.4% to SR 38.50. Al Rajhi Bank's share price increased by 0.8% to SR 66.40. Samba's share price went up by 1.9% to SR 27.50. Maaden's share price rose by 1.6% to SR 41.65. City Cement's share price closed 2.0% higher at SR 20.36.

The Qatar Exchange posted price increases of 0.8% week-on-week, mainly supported by oil price rises and some favorable company-specific factors. Industries Qatar's share price increased by 0.4% to QR 9.94. Gulf International Services' share closed 2.1% higher at QR 1.623. Gulf Warehousing's share price surged by 3.2% to QR 5.26. QNB's share price went up by 0.9% to QR 18.170. QNB plans to raise US\$ 3.5 billion loan with a group of banks to refinance existing US\$ 3.5 billion facility due in December 2020. The Commercial Bank's share price edged up by 0.5% to QR 4.097.

## EQUITY MARKETS INDICATORS (OCTOBER 04 TILL OCTOBER 10, 2020)

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	60.6	1.7%	-13.0%	1.3	-77.6%	0.2	6,764.0	1.0%	-	0.22
Jordan	276.9	-1.2%	-23.1%	23.3	-13.5%	20.8	17,366.7	7.0%	12.0	1.25
Egypt	287.3	2.7%	-16.8%	259.5	-14.1%	1,220.5	43,749.7	30.8%	9.3	1.73
Saudi Arabia	364.7	1.7%	-1.0%	12,155.2	-19.0%	1,850.7	2,451,273.4	25.8%	17.7	2.60
Qatar	174.2	0.8%	-5.7%	766.3	17.6%	1,611.0	161,576.7	24.7%	15.0	2.00
UAE	91.1	-0.5%	-19.7%	488.0	-14.7%	979.1	265,841.8	9.5%	11.7	1.69
Oman	182.3	-0.1%	-9.3%	9.8	81.3%	23.9	15,405.9	3.3%	10.3	0.86
Bahrain	142.6	2.3%	-13.1%	17.3	74.4%	26.4	21,298.6	4.2%	12.7	1.58
Kuwait	108.4	5.7%	-9.5%	802.7	80.8%	1,416.2	98,478.6	42.4%	21.0	2.03
Morocco	247.7	2.1%	-14.9%	72.8	314.6%	2.2	57,290.6	6.6%	16.7	2.62
Tunisia	66.7	2.5%	-7.9%	7.8	-19.8%	3.9	7,909.0	5.1%	14.1	2.58
<b>Arabian Markets</b>	<b>738.4</b>	<b>1.8%</b>	<b>-6.4%</b>	<b>14,604.0</b>	<b>-14.4%</b>	<b>7,154.8</b>	<b>3,146,955.1</b>	<b>24.1%</b>	<b>16.9</b>	<b>2.43</b>

Values in US\$ million; volumes in millions

\* Market cap-weighted averages

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

The Egyptian Exchange posted price gains of 2.7% week-on-week, mainly on improved sentiment after headline inflation fell in August 2020 to some of its lowest levels in over a decade (3.4% year-on-year), fueling bets over interest rate cuts to revive growth in an economy battered by the Coronavirus pandemic, and paving the way for IMF consultations under the conditions of a new US\$ 5.2 billion loan. Also, Egypt's non-oil private sector returned to growth in September 2020, its first expansion in 14 months, in a sign that the country may be over the worst of a months-long Coronavirus slowdown. Commercial International Bank's share price increased by 2.6% to LE 66.65. Talaat Moustafa Group's share price surged by 5.3% to LE 6.71. Palm Hills Development's share price went up by 3.3% to LE 1.488. Telecom Egypt's share price climbed by 4.0% to LE 12.38. Juhayna Food Industries' share price moved up by 2.6% to LE 6.46.

In contrast, the UAE equity registered shy price declines of 0.5% week-on-week, mainly dragged by realty stocks amid a supply glut, continued development activity and scant prospects for a demand recovery in the real estate sector following the departure of many expatriate workers who account for most of the city's population. Emaar Properties' share price plunged by 6.0% to AED 2.65. Emaar Development's share price fell by 4.2% to AED 2.29. Emaar Malls' share price closed 2.7% lower at AED 1.44. DAMAC Properties' share price dropped by 3.2% to AED 0.882. Deyaar Development's share price closed 2.8% lower at AED 0.277. In Abu Dhabi, Eshraq Investments' share price declined by 1.3% to AED 0.297. Manazel Real Estate's share price plunged by 8.8% to AED 0.302.

#### **FIXED INCOME MARKETS: WEEKLY PRICE GAINS ACROSS THE BOARD IN MENA BOND MARKETS**

MENA bond markets saw price gains across the board this week, as reflected by a 12.6% contraction in the Z-spread based Audi compiled MENA bond index, mainly tracking gains in emerging debt markets after the US President called off Coronavirus stimulus negotiations until after the US elections, sending deflation bets south, while also driven by oil price rebound.

In the Saudi credit space, sovereigns maturing in 2025 and 2030 registered price gains of 0.38 pt and 0.88 pt respectively week-on-week. Saudi Aramco'24 was up by 0.37 pt. Prices of STC'29 rose by 0.98 pt. SABIC'28 closed up by 1.62 pt. SEC'24 posted price increases of 0.25 pt. As to new issues, The Islamic Corporation for the Development of the Private Sector, a unit of the Islamic Development Bank, issued a US\$ 600 million five-year Sukuk at a profit rate of 1.81%. Goldman Sachs International, HSBC and Standard Chartered were the global coordinators. Bank ABC, Boubayan Bank, Dubai Islamic Bank, Emirates NBD Capital, First Abu Dhabi Bank, Gulf International Bank, Goldman Sachs International, HSBC, the ICD, KFH Capital, LBBW, Mizuho Securities, Samba Capital, SMBC Nikko, Standard Chartered and Warba Bank acted as joint lead managers and joint bookrunners on the deal.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 saw price expansions of 0.13 pt and 1.13 pt respectively week-on-week. Ooredoo'25 closed up by 0.22 pt. As to papers issued by financial institutions, prices of Commercial Bank of Qatar'23 increased by 0.24 pt. QNB'24 was up by 0.22 pt. Regarding plans for new issues, Qatar Islamic Bank is holding early talks with local and international banks for a possible sale of benchmark-sized US dollar-denominated Sukuk to refinance existing debt.

In the Dubai credit space, sovereigns maturing in 2029 recorded price rises of 1.07 pt week-on-week. Emaar'26 was up by 0.44 pt. DP World'30 registered price gains of 1.32 pt. Prices of Majid Al Futtaim'29 expanded by 2.33 pts. Amongst financials, Dubai Islamic Bank Perpetual (offering a coupon of 6.75%) closed up by 0.15 pt. Prices of Emirates NBD Perpetual (offering a coupon of 6.125%) rose by 0.28 pt. Regarding plans for new issues, Commercial Bank of Dubai plans to issue five-year US dollar-denominated benchmark bonds.

In the Egyptian credit space, US dollar denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price gains of 0.11 pt to 2.63 pts week-on-week. Euro-denominated sovereigns maturing in 2025 and 2030 posted price expansions of 0.94 pt and 1.70 pt.

In the Moroccan credit space, US dollar-denominated sovereigns maturing in 2022 and 2042 registered price expansions of 0.78 pt and 1.07 pt respectively week-on-week. Euro-denominated Moroc'31 closed up by 0.58 pt. As to credit ratings, Standard and Poor's revised its outlook on Morocco to "negative" from "stable". At the same time, S&P affirmed its long-term and short-term foreign and local currency sovereign credit ratings at "BBB-/A-3". The "negative" outlook signifies that S&P could lower its ratings on Morocco within the next 24 months if net government debt levels fail to decline despite the expected economic rebound; if real GDP growth rates significantly undershoot S&P's projections; or if the economy's gross external financing needs continue rising.

All in all, activity in regional fixed income markets was skewed to the upside this week, after the US President delayed a new fiscal stimulus until after the US Presidential election on November 3, 2020, yet called on Congress to approve a bill providing another direct check to many Americans.

#### MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	09-Oct-20	02-Oct-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	40	51	36	-11	4
Dubai	154	154	91	0	63
Kuwait	57	61	37	-4	20
Qatar	39	50	37	-11	2
Saudi Arabia	71	89	57	-18	14
Bahrain	324	346	176	-22	148
Morocco	123	130	91	-7	32
Egypt	430	450	277	-20	153
Iraq	744	744	384	0	360
<b>Middle East</b>	<b>220</b>	<b>230</b>	<b>360</b>	<b>-10</b>	<b>-140</b>
<b>Emerging Markets</b>	<b>112</b>	<b>133</b>	<b>148</b>	<b>-21</b>	<b>-36</b>
<b>Global</b>	<b>166</b>	<b>167</b>	<b>163</b>	<b>-1</b>	<b>3</b>

Sources: Bloomberg, Bank Audi's Group Research Department

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



Sources: Bloomberg, JP Morgan, Bank Audi's Group Research Department

## SOVEREIGN RATINGS &amp; FX RATES

## SOVEREIGN RATINGS

## Standard &amp; Poor's

## Moody's

## Fitch

## LEVANT

Lebanon	SD/-/SD	C/NA	RD/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Negative/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Negative/B

## GULF

Saudi Arabia	A-/Stable/A-2	A1/Negative	A/Stable/F1+
United Arab Emirates	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA-/Negative/A-1+	A1/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	B+/Stable/B
Oman	BB-/Negative/B	Ba3/Negative	BB-/Negative/B
Yemen	NR	NR	NR

## NORTH AFRICA

Algeria	NR	NR	NR
Morocco	BBB-/Negative/A-3	Ba1/Stable	BBB-/Negative/F3
Tunisia	NR	B2/Negative	B/Stable/B
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\$)

	09-Oct-20	02-Oct-20	31-Dec-19	Weekly change	Year-to-date
<b>LEVANT</b>					
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)	15.70	15.75	16.05	-0.3%	-2.2%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
<b>GULF</b>					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.1%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.69	3.68	3.66	0.1%	0.8%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	1.4%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
<b>NORTH AFRICA</b>					
Algerian Dinar (DZD)	128.21	129.87	119.05	-1.3%	7.7%
Moroccan Dirham (MAD)	9.19	9.26	9.57	-0.7%	-4.0%
Tunisian Dinar (TND)	2.75	2.77	2.83	-0.6%	-2.9%
Libyan Dinar (LYD)	1.37	1.37	1.40	0.0%	-1.8%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department

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