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The MENA WEEKLY MONITOR

Economy

p.2 IMF SEES BROADER MENA REGION'S GROWTH AT 2.4% THIS YEAR AND 3.0% IN 2020

The IMF lately released its World Economic Outlook update report, in which it forecasts real GDP growth for the Middle East, North Africa, Afghanistan and Pakistan to remain subdued this year at 2.4% before recovering next year to about 3.0% in 2020.

Also in this issue

Surveys

p.5 MENA M&A VALUE CLIMBS 50% IN 2018

The value of M&As announced in the MENA region in 2018 increased by 50% to US$ 54.9 billion from US$ 36.6 billion in 2017, according to a new "Deals Intelligence" report by Refinitiv.

Also in this issue

Corporate News

p.7 ADNOC IN US$ 5.8 BILLION REFINING AND TRADING DEAL WITH ENI AND OMV

Italy's Eni and Austria's OMV agreed to pay a combined US$ 5.8 billion to take a stake in ADNOC's refining business and establish a new trading operation owned by the three partners.

Also in this issue

Markets In Brief

p.9 PRICE STABILITY IN MENA EQUITY MARKETS, BOND PRICES MOSTLY UP

MENA equity markets saw stability in prices this week, as reflected by a nil change in the S&P Pan Arab Composite Index, mainly due to mixed price movements in individual stock markets. The heavyweight Saudi Tadawul and the Qatar Exchange registered price falls of 0.2% and 0.5% respectively, while the UAE equity markets and the Egyptian Exchange posted price gains of 0.8% and 1.1% respectively. In parallel, MENA bond markets saw mostly upward price movements, mainly tracking increases in US Treasuries, and on bets that the inclusion of Saudi Arabia, Qatar, the UAE, Bahrain and Kuwait in JP Morgan's emerging market government bond indices in phases starting January 31, 2019 would pave the way for billions of dollars in inflows into the securities.

MENA MARKETS: WEEK OF JANUARY 20 - JANUARY 26, 2019

Stock market weekly trend	↔	Bond market weekly trend	↑
Weekly stock price performance	0.0%	Weekly Z-spread based bond index	-3.2%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+5.3%	YTD Z-spread based bond index	-11.8%

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ECONOMY

IMF SEES BROADER MENA REGION'S GROWTH AT 2.4% THIS YEAR AND 3.0% IN 2020

The IMF lately released its World Economic Outlook update report, in which it forecasts real GDP growth for the Middle East, North Africa, Afghanistan and Pakistan (which we refer to as the broader MENA region) to remain subdued this year at 2.4% before recovering next year to about 3.0% in 2020.

Multiple factors weigh on the region's outlook, including weak oil output growth, which offsets an expected pick-up in non-oil activity (Saudi Arabia), tightening financing conditions (Pakistan), US sanctions (Iran) and, across several economies, geopolitical tensions, added the IMF report.

The IMF's 2019 broader MENA region growth forecast was revised lower by 0.3% from its October projection while the 2020 figure was maintained. In particular, the IMF updated its growth projection for Saudi Arabia. The Fund expects the Saudi economy to grow by 1.8% this year (2.3% in 2018) and by 2.1% in 2020. The 2019 forecast was revised down by 0.6% while the 2020 projection was revised up by 0.2% by the IMF from its previous October set of projections.

From a global perspective, the IMF said that the global expansion has weakened. Global growth for 2018 is estimated at 3.7%, as in the October 2018 World Economic Outlook (WEO) forecast, despite weaker performance in some economies, notably Europe and Asia. The global economy is projected by the IMF to grow at 3.5% this year and 3.6% next year, 0.2% and 0.1% below last October's projections, respectively.

The global growth forecast for 2019 and 2020 had already been revised downward by the IMF in the last WEO, partly because of the negative effects of tariff increases enacted in the United States and China earlier that year. The further downward revision since October in part reflects carry over from softer momentum in the second half of 2018 (including in Germany following the introduction of new automobile fuel emission standards and in Italy where concerns about sovereign and financial risks have weighed on domestic demand), but also weakening financial market sentiment as well as a contraction in Turkey now projected by the IMF to be deeper than anticipated.

The IMF added that risks to global growth tilt to the downside. An escalation of trade tensions beyond those already incorporated in the forecast remains a key source of risk to the outlook. Financial conditions have already tightened since the fall. A range of triggers beyond escalating trade tensions could spark

WORLD ECONOMIC OUTLOOK PROJECTIONS

Real GDP growth	2017	2018e	2019f	2020f
World	**3.8%**	**3.7%**	**3.5%**	**3.6%**
Advanced Economies	2.4%	2.3%	2.0%	1.7%
o.w. United States	2.2%	2.9%	2.5%	1.8%
o.w. Euro Area	2.4%	1.8%	1.6%	1.7%
Emerging Market and Developing Economies	4.7%	4.6%	4.5%	4.9%
Commonwealth of Independent States	2.1%	2.4%	2.2%	2.3%
Emerging and Developing Asia	6.5%	6.5%	6.3%	6.4%
Emerging and Developing Europe	6.0%	3.8%	0.7%	2.4%
Latin America and the Caribbean	1.3%	1.1%	2.0%	2.5%
Middle East, North Africa, Afghanistan, and Pakistan	**2.2%**	**2.4%**	**2.4%**	**3.0%**
Sub-Saharan Africa	2.9%	2.9%	3.5%	3.6%

Source: IMF

a further deterioration in risk sentiment with adverse growth implications, especially given the high levels of public and private debt. These potential triggers include a "no-deal" withdrawal of the United Kingdom from the European Union and a greater-than-envisaged slowdown in China, said the IMF.

UAE TO GROW BY 3.8% ON AVERAGE BETWEEN 2019 AND 2023, SAYS DUBAI CHAMBER OF COMMERCE AND INDUSTRY

Driven by an uptick in investment flows and private consumption, the UAE economy is expected to record an average annual real GDP growth of 3.8% between 2019 and 2023, according to the Dubai Chamber of Commerce and Industry.

Real GDP for the UAE's non-oil sector is projected to grow by an average of 4.1% between 2019 and 2023, compared to the 2.8% accounted for in the 2014-2018 period, as per the same source.

It is worth noting that the Dubai Chamber's growth projection for the UAE is in line with forecasts made by the International Monetary Fund, which expects the UAE economy to grow by 3.7% in 2019, following a 2.9% expansion in 2018.

The outlook for the UAE economy is brighter than the rest of the GCC, according to the IMF, which estimates that the six-nation bloc's GDP to increase by 1.9% in 2018 and 2.6% in 2019.

The UAE and Kuwait are set to post fiscal surpluses in 2018 due to the recovery in oil prices, while Saudi Arabia is expected to register a modest deficit as Bahrain and Oman are likely to continue to report mid-digit to single-digit deficits.

The momentum behind the UAE's GDP growth over the next five years would be led by the country's transport and communication sector, which is set to record real GDP growth of 7.9%, followed by construction (4.2%), and real estate and business services (3.8%), as per the Dubai Chamber study.

In addition, recent measures to reduce the cost of doing business in the UAE are expected to support activity within the country's SME and private sectors in the near future.

The findings of the analysis, based on the Dubai Chamber UAE Macroeconomic Model, examined growth projections for the UAE and global economies, Dubai's top export markets, and the most attractive export opportunities for Dubai traders.

The analysis identified other key factors that are expected to drive economic activity in the UAE, including expansionary fiscal policy and a growing number of infrastructure and construction investments in the run-up to Expo 2020. The chamber report said a recovery in private consumption and sales of highly cyclical consumer products is expected, extending to products such as vehicles, furniture, household appliances, and medical equipment. The Dubai Chamber also projected robust growth in investment on the back of government fiscal stimulus.

For Dubai, the Middle East and North Africa accounts for the largest share of exports (41%), followed by Emerging Asia (26%), Sub-Sahara Africa (18%), the CIS (1%), and Latin America (0.8%).

CAPITAL INTELLIGENCE REVISES OUTLOOK FOR QATAR'S RATINGS TO "STABLE" FROM "NEGATIVE"

Capital Intelligence (CI) affirmed Qatar's Long-Term Foreign Currency (LT FC) and Long-Term Local Currency (LT LC) Issuer Ratings at "AA-". The sovereign's Short-Term Foreign Currency (ST FC) and Short-Term Local Currency (ST LC) Ratings were also affirmed at "A1+". At the same time, CI revised the outlook for the ratings to "stable" from "negative".

The ratings and "stable" outlook reflect substantial improvements in the budget and current account balances in 2018, as well as CI's expectation that the country's fiscal and external positions would remain relatively stable in the coming years.

Qatar's ratings continue to be primarily supported by very large hydrocarbon reserves and substantial government assets under the management of Qatar Investment Authority (QIA), the sovereign wealth fund, although the latter's transparency is limited. The ratings continue to be constrained by the economy's high reliance on hydrocarbon exports and substantial geopolitical risks, as per CI.

The budget balance turned positive in 2018 as hydrocarbon revenues increased following a rebound in oil and gas prices. The overall budget balance is estimated to have recorded a surplus of 3.6% of GDP compared to a deficit of 1.6% in 2017. While CI projects a slight decline in hydrocarbon revenues in 2019 and 2020, the public finances are expected to benefit from expenditure restraint and rising non-hydrocarbon revenues following the implementation of taxes on certain goods in January 2019 (notably on tobacco, alcoholic beverages, energy drinks and sugary drinks).

The improvement in the budget balance has helped to stabilize government debt metrics. Gross central government debt is estimated at a moderate 53.4% of GDP compared to 53.8% in 2017, and is expected to edge slightly lower over the next two years. CI considers the large size of the domestic banking sector as an important implicit contingent liability for the government, although potential risks to the public finances are currently mitigated by the strong condition of the banking sector, as per Capital Intelligence.

Rising global oil and gas prices have also led to an increase in Qatar's current account surplus to an estimated 7.1% of GDP in 2018, compared to 1.9% in 2017. Hydrocarbon exports accounted for a high 79.4% of total goods exports in 2017.

In addition, Qatar's ratings benefit from very large hydrocarbon reserves and low. The "stable" outlook indicates that Qatar's sovereign ratings are likely to remain unchanged over the next 12 months. The "stable" outlook balances the projected, albeit slight, improvement in government debt metrics over the forecast horizon against substantial geopolitical risks.

EGYPT TO OPERATE AND DEVELOP 11 PROJECTS FOR OIL & GAS PRODUCTION IN FY 2019/20

Egypt's Ministry of Petroleum plans to operate and develop 11 projects for the production of gas and oil during the fiscal year 2019/20, in the deep water areas of the Mediterranean Sea, the Delta, the Gulf of Suez and the Western Desert.

The projects are expected to add about 2.5 billion cubic feet of gas per day (bncf/d) and more than 32,000 barrels of crude oil and condensates to increase production and compensate for the natural decline rates of the wells, according to the Ministry of Petroleum and Mineral Resources.

The projects include the completion of the development of the Zohr field to reach maximum production, the development of the Raven gas field, and the second phase of the fields of North Sinai, along with several projects in the Delta.

This is in addition to the implementation of projects north-west of October in the Gulf of Suez and the development of the Bat, Iris, and Qasr in the Khalda Petroleum Company fields in the Western Desert, as well the project to increase the capacity of marine shipping facilities for crude oil for the Western Desert Operating Petroleum Company.

SURVEYS

MENA M&A VALUE CLIMBS 50% IN 2018

The value of M&As announced in the MENA region in 2018 increased by 50% to US$ 54.9 billion from US$ 36.6 billion in 2017, according to a new "Deals Intelligence" report by Refinitiv.

The 2018 Middle East and North Africa Investment Banking Analysis report states that deals involving a MENA-based company as a target were up 63% year-on-year to US$ 31.4 billion-the highest level in 11 years. The was driven both by inter-regional deals, which were up 79% year-on-year at US$ 16.7 billion, and by inbound M&A - up 48% to US$ 14.7 billion. Outbound M&A also increased by 37% to US$ 16.5 billion.

Two of the three biggest deals in 2018 involved bank mergers. The largest was Saudi British Bank's US$ 5 billion merger with Alawwal Bank, and the third-largest was Dubai-based Emirates NBD's $3.2 billion acquisition of Turkey's Denizbank. Splitting these was Abu Dhabi state investment firm Mubadala's US$ 3.7 billion sale of its stake in DH Publishing - the parent company of the EMI Music Publishing - to Japan's Sony Corporation.

In terms of capital markets, the report said that equity-related issuance increased by 42% year-on-year to US$ 9.4 billion. However, many of the biggest trades were follow-on issuances. The IPO market brought in just $2.1 billion in MENA last year - a 52% year-on-year decline - and US$ 758.7 million of this came from Qatar Aluminum Manufacturing's flotation in October, which was only open to Qatari nationals.

Debt capital markets remained robust, and although higher oil prices meant total issuance fell 18.2% to US$ 84.8 billion last year, this was still the second-highest year on record. In total, the amount of investment banking fees earned in the region increased by 4% year-on-year to $1.1 billion, the report said.

TOP FIVE STRATEGIES FOR GCC FIRMS TO HARNESS AI, AS PER BOOZ ALLEN HAMILTON

Organizations in the GCC that are best positioned to succeed in an Artificial Intelligence (AI)-enabled world are those that combine human strengths with machine intelligence, said global management consultancy Booz Allen Hamilton.

Countries in the MENA region are investing in AI to transform their economies over the next few years. In the UAE, the launch of the UAE Strategy for Artificial Intelligence in 2017 aims to promote government performance and create an innovative environment using machine intelligence. The strategy is the first of its kind in the region and was established to enhance government performance and efficiency in a number of fields, such as education, transportation, energy, space and technology.

As governments look to fulfil their AI vision, they must invest in a combination of human strengths, such as creativity, empathy, negotiation, along with those of machines, including collection and processing of data and precision, to improve the lives of citizens, as per Booz Allen Hamilton.

The top five strategies from Booz Allen Hamilton for organizations to leverage the potential of AI are first to leverage AI to complement the human experience. The human mind absorbs and understands more detail than they consciously know. But biases, politics, and wishful thinking sometimes distort their views. Coupling their instincts with insights produced by machines enables us to see surprising possibilities we may have otherwise ignored. This includes everything, from enabling us to take a closer look at a job candidate whose university or school we had discounted to identifying a revenue driver they were not familiar with.

The second is to recognize that machine models can powerfully augment mental models Machine models are outperforming mental models in a growing array of cognitive tasks. The third is to break through without experience, start by experimenting with AI Many organizations are put off by AI technologies because they think the costs, talent, data requirements and risk of failure are too high. The reality is that in this rapidly-evolving space, even the biggest organizations are learning the ropes and making mistakes along the way.

The fourth is to be successful with AI, you need to work and share openly with the ecosystem. The development of artificial intelligence is a global phenomenon, bringing together academics, business leaders, and policymakers from around the world. The value of artificial intelligence goes beyond short-term returns and cost savings. This technology has the power to fundamentally change how our most important institutions make decisions. It also opens the possibility for us to address some of the world's most pressing problems—from income inequality to disease and environmental crises.

The fifth strategy is that AI will create a new kind of workforce, so be prepared to support employees. There is no question that as artificial intelligence becomes more prevalent in business and society, some jobs as we know them today will eventually go away. But this should not cause a sense of doom and gloom. In fact, studies show that it often takes 7 to 10 years after a technology is created for it to be fully integrated in organizations—particularly technology as complex as artificial intelligence.

ABU DHABI REAL ESTATE MARKET LIKELY TO SOFTEN IN THE FIRST HALF OF 2019, AS PER CAVENDISH MAXWELL

Abu Dhabi's real estate market faced key challenges last year and with flight-to-quality and market corrections continuing this year as well, the market activity was likely to remain subdued during the first half of 2019, said property consultancy firm Cavendish Maxwell.

On the residential sector, Cavendish Maxwell said prices continued to decrease, with villas/townhouses now costing, on average, 6.2% lesser than a year ago.

Apartment prices in Abu Dhabi Investment Zones also declined by 5.8% over the same period, stated the industry expert.

The comprehensive report offers key insights on the health of the UAE's real estate industry, covering the residential, office, retail and hospitality sectors within the industry.

Cavendish Maxwell said investors have shown growing interest towards lower priced inventory, due to higher expected yields and flexible payment plans offered by developers. However, many potential buyers continue to wait for the market to soften further in H1 2019, it added.

In 2018, Abu Dhabi's office sector registered a decline in demand for office take-up and upgrades. This was due to limited business growth and low oil prices. Aside from the oil and gas sector, the majority of demand for acquiring office space in Abu Dhabi was from the general trading, leisure and hospitality sectors.

The retail market witnessed strong demand from the F&B sector, however other sectors fared less well, with retail owners offering rent-free periods, flexible leasing terms and rebates to retain tenants in 2018.

According to Cavendish Maxwell, supply is expected to increase in the medium term with the addition of new regional malls such as Reem Mall and Al Maryah Central Mall, with more than 92,903 square meters Gross Leasable Area (GLA) expected to reach completion by 2020.

Abu Dhabi's hospitality sector experienced steady growth in demand throughout 2018. As of November 2018, the total number of guests recorded increased by 4.6% compared to the same period in 2017, from 3.87 million to 4.04 million, according to the Abu Dhabi Department of Culture and Tourism (ADDCT).

CORPORATE NEWS

ADNOC IN US$ 5.8 BILLION REFINING AND TRADING DEAL WITH ENI AND OMV

Italy's Eni and Austria's OMV agreed to pay a combined US$ 5.8 billion to take a stake in ADNOC's refining business and establish a new trading operation owned by the three partners.

The transaction, which expands ADNOC's access to European markets, furthers Eni's diversification away from Africa and gives OMV a downstream oil business outside Europe.

Under the agreement, Eni and OMV will acquire a 20% and a 15% share in ADNOC Refining respectively, with ADNOC owning the remaining 65%, the three companies said in statements.

The partners will own the same proportions of the joint trading venture, they added.

OMV said that it would pay around US$ 2.5 billion, while Eni said it would pay around US$ 3.3 billion, giving ADNOC Refining, which has a total refining capacity of 922,000 barrels per day, an enterprise value of US$ 19.3 billion.

The agreement includes output from the Ruwais Refinery, the fourth largest single site refinery in the world.

The new trading venture will expand market access for ADNOC Refining's products with export volumes equivalent to approximately 70% of throughput.

Abu Dhabi National Oil Company operates as an integrated oil and gas company that engages in exploration and production, support, oil refining and marketing, oil and gas processing, chemical and petrochemical production, maritime transportation, and refined products distribution activities. Abu Dhabi National Oil Company has a strategic partnership with Baker Hughes. The company was founded in 1971 and is based in Abu Dhabi, United Arab Emirates. It has petrol stations in Al Ain and a gas compression plant in Al Taweelah.

GE POWER LAUNCHES 1,000 MW IRAQ POWER PLANT PROJECT

GE Power, a global energy company, joined forces with the Iraqi Ministry of Electricity for the launch of Baghdad West North Substation that can connect up to 1,000 megawatts (MW) to the national grid and help increase the hours of available power.

GE’s scope for work in the turnkey 400/132/11 kilovolt (kV) gas insulated substation project included the design, equipment manufacturing, site delivery, erection, testing and commissioning and training of personnel.

The project’s construction, commissioning and testing was completed by GE Iraqi engineers in collaboration with local Iraqi subcontractors, said the company in a statement.

The facility can feed 132 kV substations at Kadhmiya, Al Shualla and Al Sabbeaat, as well as another five substations that are planned to be developed in the future and helps connect power from the Basmaya Power Plant, Taji Gas Power Plant and mobile gas power plants to the national grid.

Located about 35 km away from the city, the substation can help connect up to 1,000 megawatts (MW) to the national grid, decreasing bottlenecks and increasing the hours of available power.

The substations will connect power plants spread across the governorates of Ninawa, Salah Al Din, Al Anbar, Karbala, Baghdad, Qadisiyyah and Basra to the national grid. Several of the locations, in conflict-affected areas, have an immediate need of reliable power infrastructure.

DP WORLD INCREASES STAKE IN AUSTRALIAN UNIT

Dubai-based global marine terminal operator DP World acquired an additional stake in DP World Australia (Holding) from Gateway Infrastructure Investments (Gateway) and other financial investors valuing DP World Australia at an enterprise value of approximately US$ 997 million.

The acquisition is subject to regulatory approval and is expected to close in the first quarter of 2019, said a statement from the company.

Following the closure of the transaction, DP World Australia will become a consolidated entity within the DP World Group and is expected to be earnings neutral in the first full year of ownership, it said.

MMEC MANNESMAN AND ACWA TO BUILD SOHAR CALCINER PLANT

MMEC Mannesmann, a German engineering contractor in the field of petroleum coke calcining, partnered with Acwa Power, a developer and operator of power and water plants, to develop the Sohar Calciner project in Oman.

The state-of-the-art plant will be the first of its kind in Oman and will aim to supply the Sultanate's aluminum industry with calcined coke.

The Sohar Calciner project, upon completion of its first phase, will enable the production of 1.1 million tons of aluminum annually and 2.2 million tons by completion of the second phase.

DHL EXPANDS PRESENCE IN JORDAN WITH US$ 5.8 MILLION LOGISTICS CENTER

The global express and logistics provider DHL opened a US$ 5.8 million new logistics facility in Jordan, according to a company statement.

Located in Amman's Wadi Al Seer Industrial Area and situated on a 7,584 square meters area, the new logistics center is a part of the company's strategy to invest US$ 170 million in infrastructure developments across the Middle East and North Africa region.

BAHRAIN'S INVESTCORP ACQUIRES US-BASED HEALTH PLUS MANAGEMENT

Investcorp, a global provider and manager of alternative investment products, announced its acquisition of Health Plus Management, a provider of business management and operations services for independent physician practices in the physical medicine and rehabilitation market. The terms of the transaction were not disclosed.

Based in Long Island, New York, Health Plus provides physician-owned practices with an effective administrative solution for outsourcing non-medical, front and back office operations.

Services include site selection and buildout, front and back office management, marketing, human resources support, technology and reporting. Health Plus supports physicians across all phases of growth – from start-up and launch of new sites to practice expansion and improvement of efficiencies within well-established practices.

Investcorp Bank B.S.C. is a private equity and venture capital firm specializing in investments in buyouts, emerging growth, late venture, and later stage companies and lower middle market investments. It prefers to invest in public situation transactions, corporate carve outs, add-on acquisitions, controlling stake, expansion stage, corporate spinouts, mature, going private transactions, PIPES, recapitalization, industry consolidation, and growth capital investments. The firm invests though corporate divestitures of non-core assets, joint ventures, and privatizations.

CAPITAL MARKETS

EQUITY MARKETS: PRICE STABILITY IN REGIONAL EQUITIES WEEK-ON-WEEK

MENA equity markets saw stability in prices this week, as reflected by a nil change in the S&P Pan Arab Composite Index, mainly due to mixed price movements in individual stock markets. The heavyweight Saudi Tadawul and the Qatar Exchange registered price falls of 0.2% and 0.5% respectively amid oil price declines and some unfavorable company-specific factors, while the UAE equity markets and the Egyptian Exchange posted price gains of 0.8% and 1.1% respectively, helped by some favorable market-specific and company-specific factors.

The heavyweight Saudi Tadawul registered shy price declines of 0.2% week-on-week, mainly driven by some unfavorable company-specific factors and a 1.7% decrease in Brent oil prices on concerns about global economic slowdown after recent China's economic growth data showed that the country's GDP grew by 6.6% in 2018, which is its slowest growth pace in almost three decades, and on news about slowing Chinese manufacturing activity in December 2018, which is the first indicator of a potential lower demand for oil. Under these conditions, petrochemicals giant SABIC's share price shed 1.8% to SR 120.40. Saudi Kayan Petrochemical Company's share price plunged by 5.5% to SR 13.30. Sahara Petrochemical Company's share price fell by 5.1% to SR 15.30. Yansab's share price dropped by 4.0% to SR 64.30. Also, Saudi Industrial Investment Group's share price fell by 6.5% to SR 22.14. The company announced 2018 fourth quarter net profits of SR 27 million as compared to net profits of SR 398 million a year earlier.

The Qatar Exchange recorded a 0.5% decline in prices week-on-week, mainly dragged by oil price declines and some unfavorable company-specific factors. 33 out of 46 listed stocks posted price falls, while 12 stocks registered price gains and one stock saw no price change week-on-week. Industries Qatar's share price nudged down by 0.8% to QR 147.70. HSBC reduced its recommendation on the stock from "hold" to "reduce" and cut its target price to QR 115 from QR 125. Nakilat's share price shed 5.7% to QR 18.75. Masraf Al Rayan's share price dropped by 2.2% to QR 40.70. The bank's Board of Directors recommended the distribution of dividends at a rate of QR 2 per share for the year 2018, with no change relative to the previous year, despite announcing a 5% yearly increase in its 2018 net profits.

In contrast, the UAE equity markets posted a 0.8% rise in prices week-on-week, mainly helped by some favorable company-specific factors. In Abu Dhabi, Abu Dhabi Commercial Bank's share price

EQUITY MARKETS INDICATORS (JANUARY 20 TILL JANUARY 26, 2019)

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	80.9	-1.8%	-3.6%	4.2	104.8%	0.5	8,791.0	2.5%	5.1	0.69
Jordan	384.9	2.0%	0.9%	28.6	-29.2%	16.6	23,178.7	6.4%	13.4	1.40
Egypt	290.5	1.1%	5.5%	137.3	-34.4%	493.1	44,363.1	16.1%	10.2	1.96
Saudi Arabia	367.5	-0.2%	8.5%	3,788.1	-7.0%	616.0	534,081.0	36.9%	16.4	2.39
Qatar	195.1	-0.5%	3.4%	315.9	-20.6%	39.1	168,895.7	9.7%	15.0	2.12
UAE	114.1	0.8%	0.9%	365.7	14.8%	440.5	239,785.2	7.9%	11.6	1.76
Oman	205.2	-0.5%	-3.7%	44.3	23.2%	68.5	18,241.5	12.6%	9.7	1.00
Bahrain	124.5	3.2%	4.0%	22.8	13.2%	32.2	21,449.2	5.5%	10.1	1.20
Kuwait	97.4	-0.2%	2.9%	292.3	-27.2%	494.8	88,296.4	17.2%	15.1	1.61
Morocco	269.2	1.7%	-0.1%	57.7	30.4%	3.0	60,727.0	4.9%	17.6	2.64
Tunisia	69.5	0.6%	-1.1%	8.0	11.4%	3.1	7,959.3	5.3%	13.0	2.29
Arabian Markets	**767.6**	**0.0%**	**5.3%**	**5,065.0**	**-8.8%**	**2,207.5**	**1,215,768.2**	**21.7%**	**14.6**	**2.09**

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

Sources: S&P, Bloomberg, Bank Audi's Group Research Department surged by 8.4% to AED 9.15. Union National Bank's share price jumped by 5.1% to AED 5.11. The Boards of Directors of ADCB and UNB would meet separately to discuss a potential three-way merger with Al Hilal Bank, which would create the third largest bank in the UAE after First Abu Dhabi Bank and Emirates NBD. Within this context, Moody's said that the potential merger of ADCB, UNB and Al Hilal Bank would be credit positive for the country's banking industry. In Dubai, Dubai Islamic Bank's share price closed 0.8% higher at AED 5.14. Emirates NBD's share price edged up by 0.2% to AED 9.22.

The Egyptian Exchange posted a 1.1% increase in prices week-on-week, supported by some favorable market-specific and company-specific factors. The Egyptian Exchange revised the methodology for listing companies on EGX 30 index, saying they would be evaluated based on trading volume on a monthly basis instead of every six months. Commercial International Bank's share price continued to trace an upward trajectory, rising by 3.7% to close at LE 82.50. The bank's Board of Directors has recently decided to increase the bank's capital from LE 20 billion to LE 50 billion. Vodafone Egypt's share price rose by 2.1% to LE 114.0. Suez Canal Company for Technology's share price jumped by 33.0% to LE 13.45.

FIXED INCOME MARKETS: MOSTLY UPWARD PRICE MOVEMENTS IN MENA BOND MARKETS THIS WEEK

MENA fixed income markets saw mostly upward price movements this week, mainly tracking increases in US Treasuries, as concerns over slowing global economic growth and lingering trade tensions between China and the US fueled demand for safe-haven assets, and on bets that the inclusion of Saudi Arabia, Qatar, the UAE, Bahrain and Kuwait in JP Morgan's emerging market government bond indices in phases starting January 31, 2019 would pave the way for billions of dollars in inflows into the securities.

In the Saudi credit space, sovereigns maturing in 2025 and 2026 were up by 0.40 pt and 0.36 pt respectively this week. Sovereigns maturing between 2028 and 2050 registered price gains ranging between 0.16 pt and 1.46 pt. Prices of SABIC'23 and '28 rose by 0.55 pt and 1.02 pt respectively. SECO papers saw price increases across the board, with papers maturing between 2022 and 2044 recording price rises of up to 0.74 pt. As to plans for new issues, Saudi Aramco sent a request for proposals to banks for its first-ever international US dollar bond and loan to finance the acquisition of petrochemical giant SABIC. Also, Jabal Omar Development Company announced plans to issue Islamic bonds during the first half of 2019.

In the Kuwaiti credit space, sovereigns maturing in 2027 were up by 0.13 pt this week. Prices of KIPCO'20, '23 and '27 improved by 0.21 pt, 0.85 pt and 0.96 pt respectively. As to papers issued by financial institutions, National Bank of Kuwait'22 closed up by 0.13 pt. Prices of Burgan Bank'21 and Perpetual rose by 0.12 pt and 0.06 pt respectively. Regarding credit ratings, S&P affirmed Kuwait's long-term and short-term foreign and local currency sovereign credit ratings at "AA/A-1+", with "stable" outlook. The "stable" outlook reflects the rating agency's expectation that Kuwait's public and external balance sheets would remain strong over the next two years, primarily underpinned by sizable foreign assets accumulated in the country's sovereign wealth fund. This should partially mitigate risks related to Kuwait's undiversified oil-dependent economy, and rising geopolitical tensions in the region, as per S&P.

In the Abu Dhabi credit space, sovereigns maturing between 2021 and 2047 posted price increases of up to 1.85 pt week-on-week. Mubadala papers maturing between 2020 and 2023 (offering a coupon of 2.75%) saw price improvements of up to 0.33 pt. Prices of Mubadala'24, '28, '29 and '41 rose by 0.73 pt to 3.73 pts. Etisalat papers maturing between 2019 and 2026 registered price gains of up 1.69 pt. Amongst financials, First Abu Dhabi Bank papers maturing between 2019 and 2023 saw price rises of up to 0.12 pt. Prices of ADCB'19, '20 and '23 improved by up to 0.45 pt.

In Dubai, prices of sovereigns maturing in 2022 and 2043 improved by 0.12 pt and 1.54 pt respectively this week. DP World papers maturing between 2020 and 2048 saw price increases of up to 1.43 pt. Majid Al Futtaim'24 and '25 closed up by 0.78 pt and 0.34 pt respectively. Prices of Emirates Airline'23 and '28 rose by 0.11 pt and 0.24 pt respectively. As to papers issued by financial institutions, DIB'21, '22 and '23 were up by 0.15 pt each. Prices of ENBD'19 rose by 0.13 pt. Elsewhere in the UAE, Sharjah'24 and '28 closed up by 0.21 pt and 0.67 pt respectively. Amongst financial, prices of Bank of Sharjah'20 rose by 0.30 pt. RAKBANK'19 was up by 0.07 pt.

As to credit ratings, CI Ratings affirmed the long-term foreign and local currency ratings of the UAE at "AA-", and the short-term foreign and local currency ratings at "A1+". The outlook for the ratings is "stable". The ratings reflect the continued strength of the country's external position, characterized by the availability of substantial financial assets, as per CI Ratings.

In the Omani credit space, sovereigns maturing between 2021 and 2048 registered price gains ranging between 0.49 pt and 1.52 pt week-on-week. Prices of Omantel'23 and '28 increased by 1.61 pt and 2.40 pts respectively. Oman Manufacturing Group'25 and '27 closed up by 1.18 pt and 1.48 pt respectively. Amongst financials, National Bank of Oman'19 and '23 were up by 0.26 pt and 0.20 pt respectively.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	25-Jan-19	18-Jan-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	64	67	67	-3	-3
Dubai	126	134	129	-8	-3
Kuwait	67	67	66	0	1
Qatar	73	75	82	-2	-9
Saudi Arabia	89	91	105	-2	-16
Bahrain	268	286	293	-18	-25
Morocco	108	109	111	-1	-3
Egypt	408	411	391	-3	17
Lebanon	778	891	770	-113	8
Iraq	401	443	519	-42	-118
Middle East	**239**	**258**	**254**	**-19**	**-15**
Emerging Markets	**191**	**190**	**188**	**1**	**3**
Global	**172**	**178**	**189**	**-6**	**-17**

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 & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	B-/Stable/B	Caa1/Stable	B-/Negative/B
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	NR
Egypt	B/Stable/B	B3/Positive	B/Positive/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Stable	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/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB/Stable/B	Baa3/Negative	BB+/Stable/F3
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3
Tunisia	NR	B2/Stable	B+/Negative/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated RWN= Rating Watch Negative * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	25-Jan-19	18-Jan-19	31-Dec-18	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)	17.89	17.89	17.92	0.0%	-0.2%
Iraqi Dinar (IQD)	1,192.80	1,187.88	1,192.68	0.4%	0.0%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.65	3.65	3.65	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	119.05	119.05	117.65	0.0%	1.2%
Moroccan Dirham (MAD)	9.54	9.57	9.54	-0.3%	0.0%
Tunisian Dinar (TND)	3.04	3.03	3.05	0.5%	-0.1%
Libyan Dinar (LYD)	1.39	1.39	1.40	0.0%	-0.7%
Sudanese Pound (SDG)	47.62	47.62	47.62	0.0%	0.0%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER