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The MENA WEEKLY MONITOR

Economy

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In a recent report, Moody's said that policy focus in the GCC on preserving living standards and social stability will slow fiscal consolidation and keep vulnerability to oil price shocks high. However, some degree of protection will be afforded for most sovereigns by accumulated assets.

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p.9 MIXED PRICE MOVEMENTS ACROSS REGIONAL CAPITAL MARKETS

A sluggish mood reigned over regional equity markets during this week that was shortened to few working days due to Adha holidays, as investors showed reluctance to add to their holdings. MENA equities posted shy price retreats of 0.6% week-on-week. MENA bond markets saw mostly upward price movements, tracking US Treasuries move as unrest in Hong Kong, Argentina's deepening election-fueled rout and disappointing economic signals from major world economies fueled concerns about global growth and stoked demand for safe-haven assets.

MENA MARKETS: WEEK OF AUGUST 11 - AUGUST 17, 2019

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-0.6%	Weekly Z-spread based bond index	+1.0%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+7.0%	YTD Z-spread based bond index	+15.1%

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ECONOMY

MOODY'S SAYS GCC FISCAL REFORM PROGRESS WILL REMAIN SLOW BUT ACCUMULATED ASSETS OFFER SOME DEGREE OF PROTECTION

Since 2014, lower oil prices have prompted Gulf Cooperation Council (GCC) governments to launch fiscal consolidation programs, which include cuts to spending, energy price reforms and new non-oil revenue measures. Over the medium term, Moody's expects oil prices to hover around current levels, as per a report analyzing the fiscal reforms that have been implemented, assessing the likelihood of further measures and examining the extent to which accomplished and planned fiscal adjustments will counter the credit impact of oil prices not returning to their previous highs.

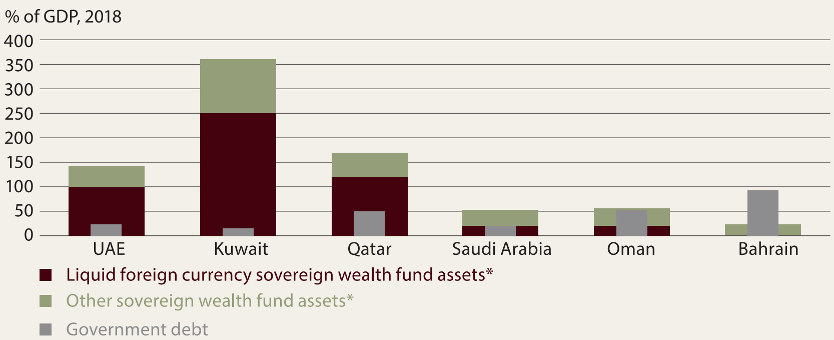
Policy measures and reforms implemented since 2014 have slowed the fiscal deterioration caused by lower oil prices, said Moody's. In 2015-2018, all GCC sovereigns undertook spending rationalization exercises, and – although less significant – most delivered some form of energy price reforms and introduced new non-oil revenue measures. But progress has been uneven across the region, and so far skewed toward spending cuts. Moreover, the cuts have since been partially reversed, as per the Moody's report.

Most GCC sovereigns will continue to run fiscal deficits and accumulate debt if oil prices remain moderate, as Moody's expects. While fiscal breakeven oil prices have generally declined since 2014, they have fallen by less than required to balance the governments' budgets unless oil prices rise well above Moody's expected US$ 50-US$ 70/barrel medium-term range. In 2019-2020, Moody's expects the largest fiscal deficits in Oman (Ba1 negative) and Kuwait (Aa2 stable).

In the medium term, policy focus on preserving living standards and social stability will slow fiscal consolidation and keep vulnerability to oil price shocks high, added Moody's. Public sector wage bills remain high and unlikely to be significantly reduced as job creation in the private sector will generally not rise fast enough to absorb new labor market entrants, particularly in Saudi Arabia (A1 stable), Oman and Kuwait. The budgets approved for 2019 offer a preview of what shape fiscal policy in the GCC may take in the medium term. When oil prices are moderate, around the current levels, Moody's expects the GCC governments to increase spending and delay unpopular austerity measures, implying that fiscal breakevens are unlikely to decline significantly in the near to medium term.

Some degree of protection will be afforded for most sovereigns by accumulated assets. Most GCC sovereigns have access to accumulated sovereign wealth fund assets and the scope to raise additional

SOVEREIGN ASSET BUFFERS



* Moody's estimates; excludes Central Bank reserves without corresponding government deposits

Source: Moody's

revenue by privatizing State assets, which will likely slow debt accumulation and somewhat offset credit pressures. Given the extent of the relative fiscal pressure, this is particularly relevant for Kuwait, Saudi Arabia and Oman, according to the Moody's report.

KUWAIT PRIORITY IS TO FAST-TRACK ECONOMIC REFORM AND DIVERSIFY ECONOMY AWAY FROM OIL, SAYS EIU

According to a recent report by the Economist Intelligence Unit (EIU) on Kuwait, the government's priority over the forecast period would be to fast-track economic reform and to diversify the economy away from its reliance on hydrocarbons.

The country's current five-year development plan for fiscal years 2015/16-2019/20 (April-March) focuses on long-stalled infrastructure projects.

However, progress on implementing the five-year plan has been slow, partly owing to the long-running political gridlock between the appointed government and the elected parliament, and partly because of an inefficient bureaucratic environment, as per the report.

Given that the EIU expects oil prices to fall in 2019-20 (to an average of US$ 64.9/barrel from US$71.1/b in 2018), there would be even slower progress in the final year of the development agenda. Parliament has previously cancelled key projects when oil prices have fallen.

According to the report, the hydrocarbons sector accounts for over 50% of real GDP. OPEC oil production quotas have been extended until March 2020, which would affect growth during 2020. Plans to resume oil production in the Kuwaiti-Saudi Partitioned Neutral Zone (PNZ) are ongoing, with contracts awarded for the provision of general support services in July 2019. Production in the PNZ is expected to restart within the next 6-12 months; however, overall oil output levels will be unaffected before April 2020 owing to OPEC-mandated quotas.

The Economist Intelligence Unit therefore forecasts that Kuwait's real GDP growth would pick up to 2.4% in 2019 from 1.2% in 2018. Growth would continue to increase in 2020 to 2.7%, as oil output strengthens once the OPEC-mandated oil output cuts are reversed in the second half of 2020. Growth will average 3.2% a year in 2021-23 as infrastructure projects are completed.

The report expects average inflation to pick up slightly in 2019, to 0.9%, from 0.6% in 2018, owing to recovering credit growth in the latter half of the year. However, declining non-oil commodity prices, in particular global food prices, in 2019 will offset part of the impact of recovering credit growth on inflation.

In 2020, inflation would rise to an average of 1.7% on the back of increased global food prices, which would raise import costs, and to 3.8% in 2021 as the authorities implement the long-awaited 5% VAT rate (originally due to be introduced in 2018).

A further impetus to inflation would be given by a recovery in the housing market in the latter part of the forecast period, as well as a gradual strengthening of domestic demand. However, an expected appreciation of the dinar against the dollar and the euro will help to cap the rise in import costs, leading to a small drop in inflation in 2022-23, to an annual average of 3.3%, as per the EIU.

The report added that oil and oil products would continue to generate 80%-90% of Kuwait's export earnings in 2019-23. The trade surplus will narrow in 2019, to 26.4% of GDP, as international oil prices fall and production remains constrained by the extended OPEC output-reduction agreement.

Kuwait's trade surplus would narrow again in 2020, to 23.7% of GDP, as a result of a further fall in global oil prices that year. The surplus would then stabilize at a higher level of 26.1% of GDP a year on average in 2021-23. The large services deficit will keep the non-merchandise account in deficit in 2019-23, despite a rise in primary income inflows (owing to reparations from Iraq, with a further payment of US$ 270 million being received in July 2019). Remittance outflows are likely to increase, but at a slower pace in the medium term as the authorities push ahead with their Kuwaitization plans.

Nonetheless, they will remain the dominant component of the secondary income account, which runs a large deficit, averaging 9% of GDP in 2019-23. The EIU forecasts the current-account surplus would narrow to 8.9% of GDP in 2019, from an official rate of 16.5% of GDP in 2018, because of the narrowing trade surplus.

QATAR ECONOMY TO EXPAND AMID EXPECTATIONS OF STABLE OIL PRICES AND CONTINUED STRONG EXPORTS, SAYS CENTRAL BANK

Qatar's economic growth would accelerate over the next two years amid expectations of stable oil prices and continued strong exports, the Central Bank said.

Qatar, a major gas exporter, saw its economy grow by 1.4% in 2018, down from 1.6% in 2017, government data showed.

Citing data from the Planning and Statistics Authority, the Central Bank said that real gross domestic product was likely to grow at an average rate of 2.8% between 2018-2020.

The budget surplus will fall to QR 4.35 billion (US$ 1.20 billion) in 2019, from a surplus of QR 15.1 billion in 2018, as spending on major projects will rise by 15%, the bank said.

The Central Bank also said that foreign capital inflows have returned and banking liquidity has improved, while its official reserves returned to pre-embargo level.

RAK RATINGS SUPPORTED BY BENEFITS OF MEMBERSHIP TO UAE, LOW AND DECLINING GOVERNMENT DEBT BURDEN AND HIGH GDP PER CAPITA, SAYS FITCH

Fitch affirmed Ras Al Khaimah's (RAK) Long-Term Foreign-Currency Issuer Default Rating (IDR) at "A" with a "stable" outlook.

The ratings are supported by the benefits of RAK's membership of the UAE, a low and declining government debt burden and high GDP per capita. The emirate's small size and weaknesses in the policy framework, including the poor availability of economic data, weigh on the ratings, as per the rating agency.

The emirate derives substantial support from its membership of the UAE. It shares the UAE monetary and exchange rate system of a credible US dollar peg and absence of exchange controls. The emirate benefits from its access to the UAE's foreign exchange reserves and UAE support compensates for the lack of external sector data. Most public services and infrastructure are provided directly by the federal government, making RAK's spending more flexible than peers and relieving the emirate of some of the spending needs of a typical sovereign.

Close integration within the UAE has allowed the emirate to focus on its development strategy and build a relatively diversified economy dominated by manufacturing and services. Fitch expects the debt of the government and its State-owned enterprises (SOEs) to fall to below 20% of GDP in 2019 from 33% in 2015. It will fall further to close to 17% of GDP in 2020 as the government uses VAT receipts for the early repayment of AED 678 million of private placements. The debt/GDP ratio is well below the "A" category median. The debt/revenue ratio, at 99%, will also be lower than for most sovereigns in the "A" category. The rating agency includes most SOE debt in headline government debt, as they are part of the budget framework. Most of their debt is fully guaranteed, and their profits form an important part of government revenue.

SURVEYS

CAIRO'S REALTY MARKET MAINTAINS POSITIVE PERFORMANCE IN Q2, SAYS JLL

According to Jones Lang Lasalle (JLL), all sectors of Cairo's real estate market remained in the upturn stage of the property cycle in Q2 2019.

Sale price performance of the residential sector indicates there has been renewed interest in West Cairo, possibly boosted by newly announced projects by reputable developers. However, rental rates appreciated further in the East. In turn, rents in the office market remained flat in Q2 2019, while vacancy rates registered declines over the same period. Retail rents however have increased in Q2 as the sector remains the best performing segment of the market in Cairo, as per the same source.

Meanwhile, the hotel sector is witnessing a downturn as occupancy rates registered 72% in year-to-May 2019. The African Cup of Nations is expected to have driven tourism in the country during and following the tournament between the months of June and July, while new projects in the pipeline are expected to boost the industry's momentum over the next 6-12 months, according to the report.

Looking at the office sector, JLL's report highlights that office rents in Central & Eastern Cairo remained stable over the past year. However, rents are expected to increase in Eastern Cairo over the next 12 months as further progress is made in the New Administrative Capital. While prime office rents in Cairo have increased by 17% over the past year, this reflects the improvements in Nile City Tower rather than a general increase in rents in Central Cairo. Western Cairo's rental rates declined by 11% when compared to those of the same period last year, as businesses continue to prefer locations in Eastern Cairo because of the abundance of grade A buildings there, ease of access to that part of the city, and proximity to other headquarters and educational institutions.

The agency expects rents to improve in West Cairo over the next 12 months, once the Grand Egyptian Museum and the Sphinx Airport are fully operational. This will drive demand for office space from tourism service businesses in West Cairo. The average vacancy rate across Cairo dropped to 6% in Q2 2019, due to high demand amidst a shortage of new grade A supply.

In the residential market, sale prices movements in the secondary market were relatively positive during Q2 2019. On a quarterly basis, average prices of secondary properties witnessed greater increases in 6th of October than those of New Cairo, although average prices remain higher in the East of the City indicating that the former is catching up with the latter due to the multiple launches which are having a negative impact on secondary sales, as per the same source.

Bolstered by Cairo's shift to the East, villa rents in New Cairo performed strongly, increasing 40% year-on-year and 10% quarter-on-quarter. While villas rents in 6th of October declined by 3% quarter-on-quarter, they still registered annual increases of 17%. However, apartment rentals have stagnated in both New Cairo and 6th of October, registering 1% and -1% respectively.

As sale prices reach record levels, some people have shifted to the rental sector while others are moving into temporary homes awaiting the delivery of their off-plan units—some of which are outside of Cairo (e.g. the New Administrative Capital).

According to JLL, Q2 2019 saw retail rents increase significantly by 7% versus Q2 2018. This increase is partially caused by increased interest in newer retail centers and strips in more prime locations, especially in East Cairo. Meanwhile, retail vacancy rates increased on an annual basis to 15% but remained stable when compared to Q1 2018.

Looking ahead, vacancy rates are expected to increase with the delivery of new supply over the remainder of the year. This new stock will be matched with higher rental rates because those new market entrants will offer more luxurious, innovative and superior quality space in underserved locations and will be quasi monopolistic in those areas. The focus among both existing and new malls remains on enhancing the retail experience, with developers and mall owners continuing to innovate by offering interactive concepts (such as pop-up events and activities), as per the same source.

GCC IPO ACTIVITY PICKS UP PACE IN SECOND QUARTER OF 2019, AS PER PwC

A slight increase in IPO activity marked the second quarter of this year, offering some optimism for GCC markets with two companies listing on Saudi Arabia's Tadawul, said PwC in its GCC Capital Markets Watch.

Both the UAE's promising pipeline and Tadawul stock exchange's development offer some optimism for the GCC market. Despite this, GCC market activity continues to be slow with only two IPOs on Tadawul in Q2 2019, compared with five in the same quarter last year. Meanwhile, GCC debt market activity was dominated by Sukuk issuances this quarter, including sizeable issuances by the Emirate of Sharjah and Islamic Development Bank Trust Services Limited, raising US$ 1 billion and US$ 1.5 billion respectively on Nasdaq Dubai.

This debt issuance activity is expected to continue to Saudi Arabia, which plans to issue US$ 31.5 billion in debt this year to help fund government spending. Saudi Aramco's bond issue was by and large the most prominent corporate transaction of the quarter, raising US$ 12 billion.

According to the report, Tadawul and Boursa Kuwait stood out as the better performers, in the year to date, with the only two IPOs this quarter both listing on Saudi Tadawul - Arabian Centres Company and Maharan Human Resources Company.

The listing of UAE-based Network International in April this year, which PwC helped to deliver, represents the largest outbound IPO to date from the Middle East and Africa region, on any international stock exchange. The IPO opened a significant premium, valuing the business at over US$ 3 billion and making it the largest IPO on the LSE since June 2017, as per the same source.

MEA HOTEL CONSTRUCTION REMAINS STEADY, AS PER STR

The July hotel pipeline data released by marketplace insights provider STR showed a total of 427 projects accounting for 123,742 rooms in construction in the Middle East and 138 projects and 25,986 rooms in construction in Africa.

The Middle East total represented a 2.1% year-on-year increase in the number of rooms in the final phase of the development pipeline. The region reported an additional 30,240 rooms in the final planning stage and 45,948 rooms in planning.

The Africa room construction total was down 1.8% year-on-year. Africa also showed 17,485 rooms in final planning and 23,954 rooms in planning.

Between the Middle East and Africa, four countries showed more than 4,000 rooms under construction. The United Arab Emirates led with 54,438 rooms, which represented 31.8% of the market's existing supply, followed by Saudi Arabia (41,207 rooms, 40.5% of existing supply).

CORPORATE NEWS

IBC TO ACQUIRE US$ 5 BILLION WORTH OF HOLIDAY HOMES IN DUBAI

UAE-based IBC Group announced plans to acquire 10,000 premier properties in Dubai, to furnish and manage as holiday homes.

The company said it has contracted Berkshire Hathaway HomeServices Gulf Properties on an exclusive basis to play an advisory brokerage role to assist in identifying, acquiring and financing the properties.

The deal is valued at US$ 5 billion, with a possible scale up to acquiring 1 million properties in over 100 cities across the globe, said a statement from the company.

Operating in the UAE since 2014, the IBC Group has focused on private equity investment in real estate, arts and future technologies.

DEWA AWARDS US$ 391 MILLION CONTRACT FOR POWER STATION AT HATTA

Dubai Electricity and Water Authority (DEWA) awarded the Strabag Dubai, Strabag AG, Andritz Hydro and Ozkar consortium the construction contract for the AED 1.4 billion (US$ 391 million) pumped-storage hydroelectric power station at Hatta.

The project will generate 250 MW. The project is expected to last up to 80 years and is scheduled to be commissioned by February 2024. EDF has been appointed the consultant for this project.

This project will diversify the energy mix, and support the economic, social and environmental development of Hatta. It will also achieve the goals of the Dubai Clean Energy 2050 to provide 7% of Dubai's total power output from clean energy by 2050, as per DEWA.

The hydroelectric power station will use the water in the Hatta Dam, stored in an upper reservoir that will be built in the mountain. Turbines that use clean and cheap solar power from the Mohammed bin Rashid Al Maktoum Solar Park would pump water from the dam to the upper reservoir.

The waterfall from the upper reservoir will generate electricity using turbines when required. The efficiency of the power generation and storage cycle will reach 80% within 90 seconds of the response to demand for electricity.

SAUDI ARAMCO TO BUY 20% STAKE IN RELIANCE

Saudi Aramco is set to acquire a 20% stake in the oil to chemicals division comprising the refining, petrochemicals and fuels marketing businesses of India's Reliance Industries Ltd (RIL).

This would be one of the largest foreign investments ever made in India, said a RIL statement.

Under the non-binding letter of intent (LOI), the proposed investment is subject to due diligence, and the executed definitive agreement will be subject to regulatory and other customary approvals. The parties will make an announcement once a definitive agreement is executed, the RIL statement said.

KUWAIT'S HEISCO UNIT WINS US$ 18.8 MILLION TENDER

Heavy Engineering Industries and Shipbuilding (HEISCO) announced that its 99.9%-owned subsidiary Gulf Dredging and General Contracting Co. was awarded a tender valued at KWD 5.7 million (US$ 18.8 million).

The tender is in favor of Kuwait's Electricity and Water Ministry, carrying a maturity period of 36 months, according to a bourse disclosure.

AMERICAN EXPRESS GBT AND KANOO TRAVEL TO FORM JV

American Express Global Business Travel (GBT), a business partner for managed travel, entered into a definitive agreement to acquire a controlling stake in Kanoo Travel, one of the largest travel management networks in the Middle East.

GBT will form a joint venture with Kanoo Travel to provide managed travel and events services to clients in the Middle East.

Kanoo Travel, which has been a key member of GBT's global travel partner network for many years, operates in the United Arab Emirates, Saudi Arabia, Qatar, Bahrain and Oman.

The transaction is subject to receipt of regulatory approvals and customary conditions and is expected to close in Q4 2019 or early Q1 2020. The financial terms of the deal have not been disclosed.

GBT will hold 65% of the new joint venture, headquartered in Dubai, and assume management and operational control of the business.

YBA Kanoo Group, Kanoo Travel's mother company, will hold the remaining 35% stake in the venture.

ABU DHABI'S IMKAN APPOINTS CHINESE CONSTRUCTION FIRM FOR PIXEL PROJECT

The Abu Dhabi-based developer IMKAN announced the appointment of Chinese construction company CNTC as its main contractor for its Pixel project in Makers District on Reem Island.

This partnership comes in line with the UAE capital's support for the China Belt and Road Initiative, according to a press release.

Work on the seven towers of the Pixel project will start immediately, the release noted.

The project, which comprises 525 residential units, is set for completion in the fourth quarter of 2021.

The towers will feature nearly 26 amenities, including homegrown food and beverage, retail, interactive public areas, co-working spaces and creative hubs.

ELSEWEDY STARTS OPERATION OF TWO SOLAR POWER PLANTS

Two solar photovoltaic (PV) power plants developed by Elsewedy Electric, an integrated energy and infrastructure solution provider in the Middle East and Africa, and partners has reached full commercial operation in Egypt. The power plants were developed as part of Egypt's Round II of the Renewable Energies Feed-in-Tariff (FiT) program for solar and wind energy projects launched by the Government of Egypt, said a statement.

The plants, located in Benban, Kom Ombo in Aswan Province, were developed jointly by Elsewedy Electric with Électricité De France's EDF Renewables.

The projects' capacity is 130 MWp. The estimated annual 290 GWh of electricity produced by both projects will power more than 140,000 households while avoiding more than 120,000 tons of CO_2 a year, it added.

The projects, with a total investment of approximately US$ 140 million, were granted US$ 111 million funding by the European Bank For Reconstruction and Development (EBRD) and the French Proparco (Groupe Agence Française de Développement - AFD).

The projects will supply green energy to the off-taker, the Egyptian Electricity Transmission Company (EETC), under a 25-year power purchase agreement (PPA).

CAPITAL MARKETS

EQUITY MARKETS: SHY PRICE RETREATS IN MENA EQUITY MARKETS DURING THIS SHORT WEEK

A sluggish mood reigned over regional equity markets during this week that was shortened to few working days due to Adha holidays, as investors showed reluctance to add to their holdings. Within this context, MENA equities posted shy price retreats week-on-week, as reflected by a 0.6% decline in the S&P Pan Arab Composite Index.

The Qatar Exchange led the fall during this week that was shortened to two working days due to Adha holidays, posting a 2.7% decrease in prices, mainly on some profit-taking operations and rising global growth concerns following disappointing economic signals from China and the Eurozone. This brought year-to-date price drops on the Qatar Exchange to 10.7%. 37 out of 46 listed stocks posted price declines this week, while five stocks registered price gains and four stocks saw no price change week-on-week. QNB's share price shed 2.9% to QR 17.70. Commercial Bank of Qatar's share price fell by 3.4% to QR 4.20. Doha Bank's share price closed 2.7% lower at QR 2.50. Industries Qatar's share price went down by 4.6% to QR 9.92. Ooredoo's share price dropped by 4.1% to QR 6.26. Vodafone Qatar's share price plunged by 4.6% to QR 1.25.

The UAE equity markets saw a 1.3% decrease in prices during this two-day week amid a sluggish activity, on concerns about slowing global economic growth and on some profit-taking operations. Also, realty stocks extended their downward trajectory following some unfavorable financial results and after real estate services provider Savills unveiled contraction in Dubai prime residential property prices during the first half of the year 2019. Emaar Development's shares remained on the decline during this short week, as reflected by a 4.8% plunge in prices to reach AED 4.13. Emaar Development has recently reported a 24% year-on-year drop in its net profits during the first half of 2019 to reach AED 1.4 billion. Emaar Properties' share price closed 2.5% lower at AED 5.17. Emaar Properties has posted a 7.4% year-on-year drop in its 2019 second quarter net profits. Arabtec Holding Company's share price shed 2.4% to AED 1.63. DAMAC Properties' share price closed 1.9% lower at AED 0.927. Also, Emirates NBD's share price closed 0.9% lower at AED 11.60. Dubai Islamic Bank's share price decreased by 1.2% to AED 5.14. du's share price fell by 1.3% to AED 5.53. Aramex's share price went down by 0.7% to AED 4.15.

EQUITY MARKETS INDICATORS (AUGUST 11 TILL AUGUST 17, 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	71.6	-0.1%	-14.6%	0.7	-	0.1	7,785.0	-	5.9	0.60
Jordan	369.9	-0.3%	-3.0%	3.9	-	2.8	21,730.5	-	11.6	1.37
Egypt	335.1	0.5%	21.7%	106.4	-	393.9	46,610.0	-	11.2	2.25
Saudi Arabia	-	-	10.3%	-	-	-	539,913.3	-	18.0	2.48
Qatar	168.4	-2.7%	-10.7%	116.6	-	105.1	144,868.3	-	14.2	1.92
UAE	115.6	-1.3%	2.2%	178.7	-	290.3	246,979.9	-	11.2	1.69
Oman	-	-	-8.8%	-	-	-	16,932.4	-	8.7	0.90
Bahrain	152.7	-0.7%	27.5%	2.5	-	5.3	23,687.1	-	10.8	1.61
Kuwait	114.2	-0.5%	20.6%	175.8	-	325.0	102,387.3	-	16.7	1.99
Morocco	277.0	-0.2%	2.8%	4.7	-	0.3	61,669.7	-	19.4	2.83
Tunisia	70.1	-0.7%	-0.2%	1.1	-	0.4	8,137.0	-	13.4	2.37
Arabian Markets	**779.9**	**-0.6%**	**7.0%**	**590.2**	**-**	**1,123.2**	**1,220,700.5**	**-**	**15.4**	**2.15**

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

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

In Abu Dhabi, ADCB's share price fell by 1.4% to AED 8.31. Etisalat's share price went down by 1.1% to AED 16.10. Aldar Properties' share price shed 3.9% to AED 2.21. ADNOC's share price retreated by 0.7% to AED 2.68. Taqa's share price decreased by 0.7% to AED 0.738.

Boursa Kuwait posted a 0.5% decline in prices during this two-day week, on concerns about global growth and as some investors sought to book profits amid a sluggish activity, noting that Boursa Kuwait was among the top performers in 2019 following Kuwait's inclusion in FTSE Russell Emerging Markets index in 2018 and MSCI's June 2019 decision to reclassify Kuwait to emerging market status. Kuwait Finance House's share price edged down by 0.3% to KWf 780. Commercial Bank of Kuwait's share price dropped by 1.0% to KWf 309. Zain's share price plunged by 3.2% to KWf 580. Agility's share price closed 0.9% lower at KWf 783. KIPCO's share price retreated by 0.4% to KWf 224.

In contrast, the Egyptian Exchange remained on the rise, posting shy price gains of 0.5% during this two-day week, mainly helped by improved sentiment after inflation hit in July 2019 a four-year low level. Commercial International Bank's share price rose by 0.7% to LE 75.47. El Sewedy Electric Company's share price surged by 5.0% to LE 13.84. Juhayna Food Industries' share price increased by 2.0% to LE 10.0. Talaat Moustafa Group's share price went up by 4.1% to LE 11.51. Palm Hills Development's share price closed 2.2% higher at LE 2.30. Ezz Steel's share price jumped by 7.7% to LE 10.47.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS REMAINS MOSTLY SKEWED TO UPSIDE

MENA bond markets saw mostly upward price movements this week, tracking US Treasuries move as unrest in Hong Kong, Argentina's deepening election-fueled rout and disappointing economic signals from major world economies fueled concerns about global growth and stoked demand for safe-haven assets.

In the Abu Dhabi credit space, sovereigns maturing in 2021, 2022, 2026, 2027 and 2047 posted price gains of up to 6.75 pts week-on-week. Prices of Mubadala papers maturing in 2022, 2024, 2026, 2029 and 2041 improved by 0.34 pt to 6.74 pts. Dolphin'21 closed up by 0.16 pt. ADNOC'29 and '47 were up by 1.77 pt and 3.13 pts respectively. Prices of Etisalat'24 and '26 increased by 0.24 pt and 0.56 pt respectively. Prices of Taqa'24, '26 and '30 expanded by 0.67 pt, 0.92 pt and 2.11 pts respectively.

In the Dubai credit space, sovereigns maturing in 2023, 2029 and 2043 saw price improvements of 0.76 pt, 2.62 pts and 5.77 pts respectively week-on-week. DP World'23 and '28 traded up by 0.37 pt and 1.90 pt respectively. Prices of Majid Al Futtaim'24 and '29 rose by 0.62 pt and 1.10 pt respectively, while Majid Al Futtaim Perpetual closed down by 0.18 pt. Emaar'26 was up by 0.25 pt.

In the Sharjah credit space, sovereigns maturing in 2024 and 2028 registered price gains of 0.53 pt and 1.48 pt respectively this week. Regarding plans for new issues, Bank of Sharjah announced plans to issue US dollar-denominated bonds later this year to help repay existing debt. The company wants to raise about US$ 500 million in a sale likely to take place in September or October. The bank is waiting for regulatory approval and would use the proceeds to help settle notes maturing in June 2020. The lender earlier this year got shareholder approval for a Tier I hybrid issuance, which typically combines characteristics of both debt and equity.

In the Saudi credit space, sovereigns posted price gains across the board this week. US dollar-denominated sovereigns maturing between 2021 and 2050 registered price increases ranging between 0.13 pt and 3.13 pts. Euro-denominated sovereigns maturing in 2027 and 2039 were up by 0.13 pt and 0.75 pt respectively.

In the Qatari credit space, sovereigns maturing in 2021, 2022 and 2023 (offering a coupon of 3.241%) saw price rises of up to 0.50 pt, while sovereigns maturing in 2020 and 2023 (offering a coupon of 3.875%) closed down by 0.13 pt each week-on-week. Prices of sovereigns maturing between 2026 and 2049 improved by up to 2.63 pts. Ooredoo papers maturing in 2025, 2028 and 2043 registered price improvements of 0.81 pt, 1.21 pt and 3.54 pts respectively.

In contrast, Omani sovereigns maturing in 2021, 2022, 2023, 2026, 2027, 2028, 2047 and 2048 registered price contractions ranging between 0.25 pt and 1.95 pt this week. Prices of Omantel'23 and '28 declined by 0.56 pt and 0.88 pt respectively. As to credit ratings, CI Ratings affirmed the Long-Term Foreign Currency Rating (LT FCR) and Long-Term Local Currency Rating (LT LCR) of Oman at "BBB-". The sovereign's Short-Term Foreign Currency Rating (ST FCR) and Short-Term Local Currency Rating (ST LCR) were also affirmed at "A3". The outlook for the ratings remains "stable". Oman's ratings reflect moderately high fiscal and external buffers, moderate –albeit increasing– public debt and a sound banking system, as well as CI's expectation that financial support would be forthcoming from other GCC countries in the event of need.

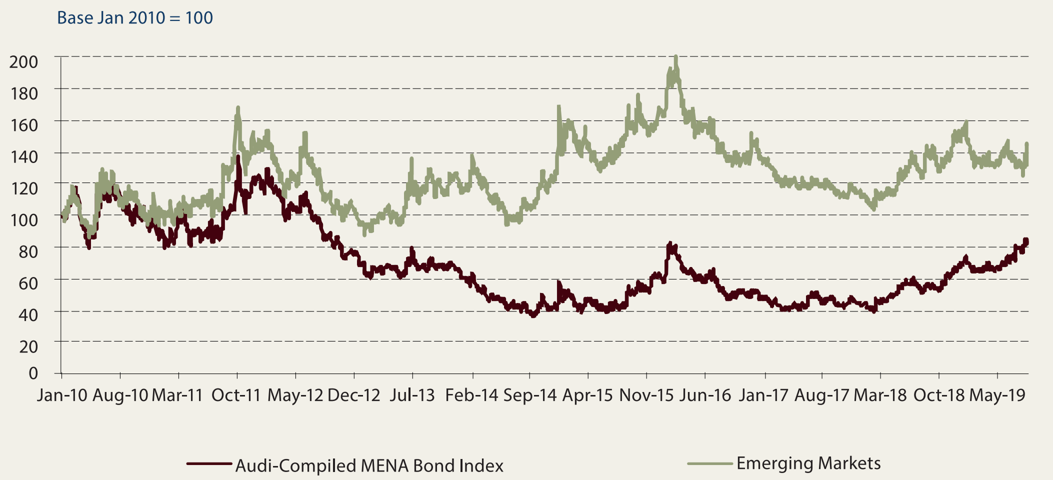
Activity in regional fixed income markets was mostly tilted to the upside this week, tracking rises in US Treasuries, after a raft of weak economic data from China and Germany underlined a slowdown in global growth, offsetting hopes that US-China trade talks were making progress. This compounded with the inversion in the US yield curve, usually viewed as an indicator of recession, to stir demand for safe-haven assets.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	16-Aug-19	09-Aug-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	51	51	67	0	-16
Dubai	131	132	129	-1	2
Kuwait	51	52	66	-1	-15
Qatar	55	53	82	2	-27
Saudi Arabia	76	74	105	2	-29
Bahrain	257	251	293	6	-36
Morocco	107	112	111	-5	-4
Egypt	300	287	391	13	-91
Lebanon	1,097	1,063	770	34	327
Iraq	398	330	519	68	-121
Middle East	**253**	**240**	**254**	**13**	**-1**
Emerging Markets	**168**	**129**	**188**	**39**	**-20**
Global	**174**	**188**	**189**	**-14**	**-15**

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-/Negative/B	Caa1/Stable	B-/Negative/B
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Stable/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/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/Negative/B	Ba1/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$)	16-Aug-19	09-Aug-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	0.1%	-0.1%
Egyptian Pound (EGP)	16.58	16.56	17.92	0.2%	-7.5%
Iraqi Dinar (IQD)	1,182.28	1,182.28	1,192.68	0.0%	-0.9%
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)	3.66	3.66	3.65	0.0%	0.1%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.1%	0.2%
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)	120.48	119.05	117.65	1.2%	2.4%
Moroccan Dirham (MAD)	9.62	9.55	9.54	0.8%	0.9%
Tunisian Dinar (TND)	2.86	2.86	3.05	0.0%	-6.2%
Libyan Dinar (LYD)	1.40	1.40	1.40	0.2%	0.3%
Sudanese Pound (SDG)	45.11	45.11	47.62	0.0%	-5.3%

Sources: Bloomberg, Bank Audi's Group Research Department

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