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## The MENA WEEKLY MONITOR

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## Markets In Brief

**p.9 SMALL PRICE RETREATS IN REGIONAL EQUITIES, MIXED PRICE MOVEMENTS IN BOND MARKETS**

Regional equity markets posted small price declines this week, as reflected by a 0.4% retreat in the S&P Pan Arab Composite Index, mainly dragged by price falls in the Egyptian Exchange and the UAE equity markets, while the heavyweight Saudi Tadawul and the Qatar Exchange posted shy price gains. Regional fixed income markets saw mixed price movements. Some papers registered price gains, supported by rising Brent oil prices and tracking increases in US Treasuries. Some other papers posted price declines as some market players opted to leave room for the new issues.

## MENA MARKETS: WEEK OF APRIL 09 - APRIL 15, 2017

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-0.4%	Weekly Z-spread based bond index	+6.2%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+0.1%	YTD Z-spread based bond index	-11.2%

## ECONOMY

### STANDARD CHARTERED FORECASTS 2017 MENA GROWTH TO SLOW TO 1.6%

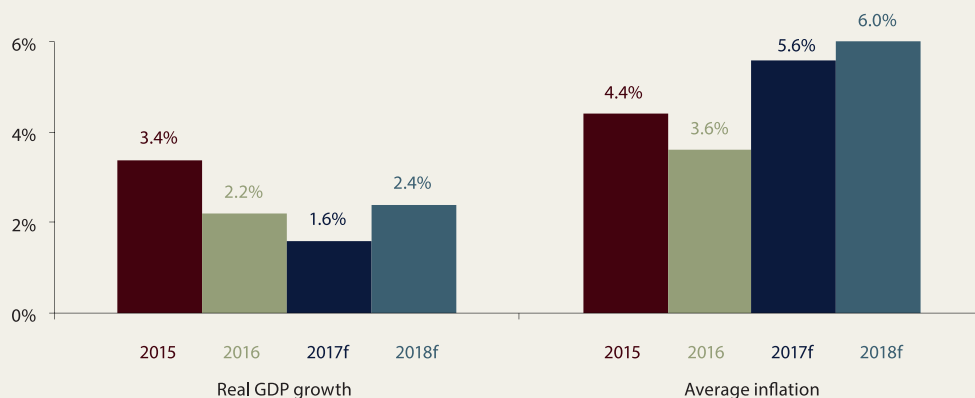
In a recent report, Standard Chartered said that reforms and oil production cuts would weigh on growth in the region in 2017. Q1 2017 has brought some relief to the GCC bloc, with oil prices 56% higher than in Q1 2016. Keen to support further oil price appreciation, OPEC and non-OPEC producers are likely to adhere to their output cut agreement for H1 2017 – translating into negative or negligible oil GDP growth for the GCC in 2017. There is already talk that OPEC may extend the production cuts for another six months at its May meeting, as per the report.

Non-oil activity, which is mostly driven by government spending, will likely remain below trend. Standard Chartered expects stronger non-oil growth this year than in 2016, mainly on better business sentiment, and estimates the GCC's aggregate non-oil economic growth at 2.6% in 2017, up from an estimated 2.0% in 2016, while seeing downside risks to its base case from subsidy cuts, taxation and other fiscal measures. GCC governments are to prioritize reforms to reduce their economic dependence on oil. Subsidy and other fiscal reforms could bring a more challenging operating environment for industries and private-sector businesses, stalling private-sector growth momentum in the short term. Standard Chartered thinks that governments may need to provide more fiscal support for non-oil activity.

Constrained policy space and a difficult external environment will likely limit growth in MENA oil importers. Against a backdrop of weak growth, Jordan and Egypt will probably find it challenging to meet the fiscal balance and public debt targets agreed under IMF-supported programs, set against ambitious growth targets. Although changes in the macro policy frameworks underpinning their IMF programs may be necessary, MENA oil importers have little choice but to raise government revenue through higher taxes and to reduce spending. The export channel is likely to provide limited relief.

Monetary tightening could further slow the pace of economic activity across the region. MENA is grappling with the US Fed's tightening cycle via two channels: higher interest rates and a stronger USD.

#### SELECTED KEY MENA ECONOMIC INDICATORS



Source: Standard Chartered

Standard Chartered expects most monetary authorities in the region to continue to mirror Fed hikes this year. Higher interest rates have economic implications via higher financing costs, which could slow credit growth further across the GCC.

Stronger USD weighs on competitiveness as the region tries to attract foreign investment. The report expects the USD to make further gains in 2017, implying further appreciation in MENA currencies pegged to the USD. This would reduce the currencies' competitiveness, potentially resulting in lower FDI and portfolio inflows. Meanwhile, the currencies' stronger purchasing power abroad could raise the risks of capital outflows, putting more pressure on official FX reserves.

Fiscal space is stretched in a number of GCC countries. Standard Chartered estimates the aggregate fiscal deficit for the GCC at around US\$ 60 billion in 2017, down from around US\$ 161 billion last year. Standard Chartered expects sovereigns to continue to front-load external borrowing in anticipation of further US tightening and rising borrowing costs in 2017-2018. Outside the GCC, Egypt, Lebanon, and Iraq raised a combined US\$ 8 billion in Q1, signaling that external funding remains a viable option for these economies despite their high public-debt burdens and still-large external financing requirements, as per the report, which added that other MENA sovereigns are expected to follow suit in 2017, provided that pricing remains attractive.

Increased reliance on debt-creating flows can raise external vulnerability at a later stage. Debt-creating flows can help finance current account deficits, reduce pressure on domestic liquidity, and shore up reserves to support pegged currencies. But this does not preclude the need to diversify sources of FX funding through non-debt-creating channels such as FDI. Standard Chartered expects regional states to continue to push "business-friendly" measures to attract FDI, including reaching out to other regions.

#### **EGYPT'S REAL GDP GROWTH TO EXPAND BY 3.5% THIS YEAR, LESS THAN THE IMF'S 4.0% PROJECTION LAST OCTOBER**

Egypt's real gross domestic product growth is expected to expand by 3.5% this year, less than the IMF's 4.0% projection in October, as per the IMF's latest World Economic Outlook. Growth would rebound to 4.5% in 2018, close to the government's target in its new budget.

The November 3 decision to float the currency was pivotal in helping Egypt secure a US\$ 12 billion IMF loan, though it also caused inflation to surge above 30%. The latter is a burden in a country where around half of the 92 million residents live near or below the poverty line, straining officials' ability to deliver on promises of expansion while they try to maintain stability, as per Bloomberg.

The IMF's report comes as Egyptian officials are in Washington to discuss the release of the second tranche of the loan, while an IMF delegation is expected in Cairo around the end of April for the first review of the lending program.

Though inflation and government measures including subsidy cuts have weighed on growth, the Central Bank said that inflows into the financial sector reached US\$ 19.2 billion since the pound was floated.

In parallel, the International Monetary Fund agreed to pay out a US\$ 320 million second tranche of Tunisia's loan program after talks to agree on the government's reform priorities.

The portion of the US\$ 2.8 billion loan program was delayed from December because of a lack of progress in reforms to cut public spending and overhaul State finances demanded by Tunisia's multilateral lenders.

The International Monetary Fund lowered its 2017 growth forecast for Egypt, reflecting the economic toll from the government's decision last year to float the pound and introduce a reform program.

## JORDAN'S REAL GDP GROWTH SLOWS TO 2% IN 2016 AND WOULD GROW BY 2.7% IN 2017, SAYS EIU

Dragged down by a weak performance by both industry and tourism, the Economist Intelligence Unit announced that Jordan's real GDP growth slowed to 2% in 2016, and is estimated to grow by 2.7% in 2017.

A constrained fiscal position and regional instability would limit performance, but Jordan's growth would recover modestly as IS is pushed back further territorially. The latter would give Jordan access to traditionally important export markets in Iraq and Syria, but remain constrained by continued instability and the effect of low oil prices on regional liquidity.

However, some sectors, including financial services, are proving more resilient. Although high unemployment would limit the strength of private consumption growth and raising the minimum wage may slow job creation, work on large infrastructure and tourism projects should increase employment (assuming that private-sector participation and, for infrastructure especially, multilateral agency support is forthcoming). Measures aimed at increasing government support for certain groups should also boost spending power among the lowest-paid, partly offsetting the impact of higher sales taxes and customs duties on some items.

Private-sector investment growth has been constrained by the impact of low oil prices on inward investment from traditional Gulf investors, but this situation appears to be reversing as oil prices have staged a modest recovery. Changes in the investment law and Jordan's relative stability should also help to sustain inflows.

Numerous large construction projects are under way, including for housing, transport, energy and air travel. Expansion of the electricity grid and development of both the conventional and renewable energy sectors would also help to spur growth, subject to continued financial support from overseas backers. Exports would remain vulnerable to volatility in traditional and new markets, including in the EU, which recently eased export rules for Jordan. The EIU expects real GDP growth to recover to an annual average of 3.1% in 2017-21, still modest by historical standards.

## STANDARD & POOR'S AFFIRMS "BBB-/A-3" LT AND ST FOREIGN AND LOCAL CURRENCY SOVEREIGN CREDIT RATINGS ON MOROCCO

S&P Global Ratings affirmed the "BBB-/A-3" long-term and short-term foreign and local currency sovereign credit ratings on the Kingdom of Morocco. The outlook is "stable". The ratings on Morocco are supported by political and social stability, economic growth prospects, and a moderate government debt burden. The ratings remain constrained by lower GDP per capita relative to similarly rated sovereigns, high social needs, a relatively high external liability position, and the deterioration in external and fiscal debt stocks in recent years.

The rating agency projects overall growth to accelerate in 2017 to 3.5% in real terms. The positive start to the 2016/2017 agricultural season is expected to lead to a significant increase in agricultural GDP, while nonagricultural activity should continue at a moderate growth rate in line with 2016. The manufacturing sector is expected to benefit from the increase in productive investment observed in 2016. The automotive sector should benefit from the modest but continued recovery in Europe, as well as the phosphates sector, which is expected to perform better than in 2016. Growth in services is likely to be more mixed, as merchant and communications services remained strong in response to household demand sustained by an increase in transfers from Moroccan residents abroad. Over the medium term, S&P forecasted economic growth would recover, and average about 4%, although it remains below potential, sensitive to fluctuations in weather patterns and demand from European countries.

Morocco's economy grew by about 4% annually in 2011-2015 but slowed markedly to an estimated 1.2% in 2016. GDP growth has been held back by the country's dependence on volatile agricultural output, weaker phosphate prices, and lower external demand from Europe. At the same time, actions implemented by the authorities in the past few years, in terms of industrial diversification and the Green Morocco Plan, helped to prevent the sharp slowdown becoming a recession.

## SURVEYS

### BANKS ECONOMIC PROFIT CONTINUED TO RISE IN MIDDLE EAST, AS PER BCG

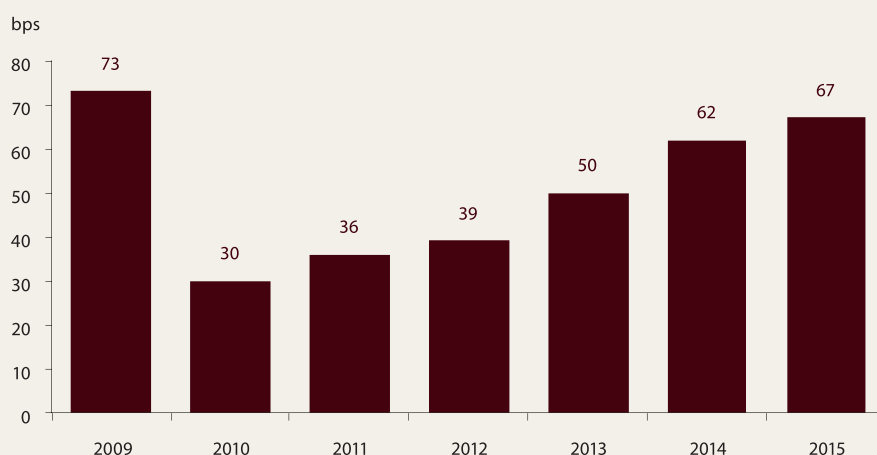
Economic profit (EP) continued to rise at banks in the Middle East and Africa even as net interest income remained nearly flat and trading income decreased, according to the "Global Risk 2017, staying the course in banking" report by the Boston Consulting Group.

Slight reductions in both operating and risk costs in 2015 boosted EP by five basis points, to 67 basis points, nearly matching the 2009 level. The EP range has remained relatively stable since 2013, with even the bottom performers showing only slightly negative levels, as per the report.

The global increase in EP in 2015 was driven by the positive regional performance in North America, the Middle East, and Africa, where banks continued to surge ahead, as per the report.

According to the report, as banks struggle to improve EP, increasing and shifting regulations would remain a central source of pressure on their costs and project portfolios. Banks have no control over the regulatory onslaught, but they can take a disciplined and strategic approach to implementing the new requirements, as per the same source.

#### ECONOMIC PROFIT GENERATED BY BANKS RELATIVE TO TOTAL ASSETS



Sources: BCG, Bank Audi's Group Research Department

### DUBAI OFFICE VACANCY RATES AT 14% AS DEMAND PERSISTS, AS PER JLL

Office vacancy rates in Dubai currently stand at 14%, highlighting the continued demand for high quality and smart buildings, according to the Q1 2017 Dubai Real Estate Market Overview report by real estate consultants Jones Lang LaSalle.

According to the report, the Greens area dominated new supply, with the two Onyx towers adding 66,000 square meters of gross leasable area (GLA) to the market during the first quarter of 2017. These strata titled buildings are the first completions of new office space in this location since 2006, adding that the pipeline for the remainder of the year remains relatively active, with approximately 235,000 square meters of GLA expected to enter the market.

JLL reported that with more tenants looking to consolidate to cheaper locations, the outlook for the office sector in Dubai remains muted. Despite the limited new demand, vacancy rates in the commercial business district started to decline in Q4 2014, and have continuously marked downfalls since then.

Dubai has long been characterized as a city, which follows trends of innovation, with the office sector being no exception. As the demand for smart offices increases, tenants would increasingly seek space in these buildings and thus it's the quality buildings, which would continue to do well, as per the report.

### **ARAB ECONOMIES ARE PROJECTED TO GROW BY 2.3% IN 2017, AS PER ARAB MONETARY FUND**

Arab economies are projected to grow by 2.3% in 2017 as a result of the decline in growth rate of the Arab oil-exporting countries to 1.8%, according to a report by the Arab Monetary Fund.

According to the report, this is due to the decline of oil production reflecting the commitment of these countries to the OPEC agreement to adjust production quantities to balance the world oil market. The fiscal corrective measures and the anticipated increase in interest rates in several of these countries would continue to affect the growth levels in non-oil sectors.

Within this group, the growth rate of the GCC countries is expected to reach 1.7% in 2017 compared to 1.9% in 2016, while the economies of the other Arab oil-exporting countries are expected to grow by 1.1% compared to 1.6% last year, as per the report.

According to the report, the expected improvement in the economic activities in Arab oil-importing countries would partially offset the decline in expected growth of those countries. The former group of countries is expected to achieve a relatively high growth rate, estimated at 3.9% this year, amid expectations of improved external demand due to the growth of the world economy and international trade.

In addition, Arab oil-importing countries would also benefit from the positive impact of economic reforms adopted to support economic growth, the improved internal conditions and the emergence of some of these countries as regional hubs for trade and investment flows, as per the report.

Regarding the growth forecast for 2018, the pace of economic activity in the Arab countries is expected to rise to 2.7% due to several positive factors driving growth. In oil-exporting countries, the growth rate is expected to rise to 2.3% in the light of the return of oil production to previous tracks and the anticipated increase in the global oil prices, albeit at a lower rate than expected in 2017. These countries would also benefit from the gradual fading of the impact of fiscal corrective measures on the aggregated demand levels.

According to the report, economic activities in Arab oil-importing countries would continue to improve, bringing the anticipated group's growth rate to 4.1% in 2018 due to the expected increase in external demand, which resulted from the gradual recovery of global economic activity. Economic growth rates in some of these countries would be supported by the positive results of the economic reform policies being implemented to overcome the existing economic imbalances.

Unfavorable global economic developments have impacted the macro-economic performance of the Arab countries in light of the continuation of the sluggish recovery of the global economy, the outward of capital flows from developing and emerging markets economies, and the declining trend of oil prices, as per the report.

## CORPORATE NEWS

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### RAK PROPERTIES TO RAISE US\$ 1.36 BILLION TO FUND NEW PROJECTS

Ras Al Khaimah-based RAK Properties would raise around US\$ 1.36 billion (AED 5 billion) in the next four years to fund new projects across the UAE, as per the company's CEO.

The company would raise AED 5 billion between now and 2021 to finance its projects on Mina Al Arab in Ras Al Khaimah and its developments in Abu Dhabi, as per the same source.

The company is set to relaunch its Julphar Residence on Al Reem Island, Abu Dhabi.

Julphar Residence is a 24-floor residential tower and will house 266 units.

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### SCHON AND AL HAMAD TO SET UP US\$ 870 MILLION HOSPITALITY VENTURE IN DUBAI

UAE-based Schon Properties has joined hands with GCC construction company Al Hamad Group to develop iSuites – an AED 3.2 billion (US\$ 870 million) home-grown hospitality portfolio at a single site within Dubai Investment Park – close to the Expo 2020 venue.

The iSuites is being jointly developed by both companies and would be managed by Schon Properties. Al Hamad Group would be responsible for construction via their contracting arm, Dubai Civil Engineering.

The entire complex would include 21 buildings – comprising 2,550 hotel suites, 52 restaurants and outdoor cafes, 125,000 square feet shopping mall, surrounded by a man-made beach and a lagoon spread over five acres– all to be delivered before the Expo 2020 begins in the fourth quarter of 2020.

Al Hamad Group is investing equity to finance the construction of the project and acquire a substantial stake in the 2,550-unit development while Schon Properties would retain a substantial number of units for recurring income, while some inventory is offered to select investors for sale.

Designed by Swiss Design Bureau, the suites offer the smart stay concept and the building follows a modular design code. The design team's innovation is expected to create a top-of-the-line development, as per a statement by Schon Properties.

The branded hotel apartments would be managed by international hotel operators to offer greater comfort to visitors.

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### BAHRAIN NATIONAL GAS EXPANSION CO RAISES US\$ 515 MILLION LOAN

Bahrain National Gas Expansion Co, a subsidiary of the country's National Oil and Gas Authority, signed a US\$ 515 million syndicated loan that would back part of the expansion of its gas processing facilities, as per a company statement.

GIB Capital advised the company, which is also known as Tawseah.

The loan would finance a central gas processing train with a capacity of 350 million standard cubic feet per day, as well as pipeline and storage facilities at Sitra Wharf.

Carrying an eight-year tenor, the loan saw the participation of local and regional banks including Bank of Bahrain and Kuwait, Gulf International Bank, Ahli United Bank, Arab Bank, Bahrain Islamic Bank, National Bank of Bahrain and the Bahraini arm of National Bank of Kuwait.



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### QATAR'S QIB AND DAEWOO E&C SIGN US\$ 274 MILLION FINANCING DEAL

Qatar Islamic Bank signed a QR 1 billion (US\$ 274 million) financing deal with Daewoo Engineering and Construction Co (Daewoo E&C).

The financing agreement would support Daewoo's current projects in Qatar including the construction and upgrading of E-Ring Road. This project will expand the number of lanes from 8 to 14, enlarge the highway by 4.5 kilometers (km) and build a new 4 km long section. QIB's participation in the project comes as part of the bank's strategic vision to provide Islamic financing solutions to key stakeholders that are participating in the country's major development projects.

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### KUWAIT'S ALIMTIAZ RAISES US\$ 120 MILLION FROM HUMANSOFT STAKE SALE

Kuwait's Alimtiaz Investment Group raised US\$ 120 million from the sale of a 10% stake in education provider HumanSoft Holding which it plans to reinvest.

It plans to invest in sectors including education, healthcare and real estate.

Citigroup and EFG Hermes acted as joint book runners on the deal, which cut the Sharia-compliant investment company's stake in HumanSoft to 10%.

The buyers were institutional investors including regional sovereign wealth funds and other funds.

HumanSoft establishes and manages private universities and colleges in Kuwait and internationally.

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### PUNJ LLOYD WINS US\$ 47 MILLION SAUDI REFINERY PROJECT

Punj Lloyd, an engineering and construction group in India, secured an engineering, procurement and construction (EPC) contract worth US\$ 47 million from Yanbu Aramco Sinopec Refining Company (Yasref) for its project in the Yanbu region of Saudi Arabia.

The "Clean Fuels Interfacing Facilities Project" was awarded to the group's subsidiary.

The project's objective is to interface Yasref with the Aramco Yanbu Refinery to supply low Sulphur clean transportation fuel - diesel and gasoline - for domestic distribution, as per a company statement.

In addition, the pipeline system will also contain provision to transport Yasref refined products to the western regional pipeline hub, as per the same source.

Punj Lloyd's scope of work includes construction of two new pipeline systems for diesel and gasoline, a dedicated custody metering system for each refined product, a new analyzer to be installed inside Yanbu Refinery, a new Red/Green dye injection for gasoline to be installed in the Yanbu Refinery premises within the new line from Yasref to Yanbu Refinery's gasoline tanks and modification of three existing kerosene tanks inside Yanbu Refinery by installation of internal floating roofs in order to adequately receive Yasref gasoline.

It would also work on the extension of existing SIH Control to house the DCS/PLC panels and to be equipped with HVAC (heating, ventilation and air-conditioning).

As part of the deal, Punj Lloyd would also carry out associated civil and structural, fire-fighting, E&I (electrical and instrumentation) and automation work.

Prior to this contract, Punj Lloyd had successfully completed the Offsite Pipeline Package and is due to complete the pipeline relocation.



## CAPITAL MARKETS

## EQUITY MARKETS: SHY PRICE RETREATS IN REGIONAL EQUITIES WEEK-ON-WEEK

Regional equity markets posted shy price declines this week, as reflected by a 0.4% retreat in the S&P Pan Arab Composite Index, mainly dragged by price falls in the Egyptian Exchange amid rising geopolitical tensions, and price drops in the UAE equity markets given some profit-taking operations, and some unfavorable company-specific and sector-specific factors. In contrast, the heavyweight Saudi Tadawul and the Qatar Exchange posted shy price gains of 0.1% each, supported by some favorable financial results.

In details, the UAE equity markets registered a 1.5% fall in prices week-on-week, driven by some profit-taking operations, on ex-dividend activity and some unfavorable sector-specific factors. In Dubai, National Cement Company's share price shed 11.4% to AED 3.100. National Cement stock traded ex-dividend on April 12, 2017. Arabtec Holding Company's share price dropped by 4.7% to AED 0.898 ahead of a vote by shareholders on the company's capital restructuring program. Also, realty stocks pursued a downward trajectory after the real estate consultancy Cluttons said that the average residential prices in Dubai have fallen by 7.8% in the first quarter of 2017. Union Properties' share price plunged by 4.9% to AED 0.999. Deyaar's share price shed 4.5% to AED 0.555. Emaar Properties' share price closed 2.9% lower at AED 7.250.

In Abu Dhabi, Taqa's share price fell by 3.5% to AED 0.55 on some profit-taking operations following last week's price rally after ADWEA raised its stake in Taqa to 74% from 52.38%. NBAD's share price shed 5.3% to AED 10.65, as some market participants booked profits following last week's price increase driven by the merger news of NBAD and First Gulf Bank. Aldar Properties' share price decreased by 2.6% to AED 2.22. RAK Properties' share price shed 6.2% to AED 0.61. Investors cashed out on disappointment over the softening of property prices in the Emirate in the first quarter of 2017 as compared to the last quarter of 2016, according to a new report released by property consultants Chestertons.

The Egyptian Exchange posted a 2.2% drop in prices week-on-week, on heightened domestic political risk following Palm Sunday bomb attacks and the declaration of a three-month state of emergency. ElSewedy Electric's share price fell by 2.6% to LE 79.96 despite announcing a surge in its FY 2016 net profits to reach LE 3.9 billion. Commercial International Bank's share price dropped by 1.3% to LE

## EQUITY MARKETS INDICATORS (APRIL 09, 2017 TILL APRIL 15, 2017)

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	104.3	-3.7%	-2.5%	5.3	-30.2%	0.6	10,930.0	2.5%	6.4	0.91
Jordan	409.2	-1.0%	1.4%	67.8	-22.1%	36.3	25,252.5	14.0%	13.7	1.77
Egypt	266.5	-2.2%	5.1%	219.1	-26.2%	879.2	36,559.3	31.2%	12.2	1.71
Saudi Arabia	294.7	0.1%	-1.6%	4,040.2	-0.3%	704.3	443,734.6	47.3%	15.1	1.72
Qatar	184.0	0.1%	-0.8%	288.3	-15.0%	35.9	154,294.1	9.7%	13.1	1.88
UAE	126.7	-1.5%	0.8%	537.6	-29.1%	1,395.7	237,508.8	11.8%	13.1	1.89
Oman	253.0	-0.8%	-4.4%	29.5	-36.4%	62.7	22,430.0	6.8%	11.4	1.47
Bahrain	140.9	-0.8%	15.9%	11.8	-5.2%	17.8	21,030.8	2.9%	10.6	1.31
Kuwait	84.9	-0.7%	9.1%	418.3	-5.7%	1,676.4	86,141.2	25.2%	15.0	1.79
Morocco	253.0	-0.4%	-4.0%	21.9	-11.4%	1.7	55,902.9	2.0%	19.6	2.21
Tunisia	73.9	-1.0%	1.4%	5.0	-38.9%	2.3	8,299.7	3.1%	13.9	1.99
<b>Arabian Markets</b>	<b>683.9</b>	<b>-0.4%</b>	<b>0.1%</b>	<b>5,644.8</b>	<b>-7.1%</b>	<b>4,813.0</b>	<b>1,102,083.8</b>	<b>26.6%</b>	<b>14.2</b>	<b>1.79</b>

Values in US\$ million; volumes in millions

\* Market cap-weighted averages

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

76.95. Palm Hills Development's share price retreated by 0.3% to LE 3.18. Talaat Moustafa Group's share price plunged by 3.5% to LE 8.81. EFG Hermes' share price declined by 1.4% to LE 24.91.

In contrast, the heavyweight Saudi Tadawul posted a 0.1% rise in prices week-on-week, mainly supported by some favorable company-specific factors. SABB's share price edged up by 0.2% to SR 22.05. SABB announced 2017 first quarter net profits of SR 1.04 billion, down by 9.3% relative to the corresponding period of 2016, yet still meeting analysts' estimates. Zain KSA's share price jumped by 11.7% to SR 10.00. Zain reported its first quarterly net profits since launching its services in 2008, driven by revenue growth and optimization of its operational cost structure. Zain posted 2017 first quarter net profits of SR 45 million as compared to a net loss of SR 250 million a year earlier. Al Rajhi Bank's share price rose by 3.1% to SR 65.77. The bank posted net profits of SR 2.2 billion in the first quarter of 2017, an increase of 10% year-on-year.

The Qatar Exchange registered shy price gains of 0.1% week-on-week, helped by some favorable financial results. QNB's share price went up by 0.7% to QR 149.50. QNB announced 2017 first quarter net profits of QR 3.2 billion, up by 12% relative to the corresponding period of the previous year, beating analysts' estimates. Ahlibank's share price closed 2.6% higher at QR 34.95. Ahlibank registered net profits of QR 170 million in the first quarter of this year, up by 3% year-on-year.

#### FIXED INCOME MARKETS: TWO-WAY FLOWS IN REGIONAL BOND MARKETS

Regional fixed income markets saw mixed price movements this week, with no noticeable change in five-year CDS spreads. Some papers registered price gains, supported by rising Brent oil prices and tracking increases in US Treasuries after the US President unveiled his preference for a low-interest rate monetary policy. Some other papers posted price declines as some market players opted to leave room for the new issues in the Saudi and Abu Dhabi credit spaces.

In Saudi Arabia, sovereigns maturing in 2021 and 2026 were up by 0.13 pt each over the week, and Saudi'46 closed up by 0.25 pt. Saudi Arabia raised US\$ 9 billion in its first dollar-denominated Islamic bond sale, US\$ 1 billion more than what the government was said to be planning to issue initially. The government sold a US\$ 4.5 billion five-year Sukuk tranche at 100 basis points over the mid-swap rate and an equally sized ten-year tranche at a spread of 140 basis points to the benchmark. Still in the Saudi credit space, prices of SABIC'18 and '20 declined by 0.12 pt and 0.38 pt respectively. Dar Al Arkan'18 and '19 traded down by 0.25 pt and 0.38 pt respectively. SECO papers maturing 2043 and 2044 saw price increases of 0.13 pt and 0.25 pt respectively.

In Abu Dhabi, sovereigns maturing in 2019 and 2026 were down by 0.12 pt and 0.13 pt respectively week-on-week. Mubadala'19 and '21 were down by 0.25 pt and 0.19 pt respectively, while Mubadala'22 closed up by 0.13 pt. Mubadala Development Company raised US\$ 1.5 billion via a two-part international bond sale, which would be one of its last financing before it officially merges with International Petroleum Investment Company in May 2017. The company sold US\$ 850 million in a seven-year debt at 100 basis points over mid-swaps and US\$ 650 million in a 12-year tranche at 140 basis points over mid-swaps,

Still in the Abu Dhabi credit space, Taqa'19 was down by 0.19 pt over the week, while Taqa papers maturing in 2021, 2023 and 2036 registered price gains of up to 0.50 pt. As to papers issued by financial institutions, ADIB Perpetual was down by 0.25 pt. Al Hilal Perpetual closed down by 0.25 pt. ADCB'18 traded down by 0.12 pt, while ADCB'19 and '23 (offering a coupon of 3.125%) posted price increases of 0.13 pt and 0.25 pt respectively.

In Dubai, sovereigns maturing in 2020 and 2021 were up by 0.13 pt each week-on-week, and Dubai'43 closed up by 1.13 pt. Prices of DEWA'18 and '20 decreased by 0.25 pt and 0.12 pt respectively. DP World'23 closed down by 0.62 pt, while DP World'37 traded up by 0.75 pt. Prices of Emirates Airline'23 and '25 dropped by 0.37 pt and 0.25 pt respectively. Majid Al Futtaim'19 and '24 were up by 0.13 pt and 0.19 pt respectively, while Majid Al Futtaim'25 closed down by 0.13 pt. Amongst financials, prices of DIB'20 and '22 rose by 0.25 pt and 0.13 pt respectively, while DIB'21 closed down by 0.13 pt.

DIB Perpetual (offering a coupon of 6.25%) traded down by 0.25 pt, while the price of DIB Perpetual (offering a coupon of 6.75%) went up by 0.50 pt.

In the Qatari credit space, sovereigns maturing in 2018 and 2019 posted weekly price declines of 0.31 pt and 0.19 pt respectively. In contrast, sovereigns maturing between 2020 and 2046 registered price increases hovering between 0.13 pt and 1.25 pt. The Central Bank of Qatar sold QR 5.58 billion of domestic bonds, with issuance heavily focused on the long end of the yield curve. It sold QR 150.0 million worth of three-year bonds at a yield of 2.75%, QR 800.0 million worth of five-year bonds at 3.35%, QR 1.7 billion worth of seven-year bonds at 4.0%, and QR 2.9 billion worth of 10-year bonds at 4.5%.

In the Moroccan credit space, sovereigns maturing in 2022 were down by 0.13 pt, while sovereigns maturing in 2042 closed up by 0.63 pt week-on-week. S&P affirmed the "BBB-/A-3" long-term and short-term foreign and local currency sovereign credit ratings on the Kingdom of Morocco. The outlook is "stable". The ratings on Morocco are supported by political and social stability, economic growth prospects, and a moderate government debt burden.

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

in basis points	14-Apr-17	07-Apr-17	30-Dec-16	Week-on-week	Year-to-date
Abu Dhabi	40	40	61	0	-21
Dubai	113	114	150	-1	-37
Kuwait	50	50	111	0	-61
Qatar	60	60	80	0	-20
Saudi Arabia	93	96	113	-3	-20
Bahrain	225	223	303	2	-78
Morocco	140	139	180	1	-40
Egypt	350	347	450	3	-100
Lebanon	379	368	520	11	-141
Iraq	520	520	704	0	-184
<b>Middle East</b>	<b>197</b>	<b>196</b>	<b>285</b>	<b>1</b>	<b>-88</b>
<b>Emerging Markets</b>	<b>212</b>	<b>197</b>	<b>-</b>	<b>15</b>	<b>-</b>
<b>Global</b>	<b>187</b>	<b>187</b>	<b>218</b>	<b>0</b>	<b>-31</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

## LEVANT

	Standard & Poor's	Moody's	Fitch
Lebanon	B-/Stable/B	B2/Negative	B-/Stable/B
Syria	NR	NR	NR
Jordan	BB-/Negative/B	B1/Stable	NR
Egypt	B-/Stable/B	B3/Stable	B/Stable/B
Iraq	B-/Stable/B	NR	B-/Stable/B

## GULF

Saudi Arabia	A-/Stable/A-2	A1/Stable	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Negative	AA/Stable/F1+*
Qatar	AA/Negative/A-1+	Aa2/Negative	AA/Stable/F1+
Kuwait	AA/Stable/A-1+	Aa2/Negative	AA/Stable/F1+
Bahrain	BB-/Stable/B	Ba2/Negative	BB+/Stable/B
Oman	BBB-/Negative/A-3	Baa1/Stable	BBB/Stable/F2
Yemen	NR	NR	NR

## NORTH AFRICA

Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Positive	BBB-/Stable/F3
Tunisia	NR	Ba3/Negative	B+/Stable
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated

\* Emirate of Abu Dhabi Ratings

## FX RATES (per US\$)

	14-Apr-17	07-Apr-17	30-Dec-16	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)	18.18	17.99	18.12	1.1%	0.4%
Iraqi Dinar (IQD)	1,197.15	1,197.15	1,196.17	0.0%	0.1%
<b>GULF</b>					
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)	3.64	3.64	3.64	0.0%	-0.1%
Kuwaiti Dinar (KWD)	0.30	0.30	0.31	0.0%	-0.3%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.1%
Omani Riyal (OMR)	0.39	0.39	0.38	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
<b>NORTH AFRICA</b>					
Algerian Dinar (DZD)	109.89	111.11	109.89	-1.1%	0.0%
Moroccan Dirham (MAD)	10.08	10.09	10.13	-0.1%	-0.5%
Tunisian Dinar (TND)	2.37	2.29	2.30	3.3%	3.1%
Libyan Dinar (LYD)	1.43	1.42	1.44	0.4%	-0.7%
Sudanese Pound (SDG)	6.68	6.68	6.59	0.0%	1.4%

Sources: Bloomberg, Bank Audi's Group Research Department

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