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The MENA WEEKLY MONITOR

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p.9 TWO-WAY FLOWS IN REGIONAL EQUITY MARKETS, BOND PRICES UNDER PRESSURE

MENA equity markets continued to see shy price retreats week-on-week, as reflected by a 0.1% decline in the S&P Pan Arab Composite Index, amid mixed price movements. In details, the heavyweight Saudi Tadawul and the Qatar Exchange registered price declines of 0.3% and 2.0% respectively, while the UAE equity markets and the Egyptian Exchange posted price gains of 2.1% and 1.1% respectively. In parallel, regional bond markets came under downward price pressures, tracking declines in US Treasuries following solid US economic data and after the US Federal Reserve said it viewed the slowing in growth during the first quarter of 2017 as likely to be "transitory".

MENA MARKETS: WEEK OF APRIL 30 - MAY 06, 2017

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-0.1%	Weekly Z-spread based bond index	-3.2%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↑
YTD stock price performance	-1.7%	YTD Z-spread based bond index	-16.0%

ECONOMY

A.T. KEARNEY SAYS SECOND HALF OF 2016 WAS RECORD SEMESTER FOR M&As IN MENA

The second half of 2016 was a record semester for mergers and acquisitions (M&As) in the MENA since 2013 with US\$ 30.5 billion in deals, almost three times the first half of the year, as per a recent A.T. Kearney report. Megadeals drove this exceptional activity with four transactions above US\$ 1 billion, stacking up to US\$ 24.2 billion. The largest transaction was in financial services. First Gulf Bank and National Bank of Abu Dhabi agreed on a merger worth US\$ 14.8 billion, creating the UAE's largest bank with assets of around US\$ 178 billion. The remaining megadeals were in shipping and interest acquisitions in companies engaged in oil and gas concessions in Egypt and the UAE. However, the number of transactions dropped 53% compared to 1H2016 to reach the lowest level in the past four years with 76 transactions announced.

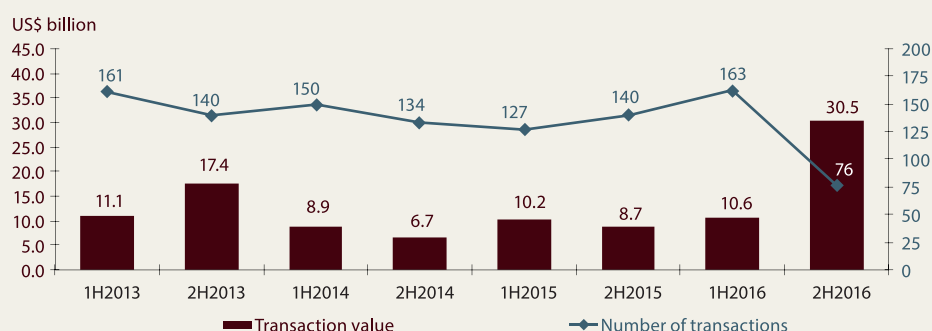
As the largest MENA financial investors seek opportunities mainly outside the region, corporate buyers have increased their share in the MENA M&A market. In the second half of 2016, corporations represented 82% of the MENA deals compared to 64% to 75% in previous periods. International corporations were particularly active during this period with a record investment of US\$ 11 billion.

MENA investors maintained a healthy appetite for international M&As with 55 deals announced in the second half of 2016 (24% less than in 1H2016). However, in terms of value, the second half of the year recorded US\$ 17.8 billion (52% more than in the first half). Financial investors, mainly GCC sovereign wealth funds, have been instrumental in driving international M&As from a value perspective as they searched for enhanced and diversified financial returns. The main investors in the number of transactions were Qatar Investment Authority and Abu Dhabi Investment Authority, which made a combined total of six investments across the energy, real estate, and transportation sectors.

Investors are using active portfolio management to maximize the value of their investments, albeit at a somewhat slower pace compared to the previous four periods. Divestments abroad dropped 38% in the second half of 2016 compared to the first half of the year, reaching ten transactions. Divestment value dropped 63% to US\$ 1 billion in transactions, still within the historical value range of US\$ 0.6 billion to US\$ 4.4 billion per year. The largest share of divestments occurred in the Americas, with 40% of the total for the second half of 2016 mainly driven by two deals in Canada.

A.T. Kearney anticipates the MENA and international M&A market to remain dynamic as market players carry out initiatives to enhance competitiveness, including through M&A transactions. The firm expects investors to focus on transactions that have scale and impact to achieve synergies with the core business.

M&As IN THE MENA REGION



Source: A.T. Kearney

Four factors are expected to drive the market in the next 12 months. First, the downward pressure on oil prices is expected to continue, sustaining the need for GCC governments to optimize their fiscal budgets. In the current low-growth market, acquisitions provide opportunities to improve bottom lines or give access to new markets or customers.

Second, refocusing on core activities is a major trend in the region to maximize the value of company resources, increasing the supply of assets up for divestment and feeding the M&A market. For instance, several oil and gas companies are seeking opportunities to divest assets far from their core businesses or not needed to support their long-term strategies. Third, the transition to a knowledge-based economy envisioned by MENA countries is expected to incentivize transactions that secure access to new technologies, innovation and skills. Joint ventures are attractive partnership opportunities as they serve a dual purpose in this transition: transferring know-how and reducing capital requirements for new projects.

Fourth, the opportunity to acquire assets with attractive valuation enabling access to the region's long-term growth potential is compelling for international corporate investors. This trend was witnessed in the second half of 2016 with corporations enhancing their participation in the overall MENA M&A market. The high availability of dry powder for financial investors can also lead to opportunistic investments by such investors in the region, where global financial investors have historically been cautious.

UAE'S ECONOMIC GROWTH TO BOTTOM OUT THIS YEAR FOR A TURNAROUND FROM 2018, SAYS BOAML

The UAE's economic growth, which faced strong headwinds following prolonged low oil prices and slump in international trade, is expected to bottom out this year for a turnaround from 2018, according to Bank of America Merrill Lynch (BoAML).

The UAE managed a soft landing, with a less pronounced cycle than in 2008. The bank expects non-oil real GDP growth to have bottomed out as the fiscal drag eases and infrastructure activity picks up.

Bank of America Merrill Lynch anticipates overall UAE real GDP growth of 0.9% in 2017, from 2.2% likely in 2016. The headline figure masks a likely contraction in the oil sector due to the OPEC deal, but BoAML sees non-hydrocarbon real GDP growth picking up to 2.7% in 2017, from 2.3% in 2016.

Over the medium-term, the bank expects non-oil growth to increase to 3%-3.5% on the back of greater Expo 2020 projects.

After averaging 10% annual growth from 2000 to 2010 and a slump in 2009, Dubai real GDP growth was 4.1% in 2015, but slowed to 2.5% in the first nine months of last year. Growth remains broad-based although the construction sector is the laggard. The fastest growing sectors are restaurants and hotels, electricity, gas & water, transport and real estate.

In Abu Dhabi, fiscal consolidation has slowed down non-oil real GDP growth, but BofA Merrill Lynch expects the drag to fade. Abu Dhabi's real GDP grew by 2.8% in 2016, from 5% in 2015. Non-oil real GDP growth slowed to just 2.8% in 2016, from 8.6% in 2014.

The Abu Dhabi government could record a fiscal surplus this year at oil prices around \$50/bbl. The 2017 budget does not include the impact of Opec-mandated cuts but is based on an oil price assumption of US\$ 50/bbl (versus US\$ 40/bbl in 2016).

Over the next five years to 2022, authorities are planning to anchor spending at a flat level of Dh250 billion and target revenues increasing through the passage of a value added tax, crude oil production increases (as ADNOC targets capacity at 4.0mn bpd by 2022) and oil stabilising at \$50/bbl.

Expenditures in Abu Dhabi have been rationalised and have dropped versus the 2014 peak. This has so far taken place principally through a reduction in subsidies and cutbacks in domestic loans and equity investments.

The Dubai government is projected to record a small budget surplus in 2016, but the fiscal balance is likely to shift to a modest deficit of 1% to 2% of GDP s from 2017 onwards as capex associated with the new airport, new metro lines and Expo 2020 come online. The Dubai 2017 budget projects a deficit of US\$ 0.6 billion (Dh 2.2 billion) or 0.6% of GDP. Given the higher budgeted spending levels, delivering on fiscal revenue targets will be essential as any slowdown in economic activity is likely to drive slower growth in government fee income receipts. This could lead to wider deficits and greater external borrowing.

QATAR'S REAL ECONOMIC GROWTH TO RISE TO 2.6% THIS YEAR AND FURTHER EXPAND TO 3.6% IN 2018

Qatar's real economic growth is expected to rise to 2.6% this year and further expand to 3.6% in 2018, even as inflation is expected to harden by 2018 in view of the value added tax (VAT) rollout, according to Qatar National Bank (QNB).

In the hydrocarbon sector, natural declines at maturing oil fields in 2017 would be more than offset in 2018-19 by initial gas production from Barzan and investment in oil output, the report said.

On the general price level, QNB expects inflation in Qatar to slow to 0.9% this year on falling rents, then to pick up to 3.3% in 2018 with the introduction of VAT before easing to 2.5% in 2019. However, revenue should receive an additional boost from VAT in 2018, adding about 1% of GDP.

International commodity prices tend to pass through to domestic prices with a lag and, therefore, lower commodity prices in 2016 are expected to still depress inflation into 2017, but higher prices this year should push inflation higher in 2018, as per QNB.

The government's budget deficit is expected to narrow to 1.5% in 2017 before switching to a surplus of 1% and 2.3% in 2018-2019 on a recovery in hydrocarbon revenue and consolidation of current spending.

The government announced plans to increase capital spending over the next three years, mainly on projects related to the 2022 FIFA World Cup, transportation, infrastructure, education and health.

The current account is expected to return to a surplus of 2.1% of GDP in 2017 on rising oil prices, but then narrow on high import growth in line with the ramp up in project spending and robust growth in the non-hydrocarbon sector.

The report has found that Qatar's international reserves are expected to be maintained at their current level of around six months of prospective import cover.

BAHRAIN NET FOREIGN RESERVES CONTINUE TO DECLINE

Bahrain has been unable to stem the decline in its foreign reserves, as lower oil prices continue strain the smallest economy among Gulf Arab monarchies.

The Kingdom's net foreign assets dropped by 11% to BHD 645.2 million (US\$ 1.7 billion) in February 2017, from BHD 725.9 million (US\$ 1.9 billion) in January, as per Bahrain's Central Bank.

Overall, net foreign reserves declined by 71% from a peak of BHD 2.24 billion (US\$ 5.9 billion) in November 2014, as per the same source.

Bahrain, which pegs the dinar to the dollar, has been more vulnerable to slumping oil prices and regional political instability than richer Gulf Cooperation Council states. Authorities increased spending in response to the global recession in 2009 and civil unrest two years later as sectarian tensions escalated in the Gulf island nation.

The further drop in foreign reserves comes nearly a month after the International Monetary Fund warned that Bahrain, a close Saudi ally and the home of the US Navy Fifth Fleet, needs to make significant spending cuts to restore stability to its budget and improve investor confidence.

SURVEYS

UAE REMAINS TOP CONNECTIVITY ADOPTER ECONOMY IN THE MENA REGION, AS PER HUAWEI

The UAE, Qatar and Saudi Arabia remain top adopter economies in terms of connectivity within the MENA region, according to Huawei's Global Connectivity Index (GCI) 2017 report.

The GCI is a unique quantitative assessment that comprehensively and objectively evaluates connectivity from both a national and industrial perspective. There are four pillars of the GCI Index, supply, demand, experience and potential. These encompass the entire chain of ICT development and digital transformation to provide a 360-degree view of the digital economy.

The adopter economies have an average GDP (gross domestic product) per capita of US\$ 15,000 (and nations in this cluster experience the biggest GDP growth from ICT (information and communications technology) infrastructure, as per the report.

According to the report, digitally advanced and digitally developing nations continue to gain strong economic growth and secure larger ICT investments, while less developed nations see much slower growth, widening the digital divide between nations into a chasm.

Globally, the UAE is ranked 18th, Qatar 22nd and Saudi Arabia 29th while the US is ranked first, followed by Singapore in the second place and Sweden in third.

According to the report, investing in five key technologies, broadband, data centers, cloud, big data and the Internet of Things enables countries to digitize their economies.

The GCI report measures the relationship between ICT investment and GDP growth, and showed that every additional US\$ 1 of ICT infrastructure investment made could bring a return of US\$ 3 in GDP at present, US\$ 3.70 in 2020, and the potential return increases to US\$ 5 in 2025.

While this presents a clear case for increasing investment in ICT, it also reveals that countries, which invest in ICT, gain an accumulated advantage over time which has a multiplier effect and enables them to distance themselves ahead of competitors, as well causing a widening of the digital divide to become a digital chasm, as per the report.

According to the report, if policymakers globally incorporate an additional 10% in ICT infrastructure investment each year into their economic master plans starting now, they could bring an accumulative figure of US\$ 17.6 trillion in GDP to boost the global economy by 2025.

GLOBAL CONNECTIVITY INDEX MENA RANKINGS

Country	Rank	Score
UAE	18	52
Qatar	22	48
Saudi Arabia	29	44
Egypt	39	34
Morocco	44	31
Algeria	45	31

Sources: Huawei, Bank Audi's Group Research Department

EXPAT REMITTANCES FROM UAE HIT US\$ 10 BILLION IN Q1 2017, AS PER THE CENTRAL BANK

Money outflows from the UAE remain on a growth track with total remittances hitting US\$ 10 billion in the Q1 2017, a growth of 1.1% from the same period last year, according to recent figures from the UAE Central Bank.

According to the report, Indian expats top the list sending a total cash of US\$ 3 billion, accounting for 34.9% of total remittances, followed by Pakistani nationals accounting for 9.4% , then Filipinos at 7.3% during the first three months of the year.

Americans accounted for 5.4%, followed by Egyptians at 4.9% and Britons at 4.4%, as per the report.

According to the report, up to 75% of total remittances, amounting to US\$ 7 billion, were conducted through money exchange companies during the first quarter of the year, a growth of 2.7% from the same period last year, while 25% thereof was done through banks.

The Central Bank attributed the hike in remittances to 2.2% in the average value of UAE Dirham against other currencies comparatively with the same period last year.

SAUDI ARABIA EYES US\$ 200 BILLION IN REVENUE AS PRIVATIZATION DRIVE STARTS UP, AS PER REUTERS

The Saudi Arabian government believes it can raise around US\$ 200 billion in the next several years by selling stakes in state enterprises ranging from hospitals to airports and grain silos, as per Reuters.

According to the report, that number was based on detailed studies of valuations and market demand since authorities announced plans for a privatization drive one year ago.

Administrative preparations are now in place and the government intends to begin offering assets this year in four sectors, sports, electricity generation, water provision and grain silos, as per the report.

According to Reuters, if achieved US\$ 200 billion of privatizations would transform the Saudi economy by putting large parts in private hands, while helping to repair state finances that have been severely hurt by low oil prices. The government posted a deficit of US\$ 79 billion last year and aims to eliminate the gap by 2020, as per the report.

Enterprises in 16 sectors are expected to be fully or partly privatized by 2020. Among the first assets to be offered will be one of Saudi Arabia's top hospitals, King Faisal Specialist Hospital and Research Centre in Riyadh. The government views healthcare as the sector with the best potential for privatization and is studying whether to sell off all public hospitals and 200,000 pharmacies, as per the report.

According to the report, growth of Saudi Arabia's non-oil economy almost halted last year as the oil price slump forced the government to slash spending. It is still struggling to cut its deficit, so it aims to revive growth by persuading private companies to invest more.

At the core of this strategy is public-private partnerships, in which private firms and the state share investment costs, risks and profits of projects. These could be used in industries that Riyadh hopes to develop, such as auto manufacturing, as per the report.

According to the report, the Saudi Industrial Development Fund, which makes soft loans to industry, and the Public Investment Fund, which takes stakes in projects, are accelerating activities.

CORPORATE NEWS

HONEYWELL UOP SEALS US\$ 1.6 BILLION JORDAN REFINERY PROJECT DEAL

Honeywell UOP signed an agreement with the Jordan Petroleum Refinery Company (JPRC) to facilitate a US\$ 1.6 billion expansion of its refinery in Zarqa region of the Kingdom.

The move is aimed at increasing the capacity of the facility to 120,000 barrels per day (bpd) and allow JPRC to upgrade the quality of its product to meet Euro V emissions specifications, as per a company statement.

As part of the project, which is the fourth such expansion of the JPRC refinery, Honeywell UOP would provide managing licensor services, technology licensing, front-end engineering design consultancy services and basic engineering design. It also would provide catalysts and process equipment and training and start-up services.

Furthermore, technologies provided by Honeywell UOP would include crude and vacuum distillation units for distilling crude oil into various fractions.

Honeywell UOP also would provide cracking and hydrotreating units to create clean distillate, as well as CCR Platforming, Penex, MinAlk, Merox and Selectfining units for producing cleaner-burning high-octane motor fuels, and a Polybed PSA unit for purifying hydrogen.

GULF DRILLING INTERNATIONAL SIGNS US\$ 925 MILLION FINANCING FACILITY WITH QATAR ISLAMIC BANK

Qatar Islamic Bank (QIB) signed a US\$ 925 million (QR 3.4 billion) structured Shari'a compliant financing facility with Gulf Drilling International Limited QSC (GDI).

This new facility would be used to re-organize the company's debt and further enhance its operational and financial performance. QIB successfully originated, structured and executed the transaction which used an innovative financing structure to meet the requirements.

SIEMENS CLINCHES US\$ 868 MILLION QATAR SUBSTATIONS ORDER

Siemens secured a contract worth € 790 million (US\$ 868 million) in Qatar from the State-owned utility Qatar General Water & Electricity Corporation (Kahramaa) for the expansion of the country's power transmission network.

As part of the deal, Siemens would deliver 35 turnkey super and primary substations for Phase 13 of the Qatar Power Transmission System Expansion project.

This marks a milestone for Siemens, which has maintained involvement in every stage of the project since Phase Four. The work would be completed in two years' time.

Siemens would be responsible for the design, engineering, supply, installation, and commissioning of the substations for the 400-kilovolt (kV), 220-kV, 132-kV, 66-kV, and 11-kV voltage levels, including gas-insulated switchgear, transformers and control and protection equipment.

As part of this contract, an existing "super substation" – one that allows multiple voltage settings – in Doha would be upgraded with new 400-kV/220-kV gas-insulated switchgear and associated equipment, before connecting to the grid, as per a statement by Siemens.

Another substation would be used to meet rising demand for electricity in Al Jakhaniya and surrounding area, including temporary power feed to Rayyan Stadium, one of the venues for the 2022 world soccer championship.

Substations would also feed power to steel, oil and gas and petrochemical facilities in Mesaieed industrial area, as well as Al Sadd area in Doha. Overall, the substations are required to supply power for ongoing infrastructure development projects, schools, hospitals, industries and residential complexes in and around Doha, Qatar's capital city.

In addition to Phase 13, Siemens also received a second order from the Qatari utility firm to supply and install more than 2,170 medium-voltage switchgear boards.

The 8DJH switchgear would be used as ring main units (RMU) in the 11-kV distribution network. RMUs protect, for example, transformers connected to the grid against overloads and short-circuits, ensuring a reliable power supply, as per a company statement.

The switchgear would be manufactured in Frankfurt, with the first units expected to go into operation by end-2017. The order is valued at roughly € 27 million (US\$ 30 million), as per the same source.

SALINI IMPREGILO WINS US\$ 293 MILLION SAUDI RETAIL PROJECT CONTRACT

Salini Impregilo, an Italian specialist in the construction and civil engineering business, won a SR 1.1 billion (US\$ 293 million) contract from Saudi-based Al Khozama Management Company for the redevelopment of its Al Faisaliah District in capital Riyadh.

As per the agreement, Salini Impregilo would upgrade Al Khozama's retail, hospitality and commercial assets commencing with the renewal of Al Faisaliah Mall.

Designed by architects Gensler, the redevelopment plans for the mall promises a larger shopping experience adding over 16,000 square meters of hi-tech, contemporary and interactive retail spaces for shoppers and tenants alike.

The Al Faisaliah District Redevelopment Project kicks off with a SR 200 million (US\$ 53.2 million) refurbishment of the renowned Al Faisaliah Mall.

The remaining SR 900 million (US\$ 240 million) would be purposed to demolish the adjacent Seyahiah and Al Khozama Centre buildings paving the way for the construction of the mall's new luxury extension, the new modern lavish five-star Al Khozama Hotel.

The Saudi developer said the project would be remodeled and upgraded over phases spanning a 16-month time period. Renovations would start at the mall's Olaya Road entrance and a gradual demolition of the Seyahiah building on Olaya Road would also take place.

UK DEVELOPER BUYS RAK ISLAND PLOT TO BUILD LUXURY RESORT

Developer Crowngate International announced that it acquired a plot on Al Marjan Island in Ras Al Khaimah to build a new upscale resort.

Valued at AED 220 million (US\$ 59.9 million), the new property is scheduled to open in late 2019, as per a company statement.

Crowngate's announcement follows a similar move by Chinese investment firm Novel which has bought a 720,000 square feet plot on Al Marjan Island, with plans to develop a tourism and retail project.

DAMAC PROPERTIES AWARDS CONSTRUCTION CONTRACT WORTH US\$ 10.9 MILLION

DAMAC Properties awarded a contract worth AED 40 million (US\$ 10.9 million) to Proscape LLC for the roads and infrastructure works at Vardon cluster within AKOYA Oxygen, a 55-million-square-foot lush green development in Dubai.

CAPITAL MARKETS

EQUITY MARKETS: REGIONAL EQUITIES CONTINUE TO WITNESS MIXED PRICE MOVEMENTS

MENA equity markets continued to register shy price retreats this week, as reflected by a 0.1% decline in the S&P Pan Arab Composite Index, amid mixed price movements. The heavyweight Saudi Tadawul and the Qatar Exchange posted price declines, given an oil price slump and some unfavorable market-specific and company-specific factors. In contrast, the UAE equity markets and the Egyptian Exchange recorded price gains, driven by some favorable company-specific factors and on bets that Egypt would receive a second installment from the IMF in June 2017.

In details, the heavyweight Saudi Tadawul posted a 0.3% retreat in prices week-on-week, as declining stocks outnumbered gainers, given an oil price slump and some unfavorable financial results, which overshadowed a speech by the Deputy Crown Prince stating that the Saudi government would focus on investing in the mining sector, developing the weapons industry, supporting growth of the auto industry and improving the Kingdom's sea and air logistics.

Brent oil prices fell by 5.7% week-on-week to reach US\$ 49.1, as OPEC delegates downplayed the chance that the cartel and other producing countries would deepen their output cuts on their forthcoming meeting on May 25, 2017. Advanced Petrochemical Company's share price shed 1.4% to SR 43.77. Advanced Petrochemical Company recorded net profits of SR 124 million in the first quarter of 2017, a decrease of 12.9% from the same period in 2016. Sahara Petrochemical Company's share price went down by 1.4% to SR 14.26. Yansab's share price declined by 1.0% to SR 55.02. Saudi Airlines Catering's share price fell by 1.4% to SR 91.75. Saudi Airlines Catering posted a 6.9% year-on-year fall in its 2017 first quarter net profits to reach SR 121 million. The firm's Board of Directors recommended a cash dividend for the first quarter of 2017 of SR 1.25 per share as compared to a dividend distribution of SR 1.75 per share a year earlier.

The Qatar Exchange recorded a 2.0% drop in prices week-on-week, as Brent oil prices traded near five-week lows, and given a Reuters survey showing reduced regional funds' interest in Qatari shares due to relatively higher valuations and unexciting 2017 first quarter earnings. Industries Qatar's share price shed 3.7% to QR 100.40. Oil rig provider Gulf International Services' share price decreased by 2.5% to QR 25.95. Ooredoo's share price dropped by 2.0% to QR 101.70. The firm's Omani unit, Ooredoo Oman, is set to face competition after Abu Dhabi's Etisalat joined Saudi Telecom and Kuwait's Zain Group in bidding for Oman's third mobile license.

EQUITY MARKETS INDICATORS (APRIL 30, 2017 TILL MAY 06, 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	104.1	0.4%	-2.6%	9.7	-28.8%	0.7	10,917.0	4.6%	7.3	0.89
Jordan	401.3	-0.3%	-0.5%	39.9	-14.7%	24.3	24,783.5	8.4%	15.5	1.41
Egypt	263.9	1.1%	4.0%	135.2	-21.8%	688.4	36,320.8	19.4%	10.1	1.76
Saudi Arabia	288.0	-0.3%	-3.8%	4,870.3	13.9%	1,160.0	434,633.2	58.3%	13.3	1.69
Qatar	174.7	-2.0%	-5.9%	356.3	12.9%	51.4	146,206.4	12.7%	14.3	1.80
UAE	127.3	2.1%	1.3%	657.7	49.9%	1,610.2	232,806.1	14.7%	12.6	1.91
Oman	249.7	-0.7%	-5.7%	33.4	17.4%	71.3	22,086.9	7.9%	11.2	1.34
Bahrain	138.3	-0.2%	13.7%	13.3	47.9%	18.3	20,663.0	3.3%	10.3	1.34
Kuwait	81.5	-1.1%	4.8%	218.9	-4.9%	564.2	83,525.7	13.6%	15.7	1.68
Morocco	271.1	1.6%	2.8%	44.7	-24.3%	2.4	59,508.1	3.9%	18.3	2.18
Tunisia	71.8	3.7%	-1.5%	8.2	22.5%	3.5	8,174.8	5.2%	12.6	1.99
Arabian Markets	671.3	-0.1%	-1.7%	6,387.4	14.1%	4,194.9	1,079,625.5	30.8%	13.5	1.75

Values in US\$ million; volumes in millions

* Market cap-weighted averages

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

In contrast, the UAE equity markets posted a 2.1% rise in prices week-on-week, supported by some favorable company-specific factors. In Dubai, Damac Properties' share price went up by 2.0% to AED 2.610. Damac Properties awarded a contract worth AED 40 million to Proscape LLC, one of Dubai's landscaping and infrastructure contractors, for the roads and infrastructure works at Vardon cluster within AKOYA Oxygen, a 55-million-square-foot green development in Dubai. Amanat Holdings' share price jumped by 12.5% to AED 1.040 on short-term speculation before going ex-dividend. Emaar Properties' share price closed 1.4% higher at AED 7.280. Blackstone and CVC Capital are among buyout firms weighing a bid as much as a 40% stake in Emaar Properties' entertainment division.

In Abu Dhabi, Aldar Properties' share price closed 0.9% higher over the week at AED 2.16. Aldar Properties said that it expects to issue and award main construction tenders for four of its developments in the second half of this year. ADCB's share price closed 1.9% higher at AED 7.05. ADCB posted an 8% year-on-year increase in its 2017 first quarter net profits to AED 1.11 billion, exceeding analysts' estimates.

Finally, the Egyptian Exchange posted a 1.1% rise in prices week-on-week amid fueled bets that Egypt would receive a second installment worth of US\$ 1.25 billion, of a three-year IMF loan in June 2017. Commercial International Bank's share price increased by 2.1% to LE 75.47. Arabian Cement's share price closed 3.0% higher at LE 10.20. Naeem Holding for Investment said it expects weak performance at most Egyptian cement producers given a slowdown in the construction activity, yet with an exception for Arabian Cement given its business export. Talaat Moustafa Group's share price rose by 1.9% to LE 8.25. Palm Hills Development's share price surged by 2.7% to LE 3.04. Ezz Steel's share price went up by 1.0% to LE 19.61.

MENA FIXED INCOME: REGIONAL BOND MARKETS UNDER DOWNWARD PRICE PRESSURES, TRACKING US TREASURIES MOVE

Regional fixed income markets came under downward price pressures this week, tracking declines in US Treasuries following a solid US jobs report for April 2017 and narrowing US trade deficit in March 2017, and after the US Federal Reserve indicated that the weak first quarter reading on GDP was probably "transitory", which heightened expectations for a June 2017 interest rate hike.

In the Qatari credit space, sovereigns saw price drops across the board, with papers maturing between 2019 and 2046 registering weekly price declines of 0.12 pt to 0.75 pt. Qatari Diar'20 closed down by 0.13 pt. Prices of Qtel'19 and '23 rose by 0.12 pt each, while prices of Qtel'28 and '43 decreased by 0.50 pt each.

As to papers issued by Qatari financial institutions, QIB'20 was down by 0.13 pt. QNB'20 closed down by 0.25 pt. In contrast, prices of Commercial Bank of Qatar'21 increased by 0.25 pt. Ahli Bank Qatar'21 and '22 were up by 0.25 pt and 0.19 pt respectively. Standard & Poor's revised Qatar's banking industry risk trend to "negative" from "stable" on the back of a significant increase in net external debt of the Qatari banking system. S&P believes that the system's higher reliance on external debt exposes it to the risk of a major shift in investors' sentiment or change in global liquidity conditions. The drop in oil prices and the Qatari banking system's high reliance on government and government-related entities' deposits prompted some Qatari banks to aggressively go after external liquidity, primarily in Asia and Europe. This flow of money was largely utilized to finance projects initiated by the Qatari government, resulting in a significant foreign currency open position, as per S&P.

In the Abu Dhabi credit space, ADGB'21 and '26 traded down by 0.13 pt and 0.12 pt respectively. IPIC papers maturing in 2020, 2021, 2022 and 2023 registered weekly price falls of 0.13 pt each. Prices of Mubadala'21 and '24 declined by 0.12 pt and 0.13 pt respectively. Taqa papers maturing between 2019 and 2036 saw price falls ranging between 0.13 pt and 0.50 pt. S&P lowered its long-term corporate credit rating on Taqa to "A-" from "A". The outlook is "negative". The downgrade reflects potential risks to S&P's current assessment that Taqa has an extremely high likelihood of receiving support from the Abu Dhabi government in a financial stressful scenario. This follows recent related-party transactions at Taqa, specifically the substitution of a favorable put arrangement from a related party with a transfer rights to use land, which S&P views as a weaker mechanism for support to Taqa. The

"negative" outlook reflects the risk of a multiple-notch downgrade if S&P revises down its assessment of the likelihood of government support.

Amongst financials, ADCB'19 and '23 saw weekly price gains of 0.18 pt and 0.25 pt respectively, while ADCB'20 was down by 0.12 pt. ADCB appointed at least four banks to manage the sale of a senior unsecured benchmark size US dollar bond.

In the Saudi credit space, sovereigns maturing between 2021 and 2046 registered weekly price declines of up to 0.75 pt. Prices of SECO'24, '43 and '44 closed down by 0.18 pt, 0.38 pt and 0.50 pt respectively. Dar Al Arkan'18 and '22 closed down by 0.50 pt each. Dar Al Arkan'19 was down by 0.25 pt.

In the Egyptian credit space, sovereigns maturing between 2020 and 2047 posted price falls ranging between 0.12 pt and 0.62 pt week-on-week. Egypt's Finance Ministry said that Egypt would probably issue international Treasury bonds by the end of May or the beginning of June 2017.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	05-May-17	28-Apr-17	30-Dec-16	Week-on-week	Year-to-date
Abu Dhabi	42	41	61	1	-19
Dubai	108	112	150	-4	-42
Kuwait	50	50	111	0	-61
Qatar	60	59	80	1	-20
Saudi Arabia	90	86	113	4	-23
Bahrain	216	222	303	-6	-87
Morocco	134	140	180	-6	-46
Egypt	337	345	450	-8	-113
Lebanon	371	386	520	-15	-149
Iraq	530	530	704	0	-174
Middle East	194	198	285	-4	-91
Emerging Markets	181	182	-	-1	-
Global	180	181	218	-1	-38

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

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\$)

	05-May-17	28-Apr-17	30-Dec-16	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)	18.08	18.05	18.12	0.2%	-0.2%
Iraqi Dinar (IQD)	1,197.08	1,199.38	1,196.17	-0.2%	0.1%
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)	3.64	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%
NORTH AFRICA					
Algerian Dinar (DZD)	109.89	109.89	109.89	0.0%	0.0%
Moroccan Dirham (MAD)	9.86	9.92	10.13	-0.6%	-2.7%
Tunisian Dinar (TND)	2.44	2.48	2.30	-1.5%	6.1%
Libyan Dinar (LYD)	1.42	1.42	1.44	0.0%	-1.2%
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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