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The MENA WEEKLY MONITOR

Economy

p.2 MOODY'S SAYS STABILIZING OIL PRICES AND INTERNATIONAL DEBT ISSUANCES WILL EASE FUNDING PRESSURES ON GCC BANKS

Moody's released a GCC note in which it said that stabilizing oil prices, large international sovereign debt issuances and lower credit growth will improve funding conditions for banks over the next 12 months.

Also in this issue

Surveys

p.5 UAE TOPS MENA COUNTRIES IN UN WORLD HAPPINESS REPORT 2017

The UAE topped a list of 16 MENA countries and ranked 21st globally in the United Nation's "World Happiness Report 2017", obtaining a score of 6.6.

Also in this issue

Corporate News

p.7 JORDAN'S ATTARAT POWER CO MOVES AHEAD WITH US$ 2.1 BILLION OIL SHALE POWER PLANT

Attarat Power Co (APCO), a Jordanian affiliate of Estonian-owned Enefit, said its plan to build a US$ 2.1 billion oil shale-fired power plant in Jordan secured financing from a consortium of Chinese banks.

Also in this issue

Markets In Brief

p.9 REGIONAL EQUITIES UNDER DOWNWARD PRICE PRESSURE, BOND PRICES MOSTLY UP

Regional equity markets continued to operate in negative territory for the fourth consecutive week, mainly driven by some unfavorable company-specific factors, ex-dividend trading, and following the US Federal Reserve's decision to raise its target range for the federal funds rate by 25 bps, which prompted several GCC countries to follow suit despite struggling economies. This was reflected by a 0.3% retreat in the S&P Pan Arab Composite Index. In contrast, regional bond markets saw mostly upward price movements this week, tracking increases in US Treasuries after the US Federal Reserve raised its Federal Fund Rate by a quarter point to 1%, yet signaled no acceleration in the pace of the monetary tightening.

MENA MARKETS: WEEK OF MARCH 12 - MARCH 18, 2017

Stock market weekly trend	↓	Bond market weekly trend	↓
Weekly stock price performance	-0.3%	Weekly Z-spread based bond index	+1.6%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↑
YTD stock price performance	-0.3%	YTD Z-spread based bond index	-17.2%

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ECONOMY

MOODY'S SAYS STABILIZING OIL PRICES AND INTERNATIONAL DEBT ISSUANCES WILL EASE FUNDING PRESSURES ON GCC BANKS

Moody's has lately released a GCC note in which it said that stabilizing oil prices, large international sovereign debt issuances and lower credit growth will improve funding conditions for banks in the GCC region over the next 12 months.

Improved government oil revenues will support deposits from government and corporates. Moody's expects oil prices to remain between US$ 40 and US$ 60 through 2018, compared to US$ 43 in 2016, with lows of US$ 26 in early 2016. This reflects a balance between production cuts by the OPEC and continued strong global supplies as well as ongoing US shale production. Stabilizing oil prices will increase government revenues given their high reliance on hydrocarbons, though they will remain below the fiscal break-even oil prices for most GCC countries.

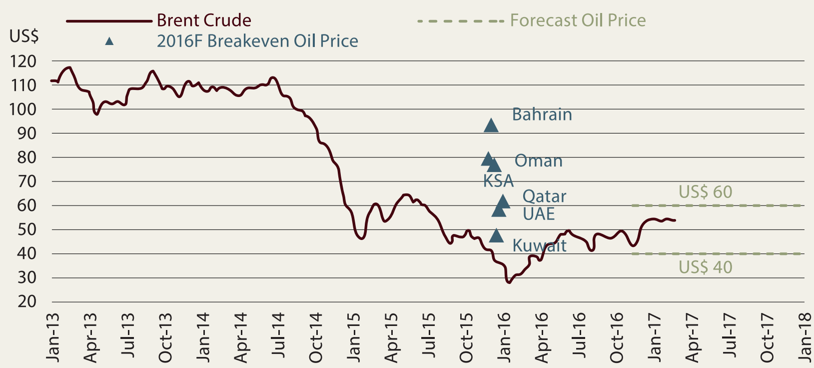
Banks in the GCC are heavily reliant on deposits from their government and government-related issuers. This reflects, according to Moody's, the large-scale government ownership of banks, the undiversified nature of GCC economies and large government reserves accumulated over the period of high oil prices. Since governments are large depositors in GCC banks, higher oil revenues will support deposit levels. Higher government revenues will also promote public spending, which will limit the economic slowdown and boost corporate and retail deposits.

International sovereign debt issuances will also support deposits, as per the report. GCC governments will continue raising funding from international markets after record issuance in 2016. These issuances will reduce the need to borrow from local banks and the money raised will flow at least partially as deposits into banks. Moody's also said that low indebtedness of most GCC countries provides some room for the governments to raise international financing.

International sovereign debt issuance from the region increased from US$ 2.1 billion in 2015 to US$ 38.9 billion in 2016. Moody's expects sovereign issuance from the region at around US$ 32.5 billion in 2017 (US$ 13.6 billion so far in 2017). Large GCC banks with an international footprint will also raise international funds.

Moody's added that lower credit demand would reduce funding pressure. Slower economic growth in GCC countries will also subdue lending activity and reduce banks' funding needs. This will reduce funding pressure, given the slow pace of deposit growth in most GCC banking systems.

BRENT CRUDE AND GCC FISCAL BREAKEVEN PRICES



Source: Moody's

Omani and Qatari banks will benefit the most from easing funding conditions, followed by banks in Saudi Arabia and the UAE, according to the same source. Omani and Qatari banks exhibit the highest net loans to deposit ratios in the GCC, providing little cushion to fund further loan growth. This reflects a combination of high government dependence on oil, high banking system dependence on government deposits and relatively rapid historical loan growth.

However, the Qatari government (Aa2, negative) benefits from considerably higher financial reserves than the Omani government (Baa1, stable), providing it with a higher capacity to support local liquidity if necessary. Bahraini and Kuwaiti banks will continue to exhibit the strongest funding and liquidity profiles in the region, as per Moody’s.

UAE MOST DIVERSIFIED ECONOMY IN GCC, AND THUS THE LEAST VULNERABLE TO LOW OIL PRICES, SAYS CITI

According to a recent report by Citi titled “Middle East Economic Outlook”, the UAE is the most diversified economy within the GCC, and thus the least vulnerable to the low oil price environment of the past two years.

That said, significant differences are apparent between the seven emirates that comprise the UAE, with Abu Dhabi standing out as the economy most exposed to oil markets. Moreover, while the Northern emirates (led by Dubai) are far less directly dependent on oil, their economies are still highly correlated with regional economic activity and trade, as per the report.

Abu Dhabi’s public finances have been negatively affected by the fall in oil revenues, and the government has embarked on a medium-term fiscal plan to eliminate the deficit, as per Citi. However, like other regional oil exporters, the emirate accumulated significant fiscal reserves in recent years and benefits from these both as a fiscal cushion (source of deficit financing) and a source of non-oil income. Moreover, Abu Dhabi’s relatively cautious approach to spending during the oil boom years has meant that the near-term fiscal imbalances are not nearly as acute as in some other GCC countries, and that the corresponding adjustment process will not be nearly as painful.

As part of its adjustment efforts, the government has cut back on spending plans, mainly in the project space, creating headwinds for economic growth in the emirate, as per Citi. In parallel, authorities have embarked on a process of rationalization in the public sector, first with the announced plan to merge two of the largest domestic state-controlled banks, First Gulf Bank and National Bank of Abu Dhabi, and later with that of two large government-owned investment funds, Mubadala and IPIC.

Moreover, Dubai’s public finances remain largely unaffected by lower oil prices, but the emirate nonetheless faces significant headwinds to economic growth. Although Dubai may well be the ultimate regional success story in terms of diversification, this does not insulate it from the effects of lower oil prices, as per the report. The emirate’s hub and spoke model is highly dependent on regional prospects, which Citi believes have been damaged in recent months. Any potential retrenchment of international business based in Dubai but servicing the wider region could have a dampening effect on growth. Moreover, the collapse of the Rouble in 2014 and ongoing softness in the European tourism market have had an adverse impact on Dubai’s tourism and related retail industry, a pillar of the Dubai economy.

Finally yet importantly, feedback from UAE-based domestic and international companies in the UAE suggests a significant deterioration in economic activity since the start of the year, as per the report. In Abu Dhabi, this is being driven by declining government spending and a slowdown in project execution, which is having an adverse impact on domestic consumption and is leading to anecdotal evidence of delayed payments in key sectors such as construction and contracting. In Dubai, the slowdown reflects the spillover from Abu Dhabi and the wider region, given Dubai’s hub and spoke economic model, as well as weakness in the tourism sector on the back of a strong US dollar and the collapse in the Rouble in 2014. Announced job cuts, rising costs and general economic uncertainty have all depressed consumer demand, with the Nielsen survey of the packaged goods market showing a decline of 5% in the first five months of the year. Citi therefore revised its growth targets for this year downwards in both Abu Dhabi and Dubai to 1.0% and 2.7% respectively.

FITCH REVISES OUTLOOK ON IRAQ'S LONG-TERM FOREIGN-CURRENCY IDR TO "STABLE" FROM "NEGATIVE"

Fitch revised the outlook on Iraq's long-term foreign-currency issuer default rating (IDR) to "stable" from "negative" and affirmed the IDR at "B-". The country ceiling was affirmed at "B-" and the short-term foreign-currency IDR at "B".

The revision of the outlook reflects several key rating drivers. To begin with, Iraq's fiscal position improved relative to 2015 and 1H16 because of higher than expected oil prices and reduced government spending. The rating agency estimates that the budget deficit narrowed to 8.1% of GDP in 2016, from 12.3% of GDP in 2015. The IMF program agreed in July 2016 is providing a useful policy framework and has helped Iraq's financing options. However, progress has been slow in a number of areas including surveying arrears, in part due to capacity constraints.

In 2017, Fitch forecasts that the deficit would narrow further, to 5.1% of GDP, with higher average oil prices driving strong revenue growth. The rating agency incorporates non-oil revenue of IQD 8 trillion (US$ 682 billion). On the spending side, the rating agency forecasts 12.1% growth in expenditure after three years of substantial spending declines.

Financing needs would therefore be lower in 2017 and the authorities expect to rely less on indirect monetary financing by the CBI. External financing would play a more dominant role, with funds from the IMF, World Bank, bilateral project loans, a US$ 1 billion Eurobond (with a 100% US guarantee) issued in January and another planned for later in 2017 (without a guarantee). For 2018, Iraq still needs to identify sources of funding to plug the financing gap calculated by the IMF and would likely again focus on external financing, according to Fitch.

Another factor that reflects the upwards revision of the outlook is Iraq's debt/GDP projections, which improved due to smaller fiscal deficits, higher oil prices, and the statistical office's upward revisions to nominal GDP. The rating agency estimates that the government debt/GDP ratio rose to 62.7% in 2016, compared with a "B" peer median of 54.9%, and forecast it to average 61% in 2017-2018. Fitch previously expected government debt/GDP at 75% in 2018. This incorporates identified arrears. The potential for more arrears coming to light presents the risk of higher debt numbers.

WORLD BANK DISBURSES ANOTHER US$ 1 BILLION IN FINANCIAL ASSISTANCE TO EGYPT

The World Bank disbursed another US$ 1 billion in financial assistance to Egypt out of its US$ 3 billion loan program with the country.

Egypt has been negotiating billions of dollars in aid from various lenders to help revive an economy hit by political upheaval since a 2011 revolt and to ease a dollar shortage that has crippled imports and hampered its recovery.

The government has taken important steps in implementing key policy and institutional reforms that are laying down the foundations for accelerated job creation and inclusive growth, as per the World Bank. The latter issued the first US$ 1 billion tranche of the loan in 2015, with two more instalments of the same size to follow, linked to additional reforms that the government planned.

Faced with a gaping budget deficit, Egypt began a series of economic reforms and has taken steps to lower fuel subsidies, introduced a new value-added tax (VAT) and let its currency float freely in the foreign exchange market in November to attract foreign inflows.

According to Egypt's Minister of investment and international cooperation, the second tranche would help spur private sector investment and development projects and services, which should help improve people's standard of living.

SURVEYS

UAE TOPS MENA COUNTRIES IN UN WORLD HAPPINESS REPORT 2017

The UAE topped a list of 16 MENA countries and ranked 21st globally in the United Nation's "World Happiness Report 2017", obtaining a score of 6.6.

The central purpose of the report was to survey the science of measuring and understanding subjective well-being. Six key variables contribute to explaining the full sample of national annual average scores over the whole period 2015-2016. These variables include GDP per capita, social support, healthy life expectancy, social freedom, generosity, and absence of corruption.

Qatar with a score of 6.4 and Saudi Arabia with a score of 6.3 came in the second and third position respectively among their peers, while Sudan, Yemen and Syria came in the last three spots obtaining scores of 4.1, 3.6 and 3.5 respectively.

According to the report, there is a lot of year-to-year consistency in the way people rate their lives in different countries. Thus, there remains a four-point gap between the 10 top-ranked and the 10 bottom-ranked countries. The 10 countries with the largest declines in average life evaluations typically suffered some combination of economic, political, and social stresses.

Among the 20 largest losers in scores, five were in the Middle East and North Africa, five in sub-Saharan Africa, four in Western Europe, three in Latin America and the Caribbean, and one each in South Asia, Central and Eastern Europe, as per the report.

WORLD HAPPINESS REPORT 2017

Country	Rank	Score
UAE	21	6.6
Qatar	35	6.4
Saudi Arabia	37	6.3
Kuwait	39	6.1
Bahrain	41	6.1
Algeria	53	5.9
Libya	68	5.5
Jordan	74	5.3
Morocco	84	5.2
Lebanon	88	5.2
Palestinian Territories	103	4.8
Egypt	104	4.7
Iraq	117	4.5
Sudan	130	4.1
Yemen	146	3.6
Syria	152	3.5

Sources: United Nations, Bank Audi's Group Research Department

REGIONAL INVESTORS BRACED FOR WORSENING CONDITIONS IN 2017, AS PER EMIRATES INVESTMENT BANK

The 2017 GCC Wealth Insight Report from Emirates Investment Bank (EI Bank) shows that regional investors are braced for worsening conditions or more of the same in 2017, while investors in the UAE are the most optimistic among GCC peers.

The GCC Wealth Insight Report 2016 is based on a survey of High Net Worth Individuals (HNWIs) with more than US$ 2 million across the Gulf Cooperation Council (GCC).

The views of HNWIs on the economic situation in their own country vary significantly across the GCC, as per the report. Views were most positive in the UAE with 69% saying the economy is improving and Qatar with 42% being optimistic concerning the economy, as per the report.

According to the same source, the least positive sentiments were in Kuwait and Saudi Arabia. HNWIs in Oman were most likely to feel that the economic situation in their country is worsening (75%). This pattern was consistent compared to 2016.

Regional HNWIs continue to prefer investing in their own business and remain focused on growth over preservation. Half of HNWIs stated the global economic situation has changed their approach to investing, with the most commonly cited impact being a more cautious approach and preference for lower risk, as per the report.

According to the same source, a similar proportion said that local economic conditions have changed their approach to investing and investment decisions. Amongst this group, the most commonly cited impacts were increased investment in new and growing sectors as well as more caution when making investment decisions due to losses. Around 18% stated they have discontinued projects due to local economic conditions.

Over a third of HNWI respondents stated their investment decisions have changed 'a great deal' due to movements in the price of oil and regional structural reform. More than 45% of HNWIs stated that the geopolitical situation in the Arab region has changed their approach to investing and the investment decisions they make, as per the report.

Looking ahead, half of HNWIs mentioned that they plan to increase their investment in cash deposits (51%) and their own business. Approximately a quarter of HNWIs stated they plan to increase the share of their wealth in direct investment and private equity as well as gold and precious metals as per the report.

GCC BANKS FACING INCREASED REGULATORY BURDEN, AS PER KPMG

UAE and GCC banks that are facing increased regulatory burden from Basel III capital requirements and International Reporting Standards 9 (IFRS 9) are expected to face further pressure in terms of costs and margin squeeze from implementation of value added tax (VAT) and common reporting standards (CRS), according to KPMG.

In their report "Banking sector Perspectives 2017" KPMG argues that both VAT and CRS are likely to have a significant impact on every bank operating in the UAE.

According to the report, the standard rate of VAT is expected to be 5%. An additional taxable rate of zero percent may be extended by some GCC member states including the UAE. Whether a service is supplied at either five per cent or zero percent VAT, the taxpayer making the supplies is generally entitled to recover any VAT incurred on their costs. For banks, this would include administrative and cash flow costs. However, it is likely that many financial services would be VAT exempt, as per the report.

The UAE's commitment to share financial data on individuals and legal entities under Common Reporting Standards (CRS), starting in 2018, could mean banks and financial institutions would start collecting required financial data from early 2017, as per the report.

According to the report, financial institutions should also consider obtaining CRS relevant information from all their customers, rather than only customers from jurisdictions that have signed up to CRS as the number of participating countries continues to increase. As of the end of February, 139 countries had signed up.

CORPORATE NEWS

JORDAN'S ATTARAT POWER CO MOVES AHEAD WITH US$ 2.1 BILLION OIL SHALE POWER PLANT

Attarat Power Co (APCO), a Jordanian affiliate of Estonian-owned Enefit, said its plan to build a US$ 2.1 billion oil shale-fired power plant in Jordan secured financing from a consortium of Chinese banks.

The financial-closure agreement would allow the company to start construction of the 470-megawatt plant, which is scheduled to begin generating electricity for local consumption in mid-2020, a company official said.

Oil shale is a sedimentary rock that can be burned directly in furnaces to generate electricity.

The move comes after the power utility last year signed initial agreements with Bank of China and the Industrial and Commercial Bank of China for US$ 1.6 billion in debt financing.

The debt financing would also be supported by State-run China Export and Credit Insurance, which acts as an underwriter.

The project was initially agreed in 2014, but it had faced delays and discord over the price proposed to sell electricity from the plant and connect it to the national grid, as per the same source.

The consortium that owns the project is YTL Power International Bhd of Malaysia and Yudean Group of China, which each hold a stake of 45%, with 10% owned by Enefit.

China's Guangdong Power Engineering Corp was selected to lead the engineering, procurement and construction of the plant under a turnkey contract.

The firm has reached a 30-year power purchase agreement with Jordan's National Electric Power Co (NEPCO).

The plant would utilize Jordan's vast reserves of oil shale and help reduce the Kingdom's imports of oil products for power generation, as per official sources.

The plant is expected to consume around 10 million tons of oil shale per year.

INDIA'S L&T SEALS MAJOR DOHA METRO DEAL

Indian engineering and construction firm Larsen & Toubro (L&T) said its automation unit won a major order worth QR 278 million (US$ 76.2 million) from Qatar Rail Company for Phase One of Doha Metro.

The contract was awarded to L&T Electrical & Automation, the competency center for its electrical and automation business, based in Jebel Ali, Dubai, UAE.

The scope of the order encompasses supply, installation, testing, integration, commissioning and five years' maintenance of a network-wide building automation and control systems (BACS) for 37 stations.

The main aim of BACS is to control and supervise MEP (mechanical, electrical and plumbing) systems, acquire and display MEP equipment status and alarms, provide reliable and effective third-party interfacing services, storage and offline/online analysis of MEP systems acquired data, enable testing and commissioning of the systems.

The frame agreement awarded by QRail to L&T Electrical & Automation is through nine contracts with design-and-build contractors for the stations and tunnels under multiple lines (Red, Green and Gold lines) and a five-year maintenance contract directly with Qatar Rail.
Furthermore, the metro system would be built in two phases: the first would see the construction of

three out of the four lines (Red, Gold, and Green) and 37 stations spanning 111 km of tunnels and 8.7 km of viaducts. Phase One has to be completed on a fast-paced project schedule for handing over all the 37 stations by August 2018 with scheduled start on revenue period by end 2019. These lines are expected to be open to the public by 2020, as per a statement by L&T. The second phase would be completed by 2026, and would involve the expansion of the Phase One lines, and the construction of an additional Blue Line and another 72 stations, as per the same source.

SAUDI'S CAYAN PLANS US$ 320 MILLION PROJECT AT OBHUR WATERFRONT

Cayan Group, a Saudi property developer in the Middle East, announced plans for a new mega project at the Obhur waterfront in Jeddah.

Cayan's new project would sprawl across a built-up area of 140,000 square meters at a cost of SR 1.2 billion and would consist of two towers.

The mixed-use project is developed in Jeddah to take advantage of the city's growing prominence amongst visitors and residents. The hospitality sector in Jeddah is influenced by local demand and pilgrims.

BAHRAIN'S ARCAPITA BUYS US$ 150 MILLION DUBAI WAREHOUSING ASSETS

Bahrain-based investment firm Arcapita bought a group of warehousing facilities in Dubai for about US$ 150 million.

The deal raises the total value of its logistics portfolio in the UAE to US$ 250 million, as per a company statement.

The new portfolio would be comprised of up to ten warehousing facilities occupying a total built-up area in excess of 1.2 million square feet.

EFG HERMES COMPLETES ACQUISITION OF 51% STAKE IN PAKISTAN'S IFSL

Egypt-based investment bank EFG Hermes announced that its fully-owned subsidiary EFG Hermes Frontier completed the acquisition of 51% of Pakistan's listed brokerage house Invest & Finance Securities Ltd (IFSL).

According to the acquisition agreement, EFG Hermes Frontier has purchased 10,207,981 shares, representing 51% of IFSL total outstanding shares.

This comes in line with the strategy outlined by the company which entails expansion into a number of new markets.

DUTCH FIRM WINS LIWA PLASTICS' FLARE SYSTEMS CONTRACT IN OMAN

Dutch firm Escher secured a contract to supply a total of five flare systems for the multibillion dollar Liwa Plastics Industries Complex (LPIC) currently under construction at Sohar. Orpic, the Sultanate's refining and petrochemicals flagship, is investing US$ 6.4 billion in the development of the giant petrochemicals scheme within the industrial port at Sohar, with a smaller upstream component at Fahud as well.

Three of the flares would be supported on one common structure towering above the site at a height of about 170 meters. The other two flare systems would be fitted atop a second common structure at a height of around 100 meters.

The project is conceptualized around the rerouting elements of existing production in combination with additional purchased feedstocks to deliver high value polymer products for the local and international marketplaces.

CAPITAL MARKETS

EQUITY MARKETS: EXTENDED PRICE DECLINES IN REGIONAL STOCK MARKETS

Regional equity markets continued to operate in negative territory for the fourth consecutive week, mainly driven by some unfavorable company-specific factors, ex-dividend trading, and following the US Federal Reserve's decision to raise its target range for the federal funds rate by 25 bps, which prompted several GCC countries to follow suit despite struggling economies. This was reflected by a 0.3% retreat in the S&P Pan Arab Composite Index.

The Qatar Exchange posted a 1.2% drop in prices week-on-week, driven by some unfavorable financial results and as some stocks traded ex-dividend. 29 out of 44 listed stocks registered price decreases, while 15 stocks saw price rises. Qatar First Bank's share price slumped by 10.1% to QR 8.54. The bank posted a 2016 net loss of QR 266 million as compared to net profits of QR 66 million in 2015. Mazaya Development's share price fell by 5.4% to QR 13.20. The company posted 2016 net profits of QR 75 million as compared to net profits of QR 113 million in 2015. Aamal's share price shed 1.8% to QR 14.50. The company posted 2016 net profits of QR 462 million as compared to net profits of QR 601 million in 2015. Qatar Navigation's share price dropped by 6.0% to QR 76.40. The stock traded ex-dividend this week. United Development's share price tumbled by 9.8% to QR 19.40. The stock went ex-dividend this week.

The UAE equity markets posted a 0.7% decline in prices week-on-week, mainly dragged by ex-dividend trading. In Abu Dhabi, ADCB's share price plunged by 6.2% to AED 6.84. The stock traded ex-dividend this week. UNB's share price retreated by 0.7% to AED 4.12. The stock went ex-dividend this week. NBAD's share price fell by 1.0% to AED 10.15. The stock started trading ex-dividend at the end of last week. In Dubai, Air Arabia's share price dropped by 8.4% to AED 1.090. The stock went ex-dividend on March 14, 2017. Tabreed's share price closed 2.7% lower at AED 1.840. The stock traded ex-dividend this week.

The heavyweight Saudi Tadawul saw no price change week-on-week, amid mixed price movements. Some banking stocks traced an upward trajectory, mainly supported by news that Moody's raised its outlook for the Kingdom's banking system from "negative" to "stable". Moody's said that "although profitability and loan performance would continue to soften, Saudi banks would maintain robust

EQUITY MARKETS INDICATORS (MARCH 12, 2017 TILL MARCH 18, 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	108.2	-0.1%	1.2%	2.0	-30.5%	0.3	11,344.0	0.9%	6.6	0.94
Jordan	431.3	3.8%	6.9%	67.0	59.1%	39.3	25,744.6	13.5%	14.1	1.77
Egypt	270.3	-1.4%	6.6%	322.0	-6.9%	1,101.0	36,035.4	46.5%	12.3	1.83
Saudi Arabia	288.6	0.0%	-3.6%	4,519.0	-7.2%	894.1	433,681.5	54.2%	14.6	1.68
Qatar	182.5	-1.2%	-1.7%	1,174.6	164.0%	102.6	152,734.6	40.0%	13.2	1.94
UAE	125.7	-0.7%	0.0%	970.4	25.5%	2,071.1	236,787.4	21.3%	12.6	1.93
Oman	255.8	-3.1%	-3.4%	68.6	80.2%	73.6	22,787.8	15.6%	11.7	1.52
Bahrain	146.3	2.4%	20.3%	20.4	16.7%	39.7	21,332.9	5.0%	10.8	1.25
Kuwait	85.8	-0.8%	10.4%	485.2	20.9%	1,698.5	86,294.1	29.2%	14.8	1.74
Morocco	270.9	0.4%	2.7%	57.0	46.6%	2.8	59,662.2	5.0%	18.8	2.16
Tunisia	74.1	-0.1%	1.6%	14.4	36.0%	8.2	8,400.4	8.9%	14.0	1.95
Arabian Markets	**680.9**	**-0.3%**	**-0.3%**	**7,700.4**	**10.3%**	**6,031.3**	**1,094,804.9**	**36.6%**	**13.9**	**1.79**

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

Sources: S&P, Bloomberg, Bank Audi's Group Research Department capital and loss absorption buffers compared with regional and international peers over the outlook horizon". Al Rajhi's share price surged by 2.7% to SR 64.70. SABB's share price closed 0.7% higher at SR 20.83. Banque Saudi Fransi's share price edged up by 0.5% to SR 24.25. Also, Atheeb Telecom's share price climbed by 15.0% to close at SR 4.14. The Capital Market Authority approved Atheeb's proposal to reduce its capital. In contrast, Yansab's share price fell by 3.3% to SR 56.34 as the stock traded ex-dividend this week. Al Alamiya's share price dropped by 2.8% to SR 23.33. The stock went ex-dividend this week. Saudi Arabia Refineries, known as SARCO, posted a 10.6% decline in its share price to close at SR 34.02. The firm said that it won't distribute dividends for the year 2016.

Finally, the Egyptian Exchange continued to attract a foreign demand this week after the Egyptian Pound depreciated further by 2.9% against the US dollar to reach LE/US$ 18.1 at the end of the week, and the Egyptian cabinet approved a gradual stamp tax duty on stocks. This reflected by a 1.0% increase in the bourse main benchmark index EGX 30 and a 2.0% rise in the broader EGX 100 index. However, the S&P Egypt BMI USD fell by 1.4% given the currency depreciation, which weighed on the S&P Pan Arab Composite Index. Commercial International Bank's share price went up by 2.5% to LE 78.41. Ezz Steel's share price jumped by 3.5% to LE 20.06. Talaat Moustafa Group's share price surged by 7.9% to LE 8.88. Heliopolis Housing's share price climbed by 4.9% to LE 30.15.

FIXED INCOME MARKETS: REGIONAL BOND PRICES MOSTLY UP, TRACKING US TREASURIES MOVE

Regional fixed income markets saw mostly upward price movements this week, tracking increases in US Treasuries after the US Federal Reserve raised its Federal Fund Rate by a quarter point to 1%, yet signaled no acceleration in the pace of the monetary tightening.

In the Abu Dhabi credit space, Mubadala'21 and '22 posted price gains of 0.13 pt each week-on-week. Mubadala'23 was up by 0.38 pt. Dolphin'19 and '21 traded up by 0.38 pt each. Prices of Etisalat'19, '21 and '26 rose by 0.50 pt, 0.75 pt and 0.25 pt respectively. Taqa papers maturing between 2021 and 2036 posted price increases of 0.13 pt to 0.75 pt. As to papers issued by financial institutions, NBAD'19 and '20 were up by 0.13 pt each. NBAD Perpetual closed up by 0.63 pt. Prices of FGB'19 and '20 rose by 0.13 pt each. ADCB papers maturing between 2018 and 2023 registered price gains of up to 0.63 pt. ADCB raised US$ 230 million through the sale of a five-year Formosa bond, which is its second issuance sold in Taiwan this quarter. The issue was arranged by JPMorgan Chase & Co.

In the Dubai credit space, prices of sovereigns maturing between 2020 and 2043 increased by up to 0.50 pt over the week. DP World'20, '23 and '37 posted price gains of 0.50 pt, 0.75 pt and 2.00 pts respectively. Emirates Airline'23 and '25 closed up by 0.50 pt and 0.25 pt. In contrast, Damac'19 was down by 0.25 pt. Damac is considering selling Sukuk this year to raise cash and help repay existing debt.

In the Qatari credit space, sovereigns maturing in 2018, 2021, 2023, 2026 and 2046 posted weekly price gains of up to 0.75 pt, while sovereigns maturing in 2019, 2020, 2022, 2030 registered price declines of up to 0.50 pt. Qtel'21, '25, '26 and '28 were up by 0.50 pt each. Prices of RasGas'19 and '20 increased by 0.25 pt and 0.63 pt respectively. Qatari Diar'20 closed up by 0.13 pt. Amongst financials, Commercial Bank of Qatar'19 and '21 saw price rises of up to 0.38 pt. QNB'18, '20 and '21 posted price increases of up to 0.38 pt. As to plans for new issues, Masraf Al Rayan called for an annual general meeting to approve the issuance of Islamic Sukuk worth US$ 3 billion.

In the Iraqi credit space, sovereigns maturing in 2028 closed up by 1.63 pt week-on-week. Fitch revised the outlook on Iraq's long-term foreign-currency Issuer Default Rating to "stable" from "negative" and affirmed the IDR at "B-". The country ceiling was affirmed at "B-" and the short-term foreign-currency IDR at "B". The revision of the outlook reflects Iraq's improved fiscal position relative to 2015 and the first half of 2016 because of higher than expected oil prices and reduced government spending.

In the Saudi credit space, sovereigns maturing in 2021, 2026 and 2046 posted weekly price rises of 0.63 pt, 1.13 pt and 1.75 pt respectively. SECO papers maturing in 2022, 2023, 2024 and 2044 registered price gains of up to 0.50 pt. SABIC'18 was up by 0.25 pt. Regarding plans to new issues, Saudi Arabia hired Citigroup Inc., JPMorgan Chase & Co. and HSBC Holdings Plc as global coordinators on its international Islamic bond sale. The Kingdom also picked Deutsche Bank AG and BNP Paribas SA among others as lead managers for the sale.

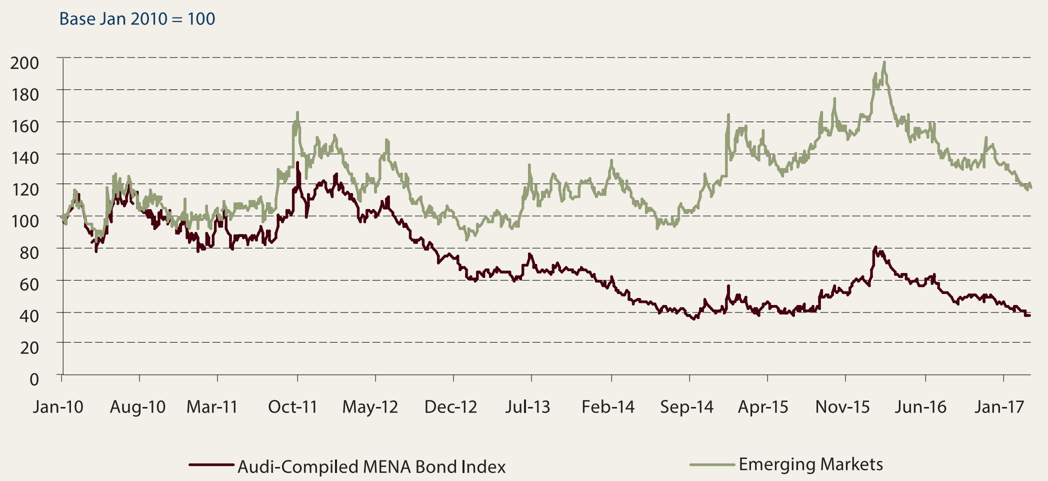
Finally, in the Kuwaiti credit space, KIPCO'23 and '27 were up by 0.50 pt and 0.75 pt respectively week-on-week. Burgan Bank Perpetual traded up by 0.25 pt. As to new issues, Kuwait raised US$ 8 billion from the sale of a dual-tranche international bond issue that was more than three times oversubscribed. The offering comprised US$ 3.5 billion five-year bonds issued at 75 bps over US Treasuries and US$ 4.5 billion 10-year bonds issued at 100 bps over US Treasuries.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	17-Mar-17	10-Mar-17	30-Dec-16	Week-on-week	Year-to-date
Abu Dhabi	40	42	61	-2	-21
Dubai	111	120	150	-9	-39
Qatar	63	65	80	-2	-17
Saudi Arabia	90	95	113	-5	-23
Bahrain	214	219	303	-5	-89
Morocco	131	136	180	-5	-49
Egypt	333	331	450	2	-117
Lebanon	410	410	520	0	-110
Iraq	525	525	704	0	-179
Middle East	**213**	**216**	**285**	**-3**	**-72**
Emerging Markets	**205**	**217**	**-**	**-12**	**-**
Global	**184**	**187**	**218**	**-3**	**-34**

Sources: Bloomberg, Bank Audi's Group Research Department

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



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

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	B-/Stable/B	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	AA-/Negative/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$)	17-Mar-17	10-Mar-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)	18.05	17.54	18.12	2.9%	-0.4%
Iraqi Dinar (IQD)	1,199.00	1,197.77	1,196.17	0.1%	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	0.31	0.31	-0.3%	-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)	9.99	10.02	10.13	-0.3%	-1.4%
Tunisian Dinar (TND)	2.30	2.30	2.30	0.0%	0.0%
Libyan Dinar (LYD)	1.43	1.43	1.44	0.0%	-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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