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p.9 MIXED PRICE MOVEMENTS ACROSS REGIONAL CAPITAL MARKETS

MENA equity markets saw mixed price movements this week, as reflected by a shy price decline of 0.1% in the S&P Pan Arab Composite Index. The UAE, Qatar and Egyptian exchanges registered price falls of 1.3%, 1.6% and 2.1% respectively, mainly dragged by some unfavorable company-specific and market-specific factors. In contrast, the heavyweight Saudi Tadawul posted price gains of 0.5%, on bets that the return of State bonuses may boost consumer spending, in addition to some favorable company-specific factors. Also, regional bond markets saw two-way flows. Some players were encouraged by the positive feedback from the IMF, which announced that spending cuts and an increase in oil prices are helping Gulf Arab monarchies lower some of the world's highest budget deficits. On the other hand, some papers posted price declines as oil prices came under pressure from rising output.

MENA MARKETS: WEEK OF APRIL 23 - APRIL 29, 2017

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-0.1%	Weekly Z-spread based bond index	-1.4%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↑
YTD stock price performance	-1.6%	YTD Z-spread based bond index	-13.2%

ECONOMY

WORLD BANK SAYS SUSTAINING REFORMS KEY FOR ECONOMIC RECOVERY IN MENA

In its recently released MENA Economic Monitor, the World Bank said that economies in the region, plagued by war, violence, and low oil prices, will see growth of 2.6% in 2017, down from 3.5% in 2016. But after 2017, driven by ongoing reforms, the situation is expected to improve slightly and growth could exceed 3% in 2018 and 2019.

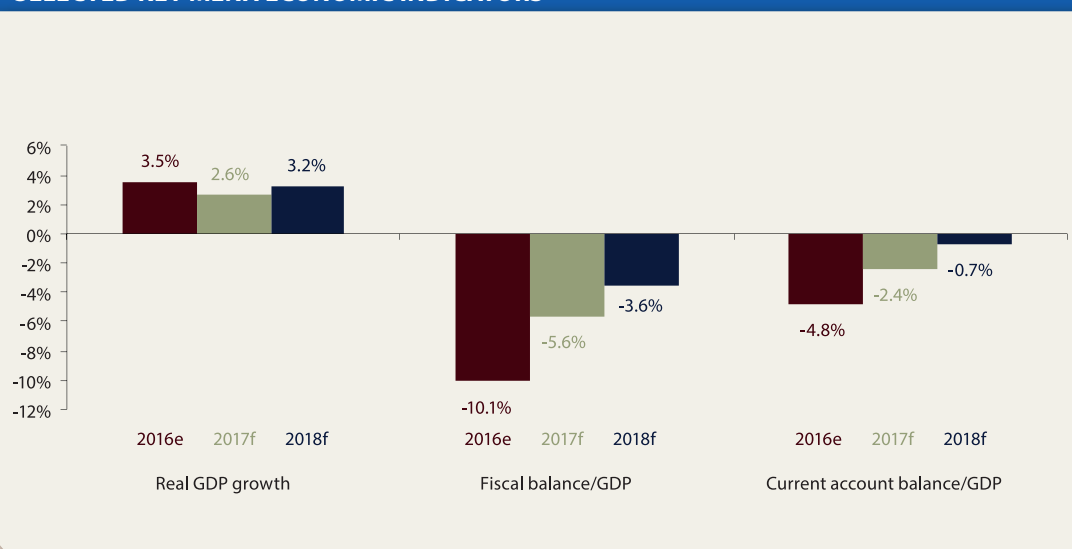
No part of the region has escaped the impacts of instability, which have ranged from devastating people's lives to interrupting trade and discouraging investment, as per a World Bank official. Still, the World Bank is changing its outlook from "cautiously pessimistic" to "cautiously optimistic" because it sees promising signs in the fruits of economic reform, a sense of stability in the oil market, and the fact that eventually all conflicts end.

While the region's overall growth is expected to decline as a result of a slowdown in the economies of oil exporters, oil importers should perform better with growth picking up to 3.5% in 2017 from 2.9% a year before. Despite a sluggish overall economic prospect in the region, the report points to some positive signs of recovery in countries like Egypt, which is successfully implementing key reforms to increase revenue and control expenditure, and is expected to see its Foreign Direct Investment (FDI) double in 2017 reaching US\$ 5 billion. At the same time, with low oil prices, oil-exporting countries have embarked on solid macroeconomic reforms that helped them maintain their economic stability.

The prospects for a recovery in growth and faster development in MENA are within the grasp of the countries in the region. To achieve that, economic reforms and diversification are a must in order to make room for private sector growth that can create badly needed jobs. At the same time, the quality of schools needs to be improved in order to give young people the skills they need to compete for those jobs.

The MENA Economic Monitor emphasizes that the sustainability of economic recovery in the region will depend on the effectiveness of any future peace-building and reconstruction efforts. Causing wide-scale human suffering, weakened institutions and devastated economies, the spillover effects of civil wars have also affected neighboring countries such as Jordan, Lebanon and Tunisia, which are hosting an unprecedented number of refugees while seeing their trade, tourism, and security undermined. The report outlines principles that can guide post-conflict reconstruction which must rebuild not just infrastructure, but inclusive institutions, the lack of which was a major cause of the conflict.

SELECTED KEY MENA ECONOMIC INDICATORS



Source: World Bank

Civil wars, coupled with an economic slowdown, have created newly vulnerable groups and significantly weakened public services such as health and education. Breaking that vicious cycle of violence and economic recession calls for a collective effort to support the region in a peace-building process that would eventually achieve long-term political and economic stability.

To illustrate one major aspect of the reconstruction challenge, recent World Bank estimates show that if a political solution were to be reached in Syria and reconstruction begins, it will take 10 years for the Syrian Gross Domestic Product (GDP) to get close to its pre-war level, if the economy grows by 5% on average. Growing at lower than this rate will delay the recovery by another ten years.

As important as economic recovery, it is critical that reconstruction efforts be geared toward consolidating peace to avoid the possible resumption of conflict. The report recommends that any future reconstruction process be inclusive and internally-driven, based on a national vision that the donor community supports rather than leads. Noting that the civil wars involve sectarian conflict, the report finally calls on post-conflict governments to consider giving greater prerogatives to sub-national entities as a way of preserving territorial integrity. Peace in the Middle East and North Africa region is a global public good. Any reconstruction effort has to be a nation-building exercise and should address the root causes of the conflict in order to prevent its recurrence by building inclusive institutions, giving voice to citizens, and creating jobs for displaced and resident populations.

EGYPT TO FINALIZE THIRD TRANCHE OF US\$ 12 BILLION INTERNATIONAL MONETARY FUND LOAN IN FOUR MONTHS

According to Egypt's Ministry of Investment and International Cooperation, Egypt expects to finalize the third tranche of a US\$ 12 billion International Monetary Fund (IMF) loan in four months.

The country agreed with the IMF in November on a US\$ 12 billion three-year loan program to support government efforts to reduce its budget deficit and balance its currency market.

In parallel, the International Monetary Fund said that Egypt is implementing a strong economic reform program to help the economy return to its full potential, achieve more growth and create more jobs. The IMF added that it recognizes the difficulties faced by Egyptian citizens, especially due to high inflation.

Egypt's inflation is expected to reach 21.6% by the end of the financial year to June, as per the Prime Minister. The country's annual inflation rate soared for five consecutive months to reach 30.9% in March 2017, after the Central Bank floated the pound currency.

OUTLOOK FOR CONSTRUCTION COMPANIES IN GCC TO IMPROVE IN 2017, SAYS MEED

In the GCC Construction 2017 report published by MEED, the outlook for construction companies in the GCC is expected to improve in 2017, with the region, still offering significant opportunities for construction companies despite the slowdown in project spending.

Nonetheless, the report warns that a fall in the volume of new opportunities coupled with increased uncertainty about project timelines would see the construction market further hardening in response to increased competition.

The report noted that the region's strongest markets over the past 12 months were Dubai, Kuwait and Bahrain, which saw their second-best year for awards since 2007, thanks to the financial support of its GCC partners through the Gulf Development Fund.

The approval of the main contract award on the expansion of Kuwait airport took that market to an all-time high of US\$ 12.2 billion of project contract awards in 2016, while the start of work towards Expo 2020 in Dubai enabled the UAE also to record an increase in awards in 2016.

Dubai recorded the lion's share of the project activity in the UAE in 2016, accounting for 72% of all construction and transport deals in the country, while project spending fell sharply in Abu Dhabi.

Elsewhere in the region however, the fall in oil prices since mid-2014 had a profound impact on the construction market in the GCC. With government revenues halved, Ministries and other client bodies have had strict limitations imposed on capital spending. This resulted in projects delays and payment areas, while construction and transport contract awards have dropped in the GCC for the past three years.

Saudi Arabia saw a 62% drop in contract awards, followed by Qatar and Oman. Delays in payments from government clients were a problem, affecting the cash flow of contractors and forcing thousands of layoffs.

According to MEED, the recovery in oil prices in 2016 eased some of the pressure on government finances, while the increased pace in the roll out of economic reforms would see an improvement in confidence as well as an increase in new forms of project model such as public private partnerships (PPP). All GCC governments want to increase private sector investment to ease the burden of capital spending on the treasury and this would create new opportunities in the year ahead. Governments have been taking important steps to develop new revenue streams as well as tapping debt markets, which would help clear up payment arrears, as per the report.

SAUDI ARABIA'S GENERAL RESERVES SLIGHTLY ROSE IN MARCH 2017 TO REACH US\$ 171 BILLION

Saudi Arabia's general reserves rose by an annual SR 52.0 million (US\$ 13.9 million) in March 2017 to reach SR 641.8 billion (US\$ 171.1 billion), according to the monthly report of the Saudi Arabian Monetary Authority (SAMA).

Banks reduced their investments in treasury bonds by SR 202 million (US\$ 53.9 million) in March to stand at SR 178.7 billion (US\$ 47.6 billion). The report said SAMA's foreign assets declined by SR 28.8 billion (US\$ 7.7 billion), registering its lowest level in five years.

According to SAMA, the local and foreign debt tools in 2016 reached SR 200.1 billion (US\$ 53.3 billion) at a time the Finance Ministry announced that it would resume its local bonds sometime this year.

The report said the foreign investments of the commercial Saudi banks reached SR 123.4 billion (US\$ 32.9 billion) by the end of March, compared to SR 159.6 billion (US\$ 42.5 billion) at the same time last year, registering a decrease of SR 36.2 billion (US\$ 9.7 billion).

The foreign debts of the banks were SR 81.4 billion (US\$ 21.7 billion) by the end of March 2017, compared to SR 81.3 billion (US\$ 21.7 billion) in the same period in 2016.

The report said the foreign assets of the commercial banks operating in the Kingdom by the end of March stood at SR 148.5 billion (US\$ 39.6 billion) compared to SR 200.4 billion (US\$ 53.4 billion) in 2016.

It said the value of the sales through the use of ATMs and credit cards from malls, shopping centers, pharmacies and others rose by about 6% to reach SR 16.3 billion (US\$ 4.3 billion) compared to SR 15.4 billion (US\$ 4.1 billion) last year.

The report said these sales were done through 55 million operations via 295,000 ATM machines. The withdrawals from 18,000 ATM machines dropped by about 4% to stand at SR 63.4 billion (US\$ 16.9 billion).

SURVEYS

QATAR TOPS MENA COUNTRIES IN THE SWISS ECONOMIC INSTITUTE'S GLOBALIZATION INDEX

The Swiss Federal Institute of Technology released the 2017 Index of Globalization, in which it ranked Qatar first out of 18 MENA countries and 29th out of 207 countries worldwide in terms of globalization. Sudan and the West Bank and Gaza lagged behind, standing in the 186th and 188th position respectively.

The Index attempts to measure the degree of globalization, with globalization being the degree of integration an economy has with the rest of the world. The Index of Globalization measures the three main dimensions of globalization, i.e economic, social, and political. In addition to three indices measuring these dimensions, the institute calculates an overall index of globalization and sub-indices referring to

actual economic flows, economic restrictions, data on information flows, data on personal contact, and data on cultural proximity.

In terms of overall globalization, Qatar scored 78.49 out of 100. The UAE came in second with a score of 75.29 pts, followed by Bahrain (70.80 pts) and Jordan (69.19 pts). On the other hand, Yemen, Sudan and the West Bank and Gaza were at the lower end of the regional scale, scoring 42.99, 31.42 and 30.93, respectively.

In terms of economic globalization, measured using data on trade and foreign investments as well as related barriers and tariffs, the UAE topped the regional ranking with a score of 88.06 pts, followed by Bahrain (87.37 pts), Qatar (81.45 pts), and Oman (79.73 pts).

When it comes to social integration, measured through data on personal contact, information flows, and cultural proximity, Qatar came in first in the MENA region, with a score of 80.05 pts, followed by the UAE with 77.93 pts and Kuwait with 77.28 pts.

RANKINGS OF MENA COUNTRIES IN KOF INDEX OF GLOBALIZATION 2017

	Rank	Score
Qatar	29	78.49
UAE	37	75.29
Bahrain	43	70.80
Jordan	47	69.19
Kuwait	49	68.09
Saudi Arabia	51	67.74
Lebanon	58	66.52
Morocco	61	65.95
Egypt	66	63.20
Oman	69	62.66
Tunisia	81	59.74
Algeria	108	52.33
Libya	114	50.81
Syria	129	46.97
Iraq	150	43.66
Yemen	152	42.99
Sudan	186	31.42
West Bank and Gaza	188	30.93

Sources: KOF Swiss Economic Institute, Bank Audi's Group Research Department

Finally, when it comes to political globalization, it is measured according to presence of embassies in the country, membership in international organizations, and international treaties. In this indicator, Egypt came in first in the region with a score of 92.46 pts, followed by Morocco (89.50 pts) and Jordan (87.17 pts).

DUBAI TOPS MIDDLE EASTERN CITIES IN TERMS OF HOTEL OCCUPANCY DURING THE FIRST THREE MONTHS OF 2017, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East according to which Dubai emerged on top of Middle Eastern cities with hotel occupancy standing at 86% during the first three months of 2017.

The cities of Dubai, Abu Dhabi and Muscat witnessed the highest occupancy rates amongst peers, with 87%, 81% and 76% respectively. At the lower end of the regional scale were Manama, Amman and Makkah with occupancy rates of 51%, 46% and 44% respectively. Occupancy rates increased within seven cities during the first three months of 2017, with Cairo and Kuwait reporting the most significant increases of 11.0% and 7.9% respectively. In contrast, occupancy rates declined within another seven cities where the highest decreases were reported in Jeddah (-13.8%) and Madinah (-10.1%).

Regarding the average room rate, three cities reported an increase in this indicator with the most significant upward movements posted by Cairo (95.9%) and Makkah (22.2%). The other eleven cities reported decreases, with the most significant decreases recorded in Muscat (-17.6%), Riyadh (-14.8%) and Madinah (-12.7%). A look at the rankings shows that Dubai, Kuwait and Jeddah have the highest rates of US\$ 286, US\$ 230 and US\$ 219. It is worth noting that Beirut, Abu Dhabi and Cairo were at the lower end with US\$ 140, US\$ 135 and US\$ 83 respectively.

Accordingly, four cities reported an increase in the average room yield while the other ten reported a decrease. The most significant rise was seen by Cairo with 132.6%, while Jeddah reported the highest drop of 28.6%. Dubai, Doha and Muscat had the highest rooms yield while Beirut, Amman and Cairo had the lowest.

QATAR REGISTERS US\$ 2.7 BILLION TRADE SURPLUS IN MARCH, GROWING BY 71% YEAR-ON-YEAR

Qatar has registered a trade surplus of US\$ 2.69 billion in March, which represents a year-on-year growth of nearly 71%, according to data released by the Ministry of Development Planning and Statistics.

In March, the total exports of goods (including exports of goods of domestic origin and re-exports) amounted to around US\$ 5.41 billion, showing an increase of 18.4% compared to March 2016, and increased by 0.1% compared to February 2017, as per the report.

According to the report, the imports of goods in March amounted to around US\$ 2.68 billion, which indicates a drop of 9.6% compared with March last year. However, on a month-on-month basis, the imports increased by 20%.

Increase in total exports was mainly due to higher exports of petroleum gases and other gaseous hydrocarbons, which reached US\$ 3.13 billion in March 2017, which represents an increase of 18.1% on the same period last year, as per the report.

According to the report, the foreign merchandise trade balance, which represents the difference between total exports and imports, showed a surplus of US\$ 2.7 billion. This represents an increase of nearly US\$ 1.12 billion compared with March 2016.

CORPORATE NEWS

INDIA'S L&T WINS US\$ 817 MILLION POWER CONTRACT IN QATAR

The Power Transmission and Distribution Business of L&T Construction won its single largest order in the Middle East from the Qatar General Electricity & Water Corporation, also known as Kahramaa.

The order relates to Kahramaa's ongoing electricity transmission network expansion plan which aims to meet the ever-increasing demand for power in the Gulf State.

The US\$ 817 million order would involve the engineering, procurement and construction of 30 new substations of varying voltage levels and approximately 560 km of underground cables, as per a company statement.

The project is scheduled for completion in phases from 15 to 32 months, as per the same source.

After being involved in previous phases of the network expansion plan, this mandate from Kahramaa represents a repeat order for phase 12. Previously, L&T was awarded deals for more than 40 substations and approximately 100 km of high-voltage cabling.

GULF ROYAL-BACKED SAMENA TO RAISE US\$ 700 MILLION FOR ASIA

Samena Capital, an investment firm managing about US\$ 650 million, plans to raise as much as US\$ 700 million for a special situations fund to invest in the Indian subcontinent and Asia.

Samena, which focuses on emerging markets with offices in London, Dubai and Hong Kong, plans to close its third private equity fund in the next 12 to 18 months. The company is working on five deals, targeting investments in India, Myanmar, Indonesia, Vietnam, Sri Lanka and China.

The company, backed by investors that include members of the ruling families of Abu Dhabi, Qatar and Bahrain, is turning its attention to Asia after oil prices slumped by more than half since 2014. Gulf Cooperation Council countries, a group of six oil-producing Arab monarchies, are restructuring companies, cutting costs and merging companies amid the slump. Samena purchased a 31% stake in Abu Dhabi-listed RAK Ceramics in 2014.

DRAKE & SCULL AIMS TO RAISE US\$ 245 MILLION THIS YEAR

Dubai-based building company Drake & Scull International (DSI) plans to sell more "non-core" assets in 2017, helping to fund a cash injection of approximately AED 900 million (US\$ 245 million) in equity this year, as per the company's CEO.

In February this year, it announced a turnaround and capital restructuring plan which included a number of cost-cutting measures and capital raising initiatives.

As part of this plan, it announced to the Dubai Financial Market it had secured a binding offer from Dubai-based Tabarak Investment for a capital injection of AED 500 million.

Its strategy also involves divestment from non-performing or distressed subsidiaries. In March, DSI announced it sold its stake in the One Palm residential development on Palm Jumeirah to Omniyat Properties, its joint venture partner in the project.

RBS'S ALAWWAL BANK AND HSBC'S SAUDI BRITISH BANK EXPLORE A POTENTIAL MERGER

HSBC Holdings Plc is set to strengthen its position in Saudi Arabia with the potential merger of its local venture with Royal Bank of Scotland Group Plc's.

RBS's Alawwal Bank and HSBC's Saudi British Bank are exploring a potential merger to create the country's third-largest lender with US\$ 78 billion in assets, as per Bloomberg.

ACWA POWER TO BUILD SAUDI ARABIAN SOLAR ENERGY PROJECT

ACWA Power International would bid to build a solar energy project in Saudi Arabia, part of the Kingdom's US\$ 50 billion push to temper domestic oil use.

Riyadh-based ACWA received a request for proposals last week from Saudi Arabia's energy ministry to develop the 300-megawatt solar project in Sakaka, as per ACWA's chief investment officer. It's also considering bidding for other solar projects in Oman, Jordan and the United Arab Emirates. Saudi Arabia kicked off its renewables push in January announcing plans for the solar plant and a 400-megawatt wind plant.

Saudi Arabia plans to develop almost 10 gigawatts of renewable energy by 2023, requiring investment of US\$ 30 billion to US\$ 50 billion. Middle Eastern countries also including the United Arab Emirates, Jordan and Morocco are developing wind and solar power plants to either curb their fuel imports or conserve more valuable oil that could be exported instead of used domestically.

Bids for the solar project are due September 2017, and an award may be announced as early as November to start the contract in January. Tenders for the wind project are expected to be issued next month, as per the same source.

ACWA is seeking to build a 200-megawatt solar plant for the UAE's Dubai Electricity & Water Authority, using concentrated solar power. Bids are due in June. ACWA is also considering bidding for other solar projects in Oman and Jordan.

Oman is expected to tender for 200 megawatts of power in the third quarter, and Jordan may seek bids this year for 200 megawatts of solar photovoltaic generation including battery storage. The Jordan project also includes 100 megawatts of wind power.

ETISALAT BIDS FOR OMAN LICENSE

The Abu Dhabi-headquartered Etisalat Group announced it submitted a bid for a mobile licence in Oman.

The bid is in line with Etisalat Group's expansion strategy considering the market potential and similarities, footprint proximity to its core market and likely synergies.

The qualified bidders would be announced on August 14 by Omani's Telecommunications Regulatory Authority, as per a company statement.

Emirates Telecommunications Group Company PJSC, "Etisalat," operates as a telecommunications service provider to individuals and businesses. The company generates a majority of its revenue through mobile communications and fiber optic phone lines. Etisalat has deployed mobile and fixed technologies around the globe, and is headquartered in Abu Dhabi, United Arab Emirates.

CAPITAL MARKETS

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

MENA equity markets saw mixed price movements this week, as reflected by a shy price decline of 0.1% in the S&P Pan Arab Composite Index. The UAE equity markets, the Qatar Exchange and the Egyptian Exchange registered price falls of 1.3%, 1.6% and 2.1% respectively, mainly dragged by some unfavorable company-specific and market-specific factors. In contrast, the heavyweight Saudi Tadawul posted price gains of 0.5%, on bets that the return of State bonuses may boost consumer spending, in addition to some favorable company-specific factors.

The UAE equity markets registered a 1.3% retreat in prices week-on-week, on ex-dividend activity and driven by some unfavorable first quarter results. In Dubai, Du's share price dropped by 3.0% to AED 5.580. Du announced net profits of AED 365 million during the first quarter of 2017 as compared to net profits of AED 480 million a year earlier. Emaar Properties' share price went down by 3.0% to AED 7.180. Emaar Properties went ex-dividend on April 26, 2017. Emaar Malls' share price shed 4.1% to AED 2.570. The stock traded ex-dividend on April 27, 2017. Damac Properties' share price plunged by 7.3% to AED 2.560. The stock traded ex-dividend on April 25, 2017. In Abu Dhabi, Etisalat's share price fell by 1.4% to AED 17.45. Etisalat posted net profits of AED 2.1 billion during the first quarter of 2017, up by 5% year-on-year. However, consolidated revenue for the first quarter of 2017 amounted to AED 12.5 billion, representing a decline of 3% relative to the same period last year due to unfavorable exchange movements mainly in Egypt.

The Qatar Exchange posted a 1.6% decrease in prices week-on-week, mainly dragged by some unfavorable first quarter earnings. Aamal Holding Company's share price shed 5.0% to QR 13.26. Aamal Holding Company recorded net profits of QR 115 million in the first quarter of 2017, a decrease of 11% year-on-year. Masraf Al Rayyan's share price decreased by 0.1% to QR 41.85. Masraf Al Rayan announced net profits of QR 510 million in the first quarter of 2017, up by 2% year-on-year, yet still missing some analysts' estimates. Qatar Navigation (known as Milaha) posted a 2.2% decline in its share price to QR 70.50. The firm posted net profits of QR 236 million during the first quarter of 2017 as compared to net profits of QR 352 million a year earlier.

The Egyptian Exchange registered a 2.1% decrease in prices week-on-week, amid rising speculation about a new possible interest rate hike after the IMF said that interest rates and fiscal measures are among the tools that Egypt could use to control one of the highest inflation rates among inflation

EQUITY MARKETS INDICATORS (APRIL 23, 2017 TILL APRIL 29, 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	103.7	0.2%	-2.9%	13.6	105.0%	1.4	10,875.1	6.5%	6.4	0.90
Jordan	402.5	-1.5%	-0.2%	46.8	-24.9%	33.1	24,861.4	9.8%	13.5	1.02
Egypt	261.0	-2.1%	2.9%	172.9	22.5%	695.0	36,217.3	24.8%	10.7	1.35
Saudi Arabia	289.0	0.5%	-3.5%	4,275.0	4.0%	972.3	434,448.3	51.2%	15.0	1.72
Qatar	178.2	-1.6%	-4.0%	315.7	18.6%	45.0	149,140.6	11.0%	14.6	1.83
UAE	124.8	-1.3%	-0.7%	438.8	-19.5%	902.7	229,501.2	9.9%	12.1	1.23
Oman	251.6	0.8%	-5.0%	28.4	-24.5%	51.6	22,223.5	6.7%	11.7	1.48
Bahrain	138.6	1.1%	14.0%	9.0	-46.5%	14.5	20,682.9	2.3%	10.9	1.31
Kuwait	82.4	-0.9%	6.0%	230.2	-43.7%	616.8	84,204.4	14.2%	15.6	1.67
Morocco	266.7	4.2%	1.2%	59.0	115.5%	2.9	58,803.3	5.2%	17.5	1.98
Tunisia	69.2	2.4%	-5.0%	6.7	6.4%	2.8	7,919.2	4.4%	13.3	1.55
Arabian Markets	671.7	-0.1%	-1.6%	5,596.0	-0.6%	3,338.3	1,078,877.1	27.0%	14.1	1.59

Values in US\$ million; volumes in millions

* Market cap-weighted averages

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

markets. Within this context, it is worth mentioning that an interest rate hike may lure investors to pump their cash into banking assets and abandon other relatively high-risk assets such as stocks. Commercial International Bank's share price dropped by 3.7% to LE 73.90. Talaat Moustafa Group's share price decreased by 1.9% to LE 8.10. Ezz Steel's share price fell by 2.1% to LE 19.42. Palm Hills Development's share price plunged by 5.1% to LE 2.96. EFG-Hermes' share price closed 1.9% lower at LE 24.39.

In contrast, the heavyweight Saudi Tadawul posted a 0.5% increase in prices week-on-week, on speculation about rising consumer spending after the Saudi King restored bonuses and allowances for State employees, which had been canceled in September 2016, after revenue increased and an unprecedented economic overhaul helped narrow the budget deficit, in addition to some favorable company-specific factors. NCB's share price rose by 1.8% to SR 38.99. Samba's share price went up by 3.2% to SR 21.40. Banque Saudi Fransi's share price closed 0.9% higher at SR 26.20. SABB's share price increased by 4.1% to SR 22.6. Al Awwal Bank's share price jumped by 11.9% to SR 11.64. Al Awwal Bank agreed to enter talks on a possible merger with HSBC-affiliated Saudi British Bank. Saudi Kayan Petrochemical Company's share price rose by 1.5% to SR 8.88. Saudi Kayan Petrochemical Company posted net profits of SR 266 million in the first quarter of 2017, as compared to a net loss of SR 195 million in the same period of last year. Almarai's share price went up by 1.6% to SR 73.08. Almarai reported net profits of SR 328.3 million in the first quarter of 2017, up by 13.7% from the same period of last year.

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

Regional fixed income markets saw two-way flows this week, with no evident change in five-year CDS spreads across the board. Market sentiment was mixed, as some players were encouraged by the positive feedback from the International Monetary Fund, which announced that spending cuts and an increase in oil prices are helping Gulf Arab monarchies lower some of the world's highest budget deficits. On the other hand, some papers posted price declines as oil prices came under pressure from rising output, which stoked worries that OPEC-led production may not significantly tighten a bloated market.

In Abu Dhabi, ADGB'19 closed down by 0.25 pt, whereas ADGB'26 traded up by 0.12 pt week-on-week. Amongst quasi-sovereigns, prices of Taqa'19 to '36 fell by up to 0.50 pt, as the company had its credit rating cut one level to "A-" by Standard & Poor's, citing increased risks to State support for the utility company. The rating agency downgraded Taqa's rating from "A" and revised the outlook for the company's debt to "negative" from "stable". Taqa has written off assets, sold businesses and cut jobs and spending after losing money due to acquisitions and lower crude prices over the past two years. In parallel, Taqa plans to refinance a US\$ 500 million bond maturing on October 25, 2017.

In Dubai, DUGB'23 and '29 traded down by 0.13 pt and 0.62 pt respectively, whereas DUGB'43 closed up by 0.75 pt over the week. DP World'20 was down by 0.12 pt, while DP World'23 closed up by 0.25 pt. In the corporate credit space, Emaar'19 and '24 closed down by 0.25 pt each, while Emaar'26 was up by 0.13 pt. ICD'20 and '24 saw price rises of up to 0.50 pt.

Moving on to the Qatari credit space, bond markets performed rather well, with prices of Qatar'22 and '23 closing up by 0.12 pt and 0.13 pt respectively, while prices of sovereigns maturing between 2030 and 2046 fell by up to 1.0 pt week-on-week. Prices of Qtel'23 to '43 expanded by up to 1.12 pt.

In Saudi Arabia, KSA'22 and '46 witnessed weekly price declines of up to 0.50 pt. On the other hand, SECO'22 to '44 saw price rises of up to 0.88 pt. The company is in talks with regional and international banks about a US dollar-denominated Sukuk issue. The new issue is likely to exceed US\$ 1 billion in size. Saudi Electricity had issued US\$ 2.5 billion worth of Sukuk in 2014, with Deutsche Bank, HSBC and JP Morgan as lead banks.

In Bahrain, prices of Bahrain'26 to '44 decreased by up to 0.37 pt, whereas Mumtalakat'21 traded up by 0.25 pt over the week. In the Kuwaiti bond market, prices of KIPCO'23 to '27 increased by up to 0.13 pt, while KIPCO'19 and '20 closed down by 0.12 pt and 0.25 pt respectively.

Elsewhere in the region, Egypt'20 and '22 saw weekly price declines of up to 0.19 pt, while prices of Egypt'25 to '47 increased by up to 0.62 pt. It is worth noting that the country is considering issuing US\$ 1.5 billion to US\$ 2.0 billion worth of Eurobonds in the coming weeks.

Last but not least, prices of Jordan'26 and '27 declined by up to 0.50 pt, as investors made room for the Kingdom's new bond issuance last week. Jordan issued US\$ 1 billion worth of Eurobonds on international markets, with the coupon rate on the ten-year issue at 5.75%.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	28-Apr-17	21-Apr-17	30-Dec-16	Week-on-week	Year-to-date
Abu Dhabi	41	38	61	3	-20
Dubai	112	110	150	2	-38
Kuwait	50	50	111	0	-61
Qatar	59	58	80	1	-21
Saudi Arabia	86	90	113	-4	-27
Bahrain	222	224	303	-2	-81
Morocco	140	139	180	1	-40
Egypt	345	347	450	-2	-105
Lebanon	386	389	520	-3	-134
Iraq	530	520	704	10	-174
Middle East	198	197	285	1	-87
Emerging Markets	182	192	-	-10	-
Global	181	187	218	-6	-37

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\$)

	28-Apr-17	21-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)	18.05	18.08	18.12	-0.2%	-0.4%
Iraqi Dinar (IQD)	1,199.38	1,197.15	1,196.17	0.2%	0.3%
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)	9.92	10.02	10.13	-1.0%	-2.1%
Tunisian Dinar (TND)	2.48	2.37	2.30	4.5%	7.7%
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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