The MENA WEEKLY MONITOR

CONTACTS

Treasury & Capital Markets

Bechara Serhal
(961-1) 977421
bechara.serhal@bankaudi.com.lb

Nadine Akkawi
(961-1) 977401
nadine.akkawi@bankaudi.com.lb

Private Banking

Toufic Aouad
(961-1) 954922
toufic.aouad@bankaudipb.com

Corporate Banking

Khalil Debs
(961-1) 977229
khalil.debs@bankaudi.com.lb

RESEARCH

Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Jamil Naayem
(961-1) 977406
jamil.naayem@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Fadi Kanso
(961-1) 977470
fadi.kanso@bankaudi.com.lb

Farah Nahlawi
(961-1) 959747
farah.nahlawi@bankaudi.com.lb

Nivine Turyaki
(961-1) 959615
nivine.turyaki@bankaudi.com.lb

Economy

p.2 MIDDLE EAST AIRPORTS TO LOSE 250 MILLION PASSENGER TRAFFIC AND US$ 8 BILLION REVENUES IN 2020

Airports in the Middle East will lose around 60% of passenger traffic and revenues in 2020 due to the COVID-19 pandemic, the Airports Council International (ACI) said in its latest report.

Also in this issue

Surveys

p.5 CONSTRUCTION SECTOR CONTINUES TO BE ONE OF THE MOST IMPACTED SECTORS BY COVID-19, AS PER DELOITTE

The COVID-19 pandemic and collapsing oil prices have had an unprecedented and compounding effect on the GCC construction industry in the Middle East and globally.

Also in this issue

Corporate News

p.7 ABU DHABI JIIC AWARDS JUBAIL ISLAND HOMES DESIGN CONTRACT

Jubail Island Investment Company (JIIC) awarded a major design contract to Ramon Esteve Estudio (REE) and EHAF Consulting Engineers for 16 villa and townhouse typologies coming up within the Phase One of its AED 5 billion (US$ 1.4 billion) Jubail Island, a designated freehold investment zone, in Abu Dhabi.

Also in this issue

Markets In Brief

p.9 SHY WEEKLY PRICE GAINS IN REGIONAL EQUITIES, BOND PRICES MOSTLY DOWN

MENA equity markets registered shy price increases this week, as reflected by a 0.2% rise in the S&P Pan Arab Composite index, mainly driven by price gains in the heavyweight Saudi Tadawul, whose market capitalization represents 78% of the total regional market capitalization, while the UAE equity markets, the Qatar Exchange and the Egyptian Exchange posted weekly price falls. In contrast, MENA fixed income markets saw mostly downward price movements this week, as some market players sought to leave room for new bonds issued by sovereigns and firms in the aim to prop up finances hit by low oil prices and the Coronavirus crisis.

MENA MARKETS: WEEK OF SEPTEMBER 06 - SEPTEMBER 12, 2020

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+0.2%	Weekly Z-spread based bond index	+0.8%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-9.0%	YTD Z-spread based bond index	+35.1%

Bank Audi sal - Group Research Department - Bank Audi Plaza - Bab Idriss - PO Box 11-2560 - Lebanon - Tel: 961 1 994 000 - email: research@bankaudi.com.lb

ECONOMY

MIDDLE EAST AIRPORTS TO LOSE 250 MILLION PASSENGER TRAFFIC AND US$ 8 BILLION REVENUES IN 2020

Airports in the Middle East will lose around 60% of passenger traffic and revenues in 2020 due to the COVID-19 pandemic, the Airports Council International (ACI) said in its latest report.

The trade association of the world's airports said that Middle East airport passenger traffic this year will slump by 250 million from the 420 million projected during pre-COVID-19 to 170 million.

As a result, regional airports will lose around 60% (or US$ 8 billion) in revenues to US$ 5.2 billion this year, against the previous ACI estimate of US$ 13.2 billion.

Globally, airports were expected by ACI to generate about US$ 172 billion in 2020 before the COVID-19 crisis, with the new estimates placing revenues at close to US$ 67 billion globally. Similarly, global passenger traffic will fall from 9.4 billion to 3.8 billion - a loss of 60%, ACI said in its fourth update.

As the industry remains on the ground for much longer than anticipated in the first months of the crisis, coupled with ongoing quarantine measures, current projections on international market segments signal that passenger volumes will likely not return to 2019 levels until 2024. Markets that have significant domestic traffic, on the other hand, are expected to recover in 2023 back to pre-COVID-19 levels, the ACI said in its latest analysis.

While the second quarter of 2020 was the worst the industry had seen, with a loss of almost 90% of global airport passenger traffic, the third and fourth quarter are expected to show sustained—albeit partial—recovery, as per ACI. Compared to the business-as-usual forecast (pre-COVID-19 forecast for 2020), the loss in global passenger traffic for Q3 is expected to be close to 70%, and that of Q4 approximately 50%. This brings the full 2020 year at a 60% loss in global passenger traffic, added the ACI in its report.

IMPACT OF COVID-19 CRISIS ON QUARTERLY PASSENGER TRAFFIC BY REGION IN 2020

Reduction in millions	Q1	Q2	Q3	Q4	2020
Africa	-10	-56	-52	-31	-149
Asia-Pacific	-313	-705	-539	-357	-1,914
Europe	-115	-641	-572	-278	-1,605
Latin America-Caribbean	-27	-156	-133	-113	-430
Middle East	**-17**	**-97**	**-84**	**-51**	**-250**
North America	-91	-483	-380	-308	-1,263
World	**-573**	**-2,139**	**-1,761**	**-1,138**	**-5,611**

Source: ACI World

KUWAITI BANKS TO POST LOWER PROFITS AND PLUNGING DEPOSIT GROWTH, SAYS MARKAZ

Kuwait's banking sector will continue to face pressure in terms of profitability and asset quality for the rest of the year, said Markaz. Kuwait Financial Centre's recent report gave an in-depth insight into the impact of COVID-19 on credit demand, deposit growth, and net interest margin for the banking sector, as well as non-performing loans (NPL) and profitability prospects over the coming quarters.

Profitability for 2020 is expected to fall, with net income reducing from KWD 1.202 billion in 2019 to KWD 592 million in 2020, due to lower operating income consequent to contracting net interest margins and lower non-interest income due to subdued business activity, the report said.

For listed banks, deposit growth is expected to fall to 5.0% in 2020, down from 8.1% last year. Credit demand is expected to be moderate at 4.0% on a year-on-year basis in 2020 due to the fall in economic activity and output caused by the restrictions laid by the government, according to Markaz.

In addition, NPLs are expected to reach 4.7% in 2020, up from 1.8% in 2019, said the report. Defaults are likely to be more in sectors such as real estate, where the financial leverage of some borrowers may be relatively large. However, Kuwaiti banks have the highest loan loss allowances of all GCC countries, which provides buffers for the banks to absorb higher and unexpected losses, as per the Markaz report.

Overall, the pandemic is expected to add considerable strain to Kuwait's banking sector in 2020 and 2021, Markaz said in the report, titled "Kuwait Banking Sector Outlook 2020". Lockdown measures and the subsequent plunge in oil prices is expected to reduce economic activity to levels not seen in decades. The unique nature of the crisis, where both the supply and demand has been impacted, needs to be effectively addressed by policy measures. A lack of sizeable fiscal stimulus to support the economy and spurt in distressed businesses could increase the burden for the banking sector and the costs in the long-term could be prohibitive, said Markaz.

Demand for financing and credit to sustain businesses, particularly small and medium enterprises (SMEs), amid near-zero revenues, has surged. Despite the Kuwaiti government extending benefit measures for SMEs in the form of subsidized loans or interest waivers, the onus of loan origination, administration and due diligence checks fall on banks, exacerbating operational risk, the report said.

Positive developments on potential vaccines for COVID-19 would be a game-changer, Markaz said. The impact of the pandemic will be felt in other ways such as changes in consumer behavior, which would then have an impact on the banking sector, such as digitization of the industry, added Markaz. Banks will have to upgrade their systems accordingly to keep up with the advancements in the financial service space and might have to partner with smaller fintech firms in the short term to avail digital services that the new-age banking customer demands, the report said.

CAPITAL ECONOMICS SAYS KSA ECONOMIC RECOVERY WILL BE SLOW

Saudi Arabia's economic recovery has faltered in recent months and is likely to remain gradual, with Capital Economics, a London-based economic research firm, estimating that the Kingdom's GDP fell by 13% year-on-year in Q2 (data due in late September) after recording a contraction of 1.0% year-on-year in Q1.

Capital Economics expects that the recovery will remain slow as austerity weighs heavily on consumer-facing sectors, the suspension of Umrah pilgrimages continues to hit the tourism sector, and the oil sector remains a key drag on the economy. All told, Capital Economics forecasts the Saudi economy to contract by 7.3% this year and, by end-2022, GDP is likely to still be 5.5% below its pre-virus path.

The recovery in the Kingdom's non-oil economy from the sharp downturn between March and May has stuttered. After jumping by 15% year-on-year in June, point of sale transactions and ATM withdrawals -proxies for consumer spending– rose by a more modest 2.9% year-on-year in July, the research firm said.

Capital Economics had warned that the jump in activity in July would not be sustained given that it probably reflected the release of pent-up demand as virus containment measures were lifted as well as a possible rush to make purchases before the VAT hike, from 5% to 15%, came into effect at the start of July. According to the research firm, it is a similar story in other parts of the economy. Growth in local deliveries of cement and clinker, an indicator of activity in the construction sector, eased from 90.9% on a yearly basis in June to 23.7% in July.

EGYPT’S INFLATION FALLS CLOSE TO ONE-YEAR LOW IN AUGUST, RATES TO REMAIN ON HOLD AS PER EFG HERMES

Egypt’s annual urban headline inflation in August fell to its lowest level since October, recording 3.4% against 4.2% in July and 5.7% in June. The key driver of falling inflation was, once again, food prices after falling further into the red, at 4.1%. Meanwhile, non-food inflation was slightly higher, at 6.2%. The outcome came lower than EFG Hermes’s projected 3.9%, as food prices dropped more than anticipated. Food inflation fell 1.6% month-on-month, the fourth consecutive month to see food prices fall. Weakness in food inflation is broad-based, with key food items, including fruit and vegetables, fresh meat and fish, showing a sustained decline in the previous few months.

While these declines are partially a result of seasonality, EFG Hermes also believes they reflect a weak consumption backdrop. The latest employment survey data showed the labor force has shrunk by 2.7 million in 2Q20, equivalent to 10% of the labor force, while an additional c340k have lost their jobs as a result of the COVID-19 shock. On the other hand, non-food inflation was up 0.5% month-on-month, mostly reflecting rising prices of water and Cairo Metro fares.

EFG Hermes forecasts inflation to pick up slightly over the coming few months, ending the year at circa 5%; hence, Egypt would continue to enjoy a relatively benign inflation environment. A combination of a stable EGP and depressed domestic demand is likely to keep inflation in check. This is especially the case that some adjustments to administered prices have been already passed in the past couple of months, without much impact on overall inflation levels. Rising global food inflation, partially due to USD weakness, is a looming risk on the horizon, but it does not look like it would have much of an immediate impact on inflation, in EFG Hermes’s view.

EFG Hermes maintains its view that despite a continued widening margin of real rates, the Central Bank of Egypt (CBE) is likely to keep rates on hold for the rest of the year, including at the Monetary Policy Committee’s next meeting on 24 September. EFG Hermes notes that the CBE has left policy rates on hold since March, despite inflation’s notable downtrend since then.

EFG Hermes still believes the CBE is comforted with the level of easing it has pushed through so far, whether at the level of the 300 bps rate cut in March or, even more so, with its private sector lending initiative, which has been expanded extensively post COVID-19 outbreak. These initiatives have indeed aided corporate credit growth to rise markedly in the past few months. CBE Governor announced the doubling of the private sector credit initiative to LE 200 billion. In addition, the Governor’s latest comment of expecting inflation to average 6% in 4Q20 does feed into EFG Hermes’s view that rates are likely to remain on hold. EFG Hermes sees a chance for rate cuts if and when the country enjoys a more relaxed external environment, represented in a recovery in tourism and remittances, both of which have been impacted by COVID-19 negatively.

SURVEYS

CONSTRUCTION SECTOR CONTINUES TO BE ONE OF THE MOST IMPACTED SECTORS BY COVID-19, AS PER DELOITTE

The COVID-19 pandemic and collapsing oil prices have had an unprecedented and compounding effect on the GCC construction industry in the Middle East and globally. As stakeholders grapple with the "new normal" that COVID-19 has presented, they also face an opportunity to rethink the way they used to work and discover new opportunities to change the status quo collectively, said Deloitte in the 10th edition of its GCC Powers of Construction 2020.

The move of the construction industry's response to COVID-19 from a "Respond to a Recover" phase is underway. In the early Respond phase, the industry's natural focus turned to ways to effectively and safely execute projects at the pace and scale required to minimize social and economic damage and to contain costs while focusing on cash preservation, explains a Partner and Construction Leader at Deloitte Middle East.

As the regional industry moves into the Recover phase, it is essential to adopt a strategic view where the focus should be on the effective execution of projects and payments to contractors being made in a timely manner to ensure the much-needed liquidity to complete the projects under execution, as per the same source.

The Deloitte report finds that the real estate sector performance in Dubai continued to be impacted by oversupply in 2019, which resulted in falling capital and rental values, particularly in the residential sector. Meanwhile, COVID-19 has caused significant disruption across all real estate sectors and the magnitude of the impact due to travel restrictions and lockdown measures will depend on the shape and pace of recovery, as per the same source.

What COVID-19 and the oil price fall have done is served to focus minds on the need to accelerate economic diversification and movements toward each country's national vision. From that at least many major new opportunities will emerge and companies which can pre-empt and grasp these changes will be those that will be best-positioned to face the challenges ahead, explains a Director and Head of Real Estate Development at Deloitte Middle East.

Looking at Saudi Arabia, diversification efforts, social reforms, and government-led investments in infrastructure, entertainment and the tourism sector will be key to the real estate sector's recovery and growth in the long term, as per the same source.

Saudi Arabia is making huge construction and infrastructure developments, aiming ultimately to become a global tourism hub. The Kingdom has also embarked on a journey to undertake a large-scale economic overhaul, which has seen both private and public sector companies focused on reforms, further supporting Vision 2030, albeit with reductions in budgets in 2020 to address the current economic changes. UAE is advancing at unprecedented speed, adopting technologies and putting in place the right legislation to support future growth. UAE, KSA and Bahrain have all implemented local Value Added Tax legislation and compliance with the legislation is of the utmost priority for businesses operating in these countries.

The effects of the COVID-19 pandemic will continue to be felt across the Middle East in all sectors, with construction continuing to be one of the most impacted. Stakeholders in the region need to collaborate and focus on how to maximize the opportunities that exist in a fairer contractual relationship, to deliver projects in a new decade under a new normal to avoid the pitfalls of the past and thrive in this new and unprecedented landscape, as per the former Deloitte official.

UAE MAINTAINS TOP REGIONAL RANK IN ICT INDICATORS IN GLOBAL INNOVATION INDEX REPORT 2020

The UAE maintained its Arab and regional leadership in a number of ICT related indicators, according to the Global Innovation Index Report 2020, which included results related to Global Competitiveness indicators for ICT sector.

According to the report, the UAE ranked first on the Arab and regional level in Information & communication technologies (ICTs) Pillar, ICT Access indicator, and ICT Use Indicator. These indicators measure the progress and development of the Telecommunications infrastructure globally as a main enabler for innovation and a major element in creating an innovative environment.

The UAE also ranked first in the Arab region in Generic top-level domains (gTLDs), and in Country-code top-level domains (ccTLDs) (.ae). These indicators measure the percentage of domain registration globally, and show the volume of movement and technological interaction in the countries, which enhance online creativity.

The UAE continues its global leadership in the ICT sector by achieving advanced positions in competitiveness indicators that measure the progress and development of the sector's infrastructure, as per the Director General of the Telecommunications Regulatory Authority.

The country has witnessed the results of many years of cumulative work to develop the sector and raise its readiness for the future, in cooperation with our strategic partners. The UAE experience in overcoming the current situation has been a clear evidence of its leadership and excellence represented by a smooth transition to virtual activities such as remote work, distance learning, e-commerce and digital government services, thus the continuation of the work of many vital sectors in the country, as per the same source.

These results are a continuation of a series of positive results achieved by the telecommunications sector in the UAE, confirming the UAE global leadership in the pursuit of digital transformation and entering the era of the Fourth Industrial Revolution, artificial intelligence and the Internet of things.

The UAE ranked first in the Arab region and fourth globally in launching and using 5G networks, according to the Global Connectivity Index. TRA began implementing and using IMT2020 technology, known as 5G, at the end of 2017.

The UAE has also ranked first in the Middle East region in transitioning to IPv6, according to the statistics issued by Ripe NCC, Akamai Technologies, and Google. The transition to IPv6 supports Internet service providers in providing services, in addition to its significant positive impact on the implementation of 5G, and the digital transformation in the country, as per the report.

The importance of implementing IPv6 comes as a result of the great scarcity of Internet protocols, and the inability of IPv4 to meet the increasing demand in light of the rapid growth of the Internet.

UAE is ranked number one for the highest FTTH penetration among all its global counterparts for three years in a row according to the leading industry body FTTH council. UAE also has the highest percentage of mobile internet subscribers, and the highest percentage of internet users per population.

According the Global Knowledge Index 2019, the UAE maintained the number one ranking for percentage of mobile coverage for inhabitants; number one for internet broadband subscriptions; and number one in the Arab world and region in smart government services as per United Nations' E-government survey in July 2020.

CORPORATE NEWS

ABU DHABI JIIC AWARDS JUBAIL ISLAND HOMES DESIGN CONTRACT

Jubail Island Investment Company (JIIC) awarded a major design contract to Ramon Esteve Estudio (REE) and EHAF Consulting Engineers for 16 villa and townhouse typologies coming up within the Phase One of its AED 5 billion (US$ 1.4 billion) Jubail Island, a designated freehold investment zone, in Abu Dhabi.

Jubail Island will also feature spacious and well-appointed outdoor areas, including parks, walking tracks, kayaking stations and cycling routes to provide a welcome venue for nature lovers and water sports enthusiasts.

Located within 4.6 million square meters, very low-density development, entwined within a natural environment, the community will also offer all amenities.

With AED 400 million in infrastructure works underway - having already started in early January, home construction is on schedule to begin in Q1 2021 with completion slated for 2023.

In addition, a mix of serviced plots will also be available for buyers to build their custom dream homes from as early as Q3 2021.

Jubail Island is a designated freehold investment zone in Abu Dhabi that will comprise a mix of serviced plots, high-end and mid-range properties as well as retail, office park and F&B outlets.

TCA SIGNS JV WITH SYDNEY-BASED QCC COLLECTION

TCA (Travel Connections Arabia), a global sales and marketing outsourcing agency for the luxury hospitality, tourism and travel industry in the Middle East, signed a joint venture with Sydney-based QCC Collection, a boutique lifestyle management company that provides crafted “sleep, eat and play” concepts for investors and developers.

The joint venture comes at a time when tourism continues to be impacted by the COVID-19 pandemic, and as a number of businesses shift their business plans in order to diversify their offering.

QCC Collection looks into real estate or site development, as well as reviewing portfolio management and performance improvement, and full back of house operations to support partners, with operations in Europe, South East Asia, Australasia, and through the joint venture now includes the Middle East.

MARAFIQ CONSORTIUM INKS US$ 280 MILLION SAUDI SEWAGE PLANT FINANCE DEAL

Marafiq, a power and water utility company for Jubail and Yanbu, said its consortium comprising key partners -Veolia and Amwal AlKhaleejiah- has signed an agreement with Saudi Water Partnership Company (SWPC) for the financial closing of US$ 280 million ISTP (independent sewage treatment plant) project in Jeddah.

Marafiq is the lead developer in Jeddah Airport 2 ISTP and has a wealth of experience as an integrated utility service provider to major industrial cities in Saudi Arabia.

Stage one, which will treat 300,000 cubic meters of wastewater per day, is scheduled to be commissioned on January 31, 2023.

The second stage is likely to add another 200,000 cubic meters per day when the new STP capacity exceeds specific utilization rates.

According to Marafiq, the Jeddah Airport 2 ISTP will be developed on a build, own, operate and transfer (BOOT) concession model under a 25-year Public-Private Partnership (PPP) scheme.

Marafiq's key partners Veolia and Amwal AlKhaleejiah will support the development, financing, engineering, procurement, construction, implementation, ownership, operation, maintenance, and transfer of the Jeddah Airport 2 ISTP (Independent Sewage Treatment Plant).

The total project costs have been structured as non-recourse project finance, with funding sourced from a combination of senior project finance loans by the National Commercial Bank (NCB) and equity contributions from shareholders.

DUBAI SOUTH PROPERTIES INVESTS US$ 136 MILLION IN DEVELOPING SAKANY STAFF ACCOMMODATION

Dubai South Properties announced that investments in its first leasehold staff accommodation development, Sakany, have reached AED 500 million.

The welfare of residents is central to the Sakany project, reflected in its first-rate leisure facilities and well-equipped medical rooms.

There is also ample parking, which can accommodate every resident, as well as additional visitors, following the recent extension of the car park. Moreover, the development features free Wi-Fi across all buildings, allowing residents to connect with their families abroad and use the internet freely. Additionally, the community has two separate access points, for Freezone and non-Freezone companies, and is secured by CCTV surveillance to ensure the safety of all residents. Sakany also distinguishes itself by offering a gated, female-only, building with its own grocery store located on the premises.

Sakany currently accommodates 7,000 individuals, accounting for some 80% occupancy across ten buildings, all of which are equipped with medical and fit-for-purpose quarantine rooms to ensure the safety and wellness of residents. Phase 2 of the development was recently launched, offering 900 additional rooms in six new buildings.

SAUDI’S SAVOLA BUYS BACK SHARES FOR SR 16.6 MILLION

Savola Group, Saudi Arabia’s food products company and a major operator of grocery stores, has bought back more than 341,000 of its shares for SR 16.6 million (US$ 4.4 million).

The transaction, which forms the first tranche of the company’s Long-Term Incentive Program (LTIP) for its employees, was completed on September 13, Savola said in a statement.

SHARJAH MEDIA CITY AND BEEHIVE TO HELP SMEs ACCESS LOW-COST LOANS

Sharjah Media City (Shams) has teamed up with Beehive, a peer to peer lending platform, to provide funding to businesses operating in the emirate’s free zone.

The partnership will help small and medium sized enterprises (SMEs) access low-cost finance of up to AED 500,000 (US$ 136,000).

The funding support is open to businesses in the creative or media industries, according to a statement.

Beehive connects businesses looking for finance with investors. It has been facilitating funding assistance to SMEs for more than five years in the Gulf Cooperation Council (GCC) region and is regulated by the Dubai Financial Services Authority (DFSA) and the Central Bank of Bahrain.

Shams seeks to attract businesses, including start-ups and other business owners, who are looking to start, relocate or expand their business in the emirate.

CAPITAL MARKETS

EQUITY MARKETS: SHY WEEKLY PRICE RISES IN MENA EQUITIES

MENA equity markets registered shy price increases this week, as reflected by a 0.2% rise in the S&P Pan Arab Composite index, mainly driven by price gains in the heavyweight Saudi Tadawul, whose market capitalization represents 78% of the total regional market capitalization, while the UAE equity markets, the Qatar Exchange and the Egyptian Exchange posted weekly price falls.

The heavyweight Saudi Tadawul continued to trace an upward trajectory this week, as reflected by a 0.9% rise in the S&P Saudi index, mainly supported by some favorable market-specific and company-specific factors. The Kingdom's Finance Minister said that Saudi Arabia would likely see an economic contraction this year, but less severe than International Monetary Fund forecasts. Jabal Omar Development saw strong price gains for the second consecutive week, moving up by 10.4% to reach SR 33.90. The real estate owner and developer detailed last week steps taken to restructure its debt. Zain Saudi's share price climbed by 10.1% to SR 12.88. Etihad Etisalat's share price surged by 3.7% to SR 28.30. Zain Saudi and Etihad Etisalat formed a joint committee to prepare and offer a Request For Proposal to purchase the telecommunication towers owned by the two companies, merging them into one company with other investors, or operating them on their behalf. Al Rajhi's share price closed 0.8% higher at SR 66.50. Saudi Telecom Company's share price rose by 1.5% to SR 99.20.

In contrast, the UAE equity markets posted a 1.0% decrease in prices week-on-week, mainly dragged by oil price declines, -6.6% to US$ 39.83, after Saudi Arabia cut its October 2020 official selling price, and given a slowdown in Dubai's non-oil private growth in August 2020. The seasonally adjusted IHS Markit Dubai Purchasing Managers' Index fell to 50.9 in August 2020 from 51.7 in July 2020. In Dubai, Emirates NBD's share price retreated by 0.9% to AED 10.70. Dubai Financial Market's share price dropped by 2.0% to AED 0.845. Arabtec Holding Company's share price plunged by 13.8% to AED 0.599. Arabtec incurred a net loss of AED 794 million during the first half of 2020 against net profits of AED 58 million a year earlier. Deyaar Development's share price shed 4.6% to AED 0.292. du's share price decreased by 1.1% to AED 5.24. du agreed to sell 26% indirect stake in Khazna Data Center to the Technology Holding Company. In Abu Dhabi, Taqa's share price shed 6.1% to AED 1.39. Dana Gas' share price fell by 2.4% to AED 0.731. First Abu Dhabi Bank's share price dropped by 1.2% to AED 11.42.

EQUITY MARKETS INDICATORS (SEPTEMBER 06 TILL SEPTEMBER 12, 2020)

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	60.9	2.4%	-12.5%	6.5	172.7%	0.9	6,797.0	5.0%	-	0.53
Jordan	277.6	-0.5%	-22.9%	27.9	27.8%	30.2	17,543.5	8.3%	11.0	1.21
Egypt	281.8	-0.4%	-18.4%	279.3	-14.9%	1,516.6	43,121.2	33.7%	9.2	1.72
Saudi Arabia	352.9	0.9%	-4.2%	13,632.6	6.5%	2,020.3	2,415,705.0	29.3%	17.4	2.59
Qatar	169.6	-1.1%	-8.2%	517.7	-28.9%	1,235.1	155,367.3	17.3%	14.6	1.96
UAE	93.0	-1.0%	-18.0%	676.1	-44.1%	1,594.6	264,710.0	13.3%	11.5	1.67
Oman	188.0	-1.6%	-6.5%	9.1	-43.9%	22.2	15,693.2	3.0%	10.5	0.87
Bahrain	134.5	-2.6%	-18.0%	8.1	0.8%	27.5	20,256.3	2.1%	11.9	1.47
Kuwait	100.1	0.1%	-16.5%	410.9	-4.2%	1,234.4	91,037.3	23.5%	19.3	1.88
Morocco	248.8	0.6%	-14.5%	30.4	5.2%	1.6	57,419.2	2.8%	16.6	2.60
Tunisia	69.2	1.6%	-4.4%	10.8	-24.3%	8.4	7,854.8	7.1%	13.4	2.53
Arabian Markets	**717.5**	**0.2%**	**-9.0%**	**15,609.4**	**0.1%**	**7,691.7**	**3,095,504.8**	**26.2%**	**16.5**	**2.42**

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

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

The Qatar Exchange posted a 1.1% decrease in prices week-on-week, mainly dragged by oil price declines and some unfavorable company-specific factors. Doha Bank's share price declined by 2.1% to QR 2.29. Qatar National Bank Financial Services cut its recommendation on Doha Bank to "market perform" from "accumulate" with a price target of QR 2.305. Industries Qatar's share price decreased by 1.1% to QR 9.99. Gulf International Services' share price went down by 2.7% to QR 1.594.

The Egyptian Exchange registered a 0.4% retreat in prices week-on-week, mainly dragged by some unfavorable company-specific sectors. Pioneers Holding's share price fell by 4.9% to LE 3.90. Pioneers Holding reported 2020 second quarter net profits of LE 466 million, down by 25% year-on-year. Cleopatra Hospital's share price shed 6.7% to LE 4.60. Cleopatra Hospital announced 2020 second quarter net profits of LE 18.5 million, down by 58% year-on-year. Suez Cement's share price dropped by 5.4% to LE 7.30. Suez Cement reported a widening net loss of LE 394 million during the second quarter of 2020 versus a net loss of LE 322 million a year earlier. Telecom Egypt's share price plunged by 7.1% to LE 13.0. Saudi Telecom said that it is in discussions to reduce its US$ 2.39 billion non-binding offer for a stake in Vodafone Egypt, a company in which Telecom Egypt is a shareholder.

FIXED INCOME MARKETS: MENA BOND PRICES MOSTLY DOWN WEEK-ON-WEEK

MENA fixed income markets saw mostly downward price movements this week, as some market players sought to leave room for new bonds issued by sovereigns and firms in the aim to prop up finances hit by low oil prices and the Coronavirus crisis.

In the Bahraini credit space, sovereigns maturing in 2025 and 2029 registered price declines of 0.38 pt and 2.13 pts respectively week-on-week. Prices of NOGA'24 decreased by 0.58 pt. Bahrain tapped international debt markets for the second time this year through the sale of a dual-tranche debt offering consisting of a US$ 1 billion seven-year Sukuk at 3.95%, down from an initial price guidance of 4.25% and US$ 1 billion 12-year conventional bonds at 5.45%, down from an initial price guidance of 5.625%. The bond sale received more than US$ 7.6 billion in combined orders.

In the Saudi credit space, sovereigns maturing in 2030 were down by 0.38 pt this week. Saudi Aramco'24 posted price falls of 0.22 pt. STC'29 closed down by 0.34 pt. Prices of SABIC'28 contracted by 0.35 pt. SECO'24 traded down by 0.20 pt. Saudi Electricity mandated HSBC and MUFG as green structuring advisors along with First Abu Dhabi Bank, HSBC, JP Morgan, MUFG and Standard Chartered Bank as joint lead managers to arrange a series of fixed income investor calls in Asia, Europe and the Middle East for the sale of a US$ fixed rate RegS senior unsecured international green Sukuk. Fitch assigned Saudi Electricity Company's green Sukuk certificates, which would be issued through Saudi Electricity Global SUKUK Company 5, an expected rating of "A-(EXP)". The expected rating is in line with Saudi Electricity 's long-term Issuer Default Rating and senior unsecured rating of "A-".

In the Omani credit space, sovereigns maturing in 2025 and 2029 posted price retreats of 0.42 pt and 0.88 pt respectively, while Oman'23 was up by 0.04 pt week-on-week. Oman's Finance Ministry hired Bank Muscat and its Islamic unit Meethaq to arrange the sale of a local currency Sukuk that would target local and small investors through a book-building process. Within this context, the Ministry said it is working to complete its funding plan, which includes an international bond and Sukuk offering to fund the remainder of its needs this year.

In the Dubai credit space, sovereigns maturing in 2029 were down by 0.12 pt week-on-week. DP World'30 registered price falls of 0.26 pt. In contrast, Emaar'26 was up by 0.11 pt. Emirates Airline'28 closed up by 0.14 pt. Regarding plans for new issues, Tabreed said that it is seeking shareholders' approval to issue up to US$ 1 billion in Sharia-compliant or conventional bonds.

In the Qatari credit space, sovereigns maturing in 2024 and 2029 registered price contractions of 0.44 pt and 0.88 pt respectively week-on-week. Amongst financials, Commercial Bank of Qatar'23 was up by 0.24 pt. Commercial Bank of Qatar mandated Morgan Stanley as Sole Global Coordinator and ANZ, BofA Securities, Citi, Mizuho, Morgan Stanley, QNB Capital and Standard Chartered as joint lead managers to arrange a series of fixed income investor calls for the sale of five-year US dollar-denominated senior unsecured RegS bond.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2025, 2030 and 2040 posted price declines of up to 1.25 pt week-on-week. Prices of Euro-denominated sovereigns maturing in 2030 contracted slightly by 0.05 pt.

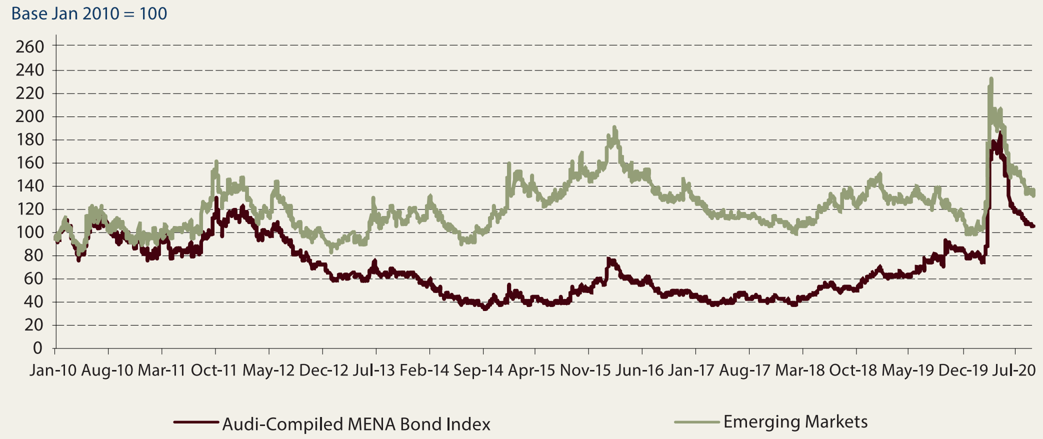
On the overall, activity in regional bond markets was mostly skewed to the downside this week as some market players sought to leave room for new bond issues, while the US Treasury yields remained on the decline on lingering concerns over a potential K-shaped US economic recovery.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	11-Sep-20	04-Sep-20	31-Dec-19	Week-on-week	Year-to-date
Abu Dhabi	43	44	36	-1	7
Dubai	145	145	91	0	54
Kuwait	53	51	37	2	16
Qatar	43	44	37	-1	6
Saudi Arabia	82	84	57	-2	25
Bahrain	316	297	176	19	140
Morocco	131	132	91	-1	40
Egypt	424	429	277	-5	147
Iraq	666	705	384	-39	282
Middle East	**212**	**215**	**360**	**-3**	**-148**
Emerging Markets	**138**	**138**	**148**	**0**	**-10**
Global	**141**	**142**	**163**	**-1**	**-22**

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	SD/-/SD	C/NA	RD/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Negative/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Negative/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Negative	A/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA-/Negative/A-1+	Aa2/RUR	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	B+/Stable/B
Oman	BB-/Negative/B	Ba3/Negative	BB-/Negative/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Negative/F3
Tunisia	NR	B2/RUR	B/Stable/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated RWN= Rating Watch Negative RUR= Ratings Under Review * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	11-Sep-20	04-Sep-20	31-Dec-19	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)	15.77	15.87	16.05	-0.3%	-1.7%
Iraqi Dinar (IQD)	-	-	1,182.87	-	-
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.1%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.68	3.68	3.66	0.0%	0.7%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	1.4%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.38	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	128.21	128.21	119.05	0.0%	7.7%
Moroccan Dirham (MAD)	9.17	9.18	9.57	-0.1%	-4.1%
Tunisian Dinar (TND)	2.74	2.74	2.83	0.0%	-3.4%
Libyan Dinar (LYD)	1.37	1.36	1.40	0.5%	-2.0%
Sudanese Pound (SDG)	55.14	55.14	45.11	0.0%	22.2%

Sources: Bloomberg, Bank Audi's Group Research Department