Bank Audi

MENA WEEKLY MONITOR

DECEMBER 08 TO DECEMBER 14,2024
WEEK 50

CONTACTS

Treasury & Capital Markets

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

Corporate Banking

Carol Ayat
(961-1) 959675
carol.ayat@bankaudi.com.lb

Mohamad Baydoun
(961-1) 959703
mohamad.baydoun@bankaudi.com.lb

Marketing and Communications

Marion Abou Jaoudé
(961-1) 977356
marion.abou-jaoude@bankaudi.com.lb

RESEARCH

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

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

Michèle Khoury Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Stephanie Bou Sleiman
(961-1) 952397
stephanie.bousleiman@bankaudi.com.lb

Elias Missi
(961-1) 959747
elias.missi@bankaudi.com.lb

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MENA equity markets continued to register upward price movements this week, as reflected by a 0.8% rise in the S&P Pan Arab Composite index, mainly supported by oil price rebounds and some favorable market-specific and company-specific factors. In contrast, activity in MENA fixed income markets was skewed to the downside this week, mainly tracking declines in US Treasuries amid rising oil prices. The sell-off in US government bonds took place despite a benign US inflation data for November, which came in line with expectations, solidifying bets for the US Federal Reserve to cut interest rates in its December FOMC meeting.

MENA MARKETS: December 08 to December 14, 2024

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+0.8%	Average weekly bond price change	-0.23 pt
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+1.1%	Average yearly bond price change	+2.62 pts

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

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ECONOMY

GCC BANKING SECTOR OUTLOOK 2025: PROFITABILITY AND ASSET QUALITY BOOST RESILIENCE, AS PER S&P

S&P has released its GCC banking sector outlook 2025 entitled “Profitability And Asset Quality Boost Resilience”.

According to the report, banks in the Gulf Cooperation Council (GCC) region are doing well. They are profitable, benefit from strong asset quality indicators and strong capitalization, and have sufficient liquidity on their balance sheets. S&P expects this performance will continue in 2025, even though it will likely be modestly affected by lower interest rates.

However, an unanticipated, severe increase in geopolitical risk or a major decline in oil prices could weigh on banks’ creditworthiness. Depending on how the scenario unfolds, they expect banks will be relatively resilient. This explains their currently high ratings on GCC banks and the positive outlook bias.

Despite the previous shock from the COVID-19 pandemic, the nonperforming loan (NPL) ratio remained at 3%-4% since it benefited from regulatory forbearance measures and the subsequent economic improvement. The write-offs of legacy NPLs also helped.

At the same time, banks used the strong post-pandemic profitability to continue to set aside additional provisions, which created a cushion for any potential future shocks.

They expect asset quality indicators will remain broadly stable over the next 12-24 months. Pressures remain in markets such as Qatar, where the real estate sector continues to suffer from oversupply after the World Cup in 2022.

Margins have improved, thanks to higher rates, while cost of risk is inching up in some countries as banks use excess profitability to prepare for potential shocks or to cover for risks related to exposures in nondomestic countries. Banks continue to display strong efficiency, which benefits from low labor costs and increasing digitalization.

S&P expects the Fed will cut rates by 225 basis points (bps) by the end of 2025 (inclusive of the 75-bps cut already delivered). GCC central banks are likely to mirror these cuts in varying degrees.

The overall effect of the rate decline on profitability is negative. Yet it could reduce unrealized losses in securities portfolios and the cost of funding for banks that rely heavily on external funding.

Based on S&P’s assumption that interest rates will decline by 225 bps by year-end 2025, they expect an average impact of about 25-50 bps on GCC banks’ margins, with the following variations: 20-30 bps for Bahrain, 30-50 bps for Kuwait, 10-20 bps for Oman, +/-10 bps for Qatar, 20-30 bps for Saudi Arabia, and 40-60 bps for the UAE.

GCC banks continue to benefit from a strong capitalization, supporting their overall creditworthiness. Supportive shareholders--dividend payouts tend to be below 50%--and strong profitability contributed to stable capitalization levels.

The quality of capital is also strong, with a relatively limited contribution of hybrid instruments. S&P expects banks will likely increase hybrid issuance over 2025-2026 to benefit from lower rates and because several previously issued instruments will reach their first call dates.

Finally, GCC banks are mainly funded by domestic deposits, which have proved stable through periods of mild stress, such as the COVID-19 pandemic and previous instances of geopolitical risk.

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UAE'S NON-OIL PRIVATE SECTOR EXPANDS FURTHER IN NOVEMBER

The UAE non-oil economy continued to show a solid rate of expansion in November, according to latest Purchasing Managers' Index (PMI) survey data. Strong demand conditions and competitive client pricing supported a faster increase in new business, which in turn drove another robust uplift in business activity. However, amid subdued job creation and limited efforts to store extra inputs, capacity pressures at non-oil firms remained elevated in November. Meanwhile, businesses cut charges again despite a solid increase in costs, as per S&P's UAE PMI report for November 2024.

The seasonally adjusted S&P Global UAE PMI recorded 54.2 in November 2024, increasing by 0.1 points from the month prior. The index continues to stay below its long-run average of 54.4 albeit solidly above the 50.0 neutral threshold.

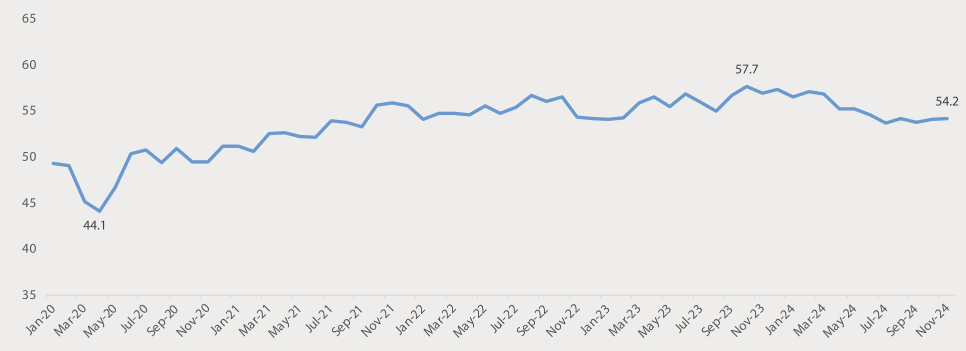
In details, survey data indicated a sharp expansion in total business activity during November. Despite softening from the previous month, the pace of output growth was slightly quicker than the historical trend, with nearly a quarter of survey respondents reporting an expansion in activity since the previous month. Higher output was often associated with a strong market environment, which also supported a marked increase in new order volumes. Notably, the uplift in new orders was the sharpest since August. Qualitative evidence from businesses showed that successful client wins, new marketing initiatives and price discounts supported sales, as per S&P's UAE PMI report for November 2024.

Despite this, the survey data continued to signal a relatively muted jobs market in the non-oil sector. Employment rose only fractionally and to the least extent for 31 months, with nearly all panelists (99%) reporting no change in their staffing. This came despite another substantial rise in backlogs of work, as growing order book volumes often led to delays in the completion of orders. Nearly a fifth of surveyed firms reported an expansion in pending workloads since October.

Capacity levels were also hindered by a fairly subdued assessment of future activity growth. Output expectations were only slightly better than September's 18-month low. With this in mind, firms were reluctant to boost input stocks, with new purchases mostly consumed by current output requirements. Firms signaled a solid improvement in supplier delivery times, which contributed to a slight increase in overall inventories. The rate of input price inflation held at October's six-month low in the latest survey period. Nevertheless, this still represented a solid increase in costs that was also slightly quicker than the long-run trend. Survey evidence showed that cost pressures mainly stemmed from increased material, technology, fuel, machinery and maintenance prices, as per S&P's UAE PMI report for November 2024.

Finally, despite higher costs, non-oil businesses opted to reduce their selling charges, carrying on a renewed period of discounting from October. A desire to offer more competitive prices frequently drove firms to lower their fees, although the overall pace of decline was modest.

COMPOSITE PMI UAE



Source: S&P Global, Bank Audi Group Research Department

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QATAR'S PMI IMPROVES AT A CONSTANT RATE IN NOVEMBER

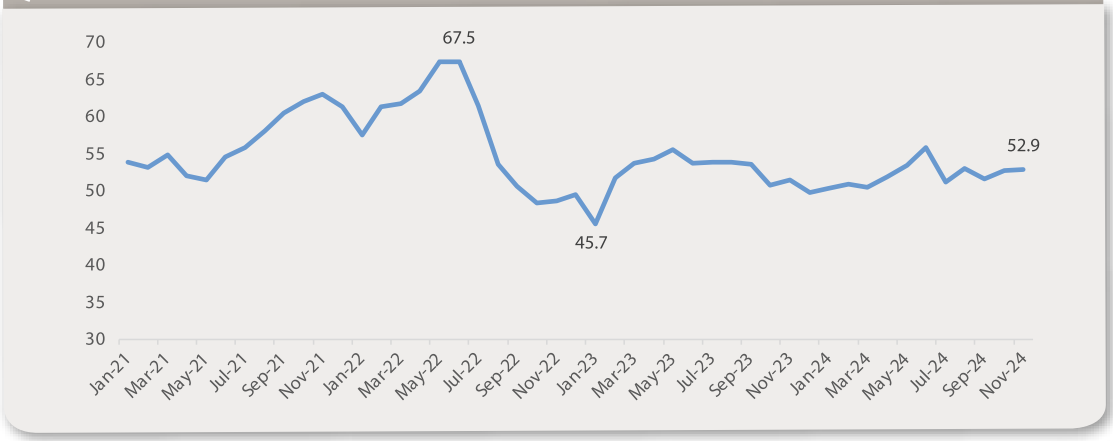
The headline Qatar Financial Centre (QFC) PMI for November 2024 recorded 52.9, up from 52.8 in the month prior. The latest figure denotes a 0.1-point increase in PMI showing an improvement in non-oil private sector activity within Qatar during the month at an almost constant pace than the month prior.

In details, demand for goods and services increased further, supporting growth in total activity. The 12-month outlook for activity remained stronger than the long-run survey trend as firms mentioned Qatar's attractiveness to international investment. The labor market remained very strong, with another near-record increase in employment and sharp wage inflation as firms sought to attract and retain experienced staff. Overall cost inflation retreated from October's four-year high while firms continued to cut their own prices to boost competitiveness.

The rise in the PMI since October mainly reflected a faster increase in business activity, a survey-record increase in stocks of purchases and a softer improvement in suppliers' delivery times. Inflows of new business expanded for the eleventh month running, linked to improving market conditions, marketing efforts, and developing client relationships. Outstanding business decreased for the first time in three months as capacity was expanded. Qatar's non-energy private sector labor market remained very strong in November. Over the past three months employment has risen more quickly than at any other time in the survey history. This was accompanied by further strong wage inflation, with November's increase the third-fastest on record following on from September and October. Companies reported boosting salaries to retain experienced and skilled staff in a highly competitive market. Overall cost pressures remained strong but eased from October's four-year high. In contrast, prices charged for goods and services fell for the fourth month running as firms sought to raise competitiveness. Qatari firms maintained an optimistic outlook for the next 12 months in November. The strength of sentiment was broadly in line with the strong long-run survey trend since 2017. Positive forecasts were linked to domestic economic development, investment, population growth and demand in the real estate and construction sectors, as per the QFC PMI report for November 2024.

In parallel, demand for Qatari financial services increased further in November, driving a marked increase in employment in the sector. Total activity rose again, with the seasonally adjusted Financial Services Business Activity Index remaining well above the no-change mark of 50.0 at 53.7, albeit down from 56.7 in October. Companies were strongly optimistic regarding the 12-month outlook, although sentiment was slightly softer than the long-run series trend (since 2017). Financial services companies cut their prices charged for the fourth month running, and at the fastest rate on record. Meanwhile, average input prices rose at the slowest rate in three months.

QATAR'S HEADLINE COMPOSITE PMI



Source: QFC, Bank Audi Group Research Department

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SURVEYS / REPORTS

MENA STARTUPS RAISE US$ 258 MILLION IN NOVEMBER 2024 RECORDING 92% MOM RISE, AS PER WAMDA AND DIGITAL DIGEST

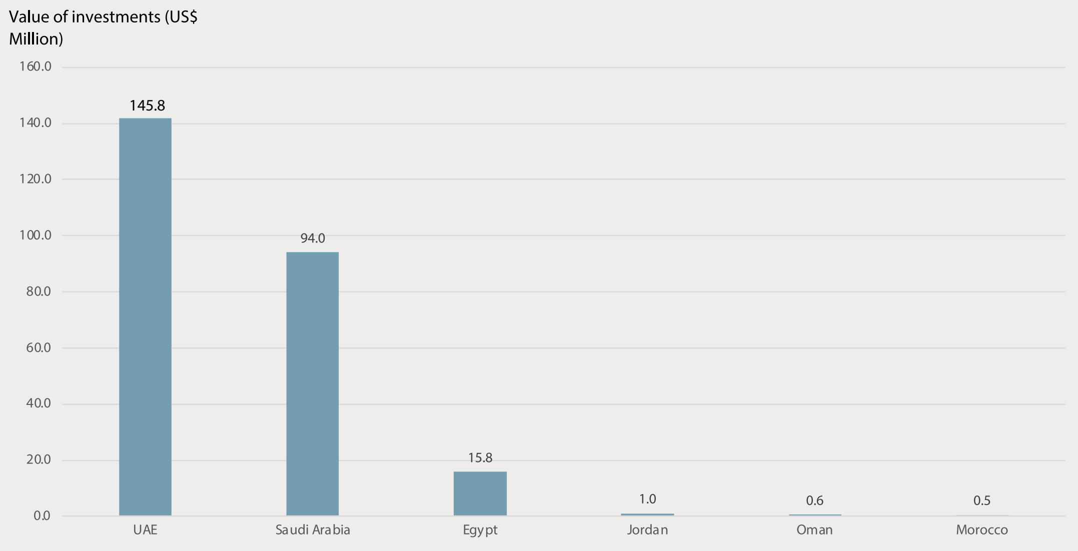
As Q4 2024 almost comes to an end, tech startups in the MENA region demonstrated significant momentum, securing an impressive US$ 258 million through 46 deals in November, a 92% increase month-on-month and a 196% drop from the US$ 764 million raised in the same month last year, according to a report issued by Wamda and Digital Digest. However, when discounting the debt financing from the previous year's total investment, the disparity would be reduced to 32%.

In details, UAE-based eyewa and Lean Technologies led the way by securing the largest ticket sizes, raising US$ 100 million and US$ 67.5 million, respectively, helping to push the UAE to the best-funded ecosystem in MENA the second month in a row with US$ 146 million raises across 11 transactions.

Concurrently, Saudi Arabia's startups raised the second highest amount, with 23 startups securing $94 million in funding.

The Egyptian ecosystem ranked third, with eight startups successfully obtaining nearly $16 million, a significant increase from the US$ 1.6 million reported last month. This growth is noteworthy, considering the ongoing geopolitical tensions at the borders of the North African nation, in addition to the persistent decline of its currency.

THE TOP FUNDED COUNTRIES IN MENA REGION IN NOVEMBER 2024



Sources: Wamda, Digital Digest, Bank Audi's Group Research Department

In terms of sector performance, e-commerce took the lead, largely due to eyewa's significant deal, with seven startups in this space attracting US$ 104 million in funding. This shift pushed fintech, which had been the top choice for investors for four months straight, into second place, garnering US$ 80 million across four startups. The emerging leader of 2024 were Software as a Service (SaaS) providers, which attracted an investment totaling US$ 21 million across seven funding rounds.

In parallel, continuing the trend observed in 2024, the business-to-business (B2B) model emerged last month as the leading recipient of funding, securing 48% of the overall investment. Meanwhile, only US$ 11.5 million was allocated to 12 business-to-consumer (B2C) startups, with the remaining funds distributed among eight startups operating in both domains.

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FITCH RATINGS AFFIRMS IRAQ AT "B-" WITH "STABLE" OUTLOOK

Fitch Ratings affirmed Iraq's Long-Term Foreign-Currency Issuer Default Rating (LTFC IDR) at "B-" with a "stable" outlook.

Iraq's "B-" rating reflects its high commodity dependence, weak governance and high level of political risk. This is balanced by high foreign-exchange (FX) reserves supported by consistent, albeit lower, current account surpluses and a favorable government debt profile. High oil prices previously improved many of Iraq's credit metrics, but weaknesses in the structure of the economy and economic as well as fiscal policy weigh on the rating.

Fitch expects Iraq's oil production to increase as the authorities gradually phase out production cuts to meet higher spending, reaching 4.28 million barrels/day (mmbbl/d) in 2025 and 4.54 mmbbl/d by 2026. Fitch estimates production to average 3.97 mmbbl/d in 2024, from 4.12 mmbbl/d in 2023, due to increased compliance with OPEC quotas.

Concurrently, the credit rating agency forecasts the budget deficit to widen to 8.0% of GDP in 2024, from 2.0% in 2023, and to an average of 12.4% over 2025-2026. Fitch forecasts revenue to edge down to 38.4% of GDP in 2024 owing to a 2pp decline in oil receipts, from the combined effects of lower production and oil prices. Fitch also anticipates revenue would average 34.1% in 2025-2026 as lower oil prices more than offset higher output, and as the authorities have limited flexibility to raise non-oil revenues.

In parallel, Fitch expects total spending to surge to 46.4% in 2024 (+4pp of GDP yoy) due primarily to a higher wage bill and pension transfers ahead of the 2025 elections, while capex remains stable at 7.1% of GDP. The credit rating agency expects expenditure to average 46.5% over 2025-2026, with current spending remaining high at 41.5%, reflecting the authorities' limited flexibility on salaries and transfers. Fitch believes the bulk of fiscal adjustment would come from capex, which Fitch expects to decline significantly after the elections and average 5.0%. The government has a track record of adjusting capex to compensate for lower revenue.

On the other hand, Fitch forecasts FX reserves to remain strong at around 16.7 months of current external payments over the forecast horizon (2023: 16 months) on the back of the current account surplus. This would provide a substantial financial buffer, including relative to annual external debt service, of around 1.8% of GDP over 2024-2026. The majority of the external debt is owed to official creditors. Iraq faces a total of US$ 1.2 billion in repayments through 2028 for its only outstanding eurobond.

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CORPORATE NEWS

PIF AND BPIFRANCE ASSURANCE EXPORT SIGN US$ 10 BILLION MOU

PIF, the sovereign wealth fund of Saudi Arabia, and French-based Bpifrance Assurance Export announced the signing of a Memorandum of Understanding (MoU) to strengthen the bilateral partnership and cooperation between the two institutions, and for Bpifrance Assurance Export to provide financing support of up to US$ 10 billion to PIF and PIF portfolio companies.

The MoU, which covers a five-year period, aims to boost collaboration between PIF and Bpifrance Assurance Export, focusing on projects supporting Saudi Vision 2030.

This agreement would mutually benefit to both countries by strengthening Franco-Saudi commercial relationships, increase trade flows and develop opportunities for French companies to forge new partnerships, as well as contributing to the development of Saudi Vision 2030.

CRU OPENS NEW OFFICE IN RIYADH TO SUPPORT REGIONAL GROWTH

CRU, the global commodities experts, announced the opening of its new office and entity in Riyadh, Saudi Arabia, as reported in a company statement.

The new Riyadh office would deepen relationships with key partners and strengthen CRU's offering in MENA by combining local expertise with CRU's international knowledge of global commodity markets and strategic expertise across energy transition, clean technology and sustainability.

CRU's new office would enhance its ability to deliver actionable insights and solutions in these areas, providing clients with enhanced support in strategic planning, market insights, supply chain development, and data-driven decision-making.

CRU's presence in Riyadh comes at a time of significant economic transformation in Saudi Arabia, driven by Vision 2030 and substantial investments in economic diversification and environmental sustainability including minerals and commodities, renewable energy, hydrogen and decarbonizing industrial sectors.

ADIO SIGNS 5 PARTNERSHIP AGREEMENTS TO ADVANCE ABU DHABI'S MANUFACTURING SECTOR

The Abu Dhabi Investment Office (ADIO) signed a series of collaborative agreements to increase local participation in government procurement opportunities, in line with Abu Dhabi's goals to support localization and advancing economic diversification.

ADIO signed an agreement with Daikin Middle East and Africa (Daikin), a world leading provider of residential Heating, Ventilation, and Air (HVAC) systems, to explore opportunities to develop energy efficient cooling systems in Abu Dhabi.

ADIO also signed an agreement with Takyeef Factory, an Abu Dhabi-based manufacturer of air handling units (AHUs) and parts of Carrier cooling units, to explore opportunities for HVAC and refrigeration systems manufacturing for residential, commercial, and industrial use.

ADIO also partnered with GEOLLYTO, a Chinese company specializing in high-tech solar and indoor lighting solutions, in partnership with Chinese lighting manufacturer Woojong Enterprises. The collaboration aims to explore initiatives to support the local lighting systems industry.

Another agreement was signed with JST Limited, an Internet of Things (IoT) joint venture company with Aqara, the largest smart home solution provider in China, which covers both indoor and outdoor lighting. Under the partnership, both entities would work to explore opportunities for service provision and promoting the localization of lighting systems production in Abu Dhabi.

Additionally, ADIO signed an agreement with LumenAE Lighting Manufacturing, a global leader in electrical fixtures for residential and street lighting. Under the agreement, the parties aim to explore potential partnership and investment opportunities to further the development of a cutting-edge lighting production facility in Abu Dhabi to serve the wider region.

ADNOC SIGNS 15-YEAR SPA WITH MALAYSIA'S PETRONAS FOR RUWAIS LNG PROJECT

ADNOC, the State-owned oil company of the UAE, signed a second Sales and Purchase Agreement (SPA) for the lower-carbon Ruwais Liquified Natural Gas (LNG) project, with Malaysia's PETRONAS.

The 15-year SPA for supplying 1 million tons per annum (mtpa) of LNG converts a previous Heads of Agreement between ADNOC and PETRONAS into a definitive agreement.

The LNG would primarily be sourced from the Ruwais LNG project, which is currently under development in Al Ruwais Industrial City, Abu Dhabi. Deliveries are expected to start in 2028 upon commencement of its commercial operations.

Currently, over 8 mtpa of the project's production capacity has been committed to international customers through long-term agreements.

It is worth noting that Ruwais LNG plant would be the first LNG export facility in the Middle East and Africa region to run on clean power, making it one of the lowest-carbon intensity LNG plants in the world.

TOTALENERGIES JV WINS OMAN RENEWABLE ENERGY PROJECTS CONTRACT

TotalEnergies, a global integrated energy company, announced that its joint venture with OQ Alternative Energy, a subsidiary of Oman Oil Company (OQ), secured a major contract to develop three renewable energy projects in the country.

In the new venture, OQ Alternative Energy would have a 51% stake while the rest 49% would be with TotalEnergies.

As per the contract awarded by Petroleum Development Oman (PDO), the OQ-TotalEnergies venture would be responsible for setting up North Solar, a 100 MW facility in Saih Nihaydah in northern part of the country, as well as two 100MW wind projects, Riyah 1 and Riyah 2, located in Amin and West Nimr fields in the southern part.

The construction work would begin in 2025, while the electricity production at these facilities would likely start in late 2026.

These solar and wind projects would generate over 1.4 TWh of renewable electricity annually, which aligns with the objectives of Oman Vision 2040 of achieving Net Zero emissions by 2050.

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CAPITAL MARKETS

EQUITY MARKETS: EXTENDED UPWARD PRICE MOVEMENTS IN MENA EQUITIES THIS WEEK

MENA equity markets continued to register upward price movements this week, as reflected by a 0.8% rise in the S&P Pan Arab Composite index, mainly supported by oil price rebounds and some favorable market-specific and company-specific factors.

The heavyweight Saudi Exchange, whose market capitalization represents more than 60% of the total regional market capitalization, registered extended price gains (+1.4%) this week, mainly on improved overall investor sentiment following news that Saudi Arabia was confirmed by FIFA as host of the 2034 World Cup in men's soccer, and after latest statistics released by General Authority for Statistics revealed that the Saudi economy has expanded by 2.8% year-on-year in the third quarter of 2024, mainly supported by non-oil activities. This compounded with some favorable company-specific factors, in addition to Brent oil price gains (+4.7% to reach US$ 74.49 per barrel on Friday) after the European Union agreed to an additional round of sanctions threatening Russian oil flows that could tighten global crude supplies, and as traders digested US comments flagging possible tighter curbs on Russian and Iranian flows.

A closer look at individual stocks shows that petrochemicals giant Saudi Aramco's share price rose by 1.8% week-on-week to reach SR 28.45. Petro Rabigh's share price expanded by 1.7% to SR 8.25. Sipchem's share price closed 0.8% higher at SR 24.90. Also, Alinma Bank's share price increased by 1.1% to SR 29.00. Aljazira Capital raised its recommendation on Alinma Bank's stock to "Overweight" from "Neutral", with a price target of SR 35.50, which implies a 23% increase from last price. Mouwasat's share price edged up by 0.7% to SR 92.50. Arqaam Capital raised its recommendation on Mouwasat Medical Services' stock to "Buy" from "Hold", with a price target of SR 108, which implies a 17% increase from last price.

Also, Luberef's share price closed 0.4% higher at SR 113.80. Morgan Stanley raised its recommendation on Luberef's stock to "Overweight" from "equal-weight", with a price target of SR 139, which implies a 22% increase from last price. Yanbu Cement's share price went up by 2.1% to SR 24.40. Yanbu Cement's Board of Directors recommended the distribution of dividends at a rate of SR 0.5 per share for the second half of 2024, noting that the firm did not distribute cash dividends to shareholders for the second half of 2023. Dallah Healthcare Company's share price surged by 4.8% to SR 161.40. AlJazira Capital Co. raised its recommendation on Dallah Healthcare Company's stock to "Overweight" from "Neutral", with a price target of SR 183, which implies a 17% increase from last price. Sulaiman Al Habib Medical Services Group's share price jumped by 4.5% to SR 301.20. Arqaam Capital Limited raised its recommendation on Dr Sulaiman Al Habib Medical Services Group's stock to "Buy" from "Hold", with a price target of SR 310, which implies a 7.1% increase from last price.

EQUITY MARKETS INDICATORS (DECEMBER 08 - DECEMBER 14, 2024)

Market	Price Index	week-on-week	Year-to-Date	Trading Value	week-on-week	Volume Traded	Market Capi-talization	Turnover ratio	P/E*	P/BV*
Lebanon	193.7	1.4%	6.3%	3.2	-86.9%	0.4	21,887.3	0.8%	-	0.46
Jordan	377.1	-0.4%	2.0%	18.6	-10.0%	13.4	23,691.8	4.1%	8.9	1.16
Egypt	250.3	-1.6%	-25.8%	324.8	-1.8%	8,918.1	43,770.3	38.6%	9.0	2.37
Saudi Arabia	522.4	1.4%	-0.2%	6,606.2	1.2%	2,913.2	2,763,681.2	12.4%	17.0	4.19
Qatar	172.9	1.3%	-2.2%	418.6	40.1%	830.9	171,195.3	12.7%	12.6	1.58
UAE	143.5	-0.2%	4.1%	2,755.1	3.5%	4,156.1	1,020,833.7	14.0%	19..29	3.45
Oman	251.5	-0.7%	0.2%	37.5	-21.2%	111.4	30,141.0	6.5%	11.2	0.97
Bahrain	231.9	-1.2%	3.3%	6.8	-16.4%	12.6	19,209.8	1.9%	11.0	1.30
Kuwait	134.8	0.3%	7.2%	841.0	5.3%	1,984.7	138,956.9	31.5%	17.2	1.90
Morocco	312.2	-0.8%	18.6%	80.0	-53.4%	4.7	74,892.8	5.6%	19.3	2.80
Tunisia	66.7	-0.8%	3.9%	12.0	30.7%	6.2	7,694.0	8.1%	10.8	1.97
Arab Markets	**985.3**	**0.8%**	**1.1%**	**11,103.9**	**1.8%**	**18,951.8**	**4,315,954.1**	**13.4%**	**12.6**	**3.72**

Values in US$ million; volumes in millions
** markets cap-weighted averages*
Sources: S&P, Bloomberg, Bank Audi'sGroup Research Departement.

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The Qatar Stock Exchange traced an upward trajectory this week, as reflected by a 1.3% increase in the S&P Qatar index, mainly helped by rising oil prices. 43 out of 52 traded stocks posted price gains, while eight stocks registered price drops, and one stock saw no price change week-on-week.

A closer look at individual stocks shows that QNB's share price increased by 0.7% to QR 17.320. Qatar International Islamic Bank's share price nudged up by 0.3% to QR 10.630. Dukhan Bank's share price surged by 4.2% to QR 3.605. Masraf Al Rayan's share price went up by 3.7% to QR 2.500. Doha Bank's share price jumped by 6.7% to QR 1.979. The Commercial Bank's share price closed 3.2% higher at QR 4.395. Industries Qatar's share price rose by 1.5% to QR 12.990. Gulf International Services' share price expanded by 2.8% to QR 3.087. Qatar Insurance's share price moved 0.9% higher to QR 2.100. Qatar Aluminum Manufacturing' share price moved 1.0% higher at QR 1.257. Ezdan Holding Group's share price rose by 1.6% to QR 1.170. Barwa Real Estate's share price went up by 2.4% to QR 2.844. Qatar National Cement's share price advanced by 2.8% to QR 3.824.

Boursa Kuwait registered continued to operate on a positive territory this week, as reflected by a 0.3% rise in the S&P Kuwait index, mainly helped by higher oil prices and given some reshuffling activity towards the end of the year. A closer look at individual stocks shows that Kamco Invest's share price increased by 1.6% to KWf 125. Zain's share price went up by 2.4% to KWf 477. Gulf Bank's share price rose by 1.5% to KWf 330. Al Ahli Bank of Kuwait's share price surged by 3.0% to KWf 276. Kuwait International Bank's share price closed 1.6% higher at KWf 194. National Industries Group's share price nudged up by 0.8% to KWf 249. Boubyan Bank's share price jumped by 4.0% to KWf 568. Kuwait Finance House's share price edged up by 0.4% to KWf 741.

FIXED INCOME MARKETS: ACTIVITY IN MENA BOND MARKETS SKEWED TO DOWNSIDE, MAINLY TRACKING US TREASURIES MOVE

Activity in MENA fixed income markets was skewed to the downside this week, mainly tracking declines in US Treasuries amid rising oil prices. The sell-off in US government bonds took place despite a benign US inflation data for November, which came in line with expectations, solidifying bets for the US Federal Reserve to cut interest rates in its December FOMC meeting.

In the Abu Dhabi credit space, sovereigns maturing in 2027 and 2031 posted weekly price drops of 0.06 pt and 0.42 pt respectively. Mubadala'26 was down by 0.10 pt, while Mubadala'27 traded up by 0.05 pt. ADNOC'29 closed down by 0.28 pt. Prices of Taqa'26 and '28 went down by 0.08 pt and 0.23 pt respectively. Amongst financials, FAB'25 traded down by 0.12 pt.

In the Dubai credit space, sovereigns maturing in 2029 posted price decreases of 0.17 pt week-on-week. DP World'30 was down by 0.13 pt. Emirates Airlines'28 closed down by 0.13 pt. Prices of Majid Al Futtaim'29 went down by 0.31 pt. Amongst financials, Emirates NBD Perpetual (offering a coupon of 6.125%) registered prices increases of 0.21 pt.

In the Saudi credit space, sovereigns maturing in 2026, 2027, 2030 and 2031 recorded price contractions of up to 0.66 pt this week. SABIC'28 was down by 0.23 pt. STC'29 traded down by 0.11 pt. SEC'28 posted price drops of 0.22 pt. In contrast, prices of Saudi Aramco'25 rose by 0.06 pt week-on-week.

In the Qatari credit space, sovereigns maturing in 2030 recorded price declines of 0.22 pt this week. Prices of Ooredoo'26 went down by 0.05 pt. Amongst financials, QNB'25 traded down by 0.08 pt, while '26 was up by 0.14 pt. In the Omani credit space, sovereigns maturing in 2029 registered price contractions of 0.16 pt week-on-week. Omantel'28 traded down by 0.09 pt.

In the Bahraini credit space, sovereigns maturing in 2027, 2031 and 2032 saw price drops of up to 0.23 pt, while sovereigns maturing in 2026 registered price gains of 0.06 pt this week.

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In the Kuwaiti credit space, prices of sovereigns maturing in 2027 decreased by 0.08 pt week-on-week. KIPCO'27 closed down by 0.47 pt. NBK'30 was down by 0.11 pt. Fitch Ratings affirmed National Bank of Kuwait's long-Term Issuer Default Rating at "A+" with a "stable" outlook. Fitch has also affirmed NBK's Viability Rating at "a-". NBK's IDRs reflect, according to Fitch, potential support from the Kuwaiti authorities, as underscored in its Government Support Rating (GSR) of "a"'. The "stable" outlook on the Long-Term IDR reflects that on the Kuwaiti sovereign rating.

In the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2030 saw price contractions of up to 2.29 pts this week. In the Iraqi credit space, sovereigns maturing in 2028 posted weekly price falls of 0.14 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2030, 2032 and 2040 recorded price drops of up to 0.60 pt week-on-week. Euro-denominated sovereigns maturing in 2026 and 2031 traded down by 0.07 pt and 0.34 pt respectively.

All in all, regional bond markets saw mostly downward price movements this week, mainly tracking increases in US Treasuries yields amid higher oil prices. This occurred though traders are fully pricing in a 25 bps interest rate cut by the US Federal Reserve on December 18.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	13-Dec-24	06-Dec-24	31-Dec-23	Week-on-week	Year-to-date
Abu Dhabi	41	40	41	1	0
Dubai	60	60	63	0	-3
Kuwait	65	65	46	0	19
Qatar	41	41	46	0	-5
Saudi Arabia	62	60	54	2	8
Bahrain	181	186	204	-5	-23
Morocco	93	95	111	-2	-18
Egypt	546	528	1,152	18	-606
Iraq	307	298	450	9	-143
Middle East	156	153	241	3	-85
Emerging Markets	54	37	42	17	12
Global	275	280	379	-5	-104

Sources: Bloomberg, Bank Audi's Group Research Department

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SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	SD/-/SD	C/Stable	RD/-/C
Syria	NR	NR	NR
Jordan	BB-/Stable/B	Ba3/Stable	BB-/Stable/B
Egypt	B-/Negative/B	Caa1/Positive	B/Stable/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A/Positive/A-1	Aa3/Stable	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA-/Stable/F1+
Qatar	AA/Stable/A-1+	Aa2/Stable	AA/Positive/F1+
Kuwait	A+/Stable/A-1+	A1/Stable	AA-/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	B+/Stable/B
Oman	BBB-/Stable/B	Ba1/Positive	BB+/Stable/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BB+/Positive/A-3	Ba1/Stable	BB+/Stable/B
Tunisia	NR	Caa2/Stable	CCC+/C
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$)	13-Dec-24	06-Dec-24	31-Dec-23	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	89,500.00	89,500.00	15,000.00	0.0%	496.7%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	50.83	49.99	30.89	1.7%	64.5%
Iraqi Dinar (IQD)	1,310.00	1,310.00	1,310.00	0.0%	0.0%
GULF					
Saudi Riyal (SAR)	3.76	3.76	3.75	0.0%	0.2%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.64	3.64	3.64	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.31	0.31	0.31	0.0%	-0.6%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.1%
Omani Riyal (OMR)	0.38	0.38	0.38	0.0%	0.1%
Yemeni Riyal (YER)	249.81	249.86	250.27	0.0%	-0.2%
NORTH AFRICA					
Algerian Dinar (DZD)	133.67	133.19	134.17	0.4%	-0.4%
Moroccan Dirham (MAD)	9.98	9.96	9.88	0.2%	1.0%
Tunisian Dinar (TND)	3.17	3.14	3.07	0.9%	3.2%
Libyan Dinar (LYD)	4.88	4.88	4.77	0.0%	2.1%
Sudanese Pound (SDG)	647.81	647.81	647.81	0.0%	0.0%

NR = Not Rated
RWN = Rating Watch Negative
RUR = Ratings Under Review
**Emirate of Abu Dhabi Ratings*
Sources: S&P, Bloomberg, Bank Audi'sGroup Research Departement.

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