The MENA WEEKLY MONITOR

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Economy

Standard Chartered issued its global economic outlook report including a section on the MENA region, saying that the latter's economic outlook remains cloudy and that 2017 will usher in a period of considerable uncertainty for the global economy, which could translate into high market volatility.

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Markets In Brief

Regional equity markets saw mixed price movements this week, which was reflected by a shy rise in the S&P Pan Arab Composite Index of 0.2%. The Egyptian Exchange and the Qatar Exchange posted price gains, while the heavyweight weight Saudi Tadawul and the UAE equity markets witnessed price falls. In parallel, MENA bond markets traded on a positive tone, on improved investor sentiment after KSA, Qatar and Dubai unveiled their 2017 budget plans, and tracking US Treasuries move.

MENA MARKETS: WEEK OF DECEMBER 18 - DECEMBER 24, 2016

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+0.2%	Weekly Z-spread based bond index	+1.7%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+2.3%	YTD Z-spread based bond index	-19.4%

ECONOMY

STANDARD CHARTERED SAYS MENA ECONOMIC OUTLOOK REMAINS CLOUDY DESPITE OIL PRICE UPWARD CORRECTION

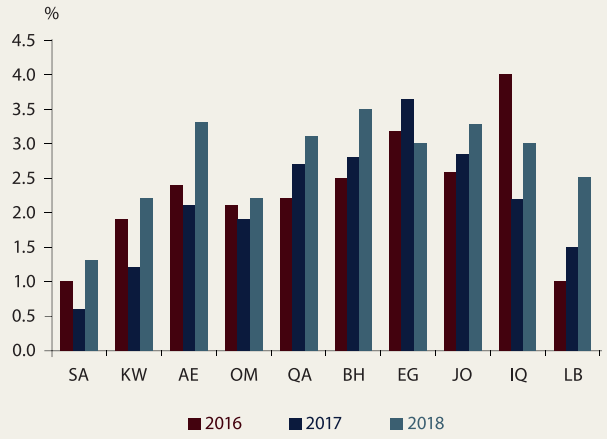
Standard Chartered issued its global economic outlook report including a section on the MENA region. The bank said the MENA economic outlook remains cloudy and believes 2017 will usher in a period of considerable uncertainty for the global economy, which could translate into high market volatility. Nevertheless, it expects oil prices to rise next year, despite the high level of uncertainty on the timing of the rise. Upward momentum in oil prices could be derailed by myriad factors, including a drop in global oil demand, continued stock build-up, and the Trump administration's energy policy.

Against this backdrop, Standard Chartered expects the GCC region's average weighted economic growth to slow to 1.4% in 2017 from an estimated 1.7% this year. This in part reflects its forecast of lower oil-related GDP growth in the region due to the oil production cuts agreed by OPEC members during their end-November meeting. The 2017 base case assumes that Kuwait, Qatar, Saudi Arabia and the UAE will comply with the production cuts they agreed to for the first half of 2017.

The report sees scope for differentiation across GCC countries in the performance of non-oil sectors. This contributes to the higher forecast for average non-oil economic growth next year (2.8% compared to 2.1% in 2016). The bank sees potential upside to its growth forecast. For example, higher public spending on social infrastructure and other private sector investment could materialize in the UAE relative to the base case, lifting non-oil economic growth further.

GCC current account balances are heading higher. Standard Chartered estimates total oil export receipts of US$ 430 billion next year, based on an oil price assumption of US$ 66/barrel for 2017. This is 39% higher than the estimate of 2016 oil export receipts, but still well below the 2012-2013 average of US$ 735 billion. Based on the bank's oil price assumption, the aggregate GCC current account balance will move to a surplus of 3.3% of GDP from a deficit of 4.9% of GDP in 2016. This reversal in the regional current account balance should support FX reserves and pegged currencies. On the other hand, a stronger US dollar, which Standard Chartered expects will reach new highs next year, should drive appreciation in the real exchange rates of GCC currencies, increasing their purchasing power abroad but reducing their export competitiveness in terms of goods and services.

MENA GROWTH OUTLOOK



Source: Standard Chartered

High public debt burden in MENA oil importers has constrained policy space, as per the report, which expects the net oil importers (Egypt, Jordan and Lebanon) to post higher economic growth in 2017 of 3.6%, compared to 3.2% in 2016. Nonetheless, growth in the Levant region remains well below potential. The region's high public debt levels constrain their ability to boost economic growth. Meanwhile, fiscal consolidation measures, which are required under the IMF-supported programs in both Egypt and Jordan, could weigh on growth. To offset the negative impact of fiscal measures, the Levant countries will need a pick-up in external demand to support export receipts, as per the same source. However, the current global backdrop and regional security situation suggest that this will be difficult unless the security impasse is resolved - facilitating tourist arrivals, FDI and goods exports.

Private sector engagement is critical in the current environment. Both oil exporters and net oil importers in MENA have the opportunity to leverage government spending cuts and savings to boost productivity and efficiency, and create synergies between the public and private sectors. To this end, privatization plans, public-private partnership frameworks, and the deepening of capital markets should be prioritized to facilitate private sector enlargement in the region, according to the report.

KSA FORECASTS FISCAL DEFICIT OF 7.7% OF GDP IN 2017 WITH PROJECTED REVENUES OF US$ 185 BILLION

The Kingdom of Saudi Arabia (KSA) forecasted a fiscal deficit of SR 198 billion (7.7% of GDP) in 2017, with a projected revenues of SR 692 billion (higher by 31% than actual and +35% compared to the budget in 2016).

Moving on to expenditures, they are projected to attain SR 890 billion in 2017 (+8% actual and +6% budgeted year-on-year). The focus of the budget was on avoiding huge increases in spending and ensuring an emphasis on financial control.

Furthermore, the Kingdom's oil revenue is projected at SR 480 billion (US$ 128 billion), up by 46% over that in the last year. The increase in projected revenues and expenditure is mainly attributed to the energy pricing reform program, though this would be partly offset by the allowances given to citizens needing government support. The Kingdom also announced various measures to boost non-oil revenues including the introduction of visa taxes on non-Saudi workers and an increase in tobacco and sugar taxes. Also, KSA reiterated its intention to implement VAT starting 2018 to boost revenues. However, the government denied plans to introduce income tax in the Kingdom.

It is worth mentioning that KSA aims to achieve a balanced notional budget in 2020 by implementing various measures, including increasing non-oil revenue, benefiting from efficiency savings on expenditure and ensuring greater fiscal discipline.

Additionally, the government reiterated its intention to cap debt level at 30% of GDP and finance the deficit by debt issuance from both international and local markets. As of December 2016, the government's debt levels reached 12.3% of GDP, with international borrowings comprising a third of the total debt. An international syndicated loan of SR 37.5 billion (US$ 10.0 billion) was borrowed from global investment institutions. Another noteworthy event in fiscal year 2016 was the completion of the first issuance of US-denominated international bonds in global markets worth US$ 17.5 billion. The government aims to continue to fund the deficit via a combination of borrowings and internal reserves, according to Bloomberg.

QATAR FOREIGN MERCHANDISE TRADE SURPLUS AT US$ 2.6 BILLION IN NOV 2016, DOWN BY 8% YEAR-ON-YEAR

Qatar's foreign merchandise trade surplus, which represents the difference between total exports and imports of goods, stood at QR 9.6 billion (US$ 2.6 billion) in November 2016, showing a year-on-year decrease of about 8% compared to the corresponding month of last year, according to the Ministry of Development Planning and Statistics.

However, on a monthly basis, the trade surplus increased by nearly 25.0% in November 2016. The total exports of goods (including exports of goods of domestic origin and re-exports) amounted to around QR 18.7 billion (US$ 5.1 billion) in November 2016, showing a decrease of 10.1% compared to November 2015. The total value of imports of goods in November 2016 amounted to around QR 9.0 billion (US$ 2.5 billion), showing a decrease of 12.2% over November 2015.

The year-on-year decrease in total exports was attributed to lower exports of Petroleum gases and other gaseous hydrocarbons reaching about QR 11.6 billion (US$ 3.2 billion) in November 2016, a decrease of 12.2% while increase was shown in Petroleum oils & oils from bituminous minerals (crude) reaching about QR 2.9 billion (US$ 0.8 billion), increasing by 8.6%, as well as the Petroleum oils & oils from bituminous minerals (not crude) reaching QR 900 million (US$ 247 million), increasing by 4.5%.

KUWAIT'S NON-OIL GROWTH TO HOLD UP WELL UNDER CURRENT CONDITIONS, AS PER NBK

Kuwait's non-oil growth is expected to hold up well under current conditions, especially in comparison to GCC peers, and it is expected to continue on an improving trajectory, according to the National Bank of Kuwait (NBK). Relatively limited fiscal adjustment and a strong government led investment program should support non-oil growth at 3.5-4% in 2017 and 2018, as per NBK.

Still, not all sectors are expected to be doing well in Kuwait in the coming two years, as per the report. Indeed, household spending appears to have slowed more quickly than anticipated. Consumer confidence appears to have taken a hit following the recent hike in fuel prices. Further subsidy cuts, this time in electricity and water tariffs, are expected next year. As a result, consumers tempered spending growth significantly in 2016. NBK expects a similar trend in 2017 before witnessing improvements again in 2018.

Overall GDP growth accelerated to 1.8% in 2015 from 0.5% in 2014, boosted by record high investment. While the figures show non-oil GDP growth slowing to 1.3% in 2015, National Bank of Kuwait believes growth would likely be revised higher when final figures are published. Data also show domestic demand growth improving in 2015, with stronger investment growth making up for some weakness in government and private consumption.

NBK estimates that non-oil GDP growth would remain robust at 3.5% in 2016 and would improve slightly towards to 4% in 2017 and 2018. The pace of growth is seen improving, supported by the faster pace of execution of the government's capital projects. Preliminary figures indicate that aggregate investment received a strong boost in 2015. Also, project awards remained relatively strong in 2016, indicating the investment boost is likely to persist into 2017 and 2018, as per the same source.

KSA AUSTERITY MEASURES TO WEIGH HEAVILY ON CONSUMER SPENDING IN 2017, AS PER BMI RESEARCH

Saudi Arabia's austerity measures would weigh heavily on consumer spending in 2017 with households cutting back on "non-essential" expenses, according to BMI Research.

In its latest country report, BMI Research reiterated its previous forecasts that the Kingdom's economy would fall into recession next year, as fiscal consolidation and oil production cuts impact economic activity. It forecasts real gross domestic product (GDP) growth to decline by 0.2% in 2017, the first annual contraction since 1999 compared to 0.8% in 2016.

It noted that point-of-sale transactions contracted by 11% year-on-year in the third quarter of 2016 while growth in consumer credit remains sluggish. Fiscal reforms implemented from October 2016 would continue to directly impact household income as public sector workers make up two-thirds of the labour force, as per the report. Under the austerity measures, the government cut salaries of public sector workers by almost 20% while bonuses for working overtime have also been reduced.

SURVEYS

GCC HEALTHCARE INDUSTRY TO CONTINUE ROBUST GROWTH PATH IN 2017, AS PER AL MASAH CAPITAL

The healthcare industry in the GCC is expected to continue its robust growth propelled by demographic and macroeconomic factors in the region, according to a market analysis report that was recently released by Al Masah Capital Limited.

Given the demand for specialized services amidst an ageing population and prevalence of lifestyle diseases, the GCC healthcare sector is fast developing into a robust system. Governments are increasing focus on quality, while introducing regulatory changes to improve efficiency and quality of services. Even though GCC governments continue to lead in healthcare expenditure, increased participation by private players has been seen in the GCC healthcare industry, as per the report.

With programs such as mandatory insurance, there is an increasing reliance on the private healthcare sector to expand rapidly to create capacity for their growing markets. Numerous new facilities are planned in almost all GCC countries making the healthcare sector a vital allocation for many institutional investors in their overall investment strategy, as per the report.

Despite the slowdown in broader economy, the region's healthcare spending has not shown any signs of pullback in spending as it has been one of the primary sectors of government's long-term vision. On the other hand, the sector continues to witness robust growth, which is aided by strong demographic profile coupled with favourable regulatory environment. Moreover, regional healthcare companies are also focusing on growing revenues through organic and inorganic expansion along with focus on operational efficiencies, as per the report.

According to Al Masah Capital, as a result of rising uncertainty and slowing economic activity, the soft infrastructure led sectors, especially the ones that are part of government's thrust, remain very attractive amongst the investors. Portfolio managers have clearly preferred the Healthcare sector to balance their portfolios as well as a hedge against cyclical sectors which have remained under pressure since 2014.

According to the report, M&A activity in the regional healthcare space during the last five years has seen a continuous upsurge with deal value going more than US$ 3,032 million (as per disclosed values) during 2006-2016. A total of 62 deals were announced from 2006-2016. The healthcare M&A value soared to the highest in 2011 with more than US$ 1,113 million, followed by deal value of US$ 930 million in 2015. In terms of volume, 2015 recorded the highest number of healthcare M&A deals (14 deals). The UAE with 28 deals accounted for 45.2% of the total number of deals from 2006-2016. It was closely followed by Saudi Arabia with 18 deals (29%), Kuwait with 13 deals (21%), and Oman with 3 deals (4.8%).

According to the report, the healthcare industry has emerged as one of the most 'critical sectors' for pursuing economic diversification in the region. Healthcare spending in the GCC reached US$ 64 billion in 2014 from US$ 16.9 billion in 2004, growing at a CAGR of 14.3%, while the per capita healthcare spend has increased to US$ 1,243 over the last decade. Spending growth from 2004-2014 in the GCC was higher than the global average of 6.2%, and MENA average of 13.2%.

GCC healthcare industry has grown by leaps and bounds given the need to address health service capacity gaps and improve the quality of health infrastructure. High population growth and growing spending power coupled with changes in demographic profile, dietary habits and lifestyle has led to high prevalence of chronic diseases among the region's inhabitants, which are exerting pressure on the existing healthcare system and thus forcing government to make it a center stage of its budget, as per the report.

FISCAL POSITION IN THE UAE TO NARROW BUT REMAIN IN DEFICIT THROUGHOUT 2017 TO 2021, AS PER THE EIU

The Economist Intelligence Unit forecast that the consolidated budget deficit in the UAE (at federal and emirate level) would narrow to an average of 2.1% of GDP in 2017-2021, from 3.7% of GDP in 2016. It would be financed by bank borrowing and, increasingly, by foreign capital raising.

Revenue growth would remain depressed in the early part of the forecast period as OPEC-mandated output cuts dampen production in 2017 and as the modest oil price recovery peters out, oil prices would average just US$ 60.5/barrel in 2017-2021. The federal government has said it does not anticipate further new levies or taxes, but individual emirates may do so. However, authorities would be wary of imposing too heavy a burden on businesses and nationals, limiting the impact, as per the report.

According to the report, the expectation that oil prices are unlikely to return to their 2012-2014 peaks is prompting some spending restraint, while cuts in subsidies introduced in 2015-2016 are likely to be maintained or even widened, helping to keep costs down. However, the EIU does not expect it to curtail infrastructure projects entirely, given large buffers in the form of sovereign wealth fund assets, estimated at over US$ 1.2 trillion. Both the federal government and individual emirates would also make greater use of international bond issuance to avoid draining liquidity from the domestic banking system. One of the main ways the government is improving fiscal sustainability is through reductions in fuel, electricity and water subsidies.

The 2017-2021 federal budget program represents a cautious reversal of the 2016 budget cuts but should allow for small spending increases in federal projects. Dubai would continue to spend, reflecting its more diversified revenue base. Abu Dhabi has announced new development spending plans that suggest its fiscal austerity drive is weakening, as per the report.

MENA DATA CENTER TRAFFIC TO QUADRUPLE BY 2020, AS PER CISCO

The recently released sixth annual Cisco Global Cloud Index (2015-2020) revealed Middle East and Africa data center traffic would reach 451 exabytes (1 exabyte is the equivalent of 1 billion gigabytes) per year by 2020, up from 105 exabytes per year in 2015.

According to the report, this rapid growth of cloud traffic is attributed to increased migration to cloud architectures and their ability to scale quickly and efficiently support more workloads than traditional data centers. With greater data center virtualization, cloud operators are also able to achieve greater operational efficiencies while flexibly delivering a growing variety of services to businesses and consumers with optimal performance. To better understand data center growth, new analysis on application workloads were developed for this year's report.

According to the report, business workloads would grow by 2.4 fold from 2015 to 2020 but their overall share of data center workloads would decrease from 79% to 72%. Consumer workloads, while smaller in number, are growing by 3.5 fold. By 2020, consumer workloads would account for 28% (134.3 million) of total data center workloads, compared to 21% (38.6 million) in 2015. Video streaming workloads would account for 34% of total consumer workloads in 2020, compared to 29 % in 2015 and finally social networking workloads would account for 24% of total consumer workloads, compared to 20% in 2015.

With multiple trends influencing the growth of data center and cloud computing such as increasing digitization, the widespread adoption of multiple devices and connections and the growth of mobility, the importance of cloud readiness cannot be overemphasized, as per the report.

Cisco also quantified and analyzed the impact of hyperscale data centers. These data centers are expected to grow from 259 in 2015 to 485 by 2020. Hyperscale data center traffic is projected to quintuple over the next five years. These infrastructures would account for 47% of total data center installed servers and support 53% of all data center traffic by 2020.

CORPORATE NEWS

SOUTH KOREA'S DOOSAN TO BUILD SAUDI POWER PLANT

Doosan Heavy Industries & Construction would partner with French energy major Engie on a US$ 842 million power plant in Saudi Arabia, as per a statement by the South Korean company.

Doosan would work with the French partner to design and build the 1,510 megawatt facility, slated for completion by the end of November 2019. The plant for State-owned Saudi Aramco would sit in eastern Saudi Arabia near the industrial city of Jubail.

This marks Doosan's first Saudi Arabian power plant order since 2010, when it won a contract for a total of 2,800 MW of generating capacity. The company has since landed projects for power plants in Egypt and desalination facilities in Iran.

EMIRATES DEVELOPMENT BANK APPROVES US$ 408 MILLION IN LOANS FOR HOUSING SECTOR AND SMEs

The Emirates Development Bank (EDB) approved an estimated budget of AED 1.5 billion (US$ 408.4 million) for 2017 to finance housing loans for Emirati citizens and to help establish small and medium enterprises (SMEs).

The budget allocates AED 750 million (US$ 204.2 million) for housing loans for Emirati citizens and a similar amount for the development of small and medium businesses to help the private sector generate more job opportunities for citizens.

The Emirates Development Bank strives to deliver the Federal Government Vision 2021 by providing support, finance and innovative banking solutions to small and medium companies to help drive the UAE's transformation into a knowledge-based economy, and encourage innovation as well as research and development. It also extends housing loans to citizens to secure adequate accommodation at affordable cost, as per the Minister of State for Financial Affairs and Chairman of EDB.

OMAN'S ELECTRICITY HOLDING COMPANY RAISES US$ 325 MILLION LOAN

Oman's Electricity Holding Company (EHC) signed an agreement for a US$ 325 million working capital loan.

The company, which holds the Omani government's stake in nine electricity firms, raised the funds to support four of its distribution subsidiaries.

Bahrain's Bank ABC coordinated the facility, which has a one-year maturity extendable for an additional year. Gulf International Bank, National Bank of Abu Dhabi and Standard Chartered were also part of the group.

SHUAA ACQUIRES 14% STAKE IN KHALEEJI COMMERCIAL BANK

Shuaa Capital concluded a 14% ownership stake purchase in Khaleeji Commercial Bank (KHCB), the subsidiary of Bahrain-based GFH Financial Group, a leading Islamic retail bank.

KHCB has a paid up capital of BHD 105 million (US$ 278.48 million).

Shuaa Capital PSC is an investment company, specializing in investment banking, asset management, capital markets and corporate finance advisory. The company provides its services to a range of clients, including governments, corporations, family businesses and investors.

COMMERCIAL BANK OF QATAR TAKES FULL CONTROL OF TURKEY'S ALTERNATIFBANK

Commercial Bank of Qatar (CBQ) completed the acquisition of the outstanding 25% stake in Turkey's Alternatifbank for US$ 224.9 million.

The deal means Alternatifbank is now a 100% owned subsidiary of CBQ.

The Commercial Bank, together with its subsidiaries, engages in conventional banking, brokerage services and credit card businesses in Qatar and internationally. The company operates through four segments: Wholesale Banking, Retail Banking, Alternatifbank A.S., and other subsidiaries. It offers personal banking products and services, including current, savings, time deposit and call accounts; credit and debit cards; personal, vehicle and mortgage loans; life, home, vehicle and travel insurance; and private banking services that include wealth management, investment products and brokerage services.

R HOTELS TO OPEN FIRST WYNDHAM GARDEN IN UAE

R Hotels and Wyndham Hotel Group announced an agreement to open the first Wyndham Garden in UAE.

The Wyndham Garden Ajman Corniche is expected to open by Q4 2017.

The 17-storey, four-star hotel would feature 179 guest rooms, including 138 standard rooms and 41 suites. Additional facilities would include two restaurants, an outdoor swimming pool, gym, spa and a kids' play area.

Wyndham Garden Ajman Corniche, with a total investment of AED 200 million (US$ 54.5 million), would be the fifth collaboration between R Hotels and Wyndham Hotel Group in the United Arab Emirates, and the third in Ajman. R Hotels presently owns two Wyndham-branded hotels in the emirate: Ramada Hotel & Suites Ajman and Ramada Beach Hotel Ajman.

ORASCOM TELECOM SELLS STAKE IN UNDERSEA CABLE FIRM

Orascom Telecom Media and Technology Holding (OTMT) executed an agreement with Network i2i, a unit of India-based Bharti Airtel, for the sale of its entire stake in its subsidiary Middle East and North Africa Submarine Cable (MENA).

OTMT aims to conclude this transaction by the end of the first quarter of 2017, after the fulfillment of all conditions and after obtaining all necessary regulatory approvals.

The decision to divest MENA comes in line with OTMT's strategy in divesting its non-core assets. OTMT intends to utilize the proceeds of the sale in the recently expanded lines of operations being mainly the financial, the real estate and the logistics sectors among others.

The additional capacity would enable Airtel to serve the growing demand for data services and enterprise services across its footprint of 18 countries across South Asia and Africa, as per CEO of Bharti Airtel.

It is worth noting that MENA is a licensed operator in Egypt and Italy operating a submarine telecommunications system connecting Europe to the Middle East and South East Asia.

OTMT is a holding company that has investments in companies with operations mainly in Egypt, North Korea, Lebanon, Pakistan and other MENA countries.

CAPITAL MARKETS

EQUITY MARKETS: SHY PRICE GAINS IN REGIONAL EQUITIES AMID MIXED PRICE MOVEMENTS

Regional equity markets saw mixed price movements this week, which was reflected by a shy rise in the S&P Pan Arab Composite Index of 0.2%. The Egyptian Exchange and the Qatar Exchange posted price gains amid some favorable market-specific and company-specific factors, while the heavyweight weight Saudi Tadawul and the UAE equity markets witnessed price falls on the back of stronger US dollar and on concerns about rising US crude stockpiles and higher Libyan oil output plans.

In details, the Qatar Exchange registered a 2.1% rise in prices week-on-week, on merger talk news between three Qatari banks, and as Qatar projected a smaller budget deficit for the year 2017. In details, Masraf Al Rayan, Barwa Bank and International Bank of Qatar entered into initial talks for a potential merger that would create a new bank with assets worth more than QR 160 billion (US$ 44 billion). Masraf Al Rayan's share price jumped by 6.6% to QR 37.85. The possible consolidation improved investor sentiment across the market and spurred interest in other banking stocks. QNB's share price closed 3.7% higher at QR 163.90. Qatar Islamic Bank's share price rose by 2.7% to QR 102.00. Doha Bank's share price went up by 1.3% to QR 35.00. Also, Ooredoo's share price increased by 3.5% to QR 102.50. Ooredoo said that it is in early talks to buy a stake in Doha-based Salam Technologies.

The Egyptian Exchange posted a 5.1% surge in prices week-on-week, amid continuous foreign fund inflows on the back of local currency weakness, with the Egyptian Pound reaching LE/US$ 19 during the week, and given that local market players perceived the Egyptian stocks as an inflation hedge amid rising inflationary pressures, in addition to some favorable company-specific factors.

EFG Hermes' share price jumped by 23.3% week-on-week to LE 24.35. EFG Hermes Frontier Holdings, a unit of EFG Hermes, offered to buy 2.2 million shares of Invest & Finance Securities for 15 Pakistani rupees per share. Commercial International Bank's share price went up by 7.1% to LE 71.85. Ezz Steel's share price climbed by 28.0% to LE 17.28. Talaat Moustafa Group's share price surged by 9.8% to LE 9.52. SODIC's share price closed 6.9% higher at LE 15.83. Palm Hills Development's share price increased by 4.8% to LE 3.28. The firm agreed with Sarwa Capital, Arab African International Bank and Banque Misr to launch a securitized bond based on its receivables. Orascom Telecom Media & Technology Holding's share price moved up by 15.8% to close at LE 0.88. The firm sold its unit Middle

EQUITY MARKETS INDICATORS (DECEMBER 18, 2016 TILL DECEMBER 24, 2016)

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	106.5	-1.4%	1.8%	9.8	-8.4%	0.8	10,911.0	4.7%	6.5	0.93
Jordan	405.6	0.5%	0.2%	33.7	8.6%	20.8	24,666.0	7.1%	14.8	1.78
Egypt	245.0	5.1%	-	503.1	75.9%	2,807.6	32,430.9	80.7%	12.1	1.60
Saudi Arabia	294.2	-0.2%	2.2%	5,669.6	-23.4%	1,211.7	441,389.4	66.8%	14.5	2.22
Qatar	184.2	2.1%	1.8%	304.3	-32.0%	31.3	154,364.6	10.3%	14.6	1.93
UAE	123.8	-1.1%	7.6%	506.5	-64.8%	1,331.1	218,600.8	12.0%	13.5	1.92
Oman	261.6	0.4%	4.7%	35.6	13.3%	60.1	22,986.3	8.1%	12.2	1.65
Bahrain	117.3	0.4%	14.1%	2.8	-1.1%	5.7	17,844.7	0.8%	10.0	1.10
Kuwait	77.3	-0.8%	-2.5%	192.8	-30.3%	694.5	77,742.7	12.9%	13.8	1.62
Morocco	269.0	6.0%	34.2%	251.7	315.6%	12.9	58,534.3	22.4%	15.3	2.22
Tunisia	71.0	0.7%	-3.6%	10.1	51.1%	3.6	8,064.4	6.5%	13.3	1.88
Arabian Markets	**673.6**	**0.2%**	**2.3%**	**7,520.0**	**-24.7%**	**6,180.2**	**1,067,535.3**	**36.6%**	**14.0**	**2.00**

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

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

East and North Africa Co. Submarine Cable Systems for US$ 90 million to Network i2i, a unit of India-based Bharti Airtel.

In contrast, the heavyweight Saudi Tadawul saw a shy price retreat of 0.2% week-on-week amid relatively mixed price movements. Some stocks registered price declines following an unexpected rise in US crude stockpiles in the week ended December 16, 2016 and after Libya said it expects to boost production over the next few months. Some other stocks followed an upward trajectory, mainly driven by some favorable company-specific factors, and on improved investor sentiment after the Kingdom announced its 2017 budget, which projected a lower budget deficit of 7.7% of GDP and expected a 46% rise in oil revenues in light of the latest OPEC agreement on production cuts.

Petrochemicals giant SABIC's share price dropped by 2.7% over the week to SR 91.93. SABIC's Board of Directors recommended the distribution of dividends at a rate of SR 2 per share for the second half of 2016, which is lower than the cash dividend of SR 3 per share paid a year earlier. Saudi Kayan Petrochemical Company's share price shed 2.9% to SR 8.58. Petro Rabigh's share price decreased by 2.0% to SR 11.57. In contrast, Etihad Etisalat's share price edged up by 0.4% to SR 24.71. Etihad Etisalat signed a bilateral credit facility agreement of SR 2 billion with Alinma bank. Alinma Bank's share price edged up by 0.2% to SR 14.72. Samba's share price closed 0.8% higher at SR 23.18.

The UAE equity markets registered a 1.1% fall in prices week-on-week amid concerns that a stronger US dollar would weigh on real estate, retail and tourism sectors through reducing foreign demand. In Abu Dhabi, Aldar Properties' share price decreased by 1.9% to AED 2.65. RAK Properties' share price plunged by 4.3% to AED 0.66. ADCB's share price declined by 2.6% to AED 6.80. NBAD's share price retreated by 1.8% to AED 9.72. In Dubai, Arabtec Holding's share price dropped by 5.1% to AED 1.30. Deyaar's share price fell by 2.6% to AED 0.612. Drake & Scull International's share price decreased by 1.6% to AED 0.481.

BOND MARKETS: REGIONAL BOND MARKETS UP ON IMPROVED SENTIMENT FOLLOWING 2017 BUDGET PLANS, AND TRACKING US TREASURIES MOVE

Regional fixed income markets traded on a positive tone this week, registering upward price movements across the board on improved investor sentiment after Saudi Arabia and Qatar unveiled their 2017 State budget plans signaling narrowing budget deficit and the government of Dubai announced its 2017 budget with significant increase in public spending on infrastructure, innovation and social sectors. MENA bond markets also tracked rises in US Treasuries, amid mixed US economic data and after reports indicated that the Chinese President is open to economic growth slowing below the Chinese government's target.

In the Saudi credit space, SECO papers maturing between 2017 and 2044 registered weekly price gains of 0.13 pt to 3.50 pts. SABIC'20 was up by 0.50 pt. Sovereigns maturing in 2046 were up by 0.13 pt, while Saudi'21 and '26 posted price decreases of 0.13 pt each. The Kingdom announced its 2017 budget, projecting an increase in government spending to boost economic growth and a lower budget deficit at 7.7% of GDP. Saudi Arabia's five-year CDS spreads contracted by 6 basis points to 113 basis points.

In Dubai, sovereigns maturing in 2021, 2022, 2023 and 2029 saw weekly price increases of 0.25 pt, 0.38 pt, 0.63 pt and 1.13 pt respectively. DP World papers maturing between 2017 and 2037 posted price gains ranging between 0.13 pt and 1.00 pt. Prices of Emirates Airline'23 and '25 rose by 0.38 pt and 0.88 pt respectively. Majid Al Futtaim'24 and '25 were up by 1.25 pt and 0.38 pt respectively. Majid Al Futtaim Perpetual closed up by 0.50 pt. Prices of Emaar Properties'19, '24 and '26 increased by 0.25 pt, 1.00 pt and 1.63 pt respectively. The Emirate of Dubai approved its budget for the year 2017, with a deficit of AED 2.5 billion, which represents 0.6% of the GDP of Dubai, noting that infrastructure spending is projected to increase by 27% when compared to the year 2016.

In Abu Dhabi, ADGB'21 and '26 closed up by 0.50 pt and 0.25 pt respectively week-on-week. Mubadala papers maturing between 2019 and 2023 posted price rises of up to 0.50 pt. Prices of IPIC'21, '22 and

'23 increased by 0.38 pt, 0.13 pt and 0.63 pt respectively. Dolphin'19 and '21 were up by 0.25 pt each. Etisalat'19 and '21 traded up by 0.25 pt and 0.50 pt respectively. Taqa papers maturing between 2018 and 2036 registered price gains of 0.13 pt to 1.38 pt. Amongst financials, ADIB Perpetual closed up by 0.75 pt. Al Hilal'18 and Perpetual posted price increases of 0.25 pt each. ADCB papers maturing between 2018 and 2023 recorded price rises ranging between 0.13 pt and 0.75 pt.

In the Qatari credit space, sovereigns maturing in 2019, 2020 and 2021 registered weekly price increases of 0.13 pt, 0.19 pt and 0.25 pt respectively. Sovereigns maturing between 2026 and 2046 saw price gains ranging between 0.25 pt and 1.00 pt. Qtel papers saw upward price movements across the board, with papers maturing between 2018 and 2043 posting price rises ranging between 0.25 pt and 0.75 pt. As to papers issued by financial institutions, QIB'17 closed up by 0.13 pt. QIIB'17 was up by 0.13 pt. Prices of QNB'17 and '21 increased by 0.25 pt and 0.13 pt respectively. Qatar projected a narrower budget deficit for 2017.

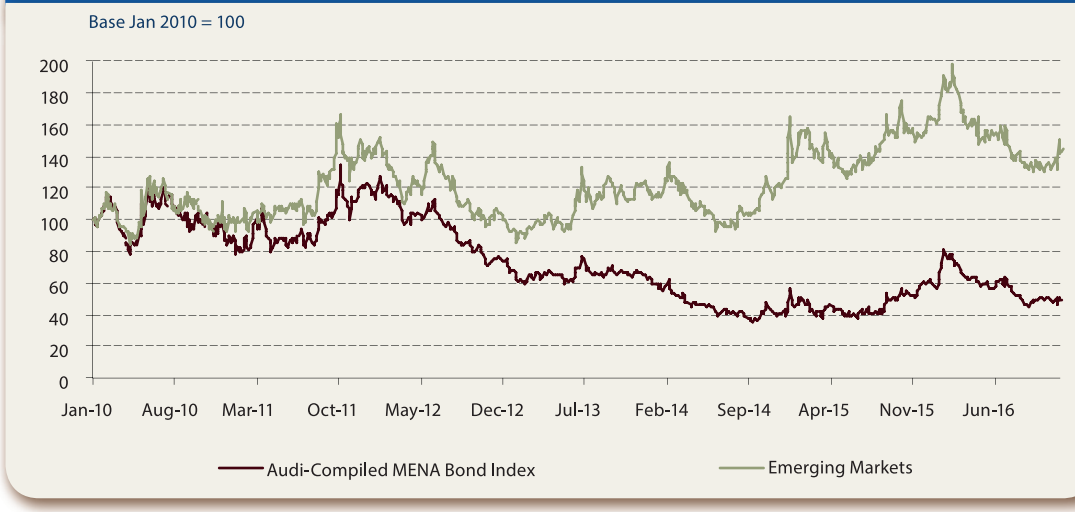
In Bahrain, sovereigns maturing between 2020 and 2044 registered weekly price gains ranging between 0.13 pt and 0.75 pt. In the Egyptian credit space, sovereigns maturing in 2020, 2025 and 2040 saw price increases of up to 0.38 pt.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	23-Dec-16	16-Dec-16	31-Dec-15	Week-on-week	Year-to-date
Abu Dhabi	40	64	93	-24	-53
Dubai	142	141	234	1	-92
Qatar	78	81	93	-3	-15
Saudi Arabia	113	119	156	-6	-43
Bahrain	284	300	367	-16	-83
Morocco	181	183	207	-2	-26
Egypt	453	454	478	-1	-25
Lebanon	526	538	422	-12	104
Iraq	760	760	931	0	-171
Middle East	**287**	**294**	**331**	**-7**	**-44**
Emerging Markets	**-**	**448**	**598**	**-**	**-**
Global	**219**	**221**	**260**	**-2**	**-41**

Sources: Bloomberg, Bank Audi's Group Research Department

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



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

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	B-/Stable/B	B2/Negative	B-/Stable/B
Syria	NR	NR	NR
Jordan	BB-/Negative/B	B1/Stable	NR
Egypt	B-/Stable/B	B3/Stable	B/Stable/B
Iraq	B-/Stable/B	NR	B-/Negative/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Stable	AA-/Negative/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Negative	AA/Stable/F1+*
Qatar	AA/Stable/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	NR
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3
Tunisia	NR	Ba3/Negative	BB-/Negative/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	23-Dec-16	16-Dec-16	31-Dec-15	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Syrian Pound (SYP)	-	-	222.22	-	-
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	-0.1%
Egyptian Pound (EGP)	18.94	18.28	7.83	3.6%	141.9%
Iraqi Dinar (IQD)	1,206.36	1,205.86	1,165.00	0.0%	3.6%
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)	3.64	3.64	3.64	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.31	0.31	0.30	0.0%	0.6%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.2%
Omani Riyal (OMR)	0.38	0.39	0.38	-0.2%	-0.1%
Yemeni Riyal (YER)	250.00	250.00	217.39	0.0%	15.0%
NORTH AFRICA					
Algerian Dinar (DZD)	111.11	111.11	107.53	0.0%	3.3%
Moroccan Dirham (MAD)	10.18	10.12	9.91	0.6%	2.7%
Tunisian Dinar (TND)	2.31	2.33	2.03	-0.8%	13.8%
Libyan Dinar (LYD)	1.43	1.43	1.40	0.0%	1.8%
Sudanese Pound (SDG)	-	-	6.45	-	-

Sources: Bloomberg, Bank Audi's Group Research Department