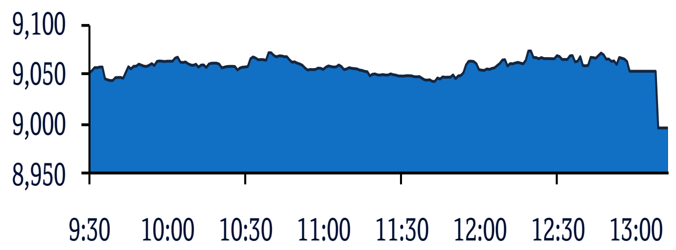
Daily Market Report

Wednesday, 01 July 2020

QSE Intra-Day Movement



Qatar Commentary

The QE Index declined 0.6% to close at 8,998.6. Losses were led by the Banks & Financial Services and Telecoms indices, falling 1.1% and 0.7%, respectively. Top losers were Qatar International Islamic Bank and United Development Company, falling 2.2% and 1.9%, respectively. Among the top gainers, Ezdan Holding Group and Dlala Brokerage & Investment Holding Company were up 10.0% each.

GCC Commentary

Saudi Arabia: The TASI Index fell 0.9% to close at 7,224.1. Losses were led by the Pharma and Consumer Durables indices, falling 2.7% and 2.1%, respectively. City Cement Co. declined 4.5%, while Southern Province Cement Co. was down 4.2%.

Dubai: The DFM Index fell 0.7% to close at 2,065.3. The Real Estate & Construction index declined 1.8%, while the Consumer Staples and Discretionary index fell 1.4%. Ithmaar Holding declined 4.6%, while Amlak Finance was down 4.0%.

Abu Dhabi: The ADX General Index gained 0.2% to close at 4,285.8. The Services index rose 3.2%, while the Banks index rose 1.1%. Emirates Driving Company rose 15.0%, while Ras Al Khaimah White Cement was up 10.7%.

Kuwait: The Kuwait All Share Index fell 0.3% to close at 5,130.7. The Insurance index declined 1.4%, while the Health Care index fell 0.9%. Dar Al Thraya Real Estate Co. declined 21.6%, while Kuwait Real Estate Holding Co. was down 9.2%.

Oman: The MSM 30 Index fell 0.1% to close at 3,516.0. Losses were led by the Industrial and Services indices, falling 0.6% and 0.3%, respectively. Oman Chlorine declined 8.0%, while Galfar Engineering & Contracting was down 4.2%.

Bahrain: The BHB Index fell marginally to close at 1,277.6. The Commercial Banks index declined 0.1%, while the other indices ended flat or in green. BBK declined 0.6%.

Market Indicators	30 Jun 20	29 Jun 20	%Chg.
Value Traded (QR mn)	680.4	414.6	64.1
Exch. Market Cap. (QR mn)	520,030.9	520,193.3	(0.0)
Volume (mn)	502.6	287.4	74.9
Number of Transactions	11,169	7,574	47.5
Companies Traded	46	46	0.0
Market Breadth	29:15	16:27	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	17,299.43	(0.6)	(2.0)	(9.8)	14.2
All Share Index	2,806.49	(0.6)	(2.0)	(9.4)	14.9
Banks	3,902.86	(1.1)	(2.7)	(7.5)	12.8
Industrials	2,509.61	(0.3)	(2.9)	(14.4)	20.0
Transportation	2,713.21	0.2	0.5	6.2	13.1
Real Estate	1,486.75	1.9	2.7	(5.0)	14.7
Insurance	1,971.37	0.1	0.8	(27.9)	33.2
Telecoms	867.98	(0.7)	(0.7)	(3.0)	14.6
Consumer	7,300.47	0.3	(1.1)	(15.6)	18.6
Al Rayan Islamic Index	3,618.58	(0.3)	(1.7)	(8.4)	16.7

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Ahli Bank	Oman	0.13	4.2	98.8	1.0
First Abu Dhabi Bank	Abu Dhabi	11.24	1.8	3,833.5	(25.9)
Barwa Real Estate Co.	Qatar	3.05	1.7	7,710.9	(13.8)
Jabal Omar Dev. Co.	Saudi Arabia	22.52	1.2	3,660.0	(17.1)
Ooredoo Oman	Oman	0.41	1.0	79.2	(22.1)

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
National Petrochemical	Saudi Arabia	24.10	(3.3)	82.3	1.5
Saudi Arabian Fertilizer	Saudi Arabia	74.50	(3.1)	500.1	(3.9)
Ominvest	Oman	0.34	(2.9)	50.0	0.0
Bupa Arabia for Coop. Ins.	Saudi Arabia	109.20	(2.8)	128.8	6.6
Emaar Malls	Dubai	1.37	(2.8)	10,623.8	(25.1)

Source: Bloomberg (# in Local Currency) (## GCC Top gainers/losers derived from the S&P GCC Composite Large Mid Cap Index)

QSE Top Gainers	Close*	1D%	Vol. '000	YTD%
Ezdan Holding Group	1.13	10.0	118,707.3	84.4
Dlala Brokerage & Inv. Holding Co.	1.45	10.0	10,020.7	136.5
Alijarah Holding	0.84	9.9	51,103.5	19.7
Salam International Inv. Ltd.	0.46	9.4	63,127.7	(10.3)
Mazaya Qatar Real Estate Dev.	0.91	7.5	85,703.3	25.9

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Ezdan Holding Group	1.13	10.0	118,707.3	84.4
Mazaya Qatar Real Estate Dev.	0.91	7.5	85,703.3	25.9
Salam International Inv. Ltd.	0.46	9.4	63,127.7	(10.3)
Alijarah Holding	0.84	9.9	51,103.5	19.7
Qatar Aluminium Manufacturing	0.75	0.1	32,056.9	(4.0)

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Qatar International Islamic Bank	8.12	(2.2)	1,457.7	(16.1)
United Development Company	1.14	(1.9)	13,204.4	(24.8)
Mannai Corporation	2.86	(1.8)	41.1	(7.2)
Mesaieed Petrochemical Holding	2.02	(1.8)	5,081.8	(19.5)
Doha Insurance Group	1.03	(1.4)	44.4	(14.6)

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
Ezdan Holding Group	1.13	10.0	133,465.3	84.4
Mazaya Qatar Real Estate Dev.	0.91	7.5	76,619.1	25.9
QNB Group	17.39	(1.2)	50,551.5	(15.5)
Alijarah Holding	0.84	9.9	41,725.8	19.7
Salam International Inv. Ltd.	0.46	9.4	28,321.4	(10.3)

Source: Bloomberg (* in QR)

Regional Indices	Close	1D%	WTD%	MTD%	YTD%	Exch. Val. Traded ($ mn)	Exchange Mkt. Cap. ($ mn)	P/E**	P/B**	Dividend Yield
Qatar*	8,998.56	(0.6)	(2.0)	1.7	(13.7)	185.60	141,812.4	14.2	1.4	4.4
Dubai	2,065.28	(0.7)	(1.0)	6.2	(25.3)	65.92	79,788.6	6.2	0.7	4.5
Abu Dhabi	4,285.80	0.2	0.0	3.5	(15.6)	57.09	131,804.3	13.7	1.3	6.0
Saudi Arabia	7,224.09	(0.9)	(0.1)	0.2	(13.9)	1,567.47	2,194,958.9	21.8	1.8	3.6
Kuwait	5,130.72	(0.3)	(0.7)	2.7	(18.3)	58.99	94,946.5	14.9	1.2	3.8
Oman	3,516.00	(0.1)	(0.3)	(0.8)	(11.7)	3.14	15,346.6	10.0	0.8	6.8
Bahrain	1,277.61	(0.0)	(0.1)	0.6	(20.7)	3.35	19,348.1	9.3	0.8	5.5

Source: Bloomberg, Qatar Stock Exchange, Tadawul, Muscat Securities Market and Dubai Financial Market (** TTM; * Value traded ($ mn) do not include special trades, if any)

Qatar Market Commentary

- The QE Index declined 0.6% to close at 8,998.6. The Banks & Financial Services and Telecoms indices led the losses. The index fell on the back of selling pressure from non-Qatari shareholders despite buying support from Qatari and GCC shareholders.
- Qatar International Islamic Bank and United Development Company were the top losers, falling 2.2% and 1.9%, respectively. Among the top gainers, Ezdan Holding Group and Dlala Brokerage & Investment Holding Company were up 10.0% each.
- Volume of shares traded on Tuesday rose by 74.9% to 502.6mn from 287.4mn on Monday. Further, as compared to the 30-day moving average of 225.3mn, volume for the day was 123.1% higher. Ezdan Holding Group and Mazaya Qatar Real Estate Development were the most active stocks, contributing 23.6% and 17.1% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	42.15%	49.63%	(50,896,625.65)
Qatari Institutions	32.44%	14.21%	124,044,599.51
Qatari	**74.59%**	**63.84%**	**73,147,973.86**
GCC Individuals	1.34%	1.33%	87,935.66
GCC Institutions	1.18%	0.54%	4,324,915.72
GCC	**2.52%**	**1.87%**	**4,412,851.38**
Non-Qatari Individuals	13.19%	12.91%	1,900,828.03
Non-Qatari Institutions	9.70%	21.38%	(79,461,653.27)
Non-Qatari	**22.89%**	**34.29%**	**(77,560,825.24)**

Source: Qatar Stock Exchange (*as a % of traded value)

Global Economic Data and Earnings Calendar

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
06/30	UK	UK Office for National Statistics	GDP QoQ	1Q2020	-2.20%	-2.00%	-2.00%
06/30	UK	UK Office for National Statistics	GDP YoY	1Q2020	-1.70%	-1.60%	-1.60%
06/30	UK	UK Office for National Statistics	Private Consumption QoQ	1Q2020	-2.90%	-1.70%	-1.70%
06/30	UK	UK Office for National Statistics	Government Spending QoQ	1Q2020	-4.10%	-2.60%	-2.60%
06/30	UK	UK Office for National Statistics	Gross Fixed Capital Formation QoQ	1Q2020	-1.10%	-1.00%	-1.00%
06/30	UK	UK Office for National Statistics	Exports QoQ	1Q2020	-13.50%	-12.20%	-10.80%
06/30	UK	UK Office for National Statistics	Imports QoQ	1Q2020	-9.40%	-9.40%	-5.30%
06/30	EU	Eurostat	CPI MoM	Jun	0.30%	0.20%	-0.10%
06/30	EU	Eurostat	CPI Estimate YoY	Jun	0.30%	0.20%	0.10%
06/30	EU	Eurostat	CPI Core YoY	Jun	0.80%	0.80%	0.90%
06/30	France	INSEE National Statistics Office	CPI MoM	Jun	-0.10%	0.30%	0.10%
06/30	France	INSEE National Statistics Office	CPI YoY	Jun	0.10%	0.40%	0.40%
06/30	France	INSEE National Statistics Office	PPI MoM	May	-0.10%	–	-2.90%
06/30	France	INSEE National Statistics Office	PPI YoY	May	-4.10%	–	-4.50%
06/30	France	INSEE National Statistics Office	Consumer Spending MoM	May	36.60%	30.00%	-19.10%
06/30	France	INSEE National Statistics Office	Consumer Spending YoY	May	-8.30%	-13.50%	-32.70%
06/30	Japan	Ministry of Economy Trade and Industry	Jobless Rate	May	2.90%	2.80%	2.60%
06/30	Japan	Ministry of Economy Trade and Industry	Industrial Production MoM	May	-8.40%	-5.90%	-9.80%
06/30	Japan	Ministry of Economy Trade and Industry	Industrial Production YoY	May	-25.90%	-23.10%	-15.00%
06/30	China	China Federation of Logistics	Composite PMI	Jun	54.2	–	53.4
06/30	China	China Federation of Logistics	Manufacturing PMI	Jun	50.9	50.5	50.6
06/30	China	China Federation of Logistics	Non-manufacturing PMI	Jun	54.4	53.6	53.6
06/30	India	India Central Statistical Organization	Eight Infrastructure Industries	May	-23.40%	–	-38.10%

Source: Bloomberg (s.a. = seasonally adjusted; n.s.a. = non-seasonally adjusted; w.d.a. = working day adjusted)

Earnings Calendar

Tickers	Company Name	Date of reporting 2Q2020 results	No. of days remaining	Status
QNBK	QNB Group	12-Jul-20	11	Due
MARK	Masraf Al Rayan	13-Jul-20	12	Due
QFLS	Qatar Fuel Company	15-Jul-20	14	Due
QIBK	Qatar Islamic Bank	15-Jul-20	14	Due
QGTS	Qatar Gas Transport Company Limited (Nakilat)	15-Jul-20	14	Due
IHGS	Islamic Holding Group	16-Jul-20	15	Due
QEWS	Qatar Electricity & Water Company	19-Jul-20	18	Due
ABQK	Ahli Bank	20-Jul-20	19	Due
QIGD	Qatari Investors Group	21-Jul-20	20	Due
DHBK	Doha Bank	27-Jul-20	26	Due

ORDS	Ooredoo	28-Jul-20	27	Due

Source: QSE

News

Qatar

- **MARK and KCBK enter initial negotiation for potential merger –** In a joint press release issued, Masraf Al Rayan (MARK) and Al Khalij Commercial Bank (KCBK) have announced that they have entered into initial negotiations regarding a potential merger to create a larger and stronger financial institution with a solid financial position and liquidity to support Qatar's economic growth and to finance development initiatives in line with Qatar Vision 2030. The proposed merger is subject to the approval of the Qatar Central Bank, the Qatar Financial Markets Authority, the Ministry of Commerce and Industry, and other relevant official bodies and the approval of the shareholders in each of MARK and KCBK after the completion of a detailed legal and financial due diligence. The new entity will maintain all its dealings in compliance with Shari'ah principles. The potential merger will lead to the creation of one of the largest Shari'ah compliant bank in the State of Qatar and in the Middle East with total assets exceeding QR164bn ($45bn) and shareholders equity of more than QR19bn ($5.2bn). The merger is also expected to contribute positively to the economic development in the State of Qatar by supporting corporate businesses and small and medium sized entities, and would also create a strategic partner for the public sector. The merger is also expected to create value to all stakeholders, including the shareholders, the banks customers and to the economies the banks currently operate in. The potential merger would aggregate in the combined entity the key strengths of the two banks, in the areas of corporate, retail and wealth management & private banking. (QSE, Gulf-Times.com)
- **QIGD to hold its AGM on July 22 –** Qatari Investors Group (QIGD) has invited the shareholders to attend the Ordinary General Assembly Meeting (AGM) to be held on July 22, 2020. If the legal quorum is not met, the second meeting will be held on July 26, 2020. (Gulf-Times.com)
- **QIGD to hold Investors Relation conference call on July 23** – Qatari Investors Group (QIGD) will hold the conference call with the Investors to discuss the financial results for 2Q2020 on July 23, 2020 at 14:00pm Doha time. (QSE)
- **Fuel prices to go up in July –** The prices of petrol and diesel will go up in July, according to Qatar Petroleum. A liter of diesel will cost QR1.1 in July as compared to QR1.05 in June. Similarly, a liter of Super Gasoline (95) will cost QR1.20 in July as compared to QR1.05 in June. Premium Gasoline (91) also witnessed an increase, with Qatar Petroleum setting the price at QR1.1 per liter in July as compared to QR1 in June. (Qatar Tribune)
- **Power, water consumption in Qatar goes up in May 2020 –** According to Planning and Statistics Authority's monthly statistics bulletin, the most prominent change in May 2020 is the consumption of electricity and water has increased, as the rate of increase in the use of electricity reached 24.8% over the month of April 2020, and water consumption increased by 12.6% during the same period. Total electricity consumption during May 2020 was 3,978.2 GWh attaining a monthly increase of 24.8% and an annual decrease of 5.5%. While the total water consumption has reached 58,067.0 Thousand m3 during the same month attaining a monthly increase of 12.6% and an annual rise of 4.6%. As for the banking sector: Total Broad Money Supply (M2) recorded about QR583.4bn during May 2020, which showed increase of 5.1% YoY; however it declined 0.2% MoM. M1 money supply rose 16.4% YoY and 1% MoM. On the other hand, cash equivalents; including Commercial Bank Deposits, attained for QR864.4bn during May 2020. The figure has recorded an annual increase of 7.2% compared to May 2019, when deposits recorded approximately QR806.3bn. International reserves and foreign currency liquidity also rose to QR203bn in May from QR202.9bn in April. Real estate sector has declined, as the number of building permits issued in May decreased by 43.9% compared to April 2020, and by 58.9% compared to May 2019. Likewise, the number of sold properties in May has fallen by 16.3% compared to April 2020, and by 45.6 % compared to May 2019. Regarding the data of buildings permits issued, the total number of permits has reached 271 permits during May 2020, recording a monthly decrease of 43.9%. The demographic statistics revealed that the total population of Qatar has increased from 2.740mn during May 2019 to 2.808mn at end of May 2020. (Qatar Tribune, Bloomberg)
- **KPMG: Rising affordability, business-friendly government initiatives can help Qatar's real estate sector –** Qatar needs to follow a prudent real estate credit policy by sticking to the fundamentals of credit allocation, especially in light of the softening in the real estate market, KPMG has said in a report. In Qatar, the real boost in organized real estate market was witnessed around the 2006 Asian Games, and since then it has been growing steadily. In addition, winning of the FIFA bid for hosting football games in 2022 provided a significant fillip to the real estate development market. "This rapid growth in real estate required huge borrowing in the form of bank funding raising the overall exposure of banks to this sector," KPMG said in its 'Qatar banking perspectives 2020'. Qatar's economy is unique and is not comparable to developed or diversified economies. However, compared to its regional counterparts, who possess similar characteristics, KPMG finds that the proportion of real estate credit to total credit is lower. Qatar's real estate to total credit ratio was hovering around 16% on an average between 2015 and 2018 and reduced to 14.2% in 2019, KPMG said in the report prepared by Anurag Gupta, the firm's Real Estate and Valuations lead. Over the past three years, NPL ratio has grown by 38%, reaching 1.8% in 2019 however they are well maintained below the level of 2% in comparison to the global average hovering around 6-7%. Further to ensure safety, banks have also made provisions to manage the risk. Looking at the provisioning trends, the loans provision ratio had mirrored the NPL ratio, however KPMG witnessed that provisions were 1.4 times of the NPL in 2019, owing to changes in accounting standards over the past two years. On parameters with adverse

implications on banking sector (concerning real estate market trends) KPMG noted, "Firstly, Qatar's real estate market is mainly rental-dominated due to the presence of a large expatriate population. Owing to a few recent regulatory relaxations, several new locations are announced as freehold properties that may bring some fundamental changes. However, as of now, the market remains subdued with most of the asset classes facing over-supply situations." Secondly, real estate rentals in all investment-grade properties have fallen. The real estate index declined 30 points over the past three years in the commercial and residential asset classes. Organized retail (malls) witnessed a smaller drop of 14 points during the same period. "We believe that the real estate market in Qatar is slowly entering a stabilization mode with affordability being a prime theme across asset categories. This rising affordability coupled with business-friendly government initiatives can help strengthen demand in the market," KPMG noted. It said valuation of real estate properties are also under stress. Both declining rentals and over-supply pressures are not working in their favor. Also, highly optimistic market assumptions have led to high valuations in the past, which are witnessing corrections. It will be difficult to estimate an average drop in valuations. However, KPMG has witnessed properties where the value has declined as high as 45% over a 2-3 year period. (Gulf-Times.com)

- **Ashghal launches QR499mn roads network project –** Public Works Authority (Ashghal) has started the QR499mn roads and infrastructure project in Al Kharaitiyat and Izghawa (Package 2), west of Al Shamal Road. Abdulla Ali Al-Naemi, Al Kharaitiyat and Izghawa Projects Manager at Ashghal's Roads Projects Department, said that the project provides services for 1386 residential plots in Al Kharaitiyat and Izghawa areas. Gulf-Times.com)
- **Entry, exit restrictions to and from Industrial Area removed –** Within the framework of the implementation of the second phase of the plan to gradually lift the restrictions imposed as a result of the Coronavirus (COVID-19) outbreak, the Permanent Committee for Industrial Area Affairs has decided to cancel the entry and exit points to and from the Industrial Area starting Wednesday, the Government Communications Office (GCO) said. All the preventive measures like wearing of masks, reduced bus capacity to half, and the downloading and activation of the Ehteraz application will continue, in order to ensure the health and safety of the area's residents, visitors, and community members. (Gulf-Times.com)

International

- **US consumer confidence perks up; rising COVID-19 cases cast shadow over recovery –** US consumer confidence rebounded in June as businesses reopened, strengthening views that the economic downturn was likely over, though rising COVID-19 infections threaten to derail the budding recovery. The survey from the Conference Board on Tuesday followed a sharp surge in hiring and consumer spending in May. The housing market and manufacturing have also improved. Federal Reserve Chair Jerome Powell on Monday acknowledged the rebound in activity, saying the economy had "entered an important new phase and (had) done so sooner than expected." In remarks prepared for a congressional hearing on Tuesday, the US central bank chief cautioned that the economic outlook "is extraordinarily uncertain" and would depend on "our success in containing the virus." The economy slipped into recession in February. Businesses have largely reopened after being shuttered in mid-March to slow the spread of the coronavirus. Large parts of the country, including densely populated California, Texas and Florida have reported a surge in cases of the respiratory illness. Some states are scaling back or pausing business reopenings. The Conference Board said its consumer confidence index rose to a reading of 98.1 this month from 85.9 in May. Still, the confidence index remains 34.5 points below its pre-pandemic level. Economists polled by Reuters had forecast the index rising to 91.8 in June. The survey's present situation measure, based on consumers' assessment of current business and labor market conditions, increased to a reading of 86.2 this month from 68.4 in May. The expectations index based on consumers' short-term outlook for income, business and labor market conditions jumped to 106.0 from a reading of 97.6 in May. (Reuters)
- **UK economy shows biggest drop in 40 years in early 2020 –** Britain's economy shrank by the most since 1979 in early 2020 as households slashed their spending, according to official data that included the first few days of the coronavirus lockdown. GDP dropped by a quarterly 2.2% between January and March, the Office for National Statistics (ONS) said. That was below the median forecast in a Reuters poll of economists for a fall of 2.0%. Prime Minister Boris Johnson will set out his plan to speed up the British economy's recovery later on Tuesday when he will promise to fast-track 5 billion pounds ($6.13bn) of infrastructure investment. Britain's economy may have contracted by 20% in the first half of 2020, the Bank of England said earlier this month as the full effects of the lockdown hammered most sectors in the April-June period. The BoE has said the slump in the economy this year could be the worst in three centuries. Tuesday's figures - which build on previously released data for the first quarter - showed a surge in household saving as their spending collapsed by the largest amount, in cash terms, since records began in the 1950s. The household savings ratio shot up to 8.6% in the first quarter from 6.6% at the end of 2019. The ONS has previously estimated that Britain's economy shrank by a record 20.4% in April from March but there have been some signs of recovery more recently. The ONS also said Britain's current account deficit widened by more than expected in the first three months of 2020. The balance of payments deficit - a long-standing concern for investors because it leaves Britain reliant on foreign inflows of cash - grew to 21.1bn Pounds ($25.9bn) in the first quarter, compared with a median forecast of 15.4bn Pounds in a Reuters poll of economists. Stripping out volatile movements of gold and other precious metals, the current account deficit narrowed slightly, the ONS said. (Reuters)
- **UK furlough scheme spending passes 25bn Pounds –** Britain's finance ministry said on Tuesday it had spent more than 25bn Pounds on a furlough program that is supporting 9.3mn jobs. In a weekly update, the Treasury said claims under its Job Retention Scheme - which pays 80% of salary costs for furloughed staff - had risen to 25.5bn Pounds as of June 28 from 22.9bn Pounds the week before. Banks had lent small businesses 29.5bn Pounds of 100% state-backed loans, up about 1.5bn Pounds from the previous week. Larger firms had received 11.1bn Pounds from

the government's main lending scheme, with the biggest companies getting an extra 2.3bn Pounds. (Reuters)

- **PMI: Japan's June factory activity extends declines for 14th month –** Japan's factory activity shrank for a 14th straight month in June on sharp reductions in output and new orders, pointing to a heavy hit to demand from the coronavirus pandemic, a business survey showed on Wednesday. Many export-reliant nations such as Japan are feeling the pain from a global trade contraction triggered by the pandemic, after government-imposed lockdowns disrupted supply chains and made consumers stay at home. The final au Jibun Bank Japan Manufacturing Purchasing Managers' Index (PMI) rose to a seasonally adjusted 40.1 from 38.4 in May and a preliminary 37.8 released last week. "The chance of a V-shape recovery in the manufacturing sector appears slim at this stage," said Joe Hayes, economist at IHS Markit, which compiles the survey. "We're still awaiting signs of meaningful improvement in Japan's manufacturing sector, with the PMI for June failing to stage a substantial recovery." The headline index stayed below the 50.0 threshold that separates contraction from expansion for a 14th month - the longest such stretch since a 16-month run through June 2009. Manufacturers struggled with fragile demand capacity, keeping output, new orders and purchasing activity deeply into contraction territory, the survey showed. Backlogs of work fell at a rate close to the previous month's over-a-decade record, while employment levels declined at a faster pace. On a more positive note, the future output subindex moved into positive territory for the first time since February on expectations of a gradual economic recovery, IHS Markit said. (Reuters)
- **BOJ Tankan: Japan business mood worsens to 11-year low on virus woes –** Japanese manufacturers' pessimism deepened to a level not seen since 2009 in the three months to June, the central bank's "tankan" survey showed, as the coronavirus pandemic took a toll on business and consumer activity. The headline index for big manufacturers' sentiment worsened to minus 34 in June, versus minus 8 in March, the closely watched survey showed on Wednesday. The index compared with economists' median estimate of minus 31 in a Reuters poll. It marked the sixth straight quarter of declines and hit its lowest level since June 2009. The reading is seen improving to minus 27 over the next three months, the survey showed. The survey also showed big firms plan to raise their capital expenditure by 3.2% in the financial year to March 2021, versus economists' median estimate of a 2.1% increase. The tankan's sentiment indexes are derived by subtracting the number of respondents who say conditions are poor from those who say they are good. A negative reading means pessimists outnumber optimists. (Reuters)
- **Caixin PMI: China's factory activity expands, but job losses quicken amid weak exports –** China's factory activity grew at a faster clip in June after the government lifted coronavirus lockdown measures and ramped up support steps, but the health crisis continues to pressure exports and jobs, a private business survey showed on Wednesday. The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) rose to 51.2 last month, the fastest pace of growth since December, and up from May's 50.7. The 50-mark separates growth from contraction on a monthly basis. Analysts polled by Reuters had expected a reading of 50.5. China's economy is gradually emerging from a sharp 6.8% contraction in the first quarter, with much of the country reopened after weeks of disruptions early in the year due to strict lockdown measures. But demand remained subdued, as many manufacturers are still struggling with reduced or cancelled overseas orders amid faltering global demand. While some of China's trading partners are easing curbs and re-booting their economies, many are still grappling with the pandemic while a surge of worldwide infections over the past week has raised the risk of a deeper and prolonged global recession. Consumers have also remained cautious amid job losses and fears of a fresh wave of infections in China as a cluster emerged in Beijing last month. New export orders stayed firmly in contractionary territory, the survey showed, although the downturn eased from the sharp slump in May. (Reuters)
- **India records quarterly current account surplus for first time in 13 years –** India's current account turned positive in the last quarter of the 2019/20 fiscal year as a result of a lower trade deficit and a sharp rise in net invisible receipts, the Reserve Bank of India said on Tuesday, the first quarterly surplus in 13 years. The current account recorded a surplus of $600mn or 0.1% of Indian gross domestic product in the three months to March 2020 compared to a deficit of 0.7% in the same period a year ago, RBI data showed. This represents the first time that India's quarterly current account, which measures the difference between the value of a country's imported and exported goods and services, has recorded a surplus since the January-March quarter of 2007. The RBI data also showed the current account deficit (CAD) for the October-December quarter of 2019/20 was revised to $2.6bn or 0.4% of GDP from $1.4bn earlier. For the year as a whole the CAD narrowed to 0.9% of GDP versus 2.1% in 2018/19, the data showed. The merchandise trade deficit narrowed slightly to $35bn from $35.2bn a year ago, RBI said. Balance of payments stood at a surplus of $18.8bn in 4Q of 2019/20, compared with a surplus of $14.2bn a year ago, the RBI data showed. (Reuters)
- **India's fiscal deficit touches 58.6% of annual target in two months –** India's federal fiscal deficit in the first two months through May stood at 4.66tn Rupees ($61.67bn), or 58.6% of the budgeted target for the current fiscal year, government data showed on Tuesday. Net tax receipts during April-May period were 338.5bn Rupees ($4.48bn), while total expenditure was 5.12tn Rupees, the data showed, indicating the government was front-loading its budgeted spending to combat the impact of pandemic. India's federal fiscal deficit touched 4.6% of GDP in 2019/20 fiscal year ending March, from initial estimates of 3.3%. (Reuters)
- **India's May infrastructure output contracts 23.4% –** India's infrastructure output contracted 23.4% in May from a year earlier, data released on Tuesday showed, dragged down by more than two months of coronavirus lockdown. Infrastructure output, which comprises eight sectors including coal, crude oil and electricity and accounts for nearly 40% of the country's industrial output, contracted 30% in April and May - the first two months of the fiscal year - from a year earlier, the data showed. (Reuters)
- **Brazil's debt and deficit hit record highs in May, outlook darkens –** Brazil's national debt and public-sector deficit surged to record

highs in May, figures showed on Tuesday, reflecting the squeeze on finances from a second full month of social isolation and quarantine to curb the novel coronavirus pandemic. The deterioration in the public accounts supports Treasury Secretary Mansueto Almeida's comments on Monday that debt will likely exceed 95% of GDP this year and the primary budget deficit is on course to top 11% of GDP. Economy Minister Paulo Guedes went further on Tuesday, warning that the debt and primary deficit could rise above 100% and 15% of GDP, respectively. The Economy Ministry is expected to announce new debt and deficit forecasts later in the day. Brazil's gross debt rose to a record 81.9% of GDP in May, the central bank said, higher than the 81.3% forecast in a Reuters poll of economists, while net debt rose to 55% of GDP, also higher than expected. The overall public sector posted a primary budget deficit excluding interest payments of 131.4bn Reais ($24bn) in May, the central bank said, less than the 135bn Reais deficit forecast in a Reuters poll, but also a record. (Reuters)

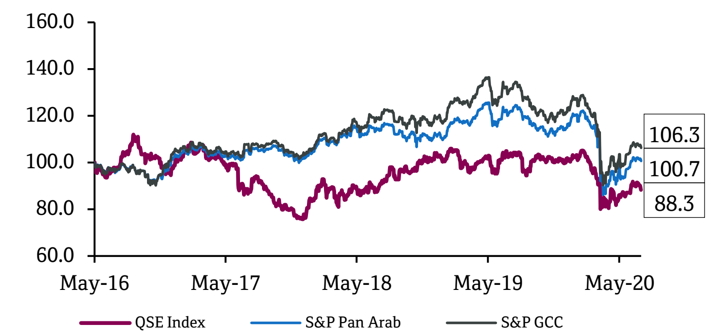
Regional

- **IMF: Gulf economies to shrink by 7.6% this year** – GCC countries will see their economies shrink by 7.6% this year, an International Monetary Fund official said on Tuesday, revising downwards April forecasts of nearly 3%. The six GCC nations are, with varying degrees, facing steep economic declines as the slowdown in business activity due to the coronavirus pandemic is amplified by a price drop in hydrocarbons, which are their main source of revenue. The IMF last week said Saudi Arabia's economy - the largest in the Arab world - faces a 6.8% contraction this year, sharper than the 2.3% the Washington-based lender had forecast in April. "We expect the GCC economies to contract by 7.6% this year, the contraction will be across all sectors, oil and non-oil," Director of the IMF's Middle East and Central Asia Department, Jihad Azour said on Tuesday at a virtual economic forum. He said oil-producing countries in other regions were likely to see even larger drops. Bahrain - one of the smallest Gulf producers - expects its economy to shrink in line with IMF forecasts, Central Bank Governor, Rasheed Mohammed Al-Maraj said, also speaking at the forum. The IMF in April had projected Bahrain's economy to contract by 3.6% this year. (Reuters)
- **OPEC, Russia seen easing oil production cuts from August –** OPEC and Russia will likely ease record oil production cuts from August as global oil demand recovers and prices have bounced back from their lows, four OPEC+ sources told Reuters. OPEC and its allies including Russia, known as OPEC+, have agreed to cut production by a record 9.7mn bpd, or 10% of global demand, from May to support oil prices as demand plunged because of the coronavirus pandemic. Record cuts were meant to last until the end of June but then had been extended into July. The sources said no discussions have taken place so far about extending the record cuts into August, meaning they were most likely to be eased to 7.7mn bpd until December. "A further extension is unlikely unless there is another downward move in demand," one OPEC source said. Key OPEC+ ministers will meet in mid-July at a panel, known as the Joint Ministerial Monitoring Committee (JMMC), to recommend the next level of cuts. Oil prices have recovered to above $41 a barrel from a 21-year low below $16 a barrel in April, helped by OPEC+ cuts and a recovery in demand as governments ease coronavirus lockdowns. (Reuters)
- **OPEC oil output sinks as Saudi deepens cuts and others cut more, survey shows –** OPEC oil output hit the lowest in two decades in June as Saudi Arabia and other Gulf Arab members made larger cuts, a Reuters survey found, pushing group compliance in a supply reduction pact above 100% despite incomplete adherence by Iraq and Nigeria. The 13-member OPEC pumped 22.62mn bpd on average in June, the survey found, down 1.92mn bpd from May's revised figure. OPEC and its allies in April agreed to a record output cut to offset a slump in demand caused by the coronavirus crisis. An easing of lockdowns and lower supply have helped prices LCOc1 climb above $40 from April's 21-year low of below $16 a barrel. "Demand is expected to pick up in the second half of the year and there is a general consensus that the OPEC+ group will live up to expectations and will achieve high compliance in June and July," Tamas Varga of Oil Broker PVM said. (Reuters)
- **SAMA: IMF economic forecasts more pessimistic than Saudi Arabia's –** Saudi Arabian Monetary Authority's (SAMA) Governor. Ahmed Al-Kholifey said the International Monetary Fund's economic contraction forecast for Saudi Arabia was more pessimistic than Saudi Arabia's own forecasts. The IMF has estimated the Saudi economy will contract by 6.8% this year. Saudi Arabia's non-oil economy is expected to bounce back quickly as coronavirus restrictions are lifted, he said, without providing a number. He was speaking at a virtual economic forum. (Reuters)
- **Saudi Arabia's economy contracts by 1% in 1Q2020 amid oil plunge –** Saudi Arabia's economy contracted by 1% in the first quarter, official data showed on Tuesday, but the figures only marginally captured the collapse in oil prices and the coronavirus crisis, which deteriorated in March. "This negative growth originated mainly from the contraction in the oil sector by 4.6%, while the non-oil sector recorded a positive growth rate of 1.6%," the General Authority for Statistics said, citing preliminary estimates. The world's largest oil exporter is facing its worst economic decline this year after the COVID-19 pandemic dampened global crude demand and measures to contain the coronavirus hurt the Kingdom's non-oil economy. "The coronavirus crisis means that this is somewhat old news and the figures for 2Q2020 will almost certainly be terrible," MENA Economist at Capital Economics, James Swanston said. In the first quarter, the value of Saudi Arabia's oil exports plunged by about $11bn year on year, and in April alone the drop was of about $12bn, official data showed this month. Sharp production cuts in May and June, aimed at lifting oil prices, are likely to weigh further on oil GDP in the second quarter, and figures released by the central bank this week showed the non-oil economy continued to suffer in May. Profits for the banking sector posted an annual decline of nearly 40% in May and points of sale transactions were down by nearly 16%, according to Saudi Arabian Monetary Authority data. (Reuters)
- **Saudis slash oil exports to multi-year low on OPEC+ cuts –** Saudi Arabia seems to have made good on its promise to cut oil production by a record amount in June. Observed Saudi crude exports for this month fell to 5.7mn bpd through June 29, the lowest since Bloomberg began tracking the flows at the start of

2017. That compares with 6.2mn a day in May. It is a reduction equivalent to more than seven full supertankers over the course of the month. (Bloomberg)

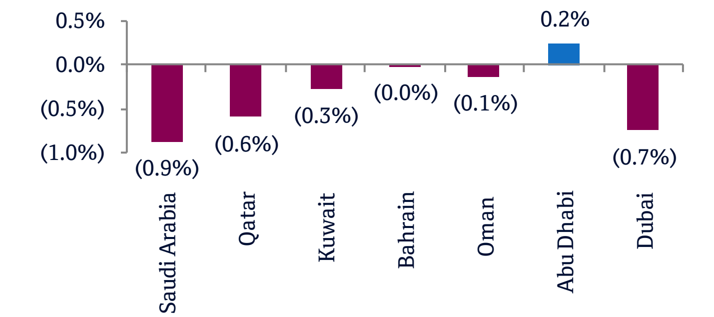
- **Amlak International for Real Estate Finance has set IPO price at SR16 per share –** Amlak International for Real Estate Finance has set the price for its IPO at SR16 per share after completing the book-building process for institutions and investment funds, according to a statement. Public and private funds and DPMs amounted to 43.4% of the coverage, while the authorized persons, Saudi-listed companies, insurance companies, private companies, endowments and QFIs reached 56.6%. NCB Capital is managing the process. (Bloomberg)
- **Saudi grocer BinDawood gets regulator approval for IPO –** Saudi Arabia's BinDawood Holding has received the market regulator's approval for selling shares in an IPO. The approval is for selling 22.86mn shares, representing 20% of the share capital, according to a statement. BinDawood is working with Goldman Sachs Group Inc., JPMorgan Chase & Co., GIB Capital and NCB Capital on the IPO, according to sources. Moelis & Co. is also working as financial advisor. (Bloomberg)
- **Saudi NCB issues SR4.2bn in additional Tier 1 Sukuk –** Saudi NCB has issued SR4.2bn additional Tier 1 Sukuk denominated in Riyals by way of a private placement, according to a statement. The return is 4.25% per annum. The maturity is perpetual. The Sukuk may be redeemed early due to a capital event, tax event or at the option of the bank. NCB Capital was sole bookrunner, lead arranger and lead manager for the private placement offer. (Bloomberg)
- **Saudi Healthcare provider Dallah makes second acquisition of 2020 –** Dallah Healthcare has signed final accord to buy majority stake in Makkah Medical Center, according to a statement. It will acquire 78.59% of unlisted Makkah Medical Center for SR161.1mn. Dallah's total stake will be 86.1%, including 7.5% it already owns. This will be financed through internal resources and local financiers. Makkah Medical Centre's 2019 revenue stood at SR110mn. (Bloomberg)
- **Dubai's economy shrank by 3.5% YoY in first-quarter amid coronavirus crisis –** Dubai's real GDP shrank by 3.5% YoY in the first quarter, the government's media office said, as the Middle East's business and tourism hub feels the impact of the coronavirus crisis. Citing data from the Emirate's statistics center, the government said some sectors such as real estate and finance had however kept momentum despite the pandemic. "Dubai's economy witnessed healthy levels of growth in 2019. It was expected that in the first quarter of 2020, the economy will experience a decline due to the global impact of the COVID-19 pandemic," Executive Director of Dubai Statistics Center, Arif Al Muhairi said. In 2019 Dubai's GDP reached $110.87bn, a rise of 2.2% YoY, the statement said. Trade, transport and storage activities shrank in the first quarter, with trading activity - the largest contributor to the Emirate's economy - down by 7.5% YoY. The accommodation and food services sector - hotels and restaurants - declined by 14.8% in 1Q2020 YoY, it stated, while in the whole of 2019 it had posted 3.6% growth, accounting for 5.1% of Dubai's economy. (Reuters)
- **Emirates NBD hires banks for perpetual dollar bonds –** Emirates NBD, Dubai's largest bank, has hired banks to arrange an investor call ahead of a potential issuance of US dollar-denominated bonds, a document showed. It has hired Emirates NBD Capital, HSBC and Standard Chartered to coordinate the potential deal, with Bank of America, Citi, and First Abu Dhabi Bank also involved. The planned Additional Tier 1 bonds would be perpetual - meaning they have no maturity - and would be non-callable for six years, according to the document. (Reuters)
- **DAMAC's Chairman considers taking company private –** The Chairman of DAMAC Properties, owner of the only Trump-branded golf club in the Middle East, Hussain Sajwani is weighing buying out minority shareholders and taking the $1.1bn Dubai-listed company private, sources familiar with the talks said. He had found the company nearly two decades ago, has been exploring the deal since late 2019 after DAMAC's share price plunged over the past two years, one of the sources told Reuters on Tuesday. Sajwani, who through his private investment company bought Italian fashion house Roberto Cavalli last year, currently owns 72.2% of DAMAC, according to Refinitiv data. He is in talks with banks to finance the deal, the same source added. (Reuters)
- **Dubai World makes final repayment to creditors of $8.2bn –** State conglomerate Dubai World, at the centre of Dubai's debt crisis a decade ago, said on Tuesday it had made a final payment of $8.2bn to creditors. The payment, made ahead of its September 2022 maturity, was an "important milestone" for the company and Dubai, Dubai World Chairman, Sheikh Ahmed bin Saeed al-Maktoum said in a statement. "Once more our action underscores Dubai's commitment to always meet its obligations," Sheikh Ahmed said, who is also a member of Dubai's ruling family. The company made the payment using funds from a new $3bn loan from Dubai Islamic Bank, asset sales and dividend payments, it said. (Zawya)
- **Kuwait's May consumer prices rise 1.94% YoY and 0.26% MoM –** Central Statistical Bureau in Kuwait City published Kuwait's consumer price indices for May which showed that Kuwait's May consumer prices rose 1.94% YoY and 0.26% MoM. Food and beverages price index rose 1.94% YoY and Transport prices rose 3.72% YoY. (Bloomberg)
- **Bahrain's May consumer prices fall 2.6% YoY; rise 0.6% MoM –** Information & eGovernment Authority in Manama published Bahrain's May consumer price indices which showed that the consumer prices fell 2.6% YoY and rose 0.6% MoM. Food and non-alcoholic beverages price index rose 5.18% YoY in May compared to a rise of 3.5% in the previous month. (Bloomberg)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,780.96	0.5	0.5	17.4
Silver/Ounce	18.21	2.0	2.3	2.0
Crude Oil (Brent)/Barrel (FM Future)	41.15	(1.3)	0.3	(37.7)
Crude Oil (WTI)/Barrel (FM Future)	39.27	(1.1)	2.0	(35.7)
Natural Gas (Henry Hub)/MMBtu	1.64	0.0	17.1	(21.5)
LPG Propane (Arab Gulf)/Ton	46.00	0.3	(2.6)	11.5
LPG Butane (Arab Gulf)/Ton	41.75	0.6	(2.1)	(36.3)
Euro	1.12	(0.1)	0.1	0.2
Yen	107.93	0.3	0.7	(0.6)
GBP	1.24	0.8	0.5	(6.5)
CHF	1.06	0.4	0.1	2.2
AUD	0.69	0.5	0.6	(1.7)
USD Index	97.39	(0.1)	(0.0)	1.0
RUB	71.19	1.7	2.0	14.8
BRL	0.18	(1.1)	0.1	(26.4)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,201.79	1.2	2.1	(6.6)
DJ Industrial	25,812.88	0.8	3.2	(9.6)
S&P 500	3,100.29	1.5	3.0	(4.0)
NASDAQ 100	10,058.77	1.9	3.1	12.1
STOXX 600	360.34	0.3	0.7	(13.2)
DAX	12,310.93	0.8	2.0	(6.8)
FTSE 100	6,169.74	(0.1)	0.4	(23.7)
CAC 40	4,935.99	(0.0)	0.7	(17.3)
Nikkei	22,288.14	1.3	(1.6)	(4.9)
MSCI EM	995.10	0.1	(0.4)	(10.7)
SHANGHAI SE Composite	2,984.67	1.0	0.4	(3.6)
HANG SENG	24,427.19	0.5	(0.5)	(12.9)
BSE SENSEX	34,915.80	(0.2)	(0.7)	(20.2)
Bovespa	95,055.80	(0.8)	1.2	(39.5)
RTS	1,212.63	(2.2)	(2.7)	(21.7)

Source: Bloomberg (*$ adjusted returns)

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