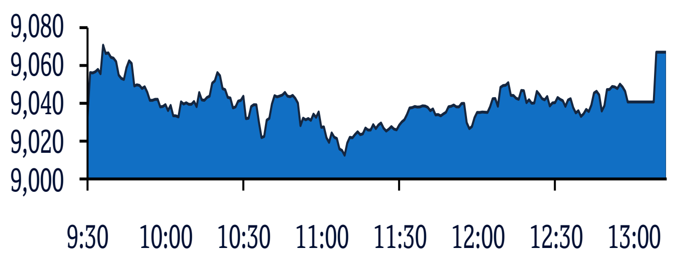
Daily Market Report

Wednesday, 03 June 2020

QSE Intra-Day Movement



Qatar Commentary

The QE Index rose 0.5% to close at 9,067.3. Gains were led by the Industrials and Transportation indices, gaining 1.0% each. Top gainers were Qatar Cinema & Film Distribution Company and Widam Food Company, rising 9.8% and 5.1%, respectively. Among the top losers, Mannai Corporation fell 4.0%, while Ahli Bank was down 1.8%.

GCC Commentary

Saudi Arabia: The TASI Index fell marginally to close at 7,285.2. Losses were led by the Soft. & Serv. and Food & Staples indices, falling 3.7% and 2.9%, respectively. Gulf Union Coop. Ins. declined 6.9%, while Anaam Int. Holding was down 3.8%.

Dubai: The DFM Index gained 0.5% to close at 1,984.5. The Transportation index rose 2.6%, while the Investment & Financial Services index gained 1.6%. Khaleeji Commercial Bank rose 7.8%, while Air Arabia was up 4.7%.

Abu Dhabi: The ADX General Index gained 2.6% to close at 4,277.4. The Telecommunication index rose 4.9%, while the Industrial index gained 3.4%. Gulf Pharmaceutical Ind. rose 14.4%, while Abu Dhabi National Energy Co. was up 5.3%.

Kuwait: The Kuwait All Share Index gained 0.4% to close at 5,025.6. The Consumer Services and Banks indices rose 0.6% each. Al-Eid Food rose 9.2%, while Mena Real Estate Company was up 8.3%.

Oman: The MSM 30 Index gained 0.1% to close at 3,540.2. Gains were led by the Services and Financial indices, rising 0.2% and 0.1%, respectively. Musandam Power Company rose 3.4%, while Al Maha Ceramics Company was up 2.9%.

Bahrain: The BHB Index fell marginally to close at 1,269.7. The Services index declined 0.2%, while the other indices ended flat or in green. National Bank of Bahrain declined 1.6%, while Bahrain Telecom Company was down 0.5%.

Market Indicators	02 June 20	01 June 20	%Chg.
Value Traded (QR mn)	446.3	508.0	(12.2)
Exch. Market Cap. (QR mn)	515,367.3	511,365.1	0.8
Volume (mn)	235.5	193.3	21.8
Number of Transactions	10,531	20,969	(49.8)
Companies Traded	46	43	7.0
Market Breadth	24:15	30:12	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	17,431.55	0.5	2.2	(9.1)	14.3
All Share Index	2,813.63	0.6	1.7	(9.2)	15.0
Banks	3,928.71	0.6	0.8	(6.9)	12.9
Industrials	2,526.05	1.0	2.9	(13.8)	20.1
Transportation	2,633.93	1.0	3.0	3.1	12.8
Real Estate	1,397.13	0.6	2.3	(10.7)	13.8
Insurance	2,027.55	0.0	0.3	(25.9)	33.7
Telecoms	895.43	0.3	8.0	0.1	15.0
Consumer	7,298.09	0.1	3.1	(15.6)	18.6
Al Rayan Islamic Index	3,617.71	0.6	2.4	(8.4)	16.7

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Abu Dhabi Comm. Bank	Abu Dhabi	4.78	5.1	8,758.5	(39.6)
Emirates Telecom. Group	Abu Dhabi	16.68	4.9	5,602.9	2.0
First Abu Dhabi Bank	Abu Dhabi	11.48	2.7	4,449.4	(24.3)
National Bank of Oman	Oman	0.16	2.6	728.5	(14.1)
Mesaieed Petro. Holding	Qatar	2.10	2.4	7,419.6	(16.3)

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
Sohar International Bank	Oman	0.08	(2.4)	35.0	(22.3)
Bupa Arabia for Coop. Ins.	Saudi Arabia	110.00	(2.0)	206.5	7.4
Etihad Etisalat Co.	Saudi Arabia	27.00	(1.8)	1,835.0	8.0
National Bank of Bahrain	Bahrain	0.61	(1.6)	5.0	(5.1)
Emaar Malls	Dubai	1.34	(1.5)	14,212.1	(26.8)

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%
Qatar Cinema & Film Distribution	2.80	9.8	3.0	27.2
Widam Food Company	6.20	5.1	1,859.1	(8.3)
Vodafone Qatar	1.10	4.1	11,003.7	(5.5)
Ezdan Holding Group	0.84	3.6	94,541.1	36.1
Mesaieed Petrochemical Holding	2.10	2.4	7,419.6	(16.3)

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Ezdan Holding Group	0.84	3.6	94,541.1	36.1
Qatar Gas Transport Company Ltd.	2.40	1.7	21,853.4	0.6
Mazaya Qatar Real Estate Dev.	0.68	(0.6)	17,240.5	(6.1)
Qatar Aluminium Manufacturing	0.70	0.9	16,701.2	(10.2)
Vodafone Qatar	1.10	4.1	11,003.7	(5.5)

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Mannai Corporation	2.90	(4.0)	12.5	(5.7)
Ahli Bank	3.20	(1.8)	301.5	(4.0)
Zad Holding Company	14.10	(1.7)	53.7	2.0
Dlala Brokerage & Inv. Holding Co	0.70	(1.4)	899.8	14.6
United Development Company	1.20	(1.2)	1,140.2	(21.1)

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
Ezdan Holding Group	0.84	3.6	77,997.8	36.1
QNB Group	17.69	1.1	74,662.1	(14.1)
Qatar Gas Transport Co. Ltd.	2.40	1.7	53,199.7	0.6
Ooredoo	6.83	(0.8)	20,148.3	(3.5)
Doha Bank	2.15	1.8	19,162.8	(15.1)

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*	9,067.28	0.5	2.2	2.5	(13.0)	122.42	140,540.7	14.3	1.4	4.4
Dubai	1,984.46	0.5	1.2	2.0	(28.2)	48.20	78,156.2	7.8	0.7	4.9
Abu Dhabi	4,277.38	2.6	3.8	3.3	(15.7)	62.02	128,058.9	13.3	1.3	6.0
Saudi Arabia	7,285.23	(0.0)	3.3	1.0	(13.2)	1,694.25	2,205,953.9	22.1	1.8	3.5
Kuwait	5,025.55	0.4	0.1	0.6	(20.0)	74.42	92,551.0	14.6	1.1	4.1
Oman	3,540.19	0.1	0.6	(0.1)	(11.1)	1.63	15,417.2	9.2	0.8	6.8
Bahrain	1,269.71	(0.0)	(0.5)	0.0	(21.1)	2.68	19,588.5	9.0	0.8	5.6

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 rose 0.5% to close at 9,067.3. The Industrials and Transportation indices led the gains. The index rose on the back of buying support from GCC and non-Qatari shareholders despite selling pressure from Qatari shareholders.
- Qatar Cinema & Film Distribution Company and Widam Food Company were the top gainers, rising 9.8% and 5.1%, respectively. Among the top losers, Mannai Corporation fell 4.0%, while Ahli Bank was down 1.8%.
- Volume of shares traded on Tuesday rose by 21.8% to 235.5mn from 193.3mn on Monday. Further, as compared to the 30-day moving average of 213.7mn, volume for the day was 10.2% higher. Ezdan Holding Group and Qatar Gas Transport Company Limited were the most active stocks, contributing 40.1% and 9.3% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	26.82%	35.67%	(39,496,910.66)
Qatari Institutions	29.78%	27.04%	12,234,468.00
Qatari	**56.60%**	**62.71%**	**(27,262,442.66)**
GCC Individuals	0.20%	0.24%	(154,257.52)
GCC Institutions	1.36%	0.09%	5,680,396.38
GCC	**1.56%**	**0.33%**	**5,526,138.86**
Non-Qatari Individuals	10.07%	10.21%	(634,796.38)
Non-Qatari Institutions	31.77%	26.75%	22,371,100.17
Non-Qatari	**41.84%**	**36.96%**	**21,736,303.80**

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

Global Economic Data

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
06/02	UK	Bank of England	Money Supply M4 MoM	Apr	1.5%	–	3.2%
06/02	UK	Bank of England	M4 Money Supply YoY	Apr	9.5%	–	8.2%

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

News

Qatar

- **Qatar's central bank sells QR600mn of treasury bills –** Qatar's central bank sold QR600mn ($159.89mn) of treasury bills (T-bills) in an auction, it said in a statement on Tuesday. A total of QR300mn worth of three-month T-bills were sold at 0.35%, QR200mn worth of six-month T-bills were sold at 0.46% and QR100mn worth of nine-month T-bills were sold at 0.53%. (Zawya)
- **QIIK's AGM approves to elect two independent members of the board of directors –** Qatar International Islamic Bank (QIIK) held its Ordinary General Assembly meeting (AGM) on June 2, 2020. The AGM agreed unanimously to appoint by acclamation two new independent board member's as follow: 1) Ali A.Latif M. AL. Mesned and 2) Abdulla Salem Al-Marri. (QSE)
- **ZHCD to distribute dividends for the year 2019 –** Zad Holding Company (ZHCD) will distribute dividends for the year 2019 from June 4, 2020. Shareholders who have registered their bank account information with Qatar Exchange or QCDS will have their dividends deposited directly in their accounts starting from June 4, 2020. Shareholders who have not registered their bank account details may collect their dividends directly from the listed Masraf Al Rayan Branches from June 7, 2020. The branches are Al Sadd Branch, Al Shafi Branch, Al Hilal Branch, Al-Wakra Branch and Al Khor Branch. (Gulf-Times.com)
- **Vodafone partners with QNB Group to offer instalment plan for new device –** Vodafone Qatar has partnered with QNB Group to offer its new 'Buy now pay later' instalment plan that lets customers purchase the latest devices, such as smartphones, mobile Wi-Fi devices and accessories, and pay later with easy monthly instalments. Customers who have a QNB Group's credit card will be able to purchase the device of their choice under QNB Group's FlexiPlan and have an option to pay back the credit card monthly instalments over three or six months, Vodafone Qatar has said in a statement. (Gulf-Times.com)
- **Qatar Airways seeks delivery flexibility from Airbus, Boeing –** The head of Qatar Airways called on the world's two major plane makers to ease demands that ailing carriers accept delivery of new aircraft, saying future relationships are at stake. Airbus SE and Boeing Co. should allow the deferral of handovers until at least 2022, CEO Akbar Al Baker said. Qatar Airways has about $50bn of orders outstanding, based on list prices. The CEO said, "What is important is for Boeing and Airbus to show their customers that they are not only there with them in good times, but also in bad. If they don't oblige, they will permanently lose us as a customer." (Bloomberg, Reuters)
- **Qatar highest ranking GCC country in 2020 FM Global Resilience Index –** Qatar is the highest ranking country in the GCC region in the 2020 FM Global Resilience Index, which is the definitive ranking of nearly 130 countries by the resilience of their business environments. Qatar topped the region with a country rank of 27; country score of 81; economic score of 100; risk quality score of 59.8 and supply chain score of 60. No other GCC country ranked in the index had figured in the top 49 in the 2020 FM Global Resilience Index. "High-ranking countries in 2020 FM Global Resilience Index are well positioned to foster post-pandemic business recovery. The annual ranking of business environments informs smart decisions around pandemic-disrupted operations and supply chains," points out FM Global, one of the world's largest commercial property insurers, which published in the annual index. The index

provides companies with objective information about countries' economic, risk quality and supply chain resilience – factors that create a springboard for businesses working to recover from the pandemic. (Gulf-Times.com)

- **Qatar capital market seen needing short-term, good quality Shari'ah products –** Qatar's capital market needs short-term good quality Islamic money market products to help the banking sector strengthen the liquidity during the COVID-19 pandemic, according to a top official of the Qatar Financial Centre (QFC). "It is imperative to ensure the continuous operation of efficient and smoothly operating Qatari financial markets. This includes Islamic financial institutions, which require development of short-term and good quality money market products," Thaddeus Malesa, senior advisor for Economics and Research at the QFC Authority, said. Qatar's economy is incredibly robust, and the nation has a strong balance sheet, he said, adding it is well positioned to navigate current turbulence despite the expected global economic downturn. (Gulf-Times.com)

International

- **World Bank says coronavirus to leave 'lasting scars' on developing world –** The World Bank said on Tuesday that it expects the coronavirus and resulting recessions to leave "lasting scars" on developing and emerging market countries, with the worst damage on oil exporters and those suffering financial crises. In analytical chapters of its new Global Economic Prospects report, the bank said that the average emerging market country suffering a financial crisis could see potential output fall by 8% over a five-year period, with lost output for developing oil exporters falling 11%. World Bank officials said that because the growth outlook had already dimmed significantly due in part to trade conflicts, the shock from the pandemic could easily spill over into solvency problems for emerging market countries. Low interest rates over the past decade contributed to a record increase in sovereign and corporate debt in emerging markets, limiting policymakers' ability to respond to the crisis and prevent business closures, job losses and deterioration of human capital, said Ceyla Pazarbasioglu, vice president for equitable growth, finance and institutions. (Reuters)
- **Trump administration putting trust in global oil producers ahead of OPEC+ meet –** The Trump administration believes ahead of an expected OPEC+ meeting this week that major oil producers such as Saudi Arabia and Russia will honor their pledges to cut crude production and will not damage the global economy by changing course, a senior official said on Tuesday. "We trust that other major oil producers will not revert to policies that impede an orderly and swift recovery from these unprecedented global economic conditions," a senior administration official told Reuters in response to a question about the administration's approach to global oil producers ahead of the OPEC+ meeting expected on Thursday. In early April, when Saudi Arabia and Russia boosted oil output in a war for market share during the height of the coronavirus pandemic - action that strangled fuel demand and slammed crude prices - the administration took an aggressive stance. Trump told Saudi Crown Prince Mohammed bin Salman that unless OPEC started cutting oil production, he would be powerless to stop lawmakers from passing legislation to withdraw US troops from the kingdom. Now, OPEC, of which Saudi Arabia is the de facto leader, and Russia, which forms part of OPEC+, are moving closer to a compromise on extending the cuts and discussing a proposal to roll over supply curbs into July or August, three OPEC+ sources said on Monday. While the stance is apparently more relaxed, Trump is still making calls. Trump and Russian President Vladimir Putin discussed the OPEC+ oil output cuts and other issues including arms control in a call on Monday, the Kremlin said. Reduced production from OPEC+, combined with a record decline in output from non-members such as the US, has helped lift global oil prices toward $40 per barrel, though well below prices of nearly $64 in January. An oil industry source, who communicated with an official in the office of US Energy Secretary Dan Brouillette, said the Energy Department is keeping a patient, but watchful eye. The Energy Department did not immediately respond to requests for comment. "There was a time when the administration wanted an OPEC+ deal at any cost and now it kind of seems more like they are letting it play out," the industry source said. (Reuters)
- **Nationwide: UK house prices fall by most since 2009 as COVID hits –** Britain's house prices fell by the most in more than 11 years in May as the coronavirus crisis hammered the market, mortgage lender Nationwide said on Tuesday. Nationwide said prices fell by 1.7% last month from April, the biggest monthly decline since February 2009. In annual terms, prices rose by 1.8%, slowing from 3.7% in April. A Reuters poll of economists had pointed to a monthly fall of 1.0% and an annual rise of 2.8%. Britain's government relaxed some of its restrictions on the housing market in England in May. Property website Rightmove said on Saturday it had its busiest day on record last week, suggesting activity was picking up. However, Nationwide said the medium-term outlook remained highly uncertain. Samuel Tombs, economist with Pantheon Macroeconomics, said the May fall was probably just the start of a slide in house prices over the rest of this year. "The huge size of the blow from COVID-19 to households' incomes and the deterioration in consumers' confidence suggests that house prices must drop," he said. "We look for a 5% decline in prices by the end of the third quarter." Nationwide said the impact of the pandemic on the mindset of homebuyers was likely to weigh on the market. A survey it conducted suggested people had put off moving as a result of the lockdown and would-be buyers were planning to wait six months on average. (Reuters)
- **Economy Minister: German slump could be deeper than forecast –** Germany's economic downturn this year could be even sharper than previously expected, Economy Minister Peter Altmaier said on Tuesday. The government's latest forecast is for Europe's largest economy to shrink by 6.3% in 2020, its biggest post-war slump, as the coronavirus pandemic has paralyzed large swathes of the economy for months. But Altmaier told a business forum hosted by Bitkom, the industry association for the information technology sector: "I don't rule out that it could be more." Neighbouring France earlier on Tuesday revised down its forecast. Finance Minister Bruno Le Maire said he expected the French economy to contract by 11% this year due to the coronavirus crisis and the nationwide lockdown to contain it. Paris had previously forecast an 8% contraction. (Reuters)

- **EU balks at adding Russia back into G7 –** The European Union on Tuesday rejected any suggestion that the Group of Seven advanced economies could be expanded to include Russia and warned Washington that it could not change the rules for the group on its own. US President Donald Trump on Saturday dismissed the G7 as a "very outdated group of countries" and said he would invite the leaders of Australia, Russia, South Korea and India to join a leaders summit now postponed to September. The EU said it viewed the G7 as a vital multilateral framework that cannot be changed on a permanent basis by the chair of the group, currently the US, an EU spokesman said on Tuesday. Russia was expelled from what was then the Group of Eight in 2014 when Trump's predecessor, Barack Obama, was US president, after Moscow annexed the Crimea region from Ukraine. Russia still holds the territory, and various G7 governments have rebuffed previous calls from Trump to re-admit Moscow. Britain and Canada have also spoken out in opposition to the idea of letting Russia back into the forum. And Moscow itself said Trump's proposal to invite Russia to an expanded Group of Seven summit later this year raised questions, but its diplomats would seek clarification from Washington. (Reuters)
- **UK households, locked down in April, cut debts by most on record –** British consumers cut their debts by the most on record and mortgage approvals slumped to a new low in April as the country spent the month in coronavirus lockdowns. Bank of England data published on Tuesday showed a net repayment of consumer credit of 7.4bn Pounds ($9.28bn) as people stuck at home slashed new borrowing to just half February's level, before the crisis escalated. Loan repayments by consumers also fell - as banks allowed many households to pause payments - but the drop in repayments was less than the decline in new borrowing. Household bank deposits surged by three times the recent average. Consumer lending fell by 0.4% in the 12 months to April, the biggest drop since August 2012. Mortgage approvals fell to their lowest since records began in 1997 - 15,848, 80% below their level in February. Mortgage lender Nationwide said Britain's house prices fell by the most in more than 11 years in May. The BoE data showed net lending to businesses fell to 13.238bn Pounds in April, down by almost 20bn Pounds from March, when companies rushed to get loans to see them through the pandemic crisis, but still above average. Britain's government has promised 330bn Pounds worth of state guarantees for bank loans to businesses as part of its attempts to stave off a wave of bankruptcies. Data published by the finance ministry on Tuesday showed small businesses had borrowed more than 21bn Pounds under a 100% government-guaranteed coronavirus program for small companies, well ahead of other lending support schemes. The Treasury also said its wage subsidy scheme to soften a surge in unemployment now covered more than 8.7mn jobs and claims had passed 17.5bn Pounds. (Reuters)
- **PMI: Japan's service sector activity shrinks for fourth month in May –** Japan's services sector activity stayed deep in contraction in May, although the pace of decline moderated from the previous month, as restraining measures put in place over the coronavirus outbreak hurt business activity and the jobs market. The final seasonally adjusted au Jibun Bank Japan Services Purchasing Managers' Index (PMI) rose to a seasonally adjusted 26.5 in May from a record low 21.5 in the previous month. The index stayed in contraction for the fourth straight month, marking the longest such stretch since a five-month run to September 2012, though it was higher than a preliminary reading of 25.3 released last month. Prime Minister Shinzo Abe's government is expected to submit a second extra budget to parliament early next week to fund a new $1.1tn stimulus to offset the hit from the pandemic, which has taken a grave toll on the services sector globally. Schools, cinemas, sports clubs and department stories reopened in Tokyo on Monday as restrictions put in place to control the outbreak were eased. More than half of the surveyed companies reported lower activity levels compared with the previous month, while 6% saw a rise, the survey showed. The employment indicator in the survey shrank at its fastest pace since July 2011, suggesting firms were reducing staffing levels in response to lower business requirements. The composite PMI, which includes both manufacturing and services, also remained deep in contraction, although the index rose for the first time in four months, suggesting a slower pace of activity decline. The index rose to 27.8 from April's final 25.8. (Reuters)
- **Russia earmarks $73bn to jump-start economy by end-2021 –** Russia has earmarked 5tn Roubles ($73bn) to jump-start its economy through end-2021, its premier said on Tuesday, as the country eases a prolonged coronavirus lockdown which cost it jobs and triggered the deepest contraction since 2009. With the number of confirmed COVID-19 infections nearing 424,000, the world's third highest, Russia began to reopen this week with short walks permitted in Moscow and other, less hard-hit regions, cancelling pass systems and reopening cafes. In April, the first full month of a nationwide lockdown, joblessness jumped to 5.8%, retail sales dipped by 23.4% and gross domestic product contracted by 12% - its deepest fall since May 2009. Overall, GDP is forecast down by 5-8% this year. The government has come up with around 500 specific support measures at a total cost of 5tn Roubles though the end of next year, Prime Minister Mikhail Mishustin told President Vladimir Putin on Tuesday in televised remarks. The pandemic has dealt a serious setback to the economic and social policy goals Putin set out after his re-election in 2018. At a total cost of nearly $400bn though 2024, he wanted Russian GDP growth to exceed the global average by then. Mishustin told Putin on Tuesday that the president's 13 strategic goals, known as national projects ranging from infrastructure to education and healthcare, would "require certain adjustments", without elaborating. (Reuters)

Regional

- **IIF: Gulf countries to experience worst economic crisis in history –** The six GCC nations are facing their worst economic crisis in history amid the double shock of plunging oil prices and the coronavirus pandemic, the Institute of International Finance (IIF) said. Overall real gross domestic product (GDP) will contract 4.4% this year, despite some indications that the virus spread has been successfully contained and the easing of some restrictions in recent weeks, said the IIF, a global financial industry body. Cuts in public spending adopted by regional authorities to contain the widening of their deficits "could more than offset losses stemming from reduced oil exports" but aggregate deficits are still expected to widen to 10.3% of GDP this year from 2.5% in 2019. The Saudi central bank said yesterday it would inject an additional $13.3bn into the local banking system to help banks support the private sector, after consumer spending fell sharply in April due to virus containment measures. For the IIF, the regional banking system remained solid, with strong liquidity and capitalization, and relatively low non-performing loans. Liquidity support measures introduced by GCC authorities to support banks amount to 4% of GDP, or $54bn, the IIF said. Saudi Arabia, the region's largest economy, could see its real GDP shrink 4% this year and its deficit widen to 13%. Oman, which is emerging as "an increasingly vulnerable spot in the region in light of its mounting debt" could experience a 5.3% economic contraction while its deficit could widen to 16.1% this year from 9.4% in 2019, the IIF said. (Reuters)

- **IIF: Most GCC banks are well-positioned to absorb twin shocks –** With strong capitalization, adequate liquidity, and relatively low NPLs, the GCC's banking systems will continue to remain sound despite the double shocks from oil price fall and COVID-19. GCC banks have enhanced their risk management and implemented countercyclical capital buffers and loan loss provisions in the past decade to limit systematic financial sector risk. Nonetheless, prolonged low oil prices could lead to deterioration in the asset quality of banks in the region and financial sector stress may increase in few banks in the region, the Institute of International Finance (IIF) noted. The IIF expects gross public foreign assets of the GCC to remain substantial at around $2.6tn, about 70% of which is managed by SWFs with diversified portfolios of public equities, fixed income securities, and shares in global companies. While the SWF of Kuwait is bringing back some of its assets held abroad to partly finance the country's fiscal deficit, other major SWFs in the region continue broadening their global portfolio by buying assets whose valuations have been hit hard by the COVID-19 shock. Official reserves, meanwhile, are invested in liquid assets. The GCC sovereign wealth funds continue to buy assets in the US, Europe, and China, with focus on investing in healthcare, technology, and logistics. The IIF noted that monetary easing could limit the economic fallout from the COVID-19 shock. Key policy rates have been reduced by 125 bps across most of the region. The authorities have also introduced liquidity support measures amounting to 4% of GDP (about $54bn) to help alleviate stress in the financial system and support the private sector, particularly SMEs which may be less equipped to tackle large temporary shocks. The central banks have set up mechanisms to encourage commercial banks to postpone private sector loan repayments for six months. (Peninsula Qatar)
- **KPMG: Companies in GCC states likely to consolidate amid COVID-19 –** Companies in the GCC region are expected to consolidate as the downturn caused by the coronavirus pandemic continues to deepen, global audit, tax and advisory firm KPMG said on Tuesday. Several small and medium enterprises (SMEs), as well as large companies in the region are likely to raise cash to keep the business going, hence merger and acquisition (M&A) activity in Saudi Arabia and other Gulf countries will pick up, according to Head of M&A at KPMG in Saudi Arabia, Ali Maabereh. "The current pandemic is creating a lot of uncertainties and contradictions in what to expect after the dust settles. The expected key impacts on companies are shortages of liquidity and working capital requirements. Though companies might be running a healthy profit and loss, there will be significant pressure on working capital requirements," he added. The deals will most likely be in favor of the buyers, and companies who are looking to consolidate will likely accept a low valuation. "The need for immediate cash could drive the acceptance of low valuation multiples offered by buyers," Maabereh said. "Deal making going forward will favor buyers, but such assumptions are heavily dependent on investors being bullish in seizing investment opportunities," he said. (Zawya)
- **OPEC Middle East oil flows tumble by almost a quarter in May –** Crude supplies from OPEC's Middle East exporters, excluding Iran, slumped in May by the most on record to their lowest level since at least January 2017. The drop came as producers across the region began to implement the output cuts agreed in April, which saw the OPEC+ group of countries agree to slash production by an unprecedented 9.7mn bpd. Saudi Arabia, Iraq, Kuwait and the UAE, which account for about 72% of the OPEC's entire production, together shipped an average of 14.55mn bpd of crude and condensate last month, tanker-tracking data compiled by Bloomberg show. That was a decrease of 4.42mn bpd, or 23%, from revised April levels. Saudi shipments in May were cut by almost one-third, as the country led the output cuts by the OPEC+ group of producer nations. Shipments fell by 2.93mn bpd, or 31%, from their April level, averaging 6.41mn bpd last month, revised data show. Exports from the UAE also fell in May, dropping to a 14-month low as the country followed Saudi Arabia in slashing production. Shipments were cut to 2.57mn bpd of crude and condensate, down by 1mn bpd, or 28%, from April. (Bloomberg)
- **OPEC+ edges closer to compromise to extend deepest ever cuts –** OPEC and its allies edged closer to a consensus on extending production cuts to prop up the oil market, even as wrangling continued for a third day about whether to bring forward their next meeting. Russia and several other OPEC+ nations favor extending the group's current production cuts by one month, according to sources. It is unclear if that is enough for leading OPEC member Saudi Arabia, though the proposal is within the range of the Kingdom's own call for a one to three-month elongation. (Bloomberg)
- **Saudi wealth fund suspends plans to change $10bn loan terms –** Saudi Arabia's Public Investment Fund (PIF) has suspended plans to change some of the terms of a $10bn loan it raised last year after some banks voiced reservations, sources said. Over the last two years, banks have lent billions to the fund, which is the engine of Crown Prince, Mohammed bin Salman's economic transformation plans for Saudi Arabia and aims to increase its assets under management to $400bn by the end of this year. This was partly on the expectation that establishing banking relationships would lead to lucrative mandates on capital markets deals. Banks continue to court the PIF, but a proposal made earlier this year to delay the repayment of a $10bn bridge loan raised in October was questioned by some of the lenders, two sources familiar with the matter said. The financing, needed to back new investments, was provided by 10

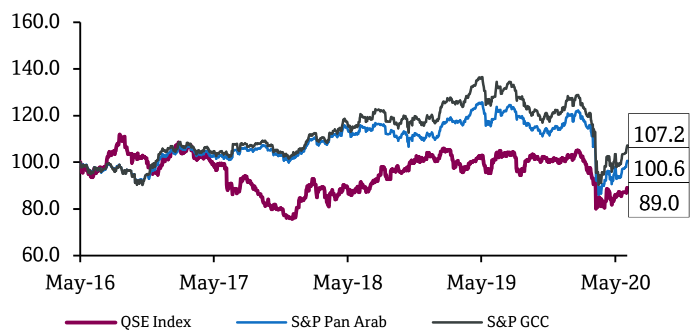
international banks including Bank of America, HSBC and JP Morgan. It was linked to the acquisition by Saudi Aramco of PIF's stake in petrochemical company Saudi Basic Corporation (SABIC), a deal worth nearly $70bn. (Reuters)

- **Saudi Arabia's PMI at 48.1 in May from 44.4 in April –** The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index (PMI) – a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy – posted 48.1 in May, to remain below the 50.0 no-change value for the third month running. The PMI was up from 44.4 in April, helped by slower declines in output, new work and employment since the previous month. That said, the headline index remains lower than at any time since the start of COVID-19 pandemic (the previous record low was 51.4 in April 2018). Non-oil private sector output has now decreased for three consecutive months, according to the latest survey data. The latest drop was overwhelmingly attributed business closures and constrained capacity amid the public health emergency. Some firms commented that an easing of lockdown measures had helped mitigate the downturn in business activity during May, while others noted successful initiatives to generate online sales. Mirroring the trend for business activity, latest data indicated a marked decline in new order volumes across the private sector economy. Weaker demand was attributed to worsening global economic conditions and severe spending cutbacks among clients. Moreover, export sales decreased again, which was mainly linked to international border closures and a lack of shipping availability. Severe supply chain difficulties were also reported in May, as signaled by a sustained lengthening of average lead times for the delivery of inputs. The latest downturn in supplier performance was less severe than in April, but survey respondents continued to comment on widespread transportation delays. There were signs that stretched supply chains contributed to rising input costs in May, with private sector firms recorded the fastest increase in purchase prices since September 2018. Higher prices for critical inputs were partly linked to business closures and reduced capacity among regular suppliers. May data indicated a sustained downturn in business conditions across Saudi Arabia's private sector economy. The overall decline in output volumes was slower than the survey-record seen in April. However, businesses continued to report a severe impact on customer demand from the coronavirus 2019 (COVID19) pandemic. The latest data were collected 12-21 May 2020. Business expectations for the year ahead also remain very subdued. Concerns about the economic outlook and the need to reduce costs contributed to the sharpest cutbacks to staff salaries recorded since the survey began in August 2009. (Markit)
- **UAE's PMI at 46.7 in May from 44.1 in April –** The headline seasonally adjusted IHS Markit UAE Purchasing Managers' Index (PMI) - a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy - increased from a record low of 44.1 in April to 46.7 in May. Despite reaching the highest in three months, the latest figure indicated a solid decline in business conditions. This was partly due to a further drop-in activity in the UAE non-oil private sector in May, marking the fourth contraction in a row. However, as several businesses were able to reopen and increase output due to lighter curfew measures, the rate of decline eased back from April's record. Nevertheless, many firms highlighted that client demand had so far failed to recover, indicated by another sharp decrease in new order volumes. Export orders also declined for the fourth month running, mainly linked to ongoing lockdown measures in GCC countries and other markets. The UAE PMI remained firmly in contraction territory in May, despite some signs of recovery as the country emerged from its strictest lockdown measures. Output fell to a much lesser extent than April's unprecedented pace, yet firms were still limited by a weak market environment and lower employment. Greater freedom of travel meanwhile led to an easing of supply chain pressures, while input costs ticked up for the first time since February. At the same time, sentiment towards future output dipped to the joint-lowest ever seen in the series, as businesses became increasingly concerned over the long-term impact of the coronavirus disease 2019 (COVID-19) pandemic on the economy. Additionally, UAE firms continued to reduce employment numbers in May, although the latest fall was the softest since February. Businesses reported that excess capacity remained, whilst rising cost pressures led them to make further adjustments to salaries. As a result, staffing costs fell solidly and at the quickest pace in the survey's history. (Markit)
- **Dubai oil's premium over Brent may return on extended cuts –** Dubai oil may flip back to a premium over Brent for a time should OPEC+ extend its production cuts as Asian demand recovers, according to Head of commodity market strategy at BNP Paribas, Harry Tchilinguirian. Premium is likely to be maintained at least during the period when curbs by Saudi Arabia and Kuwait are at their deepest, he said. The cuts will remove a very large amount of medium-sour oil from the market. (Bloomberg)
- **First Abu Dhabi Bank sells $500mn in Formosa bonds –** First Abu Dhabi Bank, the UAE's largest lender, last month sold $500mn in privately placed 30-year Formosa bonds which had a 0% coupon. Head of group funding at First Abu Dhabi Bank, Rula AlQadi confirmed the deal, which was earlier reported by Reuters, and said the Formosa bonds, which are sold in Taiwan by foreign borrowers and denominated in currencies other than the Taiwanese dollar, are non-callable for five years. "FAB has been a frequent issuer in Taiwan and therefore is in a unique position to access Formosa liquidity with minimal lead time. This is also FAB's second Formosa deal in 2020 having issued $485 million 30-year in January," she said. Standard Chartered was the sole arranger of the transaction and the bonds had a yield of 3.7% at issuance, a source earlier told Reuters. (Reuters)
- **Emirate of Sharjah sells $1bn 7-year Dollar Sukuk –** Sharjah sold $1bn in seven-year Sukuk, or Islamic bonds, on Tuesday, according to a document from one of the banks arranging the deal. The debt sale comes as several governments in the Gulf seek to bolster their finances to face the economic fallout from the coronavirus pandemic and a historic slide in oil prices. Sharjah set the final spread at 245 basis points (bps) over mid swaps for the sukuk, which are Islamic sharia-compliant bonds, according to the document seen by Reuters. It tightened the spread by 30 bps from where it began marketing the notes

earlier on Tuesday. Sharjah, rated Baa2 by Moody's ratings agency and BBB by S&P, is a relatively frequent issuer of US dollar Islamic bonds. HSBC was hired as global coordinator for the transaction. Other banks on the deal were Bank ABC, Dubai Islamic Bank, Gulf International Bank, Mashreqbank and Sharjah Islamic Bank. (Reuters)

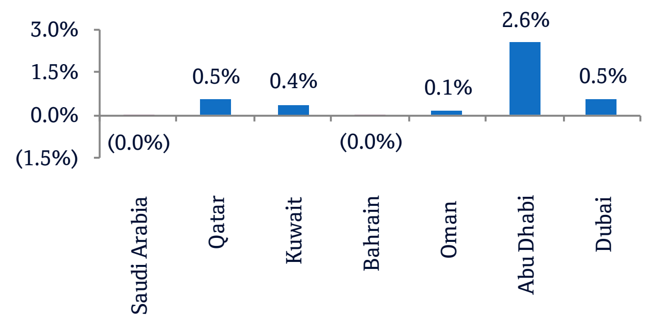
- **Sharjah government initiates AED4bn support to alleviate Covid-19 impact –** Sharjah government has initiated AED4bn Sharjah liquidity support mechanism (SLSM) to alleviate economic impact of Covid-19. The framework worth AED4bn is to enhance liquidity for Sharjah banking system in the Emirate. The move was aimed at providing additional financial assistance to all businesses impacted by outbreak of Covid-19. It was issued as 12-month Dirham-denominated paper in several tranches, the Sharjah liquidity support mechanism (SLSM) Sukuk represents first rated short term local currency tradeable instrument in UAE, which can be used for liquidity management by banks. This service will allow banks to use Sukuk as security to access liquidity facilities at the Central Bank of the UAE (CBUAE), by following required guidelines. A first tranche of the SLSM was subscribed to in May by Bank of Sharjah with an AED2bn participation. The subsequent tranches with one or more other banks are expected to expand the SLSM to AED4bn. (Reuters)
- **From Gulf laggard to standout: OPEC+ promise eases Oman's pain –** Oman has emerged from distressed-debt territory to become a star performer in the bond markets this quarter, offering the Sultanate a window of opportunity to borrow again after almost a year. The promise of an OPEC+ production deal is lifting the price of the nation's main export earner and spurring bond gains that have seen its Dollar debt return almost 15% since end-March, the biggest gain among Gulf Arab peers. As crude claws background, traders have cut wagers Oman will need to devalue its currency peg in the next 12 months. Oman's bonds notched up the worst performance in the region in the first quarter after the coronavirus bit into oil demand and Russia and Saudi Arabia launched a price war at the start of March. Spreads on some of the securities blew out above 1,000 basis points over US Treasuries generally considered the threshold for debt to be classed as distressed. Soaring bond yields kept it on the sidelines of the international debt markets, even as Saudi Arabia, Qatar, Bahrain and members of the UAE raised a combined $34bn. Given pent-up demand from Islamic banks and the scarcity of new Islamic securities, Oman could turn to Shari'ah-compliant investors, according to Arqaam Capital. The yield on its Sukuk bond due in 2025 is about 1.2 percentage points lower than its conventional debt of similar maturity. (Bloomberg)
- **Oman's MSM says trading hours would be set back to previous trading session of 4 hours –** Oman's MSM stated that trading hours would be set back to previous trading session of 4 hours instead of 3 hours. (Reuters)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,727.70	(0.7)	(0.1)	13.9
Silver/Ounce	18.07	(1.3)	1.1	1.2
Crude Oil (Brent)/Barrel (FM Future)	39.57	3.3	12.0	(40.0)
Crude Oil (WTI)/Barrel (FM Future)	36.81	3.9	3.7	(39.7)
Natural Gas (Henry Hub)/MMBtu	1.58	3.9	(7.1)	(24.4)
LPG Propane (Arab Gulf)/Ton	49.63	3.1	6.1	20.3
LPG Butane (Arab Gulf)/Ton	50.00	1.0	5.8	(23.7)
Euro	1.12	0.3	0.6	(0.4)
Yen	108.68	1.0	0.8	0.1
GBP	1.26	0.5	1.7	(5.3)
CHF	1.04	(0.2)	(0.1)	0.6
AUD	0.69	1.5	3.4	(1.8)
USD Index	97.67	(0.2)	(0.7)	1.3
RUB	68.71	(0.6)	(2.1)	10.8
BRL	0.19	3.1	2.6	(22.7)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,187.09	1.1	1.8	(7.3)
DJ Industrial	25,742.65	1.1	1.4	(9.8)
S&P 500	3,080.82	0.8	1.2	(4.6)
NASDAQ 100	9,608.38	0.6	1.2	7.1
STOXX 600	359.77	2.0	3.4	(13.9)
DAX	12,021.28	4.5	4.5	(9.6)
FTSE 100	6,220.14	1.5	4.2	(22.0)
CAC 40	4,858.97	2.4	4.2	(19.1)
Nikkei	22,325.61	0.2	1.2	(5.5)
MSCI EM	967.48	1.7	4.0	(13.2)
SHANGHAI SE Composite	2,921.40	0.6	2.9	(6.1)
HANG SENG	23,995.94	1.1	4.5	(14.5)
BSE SENSEX	33,825.53	2.2	5.0	(22.3)
Bovespa	91,046.40	6.1	8.0	(39.5)
RTS	1,277.85	2.4	4.8	(17.5)

Source: Bloomberg (*$ adjusted returns)

Contacts

Saugata Sarkar, CFA, CAIA
Head of Research
Tel: (+974) 4476 6534
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
Tel: (+974) 4476 6509
shahan.keushgerian@qnbfs.com.qa

Zaid al-Nafoosi, CMT, CFTe
Senior Research Analyst
Tel: (+974) 4476 6535
zaid.alnafoosi@qnbfs.com.qa

Mehmet Aksoy, PhD
Senior Research Analyst
Tel: (+974) 4476 6589
mehmet.aksoy@qnbfs.com.qa

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
PO Box 24025
Doha, Qatar