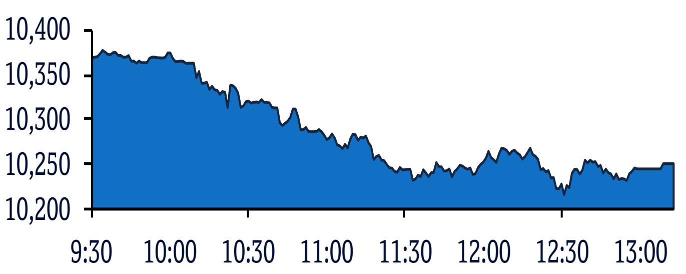
Daily Market Report

Tuesday, 04 February 2020

QSE Intra-Day Movement



Market Indicators	03 Feb 20	02 Feb 20	%Chg.
Value Traded (QR mn)	302.5	114.9	163.3
Exch. Market Cap. (QR mn)	570,694.2	576,399.5	(1.0)
Volume (mn)	103.1	67.9	51.9
Number of Transactions	7,722	3,096	149.4
Companies Traded	45	42	7.1
Market Breadth	3:39	9:28	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	18,863.66	(1.1)	(1.8)	(1.7)	14.7
All Share Index	3,049.33	(1.0)	(1.6)	(1.6)	15.3
Banks	4,244.22	(0.8)	(1.3)	0.6	14.7
Industrials	2,753.60	(1.3)	(1.7)	(6.1)	19.3
Transportation	2,489.81	(1.2)	(1.7)	(2.6)	13.0
Real Estate	1,564.66	(1.1)	(0.5)	(0.0)	11.6
Insurance	2,693.34	(2.0)	(2.2)	(1.5)	14.7
Telecoms	882.77	(1.0)	(1.1)	(1.4)	15.0
Consumer	8,081.17	(1.4)	(4.4)	(6.5)	17.9
Al Rayan Islamic Index	3,840.94	(1.0)	(2.0)	(2.8)	16.0

Qatar Commentary

The QE Index declined 1.1% to close at 10,251.5. Losses were led by the Insurance and Consumer Goods & Services indices, falling 2.0% and 1.4%, respectively. Top losers were Mesaieed Petrochemical Holding Company and Al Khaleej Takaful Insurance Company, falling 5.2% and 4.0%, respectively. Among the top gainers, Doha Insurance Group gained 0.9%, while Mannai Corporation was up 0.7%.

GCC Commentary

Saudi Arabia: The TASI Index fell 0.5% to close at 8,112.7. Losses were led by the Telecom. Services and Materials indices, falling 1.8% and 0.8%, respectively. Al Sorayai Trading and Ind. declined 4.2%, while Ataa Educational Co. fell 4.1%.

Dubai: The DFM Index gained 0.2% to close at 2,771.3. The Insurance index rose 1.7%, while the Consumer Staples and Discretionary index gained 1.5%. Oman Insurance Company rose 11.3%, while Ajman Bank was up 2.9%.

Abu Dhabi: The ADX General Index fell 0.8% to close at 5,076.7. The Consumer Staples index declined 2.5%, while the Banks index fell 1.2%. International Holdings Company declined 3.1%, while First Abu Dhabi Bank was down 1.7%.

Kuwait: The Kuwait All Share Index fell 0.3% to close at 6,268.3. The Consumer Goods index declined 0.9%, while the Consumer Services index fell 0.8%. Shuaiba Industrial Co. declined 9.4%, while Burgan Co. for Well Drilling was down 6.7%.

Oman: The MSM 30 Index gained 0.6% to close at 4,115.5. Gains were led by the Industrial and Services indices, rising 1.2% and 0.6%, respectively. Oman Cement Company rose 7.9%, while Muscat Finance was up 5.5%.

Bahrain: The BHB Index gained 0.2% to close at 1,662.5. The Commercial Banks index rose 0.3%, while the Investment index gained 0.1%. BBK rose 2.0%, while Seef Properties was up 0.5%.

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
BBK	Bahrain	0.60	2.0	3.0	4.7
Mouwasat Med. Serv. Co.	Saudi Arabia	82.50	1.9	54.6	(6.3)
Dar Al Arkan Real Estate	Saudi Arabia	9.89	1.6	11,178.4	(10.1)
Emaar Properties	Dubai	4.05	1.3	6,833.8	0.7
Ominvest	Oman	0.34	1.2	8.0	1.2

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
Mesaieed Petro. Holding	Qatar	2.02	(5.2)	6,402.4	(19.5)
Emaar Malls	Dubai	1.78	(3.3)	5,640.2	(2.7)
HSBC Bank Oman	Oman	0.12	(3.2)	175.9	(0.8)
Jabal Omar Dev. Co.	Saudi Arabia	25.60	(3.2)	1,546.5	(5.7)
Saudi British Bank	Saudi Arabia	30.65	(3.0)	951.8	(11.7)

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%
Doha Insurance Group	1.12	0.9	201.1	(6.7)
Mannai Corporation	3.07	0.7	732.5	(0.3)
Masraf Al Rayan	4.12	0.5	4,954.3	4.0

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Mesaieed Petrochemical Holding	2.02	(5.2)	6,402.4	(19.5)
Al Khaleej Takaful Insurance Co.	1.93	(4.0)	1,455.4	(3.5)
Qatar General Ins. & Reins. Co.	2.50	(3.5)	6.0	1.6
Doha Bank	2.61	(3.0)	1,266.3	3.2
Qatari Investors Group	1.70	(2.9)	939.7	(5.0)

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Qatar First Bank	1.05	(0.9)	14,263.5	28.4
Alijarah Holding	0.83	(0.7)	13,195.1	17.2
Ezdan Holding Group	0.62	(0.3)	9,032.2	0.7
Investment Holding Group	0.56	(0.9)	6,596.2	(0.7)
Mesaieed Petrochemical Holding	2.02	(5.2)	6,402.4	(19.5)

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
QNB Group	20.30	(0.7)	102,324.4	(1.4)
Masraf Al Rayan	4.12	0.5	20,343.1	4.0
Qatar Islamic Bank	16.40	(0.4)	18,038.9	7.0
Industries Qatar	10.00	(0.4)	16,762.4	(2.7)
Qatar First Bank	1.05	(0.9)	15,660.5	28.4

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*	10,251.52	(1.1)	(1.8)	(1.8)	(1.7)	82.55	155,685.4	14.8	1.5	4.2
Dubai	2,771.31	0.2	(0.7)	(0.7)	0.2	40.25	103,589.6	13.3	1.0	4.2
Abu Dhabi	5,076.67	(0.8)	(1.5)	(1.5)	0.0	35.69	144,147.1	15.7	1.4	4.9
Saudi Arabia	8,112.69	(0.5)	(1.6)	(1.6)	(3.3)	1,029.79	2,312,154.2	22.0	1.8	3.3
Kuwait	6,268.27	(0.3)	(0.9)	(0.9)	(0.2)	89.04	117,099.4	15.6	1.5	3.4
Oman	4,115.50	0.6	0.9	0.9	3.4	11.21	17,539.7	7.6	0.7	7.3
Bahrain	1,662.50	0.2	0.3	0.3	3.2	4.08	26,082.9	13.2	1.0	4.7

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 1.1% to close at 10,251.5. The Insurance and Consumer Goods & Services indices led the losses. The index fell on the back of selling pressure from GCC and non-Qatari shareholders despite buying support from Qatari shareholders.
- Mesaieed Petrochemical Holding Company and Al Khaleej Takaful Insurance Company were the top losers, falling 5.2% and 4.0%, respectively. Among the top gainers, Doha Insurance Group gained 0.9%, while Mannai Corporation was up 0.7%.
- Volume of shares traded on Monday rose by 51.9% to 103.1mn from 67.9mn on Sunday. Further, as compared to the 30-day moving average of 77.7mn, volume for the day was 32.7% higher. Qatar First Bank and Alijarah Holding were the most active stocks, contributing 13.8% and 12.8% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	25.58%	23.26%	7,013,014.98
Qatari Institutions	38.52%	26.41%	36,614,411.00
Qatari	**64.10%**	**49.67%**	**43,627,425.98**
GCC Individuals	0.79%	1.70%	(2,745,119.48)
GCC Institutions	0.23%	0.55%	(956,626.15)
GCC	**1.02%**	**2.25%**	**(3,701,745.63)**
Non-Qatari Individuals	8.19%	7.27%	2,788,121.67
Non-Qatari Institutions	26.69%	40.81%	(42,713,802.03)
Non-Qatari	**34.88%**	**48.08%**	**(39,925,680.36)**

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

Ratings, Global Economic Data and Earnings Calendar

Ratings Updates

Company	Agency	Market	Type*	Old Rating	New Rating	Rating Change	Outlook	Outlook Change
Takaful International Co.	AMBest	Bahrain	FSR	–	A-	–	Stable	–

Source: News reports, Bloomberg (FSR- Financial Strength Rating)

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
02/03	US	Markit	Markit US Manufacturing PMI	Jan	51.9	51.7	51.7
02/03	US	Institute for Supply Management	ISM Manufacturing	Jan	50.9	48.5	47.2
02/03	UK	Markit	Markit UK PMI Manufacturing SA	Jan	50.0	49.8	49.8
02/03	EU	Markit	Markit Eurozone Manufacturing PMI	Jan	47.9	47.8	47.8
02/03	Germany	Markit	Markit/BME Germany Manufacturing PMI	Jan	45.3	45.2	45.2
02/03	France	Markit	Markit France Manufacturing PMI	Jan	51.1	51.0	51.0
02/03	Japan	Markit	Jibun Bank Japan PMI Mfg	Jan	48.8	–	49.3
02/03	China	Markit	Caixin China PMI Mfg	Jan	51.1	51.0	51.5
02/03	India	Markit	Markit India PMI Mfg	Jan	55.3	–	52.7

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 4Q2019 results	No. of days remaining	Status
MCGS	Medicare Group	4-Feb-20	0	Due
UDCD	United Development Company	5-Feb-20	1	Due
QIMD	Qatar Industrial Manufacturing Company	5-Feb-20	1	Due
IQCD	Industries Qatar	10-Feb-20	6	Due
QAMC	Qatar Aluminum Manufacturing Company	12-Feb-20	8	Due
QCFS	Qatar Cinema & Film Distribution Company	12-Feb-20	8	Due
DOHI	Doha Insurance Group	12-Feb-20	8	Due
SIIS	Salam International Investment Limited	13-Feb-20	9	Due
ORDS	Ooredoo	13-Feb-20	9	Due
QEWS	Qatar Electricity & Water Company	16-Feb-20	12	Due
DHBK	Doha Bank	17-Feb-20	13	Due
QGTS	Qatar Gas Transport Company Limited (Nakilat)	17-Feb-20	13	Due
QGRI	Qatar General Insurance & Reinsurance Company	17-Feb-20	13	Due
AHCS	Aamal Company	18-Feb-20	14	Due
QISI	Qatar Islamic Insurance Group	26-Feb-20	22	Due

Source: QSE

News

Qatar

- **VFQS posts 16.8% YoY decrease but 16.1% QoQ increase in net profit in 4Q2019, misses our estimate –** Vodafone Qatar's (VFQS) net profit declined 16.8% YoY (but rose 16.1% on QoQ basis) to QR35.3mn in 4Q2019, missing our estimate of QR47.6mn. The company's revenue came in at QR571.3mn in 4Q2019, which represents an increase of 0.9% YoY (+16.4% QoQ). The company reported its second consecutive profitable year with net profit of QR144mn in FY2019, a 22% increase compared to the previous year. EPS amounted to QR0.034 in FY2019 as compared to QR0.028 in FY2018. In FY2019, total revenue increased by 1% YoY to reach QR2,125mn driven by higher demand for the company's postpaid and broadband services. Service revenue grew by 2.4% to reach QR1,949mn. Vodafone Qatar is now serving 1.74mn mobile customers with solid growth coming from the postpaid and fixed product plans. EBITDA for the reported period stood at QR709mn representing an increase of 21% compared to last year, positively impacted by higher service revenue, lower costs and the adoption of International Financial Reporting Standard (IFRS) 16. Consequently, EBITDA Margin improved by 5.6 percentage points to reach 33.4%. Based on the strong financial performance of the company during the year and its objective to enhance shareholders' value, the board of directors recommended the distribution of a cash dividend of 5% of the nominal share value, i.e. QR0.05 per share, which will be presented at the company's next Annual General Assembly for approval. Commenting on the results, Vodafone Qatar's Chairman, HE Abdulla Nasser Al Misnad, said, "Vodafone Qatar sustained profitable growth for the second year in a row, finishing 2019 with eight consecutive quarters of higher year-on-year revenue. This clearly demonstrates a winning strategy that focuses on strengthening and growing our core business and bringing innovative digital services and solutions to market. Our significant investments in network and technology infrastructure that includes the company's roll out of its live 5G commercial network which is close to completion in Doha, yielded stellar results, and most importantly, is supporting the realization of a digital society under the Qatar National Vision 2030." (QNB FS Research, Company Press Release)
- **QNB Group's brand value rises nearly 20% YoY to $6.03bn in 2020 –** QNB Group's brand value has risen nearly 20% YoY to $6.03bn in 2020, putting it in a strong position to continue to drive growth in Southeast Asia. QNB Group's brand strength index (BSI) also increased to 82 out of 100, up from 79 in 2019, aided by strong financial performance and growing international footprint. "This year's impressive improvement in brand value and financial performance placed us in a strong position to continue to drive growth in Southeast Asia in support of our vision of becoming a leading bank in the Middle East, Africa, and Southeast Asia (MEASEA) in 2020 and a global icon by 2030," QNB Group's Communications, General Manager, Yousef Ali Darwish said. In terms of global ranking, QNB Group's brand maintained its leadership and placed 342nd, up 63 places from the 405th rank among the top 500 global brands, while it is placed 52nd in the top 500 banking brands worldwide, up from the 61st place in 2019. QNB Group's brand continued to be market dominant in the Middle East and Africa (MEA) and affirmed its AAA-brand strength rating with a positive outlook, making it also the highest rated brand in Qatar. (Gulf-Times.com)
- **NLCS to hold its AGM on March 25 –** Alijarah Holding (NLCS) announced that its annual Ordinary General Assembly Meeting (AGM) that will be held on March 25, 2020. In the absence of the required quorum, the second meeting will be held on April 01, 2020. (QSE)
- **WOQOD opens Al Mearad-2 petrol station –** As part of Qatar Fuel Company's (WOQOD) ongoing expansion plans to be able to serve every area in Qatar, WOQOD opened Al Mearad-2 petrol station, on February 03, 2020, and by this it raised its network of petrol stations to 104. New Al Mearad -2 petrol station is spread over an area of 14,850 square meters and has 3 lanes with 9 dispensers for light vehicles, which will serve Al Mearad -2 area, and its neighborhood. (QSE)
- **GWCS shareholders give nod for 20% cash dividend for 2019 –** The shareholders of the Gulf Warehousing Company (GWCS) approved 20% cash dividend i.e., QR0.20 per share for FY2019. The approval was accorded at the Annual General Assembly Meeting, which was presided over by GWCS' Chairman, Sheikh Abdullah bin Fahad bin Jassem bin Jabor Al Thani. The dividends would be distributed through designated branches of Masraf Al Rayan. Furthermore, the meeting also approved the reappointment of E&Y as the external auditors. (Gulf-Times.com, Peninsula Qatar)
- **GWCS in strong position to serve mega events –** The successful delivery of logistics solutions for 24th Arabian Gulf Cup Qatar 2019 and the FIFA Club World Cup Qatar 2019 has demonstrated that Gulf Warehousing Company (GWCS) is in a strong position to serve all upcoming international events, the logistics firm's top executive said. In a message delivered on the occasion of the company's Annual General Meeting (AGM) held in Doha, GWCS Group's CEO, Ranjeev Menon said, "GWC has emerged as a one-stop-shop for all logistics services and supply chain solutions as the company witnessed further integration and synchronization among its various business units and subsidiaries. With the addition and development of our shipping agency services and the upcoming development of our newest facilities, we now represent every link in the supply chain." He added, "The company's vast, cross-connected network of operations shall be invaluable as our concentration shifts to various sports events leading to the FIFA World Cup 2022. Ensuring our sustainable growth, we have put in place various technological and procedural initiatives that increase operational efficiency at lower capital expenditures." The company continued to support the oil and gas sector by providing specialized services such as performing heavy lifts and developing bespoke logistics bases as per customer requirements. (Qatar Tribune)
- **Mandatory ESG reporting for QSE-listed firms likely within two years –** The Qatar Stock Exchange (QSE), which was among the first stock exchanges in the world to encourage transparency and disclosure by promoting the digitalization of environment, social and governance (ESG) data, is planning to make it mandatory for listed Qatari firms to report their ESG data on the QSE online platform within the next two years, a top official

has said. Globally, investors and asset managers are increasingly incorporating sustainability and ESG factors, which are the non-financial factors that determine the ability of a company to create value in the long term, into their investment decisions. Studies show that companies which effectively communicate their sustainability and ESG strategies are more likely to improve their capital raising abilities and have an overall competitive advantage. In Qatar, plans are underway to make it mandatory for the listed firms to disclose their ESG reporting, which will likely be enforced by the country's regulatory body, QSE's CEO, Rashid bin Ali Al Mansoori said while talking to The Peninsula on the sidelines of the third Qatar Financial Markets Authority Conference which concluded in Doha recently. (Peninsula Qatar)

- **Container traffic through Qatar ports 6.26mn tons at end of December –** The overall container traffic through various ports in Qatar was 6.26mn tons at the end of December last year, according to the official figures. The net tonnage through Qatar's ports witnessed more than 49% shrinkage YoY; while it increased about 9% MoM in December 2019, according to the figures released by the Planning and Statistics Authority in its latest monthly bulletin. The total number of vessels calling on Qatar ports stood at 463, which, however, registered 40% and 6% decline respectively on annual and monthly basis respectively in December 2019. The official data was devoid of details regarding number of vessels and net tonnage through Ras Laffan port in December last year. (Gulf-Times.com)
- **EIU: Qatar's assets provide strong support to dollar peg –** Qatar Investment Authority's (QIA) assets provide strong support for the country's currency peg to the dollar, Economist Intelligence Unit (EIU) has stated in its latest update. "Currency risk is BB-rated," the EIU said, and noted the 'threat of capital outflows' in the wake of the blockade of Qatar (imposed in June 2017) by a quartet of Arab nations has 'largely subsided' with the 'recovery and subsequent stabilization' of foreign reserves and the return to a current-account surplus in 2017. "The surplus will be maintained in 2020 21, albeit at a lower level," EIU estimated. Qatar's ability to fully service its debt obligations remained unchanged, the EIU noted. EIU has given a 'BBB' rating on the sovereign risk and said, it is supported by ample foreign reserves and the assets of the QIA, the sovereign wealth fund. On the liquidity of commercial banks in the country, EIU noted that the local lenders have been increasing liquidity from abroad in the form of a number of debt issues, and cash injections from the QIA have further bolstered their liquidity. EIU said, "The banking sector risk is BB-rated. It is supported by a strong regulatory framework and solid capital and liquidity indicators". It said the country's sound financial system is supportive although high stock of public debt weighs on the outlook. The economic structure risk is B-rated. Qatar's overdependence on hydrocarbon exports generates some economic risk, EIU stated. (Gulf-Times.com)

International

- **US manufacturing rebounds in January –** The US factory activity unexpectedly rebounded in January after contracting for five straight months amid a surge in new orders, offering hope that a prolonged slump in business investment has probably bottomed out. A rebound in business investment is critical to keeping the longest economic expansion in history, now in its 11th year, on track amid signs of fatigue in consumer spending. The improvement in manufacturing reported by the Institute for Supply Management (ISM) Monday likely reflected ebb in trade tensions between the US and China. The ISM said its index of national factory activity increased to a reading of 50.9 last month, the highest level since July, from an upwardly revised 47.8 in December. A reading above 50 indicates expansion in the manufacturing sector. The ISM index had held below the 50 threshold for five straight months. Economists polled by Reuters had forecasted the index rising to 48.5 in January from the previously reported 47.2 in December. The ISM's factory employment index rose to 46.6 last month from a revised reading of 45.2 in December. It, however, held below the 50 level, suggesting manufacturing payrolls could remain weak. Factory employment has increased by 46,000 jobs in 2019 after rising 264,000 in 2018. (Reuters)
- **US construction spending posts first drop since June –** The US construction spending unexpectedly fell in December, posting its first drop since June, as investment in both private and public projects declined. The Commerce Department said on Monday construction spending decreased 0.2%. Data for November was revised up to show construction outlays rising 0.7% instead of increasing 0.6% as previously reported. Economists polled by Reuters had forecasted construction spending gaining 0.5% in December. Construction spending increased 5.0% on a YoY basis in December. For all of 2019, construction spending fell 0.3%, the first annual decline since 2011, after rising 3.3% in 2018. In December, spending on private construction projects slipped 0.1% after increasing 0.6% in November. It was pulled down by a 1.8% tumble in spending on nonresidential structures, which includes manufacturing plant and mining exploration, shafts and wells, to the lowest level since November 2018. Spending on nonresidential structures fell 0.5% in November. The government in its fourth-quarter GDP report last week said spending on nonresidential structures contracted in 2019 by the most since 2016. Outlays on private nonresidential structures have been depressed by a manufacturing downturn due to trade tensions and cheaper energy products. (Reuters)
- **UK manufacturing ends longest decline since financial crisis –** Britain's manufacturing sector emerged from its longest decline since the financial crisis last month, after a boost from December's election result, though weak European demand and Brexit concerns muted the optimism, a survey showed on Monday. The IHS Markit/CIPS purchasing managers' index (PMI) rose to the no-change level of 50.0 from 47.5 in December, slightly stronger than an earlier flash reading for January of 49.8 which had shown the index just within contraction territory. December's reading was the second-lowest since 2012, and the manufacturing PMI had been below 50 since May, the longest such unbroken run since 2009. Manufacturing makes up 10% of the British economy, and the most recent official data showed the sector shrank by 2.0% in the 12 months to the end of November. (Reuters)
- **Eurozone's manufacturing sector contracts, but at slowest rate since April 2019 –** Operating conditions in the euro area manufacturing economy continued to weaken at the start of

the year, but at a noticeably slower rate. After accounting for seasonal factors, the IHS Markit Eurozone Manufacturing PMI registered 47.9, slightly better than the earlier flash reading and above December's 46.3. Although the index has now recorded below the crucial 50.0 no-change mark for 12 months in succession, the latest reading was the highest since April 2019. Market group's data signaled that the consumer goods category remained the strongest-performing during January, registering marginal growth for a second successive month. In contrast, the intermediate and investment goods sectors both continued to contract, although rates of decline weakened in each instance. Euro area manufacturing production and new order levels both continued to decline at the start of 2020, although in each case at weaker rates than at the end of 2019. The modest reduction in output extended the current downturn to 12 months, whilst new orders have deteriorated continuously since October 2018. Eurozone manufacturers also continued to make cuts to their purchasing activity, although in line with trends for output and new orders, the fall in purchasing activity was the weakest in 11 months. Companies continued to signal a preference for utilizing inventories wherever possible, with the rate of destocking in finished goods the sharpest in nearly three-and-a-half years. Looking ahead to the next 12 months, confidence about the future jumped at the start of 2020 to its highest level since August 2018. The improvement in sentiment was also broad-based, with optimism led by Greece, Ireland and the Netherlands. An index measuring output that feeds into a Composite PMI, due on Wednesday and seen as a good guide of economic health, climbed to 48.0 from 46.1, its highest reading since June. (Markit, Reuters)

- **ECB Chief Economist: Eurozone's inflation pressures are building but only slowly –** Inflationary pressures in the Eurozone are slowly building and the deflationary drag from the shift to a digital economy is unlikely to be permanent, European Central Bank's (ECB) Chief Economist, Philip Lane said. Eurozone's inflation has undershot the ECB's target of almost 2% for seven years and some academics argue that perhaps the nature of inflation has changed, making super-low consumer price growth the new norm. Wage pressures are already building in services and this is likely to happen for goods as well since firms are unlikely to accept a permanent squeeze in their profit margins, Lane added. Weighing in on a recent debate about giving greater consideration to housing costs in inflation measures, Lane noted the complications. (Reuters)
- **Slower fall in new orders lifts Germany's PMI to 11-month high in January –** The pace of contraction of Germany's manufacturing sector eased at the start of 2020, helped in part by order book volumes recording the smallest decline for 15 months, latest PMI data from IHS Markit and BME showed. Output also fell more slowly, though the pace of staff cuts remained among the fastest seen over the past ten years. Competitive pressures continued to weigh on factory gate prices, but manufacturers nevertheless expressed greater optimism towards the outlook for output. January saw the headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – climb to an 11-month high of 45.3, from December's 43.7. The Index has now risen in three of the past four months from a ten-year low last September, though the latest reading was still firmly inside contraction territory. Principal upward pressure on the PMI in January came from a slower rate of decline in new orders, which in turn partly reflected the near stabilization of export sales. Anecdotal evidence indicated that while market conditions remained challenging and there was reluctance among businesses to invest, some firms had seen a pickup in demand in key markets such the US and China. (Markit)
- **Slightly quicker improvement in French business conditions as output growth accelerates –** Following a slowdown in the final month of 2019, business conditions in the French manufacturing sector improved at a quicker rate during January. The result was primarily driven by a faster rise in production and a recovery in new orders. Meanwhile, purchasing activity grew at the quickest rate for seven months, which led to the softest contraction in preproduction inventories in the current sequence of decline. Looking forward, sentiment towards the business outlook was the strongest since May last year. The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index (PMI) – a single figure measure of developments in overall business conditions – rose to 51.1 in January, up from 50.4 in December. The reading pointed to a slightly faster improvement in business conditions, but one that was only marginal overall. The strengthening of the health of the manufacturing sector was partially driven by acceleration in output growth during January. The latest rise was the joint-quickest in current four-month sequence of expansion and modest overall. Underpinning the faster rise in production was a slight rebound in new orders at the start of 2020. Though marginal overall, the increase was only the second in the past five months. (Markit)
- **Japan's manufacturing weakness persists into 2020 –** There was little respite for Japanese manufacturers at the start of the new decade, with latest PMI data signaling another challenging month as demand conditions remain fragile. Output was reduced for a thirteenth month running, with sub-sector data revealing that the capital goods segment was a particular source of weakness. Export orders also fell in January, although the rate of decline eased notably. Meanwhile, there were signs of inflationary pressures picking up and business confidence strengthened to a 17-month high. The headline Jibun Bank Japan Manufacturing Purchasing Managers' Index (PMI) - a composite single-figure indicator of manufacturing performance - recorded 48.8 in January. This was a slight increase from December's 48.4, but indicated a further deterioration in business conditions facing Japanese goods producers. The headline index has recorded below the crucial 50.0 mark in every month since last May, with the latest reading coming in slightly below the average across this period (49.0). Japanese manufacturers reduced output in January for a thirteenth month running. Sub-sector data revealed that cutbacks were broad-based across consumer, intermediate and investment goods makers, although the decline was particularly severe for the latter. (Markit)
- **China central bank unexpectedly cuts reverse repo rates to help economy as virus spreads –** China's central bank unexpectedly lowered the interest rates on reverse repurchase agreements by

10 basis points on Monday, as authorities stepped up measures to relieve pressure on the economy from a rapidly spreading virus outbreak. The People's Bank of China (PBoC) stated on its website that it was lowering the 7-day reverse repo rate to 2.40% from 2.50%, and cutting the 14-day tenor to 2.55% from 2.65% previously. The cut came as Chinese financial markets reopened after an extended Lunar New Year holiday, when the death toll from the virus and number of infections had climbed sharply. On Monday, the PBOC also injected a total of 1.2tn Yuan into money markets through reverse bond repurchase agreements. Markets had widely expected the liquidity move but most analysts thought rate cuts might follow later once the economic impact was clearer. (Reuters)

- **China's January factory activity growth slows to five-month low –** China's factory activity expanded at its slowest pace in five months in January, even as an outbreak of a new virus added to risks facing the world's second-largest economy, a private survey showed on Monday. The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) eased to 51.1 from 51.5 in December, missing expectations but remaining above the 50-mark that separates growth from contraction for the sixth straight month. Analysts had expected a reading of 51.3. New export orders slipped back into contraction after three months of expansion, while production and total new orders slowed but remained in expansionary territory. Factories also shed jobs in January for the first time since October. (Reuters)
- **India's January manufacturing activity hits near eight-year high as orders jump –** India's manufacturing activity expanded at its quickest pace in nearly eight years in January with robust growth in new orders and output, a private survey showed on Monday, suggesting the economy may be getting back on firmer footing. In response to the jump in sales, factories hired new workers at the fastest rate in more than seven years. If sustained, the improvement in business conditions could point to a gradual economic recovery in coming months, as forecast by analysts in a Reuters poll last month, after growth slowed to a more than six-year low in the July-September quarter. The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, jumped to 55.3 last month from 52.7 in December. It was the highest reading since February 2012 and above the 50-mark separating growth from contraction for the 30th straight month. A new orders sub-index that tracks overall demand hit its highest level since December 2014 and output grew at its fastest pace in over seven and a half years, pushing manufacturers to hire at the strongest rate since August 2012. Meanwhile, both input costs and output prices rose at a slower pace, indicating overall inflation may have eased after hitting a more than five year high of 7.35% in December, although probably not below the Reserve Bank of India's medium-term target of 4%. (Reuters)

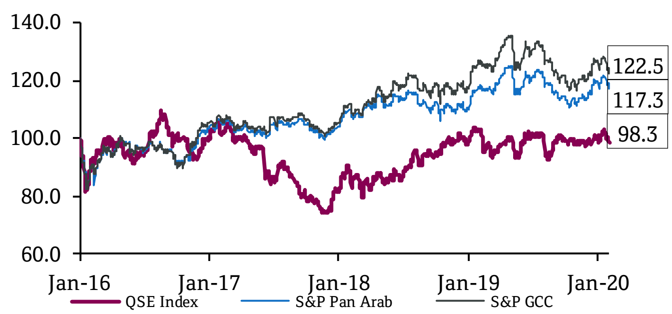
Regional

- **Islamic ETFs still have to live up to their potential –** The global market for Exchange Traded Funds (ETFs) has been growing exponentially over the past decades since their inception in the 1990s to a jaw dropping volume of currently $4tn in terms of invested assets, but this growth story can almost solely be attributed to the conventional finance sector. In Islamic finance, such funds are far less popular and assets under management are only a tiny fraction – estimated at about 0.01% or $400mn – of the total global ETF market and remain a niche segment in the Shari'ah compliant financial world which seems to keep preferring mutual funds over ETFs. There was little movement in the most recent past apart from two notable issuances. The year 2018 saw the world's largest single-country Islamic ETF issued by Qatar's Masraf Al Rayan bank, the Al Rayan Qatar ETF with initial assets of $120mn, as part of Qatar's drive to increase foreign investment from Southeast Asia, the UK and Europe. (Gulf-Times.com)
- **OPEC+ considering further 500,000 bpd oil output cut –** OPEC and its allies are considering cutting their oil output by a further 500,000 bpd due to the impact on oil demand from the coronavirus, three OPEC+ sources and a industry source familiar with the discussions said. The OPEC and allies including Russia, known as OPEC+, are considering holding a ministerial meeting on February 14-15, one of the OPEC+ sources said, earlier than a current schedule for a meeting in March. Oil LCOc1 has fallen $10 a barrel this year to $56, lower than the level many OPEC countries need to balance their budgets. The coronavirus outbreak in China could cut oil demand by more than 250,000 bpd in the first quarter, analysts and traders say. OPEC member Iran said the spread of the virus had hit oil demand and called for an effort to stabilize prices, Iran's official news agency IRNA reported. "The oil market is under pressure and prices have dropped to under $60 a barrel and efforts must be made to balance it," Iran's Oil Minister, Bijan Zanganeh, said. The Wall Street Journal reported that another option being considered is a temporary cut of 1mn bpd by Saudi Arabia to support the market. (Reuters)
- **Saudi Arabia mulls temporary oil-output cut of 1mn bpd –** Saudi Arabia is considering slashing oil supplies of 1mn bpd as China's coronavirus hits demand, Wall Street Journal reported, citing officials from OPEC nations. (Bloomberg)
- **Vodafone Egypt deal to foster Saudi STC's regional growth plans –** Saudi Telecom Company's initial agreement to purchase Vodafone's 55% stake in Vodafone Egypt for $2.39bn is a deal that paved the way for further growth for the Riyadh-listed company as it seeks to expand regionally, experts said. "It is not a bad deal for STC who has always been open about acquiring good opportunities," Head of Research at Aljazira Capital, Talha Nazar told Zawya. "There is high growth potential in the Egyptian market that has the biggest population in the region, with penetration levels that could reach 100%," Nazar added. Vodafone Egypt is the country's biggest mobile operator, with a 40% market share. Vodafone Group expects the deal to be completed by the end of June 2020. The non-binding deal values Vodafone Egypt at $4.35bn and will include the use of the Vodafone brand, and a range of other Vodafone services, a statement by STC said. Tadawul-listed STC is 70% controlled by PIF, Crown Prince, Mohammed bin Salman's main investment vehicle. On why STC should buy into Vodafone's stake, Head of Equity Research at Al Rajhi Capital, Pritish Devassy told Zawya: "The telecom market in Saudi is mostly saturated and STC has been looking for growth alternatives by making use of its huge cash position of around 11 billion Saudi riyals." (Zawya)

- **Saudi Arabia's SWCC signs $426.54mn worth loan –** Saline Water Conversion Corp (SWCC), which operates desalinization plants and power stations in Saudi Arabia, has signed a $426.54mn financing agreement, it said. The “bridge” loan will finance projects to improve efficiency at desalination plants Jubail 1 and Khobar 2. The company plans to double daily production from the plants and save SR1.25bn a year on operating costs. Banque Saudi Fransi and Saudi British Bank provided the facility, while HSBC Saudi Arabia worked as financial advisor. The government debt management office advised SWCC on its financing options. (Reuters)
- **S&P report says UAE banks will be resilient in 2020 –** Resilient financial performance will enable rated UAE banks to maintain stable credit profiles in 2020, barring any unexpected increase in geopolitical risk or a major fall in oil prices, S&P said in the ‘UAE Banking Sector 2020 Outlook: Resilience in a difficult operating environment,’ report published on RatingsDirect. "Although in the base-case assumptions S&P exclude a fully-fledged direct military confrontation between Iran and the US, S&P do expect tensions to intensify and recede periodically. This will mainly affect the UAE through lower consumer sentiment and delays in leveraged finance investments, which are accentuating price declines in the already-depressed real estate sector," S&P Global Ratings Credit Analyst, Puneet Tuli said. In 2020, S&P expects the UAE economy will expand at a slightly higher pace compared with 2019, thanks to Abu Dhabi's $13.6bn stimulus package and the Dubai government's planned investments for the 2020 World Expo (Expo 2020), which should prop-up investments in the nonoil economy and increase tourism-related activities. S&P also expect mid-single-digit net lending expansion in 2020, supported by some of these projects. The stock of problematic assets (Stage 2 and 3) and loans should remain stable, but S&P foresee some migration between the two categories and a slightly higher cost of risk at about 120 basis points (bps) in 2020 (versus 110 bps in 2019). "Against this backdrop, and continued pressure on net interest margins, S&P expect a slight deterioration in sector profitability," Tuli concluded. (Bloomberg)
- **UAE's Emirates Global Aluminium secures $600mn loan –** Emirates Global Aluminium (EGA), one of the largest industrial companies in the UAE, said that it has secured a $600mn three-year revolving loan from UAE and international banks. Commercial Bank of Dubai, Emirates NBD, Mashreqbank and Standard Chartered were joint lead arrangers and book runners for the deal, the company said. The loan “replaces uncommitted facilities extended to EGA separately by a number of banks,” the company said. (Reuters)
- **MASQ posts 0.2% YoY rise in net profit to AED2,065.2mn in FY2019 –** Mashreqbank (MASQ) recorded net profit of AED2,065.2mn in FY2019, an increase of 0.2% YoY. Net interest income and net income from Islamic products net of distribution to depositors rose 1.8% YoY to AED3,707.2mn in FY2019. Operating income rose 0.9% YoY to AED5,994.2mn in FY2019. Total assets stood at AED159.4bn at the end of December 31, 2019 as compared to AED142.6bn at the end of December 31, 2018. Loans and advances measured at amortized cost stood at AED61.7bn (+9.5% YoY), while customers' deposits stood at AED76.4bn (+5.4% YoY) at the end of December 31, 2019. EPS came in at AED11.63 in FY2019 as compared to AED11.60 in FY2018. Mashreqbank posted a 1.4% decline in fourth-quarter profit as impairment charges rose 29%, offsetting a double-digit rise in net interest income and income from Islamic financing. Banks in the UAE have reported a sharp spike in bad debt charges in the fourth quarter, as they navigate a sluggish economy and a property downturn in Dubai that has hit contractors. Mashreqbank’s fourth-quarter net profit was AED308mn, down from AED312mn a year earlier, missing a forecast by analysts at Arqaam Capital who had projected a net profit of AED399mn. Net interest income and income from Islamic financing rose 12.7%, but fee and commission income dropped 6.7%. (DFM, Reuters)
- **Dubai Aerospace signs $300mn five-year dual tranche loan –** Dubai Aerospace Enterprise said it had signed a $300mn five-year dual tranche loan with Emirates Islamic and Emirates NBD Capital to support business financing needs. The unsecured financing facility included a conventional and an Islamic tranche and can be increased to $600mn, the company said. (Reuters)
- **UAE's ADNOC signs deal to develop new gas field with Dubai –** The UAE announced a new gas find with 80tn standard cubic feet (tscf) of shallow gas resources, a discovery that could help the country’s goal to achieve gas self-sufficiency. Abu Dhabi National Oil Company (ADNOC) and Dubai Supply Authority (DUSUP) have signed an agreement “to continue to explore and develop the shallow gas resources in this area in a joint project named ‘Jebel Ali’,” ADNOC said. The find was made within an area of 5,000 square kilometer between Abu Dhabi and Dubai, with ADNOC drilling more than 10 exploration and appraisal wells. The gas produced will be supplied to DUSUP to support Dubai’s economic growth and enhance its energy security, according to the statement. ADNOC, the top national energy company of the UAE, a key member of the OPEC, produces about 3mn barrels of oil and 10.5bn cubic feet of raw gas a day. The UAE wants to achieve gas self-sufficiency and possibly become a net gas exporter. The country holds the seventh-largest proven reserves of natural gas in the world, at slightly more than 215 tscf, according to the U.S. Department of Energy. (Reuters)
- **Abu Dhabi Power to take control of TAQA in asset swap –** Abu Dhabi Power Corporation (ADPower) plans to take control of Abu Dhabi National Energy Company (TAQA) in an asset swap deal that would value it at $1.13bn and create a combined utility with assets worth $54.5bn. ADPower, a public joint stock company that owns most of Abu Dhabi's water and electricity assets, said it would transfer the majority of its water and electricity generation, transmission, and distribution companies to TAQA in return for 106,367,950,000 convertible shares in the latter. After the conversion - contingent on the asset transfer being made - ADPower would own 98.6% of the entire issued share capital of TAQA, in which the Abu Dhabi government currently has a 74.1% share. ADPower, wholly owned by the Abu Dhabi Development Holding Company, said its offer implies an equity value for TAQA of AED4.16bn, which corresponds to an over 40% premium to its current market cap of AED2.9bn. (Zawya)

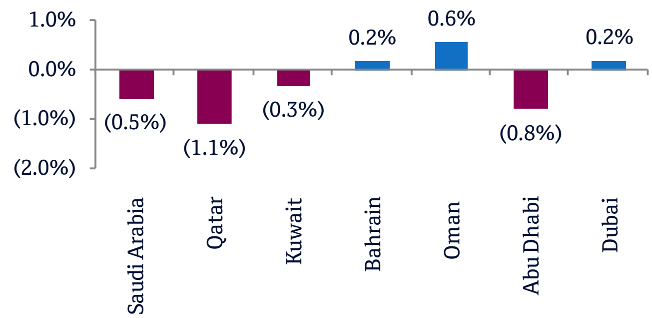
- **Oman sells OMR13.61mn 91-day bills; bid-cover at 1.37x –** Oman sold OMR13.61mn of 91 day bills due on May 6, 2020. Investors offered to buy 1.37 times the amount of securities sold. The bills were sold at a price of 99.553, having a yield of 1.799% and will settle on February 5, 2020. (Bloomberg)
- **Bahrain sells BHD70mn 91-day bills; bid-cover at 1.28x –** Bahrain sold BHD70mn of 91 day bills due on May 6, 2020. Investors offered to buy 1.28 times the amount of securities sold. The bills were sold at a price of 99.358, having a yield of 2.56% and will settle on February 5, 2020. (Bloomberg)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,576.73	(0.8)	(0.8)	3.9
Silver/Ounce	17.68	(2.0)	(2.0)	(1.0)
Crude Oil (Brent)/Barrel (FM Future)	54.45	(6.4)	(6.4)	(17.5)
Crude Oil (WTI)/Barrel (FM Future)	50.11	(2.8)	(2.8)	(17.9)
Natural Gas (Henry Hub)/MMBtu	1.90	(0.5)	(0.5)	(9.1)
LPG Propane (Arab Gulf)/Ton	37.75	(7.9)	(7.9)	(8.5)
LPG Butane (Arab Gulf)/Ton	59.00	(20.0)	(20.0)	(9.9)
Euro	1.11	(0.3)	(0.3)	(1.4)
Yen	108.69	0.3	0.3	0.1
GBP	1.30	(1.6)	(1.6)	(2.0)
CHF	1.04	(0.3)	(0.3)	0.2
AUD	0.67	0.0	0.0	(4.7)
USD Index	97.80	0.4	0.4	1.5
RUB	63.71	(0.3)	(0.3)	2.8
BRL	0.24	0.8	0.8	(5.4)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,351.45	0.4	0.4	(0.3)
DJ Industrial	28,399.81	0.5	0.5	(0.5)
S&P 500	3,248.92	0.7	0.7	0.6
NASDAQ 100	9,273.40	1.3	1.3	3.4
STOXX 600	411.72	0.0	0.0	(2.5)
DAX	13,045.19	0.3	0.3	(2.9)
FTSE 100	7,326.31	(0.9)	(0.9)	(4.8)
CAC 40	5,832.51	0.2	0.2	(3.9)
Nikkei	22,971.94	(1.2)	(1.2)	(2.7)
MSCI EM	1,060.32	(0.2)	(0.2)	(4.9)
SHANGHAI SE Composite	2,746.61	(9.2)	(9.2)	(10.7)
HANG SENG	26,356.98	0.1	0.1	(6.2)
BSE SENSEX	39,872.31	0.7	(1.7)	(3.4)
Bovespa	114,629.20	1.7	1.7	(6.2)
RTS	1,521.16	0.3	0.3	(1.8)

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