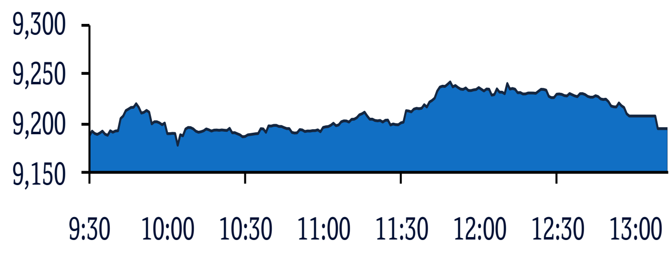
QNB FINANCIAL SERVICES

Daily Market Report

Tuesday, 07 July 2020

QSE Intra-Day Movement



Market Indicators	06 Jul 20	05 Jul 20	%Chg.
Value Traded (QR mn)	500.5	500.1	0.1
Exch. Market Cap. (QR mn)	535,491.7	536,429.2	(0.2)
Volume (mn)	270.8	340.4	(20.5)
Number of Transactions	9,065	8,401	7.9
Companies Traded	47	46	2.2
Market Breadth	18:25	26:19	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	17,679.91	0.1	(0.2)	(7.8)	14.5
All Share Index	2,865.52	(0.2)	(0.4)	(7.5)	15.3
Banks	3,974.02	(0.4)	(1.3)	(5.8)	13.1
Industrials	2,613.11	0.2	0.9	(10.9)	20.8
Transportation	2,789.10	(0.3)	0.7	9.1	13.5
Real Estate	1,523.40	0.4	2.6	(2.7)	15.1
Insurance	1,962.64	(0.7)	(0.8)	(28.2)	32.8
Telecoms	890.22	1.4	1.8	(0.5)	15.0
Consumer	7,280.31	(0.1)	(0.0)	(15.8)	18.6
Al Rayan Islamic Index	3,716.87	0.3	0.8	(5.9)	17.1

Qatar Commentary

The QE Index rose 0.1% to close at 9,196.5. Gains were led by the Telecoms and Real Estate indices, gaining 1.4% and 0.4%, respectively. Top gainers were Vodafone Qatar and Doha Bank, rising 6.8% and 3.1%, respectively. Among the top losers, Islamic Holding Group fell 6.8%, while Qatar General Insurance & Reinsurance Company was down 6.1%.

GCC Commentary

Saudi Arabia: The TASI Index gained marginally to close at 7,390.6. Gains were led by the REITs and Retailing indices, rising 1.4% each. Bonyan REIT rose 9.9%, while National Metal Manufacturing and Casting Co. was up 6.8%.

Dubai: The DFM Index gained 1.2% to close at 2,087.4. The Real Estate & Construction index rose 2.5%, while the Insurance index gained 1.4%. Arabtec Holding Co. rose 14.9%, while Dubai National Insurance was up 12.8%.

Abu Dhabi: The ADX General Index gained 0.3% to close at 4,318.5. The Energy index rose 3.5%, while the Services index gained 1.5%. Gulf Medical Projects rose 14.6%, while Dana Gas was up 6.8%.

Kuwait: The Kuwait All Share Index gained 0.1% to close at 5,145.4. The Insurance index rose 0.8%, while the Telecommunications index gained 0.5%. Warba Insurance Co. rose 7.9%, while National Shooting Company was up 5.3%.

Oman: The MSM 30 Index gained 0.1% to close at 3,511.2. Gains were led by the Industrial and Financial indices, rising 0.2% and 0.1%, respectively. Al Anwar Ceramic Tiles Co. rose 5.1%, while Al Jazeera Services Company was up 3.0%.

Bahrain: The BHB Index fell marginally to close at 1,277.2. The Commercial Banks index declined 0.1%, while the other indices ended flat or in green. Al Salam Bank - Bahrain declined 1.5%, while APM Terminals Bahrain was down 0.4%.

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Emaar Malls	Dubai	1.47	4.3	15,140.1	(19.7)
Jarir Marketing Co.	Saudi Arabia	150.60	2.4	310.1	(9.1)
Emaar Properties	Dubai	2.75	2.2	13,150.5	(31.6)
Bank Al-Jazira	Saudi Arabia	12.22	2.0	23,954.2	(18.8)
Rabigh Refining & Petro.	Saudi Arabia	13.76	1.9	4,519.9	(36.5)

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
National Bank of Oman	Oman	0.17	(2.3)	59.0	(7.6)
Mouwasat Medical Serv.	Saudi Arabia	101.00	(2.1)	278.2	14.8
Dar Al Arkan Real Estate	Saudi Arabia	7.22	(1.5)	53,453.2	(34.4)
Almarai Co.	Saudi Arabia	54.90	(1.4)	774.4	10.9
Jabal Omar Dev. Co.	Saudi Arabia	23.12	(1.0)	1,854.7	(14.8)

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%
Vodafone Qatar	1.22	6.8	20,074.6	4.7
Doha Bank	2.21	3.1	5,559.0	(12.8)
Gulf International Services	1.64	2.7	13,939.1	(4.7)
Qatar First Bank	1.15	2.3	25,425.9	40.7
Qatar Insurance Company	1.94	0.9	2,251.9	(38.7)

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Islamic Holding Group	3.70	(6.8)	4,193.8	94.7
Qatar General Ins. & Reins. Co.	2.11	(6.1)	56.6	(14.2)
Salam International Inv. Ltd.	0.45	(3.4)	18,623.1	(13.0)
Baladna	1.46	(3.3)	12,027.6	46.0
Qatar Islamic Insurance Company	6.04	(2.7)	247.1	(9.7)

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Ezdan Holding Group	1.33	0.8	42,609.8	116.3
Qatar First Bank	1.15	2.3	25,425.9	40.7
Barwa Real Estate Company	3.07	0.7	25,408.2	(13.2)
Qatar Aluminium Manufacturing	0.81	(0.6)	21,485.2	3.7
Vodafone Qatar	1.22	6.8	20,074.6	4.7

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
Barwa Real Estate Company	3.07	0.7	78,206.7	(13.2)
Ezdan Holding Group	1.33	0.8	57,052.1	116.3
QNB Group	17.61	(1.0)	38,624.9	(14.5)
Qatari Investors Group	2.10	0.6	34,184.8	17.4
Qatar First Bank	1.15	2.3	29,576.1	40.7

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*	9,196.47	0.1	(0.2)	2.2	(11.8)	136.92	146,457.0	14.5	1.4	4.3
Dubai	2,087.38	1.2	1.3	1.1	(24.5)	63.39	80,507.0	6.3	0.7	4.7
Abu Dhabi	4,318.45	0.3	0.2	0.8	(14.9)	37.78	132,492.5	13.8	1.3	5.9
Saudi Arabia	7,390.59	0.0	1.1	2.3	(11.9)	1,936.51	2,228,774.1	22.2	1.8	3.5
Kuwait	5,145.35	0.1	0.4	0.3	(18.1)	67.23	95,249.3	14.9	1.2	3.9
Oman	3,511.21	0.1	(0.0)	(0.1)	(11.8)	2.86	16,221.4	10.0	0.8	6.8
Bahrain	1,277.16	(0.0)	0.2	(0.0)	(20.7)	2.64	19,353.9	9.6	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 rose 0.1% to close at 9,196.5. The Telecoms and Real Estate indices led the gains. The index rose on the back of buying support from Qatari and GCC shareholders despite selling pressure from non-Qatari shareholders.
- Vodafone Qatar and Doha Bank were the top gainers, rising 6.8% and 3.1%, respectively. Among the top losers, Islamic Holding Group fell 6.8%, while Qatar General Insurance & Reinsurance Company was down 6.1%.
- Volume of shares traded on Monday fell by 20.5% to 270.8mn from 340.4mn on Sunday. However, as compared to the 30-day moving average of 242.5mn, volume for the day was 11.6% higher. Ezdan Holding Group and Qatar First Bank were the most active stocks, contributing 15.7% and 9.4% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	51.35%	44.35%	35,046,345.34
Qatari Institutions	22.02%	27.90%	(29,421,648.10)
Qatari	**73.37%**	**72.25%**	**5,624,697.24**
GCC Individuals	0.91%	1.28%	(1,887,147.59)
GCC Institutions	1.85%	0.42%	7,116,959.01
GCC	**2.76%**	**1.70%**	**5,229,811.42**
Non-Qatari Individuals	16.72%	14.40%	11,605,424.52
Non-Qatari Institutions	7.15%	11.64%	(22,459,933.19)
Non-Qatari	**23.87%**	**26.04%**	**(10,854,508.66)**

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

Earnings Releases, Global Economic Data and Earnings Calendar

Earnings Releases

Company	Market	Currency	Revenue (mn) 2Q2020	% Change YoY	Operating Profit (mn) 2Q2020	% Change YoY	Net Profit (mn) 2Q2020	% Change YoY
Al-Anwar Ceramic Tiles Co.**	Oman	OMR	11.1	8.6%	–	–	1.5	39.8%

Source: Company data, DFM, ADX, MSM, TASI, BHB. (** Financial for 6M2020)

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
07/06	US	Markit	Markit US Services PMI	Jun	47.9	46.9	46.7
07/06	US	Markit	Markit US Composite PMI	Jun	47.9	–	46.8
07/06	US	Institute for Supply Management	ISM Non-Manufacturing Index	Jun	57.1	50.2	45.4
07/06	Germany	Markit	Markit Germany Construction PMI	Jun	41.3	–	40.1

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	5	Due
MARK	Masraf Al Rayan	13-Jul-20	6	Due
QFLS	Qatar Fuel Company	15-Jul-20	8	Due
QIBK	Qatar Islamic Bank	15-Jul-20	8	Due
QGTS	Qatar Gas Transport Company Limited (Nakilat)	15-Jul-20	8	Due
IHGS	Islamic Holding Group	16-Jul-20	9	Due
QEWS	Qatar Electricity & Water Company	19-Jul-20	12	Due
ABQK	Ahli Bank	20-Jul-20	13	Due
GWCS	Gulf Warehousing Company	21-Jul-20	14	Due
QIGD	Qatari Investors Group	21-Jul-20	14	Due
QIIK	Qatar International Islamic Bank	22-Jul-20	15	Due
QAMC	Qatar Aluminum Manufacturing Company	23-Jul-20	16	Due
WDAM	Widam Food Company	23-Jul-20	16	Due
NLCS	Alijarah Holding	23-Jul-20	16	Due
DHBK	Doha Bank	27-Jul-20	20	Due
QISI	Qatar Islamic Insurance Group	28-Jul-20	21	Due
ORDS	Ooredoo	28-Jul-20	21	Due

Source: QSE

News

Qatar

- **GWCS to disclose 2Q2020 financials on July 21 –** Gulf Warehousing Company (GWCS) will disclose the financial reports for the period ending June 30, 2020 on July 21, 2020. (QSE)
- **QIIK to disclose 2Q2020 financials on July 22 –** Qatar International Islamic Bank (QIIK) will disclose the financial reports for the period ending June 30, 2020 on July 22, 2020. (QSE)
- **QAMC to disclose 2Q2020 financials on July 23 –** Qatar Aluminium Manufacturing Company (QAMC) will disclose the financial reports for the period ending June 30, 2020 on July 23, 2020. (QSE)
- **QISI to disclose 2Q2020 financials on July 28 –** Qatar Islamic Insurance Group (QISI) will disclose the financial reports for the period ending June 30, 2020 on July 28, 2020. (QSE)
- **QAMC to hold investor relations conference call on July 26 –** Qatar Aluminium Manufacturing Company (QAMC) will hold the conference call with the Investors to discuss the financial results for the 2Q2020 on July 26, 2020 at 1:30 pm, Doha Time. (QSE)
- **NLCS to hold investor relations conference call on July 26 –** Alijarah Holding (NLCS) will hold the conference call with the Investors to discuss the financial results for the 2Q2020 on July 26, 2020 at 1:00 pm, Doha Time. (QSE)
- **Moody's announces completion of a periodic review of ratings of Qatar –** Moody's Investors Service (Moody's) reviews all of its ratings periodically in accordance with regulations -- either annually or, in the case of governments and certain EU-based supranational organizations, semi-annually. This periodic review is unrelated to the requirement to specify calendar dates on which EU and certain other sovereign and sub-sovereign rating actions may take place. Moody's conducts these periodic reviews through portfolio reviews in which Moody's reassesses the appropriateness of each outstanding rating in the context of the relevant principal methodology (ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. Since first January 2019, Moody's issues a press release following each periodic review announcing its completion. Moody's has now completed the periodic review of a group of issuers that includes Qatar and may include related ratings. The review did not involve a rating committee, and this publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future; credit ratings and/or outlook status cannot be changed in a portfolio review and hence are not impacted by this announcement. The credit profile of Qatar (issuer rating Aa3) is supported by the sovereign's "a1" economic strength based on its exceptionally high income levels and vast hydrocarbon reserves; "a2" institutions and governance strength underpinned by strong governance indicators and demonstrated policy effectiveness during crisis, counterbalanced by some transparency shortcomings; and "a1" fiscal strength as government fiscal reserves remain very large and debt affordability high. The main credit constraint is Qatar's "ba" susceptibility to event risk, driven by political risk stemming primarily from elevated geopolitical tensions in the Gulf region. (Bloomberg)
- **Qatar's June financial center PMI rises to 42.1 –** IHS Markit release Qatar's June financial center purchasing managers' index. The Index increased to 42.1 in June 2020 from 36.6 in May 2020 and 47.2 in June 2019, leading to fifteenth consecutive month of contraction. However, employment declined to 47.6 in June 2020 versus 49 in May 2020, indicating the lowest reading since August 2019, leading to third consecutive month of contraction. (Bloomberg)
- **Qatari ports see 102% increase in cargo handling –** Qatari ports have delivered a stellar performance in the first half of this year, despite a challenging environment created by COVID-19 outbreak. During the first six months of this year, Hamad Port, Ruwais Port and Doha Port have registered 102% increase in general cargo handling compared to the same period in last year. During the first six months, 1,509 ships docked at Hamad Port, Doha Port and Ruwais Port, making it a busy period for Qatar's maritime sector. The ports handled 727,716 tons of general cargo in the first six months of this year, compared to 360,644 tons in the same period in 2019. The ports handled 32,779 units of vehicles and 305,504 livestock during the period, according to figures shared by Mwani Qatar on its official twitter account. The ports received around 673,399 containers in the first half of 2019, which is around 2% more than what it was in the same period of the previous year. The strong half-yearly performance by maritime sector follows all-round performance shown by the ports in the first quarter of this year. The ports handled 110,938 tons of building materials during the first quarter, reflecting 37% growth, compared to the same quarter last year. The ports had received 321,345 containers during the first quarter of 2019, registering 3% increase over the same period of 2018. (Peninsula Qatar)
- **Qatar establishes first travel corridor with Turkey –** Ministry of Public Health (MOPH) has announced the establishment of a travel corridor from Turkey. Four testing centers in Turkey have been approved for COVID testing, allowing Qatari nationals to circumvent the mandatory two-week quarantine on arrival in Doha. The route only works one way, however, and non-citizens will still not be allowed to enter. Although Qatar Airways never stopped flying, its home nation implemented a lockdown policy in light of the pandemic. Flights by foreign airlines were banned, and everything apart from essential services shut down. Now, as Qatar pushes through its four-phase lifting of the lockdown, there's another shred of hope for Qatari citizens stranded abroad. To date, any citizens returning to Qatar have had to undergo two-week quarantine in a hotel, at their own expense. Now, those coming from Turkey at least have an alternative. MOPH has announced that four centers have been approved in Turkey for Qatari citizens to be tested for COVID-19. Citizens wishing to travel to Qatar from Turkey will be allowed passage as long as they are able to present a negative test result. (Bloomberg)
- **KPMG: Qatar's expected fintech regulations to enhance digital banking ecosystem –** Qatar's expected introduction of key fintech regulations will further facilitate the buildup of the digital banking ecosystem, KPMG has said in a report. Qatar

Central Bank's establishment of the fintech section, Fintech Regulatory Sandbox and the launch of the Qatar FinTech Hub (QFTH); the fintech scene in Qatar is expected to grow rapidly and start disrupting the banking sector, KPMG said in its 'Qatar Banking Perspectives 2020'. "Local banks need to make the prudent decision to collaborate with fintech firms rather than see them as a threat and trying to fight them off," KPMG said in its report on 'Technology and Innovation' authored by Suhail Shaker (Digital and Innovation Advisory). "The sooner banks can see fintech firms as their ally rather than competition, the sooner they will be able to confidently embark on the banking of the future journey together. Otherwise, traditional banks risk losing their customers and current market position to the new agile, efficient and creative competitors," it said. Fintech, KPMG noted, has become popular in the recent years, with the advent of internet banking, mobile banking and the new means of digital payments and e-wallets. Fintech has come a long way in the recent years, thanks to the new technology developments and healthy VC (venture capitalist) appetite. The fintech sector has grown to become a true disruptive force. "Today, the influence of fintech can be felt in the banking sector and capital markets. Fintech has a huge impact on customer expectations, operational efficiencies, banking market structure, banking strategies and their financial stability," KPMG noted. (Gulf-Times.com)

- **IFP Qatar looking to receive visitors for key trade shows in Doha in November, December –** IFP Qatar has announced that it intends to resume the organizing of trade fairs following the announcement of the Supreme Committee for Crisis Management to gradually lift the restrictions imposed in Qatar to stop the spread of COVID-19. IFP Qatar said it is prepared to welcome visitors in the country for the Hospitality Qatar 2020, which will be held from November 10 to 12, and Project Qatar 2020, which will be held from December 7 to 10. (Gulf-Times.com)

International

- **US service sector rebounds strongly in June –** US services industry activity rebounded sharply in June, almost returning to its pre-COVID-19 pandemic levels, but a resurgence in coronavirus cases that has forced some restaurants and bars to close again threatens the emerging recovery. The Institute for Supply Management (ISM) said on Monday its non-manufacturing activity index jumped to a reading of 57.1 last month, the highest since February, from 45.4 in May. It has bounced back from a reading of 41.8 in April, which was the lowest since March 2009. A reading above 50 indicates growth in the services sector, which accounts for more than two-thirds of U.S. economic activity. Economists polled by Reuters had forecast the index increasing to a reading of 48.9 in June. The report followed the ISM's manufacturing survey last week showing factory activity rebounding to a 14-month high in June. The upbeat surveys, however, have been overshadowed by raging COVID-19 cases in large parts of the country, including the densely populated California, Florida and Texas. The flare-up in cases that started in late June has prompted several states to scale back or pause reopenings, hitting restaurants and bars hard. The ISM survey's measure of new orders for the services industry increased to a reading of 61.6 in June from 41.9 in the prior month. There was an increase in export orders, and order backlogs swelled. The survey's index of services industry employment rose to a reading of 43.1 last month from 31.8 in May. (Reuters)
- **US trade groups urge China to increase purchases of US goods, services –** The US Chamber of Commerce and over 40 trade associations on Monday urged top American and Chinese officials to redouble efforts to implement a Phase 1 trade agreement signed by the world's two largest economies in January despite pandemic-related strains. In a letter to US Treasury Secretary Steven Mnuchin, US Trade Representative Robert Lighthizer and Chinese Vice Premier Liu He, the groups said they were encouraged by the progress so far, but urged a significant increase in China's purchases of US goods and services. They said combating the novel coronavirus pandemic and restoring global growth depended in part on successful implementation of the US-China trade deal, which helped defuse a nearly 18-month trade war marked by tit-for-tat tariffs. The agreement called for China to purchase $200bn in additional US goods and services over the next two years. (Reuters)
- **US pandemic aid program saved 51.1mn jobs, but wealthy and connected also benefited –** A high-profile pandemic aid program protected about 51.1mn American jobs, the Trump administration said on Monday, as it revealed how $521.4bn (416.7bn Pounds) in taxpayer cash was injected into small businesses but also into the pockets of the rich and famous. The data on the small business Paycheck Protection Program (PPP) seemed to confirm worries among Democrats and watchdog groups that in addition to mom-and-pop shops, the funds went to well-heeled and politically-connected companies, some of which were approved for between $5mn and $10mn. Those include several firms that lobby on public policy, such as Wiley Rein LLP and APCO Worldwide, as well as prominent law firms like Kasowitz Benson Torres LLP, which has represented President Donald Trump, and Boies Schiller Flexner LLP. (Reuters)
- **Sunak to spend 3bn Pounds on green projects in economy plan –** British Finance Minister Rishi Sunak will earmark 3bn Pounds to create green jobs and improve the energy efficiency of public buildings when he announces his broader plans to kickstart the economy on Wednesday. A third of the package would be spent on reducing greenhouse gas emissions from public-sector buildings, such as schools and hospitals, and from social housing, the finance ministry said. Heating buildings accounts for almost a fifth of Britain's greenhouse gas emissions, making the investment a key part of Britain's attempts to be a net-zero carbon emitter by 2050, the finance ministry added. Sunak is expected to focus Wednesday's announcement mostly on how the government will try to counter a jump in unemployment caused by the lockdown of much of the economy in late March which is now being relaxed only gradually. Sunak has already announced emergency measures worth an estimated 133bn Pounds, much of it to try to stem the rise in unemployment. (Reuters)
- **PMI: UK construction rebounds from lockdown in June –** Growth returned to British construction companies in June for the first time since the coronavirus lockdown began, albeit from

low levels, a business survey showed on Monday. The IHS Markit/CIPS UK Construction Purchasing Managers' Index (PMI) rebounded to 55.3 from 28.9 in May, its highest since July 2018 and well above the 50 threshold for growth. Data company IHS Markit said growth was driven mostly by housebuilders, but commercial and civil engineering construction companies also reported an increase in activity. "As the first major part of the UK economy to begin a phased return to work, the strong rebound in construction activity provides hope to other sectors that have suffered through the lockdown period," Tim Moore, Economics Director at IHS Markit, said. The survey is designed to show which way business activity shifted during a month rather than its overall level. That means a return to a reading above 50 does not indicate a recovery to normal levels of construction output. (Reuters)

- **Eurozone retail sales in record rebound in May as lockdowns eased –** Consumers in the Eurozone returned en masse to shops in May as lockdowns were eased in the bloc, estimates from the EU statistics agency showed on Monday, signaling a sharp recovery of sales after record drops in March and April. Sales in the 19 countries sharing the Eurozone rose by 17.8% in May from April, Eurostat said, in the steepest increase since euro zone records for retail sales began in 1999. The rise was higher than market expectations of a 15% rise on the month. Compared to a year earlier, sales were still down 5.1% in May, showing the recovery is far from complete. But the YoY drop was less steep than the 7.5% fall forecast by economists polled by Reuters. The MoM rise in May partly offset the record falls posted in the previous two months, with the volume of retail trade dropping by a record 12.1% in April and by 10.6% in March, Eurostat's revised data showed on Monday.The agency had previously estimated a 11.7% MoM fall in April. (Reuters)
- **Sentix: Eurozone investor morale up in July but recovery could stall –** Investor morale in the euro zone improved for a third month running in July but a dip in expectations suggests the recovery from the impact of the coronavirus pandemic could soon peter out, a survey showed on Monday. Sentix's index for the Eurozone rose to -18.2 from -24.8 in June. That compared with the Reuters consensus forecast for a reading of -10.9. The current situation index rose for a second month in a row, to -49.5 from -61.5 in June. However, the expectations index for the bloc dipped to 19.5 from 21.8. "There is a danger that the 'upswing' could run out of steam as early as the summer," said Sentix managing director Manfred Huebner. Investors said they expected that only around 60% of coronavirus-related economic losses would be recovered within a year in the Eurozone. In Germany, investors expect only around 65% to be made up within a year despite the government's economic stimulus package, with the expectations index also dipping slightly in Europe's largest economy. Sentix surveyed 1,109 investors between July 2 and July 4. (Reuters)
- **Eyeing US, EU lawmakers seek quicker trade retaliation –** EU lawmakers overwhelmingly backed a proposal on Monday to allow the European Union (EU) to retaliate more quickly in trade disputes, with a clear eye on the tariffs imposed by US President Donald Trump. Lawmakers in the trade committee of the European Parliament voted by 32 to three to extend the powers of the 27-nation bloc and deter other countries from breaching global trading rules. "We cannot let a country hit us illegally and unilaterally without us being able to react immediately. We have to make sure that everyone adheres to the rules of international trade," said Marie-Pierre Vedrenne, the lawmaker in charge of the file. EU trade Chief Phil Hogan earlier on Monday said the recent launch of a series of new U.S. trade investigations was totally unacceptable. (Reuters)
- **Moderate rebound in German industry orders points to slow recovery –** Orders for German industrial goods rose by 10.4% in May, rebounding from their biggest drop since records began in 1991 the previous month, data showed on Monday, as demand picked up after lockdown measures to fight the coronavirus were lifted. The increase was weaker than a Reuters forecast for a rise of 15% and the Economy Ministry said a return to pre-crisis levels will be slow even though the economy is recovering. The Statistics Office data showed that domestic orders rose by 12.3% while orders from abroad were up 8.8%. The double-digit increase in the headline figure was mainly driven by a 20.3% rise in capital goods, including a 44.4% surge in the automotive sector. Order intake was 30.8% lower than in February, before lockdown measures were imposed to slow the spread of the coronavirus. (Reuters)
- **Japan's household spending slumps by record as curbs hit travel, dining out –** Japan's household spending fell at the fastest pace on record in May as consumers heeded authorities' calls to stay home to contain the coronavirus pandemic, pushing the world's third-largest economy deeper into decline. The large spending drop will add to growing pressure on policymakers to ramp up moves to restore confidence among businesses and in particular consumers. Household spending slumped 16.2% in May from a year earlier, government data showed on Tuesday, falling at the quickest pace since comparable data became available in 2001. The drop, which was larger than a median market forecast for a 12.2% fall, extended an 11.1% decline in April. A spending recovery is expected to be slow and fragile as households remain reluctant to loosen the purse strings even after a nationwide state of emergency was lifted in May. (Reuters)
- **BOJ to maintain recovery view despite pandemic gloom –** The Bank of Japan (BOJ) is expected to roughly maintain its view the economy will gradually recover later this year from the virus-led downturn, sources familiar with its thinking told Reuters, even as fears of a second wave of infections cloud the outlook. The central bank's views, from its quarterly report due next week, will heighten the chances it will keep monetary policy steady at a review on July 14-15, after having ramped up stimulus in March and April. But the BOJ's report is expected to warn that risks to the outlook are extremely high, including a second wave of infections that could delay any recovery in global and Japanese growth, four sources told Reuters. Japan slipped into recession in the first quarter and is expected to suffer an annualized contraction of more than 20% in April-June, as output and consumption tanked after the government urged businesses to close and citizens to stay home. Businesses have gradually re-opened and shoppers have returned to the streets since a state of emergency was lifted in late May. (Reuters)

- **India reviewing around 50 investment proposals from Chinese firms –** The Indian government is reviewing around 50 investment proposals involving Chinese companies under a new screening policy, three sources familiar with the matter told Reuters. Under new rules announced by India in April, all investments by entities based in neighboring countries need to be approved by the Indian government, whether for new or additional funding. China is the biggest of these investors and the rules drew criticism from Chinese investors and Beijing, which called the policy discriminatory. The new investment rules were aimed at curbing opportunistic takeovers during the coronavirus outbreak. However, industry executives say a deterioration in bilateral relations since a clash along the countries' contested border last month, in which 20 Indian soldiers were killed, could further delay approvals. "Various clearances are required. We are being a bit more cautious as one would imagine," said a senior Indian government official in New Delhi, when asked about the impact on investment applications since the border clash. (Reuters)

Regional

- **Moody's: COVID-19, low oil price to hit GCC banks' profitability –** The dual shock from the coronavirus pandemic (COVID-19) and the collapse in oil prices will severely dent profits at banks in the GCC countries this year. Economic contraction across all six GCC nations will depress credit growth and sap the banks' two main income streams; interest on loans, and fees and commissions, Moody's said in a note. Provisioning charges for potential loan losses are expected to rise sharply. The Gulf banks' capital will remain adequate, however, underpinning their solvency. Narrower margins and contraction in lending will pressure revenue, the global ratings agency reported. "We expect real non-hydrocarbon GDP in the GCC to contract between 3.5% and 5% in 2020. This will erode loan demand and banks' appetite to lend, resulting in an average loan contraction between 0% and 5%. Simultaneously, interest rate cuts and rising customer defaults will reduce banks' interest income, while funding costs will increase moderately," said Moody's. "Combined, these factors will narrow net interest margins. Increased government debt issuance (both bonds and Sukuks) particularly in Saudi Arabia, Bahrain and Oman will help to offset the margin pressure as banks increase their exposure to these higher yielding instruments," the ratings agency said. Higher provisions and lower income will result in an average decline in full-year profit of more than 20%. (Zawya, Bloomberg)
- **Saudi Arabia ups August crude prices to Asia –** Saudi Arabia's state oil producer Aramco has hiked official selling prices (OSPs) for its crude to Asia by $1 a barrel in August, and raised the OSPs for almost all grades to Europe and the US. Saudi Arabia has set the August price to Asia at plus $1.20 a barrel versus the Oman/Dubai average, Aramco said. The increase was in line with market expectations on rising Middle East benchmarks and a rebound in Asian refining margins, a Reuters survey found. Although the rise in the OSPs is likely to discourage demand for Saudi barrels, it could encourage the use of crude from inventories, which would provide broad support for oil prices, industry sources and analysts say. (Reuters)
- **Production resumes at two oilfields shared with Saudi Arabia –** Crude oil production resumed early July at the Wafra oilfield, shared by Kuwait and Saudi Arabia, after a five-year halt, the Kuwaiti oil ministry said. The Wafra and Khafji oilfields are located in the Neutral Zone on the boundary of the two countries. Saudi Arabian Chevron (SAC), which jointly operates the Wafra field with Kuwait Gulf Oil Company (KGOC), said in June that the two companies were making preparations to resume operations. Initial output at the Wafra oilfield is seen at 10,000 bpd, before rising to 70,000 bpd at the end of August, and then up to 145,000 bpd by the end of 2020, Deputy Chief Executive for finance and management at Kuwait Gulf Oil Company, Abdullah al-Shammari which operates the field, told Reuters in June. (Reuters)
- **Saudi Arabia's biggest pharmacy firm Nahdi in early talks for IPO –** Saudi Arabia's Nahdi Medical Co, the largest pharmacy retail chain in the Kingdom, is weighing an initial public offering (IPO) and has begun early talks with potential advisors, sources told Reuters. Nahdi, founded by Abdullah Amer Al Nahdi in 1986 and is the Saudi equivalent of British health retailer Boots, has a network of more than 1,100 pharmacies. It is 50% owned by Jeddah-based Islamic investment firm Sedco Holding, according to information on its website. The company is in early talks with advisors for its public share sale, which could happen next year, said the sources, declining to be named as the matter is not public. The company's value is more than SR10bn in equity, sources said. (Reuters)
- **SABB announces first local Sukuk issuance –** The Saudi British Bank (SABB) announced on Monday the first offering of Tier II SAR denominated Sukuk for private placement under its newly-established local Sukuk program. The issuance size shall be determined as per market conditions, according to a stock exchange filing on Monday. Moreover, the issuance will start on July 6 and end on July 28 and will target experienced investors residing in Saudi Arabia. The underwriter of the issuance is HSBC Saudi Arabia. Furthermore, the minimum subscription value, the listing price, and the par value will amount to SR1mn. The Sukuk return will be based on the current lending price, SAIBOR, for six months besides a profit margin that will be determined later. The Sukuk will be matured in 10 years, callable at five years, subject to market conditions. (Zawya)
- **Fitch affirms Riyad Bank at 'BBB+'; with a Stable outlook –** Fitch Ratings has affirmed Riyad Bank's Long-Term Issuer Default Rating (IDR) at 'BBB+' with a Stable outlook. It has also maintained the rating watch negative (RWN) on the bank's VR and affirmed the bank's Support Rating Floor (SRF) at 'BBB+'. The Stable outlook reflects the Stable outlook on the sovereign's IDRs, as Riyad's IDRs are driven by its SRF. Riyad's IDRs are driven by its SRF of 'BBB+'. Under Fitch Ratings methodology, the IDR is driven by the higher of the VR and the SRF, which, in the case of Riyad, are at the same level. However, Fitch's view of the bank's standalone profile is undermined by the RWN on the VR. (Bloomberg)
- **SABIC Chief pours cold water on Clariant merger speculation –** Saudi Basic Industries Corp., which owns almost one-third of Clariant, signaled it will maintain its grip on the Swiss chemical maker that is once again at the center of merger speculation. A

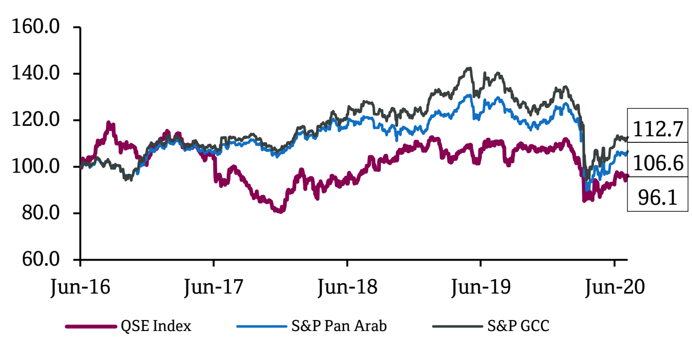
report in Swiss daily Tages-Anzeiger last week has helped reignite takeover chatter surrounding Clariant, despite SABIC owning a 31.5% stake and having seats on the Muttenz-based group's board. The maker of catalysts is in tie-up talks with four potential partners, and discussions with one party are at an advanced stage, the newspaper said on July 1. Chief Executive Officer, Yousef Al-Benyan told Bloomberg TV on Monday that Clariant is not in merger talks that could reduce SABIC's 31.5% stake. His stance could bring some clarity to the outstanding question whether SABIC's incorporation into Saudi Aramco will render Clariant a peripheral investment. Aramco has not detailed its plans for SABIC and whether it will pursue Al-Benyan's aim to create a world leader in specialty chemicals and plastics. (Bloomberg)

- **Fitch maintains SAMBA Financial Group on Rating Watch Negative; downgrades the short-term IDR –** Fitch Ratings (Fitch) has maintained SAMBA Financial Group's (SAMBA) Long-Term Issuer Default Rating (IDR) of 'A-' on Rating Watch Negative (RWN). It has also maintained the RWN on the bank's Viability Rating (VR) of 'a-' and affirmed its Support Rating Floor (SRF) at 'BBB+'. Fitch has downgraded SAMBA's Short-Term IDR to 'F2' from 'F1' and removed it from Rating Watch Negative. The Short-Term IDR of SAMBA's Euro medium-term note (EMTN) program housed under SAMBA Funding Limited was also downgraded to 'F2' from 'F1' and removed from Rating Watch Negative. The downgrade of SAMBA's Short-Term IDR to 'F2' from 'F1' results from Fitch's revision of the bank's funding and liquidity on a standalone basis, which is now below the level required at the 'F1' rating level under the Short-Term Ratings Criteria. The downward revision primarily reflects the increase in SAMBA's Fitch-calculated loan-to-deposit ratio, although this increase is from very low levels. The ratio is now closer to that of peers while it had been well below previously. Fitch has also removed SAMBA's Short-Term IDR from Rating Watch Negative. The ratings are not affected by the announcement of merger talks with The National Commercial Bank as Fitch believes that this is in the early stages and still uncertain. Weaker ability to support, reflected in a sovereign downgrade, would lead to a downgrade in the SRF, but as this has a 'Stable' Outlook, this is not Fitch's base case. A weaker propensity from the authorities to support the bank would also lead to a negative rating action, but this is unlikely in Fitch's view given Saudi Arabia's strong track record of supporting domestic banks. SAMBA's capitalization is strong and Fitch views it as the key rating driver despite it declining, as it started from a very high base. At end-1Q2020, the bank's CET1 regulatory capital ratio was 18.4% and the total regulatory capital ratio was 19% (end-2018: 22.1% and 22.7%, respectively); one of the highest ratios across the Saudi banking sector. Capitalization was affected by strong lending growth in 2019 (+24%), most of which was driven by collateralize lending in the context of Saudi Aramco IPO. (Fitch)
- **UAE's May consumer prices rise 0.09% MoM; fall 2.71% YoY –** Federal Competitiveness and Statistics Authority in Dubai published UAE's consumer price indices for May which showed that prices rose 0.09% MoM in May, however prices fell 2.71% YoY. (Bloomberg)
- **CBUAE to launch new overnight deposit facility –** The Central Bank of the UAE (CBUAE) said it will introduce a new overnight deposit facility as of July 12 which will reflect the monetary policy of the regulator. The facility will allow conventional banks operating in the country to deposit their surplus liquidity at the central bank on an overnight basis. It will be "the prime facility for managing surplus liquidity in the UAE banking sector prior to the launch of the Monetary Bills Program and shall replace issuance of one-week Certificate of Deposits," the bank said. The general stance of the central bank's monetary policy will be signaled through the interest rate of the new facility, which will become its main policy rate and will be referred to as "Base Rate." (Reuters)
- **Abu Dhabi Islamic Bank raises foreign ownership to 40% –** Abu Dhabi Islamic Bank (ADIB), a leading financial institution, has announced raising the percentage of foreign ownership to 40%, from 25%, of its issued capital. The announcement came after obtaining the necessary regulatory approvals from the Central Bank of the UAE (CBUAE), the Securities and Commodities Authority, as well as the bank's shareholders during the Annual General Meeting (AGM) held last March. Commenting on this announcement, His Excellency, Chairman of the ADIB, Jawaan Awaidha Suhail Awaidha Al Khaili stated: "This move came in response to the heightened interest from international investors in ADIB's share, as well as in line with our efforts and commitment to diversifying the bank's investor base. This milestone will help strengthen the UAE and Abu Dhabi's positions as one of the most attractive markets for foreign direct investment, through contributing to increasing cash inflows, which will benefit both shareholders and the wider stock market. This will also boost the attractiveness of ADIB's shares, given the added value that the stock provides to investors." (Zawya)
- **Air Arabia Abu Dhabi to start operations with flights to Egypt –** Air Arabia Abu Dhabi will start operations on July 14, with direct flights connecting the capital of the UAE to Alexandria and Sohag, in Egypt, the company said on Monday. The airline is a joint venture between Air Arabia, the UAE's only listed carrier, and Abu Dhabi state-owned Etihad Airways. (Reuters)
- **Kuwait banking association postpones fees for customers impacted by Covid-19 –** Kuwait Banking Association has announced six-month postponement of dues for customers who are impacted by the Covid-19 outbreak. (Reuters)
- **Kuwait banks see lower retained earnings on virus-linked losses –** Kuwait banks see lower retained earnings on virus-linked losses. The impact of deferral on loan installments as stipulated by the Central Bank of Kuwait (CBK) will be reflected in 2Q2020 results, Kuwaiti lenders said. National Bank of Kuwait sees KD130mn, Kuwait Finance House sees KD96mn, Boubyan Bank sees KD48mn, Gulf Bank sees KD42mn, Al Ahli sees KD14mn, Commercial Bank sees KD13mn, Burgan Bank KD9mn and Kuwait International Bank KD7mn. All see possible impact on capital base under Basel III for four years starting 2021. (Bloomberg)
- **BNA: Bahrain's GDP growth rates down by 1.1% in 1Q2020 YoY –** Bahrain's GDP growth rates down by 1.1% in 1Q2020 on an annual basis, state news agency (BNA) reported on Monday citing a Finance Ministry report. "The report showed that the

economic performance witnessed growth at the beginning of the year before being impacted in March by the exceptional circumstances witnessed by Bahrain and the world at large due to the coronavirus pandemic, affecting the overall performance of the economy in the first quarter," BNA added. (Reuters)

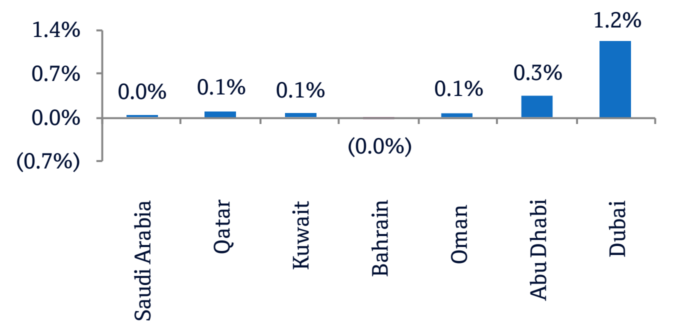
- **Bahrain sells BHD70mn 91-day bills; bid-cover at 1.67x –** Bahrain sold BHD70mn of 91-day bills due on October 7, 2020. Investors offered to buy 1.67 times the amount of securities sold. The bills were sold at a price of 99.423, having a yield of 2.29% and will settle on July 8, 2020. (Bloomberg)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,784.68	0.5	0.5	17.6
Silver/Ounce	18.27	1.4	1.4	2.4
Crude Oil (Brent)/Barrel (FM Future)	43.10	0.7	0.7	(34.7)
Crude Oil (WTI)/Barrel (FM Future)	40.63	(0.0)	(0.0)	(33.5)
Natural Gas (Henry Hub)/MMBtu	1.71	6.1	6.1	(18.2)
LPG Propane (Arab Gulf)/Ton	47.63	2.1	2.1	15.5
LPG Butane (Arab Gulf)/Ton	46.50	1.1	1.1	(29.0)
Euro	1.13	0.5	0.5	0.9
Yen	107.35	(0.1)	(0.1)	(1.2)
GBP	1.25	0.1	0.1	(5.8)
CHF	1.06	0.4	0.4	2.7
AUD	0.70	0.5	0.5	(0.7)
USD Index	96.73	(0.5)	(0.5)	0.3
RUB	71.81	0.5	0.5	15.8
BRL	0.19	(0.7)	(0.7)	(24.9)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,264.29	1.7	1.7	(4.0)
DJ Industrial	26,287.03	1.8	1.8	(7.9)
S&P 500	3,179.72	1.6	1.6	(1.6)
NASDAQ 100	10,433.65	2.2	2.2	16.3
STOXX 600	371.21	2.2	2.2	(10.1)
DAX	12,733.45	2.2	2.2	(3.1)
FTSE 100	6,285.94	2.2	2.2	(21.5)
CAC 40	5,081.51	2.1	2.1	(14.4)
Nikkei	22,714.44	1.9	1.9	(2.7)
MSCI EM	1,060.50	2.7	2.7	(4.9)
SHANGHAI SE Composite	3,332.88	6.4	6.4	8.4
HANG SENG	26,339.16	3.8	3.8	(6.1)
BSE SENSEX	36,487.28	1.3	1.3	(15.6)
Bovespa	98,937.20	2.2	2.2	(35.6)
RTS	1,247.14	1.0	1.0	(19.5)

Source: Bloomberg (*$ adjusted returns)

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