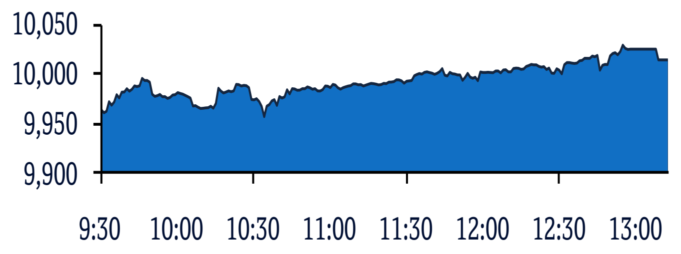
Daily Market Report

Wednesday, 07 October 2020

QSE Intra-Day Movement



Qatar Commentary

The QE Index rose 0.6% to close at 10,016.3. Gains were led by the Telecoms and Industrials indices, gaining 2.8% and 1.1%, respectively. Top gainers were Qatar First Bank and Alijarah Holding, rising 10.0% each. Among the top losers, Gulf International Services and Qatari German Company for Medical Devices were down 1.5% each.

GCC Commentary

Saudi Arabia: The TASI Index gained 1.4% to close at 8,369.3. Gains were led by the Software & Services and Telecommunication Serv. indices, rising 3.0% and 2.5%, respectively. Raydan Food and Amana Cooperative Insurance were up 10.0% each.

Dubai: The DFM Index gained marginally to close at 2,225.5. The Telecommunication index rose 1.9%, while the Banks index gained 0.3%. Almadina for Finance and Investment rose 4.2%, while Arab Insurance Group was up 3.4%.

Abu Dhabi: The ADX General Index fell 0.1% to close at 4,482.8. The Industrial index declined 0.8%, while the Energy index fell 0.5%. Abu Dhabi National Co. for Building Mat. declined 5.0%, while Ras Al Khaimah White Cement was down 4.9%.

Kuwait: The Kuwait All Share Index gained 0.9% to close at 5,645.5. The Technology index rose 4.2%, while the Basic Materials index gained 2.0%. Energy House Holding Co. rose 24.7%, while Palms Agro Production Co. was up 20.9%.

Oman: The MSM 30 Index gained 0.3% to close at 3,603.1. Gains were led by the Industrial and Financial indices, rising 0.6% and 0.2%, respectively. National Aluminium Products Co. rose 4.6%, while Raysut Cement Company was up 4.0%.

Bahrain: The BHB Index gained 0.3% to close at 1,445.3. The Services index rose 1.0%, while the Commercial Banks index gained 0.4%. Ithmaar Holding rose 2.9%, while Bahrain Telecommunication Company was up 1.5%.

Market Indicators	06 Oct 20	05 Oct 20	%Chg.
Value Traded (QR mn)	838.8	679.1	23.5
Exch. Market Cap. (QR mn)	594,396.5	589,937.7	0.8
Volume (mn)	508.5	312.7	62.6
Number of Transactions	14,666	10,500	39.7
Companies Traded	47	46	2.2
Market Breadth	32:11	22:17	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	19,255.96	0.6	0.1	0.4	16.2
All Share Index	3,099.60	0.8	0.4	0.0	17.0
Banks	4,139.44	0.6	0.1	(1.9)	13.9
Industrials	2,976.53	1.1	0.9	1.5	25.8
Transportation	2,819.99	0.6	(0.1)	10.3	13.3
Real Estate	2,083.42	0.7	0.4	33.1	16.4
Insurance	2,201.54	0.8	0.5	(19.5)	32.9
Telecoms	943.69	2.8	2.8	5.4	15.9
Consumer	8,135.47	0.8	0.9	(5.9)	24.6
Al Rayan Islamic Index	4,207.28	0.8	0.6	6.5	18.5

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Etihad Etisalat Co.	Saudi Arabia	30.20	6.0	16,059.8	20.8
Savola Group	Saudi Arabia	50.00	4.9	417.3	45.6
Saudi Industrial Inv.	Saudi Arabia	23.62	3.7	1,496.8	(1.6)
Burgan Bank	Kuwait	0.22	3.3	6,583.8	(28.9)
Gulf Bank	Kuwait	0.23	3.1	16,651.6	(23.1)

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
National Shipping Co.	Saudi Arabia	40.35	(1.8)	2,785.3	0.9
National Bank of Bahrain	Bahrain	0.62	(1.6)	396.9	(3.5)
GFH Financial Group	Dubai	0.57	(1.4)	15,488.6	(32.3)
Emaar Properties	Dubai	2.69	(1.1)	14,375.0	(33.1)
Abu Dhabi Comm. Bank	Abu Dhabi	5.49	(1.1)	9,356.8	(30.7)

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%
Qatar First Bank	1.75	10.0	10,775.6	113.8
Alijarah Holding	1.34	10.0	50,083.1	90.6
Qatar General Ins. & Reins. Co.	2.20	8.4	56.2	(10.6)
Mazaya Qatar Real Estate Dev.	1.28	7.1	104,679.2	77.9
Vodafone Qatar	1.37	5.1	33,768.5	18.1

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Mazaya Qatar Real Estate Dev.	1.28	7.1	104,679.2	77.9
Ezdan Holding Group	2.09	(0.5)	78,213.0	239.8
Investment Holding Group	0.63	2.8	56,311.0	12.2
Alijarah Holding	1.34	10.0	50,083.1	90.6
Qatar Aluminium Manufacturing	1.05	2.5	49,011.9	33.9

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Gulf International Services	1.62	(1.5)	6,311.3	(5.8)
Qatari German Co for Med. Dev.	2.24	(1.5)	5,512.9	284.2
Al Khaleej Takaful Insurance Co.	2.05	(1.4)	3,896.6	2.5
INMA Holding	4.40	(1.1)	1,745.3	131.6
Qatar Islamic Bank	16.50	(0.6)	938.1	7.6

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
Ezdan Holding Group	2.09	(0.5)	165,010.3	239.8
Mazaya Qatar Real Estate Dev.	1.28	7.1	132,651.2	77.9
Alijarah Holding	1.34	10.0	65,746.5	90.6
Qatar Aluminium Manufacturing	1.05	2.5	50,976.9	33.9
Vodafone Qatar	1.37	5.1	46,268.3	18.1

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*	10,016.28	0.6	0.1	0.3	(3.9)	228.04	161,200.3	16.2	1.5	3.9
Dubai	2,225.52	0.0	(1.8)	(2.1)	(19.5)	46.48	85,118.9	8.4	0.8	4.3
Abu Dhabi	4,482.78	(0.1)	(0.2)	(0.8)	(11.7)	86.05	183,181.1	16.4	1.3	5.5
Saudi Arabia	8,369.33	1.4	0.9	0.8	(0.2)	3,125.34	2,436,902.9	30.1	2.0	2.4
Kuwait	5,645.54	0.9	3.7	3.7	(10.1)	209.33	107,028.5	30.3	1.4	3.4
Oman	3,603.07	0.3	(0.3)	(0.3)	(9.5)	2.60	16,303.5	10.7	0.7	6.8
Bahrain	1,445.28	0.3	0.9	0.8	(10.2)	5.31	22,042.8	13.5	0.9	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 rose 0.6% to close at 10,016.3. The Telecoms and Industrials indices led the gains. The index rose on the back of buying support from Foreign shareholders despite selling pressure from Qatari, GCC and Arab shareholders.
- Qatar First Bank and Alijarah Holding were the top gainers, rising 10.0% each. Among the top losers, Gulf International Services and Qatari German Company for Medical Devices were down 1.5% each.
- Volume of shares traded on Tuesday rose by 62.6% to 508.5mn from 312.7mn on Monday. Further, as compared to the 30-day moving average of 367.0mn, volume for the day was 38.6% higher. Mazaya Qatar Real Estate Development and Ezdan Holding Group were the most active stocks, contributing 20.6% and 15.4% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	58.21%	58.84%	(5,228,341.7)
Qatari Institutions	13.37%	14.55%	(9,936,984.9)
Qatari	**71.58%**	**73.39%**	**(15,165,326.6)**
GCC Individuals	0.93%	1.13%	(1,723,450.3)
GCC Institutions	0.55%	0.49%	556,338.9
GCC	**1.48%**	**1.62%**	**(1,167,111.4)**
Arab Individuals	15.58%	17.46%	(15,803,865.5)
Arab Institutions	0.02%	0.02%	(20,490.5)
Arab	**15.60%**	**17.49%**	**(15,824,356.0)**
Foreigners Individuals	3.96%	3.31%	5,487,975.7
Foreigners Institutions	7.38%	4.20%	26,668,818.3
Foreigners	**11.34%**	**7.51%**	**32,156,794.0**

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

Earnings Releases, Global Economic Data and Earnings Calendar

Earnings Releases

Company	Market	Currency	Revenue (mn) 3Q2020	% Change YoY	Operating Profit (mn) 3Q2020	% Change YoY	Net Profit (mn) 3Q2020	% Change YoY
Advanced Petrochemicals Co.	Saudi Arabia	SR	545.0	-15.8%	140.0	-30.7%	156.0	-26.8%

Source: Company data, DFM, ADX, MSM, TASI, BHB.

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
10/06	UK	Markit	Markit/CIPS UK Construction PMI	Sep	56.8	54.0	54.6
10/06	Germany	Markit	Markit Germany Construction PMI	Sep	45.5	–	48.0
10/06	India	Markit	Markit India PMI Composite	Sep	54.6	–	46.0
10/06	India	Markit	Markit India PMI Services	Sep	49.8	–	41.8

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 3Q2020 results	No. of days remaining	Status
QNBK	QNB Group	11-Oct-20	4	Due
MARK	Masraf Al Rayan	11-Oct-20	4	Due
QIBK	Qatar Islamic Bank	14-Oct-20	7	Due
ERES	Ezdan Holding Group	14-Oct-20	7	Due
IHGS	INMA Holding Group	18-Oct-20	11	Due
QGTS	Qatar Gas Transport Company Limited (Nakilat)	19-Oct-20	12	Due
QEWS	Qatar Electricity & Water Company	19-Oct-20	12	Due
QIGD	Qatari Investors Group	19-Oct-20	12	Due
MCGS	Medicare Group	20-Oct-20	13	Due
QNNS	Qatar Navigation (Milaha)	21-Oct-20	14	Due
ABQK	Ahli Bank	21-Oct-20	14	Due
QGMD	Qatari German Company for Medical Devices	22-Oct-20	15	Due
QCFS	Qatar Cinema & Film Distribution Company	25-Oct-20	18	Due
QIIK	Qatar International Islamic Bank	26-Oct-20	19	Due
DBIS	Dlala Brokerage & Investment Holding Company	26-Oct-20	19	Due
BLDN	Baladna	26-Oct-20	19	Due
QISI	Qatar Islamic Insurance Group	27-Oct-20	20	Due
DHBK	Doha Bank	27-Oct-20	20	Due

Tickers	Company Name	Date of reporting 3Q2020 results	No. of days remaining	Status
DOHI	Doha Insurance Group	28-Oct-20	21	Due
QFBQ	Qatar First Bank	28-Oct-20	21	Due
MERS	Al Meera Consumer Goods Company	28-Oct-20	21	Due
ORDS	Ooredoo	28-Oct-20	21	Due
UDCD	United Development Company	28-Oct-20	21	Due
ZHCD	Zad Holding Company	29-Oct-20	22	Due
AKHI	Al Khaleej Takaful Insurance Company	29-Oct-20	22	Due
AHCS	Aamal Company	29-Oct-20	22	Due

Source: QSE

News

Qatar

- **QNNS to disclose 3Q2020 financial statements on October 21 –** Qatar Navigation (QNNS) intends to disclose the 3Q2020 financial statements for the period ending September 30, 2020, on October 21, 2020. (QSE)
- **QCFS to disclose 3Q2020 financial statements on October 25 –** Qatar Cinema & Film Distribution Company (QCFS) intends to disclose the 3Q2020 financial statements for the period ending September 30, 2020, on October 25, 2020. (QSE)
- **ZHCD to disclose 3Q2020 financial statements on October 29 –** Zad Holding Company (ZHCD) intends to disclose the 3Q2020 financial statements for the period ending September 30, 2020, on October 29, 2020. (QSE)
- **QCB issues QR600mn treasury bills for October 2020 –** Qatar Central Bank (QCB) issued on October 06, 2020 treasury bills for three, six and nine months, worth QR600mn. The treasury bills are distributed as follows; QR300mn for three months at an interest rate of 0.11%, QR200mn for six months at an interest rate of 0.16% and QR100mn for nine months at an interest rate of 0.21%. The issuance of the treasury bills comes as part of the Qatar Central Bank's monetary policy initiatives and its efforts to strengthen the financial system, as well as to activate the tools available for the open market operations. (QCB, Bloomberg)
- **QSE participates in World Investor Week with 'bell ringing' ceremony –** The Qatar Stock Exchange (QSE) on Tuesday hosted a bell ringing ceremony as part of its participation in the World Investor Week, initiated by IOSCO (International Organization of Securities Commissions) and the World Federation of Exchanges. Chief Executive of QSE, Rashid bin Ali Al-Mansoori highlighted the bourse's ongoing efforts to enhance financial literacy among all society segments, a move that forms an important pillar of its strategy to contribute to the sustainability goals as well as the human and economic pillars of Qatar National Vision 2030 with an aim to build a vibrant knowledge based economy. As a result, its strategic plan includes several financial literacy objectives focused on spreading awareness among researchers, issuers, brokers and investors of all age groups. Since 2013, the QSE has provided financial educational training to more than 10,000 students belonging to various educational institutions, universities, schools and military colleges. (QSE, Gulf-Times.com)
- **QFCA: QNB Group's green bond venture endorses Qatar ESG commitment –** QNB Group's venture into green bond, the first of its kind in the country's banking landscape, endorses Doha's commitment to ESG (environment social governance) principles and sustainable investments even during this difficult time, according to the Qatar Financial Center Authority's (QFCA) CEO, Yousuf Mohamed Al-Jaida. "The notion of sustainable development has gained momentum in our society," CEO said in specific reference to QNB Group's recent $600mn tranche in the form of senior unsecured notes, which was issued with a maturity of five years and listed on the London Stock Exchange under sustainable bond market segment. The ESG-focused investment vehicle such as a green bond could place Qatar ahead of the curve, he said at a webinar "Qatar Spotlight: Accessing the Debt Capital Markets and ESG Outlook", organized by HSBC. Not only it (QNB Group's green bond) represents the second commercial bank in the Gulf region to venture into green market but also it endorses Qatar's commitment to ESG principles and sustainable investments. The proceeds from this green bond issuance will be used to finance and/or refinance assets in verified eligible green projects. QNB Group's current domestic green portfolio comprises green buildings, energy efficiency projects and sustainable water and wastewater management. In its Capital Market Report 2020, the QFC had said sustainable or ESG investment is burgeoning, with a market valued at $30.7tn in 2018 and expected to surge in years ahead. The mandatory ESG reporting requirement for the listed companies in Qatar serves as a steppingstone towards this objective, it had said. (Gulf-Times.com)
- **Qatar allows foreigners to own property in more areas –** Qatar will allow foreigners to own real estate in more areas in the country, liberalizing rules to attract funds in the sector as part of moves to diversify the economy. Non-Qatari individuals could own properties in nine areas, up from three before, while the number of areas where foreigners may use real estate subject to usufruct has also been increased to 16, bringing the total number of areas designated for ownership and usufruct by non-Qataris to 25, a government statement said. "Such decision would contribute to the advancement of the Qatari real estate market, the acceleration of the economic development, and the stimulation of the real estate sector," the Ministry of Justice statement said. The Qatar government will also grant residency to owners of property worth at least QR730,000 as well as their families, it said. The move is in accordance with a decision issued by the Council of Ministers, within the framework of completing measures taken by Qatar to provide a legislative and legal environment conducive to investment. (Gulf-Times.com)

- **IPA Qatar: Now is the time to invest in country's real estate market –** The Investment Promotion Agency Qatar (IPA Qatar) has announced that "now is the time" to invest in Qatar's real estate market, following the Council of Ministers' Decision No (28) of 2020 on the conditions, controls, benefits, and procedures for ownership and use of real estate in the country. The decision brings up the number of areas where international investors, companies, and funds can pursue ownership and use of real estate to 25. Furthermore, it introduces the ownership of detached units in residential compounds and shopping malls throughout the country, along with enhanced residency benefits. The decision is set to open up prospects for promising and high-return investment opportunities that benefit local and foreign investors, while advancing Qatar's real estate market and contributing to the realization of its national vision for 2030 and beyond. According to IPA Qatar's CEO, Sheikh Ali Alwaleed Al-Thani, the country is about to witness a paradigm shift in the development of its real estate sector. (Gulf-Times.com)
- **Arab Opinion Index: Qatar's economic, political situations stable and strong –** It is a near consensus view among Qatari respondents that the economic and the political situations in the country is strong and stable. According to the 2019-2020 Arab Opinion Index, 93% of respondents from Qatar believe the economic situation in the country is either very good or good. While 66% of the Qatari respondents believe the economic situation in the country is 'very good', 27% respondents are of the view that it is 'good'. According to the index, 97% of the respondents from Qatar believe that the political situation in the country is either 'very good' or 'good'. The 2019-2020 Arab Opinion Index is the seventh in a series of yearly public opinion surveys across the Arab world, based on the findings of face-to-face interviews conducted with 28,288 individual respondents in 13 Arab countries like Saudi Arabia, Kuwait, Qatar, Iraq, Jordan, Palestine, Lebanon, Egypt, Sudan, Tunisia, Morocco, Algeria and Mauritania. A survey on 'How do Arab citizens assess the political and security situations in their countries' revealed that 69% of the respondents believe that the level of security in their country is good, compared to 30% who rated it negatively. The assessment of the level of safety in the respondents' countries, according to the results of the 2019-2020 poll is less than what was recorded in the 2018-2017 poll by five points, and higher than what was recorded in the 2015, 2014 and 2012-2013 polls. The majority of respondents in Arab countries, with the exception of the Gulf countries, evaluated the economic situation in their countries negatively, especially in the countries of the Arab Mashreq. (Qatar Tribune)

International

- **WHO: COVID-19 vaccine may be ready by year-end –** A vaccine against COVID-19 may be ready by year-end, the head of the World Health Organization (WHO) said without elaborating. WHO Director-General Tedros Adhanom Ghebreyesus, addressing the end of a two-day meeting of its Executive Board on the pandemic, said: "We will need vaccines and there is hope that by the end of this year we may have a vaccine. There is hope." Nine experimental vaccines are in the pipeline of the WHO-led COVAX global vaccine facility that aims to distribute 2bn doses by the end of 2021. (Reuters)
- **IMF Chief: World economy faces long, hard climb out of pandemic –** The global economy is in "less dire" shape than it was in June but risks crashing again if governments end fiscal and monetary support too soon, fail to control the coronavirus and ignore emerging market debt problems, International Monetary Fund Managing Director Kristalina Georgieva said on Tuesday. Georgieva told an online London School of Economics event that the IMF will make a small upward revision to its global economic output forecasts next week, adding: "My key message is this: The global economy is coming back from the depths of this crisis." "But this calamity is far from over. All countries are now facing what I would call 'the long ascent' - a difficult climb that will be long, uneven, and uncertain. And prone to setbacks," she added in a speech billed as her "curtainraiser" for next week's IMF and World Bank annual meetings. The Fund in June forecast that coronavirus-related shutdowns would shrink global gross domestic product by 4.9%, marking the sharpest contraction since the Great Depression of the 1930s, and called for more policy support from governments and central banks. The IMF will publish its revised forecasts next week as member countries participate in the meetings, which will be held largely in an online format. Georgieva said the IMF was continuing to project a "partial and uneven" recovery in 2021. In June, it forecast 2021 global growth of 5.4%. (Reuters)
- **Global central bankers say fiscal aid crucial in new phase of pandemic battle –** Top US and European central bankers on Tuesday called for renewed government spending to support families and businesses as the battle against the coronavirus-triggered recession enters a newly critical phase. Hopes for new fiscal support in the US, however, were dealt a serious blow when President Donald Trump abruptly canceled ongoing negotiations with Democrats in the US House of Representatives. The growth in new COVID-19 cases is again accelerating in parts of the US and Europe, raising the prospect of new restrictions on commerce even as whole industries and millions of households are still reeling from those imposed in the spring during the first viral wave, and local governments struggle to make up for lost tax revenue. Those health risks and the possibility of a long "slog" of slow economic growth and elevated joblessness means a "recessionary dynamic" could still take hold in which weak growth feeds on itself through successive rounds of layoffs and business failures, Federal Reserve Chair Jerome Powell told a business conference. Early action last spring by the US central bank and the passage by Congress of legislation providing trillions of dollars in direct aid to companies and families has prevented the worst outcomes "so far," Powell said. (Reuters)
- **US stocks take a dive after Trump halts stimulus talks –** Wall Street took a nosedive late in the session on Tuesday, reversing solid gains to close deep in negative territory after President Donald Trump announced he was calling off talks on coronavirus relief legislation until after the November 3 election. "The markets finally ran out of hope Speaker (Nancy) Pelosi and (Treasury) Secretary (Steven) Mnuchin would pull a rabbit out of a hat," said Chris Zaccarelli, Chief investment officer at Independent Advisor Alliance in Charlotte, North Carolina. Trump's announcement in a tweet came on the heels of US Federal Reserve Chair Jerome Powell's warning of dire economic repercussions if Congress failed to pass additional fiscal

stimulus. "Powell called for Congress to act quickly and Trump effectively pulled the rug out from under that," said Oliver Pursche, president of Bronson Meadows Capital Management in Fairfield, Connecticut. "It's troubling, given the statements Chairman Powell made earlier today." In remarks delivered online to the National Association for Business Economics, Powell warned the US economy could slip into a downward spiral if the coronavirus is not contained and Congress fails to deliver additional fiscal support to businesses and households. US Treasury yields dropped from four-month peaks after Trump's announcement. (Reuters)

- **US trade deficit jumps to largest in 14 years in August –** The US trade deficit surged in August to the largest in 14 years with imports climbing again, suggesting that trade could be a drag on economic growth in the third quarter. The Commerce Department said on Tuesday the trade deficit jumped 5.9% to $67.1bn, the widest since August 2006. Economists polled by Reuters had forecast the trade gap widening to $66.1bn in August. Imports increased by 3.2% to $239bn. Goods imports rose $6.5bn to $203bn. Exports increased 2.2% to $171.9bn. Goods exports rose $3.5bn to $119.1bn. The closely watched trade deficit with China decreased $1.9bn to $26.4bn in August. A smaller trade bill contributed to gross domestic product over the last three quarters. The coronarivus crisis severely disrupted trade flows, which are now picking up. (Reuters)
- **S&P Global sees US, European corporate default rates doubling –** The COVID-19 shock will double company default rates across the US and Europe over the next 9 months, ratings agency S&P Global said on Tuesday, although it noted that the record downgrade pace of recent months was now slowing. S&P predicted US corporate default rates would rise to 12.5% from 6.2% and saw Europe's rate going to 8.5% from 3.8%. This year's crisis has already seen more than 2,000 companies' or countries' ratings or 'outlook' scores cut and nearly $400bn worth of debt drop into 'junk' territory, but in the months ahead focus will shift to defaults and survival. Alexandra Dimitrijevic, S&P's Global Head of Research, said that with the number of firms on downgrade warnings at record levels – 37% of the companies S&P rates and 30% of the banks and credit quality dropping, default rates are set to jump. "One third of speculative-grade companies are rated B- or below in Europe, which is up 10 percentage points compared to before the (COVID) crisis. So that is why we expect the default rate to effectively double". The firm's base case is that a coronavirus vaccine will be widely available by the middle of next year. In a situation where it takes longer and more lockdowns are required, US default rates could be as high as 15%, or 11.5% in Europe. The optimistic scenario is for a 4% US rate and 3% in Europe. The previous records of 12.5% and 12% in the United States were seen during the Asia crisis and after the global financial crisis just over a decade ago. (Reuters)
- **UK's Sunak: Jobs, not tax rises, the priority for now –** Britain will prioritize trying to save jobs over tax rises while the COVID-19 pandemic batters the economy, though record borrowing and a $2.6tn debt pile cannot be sustained forever, Finance Minister Rishi Sunak said on Tuesday. Prime Minister Boris Johnson is grappling with one of the worst economic hits to Britain in three centuries and Sunak has repeatedly warned that relying on such vast borrowing from the bond markets could trigger a financing crunch in the long term. But with companies from airlines to pubs shedding hundreds of thousands of jobs and government spending soaring, Sunak is looking at ways to boost state revenue. "The priority right now is on jobs," Sunak told Sky News when asked about possible tax rises. "My overwhelming focus at the moment is trying to protect and support as many jobs as possible." Asked about tax rises in a flurry of interviews, Sunak repeatedly stressed that jobs were the short-term focus but made it clear that he would have to tackle Britain's debt mountain in the medium term. "Obviously this can't carry on forever. This level of borrowing, which will be record levels, pretty much, this year, is not sustainable in the long run," he told BBC TV. "Once we get through this I think people should rightly expect us to make sure we have a strong set of public finances." Sunak's emergency spending measures, including subsidies to slow a jump in unemployment, will cost about 200bn Pounds this year and have already pushed public debt over 2tn Pounds ($2.60tn), or 100% of GDP. (Reuters)
- **PMI: UK construction shows surprise acceleration in September –** Britain's construction industry unexpectedly picked up speed in September, helped by a post-lockdown bounce in the housing market, a survey showed on Tuesday. The IHS Markit/CIPS UK Construction Purchasing Managers' Index accelerated to 56.8 from 54.6 in August, above all forecasts in a Reuters poll of economists which had pointed to a slight slowing. "Following August's slowdown, growth in UK construction activity rebounded strongly in September," Eliot Kerr, an economist at IHS Markit, said. "Forward-looking indicators point to a sustained rise in activity, with new work increasing at the quickest pace since before the lockdown and sentiment towards the 12-month outlook at its strongest for seven months." Construction firms continued to cut jobs, although at a significantly slower rate than in August. Increases in activity in home-building - which reported the fourth sharp monthly increase in a row - and in commercial construction more than offset a fall in civil engineering work. Britain's housing market has boomed since coronavirus restrictions were lifted in May, driven by a tax cut, pent-up demand from earlier in the year and demand for more spacious homes after the lockdown. Some industry officials have warned that the housing market recovery is likely to run out of steam with unemployment likely to rise as the government pares back its job support programs. The all-sector PMI - a combination of the construction, services and manufacturing surveys - fell back to 56.6 from August's six-year high of 58.7, reflecting slower growth in Britain's dominant services industry. (Reuters)
- **Morgan Stanley: Negative BoE interest rate unlikely even in hard Brexit –** Investment bank Morgan Stanley said on Tuesday it saw a "high barrier" to the Bank of England cutting interest rates below zero, even if Britain ends its Brexit transition period in December with no EU trade deal. Noting recent comments by BoE chief economist Andy Haldane and Deputy Governor Dave Ramsden, the US bank told clients, "With two heavyweight insider Monetary Policy Committee members coming out publicly in opposition, at least at the moment, we see a high barrier to negative policy rates." It said a bad Brexit outcome, such as World Trade Organization terms instead of a free trade deal, could force the BoE to cut bank funding rates (TFS) to sub-

zero, rather than the main policy rate. “We now think that outright cuts in Bank Rate to below zero in a WTO-style Brexit outcome look less plausible. Instead, adjusting TFS and providing term funding at negative rates, while leaving Bank Rate at 0%, looks like the more plausible option,” Morgan Stanley added. (Reuters)

- **ECB: Eurozone bank profitability collapses in second quarter –** Profitability among the Eurozone’s biggest banks collapsed in the second quarter even as lenders still managed to keep their stock of non-performing loans down, the European Central Bank (ECB) said on Tuesday. Return on equity in the first half of the year, the height of the coronavirus pandemic was 0.01%, well down from 6.01% a year earlier, with at least seven of the 19 Eurozone countries showing negative returns, the ECB said in quarterly statistics. The stock on non-performing loans meanwhile was 503bn Euros, not far from the 501bn three months earlier, most likely as loan moratoriums and state guarantees helped banks keep loans classified as performing. (Reuters)
- **Lagarde: New pandemic wave could delay Eurozone rebound –** A second wave of the coronavirus pandemic risks delaying the Eurozone’s economic recovery, European Central Bank President Christine Lagarde said on Tuesday. “We now fear that the containment measures that have to be taken by authorities will have an impact on this recovery, so instead of that V shape that we all long for and hope for, we fear that it might have that second arm of the V a little bit more shaky,” she told the Wall Street Journal CEO Council in a pre-recorded conversation. (Reuters)
- **EU exploring using bond auctions for pandemic-linked debt sales –** The European Commission is exploring using auctions to sell bonds as it prepares to ramp up debt issuance to finance the European Union’s post-pandemic recovery programs, the EU Commissioner for Budget and Administration said on Tuesday. Details on the tools the EU, currently a small borrower with a modest debt pile of just over 50bn Euros, will use to take on huge additional liabilities have been eagerly awaited. “The Commission’s immediate focus is the issuance of the SURE bonds, due later this month,” commissioner Johannes Hahn said, referring to the EU’s unemployment scheme which will be backed by around 100bn Euros of debt. A first bond sale to fund the scheme is expected in the second half of October. “Beyond that, the Commission is exploring all options for a scaled-up issuance volume, including using auctions for its issuances,” Hahn told Reuters in emailed comments. (Reuters)
- **German industrial orders rose at a 'remarkable pace' in August –** Orders for German-made goods rose 4.5% in August, more than expected, boosting hopes for a robust third-quarter in Europe’s largest economy after the coronavirus shock. The increases were driven by demand from the Eurozone, the Federal Statistics Office said on Tuesday, suggesting companies are making good progress back to pre-crisis levels. A Reuters forecast had predicted a 2.6% gain on the previous month. “The catch-up process for new industry orders is continuing at a remarkable pace,” the economy ministry said in a statement. Order intake was now only 3.6% lower than in February, before lockdown measures were imposed to slow the spread of the coronavirus, the office said. Economists applauded the strong data, but cautioned that rising infection rates across Europe were increasing the risk of setbacks. “It is difficult to imagine how German manufacturing could escape another round of lockdown measures with important trading partners,” said ING Bank economist Carsten Brzeski. “Nevertheless, today’s industrial order data suggest that full order books - at least in the near future - could help the manufacturing sector to overtake the service sector.” Official figures released last week showed German retail sales rose much more than expected in August and unemployment fell further in September, boosting hopes that household spending would power a recovery. Figures from the statistics office showed that orders from abroad increased by 6.5%, boosted by a 14.6% surge in orders from the rest of the Eurozone. Domestic orders rose by 1.7% on the month. The German economy contracted by 9.7% in the second quarter as household spending, company investments and trade collapsed at the height of the pandemic. (Reuters)
- **Spain's economy set for worse 2020 than feared, but to rebound next year –** Spain’s government forecast on Tuesday a worse-than-feared contraction of the coronavirus-battered economy this year, but a strong rebound in 2021 with a possible return to pre-pandemic levels in 2022. Economy Minister Nadia Calvino told a news conference that the government now foresees GDP to fall 11.2% in 2020 - down from a previous prediction in May for a 9.2% slump and a far cry from last year’s growth of 2%. Spain is experiencing a second wave of COVID-19 infections, with the highest caseload in Western Europe. With the economy suffering its deepest recession since the civil war, and the worst in the Eurozone, the central bank warned politicians to stop bickering and focus on solutions to the crisis or risk worsening the outlook. For 2021, Calvino forecast GDP growth of 7.2%, from a previous estimate of 6.8%. But growth could go to as much as 9.8% next year thanks to the European Union recovery fund, according to a slide presentation next to the minister. Calvino said Spain was banking on a COVID-19 vaccine being available in coming months. (Reuters)
- **INSEE : French rebound will taper off in Q4 after COVID-19 resurgence –** France’s post-lockdown economic rebound is likely to peter out in the fourth quarter as a resurgence of new coronavirus infections weighs on business activity, the statistics agency INSEE said on Tuesday, lowering its outlook. Growth in the Eurozone’s second-biggest economy was expected to be flat in the final three months of the year from the previous quarter, down from a forecast for 1% last month, INSEE said in its quarterly outlook. Despite the lower forecast, it said it still expected the economy to contract 9% in 2020 as a whole with activity rebounding 16% in the third quarter, down from a forecast of 17% last month. In both the third and fourth quarters, economic activity in the country should run at 95% of pre-epidemic levels, INSEE said. France recorded a 13.8% drop in gross domestic product in the second quarter after the government ordered one of Europe’s strictest lockdown to curb the COVID-19 pandemic. “After the sharp rebound linked to the end of lockdown, the economic activity could mark time at the end of the year due to the resurgence of the epidemic”, INSEE said. (Reuters)
- **Japan eyes stress test on major banks to gauge impact of COVID-19 on capital –** Japan plan to conduct stress tests on its five major

financial institutions this year that look into how the coronavirus pandemic could affect their earnings and capital, the central bank said on Tuesday. Unlike many Western nations, where regulators stress tests many banks simultaneously based on standardized risk scenarios, Japan had relied on stress tests conducted individually by each bank. As prolonged ultra-low interest rates prod major banks to diversify operations in search of yields, however, Japanese authorities decided to align their approach to that of their overseas counterparts, the Bank of Japan (BOJ) said in a report. For the first time, the BOJ and banking regulator Financial Services Agency (FSA) conducted joint stress tests on five major financial institutions in December, it said. The regulators presented its findings to the five institutions - Japan's three megabanks plus Norinchukin Bank and Sumitomo Mitsui Trust Holdings - with feedback in July. The BOJ and FSA will conduct such stress tests regularly, with the one this year likely to scrutinize how resilient the financial institutions are to risks posed by COVID-19, the report said. "The biggest challenge would be on how to set the baseline and 'tail event' scenarios that take into account the impact from the coronavirus pandemic," the report said. The findings of the stress tests will not be published and used mostly as a basis for communication between the regulators and financial institutions, it said. (Reuters)

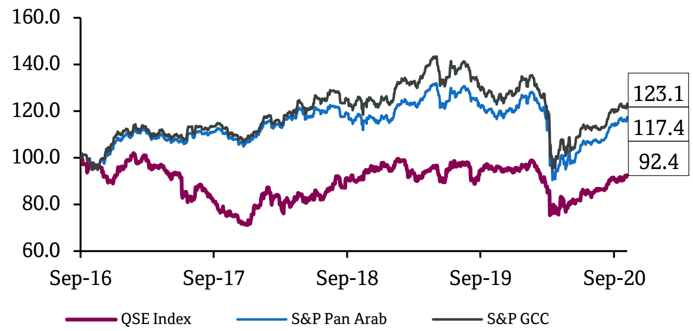
- **BOJ's Kuroda calls for more digitalization, reform in Asia –** Asia must accelerate digitalization and business reform to tackle challenges to achieve sustainable growth, Bank of Japan Governor Haruhiko Kuroda said on Wednesday, highlighting vulnerabilities in supply chains and social infrastructure. Kuroda said Asia's economic conditions remain severe as a full-fledged recovery in global growth following the COVID-19 pandemic appears to be "much further down the road". But the downturn in Asia's economy has been moderate compared with other regions due partly to solid global demand for IT-related goods produced in the region, he said. "From a longer-term perspective, Asia must address its challenges in order to achieve sustainable economic growth" such as its low service-sector productivity and ageing populations, Kuroda said. Digitalization is among key factors in this, he added. "Japan is one of the most rapidly ageing societies and we have been discussing how to tackle the problems arising from an ageing society," Kuroda said. "I'm not so pessimistic about the impact of population ageing on the society... Encouraging digitalization will be a driving force for raising growth potential," he told a virtual meeting of the US National Association for Business Economics. (Reuters)
- **India's services sector slump eased in September, but job losses balloon –** The plunge in India's services sector activity eased considerably in September after the government lifted some coronavirus restrictions, but demand continued to contract, prompting firms to cut more jobs, a private business survey showed on Tuesday. Signs of stabilization in services are likely to provide more comfort to policymakers after a sister survey on Thursday showed India's manufacturing expanded at its fastest pace in over eight years, suggesting business conditions were gradually returning to normal in Asia's third-largest economy. The Nikkei/IHS Markit Services Purchasing Managers' Index bounced to 49.8 in September from August's 41.8, a touch below the 50 mark that separates expansion from contraction on a monthly basis. But September was the seventh straight month that activity had contracted, the longest such stretch since a 10-month run to early 2014. "The relaxation of lockdown rules in India helped the service sector move towards a recovery in September. Participants of the PMI survey signaled broadly stable business activity and a much softer decline in new work intakes," Pollyanna De Lima, Economics Associate Director at IHS Markit, said in a release. (Reuters)

Regional

- **Moody's: GCC banks eye consolidation amid low oil –** Banks in the GCC region will increase mergers and acquisitions because of the coronavirus crisis and prolonged low oil prices, Moody's Investor Service said in a new report. "The banks now face larger cost adjustments as low oil prices and the coronavirus fallout constrain growth opportunities and severely dent their profitability," Analyst at Moody's, Badis Shubailat said. "This is prompting a new wave of mergers as banks seek ways to combat revenue pressure." Key points include Bank consolidation in the GCC region has so far largely involved shareholders (typically the government and related entities) consolidating their positions in different banks amid weakening operating conditions. Pressures building from the oil price and pandemic shocks will increasingly drive purely financially driven transactions, particularly among smaller banks crowded out by larger competitors. Operating efficiency will be key to maintaining profitability. The twin challenges of the pandemic and protracted low oil prices will hit banks' profitability through slower credit growth, slimmer net interest margins and higher provisioning for bad loans. The revenue shock will shift management attention to cost discipline and consolidation opportunities. Mergers and acquisitions will remain a recurring credit theme over coming years. (Zawya)
- **Saudi Arabia records 7% economic contraction in 2Q2020 –** Saudi Arabia's economy contracted by 7% YoY in the second quarter (Q2) of 2020, with both oil and non-oil components down at -4.5% YoY and -8.6% YoY, respectively, a report said. Based on an real GDP growth assumption of -3.8% in 2020 and +3.2% in 2021–signaling a shallower recession but a modest recovery–the fiscal deficit is targeted to decline from an expected $79.5bn (12.0% of GDP) this year to $38.7bn (5.1% of GDP) in 2021, the Mitsubishi UFJ Financial Group (MUFG), a Japanese bank holding and financial services company, said in its latest MENA Economic Weekly report. Saudi Arabia's pre-budget 2021 released by the Ministry of Finance (MoF) on September 30 has struck a pragmatic balance between two competing objectives –fiscal prudence in accordance to its medium-term balanced budget by its terminal date of 2023 on the one hand, and enhancing real GDP growth on the other hand. (Zawya)
- **Saudi Arabia raises November crude official prices to Asia –** Saudi Arabia's state oil producer Aramco raised its November official selling price (OSP) for its Arab Light crude to Asia by $0.10 a barrel, setting it at a minus $0.40 per barrel versus Oman/Dubai average, the company said. Aramco was expected to keep its November OSPs little changed for Asian buyers in line with Middle East benchmarks, according to a Reuters survey. The company set the Arab Light OSP to Northwestern Europe at a discount of $2.00 a barrel over ICE Brent and to the United States at plus $1.05 per barrel over ASCI (Argus Sour Crude Index), both unchanged from October. (Reuters)

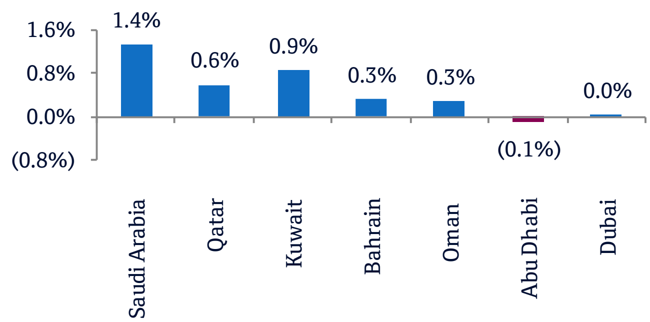
- **Emirates Islamic lists $500mn Sukuk on Nasdaq Dubai –** Emirates Islamic listed $500mn Sukuk on Nasdaq Dubai. The Bank achieved a profit rate of 1.827%, the lowest for a Sukuk issued by a UAE bank for 10 years, with subscription of 2.4 times. The issuance was rated A+ by Fitch Ratings and was placed 41% in the Middle East and North Africa, 28% in Asia, 17% to US offshore investors and 14% in Europe. Al Qassim said, "The very favorable reception from our Sukuk investors around the world reflects their strong confidence in Emirates Islamic's sound business fundamentals, active growth strategy and ability to thrive in times of market volatility. Listing our Sukuk on Nasdaq Dubai, as the region's international financial exchange, supports our links to investors globally and provides excellent visibility with a trusted regulatory structure." (Zawya)
- **Abu Dhabi Investment Authority to invest over $751.13mn in Reliance Retail –** Abu Dhabi Investment Authority (ADIA) will invest $751.13mn in Reliance Industries' retail arm, giving the unit a pre-money equity value of INR4.29tn, the Indian conglomerate said on Tuesday. ADIA's investment will translate into a 1.20% equity stake in Reliance Retail on a fully diluted basis. (Reuters)
- **Abu Dhabi Investment Office, Israel Export Institute to foster bilateral trade –** The Abu Dhabi Investment Office and Israel Export Institute have signed an agreement to boost trade opportunities, the Abu Dhabi Media office said. The United Arab Emirates agreed a historic deal to normalize relations with Israel in August, and the Gulf state of Bahrain followed suit in September. (Reuters)
- **Abu Dhabi to create food & beverage giant under ADQ –** Abu Dhabi plans to combine two food and beverage companies to create a new national champion in the sector, as part of consolidation efforts in the oil-rich Emirate led by ADQ, a state-owned holding company. Industrial conglomerate Senaat, owned by ADQ, has submitted a non-binding offer to the board of Agthia Group, an Abu Dhabi-listed food company, to transfer the majority of Al Foah Company into Agthia, ADQ said on Tuesday. Al Foah, owned by Senaat, is the world's largest date processing and packaging company. "The proposed transaction would combine two leaders in their complementary food and beverage product categories to create one of the top 10 consumer F&B players in the MENA region," ADQ said. The combined entity would become a "domestic champion" in water, dates, flour, and animal feed, it said. According to the proposal, Senaat would transfer the entire issued share capital of Al Foah to Agthia in exchange of a convertible instrument issued by Agthia to Senaat and convertible into 120mn ordinary shares of Agthia after the transaction is closed. The price at which the convertible instrument will convert would be 3.75 dirhams per share, implying an equity value of AED450mn for Al Foah, ADQ said. After the transaction, Senaat would own 59.17% of the entire issued share capital of Agthia, up from the 51% it currently owns. (Reuters)
- **Abu Dhabi Commercial Bank exits operations from Jersey –** Abu Dhabi Commercial Bank (ADCB) has ended its operations in Jersey as a part of the bank's strategy to focus on the local market. ADCB has exited its businesses from Jersey on September 30, 2020, a decision that will not have an impact on the bank's profitability, according to the bank's disclosure to the Abu Dhabi Securities Exchange (ADX). The active banking accounts of ADCB's Jersey customers were transferred to the bank's UAE platform on October 1, 2020. Meanwhile, the bank is seeking to voluntarily cancel its license from the Jersey Financial Services Commission (JFSC). (Zawya)
- **CBK forms Higher Committee of Shariah Supervision –** The Central Bank of Kuwait (CBK) has approved the establishment of a Higher Committee of Shari'ah Supervision to underpin the governance of Shariah supervision and compliance in Islamic finance and banking institutions based on international best practices. The committee will play a key role in making suggestions and proposals to CBK based on Shariah compliance of its financial transactions with Islamic banks and financial institutions, a statement from the CBK said. It will also propose general guidelines for products and services they offer. "It shall also propose controls to regulate the business of Shari'ah supervision bodies, conduct internal and external audits and govern the activities related to fatwa and Shari'ah supervision at Islamic banks and finance institutions," the statement said. The committee's members have been appointed for a renewable three-year term. Essa Shaqra is the Chairman of the committee. The committee will also approve candidates for memberships on Shari'ah boards at Islamic banks and finance institutions. (Zawya)
- **Oman offers LNG cargo for November loading –** Oman LNG is offering a cargo for November loading in bilateral discussions, according to traders with knowledge of the matter. (Bloomberg)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,878.18	(1.8)	(1.1)	23.8
Silver/Ounce	23.07	(5.4)	(2.8)	29.2
Crude Oil (Brent)/Barrel (FM Future)	42.65	3.3	8.6	(35.4)
Crude Oil (WTI)/Barrel (FM Future)	40.67	3.7	9.8	(33.4)
Natural Gas (Henry Hub)/MMBtu	1.86	(2.1)	32.9	(11.0)
LPG Propane (Arab Gulf)/Ton	51.50	1.0	5.9	24.8
LPG Butane (Arab Gulf)/Ton	59.25	1.7	7.7	(9.5)
Euro	1.17	(0.4)	0.2	4.6
Yen	105.63	(0.1)	0.3	(2.7)
GBP	1.29	(0.8)	(0.4)	(2.8)
CHF	1.09	(0.3)	0.3	5.4
AUD	0.71	(1.1)	(0.8)	1.2
USD Index	93.69	0.2	(0.2)	(2.8)
RUB	78.44	0.4	0.3	26.5
BRL	0.18	(0.2)	1.6	(28.1)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,382.57	(0.9)	0.9	1.0
DJ Industrial	27,772.76	(1.3)	0.3	(2.7)
S&P 500	3,360.95	(1.4)	0.4	4.0
NASDAQ 100	11,154.60	(1.6)	0.7	24.3
STOXX 600	365.88	0.0	1.4	(7.7)
DAX	12,906.02	0.6	2.3	2.4
FTSE 100	5,949.94	(0.1)	1.0	(22.9)
CAC 40	4,895.46	0.4	2.0	(14.1)
Nikkei	23,433.73	0.7	1.5	2.1
MSCI EM	1,102.47	1.0	1.9	(1.1)
SHANGHAI SE Composite[#]	3,218.05	0.0	0.0	8.2
HANG SENG	23,980.65	0.9	2.2	(14.5)
BSE SENSEX	39,574.57	1.1	2.0	(7.0)
Bovespa	95,615.00	0.3	3.9	(40.1)
RTS	1,168.56	0.9	1.8	(24.6)

Source: Bloomberg (*$ adjusted returns. [#]Market was closed on October 6, 2020)

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