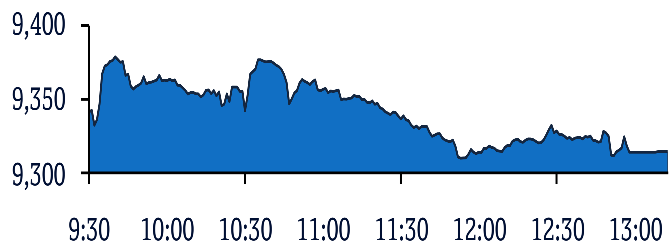
Daily Market Report

Tuesday, 09 June 2020

QSE Intra-Day Movement



Qatar Commentary

The QE Index declined 0.4% to close at 9,316.2. Losses were led by the Banks & Financial Services and Industrials indices, falling 0.6% and 0.3%, respectively. Top losers were Qatari German Co. for Medical Devices and Alijarah Holding, falling 2.9% and 2.3%, respectively. Among the top gainers, Dlala Brokerage & Investment Holding Company gained 10.0%, while Gulf International Services was up 7.5%.

GCC Commentary

Saudi Arabia: The TASI Index gained 0.4% to close at 7,300.5. Gains were led by the Pharma, Biotech and Consumer Serv. indices, rising 2.7% and 2.2%, respectively. Filing & Packing Materials and Dur Hospitality Co. were up 10.0% each.

Dubai: The DFM Index gained 1.4% to close at 2,164.1. The Real Estate index rose 4.7%, while the Consumer Staples and Discretionary index gained 2.7%. Gulf Navigation Holding rose 14.9%, while Union Properties was up 13.1%.

Abu Dhabi: The ADX General Index fell 0.8% to close at 4,369.1. The Banks index declined 2.1%, while the Industrial index fell 1.2%. Abu Dhabi National Energy Company declined 5.0%, while Arkan Building Materials Company was down 4.9%.

Kuwait: The Kuwait All Share Index gained 0.9% to close at 5,110.4. The Consumer Services index rose 3.2%, while the Basic Materials index gained 2.4%. Alimtiaz Investment Group rose 12.2%, while Metal & Recycling Company was up 8.9%.

Oman: The MSM 30 Index fell marginally to close at 3,537.5. The Industrial index declined 0.1%, while the Services index fell marginally. Taageer Finance declined 3.1%, while Ooredoo was down 1.5%.

Bahrain: The BHB Index gained 0.6% to close at 1,277.2. The Commercial Banks index rose 0.9%, while the Services index gained 0.4%. Al Salam Bank-Bahrain rose 3.2%, while BBK was up 3.1%.

Market Indicators	08 Jun 20	07 Jun 20	%Chg.
Value Traded (QR mn)	383.9	357.5	7.4
Exch. Market Cap. (QR mn)	529,173.2	531,154.3	(0.4)
Volume (mn)	222.5	224.2	(0.8)
Number of Transactions	10,547	7,196	46.6
Companies Traded	46	46	0.0
Market Breadth	20:21	39:5	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	17,910.11	(0.4)	0.7	(6.6)	14.7
All Share Index	2,889.99	(0.4)	0.8	(6.8)	15.4
Banks	4,007.26	(0.6)	0.2	(5.1)	13.2
Industrials	2,694.93	(0.3)	2.5	(8.1)	21.4
Transportation	2,678.27	0.6	0.9	4.8	13.0
Real Estate	1,428.16	0.3	1.9	(8.7)	14.1
Insurance	2,032.76	0.1	1.2	(25.7)	33.7
Telecoms	886.58	(0.3)	(0.4)	(0.9)	14.9
Consumer	7,488.06	(0.1)	0.5	(13.4)	19.1
Al Rayan Islamic Index	3,740.57	(0.2)	1.3	(5.3)	17.2

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Emaar Properties	Dubai	2.95	6.5	64,093.2	(26.6)
Banque Saudi Fransi	Saudi Arabia	32.25	6.3	645.3	(14.9)
GFH Financial Group	Dubai	0.59	4.1	84,416.8	(30.4)
BBK	Bahrain	0.50	3.1	17.7	(8.4)
Co. for Cooperative Ins.	Saudi Arabia	73.80	3.1	327.0	(3.8)

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
Abu Dhabi Comm. Bank	Abu Dhabi	5.08	(3.2)	5,928.7	(35.9)
First Abu Dhabi Bank	Abu Dhabi	11.74	(2.3)	4,773.3	(22.6)
Mesaieed Petro. Holding	Qatar	2.15	(1.5)	3,863.7	(14.4)
Ooredoo Oman	Oman	0.40	(1.5)	115.5	(22.9)
QNB Group	Qatar	17.93	(1.1)	2,893.3	(12.9)

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%
Dlala Brokerage & Inv. Holding Co.	0.83	10.0	7,155.2	35.0
Gulf International Services	1.68	7.5	8,758.1	(2.1)
Mannai Corporation	3.05	3.6	138.7	(1.1)
Islamic Holding Group	2.87	3.5	5,021.4	50.9
Qatar Islamic Insurance Company	6.49	2.8	6.9	(2.8)

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Ezdan Holding Group	0.88	2.8	58,456.6	43.1
Qatar Gas Transport Company Ltd.	2.50	1.4	16,028.8	4.4
Aamal Company	0.67	1.2	15,827.5	(18.2)
Qatar Aluminium Manufacturing	0.71	(0.3)	13,891.6	(9.3)
Mazaya Qatar Real Estate Dev.	0.70	0.1	13,541.4	(2.6)

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Qatari German Co for Med. Dev.	1.23	(2.9)	10,768.1	110.8
Alijarah Holding	0.73	(2.3)	8,451.8	4.0
Ahli Bank	3.15	(1.6)	0.1	(5.5)
Mesaieed Petrochemical Holding	2.15	(1.5)	3,863.7	(14.4)
Baladna	1.17	(1.3)	2,775.0	17.0

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
QNB Group	17.93	(1.1)	52,347.7	(12.9)
Ezdan Holding Group	0.88	2.8	51,097.4	43.1
Qatar Gas Transport Co. Ltd.	2.50	1.4	40,019.1	4.4
Islamic Holding Group	2.87	3.5	14,156.1	50.9
Gulf International Services	1.68	7.5	14,118.1	(2.1)

Source: Bloomberg (* in QR)

Regional Indices	Close	1D%	WTD%	MTD%	YTD%	Exch. Val. Traded ($ mn)	Exchange Mkt. Cap. ($ mn)	P/E**	P/B**	Dividend Yield
Qatar*	9,316.21	(0.4)	0.7	5.3	(10.6)	104.59	144,252.6	14.7	1.4	4.3
Dubai	2,164.08	1.4	6.1	11.3	(21.7)	194.28	82,292.5	8.5	0.8	4.0
Abu Dhabi	4,369.08	(0.8)	1.5	5.5	(13.9)	76.23	133,701.4	13.6	1.3	5.8
Saudi Arabia	7,300.48	0.4	1.3	1.2	(13.0)	1,487.14	2,186,062.4	22.1	1.8	3.5
Kuwait	5,110.37	0.9	1.7	2.3	(18.7)	137.50	93,706.8	14.8	1.2	3.8
Oman	3,537.48	(0.0)	0.6	(0.2)	(11.1)	4.19	15,380.3	9.2	0.8	6.8
Bahrain	1,277.22	0.6	0.3	0.6	(20.7)	3.81	19,272.9	9.3	0.8	5.5

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

Qatar Market Commentary

- The QE Index declined 0.4% to close at 9,316.2. The Banks & Financial Services and Industrials indices led the losses. The index fell on the back of selling pressure from Qatari and non-Qatari shareholders despite buying support from GCC shareholders.
- Qatari German Company for Medical Devices and Alijarah Holding were the top losers, falling 2.9% and 2.3%, respectively. Among the top gainers, Dlala Brokerage & Investment Holding Company gained 10.0%, while Gulf International Services was up 7.5%.
- Volume of shares traded on Monday fell by 0.8% to 222.5mn from 224.2mn on Sunday. Further, as compared to the 30-day moving average of 227.5mn, volume for the day was 2.2% lower. Ezdan Holding Group and Qatar Gas Transport Company Limited were the most active stocks, contributing 26.3% and 7.2% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	40.77%	41.29%	(1,986,866.22)
Qatari Institutions	21.76%	22.26%	(1,903,516.61)
Qatari	**62.53%**	**63.55%**	**(3,890,382.83)**
GCC Individuals	1.15%	0.82%	1,266,266.44
GCC Institutions	2.55%	0.93%	6,209,633.49
GCC	**3.70%**	**1.75%**	**7,475,899.92**
Non-Qatari Individuals	13.69%	15.50%	(6,943,492.24)
Non-Qatari Institutions	20.08%	19.20%	3,357,975.14
Non-Qatari	**33.77%**	**34.70%**	**(3,585,517.10)**

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

Ratings and Global Economic Data

Ratings Updates

Company	Agency	Market	Type*	Old Rating	New Rating	Rating Change	Outlook	Outlook Change
Qatar Islamic Bank	Moody's	Qatar	LT-DR	A1	A1	–	Stable	–

Source: News reports, Bloomberg (* LT – Long Term, DR – Deposit Rating)

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
06/08	EU	Sentix Behavioral Indices	Sentix Investor Confidence	Jun	-24.8	-22	-41.8
06/08	Germany	Deutsche Bundesbank	Industrial Production SA MoM	Apr	-17.90%	-16.50%	-8.90%
06/08	Germany	Bundesministerium fur Wirtscha	Industrial Production WDA YoY	Apr	-25.30%	-24.80%	-11.30%

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

Qatar

- **Moody's affirms QIBK's rating at 'A1' with a 'Stable' outlook –** Moody's Investors Service (Moody's) has affirmed the long-term deposit rating of Qatar Islamic Bank (QIBK) at 'A1', with a 'Stable' outlook. Moody's cited, "The rating reflects the bank's adequate capital buffers, good profitability and limited market-funding reliance, underpinned by its established and growing retail and corporate Islamic banking franchise." The Moody's report is highlighting QIBK's sound liquidity which mitigates funding pressures as well as a very high probability of government support in case of need due to the bank's importance to the local financial system and its designation as a domestic systematically important Bank by the Qatar Central Bank. As per the report, "QIBK's outlook also takes into account the 'Stable' outlook on the Qatari government's bond rating of 'Aa3'. The bank's concentration of activities in Qatar, around 90% of its total assets as of March 2020, has resulted in a strong macro profile score, which is used to derive its ratings." Furthermore, the report is mentioning, "QIBK has solid asset quality with a ratio of non-performing financing of 1.2% which compares favorably with the 1.9% average for the Qatari banking system (as of December 2019). The bank's asset quality is also supported by exposures to the Qatari government and quasi-government institutions." Moody's expects QIBK's adequate capitalization to remain stable, with the bank meeting future capital requirements arising from its asset growth through a combination of retained earnings and capital issuances. (QSE)
- **QIBK expects growth to continue across all banking segments –** Qatar Islamic bank (QIBK) expects growth to continue across all banking segments as major infrastructure projects continue amid preparations for the 2022 FIFA World Cup, said Chief Executive Officer, Bassel Gamal. "The combined effect of lower oil prices and the impact of the COVID-19 related restrictions would normally have a more profound negative implication on the economy and government spending," he said. "Nevertheless, with commitments for the 2022 FIFA World Cup and related projects being an absolute priority, we expect to see limited impact on government spending in Qatar. This is important, since in the current environment, government spending is fueling the wider economic activity. We also expect the government, if required, to dip into its vast accumulated wealth fund to weather away part of the short-term negative implications," Gamal said. As the economy will restart, following the gradual lifting of Covid-19 related restrictions, a number of initiatives, previously introduced by the government and government bodies, will further support the private sector's growth. "I am referring here to the various programs introduced in the past few years to support the development of the private sector, to increase the role of small and medium-sized enterprises in the economy, and to increase the areas in which Qatar is becoming self-sufficient," Gamal said. An emerging area that the private sector might require further financial and technical support is with the digitalization of smaller businesses' products and services, he noted. (Gulf-Times.com)
- **QIBK CEO: Banks 'key enablers' to successful restart of local economy –** Banks in Qatar are acting as key enablers for the successful restart of the local economy, supported by the governments' stimulus program and QCB's initiatives, according to QIBK's Chief Executive Officer, Bassel Gamal. "The immediate task is to support businesses and individuals in this time of financial uncertainty. In future, it will be essential to ensure that companies and individuals will continue to have access to credit," Gamal said in an interview with Gulf Times on Monday. The QR75bn economic stimulus package announced by the Government to support the companies operating in Qatar as well as to provide additional liquidity to banks, is having a significant positive impact in these difficult times, he said. The stimulus package is worth approximately 10% of the country's GDP. The necessary preventative measures put in place to protect the public health and stop the spread of the virus are naturally having a negative impact on businesses, making it difficult for some of them to meet critical short-term payments and commitments. Smaller enterprises and companies operating in the retail sector, travel, hospitality, tourism, trade and sports are the ones that are affected the most and thus in need of immediate support to overcome those temporary challenges. (Gulf-Times.com)
- **QIBK CEO: SMEs key to Qatar's economic diversification** – Small and medium enterprises (SMEs) contribute significantly in areas such as innovation, efficiency, job creation and international competitiveness, all of which are key to Qatar's economic diversification, points out Qatar Islamic Bank (QIBK) Chief Executive Officer Bassel Gamal. Citing figures provided by the QDB, he said more than 96% of the private sector businesses registered in Qatar are classified as SMEs. A number of government initiatives are providing increasing opportunities to both local and international smaller businesses to be part of state-backed projects, especially in strategic sectors that the country is committed to self-sufficiency. He said "At QIBK, our strategy is closely tied with Qatar's National Vision (QNV) 2030 and the government's commitment to invest in the country's infrastructure, diversify the economy and develop a strong private sector." He further added that "To that end, we are proud of the partnerships we have built to support SME's and entrepreneurs in Qatar. QIBK is contributing significantly to QDB's Al Dhameen program, which encourages SMEs to get the right finance from Banks in order to grow their businesses." (Gulf-Times.com)
- **Qatar's producer price index drops 27% in April 2020 –** The producer price index (PPI) for April 2020 reached 35.9 points showing a decrease of 27%, when compared to March 2020, monthly data released by Planning and Statistics Authority (PSA) on Monday showed. On YoY basis, the PPI of April 2020 showed a decrease of 45.2% when compared to the PPI of April 2019. The PPI covers goods relating to "Mining" (weight: 72.7%), "Manufacturing" (26.8%), and "Electricity & Water" (0.5%). The PPI of April 2020 for the Mining sector showed a decrease by 32.3% when compared with the PPI of March 2019, primarily due

to the price decline of "crude petroleum and natural gas" by 32.6%. When compared with its counterpart in previous year (April 2019), there was a decrease on this sector by 51.5%. A decrease of 18% has been recorded in April 2020 for the Manufacturing sector, when compared with the previous month's Manufacturing index. Comparing with the index of counterpart in the previous year (April 2019), Manufacturing PPI of April 2020 showed a decrease of 32.5%. The PPI of Electricity & Water showed a decrease of 7.6% compared to March 2020, resulting from the decrease in electricity prices by 9.5% and water by 4.8%. On YoY basis, a decrease of 11.3% was observed, affected by fall in prices of water group by 15.9% and electricity by 7.9%. (Qatar Tribune)

- **Qatar dominates Forbes Arab World list with 18 firms –** Qatar remains one of the best countries for business in the Arab world as it dominates the '2020 Forbes list of Top 100 Companies in the Arab world' released recently. Forbes Middle East has unveiled its list of the Middle East's largest and most successful listed companies for 2020. The ranking is compiled from in-depth research based on data from all stock exchanges in Arab countries and analysis of market value, sales, assets, and profits. Companies in Qatar are doing well despite the ongoing blockade and low oil prices. Qatar's entry in the Forbes list of Top 100 Companies in The Arab World 2020 is marked by the presence of 18 companies. The banking and financial services sector dominates the list with 46 entries, followed by the industrials sector with nine companies, and real estate and construction, and telecommunications, with eight entries each. The QNB Group with assets worth $259.5bn and market value worth $42.6bn is at the second position of the list and the top listed bank in the region. In a statement released to Forbes Middle East, QNB Group's Acting CEO, Abdulla Mubarak Al Khalifa said, "We believe that by enriching society and helping more people and businesses achieve their ambitions, we are creating a more sustainable foundation for growth." Qatar Islamic Bank, Ooredoo, The Commercial Bank, Industries Qatar, Qatar Insurance Company, Doha Bank, Nakilat, WOQOD, Barwa Real Estate Company, Qatar International Islamic Bank, Qatar Electricity & Water Company, Ahli Bank, Al Kahliji Commercial Bank and Milaha are among other prominent companies from Qatar that have found place in the list. (Qatar Tribune)
- **COVID-19 restrictions to be lifted in 4 phases from June 15 –** Qatar will start lifting coronavirus (COVID-19) restrictions gradually under a four-phase plan starting from June 15, with the opening of some mosques. This was announced by Supreme Committee for Crisis Management Spokesperson HE Lolwah bint Rashid Al Khater at a press conference on Monday. She said lifting of restrictions does not mean waiving social distancing rules and other measures such as the use of the Ehteraz app as a condition for entering public places. Also, the removal of restrictions could be reviewed if there is any lapse in observance of the precautionary measures, she added. As per the plan, first phase of lifting restrictions will start from June 15, followed by the second phase from July 1, third phase from August 1 and the fourth phase from September 1. Small-scale public gatherings, with a maximum of 10 people will be allowed in the second phase. This will be increased to 40 people in the third phase, while all gatherings including wedding ceremonies will be permitted in the fourth phase. Phase 1 will see the restricted opening of mosques, excluding Friday prayers. The use of personal boats will also be allowed in this phase. Besides opening of some mosques, the first stage will also see people returning to the place of work. While 20% will come back in the first phase, 50% will return in the second and 80% in the third and 100% in the fourth and final phase. (Qatar Tribune)

International

- **World Bank says coronavirus to shrink 2020 global output by 5.2% –** The coronavirus will cause global economic output to contract by 5.2% in 2020, the World Bank said on Monday, warning that its latest forecasts would be revised downward if uncertainty over the pandemic and business lockdowns persist. In its latest Global Economic Prospects report, the World Bank said that advanced economies are expected to shrink 7.0% in 2020, while emerging market economies will contract 2.5%, their first since aggregate data became available in 1960. On a per-capita GDP basis, the global contraction will be the deepest since 1945-46 as World War Two spending dried up. The updated forecasts show more damage to the economy than estimates released in April by the International Monetary Fund, which predicted a 3.0% global contraction in 2020. The IMF plans to update its forecasts on June 24 and Managing Director Kristalina Georgieva has said that further cuts are "very likely." World Bank officials said their baseline scenario assumes that social distancing lockdowns and temporary business closures begin to ease at the end of June. However, the report shows a downside scenario in which lockdowns are extended by three months this year. Should that occur, the 2020 contraction would deepen to 8% - 10% in advanced economies and 5% in emerging markets, with far more permanent business closures, a bigger collapse in global trade flows, layoffs and deep cuts in household spending. "If that scenario materializes, the downside scenario, we are expecting a very sluggish recovery in 2021," World Bank Prospects Group Director Ayhan Kose told reporters. "Global growth barely would begin to recover" at around 1.3% next year. The new forecasts also increased the World Bank's estimate of how many people will be pushed back into extreme poverty by the pandemic, to between 70mn and 100mn from a previous estimate of over 60mn. The World Bank report showed 2020 contractions of 6.1% for the US and Japan, a 9.1% contraction for the euro zone, 8.0% for Brazil and 3.2% for India. China is expected to maintain growth of 1.0% in 2020, down from a January forecast of 6.0%. (Reuters)
- **White House: Trump open to another coronavirus relief package –** US President Donald Trump is open to another economic relief package in response to the coronavirus pandemic and remains in favor of a payroll tax holiday, White House spokeswoman Kayleigh McEnany said on Monday. "There are several things he wants, a payroll tax holiday was one of them, because that directly advantages low-income workers," McEnany said at a media briefing. In terms of the coronavirus, she said the US was "heading in a positive direction." McEnany said new cases of coronavirus have stabilized and many are being identified through proactive monitoring and testing for asymptomatic cases. Last month, the Democratic-controlled House of Representatives passed a $3tn economic aid bill, but Trump has promised to veto it if reaches his desk. The US economy entered

recession in February as a result of the coronavirus pandemic, a private economics research group said on Monday. (Reuters)

- **US consumers grew slightly more optimistic about jobs and earnings in May –** US consumers felt slightly more optimistic about their finances and job security in May as businesses began to reopen and rehire workers following the easing of coronavirus-related restrictions, according to a survey released on Monday by the New York Federal Reserve. While the economic effects of the coronavirus pandemic were still broadly evident, the findings support recent employment data suggesting the worst of the job losses caused by the pandemic may have passed. The share of Americans expecting the US unemployment rate to be higher a year from now dropped to an average 38.9% in May, from 47.6% in April. Perceived chances of losing a job in the next year also dropped to an average 18.7% in May from 20.9% in April but was still well above the 12-month average of 15.2%. The US economy added 2.5 million jobs in May and the unemployment rate dropped to 13.3% from 14.7%, the Labor Department said on Friday. The unexpected improvement came after the US labor market shed a record 20.7mn jobs in April, suggesting the job losses may have bottomed out for now as more Americans are called back to work, but that the recovery could be long. Consumers told the Fed they expected their earnings to grow by a median 2% over the next year, up from 1.8% in April. Despite feeling slightly more secure in their jobs, consumers said they were worried about being able to afford main household expenses down the line. (Reuters)
- **Fed eases terms of Main Street loans, says registration will begin soon –** The US Federal Reserve eased the terms of its "Main Street" lending program on Monday, cutting the minimum loan size in half to $250,000 and lengthening the term by a year to encourage more businesses and banks to participate. The central bank also said registration for the program will begin soon and that lenders will be able to start making the loans to small and medium-sized businesses shortly thereafter. The changes, which the Fed said was based on outreach with potential lenders and borrowers, address some of the concerns raised by lenders, lawyers and small business consultants that the previous minimum loan amount of $500,000 was too large to help many businesses affected by the coronavirus pandemic. The Fed is further minimizing downside risks for banks and credit unions by purchasing 95% of all loans issued through the program, rather than a range of 85% to 95%. The new borrowing minimum may still not be low enough as some businesses need loans smaller than $250,000, Jill Castilla, president and CEO of Citizens Bank of Edmond in Oklahoma said on Twitter after the Fed announced the changes. The Fed also extended the repayment period to five years from four, with no principal due until year two rather than after year one, which could help small businesses struggling due to the crisis. The adjustments may not lead to increased demand from borrowers who previously qualified, said Co-Chair of the financial services group at Steptoe & Johnson, Matt Kulkin. Some companies may be deterred by the Fed's disclosure of borrower information, or by limits on executive compensation, dividends or stock buybacks, said Kulkin. (Reuters)
- **US economy entered recession in February –** The US economy ended its longest expansion in history in February and entered recession as a result of the coronavirus pandemic, the private economics research group that acts as the arbiter for determining US business cycles said on Monday. The Business Cycle Dating Committee of the National Bureau of Economic Research said in a statement its members "concluded that the unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy, warrants the designation of this episode as a recession, even if it turns out to be briefer than earlier contractions." The designation was expected, but notable for its speed, coming a mere four months after the recession began. The committee has typically waited longer before making a recession call in order to be sure. When the economy started declining in late 2007, for example, the group did not pinpoint the start of the recession until a year later. But the depth and speed of this collapse left little doubt. US GDP fell at a 4.8% annualized rate in the first three months of the year. The outcome for the April to June period is expected to show an even worse annualized decline of perhaps 20% or more. The unemployment rate rose from a record low of 3.5% in February, hitting 14.7% in April and 13.3% last month. But growth may well recover from there, possibly making the current downturn not only among the sharpest but also among the shortest on record. (Reuters)
- **German industrial output posts record plunge, no quick recovery in sight –** German industrial output posted a record plunge in April as the coronavirus pandemic forced manufacturers in Europe's largest economy to halt production, with firms expecting a bumpy road ahead despite a massive stimulus package. Industrial output dropped by 17.9% on the month, figures released by the Statistics Office showed. A Reuters poll had pointed to a slightly smaller fall of 16.0%. Manufacturers of capital goods recorded the steepest decline of -35.3%. Output in the energy sector dropped by 7.2% and construction was down 4.1%. As measures to contain the spread of the coronavirus were implemented from mid-March, the restrictions took their toll on a full scale in April, the Economy Ministry said. The data strengthens expectations that the German economy will post its steepest decline since the end of World War Two in the second quarter. For 2020 as a whole, the government forecasts GDP will shrink by 6.3%, based on the assumption that a 130bn Euro ($146.69bn) fiscal stimulus package will help economic activity pick up again in the second half of the year. German Chancellor Angela Merkel's cabinet plans a special meeting on Friday to start implementing large parts of the stimulus measures, three sources told Reuters on Monday. The cabinet is expected to clear the way for the agreed temporary cut in value-added tax, cash handouts for parents and bigger incentives to buy electric cars, the sources said. Despite the package, manufacturers expect production levels to decline further in the coming three months, but at a slower pace than previously, the Ifo economic institute said on Monday. Ifo said its index for production expectations rose to -20.4 points in May from -51.0 points in April, marking the biggest monthly rise since German reunification three decades ago. (Reuters)
- **Spain heads for its worst recession on record, central bank says –** Spain's economy may shrink less than feared this year, but the recession will nevertheless be about three times as bad as the record contraction of 2009 at the height of the global financial crisis, the central bank said on Monday. The economy could contract by 9% to 11.6% in 2020 as the fallout from the

coronavirus pandemic hits the tourism-dependent country more than others in Europe, the central bank said regarding what it sees as the most likely case. The Bank of Spain's previous central scenario was for a 9.5% to 12.4% contraction. Spain's economy shrank by 3.7% in 2009. The impact of a lockdown that started in mid-March will be fully felt in the second quarter, with a contraction likely around 16% to 21.8%, the central bank said. The first quarter's 5.2% contraction was already the sharpest drop since the historical series began in 1970 and twice as much as the worst quarter of 2009. The central bank sees the economy starting to recover in the second part of the year, with GDP likely to bounce back in 2021 and grow by 7.7% to 9.1% from a previous estimate by the central bank of 6.1% to 8.5%. The economic projections come a few days after the European Central Bank said it expected the Eurozone to shrink by 8.7% this year in a baseline scenario. The Spanish central bank also included a more severe and less-likely horizon where the economy could fall by up to 15.1% in 2020 as it cannot rule "more adverse scenarios" due to uncertainty over a hypothetical new wave of coronavirus. The Bank of Spain expected the country's debt-to-GDP ratio to rise up to 119.3% in 2020 and the deficit to grow up to 11.2% this year from 2.8% in 2019. (Reuters)

- **Japan braces for worst postwar economic slump –** Japan's economy braced for its worst postwar slump even as first-quarter GDP contracted less than initially thought, as the coronavirus crisis slams the brakes on global growth and raises pressure on Tokyo to cushion the blow to business and consumers. Banks are doing their bit to help as lending rose at the fastest annual pace on record in May, a sign companies were tapping loans to meet immediate funding needs to survive slumping sales from the pandemic. While US and European policymakers have shifted from crisis-response to efforts to prop up growth, Japan is struggling to do so as it continues to focus on preventing a second wave of infection. In an interview with Reuters, Economy Minister Yasutoshi Nishimura said Japan should primarily focus on back-stopping faltering businesses, suggesting the central bank should avoid pushing interest rates deeper into negative territory. The world's third-largest economy shrank an annualized 2.2% in January-March, revised data showed on Monday, less than the 3.4% contraction indicated in a preliminary reading, as capital expenditure fared better than expected. Analysts had tipped a 2.1% contraction. But few analysts were hopeful about the outlook for the year since capital spending data used to calculate the revised figures lacked enough responses - most struggling firms appear not to have participated in the survey - and will be updated in July. On the whole, Monday's revised GDP estimate confirmed Japan had slipped into recession - defined as two straight quarters of contraction - for the first time in 4-1/2 years, even before lockdown steps to contain the virus was put in place in April. A Cabinet Office survey on Monday showed Japan's service sector sentiment improved last month, but the outbreak continued to weigh on firms' business confidence. The surge in bank lending, shown in Bank of Japan (BOJ) data also released on the day, suggests companies are being forced to hoard cash just to stay afloat - and that the worst is yet to come. Japan's parliament will begin deliberating on Monday a second supplementary budget to fund part of a fresh $1.1tn stimulus package that includes loan schemes and a framework to inject capital into struggling firms. The BOJ eased monetary policy for two straight months in April, focusing on steps to ease corporate funding strains. (Reuters)
- **Japan's economy minister warns against deepening negative rates –** Japan should focus on back-stopping struggling businesses rather than trying to spark overall demand in fighting the coronavirus pandemic, its economy minister said, suggesting the central bank should avoid pushing interest rates deeper into negative territory. The remark by Yasutoshi Nishimura, made in an exclusive interview with Reuters, underscores the challenge Tokyo faces in supporting an economy bracing for its worst postwar slump, while preventing a renewed spike in infections. "What's most important now is to protect jobs and help businesses survive the pandemic," Nishimura said in the interview conducted on Saturday. "We're not at a stage yet where we want to stimulate consumption and encourage people to travel a lot. Efforts to stimulate consumption should wait a bit more," he said. Nishimura made the comments when asked whether the Bank of Japan should consider measures to stimulate demand, such as deepening negative interest rates. Japan's approach contrasts with that of Western countries that are already shifting from crisis-response to policies aimed at propping up growth. Under Nishimura's initiative, the government compiled two spending packages worth a combined $2.2tn to cushion the economic blow from the pandemic. The BOJ joined in by easing monetary policy for two straight months in April, focusing on steps to ease corporate funding strains. (Reuters)

Regional

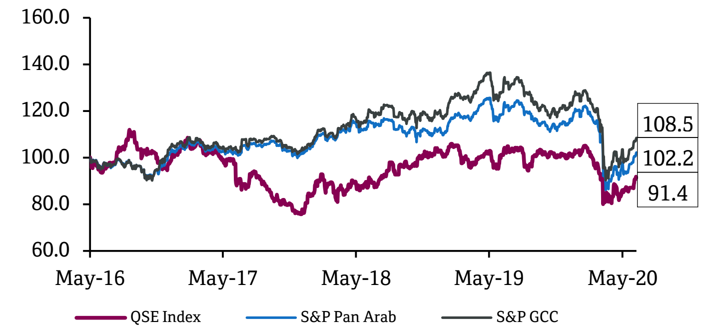
- **Gulf OPEC not planning extra voluntary oil cuts beyond June –** Gulf OPEC producers Saudi Arabia, Kuwait and the UAE have no plans to extend beyond June their voluntary additional oil output cuts of 1.180mn bpd, sources told Reuters. OPEC, Russia and allies agreed on Saturday to extend record oil production cuts until the end of July, prolonging a deal that has helped crude prices double in the past two months by withdrawing almost 10% of global supply from the market. Saudi Arabia, Kuwait and the UAE had pledged to cut by an extra 1.180mn bpd in June beyond their output commitments under the pact. But the sources told Reuters that this was unlikely to continue in July, when the producers are expected to pump according to their OPEC crude quotas. (Reuters)
- **Gulf mall operators rein in expansion as retailers reel from COVID-19 –** Mall operators in the Gulf region are delaying new mega-projects as the coronavirus pandemic and low oil prices upend a retail industry built around huge centers catering to tourists and wealthy locals. Majid Al Futtaim (MAF), the Middle East's biggest mall-operator, told Reuters it had delayed the launch of its fifth and largest center in Oman, the 145,000 square-meter (1.5 million square-feet) Mall of Oman, because retailers did not have the cash at hand to fit out stores. In Dubai, Emaar Malls halted construction on two projects, according to two sources familiar with the plans. They are a mall near the site of the Expo 2020 world fair, which has been delayed by a year to next October, and a 185,000 square-meter mall in the Dubai Hills residential area, the people said. "In malls under construction, timelines are being revisited. This is a fluid situation," MAF's Chief Executive, Alain Bejjani told Reuters. "We will see how it

goes and adapt," he added. "It will be the case for the coming 12 months." (Reuters)

- **MUFG report: MENA bouncing back, but recession fears persist –** Latest activity indicators in the MENA region have improved reflecting an easing in lockdowns, although they remain below pre-crisis levels, said Japan-based Mitsubishi UFJ Financial Group (MUFG), a leading global financial services group in a new report. May's batch of PMI readings across the Mena region suggests that we are over the worst. A rebound is underway in corporate conditions in Saudi Arabia, the UAE and Egypt, although containment measures and the ongoing rise in daily new Covid-19 infection rates continues to take a toll on corporate output in Qatar, MUFG said in its latest Mena Economic Weekly. "We caution that PMIs measure sequential shifts in activity – that is, corporates are asked whether their level of output is higher, the same or lower than the previous month (note April was the peak lockdown period) – thus, whilst the May surveys did demonstrate that output, new order and employment improved modestly relative to April, they did nevertheless remain in contractionary territory," MUFG said in the report. Regional central banks financial system liquidity and corporate support schemes are showing up in credit growth data. The initial policy response across the region was led by central banks, focusing on financial system liquidity as well as direct corporate support to minimize the economic fallout. The UAE's $70bn Targeted Economic Support Scheme (TESS) alongside the $26bn stimulus provided by Saudi Arabian Monetary Authority (SAMA) to the banking sector to facilitate financing both demonstrate that such actions have channeled through into a sharp rise in lending growth, the report said. (Zawya)
- **Moody's: GCC asset managers benefit from range of affluent clients –** Asset managers in the GCC countries will remain somewhat resilient to the impact of the coronavirus crisis and the accompanying drop in oil prices, due to their track record of strong performance and an affluent client base, Moody's Investors Service said yesterday. Assets under management have fallen since the start of the coronavirus outbreak in mid-February, reflecting lower market valuations. However, the fund inflows have remained positive for large players, contrasting with net outflows for some western counterparts. "The GCC sector's resilient inflows partly reflect its exceptionally strong performance last year, but we expect risk appetite to remain subdued and some diversification away from the region" a Vice President at Moody's Investors Service, Vanessa Robert said. GCC fund managers also benefit from bespoke mandates with a range of affluent clients, including high net worth individuals, family offices, sovereign wealth funds and other government institutions, which generally have higher risk tolerance and longer investment horizons. Nonetheless, low oil prices will be a headwind for the region's asset managers, as their customers rely on oil for the bulk of their revenues. Weaker oil prices also increase budgetary pressures on GCC governments. (Peninsula Qatar)
- **Occidental Petroleum to review Middle East assets –** Oil and gas producer Occidental Petroleum is reviewing options for its Middle Eastern assets in a bid to ease its debt load, Bloomberg News reported on Monday, citing sources. Occidental is considering reducing its stakes in oil and natural gas fields in Oman, where its assets could be valued at more than $1bn, it stated. The Houston-based company is also open to divesting other assets in the Middle East, though it is not formally soliciting interest, Bloomberg said. Outside of Oman, Occidental operates in the UAE and Qatar. Occidental has been trying to sell assets to reduce the $40bn in debt it took on since its $38bn purchase of Permian rival Anadarko Petroleum last year, an ill-timed bet on rising oil prices. Occidental's shares have plunged this year amid the worst oil-and-gas industry downturn in 40 years, and the company has cut staff and reduced expenses to deal with its massive debt levels. (Reuters)
- **Saudi Arabia to end voluntary cuts on top of OPEC+ pact –** Saudi Arabia will boost output in July to match its output OPEC quota while ending deeper, voluntary cuts amid signs of global demand recovering, the Saudi Energy Minister said. OPEC, Russia and other producers agreed on Saturday to extend record output cuts of 9.7mn bpd into July, curbing global supply by almost 10% amid a steep slump in demand due to the coronavirus pandemic. For June, Saudi Arabia, Kuwait and the UAE had pledged to cut by 1.18mn bpd on top of that, with Riyadh forfeiting 1mn bpd. Saudi Energy Minister, Prince, Abdulaziz bin Salman said that this would not continue in July, when Saudi Arabia will pump its OPEC quota, amid signs of demand recovery as nations around the world lift strict lockdown measures. "The voluntary cut has served its purpose and we are moving on. A good chunk of what we will increase in July will go into domestic consumption," Prince Abdulaziz told an OPEC+ virtual news conference. Saudi crude use for power generation typically increases in the hot summer months, the minister noted. Saudi Arabia, OPEC's de facto leader, and Russia have to perform a balancing act as they push up oil prices to meet their budget needs while not driving them much above $50 a barrel to avoid encouraging a resurgence of rival US shale production. (Reuters)
- **Saudi Arabia says strong OSP is indication of oil demand returning –** Higher Saudi official selling prices (OSP) are indication of a return of global oil demand, Saudi Energy Minister, Prince, Abdulaziz bin Salman told a news conference on Monday. (Reuters)
- **Fitch Ratings establishes Saudi Arabia national rating scale –** Fitch Ratings has established a new National Rating scale for Saudi Arabia. The new National Rating scale will be used to reflect differences in the relative creditworthiness of local Saudi Arabian issuers. Each country or monetary union's National Rating scale is specific to that jurisdiction and is not comparable to national scales of different countries. National Ratings can be assigned to the issuer as a whole, such as a National Long-Term Rating, or at the specific debt instrument level. National scale ratings are a risk ranking of issuers in a particular market designed to help local investors differentiate risk. Saudi Arabia's national scale ratings will be denoted by the unique identifier '(sau)'. Issuer-level National Ratings address the relative vulnerability to default of local-currency obligations (or legal tender) for local issuers within the country concerned when not notched for support. Therefore, National Ratings typically exclude the risk that cross-border investors may be unable to repatriate interest and principal repayments out of the country. (Bloomberg)

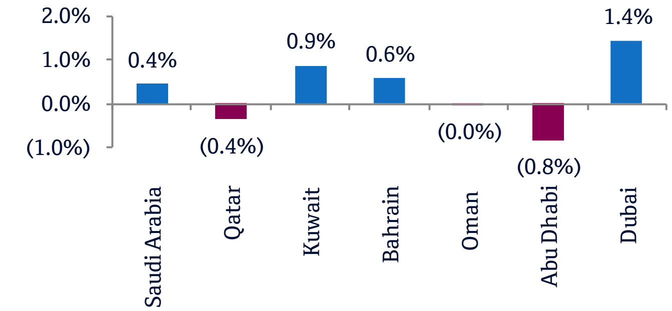
- **Saudi Aramco entrepreneurship ventures closes $25mn round into Islamic Fintech Wahed –** Wahed has closed $25mn investment round led by Saudi Aramco Entrepreneurship Ventures, a venture capital investment arm of Saudi Aramco. The round included participation from existing investors BECO and Cueball Capital, as well as Dubai Cultiv8, and Rasamee. The funds will be used to fuel company's ambitious global expansion, namely in developing company's subsidiary in Kingdom of Saudi Arabia. (Reuters)
- **ACWA Power Chairman sees giving more loans as 'negative thing' –** ACWA Power Chairman, Mohammad Abunayyan said increasing loans to private sector and more restructuring of debts is a negative thing to Saudi's economic growth. Most of them are refinancing if not all, and none of them will go back as investments or to the Saudi Arabian economy, Abunayyan said. (Bloomberg)
- **Higher provisions led to plunge in top UAE banks' 1Q2020 profit –** Top UAE banks reported declines in first quarter net profit as they made higher provisions for the challenging macroeconomic conditions—low interest rates, falling oil price and disruptions to economic activities due to COVID-19 lockdowns. The net profit of four largest banks—First Abu Dhabi Bank (FAB), Emirates NBD, Abu Dhabi Commercial Bank (ADCB) and Dubai Islamic Bank (Dubai Islamic Bank (DIB)—fell 32% to AED5.80bn in 1Q2020 compared with the same period last year. "Increased provisioning for expected credit losses (ECL) was a significant contributor to the fall in profitability among listed banks," Head of Financial Services, KPMG Lower Gulf Limited, Abbas Basrai told Zawya. The underlying trends of low lending growth and margin pressure were only compounded by higher-than-expected credit losses, he added. According to Chief Executive Officer, at Dubai DIFC-based investment firm, GRIP, V. Gowribalan the key driver impacting net profit declines was the nonperforming loan (NPL) formation within few large corporates. "I believe the market expected this, given the impending troubles/delinquencies of these corporate was exposed during quarter," he told Zawya. (Zawya)
- **Dubai Islamic Bank hires banks to market dollar Sukuk –** Dubai Islamic Bank hired a group of 10 banks to arrange a global investor call on Monday for a potential issuance of five-year or long five-year US dollar-denominated Sukuk, a document showed on Monday. DIB hired Bank ABC, Dubai Islamic Bank, Emirates NBD Capital, First Abu Dhabi Bank, HSBC, ICBC, The Islamic Corporation for the Development of the Private Sector, KFH Capital, Sharjah Islamic Bank and Standard Chartered. A benchmark issuance will follow, subject to market conditions, the document from one of the banks arranging the deal showed. (Reuters)
- **Abu Dhabi follows Saudi Arabia in raising crude prices amid OPEC+ cuts –** Abu Dhabi boosted pricing for its main Murban crude grade one day after Saudi Arabia posted sharply higher prices of its own, adding weight to efforts by producers to extend a rally in oil while they also limit supply. Government-owned producer Abu Dhabi National Oil Co. (ADNOC) raised July pricing for its flagship grade by $5.45 a barrel, according to a statement on Monday. Murban swung to a premium over the benchmark from a discount for the first time since March, when Saudi Arabia sparked a brief if devastating price war. (Bloomberg)
- **First Abu Dhabi Bank sells HK$750mn five-year green bond –** First Abu Dhabi Bank raised HK$750mn from the sale of green bond, the first by a Middle East issuer denominated in Hong Kong Dollars. The five-year green bond was sold through a private placement, the bank said. Green bonds, where the proceeds from sales are used for environmentally friendly projects, have grown from a niche to a debt market staple in just a few years as institutional investors shift their money and attention toward addressing climate change. National Bank of Abu Dhabi, which combined with First Gulf Bank to form First Abu Dhabi Bank, sold $587mn of green bonds in 2017. (Bloomberg)
- **Oman's Sultan appoints head of new sovereign wealth fund –** Oman's Sultan has appointed Abdulsalam Al-Murshidi as the Head of the Omani Investment Authority, a new state entity replacing the Sultanate's sovereign wealth funds, Omani state television reported on Monday. Murshidi has served as Executive President of the State General Reserve Fund, Oman's biggest sovereign wealth fund with $14bn under management. The formation of Omani Investment Authority was announced on June 4. (Reuters)
- **Oman to cut July oil output by 200,000 bpd –** Oman will cut oil output by 200,000 bpd for July in line with an accord reached by producers on Saturday to extend production cuts for another month, according to state-run Oman Observer newspaper. The non-OPEC nation had slashed output by 200,000 bpd for May and June. It is also considering a further 10,000-15,000 bpd cut for July and June in addition to its 200,000-bpd reduction commitment, Director General of oil & gas marketing at Energy Ministry, Ali Abdullah al Riyami said. (Bloomberg)
- **Oman sells OMR51mn 91-day bills at yield 0.674%; bid-cover at 1.1x –** Oman sold OMR51mn of 91-day bills due on September 9, 2020. Investors offered to buy 1.1 times the amount of securities sold. The bills were sold at a price of 99.832, having a yield of 0.674% and will settle on June 10, 2020. (Bloomberg)
- **Bahrain sells BHD70mn 91-day bills at a yield 2.32% –** Bahrain sold BHD70mn of 91-day bills due on September 9, 2020. The bills were sold at a price of 99.417, having a yield of 2.32% and will settle on June 10, 2020. (Bloomberg)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,698.53	0.8	0.8	11.9
Silver/Ounce	17.77	2.1	2.1	(0.4)
Crude Oil (Brent)/Barrel (FM Future)	40.80	(3.5)	(3.5)	(38.2)
Crude Oil (WTI)/Barrel (FM Future)	38.19	(3.4)	(3.4)	(37.5)
Natural Gas (Henry Hub)/MMBtu	1.68	(6.7)	(6.7)	(19.6)
LPG Propane (Arab Gulf)/Ton	50.75	(3.6)	(3.6)	23.0
LPG Butane (Arab Gulf)/Ton	55.00	(3.1)	(3.1)	(16.0)
Euro	1.13	0.0	0.0	0.7
Yen	108.43	(1.1)	(1.1)	(0.2)
GBP	1.27	0.4	0.4	(4.0)
CHF	1.04	0.5	0.5	1.1
AUD	0.70	0.7	0.7	0.0
USD Index	96.62	(0.3)	(0.3)	0.2
RUB	68.20	(0.7)	(0.7)	10.0
BRL	0.21	2.9	2.9	(16.6)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,288.04	0.9	0.9	(3.0)
DJ Industrial	27,572.44	1.7	1.7	(3.4)
S&P 500	3,232.39	1.2	1.2	0.0
NASDAQ 100	9,924.75	1.1	1.1	10.6
STOXX 600	374.12	(0.3)	(0.3)	(9.5)
DAX	12,819.59	(0.2)	(0.2)	(2.6)
FTSE 100	6,472.59	(0.0)	(0.0)	(17.8)
CAC 40	5,175.52	(0.4)	(0.4)	(12.9)
Nikkei	23,178.10	2.8	2.8	(1.5)
MSCI EM	1,007.46	0.5	0.5	(9.6)
SHANGHAI SE Composite	2,937.77	0.4	0.4	(5.2)
HANG SENG	24,776.77	0.0	0.0	(11.7)
BSE SENSEX	34,370.58	0.4	0.4	(21.3)
Bovespa	97,644.70	5.2	5.2	(30.4)
RTS	1,288.71	0.2	0.2	(16.8)

Source: Bloomberg (*$ adjusted returns)

Contacts

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

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

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

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

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