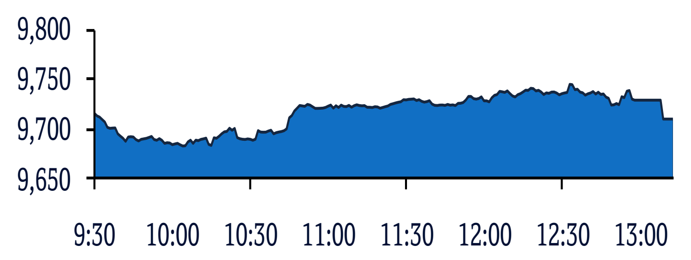
Daily Market Report

Thursday, 10 September 2020

QSE Intra-Day Movement



Qatar Commentary

The QE Index declined 0.5% to close at 9,712.7. Losses were led by the Industrials and Banks & Financial Services indices, falling 0.8% and 0.6%, respectively. Top losers were Mazaya Qatar Real Estate Development and Qatari German Company for Medical Devices, falling 3.1% each. Among the top gainers, Qatar Cinema & Film Distribution Company gained 8.2%, while United Development Co. was up 6.9%.

GCC Commentary

Saudi Arabia: The TASI Index fell 0.1% to close at 8,079.7. Losses were led by the Pharma and Real Estate indices, falling 2.2% and 1.7%, respectively. Jabal Omar Dev. and Abdullah Saad Mohammed Abo Moati Stationaries were down 3.9% each.

Dubai: The DFM Index fell 0.6% to close at 2,273.6. The Consumer Staples and Discretionary index declined 4.1%, while the Services index fell 1.6%. Union Properties declined 5.0%, while Arabtec Holding Company was down 4.9%.

Abu Dhabi: The ADX General Index fell 0.2% to close at 4,508.8. The Energy index declined 1.1%, while the Consumer Staples index fell 1.0%. National Marine Dredging Co. declined 4.8%, while Abu Dhabi National Energy Co. was down 3.5%.

Kuwait: The Kuwait All Share Index fell marginally to close at 5,295.8. The Consumer Goods index declined 2.8%, while the Technology index fell 1.3%. Arzan Financial Group declined 9.9%, while Credit Rating & Collection was down 9.1%.

Oman: The MSM 30 Index fell 0.4% to close at 3,687.1. Losses were led by the Financial and Industrial indices, falling 0.6% and 0.1%, respectively. Al Batinah Dev. & Investment declined 8.2%, while National Bank of Oman was down 2.9%.

Bahrain: The BHB Index fell 0.5% to close at 1,394.6. The Services index declined 2.0%, while the Industrial index fell 0.5%. Ithmaar Holding declined 7.0%, while Bahrain Telecommunication Company was down 3.4%.

Market Indicators	09 Sep 20	08 Sep 20	%Chg.
Value Traded (QR mn)	606.0	364.2	66.4
Exch. Market Cap. (QR mn)	567,261.9	569,565.8	(0.4)
Volume (mn)	461.4	212.6	117.0
Number of Transactions	11,236	7,458	50.7
Companies Traded	44	47	(6.4)
Market Breadth	10:31	27:16	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	18,672.40	(0.5)	(1.3)	(2.7)	15.8
All Share Index	3,006.47	(0.5)	(1.3)	(3.0)	16.6
Banks	4,035.43	(0.6)	(1.6)	(4.4)	13.5
Industrials	2,954.03	(0.8)	(1.4)	0.8	25.7
Transportation	2,796.74	(0.1)	(0.5)	9.4	13.2
Real Estate	1,757.03	1.5	1.6	12.3	14.4
Insurance	2,103.43	(0.2)	(0.7)	(23.1)	32.8
Telecoms	889.29	(0.2)	(0.6)	(0.6)	15.0
Consumer	7,959.14	(0.3)	(1.6)	(7.9)	25.0
Al Rayan Islamic Index	4,031.05	(0.4)	(1.1)	2.0	18.8

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Etihad Etisalat Co.	Saudi Arabia	28.15	3.1	7,805.1	12.6
National Petrochemical	Saudi Arabia	28.35	3.1	741.3	19.4
Saudi Arabian Mining Co.	Saudi Arabia	41.15	2.4	1,859.4	(7.3)
Abu Dhabi Islamic Bank	Abu Dhabi	4.17	2.0	7,026.3	(22.6)
Bupa Arabia for Coop. Ins.	Saudi Arabia	125.20	1.8	153.6	22.3

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
Jabal Omar Dev. Co.	Saudi Arabia	34.40	(3.9)	6,895.8	26.7
Bahrain Telecom. Co.	Bahrain	0.45	(3.4)	814.0	16.3
National Bank of Oman	Oman	0.17	(2.9)	127.1	(7.6)
Emirates NBD	Dubai	10.70	(2.7)	3,028.8	(17.7)
Qatar Int. Islamic Bank	Qatar	8.31	(2.4)	665.9	(14.2)

Source: Bloomberg (# in Local Currency) (## GCC Top gainers/losers derived from the S&P GCC Composite Large Mid Cap Index)

QSE Top Gainers	Close*	1D%	Vol. '000	YTD%
Qatar Cinema & Film Distribution	4.11	8.2	0.8	86.8
United Development Company	1.32	6.9	91,180.9	(13.5)
Salam International Inv. Ltd.	0.68	6.8	92,880.4	30.6
Investment Holding Group	0.65	3.7	134,496.3	14.9
Aamal Company	0.91	1.7	15,172.3	11.9

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Investment Holding Group	0.65	3.7	134,496.3	14.9
Salam International Inv. Ltd.	0.68	6.8	92,880.4	30.6
United Development Company	1.32	6.9	91,180.9	(13.5)
Qatar Aluminium Manufacturing	0.99	(0.6)	26,105.9	26.9
Mazaya Qatar Real Estate Dev.	1.15	(3.1)	15,303.2	60.4

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Mazaya Qatar Real Estate Dev.	1.15	(3.1)	15,303.2	60.4
Qatari German Co for Med. Dev.	2.53	(3.1)	8,509.1	334.4
Qatari Investors Group	2.08	(2.6)	1,016.9	16.1
Qatar International Islamic Bank	8.31	(2.4)	665.9	(14.2)
Qatar Electricity & Water Co.	16.97	(2.0)	337.1	5.5

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
United Development Company	1.32	6.9	118,154.8	(13.5)
Investment Holding Group	0.65	3.7	86,264.4	14.9
Salam International Inv. Ltd.	0.68	6.8	62,220.5	30.6
QNB Group	17.68	(0.5)	37,790.8	(14.1)
Barwa Real Estate Company	3.45	(0.8)	37,501.6	(2.5)

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*	9,712.73	(0.5)	(1.3)	(1.3)	(6.8)	164.81	154,352.0	15.8	1.5	4.1
Dubai	2,273.62	(0.6)	(0.4)	1.3	(17.8)	84.09	86,074.5	8.6	0.8	4.2
Abu Dhabi	4,508.82	(0.2)	(1.0)	(0.2)	(11.2)	103.75	183,142.1	16.5	1.3	5.4
Saudi Arabia	8,079.74	(0.1)	0.4	1.8	(3.7)	3,407.72	2,415,611.0	29.5	2.0	2.6
Kuwait	5,295.75	(0.0)	(0.6)	0.0	(15.7)	109.60	99,986.1	28.5	1.3	3.7
Oman	3,687.06	(0.4)	(1.6)	(2.2)	(7.4)	2.40	16,612.7	11.0	0.7	6.6
Bahrain	1,394.58	(0.5)	(1.1)	1.0	(13.4)	2.92	21,357.5	13.0	0.9	5.0

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 0.5% to close at 9,712.7. The Industrials and Banks & Financial Services indices led the losses. The index fell on the back of selling pressure from Arab and Foreign shareholders despite buying support from Qatari and GCC shareholders.
- Mazaya Qatar Real Estate Development and Qatari German Company for Medical Devices were the top losers, falling 3.1% each. Among the top gainers, Qatar Cinema & Film Distribution Company gained 8.2%, while United Development Company was up 6.9%.
- Volume of shares traded on Wednesday rose by 117.0% to 461.4mn from 212.6mn on Tuesday. Further, as compared to the 30-day moving average of 301.1mn, volume for the day was 53.2% higher. Investment Holding Group and Salam International Investment Limited were the most active stocks, contributing 29.2% and 20.1% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	56.60%	52.05%	27,579,701.9
Qatari Institutions	14.62%	14.92%	(1,834,635.1)
Qatari	**71.23%**	**66.98%**	**25,745,066.9**
GCC Individuals	1.15%	0.72%	2,593,647.0
GCC Institutions	0.52%	0.44%	457,812.3
GCC	**1.66%**	**1.16%**	**3,051,459.4**
Arab Individuals	14.83%	16.15%	(7,995,827.3)
Arab	**14.83%**	**16.15%**	**(7,995,827.3)**
Foreigners Individuals	3.15%	3.01%	861,188.3
Foreigners Institutions	9.13%	12.70%	(21,661,887.2)
Foreigners	**12.28%**	**15.72%**	**(20,800,698.9)**

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
BBK	Fitch	Bahrain	LT-IDR/SR/VR	BB-/3/bb-	B+/4/b+	↓	Stable	–
National Bank of Bahrain	Fitch	Bahrain	LT-IDR/SR/VR	BB-/3/bb-	B+/4/b+	↓	Stable	–

Source: News reports, Bloomberg (* LT – Long Term, IDR – Issuer Default Rating, SR – Support Rating, VR – Viability Rating)

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
09/09	US	Mortgage Bankers Association	MBA Mortgage Applications	04-Sep	2.9%	–	-2.0%
09/09	Japan	Bank of Japan	Money Stock M2 YoY	Aug	8.6%	8.1%	7.9%
09/09	Japan	Bank of Japan	Money Stock M3 YoY	Aug	7.1%	6.7%	6.5%
09/09	China	National Bureau of Statistics	PPI YoY	Aug	-2.0%	-1.9%	-2.4%
09/09	China	National Bureau of Statistics	CPI YoY	Aug	2.4%	2.4%	2.7%

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

News

Qatar

- **US: Three-year Qatar blockade could be over 'in weeks'** – Progress may be made within weeks to end a three-year blockade of Qatar by Arab states, a senior US State Department official said on Wednesday, citing signs of "flexibility" in negotiations. David Schenker, the department's top diplomat for the Middle East, was quick to urge caution, however, because there has not been any fundamental shift in talks that would quickly lead to a resolution. The dispute dates from 2017 when the UAE, Saudi Arabia, Bahrain, and Egypt imposed a boycott on Qatar, severing diplomatic and transport ties. Qatar vehemently denies all allegations made by the blockading Arab states. "I don't want to get into the whole diplomacy in it but there is some movement. I would like to say that it's going to be a matter of weeks," Schenker told a virtual event hosted by the Washington, DC-based Brookings Institute. Kuwait and the US have tried to mediate a rift that has undermined Washington's efforts to form a united front against Iran, which is struggling for regional supremacy with Saudi Arabia. (Al Jazeera)
- **Real estate trading volume exceeds QR410mn in a week from August 30 to September 3 –** The volume of real estate trading in sales contracts registered at the Department of Real Estate Registration at the Ministry of Justice during the period from August 30 to September 3 reached QR410.354mn. The weekly bulletin issued by the department showed that the list of real estate properties traded for sale included vacant lands, houses, residential buildings and multi-purpose buildings and multi-purpose vacant land. The sales were concentrated at the municipalities of Al Daayen, Doha, Umm Salal, Al Rayyan, Al Wakrah, Al Khor, Al Dhakhira and Al Shamal. The volume of real estate trading from August 23-27 was at QR612.611mn. (Qatar Tribune)
- **PSA: 577 building permits issued in August –** The Planning and Statistics Authority (PSA) on Wednesday said that 577 building permits were issued by all municipalities of Qatar in August this year, a decrease of 16% when compared with the previous month. According to a press release issued by PSA, the decrease was noted in the majority of the municipalities including Al Wakrah and Al Sheehaniya by 35% each, Al Rayyan by 25%, Umm Sala by 23%, Al Da'ayen by 10%. On the other hand, the municipality of Al Shamal showed an increase of 42%, followed by Al Khor (26%) and Al Doha (10%). Building permits and building completion certificates data is of particular importance as it is considered an indicator for the performance of the construction sector which in turn occupies a significant position in the national economy. (Qatar Tribune)
- **Commerce ministry launches initiative to regulate e-auctions –** The Ministry of Commerce and Industry has announced the launch of an initiative to regulate the activities of electronic auctions, by creating an activity (electronic auctions), with the aim of organizing the commercial process and monitoring money transfer and circulation for this purpose. The ministry said in a statement that this initiative comes within the framework of its role in supervision, control, and regulation of commercial activities and taking the necessary measures to protect the consumer in terms of his right to obtain high-quality products, to combat commercial fraud and to protect competition, as well as to ensure speed in implementing procedures and to achieve the principle of integrity and transparency in everything related to auctions. The ministry pointed to conditions and controls necessary for practicing electronic auction activities, which include submitting an application to set up an electronic auction at the Ministry of Commerce and Industry building located in Lusail City, accompanied by a list of goods that will be offered during the auction to be held. The statement clarified the obligations of the license holder in the event of obtaining the approval of the Ministry of Commerce and Industry to hold the auction, including providing the Ministry with a list of goods that will be offered in the auction, and announcing the location of the goods offered in the auction no less than 24 hours before its organization, provided that the location is a public place. (Gulf-Times.com)
- **Qatar-UK trade stood at $9bn in 2019; range of exports to Qatar 'growing', says envoy –** The UK has been witnessing growth in its exports of goods and services to Qatar, even as trade between both countries stood at around $9bn in 2019, British ambassador Jon Wilks has said. Speaking at the virtual forum "Bilateral & Synergistic Opportunities between Qatar and the UK" hosted by Doha Bank on Wednesday, Wilks underscored both nations' growing trade and investment relationship. "We are buying more gas from Qatar, so in that direction that is of increasing importance. We are a growing exporter of a range of goods and services into Qatar, which makes us the third largest supplier into Qatar," said Wilks, who added that "Qatar is the UK's third largest market in the region." "In my initial calls to ministers and senior officials on the trade and investment side, it is quite clear that both countries want to take that further and see if their economies will recover from COVID-19 leading to growth in trade and investments," the ambassador continued. (Gulf-Times.com)

International

- **US job openings rise in July; more workers quitting –** US job openings increased further in July and more workers quit their jobs in the retail as well as professional and business services industries likely because of fears of exposure to COVID-19 and problems with child care. Job openings, a measure of labor demand, jumped 617,000 to 6.6mn on the last day of July, the Labor Department said on Wednesday in its monthly Job Openings and Labor Turnover Survey, or JOLTS. Still, vacancies remain below their level of 7mn in February. The job openings rate shot up to 4.5% from 4.2% in June. The number of people voluntarily quitting their jobs increased 344,000 to 2.9mn. There were 152,000 workers who quit their jobs in the retail sector. In the professional and business services sector, 98,000 workers left. State and local government education reported 35,000 workers quit in July. The JOLTS report followed on the heels of news last Friday that the economy created 1.371mn jobs in August after adding 1.734mn in July. About 10.6mn of the

22.2mn jobs lost at the depth of the coronavirus pandemic have been recovered. (Reuters)

- **Bank of England says market infrastructure passed 'COVID test' –** Platforms used by markets to complete stock and bond trades stood up well to bouts of extreme market volatility in March when the economy entered lockdown to fight the pandemic, a Bank of England policymaker said on Wednesday. BoE Financial Policy Committee (FPC) member Elisabeth Stheeman said efforts to increase how much capital banks hold since the last financial crisis also paid off to bolster resilience to shocks. "The COVID shock has been a test of this resilience, one that the financial plumbing has so far passed," Stheeman said in a speech. "But there is no room for complacency: firms had time to prepare for COVID, it evolved slowly at first, allowing them time to adapt." The FPC, which looks for broad risks to financial stability, will continue to build up operational resilience of "market plumbing" in the areas of cyber and payments, Stheeman said. (Reuters)
- **Brexit in crisis: EU 'very concerned' by UK plan to break divorce treaty –** Britain plunged Brexit trade talks into crisis on Wednesday by explicitly acknowledging it could break international law by ignoring some parts of its European Union divorce treaty, prompting a rapid rebuke from the EU's chief executive. Brushing aside warnings from Brussels that breaching the treaty would prevent any trade deal being struck, London said in the proposed legislation that it would ignore parts of the Withdrawal Agreement, which was only signed in January. The Internal Market Bill spells out that certain provisions are "to have effect notwithstanding inconsistency or incompatibility with international or other domestic law". The government has said international law would be broken "in a very specific and limited way". Ursula von der Leyen, president of the European Commission, promptly tweeted that she was "very concerned" about the British government's intentions. "This would break international law and undermines trust. Pacta sunt servanda = the foundation of prosperous future relations," she said. The Latin phrase, meaning "agreements must be kept", is a basic principle of international law. (Reuters)
- **Fitch switches Brexit view to UK going to WTO terms –** Credit rating agency Fitch has revised its Brexit view and now expects the UK-EU trade relationship to move to World Trade Organization (WTO) terms at the start of next year due to the lack of progress in talks. "With limited progress so far in negotiations on a free trade agreement (FTA) and time running out… we now assume that UK-EU trade will move to WTO terms in January," Fitch's chief economist, Brian Coulton, said during an online conference on Wednesday. "It is very hard to model this but we have knocked around 2% off our 2021 forecast for the UK because of this change in assumption," he said, adding the ratings agency expected the UK's economic recovery to stall in the first half of next year. Fitch is due to review the UK's AA-negative outlook rating on 25 September. (Reuters)
- **Minister: Britain will follow WTO subsidy rules after Brexit transition period –** Britain will follow World Trade Organization (WTO) rules on subsidies after its exit from the European Union is completed at the end of the year, business minister Alok Sharma said on Wednesday, promising not to adopt a "picking winners" approach. The extent to which Britain can use state money to support firms and industries after Brexit is at the heart of disagreements holding up a deal on future relations with the European Union. The EU is worried that Britain could use subsidies to create a competitive advantage over its members, while Britain is adamant it will be an independent state and can choose its own path. "While our guiding philosophy remains that we do not want a return to the 1970s approach of picking winners and bailing out unsustainable companies with taxpayers' money, the UK must have flexibility as an independent, sovereign nation to intervene to protect jobs and to support new and emerging industries," Sharma said in a statement. Setting out its broad policy objectives on subsidies for the first time, Britain confirmed it would follow WTO rules, describing them as "an internationally recognized common standard covering financial assistance granted by governments and public authorities to companies." The announcement comes on the same day Britain published legislation which breaches international law and unilaterally modifies the terms of the Brexit divorce deal - a move which has plunged the already-stalled talks on a future relationship deeper into crisis. WTO rules apply to goods only, and ban subsidies that are dependent on either how much a company exports, or the use of domestic goods in preference to imports, the government said. The WTO also provides a mechanism to resolve disputes between countries. (Reuters)
- **EU's Michel calls on Britain to respect Brexit withdrawal treaty –** Britain's withdrawal treaty with the European Union (EU) "has to be applied in full," to build trust, European Council President Charles Michel said on Wednesday. "The withdrawal agreement was concluded and ratified by both sides, it has to be applied in full," Michel, who chairs EU summits, said on Twitter. "Breaking international law is not acceptable and does not create the confidence we need to build our future relationship." (Reuters)
- **Germany: Britain should not unilaterally change agreements with EU –** German Economy Minister Peter Altmaier said on Wednesday that agreements related to Brexit needed to be adhered to, adding that the British government should not burden talks by unilaterally altering existing deals. "What is clear is that agreed deals must be honored," Altmaier told a news conference. "That means negotiations should not be burdened by any unilateral changes made to the content of agreements made between the EU and Britain." Britain unveils legislation on Wednesday for life outside the European Union, having thrown its trade talks with the bloc into jeopardy by announcing in advance that the new plans would break international law and "clarify" a deal it signed in January. Altmaier added that all opportunities for negotiations on Brexit should be used and an agreement largely depended on the good will of both sides. (Reuters)
- **France says US blocking global digital tax talks –** The US government is blocking international talks on cross-border taxation of digital giants and Europe should prepare to go ahead with a European tax if there is no global deal by year end, French Finance Minister Bruno Le Maire said on Wednesday. "It's very clear, the US don't want a digital tax (deal) at the OECD. So they are making obstacles that prevent us from reaching an agreement even though the technical work is done," Le Maire told journalists. "If the US blockage is confirmed by year end, we

are counting on the European Union to make a formal proposal to tax digital activities in the first quarter of 2021," Le Maire added. (Reuters)

- **Japan's Suga vows to put growth ahead of fiscal reform, stay course on Abenomics –** Yoshihide Suga, on course to become Japan's next prime minister, said he would maintain incumbent premier Shinzo Abe's policy prioritizing economic growth over efforts to fix the country's tattered finances. Suga, Japan's chief cabinet secretary, also said he would continue to focus on revitalizing regional economies, which he described as among key pillars of "Abenomics". "A strong economy is necessary for social welfare, national security and fiscal reform," Suga told a debate hosted by the ruling party on Wednesday. "We must first revive the economy, because only then can we push through fiscal reform." The remarks reinforce market expectations that an administration led by Suga won't trigger big changes to the pro-growth economic policies Shinzo Abe championed during his nearly eight-year stint as prime minister. If he becomes Japan's next leader, Suga will face the daunting task of containing the coronavirus pandemic while managing the economic consequences. Japan, the world's third-largest economy, sank deeper into its worst postwar recession in the second quarter, data showed on Tuesday, underscoring the challenges policymakers faces in dealing with the economic blow from COVID-19. (Reuters)
- **Japan's rebounding July machinery orders tempered by fragile business outlook –** Japan's machinery orders rebounded in July from a sharp fall in the previous month, a welcome relief for the coronavirus-stricken economy but the outlook for capital spending remained uncertain due to fragile global business conditions. Corporate Japan is facing strains from steep declines in earnings, discouraging business investment as the economy grapples with its worst postwar slump. Core machinery orders, a highly volatile data series regarded as an indicator of capital spending in the coming six to nine months, grew 6.3% in July after a 7.6% decline in June. The rise was bigger than a 1.9% gain seen by economists in a Reuters poll. "Corporate earnings are likely to remain in a sluggish state in the second half of the fiscal year," said Takeshi Minami, chief economist at Norinchukin Research Institute. Orders from manufacturers advanced 5.0%, while those from non-manufacturers gained 3.4%, the Cabinet Office data showed on Thursday. The government maintained its assessment on machinery orders to say they were on a decreasing trend. Overseas orders rose for the first time in five months, gaining 13.8% in July from the previous month to highlight a pickup in external demand. From a year earlier, core machinery orders were down 16.2% in July, not far off an expected 18.3% decline. (Reuters)
- **China says US trying to incite instability with proposed orders to block Xinjiang imports –** China's foreign ministry, when asked about reports that the United States may ban some imports from China's Xinjiang region over alleged human rights violations, said this is a pretext to oppress Chinese customers and incite instability. The US has no right or qualification to intervene, foreign ministry spokesman Zhao Lijian said at a daily news conference in Beijing on Wednesday. US Customs and Border Protection officials have prepared orders to block imports of cotton and tomato products from Xinjiang over allegations - dismissed by China - they are produced with forced labor, although a formal announcement has been delayed. (Reuters)
- **China factory prices fall at slowest rate in five months as recovery continues –** China's factory gate prices fell at their slowest annual pace in five months in August as the world's second-largest economy and its industries continued to recover from a slump caused by the coronavirus pandemic earlier this year. Annual producer prices fell for a seventh straight month but at a slower pace, while consumer prices saw more moderate growth due to falling pork price inflation. Core consumer prices however rose month-on-month for the first time since the coronavirus pandemic worsened in China in January. China's economy returned to growth in the second quarter of this year, underpinned by government stimulus and as the country managed to get the virus broadly under control. Recent indicators have pointed to a sustained recovery. The producer price index (PPI) fell 2.0% from a year earlier in August, the National Bureau of Statistics (NBS) said on Wednesday. That was in line with expectations in a Reuters poll, but the decline was more modest than the 2.4% drop in July. The consumer price index meanwhile rose 2.4% last month from a year earlier, as expected, but slower than a 2.7% annual increase in July, as food price inflation eased, driven by pork prices. (Reuters)
- **Brazil's food, fuel costs drive August inflation, but price pressures muted –** Brazilian inflation in August hit its highest in four years for that month, figures showed on Wednesday, driven by rising fuel and food costs, although it slowed from the previous month and annual inflation remained well below the central bank's goal. While some prices like food are rising in the short term due to specific factors like supply constraints or overseas demand, the deepest recession on record and huge labor market slack are keeping a lid on broader price pressures. This is likely to keep interest rates at record-low levels well into next year at least, economists say. "With the economic recovery likely to lose momentum from here on, core inflation should remain subdued," said William Jackson, chief emerging markets economist at Capital Economics. "Against this backdrop, Copom (the central bank's rate-setting committee) won't be in any rush to raise interest rates. We expect the Selic rate to remain at its current record low of 2.00% into 2022," he said. The IPCA consumer price index rose 0.24% in the month, government statistics agency IBGE said, the highest for any August since 2016 and almost exactly in line with the 0.23% that economists in a Reuters poll had expected. Prices rose 2.44% in the 12 months through August, also in line with the median forecast of 2.42% in the Reuters poll. That is still significantly below the central bank's official 2020 goal of 4.00%, and below the 2.5% floor of the target range. According to IBGE, the biggest drivers in August were a 0.82% rise in transport costs, and a 0.78% increase in food and drink prices. Between them, they accounted for 0.31 percentage points of inflation. Within the transport segment, gasoline prices jumped 3.22%, IBGE said. (Reuters)

Regional

- **Middle East funds eye stakes in retail arm of India's Reliance –** Middle East sovereign wealth funds, including the Abu Dhabi Investment Authority (ADIA) and Saudi Arabia's Public Investment Fund (PIF), are in talks to buy stakes in the retail arm of Indian billionaire Mukesh Ambani's Reliance Industries Ltd, the Financial Times reported on Wednesday. ADIA is in discussions to invest about $750mn at a valuation of roughly $57bn, while PIF could funnel as much as $1.5bn into Reliance Retail, the FT said, citing sources. Abu Dhabi investment firm Mubadala may also take a stake, according to the report. The discussions come as Reliance earlier in the day said US private equity firm Silver Lake Partners will invest $1.02bn in its retail business. KKR & Co Inc is in advanced talks to invest at least $1bn in Reliance Retail, Bloomberg reported on Wednesday. Reliance has been aggressively building its retail presence through acquisitions, moving beyond its mainstay oil and gas business. The company has said it aims to attract investors in Reliance Retail over the next few quarters. The conglomerate has raised a little more than $20bn from global investors, including Facebook Inc, by selling stakes in its Jio Platforms digital business. (Reuters)

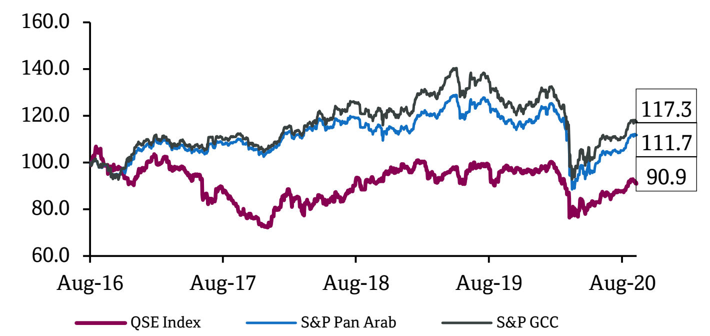
- **SAMA: Outlook for Saudi economy remains uncertain –** The outlook for Saudi Arabia's economy remains uncertain, the Kingdom's central bank governor said on Wednesday, as the oil exporter navigates the effects of low oil prices and the coronavirus pandemic. Governor of the Saudi Arabian Monetary Authority (SAMA), Ahmed Al-Kholifey speaking to a virtual Euromoney event, said he was confident in the country's financial stability and reiterated that the Kingdom was committed to keeping the riyal pegged to the US Dollar. "For us, in our situation, the cut in oil production and the impact of the virus, they have impacted the growth projections," he said. "The outlook for 2020 remains uncertain." The International Monetary Fund has estimated the Saudi economy could contract by 6.8% this year. Saudi officials have previously said their own projections were less "pessimistic" than that. The governor said the Saudi fixed exchange rate was one of the "overriding anchors" of stability of the financial sector in Saudi Arabia, but added caution was needed in the light of the economic stimulus that has been provided to the economy. The Saudi central bank in March launched a SR50bn package to support the private sector. In June, it announced the injection of SR50bn into the banking sector to support liquidity. "One has to be careful when you unplug that life support, what would happen, particularly for the quality of assets," he said. (Reuters)
- **Saudi Aramco completes expansion of Hawiyah Gas plant –** Saudi Aramco's completed a project to increase the capacity of its Hawiyah natural gas plant in the east of the country, the company said in its weekly magazine, The Arabian Sun. It has raised Hawiyah's processing capacity by 1.07 bcf/d to 3.7 bcf/d, "making it one of the largest gas plants in the world." The construction started in October 2018. (Bloomberg)
- **Saudi Binladin to hire more advisors for $15bn debt revamp –** Saudi Binladin Group plans to hire more advisers to accelerate one of the Middle East's biggest corporate-debt revamps and tackle its estimated $15bn debt pile. The Kingdom's top builder reached out to restructuring specialists across the Persian Gulf to assist with reorganizing the business, a spokesman for Jeddah-based SBG said. The consultants will assist Houlihan Lokey Inc., which was appointed in April to manage the group's turnaround. "Houlihan Lokey will be working with various consultants to review the business and charter a way forward for the newly capitalized SBG," the company said in a statement. The conglomerate, founded in 1931, was for decades the royal family's favored builder until a deadly accident in the Islamic Holy city of Mecca five years ago resulted in SBG being banned from taking on new projects for about eight months. Its woes were compounded as work across the Middle East dried up in the wake of lower oil prices and the economic fallout of the coronavirus. As part of the process of reducing expenses, SBG is imposing a hiring freeze and will not pay staff at its headquarters in Jeddah for working overtime, according to an internal memorandum seen by Bloomberg. (Bloomberg)
- **UAE moves to boost SME loans with moveable assets law –** The UAE will allow small and medium-sized businesses to use assets including tools and raw materials as collateral to back loans, in order to encourage lending to them. A federal law on "securing interest with movable property" expands the scope of previous legislation by including more assets that can be used as collateral and through other amendments that improve enforcement in case of defaults. SMEs often find securing finance challenging for a number of reasons, including their size and a lack of financial history on which banks could base lending decisions. "This law enables companies operating in various business sectors, especially SMEs, to benefit from their movable properties to secure their bank and commercial loans," Undersecretary at the UAE's Ministry of Finance, Younis Haji Al Khoori said in a statement on Wednesday. (Reuters)
- **Israel's Hapoalim expects UAE bank ties to follow normalization –** Israel's largest lender Bank Hapoalim expects to start working with banks in the UAE once the two Middle East states sign a normalization agreement, its Chief Executive said on Wednesday. The UAE and Israel are due to sign the agreement, brokered by the US, on September 15. The three sides have talked up the economic opportunities that normalization would bring, and several business cooperation agreements have already been signed. Hapoalim CEO, Dov Kotler said a correspondent banking relationship facilitating direct money transfers between the countries would help develop trade and business ties. "I believe that after the governments sign the agreement next week we will be able to work with the banking system here," he told Reuters during a visit to the UAE. In correspondent banking, a bank with no branch or network in a given country will typically channel payments there through a local bank that acts on its behalf. Kotler is leading an Israeli business delegation on a two-day visit to the UAE as the two countries develop bilateral economic relations. (Reuters)
- **UAE's July consumer prices fall 0.57% MoM and 2.1% YoY –** Federal Competitiveness and Statistics Authority in Dubai published UAE's consumer price for July which showed that consumer prices fell 0.57% MoM and 2.1% YoY. (Bloomberg)
- **PMI: Dubai non-oil private sector growth slows in August –** Dubai's non-oil private sector expanded marginally in August, its second straight month of growth, though at a slower pace than in July, while weak demand led to a sixth month of job cuts, a survey showed on Wednesday. The seasonally adjusted IHS Markit Dubai Purchasing Managers' Index (PMI) fell to 50.9 in August from 51.7 in July, slightly above the mark that separates growth from contraction. In June the index was at 50.0, emerging from three consecutive months of contraction. "Dubai's non-oil economy saw a disappointing slowdown in growth in August, as

the PMI fell for the first time since April," Economist at survey complier IHS Markit, David Owen said. "Firms have not seen a full-scale uplift in demand to pre-pandemic levels and many commented that market conditions remained strongly depressed." The Middle East's trade and tourism hub relies on foreign visitors and shoppers for a large chunk of revenue and was hit hard by virus containment measures. Output expanded for the third consecutive month in August, though at the slowest pace in that period, falling to 52.7 from 56.1 in July. Employment contracted for the sixth straight month and was largely in line with the average in that period, falling to 46.0 in August from 46.8 in July, as companies cut jobs and employee costs. (Reuters)

- **ADNOC awards $245mn contract to upgrade Jebel Dhanna terminal –** ADNOC Onshore, a subsidiary of Abu Dhabi National Oil Co. (ADNOC), awards two engineering, procurement, and construction contracts to upgrade two main oil lines and crude receiving facilities at the Jebel Dhanna terminal in Abu Dhabi. Contracts were awarded to China Petroleum Pipeline Engineering Co. and Abu Dhabi-based Target Engineering Construction. China Petroleum Pipeline Engineering share of contract at $135mn; Target at $110mn. (Bloomberg)
- **Tabreed plans to issue up to $1bn in bonds –** Dubai-listed National Central Cooling Co (Tabreed) is planning a potential issuance of up to $1bn in bonds or sukuk with a tenor of up to 30 years, it said in a stock exchange filing published on Wednesday. The company's board authorized such an issuance, in one or more tranches, over the next 12 months and said the timing would be determined as it sees fit. They will be offered to qualified investors but not be for public subscription in the United Arab Emirates and will not be listed on any UAE financial market. In April, Tabreed bought an 80% stake in Emaar Properties' Downtown Dubai district cooling business for AED2.48bn. Emaar kept a 20% share in the business. Tabreed has closed the syndication of a $692mn five-year loan that was pre-funded by HSBC in March to fund the acquisition, it said in a statement on Wednesday. The loan will also "support the development of a new state-of-the-art district cooling plant in Downtown Dubai." Maturing in March 2025, the syndicated loan has Islamic and conventional tranches. Tabreed's biggest shareholders are France's Engie and Abu Dhabi state fund Mubadala Investment Company. (Reuters)
- **Kuwait parliament approves state budget with $46bn deficit –** Kuwait's parliament approved the state budget for the current fiscal year, projecting a deficit of $46bn after making adjustments to account for lower oil prices and a cut in spending. Expenditure is now estimated at about KD21.6bn after slashing almost KD1bn since the Finance Ministry unveiled its plan in January. The decrease has not affected subsidies, benefits or employees' rights, according to Lawmaker, Adnan AbdulSamad, who heads the budgets committee. Revenue in the fiscal year that started April 1 is projected to drop by more than half to KD7.5bn, under the assumption that oil will average $30 a barrel. The government originally designed the budget by calculating crude at $55, before the pandemic drove prices lower and added pressure on state finances. The challenge now is how to finance Kuwait's seventh consecutive shortfall given that parliamentary authorization to sell or refinance debt expired in 2017. The deficit will likely narrow since energy markets have recovered, AbdulSamad said. The lack of a new public debt law has made it impossible for the government to borrow, forcing it to rely on the General Reserve Fund instead. Liquid assets there are close to being depleted, forcing the Finance Ministry to push through other measures to meet spending needs. State salaries, along with subsidies, account for about 73% of total outlays. (Bloomberg)
- **Oman plans debt sales to cover Gulf's biggest budget deficit –** Oman's government is planning to tap international and local debt markets this year as it seeks to plug the widest budget deficit among Gulf Arab economies. The Sultanate, rated junk by the three major rating companies, hired Bank Muscat for a local-currency Islamic bond offering, according to the Finance Ministry. The sale will target local and small investors through a book-building process, it said in a statement on Wednesday. The Finance Ministry did not provide details of what would be its first international debt offering in over a year. The biggest Arab oil exporter outside OPEC was among the more vulnerable economies in the six-nation GCC even before the virus outbreak and the crash in oil. Oman's dire financial straits are a major challenge for Sultan, Haitham Bin Tariq Al Said, who took power in January. The Finance Ministry said it "is working to complete its funding plan, which includes an international bond and Sukuk offering to fund the remainder of its needs this year." Oman is following other governments from the region in offering debt as they take advantage of low borrowing costs. Bahrain on Wednesday became the latest sovereign issuer to wade back into debt markets. Besides signing a bridge loan for OMR770mn and issuing OMR550mn in development bonds this year, the ministry said Oman has also been tapping its reserves and privatizing some assets. (Bloomberg)
- **Saudi 'proxy' Bahrain grabs $2bn with bond comeback –** Bahrain sold $2bn in its second bond offering of the year on Wednesday, a dual-tranche issuance comprising seven-year Sukuk, or Islamic bonds, and a 12-year conventional tranche. The small oil producer, which averted a credit crunch in 2018 with a $10bn aid package from its wealthy Gulf neighbors, raised $2bn in May to bolster finances battered by low oil prices and the coronavirus crisis. On Wednesday it sold $1bn in Sukuk at 3.95% and $1bn in 12-year bonds at 5.45%, receiving more than $7.6bn in combined orders for the paper on offer, a document from one of the banks arranging the deal showed. Rated 'junk' by S&P and Fitch, Bahrain began marketing the deal at around 4.5% for the Sukuk and around 5.75% for the conventional bonds earlier on Wednesday. Fund managers said the yields were tight compared with similarly rated issuers and considering Bahrain's weak credit standing, with a debt-to-GDP ratio of 114.9% as of the end of June. "Bahrain can offer a significantly lower yield than an issuer like Egypt because of the explicit support of its Gulf neighbors," Head of credit strategies at Rasmala Investment Bank, Doug Bitcon said. "Investors in many ways see it as a proxy for Saudi Arabia, albeit with a healthy premium, which explains the strong demand." (Reuters)
- **Bahrain's Bank ABC plays down Fitch downgrade –** Bank ABC has said its Fitch ratings downgrade, which followed the downgrade of Bahrain's sovereign rating, will not lead to imminent pressure on the bank's funding or pricing. Reuters reported on Tuesday that Bank ABC was in preliminary talks to

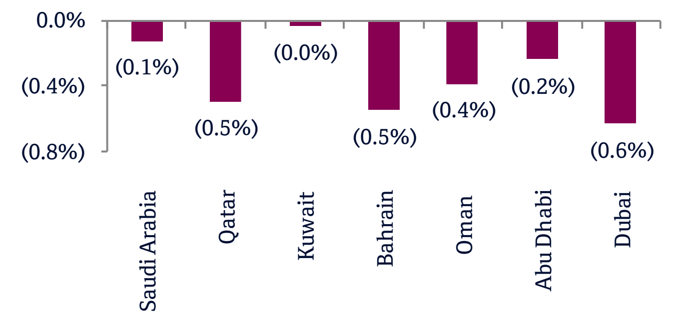
buy Blom Bank's Egyptian subsidiary. The Bahraini bank has a network of 28 branches spread across major cities in Egypt. Fitch announced the ratings action following the downgrading of Bahrain to B+ from BB-, meaning Bank ABC has been downgraded from BBB- to BB+. "The downgrade of Bahrain by one notch to B+ has therefore created a technical move of ABC's rating lower to BB+, maintaining a three-notch technical limit uplift to sovereign rating," the bank said in a press release. "However, Fitch has reaffirmed the resilience of Bank ABC. Such reaffirmation resonates with other rating agencies such as S&P and Capital Intelligence (CI), which are not bound by these technical limits." Group CEO, Bank ABC, Khaled Kawan said: "Our underlying business and balance sheet remains strong, with the latter being further bolstered by the retention of the 2019 dividend. "On Basel III basis, 1H2020 CET1 was 16.0%, LCR 215% and NSFR 121%. All of the bank's stakeholders can continue to place great confidence in ABC's strength, strategy and asset quality, recognized to be investment grade, but for this technical factor which we all hope will only be temporary." (Zawya)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,946.84	0.8	0.7	28.3
Silver/Ounce	26.98	1.2	0.3	51.1
Crude Oil (Brent)/Barrel (FM Future)	40.79	2.5	(4.4)	(38.2)
Crude Oil (WTI)/Barrel (FM Future)	38.05	3.5	(4.3)	(37.7)
Natural Gas (Henry Hub)/MMBtu	2.19	(6.8)	21.7	4.8
LPG Propane (Arab Gulf)/Ton	46.00	1.1	(4.2)	11.5
LPG Butane (Arab Gulf)/Ton	51.25	2.0	(1.9)	(21.8)
Euro	1.18	0.2	(0.3)	5.3
Yen	106.18	0.1	(0.1)	(2.2)
GBP	1.30	0.2	(2.1)	(1.9)
CHF	1.10	0.6	0.1	6.1
AUD	0.73	1.0	0.0	3.7
USD Index	93.26	(0.2)	0.6	(3.3)
RUB	75.33	(1.3)	(0.1)	21.5
BRL	0.19	1.0	(0.1)	(24.3)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,393.75	1.7	(0.2)	1.5
DJ Industrial	27,940.47	1.6	(0.7)	(2.1)
S&P 500	3,398.96	2.0	(0.8)	5.2
NASDAQ 100	11,141.56	2.7	(1.5)	24.2
STOXX 600	369.65	1.7	1.9	(6.6)
DAX	13,237.21	2.1	2.8	5.2
FTSE 100	6,012.84	1.1	1.9	(21.8)
CAC 40	5,042.98	1.5	1.3	(11.3)
Nikkei	23,032.54	(1.3)	(0.7)	(0.2)
MSCI EM	1,085.75	(0.2)	(1.3)	(2.6)
SHANGHAI SE Composite	3,254.63	(1.7)	(2.9)	8.7
HANG SENG	24,468.93	(0.6)	(0.9)	(12.8)
BSE SENSEX	38,193.92	(0.0)	(0.5)	(10.1)
Bovespa	101,292.00	2.0	0.2	(33.5)
RTS	1,201.34	1.0	(1.5)	(22.4)

Source: Bloomberg (*$ adjusted returns)

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