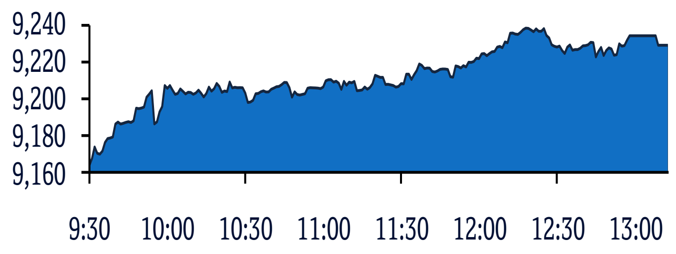
Daily Market Report

Thursday, 18 June 2020

QSE Intra-Day Movement



Qatar Commentary

The QE Index rose 0.8% to close at 9,229.9. Gains were led by the Transportation and Banks & Financial Services indices, gaining 1.5% and 1.1%, respectively. Top gainers were Qatar Oman Investment Company and Baladna, rising 6.1% and 6.0%, respectively. Among the top losers, Qatari Investors Group fell 1.2%, while Gulf International Services was down 1.0%.

GCC Commentary

Saudi Arabia: The TASI Index rose marginally to close at 7,309.7. Gains were led by the Consumer Serv. and Media & Ent. indices, rising 1.6% and 1.5%, respectively. Saudi Paper rose 10.0%, while Allianz Saudi Fransi Coop. Insurance was up 9.9%.

Dubai: The DFM General Index gained marginally to close at 2,071.0. The Banks index rose 1.0%, while the Transportation index gained 0.1%. Dubai Islamic Insurance and Reins. Co. rose 1.6%, while National Central Cooling was up 1.5%.

Abu Dhabi: The ADX General Index rose 1.1% to close at 4,376.4. The Industrial index gained 4.4%, while the Real Estate index rose 2.4%. Gulf Pharmaceutical Industries gained 9.2%, while Arkan Building Materials Company was up 4.7%.

Kuwait: The Kuwait All Share Index declined 0.2% to close at 5,044.0. The Financial Services index fell 2.7%, while the Basic Materials index declined 0.3%. Egypt Kuwait Holding Co. fell 13.8%, while Educational Holding Group was down 4.8%.

Oman: The MSM 30 Index fell 0.2% to close at 3,520.7. Losses were led by the Industrial and Financial indices, falling 0.3% and 0.2%, respectively. Almaha Ceramics fell 4.4%, while Galfar Engineering and Con. was down 3.8%.

Bahrain: The BHB Index fell 0.4% to close at 1,274.3. The Commercial Bank index declined 0.7%, while the other indices remained flat or closed in the green. GFH Financial Group declined 2.0%, while Al Salam Bank - Bahrain was down 1.5%.

Market Indicators	17 Jun 20	16 Jun 20	%Chg.
Value Traded (QR mn)	330.0	322.0	2.5
Exch. Market Cap. (QR mn)	525,622.2	520,319.7	1.0
Volume (mn)	188.4	207.8	(9.4)
Number of Transactions	8,191	7,473	9.6
Companies Traded	46	45	2.2
Market Breadth	30:14	29:12	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	17,744.24	0.8	(0.0)	(7.5)	14.5
All Share Index	2,867.32	0.9	0.2	(7.5)	15.2
Banks	4,003.93	1.1	0.6	(5.1)	13.2
Industrials	2,601.85	0.7	(0.7)	(11.3)	20.7
Transportation	2,694.13	1.5	1.6	5.4	13.1
Real Estate	1,444.42	0.8	0.8	(7.7)	14.3
Insurance	2,012.03	(0.2)	(1.3)	(26.4)	34.3
Telecoms	865.36	0.3	(1.9)	(3.3)	14.5
Consumer	7,429.47	0.2	0.0	(14.1)	19.0
Al Rayan Islamic Index	3,707.51	0.8	0.7	(6.2)	17.1

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Qatar Int. Islamic Bank	Qatar	8.53	3.8	4,940.6	(11.9)
Abu Dhabi Comm. Bank	Abu Dhabi	5.23	3.0	4,897.0	(34.0)
Qatar Gas Transport Co.	Qatar	2.57	2.6	4,820.0	7.3
Aldar Properties	Abu Dhabi	1.77	2.3	19,366.1	(18.1)
Almarai Company	Saudi Arabia	54.70	1.9	650.0	10.5

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
Bank Muscat	Oman	0.33	(2.9)	929.6	(20.2)
National Shipping Co.	Saudi Arabia	35.35	(2.9)	1,271.6	(11.6)
Emaar Economic City	Saudi Arabia	7.01	(2.6)	5,418.8	(26.6)
Dar Al Arkan Real Estate	Saudi Arabia	7.33	(2.3)	56,209.3	(33.4)
Saudi Kayan Petrochem.	Saudi Arabia	8.64	(1.9)	6,152.6	(22.2)

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 Oman Investment Company	0.63	6.1	8,018.3	(6.4)
Baladna	1.22	6.0	17,878.9	22.0
Qatar International Islamic Bank	8.53	3.8	4,940.6	(11.9)
Dlala Brokerage & Inv. Holding Co.	1.05	3.8	3,219.9	71.8
Aamal Company	0.69	3.8	23,948.6	(15.0)

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Aamal Company	0.69	3.8	23,948.6	(15.0)
Qatar Aluminium Manufacturing	0.75	(0.7)	21,651.0	(4.6)
Baladna	1.22	6.0	17,878.9	22.0
Ezdan Holding Group	0.93	0.4	15,721.7	50.4
Alijarah Holding	0.77	(0.6)	9,796.1	8.5

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Qatari Investors Group	1.71	(1.2)	1,788.4	(4.5)
Gulf International Services	1.53	(1.0)	1,637.3	(11.3)
Qatar Insurance Company	1.97	(0.7)	6,667.7	(37.5)
Qatar Aluminium Manufacturing	0.75	(0.7)	21,651.0	(4.6)
Alijarah Holding	0.77	(0.6)	9,796.1	8.5

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
Qatar International Islamic Bank	8.53	3.8	41,620.0	(11.9)
QNB Group	17.89	1.6	38,888.0	(13.1)
Baladna	1.22	6.0	21,684.9	22.0
Aamal Company	0.69	3.8	16,448.8	(15.0)
Qatar Aluminium Manufacturing	0.75	(0.7)	16,326.1	(4.6)

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*	9,229.93	0.8	(0.0)	4.4	(11.5)	90.08	143,284.6	14.5	1.3	4.3
Dubai	2,070.97	0.0	(1.5)	6.5	(25.1)	55.46	79,662.5	6.2	0.6	4.5
Abu Dhabi	4,376.42	1.1	1.9	5.7	(13.8)	55.76	494,050.0	13.6	1.1	13.6
Saudi Arabia	7,309.67	0.0	(0.0)	1.3	(12.9)	1,638.98	2,208,859.9	22.2	1.6	3.5
Kuwait	5,044.03	(0.2)	(0.9)	1.0	2.7	60.87	7,910.0	21.4	0.7	3.6
Oman	3,520.74	(0.2)	0.2	(0.7)	(11.6)	1.79	15,285.8	9.8	2.6	6.8
Bahrain	1,274.28	(0.4)	(0.5)	0.4	(20.9)	3.13	7,280.0	9.2	0.8	5.5

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

Qatar Market Commentary

- The QE Index rose 0.8% to close at 9,229.9. The Transportation and Banks & Financial Services indices led the gains. The index rose on the back of buying support from Qatari shareholders despite selling pressure from GCC and non-Qatari shareholders.
- Qatar Oman Investment Company and Baladna were the top gainers, rising 6.1% and 6.0%, respectively. Among the top losers, Qatari Investors Group fell 1.2%, while Gulf International Services was down 1.0%.
- Volume of shares traded on Wednesday fell by 9.4% to 188.4mn from 207.8mn on Tuesday. Further, as compared to the 30-day moving average of 218.3mn, volume for the day was 13.7% lower. Aamal Company and Qatar Aluminium Manufacturing Company were the most active stocks, contributing 12.7% and 11.5% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	37.22%	40.43%	(10,589,372.10)
Qatari Institutions	25.01%	18.09%	22,809,646.92
Qatari	**62.23%**	**58.52%**	**12,220,274.82**
GCC Individuals	1.01%	1.54%	(1,736,198.08)
GCC Institutions	1.14%	1.10%	153,653.71
GCC	**2.15%**	**2.64%**	**(1,582,544.37)**
Non-Qatari Individuals	11.09%	13.27%	(7,220,120.73)
Non-Qatari Institutions	24.53%	25.57%	(3,417,609.72)
Non-Qatari	**35.62%**	**38.84%**	**(10,637,730.44)**

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

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
06/17	US	Mortgage Bankers Association	MBA Mortgage Applications	12-Jun	8.0%	–	9.3%
06/17	UK	UK Office for National Statistics	CPI MoM	May	0.0%	0.0%	-0.2%
06/17	UK	UK Office for National Statistics	CPI YoY	May	0.5%	0.5%	0.8%
06/17	EU	Eurostat	CPI YoY	May	0.1%	0.1%	0.3%
06/17	EU	Eurostat	CPI MoM	May	-0.1%	-0.1%	-0.1%

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

News

Qatar

- **S&P affirms AKHI's insurer financial strength and issuer credit ratings at 'BBB' –** S&P Global Ratings (S&P) affirmed its 'BBB' insurer financial strength and issuer credit ratings on Al Khaleej Takaful Insurance Company (AKHI). The outlook is 'Stable'. The affirmation reflects S&P's view of AKHI's better operating performance than the average for its domestic and regional peers, and the limited impact on AKHI from the COVID-19 pandemic. In 2019, AKHI reported gross written premium of QR296mn, about 11% higher than in 2018. The company has consistently outperformed the market average and continues to enjoy a top-tier technical performance. It reported a net combined ratio of 83% in 2019, resulting in net profits of QR30mn. The COVID-19 pandemic and related capital-market volatility has had a limited impact on AKHI. While S&P anticipates that 2020 premium growth will slow to the low-single digits, S&P believes that AKHI will maintain its technical performance, since it generally excludes pandemic risk from its policies. In the 1Q2020, the company experienced a negative movement in its fair value reserve of QR40mn, due to its material exposure to equity investments. Nonetheless, the company's risk-based capital is unaffected by this drop and remains well in excess of our 'AAA' requirements. In addition, S&P noted that the stock markets have recovered since the peak of the pandemic, reversing some of the unrealized losses AKHI reported in the first quarter. The 'Stable' outlook indicates S&P's expectations that AKHI will continue to generate profitable earnings and maintain capital adequacy at the 'AAA' level, and that S&P will not observe any significant governance-related issues over the next two years. (Bloomberg)
- **MCCS announces the results of its board of directors meeting –** Mannai Corporation (MCCS) announced the results of its board of directors' meeting held on June 17, 2020 through videoconferencing and discussed administrative and operational matters of the company. (QSE)
- **Qatar Airways will not take new aircraft in 2020 or 2021 –** Qatar Airways will not take any new planes from Boeing or Airbus in 2020 or 2021, Chief Executive Akbar Al-Baker said, adding that there would be a knock-on effect to future deliveries due to the COVID-19 pandemic. The Chief Executive said, "Quite a lot of (deliveries) will be deferred. We have already notified both Boeing and Airbus that we will not be taking any aero-planes this year or next year. All the other aircraft that we have on order that were supposed to be delivered to us within the next two or three years, will now be pushed back to as long as nearly eight to ten years." (Reuters)
- **Quarterly FTSE Russell Index Rebalance to take place today –** Quarterly FTSE Russell Index Rebalance will be taking place today which may result in increased activity through and during the closing session (QNB FS Research)
- **Qatar's LNG expansion projects will not be affected by current volatility –** The Secretary-General of Gas Exporting Countries

Forum (GECF), Yury Sentyurin has said that Qatar's LNG expansion program, which aims to increase LNG output by nearly 64% over the next seven years, will not be affected by the current volatility in the global gas market. The Secretary-General of the Doha-based Forum also noted that Qatar Petroleum enjoys significant cost competitive advantage compared to other gas producers, and by the time the post-moratorium volumes hit the market, gas demand in longer-term will be robust enough to accommodate additional supplies. "The Qatar expansion plans have been announced to keep going ahead as per the schedule. Based on the announced projects, Qatar will expand its capacity of LNG production to 110mpta by 2025 and 126mtpa by 2027. By the time these projects are expected to come online, the impact of COVID-19 is likely have been recovered. Definitely, a delay in improving demand will come to play in the market. Still, it will only be a time delay and the market will still need LNG to meet the demand in longer-term," Sentyurin told The Peninsula in an exclusive interview. He added, "Based on the benefits Qatar enjoys due to the lower cost of the production from the mammoth North Field and other planned measures at Qatar Petroleum such as a 30% cost reduction, we think these projects can easily be accommodated into the market." Commenting about the impact of the coronavirus pandemic on future gas development projects and FIDs (Final Investment Decisions) in other countries, he noted that the global gas markets, currently, are experiencing increasing complexity. COVID-19 has amplified the level of uncertainty about the competitiveness of the new projects. The unfortunate pandemic has exacerbated the risks that were already in place, created by the over-supply markets, a mild winter, and low-level prices. (Peninsula Qatar)

- **Real estate trading volume exceeds QR962mn in a week –** The volume of real estate trading in sales contracts at the Department of Real Estate Registration at the Ministry of Justice during the period from June 7 to June 11 reached QR962.896mn. The weekly bulletin issued by the department showed that the list of real estate properties traded for sale has included vacant lands, houses, residential buildings, multi-purpose vacant lands, apartment complexes, a tower, and a multi-purpose building. The sales were concentrated in Doha, Al-Daayen, Al-Rayyan, Al-Wakrah, Al-Shamal, Umm Slal, Al-Khor, and Al-Dakhira. (Qatar Tribune)

International

- **Fed's Powell beats drum for more government aid to bolster economy –** The US economy is beginning to recover from the worst of the coronavirus crisis, but with some 25mn Americans displaced from work and the pandemic ongoing, it will need more help, Federal Reserve Chair Jerome Powell told lawmakers on Wednesday. "We at the Fed need to keep our foot on the gas until we are really sure we are through this, and that's our intention, and I think you may find that there's more for you to do as well," Powell said in testimony via a video link to the US House of Representatives Financial Services Committee. "It would be a concern if Congress were to pull back on the support that it's providing, too quickly," he said. With the road back from recession likely to take some time, Powell said interest rates will likely need to stay near zero for "an extended period" and the US central bank will continue to buy bonds to push down on longer-term borrowing costs. But the Fed chief, who also testified before the Senate Banking Committee on Tuesday, noted that Congress must also do its part. Referring to people whose jobs will be slow to return, such as those employed in the travel and restaurant sectors, Powell said it was "better to keep them in their apartment, better to keep them paying their bills." "We should find ways as a country to support those people and help them through this difficult part of their lives," he said. It will be particularly important, Powell said, for Congress to extend in some form the extra $600 weekly payments to the unemployed that were part of a relief package passed in March and that will expire in July. "You would not want to go all the way to zero on that," he said. State and local governments, as well as small businesses, also will need some aid, he said. (Reuters)
- **US homebuilding rises moderately; jump in permits hints at green shoots –** US homebuilding increased less than expected in May, but a strong rebound in permits for future home construction suggested the housing market was starting to emerge from the COVID-19 crisis along with the broader economy. Other data on Wednesday showed applications for loans to buy a home surged to a near 11-1/2-year high last week. The reports followed on the heels of data on Tuesday showing a record surge in retail sales in May. Employers hired a historic 2.5mn workers last month. Activity, however, remains well below pre-COVID-19 levels and economists warn it could take even a decade for the economy to fully recover from the global pandemic. Federal Reserve Chair Jerome Powell also warned on Tuesday of the long road to recovery. The economy slipped into recession in February. Housing starts rose 4.3% to a seasonally adjusted annual rate of 974,000 units last month, the Commerce Department said. The increase recouped only a fraction of the more than 40% cumulative decline in homebuilding in March and April. Starts dropped 23.2% on a YoY basis in May. The rise in starts last month was tempered by a 0.1% gain in single-family homebuilding, which accounts for the largest share of the housing market, to a rate of 675,000 units. Steep decreases in homebuilding the Midwest and populous South offset robust increases in the West and Northeast. Starts for the volatile multi-family housing segment jumped 15.0% to a pace of 299,000 units. (Reuters)
- **UK inflation hits four-year low on oil price fall, COVID impact –** British inflation fell to its lowest since June 2016 last month as the coronavirus pandemic sucked demand from the global economy and oil prices tumbled, leaving the Bank of England free to ramp up its stimulus program again. Consumer price inflation slowed to 0.5% from April's 0.8%, the Office for National Statistics (ONS) said, in line with the average forecast in a Reuters poll of economists. "There was a continued drop in prices at the pump in May, following the huge crude price falls seen in recent months," ONS Deputy National Statistician Jonathan Athow said. Core inflation — which excludes typically volatile energy, food, alcohol and tobacco prices — showed less of a decline, falling to 1.2% from April's 1.4%. The BoE's Monetary Policy Committee is expected to announce an extra 100bn Pounds ($126bn) of bond purchases on Thursday, following on from 200bn Pounds of bond purchases it started in March. Samuel Tombs of Pantheon Macroeconomics forecast that inflation would hover around zero for the rest of the year. "The outlook for extremely low inflation, then, fully justifies the

MPC announcing more quantitative easing at tomorrow's meeting," he said. Britain's economy suffered a record slump of more than 20% in April due to the closure of non-essential businesses to the public to slow the spread of COVID-19. Last month the BoE said weaker demand, lower oil prices and a regulatory cap on household energy and water bills, were likely to keep inflation below 1% for several months. The ONS was unable to collect prices on 14% of the goods and services it normally would because of the lockdown — including drinks at pubs, haircuts and foreign holidays — though some items such as takeaway coffee did become available again. Major factors pushing down on inflation in May included fuel, clothing and transport costs. Prices for fuel and lubricants showed their biggest annual fall on record, down 16.7%, while clothing prices were 3.1% lower, the biggest drop since July 2010. (Reuters)

- **Cheaper energy slows Eurozone inflation as expected in May –** Eurozone inflation slowed further YoY in May, as expected, pulled down by falling energy prices, data from the European Union's statistics office Eurostat showed on Wednesday. Eurostat said consumer prices in the 19 countries sharing the Euro fell by 0.1% MoM for a 0.1% YoY rise — as expected in a Reuters poll of economists — a deceleration from 0.3% YoY in April and 0.7% in March. More costly food, alcohol and tobacco added 0.64 percentage points to the final YoY reading for May, more expensive services added another 0.59 point and industrial goods added 0.06 point, but a plunge in energy prices subtracted 1.20 point. Excluding the most volatile elements of energy and unprocessed food prices — what the European Central Bank calls core inflation — prices were flat month-on-month and rose 1.2% year-on-year in May, accelerating from 1.1% in April. An even narrower measure often looked at by financial markets which also excludes changes in prices of alcohol and tobacco, was also flat MoM and unchanged from April at 0.9% growth YoY. The ECB wants to keep the overall headline inflation below, but close to 2% over the medium term. (Reuters)
- **ECB: Eurozone banks heavily exposed to dirtiest industries –** Eurozone banks are heavily exposed to carbon-intensive industries and face significant climate-change related risks so they must start to build capacity now to manage these, European Central Bank (ECB) supervisor Andrea Enria said on Wednesday. Wanting banks to take greater responsibility for their lending, the ECB has asked banks to start publicly disclosing data on their climate-related and environmental risks and told them to include these factors in longer-term business strategy. "An abrupt transition to a low-carbon economy would have a severe impact on climate-sensitive economic sectors, triggering an increase in banking system losses of up to 60% compared with a baseline scenario," Enria said in a speech. "On average, 15% of significant institutions' exposures are to the most carbon-intensive firms, Enria added, referring to Europe's biggest banks, which are directly supervised by the ECB. The problem is that climate risk tends to materialize over the long term while banks typically look at risks over the coming year and regulatory requirements reinforce this short-sighted approach, Enria added. Although the ECB has said fighting climate change is "mission critical", the bank has faced criticism over its corporate bond purchases which include billions of euros of debt of the most polluting firms. But the bank said excluding firms from bond buys based on their activity is beyond the realm of monetary policy and would thus exceed its mandate. (Reuters)
- **ECB: Europe's wage schemes shielded households from most income losses –** Government wage subsidy schemes shielded eurozone households from the majority of income losses during the bloc's pandemic-induced recession, and wage losses are now rapidly diminishing, a European Central Bank study showed on Wednesday. Under various "short-time work" initiatives, companies can temporarily cut working hours in periods of economic stress and governments pay most of the lost wages in exchange for job guarantees. Without such arrangements, households in the currency bloc would have lost 22% of their labor income at the height of the lockdown, but the actual loss was only around 7%, the ECB said in an Economic Bulletin article. "After the end of the lockdowns the low impact period illustrates that the loss in net labor income could diminish to -3%, while short-time work benefits rapidly diminish," the ECB added. Over 35mn workers in the five biggest Euro zone countries may have been on a short-time work scheme at the height of the crisis, the ECB said, a key reason why unemployment rose to just 7.3% in April, half of the rate in the US. The scheme, which allowed Germany to emerge from its 2009 recession quicker than most others, preserves jobs, household spending power and corporate margins, expediting any recovery. "Reducing household income uncertainty is a further channel through which public policy can help to alleviate the adverse effects of the coronavirus pandemic on household spending," the ECB added. (Reuters)
- **INSEE: French economy to slump 17% in second-quarter despite May rebound –** France's economy should shrink less than expected in the second quarter as business activity began recovering in May after a nationwide lockdown was eased, the INSEE official statistics agency forecast on Wednesday. INSEE said the Eurozone's second-biggest economy should contract 17% in the second quarter after a previous forecast last month of a 20% contraction. The agency estimated that the economy was running at 22% below normal levels after the lockdown, imposed in mid-March, was eased on May 11. Activity was down as much as 33% in April. Economic activity would be 12% below normal levels in June, INSEE said. A rebound underway in consumer spending was also expected to prove sustainable, INSEE said. Consumer spending was only 7% below normal levels in May as more shops were allowed last month to reopen. Consumer spending was 31% below normal levels in April. Consumer spending, traditionally the motor of French economic activity, was expected to be 5% below normal levels in June, INSEE estimated. The agency said April would remain the worst-ever month the French economy has seen in peace time since records began. French government put the country under one of Europe's most stringent lockdowns in mid-March to fight the COVID-19 pandemic spread. (Reuters)
- **Japan's exports fall most since 2009 as US demand slumps –** Japan's exports fell in May at the fastest pace since the global financial crisis as US-bound car shipments plunged, bolstering expectations for a deeper contraction in the world's third-largest economy this quarter. Weak global appetite for cars and slowing business spending could drag on Japan's export-led economy, as China-bound trade remains weak, dashing hopes mainland

demand could offset the weakness seen in other major trading partners. Official data out on Wednesday showed Japan's exports fell 28.3% in the year to May, the largest slump since September 2009. The result was worse than a 26.1% decrease expected in a Reuters poll and extended double-digit declines for a third straight month. US-bound exports - Japan's key market - halved to mark the biggest annual drop since March 2009, due to more than 70% declines in shipments of cars and car parts. Japan is the world's second-largest exporter of autos. US-bound exports fell to 588bn Yen ($5.48bn), the lowest since February 2009, shrinking Japan's trade surplus with the United States to 10bn Yen, the smallest since records began in January 1979. The plunge in US-bound exports weighed on Japan's automaker stocks with Mazda Motor, Hino Motors and Isuzu Motors all losing more than 4%. (Reuters)

- **China Vice Premier Liu He says monetary policy should be more flexible –** China's Vice Premier Liu He said China's prudent monetary policy should be more flexible, and it should strengthen counter-cyclical adjustments in economic management, in prepared remarks delivered on Thursday. Liu's speech also said that China will keep aggregate policy appropriate and keep liquidity reasonably ample. Liu's speech was delivered at a forum in Shanghai by Yi Huiman, the head of China's securities regulator. (Reuters)
- **Brazil cuts interest rates to new low, leaves door open for 'residual' easing –** Brazil's central bank cut its benchmark interest rate by 75 basis points to a record low of 2.25% on Wednesday, as expected, and said there was some room left for further monetary stimulus to support an economy ravaged by the coronavirus pandemic. With inflation running significantly below target this year and set to undershoot again next year, policymakers indicated the potential for further "residual" easing in coming months. "The pace of cuts will slow, and many in the market will take 'residual' to mean 25 basis points. But I think it could be 50 basis points in August," said Tatiana Pinheiro, chief economist at BNP Paribas Asset Management in Sao Paulo. Brazilian interest rate futures market pricing on Wednesday indicated that another cut in the Selic rate to 2.00% by the end of the year was more likely than not. Wednesday's move was the second straight 75 basis point cut, and policymakers rowed back on their steer last month that 2.25% would be a floor. Forecasts indicate the Brazilian economy is heading for its steepest annual drop on record. The bank's rate-setting committee, known as Copom, said its decision was unanimous. A Reuters survey of 38 economists this month had predicted a rate cut of 75 basis points. (Reuters)

Regional

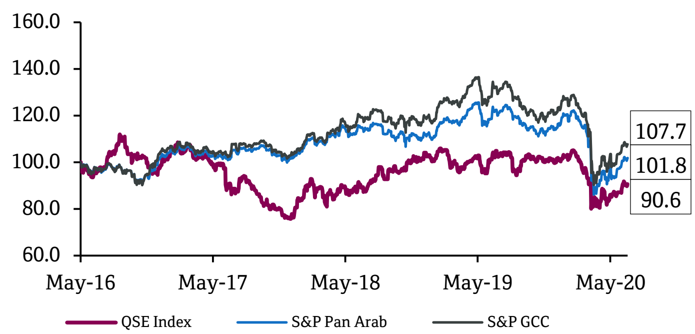
- **OPEC sees gradual oil demand recovery in second half of year –** OPEC forecast on Wednesday a gradual recovery in global demand for oil, which has been hammered by the coronavirus crisis, and said record supply cuts by producers were already helping to rebalance the market. In a monthly report, the OPEC said demand would decline by 6.4mn bpd in the second half of 2020, less than the drop of 11.9mn bpd in the first six months of the year. Oil prices collapsed as government lockdowns to limit the spread of the virus curtailed travel and economic activity. While some places in Europe and Asia have eased restrictions, concern over new virus outbreaks has kept a lid on prices. To tackle the drop in demand, OPEC and its allies agreed to a record supply cut that started on May 1, while the US and other nations said they would pump less. OPEC said these curbs were already helping. (Zawya)
- **OPEC+ panel makes no recommendation on supply cuts –** OPEC+ technical experts made no recommendation on further extending a record oil supply cut in talks on Wednesday and decided to focus on compliance of laggards in the deal ahead of ministerial talks on Thursday, OPEC+ sources said. The OPEC+ agreed to a record supply cut that started on May 1 to support prices and demand hit by the coronavirus crisis. This week's meetings are part of an OPEC+ effort to review the impact of the cut and hear from countries yet to deliver their share in full, such as Iraq, on how they plan to comply. "It is going well," a source said of Wednesday's meeting, which is being held virtually. Both Iraq and Kazakhstan are expected to present their plans for production cuts and compensation for overproduction to a meeting by OPEC+ ministerial committee, known as the JMMC, on Thursday, one of the OPEC+ sources said. OPEC+ compliance with the existing crude production cuts in May was 87%, two OPEC+ sources said on Wednesday. (Reuters)
- **Middle East governments urged to follow uniform guidelines to restart flights –** Aviation representatives are urging governments in the Middle East to rapidly implement the recently released set of guidelines for the resumption of flights. The guidelines include a series of measures to protect public health and safety in air travel, but some of them are not in line with the protocols already introduced by some airlines in the region, such as social distancing aboard the aircraft and rapid tests for passengers. The International Air Transport Association (IATA) and Airports Council International (ACI) Asia-Pacific said on Wednesday that it is essential that the new 'Take-off Guidance' is followed to ensure that the region can have a 'harmonized' restart of passenger travel and the industry can get back on its feet much faster. Carriers in the region are expected to lose $4.8bn in 2020 as passenger revenues are forecast to decline by $24bn compared to the previous year. Airports in the region are also expected to take a hit, with an estimated total revenue loss of $7bn, representing a 52% YoY decline in 2020. Airlines in the region, including Emirates, have already announced massive job cuts, and industry experts said the total job losses in the aviation and related industries in the region could reach 1.2mn. Before the Covid-19 crisis, aviation supported 2.4mn jobs in the region and generated $130bn in GDP. (Zawya, Gulf-Times.com)
- **Fitch Ratings: Islamic Derivatives increasingly necessary, but constraints remain –** Fitch Ratings says that the recent volatility in key Islamic finance markets caused by the coronavirus pandemic, oil price fall and cuts in central banks repo rates highlights the need to use effective Shari'ah-compliant derivatives as hedging tools (tahawwut). However, derivatives markets remain underdeveloped in most countries where Islamic finance is prevalent. Moreover, issues with the sharia compliance of derivatives and the lack of standardization and harmonization across jurisdictions of available hedging instruments are constraining the expansion of Islamic derivatives market. Fitch considers an increased usage of derivatives for risk-management purposes as positive for Islamic

financial institutions, sukuk investors, issuers and sharia-compliant non-financial corporates. Derivatives play a vital role in hedging and mitigating risks that come from volatilities in profit rates, exchange rates and commodity prices. However, the Shari'ah compliance of derivatives is a major limitation. For example, many Shari'ah governing bodies and scholars are of the view that conventional futures and forward contracts are not Shari'ah-compliant. This leaves the halal industry with far fewer hedging instruments compared with their conventional peers. Furthermore, general guidelines pertaining to Islamic hedging stipulate that transactions should be entered into only for the purpose of hedging actual risks of the relevant party and that transactions should not be entered into for speculative purposes, which means that actual settlement of assets and payments must take place, and that cash settlements cannot take place without finalizing the transaction. This prevents Islamic banks from engaging in speculative activities, but it also prevents Islamic financial institutions from trading derivatives in the same way as conventional banks do. Islamic banks, similar to conventional banks, face credit risk, liquidity risk, profit-rate risk and currency risks, among others. Conventional banks use derivatives to hedge their exposures against interest-rate risk and currency risk, in addition to offering their customers derivative products. However, more than 30% of Fitch-rated Islamic banks do not use derivatives, and most of the remaining 70% use it in a limited capacity, constraining it to instruments like profit-rate swaps and Islamic-currency forward contracts. (Bloomberg)

- **Islamic Development Bank markets 5-year dollar Sukuk –** Jeddah-based Islamic Development Bank began marketing five-year US Dollar-denominated Sukuk on Wednesday, a document showed. It gave an initial price guidance of 70 basis points over mid swaps for the Islamic bonds, the document from one of the banks arranging the deal showed. The deal is expected to close on Thursday. (Zawya)
- **Saudi Aramco completes $69bn SABIC stake deal, extends schedule –** Saudi Aramco has completed its purchase of a 70% stake in petrochemicals company Saudi Basic Industries for $69.1bn and extended the payment period by three years to 2028, providing a cushion against weak oil prices. The deal values Saudi Basic Industries Corp (SABIC) at SR123.39 per share, 27.5% above the company's share price of SR89.40, as the coronavirus outbreak has hurt demand for petrochemicals products and dented SABIC's shares. "It is a significant leap forward, which accelerates Aramco's downstream strategy and transforms our company into one of the major global petrochemicals players," Aramco CEO, Amin Nasser said in a statement. SABIC is the world's fourth-biggest petrochemicals company. Aramco and the Saudi state Public Investment Fund (PIF) amended the payment structure for deal, Aramco said in a bourse filing on Wednesday. Following a seller loan provided by the PIF, Aramco will pay instalments and loan charges until 2028, extending a previous 2025 deadline. The first $7bn payment is due on or before August 2, 2020, with the last instalment, a loan charge of $1bn, on or before April 7, 2028. The transaction was funded through promissory notes issued to the PIF at the deal's close on Tuesday, Aramco said. (Reuters)
- **Saudi Basic Industries cuts dividend for first half –** Saudi Basic Industries (SABIC) has recommended SR1.5 per share for first half, the petrochemicals maker said. The distribution date is on September 20. SABIC has paid SR2.20 per share for first half and second half of 2019. (Bloomberg)
- **Saudi mortgages likely to grow 40% in 2020 –** Mortgage growth in Saudi Arabia is likely to be strong having already clocked more than 50% of 2019 disbursements in the first four months of 2020, a report said. Even during the curfew months of April and May, the mortgage lending data of SR7.5bn has been encouraging, added the new study from Al Rajhi Capital, a leading financial services provider in the kingdom. "Though we expect slower growth for 2H2020, mortgage growth could reach 40+% in 2020e post which we expect much slower growth," the report said. Corporate loan growth continues to be driven by refinancing considering the first non-oil real GDP decline in 2020 in at least a decade for KSA. Estimated fiscal deficit at 11% for 2020e implies only a gradual pick up in the pace of large projects, Al Rajhi Capital said. Yield compression is yet to fully play out given the phased effect between SAIBOR 3 months (1.03%) and asset yields. Moreover, currently, SAIBOR's spread over LIBOR (0.32%) at 70bps is slightly higher than historical spreads. (Zawya)
- **Insurers brace for tough times in UAE and across GCC –** Insurers in the UAE and other Gulf countries are well-capitalized but demand for insurance will decline this year due to a delay in the rollout of mandatory health insurance in Oman and Bahrain, postponement of Expo Dubai and a delay in infrastructure projects because of the coronavirus outbreak, according to analysts. Credit ratings agency AM Best has projected that premiums in the GCC will contract in all the countries this year but will make some recovery in 2021 and they are capable of enduring a stress scenario. However, the real impact of Covid-19 is expected to be realized in the second quarter of 2020. Senior Financial Analyst at AM Best, Jessica Botelho Young said premiums growth in the UAE was expected to be modest in 2020 due to short-term growth opportunities associated with Expo. "Since the Covid-19 pandemic, economic forecasts have been revised downwards and premiums are now expected to contract by 6.1%, further intensifying pricing pressure," she said. (Zawya)
- **Oman steps up plan to build Middle East's biggest oil-tank farm –** Oman's ambitious goal of building the biggest oil-storage facility in the Middle East is finally progressing, more than seven years after the Gulf Sultanate announced the plan. Oman Tank Terminal Co. has almost finished constructing eight tanks to store crude for a new refinery near the town of Duqm on the Arabian Sea. It is now pushing ahead with others that could be used by oil companies and traders, according to two people with knowledge of the project. That would increase Duqm's capacity to at least 25mn barrels, according to OTTCO's website. The Ras Markaz Crude Oil Park could provide an alternative for energy traders and exporters eager to avoid the Strait of Hormuz, a choke-point at the mouth of the Persian Gulf that's seen numerous flareups in recent years, including Iranian seizures of tankers. The Omani facility lies roughly 600 miles (966 kilometers) from the waterway. The UAE port of Fujairah, the region's largest hub with 14mn barrels of commercial crude-

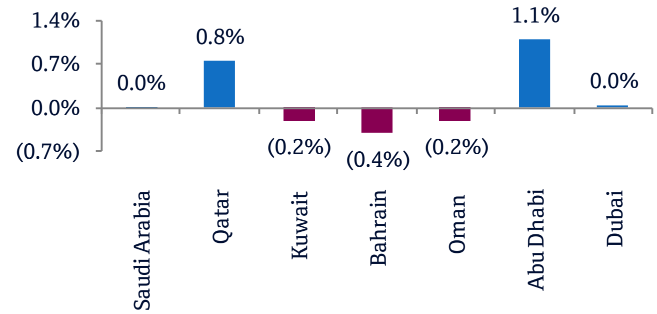
storage capacity, is less than 100 miles from Hormuz. (Bloomberg)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,726.95	0.0	(0.2)	13.8
Silver/Ounce	17.51	0.3	0.1	(1.9)
Crude Oil (Brent)/Barrel (FM Future)	40.71	(0.6)	5.1	(50.4)
Crude Oil (WTI)/Barrel (FM Future)	37.37	(2.6)	3.1	(46.8)
Natural Gas (Henry Hub)/MMBtu	1.48	4.2	(10.8)	(29.2)
LPG Propane (Arab Gulf)/Ton	50.25	0.0	1.5	21.8
LPG Butane (Arab Gulf)/Ton	53.38	(0.5)	2.6	(19.6)
Euro	1.12	(0.2)	(0.1)	0.3
Yen	107.01	(0.3)	(0.3)	(1.5)
GBP	1.26	(0.1)	0.1	(5.3)
CHF	1.05	0.2	0.3	1.9
AUD	0.69	(0.1)	0.3	(2.0)
USD Index	97.16	0.2	(0.2)	0.8
RUB	69.73	0.1	(0.7)	12.5
BRL	0.19	0.2	(3.4)	(23.2)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,217.90	(0.1)	2.5	(6.0)
DJ Industrial	26,119.61	(0.6)	2.0	(8.5)
S&P 500	3,113.49	(0.4)	2.4	(3.6)
NASDAQ 100	9,910.53	0.1	3.4	10.5
STOXX 600	366.02	0.7	3.4	(12.0)
DAX	12,382.14	0.5	3.6	(6.5)
FTSE 100	6,253.25	0.2	2.4	(17.1)
CAC 40	4,995.97	0.9	3.2	(16.4)
Nikkei	22,455.76	(0.6)	0.7	(5.1)
MSCI EM	994.62	0.5	0.8	(10.8)
SHANGHAI SE Composite	2,935.87	0.1	0.6	(3.7)
HANG SENG	24,481.41	0.6	0.7	(13.2)
BSE SENSEX	33,507.92	(0.3)	(0.8)	(18.8)
Bovespa	95,547.30	2.2	3.0	(17.4)
RTS	1,237.93	(0.4)	(0.0)	(20.1)

Source: Bloomberg (*$ adjusted returns)

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