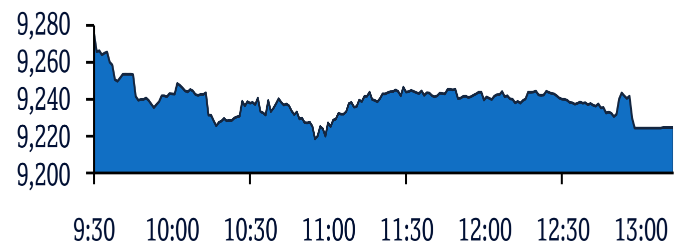
Daily Market Report

Thursday, 25 June 2020

QSE Intra-Day Movement



Qatar Commentary

The QE Index declined 0.4% to close at 9,225.9. Losses were led by the Real Estate and Industrials indices, falling 1.4% and 0.5%, respectively. Top losers were Salam International Investment Limited and Investment Holding Group, falling 4.7% and 3.5%, respectively. Among the top gainers, Qatari Investors Group gained 10.0%, while Medicare Group was up 2.1%.

GCC Commentary

Saudi Arabia: The TASI Index fell 0.7% to close at 7,213.4. Losses were led by the Real Estate Mgmt and Materials indices, falling 1.4% and 1.1%, respectively. Al-Jouf Agricultural Dev. Co. and National Agricultural Dev. Co. were down 5.3% each.

Dubai: The DFM General Index declined 1.0% to close at 2,099.2. The Real Estate & Const. and the Banks index declined 1.3%. Al Salam Sudan declined 4.9%, while Takaful Emarat fell 4.4%.

Abu Dhabi: The ADX General Index rose 0.2% to close at 4,329.7. The Investment & Financial Services index gained 3.4%, while the Real Estate index rose 3.1%. Gulf Medical Projects Co. gained 14.3%, while Abu Dhabi Nat. Energy Co. was up 6.1%.

Kuwait: The Kuwait All Share Index rose 1.1% to close at 5,179.7. The Oil & Gas index gained 2.2%, while Real Estate index rose 2.1%. Abyaar Real Estate Development Co. gained 51.9%, while The Energy House Holding Co. was up 34.3%.

Oman: The MSM 30 Index fell marginally to close at 3,524.6. Losses were led by the Industrial and Services indices, falling 0.5% and 0.4%, respectively. United Finance and Galfar Engineering and Con. were down 10.0% each.

Bahrain: The BHB Index gained marginally to close at 1,280.8. The Commercial Bank index rose 0.1%, while the other indices remained flat or ended in the red. Ahli United Bank rose 0.3%.

Market Indicators	24 Jun 20	23 Jun 20	%Chg.
Value Traded (QR mn)	369.9	453.7	(18.5)
Exch. Market Cap. (QR mn)	529,124.3	530,562.0	(0.3)
Volume (mn)	283.5	322.7	(12.2)
Number of Transactions	9,090	10,501	(13.4)
Companies Traded	44	45	(2.2)
Market Breadth	18:25	21:21	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	17,736.52	(0.4)	(1.0)	(7.5)	14.5
All Share Index	2,882.51	(0.2)	(0.2)	(7.0)	15.4
Banks	4,040.95	(0.1)	0.1	(4.3)	13.3
Industrials	2,607.26	(0.5)	(1.2)	(11.1)	20.7
Transportation	2,686.31	0.2	0.0	5.1	13.0
Real Estate	1,445.42	(1.4)	(0.3)	(7.6)	14.3
Insurance	1,973.09	(0.4)	0.8	(27.8)	33.6
Telecoms	876.42	0.0	(1.0)	(2.1)	14.7
Consumer	7,427.86	(0.2)	(0.1)	(14.1)	19.0
Al Rayan Islamic Index	3,690.45	(0.4)	(1.0)	(6.6)	17.0

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Boubyan Bank	Kuwait	0.54	5.7	5,134.6	(12.2)
Agility Pub. Warehousing	Kuwait	0.74	4.5	7,791.4	(9.9)
Aldar Properties	Abu Dhabi	1.85	3.4	32,977.4	(14.4)
Mabanee Co.	Kuwait	0.68	3.0	2,636.8	(20.1)
National Bank of Kuwait	Kuwait	0.83	1.7	10,073.2	(18.6)

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
Saudi Arabian Mining Co	Saudi Arabia	35.30	(2.9)	689.2	(20.5)
Barwa Real Estate Co	Qatar	2.96	(2.3)	2,224.3	(16.4)
Jabal Omar Dev. Co	Saudi Arabia	21.10	(2.2)	1,457.0	(22.3)
Arab National Bank	Saudi Arabia	19.42	(2.2)	402.9	(29.1)
National Shipping Co	Saudi Arabia	34.90	(2.1)	1,157.8	(12.8)

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

QSE Top Gainers	Close*	1D%	Vol. '000	YTD%
Qatari Investors Group	1.86	10.0	19,500.3	4.0
Medicare Group	6.94	2.1	3,028.3	(17.8)
Al Khalij Commercial Bank	1.38	1.5	3,341.2	5.3
Gulf International Services	1.55	1.4	9,195.6	(10.1)
Aamal Company	0.75	1.1	17,186.7	(7.4)

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Salam International Inv. Ltd.	0.43	(4.7)	73,306.4	(17.2)
Mazaya Qatar Real Estate Dev.	0.82	0.2	24,901.9	13.5
Investment Holding Group	0.53	(3.5)	20,009.6	(6.4)
Qatari Investors Group	1.86	10.0	19,500.3	4.0
Aamal Company	0.75	1.1	17,186.7	(7.4)

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Salam International Inv. Ltd.	0.43	(4.7)	73,306.4	(17.2)
Investment Holding Group	0.53	(3.5)	20,009.6	(6.4)
Qatar Oman Investment Co.	0.64	(3.0)	10,501.3	(3.7)
Islamic Holding Group	3.25	(2.5)	899.5	70.9
Qatar Industrial Manufacturing	2.83	(2.4)	486.2	(20.7)

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
Qatari Investors Group	1.86	10.0	35,262.9	4.0
QNB Group	18.29	(0.1)	33,618.9	(11.2)
Salam International Inv. Ltd.	0.43	(4.7)	33,481.4	(17.2)
Medicare Group	6.94	2.1	20,863.0	(17.8)
Mazaya Qatar Real Estate Dev.	0.82	0.2	20,427.8	13.5

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*	9,225.92	(0.4)	(1.0)	4.3	(11.5)	100.84	144,186.4	14.5	1.3	4.3
Dubai	2,099.21	(1.0)	1.0	7.9	(24.1)	89.24	80,707.2	6.3	0.6	4.5
Abu Dhabi	4,329.72	0.2	(0.4)	4.5	(14.7)	53.46	133,587.4	13.4	1.1	5.9
Saudi Arabia	7,213.36	(0.7)	(1.9)	0.0	(14.0)	1,266.46	2,209,718.9	21.6	1.6	3.6
Kuwait	5,179.74	1.1	3.2	3.7	5.5	169.10	95,999.0	15.1	1.1	3.7
Oman	3,524.55	(0.0)	0.3	(0.6)	(11.5)	2.17	15,371.8	9.8	0.7	6.8
Bahrain	1,280.83	0.0	0.5	0.9	(20.5)	3.50	19,411.9	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 9,225.9. The Real Estate and Industrials indices led the losses. The index fell on the back of selling pressure from Qatari shareholders despite buying support from GCC and non-Qatari shareholders.
- Salam International Investment Limited and Investment Holding Group were the top losers, falling 4.7% and 3.5%, respectively. Among the top gainers, Qatari Investors Group gained 10.0%, while Medicare Group was up 2.1%.
- Volume of shares traded on Wednesday fell by 12.2% to 283.5mn from 322.7mn on Tuesday. However, as compared to the 30-day moving average of 220.7mn, volume for the day was 28.4% higher. Salam International Investment Limited and Mazaya Qatar Real Estate Development were the most active stocks, contributing 25.9% and 8.8% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	47.83%	51.34%	(12,986,250.91)
Qatari Institutions	16.13%	14.59%	5,701,920.31
Qatari	**63.96%**	**65.93%**	**(7,284,330.60)**
GCC Individuals	1.80%	1.68%	471,269.99
GCC Institutions	1.88%	1.27%	2,288,358.97
GCC	**3.68%**	**2.95%**	**2,759,628.96**
Non-Qatari Individuals	16.70%	15.26%	5,352,507.26
Non-Qatari Institutions	15.65%	15.87%	(827,805.63)
Non-Qatari	**32.35%**	**31.13%**	**4,524,701.63**

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

Ratings, Global Economic Data and Earnings Calendar

Ratings Updates

Company	Agency	Market	Type*	Old Rating	New Rating	Rating Change	Outlook	Outlook Change
Commercial Bank of Kuwait	Capital Intelligence Ratings	Kuwait	LT-FCR/ ST-FCR/ BSR/CFS	A+/ A1/bbb+/ bbb+	A+/ A1/bbb+/ bbb+	–	Stable	–

Source: News reports, Bloomberg (* LT – Long Term, ST – Short Term, FCR – Foreign Currency Rating, BSR – Bank Standalone Rating, CFS – Core Financial Strength)

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
06/24	US	Mortgage Bankers Association	MBA Mortgage Applications	19-Jun	-8.70%	–	8.00%
06/24	France	INSEE National Statistics Office	Business Confidence	Jun	78	72	60
06/24	France	INSEE National Statistics Office	Manufacturing Confidence	Jun	77	79	71
06/24	France	INSEE National Statistics Office	Production Outlook Indicator	Jun	-15	-30	-49
06/24	Japan	Bank of Japan	PPI Services YoY	May	0.80%	0.80%	0.80%

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

Earnings Calendar

Tickers	Company Name	Date of reporting 2Q2020 results	No. of days remaining	Status
DHBK	Doha Bank	27-Jul-20	32	Due
QIGD	Qatari Investors Group	21-Jul-20	26	Due
QEWS	Qatar Electricity & Water Company	19-Jul-20	24	Due
MARK	Masraf Al Rayan	13-Jul-20	18	Due

Source: QSE

News

Qatar

- **Fitch affirms Qatar at 'AA-' with 'Stable' outlook –** Global rating agency Fitch has affirmed Qatar's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AA-' with a 'Stable' Outlook. Qatar's 'AA-' ratings reflect a strong sovereign net foreign asset position, one of the world's highest ratios of GDP per capita and a flexible public finance structure allowing for favorable debt dynamics and a robust response to limit the fiscal impact of the coronavirus pandemic, the rating agency noted yesterday. The Fitch Ratings estimates that Qatar's fiscal break-even oil price will average $48 per barrel in 2019-2021, one of the lowest among Fitch-rated energy exporters. It noted that the Qatari government and Qatar Central Bank (QCB) are implementing a QR75bn or over 10% of GDP, as stimulus package. This is mainly consisting of liquidity injections by the QCB, stock market investments by government funds, support to businesses through loans and guarantees by Qatar Development Bank, and postponement and suspension of fees and taxes by the government. (Peninsula Qatar)
- **Fitch: Qatar's LNG ramp-up to boost public finances –** Expansion of LNG production could deliver sizeable improvements to Qatar's public finances in the long term, according to Fitch. Qatar Petroleum (QP) intends to add 49mn tons per year (1.9mn barrels of oil equivalent per day) of LNG production from its North Field by 2027, a 64% increase over current capacity of 77mn tons. Fitch stated, "While we assume that the project will reduce QP's cash flow to the state by around $25bn spread over 2022-2028, the additional LNG production could ultimately result in more than $20bn per year of additional hydrocarbon revenue to the government (after wind-down of QP capital spending and assuming some of the project costs are covered by debt and international partners). The selection of international partners for the expansion has been postponed until end-2020, but QP is proceeding with engineering and design work and has acquired options for the construction of 100 LNG tankers for $20bn." (Peninsula Qatar)
- **MARK to disclose 2Q2020 financials on July 13 –** Masraf Al Rayan (MARK) will disclose the financial reports for the period ending June 30, 2020 on July 13, 2020. (QSE)
- **QEWS to disclose 2Q2020 financials on July 19 –** Qatar Electricity & Water Company (QEWS) will disclose the financial reports for the period ending June 30, 2020 on July 19, 2020. (QSE)
- **QIGD to disclose 2Q2020 financials on July 21 –** Qatari Investors Group (QIGD) will disclose the financial reports for the period ending June 30, 2020 on July 21, 2020. (QSE)
- **Vodafone Qatar launches Smart Home Consultancy –** Vodafone Qatar has launched a new Digital Smart Home Consultancy for customers looking to begin their journey of enjoying the many lifestyle benefits of a smart home. The service is designed to offer expert advice on what's new in smart home technology and how to transform any room, apartment or villa into a smart environment with Vodafone's smart devices. With Vodafone's smart home devices, residents and homeowners can monitor their home with smart cameras, water leaks detection with smart water sensors, movement of doors & windows through smart sensors; activate their electronic appliances through smart plugs; and control their home lighting, including customizing color and brightness, with smart bulbs. (Gulf-Times.com)
- **Up to 50% of staff can work from offices from July 1 –** Up to 50% of the staff belonging to the government and private sectors can work from their offices from July 1, the Cabinet decided on Wednesday as part of the steps taken to gradually lift the restrictions imposed to stop the spread of the coronavirus (COVID-19). The rest of the employees will continue their work remotely from their homes, or when requested, as appropriate the Qatar News Agency reported. (Gulf-Times.com)
- **Real Estate trading value exceeds QR800mn during June 14 -18 –** 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 June 14 to June 18 reached QR801,366,588. The weekly bulletin issued by the Department showed that the list of real estate properties traded for sale included vacant lands, houses, a residential tower, a residential complex and multi-purpose vacant lands. The sales were concentrated at the municipalities of Al Daayen, Al Rayyan, Doha, Umm Slal, Al Shamal, Al Khor, Al Dhakhira and Al Wakrah. The volume of real estate trading had reached QR962,896,838 during the period from June 7 to June 11. (Bloomberg)

International

- **IMF predicts deeper global recession due to coronavirus pandemic –** The coronavirus pandemic has caused wider and deeper damage to economic activity than first thought, the International Monetary Fund (IMF) said on Wednesday, prompting the institution to slash its 2020 global output forecasts further. The IMF said it now expects 2020 global output to shrink by 4.9%, compared with a 3.0% contraction predicted in April, when it used data available as widespread business lockdowns were just getting into full swing. A recovery in 2021 also will be weaker, with global growth forecast at 5.4% for the year compared to 5.8% in the April forecast. The Fund said, however, that a major new outbreak in 2021 could shrink the year's growth to a barely perceptible 0.5%. Although many economies have begun to reopen, the Fund said that the unique characteristics of lockdowns and social distancing have conspired to hit both investment and consumption. "We are definitely not out of the woods. We have not escaped the Great Lockdown," IMF Chief Economist Gita Gopinath told a news conference. "Given this tremendous uncertainty, policymakers should remain vigilant." The IMF views the current recession as the worst since the 1930s Great Depression, which saw global GDP shrink 10%, but Gopinath said that the $10tn in fiscal support and massive easing by central banks had so far prevented large-scale bankruptcies. More support will be needed, she added. Advanced economies have been particularly hard-hit, with US output now expected to shrink 8.0% and the Eurozone 10.2% in 2020, both more than 2 percentage points worse than the April forecast, the IMF said. Latin American economies, where infections are still rising, saw some of the largest downgrades, with Brazil's economy now expected to shrink 9.1%, Mexico's 10.5% and Argentina's 9.9%

in 2020. China, where businesses started reopening in April and new infections have been minimal, is the only major economy now expected to show positive growth in 2020, now forecast at 1.0% compared to 1.2% in the April forecast. (Reuters)

- **ELFA: US business borrowing for equipment falls about 26% in May –** US companies' borrowings for capital investments fell about 26% in May from a year earlier, as businesses put spending on hold amid the coronavirus crisis, the Equipment Leasing and Finance Association (ELFA) said on Wednesday. Companies signed up for $6.7bn in new loans, leases and lines of credit last month, down from $9.1bn a year earlier. Borrowings fell 18% from the previous month. "The downturn in the economy precipitated by the COVID-19 pandemic crisis is responsible for new business softening in the equipment finance space during the month of May," ELFA Chief Executive Officer Ralph Petta said. This economic downturn is particularly evident in market segments serving customers in the construction, hotel, tourism, leisure and food service industries, he added. Washington-based ELFA, which reports economic activity for the nearly $1tn equipment finance sector, said credit approvals totaled 68.1% in May, down from 71.7% in April. ELFA's leasing and finance index measures the volume of commercial equipment financed in the US. The Equipment Leasing and Finance Foundation, ELFA's non-profit affiliate, reported monthly confidence index of 45.8 in June, up from 25.8 in May. A reading of above 50 indicates a positive business outlook. (Reuters)
- **Pompeo: China's Africa lending creates unsustainable debt burdens –** US Secretary of State Mike Pompeo on Wednesday blasted China's policy on lending to African countries, reiterating Washington's charges that it creates unsustainable debt burdens. China's President Xi Jinping indicated in a speech at a China-Africa summit last week that Chinese financial institutions should consult with African countries to work out arrangements for loans with sovereign guarantees, Fitch Ratings said in a report earlier on Wednesday. Xi also told the summit that Beijing would exempt some African countries from repaying zero-interest rate loans due at the end of 2020 and that it was willing to give priority to African countries once COVID-19 vaccines were ready for use. Pompeo, a persistent critic of China, accused Beijing of "more empty promises and tired platitudes." In a statement, Pompeo said Xi had failed to promise real transparency and accountability for China's role in "unleashing" the novel coronavirus, which began in China, and charged that Beijing was creating "an unsustainable debt burden" in Africa. Noting that China was "by far the largest bilateral creditor to African governments," Pompeo said most US foreign assistance was made in the form of grants rather than loans, "to promote transparent, private sector-led economic growth that benefits all parties." Fitch said China's pledge to relieve the debt burden owed to it by some emerging-market governments could ease near-term liquidity pressures in nations struggling with the fallout from the coronavirus pandemic. It said Kenya, the Maldives, Ethiopia, Cameroon, Pakistan, Angola, Laos, Mozambique, Congo and Zambia were among the countries with a significant share of their debt owed to China and eligible for relief. Beijing has committed to participation in the Group of 20 major nations' (G20) debt service suspension initiative (DSSI), which temporarily suspends debt repayments for 77 developing nations falling due between May and December. (Reuters)
- **US to review tariffs on EU goods in aircraft subsidy dispute –** The US moved to maintain pressure on the European Union (EU) in a 16-year dispute over aircraft subsidies by flagging possible changes in tariffs on EU goods, as the date for a decision on reciprocal EU duties slipped to the autumn. The latest development in the dispute over subsidies to Europe's Airbus and US rival Boeing Co comes as the aerospace industry has been severely weakened by the coronavirus crisis and amid steps by some governments to support aviation via airlines or suppliers, as well as furlough schemes. The US Trade Representative's office added items valued at $3.1bn to its list of European goods eligible to be hit with duties - including black olives, beer and gin - and said it could switch gears to target other items on a previously published list or raise existing duty levels further. Britain - one of four Airbus core nations and still part of the case despite leaving the EU - urged Washington on Wednesday not to impose more tariffs, warning that tit-for-tat measures hurt businesses on both sides of the Atlantic. A spokesman for the European Commission said Washington's approach could exacerbate problems caused by the coronavirus, and might even "go beyond what is authorized under the WTO." The EU's priority remained finding a negotiated solution, he said. The US move is part of a "carousel" approach aimed at maintaining pressure on the EU to reach a settlement and end a dispute that dates back to 2004, dragging through three US presidents and five presidential terms of office. (Reuters)
- **US moves to protect lobster industry, threatens tariffs on China –** US President Donald Trump signed a memorandum aimed at protecting American lobster fishermen who have found export markets drying up, a White House adviser dubbed the "lobster king" said on Wednesday, adding China could face new tariffs. "If those purchase commitments are not met, the United States Trade Representative has been directed to use his discretion to impose ... reciprocal tariffs on the China seafood industry," White House trade adviser Peter Navarro told reporters. He was referring to $150mn in purchase commitments Beijing made under the so-called Phase 1 US-China trade deal. The US Trade Representative's office, the Maine Lobstermen's Association and Senator Susan Collins of Maine did not immediately respond to requests for comment. Trump earlier this month called Navarro the "lobster king" at a Maine event, threatening to impose tariffs on European Union cars if the bloc did not drop its tariff on American lobsters. US lawmakers from Maine have urged the administration to prioritize lobster in negotiations with China. The Maine lobster industry supports the livelihood of 4,500 state-licensed lobstermen and an additional 10,000 people who work directly with the industry. Together they generate about $1.5bn in economic impact each year. In the memorandum, Trump also directed the US Agriculture Department to provide lobster fishermen with the same type of assistance other parts of the agriculture sector are receiving to protect them from harmful trade practices, Navarro said. He said that assistance would apply to past and future harm from China's trade practices. Navarro said the memorandum also called on the U.S. Trade Representative for recommendations over the next 90 days on how to address a loss of market share

American lobster fishermen have faced due to a Canada-Europe trade agreement. (Reuters)

- **UK says no deadline for US trade deal, talks tough on terms –** Britain has no deadline to strike a trade deal with the US, trade minister Liz Truss said on Wednesday, criticizing the US administration for talking a good game on free trade while restricting import access. Britain left the European Union (EU) earlier this year and is now in the process of negotiating bilateral trade deals with major partners like the US - something the government has cited as a major benefit of leaving the EU. "We're not going to rush into a deal and there is no deadline. We will be tough in pressing our interests," Truss told a parliamentary committee. "The US talk a good game about free trade and low tariffs. But the reality is that many UK products have been kept unfairly out of their markets," she added. Earlier, a spokesman for Prime Minister Boris Johnson said talks were continuing at a good pace and that the current round was due to end this week. Truss said she expected a couple of chapters of the deal to be finalized during the next round, but did not specify which. Nevertheless, she struck a combative tone, citing US tariffs on British steel, the threat of further tariffs on cars and U.S.-centric procurement schemes which restrict access to government contracts. She said a US ban on lamb exports amounted to protectionism. "Let me be clear. I am not going to strike a trade deal with the US, unless all these points are dealt with," she said. "No deal is better than a bad deal." (Reuters)
- **WTO delays decision on EU counter-tariffs in aircraft dispute –** The World Trade Organization (WTO) has delayed a decision on whether the European Union (EU) can impose tariffs against the US over subsidies for Boeing (BA.N), due to the impact that recent lockdowns are having on its work, three people familiar with the case said. Two of the people said the decision, originally expected in May or June, had been pushed back to at least September due to the coronavirus crisis. A third said the decision was expected as late as October, weeks before US elections. The US said earlier it was weighing its own existing tariffs on European goods in a parallel case over subsidies for Europe's Airbus. Together the twin cases make up the world's largest corporate trade dispute. (Reuters)
- **Ifo: German economy to rebound in third quarter from double-digit dip in second quarter –** The German economy should return to a growth path in the third quarter after an expected double-digit contraction between April and June, Klaus Wohlrabe, an economist at the Ifo institute, said on Wednesday. The Ifo economic institute, whose business climate index rose for the second consecutive month in June as firms believe the worse of the damage wrought by a lockdown to contain the coronavirus is over, expects a third quarter growth rate of around 7%. "We have passed the economic trough, the low point is behind us and things are looking up again," Wohlrabe said. "Export expectations have risen significantly." (Reuters)
- **German business morale posts record rise, 'light at end of tunnel' –** German business morale posted its strongest rise in June since records began and Europe's largest economy should return to growth in the third quarter after the coronavirus pandemic hammered output in the spring, the Ifo institute said. Ifo said on Wednesday its June survey of companies showed the business climate index surging to 86.2, from an upwardly revised 79.7 in May - the largest jump since records started after reunification in 1990. A Reuters poll of analysts had pointed to a reading of 85.0. Ifo economist Klaus Wohlrabe said the economy should return to a growth path in the third quarter after an expected double-digit contraction between April and June. A robust healthcare system and widespread testing has helped Germany record fewer fatalities linked to COVID-19 than many other European countries. Even so, Europe's largest economy is facing its worst recession since World War Two, with the government predicting in April that gross domestic product would shrink 6.3% this year. An Ifo current conditions index rose to 81.3 from 78.9, and an expectations index surged to 91.4 from an upwardly revised 80.5. The government hopes its more than 130bn Euro ($147bn) stimulus package will help bring the economy back onto a growth path later this year. (Reuters)
- **France to rein in reduced-time work scheme as COVID crisis eases –** The French government laid out plans on Wednesday to rein in from October a reduced-time work scheme set up during the coronavirus crisis to prevent mass permanent layoffs. The scheme's update comes as France and other European countries that set up furlough schemes to save jobs grapple with how to encourage firms to put workers back into their jobs despite a still fragile economic outlook, while keeping down the cost to the public purse. Companies had put 7.8mn workers on furloughs or reduced schedules as of the end of May, Labour Minister Muriel Penicaud said last week. From October 1, workers will get 60% of their normal gross wages under the scheme, down from 70% currently, President Emmanuel Macron told employers and unions. Meanwhile, the state will reimburse employers up to 60% of the cost, instead of 85% currently. However, a company can only tap the existing furlough arrangements for up to six months, and on Wednesday the government also outlined a new longer-term program that is more generous for the employee and company, but demands commitments to safeguarding jobs. The program will allow workers to receive up to 70% of gross wages, with the state reimbursing firms up to 85% if the program is tapped before July and 80% afterwards. While employers will have to commit to saving jobs, unions will have to support a company using the new scheme. Meanwhile, workers' time not spent on the job would have to be used for training, with the state taking on up to 80% of the cost. (Reuters)
- **Treasury Secretary: Brazil economy could fall 7%, deficit top 11% of GDP –** Brazil's economic growth and fiscal outlook this year are shaping up to be worse than official government forecasts, making a return to austerity and reforms next year all the more pressing, Treasury Secretary Mansueto Almeida said on Wednesday. Almeida said the public sector primary deficit this year excluding interest payments could reach 800bn Reais ($152bn), or more than 11% of GDP, while the economy is set to shrink around 6-7%. That compares with current government projections of a primary deficit of around 700bn Reais, or almost 10% of GDP, and the economy shrinking 4.7% due to the COVID-19 crisis. Speaking in an online live event hosted by Citi, Almeida said that under these circumstances the nominal public sector deficit, which includes interest payments, could

hit 17% of GDP. Almeida insisted the government's agenda of cutting public spending, speeding up privatizations and concessions, and pushing ahead with tax reform will help the economy rebound and attract increased private-sector investment. This will also show credit ratings agencies that "we are doing our homework" and keeping Brazil on track to regain its investment grade status at some point. Still, Brazil's debt-to-GDP, set to hit a record 95% this year, might not peak and start falling until 2025 or 2026, Almeida said. (Reuters)

Regional

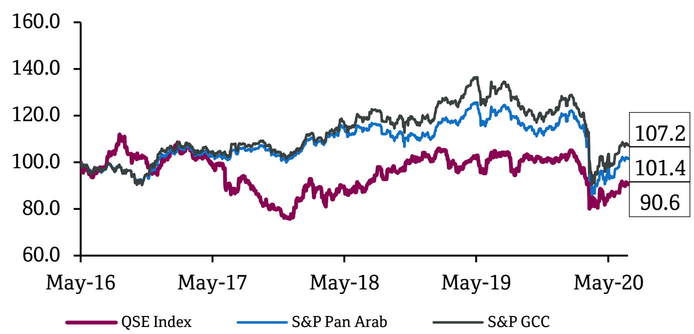
- **IMF sees sharper than anticipated recession in Saudi Arabia –** Saudi Arabia's economy will shrink by 6.8% this year, the International Monetary Fund (IMF) said on Wednesday, a sharper decline than the 2.3% contraction estimated in April, as low oil prices and the coronavirus pandemic hit the Kingdom hard. In an update of its April World Economic Outlook forecast, the IMF said it now expects a deeper global recession in 2020 and a slower recovery in 2021, as the coronavirus crisis intensifies in many emerging and developing countries. In Saudi Arabia, the world's largest oil exporter and the Gulf's largest economy, virus containment measures have crippled nascent sectors of the non-oil economy such as tourism and entertainment, and lower oil prices have slashed state revenues. "The disruptions due to the pandemic, as well as significantly lower disposable income for oil exporters after the dramatic fuel price decline, imply sharp recessions," the IMF said in reference to several oil producing countries. It projected Saudi Arabia's GDP to shrink by 6.8% this year but to bounce back to a 3.1% growth in 2021. In April, the Washington-based international crisis lender had forecast a 2.3% GDP contraction this year and a 2.9% growth in 2021. In response to the crisis, Riyadh raised $7bn in the international debt markets and used some $40bn of foreign reserves to boost the firepower of its sovereign fund PIF, which bought billions of dollars of stakes in overseas companies. It also ordered the tripling of value-added tax and suspended cost of living allowances for state employees, shocking private sector businesses and ordinary Saudis who were expecting more countercyclical support from the government. "Saudi Arabia is taking massive risks with its contractionary fiscal policies and the next year could be brutal," Chief Executive of Nomura Asset Management Middle East, Tarek Fadlallah said in a report this week. "But given the failure of past attempts to restructure the economy, at least this one is bold." (Reuters)
- **Saudi inflation eases in May ahead of likely jump as VAT triples –** Saudi Arabia's consumer price index rose 1.1% in May from a year earlier, a smaller annual increase than in previous months as food price hikes were offset by declines in prices for items such as housing and transport. Food prices rose by 7.4% YoY and were the main driver of the inflation rate in May, the General Authority for Statistics said on Wednesday. Prices for transport, however, decreased by 3.8% YoY after Saudi Arabia's oil giant Aramco lowered domestic gasoline prices. "The breakdown of the data showed that food inflation continued to rise, probably due to the effects of stockpiling by households," Senior Emerging Markets Economist at Capital Economics, Jason Tuvey said. Facing lower state revenues due to a decline in oil prices, Saudi Arabia will triple value-added tax (VAT) to 15% starting from July. Tuvey said he expected inflation to jump on the back of the VAT increase to 5.5%-6.0% YoY in July and to remain around that level for much of the next 12 months. (Reuters)
- **APICORP sells $750mn in five-year bonds –** The Arab Petroleum Investments Corporation (APICORP) sold $750mn in five-year bonds on Wednesday and received more than $900mn in orders for the debt sale, a document showed. APICORP sold the bonds at 110 basis points over mid swaps, tightening from initial guidance of around 130 bps over mid swaps when it began marketing the sale on Tuesday. In April, APICORP hired Citi, Goldman Sachs and Standard Chartered to arrange investor calls for a potential bond sale. Two sources familiar with the matter have said that investors wanted a spread of more than 200 bps and APICORP wanted a spread of 100 bps on the deal, prompting the company to wait for a better window to issue. (Reuters)
- **APICORP rated 'AA' with stable outlook by Fitch –** The Arab Petroleum Investments Corporation (APICORP), a multilateral development bank in which Bahrain owns 3%, announced that Fitch Ratings assigned it a Long-Term Issuer Default Rating (IDR) of 'AA' with a stable outlook. According to Fitch, APICORP's Long-Term IDR of 'AA' is based on excellent capitalization with low risk profile, and strong liquidity assessment with a 'medium risk' business environment. The stable outlook reflects Fitch's view that "APICORP's credit profile is resilient to negative pressures stemming from the Covid-19 pandemic and oil price shock." Furthermore, Fitch affirmed that APICORP, as a commercially focused MDB with an above-peer level of internal capital generation, has been profitable in almost every year since its inception. This is, in Fitch's view, due to very limited credit losses, as evidenced by the high credit quality of its borrowers and 'very low' NPLs (non-performing loans), as well as strong performance of the equity portfolio. (Zawya)
- **Aramco Trading sells prompt Murban, Agbami crude from Malaysia –** Aramco Trading sold Abu Dhabi's Murban and Nigerian Agbami crude for 1H2020 July loading from Malaysia's Sungai Linggi, according to traders. Cargos were originally meant for Malaysia's Refinery and Petrochemical Integrated Development, a strategic alliance between Aramco and Petronas, also called Pengerang Refining and Petrochemical (PRefChem). The PRefChem plant in Johor will restart in 3Q2020 after operations were halted due to a fire at its diesel hydrotreater unit in March. (Bloomberg)
- **DP World expected to sell about $1.5bn in perpetual dollar Sukuk –** Dubai-based port operator DP World is expected to sell about $1.5bn in perpetual Sukuk, or Islamic bonds, at 6.125%, a document showed on Wednesday. DP World set the final spread after it began marketing the sukuk at 6.625% earlier on Wednesday. The Sukuk are non-callable for 5-1/2 years. (Reuters)
- **Investors raise $7.96bn loan for ADNOC pipeline deal –** A consortium of investors has signed a $7.96bn commercial loan to back a $10bn gas infrastructure deal it has agreed with Abu Dhabi National Oil Company (ADNOC), banking sources said. The consortium comprises Global Infrastructure Partners, Brookfield Asset Management, Singapore's sovereign wealth

fund GIC, Ontario Teachers' Pension Plan Board, NH Investment & Securities and Italy's Snam. ADNOC said on Tuesday it had signed the $10bn gas infrastructure deal with the consortium, which will acquire a 49% stake in newly formed subsidiary ADNOC Gas Pipeline Assets. ADNOC will hold the remaining 51%. The two-year loan supports the investors' acquisition of the 49% stake. SMBC and First Abu Dhabi Bank are senior mandated lead arrangers and bookrunners on the loan, which includes two six-month extension options at the borrower's discretion. Abu Dhabi Commercial Bank, Santander, BNP Paribas, HSBC, Mizuho, MUFG and Standard Chartered are senior mandated lead arrangers. Citi, Credit Agricole, Natixis, Societe Generale, Emirates NBD and Samba are mandated lead arrangers, with CaixaBank and DBS Bank as lead arrangers, the bankers said. The remaining $2.04bn will be provided in the form of equity by the consortium. They will invest in select ADNOC gas pipeline assets valued at $20.7bn. Under the gas infrastructure deal, ADNOC will lease its ownership of the pipeline assets to ADNOC Gas Pipelines for 20 years in return for a volume-based tariff. The new subsidiary will distribute 100% of free cash to the investors as quarterly dividends. (Reuters)

- **MSCI to enter Kuwait stocks into Emerging Market index in November –** Morgan Stanley Capital International (MSCI) will implement the reclassification of the MSCI Kuwait Indexes from frontier market status to Emerging Market in November 2020. The step will coincide with the November 2020 semi-annual index review, Kuwait Capital Market Authority (CMA) said. On April 9, CMA said though Kuwait has met the requirements of the reclassification, the MSCI put off the move until November due to the massive fallout of COVID-19 on global economy and investment patterns. The health precautions and preventive measures implemented by countries and companies around the globe to stem the tide of the pandemic hindered the operational ability of investors and hampered their accessibility to the firms listed on Kuwait stock market in last May, CMA noted. The process to reclassify Boursa Kuwait to emerging market started in September 2017, when Kuwait joined the Emerging Markets Index of FTSE Russel. (Zawya)
- **Kuwaiti bank assets down first time in six months –** The total assets of banks operating in Kuwait declined during April, for the first time in six months, specifically since October 2019. Assets decreased by 0.48% in April 2020 to KD72.44bn, compared with KD72.77bn in March of the same year, according to data by the Central Bank of Kuwait (CBK). On an annual basis, assets grew by 7.73%, compared to its level in April 2019 at KD67.24bn. Foreign reserve amounted to KD17.03bn, decreasing by 1.50%, compared to its level in March, but increased by 20.27% compared with its level in April 2019. (Zawya)
- **Commercial Bank of Kuwait ratings affirmed with a Stable outlook –** Capital Intelligence Ratings (CI Ratings or CI) announced that it has affirmed the Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) of Commercial Bank of Kuwait (ComBK) at 'A+' and 'A1', respectively. At the same time, CI Ratings has affirmed ComBK's Bank Standalone Rating (BSR) and Core Financial Strength (CFS) rating at 'bbb+'. The Outlook for the LT FCR and BSR is Stable. (Capital Intelligence)
- **Luxury retailer in Kuwait hires Citigroup to advise on options –** Kuwait's Boutiqaat hired Citigroup Inc. to explore strategic options for the online retailer of luxury goods and cosmetics, according to sources. The US bank is working with the company on possibilities including a partial sale of the business and fund raising, the sources said. Boutiqaat is seeking a valuation of about $700mn, two of the sources said, while another person familiar with the company's plans said it's targeting around $1bn. The company was valued at about $500mn in a 2019 funding round, they said. Discussions are at an early stage and the company has not yet reached potential investors, the people said. Founded in 2015 by a Kuwaiti entrepreneur, Boutiqaat offers product recommendations from more than 200 Arab celebrities and social-media influencers, according to its website. Describing itself as the "go-to place for fashionistas and make-up addicts," the platform offers beauty tutorials and products ranging from perfume to face masks from 700 luxury brands, including Cartier and Gigi Hadid. Demand for online retail is expected to grow in the Middle East, given that e-commerce penetration lags other parts of the world. That is largely due to a burgeoning young population who enjoy higher disposable incomes and spend increasingly more time shopping online. Lockdown measures related to the coronavirus pandemic are also boosting demand. (Bloomberg)
- **Fitch affirms Bahrain Mumtalakat at 'BB-'; with a Stable outlook –** Fitch Ratings has affirmed Bahrain Mumtalakat Holding Company's (Mumtalakat) Long-Term Issuer Default Rating (IDR) and senior unsecured rating at 'BB-'. The outlook on the Long-Term IDR is Stable. The ratings on Mumtalakat's EMTN program, the $600mn Sukuk certificates due 2021, and Mumtalakat Sukuk Holding Company's (MSHC) $600mn 2024 Sukuk certificates and $500mn 2027 Sukuk certificates have also been affirmed at 'BB-'. MSHC is fully owned by Mumtalakat and its obligations are, in Fitch's view, direct, unconditional, unsubordinated and unsecured obligations of the latter. Fitch views Mumtalakat as a government-related entity (GRE) of Bahrain (BB-/Stable) and equalizes its ratings with those of the sovereign, irrespective of its Standalone Credit Profile (SCP). Status, Ownership and Control Assessed as 'Very Strong' Mumtalakat is a limited liability company, 100%-owned by the Kingdom of Bahrain and is the government's investment arm. The government directly controls all Mumtalakat's important operational and financial transactions through its majority representation on Mumtalakat's nine-member board of directors, five of whom are government officials. In Fitch's view, given the full ownership and control by the government, it is very likely that Mumtalakat's liabilities would be ultimately transferred to Bahrain to prevent a default. Mumtalakat is one of Bahrain's two sovereign wealth funds. At en-2019, it held minority and majority stakes in over 60 companies across various sectors, including real estate and tourism, financial services, industrial manufacturing, food and agriculture, logistics, aviation, education, consumer services, healthcare, telecommunications, media and technology and general services, in 13 countries. Most of these companies, of which over 30 operate in Bahrain, are significant contributors to the Bahraini economy. (Bloomberg)

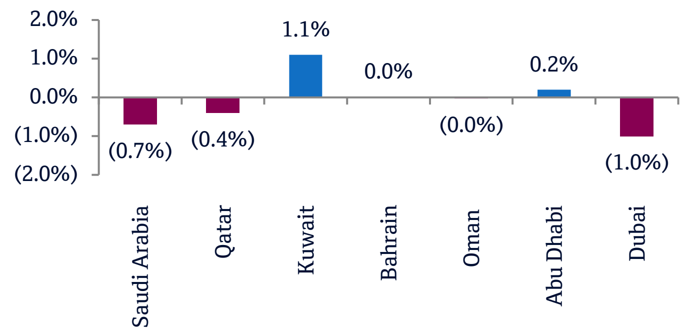
- **Bahrain sells BHD35mn 182-day bills; bid-cover at 1.37x –** Bahrain sold BHD35mn of 182-day bills due on December 27, 2020. Investors offered to buy 1.37 times the amount of securities sold. The bills were sold at a price of 98.711, having a yield of 2.58% and will settle on June 28, 2020. (Bloomberg)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,761.17	(0.4)	1.0	16.1
Silver/Ounce	17.50	(2.5)	(0.7)	(2.0)
Crude Oil (Brent)/Barrel (FM Future)	40.31	(5.4)	(4.5)	(50.9)
Crude Oil (WTI)/Barrel (FM Future)	38.01	(5.8)	(4.4)	(45.9)
Natural Gas (Henry Hub)/MMBtu	1.60	0.6	9.6	(23.4)
LPG Propane (Arab Gulf)/Ton	49.00	(4.9)	(4.6)	18.8
LPG Butane (Arab Gulf)/Ton	45.00	(9.5)	(10.7)	(32.2)
Euro	1.13	(0.5)	0.7	0.3
Yen	107.04	0.5	0.2	(1.4)
GBP	1.24	(0.8)	0.6	(6.3)
CHF	1.05	(0.3)	0.5	2.1
AUD	0.69	(0.9)	0.5	(2.2)
USD Index	97.15	0.5	(0.5)	0.8
RUB#	68.85	0.0	(0.9)	11.1
BRL	0.19	(3.6)	(0.6)	(24.8)

Source: Bloomberg (#Market was closed on June 24, 2020)

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,180.12	(2.5)	(1.3)	(7.6)
DJ Industrial	25,445.94	(2.7)	(1.6)	(10.8)
S&P 500	3,050.33	(2.6)	(1.5)	(5.6)
NASDAQ 100	9,909.17	(2.2)	(0.4)	10.4
STOXX 600	357.17	(2.8)	(2.3)	(14.1)
DAX	12,093.94	(3.4)	(1.9)	(8.7)
FTSE 100	6,123.69	(3.1)	(2.7)	(18.8)
CAC 40	4,871.36	(2.9)	(2.2)	(18.5)
Nikkei	22,534.32	(0.1)	0.2	(4.7)
MSCI EM	1,010.79	(0.4)	0.9	(9.3)
SHANGHAI SE Composite	2,979.55	0.3	0.4	(2.3)
HANG SENG	24,781.58	(0.5)	0.6	(12.1)
BSE SENSEX	34,868.98	(1.6)	0.4	(15.5)
Bovespa	94,377.40	(1.7)	(2.3)	(18.4)
RTS#	1,281.18	0.0	2.5	(17.3)

Source: Bloomberg (*$ adjusted returns, #Market was closed on June 24, 2020)

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