The MENA Weekly Monitor

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All equity markets across the region dived in the red this week, as investors did not show appetite for riskier assets amid growing concerns that Greece's debt crisis might spread to other Eurozone economies. All in all, regional equity markets posted a 1.6% decrease in prices week-on-week, as per Morgan Stanley Capital International Arabian Markets Index. This compared to a much higher drop of 8.4% and 9.1% in global and emerging equity markets respectively. Exacerbating concerns about Greece's debt crisis and fears on its contagious effect on other European countries left their imprints on international, emerging and regional markets during this week, entailing a rise in risk aversion. On the regional front, bond markets saw massive selling operations towards the end of the week that resulted in sharp drops in prices, as shown by a 39 basis points surge in the Audi compiled weighted Middle East average yield. In parallel, the cost of insuring debt against default widened in several countries across the region, and the 5-year CDS spreads in emerging markets expanded by 60 basis points week-on-week.

The MENA Weekly Monitor can be accessed via Internet at the following web address: http://www.banqueaudi.com

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Credit Suisse points to rising inflationary risk in GCC countries

A recent study released by Credit Suisse and published in the Global Investor magazine, indicated that in emerging markets, particularly GCC countries, inflation risks are growing, contrary to the case of industrialized nations where these types of risks remain moderate for now. Most emerging markets significantly eased their monetary and fiscal policies in the wake of the financial crisis in order to stimulate demand, which induced a pick up in inflation.

According to the study, over the last year, the GCC moved from having some of the highest inflation rates worldwide to undergoing a sharp fall in consumer prices. Credit Suisse estimated average inflation in the GCC at 2% in 2009, after it recorded a high 11% in 2008. While the trend has been similar, price movements have not been uniform in the GCC. The strongest change in inflation was observed in Qatar while inflation remained relatively low and steady in Bahrain.

The fact that the GCC local currencies are tied to the US Dollar, with the exception of the Kuwaiti dinar which is pegged to a basket of currencies, was one reason for the swings in inflation. Prior to the financial crisis, the weakness of the US Dollar generated additional inflation pressure via import prices. In contrast, the surge of the US Dollar during the financial crisis deepened the decline in inflation. Finally, the sharp decline in housing prices in some countries also contributed to an easing of inflationary pressures. While fiscal policies in 2009 remained expansionary to support growth in the region, the weakness of commodity prices, lower liquidity and tighter credit conditions had a greater impact.

Going forward, Credit Suisse analysts see inflationary pressures growing across the GCC. This is based on their assumption that commodities and energy prices are likely to continue rising, while the US Dollar would most probably weaken. According to Credit Suisse analysts, should the US Dollar hold up, inflation risks would be lower. Moreover, while the economic outlook remains positive for the overall region, the gradual recovery will most likely limit domestically driven inflation pressures.

IIF forecasts Kuwait's real GDP growth at 3.2% in 2010 and 4.5% in 2011

The Institute of International Finance (IIF) sees a positive short-term economic outlook for Kuwait, as its economy has weathered the global crisis relatively well. The IIF projects Kuwait's real GDP growth of 3.2% in 2010 and 4.5% in 2011. Continued oil price rises would support further fiscal and external surpluses in the next couple of years, although at lower levels compared to previous years. In addition, the implementation of the US$ 105 billion oil and nonoil development plan is expected to boost economic growth, as per the Institute.

As a matter of fact, this four-year US$ 105 billion development plan approved by parliament in February 2010 is expected to contribute to the launching of several major infrastructure projects in the country. The plan forms the first phase of a larger program known as Kuwait Vision 2035 that will run in five-year blocks over the next 25 years. The IIF believes that the recent approval of new laws could stretch institutional capacity to deal simultaneously with implementing major structural and policy changes.

While the implementation of the new development plan will prove challenging for the Kuwaiti authorities, its execution would not only lead to an increase in oil production capacity and hydrocarbons growth, it would also boost non-hydrocarbons output (initially in the construction and services sectors) by creating opportunities for further diversification of the hydrocarbons-dominated economy, as per the IIF. However, an improvement over the longer term requires improving the efficiency of government spending to support increases in non-hydrocarbons productive capacity and diversification of the Kuwaiti economy from its high dependence on hydrocarbons revenues, according to the same source.

Kuwait: Macroeconomic Snapshot

	2008	2009e	2010f	2011f
Real GDP growth (%)	6.0	-2.4	3.2	4.5
Average inflation (%)	10.6	4.0	3.8	5.1
Fiscal balance (% of GDP)	19.2	17.5	24.4	22.6
Current account balance (US$ billion)	62.8	31.2	45.0	52.2
Current account balance (% of GDP)	42.4	28.7	36.1	38.3
External debt (% of GDP)	41.0	48.7	37.2	29.7
Official reserves (US$ billion)	17.1	20.3	20.2	20.9

Sources: IIF, Bank Audi's Research Department

Moody's sees pre-provision profits in Qatari banks at high levels in 2010

Moody's Investors Service released a report on the outlook for Qatari Banks, in which it indicated that the stable outlook for credit conditions in the Qatari banking system is based on the country's enduring macroeconomic growth and the government's repeated interventions during the crisis in 2009. In 2010, Moody's expects Qatari banks' pre-provision profitability to remain at good levels and to be supported by higher business volumes and low costs. However, the report noted that the banks' net profitability is likely to continue to be dampened by rising provisioning expenses.

According to Moody's, current ratings of Qatari banks are supported by continued high levels of pre-provision profits, strong capital levels and a high loss-absorption capacity. However, Moody's pinpointed that, during 2009, the banks' credit quality fundamentals worsened due to prominent credit losses in their consumer lending portfolios and the loans that were extended to the construction and the real estate sector. Taken together, Moody's estimates that the banks' non-performing loans grew by around 140% during 2009, thus leading to elevated provisioning expenses and reduced bottom-line profits for most Qatari banks.

Moody's also warned that the increased credit risk assumed by Qatari banks in 2009 and the sizeable risk concentration levels on both sides of their balance sheets hold back any upward movement of the banks' ratings.

Moody’s also assessed the macroeconomic conditions in Qatar and their spillovers on the banking system. Within this context, the report indicated that despite the meek slowdown in GDP growth in 2009, Qatar's economy continued flourish, with GDP growth estimated to have reached 11.4% in 2009 (compared to 15.8% in 2008). For 2010-2011, Moody's expects the Qatari economy to grow at a rate of around 16%, mostly on account of rising hydrocarbon production and elevated oil prices.

While the banks' business expansion slowed down in 2009 in line with the global downturn and the resulting greater caution towards lending, Moody's expects 2010 growth rates to gradually return to pre-crisis levels. This is likely to be supported by pick up in the pace of government spending in the hydrocarbon sector as well as in the non-oil sector of the economy in 2010-2011. Also, the banks' reinforced capital position, following the Qatari government's acquisition of a 10% stake in the local banks' capital, is expected to be used to enhance business activities.

Going forward, all three Qatari banks rated by Moody’s are likely to continue to benefit from a high level of support from the Qatari authorities, which provides an uplift to their deposit ratings. This support has been clearly demonstrated in 2009 and helped local banks maintain relatively good profitability levels while ensuring the sector's financial stability.

SAMA indicates a rise in foreign investments of Saudi Banks in the first quarter of 2010

Official data release by the Saudi Arabian Monetary Agency (SAMA) indicated that Saudi Arabia's banks continued to avoid the local market in the first quarter of 2010 and instead geared their investments towards foreign markets to offset a sharp slowdown in domestic credit.

SAMA’s figures showed that after pouring a record US$ 12.8 billion into foreign markets through 2009, the Kingdom's 12 commercial banks slightly cut investments abroad in January 2010 before they rebounded in February and March of this year. From almost US$ 29.9 billion at the end of 2009, the banks' combined investments abroad gained nearly US$ 1.6 billion to climb to an all time high of about US$ 31.5 billion at the end of March 2010.

Despite the surge in such investments, the banks' total foreign assets slipped to about US$ 55.2 billion at the end of March 2010 from nearly US$ 56 billion at the end of 2009. The decline was caused by a fall in the banks' dues from banks abroad and foreign branches. SAMA's figures showed the drop in foreign assets and the increase in foreign liabilities depressed the banks' net foreign assets to about US$ 27.1 billion at the end of March 2010 from about US$ 29.7 billion at the end of 2009.

IATA indicates Middle East air traffic records highest growth in March 2010

According to the latest figures released by the International Air Transport Association (IATA), the Middle Easters carriers posted a traffic growth of 25.9% in March 2010 relative to the same month of the previous year, the strongest traffic growth amongst all regions.

IATA pointed out that some of this progress is connected to the rebound in economic activity witnessed in the region, while a large part is attributed to market shares gains on long-haul markets, connecting passengers over Middle Eastern hubs. Moreover, load factors for the region's airlines rested at 76.2%, slightly below the global average, as per IATA.

To assess airline performance, IATA takes into consideration the following criteria: revenue passenger kilometers (RPK) which measures actual passenger traffic, available seat kilometers (ASK) which measures available passenger capacity, passenger load factor (PLF) taken as a percentage of ASKs used which also indicates point differential between periods, freight ton kilometers (FTK) which measures actual freight traffic, and available freight ton kilometers (AFTK) which gauges available total freight capacity.

Middle East Air Traffic Demand in March 2010

March 2010 versus March 2009

RPK Growth	ASK Growth	PLF	FTK Growth	AFTK Growth
25.9%	14.8%	76.2	35.5%	15.0%

Year-to-date 2010 versus Year-to-date 2009

RPK Growth	ASK Growth	PLF	FTK Growth	AFTK Growth
25.0%	15.8%	75.1	34.0%	17.0%

Sources: IATA, Bank Audi's Research Department

A.T. Kearney's FDI Confidence Index identifies the Middle East as a major foreign investment destination

A.T. Kearney issued a report termed "Investing in a Rebound" in which it measured the 2010 FDI Confidence Index for countries within the Middle East and revealed the region as an important destination for foreign direct investment (FDI) inflows. The United Arab Emirates (UAE), and other Gulf States which include Bahrain, Kuwait, Oman and Qatar, ranked amongst the top 15 countries in terms of the aforementioned index.

The FDI Confidence Index measures the attractiveness of countries with respect to inward investments. Values range from 0 to 3 with the former standing for the lowest confidence and the latter for the highest.

The UAE, with a score of 1.29 out of 3, is among the top 15 investment destinations for the second consecutive survey. It surpassed Vietnam, France as well as Hong Kong while it came after Mexico, Canada and the United Kingdom. Despite slipping in rankings from 8th in 2007 to 11th in 2010, the UAE is still considered an attractive FDI market in the Middle East, with investors sustaining their confidence in the country and perceiving large potential for economic rebound over the long term.

The group of other Gulf States (Bahrain, Kuwait, Oman and Qatar) recorded a total of 1.26 out of 3, and ranked 15th in 2010 versus 17th in the previous poll. These countries outperformed Romania, the Czech Republic and Russia but they were preceded by Vietnam, France and Hong Kong. The study noted that these Gulf countries have used their oil and gas wealth to diversify their economies and attract FDIs into the services sector. The sectors representing a source of interest for investors in these countries are the primary sector as well as the heavy industry and financial services sectors. FDI is deemed important in Qatar and other GCC countries, mainly for the technology transfer and managerial expertise it entails.

As to Egypt, it is emerging as an attractive destination on the back of its oil and gas resources, privatization schemes, and not to mention its large consumer market. The sectors of interest for investors in the country are the heavy industry and primary sectors. Egypt's stimulus package offered funding for labor-intensive infrastructure projects, with an emphasis on water treatment installations, roads and bridges. Hence, the improved infrastructure provided an additional incentive for further foreign investment in the country. It is important to note that in recent years, Egypt has improved its investment climate making it one of the World Bank's top reformers in the World Bank Doing Business report, though challenges remain.

UAE tops HSBC Trade Confidence Index

The United Arab Emirates (UAE) came in first place with respect to the latest HSBC Trade Confidence Index. The latter covers a total of over 5,100 importers and exporters in 17 countries, including key economies in the Asia-Pacific region, the UAE and Saudi Arabia in the Middle East, Brazil, Mexico, the UK and the US. Business sentiment globally showed an overall positive outlook with an average global reading of 116 on a scale of 0 to 200, with 100 as a neutral reading. Emerging markets are more optimistic scoring an average of 122 points compared to a score of 106 points for developed markets, according to the survey. The latest HSBC Trade Confidence Index is showing growing confidence in the state of global and regional trade, indicating that exporters and importers might be seeing the start of an economic recovery.

Encouraged by the UAE government's trade regulations and business environment, the UAE scored 134, the highest score from all countries surveyed, followed by India at 133 and Vietnam at 132. Indeed, 68% of traders in the UAE expect emerging government regulations to benefit their businesses, and that proportion is the highest in the world and higher than the global average of 26%, as per the report. UAE's strong confidence amongst traders was a result in part due to their optimistic outlook on the growth of trade business over the next six months. Indeed, 56% of the traders now anticipate an increase in trade business over the next six months and 31% expect it to at least remain at current levels.

In addition, more traders in the UAE are expecting the global economy to do better (77%) as compared to last survey (47%). The traders in the UAE secure most of their trade finance needs from the banking sector. However, access to credit continued to rank among the major concern of businesses worldwide including the UAE. Lack of product demand, fluctuating foreign exchanges and buyers defaulting on payments were also seen as barriers to growth, according to the HSBC survey.

In summary, the HSBC Trade Confidence Index found a range of signs in support of a positive trade outlook in the UAE. Indeed, credit offered by suppliers is becoming an important source of funding, 69% of traders expect the risk of buyers defaulting on payment to remain at the same level, 61% of respondents expect their need to trade finance to increase, and 55% of respondents expect improved access to trade finance, according to the survey.

CORPORATE NEWS

Accor Hospitality Middle East to open 17 hotels in four Gulf countries by 2012

Accor Hospitality Middle East is set to open 17 new hotels representing 5,268 rooms in Saudi Arabia, Bahrain, Kuwait and the UAE within the next two years. The group has a target of opening five hotels in 2010, six in 2011 and five in 2012, according to company officials.

The new hotels range from economy to luxury, allowing Accor to achieve its target of expanding its current network of 33 internationally-branded hotels in the Middle East to 50 hotels representing approximately 12,000 rooms, according to company sources.

For the UAE, Accor Hospitality Middle East is introducing two new international brands, specifically in Dubai and in Abu Dhabi, termed Pullman Hotels & Resorts and Adagio respectively.

The Pullman Dubai Mall of the Emirates, part of the Pullman Hotels & Resorts, is due to open in the second half of this year and comprises 481 rooms. By 2011, Accor would introduce the mid-stay serviced type of accommodation in the UAE's capital, the 279-room Adagio Abu Dhabi Al Bostan, part of the Adagio City Aparthotel chain.

Accor, a European leader in hotels and tourism and a global provider in services to corporate clients and public institutions, operates in nearly 100 countries, and has over 25 years of presence in the Middle East, with a portfolio of hotels including global brands such as Sofitel, Novotel, Mercure, Suite hotel and ibis.

Dubai to open world's largest airport for cargo next month

Dubai's second airport, designed to be the world's largest when completed, would open in June for cargo only, with plans to receive passengers in spring next year, according to Dubai Airports executives.

The airport is designed to have six runways and handle 120 million passengers when fully completed, according to the same source. The passenger terminal is scheduled to be ready by the end of the year and would start operations at the beginning of the summer season in 2011.

The new airport is planned to span across 140 square kilometers, and is part of the US$ 33 billion Dubai World Central development in Dubai's Jebel Ali area.

US Russell Investments to expand in the Middle East

After years of looking at the Middle East as a fund raising hub, Russell Investments is now looking at more investment opportunities to tap into the economic growth of the region, according to company executives.

With assets under management of US$ 179 billion, Russell Investments is planning to set up multi manager or single manager funds in the region to be managed and operated by local fund managers.

Russell Investments is also planning to establish an office in the region before the end of the year. The employees would research local opportunities in terms of investments, as per company officials.

Abu Dhabi's Aabar Investments to sell AED 1.5 billion convertible bonds to IPIC

Abu Dhabi's Aabar Investments said the board agreed to the sale of AED 1.5 billion (around US$ 410 million) of convertible bonds to Abu Dhabi's International Petroleum Investment Company (IPIC).

The bonds would be issued at a conversion price of AED 2.5 (around US$ 0.7), according to company sources. The converted shares would be listed on the Abu Dhabi Securities Exchange, according to the same source.

Aabar said on April 30 it planned to sell as much as AED 7.35 billion (around US$ 2.0 billion) of convertible debt to IPIC for "general corporate purposes." IPIC, the Abu Dhabi government-owned energy investor, owns a 71% stake in Aabar after converting AED 6.68 billion (around US$ 1.8 billion) of bonds in 2009, according to the statement.

Abu Dhabi's GHC invests US$ 10 billion to grow its business

General Holding Corporation (GHC), the Abu Dhabi government's industrial investment arm, is planning to invest US$ 10 billion over the next few years to expand both internally and through acquisitions, with local and international partners.

GHC's executives said the firm would invest over US$ 4 billion every year over the next few years. This amount would stem from cash flows, bank borrowings and contributions from potential partners. During 2009, GHC's net profit climbed 61% to US$ 307.7 million and total assets grew 16% to US$ 5.0 billion.

EQUITY MARKETS

All regional equity markets dive in the red

All equity markets across the region dived in the red this week, as investors did not show appetite for riskier assets amid growing concerns that Greece's debt crisis might spread to other Eurozone economies. All in all, regional equity markets posted a 1.6% decrease in prices week-on-week, as per Morgan Stanley Capital International Arabian Markets Index. This compared to a much higher drop of 8.4% and 9.1% in global and emerging equity markets respectively on fears of Greece's debt contagion effect.

The Egyptian Exchange reported the sharpest fall in equity prices of 5.1%, in line with a fall in GDRs on the London Stock Exchange. The telecommunication sector topped the losers list. In fact, lingering uncertainties regarding the Orascom Telecom-MTN deal continued to weigh on Orascom Telecom's share performance, with the latter posting an 11.5% week-on-week drop in price to close at LE 6.33.

In the GCC region, the Qatar Exchange saw a 2.2% drop in prices week-on-week, with the banking shares leading the decline on the back of falling 2010 first quarter results in major banks due to higher provisioning. Masraf Al Rayan Bank was among the top losers and the most traded stocks. Its share price closed 3.3% lower at QR 14.70. Commercial Bank of Qatar was among the top losers too, falling by 6.0% to reach QR 72.70. On the other hand, its is worth mentioning that the bourse's DSM 20 index was rebranded as the QE Index from May 6, 2010 following the rebranding of the Qatar Exchange in June 2009 as the successor of the Doha Securities Market. The QE Index calculation is based on free-float market value and the average daily traded value. The overall enhancements to the current index are beneficial to public investors in Qatar and would contribute to the development of the liquidity of the market.

The UAE equity markets registered a 1.7% decrease in prices week-on-week. In Dubai, Emaar Properties and Arabtec Holding were among the most traded stocks this week. Emaar's share price decreased by 1.5% to AED 3.85. Emaar's shareholders approved non-distribution of dividend 2009 and authorized the company to reinvest its profits into long-term growth. On the other hand, Arabtec share price rose by 1.2% to AED 2.50 on the back of winning a contract worth AED 500 million from Damac Properties to build an apartment project in Dubai. In Abu Dhabi, Aldar Properties' share price continued this week its downward trajectory, falling by 2.6% to close at AED 3.82, after posting recently worth-than-expected first quarter loss of AED 314.2.

As to banking stocks, Dubai Islamic Bank's share price retreated by 0.9% to close at AED 2.25, after announcing a 46% year-on-year drop in its first quarter net profit that fell short of most analysts' expectations, under the impact of ongoing policy of prudent provisioning.

Elsewhere in the Gulf region, the Kuwait Stock Exchange saw a 1.6% decline in equity prices week-on-week. Global Investment House's share price tumbled by 8.4% to KWD 0.087. The country's largest investment company announced that no dividends will be distributed for the year 2009. In the logistics sector, Agility's share price fell by 9.5% to KWD 0.570, noting that the deadline for the settlement by Agility and the US government over the alleged overbilling of military supplies has been extended until June.

In Saudi Arabia, the Tadawul saw a 0.8% decrease in prices week-on-week. Petrochemical stocks led the decline on the back of falling oil prices on concerns about demand following Greece's debt crisis. Saudi Kayan Petrochemical Company was again among the most traded stocks this week. Its share price declined by 1.8% week-on-week to close at SR 21.95.

Equity Markets Indicators

Market	Price Index	Week-on -week	Year-to-date	Trading Value	Week-on -week	Volume Traded	Market Capitalization	Turnover ratio	P/E	P/BV
Lebanon	142.1	-1.4%	-1.4%	12.1	3.0%	4.7	11,985.5	5.2%	9.9	1.38
Jordan	139.1	-2.8%	-7.2%	229.9	-26.9%	167.5	30,708.5	38.9%	18.6	1.63
Egypt	893.6	-5.1%	13.8%	819.3	-9.7%	596.7	80,247.5	53.1%	12.1	1.81
Saudi Arabia	443.0	-0.8%	13.8%	5,412.6	-8.2%	881.0	357,923.2	78.6%	16.7	2.12
Qatar	654.8	-2.2%	7.2%	393.3	-10.7%	64.6	111,096.6	18.4%	10.9	2.11
UAE	230.5	-1.7%	0.5%	487.4	-24.0%	873.7	136,107.7	18.6%	11.0	1.14
Oman	914.3	-0.5%	9.2%	70.8	-2.6%	84.0	18,585.5	19.8%	12.2	1.84
Bahrain	301.2	-1.7%	-9.3%	1.9	-42.3%	3.1	18,574.1	0.5%	12.3	1.13
Kuwait	635.6	-1.6%	14.6%	580.4	-44.0%	736.1	105,016.5	28.7%	15.5	1.47
Morocco	442.4	-4.9%	6.1%	315.2	-11.8%	5.4	68,547.1	23.9%	19.8	3.96
Tunisia	1,179.3	-2.1%	0.4%	-	-	4.3	9,009.4	-	16.3	2.04
Arabian Markets	**523.7**	**-1.6%**	**11.3%**	**8,323.1**	**-14.0%**	**3,416.9**	**938,792.1**	**46.1%**	**14.1**	**1.79**

Values in US$ million; volumes in millions

Sources: MSCI Barra, Zawya Investor, Bank Audi's Research Department

NB: Tunisia's figures are not all available yet, and have therefore been excluded from aggregate Arabian Markets figures

FIXED INCOME MARKETS

Concerns about Eurozone contagion effect of Greece's debt crisis weigh on regional bond markets' performance

Exacerbating concerns about Greece's debt crisis and fears on its contagion effect on other European countries left their imprints on international, emerging and regional markets during this week, entailing a rise in risk aversion. On the regional front, bond markets saw massive selling operations that resulted in sharp drops in prices, as shown by a 39 basis points surge in the Audi compiled weighted Middle East average yield. In parallel, the cost of insuring debt against default widened in several countries across the region, and the 5-year CDS spreads in emerging markets expanded by 60 basis points week-on-week.

In Saudi Arabia, growing concerns on Greece's debt crisis drove some real estate, banking and industrial bond yields substantially upwards, yet the rise in five-year CDS spreads was limited to five basis points.

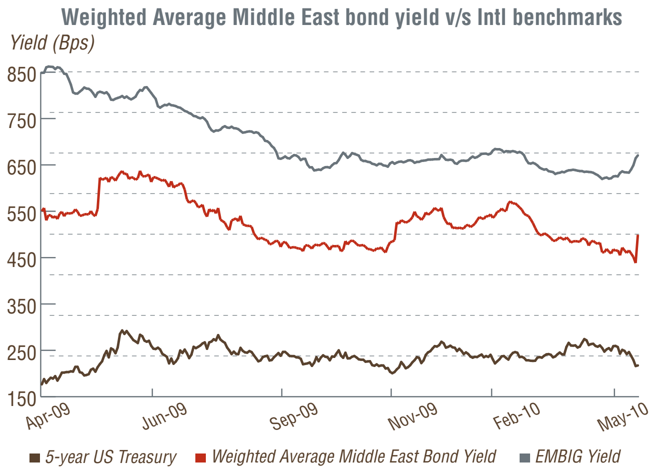
The Saudi debt market yet saw new issues announced this week. Indeed, Saudi Electricity Company plans to sell 20-year SR 7 billion (US$ 1.9 billion) Islamic bonds to raise funds to expand and refinance debt. The issue would be the company's third since 2007. The floating rate sukuk would pay 95 basis points more than the three-month Saudi interbank offered rate, which is below the 160 basis points premium above Sibor at which SEC priced its previous SR 7 billion sukuk issued in 2009. The lower yield gains importance as it underscores an easing in credit conditions in Saudi Arabia after a relatively tough 2009. In addition, investors would have the option to redeem the bonds after seven years. Finally, it is worth mentioning that HSBC Saudi Arabia Ltd. and Samba Financial Group would manage the sale.

A forthcoming new issue was also announced in Egypt. The board of Orascom Construction Industries approved this week a plan to issue a five-year LE 1.65 billion (US$ 296.1 million) bond. The proceeds would be used to finance general corporate purposes including, but not limited to, capital expenditures, potential acquisitions and balance sheet restructuring, according to company's sources. Five-year bonds would be issued through public and private subscription and would be structured to have a bullet repayment on maturity date. The final decision on the bond issuance is subject to shareholders' approval during the upcoming Extraordinary General Meeting and to customary regulatory requirements.

On the other hand, the uncertainty surrounding the Orascom-MTN deal continues to weigh on Orascom's bonds performance during this week, with its prices falling sharply, as reflected by a 142 basis points hike in the average yield week-on-week.

In Dubai, Dubai World announced that it would stop paying interest on outstanding loans starting May as it waits for lenders to agree to the US$ 14.2 billion debt restructuring proposal. Interest accrued on the loans as of May 1st will be added to the new rolled-over loans offered to creditors. Creditors of Nakheel will continue to receive interest. It is worth recalling that DW offered lenders last week an additional 1% at maturity for the rolled-over loans it is restructuring, an upgrade from an opening 1% interest rate offer which was rejected as being too low.

In Lebanon, some foreign investors offered their long-term papers during this week on the back of concerns about Greece's debt crisis, yet the offer was relatively met by sufficient demand. Accordingly, Lebanese bond prices remained more or less stable week-on-week, yet five-year CDS spreads widened by 63 basis points to 338 basis points in light of growing foreign demand for debt's insurance.



Sources: Thomson Reuters, Bank Audi's Research Department

Middle East 5Y CDS Spreads v/s Intl Benchmarks

in basis points	07-May 2010	30-Apr 2010	31-Dec 2009	Week-on-week	Year-to-date
Abu Dhabi	115	104	151	11	-36
Dubai	435	415	445	20	-10
Qatar	100	90	105	10	-5
Saudi Arabia	71	67	85	5	-14
Bahrain	160	160	210	0	-50
Oman	194	140	127	55	67
Egypt	214	190	260	24	-46
Lebanon	338	275	281	63	57
Emerging Markets	295	235	272	60	23

Sources: Thomson Reuters, Bank Audi's Research Department

SOVEREIGN RATINGS

	Standard & Poor's	Moody's	Fitch	EIU
LEVANT				
Lebanon	B/Positive/B	B1/Stable	B/Stable/B	CCC/Stable
Syria	NR	NR	NR	CCC/Positive
Jordan	BB/Stable/B	Ba2/Stable	NR	B/Stable
Egypt	BB+/Stable/B	Ba1/Stable	BB+/Stable/B	BB/Stable
Iraq	NR	NR	NR	CC/Stable
GULF				
Saudi Arabia	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+	BBB/Stable
UAE	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+	BB/Positive
Qatar	AA-/Stable/A-1+	Aa2/Stable	NR	A/Stable
Kuwait	AA-/Stable/A-1+	Aa2/Negative	AA/Stable/F1+	A/Stable
Bahrain	A/Stable/A-1	A2/Negative	A/Stable/F1	BBB/Stable
Oman	A/Stable/A-1	A1/Stable	NR	A/Stable
Yemen	NR	NR	NR	CC/Stable
NORTH AFRICA				
Algeria	NR	NR	NR	BB/Stable
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3	BB/Stable
Tunisia	BBB/Stable/A-3	Baa2/Stable	BBB/Stable/F2	BB/Stable
Libya	NR	NR	BBB+/Stable/F2	BB/Stable
Sudan	NR	NR	NR	C/Stable

NR = Not Rated

INTERNATIONAL MARKET RATES

	07-May-10	30-Apr-10	31-Dec-09	Weekly Change	Year-to-date
US Prime Rate	3.25%	3.25%	3.25%	0.00%	0.00%
3-M Libor	0.43%	0.35%	0.25%	0.08%	0.18%
US Discount Rate	0.75%	0.75%	0.50%	0.00%	0.25%
US 10-year bond	3.43%	3.66%	3.84%	-0.23%	-0.40%

FX RATES (per US$)

	07-May-10	30-Apr-10	31-Dec-09	Weekly Change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Syrian Pound (SYP)	46.75	46.30	45.75	1.0%	2.2%
Jordanian Dinar (JOD)	0.71	0.71	0.71	-0.1%	0.0%
Egyptian Pound (EGP)	5.60	5.56	5.49	0.7%	2.1%
Iraqi Dinar (IQD)	1,165.00	1,167.10	1,150.00	-0.2%	1.3%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.64	3.64	3.64	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.29	0.29	0.29	0.3%	0.9%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	0.0%	0.0%
Yemeni Riyal (YER)	203.75	203.75	203.00	0.0%	0.4%
NORTH AFRICA					
Algerian Dinar (DZD)	73.45	73.10	70.42	0.5%	4.3%
Moroccan Dirham (MAD)	8.68	8.37	7.88	3.7%	10.2%
Tunisian Dinar (TND)	1.48	1.43	1.32	3.4%	11.4%
Libyan Dinar (LYD)	1.30	1.28	1.23	1.5%	5.8%
Sudanese Pound (SDG)	2.23	2.23	2.24	0.0%	-0.5%

COMMODITIES (in US$)

	07-May-10	30-Apr-10	31-Dec-09	Weekly Change	Year-to-date
Crude oil barrel (Brent)	77.4	86.7	77.7	-10.8%	-0.4%
Gold ounce	1,207.8	1,178.3	1,095.7	2.5%	10.2%
Silver ounce	18.3	18.6	16.8	-1.5%	8.9%
Platinum ounce	1,659.0	1,739.5	1,467.0	-4.6%	13.1%

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