The MENA Weekly Monitor

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p.6 ▶ **Important surge in regional bond prices on Qatar upgrade, equity prices remain relatively stable despite global price gains**

Regional equity markets remained almost stable this week, posting a small rise in prices of 0.7% relative to the previous week, as per MSCI data, that was partially supported by a rise in crude oil prices. This came in line with a much higher increase in prices in global equity markets of 5.2% week-on-week, on the back of a drop in US jobless claims and relatively higher than forecasted sales that boosted investor confidence. As to regional fixed income markets, they were marked during this week by a strong buying interest, on the back of some favorable news regarding Qatar & Qtel upgrade by S&P. The Audi compiled weighted average bond yield fell by 18 basis points week-on-week, while the average bond spread shrank by 23 basis points due to a drop in regional bond yields and a rise in US benchmark yields, after encouraging data on US jobless claims and retail sales dispelled some investor fears about a double-dip recession.

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

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MEED Projects pinpoint to a 19% fall in the value of GCC projects in the first half of 2010

The GCC projects market fell in value by 19% in the first half of the year compared with the same period in 2009, according to latest data compiled by MEED Projects. Just over US$ 49 billion worth of contracts were awarded in the first half of 2010 compared with the US$ 60 billion worth of deals signed in the equivalent period last year.

The drop in project awards came despite an additional US$ 35 billion in GCC capital spending allocated in government 2010/11 budgets, and a general improvement in the region's economies, according to MEED Projects.

As per experts at MEED, it is somewhat surprising to see project awards falling compared with last year. As the first half of 2009 was at the height of the global recession, project spending was expected to have been lower then than now, especially that there has been an improvement in the macroeconomic environment.

Analysis of the data highlights a sharp drop of more than 60% in the value of Saudi Arabian contract awards between the two periods from US$ 29 billion to just US$ 11 billion. According to MEED, the decline was partly due to the delays on the US$ 11 billion Yanbu refinery project. Delays in awarding several other high-value deals were another factor. The downward correction in contract awards in Saudi Arabia is a concern because many in the market had been looking to the Kingdom to make up the loss of project activity caused by the Dubai real estate crash. However, experts at MEED are optimistic that much of the shortfall would be made up in the second half of the year.

The statement released by MEED noted that a key feature of the first half of 2010 was the growing competition for new work in the GCC. In key markets, such as the Abu Dhabi building sector, contractor margins were estimated to have halved since their mid-2008 peak. The latest MEED forecast predicts a total GCC project spending of US$ 150 billion for the whole of 2010, down from the 2009 figure. Meanwhile, the value of contract awards is expected to double during the second half of the year, with Saudi Arabia constituting the bulk of spending at just over US$ 46 billion, followed by the UAE at nearly US$ 25 billion, and then Kuwait at US$ 16 billion, a fourfold increase on the first half of the year.

Arad Monetary Fund calls for further provisioning in GCC banks

A recent commentary by the Arab Monetary Fund (AMF) indicated that some Gulf banks need more provisions to weather repercussions of the credit crisis and their lending must become more prudent to avoid future bubbles. Officials at the Fund indicated that Arab economies would grow by around 4% this year, and they face no threat from inflation. Indeed, they were optimistic that the Arab economies would see positive growth this year without the threat of the price rises they saw during the pre-crisis boom period. In the GCC, the AMF forecasted inflation at 2%.

The statement also noted that lending growth in the Gulf economies remains sluggish as the region's banks suffer from shrinking margins and bad loans from the crisis. It noted that banks in the region must be careful not to repeat the same practices they had before the crisis. They have to address some problems inherited from the crisis through more provisioning, and through prudent lending policies.

The commentary also stated that in the United Arab Emirates, banks are likely to book specific provisions in the third quarter against loans made to the troubled Dubai World conglomerate after the state conglomerate reached a deal in principle to restructure US$ 23.5 billion in debt. UAE banks have an estimated exposure of US$ 15 billion to Dubai World.

Provisions of UAE banks for non-performing loans declined to US$ 9.6 billion in May while general provisions edged up to US$ 3.7 billion last month. Officials at the AMF indicated that in the future banks would have clean balance sheets and could start fresh lending without any handicaps.

The UAE and Saudi Arabia top GCC countries in terms of infrastructure projects as per BMI

The United Arab Emirates and Saudi Arabia dominate spending on rail, road and public transportation projects, according to a recent study by research company Business Monitor International (BMI). The study noted that the GCC countries would invest over US$ 119.6 billion in infrastructure projects over the next ten years, of which rail projects account for over 90% of the investment.

Regional government policy and spending over the next ten years would define the region's transport infrastructure. The amount allocated for investment in rail projects clearly demonstrates the region's strategy for mass transit.

Leading the Gulf in terms of investment, Saudi Arabia is spending US$ 25 billion on its rail network adding 3,900 kilometers of track through three major projects. The first project is the Saudi Landbridge project, a 950 kilometer railway which will connect Jeddah and Dammam. The second project is the 450-kilometer Haramain high-speed which would connect Mecca and Medina via Jeddah and the third one is the North South Railway which joins the northern mineral belt with Riyadh and the industrial city of Jubail.

The UAE has already committed US$ 7.6 billion in Dubai on the metro (red and green lines) and another US$ 3.26 billion on several major road projects as a supplement to a public-private partnership with Italian construction and infrastructure company Salini Costruttori to overhaul sections of the UAE-Saudi Arabia highway.

In the UAE capital, there are plans for a US$ 7 billion 131-kilometer monorail track, most of which will be underground. Further funds are budgeted for a high-speed rail link with Dubai, freight rail corridor and new roads, all scheduled for completion within the next five years, as per BMI.

Elsewhere in the Gulf, significant amounts are being invested in infrastructure projects, in Kuwait, Bahrain, and Qatar, notably the US$ 4 billion Qatar-Bahrain causeway whose plans, although currently delayed due to design, financial and technical issues, are at an advanced stage.

S&P lifts Qatar's long-term rating to AA

Standard & Poor's (S&P) raised Qatar's long-term ratings to AA, the agency's third highest rating, from AA-, on account of strengthening fiscal and external balance sheets. Qatar's real per capita gross domestic product will gain 11% in 2010 amid rising gas output, S&P said in a statement last week. The world's biggest producer of liquefied natural gas aims to increase its capacity to produce the fuel by 43% to 77 million tons, with three new production units starting this year.

According to a report issued by S&P last week, Qatar's economy is weathering the global downturn well, with deflationary pressures and financial sector problems contained by the economic policy flexibility generated by new gas projects.

The change in rating gives Qatar the highest long-term debt rating of any country in the Persian Gulf, according to data compiled by Bloomberg. A S&P rating of AAA and AA+ are ranked higher than AA. S&P affirmed its A-1+ short-term rating for the country. In comparison to some of its Gulf peers, Saudi Arabia, the largest Arab economy, holds an AA- long-term rating. Abu Dhabi, a member of the United Arab Emirates federation and its top oil exporter, also holds an AA rating.

S&P last changed Qatar's long-term rating in March 2007, raising it to AA- from A+. Qatar's government supported its financial institutions following the financial crisis of 2008, providing banks with capital and purchasing their real estate and equity portfolios.

Nonetheless, S&P indicated that Qatar faces structural weaknesses and challenges including a lack of government transparency and public institutions that are in the early stages of development.

The EIU forecasts real GDP growth in the UAE to average 3.1% in 2010-11

In its most recent country outlook on the UAE, the Economist Intelligence Unit (EIU) projected that real GDP growth would pick up to 3.1% in 2010-11, on the back of a modest increase in oil production owing to a slow recovery in demand, while real GDP growth contracted by 2.7% in 2009, attributed to a sharp fall in oil prices and a collapse in the property market.

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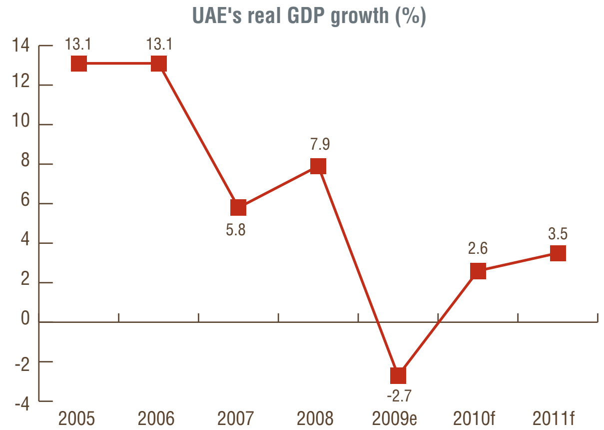
The report also noted that economic policy this year would concentrate on restoring confidence in the UAE economy, with a focus on Dubai. As a matter of fact, Dubai Inc, comprising Dubai World, Dubai Holding and the Investment Corporation of Dubai, has an estimated US$ 109 billion in debt.

On the other hand, the EIU indicated that Abu Dhabi is pressing ahead with economic diversification away from oil and towards key sectors such as health, aerospace, semiconductors and renewable energy. The Abu Dhabi Education Council intensified its efforts to bridge the skills gap in engineering and related fields by announcing US$ 1.3 billion investment for this purpose over the next eight years.

Regarding consumer price inflation, it is expected to increase over the forecast period, as a stronger US Dollar would contain imported inflation and a slow upturn in domestic demand would limit price rises. The EIU forecasts that annual average inflation would be 3.4% in 2010-11, up from just 1.6% in 2009, as economic activity was weak and housing supply increased.



Sources: EIU, Bank Audi's Research Department

Deloitte notes rising optimism among Middle Eastern CFOs

In its second Middle East CFO survey, conducted in March 2010, Deloitte indicated that CFOs have favorable views toward government actions in supporting the economy, the banking environment beginning to stabilize, and the outlook for general business activity improving. When looking at their own balance sheets, however, CFOs do not seem to have achieved any significant deleveraging over the past six months. As such, financial risks remain and they should be monitored and tracked closely.

Deloitte's survey aims at providing insight into the current state of the markets and future predictions. The report presents results collected from the participation of more than 134 chief financial officers from leading companies across the region.

Results of the survey suggest that 62% of CFOs do not see the need for further government intervention at this time, however 90% believe that governments in the region have the capacity to do more in the future should the need persist. On the other hand, 75% of CFOs surveyed expect their company's operating cash flows to increase over the coming 12 months, while 64% think that commercial real estate continues to be viewed as overvalued compared to equities. Government bonds are perceived as increasingly overvalued, as well.

Moreover, there is continued optimism around an increase in expected mergers and acquisitions activity over the coming 12 months according to 73% of the CFOs. Also, there is an increase in optimism reported by CFOs relating to the financial prospects for their company over the coming 12 months with a consistent view from the last survey that growth in demand for the company's products and services would accelerate in the second half of 2010. Regarding external financing, 64% of CFOs see this market as having improved over the past six months particularly for bank borrowings and equity raising. However, most believe it is still not a good time to be accessing the markets for external finance.

The first Middle East CFO survey was released in October 2009 and the overall sentiment has since proved to be consistent with the region's resilience to the crisis, as per analysts at Deloitte.

UAE cities on top of the cost of living index

The new Cost of Living Survey from leading global HR consulting firm Mercer revealed that the UAE capital, Abu Dhabi, is the most expensive city in the MENA region for expatriates to live in, with Abu Dhabi ranking in the 50th position among 214 cities included in the survey. The other UAE city, Dubai, isn't far behind, ranking as the second most expensive city regionally and positioned 55th globally.

According to Mercer, accommodation costs have continued to decrease in Abu Dhabi and Dubai, driving down the cost of living for expatriates. The weakening of the US Dollar against a number of other currencies has contributed to decrease the cost of living in Gulf countries whose currency is pegged to the US Dollar, but since March 2010, the Dollar has strengthened, showing that the situation does fluctuate, as per Mercer. On the other hand, in places like Jeddah and Tripoli, the lack of suitable accommodation for expatriates combined with strong demand, has pushed costs up.

Based on the spending habits of expatriates in 214 cities, the survey measures the comparative cost of over 200 items in each location, including housing, transport, food, clothing, household goods and entertainment. New York is used as the base city for the index and all cities are compared against New York and currency movements are measured against the US Dollar. It is used to help multinational companies and governments determine compensation allowance for their expatriate employees. The cost of housing, often the largest expense for expatriates, plays an important part in determining where cities are ranked.

Looking at the ranking of MENA cities, the two cities of the UAE were followed by Djibouti which came in 3rd in the MENA region in terms of cost of living and 62nd among 214 countries around the world, Beirut (80th), Amman (83rd), Cairo (87th), Casablanca (108th), Damascus (111th), Algiers (115th), Manama (139th), Khartoum (141st), Riyadh (144th), Doha (146th), Kuwait City (152nd), Rabat (159th), Muscat (176th), Jeddah (181st), Tripoli (186th) and Tunis (199th).

Cost of Living Rankings in MENA Cities

City	World Rank 2010	MENA Rank 2010	MENA Rank 2009
Abu Dhabi	50	1	1
Dubai	55	2	2
Djibouti	62	3	-
Beirut	**80**	**4**	**4**
Amman	83	5	5
Cairo	87	6	6
Casablanca	108	7	8
Damascus	111	8	-
Algiers	115	9	3
Manama	139	10	9
Khartoum	141	11	-
Riyadh	144	12	10
Doha	146	13	-
Kuwait City	152	14	7
Rabat	159	15	-
Muscat	176	16	-
Jeddah	181	17	11
Tripoli	186	18	-
Tunis	199	19	12

Sources: Mercer Human Resource Consulting 2010, Bank Audi's Research Department

CORPORATE NEWS

Egypt's Commercial International Bank to double capital to US$ 1.07 billion

The Commercial International Bank (CIB) of Egypt would double its issued and paid up capital to US$ 1.07 billion financed from the bank's reserves.

According to a bank's statement, shareholders would receive one free share for every one held by the close of trade on July 14, taking delivery of shares the following day. This move comes on the heel of seven previous CIB capital increases since 1993.

CIB, formerly known as Chase National Bank of Egypt, is Egypt's biggest private bank by capital. Established in 1975, it is headquartered in Cairo with 154 branches all located in Egypt. It provides commercial banking, asset management, and investment banking services, among others.

Abu Dhabi Gas Development Company signs US$ 3.6 billion gas deals

Abu Dhabi Gas Development Company (ADGAS) recently signed four contracts worth a total of US$ 3.6 billion with firms from Italy, South Korea, Spain and India to develop its Shah gas field.

Two contracts worth US$ 1.6 billion were signed with Italy's Saipem to construct gas treatment and sulphur recovery units and to build gas lines for the Shah project. The facilities aim to treat one billion cubic feet of gas per day.

South Korea's Samsung Engineering won a US$ 1.49 billion deal, while Tecnicas Reunidas of Spain and India's Punj Lloyd secured a US$ 463 million deal, according to newswires.

Accor Group signs agreement to manage two hotels for Bena Properties in Syria

Accor Group signed a management agreement with Bena properties, the real estate development and investment arm of Cham Holding, in order to manage two hotels at Bena Properties' mixed-used development, Taj Halab.

The hotels are the 129 key four-star Novotel Hotel and the 150 key three-star Ibis Hotel both in Aleppo. This agreement marks the first venture for Accor Group into Syria.

According to Accor executives, the agreement for Novotel and Ibis reinforces Accor's commitment to the Middle East market allowing the chain to contribute to Syria's local tourism sector.

Bena executives commented that Accor Group adds variety to Aleppo's hotels and aligns with Taj Halab's vision of being a leisure, tourism, and business destination. They also announced that Bena's first hotel in Damascus is under construction and they would soon release an update on their resort development in Lattakia.

Established in 2007, Bena Properties is a large private real estate company in Syria active in Damascus, Aleppo, Lattakia, and Tartous. It operates a diverse portfolio of hotels, resorts, master-planned communities, and mixed-use centers.

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Taj Halab is a 200,000 square meter Bena Properties project with boutique hotels, shopping malls, restaurants, and conference centers all to be completed in 2014. As for Accor Group, it is a lodging management company incorporated in 1967 operating more than 15 complementary brands in more than 90 countries today.

Drake & Scull International awarded projects in Saudi Arabia

Damac Properties awarded a SR 450 million (US$ 120 million) contract to Drake & Scull International (DSI) to build the Al Jawharah project in Jeddah.

The package consists of a 42-storey residential building, which would take an estimated 28 months to complete. Al Jawharah is an 86,196 square meters luxury development on the Jeddah Corniche, including five bedroom penthouses and one to four bedroom apartments.

In parallel, Drake & Scull International was also awarded a AED 460 million (US$ 125.3 million) contract, in joint venture with Saudi Arabia's Al Zamil Group, for mechanical, engineering and plumbing work on the Information Technology and Communication Center (ITCC) project in Riyadh. This contract, awarded by Rayadah Investment Company, the investment arm of the Saudi government's Public Pension Plan, brings the total deals won by DSI this year to over AED 2 billion.

The ITCC project (overall cost AED 6 billion) spans over an area of 776,000 square meters and is the Kingdom's first "Smart City" which would offer the latest in voice and video communication platforms, widespread broadband services and high level data security.

Drake & Scull International PJSC is an end-to-end contracting company providing mechanical, electrical and plumbing, infrastructure, water and power, and civil contracting services and has been providing engineering services to the Middle East since its incorporation in the UAE in 1966.

EQUITY MARKETS

Small rise in regional equity markets despite tangible hike in global equity and oil prices

Regional equity markets remained almost stable this week, posting a small rise in prices of 0.7% relative to the previous week, as per MSCI data, that was partially supported by a rise in crude oil prices. This came in line with a much higher increase in prices in global equity markets of 5.2% week-on-week, on the back of a drop in US jobless claims and relatively higher than forecasted sales that boosted investor confidence.

The Kuwait Stock Exchange saw a 3.5% increase in prices week-on-week. International Financial Advisors' share price went up by 8.3% to close at KWD 0.052. IFA announced that it has acquired a 5.56% stake in Kuwait Clearing Co. from Bank of Bahrain and Kuwait for approximately $34.36 million. KIPCO's share price ended 3.2% higher at KWD 0.32. The company launched this week a US$ 500 million 10-year bond issue.

The UAE equity markets witnessed a 1.9% increase in prices week-on-week, mainly backed by gains made by property and constructions shares. In Abu Dhabi, Sorouh Real Estate Company posted a 1.1% increase in its share price to close at AED 1.77. The company signed a four-year $640 million credit facility to be used for general corporate purposes and to advance its local major developments. In Dubai, Emaar Properties' share price increased by 3.9% week-on-week, ending at AED 3.22, on speculation that the company's second quarter 2010 results would surprise investors on the upside due to the handover of Burj Khalifa units. Arabtec Holding's share price increased by 1.8% to close at AED 1.73 on the back of optimism regarding second quarter results and due to the possible claw-back of provisions. Drake & Scull International's share price rose by 3.9% week-on-week to close AED 0.81. The company has been awarded a contract, valued at $120 million, for Damac's Al Jawharah tower project in Jeddah.

The Qatar Exchange posted a 0.7% increase in prices week-on-week. Qatar National Bank's share price increased by 2.2% this week to close at QR 136.1. The lender posted a 35% increase in its second quarter 2010 net profit relative to the corresponding period of 2009, beating analysts' expectations, as the bank's loan book grew and customer deposits surged.

In Saudi Arabia, the Tadawul remained almost stable week-on-week, posting a small decline in prices of 0.3%, supported by rising crude oil prices. For instance, Saudi International Petrochemical Company saw a 1.9% increase in its share price week-on-week to close at SR 21.20. Saudi Arabian Fertilizer Company posted a 5.1% increase in its share price to reach SR 135.00. SAFCO announced that it will pay a dividend of SR 6 per share for the first half of 2010 ($1.6 per share). On the other hand, Halwani Brothers Company's share price increased by 4.2% week-on-week to close at SR 39.9. The company announced an 82% surge in second-quarter 2010 net profit with respect to the same period of last year.

Outside the Gulf region, the Egyptian exchange saw a 0.3% week-on-week increase in prices. Orascom Construction Industries rose by 0.7% this week to close at LE 229.6. Orascom Construction Industries confirmed that Six Construct Qatar has been awarded a US$750 million contract to build Phase III of the New Doha International Airport or NDIA Passenger Terminal Complex in joint venture with the Midmac Contracting Co. Six Construct Qatar is a fully owned subsidiary of the Besix Group, which is 50%-owned by Orascom Construction. Commercial International Bank's share price rose by 2.6% this week to close at LE 68.99. Egypt's largest lender by market value announced that it would double its issued and paid-up capital to hit $1.03 billion.

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	139.2	0.0%	-3.4%	49.9	399.0%	2.4	11,742.1	22.1%	9.2	1.26
Jordan	132.6	-0.2%	-11.6%	126.3	-28.6%	94.9	29,141.2	22.5%	18.3	1.54
Egypt	747.2	0.3%	-4.8%	477.0	-35.8%	344.6	69,020.5	35.9%	10.8	1.62
Saudi Arabia	387.1	-0.3%	-0.6%	3,440.7	-11.5%	551.0	317,978.7	56.3%	15.6	1.99
Qatar	616.6	0.7%	0.9%	169.7	-30.6%	22.5	99,974.0	8.8%	10.3	2.01
UAE	194.3	1.9%	-15.3%	249.9	-38.4%	578.0	124,193.6	10.5%	10.3	0.98
Oman	858.4	2.6%	2.5%	44.6	-21.1%	49.3	17,099.5	13.6%	11.3	1.74
Bahrain	261.1	1.7%	-21.3%	1.9	-70.5%	7.2	16,433.9	0.6%	10.7	1.01
Kuwait	564.0	3.5%	1.7%	601.1	68.9%	1,273.0	95,564.9	32.7%	13.6	1.35
Morocco	424.4	0.9%	1.8%	130.3	-5.0%	2.0	63,936.7	10.6%	15.3	3.28
Tunisia	1,186.2	1.7%	1.0%	-	-	5.3	9,444.8	-	14.2	1.81
Arabian Markets	**463.2**	**0.7%**	**-1.5%**	**5,291.3**	**-12.2%**	**2,924.9**	**845,085.2**	**32.6%**	**13.0**	**1.63**

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

Qatar's upgrade by S&P boosts investor sentiment and drives prices higher

Regional fixed income markets were marked during this week by a strong buying interest, on the back of some favorable news regarding Qatar & Qtel upgrade by S&P. The Audi compiled weighted average bond yield fell by 18 basis points week-on-week, while the average bond spread shrank by 23 basis points due to a drop in regional bond yields and a rise in US benchmark yields, after encouraging data on US jobless claims and retail sales dispelled some investor fears about a double-dip recession.

Qatar sovereign and quasi-sovereign bonds saw strong buying interest during this week, following the upgrade of Qatar and Qtel by S&P. In fact, Standard & Poor's raised Qatar's long-term ratings to AA from AA-, stating that Qatar's economy is weathering the global downturn well, with deflationary pressures and fiscal sector problems contained by the economic policy flexibility generated by new gas projects. It is worth mentioning that the rating change gives Qatar the highest long-term rating in the Gulf region. In addition, S&P raised its long-term corporate credit rating on Qatar Telecom to A from A- and the short-term corporate credit rating to A-1 from A-2 on the "high" likelihood that the country's government would intervene to support the company if needed.

As to new issues, Kuwait Projects Co (KIPCO) launched this week a US$ 500 million 10-year bond issue with a yield guidance of 9.50% and a coupon of 9.375%. Joint lead managers on the deal were HSBC, Citi and BNP Paribas. The bond sale comes to market a month after Moody's Investors Service downgraded the company's credit ratings to Baa2 from Baa1 on asset concentration of top three KIPCO holdings which represent a combined 79% of the company's portfolio, and its high exposure to the financial services industry and to a single region (MENA) that helps generate the bulk of its cash flows.

Moreover, Qatari Diar Finance, the property arm of Qatar's sovereign wealth fund, announced plans to raise US$ 3.5 billion in a bond sale. The company appointed Barclays, HSBC, Qatar National Bank, Standard Chartered and RBS to lead the US dollar denominated benchmark issue. The company will meet investors in London, New York and Boston. The bond would be guaranteed by the state and rated at a sovereign level. The developer plans to use the money for domestic developments at its Barwa Real Estate subsidiary, in which it holds a 45% stake.

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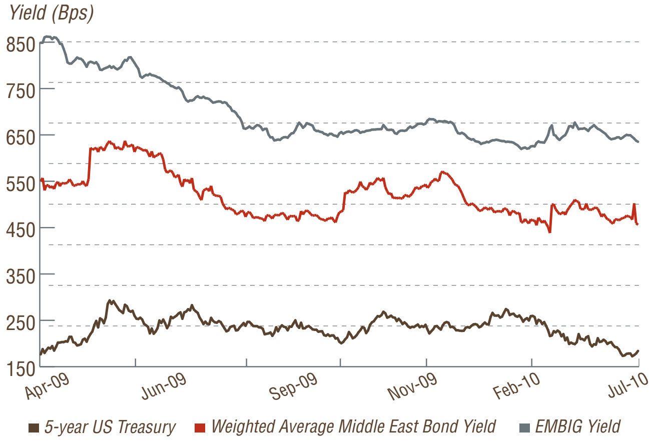
Elsewhere in the region, Jordan announced plans to launch its first US$ 500 million five-year Eurobond by early October 2010 to capitalize on greater investor confidence and tap lower-cost funding. The country is aiming for a five-year paper on either a floating basis based on three-month or six-month LIBOR or a fixed rate basis, leaving the spread and issue price to be proposed by banks. The pricing of this issue, which is expected to reflect Jordan's relatively strong macro-economic fundamentals and a track record of political stability, could create a sovereign curve and pave the way for a more active secondary market in government debt paper.

In contrast, BBK in Bahrain announced this week that it would not launch its planned benchmark bond until market conditions stabilize. The bond is a potential benchmark U.S. Dollar Eurobond issue under the existing BBK euro medium term notes program (EMTN). The potential bond issue would help the bank refinance debt coming due in March 2011, leaving BBK time to issue it. In parallel, Qatar National Bank, the Gulf state's largest lender by market capitalization announced that it doesn't plan a bond sale this year, stating that its balance sheet remains "extremely liquid", according to the company's officials.

Finally, Moody's lowered its rating on DIFC Investments from B2 to B3, the sixth-highest non-investment grade rating. DIFCI's downgrade reflects the group's highly leveraged financial profile, its expected heavy reliance on asset disposals in the coming 12-24 months, and its continued negative free cash flow generation.

Weighted Average Middle East bond yield v/s Intl benchmarks



Sources: Thomson Reuters, Bank Audi's Research Department

Middle East 5Y CDS Spreads v/s Intl Benchmarks

in basis points	9-July 2010	2-July 2010	31-Dec 2009	Week-on -week	Year-to -date
Abu Dhabi	113	113	151	0	-38
Dubai	490	480	445	10	45
Qatar	93	90	105	3	-12
Saudi Arabia	71	70	85	1	-14
Bahrain	170	160	210	10	-40
Oman	167	181	127	-14	40
Egypt	220	215	260	5	-40
Lebanon	300	300	281	0	19
Emerging Markets	268	289	272	-22	-4

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/Positive
Syria	NR	NR	NR	B/Stable
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	CCC/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

	9-Jul-10	2-Jul-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	0.53%	0.53%	0.25%	-0.01%	0.28%
US Discount Rate	0.75%	0.75%	0.50%	0.00%	0.25%
US 10-year bond	3.06%	2.98%	3.84%	0.08%	-0.78%

FX RATES (per US$)

	9-Jul-10	2-Jul-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)	46.85	47.05	45.75	-0.4%	2.4%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.1%
Egyptian Pound (EGP)	5.70	5.70	5.49	0.0%	3.8%
Iraqi Dinar (IQD)	1,165.00	1,165.00	1,150.00	0.0%	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	0.1%	0.1%
Kuwaiti Dinar (KWD)	0.29	0.29	0.29	-0.3%	1.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	0.1%	0.0%
Yemeni Riyal (YER)	224.50	225.00	203.00	-0.2%	10.6%
NORTH AFRICA					
Algerian Dinar (DZD)	72.52	73.56	70.42	-1.4%	3.0%
Moroccan Dirham (MAD)	8.76	8.76	7.88	0.0%	11.2%
Tunisian Dinar (TND)	1.49	1.49	1.32	-0.5%	12.1%
Libyan Dinar (LYD)	1.30	1.30	1.23	-0.3%	5.5%
Sudanese Pound (SDG)	2.37	2.35	2.24	0.7%	5.9%

COMMODITIES (in US$)

	9-Jul-10	2-Jul-10	31-Dec-09	Weekly Change	Year-to-date
Crude oil barrel (Brent)	75.6	71.9	77.7	5.2%	-2.7%
Gold ounce	1,211.5	1,210.6	1,095.7	0.1%	10.6%
Silver ounce	18.1	17.8	16.8	1.6%	7.6%
Platinum ounce	1,529.0	1,499.0	1,467.0	2.0%	4.2%

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