The MENA Weekly Monitor

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p.6 ▶ **Improvement in equity and bond prices in regional markets**

Equity markets across the region saw a 1.9% increase in prices as per Morgan Stanley Capital international Arabian Markets Index, supported by a 4.8% surge in crude oil prices and in line with a 3.3% rise in global equity markets as per Morgan Stanley All Countries World Index. In Saudi Arabia, the Tadawul saw a 3.6% increase in prices week-on-week on the back of rising oil prices and some company-specific factors. The Egyptian Exchange registered a 2.7% rise in prices week-on-week supported by industrial and telecommunication stocks. On the other hand, regional fixed income markets were marked this week by a strong local demand that triggered a rally in bond prices, as reflected by a 15 basis points drop in the Audi compiled weighted Middle East average yield, thus remaining unscathed by Moody's cut of Greek debt to junk status. CDS spreads remained stable in most regional countries.

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

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ECONOMY

Credit Suisse sees strong rebound in GDP growth in the Gulf region in 2010

Credit Suisse analysts except the Middle East region to record sustained GDP growth rates over the medium to longer term, backed by structural advantages and robust fundamentals. Stable oil prices and improved business confidence are projected to be the major catalysts for a strong rebound in GDP growth in 2010.

Credit Suisse analysts said that within the GCC, Qatar is expected to achieve the highest GDP growth rate for the second consecutive year in 2010, estimated at 18.5% year-on-year. The growth is expected to be driven by expansion of liquefied natural gas and the non-hydrocarbon sectors of the economy. Qatar's fiscal and external accounts are projected to reach surpluses, in line with the positive economic outlook for 2010. In addition, the impact of the global financial crisis has been limited in Qatar due to timely and supportive macroeconomic policies and intervention in the local banking system, according to Credit Suisse analysts. The main risks to the short-term outlook are unexpected construction delays, a considerable negative external demand shock, lower hydrocarbon prices and a further decline in real estate prices.

Egypt, on the other hand, reflects strong fundamentals and an under-leveraged economy, but was weighed down by slowing foreign direct investment. As to Saudi Arabia, its growth looks compelling from a long-term perspective, given the country's large domestic market. High savings and the urgent need for infrastructure spending makes the Kingdom an attractive investment destination.

Overall, the current account balances of oil exporting countries are expected to benefit from improved oil prices. Oil demand has started to recover in emerging markets as well as in industrialized countries, which should be supportive for prices in the long run. However, deleveraging and de-risking remain a risk for prices in the near-term. According to analysts at Credit Suisse, strong external and fiscal positions prior to the global recession allowed GCC economies to implement measures in response to the global downturn. During the global financial crisis, almost all countries provided liquidity support, while a majority of them opted for monetary easing, with Saudi Arabia, UAE and Kuwait guaranteeing deposits. Credit Suisse added that the economic structure of the region remained unchanged, with high levels of capital expenditure promoting economic diversification combined with an attractive demographic profile.

Finally, Credit Suisse indicated that the inflation risk remains in the Middle East and Africa region, as the region is likely to see upward pressure on inflation, which is currently subdued. However, a gradual economic recovery will most likely limit domestically-driven inflationary pressures. According to Credit Suisse analysts, over the next 6 to 12 months, commodities are expected to resume their upward trend. This, combined with the long-term bearish view on the US dollar, is an important factor that influences the view on GCC inflation. If the US dollar remains strong, inflation risks should be lower.

Moody's says Gulf countries face debt challenges

Moody's Investors Service issued a report on the Gulf countries in which it indicated that total debt in the region amounted to US$ 145 billion, of which US$ 28 billion would mature in the next 18 to 30 months. The majority of this maturing debt is held by entities based in Dubai and Abu Dhabi, especially investment holding companies and real estate developers and related companies.

The credit agency said the credit environment in the Gulf region would remain challenging as access to capital and liquidity remains constrained. The factors that might improve the situation include restoring confidence, greater transparency, a better regulatory framework, a more stable macroeconomic environment and better access to financial markets.

In a separate report, also released by Moody's this week, the credit agency said banks in the region have been comparatively well insulated from the effects of the recent global financial disruption and ensuing recession. However, the region's banks continue to face challenges that vary dramatically from one sub-region to another, as reflected in the banks different risk profiles.

The main reasons for the resilience of Arab banks to the crisis include the capacity among both conventional and Islamic banks to adapt to macro-economic adversity, their minimal exposures to subprime-related asset classes, government support and sometimes intervention, as well as local and regional idiosyncrasies. According to the report, one key factor is that banks in the Arab world had minimal exposure to subprime-related asset classes or structured debt derivatives, and even fewer banks had exposure to troubled global investment banks. Moody's believes that this is because banks in this region had limited incentives to seek inflated returns abroad when domestic markets offered a far better risk-return trade-off.

The report further indicated that the fostering of a largely insulated domestic market in the Arab world was also aided by the supportive attitude of regulators and states, but it was also the result of much improved macroeconomic structures within countries, captured by Moody's sovereign ratings over the past decade.

While Moody's maintains a stable outlook on most banking systems in the Arab world, it maintains a negative outlook on three banking systems in the GCC region, namely those of Bahrain, Kuwait and the United Arab Emirates. These three banking systems have been the most affected by the liquidity drought, the sharp fall in asset prices and the significant negative impact suffered by specialized institutions as a result of a concentrated, wholesale funding strategy and massive asset impairments, as per Moody's.

Private sector to lead Saudi Arabia growth in 2010, as per Banque Saudi Fransi

Saudi Arabia's economy is projected to grow by 3.9% in 2010 on the back of a strong private sector performance, according to Banque Saudi Fransi (BSF). The country's economic outlook for the second half of 2010 remains sound, despite uncertainty from the European debt crisis, as government-financed infrastructure expansion gains momentum.

According to BSF, the oil sector's expansion looks set to be slower than earlier anticipated, with total oil production averaging 8.35 million barrels a day. However, non-oil government and private sector participants would trigger economic growth in 2011.

BSF said it was keeping its private sector GDP growth forecast steady at 3.7% but added it had raised its government sector GDP growth forecast to 4.6% for 2010, up from a previous estimate of 4.1%. BSF attributed this upward revision in government sector GDP growth to the fact that the state is shouldering the recovery effort, acting as the key financier of strategic projects as banks' private sector loan growth remains subdued.

The report, citing official data, showed that in 2009, the government sector accounted for 23.1% of GDP, which it expected to rise slightly to 23.3% this year as the private sector's share falls very slightly to 47.9%. The oil sector is expected to account for 27.7% of GDP.

Finally, BSF noted that a sharp slowdown in bank credit had been partly offset by a surge in lending by state-run specialized credit institutions. Through these agencies, the state has given contractors 20% advance payments, supporting bank credit. The report showed that those institutions provided US$ 6.6 billion in liquidity in the first nine months of 2009.

The EIU forecasts 3.8% real GDP growth in Oman in 2010

In its June 2010 country outlook on Oman, the Economist Intelligence Unit (EIU) estimated a real GDP growth rate of 3.8% in 2010, increasing to 4.1% in 2011. The report attributed higher growth in 2011 to stronger domestic demand and larger government investments. In comparison, real GDP growth slowed to 3.5% in 2009, from 12.8% in 2008, due to restrained government consumption and investment amid the global financial crisis.

According to the EIU, the government of Oman is diversifying away from oil towards trade and tourism. However, the recovery of oil prices in 2010 will give the government flexibility and capital to develop non-oil economic activities. It is important to note that increasing demand for gas is creating uncertainty over gas availability in the economy, lowering investor confidence in energy projects. But Oman's 2010 budget, based on a price of US$ 50/barrel (well below EIU's 2010 forecast of US$ 80.2/barrel), positions Oman in good-standing to falling oil prices, while efforts to create private sector incentives in large-scale projects are expected to continue.

Oman: Macroeconomic Structure

	2008	2009e	2010f	2011f
Real GDP growth (%)	12.8	3.5	3.8	4.1
Oil production ('000 b/d)	720	780	795	800
Crude oil exports (US$ billion)	21.9	13.8	17.4	16.2
Consumer price inflation (%)	12.5	4	2.8	1.5
Lending rate (%)	7.1	7.2	7.2	7.1
Exports of goods fob (US$ billion)	37.7	29.1	36.7	37.5
Imports of goods fob (US$ billion)	20.7	18.4	19.8	20.9
Current account balance (US$ billion)	5.5	0.3	3.5	2.8
Current account balance (% of GDP)	9.1	0.6	5.3	3.9
External debt (US$ billion)	7.7	7.5	8.1	8.6

Sources: EIU, Bank Audi's Research Department

Jordan's unemployment rate drops in the second quarter of 2010, as per the Department of Statistics

According to the latest data issued by Jordan's Department of Statistics, the country's unemployment rate attained 12.2% in the second quarter of 2010, down from 13% witnessed during the same period of last year and 12.4% during the first quarter of 2010.

The report went on by signaling that the joblessness rate amongst females attained 19% and a lower 10.7% amongst males. The indicator was particularly high for postgraduate degree holders as it reached 14.6% during the second quarter of 2010. Unemployed males with a university degree accounted for 23% against 54% for females. Illiterate individuals made up 1% of the unemployed while 47% had an education below the secondary level, and 52% are high school and university graduates. Unemployment rates among 15 to 19 and 20 to 24 years of age exceeded those of other groups as it stood at 30.4% and 24.4% correspondingly.

▸ SURVEYS

GCC investor confidence drops but remains positive, according to Shuaa Capital

Shuaa Capital's recent GCC investor sentiment survey showed that confidence went down by 5.7 points in May 2010 to attain 107.4. This is the second time in a row that the index has recorded a decline as investor confidence in the Gulf decreased by 7.7 points in April 2010.

As stated by the report, May 2010 was a difficult month for the global economy and all investor indices declined on a monthly basis. Most significant were the United Arab Emirates index which diminished by 14.7 points to 104.7, and Qatar's index which decreased from 131.9 in April 2010 to 121.9 in the current survey. Oman and Saudi Arabia indices sustained moderate declines as they fell to 107.3 points and 123.6 points, respectively. Meanwhile, Kuwait and Bahrain indices plunged to the negative threshold, posting totals of 97.9 and 98.6, correspondingly.

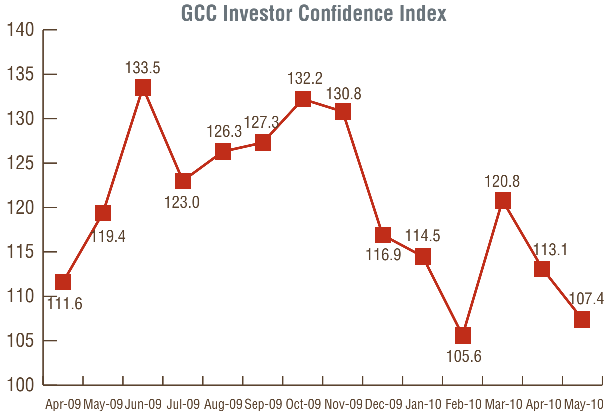
Shuaa Capital's investor sentiment report surveys investor confidence across the GCC. Its index has a range between 0 and 200, with a number greater than 100 representing positive sentiment while a number lower than 100 represents negative sentiment.

The institution indicated that, regardless of the progress made on the Dubai World debt situation as the largest banks agreed to the restructuring terms, some issues are still restricting investor confidence. In fact, Europe is still subject to an economic crisis and the Gulf countries have a substantial exposure to the West, which affects investor confidence.

With respect to the six-month outlook, another component of the survey, it indicates that the situation is set to improve. Accordingly, investors' six-month outlook for economic conditions in the region remains healthy at 16.7% on balance. All GCC markets remained in positive territory when looked at individually; Qatar (33.3%), Saudi Arabia (31.9%), UAE (9.7%), Oman (18.1%), Kuwait (6.9%) and Bahrain (8.3%). With regards to stock markets, investors expect the Abu Dhabi Stock Exchange and Saudi Stock Exchange to rise the most.

As to trading volumes, newly included in the survey, participants indicated that in the next six months, most markets are to exhibit an increase in trading volumes with the Saudi Arabia Stock Exchange leading the way followed by the Abu Dhabi Stock Exchange, the Dow Jones 30, the Dubai Financial Market, the FT-SE and the Doha Stock Market. The Bahrain Stock Market, NASDAQ Dubai, Oman Stock Exchange and Kuwait Stock Exchange are all expected to see declining volumes over the next six months.

GCC Investor Confidence Index



Sources: Shuaa Capital, Bank Audi's Research Department

Gulf countries' hiring levels expected to make a strong comeback, as per Antal International

The 'Global Snapshot', a quarterly survey of hiring and firing trends around the world, conducted by the international recruitment firm Antal, has found that hiring levels in the professional and managerial sector in the Gulf region are seeing a strong resurgence. The recruitment firm surveyed more than 9,600 organizations in 55 countries on whether they were currently hiring and firing at professional and managerial levels, and asked whether they planned to do so in the coming quarter.

According to the results of the survey, the Gulf region's overall levels of hiring are roughly in line with an improved global outlook and hiring expectations for the coming quarter are strong. In percentage terms, 48% of companies in regional countries surveyed, namely the UAE, Saudi Arabia, Qatar, Bahrain, Kuwait, Oman and Yemen, were currently hiring and 63% of companies expect to hire over the coming quarter.

The report shows that the recent economic problems in the region do not seem to have had a continuing negative impact on hiring levels, as high levels of confidence and hiring levels are seen in Saudi Arabia, Qatar and the UAE, while decent levels of confidence and hiring in Bahrain, Kuwait and Oman show signs of economic recovery in the region. In addition, the UAE seems to have retaken its place as one of the top job markets in the Gulf region, second only to Saudi Arabia, as per Antal. Indeed, according to the survey, 74% of companies in Saudi Arabia are hiring at professional and managerial levels, while 62% of companies in the UAE are hiring. Finally, the report suggests that a genuine and sustained recovery is underway in the region.

Antal International was founded in 1993 as a management and professional recruitment specialist with a particular focus on the sourcing and retention of candidates. The company now has 30 offices.

JP Morgan estimates Dubai World bank debt's fair value at a discount of 54%-56% to face value

JP Morgan estimates that the appropriate yield for Dubai World (DW) bank debt is 14%-17%, implying a fair value of 44-46, or a discount of 54-56% to face value.

The steep discounts from face value mostly reflect the below market cash interest of 1%-2% being proposed by DW on both tranches, according to JP Morgan.

As per JP Morgan analysts, the proposed short dated Tranche A is likely to trade at a significant premium to the longer dated Tranche B. JP Morgan estimates fair value of 58-61, or a discount of 39%-42% to face value for Tranche A and 36-41 or a discount of 59%-64% for Tranche B.

JP Morgan has attempted to estimate principal recovery for DW loans tranches. While Tranche A is likely covered up to 100%, JP Morgan's principal recovery estimate for Tranche B is highly sensitive to proceeds realized from DW's ownership in DP World and Istithmar, the structural status of Dubai Financial Support Fund's US$ 1.5 billion proposed injection into DW and the recovery of the real estate market in Dubai over the next 8 years. The principal recovery estimate for Tranche B is 41%-54%, but could be higher under favorable assumptions, according to the same source.

JP Morgan said the loan fair values and principal recovery estimates are based upon public information and restructuring terms defined in DW's press release dated May 20, 2010.

Acceptance of DW's proposal by 60% of lenders (by value) increases the probability that the company decides to pursue a voluntary restructuring under Decree 57, in JP Morgan's view.

Royal Bank of Scotland selling Asia and Middle East units for US$ 294 million

The Royal Bank of Scotland (RBS) is finalizing a £ 200 million (around US$ 294 million) sale of its Asia and Middle East units while midway through a major restructuring aiming to withdraw from retail and commercial banking in Asia and the Middle East to focus operations on wholesale banking in these areas, according to newswires.

According to RBS executives, the bank has placed £ 250 billion of non-core assets to sell or wind down over the next five years as it cuts cost and scales down risk exposure.

Among the units RBS sold were 99.4% holding in the Pakistan unit to privately held Faysal Bank for €41 million (about US$ 50 million). Other sales include assets in Taiwan, Singapore, Indonesia, Hong Kong, the Philippines, and Vietnam to the Australian lender ANZ.

On the Middle East front, the bank has offloaded its UAE retail banking business to Abu Dhabi Commercial Bank (ADCB) for US$ 100 million, representing the first acquisition of a foreign bank's retail banking franchise in the UAE, according to newswires. The deal would double ADCB's credit card business and add 250,000 RBS retail-banking customers, according to the same source. While RBS is selling its retail arm in the UAE, it would keep its wealth management and private banking businesses in the country.

Established in 1727 in Scotland, RBS is a government-backed bank with international operations in over 50 countries. According to the company's website, RBS began a major five year restructuring strategy in 2009 aimed at simplifying its web of global businesses built by former executives. RBS's presence increased in 2007 when it led a consortium of banks that acquired the Dutch bank ABN AMRO.

ADCB was founded in 1985 in the UAE focusing business operations on commercial and investment banking. It operates through 49 branches in the UAE and is about 65% owned by the Abu Dhabi Investment Council (ADIC), a government owned-body holding stakes in local and international companies.

Qatar's Barwa Real Estate buys UK's Land Securities project for US$ 371 million

UK's Land Securities is selling one of its largest London development projects termed Park House Developments to Qatari property company Barwa Real Estate for £ 250 million pounds (around US$ 371 million) as overseas demand for prime UK real estate increases, according to newswires.

The project, comprising a total of 330,000 square feet, includes 163,000 square feet for offices, 88,000 square feet of retail space and 70,000 square feet of residential accommodation and is due for completion by November 2012, according to the same source.

It would be interesting to note that the acquisition of London's Park House Development is the first major wholly-owned investment made by Barwa Real Estate in the UK.

Barwa Real Estate would pay a share of the profits to Land Securities within 12 months of completion. Based on current office and retail rental value growth expectations, this profit share is estimated to be around £ 33 million, according to Barwa.

EQUITY MARKETS

1.9% rise in equity prices in the region

Equity markets across the region saw a 1.9% increase in prices as per Morgan Stanley Capital international Arabian Markets Index, supported by a 4.8% surge in crude oil prices and in line with a 3.3% rise in global equity markets as per Morgan Stanley All Countries World Index.

In Saudi Arabia, the Tadawul saw a 3.6% increase in prices week-on-week on the back of rising oil prices and some company-specific factors. For instance, SABIC's share price climbed by 4.2% to SR 92.25 on news that Saudi-based Alinma Bank would grant a US$ 1 billion credit facility to SABIC, plugging a financing gap at the world's biggest petrochemicals group. The facility will fund some of SABIC's petrochemical projects as part of its strategic plans to enhance financing performance, boost competitiveness and help it achieve its expansion and growth strategy. On the other hand, Saudi Electricity Company's share price went up by 1.5% to SR 13.2. SEC will receive a SR 15 billion loan from the Saudi government, its main shareholder, to finance new projects.

The Egyptian Exchange registered a 2.7% rise in prices week-on-week, supported by industrial, telecommunication and banking stocks. Orascom Construction Industries' share price surged by 6.1% to SR 236.02. OCI announced that its part-owned Besix Group has won a US$ 265 million contract as part of a joint venture with the Hajj Hassan Group to build the North Manama Causeway in the Kingdom of Bahrain. Telecom Egypt's share price rose by 3.7% to LE 16.9. Goldman Sachs initiated coverage of Telecom Egypt with a neutral rating and a 12 month target price of LE 20.5, stating that while the existing fixed-line business of Telecom Egypt is fairly stable, there are risks to earnings and cash flow momentum from execution of its mobile strategy. As to the banking stocks, Egyptian investment bank Naeem Holding's share price hiked by 12.2% to LE 0.46. The bank has recently received offers for its 80% stake in Arabeya Online Brokerage.

The Qatar Exchange saw a 2.3% increase in prices this week. Barwa real estate Company's share price rose by 3.8% to QR 30.00. Barwa bought this week London project from land securities for £ 250 million. The acquisition is the first major wholly owned investment made by Barwa in the United Kingdom and fits with Barwa's strategy to invest in international commercial property.

The UAE equity markets registered a tiny rise in prices of 0.4% during this week. In Abu Dhabi, Dana gas was among the most traded stocks. Its share price retreated by 1.5% week-on-week to reach AED 0.66, after falling by 7.5% mid-week on investor concerns over the speed at which the firm plans to sell 20% to 30% of its assets in Egypt. However, an announcement made by the company's officials, stating that the company has enough cash, liquid investments and funding plans in place to deliver on its growth plans, contributed to absorb investor's worries. As to banking stocks, Abu Dhabi Commercial Bank's share price retreated by 0.65% this week to close at AED 1.52. Abu Dhabi Commercial Bank agreed to acquire UK lender Royal Bank of Scotland's retail operations in the UAE.

In Dubai, Air Arabia's share price stood at AED 0.84. HSBC raised Air Arabia to overweight from neutral rating, keeping target price at AED 1.10. Emaar's share price declined by 2.3% to hit AED 3.04. The company sold the rights to operate Hamptons International in the UK, Europe and Asia to Countrywide, the UK's largest estate agency and property services group. The deal is part of a strategic approach to realign and reposition Emaar's property services in key geographic growth areas.

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	141.6	-0.8%	-1.7%	10.8	-18.7%	1.7	11,943.1	4.7%	9.4	1.30
Jordan	130.0	-1.5%	-13.3%	112.8	-0.1%	90.1	28,967.1	20.2%	17.9	1.52
Egypt	791.7	2.7%	0.9%	700.0	5.1%	585.0	74,012.4	49.2%	11.4	1.72
Saudi Arabia	407.2	3.6%	4.6%	5,653.3	20.1%	1,034.1	334,079.4	88.0%	16.0	2.04
Qatar	622.0	2.3%	1.8%	327.8	45.0%	44.8	103,030.0	16.5%	10.6	2.04
UAE	194.3	0.4%	-15.3%	309.4	29.6%	760.8	125,005.5	12.9%	10.5	0.99
Oman	836.1	0.2%	-0.1%	44.9	2.5%	43.5	16,813.6	13.9%	11.1	1.71
Bahrain	256.1	-2.9%	-22.8%	4.9	-10.2%	10.5	16,706.8	1.5%	10.8	1.03
Kuwait	562.1	-2.3%	1.4%	574.6	23.6%	932.1	95,891.0	31.2%	13.7	1.38
Morocco	431.4	1.5%	3.4%	1,607.2	394.2%	7.4	64,900.3	128.8%	15.7	3.38
Tunisia	1,161.3	-0.1%	-1.1%	-	-	2.5	9,264.3	-	14.7	1.89
Arabian Markets	**478.1**	**1.9%**	**1.6%**	**9,345.8**	**37.4%**	**3,510.0**	**871,349.2**	**55.8%**	**13.3**	**1.67**

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

Strong local demand drives regional bond prices higher

Regional fixed income markets were marked during this week by a strong local demand that triggered a rally in bond prices, as reflected by a 15 basis points drop in the Audi compiled weighted Middle East average yield, thus remaining unscathed by Moody's cut of Greek debt to junk status. CDS spreads remained stable in most countries across the region.

Within this context, the region witnessed during this week several plans to launch new bond issues. In fact, Qatar's Doha Bank announced its plans to issue a bond worth up to US$ 1 billion by the end of the year. The bank would look to raise debt to strengthen long-term liabilities and hedge against a possible increase in the cost of funding due to interest rate rises in the US as the world's largest economy recovers from the global financial crisis. In addition, Qatar's Diar, the property arm of the country's sovereign wealth fund, is preparing a US$ 3.5 billion dual-tranche bond as it helps lead a restructuring in Qatar's real estate market. The issue would have five- and ten-year maturities and come through a syndicate of local and international banks, including HSBC, Barclays Capital, Standard Chartered and QNB Capital, the investment banking unit of Qatar National Bank. Qatari Diar holds a 45% stake in Barwa real estate company.

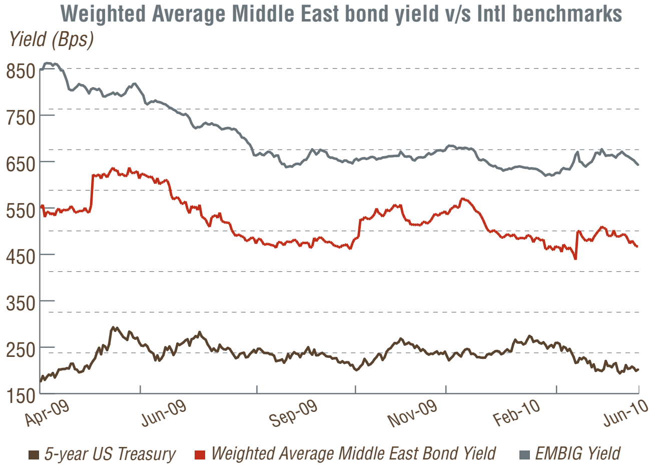
In the UAE, National Bank of Abu Dhabi announced this week that it has completed the annual update of its US$ 5 billion Euro Medium-Term Note programme, which is considered a strategic borrowing platform for the bank across the global capital markets. The notes may be issued in any currency and any maturity of at least one month. Barclays Capital would be the arranger for the programme.

Elsewhere in the region, Bahrain Mumtalakat Holding Company announced that it will conduct this week a series of fixed income investor meetings in Asia, the Middle East and Europe to issue its first US Dollar bond. Deutsche Bank, HSBC, J.P Morgan and Standard Chartered Bank were appointed to arrange the meetings. The upcoming bond issue will be a senior unsecured US Dollar bond, according to S&P, and will constitute direct, unconditional, unsubordinated and unsecured obligations of Mumtalakat, ranking equally with all its other unsecured obligations. The company will use the proceeds of the bond to consolidate and enhance its debt and financing strategy, which previously employed shorter-term bank lines and regionally syndicated loan facilities. It is worth mentioning that Fitch ratings and Standard and Poor's assigned "A" ratings to the expected issue, in compliance with ratings already assigned to the government-owned company.

Jordan is currently discussing with global banks the issuance of its first ever US$ 300-500 million sovereign Eurobond in capital markets to help it cover part of its budget deficit. The new sovereign bond offering will have a maturity of 5 to 7 years on either fixed of floating rates, depending on the most attractive offers.

As to credit ratings, Fitch ratings has affirmed the Dubai Electricity and Water Authority's (DEWA) senior unsecured and long-term Issuer Default (IDR) ratings at "BBB-" and short-term IDR at "F3". The agency has also affirmed DEWA's US$ 3 billion medium-term notes programme and notes issued under that programme, as well as DEWA funding limited's AED 3.2 billion sukuk, maturing in 2013, at "BBB-". The rating action reflects successful efforts by DEWA's management to access funding despite market volatility and to address liquidity concerns that emerged in December 2009.

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	18-June 2010	11-June 2010	31-Dec 2009	Week-on -week	Year-to -date
Abu Dhabi	108	108	151	0	-43
Dubai	465	475	445	-10	20
Qatar	90	90	105	0	-15
Saudi Arabia	70	70	85	0	-15
Bahrain	160	160	210	0	-50
Oman	170	180	127	-10	43
Egypt	215	215	260	0	-45
Lebanon	300	300	281	0	19
Emerging Markets	268	295	272	-27	-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/Stable
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	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

	18-Jun-10	11-Jun-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	0.54%	0.54%	0.25%	0.00%	0.29%
US Discount Rate	0.75%	0.75%	0.50%	0.00%	0.25%
US 10-year bond	3.23%	3.23%	3.84%	-0.01%	-0.61%

FX RATES (per US$)

	18-Jun-10	11-Jun-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)	47.05	47.15	45.75	-0.2%	2.8%
Jordanian Dinar (JOD)	0.71	0.71	0.71	-0.1%	0.1%
Egyptian Pound (EGP)	5.68	5.68	5.49	0.1%	3.5%
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	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.29	0.29	0.29	0.0%	1.1%
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)	224.75	224.60	203.00	0.1%	10.7%
NORTH AFRICA					
Algerian Dinar (DZD)	73.11	73.52	70.42	-0.5%	3.8%
Moroccan Dirham (MAD)	8.90	9.04	7.88	-1.5%	13.1%
Tunisian Dinar (TND)	1.50	1.52	1.32	-1.5%	13.3%
Libyan Dinar (LYD)	1.31	1.33	1.23	-1.1%	6.9%
Sudanese Pound (SDG)	2.33	2.30	2.24	1.3%	4.0%

COMMODITIES (in US$)

	18-Jun-10	11-Jun-10	31-Dec-09	Weekly Change	Year-to-date
Crude oil barrel (Brent)	77.6	74.1	77.7	4.8%	-0.1%
Gold ounce	1,256.4	1,225.9	1,095.7	2.5%	14.7%
Silver ounce	19.1	18.2	16.8	5.2%	13.6%
Platinum ounce	1,588.0	1,539.5	1,467.0	3.2%	8.2%

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