The MENA Weekly Monitor

Week 29
Jul 9 - Jul 16
2010

ECONOMY

p.2 ▶ **Middle East investment banking sector posts significant growth in the first half of 2010 as per Thomson Reuters**

According to Thomson Reuters' Middle East Investment Banking analysis, the sector's activity grew strongly during the first half of 2010.

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Bayt.com, in conjunction with research specialists YouGov Siraj, indicated in its quarterly survey that over the months extending between March 2010 and June 2010, noticeable gains in consumer confidence levels have been observed in Lebanon, Algeria, Morocco and Qatar.

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p.5 ▶ **Emirates orders 30 Boeing 777-300ERs valued at US$ 9.1 billion**

Emirates, the Dubai-based international airline, recently placed an order with Boeing for an additional 30 777-300ER aircraft, worth approximately US$ 9.1 billion (AED 33.4 billion) in list prices.

Also in this issue:

MARKETS IN BRIEF

p.6 ▶ **Higher prices in regional equity markets coupled with wider spreads in fixed income markets**

Regional equity markets performed similarly to global markets during this week, posting a 1.6% increase in prices as per MSCI data, on the back of some favorable second quarter 2010 results and supported by stable crude oil prices at around US$ 75 per barrel. The Tadawul was among the top risers in the region, posting a 2.1% increase in prices week-on-week, with petrochemical companies among the top gainers. The UAE equity markets registered a 1.3% rise in prices, with realty stocks topping the risers list. As to regional fixed income markets, they witnessed the successful completion of some bond issues in Kuwait and Qatar that attracted most market players' attention during this week, while other outstanding papers saw a normal flow of activity. Within this context, the Audi compiled weighted average bond yield remained practically unchanged week-on-week, while the average spread widened due to a drop in international benchmark yields. Five-year CDS spreads remained almost stable across the region, except for Dubai that saw a 15 basis points drop in its CDS spread, noting that Dubai World called for a first all-creditor meeting since December 2009 on July 22, 2010.

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

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Middle East investment banking sector posts significant growth in the first half of 2010 as per Thomson Reuters

According to Thomson Reuters' Middle East Investment Banking analysis, the sector's activity grew strongly during the first half of 2010. The analysis shows that although the second quarter activity was at a lower level than the first quarter, there is still a strong foundation for which to build on for the remainder of 2010.

One of the main findings shows that although there was a 70% drop in Middle Eastern targeted mergers and acquisition (M&A) during the second quarter of 2010 relative to the first quarter of this year, this had little impact on overall first half figures, which were bolstered by the activity in the first three months, reaching US$ 11.7 billion, the busiest start to the year since 2008. Real estate is the most targeted industry in the Middle East with US$ 4.4 billion, or 37.7% of the region's M&A activity. Qatar is the most acquired and acquisitive country in the Middle East, accounting for 29% and 30.8% of the activity respectively.

Middle Eastern debt issuance reached US$ 5.6 billion during the second quarter of 2010, driven by the financials, governments/agencies, and telecommunications sectors. Debt issuance posted a 32% yearly drop during the first half of 2010 to total US$ 10.9 billion. Agency, supranational and sovereign issuance accounts for 39% of the activity with investment grade corporate issuance accounting for 33.4%. The top Middle Eastern bond this year to date was issued by Egypt and valued at US$ 1.5 billion.

Equity issuance reached US$ 2.57 billion during the second quarter of 2010, thus contributing to a total of US$ 5.6 billion for the first half of this year, resulting in 64% year-on-year progress. Financials represents the most active sector in the equity capital markets, accounting for 57% of the activity with real estate and consumer staples following in second and third place.

As to loan activity, it posted a growth of 92% on a yearly basis to reach US$ 12.3 billion in the first half of 2010, with US$ 9 billion registered in the first quarter of 2010 and US$ 3.3 billion recorded in the second quarter of this year. The financials and telecommunications industries were the first and second most active sectors representing 54.6% and 36% of activity in the market during the first six months of 2010.

Booz & Company highlights key challenges for GCC governments' ICT adoption

A recent study issued by Booz & Company noted that the Gulf Cooperation Council (GCC) governments would still encounter challenges as they endeavor to enhance the adoption of information and communications technology (ICT) to improve the supply of services for their citizens. Such challenges lie in the lack of key enabling resources, inadequate infrastructure and transient funding and oversight. Hence, three vital aspects must be addressed to create lasting change in the public sector through ICT: environment, readiness, and usage or ERU, according to the management consultancy company.

The environmental aspect involves the conduciveness of the regulatory and ICT environments to provide e-government services. The readiness aspect focuses on the governments' capacity to build on opportunities created by an e-government program, particularly in terms of common or shared resources or platforms. As to the usage dimension, it concentrates on determining what government services will be offered. Jointly, these make up the ERU framework as per Booz & Company. It was noted that a healthy e-government agenda should cover all aforementioned aspects by defining the services the government wishes to offer in order to drive improvements in the supporting environment and readiness factors.

The publication indicated that ICT leaders should redirect their efforts to tackle the challenges, develop focused strategies to support environment and readiness factors, and establish comprehensive plans to reinforce the ICT environment and improve their internal capabilities. This will establish them as vital strategic partners in the overall transformation process, whose input will be critical in future modernization efforts. Governments are required to develop comprehensive, well-funded, multi-year program plans aimed at ensuring the environment factors are properly addressed, as per the report.

GCC governments are gradually more accustomed to the potential of information and communications technology in delivering services more efficiently. Within the past five years, most governments established centralized entities to supervise ICT investments across multiple government agencies, according to Booz & Company. This reflects the importance of developing high-level political sponsorship as it is crucial for the success of any ICT modernization program.

Therefore, central ICT entities should be supported by a clear mandate linked with the country's vision. Empowerment of such entities is necessary to resolving any conflicts that arise and to set a shared agenda across government agencies. They should also be authorized to secure the necessary human and financial resources to support the various initiatives for which they are tasked, according to the study.

Also, government agencies need clear guidelines that pave the way for more collaboration and exchange of information in a secure networked environment. In addition, the lack of a clear regulatory framework for establishing confidentiality and access to information rights is resulting in lower PC and Internet adoption rates than in developed countries, as per Booz & Company.

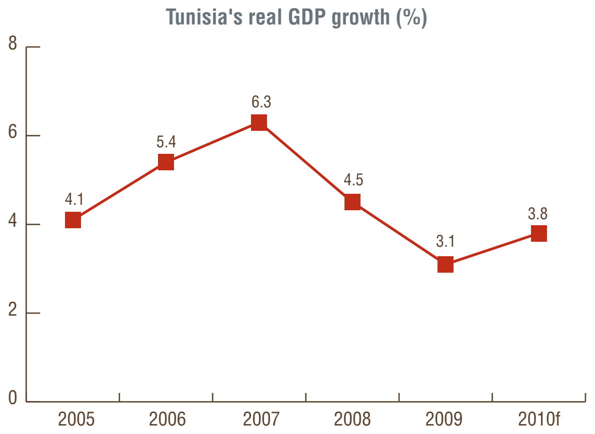
IMF projects Tunisia's economy to grow by 3.8% this year

In its latest statement on the Tunisian economy, the IMF indicated that its GDP could expand by 3.8% this year, up from the 3.1% growth posted in 2009. The report indicated that Tunisia's economy performed well in 2009, as a result of structural reforms and sound macroeconomic policies implemented in recent years. In addition, the Tunisian financial sector has not been affected by the global financial crisis, as the banking sector does not rely on external financing and has continued to benefit from buoyant deposits.

The IMF noted that inflation reached an average of 5.0% in May 2010, up from an average of 3.7% year-on-year, as a result of rising food prices. This rise was limited by an appropriate monetary policy and moderate price increases in other sectors such as housing, transport and services.

As for the public debt ratio, it continued to decline and reached about 43% in 2009, notwithstanding the fact that the government implemented an expansionary fiscal policy last year, with the fiscal deficit raising to 3% of GDP. Over the first four months of 2010, the IMF statement indicated that positive revenue performance coupled with expenditure control measures led to a sizable budget surplus.

The report indicated that real GDP growth of 3.8% could be reached this year, as growth would be supported by a recovery of industrial activity and investment. As a substantial increase in imports of capital goods was recorded in the first months of 2010, the recovery of exports and foreign direct investment should also continue, as per the IMF.



Sources: IMF, Bank Audi's Research Department

Oman's economic fundamentals remain strong according to the Central Bank

Despite global uncertainties, the overall economic outlook for Oman remains positive during 2010, according to the Central Bank of Oman (CBO). Giving its evaluation of Oman's macroeconomic developments and the economic policy environment during 2009, the CBO concluded that the economy suffered a limited adverse impact as it weathered the global economic crisis.

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Medium-term fundamentals of the Omani economy remain strong with modern infrastructure, sound banking system, and adequate investment climate. Despite unforeseen effects on the banking sector from the recent global financial crisis, Oman's banking system remained sound, profitable and resilient due to appropriate regulatory and supervisory policy adopted by the Central Bank. The external debt to GDP ratio for Oman continued to remain low by international standards. International rating agencies have reaffirmed and upgraded Oman's sovereign rating despite cyclical slowdown of the economy in 2009, as per the Central Bank of Oman.

Oman's macroeconomic performance in 2009 was adversely affected mainly due to global recession and sharp decline in crude oil prices in the international markets. The oil and gas sector continued to play a dominant role in the economic activity of Oman in 2009, according to the Central Bank's report. Crude oil production rose by 7.1% to 297 million barrels in 2009, while crude oil exports in volume terms increased by 12.1% to 243 million barrels last year. Production of natural gas also increased by 2.6% to 1,098 billion cubic feet in 2009. On the other hand, the fiscal balance of Oman was under pressure in 2009 mainly due to fall in revenues owing to decline in average crude oil prices and general slowdown of the economy, according to the Central Bank.

The Sultanate's annual budget for 2010 was presented in the start of the year under the backdrop of a gradual recovery of the global economy, turnaround in the global merchandise trade and resumption of capital flows to the developing countries. Factoring in the global recovery, budget for 2010 assumed a higher average Omani crude oil price of US$ 50 per barrel and a higher daily average crude oil production of 870,000 barrels in 2010. While government's revenues have been projected to increase by 13.6% compared to the previous year, aggregate expenditure is also expected to increase by 11.8%. Going by the recent trend in international prices of crude oil, average price realization for Omani crude in 2010 may be higher than that assumed in the budget, which may relieve pressure on the overall fiscal balance, as per the report.

Bayt.com survey indicates optimism regarding future business conditions in the MENA region

Bayt.com, the Middle East's number one job site, in conjunction with research specialists YouGov Siraj, published the quarterly survey, termed "The Middle East Consumer Confidence Index Survey", for June 2010. Over the months extending between March 2010 and June 2010, noticeable gains in consumer confidence levels have been observed in Lebanon (+6.6%), Algeria (+4.6%), Morocco (+4.3%) and Qatar (+2.0%), while Kuwait and Egypt witnessed the largest declines in consumer confidence levels with -8.8% and -8.7% respectively, followed by Saudi Arabia (-3.7%), Syria (-1.4%), the UAE (-0.5%) and Bahrain (-0.4%).

On the other hand, Bayt.com selected a sample of 6,211 respondents across 10 MENA countries and asked them about business conditions in a year's time. The results of the survey indicated that 45% of respondents considered that business conditions will be better in a year's time, while 23% expected they will remain the same, 15% projected they will become worse and 18% didn't have an answer as to business conditions in a one-year period.

As a matter of fact, expectations regarding business conditions in the MENA region in a year's time were positive on the overall. The survey indicated that 53% of respondents in Lebanon considered that business conditions will improve in a one-year period, followed by 51% of respondents in Tunisia, 50% of respondents in each of Morocco and Qatar, 49% in Kuwait and 47% in Algeria.

When asked about the availability of jobs in the MENA region within a year's time, 29% of respondents expected that the availability of employment in a one-year period will be better, while 27% of respondents considered that they will remain the same, 30% expected that the availability of jobs will become worse and 15% didn't have an answer.

In the MENA region, expectations regarding the availability of jobs in a year's time varied across countries: 49% of respondents in Qatar expected that there will be some improvements in the employment opportunities in one year, followed by 38% of respondents in Oman, and 36% in Kuwait. On the other hand, Jordan, Egypt and Tunisia were pessimistic regarding employment opportunities in a year's time, with only 18%, 22% and 25% of respondents considering that the availability of employment could improve.

Regarding the future financial situation in the MENA region, it was found that 49% of respondents expected it to improve in a year's time, while 15% of respondents projected it to remain the same in one year, and 7% considered that it could worsen.

The survey showed that across all MENA countries, respondents were optimistic about their future personal financial situation. Indeed, 51% of respondents in Qatar believe their future financial situation in a year's time would improve, followed by 50% of respondents in Saudi Arabia, 49% of respondents in each of Kuwait, Egypt, Oman, 48% of surveyed individuals in Algeria, 47% of respondents in each of Tunisia, the UAE, and 46% of surveyed individuals in Lebanon.

Business conditions expectations by country for next year

	Will be better	Will remain the same	Become worse	Don't know
Lebanon	53%	22%	8%	17%
Tunisia	51%	17%	15%	16%
Morocco	50%	15%	9%	26%
Qatar	50%	28%	8%	14%
Kuwait	49%	26%	10%	16%
Algeria	47%	24%	9%	20%
Syria	46%	25%	9%	20%
Saudi Arabia	45%	24%	14%	17%
UAE	45%	27%	15%	13%
Oman	44%	23%	7%	25%
Bahrain	43%	22%	18%	17%
Egypt	40%	21%	18%	20%
Jordan	34%	22%	22%	22%

Sources: Bayt.com, Bank Audi's Research Department

Qatar tops the region in mobile phone penetration

Qatar has the highest mobile phone and broadband penetration rates in the Middle East, according to Euromonitor International's new country briefing report termed "Technology, Communication and Media: Qatar". As a matter of fact, the report showed that mobile phone penetration in Qatar has increased by 38% between 2004 and 2009. The continuous growth in mobile phone and broadband services in Qatar is attributed to the high purchasing power of consumers, which is proven by the level of consumer expenditure on telecommunications equipment and services, one of the highest in the Gulf region.

Euromonitor's report indicated that Qatar's fixed-line market has continued to expand due to growth in Internet usage. About 44.5% of Qatari households possessed a broadband-enabled computer by the end of 2009, up from 6.8% in 2004. This places Qatar well ahead of other GCC countries on broadband penetration in 2009, as 26.6% of Bahraini households had broadband connection last year, followed by Kuwait (26% of households), the UAE (18.8%) and Saudi Arabia (8%).

Moreover, household possession of telephones in Qatar experienced growth from 86.4% in 2004 to 88.2% last year, while the number of telephone lines in use also increased from 191,000 lines in 2004 to 274,600 lines in 2009.

CORPORATE NEWS

Emirates orders 30 Boeing 777-300ERs valued at US$ 9.1 billion

Emirates, the Dubai-based international airline, recently placed an order with Boeing for an additional 30 777-300ER aircraft, worth approximately US$ 9.1 billion (AED 33.4 billion) in list prices. The new order adds to the fleet of 71 777-300ERs previously ordered, of which 53 aircraft are currently in service.

According to company officials, the 777-300ER would be operated in a three-class configuration with eight first class suites, 42 business class seats and 310 economy class seats and offers an additional cargo payload of 20.1 tons.

Emirates has 86 Boeing 777s in service, namely three -200s, six -200ERs, 10 -200LRs, 12 -300s, 53 -300ERs and two freighters.

In addition to the order placed, Emirates has 79 Airbus A380s, 70 Airbus A350s and seven Boeing freighters on order totaling 204 wide-body aircraft worth more than US$ 67 billion (AED 246 billion). In a year where the aviation industry was affected by global downturn, Emirates Airline recently reported its 2009-2010 profit, up by 416% to close at US$ 964 million (AED 3.5 billion) over its 2008-2009 profits of US$ 187 million (AED 686 million).

Kuwait Petroleum Corporation to invest US$ 8 to 9 billion in Indonesian refinery

Kuwait Petroleum Corporation (KPC) would invest US$ 8 to 9 billion in a new 300,000 barrels per day (bpd) oil refinery on Indonesia's Java island, according to Indonesian officials.

The move would help cut fuel shipments into Asia's largest gasoline and diesel importer, where dilapidated refineries do not meet demand in Southeast Asia's biggest economy and where no new refinery has been built since 1995.

According to the same source, KPC and Indonesia's state energy firm Pertamina would sign a Memorandum of Understanding (MoU) at the end of this month for a refinery in Balongan in western Java, and the crude oil would be supplied from KPC at a discount price.

Founded in 1980, Kuwait Petroleum Corporation (KPC) is fully owned by the State of Kuwait. Its diverse business interests encompass all aspects of the hydrocarbon industry. To support its international business interests, KPC has several regional marketing offices that are located across the globe, from the U.S. to the U.K, India, Pakistan, and Japan, according to company sources.

Established in 1957, Pertamina is a state-owned oil and gas company. Pertamina's scope of business incorporates the upstream and downstream sectors.

Egypt's Orascom Construction acquires Rotterdam ammonia terminal

Egypt's publicly traded builder Orascom Contruction Industries purchased the Netherlands' Micro Chemie B.V., owner and operator of ammonia tanks in Rotterdam. This step comes in line with Orascom's expansions plans regarding its fertilizer distribution network.

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Company officials did not disclose the value of the transaction but it was noted that the terminal holds a capacity of delivery of 550,000 tons of ammonia while it is allowed to receive 600,000 tons. Also, it holds a waterway access which can accommodate large tankers as well as smaller barges. Its distribution channels can attain France, Germany in addition to the Netherlands.

Established in 1976, Orascom Construction Industries specializes in engineering, procurement and civil contracting for buildings, infrastructure, waste water and power plants projects.

Qatar's Dohaland concludes US$ 50 million Musheireb cooling agreement

Qatar's Dohaland awarded a US$ 50 million (QR 182 million) design and build contract for two distinct cooling plants in Musheireb Project to Drake & Scull Water and Power LLC (DSWP), a subsidiary of Drake & Scull International (DSI).

With a capacity of 29,250 tons of refrigeration for the two cooling plants, the deal encompasses a detailed design and construction of district cooling plants covering chiller plants, cooling towers, as well as equipment and services. Also, the agreement includes design and construction of a chilled water reticulation network including valves and valve chamber details, the design and construction of complete mechanical, electrical and plumbing building services for the plants, the testing and commissioning of the plants as well as the operation and maintenance of the district cooling plants for a minimum period of five years.

Founded in 1966, Drake and Skull International specializes in Shariah compliant mechanical, electrical, plumbing contracting.

Dohaland is a subsidiary of Qatar Foundation for Education, Science and Community Development and was set up in April 2007. Its principal activities include real estate, property development and management.

EQUITY MARKETS

Regional equity markets track global markets

Regional equity markets performed similarly to global markets during this week, posting a 1.6% increase in prices as per MSCI data, on the back of some favorable second quarter 2010 results and supported by stable crude oil prices at around US$ 75 per barrel.

In Saudi Arabia, the Tadawul was among the top risers in the region, posting a 2.1% increase in prices week-on-week as per MSCI data, supported by the performance of some petrochemical companies and the release of some favorable second quarter results. SABIC's share price grew by 3.5% to close at SR 88.00. The company's second quarter 2010 net profit almost tripled to hit SR 5 billion, as demand for fertilizers and plastics recovered in a relatively improving global economy. Saudi International Petrochemical Company registered a 4.0% increase in its share price to close at SR 22.05. Sipchem posted strong second quarter 2010 results, with its net profit jumping by 171 times relative to the corresponding period of the previous year, in view of higher production of methanol and butanediol that was coupled with improved prices. Saudi Chemical's share price ended 10.1% higher at SR 44.9. The company's second quarter 2010 net profit rose by 34% year-on-year, reaching SR 86 million, supported by higher sales.

As to the banking sector, second quarter performances were leaning towards a positive aspect. Banque Saudi Fransi's share price increased by 3.5% this week to close at SR 44.3, after posting a 9.4% rise in second-quarter net profit year-on-year on the back of a growth in lending that triggered an increase in operating income.

UAE equity markets have posted a 1.3% rise in prices. In Dubai, Emaar Properties saw a 2.8% increase in its share price to close at AED 3.31. Deutsche Bank considered that Emaar's second quarter 2010 results are likely to surprise on the upside due to the handover of Burj Khalifa. Drake & Scull International's share price increased by 2.5% this week to close at AED 0.83. DSI was awarded a $125.3 million contract, in joint venture with Saudi Arabia's Al Zamil Group, for mechanical, engineering and plumbing (MEP) work on the Information Technology and Communication Center (ITCC) project in Riyadh. Arabtec posted a 6.4% rise in its share price, reaching AED 1.84. The company announced that it received this week payment from Nakheel representing 40% of its arrears. In Abu Dhabi, Aabar Investments share price retreated by 0.7% week-on-week to close at AED 1.45. A government committee is currently studying a proposal by IPIC, Aabar's main shareholder, to buy out remaining Aabar shares for AED 1.45 a share.

The Qatar Exchange saw a 0.8% rise in prices, as per MSCI data. Qatar Islamic Bank, the Gulf Arab state's second largest lender by market value, registered a week-on-week fall in prices of 1.1% closing at QR 72.2. The bank posted a 35% drop in its second quarter 2010 net profit after booking US$ 19.72 million of provisions. The Commercial Bank of Qatar's share price rose by 2.0% week-on-week to close at QR 66.9. A consensus among analysts expects the lender to post a growth in its second quarter net profit 2010.

Outside the Gulf region, the Egyptian Exchange registered a slight increase in prices of 0.6% week-on-week. Ghabbour Auto, Egypt's largest car company by market value, saw a 2.2% rise in prices week-on-week to LE 39.9. The company won a government tender for a 700,000 sqm plot of land on which it will build an automotive warehousing and logistics facility. This project is expected to cost US$13.2 million and save approximately US$ 5.3 million yearly on custom authority and rent liabilities.

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	138.3	-0.7%	-4.0%	12.0	-76.0%	1.1	11,915.8	5.2%	9.2	1.26
Jordan	130.9	-1.3%	-12.7%	156.0	23.5%	144.3	29,126.2	27.9%	18.2	1.53
Egypt	751.7	0.6%	-4.2%	591.0	23.9%	432.1	70,400.1	43.7%	10.7	1.62
Saudi Arabia	395.2	2.1%	1.5%	4,043.8	17.5%	572.8	324,414.5	64.8%	15.3	1.95
Qatar	621.3	0.8%	1.7%	170.2	0.3%	19.5	100,479.1	8.8%	10.2	1.94
UAE	196.7	1.3%	-14.2%	208.1	-16.7%	437.1	124,527.8	8.7%	10.3	0.98
Oman	853.3	-0.6%	1.9%	55.1	23.7%	40.6	17,124.6	16.7%	11.3	1.73
Bahrain	263.7	1.0%	-20.5%	1.3	-30.6%	2.6	16,744.5	0.4%	11.0	1.03
Kuwait	571.6	1.3%	3.1%	408.9	-32.0%	1,182.6	97,266.8	21.9%	13.8	1.37
Morocco	440.0	3.7%	5.5%	647.1	396.7%	5.1	64,727.2	52.0%	15.5	3.39
Tunisia	1,217.4	2.6%	3.7%	-	-	12.1	9,524.1	-	14.3	1.88
Arabian Markets	**470.5**	**1.6%**	**0.0%**	**6,293.6**	**18.9%**	**2,837.9**	**856,726.5**	**38.2%**	**12.9**	**1.62**

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

Successful completion of bond issues in Kuwait and Qatar

Regional fixed income markets witnessed during this week the successful completion of some bond issues in Kuwait and Qatar that attracted most market players' attention, while other outstanding papers saw a normal flow of activity. Within this context, the Audi compiled weighted average bond yield remained unchanged week-on-week, while the average spread widened due to a drop in international benchmark yields. Five-year CDS spreads remained almost stable across the region, except for Dubai that saw a 15 basis points drop in its CDS spread, noting that Dubai World called for a first all-creditor meeting since December 2009 on July 22, 2010.

Regarding new issues, Qatari Diar Finance, the property arm of the Qatari sovereign wealth fund, sold this week two-tranche US$ 3.5 billion bonds that are unconditionally and irrevocably guaranteed as to the due and punctual payments of all amounts by the state of Qatar. The issue was six times oversubscribed with the book size reaching around US$ 20 billion. The US$ 2.5 billion 10-year tranche offered a yield premium of 190 basis points over comparable U.S. Treasuries and it was heavily traded this week, while the US$1 billion five-year tranche offered 180 basis points over comparable US Treasuries and witnessed a strong demand. Moody's Investors Service assigned the notes and issuer an Aa2 rating, in line with the sovereign rating of Qatar.

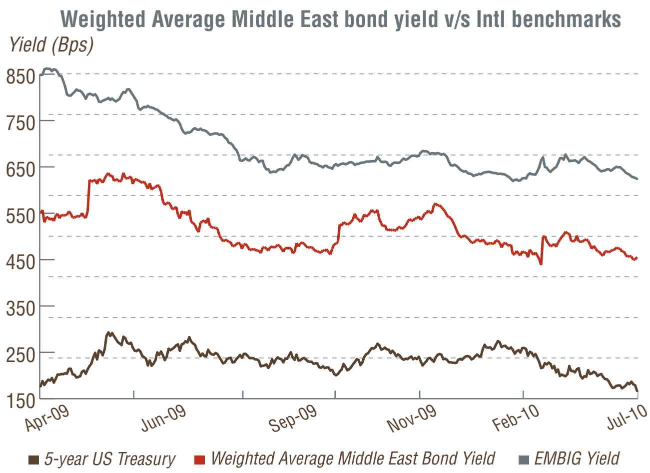
Elsewhere in the Gulf region, KIPCO announced this week the successful completion of its US$ 500 million (KWD 144 million) bond issue under its US$ 2 billion Euro Medium Term Note (EMTN) programme. The issue was 3.6 times oversubscribed. Both KIPCO and the notes issued under its EMTN programme have a BBB- rating from Standard & Poor's and a Baa2 rating from Moody's.

Moreover, Abu Dhabi Islamic Bank has updated its initial Sukuk program that was launched in 2006 in line with market practice. The lender announced that it has no immediate plans for Sukuk issuance and it would monitor the market and may look into issuance on an opportunistic basis.

NBAD made a partial repurchase of AED 49 million of its outstanding 2018 subordinate convertible notes listed on the London Stock Exchange. The repurchased notes will be cancelled and retired, reducing the aggregate outstanding principal amount of the notes to AED 1.61 billion. The 2018 bonds are callable in February 2013 at 100.

Finally, Dubai World has invited creditors this week to a July 22, 2010 meeting to offer details on its proposed debt restructuring covering US$ 14.4 billion in bank debt. This will be the first session to include all lenders since December 2009. The conglomerate's largest seven lenders have already agreed in principle to the debt deal, noting that they hold together 60% of the total. However, the company needs to secure agreement from banks for a total of 67% of debt. Under the deal, banks would be repaid in full, but would have to wait between five and eight years to get back money that was due by the end of 2011.

As to credit ratings changes, Standard and Poor's ratings service raised this week its long-term corporate credit rating on Nakilat Inc. to (AA-) from (A+), with a stable outlook. At the same time, Standard and Poor's raised the issue ratings on Nakilat's US$ 850 million secured bonds to (AA-) from (A+), and the issue ratings on its US$ 300 million secured subordinated bonds to (A+) from (A). The upgrade on Nakilat is mostly based on the company's stand-alone credit profile, which is assessed at "BBB", adding up a high likelihood that the state of Qatar would provide timely and sufficient support for the company in the event of financial stress.



Sources: Thomson Reuters, Bank Audi's Research Department

Middle East 5Y CDS Spreads v/s Intl Benchmarks

in basis points	16-July 2010	9-July 2010	31-Dec 2009	Week-on-week	Year-to-date
Abu Dhabi	108	113	151	-5	-43
Dubai	475	490	445	-15	30
Qatar	90	93	105	-3	-15
Saudi Arabia	71	71	85	0	-14
Bahrain	170	170	210	0	-40
Oman	171	167	127	4	44
Egypt	220	220	260	0	-40
Lebanon	300	300	281	0	19
Emerging Markets	262	268	272	-5	-10

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	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

	16-Jul-10	9-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	0.52%	0.53%	0.25%	-0.01%	0.27%
US Discount Rate	0.75%	0.75%	0.50%	0.00%	0.25%
US 10-year bond	2.92%	3.06%	3.84%	-0.14%	-0.92%

FX RATES (per US$)

	16-Jul-10	9-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)	46.75	46.85	45.75	-0.2%	2.2%
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)	1,168.00	1,165.00	1,150.00	0.3%	1.6%
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	0.5%	1.4%
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)	224.55	224.50	203.00	0.0%	10.6%
NORTH AFRICA					
Algerian Dinar (DZD)	72.26	72.52	70.42	-0.4%	2.6%
Moroccan Dirham (MAD)	8.59	8.76	7.88	-2.0%	9.0%
Tunisian Dinar (TND)	1.46	1.49	1.32	-1.6%	10.3%
Libyan Dinar (LYD)	1.28	1.30	1.23	-1.1%	4.4%
Sudanese Pound (SDG)	2.38	2.37	2.24	0.3%	6.1%

COMMODITIES (in US$)

	16-Jul-10	9-Jul-10	31-Dec-09	Weekly Change	Year-to-date
Crude oil barrel (Brent)	76.0	75.6	77.7	0.6%	-2.1%
Gold ounce	1,188.6	1,211.5	1,095.7	-1.9%	8.5%
Silver ounce	17.8	18.1	16.8	-1.6%	5.9%
Platinum ounce	1,507.0	1,529.0	1,467.0	-1.4%	2.7%

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