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Regional equity markets remained stable during this week, as shown by a very tiny decline in prices of 0.1% as per MSCI data, bucking other global and emerging stock markets that posted a 2.6% and 3.4% rise in prices respectively. Mixed second quarter results were the main drivers in the region, while investors continued to look for more clues as to the overall health of local economies, taking a cautious stance within the context of slow global recovery. In parallel, regional fixed income markets were relatively quiet during this week, and mainly witnessed demand for Qatari papers and investor focus on new bond issuances. All in all, the Audi compiled weighted average bond yield remained unchanged week-on-week, illustrating a lingering flat trading activity with the approach of the holy month of Ramadan, while the average spread tightened slightly due to a rise in US benchmark yields.

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► ECONOMY

GCC set to maintain dollar peg for now, as per the IIF

Gulf countries would likely maintain a long-standing peg between their currencies and the US dollar before they decide on a new single currency for their monetary union, according to the Institute of International Finance (IIF).

The IIF study indicated that the dollar peg is still the right exchange rate, at least until the GCC nations achieve monetary union when they can revisit their options. As a matter of fact, the peg (with the exception of Kuwait that has a peg to an undisclosed basket most likely dominated by the dollar since May 2007) has served the GCC economies well in supporting macroeconomic stability and private sector confidence. According to the IIF, the peg is easy to administer and does not require the necessary institutions for implementing an independent monetary policy.

The study stressed that the choice of the exchange rate regime has to take into consideration the structural characteristics of the GCC economies, including the importance of the oil sector in GDP, exports, and fiscal revenue. The IIF listed four options for the GCC members which launched the monetary union early this year, namely Saudi Arabia, Kuwait, Qatar and Bahrain. (The other two GCC countries, UAE and Oman, have quit for different reasons.) The four options include a one-off revaluation and then staying with the peg to the dollar, an exchange rate regime based on a basket of currencies, a floating exchange rate, and a trading band around the dollar exchange rate.

The IIF said a one-off revaluation of the dollar peg poses short-term tradeoffs and over the long-term the potential cost of a less firm nominal anchor, creating greater uncertainty and raising the cost of transactions generally. As for the option of an exchange rate regime based on a basket of currencies, the IIF considered it could be a useful way to introduce some flexibility in the exchange rate, although if dominated by the dollar, as it is most likely to be, would not offer much of a change. However, the study warned that such an exchange poses short- and long-run tradeoffs and would take time to become fully credible. Basket regimes are usually less transparent than single currency pegs, so that gaining a full understanding of and confidence in the regime may take some time.

The study indicated that the third option consisting of a floating exchange rate would have the advantage of allowing the GCC countries to use monetary policy to smooth business cycles, therefore allowing GCC countries to absorb large adverse real shocks more easily than a fixed exchange rate regime. However, moving to a flexible exchange rate requires building capacity to manage an independent monetary poli-

cy, which could take a long time to achieve. A flexible exchange rate regime could also lead to loss of credibility if the market was to expect instability in exchange rates during the transition to the monetary union.

Finally, the study concluded that a trading band around the dollar exchange rate would require the private sector in the GCC to manage exchange rate risk and necessitate changes to the foreign exchange operations of the Central Bank, which might also take some time to put in place.

IMF said low oil prices and financial challenges could restrain GCC growth

The International Monetary Fund (IMF) indicated that while economic growth in the GCC is strengthening, the region faces a risk to its outlook if oil prices remain low for a protracted period. The fund warned that the challenges faced by the financial sectors of GCC nations would restrain growth in that region for the short-term, but this is not expected to have long-term implications.

In an updated report on GCC member states, the IMF stated the short-term priority remains the “buttressing” of the financial sector without unduly constraining the availability of credit, adding that this requires a continued forward-looking approach to monitoring bank capital adequacy through periodic reviews of bank asset quality and regular stress testing. The report cautioned that given the constraints of the dollar peg on monetary policy and the sensitivity of liquidity conditions to the oil cycle, macro-prudential policies should be used effectively to protect financial stability and manage liquidity conditions.

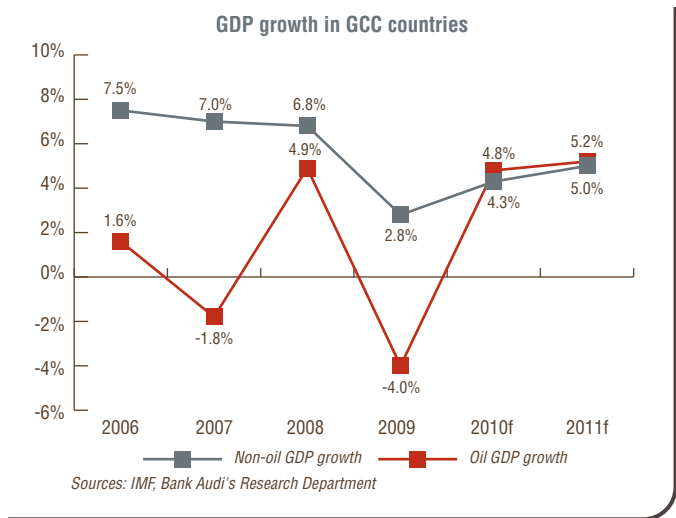
The report indicated that fiscal stimulus has been successful in dampening the impact of the global crisis on non-oil growth, but considered that GCC countries needed to prepare exit strategies from the current high spending levels to ensure long-term fiscal sustainability.

The IMF revised up its growth forecast for non-oil growth in GCC states to 4.3%, from 4% in its regional outlook in May, with non-oil growth supported by fiscal stimulus in Saudi Arabia and the UAE, and more recently in Kuwait. Oil output is projected to rebound by approximately 4.8% in 2010 in line with global recovery. This, along with projected higher oil prices, should improve fiscal and external balances.

The report noted that challenges in the financial sector may restrain growth in the short-term but they remain manageable and should not undermine long-term prospects. The impact of spillovers from financial developments in Dubai and Greece should continue to have a limited effect on the GCC countries and substantial foreign assets are available to

mitigate the impact of new shocks. The study indicated that Central Banks across the GCC have already strengthened their oversight of the banking sector, with many conducting stress tests to identify vulnerabilities. The capital adequacy of banks has also been enhanced in most countries through the injection of public funds or private capital. However, the IMF noted that bank deposit and credit growth remained anemic during the first half of 2010, as banks struggled to attract private sector deposits and continued to receive significant liquidity support from their respective governments.

Finally, corporate governance and transparency in the GCC need to be enhanced, the report said, adding that in order to maintain and enhance access of private sector companies to domestic and external financing, the incentive structure to improve disclosure and governance should be strengthened. According to the IMF, GCC countries should also improve the governance of state-related enterprises, with more attention given to transparency and management of leverage and balance sheet risks. On the non-financial sector, the report said listed non-financial companies in the GCC appear to have adequate cash buffers to service their debt.



Saudi Arabia leading 2010 GCC IPO activity, as per PWC

PricewaterhouseCoopers (PWC), a leading international professional services organization, has found that initial public offering (IPO) activity in the Kingdom of Saudi Arabia is still leading regional IPO activity in the first half of 2010, with seven out of eight IPOs taking place in Saudi Arabia.

The total number of IPOs during the first half of 2010 reached 8 compared to 7 in the same period of 2009. The total amount raised reached US\$ 830 million, down 31.4% from US\$ 1,209 million raised during the first half of 2009, according to PWC. The major factor behind the fall in value

in 2010 compared to 2009 is due to the large Vodafone Qatar IPO which raised US\$ 952 million in the first quarter of 2009.

The largest IPO in 2010, as of June 30, was for Knowledge Economic City Company in Saudi Arabia, which raised US\$ 272 million, the equivalent of 32.7% of the total capital raised in the GCC. The only non-Saudi IPO was in Qatar, for the Mazaya Qatar Real Estate Development Company, which raised US\$ 144 million in the first quarter of 2010.

Bahrain's GDP set to rise by 4%, according to the country's government agency, the Economic Development Board

According to a recent report by the Bahrain Economic Development Board (EDB), a public agency with an overall responsibility for formulating and overseeing the economic development strategy of Bahrain, the Kingdom of Bahrain is set to grow by about 4% during the year 2010, thanks to a well-diversified base and the strong fundamentals of the national economy.

The report indicated that the implementation of the Economic Vision 2030 had started in the following year of its launch, by putting together the National Economic Strategy 2009-2014, on which the EDB and the Ministries collectively worked, which resulted in the implementation of more than two-thirds of the initiatives and projects included in the Strategy. The EDB said it would remain focused on strategic economic initiatives aimed at stimulating growth by enhancing productivity and skills and build the economy by focusing on existing high-potential sectors. The EDB also stressed the need to transform the economy in the longer term by capturing emerging opportunities.

The report noted that as a result of the reforms, Bahrain was ranked among the top 20 nations in the World Bank's Doing Business Report and the Heritage Foundation Index of Economic Freedom. During 2009, the EDB drafted several laws and regulations and has successfully attracted 40 globally recognized companies that created 1,100 jobs for Bahrainis. The EDB reported that investments by both the private and public sectors increased significantly over the past five years, rising by 50% in the public sector and 135% in the private sector.

The report added that the Bahraini economy has made great progress in reducing its dependency on oil, as non-oil products and services now account for more than two-thirds of the total exports of the Kingdom. According to EDB, household consumption would strengthen over the next few years, while investment spending continues to moderate reflecting the downturn in property development.

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► SURVEYS

Sharm El Shaikh ranks first in hotel occupancy in the Middle East for the first half of 2010, as per Ernst and Young

The hotel benchmark survey conducted by Ernst & Young indicated that Sharm El Shaikh ranked first in hotel occupancy among 16 Middle Eastern cities in the first half of 2010. Sharm El Shaikh posted a hotel occupancy rate of 85% in the first six months of 2010, up by 9% from the same period of last year. Hurghada, another Egyptian city, came second in hotel occupancy rate and recorded the highest year-on-year increase amongst the surveyed cities as occupancy edged up year-on-year by 10 percentage points to reach 84% during the aforementioned period of 2010. At the lower end of the scale came Kuwait with an occupancy rate of 57%, down by a yearly 2%.

The rooms' yield level, which measures the revenue generated from each hotel room per day, is determined by the average room rate and the hotel occupancy rate. Sharm El Shaikh, which benefits from the highest hotel occupancy rate, could have posted a high rooms' yield; yet its average room rate remained at a fairly low US\$ 60, resulting in a low rooms' yield of US\$ 51 in the first six months of 2010. The city of Doha posted the highest rooms' yield at US\$ 205 in the first half of 2010, ahead of Abu Dhabi (US\$ 183), Beirut (US\$ 179) and Dubai (US\$ 176). It is worth noting that Doha ranked first in rooms' yield in the Middle East region although its average room rate declined by 12.8% year-on-year.

As a matter of fact, the city of Doha posted the highest average room rate at US\$ 292, followed by Manama at US\$ 264, Kuwait at US\$ 263 and Beirut at US\$ 246. The highest year-on-year increase in average room rate was recorded by Lebanon which saw its average room rate rise by a yearly

15.9% in the first half of 2010. The second highest year-on-year increase in average room rate, at 15.0%, was recorded in Riyadh.

UAE consumer confidence remains in world's top 10 most optimistic countries, as per Nielsen Index

According to Nielsen's latest global consumer confidence index covering the second quarter of 2010, the United Arab Emirates (UAE) still holds a position amongst the 10 most optimistic countries around the globe despite a slight drop of two points in its consumer confidence index from 103 points during the first quarter of this year to 101 in the second quarter. Concerns about job security have declined but remain a major issue for the country. Also, UAE consumers are still careful about discretionary expenditures but would spend on vacations.

Nielsen's Global Consumer Confidence Index tracks consumer confidence, major concerns and spending intentions among approximately 27,000 Internet users in 48 countries throughout Asia Pacific, Europe, Latin America, the Middle East and North America. The Nielsen Consumer Confidence Index is developed based on consumers' confidence in the job market, status of their personal finances and readiness to spend. Consumer Confidence Index levels above and below a baseline of 100 indicate degrees of optimism and pessimism, respectively.

It is worth noting that regardless of the bright prospects in Asia, the global economic recovery that was anticipated this year has been hindered by Europe's persisting debt crisis. The UAE consumer confidence is reflecting this disparity with a marginal drop that did not impact its position in the top 10 optimistic countries. Accordingly, UAE consumers understand that full economic recovery might take longer than expected and that they should still spend carefully. Still, consumers continue to be at ease with their financial situation and job perspective for this quarter, as they are convinced that the worse of the crisis is over.

The number of consumers that perceive the UAE to be in a recession regressed three points since the last quarter, with 42% believing the recession would be over in the next 12 months. The survey also showed that 76% of the UAE consumers changed their spending habits to save on household expenses, although 64% of consumers surveyed stated that their personal finance would be excellent or good for the next 12 months. Finally, about 50% of UAE consumers are allocating their remaining income (once they have covered their essential living expenses) to savings and paying off debt (34%). Also, more than half (58%) of UAE respondents considered that the job prospects in the UAE over the next 12 months would be excellent or good.

Hotel Performance in the MENA region

(in US\$)	Occupancy		Room Rate		Rooms Yield	
	2010	2009	2010	2009	2010	2009
Doha	69%	72%	292	335	205	243
Manama	62%	68%	264	263	165	182
Kuwait	57%	59%	263	274	151	163
Beirut	72%	69%	246	212	179	147
Abu Dhabi	74%	78%	244	341	183	268
Riyadh	60%	67%	239	208	145	140
Muscat	72%	68%	226	272	163	185
Dubai	78%	75%	224	254	176	191
Jeddah	73%	72%	208	198	153	143
Makkah	76%	67%	181	183	138	124
Al Ain	70%	70%	166	164	117	115
Amman	64%	60%	148	140	95	85
Madina	66%	62%	133	130	88	81
Cairo	75%	70%	114	113	85	80
Sharm El Shaikh	85%	76%	60	54	51	42
Hurghada	84%	74%	42	42	36	31

Sources: Ernst and Young, Bank Audi's Research Department

► CORPORATE NEWS

Alcoa-Saudi Arabia Mining Co joint-venture raises US\$ 4.5 billion for Maaden Alcoa KSA project

In a joint-venture with Saudi Arabian Mining Company, Alcoa amassed US\$ 4.5 billion in debt to finance their giant aluminum project, as per newswires. Valued at US\$ 7.5 billion, the project is anticipated to be one of the world's largest aluminum plants and would consist of a rolling mill and a smelter, which would each be financed separately and signed by September 2010.

The US\$ 5 billion aluminum smelter would be 65% financed by debt and 35% by equity. Saudi and international banks would provide US\$ 1.3 billion in Islamic and conventional loans, while the Saudi Finance Ministry's Public Investment Fund (PIF) would provide US\$ 1.3 billion and the government-owned Saudi Industrial Development Fund (SIDF) would provide US\$ 320 million, as stated by officials. The rolling mill would cost US\$ 2.5 billion and it would be 50% financed by debt and 50% financed by equity. The PIF would lend an amount of US\$ 750 million, the SIDF would lend US\$ 160 million and banks are to provide US\$ 220 million.

The aluminum smelter and the rolling mill are the first phase of the Maaden Alcoa US\$ 10 billion joint venture complex, which would include a bauxite mine and an alumina refinery. The smelter and the rolling mill are expected to begin operations in 2013, while the mine and refinery are expected to come on stream the following year, according to the same source.

United States' Alcoa is a producer of primary aluminum, fabricated aluminum and alumina. Among the solutions Alcoa markets are flat-rolled products, hard alloy extrusions, and forgings, as well as Alcoa wheels, fastening systems, precision and investment castings, and building systems in addition to other light metals such as titanium and nickel-based super alloys.

Established in 1997, Saudi Arabia Mining Company explores and extracts phosphate, aluminum and precious metals such as gold, silver, magnesium and zinc. It operates six precious metal extraction mines, with a production capacity of 9.4 tons and 14.2 tons of gold and silver per year.

UAE's Abraaj Capital eyes US\$ 700 million of investments in Middle Eastern firms over the next four years

The Dubai-based firm, Abraaj Capital announced its plan of acquiring stakes in more than 100 small and medium enterprises in the Middle East over the next four years. The transactions would total US\$ 700 million, as per company statements.

On the economic development front, Abraaj intends to invest in health care, manufacturing, education, information and communication technologies, logistics, agribusiness and food industries in countries that include Egypt, Lebanon, Jordan, Algeria, Pakistan and Turkey, the Palestinian territories and the six GCC countries. Company officials indicated that 30% to 40% of ownership is considered and in other cases it would be full acquisition. Within this context, the value of investments would range from US\$ 500,000 to US\$ 15 million.

Founded in 2002, Abraaj Capital is a UAE-based investment firm specializing in private equity and direct investment in the Middle East, North Africa and South Asia.

On the private equity front, Abraaj has invested in 35 transactions across 11 countries since being set up in 2002. It owns stakes in Air Arabia, and Turkish hospital company Acibadem Healthcare Group.

Qatar Airways orders 2 Boeing 777-200 in US\$ 501 million deal

Qatar Airways expanded its fleet with 2 additional Boeing 777-200 long range aircrafts valued at US\$ 501 million. The latter is part of the national carrier's growth plans as the additional planes would aid the firm in initiating new ultra long-haul markets.

Qatar Airways currently holds a fleet of 19 Boeing 777 which encompass 11 Extended Range, six Long Range and two freighter versions. Including the former announcement, the airline has orders for 10 Boeing 777s and a further three on option with the US aircraft manufacturer.

Launched in 1994, Qatar Airways provides scheduled air transportation for passengers and cargo, aircraft leasing, travel agents and tour operators. The company is also involved in catering, cargo handling, aircraft cleaning and servicing, lounge and flight operations, media relations, general food and beverages distribution, duty free shops, and airport management.

Boeing is one of the world's leading aerospace companies and manufacturers of commercial jetliners and military aircraft. Boeing designs and manufactures rotorcraft, electronic and defense systems, missiles, satellites, launch vehicles and advanced information and communication systems. The company also provides numerous military and commercial airline support services.

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► EQUITY MARKETS

Stable regional equity markets on mixed second quarter results

Regional equity markets remained stable during this week, as shown by a very tiny decline in prices of 0.1% as per MSCI data, bucking global and emerging stock markets that posted a 2.6% and 3.4% rise in prices respectively. Mixed second quarter results were the main drivers in the region, while investors continued to look for more clues as to the overall health of local economies, taking a cautious stance within the context of slow global recovery.

The Kuwait Stock Exchange was the best performer in the region during this week, posting a 3.9% increase in prices, supported by investment companies. Global Investment House saw a 25.0% hike in its share price, closing at KWD 0.065. The company made a US\$ 50 million principal repayment of its bank debt, reaching \$78.9 million to date, which represents 46% of the total repayment due by December 10th, 2010. Burgan Bank's share price increased by 3.0% week-on-week, closing at KWD 0.345. The Kuwaiti lender got the approval of the country's Central Bank to buy back up to 10 % of its shares. In addition, the auction of a 13% stake in Burgan Bank to Bahrain's United Gulf Bank will start at a price of KWD 0.390 a share.

The UAE equity markets saw a 1.7% increase in prices week-on-week. In Abu Dhabi, Aabar Investments reported a staggering rise in its share price of 32.4% to close at AED 1.92, after the company and its largest stakeholder - International Petroleum Investment Company- agreed to hike a buyout offer to existing shareholders to AED 1.95 a share, from AED 1.45 a share previously, as it seeks to delist from the emirate's stock exchange and become a private company. Abu Dhabi Islamic Bank's share price increased by 3.3%, reaching AED 2.52 at the end of the week. The lender posted a 56% jump in its second quarter 2010 net profit year-on-year, on lower provisions.

In Dubai, Drake & Scull International saw a 6.0% rise in its share price week-on-week to close at AED 0.88. DSI has been awarded a US\$ 49.9 million design and build contract by Dohaland for two district cooling plants at its flagship Musheireb project in Doha.

Elsewhere in the Gulf region, Saudi Arabia's Tadawul saw a 1.3% fall in prices during this week. Saudi Basic Industries Corporation registered a 1.7% decrease in its share price week-on-week to close at SR 86.5. SABIC's second quarter net profit fell a touch short of analysts' expectations, though it almost tripled to US\$ 1.34 billion from US\$ 0.48 billion a year earlier on higher sales and increased production. In addition, Morgan Stanley cut SABIC's target price to SR 110 from SR 121, which reflects a 9-18% reduction in its EPS estimates over 2010-2012. Rabigh Refining and Petrochemicals Company saw a significant drop in its share price of 10.6% week-on-week, closing at SR 25.4, after its second quarter 2010 net profit missed most analyst expectations.

In addition to petrochemical companies, Savola Group Company saw a 6.1% fall in its share price to close at SR 33.7. The company announced a 2.3% fall in its second quarter 2010 net profit year-on-year, on lower capital gains. On another note, Dar Al Arkan Real Estate Development posted a 2.6% decrease in its share price to reach SR 11.25, after posting a 29.3% fall in its second quarter 2010 net profit year-on-year due to lower land sales.

Finally, the Qatar Exchange remained almost stable week-on-week, as shown by a 0.2% slight decrease in prices. Doha Bank's share price fell by 2.0% week-on-week to close at QR 43.9. The lender posted a 28% drop in its second quarter 2010 net profit year-on-year. Nakilat's share price fell by 2.7% to QR 18.4. The company reported a 20% slump in its second-quarter earnings in view of increased domestic competition that resulted into a cut in its market share.

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	136.2	-1.5%	-5.5%	12.5	4.1%	1.0	11,734.1	5.5%	9.2	1.25
Jordan	128.6	-1.8%	-14.3%	128.8	-17.4%	114.7	28,738.4	23.3%	18.1	1.53
Egypt	749.4	-0.3%	-4.5%	524.1	-11.3%	373.2	69,755.8	39.1%	10.8	1.63
Saudi Arabia	390.0	-1.3%	0.2%	3,053.2	-24.5%	476.8	320,353.5	49.6%	14.5	1.97
Qatar	620.3	-0.2%	1.5%	123.3	-27.6%	14.5	103,642.7	6.2%	10.4	2.03
UAE	200.0	1.7%	-12.8%	293.3	40.9%	700.8	128,223.2	11.9%	10.5	0.98
Oman	836.5	-2.0%	-0.1%	38.6	-30.0%	34.4	16,925.8	11.9%	11.2	1.72
Bahrain	259.8	-1.5%	-21.7%	2.4	86.1%	4.6	16,850.7	0.7%	11.0	1.03
Kuwait	593.7	3.9%	7.1%	671.0	64.1%	1,509.8	99,757.9	35.0%	14.3	1.41
Morocco	435.0	-1.1%	4.3%	202.4	-68.7%	4.1	64,927.3	16.2%	15.6	3.40
Tunisia	1,226.9	0.8%	4.5%	-	-	14.3	9,842.4	-	14.8	1.94
Arabian Markets	470.0	-0.1%	-0.1%	5,049.7	-19.8%	3,233.8	860,909.4	30.5%	12.8	1.64

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

Slowdown in regional bond markets activity triggers stability in yields

Regional fixed income markets were relatively quiet during this week, and mainly witnessed demand for Qatari papers and investor focus on new bond issuances. All in all, the Audi compiled weighted average bond yield remained unchanged week-on-week, illustrating a lingering flat trading activity with the approach of the holy month of Ramadan, while the average spread tightened slightly due to a rise in US benchmark yields.

At the level of new issues, Waha Aerospace, a unit of Abu Dhabi based investment company Waha Capital, sold this week US\$ 1.5 billion of 10-year amortizing bonds in the 144a private placement market. The bonds were rated AA by S&P and Fitch, and Aa2 by Moody's, and priced to yield 225 basis points over comparable U.S. Treasuries. Deutsche Bank, JP Morgan, Nomura and Société Générale had been mandated to act as joint lead managers and bookrunners. The new bond issue was three times oversubscribed and benefited from an unconditional and irrevocable guarantee by the Emirate of Abu Dhabi. The bonds' proceeds would be used to finance the purchase of six Boeing C-17 transport planes by the UAE armed forces.

Elsewhere in the Gulf region, Saudi Binladin Group issued a SR 700 million (US \$187 million) short-term sukuk through Saudi Binladin Sukuk Co. in a privately placed offering to Saudi investors. Purchasers of the bonds included government agencies, insurance companies, mutual funds, and individual investors. The sukuk issuance was 2.5 times oversubscribed. Saudi Binladin Group will invest US\$ 136 million to more than quadruple output at a Senegalese oil refinery, Qasim al-Shaikh, and will be bidding to develop the first phase of an airport at Madina, according to newswires. The issue was the first credit enhanced structure incorporating the sharing of assigned government contract payment, and the first issue launched on a zero coupon, dis-

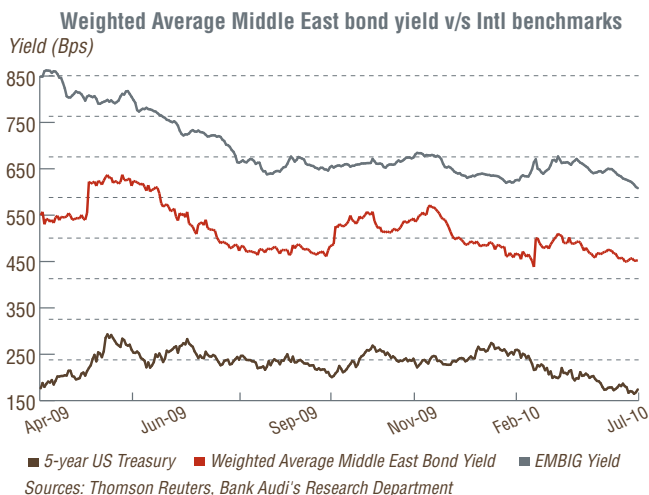
count to maturity basis. This is SBG's second sukuk issue since 2008 when it raised SR 1 billion (US\$ 267 million) under a private placement. It is worth noting that current market conditions in Saudi Arabia would enable corporate short term funding requirements to diversify away from bank sources.

Moreover, Oman's Central Bank sold this week OR 100 million (\$260 million) of five-year government development bonds, carrying a coupon of 4%. The bond issue was open for purchase by investors of all nationalities residing in Oman. Total bids reached OR 234.4 million. Oman's Central Bank announced in February that the government is expected to roll over bonds worth more than OR 120 million in 2010.

On the other hand, Dubai World's officials met with bank creditors this week to discuss the restructuring plan regarding a US\$ 14.4 billion bank debt. The meeting was an "informational session", according to the company. Creditor banks would have the opportunity to review the information provided before responding to the proposal. The state conglomerate placed a special tribunal set up by decree to hear disputes over the delayed repayment plan. According to company executives, restructuring is expected to be completed over coming months.

As to credit rating changes, Fitch Ratings affirmed Saudi British Bank's long-term foreign and local currency Issuer Default Ratings (IDRs) at "A" respectively with Stable outlooks. Fitch also declared SABB's Short-term IDR at "F1", Individual Rating at "B/C", Support Rating at "1" and Support Rating Floor at "A-". The Support Rating and Support Rating Floor continue to reflect Fitch's view of an extremely high probability of support from the Saudi Arabian Monetary Agency in case of need.

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Middle East 5Y CDS Spreads v/s Intl Benchmarks

in basis points	23-July 2010	16-July 2010	31-Dec 2009	Week-on -week	Year-to -date
Abu Dhabi	115	108	151	7	-36
Dubai	480	475	445	5	35
Qatar	94	90	105	4	-11
Saudi Arabia	75	71	85	4	-10
Bahrain	180	170	210	10	-30
Oman	165	171	127	-6	38
Egypt	197	220	260	-23	-63
Lebanon	300	300	281	0	19
Emerging Markets	249	262	272	-13	-23

Sources: Thomson Reuters, Bank Audi's Research Department

SOVEREIGN RATINGS

	Standard & Poor's	Moody's	Fitch	EIU
LEVANT				
Lebanon	B/Positive/B NR	B1/Stable NR	B/Stable/B NR	CCC/Positive B/Stable
Syria	BB/Stable/B	Ba2/Stable	NR	B/Stable
Jordan	BB+/Stable/B	Ba1/Stable	BB+/Stable/B	BB/Stable
Egypt	NR	NR	NR	CC/Stable
Iraq				
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

	23-Jul-10	16-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	0.49%	0.52%	0.25%	-0.03%	0.24%
US Discount Rate	0.75%	0.75%	0.50%	0.00%	0.25%
US 10-year bond	3.00%	2.92%	3.84%	0.08%	-0.84%

FX RATES (per US\$)

	23-Jul-10	16-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)	46.80	46.75	45.75	0.1%	2.3%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.1%	0.1%
Egyptian Pound (EGP)	5.70	5.70	5.49	0.1%	3.9%
Iraqi Dinar (IQD)	1,168.00	1,168.00	1,150.00	0.0%	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	0.0%	-0.1%
Kuwaiti Dinar (KWD)	0.29	0.29	0.29	-1.4%	0.0%
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)	229.15	224.55	203.00	2.0%	12.9%
NORTH AFRICA					
Algerian Dinar (DZD)	74.37	72.26	70.42	2.9%	5.6%
Moroccan Dirham (MAD)	8.58	8.59	7.88	-0.1%	8.9%
Tunisian Dinar (TND)	1.46	1.46	1.32	0.2%	10.6%
Libyan Dinar (LYD)	1.28	1.28	1.23	-0.1%	4.3%
Sudanese Pound (SDG)	2.37	2.38	2.24	-0.2%	5.9%

COMMODITIES (in US\$)

	23-Jul-10	16-Jul-10	31-Dec-09	Weekly Change	Year-to-date
Crude oil barrel (Brent)	77.5	76.0	77.7	2.0%	-0.2%
Gold ounce	1,188.6	1,188.6	1,095.7	0.0%	8.5%
Silver ounce	18.1	17.8	16.8	1.5%	7.4%
Platinum ounce	1,537.5	1,507.0	1,467.0	2.0%	4.8%

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