

► ECONOMY

p.2 ► **Barclays Capital ties confidence in the Gulf to oil prices and asset values**

A recent commentary released this week by Barclays Capital Mideast office indicated that signs of a sustainable recovery are emerging globally, but it will take time for confidence to return to Gulf Arab economies and investors, as this confidence is fundamentally tied to oil, as well as asset values and risk assets.

Also in this issue:

- p.2 ► **Mergers and acquisitions deals in the MENA region down by 66% in the first quarter of 2009**
- p.3 ► **UAE pulls out of GCC Monetary Union**
- p.3 ► **S&P forecasts a real GDP contraction of 1.0% in Kuwait in 2009**

► SURVEYS

p.4 ► **Shuaa Capital places Saudi Arabia on top of the list for institutional investors in the region**

Shuaa capital released last week its first report on GCC investor confidence index, which placed Saudi Arabia on top of the list for institutional investors.

Also in this issue:

- p.4 ► **UAE sees the highest decline in consumer confidence among Arab countries**

► CORPORATE NEWS

p.5 ► **Fitch Ratings sees positive profits in 2009 for Saudi banks**

Fitch Ratings issued its annual review and outlook on banks in Saudi Arabia, in which it sees that the Saudi banking sector has strong fundamentals and government support which should ensure they remain profitable.

Also in this issue:

- p.5 ► **Qatar Airways to invest US\$ one billion in Doha International Airport infrastructure expansion**

► MARKETS IN BRIEF

p.6 ► **Ongoing oil and world markets rally continues to drive the Arabian markets up**

Arab equity markets moved up by 1.5% this week, as per MSCI Arabian Markets Index, on the back of an oil rally after data released by the US Department of Energy showing a fall in oil inventories; in addition, the Arab stock markets tracked a world markets rally, as reflected by a 2.6% increase in the MSCI All Countries World Index. As per individual countries, the Kuwait Stock Exchange went up by 3.2% this week. Short-term traders were fairly active hoping to ride any momentum gains on the back of the election of the new parliament and the reappointment of the country's Prime Minister. In Qatar, the Doha Stock Market went up by 3.1% this week, led by industrials and banks. Investors continued to hold positions as the market is seen higher. They find many Doha-listed shares attractively valued in the region, and the market is expected to catch up with its peers. Elsewhere in the Gulf, the equity markets in the UAE went up by 3.0% week-on-week, led by property and energy shares. Investors tracked a world markets rally amid signs of improving global economic conditions and oil steadying above US\$ 57; another factor contributed to improving investor sentiment is the increased confidence in the state of the local economy.

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

Group Research Department

Bank Audi sal - Audi Saradar Group
Bank Audi Plaza, Bab Idriss, Riad El Solh - Beirut - Lebanon
P.O.Box : 11 - 2560 / Tel : (01) 994000 / Telefax : (01) 985622
Swift : AUDBLBBX - <http://www.banqueaudi.com>

► ECONOMY

Barclays Capital ties confidence in the Gulf to oil prices and asset values

A recent commentary released this week by Barclays Capital Mideast office indicated that signs of a sustainable recovery are emerging globally, but it will take time for confidence to return to Gulf Arab economies and investors, as this confidence is fundamentally tied to oil, as well as asset values and risk assets.

There were signs of a recovery in asset prices and credit spreads that pointed to a sustained recovery, as per the managing director and head of Barclays Capital's investment banking division in the Middle East and North Africa ((MENA). The bank indeed notes an improvement in economic trends and is more positive on the upside that the directional trend is moving upwards, as shocks to the downside are becoming less. The bank certainly feels that there will be a sustained global recovery from this point. This is not to say the world is suddenly a better place. It's just that it's not getting worse at this point, as per the head of Barclay's capital in the MENA region.

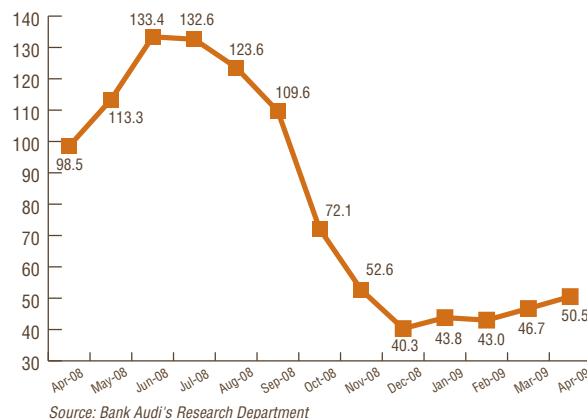
A sustained upward trend in global asset values and oil prices would help Gulf Arab economies to recover quickly, but restoring confidence will take a while before slowing economies in the six-nation Gulf Cooperation Council rebound and state-controlled funds there resume investing. Investment banks in the region have been through very serious shocks. It's not going to get better straight away, so confidence still needs to come through. Barclays believes that will take a little while before companies and sovereign wealth funds prepare to start investing in the kind of way they did in 2007 and 2008.

Moreover, Barclays notes that Gulf region's outlook remains primarily tied to oil prices maintaining a recent upward trend that saw oil prices recovering from a low of \$32.40 it touched last December to a six-month high of \$60.08 a barrel. One of the elements that are crucial to those markets is what happens to the oil price. A couple of things that have impacted this market in a slightly different way from other areas in the world are oil prices and what has happened to asset values of their sovereign funds. To this extent GCC countries have been hit on both fronts in the last 12 months.

Gulf oil exporters had accumulated enormous surpluses from an oil price rally that started in 2002 and enabled them to invest in building infrastructure at home and snapping up foreign assets to diversify their risk. Nonetheless, many sovereign funds such as the Kuwait Investment Authority or the Abu Dhabi Investment Authority are thought to have suffered big losses on equity investments in the U.S. as Western markets slumped due to the global financial crisis. According

to Barclays, if asset values and risk assets increase, and oil prices continue with their seemingly upward trend, confidence across the whole region would probably rise.

Evolution of the average price of a barrel of Brent crude oil (US\$/barrel)



Mergers and acquisitions deals in the MENA region down by 66% in the first quarter of 2009

Mergers & Acquisitions deals in the Middle East and North Africa region went down by 66% in the first quarter of 2009 compared to the same period last year. This was revealed in Ernst & Young's quarterly Middle East update on Mergers and Acquisitions, which compiles publicly available deals and values across the region.

The update revealed that M&A activity had fallen both in terms of number of deals and disclosed values. A total of 140 deals were announced in the first quarter of 2008 against 47 in the first quarter of 2009. Within these, outbound deals fell from 48 deals in Q1 2008 to 11 deals in Q1 of 2009, a drop of 77%, and the number of inbound deals also fell from 20 in Q1 of last year to 5 in Q1 2009, reflecting a drop of 75%. Domestic (MENA) deals fell 57%, from 72 to 31 in Q1 2008 and Q1 2009 respectively.

According to the head of Mergers and Acquisitions at E&Y Middle East, the drop in the number and value of deals in the Middle East is reflective of the global economic recession and follows the trend in world-wide M&A activity. Deals within the MENA region have fallen by 57%. However, it is worth noting that inbound and outbound deals into and from MENA have fallen in excess of 70%, showing that investors are looking inwards and are more cautious when it comes to cross-border deals. Investors took more time or did not make decisions as they were unsure of how much bad news was yet to come. However, astute investors continued to acquire companies with good business models and sound cash flows at reduced valuations.

The average deal size in the MENA region fell from US\$ 215 million (Q1 2008) to US\$ 116 million (Q1 2009) whilst average size of outbound deals has also fallen from US\$ 913 million to US\$ 80 million for the same periods. In Q1 2009, 27 deals disclosed value out of the total 47 announced. Value of disclosed deals fell by almost 73%, from US\$ 42.2 billion in Q1 2008 to US\$ 11.5 billion in the first quarter of this year. Domestic deals saw a fall of 79% in terms of value, from US\$ 8.8 billion to US\$ 1.9 billion in Q1 2008 and Q1 2009 respectively. Value of outbound deals also dropped 78%, from US\$ 30 billion to US\$ 9.7 billion during the same periods.

Energy, oil and gas was the top sector for regional M&As in the first quarter of this year, with six deals while Financial Services and Banking had five deals and Telecom had four. Going forward, E&Y believes that M&A activity in the next several quarters will be dependent on the availability of liquidity in the marketplace and the willingness of sellers to accept realistic valuations. However, if liquidity continues to remain tight, we could expect to see mergers especially as declining revenues and margins would force competitors to consolidate in order to reduce costs and continue operating profitably.

Mergers and Acquisitions in the MENA region

	Q1 2009	Q1 2008	Variation Q109/Q108
Outbound deals	11	48	-77.1%
Inbound deals	5	20	-75.0%
Domestic deals	31	72	-56.9%
Total deals	47	140	-66.4%
Average deal size (US\$ million)	116	215	-46.0%

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

UAE pulls out of GCC Monetary Union

The United Arab Emirates announced last week that it has decided not to join the planned GCC monetary union, as per the country's Foreign Ministry official. The UAE has officially notified the GCC secretariat of its decision to pull out of the planned Gulf monetary bloc, the official added. UAE Central Bank Governor said the country's monetary policy will not change and will maintain its method of openness, adding that the UAE dirham will remain pegged to the US dollar.

In 2001, the GCC had agreed to form a EU-style monetary union. Oman had pulled out in 2007. However, Saudi Arabia, Kuwait, Qatar and Bahrain are still part of the project and hope to have a common currency in place by 2010. All GCC currencies are pegged to the dollar except the Kuwaiti dinar, which is linked to a basket of currencies. Saudi Arabia, the UAE, Kuwait, Qatar and Bahrain, have tried for almost a decade to negotiate a single currency that some policymakers hoped would eventually be freely floated globally.

However, a project that would have enabled the world's biggest oil-exporting region to act as a single economic force in the world is now weakened without the Gulf's second-largest economy, as per several officials and analysts in the region. Some even argued that probably the monetary union will not go ahead and if it surprisingly does, it will not be worth much. Still, Gulf officials said the four other states were still committed to the project, although they also acknowledged that the project had been weakened considerably. One official, requesting anonymity said that the monetary union will be weakened but it is also a loss for the UAE because it is losing a competitive advantage of being part of a bloc.

S&P forecasts a real GDP contraction of 1.0% in Kuwait in 2009

Standard & Poor's Ratings Services announced last week that it had affirmed its sovereign credit ratings on the State of Kuwait at 'AA/A 1+'. The outlook is stable.

Such ratings are supported by Kuwait's resource endowment which, combined with prudent policies, has enabled Kuwait to build very strong external and fiscal balance sheet positions in recent years. These strengths comfortably balance some short-term risks linked to the decline in oil prices, oil production cuts and lower non-oil real GDP growth, and increased contingent liabilities from the financial system.

Net external assets, primarily the accumulation of oil revenues held externally through Kuwait's sovereign wealth fund, are projected to reach 425% of current account receipts in 2009, underscoring robust external balances. On the fiscal side, the government's net asset position is similarly robust, projected at about 250% of GDP by year-end 2009.

Despite the decline in oil prices, the general government budget in Kuwait should again record a surplus of about 12.3% of GDP in fiscal 2009-2010, down from an estimated 17.9% in 2008-2009. Moreover, the government debt burden is light, and paper is issued mainly for monetary policy purposes. With the impact of the cut due to OPEC quotas and slowdown of non-oil growth, overall GDP growth is forecast to turn to negative 1.0% in 2009, before recovering at about 2.3% in 2010, as per S&P.

The agency adds that regional geopolitical risks remain high and weigh on the ratings. These risks are, however, partially mitigated by good international alliances, relative domestic social stability, and government assets. Significantly reduced geopolitical risk would be important in raising the rating in the future. Conversely, a sustained worsening of political risks, or a significant erosion of the government's asset position, could put Kuwait's creditworthiness under pressure.

Week
21
May 16 - May 22
2009

► SURVEYS

Shuaa Capital places Saudi Arabia on top of the list for institutional investors in the region

Shuaa capital released last week its first report on GCC investor confidence index, which placed Saudi Arabia on top of the list for institutional investors. The first round of the report, based on a survey of 111 institutional investors between April 1 and 9, showed that 33% gave Saudi a positive rating, followed by 23% for Qatar and 14% for GCC countries overall.

For the UAE, 7.2% were positive and 56% were negative. The rest of investors were neutral. Kuwait came in much lower on the scale. Only 2.7 percent of investors said they felt positive about the economic outlook there.

The first survey also found that the UAE and Kuwait tied for most negative economic outlook in the next six months. Over 22% of investors said they expected economic conditions to decline in these countries in the coming months. It should be noted, however, that over 34% said conditions would improve in the UAE; the number was 25.2% for Kuwait, still higher than the percentage of those who saw economic conditions as worsening.

Moreover, investors have better expectations for GCC countries than they do for global emerging markets or for the so-called BRIC emerging markets. More people give positive ratings to GCC countries than emerging markets overall on economic expectations, expected stock-market performance in the next six months and as a destination for new investment. Some 64.9% said oil prices would rise in the next six months and 49.5% said value of US dollar would fall.

UAE sees the highest decline in consumer confidence among Arab countries

Consumer confidence in the United Arab Emirates slumped in the six months to April with residents worried about job security fearing the oil exporter faces recession for longer than a year, according to the survey conducted by market research firm Nielson between March 19 and April 2 showed.

The UAE, where the emirate of Dubai is suffering from a real estate crash, was second only to Russia in the drop in consumer confidence. The survey of 26,202 respondents in 52 countries ranked the UAE, the second-largest Arab economy, in 10th place overall for consumer confidence. As a matter of fact, the UAE remained the Arab country with the highest consumer confidence level, and the only Arab country to make the top ten list in the survey, despite the fact that it has witnessed the highest decline in consumer confidence in the Arab region and the second highest plummet globally.

Its ranking fell seven places from the prior survey as economic conditions worsened. In other words, in the previous survey, which covered the second half of 2008, the UAE ranked third globally in terms of consumer confidence.

According to Nielson, the consumers in the UAE are feeling the heat and the uncertainty in the environment, but they are much better off than other markets. The last few months have seen a turn in emerging markets. Everyone is envisaging a contraction in 2009 and the message is getting to consumers. They feel the UAE is in a recession.

Nielson said 78% of respondents said they thought the UAE economy was in recession, up from only 40% in the last survey. Only one-third of respondents thought the UAE could emerge from recession in the next 12 months.

Out of a possible 200 points, the UAE scored 89 on the consumer confidence index in the first half of 2009, down from 110 points in the second half of 2008 but still well above the global average of 77 points. This 21 points semi-annual decline is equal to the decrease in Brazil's score, and is the second highest drop, following the 29 points nosedive in Russia's score. It is worth noting that in the previous survey covering the second half of 2008, the UAE's consumer confidence index decreased by a single point, indicating that consumers in the UAE have recently begun to feel the heat of the recession resulting from the global financial crisis. Other Arab countries which registered weak levels of consumer confidence, as per Nielson were Saudi Arabia, which scored 79 and Egypt with a score of 74.

The International Monetary Fund joined regional economists and policymakers in forecasting a contraction in the UAE economy this year, following an economic boom that helped the UAE economy surge about 50 percent in real terms from 2004 to 2008. Economic growth prospects across the Gulf region have dimmed since the global financial crisis spread into the region late last year and oil prices collapsed, forcing OPEC members including the UAE to slash oil output.

Consumer demand has also taken a beating in Dubai after thousands of people lost their jobs amid a real estate slump that saw residential property prices fall by about half since a peak last year with dozens of new projects cancelled. Half of the survey respondents in the UAE said they were concerned about future job security, up from 17% in the previous survey, Nielson said. The survey said more people were putting spare cash into savings and settling loans rather than spending. Retailers in Dubai, home to one mall trumpeted as the world's largest and another that boasts a ski slope, have said sales have fallen.

► CORPORATE NEWS

Fitch Ratings sees positive profits in 2009 for Saudi banks

Fitch Ratings issued its annual review and outlook on banks in Saudi Arabia, in which it sees that the Saudi banking sector has strong fundamentals and government support which should ensure they remain profitable. The report covered 11 Saudi banks, namely the National Commercial Bank (NCB), Al Rajhi Banking and Investment Corp, Riyadh Bank, Samba Financial Group (SAMBA), Saudi Fransi (Fransi), Arab National Bank (ANB), Saudi British Bank (SABB), Saudi Investment Bank (SIB), Saudi Hollandi Bank (SHB), Bank Aljazira (Aljazira), and Bank Albilad (Albilad), which altogether account for the vast majority of the Saudi banking sector's total assets.

Although the banks' performance weakened in the second half of 2008, particularly in the fourth quarter of the year within the context of a difficult international and domestic operating environment that led to lower oil prices and asset valuations, all Saudi banks managed to be profitable in 2008 as a whole. Performance ratios for 2008 compared well regionally and internationally with an average operating ROAE of 17.3%, compared to 22.4% in 2007 and an average operating ROAA of 2.1%, against 3.1% in 2007.

All Saudi banks were profitable in the first quarter of 2009 and showed a significant improvement on fourth quarter of 2008 results. Al Rajhi Bank was the strongest performer with a year-on-year increase of 8% in net profits. Some banks registered a yearly drop in first quarter net profits, such as Riyadh Bank (Riyad), Bank Albilad (Albilad) and the National Commercial Bank (NCB), whose net profits decreased by 56% (for Riyad and Albilad) and by 44% (for NCB), but this was mainly due to high impairment charges on loans and investments.

Fitch Ratings expects all banks in Saudi Arabia to continue to be profitable in 2009. Revenue growth from core businesses, which might shrink on lower anticipated volumes, should nevertheless remain healthy as demand for credit should resume fuelled by government related projects. Further, strong demand for credit, particularly in the corporate sector should continue to boost banks' core operating revenue.

This would offset anticipated lower business volumes, lower asset valuations and additional loan and financial assets impairment charges expected to put pressure on their bot-

tom line.

Fitch also expects profitability ratios to decrease over the year, but these should still compare well internationally for most banks. Banks will also be reliant on repricing their lending to compensate lower business volumes.

The report however added that Saudi Arabia's banks generally have more diversified loan portfolios than other GCC countries, which mitigates risk. Further, strong coverage ratios averaging 169% at year-end 2008 provide an additional buffer for asset quality deterioration, according to Fitch Ratings.

All banks under coverage were given investment grade ratings with a "Stable" outlook, except for Bank Albilad which is not rated. Four banks were assigned long-term "A+" ratings, namely NCB, Al Rajhi Banking and Investment Corp, Riyadh Bank, and Samba Financial Group, while Banque Saudi Fransi, ANB, and Saudi British Bank were given "A" ratings. Three banks were assigned "A-" ratings, namely Saudi Investment Bank, Saudi Hollandi Bank, and Bank Al Jazira.

Qatar Airways to invest US\$ one billion in Doha International Airport infrastructure expansion

Qatar Airways plans to invest US\$ one billion in infrastructure expansion at the Doha International Airport, by adding six new routes to its network over the next 10 months, namely Goa and Amritsar in India, Sydney and Melbourne in Australia, in addition to two European cities. This expansion aims at coping with increase in passenger traffic. The expansion plan also includes the airline's premium terminal for its first and business class passengers, according to Qatar Airways' CEO.

Furthermore, a new transit facility is soon due to open at the existing airport for passengers with flight connections in less than an hour, which would further increase Doha's competitiveness as a worldwide hub, according to the same source.

Established in 1994, Qatar Airways currently flies to over 80 destinations with 60 aircrafts. The airline has undergone a considerable expansion period, with an average of 35% passenger growth year-on-year for the past decade, becoming one of six airlines worldwide to have been awarded a 5-star rating by Skytrax, an aviation industry monitor.

Week
21
May 16 - May 22
2009

► CAPITAL MARKETS

Arabian markets up by 1.5% week-on-week

Arab equity markets moved up by 1.5% this week, as per MSCI Arabian Markets Index, on the back of an oil rally after data released by the US Department of Energy showing a fall in oil inventories; in addition, the Arab stock markets tracked a world markets rally, as reflected by a 2.6% increase in the MSCI All Countries World Index. Overall, sentiment remained positive in the Arabian markets this week, yet some profit taking was observed.

In Oman, the stock market was up by 3.7% this week, led by banks, after the bourse announced last week that it will switch to free-float methodology to calculate its benchmark index starting July 1. This will reduce the weightage of current heavyweights Omantel and Bank Muscat, and make the market index more representative of the broad sentiment. The sector weightage is expected to tilt towards banking & investment once the bourse starts adopting the new methodology.

In Kuwait, the Kuwait Stock Exchange went up by 3.2% week-on-week. In fact, short-term traders were fairly active this week hoping to ride any momentum gains on the back of the election of the new parliament and the reappointment of the country's Prime Minister. Bellwether Zain was among the top performers this week, after it said it has agreed to a share swapping deal with paltel giving it a 56.53% stake in the operator. In exchange for the majority stake, Paltel will own 100% of Zain Jordan. On the other hand, It is worth mentioning that the market authority suspended this week shares of 26 companies until they disclose their 2009 first-quarter financial results.

In Qatar, the Doha Stock Market went up by 3.1% this week, led by industrials and banks. Doha Bank was among

the top performers. Bellwether Industries Qatar's share price climbed week-on-week, after the company announced that the ministry of economy and finance has approved its compensation claim of QAR 200 million. Investors continued to hold positions as the market is seen higher. Investors find many Doha-listed shares attractively valued in the region, and the market is expected to catch up with its peers. As the Qatari story obtains more traction from its impressive economic growth figures, the DSM will be bound for further upside in the medium term, especially given its depressed valuation compared to its own historical levels, according to Shuaa Capital. This belief is reinforced by the DSM's sound fundamentals and relatively attractive valuation. The DSM has surged about 36.9% since March 9, when the government first revealed its plans for supporting the local financial sector.

Elsewhere in the Gulf, the equity markets in the UAE went up by 3.0% week-on-week, led by property and energy shares. Investors tracked a world markets rally amid signs of improving global economic conditions and oil steady above US\$ 57; another factor contributed to improving investor sentiment is the increased confidence in the state of the local economy. Among top risers this week was the Heavyweight Emirates National Bank of Dubai, which led the recovery on low volumes. In addition, Aldar properties saw a rise in its share price after it announced that it will guarantee a 5-year US\$ 1.25 billion potential bond through a special purpose vehicle listed on the London Stock Exchange. Moreover, Dana Gas was among the top performers this week. In fact, the announcement of a US\$ 8 billion consortium between Dana, Crescent Petroleum, Austria's OMV, and Hungary's MOL to raise Kurdistan-related gas output was a major positive catalyst, according to Shuaa Capital. If this investment goes through in its current

CAPITAL 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	114.0	0.7%	0.4%	8.7	-50.3%	0.6	9,316.9	4.8%	10.7	1.35
Jordan	168.8	4.2%	3.9%	462.8	10.9%	155.3	36,420.1	66.1%	14.3	2.15
Egypt	696.1	2.6%	17.7%	1,382.4	-21.2%	909.4	68,476.2	105.0%	8.2	1.70
Saudi Arabia	366.6	0.1%	25.8%	11,544.2	-11.3%	1,807.2	308,899.5	194.3%	13.4	2.00
Qatar	582.1	3.1%	-4.4%	732.6	-37.9%	102.0	76,370.2	49.9%	10.1	2.11
UAE	194.0	3.0%	12.9%	997.6	-23.7%	2,449.3	121,492.4	42.7%	7.8	1.06
Oman	730.0	3.7%	4.2%	160.0	-10.5%	237.5	15,262.4	54.5%	9.4	1.79
Bahrain	445.9	-3.1%	-13.7%	11.9	-7.9%	19.6	18,183.1	3.4%	8.2	1.24
Kuwait	565.0	3.2%	-8.9%	1,756.7	-28.8%	3,569.2	98,436.4	92.8%	11.8	1.48
Morocco	471.0	3.1%	3.8%	63.2	-13.6%	2.3	65,398.6	5.0%	18.0	3.75
Tunisia	1,070.0	0.2%	17.0%	-	-	3.9	6,962.5	-	-	-
Arabian Markets	449.2	1.5%	11.9%	17,119.9	-16.2%	9,252.2	818,255.7	108.8%	11.0	1.71

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

form, it could provide a substantial upside to Dana's earnings, and likely, as a ripple-effect, to Dana's share price. Within this context, Al Mal Capital raises Dana Gas to outperform from market perform rating. On the other hand, it is worth mentioning that the UAE's withdrawal from the proposed GCC monetary union this week had so far little impact on investor sentiment. This move could put a lid on things in the short-term but it shouldn't prompt anyone to leave the markets altogether. In general, the UAE stock markets are expected to trade sideways during the traditionally slower summer months and Ramadan period. Key external catalysts for the UAE markets include a continued rally in oil prices, global credit market stabilization, trade volumes and foreign investment flows.

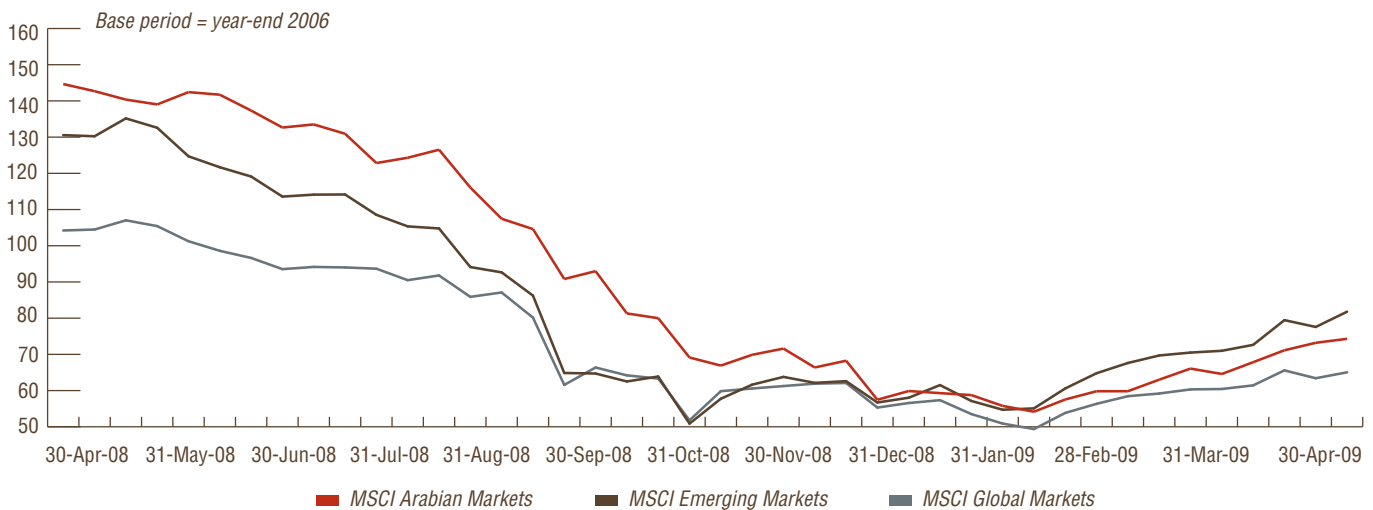
In Saudi Arabia, the Gulf's largest market, Saudi shares barely moved up by 0.1% this week on valuation concerns after recent gains on better-than-expected first quarter

results. Trading at 2009 P/E of 13.4 times and P/B of 2.5 times, valuations for Saudi banks have become expensive in a regional context. However, better-than-expected oil prices and stable world markets continued to boost investor confidence. The Tadawul is now back to levels not seen since early November last year. The increased infrastructure spending and greater breadth of industry types on the market is attracting regional investors as well as international investors via the approved swap structure.

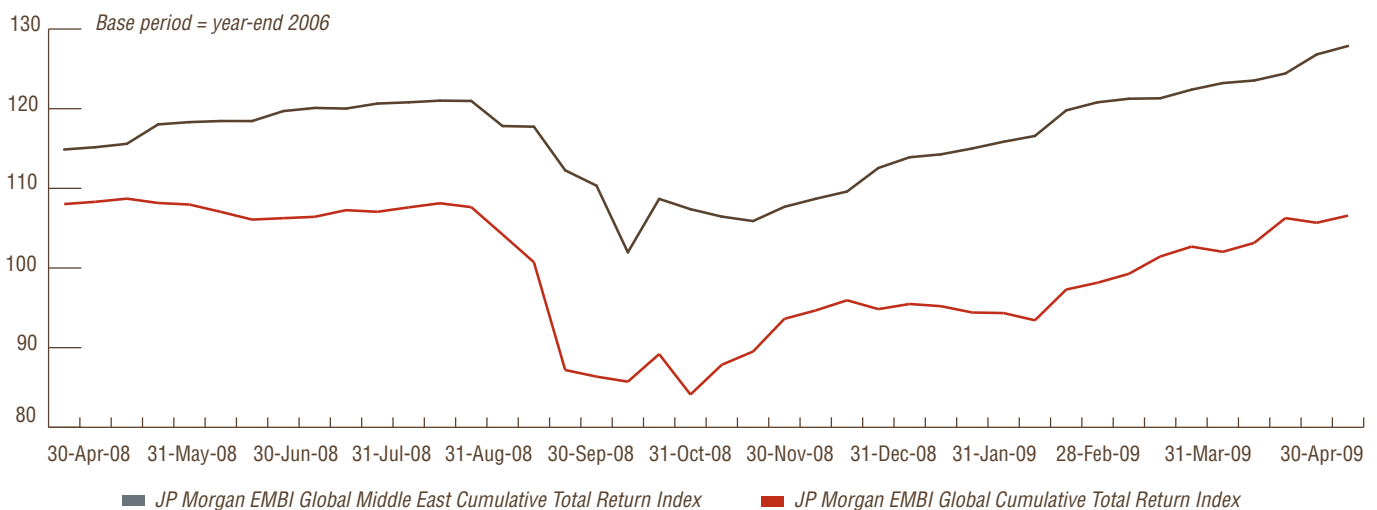
Finally, as we get into the summer months, a slowdown in activity shall govern the Arabian markets, and retail investors will be leaning toward booking recent gains. However, In general, stable oil prices and signs of improvement in the global economy will continue to boost investor confidence.

Week
21
May 16 - May 22
2009

Equity Markets Performance: Arab Markets v/s Benchmarks



Fixed Income Markets Performance: Arab Markets v/s Benchmarks



SOVEREIGN RATINGS

	Standard & Poor's	Moody's	Fitch	EIU
LEVANT				
Lebanon	B-/Stable/C	B2/Stable	B-/Stable/B	CCC/Stable
Syria	NR	NR	NR	CCC/Stable
Jordan	BB/Stable/B	Ba2/Stable	NR	CCC/Stable
Egypt	BB+/Stable/B	Ba1/Negative	BB+/Stable/B	BB/Stable
Iraq	NR	NR	NR	CC/Stable
GULF				
Saudi Arabia	AA-/Stable/A-1+	A1/Positive	AA-/Stable/F1+	BBB/Stable
UAE	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+	BBB/Stable
Qatar	AA-/Stable/A-1+	Aa2/Stable	NR	A/Stable
Kuwait	AA-/Stable/A-1+	Aa2/RUR-	AA/Stable/F1+	A/Stable
Bahrain	A/Stable/A-1	A2/Negative	A/Stable/F1	BBB/Stable
Oman	A/Stable/A-1	A2/Stable	NR	A/Stable
Yemen	NR	NR	NR	CCC/Stable
NORTH AFRICA				
Algeria	NR	NR	NR	BBB/Stable
Morocco	BB+/Stable/B	Ba1/Stable	BBB-/Stable/F3	BB/Negative
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

	22-May-09	15-May-09	Dec-08	Weekly Change	Year-to-date
US Prime Rate	3.25%	3.25%	3.25%	0.00%	0.00%
3-M Libor	0.66%	0.83%	1.43%	-0.17%	-0.77%
US Discount Rate	0.50%	0.50%	0.50%	0.00%	0.00%
US 10-year bond	3.45%	3.13%	2.22%	0.32%	1.23%

FX RATES (per US\$)

	22-May-09	15-May-09	Dec-08	Weekly Change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,499.00	1,500.00	1,507.50	-0.1%	-0.6%
Syrian Pound (SYP)	47.40	47.55	46.45	-0.3%	2.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.1%
Egyptian Pound (EGP)	5.63	5.62	5.49	0.2%	2.6%
Iraqi Dinar (IQD)	1,155.00	1,155.05	1,155.00	0.0%	0.0%
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%	-0.1%
Qatari Riyal (QAR)	3.64	3.63	3.64	0.1%	-0.1%
Kuwaiti Dinar (KWD)	0.29	0.29	0.28	-0.4%	4.4%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.1%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	0.1%	0.0%
Yemeni Riyal (YER)	199.75	199.70	199.55	0.0%	0.1%
NORTH AFRICA					
Algerian Dinar (DZD)	71.72	71.15	69.44	0.8%	3.3%
Moroccan Dirham (MAD)	8.01	8.26	8.01	-3.0%	0.0%
Tunisian Dinar (TND)	1.35	1.38	1.31	-2.3%	3.1%
Libyan Dinar (LYD)	1.26	1.27	1.24	-0.1%	1.7%
Sudanese Pound (SDG)	2.36	2.36	2.20	0.2%	7.5%

COMMODITIES (in US\$)

	22-May-09	15-May-09	Dec-08	Weekly Change	Year-to-date
Crude oil barrel (Brent)	59.4	55.0	39.8	8.1%	49.1%
Gold ounce	956.4	930.7	878.2	2.8%	8.9%
Silver ounce	14.6	13.9	11.3	5.0%	29.5%
Platinum ounce	1,152.5	1,100.5	924.5	4.7%	24.7%

CONTACTS

Treasury and Capital Markets

Nabil Chaya (961-1) 977422 nabil.chaya@banqueaudi.com
Emile Shalala (961-1) 977622 emile.shalala@banqueaudi.com

Private Banking

Toufic Aouad (961-1) 329328 toufic.aouad@audisaradarpb.com

Corporate Banking

Khalil Debs (961-1) 977229 khalil.debs@asib.com

Group Research Department

Marwan Barakat (961-1) 977409 marwan.barakat@banqueaudi.com
Zeina Abla (961-1) 977407 zeina.abla@banqueaudi.com
Jamil Naayem (961-1) 977406 jamil.naayem@banqueaudi.com
Salma Saad Baba (961-1) 977346 salma.baba@banqueaudi.com
Rita Daher (961-1) 977575 rita.daher@banqueaudi.com
Rana Helou (961-1) 964763 rana.helou@banqueaudi.com
Lea Korkmaz (961-1) 964904 lea.korkmaz@banqueaudi.com
Fadi Kanso (961-1) 977470 fadi.kanso@banqueaudi.com