

► ECONOMY

p.2 ► **World Bank forecasts respective drops of 5.0% and 13.3% in MENA remittances and FDI inflows in 2009**

A recent study released by the World Bank indicated that the forecasted decline in real GDP growth in the MENA region as a result of the global financial crisis is due to the decrease in oil prices and oil production, the fall in the inflow of remittances, FDI, and tourism revenues.

Also in this issue:

- p.2 ► Ernst & Young sees the Middle East financial services industry returning to growth prior to the global industry
- p.3 ► Slight recovery in business confidence in the GCC on account of rising oil prices
- p.3 ► Jordan's trade deficit falls due to dwindling demand and the oil price decline
- p.3 ► Oman's growth likely to be hit by the crisis

► SURVEYS

p.4 ► **UAE ranks first in the MENA region in terms of total insurance premiums in 2009**

Leading global reinsurer Swiss Re lately issued its "World Insurance in 2008" annual report covering the insurance sector across 147 countries in the world, in which it ranked the UAE 45th globally and first in the MENA region in terms of total insurance premiums 2008.

► CORPORATE NEWS

p.5 ► **UBS Saudi Arabia receives commencement letter from the Capital Market Authority of the Kingdom of Saudi Arabia**

UBS Saudi Arabia received approval from the Capital Market Authority (CMA) to commence securities business activities in the Kingdom of Saudi Arabia, enabling the firm to expand its presence in the Middle East.

Also in this issue:

- p.5 ► Orbit and Showtime Arabia merge Pay-TV Operations
- p.5 ► Samsung Engineering wins US\$ 2.6 billion oil refinery modernization contract in Algeria
- p.5 ► Egypt's Arab Contractors wins US\$ 1.1 billion Kuwait hospital deal

► MARKETS IN BRIEF

p.6 ► **Arabian markets up by 4.9% on world markets rally and favorable earnings expectations**

The Arabian equity markets traded 4.9% higher this week, as per Morgan Stanley Capital International Arabian Markets Index, on the back of a world markets rally (+6.6%), oil climbing back above US\$ 60 per barrel, and favorable second quarter earnings expectations. In Kuwait, the Kuwait Stock Exchange was the best performer this week, closing 6.2% higher. Agility's share price rose by 7.2%, and Zain jumped by 17.6%. The UAE markets were among top performers this week, trading 6.1% higher relative to the previous week. Real estate stocks led the markets higher, supported by buoyant world markets. Likewise, in Qatar, the Doha Securities Market moved up by 6.1% week-on-week, led by industrials and banks. There was a strong institutional interest in the market on earnings expectations and on bets that the government will support the economy. In Saudi Arabia, the Tadawul moved up by 5.4% week-on-week, led by banks and petrochemicals. Outside the Gulf, the Egyptian Stock Exchange was up by 4.6% this week, boosted by a regional and world markets rally. Telecom Egypt rose by 5.8% week-on-week.

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>

Week
29
Jul 11 - Jul 17
2009

► ECONOMY

World Bank forecasts respective drops of 5.0% and 13.3% in MENA remittances and FDI inflows in 2009

A recent study released by the World Bank indicated that the forecasted decline in real GDP growth in the Middle East and North Africa (MENA) region as a result of the global financial crisis is due to the decrease in oil prices and oil production, as well as the fall in the inflow of remittances, FDI, and tourism revenues. Indeed, the World Bank forecasted that in 2009, remittances into the MENA region are likely to decline by 5.0%, net FDI would probably fall by 13.3%, while tourism revenues would most likely decline by 5.8%.

Remittances, FDI, and Tourism Revenues in the MENA region (US\$ billion)

	Remittances	Net FDI inflows	Tourism Revenues
2006	25.7	25.0	20.3
2007	31.3	24.2	23.6
2008	33.7	22.5	25.9
2009f	32.0	19.5	24.4
2010f	29.3	20.6	24.9
2011f	34.0	22.5	25.8

Sources: World Bank, United Nations, IMF, Bank Audi's Research Department

GDP among the developing countries of the MENA region registered a strong 6% gain during 2008, on the back of surging oil revenues during the year's first half, continued robust non-oil export performance for the diversified economies, and favorable flows of remittances, tourism receipts and FDI. These conditions were not to persist however, and the onset of the financial crisis in the United States during September 2008 began to exact a toll on regional growth into year-end 2008 and 2009.

GDP is anticipated to almost halve to 3.1% during 2009 as the real-side effects of the crisis take firmer hold, and a return to average growth for the region (near 4.5%) is not expected before 2011. In the interim, those elements which supported growth over the last five years are anticipated to unwind: oil prices are projected to rise only modestly, averaging US\$ 66 in 2011; the European export market will remain flaccid; and slowing of services receipts and remittances will exact a toll on growth for both developing oil exporters and the more diversified economies of the region.

Initially, the developing countries of the MENA region were less directly affected by the financial crisis than those of many other developing regions. The biggest direct effect from the crisis was the acceleration in the decline of oil prices. That decline of about 65% from near US\$ 150 per barrel to near US\$ 60 per barrel at present has radically reduced government revenues among developing-country oil exporters, and especially for the high-income GCC exporters.

These economies include Bahrain, Kuwait, Oman, Qatar,

Saudi Arabia and the United Arab Emirates. Over recent years, these countries have become a key source of investment financing (through FDI and other flows) as well as remittances for the diversified developing economies of the region. The dampening of these income and investment flows is an important element contributing to the slow-down in regional growth. For the GCC in aggregate, oil and gas revenues dropped from US\$ 670 billion in 2008 to an estimated US\$ 280 billion during 2009, a massive decline equivalent to 38% of the group's GDP. Revenues for the developing oil exporters of the region, including Algeria, the Islamic Republic of Iran, Iraq, the Syrian Arab Republic, and the Republic of Yemen declined from US\$ 320 billion to an estimated US\$ 140 billion, equivalent to 28% of GDP.

Such severe revenue declines, against continuation of expenditures at a fairly rapid pace, have caused fiscal balances in a number of oil exporters to go into deficit. As a result, the public sector's capacity to mitigate some of the adverse consequences of the crisis through targeted stimulus packages, and other measures, has been reduced.

Hydrocarbon exports in the MENA region (US\$ billion)

	Gulf Cooperation Council	Oil exporting developing countries
2006	404.6	191.4
2007	465.1	228.6
2008	666.8	317.7
2009	280	141.4

Sources: IEA, OPEC, national agencies, World Bank, Bank Audi's Research Department

Ernst & Young sees the Middle East financial services industry returning to growth prior to the global industry

The financial services industry in the Middle East had borne the brunt of the correction phase during the downturn which then cascaded to other key sectors, according to a recent study released by Ernst & Young. Now there are strong indications, especially in the Middle East, that the sector is poised to see a return to steady growth. Globally, however, Ernst & Young does not forecast a return to growth until the second half of 2010. The agency sees every possibility of the recovery phase in the region being a relatively protracted one, but nevertheless, market fundamentals point toward a steady climb. Though tempered with cautious optimism, there are signs of marked improvements in investor sentiments as well - a first step in the path of recovery. Given the multiplier effect that financial services have on the economy, this bodes well for the other key sectors in the region.

The industry in the Middle East was clearly taken aback by the ferocity and depth of the downturn. As per Ernst & Young, 72% of respondents were surprised at the severity and 70% were surprised by the speed of the financial crisis.

Only 30% had seen any improvement in their businesses over the last 12 months, compared to almost 50% that had not. What is clear is the business-changing impact that the recession is having on the structure of financial services companies, and the toll it is taking on their bottom lines. The majority of institutions, 70%, have permanently changed their risk management strategy as a result of the crisis, while 68% had implemented permanent differences to their regulatory framework and over half (54%) have changed their operating model. Such reactions are only natural, as almost six in ten financial institutions have seen their profitability decline and 56% have seen overall revenues decline in the same period.

E&Y adds that with the passage of both the time and the intensity of the downturn, organizations are better equipped to assess priorities, evaluate options, allocate resources and track performance metrics effectively. It is worth noting that 61% of respondents have had more opportunity to improve cost cutting in the last six months. Four in ten also plan to hive off their non-core or non-performing business, compared to five in ten in a similar survey earlier in the year.

Slight recovery in business confidence in the GCC on account of rising oil prices

Business confidence in the Gulf recovered slightly in the second quarter, HSBC said in a survey released this week, although one in three of those polled expect the slowdown to last at least two more years. Business sentiment in the six-state Gulf Cooperation Council rose to 79.4 points in the second quarter from 74.8 points in the first quarter as optimism about sales and profits improved, HSBC said.

The results of the second quarter survey may be described as cautiously optimistic, as per HSBC. The uptick recovered some ground lost in late 2008 when sentiment plunged in the wake of the credit crisis. Sentiment was strongest in Saudi Arabia, the world's largest oil exporter, and the weakest in the United Arab Emirates, the third-largest oil exporter, whose activities in real estate, finance and logistics have been hit by the global downturn. Things do not appear to be deteriorating, but it's a far cry from the boom time of 2007 and early 2008. Still, most believe the worst is over.

Jordan's trade deficit falls due to dwindling demand and the oil price decline

Jordan's trade deficit narrowed 32% to US\$ 2.65 billion in the first five months of 2009 against the same period last year due to a lower oil bill and a slump in demand, the Department of Statistics said this week. A slump in oil prices along with drop in consumption as a result of the global downturn helped lower the value of imports from January to May 2009 by 22% to US\$ 5.39 billion against US\$ 6.92 billion in the same period last year.

Jordan, which imports most of its energy from Saudi Arabia, saw its crude oil import bill in the first five months of the year fall by 64.7% to US\$ 620.6 million against US\$ 1,759 million last year, the Department of Statistics said. The kingdom's total exports reached US\$ 2.747 billion in the first five months of 2009, posting a 6.6% drop from the same period last year. The country's main hard currency earners are garments and phosphates. The current account deficit has traditionally been covered by strong foreign direct investments and portfolio inflows, including remittances from tens of thousands of Jordanians living abroad, mainly in the Gulf Arab region. Jordan's economic growth rate contracted to 3.2% in the first quarter of the year against 4.1% in the same period last year because the global economic downturn has hit remittances and investments while domestic demand slumped.

Oman's growth likely to be hit by the crisis

The global recession and relatively lower oil prices coupled with weak worldwide demand for goods will significantly contribute to a decline in Oman's economic growth this year, according to the Central Bank of Oman (CBO). However, the real GDP growth is likely to remain in positive territory because of the sustained domestic demand, continued capital expenditure by the government and diversification programs in the non-petroleum sector, CBO said in its newly released annual report for 2008.

In 2008, the Omani economy continued its robust growth for the fifth consecutive year with GDP at current prices rising by 44% with both oil and non-oil sectors making significant contributions. The petroleum sector improved its share in GDP to 51.3% from an average of 46.3% in the previous four years.

Non-petroleum activities recorded a growth of 27.2%, against an average growth of 16.5% in the preceding four years. The manufacturing sector registered an impressive growth of 40.5% and its share in total GDP was maintained at a little over 10%. Value added in the services sector grew at a higher rate of 22.5% compared to an average growth of 14.4% in the previous four years.

The CBO report indicated that the oil and gas sector continued to play a dominant role in the economy of the country. It accounted for 51.3% of nominal GDP, 79.1% of the net fiscal revenue, 84.9% of exports of Omani origin and 76% of total merchandise exports (including re-exports) in 2008. Reversing a sustained declining trend seen since 2001, total crude oil production increased by 6.8% to 277 million barrels from 259.3 million barrels in 2007. Average Omani crude oil prices rose by 55% to US\$ 101.06 per barrel, compared to US\$ 65.2 per barrel.

► SURVEYS

The UAE ranks first in the MENA region in terms of total insurance premiums in 2009

Leading global reinsurer Swiss Re lately issued its "World Insurance in 2008" annual report covering the insurance sector across 147 countries in the world, in which it ranked the UAE 45th globally and first in the Middle East and North Africa (MENA) region in terms of total insurance premiums 2008.

Total insurance premiums in the UAE were at US\$ 5,016 million, up by a yearly 41%. Subsequent to the UAE, Iran ranked second in the region, as it came in the 47th place globally with US\$ 4,243 million in total insurance premiums, followed by Saudi Arabia (50th globally), with US\$ 3,070 million in total premiums, Morocco (53rd globally) with US\$ 2,538 million in total premiums, and Egypt (57th globally), with US\$ 1,389 million in total premiums.

In terms of total insurance premiums to GDP, also known as insurance penetration, Lebanon ranked first in the MENA region with a penetration rate of 3.4%, same as last year. Lebanon came in the 39th place globally in this category in 2008, rising by one notch since last year, while maintaining the lead in the MENA region for the fourth year in a row. Morocco came in second in the region with an insurance penetration rate of 2.9% (49th worldwide), followed by Jordan with 2.3% (56th worldwide), the UAE with 2.0% (60th worldwide), Bahrain with 2.0% (61st worldwide), and Tunisia with 2.0% as well (62nd worldwide). The MENA average insurance penetration ratio stood at 1.7%, but remained far from the world average of 7.1%, thus mirroring a strong potential for further expansion.

In terms of insurance density, defined as the total insurance premiums per capita, the UAE also ranked first in the MENA region with an insurance density of US\$ 1,114, rising by a yearly 37.3%. In this category, the UAE ranked 32nd worldwide. Regionally, Bahrain came in second with an insurance density of US\$ 588.7 (39th worldwide), followed by Oman with US\$ 218.2 (53rd worldwide), Kuwait with US\$ 313.0 (48th worldwide), and Lebanon with US\$ 212.6 (54th worldwide). The MENA average insurance density stood at US\$ 242 in 2008, up by a yearly 19.3%. However, this density remains far below the global density of US\$ 633.9.

The MENA insurance industry reached US\$ 21.3 billion in size, growing by a substantial 16.7% in nominal terms. The growth of the region's outpaced by far that of the world (3.4%), that of industrialized countries (0.2%), and it even proved higher than the progression of the emerging countries' insurance market, of 14.2%.

In the MENA region, life premiums accounted for 17.9% of total premiums in 2008 with US\$ 3,821 million, the non-life business, or general insurance market, continued to repre-

sent the bulk of insurance activity in the region, with 82.1%, or US\$ 17,518 million. Here, one should note that although the share of life premiums from total premiums in the MENA region remained more or less unchanged in 2008, there was widening of the span of the life insurance activity throughout 2008, as total life premiums witnessed a yearly growth of 26.4%.

Growth in the region 2008 was spurred by the aforementioned expansion of the life insurance segment, as well as a growth in the non-life insurance segment, with the latter increase, although at a lower 23.3%, having a more significant effect on total growth, as the non-life insurance segment accounts for a higher share of the total insurance sector. The yearly expansion of the life insurance segment in the MENA region compares to a slowdown in the world average growth of 2.0%, and a regression of 5.2% in the industrialized countries' average. As to the growth in region's non-life insurance market, it surpassed that of emerging countries of 10.2%, as well as similar world and industrialized countries benchmarks, with growth levels of 10.5% and 9.1%, respectively.

MENA Insurance Market Indicators (Year 2008)

Country	Total premiums (in US\$ million)	Insurance density (in US\$)	Insurance penetration (in %)
UAE	5,016	1114	2.0%
Tunisia	781	74.8	2.0%
Saudi Arabia	3,070	121.4	0.6%
Oman	578	218.2	1.1%
Morocco	2,538	80.3	2.9%
Lebanon	881	212.6	3.4%
Kuwait	914	313	0.6%
Jordan	452	73.8	2.3%
Iran	4,243	58.8	1.1%
Egypt	1,389	18.1	0.9%
Bahrain	451	588.7	2.0%
Algeria	1,031	30.0	0.6%
MENA	21,344	242	1.6%
World	4,269,737	633.9	7.1%

Sources: SwissRe, IMF, Bank Audi's Research Department

The MENA insurance sector growth was stimulated by the favorable economic conditions in the first three quarters of the year 2008 amidst the ongoing oil bonanza and the ensuing growing liquidity that spread across the whole region, and not only oil-rich countries. Nonetheless, the report cited a marked slowdown in the growth of the insurance industry in the region in 2008, and attributed this to the global crisis. Looking ahead in the medium and long term, Swiss Re forecasted that the region shall continue to witness strong growth in its life insurance activity, as the sector is underdeveloped and requires significant expansion. As to the development of non-life insurance activity in the region, Swiss Re indicated that the full impact of the crisis shall be felt in 2009 during which growth prospects shall be limited. Nonetheless, a resumption of growth is forecasted in the long-term.

► CORPORATE NEWS

UBS Saudi Arabia receives commencement letter from the Capital Market Authority of the Kingdom of Saudi Arabia

UBS Saudi Arabia received approval from the Capital Market Authority (CMA) to commence securities business activities in the Kingdom of Saudi Arabia, enabling the firm to expand its presence in the Middle East.

Riyadh-based UBS Saudi Arabia would provide the firm's comprehensive range of services to government, corporate and individual clients covering wealth management, investment banking, fixed income sales and execution, and institutional asset management.

Headquartered in Zurich and Basel, Switzerland, UBS is one of the world's leading financial firms offering wealth management, investment banking and asset management businesses. UBS is the market leader in retail and commercial banking in Switzerland. It has offices in over 50 countries and employs more than 75,000 people around the world.

Orbit and Showtime Arabia merge Pay-TV Operations

Showtime Arabia, a subsidiary of Kuwait Projects Co. (KIPCO), and the Orbit Group, a member of the Riyadh-based Mawarid Group, merged to form one of the MENA region's leading pay-TV platforms.

The merger brings together the two core network operations comprising programming, marketing, distribution, broadcast technology and subscriber management systems. The company would offer over 70 exclusive channels featuring a wide choice of exclusive first run movies, premium sports, and Arabic and international television entertainment.

Showtime Arabia is one of the region's leading Pay TV networks and has exclusive deals with the leading Hollywood studios including MGM, Paramount, Dreamworks, Sony Columbia, NBC Universal, Disney and local producers.

The Orbit Satellite Television and Radio Network is another leading digital pay television services provider, broadcasting in the Middle East and North Africa region, Europe, USA and Australia with plans to expand this service into other Asian countries and Canada.

Samsung Engineering wins US\$ 2.6 billion oil refinery modernization contract in Algeria

Samsung Engineering recently signed a US\$ 2.6 billion

three-year contract with Algerian state-owned Sonatrach to modernize an oil refinery in Skikda, Algeria.

The contract covers most of the refinery complex from the crude distillation unit to the aromatic facilities. Through its rehabilitation and modernization, Sonatrach would have its refining capacity increased up to 330,000 Barrels Per Stream Day. In addition, the contract includes new plants for the production of Isomerase (700,000 Metric Tons Per Annum), Para-Xylene (220,000 MTPA) and Benzene (200,000 MTPA).

Within a 36-month construction period in total, Samsung Engineering would perform engineering, procurement and construction services on a lump-sum turn key contract basis, with bulk materials and construction costs to be settled on a reimbursable contract basis.

Samsung Engineering is one of the largest Korean engineering company, specialized in engineering, procurement and construction of hydrocarbon, industrial, environmental and infrastructure plants and/or facilities on a turn-key basis in worldwide markets. With a total of 4,100 employees worldwide, Samsung Engineering has established presence in worldwide markets in the Middle East, Europe, Asia and the Americas.

Egypt's Arab Contractors wins US\$ 1.1 billion Kuwait hospital deal

Egypt's Arab Contractors has won a 304 million Kuwaiti dinar (US\$ 1.1 billion) contract to build a 1,200-bed hospital in Kuwait.

The 16-storey Jaber al-Ahmad al-Sabah hospital would be the largest in the Middle East and represents the biggest contract won by the company, according to company sources. Arab Contractors was the lowest bidder among eight groups bidding for the contract, and was awarded by Kuwait's Ministry of Public Works.

AC covers a wide spectrum of the construction industry and its ancillary services including: public buildings, bridges, roads, tunnels, airports, housing, water & sewage projects, wastewater treatment plants, power stations, dams, hospitals, sports buildings, restoration of monuments, irrigation, producing ready-mix concrete, shipbuilding, electro-mechanical projects, engineering consultancy, as well as manufacturing and assembly of steel structures.

Week
29
Jul 11 - Jul 17
2009

► CAPITAL MARKETS

Positive change of 4.9% in the Arabian equity markets

The Arabian equity markets traded 4.9% higher this week, as per Morgan Stanley Capital International Arabian Markets Index (MSCI Arabian Markets), on the back of a world markets rally (+6.6%), oil climbing back above US\$ 60 per barrel and favorable second quarter earnings expectations.

In Kuwait, the Kuwait Stock Exchange was the best performer this week, closing 6.2% higher. In details, Agility rose by 7.2% following news that it has been awarded US army contracts worth almost US\$ 6.5 billion with DynCorp International and CH2M Hill. Another factor contributed to boosting Agility's share price, namely when it said Australia's Lihir Gold Ltd. has awarded the company a freight services contract worth up to US\$ 21 million for its Lihir Gold Mine upgrade. In addition, Boubayan Bank gained 9.6% this week on news that a number of parties are interested in buying a stake in the lender, and that the Kuwaiti Central Bank has given Al Thamar International Holding Co. approval to bid for a 20% stake in the bank. Moreover, Zain jumped by 17.6% on news that French entertainment and telecom group Vivendi is in talks to buy a majority stake in its African activities. There was some buying interest in Zain, following this news, after a sharp 18% fall last week. The KSE reported a year-to-date change of +2.1%.

The UAE markets were among the best performers this week, trading 6.1% higher relative to the previous week. Real estate stocks led the markets higher, supported by buoyant world markets. It is worth highlighting that valuations were considered attractive for many stocks after sharp recent declines. Arabtec Holding surged by 3.6% and bellwether Emaar properties rose by 8.0%. Sorouh Real Estate

was up by 2.4%. Aldar Properties moved up by 3.9% week-on-week. On the other hand, Deyaar Development shares increased by 2.8% this week even though the company said its second quarter results fell by 69% on slower sales and project deliveries. The UAE markets reported a year-to-date increase of 17.4%.

Likewise, in Qatar, the Doha Securities Market moved up by 6.1% week-on-week, led by industrials and banks. There was a strong institutional interest in the market on earnings expectations and on bets that the government will support the economy. In fact, banking stocks were among the top risers on speculation that the Qatari Central Bank may help local banks that have an exposure to some distressed Saudi groups. Talks suggest that the Central Bank will take these loans off the banks' balance sheets. Qatar National Bank's share price went up by 0.9% this week on better-than-expected second quarter net profit. Commercial Bank of Qatar traded 4.4% higher. Qatar Islamic Bank rose by 9.6% after the lender posted a 16.3% increase in the second quarter net profit. Bellwether Industries Qatar jumped 13.0% week-on-week. The DSM accumulated a year-to-date decline of 7.6%.

In Saudi Arabia, the Tadawul, the Gulf's largest equity market, moved up by 5.4% week-on-week, led by banks and petrochemicals on the back of a world markets rally and crude oil trading above US\$ 60 per barrel. Banks were among the top risers on better-than-expected second quarter results. The heavyweight Samba Financial Group jumped 8.9% after declaring a 1.6% increase in its 2Q net profit, beating analysts' expectations. Al Rajhi Bank, the region's largest lender by market value, announced a 1.7% increase in its second quarter profit, beating most analysts' expectations. Bellwether Sabic rose by 12.5% this week, after saying

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	133.0	2.4%	17.2%	26.7	-1.2%	1.1	10,870.4	12.8%	11.0	1.39
Jordan	149.8	0.5%	-7.8%	161.8	14.1%	74.5	32,293.7	26.0%	12.9	1.91
Egypt	693.1	4.6%	17.1%	855.2	12.0%	513.7	71,847.0	61.9%	8.8	1.73
Saudi Arabia	348.9	5.4%	19.7%	5,571.0	5.3%	737.9	288,993.2	100.2%	12.9	1.92
Qatar	562.7	6.1%	-7.6%	513.0	50.0%	68.3	72,675.5	36.7%	9.8	1.99
UAE	201.7	6.1%	17.4%	789.9	27.8%	1,977.9	125,060.8	32.8%	8.1	1.09
Oman	741.3	1.8%	5.8%	78.5	-1.9%	87.9	15,393.3	26.5%	9.7	1.75
Bahrain	407.3	-0.9%	-21.2%	2.3	3.5%	4.5	16,775.4	0.7%	7.3	1.14
Kuwait	633.5	6.2%	2.1%	1,547.2	4.8%	1,899.4	104,535.5	77.0%	13.4	1.56
Morocco	456.5	-2.4%	0.7%	80.8	37.6%	2.6	66,259.0	6.3%	18.1	3.81
Tunisia	1,103.6	2.4%	17.9%	-	-	1.8	7,472.9	-	-	-
Arabian Markets	448.2	4.9%	11.7%	9,626.4	9.4%	5,367.8	804,703.9	62.2%	11.1	1.69

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

it has received official approval from China's National Development and Reform Commission to participate with China Petroleum and Chemical Corp. in a US\$ 3 billion industrial complex currently under construction in China's Tianjin city. The Tadawul registered the highest year-to-date increase in the region of 19.7%.

In Oman, the Muscat Securities Market closed 1.8% higher, led by banks and industrials. Bank Muscat traded 1.4% higher this week after announcing a 4.5% increase in its 2009 first-half net profit. The bank's first half results were positive as the lender has made provisions on its exposure to two large business groups in Saudi Arabia, the Al Gosaibi and the Saad Group. The Muscat Securities Market registered a year-to-date increase of 5.8%.

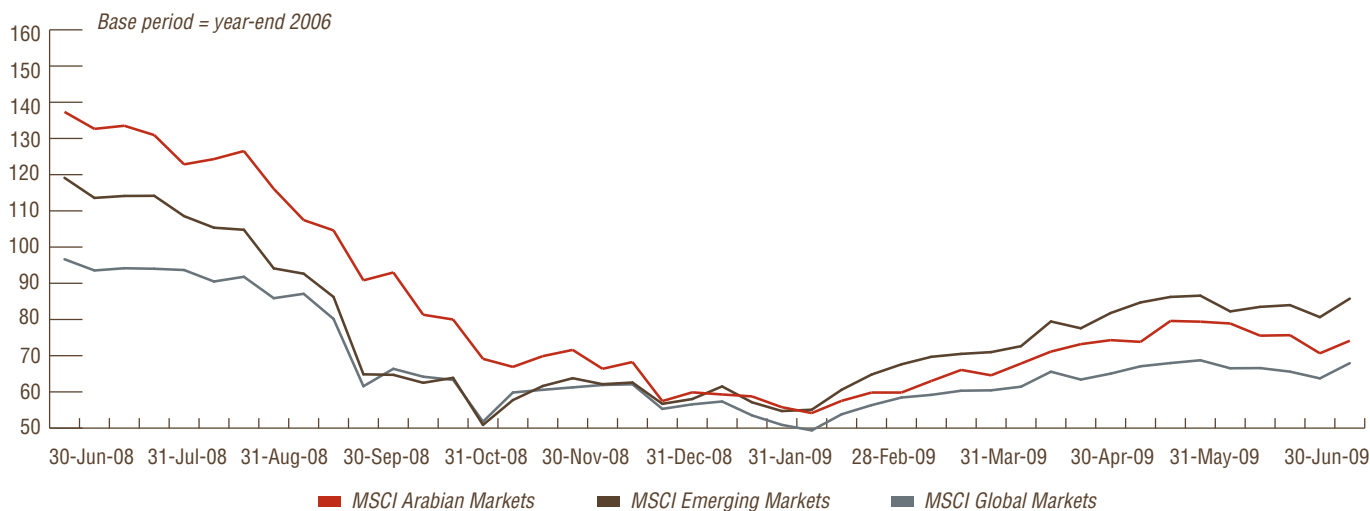
In Bahrain, the Bahrain Stock Exchange was down by 0.9% this week, undermined by banking stocks. The BSE registered a year-to-date drop of 21.2%.

Outside the Gulf, the Egyptian Stock Exchange was up by 4.6% this week, boosted by a regional and world markets rally. Telecom Egypt rose by 5.8% following news that the company plans to make acquisitions through the establishment of a holding company as its investment unit. The Egyptian Stock Exchange reported a year-to-date positive change of 17.1%.

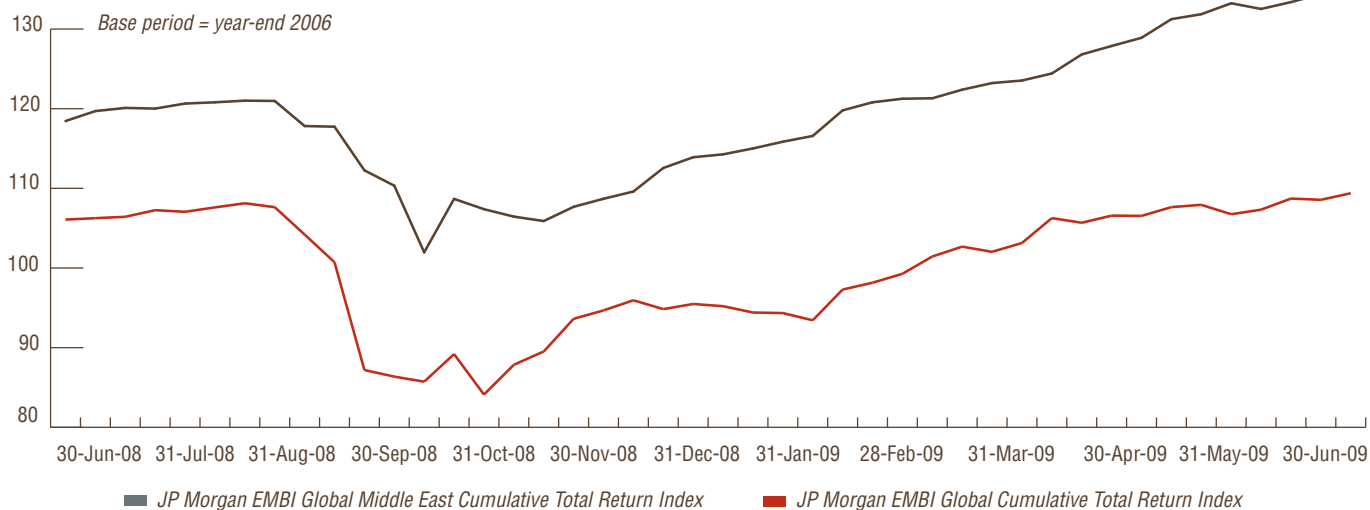
Most Arab equity markets traded higher this week on the back of a world markets rally and oil prices climbing above US\$ 60 per barrel. Moreover, investors considered valuations attractive for many stocks in the region after recent declines, which triggered demand and boosted prices. The hope is that earnings in the region will outperform expectations and spark a rally. The second quarter results shall determine the direction of the equity markets in the coming period and reduce the uncertainty.

Week
29
Jul 11 - Jul 17
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+	BB/Stable
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	A2/Stable	NR	A/Stable
Yemen	NR	NR	NR	CCC/Negative
NORTH AFRICA				
Algeria	NR	NR	NR	BBB/Stable
Morocco	BB+/Stable/B	Ba1/Stable	BBB-/Stable/F3	BB/Stable
Tunisia	BBB/Stable/A-3	Baa2/Stable	BBB/Stable/F2	BB/Stable
Libya	A-/Stable/A-2	NR	BBB+/Stable/F2	BB/Stable
Sudan	NR	NR	NR	C/Stable
NR = Not Rated				

INTERNATIONAL MARKET RATES	17-Jul-09	10-Jul-09	Dec-08	Weekly Change	Year-to-date
US Prime Rate	3.25%	3.25%	3.25%	0.00%	0.00%
3-M Libor	0.50%	0.51%	1.43%	0.00%	-0.92%
US Discount Rate	0.50%	0.50%	0.50%	0.00%	0.00%
US 10-year bond	3.66%	3.30%	2.22%	0.36%	1.43%

FX RATES (per US\$)	17-Jul-09	10-Jul-09	Dec-08	Weekly Change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,501.00	1,501.00	1,507.50	0.0%	-0.4%
Syrian Pound (SYP)	46.80	46.85	46.45	-0.1%	0.8%
Jordanian Dinar (JOD)	0.71	0.71	0.71	-0.1%	-0.1%
Egyptian Pound (EGP)	5.58	5.59	5.49	-0.1%	1.7%
Iraqi Dinar (IQD)	1,155.00	1,155.00	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%	0.0%
Qatari Riyal (QAR)	3.64	3.64	3.64	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.29	0.29	0.28	-0.1%	4.1%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	0.0%	0.0%
Yemeni Riyal (YER)	199.75	199.75	199.55	0.0%	0.1%
NORTH AFRICA					
Algerian Dinar (DZD)	71.55	72.88	69.44	-1.8%	3.0%
Moroccan Dirham (MAD)	7.98	8.04	8.01	-0.8%	-0.5%
Tunisian Dinar (TND)	1.33	1.34	1.31	-0.7%	1.8%
Libyan Dinar (LYD)	1.24	1.24	1.24	0.0%	-0.1%
Sudanese Pound (SDG)	2.39	2.40	2.20	-0.4%	8.8%

COMMODITIES (in US\$)	17-Jul-09	10-Jul-09	Dec-08	Weekly Change	Year-to-date
Crude oil barrel (Brent)	63.9	59.2	39.8	8.0%	60.4%
Gold ounce	936.7	912.2	878.2	2.7%	6.7%
Silver ounce	13.4	12.7	11.3	5.8%	18.5%
Platinum ounce	1,171.0	1,104.5	924.5	6.0%	26.7%

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 Kalso (961-1) 977470 fadi.kalso@banqueaudi.com