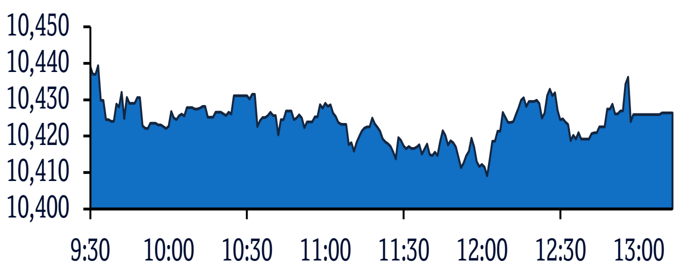
Daily Market Report

Sunday, 29 December 2019

QSE Intra-Day Movement



Qatar Commentary

The QE Index declined 0.2% to close at 10,426.4. Losses were led by the Insurance and Transportation indices, falling 1.1% and 0.8%, respectively. Top losers were Qatar Oman Investment Company and Alijarah Holding, falling 6.5% and 1.7%, respectively. Among the top gainers, The Commercial Bank gained 4.2%, while Dlala Brokerage & Investment Holding Company was up 1.8%.

GCC Commentary

Saudi Arabia: The TASI Index gained 0.1% to close at 8,353.1. Gains were led by the Consumer Durables & App. and Health Care Equip. & Svc indices, rising 2.7% and 1.4%, respectively. Alsorayai Group rose 9.9%, while Basic Chem. Ind. was up 7.2%.

Dubai: The DFM Index fell 0.3% to close at 2,764.9. The Consumer Staples and Dis. index declined 3.0%, while the Investment & Fin. Services index fell 1.0%. Union Properties declined 4.6%, while Aan Digital Services Holding Co. was down 4.0%.

Abu Dhabi: The ADX General Index fell 1.0% to close at 5,050.5. The Investment & Financial Services index declined 2.0%, while the Energy index fell 1.8%. United Arab Bank declined 9.4%, while Emirates Driving Company was down 8.9%.

Kuwait: The Kuwait All Share Index fell 0.3% to close at 6,244.2. The Oil & Gas index declined 1.8%, while the Consumer Goods index fell 1.3%. National Cleaning Company declined 11.0%, while Alrai Media Group Co. was down 8.8%.

Oman: The MSM 30 Index fell 0.2% to close at 3,866.4. Losses were led by the Industrial and Services indices, falling 1.5% and 0.4%, respectively. Al Madina Investment fell 10.0%, while Oman Cables Industry was down 9.9%.

Bahrain: The BHB Index gained 0.1% to close at 1,604.0. The Commercial Banks and Investment indices rose 0.1% each. Bahrain Commercial Facilities Company rose 1.3%, while Al Salam Bank - Bahrain was up 1.0%.

Market Indicators	26 Dec 19	25 Dec 19	%Chg.
Value Traded (QR mn)	116.2	70.7	64.3
Exch. Market Cap. (QR mn)	581,811.3	583,396.5	(0.3)
Volume (mn)	51.4	45.5	12.9
Number of Transactions	3,802	2,259	68.3
Companies Traded	45	44	2.3
Market Breadth	11:20	19:19	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	19,185.40	(0.2)	0.8	5.7	15.1
All Share Index	3,098.74	(0.2)	1.1	0.6	15.6
Banks	4,214.16	(0.0)	1.7	10.0	14.7
Industrials	2,927.51	(0.5)	(0.4)	(8.9)	20.1
Transportation	2,594.09	(0.8)	0.5	26.0	13.9
Real Estate	1,564.54	(0.3)	2.3	(28.5)	11.7
Insurance	2,739.80	(1.1)	0.9	(8.9)	15.7
Telecoms	908.41	0.0	1.1	(8.0)	15.5
Consumer	8,612.59	(0.3)	(0.0)	27.5	19.1
Al Rayan Islamic Index	3,943.03	(0.3)	(0.0)	1.5	16.4

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
The Commercial Bank	Qatar	4.69	4.2	1,572.2	19.1
Saudi Kayan Petrochem.	Saudi Arabia	10.96	2.4	10,070.7	(17.0)
Sahara Int. Petrochemical	Saudi Arabia	17.82	1.6	2,272.4	(10.7)
Banque Saudi Fransi	Saudi Arabia	37.25	1.5	214.6	18.6
Saudi Basic Ind. Corp.	Saudi Arabia	93.30	1.3	2,009.4	(19.7)

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
Yanbu National Petro. Co.	Saudi Arabia	55.50	(1.8)	2,381.7	(13.0)
Mabanee Co.	Kuwait	0.90	(1.8)	654.9	56.6
Bank Dhofar	Oman	0.11	(1.8)	119.9	(27.8)
Arab National Bank	Saudi Arabia	28.00	(1.6)	211.0	31.7
Qatar Insurance Co.	Qatar	3.16	(1.3)	466.6	(12.0)

Source: Bloomberg (# in Local Currency) (## GCC Top gainers/losers derived from the S&P GCC Composite Large Mid Cap Index)

QSE Top Gainers	Close*	1D%	Vol. '000	YTD%
The Commercial Bank	4.69	4.2	1,572.2	19.1
Dlala Brokerage & Inv. Holding Co.	0.64	1.8	1,626.0	(36.5)
Qatari Investors Group	1.82	1.7	725.6	(34.6)
Islamic Holding Group	1.94	1.6	146.2	(11.2)
Doha Bank	2.57	0.8	825.4	15.8

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Qatar Oman Investment Company	0.65	(6.5)	15,487.8	22.1
Qatar First Bank	0.84	(1.1)	4,651.4	(27.9)
Ezdan Holding Group	0.63	0.0	2,431.4	(51.5)
Aamal Company	0.81	0.4	2,193.0	(8.5)
Baladna	1.00	0.0	2,151.9	0.0

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Qatar Oman Investment Co.	0.65	(6.5)	15,487.8	22.1
Alijarah Holding	0.69	(1.7)	332.4	(21.2)
Doha Insurance Group	1.16	(1.7)	71.0	(11.4)
Qatar General Ins. & Reins. Co.	2.48	(1.6)	76.6	(44.7)
Qatar Insurance Company	3.16	(1.3)	466.6	(12.0)

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
QNB Group	20.60	(0.5)	12,990.9	5.6
Qatar Oman Investment Co.	0.65	(6.5)	10,171.3	22.1
Masraf Al Rayan	3.95	(0.5)	8,310.3	(5.2)
The Commercial Bank	4.69	4.2	7,178.7	19.1
Ooredoo	7.20	0.0	6,953.5	(4.0)

Source: Bloomberg (* in QR)

Regional Indices	Close	1D%	WTD%	MTD%	YTD%	Exch. Val. Traded ($ mn)	Exchange Mkt. Cap. ($ mn)	P/E**	P/B**	Dividend Yield
Qatar*	10,426.37	(0.2)	0.8	2.7	1.2	31.70	159,823.6	15.1	1.5	4.1
Dubai	2,764.88	(0.3)	(0.1)	3.2	9.3	36.46	102,245.8	11.0	1.0	4.2
Abu Dhabi	5,050.49	(1.0)	(0.8)	0.4	2.8	25.15	141,046.7	15.6	1.4	4.9
Saudi Arabia	8,353.14	0.1	0.7	6.3	6.7	929.80	2,409,945.8	18.8	1.6	3.6
Kuwait	6,244.16	(0.3)	0.8	5.3	22.9	64.82	116,964.4	15.4	1.5	3.4
Oman	3,866.41	(0.2)	(1.3)	(4.9)	(10.6)	8.45	16,782.6	7.3	0.7	7.7
Bahrain	1,604.00	0.1	1.3	5.0	19.9	3.63	25,101.3	13.0	1.0	4.9

Source: Bloomberg, Qatar Stock Exchange, Tadawul, Muscat Securities Market and Dubai Financial Market (** TTM; * Value traded ($ mn) do not include special trades, if any)

Qatar Market Commentary

- The QE Index declined 0.2% to close at 10,426.4. The Insurance and Transportation indices led the losses. The index fell on the back of selling pressure from non-Qatari shareholders despite buying support from Qatari and GCC shareholders.
- Qatar Oman Investment Company and Alijarah Holding were the top losers, falling 6.5% and 1.7%, respectively. Among the top gainers, The Commercial Bank gained 4.2%, while Dlala Brokerage & Investment Holding Company was up 1.8%.
- Volume of shares traded on Thursday rose by 12.9% to 51.4mn from 45.5mn on Wednesday. However, as compared to the 30-day moving average of 74.2mn, volume for the day was 30.7% lower. Qatar Oman Investment Company and Qatar First Bank were the most active stocks, contributing 30.1% and 9.0% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	38.72%	32.79%	6,886,985.00
Qatari Institutions	20.63%	17.70%	3,405,233.45
Qatari	**59.35%**	**50.49%**	**10,292,218.46**
GCC Individuals	1.53%	0.58%	1,105,413.11
GCC Institutions	8.87%	0.94%	9,212,906.89
GCC	**10.40%**	**1.52%**	**10,318,320.00**
Non-Qatari Individuals	13.37%	11.44%	2,238,107.62
Non-Qatari Institutions	16.88%	36.55%	(22,848,646.08)
Non-Qatari	**30.25%**	**47.99%**	**(20,610,538.46)**

Source: Qatar Stock Exchange (* as a % of traded value)

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
12/26	US	Mortgage Bankers Association	MBA Mortgage Applications	20-Dec	-5.3%	–	-5.0%
12/26	US	Department of Labor	Initial Jobless Claims	21-Dec	222k	220k	235k
12/26	US	Department of Labor	Continuing Claims	14-Dec	1,719k	1,688k	1,725k
12/27	US	U.S. Department of Energy	EIA Natural Gas Storage Change	20-Dec	-161	-150	-107
12/27	Japan	Ministry of Economy Trade and Industry	Industrial Production MoM	Nov	-0.9%	-1.0%	-4.5%
12/27	Japan	Ministry of Economy Trade and Industry	Industrial Production YoY	Nov	-8.1%	-8.1%	-7.7%
12/27	China	National Bureau of Statistics	Industrial Profits YoY	Nov	5.4%	–	-9.9%

Source: Bloomberg (s.a. = seasonally adjusted; n.s.a. = non-seasonally adjusted; w.d.a. = working day adjusted)

News

Qatar

- **Qatar's trade balance records QR12.5bn surplus in November –** The State of Qatar's trade balance (the difference between total exports and imports) recorded a surplus of QR12.5bn in November this year, registering a decrease of QR3.5bn, or 21.8% compared to the same month in the previous year 2018, and an increase of approximately QR0.8bn or 6.8%, compared to October 2019. A statement issued by the Planning and Statistics Authority (PSA) indicated that the total value of Qatari exports (including exports of local goods and re-exports) reached last November QR22.2bn, a decrease of 13.0% compared to November of 2018, and an increase of 10.6% compared to October 2019. According to the statement, the value of merchandise imports increased during November 2019 to reach about QR9.7bn, an increase of 1.7% compared to November 2018, and an increase of 15.8% compared to October 2019. In comparison with November 2018, the value of exports of 'other oil gases and other gaseous hydrocarbons' representing (LNG, condensate, propane, butane, etc) decreased to about QR14.1bn, by 8.8%, and the value of 'oils and oils of ores of continental mineral raw materials' decreased 2.7% to reach about QR4.3bn and the value of exports of 'oils and oils obtained from non-continental mineral materials' decreased 47.0% to reach about QR1.1bn. (Gulf-Times.com)
- **QCSD increases Zad Holding Company's capital –** Qatar Central Securities Depository (QCSD) has increased the capital of Zad Holding Company by adding the shares resulting from the acquisition of Meeda Company, which equals to 93,105,450 shares. The new capital is now 236,997,200 shares. (QSE)
- **CBQK's Turkish unit says capital increases to continue in 2020 –** Kaan Gur, the CEO of Alternatifbank AS, the Turkish unit of The Commercial Bank (CBQK), said the parent will continue to boost the lender's capital to help support its growth plans. CBQK has already injected $150mn since January 2018, bringing Alternatifbank's capital to 1.73bn Liras ($291mn) as of end-September, Gur said. "We have a good business plan, are committed to our strategies, but most importantly we have the capital. CBQK's support will continue in 2020," he said. Many Turkish lenders have bolstered their capital buffers as they struggle with rising bad loans, with companies restructuring debt in an economy still feeling the aftershocks of a recession and currency crisis. (Bloomberg)
- **Qatar Petroleum: Kerosene sale to be based on global prices from January 1 –** Qatar Petroleum has announced that kerosene prices for all retail and bulk consumers, and for all quantities, will be based on international prices from January 1. The prices will be announced periodically by Qatar Petroleum. In line with this, Qatar Petroleum has announced the following prices & terms for

the sale of kerosene from January 1. Total 80 dirhams (QR0.80) per liter for the sale of the first cumulative 350,000 liters of kerosene to each retail consumer or bulk consumer during the year 2020. Kerosene sales to each retail consumer or bulk consumer in excess of the first cumulative 350,000 liters during 2020 will be charged at the international price rate, which will be announced periodically by Qatar Petroleum. Kerosene sales to retail consumers at distribution stations will be limited to a maximum of 50 liters per transaction. No new bulk consumers will be accepted from the date of this announcement and until December 31, 2020. (Gulf-Times.com)

- **Mannai Trading Company and Draeger announce strategic partnership in Qatar with effect from November 01, 2019** – Mannai Trading Company WLL has recently been appointed as a Dräger Partner, further enhancing Mannai Trading Company's solution offering in the area of Healthcare, effective from November 01,2019. (QSE)
- **ValuStrat: Foreign investment-friendly laws bolster Qatar's real estate growth in 2019 –** The introduction of foreign investment-friendly laws such as legalization of foreign ownership for various asset classes in some 10 locations has benefited Qatar's real estate sector in 2019, a new report has showed. Granting automatically renewable residence permit for a period of five years for expatriate owners and beneficiaries of real estate was also instrumental in bolstering the sector, research and consultancy firm ValuStrat stated. The 2019 housing market has been one of increasing supply, high demand and falling rents - particularly on the premium end of the market. Majority addition of apartment supply was seen in The Pearl, Lusail and Musheireb. In addition, residential compounds were added in peripheral areas of Al Rayyan (Abu Sidra, Abu Hamour, Al Wajba and Baaya), Al Wakrah (Al Wukair) Umm Salal and Al Khor. Due to oversupply in some areas, landlords reduced rents to maximize occupancy, ValuStrat noted. Citywide rental values have decreased by 7% annually in addition to a 5% annual drop in capital values as per ValuStrat Price Index (VPI). Secondary locations experienced steeper annual declines up to 13% compared to prime locations such as The Pearl, West Bay and Lusail, which saw asking rental declines of 8% YoY. As per ValuStrat research, occupancy in The Pearl increased as a result of declining rents as well as various incentives being offered. (Gulf-Times.com)
- **QFC: Qatar should priorities Islamic banking –** Qatar should prioritize Islamic banking, which warrant its own regulatory framework under the central bank purview, and the country could consider adopting Malaysia's value-based intermediation (VBI), where Shari'ah-principled financial institutions tailor products and services, while ensuring sustainable environment and bottom-line, according to a Qatar Financial Center (QFC) report. "A key step to enhance the growth prospects of Qatar's Islamic banking sector would be to make it a strategic government priority, supported by dedicated initiatives and incentives exclusively targeting Islamic banks. Such incentives may include relaxed banking provisions, as has been implemented in Turkey," QFC stated in its report, prepared in association with Refinitiv. Qatar's Islamic banking sector stands to gain a competitive advantage in the region and attract more global business through the adoption of a more progressive approach centered on sustainability, it stated. By identifying Islamic finance with sustainable practices, Islamic finance in Qatar would evolve from offering conventional products that are made 'Shari'ah-compliant' to introducing 'Shari'ah-based' products that offer added benefits – becoming more aligned with the principles of Shari'ah. Highlighting that Qatar's four Islamic banks are all subject to these requirements, it stated however, more considerable efforts are required to get Shari'ah-compliant lenders and financial institutions to rethink their business models to ensure the sustainability of their offerings as well as their bottom lines. (Gulf-Times.com)
- **Around 1.19mn tourists visited Qatar in first seven months of 2019 –** The tourism sector in Qatar has lately been witnessing rapid growth with around 1.19mn tourists visiting Qatar in the first seven months of 2019, a YoY growth of 10.7%. Asian tourists represented 39% of the total visitors 469,000 in the first seven months, followed by 31% from Europe 375,500 and 131,600 from the GCC. The growth has been significant since the establishment of the National Tourism Council through a decision issued by the Amir HH Sheikh Tamim bin Hamad Al Thani on November 4, 2018. Tourism is vital for the economic diversification of the country, which is one of the main goals of Qatar National Vision 2030. Meanwhile, Qatar's hospitality sector continued its dominance, retaining the top rank in the Middle-East for a second year in the Guest Experience in the Middle East Report released by hospitality and travel data providers Olery. The firm analyzed more than 12mn guest comments from April 1 of 2018 to March 31 of 2019. The occupancy rate in the first eight months of 2019 reached 64%, a 7% YoY jump. The total number of hotel rooms is expected to reach 25,917 soon. (Qatar Tribune)

International

- **QNB Group expects 'modest acceleration' of global GDP to 3.4% in 2020 –** Driven by easier monetary policy around the world, in particular the Fed's dovish pivot to cutting interest rates, a modest acceleration of global GDP growth to around 3.4% is expected in 2020, QNB Group has stated in its weekly economic commentary. That is despite the ongoing US-China trade war, global manufacturing recession and other risks to the outlook, QNB Group stated. However, QNB Group is concerned that the world has become too dependent on monetary policy, which is becoming less effective. There is also a growing risk that low global interest rates are inflating debt and asset price bubbles. Therefore, it is important that fiscal policy can respond to any substantial negative shocks that hit the global economy. In this week's article, QNB Group first assessed the current fiscal stance (i.e., whether fiscal policy is a headwind or tailwind for the economy). It has then considered three key constraints on fiscal policy. The need to ensure government debt sustainability and the difficulties has arising from both political polarization and vested interests. The 2008 global financial crisis was so severe that both monetary policy and fiscal policy were forced to respond with significant stimulus. Monetary policy has remained very loose, but a period of fiscal austerity, particularly in the Euro area, was required to maintain debt sustainability. The IMF's latest estimates indicated that the fiscal stance is providing modest stimulus to the global economy in 2019; whereas their forecast for global growth to accelerate from 3%

in 2019 to 3.4% in 2020 is based on an assumption of neutral fiscal policy. (Gulf-Times.com)

- **Mortgage applications decrease in latest MBA weekly survey –** Mortgage applications decreased 5.3% from one week earlier, according to data from the Mortgage Bankers Association's (MBA) Weekly Mortgage Applications Survey for the week ending December 20, 2019. The Market Composite Index, a measure of mortgage loan application volume, decreased 5.3% on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index decreased 6% compared with the previous week. The Refinance Index decreased 5% from the previous week and was 128% higher than the same week one year ago. The seasonally adjusted Purchase Index decreased 5% from one week earlier. The unadjusted Purchase Index decreased 7% compared with the previous week and was 5% higher than the same week one year ago. (MBA)
- **US jobless claims fall, point to sustained labor market strength –** The number of Americans filing applications for unemployment benefits fell last week in a sign of ongoing labor market strength. The Labor Department stated initial claims for state unemployment benefits decreased 13,000 to a seasonally adjusted 222,000 for the week ended December 21. Economists polled by Reuters had forecasted claims would fall to 224,000 in the latest week. Claims have been volatile in recent weeks around the US holiday season and end of the year. The drop in the latest week largely unwound a surge in new claims two weeks earlier that appeared to reflect a late Thanksgiving Day this year compared to 2018. That could have thrown off the model used by the government to strip out seasonal fluctuations from the data. The four-week moving average of initial claims, considered a better measure of labor market trends as it irons out week-to-week volatility, edged up by 2,250 to 228,000. The underlying trend in claims remains consistent with a strong labor market. Thursday's claims report also showed the number of people receiving benefits after an initial week of aid fell 6,000 to 1.72mn for the week ended December 14. The four-week moving average of the so-called continuing claims rose 19,250 to 1.70mn. (Reuters)
- **Japan's output, retail sales fall, signaling economic strains –** Japan's industrial output slipped for the second straight month in November, raising the likelihood the economy will contract in the fourth quarter due to slowing demand abroad and at home. Official data showed factory output fell 0.9% in November from the previous month, a slower decline than the 1.4% fall in a Reuters forecast. That followed a downwardly revised 4.5% decline in the previous month, the largest MoM slump since the government started compiling the data in comparative form in January 2013. Manufacturers surveyed by the Ministry of Economy, Trade and Industry expect output to gain 2.8% in December and rise 2.5% in January, the data showed. Separate data released on Friday showed retail sales dropped a larger-than-expected 2.1% in November as consumer sentiment stayed depressed after October's sales tax hike. The weak readings could pressure the government to come up with new ways to boost growth and force the central bank to maintain its stimulus program. Meanwhile, Japan's jobless rate fell in November, while the jobs-to-applicants ratio held steady, suggesting the nation's tightest jobs market in decades is holding up. The seasonally adjusted unemployment rate fell to 2.2% in November from 2.4% in the previous month, Ministry of Internal Affairs and Communications data showed. The jobs-to-applicants ratio was unchanged at 1.57 in November from the previous month, health ministry data showed. (Reuters)
- **Tokyo Dec core CPI rises 0.8% YoY –** Core consumer prices in Tokyo rose 0.8% in December from a year earlier, according to government data. The core consumer price index for Japan's capital, which includes oil products but excludes fresh food prices, compared with economists' median estimate for a 0.6% annual rise. (Reuters)
- **BoJ's Kuroda says ready to ease if 2% inflation comes under threat –** Bank of Japan's (BoJ) Governor, Haruhiko Kuroda said that the central bank would ease policy further without hesitation if the momentum towards its 2% inflation goal came under threat, a sign of his readiness to top up its already massive monetary stimulus. Speaking at an annual meeting of Japan's largest business lobby, Keidanren, however, Kuroda also offered somewhat brighter view on the global economic outlook, bolstering the market view that the BoJ would not rush to alter its current policy for now. Kuroda made the remark a week after the central bank kept its target for short-term rates at -0.1% and that for 10-year bond yields around 0%, and it stuck to its assessment that the trend in Japan's economy was for continued moderate growth. Stability in financial markets and some signs that strains on global economy were reducing have bolstered the view that the central bank will avoid easing or tightening policy for the time being. (Reuters)
- **China's industrial profits grow at fastest in eight months, but sustained recovery uncertain –** Profits at China's industrial firms grew at the fastest pace in eight months in November, but broad weakness in domestic demand remains a risk for company earnings next year. Industrial profits in November rose 5.4% from a year earlier to 593.9bn Yuan, snapping three months of decline, as production and sales quickened, data from the National Bureau of Statistics (NBS) showed on Friday. That compared with a 9.9% drop in October. For January-November, industrial firms notched profits of 5.61tn Yuan, down 2.1% from a year earlier, but slightly better than a 2.9% fall in the first 10 months. In November, profits at state-owned industrial firms rose 0.6% from a year earlier, reversing a declining trend since the second half this year, while private sector profits also posted a significant acceleration in growth. Among sectors, the chemical, petroleum processing and steel industries reported recovering profits last month due to rebounding market demand and rising prices. The vast industrial sector shed more than 25mn jobs from end-2013 to end-2018, mostly in labor intensive industries, according to the latest economic census, as labor costs rose amid the country's economic transition. According to sources, China plans to set a lower economic growth target of around 6% in 2020, relying on increased state infrastructure spending to ward off a sharper slowdown. (Reuters)
- **China to switch benchmark for floating-rate loans to lower funding costs –** China's central bank will use the loan prime rate (LPR) as a new benchmark for pricing existing floating-rate loans, in a step that analysts say could help lower borrowing costs and underpin economic growth. Beijing has unveiled a raft of pro-growth measures this year, including tax cuts, more

infrastructure spending, reductions in the amount of cash banks must keep on reserve and lending rates to boost credit. Starting on January 1, financial institutions will be prohibited from signing floating-rate loan contracts based on the previous benchmark bank lending rate, the People's Bank of China (PBoC) stated in a statement. Floating-rate loans, excluding individual housing loans tied to state provident funds that have been signed before 2020 will be priced in line with the LPR, the central bank stated. Under the new rate regime unveiled in August, the revamped LPR is linked to the medium-term lending facility (MLF), a key policy rate of the PBoC. The one-year loan prime rate (LPR) is at 4.15%, down by 16 basis points from August. The previous benchmark bank lending rate has been kept steady at 4.35% since October 2015. (Reuters)

- **RBI: India's financial system stable despite weakening economic growth –** The Reserve Bank of India (RBI) stated India's financial system remains stable even after economic growth plummeted to a six-year low. "Reviving the twin engines of consumption and investment while being vigilant about spillovers from global financial markets remains a critical challenge going forward," the central bank stated in its bi-annual Financial Stability Report (FSR) released on December 27. Lenders are struggling as credit demand has remained subdued due to overall sluggishness in the economy. Even though the share of bad loans in the banking sector has declined, further improvement by banks is required, added the RBI. State-owned public sector banks need to build stronger buffers to absorb any disproportionate operational losses, while private lenders need to focus on corporate governance, the RBI stated. The country's shadow banking sector has been struggling since last year after the collapse of IL&FS, a major infrastructure lender. This has also impacted banks. (Reuters)

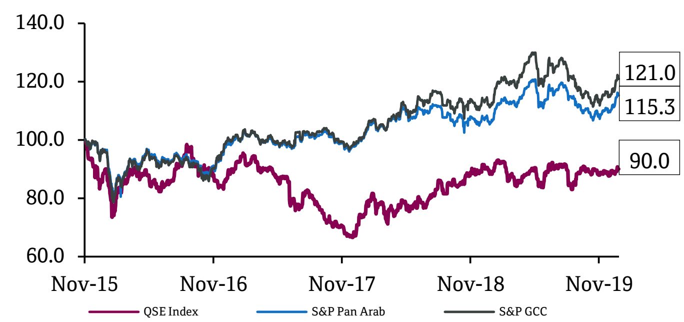
Regional

- **OPEC+ cuts cannot last forever, says Russia's Energy Minister –** OPEC+ output cuts have stabilized the global oil market but cannot last forever, Russia stated as uncertainty persists over the future of the agreement beyond March. "Oil-production cuts can't be eternal; we will gradually need to make a decision on exiting" the accord, Energy Minister Alexander Novak said. As one of the architects of the OPEC+ deal, Russia's view is a key, though the nation's oil producers have long pushed for a relaxation of output curbs. Russia needs to defend its market share and let its oil companies develop new projects, Novak said. The Minister did not specify when the country may decide to withdraw from the agreement, but said he expects to discuss the matter with his OPEC+ counterparts next year. Global oil demand may surge as soon as next summer, he said. (Gulf-Times.com)
- **MEA region's water, sewage projects pipeline hits \$133.2bn –** The total pipeline of water and sewage construction projects coming across the Middle East and Africa (MEA) region is estimated at around \$133.2bn, with \$19.1bn spent this year and \$30.8bn in 2020, according to a report by Research and Markets. The highest value of projects are at the execution stage with a total value of \$58.8bn, followed by projects in pre-execution with \$40.3bn, Research and Markets stated in its 'Project Insight - Water and Sewage Construction Projects: MEA' report. There are projects worth \$29.1bn in the pre-planning stage, while those in the planning stage have a value of \$4.9bn, it added. Assuming all projects in the current pipeline proceed as planned, spending will hit \$30.8bn next year and fall to \$7.3bn in 2023. The highest value of project completions will be in 2021, with a value of \$28.7bn, according to Research and Markets. The desalination plants projects account for the highest value with \$52.7bn dominated by top contractors in the region including Korea-based Hyundai Engineering Company and China's Sepco III Electric Power Construction Corporation. (Zawya)
- **MENA hotels post mixed performance in November, Africa sees growth –** Hotels in the Middle East reported mixed performance results in November, while hotels in Africa posted positive results across the three key performance metrics during the month, according to data from STR - a leading market research firm. Occupancy levels in the Middle East moved up 3.4% to 72.1% but average daily rate (ADR) declined 5.9% to \$146.47, forcing revenue per available room (RevPAR) to drop 2.6% to \$105.56. In Riyadh occupancy rates were recorded at 82.8% in November, a 34.6% increase compared to the same period in 2018. ADR climbed 11.1% to SR685.91 and RevPAR also moved up slightly by 49.5% to SR568.19. Pushed by a 55.0% increase in demand, the absolute occupancy level is the highest for a November in Riyadh since 2007. STR analysts note that Saudi Arabia has seen a positive shift in hotel performance due to Saudi Vision 2030, a plan focused on diversifying the economy from being highly oil-reliant and focusing on public sectors, such as tourism growth. (Zawya)
- **US monetary policy spillovers to impact GCC growth –** Spillovers from monetary policy in the US could be significant for the GCC countries those have pegged exchange rate regimes to the US dollar. In terms of GCC specific studies, an increase of 150 basis points in the federal funds rate was found to decrease non-oil activity in the GCC by 1.5 percentage points two years after the 2008 financial shock, according to an IMF Working Paper released on Friday. The research note, arguably the first attempt to study the impact of the US monetary policy spillovers on oil exporting economies, suggests that at a real oil price of \$35 a barrel, a 100 basis-point increase in the US real policy interest rate leads to a drop in annual non-oil real GDP growth of a 1/3 percentage point. If the real oil price, however, were \$30 a barrel, the same 100 basis-point increase in the US real policy interest rate would lead to a decrease in the annual non-oil real GDP growth rate of almost 2/3 percentage point. The spillover from US monetary policy disappears when the real oil price rises above \$43 a barrel. Against this background, the paper investigates how oil prices affect US monetary policy spillovers to non-oil GDP growth in the GCC countries. Specifically, GCC countries' non-oil real GDP growth rates are modeled using panel models with the US real interest rates and the real oil price as explanatory variables. The focus is on non-oil real GDP instead of the total real GDP. This allows for a cleaner identification of the monetary policy spillovers, given the oil component of the GDP is largely driven by production decisions made on the basis of developments in the global oil market. (Peninsula Qatar)
- **Saudi Arabia's non-oil exports to GCC rise 5.2% in October –** Non-oil exports from Saudi Arabia to member countries of the GCC increased by SR133mn or 5.2% YoY during October 2019. Saudi exports of national origin to GCC countries recorded SR2.7bn last

October, compared with SR2.57bn in October 2018, according to a Mubasher survey, based on the data of the Saudi General Authority for Statistics (GaStat). Saudi non-oil re-exported goods to GCC member countries decreased by 18.2% to SR1.12bn. Accordingly, total non-oil exports reached SR3.82bn in October. Meanwhile, Saudi imports from GCC countries decreased to SR3.9bn, with a trade balance deficit of SR83mn. (Zawya)

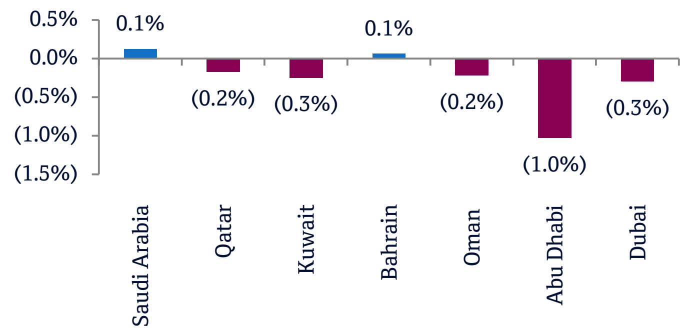
- **National Commercial Bank to distribute 12% cash dividends –** National Commercial Bank announced the distribution of SR3.6bn cash dividends to its shareholders for the second half of 2019. With the total number of eligible shares at 3bn, dividends per share will be at SR1.2 (after zakat), representing 12% of the share’s par value. (Zawya)
- **GASTAT: Youth make up 67.02% of Saudi population –** Youth make up 67.02% of the total Saudi population, that is those in the age category (0–34) years, the General Authority for Statistics (GASTAT) stated in the report it issued on Friday. The Survey, which was carried out during 2Q2019 aims to make available a number of important indices on the actual situation of the youth from various aspects. The percentage of the youth who have a monthly income with which they have been able to fulfill their financial commitments has reached 68.91. Meantime, the percentage of the youth who save part of their monthly income has reached 44.71. (Zawya)
- **UAE marching towards becoming a $500bn economy –** Rapid economic diversification underpinned by a string of bold reforms and a series of government stimulus measures are set to drive UAE growth at a steady pace as its GDP remains on track to surpass the $500bn mark over the next few years. The latest projections by the International Monetary Fund (IMF) show that the UAE's non-oil sector, pivotal to this all-round growth, will surge from 1.3% in 2018 to 1.6% in 2019 and 3% in 2020. As a result, oil GDP growth is forecast to slow down from 2.8% in 2018 to 1.5% this year and 1.4% next year when non-oil sectors such as tourism, aviation, retail, hospitality, real estate and construction will spur the expansion as the World Expo gives an added momentum to the pace of growth. According to the Institute of Chartered Accountants in England and Wales (ICAEW), Expo 2020 Dubai and the government's AED50bn fiscal stimulus would be quite pivotal to the rebound that is expected to boost the country's non-oil GDP growth to about 2.8%. (Zawya)
- **UAE Ministry of Economy: Construction sector leads business activities acquiring licenses in 2019 –** The construction sector has taken the lead in the top ten lists of business activities that acquired licenses in the UAE in 2019. Three licenses were being issued daily for both construction contracting and general commerce activities, following by restaurants, which acquired two licenses daily, reflecting an increase after a period of slowdown. The return of activity in various national economic sectors encouraged the UAE’s banking system to provide more financial support to these sectors in 2019, according to the latest statistics issued by the Central Bank of the UAE A total of 1,050 licenses were issued by local economic departments in all emirates for construction contracting businesses in 2019 while some 1,004 licenses were issued to general commerce businesses. Some 868 licenses were also issued for hot and cold drinks businesses, as well as around 755 for new restaurants and 671 for dessert businesses. (Zawya)
- **Dubai's non-oil trade up 6% in 9M2019 –** Dubai's non-oil external trade 6% to just over AED1tn mark in the first nine months of 2019, with China, India and the US remaining the top three largest trading partners of the region's commercial and trade hub. Official figures by Dubai Customs showed that exports rose 23% to AED118bn, re-exports grew 4% to AED312bn and imports climbed 3% to AED589bn. On a quarterly basis, the third quarter saw trade growing 7% to AED343bn while second-quarter trade activity grew 3% to reach AED337bn. The first quarter's trade activity saw a 7% growth to reach AED339bn; these are compared to the same periods in 2018. Dubai's foreign trade out of free zones accounted for AED439bn, an 11% or AED45bn increase YoY. Direct trade achieved a 2% growth to reach AED574bn. Customs warehouse trade hit AED6bn, land trade grew by 11% contributing AED169bn, sea trade increased by 5% to AED381bn and air trade rose by 4%, accounting for AED469bn. (Zawya)
- **Azizi Developments awards contract for Dubai residential project –** Azizi Developments, a leading private developer in the UAE, has awarded a contract worth AED50mn to UAE-based Prestige Constructions for its residential project, Berton, located within the Al Furjan development in the growth corridor of new Dubai. Situated near Sheikh Mohammed bin Zayed Road, Sheikh Zayed Road and the new Expo 2020 Route metro line, Berton is remarkably well tied to the entirety of Dubai’s major points of interest, including Dubai Marina and JBR, among many other of the city’s business, leisure and retail hubs, the developer stated. (Zawya)
- **Kuwait Finance House may issue bonds up to $750mn in 1H2020 –** Kuwait Finance House may issue bonds up to $750mn in 1H2020, according to Al Arabiya reports citing unidentified people. The objective to issue bonds is to reinforce capital after acquisition of Bahrain’s Ahli United Bank. (Bloomberg)
- **Drilling of appraisal well commences in Oman’s Masirah Block –** Masirah Oil Limited (MOL), which holds a 100% interest in Block 50 offshore Oman’s eastern seaboard, announced on Thursday the successful spudding of an appraisal well targeting the promising Yumna oil field off Masirah Island. At the time, Masirah Oil Limited announced a first-ever hydrocarbon find in the 17,000 square kilometers concession off the Sultanates east coast. A second exploration well drilled in the concession had successfully reached the well target depth of more than 3,000 meters into the Cambrian formation. During a 48-hour test, hydrocarbons were flowed to the surface and the well achieved a restricted flow rate of 3,500 barrels per day of light oil of high quality without water production from a sandstone reservoir of excellent quality. (Zawya)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,510.56	(0.1)	2.2	17.8
Silver/Ounce	17.77	(0.7)	3.3	14.7
Crude Oil (Brent)/Barrel (FM Future)	68.16	0.4	3.1	26.7
Crude Oil (WTI)/Barrel (FM Future)	61.72	0.1	2.1	35.9
Natural Gas (Henry Hub)/MMBtu[#]	2.09	0.0	(7.9)	(34.4)
LPG Propane (Arab Gulf)/Ton	44.75	(1.1)	(8.7)	(29.5)
LPG Butane (Arab Gulf)/Ton	68.50	1.1	0.7	(2.1)
Euro	1.12	0.7	0.9	(2.5)
Yen	109.44	(0.2)	0.0	(0.2)
GBP	1.31	0.7	0.6	2.5
CHF	1.03	0.7	0.8	0.7
AUD	0.70	0.5	1.2	(1.0)
USD Index	96.92	(0.6)	(0.8)	0.8
RUB	62.04	(0.3)	(0.4)	(11.0)
BRL	0.25	0.3	1.4	(4.0)

Source: Bloomberg ([#]Market was closed on December 27, 2019)

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,364.90	0.2	0.6	25.5
DJ Industrial	28,645.26	0.1	0.7	22.8
S&P 500	3,240.02	0.0	0.6	29.2
NASDAQ 100	9,006.62	(0.2)	0.9	35.7
STOXX 600	419.74	1.1	1.4	21.4
DAX	13,337.11	1.1	1.2	23.5
FTSE 100	7,644.90	1.1	1.4	16.7
CAC 40	6,037.39	1.0	1.3	24.6
Nikkei	23,837.72	(0.2)	0.1	20.1
MSCI EM	1,118.61	0.6	1.0	15.8
SHANGHAI SE Composite	3,005.04	0.0	0.2	18.6
HANG SENG	28,225.42	1.3	1.4	9.8
BSE SENSEX	41,575.14	0.7	(0.8)	12.4
Bovespa	116,534.00	(0.3)	2.1	26.8
RTS	1,549.40	0.9	1.7	45.0

Source: Bloomberg (*$ adjusted returns)

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