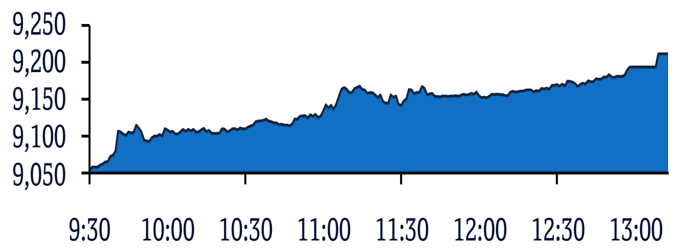
QNB FINANCIAL SERVICES

Daily Market Report

Thursday, 04 June 2020

QSE Intra-Day Movement



Qatar Commentary

The QE Index rose 1.6% to close at 9,213.1. Gains were led by the Industrials and Banks & Financial Services indices, gaining 3.6% and 1.2%, respectively. Top gainers were Qatari German Company for Medical Devices and Industries Qatar, rising 9.9% and 5.8%, respectively. Among the top losers, Ezdan Holding Group fell 2.7%, while Mazaya Qatar Real Estate Development was down 1.5%.

GCC Commentary

Saudi Arabia: The TASI Index fell 0.9% to close at 7,222.4. Losses were led by the Utilities and Media and Entertainment indices, falling 4.0% and 2.5%, respectively. Saudi Fisheries declined 4.9%, while Saudi Electricity Company was down 4.3%.

Dubai: The DFM Index gained 0.8% to close at 1,999.7. The Investment & Financial Services index rose 1.7%, while the Transportation index gained 1.2%. Aramex rose 3.8%, while Ajman Bank was up 2.7%.

Abu Dhabi: The ADX General Index gained 0.2% to close at 4,284.7. The Real Estate index rose 1.4%, while the Banks index gained 0.7%. Abu Dhabi Commercial Bank rose 4.6%, while Rak Properties was up 4.2%.

Kuwait: The Kuwait All Share Index fell 0.2% to close at 5,014.4. The Banks index declined 0.5%, while the Insurance index fell 0.3%. Gulf Investment House declined 9.7%, while Warba Insurance Company was down 8.3%.

Oman: The MSM 30 Index fell 0.1% to close at 3,535.0. Losses were led by the Financial and Services indices, falling 0.3% and 0.1%, respectively. Al Madina Investment Company declined 4.3%, while Phoenix Power Co. was down 1.9%.

Bahrain: The BHB Index gained 0.4% to close at 1,275.4. The Commercial Banks index rose 0.8%, while the Industrial index gained 0.3%. APM Terminals Bahrain and National Bank of Bahrain were up 2.5%.

Market Indicators	03 Jun 20	02 Jun 20	%Chg.
Value Traded (QR mn)	401.1	446.3	(10.1)
Exch. Market Cap. (QR mn)	522,433.1	515,367.3	1.4
Volume (mn)	168.8	235.5	(28.3)
Number of Transactions	10,143	10,531	(3.7)
Companies Traded	44	46	(4.3)
Market Breadth	30:9	24:15	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	17,711.89	1.6	3.8	(7.7)	14.5
All Share Index	2,854.89	1.5	3.2	(7.9)	15.2
Banks	3,976.33	1.2	2.0	(5.8)	13.1
Industrials	2,616.28	3.6	6.6	(10.8)	20.8
Transportation	2,653.72	0.8	3.8	3.8	12.9
Real Estate	1,403.48	0.5	2.8	(10.3)	13.9
Insurance	2,022.76	(0.2)	0.0	(26.0)	33.7
Telecoms	896.23	0.1	8.1	0.1	15.1
Consumer	7,366.62	0.9	4.1	(14.8)	18.8
Al Rayan Islamic Index	3,672.77	1.5	4.0	(7.0)	16.9

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Industries Qatar	Qatar	8.49	5.8	4,216.5	(17.4)
Abu Dhabi Comm. Bank	Abu Dhabi	5.00	4.6	6,843.7	(36.9)
Qatar Electricity & Water	Qatar	16.04	3.5	1,930.2	(0.3)
The Commercial Bank	Qatar	3.95	2.6	3,142.2	(16.0)
National Bank of Bahrain	Bahrain	0.63	2.5	20.0	(2.8)

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
Saudi Electricity Co.	Saudi Arabia	16.30	(4.3)	3,047.6	(19.4)
Dar Al Arkan Real Estate	Saudi Arabia	7.19	(3.4)	49,484.1	(34.6)
Nat. Industrialization Co	Saudi Arabia	10.16	(3.1)	4,023.7	(25.7)
Saudi Kayan Petrochem.	Saudi Arabia	8.43	(2.5)	4,868.0	(24.1)
Etihad Etisalat Co.	Saudi Arabia	26.35	(2.4)	1,258.1	5.4

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%
Qatari German Co for Med. Devices	1.15	9.9	13,323.8	98.1
Industries Qatar	8.49	5.8	4,216.5	(17.4)
Alijarah Holding	0.75	4.2	9,865.8	5.7
Widam Food Company	6.42	3.5	913.4	(5.0)
Qatar Electricity & Water Co.	16.04	3.5	1,930.2	(0.3)

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Ezdan Holding Group	0.81	(2.7)	44,199.8	32.4
Mazaya Qatar Real Estate Dev.	0.67	(1.5)	7,767.9	(7.5)
Qatar Oman Investment Co.	0.55	(0.9)	1,295.8	(17.8)
Qatar Aluminium Manufacturing	0.70	(0.9)	7,608.7	(11.0)
Qatar Navigation	5.77	(0.7)	377.6	(5.4)

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Ezdan Holding Group	0.81	(2.7)	44,199.8	32.4
Qatari German Co for Med. Devices	1.15	9.9	13,323.8	98.1
Qatar Gas Transport Company Ltd.	2.45	1.9	11,162.3	2.5
Alijarah Holding	0.75	4.2	9,865.8	5.7
Mazaya Qatar Real Estate Dev.	0.67	(1.5)	7,767.9	(7.5)

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
QNB Group	17.90	1.2	75,187.5	(13.1)
Ezdan Holding Group	0.81	(2.7)	36,415.9	32.4
Industries Qatar	8.49	5.8	35,195.1	(17.4)
Qatar Electricity & Water Co.	16.04	3.5	30,716.9	(0.3)
Qatar Gas Transport Co. Ltd.	2.45	1.9	27,293.5	2.5

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*	9,213.10	1.6	3.8	4.2	(11.6)	109.35	142,310.8	14.5	1.4	4.3
Dubai	1,999.71	0.8	1.9	2.8	(27.7)	57.09	78,468.8	7.8	0.7	4.9
Abu Dhabi	4,284.73	0.2	4.0	3.5	(15.6)	71.08	130,844.3	13.3	1.3	6.0
Saudi Arabia	7,222.41	(0.9)	2.4	0.1	(13.9)	1,537.92	2,207,146.8	21.9	1.7	3.6
Kuwait	5,014.39	(0.2)	(0.1)	0.4	(20.2)	76.67	92,868.4	14.5	1.1	4.1
Oman	3,535.01	(0.1)	0.4	(0.3)	(11.2)	3.31	15,388.7	9.1	0.8	6.8
Bahrain	1,275.39	0.4	(0.1)	0.5	(20.8)	5.58	19,578.7	9.1	0.8	5.5

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 rose 1.6% to close at 9,213.1. The Industrials and Banks & Financial Services indices led the gains. The index rose on the back of buying support from non-Qatari shareholders despite selling pressure from Qatari and GCC shareholders.
- Qatari German Company for Medical Devices and Industries Qatar were the top gainers, rising 9.9% and 5.8%, respectively. Among the top losers, Ezdan Holding Group fell 2.7%, while Mazaya Qatar Real Estate Development was down 1.5%.
- Volume of shares traded on Wednesday fell by 28.3% to 168.8mn from 235.5mn on Tuesday. Further, as compared to the 30-day moving average of 218.3mn, volume for the day was 22.7% lower. Ezdan Holding Group and Qatari German Company for Medical Devices were the most active stocks, contributing 26.2% and 7.9% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	25.95%	40.52%	(58,466,582.59)
Qatari Institutions	28.80%	18.27%	42,253,057.18
Qatari	**54.75%**	**58.79%**	**(16,213,525.41)**
GCC Individuals	1.25%	0.53%	2,850,741.83
GCC Institutions	2.88%	1.08%	7,201,966.68
GCC	**4.13%**	**1.61%**	**10,052,708.51**
Non-Qatari Individuals	10.30%	12.11%	(7,284,574.02)
Non-Qatari Institutions	30.83%	27.48%	13,445,390.93
Non-Qatari	**41.13%**	**39.59%**	**6,160,816.90**

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

Global Economic Data

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
06/03	US	Mortgage Bankers Association	MBA Mortgage Applications	29-May	-3.9%	–	2.7%
06/03	US	Markit	Markit US Services PMI	May	37.5	37.3	36.9
06/03	US	Markit	Markit US Composite PMI	May	37	–	36.4
06/03	US	Institute for Supply Management	ISM Non-Manufacturing Index	May	45.4	44.4	41.8
06/03	UK	Markit	Markit/CIPS UK Services PMI	May	29	28	27.8
06/03	UK	Markit	Markit/CIPS UK Composite PMI	May	30	29.1	28.9
06/03	EU	Markit	Markit Eurozone Services PMI	May	30.5	28.7	28.7
06/03	EU	Markit	Markit Eurozone Composite PMI	May	31.9	30.5	30.5
06/03	EU	Eurostat	PPI MoM	Apr	-2.0%	-1.8%	-1.5%
06/03	EU	Eurostat	PPI YoY	Apr	-4.5%	-4.2%	-2.8%
06/03	Germany	Markit	Markit Germany Services PMI	May	32.6	31.4	31.4
06/03	Germany	Markit	Markit/BME Germany Composite PMI	May	32.3	31.4	31.4
06/03	France	Markit	Markit France Services PMI	May	31.1	29.4	29.4
06/03	France	Markit	Markit France Composite PMI	May	32.1	30.5	30.5
06/03	Japan	Markit	Jibun Bank Japan PMI Services	May	26.5	–	25.3
06/03	Japan	Markit	Jibun Bank Japan PMI Composite	May	27.8	–	27.4
06/03	China	Markit	Caixin China PMI Composite	May	54.5	–	47.6
06/03	China	Markit	Caixin China PMI Services	May	55	47.3	44.4
06/03	India	Markit	Markit India PMI Composite	May	14.8	–	7.2
06/03	India	Markit	Markit India PMI Services	May	12.6	–	5.4

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

News

Qatar

- **Kuwait sees progress in resolving Gulf standoff with Qatar –** Kuwait said there is progress in resolving a three-year standoff between Qatar and its Gulf Arab neighbors. Efforts are ongoing and the hopes are higher than they were before in resolving the crisis, Kuwait's Prime Minister Sabah Al-Khalid Al-Sabah was cited by state-run Kuwait News Agency as saying in a tweet. (Bloomberg)
- **Qatar May Financial Center PMI reaches 36.6 versus 39 in April –** IHS Markit released Qatar's May financial center purchasing managers' index. The Index declined to 36.6 from 39 in April and 48.1 in May 2019, leading to fourteenth consecutive month of contraction. The output also declined to 26.5 versus 37 in April, indicating the lowest reading since series began and fourteenth consecutive month of contraction. (Bloomberg)
- **Cabinet eases some restrictions on anti-COVID-19 measures –** Cabinet on Wednesday eased some of the COVID-19 containment measures, including the bar on sporting activities away from home and the cap on vehicle occupancy. The relaxations will kick in from Thursday. The Cabinet raised the maximum number of people allowed to travel together in private vehicles from two to four, including the driver. Families are exempted from this restriction. Earlier, the maximum allowed number for families was three. As for people being transported in buses, the Cabinet agreed to continue restricting the occupancy at half the seating capacity. In another decision, the Cabinet said workouts and sporting activities can be carried out away from home without wearing a mask. However, the public is urged to practice them individually while maintaining a safe distance of at least three meters from one another. Also, the private sector employers can set the work hours between 7 am and 8 pm for workers who are required to be at the workplace. In an earlier decision, the Cabinet has made in mandatory for private sector employers to send 80% of their staff to work from home and require only 20% to work from offices. (Qatar Tribune)
- **Transportation, restaurants and hotels see largest drop in prices –** Qatar's CPI-based monthly inflation in April declined as a result of fall in general household consumption by 1.3% compared to the previous year. The fall in the inflation was attributed to COVID-19 pandemic lockdown. Of all the sectors, the largest drop in prices occurred in transportation services by 4.85% followed by restaurants and hotels with a decrease of 2.51% compared to March 2020, official data showed. The Planning and Statistics Authority released the 76th issue of Qatar Monthly Statistics bulletin. The new edition observed changes in the indicators of the monthly bulletin due to the impact of the COVID-19 pandemic on various sectors in Qatar, including a decline in E-government Services by nearly half, compared to March 2020. It has highlighted the most important statistical changes that occurred in the country during April 2020 in addition to extracts from the results of the 2015 Census. Several indicators for April 2020 changed; either by going up as noted in the total electricity generated and used (the monthly change was 11.8% and 13.1% respectively, compared to March 2020) or by going down as witnessed in the Consumer Price Index (CPI) since the general household consumption decreased by 1.33% (the largest drop occurred in transportation services by 4.85% followed by restaurants and hotels with a decrease of 2.51% compared to March 2020). Real estate indicators were also affected, as the number of sold properties decreased by 25% compared to the previous month and by nearly 40% as compared to April 2019. With respect to the positive changes, there were declines in traffic violations by 62% compared to the previous month, as well as a drop in traffic accident cases by approximately 40% compared to the previous month. The demographic statistics revealed that the total population of Qatar has increased from 2.772mn during April 2019 to 2.805mn at end of April 2020. Total electricity consumption during April 2020 was 3187.9 GWh attaining a monthly increase of 13.1% and an annual decrease of 0.1%. While the total water consumption has reached 51570.7 thousand cubic meters (m3) during the same month attaining a monthly decrease of 3.3% and an annual rise of 2.9%. Regarding the data of buildings permits issued, the total number of permits has reached 483 permits during April 2020, recording a monthly decrease of 24.2%. (Peninsula Qatar)
- **Akbar Al Baker: There has been no slowdown, we have become stronger –** Qatar Airways has persevered, grown, expanded and invested even more during the last three years, airline's Group Chief Executive Akbar Al Baker has said. Al Baker said, "There has been no slowdown. We have survived and become stronger. The airline is also the largest in the world over the past three months measured by Available Seat Kilometer. Based on March, April and May figures, Qatar Airways is deemed the largest international carrier in terms of capacity. Qatar Airways is making fewer job cuts than what many airlines around the world have announced. Tourism will rebound as soon as there is a treatment or a vaccine for the coronavirus (COVID-19). We will make sure that we rebound in time, stronger than we were in the past. Qatar Airways is negotiating with both Boeing and Airbus to fulfill the requirement of deferrals and we hope that both manufacturers will oblige. We will grow once we have seen the business rebounding and we will keep on sustaining ourselves and being a major player in the aviation market." (Qatar Tribune)
- **Hassad to invest QR200mn in fodder sector over three years –** Hassad is planning to invest QR200mn in fodder sector over the next three years, as part of the strategy to achieve self-sufficiency, according to its top official. The expansion plans comprise developing 15 additional new pivots on 1,200 hectares, to produce 25,000 tons of green fodder annually, according to Hassad's Chief Executive, Mohamed Al-Sadah. Hassad plans to cover more than 50% of the local market needs from the primary fodder materials, he said, emphasizing the availability of strategic stock from both green and manufactured fodder at the firm's warehouses. (Gulf-Times.com)
- **DBIS' AGM endorses items on its agenda –** Dlala Brokerage & Investment Holding Company's (DBIS) Ordinary General Assembly meeting (AGM) endorsed the items on its agenda, which was held yesterday. The AGM passed the resolutions that includes: (1) Presentation of the Board of Directors report on the activities of the Company financial status for the fiscal

year ended on 31st of December 2019 and future plans, (2) Presentation of the External Auditors report on the balance sheet and income statement of the company for the fiscal year ended on December 31, 2019, (3) Discuss and approve the balance sheet and income statement for DBIS for the fiscal year ended on December 31, 2019, (4) Absolve the Chairman and Members of The Board of Directors from all responsibilities for the fiscal year ended on December 31, 2019, (5) Appoint the External Auditors for fiscal year 2020 and approve their fees, (6) Present Corporate Governance Report for 2019, and (7) Elect Board Members for the period 2020 – 2022. (QSE)

- **QIGD to hold its EGM on June 21 –** Qatari Investors Group (QIGD) will hold its Extraordinary General Assembly meeting (EGM) on June 21, 2020. In case the quorum is not met, the second meeting will be held on June 23, 2020. In addition, in the context and within the framework of the efforts of the State of Qatar for maintaining public health and social distancing, QIGD announced that the EGM will also be held virtually at the same time through conference call. (QSE)
- **Vodafone Qatar links 57 Al Waab compounds with Giganet Fiber –** Residents living in the densely populated area of Al Waab can now access Vodafone Qatar’s superfast fiber broadband network following roll-out completion in 57 residential compounds that serve more than 3,200 homes. The list includes: Beverly Hills Gardens (1, 2, 4, 6, 8, 9, 10, 15, 16), Al Mirqab (1, 2, 3), Les Roses (1, 2), The Oriental Village, Al Jawhara, Tebah Gardens, Al Waab Oasis, Janayin Al Waab and The Village Resort, the company said in a statement. This latest announcement highlights Vodafone Qatar’s rapidly expanding fiber footprint in the country that in addition to Al Waab, includes key locations such as West Bay, Lusail, Salwa, The Pearl, Wakra, Bin Mahmoud, Al Gharrafa, Al Sadd, Msheireb, Industrial Area and Old Salata. Vodafone Qatar’s GigaNet fiber network roll-out in Al Waab will enable Vodafone GigaHome services in thousands of homes. (Gulf-Times.com)

International

- **US labor market stabilizing as layoffs abate –** US private payrolls fell less than expected in May, suggesting layoffs were abating as businesses reopen, though the overall economy’s recovery from the COVID-19 pandemic will be slow. Signs are growing that the economic slump is nearing a bottom, with other data on Wednesday showing activity in the vast services sector pushing off an 11-year low in May. Getting the economy back to pre-COVID-19 levels could take years unless businesses boost spending after cutting back for four straight quarters. Factory orders suffered a record drop in April. The ADP National Employment Report showed private employers laid off another 2.76mn workers last month after a record 19.557mn in April. Economists polled by Reuters had forecast private payrolls dropping by 9mn in May. A staggering 25mn private jobs were lost over the past three months. The ADP report is jointly developed with Moody’s Analytics. Last month’s smaller-than-expected drop in private payrolls mirrored declines in the number of people filing claims for unemployment benefits and remaining on jobless rolls. In a separate report on Wednesday, the Institute for Supply Management said its non-manufacturing activity index rose to a reading of 45.4 in May from 41.8 in April, which was the lowest since March 2009 and the first showing contraction since December 2009. A reading below 50 indicates contraction in the services sector, which accounts for more than two-thirds of US economic activity. Economists had forecast the index increasing to a reading of 44.0 in May. (Reuters)
- **US factory orders extend decline in April –** New orders for US-made goods plunged in April and business spending plans on equipment were much weaker than initially thought, suggesting business investment remained depressed early in the second quarter amid the COVID-19 pandemic. The Commerce Department said on Wednesday factory orders dropped 13.0% after falling 11.0% in March. Economists polled by Reuters had forecast factory orders diving 14% in April. Factory orders fell 8.0% YoY in April. But the slump in manufacturing, which accounts for 11% of US economic activity, probably is close to bottoming. The Institute for Supply Management reported on Monday that its measure of national factory activity eased from an 11-year low in May. The sector remains hobbled by supply chain disruptions following business closures around the globe to slow the spread of COVID-19. Social distancing measures at factories as they reopen are also hurting production. Cheaper crude oil, which has eroded profits in the energy sector, is also weighing on manufacturers of drilling equipment. Unfilled orders at factories dropped 1.6% in April after falling 2.1% in March. Inventories at factories slipped 0.4% in April, while shipments of manufactured goods plummeted 13.5%. Transportation equipment orders collapsed 48.3% in April after plunging 43.2% in the prior month. There were no civilian aircraft orders, while bookings for motor vehicles and parts tumbled 29.3%. Machinery orders fell 7.2% in April. (Reuters)
- **US Senate passes bill lengthening coronavirus small-business loan terms –** The US Senate unanimously approved legislation on Wednesday giving small businesses up to 24 weeks to use Paycheck Protection Program loans created during the coronavirus pandemic, up from the current eight-week deadline. The legislation, already passed by the House of Representatives, now goes to President Donald Trump to sign into law. The program was created in March to support small businesses during the pandemic and encourage them to retain their employees. Under the PPP program, loans for restaurants, hotels and other small businesses would convert into federal grants if recipients adhere to a set of conditions, including spending the loan amount within the required time. Democratic Senator Ben Cardin said that Washington had so far handed out 4.4mn forgivable loans valued at a total of $510bn (405.2bn Pounds). He called it a “lifeline” for businesses struggling during the pandemic. He said gyms, caterers, museums and other small businesses had been particularly hobbled by the eight-week requirement for using the loans and needed more time to carry out the terms of the loans. A total of $659bn has been provided by Congress for the loan program, which is part of broader coronavirus emergency aid totaling around $3tn so far. (Reuters)
- **PMI: UK economy still shrinking but pace of decline eases –** Britain’s economy remained in a severe downturn in May although the pace of the slump moderated from April’s crash and some companies benefited from the easing of coronavirus

lockdowns around the world, a survey showed on Wednesday. The IHS Markit Purchasing Managers' Index (PMI) combining Britain's huge services sector and manufacturing rose to 30.0 from 13.8 in April, up from a preliminary May reading of 28.9. The index for services alone was also slightly higher than the preliminary figure but at 29.0 it was the second-weakest on record after April's crash to 13.4. Companies lost orders as clients slashed spending. Expectations rose modestly for a second month from March's low. But businesses dealing face-to-face with customers were extremely concerned that social distancing measures would hold them back and push up costs. (Reuters)

- **European business slump eased in May, long road to recovery –** Eurozone businesses suffered another devastating contraction in activity in May and while there are signs the worst is over, it could be months before there is a return to growth, a survey showed on Wednesday. Governments across the 19 countries that use the euro have gradually started to lift tough lockdown measures imposed to contain the spread of the novel coronavirus which has infected nearly 6.4m people and killed over 379,000. But with citizens — many of whom are facing threats to their incomes as well as their health — encouraged to stay at home, and swathes of businesses still shuttered, IHS Markit's May Final Composite Purchasing Managers' Index (PMI) painted a gloomy picture. Although the headline index jumped to 31.9 from April's 13.6 — by far the lowest reading since the survey began in mid-1998 — it was a long way from the 50 mark separating growth from contraction. The flash estimate was 30.5. (Reuters)
- **ECB prepares more aid for virus-stricken Eurozone –** The European Central Bank is certain to give the ailing Eurozone economy another shot in the arm and the only question is the timing, with arguments split between a move on Thursday and holding out until July. As a coronavirus-induced recession runs deeper and longer than expected, governments are running record deficits to cushion the impact, putting a greater burden on the ECB to soak up this new debt and keep borrowing costs manageable. The ECB has made it clear it will do its part and the severity of the recession argues for earlier action. But a still-elusive political deal on European Union-wide fiscal support strengthens the case for patience. "Arguments for and against scaling up the stimulus are finely balanced," Berenberg economist Holger Schmieding said. "On balance, we see a 60% probability that the ECB will raise its asset purchase target on Thursday, probably by 500bn Euros (446.8bn Pounds)." Interest rates are almost certain to stay unchanged as the ECB's minus 0.5% deposit rate is already at a record low and many policymakers feel further moves would be counterproductive. The German Constitutional Court's recent ruling that the ECB has exceeded its mandate and the Bundesbank must quit a key bond purchase scheme, may add to the case for acting earlier. Defying the ruling, the ECB said the German court lacks jurisdiction over its policy decisions. A big move on Thursday could ease fears that a domestic court, even in the bloc's biggest economy, might constrain one of the 19-country Eurozone's most powerful institutions. (Reuters)
- **Coronavirus is not high threat to workers, EU says, causing outcry –** The European Commission classified the new coronavirus as a mid-level threat to workers, drawing criticism from socialist lawmakers because the move will allow less stringent workplace safety measures than if the virus was deemed a high risk. The decision has wide economic and health implications as it could affect companies' costs in restarting business activity and have an impact on workers' safety. The Commission, the EU's executive arm, classified the new coronavirus as a level-3 hazard on a four-step risk list on which level 4 is the highest. Under EU rules, a level-3 virus "can cause severe human disease and present a serious hazard to workers; it may present a risk of spreading to the community, but there is usually effective prophylaxis or treatment available". Level-4 biological agents pose a "high risk" of infection with no prophylaxis or treatment available. There is currently no treatment to prevent or cure COVID-19, the disease caused by the new coronavirus, which has killed nearly 380,000 people worldwide, according to a Reuters tally. A spokeswoman for the European Commission said several criteria are used to classify biological hazards and none of them has more weight than others. "The existence or absence of prophylaxis cannot be considered as a standalone criterion," the spokeswoman said. The decision followed consultations with scientists and with the World Health Organization, and it was supported by experts from the 27 EU states, based on the most recent data on the epidemic, she added. (Reuters)
- **PMI: Germany's services sector activity improves in May, outlook still bleak –** Activity in Germany's services sector declined at a slower pace in May after a record contraction the previous month as restrictions to contain the coronavirus were lifted, a survey showed on Wednesday. IHS Markit's final services Purchasing Managers' Index (PMI) rose to 32.6 from 16.2 in April, higher than a flash reading of 31.4. The composite PMI index, which covers both the services and manufacturing sectors, rose to 32.3 from 17.4 in April. That was higher than a flash figure of 31.4. The slower decline in activity did not stop companies from remaining downbeat about the outlook, as new business fell sharply in May, albeit at a slower pace than in the previous month. The travel, restaurant and entertainment sectors have been hit hard by lockdown measures that were introduced in March and which lasted well into April. Even though restaurants, hotels, fitness studios and some entertainment venues have been allowed to reopen under restrictions, economists say a return to pre-crisis levels of business will be slow. The government expects the economy to shrink by 6.3% this year, the deepest recession since World War Two, even though an unprecedented rescue package is cushioning the impact of the pandemic. (Reuters)
- **Germany to lift travel ban in Europe from June 15 –** Germany will lift a travel ban for European Union member states plus Britain, Iceland, Norway, Liechtenstein and Switzerland from 15 June as long as there are no entry bans or large-scale lockdowns in those countries, the foreign minister said. Speaking to reporters after a cabinet meeting on Wednesday, Heiko Maas said all countries concerned met those criteria except Norway due to an entry ban and Spain, where he said parliament was deciding whether to extend an entry ban. Maas said the travel warning would be replaced with guidelines, adding that Germans would be urged not to travel to Britain when not essential while a 14-day quarantine in place. "Travel

advice is not an invitation to travel - and we want to make clear that the travel guidelines may also strongly discourage travel, for example to Britain as long as there is a 14-day quarantine for all those arriving there," Maas said. "We will continue to make the lifting of the travel warning dependent on how the situation on the ground develops," he said, adding new warnings could be issued if a country records more than 50 newly infected people per 100,000 over seven days. Matthias von Randow, Chief Executive of the German Air Transport Association (BDL), welcomed the government's decision to lift the blanket warning, introduced for travel worldwide in mid-March, as "sensible and proportionate". (Reuters)

- **Coronavirus pushes up German unemployment, short-time work –** The coronavirus pandemic further hit Germany's labor market in May as companies continued to slash thousands of jobs and put millions of employees on reduced working hours, data showed on Wednesday. The bleak figures, published by the Labor Office, came as Chancellor Angela Merkel's ruling coalition wrestled over the final details of a stimulus package to help firms and employees in Europe's largest economy recover quickly from the crisis. The number of people out of work in May rose by 238,000 to 2.875mn in seasonally adjusted terms, the data showed. A Reuters poll had predicted a rise of 200,000. The unemployment rate jumped to 6.3% from 5.8% in April. "The labor market remains under immense pressure due to the coronavirus pandemic," Labor Office head Detlef Scheele said. But he added that unemployment did not rise as much as in April. Companies logged requests to put 1.06mn people on reduced working hours under the government's Kurzarbeit short-time working scheme from May 1 to May 27, the office said. That was in addition to requests for 10.66mn people made in March and April combined, the labor office said, adding that this did not, however, mean that all of those people would actually end up on the scheme. (Reuters)
- **PMI: French service activity pulls back from the brink in May –** French service sector activity improved more than initially thought in May as the country began emerging from a nationwide coronavirus lockdown, although it remained at depressed levels, a monthly survey showed on Wednesday. Data compiler IHS Markit said its Purchasing Managers' Index (PMI) for the sector rose to 31.1 from a record low of 10.2 in April, when France was in the depths of the lockdown. The result was better than the 29.4 IHS Markit had flagged in an initial reading but remained far below the 50-point threshold demarcating an expansion in activity from a contraction. France entered one of Europe's most stringent lockdowns in mid-March and restrictions remained in place until May 11, with cafes and restaurants only allowed to open for regular business on Tuesday. The improvement in services helped lift the overall PMI, including already published data from the manufacturing sector. The composite PMI rose to 32.1 from 11.1, topping the 30.5 initially reported. (Reuters)
- **Japan's factory, retail sectors slump as pandemic hits auto sector –** Japan's factory output slid faster-than-expected and retail sales tumbled the most in more than two decades in April, as the coronavirus pandemic wrecked both foreign and domestic demand for the country's autos and other manufactured goods. The bad numbers suggest the recession seen in the world's third-largest economy over the six months to March is likely to deepen in the current quarter as government-imposed lockdowns disrupted supply chains and kept consumers shut in at home. Official data on Friday showed factory output slipped 9.1% in April from the previous month, the biggest drop since comparable data became available in 2013 as automakers and iron and steel manufacturers suffered sharp declines. That was a much larger decline than the 5.1% drop in a Reuters forecast. Automaker production fell by a third from the previous month. That led the government to downgrade its description of overall production to "decreasing rapidly" for the first time since November 2008, from just "decreasing" previously. Separate data showed retail sales tumbled at their fastest pace since March 1998 as the nationwide state of emergency led service-sector businesses such as restaurants to close. Retail sales plunged 13.7% in April from a year earlier, heavily weighed by slumping demand for general merchandise, clothing and vehicles. The gloomy data comes after Japan's economy fell into recession for the first time in 4-1/2 years in the first quarter. The government this week lifted the state of emergency and approved a second $1.1tn stimulus package, bringing the total pledged to save the economy from the pandemic to $2.2tn. (Reuters)
- **Japan's low unemployment rate conceals deeper labor market pain –** Japan's labor market in April appeared to be weathering a severe slowdown in economic activity due to the coronavirus pandemic, but a closer look at official data released on Friday revealed a less rosy picture. Japan's jobless rate rose to 2.6% in April from 2.5% in the previous month, a far cry from the 14.7% in the US in April, a post-World War Two record, and the 7.7% in the Eurozone in March. But economists say the small rise in the official unemployment rate masks the full extent of the pain. Analysts fear rises in the jobless rate could put the brakes on personal consumption in Japan and delay a recovery of the world's third-largest economy, which already slipped into recession in the first quarter. Among those categorized as employed, those on furlough more than tripled to 4.2mn in April from the previous month. Although many furloughed workers will eventually go back to their jobs, their inclusion in April's unemployment figures would indicate a rate of 11.4%, Dai-ichi Life Research Institute said. Friday's data also showed the number of workers fell by a seasonally adjusted 1.07mn in April from the previous month, the largest drop since a 1.13mn decline in January 1963, a Ministry of Internal Affairs and Communications official said. (Reuters)
- **PMI: India's services sector slump stretched into May –** India's enormous services industry endured another month of devastating contraction in May as the coronavirus brought activity to a near halt, causing steep job losses and cementing fears of a deep recession, a survey showed on Wednesday. Although the Nikkei/IHS Markit Services Purchasing Managers' Index crawled up to 12.6 in May from April's all-time low of 5.4 it remained a long way from the 50-mark separating growth from contraction. It was just below 50 in March. The last time it contracted for three consecutive months was from November 2016 following the ban of high-value currency notes, which severely hurt consumption. The lockdown of India's 1.3bn people, which started on March 25, has been extended in some areas until the end of June as domestic coronavirus cases

reported approached 200,000 with more than 5,500 deaths recorded. "Given the stringency of the lockdown measures imposed in India, it is no surprise to see the severity of the declines in April and May," Joe Hayes, an economist at IHS Markit, said in a release. "Demand for services, both domestically and overseas, continued to plummet in May as clients' businesses remained closed and footfall remains drastically below normal levels." Although slightly improved from April sub-indexes tracking domestic and foreign demand remained perilously close to zero, leading firms to reduce their workforce at the second sharpest pace since the survey began late 2005. It has only been faster in April. The outlook gave little hope for an imminent turnaround with firms reporting record low levels of confidence about the next 12 months. (Reuters)

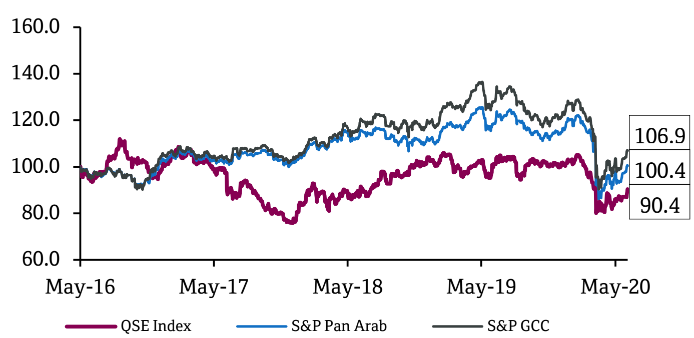
Regional

- **Gulf OPEC members not planning additional voluntary oil cuts beyond June –** Gulf OPEC producers Saudi Arabia, Kuwait and the UAE have no plans to extend beyond June their voluntary additional oil cuts of 1.18mn bpd, two sources said on Wednesday. OPEC+, agreed to reduce output by about 9.7mn bpd in May and June to help shore up prices as coronavirus-related lockdowns crippled demand. In addition, Saudi Arabia, Kuwait and the UAE pledged to cut by an extra 1.18mn bpd in June. "There are not discussions about extending those deeper cuts now," one source said. (Reuters)
- **OPEC+ keen to keep US shale in check as oil prices rally –** When OPEC, Russia and their allies agreed in April to slash oil production, little did they expect that their initiative to prop up collapsing prices would be helped by a swift drop in US output. Now that crude has rallied on the back of those cuts from below $20 a barrel to $40 or more, the group known as OPEC+ faces a fresh challenge: stopping US shale production delivering another surprise by recovering equally quickly. "The plan is to stick to prices of $40-$50 per barrel because as soon as they rise any further to say $70 per barrel it encourages too much oil production, including US shale," said a Russian source familiar with OPEC+ talks on the issue. OPEC+ sources told Reuters on Wednesday that Russia and Saudi Arabia had reached a compromise to extend into July the group's existing output cuts of 9.7mn bpd, the equivalent of 10% of global output. Those deep cuts had been due to be implemented in just May and June, before curbs were to be slowly eased. Concerns about a resurgence of US shale, which is already showing signs of revival, was one reason Moscow and Russia only backed prolonging cuts into July rather than agreeing a longer extension, two sources briefed on OPEC+ talks said. (Reuters)
- **Saudi, Russia agree oil cuts extension, raise pressure for compliance –** OPEC leader Saudi Arabia and non-OPEC Russia have agreed a preliminary deal to extend existing record oil output cuts by one month while raising pressure on countries with poor compliance to deepen their cuts, OPEC+ sources told Reuters. However, there was no agreement yet on whether to hold an OPEC+ output policy meeting on Thursday with the main obstacle being how to deal with countries that have failed to make the deep supply cuts required under the existing pact, the sources said. OPEC+ agreed to cut output by a record 9.7mn bpd, or about 10% of global output, in May and June to lift prices battered by plunging demand linked to lockdown measures aimed at stopping the spread of the coronavirus. Rather than easing output cuts in July, OPEC and its allies, a group known as OPEC+, were discussing keeping those cuts beyond June. "Saudi Arabia and Russia are aligned on the extension for one month," one OPEC source said. "Any agreement on extending the cuts is conditional on countries who have not fully complied in May deepening their cuts in upcoming months to offset their overproduction," the sources said. The group also considered holding an online meeting on June 4 to discuss output policy, after Algeria, which holds the presidency of the OPEC, proposed bringing forward a meeting planned for June 9-10. (Reuters)
- **Saudi Arabia propose moving OPEC+ meeting to mid-June –** Saudi Arabia has proposed moving the next OPEC+ meeting to mid-June to allow for more time to review the output data for May, according to a delegate. The six secondary sources OPEC uses to assess production will be available by then, the delegate said. The proposal comes as Saudi Arabia and Russia are pressing OPEC laggards to comply with agreed production cuts. (Bloomberg)
- **Saudi Arabia's consumer spending dropped 35% in April –** Saudi Arabia's consumer spending dropped 35% in April, when a 24-hour lockdown to slow the spread of the coronavirus shuttered businesses and confined residents to their homes for more than two weeks, according to Bloomberg calculations. A combination of point-of-sales transactions and ATM withdrawals fell to SR56.7bn, the lowest since February 2012. The drop comes after an all-time high in consumer spending last year, when the oil-dependent economy began to recover from the crude price rout of 2014. (Bloomberg)
- **UAE to resume transit flights by some airlines –** The UAE government will resume transit flights by some national carrier airlines, according to the communications office. Etihad, Emirates, Fly Dubai and Air Arabia will be able to fly via Abu Dhabi, Dubai and Sharjah airports. Transit flights by national airlines will be allowed to operate, regular passengers' flights remain suspended until further notice. Limited flights operating to carry outbound passengers from the UAE. (Bloomberg)
- **Abu Dhabi to look at more debt sales to protect finances –** Oil-rich Abu Dhabi will consider raising more money via the bond markets to protect its finances from the impact of low oil prices, it said in a statement, after raising $10bn in bonds this year. Abu Dhabi's fiscal balance depends almost entirely on revenue from hydrocarbon royalties and taxes and dividends received from ADNOC, its national oil company. With the highest credit rating in the Gulf region, Abu Dhabi attracted strong demand from investors for its fundraising this year, which was split into a $7bn bond in April and a $3bn re-opening of the same deal last month. "The emirate's net asset position, which exceeds 200% of GDP despite the recent oil price decrease, ensures that Abu Dhabi continues to be in a strong position to leverage market windows," Abu Dhabi's department of finance said in the statement on Wednesday. "We will continue to leverage such windows as part of our mandate to safeguard the wealth of the Emirate," Chairman of the department, Jassim Mohammed Buatabh Al Zaabi said. Sources had told Reuters earlier this year that Abu Dhabi planned to engage global fixed income investors

on a more regular basis this year because of low oil prices. (Reuters)

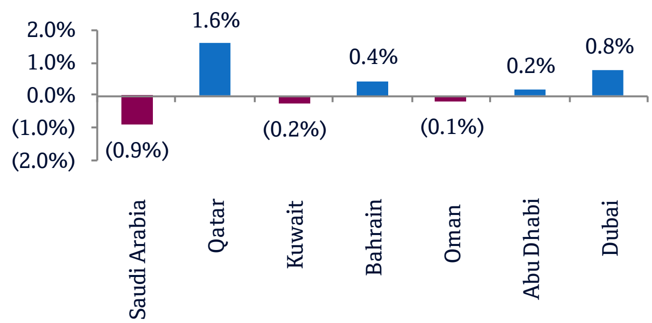
- **Wizz Air says expansion held back by COVID-19 but confident in long term –** Hungarian low-cost airline Wizz Air said its expansion plans would continue to be held back by coronavirus-related restrictions in its 2020-2021 financial year but it was confident on longer-term growth. The airline is sticking with its fleet expansion plan, meaning that it will have 9% more seats by March 2021, and its new Abu Dhabi joint venture will be bigger than it originally planned when it starts flights in October. “COVID-19 is a significant issue, making a significant impact on the industry, but at the same time, it is also creating quite some opportunities for us,” Wizz’s CEO, Jozsef Varadi said in an interview on Wednesday. The coronavirus pandemic has wiped out air travel, forcing airlines to make job cuts, shrink their fleets and ask for state bailouts to survive what they see will be a smaller market for years, but Wizz has fared better than many competitors. (Reuters)
- **Air Arabia lays off more staff due to COVID-19 impact –** Air Arabia, the only listed carrier in the UAE, has made further job cuts due to the business impact of COVID-19, a spokesman said. The Sharjah-based airline, which has about 2,000 employees, did not say how many employees had been affected. It laid off 57 employees in May. The latest job cuts were a “last alternative” after the airline took a series of steps in past months to protect jobs, the spokesman said, without elaborating. Air Arabia, like other airlines in the UAE, has operated few, limited services since grounding passenger flights in March. It is not clear when normal operations will resume. (Reuters)
- **Fitch affirms United Arab Bank's IDR at 'BBB+'; downgrades VR to 'B'; with a Stable outlook –** Fitch Ratings has affirmed United Arab Bank’s (UAB) Long-Term Issuer Default Rating (IDR) at 'BBB+' with a Stable Outlook and downgraded the Viability Rating (VR) to 'b' from 'b+'. Key Rating Drivers IDRS, Support Rating, Support Rating Floor and Senior Debt. UAB's Long- and Short-Term IDRs, Support Rating (SR) and Support Rating Floor (SRF) reflect a high probability of support available to the bank from the UAE authorities, if needed. Fitch's view of support factors in the sovereign's strong ability to support the banking system, sustained by its sovereign wealth funds and ongoing revenue mostly from hydrocarbon production, despite lower oil prices. Fitch also expects a high willingness of the UAE authorities to support the banking sector, which has been demonstrated by its long record of supporting domestic banks and is also suggested by close ties with and partial government ownership of some banks. UAB's SRF is two notches below the UAE domestic systemically important banks' SRF of 'A' due to Fitch's view that UAB is of moderate systemic importance based on its market share of below 1% of total UAE banking system assets at end-2019. Fitch has assigned Short-Term IDRs according to the mapping correspondence described in our rating criteria. A 'BBB+' Long-Term IDR can correspond to a Short-Term IDR of either 'F2' or 'F1'. In the case of UAB, it opted for 'F2', the lower of the two Short-Term IDR options. This is because a significant proportion of the UAE banking sector funding is related to the government and a stress scenario for banks is likely to come at a time when the sovereign itself is experiencing some form of stress. Fitch judges this "wrong-way" risk to be high in the UAE, and this is reflected in the Short-Term IDR, which primarily reflects issuers' liquidity and funding profiles. (Zawya)
- **Prime Minister: Kuwait needs to slash expatriate population to 30% –** Kuwait should reduce its expatriate population to 30% of the total from the current 70%, Prime Minister, Sheikh Sabah Al-Khalid Al-Sabah said, as the coronavirus pandemic and a slump in oil prices expose vulnerabilities in economic models across the Gulf. Foreigners account for nearly 3.4mn of Kuwait’s 4.8mn people, and that’s a “big imbalance, and we have a future challenge to redress this imbalance,” Sheikh Sabah told the top editors of local newspapers. Despite running one of the Gulf’s smallest crisis stimulus packages, top lender National Bank of Kuwait predicts the country’s shortfall will reach 40% of GDP in the fiscal year that started April 1, the most since the 1991 Gulf War and its aftermath. Most Gulf states are expected to run budget shortfalls of 15%-25% of economic output, leading to a build-up of debt, dwindling reserves, and tough choices. In his comments to leading editors, the Prime Minister restated that Kuwait had to diversify its economy away from its 90% dependence on oil. He also said two dozen companies had been referred to public prosecutors based on information they broke laws by trading in residency permits, a practice that illegally brings overseas workers into the country and transfers them between employers. (Bloomberg)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,699.67	(1.6)	(1.8)	12.0
Silver/Ounce	17.65	(2.3)	(1.2)	(1.1)
Crude Oil (Brent)/Barrel (FM Future)	39.79	0.6	12.6	(39.7)
Crude Oil (WTI)/Barrel (FM Future)	37.29	1.3	5.1	(38.9)
Natural Gas (Henry Hub)/MMBtu	1.84	16.5	8.2	(12.0)
LPG Propane (Arab Gulf)/Ton	50.00	0.8	7.0	21.2
LPG Butane (Arab Gulf)/Ton	52.50	5.0	11.1	(19.8)
Euro	1.12	0.6	1.2	0.2
Yen	108.90	0.2	1.0	0.3
GBP	1.26	0.2	1.9	(5.1)
CHF	1.04	0.1	0.0	0.7
AUD	0.69	0.3	3.8	(1.4)
USD Index	97.28	(0.4)	(1.1)	0.9
RUB	68.65	(0.1)	(2.1)	10.8
BRL	0.20	2.7	5.3	(20.7)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,222.54	1.6	3.5	(5.8)
DJ Industrial	26,269.89	2.0	3.5	(7.9)
S&P 500	3,122.87	1.4	2.6	(3.3)
NASDAQ 100	9,682.91	0.8	2.0	7.9
STOXX 600	368.92	3.1	6.6	(11.2)
DAX	12,487.36	4.5	9.1	(5.5)
FTSE 100	6,382.41	3.0	7.4	(19.7)
CAC 40	5,022.38	3.9	8.3	(15.9)
Nikkei	22,613.76	1.1	2.3	(4.4)
MSCI EM	988.02	2.1	6.2	(11.4)
SHANGHAI SE Composite	2,923.37	(0.1)	2.8	(6.2)
HANG SENG	24,325.62	1.4	6.0	(13.3)
BSE SENSEX	34,109.54	0.6	5.5	(21.8)
Bovespa	93,002.10	5.2	13.6	(36.3)
RTS	1,301.88	1.9	6.7	(15.9)

Source: Bloomberg (*$ adjusted returns)

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