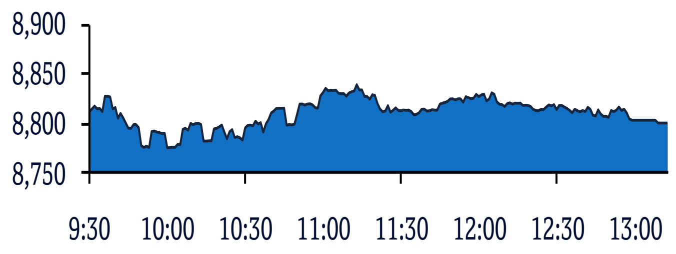
QNB FINANCIAL SERVICES

Daily Market Report

Wednesday, 20 May 2020

QSE Intra-Day Movement



Qatar Commentary

The QE Index rose 0.4% to close at 8,802.1. Gains were led by the Industrials and Consumer indices, gaining 2.1% and 0.6%, respectively. Top gainers were Qatari German Company for Medical Devices and Islamic Holding Group, rising 9.9% each. Among the top losers, Mannai Corporation fell 2.5%, while Baladna was down 2.3%.

GCC Commentary

Saudi Arabia: The TASI Index gained 1.8% to close at 7,044.6. Gains were led by the Energy and Retailing indices, rising 2.8% and 2.4%, respectively. Wafrah For Industry & Development and Saudi Fisheries were up 10.0% each.

Dubai: The DFM Index gained 0.6% to close at 1,931.2. The Transportation index rose 1.5%, while the Services index gained 1.1%. Gulf Navigation Holding rose 2.8%, while Aramex was up 2.6%.

Abu Dhabi: The ADX General Index gained 0.3% to close at 4,074.3. The Telecom. index rose 1.2%, while the Real Estate index gained 0.6%. Methaq Takaful Insurance rose 5.6%, while Abu Dhabi Commercial Bank was up 4.4%.

Kuwait: The Kuwait All Share Index gained 1.4% to close at 4,894.4. The Consumer Services index rose 2.0%, while the Banks index gained 1.8%. Kuwait National Cinema Company and Dar Al Thuraya Real Estate Company were up 9.9% each.

Oman: The MSM 30 Index fell 1.0% to close at 3,393.5. Losses were led by the Services and Financial indices, falling 2.0% and 1.0%, respectively. Sembcorp Salalah Power and Water Co declined 9.9%, while Phoenix Power was down 7.1%.

Bahrain: The BHB Index gained 0.2% to close at 1,257.0. The Commercial Banks index rose 0.8%, while the other indices ended flat or in red. GFH Financial Group rose 1.4%, while National Bank of Bahrain was up 1.3%.

Market Indicators	19 May 20	18 May 20	%Chg.
Value Traded (QR mn)	292.3	309.2	(5.5)
Exch. Market Cap. (QR mn)	499,034.9	495,578.3	0.7
Volume (mn)	147.0	144.2	1.9
Number of Transactions	10,820	10,662	1.5
Companies Traded	45	45	0.0
Market Breadth	32:11	21:22	–

Market Indices	Close	1D%	WTD%	YTD%	TTM P/E
Total Return	16,921.82	0.4	0.8	(11.8)	13.9
All Share Index	2,732.49	0.6	0.6	(11.8)	14.5
Banks	3,806.40	0.2	(0.1)	(9.8)	12.5
Industrials	2,481.43	2.1	3.4	(15.4)	19.7
Transportation	2,572.59	0.1	0.6	0.7	12.5
Real Estate	1,346.21	0.5	(0.3)	(14.0)	13.3
Insurance	2,020.76	0.2	0.6	(26.1)	33.7
Telecoms	834.01	(0.6)	0.2	(6.8)	14.0
Consumer	7,068.47	0.6	0.4	(18.2)	18.0
Al Rayan Islamic Index	3,508.61	0.9	0.9	(11.2)	16.1

GCC Top Gainers##	Exchange	Close#	1D%	Vol. '000	YTD%
Samba Financial Group	Saudi Arabia	22.78	4.9	2,708.8	(29.8)
Abu Dhabi Comm. Bank	Abu Dhabi	4.26	4.4	10,891.2	(46.2)
Mesaieed Petro. Holding	Qatar	2.02	4.1	5,282.7	(19.6)
Arab National Bank	Saudi Arabia	19.00	3.8	510.5	(30.7)
Saudi Arabian Mining Co.	Saudi Arabia	34.40	3.8	807.1	(22.5)

GCC Top Losers##	Exchange	Close#	1D%	Vol. '000	YTD%
Sembcorp Salalah Power.	Oman	0.10	(9.9)	804.8	(25.9)
HSBC Bank Oman	Oman	0.09	(5.5)	262.5	(28.9)
Bank Sohar	Oman	0.08	(2.5)	50.0	(27.0)
Saudi Industrial Inv.	Saudi Arabia	18.74	(2.2)	722.1	(21.9)
Ahli Bank	Oman	0.12	(1.7)	76.6	(6.3)

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	1.06	9.9	13,070.2	82.3
Islamic Holding Group	2.13	9.9	3,090.0	11.9
Dlala Brokerage & Inv. Holding Co.	0.67	9.3	2,430.3	9.3
Qatar Cinema & Film Distribution	2.80	7.7	2.0	27.2
Mesaieed Petrochemical Holding	2.02	4.1	5,282.7	(19.6)

QSE Top Losers	Close*	1D%	Vol. '000	YTD%
Mannai Corporation	3.00	(2.5)	21.7	(2.6)
Baladna	1.21	(2.3)	10,485.8	20.6
Qatar Oman Investment Co.	0.56	(2.1)	9,871.3	(16.3)
Qatar Islamic Bank	15.07	(1.5)	614.4	(1.7)
Investment Holding Group	0.45	(1.3)	2,290.2	(21.1)

QSE Top Volume Trades	Close*	1D%	Vol. '000	YTD%
Salam International Inv. Ltd.	0.31	1.3	15,941.3	(40.4)
Aamal Company	0.67	1.8	15,780.6	(17.6)
Qatari German Co for Med. Devices	1.06	9.9	13,070.2	82.3
Baladna	1.21	(2.3)	10,485.8	20.6
Qatar Aluminium Manufacturing	0.65	2.2	10,099.0	(16.5)

QSE Top Value Trades	Close*	1D%	Val. '000	YTD%
QNB Group	17.10	0.6	63,451.1	(16.9)
Masraf Al Rayan	3.78	0.7	25,973.8	(4.5)
Qatari German Co for Med. Dev.	1.06	9.9	13,041.9	82.3
Baladna	1.21	(2.3)	12,831.8	20.6
Industries Qatar	8.06	1.9	10,832.6	(21.6)

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*	8,802.14	0.4	0.8	0.4	(15.6)	79.84	136,086.8	13.9	1.4	4.5
Dubai	1,931.18	0.6	1.9	(4.7)	(30.2)	61.29	77,120.9	7.5	0.7	5.0
Abu Dhabi	4,074.30	0.3	0.2	(3.7)	(19.7)	43.64	123,499.2	12.2	1.2	6.3
Saudi Arabia	7,044.56	1.8	4.9	(1.0)	(16.0)	1,448.07	2,160,428.7	21.2	1.7	3.6
Kuwait	4,894.35	1.4	4.2	(1.6)	(22.1)	129.93	88,921.5	13.7	1.1	4.3
Oman	3,393.50	(1.0)	(0.8)	(4.1)	(14.8)	1.62	14,839.3	8.8	0.7	7.1
Bahrain	1,257.02	0.2	1.3	(4.1)	(21.9)	2.62	19,330.0	8.9	0.8	5.6

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 0.4% to close at 8,802.1. The Industrials and Consumer indices led the gains. The index rose on the back of buying support from Qatari and GCC shareholders despite selling pressure from non-Qatari shareholders.
- Qatari German Company for Medical Devices and Islamic Holding Group were the top gainers, rising 9.9% each. Among the top losers, Mannai Corporation fell 2.5%, while Baladna was down 2.3%.
- Volume of shares traded on Tuesday rose by 1.9% to 147.0mn from 144.2mn on Monday. However, as compared to the 30-day moving average of 204.3mn, volume for the day was 28.1% lower. Salam International Investment Limited and Aamal Company were the most active stocks, contributing 10.8% and 10.7% to the total volume, respectively.

Overall Activity	Buy %*	Sell %*	Net (QR)
Qatari Individuals	29.44%	30.02%	(1,677,684.95)
Qatari Institutions	28.12%	22.54%	16,322,890.14
Qatari	**57.56%**	**52.56%**	**14,645,205.19**
GCC Individuals	1.28%	1.99%	(2,053,880.79)
GCC Institutions	2.19%	0.39%	5,261,734.36
GCC	**3.47%**	**2.38%**	**3,207,853.57**
Non-Qatari Individuals	12.31%	10.86%	4,215,595.57
Non-Qatari Institutions	26.66%	34.21%	(22,068,654.34)
Non-Qatari	**38.97%**	**45.07%**	**(17,853,058.76)**

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

Ratings, Earnings Releases and Global Economic Data

Ratings Updates

Company	Agency	Market	Type*	Old Rating	New Rating	Rating Change	Outlook	Outlook Change
QNB Group	Capital Intelligence	Qatar	LT-FCR/ST-FCR/BSR/CFS/ESL	AA-/A1+/a/a-/Very High	AA-/A1+/a/a-/Very High	–	Stable	–

Source: News reports, Bloomberg (* LT – Long Term, ST – Short Term, FCR – Foreign Currency Rating, BSR – Bank Standalone Rating, CFS – Core Financial Strength, ESL – Extraordinary Support Level)

Earnings Releases

Company	Market	Currency	Revenue (mn) 1Q2020	% Change YoY	Operating Profit (mn) 1Q2020	% Change YoY	Net Profit (mn) 1Q2020	% Change YoY
Electrical Industries Co.#	Saudi Arabia	SR	139,495.0	31.4%	5.6	-99.6%	0.8	N/A
Dallah Healthcare Co.	Saudi Arabia	SR	314.6	-2.0%	26.4	-35.9%	19.2	-45.5%
Al Jouf Agricultural Dev. Co.	Saudi Arabia	SR	46.1	-7.1%	11.8	56.4%	6.5	0.2%
Dubai National Ins. & Reinsurance	Dubai	AED	96.9	3.3%	–	–	26.7	2.5%
Emirates Insurance Co.	Abu Dhabi	AED	346.3	0.7%	–	–	0.7	-98.8%

Source: Company data, DFM, ADX, MSM, TASI, BHB. (# – Values in Thousands)

Global Economic Data

Date	Market	Source	Indicator	Period	Actual	Consensus	Previous
05/19	Japan	Ministry of Economy Trade and Industry	Industrial Production MoM	Mar	-3.70%	–	-3.70%
05/19	Japan	Ministry of Economy Trade and Industry	Industrial Production YoY	Mar	-5.20%	–	-5.20%
05/19	Japan	Ministry of Economy Trade and Industry	Capacity Utilization MoM	Mar	-3.60%	–	-1.80%

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

News

Qatar

- **QSE announces Eid Al Fitr holidays for 2020 –** Based on the instructions received from the Qatar Financial Markets Authority (QFMA), Qatar Stock Exchange (QSE) announced the Eid Al-Fitr Holidays starting from May 24, 2020 until May 28, 2020. The market will resume work on May 31, 2020. (QSE)
- **Al Rayan Qatar ETF to pay cash dividend of QR0.09 per unit –** Al Rayan Investment LLC (ARI), pursuant to its authority as Fund Manager, announced a cash dividend distribution of QR0.09 per unit for Al Rayan Qatar ETF (QATR), an exchange-traded fund founded by Masraf Al Rayan (MARK). QATR unit holders, at the close of June 2, 2020 (Record Date) and based on records of the Qatar Central Securities Depository (QCSD), will be entitled to receive the cash dividend. The dividend will be paid from June 7, 2020, onwards. The unit holders, who have registered their bank accounts with the QCSD, will have dividends deposited to these accounts. Unit holders, who have not registered their bank accounts with the QCSD, may collect dividends from a Masraf Al Rayan branch from Sunday June 7, 2020 onwards. Due to ongoing COVID-19 restrictions, investors are advised to check branch availability of Masraf Al Rayan by calling +974 4425 3333. (QSE)
- **Capital Intelligence affirms QNB Group's ratings; outlook remains 'Stable' –** Capital Intelligence (CI), an international rating agency, has affirmed the long-term foreign currency rating (LT FCR) and short-term foreign currency rating (ST FCR) of QNB Group at 'AA-' and 'A1+', respectively. At the same time, CI has affirmed QNB Group's bank standalone rating (BSR) of 'a', core financial strength (CFS) rating of 'a-' and extraordinary support level (ESL) of 'very high'. The outlook for all ratings remains 'Stable'. The bank's LT FCR is set three notches above the BSR to reflect the very high likelihood of extraordinary support from the government in case of need. This is based on the government's strong track record of support for Qatari banks. The government's financial capacity to support the bank is also considered as strong given Qatar's sovereign rating ('AA-'/stable). As QNB Group is by far the largest bank in the system with more than half of sector assets, with the government as the major shareholder and the status as a 'national bank', the probability of government support in the event of need is extremely high, CI said. QNB Group's BSR is based on a CFS rating of 'a-' and an operating environment risk anchor (Opera) of 'bbb'. The CFS is supported by the bank's financial credit strengths of good asset quality, very strong capitalization, and good profitability at both the operating and net levels. QNB Group's overall good asset quality is reflected in low non-performing loans (NPLs), high and rising loan loss reserve coverage, and high extended NPL coverage ratios. QNB Group is well capitalized with strong capital adequacy and T1 (Tier-1) ratios and its profitability remains strong, consistent, and relying on stable sources of income, supported by very good cost efficiency. The ratings are also supported by a series of non-financial factors with domestic franchise being key strength. QNB Group's size means a dominant share of both loans and customer deposits. The lender has much more international reach than other Qatari banks. "Being a very large bank in what is a relatively small market also limits QNB Group's opportunities for domestic growth in both loans and deposits; going international has therefore been a necessity and it is likely that future growth will largely come from abroad," CI said. Although the two most important presences are via the Egyptian and Turkish subsidiaries, QNB Group also has a wide network of foreign branches and associates, adding diversification to both the loan portfolio and the funding base, it noted. (Gulf-Times.com)
- **Moody's downgrades Al Rayan Bank's long-term deposit ratings to 'A1', outlook 'Stable' –** Moody's Investors Service, (Moody's) downgraded Al Rayan Bank PLC's (ARB) long-term deposit ratings to 'A1' from 'Aa3', its long-term Counterparty Risk Assessment to 'Aa3(cr)' from 'Aa2(cr)', its long-term Counterparty Risk Ratings (CRRs) to 'Aa3' from 'Aa2' and its Adjusted Baseline Credit Assessment (BCA) to 'baa2' from 'a2'. At the same time, Moody's affirmed ARB's 'baa2' BCA. The outlook on the bank's long-term deposit ratings remain 'Stable'. The rating action reflects changes in ARB's liability structure resulting in higher loss-given-failure, partly offset by a very high probability of support from the Government of Qatar (Aa3, Stable). (Moody's)
- **CRA: Qatar telecom sector capex tops QR1bn annually since 2015 –** Investments and capital expenditure (capex) by the telecom sector have been higher than QR1bn in the last five years and increased considerably in 2019, the Communications Regulatory Authority (CRA) has said in a report. Retail telecom sector investments last year amounted to QR1.7bn and it earned revenue of QR9.7bn. Telecom sector revenue has remained at about QR10bn since 2015. A CRA snapshot showed that the mobile telephone subscriptions in Qatar stood at 3.9mn, while fixed voice and broadband subscriptions at 0.5mn in 2019. The number of subscriptions has remained stable since 1Q2017, indicating a mature market, the CRA noted. Postpaid subscriptions have increased from 16% to 25%, also a sign of a maturing market. Mobile telephone penetration stood at 143% while mobile broadband penetration was at 129% as of December 2019. National mobile voice traffic has displayed stability while national data traffic has grown substantially, it said. In its report, the CRA said, "The number of subscriptions to fixed voice and broadband presents a picture of solid usage of fixed voice and broadband in Qatar. Fiber is by far the most prevalent technology for fixed broadband in Qatar." According to the CRA, speeds have continuously been upgraded in Qatar. The high prevalence of fiber has supported the substantial speed upgrades. Nearly 86% of the fixed broadband subscriptions are with advertised speeds of 30 Mbps or more. CRA's President, Mohamed Ali Al-Mannai said, "The report indicates that the market is maturing. I would like to thank the telecom service providers for their efforts in adopting new technologies and modernizing their network, improving and diversifying the services that they provide to their customers, and contributing to the development of the economy in Qatar." (Gulf-Times.com)

- **QCB announces Eid Al Fitr holiday –** Qatar Central Bank (QCB) on Tuesday announced that the Eid Al Fitr holiday for the current year for all financial institutions in the country including banks, currency exchanges, insurance companies, finance, investment, and financial consultants will start from May 24 (Sunday) and will end on May 28 (Thursday) provided that all financial institutions return to work on May 31 (Sunday). The bank said in a circular that all financial institutions operating in the state must fully close all its branches during the vacation period. (Qatar Tribune)

International

- **World Economic Forum report: Long-lasting global recession likely due to COVID-19 –** Risk managers expect a prolonged global recession as a result of the coronavirus pandemic, a report by the World Economic Forum showed on Tuesday. Two-thirds of the 347 respondents to the survey - carried out in response to the outbreak - put a lengthy contraction in the global economy top of their list of concerns for the next 18 months. Half of risk managers expected bankruptcies and industry consolidation, the failure of industries to recover and high levels of unemployment, particularly among the young. "The crisis has devastated lives and livelihoods. It has triggered an economic crisis with far-reaching implications and revealed the inadequacies of the past," said World Economic Forum, Managing Director, Saadia Zahidi. Environmental goals risk being discarded as a result of the pandemic, the report said, but governments should try to carve out a "green recovery". "We now have a unique opportunity to use this crisis to do things differently and build back better economies that are more sustainable, resilient and inclusive," Zahidi said. The report was compiled by the World Economic Forum's Global Risks Advisory Board together with Marsh & McLennan Companies Inc and Zurich Insurance Group. Risk managers were surveyed between April 1 and 13. (Reuters)
- **Powell, Mnuchin to face Senate grilling on US coronavirus response –** The US government's handling of its massive economic response to the coronavirus pandemic will come under scrutiny on Tuesday as Treasury Secretary Steven Mnuchin and Federal Reserve Chair Jerome Powell testify before the Senate Banking Committee. Senators are expected to grill Mnuchin and Powell about actions still needed to keep the world's largest economy afloat and about missteps in rolling out some $3tn in aid so far. As more states reopen businesses, the government is closing in on the end of an eight-week program to funnel money to small businesses to avoid layoffs, prompting calls to extend the $660bn Paycheck Protection Program. President Donald Trump said on Monday that such an extension "should be easy." Other programs aimed at helping larger companies and municipal bond issuers through a sharp recession are just getting started and Powell and Mnuchin may provide details on their application. Powell said in prepared remarks for the hearing released on Monday that the Coronavirus Aid, Relief and Economic Security (CARES) Act was "critical" to the US central bank's ability to expand credit throughout the economy to offset the economic blow from the coronavirus. In remarks broadcast on Sunday night, Powell said unemployment may hit 25% before it begins to fall, with a contraction in gross domestic product of 20% or more. He added that positive "medical metrics" that can build consumer confidence would be critical to economic recovery. Senators are also likely to try to elicit the two officials' views on another $3tn aid bill crafted by House of Representatives Democrats that narrowly passed that chamber on Friday. The measure is opposed by Senate Republicans as negotiations continue between the two parties and the Trump administration. (Reuters)
- **CBO: US economy will not reclaim all of its lost ground until after 2021 –** The US economy should bounce back sharply in the third quarter after its deep coronavirus-related collapse, but it will not fully retake recover lost ground until sometime after next year, the non-partisan Congressional Budget Office said on Tuesday. In an updated economic forecast, the CBO projected the economy would contract at a 37.7% annual rate in the second quarter, but expand at a 21.5% pace in the July-September period. Even so, US GDP will not return to its heights from the start of this year within the forecast period that runs through the end of 2021, the agency predicted. With much of the nation shut down to halt the spread of the novel coronavirus, the economy has taken its biggest hit since the Great Depression of the 1930s. A staggering 20.5mn people lost their jobs in April, as the unemployment rate jumped to 14.7%, a post-World War Two record, from 4.4% in March. The CBO said it expected the jobless rate would hit a peak in the third quarter and projected it would average 15.8%. While it forecast a steady decline from there, it cautioned that the recovery would be prolonged. (Reuters)
- **Coronavirus hammers US homebuilding; permits tumble –** US homebuilding dropped by the most on record in April and permits for future construction tumbled, underlining fears that the coronavirus crisis would lead to the deepest economic contraction in the second quarter since the Great Depression. The report from the Commerce Department on Tuesday added to dismal data this month showing a staggering loss of 20.5mn jobs. In addition to a collapse in retail sales and manufacturing production, the data suggests that April was probably the worst month so far in the current economic downturn. Housing starts tumbled 30.2% to a seasonally adjusted annual rate of 891,000 units last month, the lowest level since early 2015. The percentage decline was the biggest since the government started tracking the series in 1959. Starts dropped 18.6% in March. Economists polled by Reuters had forecast housing starts would fall to a pace of 927,000 units in April. Homebuilding fell in all four regions last month. Housing starts plunged 29.7% on a year-on-year basis in April. Though many states considered homebuilding as essential when they enforced lockdown orders in mid-March to curb the spread of COVID-19, the respiratory illness caused by the coronavirus, disruptions to building material supply chains likely weighed on activity in the last couple of months. As the country gradually reopens, there are indications the worst of the homebuilding slump is likely over. A survey on Monday showed an increase in homebuilder confidence in May. With at least 21.4mn people having lost their jobs in March and April, however, the housing market could remain subdued for a while even with mortgage rates near record lows. (Reuters)
- **UK jobless claims jump to highest since 1996 as COVID hits –** The number of people claiming unemployment benefits in Britain leapt in April to its highest level in nearly 24 years and the coronavirus hit to jobs is set to deepen in the coming months.

The claimant count rose by 856,500 - the biggest ever month-on-month jump - to 2.1mn, a 69% increase from March, data published on Tuesday showed. It was the highest level since July 1996, when Britain's economy was still recovering from a deep recession caused by its failed bid to stay in the European Exchange Rate Mechanism. April's surge would have been even sharper without an emergency government program to pay 80% of the wages of 8 million employees - or about one-in-four workers - put on temporary leave, who are not counted as unemployed. Finance Minister Rishi Sunak said there would be no immediate bounce-back in the economy, even when the government's coronavirus shutdown is lifted. Britain's work and pensions minister, Therese Coffey, said unemployment would increase significantly. Recent welfare changes meant the claimant count number included more working people who had suffered a big drop in earnings. But the surge in claims showed the scale of the hit to the labor market. "While only covering the first weeks of restrictions, our figures show COVID-19 is having a major impact on the labor market," Jonathan Athow, deputy national statistician at the Office for National Statistics, said. (Reuters)

- **UK sets out post-Brexit tariffs to underpin trade talks –** The UK announced a new post-Brexit tariff regime on Tuesday to give it leverage in trade talks, maintaining the European Union's (EU) 10% duty on cars but cutting levies on tens of billions of dollars of supply chain imports. The new tariff regime, which would come into effect from January 2021, aims to simplify what some UK officials call an overly complex EU system and help Britain negotiate trade deals with the US, the Brussels-based bloc and others. But it will mean that if Britain and the EU fail to reach a free trade deal by the end of the year, the price of some food, cars and some chemical inputs imported from the bloc would rise sharply. Britain said the regime would apply to countries with which it has no agreement and removes all tariffs below 2%. "Our new Global Tariff will benefit UK consumers and households by cutting red tape and reducing the cost of thousands of everyday products," International Trade Secretary Liz Truss said. It will maintain tariffs on imported products competing with UK industries such as agriculture, automotive, ceramics and fishing, and remove levies on 30bn Pounds ($37bn) worth of imports entering UK supply chains. The British Chambers of Commerce welcomed the clarity provided by the announcement but said it showed a trade deal with European Union by year end was vital "to avoid substantial increases in costs for businesses on both sides of the Channel". (Reuters)
- **DIHK: German economy to shrink by at least 10% –** Germany's DIHK chambers of industry and commerce expect Europe's largest economy to shrink at least 10% this year due to the coronavirus crisis, its president said on Tuesday, a much more pessimistic view than the government's forecast. "This year, and there is no way around it, we will witness a historic economic downturn," DIHK President Eric Schweitzer said when presenting the association's latest survey of industrial companies. The DIHK's expectation for an economic plunge in the double-digit percentage range compares with the government's forecast for a record contraction of 6.3% in 2020. "German businesses are facing their biggest challenge since the end of World War Two," Schweitzer said, adding that many industrial companies were facing massive liquidity problems. The DIHK survey, conducted among some 10,000 industrial companies between May 4-6, showed three-quarters reported declining demand and 80% expected a substantial drop in sales. Nearly 50% of German industrial companies are putting investments on hold and are planning to cut their budgets because of the coronavirus pandemic, it said. Due to the disruptions caused by the outbreak in many countries across the globe, almost a fifth of German industrial companies are currently reorganizing their supply chains, the survey showed. (Reuters)
- **IfW: German economy to shrink by 7.1% this year before rebounding next year –** The German economy will likely contract by 7.1% this year before expanding by 7.2% next year as the coronavirus pandemic takes its toll, the IfW institute said on Tuesday. "At its peak, German economic output shrank by more than 15%due to the coronavirus shock and it remained at this level throughout April," the IfW said. It said the economy would likely contract by 11.3% in the April-June quarter but growth was likely again from the third quarter. (Reuters)
- **Japan's March machinery orders fall as damage from pandemic spreads –** Japan's core machinery orders slipped in March, suggesting a widening hit to the economy from the coronavirus although the pace of decline was offset by a large number of orders for big-ticket items. Core machinery orders, a highly volatile data series regarded as an indicator of capital spending in the coming six to nine months, edged down 0.4% in March from the previous month, Cabinet Office data showed on Wednesday. The drop followed a 2.3% gain in February and was better than a 7.1% decline predicted by economists in a Reuters poll. "The small decline in orders in March is likely to give way to a collapse in investment across this quarter," said Tom Learmouth, Japan economist at Capital Economics. "The ominous plunge in domestic machine tool orders in April suggests 'core' machinery orders fell sharply last month," he wrote in a note. Japan's tool machinery orders in April fell to their lowest level in more than a decade, preliminary data showed last week. The world's third-largest economy slipped into a deepening recession in the last quarter, underlining the broadening impact from the pandemic which has hit trade-reliant nations such as Japan particularly hard. The sluggish machinery orders data came after the Reuters Tankan survey on Wednesday showed the slump in Japanese business confidence deepened to a more than decade low in May as firms braced for a growing hit from the virus. Prime Minister Shinzo Abe has pledged a second supplementary budget later this month, on top of the recently announced record $1.1tn stimulus package, to help business and households get through the period of economic weakness. By sector, manufacturers' orders dropped 8.2%, weighed by pulp and paper products and cars and car parts, while core orders from the service-sector rose 5.3%, led by an 82% jump in orders from the transportation and postal sub-sector. The March reading was largely driven by a higher than usual number of orders for big-ticket items, including four for the service-sector. (Reuters)
- **Finance Minister: Japan's economic conditions likely to stay tough in current quarter –** Economic conditions in Japan will likely stay tough in the current quarter, Finance Minister Taro Aso said on Tuesday, also promising that the government would

ensure support for employment and help firms stay in business. The world's third-largest economy fell into recession for the first time in 4-1/2 years in the quarter through March, data on Monday showed, putting it on course for its deepest postwar slump as the coronavirus crisis wrecks businesses and consumers. The government also pushed back its schedule for working out budget requests and looked to adopt its mid-year policy guidelines at a later-than-usual time as it focused on responses to the coronavirus. Speaking to reporters after a cabinet meeting, Aso said the finance ministry will push back the deadline for budget requests to September 30. Ministries usually make budget requests around August. Economy Minister Yasutoshi Nishimura at a separate news conference said the government aims to approve its mid-year policy guidelines around mid-July. The government usually approves the guidelines sometime in June. It then uses the guidelines to draw up its annual economic growth strategy, in which it lays out its priorities for fiscal spending and economic policy. (Reuters)

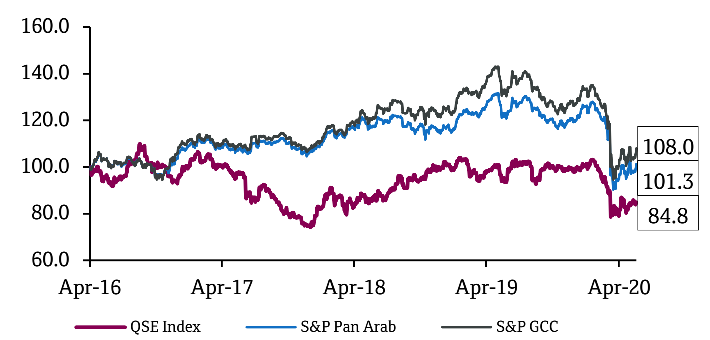
Regional

- **John Kemp: Successful OPEC+ output deal fits a pattern –** Saudi Arabia and its allies in the expanded OPEC+ group of oil-exporting nations have successfully engineered a prospective deficit in the oil market, boosting spot prices and calendar spreads over the last four weeks. The unprecedented scale of the production cuts announced by Saudi Arabia and its allies last month, and signs of strong compliance from many countries, including Russia, have attracted a lot of comment. However, experience suggests Saudi Arabia and its allies in OPEC and OPEC+ have always been able to force the market into deficit, boosting prices and spreads, when they wanted to do so, so it should not have come as a surprise. The producer group, with a rotating cast of members, but always led by Saudi Arabia, successfully engineered deficits in 1998/99, 2001/02, 2006/07, 2008/09, 2016/17 and 2019/2020. The recent production-cutting agreement, announced on April 9, and the subsequent response of spot prices and spreads, have fitted the pattern perfectly. (Reuters)
- **Kuwait and Saudi Arabia to halt Khafji oil output through June –** Kuwait and Saudi Arabia have agreed to halt output from the shared Khafji field in the neutral zone between both countries next month, according to Kuwait Gulf Oil Co. A total of 80,000 bpd will stop being pumped from June 1 to July 1, in line with pledged OPEC output cuts, the company said, citing Deputy Chief Executive Officer, Abdullah Al-Sumaiti. Both countries equally share production from the neutral zone, which can pump about 500,000 bpd of crude combined. Operations at offshore Khafji and onshore Wafra resumed in February after a spat between Saudi Arabia and Kuwait froze output for more than five years. Kuwait exported its first shipment from the divided zone last month. (Bloomberg)
- **Fitch Ratings: Saudi Islamic Banks' financial metrics deteriorated –** Saudi Islamic banks' financial metrics deteriorated mildly in 2019 but remained sound, Fitch Ratings stated in a new report. Saudi Islamic banks remain well placed in the banking sector with larger retail franchises supporting a lower cost of funding and better asset quality. Saudi Arabia has the largest Islamic banks' financing share (79%) of any country that allows conventional banks to operate alongside Islamic banks. As for conventional banks, the impaired financing ratios continued to increase in 2019, particularly due to pressure in the contracting, auto, retail and retail/wholesale trade sectors. Islamic banks enjoy lower impaired financing ratios and financing impairment charges (FICs) than conventional banks due to a lower proportion of corporate banking. Islamic banks' profitability metrics remained above conventional banks' in 2019. This was owing to higher margins, which benefit from both a higher proportion of retail financing and lower cost of funding (due to stronger retail franchises and a higher share of non-profit-bearing deposits). Strong deposit growth at Islamic banks in 2019 allowed their financing/deposits ratio to drop below their conventional peers'. Deposit concentration is high, except at Al Rajhi, which benefits from a granular retail deposit base. Islamic banks benefit from the Ministry of Finance's Saudi Riyal-denominated Sukuk program to manage their liquidity. Islamic banks remain well capitalized, with an average common equity Tier 1 ratio of 17.8% at end-2019 (in line with their conventional peers'). Islamic banks have higher proportions of retail banking assets and lower off-balance-sheet activities, which result in lower risk weightings. This explains why they operate with lower equity/assets ratios. In February 2020, the Saudi Arabian Monetary Authority (SAMA) issued a Shari'ah corporate governance framework for banks engaging in Islamic banking, aiming to establish standards for sharia governance practices. While the outcome of the new framework is unclear, slower progress on this is likely as a result of lower oil prices and the coronavirus. Saudi Islamic banks will be impacted by the coronavirus and lower oil prices, despite the timely support measures introduced by SAMA. Profitability will be pressured by lower official profit rates and higher FICs. Asset quality will also weaken, although possibly less than at conventional banks owing to the high portion of lower-risk retail financing. If the current economic disruptions remain in place for longer, weaker asset quality and profitability are likely to put pressure on capital. Liquidity is less of a risk as the government has already taken measures, including debt issuance, to inject deposits in the banking system. (Bloomberg)
- **SIBC's net profit falls 46.4% YoY to SR150.7mn in 1Q2020 –** Saudi Investment Bank (SIBC) recorded net profit of SR150.7mn in 1Q2020, registering decrease of 46.4% YoY. Total operating profit rose 2.2% YoY to SR717.7mn in 1Q2020. Total revenue for special commissions/investments fell 8.1% YoY to SR914.2mn in 1Q2020. Total assets stood at SR100.8bn at the end of March 31, 2020 as compared to SR94.8bn at the end of March 31, 2019. Loans and advances stood at SR59.9bn (+2.9% YoY), while customer deposits stood at SR67.6bn (+6.0% YoY) at the end of March 31, 2020. EPS came in at SR0.2 in 1Q2020 as compared to SR0.38 in 1Q2019. (Tadawul)
- **CBUAE's foreign currency assets up to circa AED371.6bn in April –** The total foreign currency assets held by the Central Bank of the UAE (CBUAE) increased to circa AED371.6bn during in April 2020, a growth of 1.6% from AED365.5bn during the same month last year, as current account balances and deposits with foreign banks strengthened to AED331.75bn from AED297.41bn during the monitored period, according to the CBUAE figures. The foreign assets exclude the apex bank's Reserve Tranche Position and Special Drawing Rights holdings with the International Monetary Fund. In the meantime, CBUAE's held-to-maturity

securities stood at around AED22.3bn in April, with other foreign standing atAED17.5bn during the monitored period. (Zawya)

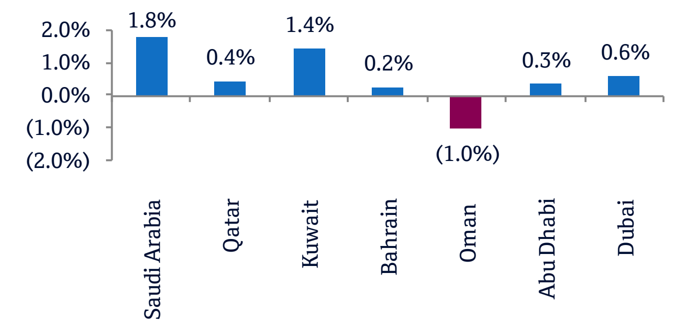
- **Abu Dhabi sells $3bn in bonds with April re-opening –** Abu Dhabi sold $3bn in bonds on Tuesday with a tap of dollar bonds issued last month, a document showed, as governments in the Gulf seek extra cash amid the coronavirus pandemic and a slump in oil prices. Oil-rich Abu Dhabi issued in April $7bn in bonds due in 2025, 2030 and 2050, just after a jumbo $10bn bond sale by Qatar. Considered among the best credits in the region, Abu Dhabi, the capital of the UAE, received around $45bn in orders for the April deal. It has now gone back to the markets with a bond tap, where an existing transaction is reopened for subscription using the same documentation as before. It is set to raise $3bn more, according to a document issued by one of the banks leading the deal and seen by Reuters. The deal has attracted around $20bn in orders. The Emirate sold $1bn in each tranche. It is offering 135 basis points over US Treasuries for the bonds due in 2025, 150 bps over the same benchmark for the tranche due in 2030, and 3.25% for the notes due in 2050, according to the document. It tightened the spreads by 30 to 35 bps from where it began marketing them earlier on Tuesday. "As expected, the pricing is in line with the earlier tranche," a Dubai-based fixed income strategist said. "The interesting point to note is there is no skew in demand towards the 30-year bonds, unlike in April, when investors clearly preferred the long end. We believe high dollar price might one of the reasons for this," he said. The proceeds of the sale will be used for "general budgetary purposes," a separate bank document showed. BNP Paribas, First Abu Dhabi Bank, JPMorgan and Standard Chartered were hired to arrange the deal. (Reuters)
- **Abu Dhabi's Mubadala says subsidiary begins producing N95 masks with Honeywell –** Abu Dhabi state fund Mubadala Investment Company said on Tuesday its subsidiary Strata Manufacturing has started to produce the N95 face masks used to protect medical workers fighting the deadly coronavirus. The venture, in partnership with Honeywell International, will have an annual output capacity of over 30mn masks, Mubadala said. "This manufacturing line will not only be able to meet the national requirements of the UAE health industry, but also transform the UAE into an exporter of this critical product," Mubadala said. The UAE currently imports all the N95 masks it requires, the statement added. Strata, established in 2009, has an aero parts manufacturing facility in Al Ain, an oasis town within the Abu Dhabi Emirate, producing components for Airbus, Boeing and others. (Reuters)

Rebased Performance



Source: Bloomberg

Daily Index Performance



Source: Bloomberg

Asset/Currency Performance	Close ($)	1D%	WTD%	YTD%
Gold/Ounce	1,745.05	0.7	0.1	15.0
Silver/Ounce	17.35	2.3	4.4	(2.8)
Crude Oil (Brent)/Barrel (FM Future)	34.65	(0.5)	6.6	(47.5)
Crude Oil (WTI)/Barrel (FM Future)	32.50	2.1	10.4	(46.8)
Natural Gas (Henry Hub)/MMBtu	1.85	8.8	11.4	(11.5)
LPG Propane (Arab Gulf)/Ton	45.13	(0.8)	7.4	9.4
LPG Butane (Arab Gulf)/Ton	41.75	0.0	15.2	(36.3)
Euro	1.09	0.1	1.0	(2.6)
Yen	107.71	0.3	0.6	(0.8)
GBP	1.23	0.5	1.1	(7.6)
CHF	1.03	(0.0)	0.0	(0.4)
AUD	0.65	0.2	1.9	(6.9)
USD Index	99.37	(0.3)	(1.0)	3.1
RUB	72.51	(0.2)	(1.5)	17.0
BRL	0.17	(0.7)	1.8	(30.2)

Source: Bloomberg

Global Indices Performance	Close	1D%*	WTD%*	YTD%*
MSCI World Index	2,061.37	(0.4)	2.6	(12.6)
DJ Industrial	24,206.86	(1.6)	2.2	(15.2)
S&P 500	2,922.94	(1.0)	2.1	(9.5)
NASDAQ 100	9,185.10	(0.5)	1.9	2.4
STOXX 600	339.49	(0.4)	4.6	(20.5)
DAX	11,075.29	0.3	7.0	(18.5)
FTSE 100	6,002.23	(0.2)	4.6	(26.5)
CAC 40	4,458.16	(0.7)	5.4	(27.4)
Nikkei	20,433.45	1.0	1.5	(12.8)
MSCI EM	925.22	1.4	2.7	(17.0)
SHANGHAI SE Composite	2,898.58	1.0	1.1	(6.8)
HANG SENG	24,388.13	1.9	2.5	(13.1)
BSE SENSEX	30,196.17	0.6	(2.7)	(31.1)
Bovespa	80,742.40	(0.5)	6.0	(51.0)
RTS	1,177.24	0.8	6.3	(24.0)

Source: Bloomberg (*$ adjusted returns)

Contacts

Saugata Sarkar, CFA, CAIA
Head of Research
Tel: (+974) 4476 6534
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
Tel: (+974) 4476 6509
shahan.keushgerian@qnbfs.com.qa

Zaid al-Nafoosi, CMT, CFTe
Senior Research Analyst
Tel: (+974) 4476 6535
zaid.alnafoosi@qnbfs.com.qa

Mehmet Aksoy, PhD
Senior Research Analyst
Tel: (+974) 4476 6589
mehmet.aksoy@qnbfs.com.qa

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
PO Box 24025
Doha, Qatar