

August 2010

MENA Market Intelligence

Week ending 19th of August

Research Highlights: Provide readers with weekly updates on Analyst recommendations from different investment houses, views on the state of MENA economy, sector developments and fixed income news.

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Market Performance: in a largely negative trend, Turkey, Jordan and Bahrain were the only gainers this week. Turkey advanced by 2.21% this week thus maintaining its position as the highest performing Mena market for the year with a YTD gain of 12.53% while Dubai Maintains its lowest performer rank among its Mena peers with a YTD decline of 17.86%

Equity Research: During the week, we reviewed 14 equity research reports out of which 9 were buy/overweight, 4 were neutral/hold and 1 was sell which indicated that analysts are Bullish on MENA region. The trend mirrored that of last week which was also dominated with more buy ratings than sell. Egypt had the maximum coverage (5). Analysts in Egypt were recommending GB Auto, Telecom Egypt and Credit Agricole- Egypt Bank.

The Big Picture: Overall profitability of the GCC banking sector is hampered by underperforming U.A.E banks (-30% YoY), high provisions and a decline in KSA banking sector performance (-7% YoY). GCC banking sector's top line grew by a mere 1% YoY on the back of low net interest income. In local news, the governmental committee stated after their meeting on Wednesday that a decision has been met between the banks and the government in which banks will facilitate a funding platform for mega projects and the government will act as a guarantee for project developer and lend financial support for long term loans.

Fixed Income Developments: Islamic bonds in the GCC are returning six times more this quarter than in the previous three months as Dubai-based companies restructure debt and economic growth in the region accelerates. Sukuk sold by the GCC have returned 2.9% since June 30, compared with a 0.5% gain in the second quarter, according to the HSBC/NASDAQ Dubai GCC US Dollar Sukuk Index.

Table 1: Market Performance

Indicators	M. Cap (USD Bn)	Last Close	weekly %	MTD %	YTD %	2009 %
MENA Markets						
Saudi (TASI)	322	6121	-1.08%	-2.59	-0.01	27
Turkey ISE National 100	230	59443	2.21%	-0.71	12.53	97
Kuwait SE WT.INDEX	113	424	-0.47%	1.11	9.89	-5
Abu Dhabi (ADI)^	74	2496	0.00%	-1.97	-9.04	15
Qatar(QE Index)	72	7077	-0.38%	0.68	1.7	1
Morocco (CAI)	64	11540	-1.36%	-2.06	10.5	-5
Egypt (Hermes)	51	592	-0.50%	1.47	3.25	34
Dubai (DFMGI)	50	1482	-0.07%	-2.04	-17.86	10
Jordan (Amman)	24	4764	0.15%	-4.18	-13.7	-12
Oman(Muscat SM)	17	6295	-0.55%	0	-1.17	17
Bahrain (BAX)	16	1414	0.35%	1.41	-3.07	-19
Lebanon (BSE)	10	1454	-0.21%	-0.52	-7.17	33

What Analysts are recommending?

Num	Company	Market	Currency	Recommendation	Date of Recommendation	Target price	Current price (19/08/10)	House
1	GB Auto	Egypt	EGP	Neutral	15/AUG/10	43	1.200	EFG Hermes
2	Jabal Omar Development Co.	KSA	SAR	Neutral	15/AUG/10	18.67	18.15	TAIB
3	Telecom Egypt	Egypt	EGP	Buy	15/AUG/10	20.05	17.1	Rasmala
4	Bahrain Islamic Bank	Bahrain	BHD	Neutral	15/AUG/10	0.170	0.159	TAIB
5	National Bank of Oman	Oman	OMR	Overweight	16/UAG/10	0.375	0.336	TAIB
6	Qatar Telecom	Qatar	QAR	BUY	17/AUG/10	138	103	NBK capital
7	Credit Agricole- Egypt Bank	Egypt	EGP	BUY	17/AUG/2010	11.8	13.6	Prime holding
8	Credit Agricole- Egypt Bank	Egypt	EGP	BUY	17/AUG/2010	17.22	13.6	NCB Capital
9	Orascom Telecom	Egypt	EGP	BUY	17/AUG/2010	6.9	5.1	EFG Hermes
10	Qatar Telecom	Qatar	QAR	BUY	18/AUG/10	166	168	NBK capital
11	Wataniya telecom	Kuwait	KWD	Buy	18/AUG/10	2.24	1.820	NBK Capital
12	Sultan center	Kuwait	KWD	BUY	18/AUG/2010	0.270	0.198	NBK capital
13	AL Ahli Bank of Kuwait	Kuwait	KWD	Neutral	19/AUG/2010	0.56	0.550	TAIB
14	AL Salam Bank	Bahrain	BHD	Underweight	19/AUG/2010	0.067	0.075	TAIB

Equity Recommendation-Key points:

During the week, we reviewed 14 equity research reports out of which 9 were buy/overweight, 4 were neutral/hold and 1 was sell which indicates that analysts are Bullish on MENA region

Company	House	View
GB Auto (Egypt)	EFG Hermes	Although 2Q10 result were impressive and net profit grew by 93% YoY to EGP 78mn, EFG Hermes downgraded GB auto to "Neutral" indicating limited upside potential based on tightening margins, higher financing cost and a EGP/USD weakness.
Jabal Omar Development.CO (KSA)	TAIB	All projects are under development, thus no revenue generating facilities. Losses for FY2010 are expected to reach SAR120.7mn. TAIB downgraded its recommendation to "neutral" due to limited upside potential and delays in construction completion schedules
Telecom Egypt (Egypt)	Rasmala	Total consolidated revenue remained flat YoY, while net income increased 12% YoY. EBITDA before provisions declined modestly by 1.5%YoY, but, EBITDA before provision margin stood at 53% which surpassed even Telecom Egypt's Management's expectation. Rasmala issued a "BUY" recommendation with a price target of EGP 20.05
Bahrain Islamic Bank (Bahrain)	TAIB	1H10, Total operating income decreased by 38.7% YoY, the bank reported a net loss of BHD 5.68mn Vs a net profit of BHD 2.19mn in 1H09. Expenses increased over the half with the biggest increase in provisions which stood at BHD 6.42mn a 14.5% YoY and a 600% increase Q-o-Q. Taib downgraded Bahrain Islamic Bank to "Neutral" with a price target of BHD 0.170
National Bank of Oman (Oman)	TAIB	1H10, Net profits increased 8.5% YoY on the back of reduced Available for sale impairment and a decline in provisions. Operating income declined by 2.7% YoY due to a decline in net interest income. Furthermore NBO is planning to expand its trade finance product offering by using new technology such as MISYS trade financial solution. TAIB reiterates their "Overweight" recommendation with a price target of OMR 0.375
Qatar Telecom (Qatar)	NBK Capital	2Q10 results are in; consolidated adjusted EBITDA increased 15% YoY, while revenues increased 13% YoY and Net profits for the quarter declined by 45% YoY on due to a reversal of QAR656mn in provisions during the same period of last year. As most incumbent telecom companies Qtel is facing intense pressure in its domestic country while growing healthily in host countries all in all NBK capital issued a "Buy" recommendation with a price target of QAR 166
Wataniya Telecom (Kuwait)	NBK Capital	2Q10 earning result shows improvements in revenues which increased by 11% YoY and consolidated adjusted EBITDA improved by 12%, However net profits declined by 69% YoY on the back off a one-off reversal in provisions during 2Q09. Wataniya is holding on to it 40% market share in Kuwait and fending off intense competition, while a surge in subscriber base in Algeria helps ease the bottom line (Algeria contributes 32% of the groups revenue). NBK is bullish on Wataniya telecom with a price target of 2.24 a 23% upside potential.
Sultan Center (Kuwait)	NBK Capital	Preliminary results are in, which is in line with NBK capital's estimates. 2Q10 revenues increased by 1.7% YoY to KWD74.6mn, However, Net income declined from KWD2.7mn in 2Q09 to KWD 0.8mn in 2Q10. NBK Capital maintains its "BUY" recommendation

		with a price target of KWD 0.270
Credit Agricole-Egypt Bank (Egypt)	Prime Holding	1H10 result, shows progress in profitability, Net income increased by 3% YoY to EGP 201mn, Net interest income increased 8% YoY and Non-interest income increased by 9% YoY. Moreover, Loans has expanded by 22% YTD and net loans to deposit ratio increased to 53% in 1H10 from 42% in 4Q09. Prime Holding issued a "Buy" recommendation with a price target of EGP 13.6
	CI Capital	Although 1H10 results came slightly below estimates, nevertheless, CI Capital maintains a "Buy" recommendation with a target price of EGP 17.22 and a long term fair value of EGP18.13
Orascom Telecom (Egypt)	EFG Hermes	2Q10 result were in line with estimates, EFG Hermes is not worried about the \$66mn net loss, because of a \$122mn unrealized FX loss and a onetime extraordinary impairment of USD31mn at medcable Algeria, furthermore revenues increased during the half, ARPUs and EBITDA increased. EFG Hermes is bullish on Orascom Telecom with a price target of EGP 6.9
Al Ahli Bank of Kuwait (Kuwait)	TAIB	Despite A 5% decline in net operating income YoY, Al Ahli's Net income increased by 30.1% YoY to KWD26.24mn YoY mainly due to reduced provisions, furthermore net interest income declined by 7.8% while non-interest income increased modestly by 1.2%. TAIB reiterates its neutral recommendation with a price target of 0.56KWD indicating a 7.6% upside potential
AL-Salam Bank (Bahrain)	TAIB	Total operating income for the half declined by 29% YoY due to a decline in gains of disposal of investments, net income for the half declined by 50% YoY due to lower operating income and high operating expense. TAIB reiterates its "underweight" recommendation with a price target of BHD 0.067 a indicating a 10.2% downside.

Economy/Sector- The Big Picture

Country/Sector	House/Source	View
Dubai electricity and water authority	Kuwait Financial Center "Markaz"	Dubai Electricity and Water Authority (Dewa) Wednesday said it has commissioned two units of the Dh1.15 billion power generation and water desalination plant, M Station — the biggest so far. Saeed Al Tayer, Dewa Managing Director and CEO, said, "This station is one of the biggest projects done by the Dewa where electricity production capacity of this station amounts to 2000 MW and 140 gallons of desalinated water per day with an approximate cost of Dh1.15 billion. This station constitutes a basic pillar of Dewa's production capacity."
Kuwait development Plan	AL Seyassah Newspaper	The private sector will join in funding MEGA projects. The governmental committee stated after their meeting on Wednesday that a decision has been met between the banks and the government in which bank will facilitated a funding platform for mega projects and the government would act as a guarantee for project developer and lend financial support for long term loans.
GCC Banking sector	Global Investment House "Global"	Overall profitability of the GCC banking sector is hampered by underperforming U.A.E banks and high provisions. GCC banking sectors were mixed, Top of the line failed to grow significantly with the exception of Qatari banks lead by Qatar National Bank's impressive 46% YoY revenue growth. Net interest income varied between the GCC with Saudi banks declining the most 9% YoY and Qatari Banks growing the most 26%. Based on the aforementioned data we can infer that "Global" is bullish on the Qatari Banking sector in general

Fixed income developments

Company	Market	Source	View
Qatar Telecom	Qatar	Moody's	Moody's downgraded Qatar Telecom's rating to "A2" from "A1" with a stable outlook.
Abu Dhabi commercial bank	UAE	"Markaz"	Abu Dhabi Commercial Bank is seeking to price its five-year MYR500mn (\$158mn) maiden conventional ringgit-denominated bond at a yield of between 4.80% and 5.10%. The MYR500mn offering is part of a MYR3.5bn medium-term note program of the Middle Eastern bank, which is majority-owned by the government of Abu Dhabi. The offering is rated AAA by RAM Ratings Financial Institution Ratings and is arranged by Standard Chartered Bank and RHB Investment Bank. The planned sale comes after National Bank of Abu Dhabi PJSC, the United Arab Emirates' second-largest lender by assets, sold MYR500mn of Islamic bonds in its first offering of debt in Malaysia last month
Bahrain Financial Harbour Holding CO	Bahrain	AL Wasat	Bahrain Financial Harbour Holding Co., the developer and manager of the Bahrain Financial Harbour project, said it has fully settled sukuk facilities worth \$134mn, Al Wasat reports Tuesday. The sukuk, which were arranged by Bahrain's Liquidity Management Centre, was used to finance the construction of the Financial Centre within the Bahrain Financial Harbour Development.
IIFM	Bahrain	'Markaz'	The international Islamic Financial Market is planning to incorporate a shariah compliant Repo agreement to boost trading and help banks manage their portfolios more effectively.
Iran Gas fields	Iran	SHANA News agency	Sanctions-hit Iran will within days offer the first tranche of a \$3bn domestic bond issue to fund the development of its South Pars gas fields, a top official said Sunday. Ali Vakili, head of Pars Oil and Gas Company, the Iranian firm in charge of developing South Pars, said the funds will be raised in six stages during the current year to March 2011, according to oil ministry's news agency Shana.
Kuwait	Kuwait	Fitch	Fitch Ratings has affirmed Kuwait's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'AA' with a Stable Outlook. The Country Ceiling is affirmed at 'AA+', and the Short-term foreign currency IDR at 'F1+'.
Sukuk	GCC	"Markaz"	Islamic bonds in the GCC are returning six times more this quarter than in the previous three months as Dubai-based companies restructure debt and economic growth in the region accelerates. Sukuk sold by the GCC have returned 2.9% since June 30, compared with a 0.5% gain in the second quarter, according to the HSBC/NASDAQ Dubai GCC US Dollar Sukuk Index. The average yield on the debt narrowed 83bps in the past six weeks to 6.65% and reached an eight-month low of 6.49% on Aug. 3, according to the HSBC/NASDAQ GCC Index. Bonds in the region that comply with Shariah law may extend gains after the IMF said in a report on July 7 that gross GDP in the Middle East will quicken to 4.5% this year from 2.4% in 2009.

Strategic Research

The New Regulations on Kuwait Investment Sector (Jun-10)
 Persistence in Performance (Jun-10)
 Kuwait Capital Market Law (Mar-10)
 What to expect in 2010 (Jan-10)
 GCC Banks - Done with Provisions? (Jan-10)
 What is left for 2009? (Sept-09)
 Kuwait Investment Sector (Jun-09)
 Missing The Rally (Jun-09)
 Shelter in a Storm (Mar-09)
 Diworsification: The GCC Oil Stranglehold (Jan-09)
 This Too Shall Pass (Jan-09)
 Fishing in Troubled Waters(Dec-08)
 Down and Out: Saudi Stock Outlook (Oct-08)
 Mr. GCC Market-Manic Depressive (Sept-08)
 Global Investment Themes (June-08)
 To Yield or Not To Yield (May-08)
 The Golden Portfolio (Apr-08)
 Banking Sweet spots (Apr-08)
 The "Vicious Square" Monetary Policy options for Kuwait (Feb-08)
 China and India: Too Much Too Fast (Oct-07)
 A Potential USD 140b Industry: Review of Asset Management Industry in Kuwait (Sep-07)
 A Gulf Emerging Portfolio: And Why Not? (Jun-07)
 To Leap or To Lag: Choices before GCC Regulators (Apr-07)
 Derivatives Market in GCC (Mar-07)
 Managing GCC Volatility (Feb-07)
 GCC for Fundamentalists (Dec-06)
 GCC Leverage Risk (Nov-06)

Periodic Research

Daily

Markaz Daily Morning Brief
 Markaz Kuwait Watch
 Daily Fixed Income Update

Weekly

MENA Market Intelligence
 KSE Market Weekly Review
 International Market Update
 Real Estate Market Commentary

Monthly

Mena Mergers & Acquisitions
 Option Market Activity
 GCC Quants
 Market Review
 GCC Corporate Earnings

Quarterly

GCC Equity Funds
 Thought Speaks
 Equity Research Statistics

Sector Research

Infrastructure

GCC Power
 GCC Ports
 GCC Water
 GCC Airports
 GCC Roads & Railways
 GCC ICT

Real Estate – Market Outlook

- Dubai Real Estate - Trends and Outlook(Apr-10)
- Egypt Real Estate - Trends and Outlook(Feb-10)
- Kuwait Real Estate Outlook(Dec-09)
- Abu Dhabi Residential (Nov-09)
- Office Investment in KSA (Jul-09)
- Saudi Arabia – Residential Real Estate Outlook (Jun-09)
- Saudi Arabia (Sep-08)
- Abu Dhabi (July-08)
- Algeria (Mar-08)
- Jordan (Mar-08)
- Kuwait (Feb-08)
- Lebanon (Dec-07)
- Qatar (Sep-07)
- Saudi Arabia (Jul-07)
- U.S.A. (May-07)
- Syria (Apr-07)

Real Estate Strategic Research

- GCC Distressed Real Estate Opportunities (Sep-09)
- GCC Real Estate Financing (Sept-09)
- Real Estate Earnings -2009 (May-09)
- Supply Adjustments Are we done? (Apr-09)
- Dubai Real Estate Melttdown (Feb-09)

Markaz Research Offerings

Markaz Research Offerings

Company Research				
Saudi Arabia	Kuwait (For Internal Use Only)	UAE	Qatar	Oman
<ul style="list-style-type: none"> Jabal Omar Development (Jul-10) Arabian Cement Co (Jul-10) Yanbu Cement Co. (Jun-10) Saudi Telecom Co. (Jun-10) Emaar Economic City (Jun-10) Qassim Cement Company (Jun-10) Savola Group (May-10) Alinma Bank (May-10) Jarir Marketing (May-10) Bank Al Bilad (May-10) Bank Al Jazira (Apr-10) Makkah Construction (Apr-10) Saudi Cement Company (Apr-10) Southern Province Cement Co (Mar-10) Saudi Electricity Company (Feb-10) Saudi Arabian Mining Co (Feb-10) Yamama Saudi Cement (Feb-10) Ethiad Etisalat (Feb-10) Al Marai Company (Dec-09) Arab National Bank (Oct-09) SAFCO (Oct-09) Al Rajhi Bank (Aug-09) Riyad Bank (Jul-09) Sabic (Mar-09) Samba Financial Group (Feb-09) Saudi Investment Bank (Jan-09) Kingdom Holding Co (Dec-08) Saudi Kayan Petro Co. (Aug-08) Banque Saudi Fransi (Jun-08) 	<ul style="list-style-type: none"> Qurain Petrochem. Ind. (Aug-10) Wataniya (Jul-10) Boubyan Bank (June-10) Agility (June-10) Gulf Bank of Kuwait (May -10) National Bank of Kuwait (Mar-10) Al Deera Holding (Aug-09) Kuwait Finance House (Apr-09) Kuwait Financial Centre (Dec-08) Commercial Bank of Kuwait (Oct-08) National Industries Group (Sept-08) Zain (Sept-08) Global Investment House (Sept-08) Kipco (Sept-08) The Investment Dar (Sept-08) Burgan Bank (Sept-08) Automated Systems Co (Aug-08) Al Safat Investment Co (July-08) 	<ul style="list-style-type: none"> Etisalat (Aug-10) Dubai Financial Market (Sept-09) ADCB (Jun-09) DP World (Jun-09) NBAD (Feb-09) Sorouh Real Estate (Feb-09) Aldar Properties (Feb-09) Gulf Cement Company (Jan-09) Abu Dhabi National Hotels (Dec-08) Dubai Investments (Dec-08) Arabtec Holding (Dec-08) Air Arabia (Nov-08) Union Properties (Nov-08) Dubai Islamic bank (Oct-08) Union National Bank (Aug-08) Emaar Properties (July-08) Dana Gas (July-08) FGB (July-08) 	<ul style="list-style-type: none"> Masraf Al-Rayan (Jun-10) Commercial Bank of Qatar (Mar-10) Qatar Telecom (Jun-09) Industries Qatar (Apr-09) Qatar National Bank (Feb-09) United Development Co. (Feb-09) Qatar Fuel Co. (Dec-08) Qatar Shipping Co (Dec-08) Barwa Real Estate Co. (Nov-08) Qatar Int'l Islamic bank (Nov-08) Qatar Insurance Co. (Nov-08) Qatar Gas Transport Co. (Oct-08) Doha Bank (Aug-08) QEWC (July-08) QISB (July-08) 	<ul style="list-style-type: none"> Shell Oman Marketing (Apr-10) Galfar Engineering & Cont. (Nov-08) Oman Telecommunications (Sept-08) Bank Muscat (Sept-08) Oman cement (Sept-08) Raysut Cement Company (Aug-08) National Bank of Oman (Aug-08) OIB (July-08) <p>Jordan</p> <ul style="list-style-type: none"> Arab Bank (Sept-08) Cairo Amman Bank (Oct-08) <p>Morocco</p> <ul style="list-style-type: none"> Maroc Telecom (Mar-10) <p>Egypt</p> <ul style="list-style-type: none"> Sidi Kerir Petrochemicals (Jul-10) Egypt Kuwait Holding (Mar-10) Commercial Int'l Bank (Oct-08) Orascom Telecom (Sep-08) Mobilni (Sep-08) Telecom Egypt (Aug-08) EFG-Hermes (Jun-08)

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	MSCI Arabian Markets Conventional	MSCI Arabian Markets Islamic	Local Index
Saudi Arabia	60%	64%	78%
Kuwait	83%	92%	56%
Qatar	92%	90%	95%
UAE	79%	25%	58%
Bahrain	79%	100%	21%
Oman	63%	100%	50%
Egypt	62%	100%	45%
Jordan	39%	0%	32%
Morocco	50%	70%	24%
MENA	79%	93%	63%

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