

GCC Markets Monthly Report

August-2016

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GCC markets decline on profit booking amid low trading activity...

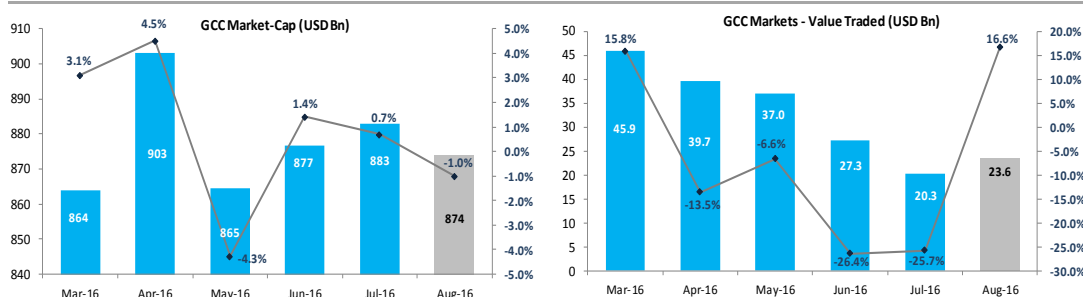
GCC equity markets moved in opposite directions as multiple factors weighed on market performance during the month with an underlying support from the positive trend in oil prices. The month started on a positive note supported by oil prices that was up by almost 13% during the month on the back of hopes of a production freeze during the OPEC meet scheduled to be in September-16. However, economic woes in Saudi Arabia that reported a decline in foreign assets, along with tightening banking liquidity, pulled down the market making it the worst performing GCC market during the month with a decline of 3.5%. Moreover, market sentiments continued to remain negative in Saudi Arabia, as corporate earnings for Q2-16 reported more than 10% decline, highlighting the impact of oil woes.

On the positive side, Qatar benchmark saw the highest gain in the GCC during the month in anticipation of the exchange being included in FTSE's Emerging Markets Index, that raised hopes of higher flow of passive funds into the Qatari market. However, an increase in loan to deposit ratio reported by Qatar Central Bank eased some of the FTSE related gains towards the end of the month.

On the international front, there was increasing confidence that the US Fed would increase interest rate this year, with some economists pegging it to happen as early as next month. This comes despite the weak US economic growth during 1H-16. Higher wages in addition to a strong labor market is expected to push inflation higher, providing the basis for an interest rate hike; as the aforementioned sentiment was echoed at the Jackson Hole conference that included attendees from major central banks across the globe.

Witnessing only a marginal increase, trading activity in the GCC continued to remain low due to seasonality, which is expected to extend during September-16.

GCC Equity Markets	Index Closing	MTD Chg%	YTD Chg%	M-Cap (USD Bn)	Monthly Value Traded (USD Mn)	P/E (x) TTM	P/B (x) TTM	Div. Yield
Kuwait - Weighted Index	347.3	(1.0%)	(9.0%)	79.5	502.0	15.3	1.1	4.4%
Kuwait - 15 Index	801.8	(1.1%)	(11.0%)					
Kuwait - Price Index	5,419.7	(0.6%)	(3.5%)					
Saudi Arabia	6,079.5	(3.5%)	(12.0%)	378.5	18,125.5	11.5	1.4	4.9%
Abu Dhabi	4,471.0	(2.3%)	3.8%	126.3	857.2	10.7	1.3	5.7%
Dubai	3,504.4	0.6%	11.2%	91.2	2,080.8	9.1	1.3	4.8%
Qatar	10,989.8	3.6%	5.4%	161.5	1,867.4	14.2	1.6	3.7%
Bahrain	1,142.2	(1.2%)	(6.1%)	17.9	56.2	9.7	0.8	4.4%
Oman	5,735.0	(1.9%)	6.1%	19.1	135.6	9.7	1.1	6.4%
Total GCC				873.9	23,624.7	11.7	1.4	4.8%



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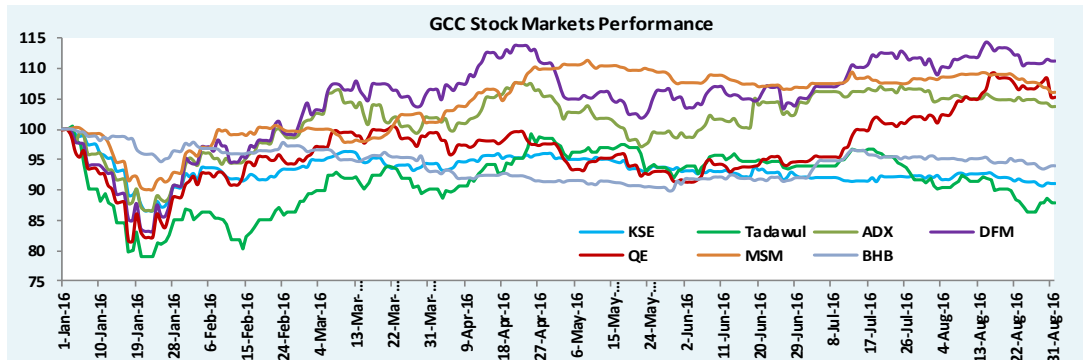
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Source: GCC Stock Exchanges, KAMCO Research

Kuwait Stock Exchange

Monthly Indicators	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
KSE Price Index	5,726.0	5,775.4	5,802.4	5,615.1	5,114.5	5,207.4	5,228.8	5,391.8	5,400.3	5,364.6	5,451.0	5,419.7
Monthly % Change	(1.6%)	0.9%	0.5%	(3.2%)	(8.9%)	1.8%	0.4%	3.1%	0.2%	(0.7%)	1.6%	(0.6%)
KSE Weighted Index	388.4	388.4	393.0	381.7	353.4	358.3	359.8	366.3	357.4	351.4	350.7	347.3
Monthly % Change	0.8%	(0.0%)	1.2%	(2.9%)	(7.4%)	1.4%	0.4%	1.8%	(2.4%)	(1.7%)	(0.2%)	(1.0%)
Kuwait 15 Index	935.1	924.3	929.6	900.4	829.8	841.0	850.5	863.3	826.2	805.7	810.7	801.8
Monthly % Change	1.7%	(1.2%)	0.6%	(3.1%)	(7.8%)	1.4%	1.1%	1.5%	(4.3%)	(2.5%)	0.6%	(1.1%)
Market Cap (KWD Mn)	26,585	26,586	26,894	26,159	24,224	24,557	24,875	25,025	24,857	24,293	24,252	24,010
P/E (X) - TTM	15.29	14.86	15.04	15.50	14.30	13.20	13.24	15.40	15.56	15.32	15.29	15.30
P/BV (X) - TTM	1.13	1.14	1.16	1.13	1.04	1.07	1.05	1.09	1.09	1.06	1.06	1.05
Dividend Yield (%)	3.92%	3.89%	3.84%	3.95%	4.57%	4.67%	4.00%	4.14%	4.24%	4.30%	4.30%	4.37%
Volume (Mn Shares)	2,784	2,812	2,997	2,340	2,697	2,773	3,983	3,929	2,931	2,166	1,327	1,430
Value (KD Mn)	248	230	313	242	282	225	329	277	246	227	132	152
Trades ('000)	65.3	64.1	74.9	59.3	64.7	67.5	84.8	81.2	68.9	49.3	35.7	40.1

Source: Kuwait Stock Exchange, KAMCO Research

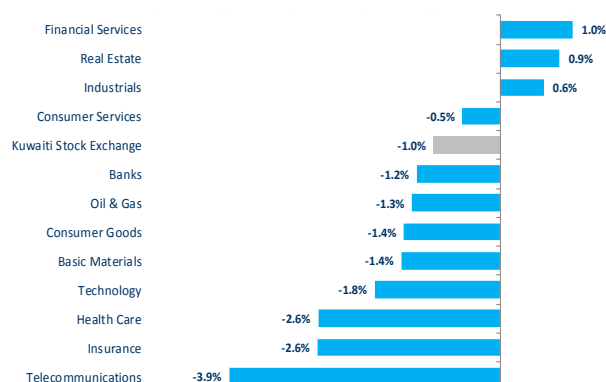
KSE indices continued to remain subdued during August-16 amid continued low liquidity in the market as compared to historical averages. The KSE Weighted Index and large-cap KSE-15 Index declined by 1.0% and 1.1%, whereas the KSE Price Index declined by 0.6%, indicating profit taking in large-cap stocks. The indices traded within a very tight range during the month with minimal volatility. Trading activity improved marginally during the month owing to the low base effect recorded in July-16. Total shares traded on the exchange increased by 7.8% to 1.4 Bn shares as compared to 1.3 Bn shares during the previous month, whereas total monthly value of shares traded increased by 15.2% to KWD 152 Mn as compared to KWD 132 Mn during the previous month. The difference between the m-o-m change in volume and value also supported the fact that large-cap stocks were the focus of the month. The average daily volume traded declined by 15.6% to 15.2 Mn shares whereas the average value traded during the month declined by 9.8% to KWD 6.6 Mn.

In terms of sector performance, the Financial Services Index continued to lead monthly returns for the second consecutive month although the gains remained marginal at 1% followed by the Real Estate Index and the Industrial Index with gains of 0.9% and 0.6%, respectively. Shares of KAMCO Investment Co. witnessed a gain of 20.8%, the highest returns in the Financial Services Index, after the company reported strong 1H-16 earnings, followed by Manazel Holding (+14.4%) and Al Salam Group Holding (+8.5%). A gain of 1.9% in shares of KIPCO, the largest company in the sector, also supported the positive returns of the overall sector. Meanwhile, in the Banking sector, KIB (+3.2%) and KFH (+3.4%) were the only banks that reported positive returns during the month, whereas shares of CBK, which reported an almost one-third decline in 1H-16 earnings, continued to decline by almost 15% after a decline of 10% during the previous month. In the telecom sector, all the shares saw negative returns with Ooredoo declining the most by 6.8%.

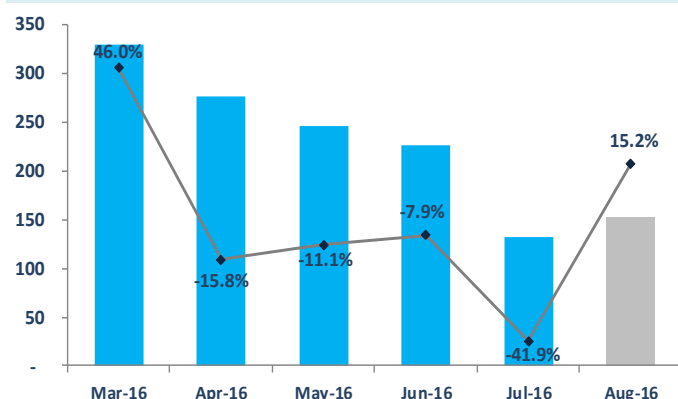
The monthly gainers chart was topped by Real Estate Trade Centers with a gain of 53.3% although trades in the stock was limited. Other gainers included Kuwait Cable Vision and Safwan Trading & Contracting with gains of 43.6% and 21.2%, respectively. On the decliners side, GFC led the chart with a decline of 23.7% followed by Ikarus Petroleum and Yiac Medical each declining by 20%. Zain was the most actively traded stock on the market with shares worth KWD 16.1 Mn traded during the month followed by NBK (KWD 14.0 Mn) and KFH (KWD 12.3 Mn).

On the economic front, the country approved the budget for the fiscal year 2016/17 with an expected deficit of KWD 8.7 Bn, or 26% of GDP. It is pertinent to note that the new budget is based on an extremely conservative oil price of USD 35/b. The government also approved an increase in fuel prices in the domestic market by as much as 83%.

KSE Monthly Sector Performance



Monthly Value Traded (KWD Mn)



Source: Kuwait Stock Exchange, KAMCO Research

Saudi Arabia (Tadawul)

Monthly Indicators	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Tadawul All Share Index	7,404.1	7,124.8	7,239.9	6,911.8	5,996.6	6,092.5	6,223.1	6,805.8	6,448.4	6,499.9	6,302.2	6,079.5
Monthly % Change	(1.6%)	(3.8%)	1.6%	(4.5%)	(13.2%)	1.6%	2.1%	9.4%	(5.3%)	0.8%	(3.0%)	(3.5%)
Market Cap (SAR Bn)	1,670.3	1,630.4	1,659.1	1,580.7	1,373.3	1,403.9	1,439.0	1,560.3	1,489.4	1,505.3	1,458.9	1,419.4
P/E (X) - TTM	15.59	15.22	12.93	12.30	10.73	10.88	12.29	13.41	12.76	11.87	11.77	11.49
P/BV (X) - TTM	1.77	1.73	1.58	1.50	1.31	1.33	1.49	1.64	1.55	1.53	1.48	1.43
Dividend Yield (%)	2.88%	2.96%	4.14%	4.28%	4.94%	4.84%	4.52%	3.65%	3.74%	4.60%	4.71%	4.91%
Volume (Mn Shares)	3,575	4,594	5,336	6,013	6,425	6,817	7,373	6,705	6,110	5,228	3,518	3,840
Value (SAR Mn)	79,409	102,429	107,616	126,338	115,145	120,712	131,199	117,608	117,944	84,283	59,461	67,974
Trades ('000)	1,638	2,039	2,140	2,688	2,766	3,054	2,994	2,625	2,761	1,828	1,347	1,684

Source: Tadawul, KAMCO Research

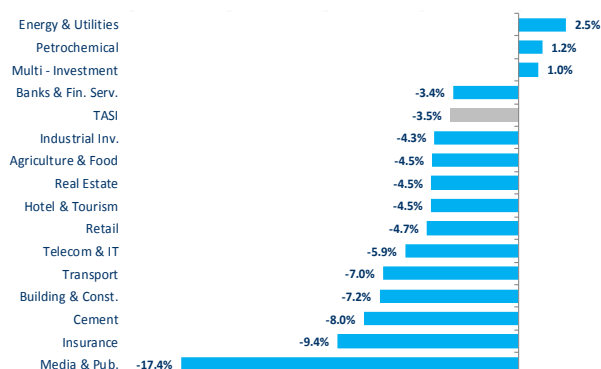
The Tadawul All Share Index recorded the worst performing market for the second consecutive month during August-16, reaching a six-month low level below the 6,000 mark during the last week of the month only to bounce back during the last few trading sessions. The index closed the month with a decline of 3.5% to reach 6,079.51 points, a YTD decline of 12% , the steepest in the GCC. The index declined despite a 12.7% surge in crude oil prices during the month as the gains in the petrochemical index, which came as a response to improving oil prices, was more than offset by declines in other sectors. The investor participation remained low during the month on the back of low seasonal liquidity in the market further exacerbated by lack of any positive catalyst for investors that would trigger a buying opportunity.

The implementation of the new qualified foreign investor (QFI) rule sooner than expected also failed to lift investor sentiments. In an effort to fast-track capital market reforms, the Saudi Arabia CMA reduced the minimum AUM requirement criteria for foreign investors from SAR 18.75 Bn to SAR 3.75 Bn or USD 1 Bn and made the rule applicable starting September-16 instead of previously indicated schedule of early next year. The rule also increased the maximum shareholding of an individual foreign investors in a single company to 10% from the previously announced 5%. Moreover, the Kingdom will also allow foreigners to participate in IPOs in the country from January-17. On the other hand, there are also plans to start an SME exchange that would run parallel to the main exchange with fewer requirements for offering and listing.

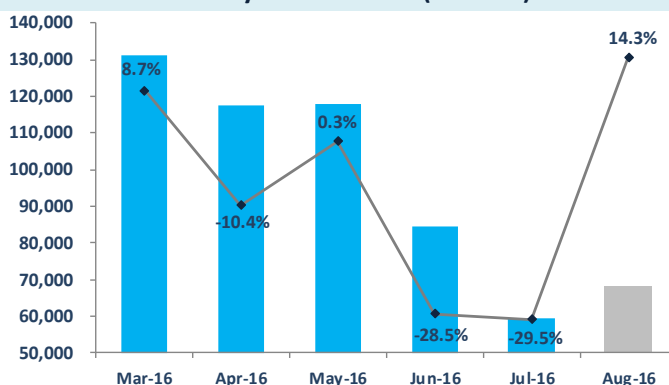
The sector performance chart was led by the Energy & Utilities index with a gain of 2.5% after Saudi Electricity Co. announced plans to privatize its assets by year end. The plan includes splitting the company into several firms by the end of the year in order to increase efficiency. The Petrochemical index also surged 1.2% during the month on the back of positive returns in shares of SABIC (+1.45) further supported by SAFCO (+10.2%) and Yanbu National Petrochemical (+2.43%). The third and the last sector to see gains was the Multi-Investor index that surged 1% primarily on the back of 10.1% gain in shares of Saudi Industrial Services. On the other hand, the Media & Publishing Index witnessed the steepest decline during the month as all the three stocks in the sector declined by more than 10%. Last months top performer, the Insurance Index, saw profit taking and witnessed the second-highest decline of 9.4% as all the stocks in the sector declined during the month with the exception of Salama (+0.49%) and Union Cooperative Assurance (+10.5%). The latter was also the top performer of the month followed by Saudi Arabia Fertilizer and Saudi Industrial Services with gains of 10.1% each. The decliners side was topped by Tabouk Agriculture (-32.7%) followed by Malath Cooperative Insurance and Re-Insurance (-28.1%) and Middle East Healthcare (25.6%). The market breadth was led by decliners that included 138 stocks as against 26 gainers.

In terms of trading activity, Alinma Bank led the value chart with SAR 12.7 Bn worth of shares traded during the month, followed by SABIC and Dar Al Arkan Real Estate with SAR 11.2 Bn and SAR 3.1 Bn worth of shares traded during the month. Total trades on the exchange also picked up after a month of holidays (July-16) with volumes up by 9.2% to 3.8 Bn shares whereas value traded increased by a slightly higher 14.3% to reach SAR 68 Bn.

Tadawul Monthly Sector Performance



Monthly Value Traded (SAR Mn)



Source: Tadawul, KAMCO Research

Abu Dhabi Securities Exchange

Monthly Indicators	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
ADX General Index	4,502.8	4,322.0	4,236.4	4,307.3	4,054.4	4,351.4	4,390.4	4,543.5	4,250.2	4,497.6	4,575.3	4,471.0
Monthly % Change	0.2%	(4.0%)	(2.0%)	1.7%	(5.9%)	7.3%	0.9%	3.5%	(6.5%)	5.8%	1.7%	(2.3%)
Market Cap (AED Bn)	442.0	431.4	424.2	428.1	411.6	435.4	449.2	461.9	433.4	457.1	473.9	463.8
P/E (X) - TTM	8.23	8.02	10.14	10.41	9.84	10.54	10.70	11.14	10.35	10.66	10.96	10.73
P/BV (X) - TTM	1.40	1.37	1.37	1.38	1.32	1.38	1.40	1.45	1.35	1.34	1.37	1.34
Dividend Yield (%)	4.24%	4.35%	5.16%	5.11%	5.35%	4.89%	5.09%	5.01%	5.38%	5.56%	5.47%	5.68%
Volume (Mn Shares)	2,132	1,187	1,709	1,795	1,534	4,172	3,284	2,730	1,945	1,206	1,228	1,307
Value (AED Mn)	4,457	3,621	6,611	5,119	3,308	5,269	6,433	4,579	3,283	3,832	2,926	3,148
Trades	33,220	24,311	38,316	29,399	32,127	43,275	45,320	31,800	26,059	22,596	23,335	24,668

Source: Abu Dhabi Securities Exchange, KAMCO Research

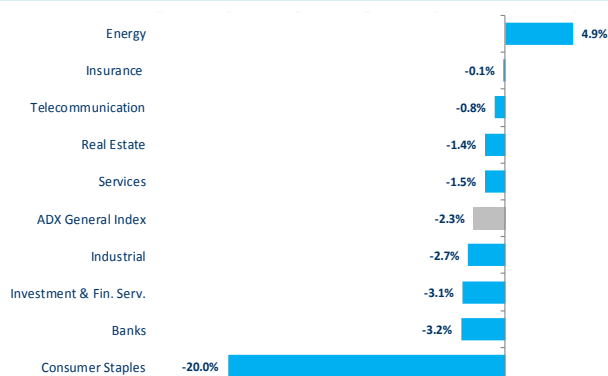
The ADX index witnessed the second-highest decline in the GCC, for the month of Aug-16, and receded by 2.3%. The index closed at 4,471.01 points, as all sectoral indices barring the Energy index were in the red for the month. Consumer Staples names fell the most during the month by 20.0%, as the largest stock in the index - Agthia Group declined by 23.3% for the month. Other sectors, which declined, were Banks and Investment & Fin. Services indices, which went down by 3.2% and 3.1%, respectively. Banks were pulled down by large caps as heavyweight names such as FGB (-2.9%), NBAD (-4.5%) and ADCB (-7.0%) all witnessed declines for the month. The Industrials sector also witnessed a decline of 2.7%, as key stocks such as RAK Ceramic and Gulf Pharmaceutical Co. witnessed declines of 2.5% and 2.65%, respectively. The Energy sector with m-o-m gains of 4.9% saw both its stocks witness higher prices led by Abu Dhabi National Energy, which went up by over 10.4%.

In earnings related announcements during the month, investment firm Waha Capital, which owns a stake in aircraft leasing company AerCap, posted a 22% drop in Q2-16 profit as lower income from financial investments and higher costs weighed on earnings. Waha Capital made a net profit AED 130 Mn in the Q2-16 compared to a profit of AED 167 Mn in the same period last year. Separately, Abu Dhabi National Energy reported H1-16 revenues of AED 7.9 Bn and EBITDA of AED 4.1 Bn, which were down 19% and 21% respectively compared to H1-15. This was reportedly due to a 39% drop in realised oil and gas prices which resulted in a net loss of AED 1.2 Bn compared to a net loss of AED 165 Mn in H1-15. During Q2-16, the Company completed a USD 1 Bn bond issuance, comprising two USD 500 million tranches with tenors of five and ten years.

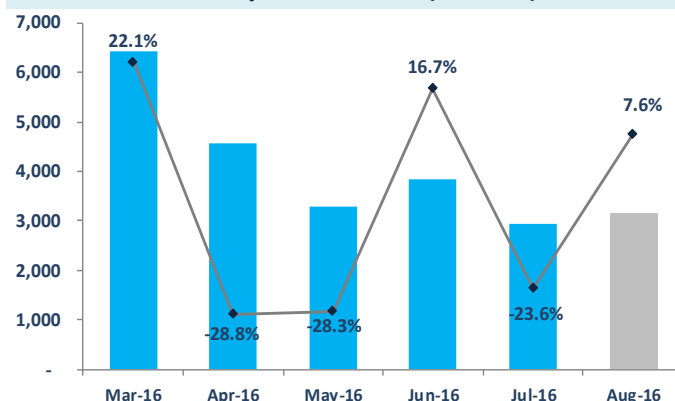
In ratings action, S&P affirmed its 'AA' long-term and 'A-1+' short-term foreign and local currency sovereign credit ratings for Abu Dhabi and kept its outlook as stable. The ratings are supported by Abu Dhabi's strong fiscal and external positions. S&P expects the emirate to maintain its extremely strong net fiscal asset position, projected at about 260% of GDP on average over 2016-2019, as per the agency's estimates. S&P further expect revenues to decline by 21 % due to falling oil and gas income, and estimate the general government deficit to widen to 5% of GDP in 2016, from around 4% in 2015, based on the government's preliminary approved budget.

Trading trends were however higher as compared to the previous month, as traded volumes and value traded improved by 8% m-o-m each, during the same period. Total volumes increased to 1.32 Bn shares as compared to 1.23 Bn shares during the previous month. Value traded during August -16 increased to AED 3.1 Bn. Aldar was the largest traded stock in the ADX index as AED 590 Mn worth of the stock was traded during the month, while Etisalat finished second with AED 549 Mn worth of trades. Real estate developers - Eshraq Properties & Ed Aldar witnessed the largest activity in terms of volumes traded. Bank of Sharjah led the gainers list and achieved a monthly return of 14.5%, followed by Eshraq Properties (+11%) and Abu Dhabi National Insurance (+10.5%). Prominent decliners included Agthia Group which led all decliners, followed by Fujairah Cement Industries (-16.7%) and United Arab Bank (-11.3%) for the month of Aug-16.

ADX Monthly Sector Performance



Monthly Value Traded (AED Mn)



Source: Abu Dhabi Securities Exchange, KAMCO Research

Dubai Financial Market

Monthly Indicators	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
DFM General Index	3,593.3	3,503.8	3,204.3	3,151.0	2,997.8	3,239.7	3,355.5	3,491.9	3,313.7	3,311.1	3,484.3	3,504.4
Monthly % Change	(1.9%)	(2.5%)	(8.5%)	(1.7%)	(4.9%)	8.1%	3.6%	4.1%	(5.1%)	(0.1%)	5.2%	0.6%
Market Cap (AED Bn)	341.2	336.0	310.8	301.2	289.5	307.0	319.0	334.3	324.9	323.2	335.5	334.8
P/E (X) - TTM	11.24	11.07	9.50	9.19	8.16	8.68	8.98	9.36	8.90	8.16	8.87	9.09
P/BV (X) - TTM	1.30	1.28	1.24	1.20	1.14	1.19	1.24	1.28	1.24	1.12	1.27	1.28
Dividend Yield (%)	2.51%	2.55%	3.35%	3.46%	3.60%	3.51%	3.60%	3.82%	3.97%	4.82%	4.91%	4.76%
Volume (Mn Shares)	3,850	3,953	5,124	5,935	7,972	9,932	15,527	12,030	6,755	5,352	5,180	5,115
Value (AED Mn)	6,564	5,663	6,733	6,700	9,241	11,755	19,582	14,171	7,768	6,997	7,318	7,643
Trades	80,872	70,076	98,185	90,095	121,266	131,931	184,991	133,516	91,318	76,501	74,470	75,179

Source: Dubai Financial Market, KAMCO Research

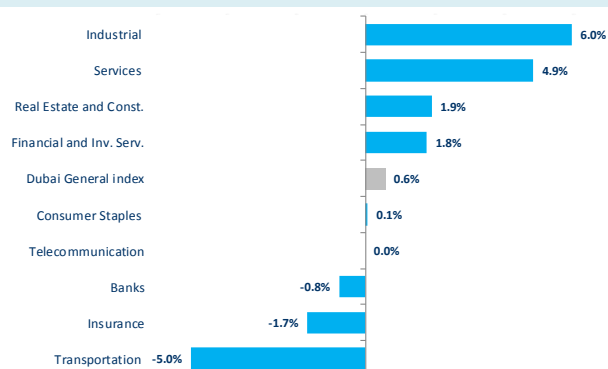
DFM General Index was able to sustain its gains from the previous month in August-16, and was one of the only two markets in the GCC, which were able to close higher for the month. DFM closed the month marginally up by 0.6% at 3,504.4 points. Sectoral trends were mixed, as indices that gained during the month were led by Industrials that went up by 6.0%, followed by Services that went up by 4.9%. Amongst the key indices that lost ground during the month, were Banks that closed in the red marginally, declining by 0.8%, driven by a 4.5% drop in the stock price of Emirates NBD. The stock reacted to reported cost optimization measures of a headcount reduction and news around rumors that the bank is in talks to buy Barclay's Egypt Assets. The main laggards were Transportation & Insurance, which went down by 5.0% and 1.7% respectively.

In prominent Q2-16 earnings releases, Dubai Parks reported that for the first two operational months of 2016, revenue was AED 297 Mn generated from 0.9 million visits to our destination. They expect revenues for 2017, which would be the first full year of operations to be close AED 2.4 Bn. Air Arabia reported H1-16 revenues of AED 1.84 Bn, up 5.5% compared to same period last year, as 4.1 million passengers flew Air Arabia in H1- 2016, up 14 per cent from H1-15. The airline reported a net profit of AED 245 Mn for H1-16, an increase of 3.5% compared to the AED 237 Mn reported for the same period last year. DSI reported a y-o-y decline of 23 % in revenue, which stood at AED 1.83 Bn in H1-16 as compared to AED 2.39 Bn achieved in H1-15. The fall in revenue was attributed to the significant contraction and prolonged volatility in the construction sector, a decline in new project awards and adjustments across key markets in the GCC. A net loss was also reported for H1-16 of AED 216 Mn as compared to a net profit of AED 34 Mn in H1-15. The loss is ascribed to project cancellations and additional one-off provisions taken in the prevailing challenging environment.

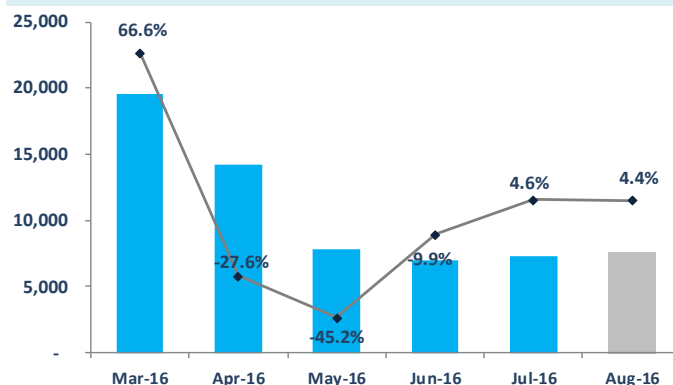
In ratings action, Moody's upgraded ENBD's long-term deposit and senior unsecured ratings to A3 from Baa1 and ascribed the upgrade to its extensive retail franchise within the diversified Dubai economy, which places the bank in a stronger position than most UAE peers to sustain the ongoing liquidity tightening in the region caused by low oil prices. In economic updates, Moody's in one their notes forecasted Dubai's real GDP growth to slightly outperform the GDP of Abu Dhabi over the medium term, with average real GDP growth in 2016 & 17 of 2.4% and 2.2% respectively. They further mentioned that despite Dubai's GDP amounting to only 25% of UAE's GDP, Dubai's non-oil GDP reportedly constitutes c.60% of the country's non-oil activity.

Gulf Finance House (GFH) topped the gainers list with a gain of 16.4% m-o-m for the month of Aug -16, followed by Dubai National Insurance and Reinsurance and Gulf Navigation Holding, which moved up by 11.6% & 9.5% m-o-m respectively. On the other hand, shares of Dubai Islamic Ins. & Reins (AMAN) led the monthly losers chart as it declined by 9.2%. Takaful House and International Finance Advisors followed with declines of 8.8% and 7.3% for the month. Emaar Properties was the most actively traded stock on the exchange as AED 1.4 Bn worth of stock was traded, followed by GFH with a value traded of AED 0.95 Bn.

DFM Monthly Sector Performance



Monthly Value Traded (AED Mn)



Source: Dubai Financial Market, KAMCO Research

Qatar Exchange

Monthly Indicators	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
QE 20 Index	11,465.2	11,604.6	10,090.8	10,429.4	9,481.3	9,892.3	10,376.2	10,186.2	9,538.8	9,885.2	10,604.0	10,989.8
Monthly % Change	(0.9%)	1.2%	(13.0%)	3.4%	(9.1%)	4.3%	4.9%	(1.8%)	(6.4%)	3.6%	7.3%	3.6%
Market Cap (QAR Bn)	604.6	608.0	532.7	553.3	506.7	523.3	556.7	548.2	516.8	532.2	568.2	588.1
P/E (X) - TTM	13.35	13.42	11.23	11.18	10.00	11.87	12.37	12.37	12.34	12.77	13.55	14.17
P/BV (X) - TTM	2.03	2.04	1.58	1.64	1.48	1.53	1.62	1.64	1.53	1.48	1.58	1.63
Dividend Yield (%)	4.25%	4.23%	5.04%	4.85%	5.31%	4.34%	3.76%	3.87%	4.10%	4.07%	3.82%	3.72%
Volume (Mn Shares)	128	167	158	516	150	202	269	216	163	89	98	164
Value (QAR Mn)	5,524	5,759	6,334	5,856	5,050	6,570	9,081	7,234	5,466	3,282	3,785	6,799
Trades	78,606	82,986	77,351	83,826	84,665	100,763	123,003	110,526	94,675	48,686	58,170	99,903

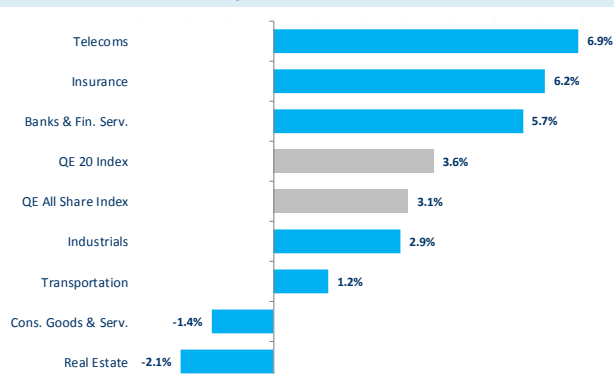
Source: Qatar Exchange, KAMCO Research

The QE 20 index was the best performing index in the GCC for the second consecutive month, increasing by 3.6% for the month of Aug-16, as it closed at 10989.79 points. The increase was largely attributed to FTSE Russel upgrading the Qatar market to secondary emerging market. The move was welcome at a time where the country was keenly looking at deepening its capital markets, following earlier upgrades by two other global index compilers MSCI and S&P in 2014. The Qatar All Share index also gained by 3.1% for the month, as most sectoral indices ended in the green for the month. The move up was mostly supported by the Telecoms index, which went up by 6.9% for the month, followed by Insurance, which went up by 6.2%.

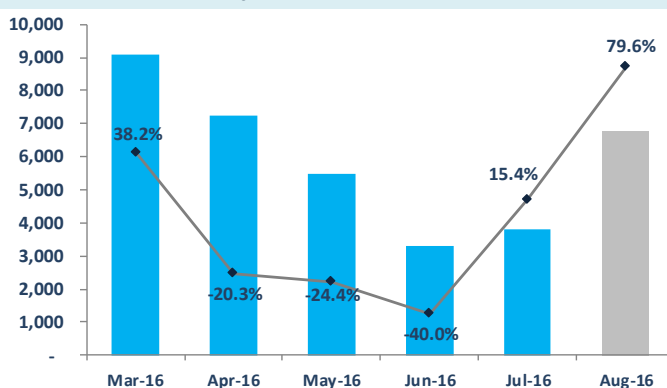
Banks & Financial Services index also gained during the month as it moved up by 5.7% m-o-m, as most large cap banks such as QNB (+7.5%), CBQ (+9.2%) and QIB (+4.5%) drove the increase. The Real Estate index reversed and receded for the month by 2.1%, even as the latest index of real estate prices released by Qatar Central Bank reportedly indicated a drop of 3.8% q-o-q in Q2-16. In corporate developments, QNB Group announced the successful completion of a bond issuance under its Euro Medium Term Note initiative in the international capital markets. The bank issued a US\$ 1.0 billion tranche in Aug-16 that matures after 5 years with a fixed coupon rate of 2.125% per annum. The issue was oversubscribed over 2.5 times, as it attracted strong interest from investors around the world. In corporate ratings action, Moody's affirmed Ooredoo's long-term corporate credit ratings at A2 with an upgrade in the outlook from "Negative" to "Stable". The ratings update reflects their expectations that Ooredoo's EBITDA margin and free cash flow improvement derived from their efficiency drive will continue over the next two years. Moody's also upgraded Masraf Al Rayan's long term issuer ratings to A1 from A2 and the outlook on the long-term ratings was changed to stable from positive reflecting consistently strong asset quality performance, strong profitability and capital metrics and continued business diversification as a result of growth and profitability of the UK subsidiary.

Trading activity was particularly strong yet again for the month on a sequential basis, as value traded during Aug-16 increased by 79.6% to reach QAR 6.8 Bn, compared to QAR 3.9 Bn in July-16. Traded volumes increased by 66.5% to reach 163 Mn shares in July-16, as against 98 Mn shares during the previous month. Market breadth was broadly even as 24 names gained ground, while 20 companies saw an erosion in their share prices. In sovereign ratings releases Fitch Ratings has affirmed Qatar's Long-Term Foreign and Local-Currency Issuer Default Ratings (IDRs) at 'AA' with a 'Stable Outlook'. Fitch mentioned that the AA ratings reflect the large sovereign assets of Qatar, along with its fiscal adjustment efforts, a large hydrocarbon endowment and one of the world's highest ratios of GDP per capita. They also mentioned that a key weakness that affected Qatar's rating was hydrocarbon dependence, with oil and gas extraction averaging 50% of GDP and 80% of external receipts and government revenue. They also alluded to other weaknesses, which include a government debt level above those of rated peers, and mediocre scores on the World Bank's measures of governance and the business environment.

QE Monthly Sector Performance



Monthly Value Traded (QAR Mn)



Source: Qatar Exchange, KAMCO Research

Bahrain Bourse

Monthly Indicators	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Bahrain All Share Index	1,275.89	1,250.37	1,232.57	1,215.89	1,187.10	1,178.23	1,131.11	1,110.53	1,111.56	1,118.37	1,155.62	1,142.21
Monthly % Change	(1.8%)	(2.0%)	(1.4%)	(1.4%)	(2.4%)	(0.7%)	(4.0%)	(1.8%)	0.1%	0.6%	3.3%	(1.2%)
Market Cap (BHD Mn)	7,494	7,410	7,319	7,196	7,025	6,973	6,694	6,573	6,574	6,615	6,836	6,757
P/E (X) - TTM	9.25	9.15	9.13	9.03	8.70	9.37	8.91	8.77	9.16	9.20	9.66	9.67
P/BV (X) - TTM	0.95	0.94	0.92	0.91	0.88	0.84	0.82	0.81	0.82	0.77	0.80	0.78
Dividend Yield (%)	3.78%	3.83%	4.99%	5.06%	5.25%	5.28%	5.72%	5.82%	5.79%	4.44%	4.27%	4.45%
Volume (Mn Shares)	87	28	63	40	23	38	33	22	26	75	36	75
Value (BHD Mn)	22	5	12	7	4	8	7	5	5	18	8	21
Trades	641	641	1,169	1,036	759	1,014	813	577	755	873	996	1,080

Source: Bahrain Bourse, KAMCO Research

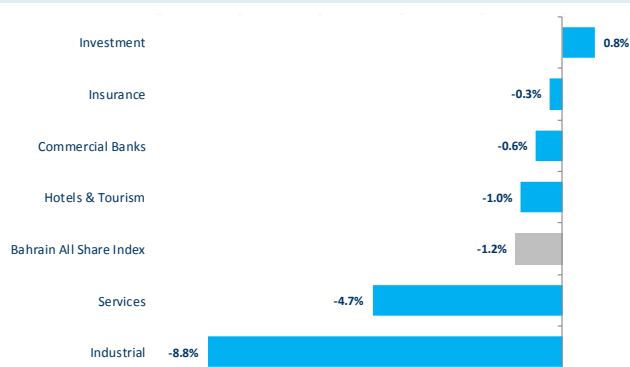
After a three-month streak of posting m-o-m gains, the Bahrain All Share Index lost steam and went into the red m-o-m, as it posted a decline of 1.2% in Aug-16, as compared to July-16. Market breadth was weak as 5 stocks advanced while 18 stocks saw lower share prices during the month as compared to Aug -16. The Industrials sector lost most ground during the month of Aug-16, declining by 8.8%, solely due to the decline in Aluminum Bahrain, which lost 9.1%. The Services index also declined 4.7%, as Batelco sunk by 5.3%, while BMMI went down by a lower 2.8%. The Investment index was the only sector, which gained ground during the month as went up marginally by 0.8%, as GFH gained by 18% for the month of Aug-16.

Ahli United Bank (AUB) reported a net profit of USD 301.2 Mn H1-16, an increase of 8.2% in H1-16 as compared to the net profit figure of USD 278.4 Mn achieved in H1-15. AUB grew its operating income with net interest income (NII) rising by 4.0% to USD 407.4 Mn during the first half of 2016. Total operating income grew by 7.8% from USD 529.3 Mn to USD 570.9 Mn, as per the company filing, while cost to income ratio improved to 27.7% as against 28.8% in H1-15. Batelco's gross revenues were down by 2% y-o-y in H1-16 to BHD 182.9 Mn (USD 485.1 Mn) ascribed to competitive pressures in key markets. EBITDA for the period was BHD 71.3 Mn (USD 189.1 Mn), representing a margin of 39%, a 2% increase y-o-y. Subscriber base also declined by 2% y-o-y to 9 Mn subscribers.

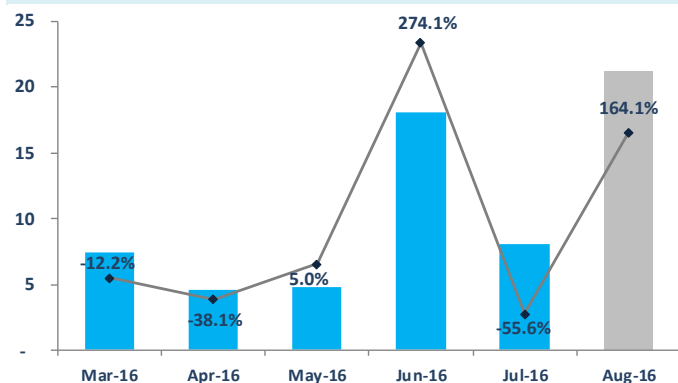
In key corporate developments, Bahrain Islamic Bank is reportedly seeking to sell about BHD 82 Mn (USD 218 Mn) of unproductive assets such as land and shares as part of a five-year plan to boost growth. The Bank reportedly sold USD 37 Mn of such assets until H1-16, and aims to boost revenue by 20%-25% annually, achieve a ROE of 15% -16%, and cut its cost-to-income ratio to the mid 40% from 60 percent over the next two years. Separately in state financing initiatives, Bahrain reportedly picked five banks to manage the third sale of Eurobonds. JPMorgan, BNP Paribas, Standard Chartered, Credit Suisse Group and Bahrain's Bank ABC were mandated to manage the sale. The benchmark size of the deal is expected to be at least USD 500 Mn.

The exchange's figures of value and volumes traded swung back strongly to positive territory in Aug-16 on an m-o-m basis, after a month of sequentially lower trading activity on the exchange. Volume traded on the exchange reached 75 Mn shares and more than doubled m-o-m. Value traded witnessed even higher increases (+164%) on the exchange to reach BHD 21 Mn in Aug -16, as compared to BHD 8 Mn shares in Jul-16. Furthermore, the number of trades increased to 1080 trades, a 8.4% m-o-m jump from Jul-2016. AUB was the most actively traded stock in Aug-16 with BHD 14.9 Mn worth of its shares traded on the exchange. BBK and Ithmar Bank followed with BHD 1.1 Mn and BHD 0.9 Mn worth of shares traded on the exchange. GFH topped the gainers list for the month of Aug-16, which reported a m-o-m increase of 18.2%, followed by Ithmar Bank (+13.6%) and Investcorp Bank (+8.7%) as against Jul-16. Meanwhile, among the monthly decliners, Nass Corporation lost the most ground with its stock price plunging by 14.4% m-o-m.

BSE Monthly Sector Performance



Monthly Value Traded (BHD Mn)



Source: Bahrain Bourse, KAMCO Research

Muscat Securities Market

Monthly Indicators	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
MSM 30 Index	5,787.7	5,928.2	5,547.9	5,406.2	5,179.4	5,395.1	5,467.4	5,942.7	5,811.0	5,777.3	5,843.8	5,735.0
Monthly % Change	(1.4%)	2.4%	(6.4%)	(2.6%)	(4.2%)	4.2%	1.3%	8.7%	(2.2%)	(0.6%)	1.2%	(1.9%)
Market Cap (OMR Mn)	7,558	7,645	6,861	6,913	6,636	6,870	6,961	7,444	7,428	7,233	7,313	7,351
P/E (X) - TTM	9.91	10.02	10.04	9.74	9.08	9.49	10.06	10.67	10.53	9.99	9.79	9.67
P/BV (X) - TTM	1.40	1.41	1.20	1.18	1.14	1.14	1.14	1.22	1.22	1.13	1.14	1.12
Dividend Yield (%)	4.16%	4.11%	4.90%	4.99%	5.15%	4.96%	5.38%	5.06%	5.10%	6.43%	6.29%	6.35%
Volume (Mn Shares)	202	1,286	184	381	267	339	336	575	347	254	179	199
Value (OMR Mn)	61	190	59	155	73	84	83	113	96	59	46	52
Trades	11,430	13,690	8,595	9,734	12,401	18,699	18,194	26,093	19,226	11,527	12,377	13,074

Source: Muscat Securities Market, KAMCO Research

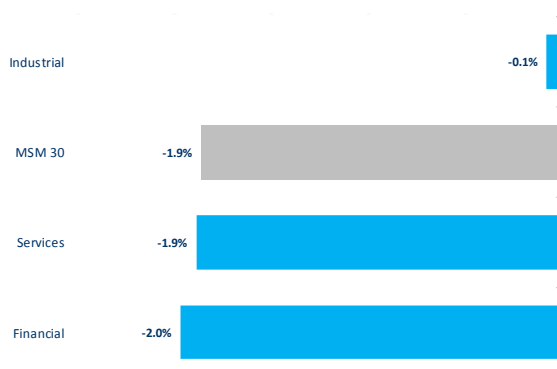
The MSM30 Index saw the third highest decline during August-16 as the market failed to maintain the positive momentum seen during the start of the month and entered the negative territory during the last week of the month. All of the three sectoral indices closed the month in the red led by the Financial index that declined by 2%, followed by the Services Index and the Industrial Index with declines of 1.9% and 0.1%, respectively. The Services index declined for the third month in a row, whereas the other two indices declined after showing strong gains during July-16. Within the Financial sector, shares of most of the major banks declined led by NBO which fell 4.3%, followed by Bank Dhofar and Bank Muscat with declines of 2.1% and 1.0%, respectively. Bank Dhofar, which is in the process of a merger with Bank Sohar, took a USD 100 Mn syndicated loan in order to fill its funding gap. In a related development, Moody's warned that although the aforementioned merger would be positive for Bank Dhofar's credit profile, short term challenges continue to sustain in addition to the weak operating environment that would exacerbate challenges.

Trading activity on the exchange picked up after reaching record lows during the previous month with volumes up by 11% to 199 Mn shares as compared to 179 Mn during the previous month, whereas value traded increased by a slightly higher 13.8% to OMR 52 Mn as compared to OMR 46 Mn during the previous month. The average daily trading activity highlighted the weakness during the month with average daily volume down by 17.9% to 8.7 Mn shares as compared to 10.5 Mn shares during July-16. The average daily value traded also declined by 15.9% to reach OMR 2.3 Mn during August-16 as compared to OMR 2.7 Mn during the previous month. The Financial sector continued to account for the lion's share of trading activity during the month with 51% of value traded coming from this sector, whereas the other two sectors accounted for almost equal share of the remaining monthly value traded.

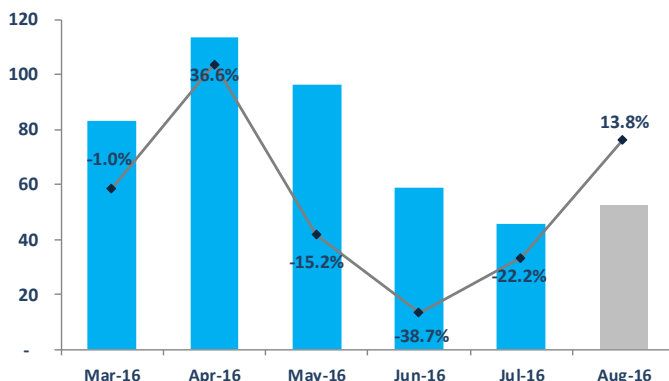
The monthly gainers chart was led by Global Financial Investment with a gain of 10% followed by Gulf International Chemicals and Raysut Cement with gains of 7.2% and 6.1%, respectively. Shares of Raysut Cement surged during the month after the company announced setting up of a cement plant in the country's Duqm special economic zone along with Oman Cement. The two cement companies registered the joint venture company, Al Wusta Cement LLC, to manage the plant. Moreover, Raysut Cement has also constructed a cement distribution terminal at Duqm port which is expected to be operational in Q3-16.

Renaissance Services led the monthly decliners list with a fall of 12% after the company reported an 8.5% decline in revenues for H1-16 primarily affected by the decline in oil prices, as stated by the company. Al Jazeera Steel Products was the second highest decliner for the month with a fall of 11.2% followed by Sohar Power that recorded a decline of -9.2%. The overall market breadth remained skewed towards decliners that included 26 stocks as against 10 gainers. Meanwhile, the monthly value traded chart was topped by bank Muscat with OMR 9.8 Mn worth of shares traded during the month, also resulting in the highest volumes during the month recorded at 24.9 Mn shares. Oman Telecom garnered the second-highest value of share traded worth OMR 4.8 Mn, followed by Ooredoo (OMR 3.7 Mn).

MSM Monthly Sector Performance



Monthly Value Traded (OMR Mn)



Source: Muscat Securities Market, KAMCO Research

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