

## GCC Markets Monthly Report

February-2017

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### Mixed monthly performance as major GCC markets cool off during February-17

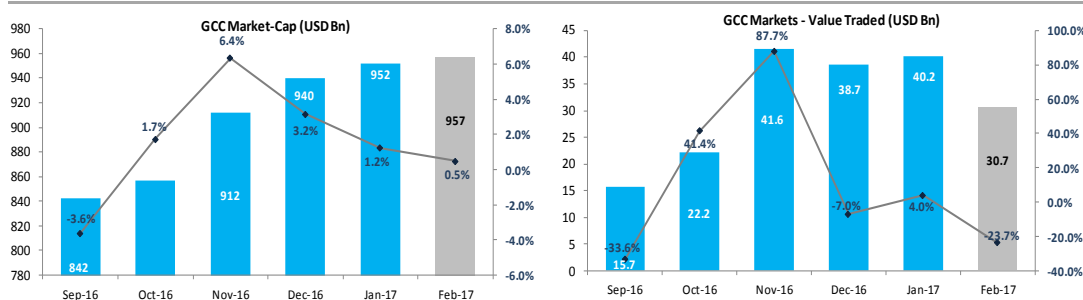
GCC equity markets witnessed mixed performance and traded in a narrow range during February-17 as profit taking following three consecutive months of positive performance led to marginal declines in most major markets. The flattish trend was also seen in crude oil prices, one of the major drivers for the gulf markets, as well as the collective MSCI GCC Index with minimal changes during the month. In addition, with the earnings season almost over for a majority of the large-cap GCC stocks, there were little catalysts during the month that could drive the direction of the market.

Trading activity also took a hit during the month with both volume and value traded declining by almost 38% and 24% respectively. Qatar and Muscat were the only markets that recorded higher value traded during February-17 as compared to the previous month.

Most notably, Tadawul main index declined for the second consecutive month during February-17 with YTD-17 decline now recorded at 3.3%. The market failed to sustain the critical 7,000 points mark and closed slightly below at 6,972.39 points. The launch of Nomu, a new parallel equity market in Saudi Arabia, was one of the key developments during the month. The new market is aimed at encouraging smaller sized companies with lighter regulatory requirements, and investment restricted only by qualified investors. The CMA is aiming to list 30-35 companies on this exchange within the next one year.

A number of key upcoming events are expected to keep global markets on the edge, including in the GCC. The events include US President's view on tax policies as well as the growing probability of a US Fed rate hike in March led by higher inflation figures. Any rate hike in the near term is expected to have an equal impact in the GCC, as seen in the past, and would be positive for banks in the region.

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	424.0	(0.8%)	11.6%	96.3	2,867.9	18.7	1.3	3.7%
Kuwait - 15 Index	964.1	(2.2%)	8.9%					
Kuwait - Price Index	6,783.1	(0.7%)	18.0%					
Saudi Arabia	6,972.4	(1.8%)	(3.3%)	436.1	20,061.0	14.5	1.6	4.2%
Abu Dhabi	4,552.1	0.1%	0.1%	127.0	1,359.3	11.1	1.3	5.5%
Dubai	3,630.3	(0.3%)	2.8%	104.6	4,243.5	9.9	1.3	4.6%
Qatar	10,702.1	1.0%	2.5%	158.7	1,846.5	15.0	1.5	3.8%
Bahrain	1,349.7	3.5%	10.6%	21.2	47.2	9.9	0.9	4.4%
Oman	5,780.0	0.1%	(0.0%)	12.8	256.7	9.9	1.1	5.3%
Total GCC				956.7	30,682.0	13.5	1.4	4.3%



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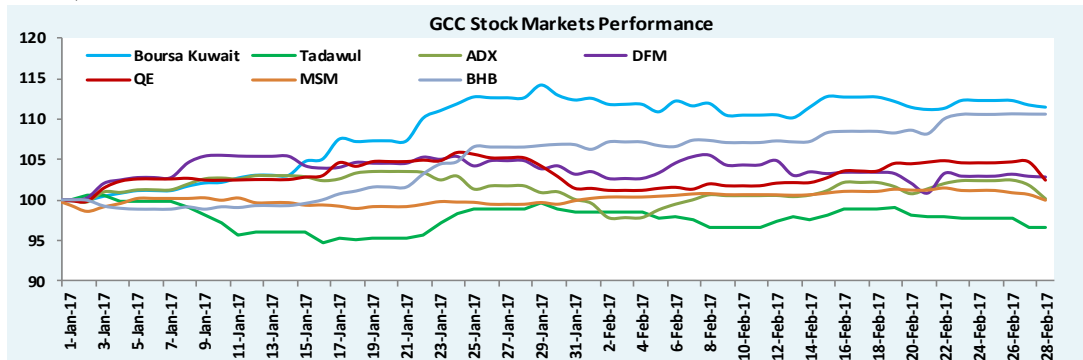
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Source: GCC Stock Exchanges, KAMCO Research

## Boursa Kuwait

Monthly Indicators	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
<b>Price Index</b>	<b>5,228.8</b>	<b>5,391.8</b>	<b>5,400.3</b>	<b>5,364.6</b>	<b>5,451.0</b>	<b>5,419.7</b>	<b>5,398.4</b>	<b>5,401.1</b>	<b>5,554.5</b>	<b>5,748.1</b>	<b>6,832.2</b>	<b>6,783.1</b>
Monthly % Change	0.4%	3.1%	0.2%	(0.7%)	1.6%	(0.6%)	(0.4%)	0.0%	2.8%	3.5%	18.9%	(0.7%)
<b>Weighted Index</b>	<b>359.8</b>	<b>366.3</b>	<b>357.4</b>	<b>351.4</b>	<b>350.7</b>	<b>347.3</b>	<b>351.9</b>	<b>354.0</b>	<b>367.1</b>	<b>380.1</b>	<b>427.4</b>	<b>424.0</b>
Monthly % Change	0.4%	1.8%	(2.4%)	(1.7%)	(0.2%)	(1.0%)	1.3%	0.6%	3.7%	3.5%	12.4%	(0.8%)
<b>Kuwait 15 Index</b>	<b>850.5</b>	<b>863.3</b>	<b>826.2</b>	<b>805.7</b>	<b>810.7</b>	<b>801.8</b>	<b>814.1</b>	<b>826.5</b>	<b>855.2</b>	<b>885.0</b>	<b>985.4</b>	<b>964.1</b>
Monthly % Change	1.1%	1.5%	(4.3%)	(2.5%)	0.6%	(1.1%)	1.5%	1.5%	3.5%	3.5%	11.3%	(2.2%)
<b>Market Cap (KWD Mn)</b>	<b>24,875</b>	<b>25,025</b>	<b>24,857</b>	<b>24,293</b>	<b>24,252</b>	<b>24,010</b>	<b>24,326</b>	<b>24,475</b>	<b>25,371</b>	<b>26,257</b>	<b>29,442</b>	<b>29,102</b>
P/E (X) - TTM	13.24	15.40	15.56	15.32	15.29	15.30	15.63	15.72	16.30	16.80	18.80	18.70
P/BV (X) - TTM	1.05	1.09	1.09	1.06	1.06	1.05	1.06	1.07	1.11	1.13	1.27	1.26
Dividend Yield (%)	4.00%	4.14%	4.24%	4.30%	4.30%	4.37%	4.30%	4.27%	4.12%	3.98%	3.67%	3.67%
Volume (Mn Shares)	3,983	3,929	2,931	2,166	1,327	1,430	902	1,679	2,908	3,594	13,858	8,857
Value (KD Mn)	329	277	246	227	132	152	87	258	328	321	1,185	866
Trades ('000)	84.8	81.2	68.9	49.3	35.7	40.1	27.2	45.2	70.6	75.6	229.8	171.8

Source: Kuwait Stock Exchange, KAMCO Research

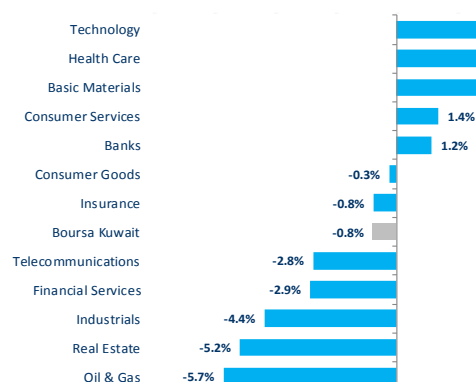
Boursa Kuwait retreated during February-17 after four consecutive months of positive performance. All the three indices declined during the month as selling was primarily concentrated on large-cap stocks. This was reflected in the 2.2% decline in the Kuwait 15 Index, while the Weighted and the Price indices declined marginally by 0.8% and 0.7%, respectively, during the month. Nevertheless, despite the marginal declines during February-17, the Boursa continues to lead the GCC in terms of YTD-17 performance with an 11.6% gain recorded by the Weighted index and a much higher 18.0% gain recorded by the Price index during this year led by the solid gains that the market achieved during January-17.

The monthly gainers chart was topped largely by small cap stocks, while large-cap prominent gainers included Warba Bank and Gulf Finance House with gains of 15.5% each followed by Alimtiq Investment and Qurain Petrochemicals with gains of 14.3% and 14%, respectively. Prominent decliners included Agility (-20.3%) and National Real Estate (-14.3%). Trading activity witnessed a steep drop during the month as compared to one of the highest activities during January-17. Monthly volumes traded declined by more than a third to 8.8 Bn shares as compared to 13.9 Bn shares during the previous month. Value traded also declined but at a slightly lower pace of 27% to KWD 866 Mn as compared to KWD 1.2 Bn during January-17. The decline in trading activity was also due to lesser number of trading days during February-17 (19 days in February-17 vs. 22 trading days in January-17). The monthly value traded chart was topped by Zain (KWD 68.6 Mn) followed by Agility (KWD 53.3 Mn) and Alimtiq Investment (KWD 48.1 Mn).

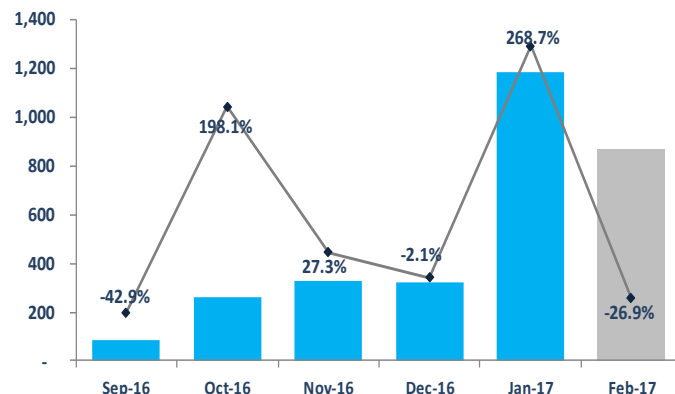
Sectoral gains were led by the Technology index with a gain of 6.5% followed by Healthcare index that surged 6.0%. Within the Technology sector, shares of Automated Systems Co. gained 41% after the company reported 23% increase in FY-16 net profits. These gains were partially offset by declines reported by the remaining two companies in the sector. In the Healthcare space, gains were led by 30% surge in shares of Al Mowasat Healthcare after the company reported 35% increase in FY-16 net profit, while shares of Yiac Medical surged 7.1%.

Banks reported solid results for FY-16 and Q4-16 that led to 1.2% gains in the Banking index. Full year earnings for Kuwaiti banks surged 5.8% as 8 out of 10 banks reported year-on-year growth in earnings. On the other hand, net profit for Q4-16 surged 24% year-on-year primarily on the back of 40% increase in NBK's Q4-16 profit. Earnings for the Telecom sector also surged by 8.6% and 28.3% for FY-16 and Q4-16, respectively, as softer full year earnings for Viva Kuwait was offset by higher profits reported by Zain and Ooredoo Kuwait. Telecom earnings were primarily reflected in YTD-17 performance of telecom stocks with the index up by 10.2%, while it receded 2.8% February-17 on profit taking.

### Boursa Kuwait Monthly Sector Performance



### Monthly Value Traded (KWD Mn)



Source: Kuwait Stock Exchange, KAMCO Research

## Saudi Arabia (Tadawul)

Monthly Indicators	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
<b>Tadawul All Share Index</b>	<b>6,223.1</b>	<b>6,805.8</b>	<b>6,448.4</b>	<b>6,499.9</b>	<b>6,302.2</b>	<b>6,079.5</b>	<b>5,623.3</b>	<b>6,012.2</b>	<b>7,000.2</b>	<b>7,210.4</b>	<b>7,101.9</b>	<b>6,972.4</b>
Monthly % Change	2.1%	9.4%	(5.3%)	0.8%	(3.0%)	(3.5%)	(7.5%)	6.9%	16.4%	3.0%	(1.5%)	(1.8%)
<b>Market Cap (SAR Bn)</b>	<b>1,439.0</b>	<b>1,560.3</b>	<b>1,489.4</b>	<b>1,505.3</b>	<b>1,458.9</b>	<b>1,419.4</b>	<b>1,326.2</b>	<b>1,420.7</b>	<b>1,637.3</b>	<b>1,682.5</b>	<b>1,659.9</b>	<b>1,635.3</b>
P/E (X) - TTM	12.29	13.41	12.76	11.87	11.77	11.49	10.75	12.31	13.44	14.73	14.79	14.54
P/BV (X) - TTM	1.49	1.64	1.55	1.53	1.48	1.43	1.32	1.42	1.65	1.70	1.67	1.59
Dividend Yield (%)	4.52%	3.65%	3.74%	4.60%	4.71%	4.91%	5.24%	4.90%	4.17%	4.04%	4.05%	4.17%
Volume (Mn Shares)	7,373	6,705	6,110	5,228	3,518	3,840	2,521	4,703	7,491	6,927	5,442	4,168
Value (SAR Mn)	131,199	117,608	117,944	84,283	59,461	67,974	41,736	65,664	118,645	114,984	98,782	75,232
Trades ('000)	2,994	2,625	2,761	1,828	1,347	1,684	1,070	1,833	2,608	2,685	2,664	2,040

Source: Tadawul, KAMCO Research

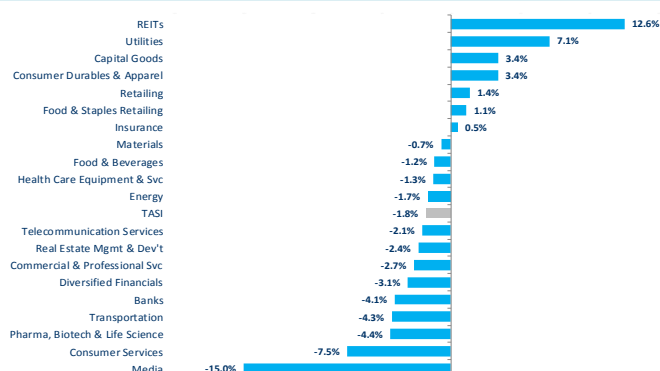
Tadawul continued to decline for the second consecutive month dropping below the psychologically important mark of 7,000 points to reach 6,972.4 points, recording a monthly decline of 1.8%. The decline comes mainly on account of large-cap sectors with the Banking index declining by 4.1% and Telecom sector by 2.1%. The biggest drop was recorded by the Media index which declined 15% during the month followed by Consumer Services and Pharma indices recording declines of 7.5% and 4.4%, respectively. On the other hand, monthly gains were led by newly introduced REITs index that closed the month with a gain of 12.6% followed by Utilities index and Capital Goods index with gains of 7.1% and 3.4%, respectively.

Monthly trading activity witnessed a steep decline with volume declining by 23.4% during the month to reach 4.2 Bn shares as compared to 5.4 Bn in the previous month. Monthly value traded also declined at a similar pace of 23.8% to reach SAR 75.2 Bn as compared to SAR 98.8 Bn in January-17. The two less trading days during February-17 resulted in a smaller average daily decline of 16% for both volume and value traded during the month. The monthly gainers chart was topped by newly listed REIT fund, Aljazira REIT, which recorded a gain of 81.4% followed by Saudi Re and Saudi Industrial Development Co. with gains of 21.3% and 19.9%, respectively. Decliners chart was topped by Umm Al-Qura Cement that fell 17.9% followed by Nama Chemicals at -17.03%. Alinma Bank continued to be one of the most actively traded stocks on the exchange topping the February-17 value traded chart by recording trades worth SAR 7.6 Bn followed by SABIC and Dar al Arkan with trades worth SAR 5.5 Bn and SAR 3.1 Bn, respectively.

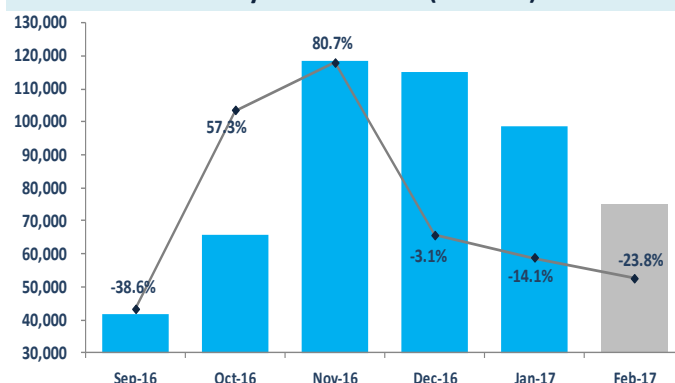
Saudi Arabia also continues to be one of the most active markets in terms of primary markets issuances with the exchange listing its second REIT fund, Aljazira Mawten REIT Fund, during February-17 that wrapped the month with a gain of 81.4%. During the month, Saudi Arabia CMA also launched NOMU, a new parallel stock market catering to smaller companies with minimal regulatory requirement thereby making it easier for them to raise capital in the stock market. The regulator expects 30-35 listings on the Nomu in a years time. The CMA is also working on modifying its settlement cycle to T+2, in line with other world markets, which the regulator expects would encourage QFIs to invest in the market. With this move, the CMA plans to boost the share of foreign investors in the market which currently stands at a mere 4% of total investors. Meanwhile, the Saudi Ministry of Trade and Investment is also said to be assessing plans to enable expatriates to invest in Saud Arabia with necessary regulations for collecting taxes from such investors.

On the economic front, the Kingdom is reportedly expected to increase gasoline prices by 30% from July-17 in order to strengthen state revenues. This is also in line with its strategy to align fuel prices with global levels by 2020. The recent increase in oil price has given some respite against rising deficits and declining revenues, and this was also evident as the Kingdom has reportedly suspended its monthly domestic bond sales. This can also be seen easing the tight liquidity position of banks in the Kingdom. In a related development, bank lending to private companies grew at one of the slowest pace of 1.8% during January-17 reflecting limited investment by private players but could also reflect lower dependence on bank loans as the government finances have improved over the past couple of months.

### Tadawul Monthly Sector Performance



### Monthly Value Traded (SAR Mn)



Source: Tadawul, KAMCO Research

# Abu Dhabi Securities Exchange

Monthly Indicators	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
<b>ADX General Index</b>	<b>4,390.4</b>	<b>4,543.5</b>	<b>4,250.2</b>	<b>4,497.6</b>	<b>4,575.3</b>	<b>4,471.0</b>	<b>4,476.3</b>	<b>4,300.2</b>	<b>4,308.8</b>	<b>4,546.4</b>	<b>4,548.8</b>	<b>4,552.1</b>
Monthly % Change	0.9%	3.5%	(6.5%)	5.8%	1.7%	(2.3%)	0.1%	(3.9%)	0.2%	5.5%	0.1%	0.1%
<b>Market Cap (AED Bn)</b>	<b>449.2</b>	<b>461.9</b>	<b>433.4</b>	<b>457.1</b>	<b>473.9</b>	<b>463.8</b>	<b>464.8</b>	<b>447.0</b>	<b>445.2</b>	<b>467.6</b>	<b>465.0</b>	<b>466.6</b>
P/E (X) - TTM	10.70	11.14	10.35	10.66	10.96	10.73	10.74	10.24	10.19	10.77	10.75	11.06
P/BV (X) - TTM	1.40	1.45	1.35	1.34	1.37	1.34	1.34	1.29	1.29	1.36	1.36	1.34
Dividend Yield (%)	5.09%	5.01%	5.38%	5.56%	5.47%	5.68%	5.67%	5.91%	5.91%	5.60%	5.60%	5.53%
Volume (Mn Shares)	3,284	2,730	1,945	1,206	1,228	1,307	1,191	1,011	3,991	1,454	4,837	2,811
Value (AED Mn)	6,433	4,579	3,283	3,832	2,926	3,148	2,443	2,278	5,863	3,179	7,111	4,993
Trades	45,320	31,800	26,059	22,596	23,335	24,668	19,554	20,129	45,297	26,669	57,936	39,116

Source: Abu Dhabi Securities Exchange, KAMCO Research

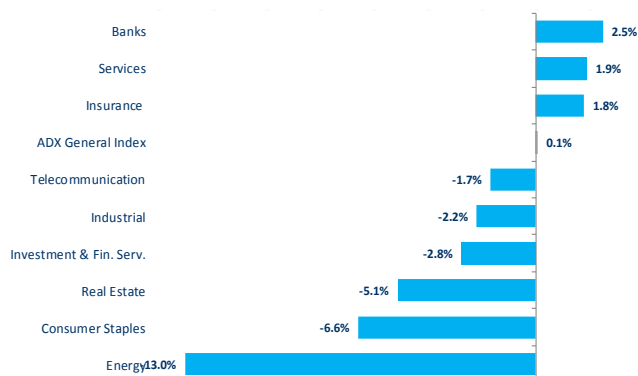
The ADX index closed almost flat for the second month in a row and inched up by 0.1% m-o-m in February -17. The index closed at 4552.09 points, as sectoral indices included both gainers and decliners for the month. Banks were the best performing index as they moved up by 2.5% m-o-m in the current month, led by FGB which moved up by 6.6% m-o-m, followed by the Services index which improved by 1.9%, while Insurance improved by 1.8%. In terms of laggards, Energy names receded the most and lost ground by 13.0% for the month of February-17, followed by the Consumer Staples index and the Real Estate index, as they closed the month down by 6.6% and 5.1% m-o-m respectively. Dana Gas and Abu Dhabi National Energy receded by 14.8% and 5.9% m-o-m for the energy Index. Heavyweight in the Real Estate index, Aldar, receded by 6.3% and pulled the index down. All the stocks in the Consumer Staples receded for the month of February -17 with Agthia declining by 4.9%.

In prominent earnings, RE developer Aldar announced net profit of AED 2.8 Bn for 2016, up 8% from AED 2.6 Bn in 2015. The company further proposed an 11 fils/share dividend for 2016, up from 10 fils/share in 2015. In terms of sales, total development sales improved by 17% to AED 3.5 Bn in 2016 led by Yas Acres, Mayan and West Yas, while the recurring net operating income from the asset management business amounted to AED 1.6 Bn. In the energy sector, Dana Gas reported full year revenue of USD 392 Mn which declined by 6% y-o-y as compared to USD 417 Mn in 2015. The drop in revenue was driven by lower realized liquid prices, despite the increase in the group annual average production. Net profit for 2016 declined by 77% and came in at USD 33 Mn as compared to USD 144 Mn last year, which included gain on one-off sale of 5% interest in Pearl and settlement from the RWE arbitration. Abu Dhabi Islamic Bank (ADIB) group net revenues for 2016 increased by 4.9% to AED 5,385.5 Mn compared to AED 5,134.4 Mn in 2015. Group net profit for 2016 increased by 1.0% to AED 1,953.6 Mn as compared to AED 1,934Mn in 2015.

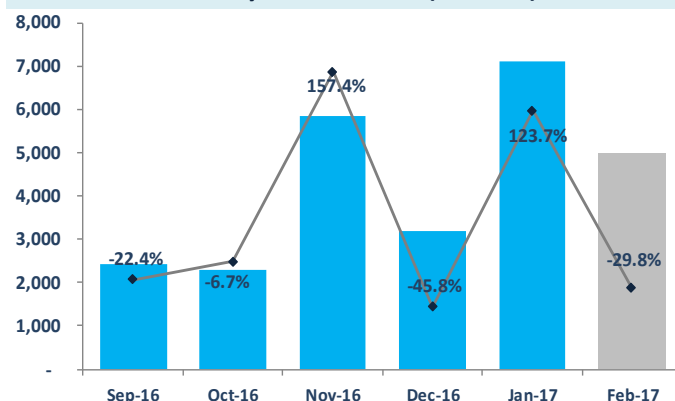
Market breadth was skewed towards gainers as 33 stocks declined during the month, while 18 names gained ground. Trading trends dropped in the current month, as traded volumes & value traded declined by over 41.9% and 29.8% respectively m-o-m, during the same period. Total volumes receded to 2.8 Bn shares while value traded during February-17 declined to AED 4.9 Bn. Al Khazna Insurance led the gainers list and achieved a monthly return of 15.4%, followed by Emirates Insurance and Umm Al-Qawain Cement Ind. Co., which went up by 15.0% and 15.0% respectively. Prominent decliners included National Takaful with a monthly share price decline of 23.6%, followed by Al Dhafra Insurance and Fujairah Cement Industries, as they saw their stock prices erode by 21.0% & 18.9% respectively.

In sovereign ratings action, S&P maintained Abu Dhabi's AA/A-1 rating with a stable outlook, as they reportedly ascribed the stable rating and outlook to the emirate's strong fiscal position, rich currency reserves and high GDP per capita, which it estimates at USD 75,000 in 2017. Furthermore, they expect a fiscal surplus of 0.7% of GDP in 2017 for Abu Dhabi government's fiscal balance, a turnaround from an estimated deficit of 3.6% in 2016. They further mentioned that real economic growth is reportedly expected to recover to average about 2.7% in the coming years, based on a rising oil prices and on the government increasing oil production capacity to 4 mbpd by 2021.

## ADX Monthly Sector Performance



## Monthly Value Traded (AED Mn)



Source: Abu Dhabi Securities Exchange, KAMCO Research

## Dubai Financial Market

Monthly Indicators	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
<b>DFM General Index</b>	<b>3,355.5</b>	<b>3,491.9</b>	<b>3,313.7</b>	<b>3,311.1</b>	<b>3,484.3</b>	<b>3,504.4</b>	<b>3,474.4</b>	<b>3,332.4</b>	<b>3,360.9</b>	<b>3,530.9</b>	<b>3,642.9</b>	<b>3,630.3</b>
Monthly % Change	3.6%	4.1%	(5.1%)	(0.1%)	5.2%	0.6%	(0.9%)	(4.1%)	0.9%	5.1%	3.2%	(0.3%)
<b>Market Cap (AED Bn)</b>	<b>319.0</b>	<b>334.3</b>	<b>324.9</b>	<b>323.2</b>	<b>335.5</b>	<b>334.8</b>	<b>331.4</b>	<b>316.9</b>	<b>316.3</b>	<b>332.2</b>	<b>352.1</b>	<b>384.0</b>
P/E (X) - TTM	8.98	9.36	8.90	8.16	8.87	9.09	9.01	8.77	8.71	9.25	9.92	9.89
P/BV (X) - TTM	1.24	1.28	1.24	1.12	1.27	1.28	1.27	1.22	1.23	1.29	1.28	1.25
Dividend Yield (%)	3.60%	3.82%	3.97%	4.82%	4.91%	4.76%	4.80%	4.99%	4.97%	4.70%	4.66%	4.56%
Volume (Mn Shares)	15,527	12,030	6,755	5,352	5,180	5,115	5,574	5,102	16,016	11,219	18,618	10,396
Value (AED Mn)	19,582	14,171	7,768	6,997	7,318	7,643	6,744	6,828	20,240	14,659	22,962	15,587
Trades	184,991	133,516	91,318	76,501	74,470	75,179	61,878	68,423	163,506	118,274	196,901	130,998

Source: Dubai Financial Market, KAMCO Research

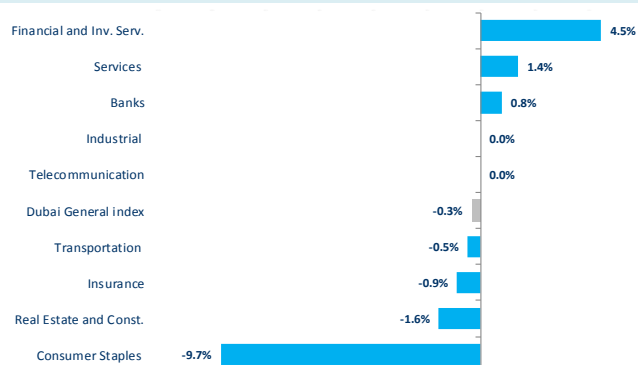
After ending January-17 up by 3.2%, DFM declined albeit marginally and ended the month of February-17 down by 0.3% to close at 3630.34. Sectoral trends were mixed, with both gainers and losers. For the current month, Financial and Investment Services names rose by 4.5%, driven by a surge in the stock price of Dubai Financial Market, which went up by over 13%. Services index followed and gained by 1.4% for the month, while Banks moved up marginally by 0.8%. Banks were helped by Emirates Islamic bank, as the stock went up over 190%. Indices, which lost ground during the month, were led by Consumer Staples, which went down by 9.7% m-o-m in February-17, after losing 7.4% in the previous month. Real Estate and Insurance followed as they receded by 1.6% and 0.9% respectively m-o-m. Real Estate was pulled down by Arabtec, which saw its stock price decline by over 31.8% for the month reacting to weak sector sentiment related news flow.

In prominent earnings, Commercial Bank of Dubai recorded a net profit of AED 1,003.1 Mn for 2016, 5.9% lower compared to AED 1,066.2 Mn for the last year mainly due to prudent provisioning. The loan loss coverage ratio increased to 101.6%. Operating income for the bank increased by 4.7% to AED 2.46 Bn, mainly due to a 5.2% increase in net interest income to AED 1.73 Bn (2015: AED 1.64 Bn) and an 3.5% increase in non-interest income to AED 736.9 Mn (2015: AED 712.2 Mn) with a 15.2% increase in foreign exchange. Real estate developer Emaar recorded full year revenues of AED 15.54 Bn, an increase of 14% over AED 13.66 Bn as the malls and hospitality business contributed to the increase. Net profit for the developer increased to AED 5.2 Bn in 2016, 28% y-o-y from AED 4.082 Bn in 2015. Low cost airline Air Arabia's net profit came in 4% y-o-y lower in 2016, at AED 509 Mn, even as the load factor was healthy at 79%.

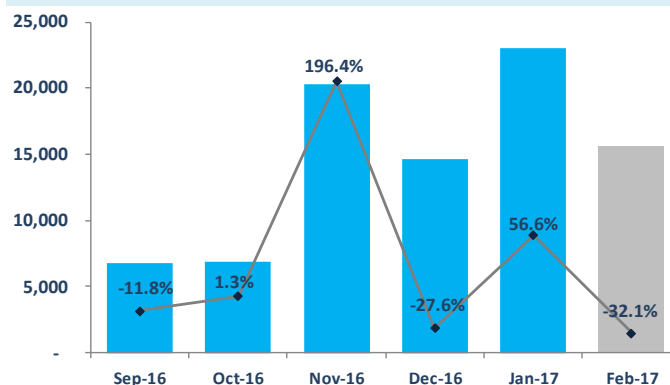
Emirates Islamic Bank was once again the top performing stock in the index for the month, after its share price surged by over 3x in January-17. Arab Insurance Group followed along with Agility, which saw its stock prices move up by 16.7% and 15.0% respectively. On the other hand, shares of Arabtec led the monthly losers chart as its share price declined by almost a third. Mashreq Bank and International Financial Advisors followed with declines of 11.8% and 11.3% respectively for the month. Gulf Finance House (GFH) was the most actively traded stock yet again on the exchange as AED 4.2 Bn worth of stock was traded, followed by Arabtec Holding with value traded of AED 1.2 Bn. Market breadth on the exchange favored decliners, as 18 stocks gained ground while 21 stocks declined during the month of February-17. Overall activity on the exchange on a monthly basis dropped, as volumes traded declined by 44% m-o-m from Jan -16 to reach 10.4 Bn shares, while value traded was down close to 31% as well m-o-m to reach AED 15.6 Bn.

In real estate market developments, S&P forecasted that property prices and rents in Dubai would fall by between 5% -10% in 2017 and mentioned that residential house prices in Dubai fell by between 8%-11% in 2016, while rents declined 6%. They mentioned that they see no signs of market improvement for the UAE real estate sector, despite housing affordability improving from the current price environment. Nevertheless, S&P do not foresee major negative movements in real estate sector ratings in the next 12 to 18 months, as they believe that developers will be able to absorb the fall in house prices because of low debt burdens and strong balance sheets.

### DFM Monthly Sector Performance



### Monthly Value Traded (AED Mn)



Source: Dubai Financial Market, KAMCO Research



## Qatar Exchange

Monthly Indicators	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
<b>QE 20 Index</b>	<b>10,376.2</b>	<b>10,186.2</b>	<b>9,538.8</b>	<b>9,885.2</b>	<b>10,604.0</b>	<b>10,989.8</b>	<b>10,435.5</b>	<b>10,173.0</b>	<b>9,793.8</b>	<b>10,436.8</b>	<b>10,597.2</b>	<b>10,702.1</b>
Monthly % Change	4.9%	(1.8%)	(6.4%)	3.6%	7.3%	3.6%	(5.0%)	(2.5%)	(3.7%)	6.6%	1.5%	1.0%
<b>Market Cap (QAR Bn)</b>	<b>556.7</b>	<b>548.2</b>	<b>516.8</b>	<b>532.2</b>	<b>568.2</b>	<b>588.1</b>	<b>560.3</b>	<b>548.5</b>	<b>526.6</b>	<b>563.5</b>	<b>568.6</b>	<b>577.7</b>
P/E (X) - TTM	12.37	12.37	12.34	12.77	13.55	14.17	13.50	13.45	13.04	13.85	14.34	15.00
P/BV (X) - TTM	1.62	1.64	1.53	1.48	1.58	1.63	1.55	1.51	1.45	1.56	1.52	1.48
Dividend Yield (%)	3.76%	3.87%	4.10%	4.07%	3.82%	3.72%	3.91%	4.00%	4.18%	3.93%	3.91%	3.79%
Volume (Mn Shares)	269	216	163	89	98	164	132	121	188	190	190	188
Value (QAR Mn)	9,081	7,234	5,466	3,282	3,785	6,799	5,934	4,360	5,822	7,204	5,757	6,723
Trades	123,003	110,526	94,675	48,686	58,170	99,903	76,124	56,888	73,428	71,747	76,729	81,708

Source: Qatar Exchange, KAMCO Research

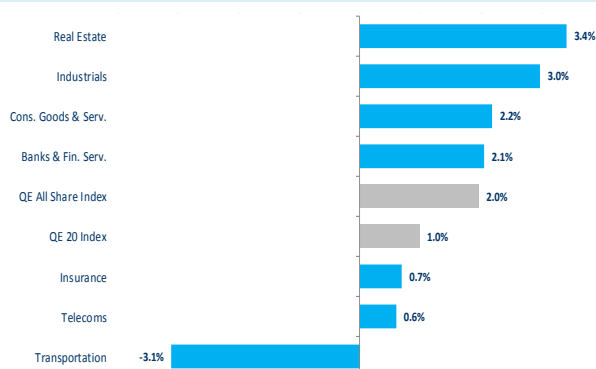
The QE 20 index continued to remain in the positive territory in February-17, and was the second best performing market in the GCC, as the index moved up by 3.2% m-o-m, and closed at 10702.12 points. The Qatar All Share index also improved by 2.0% for the first month of 2017, while sectoral trends were mostly positive. Heavyweight indices such as Banks & Financial Services, Real Estate, and Telecoms index closed in the green. The index, which gained the most was the Real Estate index which went up by 3.4% for the month of February-17, followed by Industrials which moved up by 2.9% over the same period. Transportation index was the only laggard, as the index went down by 3.1% m-o-m during the current month.

In earnings announcements for full year 2016, Ooredoo reported revenues of QAR 33 Bn, an improvement of 1% over 2015. Growth was mainly driven by Ooredoo Qatar, Oman, Kuwait, Algeria, Tunisia, Indosat Ooredoo and Myanmar in local currency terms. Excluding FX impacts, Revenues would have increased by 2% y-o-y, instead of the reported 1%. Group net profit increased by 4% to QAR 2.2 Bn, driven by strong contributions from Ooredoo Qatar, Oman, Indosat Ooredoo, and reduced costs at Ooredoo Group headquarters, and reduced loss due to FX volatility. Customer base increased by 19% to reach 138 Mn, driven by strong growth in Indosat Ooredoo, Myanmar, Oman, Iraq, Tunisia, Kuwait, Algeria. In the banking sector, Commercial Bank reported a net profit of QAR 501.4 Mn, as compared to QAR 1,434 Mn for the same period in 2015, a decrease of 65%. Customer loans and advances amounted to QAR 77.8 Bn in 2016, up by 1.6% y-o-y. Nakilat announced a net profit of QAR 955 Mn achieved compared to QAR 984 Mn in 2015.

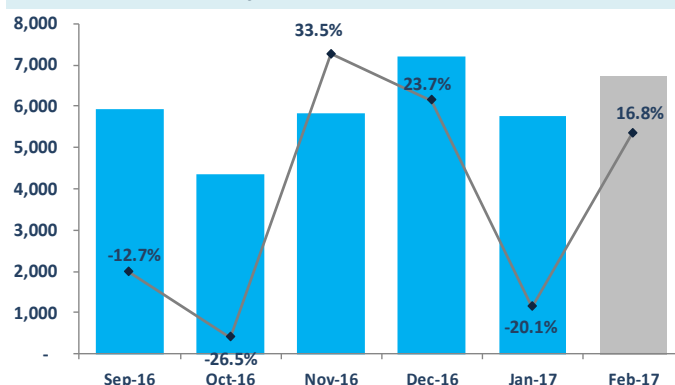
Trading activity on the index however was mixed, as value traded during February-17 increased by 16.8% to reach QAR 6.7 Bn while traded volumes decreased by 1.1% m-o-m to reach 188 Mn shares. In terms of trading activity, Barwa Real Estate topped the monthly value traded chart with QAR 704.5 Mn worth of shares traded, followed by QNB and Medicare Group recording QAR 584.3 Mn and QAR 478.3 Mn in monthly value traded. Qatar Islamic Insurance was the top performing stock in the index for the month as its share price surged by 26.5%. Medicare Group followed along with Barwa Real Estate, which saw its stock prices move up by 24% and 14% respectively. On the other hand, shares of Al Khaleej Commercial Bank led the monthly losers chart with its stock losing 8.3% m-o-m. Widam and Qatar Navigation followed with declines of 7.6% and 6.5% respectively for the month.

In merger related developments, Moody's mentioned that the proposed merger between the three Qatari banks - Masraf Al Rayan, Barwa Bank and International Bank of Qatar, if completed, would create the largest Islamic bank and second largest bank in Qatar, fourth largest Islamic bank in the GCC and would result in a more balanced competitive environment in Qatar's fragmented banking system. The merger which is in the due diligence stage is subject to approval and would create an entity with total assets amounting to around QAR 173 Bn and a market share of around 14%. In other fundraising activities, Ahli Bank announces the completion of a further USD 500 Mn financing under its USD 1.5 Billion EMTN issue. The 5-year bond carries a coupon rate of 3.50% and was significantly oversubscribed and has been assigned an A2 credit rating with a stable outlook by Moody's.

### QE Monthly Sector Performance



### Monthly Value Traded (QAR Mn)



Source: Qatar Exchange, KAMCO Research

## Bahrain Bourse

Monthly Indicators	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
<b>Bahrain All Share Index</b>	<b>1,131.11</b>	<b>1,110.53</b>	<b>1,111.56</b>	<b>1,118.37</b>	<b>1,155.62</b>	<b>1,142.21</b>	<b>1,150.00</b>	<b>1,148.83</b>	<b>1,174.12</b>	<b>1,220.45</b>	<b>1,303.70</b>	<b>1,349.67</b>
Monthly % Change	(4.0%)	(1.8%)	0.1%	0.6%	3.3%	(1.2%)	0.7%	(0.1%)	2.2%	3.9%	6.8%	3.5%
<b>Market Cap (BHD Mn)</b>	<b>6,694</b>	<b>6,573</b>	<b>6,574</b>	<b>6,615</b>	<b>6,836</b>	<b>6,757</b>	<b>6,803</b>	<b>6,796</b>	<b>6,946</b>	<b>7,221</b>	<b>7,721</b>	<b>7,995</b>
P/E (X) - TTM	8.91	8.77	9.16	9.20	9.66	9.67	9.47	9.70	9.29	9.68	9.97	9.92
P/BV (X) - TTM	0.82	0.81	0.82	0.77	0.80	0.78	0.77	0.78	0.80	0.83	0.89	0.89
Dividend Yield (%)	5.72%	5.82%	5.79%	4.44%	4.27%	4.45%	4.88%	4.47%	4.39%	4.22%	3.95%	4.44%
Volume (Mn Shares)	33	22	26	75	36	75	37	29	55	211	136	86
Value (BHD Mn)	7	5	5	18	8	21	6	6	12	10	26	18
Trades	813	577	755	873	996	1,080	789	750	998	1,163	2,164	1,621

Source: Bahrain Bourse, KAMCO Research

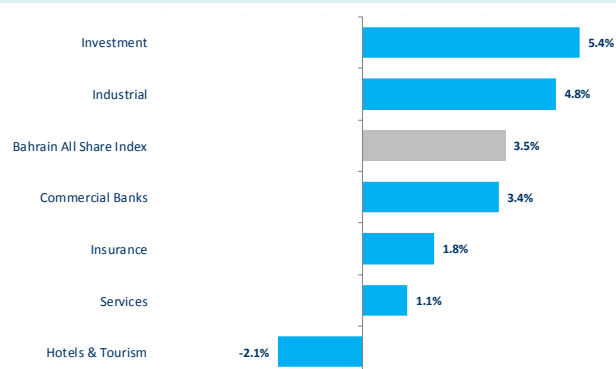
After ending January-17 as the second best performing market in the GCC, the Bahrain All Share Index was the best performing market in the GCC in February-17 and closed 3.5% higher on a m-o-m basis. The index closed at 1349.67 points at the end of the month. Sectoral performance was more skewed towards indices that gained for the month. Market breadth for the index was positive, as 16 stocks gained ground, while 7 stocks witnessed declines in their share prices. Investment was the main sector which drove the index up as the sector was up 5.4% for the month. The Industrial sector went up as well by 4.8%, followed by Commercial Banks which went up by 3.4% m-o-m in February -17. Hotels & Tourism were the only laggards for the index as it went down by 2.1% for the current month.

In earnings related releases, GFH reported total consolidated revenues grew of USD 578.96 Mn, as compared to USD 87.99 Mn in 2015. The significant increase was due to major recoveries achieved from litigation awards with a registered value of USD 464 Mn. Net profit for GFH came in USD 217.12 Mn for the year and represents a turnaround from losses of USD 5.52 Mn reported in 2015 due to provisions. Aluminium Bahrain (Alba) reported sales of BHD 669.8 Mn for 2016 versus BHD 766.7 Mn in 2015, down by 13% YoY due to the double dip of LME and premium prices. Net Income came in at BHD 48.4 Mn in 2016, down 19% y-o-y, compared to BHD 59.9 Mn in 2015. Ahli United Bank (AUB) reported a net profit of USD 570.6 Mn for the year 2016, representing a growth of 6.2% compared to a net profit of USD 537.2 million in 2015. Net interest income (NII) grew by 1.7% from USD 814.7 Mn to USD 828.2 Mn. Fees, commissions & other income grew by 9.7% y-o-y to USD 173.3 Mn. As a result, total operating income grew by 5.2% to reach USD 1,149.0 Mn from USD 1,091.9 million in 2015.

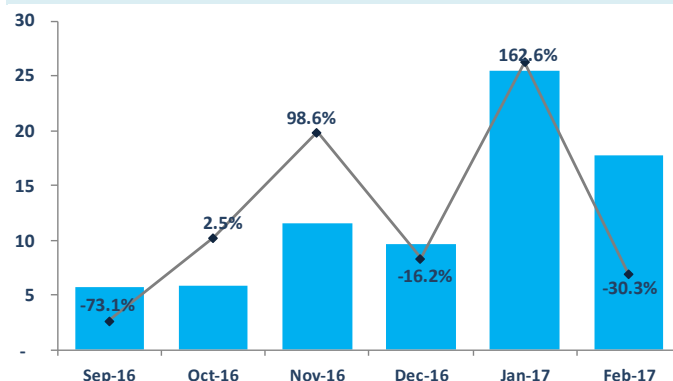
The exchange's figures of value and volumes traded in February-17 exhibited declining trends on an m-o-m basis, as compared to the previous month. Volumes traded in the exchange reached 86 Mn and went down by over 37% m-o-m as compared to 135 Mn shares in January-17. Value traded receded by over 30% in the exchange to reach BHD 17.8 Mn in February -17, as compared to BHD 25.5 Mn in January-17. Furthermore, the number of trades made in the exchange increased to 1,621 trades, a 25.1% m-o-m jump from February-17. Ahli United Bank was the most actively traded stock in February-17 with BHD 5.4 Mn worth of its shares traded on the exchange. Al Baraka Banking Group and Aluminum Bahrain followed with BHD 1.7 Mn and BHD 1.7 Mn worth of shares traded on the exchange. Gulf Finance House topped the gainers list for the month of February -17, which reported a m-o-m increase of 10.7%, followed by Bahrain Commercial Facilities Co. and Arab Insurance Group with monthly gains of 10.1% and 8.8% respectively.

In ratings related releases, agency Fitch Ratings reportedly affirmed Bahrain's Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'BB+' with a Stable Outlook. Drivers for the ratings and outlook were, high GDP per capita and human development indicators relative to the BB median, a developed financial sector and the boost to external financing flexibility from strong GCC support. On the other hand, risks that kept the outlook on balance were double-digit fiscal deficits, high and rising debt, a highly oil-dependent government budget and domestic political tensions that hamper fiscal adjustment. Fitch reportedly expects the fiscal deficit to fall only moderately to 12.3% of GDP in 2017, from 13.6% of GDP in 2016 and 15.4% of GDP in 2015.

### BSE Monthly Sector Performance



### Monthly Value Traded (BHD Mn)



Source: Bahrain Bourse, KAMCO Research

# Muscat Securities Market

Monthly Indicators	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
<b>MSM 30 Index</b>	<b>5,467.4</b>	<b>5,942.7</b>	<b>5,811.0</b>	<b>5,777.3</b>	<b>5,843.8</b>	<b>5,735.0</b>	<b>5,726.2</b>	<b>5,481.4</b>	<b>5,487.7</b>	<b>5,782.7</b>	<b>5,776.2</b>	<b>5,780.0</b>
Monthly % Change	1.3%	8.7%	(2.2%)	(0.6%)	1.2%	(1.9%)	(0.2%)	(4.3%)	0.1%	5.4%	(0.1%)	0.1%
<b>Market Cap (OMR Mn)</b>	<b>6,961</b>	<b>7,444</b>	<b>7,428</b>	<b>7,233</b>	<b>7,313</b>	<b>7,351</b>	<b>7,555</b>	<b>7,930</b>	<b>7,946</b>	<b>5,055</b>	<b>4,959</b>	<b>4,944</b>
P/E (X) - TTM	10.06	10.67	10.53	9.99	9.79	9.67	9.66	9.35	9.54	10.08	10.21	9.91
P/BV (X) - TTM	1.14	1.22	1.22	1.13	1.14	1.12	1.13	1.08	1.08	1.15	1.13	1.12
Dividend Yield (%)	5.38%	5.06%	5.10%	6.43%	6.29%	6.35%	6.34%	5.38%	5.39%	5.11%	5.23%	5.33%
Volume (Mn Shares)	336	575	347	254	179	199	227	127	187	147	192	280
Value (OMR Mn)	83	113	96	59	46	52	45	43	58	44	52	99
Trades	18,194	26,093	19,226	11,527	12,377	13,074	5,563	7,975	5,847	8,793	11,583	12,280

Source: Muscat Securities Market, KAMCO Research

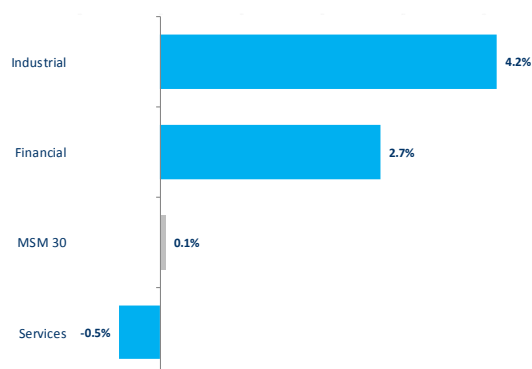
The Muscat Securities Market continued to record minimal volatility during February-17 with the MSM30 index closing the month with a marginal gain of 0.1% resulting in flat returns for YTD-17. However, sectoral indices reported stronger gains with Industrial index gaining 4.2% during the month followed by the Financial Index with a monthly gain of 2.7%. The services index declined slightly by 0.5% primarily due to declines reported by telecom stocks with Omantel declining by 4.9% and Ooredoo falling by a higher 10.3% during the month. In the financial sector, with the exception of Bank Sohar that declined 1.9%, rest of the stocks ended on a positive note with shares of Bank Muscat surging 3.5%, NBO 2.5% and Ominvest at +3.1%.

Trading activity on the exchange saw a big boost with volume traded up by 46% during the month to reach 279.9 Mn shares as compared to 191.8 Mn shares during the previous month. Value traded grew at a much smaller pace of 7.6% to reach OMR 98.8 Mn, indicating higher trades in penny stocks. Ooredoo recorded the highest trades during the month totaling OMR 16.2 Mn followed by Bank Muscat and Oman Cable Industry at OMR 15.6 Mn and OMR 13.2 Mn, respectively. The monthly gainers chart was topped by Oman Textile Holding (+92.3%) although with minimal trades in the stock. Port Services Corp came second at +22.5% followed by Al Madina Investment at +16.4%. On the other hand, Ooredoo (-10.3%) topped the monthly losers chart followed by Al Jazeera Steel Products at -5.6% and Omantel at -4.9%.

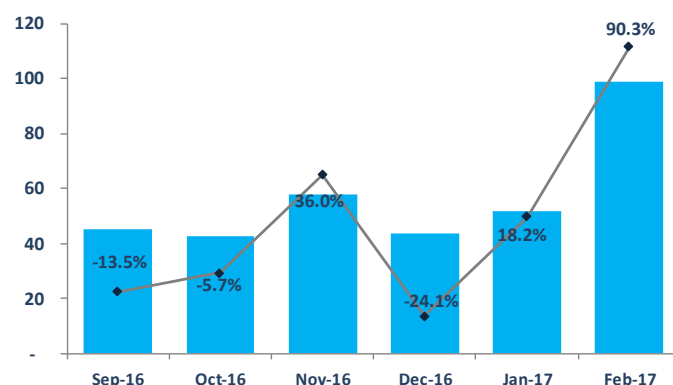
On the economic front, the government undertook extensive tax reforms that came in addition to the impending implementation of VAT that is expected to contribute OMR 400 Mn to state coffers annually. In a major move, the Ministry of Finance raised corporate income tax rate from the present 12% to 15%. The announcement also brings companies in sectors such as mining, private schools, hotels, universities and nurseries, which were previously exempt from taxes, under the tax system. In addition, the Ministry removed the tax exemption limit for small companies and introduced a flat rate of 3% for all companies under the current tax exemption threshold of OMR 30,000/year. The ministry has also widened the tax base by enlarging the scope of taxing foreign persons carrying out activities outside of a permanent establishment. The changes are set to be introduced from tax assessment year 2017. The higher tax rate is expected to have minimal impact on foreign investment as the tax rate, despite the increase, is still below international averages.

On the trade balance front, the customs department, in order to limit imports, has introduced an additional 2% duty on the CIF value of imported products for non-submission of original legalized documents that would be refunded on producing the necessary documents. On duty free shipments, an import fee of 0.5% has also been introduced. On the budget front, the government is planning a USD denominated bond issuance that could exceed USD 2 Bn in order to plug the expected budget deficit. This issuance is expected to be followed by USD sukuk issuance. The Sultanate is said to be taking the issuances on a priority before any possible rating downgrade by international credit rating agencies.

**MSM Monthly Sector Performance**



**Monthly Value Traded (OMR Mn)**



Source: Muscat Securities Market, KAMCO Research



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