

Weekly Economic Monitor

November 2, 2014

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Markets overview

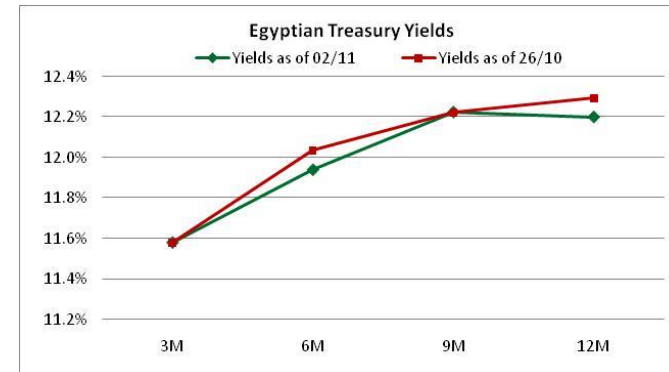
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Regional

Egypt: IMF to start evaluating Egypt's economy on November 11

- Egypt's 6M and 12M T-bill yields dropped by around 1 basis point while 3M and 9M yields remained unchanged as the International Monetary Fund (IMF) plans to discuss Egypt's economic and fiscal policies next week.
- The IMF's mission to Egypt will start next week, to assess the country's economic performance, and depending on the outcome, set-up an aid package that will help restore confidence and consolidate fiscal balances.
- Earlier, the IMF cut its growth forecast for the Egyptian economy, citing security concerns that are affecting vital tourism revenues, offsetting the recovery sense in the country's manufacturing activity and foreign direct investment.
- The IMF dropped its growth forecast to 3.5% in the fiscal year starting July 2014, down from 4.1% predicted last April. Growth in the previous fiscal year was 2.2%
- Meanwhile, the IMF said it expects the budget deficit to reach 12.2% in 2013/14, down from a high of 14.1% recorded the previous fiscal year.
- The new government has taken steps to reduce the strain on fiscal balances, slashing fuel subsidies and introducing new taxes to help slow down swelling public debt.

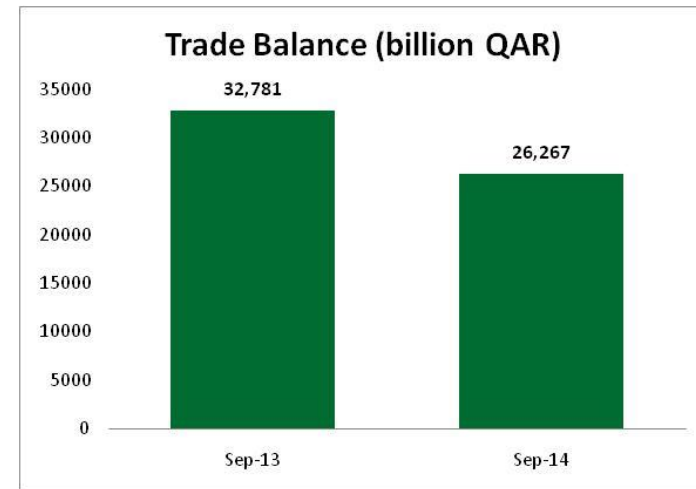


Source: Bloomberg

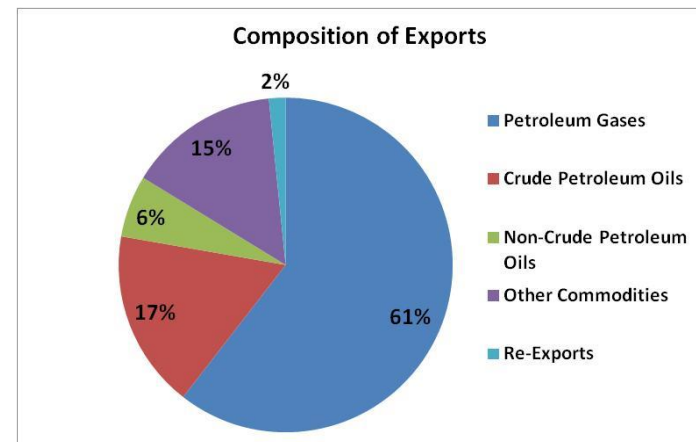
GCC Economic Highlights:

Qatar: Trade surplus down 20% to reach 26.27 billion QAR in September

- According to data released by the Qatar's Ministry of Development Planning and Statistics, Qatar's trade balance decreased by 19.9% or QAR 6.5 billion in September of 2014 when compared to September of 2013. The trade surplus reached 26.27 billion QAR in September of 2014 compared to 32.78 billion QAR for the same time period in 2013.
- The drop in the trade balance is due to exports dropping by 13.4% when compared to September of 2013, while imports rose by 10.5% over the same time period.
- Total exports dropped to 36.11 billion QAR, as exports of petroleum gases, which make up around 61% of exports, dropped by 12.1%, and is probably due to maintenance held on the mining sites.
- Meanwhile, crude oil exports dropped 20.1% when compared to September 2013 due to a drastic fall in crude cargoes, while non-crude oil exports also dropped by 26%.
- On the other hand, imports rose to 9.94 billion QAR from 8.91 billion QAR in September 2013.
- The rise came due to a 10% rise in other commodities imports, which makes up around 87% of imports. The rise could be attributed to Qatar's significant growth in population, which grew by 11.3% in the second quarter of this year.

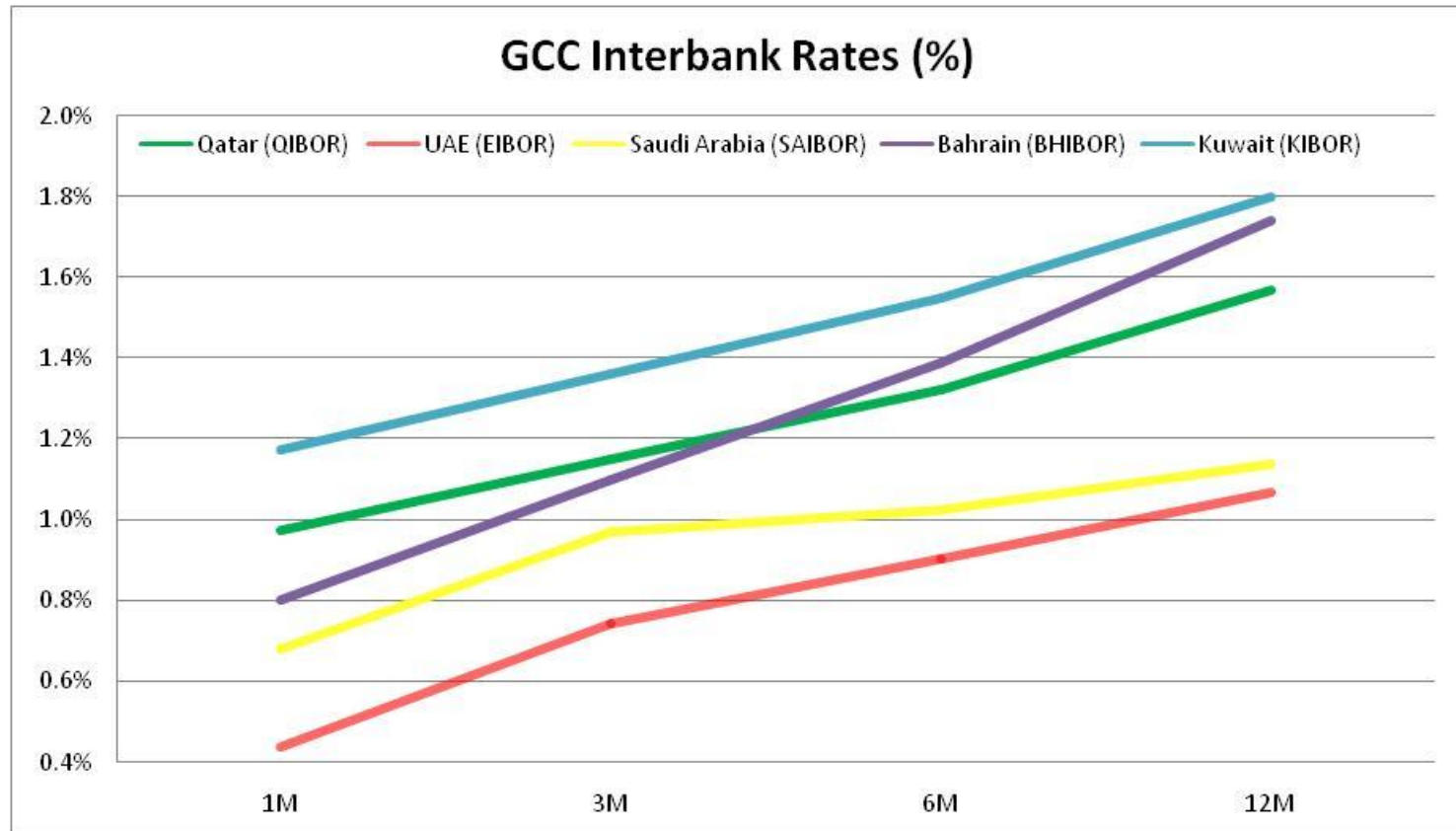


Source: Qatar's Department of Statistics



Source: Qatar's Department of Statistics

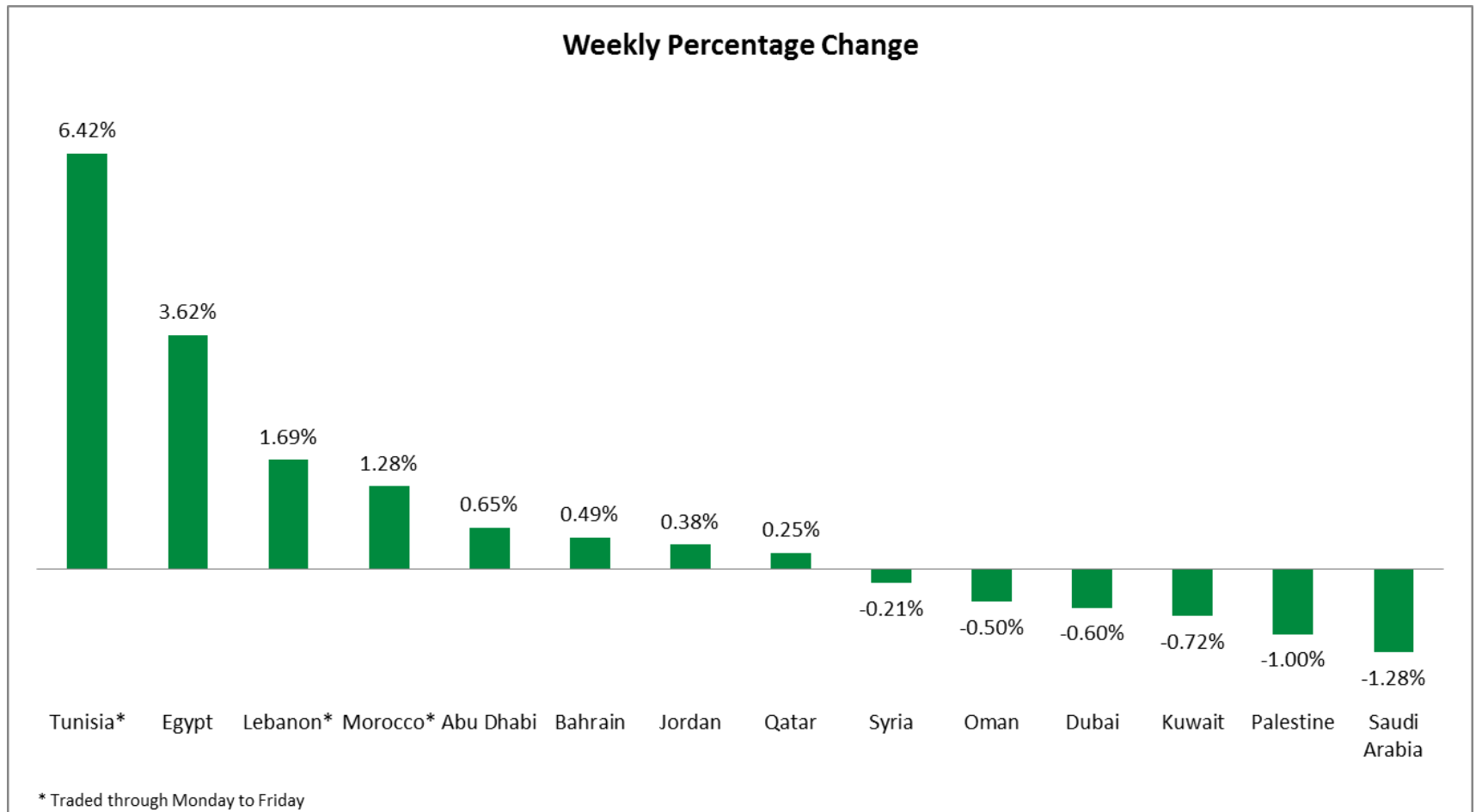
GCC interbank rates



Source: Bloomberg

Comparative MENA Markets

For the period October 26 – October 31

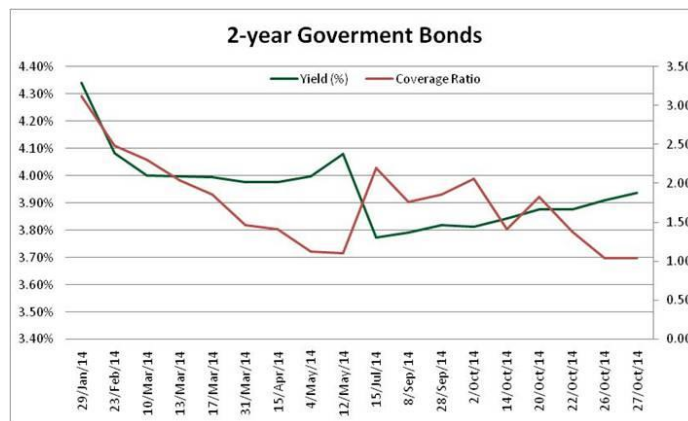
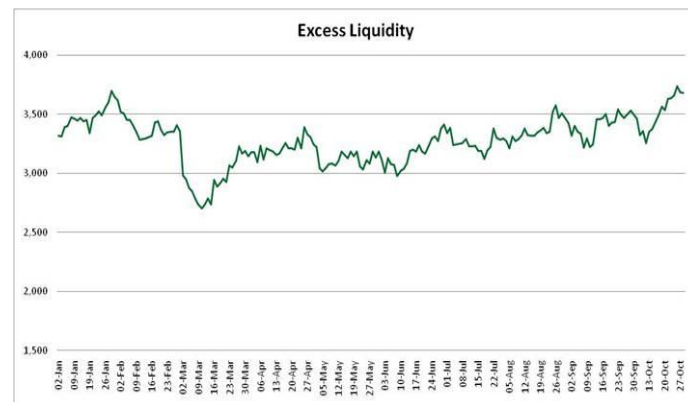




Jordan

Excess liquidity levels at 3.7 billion JD, bond yields ticking upwards

- Since the beginning of the year, excess liquidity levels have been fluctuating between 3 and 3.5 billion JD. However, since the beginning of October, excess liquidity levels have increased by around 220 million JD to reach 3,679 million JD, registering the highest level since the beginning of the year.
- It is believed the increase in excess liquidity levels is due to the inflow of foreign aid to help alleviate the pressure on the government's fiscal budget, given the influx of Syrian refugees and Jordan's involvement in airstrikes on ISIS forces in Syria and Iraq.
- The increase in excess liquidity levels is expected to place downward pressure on interest rates and give the CBJ more scope in adopting an expansionary monetary and to further cut interest rate by the end of the year. However, bond auctions have been resistant to drops in yields, instead gradually ticking upwards.
- 2-year government bond yields, which the government has issued heavily of in October, have increased by 12 basis points so far in October to register 3.94%, while coverage ratios dropped to just above 1 at the last 2 issuances, indicating possible further rises in yields.
- While excess liquidity levels grow giving the CBJ room to cut rates, the market is counteracting that by indicating that yields are currently too low and are asking for higher returns.



S&P upgrades Jordan's credit rating outlook to stable

- Credit rating agency Standard and Poor upgraded Jordan's credit rating outlook to stable almost three years after a downgrade to negative over concerns of economic and political problems caused by regional instability.
- S&P also affirmed its long and short-term foreign and local currency sovereign credit ratings for Jordan at BB-/B.
- The agency said the revised outlook was supported by expectations that the Kingdom's fiscal and external balances will continue to improve. This comes in light of the government's decision to keep public spending at the same level of 8.1 billion JD 2015 through 2017.
- The agency added that the successful implementation of structural and political reforms, which support sustainable economic growth and easing fiscal and external vulnerabilities could lead it to consider a positive rating action.
- Furthermore, the agency said that it anticipates ongoing energy diversification projects, more favorable oil price environment for Jordan, and government reform efforts will help strengthen public finances as the state-owned power company NEPCO moves back towards cost recovery through 2017.
- S&P also expects external balance to narrow due to lower energy imports due to energy diversification as well as lower oil prices and high current transfers stemming from official grants and private remittances.

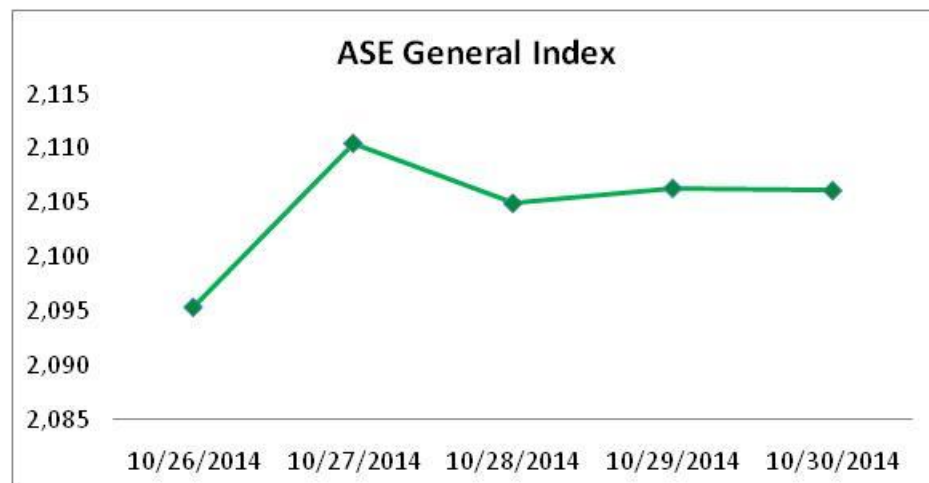
Moody's		S&P		Fitch		
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High grade
Aa2		AA		AA		
Aa3		AA-		AA-		
A1		A+	A-1	A+	F1	Upper medium grade
A2	A	A				
A3	A-	A-				
Baa1	P-2	BBB+	A-2	BBB+	F2	Lower medium grade
Baa2	P-3	BBB	A-3	BBB	F3	
Baa3		BBB-		BBB-		
Ba1		Not prime		BB+		B
Ba2	BB		BB			
Ba3	BB-		BB-			
B1	B+		B+	Highly speculative		
B2	B		B			
B3	B-		B-			
Caa1	Not prime		CCC+	C	CCC	C
Caa2		CCC	Extremely speculative			
Caa3		CCC-	Default imminent with little prospect for recovery			
Ca		CC				
C		C				
/	Not prime	D	/	DDD	/	In default
/				DD		
/				D		

Amman Stock Exchange

For the period 26/10– 30/10

ASE free float shares' price index ended the week at (2,106.1) points, compared to (2,098.2) points for the last week, posting an increase of 0.38%. The total trading volume during the week reached JD(31.9) million compared to JD(29.6) million during the last week, trading a total of (36.6) million shares through (16,017) transactions.

The shares of (172) companies were traded, the shares prices of (78) companies rose, and the shares prices of (61) declined.



Top 5 gainers for the last week

Stock	% chg
Jordan Emirates Insurance Company P.s.c	33.33%
Middle East Specialized Cable Company/MESC Jordan	21.05%
Alshamekha for Realestate and Financial Investments	17.24%
South Electronics	16.67%
Arab Company for Investment Projects	15.00%

Top 5 losers for the last week

	% chg
Jordan Petroleum Refinery	(21.60%)
Al Sanabel International for Islamic Investments Plc. Co.	(9.09%)
Middle East Insurance	(8.23%)
Masafat for Specialized Transport	(6.49%)
Jordan Press Foundation/Al-Ra'i	(6.06%)

Jordan Debt Monitor

Latest T-Bills

- As of November 2, the volume of excess reserves, including the overnight window deposits held at the CBJ JD(3,580) million.

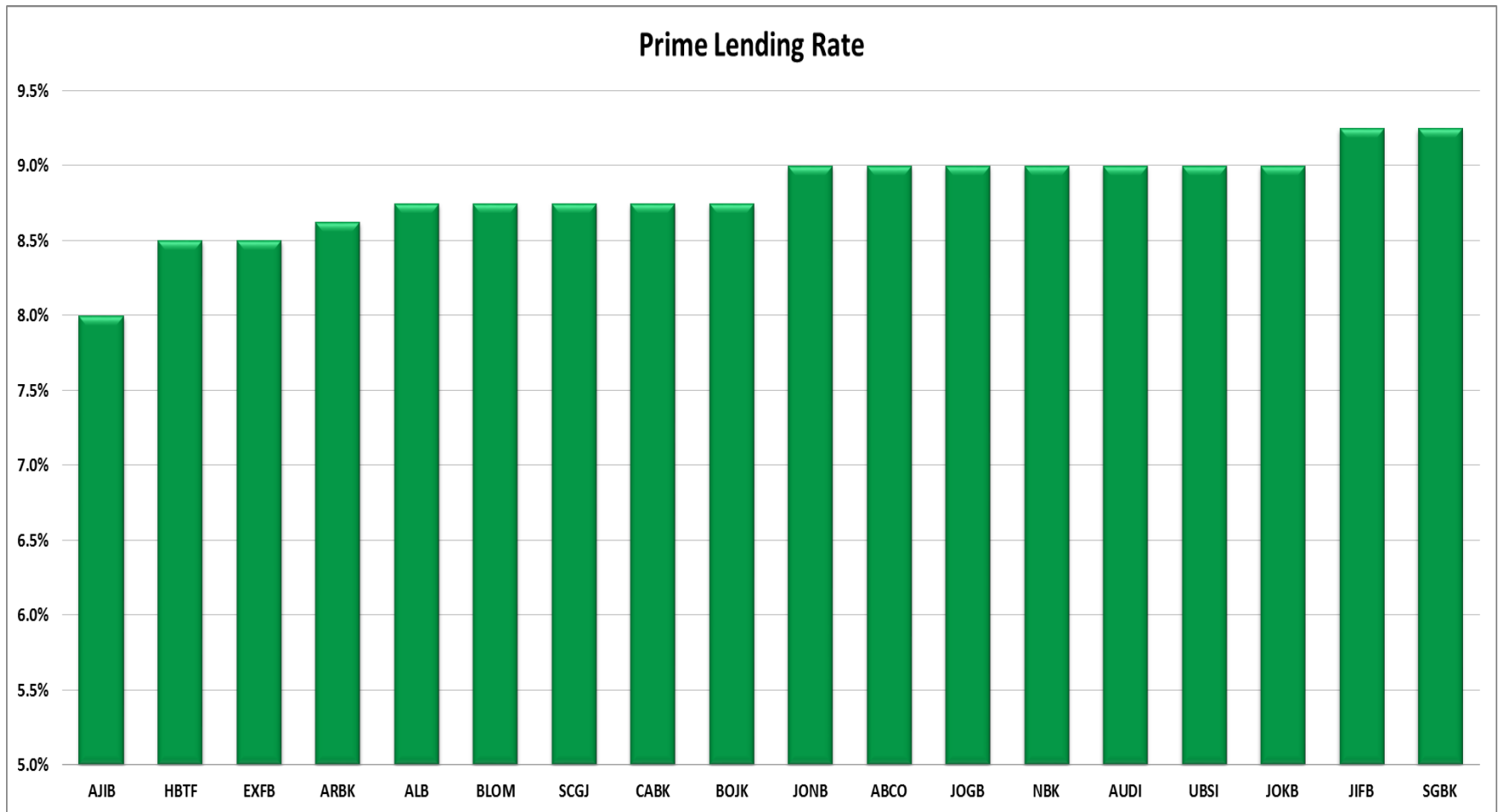
3 months T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in December 2011	14/12/2011	14/03/2012	50	2.898%
6 months T-Bills)	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in February 2012	14/02/2012	14/08/2012	50	3.788%
9 months T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in March 2012	04/03/2012	04/12/2012	75	4.285%
1 year T-Bills	Issue Date	Maturity Date	Size - Million	Coupon (%)
09/2014	12/10/2014	12/10/2015	100	3.270%
08/2014	24/09/2014	24/09/2015	75	3.279%
07/2014	25/08/2014	25/08/2015	75	3.257%
06/2014	03/07/2014	03/07/2015	50	3.297%

Jordan Debt Monitor

Latest T-Bonds Issues

2 years T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T7814	30/10/2014	30/10/2016	50	3.967%
T7714	27/10/2014	27/10/2016	75	3.937%
T7614	26/10/2014	26/10/2016	75	3.909%
3 years T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T6814	22/09/2014	22/09/2017	50	4.366%
T6614	16/09/2014	16/09/2017	50	4.339%
T6514	14/09/2014	14/09/2017	50	4.313%
4 year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
Last issued in January 2012	15/01/2012	15/01/2016	37.5	7.246%
5 years T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T7314	16/10/2014	16/10/2019	75	5.533%
T7014	30/09/2014	30/09/2019	50	5.507%
T6714	18/09/2014	18/09/2019	100	5.498%
Public Utility Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
PB65 (Water Authority)	19/08/2014	19/08/2017	30	4.263%
PB64 (Water Authority)	01/07/2014	01/07/2019	32.5	5.583%
PB63 (Water Authority)	30/01/2014	30/01/2019	22	5.850%

Prime Lending Rates



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