

April 1st, 2020

Monthly Newsletter

"No man can save his brother's soul, nor pay his brother's debt." — Matthew Arnold

"Confidence is contagious. So is lack of confidence." — Vince Lombardi

Clues from Recent Asset Classes' Behavior

Macro: The Coronavirus is Setting the Timeline for Economic Activities

Oil: A Tripartite Deal Including the Shale Industry to Curb Supply may Rebalance Prices

MENA: Amid the Twin shock of COVID-19 and Falling Oil Prices...Stimulus Packages

Introduction

The world is under the reign of the Coronavirus and it is a scene of melancholy where the silence of death prevails while the joyful action of life retreats. The virus is like a fire that should be fought by isolating it. Governments are forcing people to adopt social distancing and lockdowns, driving the socio-economic life into a sudden stop, to slow and contain the virus, which is defining the timeline and setting the tone. The situation is binary, the globe must endure a widespread economic damage to avoid a mass infection as the loss of a great number of those we love cannot be recovered while the economy will ultimately, with time, stand back on its feet.

Investors should visualize the significance and deepness of the economic loss. Businesses are closing, offices are abandoned, touristic places are deserted, and malls and streets are empty. Supply chains are being disrupted, sales are being destructed, cashflows and liquidity are evaporating, and workers will be laid off as aggregate demand is shrinking, while daily running costs do not stop, and debt servicing is still present for businesses and households.

Some countries will face issues in their balance of payments. Some of them depend on demand for certain commodities which has collapsed while others will see the flow of remittances tumbling and flow of tourists tanking. Governments were not able to give the FDIs a goodbye kiss as they will not see them again soon, while their revenues will collapse, and their borrowing cost will rise.

The shock is extraordinary and is affecting the globe with no shelter to hide, thus the economic and financial remedies or measures shall be unusual as the humanity and governments should unite to fight the common enemy and avoid a nationalistic stance and introverted policies. Central banks of developed and emerging countries unleashed the liquidity hose to extinguish the fire by cutting interest rates, re-initiating quantitative easing, or asset purchase programs, establishing swap lines in an effort to secure the system and insulate it against the bad outcome of liquidity shortages due to the sudden stop in activity and supply chains. Large fiscal help is coming to the rescue to avoid big firms going bankrupt and support small firms while offering income support to households. More stimulus is expected to come from the G20 as governments should stand as buyers of last resort given that corporates are facing an unprecedented depletion of sales and cashflows. Supranational institutions such as the IMF and World Bank made available large sums of money to cushion poor and needy countries.

The measures taken by policy makers so far are aimed at containing the left tail risk as the economy cannot be stimulated while people are staying home. They are giving signals that governments are ready to do whatever it takes to restore activity once the spread of the virus is contained and a vaccine is discovered. These measures have restored some stability into financial markets and some of them rebounded technically from an oversold territory however none of them has captured key resistance lines or moving averages as of the time of writing. We are not sure yet if markets have discounted the potential deep decline in earnings, or if they have grasped the mountain of corporate debt that the world is facing despite the recent intervention by central banks. The path of public policies will determine the direction of asset classes more than valuation at the moment. We still need to contain the virus first, then a macro or earnings modeling could be done.

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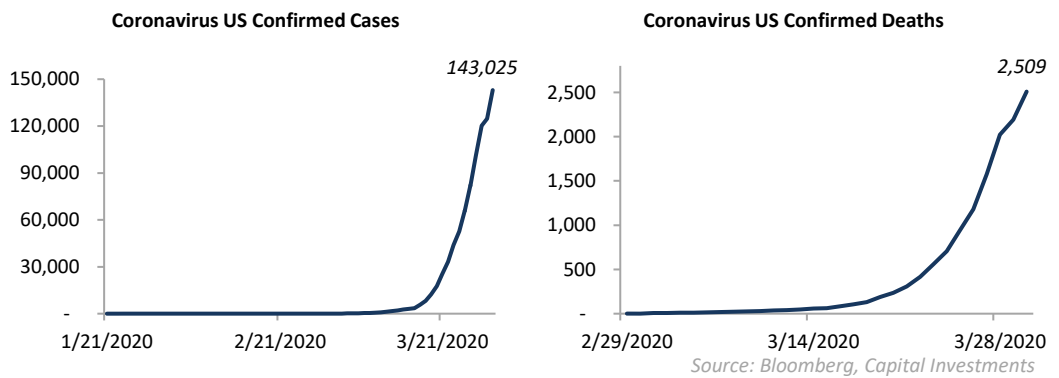
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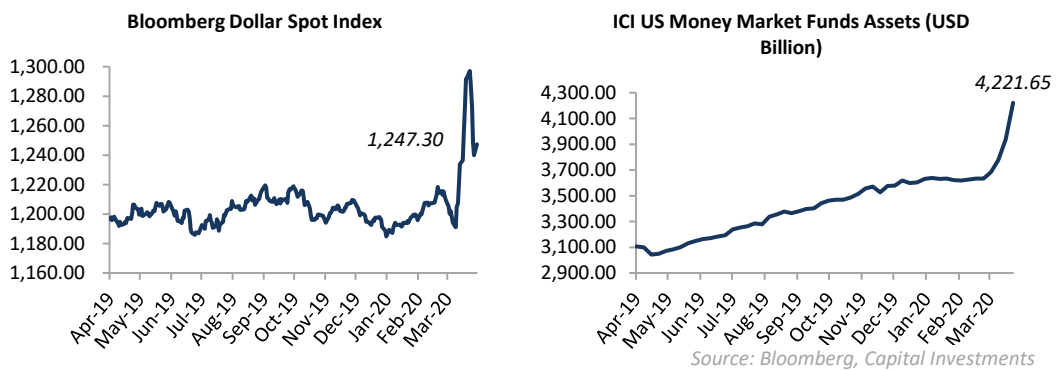
This report must be read with the disclaimer at the end of the report.

Amid this situation, and while the MENA region has suffered from the negative repercussions of the coronavirus and the fall in oil prices, we are following a few guidelines in rebalancing our portfolios. First we are following the stimulus packages and public policies, second we are assessing the exposure of sectors and companies to the coronavirus, third we are looking into companies with fortress-like balance sheets and classifying sectors in V, U and L-shaped categories in terms of the ability to restore the capacity utilization of 2019 once the coronavirus curve starts to bend. We continue to like gold exposure and companies that would benefit from the stay at home policy and would thrive afterwards such as companies related to e-commerce.

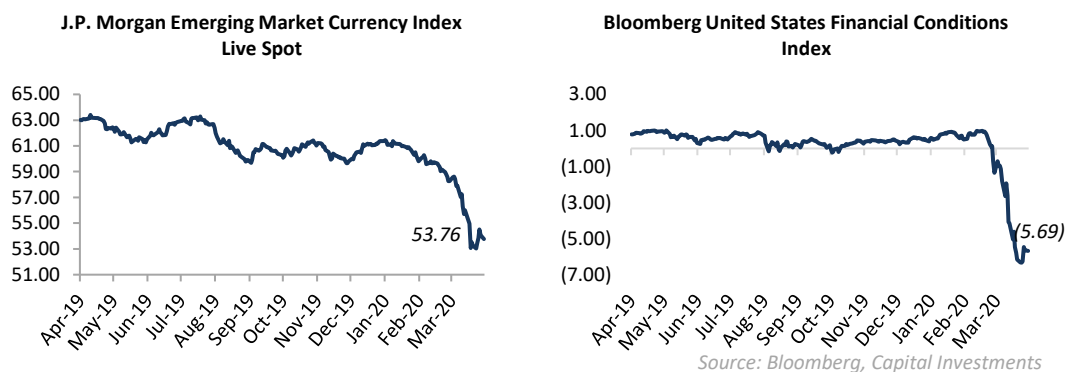
Clues from Recent Asset Classes' Behavior



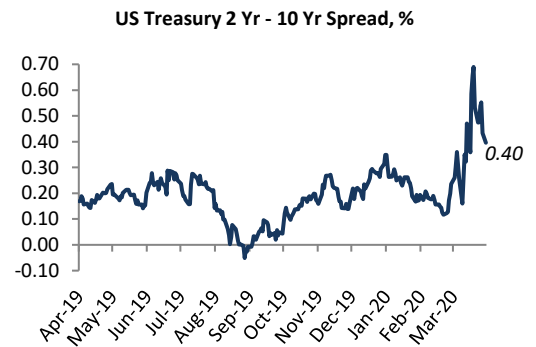
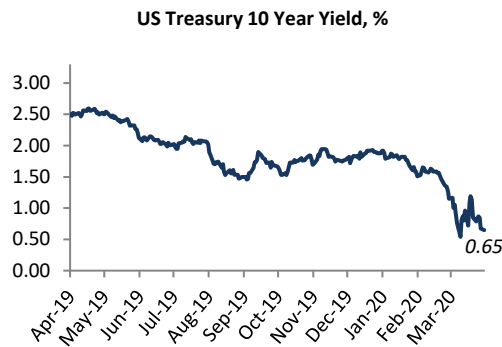
The technical rebound in markets might give the feeling that we are at the edges of the wood, however as mentioned earlier, it is the viral curve that is setting the timeline and impacting investors' and consumers' sentiment. It is worth not declaring victory early and instead looking for flatness in the curve as has happened in China and Korea and possibly in Europe soon, as the US viral curve seems to be far from the peak at the time of writing.



The global disruption in supply chain and the destruction in aggregate demand across the world prompted companies to raise cash, and investors to close carry trades and margin calls. Thus, liquidation was the name of the game, and as a result, markets experienced a huge shortage in the USD which saw its value strengthening against all currencies in the world notably emerging market currencies, as investors flew to money markets funds as indicated in the chart above. The US Fed instantly noticed the shortage of the greenback in markets and the deep liquidity hole and took drastic measures, chief among them an open-ended quantitative easing operation and the initiation of swap lines along with repo transactions with major central banks in developed and emerging countries. This has helped tame the rise in USD that has led to a multitude of challenges in the global financial system. Despite the recent stability in the foreign exchange markets, we are not certain yet that the shortage of USD has been sorted out and we will wait for confirmation that it will weaken following the Fed’s intervention, especially that the greenback’s path will have substantial asset allocation implications.

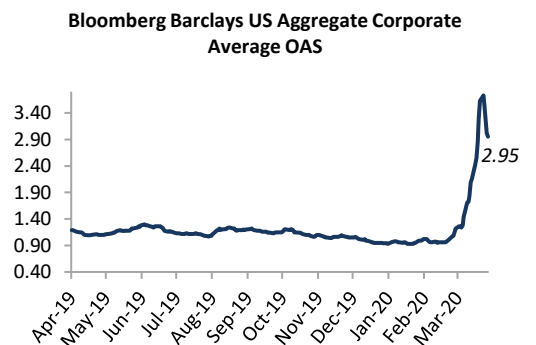
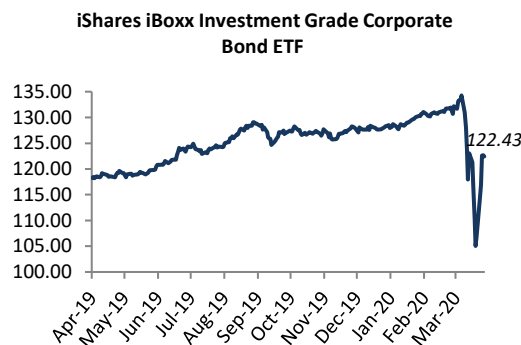


As a result of the liquidity crunch and flight to the USD, currencies of emerging economies collapsed while financial conditions deteriorated and did not show any signs of stability until the US Fed took significant measures to alleviate liquidity for businesses. What is worrying is that financial conditions are still in a tightening mode despite all the liquidity injection, and equity markets and some parts of the credit market showed some improvements that outpaced the slight recovery in financial conditions which is still far from easing territory.



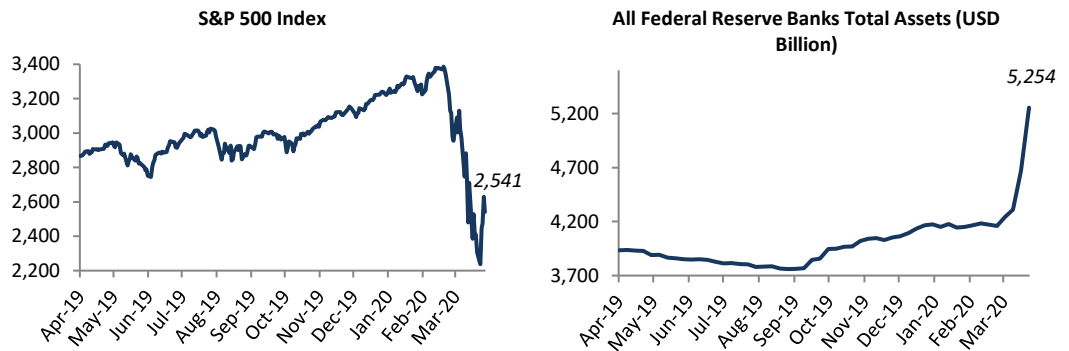
Source: Bloomberg, Capital Investments

The volatility in safe haven yields mainly the US 10 and 30-year yields was worrying, whereby both moved by around 100 bps in 48 hours as it implied that investors and companies were desperate to raise cash. Thus, we did not take the steepness in the yield curve as a sign of a reflation trade because real yields were highly positive, and investors have not built growth and inflationary expectations yet as there is a wide disparity among investment houses in assessing how deep the damage to the economy will be, although everybody agrees that it will be substantial. It is worth noting that the US Fed and other central banks are playing a vital role in stabilizing the FX and sovereign debt markets which will relieve emerging countries and will create more room for fiscal measures.



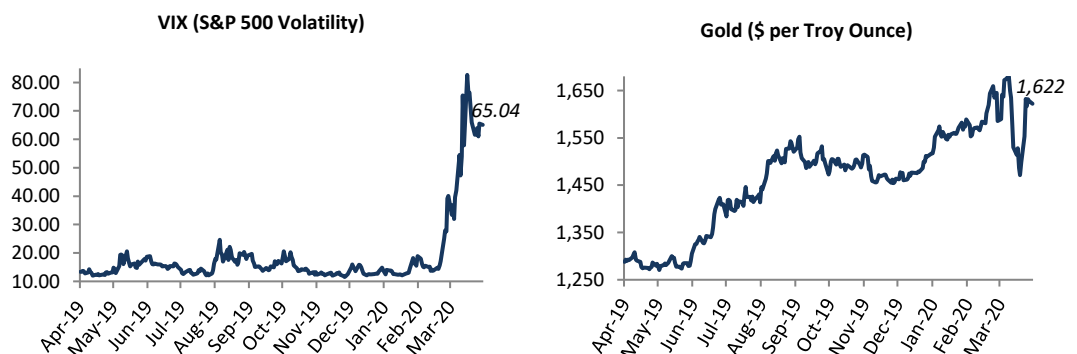
Source: Bloomberg, Capital Investments

It was the Fed's intervention in the corporate bond market that helped tame part of the credit spreads and alleviated funding needs for companies. However, despite the intervention of central banks in the corporate debt market across the globe, we are still concerned whether the world will manage with this huge mountain of corporate debt amid a rising rate of credit downgrades into junk levels. Moreover, pressure on cashflows may challenge the capacity of many companies in servicing their debt, not to mention that the refinancing market is in a dysfunctional mode.



Source: Bloomberg, Capital Investments

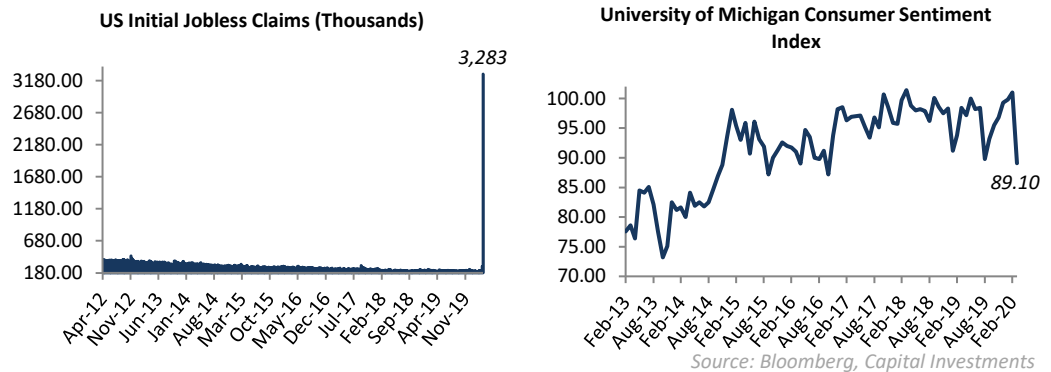
The stability in the FX, sovereign debt, commercial papers, and parts of the credit markets paved the way, amid large fiscal stimuli across the board, for a technical rebound in stocks from an oversold territory that mirrored or was correlated to the expansion in the Fed’s balance sheet (and other central banks). While policy makers actions may have mitigated the left tail risk, we are not certain that the market has fully discounted the potential significant decline in earnings and thus we should be ready for some volatility. Moreover, if we would like to believe in the Fed’s “put”, we need to be ready to take advantage of any price dislocation in the market and be positioned to benefit from fiscal stimulus and a potential recovery. If the sentiment turns positive for any reason such as the bending of the viral curve or a positive announcement about a cure for the virus, then we might see an upward spike in markets.



Source: Bloomberg, Capital Investments

We continue to subscribe into the gold trade as the yellow metal will benefit from all stimulus packages especially if real yields fall and the USD weakens further. We prefer gold miners as they benefit from operating leverage amid high gold prices, while we are not able to assess the impact of the disruption of gold refineries in Europe on prices amid a rise in retail demand for physical gold. We are concerned that the Volatility Index (VIX) which is a gauge of fear is elevated. While it is following a downward trend, it is alarming that it has not fallen below the 50 level yet, although we know from history that it may take up to 6 months for it to stabilize in the range of 20-25.

Macro: The Coronavirus is Setting the Timeline for Economic Activities



Despite the V-shape recovery in China’s manufacturing Purchasing Manager Index (PMI), all other indicators around the globe such as the jobless claims in the US, consumer confidence indices, the Citi economic surprise index, along with other uncertainty indexes still indicate that we have not seen the full damage nor felt the pain yet. As such, we opted to illustrate in this section the measures taken by various government to counter the economic crash as understanding them will help investors take appropriate decisions once the viral curve is under control.



According to the OECD, the IMF, and World Bank, global economic growth will contract sharply this year with a potential depression that would exceed in its severity what we saw in 2008-2009. Governments and policy makers opted to move fast this time especially that they have asked people to stay home. Policy makers have therefore delivered large packages to cushion the deteriorated economic situation and pledged to adopt a dynamic approach and make flexible adjustments to address the crisis. Below is a table showing most of the measures taken.

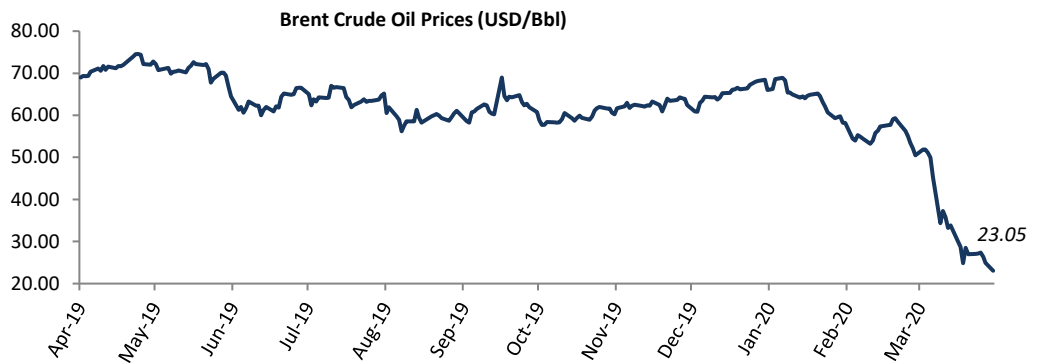
Member	Monetary Policy			Fiscal Policy	
	Interest Rate Cut	Other Monetary Tools	Quantitative Easing	Total Fiscal Package (USD bn)	Fiscal Stimulus as a% of 2019 GDP
USA	150bps	<ul style="list-style-type: none"> *Swap lines and repo with other major central banks to provide dollar funding; *Program to support money market funds; *Funding to help credit flow in asset-backed securities markets; *Expanded overnight and term repos; *Lowered cost of discount window lending 	*Unlimited and open-ended QE, planned purchases of corporate, municipal government bonds	\$2,112.30	9.85%
Canada	150bps	<ul style="list-style-type: none"> *Eligible collateral for term repo operations expanded; *\$35 billion insured mortgage purchase program; *\$7 billion credit support program for businesses 	*Extension of the bond buyback program across all maturities	\$97.32	5.62%
UK	65bps	<ul style="list-style-type: none"> *Further enhanced the provision of liquidity via the standing US dollar liquidity swap line arrangements; *Introduced a new Term Funding Scheme to reinforce the transmission of the rate cut, with additional incentives for lending to the real economy, and especially SMEs 	*Expand the central bank's holding of UK government bonds and non-financial corporate bonds by \$247 billion	\$550.40	20.06%
ECB	-	<ul style="list-style-type: none"> *Loosened capital requirements on banks allowing them to lend more; *Lowered the interest rate on and eased lending requirements for its targeted long-term refinancing operations 	*Pandemic Emergency Purchase Programme (PEPP): \$800 billion purchase of bonds	-	-
Germany	-	-	-	\$882.00	22.83%
Italy	-	<ul style="list-style-type: none"> *Moratorium on loan repayments for some households and SMEs, including on mortgages and overdrafts; *State guarantees on loans to SMEs; *Incentives for financial and non-financial companies in the form of Deferred Tax Activities; *State guarantee of \$0.55 billion to the state development bank to support lending and liquidity to banks to enable them to finance medium- and large-sized companies. 	-	\$28.00	1.41%
France	-	<ul style="list-style-type: none"> *Reduce the counter-cyclical bank capital buffer to 0 %; *Ban on short-selling stocks until April 16; *Credit mediation to support renegotiation of SMEs' bank loans. 	-	\$380.00	14.04%
Australia	50bps	<ul style="list-style-type: none"> *Established a swap line with U.S. Fed for the provision of US dollar liquidity in amounts up to US\$60 billion; *\$9.17 billion purchase program of residential mortgage-backed and other asset-backed securities; *Term funding facility of at least \$55 billion for SMEs lending 	*Yield targeting on 3-year government bonds at around 0.25 percent through purchases of government bonds in the secondary market	\$86.00	6.25%
Russia	25bps	*Additional FX Sales		\$4.10	0.25%
Saudi Arabia	125bps	*\$13.3 billion package to support the private sector, particularly SMEs, by providing funding to banks to allow them to defer payments on existing loans and increase lending to businesses.		\$18.70	2.40%
Turkey	100bps	<ul style="list-style-type: none"> *Reserve requirements on foreign currency deposits reduced by 500 bps for banks meeting lending growth targets; * Local firms affected by the crisis granted a 3-month moratorium on bank loan repayments 		\$15.20	2.04%

Source: IMF, Goldman Sachs, Capital Investments

Member	Monetary Policy			Fiscal Policy	
	Interest Rate Cut	Other Monetary Tools	Quantitative Easing	Total Fiscal Package (USD bn)	Fiscal Stimulus as a% of 2019 GDP
China	10bps	<ul style="list-style-type: none"> *Liquidity injection into the banking system; *Expansion of re-lending and re-discounting facilities to support manufacturers of medical supplies and daily necessities as well as micro-, small- and medium-sized firms and the agricultural sector at low interest rates *Reduction of the 7-day and 14-day reverse repo rates as well as the 1-year medium-term lending facility rate by 10 bps; *Targeted RRR cuts by 50-100 bps for banks that meet inclusive financing criteria; *Policy banks' credit extension to micro- and small enterprises 		\$183.30	1.30%
Japan	-	<ul style="list-style-type: none"> *Boosted special financing and guarantees primarily for micro, small and medium-sized business operators to \$15.6 billion through the Japan Finance Corporation and other institutions. 	<ul style="list-style-type: none"> *Double its purchase of risky assets such as exchange-traded funds (ETF) to reach \$112 billion a year and increase purchases of corporate bonds and commercial papers 	\$557.11	10.81%
Republic of Korea	50bps	<ul style="list-style-type: none"> *FX swap lines; *Lowered lending rate for SME loans; *Relaxed collateral for repos; *Credit facility; *Equity and bond market stabilization funds 	<ul style="list-style-type: none"> *\$1.2 billion purchases of govt bonds 	\$13.00	0.80%
Indonesia	50 bps	<ul style="list-style-type: none"> * Lowered reserve requirement ratios for banks; * Increased the maximum duration for repo and reverse repo operations; * Introduced daily repo auctions; *Increased the frequency of FX swap auctions; *Increased the size of the main weekly refinancing operations as needed 		\$7.94	0.71%
India	75bps	<ul style="list-style-type: none"> *Targeted Long-Term Repo Operations for corporate bonds; * Reduction in Cash Reserve Ratio; *Increase in marginal standing facility by 1ppt and a sharp cut in reverse repo rates by 90bps; * Deferring implementation of NSFR (Net Stable Funding Ratio) and Capital Conservation Buffer until October and September 2020 	-	\$22.60	0.77%
South Africa	100 bps	<ul style="list-style-type: none"> *Increased the number of repo auctions to two to provide intraday liquidity support to clearing banks at the policy rate; *Reduced the upper and lower limits of the standing facility to lend at repo-rate and borrow at repo-rate less 200 bps; *Raised the size of the main weekly refinancing operations as needed 	<ul style="list-style-type: none"> *Program to buy bonds on secondary market 	\$0.67	0.19%
Brazil	50bps	<ul style="list-style-type: none"> *Reduction of reserve requirements and capital conservation buffers, and a temporary relaxation of provisioning rules; *The central bank also opened a facility to provide loans to financial institutions backed by private corporate bonds as collateral; *FX Lines 	<ul style="list-style-type: none"> *Repurchases of dollar-denominated sovereign bonds. 	\$29	1.57%
Argentina	200bps	<ul style="list-style-type: none"> *Lower reserve requirements on bank lending to households and SMEs; * Regulations that limit banks' holdings of central bank paper to provide space for SME lending; * Temporary easing of bank provisioning needs and of bank loan classification rules 		\$5.44	1.22%
Mexico	75bps	<ul style="list-style-type: none"> *FX Lines; * Cut reserve requirements 	-	-	-

Source: IMF, Goldman Sachs, Capital Investments

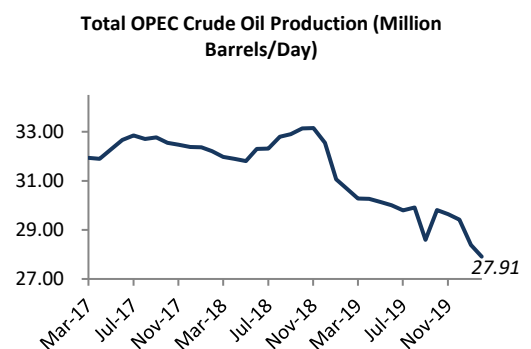
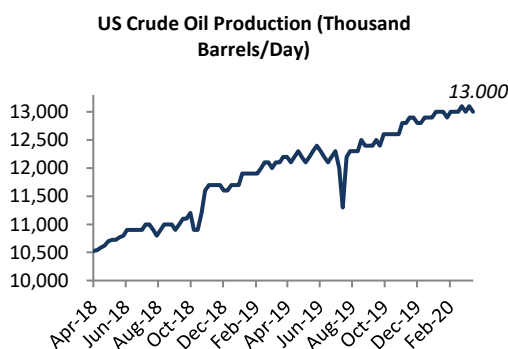
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Source: Bloomberg, Capital Investments

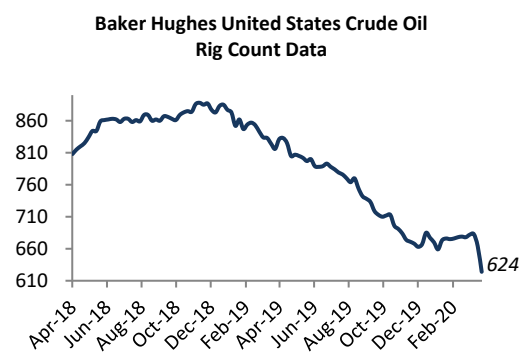
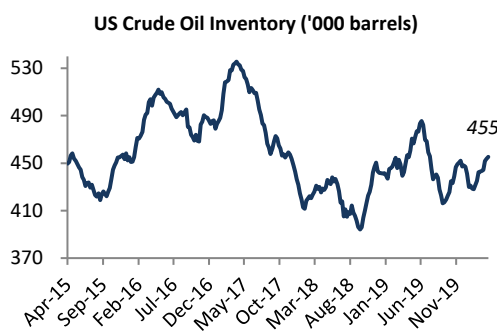
We had entered the month of March hanging onto our last strand of hope for oil prices: an OPEC+ deal that would bring some balance into the market. However, in what unfolded into a completely unprecedented chain of events, OPEC and its allies failed to reach an agreement as Russia refused to tighten supply, prompting Saudi Arabia to start a price war by further increasing production. Such events combined with growing fears over demand as the coronavirus continues to spread across the globe have caused oil prices to plummet, marking Q1 2020 as oil’s worst quarter ever with prices crashing to their lowest levels in almost two decades.

Painting an even grimmer picture, the International Energy Agency (IEA) believes that global oil demand could drop 20%, or to 20 million barrels per day, as 3 billion people around the globe are in lockdown. As such, increasing evidence of the demand devastation caused by the coronavirus is outweighing any potential relief from the rescue packages announced by the world’s biggest economies.



Source: Bloomberg, Capital Investments

The huge oversupply is further collapsing the oil market’s structure, and there may be more weakness to come as the world quickly runs out of storage capacity. On average, OPEC pumped 27.93 million b/d in March, up 90,000 b/d from February’s figure, with Saudi Arabia increasing its output by 100,000 b/d. Meanwhile, oil inventories in the U.S increased by 10.5 million barrels last week, far exceeding analyst forecasts for a 4-million-barrel build-up. At the current rate of production, the U.S is set to breach its storage capacity of 100 million b/d before mid-April. Therefore, IHS Markit expects as much as 10 million b/d of world oil production to be cut from April through June, with OPEC members, Russia, and the U.S. supply to be among the hardest hit.



Source: Bloomberg, Capital Investments

Shale producers in the U.S are set to feel the heat of low oil prices the most. With a break-even crude price of around \$50 a barrel for new drillers, it’s difficult to see how shale players in the U.S will be able to sustain production at such low prices. Two of the biggest drillers in Texas have already asked regulators to consider a cut to crude output, and activity in U.S oil fields has plunged to its lowest level in four years as firms cut capital and suspend projects. Meanwhile, the total number of shale oil rigs in the US dropped to 772 last week, from 790 the previous week.

As the oil market enters into a deep bearish territory and given the negative repercussions of such low oil prices on all major players, a tripartite deal including Shale producers to curb supply is needed to rebalance the market.

MENA: Amid the Twin shock of COVID-19 and Falling Oil Prices...Stimulus Packages

The 60% Year-to-Date drop in oil prices, whereby Brent prices are currently at the lowest levels in 18 years, in addition to closed borders and major supply disruptions on the back of the Covid-19 outbreak are leading to deteriorating operating conditions in the MENA region.

While the initial slide in oil prices was related to the threat of Covid-19 on oil demand, prices plunged further after OPEC+ could not agree on new production cuts in early March. Thus, the severe drop in oil prices will hit oil-dependent economies' revenues, such as Saudi Arabia, Oman, Kuwait, UAE, Bahrain and Iraq, hence further pressuring their deficits. Some of these economies are clearly more vulnerable than others. For example, owing to its large fiscal and trade deficits (9% and 5% of GDP respectively with oil at \$60/bbl.), mounting public and external debts (60% and 100% of GDP respectively), and low FX reserves (currently around \$16 bn), Oman is definitely the weakest among its neighbors.

In addition, Kuwait's revenues are 70% oil-dependent and according to the IMF, the challenge to reduce dependence on oil and boost savings has become more urgent. The subdued forecast for oil revenues is weighing on near-term growth and fiscal and external balances. This has heightened the need for reforms to create a vibrant private sector and ensure adequate savings of the exhaustible oil wealth for future generations. Kuwait has large financial buffers and low debt, but the window of opportunity to tackle its challenges from the position of strength is narrowing. However, passing the debt law to borrow more has become a government priority, which would allow the government to raise funds by up to KWD3bn p.a., according to the initial proposal presented to Parliament by the Ministry of Finance. The new law, in addition to the level of annual issuances, would enable the GRF to sustain the deficits up to three and a half years versus two, which is positive for the economy. On the other hand, with its fiscal buffer (25% Debt to GDP) and ample reserves of \$500bln, Saudi Arabia has the capacity to weather the sharp drop in oil prices. However, S&P has warned that prolonged low oil prices will erode its strong net asset stock on both its fiscal and external balances.

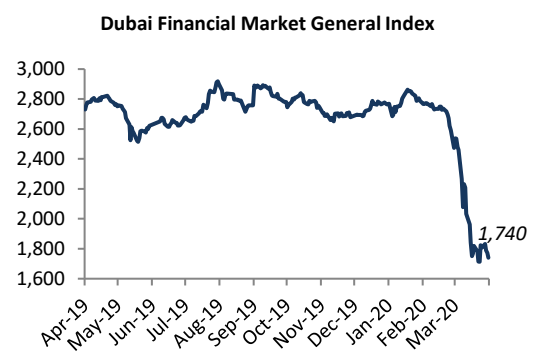
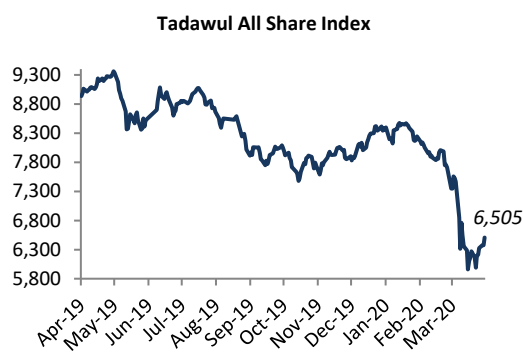
MENA economies will be also be taking a hit from the Covid-19 outbreak. Authorities have implemented various measures to try and limit the spread of the virus and announced fiscal and monetary stimulus packages to relieve economic pressure on consumer spending, corporate operations and profitability in the short-term, as summarized in the tables below. Quantifying the potential effects of Covid-19 on the economies from now is difficult due to the prevailing uncertainty. However, countries might face funding and cash challenges if the situation is prolonged.

Looking at the effects of Covid-19 on some sectors of the economy, it is evident that the retail sector will be heavily impacted (excluding necessities) as discretionary spending should be limited with the potential layoffs and salary cuts. In addition, all shopping malls and most retail outlets are closed, however, online platforms might partially capture lost store traffic and e-commerce companies will benefit from online shopping. Consumer staples will continue to be key beneficiaries should the preventative measures continue in the short term. Regarding industrials, companies' performance will be heavily pressured due to lower volumes, margin squeezes due to falling commodity prices, and operational and financial leverage. As such, some companies may witness deep losses. There is a negative outlook for construction companies on the back of lower oil prices and higher deficits, possibly compromising government's capex spending on construction and infrastructure. We expect possible delays in government payments to contractors in countries such as Saudi Arabia and Kuwait.

For the banking sector, leading rating agencies have warned that the economic impact of coronavirus and the low oil prices are likely to result in margin erosion and loan impairments for banks due to asset quality pressures. In addition, even though the Fed has cut rates to zero, for countries like Saudi Arabia, with oil trading around USD25/barrel, the banking sector liquidity will tighten and consequently a liquidity premium on term deposits and wholesale funding is likely to rise. Against this backdrop, we believe liquid balance sheets are key for banks. Meanwhile, travel restrictions due to the coronavirus pandemic are now heavily impacting the tourism sector. In addition, for Dubai, postponing Expo 2020 by a year will also lead to lower tourism revenue than was expected, which will also impact hotels and real estate developers' revenues. Regarding the trade and transport sectors, airlines are expected to be the most impacted due to the travel restrictions imposed by governments. If the current patterns persist, we expect this industry specifically to witness severe losses, requiring government support. For cargo, the impact is less, with the airfreight category most hit versus sea and ocean freight. Lower oil prices are likely to be of limited support to the industry, given most players hedge the oil purchase price.

Optimism over further global monetary easing as well as expectations of great fiscal stimulus from certain countries, should mitigate some of the negative economic effects of the virus, which we are hoping to be limited to the first half of this year. Equities are currently trading at very low levels in the MENA region, leaving investors wondering whether they should buy, sell, or hold their positions. However, we believe there are selective opportunities in undervalued stocks with strong balance sheets which might rally after the cloud of negative sentiment starts to fade and economic recovery kicks in after the virus is contained.

Please refer to the tables of stimulus packages initiated by regional governments on the next pages.



Source: Bloomberg, Capital Investments

Country	Monetary Policy		Fiscal Policy			
	Interest rate cut	Other Monetary Tools	Fiscal Package	Fiscal Package Details and Other Fiscal Tools	2019 GDP (IMF)	Fiscal Package as a % of GDP
Saudi Arabia	125 bps	<p>*SAMA announced a SAR 50 billion (\$13.3 billion, 1.9 percent of GDP) package to support the private sector, particularly SMEs, by providing funding to banks to allow them to defer payments on existing loans and increase lending to businesses.</p> <p>*The central bank will also cover fees for private sector stores and entities for point-of-sale and e-commerce transactions for 3 months.</p>	\$18.7 bn	<p>*The package includes the suspension of government tax payments, fees, and other dues to provide liquidity to the private sector and an increase in available financing through the National Development Fund.</p> <p>*The government has also stated it will fund any needed increase in health spending and has made an additional budget allocation available to the Ministry of Health.</p>	\$779.23 bn	2.40%
UAE	125 bps	<p>*CBUAE has unveiled a \$27 billion (or 6.7% of GDP) package comprising: i) zero-interest rate collateralized loans to banks (\$13.5 billion); ii) allowing the use of banks' excess capital buffers (\$13.5 billion); iii) 15-25 percent reduction in provisioning for SME loans; iv) increase of loan-to-value ratio for first-time home buyers by 5 percentage points; v) limiting bank fees for SMEs; vi) waiver of all payment service fees charged by CBUAE for six months; vii) raising the limit on banks' exposure to the real estate sector from to 30% of risk-weighted assets, subject to adequate provisioning.</p>	\$7.2bn	<p>*These include: (i) \$4.4 billion approved by the federal government to support the private sector by reducing various government fees and accelerating existing infrastructure projects; (ii) \$0.4 billion in measures by the government of Dubai to reduce government fees, provide additional water and electricity subsidies, and simplify business procedures; and (iii) \$2.5 billion announced by the government of Abu Dhabi as part of the ongoing "Ghadan-21" fiscal stimulus program.</p>	\$405.77 bn	1.77%
Kuwait	100 bps	<p>*The CBK set up a \$31.9 million fund, financed by Kuwaiti banks, to support government's efforts in combating the virus and instructed banks to support impacted businesses and SMEs. The CBK suspended the fees on point of sales devices and ATM withdrawals for three months.</p> <p>*Kuwait Banking Association announced that banks will postpone loan payments and cancel interest and any other fees for Kuwaiti clients, including the SMEs, for six months, and postpone interest payments for three months for companies hit by the crisis.</p>	\$1.6 bn	<p>*\$1.6 bn in additional funds allocated to governmental entities to support their efforts in fighting the spread of COVID-19.</p> <p>*The government approved a stimulus package aimed at maintaining private and public sector jobs and stabilizing prices for food and medical supplies. No monetary figure mentioned for the size of the stimulus package. The government will put in place a mechanism to secure minimum income for contract workers affected by the crisis and back the salaries of those registered on title V social insurance in affected sectors. It also aims to provide liquidity to SMEs to meet their obligations.</p>	\$137.59 bn	1.16%

Source: IMF, Capital Investments

Country	Monetary Policy		Fiscal Policy			
	Interest rate cut	Other Monetary Tools	Fiscal Package	Fiscal Package Details and Other Fiscal Tools	2019 GDP (IMF)	Fiscal Package as a % of GDP
Qatar	175 bps	<p>*The QCB will also provide additional liquidity to banks operating in the country.</p> <p>*QCB has put in place mechanisms to encourage banks to postpone loan instalments and obligations of the private sector with a grace period of six months.</p>	\$20.6 bn	<p>*The program aims at shoring up small businesses and hard-hit sectors (hospitality, tourism, retail, commercial complexes, and logistics), including through six-month exemptions on utilities payments (water, electricity). Food and medical goods are exempt from customs duties for six months. Logistics areas and SMEs are exempt from rent payments for six months.</p> <p>*Government funds have been directed to increase investments in the stock market by \$2.75 billion.</p>	\$191.85 bn	10.7%
Jordan	150 bps	<p>*CBJ measures include: (i) allowing banks to postpone the credit facilities installments granted to clients of sectors impacted by the virus; (ii) pumping additional liquidity to the banks of \$776 million by reducing the compulsory reserve ratio on deposits with banks from 7 percent to 5 percent.</p>	-	<p>*Measures include: (i) the postponement, until the end of the year of the collection of sales tax on all domestic sectors, and imports related to health, and the supply of medicines; (ii) the allocation of 50 percent of the maternity insurance revenues (\$22.6 million) to material assistance for the elderly and the sick; (iii) the introduction of price ceilings on essential products; (iv) the postponement of 70 percent of the value of customs duties for selected companies and the reduction of social security contributions from private sector establishments.</p>	\$44.17 bn	-
Egypt	300bps	<p>*A new debt relief initiative for individuals at risk of default has also been announced, that will waive marginal interest on debt under EGP 1 million if customers make a 50 percent payment.</p> <p>*The regulations issued last year requiring banks to obtain detailed information of borrowers have been relaxed.</p> <p>*The limit for electronic payments via mobile phones has been raised to EGP 30,000/day and EGP 100,000/month for individuals, and to EGP 40,000/day and EGP 200,000/per week for corporations.</p> <p>*The central bank has also launched an \$1.27 billion stock-purchase program.</p>	\$6.4 bn	<p>*Half of the \$6.4 billion stimulus will be focusing on the tourism sector, which contributes close to 12% of Egypt's GDP and 10% of employment.</p> <p>*Pensions have been increased by 14 percent.</p> <p>*Energy costs have been lowered for the entire industrial sector; real estate tax relief has been provided for industrial and tourism sectors; and subsidy pay-out for exporters has been stepped up.</p> <p>*The stamp duty on transactions and tax on dividends have been reduced. Capital gains tax has been postponed until further notice.</p>	\$302.256 bn	2.1%

Source: IMF, Capital Investments

		Monetary Policy		Fiscal Policy		
Country	Interest rate cut	Other Monetary Tools	Fiscal Package	Fiscal Package Details and Other Fiscal Tools	2019 GDP (IMF)	Fiscal Package as a % of GDP
Bahrain	125 bps	<p>*Central Bank of Bahrain expanded its lending facilities to banks by up to \$9.81 billion (26% of GDP) to facilitate deferred debt payments and extension of additional credit.</p> <p>*Other key measures to support banks and their clients include: (i) reducing the cash reserve ratio for retail banks from 5% to 3%; (ii) relaxing loan-to-value ratios for new residential mortgages; (iii) capping fees on debit cards; (iv) requesting banks to offer a six-month deferral of repayments without interest or penalty and to refrain from blocking customers' accounts if a customer has lost his or her employment.</p>	\$1.5 bn	<p>*The package comprises seven initiatives: (i) payment of salaries for Bahrainis working in the private sector to be financed from the unemployment fund; (ii) payment of electricity and water bills for Bahraini individuals and companies; (iii) exemption of commercial entities from municipalities' fees; (iv) exemption of tourist facilities from tourism fees; (v) exemption of industrial and commercial entities from paying rent to the government; (vi) doubling of the size of the liquidity fund to support SMEs; (vii) and redirection of Tamkeen programs to support adversely affected companies as well as restructuring of all debts issued by Tamkeen.</p> <p>*To respond to urgent health needs, the Cabinet has authorized the Minister of Finance and National Economy to withdraw from the general account up to \$470 million.</p>	\$38.18 bn	3.9%
Oman	75 bps	<p>*CBO announced a set of policy measures effective immediately to support the financial sector and estimated its impact in terms of additional liquidity at US\$20.8 billion. The measures include: (i) reduction in the interest rate on repo operations by 75bps and extension of the period of repo operations to three months; (ii) reductions in the interest rates for other money market instruments; (iii) reduction in the capital conservation buffer by 50 percent; (iv) increase in the lending ratio by 5 percent; (v) accepting with immediate effect requests by affected borrowers for deferment of loan instalment payments for the next six months without adverse impact on risk classification of such loans; (vi) deferring the risk classification of loans related to government projects for six months.</p>	-	<p>*Measures include the suspension of municipal taxes and some government fees (until end-August) and rent payments for companies in industrial zones (for the next three months), reduction of port and air freight charges, as well as postponement of loan servicing for borrowers of Oman Development Bank and SME support fund for six months.</p>	\$76.61 bn	-
Iraq	-	<p>*CBI has announced a moratorium on interest and principal payments by small and medium-sized enterprises through its directed lending initiative (the "one trillion ID" initiative) and encouraged banks to extend maturities of all loans as they deem appropriate. The Central Bank also instructed vendors to eliminate commissions on electronic payments for the next six months.</p>	-	<p>*To support the Ministry of Health's efforts to fight the COVID-19 pandemic, the Central Bank of Iraq has established a fund to collect donations from financial institutions with initial donations of \$20 million from the CBI itself and \$5 million from the Trade Bank of Iraq.</p>	\$224.46 bn	-

Source: IMF, Capital Investments

Country	Monetary Policy		Fiscal Policy			
	Interest rate cut	Other Monetary Tools	Fiscal Package	Fiscal Package Details and Other Fiscal Tools	2019 GDP (IMF)	Fiscal Package as a % of GDP
Lebanon	-	*The Banque Du Liban (BDL) issued circular 547, allowing banks and financial institutions to extend exceptional five-year zero percent interest rate loans in Lebanese Pounds and in dollars to customers that already have credit facilities but are unable to meet their obligations, operating expenses, or pay the salaries to their employees during March, April and May 2020 as a result of the interruption of activity due to the COVID-19. BDL will in turn provide banks and financial institutions five-year zero percent interest rate credit lines in dollars equivalent to the value of exceptional loans granted.	-	*The government established a national solidarity fund that would accept in-kind and monetary donations. *The ministry of finance announced the extension of all deadlines related to payment of taxes and fees. The ministry of social affairs agreed to devise a plan to distribute a solidarity basket of food and sanitizers for families hit economically and financially as a result of COVID-19. Work will proceed on providing monetary assistance as well.	\$58.57 bn	-
Tunisia	100 bps	*The Central Bank of Tunisia announced a package to support the private sector, by asking banks to defer payments on existing loans and suspend any fees for electronic payments and withdrawals. In addition, the government announced a set of financial measures including the creation of investment funds (\$210 million), a state guarantee for new credits (\$175 million), the activation of a mechanism for the state to cover the difference between the policy rate and the effective interest rate on investment loans within a cap of 3 percent.	\$0.8 bn	*The package includes the postponement of CIT payments, other taxes and social contributions, VAT exemptions, VAT refund procedures and reimbursement acceleration, rescheduling taxes and custom arrears, and others in order to provide liquidity to the private sector, limiting layoffs and protecting the most vulnerable population especially in the informal sector. The plan also includes an expansion of the budget allocation for health expenses as well as the creation of a \$35 million fund for the acquisition of equipment for public hospitals, in addition to cash transfers for low income households, disabled and homeless people (\$52 million), and a support for those who will be on temporary unemployment because of the COVID-19 shock (\$105 million).	\$38.73 bn	2.1%
Morocco	25 bps	*To support companies, loan payments are suspended for SMEs and self-employed people until June 30, and a new banking credit line is created to finance businesses' operational expenses, which is guaranteed by the Central Guarantee Fund.	-	*The authorities have created a special fund dedicated to the management of the pandemic, of about US\$1 billion financed by the government and by voluntary contributions from public and private entities which will be tax deductible. This fund will cover the costs of upgrading medical facilities and support businesses and households impacted by the pandemic. Employees who become unemployed and are registered with the pension fund will receive \$197 a month and can put off debt payments until June 30. In addition, all businesses can defer social contribution payments until June 30, and companies with annual turnover lower than \$1.97 million can defer tax payments.	\$119.04 bn	-

Source: IMF, Capital Investments

	Status as of end		Performance	
	December, 2019	March, 2020	March,2020	YTD (31 March, 2020)
MENA				
Abu Dhabi	5,075.77	3,734.69	-23.80%	-26.42%
Bahrain	1,610.18	1,350.62	-18.66%	-16.12%
Dubai	2,764.86	1,771.31	-31.61%	-35.93%
Egypt	13,961.56	9,593.94	-26.25%	-31.28%
Jordan	1,815.20	1,668.18	-9.14%	-8.10%
Kuwait	6,975.96	5,198.66	-22.76%	-25.48%
Lebanon	785.56	597.44	-5.12%	-23.95%
Morocco	12,171.90	9,704.85	-20.85%	-20.27%
Oman	3,981.19	3,448.29	-16.52%	-13.39%
Palestine	525.96	498.90	-6.62%	-5.14%
Qatar	10,425.51	8,207.24	-13.52%	-21.28%
Saudi Arabia	8,389.23	6,505.35	-14.72%	-22.46%
Tunisia	7,122.09	6,483.38	-9.59%	-8.97%
S&P Pan Arab Composite	788.75	593.19	-18.53%	-24.79%
Dow Jones MENA	605.23	455.17	-18.96%	-24.79%
Americas				
Dow Jones Industrial	28,538.44	21,917.16	-13.74%	-23.20%
S&P 500	3,230.78	2,584.59	-12.51%	-20.00%
NASDAQ Composite	8,972.60	7,700.10	-10.12%	-14.18%
S&P/Toronto Composite	17,063.43	13,378.75	-17.74%	-21.59%
Europe				
EURO Stoxx 50	3,745.15	2,786.90	-16.30%	-25.59%
S&P Europe 350 Index	1,676.79	1,290.65	-14.45%	-23.03%
FTSE 100 Index/ London	7,542.44	5,671.96	-13.81%	-24.80%
FTSE MIB Index/ Italy	23,506.37	17,050.94	-22.44%	-27.46%
DAX Index/ Germany	13,249.01	9,935.84	-16.44%	-25.01%
ASIA/Pacific				
NIKKEI 225/ Japan	23,656.62	18,917.01	-10.53%	-20.04%
S&P/ASX 200/ Australia	6,684.08	5,076.83	-21.18%	-24.05%
BRIC				
Brazil/ Bovespa	115,645.30	73,019.80	-29.90%	-36.86%
Russia/ RTS	1,548.92	1,014.44	-21.95%	-34.51%
India/ Bombay Sensitive	41,253.74	29,468.49	-23.05%	-28.57%
China/ Shanghai Composite	3,050.12	2,750.30	-4.51%	-9.83%
Hong Kong/ Hang Seng	28,189.75	23,603.48	-9.67%	-16.27%

Source: Bloomberg, Capital Investments

Description	Closing Prices as of end		Performance	
	December. 2019	March. 2020	March.2020	YTD (31 March. 2020)
Commodities (in USD)				
Brent Spot (Barrel)	66.42	21.47	-57.08%	-67.68%
WTI Cushing Spot (Barrel)	61.06	20.48	-54.24%	-66.46%
Natural Gas NYMEX (MMBtu)	2.19	1.64	-5.31%	-25.05%
Gold Spot (OZ)	1,517.27	1,577.18	-0.54%	3.95%
Silver Spot (OZ)	17.85	13.97	-16.15%	-21.72%
Copper LME Spot (MT)	6,149.00	4,938.75	-12.08%	-19.68%
Corn CBOT Active Month (Bushel)	3.95	3.41	-7.47%	-13.68%
Wheat CBOT Active Month (Bushel)	5.62	5.69	8.33%	1.25%
Soybean CBOT Active Month (Bushel)	9.69	8.86	-0.76%	-8.54%
Rough Rice Futures (USD/cwt)	13.14	14.04	3.85%	6.85%
Currencies Spot Exchange Rates Against US Dollar				
Euro	1.12	1.10	0.05%	-1.62%
GBP	1.33	1.24	-3.14%	-6.31%
CAD	0.77	0.71	-4.79%	-7.65%
Yen	0.01	0.01	0.53%	1.02%
CNY	0.14	0.14	-1.27%	-1.68%

Source: Bloomberg, Capital Investments

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