

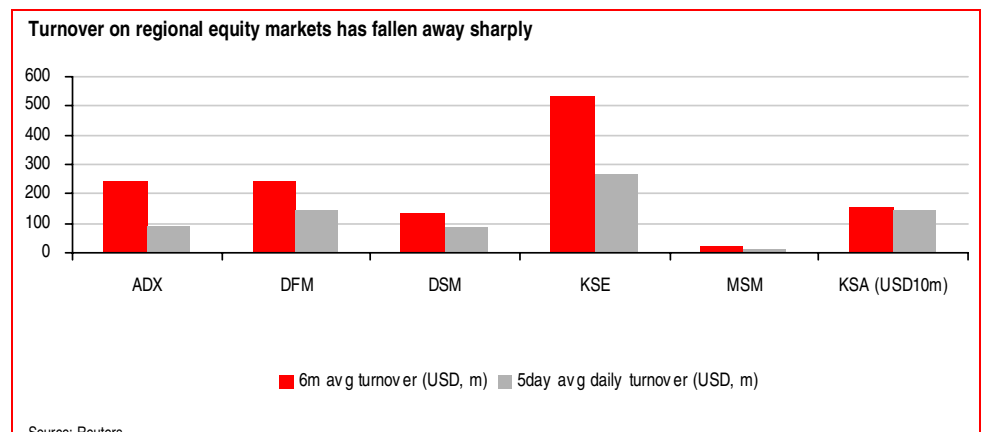
Gulf Weekly

Multi-asset regional outlook

- ▶ Slowing economic growth and weaker global commodity prices have begun to draw Gulf inflation downward.
- ▶ HSBC's monthly UAE property survey shows prices weakening as credit conditions tighten, though yields are holding up well. We argue that Aldar's convertible bond offers a very defensive play on the Abu Dhabi real estate sector.
- ▶ There has been some respite from recent volatility on regional credit markets but spreads remain exceptionally wide.
- ▶ All Gulf equity markets fell in one of the poorest trading weeks on record. The Dubai market led the decline, losing 25% of market cap in five days, though it was Kuwait that became the first market to suspend trading due to heavy losses.

Chart of the week

As well as joining the global equity sell down, Gulf equity markets have also begun to follow a global trend of sharply diminishing traded volumes. This week's chart maps out average traded values over the past five days versus the past six months to show drops of 35-60% across all markets except Saudi Arabia. The thin trading conditions are exacerbating price volatility, with even modest orders frequently moving the market price significantly to clear. Although exaggerated by stock price declines, the downturn in market activity the chart points to is very real and reflects in part the withdrawal of some foreign funds from the market. Increasingly over the past few weeks, however, local investors have joined the flight, showing diminishing appetite for holding – let alone increasing – exposure to the falling equity markets, despite judging that many stocks are trading way below fair value. Losses in overseas markets, margin calls and a growing difficulty in accessing leverage are also undermining demand.



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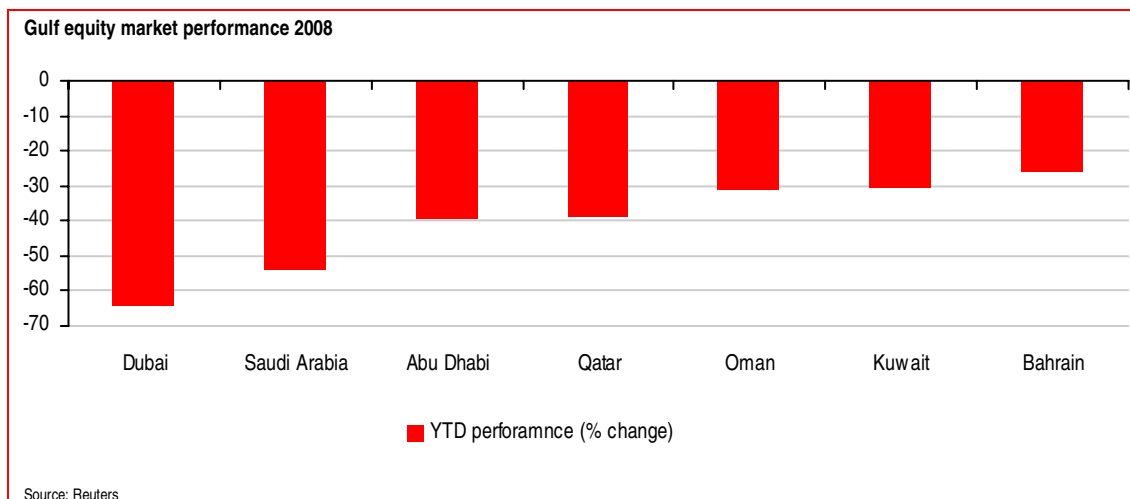
Gulf economics

Kuwait suspends equity market

On 13 November Kuwait suspended trading on the Kuwaiti Stock Exchange (KSE) until 17 November under court order. The court instruction came after a local investor filed a legal complaint demanding that the KSE be suspended to guard against unfair losses.

The decision is without precedent in the Gulf, and follows weeks of sharp price declines. The drop in valuation has caused significant local disquiet in Kuwait, where share ownership is widespread among nationals, and prompted protests at the KSE building. The Kuwaiti authorities also have clear memories of the collapse of the 1982 Souk al-Manakh OTC stock market, which required the recapitalisation of several local banks.

Nonetheless, the authorities do not appear to have led the decision to suspend trading, but rather appear to have been taken unawares. Shortly after the court ruling was announced, the ministry of commerce criticised the decision and was expected to succeed with an appeal to have the market re-opened.



Although much remains unclear, plans announced at the end of last week to offer further state support to the market do not appear to have been connected to the suspension of trading. Those plans include new facilities for Kuwaiti investment companies to exchange loss-making assets (equities, real estate and other paper) for government-backed notes for a period of up to five years. The authorities hope that the new facility will ease the pronounced selling pressure in the market that is driving prices down, and also encourage banks to resume lending. The investment companies are the primary channels through which sovereign wealth funds enter the market, and the problems they are experiencing have undermined KIA efforts to support equity valuations.

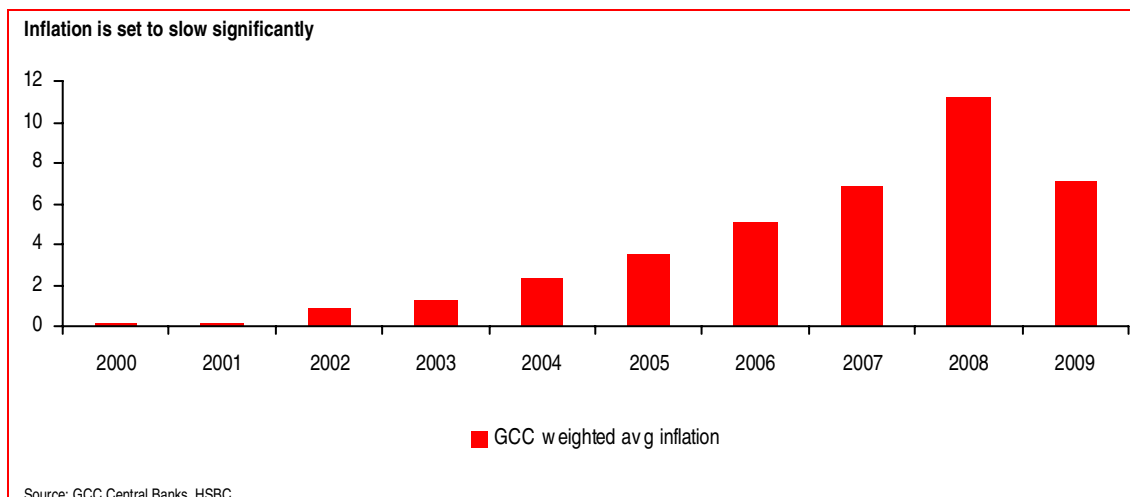
Although the KSE has lost 30% y-t-d, it is by no means the weakest of the regional markets, which have lost up to 65% peak to trough this year. No other Gulf bourse has given any indication that it may follow Kuwait's lead, however, and no other market has Kuwait's track record of public funds being invested in the bourse to maintain valuations.

Gulf inflation moderating as dollar strengthens, growth slows

Data released last week by Kuwait and Oman provide further evidence that price growth in the Gulf region has begun to subside. The reading of 13.7% in Oman in July, from 14% in June, is the first slowdown in inflation reported since May 2007. Kuwaiti inflation also dropped by 25bps in July, to around 11%.

Although the annual figures remain high, the data is more than three months old, and our view is that more timely data would show a more substantial easing in the pace of price growth. Across the Gulf, rising food costs have been a key price driver, and the recent moderation in global commodity prices, together with the dollar-driven pick-up in the value of regional currencies, is likely to have put the recent upward trend into reverse. The downward trend is likely to continue into 2009, as domestic demand slows from the breakneck speed of the previous five years, and credit growth declines substantially.

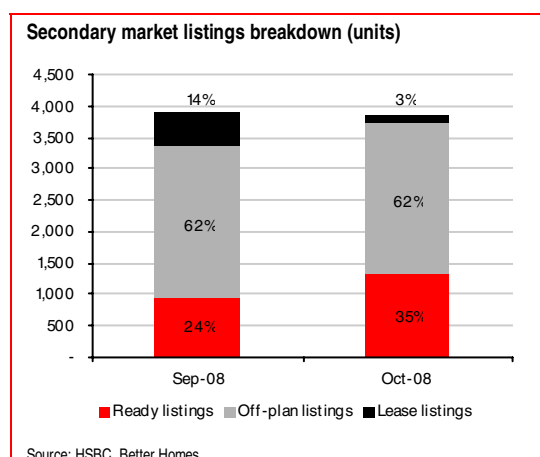
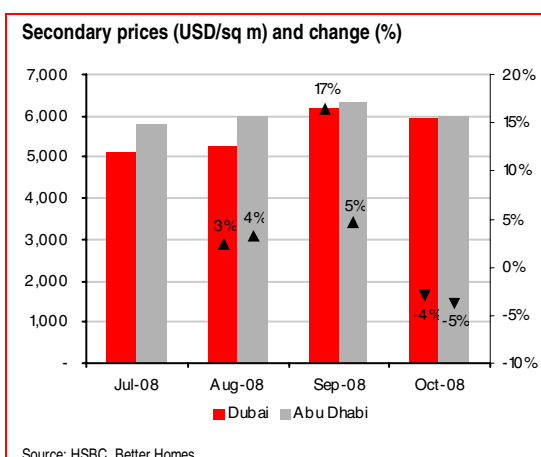
The data add weight to our earlier view that inflation in the Gulf peaked in the second quarter of the year and is now poised to decelerate significantly. With perhaps one exception (Qatar), annual inflation is likely to be in single digits across the region by the end of Q1 09, and is set to fall further over the remaining months of the year.



Focus: UAE real estate

- ▶ Advertised prices for UAE residential property are softening, but yields are holding up well
- ▶ The convertible bond issued by Abu Dhabi's Aldar offers investors a defensive approach to the UAE real estate market

Our Oct 08 UAE property survey (*see Property Ladder*, 12 November 2008) indicates asking prices for residential property in Dubai and Abu Dhabi weakened m-o-m by 4% and 5% respectively. A closer look at data shows Dubai villa prices fell 19%, while average apartment prices in the emirate were flat on a m-o-m basis. A key driver in the villa market is likely to have been the sharp fall in average loan-to-value (LTV) ratios offered by lenders. These eased from around 90% to 75% over the space of a month, increasing the average required down payment by 125%, to USD650,000. Our survey also shows that mortgage rates set by lenders have risen by up to 200bps as local and international credit conditions tighten and lenders have become increasingly risk averse, further discouraging investment in real estate. Despite these pressures, however, villa prices in the very tight Abu Dhabi market rose by 4%, though apartment prices fell – a reflection of the high proportion of the apartment market in the emirate that is being sold off-plan.



Although list sale prices in Dubai fell, yields appear to be holding up well, expanding by 160bps to 6.3% - the first increase since Q108. Recent legislative changes (notably a ban on villa sharing) are likely to have added to a market that continues to be undersupplied, though it is also clear that some property owners have elected to sell, rather than let, their properties, in anticipation of possible price declines. The rental caps in place across the emirate and regulation making the eviction of tenants difficult are also

servicing to keep property off the market and add to the upward pressure on rents. The nascency of the Abu Dhabi real estate market makes it difficult to compute yields with any confidence, but all anecdotal evidence suggests that rents continue to hold up well in what remains a very tight real estate sector.

HSBC Secondary Market Data - October 2008

Apartment	% of Total	Av. Unit price USD	Av. Price USD/sq m	Av. Apt. size/sq m	Av. Rent USD/sq m	Rental yield	m-o-m price Δ
International City	3%	240,702	3,034	79	-	-	-6%
Impz	4%	222,074	4,184	53	-	-	-10%
Dubailand	16%	323,715	4,198	77	-	-	6%
Dubai Investment Park	5%	335,077	3,844	87	402	10.50%	2%
Dubai Silicon Oasis	2%	367,807	3,205	115	-	-	-4%
Jumeirah Village	7%	258,455	3,545	73	-	-	2%
Downtown Jebel Ali	4%	1,181,324	6,591	179	-	-	64%
Jumeirah Lake Towers	6%	535,217	4,864	110	369	7.60%	-2%
Business Bay	5%	823,349	6,453	128	-	-	0%
The Greens	1%	580,953	5,993	97	457	7.60%	-9%
Culture Village	2%	788,401	8,086	98	-	-	27%
Dubai Marina	19%	744,382	6,239	119	361	5.80%	-2%
Emirates Living	3%	757,959	6,022	126	478	7.90%	-4%
Downtown Burj Dubai	18%	1,037,840	10,464	99	443	4.20%	-19%
DIFC	2%	889,040	6,720	132	-	-	-30%
Palm Jumeirah	3%	2,386,647	10,352	231	402	3.90%	32%
Weighted average		694,180	6,255	105	513	6.80%	0%
Villas							
Jumeirah Village	7%	1,008,481	3,527	286	-	-	1%
Al Furjan	9%	1,575,936	4,005	393	-	-	-10%
Dubai Investment Park	8%	1,630,319	3,606	452	214	5.90%	-2%
Jumeirah Park	7%	1,495,217	4,873	307	-	-	-2%
Emirates Living	16%	1,677,957	5,380	312	305	5.70%	-14%
Arabian Ranches	10%	1,372,547	4,964	277	252	5.10%	-18%
Dubailand	24%	1,575,272	4,427	356	-	-	-18%
Dubai Marina	1%	841,962	7,242	116	243	3.40%	5%
Jumeirah Golf Estates	3%	3,813,484	6,664	572	-	-	20%
Palm Jebel Ali	4%	3,142,205	7,626	412	-	-	19%
Palm Jumeirah	3%	7,511,703	9,854	762	258	2.60%	-14%
Weighted average		1,641,551	4,554	329	264	5.10%	-20%
Total weighted average		883,086	5,916	151	423	6.30%	-4%

Note: For monthly mortgage payments we assume 25% down-payment, 8.5% mortgage rate, and a 20-year tenure. As our survey captures asking prices and not transactional prices, the numbers appear to be highly volatile. Nonetheless, given the large sample size (4,000 listings), we believe the data reflects the general trend. To calculate the weighted average we use the weights in the far-left column, which are based on the number of listings relative to the total. As such, the weighted average is skewed by developments with the highest weighting
Source: HSBC Research, Better Homes

From an equity investor perspective, HSBC's preference continues to be Abu Dhabi, where our analyst, Majed Azzam judges that Aldar (ALDR.AD, Overweight (V)) offers the most defensive fundamentals, combined with good appreciation potential. We expect the market in Abu Dhabi to remain tight near term as pent-up demand alone is more than enough to absorb supply coming to the market over the next two years. We also like Aldar's strong liquidity position, which should provide a buffer against financing risk over the near term, particularly given the company's strong ties to the Abu Dhabi government.

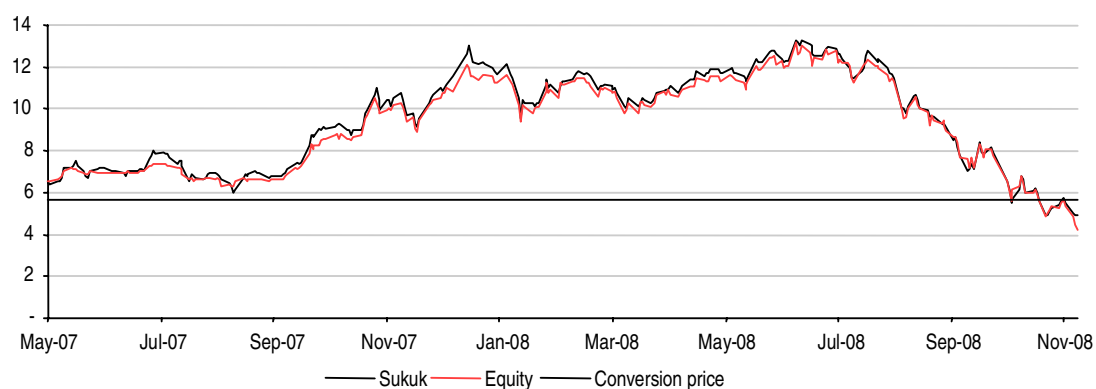
HSBC UAE mortgage tracker

	September 08			October 08		
	Rate	Apts LTV	Villas LTV	Rate	Apts LTV	Villas LTV
ADCB	7.75%	90%	90%	8.75%	80%	80%
Lloyds	8.50%	90%	80%	8.50%	50%	80%
HSBC	7.00%	85%	85%	7.00%	60%	70%
Amlak	7.75%	90%	90%	9.75%	80%	80%
Tamweel	7.90%	85%	85%	8.40%	75%	75%

Source: HSBC Research

As a defensive alternative to ordinary share ownership, we also like Aldar 2011 convertible bonds (CBs), currently trading at 87 (USD870 vs. par value of USD1000) and offering a yield to maturity of 10.7% (annual coupon of 5.76% paid quarterly). Provided there is no default, this return offers the sum of the downside to holding the instrument. Should the equity price rally (the current implied price of AED4.9 stands below the conversion price of AED5.7), CB holders will have exposure to the gain. The CB can be converted at any time, either for equity (if the foreign ownership limit allows) or the equivalent in cash (based on the average of the previous 10 trading days). By regional standards, the CB is also liquid, turning over an average of USD5-10m a day over the last three months. (For details, see our 14 November flashnote, *Aldar Properties: Sukuk: an alternative way to invest in Aldar*)

Aldar sukuk currently trades below the conversion price of AED5.7



Source: Bloomberg

Aldar valuation

Under our research model, for stocks with a volatility indicator, the Neutral band is 10 percentage points above and below the hurdle rate for UAE stocks of 9.5%. This translates to a Neutral band of -0.5% to 19.5% around the current share price. Our 12-month target price of AED16.0 for Aldar implies a potential total return of 230% from the 10 November closing price of AED4.85, which is above the Neutral band. Therefore, we reiterate our Overweight (V) rating on the stock. We value real estate companies using a combination of DCF analysis and land valuation. Where the company has a final master plan, we use DCF. Otherwise, we use land valuation only.

Aldar previous DCF and Land valuation (AEDm)

NPV: FCF	70,890
Net Debt/(Cash)	5,911
Equity	64,978
Outstanding Shares (m)	3,662
DCF Value (AED per share)	17.7
Value of YAS Island	14,258
Value on Mina Zayed profit-sharing	13,624
No of shares (m)	3,662
Value of land (AED per share)	7.6
Total value (AED per share)	25.3

Source: HSBC estimates

Aldar current valuation based on project probabilities

AED per share	Valuation	Probability	Current
Projects under development	10.7	80%	8.6
Highly probable projects	4.6	70%	3.2
Future projects	2.4	50%	1.2
Land	7.6	40%	3.0
Total value	25.3		16.0

Source: HSBC estimates

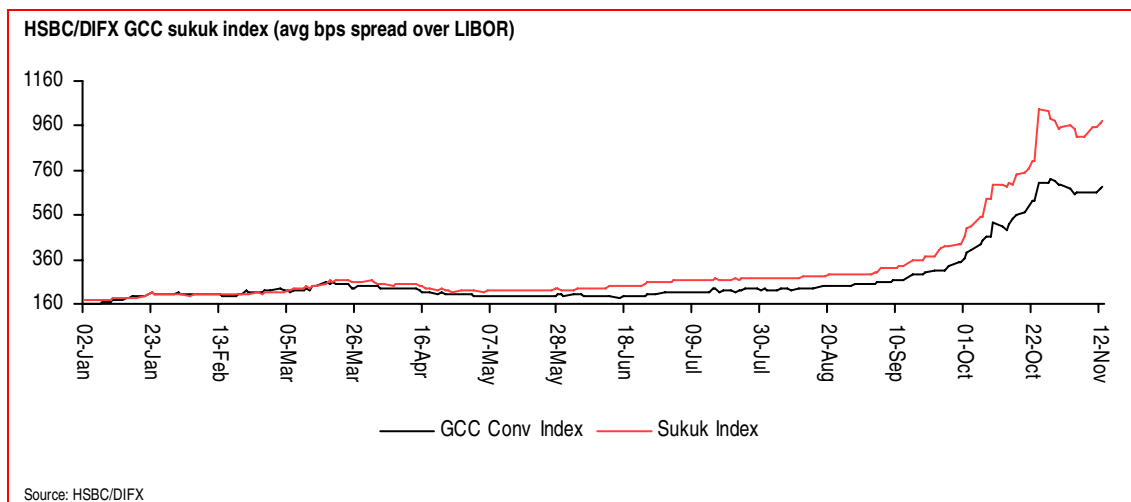
Aldar specific risks

- ▶ **Execution risk:** The sheer scale of Aldar's development will stretch management and operational capacity, introducing the risk of delays and/or even project cancellation.
- ▶ **Governance:** Aldar is still operating in an underdeveloped regulatory environment, where minority interests can be overlooked.
- ▶ **Concentration risk:** since all of Aldar's projects are in Abu Dhabi, their exposure to any downturn in the property market there is very high.

CB specific risk

In the event of insolvency, Aldar might not be able to honour its debt obligations.

Gulf credit



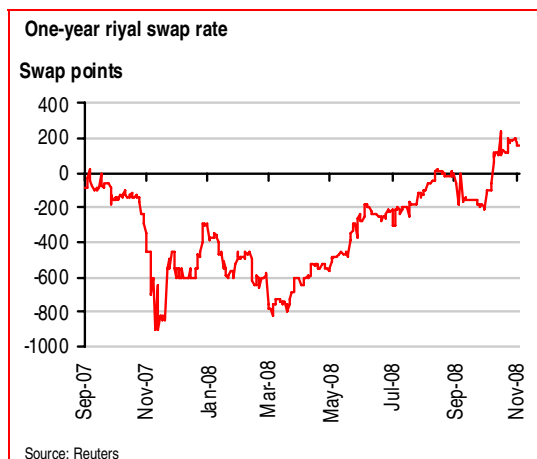
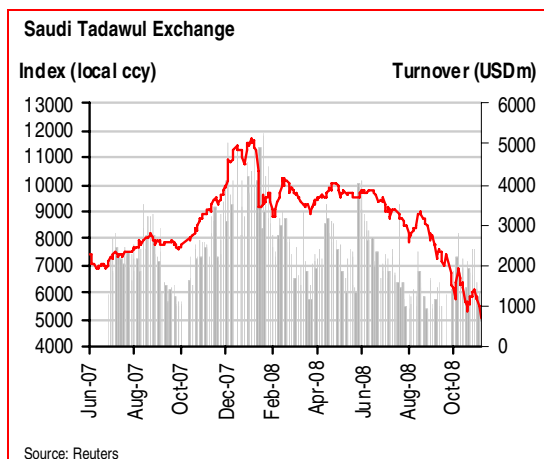
Market trends

Credit was less volatile last week, as markets seem to have found some form of relative stability, despite the continuation of the same prevailing themes. Hedge fund de-leveraging and general economic concerns continue to stifle any positive effects from the stimulus plans announced over the past few weeks by various central banks globally.

GCC CDS started the week on a positive note with a short-lived bounce, taking a lead from Asian markets following the announcement of China's USD586bn stimulus plan. However, CDS spent the rest of the week drifting towards the wider end of the range on thin volumes. Most accounts remain sidelined; however, the oil price dropping below USD60/barrel for the first time in 18 months triggered some real money buying of protection on sovereigns. Consequently, GCC sovereign CDS ended the week anywhere between 40 and 75bps wider. The market dislocation between cash and CDS witnessed over the past two months continued, resulting in a further widening of basis. Although bonds/ sukuk have seen some pockets of demand of hard currency issues tiered by geography, overall cash remains better offered. Consequently, the HSBC/ DIFX Sukuk and Conventional Indices have now widened 547bps and 336bps respectively in the 6 week period starting end of September

AED denominated issues continue to witness a large amount of selling pressure from hedge funds that bought the instruments in expectation of currency revaluation but are now struggling to exit positions in an environment of poor liquidity. Dubai-related names also remain under pressure following a slew of negative headlines related to job losses and credit restrictions for employees within the real estate sector, as well as property price corrections.

Saudi Arabia



Currency (spot 3.7510/25)

Spot USD/SAR traded a close range over the week, closing at 3.7515/25 on good two-way interest from local and international names. Short-dated swaps remained tight at the start of the week, but eased by the end of the week as local players moved into the 1, 2 and 3m swaps. Closed levels were: Wk 15/25, 1m 55/75, 3m 95/135, 6m 120/170 and 12m 135/185.

Stock take

In thin trading, the Tadawul was highly volatile, tracking global market trends closely to end down 9.8%. The decline was led by the petrochemical sector, notably the Saudi Basic Industries Corp. (SABIC), which fell below SAR60 by week-end, down 66% on its intra-year high. Banking sector stocks also fared poorly. Sentiment across the retail-dominated market remains exceptionally poor as broad concerns over the global economic outlook have hardened into Saudi-specific worries over falling oil prices and restricted credit growth.

Economic indicators

	2002	2003	2004	2005	2006	2007e	2008e
GDP (USDbn)	188.6	214.6	250.3	315.6	356.6	382.0	490.0
Real growth	0.1	7.7	5.3	5.6	3.1	3.4	6.5
Average Inflation (%)	0.2	0.6	0.3	0.4	2.3	4.1	10.1
Fiscal balance (% GDP)	-2.9	4.5	11.4	18.4	21.7	12.5	19.5
Current account (USDbn)	12.0	28.1	49.3	90.0	98.9	95.0	148.2
% GDP	6.3	13.1	19.7	28.5	27.7	24.9	30.2
Exchange rate (USD1)	3.75	3.75	3.75	3.75	3.75	3.75	3.75

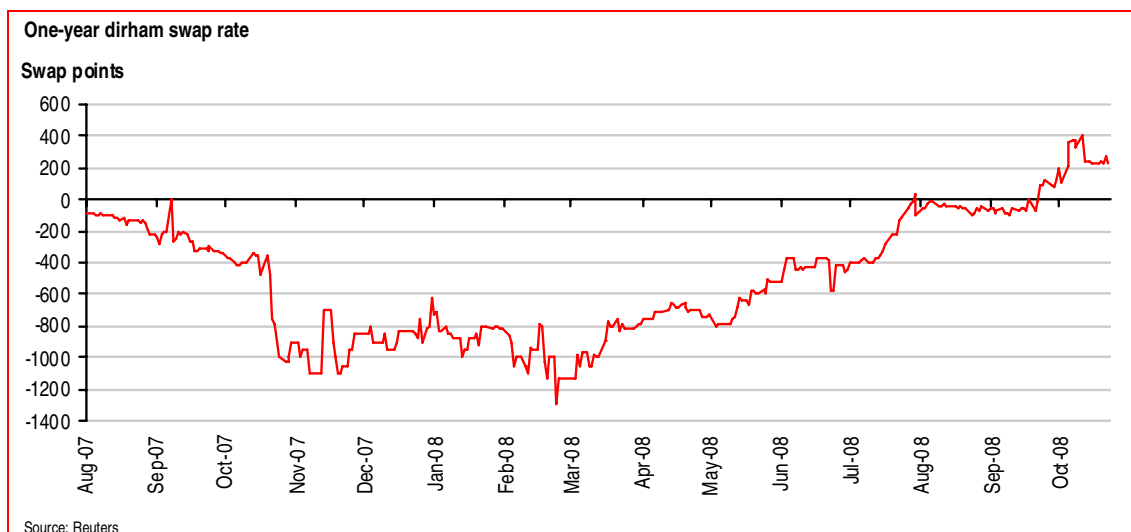
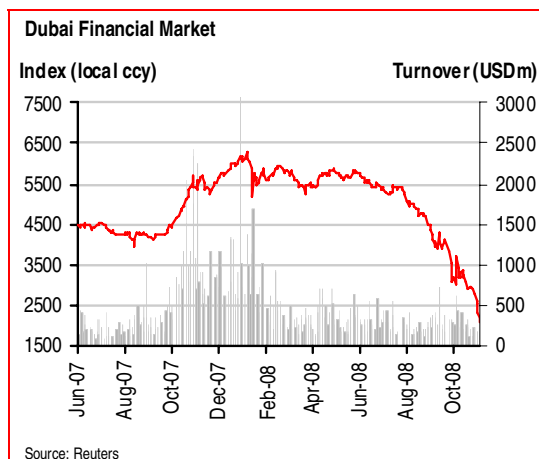
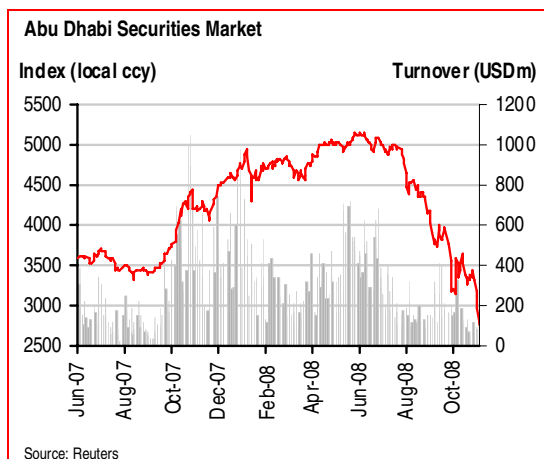
Source: SAMA, IMF, HSBC estimates

Sector performance (%)

	Performance Week to 29 Oct	Performance Week to 5 Nov	Performance Week to 12 Nov	Performance YTD
Tadawul all-share Index	-10.1	9.9	-9.8	-50.3
Banks & Financial Services	-6.9	9.0	-7.2	-46.4
Retail	-10.4	17.4	-3.9	-34.4
Petrochemical Industries	-14.4	8.5	-19.4	-61.5
Cement	-8.1	12.1	-3.7	-46.5
Energy & Utilities	-5.1	4.1	-2.4	-36.6
Telecommunication & IT	-9.4	6.0	-6.9	-46.7
Agriculture & Food Industries	-7.7	12.6	-2.6	-33.2
Insurance	-16.1	8.3	-10.8	-75.4
Building & Construction	-17.5	30.9	-13.1	-35.8
Hotel & Tourism	-14.1	11.7	-6.1	-37.1
Industrial Investment	-13.5	11.0	-11.0	-41.2
Multi-Investment	-13.5	17.2	-6.7	-64.6
Media and Publishing	-6.2	13.3	-9.5	-55.2
Real Estate Development	-11.0	9.4	-7.1	-50.0
Transport	-13.5	10.4	-11.4	-45.5

Source: Tadawul

United Arab Emirates



Economic indicators

	2002	2003	2004	2005	2006	2007e	2008e
GDP (USDbn)	74.3	87.6	105.2	139.7	170.1	198.7	243.5
Real growth	2.6	11.9	7.4	10.5	9.4	7.6	7.8
Average Inflation (%)	2.9	3.1	7.0	9.0	10.5	11.1	14.5
Fiscal balance (% GDP)	-2.6	3.6	10.0	20.6	28.0	28.9	37.5
Current account (USDbn)	3.5	7.5	10.5	24.4	36.0	37.0	41.8
% GDP	4.8	8.6	10.0	17.4	21.2	18.6	17.2
Exchange rate (USD1)	3.67	3.67	3.67	3.67	3.67	3.67	3.67

Source: CBUAE, IMF, HSBC estimates

Currency (spot 3.6728/33)

Spot USD/AED was quiet last week, and though there was some early-week interest to sell dollars by local names, the market was range bound. Swaps, too, remained quiet, with a slight offer bias and closed at: Wk 10/20, 1m 55/80, 3m 125/175, 6m 150/250 and 12m 170/270. AED Repo levels remained at O/N 1.5%, Wk 1.5%, 1m 1.75%, 2m 2% and 3m 2.25%. One-month AED was bid at around 3% on the interbank market.

Stock take: ADX

Market liquidity was particularly low in Abu Dhabi last week, trading \$90m, on average, a day, with real estate, telcos and banks making up most of the value traded. As elsewhere in the Gulf, the key theme of the week was local retail frustration turning into unprecedented and often indiscriminate selling that left the ADX down 16.8% w-o-w. Many of the market bellwethers suffered, particularly those names that, because of foreign ownership restrictions, are traded exclusively by UAE nationals: Etisalat -17.20%, Taqa -29.47%, and Sharjah Islamic Bank, which is currently at its FOL (although surprisingly the FO has not fluctuated YTD), -31.71% on the week. Real estate stocks, particularly RAK Properties and Sorouh, fell by nearly a third, with Aldar a comparative outperformer, as it dropped by 20%. Interestingly, Aldar saw its FO rise to 30.35% (FOL 40%), while RAK Properties saw FO decline 0.47% over the week (and 3.4% m-o-m). Sorouh, meanwhile, reduced its FOL to 15%, from 20%, with immediate effect. Amongst the banking majors, NBAD was the worst performer, down 24.46% on the week on \$1m average daily trading. FGB, UNB and ADCB performed better by comparison, down only 15.3%, 11.1% & 10.7%, respectively.

ADX: Sector performance (%)

	Performance Week to 30 Oct	Performance Week to 6 Nov	Performance Week to 13 Nov	Performance YTD
Abu Dhabi Securities Market	5.0	4.6	-16.8	-39.3
Banking	4.5	9.8	-15.7	-38.9
Insurance	-1.7	-1.4	-3.6	11.2
Consumer	0.2	-0.9	-8.8	-28.5
Energy	4.8	4.9	-28.0	-62.3
Industrial	2.7	1.4	-19.3	-30.5
Real Estate	3.5	-5.9	-25.2	-66.9
Construction	4.0	-3.0	-15.5	-20.2
Telecom	8.0	5.7	-17.2	-32.3
Health Care	21.8	-0.9	-8.7	0.8

Source: Abu Dhabi Securities Market

Stock take: DFM

Led by strong local selling, the DFM closed down almost 25% last week, with several key names closing limit down (10%) on successive days. Arabtec was the hardest hit, losing 40% w-o-w and trading limit down intraday every day, as investors were alarmed by reports that Arabtec employees had begun to sell stock. Although Arabtec was the worst performing stock, Amlak and Tamweel closed down 37% and 36%, respectively, as a report suggesting that Tamweel had approached the central bank for funding appeared to confirm investor fears over the mortgage companies' liquidity position although management subsequently denied that they required CB funding. Aside from the mortgage providers, DIB closed -34.34% on the week, trading, on average, USD5.2m/day. Deyaar (in which DIB is the anchor shareholder) closed -27.78%, as the market continued to be unsettled by ongoing corruption investigations.

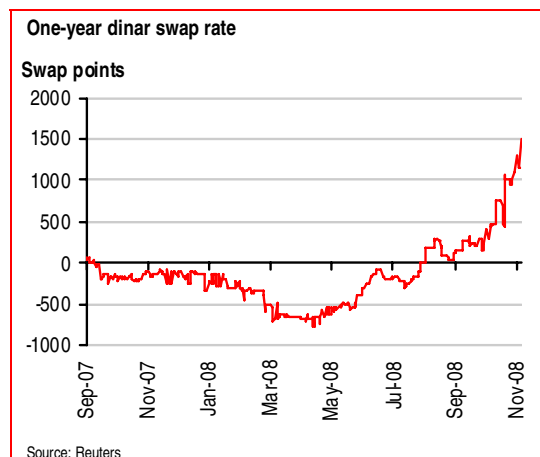
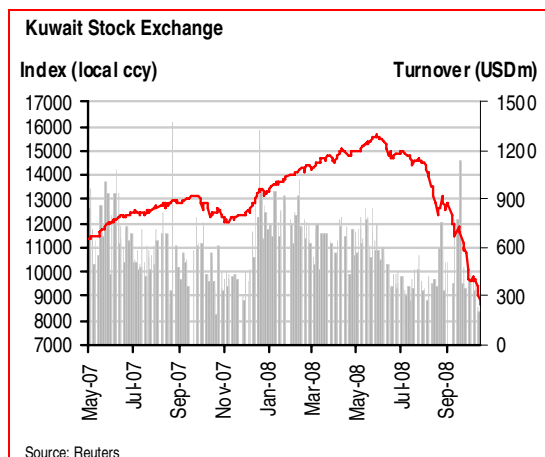
On the week, the market saw on average USD147m traded daily, and Emaar was the most heavily traded stock, trading, on average, USD58m a day. Emaar closed -35.50% on the week, and closed limit down on two consecutive days. Emaar's foreign ownership fell -0.14%, to 18.09%. Local investors continued to exit Emaar stock, though after hitting a low of AED3.05 on 13 November, buyers returned, before closing at AED3.18. UPP also hit new lows, with market discussion continuing to focus on real estate price declines and the prospect of defaults. Despite ending the week down, Air Arabia outperformed the market and traded USD11.5m a day, as investors were encouraged by falling oil prices and better-than-expected Q3 earnings. Foreign ownership in Air Arabia increased on the week by 0.61%, to 17.11% (FOL 49%).

DFM: Sector performance (%)

	Performance Week to 30 Oct	Performance Week to 6 Nov	Performance Week to 13 Nov	Performance YTD
Dubai Financial Market	-5.6	-0.1	-24.7	-64.5
Banks	-10.7	3.2	-19.7	-58.2
Insurance	-2.2	1.4	-8.9	-26.0
Investment & Finance	-6.3	-7.4	-23.8	-61.2
Real Est. & Construction	-4.2	-4.3	-34.8	-76.3
Transport	-4.2	-4.8	-18.9	-53.8
Materials	-10.2	0.8	-6.1	-21.4
Consumer Staples	-7.0	-3.8	0.0	-40.4
Telecom	1.9	-1.9	-30.9	-61.9
Utilities	1.9	-2.0	-27.4	-75.8

Source: Dubai Financial Market

Kuwait



Currency (spot 0.27100/7200)

Spot USD/KWD traded lower than the CBK reference rate right until late Thursday as banks sold dollars to cover their short dinar positions. Spot finished the week 0.27100/0.27200 and swaps at Wk 15/35, 1m 125/250, 3m 400/700, 6m 600/900 and 12m 1000/1700. Spreads continue to widen as market makers stay away.

Stock take

Under court order, KSE trading was suspended on 13th November until at least the 17th (see Economics above). While some local investors supported the decision, institutional investors were deeply alarmed, particularly those benchmarked to regional GCC/MENA indices. Prior to the closure of the exchange, all leading large-caps were sold, including Zain (down 14%), NBK (down 22.97%), Kuwait Finance House (down 20%) and Agility (down 24%). Gulf Bank remains suspended from trading. The major concern in the market is the funding problems that have emerged within the local investment companies that are not only impeding efforts by the KIA to support the market but also prompting further selling. The authorities have proposed a support package for the investment companies, but given recent declines and the scale of

Economic indicators

	2002	2003	2004	2005	2006	2007e	2008e
GDP (USDbn)	37.7	47.8	59.4	80.8	98.8	105.6	154.9
Real growth	3.0	16.5	10.5	10.0	6.4	5.0	6.7
Average Inflation (%)	0.9	1.0	1.3	4.1	3.0	5.5	9.3
Gross fiscal balance (% GDP)	16.8	18.1	24.4	40.7	30.9	45.7	48.2
Current account (USDbn)	4.3	9.4	18.2	34.0	50.5	49.2	73.9
% GDP	11.3	19.7	30.6	42.0	51.1	46.6	47.7
Exchange rate (USD1)	0.30	0.30	0.29	0.29	0.29	0.28	0.27

Source: CBK, IMF, HSBC estimates

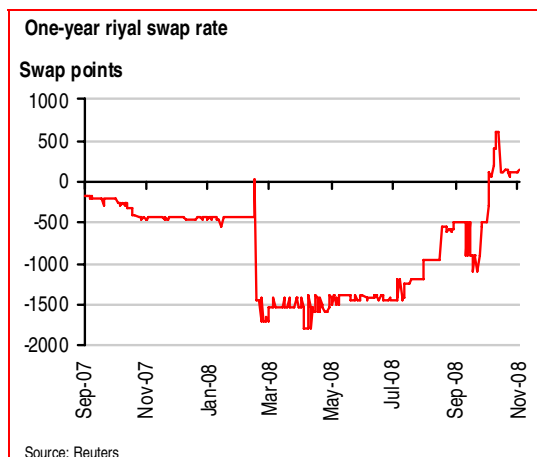
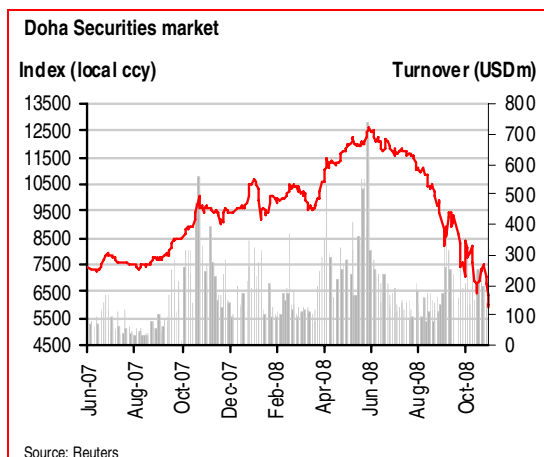
the problems faced, the market is likely to want reassurance that the matter is being addressed before taking on new positions.

Sector performance (%)

	Performance Week to 30 Oct	Performance Week to 6 Nov	Performance Week to 13 Nov	Performance YTD
Kuwait Stock Exchange	-6.6	-1.2	-10.2	-30.8
Banking	-3.0	-7.8	-12.6	-36.0
Investment	-9.0	-0.5	-14.7	-44.2
Insurance	0.9	0.1	-1.1	-2.7
Real Estate	-8.1	-2.3	-14.7	-34.4
Industry	-11.6	-6.7	-11.0	-31.1
Services	-3.7	3.8	-5.8	-18.0
Food	-4.8	0.6	-4.7	-37.2
Non-Kuwait	-4.5	-1.5	-7.7	-20.8

Source: Kuwait Stock Exchange

Qatar



Currency (spot 3.6410/25)

The Qatari money markets were very quiet last week, with very low flows from offshore and onshore names. Spot ended the week little changed, while swaps closed at: Wk par/10, 1m 15/45, 3m 50/150, 6m 75/275 and 12m 150/450.

Stock take

The DSM joined the regional sell off, closing down 21% w-o-w. Our analysis suggests that foreigners were net sellers, but they accounted for only 30% of the total value traded last week. The most actively traded stocks were Masraf Al Rayan and Industries Qatar, which traded, on average, USD23m and USD22m in a market which traded, on average, USD90m a day. All of the large names fell heavily, led by Barwa Real Estate (down 35%), Al Khaliji Bank (down 31%), and Industries Qatar (down 30%). Energy price declines and concerns over access to project finance are the key market concerns driving both local and foreign investors away from the market. Nevertheless, there were some strong bids from onshore and offshore for IQCD, QNB & Nakilat at what are seen by some as heavily oversold levels.

Economic indicators

	2002	2003	2004	2005	2006	2007e	2008e
GDP (USDbn)	19.4	23.5	31.7	42.5	56.8	63.9	90.0
Real growth	7.1	3.5	20.8	6.1	9.6	11.5	15.2
Average Inflation (%)	1.0	2.3	6.8	8.8	11.9	13.7	15.4
Gross fiscal balance (% GDP)	9.4	6.4	16.4	9.2	9.0	8.2	18.7
Current account (USDbn)	3.8	5.8	7.6	11.3	8.4	10.7	31.6
% GDP	19.7	24.4	23.8	26.7	14.9	16.7	35.1
Exchange rate (USD1)	3.64	3.64	3.64	3.64	3.64	3.64	3.64

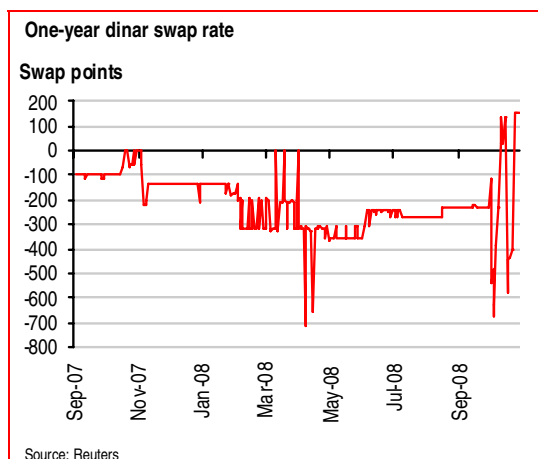
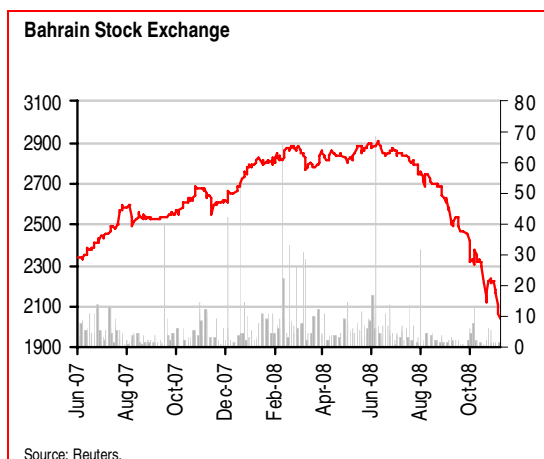
Source: QCB, IMF, HSBC estimates

Sector performance (%)

	Performance Week to 30 Oct	Performance Week to 6 Nov	Performance Week to 13 Nov	Performance YTD
Doha Securities Market	-8.5	6.9	-20.5	-38.6
Banking	-10.5	8.0	-21.2	-38.8
Insurance	-5.6	4.8	-24.2	-55.9
Services	-4.0	4.9	-14.6	-36.0
Industry	-10.2	7.3	-28.9	-42.5

Source: Doha Securities Market

Bahrain



Currency (spot 0.37680/95)

Local Bahraini names were seen covering their short dinar requirements over the week, pushing swaps to the right. Spot eased to the left for the same reason and closed at 0.37680/95. Swaps closed at: Wk par/10, 1m 10/60, 3m 50/150, 6m 75/225 and 12m 100/400.

Stock take

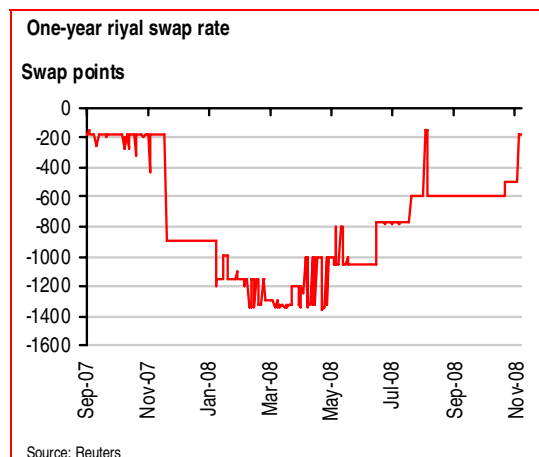
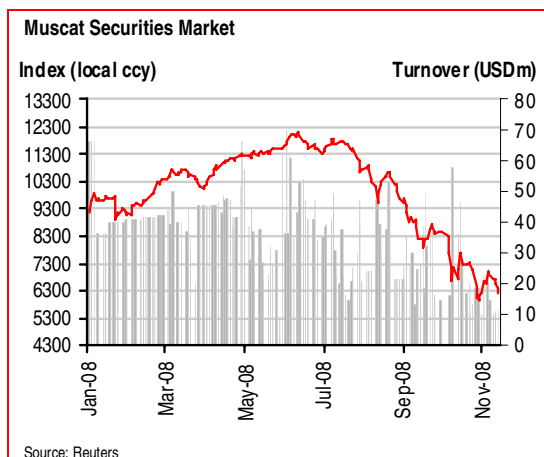
The BSE closed the week down 8.1%. Traded volumes averaged a little over USD4.5m/day, less than half the three-month average. As has been the case elsewhere, the thin volumes are compounding the large price falls across the market, driven by negative news flows and sell-offs elsewhere in the region.

Economic indicators

	2002	2003	2004	2005	2006	2007e	2008e
GDP (USDbn)	8.5	9.7	11.2	13.4	15.8	17.6	21.4
Real growth	5.2	7.2	5.6	7.8	6.8	6.2	6.4
Average Inflation (%)	-0.5	1.6	2.4	2.6	2.0	3.5	4.5
Fiscal balance (% GDP)	-0.1	1.8	4.7	7.6	4.7	9.8	17.7
Current account (USDbn)	-0.1	0.2	0.3	1.5	2.2	2.9	4.2
% GDP	-0.6	2.1	2.8	11.0	13.8	16.5	19.5
Exchange rate (USD1)	0.38	0.38	0.38	0.38	0.38	0.38	0.38

Source: BMA, HSBC estimates

Oman



Currency (spot 0.38495/00)

Omani money markets were quiet once again, with spot remaining at 0.38495/00 for most of the week. Swaps were also quiet throughout the week, closing at Wk par/10, 1m par/30, 3m -25/+100, 6m -75/+150 and 12m -150/+250.

Stock take

The MSM closed down 9.5% last week on thin volumes. All of the large names lost value, notably Galfar (down 9.5%) and Bank Muscat, the second largest company on the market, which fell 12% w-o-w. Significantly, however, selling pressure has extended beyond large foreign-owned names (which saw aggressive selling pressure from foreign investors over the course of the summer) to small and mid-cap scrips that are dominated by local retail investors. National Bank of Oman, Oman Cables, Oman Cement, Al Jazeera Services, and Bank Sohar, which have low foreign ownership levels, ended down 16%, 14%, 11.5%, 13.9% and 8.9%, respectively.

Economic indicators

	2002	2003	2004	2005	2006	2007e	2008e
GDP (USDbn)	20.3	21.8	24.8	30.9	35.7	40.3	63.1
Real growth	2.3	2.2	5.4	6.0	7.2	6.8	7.1
Average inflation (%)	-0.3	0.2	0.8	1.9	3.2	5.9	12.8
Gross fiscal balance (% GDP)	4.6	4.7	4.0	12.3	10.3	9.7	23.0
Current account (USDbn)	1.4	0.9	0.4	4.2	4.4	3.3	16.3
% GDP	6.7	4.0	1.8	13.5	12.3	8.2	25.8
Exchange rate (USD1)	0.38	0.38	0.38	0.38	0.38	0.38	0.38

Source: CBO, MNE, IMF, HSBC estimates

Sector performance (%)

	Performance Week to 30 Oct	Performance Week to 6 Nov	Performance Week to 13 Nov	Performance YTD
Muscat Securities Market	-12.5	10.7	-9.5	-31.1
Banking & Investments	-14.3	13.7	-14.4	-39.3
Industrial	-13.5	8.4	-9.9	-31.8
Services & Insurance	-14.1	7.8	-6.7	-19.7

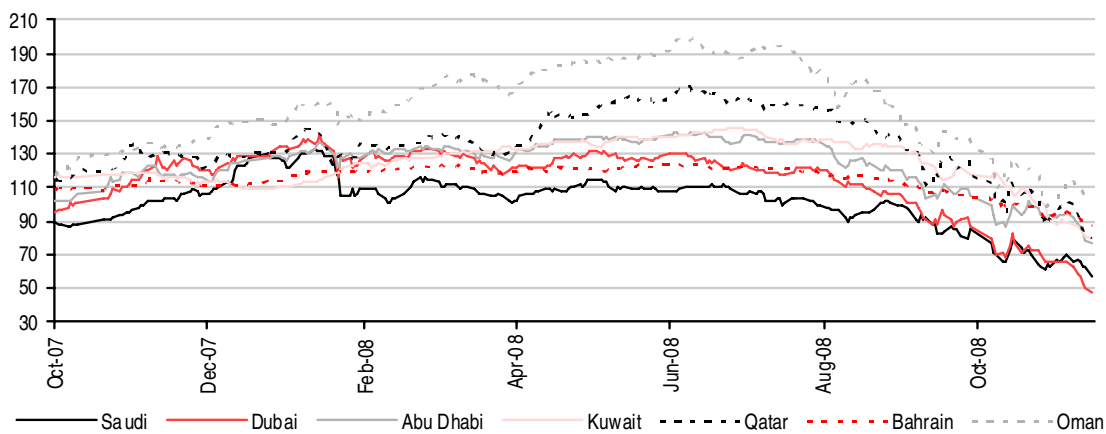
Source: Muscat Securities Market

Market data

Gulf indices

	Fundamentals			Price performance				
	Mkt cap (USDbn)	Weights	PE	Last	W-t-d	1M	Y-t-d	
Saudi Arabia	257	46%	11.1	5,080	-13.0%	-26.0%	-54.0%	
UAE – Abu Dhabi	71	13%	11.9	2,765	-13.3%	-17.9%	-39.3%	
UAE – Dubai	46	8%	7.1	2,106	-20.0%	-34.3%	-64.5%	
Kuwait	109	19%	8.9	8,852	-5.9%	-24.5%	-29.5%	
Qatar	46	8%	10.4	5,886	-16.2%	-24.6%	-38.6%	
Bahrain	22	4%	9.7	2,039	-6.6%	-12.1%	-26.0%	
Oman	12	2%	10.1	6,223	-7.1%	-14.2%	-31.1%	

GCC markets* as of 26 October 2008



Top stocks in each market

Company	Ticker	Sector	Market cap (USDm)	3M avg daily turnover (USD'000)	Price (local)	1wk (%)	1M % (%)	Y-t-d (%)
Saudi Arabia								
SAUDI BASIC IND CORP	2010.SE	MATERIALS	48,194	216,443	54.3	-18.6	-31.9	-63.6
SAUDI TELECOM CO	7010.SE	TELECOMMUNICATION SERVICES	30,929	31,447	58.0	-4.5	0.9	-30.7
SAUDI ELECTRICITY CO	5110.SE	UTILITIES	10,776	9,171	9.6	-1.5	1.0	-34.2
SAFCO	2020.SE	MATERIALS	5,316	63,767	72.0	-24.8	-41.1	-49.8
ALMARAI CO	2280.SE	CONSUMER STAPLES	4,112	11,326	138.0	0.7	25.2	18.2
SAVOLA	2050.SE	CONSUMER STAPLES	3,146	8,254	22.7	-4.8	19.2	-34.1
SOUTHERN PROVINCE CEMENT	3050.SE	MATERIALS	2,333	1,885	60.0	-2.0	11.6	-28.4
NAT'L INDUSTRIALIZATION	2060.SE	INDUSTRIALS	2,193	7,698	16.1	-20.1	-12.5	-58.1
SAUDI CEMENT	3030.SE	MATERIALS	1,863	2,499	67.8	-1.4	-0.7	-46.1
YAMAMAH SAUDI CEMENT CO	3020.SE	MATERIALS	1,580	4,713	40.1	-6.6	2.1	-53.4
SAUDI IND INVEST GROUP	2250.SE	MATERIALS	1,536	11,696	11.8	-16.9	-19.0	-67.5
NATIONAL SHIP/SAUDI ARAB	4030.SE	ENERGY	1,356	24,277	15.5	-12.7	9.1	-35.4
YANBU CEMENT	3060.SE	MATERIALS	1,324	1,750	45.3	-3.3	-14.0	-49.8
MAKKAH CONS	4100.SE	INDUSTRIALS	1,208	7,577	26.6	0.0	1.9	-38.2
ARABIAN CEMENT	3010.SE	MATERIALS	951	2,797	42.0	-5.3	1.4	-53.5
SAUDI CERAMIC	2040.SE	INDUSTRIALS	675	2,885	92.0	-7.1	28.2	-6.7
SAHARA PETROCHEMICAL CO	2260.SE	MATERIALS	657	3,387	12.0	-24.0	-32.7	-69.6
TAIBAH	4090.SE	FINANCIALS	650	3,800	15.6	-10.0	-11.2	-54.5
ARABIAN PIPES CO	2200.SE	MATERIALS	546	6,564	58.5	-6.1	12.1	-18.8
NADEC	6010.SE	CONSUMER STAPLES	534	1,854	33.4	-6.7	27.0	-21.1
United Arab Emirates								
NAT'L BANK OF ABU DHABI	NBAD.AD	FINANCIALS	5,919	2,587	10.5	-19.7	-1.8	-42.5
EMAAR PROPERTIES	EMAR.DU	FINANCIALS	5,278	89,918	3.2	-35.5	-46.1	-78.7
FIRST GULF BANK	FGB.AD	FINANCIALS	3,931	10,267	10.3	-15.0	1.4	-47.9
ABU DHABI COMM BANK	ADCB.AD	FINANCIALS	2,802	3,163	2.2	-10.8	-26.5	-61.0
DUBAI ISLAMIC BANK	DISB.DU	FINANCIALS	2,439	9,918	2.6	-34.3	-49.7	-72.8
UNION NAT'L BK/ABU DHAB	UNB.AD	FINANCIALS	2,093	1,425	4.2	-9.9	-0.5	-47.1
BANK OF SHARJAH	BOS.AD	FINANCIALS	1,324	436	2.6	-6.0	-4.4	-11.4
DANA GAS	DANA.AD	ENERGY	1,225	7,158	0.7	-25.0	-34.2	-66.4
DUBAI INVESTMENT	DINV.DU	FINANCIALS	1,107	6,812	1.2	-33.7	-46.0	-68.0
SHARJAH ISLAMIC BANK	SIB.AD	FINANCIALS	868	1,839	1.5	-29.3	-38.8	-49.7
GULF CEMENT CO	GCEM.AD	MATERIALS	827	892	3.8	-8.0	-24.5	-30.2
UNION CEMENT CO	UCC.AD	MATERIALS	606	52	3.4	-8.2	-3.3	-2.8
ARABTEC HOLDING	ARTC.DU	INDUSTRIALS	544	26,076	3.3	-40.0	-58.1	-64.2
COMMERCIAL BANK INT'L	CBI.AD	FINANCIALS	528	891	1.6	-39.9	-45.8	-43.8
AMLAK FINANCE	AMLK.DU	FINANCIALS	457	6,675	1.1	-37.4	-52.1	-78.2
ARAMEX COMPANY	ARMX.DU	INDUSTRIALS	329	1,521	1.0	-26.5	-40.8	-63.8
SHUAA CAPITAL	SHUA.DU	FINANCIALS	328	2,223	2.2	-22.3	-29.4	-66.3
SHARJAH CEMENT & IND	SCID.AD	MATERIALS	290	119	2.4	-32.7	-47.0	-54.6
NAT'L CENTRAL COOLING CO	TABR.DU	INDUSTRIALS	254	3,402	0.8	-27.4	-37.9	-75.8
GULF PHARM IND-JULPH	GPHI.AD	HEALTH CARE	244	117	1.5	-13.0	-22.2	-38.7

Source: Reuters

Top stocks in each market

Company	Ticker	Sector	Market cap (USDm)	3M avg daily turnover (USD'000)	Price (local)	1wk (%)	1M % (%)	Y-t-d (%)
Kuwait								
NATIONAL BANK OF KUWAIT	NBKK.KW	FINANCIALS	11,421	31,065	1.2	-23.0	-36.7	-39.1
KUWAIT FINANCE HOUSE	KFIN.KW	FINANCIALS	10,375	37,200	1.5	-20.0	-38.2	-43.3
GULF BANK	GBKK.KW	FINANCIALS	4,415	2,705	1.0	-10.4	-18.1	-36.5
BURGAN BANK	BURG.KW	FINANCIALS	2,592	6,380	0.6	-6.2	-24.7	-32.9
KUWAIT PROJECTS CO HLDGS	KPRO.KW	FINANCIALS	2,439	12,440	0.6	-23.0	-38.7	-27.9
AGILITY	AGLT.KW	INDUSTRIALS	2,095	16,646	0.6	-23.9	-38.6	-57.0
GLOBAL INVEST HOUSE	GLOB.KW	FINANCIALS	1,994	9,416	0.4	-12.8	-33.9	-54.4
NATIONAL INVESTMENT CO	NINV.KW	FINANCIALS	1,981	5,970	0.7	-16.4	-15.3	-16.1
NAT'L IND GRP HOLD	NIND.KW	MATERIALS	1,968	13,891	0.4	-28.1	-50.6	-72.8
INVESTMENT DAR CO	TIDK.KW	FINANCIALS	1,079	3,611	0.3	-33.0	-56.4	-62.6
AREF INVESTMENT GROUP CO	AIGK.KW	FINANCIALS	865	2,730	0.2	-26.7	-38.9	-38.5
BOUBYAN PETROCHEMICALS	BPCC.KW	MATERIALS	836	5,290	0.5	-27.3	-45.9	-56.4
AL-MAZAYA HOLDING CO	MAZA.KW	FINANCIALS	707	4,819	0.4	-28.8	-37.3	-23.6
NATIONAL REAL ESTATE CO	NREK.KW	FINANCIALS	670	5,955	0.2	-17.8	-32.7	-50.7
KUWAIT FINANCING INV CO	KFSK.KW	FINANCIALS	602	683	0.3	2.8	-8.9	-15.3
INTL FINANCIAL ADVISORS	IFIN.KW	FINANCIALS	555	1,091	0.2	-4.6	-29.5	-62.6
FIRST INVESTMENT CO	OLAK.KW	FINANCIALS	555	1,932	0.2	-11.5	-23.3	-49.4
KUWAIT INVESTMENT CO	KINV.KW	FINANCIALS	486	478	0.2	-4.0	-16.5	-47.9
AAYAN LEASING & INVEST	AAYA.KW	FINANCIALS	417	2,496	0.2	-22.1	-45.8	-53.7
SULTAN CNTR FOOD PRDCTS	SCFK.KW	CONSUMER STAPLES	416	2,045	0.2	-20.5	-35.3	-49.8
Qatar								
QATAR INDUSTRIES	IQCD.QA	INDUSTRIALS	11,604	30,640	77.6	-30.1	-32.7	-45.1
QATAR NATIONAL BANK	QNBK.QA	FINANCIALS	9,583	6,816	141.6	-11.8	-7.0	-16.7
COMMERCIAL BANK OF QATAR	COMB.QA	FINANCIALS	3,229	16,391	58.1	-26.9	-33.8	-57.4
QATAR ISLAMIC BANK	QISB.QA	FINANCIALS	3,733	22,247	70.2	-25.2	-35.4	-31.8
DOHA BANK	DOBK.QA	FINANCIALS	1,822	7,711	38.5	-21.4	-18.1	-44.0
QATAR GAS TRAN (NAKILAT)	QGTS.QA	ENERGY	3,090	16,968	20.6	-14.0	-20.4	-34.5
QATAR TELECOM QSC	QTEL.QA	TELECOMMUNICATION SERVICES	5,076	3,045	133.3	-13.7	0.7	-34.9
AL RAYYAN BANK	MARK.QA	FINANCIALS	1,865	19,348	9.3	-22.6	-43.8	-60.7
QATAR NAT'L NAVIGATION	QNNC.QA	INDUSTRIALS	1,138	2,726	70.1	-22.5	-22.6	-39.5
QATAR SHIPPING CO	QSHP.QA	UTILITIES	1,142	1,712	38.5	-11.1	-11.1	-36.3
QATAR INSURANCE CO	QINS.QA	FINANCIALS	1,155	2,861	100.4	-15.4	-26.1	-42.4
QATAR ELECT & WATER CO	QEWQ.QA	UTILITIES	2,280	3,146	81.2	-13.9	11.7	-22.4
UNITED DEVELOPMENT CO	UDCD.QA	FINANCIALS	801	2,736	27.9	-24.4	-24.0	-31.1
QATAR REAL ESTATE INVEST	QREC.QA	FINANCIALS	726	2,718	29.9	-18.6	-19.3	-37.8
QATAR ISLAMIC INSURANCE	QIIC.QA	FINANCIALS	145	770	36.3	-25.7	-34.6	-57.4

Source: Reuters

Top stocks in each market

Company	Ticker	Sector	Market cap (USDm)	3M avg daily turnover (USD'000)	Price (local)	1wk (%)	1M % (%)	Y-t-d (%)
Bahrain								
BAHRAIN TELECOM CO	BTEL.BH	TELECOMMUNICATION SERVICES	2,164	160	0.7	-1.4	-4.9	-15.4
BANK OF BAHRAIN & KUWAIT	BBKB.BH	FINANCIALS	1,467	922	0.7	-0.4	-3.7	5.3
ITHMAAR BANK	ITHMR.BH	FINANCIALS	1,261	889	0.6	0.0	-18.3	0.0
ESTERAD INVESTMENT CO	EICB.BH	FINANCIALS	275	63	0.7	-1.8	-3.7	-12.1
AL-KHALEEJ DEV CO (USD)	TAMK.BH	FINANCIALS	276	305	2.0	-2.0	-19.4	33.8
BAHRAIN ISLAMIC BANK	BISB.BH	FINANCIALS	896	170	0.5	1.0	-4.7	9.1
Oman								
OMAN TELECOM CO	OTL.OM	TELECOMMUNICATION SERVICES	3,790	4,510	1.9	2.6	-7.3	13.6
NATIONAL BANK OF OMAN	NBO.OM	FINANCIALS	1,503	1,043	0.5	11.5	-9.0	-16.2
RAYSUT CEMENT CO	RAYC.OM	MATERIALS	1,117	1,586	2.2	-1.6	-18.8	9.6
OMAN INTERNATIONAL BANK	OIB.OM	FINANCIALS	830	527	3.5	2.9	-5.4	-3.8
OMAN CEMENT CO	OCCO.OM	MATERIALS	451	588	0.5	2.9	-21.1	-19.2
DHOFAR INTL DEVELOPMENT	DIDI.OM	FINANCIALS	274	211	0.5	-0.4	-29.8	-24.7
OMINVEST	OMAN.OM	FINANCIALS	337	148	0.7	-0.6	-27.9	10.4

Source: Reuters

GCC stocks under coverage

Stock	Bloomberg Ticker	Country	Sector	Rating	Closing Price	Target Price	Upside (%)	Currency
Shuaa Capital	SHUAA UH	UNITED ARAB EMIRATES	DIVERSIFIED FINANCIAL SERVICES	Overweight (V)	2.19	12.6	475.3	AED
Arabtec Holding Pjsc	ARTC UH	UNITED ARAB EMIRATES	CONSTRUCTION & ENGINEERING	Overweight (V)	3.34	15	349.1	AED
Emaar Properties PJSC	EMAAR UH	UNITED ARAB EMIRATES	REAL ESTATE	Overweight (V)	3.18	13.9	337.1	AED
Aldar Properties	ALDAR UH	UNITED ARAB EMIRATES	REAL ESTATE	Overweight (V)	4.3	16	272.1	AED
Sorouh Real Estate	SOROUH UH	UNITED ARAB EMIRATES	REAL ESTATE	Overweight (V)	2.66	9.40	253.5	AED
Commercial Bank Of Qatar	CBQK QD	QATAR	COMMERCIAL BANKS	Overweight	58.1	192.31	231.0	QAR
DP World	DPW DU	UNITED ARAB EMIRATES	MARINE	Neutral (V)	0.33	1.00	222.5	USD
Yanbu National Petroche	YANSAB AB	SAUDI ARABIA	CHEMICALS	Overweight (V)	16.4	51	211.0	SAR
Abu Dhabi Comm Bank	ADCB UH	UNITED ARAB EMIRATES	COMMERCIAL BANKS	Overweight	2.18	6.4	193.6	AED
Industries Qatar QSC	IQCD QD	QATAR	CONGLOMERATES	Overweight (V)	77.6	101	164.2	QAR
First Gulf Bank	FGB UH	UNITED ARAB EMIRATES	COMMERCIAL BANKS	Neutral	10.25	24.5	139.0	AED
Wataniya Telecom	NMTC KK	KUWAIT	WIRELESS TELECOMS	Overweight	1.46	3.36	130.1	KWD
Burgan Bank	BURG KK	KUWAIT	COMMERCIAL BANKS	Overweight (V)	0.61	1.38	125.7	KWD
Saudi Arabian Fertilizer	SAFCO AB	SAUDI ARABIA	CHEMICALS	Neutral (V)	79.75	85.00	113.2	SAR
Saudi Basic Industries Co	SABIC AB	SAUDI ARABIA	CHEMICALS	Overweight	60.25	125	107.5	SAR
Etihad Etisalat(Mobily)	EEC AB	SAUDI ARABIA	DIVERSIFIED TELECOMS	Overweight	27.5	56.76	106.4	SAR
Qatar Telecom	QTEL QD	QATAR	WIRELESS TELECOMS	Neutral	131	251.78	92.2	QAR
National Bank of Abu Dhab	NBAD UH	UNITED ARAB EMIRATES	COMMERCIAL BANKS	Neutral	10.5	19.9	89.5	AED
Gulf Bank of Kuwait	GBK KK	KUWAIT	COMMERCIAL BANKS	Overweight	0.95	1.80	89.4	KWD
Zain Group	ZAIN KK	KUWAIT	COMMUNICATIONS EQUIPMENT	Neutral (V)	0.98	1.81	84.3	KWD
Union National Bank	UNB UH	UNITED ARAB EMIRATES	COMMERCIAL BANKS	Overweight	4.08	7.5	83.8	AED
Qatar National Bank	QNBK QD	QATAR	COMMERCIAL BANKS	Overweight	141.6	259.22	83.1	QAR
National Bank of Kuwait	NBK KK	KUWAIT	COMMERCIAL BANKS	Neutral	1.14	2.02	76.9	KWD
Etisalat	ETISALAT UH	UNITED ARAB EMIRATES	DIVERSIFIED TELECOMS	Overweight	13	21.25	63.5	AED
Dubai Financial Market	DFM UH	UNITED ARAB EMIRATES	DIVERSIFIED FINANCIAL SERVICES	Underweight (V)	1.67	2.60	55.9	AED
Commercial Bank of Kuwait	CBK KK	KUWAIT	COMMERCIAL BANKS	Overweight	1.2	1.83	52.7	KWD
Saudi Telecom Company	STC AB	SAUDI ARABIA	DIVERSIFIED TELECOMS	Overweight	58	87.5	50.9	SAR
Oman Telecommunication Co	OTEL OM	OMAN	WIRELESS TELECOMS	Overweight	1.711	2.57	50.5	OMR
Galfar Engineering & Cont	GECS OM	OMAN	CONSTRUCTION & ENGINEERING	Overweight (V)	0.727	1.00	37.3	OMR

Source: Reuters, HSBC

Disclosure appendix

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