

SHUAA Securities Morning Report

14 October 2020

Market Stats

Indices	Close	Change	1M Change	3M Change	1Y Change
ADX	4,545	0.3%	0.8%	5.5%	-10.7%
DFM	2,237	0.1%	-1.6%	8.2%	-20.8%
TASI	8,601	0.7%	4.8%	16.0%	12.7%
BHSEASI	1,482	0.3%	6.0%	12.7%	-2.5%
EGX	11,292	-0.9%	1.8%	2.6%	-20.6%
Dow Jones	28,680	-0.6%	3.7%	9.9%	6.9%
S&P 500	3,512	-0.6%	5.1%	11.3%	18.2%
Nasdaq	11,864	-0.1%	9.3%	14.2%	47.2%
FTSE 100	5,970	-0.5%	-1.0%	-3.3%	-17.6%
DAX	13,019	-0.9%	-1.4%	1.7%	4.1%
CAC40	4,948	-0.6%	-1.7%	-2.1%	-12.7%
Nikkei225	23,602	0.2%	0.8%	3.6%	8.3%
HIS	24,650	0.0%	0.6%	-4.4%	-6.3%
US Futures	3,519	0.4%	4.0%	9.3%	17.4%
Europe Future	3,276	0.3%	-1.6%	-3.2%	-9.0%

UAE Trading Summary

AEDm	BUY	SELL	Net
ADX	460	460	-
Local	42%	44%	-2%
Foreign	58%	56%	2%
Institution	91%	86%	5%
Retail	9%	14%	-5%
DFM	280	280	-
Local	48%	40%	8%
Foreign	52%	60%	-8%
Institution	41%	42%	-1%
Retail	59%	58%	1%
Total	740	740	-
Local	44%	43%	2%
Foreign	56%	57%	-2%

Upcoming Corporate Actions & Events

Date	Company	Event
14-Oct	SALAMA	General Assembly
14-Oct	SHUAA	General Assembly
15-Oct	SHUAA	BoD/General
19-Oct	ARTC	BoD/Liquidation
20-Oct	FAB	General Assembly/Stake Acquisition
25-Oct	DSI	General Assembly
12-Nov	GFH	BoD/Results
12-Nov	ITHMAAR	BoD/Results

KEY STORIES

UAE on October 13 reported 1,315 new cases of the Covid-19, along with 1,452 recoveries. Total cases in the country at 108,608 with 100,007 recoveries and 448 deaths

Union Properties posted Q3 profit AED 509.2mln vs loss of AED 81.6mln year ago. Q3 revenue from contracts AED 90.5mln vs AED 106.2mln year ago. Q3 results include gain made on fair valuation of investment property of AED 822.0mln

International Holding Company invests GBP 39mln in British DNA sequencing technology firm Oxford Nanopore

Majid Al Futtaim has hired HSBC to sell its district cooling unit, which delivers chilled water via insulated pipes to cool offices and industrial and residential buildings, four sources told Reuters

Drake & Scull International reported H1 net profit of AED 199.7mln compared to loss of AED 837.5mln a year ago. The results include gain on disposal of subsidiary amounting to AED 354mln

Abu Dhabi Stock Exchange launches a 'covered short selling' service, to support the exchange's strategy of diversifying investment

Ras Al Khaimah International Airport has announced that Air Arabia will be resuming a full schedule of passenger flights commencing from Thursday, October 15, 2020

Air Arabia to resume flights to Ukraine starting October 25

Israel and the UAE will sign a commercial aviation deal within days, an Israeli official said

Emirates NBD Asset Management launches three funds, including one for 'cautious' investors

Mubadala and Novo Holdings, a leading international life science investor, said they will invest EUR 250mln in Evotec, a Germany-based drug development company

IMF revised down its previous forecasts for all Gulf countries except Saudi Arabia, which is now expected to contract 5.4% this year, against a previous 6.8% contraction estimate. UAE could shrink by 6.6% this year, against a previous forecast of a 3.5% contraction. Oman and Kuwait are expected to shrink by 10% and 8.1%, respectively. In April, the IMF had predicted a contraction of 2.8% in Oman and 1.1% in Kuwait. Qatar and Bahrain are expected to see their economies shrink by 4.5% and 4.9%, respectively, against April contraction forecasts of 4.3% and 3.6%. All GCC economies, except Oman, are expected to swing back to growth next year

Saudi Aramco is in talks with BlackRock and other investors on a planned deal worth over USD 10bln to sell a stake in its pipeline business, sources said

Saudi Aramco CEO said that "the worst is definitely behind us" for the oil market, as global oil demand is recovering and is currently at 90mln barrels per day

Oman August M2 money supply +11.04% YoY, while conventional bank lending +1.19%YoY

Egyptian Iron and Steel shareholders approves to establish new company for quarrying and mining activities held by current shareholders

Mohammed Fawaz Bin Abdul Ghani Bin Abdulsalam Al Bishri buys 20.54% stake in Egypt's Prime Holding for Financial Investments for EGP 84.8mln

Key Global Trends/ Market Clues

Asian equities slipped on Wednesday as halted COVID-19 vaccine trials and an impasse in U.S. fiscal aid package talks soured risk appetite, while the greenback held on to gains as demand firmed for safe-harbour assets. Johnson & Johnson on Tuesday said it was pausing a COVID-19 vaccine trial due to a study participant's unexplained illness. Eli Lilly and Co. later said it too had paused the clinical trial of its COVID-19 antibody treatment due to a safety concern, leading the U.S. equity market to deepen losses. MSCI's broadest index of Asia-Pacific shares outside of Japan fell 0.2%. Japan's Nikkei dipped 0.2% while Australia's benchmark index was off a touch and South Korea stumbled 0.7%. Chinese shares opened red too with the blue-chip CSI300 down 0.3%. Overnight on Wall Street, the Dow Jones Industrial Average fell 0.5%, the S&P 500 lost 0.63% and the Nasdaq Composite eased 0.1%.

Oil prices slipped on Wednesday on concerns that fuel demand will continue to falter as rising coronavirus cases across Europe and in the United States, the world's biggest oil consumer, could impede economic growth. Brent crude futures for December fell by 12 cents, or 0.3%, to USD 42.33 a barrel by 0355 GMT while U.S. West Texas Intermediate futures were down 11 cents, or 0.3%, to USD 40.09.

World oil demand will rebound more slowly in 2021 than previously thought as coronavirus cases rise, OPEC said on Tuesday, adding to headwinds faced by the group and its allies in balancing the market. Demand will rise by 6.54mln barrels per day (bpd) next year to 96.84mln bpd. The growth forecast is 80,000 bpd less than expected a month ago. In the report, OPEC said its output fell by 50,000 bpd to 24.11mln bpd in September. That amounted to 104% compliance with the pledges, according to a Reuters calculation - up from August's figure of 103%. OPEC also forecast demand for its crude will be 200,000 bpd lower than expected next year at 27.93mln bpd, because of the reduced global demand outlook.

United Arab Emirates Energy Minister Suhail al-Mazrouei said on Tuesday that OPEC+ plans to move into easing its oil output cuts from January next year as planned. "We in OPEC+ have set a plan and that plan... started with the almost 10mln or 9.7mln barrels (per day) reduction. That volume has been reduced, and it will be reduced again at the end of this year as we walk to 2021," he told the Energy Intelligence Forum. "We believe that this is the calculated volume to cater for the demand coming back."

UAE Stories

The United Arab Emirates on October 13 announced 1,315 new COVID-19 cases, bringing the total confirmed cases in the country to 108,608. At the same time, 1,452 more patients have recovered from the virus, taking the tally of recoveries in the UAE to 100,007, UAE's Ministry of Health and Prevention said. It has reported 2 death from COVID-19 during the past 24 hours. The nationwide death toll stands at 448.

Union Properties posted Q3 profit AED 509.2mln vs loss of AED 81.6mln year ago. Q3 revenue from contracts AED 90.5mln vs AED 106.2mln year ago. Q3 results include gain made on fair valuation of investment property of AED 822.0mln. Profit for the nine-month period of the current year reached to AED 348.8mln. With these realised profits, the Group has cleared all losses for 2019 as well as for the first and second quarter of 2020, increased its assets to AED6.2bln from AED5.9 billion, increased the Shareholders Equity to AED3 billion from AED2.7 billion, and reduced its accumulated losses below the critical threshold of 50 percent to 41.8 percent.

International Holding Company invests GBP 39mln in British DNA sequencing technology firm Oxford Nanopore as part of a GBP 84.4mln equity raising exercise by the United Kingdom-based firm, which has pioneered DNA sequencing technology. The funds will support further innovation and the acceleration of commercial and manufacturing operations, including supporting Oxford Nanopore as it scales up its rapid COVID-19 testing capability.

National Marine Dredging awarded marine works project in Khalifa Port - Etihad Rail for total outlay of AED 262mln.

Majid Al Futtaim has hired HSBC to sell its district cooling unit, which delivers chilled water via insulated pipes to cool offices and industrial and residential buildings, four sources told Reuters. One of the sources said that Majid Al Futtaim could sell the unit, comprising chillers connected to its hotels and shopping malls, for about AED 500mln. A second source referred that the Middle East's shopping mall, retail, and leisure pioneer has not determined the assets that could be included in the deal yet, referring that the transaction could be valued at around AED 1bln.

Drake & Scull International reported H1 net profit of AED 199.7mln compared to loss of AED 837.5mln a year ago. H1 revenues stood at AED 77.5mln compared to AED 260.5mln for the same period in 2019. The results include gain on disposal of subsidiary amounting to AED 354mln. Accumulated Losses have been reduced from AED 5,005mln as of 31 December 2019 to AED 4,806bln as of 30 June 2020. Total Negative Equity has been improved from AED 3,987mln dirhams as of 31 December 2019 to AED 3,784mln as of 30 June 2020.

Abu Dhabi Stock Exchange launches a 'covered short selling' service, to support the exchange's strategy of diversifying investment. Service provides investors with a broader range of hedging mechanisms - Abu Dhabi Media Office.

Ras Al Khaimah International Airport has announced that Air Arabia will be resuming a full schedule of passenger flights commencing from Thursday, October 15, 2020. A major entry and exit point to the UAE and an emerging hub, the airport is slowly returning to its original capacity and resuming operations following a period of restricted services that was necessary to curtail non-essential travel in the wake of the Covid-19 outbreak.

Air Arabia to resume flights to Ukraine starting October 25.

Israel and the United Arab Emirates will sign a commercial aviation deal imminently, an Israeli official said on Tuesday, as the countries cemented newly normalized relations ahead of reciprocal delegation visits expected next week.

Emirates NBD Asset Management has launched three multi-asset funds, including one for the risk-averse investor. Allocation into the funds across global markets will be determined by both a long-term framework, aimed at protecting capital for three, five and seven years, respectively. The portfolios will be invested in best-in-class funds carefully selected by a dedicated team. The three funds are named 'Emirates Signature Cautious Fund', 'Emirates Signature Moderate Fund' and 'Emirates Signature Aggressive Fund', reflecting their respective time horizon and designed for three distinct investors' profiles. The funds' promoter targets a "wide audience", by keeping a minimum investment of USD 1,000 and daily liquidity. They will be managed from Dubai.

Mubadala Investment Company and Novo Holdings, a leading international life science investor, said they will invest EUR 250mln in Evotec, a Germany-based drug development company. Evotec said that it resolved a capital increase from its authorised capital without pre-emptive rights against cash, adding that it will issue a total of 11.5mln new shares to Mubadala and Novo Holdings. In this private placement capital increase, Mubadala Investment Company, a sovereign investor with an entrepreneurial mind-set and a long-standing history of strategic investments in the healthcare sector, will invest EUR 200mln to subscribe for approx.5.6% of outstanding Evotec shares. Evotec's existing shareholder Novo Holdings A/S also will invest EUR 50mln to support Evotec's accelerated growth ambition and to reinforce its ownership in the company of approximately 11% of outstanding shares. The shares will be issued at a price of EUR 21.7802 per share, which represents a 2.5% discount to the five-day volume weighted average price (VWAP) of EUR 22.3387 prior to the Xetra closing auction on October 12, 2020.

The International Monetary Fund (IMF) revised down on Tuesday its 2020 real gross domestic product (GDP) projections for most Gulf countries, as it warned the economic outlook was worsening for many emerging markets amid the coronavirus crisis. The IMF forecast a 2020 global contraction of 4.4% in its latest World Economic Outlook, an improvement over a 5.2% contraction predicted in June, but said it was still the worst economic crisis since the 1930s Great Depression. Countries in the oil-rich Gulf are suffering the double shock of the coronavirus crisis, which is dampening demand in the non-oil economy, and low oil prices, which have been hurting revenue this year. The IMF revised down its previous forecasts for all Gulf countries except Saudi Arabia, which is now expected to contract 5.4% this year, against a previous 6.8% contraction estimate.

The United Arab Emirates - the Gulf's second largest economy - could shrink by 6.6% this year, the IMF said, against a previous forecast of a 3.5% contraction. The biggest revisions were for Oman and Kuwait, which are expected to shrink by 10% and 8.1%, respectively. In April, the IMF had predicted a contraction of 2.8% in Oman and 1.1% in Kuwait. Qatar and Bahrain are expected to see their economies shrink by 4.5% and 4.9%, respectively, the IMF said, against April contraction forecasts of 4.3% and 3.6%. All the Gulf economies, except Oman, are expected to swing back to growth next year, with Saudi Arabia leading the six-nation group, jumping back to 3.1% GDP growth in 2021, the IMF estimated. Economic recovery in the UAE is projected to be slower, with 1.3% growth next year, while Oman is forecast to remain in negative territory, with a 0.5% contraction.

GCC/ MENA

Saudi Aramco is in talks with BlackRock and other investors on a planned deal worth over USD 10bln to sell a stake in its pipeline business, sources said. The deal, internally dubbed "Project Seek", is still in its initial phase and there is no formal decision on the investors yet, one of the two sources familiar with the matter said. The transaction would be similar to infrastructure deals signed this and last year by Abu Dhabi's national oil company ADNOC.

Saudi Aramco Chief Executive Amin Nasser said on Tuesday that "the worst is definitely behind us" for the oil market, as global oil demand is recovering and is currently at 90mln barrels per day. Nasser said oil demand in China is almost back to its pre COVID-19 levels.

Oman August M2 money supply +11.04% YoY. August conventional bank lending +1.19%YoY.

Egyptian Iron and Steel shareholders approves to establish new company for quarrying and mining activities held by current shareholders.

Mohammed Fawaz Bin Abdul Ghani Bin Abdulsalam Al Bishri buys 20.54% stake in Egypt's Prime Holding for Financial Investments for EGP 84.8mln.

UAE FOCUS LIST - COMPANY DATA

Company	MCAP (AEDm)	PRICE (AED)	HIGH - LOW		VALUATION		DIV YLD (%)^	HISTORICAL RETURN			
			52WH	52WL	TTM P/E	TTM P/B		1M%	3M%	6M%	12M%
ADCB	40,562	5.83	8.15	3.82	11.02	0.77	6.5%	5.0	15.4	26.5	(16.3)
ADIB	15,291	4.21	5.85	3.19	9.20	0.83	6.5%	1.2	12.6	22.7	(13.5)
ADNIC	2,058	3.61	4.00	2.70	5.79	0.94	8.3%	(6.2)	14.6	2.6	16.5
ADNOC Dist	42,250	3.38	3.57	2.40	21.61	12.27	5.7%	7.2	16.9	24.4	38.5
Agthia	2,670	4.45	4.50	2.50	28.04	1.40	3.4%	43.1	55.6	59.3	31.9
Air Arabia	5,180	1.11	1.61	0.87	10.32	1.26	8.1%	(3.5)	(4.3)	6.7	(9.8)
Ajman Bank	1,439	0.69	0.94	0.50	38.92	0.58	0.0%	(2.1)	16.1	17.1	(25.1)
Al Waha Capital	1,964	1.01	1.05	0.62	NA	0.67	NA	6.9	41.5	27.0	(0.0)
Aldar Properties	16,276	2.07	2.37	1.35	9.33	0.67	7.0%	1.5	16.3	38.0	3.5
Amanat Holdings	1,993	0.80	0.92	0.56	78.06	0.79	2.8%	(4.0)	(10.4)	13.7	(7.4)
Amlak Finance	450	0.30	0.61	0.20	NA	0.69	0.0%	(8.3)	(9.4)	15.8	(45.7)
Aramex	6,442	4.40	4.45	2.00	15.05	2.56	3.8%	17.3	32.1	68.0	15.5
Bank of Sharjah	1,113	0.53	0.83	0.53	NA	0.36	0.0%	NA	(5.4)	(13.8)	(35.0)
DAMAC Properties	5,554	0.92	0.98	0.36	NA	0.41	NA	1.3	13.9	68.4	(1.3)
Dana Gas	4,918	0.70	0.98	0.53	NA	0.54	7.8%	(3.3)	6.0	19.0	(18.8)
Deyaar Development	1,658	0.29	0.43	0.18	31.40	0.37	0.0%	(1.4)	3.2	23.2	(26.6)
Dubai Financial Market	6,616	0.83	1.00	0.50	49.20	0.86	3.0%	(2.0)	4.4	27.6	(5.0)
Dubai Investment	4,762	1.12	1.39	0.98	9.35	0.41	NA	(5.9)	(1.8)	7.9	(7.0)
Dubai Islamic Bank	30,484	4.21	5.86	3.04	7.37	0.83	8.3%	(2.8)	7.9	26.0	(13.4)
DXB Entertainments	944	0.12	0.23	0.09	NA	0.46	0.0%	(7.8)	(2.5)	(9.2)	(44.9)
Emaar Dev	9,280	2.32	4.11	1.79	3.94	0.87	0.0%	3.6	10.5	11.5	(43.3)
Emaar Malls	19,001	1.46	1.96	0.98	12.66	1.02	0.0%	3.5	(0.7)	29.2	(23.6)
Emaar Properties	19,188	2.68	4.60	1.90	3.77	0.34	0.0%	(7.3)	0.8	9.4	(41.1)
Emirates Integrated Tele	24,523	5.41	6.35	4.33	17.67	2.97	6.3%	4.0	7.7	0.8	2.0
Emirates NBD	66,008	10.45	13.90	6.33	5.81	0.81	3.8%	(3.7)	19.3	22.9	(13.1)
Eshraq Investments	716	0.31	0.46	0.16	NA	0.52	NA	(17.9)	35.1	28.3	(23.0)
Etisalat	146,801	16.88	17.00	11.02	16.65	3.23	4.7%	2.1	2.0	15.2	8.0
First Abu Dhabi Bank	122,522	11.22	15.92	7.78	11.67	1.25	6.6%	(1.4)	0.9	(6.0)	(22.5)
GFH	2,069	0.57	0.93	0.45	0.33	0.61	5.9%	(7.4)	2.1	8.7	(31.4)
Gulf Navigation Holding	421	0.41	0.73	0.28	NA	0.78	0.0%	(13.8)	(12.1)	29.9	(42.6)
IHC	71,036	39.00	40.90	5.00	NM	15.14	NA	5.3	30.9	126.2	678.4
Julphar	1,721	1.49	1.54	0.54	NA	1.59	0.0%	17.3	14.6	149.9	39.1
Mashreqbank	11,140	62.75	86.80	62.00	8.08	0.52	6.4%	(6.2)	(6.2)	(8.3)	(16.3)
National Bank of Fujairah	9,536	4.98	4.98	4.98	NA	NA	1.9%	NA	NA	NA	3.3
Tabreed	6,490	2.39	2.39	1.67	13.04	1.35	4.4%	8.6	24.5	17.7	34.3
RAK Bank	5,950	3.55	5.00	3.33	7.04	0.80	8.5%	1.1	(1.4)	(3.8)	(15.8)
RAK Properties	762	0.38	0.48	0.33	6.83	0.20	10.5%	(4.0)	8.9	5.8	(10.3)
RAK Ceramics	1,332	1.34	1.81	1.24	15.08	0.59	10.7%	(4.3)	0.0	(5.6)	(0.2)
SALAMA	968	0.80	0.88	0.30	14.26	1.25	NA	4.6	55.3	101.8	41.3
Sharjah Islamic Bank	3,575	1.16	1.29	0.95	7.06	0.47	4.1%	(2.5)	2.7	12.6	3.8
SHUAA Capital	1,521	0.60	1.03	0.40	21.38	1.16	NA	(15.0)	17.6	36.1	(36.2)
Takaful Emarat Insurance	215	1.43	1.46	0.97	NA	1.78	5.8%	(0.7)	6.7	0.7	19.2
TAQA	164,154	1.46	1.65	0.40	NA	5.19	0.0%	4.3	43.1	119.5	121.9
Union Properties	1,338	0.31	0.39	0.15	NA	0.53	0.0%	5.4	9.1	27.3	(3.4)
United Arab Bank	1,844	0.89	1.13	0.81	NA	NA	0.0%	NA	-	(0.2)	(18.7)

(Source: Bloomberg)

^ current dividend yield based on last year dividend declaration

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