

SHUAA Capital conducts a monthly survey looking at the current and future expectations of the investment community towards the GCC region. This report collates the results from members of the investment community who responded to the survey in February 2010.

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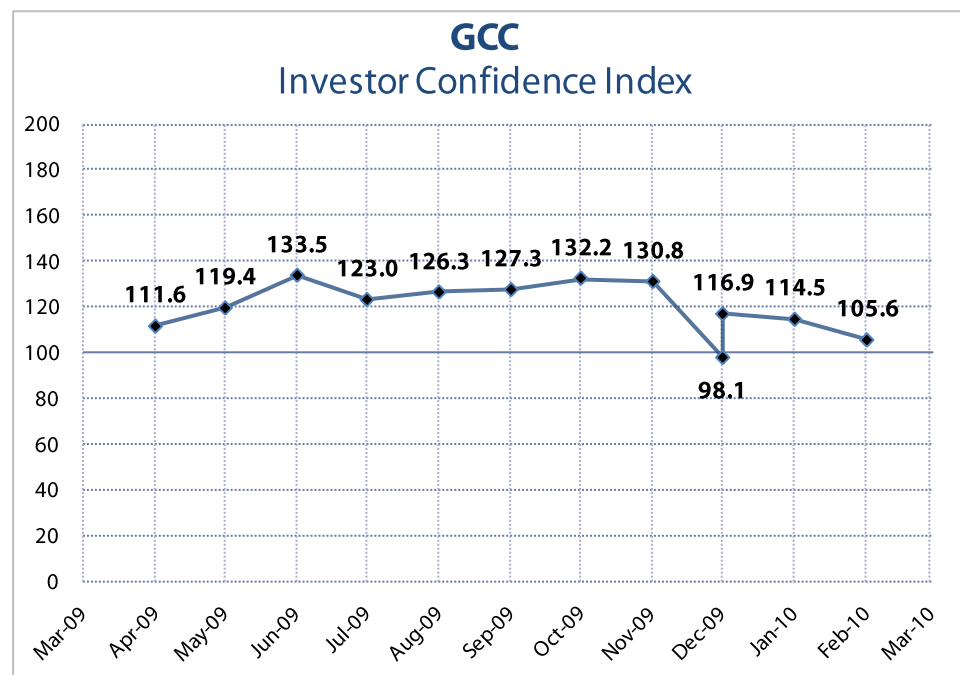
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## GCC Investor Confidence Index slips 8.9 points to 105.6

The GCC Investor Confidence Index fell 8.9 points in February as uncertainty around the Dubai World debt situation continues to weigh heavily on investor sentiment towards the region. After December's significant second half gains, the GCC Index has now recorded two months of consecutive declines, with the Index now at 105.6 points.

This indicates that overall investor confidence remains positive for the GCC as an index reading above 100 points signals positive sentiment. The UAE, Saudi Arabia and Qatar's investor confidence indices all lost ground compared to last month.

The UAE Index declined with its 11.7 point drop, leaving the Emirates Index at 84.4 points. The UAE Index is now just 1.9 points off of its all time low following the Dubai World restructuring announcement in late November last year. Despite marking an 8.6 point loss on January, Saudi Arabia's Index remained the strongest at 133.8 points. Saudi Arabia was closely followed by Qatar, which recorded a loss of 5.8 points this month, at 125.0 points.

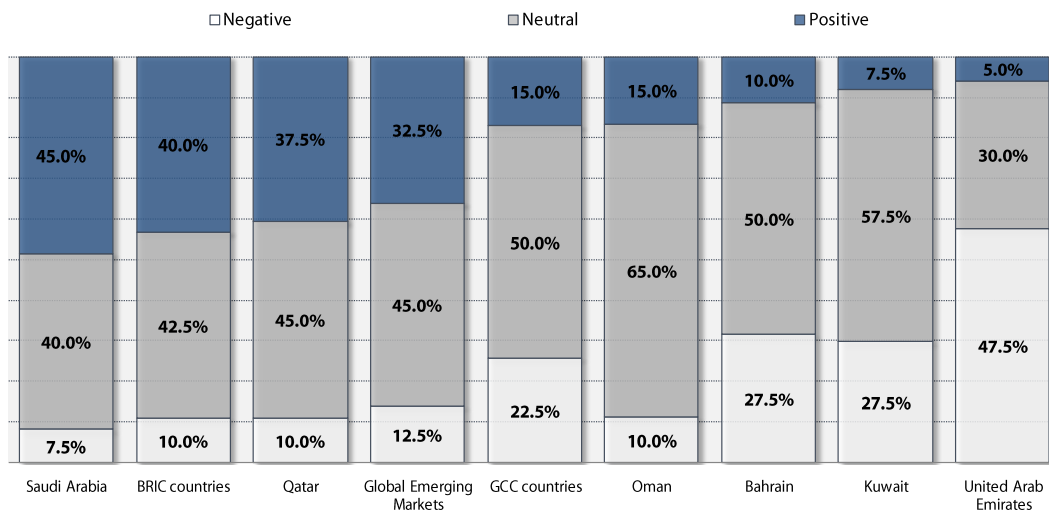


Kuwait was the only country this month to see its Index in positive movement, as it rose 9.7 points to 96.9. However, Kuwait still lies below the 100 point threshold, indicating negative investor confidence. Bahrain's Investor Confidence Index slipped 1.9 points to 95.0 while Oman recorded a 1.8 point decline in its Index to 108.1 points.

## Uncertainty heavily impacts investors' opinions of current state of GCC economies

Investors' views on the current state of GCC economies have significantly declined since January. The GCC as a whole lost 19.1% on balance as it moved from 11.6% at the end of January to -7.5% on balance this month<sup>1</sup>. The UAE weighed the GCC down the most; it recorded a loss of 21.6% to -42.5% on balance in February, indicating high levels of uncertainty for the current state of the UAE's economy.

### Current view on overall economic conditions



Kuwait was the only economy to record significant gains in response to this question, as it gained 14.9% this month. Despite this gain, Kuwait remains in negative territory at -20.0%. Kuwait's gain means that it is no longer seen as the weakest performing economy in the GCC.

Saudi Arabia and Qatar, who saw their balance figures for the current state of their economies fall by 6.7% and 16.7%, continue to lead the way for the region at 37.5% and 27.5% respectively. Meanwhile, Bahrain and Oman saw little change to investors' view of their current economic conditions as they moved by 1.1% and -4.3% to -17.5% and 5.0% respectively.

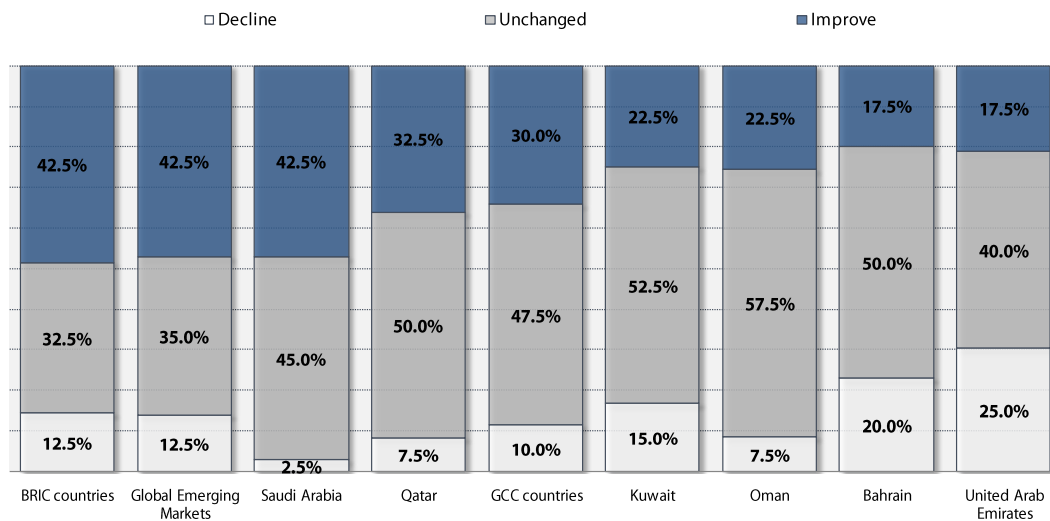
The decline was not restricted to just the region. BRIC countries fell by 14.2% to 30% and the view on Global Emerging Markets economies decreased by 21.9% to 20.0%.

<sup>1</sup>Balance: The balance of respondents indicates, for instance, the difference between the percentage share of investors that are positive and the share of investors that are negative on overall economic conditions.

## Six month outlook on GCC economies remains positive but lower than in January 2010

The six month investor outlook for the GCC as a whole remains in positive territory at 20%, although this is a 14.9% drop on last month's 34.9%. Again, it is the UAE's performance which is pulling the overall GCC down the most; the UAE saw its on balance figure slip into negative territory and fall by 19.1% to -7.5%. It also means the UAE now has the worst six month outlook for a GCC economy.

### Six month outlook on economic conditions



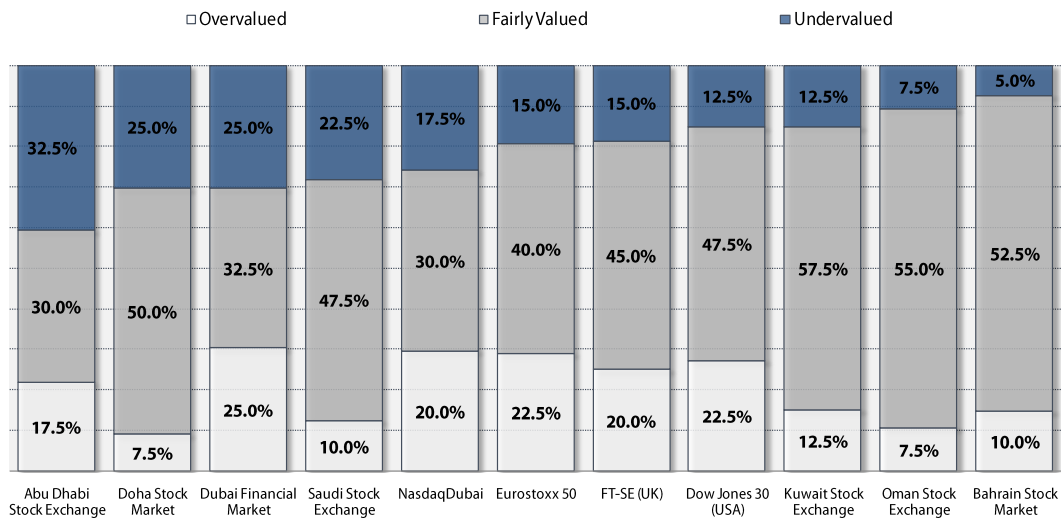
Saudi Arabia leads the way for the GCC again this month with a strong on balance figure of 40% for its six month outlook, although the Kingdom did record a 15.8% decline to its on balance figure. Not far behind, was Qatar which also declined, by 9.9% on balance, but remained positive at 25.0%.

Bahrain and Kuwait both moved into relatively neutral territory at -2.5% and 7.5% on balance. Meanwhile, Oman's six month economic outlook remained relatively unchanged at 15.0% on balance. Also seeing a small change to their responses this month were BRIC countries and Global Emerging Markets, which both had on balance figures of 30.0%.

## Western markets close the value gap on regional stocks

Looking at whether investors feel a range of regional and international markets are undervalued, we have seen a change in sentiment to last month's report, Western markets have closed the value gap between them and markets such as the FT-SE, Dow Jones 30 and Eurostoxx 50 all gained 27.0%, 27.0% and 32.0% to -5.0%, -10% and -7.5% on balance respectively, indicating investors are seeing increasing value in these indices.

### Current valuation of stock prices



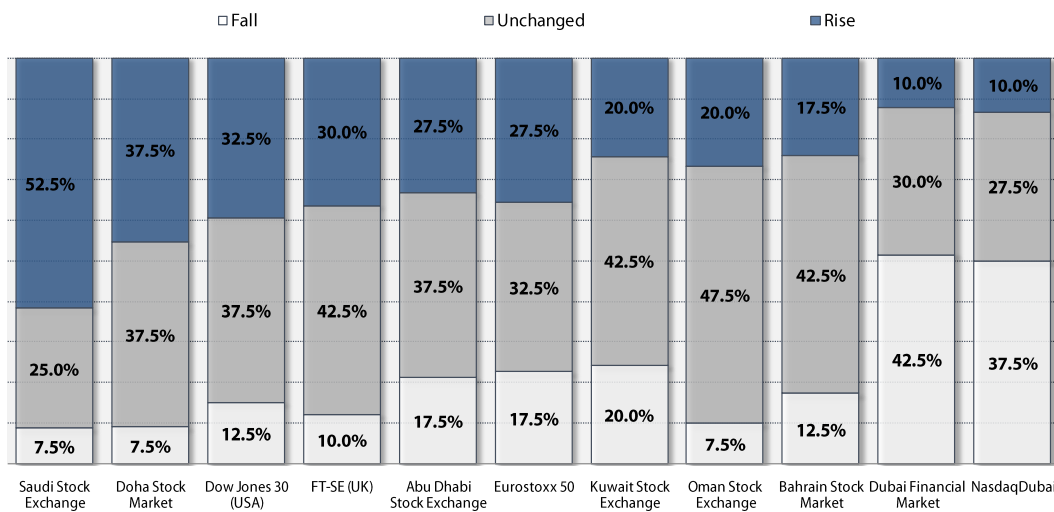
However, despite Western market gains, regional markets continue to be perceived as having more value in their stocks. Particularly undervalued are believed to be the Abu Dhabi Stock Exchange, the Doha Stock Market and the Saudi Stock Exchange, with on balance figures for February of 15.0%, 17.5% and 12.5% respectively.

The Bahrain Stock Exchange (-5.0%), Dubai Financial Market (0%), Kuwait Stock Exchange (0%), NASDAQ Dubai (-2.5%) and Oman Stock Exchange (0%) are seen as offering relatively fair value to investors.

## Positive outlook for most GCC stocks

Investors' six month outlook for regional stocks is positive this month for all regional markets except Dubai's two markets. The view towards the Saudi Stock Exchange is relatively unchanged and still expected to set the standard for the region with an on balance figure of 45%. Also in healthy positive territory is the Doha Stock Market, which had an on balance figure of 30% for February. The Oman Stock Exchange and Abu Dhabi Stock Exchange are expected to see some gains over the next six months, with on balance figures of 12.5% and 10% respectively.

### Six month outlook on stock prices



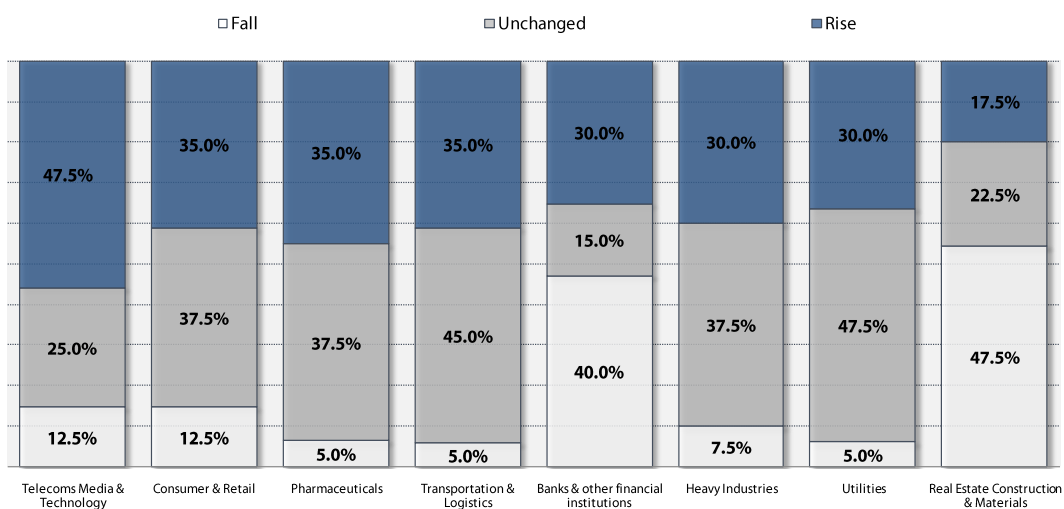
With neutral outlooks, are Bahrain and Kuwait, whose on balance figures are 5% and 0%. The NASDAQ Dubai and Dubai Financial Market both recorded losses of 8.9% and 16.2% which left them with on balance figures of -27.5% and -32.5% respectively.

Western markets recorded strong gains in this month's survey, as the FT-SE (20.0%), Eurostoxx 50 (10%) and Dow Jones 30 (20%) rose by 27%, 12.3% and 27% on balance respectively.

## Telecoms, Media & Technology once again expected to be most profitable industry over next six months

All sectors, apart from Real Estate Construction & Materials and Banks & other Financial Institutions are expected to record strong increases in their profitability over the next six months according to survey participants. Telecoms, Media & Technology (TMT) are, once again, expected to be the most profitable, with 35.0% on balance. Pharmaceuticals & Transportation & Logistics both have on balance figures of 30.0% after slight gains, while the Utilities sector is not far behind at 25%.

### Six month outlook on sector profitability in GCC

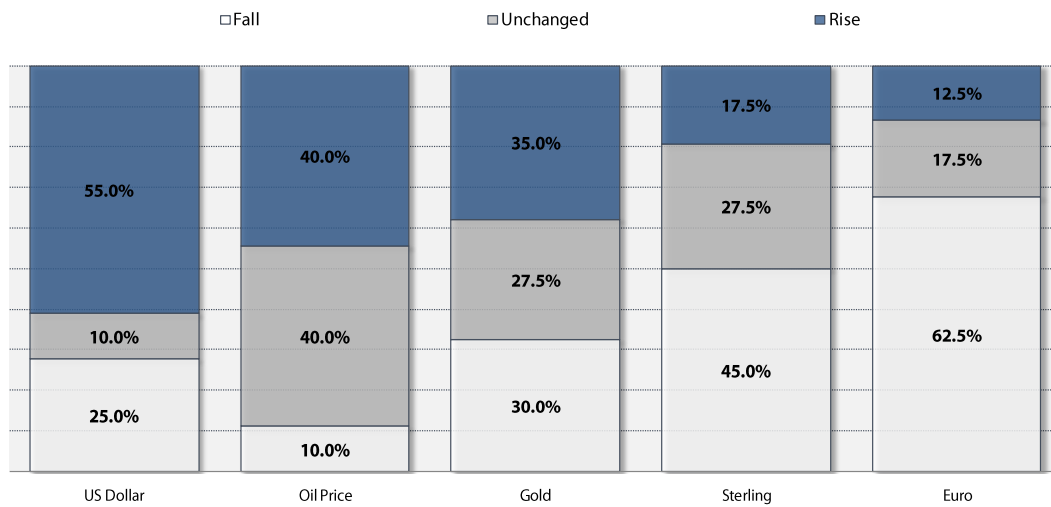


Meanwhile, a strong gain of 15.5% in the Heavy Industries sector took it to 22.5% on balance; on par with the Consumer & Retail industry. Taking a hit this month were Banks & Other Financial Institutions and Real Estate Construction & Materials, which fell by 24% and 20.7% respectively – resulting in on balance figures of -10% and -30%, indicating a negative six month outlook for the two sectors.

## Euro takes big hit in February

The euro is expected to significantly depreciate in the coming six months, according to investors surveyed in this report. The European single currency lost 38.4% to its on balance figure for February, as it slipped to -50%. To a lesser extent, the sterling is also expected to depreciate as indicated by its on balance figure of -27.5%, a drop of 11.2% on January's figure. In stark contrast, the US dollar picked up 32.3% to its on balance figure, as it rose to 30.0%, indicating investors believe that the US currency will appreciate in the next six months.

### Six month outlook on currencies and commodities

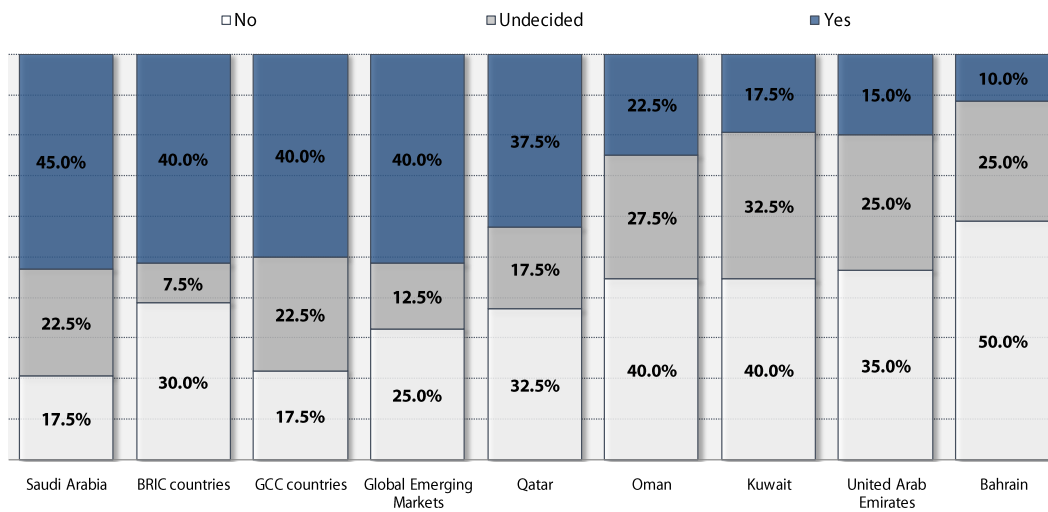


On the commodities front, gold has moved to a fairly neutral 5% while oil is expected to appreciate in value over the next six months with an on balance figure of 30%.

## Investors still see Saudi Arabia as most attractive for investment

Respondents are still more likely to invest in Saudi Arabia than other GCC markets, indicated by its on balance figure of 27.5%. Qatar is the only other GCC country to have a positive response for this question, at a mild 5%. The GCC as a whole recorded a strong 22.5% on balance figure, driven by Saudi Arabia. Comparatively, the GCC performed well against other regions, as BRIC countries and Global Emerging Markets had on balance figures of 10% and 15% respectively.

### Investors planning to invest within the next six months

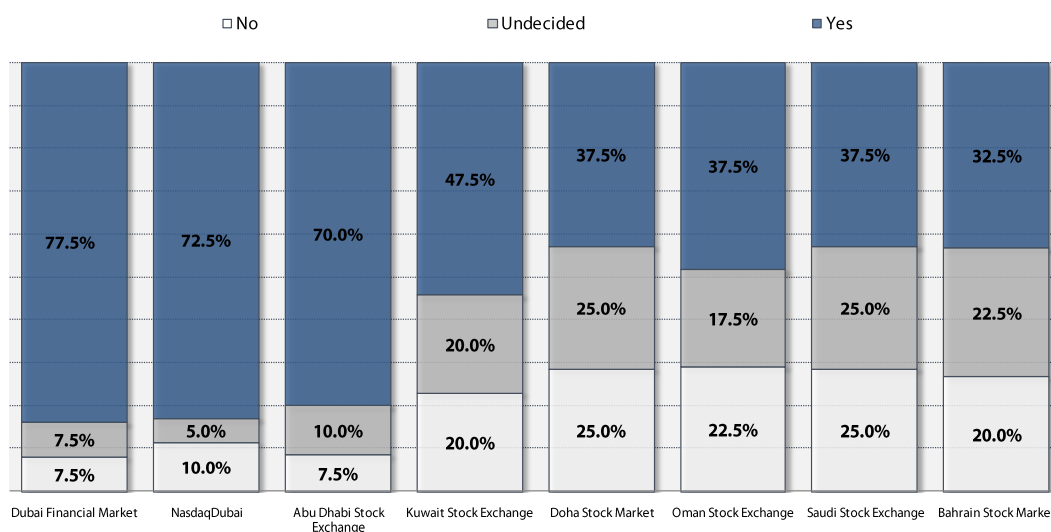


The UAE recorded the biggest change this month, at -24.7%, pulling the Emirates into negative territory (-5%). Elsewhere, investors also did not respond favourably towards Oman, Kuwait and Bahrain, which had on balance, recordings of -17.5%, -22.5% and -40% respectively.

## Investors call for more transparency on Dubai World debt restructuring

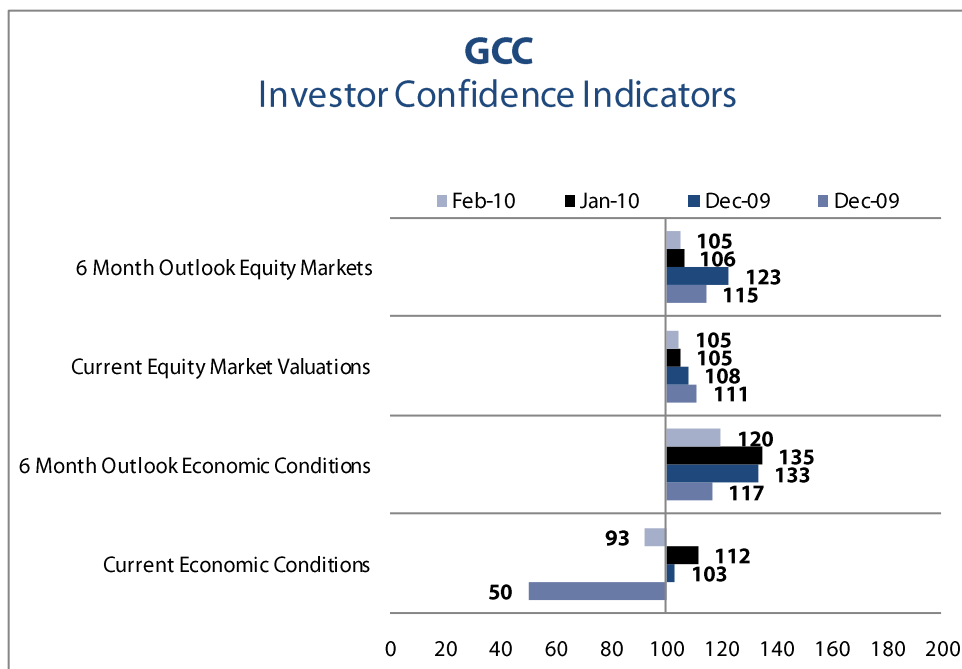
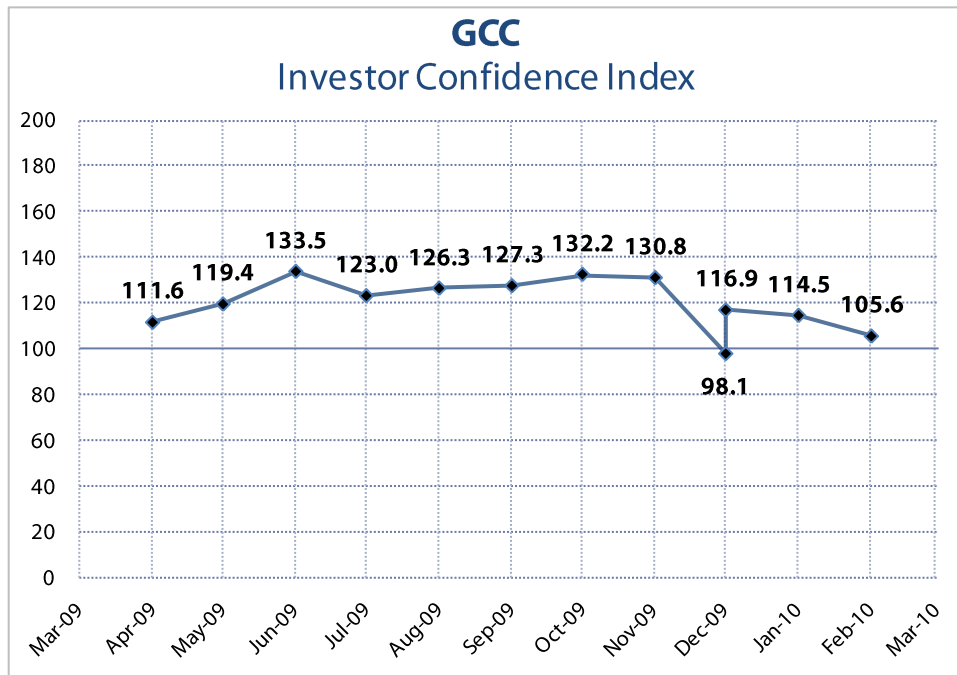
This month’s special question asked investors if they require more transparency and disclosure on the Dubai World debt restructuring before they could make investment decisions in regional stock markets. Unsurprisingly, there was a resounding “yes” on balance for all UAE markets; Abu Dhabi Stock Exchange – 62.5%, Dubai Financial Market – 70.0% and NASDAQ Dubai – 62.5%. Interestingly, there was also a “yes” response for all regional markets, which highlights that GCC economies are inextricably linked - Bahrain Stock Market (12.5%), Doha Stock Market (12.5%), Kuwait Stock Exchange (27.5%), Oman Stock Exchange (15.0%) and Saudi Stock Exchange (12.5%).

### Investors requiring more transparency & disclosure on Dubai World debt restructuring before investing in the following markets

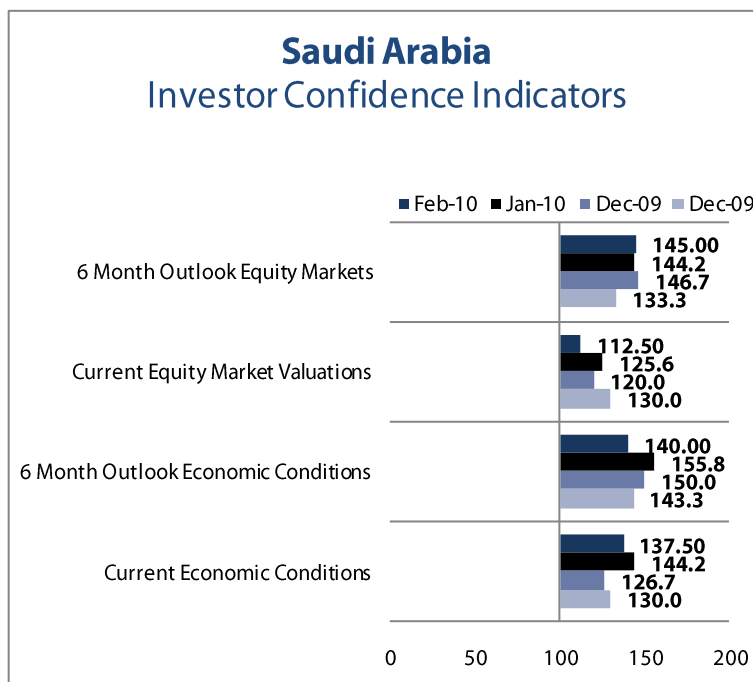
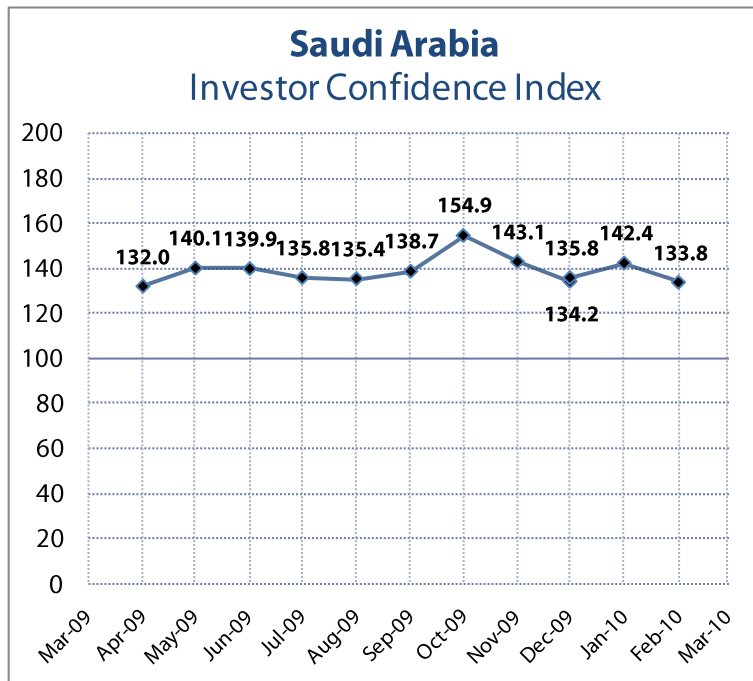


## Appendix – Investor Confidence Index, country sub-indices and indicators

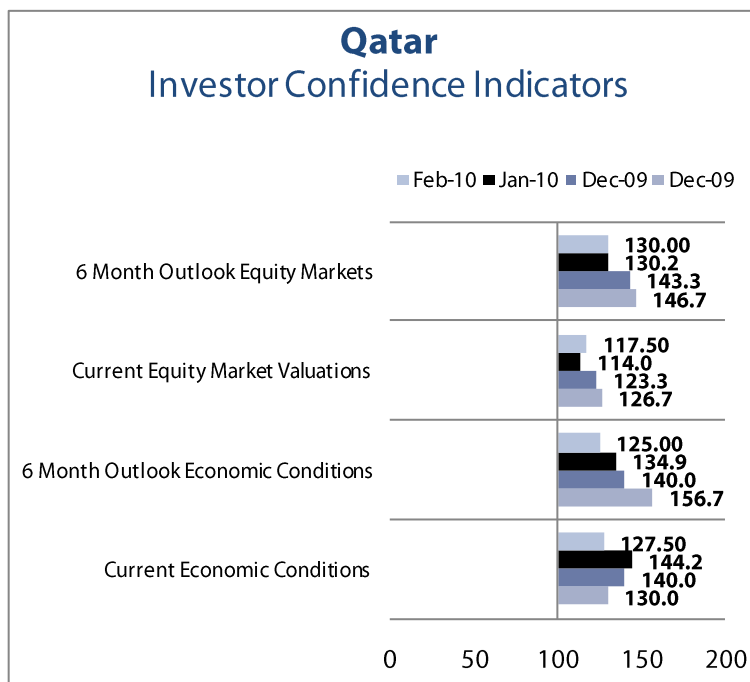
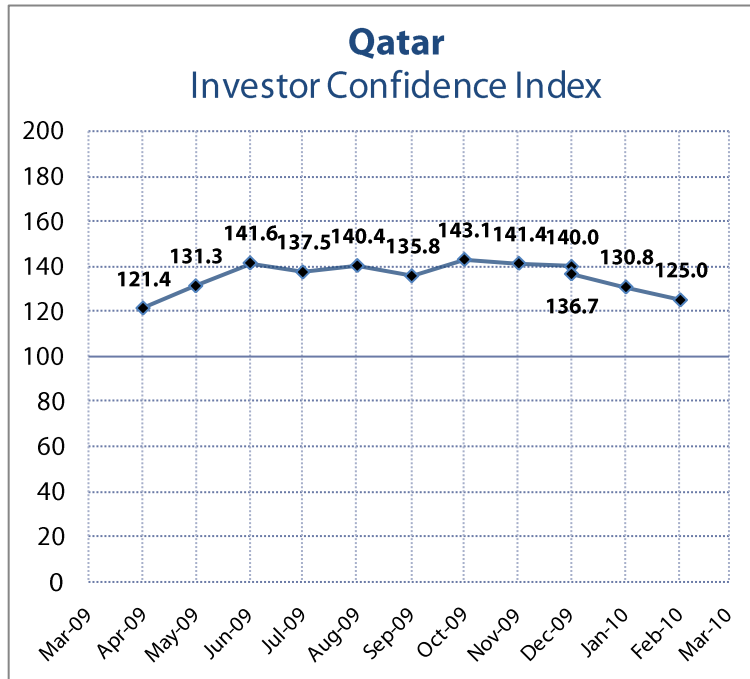
### GCC Investor Confidence Index



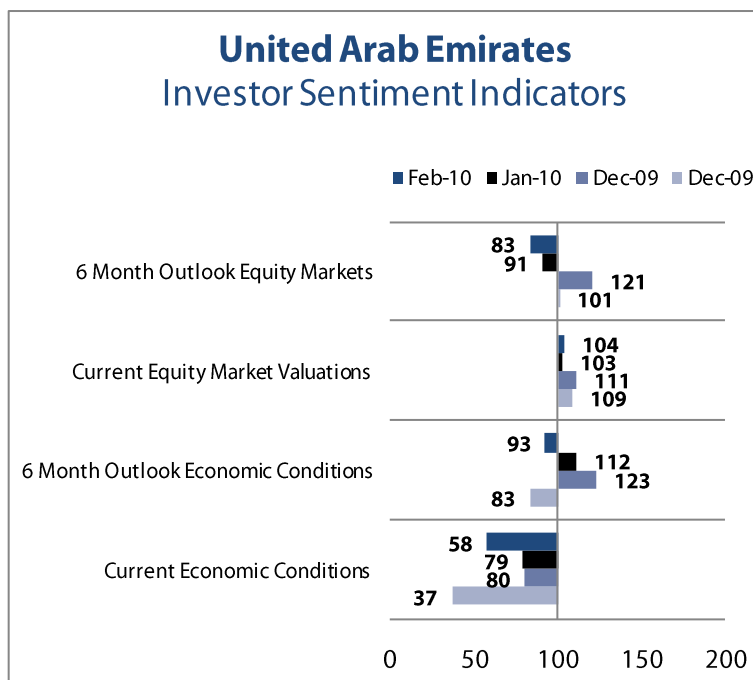
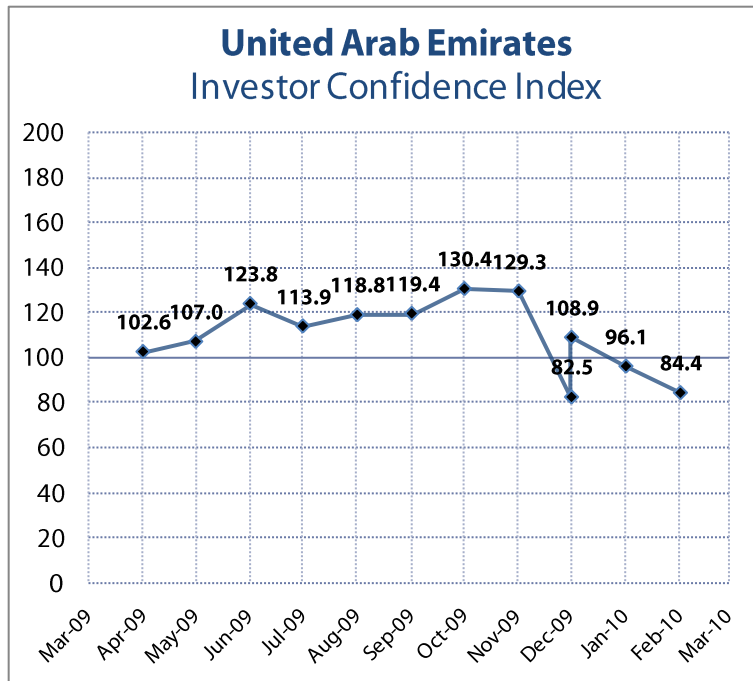
## Saudi Arabia



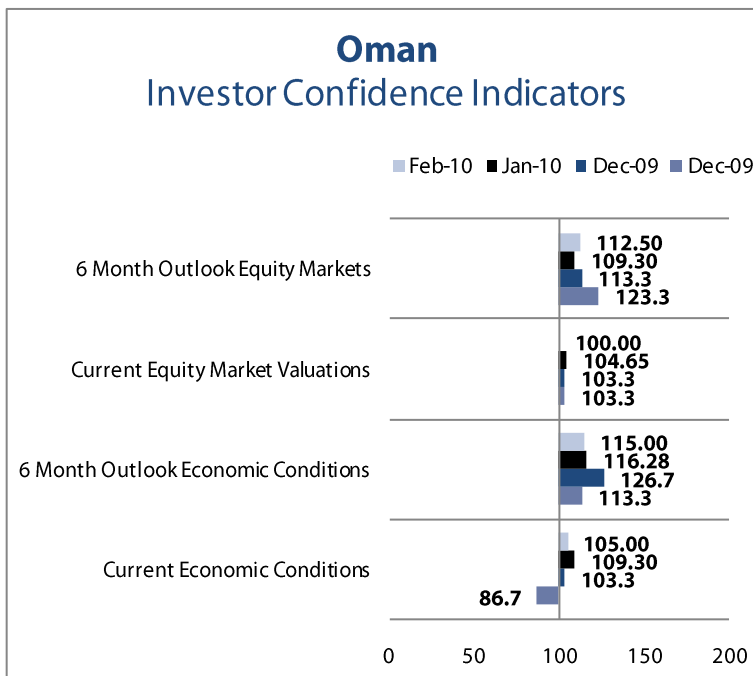
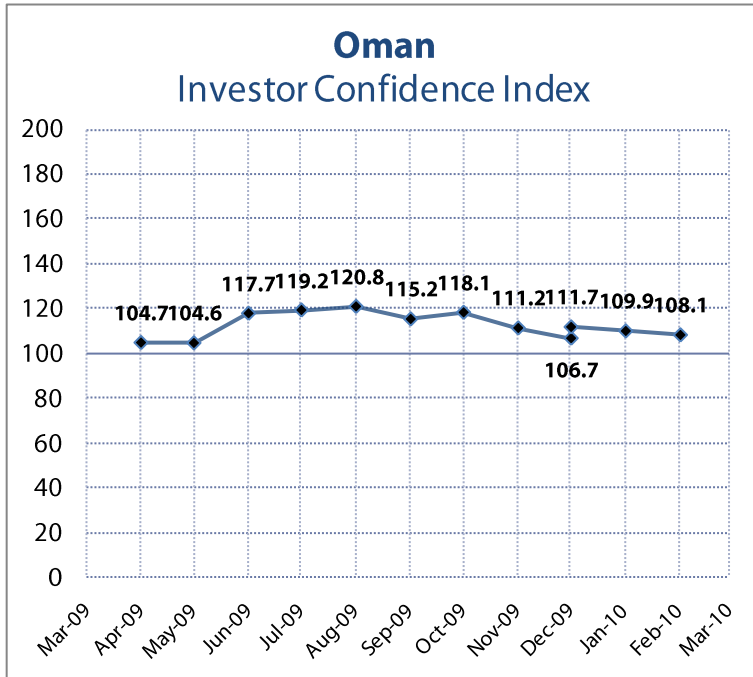
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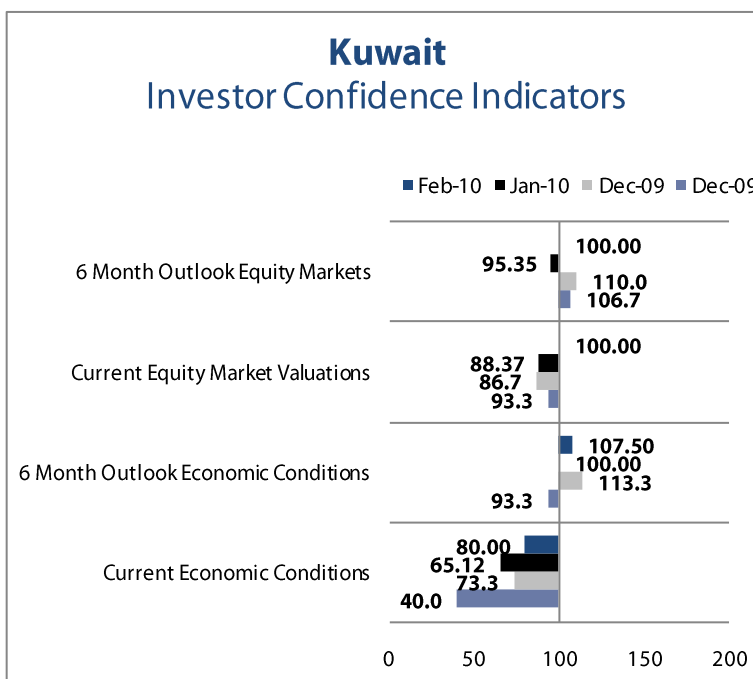
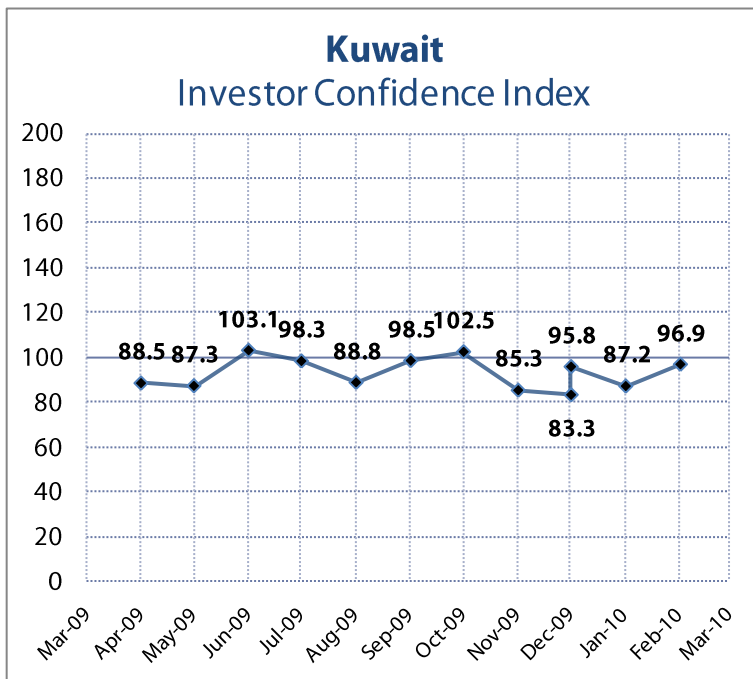
## United Arab Emirates



## Oman



## Kuwait



## Bahrain

