

Emerging Markets Report  
News & Commentary

**Egyptian Exchange again delays reopening; Saudi stocks slump nearly 7%; Egyptian Exchange again delays reopening**

Robert Daniel and Myra P. Saefong, MarketWatch  
MarketWatch; rdaniel@marketwatch.com; Robert Daniel is MarketWatch's Middle East bureau chief, based in Tel Aviv; MarketWatch; mpicache@marketwatch.com; Myra Saefong is a MarketWatch reporter based in San Francisco.

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TEL AVIV (MarketWatch) — Stocks in Saudi Arabia tumbled nearly 7% Tuesday, extending recent losses, as fears escalated that political unrest will continue to spread across the Middle East and North Africa.

"In Saudi Arabia, investors fear that the arrest of a prominent Shia cleric may provide the spark for demonstrations, the like of which we have seen elsewhere in the Middle East," said **Usha Haley**, an expert on emerging markets and a professor of international business at Massey University in Auckland, New Zealand. "The Saudi landscape demonstrates high political risk."

The Tadawul All Share Index (TASI, XX) closed down 6.8% at 5,538.72, bringing its year-to-date loss to more than 16%. The index stands at its lowest level since July 2009.

In Turkey, the ISE National 100 benchmark stock index (XU100, XX) fell 4.2% for the session.

Meanwhile, the Egyptian Exchange again postponed its reopening, to March 6. The bourse has been closed since late January because of the turmoil leading up to the ouster of President Hosni Mubarak.

"Markets are nervous about the impact of social media on stability across the region including Saudi Arabia," said Matt Lasov, practice leader of Frontier Strategy Group's Quantitative Analytics.

"There are numerous Facebook groups currently calling for protests in Saudi Arabia," he said in emailed comments. "Saudi Arabia, like other markets in the region, is characterized by a disproportionately large under-25 population that is underemployed and well-connected online."

"This has proved to be a dangerous combination of forces in other markets in the region," he said. "We are seeing the increased risk of contagion being priced into local markets."

Other markets in the Middle East and North Africa ended mixed Tuesday.

The Qatar Exchange's benchmark QE Index ticked 0.1% higher. The Abu Dhabi Securities Exchange's General Index slipped 0.6%.

On the Dubai Financial Market, the benchmark DFM Index (UAEDFMGEN, XX) advanced 1%, recovering some ground after a selloff Monday.

Jordan's Amman Stock Exchange saw the ASE index (ASE, XX) climb 0.6%. On the Bahrain Bourse, the All-Share Index (BSEX, XX) slipped 0.5%.

The cost of insuring the Mideast and North Africa region's debt against default was largely steady Tuesday.

Political developments

On the political front Tuesday, reports indicated that the U.S. and its allies are discussing potential military options, including imposing a no-fly zone, against Libyan leader Moammar Gadhafi's attacks on the opposition forces seeking to oust him from power.

Reports suggest fighters loyal to Gadhafi are trying to recapture areas of the country that opposition forces have taken in their rebellion against his more than four-decade rule.

In a Monday interview with ABC News and the BBC, Gadhafi denied that demonstrators in Libya were calling for him to leave. When a BBC reporter suggested that the rebels opposed his continuing in office, Gadhafi replied, "Against me for what?"

Gadhafi said that al Qaeda, not Libyan citizens, had taken over Benghazi, the country's second-largest city. And he vowed not to leave Libya.

The Libyan leader did receive a vote of confidence, from Venezuelan President Hugo Chavez, who accused the U.S. of planning to steal Libya's oil, the Associated Press reported.

Meanwhile, Iran's Foreign Ministry has dismissed criticism of its repression of opposition activists as interference in internal affairs.

Opposition leaders Mir-Hossein Moussavi and Mehdi Karrubi, who both ran for president against Mahmoud Ahmadinejad in the country's June 2009 elections, were arrested by the Tehran authorities, reports say, citing the men's family and opposition activists.

President Barack Obama's chief spokesman called on Iran to release the two men and their wives, who also were arrested.

At a rally Feb. 14, two people were shot dead by Iranian forces during protests. .

In Yemen, President Ali Abdullah Saleh on Tuesday blamed the U.S. and Israel for prompting the daily protests calling on him to step down, reports indicated. People opposing Saleh gathered near Sana'a University to protest killings by the president's supporters, according to reports.

Saleh has stood with the U.S. in its efforts to fight al Qaeda. In power since 1978, Saleh has said he'll stay in office till elections in 2013.

On Tuesday, oil producer Oman faced its fourth day of protests, including in the capital, Muscat. Witnesses say several people were killed in clashes with police, and reports indicate the country on Tuesday was deploying troops north of the capital and near the border with the United Arab Emirates.

Sultan Qaboos bin Said has headed the nation since 1970. And the U.S. State Department called on his government to show restraint, enter a dialog with the protesters, and undertake economic and political reforms, reports say.

CNN reported that the sultan ordered that 50,000 people be hired and that others who are out of work receive stipends.

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