

Palestine Stock Exchange

Weekly Trading Brief (30-03/03-04)/2014

Palestine Stock Exchange Weekly Trading Brief

Postponing imposing income tax on the dividends distribution is not a sufficient step

In a move that contradicted the community claims and charged new burdens on all parties of the Palestinian capital market sector, the government approved a modification law on income tax that hasn't eliminated the dialogue and participation only, but the efforts of all constituent elements of the Palestinian investment environment over the years. One of the modifications is imposing 10% tax on profits, whether in the form of stock of cash dividends to be deducted from source. The income tax department in the Ministry of finance circulated later that applying this law will begin from the year 2015. Postponing incurring income tax on the cash dividends for the next year will only result in opening space for migrating of the Palestinian capital abroad and starting to accumulate negative signals on an economy that only lacked a stimulating legislation environment that is able to extract its potentiality amid the occupation discouragement. Over the years, Palestine Stock Exchange PEX, Palestine Capital Market Authority, brokerage firms and the public listed companies gave their efforts to promote the attractive investment environment of the PEX, armed with the competitive financial and operational performance and feasible dividends distributions of the listed companies, and marketing the intrinsic growth factors by considering a harmony between the economic environments. Not suspension of this modified law will contribute in foreign investment exit from the PEX and will discourage any attempt to attract them.

The tax adjustment will not only result in imposing additional taxes on the dividends distributed by the public listed companies only, but will result in reducing the investment attractiveness of the listed shares in the PEX compared with their peers in the regional markets. Over the past years when the PEX trading was characterized with scarce liquidity and relatively nil price movements, cash dividends generally balanced the total shareholders return at the end of the period, and in most cases total shareholders' equity constituted only from cash dividends. Despite not recording prices growth, the average cash dividends rate in the PEX was competitive compared to the other Arab regions. Imposing income tax on cash dividends will contribute in lowering return on investment, and will contribute in a radical change in the public listed companies' dividends strategies. This would be an important factor to the lack of success in attracting foreign investment due to the lower yield in addition to the high cost of investments in the PEX. These results will negatively affect the activity in the PEX due to the availability of more feasible opportunities that may be available in local and abroad investment tools.

This week comes within tax queries on one hand, and political queries on another hand, to significantly affect the investors' appetite in the PEX. Whereby with the latest political developments and negotiations, the anticipation and solidness status by investors increased for what the coming days may hold, however, the door of reaching understandings is still open. These quires affected the trading in the PEX for this week, leading to a decrease in the daily average trading value compared to the beginning of the year, amid a decline in the purchasing orders on the blue-chips, which in turn led to record a declining percentage on Al-Quds Index to erase the entire gains of 2014. On the other hand, the legal period granted to the listed companies by the PEX to disclose their Q1 financial results has started, to increase the anticipation in the PEX in general and enhance the variation in investment decisions basis for investors, while, there is no doubt that the anticipation is sharply higher for the leading companies due to the growth incentives prediction.

Weekly Comparison

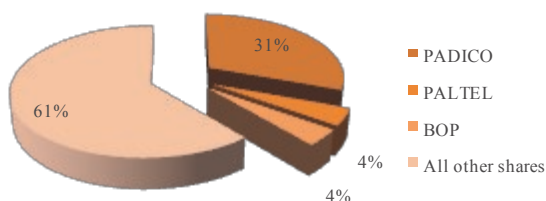
Item	Previous Week	This Week	Δ
Al Quds Index	558.13	541.38	-3.00%
# of transactions	905	835	-7.73%
Trading Volume	2,408,180	2,923,418	21.40%
Trading Value	6,366,015	4,813,479	-24.39%
Market Capitalization	3,387,582,524	3,306,843,870	-2.38%
Daily Average Trading Volume	481,636	584,684	21.40%

Palestine Stock Exchange

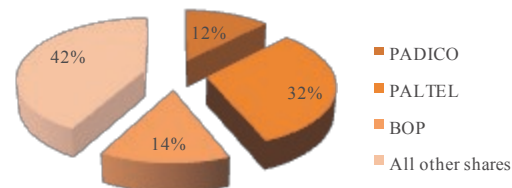
Weekly Trading Brief (30-03/03-04)/2014

Blue-chips Activity

Distribution of Blue-Chips by Trading Volume



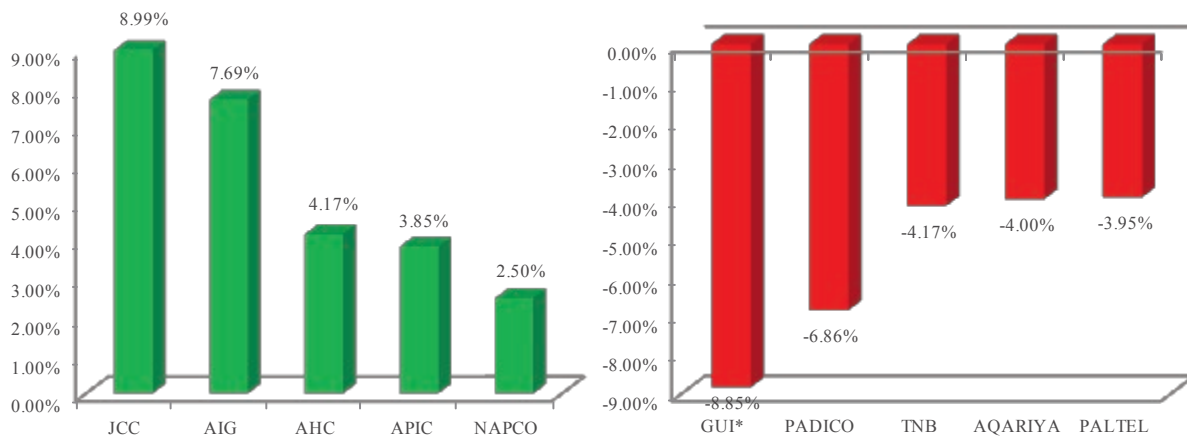
Distribution of Blue-Chips by Market Cap



Weekly Blue-chips Dynamics

Company	Bloomberg Quote	Weekly Closing	P/E	P/BV	Weekly Volume Weighted Price VWP	Weekly Trading Turnover	Daily Average Trading Value \$
Palestine Development & Investment \$	PADICO:PS	1.63	15.38	0.97	1.68	0.36%	300,421
Palestine Telecommunications JOD	PALTEL:PS	5.60	8.02	1.47	5.69	0.09%	199,751
Bank of Palestine \$	BOP:PS	3.15	11.67	1.88	3.16	0.08%	72,534

Top Gainers & Decliners



(*) GUI's capital was increased by 17.50% through stock dividends on 02/04/2014, Accordingly previous closing price was changed according to the PEX rules.

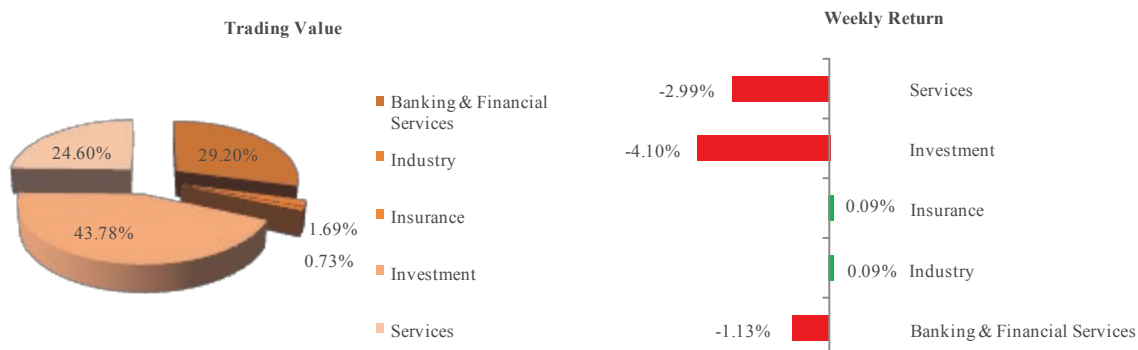
Palestine Stock Exchange

Weekly Trading Brief (30-03/03-04)/2014

Sectors Activity

Index/Sector	Previous	Closing	WTD	Trading Volume	Trading Value	Market Cap \$
Banking & Financial Services	123.39	121.99	-1.13%	1,148,462	1,405,574	838,907,458
Industry	69.43	69.49	0.09%	59,145	81,207	281,174,324
Insurance	46.16	46.2	0.09%	22,197	34,908	102,569,048
Investment	30.7	29.44	-4.10%	1,374,377	2,107,498	629,223,188
Services	51.86	50.31	-2.99%	319,237	1,184,292	1,454,969,852

Sectors Distribution by Trading Value & WTD



Sector's Indices Dynamics

Index	High	Low	Discount to High	Premium to Low
Al Quds	555.52	541.38	-2.55%	0.00%
Banking	123.24	121.99	-1.01%	0.00%
Industry	69.49	69.09	0.00%	0.58%
Insurance	46.2	45.92	0.00%	0.61%
Investment	30.83	29.44	-4.51%	0.00%
Services	51.73	50.31	-2.75%	0.00%

Palestine Stock Exchange

Weekly Trading Brief (30-03/03-04)/2014

Al Quds Index Constituents: WTD & Weight

Company	Current Weight in Al-Quds Index	Closing	Δ
Jerusalem Cigarette Company	0.50%	0.97	8.99%
Palestine Real Estate Investment Company	2.03%	0.62	1.64%
Al-Quds Bank	1.82%	1.00	0.00%
Arab Islamic Bank	1.99%	1.12	0.00%
Palestine Electric Company	3.32%	1.52	0.00%
Jerusalem Pharmaceuticals	1.24%	2.00	0.00%
Palestine Islamic Bank	2.44%	1.34	0.00%
Palestine Industrial Investment Company	1.97%	2.05	0.00%
Wataniya Palestine Mobile Telecommunications	9.11%	0.97	-1.02%
Bank of Palestine	17.20%	3.15	-1.56%
Birzeit Pharmaceutical Company	2.12%	3.15	-1.56%
National Insurance	1.51%	3.45	-1.99%
Palestine Telecommunications Company	37.84%	5.60	-3.95%
The National Bank	2.09%	1.15	-4.17%
Palestine Development & Investment Company	14.83%	1.63	-6.86%

Palestine Stock Exchange

Weekly Trading Brief (30-03/03-04)/2014

Disclaimer

This report is not an offer to buy or sell nor a solicitation to buy or sell any of the securities mentioned within. The information contained in this report were prepared using information available to the public and sources Sahem Trading & Investment Co believes to be reliable. Sahem Trading & Investment Co does not guarantee the accuracy of the information contained within this report and accepts no responsibility or liability for losses or damages incurred as a result of investment decisions taken based on information provided or referred to in this report. Any analysis of historical facts and data is for information purposes only and past performance of any company or security is no guarantee or indication of future results .

Contact Details

Sahem Trading & Investment Co,
Ramallah, Palestine
P.O.Box 2187
Direct line: +970-2-2968830 or +972-2-2968830
Research@sahem-inv.com



Head of Research

Majd Khalifeh

mkhalifeh@sahem-inv.com

Research Analyst

Dima Razzouk

drazzouk@sahem-inv.com

Research Analyst

Maha Tarazi

mtarazi@sahem-inv.com