



Middle East & African Currency Markets Guide

January 2018



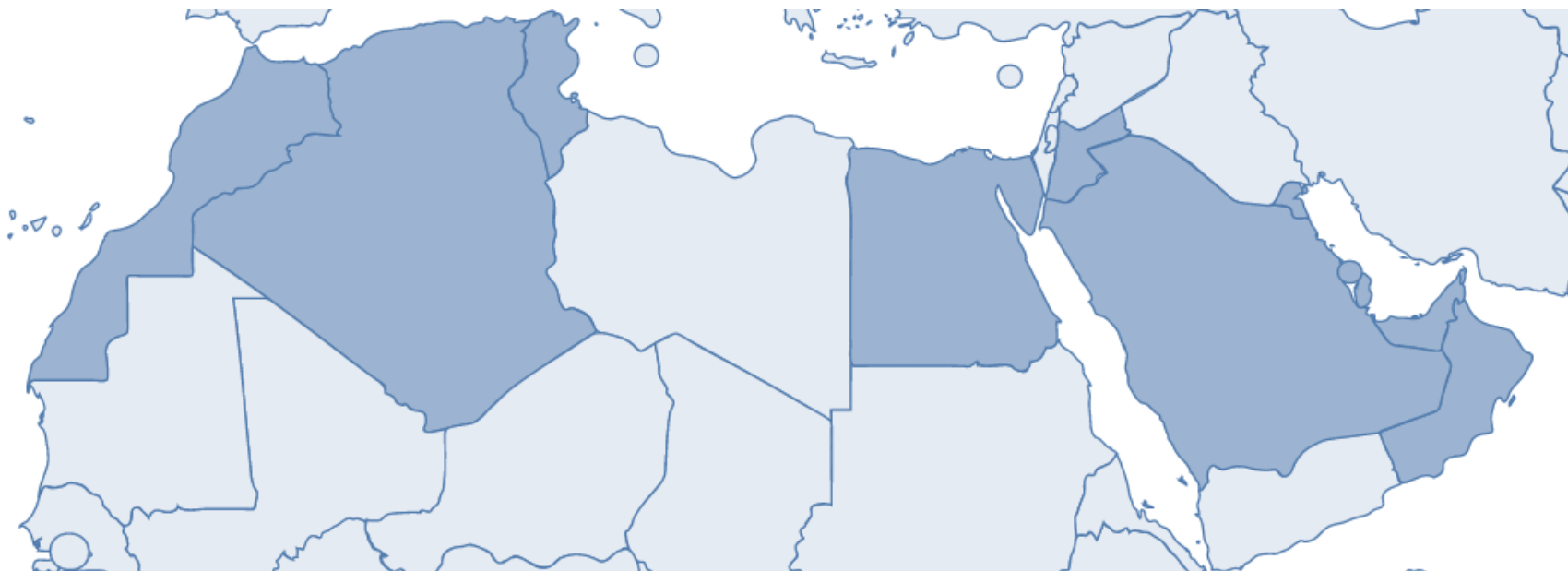
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THE MIDDLE EAST & NORTH AFRICA (MENA)



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The UAE Dirham (AED)

Currency: Since 1980, the AED has been pegged to the US Dollar at 3.6720/3.6730 (bid/offer). The Central Bank's bid is for value the same day and its offer is for value spot. These rates are only available to onshore banks. Usually, the AED spot drifts between 3.6728 and 3.6731.

Liquidity: Along with SAR the AED market is the most liquid and sophisticated in the region. The average spot deal size is between US\$ 25 and 75 mio. Daily FX volumes are estimated between US\$ 3 and 5 billion.

Maturity: FX forwards can be up to 10 years, but most liquidity and flows are concentrated within the 1 and 2 year tenors.

FAB Capabilities:

- FX spot and FX forwards up to 10Y;
- IRS and CCS up to 10Y;
- FX options on request.



The Saudi Riyal (SAR)

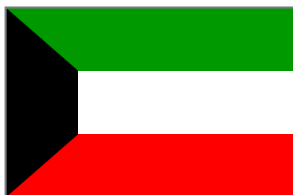
Currency: The SAR has been pegged against the USD at 3.7400/3.7500 (bid/offer) since 1986. These peg rates are only available to onshore banks for qualifying transactions. Usually, the USD/SAR spot drifts between 3.7500 and 3.7510. During times of major speculation, the range is broken, as we experienced during the “revaluation” play of 2007/09, and again recently in the other direction with the fall in the oil price since 2014. However, we do not foresee any change to the current peg rate at this juncture.

Liquidity: Along with AED the SAR is the most liquid and sophisticated market in the region. Average spot deal size is between US\$ 25 and 75 mio. Daily FX volumes are estimated between US\$ 2 and 3 billion.

Maturity: FX forwards and interest rate swaps can be up to 10 years. However, most liquidity is within the 1 and 2 year tenors.

FAB Capabilities:

- FX spot and FX forwards up to 10Y;
- IRS and CCS up to 10Y;
- FX options on request.



The Kuwaiti Dinar (KWD)

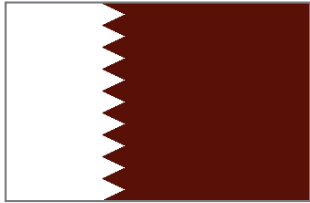
Currency: In May 2007, the Kuwaiti CB reverted to managing the KWD using a basket method with a daily fixing. The basket consists of USD, GBP, EUR, and JPY, although it is weighted most heavily on the US dollar component. The fix is published on the Central Bank's page CBKK on Reuters at 8am daily local time. Occasionally, it will fix it again at noon local time.

Liquidity: The Central Bank provides support to the local banks in the spot market but only for transactions that are commercially related. The average spot deal size is between US\$ 10 and 25 mio. Overall liquidity in the offshore KWD market is a function of both hedging requirements and liquidity provided by onshore banks in Kuwait, as well as each offshore bank's market risk limits. Thus, long-term forwards are more subject to the lack of liquidity – rather than volatility – since market-makers have to warehouse most of the risk. Daily FX volumes are estimated between US\$ 1 and 2 billion.

Maturity: There is a fairly active offshore forward market up to 2Y, although longer tenors are possible. There is no active IRS or CCS markets.

FAB Capabilities:

- FX spot and FX forwards up to 5Y;
- CCS up to 5Y (Fixed KWD leg vs USD);
- FX options on request.



The Qatari Rial (QAR)

Currency: The QAR is pegged against the US dollar at 3.6385/3.6415 (bid/offer). These peg rates are only available to onshore banks with qualifying transactions. However it usually trades within a 3.6385/3.6425 range.

Liquidity: The average spot deal size is between US\$ 10 and 25 mio, and until fairly recently the estimated daily FX volumes was between US\$ 750 mio and 1 billion**.

Maturity: FX forwards are available up to 5 years, but most liquidity is within the 1 and 2 year tenors, as local banks do not actively participate. There is no active FX options or IRS market in QAR.

****Note:** *Due to the regional diplomatic dispute which began in June 2017, liquidity in QAR has tightened with smaller daily volumes seen and spreads widening somewhat in the offshore market.*

FAB Capabilities: (Currently on a case by case basis due to above mentioned situation)

- FX spot and FX forwards up to 5Y;
- CCS up to 5Y (Fixed QAR leg vs USD);
- T-bills and bonds on request;
- FX options on request.



The Bahraini Dinar (BHD)

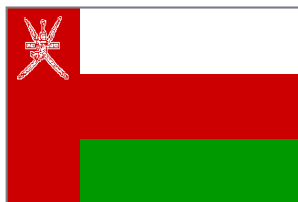
Currency: The BHD spot rate is pegged against the USD at 0.37500/0.37700 (bid/offer). These peg rates are only available to onshore banks with qualifying transactions. While spot rates usually range between 0.37690 and 0.37710, the fall in oil prices in 2015/16 saw the forward curve shift sharply right and spreads widen, although with the relative rebound of crude in 2017 these move have reversed somewhat.

Liquidity: The BHD market is relatively illiquid and driven primarily by commercial flows. The average spot deal size is between US\$ 5 and 15 mio. Estimated daily FX volumes are between US\$ 150 and 250 mio.

Maturity: FX forwards have active tenors of up to 2 years, but most liquidity and pricing is provided by the offshore market-makers. There is no active IRS or options markets in BHD.

FAB Capabilities:

- FX spot and FX forwards up to 5Y;
- CCS up to 5Y (Fixed BHD vs USD);
- T-bills on request;
- FX Options on request.



The Omani Rial (OMR)

Currency: The OMR has been pegged against the USD at 0.38400/0.38500 since 1986. These peg rates are only available to onshore banks with qualifying transactions. While the Rial normally trades within a 0.38490/0.38510 spot range, the fall in oil prices in 2015/16 saw the forward curve shift sharply right and spreads widen, although with the relative rebound of crude in 2017 these move have reversed somewhat.

Liquidity: The Rial market is driven almost entirely by commercial flows. The average spot deal size is between US\$ 5 and 15 mio. Estimated daily FX volumes are between US\$ 200 and 400 mio.

Maturity: FX forwards can have tenors up to 5 years. Most liquidity is concentrated within the 1Y tenor. There is no active FX options or IRS markets in the OMR.

FAB Capabilities:

- FX spot and FX forwards up to 5Y;
- FX options on request.



The Jordanian Dinar (JOD)

Currency: The JOD has been pegged against the USD at 0.70800/0.71000 since 1986. These peg rates are only available to onshore banks with qualifying transactions. The JOD normally trades within a 0.7075 to 0.7105 range in the interbank market.

Liquidity: The JOD market is driven almost entirely by commercial flows. The average spot deal size is between US\$ 1 and 3 mio.

Maturity: FX forwards can have tenors up to 2 years. However, liquidity is extremely thin with a limited number of offshore players. There is no active FX options or IRS markets in the JOD.

FAB Capabilities:

- FX spot and FX forwards up to 2Y on request.



The Algerian Dinar (DZD)

Currency: The dinar exchange rate regime is a tightly managed float, which is based on a composite of currencies that is heavily weighted towards the EUR.

Liquidity: The DZD is convertible onshore only. Any conversion from DZD into hard currency must be related to investment or commercial transactions and have the approval of the Central Bank. Non-residents must also open an onshore (non-resident) account with a local bank before conversion can take place.

Maturity: The only active product available is FX spot. Some local banks will provide forwards up to 2 years if they can find matching interest and obtain CB approval. There is a sporadic offshore NDF market up to 1 year, but volumes are extremely thin. Average deal size is between US\$ 1 and 2 mio.

FAB Capabilities:

- NDF up to 1Y on request.



The Egyptian Pound (EGP)

Currency: The official exchange rate was previously managed via the Central Bank's once weekly FX auctions. This auction system was instituted at the end of 2012 but ended once the current free-float system was enacted.

Liquidity: In November 2016 Egypt's FX regime was abandoned and a free-float system was introduced. The local FX market is still in a transition period but a sizeable historic backlog demand for dollars has pretty much been resolved on the back of a huge influx of investor related hard currency inflows following the introduction of the FX float. While two-way spot prices are now available, the RHS can sometimes depend on the quoting bank's hard currency supply. If the proceeds are related to T-bill, T-bond, or equity purchases, then the "Foreign Investors Repatriation Mechanism" allows for a prioritized quick repatriation of funds following sale of the related security. The client, however, needs to have entered the market using the same mechanism.

Maturity: The onshore forward market was disrupted in 2011 and is still very limited. There is an offshore NDF market up to 2 years with most of its liquidity within the shorter-end of the curve, specifically between 1 and 3 months. The average deal size is between US\$ 2 and 3 mio.

FAB Capabilities:

- FX spot;
- NDF up to 2Y;
- FAB has a sizeable branch network in Egypt and can assist with EGP payments, as well as any regulatory and investment advice, including the trading of T-bills and equities.

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The Moroccan Dirham (MAD)

Currency: The MAD is a basket currency, consisting primarily of EUR and USD. Until the 15th of Jan 2018, the Central Bank allowed the MAD to float within a 0.6% band, around the official central rate. There is an 0.1% tax on FX transactions, which is payable by an onshore entity to the Ministry of Finance. This tax does not apply on offshore-to-offshore transactions. The CB has plans to eventually switch to a free-float regime, but the first step which had been due to take place in July 2017 was postponed, following government concerns over the unexpected and speculative pressure on the currency before this change. In January 2018 this project was finally initiated and the band widened to 2.50% above and below the official central rate.

Liquidity: Liquidity is limited due to the fact that only a handful of offshore banks actively participate. The average spot deal size is between US\$ 1 and 3 mio. The total estimated daily offshore market volume (including FX swaps) is currently between US\$ 50 and US\$75 mio. Onshore entities cannot lend MAD offshore. The CB has three daily fixings at 8am, 2pm and 3.30pm local time on the Reuters page BAM/FX02.

Maturity: FX forwards are technically possible up to 2Y but such tenors have become much more difficult to source and thus now considered on a case-by-case basis only. There is no active IRS or options markets offshore. However, local banks do occasionally quote options onshore.

FAB Capabilities:

- FX spot and FX forwards* up to 2Y (**case by case basis*).

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The Tunisian Dinar (TND)

Currency: The TND is managed by a basket, which consists of USD, GBP, EUR, and JPY. The basket is currently heavily weighted towards the EUR. The social upheaval since 2011 forced the CB to intervene directly on a heavier and more frequent basis, putting the country's FX reserves under pressure. Due to the recent improvement in the political climate, there is a relatively more stable local currency market. although liquidity is still extremely tight.

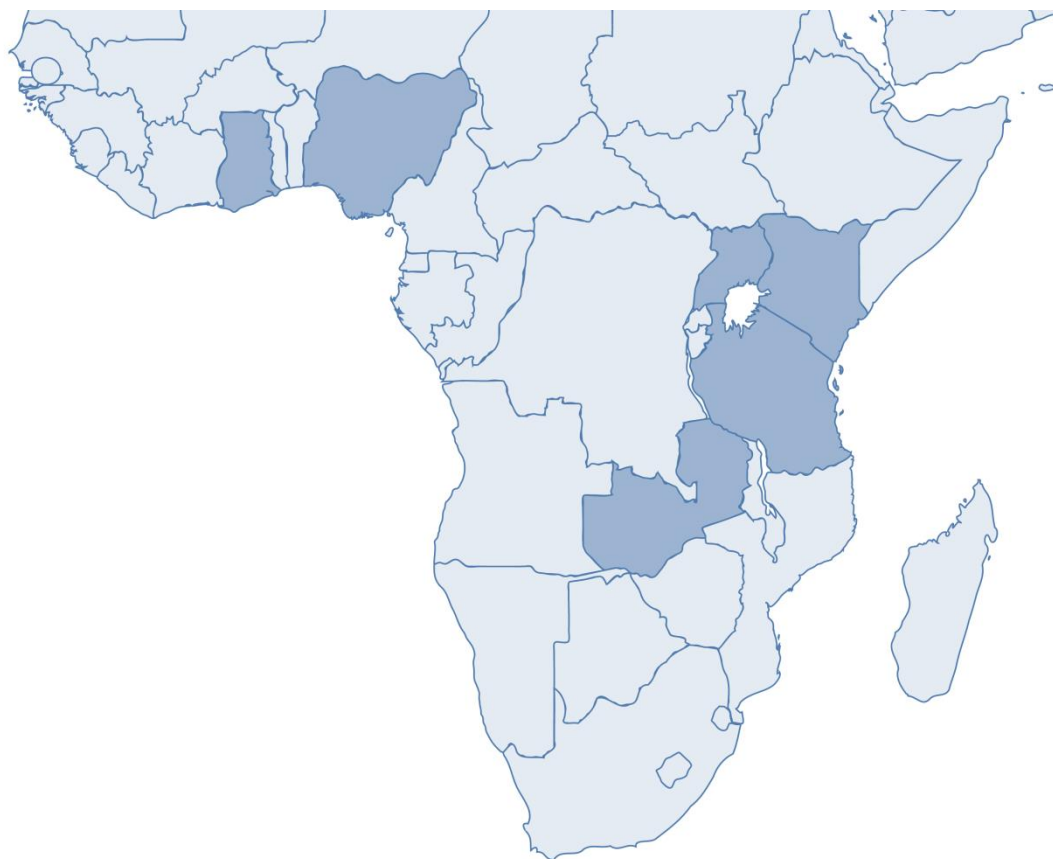
Liquidity: General liquidity is limited with total daily offshore market volumes currently estimated to be around US\$20-25 mio. The average spot deal size is between US\$ 0.5 and 1 mio.

Maturity: FX forwards used to be available up to 2 years, but these longer tenors have become much more difficult to access and all requests are now usually considered on a case-by-case basis only. As with the MAD market, there are only a handful of offshore market-makers. There is no IRS or options market.

FAB Capabilities:

- FX spot and FX forwards up to 2Y (case by case basis).

SUB-SAHARAN AFRICA (SSA)



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The Ghanaian Cedi (GHS)

Currency: The GHS is actively managed by the Central Bank.

Liquidity: General liquidity is limited and any conversion from local to hard currency must be backed with commercial and investment documentation. The average spot deal size is between US\$ 1 and 2 mio.

Maturity: FX NDFs up to 1 year are possible. The GHS market is relatively small and can be volatile.

FAB Capabilities:

- Spot (LHS with required documentation);
- NDF up to 1Y;
- T-bills and bonds (via secondary market).



The Kenyan Shilling (KES)

Currency: The KES is a free-float currency. The CB actively participates in the FX market.

Liquidity: The average deal size is between US\$ 1 and 3 mio. This applies to FX spot, forwards, and NDF transactions. However, no nostro-to-nostro payments are permitted between non-resident entities. Any conversion of KES must have relevant commercial or investment documentation. There is a reasonably active T-bill and bond market. There is a 20% withholding tax, unless there is a link to an infrastructure bond.

Maturity: NDFs up to 1 year are possible offshore. There is no active IRS or options market.

FAB Capabilities:

- FX spot (with required documentation);
- NDF up to 1 year.



The Mauritian Rupee (MUR)

Currency: The MUR is a managed float currency.

Liquidity: The average deal size is between US\$ 0.5 and 1 mio in both spot and forwards.

Maturity: FX forwards up to 1 year are possible. The market is sometimes one-sided, especially outside of the tourist season. There is no active IRS or options market.

FAB Capabilities:

- FX spot and FX forwards up to 1Y on request.



The Nigerian Naira (NGN)

Currency: The official exchange regime is a “managed” float, however there are a number of separate exchange rate windows. Amongst these is the interbank NIFEX window (330.00/333.00 as at 22 Jan 2018) which itself will be abandoned by the end of this year and replaced with the more recent NAFEX window (359.00/361.00 as at 22 Jan 2018) as the most liquid/utilized US\$/NGN rate and reference point in Nigeria.

Liquidity: The average deal size is between US\$ 2 and 3 mio in both spot and NDF transactions. Since the sharp fall in oil prices between 2014-2016, the NGN experienced some severe pressures and thus spreads widened considerably, however the situation has improved somewhat over the past 12 months following crude’s bounce back above US\$60 per barrel. Meanwhile any foreign investor purchase of NGN must still provide a CCI certificate to ensure future approval of possible reconversion. Despite some improvement in the availability of hard currency since the introduction of NAFEX and somewhat higher oil prices the swift repatriation of proceeds remains an issue.

Maturity: NDFs up to 1Y are possible (NAFEX Fix). There is no active IRS or options market. There is an active T-bill and bond market.

FAB Capabilities:

- FX spot (LHS with required documentation);
- NDF up to 1 year;
- T-bills and bonds (subject to a 20% withholding tax);
- FX non-deliverable options are available on a case-by-case basis.



The Ugandan Shilling (UGX)

Currency: The UGX is a free-floating currency. However, the CB does intervene sporadically.

Liquidity: The average deal size is between US\$ 0.5 and 1mio in both spot and forwards. The market is almost completely commercially driven. Any conversion to hard currency over UGX 50 mio requires a tax clearance certificate.

Maturity: FX spot and forwards up to 1Y are possible. There is no active IRS or options market. There is an active T-bill and bond market.

FAB Capabilities:

- FX spot (LHS);
- NDF up to 1Y.



The Zambian Kwacha (ZMW)

Currency: The ZMW is a free-floating currency. However, the CB does intervene sporadically.

Liquidity: The average deal size is between US\$ 0.5 and 1mio in both spot and forwards. Recent political upheaval and a fall in copper prices has resulted in a lowering of the already limited liquidity in the ZMW market. Spreads have also widened. Non-residents cannot borrow ZMW for periods less than 1 year. Any conversion on ZMW must be backed by commercial or investment documentation.

Maturity: Spot and NDFs up to 1Y are possible. There is no active IRS or options market. There is an active T-bill and bond market.

FAB Capabilities:

- FX spot (with required documentation);
- NDF up to 1Y.

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