

Market Insights & Strategy

Global Markets

2nd April 2019



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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Crude Prices Up As Shale Production Slows.

As we have continued to outline both in our oil research pieces and previous weekly commentaries on the topic, the view that shale production would continue to grow at the same pace experienced over the past few years was somewhat optimistic. Now we are starting to see hard figures suggesting we may have already seen the peak from this sector, such as those highlighted by the latest EIA data which showed that US shale production dropped by 90,000 bpd between December 2018 and January this year. The primary reasons behind this drop-off are the ones we have warned about before, namely : an ongoing lack of profitability by the bulk of shale producers as well as infrastructure bottlenecks and a decline in quality. The EIA report combined with better Chinese economic data, and an ongoing reduction in output from Venezuela and Iran has helped boost prices further this week, and Brent now looks set to test the US\$ 70 per barrel level again.

US Ponders Additional Sanctions On Iran.

The Trump administration is reportedly considering implementing additional sanctions on Iran as soon as next month, targeting other areas of that country's economy. "We just want a continued chilling effect, we want businesses to continue to think doing business with Iran is a terrible idea at this point," an unnamed White House official was quoted by Reuters as saying yesterday. These new sanctions could be unveiled at the same time that the oil waivers on eight of Iran's key export destinations expire early in May. We don't expect the US to roll all of these waivers although a few may be extended albeit with tighter restrictions.

Saudi Aramco Is World's Most Profitable Company.

According to recent reports the world's largest oil company, Saudi Aramco, is now also the world's most profitable, generating US\$356 bio in total revenue last year, before taxes and royalties. Aramco is currently preparing to conduct its first ever international bond issuance and, according to a Bloomberg article, the firm's financial metrics show its net

income was US\$111.10 bio last year, it has US\$85.80 bio of free cash flow and 201.40 bio barrels of crude reserves. Fitch and Moody's have rated Aramco at A1 and A+ respectively, but both agencies admitted that these ratings would have been higher had it not been for sovereign restraints. "Saudi Aramco's rating is constrained by that of Saudi Arabia (A+/Stable). This reflects the influence the state exerts on the company through taxation and dividends, as well as regulating the level of production in line with its OPEC commitments," Fitch said in a statement.

Exxon May Offload Its Energy Assets In Nigeria.

Exxon Mobil is reportedly in active discussions over the potential sale of its oil and gas fields in Nigeria for an estimated US\$3 bio according to a recent Reuters article. Earlier this year Exxon said it wanted to focus on developing oil and gas opportunities in the US, Mozambique and Guyana and accelerate its divestment plans from other regions such as Azerbaijan.

Algeria's President Preparing To Step Down.

President Bouteflika is reportedly planning to leave office before the end of this month according to a report published by Algeria's state run media outlet yesterday. The President's office has also announced a cabinet reshuffle which saw 21 of the 27 government ministers replaced. Meanwhile the privately owned Ennahar television channel has claimed that travel restrictions have been imposed on 12 high-profile local businessmen, including the owner of one of Algeria's largest construction companies, on the back of corruption allegations.

Kuwait Formalizes Aid Package For Bahrain.

Kuwait's Ministry of Finance, the Kuwait Fund for Arab Economic Development and the Arab Monetary Fund have signed an agreement to continue to provide support to Bahrain's economy as the Kingdom pursues its economic reform program. This "Multi-party cooperation framework formalizes a previously agreed package for supporting the economic reforms and financial stability in the Kingdom of Bahrain," a statement by Kuwait's MOF and published by Reuters read.

Egypt's C/A Deficit Widens – Tourism Revenues Rise.

Egypt's Central Bank reported a widening of the country's current account deficit during Q4 2018 to US\$2.1 bio from US\$1.78 bio in Q4 2017. Meanwhile tourism revenues rose to US\$2.86 bio in the last 3 months of 2018 compared to US\$2.28 recorded for the same period of the previous year according to Reuters.

Zambian Government Approves New Tax Bill.

Zambia's cabinet has approved a new but controversial sales tax bill. The tax, which still needs to be submitted to parliament, will replace VAT and be implemented by July 2019 if passed by MPs. According to the country's Finance Minister, Margaret Mwanakatwe, this change was proposed by the government in order to address the problem of taxpayers claiming back VAT, forcing the government into issuing refunds and thereby lowering its overall revenues.

Uganda Keeps Prime Lending Rate Steady.

Uganda's Central Bank kept its benchmark lending rate unchanged at 10% yesterday as expected.

L&T Wins US\$350 Mio Pipeline Contract In Kuwait.

India's Larsen & Toubro has been awarded a gas pipeline construction contract in Kuwait worth more than US\$350 mio. The planned export pipeline will reportedly be up to 145 km long according to the 'steelguru' website.

GEA To Build Olive Oil Mill In KSA.

Germany's GEA has been awarded a multi-million dollar deal to build a 3,000 hectare olive farm and mill in the Al Jouf region of Saudi Arabia according to the 'construction week' website.

FX/RATES & CRUDE MARKETS:

Indication Levels Only – Please Contact us on Reuters Dealing Codes FABA/FABU for any live pricing and/or information.

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67285/295	1/3	2/5	4/9	8/13	15/25	30/40	90/110
USD/SAR	3.7503/05	Par/+3	1/4	3/6	10/15	20/30	45/55	170/200
USD/QAR	3.6590/110	-3/+2	-3/+4	-5/+5	-5/+10	-5/+15	-10/+15	-25/+45
USD/KWD	0.30455/465	Par/+5	Par/+10	Par/+10	Par/+15	05/25	7/27	-10/+40
USD/OMR	0.38499/502	20/30	40/55	65/85	140/180	220/270	330/380	770/870
USD/BHD	0.37700/03	10/20	15/35	25/45	60/90	80/130	110/160	260/360
USD/MAD	9.6450/6650	50/150	150/350	300/700	900/1400	1600/2600	2000/2500	4000/7000
USD/EGP NDF	17.2700	17.41/46	17.54/59	17.66/17.71	18.09/18.14	18.59/18.64	19.10/19.15	-
USD/IOD	0.7077/87	40/90	60/160	125/225	200/400	250/550	375/675	500/1500
USD/NGN NDF	360.49	361.30/362.30	362.75/364.25	364.65/366.15	370.35/372.85	377.25/379.25	385.50/388.50	(NAFEX)
USD/GHS NDF	5.4300	5.47/5.52	5.54/5.59	5.59/5.64	5.64/5.74	5.95/6.05	6.15/6.25	-
USD/TND	3.0300/0600	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
Crude Oil		Futures						
WTI	61.80							
Brent	69.10							

** (GCC FX indications above are offshore levels only)

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+15/21	+17/23	+27/33	+38/44	+49/55	+59/65	+68/74	+98/104
SAR SPREAD	+29/35	+35/41	+43/49	+53/59	+63/69	+71/77	+79/85	+106/112

Note: We can quote options in the AED, SAR & KWD.

AND FINALLY...

Did you know that the Sheikh Zayed Grand Mosque in Abu Dhabi covers an area of 22,412 square meters and can accommodate up to 41,000 worshippers? Meanwhile the hand-knotted carpet in its main prayer hall is the world's largest, weighing 35 tons and measuring 5,627 sqm.

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