

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Iran's President Says No Talks With US Unless Sanctions Lifted.

Iran's President, Hassan Rouhani, has publically dismissed any chance of direct talks with the Trump administration unless the US lifted sanctions against his country first. *"We are men of talks" Rouhani was quoted as saying this morning by Reuters, although adding that Washington would first have to remove "all illegal sanctions,"* otherwise no such discussions were possible and Iran would continue to slowly withdraw from its nuclear commitments as outlined in the JCPOA accord. The US President had suggested yesterday that he would be open to a face-to-face meeting with his Iranian counterpart as proposed by France's Emmanuel Macron, but only if the conditions were right. *"If the circumstances were correct or right, I would certainly agree to that, but in the meantime they have to be good players,"* he was quoted as saying by the VOA, adding that his administration was not seeking regime change in Tehran. *"I'm looking at a really good Iran, really strong. We're not looking for regime change, you've seen how that works over the last 20 years, that hasn't been too good. Iran really has a chance to really build themselves up and be a really great nation,"* Trump said although warning too that: *"They can't have nuclear weapons and they have to stop terrorism,"* or they will be met with *"really violent force."*

Presidential Candidate In Tunisia Arrested.

One of the frontrunners in Tunisia's upcoming Presidential election, Nabil Karoui, was reportedly arrested last Friday on the back of an ongoing investigation into money laundering and tax evasion allegations. The case itself was first initiated three years ago, his assets were frozen and the trial began in July this year, but until now Karoui had not been physically detained. On Saturday Tunisia's public prosecutor was quoted by the 'Gulf News' media outlet stating that Karoui's arrest was in line with Tunisian law, and his office had also rejected Karoui's brothers' request for the travel ban and asset freeze to be lifted. Karoui is the founder and owner of the private broadcaster Nesma TV.

Iranian Tanker Finds Undisclosed Buyer - Venezuelan Oil Exports To China Collapse.

The Iranian tanker 'Adrian Darya 1' previously called the 'Grace 1' and which the US wants seized, may no longer heading for a Turkish port as

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had been suggested by various media outlets late last week. Data published by Refinitiv showed the vessel sailing off the west coast of Cyprus yesterday, but the latest talk is that it had altered the satellite destination signal from its transponder from Mersin in Turkey to: 'For Order' (which essentially translates to '*destination undisclosed*') and that Iran's National Oil Company has managed to find an as yet unnamed buyer for the ship and its cargo. Meanwhile Venezuelan crude exports to China dropped by over 60% last month and a Reuters article claims that the China National Petroleum Company had cancelled any fresh oil purchases from the Latin American producer in August. Although there has not been any official confirmation of the latter decision it is believed to have been taken after the Trump administration tightened sanctions on Venezuela earlier this month.

Refining Margins Tighten As IMO Sulfur Limit Approaches.

Asian refiners have been dumping their stocks of high sulfur fuel at an accelerated rate in recent weeks ahead of the January 2020 implementation of the IMO's tighter sulfur content limit on bunker fuels. This in turn has seen the average Asian refiners' margin decline by 50% since their 2-year peak in mid-July of US\$9.37 to US\$4.31 late last week, according to Refinitiv. Margins should improve again in the months to come but uncertainty around the China-US trade war is also continuing to weigh on overall demand.

Acts Of Sabotage On Nigerian Pipelines Rise By 77%.

The number of successful and attempted sabotage attacks on Nigeria's oil and gas pipeline network jumped by 77% in May compared to the same period of 2018, according to a report published by the country's state-owned oil company. The report said that there were 106 actual pipe breaches in May 2019 although these had not had a significant impact on production. Nigeria's oil production edged up to 2.2 mio bpd this month from 1.92 mio bpd this time last year.

S&P Lowers Credit Ratings On Zambia.

S&P downgraded its long-term foreign and local currency sovereign ratings on Zambia from B to B- last week. It also placed the southern-African nation on 'negative' watch. *"The downgrade reflects Zambia's higher fiscal deficits and faster debt accumulation than we had previously expected. The Zambian government revised its fiscal deficits and debt burden in June 2018 to account for higher capital expenditures than it had previously recorded. The corrections resulted in a materially weaker 2017 general government deficit of 7.60% of GDP, up from our previous estimate of 6.0%. We have also increased our projections for future deficits by a similar magnitude, resulting in our forecast net government debt burden rising above 60% of GDP. We could lower the ratings over the next year if: the previously destabilizing factors re-emerge and further weaken the government's fiscal position, for example, significant currency depreciation; economic growth slowed because of confidence-related factors; or copper prices were to materially fall,"* a statement issued by the ratings agency read.

Lebanese Govt Promises Reform Progress After FITCH Downgrade.

The Lebanese Finance Minister, Ali Hassan Khalil, said that his country has taken note of last week's decision by FITCH to downgrade Lebanon's long-term credit ratings from B- to CCC. *"We will deal responsibly with the reports, we are confident we will be able to get out of the crisis,"* Khalil was quoted by Reuters as saying last Friday, adding that, "there should be no slacking for a single moment." S&P delayed its own decision on Lebanon's rating but retained its 'negative outlook.' In a statement FITCH said that its move to downgrade; *"Reflects intensifying pressure on Lebanon's financing model, increasing risks to the government's debt servicing capacity. Downward pressure on banking sector deposits and central bank foreign reserves and increasing dependence on unorthodox measures by the Central Bank to attract inflows illustrate increased stress on financing."*

Expat Remittances To Egypt Continue to Rise.

The amount of remittances sent by Egyptian expatriates back to their homeland hit US\$3 bio in May this year a jump of almost US\$900 mio on the previous month. In 2018 Egypt was the 5th largest recipient of remittances worldwide after India, China, Mexico and the Philippines.

Heavy Demand For Latest Rwandan Bond Issuance.

Last week the government of Rwanda issued a 20-year local currency T-Bond paying 13.25%, and demand for the issuance came in at just over 140%. Institutional investors got an allotment of 47.39%, banks 37.64% whilst individuals and retail players received 14.9% of the total RWF 80 bio issued, according to the 'KT Press' news outlet .

Arabtec Wins Residential Contract In Cairo.

Arabtec has been awarded a US\$112 mio contract covering two urban developments in the upmarket Mokattam suburb of Cairo.

NEC Seals Transport System Deal In KSA.

Japan's NEC Corporation has won the contract to deliver an 'Intelligent Transportation System' which will help a local transport firm manage up to 400 passenger buses in Mecca. According to a statement by NEC which was published by the 'Construction Week Online' website the system will provide automated fare collection, using IC cards to allow for cashless transactions, as well as a GPS locating platform for each bus. Meanwhile travel time and schedules will be shown via solar-powered displays at bus stops and on dedicated mobile apps.

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	3.6729/30	3/6	6/11	12/17	25/35	40/50	55/65	130/150
USD/SAR	3.7500/03	1/4	2/5	4/9	8/18	20/30	45/55	195/225
USD/KWD	0.30370/380	15/25	30/50	40/60	70/90	95/125	140/190	150/250
USD/OMR	0.38499/502	12/22	25/40	42/67	115/145	190/240	300/350	700/800
USD/BHD	0.37701/704	Par/+5	2/12	05/20	20/40	40/60	70/100	230/330
USD/MAD	9.5600/5800	20/120	50/300	75/375	250/650	500/1500	1100/2100	2000/5000
USD/EGP NDF	16.59	16.66/16.71	16.80/16.85	16.95/17.00	17.40/17.45	17.86/17.91	18.35/18.40	-
USD/IOD	0.7077/82	35/85	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	362.40	363.50/365.50	365.25/367.25	367.75/369.75	375.50/378.50	383.50/387.50	392.00/397.00	(NAFEX)
USD/GHS NDF	5.4400	5.48/5.52	5.55/5.60	5.62/5.67	5.82/5.92	6.04/6.16	6.26/6.40	-
USD/TND	2.8300/8500	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
Crude Oil		Futures						
WTI	53.80							
Brent	58.90							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+29/35	+33/39	+41/47	+53/59	+66/72	+79/85	+90/96	+117/123
SAR SPREAD	+33/39	+41/47	+46/52	+52/58	+59/65	+67/73	+76/82	+107/113

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

EQUITY MARKETS

				Equity Price Moves				ATM Implied Vols		
Market	Underlying	BBG ticker	Spot	1day %	wtd %	mtd %	ytd %	3 mth	6 mth	1 Yr
Dubai	Index	DFMGI	2,742.48	0.49	(0.95)	(6.03)	8.41	19.7%	20.1%	20.4%
Abu Dhabi	Index	ADSMI	5,030.86	0.67	(0.16)	(5.40)	2.36	18.7%	19.0%	19.0%
KSA	Index	M1SAP	1,221.33	(2.42)	(2.42)	(5.46)	7.80	22.8%	21.3%	20.2%
Dubai	Equity	EMAAR	4.87	0.41	(2.60)	(11.93)	17.92	30.6%	31.0%	31.2%
Dubai	Equity	EMIRATES	11.50	0.44	(0.43)	(3.36)	29.36	26.4%	27.1%	28.0%
Abu Dhabi	Equity	ADCB	8.10	1.25	(0.74)	(10.00)	(0.74)	27.9%	28.5%	29.4%
Abu Dhabi	Equity	ETISALAT	16.36	1.49	0.74	(5.10)	(3.65)	17.4%	17.5%	18.2%
KSA	Equity	SABIC	99.80	0.40	(2.54)	(7.08)	(14.11)	21.5%	21.7%	22.7%
KSA	Equity	RJHI	64.80	0.15	(2.56)	(5.81)	13.93	22.0%	22.3%	23.0%

AND FINALLY...

Did you know dates are amongst the earliest crops to have ever been cultivated and that the Middle East is the source for over two-thirds of the world's supply?

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