

Market Insights & Strategy

Global Markets

30th August 2019

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Oil Prices Edge Up On Trade & Inventory News.

Crude prices have edged higher in recent days on the back of some positive signs concerning the US/China trade dispute and the latest EIA report which confirmed a 10 million barrel drop in US oil inventories last week, against expectations of a 2.8 million barrel draw. Meanwhile a NY Times article has claimed that the US conducted a massive cyberattack on IRGC computer systems and related databases in June, which in turn disrupted Iran’s ability to target and track oil tankers sailing through or close to the Strait of Hormuz.

Iran Says EU Only Has “Two Options” To Save Nuclear Accord.

Iran’s Deputy Foreign Minister, Abbas Araghchi, announced this week that his country had told France’s President that if the EU wants to avoid a complete collapse of the JCPOA agreement then they needed to find a way for Iran to export its oil again. *“If Europe wants to preserve the nuclear deal then they must establish our ability to sell oil There are two options or solutions: One is for them to go to the Americans and get waivers again for oil buyers so they can buy oil from Iran, or if they cannot do that, they themselves should buy that level of oil, using a credit line,”* Araghchi was quoted as saying yesterday by Bloomberg. However its unlikely the US administration would agree to consider supporting either suggestion at this stage. EU Foreign Ministers are due to discuss Iran’s request at a scheduled gathering in Finland today.

US Targets Lebanese Financial Institution In Sanctions Move.

The US Treasury has unveiled a fresh set of sanctions on various individuals and entities who are suspected of providing assistance to Hezbollah. According to a statement issued by the Treasury Department this week, a Lebanese Bank called ‘Jammal Trust’, (together with its subsidiaries) was specifically targeted in this latest action. *“Treasury is targeting Jammal Trust Bank and its subsidiaries for brazenly enabling Hezbollah’s financial activities. Corrupt financial institutions like Jammal Trust are a direct threat to the integrity of the Lebanese financial system. Jammal Trust provides support and services to Hezbollah’s Executive Council and the Martyrs Foundation, which funnels money to the families of suicide bombers. The US will continue to work with the*

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Central Bank of Lebanon to deny Hezbollah access to the international financial system. This action is a warning to all who provide services to this terrorist group," the US Under-Secretary for Terrorism and Financial Intelligence, Sigal Mandelker, was quoted as saying. You can access the US Treasury's detailed sanctions note [here](#). Meanwhile Israel has accused Tehran of accelerating its efforts to help Hezbollah establish a high-tech missile production facility in Lebanon. *"Today we uncovered part of Iran and Hezbollah's precision missile project, we know a few other things. We are determined to eliminate this dangerous project. The aim of the publication today is to convey a message that we will not sit by and allow our enemies to arm themselves with deadly weapons directed at us,"* The Israeli Prime Minister, Benjamin Netanyahu warned yesterday, according to the 'Stars & Stripes' online media outlet.

Saudi Aramco May Be Considering A Two-Stage IPO.

According to a recent WSJ report, Saudi Aramco is purportedly considering splitting its long-awaited IPO into two stages. The first listing would take place on the Kingdom's domestic bourse with the second launched in Asia, where Tokyo is now apparently a serious contender to host the international offering. This story has not yet been confirmed or commented on by officials, but the CEO of Saudi Arabia's Tadawul, Khalid al Hussan, stated on CNBC yesterday that the bourse was *"ready at any point"* for an Aramco IPO. Meanwhile the exchange, (which is the region's largest) also concluded its full inclusion onto MSCI's Emerging Markets Index yesterday. Overall overseas investor interest in the Saudi equity market remains high, and this fact was underlined via an IIF report which showed that foreign equity flows into the Kingdom during the first 8 months of 2018 were larger than those seen by India and China. *"In the absence of major domestic and external shocks and further deterioration in EM investment sentiment, Saudi Arabia can count on additional equity inflows from active investors whose portfolios are benchmarked to the MSCI EM index,"* the IIF's Chief Economist for the MENA region was quoted as saying in the report.

Algeria's Economy Slows As Political Stalemate Drags On.

The Algerian economy remains under pressure expanding by just 1.50% in Q1 2019 its slowest rate in almost 20 years, whilst its all-important energy sector contracted and the CB's FX reserves have fallen from a high of US\$200 bio in 2014 to US\$72 bio at the end of April this year. Meanwhile the trade deficit widened to US\$3.18 bio during the first half of this year from US\$2.84 bio over the same period of 2018 according to the latest official data. Oil and gas exports account for over 90% of the country's exports but this key sector is in need of fresh investment and the ongoing domestic political stalemate has impacted FDI flows. President Bouteflika stepped down in April this year but fresh Presidential elections, which had been due to take place last month, were cancelled due to widespread street protests and continued disagreement between opposition groups and the interim administration on the best way forward.

New EXCON Rule Will Push Food Prices Higher In Nigeria.

Nigerians have seen the cost of food items in their local markets rise steadily in recent years, and this situation could be exacerbated further after President Buhari ordered the country's Central Bank to stop providing any foreign exchange to food importers in another attempt to stimulate domestic agricultural production. *"The President said the foreign reserve will be conserved and utilized strictly for diversification of the economy, and not for encouraging more dependence on foreign food imports bills,"* a spokesperson from Buhari's office was quoted as saying earlier this month. In 2015 the CB implemented a ban on access to hard currency for importers of 41 items such as rice, poultry, refined vegetable oils and sugar, this list had been expanded last month to include dairy products. According to Bloomberg, Nigeria's Food Price Index has jumped by almost 80% since 2015.

Egypt's External Debt Load Rises.

Egypt's Central Bank announced this week that the country's external debt level had increased by 10% to reach US\$106 bio in March from US\$96.60 bio in December last year. However the MOF said in a statement last week that the government would move ahead with a plan aimed at significantly reducing Egypt's overall debt load by 2022.

Kuwait Petroleum In Talks Over US\$1 Bio Loan.

The Kuwait Petroleum Corporation is reportedly close to sealing a US\$1 bio revolving credit facility with a consortium of international banks according to Reuters. These funds are likely to be allocated towards

financing the country's Dabdaba 1.5GW solar energy project, although this has not as yet been officially confirmed.

Three Firms Bid For Gas Contract In Iraq.

The UK's Petrofac, South Korea's Hyundai Engineering and the China Petroleum Engineering & Construction Corporation have all submitted bids for an estimated US\$250 mio EPC contract covering the establishment of a sour gas treatment facility located in Iraq's Majnoon oilfield, according to the 'MEED' website.

Farnek Wins Dubai Airports Contract.

The UAE based facilities management company Farnek, has been awarded a 5 year contract at Dubai International and Dubai World Central airports.

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	3.67295/305	2/5	6/11	10/15	25/35	38/48	50/60	120/150
USD/SAR	3.7505/08	-2/+1	-3/+2	-2/+3	4/9	17/27	40/50	170/200
USD/KWD	0.30385/405	14/24	25/45	40/60	70/90	90/120	100/150	150/250
USD/OMR	0.38499/502	8/18	20/35	40/60	100/130	170/200	250/300	670/770
USD/BHD	0.37701/704	-2/+3	2/7	9/19	20/40	40/60	65/95	220/320
USD/MAD	9.6050/6350	20/120	50/250	75/375	250/650	500/1500	1100/2100	2000/5000
USD/EGP NDF	16.56	16.69/16.74	16.84/16.89	16.99/17.04	17.45/17.50	17.91/17.96	18.38/18.43	-
USD/JOD	0.7077/82	35/85	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	362.54	363.00/365.00	364.75/366.75	367.00/369.00	374.00/377.00	382.50/386.50	392.00/397.00	(NAFEX)
USD/GHS NDF	5.4400	5.51/5.56	5.58/5.63	5.66/5.71	5.87/5.97	6.10/6.25	6.33/6.48	-
USD/TND	2.8350/8750	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
Crude Oil		Futures						
WTI	56.20							
Brent	60.70							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+28/34	+32/38	+42/48	+53/59	+67/73	+78/84	+88/94	+113/119
SAR SPREAD	+30/36	+36/42	+42/48	+48/54	+54/60	+62/68	+72/78	+104/110

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	2,758.60	0.03	(0.37)	(5.47)	9.05	19.7%	20.1%	20.4%
Abu Dhabi	Index	ADSMI	5,165.57	0.72	2.51	(2.86)	5.10	18.7%	19.0%	19.0%
KSA	Index	M1SAP	1,208.06	(1.76)	(3.48)	(6.48)	6.63	22.8%	21.3%	20.2%
Dubai	Equity	EMAAR	4.95	(1.00)	(1.00)	(10.49)	19.85	30.6%	31.0%	31.2%
Dubai	Equity	EMIRATES	11.55	0.43	0.00	(2.94)	29.92	26.4%	27.1%	28.0%
Abu Dhabi	Equity	ADCB	8.69	3.45	6.50	(3.44)	6.50	27.9%	28.5%	29.4%
Abu Dhabi	Equity	ETISALAT	16.90	1.56	4.06	(1.97)	(0.47)	17.4%	17.5%	18.2%
KSA	Equity	SABIC	99.90	(0.70)	(2.44)	(6.98)	(14.03)	21.5%	21.7%	22.7%
KSA	Equity	RJHI	60.50	(3.35)	(9.02)	(12.06)	6.37	22.0%	22.3%	23.0%

AND FINALLY...

Did you know that the distance for an average camel race in the UAE is between 4-10km? Camel racing in the Arabian Peninsula can be traced back to the 7th Century.

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