

Market Insights & Strategy

Global Markets

9th December 2019



Glenn Wepener

Executive Director & Senior Geopolitical
Analyst, Middle East & Africa

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REGIONAL COMMENTARY

Crude Prices Firm After OPEC+ Announcement & Rising Regional Tensions.

The price of Brent crude pushed higher on Friday following the decision by Saudi Arabia, Russia and other key signatories of the OPEC+ output cut accord, to make additional reductions in their respective oil production levels, and on the back of building tensions in both Iraq and Libya in recent days. At the annual OPEC meeting last week, Saudi Arabia's Energy Minister Prince Abdulaziz bin Salman and his Russian counterpart Alexander Novak, said that the OPEC+ members had agreed to reduce their output by a further 500,000 bpd for the next three months in order to help balance the market. This 500,000 bpd added to OPEC+'s existing supply curbs will reduce overall output by 1.70 mio bpd or around 1.70% of global supply, but Saudi Arabia also revealed that it would pump 400,000 bpd below its new quota level of 10.10 mio bpd which then moves the total OPEC+ cut to 2.1 mio bpd, although all this will be reviewed again in March 2020. Meanwhile concerns are rising over the potential risk to key oil production facilities in Iraq and Libya due to the recent spike in violence in both countries. Last Thursday Libya's National Oil Company announced that the country's 'El Feel' field had been forced to shut down again for the second time in just two weeks due to the "criminal" closure of an oil export pipeline. *"Unfortunately we lost 73,000 barrels per day today, this is another criminal attempt to disturb the work of NOC and it harms the Libyan economy. We call on the local leaders and authorities in the area to identify the offenders,"* the NOC's chairman, Mustafa Sanalla, was quoted as saying by Reuters. Late last month a spokesperson for the Libyan National Army confirmed that its troops had fought off an attempt by a rival faction to seize control of the 'El Feel' facility and that LNA aircraft had also struck targets in the south-west of the country to prevent what it claimed was an attempt by Chadian forces linked to the Tripoli administration, to attack Libya's largest oil field the 'El Sharara' which produces around 300,000 bpd.

Protests Continue To Rock Iraq.

Thousands of anti-government protestors returned to the streets across Iraq yesterday, despite the recent resignation of Prime Minister Adel Abdel-Mahdi and Friday's violence in Baghdad which saw 17

demonstrators shot dead by gunmen. Meanwhile an armed drone reportedly attacked the home of the Iraqi cleric Moqtada al Sadr on Saturday, and a well-known civilian activist, Fahem Al Tai was shot dead by two unidentified assailants outside his home in Karbala on Sunday. On Friday the US administration imposed sanctions on three Iranian backed Iraqi militia leaders over their alleged role in trying to suppress recent protests using violence. The individuals targeted include Qais Al-Khazali, leader of the 'Asaib Ahl Al-Haq' militia group and his brother Laith Al-Khazali according to the 'Arab News' website. *"Iran's attempts to suppress the legitimate demands of the Iraqi people for reform of their government through the slaughter of peaceful demonstrators is appalling. Peaceful public dissent and protest are fundamental elements of all democracies. The United States stands with the Iraqi people in their efforts to root out corruption. We will hold accountable the perpetrators of human rights abuse and corruption in Iraq,"* the US Treasury Secretary, Steven Mnuchin said last week, and you can access the full OFAC statement on these sanctions [here](#). Washington has also accused Tehran of secretly moving short-range ballistic missiles into Iraq and blamed Iranian-backed militants for last Thursday's rocket attack on Baghdad's 'Al Balad' airbase. *"We're waiting for full evidence, but if past is prologue, then there's a good chance that Iran was behind it,"* The Trump administration's senior Middle East diplomat, David Schenker, stated.

Lukoil Focuses On Energy Opportunities In Nigeria.

The Russian oil and gas giant, Lukoil is currently analyzing the possibility of investing in more energy projects in Nigeria according to the West African country's Petroleum Minister. The minister's comments follow the news last week that Lukoil had triggered an option to buy a 40% stake in Nigeria's block 132 from Chevron. Lukoil had also signed an MOU with Nigeria's state-owned oil company back in October this year under which the companies agreed to consider deeper bilateral cooperation in the exploration, production, trading and refining of oil in Nigeria.

Appointment Of New Lebanese PM Is Delayed.

The Lebanese President yesterday announced a one week postponement of talks with MPs over the appointment of a new Prime Minister. The consultations were due to begin today but had to be delayed after a front-runner for the role, Samir Khatib withdrew his candidacy on Sunday. Talk in the local media suggests his decision to withdraw was made after he met with Lebanon's most senior Sunni cleric who allegedly informed Khatib that his office backed the return of Saad Hariri to the post. Hariri is still the country's caretaker PM but has said previously that he would only return to the office permanently if he could appoint technocrats to key cabinet positions.

Egypt's Fuel Subsidy Bill Falls.

Government spending on fuel subsidies in Egypt fell by almost 70% during the third quarter of this year compared to the same period in 2018, due to the economic reform program initiated back in 2016, the country's Petroleum Minister, Tarek El Molla, was quoted as saying yesterday by Reuters.

Moody's Upgrades Its Ratings Outlook On Pakistan.

Moody's Investor Services said last week that it had amended its outlook on Pakistan from 'negative' to 'stable' due to its view that the country's economic position was stabilizing. *"The change in outlook to stable is driven by Moody's expectations that the balance of payments dynamics will continue to improve, supported by policy adjustments and currency flexibility. Such developments reduce external vulnerability risks, although foreign exchange reserve buffers remain low and will take time to rebuild. Moreover, while fiscal strength has weakened with higher debt levels largely as a result of currency depreciation, ongoing fiscal reforms, including through the country's International Monetary Fund program, will mitigate risks related to debt sustainability and government liquidity,"* the ratings agency said in a statement published last Monday.

Egypt Ponders Fresh Bond Sales.

Egypt's Finance Minister, Mohamed Maait suggested earlier today that his country was considering issuing three bonds during the current 2019/20 fiscal year including Islamic, green and variable-yield paper. Egypt raised US\$2 bio via three Eurobond tranches (4Y, 12Y and 40Y) last month.

ADES Seals Two Drilling Contracts In Kuwait.

The UAE based Ades International announced earlier today that it had won its first onshore deep drilling contracts in Kuwait. The two contracts were awarded by Baker Hughes and each come with an initial two-year term. *"We are extremely pleased to secure our first onshore deep drilling LSTK contract with Baker Hughes. This represents a major step towards our strategic objectives and underpins ADES's ability to deliver drilling services under a LSTK contracting model. In addition, it further supports our expansion into the high potential market of Kuwait following the Weatherford acquisition and offers greater backlog visibility,"* the CEO of Ades, Dr Mohamed Farouk, was quoted as saying by the 'Proactive Investors' website.

CAE Signs Simulator Deal With Emirates Airlines.

Emirates Airlines has purchased two Boeing 777X full-flight simulators from the Canada based CAE Inc according to the 'aerospace-technology' website. Emirates is the largest customer of the new upgraded 777 aircraft with firm orders of 126 such planes already in place. CAE is also reportedly planning to expand its flight training capacities in the Middle East region.

Number Of UK Visitors To The Arabian Gulf Continues To Rise – Colliers Int.

The annual number of UK residents travelling to the GCC is expected to rise by 22% to 2.8 mio by 2024 due to more competitive airfares, and continued interest to visit the region by leisure travelers a study, undertaken by Colliers International on behalf of the Arabian Travel Market, suggests. The primary destination for the bulk of these travelers will be the UAE, Danielle Curtis the Exhibition Director of the ATC was quoted as saying by the 'AME Info' website. *"Historically, the UK and the GCC have enjoyed excellent travel and tourism links and this trend is set to continue over the next four years despite the economic uncertainty surrounding Brexit and the bleak pound to dollar exchange rate. However, the UAE is expected to continue to be the preferred GCC destination for British tourists, welcoming a projected 2.23 million visitors by 2023. Saudi Arabia will follow with 251,000 visitors, while Oman will welcome 165,000, Bahrain 159,000 and Kuwait 5,000,"* she stated.

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	3/6	8/13	11/16	27/37	45/55	60/75	145/175
USD/SAR	3.7500/03	4/9	5/10	6/11	12/22	20/30	40/50	190/220
USD/KWD	0.30350/370	7/17	10/25	20/40	45/65	60/90	100/150	200/300
USD/OMR	0.38498/501	6/16	15/30	35/50	90/120	180/230	290/340	770/870
USD/BHD	0.37704/09	-5/+5	Par/+10	Par/+15	05/35	30/60	57/87	200/300
USD/MAD	9.6200/6400	20/120	50/250	75/375	250/650	550/1550	900/1900	2000/5000
USD/EGP NDF	16.1350	16.25/16.30	16.39/16.44	16.51/16.56	16.90/16.95	17.29/17.34	17.68/17.73	-
USD/JOD	0.7090/7100	40/90	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	362.74	364.00/366.00	366.00/368.00	368.00/370.00	376.00/379.00	385.00/389.00	395.00/399.00	(NAFEX)
USD/GHS NDF	5.6613	5.79/5.83	5.89/5.94	5.98/6.03	6.22/6.32	6.48/6.60	6.73/6.87	-
USD/TND	2.8300/8700	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
Crude Oil		Futures						
WTI	58.65							
Brent	63.95							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+25/31	+28/34	+37/43	+48/54	+58/64	+68/74	+78/84	+105/111
SAR SPREAD	+35/41	+41/47	+49/55	+57/63	+67/73	+78/84	+89/95	+120/126

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	2,684.44	(0.35)	(0.38)	0.21	6.11	21.0%	21.2%	21.9%
Abu Dhabi	Index	ADSMI	5,023.04	(0.40)	(0.47)	(0.15)	2.20	19.6%	19.9%	20.4%
KSA	Index	M1SAP	1,147.93	0.00	0.00	0.15	1.32	23.7%	21.9%	21.6%
Dubai	Equity	EMAAR	4.05	(1.46)	(1.70)	(1.94)	(1.94)	32.1%	32.4%	32.8%
Dubai	Equity	EMIRATES	11.90	1.71	(0.42)	1.71	39.26	29.3%	29.8%	30.8%
Abu Dhabi	Equity	ADCB	7.40	(1.07)	(1.07)	(1.99)	(9.31)	29.5%	29.7%	30.8%
Abu Dhabi	Equity	ETISALAT	16.32	(0.85)	(1.33)	0.12	(3.89)	18.6%	19.2%	19.5%
KSA	Equity	SABIC	93.40	0.65	3.78	2.64	(19.62)	22.7%	22.9%	22.9%
KSA	Equity	RJHI	64.10	(0.16)	1.42	3.05	12.70	22.9%	23.2%	23.8%

AND FINALLY...

Did you know that Libya's oil reserves are currently estimated to be around 50 billion barrels, the highest in Africa?

Glenn Wepener

Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

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