

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

- Trump Says He Has 'Signed Off' On A Partial Trade Deal With China.
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- Angola's Oil Production Falls Further.
- Sanctions Have 'Sharply Reduced' Iran's Access To FX – US Official.
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### REGIONAL COMMENTARY

#### Trump Says He Has 'Signed Off' On A Partial Trade Deal With China.

Overnight Tweets by President Trump and various media reports, suggest that Beijing and Washington have reached a trade 'agreement in principle.' However it also appears that this potential 'phase one' step does not involve any of the major structural changes by China that the US has been demanding. *"As former USTR Mike Froman put it, this should NOT be described as a trade agreement. It is a purchase and sale agreement that does virtually nothing to address substantive concerns of US (+rest of the world) with China's trade practices. +US farmers + consumers paid heavy price,"* Jennifer Hillman a senior fellow at the Council on Foreign Relations, stated via her own Twitter account. Hillman is also a former member of the US International Trade Commission (1998-2007). However the overnight news has generally been seen as a move forward at least, and consequently helped to push crude prices up by 1%.

#### More Worrying Signs For US Shale?

After experiencing an employment boom over the previous few years, the Permian Basin has recorded hundreds of non-farm job losses during the first 10 months of this year according to a recent report published by the Dallas Fed. *"Permian Basin job growth has been sluggish this year. This marks the first time since 2016 that Permian Basin employment has lagged Texas job growth,"* the report read. Meanwhile a 'Dallas News' article stated that house prices in the area are also beginning to slip, with the average home price falling by 2.60% in October. All this seems to be yet further signs that the shale sector is losing some of its mojo, and a few Texas based experts are now beginning to question EIA and IEA predictions for further US shale oil output growth in 2020. *"All I know is, after 47 years, they're usually wrong, I can't remember another time when oil was US\$ 55 and the industry was in such shambles,"* the CEO of Earthstone Energy, Frank Lodzinski, was quoted as saying by Bloomberg about such predictions late last month.

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### **Angola's Oil Production Falls Further.**

Angola's crude oil output continues to shrink, falling to 1.356 mio bpd in October, its lowest level in more than ten years according to the latest data released by OPEC. The main drivers for this situation in Africa's second largest producer, are a combination of its aging offshore fields and the lack of investment into new projects over the past few decades.

### **Sanctions Have 'Sharply Reduced' Iran's Access To FX – US Official.**

The US Special Representative for Iran, Brian Hook, claimed this week that recently declassified data on the state of Iran's foreign exchange holdings, suggests that the Iranian government now only has access to an estimated US\$10 bio worth of hard currency due to the impact of sanctions. *"The regime is struggling to acquire the foreign currency they need to procure imports such as machinery, industrial inputs and consumer goods. Given the current sanctions on all of Iran's top revenue generating exports, this is simply not sustainable for the regime. According to US government analysis, Iran currently has around US\$100 billion in foreign exchange reserves. Of that, only about 10% is immediately accessible to Iranian authorities. That is US\$10 billion,"* Hook was quoted as saying by the 'VOA' media outlet, adding that the remaining US\$90 bio is currently "locked up" by other countries, most of it in escrow accounts, that those states have barred Iran's access to because of US financial sanctions.

### **FITCH Downgrades Its Ratings On Lebanon Again.**

The FITCH ratings agency lowered its credit rating on Lebanon from CCC to CC yesterday, due to the growing risk that the country will be forced to restructure or default on its debt load soon. *"Indications of recession, together with restricted access to bank deposits and goods shortages magnify the risk of further social unrest. Rationing of US dollars to prioritize repayment of government debt may become a more politically charged issue,"* the agency's statement read, adding that a debt restructuring or default was now; *"probable owing to acute political uncertainty, de facto capital controls and damaged confidence in the banking sector."* Meanwhile the country's caretaker Prime Minister, Saad Hariri, claimed via Twitter yesterday that he had approached the IMF and the World Bank to discuss possible remedies to his country's worsening economic crises.

### **Turkey's CB Lowers Its Benchmark Rate By 200bps.**

Turkey's Central Bank slashed its benchmark interest rate by 2% to 12% in somewhat of a surprise move at its MPC meeting yesterday. *"Thanks to the stable course of the Turkish lira as well as the developments in domestic demand conditions and producer prices, core inflation indicators have displayed a mild trend,"* a CB statement explaining its decision read.

### **Ghana's Inflation Rate Rises.**

Ghana's inflation rate rose to 8.20% y/y last month from 7.70% y/y in October according to the country's official statistics department. This upward shift in CPI to a four-month high comes as the local currency continues to follow a weakening bias, having fallen over 13% against the US dollar so far this year.

### **UAE Expected To Seek Further Investment Opportunities In Africa.**

The UAE is currently the second-largest investing country in Africa after China, with the Abu Dhabi Fund for Development leading that charge having funded over 66 projects worth a total of US\$16.60 bio in 28 African countries thus far, according to the 'African Business' magazine. Meanwhile trade between SSA countries and the UAE hit US\$22 bio last year, making the UAE the continent's 5<sup>th</sup> largest trading partner behind Europe, China, India and the US. This commercial relationship looks set to deepen in the coming years, according to a Standard Chartered executive earlier this month. *"It wasn't an important market for the UAE for a while, but now, especially for me in my role in the last 12 months, the amount of interest that I'm seeing from our UAE clients for African investment is unbelievable. I think it is going to be probably at some record level, especially, from what I'm hearing in terms of discussion that are happening at government-to-government level,"* Saif Malik was quoted as saying by the UAE's 'National' newspaper.

### **New Solar Plant Inaugurated In Tunisia.**

ENI Tunisia BV and ETAP inaugurated their 5MW solar power plant in the Tataouine province of Tunisia earlier this week. The plant's hybrid generation system, combining gas, solar power and storage, is

considered to be one of the most innovative in the world, and will sell the energy generated to the 'Societe Tunisienne de l'Electricite et du Gaz' according to a statement by ENI.

### Oman Launches Major Marine Farm.

The Middle East region's largest industrial marine farm was officially inaugurated in Oman yesterday. "Industrial reefs are defined as marine habitats that are designed and manufactured from environmentally friendly materials and in various models that are compatible with the depths and target marine creatures, where they are landed on the seafloor, especially in areas that lack the presence of natural coral reefs," the Director-General of Fish Resources Development at Oman's Ministry of Agriculture and Fisheries, Abdulaziz bin Saeed Al Marzouqi, was quoted as saying by the 'Times of Oman' newspaper yesterday.

### 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	3.6730/31	Par/+3	3/8	9/14	22/32	38/48	55/65	150/180
USD/SAR	3.7504/06	-2/+1	-2/+3	-2/+3	Par/+10	10/20	27/37	160/190
USD/KWD	0.303330/360	7/17	10/25	20/40	45/65	60/90	95/125	200/300
USD/OMR	0.38498/501	8/18	15/30	35/50	90/120	180/230	290/340	750/850
USD/BHD	0.37702/707	-5/+5	-5/+5	-5/+10	5/20	25/55	57/87	180/280
USD/MAD	9.5650/5850	20/120	50/250	75/375	250/650	550/1550	900/1900	2000/5000
USD/EGP NDF	16.1200	16.25/16.30	16.37/16.42	16.48/16.53	16.87/16.92	17.27/17.32	17.67/17.72	-
USD/JOD	0.7090/7100	40/90	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	362.99	364.50/366.50	366.50/368.50	368.50/370.50	376.00/381.00	385.00/390.00	396.00/400.00	(NAFEX)
USD/GHS NDF	5.8400	5.86/5.91	5.98/6.03	6.07/6.12	6.32/6.42	6.57/6.72	6.82/6.97	-
USD/TND	2.8200/8500	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
Crude Oil	Futures							
WTI	59.65							
Brent	64.85							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+26/32	+28/34	+34/40	+41/47	+50/56	+59/65	+69/75	+96/102
SAR SPREAD	+35/41	+41/47	+47/53	+54/60	+63/69	+74/80	+85/91	+116/122

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	2,722.43	0.33	1.03	1.63	7.62	21.0%	21.2%	21.9%
Abu Dhabi	Index	ADSMI	5,036.46	(0.07)	(0.20)	0.11	2.47	19.6%	19.9%	20.4%
KSA	Index	M1SAP	1,183.38	0.70	3.09	3.24	4.45	23.7%	21.9%	21.6%
Dubai	Equity	EMAAR	3.99	(0.25)	(3.16)	(3.39)	(3.39)	32.1%	32.4%	32.8%
Dubai	Equity	EMIRATES	12.60	0.80	5.44	7.69	47.45	29.3%	29.8%	30.8%
Abu Dhabi	Equity	ADCB	7.61	0.40	1.74	0.79	(6.74)	29.5%	29.7%	30.8%
Abu Dhabi	Equity	ETISALAT	16.44	(0.24)	(0.60)	0.86	(3.18)	18.6%	19.2%	19.5%
KSA	Equity	SABIC	89.70	(3.34)	(0.33)	(1.43)	(22.81)	22.7%	22.9%	22.9%
KSA	Equity	RJHI	62.50	(1.73)	(1.11)	0.48	9.89	22.9%	23.2%	23.8%

### AND FINALLY...

Did you know that Namibia is home to the world's oldest desert? According to scientists, the Namib Desert is over 55 million years old.

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