

Market Insights & Strategy Global Markets

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Oil Prices Rise As OPEC Production Drops.

Crude prices rose further last week on the back of various drivers including; an 800,000 bpd fall in overall OPEC production and a worsening of the political/social situation in Venezuela combined with fresh US sanctions on the Maduro regime. Meanwhile Iranian crude production fell to 2.75 mio bpd last month, a more than 1 mio bpd drop compared to May last year and its lowest officially recorded output level since October 2014.

Europe Should Withdraw From Iran Nuclear Accord – US VP.

The US Vice President, Mike Pence has criticized the EU for looking at ways for European firms to circumvent US sanctions on Tehran and for staying in the JCPOA accord. "The time has come for our European partners to stop undermining US sanctions. The time has come for the EU to withdraw from the Iran nuclear deal," Pence was quoted as saying by the Wall Street Journal during a security conference in Germany last Saturday. His comments follow those made earlier in the week by the US Secretary of State, Mike Pompeo who claimed that: "You can't achieve stability in the Middle East without confronting Iran, it's just not possible. There are malign influences in Lebanon, Yemen, Syria and Iraq. The three H's: the Houthis, Hamas and Hezbollah, these are real threats." However Germany's Chancellor, Angela Merkel projected an opposing view when it came specifically to the JCPOA saying, "I see the ballistic missile program, I see Iran in Yemen and above all I see Iran in Syria. The only question that stands between us on this issue is, do we help our common cause, our common aim of containing the damaging or difficult development of Iran, by withdrawing from the one remaining agreement? Or do we help it more by keeping the small anchor we have in order maybe to exert pressure in other areas?"

Decision To Postpone Nigerian Elections Could Reduce Turnout.

The surprise decision by Nigeria's electoral commission to delay the national vote just five hours before polling stations were due to open last Saturday could also impact overall voter turnout. The election is now due to take place on February 23rd but businesses, who shut down last Friday and Saturday in preparation for the event, will likely be wary of doing the same again this ...

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...weekend, as will the large numbers of individuals who made the journey back to their home towns in order to cast their ballots. This in turn could affect the election's overall participation rate and has increased tension between the country's main political parties. The commission has defended its decision saying it was taken due to unprecedented "logistical challenges."

Saudi Arabia Signs US\$20 Bio In Commercial Deals With Pakistan.

Saudi Arabia has signed a series of commercial agreements with Pakistan worth over US\$20 bio in an effort to both support the Asian country's struggling economy and for potential investment opportunities. The deals include funding for a huge oil refining complex in Gawdar as well as significant Saudi investment in the mineral, agricultural and food sectors. The various MOU's were signed in the presence of the Kingdom's Crown Prince, Mohamed bin Salman and Pakistan's Prime Minister, Imran Kahn on Sunday. "Just consider me the ambassador of Pakistan in Saudi Arabia. We believe that Pakistan is going to be a very, very important country in the coming future, and we want to be sure that we are part of that," the Crown Prince was quoted as saying by the 'Arab News' media outlet during his two-day visit to Islamabad. He will now head to India and China on the next leg of his official Asian tour. Last year Saudi Arabia provided Pakistan's Central Bank with US\$3 bio to help support the PKR and a US\$3 bio soft loan in order to help prevent a current account crisis.

Oman's Budget Deficit Narrows.

Oman's 2018 budget deficit ended last year at OMR 2.7 bio its lowest level since 2014 and down from an initially projected level of OMR 3 bio according to the latest official data. Meanwhile the IMF does not expect the Gulf country to experience a credit crunch, as long as it continues to make progress with its economic reforms. "Oman needs to keep on the adjustment agenda that was articulated a few years back when we saw a drop in oil price. I think it's very important to keep and accelerate some of the highlighted reforms like the introduction of the VAT. If they do the right steps, they are not heading to a credit crunch," the IMF's regional director was quoted as saying last week by Reuters.

S&P Lowers DAMAC Ratings.

S&P said today that it had lowered its long-term issuer rating on Damac Real Estate Development Limited from BB to BB- albeit with a stable outlook. "We lowered the rating because we foresee the weakening of Damac's credit metrics over the next two years as residential prices in Dubai decline. In our view, this situation will lead to a decrease in Damac's presales, operating margins, and profitability," an S&P statement read.

Tunisia's GDP Expanded By 2.50% In 2018.

According to the latest government data, Tunisia's economy expanded by 2.50% last year from 1.90% in 2017. Meanwhile the government is seeking ways to combat the issue of chronic tax evasion in the North African country which one minister suggested could total close to US\$8.3 bio.

UAE Signs Major Defence Contracts During IDEX 2019.

The UAE signed deals worth almost AED 5 bio during the first day of the International Defence Exhibition which kicked off this past Sunday in Abu Dhabi. According to the 'Gulf News' media outlet these deals included a AED 1.3 bio contract to purchase patriot missiles from US based Raytheon, a AED 1.1 bio agreement with Australia's EOS Defence company for electronic naval systems and a AED 127 mio contract with India's Ordnance Factory for various types of ammunition and related supplies for the UAE army.

SAMI Aims To Become Major Contributor Towards KSA's Diversification Effort.

According to the 'Arab News' website, the Saudi Arabian Military Industries Company has signed a joint-venture deal with France's Naval Group to build warships. The deal forms a part of the Kingdom's plan to build up its domestic arms sector and nationalize up to 50% of the country's defence spending by 2030. SAMI's CEO, Dr Andreas Schwer, announced today that the company has agreed to 19 JV projects since last year and should sign another 25-30 over the next five years. He also said that he expects the company's revenues to hit US\$10 bio during the same timeframe.

Nissan Agrees To Build Assembly Plant In Algeria.

Nissan Motor Company has reportedly signed a joint-venture agreement with Algeria's Hasnaoui Group to establish a car assembly plant in the Oran province. Hasnaoui will retain a 51% share in the JV and vehicle production is scheduled to start during the first half of next year.

Cairo Is World's Most Budget Friendly Tourist Destination.

The UK based online travel firm, 'Last Minute' has ranked Cairo at the number one spot on its latest global list of 'budget-friendly' destinations. The list measures cities using a series of criteria including the cost of accommodation, food and transport. Cairo is followed by Mexico City and Antalya.

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	1/4	2/7	3/8	10/20	15/25	30/40	90/120
USD/SAR	3.7502/05	1/4	2/7	3/8	15/25	35/45	70/85	230/280
USD/QAR	3.6540/70	-5/Par	-10/Par	-10/par	-10/+5	-10/+5	-10/+10	10/80
USD/KWD	0.30370/380	2/7	4/14	5/15	15/30	20/40	30/50	25/125
USD/OMR	0.38500/503	13/23	30/45	55/75	130/170	240/290	380/430	925/1025
USD/BHD	0.37700/03	10/20	20/40	30/50	70/100	120/170	150/200	400/500
USD/MAD	9.5050/5250	50/150	150/350	300/700	900/1400	1600/2600	2000/2500	4000/7000
USD/EGP NDF	17.5600	17.64/17.69	17.79/17.84	17.93/17.98	18.39/18.44	18.88/18.93	19.38/19.43	-
USD/JOD	0.7088/7098	40/90	50/150	100/200	175/375	250/550	350/650	500/1500
USD/NGN NDF	361.50	364.00/3.65.00	367.00/368.50	369.50/370.50	379.00/382.00	389.00/394.00	398.00/403.00	(NAFEX)
USD/GHS NDF	5.2800	5.2500/5.3000	5.3200/5.3700	5.4100/5.4600	5.6000/5.7000	5.8100/5.9100	6.0300/6.1100	-
USD/TND	3.1000/1400	500/1000	1000/2000	1300/2300	2500/4000	3000/4500	3500/5500	5000/7500
Crude Oil		Futures						
WTI	55.82							
Brent	66.00							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+20/26	+26/32	+39/45	+54/60	+68/74	+80/86	+91/97	+120/126
SAR SPREAD	+31/37	+43/49	+54/60	+65/71	+75/81	+86/92	+97/103	+129/135

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

AND FINALLY...

Did you know that aside from the Economist's famous "Big-Mac Index" (which informally indicates the PPP of countries around the world using a McDonalds Burger), there is also a "KFC Index" devised by Sagaci Research which focuses purely on the PPP amongst countries on the African continent?

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