

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **OPEC+ Prepares To Extend Output Cut Agreement.**

OPEC members are due to begin their two-day summit in Vienna today, where they will be joined by the various NOPEC signatories to the output cut agreement. Indications are that most participating producers have already agreed to extend this agreement for at least six-months and at the same levels already set previously for each signatory. Such a decision became an almost certainty after the Russian President, Vladimir Putin, announced during the G20 gathering that both his country and Saudi Arabia supported another extension despite Moscow's earlier reservations. *"We will support the extension, both Russia and Saudi Arabia. As far as the length of the extension is concerned, we have yet to decide whether it will be six or nine months, maybe it will be nine months,"* Putin stated. Meanwhile crude prices edged higher again overnight following his comments and the news that both Washington and Beijing had agreed to restart negotiations on their bilateral trade relations, and were suspending the implementation of any new tariffs for now.

#### **Canada's Oil Sector Faces New Challenge.**

Canada's oil sector which is still trying to recover from the collapse in oil prices between 2014-16 and ongoing environmental/logistical hurdles in trying to get its local crude production to market is facing yet another issue. According to the 'JWEnergy' website, the US state of Michigan wants to shut down a key pipeline which currently carries around 500,000 bpd of oil to refineries in Ontario due to the potential pollution threat the aging Enbridge-5 network poses to the Great Lakes region. The 1,000km pipeline (which is now almost 70 years old) runs from Wisconsin, through Michigan to the Straits of Mackinac, where Lake Michigan meets Lake Huron. It then crosses the St. Claire River terminating at the refinery complex in Sarnia, Ontario. The closure of Enbridge-5 would cutoff flows to one of Canada's primary refining centres. *"I have consistently stated that Enbridge's pipelines in the Straits need to be shut down as soon as possible because they present an unacceptable risk to the Great Lakes,"* Michigan's attorney-general, Dana Nessel was quoted as saying last week.

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### **Iran Cracks Down On Bitcoin Operators As Power Consumption Spikes.**

According to the 'Verge' news site the Iranian authorities recently seized hundreds of computers at two separate sites, which were allegedly being used to illegally mine Bitcoin and that in turn were consuming over 7% of the country's daily power supply. The move comes as US sanctions continue to bite sharply into the Iranian government's revenues and it thus looks for ways to reduce its expenditure. Electricity subsidies already cost the public purse an estimated US\$1 bio per annum and the consumption of 1MW of power by the crypto-currency miners alone was putting further stress on the grid. The 'coin-desk' website claims that Bitcoin related activity in Iran has jumped over the past 12 months as citizens seeks ways to protect their wealth both from sanctions and a weakening local currency, whilst local crypto-mining operators have been benefiting from cheap domestic electricity prices that are as low as US\$ 0.006 per kilo-watt hour due to the heavy government subsidy.

### **Bahrain Recalls Ambassador After Embassy Stormed In Iraq.**

Bahrain has reportedly recalled its ambassador to Iraq after its embassy there was stormed last Thursday by protestors who allegedly objected to the recent Israeli-Palestinian peace conference held in the Kingdom. "The Ministry of Foreign Affairs of the Kingdom of Bahrain condemns the attack on the Embassy of the Kingdom of Bahrain to the Republic of Iraq by the demonstrators which led to sabotage in the embassy building," a statement issued by the Ministry and published by Gulf News read. You can access the full story [here](#).

### **Abu Dhabi Unveils Support Package For Private Sector.**

The Abu Dhabi government last week unveiled a three-year stimulus package for small & medium sized businesses in the Emirate. The package includes a 75% government guarantee for new bank loans extended to companies with an annual turnover of AED 15 – 250 mio, lower electricity charges for industrial firms and a 30-day payment guarantee for suppliers and contractors to government led eco-tourism development projects. You can read more on this initiative [here](#). Meanwhile the UAE's VAT revenues for 2018 came in better than expected totaling AED 15 bio last year compared to an original forecast of AED 12 bio.

### **SAMA's FX Reserves Rise.**

The foreign exchange reserves managed by Saudi Arabia's central bank rose by US\$12 bio in May to US\$517 bio according to the latest official data.

### **UAE Eyes Second Major Solar Power Project.**

The UAE's Minister for the Environment, Dr Thani al Zeyoudi, announced yesterday that the UAE has begun accepting tenders for a 2GW solar power project which will be established at Al Dhafra in the Emirate of Abu Dhabi. "I am excited to announce a new 2 gigawatt solar project in the Al Dhafra region here in Abu Dhabi, this will eclipse the record-breaking 1GW Noor Abu Dhabi Plant. We have targets and will continue on a yearly basis to come up with new projects to achieve these targets. The bid is open to everyone," Al Zeyoudi was quoted as saying by the Gulf News media outlet.

### **NEOM Airport Becomes Operational.**

Commerical flights to and from a new airport situated within Saudi Arabia's vast NEOM diversification project began last week and is the first such facility in the region to provide a 5th generation wireless network. The US\$500 bio NEOM development which will include high-tech manufacturing and tourism zones within Saudi Arabia, Jordan and Egypt was launched in late 2017 and forms a key part of the Kingdom's 'Vision 2030' program.

### **DP World Buys Topaz.**

Dubai based DP World has acquired the oil services firm, Topaz Energy & Marine from Oman's Renaissance Services for US\$1.08 bio according to a Reuters report this morning.

### **Etihad Rail Awards US\$1.2 Bio In New Contracts.**

The UAE's Etihad Rail company has awarded US\$1.2 bio in contracts to the China Railway Construction Company and the Abu Dhabi based Ghantoot Transport & General Contracting firm for the construction of a freight railway link between Abu Dhabi's Khalifa Port and Dubai's Jebel Ali facility.

## 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	5/10	11/16	20/30	35/45	45/55	120/150
USD/SAR	3.7501/04	-2/+1	-2/+3	Par/+7	10/20	30/45	68/88	250/300
USD/QAR	3.6590/6600	-8/-5	-40/-30	-65/-45	-90/-70	-95/-65	-100/-75	-125/-75
USD/KWD	0.30365/385	2/7	5/10	7/17	20/35	25/45	40/60	10/80
USD/OMR	0.38499/502	15/25	30/50	60/80	135/165	230/280	350/400	780/880
USD/BHD	0.37698/703	7/12	15/25	20/30	50/70	70/100	110/140	300/400
USD/MAD	9.5900/6200	60/160	150/350	300/700	900/1400	1600/2600	2000/3000	3500/6500
USD/EGP NDF	16.70	16.83/16.88	16.97/17.02	17.13/17.18	17.56/17.61	18.00/18.05	18.46/18.51	-
USD/IOD	0.7084/89	30/80	50/150	80/180	200/400	300/500	400/600	700/1700
USD/NGN NDF	360.56	36125/362.25	362.25/363.25	364.00/365.50	369.25/371.75	376.00/378.00	384.00/387.00	(NAFEX)
USD/GHS NDF	5.3800	5.43/5.48	5.47/5.52	5.52/5.57	5.66/5.76	5.84/5.94	6.05/6.15	-
USD/TND	2.8850/9050	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
<b>Crude Oil</b>		<b>Futures</b>						
WTI	60.20							
Brent	66.65							

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

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+24/30	+29/35	+39/45	+49/55	+60/66	+71/77	+82/88	+110/116
SAR SPREAD	+38/44	+45/48	+52/60	+60/66	+68/74	+78/84	+89/95	+119/125

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

## GCC EQUITY MARKETS

Market	Underlying	BBG ticker	Spot	Equity Price Moves				ATM Implied Vols		
				1D %	Wtd %	Mtd %	Ytd%	3M	6M	1Y
Dubai	Index	DFMGI	2,656.42	- 0.08	1.11	- 0.08	5.01	20.1%	20.7%	21.3%
Abu Dhabi	Index	ADSMI	4,979.67	- 0.01	- 0.24	- 0.01	1.31	19.9%	20.4%	21.2%
KSA	Index	MISAP	1,306.61	0.00	0.00	0.00	15.33	23.6%	22.0%	21.9%
Dubai	Equity	EMAAR	4.45	- 0.45	0.45	- 0.45	7.75	30.9%	31.1%	31.5%
Dubai	Equity	EMIRATES	11.30	- 0.44	3.67	- 0.44	27.11	27.5%	27.6%	29.3%
Abu Dhabi	Equity	ADCB	8.40	0.36	0.96	0.36	2.94	27.4%	27.8%	28.3%
Abu Dhabi	Equity	ETISALAT	16.68	0.00	0.12	0.00	- 1.77	18.3%	18.6%	18.8%
KSA	Equity	SABIC	114.80	0.17	0.53	0.17	- 1.20	26.9%	27.1%	28.2%
KSA	Equity	RJHI	69.90	0.29	0.57	0.29	22.90	27.5%	27.8%	28.2%

## AND FINALLY...

Did you know that the guitar as we know it today, originated from the Arabic oud – a lute with a bent neck?  
During the Middle Ages, it found its way to Spain, where it was referred to then as the “qitara.”

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