

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

US Crude Output Slips Again- Venezuelan Exports Rebound.

According to the latest EIA data, US oil production slipped to 12.1 mio bpd last week a 300,000bpd gap from its all-time high and the third weekly drop in a row. Meanwhile Venezuela's crude exports somewhat surprisingly rose back above the 1 mio bpd mark last month, albeit due primarily to an increase in shipments to China (oil-for-loan payments), a study by Refinitiv revealed. Oil prices in general have eased back from Monday's highs due to continued concerns over the outlook for global economic growth, especially after the White House turned its trade gun back towards Europe this week by threatening to impose import tariffs on US\$4 bio of other EU goods on top of the US\$21 bio already announced in April. *"Today, the Office of the US Trade Representative is issuing for public comment a supplemental list of products that could potentially be subject to additional duties,"* an official statement read. The EU products affected include: ham, pasta, olives and many types of cheeses, such as provolone, edam and gouda.

Iran Threatens To Restart Reactor Work If EU Misses Deadline.

The Iranian President warned this morning that his country could restart the development of its nuclear reactor in Arak unless the European Union *"fulfills its commitments."* Such a move could enable Iran to eventually produce plutonium. *"Return to logic, the negotiating table, mutual understanding, respect for the law and the UN Security Council's resolutions, and under these conditions we all will abide by the JCPOA. We will remain committed to the deal as long as the other parties live up to their commitments,"* Rouhani was quoted as saying by the state-run Mehr news agency during today's cabinet meeting. He also reportedly added that if the EU was unable to make real progress in assisting Tehran on this issue by the previously announced deadline of Sunday 7th July, then Iran would begin raising its uranium enrichment level above the 3.67% cap.

Nigeria To Sign African Free-Trade Agreement.

After failing to sign-up to the 'African Continental Free Trade Area' accord at a summit of African leaders in Rwanda last year, the Nigerian

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President, Muhammadu Buhari's office announced late yesterday that his country planned to enter the trade pact at the next African Union summit, which is due to be held in Niger on July 7th. Up to now Nigeria was one of only three of the AU's fifty-five members who have not yet signed up to AFCFTA. The accord aims to eliminate tariffs between all of the signatory states and thus open up a market of 1.2 bio people with a combined GDP of over US\$2 trio.

IMF Warns Lebanon's CB Against T-Bill Plan.

The IMF has reportedly warned Lebanon's Central Bank against agreeing to a government proposal that the Apex bank purchases domestic T-Bills at below the true market rate. The proposal initially involved the Finance Ministry issuing LBP 11 trillion in bills, which would then be offered to local banks at just 1% in order to cut the country's debt servicing costs. However since the banks have apparently rejected the idea the Finance Minister was quoted by Bloomberg as suggesting earlier today that the Central Bank could buy the bills instead. *"Buying the proposed low-interest government debt would worsen the BdL's balance sheet and undermine its credibility. The BDL should gradually phase out its financial operations once fiscal adjustment and the subsequent decline in yields demanded by investors allow it to do so,"* an IMF statement on this issue read.

An ARAMCO IPO Is Still On The Cards.

The Kingdom's Energy Minister, Khalid al Falih, stated yesterday that the long-awaited IPO of Saudi Aramco remains firmly within the government's plans and will take place. *"The IPO process was never fully suspended. We have always been clear that the IPO will happen in the 2020-2021 timeframe, we have never stopped talking about the IPO,"* al Falih was quoted as saying by Reuters, adding too that now that the company's bond sale was conducted successfully and its purchase of SABIC is nearing completion, *"we are ready to start planning for the IPO."*

Saudi Arabia Raises EUR 3 Bio Via Latest Eurobond Issuance.

Saudi Arabia's debut EURO denominated bond issue raised EUR 3 bio via two tranches and attracted EUR 14.50 bio in orders yesterday. The funding raised was split between an eight-year (EUR 1 bio) and a twenty-year (EUR 2 bio) tranche. The spread over mid-swaps was 80bp and 140bp respectively.

UAE To Allow 100% Foreign Ownership In 13 Sectors.

The UAE government announced yesterday that 122 activities across 13 sectors of the economy, including renewable energy, manufacturing, logistics, hospitality and communications will now be eligible for up to 100% foreign ownership. *"Our goal is to open and expand economic sectors, attract new investors and cement the global competitiveness of our national economy,"* the Prime Minister of the UAE and Ruler of Dubai, Sheikh Mohammed bin Rashid, was quoted as saying by the National newspaper yesterday, adding that the *"Local governments across the seven Emirates of the UAE, will determine the percentage of ownership in each activity according to their circumstances."* Up to now foreign investors could hold a maximum 49% stake in a UAE registered company, unless it was based within a designated free trade zone. You can read more on this story [here](#).

Sao Tome & Principe's Debt Load Is "Serious" – IMF.

Sao Tome & Principe's public debt position has become *"virtually uncontrolled"* and is now an extremely serious issue that will require the government to implement *"very difficult measures"* urgently, including the removal of state-funded fuel and electricity subsidies, in order to stabilize the situation an IMF official was quoted as saying late last week by the 'MacauHub' news site. According to the latest available IMF and World Bank data the country's total debt-to-gdp ratio is approaching 100% whilst its FX reserves are now only able to cover about 1.4 months of imports.

Kenya & KSA's PMI Indexes Rise In June.

The seasonally adjusted Emirates NBD Purchasing Managers Index for Saudi Arabia edged up slightly to reach an 18-month high of 57.40 last month from 57.30 in May. Meanwhile a similar private sector monitoring index in Kenya (the Markit-Stanbic PMI) jumped to 54.30 in June from 51.30 the previous month driven by a strong rise in new orders according to Reuters.

Halliburton Wins US\$590 Mio Contract In Kuwait.

US based Halliburton has been awarded a KWD 181 mio three-year offshore oil exploration contract from the Kuwait Oil Company according to the 'Rigzone' website.

FL Smidth Seals ESC Contract in Morocco.

The Danish engineering firm, FL Smidth, has won the contract to build and commission a 3,600 ton cement plant in Morocco.

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	8/13	18/28	30/40	40/55	110/140
USD/SAR	3.7502/05	-2/+1	-1/+2	Par/+7	12/22	30/45	60/75	200/250
USD/QAR	3.6580/6590	-25/-20	-50/-40	-55/-40	-70/-55	-80/-60	-110/-60	-150/-50
USD/KWD	0.30370/390	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	3/8	7/17	15/30	40/60	60/90	90/120	300/400
USD/MAD	9.5650/5950	60/160	150/350	300/700	900/1400	1600/2600	2000/3000	3500/6500
USD/EGP NDF	16.70	16.70/75	16.81/87	16.95/17.00	17.33/17.38	17.80/17.85	18.25/18.30	-
USD/JOD	0.7084/89	30/80	50/150	80/180	200/400	300/500	400/600	700/1700
USD/NGN NDF	360.30	361.00/362.00	362.10/363.60	363.80/365.30	369.00/371.50	375.50/377.50	383.50/386.50	(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	2.8400/8800	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
Crude Oil	Futures							
WTI	56.80							
Brent	63.05							

** (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	+38/44	+48/54	+60/66	+71/77	+81/87	+108/114
SAR SPREAD	+39/45	+45/51	+52/58	+59/65	+67/73	+78/84	+88/94	+118/124

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	2,666.04	- 0.48	1.52	0.28	5.39	20.1%	20.7%	21.3%
Abu Dhabi	Index	ADSMI	4,989.38	0.21	- 0.05	0.19	1.51	19.9%	20.4%	21.2%
KSA	Index	MISAP	1,310.25	- 0.19	0.28	0.28	15.65	23.6%	22.0%	21.9%
Dubai	Equity	EMAAR	4.45	- 1.33	0.68	- 0.45	7.75	30.9%	31.1%	31.5%
Dubai	Equity	EMIRATES	11.40	- 0.44	4.59	0.44	28.23	27.5%	27.6%	29.3%
Abu Dhabi	Equity	ADCB	8.35	- 1.18	0.60	- 0.24	2.33	27.4%	27.8%	28.3%
Abu Dhabi	Equity	ETISALAT	16.76	- 0.12	0.48	0.48	- 1.30	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	70.00	0.29	0.57	0.43	23.08	27.5%	27.8%	28.2%

AND FINALLY...

Did you know that although forming a part of the 'fertile crescent' only about 12% of Iraq's land mass is suitable for agriculture?

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