

Market Insights & Strategy

Global Markets

5th July 2019

MIDDLE EAST & AFRICAN MONITOR

- Tanker Carrying Iranian Crude To Syria Boarded By British Royal Marines.
- Cuban Oil Firm Hit By US Sanctions.
- Kuwait & KSA May Be Close To Agreement Over Neutral Zone.
- Algeria's Parliamentary Speaker Resigns.
- Nigeria Instructs Banks To Boost Lending.
- Egypt Removes Fuel Subsidies.
- Zambia Postpones Implementation Of GST Again.
- Morocco's Growth Rate Slows.
- Etihad Rail Seeks US\$2 Bio In Financing.
- SNC-Lavalin Awarded Engineering Services Contract In UAE.
- Tourists To UAE Offered Free SIM Cards.

REGIONAL COMMENTARY

Tanker Carrying Iranian Crude To Syria Boarded By British Royal Marines.

A super tanker carrying 2 mio barrels of Iranian crude was boarded by British forces off the coast of Gibraltar yesterday. The seizure of the vessel named *Grace I* and which is now berthed in Gibraltar, was reportedly undertaken by 20 Royal Marines from 42 Commando acting on the request of local port and customs authorities who believe the ship was planning to deliver its cargo to Syria's Baniyas refinery, a facility which has been subject to EU sanctions since 2014. The Syrian sanctions [directive](#) specifically describes the refinery as : "A subsidiary of the General Corporation for Refining and Distribution of Petroleum Products (GCRDPP), a section of the Ministry of Petroleum and Mineral Resources. As such it provides financial support to the Syrian regime." In reaction the Iranian Foreign Ministry reportedly summoned the UK ambassador to express its, "Very strong objection to the illegal and unacceptable seizure" of the tanker. According to data published by Refinitiv, the vessel was flying a Panamanian flag, but Panama's Maritime Authority has since claimed that the ship had been delisted from its records at the end of May. There was also an [article](#) published on the Lloyds Maritime Intelligence site which alleged that the same ship switched off its transponder before sailing around the southern Cape of Africa and heading towards Europe. President Trump's National Security Advisor, John Bolton, tweeted last night; "Excellent news: UK has detained the supertanker *Grace I* laden with Iranian oil bound for Syria in violation of EU sanctions. America & our allies will continue to prevent regimes in Tehran & Damascus from profiting off this illicit trade."

Cuban Oil Firm Hit By US Sanctions.

The state-owned oil company Cubametales has been hit by US sanctions for allegedly continuing to import Venezuelan crude in exchange for providing military assistance to Caracas. "Maduro is clinging to Cuba to stay in power, buying military and intelligence operatives in exchange for oil. Treasury's sanctions on Cubametales will disrupt Maduro's attempts to use Venezuela's oil as a bargaining tool to

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

Please click [here](#) to view our recent
publications on MENA and Global Markets

help his supporters purchase protection from Cuba and other malign foreign actors,” the US Treasury Secretary Steven Mnuchin was quoted as saying. You can access the full US Treasury’s official statement on the matter [here](#). Meanwhile the Caribbean island state’s Economy Minister, Alejandro Fernandez, has claimed that his government is investigating the use of cryptocurrencies in order to side-step US sanctions. *“We are studying the potential use of cryptocurrency in our national and international commercial transactions, and we are working on that together with academics,”* Fernandez was quoted as saying by Reuters.

Kuwait & KSA May Be Close To Agreement Over Neutral Zone.

Various media reports suggested yesterday that Saudi Arabia and Kuwait are close to reaching a breakthrough on an agreement to restart oil production at the Wafra and Khafji fields which lie within a 5,700km so called ‘neutral-zone’ along the borders of both countries. Production was halted back in 2009 following a disagreement over the extension of a historical concession to Chevron Corporation. If a deal can be achieved then the fields have the potential to eventually provide an additional 500,000bpd to the market. The next official discussions are due to take place later this month according to a Bloomberg article.

Algeria’s Parliamentary Speaker Resigns.

The President and speaker of Algeria’s Parliament, Mouad Bouchareb, resigned from his position earlier this week. His role will be assumed by the deputy speaker, Abdul Razzak Tarbash, until a new legislative President can be appointed. Bouchareb was the head of the ruling FLN party until May this year and protestors have been calling for him to stand down for weeks. Meanwhile the North Africa country’s current interim Head of State, Abdelkader Bensalah, has called on all parties and civil groups to come together and enter into a national dialogue over how and when a Presidential poll should be held, describing it as *“The best way to achieve the necessary consensus on all issues related to the Presidential election,”* and adding that, *“this dialogue is urgent because the country must regain its political and institutional normality as soon as possible to face economic and social uncertainties and threats to our national security, given a particularly complex external environment.”* You can read his full statement [here](#). His repeated call for dialogue comes just before his interim mandate expires on July 9th.

Nigeria Instructs Banks To Boost Lending.

Nigeria’s Central Bank has reportedly issued a circular to the country’s commercial banks instructing them to utilize at least 60% of their deposits for loans by the end of September, or they will be forced to place more funds at the CB at zero interest. *“To encourage lending to small businesses and consumers and more mortgages, these sectors shall be assigned a weight of 150% in computing the LDR. Failure to meet the above minimum LDR by the specified date shall result in a levy of additional Cash Reserve Requirement equal to 50% of the lending shortfall of the target LDR,”* the circular purportedly read according to the Naij.com news site. This move follows an earlier warning by the CB Governor, Godwin Emefiele, who said in May that Nigeria’s banks must boost their lending activity or have their access to risk-free assets like domestic T-Bonds curtailed.

Egypt Removes Fuel Subsidies.

Egypt’s Oil Ministry has increased the prices of diesel, petrol etc... from today as the government continues to pursue its economic reform program including the removal of remaining subsidies such as those on fuel. This move will reportedly save over EGP 50 bio per annum and allow the authorities to re-allocate EGP30 bio of this saving towards cash payments and allowances for the most vulnerable of Egypt’s citizens. The authorities have also raised electricity prices but only for those with high rates of consumption.

Zambia Postpones Implementation Of GST Again.

Zambia’s Finance Minister, Margaret Mwanakatwe, announced late last week that the government had decided to delay the implementation of a new sales tax to September 1st in order to allow for further consultation on the matter in parliament and with the business community. The leader of the opposition UPND party, Hakainde Hichilema has regularly criticized the government’s plan to replace VAT with GST. *“As we have argued before, GST is penal, more costly and difficult to collect. Overall, the GST introduction is likely to result in the Treasury collecting less tax revenue to support health, education, food security and other social services. GST will therefore hurt households, the general citizenry, savings, businesses (small/medium/large companies which will lead to further business closures and consequently more job*

losses). Without doubt, GST will slow down even further the already declining economic growth,” Hichilema was quoted as saying by the Lusaka Times newspaper.

Morocco's Growth Rate Slows.

Morocco's GDP growth slowed to 2.60% in Q2 of this year from 2.80% in the previous quarter according to the latest data provided by the country's national statistics agency. The change was attributed primarily to a dip in agricultural output due to lower than expected rainfall.

Etihaad Rail Seeks US\$2 Bio In Financing.

According to a Reuters article, Etihaad Rail is preparing to approach banks for around US\$2 bio in funding via a corporate loan to help finance the operator's planned expansion of the UAE's rail network.

SNC-Lavalin Awarded Engineering Services Contract In UAE.

Canada's SNC-Lavalin Group has won a 3-year 'Master Services' Contract from Emirates Global Aluminum to provide engineering and project management support services in addition to its existing resources in delivering operations capital projects at EGA's Al Taweelah and Jebel Ali smelter complexes, as well as the Al Taweelah aluminum refinery, according to the Middle East Utilities website.

Tourists To UAE Offered Free SIM Cards.

The Federal Authority for Identity & Citizenship in Abu Dhabi announced this week that, visitors to the country will soon be handed a free mobile phone SIM card pre-loaded with free data and call time by the immigration officer upon their arrival. According to an article in Gulf News the SIM cards will be valid for a month and will be automatically renewed if the tourist extends their visa.

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	10/15	20/30	40/50	50/65	110/140
USD/SAR	3.7502/05	-2/+1	-1/+2	Par/+7	12/22	30/45	60/75	200/250
USD/QAR	3.6575/85	-25/-20	-50/-40	-55/-40	-70/-55	-80/-60	-110/-60	-150/-50
USD/KWD	0.30390/410	2/7	5/10	7/17	20/35	27/47	45/65	50/150
USD/OMR	0.38498/501	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	9.5700/6000	60/160	150/350	300/700	900/1400	1600/2600	2000/3000	3500/6500
USD/EGP NDF	16.66	16.72/16.77	16.84/16.89	16.98/17.03	17.40/17.45	17.84/17.89	18.29/18.34	-
USD/IOD	0.7084/89	30/80	50/150	80/180	200/400	300/500	400/600	700/1700
USD/NGN NDF	360.29	361.00/362.00	362.00/363.50	363.75/365.25	369.00/371.50	375.75/377.75	383.75/386.75	(NAFEX)
USD/GHS NDF	5.43	5.48/5.53	5.52/5.57	5.57/5.62	5.71/5.81	5.89/5.99	6.10/6.20	-
USD/TND	2.8400/8800	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
Crude Oil		Futures						
WTI		56.60						
Brent		63.10						

** (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	+40/46	+46/52	+53/59	+61/66	+69/75	+80/86	+90/96	+120/126

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

AND FINALLY...

Did you know that a severe drought that recently shrunk the waters in Iraq's Mosul Dam's reservoir has also revealed the ruins of an ancient city which was established during the Bronze age? Archaeologists have dated their discovery to the time of the Mittani Empire, a Kingdom of the Middle East that ruled portions of Syria and northern Mesopotamia from the 15th century to the 14th century B.C.?

Glenn Wepener
Executive Director & Geopolitical Analyst
Middle East & Africa
Market Insight & Strategy
FAB Global Markets
Tel: +971-2-6110141
Mobile: +971-50-6415937
Email: GlennMaurice.Wepener@bankfab.com

Please click [here](#) to view our recent publications on MENA and Global Markets

Disclaimer: To the fullest extent allowed by applicable laws and regulations, First Abu Dhabi Bank (the “Bank”) and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an “as is” and “as available” basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.

The Bank processes your personal data to provide you with information or promotional and advertising communications on products, services, other events and campaigns. If you wish not to receive email from the Market Insights team at the Bank, please [click](#) here to send us your request to unsubscribe, and you shall no longer receive such information.

You are entitled according to the applicable laws to exercise your rights to access, to rectification, to erasure and to portability of your personal data, to restrict the use of and to object to the processing of your personal data. You may exercise your aforesaid rights by sending your request to FAB at the following address: privacy@bankfab.com.