

Market Insights & Strategy

Global Markets

8th July 2019

MIDDLE EAST & AFRICAN MONITOR

- **Iran Begins Enriching Uranium Beyond JCPOA Cap.**
- **Pessimistic Sentiment In US Shale Sector Due To Ongoing Financial Pressures.**
- **Nigerian Court Orders Seizure Of Ex-Oil Minister's Assets.**
- **Turkish President Appoints New CB Governor.**
- **Egypt Denies Talk Of Fresh IMF Loan.**
- **Mortgage Applications In UAE Rise Sharply.**
- **Lebanon's PMI Remains Weak.**
- **Kuwait's Property Market Under Pressure As Expats Leave.**
- **Iraq's Trade Bank To Open Office in China & Upgrade Gulf Operations.**
- **Saudi Airline Scraps 737-Max Order.**
- **Strata To Expand Its Aircraft Assembly Plant In UAE.**

REGIONAL COMMENTARY

Iran Begins Enriching Uranium Beyond JCPOA Cap.

Iran's Deputy Foreign Minister, Abbas Araghchi, announced yesterday that his country has begun enriching uranium towards the 5% level in order to provide fuel for its Bushehr reactor. Up to now the fuel to power the plant (enriched to 5%) was being provided by Russia. However under the terms of the JCPOA agreement of 2015, Iran was supposed to keep such domestic enrichment below 3.67% in exchange for the lifting of economic sanctions. *"This is to protect the nuclear deal, not to nullify it, this is an opportunity for talks, and if our partners fail to use this opportunity, they should not doubt our determination to leave the deal,"* Araghchi was quoted as saying by the NPR media outlet, adding that unless the EU and the other remaining signatories come up with a plan to ease the impact of US sanctions on his country within the next 60 days, then Iran would proceed to break another unspecified JCPOA term. In reaction to the news, the US Secretary of State, Mike Pompeo warned yesterday that Tehran's decision would lead to *"further isolation and sanctions,"* whilst an EU spokesperson said that, *"We strongly urge Iran to stop and reverse all activities inconsistent with its commitments under the JCPOA, we are in contact with the other JCPOA participants regarding the next steps."*

Pessimistic Sentiment In US Shale Sector Due To Ongoing Financial Pressures.

The Dallas Fed's most recent survey of the shale sector shows that its business activity index dropped to -0.6 in Q2 2019 from 10.8 in Q1. Meanwhile according to the 'Oilprice.com' website, one unnamed energy executive was quoted as saying in the survey that the dip in the oil price during Q2 had a sizeable effect on the sector, adding that the *"biggest impact has been the rapid and accelerating lack of investor interest in both conventional and unconventional oil and gas. The securities of oil and gas companies now sell at a fraction of what they once commanded. Huge losses in these shares hamper new exploration. It looks like another round of bankruptcies and mergers."* You can access the Dallas Fed's report [here](#).

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

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

Nigerian Court Orders Seizure Of Ex-Oil Minister's Assets.

Nigeria's High Court in Lagos has ordered the seizure of over US\$40 mio in assets belonging to one of the country's former oil ministers', Diezani Alison- Madueke. These assets include 419 bangles; 315 rings; 304 earrings; 267 necklaces; 189 wristwatches; 174 necklaces and earrings; 78 bracelets; 77 brooches; 74 pendants and a gold iPhone according to a statement issued the country's Economic & Financial Crimes Commission. Alison-Madueke, who ran the ministry from 2011 to 2015, was charged by the EFCC in absentia with money laundering in 2017 according to an article published on the 'Africanews' website.

Turkish President Appoints New CB Governor.

President Erdogan issued an official decree to remove the country's Central Bank Governor, Murat Cetinkaya, late last week. Cetinkaya has been replaced by his deputy Murat Uysal, who is believed to be more dovish in his thinking towards the bank's interest rate policy. *"President Erdogan was unhappy about the interest rate and he expressed his discontent at every chance. The bank's decision in June to keep rates constant added to the problem with Çetinkaya,"* a senior government official was reported as saying by Reuters. This change suggests an interest rate cut is now in the offing at the CB's next MPC meeting which is scheduled to take place on the 25th of July 2019. The local currency opened 2% weaker against the US dollar this morning.

Egypt Denies Talk Of Fresh IMF Loan.

A statement issued by Egypt's cabinet office on Saturday has dismissed rumours that the country was seeking to sign-up to a new IMF loan agreement. *"Such news reports are baseless,"* the statement read, adding that with the ongoing improvement in the state of economy no such loan was currently required. In its latest review of the country which took place in May this year the IMF said that; *"The authorities' efforts have been successful in achieving macroeconomic stabilization, a recovery in growth, and an improvement in the business climate. GDP growth accelerated from 4.20% in 2016/17 to 5.30% in 2017/18; unemployment declined from 12.00% to below 9.00%; and the current account deficit narrowed from 5.60% of GDP to 2.40%. Gross general government debt is expected to decline according to our estimates to about 85% of GDP in 2018/19 from 103% of GDP in 2016/17. International reserves increased from US\$17 bio in June 2016 to US\$44 bio in March 2019. As a result, Egypt has become more resilient to the elevated uncertainty in the external environment."* Last month Egypt's Finance Minister, Mohamed Maaait, was quoted as saying by Bloomberg that the government planned to conclude a 'non-loan' agreement with the IMF by October 2019.

Mortgage Applications In UAE Rise Sharply.

According to a recent study by the Mortgage Finder Group, applications for real estate loans in the UAE jumped by 78% during the first quarter of this year. *"We have seen a shift from an investor-led market to an owner-occupied market, with more end users buying to live in the property. This is likely due to the downward shift in prices which has made home ownership more affordable and achievable,"* the Managing Director of Mortgage Finder, Chris Schutrups, was quoted as saying by the 'National' newspaper last week. The average home loan size however decreased to AED 1.31 mio in May 2019 compared to AED 1.67 mio during the same period last year.

Lebanon's PMI Remains Weak.

The latest BLOM Bank PMI Index for Lebanon was unchanged in June after slipping to 46.3 in May from 46.7 in April. *"New orders received by businesses in Lebanon continued to decline in May, extending the current sequence of contraction to six years. Moreover, the rate of decrease accelerated from April and was historically marked. Anecdotal evidence suggested that demand conditions remained weak,"* Blominvest Bank's report read. Meanwhile the IMF has again called on the government to implement major structural reforms as soon as possible, adding too that the measures outlined in the 2019 budget did not go far enough. *"Lebanon must implement the needed reforms in a bid to restore investors' confidence whilst encouraging donors to spend money in the country,"* the IMF stated last week.

Kuwait's Property Market Under Pressure As Expats Leave.

Rising living costs and plans to reducing the number of expatriates living in Kuwait, especially those working within the public sector, is reportedly having an impact on rental yields as the number of vacant apartments rises. According to data issued by the Interior Ministry and published by the 'Gulfbusiness' news site, over 100,000 residency visas held by expats were cancelled between 2015-18. *"The mounting burden on expatriates day by day due to the increase in fees and the cost of living, in addition to the state's tendency to terminate their services from public sector jobs, have forced many to leave, especially during the past few months. All this had a negative effect on the consumer situation in the country in general and on the investment property sector in particular,"* the Secretary-General of the country's real estate union, Qais al Gahanim, was reported as saying by the Kuwait Times newspaper. You can read more on this story [here](#).

Iraq's Trade Bank To Open Office in China & Upgrade Gulf Operations.

The state-run Trade Bank of Iraq has said that it wants to increase revenues from its international operations and will open a rep office in China next year. The bank is also busy upgrading its license in the UAE from a rep office to an asset management firm and has opened its first branch in Saudi Arabia. *"With our expansion, in China, Abu Dhabi and Saudi Arabia, retail and international business will contribute 30% of our total revenues by end of next three years,"* the bank's chairman, Faisal al Haimus, was quoted as saying by Reuters yesterday.

Saudi Airline Scraps 737-Max Order.

The Saudi based budget airline, Flyadeal, has reportedly cancelled its provisional order for 50 Boeing 737-Max passenger jets but will purchase up to 50 Airbus A320 Neo aircraft instead. The decision comes as no timeline has yet been set as to when the Boeing 737-Max will be able to return to service.

Strata To Expand Its Aircraft Assembly Plant In UAE.

Strata Manufacturing is planning to expand its existing assembly plant at the Nibras Al Ain Aerospace park in the Emirate of Abu Dhabi, in order to accommodate a greater output of Boeing 787 parts according to an article in the 'National' newspaper. Strata makes composite parts for jetliner wings and tail fins for Airbus A380 and A330 models, as well as vertical fin ribs for Boeing 777s and 787 Dreamliners.

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	3.7504/06	-2/+1	-1/+2	Par/+7	12/22	30/45	55/70	200/250
USD/QAR	3.6580/90	-25/-20	-50/-40	-55/-40	-70/-55	-80/-60	-85/-55	-110/-60
USD/KWD	0.30420/430	Par/+3	2/7	8/13	15/30	27/47	40/60	50/150
USD/OMR	0.38498/501	15/25	30/50	60/80	135/165	230/280	350/400	780/880
USD/BHD	0.37699/702	3/8	7/17	15/30	40/60	60/90	90/120	300/400
USD/MAD	9.5900/6200	60/160	150/350	300/700	900/1400	1600/2600	2000/3000	3500/6500
USD/EGP NDF	16.61	16.74/16.79	16.84/16.89	17.00/17.05	17.44/17.49	17.87/17.92	18.31/18.36	-
USD/IOD	0.7084/89	30/80	50/150	80/180	200/400	300/500	400/600	700/1700
USD/NGN NDF	360.34	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	5.3925	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	2.8450/8850	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
Crude Oil		Futures						
WTI	57.65							
Brent	64.35							

** (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	+41/47	+47/53	+54/60	+62/68	+70/76	+81/87	+91/97	+122/128

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

EQUITY MARKETS

Market	Underlying	BBG ticker	Spot	Equity Price Moves				ATM Implied Vols		
				1day %	wtd %	mtd %	ytd %	3 month	6 month	1 year
Dubai	Index	DFMGI	2,657.93	0.35	- 0.10	- 0.03	5.07	20.1%	20.7%	21.3%
Abu Dhabi	Index	ADSMI	4,995.84	- 0.15	- 0.07	0.32	1.64	19.9%	20.4%	21.2%
KSA	Index	MISAP	1,311.64	0.00	0.00	0.38	15.77	23.6%	22.0%	21.9%
Dubai	Equity	EMAAR	4.51	1.12	0.67	0.89	9.20	30.9%	31.1%	31.5%
Dubai	Equity	EMIRATES	11.15	0.00	- 1.76	- 1.76	25.42	27.5%	27.6%	29.3%
Abu Dhabi	Equity	ADCB	8.32	- 0.36	- 0.36	- 0.60	1.96	27.4%	27.8%	28.3%
Abu Dhabi	Equity	ETISALAT	16.74	0.00	- 0.24	0.36	- 1.41	18.3%	18.6%	18.8%
KSA	Equity	SABIC	114.40	- 0.35	- 0.52	- 0.17	- 1.55	26.9%	27.1%	28.2%
KSA	Equity	RJHI	69.80	- 0.14	- 0.57	0.14	22.73	27.5%	27.8%	28.2%

AND FINALLY...

Did you know that the Strait of Hormuz is 33 km wide at its narrowest point, but the shipping lane itself is just 3km wide in either direction?

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.