

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Iranian Drone Brought Down By US Navy.

The Pentagon announced last night that a US Navy warship sailing into the Arabian Gulf was forced to destroy an Iranian drone yesterday morning after it had flown too close to the amphibious assault vessel USS Boxer. *“At approximately 10 a.m. local time, the amphibious ship USS Boxer was in international waters conducting a planned inbound transit of the Strait of Hormuz. A fixed wing unmanned aerial system approached Boxer and closed within a threatening range. The ship took defensive action against the UAS to ensure the safety of the ship and its crew,”* an official Pentagon statement read. According to various military sources the drone was probably brought down via an electronic jamming system called MRZR LMADIS. This event comes almost a month after the Iranians shot down a US Global Hawk UAV. Meanwhile Iran’s Foreign Minister, Mohammad Zarif, claimed yesterday that his government would accept more intrusive inspections of Iran’s nuclear program in return for the lifting of US sanctions. *“It’s not about photo ops, we are interested in substance, there are other substantial moves that can be made,”* Zarif was quoted as saying by the ‘UPI’ media outlet.

US Imposes Sanctions On Iran-Linked Front Companies.

“Treasury is taking action to shut down an Iranian nuclear procurement network that leverages Chinese and Belgium-based front companies to acquire critical nuclear materials and benefit the regime’s malign ambitions. Iran cannot claim benign intent on the world stage while it purchases and stockpiles products for centrifuges.” the US Treasury Secretary, Steven Mnuchin, was quoted as saying yesterday by the ‘Washington Examiner’ newspaper. It has also imposed individual sanctions on two senior members of certain paramilitary groups in Iraq as well as two former Iraqi governors. You can access the US Treasury’s full statements covering both actions [here](#) and [here](#). Mnuchin has also warned the EU that its newly enacted INSTEX clearing system, which was set-up to help channel specific types of EU-Iranian trade outside of the US dollar payments system, should be very “careful” on its diligence, and that the US expected foreign firms and individuals to abide by the US administration’s current sanctions regime on Iran. *“We’ve been very*

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clear that we expect US sanctions to be adhered to. Whether it's Iran or anyone else, if people want to participate in the dollar system people will be obligated to follow the US sanctions, and we're quite pleased with the work that Europe is doing with us" Mnuchin said during a G7 meeting in France yesterday according to the 'Financial Times' newspaper.

A "Huge Increase" In Oil Prices Is Unlikely – IEA.

The Executive Director of the IEA, Fatih Birol, said yesterday that his organization did not expect crude prices to rise significantly, and it has lowered its demand forecast for 2019 again from 1.2 mio bpd to 1.1 mio bpd, due primarily to slowing global economic growth as the US/China trade war drags on. *"China is experiencing its slowest economic growth in the last three decades, so are some of the advanced economies. If the global economy performs even poorer than we assume, then we may even look at our numbers once again in the next months to come,"* Birol was quoted as saying by Reuters, although he added that while he did not anticipate *"a huge increase"* in oil prices anytime soon, sudden geopolitical events such as a the potential worsening of tensions with Iran could shift current market dynamics.

Lebanon Needs A Debt Management Plan – Finance Minister.

Lebanon's Finance Minister, Ali Hassan Khalil, warned during a parliamentary session yesterday that the country's debt-to-GDP ratio was expected to hit 151% this year and thus the country urgently needed a plan to ease the burden it placed on the budget. *"This requires a dialogue by the government, between the government and parliament, a dialogue in which the central bank participates and the banks participate. This matter has happened and is happening,"* Khalil was quoted as saying by Reuters, although he did not outline any specific measures. Lebanese MPs have yet to approve the government's draft budget for 2019 due to ongoing disagreement over the austerity measures contained within, but voting is due to take place today.

IMF Concludes Latest Review Of Tunisia.

The IMF has published its most recent review of Tunisia, in which the international lender suggests that the government's economic reform measures are beginning to show results, such as the reduction in the fiscal deficit, although growth remained tepid. *"While improving over the course of 2017 and 2018, growth remains subdued and elevated macroeconomic vulnerabilities persist, but policy efforts are starting to show results. A strong revenue effort and energy subsidy reform have supported significant fiscal deficit reduction, monetary tightening has started to reduce inflation, and lower foreign exchange FX interventions have allowed the exchange rate to better reflect fundamentals. Against the backdrop of a challenging domestic socio-political environment and external pressures, program performance since the Fourth Review has been mixed,"* the report read. You can access the full IMF review [here](#).

Morocco, Kenya & South Africa Compete in Race To Launch 5G..

A representative for the Chinese Telecoms giant Huawei, claimed yesterday that Morocco could be the first country in Africa to launch the next generation of mobile internet connectivity. *"We are the world leaders in 5G, and we want to be the leader in Morocco. We want the Kingdom to be the first to launch 5G in Africa,"* Chakib Achour, the company's marketing and strategy director for Morocco was quoted as saying by the 'MoroccoWorldNews' website yesterday. However South Africa and Kenya are also close to implementing 5G networks after conducting several rounds of testing in partnership with Huawei. The Chinese firm has an extensive footprint across the continent and was responsible for most of the current 4G networks operating in Africa, thus it will be interesting to see how this will all play out on the global stage especially considering the current US policy towards Huawei.

South Africa Cuts Benchmark Interest Rate.

South Africa's Central Bank lowered its benchmark lending rate by 25bp to 6.50% yesterday. *"The MPC welcomes the continued downward trend in recent inflation outcomes and the moderation in inflation expectations of about one percentage point since 2016. The overall risks to the inflation outlook are assessed to be largely balanced. Demand side pressures are subdued, wages and rental prices are expected to increase at moderate rates and global inflation should remain low. Domestically, the financing needs of State-Owned Enterprises could place further upward pressure on the currency and long-term market interest rates for all borrowers. Food, electricity and water prices also remain important risks to the inflation outlook,"* a statement issued by the SARB's MPC committee read.

Tanzania May Review Growth Figure After WB Report.

Tanzania's official statistics agency has said that it might consider reviewing its GDP growth figure for 2018 after a recent World Bank report suggested a much lower number. Only last month the Tanzanian Finance Minister said that the country's economy had expanded by 7.00% last year, but the World Bank's most recently published data suggested only 5.20% growth in 2018. *"We have gone across the country to do actual data collection in the field, unlike someone sitting in Washington doing GDP modelling on your behalf. For national planning purposes, we will continue to use the official data of 7%,"* a spokesperson for Tanzania's statistics agency was quoted as saying by Reuters earlier this week.

Pepsi Looks To Buy South African Food Group.

PepsiCo has reportedly made a US\$1.7 bio offer to purchase the South African based Pioneer Food Group. *"Pioneer Foods forms an important part of our strategy to not only expand in South Africa, but further into sub-Saharan Africa as well,"* PepsiCo's CEO Ramon Laguarta was quoted as saying today by Reuters.

OCTAL Seals US\$625 Mio Financing Facility.

The Oman based plastics packaging manufacturer, OCTAL, has reportedly sealed a US\$625 mio financing facility provided by seven international and domestic banks in order to refinance a portion of its existing debt and fund the expansion of its facilities at Salalah.

Abu Dhabi Voted World's Safest City Again.

According to the latest global crime index report published by Numbeo, Abu Dhabi retained its number one spot as the world's safest city for the third year in a row.

FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67295/305	4/7	6/11	10/15	20/30	35/45	50/65	115/145
USD/SAR	3.7505/07	-2/+3	-2/+3	Par/+5	8/18	20/30	50/70	190/240
USD/KWD	0.30415/435	Par/+5	3/8	5/15	20/30	30/50	40/70	70/140
USD/OMR	0.38497/502	15/25	30/50	60/80	130/150	210/260	300/400	700/800
USD/BHD	0.37700/703	1/6	7/17	15/30	40/60	60/90	85/115	250/350
USD/MAD	9.5650/5850	60/160	150/350	300/700	900/1400	1600/2600	2000/3000	3500/6500
USD/EGP NDF	16.61	16.77/16.83	16.92/16.97	17.06/17.11	17.49/17.54	17.92/17.97	18.33/18.38	-
USD/JOD	0.7081/87	30/80	50/150	80/180	200/400	300/500	400/600	700/1700
USD/NGN NDF	361.23	362.00/362.50	363.00/364.00	364.50/365.50	369.50/371.00	375.25/376.75	383.00/385.00	(NAFEX)
USD/GHS NDF	5.3497	5.40/5.45	5.44/5.49	5.49/5.54	5.64/5.74	5.79/5.89	5.99/6.09	-
USD/TND	2.8300/8700	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
Crude Oil		Futures						
WTI	56.00							
Brent	63.00							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+27/33	+31/37	+41/47	+52/58	+63/69	+74/80	+85/91	+111/117
SAR SPREAD	+40/46	+45/51	+52/58	+60/66	+69/75	+79/85	+89/95	+123/129

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

EQUITY MARKETS

				Equity Price Moves				ATM Implied Vols		
Market	Underlying	BBG ticker	Spot	1day %	wtd %	mtd %	ytd %	3 mth	6 mth	1 Yr
Dubai	Index	DFMGI	2,762.98	1.73	2.88	3.92	9.22	19.7%	20.1%	20.4%
Abu Dhabi	Index	ADSMI	5,218.13	2.70	3.28	4.78	6.17	18.7%	19.0%	19.0%
KSA	Index	M1SAP	1,340.52	(0.55)	0.99	2.59	18.32	22.8%	21.3%	20.2%
Dubai	Equity	EMAAR	4.89	1.88	2.95	9.40	18.40	30.6%	31.0%	31.2%
Dubai	Equity	EMIRATES	11.60	2.65	4.04	2.20	30.48	26.4%	27.1%	28.0%
Abu Dhabi	Equity	ADCB	8.75	1.86	2.22	4.54	7.23	27.9%	28.5%	29.4%
Abu Dhabi	Equity	ETISALAT	17.34	2.97	3.21	3.96	2.12	17.4%	17.5%	18.2%
KSA	Equity	SABIC	114.20	(0.35)	0.35	(0.35)	(1.72)	21.5%	21.7%	22.7%
KSA	Equity	RJHI	71.00	(0.70)	(0.97)	1.87	24.84	22.0%	22.3%	23.0%

AND FINALLY...

Did you know that J.R.R. Tolkien, the famed author of *The Lord of the Rings* and *The Hobbit*, was born in Bloemfontein, South Africa in 1892?

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