

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Iran Says It Will Breach Uranium Stockpile Limit Soon.**

An official at Iran's atomic energy agency, Behrouz Kamalvandi, announced earlier today that his country would breach a JPOA-linked 300 kg cap on its low-grade uranium inventories before the end of this month. It would also probably break the limit on heavy water stocks within months and start to enrich uranium way beyond the permitted 3.67% purity level, unless Europe can provide a way to protect Iran from the impact of US sanctions soon. *"We have quadrupled the rate of enrichment and even increased it more recently, so that in 10 days it will bypass the 300 kg limit. Iran's reserves are every day increasing at a more rapid rate. And if it is important for them to safeguard the accord, they should make their best efforts. As soon as they carry out their commitments, things will naturally go back to their original state,"* Kamalvandi stated via Iran's state media outlet. His comments were echoed by President Rouhani who was quoted as warning France's new ambassador to Tehran today that; *"It's a crucial moment, and France can still work with other signatories to save the deal in this very short time."* Meanwhile the Chief of Staff for Iran's armed forces, Major-General Mohammad Baqeri, has claimed that if his country decided to block access to the strategically important Strait of Hormuz, it would do so *"publically,"* according to a Reuters report published this afternoon.

#### **OPEC Close To Consensus Over Extension Of Output Cut Accord – Al Falih.**

Saudi Arabia's Energy Minister, Khalid al Falih, said today that signatories to the OPEC+ output cut agreement are close to consensus on extending the program beyond its impending deadline and, that the natural demand growth for oil remains steady despite the US/China trade dispute. In reference to the current regional tensions, he warned that it was extremely important for international shipping lanes to remain open and that all countries needed to cooperate in order to ensure that the world's energy related supplies were not disrupted. Late last night the US Secretary of State, Mike Pompeo, repeated his government's belief that Iran was behind the recent attacks on two tankers in the Gulf of Oman and that everyone should therefore *"Understand very clearly that we will*

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continue to take actions that deter Iran from engaging in this kind of behavior,” adding too that the US will “guarantee the freedom of navigation” through the Strait of Hormuz. “This is an international challenge, important to the entire globe. The United States is going to make sure that we take all the actions necessary, diplomatic and otherwise, that achieve that outcome,” he said.

#### **Saudi Arabia Ponders EUR Denominated Bond Issue.**

Saudi Arabia is considering issuing a EUR denominated bond for the first time according to a Reuters article published earlier today. Such a sale would not come as a surprise, especially as the Kingdom’s Finance Minister, Mohammed al Jarda, already suggested back in April this year that the government was looking at such an issuance as a part of its strategy to further diversify its funding base.

#### **Angola To Delay Implementation Of VAT.**

The Angolan’s government’s plan to implement a value-added-tax system has been delayed until October 2019 due to the need for some further technical evaluation according to the country’s Minister of State. The new tax was originally scheduled to start at the beginning of July and will replace the current ‘consumption tax’ system. The initial VAT rate is expected to be set at 14%.

#### **Egypt’s FX Reserves At US\$44.27 Bio.**

Egypt’s foreign exchange reserves stood at US\$44.27 bio last month from US\$44.21 bio in April according to the latest official data.

#### **ADNOC & OCI Agree To Form Global Fertilizer Company.**

The Abu Dhabi National Oil Company has agreed to enter into a joint-venture with the Dutch registered entity OCI which will see the formation of one of the world’s largest exporters’ of nitrogen based fertilizer. *“Pooling our assets and capabilities is a value enhancing step for both companies, allowing us to leapfrog competitors to become the top nitrogen export platform globally. This unique business combination is in line with ADNOC’s approach to value-added partnerships and will improve the profitability and cash flow of our fertilizer portfolio,”* ADNOC’s Group CEO, Dr Sultan Al Jaber, was quoted as saying by the UAE’s National newspaper.

#### **IMF To Release US\$245 Mio Loan Tranche To Tunisia.**

The IMF’s board agreed late last week to release the 6th tranche of a US\$2.90 bio loan program for Tunisia after completing its latest review of the country’s economic situation and the government’s reform progress. *“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 interventions have allowed the exchange rate to better reflect fundamentals,”* an IMF official was quoted as saying, adding that Tunisia’s *“economic growth remains subdued and elevated macroeconomic vulnerabilities persist, but policy efforts are starting to show results.”*

#### **Nigeria’s Inflation Rate Edges Up.**

Nigeria’s CPI rate edged higher to 11.40% last month from 11.37% in April according to the latest official data. This rise is being attributed primarily to higher food prices.

#### **Egypt & China’s Bilateral Trade Rises By 27%.**

Trade between China and Egypt rose by over 27% last year to US\$13.80 bio, according to a recent report published by the North African country’s commercial representative office in Beijing.

#### **Hyundai Wins US\$2.4 Bio Contract In Iraq.**

South Korea’s Hyundai Engineering has reportedly been awarded a US\$2.4 bio contract to build a seawater supply plant in Basra according to a recent article published by the Korea Times newspaper.

## 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	3.6730/31	1/3	4/7	5/10	13/18	21/31	33/43	90/120
USD/SAR	3.7505/07	-2/+1	-2/+3	-1/+4	10/20	30/40	60/70	220/270
USD/QAR	3.6595/6605	-25/-15	-35/-15	-45/-20	-60/-30	-70/-40	-80/-50	-100/-60
USD/KWD	0.30410/430	Par/+5	3/8	4/14	8/18	10/25	20/40	30/80
USD/OMR	0.38498/501	15/25	35/55	60/80	140/170	230/280	360/410	780/880
USD/BHD	0.37698/503	Par/+5	5/15	12/22	35/55	70/90	100/130	300/400
USD/MAD	9.6400/6600	60/160	150/350	300/700	900/1400	1600/2600	2000/3000	3500/6500
USD/EGP NDF	16.7500	16.87/16.92	17.02/17.07	17.19/17.24	17.63/17.68	18.08/18.13	18.55/18.60	-
USD/IOD	0.7082/87	50/100	90/190	160/260	300/500	350/650	425/725	500/1500
USD/NGN NDF	360.46	361.00/362.00	362.50/363.50	364.00/365.50	369.00/371.50	375.00/377.00	383.00/386.00	(NAFEX)
USD/GHS NDF	5.3758	5.42/5.47	5.46/5.51	5.50/5.55	5.64/5.74	5.82/5.92	6.03/6.13	-
USD/TND	2.9350/9650	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
Crude Oil		Futures						
WTI		52.07						
Brent		61.47						

\*\* (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	+37/43	+48/54	+59/65	+70/76	+80/86	+110/116
SAR SPREAD	+37/43	+44/50	+51/57	+58/64	+65/71	+72/78	+79/85	+109/115

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	2,614.31	0.01	- 0.71	- 0.23	3.34	20.1%	20.7%	21.3%
Abu Dhabi	Index	ADSMI	4,901.08	- 1.09	- 1.26	- 2.05	- 0.28	19.9%	20.4%	21.2%
KSA	Index	M15AP	1,343.96	0.00	0.00	6.05	18.62	23.6%	22.0%	21.9%
Dubai	Equity	EMAAR	4.35	- 0.23	- 2.68	- 2.68	5.33	30.9%	31.1%	31.5%
Dubai	Equity	EMIRATES	11.20	- 0.44	- 1.32	0.90	25.98	27.5%	27.6%	29.3%
Abu Dhabi	Equity	ADCB	8.20	- 2.73	- 1.20	- 8.69	0.49	27.4%	27.8%	28.3%
Abu Dhabi	Equity	ETISALAT	15.90	- 1.24	- 2.33	- 2.45	- 6.36	18.3%	18.6%	18.8%
KSA	Equity	SABIC	118.60	0.68	0.34	6.08	2.07	26.9%	27.1%	28.2%
KSA	Equity	RJHI	70.80	0.00	- 1.39	2.91	24.48	27.5%	27.8%	28.2%

## AND FINALLY...

“Stretch your legs as far as your blanket extends” – Egyptian Proverb meaning (Don’t live beyond your means.)

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