

Market Insights & Strategy

Global Markets

21st June 2019

MIDDLE EAST & AFRICAN MONITOR

- **Crude Prices Push Higher On The Back Of Regional Tensions & OPEC+ Comments.**
- **FAA Bans US Commerical Aircraft From Flying Over Iranian Airspace.**
- **Bankruptcies In US Shale Sector Continue.**
- **Manufacturers Say Nigeria's Economy Is Still 'Fragile.'**
- **FITCH Assigns BB- Credit Rating On Jordan.**
- **Abu Dhabi's GDP Forecast To Expand By 3%.**
- **Anadarko Eyes Mozambique's Gas Reserves.**
- **PSA Opens Major Production Plant In Morocco.**
- **Vodacom To Withdraw From Four African Countries.**
- **GE Wins US\$4 Bio Contract In Zambia/Zimbabwe.**

REGIONAL COMMENTARY

Concerns Crude Prices Push Higher On The Back Of Regional Tensions & OPEC+ Comments.

Oil prices bounced up by 4% yesterday as tensions between Washington and Tehran worsened following the shooting down of a US maritime drone near the Strait of Hormuz, and on the back of media reports that the signatories to the OPEC+ output cut agreement are not planning to increase their production levels next month, which in turn suggests that a six-month extension to the accord could be close to being agreed. Meanwhile President Trump met with senior members of the US Senate and Congress yesterday to discuss the current situation in the Gulf. *"We had a good briefing, I think you know who was there, and I can confirm what was probably already written, which was that the UAV was fired on from Iranian soil and it was international waters, and beyond that I think the administration is engaged in I think what I would call measured responses,"* the Senate majority leader Mitch McConnell was quoted as saying by CBS, whilst the Speaker of the House, Nancy Pelosi, said: *"In light of the targeting of an unmanned US drone by Iran, it is essential that we remain fully engaged with our allies, recognize that we are not dealing with a responsible adversary and do everything in our power to de-escalate. This is a dangerous, high-tension situation that requires a strong, smart and strategic, not reckless, approach."* In later comments Trump claimed that the drone shooting may have been an error of judgement by a section of the Iranian military, saying *"I find it hard to believe it was intentional, if you want to know the truth. I think that it could have been somebody who was loose and stupid that did it."*

FAA Bans US Commerical Aircraft From Flying Over Iranian Airspace.

The Federal Aviation Administration has banned US registered aircraft from flying over certain southern parts of Iran's airspace following the shooting down of the US drone yesterday. This event has also reportedly led other international airlines such as Air France-KLM, British Airways, Malaysian and Qantas to re-route their traditional flights over the same areas. The FAA said in a statement that it had taken this decision due to

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

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

"heightened military activities and increased political tensions in the region, which present an inadvertent risk to US civil aviation operations and potential for miscalculation or misidentification."

Bankruptcies In US Shale Sector Continue.

Over 170 North American oil & gas shale firms have declared bankruptcy since 2015 with almost US\$100 bio in total debt, according to a Haynes & Boone report published last month, and a further 8 such companies have followed during the first quarter of 2019. Service related businesses supporting this sector are also feeling the pinch a situation highlighted most recently by the news that Weatherford International is reportedly planning to file for Chapter 11 protection with an estimated debt load of US\$7.7 bio. Meanwhile although US oil output remains high its rate of growth has slowed.

Manufacturers Say Nigeria's Economy Is Still 'Fragile.'

In a meeting with his country's President earlier this week, the head of Nigeria's Association of Manufacturers, Mansur Ahmed, warned that the economy remained weak. *"It is clear that our economy is still fragile. With Gross Domestic Product at 2% and below the population growth rate, the clouds are still threatening and the task of driving the economy upwards is still enormous,"* Ahmed told President Buhari on Wednesday according to the 'Punch' media outlet, although adding that the association was *"encouraged"* by the President's recent commitment to do more *"to create a more inclusive and sustainable economy,"* during his second term in office. Meanwhile the African Development Bank said in its latest 'West African Economic Outlook' that *Nigeria currently spends around 50% of its revenues on servicing its external debt. "In Nigeria, about half of the revenue is used to service external debt. The increasing domestic debt burden means that the total proportion of the revenue spent on servicing debt is even higher. In a country where only 6% of GDP is collected in revenue, the high burden of debt service is a major concern,"* the AFDB study stated.

FITCH Assigns BB- Credit Rating On Jordan.

The FITCH ratings agency has set its long-term foreign currency issuer rating on Jordan at BB- together with a stable outlook. *"Jordan has built up a track record of reforms that have substantially reduced the budget deficit and stabilized government debt to gross domestic product after being hit by multiple shocks and a slowdown in economic growth since 2011,"* a statement issued by the agency read.

Abu Dhabi's GDP Forecast To Expand By 3%.

According to a senior official at Abu Dhabi's Department of Economic Development, the Emirate's economy is expected to expand by 3% this year, driven in part by a stronger performance within the non-oil sector. *"Abu Dhabi's economy showed further improvement by the end of 2018, growth has strengthened somewhat as a result of policies taken by the government to boost economic growth. Our forecasting show that this improvement will continue in 2019,"* Rashed Abdul Karim Al Beloushi was quoted as saying by Gulf News. You can access this story in full [here](#).

Anadarko Eyes Mozambique's Gas Reserves.

The US based energy firm, Anadarko, announced earlier this week that it plans to build a US\$20 bio gas liquefaction and export terminal on the northern coast of Mozambique. *"As the world increasingly seeks cleaner forms of energy, the Anadarko-led Area 1 Mozambique LNG project is ideally located to meet growing demand, particularly in expanding Asian and European markets,"* Anadarko's CEO, Al Walker was quoted as saying by Reuters on Tuesday.

PSA Opens Major Production Plant In Morocco.

France's PSA Group officially opened its EUR 550 mio vehicle production plant in Morocco today. The facility will assemble up to 200,000 cars annually by 2023 and is aimed primarily at the export market. In addition to the Peugeot 208, it is expected to produce the latest versions of the Citroen C-Elysee and Peugeot 301, according to the 'Automotive News Europe' website.

Vodacom To Withdraw From Four African Countries.

South Africa's mobile phone giant, Vodacom, announced earlier today that it has agreed to sell its operations and assets in Angola, the Ivory Coast, Nigeria and Zambia. The latter three units will be sold to 'Synergy Communications', whilst the Angolan entity will be bought by 'Internet Technologies Angola' according to Reuters.

GE Wins US\$4 Bio Contract In Zambia/Zimbabwe.

General Electric and China's Power Construction Corporation have been awarded a US\$ 4 bio contract to build a new 2,400 MW hydro-electric power plant on the Zambian/Zimbabwe border. *"Zambia and Zimbabwe have agreed on this project. We have all agreed that we give it to China Power and GE together. It's critical that we move fast on that front because it's necessary that as we industrialize that we need electricity,"* Zimbabwe's President Mnangagwa was quoted as saying by Bloomberg earlier this week.

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	3/6	6/11	12/17	24/34	40/55	55/65	135/165
USD/SAR	3.7509/12	4/9	10/15	15/25	35/55	65/85	105/125	300/400
USD/QAR	3.6595/6605	-35/-25	-50/-35	-65/-35	-75/-40	-85/-45	-95/-55	-125/-75
USD/KWD	0.30355/375	2/7	5/10	7/17	14/24	25/45	45/65	60/120
USD/OMR	0.38502/507	15/25	35/55	60/80	150/200	275/325	450/500	850/950
USD/BHD	0.377500/505	5/10	8/18	15/35	40/70	70/110	130/180	350/450
USD/MAD	9.5300/5500	60/160	150/350	300/700	900/1400	1600/2600	2000/3000	3500/6500
USD/EGP NDF	16.6900	16.83/16.88	16.96/17.01	17.11/17.11	17.56/17.61	18.03/18.08	18.50/18.55	-
USD/IOD	0.7084/89	50/100	90/190	160/260	300/500	350/650	425/725	500/1500
USD/NGN NDF	360.33	361.00/362.00	362.50/363.50	364.00/365.50	369.00/371.50	375.25/377.25	383.00/386.00	(NAFEX)
USD/GHS NDF	5.3800	5.42/5.47	5.46/5.51	5.50/5.55	5.64/5.74	5.83/5.93	6.04/6.14	-
USD/TND	2.9000/9300	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
Crude Oil	Futures							
WTI	57.20							
Brent	64.80							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+25/31	+30/36	+40/46	+51/57	+62/68	+72/78	+82/88	+112/118
SAR SPREAD	+42/48	+49/55	+56/62	+63/69	+71/77	+79/85	+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	2,658.88	0.73	0.98	1.47	5.10	20.1%	20.7%	21.3%
Abu Dhabi	Index	ADSMI	5,044.72	1.40	1.63	0.82	2.64	19.9%	20.4%	21.2%
KSA	Index	M1SAP	1,328.28	- 0.76	- 1.17	4.81	17.24	23.6%	22.0%	21.9%
Dubai	Equity	EMAAR	4.48	3.23	0.22	0.22	8.47	30.9%	31.1%	31.5%
Dubai	Equity	EMIRATES	11.20	0.00	- 1.32	0.90	25.98	27.5%	27.6%	29.3%
Abu Dhabi	Equity	ADCB	8.70	2.47	4.82	- 3.12	6.62	27.4%	27.8%	28.3%
Abu Dhabi	Equity	ETISALAT	16.70	2.83	2.58	2.45	- 1.65	18.3%	18.6%	18.8%
KSA	Equity	SABIC	119.00	0.17	0.65	6.44	2.41	26.9%	27.1%	28.2%
KSA	Equity	RUHI	71.00	0.00	- 1.14	3.20	24.84	27.5%	27.8%	28.2%

AND FINALLY...

Did you know that in the year 775, Baghdad was the world's most populated city?

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.