

Market Insights & Strategy

Global Markets

8th May 2019

MIDDLE EAST & AFRICAN MONITOR

- **Iran Announces A 'Partial' Withdrawal From JCPOA.**
- **Chinese Crude Imports Hit New Monthly Record.**
- **Angola Continues To Battle Acute Petrol Shortage.**
- **No Change Seen For GCC US Dollar Pegs – S&P.**
- **Oman Still Faces Economic Challenges – S&P.**
- **Egypt's Budget Deficit Shrinks.**
- **Bahrain Plans To Tap International Bond Market Again.**
- **Kuwaiti MP Calls For Remittance Tax On Expats.**
- **ENI Seals Oil Exploration Deal With Bahrain.**
- **McDermott Wins FEED Contract In UAE.**
- **Bombardier To Sell Its Moroccan Facility.**

REGIONAL COMMENTARY

Iran Announces A 'Partial' Withdrawal From JCPOA.

Iran's President Rouhani announced his country's withdrawal from certain 'voluntary commitments' within the 2015 nuclear accord this morning, and warned that Iran could also resume its higher grade uranium enrichment program within 60 days if the remaining signatories (China, France, Germany, Russia and the UK) could not agree on a way to protect it from the impact of US sanctions. "If the five countries came to the negotiating table and we reached an agreement, and if they could protect our interests in oil and banking sectors, we will go back to square one and will resume our commitments," Rouhani was quoted as saying by Reuters this morning, adding that "the Iranian people and the world should know that today is not the end of the JCPOA, these are actions in line with the JCPOA." Meanwhile the US Secretary of State, Mike Pompeo, reportedly made an unscheduled trip to Baghdad yesterday to discuss alleged threats posed by Iran and its proxies to US personnel in Iraq. We "wanted to let them know about the increased threat stream that we had seen and give them a little bit more background on that so they could ensure that they were doing all they could to provide protection for our team. They understood too it's important for their country. We don't want anyone interfering in their country, certainly not by attacking another nation inside of Iraq and there was complete agreement," Pompeo stated after meeting with Iraqi officials according to CNN.

Chinese Crude Imports Hit New Monthly Record.

China's crude imports rose by 11% m/m to 10.64 mio bpd last month according to the latest official customs data. This marks a new monthly record and overtakes the previous high of 10.48 mio bpd set in November last year. One of the primary reasons behind this jump was probably an attempt to stockpile as much Iranian oil as possible before the US sanctions waiver expired on May 2nd.

Angola Continues To Battle Acute Petrol Shortage.

A severe fuel crises continues to plague the Angolan economy and President Lourenco has called on government institutions to urgently find

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

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

ways to resolve the problem. The state-owned oil company Sonangol had claimed last Saturday that the shortage was due primarily to difficulties the firm was having in accessing enough hard currency to pay for the import of refined petroleum products as well as various transportation issues. Despite being Africa's second largest oil producer Angola still imports around 80% of its fuel needs, although work is underway to expand the Luanda refinery complex.

No Change Seen For GCC US Dollar Pegs – S&P.

S&P has repeated its view (which we also share) that it does not foresee any change in the five GCC US dollar pegs over the near to medium term. "All of the GCC pegs will remain in place over the medium term. GCC sovereigns' ability to support the pegs differs widely, but we believe their pegs will hold, including in Bahrain and Oman. When we include both central bank reserves and our estimate of government liquid external assets, we see that GCC governments are in an extremely strong position to support the pegs," the agency's statement read. (Note: Kuwait has a basket-related FX regime). You can read more on this story [here](#).

Oman Still Faces Economic Challenges – S&P.

In a press release issued earlier this week, S&P has suggested that although Oman currently has a reasonably strong balance sheet, it continues to face economic headwinds due to its continued heavy dependence on energy related revenues. "Broadly, we see Oman as having a much stronger government balance sheet and external liquidity position than Bahrain. Yet bond yields and credit default swaps already suggest even higher credit risks in Oman than in Bahrain, and Oman's economy relies more heavily on the oil sector," the S&P statement read, adding however that the agency felt the country would receive support from other GCC states "in the event of financial stress." S&P recently revised its outlook on Oman from 'stable' to 'negative,' but said that any future ratings action would depend on the fiscal policy actions undertaken by the government there.

Egypt's Budget Deficit Shrinks.

Egypt's Finance Minister, Mohammad Maaat, disclosed yesterday that the country's budget deficit had fallen to 5.30% during the first 9 months of the 2018/19 fiscal year from 6.20% the previous year. He also stated that the government was hoping to get the inflation rate below 10% during the 2019/20 FY.

Bahrain Plans To Tap International Bond Market Again.

The Kingdom of Bahrain is reportedly preparing to conduct a Eurobond issuance during the second half of this year, and has already initiated a 'non-deal' investor roadshow according to a recent Bloomberg article which quoted unnamed sources.

Kuwaiti MP Calls For Remittance Tax On Expats.

According to the Kuwait Times newspaper the head of the Gulf state's parliamentary HR committee has demanded that members of the National Assembly urgently consider a controversial draft-law which if passed, would see a 5% tax implemented on expatriate remittances. The bill had reportedly been set to be removed from the assembly's agenda and the Central Bank, Finance Ministry and Kuwait's Chamber of Commerce have warned previously that such a law could lead to an exodus of expat funds from the country and have a negative impact on the economy. You can access the full story [here](#).

ENI Seals Oil Exploration Deal With Bahrain.

Italy's Eni has signed an offshore exploration and production sharing agreement with Bahrain's National Oil & Gas Company.

McDermott Wins FEED Contract In UAE.

US based McDermott International has been awarded a front-end engineering and design services contract at the Al Ruwais refinery in Abu Dhabi.

Bombardier To Sell Its Moroccan Facility.

The Canadian aircraft manufacturer, Bombardier, has announced that it is selling its manufacturing units in Morocco and Northern Ireland as a part of its global restructuring program. Morocco is currently home to over 100 aerospace component manufacturers.

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	Par/+2	2/5	4/9	10/15	20/27	30/37	90/110
USD/SAR	3.7502/05	Par/+3	2/7	5/8	12/17	22/32	45/55	155/185
USD/QAR	3.6595/6605	-45/-30	-65/-45	-75/-50	-100/-70	-110/-80	-115/-85	-200/-100
USD/KWD	0.30420/430	2/7	3/8	5/15	10/20	10/30	15/35	25/65
USD/OMR	0.38499/502	15/25	30/45	50/65	110/140	170/220	250/350	700/800
USD/BHD	0.37697/702	5/10	7/17	17/27	30/50	55/75	80/110	185/285
USD/MAD	9.6425/6625	60/160	150/350	300/700	900/1400	1600/2600	2000/3000	3500/6500
USD/EGP NDF	17.15	17.30/35	17.44/17.49	17.60/17.65	18.06/18.11	18.53/18.58	19.00/19.05	-
USD/IOD	0.7080/85	45/95	90/190	160/260	300/500	350/650	425/725	500/1500
USD/NGN NDF	360.64	362.00/363.00	364.00/365.50	366.00/367.50	372.75/375.25	379.50/381.50	387.00/390.00	(NAFEX)
USD/GHS NDF	5.1500	5.16/5.21	5.19/5.24	5.24/5.29	5.37/5.47	5.55/5.65	5.72/5.82	-
USD/TND	2.9750/9950	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
Crude Oil		Futures						
WTI	61.25							
Brent	70.05							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+21/27	+23/29	+35/41	+46/52	+58/64	+70/76	+83/89	+110/116
SAR SPREAD	+29/35	+34/40	+39/45	+44/50	+50/56	+59/65	+68/74	+98/104

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

AND FINALLY...

“Ask the experienced rather than the learned” – Arabic Proverb.

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.