

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **US Unveils Fresh Sanctions On Iran.**

The US administration implemented a set of new sanctions on Iran this week targeting the country's important metals industry. Copper, aluminum, iron and steel are second only to gas and oil in terms of overall exports and the sector itself is a major employer. "Today's action targets Iran's revenue from the export of industrial metals, 10% of its export economy and puts other nations on notice that allowing Iranian steel and other metals into your ports will no longer be tolerated. It remains the policy of the United States to deny Iran all paths to both a nuclear weapon and intercontinental ballistic missiles, and to counter the totality of Iran's malign influence in the Middle East." President Trump said in a statement on Wednesday, but also added in separate comments yesterday that his government was willing to talk to Tehran. "What I would like to see with Iran, I would like to see them call me. If they do, we are open to talk to them," he was quoted as saying by the Deutsche Welle media outlet.

#### **Another Study Highlights The Shale Oil Conundrum.**

As our regular readers will know we have never been optimistic about the long-term sustainability of shale oil production. The reality that this source of crude will not replace conventional plays, has been further highlighted in a new study conducted by the geoscientist David Hughes, (who spent 32 years with the Geological Survey of Canada) and has been outlined on the 'oilprice.com' website. In his report Hughes discusses the sharp decline rates that shale oil fields experience, the geological damage done to basins and the amount of money it takes to meet production targets, issues we also touched upon in our recent '[House view](#)' for crude. But Hughes goes into much more detail and lists the growing list of challenges facing this particular sector, such as the fact that US oil shale operators spent an estimated US\$54 bio last year, with 70% of this used purely to offset field declines and only 30% on raising output. "Declining well productivity in some plays, despite

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application of better technology, are a prelude to what will eventually happen in all plays: production will fall as costs rise. Assuming shale production can grow forever based on ever-improving technology is a mistake. Geology will ultimately dictate the costs and quantity of resources that can be recovered,” Hughes claims, adding that “Technology improvements appear to have hit the law of diminishing returns in terms of increasing production, they cannot reverse the realities of over-crowded wells and geology.” You can access his full report [here](#).

### **Tripoli Administration Threatens To Suspend The Licenses Of 40 Foreign Firms.**

The Tripoli based administration in Libya has apparently informed 40 foreign firms including Total, Thales and Siemens to renew their operating licenses within a 90 day period or risk being ordered to suspend their activities within the country, according to a ‘France-24’ report published yesterday. Total is heavily involved in Libya’s oil and gas sector and purchased a 16.3% stake in the Waha concession area from Marathon Oil just last year.

### **Egypt Denies Suez Canal Rumours.**

The Egyptian government has dismissed rumours that the Suez Canal Company may be privatized, adding that it would continue to hold shares in the firm according to an article published by the “Egypt Independent” news site. Meanwhile Germany’s DEA Suez GMBH Group has reportedly signed an agreement to explore and drill for oil in the Gulf of Suez’s Ras Badran area.

### **Saudi Arabia Approves Plans For The Issuance Of ‘Green Cards.’**

Saudi Arabia’s Shura Council has approved a plan to introduce a ‘green card’ style residence program called ‘Iqama’. Eligible foreigners would receive various rights such as: The ability to recruit workers, own property and being able to travel into and out of the country without the need for permission from a sponsor, as is the case now. You can read more on this story [here](#).

### **Nigeria’s CB Governor Set For Second Term.**

Nigeria’s President has approved the reappointment of Godwin Emefiele as Central Bank governor for a second 5-year term, although this will still need to be confirmed by MPs in the country’s National Assembly. If it is then Emefiele will become the first governor to serve two terms in office since the country returned to civilian rule in 1999.

### **Egypt’s Inflation Rate Eases.**

Core inflation in Egypt dipped to 8.10% last month from 8.90% in March, whilst the CPI rate slipped to 13% y/y from 14.20% according to the latest official Central Bank data.

### **Bahrain Receives Second Tranche Of GCC Aid Package.**

Bahrain’s Finance Ministry announced yesterday that the country has begun to receive the second tranche of a US\$10 bio five-year support package provided by the UAE, KSA and Kuwait last year. In a statement published by ‘Arabian Business’ magazine the ministry confirmed that it was set to receive US\$2.276 bio in 2019 with further payments of US\$1.76 bio next year, US\$1.85 bio in 2021, US\$1.42 bio in 2022 and US\$650 mio in 2023. The first tranche transferred last year totaled US\$2.292 bio.

### **Bilfinger Wins New EPC Contracts In The UAE.**

Germany’s Bilfinger has been awarded three engineering and services contracts at ADNOC’s refining facility in Ruwais.

### **Kuwait’s CB Rejects Warba Bank Proposal.**

Kuwait’s regulatory authority has decided not to approve Warba Bank’s proposed acquisition of a 75.72% stake in the Kuwait & Middle East Financial Investment Company from Ahli United Bank according to a recent Reuters report.

### **New Highway Between KSA & Oman Set To Open.**

A new 680 km road linking Oman and Saudi Arabia and which runs through the ‘Empty Quarter’ is reportedly due to open soon according to an article in the ‘Technical Review Middle East’ magazine. The highway will be the first-ever direct land-link between the two Gulf states and sharply reduce travel time for goods and people. The current route is 1,638km long and passes through the UAE.

## 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	95/115
USD/SAR	3.7502/05	2/5	5/8	7/10	15/20	27/37	48/58	190/220
USD/QAR	3.6590/6610	-50/-30	-65/-45	-70/-50	-90/-70	-105/-80	-105/-75	-130/-50
USD/KWD	0.30425/435	-2/+3	2/12	5/15	10/20	10/30	20/40	30/80
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	15/30	40/60	65/85	90/120	185/285
USD/MAD	9.6175/6375	60/160	150/350	300/700	900/1400	1600/2600	2000/3000	3500/6500
USD/EGP NDF	17.12	17.29/17.34	17.44/17.49	17.60/17.65	18.04/18.09	18.51/18.56	18.97/19.02	-
USD/IOD	0.7080/85	45/95	90/190	160/260	300/500	350/650	425/725	500/1500
USD/NGN NDF	360.64	361.50/362.50	363.75/365.25	365.50/367.00	372.0/374.50	379.00/381.00	387.00/390.00	(NAFEX)
USD/GHS NDF	5.1500	5.19/5.24	5.24/5.29	5.30/5.35	5.47/5.57	5.65/5.75	5.82/5.92	-
USD/TND	2.9600/3.0000	450/950	700/1700	1300/2300	2000/3500	2500/4500	3000/5000	5000/7500
Crude Oil		Futures						
WTI		62.10						
Brent		70.80						

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

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+22/28	+24/30	+36/42	+47/53	+59/65	+71/77	+84/90	+111/117
SAR SPREAD	+30/36	+36/42	+42/48	+47/53	+53/59	+62/68	+71/77	+101/107

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

## AND FINALLY...

Did you know that the modern Suez Canal is only the most recent of several manmade waterways that once snaked their way across Egypt? The Egyptian Pharaoh Senusret III is believed to have built an early canal connecting the Red Sea and the Nile River around 1850 B.C.

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