

Market Insights & Strategy

Global Markets

18th November 2019

MIDDLE EAST & AFRICAN MONITOR

- Era Of Record US Oil Output Coming To An End.
- Venezuela's Crude Production Falls Again.
- Internet Blackout In Iran As Protests Continue.
- Lebanese Banks Impose Hard Currency Withdrawal Cap.
- Morocco's Sovereign Wealth Fund Seeks New Opportunities In Africa.
- Saudi Arabia Issues First 'Permanent Residency' Visas.
- Bahrain's First LNG Regasification Terminal Prepares To Open.
- Airbus Wins Major Aircraft Order In UAE.
- Baker Hughes & Sadara Sign Long-term Supply Contract.

REGIONAL COMMENTARY

Era Of Record US Oil Output Coming To An End.

A recent report published by IHS –Markit predicts that shale oil production growth in the US will begin to slow next year and flatten by 2021. The report's reasons for such a slowdown are similar to those we have mentioned in our own previous oil commentaries and underlines why we also believe that the era of constantly rising US shale output is coming to an end. *"The combination of closed capital markets and weak prices are pulling cash out of the system. Investors are imposing capital discipline on E&P's by pushing down equity prices and pushing up the cost of capital on debt markets. Operators were able to outperform the price collapse in 2015-2016 because they were able to vastly outspend cash flow thanks to accommodative debt and equity markets, while at the same time achieving huge leaps in well productivity and capital efficiency. This time around, capital markets are skeptical and wary, and the scope for further productivity gains is limited,"* one of the IHS-Markit's senior VP's was quoted as saying in the report, adding that; *"Going from nearly 2 million barrels per day annual growth in 2018, an all-time global record, to essentially no growth by 2021 makes it pretty clear that this is a new era of moderation for shale producers. This is a dramatic shift after several years where annual growth of more than one million barrels per day was the norm."*

Venezuela's Crude Production Falls Again.

Venezuela's crude oil production fell to 644,000 bpd in September 2019 according to official OPEC data, this compares to 1.35 mio bpd in output just a year ago. However the Latin American producer is apparently still managing to export over 500,000 bpd despite stringent US sanctions, by utilizing the 'ghosting' method which involves tankers carrying Venezuelan crude turning off their location transponders, according to the 'Japan Times' newspaper.

Internet Blackout In Iran As Protests Continue.

The Iranian authorities shutdown almost all public access to the internet yesterday as protests, triggered by a recent official fuel price hike, continued across the country for a third day. As of last Friday petrol prices within the rationed monthly limit of 60 litres per car increased by 50% to IRR 15,000 per litre and by 300% for any usage above that limit.

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

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

According to the 'Fars' media outlet over 1000 demonstrators have been arrested so far whilst 15 petrol stations had been set on fire. The Supreme Leader Ayatollah Seyyed Ali Khamenei said yesterday that that he supported the government's decision to raise fuel prices and accused "*foreign*" forces of being behind the protests. *"The counter-revolution and Iran's enemies have always supported sabotage and breaches of security and continue to do so,"* Khamenei was quoted as saying by Reuters. Meanwhile the US administration said in a statement that America supported; *"the Iranian people in their peaceful protests against the regime that is supposed to lead them,"* adding that *"We condemn the lethal force and severe communications restrictions used against demonstrators. Tehran has fanatically pursued nuclear weapons and missile programs, and supported terrorism, turning a proud nation into another cautionary tale of what happens when a ruling class abandons its people and embarks on a crusade for personal power and riches."* Iran has the most subsidized fuel price system in the world but renewed US sanctions and the consequent drop in oil exports is hitting the public coffers hard while GDP is expected to shrink by more than 9% this year.

Lebanese Banks Impose Hard Currency Withdrawal Cap.

Commercial banks in Lebanon have reportedly agreed to streamline and formalize a series of directives with regards to hard currency transactions made by individuals. These 'temporary' measures include a US\$1,000 weekly withdrawal limit and a ban on international transfers unless they are required for 'urgent personal expenses,' and are restrictions that had already been imposed to some extent by various banks recently albeit on an ad hoc basis. Meanwhile local bank employees who have been on strike since last Monday remained so today but are expected to return to work tomorrow when bank branches should also reopen to the public. A shortage of hard currency is starting to hit all sectors of the economy with the 'France-24' media outlet claiming in an article published this morning that private hospitals in Lebanon are now owed around US\$1.3 bio in as yet unpaid bills by the government, doctors have not been receiving their salaries, and many patients are currently unable to withdraw cash in order to pay their health bills.

Morocco's Sovereign Wealth Fund Seeks New Opportunities In Africa.

Morocco's sovereign wealth fund, [Ithmar Capital](#), will seek to diversify its domestic portfolio over the next few years and look for fresh investment opportunities in Africa together with some international partners, according to its Managing Director, Obaid Amrane. *"Diversification into infrastructure, into productive sectors of the Moroccan economy will at least double the size of the investments that we have already done. We are working on some potential deals that are dedicated to industry, also in agriculture business and some energy and renewable energy projects. There's strong interest for potential co-investments from our partners on the back of Morocco's track record, we have a very good track record in infrastructure sector, ports and facilities, airports and energy generation projects, specifically renewable energy, highways and other segments related to mobility and water treatment projects,"* Amrane was quoted as saying by the UAE's National newspaper earlier today, adding that; *"We have started discussions with external sovereign wealth funds that have excess funds to be invested. We are identifying a pipeline of projects to be financed with our counterparts in African countries to generate the deal flow."*

Saudi Arabia Issues First 'Permanent Residency' Visas.

According to an official Saudi government source, seventy-three expatriates from nineteen countries have thus far been granted permanent residence permits in the Kingdom under the 'Premium Residency' program that was unveiled in May this year. The 'privileged iqama' system, grants a successful applicant various advantages including the right to recruit workers, own property and the ability to enter and depart the country without the need for prior permission from a sponsor as was the case until now.

Bahrain's First LNG Regasification Terminal Prepares To Open.

Bahrain's first LNG regasification terminal will reportedly begin operating before the end of this year according to a statement by Teekay LNG, a partner in the JV which owns the terminal, and that was published by the 'Riviera Maritime Media' website. The facility consists of a floating storage unit, an offshore LNG receiving jetty and breakwater, an adjacent regasification platform, subsea gas pipelines from the platform to shore, an onshore gas receiving facility, and an onshore nitrogen production facility.

Airbus Wins Major Aircraft Order In UAE.

Airbus has been awarded an order for over one hundred of its A320 range of passenger aircraft from the low cost carrier Air Arabia, according to a Reuters article published earlier today. The deal will consist of seventy A320 Neo jets with the rest of the order made up of the A321 XLR and A321 versions and is worth a total of US\$14 bio.

Baker Hughes & Sadara Sign Long-term Supply Contract.

Baker Hughes has signed a 20-year agreement with the Sadara Chemical Company which will see the latter provide feedstock chemicals to the US firm's first manufacturing facility in Saudi Arabia according to the 'rigzone' website.

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	3.6729/30	5/10	11/16	15/20	30/40	44/54	60/70	140/170
USD/SAR	3.7501/04	2/5	4/9	6/11	12/17	22/32	35/45	190/220
USD/KWD	0.30360/370	17/27	35/45	55/65	100/130	150/170	200/230	300/400
USD/OMR	0.38497/500	7/17	25/35	40/60	110/140	200/230	300/350	780/880
USD/BHD	0.37702/707	Par/+5	3/13	8/18	25/45	50/70	80/110	200/300
USD/MAD	9.6250/6450	20/120	50/250	75/375	250/650	550/1550	900/1900	2000/5000
USD/EGP NDF	16.10	16.21/16.26	16.34/16.39	16.47/16.52	16.85/16.90	17.25/17.30	17.65/17.70	-
USD/IOD	0.7086/91	40/90	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	362.42	363.75/365.75	365.50/367.50	368.00/370.00	376.50/379.50	385.50/389.50	395.00/400.00	(NAFEX)
USD/GHS NDF	5.5000	5.59/5.64	5.67/5.72	5.75/5.80	5.97/6.07	6.20/6.35	6.42/6.57	-
USD/TND	2.8250/8550	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
Crude Oil		Futures						
WTI	57.55							
Brent	63.10							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+26/32	+29/35	+40/46	+51/57	+63/69	+75/81	+86/92	+112/118
SAR SPREAD	+33/39	+41/47	+49/55	+57/63	+65/71	+76/82	+88/94	+119/125

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	2,682.11	(0.86)	(0.72)	(2.36)	6.02	21.0%	21.2%	21.9%
Abu Dhabi	Index	ADSMI	5,046.91	(0.27)	(1.77)	(1.19)	2.68	19.6%	19.9%	20.4%
KSA	Index	M1SAP	1,164.66	0.00	0.00	3.08	2.80	23.7%	21.9%	21.6%
Dubai	Equity	EMAAR	4.10	(0.49)	(0.97)	(3.98)	(0.73)	32.1%	32.4%	32.8%
Dubai	Equity	EMIRATES	12.05	(1.63)	2.99	0.42	41.01	29.2%	29.5%	30.3%
Abu Dhabi	Equity	ADCB	7.58	(0.26)	(0.66)	(2.82)	(7.11)	29.5%	29.7%	30.8%
Abu Dhabi	Equity	ETISALAT	16.38	(0.73)	(1.92)	(1.09)	(3.53)	18.6%	19.2%	19.5%
KSA	Equity	SABIC	91.80	(0.22)	(0.97)	4.68	(21.00)	22.7%	22.9%	22.9%
KSA	Equity	RJHI	64.10	0.94	3.39	6.13	12.70	22.9%	23.2%	23.8%

AND FINALLY...

Did you know that Africa is the second most populous continent with around 1.1 billion people or 16% of the world's population?

Glenn Wepener
Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@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.