

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **OPEC+ Grouping Seeks New Members.**

OPEC’s Secretary-General, Mohammad Barkindo, said yesterday that oil producers need to work even closer together in order to steer the market through the current uncertain environment. In this regard he invited those countries that were not as yet a part of the OPEC+ grouping to join. *“The ‘Declaration of Cooperation’ between OPEC Member Countries and 10 non-OPEC producing countries, led by Russia, which came into force on 1 January 2017, resuscitated the fortunes of the global oil industry. President Putin has been one of the key architects and authors of making this endeavor a success. A crucial milestone which set in motion the chain of events which resulted in the ‘Declaration of Cooperation,’ was the ‘breaking of the ice’ meeting that President Putin had with His Highness Crown Prince Mohammad Bin Salman of Saudi Arabia, on the margins of the 2016 G20 Hangzhou Summit, held on the 4th and 5th September, in China. This courageous step, particularly the warm rapport that President Putin developed with the Crown Prince, has played an immense role in our subsequent successes. The ‘Charter’ is a platform to facilitate dialogue among the Participating Countries, aiming to promote oil market stability, cooperation in technology and other areas, for the benefit of oil producers, consumers, investors and the global economy. It is a means of enabling the long-term use of oil as a key component in the evolving global energy mix, as well as improving the environmental and efficiency credentials of oil. The ‘Charter’ will promote strategies and technologies to advance the global oil industry. Our 24 participating countries of the ‘DoC’ have chosen the path of cooperation; the path of dialogue, the path of transparency and openness. The ‘Charter’ crystalizes these intentions and provides them with an overall framework. Therefore, further and more intensified cooperation is the best prescription to treat volatility. For this reason, participation in the ‘Charter’ is voluntary and open to all producing countries. I would like to extend the hand of friendship to all 97 oil producing countries and invite them to join the ‘Charter of Cooperation’ as we seek to build a better world,”* Barkindo

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said during his speech in Russia earlier this week. You can access his statement in full [here](#). Meanwhile the latest API report suggests that US crude inventories fell by 5.9 mio barrels last week although we await confirmation of this by the EIA later today.

### **Iran Building New Oil Pipeline – President Rouhani’s Brother Receives Jail Sentence.**

Iran’s National Oil Company said on Monday that it was moving ahead with plans to construct a 1000km pipeline which would run from the Goureh terminal to Bandar-e-Jask port which lies on the Sea of Oman. The pipeline and related port facilities will cost an estimated US\$1.8 bio and is projected to be completed by 2021 according to the ‘France-24’ news site. Meanwhile, Hossein Fereydoun, the brother of Iran’s President was reportedly sentenced to a five-year prison sentence yesterday (reduced from an original seven years) on corruption charges according to a state-run news agency. Fereydoun was a part of Tehran’s negotiating team that worked on the 2015 JCPOA agreement, and his sentencing comes not long after the country’s Supreme Leader Ayatollah Khamenei, made Hassan Rouhani’s presidential rival, Ebrahim Raisi, head of Iran’s judiciary.

### **Iraq Shuts Consulate In Mashhad After Detention Of Diplomats.**

The Iraqi government has suspended operations at its consulate in the Iranian city of Mashhad after two of its diplomats there were apparently arrested and beaten by local security agents on Saturday. *“It was decided to suspend operations at the Iraqi consulate in Mashhad after two Iraqi employees were beaten. Baghdad is awaiting an Iranian explanation on the incident,”* an Iraqi Foreign Ministry spokesperson was quoted as saying yesterday by the ‘Iraqi News’ website, adding that the diplomats had since been released from custody. Mashhad is Iran’s second largest city and is a significant pilgrimage destination for Shia Muslims.

### **Turkish Military May Move Into Northern Syria.**

President Erdogan has warned that his troops may soon conduct an offensive in north-eastern Syria in order to establish a ‘safe-zone’ for Syrian refugees, and push-out the US-backed Kurdish militia forces based there who Ankara continues to describe as ‘terrorists’. Discussions with Washington over the creation of such a refugee zone have thus far failed to result in an agreement over how it should be done, including the potential withdrawal of the remaining US forces and their Kurdish allies from that area of Syria which lies close to the Turkish border. *“We may suddenly arrive one night, we have tried every means, with great patience, to solve this problem together with our allies. Turkey will not lose a single day. We are planning to house 2 million people in the safe zone 30 kilometres deep. Our project is ready.”* Erdogan was quoted as saying yesterday by Bloomberg. His comments saw spot USD/TRY hit a one-week high of 5.7583 earlier today.

### **Egypt Preparing To Unveil Fresh Political Reforms – MP.**

The speaker of Egypt’s parliament said yesterday that a raft of new political and media related reforms will soon be proposed. *“There will be political and media reforms in the coming period. We are entering the phase of reaping the fruits after a transitional period that required harsh measures,”* Ali Abdel-Aal was quoted as saying by the ‘Gulf News’ media outlet, although he did not go into any detail around what these potential reforms will entail. His comments follow an announcement over the weekend that the government would restore food subsidies to around 1.8 million people effective immediately.

### **Saudi Arabia Launches Tourism Visa Program.**

Saudi Arabia officially launched its new tourist visa program last weekend, and foreign visitors from 49 countries will now be able to obtain a 3-month multiple entry visa upon their arrival in the Kingdom at a cost of US\$80. Tourism is a key pillar of Saudi Arabia’s ‘Vision 2030’ plans and it is hoped that this sector will create up to one million jobs over the next ten years. You can read more details on this subject [here](#) whilst the official Saudi tourism website can be accessed [here](#). Meanwhile the country’s non-oil sector expanded by 2.90% y/y during the second quarter of 2019 compared to 2.10% in Q1, its strongest performance in almost four years.

### **Lebanon’s Central Bank To Guarantee US\$ Supplies – Moody’s Puts Country On Ratings Watch.**

Lebanon’s Central Bank announced yesterday that it would provide enough hard currency to the domestic banking sector at the official pegged USD/LBP exchange rate in order to guarantee the country’s required

key imports of medicine, wheat and petrol. Meanwhile Moody's Investors Service said in a statement yesterday that it has put its Caa1 credit rating on Lebanon under review for a possible downgrade. Lebanon's "anticipated external financial assistance has not yet been forthcoming and capital market access at sustainable rates remains elusive. The review will assess whether Lebanon is likely to be able to obtain external financial assistance or renewed capital market access at sustainable rates, without which, a significant share of usable liquid foreign exchange resources, adjusted for the banks' negative net foreign asset position, will likely be consumed by debt service payments in 2019 and 2020," the ratings agency stated, adding that such a scenario could; "potentially destabilize the currency peg and/or prompt a debt rescheduling or other credit negative liability management exercise, the increased risks of which may warrant repositioning the rating at a lower level."

#### NPL Levels In Oman Expected To Rise – Moody's.

Moody's expects the amount of problem loans in Oman to increase to between 3.20-3.70% of the domestic banking sector's total outstanding loans during the 2019-20 fiscal year, from 2.80% in June this year. "The challenging environment for businesses and households will lead to increased problem loans. Our negative outlook for the sector also takes account of the government's declining capacity to support the country's banks in case of need," Mik Kabeya, an assistant Vice President at the ratings agency was quoted as saying by Reuters, although Moody's also stated that it expects bank capital to remain sound and profitability to be robust albeit at a lower level.

#### Kenya's Economic Growth Slows In Q2.

Kenya's economy expanded by 5.60% y/y during the second quarter of this year compared to 6.40% over the same period of 2018 according to the latest data released by the country's statistics office. This slowdown has been attributed primarily to lower agricultural output (which itself was affected by a drought), but also by reduced activity in the manufacturing and transportation sectors.

#### Algeria Plans To Cut Spending In 2020.

Algeria's Finance Minister, Mohamed Loukal, announced yesterday that the government plans to reduce public spending by 9.20% next year and seek offshore financing for the first time in several years. It will also raise certain consumer taxes according to a Reuters report.

#### UAE – China Trade Rises.

Bilateral trade between the UAE and China rose by 16.20% y/y during the first quarter of this year to US\$11.20 bio, underlining the growing investment ties between these two countries. The UAE remains China's largest export and re-export market into the MENA region.

#### 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	3.67285/295	2/5	4/7	8/13	20/30	32/42	52/62	140/170
USD/SAR	3.7517/20	-4/-1	-4/-1	-6/-1	-3/+2	5/15	20/35	150/180
USD/KWD	0.30440/450	8/18	20/30	35/45	80/100	140/170	200/250	350/450
USD/OMR	0.38499/502	7/17	20/30	30/50	85/115	165/195	250/300	650/700
USD/BHD	0.37699/702	Par/+10	5/15	10/25	25/45	40/70	70/100	240/340
USD/MAD	9.7200/7400	20/120	50/300	75/375	250/650	500/1500	1100/2100	2000/5000
USD/EGP NDF	16.27	16.39/16.44	16.54/16.59	16.69/16.74	17.14/17.19	17.60/17.65	18.09/18.14	-
USD/JOD	0.7085/90	35/85	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	362.08	363.00/365.00	364.25/366.25	366.00/368.00	372.00/377.00	378.00/383.00	387.00/392.00	(NAFEX)
USD/GHS NDF	5.3956	5.40/5.44	5.46/5.51	5.51/5.56	5.68/5.78	5.87/6.02	6.08/6.23	-
USD/TND	2.8450/8850	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	53.95							
Brent	58.95							

\*\* (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	+30/36	+40/46	+50/56	+63/69	+75/81	+86/92	+110/116
SAR SPREAD	+29/35	+34/40	+41/47	+48/54	+55/61	+65/71	+76/82	+108/114

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	2,754.77	(0.90)	(1.59)	(0.98)	8.85	21.0%	21.2%	21.9%
Abu Dhabi	Index	ADSMI	5,023.25	(0.61)	(0.91)	(0.67)	2.20	19.6%	19.9%	20.4%
KSA	Index	M1SAP	1,175.20	(0.62)	(0.48)	(0.62)	3.73	23.7%	21.9%	21.6%
Dubai	Equity	EMAAR	4.46	(3.46)	(4.29)	(3.25)	7.99	32.1%	32.4%	32.8%
Dubai	Equity	EMIRATES	13.00	0.39	0.00	0.39	46.23	29.3%	29.8%	30.8%
Abu Dhabi	Equity	ADCB	7.63	(2.30)	(4.03)	(2.93)	(6.50)	29.5%	29.7%	30.8%
Abu Dhabi	Equity	ETISALAT	16.18	(1.22)	(1.22)	(1.94)	(4.71)	18.6%	19.2%	19.5%
KSA	Equity	SABIC	91.40	(0.65)	(1.51)	(0.65)	(21.34)	22.7%	22.9%	22.9%
KSA	Equity	RJHI	62.60	(0.64)	(0.79)	(1.26)	9.89	22.9%	23.2%	23.8%

### AND FINALLY...

Did you know that Saudi Arabia is home to 'Ah-Ahsa' the world's largest self-contained oasis, where there are also an estimated 2.5 million date palm trees?

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