

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

- Oil Market Remains Under Pressure As Trade Deal Hopes Fade.
- China Pulls Out Of Major Gas Deal With Iran.
- Iraqi Government Issues New Proposals As Protests Continue.
- Ennahda Leads In Tunisia's Latest Parliamentary Election.
- Russia Eyes Fresh Investment Opportunities In KSA.
- Lebanon's PMI Index Slumps.
- Nigeria Issues US\$1.3 Bio Fine On 12 Local Banks.
- S&P Affirms Its Morocco Ratings.
- Ethiopian Airlines May Take Stake In SAA.
- Arabtec Sub Wins EPC contract In KSA.

REGIONAL COMMENTARY

Oil Market Remains Under Pressure As Trade Deal Hopes Fade.

Hopes of a near term resolution to the now 15 month long US/China trade dispute have continued to fade these past few days, even as we head into round 13 of the negotiations. Trump is now distracted by the impeachment inquiry and Chinese officials have in recent weeks indicated that Beijing may now be reluctant to agree to a broad trade accord. Last Friday President Trump claimed again that there was "a very good chance of a trade deal," but such comments are becoming to sound increasingly hollow, especially after his statement in 2018 that "trade wars are good and easy to win." On top of this the recent White House decision to start a separate trade battle with the EU, suggests that domestic politics is overtaking common sense. The more negative mood is continuing to put downward pressure on crude prices as fears grow over the health of the global economy and the OPEC+ grouping may need to step in again soon to ensure prices remain above US\$50 per barrel. OPEC's Secretary General, Mohammed Barkindo, said this morning that the OPEC+ alliance was focusing on full compliance with the current oil output cut accord, although adding that it was still too early to discuss deeper reductions. Interestingly one of the few countries that appear to have benefited directly from the ongoing Washington/Beijing standoff has been Vietnam which saw its exports to the US jump by 40% during Q1 of 2019.

China Pulls Out Of Major Gas Deal With Iran.

The 'China National Petroleum Company' has announced its withdrawal from a US\$5 bio gas contract in Iran's South Pars field, and although the firm did not give a reason for the cancellation of the agreement, US sanctions on Tehran is the most likely primary cause. This was underlined in comments made by Iran's Foreign Minister, Mohammad Zarif, yesterday. "We have been facing plenty of problems in the field of investment because of the US maximum pressure policy," Zarif was quoted as saying by Reuters. Meanwhile the country's Oil Minister, Bijan Zanganeh, claimed yesterday that the government would consider all options available in order to continue to export Iran's crude production. "We will use every possible way to export our oil and we will not succumb to America's pressure because exporting oil is Iran's legitimate right," Zanganeh stated.

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

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Iraqi Government Issues New Proposals As Protests Continue.

Prime Minister, Adel Abdul Mahdi's administration in Iraq unveiled a new 17-point economic support plan this past weekend which includes subsidized housing for the poor, unemployment benefits as well as training programs and small loans initiatives for the young, as it tries to subdue widespread violent protests which have rocked the country since early last week. According to a statement made by a senior interior Ministry official on state television last night, this latest bout of unrest has thus far resulted in 104 people being killed including members of the security forces, over 6,000 wounded and 51 buildings torched. Most of the demonstrations have been driven by growing public anger over alleged local government corruption, inadequate basic services and a lack of jobs.

Ennahda Leads In Tunisia's Latest Parliamentary Election.

According to an unofficial exit poll, the moderate Islamic party 'Ennahda', has probably gained the most votes in Tunisia's latest parliamentary election which was held yesterday. The exit poll was conducted by Sigma Conseil and showed Ennahda leading with 17.50% of the vote, just ahead of its main rival, the 'Heart of Tunisia' party with around 15.60% of the vote. However it's still probably too early to accurately predict who will achieve a final majority of seats in the new parliament, but voter turnout was relatively low at just 41.30%. Meanwhile the second round of the country's Presidential election will take place on the 13th of October.

Russia Eyes Fresh Investment Opportunities In KSA.

Bilateral relations between Russia and Saudi Arabia are continuing to strengthen and this situation is underlined by the upcoming official visit to the Kingdom by President Putin. Meanwhile the head of Russia's Direct Investment Fund (RFID), Kiril Dmitriev, said last week that the fund was preparing to sign ten new investment deals with Saudi Arabia, and described Putin's proposed trip as "*showing the growing role Russia is playing in the Middle East.*" He also hinted that a particularly "*exciting*" deal would be announced during Putin's trip to Riyadh. Dmitriev himself was recently given Saudi Arabia's highest award the 'Order of King Abdul Aziz', for his "*outstanding services*" to the Kingdom.

Lebanon's PMI Index Slumps.

Blom Bank's Purchasing Managers Index for Lebanon fell to 46.4 last month from 47.8 in August, highlighting a continued decline in the health of the private sector. "*Despite the renewed political willpower to reform and the plan to drive GCC investments into the country's infrastructure, reports by Fitch Ratings among others this month downgraded Lebanon to CCC from B-, which also reflects the new rating of Lebanese banks. As a result, economic growth faltered and is expected to have registered zero to 0.50% in the first nine months of the year,*" Blom Bank's senior economist was quoted as saying by the UAE's 'National' newspaper late last week.

Nigeria Issues US\$1.3 Bio Fine On 12 Local Banks.

Nigeria's Central Bank has fined 12 banks, including Zenith, UBA, FBN, Guaranty Trust as well as the local subsidiaries of Citibank and Standard Chartered, a total of NGN 500 bio for reportedly failing to comply with the regulator's new minimum loan-to-deposit ratio of 60% which was instituted three months ago. The CB had given commercial banks until the end of September to comply with this ratio, it has also since raised the ratio to 65% and banks have until the end of this year to meet the new requirement or face another 50% fine on their lending shortfalls. The CB is hoping that these new ratio related penalties will encourage banks to extend more credit to local businesses and consumers, but lenders have until now preferred to place their excess liquidity into government T-Bills and other securities.

S&P Affirms Its Morocco Ratings.

In a note published last Friday, S&P affirmed its BBB-/A-3 long and short term foreign/local currency ratings on Morocco whilst also amending its outlook from negative to stable. The agency said that its decision was reached by: "*balancing our expectation of further fiscal consolidation and gradual improvement in the current account position over the next two years against risks to economic growth from domestic structural shortcomings or external shocks, for example, due to a slowdown in world trade. We could raise the rating if*

budgetary consolidation prospects materially improve or the ongoing transition toward a more flexible exchange rate that targets inflation significantly bolsters Morocco's external competitiveness and ability to withstand macroeconomic external shocks."

Ethiopian Airlines May Take Stake In SAA.

The CEO of Ethiopian Airlines, Tewolde GebreMariam, said this past weekend that his airline would consider purchasing a stake in South African Airways if a decision was made by the South African government to sell some of its equity holdings in the state-owned carrier. *"We are interested in supporting South African Airways. If South Africa asked Ethiopian to buy a stake we would consider it,"* GebreMariam was quoted as saying by Bloomberg. Ethiopian is currently the African continent's most profitable airline.

Arabtec Sub Wins EPC contract In KSA.

A subsidiary of UAE based Arabtec Holdings has been awarded a US\$75 mio EPC contract to upgrade a produced water disposal facility at the Qatif gas oil separation plant in Saudi Arabia, according to the 'construction week online' 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 | 3.67285/295 | 1/4 | 5/10 | 8/13 | 20/30 | 35/45 | 52/62 | 140/170 |
| USD/SAR | 3.7507/10 | -4/-1 | -4/-1 | -4/-1 | 2/7 | 14/24 | 35/45 | 210/240 |
| USD/KWD | 0.30410/420 | 5/15 | 15/25 | 30/45 | 80/100 | 140/170 | 210/260 | 370/470 |
| USD/OMR | 0.38499/502 | 7/17 | 25/35 | 45/65 | 110/140 | 200/230 | 320/370 | 725/825 |
| USD/BHD | 0.37699/703 | Par/+10 | 5/15 | 10/25 | 25/45 | 50/80 | 75/105 | 250/350 |
| USD/MAD | 9.6700/6900 | 20/120 | 50/300 | 75/375 | 250/650 | 500/1500 | 1100/2100 | 2000/5000 |
| USD/EGP NDF | 16.30 | 16.41/16.46 | 16.54/16.59 | 16.69/16.74 | 17.12/17.17 | 17.58/17.63 | 18.07/18.12 | - |
| USD/JOD | 0.7085/90 | 35/85 | 50/150 | 100/200 | 225/425 | 300/500 | 450/700 | 700/1700 |
| USD/NGN NDF | 362.09 | 363.00/365.00 | 364.50/366.50 | 366.50/368.50 | 373.00/376.00 | 380.50/384.50 | 388.00/393.00 | (NAFEX) |
| USD/GHS NDF | 5.4033 | 5.46/5.50 | 5.52/5.77 | 5.58/5.63 | 5.78/5.88 | 5.98/6.12 | 6.19/6.34 | - |
| USD/TND | 2.8400/8700 | 150/350 | 300/600 | 400/900 | 1000/2000 | 1500/2500 | 2000/3500 | 4000/7000 |
| Crude Oil | | Futures | | | | | | |
| WTI | 53.10 | | | | | | | |
| Brent | 58.60 | | | | | | | |

** (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 | +29/35 | +39/45 | +50/56 | +64/70 | +76/82 | +88/94 | +113/119 |
| SAR SPREAD | +33/39 | +40/46 | +46/52 | +53/59 | +60/66 | +71/77 | +82/88 | +115/121 |

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

EQUITY MARKETS

| Market | Underlying | BBG ticker | Spot | Equity Price Moves | | | | ATM Implied Vols | | |
|-----------|------------|------------|----------|--------------------|--------|--------|---------|------------------|-------|-------|
| | | | | 1day % | wtd % | mtd % | ytd % | 3 mth | 6 mth | 1 Yr |
| Dubai | Index | DFMGI | 2,781.19 | (0.01) | 0.73 | 0.00 | 9.94 | 21.0% | 21.2% | 21.9% |
| Abu Dhabi | Index | ADSMI | 5,051.45 | 0.31 | 0.47 | (0.12) | 2.77 | 19.6% | 19.9% | 20.4% |
| KSA | Index | MISAP | 1,152.07 | 0.00 | 0.00 | (2.58) | 1.69 | 23.7% | 21.9% | 21.6% |
| Dubai | Equity | EMAAR | 4.49 | (0.44) | (0.22) | (2.60) | 8.72 | 32.1% | 32.4% | 32.8% |
| Dubai | Equity | EMIRATES | 13.00 | (0.38) | 0.39 | 0.39 | 46.23 | 29.3% | 29.8% | 30.8% |
| Abu Dhabi | Equity | ADCB | 7.69 | (0.13) | (0.52) | (2.16) | (5.76) | 29.5% | 29.7% | 30.8% |
| Abu Dhabi | Equity | ETISALAT | 16.32 | 0.25 | (0.24) | (1.09) | (3.89) | 18.6% | 19.2% | 19.5% |
| KSA | Equity | SABIC | 91.30 | 0.00 | 0.11 | (0.76) | (21.43) | 22.7% | 22.9% | 22.9% |
| KSA | Equity | RJHI | 61.70 | 0.00 | 0.33 | (2.53) | 8.48 | 22.9% | 23.2% | 23.8% |

AND FINALLY...

Archaeologists in Egypt have discovered a 2,200-year-old temple thought to belong to the Pharaoh Ptolemy IV. The ancient tomb structure was accidentally un-earthed by construction workers during work on a new sewage pipeline near the west bank of the Nile river last month.

Glenn Wepener
Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

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