

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Oil Prices Dip Again After Brief Rally.

Crude prices slipped back again this morning after rallying briefly last Friday following some slight progress in both US/China trade negotiations and the UK government's discussions over Brexit with the EU, as well as the reported attack on an Iranian tanker sailing through the Red Sea. However after a weekend's reflection it appears players are still not convinced that a comprehensive trade deal between Washington and Beijing is close and thus concerns continue to grow over the health of the global economy. With regards to the Red Sea event on Friday, Iran initially accused Saudi Arabia of being behind an apparent attack on one of its oil tankers, but Tehran has since apparently withdrawn this claim while it undertakes an investigation into the incident. Meanwhile Riyadh has denied any involvement, with the Kingdom's Minister of State for Foreign Affairs, Adel al Jubeir stating yesterday that; *"We did not engage in such behavior at all, this is not how we operate. The story is still not complete, so let's wait and find out what happened before we jump to conclusions."*

Syrian Army Moves North To 'Confront' Turkey – US Congress Prepares Sanctions Bill.

Syria's SANA state media outlet announced earlier this morning that government forces are moving towards the north of the country in order to *"confront Turkish aggression."* This news follows a recent 'Deutsche Welle' article which claimed that senior Kurdish officials have been holding talks with government representatives from Damascus, at Russia's Hemeimim air force base in Latakia. Meanwhile fierce clashes reportedly continued yesterday between Turkish forces and Kurdish fighters near and around the key border towns of Ras al Ayn and Tel Abyad. In Washington, President Trump stated via Twitter on Sunday that he was *"listening"* to members of congress where there is a building bipartisan drive to impose sanctions on Turkey for their Syrian offensive. *"Dealing with @LindseyGrahamSC and many members of Congress, including Democrats, about imposing powerful Sanctions on Turkey. Treasury is ready to go, additional legislation may be sought. There is great consensus on this. Turkey has asked that it not be done. Stay tuned!"* Trump tweeted. His comments saw Senator Graham reply on the same social media platform saying; *"I applaud his decision to work with Congress to stop Turkey's aggression in Syria through crippling*

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economic sanctions. This decision by President Trump will be a game changer, in all the wrong ways, for Turkey.” In response to all this Turkey’s President Erdogan was quoted by the ‘Daily Sabah’ website last night saying that; “There are some countries describing the operation as an invasion. There are some countries threatening our economy with sanctions and weapons embargoes following our operation. They are wrong if they think that they can make Turkey give up.” His statement was supported by Turkey’s Foreign Minister, Mevlut Cavusoglu, who claimed; “If Turkey was afraid of sanctions, we would not have started this operation, this is a vital national security issue for us.”

Russian President To Visit Saudi Arabia & UAE This Week.

Russia’s President Putin is due to arrive in Riyadh this morning, his first visit to the Kingdom since 2007 and where he will hold discussions with King Salman and the Crown Prince Mohammed bin Salman. He, along with a delegation of ministers and trade representatives, will then proceed to Abu Dhabi tomorrow where he is due to meet with Sheikh Mohamed bin Zayed and other senior Emirati dignitaries. In an interview with the ‘Al Arabiya’ network ahead of his Gulf trip, Putin commented on the recent drone/missile attack on Aramco’s facilities saying; *“Regardless of who stood behind this incident, we condemn these kind of acts. If anyone believes that acts such as seizing tankers, attacks on oil infrastructures will affect in one way or cooperation between Russia and our Arab friends, Saudi Arabia and the UAE, they are all mistaken. Our aim is to stabilize the global energy market. We’ll work with Saudi Arabia and other partners and friends in the Arab world in order to neutralize and minimize attempts to destabilize the market.”* On the commercial front Putin suggested that his government wanted to greatly expand its trade ties with both the UAE and KSA and revealed that the Russian firm, SIBUR, was in talks with Saudi Arabia over the potential construction of a giant petrochemical complex in the Kingdom. *“We also consider it possible to operate on the territory of Saudi Arabia. One of our companies is exploring the possibility of building a petrochemical facility with an investment of more than US\$1 billion. It is SIBUR Holding, Russia’s largest company in this sector,”* Putin was quoted as saying by the ‘RT’ news outlet. Meanwhile the UAE’s ambassador to Moscow, Maadhad al Khalili, said that the Russian’s President’s visit to the UAE *“will contribute to further consolidating the current strategic partnership between the two sides,”* and added that *“the volume of mutual trade between the two countries has grown significantly in recent years, with the Russian Federation ranked first among the UAE’s trading partners in Eastern Europe and Central Asia, and the UAE maintaining its position as Russia’s primary trade partner in the Arabian Gulf in 2018.”*

Academic Set To Become Tunisia’s Next President.

According to the latest exit polls, an independent candidate ‘Professor’ Kais Saied, looks to have won the country’s recent Presidential election (which took place over the weekend) by a landslide, although the final official result is only due to be announced later today. Saied is an expert in constitutional law and was until recently a lecturer in judicial and political science. He is considered to hold very conservative views especially on social norms, whilst some of his election promises include the decentralization of government and the creation of a new network of elected local council officials whose performance would be strictly monitored. Although he stood as an independent and is a genuine newcomer to the political scene he was backed by the ‘Ennahda’ party.

Inflation In Egypt Hits Record Low.

The urban CPI rate in Egypt has slipped to its lowest level in almost seven years coming in at 4.80% y/y last month from 7.50% in August and far below the 33% level seen in 2017 following the devaluation and float of the local currency. This soft inflationary picture also increases the chances of another interest rate cut of between 50-100bp at the Central Bank’s next MPC meeting in November. Meanwhile in its latest review of the country, the IMF was reasonably upbeat on its outlook for the Egyptian economy. *“Critical macroeconomic reforms have been successful in correcting large external and domestic imbalances, achieving macroeconomic stabilization and a recovery in growth and employment, and putting public debt on a clearly declining trajectory,”* the IMF statement read, adding that, *“the outlook remains favourable and provides an opportune juncture to further advance structural reforms to support more inclusive private-sector led growth and job creation. The authorities have launched important reforms of competition policy, public procurement, industrial land allocation, and state-owned enterprises, and sustained implementation will be*

essential to ensure that statutory changes achieve meaningful results in the business climate. Deepening and broadening of effective reforms is critical to underpin the positive outlook for growth and unemployment."

UAE Retains Its Number One Spot As Region's Most Competitive Economy.

The UAE has retained its number one ranking as the most competitive economy in the MENA region for the fourth year in a row according to the latest 'Global Competitiveness Report' which is produced annually by the World Economic Forum and covers 140 countries. On the wider front, the UAE rose two spots to 25th in the world on the same basis, whilst Singapore came in at number one. You can access the full WEF report [here](#).

IATA Says Aviation Is Key Growth Sector For The UAE.

The International Air Transport Association claimed in a recent report, that the UAE's continued prioritization of aviation as a key asset could generate more than US\$80 bio towards GDP and create another 620,000 jobs by 2037. *"Government policy supporting the development of aviation has paid great dividends. Today, the UAE is ranked number one globally for air trade facilitation, tops the Middle East region for visa openness, is an aviation powerhouse and its airlines carry the country's flag to all corners of the globe,"* IATA's Vice President for the Middle East and Africa, Muhammad Albakri, was quoted as saying by the 'National' newspaper last week, although warning too that in order to maintain its competitiveness, the authorities should focus on increasing air space capacity to ease congestion and invest in boosting airport infrastructure. THE UAE's aviation sector currently employs around 800,000 people and accounts for 13.30% of the country's GDP.

Kenyan MPs Approve New Debt Ceiling.

Kenya's parliament last week approved a proposal by the National Treasury to raise the public debt limit to KES 9 trillion. The vote came as the government pursues negotiations to borrow over US\$4 bio from external lenders. Kenya's current debt load stands at around 62% of GDP, and the same week MPs passed the new ceiling the World Bank issued a report in which it warned that any further increase in the East African country's current debt level could eventually lead it into a situation of *"debt distress."*

Lebanon Prepares For Eurobond Issuance.

Lebanon is hoping to conduct a US\$2-3 bio Eurobond issuance later this month, although it's still not clear how substantial investor appetite will be considering the country's current economic and financial malaise. There is ongoing hope however that some financial support from one or two of the GCC states is in the pipeline, although investors would likely first want to see exactly what such support may involve. Optimism over a possible aid package from the Gulf has helped the 5-year CDS on Lebanon recover somewhat in recent weeks to around 1200 bps today from close to 1400 last month. Lebanon is currently rated at Caa1, B- and CCC by Moody's, S&P and Fitch.

ALBA Reports Sharp Rise In Production & Sales.

Aluminum Bahrain has said in a public statement that the company saw a 50% rise in its sales and production volumes during the 3rd quarter of this year. This strong performance has been partially attributed to the 'Line 6' expansion project. *"With the double-digit growth in our production and sales' volume, we are set for a strong finish to 2019. This year is proving to be transformational for ALBA as we will produce 1,350,000 tons for the first-time in history and deliver Line 6 into commercial operations,"* ALBA's acting CEO, Ali Al Baqali, was quoted as saying by the UAE's 'National' newspaper. Once the Line 6 project has been fully completed ALBA will have the world's largest aluminum smelter.

FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67295/305	2/5	5/10	9/14	20/30	33/43	50/60	140/170
USD/SAR	3.7512/15	-10/-5	-10/-5	-8/-3	-3/+4	10/20	35/45	190/220
USD/KWD	0.30385/395	10/17	22/32	35/50	85/115	140/170	210/260	350/450
USD/OMR	0.38499/502	7/17	20/30	35/55	90/120	180/220	300/350	720/820
USD/BHD	0.37700/703	3/13	5/15	17/32	30/50	55/75	75/105	225/325
USD/MAD	9.6350/6550	20/120	50/300	75/375	250/650	500/1500	1100/2100	2000/5000
USD/EGP NDF	16.25	16.32/16.37	16.43/16.48	16.56/16.61	16.94/16.99	17.36/17.41	17.83/17.88	-
USD/JOD	0.7085/90	40/90	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	362.10	362.75/364.75	364.00/366.00	366.00/368.00	372.00/375.00	379.00/393.00	387.00/392.00	(NAFEX)
USD/GHS NDF	5.4100	5.48/5.52	5.54/5.59	5.60/5.65	5.80/5.90	6.00/6.15	6.20/6.35	-
USD/TND	2.8250/8650	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
Crude Oil		Futures						
WTI	53.65							
Brent	59.40							

** (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	+30/36	+40/46	+50/56	+63/69	+76/82	+89/95	+114/120
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

				Equity Price Moves				ATM Implied Vols		
Market	Underlying	BBG ticker	Spot	1day %	wtd %	mtd %	ytd %	3 mth	6 mth	1 Yr
Dubai	Index	DFMGI	2,832.51	0.29	0.78	1.85	11.97	21.0%	21.2%	21.9%
Abu Dhabi	Index	ADSMI	5,082.83	(0.10)	0.18	0.50	3.41	19.6%	19.9%	20.4%
KSA	Index	M1SAP	1,116.17	0.00	0.00	(5.61)	(1.48)	23.7%	21.9%	21.6%
Dubai	Equity	EMAAR	4.65	0.22	2.20	0.87	12.59	32.1%	32.4%	32.8%
Dubai	Equity	EMIRATES	13.10	(0.38)	(0.38)	1.16	47.36	29.3%	29.8%	30.8%
Abu Dhabi	Equity	ADCB	7.64	(0.26)	0.53	(2.80)	(6.37)	29.5%	29.7%	30.8%
Abu Dhabi	Equity	ETISALAT	16.50	0.12	0.00	0.00	(2.83)	18.6%	19.2%	19.5%
KSA	Equity	SABIC	88.30	(0.23)	(0.23)	(4.02)	(24.01)	22.7%	22.9%	22.9%
KSA	Equity	RJHI	58.00	0.00	0.00	(8.37)	1.98	22.9%	23.2%	23.8%

AND FINALLY...

Did you know that there are 68 different languages spoken in Kenya?

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