

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Asia Could Face An Oil Product Shortage By 2025 – Trafigura.**

The CEO of Trafigura, Jeremy Weir, claimed last week that Asia is likely to experience a shortage of refined oil products within the next few years despite the current glut, due to an ongoing squeeze on the region's current refining capacity. *"Asia Pacific remains in need to import oil products in order to meet its growing demand in 2025 as the region is short of new refining capacity,"* Weir was quoted as saying by the S&P Platts website last Friday.

#### **Saudi Aramco IPO May Be Delayed.**

Although no firm date has yet been officially announced for Aramco's long awaited IPO, most investors had been expecting it to take place within the next few weeks. Now various media outlets are suggesting that the sale may be delayed until the end of this year or even to early 2020, although CNN claims this delay was instituted in order to allow the world's most profitable oil company to publish its latest quarterly results first, which in turn should also give us more clarity on the exact impact of the 14<sup>th</sup> September attack on its Abqaiq and Khurais facilities. In a statement Aramco said; *"The company continues to engage with the shareholders on IPO readiness activities. The company is ready and timing will depend on market conditions and be at a time of the shareholders choosing."* Of course the sceptics have already re-appeared questioning whether or not this mega-IPO will ever happen, however ensuring that such a sale takes place at the best possible time and when potential uncertainties surrounding the IPO have been clarified makes good business sense, it also shows that Saudi Arabia is not under any undue pressure to raise cash as soon as possible.

#### **Kuwait & KSA Continue Talks Over Neutral Zone.**

Kuwaiti & Saudi officials are still holding negotiations over the resumption of oil production at the jointly-owned Khaji and Wafra fields (the so-called neutral zone) which was halted in 2014/15. However an agreement is reportedly set to be signed within the next 4-6 weeks according to an unnamed source quoted by 'Gulf News', whilst Kuwait's Deputy Foreign Minister, Khalid al Jarallah, claimed on Saturday that the current round of talks had been *"very positive"* thus far. If a deal can be reached then production at these two fields could resume soon after, however both sides strong commitment to the OPEC+ accord means that output elsewhere would have to be reduced in order to keep within each sides respective production limits.

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### **Mass Protests In Lebanon – New Reform Package Announced.**

Hundreds of thousands of Lebanese from all sections of the population marched in most of the country's major cities again yesterday demonstrating against corruption, austerity, unemployment, poverty, new tax proposals, failing infrastructure and a perceived lack of accountability by local politicians. The trigger for these latest demonstrations was a now abandoned government plan to implement a monthly tax on WhatsApp users. The scale of these latest protests has not been seen since 2005 and led the Prime Minister to give the various parties represented in the ruling coalition 72 hours to pass a new reform package otherwise he has threatened to step down. This proposed package includes a 50% reduction in salaries paid to current and former presidents, ministers and MPs, a cut in benefits to state institutions and officials, as well as the privatization of state-run firms such as the telecoms provider OGERO. It would also require the central bank and private banks to contribute billions of dollars to help fund the 2020 budget. The cabinet is now set to meet later today to discuss and sign-off on these reforms. However the so called 'unity' government is now fraying at the seams, and this was highlighted yesterday by the resignation of four cabinet ministers who were also members of the 'Lebanese Forces Party.' The leader of the LFP, Samir Geagea, said his party no longer had faith in the current administration. *"We are now convinced that the government is unable to take the necessary steps to save the situation,"* Geagea was quoted as saying by the 'France-24' news outlet. Meanwhile while most of the current protests have generally been peaceful and even 'street-party-like' thus far, there were reports of militant gunmen threatening demonstrators in the city of Tyre on Saturday.

### **Nigeria's Economy Is Still 'Vulnerable' – IMF.**

The IMF's newly appointed Managing Director, Kristalina Georgeieva, warned last Thursday that Nigeria must implement new fiscal policies and actively work to diversify its economy in order to raise economic growth and reduce poverty. *"Nigeria matters to the whole of Africa, when Nigeria does well, Africa does well. What we see, however, is that economic recovery remains still too slow to reduce vulnerabilities and most important to reduce poverty in the country. What we experience is some good thought around shaking up economic policy now that a government is being constituted in Nigeria, we have been quite consistent to talk about three issues in Nigeria. One is the question of fiscal capacity. As you know, the tax collection levels in Nigeria leave quite a lot of room for improvement and without strengthening the fiscal position of the government, the expenditure side, of course, would suffer,"* Georgeieva was quoted as saying by the 'Sahara Reporters' website.

### **S&P Affirms Its Oman Ratings.**

S&P has maintained its BB/B long and short-term credit ratings on Oman following its recent assessment of the country, albeit with a 'negative' outlook. The agency's report stated that this outlook *"reflects the risk that in the absence of substantial fiscal measures to curtail the government deficit, fiscal and external buffers will continue to erode. We could consider a downgrade if the government's funding costs increase beyond our expectations, or if funding pressures rise, with sizable external debt maturities currently scheduled for 2021 and 2022,"* S&P said, adding however that, *"We could also revise the outlook to stable if economic growth prospects are significantly stronger than we currently anticipate."*

### **Bahrain's Fiscal Reform Program Is Making 'Good Progress' - Finance Minister.**

Bahrain is continuing to make progress on its fiscal consolidation plan and will achieve a zero deficit by 2022 according to the Kingdom's Finance Minister, Sheikh Salman bin Khalifa al Khalifa this past weekend. *"We've had very good execution so far. We've been very disciplined with regards to executing the fiscal balance plan and ensuring that we're executing with regards to the targets,"* the minister was quoted as saying by Reuters, adding that his country had reduced its deficit by 37.80% during the first six months of 2019, increased non-oil related revenues by 47% and cut administrative costs by 14%.

### **Algeria's Trade Deficit Widens.**

Algeria's trade deficit rose by US\$1.63 bio to reach US\$4.68 bio during the first 8 months of 2019 compared to the same period last year. The prime reason for this was an almost 12% drop in revenues from the country's key energy sector. Oil and gas sales account for around 95% of Algeria's overall exports.

## Shell To Offload Its Onshore Upstream Assets In Egypt.

Royal Dutch Shell announced yesterday that it was planning to sell its onshore upstream assets in Egypt's western desert in order to focus on expanding its offshore gas production and exploration activity in the North African country. "We remain committed to Egypt and see our future in supporting the government's energy hub vision by growing Shell positions across the offshore and LNG value chain," a Shell official was quoted as saying by Reuters.

## 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 | 2/5           | 5/10          | 9/14          | 20/30         | 32/42         | 50/60         | 140/170   |
| USD/SAR     | 3.7507/09   | -5/Par        | -5/Par        | -5/Par        | -2/+3         | 8/18          | 30/40         | 190/220   |
| USD/KWD     | 0.30315/335 | 12/22         | 30/40         | 45/65         | 100/130       | 150/180       | 220/250       | 400/500   |
| USD/OMR     | 0.38499/502 | 5/15          | 15/30         | 30/50         | 80/110        | 160/190       | 280/320       | 720/820   |
| USD/BHD     | 0.37698/701 | 5/15          | 10/25         | 20/40         | 40/60         | 55/85         | 80/110        | 225/325   |
| USD/MAD     | 9.5700/5900 | 20/120        | 50/300        | 75/375        | 250/650       | 500/1500      | 1100/2100     | 2000/5000 |
| USD/EGP NDF | 16.20       | 16.29/16.34   | 16.41/16.46   | 16.54/16.59   | 16.96/17.01   | 17.39/17.44   | 17.83/17.88   | -         |
| USD/IOD     | 0.7085/90   | 35/85         | 50/150        | 100/200       | 225/425       | 300/500       | 450/700       | 700/1700  |
| USD/NGN NDF | 361.97      | 362.75/364.75 | 364.00/366.00 | 366.00/368.00 | 372.00/375.00 | 379.00/384.00 | 387.00/392.00 | (NAFEX)   |
| USD/GHS NDF | 5.4600      | 5.49/5.54     | 5.56/5.62     | 5.62/5.69     | 5.81/5.91     | 6.01/6.16     | 6.20/6.35     | -         |
| USD/TND     | 2.8000/8300 | 150/350       | 300/600       | 400/900       | 1000/2000     | 1500/2500     | 2000/3500     | 4000/7000 |
| Crude Oil   | Futures     |               |               |               |               |               |               |           |
| WTI         | 53.30       |               |               |               |               |               |               |           |
| Brent       | 58.75       |               |               |               |               |               |               |           |

\*\* (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 | +51/57 | +64/70 | +77/83 | +89/95 | +115/121 |
| SAR SPREAD | +34/40 | +40/46 | +47/53 | +54/60 | +62/68 | +73/79 | +84/90 | +116/122 |

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      | 2,766.09 | (0.08)             | (0.58) | (0.62) | 9.26    | 21.0%            | 21.2% | 21.9% |
| Abu Dhabi | Index      | ADSMI      | 5,089.74 | 0.25               | 0.18   | 0.89   | 3.81    | 19.6%            | 19.9% | 20.4% |
| KSA       | Index      | M1SAP      | 1,111.34 | 0.00               | 0.00   | (6.02) | (1.91)  | 23.7%            | 21.9% | 21.6% |
| Dubai     | Equity     | EMAAR      | 4.43     | (0.45)             | (0.45) | (4.34) | 6.78    | 32.1%            | 32.4% | 32.8% |
| Dubai     | Equity     | EMIRATES   | 12.50    | (0.80)             | (1.98) | (4.25) | 39.48   | 29.3%            | 29.8% | 30.8% |
| Abu Dhabi | Equity     | ADCB       | 7.57     | (0.13)             | (0.53) | (3.82) | (7.35)  | 29.5%            | 29.7% | 30.8% |
| Abu Dhabi | Equity     | ETISALAT   | 16.44    | 0.36               | 0.00   | 0.00   | (2.83)  | 18.6%            | 19.2% | 19.5% |
| KSA       | Equity     | SABIC      | 91.00    | (1.32)             | (0.88) | (2.50) | (22.81) | 22.7%            | 22.9% | 22.9% |
| KSA       | Equity     | RJHI       | 60.70    | (1.49)             | 0.17   | (5.69) | 4.97    | 22.9%            | 23.2% | 23.8% |

## AND FINALLY...

Did you know that a team of Egyptian archaeologists recently discovered thirty well-preserved and colorful 3,000 year-old wooden coffins in the city of Luxor? This latest find has been described as one of the most significant in almost a century.

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