

# Market Insights & Strategy

Global Markets

24<sup>th</sup> October 2019

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Brent Back Above US\$60 After US Inventory Decline.**

The price of Brent crude oil was back above US\$60 a barrel this morning following the release of the EIA's latest weekly US crude inventory data which showed a fall of 1.70 mio barrels last week against analyst expectations for a 2.2 mio barrel increase. The market was also boosted by talk that the OPEC+ grouping may reduce their output again at the next scheduled meeting in December.

#### **US Treasury Lifts Sanctions On Turkey.**

The US Treasury has lifted all the sanctions imposed on Turkey just last week after being ordered to do so by President Trump yesterday. The President's decision follows an agreement reached between Ankara and Moscow on Tuesday which will see the Kurdish YPG fighters retreat 20 miles back along a 260 mile stretch of Syria's northern border with Turkey. According to this 10-point agreement the Kurds have around a week to complete their withdrawal after which both Turkish and Russian forces would begin conducting joint border patrols in that same area. President Trump has tried to describe this latest development as a 'big' diplomatic win for the US, after he had received a strong backlash at home from members of both the house and the senate when he suddenly announced the withdrawal of American troops from their positions in northern Syria. In reality there was no physical US presence at the latest Russian/Turkish talks, and it's likely the domestic political noise in Washington over this specific issue may not be over just yet. *"Let someone else fight over this long blood-stained sand. The same people that I watched and read giving me and the United States advice were the people that I have been watching and reading for many years. They are the people who got us into the Middle East mess, but never had the vision or the courage to get us out, they just talk,"* Trump was quoted as saying by CNBC yesterday, however concerns remain over the possibility that the US/Kurdish withdrawal could also allow 'daesh' to regroup especially after hundreds of such militants had reportedly escaped from a holding camp in Ayn Issa. Trump claims that most of these suspects have since *"been largely recaptured"* and were now *"under very strict lock and key,"* but his comments directly clashed with those made by the US Special Envoy to Syria, James Jeffery, who said just yesterday that *"We do not know where they are."*

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### **Egypt, Sudan & Ethiopia Take Nile Dam Dispute To US.**

The Egyptian government has said that it has accepted a US invitation to attend a meeting in Washington in order to try and find a resolution to the longstanding dispute over Ethiopia's ongoing construction of a controversial dam on the Blue Nile. The Foreign Ministers from all three countries involved in this dispute namely; Egypt, Ethiopia and Sudan have been invited to attend these proposed discussions where the US will act as a mediator, although it's not clear yet if Ethiopia has confirmed its participation. Both Egypt and Sudan are concerned that the 'Grand Renaissance' dam will severely impact their supplies of water, while Ethiopia claims that the project is crucial to the development of its economy. (Egypt depends on the Nile for more than 90% of its fresh water demand). In recent comments the Ethiopian Prime Minister even suggested that if necessary, his government was prepared to go to war over the issue. *"If we are going to war we can deploy many millions. But war is not a solution,"* Abiy Ahmed was quoted as saying by Reuters, a statement which Cairo quickly slammed as *"unacceptable."*

### **Saudi King Appoints New Foreign Minister.**

A government reshuffle was announced in Saudi Arabia last night following the issuance of various Royal Decrees by King Salman. Prince Faisal bin Farhan Al-Saud is now the country's new Foreign Minister replacing the incumbent Ibrahim Al Assaf who will however continue as a Minister of State. In other changes Saleh bin Nasser Al-Jasser, who was Director-General of the national airline, takes over at the Transport Ministry and Abdullah bin Sharaf Al-Ghamdi was appointed head of the Kingdom's Data and Artificial Intelligence Authority. Prior to his latest appointment Prince Faisal had been serving as the Saudi ambassador to Germany, and prior to that he was an adviser at the Ministry of Foreign Affairs as well as senior adviser at the Saudi Embassy in Washington from 2017-2019. He was also a member of the Board of Directors of the Saudi Military Industries Corporation and chairman of the Executive Committee in 2017 according to the 'Arab News' media outlet. Meanwhile the Saudi Minister of State for Foreign Affairs, Adel Al Jubeir, has warned that a policy of appeasement will not work with Iran, and therefore the only way to get Tehran back to the negotiating table was via a maximum pressure campaign. *"We think that appeasement doesn't work. Actions count, not words. Members of the Iranian government talk, but have no power, those who have, like the Revolutionary Guards, don't want to negotiate,"* Al Jubeir was quoted as saying by Reuters earlier today during his official visit to France.

### **Russia Continues To Expand Its Influence Across Africa.**

Russia has reportedly agreed to supply Nigeria's Air Force with another twelve Mi-35M attack helicopters to complement its existing fleet. *"We wanted to buy the helicopters to use in the country's fight against Boko Haram,"* Nigeria's Foreign Minister Kalla Ankourao, was quoted as saying yesterday by the Russian state media outlet 'RIA'. Russia is also providing training to Nigerian Air Force personnel. This announcement further underlines Moscow's recent strong commercial and diplomatic push back into Africa for the first time since its influence began to wane there following the collapse of the Soviet Union in 1991. This new drive is also highlighted by this week's official visit to South Africa by two Tupolev Tu-160 strategic bombers of the Russian Air Force and by both the Lukoil and VEB stories below.

### **Saudi Aramco & Lukoil May Cooperate In Africa.**

The CEO of Russia's Lukoil, Vagit Alekperov, announced yesterday that his firm was currently in talks with Saudi Aramco over working together in certain key energy projects in Africa. *"We are constantly discussing joint opportunities with them, including their interest in third countries, in Africa, but this is still at the stage of studying and talks. These are, as a rule, offshore projects, a number of African countries asked us to study and give possible comments on downstream,"* Alekperov was quoted as saying on Wednesday by the 'Hellenic Shipping News' website.

### **Turkey's CB Cuts Key Interest Rate Again.**

In yet another somewhat surprise move, the Turkish Central Bank lowered its benchmark one-week Repo rate by 250bp to 14.00% at its regular MPC meeting today against market expectations for a 100bp cut. It's worth noting though, that yesterday's removal of US sanctions probably also had an impact on their decision to be more aggressive in lowering the rate. Meanwhile the CB's net FX reserves stood at US\$34.89 bio at the end of last week.

## Oman Denies Airline Rumours.

The state-owned Oman Aviation Group has dismissed recent media reports that it is planning to set-up a new regional airline. "Oman Aviation Group denies reports regarding establishing a new airline company. The group is working on developing a promotional and investment program called 'Oman Link', which aims to promote and connect regional airports in the Sultanate," OAG said via its Twitter account earlier this week.

## VEB To Invest In New Petrochemical Plant In Morocco.

Russia's state development bank, VEB, has signed an investment cooperation agreement with Morocco's MYA Energy which will help facilitate the construction of a new 200,000 bpd refinery in the North African country. MYA Energy said in a statement, which was published by 'Maghreb Arab Press Agency' that the development and implementation of this EUR 2 bio project would be carried out by the Moroccan company itself in partnership with several Russian energy firms.

## BCP Takes Majority Stake In Banque Malgache.

Morocco's Banque Centrale Populaire has acquired a 71% Stake in Madagascar's Banque Malgache De L'Ocean Indien from the France based Groupe BPCE according to the 'Marketline' news outlet.

## 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	35/45	52/62	135/165
USD/SAR	3.7503/06	-5/Par	-5/Par	-5/Par	-2/+3	8/18	27/37	180/210
USD/KWD	0.30345/365	10/20	25/35	40/60	90/120	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	9.5900.9.6100	20/120	50/300	75/375	250/650	500/1500	1100/2100	2000/5000
USD/EGP NDF	16.16	16.16/16.21	16.26/16.31	16.39/16.44	16.79/16.84	17.20/17.25	17.67/17.72	-
USD/JOD	0.7081/87	40/90	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	361.83	362.75/364.75	363.75/365.75	365.75/367.75	372.00/375.00	379.00/384.00	387.50/392.50	(NAFEX)
USD/GHS NDF	5.4600	5.49/5.54	5.56/5.62	5.62/5.69	5.82/5.92	6.02/6.17	6.23/6.38	-
USD/TND	2.8100/8400	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
Crude Oil	Futures							
WTI	55.70							
Brent	61.00							

\*\* (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	+35/41	+40/46	+47/53	+54/60	+62/68	+73/79	+84/90	+117/123

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	2,784.11	0.14	0.15	0.11	10.05	21.0%	21.2%	21.9%
Abu Dhabi	Index	ADSMI	5,163.09	0.22	1.37	2.09	5.05	19.6%	19.9%	20.4%
KSA	Index	M1SAP	1,148.75	0.14	3.37	(2.86)	1.39	23.7%	21.9%	21.6%
Dubai	Equity	EMAAR	4.47	1.13	0.90	(3.04)	8.23	32.1%	32.4%	32.8%
Dubai	Equity	EMIRATES	12.50	0.00	(1.19)	(3.47)	40.61	29.3%	29.8%	30.8%
Abu Dhabi	Equity	ADCB	7.57	(1.17)	(0.39)	(3.69)	(7.23)	29.5%	29.7%	30.8%
Abu Dhabi	Equity	ETISALAT	16.60	(0.60)	0.61	0.61	(2.24)	18.6%	19.2%	19.5%
KSA	Equity	SABIC	89.90	(0.11)	(0.66)	(2.28)	(22.63)	22.7%	22.9%	22.9%
KSA	Equity	RJHI	62.30	0.32	4.53	(1.58)	9.54	22.9%	23.2%	23.8%

## AND FINALLY...

Did you know that the number of agricultural farms located within the Emirate of Dubai have risen from just 4,000 in 1971 to more than 35,000 today.

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