

# Market Insights & Strategy

Global Markets

6<sup>th</sup> September 2019

## MIDDLE EAST & AFRICAN MONITOR

- **Iran To Ignore Limits On Atomic Research Program – US Plans More Sanctions.**
- **Turkish President Says His Country Should Be Allowed To Have A Nuclear Weapon.**
- **Former WB Official Becomes Sudan's New Finance Minister.**
- **Another US Inventory Draw Helps Oil Prices Edge Higher.**
- **Iraq & Kuwait In Maritime Border Dispute.**
- **S&P Highlights Concern Over Risk Of Cash Outflows From Lebanon.**
- **Aramco Expands Presence In China.**
- **New Tourism Visa System To Be Launched in Saudi Arabia.**
- **UK Is Still Emirates Airlines Most Profitable European Market.**
- **Nigeria Ponders 10 Year NGN Futures Contract.**
- **Tosyali Eyes Major Investment In Senegal.**

### REGIONAL COMMENTARY

#### **Iran To Ignore Limits On Atomic Research Program – US Plans More Sanctions.**

Iran's Foreign Minister, Mohamed Zarif, sent a letter to the EU yesterday, in which he confirmed an earlier statement by President Rouhani, that their country would no longer honor the limits imposed on Iran's nuclear research and development program by the JCPOA accord. Zarif also reportedly described the move as a response to US sanctions and the inability of the EU to assist Iran economically. This news came just hours after the US State Department's Special Representative on Iran, Brian Hook, appeared to dismiss recent media suggestions that France had put forward an official proposal whereby Tehran would return to full compliance with the JCPOA in return for a partial lifting of US sanctions and a US\$15 bio credit line linked to its oil sales. *"There is no concrete proposal, we have no idea if there will be one, so we're not going to comment on something that doesn't exist,"* Hook was quoted as saying by the 'Guardian' newspaper, adding that the US was offering a US\$15 mio reward for anyone offering information that led to the disruption of oil smuggling by the IRGC and that more sanctions were being planned. *"There will be more sanctions coming, we can't make it any more clear that we are committed to this campaign of maximum pressure and we are not looking to grant any exceptions or waivers,"* he said.

#### **Turkish President Says His Country Should Be Allowed To Have A Nuclear Weapon.**

*"Some countries have missiles with nuclear warheads, not one or two. But they tell us we can't have them. This, I cannot accept,"* President Erdogan was quoted as saying by the 'Hurriyet Daily News' outlet during a speech in the town of Sivas earlier this week. It's not clear yet if Erdogan's government is actually seriously considering acquiring a nuclear weapons capability or if this was just a play towards his domestic political support base, but the timing of his speech comes not long after the US removed Turkey (a NATO member) from its F-35

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fighter jet program in retaliation for Ankara's purchase of Russia's S-400 air defence system. Turkey signed the Nuclear Nonproliferation Treaty in 1980, and the Comprehensive Nuclear-Test-Ban Treaty in 1996.

### **Former WB Official Becomes Sudan's New Finance Minister.**

Sudan's first cabinet since the ouster of former President Omar Al Bashir was announced yesterday and includes its first ever female Foreign Minister, Asama Mohamed Abdallah, whilst a former World Bank economist, Ibrahim Elbadawi, was appointed to the post of Finance Minister in the country's transitional administration. *"A new stage in Sudan's history starts today, we are seeking an end to the war and want to achieve sustainable peace,"* Prime Minister Abdalla Hamdok was quoted as saying by the 'Deutsche Welle' news outlet.

### **Another US Inventory Draw Helps Oil Prices Edge Higher.**

The latest EIA data release showed US crude inventories falling by another 4.8 mio barrels last week after a 10 mio bio decline the previous week. This in turn helped push Brent back above the US\$60 per barrel level. The market was also boosted by some better economic data out of China and the news that Washington and Beijing plan to resume trade negotiations next month, although it has to be said that both sides still appear to be a long-way apart.

### **Iraq & Kuwait In Maritime Border Dispute.**

According to various media outlets, Kuwait has responded to last month's Iraqi government complaint to the UN, over the installation of a navigation structure on Fisht Al-Eij, a slice of land located in the Khor Abdullah waterway, which Baghdad claimed would undermine demarcation of maritime borders beyond sign No. 162. *"The installation of the platform is a sovereign right for the State of Kuwait within its territories and territorial waters. The platform was installed for security purposes, and Iraq has been informed about it,"* a Foreign Ministry official was quoted as saying by KUNA, Kuwait's state media outlet. You can read more on this story [here](#).

### **S&P Highlights Concern Over Risk Of Cash Outflows From Lebanon.**

S&P's latest country report highlighted its concerns over the level of resident and non-resident cash outflows from Lebanon. At just under US\$40 bio the Central Bank's current level of overall reserves should be enough to cover both the government's current borrowing requirements and the external deficit over the next 12 months or so, but the ratings agency is worried that a steeper rate of non-resident cash outflows could quickly deplete the CB's useable hard currency holdings. *"We believe there is a risk that customer deposit flows, particularly by non-residents, could continue to decline, resulting in an accelerated drawdown of FX reserves that would test the country's ability to maintain the currency peg to the US dollar. A continuation of these trends during the next six months could trigger a downgrade to 'CCC' rating category,"* S&P's report stated according to Reuters. Last week the Central Bank Governor, Riad Salameh, said that the LBP's peg to the US dollar was solid and that the CB's reserves had risen by US\$1.4 bio to US\$38.66 bio in August. *"This increase is due to the influx of deposits from the non-resident private sector, directly to BDL (and not due to sovereign or state deposits). This increase ensures the solvency of Lebanon and strengthens the stability of the Lebanese pound and reduces the balance of payments deficit,"* a CB statement published last Friday read. Meanwhile the Lebanese Prime Minister, Saad al Hariri, has claimed that his government aims to reduce the budget deficit to 7% of GDP next year and prevent adding to the country's already heavy debt burden. *"Our strategy is to stabilize the problem that we have. Most important thing is not to deteriorate more, right?"* he was quoted as saying by CNBC. On Monday the Lebanese government declared a 'state of economic emergency' in order to help it push through its reform program.

### **Aramco Expands Presence In China.**

Saudi Aramco announced yesterday that it had signed an MOU with the Zhejiang Free Trade Zone in China in order to facility its purchase of a 9% stake in the zone's integrated refinery and petrochemical complex. The MOU also included a long-term crude oil supply agreement and will allow Aramco to utilize Zhejiang Petrochemical's large crude oil storage facility to serve its customers in Asia.

### **New Tourism Visa System To Be Launched in Saudi Arabia.**

A new visa system for tourists wanting to visit Saudi Arabia will be unveiled on the 27<sup>th</sup> of September according to the 'Gulf News' media outlet. The visas will be available online or upon arrival for the citizens of

51 countries at a cost of SAR 440 and will be valid for 3 months. That same day an event will be held to showcase tourist attractions within the Kingdom and a global advertising campaign will be launched. The tourism and leisure sectors are one of the pillars of 'Vision 2030' and are expected to contribute over US\$100 bio per annum towards the Kingdom's GDP within the next decade.

### UK Is Still Emirates Airlines Most Profitable European Market.

Despite the ongoing Brexit saga the UK still remains Emirates Airlines most profitable market in Europe the carrier's President, Tim Clarke, said yesterday. *"The United Kingdom remains one of the strongest markets, definitely the most profitable market on the Emirates network during the course of this hiatus. We've been growing our business here around 6 - 8% a year despite the political problems and the currency depreciation. We serve 22 counties in Europe. 20% of our production comes into UK and 55% of our European profit,"* he was quoted as saying by the UAE's 'National' newspaper.

### Nigeria Ponders 10 Year NGN Futures Contract.

The head of Nigeria's FMDQ Securities Exchange, Bola Onadele, said this week that the exchange together with local market participants were currently holding discussions with the Central Bank over the possibility of extending the Naira futures curve in order to attract longer-term funding. We are *"engaging the central bank to extend the curve of the FX futures because it will create stability for capital inflows into Nigeria. We wish for 5- to 10-year futures,"* Onadele was quoted as saying by Bloomberg yesterday. The current tenor is limited to 12 months.

### Tosyali Eyes Major Investment In Senegal.

The Turkish steel firm, Tosyali Holding, is reportedly looking to establish a large industrial zone in Senegal which would be based on a similar model the company created in Algeria. *"What we do in Algeria excites other African countries,"* Toysali's chairman, Fuat Tosyali, was quoted as saying by the 'Daily Sabah' newspaper this week, adding that; *"When we first started our investment in Algeria, Turkish and Algerian airlines had only five flights per week to the region. Now there are more than 50 weekly flights. As in all the regions Tosyali has invested in, a large SME cluster has emerged in Algeria as well, which has led to the transformation of over 1,000 Turkish companies into de facto investors in Algeria in the last few years alone. Seeing this, the other heads of state make official invitations to us to invest in their countries. After Algeria and Senegal, I can say that we will have serious investments in steel, especially on the West African side. The investment zone in Senegal will be a new breaking point. The Tosyali Economic Zone decree has been issued. The button is now pushed."*

### 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	3.6729/30	2/5	6/11	10/15	23/33	35/45	50/60	120/150
USD/SAR	3.7511/16	-9/-4	-9/-4	-9/-4	-3/+2	10/15	25/35	140/170
USD/KWD	0.30377/397	12/22	27/47	50/70	100/130	150/200	200/250	300/400
USD/OMR	0.38499/502	6/12	15/30	35/55	80/110	170/200	250/300	650/750
USD/BHD	0.37705/710	-2/+3	Par/+7	5/15	20/35	40/60	60/90	230/330
USD/MAD	9.6200/6400	20/120	50/300	75/375	250/650	500/1500	1100/2100	2000/5000
USD/EGP NDF	16.56	16.58/16.63	16.72/16.77	16.85/16.90	17.29/17.34	17.74/17.79	18.23/18.28	-
USD/JOD	0.7078/83	35/85	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	362.21	363.00/365.00	365.00/367.00	367.00/369.00	375.00/378.00	385.50/387.50	393.00/398.00	(NAFEX)
USD/GHS NDF	5.4600	5.53/5.57	5.61/5.66	5.68/5.73	5.90/6.00	6.13/6.27	6.37/6.51	-
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	56.25							
Brent	60.90							

**\*\* (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	+32/38	+42/48	+53/59	+67/73	+78/84	+87/93	+113/119
SAR SPREAD	+29/35	+35/41	+41/47	+47/53	+53/59	+61/67	+71/77	+103/109

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

**AND FINALLY...**

*Did you know that South Africa is the only country in the world so far to have voluntarily abandoned its nuclear weapons program?*

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