

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **OPEC+ Grouping Defers A Decision On Deeper Cuts To December.**

The signatories to the OPEC+ output cut agreement repeated their commitment to the accord during this week’s JMMC gathering in Abu Dhabi, but have deferred discussions on deeper cuts to their next meeting which is scheduled to take place in early December. However Iraq and Nigeria promised to reduce their output next month by 175,000 bpd and 57,000 bpd respectively, in order to get back in line with their original production quotas. Meanwhile Russia’s Energy Minister, Alexander Novak, has described the US President’s ongoing social media comments on crude oil as having no lasting impact on prices. *“You know, we are looking at all the factors that one way or another effect the prices, but in particular for us, it’s the balance between supply and demand,”* Novak was quoted as saying by CNBC yesterday, adding that when Trump tweets *“the price goes up or down but after a while returns to where it was. Therefore, in my view, these are not fundamental factors. Fundamental factors do not lie in words but actions.”*

#### **EU “Concerned” Over Latest IAEA Report On Iran.**

A recently released IAEA report confirmed that Iran has begun installing more advanced centrifuges in one of its uranium enrichment facilities. Under the JCPOA agreement Iran is limited to operating older IR-1 model centrifuges, but IAEA inspectors claimed that they saw several advanced IR-6, IR-4 and IR-5 models during their latest visit. An EU official said that the nuclear watchdog’s findings were of *“great concern”* and *“extremely worrisome”* as such a move could *“significantly increase”* Iran’s enrichment capacity. *“We have been clear and consistent that our commitment to the nuclear deal depends on full compliance by Iran,”* the EU spokesperson was quoted as saying by the Deutsche Welle media outlet. Last week a Wall Street Journal article said that Iranian officials had also tried to disrupt a deeper IAEA investigation into a warehouse in Tehran after a few uranium particles had apparently been discovered there.

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### **US May Implement Sanctions On Hezbollah Allies.**

The US Assistant Secretary of State for Middle East Affairs, David Schenker, warned yesterday that Washington could begin to target any persons or entities assisting Hezbollah in Lebanon. *"In the future we will designate, because we have to, individuals in Lebanon who are aiding and assisting Hezbollah, regardless of their sect or religion,"* Schenker was quoted as saying by Reuters.

### **Tunisians Prepare To Head To The Polls.**

Tunisia will hold the first round of its Presidential election this Sunday in order for a successor to President Essebsi (who passed away in July) to be chosen. There are a record 26 candidates standing for office and thus who may be the eventual winner is somewhat difficult to predict this early on. The most likely front-runners include the current Prime Minister Youssef Chahed, the Defence Minister Abdelkarim Zbidi, a law professor Kais Saied, a former President Moncef Marzouki, current Parliamentary Speaker Abdelfattah Mourou, and finally the media mogul Nabil Karoui (although Karoui is still under investigation over allegations of tax evasion).

### **Profile Of Saudi Arabia's New Energy Minister.**

The appointment of a member of Saudi Arabia's ruling family to the role of Energy Minister was a much talked about news story this past week so we thought it would be worthwhile giving our readers a more detailed picture of his background. Prince Abdulaziz bin Salman joined the Kingdom's energy ministry in the 1980s and is an experienced technocrat with a strong background in the petroleum sector. He graduated in 1982 with a degree in industrial management, served as an advisor to the oil ministry from 1987 to 1995 before becoming the Deputy Minister for Petroleum and Minerals. In 2017 he was State Minister for Energy Affairs until moving to his present position. He is also well known in OPEC circles, and is credited with playing an important role in helping to formulate OPEC's first long-term energy strategy which was adopted at the group's ministerial conference in 2005.

### **Aramco Will List "Very Soon" – CEO.**

The President and CEO of Saudi Aramco, Amin Nasser, stated earlier this week that the world's largest oil company is now fully prepared for a public listing. *"What we have always said is that Aramco is ready for listing whenever the shareholders make a decision to list, and as you heard from his Royal Highness Prince Abdulaziz yesterday, it is going to be very soon. So, we are ready that is the bottom line,"* he was quoted as saying by CNBC on Tuesday adding that, *"The primary listing is to list locally but we are ready also for listing outside in other districts."* Meanwhile Bloomberg reported on Wednesday that up to nine banks had been selected to assist Aramco prepare for a potential global listing.

### **Nigeria Plans To Increase Its VAT Rate.**

The Nigerian government announced this week that it wants to increase the country's VAT rate from 5.00% to 7.20% in order to reduce its heavy reliance on oil sector revenues. *"This is important because the federal government only retains 15% of the VAT, 85% is actually for the states and local government and the state need additional revenue to be able to meet the obligations of the minimum wage. This process involves extensive consultations that need to be made across the country at various levels and also it will involve the review of the VAT Act. So, it is not going to be implemented immediately until the Act is reviewed,"* the country's Finance Minister, Zainab Ahmed was quoted as saying by the 'Standard' newspaper. The government's proposal must however still be approved by MPs. In response to this news the opposition PDP party slammed the decision and issued a statement which read: *"An increase in VAT will worsen our decrepit economy and put more pressure on families and business as it will result in an increase in costs of goods and services."*

### **Algeria Ponders Changes To Its Investment Laws.**

The Algerian government is reportedly considering seeking offshore funding, via bond issuances or loans, and amending some of its existing rules regarding foreign ownership within the country's non-strategic sectors according to recent media reports. Draft budget proposals for 2020 prepared by the Finance Ministry apparently suggest the *"selective recourse to external finances from international financial institutions"* for *"profitable and solvable"* projects according to a Bloomberg article, and the removal of the current 49% cap on foreign ownership of domestic non-strategic enterprises.

### Arabtec & Trojan Consider Potential Merger.

The Dubai contractor Arabtec and Abu Dhabi based Trojan Holdings, are currently in discussions over a potential merger according to a statement issued by Arabtec earlier this week. Both companies "have commenced a review of the possibility of combining their construction businesses. In the event an agreement is reached following the technical, financial and legal reviews, it is intended that a contract will be signed for this purpose detailing the terms and applicable procedure for such combination which made lead to a merger between the two companies", the statement read.

### Navantia Seals EUR 900 Mio Contract in KSA.

Spain's Navantia has signed a new agreement with Saudi Arabian Military Industries which covers the upgrading of the Avante 2200 corvette fleet for the Kingdom's navy. Last year SAMI and Navantia agreed to design and build five Avante 2200 warships in a joint-venture program which is due to begin this autumn and deliver the last ship by 2022 according to the UAE's 'National' newspaper.

### Daewoo Wins Port Contract In Iraq.

South Korea's Daewoo & Engineering & Construction company has been awarded a road network contract within the 'Gad Al Faw' port project in southern Iraq.

### 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	7/12	10/15	24/29	35/45	50/60	120/150
USD/SAR	3.7514/16	-9/-4	-9/-4	-6/-1	-3/+2	6/11	25/35	140/160
USD/KWD	0.30390/410	12/22	30/50	50/70	100/130	150/180	200/250	300/400
USD/OMR	0.38499/502	8/13	15/30	35/55	85/115	170/200	200/300	600/700
USD/BHD	0.37704/09	-6/-1	-5/+5	Par/+10	15/30	30/50	45/75	200/300
USD/MAD	9.6100/6400	20/120	50/300	75/375	250/650	500/1500	1100/2100	2000/5000
USD/EGP NDF	16.42	16.52/16.57	16.66/16.71	16.78/16.83	17.23/17.28	17.67/17.72	18.14/18.19	-
USD/JOD	0.7079/84	35/85	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	361.82	362.00/364.00	363.50/365.50	365.75/367.75	373.00/376.00	381.00/386.00	390.00/395.00	(NAFEX)
USD/GHS NDF	5.4500	5.53/5.57	5.61/5.66	5.69/5.74	5.89/5.99	6.13/6.27	6.30/6.50	-
USD/TND	2.8150/8550	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
Crude Oil	Futures							
WTI	55.20							
Brent	60.45							

\*\* (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	+39/45	+50/56	+64/70	+75/81	+84/90	+109/115
SAR SPREAD	+24/30	+31/37	+39/45	+45/51	+51/57	+60/66	+71/77	+102/108

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	2,888.39	0.12	(0.09)	4.70	14.18	19.7%	20.1%	20.4%
Abu Dhabi	Index	ADSMI	5,096.09	(0.20)	(0.35)	(1.35)	3.68	18.7%	19.0%	19.0%
KSA	Index	M1SAP	1,154.35	(1.52)	(2.87)	(2.43)	1.89	22.8%	21.3%	20.2%
Dubai	Equity	EMAAR	5.00	0.00	0.00	1.01	21.07	30.6%	31.0%	31.2%
Dubai	Equity	EMIRATES	13.40	(0.37)	(2.90)	16.02	50.73	26.4%	27.1%	28.0%
Abu Dhabi	Equity	ADCB	8.30	(2.35)	(3.60)	(4.49)	1.72	27.9%	28.5%	29.4%
Abu Dhabi	Equity	ETISALAT	16.38	(0.24)	(2.38)	(3.08)	(3.53)	17.4%	17.5%	18.2%
KSA	Equity	SABIC	93.40	(1.06)	(6.51)	(6.51)	(19.62)	21.5%	21.7%	22.7%
KSA	Equity	RJHI	59.70	0.34	(1.81)	(1.32)	4.97	22.0%	22.3%	23.0%

### AND FINALLY...

Did you know that Algeria is home to seven UNESCO world heritage sites including the famous Roman settlement of Djemila?

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