

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Oil Prices Stabilize As Market Awaits More News On KSA Incident.**

After a heady session on Monday, oil prices have stabilized somewhat as we await more details surrounding the attack on the world's largest crude processing facility in Saudi Arabia over the weekend. On the geopolitical front the first question to be resolved is where this missile and/or drone attack was launched from. Most analysts including ourselves think it was unlikely to have come from Yemen, especially considering the distance covered to target (1300km+) and the accuracy of the strike, which both suggest a much more sophisticated platform was used and that it was more likely to have originated from within either Iraqi or Iranian territory (It is well documented that Iranian backed militia groups are active in southern Iraq). The Saudi government has invited international experts to help its investigators ascertain the type of weapons used and the potential source, but if it is proven that the attack was launched directly from Iran that would raise the regional risk paradigm substantially. In the meantime it's clear that any possibility of talks between President Trump and his Iranian counterpart (as proposed by the French earlier this month) are now off the table and further US sanctions are on their way, whilst an increase in asymmetric warfare (proxy groups, cyber, special forces) will probably also occur. In terms of oil supplies the removal of 5.7 mio bpd from the market is the largest such drop experienced since 1979, and so players will be watching closely to see how long it will take for Aramco to restore such output. We could find out more information on this specific issue later today when the Kingdom's Energy Minister is due to conduct a press conference. In the near-term however there is still enough global inventory overhang to make up the shortfall and other producers have promised to raise their production if required. This was highlighted in a statement by the UAE (OPECs 3<sup>rd</sup> largest producer) yesterday, when the Emirates' Oil Minister, Suhail al Mazrouei stated: *"We as the UAE, as a member of OPEC, stood fast and ready to support KSA in any shape or form. The technical side, from supply, if there is a shortage. We have certain capacity that we can put in the market."* His Russian counterpart, Alexander Novak, made similar comments suggesting that, *"There are enough commercial inventories in the world right now*

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to cover a shortage in the medium term.” Therefore considering these facts above a test of the US\$75/80 level for Brent is unlikely for now, however an extended disruption or a further worsening in geopolitical tensions would have course change that outlook.

### **Talks Over Controversial Nile Dam Project Stall.**

The latest negotiations between Egypt, Sudan and Ethiopia over the latter's 'Grand Renaissance Dam' project reportedly stalled yesterday over disagreements surrounding the proposed filling and operation of the dam, according to a statement issued by Egypt's Water Ministry. *"Due to this stumbling block in the talks, it was decided an urgent meeting will be held for the independent scientific group in Khartoum from 30 September to 3 October 2019 to discuss the Egyptian proposal of the rules to fill and operate GERD in addition to the Sudanese and Ethiopian proposals. It is important to have Ethiopia involved in the serious technical negotiations in Khartoum on the basis of good will to reach an agreement that will meet the common interests of the three countries based on the declaration of principles signed in Khartoum on 23 March 2015,"* the ministry's statement read. Egypt relies almost entirely on the Nile for its fresh water supplies, and Cairo fears that Ethiopia's giant dam could severely disrupt this crucial lifeline to its 98 million citizens.

### **Outsiders Lead The Race To Be Tunisia's Next President.**

With just over 50% of the votes counted the current front-runners to be the next Tunisian President are currently a little known law professor, Kais Saied, (18.50%) and the media mogul Nabil Karoui, (15.50%) despite the fact that the latter is still facing tax evasion charges. However according to Reuters, the voter turnout for Sunday's poll was 45% compared to 63% in 2014, although this was attributed in part to the way voters are now registered and thus the overall number of voters was not that different. The full official results will be released later today and if no candidate secures over 50% of the ballot, the leading two individuals will then compete against each other in a second round, which would most likely be held next month.

### **Algeria To Hold Presidential Election In December.**

Algeria's interim leader, Abdelkader Bensaleh, announced earlier this week that the country would hold Presidential elections on the 12<sup>th</sup> of December 2019. This decision follows the passing of two bills facilitating the vote in the legislative chambers last week and is also reportedly supported by the army chiefs in an effort to resolve Algeria's ongoing political impasse. In his address, Bensaleh claimed that these elections would return the oil- and gas-rich country to *"constitutional legality and allow our people to choose its future president freely and sovereignly."*

### **Lebanon's Economic Situation Remains 'Very Delicate' – PM.**

The Lebanese Prime Minister, Saad Hariri, warned yesterday that serious political will is required from all sides so that the right steps to be taken in order to turn the country's economic situation around. *"We are in a very delicate situation, and we cannot waste time. Everyone knows that we have to take difficult decisions in the coming period, as the Minister of Finance Ali Hassan Khalil stated. The cost of reform and the cost of decisions to be made today is much lower than the cost of managing the crisis if it happens, especially if this crisis spirals out of control,"* Hariri was quoted as saying by the 'Asharq Al Awsat' newspaper yesterday, adding that *"Reform does not take place overnight but is a continuous process that requires time, effort and political consensus."*

### **Angola To Auction Off New Oil Exploration Contracts.**

The Angolan government plans to hold an auction of new upstream exploration licenses next month, the first such auctions to be conducted by the country in almost a decade. The decision comes after Italy's Eni made its fifth light-oil discovery on Block 15/06 in the deep waters off Angola in June this year. *"The fields that Eni has discovered in that block are all of a reasonable size and the most interesting aspect is that they're close to Eni's FPSOs so it can fast-track them. That is exactly what Angola is looking for in the short-term projects that can be brought on stream quickly,"* a Wood Mackenzie analyst was quoted as saying recently by the 'Petroleum Economist' website.

### **Iraq Signs Major Power Deal With GCC States.**

Iraq's Electricity Ministry has signed an agreement with the Gulf states 'Interconnection Authority' which would see a 300km transmission line installed which would initially provide the Iraqi grid with around 500MW

of much needed additional power. This line would reportedly run from Kuwait to the Iraqi port of Faw according to an article in the 'Asharq al Awsat' newspaper.

### Saudi Arabia Awards Over US\$17 Bio In Contracts During Q2.

The total value of contracts awarded by Saudi Arabia during the second quarter of this year jumped by 32% to US\$17.2 bio, compared to the same period of 2018 according to the US-Saudi Business Council. The oil and gas sector recorded contracts worth a total of US\$12.70 bio, followed by the real estate and military segments which came in at US\$1.40 bio and US\$835 mio respectively. *"This highlights the resurgence in 2019, which is on pace to match the construction boom witnessed prior to the brief economic downturn,"* a USABC council official was quoted as saying by 'Zawya.'

### Otis Wins Lift Contract In Kuwait.

US based Otis has been awarded a contract to supply and fit 190 elevators for Terminal 2 at Kuwait's new international airport. Otis will supply 171 Gen 2 and 19 heavy-duty elevators for the project, with a capacity to move up to 5,000kg and up to 10 tons respectively according to 'construction week online'.

### Expat Remittances To Nigeria Rise Sharply.

The total value of expatriate remittances flowing into Nigeria rose by over 135% y/y to US\$11.54 bio during the first seven months of this year according to data released by the country's Central Bank recently.

### 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	3.6730/31	Par/+3	4/9	9/14	20/30	35/45	50/60	130/160
USD/SAR	3.7511/14	-4/+1	-4/+1	-4/+1	5/15	18/28	45/65	200/250
USD/KWD	0.30405/415	12/22	30/50	50/70	100/130	150/180	180/230	300/400
USD/OMR	0.38499/502	5/15	15/30	35/55	80/110	160/190	250/300	600/700
USD/BHD	0.37703/08	-1/+4	2/12	5/25	20/40	40/70	60/90	240/340
USD/MAD	9.6100/6400	20/120	50/300	75/375	250/650	500/1500	1100/2100	2000/5000
USD/EGP NDF	16.42	16.47/16.52	16.61/16.65	16.77/16.82	17.21/17.26	17.64/17.69	18.10/18.15	-
USD/JOD	0.7079/84	35/85	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	361.93	362.25/364.25	363.50/365.50	365.50/367.50	372.25/375.25	380.00/384.00	389.00/393.00	(NAFEX)
USD/GHS NDF	5.4600	5.54/5.58	5.61/5.66	5.68/5.73	5.90/6.00	6.12/6.24	6.33/6.48	-
USD/TND	2.8150/8550	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	62.00							
Brent	68.65							

\*\* (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	+25/31	+33/39	+40/46	+47/53	+54/60	+63/69	+73/79	+104/110

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

### EQUITY MARKETS

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	2,858.64	(0.67)	(1.03)	3.63	13.00	19.7%	20.1%	20.4%
Abu Dhabi	Index	ADSMI	5,145.50	(0.30)	0.97	(0.39)	4.69	18.7%	19.0%	19.0%
KSA	Index	M1SAP	1,150.86	0.30	0.30	(2.73)	1.58	22.8%	21.3%	20.2%
Dubai	Equity	EMAAR	4.85	(1.82)	(3.00)	(2.02)	17.43	30.6%	31.0%	31.2%
Dubai	Equity	EMIRATES	13.40	(0.37)	0.00	16.02	50.73	26.4%	27.1%	28.0%
Abu Dhabi	Equity	ADCB	8.35	(1.30)	0.60	(3.91)	2.33	27.9%	28.5%	29.4%
Abu Dhabi	Equity	ETISALAT	16.80	0.00	2.56	(0.59)	(1.06)	17.4%	17.5%	18.2%
KSA	Equity	SABIC	91.20	0.66	(2.36)	(8.71)	(21.51)	21.5%	21.7%	22.7%
KSA	Equity	RIHI	60.10	0.50	0.67	(0.66)	5.67	22.0%	22.3%	23.0%

### AND FINALLY...

Did you know that the Ghanaian Empire was built on trade in salt and gold, which is why British merchants later called it the Gold Coast?

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