

Market Insights & Strategy

Global Markets

19th September 2019

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

KSA Points To Iran Links Over Aramco Attack – US To Implement Fresh Sanctions.

The US Secretary of State Mike Pompeo, has described the recent attacks on Aramco's giant processing facilities in Abqaiq and Khurais as "an act of war" during his visit to the Kingdom yesterday. *"This is an attack of a scale we've just not seen before. The Saudis were the nation that were attacked, it was on their soil, it was an act of war against them directly,"* Pompeo was quoted as saying by Reuters. Saudi Arabia's Defence Ministry displayed various pieces of drone and missile wreckage on Wednesday, as well as data retrieved from one of the damaged UAV's on show all of which proved Iranian involvement in the strikes a senior Saudi military official said. The ministry concluded that 18 drones and 7 cruise missiles had been launched at the Aramco facilities on Saturday and that they had travelled from the North, although their exact launch point was still being investigated. Meanwhile as we suggested would happen in our commentary on Tuesday, President Trump has instructed the US Treasury to "substantially increase" sanctions on Tehran, although we await more details on what these fresh penalties will entail. Some Republican senators in the US are calling for more than just sanctions, with Lindsey Graham warning that such measures may not be enough to force Iran to change its behavior. *"The maximum pressure campaign has worked in the sense it's crippled the regime's economy, it's made life difficult for the regime, but it has not changed their behavior. The only conclusion I think you can reach is that the Iranians, while having been hurt by the maximum pressure campaign, have not been deterred in terms of their provocative behavior. And it's going to take something, I think, beyond sanctions to achieve that deterrence,"* Graham was quoted as saying by 'The Hill' website.

Kuwait Puts Military On High Alert.

Kuwait's Ministry of Defence announced yesterday that certain military units had been put on combat readiness due to recent developments in the region, although adding that this was a precautionary action. This step comes in tandem with an ongoing investigation by Kuwaiti security

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officials into reports that one or more unidentified drones had flown over the Royal Palace on Saturday, the same day as the attack on Aramco. *"In view of the escalating situation in the country, the General Staff of the Army announces the lifting of the combat readiness of some of its units,"* a statement by the General Staff of Kuwait's armed forces read, adding it was aiming to reach the *"highest levels of readiness and combat efficiency in order to preserve the security of the country and the safety of its lands, waters and airspace from any potential dangers."* You can read more on this story [here](#).

Aramco Statement Soothes Oil Production Jitters.

Oil prices have edged lower again following the Saudi Arabian Energy Minister's statement on Tuesday, in which he said that the Kingdom would be able to restore most of its oil production capacity within the next few weeks, and expects a return to complete normalcy by November. *"Over the past two days we have contained the damage and restored more than half of the production that was down as a result of the terrorist attack. Oil supplies will be returned to the market as they were before 3:43 a.m. Saturday,"* Prince Abdulaziz bin Salman was quoted as saying by Reuters. His comments were echoed by Aramco's CEO, Amin Nasser, who stated that, *"We should be at our production level before the attacks on our facility by the end of September."* Meanwhile the company's chairman, Yasser al-Rumayyan, suggested that despite recent events the oil giant would be ready for an IPO within the coming 12 months and that the country was still very much committed to conducting such a listing.

UAE & KSA Join Maritime Protection Coalition.

The UAE announced this morning that it will participate within an international naval coalition in order to help protect Gulf sea lanes, joining the UK, Australia, KSA and Bahrain in this US-led maritime initiative. We have *"joined the International Maritime Security Construct to ensure global energy security and the continued flow of energy supplies to the global economy,"* the director of the UAE's International Security Co-operation Department was quoted as saying by 'the National' newspaper.

Lebanese Assets Rise On Hope For Financial Support From KSA.

US dollar denominated Lebanese government bonds staged a rally yesterday after comments by the Saudi Finance Minister hinted at the possibility of some fresh financial support for Beirut. *"We continue to believe and put our money and commitment in Lebanon, we'll continue to support Lebanon and we are working with its government,"* Mohammed al Jarda'an was quoted as saying by Reuters yesterday. His comments follow those made by an official in the office of the Lebanese Prime Minister who claimed that the PM *"has been talking to the Kingdom of Saudi Arabia at a high level about support"* adding that Hariri would be stopping in Riyadh on his way to Paris where he is due to meet the French President tomorrow.

Ethiopia Ponders New Exchange Rate Regime.

Ethiopia is investigating the possibility of liberalizing its exchange rate regime within the next few years although any such a move is likely to be done in a relatively slow and staggered way. *"There is no doubt that we should move slowly to the market type of forex management. But our issue is that we need to look at the timing, we have to look at the pros and cons of making that move. So this time, within the coming three years, we would like to relax a little bit on the currency side,"* the governor of Ethiopia's Central Bank, Yinager Dessie, was quoted as saying by the 'Financial Post' media outlet earlier this month. In August the government unveiled its latest blueprint for further economic reforms with the current shortage of foreign exchange a key problem area to be targeted. Ethiopia is currently Africa's fastest growing economy.

Bahrain Prepares For New Bond Issue.

Bahrain is reportedly preparing to conduct a dual-tranche US dollar denominated bond issue, its first such sale in almost a year. Many international investors will probably be watching this particular issuance closely in order to ascertain how the appetite for GCC fixed income may have been affected by the recent events in Saudi Arabia. However as suggested in our FI brief published yesterday 'Confident but not complacent', we feel that as an asset class, the performance of and demand for GCC bonds and Sukuks will remain more resilient than some may currently believe.

Moroccan Tourism Boom.

The number of foreign tourists arriving in Morocco grew by over 8% y/y to 7.54 mio during the first half of this year according to the latest data released by the country's tourism ministry. The sector is a crucial to the Moroccan economy employing over 25% of the country's workforce and contributing almost 9% of GDP.

GE Wins Power Plant Contract In Iraq.

GE Power and the Mass Energy Group have been awarded a contract to expand the capacity of Iraq's Besmaya power plant. The contract will see GE supply four 9F gas turbines and four generators to equip the third phase of Besmaya, whilst MGH will supply electricity from the new extension of the plant within a 20-year power purchase agreement with the government.

Bombardier & Orascom Awarded Monorail Contract In Egypt.

A consortium consisting of Bombardier, Orascom and Arab Contractors have won a US\$4.5 bio contract to build, operate and maintain two new monorails connecting Cairo and Giza with the country's new administrative capital which is currently under construction.

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	5/10	11/16	22/32	35/45	55/65	145/175
USD/SAR	3.7505/10	-2/+1	-2/+3	-2/+3	2/12	15/30	45/65	180/230
USD/KWD	0.30365/375	12/22	30/50	50/70	100/130	165/195	200/250	320/420
USD/OMR	0.38499/502	5/15	15/30	35/55	80/110	160/190	250/300	600/700
USD/BHD	0.37695/700	-1/+4	2/12	5/25	20/40	40/70	60/90	240/340
USD/MAD	9.6500/6800	20/120	50/300	75/375	250/650	500/1500	1100/2100	2000/5000
USD/EGP NDF	16.30	16.45/16.50	16.58/16.63	16.74/16.79	17.18/17.23	17.63/17.68	18.08/18.13	-
USD/JOD	0.7079/84	35/85	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	361.91	362.00/364.00	363.00/365.00	365.00/367.00	371.00/374.00	378.00/383.00	387.00/392.00	(NAFEX)
USD/GHS NDF	5.4700	5.53/5.58	5.60/5.65	5.67/5.72	5.89/5.99	6.10/6.25	6.32/6.47	-
USD/TND	2.8250/8650	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	4000/7000
Crude Oil	Futures							
WTI	58.25							
Brent	63.85							

** (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	+27/33	+33/39	+40/46	+47/53	+55/61	+64/70	+74/80	+105/111

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	2,823.56	(0.31)	(2.55)	2.03	11.26	19.7%	20.1%	20.4%
Abu Dhabi	Index	ADSMI	5,156.07	(1.20)	(0.04)	(1.39)	3.64	18.7%	19.0%	19.0%
KSA	Index	MISAP	1,150.04	0.62	0.22	(2.80)	1.51	22.8%	21.3%	20.2%
Dubai	Equity	EMAAR	4.73	1.06	(4.60)	(3.43)	15.74	30.6%	31.0%	31.2%
Dubai	Equity	EMIRATES	13.25	(0.75)	(1.87)	13.85	47.92	26.4%	27.1%	28.0%
Abu Dhabi	Equity	ADCB	8.30	(2.53)	(2.53)	(6.90)	(0.86)	27.9%	28.5%	29.4%
Abu Dhabi	Equity	ETISALAT	16.78	(0.83)	1.59	(1.54)	(2.00)	17.4%	17.5%	18.2%
KSA	Equity	SABIC	89.80	(1.78)	(5.35)	(11.51)	(23.92)	21.5%	21.7%	22.7%
KSA	Equity	RJHI	60.90	0.16	2.51	1.16	7.60	22.0%	22.3%	23.0%

AND FINALLY...

Did you know that Ethiopia is the oldest independent country in Africa?

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