

Market Insights & Strategy

Global Markets

24th September 2019

MIDDLE EAST & AFRICAN MONITOR

- **European Leaders Blame Iran For Recent Attack - Saudi Arabia's Oil Production Recovers.**
- **Iran Releases UK Tanker – Johnson Calls For New Nuclear Accord.**
- **Oil Market Refocuses On Demand – But Geopolitical Risks Remain.**
- **Collapse Of Thomas Cook Could Impact Regional Tourism Sector.**
- **Nigeria's Power Crises Hinders Economic Growth.**
- **Consolidation Of Kenya's Banking Sector To Continue – CB Governor.**
- **Abu Dhabi & Bahrain Return To The Bond Market.**
- **Galfar Wins Refinery Contract in Oman.**
- **JIC To Finance Metro Line In Cairo.**
- **US Approves US\$900 Mio Weapons Sale To Morocco.**

REGIONAL COMMENTARY

European Leaders Blame Iran For Recent Attack - Saudi Arabia's Oil Production Recovers.

The UK Germany and France, have joined Washington and Riyadh in accusing Tehran of being either, directly or indirectly involved in the 14th of September drone & missile attack on Aramco's facilities in the south of the Kingdom. *"We the leaders of France, Germany and the United Kingdom, recall our shared common security interests, in particular upholding the global non-proliferation regime and preserving stability in the Middle East. It is clear for us that Iran bears responsibility for this attack, there is no other explanation. These attacks may have been on Saudi Arabia but they concern all countries and increase the risk of a major conflict,"* a joint statement issued by the three countries read adding that, *"We are committed to continuing our diplomatic efforts to create conditions and facilitate dialogue with all relevant partners interested in de-escalation of tensions in the Middle East, in the interest of preserving international peace and security. We urge Iran to engage in such a dialogue and refrain from further provocation and escalation."* Meanwhile an as yet unnamed oil industry official was quoted by Reuters yesterday suggesting that Saudi Aramco has managed to restore over 75% of production (4.3 mio bpd) at its Abqaiq and Khurais facilities, and that output is expected to be back to normal by the end of this month.

Iran Releases UK Tanker – Johnson Calls For New Nuclear Accord.

Iran announced yesterday that the British flagged tanker, Stena Impero, was now free to depart the port at Bandar Abbas where it has been detained since its seizure by the IRGC in July. *"The legal process has finished and based on that the conditions for letting the oil tanker go free have been fulfilled and the oil tanker can move,"* an Iranian official was quoted as saying by his country's state media outlet on Monday. Meanwhile the UK Prime Minister, Boris Johnson, has claimed that the

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

Please click [here](#) to view our recent publications on MENA and Global Markets

2015 JCPOA agreement was flawed, and that his US counterpart was the right person to get a new deal done with Tehran. The JCPOA *“had many defects, Iran was and is behaving disruptively in the region. But I think there’s an opportunity now if everyone can de-escalate for us all, that’s to say the Europeans, the UK plus the United States and others to look at a successor to that deal. If it was a bad deal and I’m willing to accept that it had many, many defects then let’s do a better deal. And I think there’s one guy who can do a better deal and one guy who understands how to get a difficult partner like Iran over the line and that is the president of the United States. So I hope that there will be a Trump deal, to be totally honest with you,”* Johnson was quoted as saying last night by the ‘Politico’ website.

Oil Market Refocuses On Demand – But Geopolitical Risks Remain.

Crude prices edged lower again overnight as the market’s focus returned to fundamentals, however a small geopolitical risk premium now appears to be in place especially as tensions in the Gulf remain high. Meanwhile demand side growth, driven by a slowing global economy continues to be a concern and weaker manufacturing data out of Europe this week will not help. For those who may have missed it yesterday, please see our latest ‘House View on the Oil Market’ within the ‘Hot Topics’ section of our research site [here](#).

Collapse Of Thomas Cook Could Impact Regional Tourism Sector.

The collapse of the world’s oldest travel company this week will have a negative short-term impact on some of the region’s key tourism markets, especially Egypt and Tunisia. Already 25,000 reservations in Egypt, which had been booked up to April next year, have been cancelled, following Thomas Cook’s bankruptcy announcement. The firm *“was a major organizer of charter flights from the UK to Sharm El-Sheikh and Hurghada, thus, these two cities will be affected. In addition, the UK is among the top three countries whose citizens visit Egypt, alongside Germany and Russia,”* a tourism official was quoted as saying by Egypt’s ‘Ahram’ newspaper yesterday.

Nigeria’s Power Crises Hinders Economic Growth.

Efforts to reboot Nigeria’s economy still face a key hurdle, namely the ongoing chronic shortage of power. The country’s 190 million citizens still have to rely on expensive generators to make up the gap caused by a grid that has not been properly upgraded since the 1980s. Within the next 25 years Nigeria’s total population number is expected to exceed the US, but the West African country currently generates less than 1% as much electricity. In April this year the IMF published a report which calculated that this ongoing lack of access to reliable power supply costs the Nigerian economy around US\$29 bio per annum. A series of governmental attempts to remedy the situation over the years has not achieved much success, however President Buhari’s administration recently signed a three-year with Siemens to help rebuild the state-owned grid, and has been in discussions with Russia’s state Atomic Energy corporation over the possibility of building the country’s first nuclear power plant.

Consolidation Of Kenya’s Banking Sector To Continue – CB Governor.

Kenya’s Central Bank Governor, Patrick Njoroge, indicated yesterday that consolidation within the country’s banking sector is set to continue. *“We are not done yet,”* the governor was quoted as saying by local media outlets. Earlier this month the CB approved KCB Group’s takeover of the National Bank of Kenya, which means the deal will probably be completed by next month. Mergers and acquisitions has been promoted by Njoroge as his most favoured solution to solving the domestic financial sectors woes. Kenya has long been considered to be overbanked with 42 commercial banks, 12 microfinance banks and 8 foreign banks in 2016, compared to Nigeria which has only 22 commercial banks serving a much larger population.

Abu Dhabi & Bahrain Return To The Bond Market.

Abu Dhabi returned to the international bond market for the first time in two years this week selling US\$10 bio across 5Y (US\$3 bio), 10Y (US\$3 bio) and 30Y (US\$ 4 bio) tranches. Final pricing came in at 65bp, 85bp and 110bp over treasuries and the deal was around two and a half times oversubscribed. Meanwhile Bahrain will conduct a 7Y Sukuk and a 12Y conventional US dollar issuance today.

Galfar Wins Refinery Contract in Oman.

Oman’s Galfar Engineering & Contracting Company has been awarded a mechanical, electrical, instrumentation and piping fabrication contract for sub-packages A and C at the Sultanate’s Duqm Refinery according to Zawya.

JIC To Finance Metro Line In Cairo.

Japan's International Cooperation Agency has reportedly agreed to finance 50% of the US\$4 bio needed for the first phase of the Cairo metro railway's line four.

US Approves US\$900 Mio Weapons Sale To Morocco.

The US Department of State has reportedly approved the sale to Morocco's Armed Forces of 2,400 anti-tank guided missiles and more than 6,000 guided bombs for its F-16 aircraft, at an estimated total cost of US\$985 million. The principal contractor is Raytheon Missile Systems according to the 'Defense Post' website, whilst other suppliers include Orbital ATK, General Dynamics, the Cheming Groupe, and Kaman Precision Products.

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 | 3/6 | 8/13 | 13/18 | 27/37 | 40/50 | 57/67 | 145/175 |
| USD/SAR | 3.7511/14 | 4/-1 | -5/-2 | -4/-1 | 2/12 | 18/28 | 45/65 | 200/250 |
| USD/KWD | 0.3075/385 | 25/35 | 50/70 | 80/100 | 160/190 | 230/280 | 300/350 | 400/500 |
| USD/OMR | 0.38499/502 | 5/15 | 15/30 | 30/50 | 80/110 | 160/190 | 250/300 | 625/725 |
| USD/BHD | 0.37698/701 | 10/20 | 20/35 | 30/45 | 55/75 | 85/115 | 100/150 | 280/380 |
| USD/MAD | 9.6900/7100 | 20/120 | 50/300 | 75/375 | 250/650 | 500/1500 | 1100/2100 | 2000/5000 |
| USD/EGP NDF | 16.31 | 16.59/64 | 16.79/84 | 16.98/17.03 | 17.50/17.55 | 18.02/18.07 | 18.53/18.58 | - |
| USD/JOD | 0.785/90 | 35/85 | 50/150 | 100/200 | 225/425 | 300/500 | 450/700 | 700/1700 |
| USD/NGN NDF | 361.90 | 362.25/364.25 | 363.50/365.50 | 365.00/367.00 | 370.50/373.50 | 377.25/381.25 | 385.00/389.00 | (NAFEX) |
| USD/GHS NDF | 5.4883 | 5.55/5.59 | 5.62/5.67 | 5.69/5.74 | 5.91/6.01 | 6.13/6.25 | 6.34/6.48 | - |
| USD/TND | 2.8350/8650 | 150/350 | 300/600 | 400/900 | 1000/2000 | 1500/2500 | 2000/3500 | 4000/7000 |
| Crude Oil | | Futures | | | | | | |
| WTI | 58.00 | | | | | | | |
| Brent | 64.00 | | | | | | | |

**** (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 | +29/35 | +38/44 | +49/55 | +63/69 | +74/80 | +84/90 | +109/115 |
| SAR SPREAD | +26/32 | +33/39 | +40/46 | +48/54 | +56/62 | +66/72 | +76/82 | +107/113 |

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 | 2,816.41 | (0.77) | (0.23) | 1.98 | 11.21 | 19.7% | 20.1% | 20.4% |
| Abu Dhabi | Index | ADSMI | 5,096.06 | 0.36 | (0.61) | (1.39) | 3.63 | 18.7% | 19.0% | 19.0% |
| KSA | Index | M1SAP | 1,172.15 | 0.17 | 0.17 | (0.93) | 3.46 | 22.8% | 21.3% | 20.2% |
| Dubai | Equity | EMAAR | 4.81 | (0.62) | (1.03) | (3.03) | 16.22 | 30.6% | 31.0% | 31.2% |
| Dubai | Equity | EMIRATES | 13.00 | (2.26) | (0.76) | 12.55 | 46.23 | 26.4% | 27.1% | 28.0% |
| Abu Dhabi | Equity | ADCB | 8.11 | 0.00 | (0.87) | (7.71) | (1.72) | 27.9% | 28.5% | 29.4% |
| Abu Dhabi | Equity | ETISALAT | 16.74 | (0.36) | (1.91) | (2.60) | (3.06) | 17.4% | 17.5% | 18.2% |
| KSA | Equity | SABIC | 93.50 | 1.52 | 2.18 | (6.11) | (19.28) | 21.5% | 21.7% | 22.7% |
| KSA | Equity | RJHI | 62.50 | 1.29 | 0.96 | 3.97 | 10.59 | 22.0% | 22.3% | 23.0% |

AND FINALLY...

Did you know that Camels close their nostrils to keep the sand out of them during a dust storm ? They also use a thin third eyelid to brush away sand that gets into their eyes.

Glenn Wepener

Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

Please click [here](#) to view our recent publications on MENA and Global Markets

Disclaimer: To the fullest extent allowed by applicable laws and regulations, First Abu Dhabi Bank (the “Bank”) and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an “as is” and “as available” basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.

The Bank processes your personal data to provide you with information or promotional and advertising communications on products, services, other events and campaigns. If you wish not to receive email from the Market Insights team at the Bank, please [click](#) here to send us your request to unsubscribe, and you shall no longer receive such information.

You are entitled according to the applicable laws to exercise your rights to access, to rectification, to erasure and to portability of your personal data, to restrict the use of and to object to the processing of your personal data. You may exercise your aforesaid rights by sending your request to FAB at the following address: privacy@bankfab.com.