

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

The World Needs To Take 'Strong Action Against Iran' – Saudi Crown Prince.

Saudi Arabia's Crown Prince, Mohammed bin Salman, has warned that oil prices could explode higher if the international community does not work together to solve the Iran issue. *"If the world does not take a strong and firm action to deter Iran, we will see further escalations that will threaten world interests. Oil supplies will be disrupted and oil prices will jump to unimaginably high numbers that we haven't seen in our lifetimes. The Middle East region represents about 30% of the world's energy supplies, about 20% of global trade passages and about 4% of the world GDP, imagine all of these three things stop. This means a total collapse of the global economy, and not just Saudi Arabia or the Middle East countries,"* the Crown Prince warned during an interview with CBS yesterday, although adding too that a *"political and peaceful solution is much better than the military one."*

US Shale Rig Count Falls Again - Freight Rates To Asia Jump.

The number of active shale oil and gas rigs in the US fell for the 6th week in a row to 860 last week, a total drop of 194 since the beginning of 2019. On top of this the Dallas Fed's latest energy sector activity index for the 3rd quarter of this year came in at -7.4 from -0.6 in Q2 indicating a further drop in drilling. US crude output admittedly remains high however and was reported at 12.50 mio bpd on September 20th according to the latest EIA data. Meanwhile crude oil freight rates from the MENA region to Asia jumped by almost 30% on Friday after the US Treasury announced that it was sanctioning six Chinese firms, including some subsidiaries belonging to the Chinese shipping giant COSCO, for allegedly breaching sanctions on Iran. (These sanctions do not however apply to the parent company). In response a spokesperson at China's Ministry of Foreign Affairs said that; *"China expresses strong indignation and firm opposition to US sanctions on Chinese businesses and individuals. China firmly opposes the US imposition of unilateral sanctions and so-called 'long-arm jurisdiction' and its wanton bullying and oppression of Chinese enterprises."* You can access the official OFAC notice [here](#).

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

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Protests In Lebanon As Economic Situation Worsens.

Several roads into and out of Beirut were blocked by hundreds of demonstrators yesterday protesting against the rising cost of living, austerity measures and what they claim is ongoing government corruption. *"I understand the people's complaints about the difficult economic and financial situation. I am certainly with the freedom of demonstration and expression, but I don't understand the pictures of burning tires, smashing cars and insults that distort any popular movement,"* the Interior Minister was quoted as saying by the 'Daily Star' newspaper. Meanwhile the local currency which is officially pegged to the US dollar at 1500.00 was reportedly changing hands at around 1650.00 in local exchange houses due in part to a shortage of hard currency according to 'Gulf News'.

Nigeria Wins Right To Appeal US\$9 Bio PID Ruling.

The Nigerian government succeeded last week in winning leave to appeal a recent US\$9 bio arbitration tribunal ruling which would have allowed the Process & Industrial Developments firm to try and seize more than \$9 billion worth of Nigerian assets. The British court also granted Nigeria's request for a stay on any asset seizures whilst its appeal is pending, but ordered it to pay a deposit of US\$200 million to the court within 60 days to ensure this stay. *"We look forward to challenging the UK Commercial Court's recognition of the tribunal's decision in the UK Court of Appeal, uncovering P&ID's outrageous approach for what it is: a sham based on fraudulent and criminal activity developed to profit from a developing country,"* Nigeria's attorney-general was quoted as saying by Reuters following the decision.

Egypt Cuts Rates – Equity Market Rebounds.

Egypt's stock market and local currency both strengthened yesterday following last week's interest rate cut and the fact that recent protest action appears to have died down. Last Thursday the Central Bank lowered its benchmark overnight deposit and lending rates by 100bps to 13.25/14.25% respectively and stated that they are on target to achieve an inflation rate of 9% +/- 3% by the end of 2020. This cut combined with the news that there were no new protests over the weekend helped the EGX30 index rise by 3.30% yesterday and by 8.70% over the past three trading days after a sell off of over 10% at the beginning of last week. Meanwhile the Egyptian Pound has also regained some ground moving to 16.22/32 against the US dollar on Sunday after falling to 16.27/37 earlier this month. The NDF market was extremely active over the past two weeks with strong USD buying interest driving their implied yields above those of comparable maturity T-bills. But the USD/EGP NDF curve has also shifted lower again today as reflected in the indicative pricing levels shown within our matrix below. In the short term foreign investors may continue to take profit on their long EGP positions especially as we approach year end, but the higher yields also open up a potential buying opportunity. Our long-term positive view on Egypt remains unchanged as long as we do not enter into a global economic recession next year. Thus in the medium term the USDEGP spot rate should gradually push lower and the psychological level to watch on a technical basis is 16.00 with 15.70 the next major support level (low of February 2017).

S&P Affirms Its Ratings On KSA.

Standard & Poors has affirmed Saudi Arabia's long and short-term sovereign credit ratings at A-/A2 and retained its 'stable' outlook, despite the recent attack on a major production facility in the south of the Kingdom earlier this month. *"We expect Saudi Arabia to redouble its efforts to secure key oil production and processing facilities, increase storage capacity, and enhance attempts to develop Red Sea export routes that would help avoid the volatile Arabian Gulf,"* the ratings agency stated, adding that its A-/A-2 rating *"is supported by Saudi Arabia's strong external and fiscal net asset stock positions. The stable outlook also reflects our view that Saudi Arabia will maintain a pace of moderate economic growth and retain strong government and external balance sheets over the next two years, despite sizable fiscal deficits and heightened regional tensions."*

Saudi Arabia May Issue US\$ SUKUK Soon.

Saudi Arabia is considering a US dollar Islamic bond issuance as early as next month in order to take further advantage of the current low borrowing cost environment according to a recent Bloomberg article.

UAE To Increase Federal Spending In 2020.

The UAE government's Financial and Economic committee has approved a 2% increase in the 2020 federal budget. This raises next year's budget to AED61.55 bio its highest level ever of which 42% will go towards

social development, 17% on education and just over 7% on the health sector. This year's budget was AED 60.30 bio with no deficit expected.

Itinera Wins US\$290 Mio Road Contract In Kuwait.

Italy based Itinera has been awarded a KWD 88 mio contract to develop the Al-Abdali road, which will serve Al-Mutla City and the northern regions of Kuwait, according to the 'construction week online' website.

Air Tanzania Orders Two New Aircraft.

Tanzania's national airline has placed an order to buy two A220-300 aircraft from France's Airbus Industries. The planes are due to be delivered in late 2020 or early 2021.

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 | 3.67285/295 | 2/5 | 6/11 | 12/17 | 27/37 | 40/50 | 55/65 | 140/170 |
| USD/SAR | 3.7517/20 | -6/-3 | -7/-4 | -7/-2 | -3/+2 | 5/15 | 20/35 | 150/180 |
| USD/KWD | 0.30420/430 | 15/25 | 35/45 | 55/75 | 120/150 | 190/220 | 250/280 | 400/500 |
| USD/OMR | 0.38499/502 | 5/15 | 12/27 | 30/50 | 80/110 | 140/170 | 250/300 | 625/725 |
| USD/BHD | 0.37698/701 | 5/15 | 10/25 | 15/30 | 30/50 | 50/80 | 70/100 | 240/340 |
| USD/MAD | 9.7100/7400 | 20/120 | 50/300 | 75/375 | 250/650 | 500/1500 | 1100/2100 | 2000/5000 |
| USD/EGP NDF | 16.26 | 16.39/16.44 | 16.52/16.57 | 16.66/16.71 | 17.11/17.17 | 17.59/17.64 | 18.09/18.15 | - |
| USD/JOD | 0.7085/90 | 35/85 | 50/150 | 100/200 | 225/425 | 300/500 | 450/700 | 700/1700 |
| USD/NGN NDF | 362.09 | 362.50/364.50 | 364.00/366.00 | 365.75/367.75 | 371.50/374.50 | 378.00/383.00 | 386.50/390.50 | (NAFEX) |
| USD/GHS NDF | 5.4200 | 5.46/5.50 | 5.51/5.56 | 5.57/5.62 | 5.74/5.84 | 5.93/6.07 | 6.13/6.28 | - |
| USD/TND | 2.8400/8800 | 150/350 | 300/600 | 400/900 | 1000/2000 | 1500/2500 | 2000/3500 | 4000/7000 |
| Crude Oil | Futures | | | | | | | |
| WTI | 55.75 | | | | | | | |
| Brent | 61.60 | | | | | | | |

** (GCC FX indications above are offshore levels only)

AED AND SAR IRS SPREADS

| Currency | 1Y | 2Y | 3Y | 4Y | 5Y | 6Y | 7Y | 10Y |
|------------|--------|--------|--------|--------|--------|--------|--------|----------|
| AED SPREAD | +27/33 | +31/37 | +40/46 | +51/57 | +64/40 | +76/82 | +87/93 | +112/118 |
| SAR SPREAD | +27/33 | +33/39 | +40/46 | +47/53 | +54/60 | +64/70 | +75/81 | +106/112 |

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 | 2,784.30 | 0.14 | (0.50) | 0.93 | 10.06 | 19.7% | 20.1% | 20.4% |
| Abu Dhabi | Index | ADSMI | 5,082.10 | 0.16 | 0.25 | (1.62) | 3.40 | 18.7% | 19.0% | 19.0% |
| KSA | Index | M1SAP | 1,180.82 | 0.00 | 0.00 | (0.19) | 4.22 | 22.8% | 21.3% | 20.2% |
| Dubai | Equity | EMAAR | 4.63 | 0.00 | (0.64) | (6.46) | 12.11 | 30.6% | 31.0% | 31.2% |
| Dubai | Equity | EMIRATES | 13.00 | 0.00 | 0.00 | 12.55 | 46.23 | 26.4% | 27.1% | 28.0% |
| Abu Dhabi | Equity | ADCB | 7.94 | 0.00 | (0.13) | (8.63) | (2.70) | 27.9% | 28.5% | 29.4% |
| Abu Dhabi | Equity | ETISALAT | 16.46 | 0.61 | 0.49 | (2.60) | (3.06) | 17.4% | 17.5% | 18.2% |
| KSA | Equity | SABIC | 92.00 | (0.86) | (0.86) | (7.91) | (20.83) | 21.5% | 21.7% | 22.7% |
| KSA | Equity | RJHI | 62.90 | (0.16) | (0.16) | 3.97 | 10.59 | 22.0% | 22.3% | 23.0% |

AND FINALLY...

Did you know that Tanzania is home to the highest mountain (Kilimanjaro) and the deepest lake (Lake Tanganyika) in Africa?

Glenn Wepener
Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

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