

# Market Insights & Strategy

Global Markets

13<sup>th</sup> January 2020

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Iran Admits It Accidentally Shot Down Airliner – Protests Erupt.**

After three days of stringent denials, the Iranian authorities finally admitted this past weekend that it's air-defence units had accidentally shot down the Ukrainian Airlines Boeing 737-800 that crashed two minutes after take-off from Tehran International Airport last Wednesday, killing 176 people including 82 Iranian citizens. Iran's President Hassan Rouhani announced on Saturday that an "Armed Forces' internal investigation has concluded that regrettably missiles fired due to human error caused the horrific crash of the Ukrainian plane & death of 176 innocent people. Investigations continue to identify & prosecute this great tragedy & unforgivable mistake."

In reaction to this news, protests against the government broke out in several cities across Iran and were reportedly still continuing late last night despite the heavy deployment of security personnel, with the demonstrators (mostly students) calling for high level accountability over the handling of this incident. Meanwhile the US President tweeted his support for the protestors yesterday saying: "*To the leaders of Iran – Do Not Kill Your Protestors. Thousands have already been killed or imprisoned by you, and the World is watching. More importantly, the USA is watching. Turn your internet back on and let reporters roam free! Stop the killing of your great Iranian people!*"

#### **A New Sultan Of Oman Is Appointed.**

Oman's Sultan Qaboos bin Said Al Said passed away last Friday after a long illness. He was the Arab world's longest serving ruler and was not only responsible for rebuilding his country after assuming power in July 1970, he was also considered to be a highly valued mediator in the region. The succession process which saw the appointment of his cousin, Haitham bin Tariq, was handled swiftly and smoothly and the new Sultan is believed to hold similar views to his predecessor. As such we do not foresee any major change in Oman's current domestic and foreign policies, and this view was probably highlighted in comments made during his first speech as Sultan on Saturday, in which he expressed his support for his country's; "*Foreign policy of peaceful living among nations and peoples, and not interfering in the internal affairs of others*".

**Glenn Wepener**

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### **Oil Moves Lower After Volatile Week.**

Oil prices have begun this week significantly lower than where they had started the last, with Brent hovering around US\$65.00 and WTI below US\$60.00 this morning, from above US\$70 and US\$65 on Monday the 6<sup>th</sup> of Jan. The primary reason for this retracement was of course the apparent stepping back from the brink by both the Washington and Tehran, as indicated in comments made by the Iranian Foreign Minister, Javad Zarif, following his country's limited strike on a US/Iraqi military base (which resulted in no casualties) and by President Trump's more measured statement soon after this event had taken place. Since 2018 we have repeatedly expressed our view that while the risk of a direct confrontation between both sides remains, it is still at the lower end of probability. However a resolution to this crisis is not expected in the near term and as such asymmetric/proxy related actions linked to this dispute are likely to continue this year (Eight rockets were reportedly fired at the US/Iraqi Al Balad airbase by a militia group last night). Meanwhile in light of recent events, Iraq's most senior Shi'ite cleric, Grand Ayatollah Alial Sistani, has reportedly condemned the US and Iran for battling each other on Iraqi territory. *"The use of over-the-top methods by different sides which possess power and influence will only entrench the crisis and prevent a solution. The latest dangerous aggressive acts, which are repeated violations of Iraqi sovereignty, are a part of the deteriorating situation"* in the region, a representative of Sistani was quoted as saying on his behalf by Reuters, adding that no foreign power should decide the fate of his country.

### **Kuwait Prepares To Restart Crude Production In Neutral Zone.**

Kuwait's Oil Minister, Khaled al Fadhel, announced last Thursday that his country was aiming to produce up to 250,000 bpd of crude and 500 mio cf per day of gas by the end of this year in the 'Partitioned Neutral Zone' that it shares equally with Saudi Arabia. Although he mentioned too that this additional capacity would not impact Kuwait's quota as outlined within the OPEC+ output cut accord. His comments come after both countries agreed in December 2019 to resume production in the PNZ after the setting up of two officially recognized boundaries. Production had been suspended in the area since 2014.

### **Nile Dam Talks Remain Deadlocked.**

The latest round of talks between Egypt, Sudan and Ethiopia, over the latter's controversial 'Blue Nile' dam project, ended last week without an agreement. *"We looked at various issues on filling and operation. We converged on many points, however, we couldn't finalize our agreement,"* Ethiopia's Minister for Water Resources, Seleshi Bekele was quoted as saying on Thursday by the 'Arab News' media outlet. Another meeting is set to be held in Washington this week. Egypt in particular has long been concerned that Ethiopia's giant new 'Grand Renaissance' dam, especially the filling of it, could severely restrict its own fresh water supplies from the Nile for which it is almost entirely dependent on.

### **'No Lebanese Bank Will Go Bankrupt' – CB Governor.**

Lebanon's Central Bank Governor, Riad Salameh claimed last week that his country was not close to a financial collapse, and that the banking sector was safe, *"There is a crisis and difficulties, but not a collapse. Not a single bank will go bankrupt and banks facing difficulties will be merged. Banks must be allowed to 'breathe' and we have devised a plan under which depositors' money will be preserved. I want to fix things and reassure the Lebanese about their monetary situation,"* Salameh stated on a local television channel, adding that no haircuts on deposits would be implemented, and that the banks current withdrawal restrictions may be lifted in June. *"If we succeed to secure political coverage, we will issue a circular to ease restrictions on withdrawals and allow all clients to transfer money from Lebanon to other countries. We have a road map for that."* Meanwhile a Bloomberg news report published yesterday quoted the governor also suggesting that Lebanese holders of the US\$1.2 bio Eurobond, which is due to mature in March this year, swap their holdings for longer-dated notes. *"We are making preemptive proposals that are voluntary and dependent on the consent of Lebanese banks. We haven't taken any decision yet because we don't have a government,"* Salameh stated.

### **ACWA Power Plans US\$10 Bio Investment Plan.**

Saudi Arabia's ACWA Power has said that it plans to invest up to US\$10 bio this year as it eyes new projects in Azerbaijan, Cambodia, Ethiopia, Tunisia and Uzbekistan. *"We have won two renewable energy projects in Ethiopia this year which together will produce 300MW, they will run in parallel and be worth about US\$500 million of investments. A few days ago we signed a contract worth US\$300 million dollars to produce 200 MW in Azerbaijan. We are looking at another east European country, we might have something there in the*

course of a month to six weeks,” the company’s CEO, Paddy Padmanthan, was quoted as saying by Reuters last week. ACWA Power currently has 50% of its portfolio in the Kingdom but is also already present in another 12 countries.

### Morocco Unveils US\$12 bio Water Program.

The Moroccan government unveiled an 8-year program last week, which is aimed at improving the country’s fresh water situation. The program includes the construction of new dams and irrigation pipelines, developing better water delivery systems as well as improving the handling and re-use of wastewater. According to the ‘World Resources Institute’ Morocco is currently listed at 22<sup>nd</sup> place amongst those countries facing severe water stress.

### Katerra Wins US\$650 Mio Contract In KSA.

The Katerra specialist construction firm has reportedly been awarded a US\$650 mio contract to build 8,000 homes in Saudi Arabia according to the ‘Real Deal’ website. The US based company handles all elements of the construction process from design, manufacturing of component parts, and site assembly through a digital project management platform.

### Mubadala Reduces Its Stake In Unicredit.

The Abu Dhabi based Mubadala Investment Company has reduced its stake in Italy’s Unicredit from 4.99% to 2.02% according to the UAE’s ‘National’ newspaper. You can access the full article [here](#).

### UAE Real Estate Firm To Accept Crypto Payments.

Dubai based FAM properties has reportedly signed an agreement with Singapore’s Huobi OTC to offer investors, looking to purchase property in the UAE, the opportunity, to pay in digital currencies such as Bitcoin, Ethereum and Ripple, according to the ‘Zawya’ media outlet.

### 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           | 5/10          | 10/15         | 20/30         | 32/42         | 45/55         | 160/190   |
| USD/SAR     | 3.7518/23   | -10/-5        | -10/-5        | -10/-3        | -7/Par        | 2/12          | 20/30         | 140/170   |
| USD/KWD     | 0.30335/365 | 13/23         | 20/35         | 30/50         | 70/90         | 100/130       | 140/170       | 230/330   |
| USD/OMR     | 0.38500/505 | 10/20         | 25/40         | 50/65         | 130/160       | 225/275       | 300/400       | 730/830   |
| USD/BHD     | 0.37699/704 | Par/+10       | 3/13          | 10/20         | 20/45         | 35/55         | 55/75         | 200/300   |
| USD/MAD     | 9.5700/5900 | 100/300       | 200/500       | 400/900       | 700/1300      | 850/1650      | 1000/2000     | 2000/4500 |
| USD/EGP NDF | 15.90       | 15.93/15.98   | 15.99/16.04   | 16.08/16.13   | 16.36/16.41   | 16.73/16.78   | 17.12/17.17   | -         |
| USD/IOD     | 0.7090/7100 | 40/90         | 50/150        | 100/200       | 225/425       | 300/500       | 450/700       | 700/1700  |
| USD/NGN NDF | 362.22      | 362.50/364.50 | 363.50/365.50 | 365.00/367.00 | 371.00/374.00 | 379.00/383.00 | 387.50/391.50 | (NAFEX)   |
| USD/GHS NDF | 5.6400      | 5.68/5.73     | 5.74/5.79     | 5.81/5.86     | 6.07/6.17     | 6.35/6.46     | 6.60/6.75     | -         |
| USD/TND     | 2.7950/8250 | 150/350       | 300/600       | 400/900       | 1000/2000     | 1500/2500     | 2000/3500     | 3500/6500 |
| Crude Oil   | Futures     |               |               |               |               |               |               |           |
| WTI         | 59.00       |               |               |               |               |               |               |           |
| Brent       | 64.95       |               |               |               |               |               |               |           |

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

### AED AND SAR IRS SPREADS

| Currency   | 1Y     | 2Y     | 3Y     | 4Y     | 5Y     | 6Y     | 7Y     | 10Y      |
|------------|--------|--------|--------|--------|--------|--------|--------|----------|
| AED SPREAD | +23/29 | +26/32 | +31/37 | +36/42 | +45/51 | +54/60 | +63/69 | +89/95   |
| SAR SPREAD | +33/39 | +37/43 | +43/49 | +49/55 | +57/63 | +66/72 | +75/81 | +105/111 |

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

### EQUITY MARKETS

| Market    | Underlying | BBG ticker | Spot     | Equity Price Moves |        |        |        |
|-----------|------------|------------|----------|--------------------|--------|--------|--------|
|           |            |            |          | 1day %             | wtd %  | mtd %  | ytd %  |
| Dubai     | Index      | DFMGI      | 2,752.49 | 0.12               | 0.98   | (0.33) | (0.33) |
| Abu Dhabi | Index      | ADSMI      | 5,083.98 | (0.04)             | 1.63   | 0.12   | 0.12   |
| KSA       | Index      | MISAP      | 1,206.77 | (0.01)             | (0.00) | (0.67) | (0.67) |
| Dubai     | Equity     | EMAAR      | 4.05     | 0.00               | 0.22   | 1.00   | 1.00   |
| Dubai     | Equity     | EMIRATES   | 12.95    | 0.39               | (1.32) | 0.00   | 0.00   |
| Abu Dhabi | Equity     | ADCB       | 7.90     | 0.38               | 4.82   | 0.13   | 0.13   |
| Abu Dhabi | Equity     | ETISALAT   | 16.40    | 0.00               | 2.58   | 0.49   | 0.49   |
| KSA       | Equity     | SABIC      | 91.90    | (0.11)             | 0.65   | (2.13) | (2.13) |
| KSA       | Equity     | RJHI       | 65.80    | (0.15)             | (1.14) | 0.46   | 0.46   |

Indication Levels Only – Please contact our trading desk for any live pricing and/or information.

| ATM Implied Vols |       |       |
|------------------|-------|-------|
| 3 mth            | 6 mth | 1 Yr  |
| 15.1%            | 15.2% | 15.4% |
| 18.7%            | 18.5% | 18.2% |
| 18.9%            | 18.5% | 18.2% |
| 30.7%            | 30.7% | 30.8% |
| 28.8%            | 28.8% | 28.9% |
| 25.2%            | 25.3% | 25.5% |
| 17.2%            | 17.2% | 17.1% |
| 19.4%            | 19.4% | 19.5% |
| 20.9%            | 20.9% | 21.0% |

**AND FINALLY...**

*Did you know that the history of Falconry in the Arabian Gulf for both for sport and survival goes back more than 2,000 years?*

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