

# Market Insights & Strategy

Global Markets

22<sup>nd</sup> January 2020

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Oil Prices Battle Geopolitical & Flu Virus Crosswinds.**

Oil prices rose by almost 2% on Monday after a number of Libyan ports, namely Brega, Hariga, Ras Lanuf Sidra, and Zueitina (which handle most of the country's oil exports) were forced to suspend operations this past weekend by eastern tribal groups loyal to the LNA. Some key pipelines are also affected which means that Libya's overall crude production has dropped sharply. *"The closure of the fields and the terminals is purely a popular decision. It is the people who decided this,"* a spokesman for the LNA was quoted as saying by the 'Arab News' media outlet. His comments were backed by those made by a senior member of one of the tribes involved, who claimed that blocking exports would *"dry up the sources of funding for terrorism via oil revenues."* The shutdowns came ahead of ceasefire talks in Berlin on Sunday which ended without any real progress except for a general agreement to set-up a committee focusing on finding a way to halt Libya's civil conflict. Meanwhile (as we warned could happen in our [Top 10 Risks for 2020](#) piece) the resumption of anti-government protests in Iraq have begun to impact that country's oil sector too, with access to the Nassiriya oil field in southern Iraq blocked by demonstrators since yesterday and for the second time in just under a month, resulting in around 80,000bpd of output being disrupted thus far. Conversely any further oil price gains have now run into rising concerns over a newly discovered 'SARS' like flu virus, that appears to be spreading from China into other Asian countries, and which in turn could pose a serious risk to economic growth in the region, should this current outbreak worsen. Already a number of companies are reportedly restricting non-essential travel by their employees to areas such as Wuhan in China, which is where the virus is believed to have first broken out.

#### **Lebanon Finally Has A New Government.**

Prime Minister Diab finally managed to claw together a new Lebanese government yesterday after months of political wrangling. His cabinet consists of 20 'specialist' ministers including an economist, Ghazi Wazni who will head up the Finance Ministry, and the former diplomat Nassif Hitti who becomes Foreign Minister. This is of course an important step, but it remains to be seen if this administration will be able to reverse, or at least stabilize the country's worsening economic crises and be

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accepted by the general populace. It should be noted too that the new government will only become official, once it receives the stamp of approval from the country's 'Parliamentary Council' when they meet next week, although this should pass without any problem. In his first public address, Wazni warned that amongst his and his colleagues first tasks, will be to decide how to handle the impending US\$1.2 bio maturity in March. *"The government must take a clear position on this because the previous government did not, It tossed over this ball of fire"* Wazni stated, adding that; *"We now have multiple crises that are very big and exceed by far those of the past. We are in a state of collapse and if we continue this way, we will be in a phase of bankruptcy. Today, people are at the doors of the banks begging for money."*

### **Iraq Faces Major Energy Challenge Due To Iran Sanctions.**

The CEO of the 'Trade Bank of Iraq', Faisal al Haimus, warned yesterday that if a US sanctions waiver allowing his country to import gas from Iran is not extended, this could have a serious impact on Iraq's ability to meet its domestic power needs. *"If the waiver ended, of course TBI will not pay for any gas or deal with any Iranian entity over gas or electricity. As a bank, the most important thing we have is that we are compliant with international regulations, that's why people trust us,"* al Haimus was quoted as saying yesterday by the 'AFP' media outlet. Iraq currently imports around 1,400 MW of electricity and 988 million cubic feet of gas from Iran, whilst the US sanctions waiver in question expires next month.

### **US May Add Nigeria & Tanzania To Travel Ban List.**

The Wall Street Journal and a number of other US media outlets, were claiming last yesterday that the Trump administration is preparing to add 7 more countries to its travel ban list. However it's not clear yet if these will target only certain US visas and/or individuals, or be a blanket ban. According to a separate Reuters article the countries potentially affected are: Belarus, Eritrea, Kyrgyzstan, Myanmar, Nigeria, Sudan and Tanzania. You can access the WSJ story on this topic [here](#).

### **Investors Load Up On Latest US\$ Bond Offering By KSA.**

Saudi Arabia yesterday raised a total of US\$5 bio via its first bond sale for 2020, after reportedly receiving around US\$23 bio in orders. The paper was issued with 7, 12 and 35 year tranches and achieved tight spreads over UST, underlying continued investor confidence in holding such credit. You can read our more detailed analysis of this issuance in our latest FI piece entitled : ['No fanfare-No Drama- Just Print.'](#)

### **Egypt's CB Keeps Rates On Hold For Now.**

Egypt's CB had been widely expected to lower its benchmark interest rates by 50-100bps following its regular MPC meeting last week. However in the end the apex bank decided to leave rates unchanged for now at least, explaining that current conditions suggested it would be better to try and keep a cap on inflation. Meanwhile foreign investor inflows into Egyptian T-Bills remain strong, helping the local currency to strengthen by more than 1% against the US dollar since the start of this year. We do however expect the CB to begin lowering interest rates again towards the end of this first quarter, barring of course any major upswing in inflation. Meanwhile on a technical basis USD/EGP is approaching the key support levels at 15.50/15.75 which were the lows last seen in 2017, and a 61.8% retracement of the 2016 devaluation. We suspect these could be difficult to break in the near term.

### **VTB Launches Legal Case Against Mozambique.**

VTB Bank reportedly lodged a major lawsuit in the UK's High Court earlier this month, against the state-run Mozambique Asset Management firm over a US\$535 mio loan the Russian based lender had extended to the sub-Saharan country, in order to help fund a US\$2 bio marine project which became the epicentre of a massive corruption scandal. *"An agreed restructuring remains our preferred outcome but after 3 years of discussions with no tangible progress VTB must now consider all options available to it for a resolution,"* VTB said in an official statement published by Reuters.

### **Egypt Signs US\$450 Mio Worth Of E&P Contracts.**

Egypt's Petroleum Ministry has sealed nine oil and gas exploration agreements (worth a combined total of US\$452 mio), with a number of international energy firms including: Apache, BP, Petronas and Shell,

according to the North African country's Petroleum Minister, Tarek el Molla. "The strategy of the Petroleum Ministry targets tendering more global bids throughout the coming period along with sealing more oil deals," el Molla was quoted as saying by the 'Africa Oil & Power' website.

### Kuwait Unveils Details On Metro Rail Project.

Kuwait's Public Authority for Transport has released details on a planned MRT system for the country. According to an official statement, the 5 phase project will eventually consist of 3 lines running for a total of 160km via 68 stations. The first phase of the project will cross several governorates, and include a line linking the capital city to Kuwait's International Airport.

### ENI & Total To Develop Three Offshore Blocks In Angola.

France based Total and Italy's ENI Group were recently awarded the rights to explore and develop three offshore oil and gas fields in Angola's 'Namibe' Basin.

### 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	2/5	5/10	10/15	20/30	30/40	40/50	110/140
USD/SAR	3.7510/15	-18/-11	-22/-12	-20/-10	-18/-8	-13/-3	Par/+10	80/110
USD/KWD	0.30355/375	20/30	30/45	45/60	85/115	130/160	170/200	250/350
USD/OMR	0.38500/505	5/15	15/25	30/50	80/110	160/210	250/350	600/700
USD/BHD	0.37699/704	2/12	4/14	08/23	20/40	35/55	60/90	150/250
USD/MAD	9.5900/6100	100/300	200/500	400/900	700/1300	850/1650	1000/2000	2000/4500
USD/EGP NDF	15.77	15.92/15.97	16.04/16.09	16.14/16.19	16.46/16.51	16.80/16.85	17.10/17.15	-
USD/JOD	0.7082/92	40/90	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	362.22	363000/365.00	364.50/366.50	366.00/368.00	372.50/375.50	381.00/386.00	390.00/395.00	(NAFEX)
USD/GHS NDF	5.6600	5.70/5.75	5.74/5.79	5.80/5.85	6.02/6.12	6.26/6.38	6.50/6.65	-
USD/TND	2.8000/8200	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	3500/6500
Crude Oil	Futures							
WTI	58.05							
Brent	64.30							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+22/28	+24/30	+28/34	+33/38	+40/46	+48/54	+56/62	+80/86
SAR SPREAD	+36/42	+38/44	+42/48	+46/52	+54/60	+63/69	+72/78	+102/108

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

EQUITY MARKETS				Equity Price Moves				ATM Implied Vols		
Market	Underlying	BBG ticker	Spot	1day %	wtd %	mtd %	ytd %	3 month	6 month	1 year
Dubai	Index	DFMGI	2,848.94	(0.21)	0.98	3.04	3.04	19.7%	20.1%	20.4%
Abu Dhabi	Index	ADSMI	5,234.02	0.95	1.63	3.12	3.12	18.7%	19.0%	19.0%
KSA	Index	MISAP	1,211.37	(0.53)	(0.56)	(0.29)	(0.29)	22.8%	21.3%	20.2%
Dubai	Equity	EMAAR	4.17	(0.95)	0.22	3.73	3.73	30.6%	31.0%	31.2%
Dubai	Equity	EMIRATES	13.90	0.72	(1.32)	6.92	6.92	26.4%	27.1%	28.0%
Abu Dhabi	Equity	ADCB	8.00	(0.37)	4.82	1.01	1.01	27.9%	28.5%	29.4%
Abu Dhabi	Equity	ETISALAT	16.56	0.00	2.58	1.22	1.22	17.4%	17.5%	18.2%
KSA	Equity	SABIC	92.10	0.11	0.65	(1.92)	(1.92)	21.5%	21.7%	22.7%
KSA	Equity	RJHI	66.10	0.00	(1.14)	1.07	1.07	22.0%	22.3%	23.0%

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

### AND FINALLY

*‘The strength of the crocodile is in the water’ (South African proverb which roughly translated means: ‘People are strongest when in their correct environment’)*

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