

# Market Insights & Strategy

Global Markets

29<sup>th</sup> September 2020

## MIDDLE EAST & AFRICAN MONITOR

- **Crude Prices Ignore Conflict In The Caucasus For Now.**
- **Venezuela Pays Iran In Gold For Fuel Supplies.**
- **US Ponders Harsher Sanctions Measures On Iran.**
- **Nigeria Looks To Privatize State Oil Company.**
- **Lebanon's Political & Economic Quagmire Deepens.**
- **Saudi Tourism Fund Signs Major Financing Agreement.**
- **Kuwait's Department Of Public Works To Dismiss Expats.**
- **Egypt Issues First 'Green' Bond**
- **DFM To Launch Derivatives Trading Platform.**
- **Bahrain Extends Salary Support Program.**
- **PowerHealth Wins Saudi Contract.**

### REGIONAL COMMENTARY

#### **Crude Prices Ignore Conflict In The Caucasus For Now.**

Benchmark crude prices have thus far not really reacted to the outbreak of hostilities between Azerbaijan and Armenia, as traders assume that oil exports from the world's 24<sup>th</sup> largest producer are unlikely to be affected. This view is probably correct, even though the key BTC pipeline which carries a large portion of Azerbaijan's output to export terminals in Turkey lies just 40 km from the current area of fighting. Analysts point out that any attempt to damage the line by Armenian forces could result in both a significant oil spill and supply disruption, which would in turn lead to swift international condemnation, including from one of the latter's important allies Russia. Bearing all that in mind, it's still a risk that we will need to keep an eye on, especially if the conflict widens.

#### **Venezuela Pays Iran In Gold For Fuel Supplies.**

Venezuela is reportedly using some of its very limited gold reserves to pay for imports of refined oil products from Iran as the Latin American country struggles to deal with a severe petrol shortage. "We gave Venezuela gasoline and received gold bars, and we took the gold to Iran on a plane so that nothing could happen to it along the way," a senior advisor to Ayatollah Ali Khamenei, was quoted as saying yesterday by the 'Bloomberg Quint' website. Last month the US authorities seized 1.1 million barrels of Iranian fuel which had reportedly been destined for Venezuela. Meanwhile the Iranian Oil Minister, has appeared to admit that his country actively 'amend' certain export documents in order to continue to sell its oil products and sidestep US sanctions. "What we export is not under Iran's name. The documents are changed over and over, as well as specifications," Bijan Zanganeh was quoted as saying by the 'Asharq Al Awsat' media outlet.

**Glenn Wepener**

Executive Director & Geopolitical Analyst,  
Middle East & Africa

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

### **US Ponders Harsher Sanctions Measures On Iran.**

The Trump administration is apparently looking at a range of fresh sanctions measures it could take against Iran, including some targeting its banking sector. According to an article published recently on 'Bloomberg', one option being considered was to designate the Iranian financial sector under Executive Order 13902, which Trump signed in January to clamp down on some non-oil sector industries such as mining. Such a measure would not only affect Iran's banks, but also money-changers and consequently the traditional but informal FX transfer system.

### **Nigeria Looks To Privatize State Oil Company.**

Nigeria's President has approved a long-awaited draft petroleum reform bill, that if also passed by the country's senators and members in the house of representatives, would see the deep-water oil royalty scales amended and steps taken to privatize the state-owned Nigerian National Petroleum Company. This legislation has been under discussion for almost two decades, and is aimed at revising the existing regulations governing Nigeria's oil and gas sector which have not been completely updated since the 1960s. Meanwhile, the NNPC announced earlier this month that it was currently in discussions over the potential sale of a majority stake in four of its refineries, all of which are in need of significant repair and upgrading.

### **Lebanon's Political & Economic Quagmire Deepens.**

Lebanon's Prime Minister designate, Mustapha Adib, stepped down this past weekend following his failure to establish a new non-partisan government. This failure was due primarily to opposition by Hezbollah to the various suggested candidates for key cabinet positions. In reaction to this major setback, the French President, Emmanuel Macron accused all Lebanese political parties of a "*collective betrayal*," but he also pinpointed Hezbollah as being the primary obstacle to an agreement. "*They made no concessions. Hezbollah cannot operate at the same time as an army against Israel, a militia unleashed against civilians in Syria and a respectable political party in Lebanon. It must not believe that it is stronger than it is, it must show that it respects all Lebanese. These last days, it clearly demonstrated the opposite*," Macron was quoted as saying last Sunday by the 'National' newspaper. Sadly, this continued political stalemate, which will further delay the implementation of much needed reforms, has also raised the risk of a complete economic collapse.

### **Saudi Tourism Fund Signs Major Financing Agreement.**

Saudi Arabia's Tourism Development Fund has signed a SAR 160 bio financing agreement with two of the Kingdom's primary lenders, Riyad Bank and Banque Saudi Al Fransi, according to a statement issued by the state news service SPA yesterday. "*This agreement includes defining ways of cooperation between the fund and the participating banks by setting up mechanisms to support financing tourism projects in various regions of the Kingdom*," the statement read, adding that this arrangement forms part of the fund's efforts to stimulate investments into the country's tourism sector and to provide support for small and medium-sized enterprises.

### **Kuwait's Department Of Public Works To Dismiss Expats.**

Kuwait's Department of Public Works is reportedly preparing to lay-off all of its expatriate staff and replace them with local citizens as a part of the government's 'Kuwaitization' program. "*The original plan was to terminate expatriate employees gradually, and the next batch was supposed to happen by year's end. However, the minister decided not to wait and end expatriate employees' contracts immediately*," unnamed official sources were quoted as saying by the 'Gulf Business' news site. You can read more on this report [here](#). According to a statement issued by the country's Civil Service Commission two weeks ago, the total percentage of Kuwaiti citizens employed within the government sector (excluding the military) has reached 79%.

### **Egypt Issues First 'Green' Bond.**

Egypt successfully conducted a five-year, US\$750 mio sovereign 'green' bond issuance at 5.25% today. It also marks the first time an 'environmentally friendly' debt issuance has been held by a sovereign in the MENA region. Meanwhile data released by the country's Central Bank earlier today, shows that Egypt's current FX reserves rose slightly to US\$38.36 bio at the end of August 2020 from US\$38.315 bio in July.

## DFM To Launch Derivatives Trading Platform.

Dubai Financial Markets has announced that it will launch a new derivatives trading platform early next month. The service will begin by offering futures contracts on five single stocks with one, two and three month tenors. *“As part of DFM’s efforts to diversify its product offerings, we are leveraging the vast experience and capabilities of DFM Group’s members, including DFM, Dubai Clear and Nasdaq Dubai, to launch a derivatives platform as a key milestone in our journey. The platform will play an essential role in broadening and deepening the market, adding new impetus to Dubai’s position as a dynamic capital markets hub,”* the chairman of DFM, Essa Kazim, was quoted as saying by the ‘National’ newspaper. You can access more details on this subject [here](#).

## Bahrain Extends Salary Support Program.

The Bahraini government has extended a scheme in which it pays 50% of the salaries for citizens working in those parts of the private sector which have been negatively impacted by the COVID-19 pandemic. This salary support scheme will reportedly continue until the end of the year.

## PowerHealth Wins Saudi Contract.

The Australian software company PowerHealth has been awarded a contract to implement its healthcare technology across the Kingdom of Saudi Arabia.

## 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	3.6728/29	1/4	3/6	5/10	13/18	20/30	30/45	140/190
USD/SAR	3.7508/11	3/6	9/12	14/24	30/40	45/55	70/85	200/250
USD/KWD	0.30635/655	20/30	40/55	65/80	130/160	180/210	240/270	400/500
USD/OMR	0.38498/501	25/40	67/87	110/140	235/265	380/430	550/600	1100/1400
USD/BHD	0.37712/17	7/17	15/30	25/40	55/75	85/115	125/175	380/580
USD/MAD	9.2550/2750	50/150	100/300	200/500	350/850	800/1800	1300/2700	3000/6000
USD/EGP NDF	15.76	15.84/15.89	15.97/16.02	16.13/16.18	16.54/16.59	17.00/17.05	17.45/17.50	-
USD/JOD	0.7087/97	65/115	80/180	130/280	250/450	325/525	425/725	1000/1800
USD/NGN NDF	385.96	388.50/391.50	392.50/395.50	397.00/402.00	413.00/419.00	431.00/437.00	451.50/459.50	(NAFEX)
USD/GHS NDF	5.7900	5.85/5.90	5.92/5.99	6.02/6.11	6.30/6.42	6.60/6.72	6.91/7.05	-
USD/TND	2.7580/7780	100/300	200/500	400/700	700/1700	1000/2000	1700/3200	4000/8000
Crude Oil	Futures							
WTI	40.30							
Brent	41.80							

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

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+33/39	+46/52	+60/66	+73/79	+82/88	+91/97	+94/100	+116/122
SAR SPREAD	+68/74	+85/91	+103/109	+118/124	+132/138	+144/150	+154/160	+177/183

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

## AND FINALLY...

Did you know that the Kafue National Park in Zambia is about the same size as Wales?

Glenn Wepener  
Executive Director

Market Insights & Strategy

FAB Global Markets

Email: [Marketinsights&strategy@bankfab.com](mailto: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](mailto:privacy@bankfab.com).