

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Oil Prices Remain Firm Despite US Inventory Build.

Crude prices remain close to their 2014 highs this morning despite yesterday's EIA report which showed a 3.3 mio barrel build in US oil inventories last week. Geopolitics is the primary reason for the recent break above US\$70 a barrel for Brent, with concerns spread across various issues including; the likelihood of an imminent US strike on targets in Syria despite warnings over such a move by Moscow, another attempt by Houthi militants in Yemen to launch missiles towards Saudi Arabia, and ongoing uncertainty over the future of the JCPOA nuclear accord with Iran. On the technical front the next resistance for Brent lies around US\$77.00.

Kuwait's Parliament Prepares to Debate Controversial Bill.

Kuwait could soon become the first country in the region to impose a tax on expatriate remittances if a draft bill on such a tariff is approved during a debate on the issue next week. As we mentioned in our previous commentary on the subject, the bill has already been approved by a parliamentary financial committee but was initially opposed by a separate legislative committee which claimed that the bill was unconstitutional. The IMF has previously warned that the benefits of such a tax are likely to be negligible, and could in fact have a negative economic impact, especially on the private sector.

Russian Tourists Set To Return To Egypt.

The Russian government has officially lifted its ban on commercial flights to Egypt after a more than 2 year hiatus following the downing of a passenger plane over the Sinai in October 2015, an event that was attributed to terrorism. This decision should have a positive impact on Egypt's tourism sector whose revenues account for almost 12% of the country's GDP and which used to attract a significant number of Russian holidaymakers. Aeroflot consequently resumed its weekly flights to Cairo yesterday.

Funding Pressures On GCC Banks Have Eased – Moodys.

Moody's Investors Service stated in a recent report that the funding pressures experienced by GCC based banks, during the slump in oil prices, has now eased significantly and the sector can look forward to a rise in credit growth and interest margins. "We expect GCC banks to benefit from continued deposit growth over the coming quarters, driven mainly by government deposits as their oil revenues improve and they tap international markets to fund their budget

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deficits. GCC banks' liquidity will be further supported by expected average credit growth of around 5% in the region, while increased government deposits should continue to support a stable loan to deposit ratio for GCC banks. Despite improved liquidity, funding costs will increase due to rising interest rates. Over the past four years, GCC benchmark interest rates have risen in line with US FED fund rate increases and subsequent moves by local central banks, Moody's expects benchmark rates to continue their upward trend in line with US rate rises. Rising interest rates will support net interest margins and will benefit banking systems with the highest current and saving accounts particularly Saudi Arabia. Despite increasing funding costs, banks will be able to raise rates on their corporate loans and will benefit from the higher spread to be earned on CASAs," a senior analyst at Moodys was quoted as saying by the 'Trade Arabia' website.

Iranian Rial Hits Fresh New Lows.

The value of the Iranian Rial has continued to deteriorate these past few weeks, with the unofficial exchange rate last reported to be seen at close to IRR 60,000 per US dollar despite ongoing attempts by the authorities to stem its fall, including a crackdown on the black market. Earlier in the year the country's central bank injected dollars into the market and offered hard currency CDs', but growing fears that the US could re-introduce sanctions on the country's oil industry if the nuclear accord collapses, has in turn triggered hard currency hoarding piling pressure on the Rial. The latest steps undertaken by the authorities was to unify and fix the official USD/IRR rates at 42,000, put all exchange houses under greater scrutiny and warn that currency deals done outside of the official rate are considered to be illegal. On top of this citizens will only be allowed to hold up to EUR10,000 in foreign currency cash. Iran's Vice President, Eshaq Jahangiri, was quoted by the 'Arab news' website suggesting that this latest currency crises was unjustified. "Unfortunately, in recent days, incidents have happened in the rate of foreign currency which have caused concern for the people," he stated adding that the devaluation was triggered by "non-economic, unjustified and unpredictable" factors. "There should not be such incidents in an economy that always has a surplus of foreign currency. Some say interference by foreign hands is disrupting the economic climate and some say domestic machinations are spurring these things in order to destabilize the climate in the country," Jahangiri claimed.

Zain In SDG Currency Swap Talks.

Zain telecommunications group is reportedly in advanced discussions with the Kuwaiti authorities over the possibility of swapping its Sudanese Pounds into hard currency. According to the 'Gulf Business' website Zain is hoping to reach an agreement whereby Kuwait's government would purchase the company's existing SDG holdings, retain those pounds in Sudan and then utilize them for future state funded aid projects there. "Zain Sudan is operationally an excellent company but the impact on the currency is not in our hands. It is a political matter and we cannot control it, but what we are trying to do is to protect the assets of the shareholders," Zain Group's CEO, Bader Nasser al Kharafi was quoted as saying.

GCC Bond Markets Q1 Review – FAB.

For those who may not have seen it yet, we have just released our quarterly review of the GCC bond and Sukuk markets and you can access the full report [here](#).

Inflation Eases In Nigeria.

The CPI rate in Nigeria eased to 13.34% y/y last month from 14.33% in February. Food prices were the primary driver dipping to 16.08% from a previous 17.59%.

India & Saudi Arabia Look To Build US\$44 Bio Refinery.

A consortium of Indian firms have agreed to participate in a joint-venture with Saudi Aramco which aims to establish the world's largest refinery and petrochemical complex in India's Maharashtra state. According to the 'livemint' website, apart from investing in this mega-project, Aramco has also committed to supplying the future complex's crude oil ensuring supply security. This is extremely significant given India's heavy reliance on oil imports.

ARAMCO & Total Sign MOU.

Saudi Aramco and France's Total signed an MOU earlier this week concerning the establishment of a US\$5 bio petrochemical complex in Jubail, which once complete will be integrated with the Kingdom's SATORP refinery.

FX/RATES & CRUDE MARKETS:

Indication Levels Only – Please Contact us on Reuters Dealing Code NBAD for any pricing or information.

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6730/31	-1/+2	2/5	3/8	10/20	15/30	30/45	90/140
USD/SAR**	3.7500/02	-5/Par	-6/-1	-6/-1	-5/+5	10/25	35/50	180/230
USD/QAR**	3.6500/6600	10/30	20/40	30/60	60/110	80/130	130/180	150/350
USD/KWD	0.29980/90	-35/-25	-55/-35	-65/-45	-90/-50	-110/-70	-125/-75	-150/-50
USD/OMR	0.38499/502	2/12	10/25	25/50	80/150	175/275	300/400	800/1100
USD/BHD	0.37703/08	5/15	15/35	30/50	60/110	100/200	150/250	600/800
USD/MAD	9.1450/1650	80/180	200/500	300/700	650/1650	1000/3000	1500/3500	3000/6000
USD/EGP NDF	17.68	17.80/17.87	17.94/18.01	18.05/18.11	18.44/18.50	18.82/18.92	19.20/19.30	-
USD/JOD	0.7085/95	40/80	50/150	75/175	100/300	200/500	275/675	500/2000
USD/NGN NDF	360.00	361.00/366.00	363.00/368.00	365.00/370.00	370.00/375.00	376.00/381.00	382.00/387.00	(NAFEX)
USD/GHS NDF	4.4300	4.47/4.57	4.52/4.62	4.57/4.67	4.70/4.80	4.85/4.95	4.96/5.06	-
USD/TND	2.4050/4450	200/300	400/600	500/800	1000/1500	1500/2500	2000/3000	4000/6000
Crude Oil	Futures							
WTI	66.65							
Brent	71.75							

NOTE: ** (offshore levels) - Also please note we are now using the NAFEX fixing for NGN.

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+16/22	+24/30	+34/40	+45/51	+55/61	+64/70	+73/79	+96/104
SAR SPREAD	+14/20	+27/33	+39/45	+49/55	+59/65	+67/73	+75/81	+95/103

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

AND FINALLY...

“Arrogance diminishes wisdom” – Arabic proverb.

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