

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Saudi Arabia Freezes Trade Relations With Canada & Expels Ambassador.

Saudi Arabia announced overnight that it was freezing all new business and investment transactions with Canada, and that the Canadian ambassador, Dennis Horak, to the Kingdom had been given 24 hours to leave the country. According to a report on the 'Arab News' website Saudi Arabia's Ministry of Foreign Affairs said in a statement that it had informed the Canadian Foreign Minister and embassy in Riyadh of its objection to their interference in the case of "civil society activists" who are currently under arrest, but who Canada's Foreign Minister, Chrystia Freeland, claimed via a tweet should be released. "This negative and surprising position from Canada is totally false and the arrests were done by the competent authority, the Public Prosecutor's Office, in accordance with the law. The legitimate rights (of those arrested) have not been denied and they were provided with all guarantees during the investigation and trial stages," the statement read adding; "It is blatant and unacceptable transgression against the Kingdom's regulations and procedures and in violation of the judicial authority in the Kingdom. In its long history, Saudi Arabia has not and will not accept intervention in its internal affairs or impose dictates on it from any country. The Canadian position is an attack on Saudi Arabia that requires a firm stance towards it, the Kingdom of Saudi Arabia expresses its absolute and categorical rejection of the position of the Canadian government. Any further step from the Canadian side in that direction will be considered as acknowledgment of our right to interfere in the Canadian domestic affairs." Riyadh has also reportedly recalled its ambassador in Ottawa for consultations.

Iran Eases FX Regulations - Senior CB Official Detained.

Iran's Central Bank announced late yesterday that it was easing a number of restrictions on foreign exchange dealing with immediate effect. These new measures include; Allowing citizens to hold US dollar accounts, the exchange rate for importers and exporters will now be set by the open market (although the CB would provide a preferential rate for the import of key basic commodities and medicines), hard currency inflows will no longer be taxed, and exchange houses are now permitted to buy and sell hard currency for commercially linked transactions. Meanwhile according to the state-run IRNA

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news outlet, the Deputy Governor of Iran's Central Bank, Ahmad Araqchi, who was responsible for the bank's FX activities has reportedly been removed from his post and detained for questioning on allegations of "economic crimes," along with another senior government official and four "unauthorized" foreign exchange traders. This all comes as sporadic protests continued to take place in cities across the country over the weekend, with demonstrators complaining about corruption and the rising cost of living. The first stage of renewed US sanctions on Iran including a ban on the use of US dollars, trading in precious metals and the export of carpets to the US (amongst other financial restrictions) will be enacted from tomorrow.

Pakistan Says It May Be Close To A Major Oil Discovery.

Pakistan's Minister for Maritime and Foreign Affairs, Abdullah Hussain Haroon, has claimed that Exxon Mobil was "confident" it would soon find significant oil reserves in an area very close to his country's border with Iran. The local 'Dawn' newspaper quoted the minister as saying during a speech to local business leaders last Friday that ExxonMobil had so far drilled to within "5,000 meters" of the Iranian border and was optimistic about its exploratory finds thus far. Meanwhile according to a S&P Global Platts report, OPEC's total crude production rose by 340,000 bpd to 32.66 mio bpd last month with this increase driven primarily by Saudi Arabia which reportedly pumped 10.63 mio bpd, a 240,000 bpd jump from June's output.

Bahrain's FX Reserves Rose In June.

The level of net foreign assets held at Bahrain's Central Bank rebounded to US\$2.17 bio in June from US\$1.78 bio in May, according to the latest official data. Saudi Arabia, Kuwait and the UAE announced in June that they were working on a financial assistance program for Bahrain, but despite some market rumours doing the rounds last week, there has so far been no confirmation that this recent increase in reserves is linked to the impending support package. Moodys ratings agency downgraded its sovereign ratings on Bahrain from B1 to B2 last Thursday.

Jordan & Iraq Sign Security Pact.

Senior military officials from Jordan and Iraq yesterday signed a bilateral agreement focusing on security. According to an article published by 'Rudraw', the main aim of this cooperation pact is to exchange expertise and information on border security, to bolster Iraq's intelligence capabilities, arrange joint military training and to share technology and research. The Treybil border crossing between both countries was only reopened in August last year.

Tourists Are Returning To Egypt.

Eight million travelers visited Egypt last year and although this is still a long way from the 14 mio visitors Egypt recorded in 2010, it is a significant improvement on 2016 which saw just 4.5 mio arrive. Tourism related revenues are up 80% and there are other signs of recovery in this important sector of the economy. For example international hotel groups are looking to upgrade and expand their facilities in the country, with the Marriot group alone announcing plans to build 4 new hotels there. Meanwhile the UK's Easy Jet will soon resume its flights to Sharm El Sheikh and Swiss International Airines plans to launch a Geneva-Hurghada route this coming winter season.

IMF Calls On Mozambique To Follow Strict Procedures On Debt.

The IMF concluded its latest review of Mozambique last week and in its report the agency noted a gradual economic recovery there and better fiscal management. However it also called on the government to rely on concessional loans and grants for its current financing needs. "The Mozambican economy is recovering gradually. Real GDP growth reached 3.75% in 2017—0.75 percentage points higher than projected by Fund staff in the last Article IV consultation—supported by a stronger-than-expected recovery in agriculture and significantly higher mining production. Inflation declined rapidly, from a peak of 26 % (year-on-year) in November 2016 to about 6% (year-on-year) in June, reflecting tight monetary policy, exchange rate stability, and decelerating food price increases. Strong export performance and subdued import growth have helped narrow the external current account deficit, supporting a large accumulation of international reserves, which at end-June covered about 6½ months of next year's projected non-megaproject imports. On the fiscal front, the government took important measures that helped contain the fiscal deficit: subsidies on fuel and wheat were eliminated, an automatic fuel price adjustment mechanism was adopted, and electricity and public transportation prices were increased. Responding to rapid disinflation, the Bank of Mozambique has been

easing monetary policy, cutting its policy rate by a total of 600 basis points since April 2017,” the IMF statement read, and you can access it in full [here](#).

Kenya’s Economy Forecast To Grow By 6.20%.

The Governor of Kenya’s Central Bank, Patrick Njoroge, said last week that he expects the country’s economy to grow by 6.20% this year boosted by a rebound in the tourism and agricultural sectors as well as rising export demand. The Finance Ministry had originally forecast a 5.80% rise in GDP for 2018.

Abu Dhabi’s GDP Expands In Q1.

According to the official statistics office the Emirate of Abu Dhabi’s GDP expanded to AED 223.60 bio during the first quarter of this year compared to AED 205.10 bio over the same period in 2017.

Sumitomo Wins Supply Contract In Oman.

Sumitomo Corporation’s Tubular Solutions arm has been awarded a supply chain services contract within the Special Economic Zone in Duqm.

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	3.6729/30	-1/+2	Par/+3	1/6	5/15	12/22	25/40	110/140
USD/SAR	3.7503/05	-4/-1	-4/-1	-5/Par	Par/+10	15/30	40/60	200/230
USD/QAR	3.6500/50	-5/+5	-5/+5	-5/+5	-5/+15	Par/+20	20/70	50/150
USD/KWD	0.30300/320	-30/-20	-55/-35	-70/-40	-140/-90	-200/-150	-230/-180	-325/-125
USD/OMR	0.38499/504	10/25	30/60	50/100	100/150	210/260	330/430	850/950
USD/BHD	0.37770/820	10/20	20/40	35/65	80/110	120/170	200/250	650/750
USD/MAD	9.4400/4600	125/225	200/500	300/600	900/1400	1000/2000	1500/3000	2800/4800
USD/EGP NDF	17.87	17.96/18.04	18.07/18.17	18.20/18.30	18.63/18.73	19.05/19.15	19.55/19.65	-
USD/JOD	0.7090/7100	50/100	70/170	100/200	175/325	275/575	350/850	725/1725
USD/NGN NDF	361.50	363.00/364.00	364.00/366.00	366.50/368.50	372.00/375.00	377.00/382.00	383.00/388.00	(NAFEX)
USD/GHS NDF	4.7700	4.85/4.95	4.91/5.01	4.97/5.07	5.15/5.30	5.30/5.45	5.45/5.65	-
USD/TND	2.7250/7550	300/500	600/1100	1000/1500	1500/3000	2000/4000	3000/5000	5000/9000
Crude Oil	Futures							
WTI	68.60							
Brent	73.30							

** (offshore levels only)

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+22/27	+27/32	+32/37	+43/48	+53/58	+63/68	+73/79	+93/101
SAR SPREAD	+28/33	+35/40	+41/46	+48/53	+55/60	+62/68	+69/75	+90/98

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

AND FINALLY...

Did you know that Mocha (al-Mukha), on Yemen's Red Sea coast, was once the centre of the world's coffee trade?

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