

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

First Round Of US Sanctions Re-imposed On Iran.

The US re-imposed a series of sanctions on Iran yesterday targeting various sectors of the economy such as the automotive and aviation industries, and instituted a ban on the purchase of US dollar notes, aluminum, graphite, coal, gold, silver and other precious metals. "The Iran sanctions have officially been cast. These are the most biting sanctions ever imposed, and in November they ratchet up to yet another level. Anyone doing business with Iran will NOT be doing business with the United States. I am asking for WORLD PEACE, nothing less!" the US President tweeted on Tuesday. In response his Iranian counterpart claimed that the re-imposition of sanctions by Washington was "psychological warfare" aimed to "sow division among Iranians". Meanwhile the EU said it remains committed to the JCPOA agreement, but it's hard to see how they will be able to convince large European firms to continue trading with Tehran. This hurdle was highlighted again yesterday when Germany's Daimler AG announced that it was freezing a plan to assemble Mercedes trucks in Iran, they join a growing list of foreign corporations who have suspended or withdrawn from Iranian linked transactions since the US pulled out of the accord earlier this year.

Lebanon's Economy Is "In A State Of Fragility" – WB Official.

"Lebanon has been defying gravity for quite some time and a day will come when this gravity materializes," a senior World Bank official, Ferid Belhaj, claimed yesterday according to Reuters. "Clearly this is not a situation which is sustainable and things need to be done, I'm not worried about the economy, but it is in a state of fragility," he added. His comments echo those made by the IMF back in June this year, in which they called for urgent action over the country's heavy debt load which reached 150% of GDP at the end of last year and that is forecast to expand to 180% by 2023 if left unchecked. However the implementation of significant fiscal reforms are likely to remain on the back burner at least until the main political parties can agree to form a cohesive government.

Chinese Oil Futures Hit A Record High.

China's Yuan-denominated September oil futures hit a record high before dropping back again during volatile activity yesterday. Some buyers have likely been attracted to this new index (which was only launched in March

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2018) by the weaker Chinese currency, but a Bloomberg study also shows that local investors are currently skewed towards the more speculative day-traders, which probably explains the much more volatile price action especially when compared to the movement seen on the traditional benchmark indexes.

Moody's Downgrades Four Banks In Bahrain.

Following on from its recent sovereign downgrade of Bahrain, Moody's Investors Service this week lowered the ratings on four local banks namely: BBK, NBB, BISB and KHCB. "Moody's rating actions on the banks reflect (1) the government's reduced capacity to support the country's banks in case of need and (2) Moody's view that the government's weakening creditworthiness weighs on the standalone credit profile of the banks given the high credit linkages between their balance sheets and sovereign credit risk. The banks' creditworthiness is also affected by the weakening operating environment in Bahrain, which is reflected in Moody's lowering its Macro Profile for Bahrain to Weak+ from Moderate-. The rating agency however notes that the Bahraini banks remain relatively resilient, with a strong tangible common equity ratio of 12.3%, sound profitability with net income to tangible asset ratio of 1.4%, as well as healthy liquidity buffers with liquid asset ratio close to 33%, all ratios as of December 2017," Moody's said in a statement, the full version of which you can access [here](#).

Egypt's External Debt Rises.

Egypt's Central Bank said earlier this week that the country's foreign debt level had risen by US\$5.2 bio to US\$88.10 bio at the end of Q3 of the current 2017/18 fiscal year. This equates to 36.80% of Egypt's GDP, although the CB Governor, Tarek Amer, stated that this was still considered to be a safe level, and Egypt could handle a further rise in debt as it uses such funding to structurally redevelop the economy. "We have an advantage, Egypt has a very long-term foreign debt, ranging between 15 and 60 years," Amer was quoted as saying by Reuters, adding that "the last Korean loan for the establishment of the fourth and fifth stages of the Cairo Metro will be paid over 57 years, with an interest of 0.10%." Meanwhile the Egyptian Trade Ministry announced today that it had lifted the export tariff on sugar which had been imposed last year. This move comes after the local market reported a current surplus of the commodity.

GCC Could Soon Be Added To JP Morgan's EM Bond Index.

GCC sovereign bonds could soon be added to JP Morgan's Emerging Market Index which in turn should attract a significant amount of investor flows into such regional paper. JPM is due to make a decision on whether or not to include the GCC by the end of next of month. If such an approval (which now looks likely) does takes place it would mark an important next step in the development of the GCC bond market and, as some analysts suggest, could attract up US\$30-45 bio of inflows.

KSA Invests In Tesla.

A report published by the UK's Financial Times newspaper yesterday claimed that Saudi Arabia's Public Investment Fund has purchased a 3-5% stake in Tesla. This story appeared to gain credence after the company's CEO, Elon Musk, suggested via a Tweet on Tuesday that he has begun securing funding to take the company private. However whether not Musk can pull-off such a move remains to be seen, especially at the level of US\$420 a share as he has suggested.

Nigeria's First Bank Redeems US\$ Eurobond.

Nigeria's 'First Bank' announced yesterday that it has redeemed its US\$300 mio 8.25% Eurobond 2 years ahead of its original maturity date via an option clause, and had no plans for a fresh issuance anytime soon.

Abu Dhabi Targets Record Year For Visitors.

Abu Dhabi's Tourism Department revealed this week that over 2 million foreign travelers visited the Emirate during the first half of this year, a 5% increase compared to the same period last year. Meanwhile Abu Dhabi's hotel occupancy rate was 71% a 2% increase on H1 2017, while the department expects the total number of tourists to hit a record 5.5 million by the end of this year.

Italy To Donate 12 Coast Guard Vessels To Libya.

Italy's parliament have agreed to provide Libya's Coast Guard with an extra 12 fast patrol boats in an attempt to stem the flow of illegal migrants across the Mediterranean to Europe.

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	-6/-1	-6/-1	-6/-1	-5/+5	7/17	30/45	160/210
USD/QAR	3.6500/50	-5/+5	-5/+5	-7/+3	-5/+15	Par/+20	20/70	50/150
USD/KWD	0.30300/320	-30/-20	-45/-25	-75/-45	-140/-90	-200/-150	-250/-200	-320/-120
USD/OMR	0.38499/504	10/25	30/60	50/100	100/150	210/260	330/430	850/950
USD/BHD	0.37720/770	10/20	20/40	30/60	80/110	130/180	190/240	500/700
USD/MAD	9.4200/4500	125/225	200/500	300/600	900/1400	1000/2000	1500/3000	2800/4800
USD/EGP NDF	17.87	17.97/18.05	18.12/18.22	18.27/18.37	18.72/18.82	19.15/19.25	19.67/19.77	-
USD/JOD	0.7090/7100	50/100	70/170	100/200	175/325	275/575	350/850	725/1725
USD/NGN NDF	362.20	363.00/364.00	365.00/367.00	367.00/370.00	373.00/378.00	377.00/382.00	384.00/389.00	(NAFEX)
USD/GHS NDF	4.7850	4.84/4.89	4.91/4.96	4.95/5.05	5.09/5.19	5.27/5.47	5.40/5.60	-
USD/TND	2.7300/7700	300/500	600/1100	1000/1500	1500/3000	2000/4000	3000/5000	5000/9000
Crude Oil	Futures							
WTI	68.50							
Brent	74.30							

** (offshore levels only)

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+23/28	+27/32	+32/37	+43/48	+53/58	+63/68	+73/79	+93/101
SAR SPREAD	+29/34	+35/40	+41/46	+48/53	+56/61	+63/69	+70/76	+91/99

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

AND FINALLY...

“Ask the experienced rather than the learned” – Arabic proverb.

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