

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Overall Shale Sector Profitability Questioned By New Report.

A recent energy industry study undertaken and published by Al Rajhi Capital late last month, has raised the question on whether or not US shale oil production is really that profitable, even with the jump in prices above US\$60 per barrel over the past few months. In its report Al Rajhi claims that while shale producers continue to raise their output, the average ROA achieved by many of the companies it studied was a paltry 0.80%, that they were still reporting losses in Q3 2017, and that the much hyped efficiency gains for this sector may be overstated. It also suggested that while these companies were continuing to invest heavily in new production, this in turn was pushing up their financing costs and other expenses. This was underlined in the report's estimate of US\$64 as the industry's Q3 2017 average required price per barrel to meet its cash-flow needs. (A period when the average price of WTI was still only US\$49.33 per barrel).

Lebanon To Proceed With Energy Tender In Disputed Zone.

Lebanon has declared that it will proceed with a major offshore oil and gas exploration tender, despite protests by Israel over certain disputed zones included within the tender. There are over 770 sq km of coastal waters that are currently claimed by both countries, and Tel Aviv has warned that one of these latest tender blocks in particular lies within its own territorial boundaries. The Israeli Defence Minister described the tender as "very provocative," adding that the bids included a gas field that is "by all accounts ours." His comments triggered a furious response from the Lebanese Energy Minister, Cezar Abi Khalil, who was quoted as saying; "We consider this statement as an aggression on Lebanon's sovereignty to practice its natural right to explore our oil resources, we will use all available means to protect our rights in our Lebanese waters." The Lebanese government reportedly plans to finalize the tenders with a consortium of energy firms, including Total, ENI and Novatek later this week.

US Calls For Global Arms Embargo On South Sudan.

The US administration has imposed an arms embargo on South Sudan and asked other countries to follow suit. Washington has also called on the UN to begin enforcing a global arms ban on South Sudan. "I urge my fellow Council

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members to support an arms embargo. This isn't punishment, nor is it a meaningless gesture. It is something we can do to actually help the people of South Sudan, to slow the violence, slow the flow of arms and ammunition, and protect innocent lives. The time has come to acknowledge the hard reality that the leaders of South Sudan are not just failing their people, they are betraying them. And so this Council is at a crossroads, we cannot stand by idly as innocent civilians are murdered and raped," The US ambassador to the UN, Nikki Haley, stated last week during a UN Security Council session.

Protests Disrupt Tunisia's Phosphate Production.

Protestors calling for greater job opportunities reportedly forced Tunisia's entire phosphates production to be suspended last week. Demonstrators performed sit-ins at various production centers and prevented the commodity from being transported out according to a Reuters report last Friday. This is not the first time protests and strikes have disrupted Tunisia's phosphates industry and in fact have been ongoing since 2011, reducing overall output by more than 60% over the past few years. The country is the world's 5th largest phosphates producer underlining its importance to the domestic economy.

Jordan Hikes Prices In Effort To Reduce Debt Level.

Jordan's Department of Transportation has announced that public travel fares including those for buses and taxis, are to be increased by 10% this week. This move follows a recent sharp rise in fuel, the removal of a bread subsidy and an increase in tax on other goods such as fizzy drinks and cigarettes. Jordan is currently implementing a number of IMF led reforms including tax hikes, in an effort to reduce the level of its public debt which was estimated to have reached US\$35.4 bio (the equivalent of 90% of GDP) last year.

Alphabet & Aramco May Establish A Tech Hub In Saudi Arabia.

Google's parent company, 'Alphabet' is reportedly in talks with Saudi Aramco about the possibility of building a technology hub, including a number of major data centres, in the Kingdom. According to the FT and the WSJ, Saudi Arabia is also conducting separate discussions with Amazon and Apple over similar investments in the Gulf country. Meanwhile the Netherlands based retailer, Spar International, said that it is hoping to open up to 40 stores in Saudi Arabia over the next 3 years.

Egyptian T-Bill Yields Fall – FX Reserves Rise.

Egypt's T-Bill yields slipped again at last Thursday's auction, with 6 month paper falling to 17.61% from a previous 18.01% while 1Y was down to 16.67% from 17.11%. Foreign holdings of Egyptian bills now stands at around US\$19.50 bio. Meanwhile the Central Bank announced yesterday that its FX reserves had risen to another record high of US\$38.20 bio, and the country's Finance Minister confirmed that the planned Eurobond issuance would be launched on the 11th of February 2018.

S&P Affirms Kuwait Ratings.

S&P yesterday affirmed its long and short-term credit ratings on Kuwait at AA/A-1+ with a stable outlook. In a statement the agency said its outlook "Reflects our expectation that Kuwait's public and external balance sheets will remain strong over the forecast horizon, backed by a significant stock of financial assets. We expect these strengths to offset risks related to lower oil prices, Kuwait's undiversified economy, and rising geopolitical tensions in the region."

Regional Islamic Banks Ponder SUKUK Issuance.

Dubai based Noor Bank and Qatar's QIB are reportedly each considering conducting an Islamic bond issuance this year. "It is not a bad time to consider going to the market. It's prudent to extend the maturity of your funding for a number of reasons, not the least of which is spreads being quite low right now," the CEO of Noor Bank was quoted as saying by Reuters recently. Meanwhile QIB issued a statement last week which said the bank would soon apply for shareholder approval to renew and increase its own SUKUK program.

Dubai International Airport Retains Top Spot.

Dubai International Airport has retained its place as the world's busiest airport for international travel after handling a total of 88.2 million passengers last year. This figure is expected to rise to 90.3 million this year according to the facility's current projections.

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	3.6729/30	Par/+3	1/6	3/8	8/18	15/30	30/50	90/140
USD/SAR**	3.7501/03	-4/+1	-5/+5	-5/+10	5/20	10/25	40/60	180/230
USD/QAR**	3.6500/6550	7/17	15/35	25/55	50/90	80/130	125/175	200/300
USD/KWD	0.299570/770	1/6	2/7	5/15	15/30	40/70	45/75	80/180
USD/OMR	0.38498/501	8/18	10/30	45/75	100/200	220/320	300/450	750/1150
USD/BHD	0.37697/702	10/20	20/35	30/60	70/170	100/200	150/250	450/750
USD/MAD	9.1300/1500	200/375	400/800	600/1000	1000/2000	2000/4000	2800/4800	4500/8500
USD/EGP NDF	17.67	17.69/17.79	17.79/17.89	17.89/17.99	18.20/18.30	18.52/18.62	18.87/18.97	-
USD/JOD	0.7095/7105	40/80	50/150	75/175	100/300	200/500	275/675	500/2000
USD/NGN NDF	360.00	361.00/366.00	362.00/367.00	363.00/368.00	368.00/378.00	371.00/381.00	378.00/388.00	(NAFEX)
USD/GHS NDF	4.4900	4.52/4.62	4.55/4.65	4.59/4.69	4.70/4.80	4.80/4.95	4.90/5.05	-
USD/TND	2.3800/4100	225/325	400/600	500/800	1000/1500	1500/2500	2000/3000	4000/6000
Crude Oil	Futures							
WTI	64.90							
Brent	67.95							

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	+10/16	+14/20	+20/26	+28/34	+36/42	+44/50	+53/59	+73/81
SAR SPREAD	+10/16	+21/27	+32/38	+42/48	+51/57	+59/65	+66/72	+84/92

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

AND FINALLY...

Did you know that the UAE Emirate of Ras al Khaimah is home to the world's longest zip-line? The line runs for 2.83km and starts at a launch-pad positioned 1680m above sea level on Jebel Jais.

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