

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Oil Prices Rebound As Saudi Arabia Affirms Commitment To Output Agreement.

Brent crude was back around the US\$65 a barrel level yesterday following comments made by Saudi Arabia's Energy Minister, Khalid Al Falih, which suggested that the OPEC/NOPEC output reduction agreement will not be ended this year. "If we have to err by overbalancing the market a little bit so be it, rather than quitting too early and finding out that we were dealing with less reliable information. So that's my inclination, to stay the course and make sure that the inventories are really where the industry needs them," Al Falih was quoted as saying by Reuters on Wednesday, adding that "I think we are going to be sticking to our policy throughout 2018, and that will be necessary to balance markets and to get consumers and producers and investors and all of the stakeholders in the oil market to feel that we have achieved our objectives." The Kingdom also plans to reduce its output by a further 100,000bpd next month. Meanwhile according to an article in the National newspaper, the UAE's Minister for Energy and Industry, Suhail Al Mazroui, has indicated that OPEC and NOPEC countries may form a more official long-term alliance beyond their collaboration on the output reduction accord. "The aim is together with the secretary general OPEC, to put together a draft agreement for this group of 24 to stay together for a longer time", Al Mazrouei was quoted as saying yesterday.

Tunisian CB Governor Steps Down.

Following last week's public decision by Tunisia's PM to seek the removal of Chedli Ayari as head of the country's Central Bank, the governor pre-empted the process and handed in his resignation on Wednesday. "This evening I met the head of the government. I had a short discussion with him. And I tendered my resignation to him as Governor of the Central Bank to open up space for a new generation of governor," Ayari was quoted as saying on state television. He has since been replaced with Marouane El Abassi the Prime Minister's proposed candidate. "I do not believe that there is a crisis that cannot be solved, but the current period is an extraordinary period that needs to be dealt with through extraordinary measures," El Abassi stated during a parliamentary session to confirm his appointment yesterday.

Nigeria's Conducts Latest Eurobond Issuance.

Nigeria raised US\$2.5 bio at yesterday's Eurobond issuance and attracted an order book of US\$11.5 bio according to a statement issued by the Ministry of

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Finance. “This time, Nigeria has priced a new 12-year bond at a yield of 7.143% and a 20-year bond at a yield of 7.696%, both of which are consistent in price with our existing portfolio. I am particularly pleased that the issuance will enable us to refinance a portion of our existing domestic debt portfolio, with external debt at considerably lower cost, but also that the impact of the process has already led to a reduction in the cost of domestic borrowing, and so a double benefit for the cost of our broader debt portfolio. Lower domestic rates will also benefit corporate borrowers,” the country’s Minister of Finance, Kemi Adeosun, was quoted as saying by local media outlets. S&P has rated the bond at B, and FITCH at B+. Nigeria’s previous Eurobond issuance was conducted in November last year when it raised US\$3 bio.

Egypt Lowers Benchmark Interest Rates.

As expected Egypt’s Central Bank last night lowered its main rates by 100bp in response to easing inflation pressures. Its o/n deposit and lending rates are now 17.75% and 18.75% respectively.

Moody’s Downgrades Kenya Ratings.

Moody’s announced on Wednesday this week that it was lowering its overall sovereign rating on Kenya from B1 to B2, the local debt rating from B2 to B3 and foreign loans from Ba2 to Ba3. Ironically this move comes not long after S&P and FITCH had affirmed their current ratings on the East African country, with the latter actually upgrading its outlook on Kenya from negative to stable. As one can imagine the government is not at all pleased with the Moody’s decision especially as the Finance Minister is currently on an international roadshow to market Kenya’s planned Eurobond issue. “The drivers of the downgrade relate to an erosion of fiscal metrics and rising liquidity risks that point to overall credit metrics consistent with a B2 rating. The fiscal outlook is weakening with a rise in debt levels and deterioration in debt affordability that Moody’s expects to continue. In turn, large gross financing needs and reliance on commercial external debt will maintain government liquidity pressures. While the government aims to improve the efficiency of spending and revenues, such measures are unlikely to be effective enough to stem a weakening in fiscal trends. At B2, risks are balanced, and supportive of a stable outlook. Kenya retains strong fundamental economic strengths with a relatively diversified economy that holds strong growth potential. Moreover, Kenya has a relatively deep capital market and mature financial sector, which affords the government some capacity to issue domestically in local currency and with longer tenors,” a Moody’s statement read.

Pressure On Iranian Rial Continues.

USD/IRR hit a new record high of 48,400 in the ‘kerb market this week leading the Central Bank to allow domestic banks to increase their fixed deposit rates to 20% (from a previous 15%) in an attempt to stem the slide, which in turn is partially driven by ongoing fears that the US will pull out of the nuclear accord and reinstate sanctions on Iran’s oil industry. The authorities have also reportedly arrested 90 currency dealers and frozen more than 700 bank accounts in a fresh crackdown on unofficial FX trading. Meanwhile pressure on the Rouhani administration to resolve the currency crises is building in parliament, with Iran’s Mehr news agency suggesting 90 MPs have declared the President to be “on notice.”

US\$ Billions Pledged Towards The Reconstruction Of Iraq.

A number of countries and various international organizations have pledged a total of US\$30 bio towards the rebuilding of Iraq. This amount will come via donations, export credits and loans and was raised during a reconstruction conference in Kuwait earlier this week and includes; US\$1.5 bio from Saudi Arabia, US\$1 bio from Kuwait, US\$1 bio from the UK, US\$500 mio from the UAE and EUR 400 mio from the EU. Iraqi officials have said US\$23 bio is needed immediately for short-term rebuilding, but the country will require more than US\$65 bio over the medium term.

SAMA Seals Software Agreement With Ripple.

The Saudi Arabian Monetary Authority has reached an agreement with the blockchain software firm Ripple, to assist local banks in improving their payment systems infrastructure by implementing the company’s ‘xCurrent’ solution. “Central banks around the world are leaning into blockchain technology in recognition of how it can transform cross-border payments, resulting in lower barriers to trade and commerce for both corporates and consumers. SAMA is leading the charge as the first central bank to provide resources to domestic banks that want to enable instant payments using Ripple’s innovative blockchain solution,” a senior official at Ripple was quoted as saying yesterday by Arab News. SAMA is the second Central Bank to begin utilizing Ripple’s blockchain technology, following a similar move by the Bank of England last year.

SAIPEM Wins Oman Contract.

Italy's SAIPEM has been awarded a US\$750 mio EPC contract linked to the development of the Duqm Refinery in Oman.

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	3.67295/305	Par/+3	1/6	3/8	10/20	15/30	30/50	90/140
USD/SAR**	3.7503/05	-3/Par	-3/Par	-3/+2	5/20	20/40	60/75	240/290
USD/QAR**	3.6490/6540	25/55	50/100	80/130	150/210	200/280	250/350	300/550
USD/KWD	0.29895/9915	-10/-3	-10/-3	-10/Par	Par/20	10/40	30/60	50/150
USD/OMR	0.38499/502	8/18	15/45	40/80	100/200	250/350	300/450	800/1100
USD/BHD	0.37698/703	10/20	20/35	30/60	70/170	100/200	150/250	450/750
USD/MAD	9.0900/1100	100/250	250/650	500/900	800/1800	1500/3500	2000/4000	4000/8000
USD/EGP NDF	17.70	17.80/17.90	17.93/18.03	18.05/18.15	18.48/18.58	18.86/18.96	19.20/19.30	-
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	364.00/369.00	370.00/375.00	374.00/379.00	380.00/385.00	(NAFEX)
USD/GHS NDF	4.4800	4.50/4.60	4.53/4.63	4.59/4.69	4.70/4.80	4.80/4.95	4.90/5.05	-
USD/TND	2.3700/4000	225/325	400/600	500/800	1000/1500	1500/2500	2000/3000	4000/6000
Crude Oil	Futures							
WTI	61.50							
Brent	64.70							

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	+4/10	+11/17	+18/24	+29/35	+41/47	+51/57	+60/66	+81/89
SAR SPREAD	+9/15	+23/29	+34/40	+44/50	+54/60	+62/68	+68/74	+85/93

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

AND FINALLY...

Did you know that the world's first ever law school was founded in the city of Beirut in Lebanon ? The school was believed to be a centre for the study of Roman Law during the classical antiquity era.

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