

## MIDDLE EAST & AFRICAN MONITOR

- **Shale Rig Numbers Dip – Trump Proposes Major Drilling Plan.**
- **Saudi Arabia Intercepts Another Missile From Yemen.**
- **US Issues Fresh Sanctions On Iran.**
- **Eleven Princes Detained In KSA – New Allowance Introduced.**
- **Sudan Recalls Its Ambassador To Egypt.**
- **Angola Abandons US\$ Peg Regime.**
- **Drop In T-Bill Issuance May Impact Nigerian Bank Profits – FITCH.**
- **Aramco Becomes A ‘Joint-Stock’ Company.**
- **Qatar Amends Investment Law.**
- **L&T Wins Electricity Contract In Saudi Arabia.**

### REGIONAL COMMENTARY

#### **Shale Rig Numbers Dip – Trump Proposes Major Drilling Plan.**

Despite firmer oil prices, the total number of US based crude rigs dipped by 5 last week and no new operations were added over the previous two weeks. It's worth noting however that the overall US rig count currently sits at 742 compared to 529 at the beginning of last year. Meanwhile there has been a significant outcry over a recent Trump administration proposal to open up almost all US coastal waters, including some Arctic areas, to drilling by energy firms. The Interior Secretary, Ryan Zinke, claimed last Friday that this proposal would help create "a new path for energy dominance in America." In response many states have already decried the plan, with the governors of California, Washington and Oregon issuing a joint statement which ended; "We'll do whatever it takes to stop this reckless, short-sighted action." California's deputy governor, Gavin Newsom, was particularly vocal tweeting "Hey @realDonaldTrump, I've got a message for you from California: Ain't. Gonna. Happen."

#### **Saudi Arabia Intercepts Another Missile From Yemen.**

Saudi Arabia said on Friday that its air defence system had successfully intercepted another ballistic missile fired from Yemen towards the Kingdom's Najran border region. This was the fourth such missile attack launched by Houthi rebel groups since November last year, and a spokesperson for the Saudi military again accused Iran of continuing to supply such weapons to the Houthis adding that the international community must take this ongoing threat seriously. There needs to be "more serious and effective steps taken to halt Iran's blatant violations in continuing to smuggle ballistic missiles and other weapons to these illegal terrorist groups," Turki Al Maliki was quoted as saying via Reuters.

#### **US Issues Fresh Sanctions On Iran.**

Late last week the US Treasury announced that a number of Iranian firms/facilities, who have links with a domestic conglomerate which produces solid fuel for Iran's ballistic missiles, are now black-listed. The five newly sanctioned entities are; the Shahid Eslami Research Center, Shahid Kharrazi Industries, Shahid Moghaddam Industries, Shahid Sanikhani Industries and

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**Glenn Wepener**  
 Executive Director & Geopolitical  
 Analyst, Middle East & Africa

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Shahid Shustari Industries. This move allows the authorities to freeze any US based property held by the firms and bans any US companies and/or individuals from dealing with them. Meanwhile the US State Department issued a separate statement warning that Washington may institute further sanctions on Iranian officials who utilize violent methods to suppress peaceful protests in the country. "We have ample authorities to hold accountable those who commit violence against protesters, contribute to censorship, or steal from the people of Iran. To the regime's victims, we say: You will not be forgotten," the statement read.

### **Eleven Princes Detained In KSA – New Allowance Introduced.**

According to various local and regional media outlets, including the UAE's National newspaper, eleven Saudi Princes were detained by the authorities last week after they had reportedly staged a protest at a palace in Riyadh over certain austerity measures. The Kingdom's attorney-general, Sheikh Saud Al Mojob, later issued a statement detailing the circumstances behind their detention which read; "A group of 11 princes staged a sit-in at the historic Qasr Al Hokm palace on Thursday. They said they were objecting to a recent Royal Order that halted payments by the State to members of the Royal Family to cover their electricity and water utility bills. They were also seeking compensation to be paid to them for a death sentence that was issued against one of their cousins who had been convicted of killing another man and executed in 2016. Despite being informed that their demands are not lawful, the 11 princes refused to leave the area, disrupting public peace and order. Members of security services stepped in to restore order and the princes were arrested. Following their arrest, they have been charged on a number of counts in relation to these offences. They are detained at Al Hayer prison south of the capital pending their trial. No one is above the law in Saudi Arabia, everyone is equal and is treated the same as others. Any person, regardless of their status or position, will be held accountable should they decide not to follow the rules and regulations of the State." Meanwhile King Salman bin Abdul Aziz, issued a royal decree on Saturday which allows for the introduction of a monthly SAR 1000 stipend to state employees, in order to partially compensate for the recent rise in the cost of living following the implementation of VAT and increase in fuel prices. The allowances for students, retirees and social security recipients was also increased according to Gulf News.

### **Sudan Recalls Its Ambassador To Egypt.**

Sudan's Foreign Ministry said in a statement issued late last week that it had recalled its ambassador to Egypt for 'consultations'. The move follows a recent deterioration of the already tense relations between the two nations. Cairo and Khartoum have a number of ongoing disagreements including a territorial dispute around the Halayeb Triangle, use of the Nile's water quotas and more recently, over Sudan's apparent support for Ethiopia's controversial 'Grand Renaissance Dam' project.

### **Angola Abandons US\$ Peg Regime.**

Angola's Central Bank announced last week that it was replacing its US\$ peg led FX regime with a managed-float, and introducing an FX auction system, a decision which it says was taken in an attempt to ease pressure on the country's already low level of FX reserves. The CB governor, Jose de Lima Massano, stated that the bank would not as yet publically disclose the range of this new band, but was ready to intervene whenever the local currency traded outside of it. Angola is experiencing a chronic hard currency shortage which in turn was precipitated by the drop in crude prices in 2014, and the country's continued heavy reliance on oil export generated revenues. This has seen a sharp gap appear between the official pegged rate of 166.00 Kwanza per US dollar and the 'kerb' market, where the pair was reportedly last seen changing hands at over 400.00 per US dollar. Angola's FX reserves are currently estimated to be around US\$14 bio compared to US\$32 bio in 2014. The IMF has long been calling for Angola to introduce a more flexible FX regime.

### **Drop In T-Bill Issuance May Impact Nigerian Bank Profits – FITCH.**

The FITCH ratings agency claimed last week that the decision by Nigeria to refinance some of its maturing domestic debt via external borrowing this year, could have a negative impact on the local banks profit margins. "The slowdown in T-bill issuance marks a change of strategy as the government looks to increase its financing from external sources and longer-dated domestic issuances. Record T-bill issuance in 2017 helped support the Central Bank of Nigeria's strategy to maintain Naira exchange-rate stability. High yields on T-bills issued in 2017 attracted investors and helped to support the Naira. An increase in oil export earnings and the introduction in April 2017 of the Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) mechanism, commonly referred to as the 'Investors and Exporters' FX Window', also helped Naira stabilization during the second half of 2017. Nigerian banks are highly reliant on net interest income for profitability and T-bills proved

to be an important source of profits in 2017. Interest on securities represented 30 percent of total gross interest earned in nine months ended September 2017, averaged across Nigerian banks rated by Fitch (2016: 23%). By end-September 2017, government securities including T-bills represented more than 15% of the banks' assets as new lending fell, reflecting weak credit demand, tighter underwriting standards and banks' reluctance to extend new loans as they focused on extensive restructuring of troubled oil-related and other portfolios. We expect falling T-bill yields and lower issuance to put pressure on Nigerian banks' profitability in 2018. The CBN's latest issuance schedule shows NGN 1.1 trillion of rollovers in 1Q18 against NGN 1.3 trillion of maturing bills. In 2017, rollovers fully covered maturing bills," a statement issued by the agency read.

#### Aramco Becomes A 'Joint-Stock' Company.

Saudi Arabia announced via an official decree published last Friday that state-owned Saudi Aramco has had its status amended to a joint-stock company from January this year. This is considered to be a key-step towards the firm's eagerly awaited IPO later this year. "As a customary step in the preparation process for a Saudi IPO, Saudi Aramco has converted to a joint stock company. This establishes the framework to allow future investors to hold shares in the company alongside its shareholder, the government," an Aramco source was quoted as saying via Reuters.

#### Qatar Amends Investment Law.

Qatar's cabinet has passed a new law which will allow overseas investors to own up to 100% of local firm albeit with certain exceptions. Until now foreigners could only hold a maximum 49% stake. It is not clear yet however when this amendment will come into effect.

#### L&T Wins Electricity Contract In Saudi Arabia.

India's Larsen & Toubro has been awarded a contract to supply and install a 380kV electricity transmission line which will stretch for 400km between the Kingdom's Qassim 2 and Madinah East substations.

#### 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	Par/+5	3/8	9/14	20/35	35/50	55/75	150/250
USD/SAR**	3.7503/05	1/6	7/13	10/25	30/50	50/70	85/115	300/400
USD/QAR**	3.6500/6700	-10/+10	-20/+20	-25/+25	-15/+35	Par/+50	30/80	50/250
USD/KWD	0.30145/155	-5/Par	-10/-2	-10/+5	-10/+15	10/60	20/70	50/150
USD/OMR	0.38495/500	25/50	55/105	80/180	200/350	375/500	525/675	1200/1500
USD/BHD	0.37700/10	7/17	20/35	30/60	70/170	130/230	225/325	750/1050
USD/MAD	9.3100/3300	500/800	850/1350	1300/2300	2500/3500	3000/5000	4000/6000	7500/10500
USD/EGP NDF	17.70	17.65/17.75	17.73/17.83	17.81/17.91	18.15/18.25	18.60/18.70	19.10/19.20	-
USD/JOD	0.7090/7100	40/80	50/150	75/175	100/300	200/500	275/675	500/2000
USD/NGN NDF	332.00	333.00/339.00	337.00/347.00	343.00/353.00	357.00/367.00	370.00/380.00	384.00/394.00	(NIFEX)
USD/GHS NDF	4.5400	4.57/4.67	4.61/4.71	4.65/4.75	4.78/4.88	4.92/5.02	5.03/5.13	-
USD/TND	2.5000/5200	190/290	350/450	500/700	1000/1500	1500/2500	2000/3000	4000/6000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	61.60							
Brent	67.75							

NOTE: \*\* (offshore levels)

#### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+17/23	+30/36	+42/48	+56/62	+71/77	+84/90	+97/103	+122/130
SAR SPREAD	+29/35	+47/53	+62/68	+74/80	+85/91	+94/102	+103/111	+125/133

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

#### AND FINALLY...

Did you know that the majority of mammals, including humans, will become dehydrated after losing 15% of their internal water levels? Camels however are able to lose up to 25%, explaining why they can go for longer without having to rehydrate.

**Glenn Wepener**

**Executive Director & Geopolitical Analyst**

**Middle East & Africa**

Market Insight & Strategy

FAB Global Markets

Tel: +971-2-6110141

Mobile: +971-50-6415937

Email: [GlennMaurice.Wepener@bankfab.com](mailto:GlennMaurice.Wepener@bankfab.com)

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