

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Venezuela's Oil Production Continues To Decline.**

In 1998 Venezuela's crude production peaked at 3.5 mio bpd, (ironically the same year that Hugo Chavez came to power) since then and due primarily to economic mismanagement by Chavez's administration and that of his successor's Nicolas Maduro, combined with the resulting social and political upheaval, oil output declined sharply to reach 1.7 mio bpd at the end of last year, its lowest level since 1989. A further drop-off is expected this year especially after President Maduro recently appointed an army officer, Manuel Quevedo, as head of the national oil company (PVDSA), who in turn promptly sacked dozens of experienced officials in an 'anti-corruption' drive. Meanwhile as mentioned in some of our previous commentaries, an acute lack of hard currency (oil provides 95% of the country's export revenues) has meant that PVDSA's infrastructure and production facilities are now in a very poor state and this may eventually threaten its output altogether. A complete halt in Venezuelan production whether triggered by technical reasons or by the still very real chance of a general economic collapse, would likely have a sharp initial impact on crude prices, especially as the latest data confirms that global demand is continuing to rise and bloated stocks are beginning to fall despite increased US shale production. In other news the UAE's Energy Minister, Suhail al Mazrouei, said this morning that he expected the crude market to eventually achieve complete balance this year, and that the OPEC/NOPEC output reduction agreement would continue to be supported by a high level of compliance.

#### **Trump Decision On Iran Approaches.**

The US President is due to announce tomorrow whether or not his administration will again extend its waiver on nuclear related Iran sanctions. Despite calls by the EU, the UK and Russia for America to do so it's not completely clear yet whether or not Trump will indeed rubber stamp it, especially in light of his oft repeated criticism of the JCPOA accord, his decision last year not to certify Tehran's compliance with the deal, and the recent outbreak of public protests across Iran. Under current US law, the President has to review and extend this waiver every 4 months, a decision not to extend could then lead to a collapse of the 2015 agreement.

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### **Protests Continue In Tunisia.**

An outbreak of violent protests continued across Tunisia yesterday, and were an apparent response to a recent series of price hikes as the government began to implement planned austerity measures in an attempt to reduce the country's ballooning deficit. "People have to understand that the situation is extraordinary and their country is having difficulties, but we believe that 2018 will be the last difficult year for the Tunisians," the Prime Minister, Youssef Chahed, was quoted as saying, warning too that while his country's citizens had the right to demonstrate, acts of violence would not be tolerated. This current tense situation appears unlikely to calm down soon however, with unions, opposition activists and youth organizations reportedly planning more marches tomorrow and calling on the government to halt its austerity program. The IMF approved a US\$2.9 bio loan for Tunisia back in 2016 but the government's delay in implementing the IMF's required reforms resulted in the 2nd tranche of the facility being withheld in February last year. Following a review in December 2017 the IMF said in a statement; "Building on their ambitious budget law for 2018, the Tunisian authorities have expressed their commitment to take decisive action. The main challenge for the months ahead is to make-up for the significant delays in lifting long-standing obstacles to growth and addressing large fiscal and external deficits."

### **Egypt To Hold Presidential Elections In March.**

Egypt's electoral commission announced this week that the country's next Presidential poll will be held on March 26-28 this year. The incumbent Abdel Fattah el Sissi is expected to run for a second term and a majority of MPs have already urged him to do so, although he has not as yet officially confirmed his participation. Potential candidates have until the 29th of January to register.

### **Saudi Arabia's Regulator Amends Rules For QFIs.**

Saudi Arabia's Capital Markets Authority announced yesterday that it has eased some of the requirements needed by foreign investors seeing to purchase local stocks. These changes included the lowering of the minimum threshold of assets under management for qualified foreign investors from US\$1 bio to US\$500 mio, and the removal of a previous requirement that the CMA must first review and approve each QFI qualification. "The goal of these enhancements to the QFI program is to streamline investor qualification and make it part of the account opening process rather than a separate approval process," the head of the CMA, Mohammed al Kuwaiz was quoted as saying via Bloomberg yesterday. These amendments will come into force from the 23rd of this month and are yet another preparatory step towards the much awaited IPO of Saudi Aramco. The Kingdom's stock market is the largest in the region and currently globally ranked 24th by market cap.

### **Nigerian Equities Have Bullish Start To The Year.**

Nigeria's main stock index is up by 5.50% so far this year and ended yesterday's session at a 3-year high. This bullish sentiment which began last year is being fed by the firmer oil price, a recovering economy and expectations for lower domestic interest rates this year.

### **Emirates Airlines Eyes SUKUK Issuance.**

According to a Bloomberg article published yesterday Emirates Airlines is reportedly seeking to raise up to US\$1 bio via an Islamic bond issuance which could take place during the first half of this year.

### **ACWA Power May Conduct An IPO.**

A Reuters report yesterday quoted unnamed sources suggesting that Saudi Arabia's ACWA Power was planning to conduct an IPO this year. According to the article possible arrangers have already been approached and the firm could potentially be valued at as much as US\$ 1 bio.

### **Inflation In Egypt Drops Sharply.**

Urban CPI in Egypt fell sharply to 21.90% last month from 26% in November, while core inflation dropped to 19.86% y/y from a previous level of 25.54%. As we have mentioned previously this shift lower had been anticipated as the basing effects of the November 2016 currency devaluation fades away. It also raises the chances for an interest rate cut as early as this February.

### **Angolan Kwanza Devalued As CB Abandons Peg.**

Following on from a recent decision by Angola to end its US\$ peg regime, the central bank on Tuesday devalued the official Kwanza exchange rate by 11% against the Euro and conducted its first FX auction under

its new 'target-band' system. The bank reportedly sold EUR 83.65 mio at an average rate of 221.26 after receiving bids from the local banks ranging between 217.00 to 231.00 according to data published by Bloomberg. The official rate for USD/AOA is now around 188.00 although this is still far below the unofficial 'kerb' rate which was last suggested to be trading near 400.00.

### Moroccan Government Approves Investment Projects Worth US\$3.5 Bio.

The Moroccan government this week approved 48 investment projects totaling US\$3.5 bio according to a statement issued by the Prime Minister's office yesterday. The bulk of these projects are concentrated within the industrial sector, followed by desalination and transport.

### 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	-2/+3	3/8	6/11	15/30	30/45	55/75	140/190
USD/SAR**	3.7504/06	-3/+2	1/6	5/10	20/35	40/55	70/90	250/350
USD/QAR**	3.6650/6750	-10/+10	-20/+20	-25/+25	-15/+35	Par/+50	30/80	50/250
USD/KWD	0.30170/190	-5/Par	-10/Par	-10/+5	-10/+15	10/60	15/65	50/150
USD/OMR	0.38497/502	20/45	30/80	80/180	150/250	300/450	500/650	1150/1450
USD/BHD	0.37699/704	7/17	20/35	30/60	70/170	130/230	225/325	750/1050
USD/MAD	9.3550/3750	500/800	850/1350	1300/2300	2500/3500	3000/5000	4000/6000	7500/10500
USD/EGP NDF	17.70	17.75/17.85	17.85/17.95	17.97/18.07	18.25/18.35	18.65/18.75	19.05/19.15	-
USD/JOD	0.70957/105	40/80	50/150	75/175	100/300	200/500	275/675	500/2000
USD/NGN NDF	360.00	360.00/370.00	362.00/372.00	365.00/375.00	370.00/380.00	377.00/387.00	385.00/395.00	(NAFEX)
USD/GHS NDF	4.5400	4.59/4.69	4.63/4.73	4.67/4.77	4.81/4.91	4.90/5.05	5.00/5.15	-
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	63.57							
Brent	69.00							

NOTE: \*\* (offshore levels)

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+17/23	+28/34	+40/46	+53/59	+66/72	+78/84	+89/95	+113/121
SAR SPREAD	+23/29	+41/47	+54/60	+66/72	+77/83	+87/93	+94/102	+116/124

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

### AND FINALLY...

*"Write bad things that are done to you in sand, but write the good things that happen to you on a piece of marble" – Arabic Proverb.*

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