

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **“Oil Producers To Continue To Cooperate On Output Past 2018” – Saudi Oil Minister.**

Crude prices look set to continue their bullish tone this week on the back of a number of supporting factors including; another drop in the total number of US shale rigs, the decision by Turkey to send troops into Syria to confront Kurdish forces there, and comments yesterday by Saudi Arabia’s Oil Minister which suggested that the OPEC/NOPEC output reduction agreement could be extended into 2019, and may even evolve into a more permanent mechanism in order to ensure price stability in the future. “There is a readiness to continue cooperation beyond 2018, the mechanism hasn’t been determined yet, but there is a consensus to continue,” Khalid al Falih was quoted as saying in a recent Reuters article. This view was supported by his Russian counterpart, Alexander Novak.

#### **Iran’s Leader Clamps Down On The Army’s Economic Presence.**

Iran’s Supreme Leader, Ayatollah Ali Khamenei, has reportedly ordered the country’s military, including the Revolutionary Guard, to dispose of any businesses that are not directly linked to its main responsibilities. This order was revealed by the country’s Defence Minister, General Amir Hatami, in an interview with a local newspaper and in which he stated that; “Based on Ayatollah Khamenei’s edict, General Staff of the Armed Forces of the Islamic Republic have been assigned to pave the way for giving up those economic entities controlled by the Armed Forces that are not related to their mission,” adding that the IRGC must either divest economic holdings on the country’s capital markets or sell them to the private sector. The IRGC’s presence within the domestic economy began soon after the end of the Iran/Iraq war in the 1980’s and now encompasses a wide range of sectors including construction, telecommunications, aerospace, pharmaceuticals, oil and steel. The timing of the Ayatollah’s move on this issue is an interesting one as it comes soon after the country was rocked by widespread protests over the lack of jobs, rising prices and corruption. Since his first term in office, President Rouhani has criticized the IRGC’s significant involvement in the economy and was quoted by the ‘vocaleurope’ website as saying last year that; “A part of the economy was controlled by an unarmed government and we delegated it to an armed government [a clear reference to the IRGC]. This is not a sound economy or privatization.”

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### **Egypt's Sisi To Stand In Upcoming Presidential Election.**

Although such an announcement had already been expected, the Egyptian President Abdel Fattah Al Sisi, confirmed late last week that he will run for a 2nd term in the upcoming election. "Today I tell you frankly and transparently that I hope you would allow and accept my candidacy for the President's post," Sisi stated during a public speech made last Friday in which he also said that he needed the support of all Egyptians in order to overcome the country's economic and social challenges. "The Egyptian people have achieved a lot and have spent a lot throughout the last period, history too will not forget the sacrifices of the police and the army. Building the state takes 16 to 20 years, I am trying to finish it in 8 years, God willing. I alone cannot overcome challenges without the support of the Egyptian people," Sisi was quoted as saying by the local 'Daily News' website. Egypt's Presidential elections are due to be held between the 26-28th of March this year.

### **Kuwait Ponders Fresh Bond Issuance.**

According to a Bloomberg article published yesterday, Kuwait is allegedly considering a US\$ bond sale during Q1 or Q2 of this year. There has been no official confirmation of this as yet, but its predicted that such an issuance would probably be similar in size to the one held in March last year when Kuwait raised US\$ 8 bio. A parliamentary finance committee has already drafted a new law which would allow the government to raise up to KWD 25 bio via the domestic and offshore markets, but this legislation still needs to be ratified by the country's National assembly.

### **Nigerian MPC Meeting Cancelled.**

Nigeria's Central Bank has cancelled today's scheduled MPC meeting and announced that as such, the current benchmark interest rate would remain unchanged at 14%. The main reason given for its cancellation was that there were not yet enough MPC members to form a legal quorum. The bank is reportedly still waiting for parliament to approve the appointment of new members of the committee following the retirement of 5 participants last year. Meanwhile both Ghana and Kenya are due to conduct their own policy meetings today with Ghana expected to lower their current benchmark rate of 20% by 25-50bps, and Kenya likely to keep its rate at 10%.

### **Egypt Plans To Float Several State-Owned Firms.**

Egypt's Finance Minister, Amr El Garhy, has announced that the government was preparing to float 8-10 state-owned companies over the next 12-18 months. "The companies will include companies listed on the exchange and those not listed," El Garhy was quoted as saying by Reuters this past weekend. These impending floats could include the oil company ENPPI.

### **S&P Affirms Sharjah Ratings.**

S&P has affirmed its BBB+/A-2 ratings for Sharjah with a stable outlook, and expects the Emirate's economic growth to pick up again over the next 3 years. "The stable outlook reflects our expectation that Sharjah will reduce its government budget deficits in the next two years. The ratings could be lowered if Sharjah's economic growth was substantially weaker than it is currently expected. The ratings could also come under pressure if the budget deficit widened significantly, accelerating the build-up of government debt. Alternatively, the ratings could be raised if Sharjah enacted revenue measures or expenditure controls, or a combination thereof, to cut its government balances after capital spending, and its debt-servicing costs fell below 5% of government revenues. S&P's ratings are supported by the strength of Sharjah's fiscal position, despite a relatively narrow tax base, and the advantages that Sharjah derives from its membership in the UAE, including low external risks." The agency's statement read. Last week S&P affirmed its AA/A-1+ ratings on the Emirate of Abu Dhabi stating that its specific fiscal position was likely to remain "extremely strong" over the next few years.

### **Moroccan Dirham Steady As New FX Regime Begins.**

Morocco's long awaited move to make its currency regime more flexible was finally initiated last Monday when the Central Bank announced that it would henceforth widen the fluctuation band of the MAD to 2.50% above or below the official central rate from a previous band of 0.30%. Thus far the market reaction has been positive, and the Dirham has not thus far experienced any abnormal volatility or speculative pressures such as those seen in June/July last year, when the CB had originally planned to begin the process towards an eventual free-float.

### IATA In Talks With Angola Over Blocked Funds.

The International Air Transport Association said late last week that it was currently in negotiations with the Angolan government over the release of more than US\$500 mio in outstanding revenues due to a number of international airlines, but which until now has not been released due primarily to the country's ongoing and acute shortage of hard currency. "Aviation is vitally important to Africa. It currently supports 6.8 million jobs and contributes US\$73 bio in GDP across the continent, It connects people and businesses, enables trade and tourism, reunites families and friends, carries products to markets and vital medicines and aid to communities where they are needed," Alexandre de Juniac, IATA's director general and CEO, was quoted as saying by the 'News24' website, adding that "Angola and other countries blocking funds are undergoing significant economic challenges. But blocking airlines' funds is not the answer, it is in everybody's interest to ensure that airlines are paid on-time, at fair exchange rates and in full."

### Saudi Arabia Approves Major New Desalination Project.

Saudi Arabia's Environment Minister has unveiled a SAR 2 bio project to build 9 new desalination plants along the Kingdom's Red Sea coastline. Once complete each facility will be able to produce up to 240,000 cubic metres of water per day according to a report by the Al Arabiya network.

### 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	2/7	6/11	15/30	30/45	40/70	130/180
USD/SAR**	3.7504/06	-1/+4	2/7	5/10	20/35	40/55	70/90	250/300
USD/QAR**	3.6650/6750	-10/+10	-20/+20	-25/+25	-15/+35	Par/+50	30/80	50/250
USD/KWD	0.30170/190	3/8	6/11	7/17	15/25	25/50	40/70	60/160
USD/OMR	0.38497/502	20/40	40/90	80/180	170/270	300/450	500/650	1150/1450
USD/BHD	0.37699/704	7/17	20/35	30/60	70/170	120/220	210/310	600/900
USD/MAD	9.2000/2200	300/600	500/1000	800/1800	1500/2500	2500/4500	3000/5000	5500/9500
USD/EGP NDF	17.70	17.72/17.82	17.77/17.87	17.85/17.95	18.12/18.22	18.46/18.56	18.83/18.93	-
USD/JOD	0.7095/7105	40/80	50/150	75/175	100/300	200/500	275/675	500/2000
USD/NGN NDF	360.00	361.00/371.00	362.00/372.00	364.00/374.00	370.00/380.00	377.00/387.00	384.00/394.00	(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	2.4300/4600	200/300	350/450	500/700	1000/1500	1500/2500	2000/3000	4000/6000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	63.45							
Brent	68.75							

NOTE: \*\* (offshore levels)

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+13/19	+22/28	+31/37	+40/46	+50/56	+60/66	+69/75	+93/101
SAR SPREAD	+22/28	+36/42	+50/56	+62/68	+72/78	+82/88	+90/98	+113/121

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

### AND FINALLY...

Did you know that the 10th-century Muslim mathematician, astronomer and physicist Ibn al-Haitham, invented the first pin-hole camera?

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