

MIDDLE EAST & AFRICAN MONITOR

- **After N. Korea Summit Trump Says He Now Wants A “Real Deal’ With Iran.**
- **Infrastructure Issues Are Beginning To Squeeze US Shale Producers.**
- **Ethiopia & Egypt Talks Ease Tensions Over GRD.**
- **EU Says Jordan Deserves Increased Economic Support.**
- **Egypt Hikes Power Tariffs As It Moves Forward With Austerity Measures.**
- **Bahrain Reduces Land Application Process To 18 Days.**
- **FITCH Affirms Credit Ratings On Saudi Arabia.**
- **Halliburton Wins Gas Contract In KSA.**
- **Inflation In Mozambique Edges Up.**
- **Oman Adjusts Visa Rules.**

REGIONAL COMMENTARY

After N. Korea Summit Trump Says He Now Wants A “Real Deal’ With Iran.

After the first ever face-to-face meeting between the leaders of North Korea and the US appears to have borne fruit, President Trump has said that he hoped Tehran would return to the negotiations table over its own nuclear program. "I hope that, at the appropriate time, after the sanctions kick in, and they are brutal what we've put on Iran, I hope that they're going to come back and negotiate a real deal because I'd love to be able to do that, but right now it's too soon to do that," he stated earlier today adding, "I think Iran is a different country now than it was three or four months ago. I don't think they're looking so much to the Mediterranean, I don't think they're looking so much at Syria like they were, with total confidence, I don't think they're so confident right now."

Infrastructure Issues Are Beginning To Squeeze US Shale Producers.

While US shale oil production has spiked in line with the rebound in oil prices over the past two years, the infrastructure network surrounding this sector is reportedly struggling to cope. According to Platts the current pipeline capacity in the giant Permian basin is 3.1 mio bpd, but production out of this field is now approaching 3.3 mio bpd. Passing this extra load to the railways which can carry an estimated 315,000 bpd is not an option because most of this capacity is currently being used to transport key materials used in operating the shale wells. On top of this US refineries are also battling to absorb the increase in 'fracked' crude flows, as it is light in quality and refiners there are primarily built to process heavier oils. This latter issue was highlighted in an April report by Morgan Stanley which stated; "Our thesis is that the US refining system is close to being maxed-out on the amount of shale oil it can process." The combination of these issues has had a consequent effect on domestic prices and forced shale producers to sell their output at a discounted price, a situation which in turn appears to now be bothering investors. A recent Bloomberg study reports that eight of the largest producers in the Permian have seen their share prices drop sharply over the past two weeks, losing a combined market value of US\$15.6 bio. Thus overall shale production may just have peaked for now, at least until more pipelines can be built and refining capacity upgraded, but this will take time and more cash. Meanwhile as OPEC's next meeting in Vienna approaches, Iraq's oil minister, Jabar al Luaibi, warned yesterday that any

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unilateral move to raise oil production risked being in breach of the OPEC/NOPEC output cut agreement and that the deal should remain in place for the time being. Producers “should not over-exaggerate the need of the oil market for more oil supplies for the time being, which could cause big harm to the global markets. This could be misinterpreted by speculators and consumers, leading to a significant fall in oil prices and this is unacceptable to us,” Al Luaibi was quoted as saying by Reuters.

Ethiopia & Egypt Talks Ease Tensions Over GRD.

Following a meeting with Egypt’s President, the Prime Minister of Ethiopia, Abiy Ahmed, said that progress had finally been made on sharing the water of the Nile river, and that both sides were considering the creation of a fund focused on infrastructure development. “My government and my people have no intention to harm the people of Egypt and the government of Egypt. We will work with the people of Egypt in any area, we will take care of the Nile and we will preserve your share and we will work to increase this quota, President Sisi and I will work on this,” Ahmed was quoted as saying by various media outlets. Tensions between both countries had increased markedly over the past year due primarily to Ethiopia’s ‘Grand Renaissance Dam’ project which Cairo fears could seriously disrupt its water supplies. Over 80% of Egypt’s current water supplies come from the Blue Nile which originates in Ethiopia.

EU Says Jordan Deserves Increased Economic Support.

The European Union’s Foreign Policy representative, Federica Mogherini, was quoted as saying earlier this week that the EU would continue to provide financial support to Jordan as it was an investment in a key ally situated in the “most heated and difficult area of the world,” adding that “Jordan’s role in the region is very important and is done with all wisdom and balance, and we will support it with all our means.” European discussions over a new ‘soft’ loan for Amman follow yesterday’s announcement by Saudi Arabia, Kuwait and the UAE who have agreed to provide Jordan with a US\$2.5 bio aid package. This latest economic support program offered by the three GCC states will reportedly include; guarantees to the World Bank, a deposit at Jordan’s central bank and funding support for the country’s annual budget over the next 5 years.

Egypt Hikes Power Tariffs As It Moves Forward With Austerity Measures.

As a part of its agreement with the IMF, Egypt’s government is continuing to reduce the amount of subsidies it provides. The latest move, which was announced by the Energy Minister Mohamed Shaker earlier today, will see electricity tariffs rise by an average of 26% next month. According to the minister’s statement electricity costs will jump by 41.80% for industries and by 20.90% for residential usage.

Bahrain Reduces Land Application Process To 18 Days.

Bahrain has lowered the processing time on land applications for industrial use to a maximum of 18 days, according to a statement issued by the Kingdom’s Economic Development Board. The move forms a part of the government’s economic diversification efforts. In this regard and for those who may have missed it, please see our latest report on Bahrain [here](#).

FITCH Affirms Credit Ratings On Saudi Arabia.

FITCH announced overnight that it has affirmed its long-term foreign currency issuer default rating of A+ on Saudi Arabia. In a statement the ratings agency said that its decision was supported by Saudi Arabia’s “strong fiscal and external balance sheets, including exceptionally high international reserves, low government debt, significant government assets and commitment to an extensive reform agenda,” although admitting that there were challenges such as the Kingdom’s still heavy reliance on oil related revenues and “elevated geopolitical risks.” FITCH has also retained its stable outlook on the Kingdom.

Halliburton Wins Gas Contract In KSA.

US based Halliburton has been awarded gas stimulation services contracts in three regions of Saudi Arabia.

Oman Adjusts Visa Rules.

Oman has loosened its visa rules for Indian citizens according to the Economic Times newspaper. Indian travelers who already have a US, UK, Australian, Japan or EU entry visa will be eligible for one-month tourism visa which will be issued on their arrival in Oman.

Inflation In Mozambique Edges Up.

Mozambique’s inflation rate rose to 3.26% y/y last month from 2.33% in April according to official data.

FX/RATES & CRUDE MARKETS:

Indication Levels Only – Please Contact us on Reuters Dealing Codes FABA/FABU for any live pricing and/or information.

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6729/30	-1/+2	Par/+3	Par/+5	Par/+10	5/15	15/30	90/120
USD/SAR**	3.7500/02	-3/Par	-3/Par	-3/+2	5/15	20/35	40/60	180/210
USD/QAR**	3.6475/6525	Par/+10	5/20	5/25	15/45	40/70	50/100	100/200
USD/KWD	0.29755/775	-30/-20	-60/-40	-80/-50	-130/-80	-190/-140	-250/-200	-300/-100
USD/OMR	0.38498/501	5/15	10/25	25/45	80/130	170/270	300/400	800/950
USD/BHD	0.37765/85	7/17	15/30	30/50	90/120	150/200	250/350	750/950
USD/MAD	9.4200/4500	80/180	200/500	300/700	650/1650	1000/3000	1500/3500	3000/6000
USD/EGP NDF	17.85	18.02/18.12	18.20/18.30	18.38/18.48	18.87/18.97	19.35/19.45	19.80/19.90	-
USD/JOD	0.70957/110	40/90	50/150	100/200	150/300	275/575	300/800	500/1500
USD/NGN NDF	360.50	361.80/362.80	363.00/365.00	364.50/366.50	369.00/372.00	374.00/379.00	379.00/384.00	(NAFEX)
USD/GHS NDF	4.7300	4.80/4.90	4.86/4.96	4.93/5.03	5.07/5.27	5.25/5.45	5.45/5.65	-
USD/TND	2.6125/6525	200/300	400/600	500/800	1000/1500	1500/2500	2000/3000	4000/6000
Crude Oil	Futures							
WTI	66.10							
Brent	76.20							

** (offshore levels only)

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+20/26	+25/31	+31/37	+40/46	+50/56	+59/65	+67/73	+88/96
SAR SPREAD	+20/25	+27/32	+34/39	+42/47	+52/57	+60/66	+67/73	+89/97

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

AND FINALLY...

Did you know that in Nigeria, the slang terms “010,” “101,” etc. refer to meals eaten during a day? “010” means to skip breakfast and dinner but eat lunch, while “101” means to skip lunch but to eat breakfast and dinner.

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