

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Iran & Venezuela's Oil Output Likely To Decline Sharply In 2019 – IEA.**

A combination of US sanctions and deteriorating domestic economic conditions could see Iran and Venezuela's total oil output drop by as much as 30% next year according to a new IEA report. In it the agency projected that production from both countries could fall by 1.5 mio bpd in 2019, and even though other OPEC countries are able to make up that difference, it will further reduce an already tightening position in terms of global spare capacity. Conversely the IEA acknowledged that the current healthy demand for crude may run into possible headwinds such as; "trade protectionism and a potential further strengthening of the US dollar." Meanwhile a brief 'Twitter War' broke out late yesterday between the US President and a senior Iranian official which was triggered first by a Trump tweet that read; "Oil prices are too high, OPEC is at it again. Not good!" In response Iran's OPEC representative, Hossein Kazempour Ardeblei, tweeted; "You cannot place sanctions on two OPEC founder members and still blame OPEC for oil price volatility. This is business, Mr President we thought you knew it."

#### **Italian Politician Calls For 'Naval Blockade' Of Libya.**

The head of Italy's far right 'Fratelli d'Italia' party, Giorgia Meloni, has reportedly again called for a naval blockade of Libya in order to prevent migrant boats crossing the Mediterranean towards Europe. "We want Italy to be able to defend its borders and we want to have an immediate naval blockade on Libyan coast, where migrants are coming from," she was quoted as saying by the Libyan Observer newspaper, arguing that this was the only credible option to solve the ongoing influx of migrants, and adding that she was planning to propose such a resolution at the EU's next summit meeting which is scheduled to take place at the end of this month.

#### **Rival Factions In Iraq Agree To Form Alliance.**

Muqtada Al Sadr's 'Sairoon Coalition' and its rival 'Al Fattah' led by Hadi Al Amri, have reportedly agreed to form a political alliance in Iraq's new parliament. This follows a UN led effort to diffuse a potential outbreak of violence between the two sides over the result of the recent elections. Both political blocs won more votes than any other grouping in Iraq's 2018 poll and as such must now assume the tough responsibility of driving the formation of a new and stable government.

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

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### **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.

### **GCC Central Banks Follow Yesterday's FED Move.**

All the GCC currencies, (apart from the Kuwaiti Dinar), are pegged to the US Dollar and thus these countries central banks usually follow the US FED's interest rate policy moves. Thus far the UAE has raised both its Repo and CD rates by 25bp, Bahrain has lifted its one-month deposit and lending rates to 2.00% and 4.00% respectively, as well as its one week deposit rate from 1.75% to 2.00%, while Saudi Arabia raised its Reverse Repo and Repo rates by 25bp to 2.00% and 2.50% respectively. Oman and Qatar are yet to announce their decisions but as outlined above they will likely make similar adjustments, although Kuwait (which has a basket regime) has said it will keep its key discount rate unchanged at 3.00%.

### **SRC To Launch Fixed Rate Mortgages In KSA.**

The Saudi Real Estate Refinance Company which is backed by the Kingdom's PIC, has announced that it will soon be offering long-term fixed-rate mortgages to domestic borrowers. According to a report published by the Arab News website, this move is in line with a plan by the government to sharply increase the level of home ownership. The CEO of the SRC, Fabrice Susini, also suggested that local banks would be encouraged to extend mortgage lending beyond state employees and those working for specific companies. The SRC estimates that there are only 160,000 mortgages currently active in the country which has a total population of over 30 million people.

### **Abu Dhabi Adjusts Tourism & Municipality Fees.**

Abu Dhabi's Executive Council has approved a reduction in the Emirate's tourism fee from 6.00% to 3.50%, and will also cut the municipality charge on hotel rooms from AED 15 per night to AED 10. In a separate move the municipality fee charged specifically on the value of annual residential rental contracts was increased last month: The fee for villas is now 7.50% and all other residential premises will see a 2% hike to 5.00%. Meanwhile the Crown Prince of Abu Dhabi, Sheikh Mohammed bin Zayed, has ordered the provision of interest-free housing loans and plots worth AED 7.5 bio, as a part of the government's efforts to provide its citizens with decent living standards, according to articles in both the Gulf News and National newspapers. You can read more on this particular subject [here](#).

### **World Bank & IMF To Provide US\$759 Mio In Financial Support For Tunisia.**

According to Tunisia's Central Bank Governor, Marouane El Abassi, the WB will soon provide his country with a US\$500 mio credit facility in order to support its state budget and precarious FX reserve position, while the IMF is expected to authorize a separate US\$259 mio loan by the end of this month.

### **EEHC Concludes US\$900 Mio Loan Agreement.**

Egypt's state-owned electricity company EEHC has reportedly raised a US\$900 mio syndicated loan via a number of international banks. According to Reuters the company's originally marketed loan size was US\$700 mio but this was later raised to US\$900 mio due to oversubscription by the participating banks.

### **Inflation In Nigeria Hits 2 Year Low.**

Nigeria's inflation rate dipped to 11.61% y/y last month, its lowest level in over 2 years and down from 12.48% in April according to the latest official data.

### **AFDB Aid Package For Uganda.**

The Abu Dhabi Fund for Development has according to Reuters, approved the provision of a AED 40 mio concessionary loan to Uganda in order to support a rural electrification project there.

## 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**        | 3.7501/04      | -4/-1         | -4/-1         | -5/+2         | 5/15          | 20/35         | 45/65         | 180/210   |
| USD/QAR**        | 3.6480/6530    | 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          | 0.38497/500    | 5/15          | 10/25         | 25/45         | 80/130        | 170/270       | 300/400       | 800/950   |
| USD/BHD          | 0.37760/90     | 7/17          | 15/30         | 30/50         | 90/120        | 150/200       | 250/350       | 750/950   |
| USD/MAD          | 9.4000/4300    | 80/180        | 200/500       | 300/700       | 650/1650      | 1000/3000     | 1500/3500     | 3000/6000 |
| USD/EGP NDF      | 17.85          | 18.04/18.14   | 18.25/18.35   | 18.45/18.55   | 18.95/19.05   | 19.45/19.55   | 19.95/20.05   | -         |
| USD/JOD          | 0.70957/105    | 40/90         | 50/150        | 100/200       | 150/300       | 275/575       | 300/800       | 500/1500  |
| USD/NGN NDF      | 360.50         | 362.00/363.00 | 363.00/365.00 | 364.00/366.00 | 368.00/371.00 | 373.00/378.00 | 379.00/384.00 | (NAFEX)   |
| USD/GHS NDF      | 4.7100         | 4.75/4.85     | 4.82/4.92     | 4.87/4.97     | 5.05/5.20     | 5.25/5.45     | 5.43/5.63     | -         |
| USD/TND          | 2.6100/6400    | 200/300       | 400/600       | 500/800       | 1000/1500     | 1500/2500     | 2000/3000     | 4000/6000 |
| <b>Crude Oil</b> | <b>Futures</b> |               |               |               |               |               |               |           |
| WTI              | 66.65          |               |               |               |               |               |               |           |
| Brent            | 76.40          |               |               |               |               |               |               |           |

\*\* (offshore levels only)

## AED AND SAR IRS SPREADS

| Currency   | 1Y     | 2Y     | 3Y     | 4Y     | 5Y     | 6Y     | 7Y     | 10Y    |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|
| AED SPREAD | +19/25 | +24/30 | +31/37 | +40/46 | +50/56 | +59/65 | +67/73 | +88/96 |
| SAR SPREAD | +19/24 | +27/32 | +35/40 | +43/48 | +53/58 | 61/67  | +68/74 | +89/97 |

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

## AND FINALLY...

Did you know that the date of 'Eid al-Fitr' (breaking of the fast) is traditionally declared by moon-sighting committees? This is because it is timed to meet the new moon's appearance in each country.

**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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