

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Columbia University Study Sees Iran As Key Market Risk In 2018.**

A recently published in-depth study, which was conducted by Columbia university and looked at the possible implications for the crude market should the US withdraw from the JCPOA accord, suggests that such an event could trigger an initial drop of between 400,000 – 500,000 bpd in global oil supplies. The report also claims that the world community is still not truly prepared for such a US decision despite continued threats to do so by Donald Trump's administration. (You can read the full study [here](#)) Meanwhile oil prices dipped slightly overnight after Gary Cohen, a senior economic advisor to President Trump and a free-trade supporter, stepped down from his position adding to fears of a potential looming trade war.

#### **IMF Calls On Nigeria To Urgently Implement Further Economic Reforms.**

Despite Nigeria's recent emergence out of economic recession, the IMF has warned that the average Nigerian is still becoming poorer and that the government must fully implement an economic reform program as soon as possible. "The authorities have begun addressing macroeconomic imbalances and structural impediments through the implementation of policies underpinning the Economic Recovery and Growth Plan. Supported by recovering oil prices, the new Investor and Exporter foreign exchange window has increased investor confidence and provided impetus to portfolio inflows, which have helped to increase external buffers to a four-year high, and contributed to reducing the parallel market premium," a recent IMF review stated, but warned too that although overall economic growth turned positive during Q3 of 2017 for first time in 5 quarters, the non-oil or agricultural related sectors actually contracted; "In the absence of new policies, the near-term outlook remains challenging. Growth is expected to continue to pick up in 2018 to 2.10% helped by the full year impact of greater availability of foreign exchange and higher oil production, but to stay relatively flat in the medium term. Risks to the outlook include lower oil prices, tighter external market conditions, heightened security issues, and delayed policy responses. Containing vulnerabilities and achieving growth rates that can make a

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significant dent in reducing poverty and unemployment requires a comprehensive set of policy measures.” The report also called for a more streamlined and less complicated exchange rate system saying that; “Moving toward a unified and market-based exchange rate as soon as possible while continuing to strengthen external buffers would be necessary to increase confidence and reduce potential risks from capital flow reversals.” You can read the full IMF press statement [here](#).

#### **Lebanon’s FX Reserves Rise But Debt Concerns Remain.**

Lebanon’s Central Bank Governor, Riad Salameh, announced yesterday that the bank’s reserves had increased by US\$1.4 bio during the first two months of this year and now totaled just over US\$43 bio. Although such an improvement is welcome especially after last year’s political crises, investors remain cautious and this was highlighted by the almost 60bp jump in yield on Lebanon’s 2037 bond last month. The country also faces the ongoing but unsustainable expansion of its public debt, which the IMF estimates could reach 180% of GDP within the next 5 years.

#### **Moodys Assigns First Credit Rating On Tanzania.**

Last Friday Moodys assigned Tanzania with its first credit rating, although the announcement was not greeted with much enthusiasm by the government in Dodoma. The agency gave the country a B1 local and foreign currency issuer rating although marked its outlook as negative. “Tanzania rejects the negative outlook on the credit rating, the government expected Moody’s to sit down with the government to discuss any queries they may have after their review,” a Ministry of Finance and Planning official was quoted as saying by CNBC this week. Moodys stated in its review on the country that; “Uncertainty over the regulatory environment and policy stance of the government, particularly as it relates to the mining sector, could have a long-term negative impact on the country’s growth potential and ability to attract foreign investment.”

#### **SAMA Suspends Short-Term Repo Program As Domestic Liquidity Improves.**

Saudi Arabia’s Monetary Authority announced earlier this week that it would no longer offer short-term repos (7-28-90 days) as market conditions indicated that they were no longer required, although it will retain an option to conduct 1-day repos.

#### **Tunisia Hikes Benchmark Interest Rate.**

Tunisia’s Central Bank raised its benchmark rate by 75bp to 5.75% this week in reaction to higher inflation, which now stands at its highest level in over 25 years. (Annual inflation hit 7.10% in February according to the latest official data). The interest rate hike also follows the appointment of a new CB governor, Marwan El Abbasi, who assumed the post just last month.

#### **NEOM Project Gets US\$10 Bio Primer.**

Saudi Arabia’s Crown Prince, Mohammed bin Salman, and the Egyptian President, Abdel Fattah al Sisi, signed an agreement earlier this week concerning the formation of a US\$10 bio fund linked to the NEOM project. This US\$500 bio development, which will focus on renewable technology, was originally unveiled last year and is planned to eventually cover over 10,000sq miles falling within the borders of KSA, Jordan and Egypt.

#### **ICBC Becomes Largest Bond Issuer On NASDAQ Dubai.**

China’s ICBC now has the highest value of foreign bond listings on Nasdaq Dubai following its launch of another two fixed income securities yesterday. The value of ICBC’s issuances via the UAE based bourse now totals US\$3.56 bio. China is currently the UAE’s main trading partner and this relationship continues to expand highlighted by the fact that four major Chinese banks (ICBC, CCB, ABC and BOC) now reportedly represent 22% of the total assets currently booked in the DIFC.

#### **Sharjah Conducts US\$ 1 Bio SUKUK Issuance.**

The UAE Emirate of Sharjah raised US\$1 bio via a 10Y Islamic bond issuance this week which was priced at mid-swaps +135bp. The paper is rated at A3 (Moodys) and BBB+ by S&P.

#### **VAT Pushes Up Inflation In Abu Dhabi.**

Abu Dhabi’s CPI rate came in at 4.70% in January 2018 up from 2.00% in December according to the latest official data release. This rise was driven primarily by the introduction of VAT at the beginning of the year.

## KSA To Introduce New Tourism Visas Soon.

Saudi Arabia has announced that it will begin issuing electronic tourism visas from the 1st of April 2018. According to the UK's Telegraph newspaper solo female travelers over the age of 25 will be permitted to receive a 30-day visitor visa and will no longer be required to travel with a male chaperone. The Kingdom is hoping to attract 30 mio visitors per annum by 2030 as part of its economic diversification program. Up to now many of the roughly 18 mio foreigners making trips to Saudi Arabia annually are doing so for either religious or business reasons.

## 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	3.6729/31	-1/+2	1/6	4/9	5/15	15/30	30/45	90/140
USD/SAR**	3.7505/07	-5/+2	-7/Par	-7/Par	-5/+5	5/20	30/50	150/200
USD/QAR**	3.6500/6600	10/30	20/50	35/65	70/110	90/140	105/155	125/325
USD/KWD	0.299660/960	-10/-5	-15/-5	-15/-5	-10/+10	Par/+20	Par/+30	25/125
USD/OMR	0.38501/504	8/18	15/35	40/70	80/180	220/320	350/450	800/1100
USD/BHD	0.37703/708	10/20	20/40	35/65	60/110	100/200	170/270	450/750
USD/MAD	9.1900/2200	100/250	250/650	500/900	800/1800	1500/3500	2000/4000	4000/8000
USD/EGP NDF	17.62	17.72/17.82	17.84/17.94	17.95/18.05	18.28/18.38	18.62/18.72	18.96/19.06	-
USD/JOD	0.7095/7105	40/80	50/150	75/175	100/300	200/500	275/675	500/2000
USD/NGN NDF	360.00	361.00/367.00	363.00/368.00	365.00/370.00	372.00/377.00	378.00/383.00	384.00/389.00	(NAFEX)
USD/GHS NDF	4.4600	4.50/4.60	4.53/4.63	4.58/4.68	4.70/4.80	4.82/4.92	4.90/5.05	-
USD/TND	2.3900/4100	225/325	400/600	500/800	1000/1500	1500/2500	2000/3000	4000/6000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	61.95							
Brent	65.05							

NOTE: \*\* (offshore levels) - Also please note we are now using the NAFEX fixing for NGN.

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+3/9	+9/15	+16/22	+26/32	+38/44	+47/53	+55/61	+74/82
SAR SPREAD	+13/19	+23/29	+32/38	+41/47	+50/56	+58/64	+65/71	+82/90

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

## AND FINALLY...

*Did you know that the earliest sign of licorice use was discovered in the tomb of Tutankhamen? The ancient Egyptians used licorice to treat various respiratory disorders.*

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