

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

China Launches CNY Denominated Crude Futures.

Shanghai's Energy Exchange began offering Renminbi denominated oil futures today, and the maritime-executive website reports that more than 14,000 transactions were executed during the first 20 minutes of trading. According to a director at the UK based energy research firm, Wood Mackenzie, China's crude imports are expected to increase by 2.1 mio bpd over the next 5 years, which is far larger than any other country's requirements, and hence is likely to be the main reason why China "wants to play a more active role in influencing the price of crude oil." On the one hand it will probably take time for the Shanghai listed contract to establish itself and build volumes, however it definitely poses yet another challenge to the historic dominance of the US dollar in crude markets. Offshore investors looking to access the contract will reportedly first need to open a non-resident bank account with one of the China based banks handling margin deposits for these specific futures.

Saudi Arabia Intercepts Seven Missiles Launched From Yemen.

Saudi Arabia's air defence units reportedly intercepted 7 ballistic missiles fired towards the Kingdom yesterday by Houthi militants in Yemen. According to the Arab News website, 3 of the missiles were fired towards Riyadh, 2 at Jazan and 1 each towards Khamis Mushayt and Najran. "This hostile and indiscriminate act by the Iran-backed Houthi militias proves that the Iranian regime is still involved in supporting the Houthis with qualitative armed capabilities in a clear and flagrant breach of UN Security Council resolutions 2216 and 2231. This is with the objective of threatening the security of the Kingdom of Saudi Arabia as well as regional and global security. Firing ballistic missiles towards populated cities and villages is a violation of humanitarian international law. What the Houthi militias are perpetrating is a serious development in the war by terrorist organizations and the countries sponsoring terrorism, like the Iranian regime that is backing the Houthis," a coalition spokesperson, Colonel Turki Al Maliki was quoted as saying by the Saudi Gazette. This is not the first time Houthi militants have fired projectiles towards the Kingdom, with a number of such instances having taken place since last year, although all have thus far been successfully intercepted and destroyed. Meanwhile the UK government has called on Tehran to halt its weapon shipments to Yemen; "If Iran is genuinely committed to supporting a political

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

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solution in Yemen, as it has publicly stated, then it should stop sending in weapons which prolong the conflict, fuel regional tensions, and pose threats to international peace and security. We question why Iran is spending significant revenue in a country with which it has no real historical ties or interests, rather than using its influence to end the conflict for the good of the Yemeni people.” the UK’s Foreign Minister, Boris Johnson and International Development Secretary, Penny Mordaunt, said earlier in a joint-statement, adding “We support the Saudi-led Coalition’s efforts to restore legitimacy in Yemen, as accepted by the UN Security Council.”

Nigerian Government In Ongoing Ceasefire Talks With Boko Haram.

Nigeria’s Information Minister, Lai Mohammed, has said that his government was in ongoing talks with the militant group Boko Haram, in the hopes of eventually reaching a permanent ceasefire agreement. “Unknown to many, we have been in wider cessation-of-hostility talks with the insurgents for some time now,” the minister was quoted as saying by Reuters yesterday, adding that; “The ultimate aim is the permanent cessation of hostilities.” His announcement follows the end of a temporary ceasefire window yesterday, during which the government managed to secure the release of 107 school girls who had been kidnapped by the group early last month.

Polls Open For Egypt’s Presidential Election.

Polls open today for Egypt’s Presidential election although the incumbent, President Abdel Fattah al Sisi, is widely expected to win a second term in office. Around 59 million Egyptians are eligible to cast their vote and initial results should be released by Thursday this week, with the final official outcome expected to be announced by the country’s electoral authority next Monday. According to Egypt’s electoral laws, a candidate needs to garner at least 51% of the total votes cast in order to win in the first round. If no candidate achieves this level then a runoff vote will be conducted. Sisi’s only challenger this year is Moussa Mostafa Moussa, head of the Ghad Party. President Sisi has said that the lack of any other contenders was not his doing; “I wish we had one, or two, or three, or 10 of the best people and you choose however you want,” he stated during a local television interview last week.

IMF Chief Compliments Saudi Arabia’s Reform Program.

The IMF’s Managing Director, Christine Lagarde, has stated that her institution was pleased with the progress made thus far by Saudi Arabia, in relation to its economic reform program, following her meeting with Crown Prince, Mohammed bin Salman, last week. “Crown Prince Mohammed bin Salman and I discussed recent economic developments in Saudi Arabia and the ongoing economic reforms. The authorities are continuing to make good progress in implementing their ambitious reform agenda including through the recent introduction of the VAT and measures to increase women’s participation in the economy. The decision to slow the pace of fiscal adjustment as was set out in the 2018 budget is appropriate. The IMF expects real GDP growth to pick-up this year,” Lagarde said via an official IMF statement.

Eurobond Issuance Boosts Kenya’s FX Reserves.

Kenya’s FX reserves rose by US\$1.7 bio to US\$8.83 bio last week, boosted in part by the recent Eurobond issuances conducted by the country’s treasury. This positive news also trickled into the local currency market, with the Shilling seen shifting to its strongest level against the US dollar in over a month.

South African Bonds Strengthen On Ratings News.

South African local bond prices have a good start this morning, following last Friday’s decision by Moodys Investor Service to keep its long-term issuer and senior unsecured sovereign ratings on the country at Baa3 . The benchmark 2026 paper was 13 bp lower at 7.86% earlier today according to the latest Reuters data. “The recent change in political leadership appears to have halted the gradual erosion of the strength of South Africa’s institutions. With changes in governance, a number of key institutions, including the Treasury, the South African Revenue Service and key State-Owned Enterprises have embarked on the recovery of their earlier strength,” the agency’s senior country analyst was quoted as saying by the African Business magazine website. As a consequence Moody’s expects South Africa’s economic prospects to improve and its debt burden stabilize.

DP World Awarded 30-Year Port Concession In The DRC.

UAE based, DP World has received a 30-year concession to manage and develop a multipurpose port project at Banana, in the Democratic Republic of the Congo. According to the Construction Business Magazine

website, a joint venture is to be set-up (with DP World having 70% control, and the DRC government holding the balance), to manage and invest in the Port. DP World reportedly also has the option to extend the agreement for a further 20 years. The first phase of the project, with an estimated initial investment of US\$350 mio, will include a 600m quay and 25ha yard extension with a container capacity of 350,000 twenty-foot equivalent units and 1.5 million tons for general cargo. Construction is expected to start in 2018 and take approximately 2 years to complete.

Tunisia Receives US\$257 Mio From IMF.

Late last week the IMF approved the release of a US\$257.3 mio tranche from its US\$3 bio loan program with Tunisia. In a statement the IMF said that the North African country's "growth-friendly and socially-conscious reforms will help stabilize public debt," adding that "continued monetary tightening and greater exchange rate flexibility help contain inflation, improve competitiveness, and rebuild international reserves."

UAE's Solar Power Project Set To Become World's Largest.

Work on the 4th phase of the Mohammed Bin Rashid Solar Park began earlier this month, and this facility, which has a targeted clean-energy output capacity of 1000MW by 2020 and 5000MW by 2030, is set to become the world's largest single-site solar energy plant.

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	-1/+2	2/5	4/9	7/17	15/30	30/45	90/140
USD/SAR**	3.7499/7502	-1/+2	-1/+4	Par/+5	2/12	15/30	40/60	180/230
USD/QAR**	3.6550/6650	25/45	40/70	60/90	100/150	125/175	150/200	200/400
USD/KWD	0.29940/70	-15/-5	-20/-5	-25/-5	-35/-10	-40/-10	-50/-15	-25/+75
USD/OMR	0.38499/504	5/15	15/35	30/60	80/180	200/300	350/450	800/1200
USD/BHD	0.37700/05	5/15	18/38	20/45	40/80	100/200	150/250	500/800
USD/MAD	9.1300/1600	80/180	200/500	300/700	650/1650	1000/3000	1500/3500	3000/6000
USD/EGP NDF	17.63	17.76/17.82	17.86/17.92	17.97/18.03	18.34/18.40	18.69/19.75	19.03/19.09	-
USD/JOD	0.7095/7105	40/80	50/150	75/175	100/300	200/500	275/675	500/2000
USD/NGN NDF	360.00	361.00/366.00	363.00/368.00	364.00/369.00	370.00/375.00	376.00/381.00	382.00/387.00	(NAFEX)
USD/GHS NDF	4.4150	4.44/4.54	4.48/4.58	4.53/4.63	4.65/4.75	4.76/4.86	4.85/5.00	-
USD/TND	2.4150/4550	200/300	400/600	500/800	1000/1500	1500/2500	2000/3000	4000/6000
Crude Oil	Futures							
WTI	65.45							
Brent	70.10							

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	+9/15	+14/20	+20/26	+30/36	+39/45	+48/54	+57/63	+78/86
SAR SPREAD	+16/22	+29/35	+37/43	+44/50	+51/57	+58/64	+65/71	+81/89

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

AND FINALLY...

Did you know that Virunga in the DRC is Africa's oldest national park and one of the world's most biologically diverse areas?

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

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