

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Oil Prices Remain Mixed – ARAMCO Eyes Domestic Shale Gas Opportunities.

Oil prices remain relatively subdued this morning, albeit still with a heavier tone since crude backed off its recent highs following expectations that OPEC/NOPEC output could begin rising again after the OPEC gathering in Vienna on June 22nd. As we have mentioned previously the shift above US\$80 a barrel by Brent was primarily driven by geopolitics (withdrawal of US from JCPOA) and a technical correction had been overdue. However while we expect a possible further dip in the near-term, improving fundamentals means that a significant shift lower is unlikely and we see strong support coming in around the US\$65-70 area, while good resistance now lies around the US\$85 level. Thus we look for Brent to range-trade within those brackets for the remainder of this year barring of course another significant geopolitical event. Meanwhile Saudi Aramco announced on Sunday that it had signed a 3-year contract with Haliburton which would see the Texas based firm assist in the Kingdom's plan to source more of its domestic energy needs from tight sand and rock gas sites within the country. "We believe Halliburton will work best with Saudi Aramco to help in our pursuit of unconventional gas to serve domestic needs, offset local crude burning, provide feedstock for chemical industry development, and spur regional economic development in line with Vision 2030, the Kingdom's national transformation program," Aramco's senior vice president for its upstream business was quoted as saying by the Houston Chronicle. His comments were supported by the CEO of Haliburton, Jeff Miller, who stated that; "We are excited to apply our broad knowledge, efficiency and experience in the unconventional sector from Halliburton's leadership position in North America to Saudi Arabia. This is a great opportunity to provide a tailored application of Halliburton technology, logistics management and operational excellence to maximize Saudi Aramco's asset value and deliver optimal recovery."

Russia Comments Put Iranian Presence In Syria Under Pressure.

Comments made yesterday by the Russian Foreign Minister, Sergei Lavrov, appear to be an attempt to reduce the risk of further direct confrontation between Israeli forces and Iranian backed groups in Syria (especially along the

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Golan Heights), but may also signify a move to reduce Iran's presence within the country which Moscow could well now have calculated poses a threat to its own plans there. "Of course, all non-Syrian forces should be withdrawn on a reciprocal basis and should be a two-way process. The situation, when only representatives of the Syrian armed forces will be deployed on the Syrian side of the border with Israel, should become the outcome of such work," Lavrov was quoted as saying by the RIA media outlet. His comments follow those by a Israeli government spokesperson who reportedly stated that; "We believe that there is no place for any Iranian military presence, anywhere in Syria."

Zambia's External Debt Load Widens.

Zambia's Finance Ministry revealed late last week that the country's external debt load had risen to US\$9.055 bio in February this year from US\$8.7 bio at the end of 2017. Earlier this month the Eurasia group claimed that Zambia's increasing debt profile, the likelihood of further public spending ahead of elections in 2021 and the government's inability to thus far reach a financial support program with the IMF could see its risk of default rise sharply by 2020. Late last week the yield on Zambia's 2024 Eurobond was hovering around the 10% mark.

Delay To VAT Introduction In Kuwait Is 'Credit Negative' – Moody's.

Moody's Investor Services said in a report published this past weekend that while Kuwait's decision to postpone the implementation of VAT for 3 years was "not entirely surprising" given the recent rise in oil prices and the country's currently strong fiscal position, it was still potentially "credit-negative" as it suggested a slowdown of the government's reform program which was aimed at insulating government revenues from future oil price volatility . "The decision clearly illustrates how if oil prices remain around their current levels, the resolve for reform among some GCC countries is likely to weaken. It significantly increases the probability that some countries may delay or even cancel their VAT plans," the ratings agency's report read.

Nigeria's Currency Swap Deal With China Will Not Cover Certain Imports.

A senior official at the Central Bank of Nigeria has been quoted as saying via the state news agency, that the recently announced currency-swap deal with China would not cover the import of the 41 items still banned from accessing the country's foreign exchange resources since 2015. "We are going to focus on exports to China, remember that we already export cassava products to China as well as leather, hides and skin to China amongst others. So this deal will open further the export market to China. Also, I want Nigerians to know that the items that will come in are not necessarily finished goods, so the issue of Nigeria becoming a dumping ground for China does not arise. This is because the 41 items that had initially been banned from the Nigerian Foreign Exchange Market will still not qualify under the deal," the bank's corporate communications director, Isaac Okorafor, stated.

KSA Begins Push To Develop Its Tourism Sector.

Saudi Arabia has formally launched a strategy to develop its pristine Red Sea coast, which in turn will form a key part of the country's diversification efforts in the area of tourism. The latest step towards this goal was the creation of the Red Sea Development Company which will be wholly owned by PIF, the Kingdom's sovereign wealth fund, and be headed by John Pagano, a former MD of London's Canary Wharf Group. According to a recent Reuters report the government wants to develop resorts, heritage sites and nature reserves on a number of Red Sea islands.

DANA Gas Receives US\$40 Mio Payment From Egypt.

Dana Gas announced yesterday that it had now received a previously delayed US\$40 mio payment from Egypt, which it said also underlined Cairo's commitment to reduce its outstanding receivables this year. "We are pleased to have received this US\$40 million payment from the Egyptian Government which takes our total receipts to nearly US\$90 million for the first half of the year. It is a timely cash boost and highlights the government's publicly stated commitment to substantially reduce the petroleum companies' receivables during 2018," the CEO of the company was quoted as saying by the UAE's Gulf News yesterday.

SAMA's FX Reserves Rise.

Foreign reserves held by Saudi Arabia's Central Bank rose to US\$498.90 bio last month from US\$ 485.60 bio in March according to the latest official data.

UAE's CA Surplus Jumped In 2017.

The UAE's current account surplus rose to AED97.1 bio last year compared to AED 48.50 bio in 2016, driven by higher oil prices and better economic growth according to a statement issued by the state news agency. The significant jump in the C/A surplus combined with a decline in the country's trade balance deficit also resulted in a BOP surplus of AED36.3 bio.

Dubai Ranks High In New Quality Of Life Index.

According to a recent survey conducted by Deutsche Bank which graded 50 cities around the world for their overall quality of life, Dubai came in at 18th place ahead of London, Paris and New York. You can read more on this story here.

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	3.67295/305	-3/Par	-2/+2	-1/+4	Par/+10	5/15	15/30	70/120
USD/SAR**	3.7502/04	-4/-1	-6/-2	-7/-2	-5/+5	10/25	30/50	155/185
USD/QAR**	3.6450/6500	Par/+10	Par/+15	Par/+20	10/30	25/55	40/90	75/175
USD/KWD	0.30215/35	-30/-20	-70/-30	-80/-50	-130/-80	-170/-120	-210/-160	-300/-100
USD/OMR	0.38499/502	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	70/120	110/210	200/300	700/900
USD/MAD	9.5050/5250	80/180	200/500	300/700	650/1650	1000/3000	1500/3500	3000/6000
USD/EGP NDF	17.92	18.08/18.18	18.28/18.38	18.48/18.58	19.08/19.18	19.58/19.68	20.08/20.18	-
USD/JOD	0.7090/7100	30/70	50/150	80/180	100/300	200/500	275/675	400/800
USD/NGN NDF	362.00	362.50/363.50	364.00/366.00	366.00/369.00	370.00/373.00	376.00/379.00	382.00/385.00	(NAFEX)
USD/GHS NDF	4.6300	4.72/4.77	4.78/4.88	4.84/4.94	5.01/5.11	5.17/5.27	5.30/5.45	-
USD/TND	2.6050/6450	200/300	400/600	500/800	1000/1500	1500/2500	2000/3000	4000/6000
Crude Oil	Futures							
WTI	66.75							
Brent	75.50							

** (offshore levels only)

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+18/24	+20/26	+29/35	+38/44	+47/53	+55/63	+63/71	+84/92
SAR SPREAD	+17/21	+24/28	+32/36	+40/45	+50/55	+59/65	+66/74	+87/95

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

AND FINALLY...

"Where there is love there is no darkness" – Burundian Proverb.

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