

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **India Has Reduced Its Purchases Of Iranian Oil By 30%.**

The resumption of US sanctions on Iran's oil industry are due to kick-in on November 5th and a number of Asian buyers of Iranian crude have, over the past few months, begun sourcing new suppliers. India has reportedly reduced such purchases by 30%, however Indian, Japanese and South Korean officials have been lobbying Washington hard in an effort to grant them a waiver from these sanctions for a longer period of time, in order to give them an opportunity to fully restructure their oil supply networks. These talks may be about to bear fruit after India's 'Economic Times' newspaper claimed yesterday that the US administration was close to concluding "a broad agreement on a waiver" and that an official announcement in this regard could be made this upcoming weekend. India is the world's second largest buyer of Iranian crude. Meanwhile oil prices have stabilized again following an overnight statement by President Trump, in which he claimed that trade talks between the US and China were "moving along nicely".

#### **Arab Military Forces Prepare For Joint Manoeuvres In Egypt.**

Ground, air and naval forces from Bahrain, Kuwait, Jordan, Saudi Arabia and the UAE have begun arriving in Egypt, ahead of a planned joint exercise with the Egyptian military from the 3rd to 16th of November called "The Shield of the Arabs 1," according to an article in the 'Arab Times' newspaper. Observers from Lebanon and Morocco will also reportedly be in attendance. Saudi Arabia's military attaché to Egypt, Brigadier Abdullah bin Yusef Al Jasser, said that the exercise "would develop and strengthen military cooperation between the armed forces of the Arab countries." The US administration has in recent months called for the creation of what some American officials describe as an "Arab NATO."

#### **Saudi Arabia's Budget Deficit Shrinks.**

The Kingdom's budget deficit shrank by 60% during the first 9 months of this year to the equivalent of US\$13 bio, driven primarily by a rise in both oil and non-oil revenues, according to a statement published on the Finance Ministry's website. Oil revenues rose 47% y/y to US\$120.60 bio whilst non-oil income increased by 48% to US\$56.30 bio. This better than expected performance, which came despite a 25% increase in government spending, "reflects the effectiveness of economic reforms and fiscal measures targeting fiscal

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sustainability as well as the effective management of public finances,” the ministry stated. The government is targeting a fiscal deficit of 7.30% of GDP this year and a balanced budget by 2023.

#### **NNPC Signs Crude-For-Product swap Agreement With BP.**

Nigeria’s state-owned oil company, NNPC announced yesterday that it had signed a six-month ‘crude-for-product’ swap agreement with BP International Ltd. According to a report in the ‘Nation’ newspaper the deal will cover the supply of premium grade petrol. Despite being Africa’s largest oil producer, Nigeria still currently imports over 70% of its fuel requirements.

#### **Pressure On Iranian Rial Continues Ahead Of Fresh US Sanctions.**

USD/IRR reportedly hit a 30-day high of 152,000 this past week as locals continued to hoard hard currency and gold, ahead of the reimplementing of US sanctions on Iran’s oil sector from the 4th of November. An article published recently on the ‘Radio Farda’ website also claimed that the price of a gold coin had reached IRR 50 mio. Meanwhile inflation continues to rise too, touching 36.90% last month according to the latest Central Bank data.

#### **IMF To Release Next US\$2 Bio Loan Tranche To Egypt.**

The IMF has agreed to provide Egypt with the next US\$2 bio loan tranche after it conducted its fourth review of the North African country’s reform program. “The IMF staff team and the Egyptian authorities have reached a staff-level agreement on the fourth review of Egypt’s economic reform program, a US\$12 bio EFF arrangement. The staff-level agreement is subject to approval by the IMF’s Executive Board. Completion of this review would make available US\$2 bio, bringing total disbursements under the program to about US\$10 bio.” the head of the IMF team to Egypt was quoted as saying yesterday by the ‘Daily News’ media outlet.

#### **Tunisia Keeps Interest Rates Steady.**

Tunisia’s Central Bank kept its benchmark interest rate unchanged at 6.75% following its regular MPC meeting yesterday. This despite calls by the IMF late last month for the country to tighten its monetary policy further in order to combat inflation. "Further monetary tightening is warranted to reduce inflation. The CBT demonstrated its commitment to price stability by policy rate hikes, but key interest rates remain negative in real terms. The policy rate should increase further to avoid further erosion of the purchasing power of the local currency and anchor inflationary expectations," the IMF statement had read. Tunisia hiked its key lending rate by 100bp in June, and the CB expects inflation to fall to 7.00% next year from 7.80% in 2018.

#### **ARAMCO & SABIC Agree On Site For New Chemical Facility.**

Saudi Aramco and SABIC announced yesterday that they plan to build a new industrial complex on the west coast of Saudi Arabia which once fully operational in 2025, will be able to convert 400,000 barrels of crude a day and convert it into chemicals as well as base oils.

#### **ACWA TO Build Power Plant In Egypt.**

Egypt’s Electricity Minister announced this week that the government had reached an agreement with ACWA Power for the Saudi based company to build a 2.25 GW power station in Luxor at a cost of US\$2.3 bio.

#### **Petrobras Sells Stake In Nigerian JV.**

Brazil’s state-owned oil company, Petrobras, has reportedly agreed to sell its 50% stake in an oil and exploration joint-venture in Nigeria with BTG Pactual, to a consortium led by Vitol for US\$1.53 bio.

#### **Construction Begins On Morocco’s Tallest Skyscraper.**

Work officially began yesterday, on the construction of a 250 metre high skyscraper in Rabat called the ‘Bank of Africa Tower’ and which is due to be completed in 2022. Once finished the building will become Africa’s second tallest, after the 300 metre ‘Pinnacle’ which is currently being built in Nairobi Kenya, and is set to open at the end of 2019. Africa’s current titleholder is the ‘Carlton Tower’ in Johannesburg South Africa, which was built back in 1973 and stands 223 metres high.

## FX/RATES & CRUDE MARKETS:

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

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67295/305	1/3	3/6	5/10	13/18	22/32	33/43	90/120
USD/SAR	3.7509/11	-2/+1	-2+1	-2/+1	2/12	18/33	40/55	190/240
USD/QAR	3.6550/80	-15/-5	-20/-10	-30/-15	-50/-30	-65/-45	-70/-40	-70/+30
USD/KWD	0.30360/370	-12/-2	-20/-10	-30/-15	-60/-40	-110/-70	-150/-100	-170/-120
USD/OMR	0.38499/502	10/20	20/40	55/75	100/130	190/240	290/330	620/720
USD/BHD	0.37695/700	20/30	30/50	55/75	100/130	140/190	200/250	400/500
USD/MAD	9.4700/5000	600/900	800/120	1100/1700	1800/2800	2400/3400	3000/4500	3500/6500
USD/EGP NDF	17.91	18.02/18.08	18.16/18.22	18.32/18.38	18.75/18.81	19.25/19.31	19.75/19.85	-
USD/JOD	0.7095/7105	40/90	45/145	100/200	150/350	250/500	350/750	750/1750
USD/NGN NDF	363.50	365.00/366.00	367.00/369.00	369.00/372.00	375.50/378.50	384.00/389.00	393.00/398.00	(NAFEX)
USD/GHS NDF	4.8100	4.86/4.91	4.90/4.95	4.94/5.04	5.07/5.17	5.22/5.37	5.40/5.55	-
USD/TND	2.9150/9450	350/550	700/1000	1000/1500	1500/2500	2000/3500	3000/4500	5000/8000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	63.75							
Brent	73.25							

\*\* (offshore levels only)

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+23/29	+28/34	+40/46	+52/58	+63/69	+74/80	+86/92	+113/121
SAR SPREAD	+31/37	33/39	+39/45	+47/53	+55/61	+63/69	+72/78	+95/103

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

## AND FINALLY...

*Did you know that it can take up to 31 million litres of water to frack a single gas or oil well, and at least 30% of that water is then lost forever?*

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