

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **OPEC & NOPEC Members Prepare To Form A Closer Alliance.**

The OPEC/NOPEC output agreement, which was a significant contributor to the recovery in oil prices, is due to expire at the end of this year. However fresh media reports suggest that both Saudi Arabia and Russia are keen to formalize this sort of arrangement and potentially create an official OPEC+ governing body next year, which would be more effective in managing the global crude market over the long term. In a recent interview with Russia’s TASS news service, the Kingdom’s Energy Minister, Khalid Al Falih, was quoted as saying; “We started OPEC+ as a six month agreement, and we saw that six month is not enough to bring inventories down. Partially because US shale had continued to increase and partially because it took Russia almost four months to reduce its production by 300,000 bpd because there were many oil producing companies in Russia. So it took us some time to achieve that. But we extended the 6 months deal, and now it has been working for almost 2 years. In practice we only apply production reduction for Russia for 1.5 years, because for the last few months we agreed for Russia to produce as much as it can. But nevertheless we want to sign a new cooperation agreement that is open-ended. That does not expire after 2020 or 2021. We will leave it open. And what we would like to do is continue for OPEC and non-OPEC to work together, and the difference is that there will be no fixed term for the agreement, which allows us to bring production up or down. It should not have fixed production target. But it allows us to perform regular coordination and sharing information on what are our views on the market, supply and demand, how healthy the market is, what kind of intervention we need, if any, and when. Another new aspect is to create a secretariat for OPEC+. For now there is no secretariat, only OPEC secretariat both serves OPEC and OPEC+. For non-OPEC countries from OPEC+ we will offer to them to create a secretariat in Vienna to work closely with OPEC. Of course, if any of OPEC+ countries wants to join OPEC, we have a process in OPEC to consider membership. But many countries expressed the desire to work closely with OPEC, but not to join OPEC. And we respect this approach. Russia is one of those countries. But there are many variations on how to cooperate. The latest discussions we had in June showed that OPEC+ countries want to continue to work within a longer-term framework.” You can read the full interview [here](#).

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### **Oil Prices Dip Further On Inventory Rise – Canadian Producers Under Severe Pressure.**

The latest API data suggests that US inventories rose by 9.88 mio barrels last week. This news combined with a further commitment by Saudi Arabia to “meet any demand that materializes to ensure customers are satisfied,” the ongoing China/US trade dispute and softer stock markets have all helped push crude prices lower again this week. However we await the EIA’s confirmation of US inventory levels later this week and a number of private Chinese refineries, which shut-down over the summer, have begun restarting their operations and thus consumption from this sector is expected to rise over the next couple of months. Meanwhile Canadian oil firms are reportedly facing a major challenge in finding buyers for their heavier crude with the ‘Financial Post’ newspaper reporting a recent record US\$40-50 discount for WCS (West Canada Select) crude against the US WTI benchmark price. Even producers of lighter Canadian crude are being forced to offer sharp discounts as they share the same pipeline network.

### **KSA & Bahrain Add Iran’s IRGC To ‘Terror List.’**

The governments of Saudi Arabia and Bahrain yesterday added Iran’s Revolutionary Guard, and certain senior members of its ‘Quds Force’ to their respective lists of individuals and organizations suspected of terrorist activities according to a report published by the Saudi Press Agency. This announcement follows a combined move by the US Treasury and its Gulf allies to impose sanctions on nine individuals suspected of providing support to the Taliban in an effort to undermine the Afghan government, two of these individuals are reported to be members of the IRGC’s Quds Force. “Iran is exploiting Afghanistan to further their destabilizing behavior,” the US Treasury Secretary Steven Mnuchin, was quoted as saying by the Khaleej Times newspaper.

### **US\$50 Bio In Deals Signed On First Day Of ‘FIA’ Conference.**

Saudi Arabian officials have said that they managed to sign commercial and investment deals worth US\$ 50 bio during the first day of the ‘Future Investment Initiative’ gathering in Riyadh yesterday. These deals reportedly focused primarily on the oil, gas and infrastructure sectors and involved a number of foreign firms including; Trafigura, Total, Hyundai, Norinco, Schlumberger, Halliburton and Baker Hughes. Meanwhile Saudi Aramco is in talks with Russia’s Novatek over their joint-cooperation on a major LNG project in the Arctic.

### **Pakistan To Receive US\$6 Bio Support Package From Saudi Arabia.**

Pakistan’s government announced late yesterday that Saudi Arabia had agreed to provide the Asian country with a US\$6 bio financial lifeline. According to the ‘Khaleej Times’ newspaper, the Kingdom has offered to deposit US\$3 bio at Pakistan’s Central Bank for a one year period and provide a one year deferred payment facility worth an additional US\$3 bio for the country’s oil imports. Pakistan’s FX reserves stood around US\$8.04 bio at the end of September this year.

### **Oman To Conduct Islamic Bond Issuance This Week.**

Oman is set to return to the bond market today after it mandated five banks to arrange a 7-year SUKUK issuance. Initial price guidance on the bond has been reported at 300bp above mid-swaps. Oman is currently rated at BB by S&P and Baa3 by Moodys.

### **Egypt Ponders International Bond Issue In Local Currency.**

The Egyptian government is reportedly considering issuing EGP denominated bonds on the international market soon in an effort to diversify its funding sources, and lower the cost of borrowing, according to a Bloomberg article published yesterday.

### **Mozambique Keeps Rates on Hold – WB Pledges US\$100 Mio.**

Mozambique’s Central Bank kept its key benchmark interest rates unchanged following Monday’s regular MPC meeting despite a softer inflation outlook. Thus the primary lending and deposit rates remain at 18% and 12% respectively. “After more than a year of continual reductions in the interbank money market rate the Committee, faced with high domestic risks, and intensified external uncertainties, decided it is appropriate to keep the rates at their current level,” the CB governor, Rogerio Zandamela, was quoted as saying by the APA media outlet. Meanwhile the World Bank said it will provide the south-east African country with US\$100 mio in funding in order to support the construction of new drainage systems and water supply points in rural areas.

### Morocco May Offer Up Stake In Telecom Provider.

Morocco's Finance Minister, Mohamed Benchaaboun, said yesterday that his government is considering offering up a stake in the country's largest telecommunications company 'Maroc Telecom', next year. Such a sale would form a part of the government's plan to privatize and restructure state-owned businesses which could raise up to MAD 8 bio overall, and help it reduce the country's budget deficit. Firms possibly in line to be privatized include the 'National Railway Office' and the 'Moroccan Airports Authority', according to a report on the 'Morocco world news' website.

### Charter Flights Between Russia and Egypt Set To Restart.

Egypt's ambassador to Russia. Ihab Nasr, was quoted by the TASS news service as saying yesterday that he expects charter flights between Russia and Egypt's Red Sea resorts to resume soon. "We are working hard to translate into life the agreements of the two Presidents. I hope we will see good results shortly," Nasr stated adding that such flights could begin, "shortly, maybe even before the end of the year, I hope very much." Regular flights between Cairo and Moscow resumed in April this year, but charter flights to resort hubs such as Sharm El Sheikh and Hurgada, have remained suspended.

### GE & Siemens Seal Iraq Power Deals.

Germany's Siemens and US based General Electric have signed separate MOUs worth a total of around EUR 15 bio with Iraq to help that country rebuild its electricity network.

### 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	Par/+3	3/6	5/10	12/17	20/30	30/40	90/120
USD/SAR	3.7515/18	-3/Par	-2/+1	-2/+3	7/17	25/40	80/100	260/310
USD/QAR	3.6590/6620	-15/-5	-22/-12	-30/-15	-50/-30	-70/-50	-100/-70	-125/-25
USD/KWD	0.30345/355	-10/Par	-15/-5	-25/-5	-50/-20	-110/-80	-150/-100	-200/-100
USD/OMR	0.38499/502	15/25	30/50	55/75	110/140	190/240	300/350	650/750
USD/BHD	0.37697/700	15/25	30/50	40/60	70/100	100/150	170/220	370/470
USD/MAD	9.4400/4600	550/850	800/1200	1100/1700	1800/2800	2400/3400	3000/4500	3500/6500
USD/EGP NDF	17.92	18.03/18.09	18.19/18.25	18.37/18.43	18.87/18.93	19.37/19.43	19.91/19.97	-
USD/JOD	0.7095/7105	40/90	45/145	100/200	150/350	250/500	350/750	750/1750
USD/NGN NDF	363.50	364.00/365.00	365.25/366.75	366.50/368.50	372.00/375.00	379.50/383.50	387.50/392.50	(NAFEX)
USD/GHS NDF	4.8400	4.86/4.91	4.88/4.93	4.94/5.04	5.11/5.21	5.29/5.43	5.48/5.63	-
USD/TND	2.8850/9250	350/550	700/1000	1000/1500	1500/2500	2000/3500	3000/4500	5000/8000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	66.55							
Brent	76.75							

\*\* (offshore levels only)

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+28/34	+32/38	+42/48	+53/59	+64/70	+75/81	+87/93	+114/122
SAR SPREAD	+32/38	+35/41	+42/48	+49/55	+57/63	+65/71	+73/79	+95/103

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

### AND FINALLY...

Did you know that in 900AD, Baghdad was the world's most populated city?

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