

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Oil Prices Edge Higher As Iran Tensions Grow.**

Brent crude was up by over 2% at the time of writing this morning as the re-implementation of US sanctions on Iran's oil sector approach and political tensions rise. Estimates over how much Iranian oil could disappear from the market next year once the sanctions set in, ranges between 0.5 – 1.5 mio bpd and this is one regional factor helping to support prices for now, although OPEC and Russia are discussing a potential increase in output to counter any dramatic shortage in the near term (KSA currently has 1.5 mio barrels of spare capacity according to Aramco's CEO). The other factor is the ever more aggressive tone emanating out of Tehran especially following the attack on a military parade in the south-western city of Ahvaz on Saturday. The ANR, an ethnic Arab opposition movement reportedly claimed responsibility for the attack, but since then an ISIS linked website has since released a video claiming that it's followers were behind the shooting which killed 29 people and injured around 70 others. Meanwhile various Iranian officials, including President Rouhani, have accused the US and its allies of providing financial and material support to anti-government groups in Iran which they say provokes such bloodshed and have promised to retaliate. In response the US ambassador to the UN, Nikki Haley was quoted by ABC rejecting Rouhani's claim and adding, "He's got the Iranian people protesting, every ounce of money that goes into Iran goes into his military, he has oppressed his people for a long time and he needs to look at his own base to figure out where that's coming from. He can blame us all he wants, the thing he's got to do is look in the mirror."

#### **France Urges Formation Of Lebanese Government.**

Lebanon risks losing the billions of US dollars in soft loans and grants promised to it at an international donors conference in April if the country's political parties fail to form a cohesive government by the end of this year, a Lebanese MP warned today. The French Ambassador to Lebanon, has urged Lebanon's parliamentary speaker "to speed up the government formation, otherwise the money allocated for Lebanon at CEDRE will be given to other countries," Fadi Alameh was quoted as saying by the Elnashra media site. His comments follow those made by Foucher himself earlier on Monday in which he stated that, "France is keen to follow up on cabinet formation in Lebanon especially when it comes to the reforms that must be implemented by the new government in a bid to have access to the funds pledged for the country at the CEDRE conference." A similar warning was made by Lebanon's CB Governor, Riad Salame, during a CNBC interview two weeks ago in which he stated that, "The markets want

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visibility, they want to see the CEDRE resolutions to start being implemented. The economy needs fresh infrastructure to create growth and jobs, people are hopeful that this will be coming if there is a government.”

### **Saudi Arabia’s Mining Sector In The Spotlight.**

The development of Saudi Arabia’s mining sector was one of the key areas highlighted within the Kingdom’s ‘Vision 2030’ diversification plan. Now data released by the country’s official statistics agency shows that some progress has already been made, with the sector expanding by 6.30% during the first quarter of this year. Saudi Arabia has significant deposits of bauxite, gold, phosphates and copper, while raising production of the latter metal in particular is now being focused on by the Saudi Arabian Mining Company.

### **Libya’s CB Imposes Fee On FX Transactions.**

Libya’s Government of National Accord recently issued a decree imposing a 183% fee on foreign currency transactions "for commercial and personal purposes and fuel subsidies" in a move which saw the official USD/LYD exchange rate shift to 3.90 from 1.38 last Thursday. This measure was reportedly taken in an attempt to narrow the gap between the official rate and the ‘kerb’ market and is a part of the Tripoli based administration’s “economic reform” package. Meanwhile the GNA has also called on the UN to step in to help end a month of sporadic fighting between rival militia groups in Tripoli which has resulted in the deaths of 115 people thus far. Most of the recent clashes have been taking place in the suburb of Salaheddin and along the road to the international airport which has been shut since 2014. A statement issued by the GNA at the end of last week called on the UN’s envoy in Libya to “present the Security Council with the reality of the bloody events in Libya so that it can protect the lives and property of civilians”.

### **ARAMCO’s Purchase of SABIC Stake Is Good Strategy – CEO.**

Saudi Aramco’s CEO, Amin Nasser, was quoted by the FT this morning highlighting the benefits of the energy giant’s planned purchase of a majority stake in Saudi Basic Industries Corporation by stating that, “SABIC has a strong market position, and is vertically integrated, there’s a lot of synergy with Saudi Aramco. It’s a very strategically good fit with what we are aspiring to be, which is to be deeper in the downstream sector.” He also claimed that Aramco was still committed to a public listing although added that any IPO would need to wait until the purchase and integration of SABIC had been completed. Meanwhile in a separate development SABIC is preparing to conduct a number of investor meetings this week ahead of a dual-tenor US\$ denominated bond issue according to a Reuters report.

### **Egypt’s Economy Showing “Strong Signs Of Recovery” – IMF.**

The head of the IMF, Christine Lagarde, stated yesterday that the Egyptian economy was showing “strong signs of a recovery” under the government’s three-year reform plan adding that such structural changes were necessary in order for the country to achieve sustainable growth. “Egypt’s economy is showing strong signs of recovery, and its economic growth is among the highest in the Middle East. These reforms will help achieve more sustainable, inclusive and private-sector led growth which will help create jobs for Egypt’s young population, while also ensuring adequate resources are available for social protection,” she was quoted as saying via an official press statement.

### **Morocco Issues ‘Green Bond’.**

Casablanca’s Finance City announced today that it had raised MAD 335 mio via a 15 year ‘green bond’ in order to help fund an environmentally friendly real estate development program. “The issuance was completed through a private placement with the largest institutional investors of the Kingdom,” a CFC statement read according to Reuters.

### **World Bank Revises Growth Forecast on Zambia.**

The World Bank expects Zambia’s GDP growth to slip below 4% this year according to its latest review on the country. “Economic growth in 2018 is projected to be below 4 percent reflecting the poor agricultural harvest, lower copper prices and fiscal debt challenges that are crowding out private sector growth,” the report read, adding that the government’s ongoing delay in implementing fiscal consolidation measures will worsen the country’s debt load and put further pressure on its foreign exchange reserves.

### **UAE’s DarkMatter Eyes Opportunities in KSA.**

The CEO of Abu Dhabi based cybersecurity firm, DarkMatter, was quoted by the National newspaper stating that his company is currently in “advanced” discussions with the Saudi government on investment

opportunities across a range of sectors in the Kingdom, including energy, finance and telecommunications. "There's a level of strategic alignment between the UAE and Saudi, and that provides a lever on which we can build," Karim Sabbagh said.

### FX/RATES & CRUDE MARKETS:

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| Currency         | Spot           | 1M            | 2M            | 3M            | 6M            | 9M            | 12M           | 2Y        |
|------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------|
| USD/AED          | 3.6729/30      | 1/4           | 2/7           | 3/8           | 8/18          | 15/25         | 30/45         | 90/120    |
| USD/SAR          | 3.7503/05      | -4/-1         | -5/-3         | -6/-3         | -3/+2         | 5/15          | 20/35         | 140/170   |
| USD/QAR          | 3.6590/6620    | -45/-35       | -50/-30       | -60/-40       | -65/-45       | -65/-45       | -65/-45       | -65/+25   |
| USD/KWD          | 0.30255/265    | -30/-20       | -48/-38       | -70/-50       | -120/-90      | -180/-130     | -230/-180     | -325/-125 |
| USD/OMR          | 0.38499/502    | 10/25         | 25/45         | 55/75         | 110/160       | 180/230       | 300/400       | 700/850   |
| USD/BHD          | 0.37697/707    | 15/25         | 20/50         | 45/75         | 75/175        | 100/200       | 150/250       | 400/550   |
| USD/MAD          | 9.2950/3150    | 700/900       | 1000/1500     | 1200/1700     | 1800/2800     | 2400/3400     | 3000/4500     | 3500/6500 |
| USD/EGP NDF      | 17.91          | 18.04/18.10   | 18.18/18.24   | 18.34/18.40   | 18.83/18.89   | 19.33/19.39   | 19.85/19.92   | -         |
| USD/JOD          | 0.70957/105    | 50/100        | 70/170        | 100/200       | 175/325       | 275/575       | 350/850       | 725/1725  |
| USD/NGN NDF      | 362.50         | 364.00/365.00 | 365.50/367.00 | 366.75/368.75 | 374.00/377.00 | 382.75/386.75 | 391.00/397.00 | (NAFEX)   |
| USD/GHS NDF      | 4.9600         | 4.95/5.00     | 5.03/5.13     | 5.10/5.20     | 5.30/5.40     | 5.50/5.65     | 5.70/5.85     | -         |
| USD/TND          | 2.7900/8200    | 250/450       | 600/800       | 700/1200      | 1500/2500     | 2000/3500     | 3000/4500     | 5000/8000 |
| <b>Crude Oil</b> | <b>Futures</b> |               |               |               |               |               |               |           |
| WTI              | 71.95          |               |               |               |               |               |               |           |
| Brent            | 80.65          |               |               |               |               |               |               |           |

\*\* (offshore levels only)

### AED AND SAR IRS SPREADS

| Currency   | 1Y     | 2Y     | 3Y     | 4Y     | 5Y     | 6Y     | 7Y     | 10Y      |
|------------|--------|--------|--------|--------|--------|--------|--------|----------|
| AED SPREAD | +27/33 | +30/36 | +36/42 | +46/52 | +56/62 | +67/73 | +78/84 | +100/108 |
| SAR SPREAD | +36/42 | +39/45 | +44/50 | +49/55 | +56/62 | +63/69 | +71/77 | +94/102  |

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

### AND FINALLY...

Did you know that Saudi Arabia is the largest country in the world without a river?

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