

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Wood Mackenzie Warns Again Over Possible Future Oil Supply Shock.

In a new report published earlier this week, the global energy research firm Wood Mackenzie claimed that the ongoing lack of significant new oil discoveries due to chronic underspending on such exploration could lead to a serious supply gap within the next 6-7 years. “The warning signs are there the industry isn’t finding enough oil. Guyana is one of the very few giant oil discoveries made during the downturn. Fact is, we need more Guyanas, a lot more, and we need them soon. Without them, the oil market is in danger of tightening in the not too distant future. Barring technology breakthrough, we’ll need new oil discoveries. The problem is that the recent rate of commercial volumes found gives little confidence that there will be enough new discoveries to fill the gap. Spend on exploration globally has collapsed from US\$60 bio p.a. in 2014 to just US\$25 bio p.a. in 2018. The drop has fed directly through to significantly lower volumes of reserves discovered. Exploration found 8 bio bbls p.a. of commercial liquids on average in the early part of this decade; it’s only delivered around 2 bio bbls p.a. in the three years since 2014. The oil market could be running short of oil capacity by the late-2020s at the current, low discovery rate. That’s worryingly near at hand given it takes the best part of 10 years for the average new discovery to build to peak production even with a marked improvement in project execution post-downturn,” the report read and which you can access in more detail here.

Israel Claims Iran Is Hiding Nuclear Material.

During his speech at the UN yesterday the Israeli Prime Minister, Benjamin Netanyahu, accused Iran of hiding atomic material at a secret warehouse in Tehran, and called on the IAEA to immediately inspect the site for radiation. “I am disclosing for the first time that Iran has another secret facility in Tehran, a secret atomic warehouse for storing massive amounts of equipment and materiel from Iran’s secret nuclear program,” Netanyahu alleged, adding that since his country’s agents had managed to steal thousands of classified documents from Iran earlier this year this particular site had been closed down and the material scattered across different locations around the city. “Since we raided the atomic archive, they’ve been busy cleaning out the atomic warehouse. Just last month

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they removed 15 kilograms of radioactive material. You know what they did with it? They took it out and they spread it around Tehran in an effort to hide the evidence.” In response to Netanyahu’s claims an Iranian Foreign Ministry spokesperson was quoted by Reuters as saying that, “The world will only laugh loudly at this type of false, meaningless and unnecessary speech and false shows.”

Five Year Bahrain Support Plan Mooted – Government To Implement VAT & Other Reforms.

Various media reports yesterday suggested that a 5 year financial support package for Bahrain is close to being approved by the UAE, Saudi Arabia and Kuwait. The amount allegedly under negotiation is US\$10 bio according to Bloomberg, and could be comprised of deposits and low-interest rate loans which would allow Bahrain to meet its financing requirements for that period of time while the government there moves forward with implementing further structural reforms, including the implementation of VAT. Bahrain’s parliament is due to hold an extraordinary session next month in order to pass two reform related laws, the first will allow changes to the country’s current pension system and the other is linked to valued-added-tax. The IMF said earlier this year that fiscal steps already undertaken by the government this year should reduce the budget deficit to around 11% from 14% in 2017. Meanwhile a statement issued by JP Morgan this week confirmed that Bahrain, Kuwait, Saudi Arabia and the UAE will become eligible to be added to JP Morgan’s EM bond index from the 31st of January next year.

General Strike Begins In Nigeria – Oil Production Not Affected As Yet.

Two of Nigeria’s largest labour unions including the NLC and the TUC, began a nationwide ‘warning’ strike yesterday after failing to reach an agreement with the government over pay and working conditions following months of talks. Thus far it appears the strike has led to the closure of a number of government offices, schools and banks but a spokesperson for the Nigerian Petroleum Corporation claimed that this action has not affected the country’s oil production yet. His comments were echoed by the head of the ‘Petroleum & Natural Gas Senior Staff Association of Nigeria’ who was quoted by Reuters stating that ““We are not shutting down production.” Nigerian oil output averaged 1.725 mio bpd in August this year.

Kenya’s CB Governor Says Interest Rate Cap “Is Strangling The Economy.”

Despite anticipating 6.20% GDP growth for Kenya this year, the Central Bank Governor, Patrick Njoroge, has called on the government to scrap its lending rate cap on commercial banks which was introduced two years ago. “While we talk of buoyant economy, the impact is not felt downstream. I dare say people don’t eat GDP. It is because the cap on commercial interest rates is strangling the economy,” Njoroge was quoted as saying by the Standard newspaper this week, adding that the bank would continue to engage with legislators to change this particular law. “We cannot give up. We will pick the issue with relevant policy makers and illustrate to them effects of capping interest rates,” he said. President Kenyatta also admitted recently that the cap has had “unintended consequences.”

Ghana Set To Pursue A 100 Year Bond Issuance.

Ghana’s Finance Minister, Ken Ofori-Atta announced this week that his government was still planning to offer a US\$5-10 bio ‘century’ bond by the end of this year. “I think the concept will be in there and the fundraising will begin immediately after the budget. We are excited about it because we have gone through the worst of times as a country and certainly we need to increase liquidity in the system. We hope to issue this bond as a shelf offering with zero interest in the first five years, hoping that it will give time for results from the intended purpose,” the minister was quoted as saying by the ‘Modern Ghana’ news site. If this proposed issuance does take place it will be the first 100 year bond to be sold by an African country, but considering the changing global financial market environment it remains highly questionable how many foreign investors will be attracted to such a security.

Morocco Could Seek To Renew Liquidity Line With IMF.

Morocco’s Central Bank Governor, Abdellatif Jouhari, was quoted by the ‘North Africa Post’ suggesting that the Ministry of Finance was preparing to issue an international bond next year. Most analysts expect the size of the bond to be around US\$1 bio. Jouhari also suggested that the government may look to renew a IMF precautionary liquidity line (which expires later this year) if higher oil prices threatened to affect the economy.

Three Sharjah Based Banks May Merge.

According to an article published on the 'Gulf Business Magazine' website, the government of Sharjah is considering a potential merger of the Bank of Sharjah with Invest Bank and United Arab bank to achieve economies of scale. This news, which is still to be officially confirmed, follows the announcement earlier this month by Abu Dhabi Commerical Bank in which it revealed that it had begun potential merger discussions with Union National Bank and Al Hilal.

Egypt Keeps Interest Rates Unchanged.

As had been expected, the Egyptian Central Bank kept its benchmark o/n deposit and lending rates unchanged at 16.75% and 17.75% respectively, following its regular MPC meeting yesterday. A statement issued by the bank following its decision read; "Keeping key policy rates unchanged remains consistent with achieving the target path for headline inflation that was announced in May 2017, namely 13% (±3%) in 2018 Q4, and single digits after the temporary effect of fiscal supply shocks dissipates."

Inflation In Zambia Eases.

Zambia's CPI rate dipped to 7.90% this month from 8.10% in August according to the latest data released by the country's official statistics agency.

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	2/7	4/9	9/14	15/25	28/38	90/120
USD/SAR	3.7501/03	-5/-2	-5/-2	-5/Par	-4/+1	4/9	20/35	100/130
USD/QAR	3.6570/90	-55/-35	-60/-40	-70/-50	-90/-70	-100/-70	-110/-80	-150/-25
USD/KWD	0.30315/325	-30/-20	-55/-40	-75/-55	-135/-115	-185/-155	-240/-190	-350/-150
USD/OMR	0.38497/500	10/25	25/45	50/70	100/150	170/220	270/370	625/725
USD/BHD	0.37697/705	12/22	25/40	40/60	70/120	100/200	125/225	400/525
USD/MAD	9.3700/3900	400/700	700/1200	1100/1700	1800/2800	2400/3400	3000/4500	3500/6500
USD/EGP NDF	17.91	18.02/18.08	18.19/18.25	18.34/18.40	18.84/18.90	19.34/19.40	19.84/19.90	-
USD/JOD	0.7095/7105	50/100	70/170	100/200	175/325	275/575	350/850	725/1725
USD/NGN NDF	362.50	364.50/365.50	365.00/367.00	367.00/369.00	374.00/377.00	382.00/387.00	391.00/396.00	(NAFEX)
USD/GHS NDF	4.8800	4.94/4.99	5.00/5.05	5.05/5.15	5.24/5.34	5.43/5.58	5.62/5.77	-
USD/TND	2.8250/8550	250/450	600/900	700/1200	1500/2500	2000/3500	3000/4500	5000/8000
Crude Oil	Futures							
WTI	72.25							
Brent	81.90							

** (offshore levels only)

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+28/34	+31/37	+37/43	+47/53	+57/63	+68/74	+79/85	+101/109
SAR SPREAD	+34/40	+37/43	+41/47	+46/52	+52/58	+58/64	+66/72	+89/97

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

AND FINALLY...

Did you know that Rwanda has the world's highest representation of women in parliament? More than 64% of Rwanda's MPs are female.

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