

Market Insights & Strategy

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MIDDLE EAST & AFRICAN MONITOR

Trump's Return – What Could It Mean For The MENA Region?

So it's 'Back to the Future' for the White House next year, as Donald Trump prepares to take up his second term in office following a race that ended up being far less tight than almost every survey and poll (including ourselves) had expected. Admittedly the pollsters did predict that the Republicans would retake control of the Senate, but while the outcome for Congress remains in the balance, even there the Republicans look set to hold onto their majority. This in turn would give Trump the significant achievement of winning both chambers as well as the popular vote and enable him to fully pursue his plans for the country. He is also the only President, aside from Grover Cleveland in the late 1800s, to leave the White House and return for another term four years later. How he managed to win so convincingly will be debated and dissected ad nauseum in the months ahead, but it seems to have been a range of factors, from the inability of Harris to separate herself from Biden, the lingering impact of inflation after COVID in voters' minds, as well as the late boost for Trump from important nonpolitical actors such as Elon Musk and Joe Rogan. The apparent failure by many of the Gen-Z generation who had recently reached voting age to turn out and vote, due to a mixture of apathy and protest, played its part too, as did the Gaza conflict which turned off many Arab Americans who had traditionally always voted for the Democrats. With all this in mind, it should also be noted that one true positive of Trump's clear outright win, is that the key risk of a major domestic political crises with recounts and court cases has been nullified. Certainly, the often angry and fractious divisions between both sides of the political spectrum in America are not set to be resolved anytime soon, but at least this has not been exacerbated by a delayed outcome to the vote.

Now what might his return mean for the Middle East region? One early loser will probably be Iran, with a Trump administration certain to restore its maximum pressure campaign on Tehran after it had been eased somewhat by President Biden since 2021, and which in turn allowed the country to increase its crude oil exports to as high as 2 mio bpd earlier this year, compared to an average of 775,000 bpd during Trump's term in office. This expectation is clearly highlighted by the Iranian Rial's fall to a record low against the US dollar this week as it became clear that their nemesis was going to win reelection. Elsewhere, the Israeli government appears likely to continue to expand its fight against Iranian proxies in the region (especially Hezbollah) and attempt to further degrade Iran's military capabilities in the weeks ahead. Netanyahu's sudden dismissal of his Defence Minister, Yoav Gallant on Tuesday night and replacing him with Israel Katz (who has no real military experience but is a well-known Netanyahu loyalist), further underlines this possibility. It's also not a surprise on the timing of the Prime Minister's removal of Gallant, which came at a time when the US was focused entirely on its election (Netanyahu was also the first world leader to congratulate Trump). In terms of domestic Israeli politics, Gallant is respected and liked by the majority of Israelis, underscored by the street protests which erupted in Tel Aviv and elsewhere after the news of his dismissal broke.

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Trump's imminent return is understandably seen by many analysts as a positive for Netanyahu, and this was highlighted in recent comments made by the former Israeli ambassador to the US, Michael Oren, who was quoted as saying by 'AP News' that Trump has the "*most pro-Israel record of any President,*" adding "*the hope is here that there'll be more of the same.*" However this may not be a given, especially after Trump [reportedly](#) told the Israeli Prime Minister back in July this year that the war in Gaza must end before he re-enters the Oval Office in January next year. The situation in the Levant is also very different now then it was back in 2020, while the subject of Iran could also strengthen Trump's position with President Putin, especially as Russia has come to depend on Iranian support for its battle with Ukraine. Thus it can't be ruled out that Trump could offer to restrain Israel on Iran in order to get Moscow to enter into ceasefire negotiations with Kyiv. Equally when it comes to Ukraine, Trump could threaten to cut off US military and financial support to Zelensky's government in order to persuade them into such negotiations, while at the same time encourage the EU to also get on board by again threatening to pull the US of NATO.

With regards to the GCC, and despite the fact that President Trump appeared to have better personal relations with most of this region's leaders during his first term than President Biden, we don't expect to see any dramatic change in terms of Washington's close ties and day-to-day dealings with the Gulf States. However, we could see a fresh push by a Trump administration to get a still elusive KSA/Israel deal done, although admittedly that will be fraught with hurdles at least in the near term and is probably not possible until there is an end to the conflict in the Levant as well as some real clarity on the future for both Gaza and of course the Palestinians. On the other hand, the incoming US President may be more forthcoming on reaching a bilateral agreement on supporting the development of Saudi Arabia's nuclear energy sector if it is profitable to American firms. Meanwhile, some analysts have suggested that Trumps' campaign promise to deregulate the conventional oil and gas sector at home, will lead to lower energy prices and thus negatively impact fossil fuel revenues for the GCC producers. However, US oil and gas output was certainly not affected much under Biden, with US crude production in particular continuing to hit new record highs over the past two years. And as we have stressed in several of our previous commentaries, US shale oil production appears to be close to peaking due to various reasons (but especially geological factors rather than regulatory constraints) and thus the sharp output gains seen in recent years driven primarily by better efficiencies and new technology is unlikely to be repeated in the years ahead. Trump could also face internal pushback on any plan to cancel the Biden administration's 'Climate Law,' as most of the investments, subsidies and jobs connected to this policy are in Republican congressional districts. Ironically too, although Trump has threatened to "*end the electric vehicle mandate on day one,*" he has also aligned himself very closely with Elon Musk, owner of the largest EV car manufacturer in the country, so it remains to be seen how aggressive he will actually be on these specific issues.

And finally, when it comes to Egypt, we similarly do not see any real change in the current stable relations between Washington and Cairo. However, a swift end to the war in Gaza by early 2025, could also lift the year-long disruption to commercial shipping transiting the Red Sea, and in turn see Egyptian revenues generated by the Suez Canal begin to recover. The importance of the Canal's revenues cannot be underestimated, as they usually contribute more than US\$9 bio per annum to Cairo's coffers, but have fallen by more than 60% this year due to the regular Houthi rebel attacks on vessels in the area which has forced the bulk of marine carriers to use the longer Cape of Good Hope route instead.

Continued...

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	-4/-2	-10/-7	13/-10	-20/-17	-26/-21	-32/-27	-65/-35
USD/SAR	3.7560/65	8/11	15/18	22/27	43/48	65/70	92/102	200/250
USD/KWD	0.30657/677	-90/-70	-190/-160	-270/-220	-490/-440	-675/-625	-700/-650	-1225/-725
USD/OMR	0.38500/505	-9/-4	-10/-5	-10/Par	-5/+5	-10/+20	-5/+25	Par/+175
USD/BHD	0.37696/701	13/18	27/32	38/48	80/90	120/150	160/190	200/550
USD/MAD	9.8300/9.8600	On request	On request	On request	On request	On Request	On Request	On request
USD/EGP NDF	49.2904	49.95/50.15	50.60/50.90	51.45/51.75	53.65/53.85	55.80/56.10	57.90/58.20	-
USD/JOD	0.7095/0.7100	50/150	100/300	125/325	300/600	450/950	700/1200	800/1800
USD/NGN NDF	1678.05	1690.00/1720.00	1715.00/1745.00	1740.00/1790.00	1810.00/1870.00	1880.00/1980.00	1970.00/2070.00	(NAFEX)
USD/GHS NDF	16.3500	16.75/17.05	16.85/17.15	17.00/17.50	17.40/17.90	17.85/18.45	18.35/19.35	-
USD/TND	3.0700/3.1000	On request	On request	On request	On request	On request	On request	On request
Crude Oil	Futures							
WTI	\$71.80							
Brent	\$75.20							

** (GCC FX indications above are offshore levels only)

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SOFR Spread	-1/+9	+10/20	+20/30	+29/39	+38/48	+44/54	+46/56	+56/66
SAR SOFR Spread	+94/104	+94/104	+94/104	+95/105	+96/106	+97/107	+99/109	+106/116

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

AND FINALLY...

Did you know that the 18th US President, Ulysses S Grant, was given a \$20 speeding ticket for riding his horse and buggy too fast down a street in Washington DC?

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