

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

OPEC+ Agrees On Output Cut Draft Proposal - But Hurdles Remain.

The larger OPEC+ members, including Saudi Arabia and Russia agreed on an outline for production cuts last night. This proposal involves a 10 mio bpd cut which will be increased by a further 5 mio bpd reduction from non-OPEC members in April, if the latter can agree to the additional amount. Discussions on this are due to take place at the G20 gathering today. If passed the cut will be adjusted to 10-12 mio bpd in May and June, and then lowered again in July to 8 mio bpd until the end of this year. Then it will be reduced to 6 mio bpd until April 2021, however some countries are not fully onboard yet with Mexico reportedly refusing to sign the initial 10 mio bpd cut. The key questions now are will other producers agree to the additional 5 mio bpd today, and what will any US participation consist of? The latter point was an initial key demand by Russia. The Texas energy regulator is due to hold talks with the state's producers on April 14th to discuss possible cuts. (Texas currently produces around 5 mio bpd). The second question is will it be enough to stabilize the market in an environment of continued demand destruction? Brent futures slipped by almost 4% to US\$31.50 last night as concerns rose again that a comprehensive and sizeable deal may not be possible. Our opinion is that a 15 mio bpd cut is the minimum needed to provide some near term price support, and slow the rate of flow into global storage facilities where spare capacity is rapidly declining.

Major US Refineries Reduce Run-rates - Occidental Calls On Federal Govt To Assist Oil Sector.

BP has slowed the run-rate at three of its largest refineries in the US to around 80%, due to declining demand by domestic consumers and a lack of storage space according to Reuters. Meanwhile the largest producer of shale oil in the Permian basin, Occidental Petroleum, has reportedly called on the US Federal Government to provide financial assistance to the oil industry, while at the same time opposing the Texas regulator's call for US shale companies to join a global output cut. "It is

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Occidental's position that the surge in the supply of oil coupled with the decline in oil demand will resolve itself without state regulatory interference," the company apparently told the Railroad Commission the state's oil regulator last week, according to the 'World Oil' website. Occidental's comments mimic those made by President Trump on Monday in which he was quoted as saying; *"The cuts are automatic if you are a believer in markets."* However any fresh government funding for the already heavily indebted US oil industry will probably face major political opposition in both the house and the senate.

Canadian Oil Sands Production Hits A Wall.

According to a new report by Rystad Energy, Canada's oil production has fallen by 325,000bpd as drillers shutdown their output, and the research firm estimates that output could fall even further to more than 1.1 mio bpd during Q2 of this year. It should be noted that given the situation in Canada's oil sands region, the country was apparently not asked to join a new OPEC+ production cut agreement yesterday.

Iran Places Anti-Ship Missiles Near Strait Of Hormuz.

Iran's military has recently began deploying a range of anti-ship missile and rocket batteries along the eastern entrance to the Strait of Hormuz, including Qeshm Island, according to the 'Forbes' news site. The weapons systems allegedly include the Fajr-3 and Fajr-5 MLR batteries, as well as the anti-ship Khatam-5 missile, which is derived from the Chinese C-802 system and is similar to the US Navy's harpoon. You can read more details on this story [here](#). Iran has also reportedly re-started harassing foreign- flagged vessels passing through the strait, including a US container ship last week.

New Prime Minister Appointed In Iraq.

The Iraqi President nominated Mustafa Al Khadimi as the country's new Prime Minister earlier this week, the third such appointment in less than 3 months. This announcement follows the resignation of Adel Abdul Mahdi, who like his predecessor failed to get a government cabinet approved by parliament. Khadimi now has 30 days to try and get his cabinet passed by MPs but even if he does, the country is facing massive social and economic challenges which have now become even more pressing due to the global economic slowdown, low oil price and COVID-19 pandemic. Khadimi has been in charge of Iraq's National Intelligence Service since 2016 and is believed to have good relations with the US and regional powers, according to the 'National' newspaper.

Arab Coalition Declares Ceasefire In Yemen.

The Arab Coalition declared an immediate two-week ceasefire in Yemen yesterday and the US has called on the Houthis to follow suit. *"The announcement is a constructive response to the UN Secretary-General's call for parties to focus on countering the COVID-19 pandemic. We urge the Houthis to respond in kind to the coalition's initiative,"* the US Secretary of State, Mike Pompeo, was quoted as saying. Meanwhile Saudi Arabia has said it will provide US\$500 mio towards the UN's humanitarian response program in Yemen this year, as well as an additional US\$25 mio to help combat the spread of the corona virus there.

Abu Dhabi Conducts US\$7 Bio Bond Issuance.

The Emirate of Abu Dhabi priced a three-tranche US\$7 bio sovereign bond issuance on Wednesday. The US\$2 bio 5Y tranche came in at T+220bps, the US\$2 bio 10Y tranche priced at T+240bps, whilst the US\$3 bio 30Y was priced T+271bps. All three tranches were priced 45 bps inside their IPTs according to Bloomberg.

Nigeria To End Its Fuel Subsidy System.

Nigeria's state-owned oil company NNPC has announced an end to the country's decades long fuel subsidy system. *"What we are putting in place today is a situation where market forces will take control of prices and eliminate subsidy,"* Mele Kyari, the Group Managing Director of the Nigerian National Petroleum Corporation was quoted as saying yesterday by Bloomberg.

Bahrain Suspends Municipal Rent Fees.

Bahrain has announced that it will waive rents on all municipal properties for a period of three months in an effort to lessen the impact of the economic slowdown on businesses in the Kingdom. This follows a separate move by the government on Wednesday whereby it said it will support the wages of 100,000 Bahraini citizens employed within the private sector from April to June this year.

Saudi Arabia's SWF Buys Stake In Carnival Corp.

Saudi Arabia's Public Investment Fund has purchased an 8.20% stake in Carnival Corporation for around US\$420 mio, thus becoming the world's leading cruise lines' third largest shareholder according to S&P Capital IQ.

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	4/9	12/17	20/30	30/50	55/75	90/110	200/300
USD/SAR	3.7605/45	2/7	5/15	7/17	20/40	40/60	65/85	250/350
USD/KWD	0.30935/31235	20/30	30/55	50/80	95/125	145/185	190/240	375/475
USD/OMR	0.38490/510	110/160	270/370	400/500	850/1050	1250/1550	1700/2100	3000/4000
USD/BHD	0.37725/775	-15/+5	-15/+10	-15/+15	-10/+20	-5/+35	Par/+50	200/600
USD/MAD	10.0700/2300	100/300	200/500	400/900	800/1500	900/1900	1200/2500	2000/4500
USD/EGP NDF	15.7500	15.88/16.03	16.05/16.20	16.27/16.42	16.93/17.08	17.55/17.70	18.15/18.30	-
USD/JOD	0.7090/7110	40/90	70/170	110/210	225/425	300/500	450/700	700/1700
USD/NGN NDF	387.13	396.00/406.00	406.00/416.00	417.00/427.00	447.00/457.00	471.00/481.00	490.00/500.00	(NAFEX)
USD/GHS NDF	5.7700	5.84/5.94	5.93/6.03	6.01/6.11	6.28/6.38	6.58/6.73	6.88/7.03	-
USD/TND	2.8770/9270	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	3500/6500
Crude Oil	Futures							
WTI	23.50							
Brent	32.05							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+42/52	+49/59	+57/67	+67/77	+77/87	+83/93	+87/97	+104/114
SAR SPREAD	+51/61	+74/84	+93/103	+110/120	+127/137	+140/150	+150/160	+177/187

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

Indication Levels Only – Please contact our trading desk for any live pricing and/or information.

AND FINALLY...

Did you know that it takes a supertanker around 20 minutes to stop when sailing at its normal speed?

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