

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Price Pressures Will Overtake Arguments Over Potential US Crude Output Quotas.

The Texas energy regulator's meeting with various stakeholders on Tuesday, which was aimed at implementing a mandatory cut to oil production in the state, ended without agreement. Some firms expressed the opinion that if Texas was the only state to follow such a plan then others would have an unfair advantage. However the discussions are not completely over yet, especially as other oil states are beginning to consider the same. For example Oklahoma's energy regulator is due to meet on May 11th to discuss the topic, whilst ConocoPhillips announced yesterday that it was voluntarily lowering its production by 200,000 bpd and slashing its capital expenditure at its US and Canadian fields "until market conditions improve." Meanwhile in its most recent report the EIA said it expects a widespread decline in across all the major shale basins in the US during this month and the next due to the current environment. So, with WTI now at an almost 20-year low, we continue to expect US production to fall faster than initially indicated by officials in the coming months, especially with US storage capacity almost full and major refineries there shutting down (eg: Cushing).

Thousands Of Jobs Likely To Be Lost In US Oil Sector.

The research house Rystad Energy, said in a recent report that around 240,000 oil-related jobs are likely to be lost this year in the US. Meanwhile the head of PWC's US Energy Services Advisory arm, was quoted as saying by the Houston Chronicle newspaper yesterday that; "COVID-19 and oil price volatility have amped up the pressure facing the oil and gas industry, and there will be a time and place to reflect on lessons learned. For the immediate future and next 12 to 18 months, it is time for the industry to replace hoping for higher prices with resetting their strategies and cost structures based on the low cycle, which means shrinking."

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Revolutionary Guard Units Buzz US Navy Vessels In Gulf.

A spokesperson for the US Fifth Fleet has said, that several IRGC gun boats harassed six US Navy ships sailing within international waters through the Arabian Gulf, in two separate incidents on Wednesday. In our previous commentaries we have previously highlighted the risk of an increase in such events, including Iranian backed militia activity in Iraq and elsewhere in the region, as Tehran tries to distract from its economic troubles at home. *"We've seen this before, where the Iranians behave in ways that were inconsistent with international law, we've talked as a team we've talked across the interagency. We're evaluating how best to respond and how best to communicate our displeasure with what took place,"* The US Secretary of State, Mike Pompeo, was quoted as saying about this week's events at sea. Meanwhile, a Hong Kong flagged tanker was allegedly boarded by unknown gunmen as it was anchored in the Gulf of Oman on Tuesday. According to the marine intelligence house 'Dryad Global', the vessel was later seen in Iranian waters before being released. You can read more on this story [here](#).

Lebanon's Economy To Shrink By 12% This Year – IMF.

In its latest country report, the IMF said that it expects Lebanon's economy to shrink by a further 12% this year, after contracting by 6.50% in 2019. The international lender also saw inflation rising to 17% in 2020. The head of Lebanon's banking association argued earlier this week that his country will have to approach the IMF for financial assistance. *"This is the best and available course in light of the impossibility of seeking the help of traditional regional and international parties as in previous crises due to local and external obstacles compounded by the coronavirus crisis,"* Salim Sfeir was quoted as saying by the 'Asharq al-Awsat' newspaper on Tuesday. Meanwhile some protesters have reportedly returned to the streets again, after the country's Central Bank issued a circular yesterday, stating that all nonbank institutions like Western Union must settle inward money transfers in LBP and at the "market-rate".

G20 Agreement On Debt Moratorium For Developing Countries.

The G20 grouping, which is currently chaired by Saudi Arabia, agreed this week to support a one-year freeze on the debt repayments due by 76 developing nations, 40 of which are in Africa. *"We support a time-bound suspension of debt service payments for the poorest countries that request forbearance. All bilateral official creditors will participate in this initiative,"* the G20 statement read. This decision follows an earlier IMF move on Monday, to suspend the debt repayments due to it by 25 countries, most of whom are also in Africa, for a period of six-months. The countries granted temporary relief by the IMF are: Afghanistan, Benin, Burkina Faso, Central African Republic, Chad, Comoros, the DRC, Gambia, Guinea, Guinea-Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone, Solomon Islands, Tajikistan, Togo, and Yemen.

Egypt's FX Reserves Dip.

Egypt's net FX reserves fell to US\$40.10 bio last month, although this is still the equivalent of eight-months of import cover. *"The central bank has utilized US\$5.4 billion from its net international reserves balances during March, to partially cover foreign portfolio investment outflows through the central bank's foreign exchange repatriation mechanism and accommodate for the domestic market's foreign currency needs to import strategic goods, as well as for the repayment of external debt service obligations,"* a statement by the CBE read. Despite the severe global economic impact of COVID-19, the Egyptian economy is still expected to expand by 2.00-2.50% this year, supported in part by its agricultural sector, government stimulus measures and ongoing domestic demand.

Saudi Arabia Pledges US\$500 Mio Towards Global COVID-19 Fight.

Saudi Arabia yesterday pledged US\$500 mio towards combatting the spread of Covid-19. The funds will be allocated as follows: US\$150 mio to the 'Coalition for Epidemic Preparedness and Innovation', US\$150 mio to the 'Global Alliance for Vaccines and Immunizations', and US\$200 mio to various other international and regional health organizations.

Zambia Threatens To Cancel Glencore's Mining License.

A feud between Glencore Plc and the Zambia government worsened this week, after the company's local CEO was reportedly stopped from leaving the southern-African country and detained *"on suspicion that he was fleeing the country without informing the government,"* according to Zambia's state-owned media outlet. The dispute began, after Glencore announced on April 7th that it would have to suspend production at its

Mopani Mine due to falling metal prices, disrupted logistics and travel restrictions caused by the COVID-19 pandemic. This decision has been slammed by the government, claiming that such a move was illegal. *"They've been given seven days to show why their license should not be cancelled or revoked,"* Zambia's Mining Ministry's permanent secretary, Barnaby Mulenga, was quoted as saying by Bloomberg. An earlier statement by Glencore had said that; *"Workers affected by its plan to put Mopani Copper mines on care and maintenance would get basic pay and contractors would receive an ex gratia payments, over and above what is required by our contractual agreements"*.

Global EV Sales Expected To Fall By 43% - Wood Mackenzie.

In a recent publication, Wood Mackenzie says that it expects global electric vehicle sales to drop 43% y/y from 2.2 mio in 2019 down to 1.3 mio this year. *"With a global recession now looming, EV sales will take a major hit. Consumers may be more averse to the risk of adopting new technologies. Many will postpone car purchases altogether,"* the report read, and which you can access in full [here](#).

Etihad Airlines Plans To Restart Passenger Flights In May.

The UAE based Etihad Airways is preparing to introduce a reduced network of scheduled passenger flights from May 1st to June 30th, subject to UAE government travel restrictions being lifted. *"The monumental challenges being faced by all airlines, and our customers, have been beyond measure. However, we remain cautiously optimistic and will push ahead with our plans to resume normal flying, while striving to better serve and support our customers and our employees. While the intention is to assume a 'business as usual' approach to the restart of our operations, the aviation landscape has changed, and how it will look month by month is difficult to predict,"* Etihad's Group CEO, Tony Douglas, was quoted as saying by the 'National' newspaper yesterday.

Elsewedy Wins Power Contract In UAE.

Egypt's Elsewedy Electric's UAE local subsidiary has been awarded a AED 124 mio transmission lines contract in Dubai.

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	4/7	8/14	15/25	25/45	50/70	80/100	200/300
USD/SAR	3.7540/7580	8/13	10/20	15/25	35/55	50/80	100/130	350/400
USD/KWD	0.30955/31255	15/25	25/45	40/70	95/125	125/175	180/230	350/450
USD/OMR	0.38500/530	70/120	180/280	300/400	650/850	1000/1300	1500/1800	3000/4000
USD/BHD	0.37750/800	-10/+10	-10/+10	-10/+10	-10/+20	-5/+35	10/60	200/600
USD/MAD	10.0100/10.1100	100/300	200/500	400/900	800/1500	900/1900	1200/2500	2000/4500
USD/EGP NDF	15.7550	15.93/16.03	16.13/16.23	16.33/16.43	16.93/17.03	17.53/17.63	18.13/18.23	-
USD/JOD	0.7090/7110	40/90	70/170	110/210	225/425	300/500	450/700	700/1700
USD/NGN NDF	387.65	396.00/406.00	409.00/419.00	418.00/428.00	448.00/458.00	474.00/484.00	492.00/502.00	(NAFEX)
USD/GHS NDF	5.7933	5.84/5.94	5.93/6.03	6.02/6.15	6.30/6.45	6.60/6.75	6.85/7.05	-
USD/TND	2.8850/9350	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	3500/6500
Crude Oil	Futures							
WTI	19.65							
Brent	28.40							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+48/58	+52/62	+57/67	+68/78	+80/90	+86/96	+90/100	+105/115
SAR SPREAD	+55/65	+76/86	+95/105	+113/123	+129/139	+145/155	+155/165	+182/192

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 the oldest-known copper ornament is an 11,000 year-old pendant, which was discovered in the northern region of modern-day Iraq?

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