

# Market Insights & Strategy

Global Markets

27<sup>th</sup> April 2020

## MIDDLE EAST & AFRICAN MONITOR

- **WTI Eases Back As Storage Problems Continue.**
- **Many Independent US Oil Firms May Soon Have To Restructure.**
- **Lebanon's Parliamentary Speaker Slams PM's Criticism Of CB Governor.**
- **Separatists End Ceasefire With Yemen's Government.**
- **Saudi Arabia Signs COVID-19 Testing Agreement With China.**
- **Egypt Approaches IMF For Financial Support.**
- **IMF Considers Emergency Funding Request By Nigeria.**
- **Kuwaiti Banks Allocate KWD2 Bio Towards 'Soft-Loans' Program.**
- **S&P Amends Outlook For Sharjah & Ras Al Khaimah.**
- **Serba Dinamik Wins US\$1.78 Bio Contract In UAE.**

### REGIONAL COMMENTARY

#### **WTI Eases Back As Storage Problems Continue.**

After a brief respite late last week, oil prices opened lower again today with WTI down over 7% to \$15.70 on the back of continued concerns over dwindling crude storage capacity, with Cushing the largest such facility in the US, reportedly no longer accepting any new tank lease requests. Expectations are that Cushing will be full by late May at the current rate of supply. US gasoline stocks too are now close to a 30 year high, with North American refineries reducing their operations by 30-40% of their total capacity on average. Meanwhile the number of active oil rigs in the US fell again last week to 378. This compares to over 800 rigs a year ago, and is the lowest number since 2016. In Canada the picture is even bleaker with just 30 oil rigs operating last week, the lowest level in 20 years.

#### **Many Independent US Oil Firms May Soon Have To Restructure.**

According to the Energy-related law firm, Haynes & Boone, around half of the top 60 independent oil producers in the US are in danger of restructuring. *"The reverberations from this price collapse will be felt throughout the industry and by everyone who provides services to the industry,"* a partner at the firm was quoted as saying by Reuters. Meanwhile the deep-water rig contractor, Diamond Offshore Drilling Inc, has reportedly filed for bankruptcy protection. The company listed US\$5.8 bio of assets and US\$2.6 bio debt (as at the end of 2019) in its Chapter 11 petition, with around US\$434.9 mio of cash on hand, according to the 'worldoil' website.

#### **Lebanon's Parliamentary Speaker Slams PM's Criticism Of CB Governor.**

Lebanon's parliamentary speaker, Nabih Berri has strongly objected to last week's apparent public criticism of the Governor of the Banque du Liban, Riad Salameh, by Prime Minister Hassan Diab. *"I am not defending Salameh or anyone, I am defending Lebanon, and if the*

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*Central Bank of Lebanon does not remain, then everyone knows that depositors' funds are gone forever," Berri was quoted as saying. His defence of the governor was supported by Lebanon's Maronite Patriarch, Beshara al-Rahi. "We were expecting the premier to announce the government's fair and necessary reformist plan, that would eradicate the main flaws, corruption, fund waste, theft, shady deals and looting, but we were surprised by his final verdict against the central bank governor without hearing him or giving him the right to defend himself in a scientific way. The way that he targeted and insulted the dignity of the person and the institution is totally unacceptable. We ask: who benefits from undermining the central bank governorship? Those who would benefit know but we know the dire consequences that would result from this, which will be the destruction of the confidence of the Lebanese and the world countries in our state's constitutional foundations. Is this approach that doesn't resemble our Lebanese political system part of a plot to change the face of Lebanon? It seems so!" al-Rahi was quoted as saying yesterday by the 'Naharnet' news site. These reactions come after the Prime Minister claimed in a speech given at the Presidential Palace last Friday that: "There are big gaps in the Central Bank, a gap in the performance, a gap in the strategies, a gap in honesty and clarity, a gap in the currency policies, and a gap in the calculations." Meanwhile a small explosive device was reportedly thrown at a branch of Fransabank in southern Lebanon on Saturday, damaging the front and roof of the building, although the branch was apparently closed at the time.*

### **Separatists End Ceasefire With Yemen's Government.**

A separatist group in Yemen called the 'Southern Transitional Council', announced this past weekend that they planned to begin governing the southern provinces themselves, including the port city of Aden, after pulling out of a peace accord with President Hadi's government. Yemen's Foreign Minister, Mohammed Al-Hadhrami, slammed the move as a resumption of the group's "armed insurgency and rejection and complete withdrawal from the Riyadh agreement." This sudden decision by the STC has also been criticized by the Saudi-led Arab Coalition, who in a statement called on all parties to "give priority to the interests of the Yemeni people over any other interests". You can read more on this development [here](#).

### **Saudi Arabia Signs COVID-19 Testing Agreement With China.**

China will provide Saudi Arabia with 9 million COVID-19 test kits, 500 specialist technicians and 6 test laboratories (including a mobile one) following the signing of a US\$265 mio agreement yesterday. Once in place it will allow the Kingdom to conduct up to 60,000 tests a day, according to the report by the 'Arab News' media outlet. "The large number of tests provided for in this agreement clearly indicates that the Kingdom is in a race against time to diagnose cases and to work to isolate them in a way that reduces the risks from this pandemic," Dr Abdullah Al-Rabeeah, chairman of Saudi Arabia's negotiating and purchasing committee, was quoted as saying. As of yesterday the Kingdom had 17,522 cases of coronavirus.

### **Egypt Approaches IMF For Financial Support.**

Egypt has approached the IMF for a new support package under its existing agreements. The government said last week that this decision was taken in order to preserve the positive economic progress made by the North African country in recent years. "Like many countries around the world, Egypt's economy has been impacted by the COVID-19 outbreak, the related global recession, and financial markets turmoil. President El Sisi and his Government have responded quickly and decisively with measures to limit its spread and provide support to affected people and businesses. The Central Bank of Egypt has also implemented timely measures to support the domestic economy. To support these efforts and contain the economic and financial impact of the pandemic, the Central Bank and the Government of Egypt have requested financial assistance from the IMF under the Fund's Rapid Financing Instrument (RFI) and a Stand-By Arrangement (SBA). The emergency financing under the RFI will allow the government to address any immediate balance of payments needs and support the most affected sectors and vulnerable groups of people. I expect the request for the RFI to be presented to the IMF's Executive Board within the next few weeks," a statement issued by the international lender read. You can access this statement in full [here](#).

### **IMF Considers Emergency Funding Request By Nigeria.**

The IMF's board members are due to meet tomorrow in order to consider a request by Nigeria for US\$3.4 bio in emergency funding, although an approval is likely. Nigeria's Finance Ministry is seeking a total of US\$6.9 bio in urgent funding from various lenders including the IMF, WB and ADFB.

### Kuwaiti Banks Allocate KWD2 Bio Towards 'Soft-Loans' Program.

Kuwait's commercial banks have reportedly allocated KWD 2 bio towards a soft-loan program aimed at supporting the country's business sector. According to the 'Arab Times' newspaper, between 15-20% of the these funds will be directed towards SMEs, whilst the balance will be offered to financing companies and other clients affected by the economic consequences of COVID-19.

### S&P Amends Outlook For Sharjah & Ras Al Khaimah.

S&P has amended its outlook from stable to negative for Sharjah and Ras Al Khaimah, two of the UAE's seven Emirates, although it also affirmed its long-term ratings for both at BBB/A-2 and A/A-1 respectively. In response, the government of Ras Al Khaimah was quoted by Reuters as stating that, it was currently in a strong fiscal position and thus able to navigate its way through the impact of the global crises, adding that its state debt burden was low and declining, and that it planned to retire two bonds before their maturity this year.

### Serba Dinamik Wins US\$1.78 Bio Contract In UAE.

Malaysia's Serba Dinamik has been awarded a US\$1.78 bio contract for the engineering, procurement and construction of an innovation hub, academic campus, restaurants and offices within the 'Block-7' project in Abu Dhabi.

### FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6730/31	4/9	13/18	23/28	45/55	65/95	95/125	225/325
USD/SAR	3.7590/7620	Par/+10	05/25	10/30	40/70	90/120	160/190	475/575
USD/KWD	0.30895/31015	25/40	60/75	75/95	140/170	195/225	250/300	400/500
USD/OMR	0.38490/510	100/170	230/320	400/500	900/1200	1475/1675	1900/2300	3000/5000
USD/BHD	0.37775/7875	Par/+10	05/20	08/28	25/55	35/85	55/115	400/800
USD/MAD	9.8400/9.9900	150/350	300/600	450/950	1000/2000	1600/2600	2100/3100	3000/6000
USD/EGP NDF	15.75	15.90/16.00	16.10/16.20	6.32/16.42	16.93/17.03	17.53/17.63	18.13/18.23	-
USD/JOD	0.7095/7115	40/90	80/180	100/250	225/375	325/475	400/700	1000/2000
USD/NGN NDF	388.50	401.00/411.00	415.00/425.00	425.50/435.50	458.00/468.00	486.00/496.00	507.00/517.00	(NAFEX)
USD/GHS NDF	5.7500	5.80/5.90	5.88/5.98	5.97/6.07	6.25/6.35	6.55/6.70	6.85/7.00	-
USD/TND	2.8950/2.894.50	300/600	450/950	500/1000	1100/2100	1500/3000	2000/4500	4000/7000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	13.77							
Brent	20.50							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+58/68	+64/74	+75/85	+85/95	+93/103	+100/110	+105/115	+124/134
SAR SPREAD	+64/74	+85/95	+85/95	+103/113	+120/130	+136/146	+150/160	+185/195

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

### AND FINALLY...

*Did you know that Mocha is a city located on Yemen's Red Sea coast and served as a major hub of the coffee trade from the 15th to the 18th centuries?*

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