

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Mild Optimism Boosts Crude Prices.**

The main oil benchmarks opened higher this morning on the back of some cautious optimism that storage builds in the US were finally slowing and some demand returning, after crude inventories rose by 10.6 mio barrels last week against an earlier API forecast of 13.2 mio and petrol stocks fell by 3.7 mio barrels . Buyers are also hopeful that prices are bottoming out ahead of the start of the OPEC+ grouping's planned output cuts in May, as well as news that Norway will cut its own production by 13% from June. WTI is currently around US\$17.00 and Brent at US\$24.50.

#### **USO Sitting On US\$725 Mio In Unrealized Losses.**

According to a recent SEC filing made by the USO, the fund is currently sitting on US\$725 mio in unrealized losses. This comes on top of the US\$466 mio in realized losses reported as at end March 2020. Due to recent regulatory changes and an attempt to reduce its usually heavy front-end futures positions which were crushed in last Monday's massacre of the WTI future for May delivery, the fund has since been actively spreading its contracts across the curve out to one year. The USO has up to now, been global retail investors primary ETF platform for oil futures, but a recent Reuters analysis suggests its performance YTD is around -83%. You can access the fund's SEC filing [here](#).

#### **Gulf Of Guinea Becomes New Piracy Hotspot.**

According to the International Maritime Bureau, there was an increase in the number piracy-related attacks on ships around the world during the first quarter of this year, with 21 of these 47 incidents occurring within the Gulf of Guinea. The pirates reportedly approach in speedboats, boarding ships in order to steal cargo and/or abduct crewmembers to demand a ransom. The IMB reported 38 such events

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globally during the same period of 2019. The Gulf of Guinea is a major transit hub for most of Africa's largest oil producers, including Nigeria, Angola, Gabon, Ghana, and Equatorial Guinea as they send their crude to market.

### **US Looks To Extend Iran Sanctions.**

The US Secretary of State, Mike Pompeo, said yesterday that the Trump administration will not allow Iran to purchase conventional weapons after a UN prohibition on this expires later this year. *"We're not going to let that happen, we will work with the UN Security Council to extend that prohibition on those arms sales and then in the event we can't get anyone else to act, the United States is evaluating every possibility about how we might do that,"* Pompeo stated, adding that, *"The failures of the Iran nuclear deal are legion. One of them is now upon us, where China, Russia, and other countries from around the world can all sell significant conventional weapon systems to the Iranians in October. We are urging our E3 partners to take action, this is within their capacity to do."* On a separate point Pompeo has also called on other countries to ban overfly rights for Iran's Mahan Air, which Washington has accused of providing support to the Venezuelan government. *"Over the last few days, multiple aircraft belonging to Mahan Air have transferred unknown support to the Maduro regime. This is the same terrorist airline that Iran used to move weapons and fighters around the Middle East. These flights must stop,"* Pompeo warned.

### **Lebanon Crises Worsens – CB Governor Defends His Record.**

Street protests have worsened across the Lebanon in recent days as the impact of COVID-19 exacerbates the country's already dire economic situation. Some anti-government demonstrators reportedly hurled petrol bombs at a central bank facility and smashed the entrances of various bank branches in the southern city of Sidon on Tuesday, while ATM machines were damaged and banks attacked in Tripoli during violent clashes with the security forces which resulted in the death of one person. In Beirut hundreds of people were prevented from marching on the Central Bank's head office. Prime Minister Hassan Diab has called for such violent protests to stop, claiming that *"malicious intentions behind the scenes"* were *"shaking stability,"* and was quoted by the France-24 media outlet stating that; *"We are faced with a new reality, a reality that the social and living crisis has made worse at record speed, especially with the rise of the U.S. dollar exchange rate to record levels on the black market."* USD/LBP was reportedly trading above 4200.00 in the 'kerb' market this week compared the official pegged rate of 1505.70. The Arab League has also expressed its concerns over recent developments in Lebanon, with the group's Deputy Secretary-General Hussam Zaki, saying; *"The rapid developments in the Lebanese arena and the dangerous escalation on the Lebanese streets between protesters and the Lebanese Army, specifically in Tripoli, are extremely alarming and unnerving. The situation in Lebanon is very critical, especially on the streets, and it could quickly slide into the danger zone. We are especially pinning hope on the wisdom of the Army Command and the security agencies, which must act with their usual professionalism and responsibility to prevent the country from descending into the unknown,"* Zaki was quoted by the 'Naharnet' website as saying, whilst also calling on the Lebanese government to *"quickly take practical and prompt steps for economic reform and to fulfill the legitimate demands of the Lebanese people."* Meanwhile Lebanon's CB Governor, Riad Salameh, went on television yesterday defending his record during his long tenure at the bank, in the face of recent criticism of his performance by the Prime Minister. *"Yes, the Central Bank financed the state, but it is not the one that spent the money. We must know who did, there are constitutional and administrative institutions that have a mission to reveal their spending,"* Salameh said.

### **Saudi Arabia Reports Budget Deficit In Q1.**

Saudi Arabia's Finance Ministry reported a budget deficit of US\$9.09 bio during Q1 of this year, driven by lower oil revenues and the economic impact of COVID-19. Total Q1 revenues came in at US\$51.19 bio, down 22% compared to the same period last year, whilst crude oil revenues fell by 24% to US\$34.32 bio and non-oil revenues were down 17% to \$16.88 bio. Meanwhile total expenditure was up 4% to US\$60.28 bio. Finance minister Mohammed Al-Jadaan said recently that the Kingdom would recover from the twin challenges of the oil price and coronavirus. *"We will get over this in a strong position. We have gone through and seen other deeper crises in the past, and survived them,"* he was quoted by Zawya as saying last week, adding that his ministry projected a deficit of SAR 187 bio for the year, which would be financed by

borrowing, cost reductions and some draw down from reserves, compared with a deficit of SAR 131 bio in 2019. Meanwhile SAMA reported a US\$27 bio drop in its net FX reserves to \$464 billion in March, its lowest level since 2011.

### Tunisia's Plans To Ease Lockdown Next Week.

Tunisia has said it will begin easing its COVID-19 movement restrictions from May 4<sup>th</sup> by reopening parts of the food and construction sectors and allowing 50% government employees to return to work. A further opening up of the economy including retail outlets is planned to start a week later, although the country's Health Minister was quoted by Reuters warning that, while "*Tunisia has controlled the first wave of the pandemic, we do not know about a possible second wave.*" As of yesterday the North African country had a total of just 980 confirmed coronavirus cases.

### Oman Orders State Entities To Speed-Up Their Omanisation Programs.

Oman's Finance Ministry has ordered state-owned companies to speed up a program which replaces expatriate staff with Omani citizens, according to the 'Oman Times' newspaper. Public sector firms now have until July next year to draw up timetables to appoint Omanis in the place of foreigners, especially those in managerial positions. You can read more on this topic [here](#).

### Coronavirus Crises Will Halt New Real Estate Projects In Dubai – DAMAC.

The Chairman of Damac properties, Hussain Sajwani, has said that the current global health crises and resultant economic slowdown, will at least provide Dubai's weak real estate market with a much-needed supply respite from new projects. "*The reality on the ground is dictating the situation, if there is a silver lining to this crisis, it's that now everybody is going to halt new projects at least for a while. I don't think there will be new launches in 2020 or most of 2021,*" Sajwani said according to the 'Gulf News', adding that he believed the property market may start edging up again by October 2021, when Dubai is set to open the World Expo.

### ACCIONA & RTCC Win US\$500 Mio Construction Contract in KSA.

The Spanish conglomerate ACCIONA and its partner RTCC, have won a US\$500m contract for the construction of the Al Khobar 2 desalination plant at Khobar on the east coast of Saudi Arabia, according to the 'construction review' magazine.

### 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	3.6730/31	4/9	13/18	23/28	45/55	65/95	95/125	225/325
USD/SAR	3.7550/7580	4/14	05/25	10/30	45/65	85/115	140/170	460/560
USD/KWD	0.30885/995	25/40	50/70	75/95	140/170	190/240	250/300	400/500
USD/OMR	0.38490/510	125/175	270/370	440/540	900/1100	1500/1700	1900/2300	3000/5000
USD/BHD	0.37775/875	Par/+10	05/20	08/28	35/65	50/100	75/125	400/800
USD/MAD	9.8050/9550	150/350	300/600	450/950	1000/2000	1600/2600	2100/3100	3000/6000
USD/EGP NDF	15.7550	15.89/15.99	16.09/16.19	16.30/16.40	16.90/17.00	17.50/17.60	18.10/18.20	-
USD/IOD	0.7095/7115	40/90	80/180	100/250	225/375	325/475	400/700	1000/2000
USD/NGN NDF	388.84	409.00/419.00	426.00/436.00	439.00/449.00	471.00/481.00	497.00/507.00	518.00/528.00	(NAFEX)
USD/GHS NDF	5.7650	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	2.8850/9350	300/600	450/950	500/1000	1100/2100	1500/3000	2000/4500	4000/7000

Crude Oil	Futures
WTI	17.10
Brent	24.67

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

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+74/80	+75/81	+80/86	+89/95	+98/104	+103/109	+108/114	+128/134
SAR SPREAD	+70/76	+89/95	+105/111	+121/127	+136/142	+149/155	+161/167	+183/189

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

## AND FINALLY

Did you know that the first arguments for the use of quarantine to control the spread of diseases appeared in "The Canon of Medicine," a medical encyclopedia compiled by the Persian Muslim scientist Ibn Sina (980-1037), known as Avicenna? Ibn Sina was the first to propose a method to avoid contagion through 40-day sanitary isolation. He called the method "al-Arba'iniya" (the fortieth), translated literally to "quarantena" in early Venetian language.

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