

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Crude Prices Continue To Watch Coronavirus Headlines.**

The crude market continues to follow the ongoing coronavirus headlines closely, especially as China is the world's second largest consumer of oil. The Chinese government's decision to limit travel and implement quarantines across the country has led to a drop in domestic demand for fuel and thus many refineries have sharply reduced their output, although there is also talk that some crude buyers are taking advantage of the recent drop in prices. Chinese shipbuilders in particular has been adversely affected with many delivery dates being pushed forward into 2021 (China assembles 25% of the world's tankers). Meanwhile tanker rates are also falling, so maritime firms are instructing their vessels to reduce speed or switching cargos from VLCC ships to smaller cheaper ones. US shale producers are hurting too, highlighted by the recent news that employment within the giant Permian basin is lagging overall job growth in Texas for the first time since 2016. We have not yet adjusted our initial forecast for Brent this year, and some support has come from the fact that Libyan production now stands at just 200,000 bpd from 1.20 mio bpd at the end of 2019, whilst financial markets in general still appear hopeful that this will be a short-lived 'black swan' event and that Central Banks will come to the rescue if required. However the longer this viral outbreak continues and/or spreads, the deeper the impact will be on the global economy and consequently crude prices too.

#### **US – Iraq Relations Look Set To Deteriorate.**

President Trump's recent threats to squeeze Baghdad over its relations with Tehran, are starting to become a reality after the US cut a sanctions waiver extension on Iraq's import of Iranian gas from 120 days to just 45 days. If and when this latest waiver expires, Iraq would have to either stop buying Iranian gas and face mass power outages, or keep importing it and risk potentially severe US sanctions. The 'Arab News' outlet also claimed in an article that the monthly US\$1-2 bio flow of US dollar bank notes from the New York Federal Reserve (where Iraqi oil revenues are kept) to Iraq's Central Bank was delayed by one week last month due to 'political reasons,' putting further pressure on the newly appointed Iraqi

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Prime Minister, Mohamed Allawi, who is trying to build a more cohesive cabinet and contend with ongoing street protests. Meanwhile a US military base in northern Iraq was reportedly hit by rocket fire again late last week, although no casualties have been reported. This latest attack on US facilities in Iraq has been blamed on Iranian backed militants.

### **Rouhani Resignation Rumours Denied.**

A spokesperson for the Iranian President's office, said late last week that ongoing rumours suggesting his boss was about to resign were false. *"Rumors about President Rouhani's resignation are unfounded. As I have already written, President Rouhani will be at the service of the people until the end of his term on August 3, 2021. Furthermore, I deny any forthcoming reports concerning his resignation,"* Ali Rabiei was quoted as saying by various media outlets. Talk that Rouhani might step down started doing the rounds soon after Iran's military finally admitted that it had accidentally shot down a Ukrainian passenger jet in January this year. During a speech yesterday, President Rouhani himself also denied that he was planning to step down anytime soon, adding that while he had admittedly offered to retire in the past, his resignation now: *"Does not make much sense, we have made promises to the people and we will continue to fulfill those promises."* He also claimed that he did not believe that the US will enter into a war with his country this year, because it would *"ruin"* Donald Trump's 2020 reelection bid. Meanwhile although Iran will only hold a Presidential poll in 2021, the Middle Eastern country is preparing to conduct parliamentary elections this coming Friday in which a number of 'reformist' and 'moderate' candidates have reportedly already been blocked from running for a seat. This in turn suggests that hardliners are probably set to strengthen their hold on the levers of power within the regime.

### **Political Deadlock In Tunisia.**

Ongoing attempts by Prime Minister Fakhfakh to form a coalition government in Tunisia failed again this past weekend after the 'Ennahda' party rejected his latest cabinet suggestions. If a new government cannot be formed by the 15<sup>th</sup> of March then the country faces a fresh round of parliamentary elections within the following three months. Ennahda (which holds the largest number of seats within the current parliament) stated that it would only join a government of 'national unity' which brought together parties from across Tunisia's political divide.

### **Cabinet Reshuffle In Kuwait.**

The Emir of Kuwait, Sheikh Sabah al Ahmad al Sabah, announced a minor cabinet reshuffle last night. According to the 'Gulf News' media outlet the portfolio for electricity and water has gone to Mohammad Hajji Busheheri. The Finance Minister Mariam Oqeil Al Oqeil is now Minister of Social Affairs and Minister of State for Economic Affairs whilst Barrak Ali takes charge at the Finance Ministry.

### **Nigeria Promises To Enact New Petroleum Bill Soon.**

A new petroleum industry bill that has been hotly debated by various Nigerian administrations for years, will finally be written into law by the middle of 2020, the Oil Minister, Timipre Sylva, was quoted as saying by Reuters last week. *"The lack of a bill really brings a lot of uncertainty to the investment climate, and passing it is essential to attract much-needed funding to Nigeria's oil sector,"* Sylva stated. The bill has been discussed back and forth by legislators since 2008 when it was first introduced by the then President Umaru Yaradua. It aims to deregulate and liberalize the downstream petroleum sector, establish efficient and effective regulatory agencies and promote transparency and openness surrounding the administration of Nigeria's petroleum resources. This in turn will hopefully attract more foreign investors into the country's oil and gas sector.

### **Abu Dhabi Plans To Introduce More Incentive Schemes.**

According to the UAE's state news agency WAM, the Emirate of Abu Dhabi plans to continue to push forward with various business-related reforms in order to enhance Abu Dhabi's attractiveness to both investors and residents. *"Additional legislative changes, policy development programs, and deregulatory and incentive schemes are well underway to effect further changes. These will have an increasingly tangible impact on doing business, pursuing knowledge and innovation, and quality of life across the emirate, benefitting Emirati nationals and expatriate residents in many facets, and reinforcing Abu Dhabi's stature as*

one of the region's leading places to work, learn, and live," the report stated. You can read more details on this issue as well as progress linked to the 'Ghadan 21' initiative (which was launched last year) [here](#).

### Chinese Contractor Halts Work On Key Zambian Dam Project.

The China National Complete Engineering Company has reportedly informed its local sub-contractors that work on the US\$450 mio Kafulafuta Dam project in Zambia's copper belt region, has been suspended due to a lack of funding according to the 'Afrik 21' website. This report has however been disputed by the provincial minister for the area, Japhen Mwakalombe, who was quoted as claiming that the work stoppage was actually due to bad weather. "You know very well that in any construction, it is not advised to continue with works when the ground is wet. So, the works have just stopped because of the rains," he said.

### US\$23 Bio Worth Of New Hotels To Be Built In MENA Region.

Over US\$23 bio worth of new contracts for hotels and resorts are expected to be awarded during the next three years within the MENA region, according to research undertaken by MEED Projects. Most of these developments will take place in Egypt, Oman, Saudi Arabia and the UAE.

### SAIPEM Wins EPC Contract In Saudi Arabia.

Italy's SAIPEM has been awarded a contract which includes the design, engineering, procurement, construction, and installation of a 36" carbon steel pipeline onto the existing network around the Juaymah area in Saudi Arabia as well as the brownfield services at an associated offshore platform.

### 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	Par/+3	3/6	6/9	15/20	25/30	30/40	85/105
USD/SAR	3.7508/10	-11/-6	-11/-6	-11/-6	-13/-8	-10/-5	-5/+5	70/100
USD/KWD	0.30505/515	10/20	23/33	37/47	78/93	115/145	160/190	300/400
USD/OMR	0.38500/503	7/17	20/30	37/47	100/130	170/200	270/300	700/800
USD/BHD	0.37698/701	5/15	13/23	16/32	32/52	42/63	55/85	170/270
USD/MAD	9.7000/7100	100/300	200/500	400/900	700/1300	850/1650	1000/2000	2000/4500
USD/EGP NDF	15.63	15.69/15.74	15.79/15.84	15.90/15.95	16.24/16.29	16.59/16.64	16.94/16.99	-
USD/JOD	0.7082/92	40/90	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	364.47	365.50/366.50	367.50/369.50	370.00/372.00	378.00/381.00	387.00/392.00	396.50/401.50	(NAFEX)
USD/GHS NDF	5.3100	5.38/5.42	5.46/5.51	5.53/5.58	5.76/5.86	5.99/6.11	6.22/6.36	-
USD/TND	2.8350/8550	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	3500/6500
Crude Oil	Futures							
WTI	52.10							
Brent	57.35							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+23/29	+28/34	+35/41	+40/46	+45/51	+51/57	+58/64	+82/88
SAR SPREAD	+39/45	+43/49	+49/55	+56/62	+65/71	+74/80	+83/89	+112/118

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

EQUITY MARKETS				Equity Price Moves				ATM Implied Vols		
Market	Underlying	BBG ticker	Spot	1day %	wtd %	mtd %	ytd %	3 month	6 month	1 year
Dubai	Index	DFMGI	2,734.74	0.53	0.57	(1.47)	(0.56)	21.0%	21.2%	21.9%
Abu Dhabi	Index	ADSMI	5,062.82	0.39	0.89	(1.43)	0.13	19.6%	19.9%	20.4%
KSA	Index	M1SAP	1,114.42	0.00	0.00	(4.93)	(8.27)	23.7%	21.9%	21.6%
Dubai	Equity	EMAAR	3.86	0.78	0.52	(3.71)	(3.23)	32.1%	32.4%	32.8%
Dubai	Equity	EMIRATES	13.10	(1.53)	(1.90)	(6.18)	(0.77)	29.3%	29.8%	30.8%
Abu Dhabi	Equity	ADCB	7.59	0.66	0.26	(0.13)	(3.54)	29.5%	29.7%	30.8%
Abu Dhabi	Equity	ETISALAT	16.04	0.37	0.63	(1.11)	(1.59)	18.6%	19.2%	19.5%
KSA	Equity	SABIC	80.90	0.25	(0.98)	(7.31)	(13.63)	22.7%	22.9%	22.9%
KSA	Equity	RJHI	63.80	0.78	1.10	(3.16)	(1.68)	22.9%	23.2%	23.8%

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

## AND FINALLY

*Did you know that Morocco is home to the world's largest medieval city and oldest university?*

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