

Market Insights & Strategy

Global Markets

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REGIONAL COMMENTARY

Chinese Refineries Cut Processing Rates – Rosneft Sanctioned.

China's state-run oil refineries have been forced to slash their daily processing rates to around 10 mio bpd, the lowest level since 2014 due to lower demand for fuels which in turn is linked directly to the impact of the coronavirus. This slump in demand was highlighted by a recent Reuters report which claimed that jet fuel sales in China had shrunk by 25% in January. Crude prices however have continued to stabilize this week with Brent hovering just below US\$60 this morning as hopes continue to grow that stimulus efforts by China will encourage an economic rebound as soon as the medical all-clear is given. In this regard China has reported a sharp drop in the number of new cases in Hubei province. (Hubei has been ground zero for the coronavirus outbreak). Meanwhile the US has imposed sanctions against a Swiss based subsidiary of Russia's oil giant Rosneft, due to its apparent financial links to the government of Nicolas Maduro in Venezuela. *"Rosneft Trading S.A. and its President brokered the sale and transport of Venezuelan crude oil. The United States is determined to prevent the looting of Venezuela's oil assets by the corrupt Maduro regime,"* the US Treasury Secretary, Steven Mnuchin said in an official statement which you can access in full [here](#).

Libya's Crude Output Falls Again.

Libya's oil production has fallen below 200,000 bpd according to the latest data released by the country's National Oil Company, as the military blockade around key oil fields and ports continues. The NOC said that as at the beginning of this week crude output stood at just 135,745 bpd from 1.14 mio bpd in December 2019.

Gyroscope Evidence Points Finger At Iran.

Small but sophisticated gyroscopes recovered from a number of military drones, which targeted the Saudi Aramco facility in September last year and those used by Houthi rebels, perfectly match the same component

discovered in Iranian drones shot down in Iraq and Afghanistan, according to a report published by the independent 'Conflict Armament Research firm'. *"According to UAV experts familiar with this technology, such vertical gyroscopes have not been observed in any UAVs other than those manufactured by Iran,"* the CAR report read, with one of its analysts adding via the AP news network separately that: *"This gyroscope, we've seen it now enough times in Iranian-manufactured material to be able to confidently say that the presence of it in a Houthi-produced item suggests that the material was supplied from Iran."* You can read more on this story [here](#). Meanwhile the US Secretary of State, Mike Pompeo, warned just ahead of his official trip to Saudi Arabia yesterday, that Iran must be held accountable for recent attacks on US forces in Iraq by militia groups linked to Tehran. *"It cannot become ordinary course that the Iranians, through their proxy forces in Iraq, are putting the lives of Americans at risk. There has to be accountability connected to those very serious attacks,"* Pompeo was quoted as saying by Bloomberg, although adding too that the Trump administration were prepared to talk to Iran at *"anytime"* and would even consider lifting sanctions, but that the regime first needed to radically change its behavior. *"We are not rushed, the pressure campaign continues. It's not just an economic pressure campaign, it's isolation through diplomacy as well."*

Lebanon Expected To Restructure Its Debt – Bond Yield Hits 1500%.

Lebanon's parlous financial situation means it will more than likely have to restructure its debt load, FITCH stated on Tuesday. The ratings agency acknowledged the fact that the Central Bank still had enough reserves *"on paper"* to repay its obligations this year *"provided de facto capital controls are maintained."* However it warned too that *"the costs of meeting its obligations would be so high that this outcome appears politically unrealistic,"* adding that, *"We believe that some form of government debt restructuring is probable."* FITCH currently holds a CCC credit rating on Lebanon. Meanwhile the yield on Lebanon's US\$1.20 bio bond maturing on the 9th of March 2020, rose above 1500% yesterday after the country's parliamentary speaker, Nabih Berri, claimed that debt restructuring was an *"ideal solution"*. Separate news that Lebanon's government was preparing to investigate the sale of bonds by local banks to foreign investors added to the negative mood.

Kuwait Posts KWD 2.30 Bio Budget Deficit For 2019/20.

Kuwait's Finance Ministry posted a budget deficit of KWD 2.3 bio for the first 10 months of the 2019/20 fiscal year, after 10% of generated revenues were placed in the country's 'Future Generations Fund.' However the Ministry also stated that yesterday's data was still incomplete because of delays in the disclosure of spending by several government agencies according to Reuters. (Kuwait originally forecast a full-year deficit of KWD7.7 bio). Meanwhile at a budget briefing last month, the Finance Minister suggested that the deficit for the 2020-21 fiscal year, may expand to KWD 9.2 bio.

Ivory Coast Ponders Fresh Eurobond Sale.

The Ivory Coast is reportedly in talks with its bankers over a fresh EUR denominated bond offering during Q1 of this year. The country issued Africa's largest Eurobond in October last year when it raised EUR1.70 bio via a dual tranche bond maturing in 2031 (6.00%), and 2040 (6.875%). Overall demand apparently totaled EUR 4.4 bio for that specific sale.

UAE Prepares To Switch On First Nuclear Reactor.

The UAE began loading fuel rods into the first reactor at its Barakah nuclear plant earlier this week, after the local atomic watchdog issued it with an operating license. Once fully operational the four-reactor facility will be able to supply up to 25% of the UAE's domestic power requirements. According to a report in the 'National' newspaper as of this month, unit one is fully complete, unit two is at 95% readiness, unit three at 92% and unit four at 83%.

US Promises US\$2 Bio Investment In Angola.

The US Secretary of State, Mike Pompeo, announced this week that a number of US companies are preparing to invest over US\$2 bio into oil and gas projects in Angola. The US also plans to assist the Angolan government in its ongoing crackdown on high level corruption. *"The US supports President*

Lourenço's commitment to fight corruption and enact economic and political reforms," Pompeo was quoted as saying by the 'allAfrica' website.

Petrofac & Sapura Win EPC Contracts Worth US\$1.65 Bio In UAE.

Petrofac Emirates and Sapura Energy have been awarded the EPC contracts totaling US\$1.65 bio on the Dalma Gas Development Project in the UAE, according to the 'offshore-technology' website. Once complete Dalma is expected to produce 340 mio cubic feet of gas per day.

Larsen & Toubro Seal Substation Contract In KSA.

India's Larsen & Toubro has been awarded the contract to build a 380-kv electricity substation and establish its related cable network in Saudi Arabia.

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	3.6729/30	Par/+3	3/6	7/10	15/20	25/30	30/40	85/105
USD/SAR	3.7512/14	-11/-8	-12/-9	-12/-9	-15/-10	-12/-8	-7/+3	70/100
USD/KWD	0.30660/680	7/17	20/30	30/45	70/90	100/130	150/180	280/380
USD/OMR	0.38500/503	8/13	20/35	40/55	90/120	170/200	270/300	700/800
USD/BHD	0.37697/700	5/15	10/20	12/27	30/50	40/60	50/80	150/250
USD/MAD	9.7200/7400	100/300	200/500	400/900	700/1300	850/1650	1000/2000	2000/4500
USD/EGP NDF	15.60	15.61/15.66	15.72/15.77	15.83/15.88	16.17/16.22	16.51/16.56	16.88/16.93	-
USD/JOD	0.7080/90	40/90	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	364.79	366.50/368.00	369.00/371.00	372.00/374.00	381.00/384.00	391.00/396.00	400.00/405.00	(NAFEX)
USD/GHS NDF	5.3342	5.45/5.50	5.53/5.58	5.60/5.65	5.84/5.94	6.04/6.19	6.30/6.45	-
USD/TND	2.8450/8650	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	3500/6500
Crude Oil	Futures							
WTI	53.50							
Brent	59.10							

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

EQUITY MARKETS

Market	Underlying	BBG ticker	Spot	Equity Price Moves				ATM Implied Vols		
				1day %	wtd %	mtd %	ytd %	3 month	6 month	1 year
Dubai	Index	DFMGI	2,737.51	0.35	0.14	(1.90)	(0.99)	15.1%	15.2%	15.4%
Abu Dhabi	Index	ADSMI	5,033.15	(0.80)	(0.09)	(2.39)	(0.84)	18.7%	18.5%	18.2%
KSA	Index	MISAP	1,126.80	1.56	1.11	(3.87)	(7.25)	17.6%	17.6%	17.6%
Dubai	Equity	EMAAR	3.89	(0.26)	0.52	(3.71)	(3.23)	30.7%	30.7%	30.8%
Dubai	Equity	EMIRATES	12.95	1.57	(1.52)	(5.82)	(0.38)	28.8%	28.8%	28.9%
Abu Dhabi	Equity	ADCB	7.58	(1.56)	(0.52)	(0.92)	(4.29)	25.2%	25.3%	25.5%
Abu Dhabi	Equity	ETISALAT	16.18	(0.37)	1.13	(0.61)	(1.10)	17.2%	17.2%	17.1%
KSA	Equity	SABIC	84.10	1.45	2.69	(3.89)	(10.44)	19.4%	19.4%	19.5%
KSA	Equity	RJHI	65.30	0.62	2.67	(1.66)	(0.15)	20.9%	20.9%	21.0%

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+26/31	+29/34	+36/41	+41/46	+47/52	+54/60	+61/67	+82/90
SAR SPREAD	+39/43	+43/47	+49/53	+56/60	+66/69	+73/79	+82/88	+111/117

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

AND FINALLY

Did you know that Venezuela has been an oil producer since 1914, when its first commercial oil well was drilled on the eastern shores of Lake Maracaibo?

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