

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

WTI Back Above US\$40 But Demand Fears Grow.

Both WTI and Brent were trading above US\$40 a barrel this morning on the back of the better than expected US job numbers. However, with the rate of infections in the US now as high as 50,000 per day (212,000 globally), there are growing concerns that the recent slow but steady economic recovery may soon be reversed by the potential return of major lockdowns. Meanwhile, Chinese refinery demand for crude oil in April and May has been a key supporting factor for the market, but there are now signs that this is also easing with a reported build-up of tankers docked in Chinese ports awaiting unloading as buying interest tapered off in June. Thus the next gathering by OPEC+'s technical monitoring committee, which is scheduled to take place next week, will be keenly watched for any comments related to the group's original plan to begin easing its current overall output cut from 9.70 mio bpd to 7.70 mio bpd from August.

Wind Power Related CAPEX In Europe Set To Overtake Oil & Gas.

With major energy firms sharply reducing their capital expenditure on new oil and gas projects this year due to the impact of COVID-19, overall investment into wind power could overtake the traditional sector within the next two years, according to a new report by Rystad Energy. Annual CAPEX levels into wind power projects in Western Europe are expected to rise to more than US\$22 bio in 2022, compared to an expected US\$17 bio in oil and gas the report claims. *"Offshore wind development in Europe is expected to flourish in the coming years as countries strive to reach their ambitious 2030-targets, and large investments will be required,"* the Project Manager for Rystad Energy's offshore wind department was quoted as saying by the 'Energy Global' website.

Venezuela's Crude Output Hits Fresh Lows.

Venezuela's crude output slumped by 200,000 bpd last month, meaning the South American producer is now only pumping just over 400,000 bpd, a 32% fall month-on-month and nearing a 75-year low. The prime drivers for this situation are years of economic mismanagement by the Maduro administration, tighter US sanctions and the impact of COVID-19.

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Fire At Iranian Nuclear Facility Causes 'Significant Damage.'

A fire that broke out at Iran's Natanz uranium enrichment site last Thursday has caused "significant damage" a spokesperson for Iran's Atomic Energy Organization stated, adding that there were no casualties and that the cause of the fire had been established. He did not however elaborate on the latter due to "security" reasons. *"The incident could slow down the development and production of advanced centrifuges in the medium term. Iran will replace the damaged building with a bigger one that has more advanced equipment,"* Behrouz Kamalvandi was quoted as saying by the BBC. The Natanz fire comes just six days after a gas tank exploded near the Parchin missile facility, while a separate fire reportedly damaged a power plant near the city of Ahvaz yesterday. Meanwhile a senior member of Iran's Revolutionary Guards claimed on Sunday that his country had established underground "missile cities" along the Gulf coastline and warned of a "nightmare for Iran's enemies". You can read more on this particular development [here](#).

UAE's CB Introduces New O/N Deposit Facility.

The UAE Central Bank announced earlier today that it plans to introduce a new 'Overnight Deposit Facility' that will allow conventional banks to place their surplus liquidity at the CB on an overnight basis from July 12th this year. *"The ODF will be the prime facility for managing surplus liquidity in the UAE banking sector prior to the launch of the Monetary Bills Program and shall replace issuance of one-week Certificate of Deposits,"* a statement issued by the Central Bank and published by the state news agency 'WAM' read, adding that an 'ODF' variant for Sharia-compliant financial institutions will also soon be launched. You can access more details on this development [here](#).

Nigeria Prepares to Unify FX Windows.

There is growing speculation that Nigeria is preparing to unify its various foreign exchange windows soon, after recently sealing a US\$3.40 bio loan agreement with the IMF. Another sign of this came last Friday when the central bank adjusted its USD/NGN exchange rate from 360.00 to 380.00 for local importers seeking hard currency via this sector's specific auction, moving it closer to the benchmark NAFEX rate used for investors and exporters which is currently trading around 387.50. Last month the country Central Bank Governor, Godwin Emefiele was quoted by Bloomberg as saying that *"Exchange rate unification is moving toward the NAFEX,"* but he did not indicate a time scale. Nigeria's foreign exchange reserves currently stand at around US\$36.20 bio.

S&P Adjusts Its Ratings On Lebanon Again.

S&P yesterday lowered its ratings on ten Lebanese government bonds, which had coupon payments due in May and June, from 'CC' to 'D'. The ratings agency also affirmed the country's long & short-term foreign currency debt rating at 'SD', its long & short-term local currency debt rating at 'CC' and retained a 'negative' outlook. *"Lebanon missed its third Eurobond principal repayment due June 19, 2020, along with several interest payments on Eurobonds due since March. The Lebanese government announced in March that it would stop paying all its commercial foreign currency debt obligations of about US\$31 bio. The Lebanese government, under Prime Minister Hasan Diab and with the support of external advisors, has thus far made only limited progress in engaging creditors on debt-restructuring negotiations. In the absence of a comprehensive restructuring plan backed by all key political institutions and parties, and external support, we continue to expect the negotiation process will be drawn out beyond 2020. These challenges are compounded by the COVID-19 pandemic, which is dealing a further blow to already weakened economic activity and severe external, fiscal, and financial constraints. Lebanon's currency peg to the US dollar is faltering, with ongoing foreign exchange shortages and a widening gap in the parallel exchange markets. A restructuring program is likely to be accompanied by an official currency devaluation. We understand the government has yet to announce any restructuring of its local currency debt obligations, which represent about 110% of GDP (63% of total debt). Our 'CC' and 'C' ratings on Lebanon's local currency debt reflect our expectation that domestic debt restructuring is highly likely if the country is to set its public debt on a sustainable footing,"* the S&P statement published on Bloomberg read.

Cabinet Reshuffle In The UAE – Mergers Planned.

The Prime Minister and Vice President of the UAE, Sheikh Mohammed bin Rashid Al Maktoum, announced a Cabinet reshuffle and a consolidation of various departments yesterday in a move aimed at creating a more efficient and "agile" administration. *"The new government has one year to meet the new priorities. Constant changes will remain the slogan of the coming period until we reach the best government model that*

keeps up in this new era and achieves the aspirations of the Emirati people," Sheikh Mohammed was quoted as saying by the 'National' newspaper. Some of these changes include a plan to eliminate 50% of government service centres by converting them into digital portals within the next two years, the creation of a new Ministry of Industry & Advanced Technology and to merge 50% of federal authorities or incorporate them into other ministries. You can read more on this story [here](#).

Egypt's PMI Index Rises In June.

While still indicating a contraction the IHS Markit Purchasing Managers' Index for Egypt rose to 44.6 in June from 40.7 in May, suggesting that the country's economy is continuing to stabilize as firms start to reopen for business. The PMI Index hit a record low of 29.70 in April.

Kuwait Moves Forward With Foreign Workers Bill.

Kuwait's legal and legislative committee within the National Assembly, has reportedly approved a draft law that proposes a quota system on the number of foreigners that will be permitted to live and work in the country, and which is aimed at sharply amending the overall demographic ratio. Legislation related to implementing the quota system, will now be studied by the committee. According to the draft bill, Indians (who form the largest expatriate community in Kuwait) must not exceed 15% of the national population. Kuwait currently has a total population of 4.30 mio, of which around 3 mio are expats. You can read more on this story [here](#).

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	2/5	5/10	10/15	25/32	40/50	60/75	150/200
USD/SAR	3.7507/12	14/19	23/28	30/40	55/65	80/95	105/125	230/280
USD/KWD	0.30755/85	15/20	30/45	40/55	90/110	130/160	170/200	225/425
USD/OMR	0.38497/502	30/55	60/90	90/140	200/300	350/450	500/600	900/1500
USD/BHD	0.37700/710	7/14	15/25	20/35	30/60	65/95	90/110	370/670
USD/MAD	9.6600/6800	50/150	100/300	200/500	350/850	800/1800	1300/2700	3000/6000
USD/EGP NDF	16.06	16.10/16.17	16.18/16.25	16.31/16.38	16.70/16.77	17.10/17.17	17.52/17.59	-
USD/JOD	0.7085/7105	60/110	80/180	120/270	250/450	300/500	400/700	1000/1800
USD/NGN NDF	387.50	391.00/396.00	396.00/402.00	401.00/407.00	418.00/428.00	434.00/444.00	451.00/461.00	(NAFEX)
USD/GHS NDF	5.7850	5.81/5.91	5.86/5.96	5.91/6.01	6.14/6.24	6.38/6.50	6.65/6.80	-
USD/TND	2.8350/8550	150/350	300/600	500/1000	1000/2000	1700/2700	2500/4000	4500/8500
Crude Oil	Futures							
WTI	40.75							
Brent	43.45							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+43/49	+51/57	+59/65	+68/74	+76/82	+80/86	+84/90	+102/108
SAR SPREAD	+60/66	+70/76	+80/86	+90/96	+100/106	+110/116	+119/125	+144/150

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

AND FINALLY...

Did you know that in 1894 the Pennsylvania Rock Oil Company became the first in the world to drill for crude? Until that time people had been collecting oil seeping up through the ground using buckets.

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