

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Oil Prices Ease Back From Week's High.**

Both WTI and Brent had a decent start to this week after the EIA confirmed a strong draw of US inventories, China recorded positive growth in Q2 and optimism over vaccine progress boosted overall sentiment. However, we have since seen these price gains fizzle out a little over the past two days as concerns remain over the ongoing spread of COVID-19 infections across 44 US states, as well as fresh outbreaks in parts of Europe and Asia, combined with the fact that signatories to the OPEC+ output grouping agreed on Wednesday to proceed with their planned tapering of production quotas from next month.

#### **Bankruptcies In US Oil & Gas Sector Spike.**

The number of oil and gas sector bankruptcies in the US spiked between April to June, to reach their highest level in one quarter since the previous oil price crash in 2016, according to Haynes & Boone LLP. Their latest report stated that filings from 18 companies, (including Whiting Petroleum and Chesapeake Energy), were recorded in Q2 representing a combined total of US\$29 bio in debt. By comparison, only five energy related firms declared bankruptcy during the first quarter of this year. Meanwhile, California Resources the largest driller in the state, reportedly filed for Chapter 11 protection earlier this month. This trend is expected to continue into the second half of this year despite a current WTI price of around US\$40, which the Haynes & Boone report describes as still “*not a sufficient clearing price for many heavily leveraged shale producers.*” You can access the Haynes & Boone website [here](#).

#### **New Oil & Gas Deposits Discovered In Pakistan.**

The Pakistan Oil Company announced on Tuesday, that it had discovered significant deposits of oil and gas via an exploratory well in

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the Kohat district of Khyber-Pakhtunkhwa province. The *“Well test has shown 3,240 barrels of condensate per day, 16.12 mmscf of gas per day and 48 barrels of water per day,”* a notification by the company to the Pakistan Stock Exchange read, although adding that, *“Actual production may differ significantly from the test results.”* Pakistan currently imports around 80% of its energy needs.

### **Seven Vessels Damaged In Fire At Iranian Port – Protests Reported.**

As many as seven vessels were damaged during a fire that broke out in the port of Bushehr on Wednesday, according to Iran’s state media outlet. This latest event, the cause of which is still being investigated, is just the latest in a series of strange explosions and fires that have taken place across the country over the past few weeks, including within or near sensitive facilities as we have outlined in our previous commentaries. The Bushehr port incident comes just a day after a fire damaged an aluminum factory in the city of Lamerd, and Iranian officials have claimed they are still investigating the possibility that sabotage was the cause of earlier blasts at the Natanz uranium enrichment plant on the 2<sup>nd</sup> of July and the Khojir missile production facility on the 26<sup>th</sup> of June. Meanwhile fresh anti-government protests were reported to have taken place yesterday in the south-western city of Behbahan, leading to the increased presence of security forces in other centres, including Tehran overnight, according to the BBC.

### **Lebanon Seeks Help From China As Economic Crises Worsens.**

The Lebanese government has reportedly approached Beijing for assistance in helping the country arrest a steadily worsening economic crises, although such a move may also impact relations with Washington. *“Our move toward China is very serious but we are not turning our back to the West. We are passing through extraordinary circumstances and we welcome whoever is going to assist us,”* an unnamed member of Prime Minister, Hassan Diab’s administration was quoted as saying by the ‘Gulf News’ media outlet. Lebanese officials are also apparently in discussion with Kuwait over Lebanon’s fuel shortages. This news comes as talks between the government and the IMF remain deadlocked over the type and range of reforms needed to secure funding from the international lender. Meanwhile unemployment in the Mediterranean country has now risen to more than 35%, the local currency is trading close to LBP 9,000 per US dollar in the ‘kerb’ market and inflation is expected to rise to almost 400% by the end of this year.

### **Egypt Ready To Act ‘Swiftly & Decisively’ In Libya.**

During a speech to various tribal leaders and dignitaries from Libya yesterday, Egypt’s President Sisi said that his country was prepared to intervene and *“swiftly and decisively”* restore stability in Libya, although adding that Egypt would only do so if such a move was approved by the Egyptian parliament. *“The declaration of the Sirte-Jufra line as a red line is essentially a call for peace and an end to the conflict in Libya. Egypt would not stand by and watch in the face of any movements that pose a strong and direct threat not just to Egypt’s and Libya’s national security, but those of the Arab world, the region and the world,”* Sisi was quoted as saying by the ‘National’ newspaper. His statement comes after Libya’s parliament in Tobruk, voted on Monday to grant Egypt the right to intervene in the country’s ongoing conflict if the Egyptian armed forces perceived an imminent threat to the security of both nations. You can read more on this development [here](#).

### **S&P Amends Ratings Outlook On Kenya.**

S&P has adjusted its outlook on Kenya from stable to negative, due to the anticipated impact of coronavirus on the East African nation’s economy and its fiscal position. *“The Covid-19 pandemic will slow Kenya’s GDP growth significantly in 2020 and weigh on its already weak public finances. The ratings could also come under downward pressure if the ultimate economic fallout from the pandemic and weaker policy momentum derailed Kenya’s efforts to curb its twin fiscal and external deficits, pushing external debt up, and/or weakening external liquidity beyond our current projections. Although external financial support, including from the IMF, will help fund Kenya’s twin fiscal and external deficits in 2020, external debt will rise sharply in 2020 and remain high in 2020-2023. We could also revise our outlook to stable if Kenya reverts to strong GDP growth and fiscal consolidation more rapidly than expected, which would in turn help address debt vulnerabilities,”* the agency said in a statement.

### **UAE Begins Final Phase Testing Of COVID-19 Vaccine.**

The UAE has begun the first globally recognized, last-phase clinical trial for a Covid-19 vaccine listed by the WHO. The trial will last between 3-6 months, while 15,000 volunteers aged between the ages of 18 and 60

living in Abu Dhabi and Al Ain are set to take part. “Our participation in this trial enables us to make a major contribution in the global fight to combat the Covid-19 pandemic. It is a matter of national pride that we are able to help facilitate the trial process that could have a worldwide impact and help people around the world to benefit from research and, if successful, the manufacture of a vaccine to fight back against this disease,” Dr Nawal Al Kaabi, the Chief medical officer of Abu Dhabi’s, Sheikh Khalifa Medical City, was quoted as saying by the ‘National’ newspaper. You can read more on this story [here](#).

### Nigeria’s Debt-to-GDP Level Set To Expand In 2020 – IMF.

The IMF’s senior representative in Nigeria, Jesmin Rahman, has suggested that Nigeria’s debt-to-GDP ratio will probably rise to 36.50% this year. “Nigeria’s public debt was at 29% of GDP in 2019 in our definition of all known liabilities. We project this to increase to 36.50% this year, and then stay around 38% of GDP in the medium term. However, we think this debt level is sustainable for a few reasons,” Rahman was quoted as saying by the ‘This Day’ news site, adding that this figure, “was still below the average for emerging and developing countries, which is around 50% of GDP. However, it requires close watching because it has gone up quickly and this year it is going to go up even more. Perhaps more importantly, the very limited debt-servicing capacity is driven by low revenues. Debt servicing capacity is severely constrained and that requires a close watch.”

### Inflation In Botswana Hits Record Low.

The headline inflation rate in Botswana slipped to an all-time low last month of just 0.90% y/y. Meanwhile the Ministry of Finance expects the country’s economy to contract by 13.10% this year due to the impact of COVID-19, especially on the all-important tourism sector, before rebounding to +3.10% in 2021.

### Saudi Arabia To Host Major Defence Exhibition.

Saudi Arabia, plans to host one of the world’s largest international defence exhibitions as it looks to develop its domestic arms industry, and has reportedly hired the Former CEO of the UK’s Farnborough Airshow to be chief executive of the Kingdom’s biennial ‘World Defense Show,’ which will be held for the first time in March 2022. “The World Defense Show is a key milestone for Saudi Arabia as it continues to develop a sustainable local defense industry,” the governor of the General Authority for Military Industries, Ahmad Al-Ohali, was quoted as saying by the ‘Arab News’ media outlet.

### Weatherford Wins Rig Contract In Iraq.

The Houston based oil and gas firm, Weatherford International, has reportedly sealed an 18-month contract to provide services and project management for the drilling and completion of twenty wells within Iraq’s Al-Nasiriyah field.

## 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	8/13	20/30	35/45	55/65	135/185
USD/SAR	3.7503/13	21/26	30/40	40/50	70/85	100/115	140/160	275/350
USD/KWD	0.30725/775	18/23	32/42	40/55	80/100	110/140	135/185	200/350
USD/OMR	0.38490/500	32/52	75/105	110/160	250/300	380/480	525/625	1100/1600
USD/BHD	0.37700/705	10/20	22/32	25/40	50/65	70/90	95/115	300/550
USD/MAD	9.5600/5900	50/150	100/300	200/500	350/850	800/1800	1300/2700	3000/6000
USD/EGP NDF	15.97	16.12/16.17	16.25/16.30	16.38/16.43	16.80/16.85	17.21/17.26	17.63/17.68	-
USD/JOD	0.7090/7100	65/115	80/180	130/280	250/450	325/525	425/725	1000/1800
USD/NGN NDF	388.58	391.00/396.00	397.00/403.00	402.50/408.50	420.00/430.00	437.00/447.00	454.00/464.00	(NAFEX)
USD/GHS NDF	5.7800	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	2.8100/8300	150/350	300/600	500/1000	1000/2000	1700/2700	2500/4000	4500/8500
<b>Crude Oil</b>		<b>Futures</b>						
WTI	40.50							
Brent	43.00							

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

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+38/44	+52/58	+62/68	+70/76	+77/83	+81/87	+85/91	+103/109
SAR SPREAD	+64/70	+77/83	+89/95	+101/107	+112/118	+121/127	+130/136	+154/160

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

**AND FINALLY...**

*Did you know that Kenya is home to 68 different ethnic languages ?*

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