

Market Insights & Strategy

Global Markets

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REGIONAL COMMENTARY

Major North American Shale Services Firm Files For Bankruptcy.

The Texas-based hydraulic fracking and cementing services company, BJ Services, reportedly filed for Chapter 11 bankruptcy protection yesterday. In its court filing the firm claimed that the value of its assets and debt holdings was between US\$500 mio and US\$1 bio. It also said it was seeking additional funding for a planned asset sale, as well as working to minimize disruption on its current projects. BJ Services was founded in 1872 and until now was operating in every major basin in North America. A “severe downturn in activity and subsequent lack of liquidity resulted in an unmanageable capital structure”, the company’s CEO, Warren Zemlak, was quoted as saying by the ‘Houston Business Journal.’

Global Oil & Gas Sector CAPEX Continues To Collapse.

According to a new survey by Evercore ISI, spending on exploration and production in the oil and gas sector has continued to fall sharply this year. “2020 is on track to be the second-worst year for North America (NAM) in our survey’s 35+ year history. Second only to the 53.50% collapse in NAM spending experienced during 2016, 2020 is likely to be even worse than the 39% and 34% declines posted in 1986 and 2015, respectively. Spending is contracting for the fourth time in six years, and three of these years rank in the top four of 12 down years registered in our survey’s history. The devastation brought forth to the US and Canadian industry cannot be overstated, as three years of painfully slow single-digit growth from 2017-2019 have been eliminated. NAM E&P capex has now fallen 5% below the 2016 trough and is 71% below the 2014 peak, reverting back to 2003/2004 levels before the US shale gas revolution began.

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Overall, NAM capex has contracted during 12 of the last 36 years by an average 24%. Within the international markets, we initially expected E&P capex to increase 5% for 2020, but now we expect it to decline 22%, with all international regions contracting by double digits. This is only the second time in modern history that all regions are in decline (2020 and 2015), and the only time that all regions are contracting by double digits” the report read. You can access more details [here](#).

US Pushes For Extension of Arms Embargo On Iran.

The US administration is continuing to push, for a UN embargo on the sale of weapons to Iran to be extended past its October 2020 expiry date, although Washington is facing push-back on this subject by both Russia and China in the UN Security Council. *“Given the Iranian regime’s history of resorting to terrorism and violence, perhaps we should take this threat seriously. Renewing the embargo will exert more pressure on Tehran to start behaving like a normal nation,”* the US Secretary of State, Mike Pompeo, was quoted as saying late last month by the ‘National’ newspaper. He also warned that the US would implement all previous UN sanctions on Tehran if its bid to extend the embargo fails.

Egyptian MPs Approval Potential Troop Deployment In Libya.

The Egyptian parliament, yesterday approved a mandate that would allow the country’s armed forces to be sent into Libya if the government believed that Egypt’s national security was under threat. *“The approval of sending elements of the Egyptian Armed Forces on combat missions outside the borders of the Egyptian state, to defend Egyptian national security in the Arab strategic direction against the actions of armed criminal militias and foreign terrorist elements, until the end of the forces’ mission,”* a parliamentary statement published on the ‘Arab News’ website read.

Lebanon Faces Severe Power Outages.

The economic crises in Lebanon continues to worsen, with many parts of the country now receiving only 2-3 hours of electricity per day and forcing Beirut’s main hospital to reportedly shutdown some of its operating theatres. The latest power blackouts are caused by an acute shortage of fuel, but the country’s electricity sector has been dysfunctional for years costing the government around US\$2 bio a year in subsidies. *“There is no appetite for reform, no political courage to address Lebanon’s problems,”* the country’s former Economy Minister, Nasser Saidi, was quoted as saying by CNBC, comparing his country’s political and economic problems to that of Venezuela’s. His comments were echoed by a former advisor to the Ministry of Finance, Henri Chaoul, who warned that, *“The only card that is remaining is the street, it needs a revolution, not an evolution, to move to the next stage in our political discourse.”* You can read more on their comments [here](#).

Nigerian Banks Limit Overseas Debit Card Spending Due To FX Shortage.

A number of financial institutions in Nigeria have begun to cut the amount their customers can spend on their debit cards whilst traveling abroad, in order to limit the banks’ FX settlement risks a ‘Reuters’ article claimed yesterday. One of these is Zenith Bank which said it was temporarily suspending the use of debit cards abroad for cash withdrawals and reducing the monthly overseas spending limit by more than 50% to US\$200. More details are available [here](#). Meanwhile the USD/NGN exchange rate in the unofficial ‘kerb’ market reportedly rose to 472.00 yesterday compared to an official spot rate of 388.50.

Algeria To Introduce New Economic & Financial Reforms.

The Algerian government said it was planning to introduce a raft of reforms, targeting the banking and commercial sectors including taxation, in order to save up to US\$20 bio per annum. In the coming years, actions will focus on accelerating the digitalization and modernization of *“the tax, land management, and customs sectors”* and pursuing the implementation of the Islamic finance procedure to *“stimulate the collection of savings and create new sources of credit,”* President Abdelmadjid Tebboune, was quoted as saying by the ‘ecofin’ news agency. You can find more details on these proposals [here](#).

Iraq & KSA Sign New Investment Agreements.

Iraq’s recently appointed Prime Minister, Mustafa Al-Kadhemi arrived in Saudi Arabia yesterday, accompanied by a high-level ministerial delegation to the Kingdom. In the meetings held thus far, the two countries have signed several trade and investment agreements within the health, energy and sports sectors. The Saudi Minister of Culture, Prince Badr bin Abdullah bin Farhan was quoted by the ‘Arab News’ media outlet as saying that Saudi Arabia and Iraq *“bring together culture, history, civilization and more.”*

TechnipFMC Wins US\$1 Bio Contract In Egypt.

UK based TechnipFMC has signed an EPC contract worth US\$1 bio with Assiut National Oil Processing Company for a new hydrocracking complex in Egypt, according to the 'rigzone' website. In a statement Technip said that the complex will convert lower-value petroleum products from the nearby Assiut Oil refinery into approximately 2.8 mio tons per year of diesel and other related products.

Total Secures Financing For LNG Project In Mozambique.

France's Total has announced that it has secured US\$14.90 bio in financing for its LNG project in Mozambique. This funding reportedly involves loans from eight Export Credit Agencies and 19 commercial banks. It also includes support from the African Development Bank. According to the 'hydrocarbons-technology' website, the project involves the development of the Golfinho-Atum gas field, and follows the discovery of large reserves of gas off the coast of northern Mozambique ten years ago.

OMRAN Ends Agreement With DAMAC.

Oman's tourism development company, Omran, has reportedly ended its agreement with Damac International on a US\$1 bio waterfront project at the Sultan Qaboos Port in Muscat, according to the 'Retail & Leisure International' website.

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	2/5	3/8	12/22	25/40	40/60	130/180
USD/SAR	3.7502/05	22/27	30/40	40/50	70/85	100/115	140/160	270/320
USD/KWD	0.30700/730	20/30	35/45	45/60	90/110	130/160	170/200	250/450
USD/OMR	0.38496/501	32/52	75/105	110/160	270/320	400/500	550/650	1000/1500
USD/BHD	0.37700/705	10/17	20/30	25/40	50/65	70/90	95/115	300/600
USD/MAD	9.5250/6050	50/150	100/300	200/500	350/850	800/1800	1300/2700	3000/6000
USD/EGP NDF	15.97	16.15/16.20	16.32/16.37	16.45/16.50	16.92/16.97	17.33/17.38	17.75/17.80	-
USD/JOD	0.7085/7105	65/115	80/180	130/280	250/450	325/525	425/725	1000/1800
USD/NGN NDF	388.50	392.50/395.50	397.00/400.00	401.00/407.00	418.00/424.00	434.00/444.00	451.00/461.00	(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	2.8150/8350	150/350	300/600	500/1000	1000/2000	1700/2700	2500/4000	4500/8500
Crude Oil		Futures						
WTI	40.80							
Brent	43.40							

** (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 the UAE's mission to Mars will see the 'Hope' space probe travel for 7 months and cover more than 490 million km at an average cruising speed of 121,000 km/h?

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