

Market Insights & Strategy

Global Markets

25th June 2020

MIDDLE EAST & AFRICAN MONITOR

- **Crude Prices Dip On US Inventory Rise.**
- **Over Thirty Percent Of US Shale Producers Are ‘Technically Insolvent’ – Deloitte.**
- **US Implements Fresh Sanctions On Venezuela.**
- **Libya Will Request Intervention By Egypt If Militants Enter Sirte – MP.**
- **Talks Between Lebanon & IMF Are Stalling.**
- **Saudi Arabia To Proceed With A ‘Limited’ Hajj This Year.**
- **Zambia’s Creditors Prepare For Debt Talks.**
- **The World Bank Approves US\$750 Mio Loan For Nigeria.**
- **DP World & Saudi Ports Authority To Establish A New Shipping Line.**
- **EOS To Invest AED 200 Mio Into Next-Generation Systems.**

REGIONAL COMMENTARY

Crude Prices Dip On US Inventory Rise.

Benchmark crude prices gave up some of their recent gains overnight, on the back of a rise in US inventories with WTI at US\$37.75 and Brent at US\$41.25 this morning. According to the latest EIA data, US oil inventories rose by 1.40 mio barrels and distillates by 249,000 barrels last week, although this was tempered somewhat by a 1.70 mio barrel decline in gasoline stocks.

Over Thirty Percent Of US Shale Producers Are ‘Technically Insolvent’ – Deloitte.

“The oil industry is currently experiencing a great compression in which companies’ room to maneuver is restricted by low commodity prices, reduced demand, capital constraints, debt loads, and health impacts of COVID-19. Unlike in previous downturns, these effects are now simultaneous, creating a higher level risk of technical insolvencies and building intense pressure on the industry,” a recent report by Deloitte LLP on the state of the US oil sector claims, adding that around 31% of shale operators are technically insolvent with WTI at US\$35 a barrel and 20% have “stressed financials.” You can access the full Deloitte study [here](#).

US Implements Fresh Sanctions On Venezuela.

The US Secretary of State, Mike Pompeo, yesterday unveiled sanctions targeting the captains of five Iranian owned tankers, who delivered petrol and other chemical supplies to Venezuela earlier this month. *“As a result of today’s sanctions, these captains’ assets will be blocked. Their careers and prospects will suffer from this designation. Mariners who are considering work with Iran and Venezuela should understand that aiding these oppressive regimes is simply not worth the risk,”* Pompeo stated. His comments were followed by an official statement issued by the US Treasury Secretary, Steven Mnuchin, which read; *“The Treasury*

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

Please click [here](#) to view our recent publications on MENA and Global Markets

Department will target anyone who supports Iranian attempts to evade United States sanctions and who further enables their destabilizing behavior around the world. The Iranian regime's support to the authoritarian and corrupt regime in Venezuela is unacceptable, and the administration will continue to use its authorities to disrupt it." This fresh move highlights the Trump administration's ongoing determination to pressurize both Caracas and Tehran via an ever tighter economic squeeze.

Libya Will Request Intervention By Egypt If Militants Enter Sirte – MP.

The speaker for Libya's 'House of Representatives', which is currently based in Tobruk, said yesterday that MPs would call for intervention by Egypt if armed militia groups attempted to enter the strategically important town of Sirte, which is currently held by the LNA. *"We will request the intervention of the Egyptian armed forces to support the Libyan army in case of the infiltration of Sirte,"* Aguila Saleh was quoted as saying yesterday by the 'Ahram' news site, adding that such intervention *"would be legitimate under the Libyan people's mandate to protect the Libyan and Egyptian security."*

Talks Between Lebanon & IMF Are Stalling.

Ongoing talks, between the Lebanese government and the IMF over a potential support program, have thus far appeared to have made only limited progress due to ongoing domestic political divisions. This dire situation was highlighted by the sudden resignation last week, of one of the government's advisors at the negotiations, Henri Chaoul, who claimed that he has lost hope for any *"genuine will"* by the current administration to implement necessary reforms. *"The IMF is not only about money. It's about introducing discipline and transparency and implementing reforms which the political class has shown over the past 30 years that they're incapable of doing. They really don't want to do it because the moment you do that you strip them of power."* Chaoul was quoted as saying by Bloomberg.

Saudi Arabia To Proceed With A 'Limited' Hajj This Year.

Saudi Arabia's Ministry of Hajj and Umrah, announced earlier this week that that the annual Hajj pilgrimage would go ahead, but will be limited to a small number of all nationalities who are already resident in the Kingdom. *"The Hajj will take place this year with a limited number of pilgrims from all nationalities residing in Saudi Arabia only, who are willing to perform Hajj. This decision is taken to ensure Hajj is safely performed while committing to all preventive measures to protect Muslims and adhere strictly to the teachings of Islam in preserving our health and safety,"* a statement issued by the Ministry and published by SPA read. This decision was welcomed by the WHO's Director General who was quoted by the 'Arab news' outlet as saying that; *"As some countries start to reopen their societies and economies, the question about how to hold gatherings of large numbers of people safely have become increasingly important. This is especially true of one of the world's largest mass gatherings, the annual Hajj pilgrimage."* Last year almost 2.50 million Muslims undertook the pilgrimage to Mecca.

Zambia's Creditors Prepare For Debt Talks.

A group of international bondholders, who currently hold around 35% of Zambia's Eurodollar bonds, have reportedly formed a creditors group ahead of restructuring negotiations with the Zambian government. According to Reuters, the central-African nation has US\$3 bio of Eurobonds outstanding, owes another US\$2 bio to various commercial banks, as well as US\$2 bio to the IMF and World Bank and a further US\$3 bio to China.

The World Bank Approves US\$750 Mio Loan For Nigeria.

After long-drawn out negotiations the World Bank has finally approved a US\$750 mio loan for Nigeria which is aimed at rebuilding Nigeria's dilapidated power grid. In a statement, published on its website, the WB said that this credit support facility; *"is to improve the reliability of electricity supply, achieve financial and fiscal sustainability, and enhance accountability in Nigeria's power sector. About 47% of Nigerians do not have access to grid electricity and those who do have access, face regular power cuts. In addition, the economic cost of power shortages in Nigeria is estimated at around \$28 bio, equivalent to 2% of its GDP. Getting access to electricity ranks as one of the major constraints for the private sector according to the 2020 Doing Business report. Hence, improving power sector performance, particularly in the non-oil sectors of manufacturing and services, will be central to unlocking economic growth post COVID-19."*

DP World & Saudi Ports Authority To Establish A New Shipping Line.

The UAE's DP World has signed a partnership agreement with the Saudi Ports Authority (Mawani) in order to launch a new shipping line. *"The launch of the new shipping line is part of Mawani's ambitious initiatives to achieve its strategic goals set by the National Industrial Development and Logistics Program to support economic growth, foster investments and contribute to achieving Saudi Vision 2030, positioning Saudi Arabia as a global centre for logistics. The direct shipping line will facilitate trade across all global supply chains, increase trans-shipment volumes and gain an upgraded share of the ships on the Red Sea coast,"* the President of Mawani was quoted as saying by the 'National' newspaper. While Sultan Bin Sulayem, DP World's Group Chairman and CEO, said that this dedicated shipping service connecting Jebel Ali, Jeddah and Sokhna will be a *"game-changer in promoting much-needed intra-regional trade,"* adding that DP World was, *"committed to delivering best-in-class efficiency and productivity using smart technology-led logistics."*

EOS To Invest AED 200 Mio Into 'Next-Generation' Systems.

UAE based EOS Advanced Industries, reportedly plans to invest AED 200 mio into 'next-generation' defence systems by 2021. *"We are targeting promising markets in the region with R&D projects as part of our US\$1 bio global investment in much-needed defense technologies. We are also keen to attract talented young Emiratis to develop their capabilities in R&D and be a nucleus for the UAE's future industry in this vital area,"* the company's CEO, Abdul Rahman Abdullah Al Blooshi, was quoted as saying by 'Gulf News' earlier this week.

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	3/6	8/13	13/18	30/40	45/60	70/85	175/225
USD/SAR	3.7508/18	15/20	22/27	25/35	50/60	70/85	90/120	245/295
USD/KWD	0.30765/795	15/25	30/45	50/65	90/120	140/170	190/210	300/500
USD/OMR	0.38495/505	30/65	70/130	100/200	240/340	375/475	550/700	1100/1800
USD/BHD	0.37700/710	7/14	15/25	20/35	40/60	55/75	70/100	350/550
USD/MAD	9.6100/6900	50/200	100/400	200/700	700/1200	1300/2300	1800/2800	3000/6000
USD/EGP NDF	16.17	16.27/16.34	16.43/16.51	16.57/16.64	16.96/17.03	17.35/17.42	17.77/17.84	-
USD/JOD	0.7085/7105	60/110	80/180	120/270	250/450	300/500	400/700	1000/1800
USD/NGN NDF	387.08	391.00/396.00	395.50/401.50	401.00/407.00	416.00/426.00	433.00/443.00	451.00/461.00	(NAFEX)
USD/GHS NDF	5.7600	5.79/5.89	5.85/5.95	5.91/6.01	6.12/6.22	6.36/6.48	6.60/6.75	-
USD/TND	2.8300/8800	200/500	300/600	600/1100	1200/1800	2000/3000	2500/5000	4500/8500
Crude Oil	Futures							
WTI	37.75							
Brent	40.10							

** (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	+50/56	+58/64	+65/71	+73/79	+78/84	+82/88	+100/106
SAR SPREAD	+62/68	+71/77	+81/87	+91/97	+101/107	+111/117	+120/126	+145/151

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

AND FINALLY...

Did you know that termite mounds in Zambia can sometimes be as large as a small house?

Glenn Wepener

Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

Please click [here](#) to view our recent publications on MENA and Global Markets

Disclaimer: To the fullest extent allowed by applicable laws and regulations, First Abu Dhabi Bank (the “Bank”) and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an “as is” and “as available” basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.

The Bank processes your personal data to provide you with information or promotional and advertising communications on products, services, other events and campaigns. If you wish not to receive email from the Market Insights team at the Bank, please [click](#) here to send us your request to unsubscribe, and you shall no longer receive such information.

You are entitled according to the applicable laws to exercise your rights to access, to rectification, to erasure and to portability of your personal data, to restrict the use of and to object to the processing of your personal data. You may exercise your aforesaid rights by sending your request to FAB at the following address: privacy@bankfab.com.