

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

- **Surge In COVID-19 Cases Could Hit Gasoline Demand.**
- **Natural Gas Prices Hit New Lows.**
- **Washington DC Files Lawsuit Against Oil Giants.**
- **Iraq Arrests Members Of PMF Militia Group.**
- **Iran Blames Weekend Explosion On Gas Tank Leak.**
- **Lebanese Pound Hits Fresh Lows.**
- **NCB Looks To Acquire SAMBA For Up To US\$15.63 Bio.**
- **Nigerian Economy To Contract By 3.20% - World Bank.**
- **Egypt Repays US\$20 Bio Of Its External Debt – CB Keeps Rates Steady.**
- **Global Remittances To Fall Sharply In 2020.**

REGIONAL COMMENTARY

Surge In COVID-19 Cases Could Hit Gasoline Demand.

Over the past two months the easing of lockdowns across the world, including in Europe, the US and China, have led to a slow recovery in gasoline consumption. However, the recent jump in COVID-19 cases, especially in the fuel guzzling US states of California, Texas and Florida, could threaten this recovery in demand just as the summer driving season approaches. Already Texas and Florida have begun backtracking somewhat on their respective re-openings, and re-implemented some measures such as closing bars, nightclubs and beaches. Meanwhile India has also reported a sharp jump in cases this past week, whilst both Beijing and Seoul are currently trying to dampen down some of their own fresh localized outbreaks.

Natural Gas Prices Hit New Lows.

Natural gas prices hit a new low last week, on the back of a global supply glut created by overcapacity and worsened by the impact of COVID-19. US shale gas producers in particular are now struggling as prices fell below US\$1.60/MMBtu and thus the number of shut-ins are increasing. (Average shale gas breakeven prices are above US\$2.40/MMBtu). Earlier this month, an IEA report suggested that *"natural gas is expected to experience its largest demand shock on record in 2020 as the Covid-19 pandemic hits an already weakened market,"* adding that they expect global LNG demand to fall by 4% this year.

Washington DC Files Lawsuit Against Oil Giants.

The Attorney-General for Washington DC, filed a lawsuit against four major energy firms last week, alleging that ExxonMobil, BP, Chevron and Shell had spent millions of dollars in order to deceive their customers over the effect fossil fuel extraction and emissions is having on the climate, according to an article in 'The Washington Post' newspaper. *"For decades, these oil and gas companies spent millions to mislead*

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consumers and discredit climate science in pursuit of profits. The defendants violated the District's consumer protection law by concealing the fact that using fossil fuels threatens the health of District residents and the environment," the DC Attorney-General, Karl Racine, was quoted as saying. In response, a spokesperson for ExxonMobil was quoted by 'The Hill' website stating that; "This lawsuit is part of a coordinated, politically motivated campaign against energy companies. Legal proceedings like this waste millions of dollars of taxpayer money and do nothing to advance meaningful actions that reduce the risks of climate change." Similar suits have been filed by Massachusetts, New York, Minnesota, California and Baltimore against these and other energy companies as well as the API in recent months, although New York has already lost its case against ExxonMobil.

Iraq Arrests Members Of PMF Militia Group.

Iraq's counter terrorism unit raided the base of a PMF militia group called 'Kataib Hezbollah' last Thursday, arresting 14 militia members and confiscating various weapons including rocket launchers. The group, which is reportedly backed by Iran, has been accused of attacking US bases and other facilities in Iraq, such as the 'Green Zone' in Baghdad, and is another sign of intent by the country's new Prime Minister, Mustafa al-Kadhimi, to try and reign in the activities of such groups. Kadhimi, who was previously head of Iraqi Intelligence, said upon becoming PM that one of his key priorities was not to allow his country become a US-Iran battleground.

Iran Blames Weekend Explosion On Gas Tank Leak.

A large explosion, which lit up the night sky above Tehran last Friday, was blamed on an industrial gas tank leak in a public area within the Parchin neighbourhood, which lies 20km east of the capital and there were no injuries according to Iranian state-news agencies. It's worth noting that Parchin is reportedly close to a major military base, including a suspected missile facility, where western intelligence agencies claim Iran had tested nuclear missile components in the past, an accusation which the Iranian authorities still say is false. You can read more on this story [here](#). Meanwhile Saudi Arabia announced yesterday that three Iranian vessels, which had illegally crossed into the Kingdom's maritime zone last Thursday, were forced to leave the area by the Saudi Coast Guard.

Lebanese Pound Hits Fresh Lows.

The Lebanese Pound was reportedly trading close to LBP 8000 per US dollar in the unofficial 'kerb' market last week, compared to LBP 3,850/3,900 at licensed FX dealers and the official pegged exchange rate of LBP 1,507.50, which the central bank is still applying for key imports. According to Reuters, the CB said that FX "liquidity was secured" at the 3,850/3,900 rates and that black market volumes were "tiny." However the President of Lebanon's Importers Syndicate, Hani Bohsali, was quoted by Reuters stating that the country's food importers have only been able to secure 20% of their hard currency needs via licensed dealers in the past two weeks, leaving them dependent on the parallel market for the balance.

NCB Looks To Acquire SAMBA For Up To US\$15.63 Bio.

Shares in SAMBA Financial Group jumped on Sunday, following the news that NCB had offered to acquire it in a deal worth up to US\$15.63 bio. Saudi Arabia's Public Investment Fund is the major shareholder of both firms, with a 44% stake in NCB and 23% of SAMBA. If such a merger is agreed, the new entity would have assets of around US\$210 bio, making it the largest lender in the Kingdom and third-largest such institution in the region.

Nigerian Economy To Contract By 3.20% - World Bank.

In a new report, the World Bank said that it expects Nigeria's economy to contract by at least 3.20% this year, its worst performance in almost four decades and driven by low oil prices, as well as the impact of COVID-19. "The macroeconomic impact of the COVID-19 pandemic will likely be significant, even if Nigeria manages to contain the spread of the virus. Oil represents more than 80% of Nigeria's exports, 30% of its banking-sector credit, and 50% of the overall government revenue. With the drop in oil prices, government revenues are expected to fall from an already low 8% of GDP in 2019 to a projected 5% in 2020. This comes at a time when fiscal resources are urgently needed to contain the COVID-19 outbreak and stimulate the economy. Meanwhile, the pandemic has also led to a fall in private investment due to greater uncertainty, and is expected to reduce remittances to Nigerian households, which in recent years have been larger than

the combined amount of foreign direct investment and overseas development assistance,” the WB study, which you can access [here](#) stated.

Egypt Repays US\$20 Bio Of Its External Debt – CB Keeps Rates Steady.

Egypt has reportedly repaid over US\$20 bio worth of its external debts to international financial and investment institutions during the past four months, and will repay a further \$5 bio over the next 12 months according to a Reuters article published yesterday. Data produced by the Central Bank of Egypt shows that the country’s external debts amounted to US\$112.60 bio at the end of last year. Meanwhile, the CB kept its benchmark interest rates on hold as expected following its regular MPC meeting last Thursday. This decision will be welcomed by investors as Egyptian assets currently provide some of the most attractive yields in the world. **Please note:** The Egyptian Stock Exchange and the Central Bank of Egypt have announced that they will be closed on Tuesday and Wednesday this week, due to a public holiday and the end of the 2019/2020 fiscal year.

Global Remittances To Fall Sharply In 2020.

Global remittances are expected to fall by almost 20% this year, due primarily to the economic impact of COVID-19 according to the World Bank. This projected fall, “which would be the sharpest decline in recent history, is largely due to a fall in the wages and employment of migrant workers, who tend to be more vulnerable to loss of employment and wages during an economic crisis in a host country. Remittances to low and middle-income countries are projected to fall by 19.70% to US\$445 bio, representing a loss of a crucial financing lifeline for many vulnerable households,” the latest WB report read, adding that the bank expects remittances to recover by just 5% in 2021.

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	3.7510/20	22/27	32/42	37/47	62/72	85/100	100/130	250/300
USD/KWD	0.30775/795	15/25	35/50	50/65	90/120	140/170	180/210	250/450
USD/OMR	0.38495/505	30/55	75/125	100/200	240/340	400/500	550/700	1100/1600
USD/BHD	0.37700/710	7/14	15/25	20/35	35/65	60/80	80/100	350/550
USD/MAD	9.6900/7200	50/150	100/300	200/500	350/850	800/1800	1300/2700	3000/6000
USD/EGP NDF	16.17	16.27/16.34	16.42/16.49	16.55/16.62	16.94/17.01	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	387.48	390.00/395.00	395.50/401.50	400.50/406.50	416.00/426.00	433.00/443.00	452.50/462.50	(NAFEX)
USD/GHS NDF	5.7700	5.80/5.90	5.85/5.95	5.90/6.00	6.13/6.23	6.37/6.49	6.64/6.78	-
USD/TND	2.8450/8750	150/350	300/600	500/1000	1000/2000	1700/2700	2500/4000	4500/8500
Crude Oil		Futures						
WTI	38.50							
Brent	41.00							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+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 the Sahara Desert spans across nearly a third of the African continent & reaches a total of 11 countries?

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