

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Short Sellers Target US Shale Companies.

A falling crude price and already weak financial fundamentals is encouraging speculators to increase their short positioning on North American shale firms, according to an FT report published yesterday. Since the beginning of February 2020, punters have added almost US\$500 mio to their short positions in this sector. Two US energy focused exchange-traded funds, namely XOP and OIH, have reportedly attracted a large chunk of these flows, with short interest in both now totaling around 40% of their shares, the [report](#) stated. Meanwhile recent data released by Baker Hughes showed that the number of US shale oil rigs fell to 678 last week, compared to 843 in the same week last year.

Crude Market Eyes OPEC+ Gathering.

As Brent hovers just above US\$50 a barrel, oil traders will be closely watching the outcome of the OPEC gathering in Vienna, which is scheduled to take place later this week. Signatories to the OPEC+ output cut accord will be discussing the possibility of a deeper cut in order to help prop up the market which has been severely pressured by the worsening global economic impact of the coronavirus outbreak. Media reports suggest an additional 1 mio bpd reduction could be announced, although Russia has thus far appeared to be reticent to pursue any further cuts at this stage.

Iraq's PM Designate Withdraws His Candidacy.

After failing to garner enough political support for his proposed cabinet, Iraq's Prime Minister designate Mohammed Allawi, announced yesterday that he had withdrawn his candidacy for the post. Allawi accused some 'political parties' of not being serious *"about implementing reforms that they promised to the people,"* adding that, *"If I agreed to offer concessions, I would be prime minister now, but I tried everything possible to save the country from sliding toward the unknown and resolve the current crisis. But the negotiations hit repeated snags."* This development now means that months of political deadlock are set to continue, although Iraqi President Barhem Salehm has called on MPs to nominate a replacement for the post within the next 15 days.

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Chevron's Venezuela Sanctions Waiver Unlikely To Be Renewed.

Chevron is the last remaining US oil major to have operations ongoing in Venezuela. However that will probably come to an end next month when a US sanctions waiver extension expires on April 22nd. *"The President has made a decision to push harder on the Venezuelan oil sector and we're going to do it. And what we're telling people involved in this sector is that they should get out of it,"* a senior US official was quoted as saying by Reuters last week. Chevron first established operations in the Latin American country way back in the 1920s and its regional head office is based in Caracas. But due to the worsening economic and political situation there, its Venezuelan subsidiary's production collapsed to 35,000 bpd in 2019 and now makes up only 1% of the company's global crude output. (Chevron currently has five onshore and offshore production projects in Venezuela with the state-owned PDVSA.)

Number Of Coronavirus Infections In Iran Rises Sharply.

The number of officially reported coronavirus cases in Iran jumped sharply from 978 yesterday to 1501 today, whilst the death toll hit 66 (the highest number of fatalities outside of China). State radio announced that one of those to succumb to the virus was Mohammad Mir Mohammadi, a member of Iran's Expediency Council which advises the country's supreme leader. According to Iran's Health Ministry many of the newly confirmed cases are in the capital Tehran, where schools and cinemas have remained closed for the second week in a row. Across the rest of the Gulf as of this morning, Bahrain had 47 confirmed cases, Kuwait 56, Oman 6, Qatar 3 and the UAE 21.

Sonangol Prepares To Offload Certain Assets.

Angola's state-run oil company is reportedly preparing to sell off its stakes in various entities, as a part of the government's program to privatize many state firms including Sonangol over the next two years. The Angolan administration will exit its current full or part ownership of 81 companies this year via public tender, six by auction and three in IPOs, with 12 set to be privatized in 2021 and four in 2022. Amongst the last of these firms will be Sonangol, along with the diamond producer Endiama according to the country's official news agency ANGOP.

Lebanese Banks Call For Bond Swap.

Lebanese Banks have called on the government to avoid defaulting on the US\$1.2 bio in Eurobonds due to mature next Monday, by offering to swap them for new notes. *"The best solution is to repay the debt through a swap for new securities and embark on immediate reforms to clean up public finances and restore the confidence of diaspora investors. Foreign bondholders could be willing to agree to such an exchange if the country can convince them of acting in good faith to carry out reforms and implement a credible plan,"* the head of Lebanon's Banking Association, Slaim Sfeir, was quoted as saying by Bloomberg over the past weekend. Meanwhile IATA announced earlier this morning that it was working closely with Lebanon's Central Bank in order to ensure that the revenues generated by international airlines with flights to and from Lebanon, continued to be repatriated. IATA's Vice President for the Middle East & Africa was quoted by Reuters as saying that he *"hoped"* the aviation body would not be forced to put Lebanon on its list of countries that block the repatriation of such funds.

Egypt Amends Stock Exchange Rule.

Egypt's market regulator announced yesterday that it has made it easier for listed companies to buy treasury shares. Under the amended rule companies will be temporarily allowed to notify the stock exchange on the day they wish to purchase treasury shares, instead of the usual three working days' notice. *"The change comes in light of the latest events and developments that the global financial markets have faced and the wave of sharp declines that Arab and foreign exchanges have witnessed,"* the regulator's statement read, according to Reuters.

Bahrain Ponders Potential Asset Sales.

According to a Bloomberg article published this morning, Bahrain is considering the transfer of some of its oil and gas assets into a state-controlled fund that could then offer shares to investors. The country's Oil Minister, Mohammed bin Khalifa Al Khalifa, was quoted as saying that his government is working on the project and may decide to proceed with it later this year.

Wizz Air Abu Dhabi Prepares To Take-Off.

Budget carrier Wizz Air Abu Dhabi, is set to launch operations from the Emirate's international airport during autumn of this year. *"Wizz Air's mission feeds into Abu Dhabi's diversified economic strategy as we aim to stimulate traffic by creating demand to the benefit of growing Abu Dhabi's touristic and economic diversity. We look forward to welcoming passengers on board our young, green and ultra-efficient fleet,"* the CEO of Wizz Air Holdings, József Váradi, was quoted as saying by the UAE's National newspaper.

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	8/13	15/25	30/40	45/55	100/150
USD/SAR	3.7515/18	-7/-3	-7/-3	-7/-3	-5/+5	5/15	15/35	125/175
USD/KWD	0.30630/650	13/23	27/42	50/70	100/130	150/180	200/250	350/450
USD/OMR	0.38501/506	15/25	40/60	70/100	200/250	360/420	580/680	1200/1400
USD/BHD	0.37702/07	5/15	8/18	15/30	30/50	50/80	70/100	170/270
USD/MAD	9.5725/5925	100/300	200/500	400/900	700/1300	850/1650	1000/2000	2000/4500
USD/EGP NDF	15.65	15.85/15.95	16.00/16.10	16.15/16.25	16.65/16.75	17.10/17.20	17.45/17.55	-
USD/IOD	0.7080/90	40/90	50/150	100/200	225/425	300/500	450/700	700/1700
USD/NGN NDF	365.21	369.25/370.75	373.25/375.25	376.75/378.75	388.00/391.00	399.00/404.00	410.00/415.00	(NAFEX)
USD/GHS NDF	5.3700	5.48/5.53	5.58/5.63	5.68/5.78	5.95/6.05	6.20/6.35	6.43/6.58	-
USD/TND	2.8450/8950	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	3500/6500
Crude Oil	Futures							
WTI	46.20							
Brent	51.30							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+26/32	+33/39	+41/47	+50/56	+59/65	+66/72	+72/78	+96/102
SAR SPREAD	+50/56	+60/66	+71/77	+82/88	+93/99	+103/109	+113/119	+143/149

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

EQUITY MARKETS

Market	Underlying	BBG ticker	Spot	Equity Price Moves				ATM Implied Vols		
				1day %	wtd %	mtd %	ytd %	3 month	6 month	1 year
Dubai	Index	DFMGI	2,536.66	2.54	(2.06)	(2.06)	(8.25)	23.4%	24.6%	24.4%
Abu Dhabi	Index	ADSMI	4,763.48	0.84	(2.81)	(2.81)	(6.15)	26.8%	26.6%	26.4%
KSA	Index	MISAP	1,074.56	0.03	(0.00)	(0.00)	(11.55)	25.6%	25.6%	25.6%
Dubai	Equity	EMAAR	3.43	3.31	(2.00)	(2.00)	(14.68)	38.8%	39.9%	39.8%
Dubai	Equity	EMIRATES	12.00	2.56	(4.38)	(4.38)	(7.69)	37.3%	37.5%	36.9%
Abu Dhabi	Equity	ADCB	6.66	(1.04)	(6.59)	(6.59)	(15.91)	33.3%	33.4%	33.6%
Abu Dhabi	Equity	ETISALAT	15.00	(1.96)	(5.06)	(5.06)	(8.31)	26.7%	25.1%	25.8%
KSA	Equity	SABIC	74.80	1.08	(4.96)	(4.96)	(20.34)	31.8%	28.3%	28.9%
KSA	Equity	RJHI	60.00	0.84	(3.07)	(3.07)	(8.26)	31.0%	29.8%	29.9%

Indication Levels Only – Please contact our trading desk for any live pricing and/or information.

AND FINALLY

Did you know that crude oil was first discovered in 1875 by David Beaty at his home in Pennsylvania? This led to the opening of the Bradford oil field, which, by the 1880s produced approximately 77% of global oil supplies.

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