

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Global Energy Firms Cut Spending & Suspend Projects.

A number of major oil companies have announced a sharp reduction in spending for 2020 following the recent collapse in crude prices. Yesterday, Shell said it planned to lower its operating costs by US\$3-4 bio this year and reduce its originally proposed capital expenditure of US\$25 bio by US\$5 bio. Shell's plans follow similar moves by other global firms like Total, who will cut its 2020 capex by 20% and suspend its buyback program. In a market impact study undertaken recently by Rystad Energy, it was estimated that E&P companies are likely to lower their onshore and offshore project sanctioning by almost 70% this year, if Brent averages US\$30 per barrel or lower. Meanwhile US shale operators are also looking to slash their own costs by at least 30%. You can read more on our outlook for the fracking industry in our latest ['House View on Oil'](#) publication.

Canada May Need To Cut Oil Production As Storage Fills Up.

Western Canada's crude oil output may need to be cut by up to 440,000 bpd next month, as the available storage capacity approaches its maximum limit of 40 million barrels, according to a recent research piece published on the 'oilprice.com' website. The article estimates that over 30 million barrels of crude and diluted bitumen is already held in storage in that part of the country.

Venezuela Facing A 'Perfect Storm'.

Despite being home to the world's largest crude oil reserves, Venezuela's economy has been teetering on the brink for a number of years, due to mismanagement, internal political strife and sanctions. Its oil industry, whose exports account for around 70% of government revenues, is a mere shell of what it once was, whilst annual inflation is running at close to 10,000%. Now with COVID-19 and an oil price 'war' things are about to get even worse, and the Maduro administration may not be able to survive this situation much longer, especially considering the fact that its approval rating amongst the country's populace is already in the low teens according to a Bloomberg study. A recent report been

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published on 'The Hill' website claimed that Venezuela had until now, been generating some income by selling its crude at US\$18 per barrel, a huge discount compared to the average market rate prior this latest price fall. Now with demand in reverse and global inventories on the rise Caracas will no longer be able to attract those already limited buyers who were willing to risk US sanctions in order to load up on cheap Venezuelan oil.

Regional States Implement Tighter Restrictions To Combat Virus.

Saudi Arabia implemented a 7pm to 6am daily curfew yesterday which will be in place for 21 days in a further effort to control the spread of COVID-19, although essential workers and sectors such as medical, food and logistics are exempt. Similar measures have been announced in most other Middle East countries including the UAE, where the government is encouraging people to stay at home and not venture outside unless "*absolutely necessary*." Inbound and outbound flights have been suspended whilst from the 25th of March malls, restaurants and non-essential stores will be closed, although pharmacies and supermarkets will remain open across the Emirates. In Egypt the Prime Minister, Mustafa Madbouli, announced that a 7pm to 6am curfew would come into effect from tomorrow, and that a general suspension of commercial flights which began on March 19th would be extended until the middle of April. As of March 24th Saudi Arabia had a total of 767 reported coronavirus cases, the UAE has 248, Bahrain 390, Kuwait 191, Oman 84, Qatar 501, Egypt 366, Lebanon 304, Iraq 316, Jordan 127 and Iran 24,811. You can read more details about the latest COVID-19 measures undertaken by the various GCC countries [here](#).

Iraq's New PM Battles To Get Cabinet In Place.

Iraq's second Prime Minister designate since the beginning of this year, Adnan al Zurfi, who was nominated for the post by the Iraqi President last week, has less than 30 days to get a cabinet approved by the country's fractious MPs. Zurfi previously served as governor of Najf and is leader of the Nasr-led bloc in parliament. If his cabinet nominations succeed, then he has promised to finalize a budget for 2020, fight the spread of COVID-19 and hold a general election. However Zurfi faces exactly the same challenges as his predecessor, and according to the 'Rudraw' news site two political factions; namely the Iran backed 'Fatih' coalition and the 'State of Law' grouping have already expressed their objection to his appointment.

Nigerian President's Aide Tests Positive For Coronavirus.

President Buhari's Chief of Staff, Abba Kyari, has reportedly tested positive for the COVID-19 virus according to a Reuters article published earlier today, although there has not been an official confirmation of this as yet. Kyari is one Buhari's key confidants and is now allegedly in isolation. The 'Nigeria Guardian' Newspaper claimed separately that the President has also been tested but that his result was negative.

UAE Unveils Additional Stimulus Measures.

The UAE's Federal government approved an additional AED 16 bio stimulus package to support the local business sector in the wake of the ongoing global slowdown, following a cabinet meeting this past Sunday. This brings the total value of the economic support packages unveiled by the government since the outbreak of COVID-19 to AED 126.50 bio. These packages include various initiatives such as; the allocation of AED 3 bio towards the SME credit guarantee scheme, commercial fee exemptions, water and electricity subsidies, easing the cost of doing business and accelerating the implementation of major government infrastructure projects.

Lebanon To Suspend All Eurobond Payments.

Lebanon's Finance Ministry announced yesterday that it was "*suspending* payments" on all of its outstanding foreign currency Eurobonds, adding that it wanted to enter into "*good faith*" discussions with the affected creditors as soon as possible. The MOF will give a more detailed outline on this decision and its plans going forward on the 27th of March. The key question now is whether or not the government will approach the IMF for an emergency bailout, as opposition to such a move by various politicians is still relatively strong over fears the IMF's conditions would incur a further backlash by the country's citizens.

Oman Plans To Review Budget On A Quarterly Basis.

Following the announcement of an OMR 8 bio liquidity support package for Oman's banks, and the Finance Ministry's decision to reduce the budgets for the country's civil, military and security departments by 5% last week, the government said via state media that it also planned to review its overall budget every 3 months. The package includes a number of other measures including; the reduction of the capital conservation buffer for banks, a six month payment deferment for distressed borrowers and easier access to repo and FX swap operations.

Egypt Allocates EGP 20 Bio To Support Local Bourse.

President Sisi announced a range of measures this past weekend, aimed at softening the impact of the COVID-19 crises on the Egyptian economy. EGP 50 bio would support real estate financing, another EGP 50 bio will be allocated to the tourism sector including loans with a six-moth grace period, the price of gas and electricity has been cut and EGP 20 bio would be made available to support the stock exchange. Last week the country's Central Bank held an emergency MPC meeting at which it decided to slash its benchmark rates by 300bp.

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	3.6727/29	3/8	8/13	12/22	25/45	45/75	65/95	175/275
USD/SAR	3.7530/80	-20/-5	-25/-5	-20/Par	-20/+10	-15/+15	10/40	225/275
USD/KWD	0.31335/835	5/20	20/50	40/70	70/140	130/200	175/275	400/600
USD/OMR	0.38490/540	100/200	200/450	350/550	600/900	1100/1600	1500/2000	2500/3500
USD/BHD	0.37800/900	-10/+10	-5/+15	Par/30	20/70	40/140	70/170	400/800
USD/MAD	9.8100/8600	100/300	200/500	400/900	800/1500	900/1900	1200/2500	2000/4500
USD/EGP NDF	15.75	16.00/16.15	16.20/16.35	16.40/16.55	16.95/17.10	17.48/17.63	18.05/18.20	-
USD/JOD	0.7085/7100	40/90	70/170	110/210	225/425	300/500	450/700	700/1700
USD/NGN NDF	380.50	391.00/401.00	401.00/411.00	413.00/423.00	445.00/455.00	473.00/483.00	494.00/504.00	(NAFEX)
USD/GHS NDF	5.60	5.93/6.03	6.15/6.25	6.25/6.35	6.60/6.70	6.88/7.03	7.14/7.28	-
USD/TND	2.9000/9700	150/350	300/600	400/900	1000/2000	1500/2500	2000/3500	3500/6500
Crude Oil	Futures							
WTI	23.40							
Brent	27.85							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+40/50	+43/53	+48/58	+55/65	+64/74	+71/81	+75/85	+96/106
SAR SPREAD	+47/57	+69/79	+84/94	+100/110	+117/127	+130/140	+138/148	+166/176

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

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

AND FINALLY

'If the wind blows, just ride it' – Arabic proverb.

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