

Market Insights & Strategy

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REGIONAL COMMENTARY

Storage Crises Eases In US – Fuel Demand Rises.

Pressure on Cushing, the largest crude oil facility in the US, appears to be finally easing after Genscape reported inventories there had fallen by 350,000 barrels this past week. If confirmed by official data, this would be the first recorded decline at Cushing since February. The independent refiner Holly Frontier has also expressed optimism that Cushing may have avoided the worst, *"I think the general consensus is that Cushing is not a big danger spot, or as high danger spot as it was previously, in getting full and not being a repository for crude. At this point in time, from a Holly Frontier standpoint, we are not worried about Cushing filling up as much as we were two or three weeks ago,"* the refiner’s commercial officer, Tom Creery, was quoted as saying by the ‘Argus Group’ website. Meanwhile gasoline supplied to the US. market rose to just under 6.7 mio bpd last week, indicating a modest increase in demand. Support has also come on the back of news that Saudi Aramco, which earlier this year was offering significant discounts on its crude exports, has raised its prices on almost all grades for June.

Trump Faces Opposition To Any Major Bailout Of Oil Industry.

Attempts by the Trump administration to find funds for the ailing US Energy sector is running into opposition inside and outside of Congress. *"Oil companies do not deserve special access to taxpayer-financed bailout funds at a time when millions of Americans are struggling to make ends meet,"* A letter sent by Senator Elizabeth Warren to the US Treasury Secretary read, adding that *Instead of a bailout for the fossil fuel industry, "Federal efforts should protect workers in the renewable energy sector that is also suffering. Despite the threats to the renewable energy sector, it however is not as susceptible to the same shocks as the oil and gas industry and may therefore be a more stable investment for federal assistance in the long run."* Ironically, the oil lobby group API is also opposed to recent administration suggestions that the government purchases stakes in some of country’s struggling oil producers. *"Once you invite the government into these businesses, there are long-term repercussions for that, and I think that has weighed heavily on this*

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repercussions for that, and I think that has weighed heavily on this industry's mind. We want to make sure if you were solvent going into this crisis and credit-worthy going into this crisis, you can survive this crisis. For some firms, that was not the case. I don't think we're interested in programs that would send good money after bad," the President of API, Mike Sommers, was quoted as saying at the end of last month by the Axios media outlet.

New Crude Contracts Include A 'Zero Price' Clause – Petrobras Suspends Sale Of Offshore Fields.

The 'Arab News' website has said in a recently published article, that companies selling crude and condensate in Asia have added a new clause to their contracts which will protect the seller from having to deliver its product at a negative price. Suppliers in the US have also included such a clause in their paperwork, a move which came soon after WTI crashed into negative territory last month. You can read more on this story [here](#). Meanwhile, due to current market conditions, Brazil's state-owned oil firm Petrobras has reportedly suspended a plan to sell a minority stake in four of its offshore fields which currently pump around 230,000 bpd according to Reuters.

Electric Vehicle Sales To Drop By 43% In 2020 – Wood Mackenzie.

According to a new report by Wood Mackenzie, global sales of electric vehicles are forecast to drop by more than 40% this year. The report highlights the impact of COVID-19 as the primary cause but so too is much cheaper oil prices and the relative lack of new EV models set for commercial release.

US Withdraws Two Patriot Batteries From KSA.

AP news and the WSJ claimed in separate articles published yesterday, that the US was withdrawing two patriot missile batteries as well as their 300 support personnel from Saudi Arabia. There have been suggestions in some sections of the media that this move comes after an alleged disagreement between Riyadh and Washington over oil prices, but the US only has a limited number of patriot systems and so these defensive weapons are often rotated and sent home for maintenance and/or upgrades. The US has also just deployed similar systems in Iraq, while two other patriot batteries along with other types of air defence systems, reportedly remain in the Kingdom. In an interview with the 'National' newspaper a spokesperson for the US Department of Defence, Commander Sean Roberston said that the move formed a part of the *"Department's global force management processes. The DoD routinely circulates troops and assets to address emerging threats and maintain readiness,"* he stated, adding that the US military, *"maintains robust in-theatre capabilities, including air defence, to address any Iran-related contingencies as needed. We also maintain the capability to augment these forces on short notice. The Department of Defence continues to work with the international community and Saudi Armed Forces to strengthen regional air defence capabilities."*

Iraqi MPs Finally Approve A New Cabinet.

Iraqi MPs finally agreed to approve Prime Minister designate, Mustafa Kahdemi's cabinet this week after almost six-months of political wrangling. Kahdemi who was the latest figure to be nominated by President Saleh, has now succeeded in forming a government which his two predecessors had failed to manage. He is the former head of Iraq's National Intelligence Services and considered to be both a smart negotiator and pragmatist. He has also thus far reportedly been able to maintain reasonable relations with both Washington and Tehran. However he now faces a mountain of economic and social challenges made even more severe due to the collapse in oil prices and the impact of COVID-19 on Iraq.

Nigerian Naira Weakens Again.

The 5Y USD/NGN FX futures rate rose above 569.00 yesterday after the Central Bank adjusted its rates across all tenors in this derivative market. According to a Reuters report the CB also resumed its provision of hard currency to onshore entities, but is allegedly yet to sell dollars to offshore investors. Unnamed sources quoted by Reuters estimate the current backlog in US dollar demand is between US\$1.5 - 1.8 bio. You can read more on this topic [here](#).

Bahrain Raises US\$2 Bio Via Latest Bond Issuance.

Bahrain sold US\$2 bio via a dual-tranche bond issuance comprising a 4.5 year Sukuk and a 10-year conventional bond this week. The Kingdom sold US\$1 bio via a Sukuk at 6.25% and another US\$1 bio in 10-

year bonds at 7.375%, after receiving more than US\$11 bio in combined orders according to Reuters. Bahrain is currently rated at B+ by S&P.

Kenya's Economy To Slow Sharply In 2020.

The Kenyan economy is expected to expand by just 1.50% this year as its buffeted by the global economic slowdown, compared to an initial forecast of 6.00% according to a new report by the World Bank. However the bank also sees the country's GDP growth rebounding back towards 5.20% in 2021.

UN Appeals For US\$350 Mio In Humanitarian Aid For Lebanon.

The UN yesterday launched an Emergency Appeal, requesting US\$350 mio from international donors in order to support those individuals and families most at risk in the country, due to the ongoing economic crises there, which has been worsened further by the COVID-19 outbreak. *"It is crucial to receive the requested funds so that those most in need can receive humanitarian assistance,"* the UN representative in Lebanon, Claudio Cordone, was quoted as saying by the 'Daily Star' newspaper yesterday. The IMF expects Lebanon's economy to shrink by as much as 12% this year.

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	3.6730/31	3/6	9/14	18/23	40/50	60/80	85/105	180/280
USD/SAR	3.7555/85	7/12	12/22	15/30	40/55	75/95	130/160	400/500
USD/KWD	0.30885/985	30/45	55/70	80/100	150/180	200/250	270/320	430/530
USD/OMR	0.38490/510	110/160	230/280	375/475	775/875	1000/1300	1500/1800	2800/3800
USD/BHD	0.37725/7825	5/15	15/30	20/35	40/70	60/90	80/110	500/800
USD/MAD	9.8300/9800	150/350	300/600	450/950	1000/2000	1600/2600	2100/3100	3000/6000
USD/EGP NDF	15.7550	15.90/16.00	16.10/16.20	16.30/16.40	16.91/17.01	17.51/17.61	18.11/18.21	-
USD/JOD	0.7095/7115	40/90	80/180	100/250	225/375	325/475	400/700	1000/2000
USD/NGN NDF	386.60	404.00/414.00	421.00/431.00	435.00/445.00	467.00/477.00	492.00/502.00	512.00/522.00	(NAFEX)
USD/GHS NDF	5.7750	5.79/5.89	5.88/5.98	5.98/6.08	6.25/6.35	6.52/6.67	6.78/6.93	-
USD/TND	2.8750/9250	300/600	450/950	500/1000	1100/2100	1500/3000	2000/4500	4000/7000
Crude Oil	Futures							
WTI	24.25							
Brent	30.00							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+69/77	+72/80	+77/85	+83/91	+90/98	+96/104	+101/109	+119/127
SAR SPREAD	+69/77	+84/92	+102/108	+116/122	+130/136	+142/148	+153/159	+171/179

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

AND FINALLY...

Did you know that the word Siri, (which is also the name of Apple's voice assistant} comes from the Swahili word meaning 'secret' ?

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