

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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- **US Navy Transmits Warning To Iran.**
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### REGIONAL COMMENTARY

#### **US Crude Inventories Fall Again.**

API has reported a 4.80 mio draw in US oil inventories for last week as well as a 650,000 drop in petrol stocks, although both estimates will still need to be confirmed by the EIA. Other positive news, was the announcement by Petrochina that it plans to restart operations at its Dalian refinery which can process up to 450,000 bpd. WTI opened at US\$32.50 and Brent at US\$34.95 this morning.

#### **Major US Shale Gas Firm Files For Bankruptcy.**

Tensions between Washington and Tehran are building again, as the US One of Wyoming's most well-known natural gas producers and biggest tax payer, Ultra Petroleum, has reportedly filed for Chapter 11. *"After several months of liability management efforts and careful consideration of how best to navigate a challenging low commodity price environment and our debt levels, Ultra's Board of Directors determined that a voluntarily filing for Chapter 11 reorganization provides the best outcome for the entity. This financial restructuring will result in an enterprise with very little debt, good liquidity and significant free cash flow that is underpinned by a large-scale, low-cost base of natural gas and condensate production,"* the CEO of the firm, Brad Johnson, was quoted as saying by the 'Caspar Star-Tribune.'

#### **US Navy Transmits Warning To Iran.**

The US Navy yesterday transmitted a specific 'mariners warning' to all vessels sailing within the region, which has also been seen as a veiled threat to the Iranian military. *"US Naval forces are conducting routine operations in the region with a commitment to freedom of navigation and the free flow of maritime commerce. Due to recent events, in order to enhance safety, minimize ambiguity and reduce opportunities for miscalculation, all vessels are advised to maintain a safe distance of at least 100 meters from US naval vessels in international waters/straits. Armed vessels approaching within 100 meters of a US naval vessel may be interpreted as a threat and subject to lawful defensive measures,"* the

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broadcast read. The US navy's 5<sup>th</sup> Fleet, which is based in Bahrain, reported a number of attempts by Iranian gunboats to harass their warships last month. This in turn led President Trump to call on US forces to "shoot down and destroy any and all Iranian gunboats harassing our ships at sea."

### **Expat Tax Debate Restarts In Kuwait.**

A senior parliamentarian in Kuwait, has again raised the case for implementing a 5% tax on expatriate remittances, by re-introducing a draft law on the topic for debate in the country's legislature. *"Imposing fees on expatriates' transfers will have a role in improving the state's revenues and diversify sources of income. Migrant workers transfer about KWD 4.2 billion annually, this system is in effect in most countries of the world and in more than one Gulf country. Expats there have not objected to it. Allowing this money to exit the country is very dangerous and has a direct effect on economy. We do not target brotherly expats because imposing symbolic fees on financial transfers will not affect their money, but will have a positive effect on the state's sources. This has become a necessity after the money transferred outside Kuwait has reached 4.2 billion dinars annually without the state making any benefit from this,"* Khalil al Saleh was quoted as saying by the 'Gulf News' media outlet. In 2016 when the same debate was being discussed across the GCC, the IMF claimed in a report that the estimated income of the region raised from such a tax *"will result in very little and marginal revenue of only 0.30% of the region's gross domestic product, which is very modest compared to the financial reforms required in the GCC countries,"* adding that a remittance tax *"would also result in administrative and operational costs that might reduce revenues."* Late last year, a similar bill was rejected by the Kuwaiti government, Central Bank and parliament's legal and legislative committee. They argued then that it could adversely impact the economy and create a black market for money transfers.

### **New PM Says Iraq's Treasury Is Almost 'Empty.'**

Iraq's recently appointed Prime Minister, Mustafa al Kahdhimi, said in a speech given on Monday this week, that he accepts the fact that he and his government face a series of enormous challenges in rebuilding and stabilizing the country for all of its citizens. *"A heavy legacy will confront me at all levels and in all vital areas that impact the lives of citizens, and the security, sovereignty and independence of the country. The crisis is deep and interwoven in the very fabric of the state and its institutions, undermining its economic strength. The wealth that went through Iraq's treasury over the past 17 years would have been sufficient to rebuild the country and establish a fund for the future, but corruption drained it, with some of the wealth openly and publicly taken out of Iraq. When I came into office, the treasury was almost empty,"* the PM was quoted as saying by the 'MENAFN' website. He also outlined some of his administration's major priorities including: 1) Complete the passage of a new Electoral Law, and the Independent High Electoral Commission Law to facilitate the holding of elections as soon as possible. 2) Protect demonstrators so they can *"express their will freely and peacefully"*. 3) Confront the economic and financial crisis, rationalize public spending, fight corruption, initiate necessary reforms, and protect Iraqis from Covid-19. 4) Restore the authority of the state, assert national sovereignty, confine arms to state institutions, secure the country against the threat of terrorism, and establish the rule of law.

### **Saudi Arabia Ends Flogging.**

Saudi Arabia's Minister of Justice, Dr Walid Bin Mohammad Al Samani, has reportedly issued a circular to all of the Kingdom's courts instructing them to abolish flogging and replace this with jail time, fines, or other alternative punishments instead, as a part of Saudi Arabia's ongoing reform program. *"The Ministry of Justice's announcement today implementing the end of flogging as a form of discretionary punishment makes good on another promised reform in Saudi Arabia. This reform is a strong sign of the Kingdom's commitment to make all of its judicial practices adhere to the highest international standards, and improve the quality of life for its citizens and residents,"* the President of the Human Rights Commission Dr Awwad Al-Awwad, was quoted as saying in response to this news by the 'Saudi Gazette.' You can read more on this subject [here](#).

### **Lebanon's Reform Plan Questioned.**

A former senior Lebanese minister has questioned the current government's economic recovery plan, which they are currently discussing with the IMF. *"They are trying to present a plan that the IMF will buy into, and that the international community and creditors will buy into, without really addressing the deeper problems in the country: reforms,"* Nasser Saidi, a previous Economy Minister and Vice-Governor of the Central Bank, was quoted as saying by Reuters yesterday. Meanwhile according to official figures Lebanon's overall

sovereign debt load is now equal to 176% of its GDP, and the government has estimated that total bank losses currently stand at US\$83 bio while “*embedded losses*” at the Central Bank are more than US\$40 bio.

### Abu Dhabi To Disburse A US\$1.50 Bio Housing Support Package.

The Crown Prince of Abu Dhabi and Chairman of Abu Dhabi’s Executive Council, HH Sheikh Mohamed bin Zayed Al Nahyan, has approved an order to disburse housing loans, houses, and residential plots worth around AED 5.50 bio to more than 5,500 UAE nationals within the Emirate of Abu Dhabi, according to local media reports. This decision falls within Abu Dhabi’s development accelerator program, ‘Ghadan 21’.

### Egypt Adjusts Its Quarantine Rules For Returning Residents.

According to an article published on the ‘Ahram’ news site yesterday, Egypt has decided to shorten its mandatory quarantine period for its citizens arriving from abroad from 14 days to one week. Returnees who test negative by the end of the seven-day period will be allowed to spend the rest of their quarantine at home, the article quotes an unnamed official as saying. The rules up to now, meant that all citizens returning from overseas had to enter into a mandatory two-week quarantine period at various designated hotels or hostels. You can access the full report [here](#).

### The UAE Develops Rapid COVID-19 Test.

A UAE based firm has developed a new laser test which is able to identify Covid-19 infected individuals in just a few seconds, according to an announcement by the designer of the test, QuantLase Imaging Lab, the medical research arm of the International Holdings Company which is listed on the Abu Dhabi Stock Exchange. The company says this breakthrough will enable the health authorities in the UAE to test people at a much wider scale. You can access more on this story [here](#).

### FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6730/31	4/7	10/15	18/23	40/50	60/80	80/100	180/280
USD/SAR	3.7555/75	10/15	13/23	17/33	38/58	65/85	110/140	300/400
USD/KWD	0.30855/895	25/35	50/65	85/105	150/180	225/255	270/320	400/500
USD/OMR	0.38490/500	80/130	175/225	270/370	600/700	850/1150	1250/1550	2500/3500
USD/BHD	0.37725/775	5/10	10/20	17/33	35/55	50/80	70/100	475/675
USD/MAD	9.7750/8550	150/350	300/600	450/950	1000/2000	1600/2600	2100/3100	3000/6000
USD/EGP NDF	15.8300	16.07/16.15	16.30/16.38	16.48/16.56	17.06/17.14	17.61/17.69	18.15/18.23	-
USD/JOD	0.7095/7115	40/90	80/180	100/250	225/375	325/475	400/700	1000/2000
USD/NGN NDF	386.92	395.00/403.00	403.00/411.00	410.00/420.00	433.00/443.00	456.00/466.00	478.00/488.00	(NAFEX)
USD/GHS NDF	5.7900	581/5.91	589/5.99	5.98/6.08	6.22/6.32	6.45/6.57	6.72/6.86	-
USD/TND	2.8500/9000	300/600	450/950	500/1000	1100/2100	1500/3000	2000/4500	4000/7000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	32.50							
Brent	34.95							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+60/66	+65/71	+71/77	+77/83	+84/90	+89/95	+94/100	+113/119
SAR SPREAD	+68/74	+83/89	+99/105	+115/121	+127/133	+138/144	+148/154	+173/179

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

### AND FINALLY...

Did you know that the capital city of the Ivory Coast, Abidjan, has the third largest French speaking population anywhere in the world?

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