

Market Insights & Strategy

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REGIONAL COMMENTARY

Oil Market Eyes Hurricane, Strikes, Inventories & Stimulus Delay.

Oil prices are currently trapped between supportive factors such as a new hurricane heading towards the Gulf of Mexico and strike action in Norway, to negative news such as a report by API that US crude inventories rose last week and Trump's decision to suspend talks on a fresh stimulus package. Six Norwegian offshore oil and gas fields were shut yesterday as more workers joined a strike over pay. This strike action has reduced Norway's overall crude output by 330,000 bpd. Meanwhile, offshore producers in the Gulf of Mexico have continued to shutdown wells and evacuate crews as Hurricane Delta strengthened into a major Category 4 storm and is still heading towards the area. Finally, the American Petroleum Institute reported a 831,000 barrel inventory build for last week against expectations of a 2 mio barrel draw, although we await confirmation of this number from the EIA later today.

'Frac Fleets' May Be Better Marker Of Any Shale Rebound.

While rig counts are an important signal for future oil production, the introduction of new fracking technology has meant that a fall in the number of active rigs does not necessarily mean an equal drop in production. For example, in November 2013, around 1,385 oil rigs were producing 8 mio bpd. However In November 2019, just 680 rigs were producing 12.8 million bpd. So analysts are now looking at other data in an attempt to get a clearer picture of what's actually happening on the ground, and this has led to the use of frac fleets (or frac teams). A frac fleet refers to the collection of equipment (and workers), that an oil field service company uses to get a well producing after the actual hole has

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been drilled. The active frac fleet count is currently around 111 compared to 358 at the beginning of this year, although admittedly it is off a mid-year low of 89. In June 2020 the number of frac fleets operating in the Permian Basin were estimated to be just 20 compared to 172 at the same time last year, according to ProPetro and Primary Vision. Meanwhile overall US crude output is now around 10.70 mio bpd, (down from the high of 13.10 mio bpd in March 2020), and its estimated that there would need to be at least 150 active frac fleets to keep the current level of production flat.

Libya's CB Calls For Rapid Increase In Oil Production.

The Governor of Libya's Central Bank, Sadiq Al-Kabir, has called on the National Oil Company to raise its crude output as quickly as possible in order to halt and reverse the sharp fall in FX reserves. *"We need to raise production to 1.7 million barrels per day to cover the country's spending,"* Al-Kabir was quoted as saying earlier today by Bloomberg, adding that the regular shutdowns of the country's oil output between 2013 and 2020 had generated about US\$180 billion in losses. Libya's current production level is around 300,000 bpd which is up from its recent all-time low of 89,000 bpd, the African producer is also not bound by the OPEC+ output accord.

NNPC To End Crude For Fuel Swaps By 2023.

Nigeria's National Petroleum Corporation has announced that it plans to end the country's oil-for-fuel swap system within the next three years. The repair and upgrading of the government's older refineries and the completion of a US\$15 billion refinery and petrochemical complex by Dangote will remove the need for such swaps by 2023, the Group Managing Director of the NNPC was quoted as saying by the local 'This Day' newspaper. Meanwhile oil workers have reportedly gone out on strike at the Nigerian unit of Baker Hughes, in an apparent protest against the recent layoff of 64 employees.

A Biden Presidency May Not Result In A Return To The JCPOA.

If Joe Biden wins the race to the Presidency this year, it is not a given that the US would immediately lift all of its current sanctions on Iran and return to the terms of the JCPOA. The complex web of fresh sanctions that the Trump administration has imposed on Tehran since 2016 will be difficult to unwind, and so it's more likely that Biden would try and get the Iranians back to the table to negotiate a new deal, albeit with stiffer conditions than those laid out in the original agreement. Such an approach has already been outlined in the Democratic Party's 2020 election manifesto, which mentions the possibility of a return to the nuclear accord, but also emphasizes the need for missile and regional talks with Iran first. Talks on Iran's missile capabilities is something the hardliners in Tehran have publically rejected a number of times.

UAE & Israeli Foreign Ministers Meet In Germany.

Sheikh Abdullah bin Zayed, the UAE's Minister of Foreign Affairs and International Cooperation and Israel's Foreign Minister Gabi Ashkenazi met face-to-face for the first time yesterday in Berlin.

"Three decades ago, the German people united Berlin to make history, and today we are gathered together in the hope of making history. In the UAE we are looking forward to opening more new horizons of cooperation to make peace, and to the economic opportunities that it opens up in the region. We will work together to take advantage of our world-leading capabilities in the research and development sectors to meet the needs of current and future generations," Sheikh Abdullah stated during a press conference, adding that the most important thing to emphasize was the return of hope that the Palestinians and Israelis can work together to agree a two-state solution. Meanwhile, the Energy Ministers of the UAE, USA and Israel issued a joint-statement late last week announcing a tri-party agreement on energy strategy. *"The United Arab Emirates, the United States of America, and the State of Israel, acknowledging the benefits of focusing on pragmatic steps that have tangible outcomes, agree to encourage greater coordination in the energy sector, including renewable energy, energy efficiency, oil, natural gas resources and related technologies, and water desalination technologies. Together, our dynamic economies will look to leverage world-leading research and development capacities to meet the needs of current and future generations. We will also seek to find solutions to the energy challenges faced by the Palestinian people through the development of energy resources, technologies, and related infrastructure,"* the statement published via the 'WAM' media outlet read.

Kuwait Selects New Crown Prince.

Kuwait's new ruler, Emir Sheikh Nawaf Al Sabah has nominated, Sheikh Meshal Al Ahmad Al Sabah to be the country's Crown Prince, according to the 'KUNA' news agency, although his appointment will still require parliamentary approval and thus MPs are scheduled to meet tomorrow. Sheikh Meshal is currently the deputy chief of the National Guard and is a brother of the former Emir who passed away last week.

Lebanon's President Calls For Talks On New Prime Minister.

As the economic situation in Lebanon continues to worsen daily, people are still awaiting the appointment of a new government after the failure by politicians to agree on a cabinet last month. However, President Michel Aoun's office announced via a Tweet this morning that he has called for binding consultations with MPs in order to select a new Prime Minister on October 15th.

KSA/UAE/Egypt's Non-Oil Private Sectors Expand For First Time In Months.

IHS Markit Purchasing Managers' Index for Saudi Arabia rose to 50.7 last month after slipping to 48.8 in August. This is the first move back above the 50 level in seven months. Meanwhile the UAE's headline PMI for the month of September rose to 51 from 49.4 in August, its highest reading in 11 months. This expansion was supported by positive readings for both the output and new orders sub-components. Egypt's PMI for the same month also saw a rise, moving up to 50.4 from 49.4 in August.

UAE Named As Most Desirable Country To Live By Arab Youth Survey.

The UAE has been voted as the most desirable country for young Arabs to live in for the ninth year in a row, according to the results of the latest Arab Youth Survey. The poll assessed the answers to a set of questions by 4,000 young Arabs from 17 countries who were aged between 18 and 24. When asked which country in the world they would like to live in, 46% said that the UAE was their number one choice, the US came in second with 33% while the UK and Canada tied for third place with 27%. You can read more on this story [here](#).

Tamimi Wins Design & Build Tourism Contract In KSA.

The Tamimi Global Company, has been awarded the design and build contract for the construction of the first stage of the ultra-luxurious AMAALA Village which is to be located along Saudi Arabia's north-western coastline. The contract also includes the second and third stages of civil and infrastructure works for the project, according to the 'ME Construction News' website.

FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6729/30	Par/+3	2/5	3/8	10/15	18/28	30/40	140/190
USD/SAR	3.7509/12	1/4	2/7	4/9	12/22	28/38	50/60	175/225
USD/KWD	0.30625/645	20/30	40/55	65/80	125/155	180/210	245/285	400/500
USD/OMR	0.38497/500	30/45	70/90	110/140	235/265	380/430	550/600	1200/1500
USD/BHD	0.37705/08	7/17	18/33	25/40	50/70	85/115	125/175	350/550
USD/MAD	9.2450/2650	50/150	100/300	200/500	350/850	800/1800	1300/2700	3000/6000
USD/EGP NDF	15.71	15.80/15.85	15.90/15.95	16.03/16.08	16.40/16.45	16.82/16.87	17.29/17.34	-
USD/JOD	0.7085/90	65/115	80/180	130/280	250/450	325/525	425/725	1000/1800
USD/NGN NDF	385.72	387.25/390.25	389.50/395.50	393.25/397.25	407.75/417.75	426.50/431.50	449.00/456.00	(NAFEX)
USD/GHS NDF	5.7900	5.87/5.92	5.95/6.02	6.05/6.14	6.30/6.42	6.63/6.75	6.92/7.06	-
USD/TND	2.7475/7675	100/300	200/500	400/700	700/1700	1000/2000	1700/3200	4000/8000
Crude Oil	Futures							
WTI	39.55							
Brent	41.65							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+32/38	+43/49	+56/62	+68/74	+76/82	+83/89	+87/93	+108/114
SAR SPREAD	+65/71	+76/82	+94/100	+111/117	+127/133	+137/143	+146/152	+172/178

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

AND FINALLY...

Did you know that when oil was discovered in Libya in the 1950s, an enormous aquifer underneath much of the country was also found? This aquifer's water pre-dates the last ice age.

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