

Market Insights & Strategy

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- **US Shale Outlook Remains Bleak.**
- **OPEC+ Producers Keep An Eye On Faltering Demand.**
- **Lebanese Pound Falls Again After Talks Over New PM Are Postponed.**
- **Angolan President Says US\$24 Bio 'Lost' By Previous Administration.**
- **Nigeria's FX Reserves Continue To Dip.**
- **Oman Prepares To Introduce VAT.**
- **IMF Amends Outlook For Growth In Saudi Arabia.**
- **ADPF & ADQ Invest US\$2.1 Bio In ADNOC's Gas Pipelines.**
- **Dubai Launches New Residency Program For Remote Workers.**
- **Standard Bank SA Prepares To Take On Fintech Rivals.**
- **NMDC Wins Dredging Contract in Egypt.**

REGIONAL COMMENTARY

US Shale Outlook Remains Bleak.

Two separate reports published recently, one by Wood Mackenzie and the other by Haynes & Boone, highlight the ongoing financial difficulties faced by North American shale producers and suggest that their rate of output is likely to continue to decline even with higher crude prices. "The past six months have profoundly changed the outlook for US tight oil, triggering a slowdown in the rate of growth with a lower peak now expected," the Wood Mackenzie [study](#) suggested, adding that, "Unlike the oil price downturn of 2014-2016, there is far less room for the sector to make sweeping improvements in well performance and operational efficiency. Companies that survive the unfolding shakeup will need to rebuild trust with investors. Even if they do, higher prices will not mean unbridled growth, making tight oil a less elastic source of supply. Heightened policy risks will put additional downward pressure on investment. Technological breakthroughs could be a boon for the industry, but outside of this the uncertainties weigh heavily to the downside". Meanwhile in its latest '[Bankruptcy Monitor](#)', the legal firm Haynes & Boone stated; "In the third quarter of 2020, 17 producers filed for bankruptcy, which, combined with the rest of the filings earlier this year, represents a 21% increase over this time last year. There were only four cases filed in each of September and August compared to nine in July 2020. Given the negative industry sentiment reflected in the Haynes and Boone Fall 2020 Borrowing Base Redeterminations Survey, the August and September lull may reflect just the calm before the storm if borrowing bases stay low. In addition to lower access to bank capital, a

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number of public company producers are facing upcoming maturities of their public debt. Historically, producers have had a much harder time negotiating any relief with their bond holders than with their bankers. If capital markets fail to open up for these producers to refinance their bonds, they will be heading full speed towards a debt maturity wall with no option but to file for the protection of the bankruptcy courts starting in 2021. Over the entire five-year period as of September 30, 2020, 248 producers have filed for bankruptcy since Haynes and Boone's Oil Patch Bankruptcy Monitor began tabulating E&P filings, involving more than US\$175 bio in aggregate debt with over US\$50 bio so far in 2020".

OPEC+ Producers Keep An Eye On Faltering Demand.

Traders will be watching for any fresh comments made on the current state of the oil market, by signatories to the OPEC+ output cut accord following their Joint Ministerial Committee meeting, which is due to take place on Monday October 19th, and OPEC's final official gathering for the year at the end of November. Concerns over a recent faltering in demand since the second wave of COVID-19 infections hit the northern hemisphere, may force the grouping to consider delaying its planned further tapering of current production limits in January. "I want to assure you that the OPEC, non-OPEC partnership will continue to do what it knows best, by ensuring that we don't relapse into this almost historic plunge that we saw. We have to be realistic that this recovery is not picking up pace at the rate that we expected earlier in the year. Demand itself is still looking anemic," OPEC's Secretary General, Mohammad Barkindo, was quoted as saying by 'Reuters' yesterday. Meanwhile, Libyan production has now reportedly risen to 500,000 bpd from a low of 80,000 bpd since the recent ceasefire was enacted.

Lebanese Pound Falls Again After Talks Over New PM Are Postponed.

The value of the Lebanese Pound declined yesterday, after parliamentary discussions to select a new Prime Minister were delayed yet again. Last weekend, the local currency had initially strengthened in the unofficial 'kerb' market from LBP 8,700 per US Dollar to LBP 7,800 after Saad Hairi had emerged as the frontrunner to become the country's Prime Minister again. However, the news of yesterday's delay has since pushed USD/LBP back above 8,200 according to the 'Daily Star' newspaper. Meanwhile a number of Lebanese banks have reportedly started lowering their ceiling on monthly LBP cash withdrawals for clients, following an apparent Central Bank circular that called on lenders to limit withdrawals, based on the size of accounts they have at CB. Before the issuance of the circular, banks had an average monthly cash withdrawal limit of around LBP 25 mio, but now some institutions have allegedly reduced that limit to as low as LBP 2 mio. You can read more on this topic [here](#).

Angolan President Says US\$24 Bio 'Lost' By Previous Administration.

The Angolan President, Joao Lourenco, has claimed in an interview with the 'Wall Street Journal, that his country lost US\$23.69 bio under the former administration of President José Eduardo dos Santos, and that at least US\$13.50 bio of that, was diverted through fraudulent contracts with the state oil company Sonangol. Meanwhile, Angolan prosecutors reportedly seized assets belonging to two of the former President's aides this week, as a government crackdown on corruption continues.

Nigeria's FX Reserves Continue To Dip.

Nigeria's foreign exchange reserves stood at US\$35.69 bio at the beginning of this month, a drop of US\$50.84 mio in the past 11 days, according to the latest data released by the Central Bank. The country's FX reserves stood at US\$41.85 bio at the same time last year. Meanwhile, the CB has sold more than US\$450 mio to local Bureau de Changes since the apex bank resumed such FX sales in early September, according to 'Nairametrics.com'.

Oman Prepares To Introduce VAT.

A series of Royal Decrees issued by the Sultan of Oman, has ordered the implementation of a Value-Added-Tax in the country within the next six months. "His Majesty Sultan Haitham Bin Tarik issued two Royal Decrees, the first of which was to amend some provisions of the Code of Criminal Procedure, and the second decided to issue a value-added tax law," a statement released by the 'Oman News Agency' this past Monday read. The tax is expected to be introduced in April 2021 at a rate of 5%, although essential food items, medical care, education and financial services will be exempt from the planned levy. The UAE, Saudi Arabia and Bahrain have already implemented VAT.

IMF Amends Outlook For Growth In Saudi Arabia.

In its latest World Economic Outlook publication, the IMF said that it expects the Saudi Arabian economy to contract by 5.40% this year before rebounding to +3.10% in 2021. In June, the IMF had said it was expecting growth in the Kingdom to shrink by 6.80% in 2020 due to the impact of COVID-19. Meanwhile, Saudi Arabia's Finance Ministry said recently that the budget deficit is likely to expand to 12% of GDP for the current financial year, but then decline again to 5.10% of GDP in 2021 as economic conditions improve.

ADPF & ADQ Invest US\$2.1 Bio In ADNOC's Gas Pipelines.

The Abu Dhabi Pension Fund and a state holding company ADQ have agreed to invest US\$2.1 bio in ADNOC's gas pipeline assets, the energy company said in a statement yesterday. Under the terms of the agreement, ADNOC will sell 20% of its 100% stake in ADNOC Gas Pipelines Holding Company LLC, to ADPF and ADQ. *"By partnering again with Abu Dhabi Pension Fund, the custodian and investor of the UAE's citizens savings and long-term prosperity, ADNOC is playing a pivotal role in ensuring the financial wellbeing of the UAE community and its people. This follow-on investment will generate stable, long-term value and returns to both Abu Dhabi Pension Fund and ADQ's stakeholders. Their engagement highlights and underlines the attractiveness and long-term value creation potential of our unique energy assets to the global investment community, further reinforcing ADNOC's role as a primary driver in attracting tier one global institutional capital into Abu Dhabi and the UAE,"* Dr. Sultan Al Jaber, the Minister of Industry and Advanced Technology and ADNOC 's CEO, was quoted as saying by the 'Gulf Today' news site.

Dubai Launches New Residency Program For Remote Workers.

In a unique step, which was obviously taken from some of the lessons learned by the COVID-19 pandemic and its impact on the traditional work place, the Emirate of Dubai has just launched a new visa program that will enable remote working professionals to live in Dubai whilst continuing to serve their employers in their home country. *"The global pandemic has changed how we live and work. As multinationals and leading start-ups across the world accelerate their rates of digital adoption, the need to be physically present to fulfil professional responsibilities has been redefined. People continue to prioritize their health, wellbeing and ability to ensure a positive work-life balance. Dubai is uniquely positioned to offer a safe, dynamic lifestyle opportunity to these digitally savvy workers and their families while they continue to work remotely, whether it is for a couple of months or an entire year,"* the Director General of Dubai's Tourism and Commerce Marketing Department, was quoted as saying by the 'Khaleej Times' newspaper. You can learn more about this new residence scheme [here](#).

Standard Bank SA Prepares To Take On Fintech Rivals.

South Africa's Standard Bank Group Ltd, the continent's largest bank by assets, is reportedly looking to scale-up many of its operations across Africa and further digitize its systems, in an attempt to fend off the challenge posed to its business by Fintech firms. *"What really worries me is you've got Alipay in partnership with some of our clients talking about the continent, IT is going to continue to be a major expense item,"* Standard Bank's CEO, Sim Tshabalala, was quoted as saying by 'Bloomberg' earlier this week adding that, the bank's expansion drive will focus on building larger businesses in both west and east African countries. *"We want to be at scale to take advantage of the trends in East Africa, especially those in Ethiopia. There aren't any specific acquisitions on the table, but it's quite obvious there's going to be consolidation as a result of the crisis,"* he stated.

NMDC Wins Dredging Contract in Egypt.

The UAE based National Marine Dredging Company has been awarded the contract to expand Lake Manzala in northeastern Egypt.

Continued...

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	Par/+3	1/4	2/7	8/13	15/25	27/37	115/165
USD/SAR	3.7506/08	1/3	2/5	3/8	5/15	15/25	28/38	155/205
USD/KWD	0.30605/615	20/30	40/55	65/80	120/150	180/210	240/270	400/500
USD/OMR	0.38498/501	25/50	40/70	80/110	200/250	340/390	500/570	1100/1600
USD/BHD	0.37703/706	10/20	18/33	25/40	60/80	90/120	110/160	300/500
USD/MAD	9.2100/2300	150/300	300/500	500/700	900/1300	1300/2300	1800/2800	3000/6000
USD/EGP NDF	15.68	15.77/15.82	15.88/15.93	16.03/16.08	16.41/16.46	16.83/16.88	17.25/17.30	-
USD/JOD	0.7080/90	65/115	80/180	130/280	250/450	325/525	425/725	1000/1800
USD/NGN NDF	386.20	386.50/389.50	389.00/392.00	392.00/396.00	405.00/410.00	420.50/425.50	439.00/447.00	(NAFEX)
USD/GHS NDF	5.8000	5.80/5.85	5.88/5.98	5.98/6.08	6.23/6.35	6.55/6.70	6.85/7.00	-
USD/TND	2.7600/7800	80/220	150/350	300/500	600/1600	1000/3000	1500/2500	4000/8000
Crude Oil	Futures							
WTI	40.60							
Brent	42.65							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+30/36	+40/46	+52/58	+62/68	+72/78	+77/83	+83/89	+104/110
SAR SPREAD	+64/70	+73/79	+87/93	+102/108	+116/122	+129/135	+138/144	+165/171

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

AND FINALLY...

Did you know that the scientist, Abbas ibn Firnas, was the first person to make a real attempt to construct a flying machine and actually fly? In the 9th century he designed what we would now recognize as a glider. Built out of wood and silk, it had a wingspan of four or five metres. Silk made up the fastenings and covered the wings together with some bird feathers. He was suspended underneath via a harness system, and he could control the wing movements with handles. He took off from a hill, and whilst historical accounts differ on how long he was actually airborne, it appears that he managed to stay aloft for around two minutes.

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