

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Rising Number Of COVID-19 Cases Weighs On Oil.

As we continue to see a steep rise in the number of COVID-19 cases across the northern hemisphere, demand for crude is weakening and inventories are building again. API reported a larger than expected build of 4.58 mio barrels in US crude stocks for the week ending 23rd Oct, although we await confirmation of this figure by the EIA. However, there are still some supportive factors around that are keeping prices close to the US\$40 a barrel level for now, including another shutdown of rigs in the US Gulf Coast this week due to an approaching hurricane, whilst overall US production has slipped further to 9.90 mio bpd.

Crude Exploration In Norway Slows.

Oil exploration companies are only expected to drill 30 prospect wells off the coast of Norway this year, against an original plan for around 50 such wells, the Norwegian Petroleum Directorate stated yesterday. "*The decline in demand for oil and lower prices have led oil companies to reduce their exploration budgets for the year and postpone a number of exploration wells,*" an NPD statement read, with the department's Exploration Director adding that, "*Without new discoveries, oil and gas production could decline rapidly after 2030,*" according to the 'Economic Times' newspaper.

Total Ponders New Gas Projects In Iraq.

Iraq's Oil Minister announced recently, that his government was currently in talks with Total over the French firm's potential investment in two Iraqi gas projects. One lies just west of Baghdad and the other project is in Basra. According to S&P Global Platts, Total currently holds a 22% interest in the Halfaya oil field in southern Iraq. It also owns an 18% stake in the Sarsang exploration block which lies in the country's semi-autonomous Kurdish region. Iraq has been seeking to increase its domestic gas production in order to reduce its still heavy dependence on gas and electricity imports from Iran.

Glenn Wepener
Executive Director & Geopolitical Analyst,
Middle East & Africa

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US Places More Sanctions On Iran's Oil Sector.

The Trump administration has implemented another raft of sanctions on Iran's oil sector this week. In a statement issued by the US Treasury on Monday, fresh measures were placed on Iran's Ministry of Petroleum, the National Iranian Oil Company and the National Iranian Tanker Company for providing financial support to the IRGC and the Syrian government. A number of other entities and individuals linked to Iran's oil sector such as front companies, subsidiaries and senior executives were also sanctioned, including four people involved in the recent sale of Iranian petrol to Venezuela. You can access the US Treasury statement in full [here](#). Meanwhile, in a separate move taken late last week, the US sanctioned two senior officials of Hezbollah in Lebanon who are also believed to be members of the group's Central Council, with the US Secretary of State Mike Pompeo saying on Friday that; *"Today we're designating two Hezbollah officials, further exposing the terrorist group's activities and disrupting its operational networks."*

Egypt & Sudan Enter Fresh Talks With Ethiopia Over GRD.

Officials from Egypt, Sudan and Ethiopia have resumed their three-way talks over the latter's controversial 'Grand Renaissance Dam.' These latest discussions, are being mediated by the African Union and follow the collapse of previous talks on rules governing the filling of the dam in August. Meanwhile, the Ethiopian government summoned the US ambassador to Addis Ababa for consultations this past Saturday, following recent remarks made by President Trump on this very sensitive issue. Last Friday, Trump was quoted as saying that the ongoing impasse over Ethiopia's dam, *"was a very dangerous situation because Egypt is not going to be able to live that way. They'll end up blowing up the dam. And I said it and I say it loud and clear, they'll blow up that dam. And they have to do something."* Egypt relies on the Nile for over 90% of its fresh water.

US Formally Lifts 'Terror' Designation On Sudan.

President Trump notified the US Congress on Monday, that his administration has now officially lifted the US government's designation on Sudan as a state sponsor of terrorism. *"I hereby certify, with respect to the rescission of the determination of August 12, 1993, regarding Sudan that: the Government of Sudan has not provided any support for acts of international terrorism during the preceding,"* Trump stated in his letter to lawmakers, adding that Sudan has provided assurances it will not support acts of international terrorism in the future. As a part of the conditions outlined by the US in order for the designation to be lifted, Khartoum also agreed to pay US\$335 mio to US terrorism victims and their families.

IIF Says Oman Is Making Progress On Its Fiscal Situation.

The Institute of International Finance has said in a new report, that it expects Oman to continue to make progress on reducing its fiscal deficit in the coming years and should be able to achieve a balanced budget by 2025. *"The fiscal deficit will narrow substantially beyond 2020, supported by cuts in spending and tax reforms. We are encouraged by the resumption of fiscal consolidation despite the deep recession,"* the institute's latest report, titled *'Oman: Big Challenges – Forceful Response'* states. With regards to the current FX regime, the IIF believes that the local currency's long-standing peg to the US dollar will be maintained, outlining that; *"The Omani authorities have recently reiterated their firm commitment to the peg, and we do not anticipate a change in the short term. The peg to the dollar is underpinned by sizable public foreign assets"*. The IIF also expects Oman's real GDP growth to contract by 6.20% this year (compared to the IMF's forecast of -10%), before rebounding to +1.50% in 2021. *"Our projections are based on continued fiscal adjustment, including further cuts in spending and the introduction of a VAT in early 2021. Indeed, official figures for the first seven months of this year are consistent with our forecast, showing a deficit of OMR 5.24 bio, equivalent to 6.50% of GDP,"* the IIF's Chief Economist for the MENA region, Garbis Iradian, was quoted as saying by the 'Gulf News' media outlet.

Kuwait Lowers Repo Rate.

The Central Bank of Kuwait, yesterday lowered its Repo and term deposit rates by 0.125% across the curve, but kept its discount rate unchanged at 1.50%. In a statement, the CBK said that its decision on Tuesday was made because low US FED rates had raised *"the attractiveness of the Kuwaiti currency,"* and also in an attempt to ease the impact of the Covid-19 pandemic on Kuwait's economy and banking system.

The Turkish Lira Is “Extremely Undervalued” – CB Governor.

The Turkish Lira hit a fresh record low against the US Dollar yesterday, with this latest fall following the CB’s decision last week not to raise its benchmark interest rate despite a background of rising domestic inflation, as well as ongoing diplomatic tensions with the US, France and Greece. In a recent statement published on ‘Bloomberg’ Turkey’s Central Bank Governor, Murat Uysal, claimed that the Lira was “*extremely undervalued*” and, while the CB has no nominal or real exchange rate target, it remains sensitive to volatility that could jeopardize stability. The CB expects CPI to end the year around 12.10% against a previous forecast of 8.90%.

Schindler Awarded Airport Contract In Saudi Arabia.

The Swiss based Schindler Group, has won the contract to supply and install 74 escalators at Terminals 1 and 2 as well as the Royal Terminal at King Khalid International Airport in Riyadh, according to the ‘ME Construction News’ website.

Maersk Wins Drilling Contract In Angola.

According to the ‘African Oil & Power’ website, the Danish rig operator Maersk Drilling, has been awarded a contract to drill three development wells at the offshore Block 17 in Angola.

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	3.6729/30	Par/+3	1/4	2/5	5/10	12/22	20/30	110/160
USD/SAR	3.7503/06	8/13	13/18	15/20	24/29	32/42	45/55	150/200
USD/KWD	0.30575/585	20/30	40/55	60/75	120/150	180/210	240/270	400/500
USD/OMR	0.38499/502	12/27	30/60	70/100	175/205	310/360	490/540	1050/1350
USD/BHD	0.37702/705	15/25	20/35	30/50	65/85	90/120	120/170	300/450
USD/MAD	9.1550/1750	150/300	300/500	500/700	900/1300	1300/2300	1800/2800	3000/6000
USD/EGP NDF	15.7150	15.84/15.89	15.96/16.01	16.10/16.15	16.48/16.53	16.89/16.94	17.31/17.36	-
USD/JOD	0.7082/92	65/115	80/180	130/280	250/450	325/525	425/725	1000/1800
USD/NGN NDF	385.72	386.75/388.75	389.25/392.25	393.00/398.00	407.00/412.00	423.00/428.00	440.50/447.50	(NAFEX)
USD/GHS NDF	5.8100	5.84/5.89	5.90/6.00	5.98/6.08	6.23/6.33	6.51/6.61	6.80/6.95	-
USD/TND	2.7325/7525	80/220	150/350	300/500	600/1600	1000/3000	1500/2500	4000/8000
Crude Oil	Futures							
WTI	38.10							
Brent	40.00							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+25/31	+34/40	+44/50	+55/61	+66/72	+72/78	+76/82	+96/102
SAR SPREAD	+63/69	+75/81	+88/94	+104/110	+116/122	+128/134	+137/142	+165/171

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

AND FINALLY...

Did you know that natural gas, when it’s cooled to -260°F, condenses and is referred to as liquefied natural gas or LNG?

Glenn Wepener
Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

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