

Market Insights & Strategy

Global Markets

16th August 2021

MIDDLE EAST & AFRICAN MONITOR

- **Oil Prices Dip Again As Covid-19 Variant Weighs.**
- **BHP Looks To Exit Fossil Fuels Sector.**
- **Iran Appoints New Oil Minister.**
- **US Withdrawal From Afghanistan Ignites Political Blame Game.**
- **Zambia's Currency & Bonds Surge After Opposition Figure Wins Election.**
- **Severe Fuel Shortage In Lebanon.**
- **Oman Plans Metro Rail System.**
- **Acciona Wins Water Contract In Saudi Arabia.**
- **Agthia Eyes Fresh Opportunities In Egypt & KSA.**

REGIONAL COMMENTARY

Oil Prices Dip Again As Covid-19 Variant Weighs.

The primary crude oil benchmarks began the week over 1% lower this morning, driven by concerns over the impact fresh lockdowns in various countries may have on demand. The latest economic data from China highlights these fears, with industrial production in July slowing to +6.40 y/y from June's 8.30%, and retail sales coming in at +8.50% y/y compared to +12.10% the previous month and initial expectations of +11.50%. This slowdown in the world's second largest economy, is being attributed primarily to restrictions imposed after a jump in COVID-19 infections and severe flooding in a number of provinces. A major increase in the number of coronavirus cases is also being reported in other Asian countries including Thailand, the Philippines and Vietnam, whilst in the US the average number of weekly COVID-19 related deaths is back at its highest level since May. Meanwhile a respected epidemiologist, Larry Brilliant, was quoted by CNBC last week, stating that he believed *"We're closer to the beginning than we are to the end of the pandemic, and that's not because the variant that we're looking at right now is going to last that long. Unless we vaccinate everyone in 200 plus countries, there will still be new variants,"* adding that the coronavirus could become a *"forever virus"* like the flu. He also suggested that the Delta variant may be *"the most contagious virus"* ever.

BHP Looks To Exit Fossil Fuels Sector.

Australian based resource conglomerate, BHP, has confirmed that it is currently in talks on the potential sale of its petroleum arm to Woodside. According to Reuters, BHP has also begun a strategic review of its oil and gas businesses amidst growing speculation that it may eventually exit all of its fossil fuel interests. This announcement follows the sale of its coal mines in 2018 and the firm is reportedly currently in the process of exiting from thermal coal production. You can read more details on this topic [here](#).

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

Please click [here](#) to view our recent publications on MENA and Global Markets

Iran Appoints New Oil Minister.

The new administration in Tehran has announced the appointment of Javad Owji, as the country's Oil Minister. Owji had been serving as a deputy to the outgoing Bijan Zanganeh and has held senior positions in a number of the state-run energy firms, including NIGC. He assumes the key oil portfolio at a crucial time, because although Iran's crude production has recovered somewhat this year, US sanctions continue to weigh heavily on the domestic economy especially the energy sector. Meanwhile talks to revive the JCPOA agreement remain in flux, but President Raisi has signaled in recent days that his government will re-enter negotiations albeit with a 'tougher' stance. Ironically the fact that Raisi's cabinet has closer relations with the military and other conservative institutions within the country, may give Iran's negotiating team a bit more flexibility than was granted by the hardliners to Rouhani's.

US Withdrawal From Afghanistan Ignites Political Blame Game.

The disorderly US exit from Afghanistan and the consequent rapid fall of the Ghani government to the Taliban has clearly increased domestic political pressure on President Biden, although it should be remembered that a complete US troop withdrawal from America's longest war had been supported by both sides of the aisle for some time. Just a month or so ago, a Politico-Morning Consult survey placed Republican approval for Biden's Afghan policy at 42% and at 59% by registered voters nationally. Towards the end of his term in office, President Trump signed a peace agreement with the Taliban which included a prospective US troop withdrawal date of May 1st 2021. The Republican Senator Liz Cheney yesterday criticized both men for the unfolding situation in Afghanistan, saying during an 'ABC' interview on Sunday that President Biden *"absolutely bears responsibility for the Taliban's rapid takeover of Afghanistan as does former President Donald Trump and his administration. What we're watching right now in Afghanistan is what happens when America withdraws from the world. So everybody who has been saying, 'America needs to withdraw, America needs to retreat,' we are getting a devastating, catastrophic real-time lesson in what that means."*

Zambia's Currency & Bonds Surge After Opposition Figure Wins Election.

Zambia's electoral commission has confirmed that last week's Presidential election was won by the opposition candidate Hakainde Hichilema. The confirmation of his landslide victory over the incumbent President Lungu, means that there will be no run-off, and this news in turn has seen both the Kwacha and the price of Zambia's Eurobonds surge. Hichilema is a respected businessman and had already said that if he won the Presidency, he would approach the IMF for financial support as soon as possible and begin debt-restructuring talks.

Severe Fuel Shortage In Lebanon.

As Lebanon's economic crises becomes more acute, the ongoing fuel and power shortages have worsened considerably in recent days and are now threatening key medical services. The American University of Beirut Medical Center said over the weekend that it will probably be forced to shut off ventilators and other lifesaving equipment if the fuel shortage continues. This lack of fuel has been blamed on various issues including a hard currency shortage, hoarding and smuggling. Meanwhile the Central Bank announced last week, that it was removing fuel subsidies in an effort to try and ease pressure on the country's already low level of FX reserves. In response to criticism on this decision, the CB Governor, Riad Salameh, was quoted by 'Bloomberg' as saying that legislation needed to be passed in order for the bank to dip into its mandatory FX reserves but the problem is that *"So far you have nobody running the country."*

Oman Plans Metro Rail System.

Oman is planning to build a light metro rail network connecting the cities of Ruwi and Muttrah to the airport as well as Seeb, according to a report in the 'Times of Oman' newspaper. Plans for this project were included under the Oman National Spatial Strategy, a blueprint that considers urban planning for the next 20 years. You can read more on these plans [here](#).

Acciona Wins Water Contract In Saudi Arabia.

The Spanish based infrastructure firm Acciona, has been awarded a EUR 337 mio build/own/operate contract for the Jubail 3B Independent Water Plant in Saudi Arabia.

Agthia Eyes Fresh Opportunities In Egypt & KSA.

The CEO of UAE based food & beverage company, Agthia, has said that the firm is actively pursuing new acquisitions within the MENA region as a part of its growth strategy. *"We expect to see our growth coming from the consumer business. We're going to continue to look for the right opportunities with a focus on Saudi Arabia and Egypt,"* Alan Smith was quoted as saying by the 'Gulf News' media outlet.

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/+1	Par/+1.5	Par/+2	2/5	3/8	8/13	40/60
USD/SAR	3.7505/08	9/14	17/22	22/27	42/52	60/70	71/81	150/180
USD/KWD	0.30055/75	23/28	42/52	65/75	130/150	195/215	260/290	400/500
USD/OMR	0.38499/504	8/18	17/27	30/45	70/85	115/145	170/200	425/525
USD/BHD	0.37700/10	15/20	30/40	45/60	100/130	160/190	200/250	380/530
USD/MAD	8.9050/9250	50/100	100/200	150/300	350/750	400/800	600/1500	1800/3800
USD/EGP NDF	15.7010	15.79/15.84	15.89/15.93	16.00/16.05	16.35/16.40	16.79/16.84	17.20/17.25	-
USD/JOD	0.7081/86	30/80	40/140	70/170	150/400	250/550	400/800	700/1700
USD/NGN NDF	411.13	412.75/415.75	416.00/418.00	420.00/425.00	433.00/440.00	446.00/453.00	461.00/471.00	(NAFEX)
USD/GHS NDF	6.0050	6.06/6.12	6.10/6.17	6.15/6.25	6.35/6.45	6.55/6.70	6.80/6.95	-
USD/TND	2.7500/8000	150/350	300/700	500/1000	600/1600	1200/2200	1700/3000	4000/6000
Crude Oil	Futures							
WTI	67.40							
Brent	69.60							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+19/25	+24/30	+28/34	+30/36	+32/38	+34/40	+36/42	+45/51
SAR SPREAD	+68/74	+75/81	+85/91	+95/101	+103/109	+106/112	+116/122	+133/139

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

AND FINALLY...

Did you know that fossil fuels still accounted for more than 80% of the world's energy consumption in 2019?

Glenn Wepener

Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

Please click [here](#) to view our recent publications on MENA and Global Markets

Disclaimer: This communication has been prepared by individual personnel of First Abu Dhabi Bank PJSC or its affiliates (collectively, "FAB") and, accordingly, it may not represent the views of FAB. FAB is licensed and regulated by the Central Bank of the United Arab Emirates and its registered office address is P.O. Box 6316, 1 – Al Qurm, Abu Dhabi, the United Arab Emirates. This communication is directed at persons (i) who have been or can be classified by FAB as eligible counterparties, professional clients or sophisticated investors, (ii) who have experience in matters relating to investments and (iii) other persons to whom it may otherwise lawfully be communicated. No other person should review the contents or access the products or transactions discussed in this communication. All material contained herein, including any proposed terms and conditions, is indicative and for discussion purposes only, is subject to change without notice, is strictly confidential, may not be reproduced and is intended for your consideration only. It does not include a number of terms and conditions that will be included in any actual transaction and final terms and conditions are subject to further discussion and negotiation nor does it purport to identify all applicable risks. This communication is not a commitment to deal in any product, offer financing or enter into any transaction described herein. FAB is not acting as your agent, fiduciary or investment adviser and is not managing your account. The provision of information in this communication is not based on your individual circumstances and must not be relied upon as an assessment of suitability for you of a particular product or transaction. It does not constitute investment advice and FAB makes no recommendation as to the suitability of any of the products or transactions mentioned. Even if FAB possesses information as to your objectives in relation to any transaction, series of transactions or trading strategy, this is not sufficient for, and does not constitute, any assessment of suitability for you of any transaction, series of transactions or trading strategy. Save in those jurisdictions where it is not permissible to make such a statement, FAB hereby informs you that this communication should not be considered as a solicitation or offer to sell or purchase any securities, deal in any product or enter into any transaction. You should make any trading or investment decisions in reliance on your own analysis and judgment and/or that of your independent advisors and not in reliance on FAB and any decision whether or not to adopt any strategy or engage in any transaction will not be FAB's responsibility. FAB does not provide investment, accounting, tax, financial, legal, regulatory or other advice; such matters as well as the suitability of a potential transaction or product or investment should be discussed with your independent advisors. Prior to dealing in any product or entering into any transaction, you and the senior management in your organization should determine, without reliance on FAB, (i) the economic risks or merits, as well as the investment, accounting, tax, financial, legal and regulatory characteristics and consequences of dealing with any product or entering into the transaction (ii) that you are able to assume these risks, (iii) that such product or transaction is appropriate for a person with your experience, investment goals, financial resources or any other relevant circumstance or consideration. Where you are acting as an adviser or agent, you should evaluate this communication in light of the circumstances applicable to your principal and the scope of your authority. Any prices used herein, unless otherwise specified, are indicative. Although all information has been obtained from, and is based upon sources believed to be reliable, it may be incomplete or condensed, it has not been verified by FAB and its accuracy cannot be guaranteed. FAB makes no representation or warranty, expressed or implied, as to the accuracy of the information, the reasonableness of any assumptions used in calculating any illustrative performance information or the accuracy (mathematical or otherwise) or validity of such information. Any opinions attributed to FAB constitute FAB's judgment as of the date of the relevant material and are subject to change without notice. Provision of information may cease at any time without reason or notice being given. Commissions and other costs relating to any dealing in any products or entering into any transactions referred to in this communication may not have been taken into consideration. Any scenario analysis or information generated from a model is for illustrative purposes only. Where the communication contains "forward-looking" information, such information may include, but is not limited to, projections, forecasts or estimates of cashflows, yields or return, scenario analyses and proposed or expected portfolio composition. Any forward-looking information is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which are specified herein or can be ascertained at this time). It does not represent actual termination or unwind prices that may be available to you or the actual performance of any products and neither does it present all possible outcomes or describe all factors that may affect the value of any applicable investment or product. Actual events or conditions are unlikely to be consistent with, and may differ significantly from, those assumed. FAB shall not be under an obligation to update any information contained in this communication. Illustrative performance results may be based on mathematical models that calculate those results by using inputs that are based on assumptions about a variety of future conditions and events and not all relevant events or conditions may have been considered in developing such assumptions. Accordingly, actual results may vary and the variations may be substantial. The products or transactions identified in any of the illustrative calculations presented herein may therefore not perform as described and actual performance may differ, and may differ substantially, from those illustrated in this communication. When evaluating any forward looking information you should understand the assumptions used and, together with your independent advisors, consider whether they are appropriate for your purposes. You should also note that the models used in any analysis may be proprietary, making the results difficult or impossible for any third party to reproduce. This communication is not intended to predict any future events. Past performance is not indicative of future performance. FAB accepts no responsibility and makes no representation to

you or to any third parties for, and has not independently verified, the quality, accuracy, timeliness, continued availability or completeness of any data or calculations contained and/or referred to in this communication and FAB shall not be liable for any special, direct, indirect, incidental or consequential loss or damage which may be sustained because of the use of the information contained and/or referred to in this communication or otherwise arising in connection with the information contained and/or referred to in this communication, provided that this exclusion of liability shall not exclude or limit any liability under any law or regulation applicable to FAB that may not be excluded or restricted. The transactions and any products described herein may be subject to fluctuations of their mark-to-market price or value and such fluctuations may, depending on the type of product or security and the financial environment, be substantial. Where a product or transaction provides for payments linked to or derived from prices or yields of, without limitation, one or more securities, other instruments, indices, rates, assets or foreign currencies, such provisions may result in negative fluctuations in the value of and amounts payable with respect to such product prior to or at redemption. You should consider the implications of such fluctuations with your independent advisers. The products or transactions referred to in this communication may be subject to the risk of loss of some or all of your investment, for instance (and the examples set out below are not exhaustive), as a result of fluctuations in price or value of the product or transaction or a lack of liquidity in the market or the risk that your counterparty or any guarantor fails to perform its obligations or, if this the product or transaction is linked to the credit of one or more entities, any change to the creditworthiness of the credit of any of those entities. FAB (whether through the individual sales and/trading personnel involved in the preparation or issuance of this communication or otherwise) may from time to time have long or short principal positions and/or actively trade, for its own account and those of its customers, by making markets to its clients, in products identical to or economically related to the products or transactions referred to in this communication. FAB may also undertake hedging transactions related to the initiation or termination of a product or transaction, that may adversely affect the market price, rate, index or other market factor(s) underlying the product or transaction and consequently its value. FAB may have an investment banking or other commercial relationship with and access to information from the issuer(s) of securities, products, or other interests underlying a product or transaction. FAB may also have potential conflicts of interest due to the present or future relationships between FAB and any asset underlying the product or transaction, any collateral manager, any reference obligations or any reference entity. Any decision to purchase any product or enter into any transaction referred to in this communication should be based upon the information contained in any associated offering document if one is available (including any risk factors or investment considerations mentioned therein) and/or the terms of any agreement. Any securities which are the subject of this communication have not been and will not be registered under the United States Securities Act of 1933 as amended (the Securities Act) or any United States securities law, and may not be offered or sold within the United States or to, or for the account or benefit of, any US person, except pursuant to an exemption from, or in a product or transaction, not subject to, the registration requirements of the Securities Act. This communication is not intended for distribution to, or to be used by, any person or entity in any jurisdiction or country which distribution or use would be contrary to law or regulation. FAB may process your personal data to provide you with information or promotional and advertising communications on products, services, other events and campaigns.

If you wish not to receive email from the Market Insights team at FAB, please [click here](#) to send us your request to unsubscribe, and you shall no longer receive such information. You can also let us know by contacting your usual FAB representative should you wish to no longer receive any such further information. You may be entitled according to the applicable laws to exercise your rights to access, to rectification, to erasure and to portability of your personal data, to restrict the use of and to object to the processing of your personal data. You may exercise any such aforesaid rights by sending your request to FAB at the following address: privacy@bankfab.com.