

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

- **OPEC+ Output Cut Accord Keeps Crude Prices Steady.**
- **Keppel To Increase Focus On Renewables.**
- **Venezuela's Oil Output Hits Record Low.**
- **Iran Rejects Fresh Negotiations On JCPOA Accord.**
- **Iraqi Forces Kill Senior Militant Leader.**
- **Morocco & Nigeria Agree To Push Forward With Major Gas Pipeline.**
- **UAE Unveils Citizenship Initiative For Expatriates.**
- **Kuwait To Introduce New Airport Service Fees.**
- **Mota-Engil Wins Railway Contract In West Africa.**
- **ADES Seals New Drilling Contract In Egypt.**

### REGIONAL COMMENTARY

#### **OPEC+ Output Cut Accord Keeps Crude Prices Steady.**

A strong adherence to their respective oil production quotas by most signatories to the OPEC+ output accord, the start of Saudi Arabia's additional one million bpd cut for a period of two months from today and expectations of a 20% drop in Russian crude exports this month, (due to a rise in domestic demand), is all helping to keep both WTI and Brent well above US\$50 a barrel, despite concerns over rising COVID-19 infections and related lockdowns. As we stressed in our crude price outlook piece for 2021, the vaccination drive is now gathering pace and consequently we expect oil demand to rise (especially from Asia), leading to a deeper decline in global inventories as we head into the second half of the year.

#### **Keppel To Increase Focus On Renewables.**

Singapore based Keppel Corporation has announced that its subsidiary, Keppel Offshore & Marine, will undergo a transformation and eventually stop building offshore rigs. *"Reflecting Keppel's commitment to sustainability and combating climate change, Keppel O&M will exit the offshore rig building business, after completing the existing rigs under construction. In line with the Group's more disciplined approach towards capital allocation, Keppel O&M will not undertake any new project requiring large upfront capex or without milestone payments. It will also progressively exit low value-adding repairs and other activities with low bottom line contribution, and focus on higher value-adding work,"* a statement issued by the firm read. Meanwhile Keppel Corporation's CEO, Loh Chin Hua, was quoted by the 'world oil' website as saying that; *"The share of renewables and new energy solutions in the global energy mix has been growing rapidly, driven by environmental concerns as well as technological advancements and the declining cost of renewables. Natural gas, as a transitional fuel, is also projected to overtake oil as the world's largest energy source in the years to come."*

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*To seize opportunities in this fast-changing environment, we are making bold and decisive moves to transform Keppel O&M to ensure that it remains relevant and competitive, and fully aligned to Keppel's Vision 2030. We are also exploring inorganic options for the O&M business, but there is no assurance that any transaction will materialize. In the meantime, we believe that our organic restructuring of Keppel O&M will not only enhance its competitiveness, but also its attractiveness, if we were to undertake any inorganic action."* You will find more details on this story [here](#).

### **Venezuela's Oil Output Hits Record Low.**

According to the latest available data, Venezuela's oil production averaged just 557,000 bpd last year, its lowest level since the 1940s. This dire situation is due to the ongoing political, economic and social upheaval the country has been experiencing, which began long before the additional impact of lower oil prices and COVID-19. Tighter US sanctions have also weighed heavily on its export of crude and refined products. Meanwhile, the administration of Nicolas Maduro has recently expressed a hope that the newly elected US President will take a more moderate course on Venezuela than his predecessor. However, while the US may provide more humanitarian assistance and lift some restrictions, such as allowing the resumption of oil swaps with Venezuela as has been reportedly requested by Chevron, it's unlikely there will be any major reset. The US Secretary of State, Anthony Blinken, has already made it clear that Washington will continue to recognize the Venezuelan opposition leader, Juan Guaido, as the actual interim leader of the country and push for free and fair elections to be held there.

### **Iran Rejects Fresh Negotiations On JCPOA Accord.**

According to a spokesperson from Iran's Foreign Ministry, the Iranian government has rejected any new negotiations on the 2015 JCPOA agreement or the addition of new participants. *"The nuclear accord is a multilateral international agreement ratified by U.N. Security Council Resolution 2231, which is non-negotiable and parties to it are clear and unchangeable,"* Saeed Khatibzadeh was quoted as saying on Saturday by the 'globalnews.ca' website. The Ministry's comment comes after the French President, Emmanuel Macron, warned last Friday that any fresh *"dialogue with Iran will be rigorous, and they will need to include our allies in the region for a nuclear deal, and this includes Saudi Arabia."*

### **Iraqi Forces Kill Senior Militant Leader.**

Iraq's Prime Minister, Mustafa al-Kadhimi, announced late last week that his country's security forces had managed to track down and eliminate a senior Daesh figure in Iraq. The PM's announcement came just a week after 32 people were killed and many more injured by a suicide bomb attack in Baghdad, which was later claimed by Daesh. *"We promised and fulfilled. I gave my word to pursue Daesh terrorists, we gave them a thundering response. Our heroic armed forces have eliminated Daesh commander Abu Yaser Al-Issawi as part of an intelligence-led operation,"* al Kadhimi was quoted as saying by the 'Gulf News' media outlet.

### **Morocco & Nigeria Agree To Push Forward With Major Gas Pipeline.**

The Moroccan and Nigerian governments recently renewed their commitment to the construction of a 5,660 km gas pipeline between their two countries. Once complete, this pipeline will transit across 15 countries and it is hoped, will advance both regional cooperation as well as energy diversification within West Africa.

### **UAE Unveils Citizenship Initiative For Expatriates.**

The UAE announced this past weekend, that it plans to grant citizenship to certain expatriates involved in a range of sectors. *"We adopted law amendments that allow granting UAE citizenship to investors, specialized talents & professionals including scientists, doctors, engineers, artists, authors and their families. The new directives aim to attract talents that contribute to our development journey,"* Sheikh Mohammed bin Rashid, Prime Minister and Ruler of Dubai, was quoted as saying by the UAE's 'National' newspaper yesterday. You can find more details about this latest initiative [here](#).

### **Kuwait To Introduce New Airport Service Fees.**

Kuwait plans to introduce new charges on passengers arriving and departing from the country's international airport. A passenger service fee of KWD 3.00 will be levied on departure and a fee of KWD 2.00 on arrival.

from the 1<sup>st</sup> of June this year, according to the 'Gulf Business' website. "The new fees aim to create a kind of balance between the costs borne by the state to operate the airport and the revenues achieved as a result of services provided to these companies," the country's Director General for Civil Aviation was quoted as saying, adding that this decision will "raise the level of capabilities and capabilities at Kuwait International Airport". The fees will reportedly be added to the price of an airline ticket.

### Mota-Engil Wins Railway Contract In West Africa.

Portugal's Mota-Engil, has been awarded the contract to build a 284 km railway line between Nigeria and Niger, according to 'Reuters'. Once complete the line will carry both freight and passengers.

### ADES Seals New Drilling Contract In Egypt.

According to the 'oedigital' website, ADES International has won a new contract for the Admarine 5 jack-up drilling rig in the Gulf of Suez, Egypt. "The contract, secured with a top-tier client, covers a firm six-month period with the option to extend for an additional six months, further strengthening ADES's position and revenue visibility in Egypt," the company said in a statement.

### 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	2/5	3/6	8/13	12/17	20/30	90/120
USD/SAR	3.7507/10	5/8	6/9	8/13	12/17	17/27	22/32	85/115
USD/KWD	0.30275/295	5/15	20/30	37/47	85/105	140/170	210/240	290/390
USD/OMR	0.38498/501	14/24	35/50	55/70	120/150	205/235	300/350	725/1025
USD/BHD	0.37699/702	17/27	30/45	38/53	70/100	100/130	130/180	350/550
USD/MAD	8.9375/9575	150/300	300/500	500/700	900/1300	1300/2300	1800/2800	3000/6000
USD/EGP NDF	15.73	15.82/87	15.96/16.01	16.08/16.13	16.45/16.50	16.83/16.88	17.20/17.25	-
USD/JOD	0.7080/7090	70/120	80/180	130/280	250/450	400/700	700/1300	1000/2000
USD/NGN NDF	393.65	398.50/401.50	406.00/409.00	412.00/417.00	430.00/435.00	445.00/450.00	460.00/467.00	(NAFEX)
USD/GHS NDF	5.8200	5.83/5.88	5.88/5.95	5.94/6.04	6.14/6.24	6.37/6.47	6.60/6.75	-
USD/TND	2.6925/7125	80/220	150/350	300/500	600/1600	1000/3000	1500/2500	4000/8000
Crude Oil	Futures							
WTI	52.65							
Brent	55.70							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+23/29	+30/36	+41/47	+52/58	+61/67	+69/75	+73/79	+94/100
SAR SPREAD	+62/68	+72/78	+83/89	+94/100	+106/112	+118/124	+126/132	+153/159

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

### AND FINALLY...

Did you know that Iraq is home to the world's earliest system of writing, cuneiform script, with characteristics including different wedge-shaped marks on clay tablets?

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