

# Market Insights & Strategy

Global Markets

22<sup>nd</sup> February 2021

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### ***US Winter Storms Disrupted 2-4 mio bpd Of Crude Output.***

The unprecedented polar storms which hit US Gulf Coast states last week, is calculated to have disrupted between 2-4 mio bpd of oil production and up to 6 mio bpd of refining capacity according to a report by IHS Markit. "A large volume of crude oil and natural gas production is shut-in due to lack of electricity and problems with pipes, roads and personnel. Point Logic by IHS Markit estimates that close to 20% of lower 48 US natural gas production has been shut-in in the first half of February, with the Permian Basin accounting for the largest share. While precise crude oil production figures are not available, an equivalent 20% cut in lower 48 US crude oil production would imply a production drop of around 2-2.2 million barrels per day of output, but this could prove to be even higher, perhaps as high as 4 mio bpd," the report read. Meanwhile local insurance companies are warning that the ice storms which affected most of Texas could be the costliest on record. "We are used to our storms here in Texas with tornadoes, hurricanes and hail. But those are regional, we are talking about an event that reached every part of Texas" a spokesperson for the Insurance Council of Texas was quoted as saying by the 'Gulf Today' website, adding that this event may well be costlier than Hurricane Harvey, which resulted in US\$19 bio in insurance claims.

#### ***Plans To Build A Major Oil Refinery In Pakistan.***

The masterplans to establish a major oil complex within the Gwadar district of southwestern Balochistan in Pakistan, including a US\$10 bio Saudi Aramco refinery project, are reportedly due to be finalized later this year. The complex will refine and process petroleum products, imported primarily from the Arabian Gulf region, for domestic and regional consumption. "The

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*planning for the mega oil city which will host an Aramco refinery and petrochemical complex is in progress, and we will take six to seven months to complete the masterplan,”* the director general of Gwadar Development Authority was quoted as saying by the ‘Arab News’ media outlet. The Aramco facility is expected to be commissioned within the next 5-6 years. You can access more on this topic [here](#).

***Another Rocket Attack On Airbase In Iraq – NATO To Increase Presence.***

Around four rockets struck an airbase just north of Baghdad this past Saturday, according to an ‘AP News’ report which quoted an official Iraqi military statement. One person was reportedly wounded at the base where a US defence company services F-16 combat aircraft. This latest event follows a similar attack last week, which targeted coalition forces outside the Irbil international airport in the Kurdish-controlled region of northern Iraq and which was later claimed by a Shiite militant group. Meanwhile, NATO Defence Ministers agreed this past weekend to expand the scope of the NATO mission in Iraq, following a request by Baghdad. *“Today, we decided to expand NATO’s training mission in Iraq, to support the Iraqi forces as they fight terrorism and ensure that ISIS does not return. The size of our mission will increase from 500 personnel to around 4,000, and training activities will now include more Iraqi security institutions, and areas beyond Baghdad. Our presence is conditions-based, and increases in troop numbers will be incremental, our mission is at the request of the Iraqi government and It is carried out with full respect for Iraq’s sovereignty and territorial integrity,”* NATO’s Secretary-General said on Saturday during an online press conference. You can access his full statement [here](#).

***Iran Prepares To Limit UN Nuclear Inspections As Deadline Passes.***

A few days ago, Iran had said it would fulfil its threat to ban snap inspections of its nuclear facilities by the IAEA from the 23<sup>rd</sup> Feb 2021, after a deadline Tehran gave to the US to lift sanctions expired yesterday. However, last minute talks between the IAEA and Iranian authorities late yesterday reportedly led to a ‘temporary solution’ which will allow inspections to continue for another three months, albeit on reduced basis. Speaking on the state-owned media outlet ‘Press TV’ Iran’s Foreign Minister, Mohammad Javad Zarif, accused President Biden of *“pursuing the same policy of maximum pressure”* as his predecessor, although adding that, *“all our steps are reversible, the United States must return to the deal and lift all sanctions. The United States is addicted to sanctions but they should know that Iran will not yield to pressure.”* Meanwhile internal politicking is continuing to gather pace in Iran ahead of the country’s Presidential elections in June. Hardliners in particular have apparently been active in laying the groundwork which they hope, will help lead to the replacement of Hassan Rouahni by a more extremist candidate.

***KSA To Invest US\$20 Bio Into Local Defence Sector.***

As part of Saudi Arabia’s strategy to develop its local industries, as much as US\$20 bio is set to be invested into the domestic defence sector over the next ten years. *“The government has a plan that we will be investing in excess of US\$10 billion in the military industry in Saudi Arabia over the next decade and equal amounts on research and development. The Saudi defence sector has continued to work effectively during the epidemic time, proving the effectiveness and resilience of supply series. We’ll continue to focus on this field and on our constant need to work independently and also with our allies,”* the Governor of the General Authority for Military Industries, Ahmed bin Abdulaziz Al-Ohali, was quoted by the ‘Trade Arabia’ website as saying. Meanwhile the defence intelligence research house ‘Janes’ said a report published late last week, that GCC spending on defence is expected to return to pre-pandemic levels by 2024.

***Egyptian CB Unveils Support Program For Tourism Sector.***

Egypt’s Central Bank has said in a statement, that it will provide the country’s tourism industry with EGP 2 bio in fresh financial support to help this key sector recover from the impact of COVID-19. These funds will be released in tranches, with the first EGP 1 bio allocated to the Credit Risk Guarantee Company, in order to ensure the balances of the guarantees issued by the company for banks, to cover part of the associated risks and to finance tourism related firms. This program does not include the EGP 3 bio that was allocated within a separate Ministry of Finance initiative. Egypt’s tourism related revenues slumped by almost 70% last year to US\$4 bio according to ‘Reuters’.

***Oman Still Considering Introduction Of An Income Tax – IMF.***

According to the IMF, Oman is still considering a plan to introduce income tax on high earners as early as next year, as a part of the Finance Ministry’s 2020-2024 economic program. This program aims to bring Oman’s

fiscal deficit down to 1.70% of GDP by 2024, from a preliminary deficit of 15.80% this year. “The Medium-Term Fiscal Balance Plan is welcome, and its successful implementation is key to reinforcing fiscal sustainability and alleviating financing pressures. Key revenue measures include: (i) introducing VAT in 2021; (ii) a personal income tax on high-income earners being developed; and (iii) full-year impact of the expansion of the excise tax base in 2020. Key expenditure measures include: (i) containing the wage bill via civil service reforms; (ii) targeting energy subsidies to the most vulnerable groups; (iii) streamlining capital expenditure; and (iv) broad-based improvements in expenditure efficiency. These policies would also help mitigate structural weaknesses in public finances, notably heavy reliance on hydrocarbon revenue and rigidities in expenditure” the IMF statement read. You can access this report in full [here](#).

### **Shariah Compliant Cryptocurrency Platform Receives License In Bahrain.**

The Central Bank of Bahrain has issued the cryptocurrency exchange, ‘CoinMENA’, with a Crypto Asset Services Company License, which will allow the platform to operate within the Kingdom, according to the ‘Gulf Business’ news site. Once operational the platform will be available to retail and institutional investors, and will initially launch five major cryptocurrencies namely: Bitcoin, Ethereum, Ripple, Litecoin, and Bitcoin Cash.

### **Nigeria’s Economy Emerges From Recession.**

According to data released by Nigeria’s national statistics agency, the West African country’s economy expanded by 0.11% in the final quarter of 2020 compared to a 3.60% contraction in Q3 and -6.10% in Q2. In a statement issued late last week, the agency said that the GDP growth in Q4 2020 was driven primarily by the services and agricultural sectors, adding that although the expansion was weak, it indicated the gradual return of economic activity following the impact of COVID-19.

### **Contracts Worth AED 5 Bio Signed During 1st Day of IDEX Abu Dhabi.**

A total of nineteen contracts were signed during the first day of the International Defence Exhibition in Abu Dhabi yesterday, according to ‘The National’ newspaper. The UAE Armed Forces reportedly awarded seven contracts totaling AED 1.10 bio to a number of international firms including Germany’s Rheinmetall and France’s Thales, whilst local UAE based defence companies were awarded AED 3.90 bio worth of contracts. You can read more details on this [here](#).

### **UNEC Seals Major Construction Contract In Dubai.**

According to the ‘Arabian Business’ website, UNEC and Arif & Bint oak Consulting Architects and Engineers, have been awarded the AED 583 mio contract for phases 1, 2 and 3 on the Elan neighbourhood at Tilal Al Ghaf, a landmark lifestyle destination being built by Majid Al Futtaim Communities in Dubai.

## **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	3/6	7/12	12/17	18/28	70/90
USD/SAR	3.7503/06	2/5	4/7	6/9	8/13	12/22	15/25	75/100
USD/KWD	0.30250/270	18/28	45/55	70/85	130/160	200/250	280/330	450/550
USD/OMR	0.38498/501	12/22	30/45	45/60	100/130	170/200	250/300	700/900
USD/BHD	0.37702/712	5/10	13/23	20/35	45/65	65/85	90/120	300/500
USD/MAD	8.9025/9125	150/300	300/500	500/700	900/1300	1300/2300	1800/2800	3000/6000
USD/EGP NDF	15.66	15.76/15.81	15.91/15.96	16.02/16.07	16.40/16.45	16.78/16.83	17.16/17.21	-
USD/JOD	0.7078/7088	70/120	80/180	130/280	250/450	400/700	700/1300	1000/2000
USD/NGN NDF	408.25	414.00/419.00	419.00/424.00	425.00/430.00	437.00/447.00	450.00/460.00	460.00/470.00	(NAFEX)
USD/GHS NDF	5.7700	5.78/5.83	5.83/5.88	5.85/5.95	6.05/6.15	6.27/6.37	6.45/6.60	-
USD/TND	2.6900/7100	80/220	150/350	300/500	600/1600	1000/3000	1500/2500	4000/8000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	59.75							
Brent	63.50							

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

## **AED AND SAR IRS SPREADS**

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+22/28	+30/36	+38/44	+48/54	+58/64	+63/69	+67/73	+88/94
SAR SPREAD	+56/62	+66/72	+76/82	+85/91	+94/100	+103/109	+112/118	+137/143

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

**AND FINALLY...**

*Did you know that the British School of Bahrain holds the world record for the largest simultaneous coin toss? As part of World Mathematics Day in 2010, 1,117 staff and students took part in the toss which made it into the Guinness Book of Records.*

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