

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Global Energy Transition To Have Limited Impact On Oil Demand Until 2040.

The transition towards new forms of energy is unlikely to have a significant impact on global crude demand for the time being, the head of oil at Argus, Euan Craik, was quoted as saying during a petroleum conference earlier this week. Craik suggested that oil demand will be subject to "a tug of war" between the energy transition in Europe, China and the US, and strong economic growth in developing economies. He added that, "by post-2030, when we reckon electric vehicles will have accounted for 2 mio-3 mio bpd of motor fuel, we will see a gradual decline in oil demand. It will be very gradual." Argus only expects crude demand to start edging below 100 mio bpd by 2040. "It is worth noting that this is really in line with the levels we just came from in 2019, so it will be a very slow decline in oil demand even as new forms of energy come on stream and account for more of the pool," Craik stated. You can read more on his comments [here](#).

North America's Fracking Spread Count Hits Record Low.

The masterplans to establish a major oil complex within the Gwadar district According to Primary Vision, the active frack spread count in the US and Canada fell to just 41 last week from 161 the previous week. This drop has been attributed to the widespread power shutdowns and a lack of water, caused by the damage done to key infrastructure from severe winter storms, which pummeled US Gulf oil producing states like Texas. For those wondering what a frack spread is, it is a set number of equipment that an oil field service company uses for hydraulic fracturing. Primary Vision suggests it will take at least 2-3 weeks for the count to return to where it was prior to the storms and this news has obviously provided oil prices with an additional boost in recent days. Meanwhile US commercial oil inventories rose by 1.3 mio barrels last week to 463 mio barrels according to the EIA. This means that US crude stocks (excluding strategic reserves) are now equal to their historical five year average.

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All Eyes On Upcoming OPEC+ Meeting.

With both WTI and Brent still sitting comfortably above US\$60 a barrel, all eyes will be on next week's OPEC+ meeting to see if producers decide to open the supply taps faster than originally planned. The first big question will be whether or not Saudi Arabia continues with its additional one million bpd output reduction through March. One week ago, the Kingdom's Energy Minister, Prince Abdulaziz bin Salman, was quoted by 'Bloomberg' as saying; *"I must warn once again against complacency. Uncertainty is very high and we have to be extremely cautious, the scars from the events last year should teach us caution."* In contrast Russia's Deputy Prime Minister, claimed on February 14th that *"the market is balanced."*

ICE Futures Abu Dhabi To Begin Trading Next Month.

ADNOC and the Intercontinental Exchange announced yesterday that, ICE Futures Abu Dhabi will begin trading Murban Crude Oil Futures and a range of cash settled derivatives against Brent and WTI, as well as inter-commodity spreads, from March 29th 2021. *"We continue to see very strong support from our customers, traders and other market participants for IFAD and the new ICE Murban Futures Contract. Today's announcements are another important step as we prepare, together with ICE, our customers and our partners, for the launch of this important new exchange and futures contract,"* ADNOC's Executive Director of Downstream Industry, Marketing and Trading, Khaled Salmeen, was quoted as saying by the 'WAM' news agency. You can access more details on this announcement [here](#).

Republican Lawmakers Warn Biden Against Lifting Sanctions On Iran.

A group of Republican lawmakers have sent a letter to President Biden urging his administration, not to consider lifting sanctions against Iran in order to break the current deadlock over a return by all sides to the JCPOA agreement. *"Iran's malign activities, including its nuclear program, ballistic and cruise missile development, weapons proliferation, support for terrorism, hostage-taking, cyberattacks, and gross human rights violations, are unconscionable. Regime demands for sanctions relief as a prerequisite for the administration's proposed bilateral negotiations are not made in good faith,"* the letter reportedly stated, adding that *"The United States must apply immense pressure to the Iranian regime and cannot afford to be perceived as weak or wavering on these important national security threats. Appeasement will not effectuate change. Lifting sanctions will only serve to back the United States into an inescapable corner and removes any power we hold in our attempts to normalize Iranian and United States relations."* The letter, which was initiated by Congressman John Katko, is available to access in full via his website [here](#).

Sudanese Pound Stabilizes After Devaluation Move.

Sudan's Central Bank devalued the local currency's official exchange rate against the US dollar by 85% to 370.00 this past Sunday. The CB also switched its FX regime to a 'managed float' in a move aimed at removing the parallel market and qualifying for debt relief. The World Bank has already conducted a review of the country's economy and promised to start a financial support program if the government undertook some key economic reforms. Sudan is currently struggling with a debt load of US\$70 bio and an inflation rate of more than 300%. USD/SDG was trading at 375.00 this morning compared to 385.00 on Monday according to 'Reuters'.

Kuwait Closes Land & Sea Borders Until March 21st.

The Kuwaiti government has closed its country's land and sea border crossings since yesterday until March 20th in an effort to combat the spread of COVID-19. According to the security website 'Garda World', these measures do not apply to cargo operations or the movement of workers in the neutral zone. In addition and effective from Feb 21st the Kuwaiti Civil Aviation Authority extended its existing entry ban for foreigners until further notice, however Kuwaiti citizens, their first-degree relatives, domestic workers, diplomats, and medical staff are reportedly exempt from these restrictions. Meanwhile all restaurants and cafes may only perform delivery and take-away services until further notice, according to the 'Arab news' media outlet. You can find out more [here](#).

Saudi Arabia's Crown Prince Launches SDC Project.

Saudi Arabia's Crown Prince, Mohammed bin Salman bin Abdulaziz Al Saud, has officially launched the Soudah Development Company. According to the 'construction week online' website, the firm (which is 100% owned by the PIF) plans to inject US\$3 bio into various infrastructure and tourism projects in Soudah and parts of Rijal Alma'a Governorate in the Asir region of the Kingdom. Planned developments in Asir reportedly include;

2,700 hotel rooms, 1,300 residential units, and 30 commercial and entertainment attractions. You can read more on this story [here](#).

UAE's Edge Predicts 15% Revenue Growth In 2021.

The UAE based defence technology firm Edge has said it plans to increase its revenue by 15% this year, supported by both new products and export markets. *"Between 2021 and 2023, we see healthy growth due to a line-up of products that we've announced. We're going to have healthy growth of above 15% in 2021,"* the company's Group CEO, Faisal al-Bannai, was quoted as saying by the 'National' newspaper yesterday, adding that; *"Our core today is serving our armed forces but we've been engaging with various markets and clients that are buying some of our solutions. During this year and the next year we will be expanding our footprint. To that end, Edge is focused on parts of Asia, we are focused on various parts of Africa and Eastern Europe countries, there is a big opportunity there, and some opportunities in South America."*

Ingersoll Rand Wins Desalination Contract In Morocco.

Ingersoll Rand's Engineering Project Solutions group has been awarded the contract to design a tailored compressed air system for the Agadir-Chtouka desalination plant in Morocco, according to the 'Trade Arabia' website.

FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67295/305	Par/+3	1/4	2/5	5/8	9/14	15/20	70/90
USD/SAR	3.7504/07	2/5	3/6	4/7	7/12	10/15	15/20	75/100
USD/KWD	0.30225/255	17/27	35/45	55/65	120/140	180/210	255/285	430/530
USD/OMR	0.38498/501	5/10	15/25	30/50	70/90	120/150	180/230	550/650
USD/BHD	0.37702/707	10/15	13/23	20/35	45/65	65/85	90/120	225/325
USD/MAD	8.8775/8975	150/300	300/500	500/700	900/1300	1300/2300	1800/2800	3000/6000
USD/EGP NDF	15.70	15.82/15.87	15.94/15.99	16.07/16.12	16.46/16.51	16.85/16.90	17.23/17.28	-
USD/JOD	0.7078/7088	70/120	80/180	130/280	250/450	400/700	700/1300	1000/2000
USD/NGN NDF	410.29	415.00/420.00	420.00/425.00	424.50/429.50	438.00/443.00	451.00/456.00	460.00/470.00	(NAFEX)
USD/GHS NDF	5.7600	5.76/5.81	5.81/5.86	5.85/5.92	6.03/6.13	6.26/6.36	6.50/6.65	-
USD/TND	2.6975/7175	80/220	150/350	300/500	600/1600	1000/3000	1500/2500	4000/8000
Crude Oil	Futures							
WTI	63.40							
Brent	67.30							

**** (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	+60/66	+68/74	+77/83	+86/92	+95/101	+104/110	+112/118	+136/142

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

AND FINALLY...

Did you know that the Cape Floral Kingdom in South Africa is one of the world's six floral kingdoms and the only one which is wholly contained within a single country?

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