

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **ESG Activism Could Boost Crude Prices.**

The decision by OPEC's Joint Ministerial Monitoring Committee to keep to their original target of bringing back 840,000 bpd of oil through July 2021, together with a fresh US inventory draw of 5.1 mio barrels, has helped to keep Brent above US\$70 a barrel this week. However, in perhaps a more important development, a broadening focus on reducing carbon emissions has begun to put a lot more pressure on large corporations, including oil companies, to do more to shrink their carbon footprint. This issue was highlighted most recently by the news that three of the nominees put forward by an ESG activist fund, 'Engine No 1', managed to win board seats at Exxon's annual meeting this week. *"What the Board needs are directors with experience in successful and profitable energy industry transformations who can help turn aspirations of addressing the risks of climate change into a long-term business plan, not talking points,"* a statement issued by Engine No 1 read according to CNBC. Separately at Chevron's annual investor meeting, a majority of shareholders, voted for a proposal aimed at reducing emissions generated by the company's products, despite a plea by the board for the proposal to be rejected. And then finally, a Dutch court, ordered Shell to deepen its planned greenhouse gas emission cuts, a ruling that could pave the way for similar legal action against other energy companies. All this means that capital expenditure into the exploration and expansion of conventional energy sources may shrink faster than initially anticipated, again increasing the risk of a crude oil supply shortage in the not too distant future. Such a risk was raised by Russia's Deputy Prime Minister during the International Economic Forum in St Petersburg yesterday. According to the Argus Media outlet, Novak slammed last month's IEA proposal that investment into new oil and gas fields must be halted immediately, if the world wanted to reach zero carbon emissions by 2050. *"I cannot imagine that starting from tomorrow, investment in new projects stops. And what we will see then? Oil prices will grow to US\$200 a barrel maybe. We have to be*

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more responsible when making such proposals," Novak stated. Meanwhile the head of Russia's Lukoil said during the same conference, that his firm was keen to resume talks with Tehran over the company's potential involvement in developing two major Iranian oil fields if and when US sanctions were lifted. *"We were in an advanced stage and have almost all documents on the Mansouri field ready. If restrictions are lifted, we would be happy to resume negotiations and implementation of this project,"* the company's CEO, Vagit Alekperov, was quoted as saying yesterday by the S&P Global Platts website.

### ***Biden Blocks A Trump-Era Order To Drill In The Arctic.***

The Biden administration has suspended the issuance of permits for energy companies to drill in Alaska's 19.60 mio acre arctic nature reserve. Permission to explore and potentially extract oil within the wildlife refuge had originally been granted by Donald Trump during his last days in office, which alarmed environmental groups and native tribes in the region. The pushback was not just from activists either, according to the Sierra Club, six of America's largest financial institutions, announced last year that they would not finance oil and gas development in what is one of America's last remaining wildlife preserves.

### ***Libya Aims To Increase Its Crude Output This Year.***

After posting a sharp recovery since October last year, Libya's oil production slipped from 1.30 mio bpd in March to 1.0 mio bpd in April due to maintenance issues and budgetary restraints. Despite this, Libya's Oil Minister, Mohamed Aoun, said this week that the country's National Oil Corporation plans to produce 1.50 mio bpd by the end of this year, according to the Libya Herald newspaper. However, he admitted that more funds were needed to rebuild key oil facilities which had fallen into disrepair or been damaged by fighting since 2011.

### ***Iran Talks Set To Continue Next Week.***

The sixth round of indirect talks between Iran and the US are due to continue next week, with the toughest sticking points still to be overcome. *"We expect there will be a sixth. I think there's just about every expectation that there will be subsequent rounds beyond that,"* a US State department spokesperson, Ned Price, was quoted as saying by Reuters, adding that one key hurdle was the fact that Iran still refuses to enter into direct discussions with the US, which made it harder to resolve certain complex issues. Price's comments appeared to pour cold water on those made earlier by an EU Envoy to the talks, who had expressed optimism that a final deal could be reached next week. Thus the negotiations may well drag on past Iran's Presidential election which is due to be held on June 16<sup>th</sup>, and which is likely to see a hardliner replace President Rouhani. Meanwhile, it's still not clear what triggered a major fire onboard the Iranian Navy's only major replenishment ship in the Gulf of Oman on Wednesday, which eventually caused the vessel to sink. Initial reports suggest that the fire began in the engine room, but an official investigation has now been launched according to Iranian media outlets. In a separate development just a few hours later, a large fire was reported at an oil refinery near Tehran. In this case a suspected liquid gas pipeline leak may have been the cause according to Reuters.

### ***Lebanon Reverses Decision On Bank Deposit Withdrawals.***

According to the Al Sharq Al-Awsat news site, the Lebanese authorities have reversed a decision taken earlier this week, to halt a provision which up to now had allowed people to withdraw cash from their US dollar accounts at an exchange rate that is better than the informal market, albeit still weaker than the official rate. This reversal comes after demonstrators marched in the street to protest the change on Wednesday. Since last year depositors have been allowed to withdraw money from their US dollar accounts, with the funds paid out in local currency at a rate of USD/LBP 3900.00. You can read more on this story [here](#).

### ***Egypt's FX Reserves Rise Again.***

Egypt's net international reserves rose for the tenth month in a row to reach US\$40.468 bio in May compared to US\$40.343 bio the previous month, according to the latest data released by the Central Bank. Attractive yields on Egyptian T-Bills and bonds continue to draw in foreign investors, whose holdings of Egyptian debt hit a record level of US\$28.50 bio in February this year.

### ***China & UAE To Expand COVID-19 Vaccine Cooperation.***

China's ambassador to the UAE, Ni Jian, said yesterday that his country was looking forward to strengthening its cooperation with the UAE in the area of vaccine production and distribution. *"The Chinese side is willing to deepen vaccine co-operation with the UAE side, and help the UAE build a regional hub of vaccine production and transportation. The co-operation, in the meanwhile, will make the China-UAE made vaccine available to*

people of more countries and regions, contributing more to build a global community of health for all,” the ambassador was quoted as saying by the UAE’s National newspaper. His comments follow the establishment of the ‘Hayat-Vax’ facility in Abu Dhabi’s Kizad free zone which will eventually be able to produce up to 200 million doses of Sinopharm’s COVID-19 vaccine per annum.

### **Israeli Airline Prepares To Introduce Direct Flights To Morocco.**

Israel’s second largest airline, Israir, is set to launch direct flights between Israel and Morocco from next month. “The first flight will take place on July 19 from Tel Aviv to Marrakesh. We believe that demand will be high and that hundreds of thousands of Israelis will want to take advantage of these direct flights to Morocco,” the airline’s deputy sales director, was quoted as saying by the ‘Arab Weekly’ news site.

### **Qatari Bank Bids For Larger Stake In NBO.**

The Commercial Bank of Qatar announced yesterday, that it has made an offer to purchase an additional stake of 15.20% stake in the National Bank of Oman. Once completed the deal would increase QCB’s shareholding in NBO to 50.10%. You can access more details on this announcement [here](#).

### **SASOL To Sell 30% Share In Mozambique Pipeline.**

Sasol recently signed an agreement to sell a 30% stake in the 865km Mozambique-South Africa gas pipeline to a Reatile-led consortium for US\$353 mio, according to the Hydrocarbons-Technology website. Sasol will however, still retain a 20% stake in the pipeline which carries gas from Mozambique to South Africa.

### **FX/RATES & CRUDE MARKETS:**

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6729/30	-0.5/+1.5	-0.5/+2.5	Par/+3	1/6	4/9	7/12	45/65
USD/SAR	3.7502/04	7/10	9/12	10/13	15/20	21/26	30/35	90/120
USD/KWD	0.30090/130	20/30	47/57	65/80	130/160	200/230	265/295	400/500
USD/OMR	0.38497/502	7/17	15/30	30/50	70/90	110/140	160/190	400/500
USD/BHD	0.37695/702	18/28	40/55	50/65	90/120	130/160	150/200	200/450
USD/MAD	8.8400/8600	50/120	100/200	125/275	250/550	400/800	600/1500	1800/3800
USD/EGP NDF	15.6900	15.79/15.84	15.91/15.96	16.05/16.10	16.45/16.50	16.84/16.89	17.25/17.30	-
USD/JOD	0.7090/95	50/150	70/270	200/350	400/700	500/900	600/1200	1000/2500
USD/NGN NDF	410.93	414.00/417.00	417.00/421.00	421.50/425.50	432.50/437.50	443.50/448.50	454.00/461.00	(NAFEX)
USD/GHS NDF	5.8050	5.82/5.87	5.88/5.93	5.94/5.99	6.10/6.20	6.30/6.40	6.50/6.65	-
USD/TND	2.7350/7550	80/180	150/350	300/500	600/1600	1000/2000	1500/2500	4000/6000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	69.10							
Brent	71.60							

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

### **AED AND SAR IRS SPREADS**

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+18/24	+24/30	+28/34	+31/37	+34/40	+36/42	+37/43	+47/53
SAR SPREAD	+65/71	+71/77	+77/83	+83/89	+87/93	+95/101	+101/107	+116/122

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

### **AND FINALLY...**

Did you know that hydrogen is the most common element in our universe?

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