

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### ***OPEC Remains Positive On Outlook For Oil Demand Growth.***

In its latest monthly report, OPEC says it still expects oil demand growth to pick up speed during the second half of this year led by the US and Asian economies. "Global oil demand is anticipated to pick up pace in 2H21, reaching 99 mio bpd, compared to 94.1 mio bpd in 1H21, with improving mobility in major economies supporting gasoline and on-road diesel demand. Improvements in pandemic containment efforts and seasonal summer demand will allow for positive expectations for 2H21. On a regional basis, OECD oil demand is anticipated to grow by 3.1 mio bpd in 2H21 y/y, as oil demand gains traction, especially in OECD Americas, the largest contributor to oil demand growth in 2021. However, oil demand in the region is not expected to fully recover from the 2020 contraction. Transportation fuels, mainly gasoline, as well as light and middle distillates are assumed to support the oil demand recovery going forward. In the non-OECD, oil demand is estimated to grow by 3.0 mio bpd in 2H21 y/y, driven by China, India and other Asia. A healthy rebound in economic momentum is anticipated to stimulate industrial fuel demand, while demand for petrochemical feedstock is also projected to support demand growth in 2021," OPEC said. You can find the full report [here](#).

#### ***Wind Power & Hydrogen Could Speed-up Energy Transition.***

The wind-powered turbine manufacturer Siemens Gamesa Renewable Energy SA, has claimed in a white paper that 'green' hydrogen production using onshore wind turbines could achieve price parity with fossil-based hydrogen by 2030. The paper highlights key areas which would help drive costs lower namely; increasing renewable energy capacity, creating a cost-effective demand-side market for green hydrogen, as well as the development of a supply chain and support for infrastructure. "It took three decades for wind and solar to reach grid parity with fossil fuels, and we

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cannot afford to wait that long for green hydrogen to reach price parity with fossil-based hydrogen,” Siemens Gamesa’s CEO was quoted as saying by ‘CNBC’ this week. You can read more details on this story [here](#).

### **NNPC Official Warns Of Potential Oil Supply Crunch.**

A senior staff member of the Nigerian National Petroleum Corporation has warned, that crude prices could hit US\$200 a barrel in the not too distant future, if lenders and multinational oil companies continue to reduce funding into key conventional energy projects. *“I was talking to one of my senior colleagues yesterday, and he said, well, it is time for someone to speak the truth. If nothing is done and this trend continues, guys, we should be ready for a US\$200 per barrel of oil. The reason is simple, if you stop investing in the oil and gas sector, you can only produce what you have today. And what you have today, in many instances in five years, it will start declining, that is, if you we are not already in a declining mode, because many in Nigeria are in declining mode. So, if there’s no fresh capital for either brownfield or greenfield investment, we cannot grow production; if we don’t grow the production, the consequence is that we’re building a short supply for tomorrow. In basic economics, short supply means a higher price. So this is the world. This is the world that we see today and this has presented some very emergent trends,”* the Group General Manager of Nigeria’s National Petroleum Investment Management Services (a subsidiary of NNPC), was quoted as saying by the ‘This Day’ news site. You can access his comments in full [here](#).

### **US Lifts Some Iran Sanctions As Next Round Of Talks Approaches.**

The US Treasury announced yesterday, that it has lifted sanctions on three former Iranian officials and two companies that had previously traded in Iranian manufactured petrochemicals. However, a State Department spokesman claimed that the move was purely “routine” and that there was “no connection” between this and the indirect US-Iran talks, which are due to restart today. *“OFAC and the Department of State are lifting sanctions on three former Government of Iran officials, and two companies formerly involved in the purchase, acquisition, sale, transport, or marketing of Iranian petrochemical products. These de-listings are a result of a verified change in behavior or status on the part of the sanctioned parties and demonstrate the US government’s commitment to lifting sanctions in the event of a change in behavior or status for sanctioned persons,”* a US Treasury statement read. Meanwhile in a separate action, the US Treasury said that it has sanctioned members of a smuggling network that were reportedly providing “illicit funds” to Yemen’s Houthi rebels. *“This network’s financial support enables the Houthis’ deplorable attacks threatening civilian and critical infrastructure in Yemen and Saudi Arabia. These attacks undermine efforts to bring the conflict to an end and, most tragically, starve tens of millions of innocent civilians. Ending the suffering of millions of Yemenis is of paramount concern to the United States, and we will continue to hold accountable those responsible for widespread misery and deny them access to the global financial system,”* an OFAC director was quoted as saying by the US Treasury’s website.

### **Rockets Fired At Air Base In Iraq Again.**

Five rockets were fired towards the Balad air base in Iraq on Wednesday, although no damage or injuries were reported, according to the ‘Al Arabiya’ media outlet. The base, which is also home to a number of US contractors, has often been targeted by militant groups and this latest attempted attack follows the launch of three explosive-laden drones towards Bagdad Airport on the same day. Since the beginning of the year, around 42 such attacks have targeted the US embassy in Baghdad, Iraqi bases housing US troops or Iraqi convoys carrying logistical support. In reaction the US Department of State announced yesterday that it was offering a reward of up to US\$3 million for information leading to the capture of those responsible for such actions in Iraq. You can read more details on this story [here](#).

### **International Financing Mechanism Mooted To Assist Lebanon.**

The French President, Emmanuel Macron, said yesterday that his government was working with other international partners to create a financial mechanism that would be able to prevent Lebanon’s important public services from collapsing. *“We are technically working with several partners in the international community so that at some point, if the absence of government persisted, we could succeed in preserving a system under international constraint, which would then allow the funding of essential activities and support for the Lebanese people,”* Macron was quoted as saying by the ‘Daily Star’ newspaper. He hinted too however, that pressure would continue to be applied on the country’s political leaders to establish a government prepared to implement much needed reforms. *“We remain invested in Lebanon but I cannot replace those who hold the system with all its defects and its imbalances. I hope that the spirit of responsibility which has been lacking for several*

months will start. The people deserve it," he added. Meanwhile, according to the 'Arab News' website, the leader of Hezbollah, Hassan Nasrallah, said earlier this week that Lebanon should be "negotiating with Iran to buy gasoline and diesel with the Lebanese currency if Lebanon's shortages persist," despite US sanctions on Tehran. In a separate development Iraq has said it will double its promised supply of oil to Iran.

### **Egypt's Headline Inflation Rate Rises.**

Egypt's urban consumer inflation rate rose to 4.80% last month from 4.10% in April, according to data released by the country's official statistics agency. This rise was primarily driven by an increase in food prices. Meanwhile the World Bank has said in its latest 'Global Economic Prospects' report that it expects Egypt's economy to expand by 4.50% during 2022 and by 5.50% in 2023. The bank also stated that remittances into Egypt had jumped by 11% y/y in 2020 to hit a record high of almost US\$30 bio.

### **BP & ENI Ponder New JV In Angola.**

ENI and BP recently signed a non-binding MOU to continue bilateral discussions on potentially combining their upstream Angolan portfolios into a joint-venture, including all of their oil, gas and LNG interests in the African country. BP and ENI's Angolan assets together produce more than 200,000 barrels of oil per day. Merging them would bring "significant opportunities" to "boost future developments" and increase investment in the basin, the firms said in a statement published by 'Bloomberg'.

### **Archirodon Wins EPC Contract In Saudi Arabia.**

The Greek marine contracting specialist Archirodon, has been awarded the contract to design and build a 1.2 km bridge linking an island in the Red Sea to the mainland in Saudi Arabia, according to 'The National' newspaper.

### **Eight Firms Shortlisted For Metro Design Project In Bahrain.**

Eight firms have reportedly been shortlisted to tender their proposals for the contract to provide consultancy and preliminary design services on an extension to the Bahrain Metro. These companies are; EGIS, Gulf Markets International, Consolidated Engineering Company Khatib & Alami, Mohamed Salahuddin Consulting Engineering Bureau, SENER Ingenieria y Sistemas, Dar Al Handash Consultants, INTECSAINARSA and AECOM Middle East, according to the 'Zawya' media outlet.

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

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67295/305	-0.5/+1	-0.5/+2	Par/+3	1/6	2/7	6/11	45/65
USD/SAR	3.7502/05	5/8	8/13	10/13	14/19	21/26	26/31	90/110
USD/KWD	0.30057/77	20/30	43/53	65/80	130/160	200/230	260/290	400/500
USD/OMR	0.38498/503	4/14	15/25	25/45	60/80	90/120	130/160	325/425
USD/BHD	0.37695/700	20/30	40/55	55/70	100/130	145/175	170/220	230/430
USD/MAD	8.8025/8225	50/120	100/200	125/275	250/550	400/800	600/1500	1800/3800
USD/EGP NDF	15.6600	15.75/15.80	15.87/15.92	16.01/16.06	16.40/16.45	16.80/16.85	17.20/17.25	-
USD/JOD	0.7085/95	50/150	70/270	200/350	400/700	500/900	600/1200	1000/2500
USD/NGN NDF	409.92	413.00/416.00	416.50/420.50	420.00/425.00	431.00/436.00	442.50/447.50	454.50/461.50	(NAFEX)
USD/GHS NDF	5.8200	5.82/5.87	5.84/5.89	5.90/5.95	6.04/6.14	6.24/6.34	6.45/6.57	-
USD/TND	2.7425/7625	80/180	150/350	300/500	600/1600	1000/2000	1500/2500	4000/6000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	70.35							
Brent	72.60							

**\*\* (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	+76/82	+81/87	+85/91	+92/98	+99/105	+115/121

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

## **AND FINALLY...**

*Did you know that wind energy was first developed using windmills in 200 BC?*



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