

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### ***Saudi Arabia Warns Of Potential Oil Super-cycle.***

Saudi Arabia's Energy Minister, Prince Abdul Aziz bin Salman, has again warned about the growing risk of a super-cycle in crude prices driven by the ongoing low level of fresh investment into the sector. *"A super-cycle in oil prices could be seen on the back of the absence of new investments in exploration. I think it's my job, and others' jobs, to make sure this super cycle doesn't happen,"* the minister was quoted as saying by Bloomberg this week. We have previously highlighted the global fall in spending on conventional oil exploration and expansion over the past 5 years, which is now experiencing further reductions due to the impact of the pandemic and the increased drive towards renewable energy sources.

#### ***Polls Open For Iran's Presidential Election.***

Iran's 13<sup>th</sup> Presidential election is being held today, and an ultraconservative candidate is expected to succeed the current incumbent Hassan Rouhani, especially after Mohsen Mehralizadeh the only reformist candidate standing in this year's poll, withdrew from the race. The head of Iran's judiciary, Ebrahim Raisi, is considered to be the frontrunner according to local media reports. He is extremely well connected and a close confidant of the Ayatollah Ali Khamenei, whilst his father-in-law is Ayatollah Ahmad Alamolhoda, the supreme leader's representative in the province of Khorasan. Voter participation is expected to be low with an IPSA survey suggesting a 42% turnout, and the final results will be announced within the next 2-3 days. What impact a new more hardline administration in Tehran could have on the JCPOA talks remains to be seen, although the new President will only assume his position when Rouhani steps down in August. Meanwhile, both Iranian and US officials suggested yesterday that progress

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had been made during this week's sixth round of negotiations. *"We achieved good, tangible progress on the different issues. We are closer than ever to an agreement but there are still essential issues under negotiations,"* Iran's Deputy Foreign Minister, Abbas Araghchi was quoted as saying by 'The National' newspaper, adding *"We want to make sure that what happened when Trump pulled out of the deal will not be repeated by any other American president in the future."*

### **IMF Expresses Concern Over Nigeria's Fuel Subsidies.**

The IMF has just released a statement following its recent virtual meeting with Nigerian officials during which various economic issues were discussed. In it, the IMF noted that whilst the West African nation's economy was recovering, unemployment and inflation remained high. It also suggested that further currency reforms were needed in order *"to achieve a fully unified and market-clearing exchange rate,"* and highlighted its concern over the resumption of fuel subsidies. *"The mission expressed its concern with the resurgence of fuel subsidies. It reiterated the importance of introducing market-based fuel pricing mechanism and the need to deploy well-targeted social support to cushion any impact on the poor. The mission recommended stepping up efforts to strengthen tax administration to mobilize additional revenues and help address priority spending pressures,"* the IMF statement, which you access in full [here](#), read.

### **Arab League Urges Lebanon To Resolve Political Stalemate.**

The Arab League's Secretary-General, Ahmed Aboul-Gheit, has emphasized the organization's increased concern over the ongoing political stalemate in Lebanon, which in turn is exacerbating the social and economic crises there. *"It is important to swiftly form a new technocratic government that would be able to make necessary reforms,"* the Secretary-General stated on Wednesday, according to the 'Xinhua' media outlet, adding that all political factions in Lebanon must take responsibility and rescue the country from its political crisis. Meanwhile a Lebanese army official has reportedly warned that the country's military urgently requires international support in order to survive. *"We are in need of food parcels, health care assistance, and support with soldiers' pay. The devaluation of the Lebanese pound is affecting soldiers and they are in need of support. Their salaries are not enough anymore,"* the unnamed source was quoted as saying by 'AFP'.

### **Saudi Arabia To Merge State Pension & Insurance Funds Into New Entity.**

Saudi Arabia's Council of Ministers has approved plans to combine the Kingdom's Public Pension Agency and the General Organization of Social Insurance (GOSI) into a single entity with assets of an estimated US\$29 bio. According to a statement published on the official GOSI website, the country's Finance Minister, Mohammed bin Abdullah Al-Jaddan, said that this merger forms a part of Saudi Arabia's *"continuous reform and organizational structure process, in accordance with the Kingdom Vision 2030 objectives, and reflects the care given by the leadership to the social insurance sector, as symbiotic system which has an important role in enhancing social protection for all citizens."* You can access his full statement [here](#).

### **Egypt Keeps Benchmark Interest Rates Steady.**

As expected, the Egyptian central bank's monetary policy committee kept its overnight lending and deposit rates unchanged at 9.25% and 8.25% respectively, following its regular meeting yesterday. A rise in headline inflation from 4.10% in April to 4.80% in May reportedly contributed to the bank's decision to keep its key interest rates steady.

### **FITCH Affirms APICORP's Credit Ratings.**

The FITCH ratings agency announced yesterday, that it has affirmed Arab Petroleum Investments Corporation's long-term issuer default rating at 'AA' with a stable outlook. The agency also affirmed the long-term ratings on APICORP's Global MTN Program and debt issuances at 'AA'. *"APICORP's 'AA' Long-Term IDR is driven by its Standalone Credit Profile assessed at 'aa', based on solvency and liquidity assessments of 'aa' and a 'medium risk' business environment. The Stable Outlook reflects our view that APICORP's credit profile will remain resilient to pressure from the Covid-19 pandemic and will continue to be supported by excellent capitalization and liquidity metrics,"* FITCH said. You can view the agency's full statement [here](#).

### **Egypt Eyes Electric Car Production.**

Egypt's Minister for Public Enterprise, Hisham Tawfik, has announced that the country will begin testing electric cars, ahead of plans to begin full-scale domestic production of such vehicles, following the recent signing of an MOU between Egypt's El Nasr Automotive Manufacturing Company and the Chinese Dongfeng Motor

Corporation. "The first 100 electric cars will be produced in August 2022, where cars will be of single motor and three different batteries. The country will build 3,000 charging stations for electric cars, where 6,000 cars can be charged at the same time, half of the number of the stations will be near homes or work places," the minister was quoted as saying by the 'Egypt Today' media outlet. You can access more details on this story [here](#).

### ***Iraq Plans New Administrative Capital.***

Iraq's National Investment Commission, has unveiled plans to build a new administrative capital close to Baghdad's International Airport, according to an article posted on the 'Global Construction Review' website. The new city is named Al Rafeel and will be built over four stages. The first stage would involve the construction of some 75,000 residential homes, as well as shops, offices, hospitals, schools and leisure amenities.

### ***SAIPEM Wins Major Gas Plant Contract In Abu Dhabi.***

Italy's Saipem has been awarded a US\$510 mio EPC contract to expand the capacity at ADNOC's Shah sour gas plant by 13% to 1.45 billion cu ft per day over the next two years, according to the 'Trade Arabia' website.

### ***Huawei Finances New Technology Park In Angola..***

China's Huawei announced this week, that it had provided the funding for the construction of two telecommunication and information technology training centers in Angola.

### **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	1/4	2/7	4/9	45/65
USD/SAR	3.7502/05	6/9	8/13	9/14	14/19	22/27	27/32	85/105
USD/KWD	0.30120/140	20/30	44/54	65/80	130/160	200/230	260/290	400/500
USD/OMR	0.38498/503	4/14	12/22	20/40	52/72	90/120	130/160	300/400
USD/BHD	0.37693/698	20/30	40/55	55/70	100/130	155/185	180/230	225/425
USD/MAD	8.8900/9100	50/120	100/200	125/275	250/550	400/800	600/1500	1800/3800
USD/EGP NDF	15.6500	15.76/15.81	15.91/15.96	16.05/16.10	16.43/16.48	16.81/16.86	17.22/17.27	-
USD/JOD	0.7085/95	50/150	70/270	200/350	400/700	500/900	600/1200	1000/2500
USD/NGN NDF	410.24	413.00/416.00	416.50/420.50	420.00/425.00	431.00/436.00	442.50/447.50	453.00/460.00	(NAFEX)
USD/GHS NDF	5.8025	5.80/5.85	5.83/5.88	5.88/5.93	6.01/6.11	6.22/6.32	6.24/6.54	-
USD/TND	2.8000/8300	80/180	150/350	300/500	600/1600	1000/2000	1500/2500	4000/6000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	70.75							
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	+19/25	+23/29	+27/33	+30/36	+33/39	+36/42	+37/43	+46/52
SAR SPREAD	+67/73	+73/79	+78/84	+83/89	+87/93	+94/100	+100/106	+116/122

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

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

*Did you know that the Ivory Coast produces more than 30% of the world's supply of cocoa?*

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