

Market Insights & Strategy

Global Markets

28th June 2021

MIDDLE EAST & AFRICAN MONITOR

- **Crude Prices Hover Around Two Year Highs Ahead Of OPEC Meeting.**
- **US & France Warn Iran Not To Drag-out Negotiations.**
- **S&P Platts Sees No Quick Return Of Venezuelan Crude Exports.**
- **Militant Group Threatens Nigeria's Oil Facilities.**
- **Egypt & Sudan Call For UN Meeting Over Ethiopian Dam Dispute.**
- **Lebanese Pound Hits New Low – Protests Erupt.**
- **Kuwait Approves KWD 23 Bio Budget.**
- **Dubai Reports Jump In Luxury Home Sales.**
- **UAE's Masdar To Develop Solar Projects In Iraq.**
- **Alkhorayef Wins O&M Contract in Saudi Arabia.**

REGIONAL COMMENTARY

Crude Prices Hover Around Two Year Highs Ahead Of OPEC Meeting.

Both WTI and Brent remain close to their highest levels recorded since 2018, ahead of OPEC's next meeting on July 1st and despite growing concerns over the more transmissible COVID-19 delta variant. This latest strain has been identified as the primary cause for a recent surge in new cases across the globe, and that in turn has led to fresh restrictions in a number of countries including; Australia, Bangladesh, South Africa, Malaysia, Russia, Taiwan, Israel and Indonesia. In the UK, the delta variant reportedly accounts for close to 90% of new infections and the WHO has now designated it as a "*variant of concern*" which means it meets one or more of the following criteria: 1. An increase in transmissibility or detrimental change in Covid-19 epidemiology. 2. An increase in virulence or change in clinical disease presentation and 3. A decrease in effectiveness of public health and social measures or available diagnostics, vaccines, therapeutics.

US & France Warn Iran Not To Drag-out Negotiations.

Both US and French officials have warned Tehran not to drag-out the ongoing negotiations around a return to the JCPOA accord. These warnings come after Iran refused to extend a three month nuclear facility monitoring agreement with the IAEA after the original deal expired last Thursday. "*We'll see if we can bridge the differences, but they're real, and we have to, we have to be able to bridge them. I would tell you that with regard to the IAEA this remains a serious concern, a concern that we've communicated to Iran, and it needs to be resolved,*" the US Secretary of State, Antony Blinken, was quoted as saying last Friday by the 'VOA', adding that; "*There will come a point, yes, where it will be very hard to return back to the standards set by the JCPOA.*" His words were echoed by his French counterpart, Jean-Yves Le Drian, who stated the same day that, "*We expect the Iranian authorities*

Glenn Wepener

Executive Director & Geopolitical Analyst,
Middle East & Africa

Please click [here](#) to view our recent publications on MENA and Global Markets

Your attention is drawn to the Important Notice on the final page of this communication

to take the final decisions, no doubt difficult ones, which will allow the negotiations to be concluded." Meanwhile in a separate development, the 'Garda World' website and various social media posts have claimed, that some strike action has been taking place over the past few days by workers within Iran's important energy sector, although it should be noted that these reports have not yet been officially confirmed. According to an article published by the London based 'Iran International' news site, oil and refinery workers have been calling for an increase in their monthly salaries in order to keep up with the country's high inflation rate.

S&P Platts Sees No Quick Return Of Venezuelan Crude Exports.

A recent report published by S&P Platts has calculated, that even if the Biden administration eases some sanctions on Venezuela for humanitarian reasons in the near term, (as is being suggested in diplomatic circles) overall crude production by the South American country would probably only rebound to around 700,000 bpd by the end of next year, and any major recovery would really depend on the removal of sanctions against the state-owned PDVSA, which at this stage appears unlikely. You can access the full S&P Platts report [here](#).

Militant Group Threatens Nigeria's Oil Facilities.

A known militant group based in Nigeria's oil rich Niger Delta region, has threatened to attack oil facilities in the area in protest against what they claim is the federal government's continued neglect of the region and its inhabitants. *"This operation shall be coded 'Operation Humble' aimed at bringing down targeted oil installations in the Niger Delta capable of humbling the economy into permanent recession,"* a statement, issued by the so called 'Niger Delta Avengers' this past weekend read. The same group is believed to have been responsible for a series of attacks on Nigeria's oil and gas infrastructure in 2016. In response, a spokesperson from President Buhari's office was quoted as saying by 'Bloomberg' that it was *"curious that the threat was coming less than 48 hours after President Muhammadu Buhari met with the leadership of the Niger Delta and Ijaw National Congress, and discussed development issues in the region."*

Egypt & Sudan Call For UN Meeting Over Ethiopian Dam Dispute.

The Egyptian government has joined Sudan in calling for the UN Security Council to discuss Ethiopia's 'GERD' project ahead of the latter's planned second filling of the dam. *"It was important for us to bolster Sudan's position and make our own request. The strongest mechanism in the Security Council is a resolution, followed by a presidential statement and finally a press release. Any one of these will do,"* Egypt's Foreign Minister, Sameh Shoukry, was quoted as saying by the UAE's 'National' newspaper this past weekend. Cairo and Khartoum are in an ongoing dispute with Addis Ababa over its 'Grand Renaissance' dam project, which they say poses a major threat to both the downstream countries' supplies of fresh water from the Nile river.

Lebanese Pound Hits New Low – Protests Erupt.

The Lebanese Pound fell to another record low against the US dollar in the unofficial foreign exchange market this past weekend, whilst sporadic street protests broke out again in various cities with some demonstrators managing to break through the gates to a branch of the country's central bank in Tripoli. The USD/LBP reportedly touched 18,000 in the 'kerb' market on Saturday as a two year economic crises continues to worsen, exacerbated further by a worsening fuel shortage. A World Bank report now expects Lebanon's GDP to shrink by a further 9.50% this year, following a 20.30% contraction in 2020.

Kuwait Approves KWD 23 Bio Budget.

Kuwait's parliament last week approved a KWD 23.05 bio budget for the fiscal year 2021/22 with an expected deficit of KWD 12.10 bio. The country's Finance Minister, Khalifa Hamade was quoted as saying by the 'Arabian Business' website that more than 71% of expenditure was allocated towards job support, and 15% for infrastructure and residential projects. However, the successful passing of this budget did not appear to quell an ongoing political dispute between pro-government and opposition MPs. You can read more on this latter issue [here](#).

Dubai Reports Jump In Luxury Home Sales.

Dubai has seen a jump in the number of ultra-luxury residential real estate transactions, with 22 homes worth US\$10 mio reported to have been sold during the first five months of this year, the highest number since 2015 according to Knight Frank. *"In Dubai, we appear to be in the midst of a spectacular post-Covid rebound in luxury home sales. The rebounding of Dubai's super prime market echoes a wider global trend, signaling the start perhaps of a 'Roaring Twenties' for global real estate. Dubai is second only to London, where luxury home*

sales have also rebounded,” Knight Frank’s head of Middle East research, Faisal Durrani, was quoted as saying by the ‘National’ newspaper. You can access more details [here](#).

UAE’s Masdar To Develop Solar Projects In Iraq.

Abu Dhabi based Masdar, has reportedly signed an agreement to help boost the contribution of renewable energy to Iraq’s power grid. According to the ‘Argus Media’ news outlet, the deal will see Masdar develop a range of solar power projects across the central and southern regions of Iraq. *“Iraq is targeting 20 to 25% of energy coming from renewable sources, rather than fossil fuels, equivalent to 10 to 12 GW. This agreement with Masdar, a global leader in renewable energy, is an important step in the development of the clean energy investment sector and the exploitation of solar energy in Iraq,”* Iraq’s Oil Minister, Ihsan Ismael, was quoted as saying, and you can access more details on this story [here](#).

Alkhorayef Wins O&M Contract in Saudi Arabia.

The Alkhorayef Water and Power Technologies Company has been awarded an operation and maintenance contract for North Jeddah’s storm and ground water level reduction networks, according to the ‘Construction Week Online’ website.

FX/RATES & CRUDE MARKETS:

Indication Levels Only – Please Contact us on Reuters Dealing Codes FABA/FABU for any live pricing and/or information.

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67295/305	-1/+1	-1/+1.5	-0.75/+1.75	Par/+3	2/7	4/9	45/65
USD/SAR	3.7503/06	6/9	8/13	12/17	22/27	33/38	35/40	90/110
USD/KWD	0.30100/120	15/25	35/45	55/70	120/140	180/210	230/260	360/460
USD/OMR	0.38499/502	5/15	22/32	30/50	75/95	110/140	155/185	325/425
USD/BHD	0.37697/702	18/28	35/50	55/70	100/130	150/180	180/230	225/425
USD/MAD	8.8800/9000	50/120	100/200	125/275	250/550	400/800	600/1500	1800/3800
USD/EGP NDF	15.6750	15.77/15.82	15.91/15.96	16.04/16.09	16.43/16.48	16.83/16.87	17.24/17.29	-
USD/JOD	0.7083/93	50/150	70/270	200/350	400/700	500/900	600/1200	1000/2500
USD/NGN NDF	410.38	415.00/418.00	419.00/424.00	423.00/428.00	437.00/442.00	449.00/454.00	460.00/470.00	(NAFEX)
USD/GHS NDF	5.8200	5.88/5.93	5.95/6.00	6.01/6.06	6.21/6.31	6.44/6.54	6.65/6.80	-
USD/TND	2.8000/8300	80/180	150/350	300/500	600/1600	1000/2000	1500/2500	4000/6000
Crude Oil	Futures							
WTI	73.95							
Brent	75.90							

**** (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	+68/74	+77/83	+83/89	+92/98	+97/103	+101/107	+107/113	+125/131

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

AND FINALLY...

Did you know that Saudi Arabia (at 2.15 million square kilometers) is the largest country in the world without a river?

Glenn Wepener
Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

Please click [here](#) to view our recent publications on MENA and Global Markets

Important Notice: This communication has been prepared by individual personnel of First Abu Dhabi Bank PJSC or its affiliates (collectively, “FAB”) and, accordingly, it may not represent the views of FAB. FAB is licensed and regulated by the Central Bank of the United Arab Emirates and its registered office address is P.O. Box 6316, 1 – Al Qurm, Abu Dhabi, the United Arab Emirates. This communication is directed at persons (i) who have been or can be classified by FAB as

eligible counterparties, professional clients or sophisticated investors, (ii) who have experience in matters relating to investments and (iii) other persons to whom it may otherwise lawfully be communicated. No other person should review the contents or access the products or transactions discussed in this communication. All material contained herein, including any proposed terms and conditions, is indicative and for discussion purposes only, is subject to change without notice, is strictly confidential, may not be reproduced and is intended for your consideration only. It does not include a number of terms and conditions that will be included in any actual transaction and final terms and conditions are subject to further discussion and negotiation nor does it purport to identify all applicable risks. This communication is not a commitment to deal in any product, offer financing or enter into any transaction described herein. FAB is not acting as your agent, fiduciary or investment adviser and is not managing your account. The provision of information in this communication is not based on your individual circumstances and must not be relied upon as an assessment of suitability for you of a particular product or transaction. It does not constitute investment advice and FAB makes no recommendation as to the suitability of any of the products or transactions mentioned. Even if FAB possesses information as to your objectives in relation to any transaction, series of transactions or trading strategy, this is not sufficient for, and does not constitute, any assessment of suitability for you of any transaction, series of transactions or trading strategy. Save in those jurisdictions where it is not permissible to make such a statement, FAB hereby informs you that this communication should not be considered as a solicitation or offer to sell or purchase any securities, deal in any product or enter into any transaction. You should make any trading or investment decisions in reliance on your own analysis and judgment and/or that of your independent advisors and not in reliance on FAB and any decision whether or not to adopt any strategy or engage in any transaction will not be FAB's responsibility. FAB does not provide investment, accounting, tax, financial, legal, regulatory or other advice; such matters as well as the suitability of a potential transaction or product or investment should be discussed with your independent advisors. Prior to dealing in any product or entering into any transaction, you and the senior management in your organization should determine, without reliance on FAB, (i) the economic risks or merits, as well as the investment, accounting, tax, financial, legal and regulatory characteristics and consequences of dealing with any product or entering into the transaction (ii) that you are able to assume these risks, (iii) that such product or transaction is appropriate for a person with your experience, investment goals, financial resources or any other relevant circumstance or consideration. Where you are acting as an adviser or agent, you should evaluate this communication in light of the circumstances applicable to your principal and the scope of your authority. Any prices used herein, unless otherwise specified, are indicative. Although all information has been obtained from, and is based upon sources believed to be reliable, it may be incomplete or condensed, it has not been verified by FAB and its accuracy cannot be guaranteed. FAB makes no representation or warranty, expressed or implied, as to the accuracy of the information, the reasonableness of any assumptions used in calculating any illustrative performance information or the accuracy (mathematical or otherwise) or validity of such information. Any opinions attributed to FAB constitute FAB's judgment as of the date of the relevant material and are subject to change without notice. Provision of information may cease at any time without reason or notice being given. Commissions and other costs relating to any dealing in any products or entering into any transactions referred to in this communication may not have been taken into consideration. Any scenario analysis or information generated from a model is for illustrative purposes only. Where the communication contains "forward-looking" information, such information may include, but is not limited to, projections, forecasts or estimates of cashflows, yields or return, scenario analyses and proposed or expected portfolio composition. Any forward-looking information is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which are specified herein or can be ascertained at this time). It does not represent actual termination or unwind prices that may be available to you or the actual performance of any products and neither does it present all possible outcomes or describe all factors that may affect the value of any applicable investment or product. Actual events or conditions are unlikely to be consistent with, and may differ significantly from, those assumed. FAB shall not be under an obligation to update any information contained in this communication. Illustrative performance results may be based on mathematical models that calculate those results by using inputs that are based on assumptions about a variety of future conditions and events and not all relevant events or conditions may have been considered in developing such assumptions. Accordingly, actual results may vary and the variations may be substantial. The products or transactions identified in any of the illustrative calculations presented herein may therefore not perform as described and actual performance may differ, and may differ substantially, from those illustrated in this communication. When evaluating any forward looking information you should understand the assumptions used and, together with your independent advisors, consider whether they are appropriate for your purposes. You should also note that the models used in any analysis may be proprietary, making the results difficult or impossible for any third party to reproduce. This communication is not intended to predict any future events. Past performance is not indicative of future performance. FAB accepts no responsibility and makes no representation to you or to any third parties for, and has not independently verified, the quality, accuracy, timeliness, continued availability or completeness of any data or calculations contained and/or referred to in this communication and FAB shall not be liable for any special, direct, indirect, incidental or consequential loss or damage which may be sustained because of the use of the information contained and/or referred to in this communication or otherwise arising in connection with the information contained and/or referred to in this communication, provided that this exclusion of liability shall not exclude or limit any liability under any law or regulation applicable to FAB that may not be excluded or restricted. The transactions and any products described herein

may be subject to fluctuations of their mark-to-market price or value and such fluctuations may, depending on the type of product or security and the financial environment, be substantial. Where a product or transaction provides for payments linked to or derived from prices or yields of, without limitation, one or more securities, other instruments, indices, rates, assets or foreign currencies, such provisions may result in negative fluctuations in the value of and amounts payable with respect to such product prior to or at redemption. You should consider the implications of such fluctuations with your independent advisers. The products or transactions referred to in this communication may be subject to the risk of loss of some or all of your investment, for instance (and the examples set out below are not exhaustive), as a result of fluctuations in price or value of the product or transaction or a lack of liquidity in the market or the risk that your counterparty or any guarantor fails to perform its obligations or, if this the product or transaction is linked to the credit of one or more entities, any change to the creditworthiness of the credit of any of those entities. FAB (whether through the individual sales and/trading personnel involved in the preparation or issuance of this communication or otherwise) may from time to time have long or short principal positions and/or actively trade, for its own account and those of its customers, by making markets to its clients, in products identical to or economically related to the products or transactions referred to in this communication. FAB may also undertake hedging transactions related to the initiation or termination of a product or transaction, that may adversely affect the market price, rate, index or other market factor(s) underlying the product or transaction and consequently its value. FAB may have an investment banking or other commercial relationship with and access to information from the issuer(s) of securities, products, or other interests underlying a product or transaction. FAB may also have potential conflicts of interest due to the present or future relationships between FAB and any asset underlying the product or transaction, any collateral manager, any reference obligations or any reference entity. Any decision to purchase any product or enter into any transaction referred to in this communication should be based upon the information contained in any associated offering document if one is available (including any risk factors or investment considerations mentioned therein) and/or the terms of any agreement. Any securities which are the subject of this communication have not been and will not be registered under the United States Securities Act of 1933 as amended (the Securities Act) or any United States securities law, and may not be offered or sold within the United States or to, or for the account or benefit of, any US person, except pursuant to an exemption from, or in a product or transaction, not subject to, the registration requirements of the Securities Act. This communication is not intended for distribution to, or to be used by, any person or entity in any jurisdiction or country which distribution or use would be contrary to law or regulation. FAB may process your personal data to provide you with information or promotional and advertising communications on products, services, other events and campaigns.

If you wish not to receive email from the Market Insights team at FAB, please click [here](#) to send us your request to unsubscribe, and you shall no longer receive such information. You can also let us know by contacting your usual FAB representative should you wish to no longer receive any such further information. You may be entitled according to the applicable laws to exercise your rights to access, to rectification, to erasure and to portability of your personal data, to restrict the use of and to object to the processing of your personal data. You may exercise any such aforesaid rights by sending your request to FAB at the following address: privacy@bankfab.com.