

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Oil Consumption In India Drops – Singapore & Taiwan Introduce New COVID Restrictions.**

As India continues to battle the world's worst COVID-19 outbreak, its domestic fuel consumption dropped further this month as more lockdowns were enacted. According to 'Bloomberg Quint', the sale of road transport fuels fell by 28% during the first two weeks of this month compared to the same period in 2019. As a result of the health crises S&P has lowered its 2021 oil demand growth forecast for India. "Since the dramatic escalation of new cases in mid-to-late February, we have revised down India's oil demand forecast by 135,000 bpd for 2021, with a downward adjustment of 175,000 bpd for April, 760,000 bpd for May, 830,000 bpd for June and 360,000 bpd for July," the head of global demand and Asia analytics at S&P Global Platts was quoted as saying, although adding that once the lockdowns are lifted, pent up demand would naturally be released: "April demand has been down month-on-month, and we expect another decline in May, but recovery in the second half of the year remains in sight. Oil demand in H2-2021 is expected to be 650,000 bpd higher than the first half of 2021, driven by a more broad-based pickup in economic activity amid widening vaccination rollouts." Meanwhile, both Taiwan and Singapore announced renewed restrictions over the weekend following a sudden spike in coronavirus cases in each country. As of yesterday and lasting until June 13<sup>th</sup>, gatherings in Singapore will be limited to two people, restaurants may only provide delivery or takeout services and companies will need to make working from home the default option for employees who are able to do so. "A pattern of local unlinked community cases has emerged and is persisting. This is worrying as it suggests that there may be unknown cases in the community with possible ongoing community transmission and that our earlier and ongoing measures to break the chains of transmissions may be insufficient," a statement issued by Singapore's health authority read.

#### **US Shale Rig Numbers Rise.**

As oil prices remain steady above US\$60 a barrel, the total number of active US shale oil rigs rose by 12 to reach 352 last week compared to

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279 at the start of this year. However, whilst a definite improvement the current number is still far below the 677 rigs reported to have been operating at the end of 2019. Meanwhile, the most recent EIA report expects US oil production to reach 11.04 million bpd this year, after falling from the 13.10 mio bpd peak set in February 2020. Current US production is around 10.90 mio bpd.

### **The World Is Facing A ‘Climate Catastrophe’ – UK Minister.**

In a recent speech, Alok Sharma the UK's climate tsar and President designate of the UN's COP26 summit, (which is scheduled to be held in Glasgow later this year), highlighted the threat climate change poses to the world. *“Last year was the hottest on record, the last decade was the hottest ever recorded. In the past thirty years’ the world has lost up to half its coral reefs, and if we do not act now, the science tells us these effects will become more frequent and more brutal. That we will witness a scale of global catastrophe the likes of which the world has not seen. And quite rightly, future generations will hold us responsible,”* he was quoted as saying last week by the UK's ‘Independent’ newspaper. Sharma also said that heavy polluting technology like coal, must be replaced with clean power generating facilities as soon as possible. *“The days of coal providing the cheapest form of power are in the past. And in the past they must remain. The coal business is, as the UN Secretary General has said, going up in smoke. It’s old technology. So let’s make COP26 the moment we leave it in the past where it belongs, while supporting workers and communities to make the transition and creating good ‘green’ jobs to fill the gap.”* According to a report published by the think tank Ember, renewable energy generated by wind, sunlight and water made up 42% of the UK's electricity last year, compared with 37% generated by gas plants and 2% by coal. However, on a global basis coal remains the largest source of electricity production especially in Asia.

### **‘No Alternative To Vaccine Passports’ – Dubai Airport CEO.**

The CEO of Dubai Airport, Paul Griffiths, said recently that vaccine passports were *“inevitable”* as there was no realistic alternative in order to restart mass international travel. *“I think the problem is not the vaccine passport and its discrimination. It’s the need to roll things out and have a proper globally equitable vaccine program,”* he was quoted as saying by the BBC, adding that; *“We need to get into risk management rather than risk avoidance. I just don’t think the world can survive without that mobility for much longer, certainly socially and economically, but you can understand why countries around the world are being very conservative. The last thing any politician wants is a surge of infection on their turf.”*

### **Turkish Power Facility Shutdown Adds To Lebanon’s Woes.**

Turkey's Karpowership, which provides a third of Lebanon's current electricity supplies via two floating barges, announced late last week that it was halting its output, due to payment arrears and a legal threat to its vessels. Although the country's state-run power company, Electricite du Liban, has said it had increased its production as a result of the shutdown of the barges, the firm was already struggling to keep its already low levels of output going, due to the country's ongoing economic crises which has severely impacted fuel supplies. Lebanon's caretaker energy minister, Raymond Ghajar, has been warning for some time that the sector desperately required emergency funding or the country faced the potential shutdown of all its power stations. Parliament did approve US\$200 mio in such funding earlier this year, but a committee reportedly suspended its implementation according to the ‘France-24’ media outlet.

### **Major Nigerian Power Project Faces Legal Delay.**

The development of Nigeria's Mambila power project may suffer a protected delay, after a local company that had lost out on the contract to build the multibillion-dollar hydropower plant, filed a US\$400 mio arbitration claim against the federal government. According to the ‘Leadership’ news site, Sunrise Power & Transmission Company has accused the government of reneging on a settlement accord agreed to last March, that was supposed to resolve a dispute over the rights to construct the power facility. The Export-Import Bank of China had agreed to help fund the project, but it is not expected to release any money until this legal dispute is resolved.

### **Egypt’s Tourism Sector Eyes Recovery.**

Egypt's Minister of Tourism, Khaled El-Enany, has said that this important sector was hoping to attract over eight million visitors to the country this year, which in turn should generate revenues of around US\$ 8 bio, as

the global travel sector begins to recover. *"I'm hoping that in the beginning of summer, with the return of the Russian, Arab and hopefully European markets, that we will reach our normal numbers at the nearest possible time. We are hoping to reach one million visitors per month and we're not that far off,"* he was quoted as saying yesterday by the UAE's 'National' newspaper. More than 13 million tourists travelled to Egypt in 2019, but this fell to just 3.60 million last year due to the pandemic.

### Saudi – Bahrain Causeway Reopens.

The King Fahd Causeway, which connects Saudi Arabia and Bahrain officially reopened for travelers today. The bridge had been closed to such movement since March due to COVID-19 precautions, however users must be able to show proof that they have been vaccinated. Over the past year, ten new lanes have been added to the departure area, taking the total number of lanes up to 27, as well as 36 lanes in the arrival area, according to an official quoted by the 'Saudi Press Agency.' The causeway is an important economic link between the two countries especially for Bahrain's hospitality industry, and is highlighted by the fact that more than 390 million passengers have used the bridge since it first opened to traffic in 1986.

### UAE Set To Introduce Digital Car License Plates.

The CEO of UAE based investment company Seed Group, has said that the group plans to roll out digital vehicle registration plates by the end of this year. *"We have executed successful proof of concepts with Dubai Police and RTA. The outcomes are encouraging and we are on the right track. Digital plates will be launched once we get final approvals from the authorities, including the Federal and local governments,"* Hisham Al Gurg was quoted as saying by 'The National' newspaper, adding that Seed had teamed up with the US technology firm Reviver Auto, and will invest AED 250 mio in the first phase of the project. The GCC will be the first market outside the US where Reviver's digital plates, called 'Rplate', will be introduced. You can access more details on this story [here](#).

### Sonadrill Wins Deepwater Contract In Angola.

Sonadrill Holding Ltd, a joint venture between the deep-water drilling contractor Seadrill Limited and an affiliate of Sonangol EP, has been awarded a twelve well contract with one option for nine wells and eleven one well options in Angola for the Sonangol Quenguela drillship. The total contract value for the firm portion of the contract is estimated to be around US\$ 131 mio, according to the 'World Oil' website.

### FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67295/305	-0.5/+0.5	-1/+1	-1/+2	-1/+3	2/7	6/11	55/75
USD/SAR	3.7502/05	4/7	6/11	7/12	11/16	16/21	22/27	80/110
USD/KWD	0.30800/1000	20/30	45/55	60/75	130/160	200/230	260/290	410/510
USD/OMR	0.38497/502	7/17	15/30	25/40	55/75	90/120	150/180	375/475
USD/BHD	0.37696/701	15/20	28/38	37/52	75/95	100/130	130/160	225/375
USD/MAD	8.8125/8325	50/120	100/200	125/275	250/550	400/800	600/1500	1800/3800
USD/EGP NDF	15.6800	15.76/15.81	15.89/15.94	16.03/16.08	16.44/16.49	16.85/16.90	17.24/17.29	-
USD/JOD	0.7082/92	50/150	70/270	200/350	400/700	500/900	600/1200	1000/2500
USD/NGN NDF	410.65	412.50/415.50	415.50/419.50	419.75/423.75	430.00/435.00	442.00/447.00	453.00/460.00	(NAFEX)
USD/GHS NDF	5.7650	5.77/5.82	5.79/5.85	5.84/5.90	6.01/6.11	6.23/6.33	6.45/6.60	-
USD/TND	2.7325/7525	80/180	150/350	300/500	600/1600	1000/2000	1500/2500	4000/6000
<b>Crude Oil</b>		<b>Futures</b>						
WTI	65.55							
Brent	68.85							

\*\* (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	+24/30	+29/35	+33/39	+37/43	+38/44	+39/46	+50/56
SAR SPREAD	+60/66	+66/72	+72/78	+78/84	+83/89	+88/94	+93/99	+107/113

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

### AND FINALLY...

*Did you know that in 1967, Bahrain where road traffic had until then driven on the left side of the road, switched to driving on the right in order to bring it into line with its neighbouring countries?*



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