

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Current Oil Supply Deficit Is 1 Mio Bpd – Russia.

As the next official OPEC meeting fast approaches, Russia's Deputy Prime Minister Alexander Novak, said yesterday that the global crude oil market is currently sitting with a supply deficit of around one mio bpd. As previously agreed, signatories to the OPEC+ output accord began easing their overall cut to 5.8 mio bpd at the beginning of this month, and thus will have increased total production by 2.1 mio bpd by the end of July 2021. Meanwhile, US commercial crude inventories dropped by 1.7 mio barrels to 484.30 million last week according to the EIA. US gasoline stocks also fell and are now about 3% below their 5-year average.

Nigeria Secures Important Agreement With Oil Majors.

Nigeria's state-owned oil company announced this week that it had concluded an agreement with ENI, Exxon, Shell and Total to develop a major offshore block. The deal is "a watershed" for deep-water oil exploration in Nigeria and finally settles long-running disputes between the Nigerian government and the international oil companies, NNPC was quoted as saying by 'Bloomberg' adding that the agreement could attract more than US\$10 bio of investment.

Solar Power Input Costs Rise Sharply.

A recent 'Bloomberg' report has highlighted a sharp rise in the cost of solar modules, which have risen by 18-22% this year alone. This increase is being driven primarily by the huge demand for raw polycrystalline silicon (polysilicon), an important material used in the manufacture of solar panels, and which in turn may lead to the postponement of certain large-scale projects. The issue was exacerbated further this past weekend, after an earthquake reportedly disrupted production at two of China's largest solar module and wafer manufacturers. Prices for polysilicon are now almost US\$26 a kilogram, up from just US\$6.00 less than a year ago, according to 'PVInsights'.

Glenn Wepener
Executive Director & Geopolitical Analyst,
Middle East & Africa

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Hardliner Likely To Win Iran's Upcoming Presidential Election.

The head of Iran's judiciary, Ebrahim Raisi, appears to be the current front-runner to succeed President Rouhani at next month's Presidential election, after more 'moderate' candidates such as the former Vice President Eshaq Jahangiri and ex-parliamentary speaker Ali Larijani, were reportedly disqualified from running by the Guardian Council. The semi-official 'Fars' news agency recently released an opinion poll, which it claims showed that Raisi should win 72.50% of the vote. It's not clear yet what impact a Raisi Presidency would have on the JCPOA talks, which entered their fifth round this week. However, during the 2017 Presidential campaign, Raisi publically criticized Rouhani's "weak efforts" in negotiating the nuclear accord, he is also believed to favour an expansion of his country's nuclear program. Meanwhile, the Iranian government has banned bitcoin mining during the summer months, due to their heavy use of electricity which in turn has led to a series of power blackouts across the country. *"Everyone is finding a corner to mine bitcoins and cryptocurrencies. Whoever does this from today is doing an illegal job even those who were allowed to mine are no longer allowed until we leave behind this problem of power cuts,"* President Rouhani was quoted as saying by the 'FT' yesterday.

GCC Deficits To Drop Sharply This Year – S&P.

The GCC's central governments' budget deficit is expected to drop to around US\$80 bio this year from US\$143 bio in 2020, supported by higher oil prices, fiscal consolidation and a rebound in economic output, an S&P report published yesterday stated. *"We expect fiscal deficits will reduce over 2021-2022 and widen again in 2023-2024 given our oil price assumptions, as well as the gradual tapering of oil production cuts in line with the May 2021 OPEC+ agreement,"* S&P said. The agency's current crude oil forecast is for Brent to average US\$60 per barrel this year.

IMF To Release US\$1.60 Bio Loan Tranche For Egypt.

The IMF has announced that it will release the final US\$1.60 bio tranche of a one-year US\$5.20 bio financial support program for Egypt soon. *"Over the past 12 months, the authorities' strong performance and commitment helped achieve the program's objectives of maintaining macroeconomic stability during the pandemic while protecting necessary social and health spending and implementing key structural reforms. Egypt's economy has shown resilience, with the impact of the COVID-19 crisis mitigated by the authorities' swift, and balanced policy response, including the two-step request for the IMF's Rapid Financing Facility and Stand-by Arrangement package. In the near term, fiscal and monetary policies should continue to support the economic recovery while preserving macroeconomic stability. Deepening and broadening structural reforms is critical to solidify the recovery, address post-COVID-19 challenges, strengthen buffers, and ensure higher and more inclusive growth,"* a statement issued by the international lender yesterday read. You can access their statement in full [here](#).

US Prepares Humanitarian Aid Package For Lebanon.

The former US under-secretary of state for political affairs, David Hale, who stepped down from the position earlier this month, has said that the State Department was busy preparing a humanitarian aid package for Lebanon. *"As I was leaving office, we were working on developing a package, which I'm sure my colleagues are continuing to develop on an urgent basis and getting the support of the Senate. We're ready to help, but we can't do it without a Lebanese partner. I agree that there can be no bailout, but I also agree this is a time for strong humanitarian support,"* Hale was quoted as saying by the 'National' newspaper, adding that Lebanon's political leaders still do not seem to have grasped the urgent need for the formation of a new government able to begin an economic reform process, so that in turn the promised financial support from overseas can begin to be released. *"I encountered, from many of them, a real lack of a sense of urgency, which lies at one of the roots of the problem we're facing. I called publicly and privately for greater flexibility by those leaders to overcome the Cabinet impasse that is impeding economic reform. And unfortunately, I have not seen the flexibility that is needed in the past month since my visit,"* he claimed.

Bahrain Institutes New Measures To Halt Rise In COVID-19 Infections.

Bahrain's Health Ministry announced yesterday, that 70% of government employees must work from home for the next two weeks, whilst hair salons, restaurants and spas must be closed from today until June 10th

2021. The order comes as the Kingdom attempts to reverse a sudden jump in fresh COVID-19 cases. On Monday, the health ministry reported 28 deaths due to the coronavirus, its highest daily total to date. Authorities are also calling on those residents and citizens who have not yet been vaccinated to register for the jab as soon as possible. *"Our data shows that those who were unvaccinated accounted for 95% of the total number of deaths in the Kingdom of Bahrain due to complications from the virus, which confirms how important the role of vaccination is in raising levels of immunity and immunization,"* an MOH statement read.

Doosan Wins Excavator Contracts In Saudi Arabia.

South Korea's Doosan Infracore announced yesterday, that it has been awarded contracts to supply a total of 75 mid- to large-sized excavators to several Saudi Arabian construction firms, according to the 'Business Korea' news site.

Savener Awarded Design Contract In Oman.

The Spanish based engineering consultant Savener, has won the contract to generate the engineering design of a new desalination plant due, which will be constructed at Barka in Oman, according to 'Zawya'.

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	Par/+2	1/3	2/5	3/8	5/10	8/13	45/65
USD/SAR	3.7501/04	5/8	8/11	9/14	14/19	24/29	32/37	90/120
USD/KWD	0.30065/85	20/30	47/57	65/80	130/160	190/220	265/295	425/525
USD/OMR	0.38497/502	7/17	15/30	30/50	70/90	110/140	160/190	375/475
USD/BHD	0.37692/697	20/30	35/55	45/65	90/120	130/160	150/200	250/400
USD/MAD	8.8030/8230	50/120	100/200	125/275	250/550	400/800	600/1500	1800/3800
USD/EGP NDF	15.6750	15.78/15.83	15.90/15.95	16.05/16.10	16.45/16.50	16.85/16.90	17.25/17.30	-
USD/JOD	0.7085/95	50/150	70/270	200/350	400/700	500/900	600/1200	1000/2500
USD/NGN NDF	411.08	414.00/417.00	417.50/421.50	421.50/425.50	431.50/436.50	443.50/448.50	454.00/461.00	(NAFEX)
USD/GHS NDF	5.7800	5.80/5.85	5.84/5.89	5.90/5.95	6.06/6.16	6.29/6.39	6.48/6.63	-
USD/TND	2.7275/7475	80/180	150/350	300/500	600/1600	1000/2000	1500/2500	4000/6000
Crude Oil	Futures							
WTI	65.50							
Brent	68.15							

**** (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	+65/71	+70/76	+75/81	+81/87	+86/92	+91/97	+97/103	+113/119

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

AND FINALLY...

Did you know that Oman is one of the only very few countries in the world where Frankincense trees grow naturally?

Glenn Wepener

Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

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