

# Market Insights & Strategy

Global Markets

4<sup>th</sup> April 2022

## MIDDLE EAST & AFRICAN MONITOR

- **Crude Prices Move Lower On Record SPR Release – Lithuania No Longer Imports Russian Gas.**
- **Nigeria's Crude Production Still Below OPEC+ Quota.**
- **Oman's Oil Output Set To Rise – S&P Upgrades Credit Rating.**
- **Steel Shortages Hamper US Shale Production.**
- **Iran Talks Suspended Again.**
- **Protests In Sri Lanka Highlight Growing Food & Energy Crisis.**
- **Egypt Receives Fresh Support From GCC.**
- **Mozambique Hikes Key Rate As Inflation Bites.**
- **KSA Economy To Record Robust Growth In 2022 – Jadwa.**
- **Israel & UAE Sign New Maritime Agreement.**

### REGIONAL COMMENTARY

#### ***Crude Prices Move Lower On Record SPR Release – Lithuania No Longer Imports Russian Gas.***

The Biden administration's announcement, that it planned to release 180 mio barrels of oil from America's strategic petroleum reserves over a six-month period, helped to push crude prices sharply lower last Friday. *"The scale of this release is unprecedented: the world has never had a release of oil reserves at this one million per day rate for this length of time. This record release will provide a historic amount of supply to serve as bridge until the end of the year when domestic production ramps up,"* an official White House statement read. Separately, senior US officials were quoted as saying by 'CNBC' that while the administration was actively trying to get domestic energy producers to ramp up their production, President Biden also planned to invoke the Defense Production Act in order to support the domestic production and processing of minerals and materials used for in the manufacture of large capacity batteries like lithium, nickel, cobalt, graphite and manganese. Meanwhile, Lithuania has become the first European Union country to end its import of Russian gas according to a statement issued by Lithuania's Energy Ministry this past weekend and which read, *"Lithuania's gas transmission system has been operating without Russian gas imports since the beginning of this month. This is confirmed by the data of the Lithuanian gas transmission system operator Amber Grid, which shows that on 2 April the import of Russian gas for Lithuania's needs through the Lithuanian-Belarusian interconnection was equal to 0 MWh."* According to the 'Financial Times' newspaper Lithuania will now rely on the Klaipeda LNG terminal for its domestic gas needs.

#### ***Nigeria's Crude Production Still Below OPEC+ Quota.***

Despite the sharp rise in oil prices over the past 12 months, Nigeria's energy sector is still struggling to raise its crude output. This was revealed after the CEO of the country's national oil company said that Nigeria was currently

**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*

producing 1.15 mio bpd which is far below its OPEC+ cap of 1.73 mio bpd and budget target of 1.88 mio bpd. According to the 'Ripples Nigeria' website, Mallam Mele Kyari explained that the primary cause behind this production lag was due to ongoing vandalism of oil related infrastructure. This problem was reiterated by the former President of Nigeria's Chartered Institute of Bankers, Professor Segun Ajibolawho, who was quoted by the 'This Day' news site saying that *"Nigeria is having a peculiar oil theft challenge in the Niger-Delta and that is affecting our daily production quota. Government is still trying to confront pipeline vandalizes, causing confusion at the points of production which is expected to have a negative impact on the country's ability to meet the OPEC quota allocated to Nigeria."* You can find more details on this issue, including its impact on Nigeria's external reserves [here](#).

### **Oman's Oil Output Set To Rise – S&P Upgrades Credit Rating.**

The S&P Global Ratings agency has said that it expects Oman's crude oil output to rise by 18.60% over the next three years, while higher oil prices and the government's ongoing economic reform program has helped to sharply improve the country's fiscal position. This in turn led S&P to upgrade Oman's long-term foreign and local currency sovereign credit rating to 'BB-' from 'B+'. *Following high fiscal and external pressures since 2015 that culminated in 2020 with the double shock from the COVID-19 pandemic and sharp fall in oil prices, we now expect Oman to benefit from higher oil prices and the government's ongoing reforms. Higher oil prices and production, about 90% double-dose vaccination rates for those 18 years and above, removal of pandemic-related measures, and public investment spending will drive stronger growth this year,"* S&P said in a statement, adding that it predicts Oman's GDP growth to reach 3.90% this year from 2.10% in 2021.

### **Steel Shortages Hamper US Shale Production.**

The ongoing crisis in Ukraine has also pushed steel prices to record highs in recent weeks as both Russia and Ukraine are major producers of this key commodity. This in turn is slowing the anticipated rebound in US shale oil output due to a shortage of steel piping. A 'Bloomberg' report published last Friday highlighted this issue by citing data from 'KeyBanc Capital Markets', which showed that the price for tubular pipes used in the oil industry had jumped by 100% last month to US\$2,400 per ton.

### **Iran Talks Suspended Again.**

Negotiations aimed at reviving the JCPOA deal with Iran have been suspended again and no new meetings are scheduled in the coming days, according to the 'Washington Post' newspaper. This latest halt is reportedly due to an apparent stalemate over Tehran's insistence that the US lift its designation of the Iranian Revolutionary Guard Corps as a foreign terrorist organization, an issue that the US has already said it will not amend its stance on. *"Regardless of what happens to the IRGC issue that you raise, our view of the IRGC is that many other sanctions on the IRGC will remain. This is not a deal that intends to resolve that issue,"* the US Special Envoy on Iran Robert Malley, was quoted as saying last week. This latest development comes soon after the US Treasury's Office of Foreign Assets Control sanctioned an Iran-based procurement agent and his network of companies which Washington accuses of procuring ballistic missile propellant-related materials for the 'Islamic IRGC's Research and Self Sufficiency Jihad Organization'. *"Today's action follows Iran's missile attack on Erbil, Iraq on March 13 and the Iranian enabled Houthi missile attack against a Saudi Aramco facility on March 25 as well as other missile attacks by Iranian proxies against Saudi Arabia and the United Arab Emirates and are a reminder that Iran's development and proliferation of ballistic missiles continues to pose a serious threat to international security,"* an OFAC statement which you can access in full [here](#), read.

### **Protests In Sri Lanka Highlight Growing Food & Energy Crisis.**

Whilst Sri Lanka's economic problems (including rising debt levels) have been building for years, they were compounded by the impact of the COVID-19 pandemic on its important tourism sector and then more recently by the record jump in both energy and food prices. The island nation imports many key items such as rice, wheat, flour, pulses, sugar and 100% of its petroleum needs. Retail inflation there hit 17.50% last month and food inflation rose by over 25%, while the country's FX reserves reportedly stood at just US\$2.36 bio in January this year. Daily power cuts combined with a shortage of fuel and a growing number of basic essentials triggered this past weekend's demonstrations, but as we have discussed in our previous publications this crisis also highlights the building risk of further socio-economic upheaval, not just within Sri Lanka but in several other less developed countries too, if high food and energy prices continue for an extended period of time. According

to the UN, its global food commodity index which measures the inflation adjusted price on a basket of key items, rose to its highest level in more than 60 years in February.

### **Egypt Receives Fresh Support From GCC.**

Three GCC states have announced fresh financial investments in Egypt over the past two weeks. These included a US\$5 bio deposit by Saudi Arabia at the Egyptian Central Bank, and \$10 bio of potential investments from the Kingdom's Public Investment Fund into Egypt's healthcare, education, agriculture, and financial sectors, according to the 'Arabian Business' news site. Meanwhile, Qatar's Investment Authority pledged to invest US\$5 bio into the North African country and the Abu Dhabi based sovereign wealth fund ADQ announced that it has agreed to invest US\$2 bio via the purchase of stakes in various Egyptian listed companies. You can read more on this story [here](#).

### **Mozambique Hikes Key Rate As Inflation Bites.**

Mozambique's Central Bank raised its official benchmark interest rate by 200bp to 15.25% last week, its highest level in almost four years as it battles to tame rising inflation. Food prices in particular have risen sharply in recent months after a series of cyclones devastated domestic crop yields and the Ukraine crisis sent wheat prices soaring. (The southern African nation is major importer of wheat). On the positive side the IMF expects Mozambique's economy to expand by 5.30% this year boosted in part by rising gas exports.

### **KSA Economy To Record Robust Growth In 2022 – Jadwa.**

The asset management firm Jadwa Investments, said in a recent report that it expects the Saudi Arabian economy to grow by 7.70% this year compared to 3.20% in 2021. This growth will be led by the country's oil sector which Jadwa predicts will expand by 15.50%, although it also sees the non-oil sector growing by 3.40%. One week ago, S&P Global Ratings affirmed its sovereign credit ratings on the Kingdom at A-/A-2 and adjusted its outlook from stable to positive, citing improving GDP growth and fiscal dynamics over the medium term.

### **Israel & UAE Sign New Maritime Agreement.**

The UAE announced yesterday, that it had signed a memorandum of understanding with Israel which will involve closer bilateral cooperation in the area of maritime transport. *"Economic and commercial ties build and maintain political relations, and the MoU we signed aims at strengthening maritime transport links between Israel and the UAE, and will allow trade to flow efficiently, quickly and at a low cost. I am proud that the relations between our two countries take another advanced step, allowing us to cooperate more closely and in a way that serves the interests of both sides and strengthens national economies,"* the Israeli Minister of Transport was quoted as saying by the UAE's official news agency. You can read more details about this agreement [here](#).

### **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	3.6730/31	-2/-1	-4/-2	-5/-2	-7/-4	-8/-3	-7/-2	10/30
USD/SAR	3.7512/15	14/17	19/24	22/27	38/43	47/52	56/66	110/130
USD/KWD	0.30390/440	4/9	10/20	17/27	42/57	70/90	100/130	130/180
USD/OMR	0.38503/513	-25/-10	-30/-15	-25/-10	-25/-10	-25/Par	-10/+40	Par/+150
USD/BHD	0.37705/15	10/17	20/30	25/40	50/75	80/110	110/140	200/400
USD/MAD	9.6800/7100	50/250	150/350	300/600	500/900	800/1500	1000/2000	2000/4000
USD/EGP NDF	18.2544	18.27/18.42	18.34/18.48	18.45/18.60	18.78/18.98	19.25/19.50	19.73/19.93	-
USD/JOD	0.7085/95	50/150	70/170	150/250	300/500	400/700	500/900	700/1700
USD/NGN NDF	416.06	417.20/421.20	418.90/422.90	422.00/427.00	432.00/442.00	440.00/450.00	451.00/461.00	(NAFEX)
USD/GHS NDF	7.5500	7.5700/7.6700	7.6300/7.7800	7.7000/7.9000	8.0500/8.2500	8.3300/8.6300	8.6500/8.9500	-
USD/TND	2.9500/9800	100/250	200/500	400/900	700/1400	1000/2000	2000/3000	4000/6000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	\$99.30							
Brent	\$104.60							

**\*\* (GCC FX indications above are offshore levels only)**

### **AED AND SAR IRS SPREADS**

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+26/36	+29/39	+35/45	+41/51	+48/58	+55/65	+62/72	+77/87
SAR SPREAD	+113/123	+100/110	+92/102	+92/102	+93/103	+94/104	+95/105	+103/113

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



## AND FINALLY...

*Did you know that Bahrain's World Trade Centre was the first skyscraper in the world to integrate wind turbines into its design?*

**Glenn Wepener**

**Executive Director**

**Market Insights & Strategy**

**FAB Global Markets**

Email: [Marketinsights&strategy@bankfab.com](mailto: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](mailto:privacy@bankfab.com).