

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### ***OPEC+ Sticks To Current Output Plan.***

Following their official monthly gathering yesterday, the OPEC+ grouping announced that they will stick to their current output plan as had been expected. A market analysis prepared for this week's OPEC+ technical and ministerial committee meetings, predicts that global oil supplies will exceed demand by 1.40 mio bpd during Q1 2022, and rise to 1.70 mio bpd in Q2 before declining again to 1.10 mio bpd by Q4, according to S&P Platts. This is obviously dependent on OPEC+ continuing to raise its output by 400,000 bpd each month until the original cuts are eliminated by the 3<sup>rd</sup> quarter of this year and that both members and non-members maintain their levels of production. In our opinion there are both downside and upside risks to watch this year, 1) US production may exceed current expectations, 2) A new more aggressive COVID-19 variant may appear, 3) Chinese economic growth may be slower (or faster) than currently anticipated, 4) Some OPEC+ members may struggle to reach their higher quota allocations, 5) A new JCPOA deal with Iran may be reached and 6) Political instability in Libya could disrupt output there again.

#### ***ADNOC Announces Major Gas Discovery.***

ADNOC announced earlier today that a major gas discovery has been made at an offshore Abu Dhabi concession which is operated by Italy's ENI. Interim results from the first exploration well indicates an amount of 1.50 – 2.00 trillion standard cubic feet of raw gas lies in place, an ADNOC statement read. *"The discovery of material natural gas resources in Offshore Block 2 underscores how ADNOC's expanded approach to strategic partnerships is enabling us to accelerate the exploration and development of Abu Dhabi's untapped hydrocarbon resources,"* Sultan al-Jaber, ADNOC's Group CEO, was quoted as saying by 'Reuters'.

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### **US Warns That Iran Talks Now Close To Deadline.**

A US State Department official announced earlier this week that the ongoing indirect talks between the US and Iran were now entering their final stage, and that tough political decisions will need to be taken by both sides soon. *"We made progress narrowing down the list of differences to just the key priorities on all sides. And that's why now is the time for political decisions,"* the unnamed official was quoted as saying by 'Reuters' adding that, *"Now is the time for Iran to decide, whether it is prepared to make those decisions necessary for a mutual return to compliance with the JCPOA. We are in the final stretch, and given the pace of Iran's advances, its nuclear advances, we only have a handful of weeks left to get a deal."*

### **UAE Intercepted Three 'Hostile Drones' Yesterday.**

The UAE's Ministry of Defence announced overnight that three armed drones, which had entered the country's airspace early on Wednesday were successfully shot down. *"MOD announces interception and destruction, away from populated areas, of three hostile drones that penetrated UAE airspace at dawn today, 2/2/2022. MOD confirms it is ready to deal with any threats and is taking all necessary measures to protect the state and its territory,"* an MOD Tweet read. Meanwhile, the US has announced that it will dispatch several 5<sup>th</sup> generation aircraft and a destroyer with anti-missile capabilities to assist the UAE Defence Force in combatting the airborne threats currently originating out of Yemen. The US Secretary of Defence *"reviewed a range of actions the DOD is taking to support the UAE. These include continuing to provide early warning intelligence, collaborating on air defence, and sending the US Navy guided missile destroyer USS Cole to partner with the UAE Navy before making a port call in Abu Dhabi. And, again, we're not going to rule out additional steps. As I said yesterday, we're constantly looking at this to make sure that we're best postured to help defend our interests and the interest of our partners in the Emirates, they are a terrific strong partner in the region,"* the Pentagon's Press Secretary was quoted as saying by 'The National' newspaper.

### **Israel's' Defence Minister Arrives In Bahrain.**

Benny Gantz became the first Israeli defense minister to visit Bahrain yesterday. The minister reportedly travelled to the Kingdom with a number of other top military officials, including the head of Israel's navy, Admiral David Saar Salama. *"The aircraft carrying the delegation is the first IAF plane to land in Bahrain. Throughout the visit, the minister is expected to conduct meetings with high ranking officials in the Bahraini defense establishment and with the Kingdom's leadership,"* an Israeli MOD statement read, according to the 'Alarabiya News' outlet.

### **KSA Unveils Major Digital Media Initiative.**

Saudi Arabia yesterday unveiled a new initiative which is aimed at dramatically expanding digital content creation and media production in the Kingdom. According to a report published by the 'Saudi Gazette', this initiative will be backed by US\$1.10 bio in funding and will include incentives such as financial support for local, regional and international companies and startups; infrastructure development; talent development programs and more streamlined regulations. You can access more details on this initiative which is called *"Ignite"* [here](#). The Saudi Arabian government reportedly plans to invest up to US\$6.4 bio in future technologies and entrepreneurship to help accelerate its digital transformation.

### **Lebanese Embassies Reportedly Told To Find Donors.**

Lebanon's embassies around the world have reportedly been asked by the country's Foreign Ministry, to try and find donors from the Lebanese diaspora to help cover the costs of running their respective missions, according to a recently published 'Reuters' article, which quotes a Foreign Ministry circular issued in January. At the end of last year the Foreign Minister, Abdallah Bou Habib, said that a plan to cut spending at embassies, including rent allowances, diplomats' salaries and travel expenses had begun.

### **Iraq Was Major Beneficiary Of China's BRI Project In 2021.**

According to a report published recently by the 'Green Finance & Development Center' at Shanghai's Fudan University, Iraq received US\$10.50 bio (via China's Belt & Road Initiative) to help finance various projects including the development of a heavy oil plant, solar energy park and upgrade its airports. You can access more details about this report [here](#).

### **Egypt Greenlights Waste-to-Energy Plant In Suez.**

Germany's H2 Industries has reportedly received preliminary approval from the Egyptian authorities, to build the world's first waste-to-hydrogen plant near the entrance to the Suez Canal. Once complete the plant would be able to generate up to 300,000 tons of hydrogen from non-recyclable plastic and organic waste per annum. "This will be produced at half the levelized cost of current green hydrogen production technologies, taking the cost even lower than current levels for low-carbon and grey hydrogen production", a company statement read according to the 'Recharge' website.

### **DP World To Help Expand Angola's Port & Logistics Sector.**

The UAE's DP World has signed an MOU with the Angolan government aimed at deepening cooperation in the areas of ports and terminals, special economic zones and logistics parks, cross border trade facilitation, trade finance and marine services, as well as logistics support. "DP World is a strategic partner for the transport and logistics sector in Angola, because it brings together the professionalism and skills necessary to drive the vision of an integrated and sustainable economy, with an effective and efficient logistics chain. With this partnership, it will be possible to promote and boost Angola's industrial development, as well as its cross-border and international trade," Angola's Minister of Transport, was quoted as saying this week by the 'Seatrade Maritime News' site.

### **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	-0.75/+0.75	-1/+2	Par/+3	3.5/6.5	9/14	35/65
USD/SAR	3.7516/19	8/11	13/16	14/19	18/23	25/30	34/39	90/120
USD/KWD	0.30210/260	19/24	40/50	60/70	105/125	150/180	200/230	280/330
USD/OMR	0.38499/504	-2/+3	Par/+10	7/17	25/45	60/80	90/120	185/285
USD/BHD	0.37695/698	18/28	33/48	45/60	85/105	125/145	170/200	275/475
USD/MAD	9.3250/3450	150/350	200/400	300/600	650/1050	1000/1600	1200/2200	2000/4000
USD/EGP NDF	15.7138	15.79/15.84	15.93/15.98	16.04/16.09	16.46/16.51	16.89/16.94	17.35/17.40	-
USD/JOD	0.7085/95	30/80	50/150	100/200	250/450	400/700	500/900	700/1700
USD/NGN NDF	415.69	417.25/422.25	421.50/426.50	424.50/429.50	435.00/442.00	445.00/455.00	456.00/466.00	(NAFEX)
USD/GHS NDF	6.3500	6.4400/6.4900	6.5800/6.6300	6.6900/6.7900	7.0400/7.1400	7.3500/7.5000	7.7000/7.8500	-
USD/TND	2.8800/9100	150/350	300/700	500/1000	600/1600	1400/2000	2000/3000	4000/6000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	\$88.10							
Brent	\$89.45							

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

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

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+25/31	+26/32	+33/39	+37/43	+42/48	+47/53	+58/64	+68/76
SAR SPREAD	+63/69	+68/74	+69/75	+70/76	+72/78	+78/84	+92/98	+105/111

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

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

The Indianapolis Motor Speedway Museum is reportedly preparing to put up for auction, a 1930 Mercedes-Benz 770K, which was originally owned by Iraq's King Faisal I. This car is one of just 117 W07 examples built between 1930 and 1938 and was fitted with a four-door, three-position cabriolet bodywork by Voll & Ruhrbeck of Berlin.

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