

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

OPEC+ Likely To Keep Output Plan Unchanged.

Crude prices have retained their bullish tone into the new year supported by various factors including; reports that the latest COVID-19 coronavirus variant, Omicron, may not be as lethal as first feared, a further inventory drawdown in the US and a partial disruption of Libyan production. According to EIA the level of commercial oil stocks in the US slipped by 3.60 mio barrels to 420 mio barrels (a 7 year low) in the week ending December 24th 2021, while across in Africa, Libya's state-owned oil company warned over the past weekend that the country's crude output will fall by 200,000 bpd for at least a week due to essential maintenance. This news follows the ongoing forced shutdown of a separate 350,000 bpd due to militia activity at the country's largest oil field two weeks ago, which in turn means Libya's overall output has now fallen by 550,000 bpd from a previous 1.20 mio bpd. Meanwhile, the OPEC+ grouping is set to hold its first meeting of 2022 later today and despite the above issues, current indications are that they will keep their current output schedule unchanged. This would therefore see the group raise their overall production by another 400,000 bpd in February.

Will Russian Crude Production Return To Pre-pandemic Levels In 2022?

Russia's Deputy Prime Minister, Alexander Novak, was quoted as saying late last month that his country's crude oil output should rise to between 10.80 – 11.20 mio bpd this year from 10.52 mio bpd in 2021 and thus edge closer to the 11.25 mio bpd recorded in 2019. However, some analysts have argued that even if OPEC+ continues to wind down its output cut curbs in 2022, there are growing questions surrounding Russia's existing spare capacity and concerns that it may struggle to sharply increase production in

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the near term. This issue is not only being debated by foreign media outlets but also by certain Russian news agencies. For example, a recent 'RT News' article quoted unnamed sources at various Russian oil companies, as saying that, *"Efforts to raise oil production have been stalled by a lack of new wells, a slump in well production rates at hard-to-recover fields, and aging oil shafts in Russia's Siberia"*.

Venezuela's Oil Output Surprise.

Despite an ongoing economic crises, sanctions and aging energy related infrastructure, Venezuela's state-owned oil company, PDVSA, recently surprised most analysts by announcing that its crude output in November 2021 averaged 824,000 bpd. This is a huge jump compared to 2020 when it was pumping around 569,000 bpd. According to a 'Reuters' study this sudden boost was primarily driven by a swap deal between PDVSA and the National Iranian Oil Company that began last September. This deal allegedly provided PDVSA with much needed diluents which are critical in helping Venezuela's naturally heavy crude to be processed and transported. The Latin American producer used to source these diluents from the US until sanctions on Caracas were tightened in 2019.

Iran's Latest Rocket Test Weighs On Nuclear Talks.

Last Thursday, Iran announced that it had attempted to launch a rocket carrying *"three research devices"* into space, although later claimed that the payloads had not been deployed into orbit due an issue with the speed of the rocket. *"For a payload to enter orbit, it needs to reach speeds above 7600 metres per second. We reached 7350,"* an Iranian Defence Ministry spokesperson was quoted as saying on Friday by 'Reuters'. This event was immediately criticized by France, Germany and the US who accused Tehran of breaching a UN Security Council resolution. A statement issued by the US State Department read, *"The United States remains concerned with Iran's development of space launch vehicles, which pose a significant proliferation concern,"* while the French Foreign Ministry warned that the rocket launch was *"all the more regrettable"* because the recently restarted nuclear talks had been making progress. The next round of negotiations over a possible resuscitation of the 2015 JCPOA agreement began yesterday.

UAE Flagged Ship Hijacked Off Yemen.

According to a statement issued by the Arab coalition, a UAE flagged cargo vessel the Rawabi, was hijacked by Houthi rebels off the coast of Yemen on Sunday. A coalition spokesperson, Brigadier General Turki Al Malki, said that the ship was carrying a Saudi field hospital (including ambulances, tents and medical supplies) from Socotra Island in the Arabian Sea to the Saudi port of Jazan and called for it to be released immediately. Meanwhile, according to the 'SPA' news outlet, Saudi Arabia's air defence systems reportedly intercepted and destroyed five armed drones launched from Yemen towards the southern region of the Kingdom on Sunday.

Oman Unveils Budget For 2022.

Oman has set its 2022 budget at OMR 12.13 bio and is based on an oil price of US\$50. The country's Ministry of Finance anticipates that this will be mostly funded via expected revenues of OMR 10.58 bio from the oil and non-oil sectors, and the remaining balance by external and domestic borrowing. Therefore the deficit is forecast to reach 5% of GDP which is in-line with the government's medium term economic plans. *"Public revenues and expenditures have been estimated after taking into account the Medium Term Fiscal Plan, as well as a set of bases and scenarios, which all aim to ensure the continuation of basic services delivery such as education, healthcare, housing and social welfare, in addition to improving the business environment and investment climate,"* an MOF statement read. Last month, the FITCH ratings agency revised its outlook on Oman from negative to stable and affirmed its Long-Term Foreign and Local Currency Issuer Default Ratings at 'BB-'. This improved outlook *"reflects actual improvements in, and the expected evolution of, key fiscal metrics including government debt/GDP and the budget deficit, driven by higher oil prices and fiscal reforms, and a lessening of external financing pressures relative to recent years even as external funding needs remain high,"* the agency said.

Bahrain Raises VAT Rate To 10%.

As planned Bahrain raised its value-added tax rate from 5% to 10% at the beginning of this year. In a recent report S&P Ratings estimated that this hike should *"contribute receipts of about 3% of GDP over the medium term, up from about 1.70% in 2021."* S&P revised its outlook on the Kingdom from negative to stable last month due to the country's improving fiscal position.

Nuclear Power Plants In Egypt Set To Receive Green Light.

According to the Chairman of Egypt's Nuclear Power Authority, Amjad Al Wakeel, his country expects to receive international permission to proceed with the construction of its first two electricity generating atomic facilities later this year. The plants are reportedly due to be built by Atomstroyexport, a subsidiary of Russia's state-owned Rosatom for around US\$30 bio, and supported by financing from the Russian government.

Alpha Dhabi Raises Its Stake In ALDAR.

Alpha Dhabi Holdings has purchased an additional 17% stake in Aldar Properties according to a statement issued by the firm yesterday. "Aldar's rapid growth, strategic expansion plan and project pipeline represent the right investment for ADH and our shareholders. Aldar's many projects vary between local, regional and international markets and align with our vision for ADH to explore new markets," Alpha Dhabi's CEO, Hamad Al Ameri, was quoted as saying by 'The National' newspaper. This acquisition raises Alpha Dhabi's overall stake in the real estate giant to 29.80%.

Mubadala Named 'Fund Of The Year – 2021'.

Abu Dhabi based Mubadala Investment Company has been named as 'Fund of the year' for 2021 by Global SWF. "For its significant contribution to the development of Abu Dhabi and the UAE, for its leadership in pursuing global partnerships, for its unparalleled investment and divestment activity displayed throughout the year, and, in general, for its contribution to the advancement of the SWF industry, Global SWF believes that Mubadala Investment Company is a worthy recipient of the 2021 Fund of the Year award," the MD of Global SWF was quoted as saying by 'The National' newspaper.

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	Par/+2	Par/+3	1/4	4/7	8/13	25/45
USD/SAR	3.7540/50	-5/-2	-2/+2	Par/+5	5/10	11/16	17/22	70/120
USD/KWD	0.30260/280	23/28	42/52	60/70	115/135	170/200	225/255	280/380
USD/OMR	0.38499/504	-4/+4	-2/+8	Par/+15	22/42	65/85	120/150	325/425
USD/BHD	0.37698/703	20/25	30/45	50/65	110/140	160/190	200/250	365/565
USD/MAD	9.2500/2700	100/250	200/350	250/550	500/800	800/1100	1000/1500	2000/4000
USD/EGP NDF	15.7152	15.80/15.85	15.92/15.97	16.06/16.11	16.44/16.49	16.95/17.00	17.45/17.50	-
USD/JOD	0.7085/95	30/80	50/150	100/200	250/450	400/700	500/900	700/1700
USD/NGN NDF	424.11	424.00/427.00	433.00/437.00	437.00/442.00	448.00/455.00	460.00/467.00	473.00/483.00	(NAFEX)
USD/GHS NDF	6.1800	6.2100/6.2600	6.2900/6.3400	6.3900/6.4900	6.6800/6.7800	7.0400/7.1800	7.4000/7.6000	-
USD/TND	2.8900/9100	150/350	300/700	500/1000	600/1600	1200/2200	1700/3000	4000/6000
Crude Oil	Futures							
WTI	76.10							
Brent	79.00							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+24/30	+26/32	+31/37	+34/40	+37/43	+43/49	+47/53	+58/64
SAR SPREAD	+73/79	+76/82	+81/87	+85/91	+89/95	+96/102	+106/112	+126/132

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

AND FINALLY...

Did you know that the name Kuwait, is derived from an Arabic word ākwāt, the plural of kūt, meaning "fortress built near water"?

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