

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

- Oil Prices Dip Overnight On Recession Concerns.
- Fresh Iran Talks End Without A Breakthrough.
- Latest EIA Inventory Report Finally Released.
- China Will Subsidize Local Refineries If Oil Prices Rise Above US\$130.
- Libya Suspends Crude Exports From Two Key Facilities.
- GCC Banks Remain 'Remarkably Stable' – S&P.
- World Bank Approves US\$500 Mio Loan To Egypt.
- Abu Dhabi Launches Industrial Sector Strategy.
- Saudi Arabia's Unemployment Rate Hits Six-Year Low.
- Kuwait To Post First Budget Surplus Since 2014.
- Franklin Templeton May Open Offices In KSA.
- Pivot Engineering Wins Construction Contract In Dubai.

REGIONAL COMMENTARY

Oil Prices Dip Overnight On Recession Concerns.

Both WTI and Brent were sitting below US\$110 this morning on the back of renewed fears for a possible economic recession. Weaker consumer spending data out of the US and softer PMI numbers in South Korea and Japan were some of the reasons behind these fresh concerns on the outlook for the global economy, and have also prompted selling in other commodity markets such as copper. Meanwhile, yesterday's OPEC + meeting provided no surprises with members agreeing to proceed with last month's decision to raise overall production by 648,000 bpd in July and August, although questions over spare capacity still linger.

Fresh Iran Talks End Without A Breakthrough.

Indirect discussions between the US and Iran over reviving the JCPOA nuclear accord, which had resumed in Qatar earlier this week for the first time since March, ended without any breakthrough. The EU mediator at the talks, was quoted by the AP' news agency as saying: "*Two intense days of proximity talks in Doha on JCPOA. Unfortunately, not yet the progress the EU team as coordinator had hoped-for. We will keep working with even greater urgency to bring back on track a key deal for non-proliferation and regional stability.*" A senior US official was less optimistic on the outlook, reportedly saying that, "*the Iranians have not demonstrated any sense of urgency, raised old issues that have been settled for months, and even raised new issues that are unrelated to the 2015 nuclear agreement. A deal has been available for some time.*"

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Latest EIA Inventory Report Finally Released.

After a number of days of technical challenges the EIA released its latest inventory report on Wednesday. This showed that US commercial crude levels had declined by 2.80 mio barrels to 415.60 mio in the week ending June 24th, which is roughly 13% below the 5-year average, although gasoline stocks rose by 2.60 mio barrels as domestic refining activity picked up.

China Will Subsidize Local Refineries If Oil Prices Rise Above US\$130.

According to a statement issued by China's Ministry of Finance earlier this week, the government will provide "phased price subsidies to domestic oil refining companies in a bid to safeguard stable supplies of processed oil and reduce the operating costs in the real economy," if crude prices moved above US\$130 a barrel. You can read more about this announcement [here](#).

Libya Suspends Crude Exports From Two Key Facilities.

Libya's National Oil Company suspended exports from two of its most important oil terminals this week due to ongoing political tensions in the country, according to a 'Bloomberg' article. The NOC reportedly declared an imminent 'force majeure' at Ras Lanuf and Es Sider on Tuesday, while the 'Argus' media outlet claims that two other export terminals, Marsa el-Brega and Zueitina, have been under force majeure since the second half of April because of protest action. You can find more details on this topic [here](#).

GCC Banks Remain 'Remarkably Stable' – S&P.

In a recently published analysis on the GCC's banking system by S&P Global, the agency said that regional banks continue to remain resilient to geopolitical events and scenarios. "GCC banking systems have proven resilient to disruptive events in past decades. Although some regional shocks prompted external and domestic deposit outflows, banks generally remained secure. Indeed, deposits in the GCC's banking system have continued to expand and remained remarkably stable through substantial political instability, including the Arab Spring, financial crises, wars, boycotts, and missile strikes. Only the 1990 Gulf War interrupted this trend. Although these events have strained liquidity, funding of a similar size to the withdrawals returned within a year. Even foreign liabilities lent into the domestic GCC financial systems proved only temporarily vulnerable to geopolitical shocks," the report, which you can access in full [here](#), read.

World Bank Approves US\$500 Mio Loan To Egypt.

According to a statement issued by the World Bank on Wednesday, the international lender's board has agreed to provide a US\$500 mio loan to Egypt. This fresh funding program is aimed at supporting the government's existing efforts to ensure that vulnerable Egyptian households have access to bread, to strengthen the country's resilience to the global food crises and to support reforms in food security policies. "This project supports the government's strong commitment to ensuring that the needs of citizens continue to be met even amid a very challenging global context caused by concomitant crises such as COVID-19 and the war in Ukraine. In addition to ensuring sustained food security, this project supports national climate efforts by increasing agricultural resilience," Egypt's Minister of International Cooperation was quoted saying in response to this news.

Abu Dhabi Launches Industrial Sector Strategy.

The Abu Dhabi government has announced, that it plans to invest AED 10 bio across six industrial related programs, with the aim of boosting this sector's contribution to GDP and to strengthen the Emirate's position as a competitive industrial hub. "The industrial sector plays a major role in bolstering economic diversification in the UAE and the industrial sector in Abu Dhabi represents 40% of the total sector in the country, as the Emirate has invested more than AED 51 bio in the past 15 years to set up a complete infrastructure," the chairman of Abu Dhabi's Department of Economic Development, was quoted as saying this week by 'The National' newspaper.

Saudi Arabia's Unemployment Rate Hits Six-Year Low.

After peaking at more than 15% in 2020, Saudi Arabia's citizen unemployment rate fell to 10.10% during Q1 of this year, its lowest level since 2016 according to data released by Kingdom's official statistics agency and published by 'Arab News' this week. Meanwhile, the total rate of unemployment (including Saudis and non-Saudis) dipped by 0.90% to 6.0%.

Kuwait To Post First Budget Surplus Since 2014.

In its latest quarterly economic update on the Middle East, the ICAEW expects Kuwait to record its first budget surplus since 2014, due primarily to high crude prices. The report sees the Gulf state posting a budget surplus of 6.20% this year, and in addition (despite a view that significant policy reforms are unlikely in the near-term), does expect Kuwait's latest public debt law proposal to be passed through the relevant parliamentary committee. If this law is indeed enacted, it would then allow the government to borrow internationally. You can access the full ICAEW study [here](#).

Franklin Templeton May Open Offices In KSA.

The multinational investment firm, Franklin Templeton, is actively exploring the possibility of establishing an office in Saudi Arabia in order to deepen its access into the Middle East region's largest economy, according to a 'Bloomberg' article which quoted unnamed sources. The firm has been in the region for more than two decades and already has an office in Dubai.

Pivot Engineering Wins Construction Contract In Dubai.

Abu Dhabi based, Pivot Engineering & General Contracting Company has been awarded a US\$168 mio construction contract for the Costa Brava cluster within the Damac Lagoons development in Dubai, according to 'MEED'.

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	-2/+1	-4/Par	-6/-1	-6/-1	-6/-1	-7/+3	15/35
USD/SAR	3.7522/27	3/8	4/9	7/12	11/16	15/20	18/28	50/100
USD/KWD	0.30650/680	2/7	5/15	8/18	15/35	30/50	45/65	70/170
USD/OMR	0.38499/504	-5/Par	-7/Par	-10/Par	-10/+10	05/20	15/45	50/150
USD/BHD	0.37699.704	13/18	25/35	40/55	83/98	110/140	160/190	200/400
USD/MAD	10.0900/1300	50/250	150/350	300/600	450/850	700/1500	800/1800	2000/4000
USD/EGP NDF	18.8020	19.15/19.25	1943/19.53	1965/19.75	20.30/20.45	21.03/21.18	21.77/21.92	-
USD/JOD	0.7095/7105	40/140	70/170	150/250	300/500	400/700	500/900	700/1700
USD/NGN NDF	418.74	423.00/428.00	429.00/434.00	434.00/442.00	448.00/458.00	471.00/481.00	490.00/500.00	(NAFEX)
USD/GHS NDF	8.0000	8.0200/8.1200	8.1800/8.3300	8.4000/8.5500	9.0000/9.2000	9.6000/9.9500	10.1500/10.5000	-
USD/TND	3.1300/1600	125/325	250/500	400/900	700/1400	1000/2000	2000/3000	4000/6000
Crude Oil	Futures							
WTI	\$105.50							
Brent	\$109.00							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	Par/+10	+10/20	+20/30	+27/37	+34/44	+41/51	+47/57	+62/72
SAR SPREAD	+67/77	+68/78	+73/83	+77/87	+83/93	+89/99	+95/105	+110/120

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

AND FINALLY...

Did you know that Saudi Arabia is the largest country in the world without a river?

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