

Market Insights & Strategy

Global Markets

11th July 2022

MIDDLE EAST & AFRICAN MONITOR

- **Sri Lankan Crisis Is A Warning To The World.**
- **Oil Prices Rebound Despite Recession Fears.**
- **Most Crude Oil Theft In Nigeria Is Committed By 'Organized Crime' – Chevron.**
- **The World Needs To Diversify Solar Energy Related Supply Chains – IEA.**
- **Chances Of A Fresh Nuclear Deal With Iran Fading Fast.**
- **Egypt's Inflation Rate Dips Slightly – IMF Loan Talks 'Productive'.**
- **Kuwait Prepares To Introduce New Visa System.**
- **Oman's Public Debt Level Expected To Fall.**
- **JLW To Build New Data Centre In Abu Dhabi.**
- **SYSTRA Wins Tram Contract In Saudi Arabia.**

REGIONAL COMMENTARY

Sri Lankan Crisis Is A Warning To The World.

As we discussed in our ['Food Insecurity'](#) article which was published in May this year, the ongoing economic and political crisis in Sri Lanka was created by several issues, but it also highlights the serious risks rising inflation and food shortages pose to many other fragile countries around the world. A senior economist at the UNDP underlined these risks in a speech he gave in Geneva last week. *"With COVID, what we saw is effects that worked through labour markets, lockdowns, and income, that was slowly cumulative but had a strong impact over time. Official estimates are about 125 million people falling into poverty over about 18 months. What we found right now is that three months of inflation have drawn about 71 million people into poverty. Very quickly, we might see also with the troubling economic outlook a situation where for many countries the patience and the ability of people to cope with this reality runs out. And as I've often said, when politics moves out of our parliaments, out of government, onto the streets, we are in a fundamentally different situation. We are very vulnerable at this moment to see these kinds of developments happen in many more countries,"* George Gray Molina was quoted as saying. According to the UNDP, high-risk poverty hotspots have emerged in the Balkans, the Caspian Sea region and Sub-Saharan Africa (particularly the Sahel).

Oil Prices Rebound Despite Recession Fears.

Last week's sharp drop in crude prices which saw both Brent and WTI dip briefly below US\$100 at one stage, were driven primarily by growing fears over a possible global economic recession which in turn triggered sizeable profit-taking by speculators. However, prices have staged a small rebound since then as supply constraints and low fuel inventories come back into focus. The most recent EIA report showed that although US commercial oil

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*

inventories rose in the week ending July 1st, gasoline inventories fell by 2.5 mio barrels to 219.11 mio barrels and distillate stocks recorded a draw of 1.27 mio barrels to 111.14 mio barrels. Meanwhile, US strategic oil reserves stood at 492 mio barrels on July 1st compared to 580 mio barrels in February this year. The SPR has the capacity to hold up to 727 mio barrels of oil.

Most Crude Oil Theft In Nigeria Is Committed By ‘Organized Crime’ – Chevron.

The MD of Chevron’s mid-Africa business unit, Michael Kennedy, warned during a petroleum conference in Abuja last week that ongoing oil theft in Nigeria was having an enormous impact on the country’s economy. *“From my experience, the issue with crude oil theft should not be confused with host community issues. It is much much much bigger than that. It is completely different from host community issues. Quite frankly it is organized crime. The volume of crude that is being stolen is well beyond comprehension. You can see some of the figures in the press, maybe it’s about 100,000 barrels per day at US\$100 per barrel and that’s US\$10 million per day that is being stolen. And NNPC owns 60% while taxes of 85% are paid so it’s a huge loss for the country,”* Kennedy was quoted as saying by the ‘Nairametrics’ news site.

The World Needs To Diversify Solar Energy Related Supply Chains – IEA.

According to a new IEA report on solar energy, the impact of COVID-19 and the conflict in Ukraine has highlighted the need for countries to diversify their sources of key commodities. This includes the materials needed for solar energy projects, the majority of which are currently supplied by China. *“Global manufacturing capacity for solar panels has increasingly moved out of Europe, Japan and the United States over the last decade and into China, which has taken the lead on investment and innovation. China’s share in all the key manufacturing stages of solar panels exceeds 80% today,”* the publication stated. In reference to this report, the Executive Director of the IEA, Fatih Birol, was quoted as saying that *“China has been instrumental in bringing down costs worldwide for solar PV, with multiple benefits for clean energy transitions,”* but he also warned that *“the level of geographical concentration in global supply chains also poses potential challenges that governments need to address. Accelerating clean energy transitions around the world will put further strain on these supply chains to meet growing demand, but this also offers opportunities for other countries and regions to help diversify production and make it more resilient”*. You can access the IEA report [here](#).

Chances Of A Fresh Nuclear Deal With Iran Fading Fast.

The chances of a revival of the JCPOA nuclear accord with Iran appear to be fading again, and although there is still a possibility that negotiations could resume after President Biden’s upcoming trip to the region, US officials are becoming much more publically pessimistic about a deal being reached and are warning that time to do so is now running out. *“The discussion that really needs to take place right now is not so much between us and Iran, although we’re prepared to have that. It’s between Iran and itself. They need to come to a conclusion about whether they are now prepared to come back into compliance with the deal. They’re going to have to decide sooner or later, because at some point the deal will be a thing of the past,”* the US envoy on Iran, Robert Malley, stated during a recent interview with the ‘NPR’ media network. Meanwhile, the US Treasury Department announced on Wednesday last week, that it was implementing sanctions on 15 individuals and entities allegedly linked to the illicit sale and shipment of Iranian oil.

Egypt’s Inflation Rate Dips Slightly – IMF Loan Talks ‘Productive’.

The IMF has said that its most recent discussions with the Egyptian government over a new loan program have been fruitful. *“The IMF staff team and the Egyptian authorities had productive discussions on economic policies and reforms to be supported by an IMF Extended Fund Facility. In the period ahead, we are continuing our close engagement with the authorities towards reaching staff level agreement. As is always the case, final agreement on a program arrangement would be subject to approval of the IMF’s Executive Board,”* an IMF statement read. Meanwhile, Egypt’s urban consumer inflation rate slowed to 13.20% y/y last month from 13.50% in May, according to the latest official data.

Kuwait Prepares To Introduce New Visa System.

On the 27th of June this year, the Kuwaiti authorities temporarily suspended the issuance of entry visit visas and family member or tourist visas, until a new regulatory mechanism is introduced for residency affairs. *“The process is underway to work out a strict mechanism ensuring the visitor’s departure upon the visa expiry and preventing the renewal of the three-month visit,”* Kuwait’s Interior Ministry was quoted as saying by the ‘Siasat’ news site. Meanwhile, a recent ‘Zawya’ article quoted unnamed sources suggesting, that the new system might

see an increase in the minimum monthly salary required for expatriates who want to bring their wife and/or children on visit or family visas to KWD 300.00 and to KWD 600.00 if the applicant wants to bring his parents into Kuwait on a visit visa. You can access more details on this topic [here](#).

Oman's Public Debt Level Expected To Fall.

Oman plans to repay around US\$1.33 bio of its outstanding debt ahead of schedule this month, as the Gulf country's finances continue to improve due to high oil prices and the government's ongoing focus on fiscal reform. "Oman will repay a high-cost financing loan of OMR 512 million this month, ahead of its due date. The government of the Sultanate of Oman was able to buy back some international bonds before their maturity by holding the first auction of its kind in the region, with an estimated value of OMR 269 million, less than the face value of these bonds when they were offered," the official Oman News Agency reported. Oman's total public debt is expected to fall to US\$18.60 bio by the end of this month, from around OMR 20.80 bio at the end of 2021.

JLW To Build New Data Centre In Abu Dhabi.

JLW Middle East, has been awarded the contract to design and construct a 60MW data centre in Masdar City, Abu Dhabi. The funding for this project has been provided via a trade financing facility from Emirates Development Bank. "This is an important deal for JLW, as it means we are able to proceed on this project with the utmost confidence. As one of the few large specialist MEP contractors in the Middle East and North Africa region, we understand that accessing the right financing for this kind of undertaking can be a challenging and complex process, but EDB's flexible and highly competitive solution will ensure we will meet our client's exacting standards. We are delighted to be putting our expertise to ensure the completion of all elements of this project to the highest standards in the industry and to deliver another landmark project for the UAE," the CEO of JLW Middle East was quoted as saying by the 'Al Bawaba' media outlet.

SYSTRA Wins Tram Contract In Saudi Arabia.

France based mobility firm Systra, has won the design contract for a new tram system in Saudi Arabia. Under the terms of this contract, Systra will design the first phase of the system and oversee the integrity of the rolling stock and systems development, according to the 'Railway Technology' website.

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/-1	-4/-1	-8/-3	-9/-4	-10/-5	15/35
USD/SAR	3.7538/43	Par/+3	Par/+5	Par/+5	Par/+5	Par/+5	2/7	35/75
USD/KWD	0.30747/777	2/7	5/15	8/18	15/35	30/50	45/65	70/170
USD/OMR	0.38497/502	-5/Par	-7/+3	-6/+4	-5/+10	Par/+20	10/40	50/150
USD/BHD	0.37695/700	20/30	37/47	55/65	90/120	130/160	170/200	200/400
USD/MAD	10.1400/1700	50/150	100/300	150/450	400/800	600/1200	700/1700	1200/3200
USD/EGP NDF	18.8735	19.15/19.25	19.35/19.45	19.56/19.66	20.30/20.45	20.93/21.08	21.65/21.80	-
USD/JOD	0.7098/7103	40/140	70/170	200/400	400/700	550/950	700/1200	800/1800
USD/NGN NDF	424.63	428.00/432.00	433.00/438.00	439.00/449.00	459.00/469.00	480.00/490.00	496.00/506.00	(NAFEX)
USD/GHS NDF	8.0250	8.1660/8.2660	8.3200/8.4700	8.5300/8.6800	9.1300/9.3300	9.7800/9.1300	10.3300/10.6800	-
USD/TND	3.1500/1800	125/325	300/600	650/1250	1000/2500	2000/4000	3000/5000	4000/6000
Crude Oil	Futures							
WTI	\$104.00							
Brent	\$106.50							

**** (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	+8/18	+18/28	+26/36	+32/42	+38/48	+44/54	+60/70
SAR SPREAD	+68/73	+68/73	+78/83	+86/91	+91/96	+99/104	+102/108	+113/123

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

AND FINALLY...

Did you know that Alexandre Edmond Becquerel discovered 'the photovoltaic effect' in 1839, a year after the first coal-fired power plant was built?

(The photovoltaic effect is when an electrical current is created in a conductor after being hit with the sun's rays).

Glenn Wepener
Executive Director

Market Insights & Strategy

FAB Global Markets

Email: 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.