

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

'High Crude Prices Are Impacting Demand' – IEA.

A senior IEA executive said late last week that global demand for oil is already being affected by high prices. "*We believe that current prices are already impacting economic growth and oil demand,*" the head of the IEA's oil market division was quoted as saying by S&P Global, although adding that "*demand in the US and Europe has been holding up better than expected. High savings rates and strong pent-up demand for travel is providing an offset to the impact of surging fuel prices for now.*" Meanwhile, according to S&P Global's estimates, demand sensitivity to higher crude prices could shrink consumption by 680,000 bpd this year if Brent averages US\$110 barrel in 2022, a 7% increase on the current baseline Brent assumption of US\$102.70.

China Warns Of 'Explosive' Covid-19 Outbreak.

Beijing is currently experiencing an "*explosive*" COVID-19 outbreak, a Chinese government official warned this past weekend, while Shanghai has reportedly re-implemented mass testing for all residents in 15 of Shanghai's 16 districts in an attempt to contain a jump in cases linked to a hair salon. "*The recent outbreak is strongly explosive in nature and widespread in scope,*" a spokesperson for Beijing's municipal government was quoted as saying by the 'Business Recorder' news site. Meanwhile China's oil demand, which rose by 3.10% in May m/m could cool slightly again this month due to an already high level of domestic inventories and data from S&P Global, which showed that local state-run refineries had cut their throughput to 73.40% from 76.40% in April. According to the energy intelligence firm, Kpler, China's crude inventories were estimated to have hit an 11-month high of 939.07 million barrels in May.

Glenn Wepener

Executive Director & Geopolitical Analyst,
 Middle East & Africa

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Libyan Oil Exports Hit Again By Port Closures.

Oil exports from Libya's Ras Lanuf and Es Sider ports were reportedly halted again last Friday due to protest action at both facilities, whilst production at the key field of Sharara, which had just restarted a week ago, has apparently also been suspended. These latest blockades come as tensions between the country's two rival governments continued to worsen over past few weeks. Libya's oil production is now estimated to be back down at 600,000 bpd which is roughly half of its overall capacity.

Iran Is 'Dangerously Close' To Developing Nuclear Weapons – Israel's PM.

The Israeli Prime Minister, Naftali Bennett, claimed this past weekend that Iran has almost completed its atomic weapons program and will soon be able to produce a bomb unless the West takes tougher action on Tehran. *"Iran is enriching uranium at an unprecedented rate and moving dangerously close to getting their hands on nuclear weapons. Without pressure from the west, the Islamic regime in Iran could get their hands on a nuclear bomb very soon. The world must take a firm stance, Iran's nuclear program won't stop until it's stopped,"* Bennett was quoted as saying by the 'Arab News' media outlet. Meanwhile, the head of the IAEA, Rafael Grossi, said last week that Iran's decision to remove the nuclear watchdog's cameras from its nuclear facilities could deliver *"a fatal blow"* to any chance of reviving the JCPOA accord.

Record Food Prices Could Trigger Ratings Downgrades – S&P.

S&P Global Ratings has warned in a recent report, that the ongoing food price shock could lead to credit ratings downgrades for the most vulnerable countries especially those in Africa. *"The second-round effect of the global food shock on governments' public finances could affect credit ratings. Since the onset of the war between Russia and Ukraine and all of its inflationary consequences, we have not lowered any African ratings. We are just flagging it as a risk because the war fallout drags on governments' public finances through weaker growth, lower tax collection, and upward pressure on spending,"* the EMEA sovereign specialist at S&P Global Ratings was quoted as saying by the 'African Business' website. The report also suggests that the world's current food crises will not end until 2024 at the earliest. You can access the S&P report titled 'The Global Food Shock Will Last Years Not Months' [here](#).

Lebanon's Power Shortages Exacerbates Water Crisis.

Lebanon's chronic power outages are disrupting the supply of clean water to most households, with the Beirut and Mount Lebanon Water Corporation, (which provides water to half of Lebanon), recently implementing strict water rationing. *"The emerging water crisis is expected to escalate if no adequate solutions are found, especially for the electricity shortage, which is one of the main interruptions to the supply of water,"* an environmental engineer was quoted as saying by the 'Al Monitor' news platform. Lebanon's Energy Minister, announced last Friday that the authorities have appointed a local firm to audit the country's state-owned electricity company. This audit is a requirement from the World Bank to unlock two loans worth an estimated US\$600 million which would then enable Lebanon to import gas from Egypt and electricity from Jordan, via Syria. You can read more on these issues [here](#).

US President To Visit KSA next Month.

President Biden is planning to make an official trip to Saudi Arabia in mid-July and the White House will confirm these plans later this week, unnamed US officials were quoted as saying by 'Reuters'. Biden is also expected to visit Israel and the West Bank during the same trip and told reporters over the weekend that this tour would focus on a broad range of key issues not just energy prices. *"The commitments from the Saudis don't relate to anything having to do with energy. It happens to be a larger meeting taking place in Saudi Arabia. That's the reason I'm going, and it has to do with national security, I have a program anyway. It has to do with much larger issues than having to do with the energy piece,"* Biden was quoted as saying by the 'Times of Israel' newspaper.

Egypt Has Settled US\$24 Bio In Debt This Year.

Egypt has settled debts totaling US\$24 billion since the beginning of this year, of which US\$10 bio was external debt servicing and US\$14 bio was related to foreign investor withdrawals, according to the 'Egypt Today' media outlet. The country's net foreign currency reserves stood at US\$35.50 bio at the beginning of this month compared to US\$37.12 bio in April.

UAE & Uzbekistan Sign Strategic Partnership Agreement.

The governments of the UAE and Uzbekistan signed an expanded cooperation agreement this past weekend. According to the UAE's state news agency, the new areas covered under this expanded partnership includes: smart applications, government services, government accelerators, capacity-building, strategy, government performance, government quality, business incubators competitiveness & statistics, tourism; economy, industry, doing business smart & safe city; programming, the "One Million Uzbek Coders' initiative", civil service; insurance, future foresight, airport & free zones management, education, tax management, media & public relations, financial sector, customs and young leaders.

Construction Of New Refinery In Angola To Begin In 2023.

A US-led private consortium announced yesterday, that the construction of a new 100,000 bpd oil refinery in Angola is set to begin early next year, and the facility should become operational by 2025. The Angolan government is also currently upgrading the country's only existing refinery which can process 65,000 bpd, according to 'Zawya'.

Total Awarded 25% Stake In Qatar Gas Project.

Total Energies has been awarded a 25% interest in a new joint venture within Qatar's North Field East (NFE) low carbon LNG project, alongside Qatar Energy which will hold a 75% stake. The JV in turn will hold 25% of North Field East. According to a statement posted on the Total Energies website, the NFE project began in 2019 and "is intended to increase Qatar's total LNG export capacity from 77 Mtpa to around 110 Mtpa by 2027." You can access the French energy company's full statement [here](#).

Chinese Firm Wins US\$970 Mio Tunnel Contract In KSA.

The China Railway 18th Bureau Group has been awarded a US\$970 mio contract to build a 5km tunnel in Madinah Saudi Arabia, according to 'Zawya'. "As an important religious and cultural center in Saudi Arabia, Madinah will build local infrastructure with higher quality skills and higher standards to demonstrate China's strength. Over the past 21 years, we have played a major role in more than 30 projects across Saudi Arabia including Makkah Light Rail, Saudi North-South Railway, Makkah-Madinah High-speed Railway and other key government projects," the general manager of the Chinese firm was quoted as saying.

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	-2/+1	-3/+2	-3/+2	-3/+2	-2/+5	25/45
USD/SAR	3.7519/22	12/17	25/32	38/48	62/72	73/83	80/95	110/160
USD/KWD	0.30665/685	20/25	36/46	50/60	90/110	110/130	135/155	160/260
USD/OMR	0.38500/505	-2/+5	-1/+8	Par/+10	05/20	15/35	20/50	50/150
USD/BHD	0.37685/695	28/33	40/55	60/75	100/130	150/180	160/210	200/400
USD/MAD	9.9400/9600	50/250	150/350	300/600	450/850	700/1500	800/1800	2000/4000
USD/EGP NDF	18.6933	19.01/19.16	19.35/19.50	19.50/19.65	20.30/20.50	21.05/21.25	21.87/22.07	-
USD/JOD	0.7098/7103	40/140	70/170	150/250	300/500	400/700	500/900	700/1700
USD/NGN NDF	420.00	421.00/426.00	424.00/429.00	428.00/438.00	444.00/454.00	463.00/473.00	484.300/494.00	(NAFEX)
USD/GHS NDF	7.9500	8.1675/8.2675	8.3700/8.5700	8.6000/8.8000	9.2000/9.4000	9.8000/10.0500	10.0500/10.4500	-
USD/TND	3.1100/1400	125/325	250/500	400/900	700/1400	1000/2000	2000/3000	4000/6000
Crude Oil	Futures							
WTI	\$118.35							
Brent	\$119.75							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+22/32	+28/38	+34/44	+40/50	+46/56	+53/63	+61/71	+75/85
SAR SPREAD	+97/107	+97/107	+99/109	+101/111	+104/114	+109/119	+117/127	+138/148

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

AND FINALLY...

Did you know that there is evidence of human life in what is now the Emirate of Abu Dhabi dating back 5000 years?

Glenn Wepener
Executive Director

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

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