

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Ukraine Crisis Stalls Iran Talks.

Just as talks to revive the JCPOA agreement appeared close to reaching a final deal, the crisis in Ukraine appears to have triggered a fresh hurdle. This was revealed in comments made last week by the EU's foreign policy chief, Joseph Borell, who was quoted by the 'RFE' media outlet stating that the final text of an agreement between Iran and the relevant world powers was "*essentially ready and on the table*" but adding that, "*a pause in is needed, due to external factors. As coordinator, I will, with my team, continue to be in touch with all JCPOA participants and the US to overcome the current situation and to close the agreement.*" Borell's statement and the temporary suspension of the negotiations follows an alleged demand by Moscow, that its trade relations with Iran be excluded from the recently imposed western sanctions on Russia over the Ukraine issue.

Number Of Active US Oil Rigs Rises Again.

According to the latest data released by Baker Hughes, the number of active US oil rigs rose to 527 last week, although overall US crude production remained relatively unchanged at 11.60 mio bpd. (It should be noted that there is always a few months lag time from rig activity and output). Meanwhile, China has reportedly revised its energy strategy and is planning to prioritize the production and storage of coal in an effort to stabilize prices. According to 'Reuters', President Xi was quoted as saying last Friday that China "*could not part from reality*" that it is "*rich in coal, poor in oil and short of gas,*" adding that energy transition is a lengthy process and thus his country cannot just "*slam the brakes*" on the use of coal to generate power.

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Libya's Fragility Threatens Crude Output.

Libya's ongoing political and security fragility means that its oil production is constantly under threat. Two weeks ago output at two of the country's key fields (Shahara and el Feel) was suspended, after a militia group shutdown their pump valves. Both these facilities are now reportedly operating normally again, but this latest disruption underlines the continued risk posed to one of Africa's largest oil producers. Libya currently pumps between 1.00-1.20 mio bpd.

Ballistic Missiles Land Near US Embassy In Irbil.

According to various media outlets, twelve ballistic missiles were launched early on Sunday morning towards the site of a new US embassy which is currently under construction in the capital of Iraq's Kurdistan region, although there was only one minor casualty reported. *"The missiles were fired from outside the borders of Iraq and Kurdistan, coming more precisely from the east,"* a press release from the Kurdistan counter-terrorism unit stated. *"The aggression which targeted the dear city of Irbil and spread fear amongst its inhabitants is an attack on the security of our people,"* Iraq's Prime Minister Mustafa al Kadhimi, said in response to this latest event. According to a Reuters report published this morning, Iran's Revolutionary Guards force have since claimed responsibility for the attack, which they apparently said was targeting an Israeli *"strategic centre."*

China's 'Zero-COVID' Strategy Could Slow Economic Recovery.

The Chinese authorities reportedly put the city of Shenzhen into lockdown yesterday after a jump in the number of COVID-19 cases there. This action follows a similar move in Jilin which was locked down last week. Both cities are home to important sectors of the economy namely technology and automotive manufacturing whilst Shenzhen port is a key container handling hub. The chief economist of ANZ was quoted by Bloomberg this morning, warning that; *"More cities may follow the practice of Shenzhen. If the lockdown is extended, China's economic growth will be significantly affected."* His comments echo those made by the IMF back in January this year, when the head of the multilateral lender said, that the appearance of the more contagious but less lethal coronavirus variant Omicron, meant that global health strategies needed to be adjusted in order to minimize further impact on the economy. *"China is still using a zero-Covid policy. But what Covid is teaching all of us is that a highly transmissible variant may be much more difficult to contain without a dramatic impact on the economy,"* Kristalina Georgieva, was quoted as saying by 'The Guardian' newspaper.

Egypt Bans Export Of Wheat As Prices Soar.

The ongoing war in Ukraine and unprecedented sanctions on Russia have not only sent energy prices sky high, but also the cost of some key food staples like wheat. As a result, Egypt's Ministry of Supply and Domestic Trade has issued an order banning the export of lentils, pasta, wheat, flour and fava beans for a period of three months in an effort to ease the potential financial burden on the country's poorest citizens. The average Egyptian consumes an estimated 150-180kg of bread per annum, which is more than double the global average. It is also the world's largest importer of wheat, 80% of which traditionally came from Ukrainian and Russian suppliers. Fortunately, the country currently has an estimated 6-8 months worth of wheat supplies stored. Higher food prices are however feeding inflation, with Egypt's CPI rate rising to 8.80% y/y last month from 7.30% in January.

Lebanon's Food Crisis Set To Worsen.

Higher global food prices are also worsening the already dire socio-economic situation in Lebanon, with various officials warning that food shortages were now becoming a major security risk. *"Lebanon has been totally irresponsible towards its food security for the past 30 years. They were trading with money they did not have. Now that they have reached bankruptcy, they are starting to realize how terrible it is to not have a food security policy,"* Riad Saade, Director of the Lebanese Centre for Agricultural Research and Studies, was quoted as saying by 'The National' newspaper.

Dubai's PMI Rebounded In February.

Activity in Dubai's non-oil sector increased sharply last month as indicated in the latest IHS-Markit PMI for the Emirate, which rose to 54.1 in February from 52.6 the previous month. "New business growth in Dubai is a promising sign that the Omicron variant has had only a minor impact on the economy compared to previous waves of the pandemic", an IHS-Markit economist was quoted as saying by 'The National' newspaper.

KSA Establishes Nuclear Energy Holding Company.

Saudi Arabia has announced the founding of the 'Saudi Nuclear Energy Holding Company'. The Kingdom's senior representative to the IAEA, Prince Abdullah Bin Khalid Bin Sultan, was quoted as saying by the 'Saudi Gazette' this past weekend that the new company will be able, "to participate in nuclear economic projects locally and internationally, in addition to operating and developing nuclear facilities for the production of energy and desalinated water, setting a strategy for developing human capital in the field of atomic energy, its cooperation with the International Institutes for Atomic Energy Research and its work on creating a national digital platform to build and attract human capabilities in the field of atomic energy". You can access the full story on this topic [here](#).

RobtStone Wins US\$220 Mio Contract In Abu Dhabi.

The UAE based specialist contractor RobtStone, has been awarded a US\$220 mio contract at the enhanced oil recovery project at ADNOC's Bab onshore oilfield. This project "marks another step towards boosting Abu Dhabi's oil production capacity to 5 million barrels per day by 2030," an ADNOC statement read, according to the 'Upstream' website.

FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6730/31	-2.5/-1	-4/-2	-5.5/-3	-7.5/-4.5	-8/-5	-6/-1	10/40
USD/SAR	3.7516/19	13/16	17/21	18/23	31/41	42/52	52/62	95/115
USD/KWD	0.30410/430	18/23	34/54	50/60	100/120	140/160	170/200	225/275
USD/OMR	0.38497/502	-2/+6	Par/+10	3/13	12/27	20/45	35/65	100/200
USD/BHD	0.37697/702	10/20	20/30	25/40	50/75	80/110	110/140	200/400
USD/MAD	9.4300/4600	50/250	150/350	300/600	500/900	800/1500	1000/2000	2000/4000
USD/EGP NDF	15.7155	16.00/16.15	16.28/16.43	16.55/16.70	17.20/17.35	17.70/17.85	18.15/18.30	-
USD/JOD	0.7085/95	30/80	50/150	100/200	250/450	400/700	500/900	700/1700
USD/NGN NDF	415.71	417.50/421.50	420.50/425.50	423.00/428.00	433.00/443.00	443.00/453.00	453.00/463.00	(NAFEX)
USD/GHS NDF	7.1000	7.5100/7.5600	4.6700/7.7200	7.8000/7.8500	8.1100/8.2100	8.3900/8.5400	8.6500/8.8000	-
USD/TND	2.8550/8850	100/250	200/500	400/900	700/1400	1000/2000	2000/3000	4000/6000
Crude Oil								
Futures								
WTI	\$106.20							
Brent	\$109.70							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+39/44	+43/48	+47/53	+53/59	60/66	+67/74	+75/82	+88/98
SAR SPREAD	+108/113	+104/109	+105/111	+107/113	+110/116	+113/120	+118/125	+132/142

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

AND FINALLY...

Did you know that bread grains, (the first plants to be domesticated), were originally harvested in the wild by the Natufians? This Mesolithic group of hunter-gatherers lived in the Jordan River Valley region of the Middle East about 12,500 years ago.

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