

Market Insights & Strategy

Global Markets

7th October 2022

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

OPEC+ Decision – Beyond The Headlines.

This week's OPEC+ grouping's decision to cut production by two million barrels-per-day has generated a frenzy of headlines, but it's worth looking more into the actual details of the cut before reaching a final conclusion on its potential impact on the market. For example, although the figure of two million sounds high, the actual physical reduction in supply is probably only going to be around 800,000 – 900,000 bpd with the balance related more to a reduction in output quotas. The latter point is relevant because there are a number of OPEC+ producers that are currently unable to reach their maximum allowances (eg: Nigeria) and thus an adjustment of quotas will not have a significant and direct effect on supply. This fact is why the rise in crude prices immediately following this announcement was relatively muted. However, the move has triggered pushback from various capitals, especially Washington, where the White House released a statement which read; *"disappointed by the shortsighted decision by OPEC+ to cut production quotas while the global economy is dealing with the continued negative impact of Putin's invasion of Ukraine,"* adding that *"In light of today's action the Biden Administration will also consult with Congress on additional tools and authorities to reduce OPEC's control over energy prices."* Meanwhile, the US Department of Energy has announced that it will extend its SPR release program into November by selling up to 10 mio barrels of sweet crude. In response, the major OPEC members have defended their decision with Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, stating that *"we have always opted for making sure we are attentive to the market. To be attentive, you have to be preemptive and certainly ahead of the curve, which means you have to be proactive."* His comments were echoed by OPEC's Secretary-General Haitham al-Ghais, who said that OPEC+ provided *"security and stability"* for energy markets, adding that *"everything has a price, energy security has a price as well."* In separate news, the head of the

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IMF Kristalina Georgieva, warned yesterday that economic recession risks are continuing to rise. *"Last October, we projected a strong recovery from the depths of the COVID crisis. Global growth reached 6.10% in 2021, and most economists, including at the IMF, thought the recovery would continue, and inflation would quickly subside, largely because we expected vaccines would help tame supply side disruptions and allow production to rebound. But this is not what happened. Multiple shocks, among them a senseless war, changed the economic picture completely. Far from being transitory, inflation has become more persistent,"* she stated during a speech in Washington DC. You can access her speech in full [here](#).

Norway Set To Increase Its Crude Output.

The Norwegian government has said that it expects their country's oil and related liquids production to rise by as much as 15% in 2023 as new fields come online. Meanwhile Norway's gas production rose by 8% this year, boosted by a sharp increase in European demand and a decision by the local regulator to approve a higher number of drilling applications.

Major Illegal Oil Pipeline Discovered In Nigeria.

Nigeria's ongoing and significant problems with oil theft was highlighted again this week, when the country's state-owned National Petroleum Company announced that it had recently uncovered an illegal oil line connected to the 250,000 bpd Forcados terminal. Oil theft *"has been going on for over 22 years but the dimension and rate it assumed in recent times is unprecedented. The most striking of all, is the discovery of a 4km illegal oil connection line from Forcados Terminal into the sea which had been in operation undetected for nine solid years."* the NNPC's CEO, Mallam Mele Kyari was quoted as saying on Tuesday by 'This Day' newspaper, adding that *"in rising up to the highly disturbing challenge, NNPC, has in recent time in collaboration with relevant security agencies clamped down on the economic saboteurs. In the course of the clampdown within the last six weeks, 395 illegal refineries have been deactivated, 274 reservoirs destroyed, 1,561 metal tanks destroyed, 49 trucks seized,"* You can access more details on this topic [here](#).

Rebels In Yemen Threaten Regional Oil Firms.

UN sponsored talks aimed at extending a six-month ceasefire in Yemen, failed this past weekend after the Houthi rebel group reportedly rejected a proposal put forward by the UN's representative to extend the truce. Tim Lenderking, the US special envoy for Yemen, claimed later that *"maximalist and impossible demands"* made by Houthi negotiators regarding the payment of salaries to their *"military and security personnel,"* was the main stumbling block to achieving an extension. A Houthi spokesperson later appeared to issue a threat against KSA and UAE oil companies in the area by saying, *"As long as the American-Saudi aggression countries are not committed to a truce that gives the Yemeni people the right to exploit their oil wealth in favor of the salary of the Yemeni state employees, the armed forces give oil companies operating in the UAE and Saudi Arabia an opportunity to organize their situation and leave,"* according to the 'S&P Global' website.

Moody's Raises Ratings Outlook On Oman.

Moody's Investors Service has amended its outlook on Oman from 'stable' to 'positive' and affirmed its Ba3 credit rating. In a statement, the agency said that its decision *"reflects the extent of the government's commitment to implementing government measures to control financial conditions, in addition to benefiting from the rise in oil prices in meeting its obligations towards public debt during 2022 and reducing its size."*

Egypt's FX Reserves Edge Up.

Egypt's net international reserves edged up slightly last month to US\$33.198 bio its first rise since April, according to the latest data released by the country's Central Bank. Meanwhile a 'Bloomberg' article published earlier today, has quoted unnamed sources suggesting that onshore NDFs and options in EGP may soon be introduced in order to unlock liquidity in the domestic market. In separate news, the World Bank has reportedly approved a US\$400 mio development loan to help boost the North African country's transport and logistics sectors. *"Reforming the transportation and logistics sectors is vital to Egypt's competitiveness and economic development,"* Kamel El Wazir, Egypt's Minister of Transportation was quoted as saying by the 'Gulf Today' news site.

G42 & Mubadala To Merge Healthcare Entities.

Abu Dhabi based Mubadala and G42 have agreed to merge their healthcare subsidiaries in order to create a new integrated healthcare firm. *"The new company represents a truly integrated healthcare ecosystem where research, technology, AI, and genomics are combined with world-class care to optimize clinical outcomes. We are committed to ensuring that our exceptional team of physicians and caregivers have access to pioneering medical technologies and deliver unparalleled care to patients,"* the CEO of Mubadala Health, Hasan Jassem Al Nowais, was quoted as saying this week by 'Zawya'.

Embraer Secures Aircraft Order In Oman.

The Brazilian aircraft manufacturer Embraer SA, announced yesterday that it had agreed to supply the Oman based carrier Salam Air with six E195-E2 medium ranger passenger planes. The contract reportedly also includes an option for an additional six aircraft and is worth around US\$934 mio, according to the 'Market Watch' news site.

US Approves Sale Of Air Defence Systems To Kuwait.

The US State Department said yesterday, that it had approved the sale of a US\$ 3 bio medium-range missile defense system to Kuwait. According to the 'Defense News' website, the system will be manufactured as a JV between the US based Raytheon Technologies and Norway's Kongsberg Defence & Aerospace firm, although the principal contractor on the Kuwait sale is Raytheon.

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	-3/Par	-3/Par	-7/-2	-10/-3	-10/Par	Par/+30
USD/SAR	3.7565/95	8/13	9/19	11/21	14/24	15/30	18/32	40/90
USD/KWD	0.30990/3100	-40/-20	-60/-40	-80/-50	-140/-90	-175/-125	-200/-130	-225/-125
USD/OMR	0.38502/507	-12/-2	-15/-5	-15/Par	-10/+15	-5/+30	10/60	75/225
USD/BHD	0.37725/55	10/25	20/40	37/57	80/110	115/145	140/190	250/450
USD/MAD	10.9500/9800	Par/+50	Par/+80	Par/+150	50/250	50/300	50/350	100/1500
USD/EGP NDF	19.6543	20.50/20.90	21.20/21.70	21.60/22.10	22.50/23.00	23.30/23.80	24.00/25.50	-
USD/JOD	0.7095/7100	40/140	125/275	225/425	450/700	600/1000	700/1200	800/1800
USD/NGN NDF	435.75	443.00/448.00	450.00/455.00	461.00/471.00	489.00/499.00	519.00/529.00	550.00/560.00	(NAFEX)
USD/GHS NDF	10.4500	10.7400/8400	10.9400/11.0700	11.1400/3400	11.7700/9700	12.3500/6500	13.0000/3700	-
USD/TND	3.2500/2800	20/120	50/250	75/425	200/1500	1000/2000	1500/3000	3000/6000
Crude Oil	Futures							
WTI	\$89.35							
Brent	\$94.75							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	-11/-1	-5/+5	+5/15	+20/30	+30/40	+37/47	+42/52	+55/65
SAR SPREAD	+68/78	+72/82	+76/86	+80/90	+84/94	+88/98	+92/102	+104/114

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

AND FINALLY...

Did you know that the King Fahd Fountain in Jeddah pushes water 312 meters into the air and thus is the tallest in the world?

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