

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Oil Prices Ease Back From Recent Highs.**

Crude prices have begun the week slightly below last Friday's closing levels, triggered by a firmer US dollar, ongoing weak economic data out of China and some profit-taking. However, any near term significant sell-off seems unlikely with inventories continuing to decline, OPEC+ standing firm in terms of their production quotas and growing fears over a potential disruption to Russian seaborne oil exports via the Black Sea. In addition, we are yet to see a jump in US crude output despite a strong WTI price.

#### **China's Coal Imports Jump By 89% y/y.**

China's continued heavy reliance on coal was highlighted in our recent piece on '[Climate Change vs Energy Security](#)', but recent data released by the country's official statistics office showed that its coal imports jumped by 67% y/y in July to 39.26 million metric tons. This means that total Chinese coal imports rose by 89% y/y during the first seven months of 2023. This surge in demand for coal is driven by increased coal-fired power generation which in turn is also linked to a major drop in electricity supply from domestic hydropower sources due to severe droughts. In its latest '[Coal Market Update](#)', the IEA said that global coal consumption hit a new record high in 2022, with the bulk of the demand coming from Asia. The IEA also expects China, India and certain south-east Asian countries to account for 3 out of every 4 tons of coal consumed worldwide this year.

#### **Nigeria's Crude Oil Output Dropped By 12% In July.**

According to data published by Nigeria's petroleum regulator, the West African country's crude output fell by 12.56% m/m to 1.29 mio bpd in July despite higher market prices. The primary reason for this drop was the temporary shutdown of the Forcados terminal last month due to the

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discovery of a potential leak, but according to a 'Reuters' report published last week, the terminal had still not resumed operations as repairs were taking longer than expected. Meanwhile, the regulator also noted that Nigeria was still producing an estimated 1 mio bpd below its overall capacity, due to a lack of investment and security problems.

### **US/Iran Prisoner Swap Breakthrough – But Tensions Remain High.**

Iran and the US have reached a prisoner swap agreement, and five American-Iranian citizens have reportedly already been moved out of prison into house arrest in Tehran. It's understood that In return, Tehran is to be given access to US\$6 bio of its frozen oil revenues which are currently in South Korea. These funds will apparently be transferred slowly into an account at the Central Bank of Qatar, and then only released to pay for humanitarian goods and services, including food and medical supplies. There have also been suggestions that Tehran has promised to halt its uranium enrichment program, and in this regard there have been some ad hoc media reports that Iran has begun diluting some of its uranium stockpiles, although we have not seen anything official on this just yet. The key question is, will this prisoner swap agreement lead to a return to JCPOA talks anytime soon? In our opinion we don't believe so, at least in the near term. Both sides are a still very much apart on this specific topic, and general tensions remain extremely high. As mentioned in one of our recent commentaries, the US has significantly increased the number of its marines, ships and aircrafts it has in this region over the past few weeks, and US officials claim, that this was being done in an effort to combat the rise of Iranian attempts to seize vessels sailing through the Strait of Hormuz since the beginning of this year. This past weekend, the US-led naval coalition in the Gulf issued a new [warning](#) to ships in the vicinity of the strait, to avoid sailing their vessels anywhere close to Iran's maritime boundaries. Meanwhile, a number of senior Republican lawmakers have criticized the prisoner swap deal, with Senator Jim Risch of Idaho, who sits on the US Senate's Foreign Relation's Committee, tweeting last Thursday that, *"While I welcome home wrongfully detained Americans, unfreezing \$6B in Iranian assets dangerously further incentivizes hostage taking & provides a windfall for regime aggression. The Biden Admin must punish those who use Americans as political pawns and work to end this practice."*

### **Moody's Extends Its Credit Review On Egypt.**

Moody's Investor Service announced last Friday, that it has extended its review on Egypt's credit ratings for a further three months. *"The continuation of the review balances progress on the government's privatization, fiscal, and structural reform agenda against evidence of a further weakening in external liquidity through a drawdown of commercial banks' net foreign assets at a scale that exceeds recently concluded asset sales, potentially undermining the goal to sustainably replenish the economy's foreign exchange liquidity buffers ahead of increased debt service payments in fiscal 2024 and 2025,"* a Moody's [statement](#) read.

### **Long Awaited Audit Report Of Lebanon's CB Released.**

A forensic report, undertaken by Alvarez & Marsal, on the management of Lebanon's Central Bank during the former governor's term in office has been released. The 332 page report alleges that Riad Salameh, carried out *"unorthodox" accounting practices during the three decades of his term, overstepped the government commissariat and risk management functions and issued instructions to the accounting department for "offsetting the burdens from the financial correction plan at year end."* You can access more details on this topic [here](#).

### **Oman Records Budget Surplus In H1 2023.**

According to Oman's Finance Ministry, the Sultanate recorded a OMR 656 mio budget surplus during the first half of this year, compared to a OMR 784 mio surplus during the same period last year. Oman's 2023 budget is based on an average oil price of US\$55 a barrel and all three main credit rating agencies, S&P, Moody's and Fitch continue to retain their 'positive' ratings outlook on the country this year.

### **Ocior Energy Eyes Major Hydrogen Project In Egypt.**

India's Ocior Energy, is reportedly planning to invest up to US\$4 bio into the production of green hydrogen in Egypt, according to the 'Utilities ME' news site. The final contracts for this project are hoped to be signed in the next few months. You can read more on this story [here](#).

## MTN Sells Fintech Stake To Mastercard.

South Africa's MTN telecommunications firm has reportedly agreed to sell a minority stake in its fintech arm 'MTN Mobile Money' to Mastercard. MTN currently values this subsidiary at US\$5.20 bio, according to 'Bloomberg'.

## Al Gihaz Wins Power Station Contract In KSA.

The Al Gihaz Contracting Company has [reportedly](#) been awarded a US\$198 mio contract to build a state-of-the-art indoor 380/132kV gas insulated substation at NEOM in Saudi Arabia.

## FX/RATES & CRUDE MARKETS:

**Indication Levels Only – Please Contact us on Reuters Dealing Codes FABA/FABU for any live pricing and/or information.**

**\*\* (GCC FX indications below are offshore levels only)**

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67295/305	-7/-4	-11/-8	-13/-10	-19/-14	-18/-13	-14/-7	10/30
USD/SAR	3.7513/16	6/9	10/15	13/20	26/33	36/46	45/55	110/160
USD/KWD	0.30757/777	-68/-48	-120/-90	-175/-140	-325/-275	-440/-390	-550/-475	-525/-325
USD/OMR	0.38498/503	2/7	3/13	05/25	20/40	30/60	50/100	200/400
USD/BHD	0.37692/697	20/25	35/45	40/60	90/110	125/155	150/180	310/510
USD/MAD	9.8100/8400	100/400	150/650	150/900	Par/+1000	Par/+1100	Par/+1500	-100/+2100
USD/EGP NDF	30.8942	31.50/31.85	32.45/32.85	33.55/33.95	36.65/37.05	39.30/39.80	41.50/42.00	-
USD/JOD	0.7078/7083	50/150	75/250	150/300	250/650	450/950	600/1200	850/1450
USD/NGN NDF	776.36	775.00/795.00	785.00/805.00	810.00/830.00	845.00/875.00	875.00/905.00	895.00/925.00	(NAFEX)
USD/GHS NDF	11.1750	10.90/11.20	11.00/11.30	11.10/11.60	11.25/11.85	11.40/12.20	11.70/12.50	-
USD/TND	3.0600/3.0900	-50/+100	-50/+150	Par/+300	Par/+550	50/850	100/1500	1500/3000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	\$82.25							
Brent	\$86.40							

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SOFR SPREAD	-1/+9	+10/18	+17/23	+20/30	+28/38	+33/43	+38/48	+48/58
SAR SOFR SPREAD	+64/74	+67/76	+71/79	+71/81	+73/82	+78/84	+78/88	+88/96

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

## AND FINALLY...

*Did you know that Hydrogen makes up around 10% of the human body by mass?*

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