

# Market Insights & Strategy

Global Markets

23<sup>rd</sup> February 2023

## MIDDLE EAST & AFRICAN MONITOR

- **Oil & Gas Prices Soften Further.**
- **EU To Implement New Sanctions Package On Russia.**
- **China's Purchases Of Russian Crude Continue To Rise.**
- **Lebanon 'Close To Spiraling Out Of Control' - Economic Council Chief.**
- **GCC Trade With Asia 'Expanding Rapidly' – Asia House.**
- **South Africa's Power Problems Go From Bad To Worse.**
- **Iran's CB Implements New Currency Controls.**
- **Saudi Arabia Places US\$1 Bio With Yemen's Central Bank.**
- **SNC- Lavalin Wins Consultancy Contract Within NEOM.**

### REGIONAL COMMENTARY

#### ***Oil & Gas Prices Soften Further.***

Natural gas prices in the US continue to soften, due to a much warmer winter than initially anticipated and high production levels. Henry Hub prices were reportedly trading below US\$2.00 per MMBtu yesterday, their lowest level since September 2020 and far below the average price on US\$6.42 last year. Even in Europe, gas prices were trading below EUR 50.00 per MWh this week compared to the record EUR 340.00 in August 2022, although admittedly they are still above the EUR 23.00 five-year average. Meanwhile oil prices have also retained their recent softer tone, with both Brent and WTI slipping further overnight due to ongoing concerns on the outlook for FED rate hikes as well as a stronger US dollar and another rise in US crude inventories. However, various media reports have claimed that Russia is planning to reduce its oil exports from its western ports from March by as much as 25%. If true, this would come on top of Russia's already announced decision to cut its crude production by 500,000 bpd that same month.

#### ***EU To Implement New Sanctions Package On Russia.***

Seemingly timed to be unveiled around the one year anniversary of the start of the conflict in Ukraine, the European Union is set to implement a fresh package of sanction on Russia. According to the RFE/RL media outlet this package bans the export to Russia a long-range of items including; sensors, lasers, rare earth materials and diesel engines. There will also be additional visa bans and asset freezes on a number of Russian-linked certain individuals and companies. Certain Iranian companies will reportedly be targeted too, especially those supplying drones to Russia.

#### ***China's Purchases Of Russian Crude Continue To Rise.***

According to data published by the commodity research firm Kpler, China imported 1.66 mio bpd of Russian crude last month compared to 1.20 mio bpd in December. This reflects the ongoing albeit sluggish reopening of the Chinese economy, as well as the attractive discount on Urals blend which averaged US\$49.48 in January compared to US\$83.95 for Brent.

**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*

### **Lebanon 'Close To Spiraling Out Of Control' - Economic Council Chief.**

Charles Arbid, the President of Lebanon's Economic and Social Council (an independent advisory body), warned earlier this week that the ongoing domestic economic and political crises was close to pushing the country out of control. *"We live in a hollow state structure ruled by selfishness and ambitions, and the future of the country is conditioned by the ambitions of individuals and irresponsible leadership, who are waiting for someone to come to the rescue from abroad."* Arbid was quoted as saying by the 'LBC' news channel, claiming too that there was no rule of law, no action and that *"the Lebanese deserve better leaders than they have."* You can access his full commentary [here](#). According to the UN an estimated 80% of Lebanon's population now live below the poverty line.

### **GCC Trade With Asia 'Expanding Rapidly' – Asia House.**

A recent study undertaken by the UK based think tank Asia House, anticipates bilateral trade between the GCC region and Asia expanding by roughly 6% on an annual basis during the next few years. Within that, Emerging Asian countries will account for an estimated 36.41% of GCC's total trade with Asia by 2030, up from the current level of 30.83%. *"Rapidly expanding ties between the Gulf and Asia are creating a fundamental global shift that will have far-ranging implications for international trade, business and politics. In particular, Gulf economic diversification, which is moving at a staggering pace, is attracting Asian investment into emerging economic sectors within the GCC, such as construction, renewables and technology. We also expect sustainability co-operation to grow in importance as Gulf and Asian economies transition away from hydrocarbons over the next few decades,"* Fred Neve, a senior Middle East associate at Asia House, was [quoted](#) as saying by 'The National' newspaper.

### **South Africa's Power Problems Go From Bad To Worse.**

South Africa's long-standing electricity problems are well documented, but the latest round of forced power cuts (by the state-run utility Eskom) are unprecedented. This was highlighted yesterday when Eskom (which produces 90% of South Africa's electricity) announced that it was temporarily removing 7,045MW from the national grid and thus entering what's called 'Stage 7' load shedding in order to prevent the grid from collapsing altogether, but which also translates into the potential loss of power supplies for even more hours per day than has been the case up to now. This current situation would have been completely unimaginable back in 2002, when Eskom was awarded the title of number one global power company at the Financial Times Global Energy Awards ceremony in New York, for *"exhibiting technical excellence in-plant production, maintenance and operation while at the same time demonstrating an ability to provide the world's lowest-cost electricity to its customers."* A 2020 [report](#) titled, 'The Decline and Fall of Eskom: A South African Tragedy' and published by the Global Warming Policy Foundation, listed several of the root causes which have led to Eskom's sharp decline over the past two decades including; indecision and paralysis in government policy towards South Africa's electricity sector, state capture, governance failure and corruption, artificially low prices, underinvestment, and a lack of proper maintenance. The ANC-led government recently declared a 'State of Disaster' which it said would release more resources to deal with the problem as well as helping to streamline procurement and speed-up the adoption of more renewable energy plants. However, the Democratic Alliance (DA) the country's main opposition party has already started a legal challenge against this declaration, alleging that a similar move during the COVID-19 pandemic only led to greater abuses around procurement due to less scrutiny over tendering. The DA, along with South Africa's Business Unity Group, has also criticized the creation of a new ministerial post specifically responsible for electricity, arguing that this would simply add to the confusion and result in turf wars rather than focusing on solving the problem itself.

### **Iran's CB Implements New Currency Controls.**

The Iranian Rial plummeted to a new record low of 501,300 per US dollar in the unofficial 'kerb' market at the beginning of this week as domestic demand for hard currency there picked up pace. In an attempt to contain this slide, the country's Central Bank has [reportedly](#) imposed fresh currency controls including the scrapping of a program that had up to now, allowed people to buy up to EUR 5,000 per annum from authorized sellers, and replaced it with far smaller hard currency allocations such as just EUR 500 for air passengers once a year. The CB has also unveiled a new gold and currency exchange centre which state owned media claimed would be able to provide hard currency *"for legitimate needs"* and would *"stabilize market rates by adjusting demand and supply."* All FX proceeds generated by exports would also now be supervised by the Central Bank.

### Saudi Arabia Places US\$1 Bio With Yemen's Central Bank.

According to the 'Saudi Press Agency', the Kingdom placed US\$1 bio on deposit at Yemen's Central Bank earlier this week, a move which was aimed at helping to support Yemen's international recognized government's economic reforms. "The program aims to develop a clear road map and a vision that takes care of the Yemeni people first and addresses their needs, in addition to strengthening efforts to build reserves at the Central Bank of Yemen to enable it to enhance economic stability," the 'SPA' statement read.

### SNC- Lavalin Wins Consultancy Contract Within NEOM.

The Canada based engineering firm SNC-Lavalin, has been awarded a five-year consultancy services contract for the LINE project in Saudi Arabia's NEOM district. "The linear, cognitive city will play a significant role in helping NEOM accelerate the Kingdom's economic diversification agenda by redefining the urban living experience, boosting tourism, and creating job opportunities for the people of Saudi Arabia," the CEO of SNC-Lavalin said according to 'Zawya'.

### 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	3.6729/31	Par/+2	Par/+3	Par/+3	3/6	5/10	7/12	30/60
USD/SAR	3.7514/17	33/38	57/67	72/82	100/120	120/140	130/160	150/250
USD/KWD	0.30670/680	-50/-35	-88/-73	-120/-90	-170/-140	-180/-150	-190/-140	-200/-50
USD/OMR	0.38500/505	2/7	7/7	10/25	32/47	55/75	75/105	120/290
USD/BHD	0.37693/698	23/28	45/55	60/70	110/125	150/170	200/230	275/475
USD/MAD	10.3800/4000	-200/-50	-400/-150	-600/-200	-1100/-650	-1500/-500	-1800/-800	-2300/-300
USD/EGP NDF	30.6297	31.25/31.45	31.90/32.10	32.45/32.65	33.95/34.25	35.40/35.70	36.40/36.70	-
USD/JOD	0.7097/7100	30/130	75/225	150/300	200/600	300/800	400/900	700/1700
USD/NGN NDF	461.25	470.00/475.00	484.00/489.00	502.00/507.00	554.00/564.00	597.00/612.00	630.00/645.00	(NAFEX)
USD/GHS NDF	12.4100	12.55/13.35	12.75/13.55	12.95/13.95	13.45/14.65	13.70/14.90	14.00/15.20	-
USD/TND	3.1400/1700	Par/+130	25/+225	100/400	200/700	400/1100	500/1500	1000/4000
Crude Oil		Futures						
WTI	\$74.22							
Brent	\$80.95							

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SOFR SPREAD	-4/+6	+13/23	+24/34	+34/44	+43/53	+52/62	+61/71	+74/84
SAR SOFR SPREAD	+61/71	+58/68	+64/74	+72/82	+79/89	+86/96	+92/102	+108/118

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

### AND FINALLY...

Did you know that natural gas emits significantly less carbon dioxide, sulfur, nitrogen and particles when burned than other fossil fuels?

Glenn Wepener  
Executive Director

Market Insights & Strategy

FAB Global Markets

Email: [Marketinsights&strategy@bankfab.com](mailto: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](mailto:privacy@bankfab.com).