

# Market Insights & Strategy

Global Markets

2<sup>nd</sup> January 2023

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Uncertainty Clouds Oil Market Outlook As 2023 Dawns.**

Although the primary oil benchmarks have begun the new year on a firmer footing, the overall near-term outlook remains somewhat clouded. Global economic fundamentals still appear weak and China's reopening has unleashed a huge spike in the number of domestic COVID-19 cases, resulting in heavy pressure on that country's health system. This latter issue means that oil demand from the world's largest consumer could well remain depressed, at least during the first quarter of this year, thereafter however we should finally start to see Chinese oil consumption rebound. At the same time, sanctions on Russian fuel product exports are due to be implemented early next month, global spare crude production capacity remains tight and fuel inventories are still below their 5-year average. Bearing all this in mind, we have adjusted our initial outlook for Brent and now expect it to average US\$93 a barrel in 2023.

#### **Russia Struggled To Shift Urals Crude in December.**

Russia's exports of diesel are expected to rise by 8-10% this month (ahead of the implementation of EU sanctions on Russian fuel products). However, the world's third largest oil producer appears to have struggled to shift its Urals crude last month due in part to a shortage of non-western tankers, weaker than expected demand from Asia and the fact that only a handful of countries appeared willing to purchase this blend. 'Bloomberg' data shows that exports of this particular crude slipped by 16% m/m to 1.58 mio bpd in December 2022, with some of it reportedly being sold well below the G7 price cap of US\$60, according to '[Reuters](#)'. Whether or not this situation continues in the weeks and months ahead remains to be seen. Meanwhile, President Putin recently signed a decree banning the sale of Russian oil to countries or entities complying with the price cap. This decree is due to come into force from the 1<sup>st</sup> of February 2023.

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### **US Approves Import Of Venezuelan Oil Cargos.**

According to 'Reuters', Chevron is preparing to import Venezuelan crude into the US for the first time in four years. This shift comes after Chevron was granted a six-month license to expand its role in its Venezuelan joint ventures by the US Treasury late last year. The license also allows Chevron to bring some sanctioned Venezuelan crude oil into the United States for sale to domestic refiners.

### **Strike Action At Key Iranian Oil Refineries.**

Workers at Iran's largest oil refinery reportedly went out on strike this past Saturday, according to the 'Al Arabiya' media outlet. The Abadan refinery is located in Iran's southern Khuzestan province and is able to process 400,000 bpd. Meanwhile, the 'Jerusalem Post' newspaper claimed that similar strike action was taking place at the Arak refinery and the Azar Mehran oil company in protest over working conditions and wages.

### **Iraqi Dinar Hits New Low In Kerb Market.**

The Iraqi Dinar slipped to its lowest level against the US dollar since 2004 last week, reportedly touching USD/IQD 1600 at one stage in the unofficial FX market, before recovering to USD/IQD 1520 according to the 'Rudraw' news site. This compares with the official USD/IQD exchange rate of 1465. Various reasons have been proffered for this recent fall including; a lower oil price and alleged closer scrutiny by the US Treasury on Iraqi linked foreign transactions (to ensure they were not in breach of Iran sanctions) which in turn has apparently led to lengthy payment delays. You can read more on this latter topic [here](#).

### **Egypt To Launch Ramadan Food Drive 3-Months Early.**

Egypt will kick-start its annual Ramadan food drive three months earlier than usual this year, in an effort to give the country's poorer citizens access to essential items at a discounted price from government regulated outlets. *"The decision to make these goods available is first to put people at ease that the most essential goods they might need during Ramadan are available in sufficient quantities,"* the country's Deputy Supply Minister was quoted as saying by 'The National' newspaper. The move comes after annual inflation hit a five-year high of 18.70% in November last year. Meanwhile, an ISIS linked militant group has claimed responsibility for the attack on a Police checkpoint in the Suez Canal city of Ismailia last week, which led to the death of three policemen and one of the militants. This is the first such terror attack in mainland Egypt for almost three years.

### **Oman Unveils 2023 Budget.**

The Sultan of Oman yesterday ratified his government's budget for 2023 which will see spending fall by 6.40% to OMR 11.35 bio, against forecasted revenue of OMR 10.05 bio resulting in a projected deficit of OMR 1.30 bio (3% of GDP). This budget is based on an oil price of US\$55 per barrel. Oman recorded a budget surplus of OMR 1.146 bio in 2022.

### **Saudi Arabia's Construction Sector Set To Remain Strong.**

Output by Saudi Arabia's construction sector is estimated to have grown by 3.20% last year and will average an annual growth rate of 4% over the next three years, according to JLL's Q4 2022 'KSA Construction Market Intelligence Report'. Meanwhile, MEED Projects calculates that the Kingdom has pre-execution construction projects worth up to US\$1.10 trio in the pipeline. You can access more details on this topic [here](#).

### **Morocco Bans Travelers From China.**

Morocco's Foreign Ministry announced yesterday, that the North African country will ban any travelers coming from China from entering Morocco effective 3<sup>rd</sup> January 2023 until further notice. The Ministry said in a statement that this measure, *"comes on the backdrop of the rising number of COVID-19 infections in the Asian country,"* and therefore was to *"avoid a new COVID-19 outbreak in Morocco and the repercussions such an outbreak would entail,"* adding that *"this exceptional measure in no way affects the sincere friendship between the two peoples or the strategic partnership between the two countries, to which the Kingdom remains firmly attached."* Numerous other countries have already instituted health requirements on incoming travelers from China, including the EU, US, Australia, UK, Canada, Israel, India, South Korea and Japan who now all demand such travelers to produce a recent negative COVID test before boarding.

## Dubai Suspends Tax on Alcohol.

The UAE Emirate of Dubai has suspended a longstanding 30% tax on the sale of alcohol with immediate effect, according to a report in the 'Caterer Middle East' website, which added that this suspension would last for a 'trial period' of one year. *"It is understood that the Dubai government expects the saving to be passed from venues to customers, making the city a more affordable place to visit in 2023 and also putting it in line with the cost of alcohol in other Emirates,"* the report read. You can access more details [here](#).

## NMD Wins Dredging Contract In Egypt.

The Abu Dhabi based National Marine Dredging Company has been awarded a AED 1 bio dredging contract in Egypt's Suez Canal region, 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.

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6725/29	1/3	1/4	2/5	3/8	6/11	8/13	10/60
USD/SAR	3.7575/95	35/55	45/65	50/70	60/80	65/85	70/90	100/200
USD/KWD	0.30580/600	-62/-52	-92/-82	-112/-97	-170/-150	-200/-170	-180/-130	-150/Par
USD/OMR	0.38497/502	4/14	9/19	15/25	25/45	35/65	43/73	75/225
USD/BHD	0.37700/05	11/16	25/35	40/55	80/110	130/160	170/200	280/480
USD/MAD	10.4300/4600	-80/+80	-180/-20	-250/Par	-500/Par	-700/-100	-800/-100	-1500/Par
USD/EGP NDF	24.7424	26.15/26.45	27.00/27.50	27.40/27.90	28.35/28.85	29.35/29.85	30.30/30.80	-
USD/JOD	0.7097/7100	40/140	125/275	225/425	450/700	600/1000	700/1200	800/1800
USD/NGN NDF	461.10	479.00/484.00	493.00/498.00	509.00/514.00	543.00/553.00	585.00/600.00	623.00/638.00	(NAFEX)
USD/GHS NDF	10.4000	11.20/12.20	11.60/12.80	12.00/13.50	12.80/14.30	13.20/14.70	13.50/15.00	-
USD/TND	3.0900/1200	Par/100	20/150	25/275	200/800	500/1500	800/2300	2000/5000
Crude Oil	Futures							
WTI	\$80.25							
Brent	\$85.90							

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

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	-9/+1	+0/10	+11/21	+22/32	+31/41	+40/50	+47/57	+58/68
SAR SPREAD	+50/60	+52/62	+63/73	+75/85	+87/97	+99/109	+109/119	+132/142

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

## AND FINALLY...

Did you know, at 2.33 million square kilometers the Arabian desert is the fifth-largest in the world?

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