

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Embargo On Russian Fuel Product Imports Approaches.**

An EU embargo on the import of Russian seaborne fuel products is due to begin on the 5<sup>th</sup> of February, although G7 parties involved in adding a price cap to this latest sanction have still not been able to agree on the level of such a cap yet. Whatever the outcome, it's clear there will be some impact on Russian supplies for various reasons. One is that although China and India will remain key buyers of Russian crude, their appetite for fuel products will probably be far less because they are already major refiners and net exporters of these products themselves. Moscow also faces a few key logistic problems. The first is a shortage of adequate tonnage to carry these products much longer distances than before. Another is that the bulk of Russian oil export infrastructure was built along the Baltic and Black Sea regions for what's known as the Atlantic market, i.e the EU, Turkey, etc. Its Pacific ports meanwhile, do not have the same capabilities and it would take an enormous amount of investment and time to reverse this decades long strategy. On top of this, Russia's Baltic ports are relatively shallow and thus only able to serve a certain size of tanker. The IEA itself has estimated, that Russian crude production could fall by as much as 1.40 mio bpd this year for various reasons, including the few mentioned above. In our opinion we are not convinced the drop will be that large, but we do agree there will likely be a decline in the level of Russian oil and refined products exports this year.

#### **US House Passes Bill Limiting SPR Withdrawals.**

Members of the US House of Representatives recently voted to pass a bill called the 'Strategic Response Act' which puts limitations on the tapping of America's strategic oil reserves. However, in order to become law the bill still needs to be passed by the US Senate and not be vetoed by the White House. President Biden has regularly been

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criticized by Republicans for his decision to release 180 mio barrels of crude from the SPR in order to cool prices last year, an action which may have been politically sensitive but actually did have some impact.

#### **Drone Attack On Iranian Defence Facility.**

Several armed drones reportedly attacked an Iranian defence factory in the city of Isfahan this past weekend, which local officials claim only caused minor damage. *"An unsuccessful attack was carried out using drones on one of the workshop complexes of the ministry of defense. The attack, which occurred around 11:30 p.m. on Saturday, did not cause any disruption to the operation of the complex,"* a statement published by Iran's state media outlet 'IRNA' read. The facility targeted, reportedly lies close to a site engaged in the country's missile program, but it's unclear yet who was responsible and whether or not it was aimed at disrupting Iran's nuclear program or its provision of arms such as 'suicide drones' to Russia. Several media articles including the 'Wall Street Journal' have suggested that Israel was likely responsible, but it should also be noted the Ukraine's Presidential advisor, Mykhailo Podolyak, tweeted *"Explosive night in Iran - drone & missile production, oil refineries. did warn you,"* soon after news of this attack broke. Meanwhile, the US Secretary of State, Anthony Blinken warned yesterday that although the US preferred a diplomatic solution to Iran's nuclear program, *"President Biden has also made clear that we're determined that Iran not acquire a nuclear weapon, and every option remains on the table to ensure that that doesn't happen."* You can access Blinken's full comments on this topic [here](#). In a separate development, Azerbaijan has closed its embassy in Tehran and evacuated its staff there, after a gunman broke into the embassy last Friday killing the chief of security. *"Unfortunately, the latest bloody terrorist attack demonstrates the serious consequences of not showing proper sensitivity to our urgent appeals in this direction. We are of the opinion that the recent anti-Azerbaijani campaign against our country in Iran has encouraged such attacks against our diplomatic mission,"* Azerbaijan's Foreign Ministry were [quoted](#) as saying by the 'Eurasianet' news site.

#### **Egypt Has 'Cleared Imports Backlog' – Prime Minister.**

According to the Egyptian Prime Minister, Mostafa Madbouly, the remaining backlog of imported goods held in the country's ports has now been cleared. *"We're back to levels before February 2022 before the crisis began. Average goods at ports nationwide amount to the traditional average in the days and months before the crisis,"* the Prime Minister was quoted as saying this past weekend by the 'Business Today' news site, adding that *"factories nationwide are now operating at full capacity and have reserves of raw materials sufficient for one to two months."* This development should help to lower prices and ease pressure on the local currency. Last week, S&P affirmed Egypt's long-term local and foreign currency debt ratings at 'B' with a stable outlook. *"We expect Egypt's large foreign funding needs to be largely met by multilateral and bilateral financial support in the fiscal year ending June 30, 2023. We view the devaluation of the Egyptian pound by almost 35% since late October 2022 as part of the adjustment process, as per Egypt's IMF program conditionality. We think this should reduce the buildup of large external imbalances, and expect the related reduction in foreign currency liquidity and inflationary pressures to gradually abate,"* S&P said in a statement.

#### **GCC Appoints New Secretary-General.**

Jasem Al Budaiwi, a former Kuwaiti ambassador to the US, Korea and Belgium, has been appointed to the post of GCC Secretary-General, succeeding Dr Nayef Al Hajraf whose term in office ends tomorrow. The outgoing Secretary-General congratulated his successor and was quoted by the 'Al Arabiya' as saying that, al-Budaiwi's diplomatic career *"will without any doubt strengthen the regional and international position of the GCC and will preserve the gains achieved by the council so far and will work towards further achievements to serve the member states and the people of the Cooperation Council."*

#### **QatarEnergy Joins Consortium To Explore For Gas In Lebanon.**

Lebanon's caretaker government signed two oil and gas exploration agreements yesterday, in partnership with QatarEnergy, TotalEnergies and the ENI Energy Company. According to 'Bloomberg', QatarEnergy will hold a 30% stake in offshore exploration blocks 4 and 9 and marks QatarEnergy's first such endeavor in Lebanon. *"This very important commitment gives us the opportunity to support Lebanon's economic*

development, at this critical juncture. We are pleased to work with TotalEnergies and Eni, with whom we share a long history of cooperation, and who have a deep understanding of the region and a proven exploration track record,” Qatar’s Minister of State for Energy Affairs and CEO of QatarEnergy, was quoted as saying.

### Dubai Investments Takes Stake In UK Lender.

Dubai Investments’ has recently acquired a 9% stake in the UK based digital lender Monument Bank. This “investment in Monument Bank provides the group a unique opportunity to foray into the digital banking space in one of the most advanced and regulated markets at an early stage,” the CEO of Dubai Investments’ was quoted as saying by ‘The National’ newspaper. Monument Bank was launched in 2021 and focuses on the ‘mass affluent’ segment in the UK.

### Yahsat Expands Presence In Africa.

YahClick, a subsidiary of the UAE based satellite communications firm Yahsat, has signed a six-year strategic partnership agreement with Sudan’s Canar Telecommunications. This deal “will enable us to support communities across Sudan with improved communications and other services even in the remotest areas of the country. The strategic partnership with an established telecoms operator in the country will also allow YahClick to support other communities across the Middle East and Africa,” Yahsat’s Group CEO was quoted as saying by ‘Zawya’.

### ADNOC To Plant Seeds Using Drone Technology.

Supported by Distant Imagery, a UAE based environmental technology company, ADNOC reportedly plans to use drones in order to plant more than 2.50 mio mangrove seedlings in Abu Dhabi over the next 3 years. “Mangroves can provide a living defence against the impact of climate change, by preventing erosion, stabilizing Abu Dhabi’s coastlines and enhancing biodiversity, as well as significantly contributing to the quality of life in the area for future generations,” the senior vice president of sustainability and climate at ADNOC was quoted as saying earlier this month by ‘The National’ newspaper. You can access more on this subject [here](#).

### 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	3.6729/31	-1/+1	Par/+2	Par/+2	2/5	4/7	6/11	35/75
USD/SAR	3.7537/42	22/27	41/46	49/59	82/92	90/100	100/110	140/210
USD/KWD	0.30530/550	-50/-40	-80/-60	-97/-77	-160/-130	-155/-125	-140/-110	-130/Par
USD/OMR	0.38498/501	Par/+5	5/15	10/20	30/50	45/75	65/95	100/300
USD/BHD	0.37699/704	16/21	30/45	50/65	90/110	140/170	170/200	275/475
USD/MAD	10.1470/10.1770	-150/Par	-250/-25	-400/-50	-900/-100	-1100/-300	-1400/-500	-1600/Par
USD/EGP NDF	29.8995	30.40/30.70	30.80/31.15	31.10/31.45	32.00/32.40	32.95/33.35	33.95/34.35	-
USD/JOD	0.7097/7100	30/130	75/225	150/300	200/600	300/800	400/900	700/1700
USD/NGN NDF	461.42	477.00/482.00	506.00/511.00	520.00/525.00	560.00/570.00	597.00/613.00	630.00/645.00	(NAFEX)
USD/GHS NDF	11.90	12.35/13.35	12.45/12.65	12.65/14.15	13.05/14.55	13.95/15.45	14.45/15.95	-
USD/TND	3.0700/3.0850	-50/+50	-50/+100	-50/+150	-100/+400	-300/+600	-300/+1000	1500/4500
<b>Crude Oil</b>		<b>Futures</b>						
WTI	\$79.15							
Brent	\$86.15							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	-4/+6	+11/21	+21/31	+31/41	+41/51	+50/60	+60/70	+72/82
SAR SPREAD	+64/74	+55/65	+65/75	+75/85	+86/96	+96/106	+105/115	+117/127

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

### AND FINALLY...

Did you know that the Sahara Desert spans nearly a third of the African continent and reaches a total of 11 countries?

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