

# Market Insights & Strategy

Global Markets

1<sup>st</sup> June 2023

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Weak Chinese Data & Inventory Rise Weighs On Crude Prices.**

Weaker than expected manufacturing data out of China, the debt ceiling stand-off in Washington and a surprise jump in US crude inventories triggered a fresh sharp sell-off in the oil market yesterday with WTI now back below the US\$70 a barrel level. According to the latest API report, US commercial oil stocks were estimated to have risen by 5.20 mio barrels last week against expectations of another draw, although the actual figure will only be confirmed by the EIA later today. Meanwhile, oil prices have stabilized somewhat this morning after the news broke late last night that the US Congress had finally approved an increase in the debt ceiling, although this bill still needs to be ratified by the Senate.

#### **Focus On Upcoming OPEC+ Meeting.**

With a softer tone pervading the oil market this week, traders will be closely watching the outcome of the next OPEC+ meeting which is scheduled to take place on June 4<sup>th</sup>, especially as the group decided to conduct an in-person meeting in Vienna this time around, a move that some analysts suggest may indicate that a further production cut is being seriously considered. Last Tuesday Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, again warned speculators against shorting the oil market saying *"I keep advising them that they will be ouching — they did ouch in April,"* according to 'Bloomberg'. However, Russia's Deputy Prime Minister Alexander Novak, played down the prospect of further OPEC+ cuts on Thursday last week, when he was quoted by a local media outlet stating, *"I don't think that there will be any new steps, because just a month ago certain decisions were made regarding the voluntary reduction of oil production by some countries."* It should be noted too that OPEC's current projections are bullish and still foresee the market switching into a supply deficit during the second-half of this year. So, it's currently a 50/50 call on whether or not OPEC+ will adjust its production again this Sunday and such a move is not currently priced in the market, but be prepared at the very least for the possibility of hawkish comments.

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### **Iran & Oman Sign Agreement To Jointly Develop Oilfield.**

Iran and Oman have [reportedly](#) agreed to jointly develop the Hengam offshore oilfield which lies within the Strait of Hormuz. This agreement is *“aimed at preparing a Master Development Plan for the joint oilfield, and different scenarios for further development and bilateral co-operation on the exploitation of the field. This is the first agreement on co-operation between Iran and a neighboring country in a shared field,”* Iran’s Oil Ministry said in a statement. Meanwhile Iran’s President Raisi, has instructed his Foreign Ministers to actively work to restore diplomatic ties with Egypt as relations between the two counties continue to thaw. This ongoing attempt at rapprochement is also supported by Iran’s Supreme Leader Ali Khamenei, whose official website [quoted](#) him as saying earlier this week that he welcomed the *“Omani Sultan’s statement regarding Egypt’s willingness to restore relations with the Islamic Republic of Iran,”* adding that he had *“no objection to this.”*

### **Sudan’s Army Suspends Ceasefire Talks.**

The Sudanese military suspended talks with its paramilitary rival the ‘Rapid Support Forces’ yesterday, just two days after a 5 day extension to the ceasefire had been agreed. *“The general command of the armed forces has decided to suspend participation in the current talks in Jeddah due to the rebel militia’s lack of commitment in implementing any of the terms of the agreement and its continuous violation of the ceasefire,”* an army spokesperson was [quoted](#) as saying by ‘The National’ newspaper. The lull in fighting since the initial ceasefire was brokered by KSA and the US, had allowed for the delivery of humanitarian aid to around 2 mio people, despite reports of sporadic clashes in various parts of the country.

### **Singapore Detains Record Number Of Unsafe Oil Tankers In 2023.**

Singapore has reportedly detained 33 oil and chemical tankers so far this year for failing safety inspections. This is equal to the total number of ships the country’s Maritime and Port Authority detained for similar reasons between 2009 to 2019, according to a recent [report](#) published by ‘Bloomberg’. The primary reason for this increase has been attributed to the sharp jump in the use of ‘dark fleet’ vessels since the outbreak of the Ukraine/Russia conflict and the consequent implementation of G7 sanctions on Moscow. These ships are often old and under-insured.

### **The Number Of Entrepreneurs In KSA Continues To Expand.**

A recent report published by Saudi Arabia’s ‘Small and Medium Enterprises General Authority’ revealed, that the overall number of SMEs in the Kingdom now exceeds 1.20 mio. *“Saudi Arabia’s robust SME ecosystem passes new milestones every quarter. More than 88,000 new SMEs were launched in Q1 alone, bringing consumers a new array of goods and services and spurring growth across key sectors such as tourism, e-commerce, retail, food and beverage, and fintech. Behind these numbers is an exciting new generation of entrepreneurs who are striking out on their own, and as the Kingdom’s non-oil economy surges, the growth of SMEs will continue to kindle unprecedented private sector growth,”* the vice governor for communications at the authority was quoted as saying by the ‘Arab News’ site.

### **Africa’s GDP Growth To Rebound In 2023/24.**

In its latest Economic Outlook on Africa, the AfDB expects the continent’s average real GDP to expand by 4.00% this year from 3.80% in 2022 and then consolidate around 4.30% in 2024. The bank also sees Benin, Côte d’Ivoire, Ethiopia, Rwanda, and Tanzania, returning as 5 of the world’s 10 fastest-growing economies in 2023 –24. However, it did highlight downside risks to its forecasts such as subdued global growth, the persistence of tight global financial conditions combined with the high level of debt in a number of countries, the impact of the conflict between Russia and Ukraine especially if it continues to be drawn-out and finally extreme weather events. You can access the full ADFB report [here](#).

### **BESIX JV Seals Port Contract In NEOM.**

BESIX, in collaboration with Boskalis and Modern Building Leaders (MBL), have been awarded a contract covering the initial phase of dredging and quay wall development at the Port of NEOM in Saudi Arabia, according to the ‘Construction Week’ news site.

### **CPPEC Wins Major Oil Storage Contract In Iraq.**

According to the ‘Oil & Gas’ news site, China Petroleum Pipeline Engineering Company has been awarded a contract to build a 3.20 mio barrel capacity oil storage complex at Nasiriyah in Iraq. Once complete the 2.50

mio square facility will be the largest of its type in the Middle East country and will pump crude via a new pipeline to Faw port which is currently under construction.

### Iskefe Sees Leather Production Opportunities In Egypt.

The Turkey based leather producer Iskefe, is considering building a factory for the production of edible gelatin and leather derivatives in Egypt, according to 'Zawya'. The firm is also reportedly looking at developing and operating three production units at Roubiki Leather City near Cairo.

### 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	3.6728/31	-2/+1	-1/+2	1/3	3/6	7/12	12/17	45/75
USD/SAR	3.7506/09	13/16	25/30	37/42	65/70	76/82	87/97	200/250
USD/KWD	0.30775/785	-55/-45	-110/90	-150/-120	-275/-225	-375/-325	-450/-400	-550/-300
USD/OMR	0.38498/503	-5/Par	Par/+10	4/17	30/60	70/100	120/170	250/400
USD/BHD	0.37697/702	15/20	31/41	48/58	85/105	130/160	170/200	325/525
USD/MAD	10.1650/10.1950	-400/-100	-650/-350	-950/-450	-1700/-1000	-2000/-500	-2200/-500	-3000/-800
USD/EGP NDF	30.8983	31.40/31.70	32.40/32.70	33.30/33.80	36.00/36.50	38.60/39.10	41.10/41.60	-
USD/JOD	0.7095/7100	30/130	75/225	150/300	200/600	300/800	400/900	700/1700
USD/NGN NDF	465.32	509.00/519.00	542.00/552.00	567.00/577.00	610.00/625.00	640.00/655.00	671.00/686.00	(NAFEX)
USD/GHS NDF	11.1500	11.35/11.85	11.65/12.15	11.85/12.85	12.00/13.00	12.35/13.35	12.65/13.65	-
USD/TND	3.1100/3.1300	100/400	200/500	300/750	700/1400	1000/2500	1800/3800	2500/5000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	\$68.75							
Brent	\$73.35							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+13/23	+25/35	+35/45	+44/54	+51/61	+56/66	+60/70	+75/85
SAR SPREAD	+67/77	+77/87	+81/91	+86/96	+90/100	+95/105	+98/108	+108/118

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

### AND FINALLY...

*Did you know that the UAE's Masdar City is home to the headquarters of the International Renewable Energy Agency?*

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