

Market Insights & Strategy

Global Markets

13th June 2023

MIDDLE EAST & AFRICAN MONITOR

- **Crude Prices Dip Again Ahead Of FED Decision – Pakistan Pays For Russian Oil In CNY.**
- **Kurdish Oil Exports Remain Suspended.**
- **US Oil Supply Growth Is ‘Limited’ – Pioneer Resources.**
- **US Dismisses Rumours Of Interim Deal With Iran.**
- **Heavy Fighting Erupts In Sudan After Latest Ceasefire Ends.**
- **Egypt’s Industrial Production Contracted In April.**
- **Carbon Credit Firm Preparing To Launch Exchange In KSA.**
- **Human Horizons Seals US\$5.60 Bio Deal With Saudi Arabia.**
- **Egypt & Jordan Sign Major LNG Agreement.**

REGIONAL COMMENTARY

Crude Prices Dip Again Ahead Of FED Decision – Pakistan Pays For Russian Oil In CNY.

Oil prices dipped again yesterday as focus turned towards Wednesday’s FED meeting. Although the consensus is for no change in FED rates this time around, concerns are that ongoing inflation pressures will encourage the bank to resume hiking again in July. These fears combined with still weak economic data coming out of China, led to fresh selling in the oil market and pushed WTI back below the US\$70 level. Meanwhile, Pakistan’s Petroleum Minister announced yesterday, that the country had paid for its first G-to-G import of discounted Russian oil with Chinese Yuan, although the exact price and the payment method has not been officially disclosed. Earlier this month the Pakistan government outlined a process to begin barter trading with Afghanistan, Iran and Russia.

Kurdish Oil Exports Remain Suspended.

Oil exports from Iraq’s Kurdish region via pipeline to the Turkish port of Ceyhan, have not restarted since the outcome of an ICC arbitration court’s decision back in March which recognized Baghdad’s exclusive right to manage these flows. Baghdad and Erbil agreed the following month to grant Iraq’s Federal government greater control over Kurdish oil exports, but a final legally binding trilateral deal between Iraq, Kurdistan and Turkey continues to be elusive. This deadlock has affected an estimated 450,000 bpd of oil output.

US Oil Supply Growth Is ‘Limited’ – Pioneer Resources.

A senior executive at Pioneer Natural Resources, which is the third largest shale producer in the US, warned recently that higher costs were squeezing profit margins in the US oil industry and limiting supply growth. *“That squeeze in the margin is really keeping US E&Ps from*

Glenn Wepener

Chief Strategist

Please click [here](#) to view our recent publications on MENA and Global Markets

moving forward in a significant way. In general, you'll still see those modest production growth rates and those low reinvestment rates because we continue to focus on returning cash to shareholders," Beth McDonald an Executive Vice President at Pioneer was quoted as saying by 'Reuters' earlier this month, adding that she expects crude prices to trade between US\$70 per barrel and US\$100 per barrel over the next three to five years. Her comments follow those made back in March this year by the company's CEO, Scott Sheffield, when CNBC [reported](#) him as saying that, *"We just don't have that potential to grow US production ever again. We don't have the refining capacity, if we all add more rigs, service costs will go up another 20%-30%, it takes away free cash flow, and secondly, the industry just doesn't have the inventory."*

US Dismisses Rumours Of Interim Deal With Iran.

Late last week a number of media outlets claimed, that the US and Iran had been participating in back channel talks and that an interim deal was close to being signed. This alleged deal would see Tehran agree to halt its uranium enrichment program in exchange for Washington allowing the Middle Eastern country to export up to 1 mio bpd of its crude oil. However not long after this story broke, officials at both the White House and Iran's Ministry of Foreign Affairs denied such negotiations were currently being held. *"This report is false and misleading, any reports of an interim deal are false,"* a White House National Security Council spokesperson, was quoted as saying by 'Reuters'. While it can be argued that the Biden administration may still be open to reaching some sort of deal with Tehran, which would ease current tensions between the two countries, suspend Iran's uranium enrichment and lead to softer oil prices, it would also probably not play well for the Democrats on the domestic political scene, especially as campaigning ahead of the 2024 elections has already started. At the same time, even if such an agreement was concluded it would still face serious challenges around implementation, and most analysts agree that Iran would not be able to increase its crude production significantly for at least 6-12 months. (Iran currently pumps around 2.50 mio bpd).

Heavy Fighting Erupts In Sudan After Latest Ceasefire Ends.

Heavy fighting restarted in the cities of Khartoum and Omdurman this past Sunday just 10 minutes after a recent 24-hour ceasefire came to an end. In reaction to this latest round of clashes between the Sudanese Army and the RSF, both the US and Saudi Arabia have expressed their exasperation in trying to get both sides in the conflict to agree to a longer-lasting halt in the fighting, so that humanitarian assistance can be provided to more civilians. *"Following the expiration of the short-term ceasefire, facilitators have been deeply disappointed by the immediate resumption of intense violence, which we strongly condemn. The Kingdom of Saudi Arabia and the United States continue to stand by the people of Sudan and urge the parties to end the fighting immediately. There is no acceptable military solution to the conflict. Besides engaging with the parties, facilitators continue to coordinate with regional and international partners to stop the fighting and minimize its impact on the region, and to intensify coordination with Sudanese civilian stakeholders, who must be the authors of their country's future,"* a [statement](#) published by Saudi Arabia's Foreign Ministry on Sunday read. According to the United Nations, more than half of Sudan's population are now in desperate need of aid and over a million have been displaced.

Egypt's Industrial Production Contracted In April.

According to the Central Bank of Egypt, the country's industrial production contracted by 5.89% m/m in April. Meanwhile, in its latest 'Global Economic Prospects' report the World Bank lowered its forecast for Egypt's GDP growth by 50bp to 4.00% in FY 2022/23 and by 80bp to 4.00% in FY 2023/24.

Carbon Credit Firm Preparing To Launch Exchange In KSA.

Saudi Arabia's 'Regional Voluntary Carbon Market Company' plans to launch a carbon credit trading exchange in early 2024. The company (which is jointly owned by PIF and the Saudi Tadawul Group) will also establish a fund to invest in climate projects and offer advisory services, its CEO Riham ElGizy, was reported to have said during an interview with 'The National' newspaper yesterday, adding that *"In the future, we're going to have ratings agencies and we're going to look at international standards and make sure that they are applied on the exchange."* You can access more details on this story [here](#).

Human Horizons Seals US\$5.60 Bio Deal With Saudi Arabia.

China's electric vehicle manufacturer Human Horizons, has signed an agreement worth US\$5.60 bio with Saudi Arabia's Ministry of Investment in order to collaborate on the development, manufacture and sale of vehicles, according to 'Zawya'. This deal forms part of the Kingdom's plan to foster the establishment of a domestic EV manufacturing sector.

Egypt & Jordan Sign Major LNG Agreement.

Officials from Jordan and Egypt have signed a comprehensive collaboration agreement which is aimed at maximizing the resources of both countries and enhance the security of their energy supplies. The deal will grant Egypt access to the floating storage regasification unit at the Sheikh Sabah port in Aqaba, and see Jordan receive LNG from Egypt with the ability to also pump some of the natural gas back to the North African country, whenever it may be required, [according](#) to the 'Oil & Gas' news site.

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	3.6728/30	-3/Par	-3/Par	-3/Par	-2/+3	Par/+5	3/8	40/70
USD/SAR	3.7502/05	21/26	34/39	46/51	68/73	78/88	88/98	200/250
USD/KWD	0.30720/730	-65/-55	-120/-90	-180/-150	-340/-310	-450/-400	-570/-520	-550/-300
USD/OMR	0.3847/502	-5/Par	-3/+7	-2/+13	15/35	45/75	80/130	200/400
USD/BHD	0.37697/702	18/23	33/38	48/58	80/110	125/155	160/190	325/525
USD/MAD	10.0800/10.1000	-400/-100	-650/-350	-950/-450	-1700/-1000	-2000/-500	-2200/-700	-3000/-800
USD/EGP NDF	30.8972	31.30/31.60	31.80/32.10	32.70/33.00	35.25/35.75	37.70/38.20	40.00/40.50	-
USD/JOD	0.7097/7100	30/130	75/225	150/300	200/600	300/800	400/900	700/1700
USD/NGN NDF	471.40	550.00/600.00	570.00/630.00	600.00/650.00	630.00/680.00	670.00/720.00	705.00/755.00	(NAFEX)
USD/GHS NDF	11.3500	11.55/12.05	11.85/12.35	12.05/12.85	12.25/13.25	12.55/13.55	12.85/13.85	-
USD/TND	3.0900/3.1200	70/200	150/450	250/650	700/1400	1000/2500	1800/3800	2500/4500
Crude Oil	Futures							
WTI	\$68.35							
Brent	\$73.40							

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

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+10/20	+20/30	+30/40	+39/49	+47/57	+54/64	+60/70	+72/82
SAR SPREAD	+67/77	+76/86	+83/93	+88/98	+92/102	+96/106	+101/111	+111/121

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

AND FINALLY...

Did you know that the White Nile and Blue Nile merge together in Sudan before flowing into Egypt?

Glenn Wepener
Chief Strategist

Market Insights & Strategy

FAB Global Markets

Email: Marketinsights&strategy@bankfab.com

Please click [here](#) to view our recent publications on MENA and Global Markets

Disclaimer: 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.