

# Market Insights & Strategy

Global Markets

20<sup>th</sup> June 2023

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Oil Prices Steady After PBOC Decision.**

Benchmark crude prices dipped briefly this morning after China's Central Bank lowered its key lending rates by less than initially anticipated, but regained their poise later in the day with Brent hovering just below US\$77 at the time of writing. Of course concerns over the mixed outlook for the global economy remain, and while we are still cautiously optimistic that the US summer driving season, increased air travel (especially in the Asia-Pacific region), recent OPEC+ output measures and a potentially better performance by the Chinese economy during the second-half of this year will support crude prices in the coming months, we have adjusted our price forecasts and now anticipate Brent to average US\$84 in 2023 down from our previous forecast of US\$89.

#### **Kuwait Looks To Expand Its Oil Output Capacity.**

The CEO of Kuwait's state-owned oil company, Ahmed Jaber al-Aydan, announced this week that the firm was planning to invest up to US\$43 bio into the country's energy infrastructure and increase its overall production capacity by 200,000 bpd. *"KOC's strategy during the next five years until 2028 includes several projects covering drilling of new wells, increasing their output and developing other facilities. This strategy involves spending nearly KWD 13 bio on projects and oilfield development besides the construction of new oil facilities,"* al-Aydan was quoted as saying by the 'Oil & Gas Middle East' website. Kuwait's current production capacity is around 2.80 mio bpd.

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### Indian Imports Of Russian Crude Hit Fresh New High.

India reportedly imported a record 1.96 mio bpd of Russian crude in May, which now accounts for more than 40% of the Asian country's total oil imports compared to less than 2% prior to the outbreak of the conflict in Ukraine. The discounted price of Russian oil is of course the key motivating factor, with 'The Hindu' newspaper reporting that the average cost of importing such crude (including freight costs) was US\$68.21 a barrel in April 2023, compared to US\$77.77 for imports of Iraqi crude that same month.

### Tel Aviv Opposed To Any Interim US-Iran Deal – Netanyahu.

A number of media outlets claimed late last week, that Washington and Tehran were close to signing an interim deal on Iran's uranium enrichment program. This alleged deal would involve some sanctions relief in exchange for Tehran halting enrichment and releasing certain detainees. In response, the head of the Israeli parliament's Foreign Affairs and Defense Committee Yuli Edelstein, was quoted as saying by the 'VOA' network that these back channel discussions between the US and Iran were apparently not over any sort of wide-scope agreement, *"it's more like a small agreement, a memorandum of understanding, an MOU, and I think Israel can live with this if there is real supervision."* However, Prime Minister Benjamin Netanyahu, warned this past weekend that his government was opposed any potential interim US deal with Iran over its nuclear program. Along with the JCPOA, even *"the most limited understandings, what are termed mini-agreements, do not in our view serve the goal and we are opposed to them as well,"* Netanyahu was quoted as saying by the 'AP News' site on Sunday. However, it's worth noting that the US Secretary of State had already said separately that *"with regards to Iran, some of the reports that we've seen about an agreement on nuclear matters or, for that matter, on detainees, are simply not accurate and not true."*

### UAE & Qatar Reopen Their Embassies.

The UAE and Qatar officially reopened their respective embassies yesterday. *"Based on Al-Ula agreement and the joint keenness on strengthening the bilateral relations, the United Arab Emirates and the State of Qatar announced the restoration of diplomatic representation between the two countries by resuming the work at the Embassy of the UAE in Doha, and at the Embassy of Qatar in Abu Dhabi and its consulate in Dubai as of Monday, 19th June 2023. The two sides underlined that this step embodies the will of the leaderships of the two counties and in the consolidation of the March joint Arab action to achieve the aspirations of the two brotherly people,"* a [statement](#) published on the UAE's official news site read.

### Remittances Into Egypt Set To Rebound Slightly In 2023 – World Bank.

After falling to US\$28.30 bio in 2022 (a drop of 10% y/y) the World Bank has said that it expects the flow of remittances into Egypt to expand by 3.10% this year before slipping by 1.40% again in 2024. In a [press release](#) titled 'Remittances Remain Resilient But Likely To Slow', the WB said that remittances into the MENA region as a whole fell by 3.80% to US\$64 bio in 2022 after recording growth of 12.20% in 2021, although adding that *"in 2023, remittance inflows are projected to grow by 1.70% with the outlook differentiated across regional subgroups depending on dominant host countries and the degree of exposure to higher inflation and financial volatility. Sending US\$200 to the region cost on average 6.20% in the fourth quarter of 2022, down from 6.40% a year ago."* Egypt is the world's sixth largest recipient of remittances, which are primarily sent by workers in the Arabian Gulf region, and these inflows hit an all-time high of US\$31.90 bio during FY 2021/22. Meanwhile, remittances by Egyptian expats totaled US\$219.40 bio over the past ten years according to data published by the country's official statistics agency.

### Unification Of Exchange Rate Windows Sends NGN To Record Low.

Last week's decision by Nigeria's Central Bank to unify its multiple official exchange rates and now only allow trading to be executed via its 'Investors & Exporters' window on the 'willing buyer – willing seller' basis saw the local currency reportedly fall to a record low of NGN 765.00 per US dollar at one stage last Friday, although the market has stabilized somewhat since then, with the USD/NGN spot rate fixing at 680.20 yesterday. The Central Bank's decision was made in an attempt to close the differential between the official exchange rate and the 'kerb' market and improve liquidity. It is also something the IMF and World Bank have long been calling for and the IMF's resident representative in Nigeria, Ari Aisen, has since expressed the international lender's support for the measure. *"The Fund greatly welcomes the authorities' decision to introduce a unified market-*

reflective exchange rate regime in line with our long-standing recommendations. We stand ready to support the new administration in its implementation of FX reforms.” Aisen was quoted as saying by the local ‘Punch’ newspaper.

### Tunisia Keeps Key Interest Rate Unchanged.

Tunisia’s Central Bank kept its benchmark rate unchanged at 8% following its latest MPC meeting last Friday. In a statement, the bank said that holding the rate at its current level *“should continue to support a decline in inflation for the period ahead and bring it back to sustainable levels.”* Inflation dipped to 9.60% last month after peaking at 10.40% in February. Meanwhile, talks between the government and the IMF over a potential US\$1.90 bio package have yet to result in a final agreement, and FITCH recently downgraded its long-term foreign-currency issuer default rating on the country to ‘CCC-’ from ‘CCC+’. The ratings agency said that its decision *“reflected uncertainty around Tunisia’s ability to mobilize sufficient funding to meet its large financing requirement.”*

### Airbus SE & Scopa Industries To Build Helicopters In KSA.

France’s Airbus SE and Saudi Arabia’s Scopa Industries Corporation, have signed an investment agreement to establish a helicopter manufacturing facility in the Kingdom. This plant is expected to be able to produce up to 100 commercial and military helicopters per year by 2030, according to a ‘Bloomberg’ report.

### Flynas Signs US\$3.73 Bio Deal With Airbus.

The Saudi Arabian based budget airline, Flynas, has agreed to buy 30 passenger aircraft from Airbus, including A320 Neos and A321 XLRs, in a contract worth a reported US\$3.73 bio, according to the ‘Arab News’ media outlet. *“The A320neo Family brings unmatched benefits to our passengers, offering exceptional operational performance and environmental benefits while helping us provide unique travel experiences at low-cost,”* the airline’s CEO, Bandar Al-Mohanna, was quoted as saying.

### FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6729/31	-2/+1	-3/Par	-3.5/-0.5	-3/Par	Par/+5	2/7	30/60
USD/SAR	3.7502/05	19/22	32/37	45/50	67/72	77/87	87/97	200/250
USD/KWD	0.30775/785	-55/-45	-115/-95	-170/-150	-320/-280	-425/-375	-530/-470	-600/-400
USD/OMR	0.38498/503	-1/+4	Par/+10	3/18	15/35	45/75	75/125	200/400
USD/BHD	0.37697/702	20/25	37/47	54/64	100/120	140/160	180/210	325/525
USD/MAD	9.9500/9.9800	-400/-100	-650/-350	-950/-450	-1700/-1000	-2000/-500	-2200/-500	-3000/-800
USD/EGP NDF	30.8972	31.30/31.60	31.80/32.10	32.40/32.70	34.90/33.40	37.45/37.95	39.75/40.25	-
USD/JOD	0.7095/7100	30/130	75/225	150/300	200/600	300/800	400/900	700/1700
USD/NGN NDF	680.20	705.00/770.00	725.00/785.00	745.00/795.00	795.00/845.00	825.00/875.00	855.00/905.00	(NAFEX)
USD/GHS NDF	11.3500	11.50/12.00	11.80/12.30	12.00/13.00	12.20/13.20	12.50/13.50	12.80/13.80	-
USD/TND	3.0400/3.0700	100/400	200/500	300/750	700/1400	1000/2500	1800/3800	2500/5000
Crude Oil		Futures						
WTI	\$72.00							
Brent	\$77.10							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+5/15	+22/32	+33/43	+41/51	+49/59	+56/66	+62/72	+76/86
SAR SPREAD	+66/76	+75/85	+83/93	+87/97	+91/101	+95/105	+100/110	+110/120

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

### AND FINALLY...

*Did you know that Nigeria is the 6th most populated country in the world?*

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