

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Better China Data Raises Optimism On Oil Demand Outlook.

There has finally been a bit of good news for the oil bulls this week, namely the latest economic data from China which showed that domestic manufacturing and construction activity had rebounded sharply last month while exports orders jumped. These are signals that Chinese oil demand should also continue to rise, although admittedly we should keep in mind that February's better than expected economic performance is still coming off a relatively low base. Meanwhile, Russia continues to be India's largest supplier of crude oil with the Asian consumer importing an estimated 1.85 mio bpd last month (according to data published by 'Kpler') from 1.40 mio bpd in January and compared to just 68,000 bpd one year ago. The US energy department indicated earlier this week, that it has no problem with India importing these record amounts of Russian oil because according to its information they are still paying below the G7 price cap.

Ukraine Conflict Triggered Dramatic Energy Change In Poland.

The Ukraine war and consequent embargo on the import of Russian energy supplies into the EU, has also triggered a surprisingly fast and broad-based shift away from Poland's historically heavy reliance on coal as its primary source of power generation. This was highlighted in a recent [article](#) published on the 'Oil Price' website, which pointed out that Poland has been able "to cut its use of coal and gas while reaching all-time high energy production thanks to a massive boost in renewable energy production. Most of the rise in renewables came from wind power, which rose by a whopping 21.70% to ultimately provide 11% of total domestic electricity generation (a 50% increase from 2018 levels)." Meanwhile the country is also moving forward with plans to establish its first nuclear power plant, highlighted by the recent signing of an engineering design contract between Westinghouse and Poland's Polskie Elektrownie Jadrowe. The proposed facility will reportedly be able to generate 6-9 GW once complete, but it's not the only such power station in the works. A private energy group ZE PAK, together

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with Poland's state-owned public power company and Korea Hydro & Nuclear Power, have reportedly signed a letter of intent to cooperate on a separate nuclear power plant project in central Poland, at the site of a former coal-fired power plant.

Egypt Raises Fuel Prices – Prepares For Privatization Drive.

Egypt has raised its domestic fuel prices by 7-10% from today, in line with a commitment under the IMF's financial support package. This means that the price per liter for 80-octane petrol is now EGP 8.75, 92 octane is EGP 10.25 and 95 Octane is EGP 11.50. However, the price of diesel was kept unchanged. Meanwhile, the Egyptian government is due to start its privatization drive this month from which it hopes to raise around US\$10 bio annually over the next four years. This combined with multilateral lending should allow for the current account deficit to be funded, but it remains to be seen if the net foreign liability position of local commercial banks (which increased m/m in January) will improve in the near term.

Uranium Particles Enriched To 84% Discovered By IAEA In Iran.

The IAEA revealed in its latest report, that its staff members had discovered particles of uranium enriched to 83.70% purity at a nuclear site in Iran during a visit in late January. The nuclear watchdog's inspectors also apparently discovered that two cascades of IR-6 centrifuges at Iran's Fordo facility had been configured in a way "*substantially different*" to what had been previously declared. However, investigating whether or not Iran is actively building stockpiles of highly enriched uranium is difficult, especially as Tehran has made access to and monitoring of its nuclear sites by the IAEA inspectors much more difficult since last year. This latest announcement will however, put more pressure on the US and its allies to censure Tehran further, and is highlighted via comments on the subject by Israel's Foreign Minister, who was quoted as saying by the 'AP' media network this week that there were only two options to deal with Iran. First by using a so-called 'snapback' mechanism to reinstate wider UN sanctions on Iran, but secondly "*to have a credible military option on the table as well.*"

Nigeria's Ruling Party Candidate Wins Presidential Poll.

The vote to select Nigeria's next President has been concluded, after Bola Ahmed Tinubu, the candidate from the ruling party was officially declared the winner yesterday with 36% of the vote. This outcome has obviously disappointed those who had been hoping that Nigeria's long-standing political status quo may about to be upended by the Labour Party challenger Peter Obi. However, it should be recognized that Obi and his party did make significant electoral gains, especially by winning the country's most important state of Lagos. Nigerian bonds initially rallied on the election outcome, in part because the vote passed by relatively peacefully, despite allegations by the opposition of vote rigging. The market is also probably hoping that Tinubu will implement some of the reforms he has promised, including within the all-important energy sector, although this remains to be seen. In his acceptance speech, the new President-elect spoke in a conciliatory tone and asked his opponents "*to team up together,*" adding that Nigeria was "*the only nation we have. It is one country, and we must build together. Let's work together to put broken pieces together.*"

Moody's Downgrades Pakistan Ratings.

Moody's Investor Service this week downgraded the Government of Pakistan's local and foreign currency issuer as well as its senior unsecured debt ratings to Caa3 from Caa1. The agency also downgraded its rating for Pakistan's senior unsecured MTN program to Caa3 from Caa1, while it amended its outlook from negative to stable. In a statement, Moody's said that its decision to downgrade was driven by its assessment "*that Pakistan's increasingly fragile liquidity and external position significantly raises default risks to a level consistent with a Caa3 rating. In particular, the country's foreign exchange reserves have fallen to extremely low levels, far lower than necessary to cover its imports needs and external debt obligations over the immediate and medium term. Although the government is implementing some tax measures to meet the conditions of the IMF program and a disbursement by the IMF may help to cover the country's immediate needs, weak governance and heightened social risks impede Pakistan's ability to continually implement the range of policies that would secure large amounts of financing and decisively mitigate risks to the balance of payments.*" You can access Moody's full statement [here](#).

UAE's Budget Airlines Report Strong Demand.

Wizz Air Abu Dhabi announced recently, that it was ramping up its operations and expanding its fleet of sustainable aircraft due to strong travel demand. The budget carrier now has nine Airbus A321neo planes and

has added several new routes. “Wizz Air is committed to carrying the flag of ultra-low-cost travel and liberating lives through affordable travel in the UAE and beyond. The ninth aircraft will provide an additional 30,000 ultra-low-fare seats per month, enabling us to expand our network with many incredible leisure, historic and cultural experiences making travel available for everyone,” the airline’s CEO Johan Eidhagen, was quoted as saying by the ‘Gulf Business’ news site. Meanwhile, pent up travel demand has also boosted FlyDubai’s bottom line with the Dubai based budget airline reporting AED 9.10 bio in revenues for 2022, a 72% jump y/y.

Vatican To Open Embassy In Oman.

Oman has just established full diplomatic ties with Vatican, with the latter reportedly planning to open an embassy in Muscat soon. In a [joint-statement](#) both countries said that they were “convinced that the establishment of diplomatic relations serves the common interests of the Holy See and Oman, and guided by the principles of sovereign equality, independence, territorial integrity and non-interference.”

Dubai Is World’s 4th Busiest Luxury Property Market.

According to a report by Knight Frank LLP, Dubai is now the world’s fourth busiest luxury real estate market behind New York, Los Angeles and London. “Dubai has arrived. The growing concentration of wealth in the city has been catalyzed by the confluence of factors, ranging from the government’s decisive response to the pandemic, to the roll-out of a range of new residency visa options,” Knight Frank’s head of Middle East research was quoted as saying by ‘Bloomberg’

FX/RATES & CRUDE MARKETS:

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

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6729/31	Par/+2	Par/+3	Par/+3	5/8	7/12	9/14	15/55
USD/SAR	3.7525/30	27/32	50/60	65/75	90/110	100/130	110/140	150/250
USD/KWD	0.30670/680	-48/-38	-90/-70	-120/-90	-170/-150	-180/-150	-190/-140	-190/-40
USD/OMR	0.38499/499	Par/+5	7/17	10/25	30/60	55/85	80/110	120/290
USD/BHD	0.37702/707	20/30	40/50	60/70	105/125	150/170	190/220	275/475
USD/MAD	10.3700/10.3900	-200/-50	-400/-150	-600/-200	-1100/-650	-1500/-500	-1800/-800	-2300/-300
USD/EGP NDF	30.6321	31.60/31.80	32.15/32.35	32.60/32.80	34.30/34.60	35.70/36.00	36.90/37.20	-
USD/JOD	0.7097/7100	30/130	75/225	150/300	200/600	300/800	400/900	700/1700
USD/NGN NDF	461.30	468.00/473.00	484.00/489.00	504.00/509.00	559.00/569.00	607.00/620.00	644.00/656.00	(NAFEX)
USD/GHS NDF	12.8500	12.70/13.70	12.85/13.85	13.05/14.05	13.40/14.70	13.75/14.95	14.00/15.25	-
USD/TND	3.1300/3.1500	Par/+130	25/+225	100/400	200/700	400/1100	500/1500	1000/4000
Crude Oil	Futures							
WTI	\$77.20							
Brent	\$84.37							

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SOFR SPREAD	-11/-1	+9/19	+21/31	+31/41	+41/51	+51/61	+60/70	+73/83
SAR SOFR SPREAD	+59/69	+57/67	+66/76	+74/84	+81/91	+87/97	+93/103	+108/118

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

AND FINALLY...

Did you know that Semba, one of the most common Angolan musical styles, influenced several other types of music, including Brazil’s Samba?

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