

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Hawkish Fed Sends Jitters Into The Oil Market.

After an initial strong start to the week, boosted by Saudi Aramco raising its selling prices to Asia, Powell's much more hawkish testimony on Tuesday evening sent crude prices lower again with the market fretting that potentially longer and higher FED rates, will in turn stifle economic growth and oil demand. However, it may not be time for the oil bulls to throw in the towel just yet. Even with China expected to grow at a weaker than usual 5% this year, crude demand from the world's second largest consumer should continue to pick up in the coming quarters, whilst the CEO of Chevron reminded us again of some of the supportive structural factors that remain in the market when he was quoted as saying by 'Reuters' that, "*There's not a lot of swing capacity, there's not a lot of inventory capacity. There's now a lot of constraints and an unexpected event today would create a different balance.*" Meanwhile, Russia is due to cut production by 500,000 bpd this month and Refinitiv said in its latest report that it still expects Brent to test US\$100 before the end of this year due primarily to rebounding Chinese demand.

Iran Says It Has Discovered A Major Lithium Deposit.

Iran has announced that it has discovered an extremely large deposit of lithium in the country's mountainous western region. "*For the first time in Iran, a lithium reserve has been discovered in Hamedan,*" a government official was quoted as saying by state media outlets, adding that the deposit is estimated to hold up to "*8.5 million tons*" of the metal. If these estimates are true, it would mean that Iran is now home to the world's second largest reserves of lithium, a key component in the manufacture of electric vehicles. However, the price of lithium carbonate has dropped sharply in recent months after hitting an all-time high of US\$86,170 per ton in November last year. The primary driver behind this sell-off has been the sudden influx of fresh lithium supplies from various regions around the world, including Chile, China and Australia.

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Central Banks Continue To Load Up On Gold.

Demand for gold by Central Banks has been exceedingly strong over the past twelve months, with the metals company Kitco estimating that the rate of these purchases has been three times more than their long-term average. According to the World Gold Council, overall central bank demand for gold reached 1,136 tons last year, the thirteenth consecutive year of net purchases, and the highest level of annual demand seen since 1950. Turkey's Central Bank was reportedly the largest purchaser of gold last year with its official gold reserves rising by 148 tons, followed by the PBOC at 62 tons. Middle Eastern CBs were also active buyers during 2022 including; Egypt (+47 tons), Iraq (+34 tons) and the UAE (+25 tons). *"Looking ahead, we see little reason to doubt that central banks will remain positive towards gold and continue to be net purchasers in 2023. However, by how much is difficult to call, as evidenced by our expectations at the start of 2022. But it is also reasonable to believe that central bank demand in 2023 may struggle to reach the level it did last year,"* the World Gold Council said its most recent 'Gold Demand Trends' [report](#).

Lebanon's Banks Have 'No Liquidity' – ABL Chief.

Lebanon's commercial banks do not have enough liquidity to pay back depositors, Fadi Khalaf the secretary general of the country's banking association, [reportedly](#) claimed in a letter included inside the association's latest monthly report. Explaining the seriousness of the situation, the letter stated that there was around US\$86.60 bio deposited at the Central Bank as of mid-February 2023, and a net negative position with correspondent banks of US\$204 mio as of January 31st 2023. *"These numbers show without a doubt that the banks have no liquidity,"* Khalaf said.

Egypt Expands Citizenship Program – Inflation Rises Again.

Egypt unveiled amendments to its citizenship by investment program yesterday. According to a 'Bloomberg' report, the latest regulations will allow citizenship to be purchased in various ways, as long as the funds are in a hard currency and transferred into the North African country from abroad. They include buying state-owned property for at least US\$300,000 or placing a US\$500,000 deposit that would be refunded, without interest, in three years and payable in EGP at the official exchange rate at the time of maturity. You can access more on this topic [here](#). Meanwhile, Egypt's urban inflation rate rose to 31.90% y/y last month from 25.80% in January according to the country's official statistics agency.

Abu Dhabi Looks To Expand Solar Power Capacity.

The Abu Dhabi based Emirates Water and Electricity Company, announced within a wide-ranging 'Future Capacity Requirements' report published yesterday, that it plans to increase its solar power capacity by more than 600% to 7.3GW by 2030. *"This report provides a powerful key reference that outlines Abu Dhabi and the UAE's future needs. Our growing portfolio of renewable and clean energy projects is accelerating the decarbonisation of the country's energy sector,"* the CEO of EWEC, Othman Al Ali was quoted as saying by 'The National' newspaper. The UAE plans to invest US\$160 bio in clean and renewable energy sources over the next 30 years.

Dubai's PMI Dipped In February.

The S&P Global PMI number for Dubai came in at 54.1 for February compared to 54.5 the previous month, and although the lowest level of business activity recorded in the past 12 months, it was still well within expansionary territory. *"Businesses were also more optimistic towards future output in February, reflecting confidence that demand conditions will continue to improve and avoid disruption from a weaker global economic climate. Firms saw supplier delivery times improve sharply, with this index picking up to its highest level in three-and-a-half years,"* a senior economist at S&P Global Market Intelligence was quoted as saying by the 'Gulf News' website.

Agthia's CEO Sees More Potential In Egypt.

The CEO of the UAE based food and beverage giant Agthia, was quoted as saying by 'Zawya' yesterday that the firm was considering Egypt as an potential export hub as part of its regional growth strategy. This strategy includes its recent acquisition of majority stakes in the Egyptian snacks company Abu Auf and the Atyab meat company. *"Our intent in Egypt is really now to bed those acquisitions, consolidate them and*

unlock the potential there to see how we can build Egypt as an export hub as well. We currently export around AED 60 mio from Egypt, but we'd like to accelerate that because we think there is a much bigger potential," Alan Smith stated.

Bahrain Reports Record Number Of Causeway Crossings.

More than 136,000 passengers crossed the King Fahd Causeway into Bahrain this past Saturday, which is the highest number of travelers recorded on a single day since the bridge was completed in 1986. This record number of crossings underlines the need for an additional causeway between Saudi Arabia and Bahrain, which is already under study and was included in Bahrain's US\$30 bio 'Strategic Projects Plan' unveiled in 2021.

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	3.6726/28	1/3	1/4	2/5	4/7	6/9	8/13	15/45
USD/SAR	3.7538/43	10/15	20/30	27/37	48/58	60/70	70/90	80/160
USD/KWD	0.30740/750	-65/-55	-110/-90	-140/-110	-210/-180	-230/-200	-230/-180	-285/-225
USD/OMR	0.38501/506	-1/+4	4/14	11/21	30/45	50/75	70/100	135/295
USD/BHD	0.37698/503	18/23	38/48	55/65	100/120	135/165	180/210	270/470
USD/MAD	10.3700/10.3900	-150/Par	-200/Par	-300/Par	-750/-50	-1000/-200	-1500/-500	-3000/-500
USD/EGP NDF	30.8283	32.50/32.80	33.05/33.35	33.50/33.80	34.80/35.20	36.30/36.70	37.60/38.00	-
USD/JOD	0.7097/7100	30/130	75/225	150/300	200/600	300/800	400/900	700/1700
USD/NGN NDF	461.29	466.00/471.00	480.00/485.00	499.00/504.00	558.00/568.00	607.00/620.00	645.00/660.00	(NAFEX)
USD/GHS NDF	12.2750	11.90/12.40	12.10/12.60	12.30/13.10	12.70/13.50	12.90/13.90	13.40/14.40	-
USD/TND	3.1300/3.1500	25/175	100/400	200/600	300/1300	500/1500	750/1750	1000/4000
Crude Oil	Futures							
WTI	\$76.70							
Brent	\$82.70							

** (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/+5	+11/21	+22/32	+32/42	+40/50	+48/58	+56/66	+71/81
SAR SPREAD	+54/64	+58/68	+69/79	+79/89	+88/98	+94/104	+98/108	+110/120

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

AND FINALLY...

Did you know that if all of the existing gold in the world was pulled into a 5 micron thick wire, it could wrap around earth 11.2 million times?

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