

# Market Insights & Strategy

Global Markets

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## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Oil Treads Water As US Debt Ceiling Stand-off Drags On.**

Brent crude has begun the week around the US\$75 level although the overall mood remains muted, especially as the US debt ceiling stand-off drags on. However, as we approach the second half of 2023 the demand picture could well change, as short term issues like the US banking sector and the political theatrics surrounding the debt ceiling move into the rear window and positive price factors such as rising fuel demand during the US driving season, rebounding air travel, as well as the potential pickup in Chinese economic growth become more in focus. Meanwhile, another possible bullish price signal are growing signs that US crude production from its important shale sector is slowing. I mentioned in a previous commentary that there has been a jump in the auctioning off of oil rig equipment during the past month or so and [reportedly](#) at prices way below their actual value. Meanwhile the total number of active US oil rigs dropped by 11 last week to 575 which is the sharpest drop since September 2021, while at the same time, US oil exports hit 4.50 mio bpd last month, helped by rising oil imports by China despite the Asian country's more subdued macro-economic data. It's also worth noting that the shale oil sector accounted for 9.30 mio bpd of the overall 12.20 mio bpd of production in the US during the first quarter of 2023, so these signs of a potential peak in shale production are coming at a time when demand is forecast to rebound.

#### **Lawmakers Push Bill To Ban US Oil & Gas Exports.**

A trio of US lawmakers, including the Democratic Senator for Massachusetts, Edward Markey, reintroduced a draft bill (aimed at banning the export of US crude oil and LNG) in both the House of Representatives and the Senate last Thursday. "Oil and gas companies continue to pad their pockets at the expense of American consumers

and frontline communities, all while fueling our global climate crisis. Our country is due for an oil change. A ban on oil and natural gas exports overseas is a win for environmental justice, for our economy, and for our planet,” Senator Markey claimed in a [statement](#) posted on his website. However, this latest attempt to pass the aptly named ‘Block All New Fossil Fuel Exports Act’, will most likely to be blocked by the Republican majority in the HOR.

#### **Zimbabwe Voids All Existing Carbon Credit Agreements.**

The Zimbabwean government announced late last week, that it was taking control of the production of carbon credits in the country, and that all past agreements signed with international agencies and organizations were now “null and void”. The affected credits represent an estimated one ton of carbon dioxide equivalent either removed or prevented from entering from carbon credits the atmosphere according to the ‘Moneyweb’ news site. The government is reportedly planning to implement a new framework which would grant the state 50% of any revenues generated by such credits. “*The growth of the carbon market requires the establishment of institutions to facilitate Zimbabwe’s participation, regulate players and ensure commensurate benefits accrue to the nation,*” the country’s Information Minister, Monica Mutsvangwa, was [quoted](#) as saying. Zimbabwe’s largest carbon credit project is the 1.94 million acre Kariba forestry project owned by the world’s leading seller of carbon offsets, South Pole.

#### **Sudanese Rivals Sign 7-Day Ceasefire Agreement.**

Representatives of the two warring sides in Sudan have agreed to a 7-day ceasefire on humanitarian grounds following Saudi and US led talks in Jeddah. The ceasefire is due to come into effect from 9.45pm local time this evening. “*Under the Agreement, the parties agreed to facilitate the delivery and distribution of humanitarian assistance, restore essential services, and withdraw forces from hospitals and essential public facilities. It is well known that the parties have previously announced ceasefires that have not been observed. Unlike previous ceasefires, the Agreement reached in Jeddah was signed by the parties and will be supported by a US-Saudi and international-supported ceasefire monitoring mechanism,*” a statement issued by Saudi Arabia’s Foreign Ministry read, adding that both sides agreed to facilitate the flow of humanitarian services and goods to those in need.

#### **Bahrain To Restore Diplomatic Relations With Lebanon.**

Bahrain’s Foreign Ministry announced during this past weekend, that the Kingdom was preparing to restore full diplomatic relations with Lebanon after a 1.5 year hiatus. “*The Kingdom of Bahrain has decided to restore diplomatic representation at ambassador level in Lebanon,*” the country’s foreign ministry stated, adding that this would “*strengthen fraternal relations between the two countries.*” In response, Lebanon’s Prime Minister Najib Mikati, was quoted as saying by the ‘Al Arabiya’ media outlet that his country “*appreciated this decision and welcomes it.*”

#### **Significant Foreign Investment In KSA’s Industrial Sector.**

According to a recent report published by the Saudi Press Agency, Foreign and joint investments into the Kingdom’s industrial sector now total more than SAR 542 bio. This figure represents 37% of the industrial sector’s total investments, while the report also said that 930 factories had received foreign investment which in turn represents 9% of the total number of factories in the Gulf country. Meanwhile, the Minister of Industry and Mineral Resources, Bandar Alkhorayef, was quoted as saying by the ‘Arab News’ website yesterday that, “*There is a great interest from foreign investors to enter the Saudi market, which was clearly felt during the World Economic Forum in Davos 2023,*” adding that the increase in interest from global investors is the result of the Kingdom’s efforts to create new opportunities in different sectors and ensure a “*transparent and fair*” environment conducive to business.

#### **GCC Economic Growth To Slow In 2023 – World Bank.**

According to the World Bank’s latest report on the Gulf region, the international lender expects GCC economic growth to slow to 2.50% this year from 7.30% in 2022. “*The weaker performance is driven primarily by lower hydrocarbon GDP, which is expected to contract by 1.30% in 2023 after the OPEC+ April 2023 production cut announcement (by 1.60 mio bpd) and the global economic slowdown. However, the drop in oil sector activities*

will be compensated for by the non-oil sectors, which are anticipated to continue expanding by 4.60% in 2023 and 3.30% during the period 2024–2025. The main contributors to this growth are private consumption, fixed investments, and government expenditures through looser fiscal policy in response to high oil revenues,” the WB report (which you can access in full [here](#)) read.

### Moody's Upgrades Ratings On Omani Banks.

Moody's Investors Service announced late last week, that it has upgraded the long-term local and foreign currency deposit ratings of seven Omani banks, namely; Bank Muscat, HSBC Bank Oman, Bank Dhofar, National Bank of Oman, Sohar International Bank, Oman Arab Bank and Bank Nizwa. This move follows the ratings agency's recent decision to raise the country's sovereign rating from Ba3 to Ba2.

### New Nigerian Refinery Set To Commence Operations.

Nigeria is due to officially commission the world's single largest single-train oil refinery this week. The plant which is owned by Dangote, is reportedly able to process 650,000 barrels per day and cost an estimated US\$19 bio to build and has its own 435MW-capacity power plant, according to the 'Leadership' newspaper. Up to now Nigeria has relied on imports for pretty much all of its refined fuel product demand.

### Technip & CCC Win US\$10 Bio Contract In Qatar.

According to the 'Gulf Daily News' site, a joint venture of Technip Energies and Consolidated Contractors Company has been awarded a US\$10 bio engineering, procurement, and construction contract at Qatar's North Field South project. You can read more details on this topic [here](#).

### FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6720/23	4/7	7/10	10/15	18/23	23/28	28/33	52/102
USD/SAR	3.7501/04	20/25	34/39	46/56	75/85	89/99	96/106	200/270
USD/KWD	0.30705/715	-50/-40	-95/-80	-140/-120	-270/-220	-375/-325	-475/-425	-550/-350
USD/OMR	0.38498/503	2/7	8/18	18/33	50/70	95/125	140/190	250/450
USD/BHD	0.37695/700	23/28	40/45	55/65	105/125	150/180	180/230	325/525
USD/MAD	10.1800/10.2100	-400/-100	-600/-300	-900/-400	-1600/-400	-2000/-500	-2200/-500	-3000/-800
USD/EGP NDF	30.8966	31.45/31.85	32.80/33.30	33.70/34.20	36.80/37.30	39.65/40.15	41.70/42.20	-
USD/JOD	0.7095/7100	30/130	75/225	150/300	200/600	300/800	400/900	700/1700
USD/NGN NDF	464.80	490.50/495.50	519.00/524.00	539.00/544.00	594.00/604.00	640.00/655.00	673.00/688.00	(NAFEX)
USD/GHS NDF	10.7250	10.40/10.90	10.50/11.00	10.40/11.20	10.60/11.40	10.90/11.90	11.20/12.20	-
USD/TND	3.0750/3.0950	100/400	250/675	300/750	700/1400	1000/2500	1800/3800	2500/5000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	\$71.00							
Brent	\$75.25							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+12/22	+23/33	+32/42	+41/51	+49/59	+56/66	+62/72	+75/85
SAR SPREAD	+71/81	+75/85	+80/90	+86/96	+93/103	+98/108	+100/110	+115/125

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

### AND FINALLY...

Did you know that Sudan is home to over 200 pyramids which were built by the ancient Nubian civilization from as early as 2500 BC?

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