

# Market Insights & Strategy

Global Markets

5<sup>th</sup> August 2024



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### REGIONAL COMMENTARY

#### **Crude Prices Remain Soft & Ignore Regional Tensions.**

After an initial spike following the assassination of Hamas's political leader in Tehran and a senior Hezbollah commander in Beirut, oil prices appear to have pretty much ignored the dramatic increase in regional tensions (as well as a sharp drop in the amount of oil held in floating storage last week) and instead are focusing more on the global economic outlook when it comes to demand for crude. This was amplified by a weaker than expected US jobs report and data showing that Asia's oil imports had fallen by 6.10% m/m to a two-year low last month, amidst soft demand from the largest regional buyers namely China and India. We would point out though, that slower imports in India are partially due to seasonality and lower demand during the monsoon season, although admittedly Chinese consumption continues to disappoint due to a still sluggish domestic economy and lower than normal fuel demand. Brent opened this morning close to last Friday's closing level which was almost 3.50% down on the day last week. This situation has also perhaps triggered a rethink in OPEC+ over its earlier plans to begin unwinding its additional voluntary supply cuts in October, and is highlighted by a statement issued after last week's most recent JMMC meeting, which [suggested](#) that *"the gradual phase-out of the voluntary reduction of oil production could be paused or reversed, depending on market conditions."* Looking at the charts, near term technical support for WTI now lies at US\$72.70 with resistance at US\$75.20. While on Brent US\$75.50 is the next support level to watch with US\$79.70 now resistance. Bear in mind though, the US Energy Department is still looking to rebuild its SPR whenever WTI edges towards the US\$70.00-73.00 level, and have indicated recently that they may even accelerate their buying interest. In addition, whenever Brent has fallen back to the US\$75.00 area, we have seen consumer interest to hedge.

#### **Fears Of A Major Regional War Linger Despite Iranian Statement.**

The news over the weekend that the US has redeployed additional air and naval assets to the region, sharply increased fears that Iran and Hezbollah were preparing to up the stakes against Israel in response to those two high profile assassinations in Beirut and Tehran last week.

The US Secretary of State [reportedly](#) warned his country's allies yesterday, that this response could take place within the next 24 to 48 hours, while in Israel itself citizens were told to ready their safe rooms at home, paramedics have been holding emergency drills and various countries including the US, UK and Europe had advised their citizens in Lebanon to leave as soon as possible. A number of airlines have suspended their flights to and from Israel and last Thursday, Iranian officials allegedly met with their allies from Yemen, Lebanon and Iraq to discuss their potential response plans. However, an Iranian spokesperson announced late this morning that his country was *"not looking to escalate tensions in the region"* although adding that Iran *"had the right to punish Israel in the framework of international law"*. So perhaps the frantic diplomatic activity undertaken by several regional players (including the US) over the past few days has managed to persuade Tehran not to inflame the situation further, at least for now. However, although it's not a certainty, we are still clearly at the highest risk of a major regional war breaking out since October 7<sup>th</sup> 2023, even as Israeli military activity in the Gaza Strip appears to be winding down. We would also suggest that the events of the past week clearly show that the US administration has little influence on the current Israeli government especially in terms of getting any sort of ceasefire in place and lowering regional tensions. This could well become a political headache for Kamala Harris as she pushes forward with her campaign to become the next US President.

### **Container Ship Hit By Missile In Gulf Of Aden.**

The Houthi rebels in Yemen have claimed responsibility for a missile attack which damaged a Liberian-flagged container ship transiting the Gulf of Aden on Saturday. This vessel (the Groton) which is believed to be sailing from Fujairah to Jeddah, may have been targeted *"due to other vessels within its company structure making recent port calls in Israel"* a statement issued by the US-led naval coalition's Joint Maritime Information centre read. This is also the first such attack in two weeks, since Israeli air strikes were conducted on the Houthi-controlled Red Sea port of Hodeidah in late July. Meanwhile, the Houthis have also claimed that they shot down a US MQ-9 (Reaper) drone flying over Yemen's northern Saada province this past weekend.

### **UAE & Saudi Arabia's Non-Oil Sector Activity Slows.**

The Riyadh Bank PMI for Saudi Arabia came in at 54.4 for July, which although still in positive territory was the lowest such reading recorded since January 2022. However, the survey also showed that the primary areas of weakness were linked to capacity pressures stemming from ongoing heatwaves and greater market competition, whilst both purchasing activity and employment numbers improved somewhat last month. *"Additionally, new exports have continued to expand, signaling a further increase in net non-oil trade. This expansion in exports suggests that Saudi businesses are successfully penetrating international markets, which bodes well for the diversification of the economy away from oil dependency,"* Riyadh Bank's Chief Economist was quoted as saying by the 'Zawya' media outlet. Meanwhile, the S&P Global UAE Purchasing Managers' Index slipped to 53.7 in July from 54.6 the previous month, its lowest level since September 2021. The survey did record a rise in exports but also showed a sharp increase in business costs and job creation weakened.

### **Egypt's NFA Position Remains Positive.**

According to data released by Egypt's Central Bank, the country's net foreign assets position remained positive in June for the second month in a row. NFA stood at US\$13.05 bio (equivalent) at the end of June 2024 from US\$14.31 bio in May. Foreign assets fell at Egypt's commercial banks in June but rose at the central bank, while foreign liabilities rose at both commercial banks and the central bank.

### **Oman's FX Reserves Rose In May.**

Oman's foreign reserves rose to US\$19.10 bio in May 2024 a rise of 9% compared to the same period last year. Meanwhile, domestic liquidity rose by 11.50% y/y to OMR 23.70 bio according to the country's official statistics agency.

### **UAE & Morocco Sign New Economic Accord.**

The UAE and Morocco recently signed a 'Comprehensive Economic Partnership Agreement', aimed at boosting bilateral trade and investment between the two countries. This agreement will facilitate the free flow of goods by reducing or eliminating tariffs and enhancing investment and private-sector collaboration across a number of sectors including; tourism, mining, renewable energy, food security, transport and logistics. Non-oil related UAE/Morocco trade totaled US\$1.30 bio last year an 83% rise compared to 2019.

### BP Seals Oil & Gas Contract In Iraq.

BP signed a preliminary agreement with the Iraqi Oil Ministry last week, to develop and rehabilitate four oil and gas fields in the northern Kirkuk region of Iraq, according to 'Reuters'.

### Abu Dhabi Reports Jump In Rental Contracts.

Abu Dhabi saw the issuance of 49,135 documented residential rental contracts during the first half of this year, which is a 102% jump compared to the same period in 2023 according to the Emirate's official statistics agency. The population of Abu Dhabi emirate totaled 3.78 mio last year an 83% rise since 2011 according to the results of an official [census](#).

### UAE & KSA Amongst Top 10 Countries For Remittances.

According to a recent World Bank report, the US was number one in remittance outflows last year totaling US\$85.75 bio. The UAE was second with US\$38.50 bio and Saudi Arabia third at US\$38.39 bio. They were followed by Switzerland (US\$35.65 bio), Germany (US\$24.05 bio), China (US\$20.23 bio), Luxembourg (US\$17.99 bio), Netherlands (US\$16.73 bio), France US\$15.86 bio and Kuwait with US\$12.67 bio.

### FX/RATES & CRUDE MARKETS:

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Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6729/31	-5/-3	-9/-6	-12/-9	-21/-18	-28/-23	-35/-27	-40/-10
USD/SAR	3.7503/05	-1/+2	4/9	8/13	26/32	46/54	70/80	170/220
USD/KWD	0.30520/540	-70/-60	-123/-113	-170/-150	-310/-290	-410/-370	-490/-440	-950/-650
USD/OMR	0.38497/502	Par/+5	4/9	6/12	10/25	22/42	40/60	100/250
USD/BHD	0.37690/700	20/25	40/50	55/65	100/120	145/165	175/205	205/555
USD/MAD	9.7960/9.8160	On request	On request	On request	On request	On Request	On Request	On request
USD/EGP NDF	48.7871	50.95/51.75	51.85/52.65	52.60/53.30	54.35/55.05	55.90/56.60	57.45/58.15	-
USD/JOD	0.7077/7082	50/150	100/300	125/325	300/600	450/950	700/1200	800/1800
USD/NGN NDF	1600.26	1585.00/1655.00	1605.00/1675.00	1635.00/1695.00	1730.00/1830.00	1820.00/1920.00	1905.00/2005.00	(NAFEX)
USD/GHS NDF	15.5500	15.70/16.00	15.85/16.15	15.95/16.45	16.35/16.85	16.70/17.30	17.15/17.75	-
USD/TND	3.0600/3.0800	On request	On request	On request	On request	On request	On request	On request
<b>Crude Oil</b>	<b>Futures</b>							
WTI	\$73.10							
Brent	\$76.40							

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

### AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SOFR Spread	-3/+7	+6/16	+13/23	+18/28	+21/31	+25/35	+28/38	+43/53
SAR SOFR Spread	+95/105	+103/113	+104/114	+106/116	+107/117	+109/119	+111/120	+120/130

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

### AND FINALLY...

"Believe what you see and lay aside what you hear" – Arab proverb.

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