

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Crude Prices Softer Again – But Is Demand Really That Weak?.

Oil prices have softened for the 5th day in row with Brent opening this morning just above that important US\$75.00 support level, while WTI began the day around \$72.00. A weak Chinese economy continues to weigh on general sentiment with algorithmic trading amplifying the recent sell-off. However, it should be noted that certain market fundamentals suggest that actual oil demand is really not that soft. For example, overall global demand is estimated to have averaged more than 103 mio bpd over the past two months which is a record high. At the same time, while traders remain concerned on OPEC+ plans to slowly begin to reducing their voluntary additional output cuts from October this year, it’s becoming more likely that the grouping may well postpone such a move until overall sentiment and prices improve. In addition, US crude production has averaged 13.25 mio bpd this year and thus failed so far to make any sustainable and significant gains above its 13.30 mio bpd high. The EIA has also confirmed that US commercial crude inventories declined by 4.60 mio barrels last week and domestic gasoline stocks fell by 1.60 mio barrels during the same period, while OECD oil and fuel inventories remain below their five-year average. Meanwhile, the market may have put geopolitical risks to one side for now, but they certainly haven’t gone away. The latest Gaza ceasefire talks are still floundering as both sides appear to remain stuck on one main issue, which is the demand by Hamas for Israel to pull all its troops out of the strip which Prime Minister Netanyahu has said many times is a non-starter. Then there was another significant exchange of fire between the IDF and Hezbollah yesterday, after Israel targeted weapons caches in southern Lebanon. This follows recent comments by the Israeli Defence minister, Yoav Gallant, who [said](#) on Tuesday that the army’s “*center of gravity*” was gradually moving away from the Gaza Strip to the northern front, as the country prepared for a potential major escalation with Hezbollah. And finally, across in the Red Sea, a Suez-Max oil tanker carrying Iraqi crude from Basra, was reportedly on fire and drifting off the coast of Yemen last night after being attacked by

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Houthi rebels in two small fast boats, while a Panama flagged cargo ship was also attacked yesterday by drones and missiles near Aden but apparently managed to escape without any serious damage. So although, Iranian officials may have claimed yesterday that they do not plan any imminent retaliation against Israel for the assassination of Hamas's political leader in Tehran, regional geopolitical risk clearly remains high.

China's Coal Production Remains High.

China's mines produced a total of 405.38 mio metric tons of coal in June this year, the highest level since December 2023. Whilst last month they mined 390.37 mio metric tons, which was a record high for the month of July and 2.80% above the previous record of 378 mio tons set in July 2023. According to the Asia Society Policy Institute, one of the primary reasons behind this is a 21% expansion of China's coal-to-chemicals sector during the first half of this year, which has offset a decline in demand for coal-fired power. However, while domestic thermal power is likely to continue to slowly lose market-share to renewable energy sources (especially solar and wind) in the years ahead, thermal power still accounted for 63.60% of the Asian country's total electricity generation in March 2024, according to the 'Carbon Brief' website.

Russia's Oil Exports Fall Again.

Russia's seaborne crude exports averaged 2.93 mio bpd last week, a 360,000 bpd drop on the previous week and the third lowest level recorded thus far this year, according to data published by 'Bloomberg'. However, total Russian oil shipments in 2024 ytare only 40,000 bpd below the average for the whole of last year. Meanwhile, officials were [reportedly](#) still battling to put out a major fire at an oil depot in the Russian town of Proletarsk which was triggered by a Ukrainian drone attack last Sunday. According to the 'TASS' news agency, over 500 firefighters are involved in the operation, with 41 of them already hospitalized with injuries as the fire expanded to an area of 10,000 sqm.

Iran Says It Will Not Take 'Hasty Action' Against Israel.

A senior spokesperson for Iran's Revolutionary Guard, Ali Mohammad Naeini, has claimed that his country's response to the assassination of Hamas's political leader in Tehran last month, will not be rushed. *"Time is on our side and the waiting period for this response may be prolonged. For now, the Zionists must live in instability and Iran's response may not be a repeat of past operations. The response scenarios are not the same. Our commanders have the experience and the art of effectively punishing the enemy and will not take hasty action,"* Naeini was [quoted](#) as saying by Iran's state-run media outlets on Tuesday.

Political Tensions In Libya Continue To Rise.

The Libyan Parliament in Tobruk, voted this week to end the term of the rival Tripoli-based 'Government of National Unity' led by Prime Minister Abdul Hamid Dbeibeh. There are also reports that armed factions have been regrouping, while the UN's representative in Libya, Stephanie Koury, has [warned](#) that *"In the absence of renewed political talks leading to a unified government and elections you see where this is heading - greater financial and security instability, entrenched political and territorial divisions, and greater domestic and regional instability."* Fresh political and security upheaval could also disrupt Libyan oil exports which up to now have been relatively stable at around 1 mio bpd, but this specific risk was already highlighted last week when production at one of the country's main oil fields was suspended due to protest action.

Egypt & KSA Push Forward With Electric Power Project.

Egypt's Minister of Electricity and Renewable Energy was quoted as saying yesterday, that both countries remain committed to completing the Saudi-Egypt electricity interconnector project. According to the 'Zawya' media outlet, the entire project should be fully operational by early 2026, facilitate the exchange of up to 3,000-MW of power and cost an estimated US\$1.80 bio. It will also be the first ever large-scale high-voltage direct current interconnection link in the MENA region.

Mubadala Broadens Investment Into Data Centres.

Abu Dhabi's sovereign wealth fund has reportedly invested into the UK based 'hyperscale' data centre developer Yondr, according to a [press release](#) published yesterday. This marks Mubadala's third major investment into the global data centre sector in the past 3 years. *"Mubadala's investment will support Yondr's*

ambitious growth strategy, which has been developed in line with the rapid demand growth for hyperscale data centers. Global cumulative data center demand is expected to grow at an 11% Compound Annual Growth Rate by 2032, driven by advancements in artificial intelligence, 5G technology and the internet of things,” the fund’s press statement read.

Qatar Airways Takes Stake In SA’s Airlink.

Qatar Airways announced this week, that it has acquired a 25% equity stake in the South African based and privately owned carrier Airlink, which currently serves 45 destinations across 15 countries in Africa. “Our investment in Airlink further demonstrates how integral we see Africa being to our business future. This partnership not only demonstrates our confidence in Airlink, as a company that is resilient, agile, financially robust and governed on sound principles, but also in Africa as a whole, showing huge potential, and I am delighted we are able to help start realizing it,” Qatar Airways Group CEO Badr Mohammed Al-Meer, was quoted as saying by the ‘Businesstech’ news site.

NBB Increases Shareholding in SICO.

The National Bank of Bahrain has announced that it has expanded its shareholding in the regional asset manager and investment bank SICO, from 12.51% to 21.07%.

Worley Wins Services Contract In Oman..

Australia based Worley has sealed a 5-year framework agreement to provide engineering and procurement support services for the Qarn Alam and Saih Rawl projects in Oman.

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	3.6729/30	-5/-3	-8/-5	-11/-8	-21/-16	-27/-22	-33/-27	-40/-10
USD/SAR	3.7521/24	7/10	13/16	17/21	34/42	52/62	72/82	150/200
USD/KWD	0.30540/560	-110/-90	-175/-155	-210/-180	-380/-330	-490/-420	-570/-500	-850/-550
USD/OMR	0.38498/501	-2/+3	Par/+7	3/13	14/24	25/45	45/65	100/250
USD/BHD	0.37672/682	20/25	37/47	50/65	90/110	130/160	170/200	220/570
USD/MAD	9.6500/9.6800	On request	On request	On request	On request	On Request	On Request	On request
USD/EGP NDF	48.7934	49.20/49.60	49.80/50.30	50.40/50.90	52.25/52.75	54.10/54.60	56.10/56.60	-
USD/IOD	0.7077/7082	50/150	100/300	125/325	300/600	450/950	700/1200	800/1800
USD/NGN NDF	1592.38	1560.00/1610.00	1575.00/1625.00	1595.00/1655.00	1660.00/1720.00	1725.00/1805.00	1800.00/1870.00	(NAFEX)
USD/GHS NDF	15.6300	15.55/15.85	15.60/15.90	15.75/16.25	16.10/16.60	16.40/17.00	16.80/17.80	-
USD/TND	3.0200/3.0500	On request	On request	On request	On request	On request	On request	On request
Crude Oil	Futures							
WTI	\$76.20							
Brent	\$71.97							

** (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	-1/+9	+10/17	+16/23	+25/33	+30/37	+31/38	+33/41	+50/60
SAR SOFR Spread	+97/105	+98/108	+100/110	+102/112	+104/114	+105/115	+107/117	+116/126

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

AND FINALLY...

Did you know that Morocco’s University of Al Quaraouiyine was founded in 859AD and is the oldest existing educational institution in the world according to UNESCO?

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