

# Market Insights & Strategy

Global Markets

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### REGIONAL COMMENTARY

#### **Oil Prices Rebound Although Uncertainty Lingers.**

Global crude prices rebounded last Friday, following the FED chief's comments at last week's Jackson Hole gathering, with Brent ending Friday's session up more than 2% on the day. Impending US rate cuts and a weaker dollar were combined with events in Lebanon over the weekend, and have thus helped Brent begin this week another 0.90% higher at just under US\$80 a barrel this morning. Traders will also be keeping an eye out for any major OPEC+ comments in the coming weeks, as the grouping ponders over whether or not to begin reducing their voluntary additional production cuts from October or not. Possibly complicating this decision further, was a recent 'Reuters' analysis of the OECD's oil and refined product inventories, which [suggested](#) that these were now 4% below their 10 year seasonal average at the end of June, the widest gap on record in almost 2 years.

#### **Greater LNG Use & EV Adoption Weighs On Chinese Fuel Demand.**

China's crude imports fell by 12% m/m in July, according to the latest official data. One of the reasons behind a softening in demand for oil by the world's largest importer (aside of course from a generally still sluggish economy), appears to be the ongoing switch within China's industrial sector away from diesel and into LNG, which for now at least has been a cheaper option. Another reason is the local population's increasing adoption of EVs and Hybrid vehicles which last month, accounted for 53% of all domestic car sales and continues to expand at a faster rate than any other country. This move is also being assisted by attractive subsidies, with the Chinese authorities recently [enhancing](#) a program which now offers payments of 20,000 Yuan to anyone trading-in an older car and replacing it with a new energy vehicle, which is double the amount previously on offer.

### **Israel & Hezbollah In Biggest Clash This Year.**

The Israeli Air Force said they had deployed 100 of its aircraft early yesterday morning, targeting thousands of Hezbollah's rocket launchers in what the Israeli military says was a successful pre-emptive move. But, these strikes did not completely prevent Hezbollah from launching hundreds of rockets and drones into northern Israel on Sunday, which the Lebanese militant group claims was in retaliation to the assassination of one of its most senior military commanders in Beirut last month. As a result of the most intense exchange of fire between the two sides seen over the past 10 months, the majority of international flights in and out of both Tel Aviv and Beirut were suspended and some airlines like Lufthansa said they may not resume until the end of September. Etihad, BA, Whizz and Royal Jordanian airlines have also temporarily halted their flights for now. However, there was some positive news late last night whereby 'Reuters' quoted two unnamed diplomats as saying that Israel and Hezbollah had since exchanged messages via intermediaries in order to prevent any further escalation in fighting. Apparently both sides consider Sunday's intense exchange of bombardment to be "*done*" and that neither wants a full-scale war. So let's hope that does indeed turn out to be the case.

### **Netanyahu Faces Growing Dissent At Home.**

Political opposition to Netanyahu and his administration is still building within Israel, with a new 'Channel 12' poll showing that the former PM Naftali Bennet and a coalition of opposition parties would easily win a majority in the Knesset if an election was held today. Meanwhile, Yair Lapid the leader of the country's centrist 'Yesh Atid' party, opined in a recent interview that Netanyahu should have resigned after Hamas's attack on Israel last year, claiming that "*all the signs, all the red flags, all the warnings were there for him to see and he ignored them all. This is why it wouldn't have happened on our shift, and this is why he shouldn't have been Prime Minister since October 8.*" Netanyahu has also been publicly criticized by his own cousin, Dan Netanyahu, a successful tech entrepreneur who historically had once been a supporter, but began to openly oppose his actions as Prime Minister a few years ago. In an opinion [piece](#) published by the 'Jerusalem Post' newspaper on Saturday, he accused Benjamin Netanyahu of "*destroying the country*", politically and economically.

### **Sudanese Army Chief Vows To Fight For '100 Years'.**

The head of Sudan's military, General Abdel Fattah Al Burhan, warned this past weekend that he was prepared to continue the fight against the paramilitary 'Rapid Support Forces', despite renewed international efforts on reaching a ceasefire between the country's two rival factions, who have been at war since April last year. "*We will not squander the rights of the Sudanese people. We will fight for 100 years. This war will not end until this militia is eradicated and we have liberated every inch they desecrated. We are not prepared to listen to anything else and we are not going anywhere nor are we negotiating with anyone,*" Al Burhan was [quoted](#) as saying by 'The National' newspaper on Saturday.

### **Egypt's External Debt Level Edged Lower in Q1 2024.**

Egypt's total external debt level declined by US\$4.10 bio to US\$160.60 bio during the first-quarter of this year, according to data released by the Central Bank of Egypt last week. Amongst this number, short-term debts made up around US\$54.30 bio with long-term debts totaling approximately US\$106.30 bio. Meanwhile, the 'Zawya' news site [outlined](#) the distribution of this debt by creditor, with US\$53 bio owed to multilateral lenders and US\$41.60 bio to Arab counties the bulk of which are located in the GCC region including; US\$16.40 bio to the UAE, US\$12.60 bio to Saudi Arabia, US\$6.20 bio to Kuwait and US\$4 bio to Qatar.

### **New Finance & Trade Ministers In Kuwait.**

According to a decree issued by the Emir of Kuwait yesterday, the government's cabinet has undergone a [reshuffle](#) including the appointment of four new ministers. Amongst these, Nora Suleiman Al-Fassam has been given two portfolios, the office of Finance Minister as well as the Minister of State for Economic and Investment affairs. Al Fassam holds a master's degree in business administration, has significant corporate finance experience and was most recently the Chief Strategy officer at Boubyan Bank. Meanwhile, Khalifa Abdullah Dhahi Al-Ajil Al-Askar, has become the country's new Trade Minister, he was previously in charge of Kuwait's State Bureau of Financial Control and a member of the board of commissioners at the country's Capital Markets Authority.

### CBs & ETFs Continue To Drive Gold Rally.

Over the past 10 years, central banks have purchased 1 in every 8 ounces of gold produced with Russia and China's CBs leading the pack, followed by Poland, India Singapore and Turkey, according to data published by the 'Bullion Vault' website. Russia reportedly stopped actively adding gold to its reserves since 2020, while the PBOC bought more gold than all the other central banks combined last year, according to the World Gold Council, and now holds an estimated 2,264 tons of gold in its vaults. More recently, strong investor demand for gold ETFs has also contributed to the sharp rise in the price of the yellow metal and this demand appears likely to continue in the near term especially as interest rates begin to fall.

### Global Air Passenger Traffic Up 9.10% y/y.

According to IATA, worldwide passenger demand increased by 9.1% y/y in June 2024, whilst air cargo was up by 14.10% y/y. "Demand grew across all regions as the peak Northern summer travel season began in June. And with overall capacity growth lagging demand we saw a very strong average load factor of 85% achieved in both domestic and international operations," IATA's Director-General was quoted as saying by the 'Aviation Business' news site. The Asia-Pacific region saw the greatest jump in demand with a rise of 22.60% y/y, followed by Africa (+16.90%), South America (+15.30%), the Middle East (+9.60%), Europe (+9.10%) and North America (+6.60%). IATA also raised its forecast on net profits for the global airline industry to US\$30.50 bio in 2024 from its previous estimate of US\$25.70 bio.

### Sinopec Wins Tank Farm Project In KSA.

China's oil and gas conglomerate, Sinopec, has [reportedly](#) been awarded the contract to build a tank farm facility in Saudi Arabia. Once operational this facility will manage the storage, export, and import of bio butadiene and Methyl Tertiary Butyl Ether in support of the Amiral petrochemical complex.

### 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	3.7520/23	8/11	13/16	18/23	35/45	52/62	72/82	150/200
USD/KWD	0.30520/540	-115/-95	-190/-160	-240/-210	-400/-350	-510/-460	-590/-520	-950/-600
USD/OMR	0.38496/501	-2/+3	Par/+7	3/13	14/24	25/45	45/65	100/250
USD/BHD	0.37675/685	20/25	37/47	50/65	90/110	130/160	170/200	220/570
USD/MAD	9.6100/9.6400	On request	On request	On request	On request	On Request	On Request	On request
USD/EGP NDF	48.7909	49.20/49.70	49.80/50.30	50.40/50.90	52.25/52.75	54.10/54.60	56.10/56.60	-
USD/IOD	0.7077/7083	50/150	100/300	125/325	300/600	450/950	700/1200	800/1800
USD/NGN NDF	1598.07	1600.00/1650.00	1615.00/1665.00	1640.00/1710.00	1700.00/1770.00	1770.00/1870.00	1830.00/1930.00	(NAFEX)
USD/GHS NDF	15.6000	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	3.0100/3.0400	On request	On request	On request	On request	On request	On request	On request
<b>Crude Oil</b>	<b>Futures</b>							
WTI	\$75.55							
Brent	\$79.75							

\*\* (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 55% of the population in the MENA region are under the age of 30?

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