

# Market Insights & Strategy

Global Markets

1<sup>st</sup> October 2024

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Fresh OPEC+ Rumors Push Oil Prices Lower.**

Brent crude slipped back below US\$72.00 this morning, on the back of news that Libya's oil production will resume from today and fresh unverified chatter that Saudi Arabia may be planning to accelerate the unwinding of its voluntary oil production cuts, unless all signatories to the OPEC+ agreement ensure they keep to their allocated output allocations. However, in our opinion it's still unlikely that the Kingdom would suddenly rapidly re-open its taps in order to regain market share, although admittedly there is a chance that OPEC+ will not extend its current plan to begin slowly reducing its additional voluntary cuts from December this year. But even then, this would be a very gradual process with Saudi Arabia only set to begin increasing its output by 84,000 bpd each month. Meanwhile, Russia's Deputy Prime Minister, Alexander Novak, has confirmed that some OPEC members had lost a certain amount of market share due to its reduction in output, but this was only a temporary phenomenon. *"Yes, we are probably deliberately moving, temporarily losing market share, but we are looking forward not to today, but to the future. It is important that, firstly, the energy sectors in exporting countries develop so that investments,"* Novak was [quoted](#) as saying by the Deccan Herald news site, adding that the OPEC+ signatories *"are generally fulfilling their obligations under the agreement and we are observing and monitoring the situation on the market in terms of the balance of supply and demand."*

#### **US Crude Demand Highest Since 2019.**

According to a report published by the EIA yesterday, crude oil demand in the US rose by 1.20% in June and July this year to reach its highest seasonal level since 2019. A similar demand picture was seen for gasoline and jet fuel, while at the same time US oil production slipped slightly in July to 13.205 mio bpd. Meanwhile, a recent [survey](#) of the energy sector conducted by the Dallas Fed, has indicated a slight slowdown in the domestic oil and gas sector during the third quarter of 2024. Importantly it also said that the equipment utilization index for oilfield services firms had turned negative, declining from 10.9 in Q2 2024 to -20.9 in Q3, while the operating margin index fell sharply from -13.0 to -32.6, suggesting margins declined at a faster pace.

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### **IDF Begins 'Limited' Ground Offensive In Lebanon.**

The IDF launched what it describes as a 'limited' ground offensive into southern Lebanon late last night, targeting Hezbollah forces and infrastructure positioned close to the border with Israel and follows a range of Special Forces raids into Lebanon on Sunday. Israeli officials have been quoted in the media suggesting that the primary goal of this latest mission was not to occupy parts of Lebanon, but rather to push Hezbollah back behind the original UN designated ceasefire line (which lies along the Litani river) and bring an end to the group's ability to fire rockets into northern Israel. The overall aim is to create a safe environment to allow more than 65,000 Israeli residents to return to their homes in that border region for the first time since October last year. However, whether or not this move on the ground by Israeli forces will remain limited in time and scale is yet to be seen. Meanwhile, the Biden administration has appeared to give it's cautious approval of this latest operation, with the US Defense Secretary Lloyd Austin quoted as saying that the US "agreed on the necessity of dismantling attack infrastructure along the border to ensure that Lebanese Hezbollah cannot conduct October 7-style attacks on Israel's northern communities."

### **Will Iran Retaliate Against Israel?**

A key determinant over whether or not the events in Lebanon over the past few days might trigger a full blown regional war, is what Tehran decides to do. It's worth noting that a senior regional IRGC commander, Brigadier-General Abbas Nilforoushan was killed alongside Hezbollah's Secretary-General, Hassan Nasrallah, in Beirut on Friday and Iran has publicly promised to avenge the death of both these men. However, while tensions are now at their highest they have been since the war in Gaza began, it still appears unlikely that Tehran wants to enter into a major direct conflict with Israel, especially with the recent deployment of additional US military assets in the region. Jerusalem is clearly betting on this strategy and this was underlined by an Axios [report](#), which claimed that Israel's Defence Minister had asked the US military to increase its deterrence posture against Iran during a phone call he had with the US Defense Secretary last Friday. In addition to this, Tehran is probably more preoccupied in managing the crises that it faces following the recent significant damage suffered by its main proxy in the region, rather than planning any major retaliatory strikes. This preoccupation was highlighted in a New York Times article which quoted two IRGC sources as [saying](#) that Iran was scrambling to try and help Hezbollah establish a secure communications network, select a new leader, and rebuild its command structure.

### **Saudi Arabia Cuts Economic Growth Forecast.**

Saudi Arabia's Ministry of Finance [announced](#) late yesterday, that it had cut the country's 2024 growth forecast to 0.80% from a previous 4.40%. It also sees the budget deficit totaling SAR 118 bio (2.90% of GDP) this year with revenue expected to come in around SAR 1.24 trio and spending at SAR 1.36 trio. Then for 2025, the ministry predicts a deficit of SAR 101 bio (2.30% of GDP). "The government continues to utilize the available fiscal resources to diversify the economic base through transformative spending, which includes sectoral and regional strategies, giga projects, Saudi Vision 2030 programs, and the periodic review of project timelines," the ministry said in a statement, adding that the government will limit its expenditure to "avoid overheating the economy that might rise from increased government spending."

### **Lithium-Ion Battery Prices Continue To Fall.**

A sharp rise in production and an oversupply of lithium (combined with a slowdown in EV adoption), has led the price of this commodity to fall by more than 90% since its peak in 2022. In turn the average cost of lithium-ion battery cells has also fallen from US\$290 per kw/h in 2014 to an estimated US\$78 today. However, a recent IDTechEx [report](#) predicts that despite this fall in prices, "the Li-ion battery cell market will reach over US\$400 bio by 2035. Electric vehicles remain the key driver behind the Li-ion market and electric cars will be the largest market for Li-ion batteries over the next 10 years. While there are some regional concerns over the rate of EV adoption, sales of electric vehicles grew rapidly in 2023. Continued support for the EV and battery markets and increasing competition has led to steady improvement in battery performance and reduction in battery prices. Developments and innovations continue to be made in Li-ion anode and cathode materials, manufacturing, cell design, and pack design and investment into the Li-ion industry continues at a rapid pace. Their comparatively high performance, low cost and wide availability make Li-ion batteries pre-eminent energy storage technology for many applications, from electronics devices to electric vehicles, to large stationary

energy storage systems. As such for most applications, Li-ion batteries, in one form or another, are unlikely to be superseded within the next 10 years.”

### Egypt To Simplify Tax System.

Egypt’s Finance Minister Ahmed Kouchouk, outlined the key parts of a new tax reform package this past weekend. These include; a provision allowing taxpayers to submit or amend tax returns for the period from 2020 to 2023 without penalties, ensure that late payment fees and additional tax do not exceed the original tax amount, the simplification of tax procedures, a centralized settlement mechanism and the expedition of VAT refunds. “We are serious about improving tax performance, and we will engage an independent party to evaluate the implementation of the tax relief package in cooperation with the business community. This reflects our commitment to providing relief for the tax community,” the minister was quoted as saying by Zawya on Sunday.

### ADNOC To Buy COVESTRO.

The Abu Dhabi National Oil Company has reached an agreement to buy the German chemical manufacturer Covestro AG for around US\$16.40 bio, according to a [report](#) published by the RTE media outlet this morning. In a statement [published](#) on the EQS news site, ADNOC’s Managing Director and Group CEO, Dr Sultan Ahmed Al Jaber said: “As a global leader and industrial pioneer in chemicals, Covestro brings unmatched expertise in high-tech specialty chemicals and materials, using advanced technologies including AI. This strategic partnership is a natural fit and aligns seamlessly with ADNOC’s ongoing smart growth and future proofing strategy and our vision to become a top 5 global chemicals company. It represents a pivotal step for both organizations and embodies our disciplined approach to investing in strategic assets that drive long-term value and unlock new growth opportunities, while reinforcing our commitment to diversifying ADNOC’s portfolio. Our aligned strategies uniquely position us to meet the growing global demand for energy and chemical products, while accelerating the transition to a circular economy.”

### TATA Wins Military Vehicle Contract In Morocco.

India’s Tata Advanced Systems Ltd has won a contract to manufacture and supply ‘Wheeled Armoured Platform’ combat vehicles to the Royal Moroccan Defence Force, according to various Indian media outlet. These vehicles will be manufactured at a new plant in Casablanca which is scheduled to open in one year’s time and once operation be able to produce 100 such vehicles per annum.

### 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	3.67295/305	-3/Par	-6/-3	-9/-6	-15/-12	-22/-17	-30/-25	-60/-30
USD/SAR	3.7516/19	14/17	26/29	36/39	60/65	82/87	105/115	270/300
USD/KWD	0.30530/550	-110/-90	-210/-190	-290/-270	-400/-370	-490/-440	-550/-500	-850/-500
USD/OMR	0.38498/503	-6/-1	-4/+2	-3/+7	03/23	15/40	40/70	100/250
USD/BHD	0.37695/702	14/19	28/38	44/54	80/110	130/150	170/200	220/570
USD/MAD	9.6600/9.6900	On request	On request	On request	On request	On Request	On Request	On request
USD/EGP NDF	48.2964	48.75/49.05	49.40/49.70	50.05/50.35	51.95/52.25	54.05/54.35	56.05/56.35	-
USD/JOD	0.7078/7083	50/150	100/300	125/325	300/600	450/950	700/1200	800/1800
USD/NGN NDF	1673.95	1645.00/1695.00	1655.00/1705.00	1675.00/1735.00	1730.00/1790.00	1795.00/1865.00	1875.00/1975.00	(NAFEX)
USD/GHS NDF	15.80	15.80/16.10	15.90/16.20	15.95/16.45	16.35/16.85	16.80/17.40	17.40/18.00	-
USD/TND	3.0200.30500	On request	On request	On request	On request	On request	On request	On request
<b>Crude Oil</b>	<b>Futures</b>							
WTI	\$67.90							
Brent	\$71.40							

\*\* (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	+4/14	+10/20	+20/30	+31/41	+36/46	+39/49	+41/51	+53/63
SAR SOFR Spread	+99/109	+103/113	+104/114	+106/116	+108/118	+110/120	+112/122	+120/130

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

### AND FINALLY...

Did you know that the traditional Moroccan tajine dates back to the 9th century, and is named after the terracotta pot it is cooked in?

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