Market Insights & Strategy

Global Markets

14th October 2024

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Crude Prices Treading Water.

After briefly spiking above US$80 a barrel on the back of a jump in regional geopolitical risks, Brent crude has thus far struggled to make any further significant gains despite lingering fears of an all-out war between Iran and Israel. Players have instead turned their focus back to concern over the outlook for oil demand with China's economy continuing to struggle, and although there is hope that more government stimulus may be on its way, the Chinese Finance Ministry's much awaited press conference this past weekend disappointed the market somewhat after not revealing more on this latter topic. Prices were also weighed down by last week's surprise EIA data release which showed that US crude inventories rose by more than 10 mio barrels for the week ending 4th Oct 2024, against expectations of only a 1.50 mio barrel rise. However, US gasoline stocks dipped by 500,000 barrels meaning that this specific inventory is now sitting around 1% below its 5 year average. Looking at the charts, near term minor support for Brent now lies around US$77.00 with resistance at US$82.00, we expect the benchmark to move within a US$75 to US$85 range in the near term at least until there is more clarity on future Chinese stimulus efforts and/or Israel's potential retaliatory action against Iran.

US Tightens Sanctions On Iran's Oil Sector.

The US Treasury Department unveiled a new range of sanctions against Iran's energy sector last Friday, including upon the so-called *"shadow fleet"* of vessels involved in the transport and sale of Iranian oil and petrochemical products in circumvention of existing US sanctions. In a statement the US Treasury said that it has targeted 10 companies in multiple locations, as well as 17 ships which are now designated as *"blocked property"* over their alleged sanctions busting activities. *"In response to Iran's attack on Israel, the United States is taking decisive action to further disrupt the Iranian regime's ability to fund and carry out its destabilizing activity. Today's sanctions target Iranian efforts to channel revenues from its energy industry to finance deadly and disruptive activity, including development of its nuclear program, the proliferation of ballistic missiles and unmanned aerial vehicles, and support to regional terrorist proxies, with dangerous consequences for the region and the world. We will not hesitate to take further action to hold Iran accountable,"* Janet Yellen was quoted as saying. Meanwhile, Iran's crude exports have reportedly fallen to roughly 600,000 bpd since the beginning of this month compared to a high of 1.83 mio bpd in September according to estimates by 'Vortexa'. The primary reason for this sharp drop is probably the recent disruption to tanker loadings on Kharg island on the back of fears that these facilities may well be a potential prime target for Israel.

Israel Ponders Its Options For Potential Iran Strike.
It seems clear that Israel will respond to Iran's recent ballistic missile attack, it's just a matter of how and when. At the same time, it's also apparent that the US wants to prevent Jerusalem from hitting Iran's nuclear sites which would be a major escalatory move and would certainly force Tehran to respond. However, such a mission is still unlikely on a practical basis due to the simple fact that Israel can't do it without the direct help of the US military. Iran's nuclear facilities are spread out and buried deep underground protected by significant layers of bedrock, thus Israel would need significant US air support including air-to-air refueling assistance in order to have any chance of success, especially as the IAF would probably not receive approval from regional countries for use of their relevant airspaces. But there is no way the Biden administration would want another major war breaking out just a few weeks before the November US elections, and an attack on Iran's nuclear sector would certainly be that trigger. Saying all of that, Washington will still likely continue to support Israel in defending against another Iranian missile attack. This was underlined this past weekend by reports that the White House has approved the deployment of America's 'Terminal High Altitude Area Defence Systems' to Israel together with its compliment of US 100 personnel. This platform is especially designed to shoot down incoming ballistic missiles, like those fired by Iran at Israel in the attack two weeks ago. Meanwhile, there have been separate rumours in the media these past few days that the IDF is now in an advanced stage of planning a retaliatory strike against Iranian military and energy targets, with the US allegedly pushing Israel to target Iran's refinery infrastructure rather than its oil export terminals.

Ongoing Conflict Weighs On Israel & Lebanon's Economies.
The ongoing fighting in both southern Lebanon and Gaza is weighing heavily on Israel's economy with GDP growth now forecast to fall to just 1.10% this year, compared to 6.50% in 2022 and 2.00% in 2023 according to recent government estimates. However, a former governor of Israel's Central Bank, Karnit Flug, warned last week that *"If recent escalations turn into a longer and more intense war, this will take a heavier toll on economic activity and growth."* The BOI estimated back in May this year, that the costs arising from the country's longest period of fighting since its inception could eventually total US$66 bio by 2025. Late last month both Moody's and S&P downgraded their long term credit ratings on Israel by one notch to 'Baa1' and 'A' respectively. In a statement Moody's said that the *"key driver for the downgrade is our view that geopolitical risk has intensified significantly further, to very high levels, with material negative consequences for Israel's creditworthiness in both the near and longer term. The intensity of the conflict between Israel and Hezbollah has increased significantly in recent days. This is in the context of Israel's publicly-stated objective to return its evacuated residents back to the North of the country. Achieving this objective is likely to involve a yet more intense conflict. At the same time, prospects for a ceasefire in Gaza have receded and we assess that domestic political risks have increased alongside geopolitical risks."* However, the financial impact of this conflict is far worse in Lebanon where an already fragile domestic economy could shrink by as much as 15% this year if the fighting between Hezbollah and Israel widens further. Two key sectors of the Lebanese economy namely tourism and agriculture have already been extremely hard hit, while infrastructure has been severely damaged and supply chains disrupted.

US$1.50 Trio Required Annually To Meet Renewable Energy Goals – IRENA.
The International Renewable Energy Agency (which is based in the Emirate of Abu Dhabi) has published a new report, which warned that the current level of investment going into renewable energy would have to almost triple from last year's US$570 bio to an estimated US$1.50 trio per annum between now and 2030 in order to meet the green energy goals set during COP28 in the UAE. *"To meet the global goals, installed renewable capacity would have to grow from 3.9 TW today to 11.2 TW by 2030, requiring an additional 7.3 TW in less than six years. Yet, current national plans are projected to leave a global collective gap of 3.8 TW by 2030, falling short of the goal by 34%. In addition, the annual energy intensity improvement rate must increase from 2% in 2022 to 4% on yearly base up to 2030. This will require faster progress in efficiency measures and electrification across multiple sectors, including transport, building and industry. These shortfalls*

highlight the inadequacy of existing policies and plans to limit global temperature rise to 1.50°C, underscoring the need for urgent policy interventions and massive investment. The third round of Nationally Determined Contributions under the Paris Agreement in 2025 must close the gap towards 2030," IRENA said. You can access the agency's full report here.

Egypt Looks To Expand Its Gas Production.
Egypt is looking to expand its daily production of gas by as much as 30% to 6 bio cubic feet per day by the end of next year, according to an unnamed Egyptian official quoted by the 'Asharq' media outlet. The North African country recently signed 11 new gas exploration and production agreements with a number of international energy firms, as the government looks to accelerate the development of new gas fields in an effort to meet domestic daily gas demand of around 6.20 bio cubic feet and reduce power costs to its population.

Oman's Public Revenues Rise.
According to Oman's Finance Ministry, public revenues totaled OMR 8.1 bio at the end of August 2024 driven primarily by a 12% y/y increase in oil revenues. Oman's much improved fiscal position led S&P to upgrade its credit rating on the country to BBB- last month.

Abu Dhabi Is Named The 'Capital Of Capital'.
Abu Dhabi has been listed as the world's number one city for sovereign wealth capital with an estimated US$1.67 trio in assets, according to a new report by Global SWF. These assets are managed by a range of SWFs including the Abu Dhabi Investment Authority, Mubadala Investment Company and ADQ. The report also included the assets of the Abu Dhabi Fund for Development, Tawazun and the Emirates Investment Authority. Oslo followed in second place as it's the base for Norway's Government Pension Fund which manages $1.66 trio in assets.

Jereh Wins Gas Contract In Bahrain.
China's Jereh Oil & Gas Engineering company has reportedly been awarded a US$316 mio EPCC contract aimed at enhancing gas facilities across several fields in southern Bahrain, according to the 'Upstream Online' news site.

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	-10/-7	-17/-14	-26/-21	-33/-28	-60/-30
USD/SAR	3.7545/52	17/20	27/30	37/42	60/67	85/95	120/130	280/330
USD/KWD	0.30660/690	-130/-120	-245/-215	-330/-300	-500/-470	-620/-570	-700/-650	-1200/-600
USD/OMR	0.38490/500	2/7	4/14	6/16	27/37	50/70	80/130	125/325
USD/BHD	0.37697/702	9/14	23/33	37/47	80/95	130/150	180/210	200/550
USD/MAD	9.6600/9.6900	On request	On request	On request	On request	On Request	On Request	On request
USD/EGP NDF	48.5797	49.15/49.45	49.85/50.15	50.65/50.95	52.70/53.00	54.85/55.15	57.00/57.30	-
USD/JOD	0.7079/7084	50/150	100/300	125/325	300/600	450/950	700/1200	800/1800
USD/NGN NDF	1631.93	1605.00/1655.00	1630.00/1680.00	1655.00/1715.00	1740.00/1800.00	1820.00/1920.00	1895.00/1995.00	(NAFEX)
USD/GHS NDF	15.9000	16.00/16.30	16.05/16.35	16.15/16.65	16.50/17.00	16.95/17.55	17.45/18.05	-
USD/TND	3.0100/3.0400	On request	On request	On request	On request	On request	On request	On request

Crude Oil	Futures
WTI	$74.35
Brent	$77.80

** (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	-2/+8	+7/17	+18/28	+28/38	+36/46	+40/50	+41/51	+55/65
SAR SOFR Spread	+97/107	+97/107	+98/108	+99/109	+101/111	+103/113	+105/115	+114/124

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

AND FINALLY…

Did you know that Bahrain is home to three UNESCO World Heritage Sites including Dilmun-era burial mounds which date back to 2200 BC?

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