

Market Insights & Strategy

Global Markets

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MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

Oil Trading Remains Cautious.

Oil trading remains cautious, although the market is still record overweight in terms of short positioning despite ongoing geopolitical risks. We retain our opinion that the IEA's weak demand outlook for crude, which is still not acknowledged to the same extent by either the EIA or OPEC, has been overhyped by speculators and an eventual short squeeze shouldn't be ruled out. The IEA is not infallible in terms of its predictions, and this was recently pointed out in an article written by a well-known energy journalist Irina Slav. She mentioned that back in 2021, when the IEA published its landmark 'Road Map to Net Zero' the agency suggested that energy companies should halt any further exploration of new conventional sources of oil and gas that same year as the world did not need it. In the end, the IEA reversed course a few months later warning of a looming oil and gas supply shortage. Of course that's not to say oil prices should be much higher than where they are now, but equally the fundamentals are really not as bad as some currently may think. Meanwhile, Brent has steadied around US\$74/75 area for now, supported in part by last night's confirmation by the EIA of a 2.20 mio barrel draw in US crude inventories last week, a similar size drop in gasoline stocks, and a 3.50 mio barrel decline in middle distillates. (There was also some better than expected economic data out of China). Meanwhile, the UK last night imposed its broadest round of sanctions to date against Russia's shadow tanker fleet, designating 18 oil tankers and four LNG tankers. This [announcement](#) brings the total number of oil tankers barred from using British maritime services to 43.

Israel Confirms Death Of Hamas Leader.

Israeli officials confirmed overnight that the architect of the Oct 7th 2023 attack, Yahya Sinwar, was killed yesterday (along with a senior commander) by IDF infantry troops operating in the southern Gazan town of Rafah. This means that most of Hamas's top leadership is now dead, although it's believed that Sinwar's brother might temporarily assume leadership of the group. The big question now, is whether this development will encourage both sides to finally agree to a ceasefire in the strip. The news of Sinwar's death has obviously reignited demands by the families of those still held hostage by Hamas in Gaza for the Israeli government to reach a deal, and the US Secretary of State has reportedly already been intimating the same. Certainly, the removal of

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Sinwar and his senior commanders was one Israel's stated war aims, but two issues might prevent the Netanyahu administration from pursuing a ceasefire in the very near term 1) Does the Israeli government believe that Hamas has been degraded enough to prevent it from retaking political and physical control of Gaza again in the future? and 2) who in Hamas do international mediators negotiate a ceasefire with ? as it's not clear if those senior political members of the group outside of Gaza have any ability to do so now. In a televised address last night, Prime Minister Netanyahu claimed that Sinwar's death marked *"the beginning of the end"* of the war in the Gaza Strip, although he did not expand on what this statement actually means. In separate news, talk doing the rounds in certain media outlets is that Israel's war cabinet has now finalised its plans to respond to Iran's recent ballistic missile attack, and that it may well launch this mission before the US election is held. One side note to this specific topic worth noting, was the Pentagon's rare use of USAF B-2 stealth bombers to destroy underground munitions facilities belonging to the Houthi rebels in Yemen this week, which some military analysts [suggest](#) was also meant as a message to Tehran that its own underground military and nuclear assets are not out of reach, in an attempt perhaps to deter Iran from further escalating its tit-for-tat exchanges with Israel. In the meantime, the IDF is reportedly scrambling to refill its depleted stock of Arrow-3 long-range interceptor missiles which cost an average of US\$ 3.50 mio each, as well as those shorter-range projectiles used by its Iron Dome system which has been especially key in intercepting rockets fired into Israel by Hezbollah. [According](#) to the 'Business Insider' news site, more than 26,000 rockets have been launched by Hezbollah against Israel since October last year.

Trump Tariffs May Hit US Oil Sector.

Should Donald Trump return to the White House next year, he has promised to implement a range of tariffs against his country's main trading partners to supposedly boost the US economy. However such a move could well lead to a major trade war and that in turn would not be good for a range of sectors including US oil and gas. Earlier this year the CEO of the American Petroleum Institute, Mike Sommers, was [quoted](#) as saying by 'Politico' that *"one of the things that we're concerned about with a pending Trump administration is their trade policy. That was a concern that we had in the previous Trump administration. We want to make sure that our products can get to overseas markets without potential tariffs, and, if you put tariffs in place in the United States, it's inevitable that there's going to be a trade war throughout the rest of the world,"* adding that the Biden administration has done a *"pretty good job"* of not restricting those markets.

Saudi Arabia's Economy To Grow By 4.90% In 2025 – World Bank.

In its latest [MENA Economic Update](#) the World Bank has said that it expects the Kingdom's economy to expand by 1.60% this year and 4.90% in 2025, while inflation should remain subdued at 2.20% and 2.70% respectively. *"Economic structural reforms, accelerated by the Saudi Vision 2030 and the pandemic, may have further spurred job creation by modernizing and diversifying the economy, which has been crucial for increasing women's labor force participation,"* the report stated. Meanwhile, the bank sees the MENA region as a whole growing by a modest 2.20% in 2024 due in part to uncertainties linked to the ongoing conflict in the Levant, but should rise to 3.80% next year driven primarily by growth in the GCC region.

Egypt & KSA Sign Investment Protection Agreement.

The governments of Saudi Arabia and Egypt signed an investment protection agreement aimed at boosting trade and investments between the two countries, during this week's visit to Cairo by Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud. This agreement also [reportedly](#) allows for the establishment of a Egyptian-Saudi Coordination Council and should make it easier for Saudi Arabian firms to invest in the North African country. The head of the Saudi-Egyptian Business Council suggested yesterday that up to US\$15 bio worth of investment by private Saudi companies is now expected to flow into the Egyptian economy in the near term.

IRH & South Africa's PIC Sign Clean Energy Accord.

Abu Dhabi-based International Resources Holding recently signed an agreement with South Africa's Public Investment Corporation to invest in green energy projects across the southern African country. This agreement will [reportedly](#) see IRH and PIC cooperate on South Africa's planned replacement of its coal-dominated power generation with cleaner energy sources.

Shelf Wins Two Contracts In Nigeria.

Dubai based Shelf Drilling Limited, has secured two new contracts for jack-up rigs in Nigeria according to the 'Rigzone' website.

Alcoa Seals Supply Contract Extension In Bahrain.

The Alcoa Corporation has signed an agreement to supply up to 16.5 million tons of smelter grade alumina to Bahrain's ALBA for a period of 10 years, [according](#) to the 'Business Wire' news site.

Ethihad Rail Unveils More Details On Passenger Train Plans.

Ethihad Rail has announced that its 900km passenger train network in the UAE (which will cover all of the Emirates) should reduce current travel times by car by as much as 20 to 40%. The first phase which involves connecting the line between Dubai and Abu Dhabi is currently [estimated](#) to be operational by 2030.

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/-1	-5/-2	-9/-6	-17/-14	-24/-21	-31/-27	-60/-30
USD/SAR	3.7556/66	16/19	26/29	36/39	60/65	85/90	113/123	260/310
USD/KWD	0.30635/665	-110/-90	-220/-190	-310/-280	-520/-470	-620/-570	-690/-640	-1150/-650
USD/OMR	0.38495/500	Par/+5	3/13	6/16	20/35	40/55	65/95	100/300
USD/BHD	0.37699/704	9/12	22/27	34/44	80/95	120/140	170/200	200/550
USD/MAD	9.8500/9.8800	On request	On request	On request	On request	On Request	On Request	On request
USD/EGP NDF	48.6848	49.25/49.55	49.85/50.15	50.55/50.85	52.65/52.95	54.75/55.05	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	1651.31	1635.00/1685.00	1655.00/1705.00	1680.00/1740.00	1755.00/1815.00	1830.00/1930.00	1915.00/2000.15	(NAFEX)
USD/GHS NDF	16.0000	16.05/16.35	16.10/16.40	16.20/16.70	16.55/17.05	17.00/17.60	17.50/18.10	-
USD/TND	3.0800/3.1100	On request	On request	On request	On request	On request	On request	On request
Crude Oil	Futures							
WTI	\$71.00							
Brent	\$74.75							

** (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	+1/11	+9/19	+18/28	+29/39	+37/47	+41/51	+43/53	+55/65
SAR SOFR Spread	+98/108	+98/108	+99/109	+100/110	+101/111	+103/113	+105/115	+114/124

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

AND FINALLY...

Did you know that South Africa was the first African nation to host the FIFA World Cup?

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