

Market Insights & Strategy

Global Markets

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REGIONAL COMMENTARY

Sentiment Trumps Fundamentals In Oil Market.

The further sharp drop in crude prices overnight was again led by hedge funds and CTAs who continue to hold bearish positions, despite the lack of any fresh economic data. Net long positioning in Brent is now at its lowest level since 2011. Conversely, OPEC’s latest monthly report showed that the alliance pumped 26.60 mio bpd in August which was 196,000 bpd lower than the previous month. The organization’s oil demand growth forecast for this year was only lowered by 80,000 bpd to 2.03 mio bpd (still well above the historical average), while it kept oil supply growth unchanged at 1.40 mio bpd for this year. Meanwhile, the EIA published its latest [‘Short-term Energy Outlook’](#) yesterday, in which it suggested that an ongoing decline in global crude inventories will help push Brent back above US\$80 again during the last quarter of this year, driven by the OPEC+ decision to postpone its planned production increase until at least December 2024. Traders will now be looking for the IEA’s own upcoming market update, which has consistently been more bearish than OPEC and the EIA, but also keep one eye on the storm system currently building near the Gulf of Mexico.

Questions Linger Over Crude Production In Libya.

The international freight operator Intermodal has warned, that the recent disruption of Libya’s oil output was very concerning for the North African country’s economic outlook as well as global energy supplies, adding that the complete restoration of Libyan production has still not been confirmed yet. *“Libya’s oil production, crucial to both its economy and global energy markets, was severely disrupted last week. The country’s production has fallen by around 70% due to a crisis over control of the country’s central bank, while exports have also been halted. The dispute between eastern and western political factions has already led to force majeure in several oil fields, according to the state-owned National Oil Corporation. Specifically, the Sharara, El Feel, Sarir and Wafa oil fields have been affected by the situation, resulting in around 700,000 bpd being taken offline. Although the Sarir field along with Messla and Nafoura fields got instructions to resume operations,*

the output is believed to be directed towards refineries and power plants. In addition, the current situation in the country makes it extremely difficult for anyone following the market to be sure of the status of the fields, as the reliability of information coming out of Libya is highly questionable and often contradictory,” Intermodal claimed in its latest weekly [report](#).

IATA Sees ‘Mega’ Airports Increasing Demand For Jet Fuel.

IATA’s Chief Economist, has [said](#) that Dubai’s new Al Maktoum Airport (which will eventually be able to handle up to 260 mio passengers per annum) combined with Singapore’s plan to expand its main airport’s capacity to 90 mio passengers a year, will increase the overall demand for jet fuel. Meanwhile, IATA recently reported that total global passenger demand in July was up 8% y/y and had hit an all-time high across all regions that month apart from Africa. *“The winding down of the peak northern summer season is a reminder of how much people depend on flying. As the mix of travelers shift from leisure to business, aviation’s many roles are evident, reuniting families, enabling exploration, and powering commerce. People need and want to fly. And they are doing that in great numbers. Load factors are at the practicable maximum. But persistent supply chain bottlenecks have made deploying the capacity to meet the need to travel more challenging. As much of the world returns from vacation, there is an urgent call for manufacturers and suppliers to resolve their supply chain issues so that air travel remains accessible and affordable to all those who rely on it,”* the Director-General of IATA was quoted as [saying](#).

Israel’s PM & Defence Minister Remain At Odds Over Gaza Ceasefire.

While Prime Minister Netanyahu continues to stick with his demand that the IDF remain deployed in Gaza’s Philadelphi Corridor in any ceasefire agreement, his Defence Minister has again publicly stated that Israeli forces could withdraw from that strategic area for a 6 week period in order for a hostage deal to be concluded. *“Israel should achieve an agreement that will bring about a pause for six weeks and bring back hostages. After that period, we maintain the right to operate and achieve our goals, including the destruction of Hamas,”* Yoav Gallant was quoted as saying yesterday by the ‘Times Of Israel’ newspaper, adding that *“Achieving an agreement is also a strategic opportunity that gives us a high chance to change the security situation on all fronts. Hamas as a military formation no longer exists”* and is now more engaged *“in guerilla warfare”*. Meanwhile, a fresh poll conducted by ‘Channel-12’ tv station, suggests that those political parties opposed to Netanyahu and his right-religious government would win enough seats in the Knesset to form a new majority if elections were held today, even without the support of the predominantly Arab Ra’am and Hadash-Ta’al parties.

US & Allies Impose Fresh Sanctions On Iran.

The US, UK, France and Germany have unveiled a new range of sanctions on Iran following Tehran’s recent decision to send ballistic missiles to Russia. These include the suspension of bilateral air services agreements with Iran which will severely restrict the country’s state carrier’s ability to fly to Europe and the UK. Until now Iran Air was operating 24 weekly flights to and from 9 European destinations. The US has also sanctioned various individuals and entities accused of enabling Iran’s delivery of weapon systems to Russia. *“Today, the United States and our allies are taking concerted action in response to Iran’s reckless decision to proliferate ballistic missiles to Russia for use in its war of aggression against Ukraine, despite the censure from the international community in response to Iran’s provision of one-way attack UAVs to Russia, and the ample evidence of the destruction of civilian infrastructure caused by Russia’s use of such UAVs. Iran has opted to intensify its involvement in Russia’s illegal war, and the United States, along with our partners, will continue to stand with Ukraine,”* the US Deputy Treasury Secretary [stated](#) on Tuesday. In response, a spokesperson at Iran’s Foreign Ministry claimed that, *“this action of the three European countries is the continuation of the hostile policy of the West and economic terrorism against the people of Iran, which will face the appropriate and proportionate action of the Islamic Republic of Iran.”*

Inflation In Egypt Rebounded Last Month.

Egypt’s annual urban inflation rate rose to 26.20% in August from 25.70% in July, according to the latest official data. This was the first rise in 5 months and appears to have been driven primarily by the hike in fuel and public transport prices at the end of July. The Central Bank’s MPC kept its primary interest rates unchanged last week and the next meeting is scheduled to take place on the 17th of October.

KSA Suspends Municipality Fees For Hospitality Sector.

The Saudi Arabian government has approved the suspension of municipal service fees for licenses linked to hotels, hotel apartments and residential resorts in the Kingdom. The country's Minister of Tourism welcomed this initiative, [stating](#) that this "approval comes within the framework of the unlimited support of the wise leadership for the tourism sector in the Kingdom, and it represents an important step within the ongoing efforts to provide an attractive investment environment for investors and enhance competitiveness in the promising sector. This will contribute to developing the infrastructure in the tourism sector, especially with regard to hospitality facilities in tourist destinations in the Kingdom."

Iraq Places Military Helicopter Order With Airbus.

Iraq's Defence Ministry has reportedly signed an agreement with Airbus, to acquire 12 H225M 'Caracal' multi-role helicopters, as the country looks to replace its fleet of aging Russian M-17 aircraft. The first batch of French-built Caracals are due to be delivered in early 2025.

Consortium Wins Metro Contract In Egypt.

A consortium consisting of Hitachi Rail, Colas Rail and Orascom Construction have been awarded an EUR 800 mio contract to modernize Line-1 of Cairo's metro system. According to the 'Global railway Review', Colas Rail and Orascom will be responsible for updating the metro's electric power supply, catenary systems and station electromechanical infrastructure, while Hitachi Rail will focus on updating the line's signaling, control and telecommunications systems.

WABAG Seals Desalination Contract In KSA.

The India based water technology specialist, VA Tech Wabag, has won a US\$317 mio contract to build a 300 mio litres per day desalination plant on Saudi Arabia's west coast, according to 'Zawya'.

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 | -3/Par | -6/-3 | -8/-5 | -16/-11 | -24/-17 | -32/-25 | -50/-20 |
| USD/SAR | 3.7521/24 | 15/18 | 24/27 | 30/35 | 52/57 | 70/77 | 90/100 | 210/260 |
| USD/KWD | 0.30530/550 | --120/-90 | -190/-160 | -250/-200 | -380/-330 | -450/-400 | -495/-445 | -850/-500 |
| USD/OMR | 0.38495/500 | -3/+2 | -1/+4 | 2/7 | 13/18 | 20/40 | 45/65 | 100/250 |
| USD/BHD | 0.37685/695 | 16/21 | 32/42 | 45/55 | 85/105 | 130/150 | 170/200 | 220/570 |
| USD/MAD | 9.7250/9.7400 | On request | On request | On request | On request | On Request | On Request | On request |
| USD/EGP NDF | 48.3585 | 48.75/49.25 | 49.30/49.80 | 50.00/50.50 | 51.80/52.30 | 53.70/54.20 | 55.70/56.20 | - |
| USD/JOD | 0.7079/7084 | 50/150 | 100/300 | 125/325 | 300/600 | 450/950 | 700/1200 | 800/1800 |
| USD/NGN NDF | 1617.37 | 1620.00/1670.00 | 1645.00/1695.00 | 1670.00/1740.00 | 1740.00/1810.00 | 1810.00/1910.00 | 1880.00/1980.00 | (NAFEX) |
| USD/GHS NDF | 15.6850 | 15.60/15.90 | 15.65/15.95 | 15.80/16.30 | 16.15/16.65 | 16.45/17.45 | 16.80/17.80 | - |
| USD/TND | 3.0450/3.0550 | On request | On request | On request | On request | On request | On request | On request |
| Crude Oil | Futures | | | | | | | |
| WTI | \$66.70 | | | | | | | |
| Brent | \$70.15 | | | | | | | |

** (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 | +8/18 | +16/26 | +24/34 | +30/40 | +33/43 | +35/45 | +50/60 |
| SAR SOFR Spread | +98/108 | +101/111 | +103/113 | +105/115 | +107/117 | +109/119 | +112/122 | +119/129 |

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

AND FINALLY...

Did you know that the first railway line in the MENA region opened in 1854 and ran between Alexandria and Kafar Zayat in Egypt?

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