NBK Economic Report

Oil prices reach 6-month highs; US pushes OPEC to pump more

End to Iran sanctions waivers to keep crude prices high

KUWAIT: Oil prices posted a fourth consecutive month of gains in April, rising to 6-month highs amid continued market tightness and the Trump administration's recent decision to end the Iran sanctions waivers. Major crude benchmarks Brent and West Texas Intermediate (WTI) reached as high as $74.6/bbl and $66.3/bbl, respectively, around 23 April-levels last recorded in late October 2018-though both markers have retreated a little since then as the US attempts to press the Saudis and OPEC to pump more crude to offset further supply losses from Iran.

Oil prices are up 31-37%

Speculators and investors continue to view the prospects for oil prices favorably. In the crude futures markets, hedge funds have piled into Brent and WTI futures, increasing wagers on oil prices rising (net length), for seven and nine weeks in a row, respectively, by the week ending 23 April. In WTI's case, this is the longest bull run in 13 years.

While much of the market tightness can be attributed to the crude production cuts of Saudi Arabia and the OPEC+ group, where overall compliance reached 125 percent, in recent weeks, oil prices have also benefitted from a higher geopolitical risk premium related to actual or potential supply outages. From Libya, where General Haftar has launched an assault on the capital, Tripoli, to the continuing crisis in Venezuela, where opposition leader Juan Guaido is attempting to force President Maduro to relinquish power amid power shortages, food rationing, civil unrest, and plummeting crude production. The latest OPEC data (secondary source) shows that Venezuelan crude output fell to 732,000 b/d in March-a 50 percent drop y/y and the lowest level in 75 years. Despite its billing as the key geopolitical moment of the first half of the year, markets largely took the announcement of the termination of the 180-day Iran sanctions waivers, which took effect on 2 May, in their stride. Brent's rise of almost 3 percent to $74 was mostly reversed in the same week as President Trump moved to pressure Saudia Arabia, the UAE and OPEC more broadly to open the taps to keep prices from rising.

However, having been blindsided by President Tump's decision last November to grant sanctions waivers to some of Iran's largest crude importers at a time when the US administration was intent on pursuing a 'zero exports' policy on Iran, the Saudis are unlikely to be as receptive to US pressure this time around. Indeed, the Saudi energy minister, Khaled Al-Falih, recently suggested that OPEC+ may opt to extend the production cuts beyond June when they were due to end. The Saudis, having cut production by more than 500,000 b/d over and above what was mandated by the OPEC+ Agreement (to 9.79 mb/d in March with compliance at 261 percent), are determined to reduce the global stock overhang and establish a new demand-supply equilibrium. Oil prices in the high $70-80/bbl range would appear to be satisfactory to the kingdom.

The prospect of further supply losses in Iran appears not to have fazed the markets. Sustained price spikes have yet to materialize. This is likely due to several reasons, including a belief that Iran's crude and condensate exports, which have already declined significantly (-1.9 mb/d, or -67 percent y/y, to 0.94 mb/d in April) as its customers curtailed purchases ahead of tighter sanctions, are unlikely to ever fall to zero due to low-level purchases by its customers in defiance of US sanctions (by bartering oil for goods, for example, thereby circumventing the US dollar financial system).

We estimate that exports could decline by another 200,000 kb/d at most. Markets are also confident that sufficient global spare capacity exists among Saudi Arabia, OPEC and Russia especially to mitigate further supply losses. And then there is US shale, which continues its unremitting increase; production reached a record 12.3 mb/d in the week ending 26 April, up a staggering 1.7 mb/d (16 percent) in one year.

Global stock drawdowns

Preliminary estimates of OECD commercials crude and petroleum product stocks by the International Energy Agency (IEA) would tend to confirm the tightening market narrative. By February, monthly stock levels (2,871 million barrels) vs. the 5-year average-one of the key metrics used by OPEC+ to gauge the state of market oversupply-had posted three consecutive monthly declines to just 16 million barrels above the 5-year avg. While this is still 'oversupply' according to the OPEC+ definition, the volume of oil stocks needed to meet oil demand (forward oil demand cover basis) was below the five year average (by 1.1 days). The Saudis would call this progress, but a job still far from complete.

Meanwhile, in terms of global oil demand, the IEA has maintained its global demand growth estimate of 1.4 mb/d in 2019, a slight improvement on last year's figure of 1.3 mb/d. This is despite weaker-than-expected demand data from the US and Canada in 1Q19 and despite the recent downward revision to economic growth in 2019 of 0.3 percent (to 3.3 percent) by the International Monetary Fund (IMF) in its April update.

The IEA expects robust oil demand in major non-OECD economies such as China and India to continue into 2019, helping to offset any weakness from advanced economies. In China's case, demand has been propped up by government stimulus, particularly on infrastructure. But global growth more broadly is likely to benefit from the prospect of a more accommodative US monetary policy stance, which is looking more likely after the US Federal Reserve refrained from raising interest rates in its first two meetings in 2019 and while US inflation remains subdued. The backdrop of healthy economic growth will therefore be supportive of oil prices. At this juncture, with OPEC+ proceeding as planned with its production cut and the likelihood of some further drops in oil supply from Iran and Venezuela especially, upside risks to oil prices are currently in the ascendancy.

VIVA opens its store at Kuwait International Airport - T4

KUWAIT: VIVA, Kuwait's fastest-growing and most developed telecom operator, has inaugurated its new store at Kuwait International Airport, Terminal 4 (T4), in presence of the CEO of VIVA Eng. Maziad Nasser Al-Harbi and the CEO of Incheon Korea for Airport Services Kwang-Soo Lee.

This store will serve all passengers travelling through T4, and VIVA's agents will be available 24/7 to assist customers and respond to their inquiries. Commenting on this occasion, Al-Harbi, said: "VIVA aims through its stores to serve a large segment of customers, to provide them convenience and satisfy their needs and requirements. This new branch opening at the Kuwait International Airport, will bring VIVA and its customers closer and keep them posted regularly with the latest products and plans."

He added: "The increase in customer base requires strengthening and renewing of our stores, to provide the best services and products according to the latest and best standards in the world of technology to our customers. In addition to our stores' services, VIVA's customer care line at 102 is ready round the clock and up to public holidays, to provide outstanding service to our valued customers through team of specialties."

Audi Kuwait sponsors Hanaeleven Expo

KUWAIT: Audi Kuwait, represented by Fouad Alghanim & Sons Automotive Company, has sponsored the Hanaeleven Ramadan Expo, which was held from April 27th to 30th at Arraya. Audi Kuwait was amongst 50 local, regional and international brands that were present and showcased their top products and services.

As part of the sponsorship Audi Kuwait presented the A8L and Q8, two of Audi's latest and most technologically-advanced models, on display at strategic locations. The all-new A8L is the flagship sedan in Audi's model line-up, presenting a futuristic blend of elegance, luxury and dynamism with numerous assistance systems, a new operating concept and more comfort features than ever before. The first-ever Q8 is Audi's newest and most advanced addition to the Q SUV family, providing the unique combination of a four-door luxury coupe with the practical versatility of a large SUV, offering a refined interior, sporty driving experience and all-round everyday usability.

Commenting about the Expo, Tarek Al-Shafie, General Manager and Dealer Principal of Fouad Alghanim & Sons Automotive Company said: "Audi Kuwait prides itself on supporting local efforts, and it brings us great pleasure to have sponsored an event with the high calibre and expertise of the Hanaeleven Expo.

The Audi A8L and Q8 were selected to perfectly-suit the general aesthetic and ambience of the expo. Customers looking for luxurious products and services will certainly find what they are looking for during their ownership experience with Audi Kuwait, the largest combined Audi terminal in the world, composed of the latest new cars, Audi Approved: plus and state-of-the-art service center."

The range of Audi and Audi Sport models are available for test-drives 6 days a week at the Audi Kuwait showroom, located in Shuwaikh Industrial Area - Al-Jahra Road (Pepsi Cola Street) during the Ramadan working hours from 10:00am to 4:00pm and 8:30pm to 11:30pm, Saturday to Thursday.

EXCHANGE RATES

Al-Muzaini Exchange Co.

EUROPEAN & AMERICAN COUNTRIES	
US Dollar Transfer	305.000
Euro	345.110
Sterling Pound	398.480
Canadian dollar	229.240
Turkish lira	52.630
Swiss Franc	303.630
US Dollar Buying	303.800
ASIAN COUNTRIES	
Japanese Yen	2.729
Indian Rupees	4.379
Pakistani Rupees	2.187
Srilankan Rupees	1.743
Nepali Rupees	2.737
Singapore Dollar	225.760
Hongkong Dollar	38.875
Bangladesh Taka	3.603
Philippine Peso	5.893
Thai Baht	9.616
Malaysian ringgit	78.005
GCC COUNTRIES	
Saudi Riyal	81.388
Qatari Riyal	83.826
Omani Riyal	792.723
Bahraini Dinar	810.420
UAE Dirham	83.095
ARAB COUNTRIES	
Egyptian Pound - Cash	20.850
Egyptian Pound - Transfer	17.726
Yemen Riyal/for 1000	1.225
Tunisian Dinar	105.170
Jordanian Dinar	430.670
Lebanese Lira/for 1000	2.033
Syrian Lira	0.000
Morocco Dirham	32.344

Dollarco Exchange Co. Ltd

Rate for Transfer	Selling Rate
US Dollar	304.440
Canadian Dollar	227.320
Sterling Pound	402.510
Euro	342.100
Swiss Frank	311.145
Bahrain Dinar	809.620
UAE Dirhams	83.290
Qatari Riyals	84.530
Saudi Riyals	82.080
Jordanian Dinar	430.680
Egyptian Pound	17.748
Sri Lankan Rupees	1.720
Indian Rupees	4.401
Pakistani Rupees	2.154
Bangladesh Taka	3.606
Philippines Pesso	5.871
Cyprus pound	18.110
Japanese Yen	3.739
Syrian Pound	1.590
Nepalese Rupees	2.753
Malaysian Ringgit	74.440
Chinese Yuan Renminbi	45.680
Thai Bhat	10.540
Turkish Lira	51.515
Singapore dollars	223.559

BAHRAIN EXCHANGE COMPANY WLL

CURRENCY	BUY	SELL
Europe		
British Pound	0.390889	0.404789
Czech Korune	0.005241	0.014541
Danish Krone	0.041618	0.046618
Euro	0. 333571	0.347271
Georgian Lari	0.110949	0.110949
Hungarian 0.000961	0.001151	
Norwegian Krone	0.030811	0.036011
Romanian Leu	0.054732	0.071582
Russian ruble	0.004651	0.004651
Slovakia	0.009113	0.019113
Swedish Krona	0.027733	0.032733
Swiss Franc	0.292288	0.303288
Australasia		
Australian Dollar	0.205438	0.217438
New Zealand Dollar	0.194306	0.203806
America		
Canadian Dollar	0.220829	0.229829
US Dollars	0.300600	0.305900
US Dollars Mint	0.301100	0.306590
Asia		
Bangladesh Taka	0.003011	0.003812
Chinese Yuan	0.043537	0.047037
Hong Kong Dollar	0.036731	0.039481
Indian Rupee	0.003808	0.004580
Indonesian Rupiah	0.000017	0.000023
Japanese Yen	0.002684	0.002864
Korean Won	0.000250	0.000266
Malaysian Ringgit	0.069966	0.075966
Nepalese Rupee	0.002681	0.003021
Pakistan Rupee	0.001524	0.002294
Philippine Peso	0.005781	0.006081
Singapore Dollar	0.218357	0.228357
Sri Lankan Rupee	0.001377	0.001957
Taiwan	0.009724	0.009904
Thai Baht	0.009229	0.009779
Vietnamese Dong	0.00013	0.00013
Arab		
Bahraini Dinar	0.793652	0.810152
Egyptian Pound	0.017744	0.020344
Iranian Riyal	0.000084	0.000086
Iraqi Dinar	0.000210	0.000270
Jordanian Dinar	0.424856	0.433856
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000151	0.000251
Moroccan Dirhams	0.021224	0.045224
Omani Riyal	0.785110	0.790790
Qatar Riyal	0.079404	0.084344
Saudi Riyal	0.080167	0.081457
Syrian Pound	0.001292	0.001512
Tunisian Dinar	0.097013	0.105013
Turkish Lira	0.043415	0.054915
UAE Dirhams	0.081534	0.083234
Yemeni Riyal	0.000991	0.001071