

News Updates

Fitch Follows Moody's by Downgrading Oman Deeper Into Junk Again – Oman received its second downgrade this year from Fitch Ratings because of what it called the “continued erosion” of the country's fiscal and external balance sheets. Fitch lowered Oman's sovereign rating one notch to BB-, three steps below investment grade and on par with Brazil, Turkey and Bangladesh, according to a statement on Monday. The outlook is negative. Fitch's latest downgrade brings its ranking of Oman to the same level as that of Moody's Investors Service and S&P Global Ratings. Even before the virus outbreak and declines in oil prices, Oman was already among the most vulnerable economies in the six-nation Gulf Cooperation Council. It's now on track to run a budget shortfall that Fitch estimates at nearly 20% of gross domestic product in 2020, compared with about 8% in 2019. The Gulf nation's dollar bond due 2048 gave up earlier gains to hit a session low after Fitch's announcement, with its yield dropping 1 basis point to 7.6%. Oman's sovereign rating was already downgraded twice in 2020 by Moody's. (Source: Bloomberg)

Oil Rises to Five-Month High on Signals of Economic Recovery – Oil jumped to a five-month high alongside a surge in U.S. equities as optimism that an economic recovery may be on the horizon lifted hopes for improving fuel demand to follow. Equities in the U.S., Europe and Asia strengthened on Monday, with the S&P 500 Index approaching the highest in months, bolstered by fresh stimulus out of China's central bank. A gauge of builder sentiment in the U.S. jumped to its highest since 1998, signaling a bright spot in an economy reeling from the coronavirus pandemic. OPEC+ is planning to return about 1.5 million barrels a day to the market this month after trimming roughly 10% of global supply following a crash in demand due to the pandemic. Iraq has also made its strongest commitment yet to implement deep output cuts, including deeper cuts in the coming months to compensate for missing previous targets. OPEC+ sees overall implementation of its pledged production cuts in July of 95%, before the meeting of the group's Joint Technical Committee to formally assess compliance, said delegates. (Source: Bloomberg)

U.S. Investment Grade Issuance Set to Exceed All-Time Record – U.S. corporate investment-grade issuance reached a record \$1.346 trillion Monday, surpassing 2017's full-year total in less than eight months amid seemingly endless investor appetite following the Federal Reserve's unprecedented steps to bolster liquidity. The furious pace of issuance in the high-grade market, which has put volume on track to surpass the previous peak in just eight months, has come as companies take advantage of record low-rates to refinance debt. Blue chip debt isn't the only asset class breaking records. Last week, high-yield bond issuance for the year surpassed 2019's total with an aggressive hunt for yield still underway. (Source: Bloomberg)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	1.34	6.39	KSA	2025	1.30	3.51
Abu Dhabi	2047	2.59	10.85	KSA	2029	2.01	5.29
Bahrain	2024	3.55	-1.97	KSA	2049	3.18	11.28
Bahrain	2029	4.87	-3.42	Oman	2025	4.49	-2.38
Bahrain	2047	6.29	-5.81	Oman	2029	6.25	-6.55
Dubai	2023	1.21	1.97	Oman	2048	7.50	-10.09
Dubai	2029	2.78	1.58	Qatar	2024	0.94	3.43
Kuwait	2022	0.66	1.42	Qatar	2028	1.56	5.15
Kuwait	2027	1.23	5.85	Qatar	2049	2.70	14.16

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.64	8.18	-0.10	6.45
S&P MENA Bond and Sukuk Index	2.10	NA	-0.13	8.10
Bloomberg Emerging Markets USD Index	4.16	6.90	-0.08	3.25
Bloomberg Global Aggregate Index	0.88	7.48	0.27	5.88

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	18/08/2020	31/12/2019	18/08/2020	31/12/2019	18/08/2020	31/12/2019
KIBOR	1.5625	2.7500	1.8125	2.9375	2.1250	3.1875
SAIBOR	0.9171	2.2314	0.9671	2.2557	1.0200	2.3071
BHIBOR	2.2833	2.6667	2.5167	2.7000	2.6833	2.8333
QATAR	0.9789	2.2500	1.0856	2.3500	1.3078	2.5333
AEIBOR	0.4800	2.2086	0.6618	2.1914	0.9348	2.2900
EURIBOR	-0.4820	-0.3830	-0.4320	-0.3240	-0.3530	-0.2490
LIBOR	0.2704	1.9084	0.3325	1.9121	0.4609	1.9963

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.2400	-0.09	-86.4
2-Year	0.2287	-0.07	-86.5
5-Year	0.3350	-0.50	-80.6
7-Year	0.4779	-0.78	-73.4
10-Year	0.6680	-0.95	-64.7
30-Year	1.0155	-0.76	-51.4

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3058	0.0327	-0.87
SAR	3.7506	-0.0053	0.03
BHD	0.3770	0.0000	0.02
QAR	3.6421	-0.0027	0.00
OMR	0.3850	0.0026	0.00
AED	3.6731	0.0000	0.00

US Treasuries

	Yield %	1D Δ (%)
2-Year	0.15	0.00
5-Year	0.28	0.03
10-Year	0.68	0.10
30-Year	1.43	0.21

Source: Bloomberg

UK Gilts

	Yield %	1D Δ (%)
2-Year	-0.05	0.05
5-Year	-0.05	0.14
10-Year	0.21	0.32
30-Year	0.77	0.77

German Bunds

	Yield %	1D Δ (%)
2-Year	-0.69	0.01
5-Year	-0.69	0.09
10-Year	-0.52	0.27
30-Year	-0.02	0.93

Sovereign Ratings

	Moody's	S&P	Fitch
Kuwait	Aa2	AA-	AA
KSA	A1	A-u	A
UAE	Aa2	NR	NR
Abu Dhabi	Aa2	AA	AA
Qatar	Aa3	AA-	AA-
Bahrain	B2u	B+	B+
Oman	Ba3	BB-	BB-
Egypt	B2	B	B+
Lebanon	C	SD	RD
Jordan	B1	B+	BB-
Turkey	B1	B+u	BB-
Tunisia	B2	NR	B
Morocco	Ba1	BBB-	BBB-
US	Aaa	AA+u	AAA
UK	Aa2	AAu	AA-
China	A1	A+	A+

USD 5Yr CDS	18-Aug 2020	31-Dec 2019
Kuwait	51.510	36.700
KSA	83.750	56.915
Abu Dhabi	45.850	36.090
Dubai	152.790	91.005
Qatar	45.610	36.705
Bahrain	295.350	175.995
Oman	449.430	234.400
Iraq	594.200	383.680
Egypt	419.550	277.420
Morocco	125.530	91.435
Turkey	567.280	282.130
US	13.040	10.810
UK	19.910	16.210
China	39.080	31.205
Japan	15.530	21.042
Germany	9.500	7.080
France	16.510	16.130