

News Updates

S&P cuts Kuwait rating on lack of deficit-financing strategy – Ratings agency S&P Global Ratings cut Kuwait's rating by one notch citing the Gulf state's lack of a funding strategy to finance its deficit. Hit hard by lower oil prices and the COVID-19 pandemic last year, Kuwait faces liquidity risks largely because parliament has not authorised government borrowing due to a standoff. read more S&P cut Kuwait's rating by one notch to A+ from AA- and kept its outlook on the country negative, it said in a statement. "The downgrade reflects a persistent lack of a comprehensive funding strategy despite the central government's ongoing sizeable deficits," it said. "Due to parliamentary opposition, the government has so far been unable to pass a law giving it the authority to issue debt or gain immediate access to its large stock of accumulated assets". S&P expects central government deficits to average 17% of gross domestic product annually between 2021 and 2024. In the fiscal year that ended in March, the country ran a central government deficit of 33% of GDP, S&P estimated. Despite a sluggish pace of reforms, the agency said it still expected Kuwait to eventually adopt a debt law that would allow the government to borrow or overcome parliamentary opposition to gain access to funding alternatives. S&P had already cut the rating of the OPEC member state last year due to lower oil prices. (Source: Reuters)

Fitch affirms Saudi Arabia's IDR at 'A' – Fitch Ratings has maintained Saudi Arabia's long-term foreign-currency Issuer Default Rating (IDR) at 'A', according to a press release. The rating agency meanwhile revised the Kingdom's outlook to 'Stable' from 'Negative'. The changed outlook was mainly due to significantly higher oil prices and continued government commitment to fiscal consolidation. Fitch expected the government debt/gross domestic product (GDP) to rise and sovereign net foreign assets (SNFA) to decline over the medium term. The Saudi government will likely retain significant fiscal buffers like deposits at the central bank in excess of 10% of GDP. Fitch also predicted Saudi Arabia's budget deficit to decrease to 3.3% of GDP in 2021, better than the 4.9% budget target. (Source: Mubasher)

OPEC+ agrees oil supply boost after UAE, Saudi reach compromise – OPEC+ ministers agreed on July 18th to boost oil supply from August to cool prices which have climbed to 2-1/2 year highs as the global economy recovers from the coronavirus pandemic. The group, which includes OPEC countries and allies like Russia, crucially agreed new production allocations from May 2022 after Saudi Arabia and others agreed to a request from the United Arab Emirates (UAE) that had threatened the plan. From August until December 2021 the group will increase supply by a further 2 million bpd or 0.4 million bpd a month, OPEC said in a statement. It aims to fully phase out cuts by around September 2022. The group had agreed to extend their overall pact until the end of 2022 from an earlier planned date of April 2022, to leave more room for manoeuvre in case global recovery stalls due to new virus variants. (Source: Reuters)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.65	-0.45	KSA	2025	1.09	-0.53
Abu Dhabi	2030	1.86	-2.89	KSA	2030	2.21	-2.03
Abu Dhabi	2050	2.98	-4.55	KSA	2050	3.47	-3.82
Bahrain	2026	3.86	-3.52	Oman	2025	3.37	2.22
Bahrain	2030	5.52	-5.62	Oman	2029	4.97	2.67
Bahrain	2047	6.84	-8.78	Oman	2048	6.64	1.33
Dubai	2029	2.44	-0.30	Qatar	2025	0.84	-1.27
Kuwait	2022	0.03	-1.33	Qatar	2030	1.95	-3.41
Kuwait	2027	1.25	-1.98	Qatar	2050	3.10	-5.06

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.60	8.08	-0.02	0.38
S&P MENA Bond and Sukuk Index	2.17	NA	0.05	-0.03
Bloomberg Emerging Markets USD Index	3.85	6.80	-0.05	-0.22
Bloomberg Global Aggregate Index	1.01	7.42	-0.18	-2.52

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	25/7/2021	31/12/2020	25/7/2021	31/12/2020	25/7/2021	31/12/2020
KIBOR	1.5000	1.4375	1.7500	1.6875	2.0000	1.9375
SAIBOR	0.7929	0.8175	0.8443	0.8700	0.9143	0.9413
BHIBOR	1.5917	2.2500	1.7167	2.5333	1.8667	2.6833
QATAR	1.1550	1.1206	1.2250	1.1960	1.3500	1.3636
AEIBOR	0.3475	0.5125	0.4425	0.4908	0.6437	0.6538
EURIBOR	-0.5440	-0.5450	-0.5190	-0.5260	-0.4930	-0.4990
LIBOR	0.1289	0.2384	0.1585	0.2576	0.2414	0.3419

USD Swap Rates

	Currencies			Commodities		
	Yield %	1D Δ (bps)	YTD Δ (%)	USD	1D Δ (bps)	YTD Δ (%)
1-Year	0.1629	-0.26	-15.4	KWD	0.3006	0.0665
2-Year	0.2812	-0.40	42.2	SAR	3.7510	0.0000
5-Year	0.8009	-0.44	86.3	BHD	0.3770	0.0000
7-Year	1.0412	-0.48	59.1	QAR	3.6417	0.0000
10-Year	1.2777	-0.61	38.1	OMR	0.3850	0.0000
30-Year	1.6480	-0.78	17.5	AED	3.6730	0.0000

US Treasuries

	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.20	0.01	0.07	-0.02	-0.74	0.00
5-Year	0.71	0.04	0.27	-0.05	-0.79	0.02
10-Year	1.28	0.03	0.58	-0.23	-0.57	-0.04
30-Year	1.92	0.07	1.00	-0.04	0.06	-0.21

UK Gilts

	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.20	0.01	0.07	-0.02	-0.74	0.00
5-Year	0.71	0.04	0.27	-0.05	-0.79	0.02
10-Year	1.28	0.03	0.58	-0.23	-0.57	-0.04
30-Year	1.92	0.07	1.00	-0.04	0.06	-0.21

German Bunds

	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.20	0.01	0.07	-0.02	-0.74	0.00
5-Year	0.71	0.04	0.27	-0.05	-0.79	0.02
10-Year	1.28	0.03	0.58	-0.23	-0.57	-0.04
30-Year	1.92	0.07	1.00	-0.04	0.06	-0.21

Sovereign Ratings

	Moody's	S&P	Fitch
Kuwait	A1	A+	AA
KSA	A1	A-u	A
UAE	Aa2	NR	AA-
Abu Dhabi	Aa2	AA	AA
Qatar	Aa3	AA-	AA-
Bahrain	B2	B+	B+
Oman	Ba3	B+	BB-
Egypt	B2	B	B+
Lebanon	C	SD	RD
Jordan	B1	B+	BB-
Turkey	B2	B+u	BB-
Tunisia	B3	NR	B-
Morocco	Ba1	BB+	BB+
US	Aaa	AA+u	AAA
UK	Aa3	AAu	AA-
China	A1	A+	A+

USD 5Yr CDS	25-Jul 2021	31-Dec 2020
Kuwait	46.09	40.69
KSA	54.78	63.77
Abu Dhabi	40.10	36.03
Dubai	81.45	104.06
Qatar	41.38	36.70
Bahrain	236.74	233.58
Oman	239.85	353.60
Iraq	536.80	542.74
Egypt	344.67	330.47
Morocco	88.95	102.56
Turkey	382.04	299.47
US	7.21	11.52
UK	10.11	15.13
China	37.42	26.70
Japan	16.20	14.74
Germany	8.85	9.09
France	19.34	14.42