

## News Updates

**Kuwait has made the least progress among Gulf states to address government wage bill - World Bank** – Kuwait has made the least progress among countries of the Gulf Cooperation Council to reform its wage bill, the World Bank's lead economist for the Gulf said on Monday. "In Kuwait, they have actually increased hiring in recent years, and after the oil price drop [of 2014], they actually increased hiring from 15,000 a year to 25,000 a year which is almost a whole cohort," said the World Bank's Ismail Radwan at a news conference in Dubai. "So we have a situation now where one-third of the Kuwaiti civil service has been recruited in the past five years, so that's why we say it's unsustainable," Radwan said. Hit hard by lower oil prices and the COVID-19 pandemic last year, Kuwait was facing liquidity risks largely because parliament has not authorised government borrowing due to a standoff. S&P in July cut Kuwait's rating by one notch to A+ from AA- (minus) and kept its outlook on the country negative, citing the country's lack of a funding strategy to finance its deficit. Radwan said the World Bank was in talks with Kuwaiti authorities to address the government wage bill. If the country does not take action, their expenditures will continue to deplete their financial reserves, he said. (Source: Reuters)

**Fitch puts 13 Turkish banks on downgrade warnings** – Credit rating agency Fitch has put 13 Turkish banks on downgrade warnings following a similar move on the government's sovereign rating last week. The moves come after three central bank interest rate cuts in quick succession despite inflation topping 21% has triggered a more than 40% slump in the lira since September. "We believe that the risks to macroeconomic and financial stability and external financing could increase the likelihood of government intervention in the banking system," Fitch said on its decision to put the banks' ratings on a 'negative outlook' in a note dated Friday. It added that the negative outlooks on banks with ratings driven by state support reflect the sovereign's outlook change, and "the risk of a further weakening of the authorities' ability to provide support in case of need." (Source: Reuters)

**Fed to pivot on inflation fears in the face of another uncertain year** – The U.S. Federal Reserve, stung by persistently high inflation and encouraged by lower-than-expected unemployment, is set on Wednesday to chart a path of higher interest rates next year as policymakers show their hands on just how soon and how much they think borrowing costs will need to increase to keep the economy on an even keel. Fed Chair Jerome Powell has already flagged the rate-setting committee will likely announce at its policy meeting this week that it will accelerate the end of its bond-buying program, wrapping it up by March instead of June, in order to clear the way for the Fed to lift off interest rates from near zero, where they have been held since March 2020 when the coronavirus pandemic triggered a short but deep recession. It will lead to policymakers' bringing forward their projections for interest rate rises, in their so-called "dot plot," as part of their forecasts, released quarterly, for economic growth, employment and inflation as well as the timing of interest rate rises. (Source: Reuters)

## GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	1.27	-3.02	KSA	2025	1.53	-2.63
Abu Dhabi	2030	1.97	-3.82	KSA	2030	2.21	-2.28
Abu Dhabi	2050	2.92	-3.54	KSA	2050	3.40	-2.70
Bahrain	2026	4.19	-5.67	Oman	2025	3.34	1.74
Bahrain	2030	5.68	-6.99	Oman	2029	4.75	3.87
Bahrain	2047	7.29	-13.50	Oman	2048	6.56	2.28
Dubai	2029	2.56	-1.66	Qatar	2025	1.42	-3.76
Kuwait	2022	-0.18	-2.27	Qatar	2030	2.13	-5.00
Kuwait	2027	1.61	-4.32	Qatar	2050	3.03	-4.09

## Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.78	8.08	0.12	0.86
S&P MENA Bond and Sukuk Index	2.37	NA	-0.05	0.41
Bloomberg Emerging Markets USD Index	4.47	6.80	0.16	-1.38
Bloomberg Global Aggregate Index	1.24	7.42	0.11	-4.32

## Interbank Rates (%)

	3 Months		6 Months		12 Months	
	14/12/2021	31/12/2020	14/12/2021	31/12/2020	14/12/2021	31/12/2020
KIBOR	1.5000	1.4375	1.7500	1.6875	2.0000	1.9375
SAIBOR	0.8600	0.8175	0.9071	0.8700	0.9857	0.9413
BHIBOR	1.5167	2.2500	1.6017	2.5333	1.7667	2.6833
QATAR	1.1250	1.1206	1.2000	1.1960	1.3250	1.3636
AEIBOR	0.4050	0.5125	0.5370	0.4908	0.7118	0.6538
EURIBOR	-0.5880	-0.5450	-0.5430	-0.5260	-0.4980	-0.4990
LIBOR	0.1983	0.2384	0.2883	0.2576	0.5094	0.3419

USD Swap Rates				Currencies				Commodities		
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)		USD	YTD Δ (%)
1-Year	0.4373	1.28	127.2	KWD	0.3026	0.0000	0.23	Gold	1,786.00	-6.69
2-Year	0.8560	1.90	332.8	SAR	3.7520	0.0000	0.01	Silver	22.24	-16.86
5-Year	1.3123	0.77	205.2	BHD	0.3771	-0.0027	0.00	Copper	427.60	21.46
7-Year	1.4127	0.61	115.8	QAR	3.6416	-0.0082	-0.01	Nat. Gas	3.79	26.18
10-Year	1.5075	0.43	62.9	OMR	0.3850	0.0000	0.00	Aluminum	2,642.20	31.39
30-Year	1.6476	0.54	17.5	AED	3.6730	0.0082	0.01	Crude Oil	74.10	46.76

US Treasuries			UK Gilts		German Bunds	
	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.64	-0.01	0.37	0.07	NA	0.00
5-Year	1.21	-0.04	0.51	0.13	-0.74	0.04
10-Year	1.42	-0.05	0.69	0.40	-0.51	0.23
30-Year	1.81	-0.09	0.83	0.64	-0.11	1.20

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	Caa1	NR	B-
Morocco	Ba1	BB+	BB+
US	Aaa	AA+u	AAA
UK	Aa3	AAu	AA-
China	A1	A+	A+

USD 5Yr CDS	14-Dec 2021	31-Dec 2020
Kuwait	40.51	40.69
KSA	50.56	63.77
Abu Dhabi	42.72	36.03
Dubai	87.16	104.06
Qatar	42.17	36.70
Bahrain	295.66	233.58
Oman	259.98	353.60
Iraq	515.64	542.74
Egypt	491.35	330.47
Morocco	86.16	102.56
Turkey	514.38	299.47
US	12.06	11.52
UK	8.98	15.13
China	42.81	26.70
Japan	16.48	14.74
Germany	7.85	9.09
France	18.74	14.42