

News Updates

Saudi Arabia Local Debt Gets Added to FTSE Emerging-Market Index

– FTSE Russell said it will include Saudi Arabia's local-currency debt in its emerging-market government bond index, a move likely to lure foreign investment to the Arab region's biggest economy. The kingdom's bonds will comprise 2.75% of the FTSE Emerging Markets Government Bond Index's value, according to a statement. The Saudi Arabian sukuk will start being added in April. Last year, the Capital Market Authority allowed foreigners to invest directly in listed and unlisted debt instruments to diversify Saudi Arabia's investor base. (Source: Bloomberg)

Oman's First S&P Upgrade in Over a Decade Could Be on the Cards

– S&P Global Ratings could upgrade Oman's sovereign grade for the first time since 2007 after improving its outlook to positive, following a fiscal turnaround that's reducing the strain on its public finances. While the sultanate's spell in junk may be far from over, S&P's change in the outlook from stable is a signal the firm is more inclined to raise the rating than cut it. S&P, the first of the major credit assessors to give Oman a non-investment grade, affirmed its long-term foreign currency rating at B+ on Friday, on par with Bahrain, Bolivia and Rwanda. "Authorities have outlined a solid path to reduce the historically high fiscal deficits," S&P credit analysts stated in a report. "Economic and fiscal pressures on Oman are easing, as the effects of the sharp drop in oil prices in 2020 and the Covid-19 pandemic abate." Since Haitham bin Tariq Al Said became the new ruler of Oman last year, the country has embarked on a program to reduce subsidies, balance the budget and levy an income tax -- a step unheard of in the Gulf region. The government introduced a 5% value-added tax in April. Oman's fiscal deficit may narrow to 4.2% of gross domestic product in 2021, from 15.3% in the previous year, according to S&P. The government wants to achieve budget balance by 2025. (Source: Bloomberg)

Bahrain's VAT hike to reduce budget deficit, improve chances of continued GCC support

– Bahrain last week announced its plans to raise the VAT rate to 10 per cent, from 5 per cent from January 2022, which analysts believe is a right move in its fiscal reform efforts. "A reboot of Bahrain's Fiscal Balance Programme (FBP), including a rise in the VAT rate, could improve the trajectory of the country's public finances," said Fitch Ratings. Fitch estimate that such a VAT hike could raise an additional 1.5 per cent to 2 per cent of GDP in revenue. Credit rating agency Moody's said the VAT increase marks a renewal of the fiscal reform momentum that is a prerequisite for Bahrain to secure continued financial support from fellow GCC neighbors. According to Moody's the additional VAT receipts will only partly address the significant challenge the government faces in reducing its debt burden, which amounted to over 130 per cent of GDP (including central bank lending) at the end of 2020. (Source: Gulf News)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.92	-1.62	KSA	2025	1.22	-1.29
Abu Dhabi	2030	1.99	-3.85	KSA	2030	2.32	-2.97
Abu Dhabi	2050	3.06	-5.87	KSA	2050	3.55	-5.05
Bahrain	2026	3.79	-4.66	Oman	2025	3.53	1.44
Bahrain	2030	5.73	-7.13	Oman	2029	5.17	1.26
Bahrain	2047	6.94	-11.53	Oman	2048	6.88	-1.70
Dubai	2029	2.48	-0.92	Qatar	2025	1.08	-2.35
Kuwait	2022	0.28	-1.92	Qatar	2030	2.11	-4.52
Kuwait	2027	1.35	-2.73	Qatar	2050	3.20	-6.65

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.70	8.08	-0.10	0.02
S&P MENA Bond and Sukuk Index	2.29	NA	-0.04	-0.37
Bloomberg Emerging Markets USD Index	4.12	6.80	0.04	-1.10
Bloomberg Global Aggregate Index	1.15	7.42	0.30	-3.78

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	03/10/2021	31/12/2020	03/10/2021	31/12/2020	03/10/2021	31/12/2020
KIBOR	1.5000	1.4375	1.7500	1.6875	2.0000	1.9375
SAIBOR	0.8086	0.8175	0.8571	0.8700	0.9300	0.9413
BHIBOR	1.5500	2.2500	1.6250	2.5333	1.8000	2.6833
QATAR	1.1500	1.1206	1.2000	1.1960	1.3391	1.3636
AEIBOR	0.3241	0.5125	0.5049	0.4908	0.4340	0.6538
EURIBOR	-0.5470	-0.5450	-0.5260	-0.5260	-0.4880	-0.4990
LIBOR	0.1331	0.2384	0.1570	0.2576	0.2349	0.3419

USD Swap Rates				Currencies				Commodities		
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)		USD	YTD Δ (%)
1-Year	0.1703	-0.19	-11.5	KWD	0.3017	-0.0995	0.53	Gold	1,758.40	-7.99
2-Year	0.3713	-0.95	87.7	SAR	3.7508	0.0000	0.02	Silver	22.54	-15.45
5-Year	1.0187	-3.47	136.9	BHD	0.3770	0.0000	0.01	Copper	418.85	18.86
7-Year	1.2662	-3.21	93.4	QAR	3.6416	0.0000	-0.01	Nat. Gas	5.62	100.97
10-Year	1.4798	-2.77	59.9	OMR	0.3850	0.0000	0.00	Aluminum	2,845.00	41.98
30-Year	1.7687	-2.47	26.2	AED	3.6730	0.0000	0.00	Crude Oil	79.28	56.22

US Treasuries			UK Gilt		German Bunds	
Yield %	1D Δ (%)		Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.26	0.03	0.39	0.03	-0.72	0.00
5-Year	0.93	0.19	0.62	0.07	-0.72	0.05
10-Year	1.46	0.24	1.00	0.18	-0.39	0.19
30-Year	2.03	0.38	1.36	0.16	0.25	0.55

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	03-Oct 2021	31-Dec 2020
Kuwait	45.78	40.69
KSA	52.74	63.77
Abu Dhabi	42.84	36.03
Dubai	90.55	104.06
Qatar	42.95	36.70
Bahrain	279.31	233.58
Oman	256.70	353.60
Iraq	518.49	542.74
Egypt	458.25	330.47
Morocco	96.28	102.56
Turkey	431.25	299.47
US	14.93	11.52
UK	7.53	15.13
China	44.67	26.70
Japan	17.34	14.74
Germany	7.94	9.09
France	17.53	14.42