

News Update – 9 December 2019

Qatar's Commercial Bank expects to issue \$500mIn bonds in Q1 or Q2 – Qatar's Commercial Bank expects to issue bonds worth \$500 million in the first or second quarter of 2020, Chief Executive Joseph Abraham said on Sunday. "I think it's a good time (to sell bonds) because the interest rates have gone down and there is good appetite for Qatar," Abraham told Reuters on the sidelines of a conference in Doha.

Central Bank of Bahrain's new liquidity management tool aims to promote Islamic banking – The Central Bank of Bahrain (CBB) has launched a new liquidity management tool for Islamic retail banks to promote the development of Islamic banking in the kingdom. The tool based on the "Single Binding Wa'ad based structure" is developed by the International Islamic Financial Market (IIFM) and International Swaps and Derivatives Association (ISDA) and represents a Shariah-compliant alternative to Foreign Exchange Forward contracts. The single binding Wa'ad based structure involves one party who is looking for a hedge to purchase a specified currency at a future date based on the rate determined today, providing a binding Wa'ad (promise/undertaking) to purchase such currency.

Banking sector in UAE remains positive in Q3 – The overall soundness of the banking sector remained positive during Q3 of 2019, according to the Q3 Economic Review issued by the Central Bank of the UAE (CBUAE). Banks operating in the UAE remain well capitalised, with the Capital Adequacy Ratio at 17.7 percent, Tier 1 Capital at 16.5percent, and Common Equity Tier 1 at 14.7percent, which are well above the regulatory requirements set by the CBUAE. The Loans to Deposits ratio for the whole banking system increased only slightly from 95.4 percent in June 2019 to 95.5 percent at the end of September 2019, mainly due to the slower growth pace of deposits (Q-o-Q 1.6 percent) compared to the registered growth in gross credit (Q-o-Q 1.7 percent).

US Federal Reserve to hold fire as economy ends 2019 on a strong note – With the strength of the world's largest economy on display at year end, the US Federal Reserve is all but certain to leave interest rates untouched at its final policy meeting of 2019 this week. While Latin America and Europe are stagnant and China has begun to sputter worryingly, November's blockbuster US jobs report -- which blew past economists' expectations -- underscored the resilience of American labor markets despite headwinds from President Donald Trump's grinding trade war and signs of slower consumer spending. The rate-setting Federal Open Market Committee will release its decision at 1900 GMT on Wednesday, along with an updated quarterly economic forecast.

GCC Sovereign Yields (9 December 2019)

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	2.43	9.18	KSA	2025	2.43	8.23
Abu Dhabi	2047	3.23	20.51	KSA	2029	2.89	11.95
Bahrain	2024	3.64	7.91	KSA	2049	3.90	22.69
Bahrain	2029	4.91	15.72	Oman	2025	4.36	12.68
Bahrain	2047	6.11	21.73	Oman	2029	5.86	0.90
Dubai	2023	2.48	4.05	Oman	2048	7.09	15.25
Dubai	2029	3.13	9.70	Qatar	2024	2.18	4.58
Kuwait	2022	1.94	3.28	Qatar	2028	2.51	9.80
Kuwait	2027	2.34	7.66	Qatar	2049	3.49	23.22

Source: Bloomberg

Bonds and Sukuk Indices (9 December 2019)

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	3.25	7.33	-0.04	13.65
S&P MENA Bond and Sukuk Index	2.99	NA	-0.19	12.98
Bloomberg Emerging Markets USD Index	5.04	6.28	0.02	11.40
Bloomberg Global Aggregate Index	1.46	7.27	-0.21	6.15

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	09/12/2019	31/12/2018	09/12/2019	31/12/2018	09/12/2019	31/12/2018
KIBOR	2.7500	2.3125	2.9375	2.5625	3.1250	2.8125
SAIBOR	2.2357	2.9750	2.2529	3.1150	2.2986	3.3413
BHIBOR	2.3500	3.5500	2.7500	4.0833	2.8500	4.7000
QATAR	2.3040	2.9056	2.4040	3.0889	2.6833	3.3028
AEIBOR	2.1465	2.8375	2.1903	3.1849	2.2912	3.5737
EURIBOR	-0.3930	-0.3090	-0.3330	-0.2370	-0.2690	-0.1170
LIBOR	1.8905	2.8076	1.8868	2.8756	1.9231	3.0054

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	1.7307	-0.16	-37.3
2-Year	1.6320	-0.35	-38.6
5-Year	1.6297	-0.43	-36.6
7-Year	1.6761	-0.39	-36.1
10-Year	1.7651	-0.37	-34.8
30-Year	1.9478	-0.32	-31.4

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3038	-0.0362	-0.08
SAR	3.7501	0.0027	0.04
BHD	0.3771	-0.0027	-0.03
QAR	3.6665	0.0055	-0.29
OMR	0.3850	0.0026	0.00
AED	3.6731	0.0000	-0.01

US Treasuries

	Yield %	1D Δ (%)
2-Year	1.62	0.00
5-Year	1.66	0.01
10-Year	1.83	0.03
30-Year	2.28	0.07

UK Gilt

	Yield %	1D Δ (%)
2-Year	0.58	-0.04
5-Year	0.58	-0.01
10-Year	0.77	0.01
30-Year	1.28	0.22

German Bunds

	Yield %	1D Δ (%)
2-Year	-3.28	0.00
5-Year	-0.65	-0.01
10-Year	-0.43	-0.07
30-Year	0.20	-0.64

	Sovereign Ratings		
	Moody's	S&P	Fitch
Abu Dhabi	Aa2	AA	AA
Bahrain	B2	B+	BB-
Kuwait	Aa2	AA	AA
Oman	Ba1	BB	BB+
Qatar	Aa3	AA-	AA-
KSA	A1	A-	A
UAE	Aa2	NR	NR
Egypt	B2	B	B+
Lebanon	Caa2	CCC	CCC
Turkey	B1	B+	BB-
Tunisia	B2	NR	B+
Morocco	Ba1	BBB-	BBB-
Jordan	B1	B+	BB-
China	A1	A+	A+
UK	Aa2	AA	AA
USA	Aaa	AA+	AAA
USD 5-Year CDS			YTD Δ (%)
Abu Dhabi	38.980		-39.08
Kuwait	38.910		-36.66
Dubai	99.500		-17.20
Bahrain	186.050		-32.68
Qatar	39.170		-50.05
KSA	67.430		-34.08
Egypt	295.670		-20.72
Lebanon	2264.680		207.60
Turkey	307.713		-14.35
Iraq	398.130		-12.32
Morocco	86.470		-12.81
China	37.689		-42.93
France	16.770		-52.70
Germany	7.690		-35.64
Japan	21.019		-10.02
UK	17.510		-49.72
US	11.270		-37.56