

## News Updates

**S&P affirms Saudi rating on expected rebound through 2024** – S&P Global Ratings on Tuesday affirmed Saudi Arabia's A- (minus) credit rating with a stable outlook, expecting a rebound in growth through 2024 driven by higher oil prices, eased OPEC production quotas and a large vaccine rollout in the kingdom. After the COVID-19 pandemic weighed on the economy, Saudi Arabia has returned to ambitious investment projects linked to its strategy of weaning the economy off oil, S&P said. Significant investments are being made by the Public Investment Fund, the kingdom's sovereign wealth fund, and other entities in both the oil and non-oil sectors. The rating agency sees Saudi Arabia's deficit dropping from 11.2% last year to 4.3% in 2021, while averaging 5.7% between this year and 2024. Real GDP growth is expected to average 2.4% in the same period after contracting 4.1% in 2020. "In 2021, higher oil prices are being partially counterbalanced by constrained annual Saudi oil production volumes, which continue to be limited by an OPEC deal," S&P said in a mid-year review. "However, a monthly easing of quotas through 2021 and 2022 will support the Saudi oil sector and economy." Gross debt is expected to continue to increase until 2024 as deficits are partly funded by public debt issuance, though Saudi Arabia will stay in a net asset position on its fiscal and external balances, S&P said. Reserves between 2021 and 2024 are expected to cover an average of 15 months of current account payments. (Source: Reuters)

**Fitch: Bahrain Seeks to Reboot its Fiscal Balance Programme** – 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, says Fitch Ratings. The rating agency believes that progress with other fiscal measures would be necessary, in addition to the VAT increase, to bring the budget deficit to balance, based on their current oil price assumptions. Bahrain's government plans to raise the VAT rate to 10%, from 5%, from January 2022, alongside other measures. Fitch estimates that such a VAT hike could raise an additional 1.5%-2% of GDP in revenue. Bahrain launched its FBP at end-2018, targeting a balanced budget in 2022 – a target Fitch now expects to be reached further out. The initial FBP projected government debt/GDP without the FBP would rise to 106% of GDP, but would decline to 82% in 2022 with the reforms. It assumed an average oil price of USD60/barrel (bbl). Initial steps at the start of 2019 included the introduction of VAT and a voluntary retirement scheme. However, the Covid-19 pandemic blew the FBP off course, disrupting activity and pushing down oil prices. Fitch expects general government debt/GDP to stand at around 125% of GDP in 2021 (including borrowing from the central bank worth around 14% of GDP that the government does not include in its own debt number). The rating agency projects the debt ratio to rise further in 2022-2023. (Source: Fitch Ratings)

**Oil up on tight supply, Brent crude nears \$80 a barrel** – Oil prices fell for the second straight day on Wednesday as doubts re-emerged over demand, with COVID-19 cases continuing to rise worldwide and gasoline shortages in some regions. Brent crude was down \$1.03 or 1.3% at \$78.06 a barrel by 0130 GMT, having fallen nearly \$2 on Tuesday after touching \$80.75, its highest in nearly three years. U.S. oil fell \$1.02 or 1.4% to \$74.27 a barrel, having dropped 0.2% in the previous session. Oil prices have been charging higher as economies recover from pandemic lockdowns and fuel demand picks up, while some producing countries have seen supply disruptions. Traders expect Organization of the Petroleum Exporting Countries (OPEC) and allies will decide to keep supplies tight when they meet next week. (Source: Reuters)

## GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.87	-1.46	KSA	2025	1.18	-1.16
Abu Dhabi	2030	1.98	-3.76	KSA	2030	2.32	-2.90
Abu Dhabi	2050	3.12	-6.87	KSA	2050	3.59	-5.56
Bahrain	2026	4.13	-5.02	Oman	2025	3.50	1.57
Bahrain	2030	5.70	-6.87	Oman	2029	5.19	1.12
Bahrain	2047	7.22	-12.75	Oman	2048	6.81	-0.82
Dubai	2029	2.51	-1.10	Qatar	2025	1.06	-2.26
Kuwait	2022	-0.01	-1.79	Qatar	2030	2.07	-4.31
Kuwait	2027	1.42	-3.06	Qatar	2050	3.23	-7.05

## Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.65	8.08	-0.33	0.21
S&P MENA Bond and Sukuk Index	2.26	NA	-0.31	-0.29
Bloomberg Emerging Markets USD Index	4.19	6.80	-0.41	-1.14
Bloomberg Global Aggregate Index	1.17	7.42	-0.47	-3.86

## Interbank Rates (%)

	3 Months		6 Months		12 Months	
	29/9/2021	31/12/2020	29/9/2021	31/12/2020	29/9/2021	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	0.9286	0.9413
BHIBOR	1.5500	2.2500	1.6250	2.5333	1.8000	2.6833
QATAR	1.1244	1.1206	1.1778	1.1960	1.3124	1.3636
AEIBOR	0.3643	0.5125	0.4403	0.4908	0.4387	0.6538
EURIBOR	-0.5420	-0.5450	-0.5170	-0.5260	-0.4860	-0.4990
LIBOR	0.1318	0.2384	0.1550	0.2576	0.2360	0.3419

USD Swap Rates				Currencies			Commodities			
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)		USD	YTD Δ (%)
1-Year	0.1797	-0.29	-6.6	KWD	0.3013	-0.0332	0.68	Gold	1,738.70	-9.03
2-Year	0.3873	-0.45	95.8	SAR	3.7518	0.0000	0.01	Silver	22.46	-15.76
5-Year	1.0859	-1.58	152.5	BHD	0.3770	-0.0053	0.01	Copper	423.15	20.08
7-Year	1.3365	-1.38	104.2	QAR	3.6421	0.0000	-0.01	Nat. Gas	5.84	109.01
10-Year	1.5513	-1.13	67.7	OMR	0.3850	0.0026	0.00	Aluminum	2,936.25	46.54
30-Year	1.8292	-1.41	30.5	AED	3.6730	0.0000	0.00	Crude Oil	77.89	53.03

US Treasuries			UK Gilts		German Bunds	
Yield %	1D Δ (%)		Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.30	0.00	0.40	-0.05	-0.73	0.00
5-Year	1.01	0.07	0.62	-0.16	-0.70	0.00
10-Year	1.53	0.11	0.99	-0.38	-0.36	0.00
30-Year	2.08	0.27	1.32	-1.09	0.26	0.00

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	29-Sep 2021	31-Dec 2020
Kuwait	49.25	40.69
KSA	53.87	63.77
Abu Dhabi	43.61	36.03
Dubai	92.09	104.06
Qatar	43.43	36.70
Bahrain	273.69	233.58
Oman	271.46	353.60
Iraq	535.97	542.74
Egypt	423.65	330.47
Morocco	97.66	102.56
Turkey	434.29	299.47
US	11.96	11.52
UK	7.94	15.13
China	46.42	26.70
Japan	17.20	14.74
Germany	7.85	9.09
France	17.87	14.42