

News Updates

UAE central bank to launch new overnight deposit facility – The United Arab Emirates Central Bank said on Monday it will introduce a new overnight deposit facility as of July 12 which will reflect the monetary policy of the regulator. The facility will allow conventional banks operating in the country to deposit their surplus liquidity at the central bank on an overnight basis. It will be “the prime facility for managing surplus liquidity in the UAE banking sector prior to the launch of the Monetary Bills Program and shall replace issuance of one-week Certificate of Deposits,” the bank said. The general stance of the central bank’s monetary policy will be signalled through the interest rate of the new facility, which will become its main policy rate and will be referred to as “Base Rate”. In normal market conditions, money market rates are expected to hover around the Base Rate, which will be anchored to the interest rate on excess reserves of the U.S. Federal Reserve. (Source: Reuters)

COVID-19, low oil price to hit GCC banks' profitability - Moody's – The dual shock from the coronavirus pandemic (COVID-19) and the collapse in oil prices will severely dent profits at banks in the Gulf Cooperation Council (GCC) countries this year. Economic contraction across all six GCC nations will depress credit growth and sap the banks' two main income streams; interest on loans, and fees and commissions, Moody's said in a note. The Gulf banks' capital will remain adequate, however, underpinning their solvency. Narrower margins and contraction in lending will pressure revenue, the global ratings agency reported. "Combined, these factors will narrow net interest margins. Increased government debt issuance (both bonds and sukuks) particularly in Saudi Arabia, Bahrain and Oman will help to offset the margin pressure as banks increase their exposure to these higher yielding instruments," the ratings agency said. (Source: Zawya)

Convertible bond issues surge in coronavirus-hit market – The volume of convertible bond sales has reached its highest levels since 2007 this year as companies rush to raise cash to see them through the economic impact of COVID-19. Some \$89 billion of bonds that give the investor an option to convert into shares have been issued in 2020, according to Refinitiv data. Sales are mostly in the United States, although European issuance is growing as coronavirus lockdowns end and companies look to shore up their balance sheets. The surge is a contrast to the 2008 financial crisis, when the market for convertible bonds collapsed as bets by hedge funds on low or unrated companies turned sour. “When the crisis first kicked off, many companies were looking to raise capital and liquidity. And when the equity markets and debt markets were shut, the (convertibles) market remained open,” said Virginie de Grivel Nigam, head of equity-linked for Europe, Middle East and Africa at JP Morgan. (Source: Reuters)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	1.45	5.79	KSA	2025	1.32	3.67
Abu Dhabi	2047	2.76	7.56	KSA	2029	2.01	5.47
Bahrain	2024	4.04	-3.06	KSA	2049	3.43	6.92
Bahrain	2029	5.25	-5.75	Oman	2025	4.89	-4.07
Bahrain	2047	6.51	-8.42	Oman	2029	6.80	-10.02
Dubai	2023	1.71	1.09	Oman	2048	7.72	-12.09
Dubai	2029	3.04	-0.21	Qatar	2024	0.93	3.58
Kuwait	2022	0.34	2.14	Qatar	2028	1.68	4.60
Kuwait	2027	1.41	4.89	Qatar	2049	2.95	9.21

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.93	7.32	0.01	3.46
S&P MENA Bond and Sukuk Index	2.36	NA	0.11	5.37
Bloomberg Emerging Markets USD Index	4.59	6.26	0.35	0.10
Bloomberg Global Aggregate Index	0.95	7.33	0.05	3.15

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	07/07/2020	31/12/2019	07/07/2020	31/12/2019	07/07/2020	31/12/2019
KIBOR	1.6250	2.7500	1.8750	2.9375	2.1250	3.1875
SAIBOR	0.9743	2.2314	1.0329	2.2557	1.0786	2.3071
BHIBOR	2.3000	2.6667	2.5333	2.7000	2.6833	2.8333
QATAR	1.0911	2.2500	1.1847	2.3500	1.3086	2.5333
AEIBOR	0.7149	2.2086	0.7250	2.1914	1.2512	2.2900
EURIBOR	-0.4350	-0.3830	-0.3140	-0.3240	-0.2380	-0.2490
LIBOR	0.2759	1.9084	0.3663	1.9121	0.5056	1.9963

USD Swap Rates

	Currencies				Currencies		
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)
1-Year	0.2575	-1.21	-85.5	KWD	0.3077	0.0000	-1.48
2-Year	0.2235	0.34	-86.8	SAR	3.7515	0.0000	0.01
5-Year	0.3387	0.67	-80.4	BHD	0.3771	0.0027	0.00
7-Year	0.4855	1.25	-73.0	QAR	3.6420	0.0082	0.02
10-Year	0.6636	1.46	-65.0	OMR	0.3850	0.0000	0.00
30-Year	0.9614	2.51	-54.0	AED	3.6731	0.0000	0.00

US Treasuries

	UK Gilts		German Bunds	
	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.16	-0.01	-0.08	-0.03
5-Year	0.31	-0.06	-0.03	-0.07
10-Year	0.69	-0.18	0.20	-0.19
30-Year	1.45	-0.60	0.65	0.05

Source: Bloomberg

	Sovereign Ratings		
	Moody's	S&P	Fitch
Kuwait	Aa2	AA-	AA
KSA	A1	A-u	A
UAE	Aa2	NR	NR
Abu Dhabi	Aa2	AA	AA
Qatar	Aa3	AA-	AA-
Bahrain	B2u	B+	BB-
Oman	Ba3	BB-	BB
Egypt	B2	B	B+
Lebanon	Ca	SD	RD
Jordan	B1	B+	BB-
Turkey	B1	B+u	BB-
Tunisia	B2	NR	B
Morocco	Ba1	BBB-	BBB-
US	Aaa	AA+u	AAA
UK	Aa2	AAu	AA-
China	A1	A+	A+

	USD 5Yr CDS	7-Jul 2020	31-Dec 2019
Kuwait	63.520	36.700	
KSA	90.320	56.915	
Abu Dhabi	59.210	36.090	
Dubai	172.060	91.005	
Qatar	57.880	36.705	
Bahrain	324.390	175.995	
Oman	487.510	234.400	
Iraq	776.020	383.680	
Egypt	444.530	277.420	
Morocco	129.500	91.435	
Turkey	474.900	282.130	
US	11.800	10.810	
UK	25.950	16.210	
China	43.490	31.205	
Japan	15.800	21.042	
Germany	12.400	7.080	
France	19.120	16.130	