

News Updates

Kuwait Rating Cut at Fitch on Continuing Political Constraints – Kuwait was downgraded by Fitch Ratings, which cited ongoing political constraints on decision-making in the oil-rich nation. The credit rating was cut one level to AA-, the fourth-highest investment-grade level at Fitch, according to a statement on Thursday. Constraints on decision-making has hindered “addressing structural challenges related to heavy oil dependence, a generous welfare state and a large public sector,” Fitch said. Years of political tensions have stymied efforts to diversify the economy of Kuwait, home to about 8.5% of the world’s oil reserves, and promote foreign investment. The government has been unable to borrow since its debut Eurobond in 2017, forcing it to rely on its General Reserve Fund instead. “There has been a lack of meaningful underlying fiscal adjustment to recent oil-price shocks and the outlook for reforms remains weak, despite some positive political developments as part of a national dialogue,” Fitch said. (Source: Bloomberg)

Turkey's Erdogan Vows to Continue Lowering Interest Rates – Turkey President Recep Tayyip Erdogan promised the country would continue cutting interest rates, suggesting that lower inflation will follow. “We will lower interest rates as we have done already,” said Erdogan, after the Turkish central bank halted a rate-cut cycle this month that trimmed 500 basis points from the benchmark rate since September. The aggressive easing cycle was accompanied by runaway inflation, which has caused an outcry among Turks who’ve witnessed a deep erosion of their purchasing power in a few months. The Turkish president has been a vocal advocate of a theory that lower interest rates lead to lower inflation, the opposite of what most economists believe. The Turkish experience has not backed up Erdogan’s thinking. The lira plunged to historic lows and inflation hit a 19-year high after the central bank started the rate-cut cycle in line with Erdogan’s demands. (Source: Bloomberg)

Oil hits 7-year peak on political risks, supply crunch – Oil prices rose to a more than seven-year peak on Friday and recorded their sixth straight weekly gain as geopolitical turmoil exacerbated concerns over tight energy supply. On a weekly basis, the benchmark contracts notched their longest run of gains since October. Brent futures rose 69 cents to settle at \$90.03 a barrel, after hitting \$91.70, the highest level since October 2014. U.S. crude closed 21 cents higher at \$86.82 per barrel, after hitting a seven-year peak of \$88.84 during the session. Tight oil supplies pushed the six-month market structure for Brent into steep backwardation of \$6.92 a barrel, the widest since 2013. Backwardation exists when contracts for near-term delivery of oil are priced higher than those for later months, encouraging traders to release oil from storage to sell it promptly. Major producers in the Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia, collectively known as OPEC+, have struggled to raise their production levels. The market also reacted to attacks on United Arab Emirates by Yemen's Houthi group. Prices drew support from concerns over a possible military conflict in Ukraine that could disrupt energy markets, especially natural gas supply to Europe. At its Feb. 2 meeting, OPEC+ is likely to stick with a planned rise in its oil output target for March. (Source: Reuters)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	2.03	-1.90	KSA	2027	2.23	-2.14
Abu Dhabi	2031	2.30	-2.71	KSA	2032	2.70	-2.88
Abu Dhabi	2050	3.23	-4.91	KSA	2050	3.72	-4.73
Bahrain	2028	4.95	-1.76	Oman	2027	4.54	-1.55
Bahrain	2032	6.10	-2.91	Oman	2032	5.58	-2.45
Bahrain	2051	7.17	-3.90	Oman	2051	6.90	-4.12
Dubai	2029	2.82	-2.02	Qatar	2026	2.03	-1.72
Kuwait	2022	-0.74	-0.23	Qatar	2030	2.52	-2.46
Kuwait	2027	2.02	-1.96	Qatar	2050	3.33	-4.57

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	3.12	8.08	-0.05	-2.23
S&P MENA Bond and Sukuk Index	2.70	NA	0.16	-2.25
Bloomberg Emerging Markets USD Index	4.75	6.80	0.01	-2.62
Bloomberg Global Aggregate Index	1.53	7.42	0.02	-2.02

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	30/01/2022	31/12/2021	30/01/2022	31/12/2021	30/01/2022	31/12/2021
KIBOR	1.5000	1.5000	1.7500	1.7500	2.0000	2.0000
SAIBOR	0.9772	0.9057	1.0686	0.9829	1.2143	1.0600
BHIBOR	1.5667	1.5167	1.6500	1.6233	1.7833	1.7667
QATAR	1.1500	1.1250	1.2000	1.2000	1.3500	1.3250
AEIBOR	0.4542	0.3645	0.7836	0.7000	0.9559	0.7396
EURIBOR	-0.5500	-0.5730	-0.5190	-0.5460	-0.4590	-0.4980
LIBOR	0.3166	0.2144	0.5344	0.3451	0.9479	0.5888

USD Swap Rates				Currencies				Commodities		
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)		USD	YTD Δ (%)
1-Year	0.8558	0.19	60.0	KWD	0.3027	-0.1156	-0.07	Gold	1,786.60	-2.42
2-Year	1.3146	-1.59	39.7	SAR	3.7520	0.0000	0.09	Silver	22.30	-4.50
5-Year	1.6860	-3.67	23.1	BHD	0.3770	0.0000	0.01	Copper	431.00	-3.44
7-Year	1.7704	-3.03	20.0	QAR	3.6416	-0.0082	0.00	Nat. Gas	4.64	30.42
10-Year	1.8423	-2.10	16.5	OMR	0.3850	0.0026	-0.06	Aluminum	3,103.50	10.64
30-Year	1.9096	-1.88	10.3	AED	3.6727	0.0082	0.00	Crude Oil	90.03	15.75

US Treasuries			UK Gilts		German Bunds	
Yield %	1D Δ (%)		Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	1.16	0.05	0.96	-0.01	NA	NA
5-Year	1.61	0.22	1.07	-0.01	-0.58	-0.03
10-Year	1.77	0.28	1.24	-0.12	-0.21	-0.12
30-Year	2.07	0.45	1.37	-0.40	0.20	-0.27

	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	30-Jan 2022	31-Dec 2021
Kuwait	47.00	40.53
KSA	52.14	50.97
Abu Dhabi	50.73	43.09
Dubai	92.25	89.58
Qatar	50.15	42.55
Bahrain	298.83	286.32
Oman	258.49	254.42
Iraq	456.10	507.35
Egypt	545.67	496.58
Morocco	92.48	85.91
Turkey	533.58	555.46
US	10.22	10.01
UK	9.01	8.91
China	49.21	39.86
Japan	16.53	16.23
Germany	6.20	7.53
France	16.33	17.87