

News Updates

Morgan Stanley Sees Kuwait Emerging as Jumbo Bond Issuer – Kuwait may issue \$15 billion to \$20 billion of Eurobonds annually if parliament passes a draft law allowing the government to tap local and international debt markets, according to Morgan Stanley. While investors have so far ignored Kuwait, this is set to change; the nation would likely become a top-20 issuer in EMBI with its 2020 borrowing and among the top 10 eventually, along with other GCC investment-grade credits, strategist Jaiparan Khurana, a London-based strategist, wrote in a report. “Such a quantum of issuance would likely increase both Kuwait’s and MENA’s importance within EMBI”. Any issuance will likely put “modest spread-widening pressure” on Kuwait’s Eurobond curve. While the debt will likely trade at wider yields than Abu Dhabi’s and Qatar’s, it will probably be tighter than Saudi Arabia’s bond spreads. With gross leverage of above 50% of GDP, it’s unlikely that Kuwait would be able to maintain its AA rating and would likely be an A rated credit (Source: Bloomberg)

Set Back by Virus, Egypt Revives Debt Plans as Foreigners Return – Egypt is looking to get its debt strategy on track after it was thrown off course by the global pandemic as foreign investors flock back to local assets. For one of the Middle East’s most indebted countries, the goal is to ease the cost of borrowing by extending maturities and diversifying funding sources. Egypt is planning to entice a new class of investors by issuing its first sukuk, or Islamic bonds, in both local and international markets in the fiscal year that started this month, according to Mohamed Hegazy, head of the Finance Ministry’s debt management unit. Now it has International Monetary Fund backing, and offers one of the world’s biggest carry-trade returns this year, Egypt saw its first inflows in June after three months of capital flight. “Attractive yields and reaching an agreement with the IMF helped us attract foreign inflows in this difficult time,” Hegazy said in an interview. Egypt’s local-currency bonds gained 6.8% this year; the average return across emerging markets was flat. (Source: Bloomberg)

EU Clinches Massive Stimulus Deal to Bind Continent Together – European Union leaders agreed on an unprecedented stimulus package worth 750 billion euros (\$860 billion) to pull their economies out of the worst recession in memory and tighten the financial bonds holding their 27 nations together. The agreement, in the early hours of Tuesday after more than four days of acrimonious negotiations in Brussels, required the unanimous approval of the member states and represents a victory for German Chancellor Angela Merkel and French President Emmanuel Macron, who drafted an early outline for the proposal in May. The emergency fund will give out 390 billion euros of grants and 360 billion euros of low-interest loans. (Source: Bloomberg)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	1.41	6.08	KSA	2025	1.32	3.61
Abu Dhabi	2047	2.66	9.39	KSA	2029	1.98	5.58
Bahrain	2024	4.03	-3.22	KSA	2049	3.17	11.57
Bahrain	2029	5.31	-6.18	Oman	2025	4.85	-3.87
Bahrain	2047	6.62	-9.57	Oman	2029	6.90	-10.66
Dubai	2023	1.66	1.15	Oman	2048	7.75	-12.63
Dubai	2029	2.90	0.86	Qatar	2024	1.01	3.24
Kuwait	2022	0.37	1.94	Qatar	2028	1.62	4.95
Kuwait	2027	1.34	5.30	Qatar	2049	2.77	12.66

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.82	7.32	0.45	4.70
S&P MENA Bond and Sukuk Index	2.25	NA	0.34	6.58
Bloomberg Emerging Markets USD Index	4.45	6.26	0.32	1.25
Bloomberg Global Aggregate Index	0.90	7.33	0.22	4.33

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	22/07/2020	31/12/2019	22/07/2020	31/12/2019	22/07/2020	31/12/2019
KIBOR	1.5625	2.7500	1.8125	2.9375	2.1250	3.1875
SAIBOR	0.9457	2.2314	0.9957	2.2557	1.0414	2.3071
BHIBOR	2.3000	2.6667	2.5333	2.7000	2.6833	2.8333
QATAR	1.0858	2.2500	1.1792	2.3500	1.3552	2.5333
AEIBOR	0.6233	2.2086	0.8568	2.1914	1.0360	2.2900
EURIBOR	-0.4430	-0.3830	-0.3480	-0.3240	-0.2790	-0.2490
LIBOR	0.2578	1.9084	0.3428	1.9121	0.4685	1.9963

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.2425	-0.55	-86.3
2-Year	0.2134	-0.56	-87.4
5-Year	0.3099	-0.45	-82.1
7-Year	0.4336	-0.34	-75.9
10-Year	0.5883	-0.16	-69.0
30-Year	0.8464	0.13	-59.5

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3071	0.0000	-1.30
SAR	3.7511	0.0027	0.03
BHD	0.3771	0.0000	0.00
QAR	3.6420	-0.0110	0.01
OMR	0.3850	0.0000	0.00
AED	3.6731	0.0000	0.00

US Treasuries

	Yield %	1D Δ (%)
2-Year	0.14	0.02
5-Year	0.27	0.04
10-Year	0.61	0.05
30-Year	1.31	0.01

Source: Bloomberg

UK Gilts

	Yield %	1D Δ (%)
2-Year	-0.12	0.02
5-Year	-0.10	0.11
10-Year	0.13	0.19
30-Year	0.65	0.54

German Bunds

	Yield %	1D Δ (%)
2-Year	-0.68	-0.01
5-Year	-0.69	-0.01
10-Year	-0.53	-0.01
30-Year	-0.03	-0.03

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	22-Jul 2020	31-Dec 2019
Kuwait	59.550	36.700
KSA	91.180	56.915
Abu Dhabi	52.570	36.090
Dubai	176.870	91.005
Qatar	50.540	36.705
Bahrain	337.090	175.995
Oman	470.700	234.400
Iraq	691.340	383.680
Egypt	444.860	277.420
Morocco	132.640	91.435
Turkey	494.830	282.130
US	13.180	10.810
UK	24.530	16.210
China	40.980	31.205
Japan	15.950	21.042
Germany	11.320	7.080
France	17.880	16.130