

News Updates

Kuwait Gets First Moody's Downgrade Over 'Liquidity Risks' – Kuwait was downgraded for the first time by Moody's Investors Service, a decision the ratings agency said reflects the increase in the government's "liquidity risks." The sovereign credit rating was cut two levels to A1, the fifth-highest investment-grade level and on par with China and Saudi Arabia, according to a statement on Tuesday. Moody's now ranks Kuwait two steps lower than Fitch Ratings and one below S&P Global Ratings, which lowered its own assessment of the country in March for the first time ever. Kuwait's dollar bonds fell, with the yield on the \$3.5 billion security due 2022 rising 14 basis points to 1.08%, the highest since June. Moody's projects net sovereign issuance of up to 27.6 billion dinars (\$90 billion) would be needed to meet the Kuwaiti government's funding requirements between the current fiscal year and the fiscal year ending March 2024. (Source: Bloomberg)

Kuwait's KNPC to implement projects worth \$3.26bln – Kuwait National Petroleum Company is implementing a huge group of projects in Ahmadi and Mina Abdullah refineries at a total cost of more than KD1 billion dinars, reports Al-Anba daily. The company's Projects Department is currently supervising the implementation of six major projects at a cost of KD733.6 million, while three projects were completed recently at a cost of KD300.5 million. (Source: Zawya)

UAE's GDP growth for 2020 to contract by 5.2% - Central Bank – The UAE economy is expected to face further contraction, with a decline in GDP of 5.2 percent in 2020 compared to an earlier forecast of a 3.5 percent decline, mainly due to business setbacks triggered by the coronavirus pandemic. In the UAE, many activities shut down in March, and the situation further deteriorated in the second quarter, resulting in negative real GDP growth in Q2 dropping an estimated 7.8% Y-o-Y, the Central Bank of UAE (CBAUE) said in its quarterly review. "During the second quarter, there was a significant decline in economic activity in the UAE due to lockdowns which started in March and continued up to May. As a regional trade, tourism and transportation hub, the UAE economy was hit by the general ban on travel, while manufacturing production shrunk due to supply chain disruptions, limited export opportunities and subdued domestic demand," CBAUE said in its quarterly review. (Source: Zawya)

Oman's Looming Downgrades Put Upcoming Auction in Spotlight – Oman will likely need to offer investors a generous yield premium for its first planned Eurobond sale in more than a year -- as its sovereign ratings threaten to slide deeper into junk. Its dollar bonds have underperformed all Gulf Arab peers this month as risk-off sentiment has ruled. The three major credit assessors have a negative outlook on Oman's ratings -- which were downgraded by Moody's and Fitch a whopping two times each so far in 2020. According to Morgan Stanley, a cut to single-B category would rule the sultanate out from many conservative emerging-market mandates, which used to be investment-grade only -- but have recently included BB exposure in the hunt for yield. (Source: Bloomberg)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	1.04	4.42	KSA	2025	1.54	5.23
Abu Dhabi	2030	1.73	8.42	KSA	2030	2.31	8.33
Abu Dhabi	2050	2.78	18.37	KSA	2050	3.41	7.22
Bahrain	2026	4.40	-5.30	Oman	2025	5.55	-6.29
Bahrain	2030	5.81	8.70	Oman	2029	7.09	-11.63
Bahrain	2047	6.88	-12.37	Oman	2048	8.21	-16.91
Dubai	2029	2.74	1.67	Qatar	2025	1.16	6.01
Kuwait	2022	0.73	1.00	Qatar	2030	1.92	10.11
Kuwait	2027	1.47	4.11	Qatar	2050	2.93	20.32

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.74	8.08	-0.23	5.16
S&P MENA Bond and Sukuk Index	2.19	NA	-0.11	6.90
Bloomberg Emerging Markets USD Index	4.01	6.80	-0.32	2.17
Bloomberg Global Aggregate Index	0.90	7.42	-0.19	5.65

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	24/09/2020	31/12/2019	24/09/2020	31/12/2019	24/09/2020	31/12/2019
KIBOR	1.6250	2.7500	1.8125	2.9375	2.1250	3.1875
SAIBOR	0.8725	2.2314	0.9225	2.2557	0.9825	2.3071
BHIBOR	2.2667	2.6667	2.5000	2.7000	2.6833	2.8333
QATAR	1.0940	2.2500	1.1708	2.3500	1.3382	2.5333
AEIBOR	0.5167	2.2086	0.6100	2.1914	0.6908	2.2900
EURIBOR	-0.5080	-0.3830	-0.4730	-0.3240	-0.4380	-0.2490
LIBOR	0.2225	1.9084	0.2748	1.9121	0.3765	1.9963

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.2305	-0.05	-87.0
2-Year	0.2220	-0.21	-86.9
5-Year	0.3328	-0.37	-80.8
7-Year	0.4791	-0.34	-73.3
10-Year	0.6841	-0.32	-63.9
30-Year	1.0576	-0.86	-49.4

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3064	-0.0326	-1.06
SAR	3.7509	0.0000	0.02
BHD	0.3771	0.0000	-0.01
QAR	3.6421	-0.0082	0.00
OMR	0.3850	0.0000	0.00
AED	3.6731	0.0000	0.00

US Treasuries

	Yield %	1D Δ (%)
2-Year	0.14	0.01
5-Year	0.26	0.04
10-Year	0.67	0.02
30-Year	1.41	0.15

UK Gilts

	Yield %	1D Δ (%)
2-Year	-0.06	-0.01
5-Year	-0.08	-0.03
10-Year	0.22	-0.20
30-Year	0.77	-0.57

German Bunds

	Yield %	1D Δ (%)
2-Year	-0.70	0.00
5-Year	-0.74	0.00
10-Year	-0.57	0.00
30-Year	-0.06	0.00

Source: Bloomberg

Sovereign Ratings

	Moody's	S&P	Fitch
Kuwait	A1	AA-	AA
KSA	A1	A-u	A
UAE	Aa2	NR	NR
Abu Dhabi	Aa2	AA	AA
Qatar	Aa3	AA-	AA-
Bahrain	B2	B+	B+
Oman	Ba3	BB-	BB-
Egypt	B2	B	B+
Lebanon	C	SD	RD
Jordan	B1	B+	BB-
Turkey	B2	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

	24-Sep 2020	31-Dec 2019
Kuwait	53.16	36.700
KSA	97.80	56.915
Abu Dhabi	53.81	36.090
Dubai	144.80	91.005
Qatar	53.92	36.705
Bahrain	308.87	175.995
Oman	438.05	234.400
Iraq	589.17	383.680
Egypt	438.54	277.420
Morocco	128.05	91.435
Turkey	571.14	282.130
US	15.83	10.810
UK	17.32	16.210
China	44.97	31.205
Japan	16.13	21.042
Germany	10.06	7.080
France	16.21	16.130