

News Updates

Turkey defies warnings and cuts interest rates – Turkey slashed interest rates on Thursday, sending the lira tumbling as much as 6 per cent to a new record low, heightening concerns President Recep Tayyip Erdogan's fixation on low borrowing costs will worsen already acute inflation. The central bank cut its one-week repo rate 1 percentage point to 15 per cent, marking the third straight reduction in interest rates under governor Sahap Kavcioglu from 19 per cent at the start of September. The bank said many factors behind surging consumer prices were "beyond monetary policy's control" and that it would "consider" ending its cycle of rate cuts this December. Turkey's central bank has been under intense pressure from Erdogan to loosen monetary policy despite blistering inflation. Lower rates — and a weaker currency — tend to worsen inflation because it increases the price of imported goods, creating a vicious cycle. Erdogan, who holds the unorthodox view that high interest rates cause, rather than tame, inflation, on Wednesday renewed his pledge to free Turkey from the "scourge" of high interest rates. *(Source: Financial Times)*

Two-year yields rise to pandemic high; curve flattens on Powell nomination – U.S. Treasury yields rose on Monday after President Joe Biden announced he would nominate Fed Chairman Jerome Powell to a second term while elevating Fed Governor Lael Brainard to vice chair. Powell, who was widely expected to be tapped for a second term, will helm the U.S. central bank as it begins to pull back its emergency-level support of the economy and tame inflation, which recently hit its highest levels since 1990. The two-year U.S. Treasury yield, which typically moves in step with interest rate expectations, was up 8.5 basis points at 0.590%, its highest since early March 2020 - before the COVID-19 pandemic was declared - following a weak auction of \$58 billion in notes, said Lou Brien, an analyst at DRW Trading. Five-year Treasury yields rose to 1.32%, their highest level since February 2020. The rising of short-term yields suggests that the market is anticipating a more aggressive tapering move by the Fed in 2022, said Ian Lyngen, head of U.S. Rates Strategy at BMO Capital Markets. *(Source: Reuters)*

Yellen Sees Monthly Inflation Back in 0.2% Range Later in 2022 – Treasury Secretary Janet Yellen expects inflation to subside in the latter part of next year as more Americans get back to work, consumer demand shifts toward services and supply-chain issues abate. "I would expect monthly inflation rates to move down to levels consistent with 2% or thereabouts," Yellen said late Monday. She said she expects monthly gains in the consumer price index to come in around 0.2% or 0.3% in the second half of 2022. That would be a fraction of the 0.9% month-on-month surge recorded in October, when the annual rate hit 6.2%, the fastest since 1990. *(Source: Bloomberg)*

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	1.24	-2.85	KSA	2025	1.44	-2.22
Abu Dhabi	2030	2.03	-4.25	KSA	2030	2.34	-3.21
Abu Dhabi	2050	2.99	-4.61	KSA	2050	3.52	-4.52
Bahrain	2026	3.92	-4.63	Oman	2025	3.48	1.43
Bahrain	2030	5.64	-6.61	Oman	2029	5.02	2.11
Bahrain	2047	7.17	-12.15	Oman	2048	6.84	-1.07
Dubai	2029	2.50	-1.30	Qatar	2025	1.32	-3.38
Kuwait	2022	-0.07	-2.17	Qatar	2030	2.22	-5.48
Kuwait	2027	1.60	-4.20	Qatar	2050	3.15	-5.80

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.77	8.08	-0.14	0.38
S&P MENA Bond and Sukuk Index	2.38	NA	-0.22	-0.10
Bloomberg Emerging Markets USD Index	4.42	6.80	-0.30	-1.87
Bloomberg Global Aggregate Index	1.29	7.42	-0.57	-5.07

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	23/11/2021	31/12/2020	23/11/2021	31/12/2020	23/11/2021	31/12/2020
KIBOR	1.5000	1.4375	1.7500	1.6875	2.0000	1.9375
SAIBOR	0.8386	0.8175	0.8886	0.8700	0.9586	0.9413
BHIBOR	1.5167	2.2500	1.5583	2.5333	1.7667	2.6833
QATAR	1.1521	1.1206	1.2029	1.1960	1.3459	1.3636
AEIBOR	0.3650	0.5125	0.5602	0.4908	0.6675	0.6538
EURIBOR	-0.5590	-0.5450	-0.5280	-0.5260	-0.4900	-0.4990
LIBOR	0.1640	0.2384	0.2294	0.2576	0.3918	0.3419

USD Swap Rates				Currencies				Commodities		
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)		USD	YTD Δ (%)
1-Year	0.4038	0.09	109.8	KWD	0.3026	0.0331	0.23	Gold	1,810.20	-5.42
2-Year	0.8564	-0.05	333.0	SAR	3.7517	-0.0027	0.00	Silver	24.38	-8.85
5-Year	1.4330	0.51	233.3	BHD	0.3771	-0.0027	-0.01	Copper	440.60	25.15
7-Year	1.5780	0.55	141.1	QAR	3.6417	0.0000	-0.01	Nat. Gas	4.79	64.50
10-Year	1.6780	-0.65	81.3	OMR	0.3850	0.0000	0.00	Aluminum	2,705.00	34.74
30-Year	1.7939	0.14	28.0	AED	3.6731	0.0000	0.00	Crude Oil	79.30	56.69

US Treasuries			UK Gilts		German Bunds	
	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.63	0.01	0.51	-0.09	-0.92	0.00
5-Year	1.32	0.01	0.67	-0.18	-0.78	-0.09
10-Year	1.62	0.02	0.93	-0.49	-0.45	-0.31
30-Year	1.96	0.04	1.07	-1.09	0.00	-1.09

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	23-Nov 2021	31-Dec 2020
Kuwait	44.99	40.69
KSA	47.27	63.77
Abu Dhabi	39.43	36.03
Dubai	85.97	104.06
Qatar	39.38	36.70
Bahrain	270.28	233.58
Oman	242.15	353.60
Iraq	547.44	542.74
Egypt	477.99	330.47
Morocco	85.37	102.56
Turkey	444.10	299.47
US	14.94	11.52
UK	8.83	15.13
China	47.67	26.70
Japan	16.08	14.74
Germany	7.74	9.09
France	19.45	14.42