

News Updates

Debt levels of government-related entities in GCC remain elevated - Fitch – Government-related entity (GRE) debt as a share of GDP has declined across the GCC in 2021, due to higher oil prices and incipient recovery from the pandemic. However, in most of the GCC states, GRE debt levels remain higher than before the pandemic, according to a report by Fitch Ratings. "The upward trend in GRE debt/GDP that has been in evidence since 2014 could resume as GREs help to drive national economic agendas, aiming at job creation, diversification and the energy transition," the report said. However, increased focus on privatisation and asset sales could mitigate this trend over time, Fitch noted. Aggregate GCC non-bank GRE debt hit 37 percent of GDP in 2020 (an increase of 7pp over 2019), driven in part by declines in nominal GDP on lower oil prices and Covid-19-induced recessions. The ratio is 32 percent in relation to forecast 2021 GDP. Aggregate debt of GCC government-related banks rose to 24 percent of GDP in 2020. However, potential contingent liabilities from banks are larger. For instance in Qatar, sector assets reached above 300 percent. GCC states have always supported their GREs, either on an ongoing basis or in periods of distress. The likelihood of future assistance is high given past experience, combined with the continuing importance of GREs to national economic growth strategies and, frequently, their status as national champions. (Source: Zawya)

Longer-term rates lower as inflation concerns ebb – Longer-term U.S. Treasury yields were lower on Wednesday, flattening the yield curve, as traders seemed to discount the threat of persistent inflation. The benchmark 10-year yield was down 3 basis points at 1.4566% in afternoon trading, giving back some of the increase it posted on Tuesday. Eric Jussau, director of fixed income for Cambridge Trust, said the movements suggested investor concern about inflation was diminishing despite stronger-than expected economic data released Wednesday morning. The bond-buying pushed down a closely watched part of the U.S. Treasury yield curve measuring the gap between yields on two- and 10-year Treasury notes, seen as an indicator of economic expectations. It was at 79 basis points, about a basis point lower than Tuesday's close. On Dec. 15, the U.S. Federal Reserve said it would end its pandemic-era bond purchases in March and pave the way for three quarter-percentage-point interest rate hikes by the end of 2022. (Source: Reuters)

Oil prices rally on inventory drawdown, casting Omicron caution to the wind – Oil prices rose on Wednesday after a larger-than-expected drawdown in U.S. inventories, shaking off worries about the likely hit to economic activity from the spread of the Omicron coronavirus variant. Brent crude futures ended the day up \$1.31, or 1.8%, to \$75.29 a barrel. U.S. West Texas Intermediate (WTI) crude futures settled at \$72.76 a barrel, up \$1.64, or 2.3%. U.S. inventories fell more than expected, with crude stocks down by 4.7 million barrels, though that is in part due to year-end tax considerations that encourage companies not to store crude barrels. (Source: Reuters)

GCC Sovereign Yields

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2025 | 1.19 | -2.84 | KSA | 2025 | 1.47 | -2.54 |
| Abu Dhabi | 2030 | 1.98 | -3.94 | KSA | 2030 | 2.22 | -2.38 |
| Abu Dhabi | 2050 | 2.94 | -3.84 | KSA | 2050 | 3.42 | -3.07 |
| Bahrain | 2026 | 4.19 | -5.75 | Oman | 2025 | 3.30 | 1.84 |
| Bahrain | 2030 | 5.66 | -6.82 | Oman | 2029 | 4.71 | 4.05 |
| Bahrain | 2047 | 7.34 | -13.93 | Oman | 2048 | 6.55 | 2.31 |
| Dubai | 2029 | 2.53 | -1.62 | Qatar | 2025 | 1.36 | -3.78 |
| Kuwait | 2022 | -0.66 | -2.28 | Qatar | 2030 | 2.07 | -4.65 |
| Kuwait | 2027 | 1.58 | -4.25 | Qatar | 2050 | 3.03 | -4.12 |

Bonds and Sukuk Indices

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 2.78 | 8.08 | 0.05 | 0.87 |
| S&P MENA Bond and Sukuk Index | 2.37 | NA | 0.05 | 0.43 |
| Bloomberg Emerging Markets USD Index | 4.33 | 6.80 | 0.05 | -1.89 |
| Bloomberg Global Aggregate Index | 1.29 | 7.42 | 0.19 | -4.65 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|------------|------------|------------|------------|------------|------------|
| | 23/12/2021 | 31/12/2020 | 23/12/2021 | 31/12/2020 | 23/12/2021 | 31/12/2020 |
| KIBOR | 1.5000 | 1.4375 | 1.7500 | 1.6875 | 2.0000 | 1.9375 |
| SAIBOR | 0.8943 | 0.8175 | 0.9500 | 0.8700 | 1.0400 | 0.9413 |
| BHIBOR | 1.5167 | 2.2500 | 1.6017 | 2.5333 | 1.7667 | 2.6833 |
| QATAR | 1.1500 | 1.1206 | 1.2000 | 1.1960 | 1.3500 | 1.3636 |
| AEIBOR | 0.4611 | 0.5125 | 0.6359 | 0.4908 | 0.8825 | 0.6538 |
| EURIBOR | -0.5880 | -0.5450 | -0.5510 | -0.5260 | -0.5150 | -0.4990 |
| LIBOR | 0.2160 | 0.2384 | 0.3255 | 0.2576 | 0.5420 | 0.3419 |

| USD Swap Rates | | | | Currencies | | | Commodities | | |
|----------------|---------|------------|-----------|------------|------------|-----------|-------------|-----------|----------|
| | Yield % | 1D Δ (bps) | YTD Δ (%) | USD | 1D Δ (bps) | YTD Δ (%) | USD | YTD Δ (%) | |
| 1-Year | 0.5237 | 0.28 | 172.1 | KWD | 0.3028 | 0.0000 | 0.18 | Gold | 1,807.00 |
| 2-Year | 0.9175 | 0.45 | 363.9 | SAR | 3.7558 | 0.0000 | -0.09 | Silver | 22.89 |
| 5-Year | 1.3380 | 0.20 | 211.2 | BHD | 0.3771 | 0.0027 | 0.00 | Copper | 437.85 |
| 7-Year | 1.4387 | 0.26 | 119.8 | QAR | 3.6416 | -0.0082 | -0.01 | Nat. Gas | 3.99 |
| 10-Year | 1.5415 | 0.39 | 66.6 | OMR | 0.3850 | 0.0000 | 0.00 | Aluminum | 2,818.75 |
| 30-Year | 1.7015 | 0.38 | 21.4 | AED | 3.6730 | 0.0000 | 0.00 | Crude Oil | 75.51 |

| US Treasuries | | | UK Gilts | | German Bunds | |
|---------------|---------|----------|----------|----------|--------------|----------|
| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
| 2-Year | 0.67 | -0.01 | 0.62 | -0.05 | NA | NA |
| 5-Year | 1.22 | -0.01 | 0.74 | -0.12 | -0.73 | -0.04 |
| 10-Year | 1.45 | -0.02 | 0.88 | -0.11 | -0.43 | -0.13 |
| 30-Year | 1.85 | -0.05 | 1.06 | -0.18 | 0.03 | 0.00 |

| 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-Dec 2021 | 31-Dec 2020 |
|-------------|-------------|-------------|
| Kuwait | 40.49 | 40.69 |
| KSA | 49.96 | 63.77 |
| Abu Dhabi | 42.88 | 36.03 |
| Dubai | 90.68 | 104.06 |
| Qatar | 42.67 | 36.70 |
| Bahrain | 292.34 | 233.58 |
| Oman | 253.36 | 353.60 |
| Iraq | 511.62 | 542.74 |
| Egypt | 496.66 | 330.47 |
| Morocco | 85.83 | 102.56 |
| Turkey | 589.29 | 299.47 |
| US | 10.20 | 11.52 |
| UK | 8.82 | 15.13 |
| China | 41.14 | 26.70 |
| Japan | 16.05 | 14.74 |
| Germany | 7.67 | 9.09 |
| France | 18.34 | 14.42 |