

## News Updates

**Saudi Wealth Fund Spending Won't Offset Budget Cuts** – Saudi Arabia's 2021 budget statement sees a decline in public spending over the next three years. Domestic investments by the sovereign wealth fund won't offset these cuts. This would limit the rebound from the virus shock. The direction of Saudi fiscal policy is contractionary. The government plans to reduce spending by \$21 billion in 2021, a larger drop than the projected increase in domestic investments by the sovereign wealth fund (about \$14 billion). Bloomberg analysts forecast the non-oil economy will shrink 2.8% this year before expanding 1.8% in 2021. Crude production cuts will restrict overall real GDP growth to 3.2% next year, up from a contraction of 3.8% in 2020. (Source: Bloomberg)

**AM Best Affirms Credit Ratings of Qatar Insurance Company Q.S.P.C. and Its Main Subsidiary** – AM Best has affirmed the Financial Strength Ratings of A (Excellent) and the Long-Term Issuer Credit Ratings of “a” of Qatar Insurance Company Q.S.P.C. (QIC) (Qatar) and its subsidiary, Qatar Reinsurance Company Limited (Qatar Re) (Bermuda). The outlook of these Credit Ratings (ratings) is negative. The ratings reflect QIC's balance sheet strength, which AM Best categorises as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management (ERM). (Source: Bloomberg)

**Treasuries Steepen as Fed Leaves Bond-Buying Plans Unchanged** – The Treasury market posted a modest selloff Wednesday after the Federal Reserve left its bond-program unchanged, while making clear that it could take action down the road if needed. The gap between 2- and 10-year yields briefly climbed back toward the day's widest levels after the release of the Fed's policy statement, before paring to finish the day just marginally wider. Earlier in the day it reached its steepest since October 2017 amid signs U.S. lawmakers are close to a deal on a virus-relief package. With the two-year yield relatively immobilized by expectations that the Fed will keep its policy rate at 0%-0.25% indefinitely, changes in Treasuries occur mainly in longer maturities, causing the curve to steepen in selloffs and flatten in rallies. Investors watch the spread as a barometer of expectations for the economy, with steepening suggesting a brighter outlook. “Powell did say the right things in the press conference -- saying they will be there if they need to be,” regarding adjusting asset purchases and other measures, said Andy Brenner, head of institutional fixed income at National Alliance. (Source: Bloomberg)

## GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.81	5.23	KSA	2025	1.16	6.86
Abu Dhabi	2030	1.59	9.43	KSA	2030	2.07	10.56
Abu Dhabi	2050	2.71	19.75	KSA	2050	3.23	10.26
Bahrain	2026	3.31	-1.19	Oman	2025	4.29	-1.65
Bahrain	2030	4.75	16.82	Oman	2029	5.55	-1.83
Bahrain	2047	6.09	-3.48	Oman	2048	6.82	-1.92
Dubai	2029	2.59	2.56	Qatar	2025	0.93	6.56
Kuwait	2022	0.13	1.40	Qatar	2030	1.68	12.11
Kuwait	2027	1.11	5.93	Qatar	2050	2.79	23.21

## Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.49	8.08	0.10	8.41
S&P MENA Bond and Sukuk Index	2.02	NA	0.12	9.00
Bloomberg Emerging Markets USD Index	3.56	6.80	0.16	5.97
Bloomberg Global Aggregate Index	0.85	7.42	0.09	8.66

## Interbank Rates (%)

	3 Months		6 Months		12 Months	
	17/12/2020	31/12/2019	17/12/2020	31/12/2019	17/12/2020	31/12/2019
KIBOR	1.4375	2.7500	1.6875	2.9375	1.9375	3.1875
SAIBOR	0.8213	2.2314	0.8725	2.2557	0.9425	2.3071
BHIBOR	2.2500	2.6667	2.5333	2.7000	2.6833	2.8333
QATAR	1.2666	2.2500	1.3389	2.3500	1.5058	2.5333
AEIBOR	0.4590	2.2086	0.5693	2.1914	0.8500	2.2900
EURIBOR	-0.5440	-0.3830	-0.5200	-0.3240	-0.5030	-0.2490
LIBOR	0.2288	1.9084	0.2518	1.9121	0.3313	1.9963

## USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.1939	-0.07	-89.0
2-Year	0.2037	0.01	-88.0
5-Year	0.4369	0.31	-74.7
7-Year	0.6567	0.33	-63.5
10-Year	0.9240	0.39	-51.2
30-Year	1.3933	0.52	-33.4

## Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3038	0.1152	-0.21
SAR	3.7517	0.0000	0.00
BHD	0.3771	0.0053	0.00
QAR	3.6415	-0.0027	0.01
OMR	0.3850	0.0000	0.00
AED	3.6730	0.0000	0.00

## US Treasuries

	Yield %	1D Δ (%)
2-Year	0.11	0.01
5-Year	0.37	0.00
10-Year	0.92	-0.03
30-Year	1.66	-0.10

## UK Gilts

	Yield %	1D Δ (%)
2-Year	-0.09	0.03
5-Year	-0.04	0.01
10-Year	0.27	-0.16
30-Year	0.83	-0.21

## German Bunds

	Yield %	1D Δ (%)
2-Year	-0.75	-0.05
5-Year	-0.77	-0.16
10-Year	-0.63	-0.40
30-Year	-0.17	-1.24

Source: Bloomberg

## Sovereign Ratings

	Moody's	S&P	Fitch
Kuwait	A1	AA-	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	B2	NR	B
Morocco	Ba1	BBB-	BB+
US	Aaa	AA+u	AAA
UK	Aa2	AAu	AA-
China	A1	A+	A+

## USD 5Yr CDS

	17-Dec 2020	31-Dec 2019
Kuwait	40.19	36.700
KSA	63.33	56.915
Abu Dhabi	34.92	36.090
Dubai	101.86	91.005
Qatar	36.23	36.705
Bahrain	241.98	175.995
Oman	351.12	234.400
Iraq	500.72	383.680
Egypt	340.47	277.420
Morocco	94.25	91.435
Turkey	345.27	282.130
US	12.95	10.810
UK	15.87	16.210
China	27.19	31.205
Japan	14.42	21.042
Germany	9.20	7.080
France	15.04	16.130