

News Updates

S&P warns Dubai economy to shrink 11%, cuts property giants to junk – S&P Global warned that Dubai's economy was set to shrink 11% this year, as it cut the credit ratings of two of the emirate's biggest property firms to 'junk' status. Dubai, the Middle East's trade and tourism hub, has been hit hard by coronavirus-containment measures and is set for an economic contraction almost four times worse than during the global financial crisis in 2009, S&P said. "We now expect Dubai's real GDP will shrink by about 11% in 2020, compounding the economic slowdown that began in 2015," S&P analysts wrote in a note dated July 9, adding that the emirate's fiscal deficit was expected to balloon to about 4% of GDP this year. S&P downgraded Emaar Properties, the United Arab Emirates' largest property firm and the builder of the world's tallest building, Dubai's Burj Khalifa, to a BB+ 'junk' rating from an investment grade BBB- score. DIFC Investments, a unit of the company running Dubai's International Financial Center free zone, was cut to BB+ from BBB- as well. (Source: Reuters)

Moody's assigns provisional (P)Baa2 rating to Sharjah's Global Medium Term Notes programme – Sharjah's credit profile is supported by the emirate's membership in the United Arab Emirates (UAE Aa2 stable), high income levels and a relatively diversified economy. Limited policy effectiveness, the government's narrow revenue base and a rising government debt burden weigh negatively on creditworthiness. The coronavirus outbreak will reduce revenues from VAT, land sales and transfers from government-related entities in the short-term, and significantly affect economic activity, particularly given Sharjah's close links to Dubai. (Source: Bloomberg)

Fed Buys More Corporate Bonds But May Soon End Purchases – The Federal Reserve said Friday that it purchased \$1.3 billion in corporate bonds in late June as part of its effort to keep U.S. interest rates low and ensure large companies can borrow by selling bonds. The Fed bought bonds issued by several hundred large companies, including AT&T, PepsiCo, and Berkshire Hathaway, the conglomerate controlled by billionaire Warren Buffett. Combined with purchases from earlier in the month, the Fed has bought nearly \$1.8 billion in corporate debt. The purchases are intended to keep interest rates on corporate bonds from spiking, which would make it harder for companies to borrow by selling debt. The Fed's announcement in March that it would, for the first time, purchase corporate debt quickly boosted trading in corporate bonds and brought down interest rates in that market. The Fed has also purchased nearly \$8 billion in pools of bonds held in exchange-traded funds, which operate similarly to mutual funds. (Source: Bloomberg)

GCC Sovereign Yields

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2027 | 1.61 | 4.49 | KSA | 2025 | 1.37 | 3.29 |
| Abu Dhabi | 2047 | 2.77 | 7.26 | KSA | 2029 | 2.15 | 4.44 |
| Bahrain | 2024 | 4.15 | -3.61 | KSA | 2049 | 3.43 | 6.73 |
| Bahrain | 2029 | 5.57 | -7.80 | Oman | 2025 | 5.00 | -4.53 |
| Bahrain | 2047 | 6.76 | -11.19 | Oman | 2029 | 7.17 | -12.12 |
| Dubai | 2023 | 1.58 | 1.30 | Oman | 2048 | 7.99 | -14.86 |
| Dubai | 2029 | 2.99 | -0.02 | Qatar | 2024 | 1.08 | 3.10 |
| Kuwait | 2022 | 0.53 | 1.71 | Qatar | 2028 | 1.75 | 4.14 |
| Kuwait | 2027 | 1.40 | 4.86 | Qatar | 2049 | 2.99 | 8.57 |

Bonds and Sukuk Indices

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 2.93 | 7.32 | -0.08 | 3.56 |
| S&P MENA Bond and Sukuk Index | 2.34 | NA | -0.13 | 5.48 |
| Bloomberg Emerging Markets USD Index | 4.56 | 6.26 | -0.14 | 0.35 |
| Bloomberg Global Aggregate Index | 0.92 | 7.33 | 0.08 | 3.85 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|------------|------------|------------|------------|------------|------------|
| | 12/07/2020 | 31/12/2019 | 12/07/2020 | 31/12/2019 | 12/07/2020 | 31/12/2019 |
| KIBOR | 1.6250 | 2.7500 | 1.8750 | 2.9375 | 2.1250 | 3.1875 |
| SAIBOR | 0.9657 | 2.2314 | 1.0171 | 2.2557 | 1.0643 | 2.3071 |
| BHIBOR | 2.3000 | 2.6667 | 2.5333 | 2.7000 | 2.6833 | 2.8333 |
| QATAR | 1.0450 | 2.2500 | 1.1477 | 2.3500 | 1.3828 | 2.5333 |
| AEIBOR | 0.6425 | 2.2086 | 0.8595 | 2.1914 | 1.1919 | 2.2900 |
| EURIBOR | -0.4380 | -0.3830 | -0.3280 | -0.3240 | -0.2630 | -0.2490 |
| LIBOR | 0.2663 | 1.9084 | 0.3485 | 1.9121 | 0.4841 | 1.9963 |

USD Swap Rates

| | Currencies | | | | Currencies | | |
|---------|------------|------------|-----------|-----|------------|------------|-----------|
| | Yield % | 1D Δ (bps) | YTD Δ (%) | | USD | 1D Δ (bps) | YTD Δ (%) |
| 1-Year | 0.2497 | -0.13 | -85.9 | KWD | 0.3072 | 0.0814 | -1.35 |
| 2-Year | 0.2185 | 0.27 | -87.1 | SAR | 3.7513 | 0.0000 | 0.02 |
| 5-Year | 0.3408 | 2.32 | -80.3 | BHD | 0.3771 | 0.0000 | 0.00 |
| 7-Year | 0.4734 | 3.15 | -73.7 | QAR | 3.6412 | 0.0027 | 0.01 |
| 10-Year | 0.6322 | 3.72 | -66.6 | OMR | 0.3850 | 0.0000 | 0.00 |
| 30-Year | 0.8765 | 3.93 | -58.1 | AED | 3.6731 | 0.0000 | 0.00 |

US Treasuries

| | UK Gilts | | German Bunds | |
|---------|----------|----------|--------------|----------|
| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
| 2-Year | 0.15 | 0.00 | -0.12 | 0.03 |
| 5-Year | 0.31 | -0.11 | -0.08 | 0.06 |
| 10-Year | 0.64 | -0.29 | 0.15 | 0.02 |
| 30-Year | 1.34 | -0.52 | 0.62 | 0.24 |

Source: Bloomberg

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

| | 12-Jul 2020 | 31-Dec 2019 |
|-----------|-------------|-------------|
| Kuwait | 61.150 | 36.700 |
| KSA | 98.890 | 56.915 |
| Abu Dhabi | 60.410 | 36.090 |
| Dubai | 173.720 | 91.005 |
| Qatar | 56.200 | 36.705 |
| Bahrain | 331.870 | 175.995 |
| Oman | 466.780 | 234.400 |
| Iraq | 691.370 | 383.680 |
| Egypt | 440.640 | 277.420 |
| Morocco | 130.510 | 91.435 |
| Turkey | 522.020 | 282.130 |
| US | 12.190 | 10.810 |
| UK | 26.450 | 16.210 |
| China | 44.740 | 31.205 |
| Japan | 15.370 | 21.042 |
| Germany | 12.790 | 7.080 |
| France | 20.130 | 16.130 |