

News Updates

Kuwait Currency Peg in Spotlight With Nation Unable to Borrow –

The Kuwaiti dinar's peg to a basket of currencies is coming under scrutiny as concerns grow that one of the world's richest nations is running short of cash. Derivatives are showing signs of pressure after 12-month forward contracts on the Kuwaiti dinar rose to about 280 points in the offshore market Wednesday, the highest since June. Most other Gulf currency forwards have declined this year as the recent recovery in oil prices eases the risks to their energy-dependent economies. While other Gulf Arab states tapped global debt markets to bolster strained finances amid the pandemic, Kuwait has been hamstrung by lawmakers' resistance to approve a law that would enable the government to borrow. Concern over how Kuwait will cover its budget deficit has become more acute after the government transferred the last of its performing assets to the country's sovereign wealth fund in exchange for cash. (Source: Bloomberg)

KSA, Oman most exposed to diminishing fiscal uplift from SWF buffers - Moody's –

The impact of the coronavirus pandemic on oil demand and prices has significantly increased gross funding requirements for sovereigns across the GCC, which will be partly funded by drawing down sovereign wealth fund (SWF) assets, Moody's Investors Service said in a report on Wednesday. The stock of SWF assets in Qatar and Abu Dhabi remains more than ample to cover decades of fiscal deficits at current levels. However, for Oman and Saudi Arabia, which possess a more modest stock of SWF assets, significant drawdowns will lead to substantial erosion of their SWF buffers over the medium term, reducing the uplift to fiscal strength derived from these assets, and increasing external vulnerability risks in Oman. In Kuwait, very large fiscal deficits have largely depleted the liquid portion of the smaller General Reserve Fund, increasing liquidity risks in the absence of a debt law despite the large stock of assets held in the Future Generations Fund, which are currently ringfenced from the general budget. (Source: Mubasher)

Egyptian Inflation Slows, Giving Scope for Interest-Rate Cut –

Egyptian inflation slowed for a second month, giving the central bank more leeway to make its first interest-rate cut since November. Consumer prices in urban parts of Egypt grew an annual 4.3% in January, compared with 5.4% in December, the state-run statistics agency CAPMAS said Wednesday. The slowdown was driven by a decline in food and beverage prices, the single largest component of the inflation basket, which dropped 0.5% year-on-year and 1.6% month-on-month, according to the report. Overall prices fell 0.4% on a monthly basis, the same rate as in December. Core inflation, the gauge measured by the central bank that strips out volatile items, slowed to 3.6% in January from 3.8% the previous month. (Source: Bloomberg)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.81	-0.28	KSA	2025	1.19	-0.20
Abu Dhabi	2030	1.75	-1.46	KSA	2030	2.18	-1.30
Abu Dhabi	2050	2.96	-3.81	KSA	2050	3.48	-3.73
Bahrain	2026	3.22	-0.05	Oman	2025	3.47	2.40
Bahrain	2030	4.91	-1.15	Oman	2029	4.91	3.40
Bahrain	2047	6.27	-2.15	Oman	2048	6.65	1.26
Dubai	2029	2.38	0.83	Qatar	2025	0.85	-0.20
Kuwait	2022	0.49	-0.57	Qatar	2030	1.80	-1.59
Kuwait	2027	1.20	-0.84	Qatar	2050	3.04	-3.82

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.48	8.08	0.01	-0.26
S&P MENA Bond and Sukuk Index	2.07	NA	-0.03	-0.78
Bloomberg Emerging Markets USD Index	3.53	6.80	0.12	-0.50
Bloomberg Global Aggregate Index	0.91	7.42	0.14	-1.06

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	11/2/2021	31/12/2020	11/2/2021	31/12/2020	11/2/2021	31/12/2020
KIBOR	1.5000	1.4375	1.6875	1.6875	2.0000	1.9375
SAIBOR	0.8113	0.8175	0.8588	0.8700	0.9313	0.9413
BHIBOR	2.1667	2.2500	2.4667	2.5333	2.6833	2.6833
QATAR	1.0107	1.1206	1.1107	1.1960	1.2701	1.3636
AEIBOR	0.3313	0.5125	0.4342	0.4908	0.4970	0.6538
EURIBOR	-0.5400	-0.5450	-0.5230	-0.5260	-0.5030	-0.4990
LIBOR	0.2025	0.2384	0.2080	0.2576	0.3056	0.3419

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)	Currencies	USD	1D Δ (bps)	YTD Δ (%)
1-Year	0.1840	0.04	-4.4	KWD	0.3024	0.0000	0.31
2-Year	0.2006	0.03	1.4	SAR	3.7511	0.0027	0.02
5-Year	0.5669	-0.02	31.8	BHD	0.3771	-0.0027	0.00
7-Year	0.8812	1.01	34.6	QAR	3.6420	0.0055	0.01
10-Year	1.2010	0.13	29.8	OMR	0.3850	0.0000	0.01
30-Year	1.7042	0.00	21.6	AED	3.6730	0.0000	0.00

US Treasuries

	Yield %	1D Δ (%)	UK Gilts	Yield %	1D Δ (%)	German Bunds	Yield %	1D Δ (%)
2-Year	0.11	0.00	-0.04	-0.01	-0.67	0.00		
5-Year	0.45	0.00	0.08	-0.06	-0.74	0.00		
10-Year	1.14	0.02	0.49	-0.31	-0.54	-0.07		
30-Year	1.91	0.03	1.07	-0.77	0.04	-0.56		

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

	11-Feb 2021	31-Dec 2020
Kuwait	40.69	40.69
KSA	61.35	63.77
Abu Dhabi	40.38	36.03
Dubai	93.81	104.06
Qatar	40.73	36.70
Bahrain	223.05	233.58
Oman	319.22	353.60
Iraq	474.83	542.74
Egypt	305.91	330.47
Morocco	97.07	102.56
Turkey	292.00	299.47
US	9.81	11.52
UK	14.05	15.13
China	31.23	26.70
Japan	14.75	14.74
Germany	9.82	9.09
France	14.47	14.42