

## News Updates

**Kuwait Posts Record \$36 Billion Deficit on Oil Price Drop, Virus –** Kuwait's budget deficit swelled to a record in the year through March as oil prices plunged and the coronavirus pandemic negatively impacted the economy. The gap climbed 175% to 10.8 billion dinars (\$36 billion) in the last fiscal year, compared with a year earlier, the Finance Ministry said in a statement on Saturday. Kuwait has been battling to reduce its deficit due to its dependence on oil revenues, and high spending on civil servant wages and subsidies. Ongoing political squabbles have prevented the government from passing laws to allow it to borrow and withdraw as much as 5 billion dinars a year from the Future Generations Fund, a \$700 billion savings pot designed for life after oil. The country hasn't been to the market since a debut Eurobond in 2017. Lawmakers have said the government should better manage its finances and fight corruption before resorting to debt. Last month Kuwait was downgraded by S&P Global Ratings for a second time in less than two years. The rating agency said the downgrade reflects “the persistent lack of a comprehensive funding strategy despite the central government's ongoing sizable deficits.” Kuwait's government projects a cumulative budget deficit of 55.4 billion dinars in the five fiscal years ending March 31, 2025. *(Source: Bloomberg)*

**Saudi Arabia's budget deficit narrowed to 4.6 billion riyals (\$1.2 billion) in the second quarter –** Saudi Arabia's budget deficit narrowed to 4.6 billion riyals (\$1.2 billion) in the second quarter, boosted by higher oil prices and surge in tax revenue. The world's largest crude exporter saw oil revenue rise 38% in the period from April to June compared to the same period last year, while non-oil revenue tripled, reaching 116 billion riyals, according to a finance ministry statement. That was largely driven by increased tax revenue after the government tripled value-added tax to 15% last July, and the comparison with a low base during last year's lockdown. Spending remained restrained, at around 253 billion riyals. Higher oil prices are giving Saudi Arabia's public finances a boost after last year's crisis sent its budget deficit soaring to nearly 300 billion riyals. Officials aim to slash that figure to 141 billion riyals in 2021, targeting a deficit of around 5% of gross domestic product. But so far they're set to significantly beat that goal, accumulating a deficit of just 12 billion riyals in the first half of the year as they keep spending under their target, with capital expenditures down 36% in the first half compared to the same period last year. *(Source: Bloomberg)*

**Treasury yields edge higher on record job openings –** U.S. Treasury yields rose on Monday as record-high job openings on top of stronger-than-expected employment gains in July added to the narrative of an improving labor market. The benchmark 10-year yield, which hit its highest level since July 16 at 1.32%, was last up 2.9 basis points at 1.317%. On Friday, it climbed to a two-week high of 1.305% after July's solid employment report was seen as moving the U.S. Federal Reserve closer to a policy decision on unwinding stimulus measures put into place last year to combat the economic fallout from the coronavirus pandemic. *(Source: Reuters)*

## GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.71	-0.64	KSA	2025	1.07	-0.47
Abu Dhabi	2030	1.87	-2.81	KSA	2030	2.18	-1.77
Abu Dhabi	2050	3.01	-4.97	KSA	2050	3.47	-3.73
Bahrain	2026	3.87	-3.78	Oman	2025	3.24	2.56
Bahrain	2030	5.61	-6.27	Oman	2029	4.83	3.56
Bahrain	2047	6.97	-10.16	Oman	2048	6.54	2.43
Dubai	2029	2.46	-0.47	Qatar	2025	0.92	-1.44
Kuwait	2022	0.11	-1.43	Qatar	2030	1.92	-3.11
Kuwait	2027	1.26	-1.95	Qatar	2050	3.13	-5.52

## Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.58	8.08	-0.02	0.56
S&P MENA Bond and Sukuk Index	2.18	NA	-0.06	0.09
Bloomberg Emerging Markets USD Index	3.95	6.80	-0.07	-0.43
Bloomberg Global Aggregate Index	1.02	7.42	-0.09	-2.47

## Interbank Rates (%)

	3 Months		6 Months		12 Months	
	10/8/2021	31/12/2020	10/8/2021	31/12/2020	10/8/2021	31/12/2020
KIBOR	1.5000	1.4375	1.7500	1.6875	2.0000	1.9375
SAIBOR	0.7943	0.8175	0.8443	0.8700	0.9143	0.9413
BHIBOR	1.5750	2.2500	1.7167	2.5333	1.8667	2.6833
QATAR	1.0445	1.1206	1.1403	1.1960	1.2695	1.3636
AEIBOR	0.3656	0.5125	0.5100	0.4908	0.5458	0.6538
EURIBOR	-0.5410	-0.5450	-0.5240	-0.5260	-0.5010	-0.4990
LIBOR	0.1284	0.2384	0.1494	0.2576	0.2374	0.3419

## USD Swap Rates

USD Swap Rates				Currencies				Commodities		
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)		USD	YTD Δ (%)
1-Year	0.1575	-0.18	-18.2	KWD	0.3005	-0.0499	0.93	Gold	1,737.10	-9.11
2-Year	0.3089	-0.05	56.2	SAR	3.7503	0.0000	0.04	Silver	23.62	-11.19
5-Year	0.8788	-0.65	104.4	BHD	0.3770	0.0027	0.00	Copper	431.00	22.20
7-Year	1.1070	-0.98	69.1	QAR	3.6416	-0.0055	-0.01	Nat. Gas	4.04	49.12
10-Year	1.3267	-1.24	43.4	OMR	0.3850	0.0000	0.00	Aluminum	2,542.50	27.33
30-Year	1.6762	-1.42	19.6	AED	3.6731	0.0000	0.00	Crude Oil	69.35	35.85

## US Treasuries

	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.22	0.00	0.12	0.00	-0.69	-0.01
5-Year	0.79	0.02	0.27	0.08	-0.81	-0.03
10-Year	1.31	0.10	0.58	0.28	-0.61	0.02
30-Year	1.96	0.33	0.95	1.35	-0.02	0.26

## UK Gilts

	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.22	0.00	0.12	0.00	-0.69	-0.01
5-Year	0.79	0.02	0.27	0.08	-0.81	-0.03
10-Year	1.31	0.10	0.58	0.28	-0.61	0.02
30-Year	1.96	0.33	0.95	1.35	-0.02	0.26

## German Bunds

	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.22	0.00	0.12	0.00	-0.69	-0.01
5-Year	0.79	0.02	0.27	0.08	-0.81	-0.03
10-Year	1.31	0.10	0.58	0.28	-0.61	0.02
30-Year	1.96	0.33	0.95	1.35	-0.02	0.26

## 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	B3	NR	B-
Morocco	Ba1	BB+	BB+
US	Aaa	AA+u	AAA
UK	Aa3	AAu	AA-
China	A1	A+	A+

USD 5Yr CDS	10-Aug 2021	31-Dec 2020
Kuwait	46.05	40.69
KSA	54.70	63.77
Abu Dhabi	41.81	36.03
Dubai	85.21	104.06
Qatar	41.65	36.70
Bahrain	245.13	233.58
Oman	242.09	353.60
Iraq	538.08	542.74
Egypt	347.77	330.47
Morocco	93.78	102.56
Turkey	395.37	299.47
US	7.20	11.52
UK	8.59	15.13
China	37.61	26.70
Japan	16.31	14.74
Germany	8.24	9.09
France	18.95	14.42