

News Updates

Fitch Ratings: Oil Shock Compounds Sovereign Credit Risks from Coronavirus

– The dual impact of COVID-19 and the significant oil price shock will put pressure on some sovereign credit fundamentals and potentially ratings, Fitch Ratings says. In developed markets (DM), the key drivers will be the effect on growth, if it persists, and the fiscal and monetary responses. Emerging markets (EM) face additional risks related to commodity export receipts, capital flows and exchange-rate pressures. Oil prices had their biggest drop in nearly three decades after Saudi Arabia said on Sunday it would increase production and cut prices after talks with Russia on production cuts collapsed. Low oil prices weighed on ratings of major exporters in 2014-2016 and will do so again if the oil price war leads to sustained lower prices. The collapse in commodity prices in 2014 led to numerous EM sovereign downgrades and many oil-exporting sovereigns are still struggling to adjust to that shock, with break-even oil prices well above current market rates. However, higher-rated exporters have large buffers, mainly in the form of sovereign wealth funds.

Oil Crash Sends Aramco, Gulf Bonds and Stocks Reeling – The collapse in oil prices reverberated through Middle East markets for a second day, with Saudi Aramco plunging by the maximum allowed and yields on its bonds soaring. Aramco fell as much as 10% before finishing 5.5% lower, helping drive the Tadawul All Share Index down 7.8%. Other major gauges in the Gulf tumbled, while Omani rial forwards jumped to a record high in the offshore market and Saudi riyal forwards rose fourfold. Brent crude was trading at \$34.73 a barrel as of 12:39 p.m. in London, with Goldman Sachs Group Inc. telling clients it could quickly dip into the \$20s. “Broadly, the outlook will remain decidedly negative as long as the price remains in the \$30 per barrel range,” said Todd Schubert, head of fixed-income research at Bank of Singapore Ltd. “More concretely, the countries where the fiscal breakeven is higher -- Bahrain and Oman -- will certainly suffer.”

Fitch downgrades Lebanon after default announcement – The Fitch global ratings agency downgraded Lebanon’s foreign currency rating Monday following the government’s announcement over the weekend that it would not pay a \$1.2 billion Eurobond. Lebanon’s “Long-Term Foreign-Currency Issuer Default Rating” was downgraded from CC, indicating “very high levels of credit risk,” to C, meaning “near default.” Fitch downgraded Lebanon to CC in December. If Lebanon fails to pay the Eurobond once the grace period of seven days for paying it is up, Fitch will downgrade the sovereign rating to RD (restricted default) and the specific \$1.2 billion Eurobond to D (default).

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	1.89	3.38	KSA	2025	2.16	0.45
Abu Dhabi	2047	2.94	4.93	KSA	2029	2.64	1.17
Bahrain	2024	4.00	-2.45	KSA	2049	3.84	0.25
Bahrain	2029	5.31	-5.81	Oman	2025	4.97	-4.14
Bahrain	2047	6.56	-8.97	Oman	2029	6.75	-9.92
Dubai	2023	3.16	-2.29	Oman	2048	7.92	-14.61
Dubai	2029	3.48	-2.90	Qatar	2024	1.73	1.28
Kuwait	2022	1.52	0.62	Qatar	2028	2.10	2.49
Kuwait	2027	1.89	2.46	Qatar	2049	3.10	6.68

Source: Bloomberg

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	3.13	7.50	-2.42	0.96
S&P MENA Bond and Sukuk Index	2.63	NA	-1.04	3.42
Bloomberg Emerging Markets USD Index	5.05	6.58	-2.72	-0.14
Bloomberg Global Aggregate Index	0.87	7.47	0.82	5.34

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	10/03/2020	31/12/2019	10/03/2020	31/12/2019	10/03/2020	31/12/2019
KIBOR	2.5000	2.7500	2.7500	2.9375	3.0000	3.1875
SAIBOR	1.4171	2.2314	1.4186	2.2557	1.4186	2.3071
BHIBOR	1.9000	2.2500	2.3233	2.7000	2.4500	2.8333
QATAR	1.8667	2.2500	1.9500	2.3500	2.1500	2.5333
AEIBOR	1.4218	2.2086	1.4110	2.1914	1.2484	2.2900
EURIBOR	-0.4730	-0.3830	-0.4270	-0.3240	-0.3480	-0.2490
LIBOR	0.8960	1.9084	0.8799	1.9121	0.8456	1.9963

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.5437	3.37	-69.3
2-Year	0.5258	5.25	-69.0
5-Year	0.6565	9.57	-62.0
7-Year	0.6920	10.50	-61.5
10-Year	0.7315	10.89	-61.4
30-Year	0.7530	10.06	-64.0

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3060	-0.1342	-0.83
SAR	3.7601	-0.1277	-0.17
BHD	0.3774	-0.0424	-0.04
QAR	3.6963	-0.4803	-0.72
OMR	0.3852	0.0182	-0.03
AED	3.6735	0.0000	-0.01

US Treasuries

	Yield %	1D Δ (%)
2-Year	0.45	-0.13
5-Year	0.60	-0.63
10-Year	0.68	-1.41
30-Year	1.11	-3.19

UK Gilts

	Yield %	1D Δ (%)
2-Year	0.07	0.02
5-Year	0.08	0.14
10-Year	0.15	1.01
30-Year	0.50	5.25

German Bunds

	Yield %	1D Δ (%)
2-Year	-1.01	0.25
5-Year	-1.01	0.60
10-Year	-0.89	1.49
30-Year	-0.50	7.03

	Sovereign Ratings		
	Moody's	S&P	Fitch
Abu Dhabi	Aa2	AA	AA
Bahrain	B2	B+	BB-
Kuwait	Aa2	AA	AA
Oman	Ba1	BB	BB+
Qatar	Aa3	AA-	AA-
KSA	A1	A-	A
UAE	Aa2	NR	NR
Egypt	B2	B	B+
Lebanon	Ca	CC	C
Turkey	B1	B+	BB-
Tunisia	B2	NR	B+
Morocco	Ba1	BBB-	BBB-
Jordan	B1	B+	BB-
China	A1	A+	A+
UK	Aa2	AA	AA
USA	Aaa	AA+	AAA
USD 5-Year CDS			YTD Δ (%)
Abu Dhabi	77.000		135.30
Kuwait	45.930		32.72
Dubai	121.340		40.05
Bahrain	243.130		41.00
Qatar	90.750		167.38
KSA	148.700		173.10
Egypt	319.090		18.51
Lebanon	13097.67		660.71
Turkey	297.601		6.19
Iraq	419.200		22.47
Morocco	92.510		12.13
China	66.798		122.25
France	30.290		80.68
Germany	14.710		96.07
Japan	27.944		39.27
UK	25.880		43.14
US	15.100		34.04