

News Updates

Kuwait's \$65 Billion Debt Plan in Peril After Draft Law Rejected – The Kuwaiti parliament's finance and economic panel turned down a draft bill that might have allowed the government to borrow at home and abroad just as liquid assets in the Treasury come close to being depleted. It was at least the second time officials attempted to get the contentious bill through parliament. After a debut Eurobond issuance in 2017, Kuwait's public-debt law lapsed, rendering the government unable to offer bonds. In the absence of access to debt, the government has been studying various alternatives to add cash to the Treasury. As part of that effort, the panel approved a proposal to halt the annual 10% transfer of revenue to the Future Generations Fund in years when the government runs a deficit. A Finance Ministry proposal for the wealth fund to purchase 2.2 billion dinars of assets from the Treasury, in order to help boost liquidity, has also been carried out. (Source: Bloomberg)

Saudi inflation jumps to 6.1% after VAT increase – Saudi Arabia's consumer price index jumped 6.1% in July compared with a year earlier, boosted by a tripling of value-added tax, official data showed on Sunday. The inflation rate in June was 0.5%, the smallest annual increase since January, before the VAT increase to 15% from 5% came into effect on July 1. The jump in annual inflation reflected price increases in most categories, the General Authority for Statistics said. Food and transport were major contributors, rising by 14.6% and 7.3% respectively. Jason Tuvey, senior emerging markets economist at Capital Economics, said in a research note that "the pass-through from the VAT hike may be relatively more limited compared with when the tax was first introduced in 2018. Even so, we expect Saudi inflation to jump to 5.5-6.0% year on year this month and remain around this level for much of the next year." (Source: Zawya)

Dubai's Arabtec reports first-half loss, seeks debt restructuring advisor – Arabtec Holding, the UAE's biggest listed contractor, swung to a loss in the first half of the year, citing tight liquidity and limited new projects, and said it was seeking an advisor for debt restructuring. The Gulf construction sector has slumped since a collapse in oil prices four years ago forced governments to cut spending, leading to a debt crunch at some companies that operate across the Middle East. The coronavirus pandemic and the delay of Dubai's Expo 2020 world fair by a year to next October has worsened the industry's problems. This will be the third restructuring exercise for Arabtec in the last four years. It hired AlixPartners in 2016, and Moelis & Co in 2018. The Dubai bourse suspended trading of shares in Arabtec shortly after its disclosure for not providing its full financial statement. (Source: Zawya)

GCC Sovereign Yields

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2027 | 1.35 | 6.35 | KSA | 2025 | 1.30 | 3.51 |
| Abu Dhabi | 2047 | 2.60 | 10.68 | KSA | 2029 | 1.96 | 5.60 |
| Bahrain | 2024 | 3.48 | -1.64 | KSA | 2049 | 3.16 | 11.77 |
| Bahrain | 2029 | 4.88 | -3.38 | Oman | 2025 | 4.44 | -2.13 |
| Bahrain | 2047 | 6.29 | -5.75 | Oman | 2029 | 6.20 | -6.25 |
| Dubai | 2023 | 1.43 | 1.56 | Oman | 2048 | 7.50 | -9.78 |
| Dubai | 2029 | 2.78 | 1.61 | Qatar | 2024 | 0.97 | 3.21 |
| Kuwait | 2022 | 0.61 | 1.39 | Qatar | 2028 | 1.56 | 5.26 |
| Kuwait | 2027 | 1.25 | 5.68 | Qatar | 2049 | 2.67 | 14.74 |

Bonds and Sukuk Indices

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 2.63 | 8.18 | -0.42 | 6.55 |
| S&P MENA Bond and Sukuk Index | 2.10 | NA | -0.29 | 8.24 |
| Bloomberg Emerging Markets USD Index | 4.15 | 6.90 | -0.26 | 3.33 |
| Bloomberg Global Aggregate Index | 0.90 | 7.48 | -0.01 | 5.60 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|------------|------------|------------|------------|------------|------------|
| | 17/08/2020 | 31/12/2019 | 17/08/2020 | 31/12/2019 | 17/08/2020 | 31/12/2019 |
| KIBOR | 1.5625 | 2.7500 | 1.8125 | 2.9375 | 2.1250 | 3.1875 |
| SAIBOR | 0.9186 | 2.2314 | 0.9686 | 2.2557 | 1.0200 | 2.3071 |
| BHIBOR | 2.2833 | 2.6667 | 2.5167 | 2.7000 | 2.6833 | 2.8333 |
| QATAR | 1.0233 | 2.2500 | 1.1133 | 2.3500 | 1.3467 | 2.5333 |
| AEIBOR | 0.4779 | 2.2086 | 0.6618 | 2.1914 | 0.9223 | 2.2900 |
| EURIBOR | -0.4820 | -0.3830 | -0.4320 | -0.3240 | -0.3530 | -0.2490 |
| LIBOR | 0.2704 | 1.9084 | 0.3325 | 1.9121 | 0.4609 | 1.9963 |

USD Swap Rates

| | Yield % | 1D Δ (bps) | YTD Δ (%) |
|---------|---------|------------|-----------|
| 1-Year | 0.2453 | -0.87 | -86.1 |
| 2-Year | 0.2340 | -0.90 | -86.2 |
| 5-Year | 0.3525 | -1.10 | -79.6 |
| 7-Year | 0.5077 | -0.23 | -71.8 |
| 10-Year | 0.7072 | 0.72 | -62.7 |
| 30-Year | 1.0510 | 3.02 | -49.7 |

Currencies

| | USD | 1D Δ (bps) | YTD Δ (%) |
|-----|--------|------------|-----------|
| KWD | 0.3058 | 0.0000 | -0.90 |
| SAR | 3.7502 | 0.0000 | 0.03 |
| BHD | 0.3770 | 0.0053 | 0.02 |
| QAR | 3.6416 | 0.0000 | 0.00 |
| OMR | 0.3850 | 0.0052 | -0.01 |
| AED | 3.6730 | 0.0000 | 0.00 |

US Treasuries

| | Yield % | 1D Δ (%) |
|---------|---------|----------|
| 2-Year | 0.15 | 0.04 |
| 5-Year | 0.29 | 0.14 |
| 10-Year | 0.71 | 0.12 |
| 30-Year | 1.45 | -0.47 |

Source: Bloomberg

UK Gilts

| | Yield % | 1D Δ (%) |
|---------|---------|----------|
| 2-Year | -0.03 | 0.01 |
| 5-Year | -0.02 | 0.01 |
| 10-Year | 0.24 | -0.04 |
| 30-Year | 0.80 | -0.43 |

German Bunds

| | Yield % | 1D Δ (%) |
|---------|---------|----------|
| 2-Year | -0.68 | 0.00 |
| 5-Year | -0.67 | 0.02 |
| 10-Year | -0.49 | 0.09 |
| 30-Year | 0.01 | 0.33 |

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+ | B+ |
| Oman | Ba3 | BB- | BB |
| Egypt | B2 | B | B+ |
| Lebanon | C | 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 | 17-Aug 2020 | 31-Dec 2019 |
|-------------|-------------|-------------|
| Kuwait | 52.540 | 36.700 |
| KSA | 82.980 | 56.915 |
| Abu Dhabi | 46.190 | 36.090 |
| Dubai | 152.350 | 91.005 |
| Qatar | 46.220 | 36.705 |
| Bahrain | 294.100 | 175.995 |
| Oman | 450.210 | 234.400 |
| Iraq | 594.200 | 383.680 |
| Egypt | 422.250 | 277.420 |
| Morocco | 126.190 | 91.435 |
| Turkey | 560.540 | 282.130 |
| US | 13.010 | 10.810 |
| UK | 20.300 | 16.210 |
| China | 38.810 | 31.205 |
| Japan | 14.580 | 21.042 |
| Germany | 9.430 | 7.080 |
| France | 16.280 | 16.130 |