

News Updates

Kuwait Central Bank Sells 240 Million Dinars 91-day Bills; Bid-Cover 11.3 – Kuwait sold 240 million dinars (\$780 million) of bills due Oct 13. Investors offered to buy 11.39 times the amount of securities sold. The bills have a yield of 1.25 percent and settled Jul 14. (Source: Bloomberg)

Sharjah sells \$1bn in 30-year Formosa bonds – The government of Sharjah sold \$1 billion in 30-year Formosa bonds on Tuesday at 4%, a document showed. Gulf states are seeking to bolster their finances amid the economic impact of the coronavirus and the crash in oil prices, and the third largest of the United Arab Emirates sold \$1 billion of sukuk, or Islamic bonds, last month. The emirate received around \$3.7 billion in orders for the bond and tightened the yield after it began marketing at around 4.375% earlier on Tuesday. "Asia is flush with liquidity," a banking source said, adding that Formosa bonds were a good way for Sharjah to diversify its sources of financing away from mostly regional sukuk investors. (Source: Zawya)

Aramco Dominates Gulf Region's Torpid Energy Debt Market – Gulf Arab energy companies took out \$11.4 billion in loans and bonds in the first six months of 2020, according to data compiled by Bloomberg. Saudi Aramco accounted for almost all of the new debt, with a single loan of \$10 billion, as lower energy prices and the coronavirus hobbled spending by its regional peers. Chief Executive Officer Amin Nasser said in June that the Saudi state producer might issue more debt to meet its commitment to pay \$75 billion in dividends this year. (Source: Bloomberg)

Fed Pushed to Loosen Reins on Nearly Untapped Muni Loan Program – The Federal Reserve is facing pressure to loosen the rules on its \$500 billion municipal lending facility, which charges penalties so steep that almost no governments are willing to borrow from it. The Fed announced the Municipal Liquidity Facility in April to ease the cash crunches facing U.S. states and cities by buying short-term debt sold to cover revenue shortfalls caused by the pandemic. The Fed's move, its first-ever intervention into the municipal market, caused bond prices to rebound by ensuring that states and cities could continue to raise needed funds. But the central bank is charging such high penalties that it has had virtually no impact aside from improving investors' confidence, with junk-rated Illinois the only government that's facing steep enough yields on Wall Street to make borrowing from the Fed worthwhile. (Source: Bloomberg)

GCC Sovereign Yields

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2027 | 1.50 | 5.50 | KSA | 2025 | 1.43 | 3.21 |
| Abu Dhabi | 2047 | 2.78 | 7.26 | KSA | 2029 | 2.13 | 4.53 |
| Bahrain | 2024 | 4.14 | -3.45 | KSA | 2049 | 3.43 | 7.00 |
| Bahrain | 2029 | 5.65 | -8.34 | Oman | 2025 | 4.98 | -4.56 |
| Bahrain | 2047 | 6.85 | -12.10 | Oman | 2029 | 7.34 | -13.21 |
| Dubai | 2023 | 1.62 | 1.20 | Oman | 2048 | 8.13 | -16.15 |
| Dubai | 2029 | 2.97 | 0.21 | Qatar | 2024 | 1.05 | 3.16 |
| Kuwait | 2022 | 0.50 | 1.80 | Qatar | 2028 | 1.72 | 4.29 |
| Kuwait | 2027 | 1.39 | 4.96 | Qatar | 2049 | 2.97 | 8.83 |

Bonds and Sukuk Indices

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 2.90 | 7.32 | 0.24 | 3.81 |
| S&P MENA Bond and Sukuk Index | 2.32 | NA | 0.27 | 5.77 |
| Bloomberg Emerging Markets USD Index | 4.55 | 6.26 | 0.16 | 0.52 |
| Bloomberg Global Aggregate Index | 0.94 | 7.33 | -0.09 | 3.76 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|------------|------------|------------|------------|------------|------------|
| | 15/07/2020 | 31/12/2019 | 15/07/2020 | 31/12/2019 | 15/07/2020 | 31/12/2019 |
| KIBOR | 1.5625 | 2.7500 | 1.8125 | 2.9375 | 2.1250 | 3.1875 |
| SAIBOR | 0.9614 | 2.2314 | 1.0071 | 2.2557 | 1.0543 | 2.3071 |
| BHIBOR | 2.3000 | 2.6667 | 2.5333 | 2.7000 | 2.6833 | 2.8333 |
| QATAR | 1.1398 | 2.2500 | 1.2164 | 2.3500 | 1.3576 | 2.5333 |
| AEIBOR | 0.6575 | 2.2086 | 0.9525 | 2.1914 | 1.2074 | 2.2900 |
| EURIBOR | -0.4350 | -0.3830 | -0.3320 | -0.3240 | -0.2800 | -0.2490 |
| LIBOR | 0.2750 | 1.9084 | 0.3393 | 1.9121 | 0.4813 | 1.9963 |

USD Swap Rates

| | Yield % | 1D Δ (bps) | YTD Δ (%) | | USD | 1D Δ (bps) | YTD Δ (%) |
|---------|---------|------------|-----------|-----|--------|------------|-----------|
| 1-Year | 0.2530 | -0.37 | -85.7 | KWD | 0.3073 | 0.0000 | -1.37 |
| 2-Year | 0.2177 | -0.41 | -87.2 | SAR | 3.7512 | 0.0027 | 0.02 |
| 5-Year | 0.3099 | -1.11 | -82.1 | BHD | 0.3771 | 0.0000 | 0.00 |
| 7-Year | 0.4323 | -1.54 | -75.9 | QAR | 3.6420 | -0.0055 | 0.01 |
| 10-Year | 0.5825 | -1.90 | -69.3 | OMR | 0.3850 | 0.0000 | 0.00 |
| 30-Year | 0.8196 | -2.44 | -60.8 | AED | 3.6731 | 0.0000 | 0.00 |

US Treasuries

| | UK Gilts | | German Bunds | |
|---------|----------|----------|--------------|----------|
| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
| 2-Year | 0.15 | 0.01 | -0.11 | 0.00 |
| 5-Year | 0.27 | 0.06 | -0.07 | 0.06 |
| 10-Year | 0.60 | 0.15 | 0.15 | 0.46 |
| 30-Year | 1.29 | 0.52 | 0.63 | 0.63 |

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

| | 15-Jul 2020 | 31-Dec 2019 |
|-----------|-------------|-------------|
| Kuwait | 61.510 | 36.700 |
| KSA | 98.780 | 56.915 |
| Abu Dhabi | 60.630 | 36.090 |
| Dubai | 175.400 | 91.005 |
| Qatar | 57.090 | 36.705 |
| Bahrain | 335.190 | 175.995 |
| Oman | 468.130 | 234.400 |
| Iraq | 691.360 | 383.680 |
| Egypt | 444.880 | 277.420 |
| Morocco | 133.230 | 91.435 |
| Turkey | 520.310 | 282.130 |
| US | 13.680 | 10.810 |
| UK | 26.090 | 16.210 |
| China | 44.260 | 31.205 |
| Japan | 15.870 | 21.042 |
| Germany | 12.710 | 7.080 |
| France | 19.500 | 16.130 |