

News Updates

GCC governments dominated regional debt issuance in 2021 – Middle East debt markets were buoyant in 2021 as governments and state-linked entities borrowed in large quantities ahead of likely interest rate increases next year. In December, the US Federal Reserve said it would raise rates by 0.25 percentage points three times in 2022. With most Gulf Cooperation Council (GCC) currencies pegged to the dollar, the region must follow US interest rate changes, and though the Kuwaiti dinar is not directly pegged to the dollar, it is linked to a basket of currencies in which the greenback nevertheless has a large weighting. In the first half of 2021, entities in the Middle East and Turkey issued \$152 billion in high yield and investment-grade bonds and leveraged and non-leveraged loans, according to a September report by law firm White & Case. By comparison, \$106.6 billion was issued in the preceding six months. (Source: Zawya)

Volatility May Hurt Turkey's Metropolitan Municipalities: Fitch – A negative operating environment, especially continued FX volatility, could put pressure on debt sustainability of Turkish metropolitan municipalities with significant unhedged FX debt positions, Fitch Ratings says in report. Fitch stated that the most affected metropolitan municipalities are Istanbul, Izmir and Antalya, whose total debt stock is on average 77% in foreign currency and unhedged. A deterioration of debt sustainability may lower standalone credit profiles for Istanbul (BBB-), Izmir (BBB) and Bursa (BB) toward to that of the sovereign IDR at 'BB-'. For Antalya, deterioration of debt sustainability may lower standalone credit profile to below the sovereign IDR. Fitch expects metropolitan municipalities' operating balances to remain intact and support debt service coverage. (Source: Bloomberg)

OPEC+ agrees oil output increase from February – OPEC+ agreed on Tuesday to stick to its planned increase in oil output for February because it expects the Omicron coronavirus variant to have a short-lived impact on global energy demand. The group of producers comprising the Organization of the Petroleum Exporting Countries (OPEC) and allies including Russia has raised its output target each month since August by 400,000 barrels per day (bpd). The United States has urged the group to pump more crude to help the global economic recovery from the pandemic and cool prices as they trade near \$80 a barrel. But the group has said the market did not require extra oil. (Source: Reuters)

Treasury Yield Curve Steepens on Bet Fed Sticks to Hawkish Path – The bond market has wasted little time pushing Treasury yields sharply higher in the early days of 2022, underscoring concern that elevated inflation will spur more aggressive monetary-policy tightening from the Federal Reserve. The jump has been led by the 10- and 30-year benchmarks, steepening the yield curve in a sign traders expect economic growth and high inflation won't be derailed by the record surge in the omicron variant of the coronavirus. That outlook may be underscored by the release Wednesday of the Federal Open Market Committee's minutes of its December meeting, when it decided to move more quickly to wind down the bond-buying spree ushered in after the onset of the pandemic. (Source: Bloomberg)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	1.24	-0.16	KSA	2025	1.61	-0.32
Abu Dhabi	2030	2.07	-0.66	KSA	2030	2.29	-0.48
Abu Dhabi	2050	3.04	-1.53	KSA	2050	3.49	-1.02
Bahrain	2026	4.14	0.03	Oman	2025	3.32	-0.13
Bahrain	2030	5.65	-0.24	Oman	2029	4.76	-0.27
Bahrain	2047	7.36	-0.58	Oman	2048	6.57	-0.30
Dubai	2029	2.51	0.04	Qatar	2025	1.36	-0.04
Kuwait	2022	-0.48	-0.02	Qatar	2030	2.18	-0.71
Kuwait	2027	1.65	0.00	Qatar	2050	3.16	-1.71

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.84	8.08	-0.25	-0.54
S&P MENA Bond and Sukuk Index	2.44	NA	-0.36	-0.52
Bloomberg Emerging Markets USD Index	4.36	6.80	-0.09	-0.48
Bloomberg Global Aggregate Index	1.37	7.42	-0.09	-0.76

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	05/01/2022	30/12/2021	05/01/2022	30/12/2021	05/01/2022	30/12/2021
KIBOR	1.5000	1.5000	1.7500	1.7500	2.0000	2.0000
SAIBOR	0.9071	0.9057	0.9886	0.9829	1.0614	1.0600
BHIBOR	1.5167	1.5167	1.6233	1.6233	1.7667	1.7667
QATAR	1.1250	1.1250	1.2000	1.2000	1.3250	1.3250
AEIBOR	0.3656	0.3645	0.5800	0.7000	0.7877	0.7396
EURIBOR	-0.5700	-0.5730	-0.5390	-0.5460	-0.4990	-0.4980
LIBOR	0.2091	0.2144	0.3388	0.3451	0.5831	0.5888

USD Swap Rates				Currencies			Commodities			
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)		USD	YTD Δ (%)
1-Year	0.5352	0.28	0.0	KWD	0.3027	-0.0496	-0.05	Gold	1,815.20	-0.73
2-Year	0.9495	0.04	0.9	SAR	3.7576	-0.0639	-0.03	Silver	23.01	-1.49
5-Year	1.4497	0.49	5.9	BHD	0.3771	-0.0027	0.00	Copper	444.50	-0.41
7-Year	1.5786	0.19	7.0	QAR	3.6416	-0.0082	#VALUE!	Nat. Gas	3.74	0.32
10-Year	1.6969	-0.13	7.3	OMR	0.3850	0.0000	0.00	Aluminum	2,833.75	1.10
30-Year	1.8464	-1.31	6.7	AED	3.6731	0.0000	-0.01	Crude Oil	79.80	2.60

US Treasuries			UK Gilts			German Bunds		
Yield %	1D Δ (%)		Yield %	1D Δ (%)		Yield %	1D Δ (%)	
2-Year	0.76	-0.01	0.74	-0.18		NA	NA	
5-Year	1.36	-0.02	0.90	-0.45		-0.62	-0.02	
10-Year	1.65	0.02	1.08	-1.01		-0.27	0.01	
30-Year	2.05	0.29	1.21	-2.18		0.22	-0.10	

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	Caa1	NR	B-
Morocco	Ba1	BB+	BB+
US	Aaa	AA+u	AAA
UK	Aa3	AAu	AA-
China	A1	A+	A+

USD 5Yr CDS	05-Jan 2022	31-Dec 2021
Kuwait	40.46	40.53
KSA	46.22	50.97
Abu Dhabi	42.27	43.09
Dubai	89.77	89.58
Qatar	42.16	42.55
Bahrain	282.95	286.32
Oman	240.25	254.42
Iraq	484.30	507.35
Egypt	487.73	496.58
Morocco	85.12	85.91
Turkey	547.77	555.46
US	9.92	10.01
UK	9.08	8.91
China	38.82	39.86
Japan	16.28	16.23
Germany	7.54	7.53
France	17.78	17.87