

News Updates

Kuwait Cuts Some Rates to Ease Currency and Virus Pressures –

Kuwait's central bank cut interest rates on some monetary policy instruments in an effort to ease pressure on the currency while helping the economy cope with the impact of the Covid-19 pandemic. In a surprise move, the central bank also said it would keep the discount rate at 1.5%, maintaining the existing cap for loans extended to customers in Kuwaiti dinars. At the same time, it lowered by 0.125% the repo rate and yields on term deposits, direct intervention instruments and public debt instruments across the entire yield curve up to the 10-year term. The change comes into effect Wednesday. “Cutting the repo rate should drive further improvement in Kuwaiti banks’ cost of funding, which was elevated last year, and support the margin outlook,” said Bloomberg Intelligence analyst Edmond Christou. “Any support is welcome given the pressure Kuwaiti banks are facing on revenues from Covid-19 relief measures and on the bottom line from stringent reserving requirement.” (Source: Bloomberg)

Emirate of Sharjah hires banks for tap of 2029 sukuk – Sharjah, the third-largest emirate of the United Arab Emirates, has hired banks to arrange a reopening of its existing \$750 million 2029 sukuk, or Islamic bond, that it sold last year, a document showed. It has hired Mashreqbank as financial advisor and mandated Dubai Islamic Bank, HSBC, Sharjah Islamic Bank and Standard Chartered to arrange investor calls starting on Tuesday. A tap of the \$750 million 3.234% sukuk due October 23, 2029 will follow, subject to market conditions. A bond tap is where an existing transaction is reopened for subscription using the same documentation as before. (Source: Reuters)

Kuwait is the GCC state most impacted by the low oil price - Moody's

– Kuwait is the GCC sovereign most exposed to the prolonged decline in oil prices caused by the COVID-19 pandemic, with a -29.2 percent oil and gas revenue shock, said Moody's, while Bahrain is the least exposed of the GCC states, with a revenue impact of -4.2 percent. The impact of the coronavirus shock on oil and gas revenue, based on the assumption that oil prices average about \$35 per barrel this year. Kuwait was followed by Saudi Arabia with a revenue shock of -12.7 percent, Oman with -12.2 percent, Abu Dhabi with -11 percent and Qatar with 7.8 percent. “The fiscal measures implemented in Kuwait and Bahrain will not really offset anything, will only widen the deficits. “Oman’s spending cuts, around 4 percent of GDP, will likely fall short quite significantly offsetting the large oil revenue loss,” Perjessy said. In Saudi Arabia, large spending cuts and the tripling of VAT is likely to create a lower fiscal deficit than would otherwise be the case, he said. (Source: Zawya)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.94	4.81	KSA	2025	1.34	6.26
Abu Dhabi	2030	1.68	8.85	KSA	2030	2.04	10.83
Abu Dhabi	2050	2.79	18.16	KSA	2050	3.31	8.96
Bahrain	2026	4.02	-3.86	Oman	2025	5.53	-6.27
Bahrain	2030	5.71	9.40	Oman	2029	6.98	-10.83
Bahrain	2047	6.87	-12.32	Oman	2048	8.14	-16.18
Dubai	2029	2.54	2.82	Qatar	2025	1.00	6.52
Kuwait	2022	0.48	1.29	Qatar	2030	1.74	11.67
Kuwait	2027	1.25	5.45	Qatar	2050	2.85	22.06

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.70	8.08	0.10	6.20
S&P MENA Bond and Sukuk Index	2.12	NA	0.03	7.80
Bloomberg Emerging Markets USD Index	3.99	6.80	0.15	2.51
Bloomberg Global Aggregate Index	0.89	7.42	0.28	6.61

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	28/10/2020	31/12/2019	28/10/2020	31/12/2019	28/10/2020	31/12/2019
KIBOR	1.5625	2.7500	1.8125	2.9375	2.1250	3.1875
SAIBOR	0.8475	2.2314	0.8963	2.2557	0.9600	2.3071
BHIBOR	2.2500	2.6667	2.5333	2.7000	2.6833	2.8333
QATAR	0.6000	2.2500	0.7500	2.3500	1.1250	2.5333
AEIBOR	0.4538	2.2086	0.6881	2.1914	0.8438	2.2900
EURIBOR	-0.5090	-0.3830	-0.4960	-0.3240	-0.4630	-0.2490
LIBOR	0.2223	1.9084	0.2463	1.9121	0.3320	1.9963

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.2110	0.04	-88.1
2-Year	0.2330	0.09	-86.3
5-Year	0.4023	0.09	-76.7
7-Year	0.5752	0.30	-68.0
10-Year	0.8011	0.46	-57.7
30-Year	1.2193	0.53	-41.7

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3057	0.0000	-0.85
SAR	3.7505	0.0107	0.03
BHD	0.3771	0.0080	0.01
QAR	3.6417	-0.0110	0.00
OMR	0.3850	0.0052	-0.01
AED	3.6731	0.0000	0.00

US Treasuries

	Yield %	1D Δ (%)
2-Year	0.15	0.00
5-Year	0.33	0.00
10-Year	0.77	0.00
30-Year	1.56	-0.03

Source: Bloomberg

UK Gilts

	Yield %	1D Δ (%)
2-Year	-0.06	0.02
5-Year	-0.06	0.11
10-Year	0.23	0.53
30-Year	0.78	1.84

German Bunds

	Yield %	1D Δ (%)
2-Year	-0.78	0.00
5-Year	-0.82	0.11
10-Year	-0.68	0.32
30-Year	-0.20	1.07

Sovereign Ratings

	Moody's	S&P	Fitch
Kuwait	A1	AA-	AA
KSA	A1	A-u	A
UAE	Aa2	NR	NR
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	B2	NR	B
Morocco	Ba1	BBB-	BB+
US	Aaa	AA+u	AAA
UK	Aa2	AAu	AA-
China	A1	A+	A+

USD 5Yr CDS	28-Oct 2020	31-Dec 2019
Kuwait	45.17	36.700
KSA	75.36	56.915
Abu Dhabi	44.01	36.090
Dubai	130.44	91.005
Qatar	43.45	36.705
Bahrain	336.31	175.995
Oman	467.48	234.400
Iraq	701.80	383.680
Egypt	408.53	277.420
Morocco	123.29	91.435
Turkey	531.63	282.130
US	14.05	10.810
UK	18.78	16.210
China	36.73	31.205
Japan	15.52	21.042
Germany	9.82	7.080
France	16.80	16.130