

News Updates

GCC government debt to surge by record-high \$100 bln this year - S&P – S&P Global Ratings said on Monday it expected Gulf countries' government debt to increase by a record high of about \$100 billion this year, as funding needs spike due to the coronavirus crisis and low oil prices. The ratings agency estimates Gulf Cooperation Council (GCC) countries will register an aggregate central government deficit of about \$180 billion, to be financed with \$100 billion of debt and an \$80 billion draw-down in government assets. “Based on our macroeconomic assumptions, we expect to see GCC government balance sheets continue to deteriorate up until 2023,” it said in a statement. It based its forecasts on an average Brent oil price of \$30 per barrel for the rest of 2020, \$50 in 2021 and \$55 from 2022. Saudi Arabia, Qatar, Bahrain and the emirates of Abu Dhabi and Sharjah have already borrowed tens of billions of dollars this year to bolster state coffers. (Source: Reuters)

S&PGR Revises Gulf Bank Outlook To Neg; 'A-/A-2' Ratings – S&P Global Ratings today revised its outlook on Gulf Bank to negative from stable and affirmed the 'A-/A-2' long-and short-term issuer credit ratings. The outlook revision follows the same action on Kuwait on July 17, 2020. Our sovereign action primarily reflects the risks stemming from fiscal pressure, including the likely depletion of the General Reserve Fund, the government's main source of budget funding, while alternative financing arrangements are not yet in place. We consider Gulf Bank, to be highly systemically important (holding a loan book market share of 11% at Dec. 31, 2019) in the context of the Kuwaiti banking system. As a result, the rating is three notches above the stand-alone credit profile, reflecting our view that the government is likely to provide extraordinary support in case of need. The negative outlook on Kuwait, therefore, translates to risk that its capacity to provide extraordinary support to the bank could diminish. We believe that Gulf bank's financial profile is resilient to the current economic downturn, assuming a global recovery in 2021. (Source: Bloomberg)

Emirates NBD quarterly profit slumps 58% as pandemic provisions jump – Dubai's biggest bank Emirates NBD on Monday posted a 58% fall in second-quarter profit, having set aside over \$1.1 billion so far this year to cover bad loans in anticipation that the impact of the coronavirus crisis will worsen. Net profit slumped to 2 billion dirhams (\$544.5 million) from 4.74 billion dirhams a year earlier, when it booked a gain of 2.1 billion dirhams from an asset sale. Emirates NBD said its impairment allowances had increased to 4.2 billion dirhams by June-end from 2.6 billion in the first quarter, with an annualised net cost of risk of 172 basis points. Its non-performing loan ratio was 5.8% at the end of the second quarter, and its total assets were 694.3 billion dirhams, up 29% from a year ago. (Source: Reuters)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	1.46	5.78	KSA	2025	1.38	3.43
Abu Dhabi	2047	2.70	8.74	KSA	2029	2.02	5.36
Bahrain	2024	4.05	-3.16	KSA	2049	3.26	9.94
Bahrain	2029	5.41	-6.86	Oman	2025	4.90	-4.12
Bahrain	2047	6.68	-10.28	Oman	2029	7.08	-11.73
Dubai	2023	1.57	1.34	Oman	2048	7.93	-14.27
Dubai	2029	2.92	0.74	Qatar	2024	0.98	3.41
Kuwait	2022	0.44	1.90	Qatar	2028	1.64	4.85
Kuwait	2027	1.34	5.26	Qatar	2049	2.78	12.60

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.86	7.32	0.20	4.23
S&P MENA Bond and Sukuk Index	2.28	NA	0.15	6.21
Bloomberg Emerging Markets USD Index	4.48	6.26	0.16	0.94
Bloomberg Global Aggregate Index	0.91	7.33	-0.10	4.11

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	21/07/2020	31/12/2019	21/07/2020	31/12/2019	21/07/2020	31/12/2019
KIBOR	1.5625	2.7500	1.8125	2.9375	2.1250	3.1875
SAIBOR	0.9514	2.2314	1.0000	2.2557	1.0471	2.3071
BHIBOR	2.3000	2.6667	2.5333	2.7000	2.6833	2.8333
QATAR	1.1792	2.2500	1.2459	2.3500	1.3760	2.5333
AEIBOR	0.5759	2.2086	0.8145	2.1914	0.8785	2.2900
EURIBOR	-0.4430	-0.3830	-0.3510	-0.3240	-0.2900	-0.2490
LIBOR	0.2714	1.9084	0.3336	1.9121	0.4700	1.9963

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.2470	-0.78	-86.0
2-Year	0.2192	-0.63	-87.1
5-Year	0.3188	-0.61	-81.6
7-Year	0.4416	-1.35	-75.4
10-Year	0.5942	-2.08	-68.6
30-Year	0.8470	-2.70	-59.5

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
1-Year	0.3071	0.0326	-1.30
2-Year	3.7508	-0.0027	0.03
5-Year	0.3771	0.0000	0.00
7-Year	3.6420	0.0137	0.02
10-Year	0.3850	0.0000	0.00
30-Year	3.6731	0.0000	0.00

US Treasuries

	Yield %	1D Δ (%)
2-Year	0.15	0.00
5-Year	0.28	0.00
10-Year	0.62	0.10
30-Year	1.31	0.35

UK Gilts

	Yield %	1D Δ (%)
2-Year	-0.11	0.01
5-Year	-0.08	0.06
10-Year	0.15	0.13
30-Year	0.67	0.15

German Bunds

	Yield %	1D Δ (%)
2-Year	-0.68	0.01
5-Year	-0.69	0.04
10-Year	-0.53	0.11
30-Year	-0.03	0.64

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	21-Jul 2020	31-Dec 2019
Kuwait	59.510	36.700
KSA	97.700	56.915
Abu Dhabi	57.490	36.090
Dubai	176.750	91.005
Qatar	54.990	36.705
Bahrain	336.510	175.995
Oman	480.090	234.400
Iraq	691.340	383.680
Egypt	444.750	277.420
Morocco	132.890	91.435
Turkey	513.280	282.130
US	13.210	10.810
UK	24.610	16.210
China	42.390	31.205
Japan	16.240	21.042
Germany	11.770	7.080
France	18.560	16.130