

News Update – 15 December 2019

Fitch Rates National Bank of Kuwait France S.A. 'AA-'; Outlook Stable

– Fitch Ratings has assigned National Bank of Kuwait France S.A. (NBK France) a Long-Term Issuer Default Rating (IDR) of 'AA-'. The Outlook is Stable. NBK France's IDRs and SR are based on Fitch's assessment that there is an extremely high probability of support from its parent, National Bank of Kuwait (NBK; AA-/Stable), if required. This reflects NBK's strong ability (as indicated by the bank's ratings) and willingness to provide support to NBK France. In turn, NBK's IDRs are based on potential support from the Kuwaiti authorities.

Saudi's Mobily Signs 7.6 Bln Riyals Refinancing Murabaha Facility With Banks

– Saudi's Mobily has signed a 7.6 billion Saudi Riyals refinancing Murabaha facility agreement with a group of Saudi banks; the credit facility duration is 7 years. Mobily has obtained the new refinancing Murabaha facility under lower cost of debt and more favorable terms and conditions, and is to replace existing syndicate financing. Refinancing agreement will significantly reduce cost of debt for the company over coming few years.

Fitch Downgrades Lebanon to 'CC' – The downgrade of Lebanon's ratings reflects Fitch's view that a government debt restructuring or default is probable owing to acute political uncertainty, de facto capital controls and damaged confidence in the banking sector that will deter capital inflows needed for Lebanon to meet its financing needs. The emergence of a parallel exchange rate and the failure of the central bank (Banque du Liban, BdL) to fully service its foreign currency obligations further reflect mounting financial pressure. US dollar rationing will likely deepen recession, increase inflation and stoke social unrest. These dynamics increasingly threaten the government's capacity and willingness to service its debt. An IMF deal would almost certainly require debt restructuring as the Fund would not be able to sign off on public debt being sustainable.

U.S., China Agree to Limited Deal to Halt Trade War – Trump removed threat of new tariffs as Beijing agreed to purchases of farm goods, other products. As part of the deal, the U.S. canceled plans to impose fresh tariffs on \$156 billion in annual imports of Chinese-made goods—including smartphones, toys and consumer electronics—that were set to go into effect Sunday. The U.S. will also slash the tariff rate in half on roughly \$120 billion of goods affected on Sept. 1, from 15% to 7.5%. U.S. tariffs of 25% would remain on roughly \$250 billion in Chinese goods, including machinery, electronics and furniture. In exchange, officials in Washington said China agreed to increase American agricultural purchases by \$32 billion over previous levels over the next two years.

GCC Sovereign Yields (15 December 2019)

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2027 | 2.37 | 9.61 | KSA | 2025 | 2.37 | 8.51 |
| Abu Dhabi | 2047 | 3.20 | 21.28 | KSA | 2029 | 2.83 | 12.50 |
| Bahrain | 2024 | 3.48 | 8.44 | KSA | 2049 | 3.85 | 23.69 |
| Bahrain | 2029 | 4.63 | 18.13 | Oman | 2025 | 4.34 | 12.80 |
| Bahrain | 2047 | 5.91 | 24.86 | Oman | 2029 | 5.62 | 2.49 |
| Dubai | 2023 | 2.44 | 4.12 | Oman | 2048 | 6.87 | 18.49 |
| Dubai | 2029 | 3.10 | 9.93 | Qatar | 2024 | 2.14 | 4.70 |
| Kuwait | 2022 | 1.90 | 3.34 | Qatar | 2028 | 2.49 | 9.88 |
| Kuwait | 2027 | 2.31 | 7.86 | Qatar | 2049 | 3.48 | 23.94 |

Source: Bloomberg

Bonds and Sukuk Indices (15 December 2019)

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 3.19 | 7.33 | 0.09 | 14.22 |
| S&P MENA Bond and Sukuk Index | 2.93 | NA | 0.25 | 13.64 |
| Bloomberg Emerging Markets USD Index | 4.94 | 6.28 | 0.30 | 12.31 |
| Bloomberg Global Aggregate Index | 1.43 | 7.27 | 0.45 | 6.66 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|------------|------------|------------|------------|------------|------------|
| | 15/12/2019 | 31/12/2018 | 15/12/2019 | 31/12/2018 | 15/12/2019 | 31/12/2018 |
| KIBOR | 2.7500 | 2.3125 | 2.9375 | 2.5625 | 3.1875 | 2.8125 |
| SAIBOR | 2.2414 | 2.9750 | 2.2586 | 3.1150 | 2.3086 | 3.3413 |
| BHIBOR | 2.3500 | 3.5500 | 2.7500 | 4.0833 | 2.8500 | 4.7000 |
| QATAR | 2.2625 | 2.9056 | 2.3625 | 3.0889 | 2.6125 | 3.3028 |
| AEIBOR | 2.1069 | 2.8375 | 2.1710 | 3.1849 | 2.4412 | 3.5737 |
| EURIBOR | -0.4000 | -0.3090 | -0.3400 | -0.2370 | -0.2630 | -0.1170 |
| LIBOR | 1.8996 | 2.8076 | 1.9029 | 2.8756 | 1.9639 | 3.0054 |

USD Swap Rates

| | Currencies | | | | Currencies | | |
|---------|------------|------------|-----------|-----|------------|------------|-----------|
| | Yield % | 1D Δ (bps) | YTD Δ (%) | | USD | 1D Δ (bps) | YTD Δ (%) |
| 1-Year | 1.7470 | -2.08 | -36.7 | KWD | 0.3034 | 0.0462 | 0.07 |
| 2-Year | 1.6417 | -4.52 | -38.2 | SAR | 3.7509 | -0.0027 | 0.02 |
| 5-Year | 1.6304 | -7.65 | -36.6 | BHD | 0.3771 | -0.0027 | -0.03 |
| 7-Year | 1.6735 | -7.76 | -36.2 | QAR | 3.6663 | 0.0109 | -0.28 |
| 10-Year | 1.7560 | -7.95 | -35.2 | OMR | 0.3855 | -0.0649 | 0.00 |
| 30-Year | 1.9410 | -7.30 | -31.6 | AED | 3.6732 | 0.0000 | -0.01 |

US Treasuries

| | UK Gilts | | German Bunds | |
|---------|----------|----------|--------------|----------|
| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
| 2-Year | 1.60 | 0.11 | 0.53 | 0.05 |
| 5-Year | 1.65 | 0.35 | 0.58 | 0.11 |
| 10-Year | 1.82 | 0.63 | 0.79 | 0.29 |
| 30-Year | 2.25 | 1.29 | 1.28 | 1.40 |

Sovereign Ratings

| | Sovereign Ratings | | |
|----------------|-------------------|------|-----------|
| | Moody's | S&P | Fitch |
| Abu Dhabi | Aa2 | AA | AA |
| Bahrain | B2 | B+ | BB- |
| Kuwait | Aa2 | AA | AA |
| Oman | Ba1 | BB | BB+ |
| Qatar | Aa3 | AA- | AA- |
| KSA | A1 | A- | A |
| UAE | Aa2 | NR | NR |
| Egypt | B2 | B | B+ |
| Lebanon | Caa2 | CCC | CC |
| Turkey | B1 | B+ | BB- |
| Tunisia | B2 | NR | B+ |
| Morocco | Ba1 | BBB- | BBB- |
| Jordan | B1 | B+ | BB- |
| China | A1 | A+ | A+ |
| UK | Aa2 | AA | AA |
| USA | Aaa | AA+ | AAA |
| USD 5-Year CDS | | | YTD Δ (%) |
| Abu Dhabi | 35.020 | | -45.05 |
| Kuwait | 37.910 | | -38.18 |
| Dubai | 84.520 | | -29.55 |
| Bahrain | 180.920 | | -34.45 |
| Qatar | 35.560 | | -54.58 |
| KSA | 59.200 | | -42.01 |
| Egypt | 283.880 | | -23.73 |
| Lebanon | 2193.780 | | 198.56 |
| Turkey | 291.306 | | -18.89 |
| Iraq | 387.950 | | -14.31 |
| Morocco | 83.450 | | -15.54 |
| China | 34.010 | | -47.84 |
| France | 16.170 | | -53.58 |
| Germany | 7.500 | | -36.58 |
| Japan | 21.019 | | -10.02 |
| UK | 15.210 | | -56.26 |
| US | 11.370 | | -37.13 |