

News Updates

Fitch Ratings: Kuwait to Overcome Political Obstacles to Financing –

Fitch Ratings believes that Kuwait will maintain smooth funding of government, despite depletion of treasury liquidity and political roadblocks to a new law permitting debt issuance. Recent measures indicate increased urgency on the part of the authorities to solve the funding conundrum, and their flexibility to take extraordinary measures to this end. In August, parliament passed legislation making fiscal surpluses a precondition to transfers from the General Reserve Fund (GRF), which effectively serves as the government's treasury account, into the main Reserve Fund for Future Generations (RFFG). The new law allowed for the reversal of the transfer for the fiscal year ending March 2020 (FY19), and followed the purchase of assets from the GRF by the RFFG. We now estimate that the GRF will last until November. (Source: Bloomberg)

Dubai Lifts Veil on Debt, Showing It Owes Much Less Than Thought

– Dubai made a rare foray into public bond markets, revealing along the way that its debt burden is now a lot smaller than estimated by analysts only months ago. A prospectus that accompanied Dubai's planned offering of bonds and Islamic securities on Monday showed the government's outstanding direct debt stood at 123.5 billion dirhams (\$33.6 billion) as of June 30. That's about 28% of last year's gross domestic product, according to the document seen by Bloomberg. In a report last September, S&P Global Ratings put the government's direct debt at \$65 billion, equal to 56% of 2018 GDP. Bank of America Corp. in May said it reached an estimated 65.6% of GDP in the first quarter of this year, from 47% in 2011, and warned it was “likely to increase further.” (Source: Bloomberg)

Emirates airline got \$2 billion injection from Dubai government –

The Emirates airline has received 7.3 billion dirhams (\$2 billion) from the government of Dubai as it faces a cash crunch caused by the COVID-19 pandemic, a bond prospectus seen by Reuters shows. Aviation has been one of the worst-hit industries during the pandemic and Emirates has cut thousands of jobs as it tries to manage the crisis, sources have said. The government provided 7.3 billion dirhams to the airline it owns after Dubai's crown prince in March promised equity to Emirates to see it through the crisis, the prospectus shows. No such injection has been publicly announced by the government or the airline. The details were disclosed in a prospectus for a potential bond issuance by the Dubai government. (Source: Reuters)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	1.02	4.63	KSA	2025	1.55	5.35
Abu Dhabi	2030	1.70	8.82	KSA	2030	2.27	8.90
Abu Dhabi	2050	2.74	19.22	KSA	2050	3.31	9.16
Bahrain	2026	3.95	-3.28	Oman	2025	5.13	-4.90
Bahrain	2030	5.09	14.46	Oman	2029	6.18	-6.05
Bahrain	2047	6.32	-6.23	Oman	2048	7.59	-10.62
Dubai	2029	2.80	1.17	Qatar	2025	1.15	6.19
Kuwait	2022	0.58	1.41	Qatar	2030	1.82	11.23
Kuwait	2027	1.32	5.28	Qatar	2050	2.86	21.89

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.66	8.08	0.09	5.86
S&P MENA Bond and Sukuk Index	2.15	NA	0.16	7.35
Bloomberg Emerging Markets USD Index	4.06	6.80	0.19	3.24
Bloomberg Global Aggregate Index	0.90	7.42	0.20	6.11

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	01/09/2020	31/12/2019	01/09/2020	31/12/2019	01/09/2020	31/12/2019
KIBOR	1.6250	2.7500	1.8750	2.9375	2.1250	3.1875
SAIBOR	0.8900	2.2314	0.9429	2.2557	0.9971	2.3071
BHIBOR	2.2833	2.6667	2.5000	2.7000	2.6833	2.8333
QATAR	0.9544	2.2500	1.0731	2.3500	1.2645	2.5333
AEIBOR	0.5275	2.2086	0.6940	2.1914	0.7447	2.2900
EURIBOR	-0.4770	-0.3830	-0.4440	-0.3240	-0.3690	-0.2490
LIBOR	0.2409	1.9084	0.3099	1.9121	0.4453	1.9963

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.2343	-0.01	-86.8
2-Year	0.2225	0.07	-86.9
5-Year	0.3372	0.32	-80.5
7-Year	0.5002	0.67	-72.2
10-Year	0.7191	0.94	-62.1
30-Year	1.1093	1.27	-47.0

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3052	0.0656	-0.67
SAR	3.7507	0.0000	0.02
BHD	0.3770	0.0000	0.01
QAR	3.6420	0.0000	0.00
OMR	0.3850	0.0000	-0.01
AED	3.6731	-0.0027	0.00

US Treasuries

	Yield %	1D Δ (%)
2-Year	0.13	0.00
5-Year	0.27	0.00
10-Year	0.71	-0.07
30-Year	1.49	-0.27

UK Gilts

	Yield %	1D Δ (%)
2-Year	-0.09	0.06
5-Year	-0.01	0.16
10-Year	0.31	0.26
30-Year	0.90	1.12

German Bunds

	Yield %	1D Δ (%)
2-Year	-0.68	0.00
5-Year	-0.66	0.00
10-Year	-0.47	0.00
30-Year	0.06	0.00

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	B2	B+	B+
Oman	Ba3	BB-	BB-
Egypt	B2	B	B+
Lebanon	C	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	01-Sep 2020	31-Dec 2019
Kuwait	52.490	36.700
KSA	81.230	56.915
Abu Dhabi	44.440	36.090
Dubai	149.360	91.005
Qatar	43.760	36.705
Bahrain	312.130	175.995
Oman	439.690	234.400
Iraq	573.060	383.680
Egypt	427.040	277.420
Morocco	122.200	91.435
Turkey	521.560	282.130
US	13.030	10.810
UK	18.040	16.210
China	33.720	31.205
Japan	15.920	21.042
Germany	9.560	7.080
France	16.370	16.130