

News Update – 11 December 2019

Fitch Ratings: Kuwait Political Disputes to Delay Debt Issuance, Reform – The Kuwaiti government's resignation and subsequent cabinet reshuffle point to political frictions that could delay new debt issuance and weigh on broader fiscal and economic reforms, Fitch Ratings says. Kuwait has been the slowest reformer in the Gulf Cooperation Council in recent years, partly due to these frictions and partly due to its exceptionally large sovereign assets, which could finance decades' worth of fiscal deficits. Parliamentary authorisation to issue or refinance debt expired in 2017 and governments have been unable to secure approval for renewed borrowing. The government's financing needs are currently being met entirely from the General Reserve Fund (less than USD60 billion in estimated assets at end-FY18/19).

Saudi central bank ready for any Aramco-related liquidity squeeze – Saudi Arabia's central bank is ready for any liquidity squeeze from Saudi Aramco's initial public offering (IPO) and is closely monitoring local banks, its governor said, after heavy demand for loans to buy the stock. Aramco's long-awaited listing on the Saudi Arabian stock exchange is due on Wednesday, completing the largest IPO on record and raising \$25.6 billion from retail and institutional buyers who took on debt to back their orders. "We don't rule out that there might be squeeze of liquidity later on, that's why I am ready and stand ready to intervene," Ahmed al-Kholifey told Reuters.

Fitch Downgrades HBME to 'A+'; Maintains on RWN – Fitch Ratings has downgraded HSBC Bank Middle East Limited's (HBME) Long-Term Issuer Default Rating (IDR) to 'A+' from 'AA-', and maintained the IDR on Rating Watch Negative (RWN). Fitch has also affirmed the bank's Short-Term IDR at 'F1+'. The bank's Viability Rating of 'bbb' is unaffected. With the ongoing uncertainty over the UK's exit from the EU and the associated risk of a disruptive 'no deal' Brexit, Fitch has maintained the RWN, which mirrors that on HSBC's Long-Term IDR. Negative rating action on HSBC is likely to result from a no deal departure of the UK, most likely with a negative Outlook being assigned.

The Fed is expected to hold rates steady and vow to keep short-term lending markets stable – The Fed is expected to conclude its December meeting on Wednesday afternoon by signaling it remains on hold for the time being and is monitoring economic developments. Fed Chairman Jerome Powell is also expected to vow to do whatever it takes to keep the short-term lending market stable as year-end approaches and banks move to spruce up their balance sheets and make them look safer for regulatory purposes.

GCC Sovereign Yields (11 December 2019)

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	2.41	9.38	KSA	2025	2.41	8.34
Abu Dhabi	2047	3.21	20.89	KSA	2029	2.89	11.99
Bahrain	2024	3.55	8.19	KSA	2049	3.88	23.19
Bahrain	2029	4.78	16.79	Oman	2025	4.37	12.67
Bahrain	2047	6.00	23.41	Oman	2029	5.77	1.35
Dubai	2023	2.48	4.06	Oman	2048	7.01	16.44
Dubai	2029	3.13	9.77	Qatar	2024	2.15	4.65
Kuwait	2022	1.93	3.29	Qatar	2028	2.50	9.84
Kuwait	2027	2.33	7.69	Qatar	2049	3.48	23.88

Source: Bloomberg

Bonds and Sukuk Indices (11 December 2019)

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	3.23	7.33	0.02	13.89
S&P MENA Bond and Sukuk Index	2.97	NA	0.08	13.25
Bloomberg Emerging Markets USD Index	5.02	6.28	0.08	11.72
Bloomberg Global Aggregate Index	1.45	7.27	0.05	6.36

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	11/12/2019	31/12/2018	11/12/2019	31/12/2018	11/12/2019	31/12/2018
KIBOR	2.7500	2.3125	2.9375	2.5625	3.1875	2.8125
SAIBOR	2.2386	2.9750	2.2529	3.1150	2.3029	3.3413
BHIBOR	2.3500	3.5500	2.7500	4.0833	2.8500	4.7000
QATAR	2.2000	2.9056	2.3000	3.0889	2.4500	3.3028
AEIBOR	2.1558	2.8375	2.1725	3.1849	2.3792	3.5737
EURIBOR	-0.3920	-0.3090	-0.3320	-0.2370	-0.2770	-0.1170
LIBOR	1.8884	2.8076	1.8801	2.8756	1.9353	3.0054

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	1.7440	0.15	-36.8
2-Year	1.6557	-0.05	-37.7
5-Year	1.6485	-0.44	-35.9
7-Year	1.6858	-0.38	-35.7
10-Year	1.7643	-0.42	-34.9
30-Year	1.9350	-0.50	-31.8

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3037	0.0099	-0.04
SAR	3.7505	-0.0027	0.03
BHD	0.3771	0.0027	-0.03
QAR	3.6649	-0.0109	-0.25
OMR	0.3850	-0.0623	0.00
AED	3.6731	0.0000	-0.01

US Treasuries

	Yield %	1D Δ (%)
2-Year	1.65	0.01
5-Year	1.68	0.03
10-Year	1.83	0.07
30-Year	2.26	0.15

UK Giltts

	Yield %	1D Δ (%)
2-Year	0.57	-0.04
5-Year	0.60	-0.15
10-Year	0.80	-0.35
30-Year	1.29	-0.68

German Bunds

	Yield %	1D Δ (%)
2-Year	-0.65	0.00
5-Year	-0.56	-0.03
10-Year	-0.30	-0.12
30-Year	0.22	-0.30

	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	CCC
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	38.270		-40.48
Kuwait	38.910		-36.66
Dubai	99.100		-17.51
Bahrain	180.950		-34.44
Qatar	38.500		-51.23
KSA	64.240		-37.17
Egypt	292.190		-21.61
Lebanon	2292.440		210.57
Turkey	304.628		-15.24
Iraq	392.450		-13.43
Morocco	84.450		-14.63
China	37.617		-43.02
France	16.270		-53.22
Germany	7.560		-36.47
Japan	21.019		-10.02
UK	17.150		-50.80
US	12.860		-29.94