

News Updates

Bahrain hires banks for potential dual-tranche dollar bonds – sources

– Bahrain has hired banks for a potential dual-tranche dollar bond issue, banking sources said, as the junk-rated Gulf oil producer seeks to raise cash amid the new coronavirus outbreak and historically low oil prices. Bahrain's plans mark a step towards recovery for the Gulf debt market, as sub-investment grade issuers had so far been unable to tap international investors due to huge volatility starting in March that followed tumbling oil prices and the spread of the coronavirus. The small oil producer needs to bolster its finances to plug a widening budget deficit due to historically low oil prices. The International Monetary Fund has said Bahrain's fiscal deficit is expected to jump to 15.7% of gross domestic product (GDP) this year from 10.6% in 2019.

Gulf debt market shows signs of recovery as issuers line up – Several Gulf issuers, including Abu Dhabi state fund Mubadala and the Saudi-headquartered Arab Petroleum Investments Corp (APICORP), will likely issue bonds as soon as next week, sources said, signalling a revival in the region's primary debt market. Public international bond issuances screeched to a halt in late February, with activity only tentatively restarting early last month. Investment-grade sovereigns Qatar, Abu Dhabi and Saudi Arabia have subsequently raised a combined \$24 billion in bonds, though corporates and banks have remained cautious so far. Two sources said Mubadala and APICORP could issue bonds as soon as next week. In the corporate space, Saudi Telecom is in talks with banks for a potential issuance, two sources said. The company did not immediately return a request for comment. Jeddah-based Islamic Development Bank has hired banks to arrange a potential international sale of sukuk, or Islamic bonds, three sources with knowledge of the matter said. Qatar National Bank, the Gulf's biggest lender, on Tuesday became the first non-sovereign issuer from the Gulf to launch a public bond issue in the international debt markets, raising \$1 billion.

Euro's Outlook Darkens After ECB Court Ruling Hurts Confidence

– The euro is heading for the worst week in a month after a surprise ruling by a German court hurt confidence in the European Central Bank's ability to manage the region's economic recovery. The common currency has fallen 1.5% in three days, wiping out the previous week's gains that came after the ECB left the door open to increasing stimulus. That is now in doubt after the ruling from Germany's constitutional court that the ECB must justify the necessity of its bond-buying program, even though Europe's top court has ruled in favor of it. “Two of Europe's top courts arguing about the legality of bond-buying in the middle of a pandemic inject uncertainty into a market that doesn't need it and does nothing to boost confidence,” Kit Juckes, a strategist at Societe Generale SA, wrote in a note.

GCC Sovereign Yields

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2027 | 2.00 | 2.14 | KSA | 2025 | 2.42 | -1.06 |
| Abu Dhabi | 2047 | 3.36 | -3.10 | KSA | 2029 | 2.84 | -0.64 |
| Bahrain | 2024 | 6.04 | -9.33 | KSA | 2049 | 4.37 | -8.47 |
| Bahrain | 2029 | 7.14 | -17.39 | Oman | 2025 | 6.32 | -10.32 |
| Bahrain | 2047 | 7.85 | -22.04 | Oman | 2029 | 9.41 | -24.73 |
| Dubai | 2023 | 2.57 | -0.92 | Oman | 2048 | 9.45 | -27.49 |
| Dubai | 2029 | 3.87 | -6.05 | Qatar | 2024 | 1.70 | 1.17 |
| Kuwait | 2022 | 1.11 | 1.06 | Qatar | 2028 | 2.45 | -0.47 |
| Kuwait | 2027 | 1.82 | 2.45 | Qatar | 2049 | 3.60 | -2.17 |

Bonds and Sukuk Indices

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 3.85 | 7.32 | 0.60 | -3.43 |
| S&P MENA Bond and Sukuk Index | 3.03 | NA | 0.53 | -0.58 |
| Bloomberg Emerging Markets USD Index | 6.64 | 6.26 | 0.52 | -6.72 |
| Bloomberg Global Aggregate Index | 1.03 | 7.33 | -0.10 | 1.14 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|------------|------------|------------|------------|------------|------------|
| | 07/05/2020 | 31/12/2019 | 07/05/2020 | 31/12/2019 | 07/05/2020 | 31/12/2019 |
| KIBOR | 1.7500 | 2.7500 | 1.9375 | 2.9375 | 2.1875 | 3.1875 |
| SAIBOR | 1.1843 | 2.2314 | 1.2157 | 2.2557 | 1.2300 | 2.3071 |
| BHIBOR | 2.1833 | 2.6667 | 2.3167 | 2.7000 | 2.5500 | 2.8333 |
| QATAR | 1.2405 | 2.2500 | 1.2981 | 2.3500 | 1.4128 | 2.5333 |
| AEIBOR | 1.2599 | 2.2086 | 1.4825 | 2.1914 | 1.7206 | 2.2900 |
| EURIBOR | -0.2970 | -0.3830 | -0.1650 | -0.3240 | -0.1080 | -0.2490 |
| LIBOR | 0.4740 | 1.9084 | 0.7001 | 1.9121 | 0.8313 | 1.9963 |

USD Swap Rates

| | Yield % | 1D Δ (bps) | YTD Δ (%) |
|---------|---------|------------|-----------|
| 1-Year | 0.3384 | -1.51 | -80.9 |
| 2-Year | 0.2955 | -1.71 | -82.6 |
| 5-Year | 0.3991 | -1.95 | -76.9 |
| 7-Year | 0.5256 | -0.44 | -70.8 |
| 10-Year | 0.6699 | 1.30 | -64.6 |
| 30-Year | 0.9095 | 4.60 | -56.5 |

Currencies

| | USD | 1D Δ (bps) | YTD Δ (%) |
|-----|--------|------------|-----------|
| KWD | 0.3089 | -0.0324 | -1.86 |
| SAR | 3.7580 | 0.0000 | -0.13 |
| BHD | 0.3785 | 0.0000 | -0.24 |
| QAR | 3.6420 | 0.0000 | 0.01 |
| OMR | 0.3851 | 0.0000 | -0.01 |
| AED | 3.6732 | 0.0000 | 0.00 |

US Treasuries

| | Yield % | 1D Δ (%) |
|---------|---------|----------|
| 2-Year | 0.18 | 0.03 |
| 5-Year | 0.37 | 0.03 |
| 10-Year | 0.71 | -0.45 |
| 30-Year | 1.41 | -2.09 |

UK Gilts

| | Yield % | 1D Δ (%) |
|---------|---------|----------|
| 2-Year | -0.01 | 0.00 |
| 5-Year | 0.07 | -0.07 |
| 10-Year | 0.23 | -0.34 |
| 30-Year | 0.56 | -0.35 |

German Bunds

| | Yield % | 1D Δ (%) |
|---------|---------|----------|
| 2-Year | -0.75 | -0.07 |
| 5-Year | -0.74 | -0.25 |
| 10-Year | -0.54 | -0.69 |
| 30-Year | -0.07 | -2.46 |

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 | Ba2 | 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

| | 7-May 2020 | 31-Dec 2019 |
|-----------|------------|-------------|
| Kuwait | 98.970 | 36.700 |
| KSA | 158.550 | 56.915 |
| Abu Dhabi | 111.580 | 36.090 |
| Dubai | 268.820 | 91.005 |
| Qatar | 111.620 | 36.705 |
| Bahrain | 479.790 | 175.995 |
| Oman | 738.720 | 234.400 |
| Iraq | 1161.820 | 383.680 |
| Egypt | 633.350 | 277.420 |
| Morocco | 172.470 | 91.435 |
| Turkey | 623.700 | 282.130 |
| US | 17.040 | 10.810 |
| UK | 29.780 | 16.210 |
| China | 50.190 | 31.205 |
| Japan | 31.400 | 21.042 |
| Germany | 21.460 | 7.080 |
| France | 39.080 | 16.130 |