

News Update – 2 December 2019

Dubai Islamic Bank closes second foray into global capital markets – Dubai Islamic Bank has successfully closed a \$750 million five-year sukuk, its second foray into the international capital markets in 2019. The deal was priced intraday after completing a global roadshow in Hong Kong and London, as well as several investor calls, the bank said in a statement. It added that the roadshow resulted in significant demand from Middle Eastern, Asian and European investors, with an order book that closed in excess of \$2 billion, representing an oversubscription rate of 2.7 times.

S&P revises Bahrain outlook to positive on improving fiscal position – S&P Global Ratings revised its outlook for Bahrain to positive from stable, citing expectations that the country's fiscal deficit will shrink as the government continues to implement its reform plans. The credit rating agency also affirmed its 'B+/B' long- and short-term foreign and local currency sovereign credit ratings, it said in a report on Friday. "The positive outlook primarily indicates that we expect the government to implement further reforms to keep fiscal deficits on a decreasing trajectory," S&P said. "The positive outlook also demonstrates the more stable external position, with support from other GCC sovereigns bolstering reserve assets."

US Federal Reserve considers letting inflation run above target – The Federal Reserve is considering introducing a new rule that would let inflation run above its 2 per cent target, in a bid to avoid entrenching sclerotic US price growth which has consistently undershot its goal. The Fed's year-long review of its monetary policy tools is due to conclude next year and, according to interviews with current and former policymakers, the central bank is considering a promise that when it misses its inflation target, it will then temporarily raise that target, to make up for lost inflation. If the Fed adopts this so-called "make-up strategy", it would mark the biggest shift in how it carries out its interest rate policy since it began to target 2 per cent inflation in 2012.

Kuwait's Boubyan says in talks to buy UK-based Islamic lender – Kuwait-based Boubyan Bank has announced it is in advanced talks to buy UK-based Islamic lender Bank of London and the Middle East (BLME Holdings) in an all-cash deal. In a statement posted on Boursa Kuwait, the lender said the deal for over 72 percent of BLME would be worth about \$158 million. Boubyan Bank said it and a subsidiary already own a stake of 27.91 percent in BLME. Although talks are ongoing, Boubyan said: "We would like to note that no firm or binding offer has been made and therefore there can be no certainty at this stage that an offer will ultimately be made for BLME."

GCC Sovereign Yields (2 December 2019)

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	2.41	9.39	KSA	2025	2.49	8.07
Abu Dhabi	2047	3.21	21.05	KSA	2029	2.87	12.26
Bahrain	2024	3.65	7.81	KSA	2049	3.85	23.82
Bahrain	2029	4.92	15.67	Oman	2025	4.36	12.70
Bahrain	2047	6.13	21.49	Oman	2029	5.85	0.76
Dubai	2023	2.47	4.12	Oman	2048	7.12	14.83
Dubai	2029	3.13	9.72	Qatar	2024	2.20	4.48
Kuwait	2022	1.95	3.26	Qatar	2028	2.52	9.68
Kuwait	2027	2.36	7.58	Qatar	2049	3.49	23.65

Source: Bloomberg

Bonds and Sukuk Indices (2 December 2019)

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	3.25	7.33	0.05	13.61
S&P MENA Bond and Sukuk Index	2.98	NA	0.10	13.14
Bloomberg Emerging Markets USD Index	5.05	6.28	0.03	11.42
Bloomberg Global Aggregate Index	1.41	7.27	0.05	6.22

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	02/12/2019	31/12/2018	02/12/2019	31/12/2018	02/12/2019	31/12/2018
KIBOR	2.6875	2.3125	2.9375	2.5625	3.1875	2.8125
SAIBOR	2.2371	2.9750	2.2529	3.1150	2.2971	3.3413
BHIBOR	2.4000	3.5500	2.8000	4.0833	2.9033	4.7000
QATAR	2.2833	2.9056	2.3833	3.0889	2.6539	3.3028
AEIBOR	2.0992	2.8375	2.1863	3.1849	2.2379	3.5737
EURIBOR	-0.4010	-0.3090	-0.3430	-0.2370	-0.2730	-0.1170
LIBOR	1.9055	2.8076	1.8969	2.8756	1.9521	3.0054

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	1.7500	0.91	-36.6
2-Year	1.6374	1.89	-38.4
5-Year	1.6140	2.80	-37.2
7-Year	1.6521	2.63	-37.0
10-Year	1.7352	3.46	-35.9
30-Year	1.9083	3.29	-32.8

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3042	0.0033	-0.19
SAR	3.7501	-0.0027	0.04
BHD	0.3771	0.0027	-0.02
QAR	3.6657	0.0000	-0.28
OMR	0.3850	-0.0026	-0.01
AED	3.6731	0.0000	-0.01

US Treasuries

	Yield %	1D Δ (%)
2-Year	1.62	-0.02
5-Year	1.65	-0.12
10-Year	1.81	-0.30
30-Year	2.24	-0.79

UK Gilts

	Yield %	1D Δ (%)
2-Year	0.53	-0.08
5-Year	0.51	-0.11
10-Year	0.69	-0.21
30-Year	1.21	0.21

German Bunds

	Yield %	1D Δ (%)
2-Year	-1.82	0.00
5-Year	-0.67	0.00
10-Year	-0.50	-0.02
30-Year	0.11	0.16

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	39.210		-38.92
Kuwait	38.910		-36.66
Dubai	100.720		-14.55
Bahrain	191.150		-30.93
Qatar	40.120		-49.29
KSA	68.890		-32.87
Egypt	299.040		-19.86
Lebanon	2343.300		217.50
Turkey	317.834		-11.62
Iraq	372.790		-17.28
Morocco	85.460		-13.72
China	37.972		-42.38
France	16.640		-52.75
Germany	7.610		-36.44
Japan	20.859		-10.02
UK	18.560		-47.37
US	11.140		-38.25