

News Update – 16 December 2019

Kuwait sees KWD 1.8bn budget deficit in 8M – Kuwait reported a budget deficit during the first eight months of fiscal year 2019/2020, pressured by declining revenues after transferring the future generations' reserve, according to a statement by the Ministry of Finance on Sunday. The country saw a KWD 1.831 billion (\$ 6.047 billion) budget deficit during the first eight months of the current fiscal year, after deducting the future generations' reserve, against a surplus of KWD 2.303 billion (\$7.606 billion) in the corresponding year of fiscal year 2018/2019. Meanwhile, Kuwait has transferred KWD 1.146 billion, representing 10% of actual revenues, to the future generations' reserve, down by 18.84% from KWD 1.412 billion in the first eight months of fiscal year 2018/2019, the statement referred.

Saudi Arabia's 2020 budget focuses on fiscal stability: KPMG – Saudi Arabia's 2020 budget announced on Dec. 9, 2019 is progressive and focuses on balancing fiscal stability and economic growth despite oil market volatility this fiscal year, according to a review released by KPMG Al Fozan & Partners (KPMG Saudi Arabia). Budgeted revenue is expected to reach SR833 billion (\$222 billion) in 2020, 62 percent of which is driven mainly by oil revenue, while budgeted expenditure is projected at SR1.02 trillion. Fiscal deficit stands at SR187 billion (6.4 percent of estimated 2020 gross domestic product) compared with SR131 billion (4.7 percent of GDP) in 2019.

Saudi unemployment dips to 12% in Q3 – Unemployment among Saudi Arabian citizens fell to 12% in the third quarter of 2019 from 12.3% in the previous quarter, moving further away from a record high of 12.9% in 2018, official figures released on Sunday showed. The total number of employed Saudis, males and females, rose slightly to 3.1 million in the third quarter from 3.09 in the previous quarter, the data released by the General Statistics Authority showed.

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 (16 December 2019)

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	2.38	9.57	KSA	2025	2.32	8.69
Abu Dhabi	2047	3.20	21.31	KSA	2029	2.82	12.68
Bahrain	2024	3.48	8.44	KSA	2049	3.86	23.56
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 (16 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	
	16/12/2019	31/12/2018	16/12/2019	31/12/2018	16/12/2019	31/12/2018
KIBOR	2.7500	2.3125	2.9375	2.5625	3.1875	2.8125
SAIBOR	2.2443	2.9750	2.2600	3.1150	2.3100	3.3413
BHIBOR	2.2500	3.5500	2.7500	4.0833	2.8500	4.7000
QATAR	2.2375	2.9056	2.3250	3.0889	2.6000	3.3028
AEIBOR	2.0840	2.8375	2.2700	3.1849	2.4037	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

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	1.7527	0.0057	-36.5
2-Year	1.6515	0.0098	-37.8
5-Year	1.6429	0.0125	-36.1
7-Year	1.6856	0.0121	-35.8
10-Year	1.7670	0.011	-34.8
30-Year	1.9490	0.008	-31.3

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3035	-0.046	0.02%
SAR	3.7509	-0.003	0.02%
BHD	0.3771	-0.003	-0.03%
QAR	3.6660	0.006	-0.27%
OMR	0.3850	0.003	0.00%
AED	3.6731	0.000	-0.01%

US Treasuries

	Yield %	1D Δ (%)
2-Year	1.62	-0.03
5-Year	1.67	-0.06
10-Year	1.83	-0.09
30-Year	2.26	-0.14

UK Giltts

	Yield %	1D Δ (%)
2-Year	0.52	0.05
5-Year	0.58	0.11
10-Year	0.79	0.29
30-Year	1.28	1.40

German Bunds

	Yield %	1D Δ (%)
2-Year	-0.63	-0.02
5-Year	-0.54	0.00
10-Year	-0.29	0.20
30-Year	0.22	0.96

	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	34.299		-47.57
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