

## News Updates

**S&P Takes Negative Rating Actions On Four Kuwaiti Banks –** S&P Global Ratings said it lowered its rating on Gulf Bank to 'BBB+' from 'A-'. The outlook is stable. At the same time, they revised the outlooks on Burgan Bank, NBK and NBKI to negative from stable. The outlooks on these banks mirror that on the sovereign. The rating actions on the banks follow the downgrade of Kuwait. The sovereign downgrade reflects the persistent lack of a comprehensive funding strategy despite the central government's ongoing sizable deficits. Due to parliamentary opposition, the government has so far been unable to pass a law giving it the authority to issue debt or gain immediate access to its large stock of accumulated assets. The authorities have in the meantime relied on the General Reserve Fund (GRF) to meet budgetary requirements, depleting it in the process. Although they expect the government will eventually adopt a new debt law or gain access to alternative funding in their baseline scenario, the 'A+' rating and negative outlook on the sovereign are based on their concern over the prolonged absence of a long-term funding strategy and the government's capacity to overcome institutional roadblocks. In their view, the banking sector's operating environment remains stable. They expect real estate prices to decline further as expatriates leave Kuwait and commercial real estate prices come under pressure. Kuwaiti banks have substantial buffers, having set aside credit provisions that comfortably exceed 100% of problem loans on Dec. 31, 2020. This strength should enable them to absorb potential losses. The rating actions on the banks are in line with that on the sovereign. The sovereign's weaker ratings suggest that its capacity to provide support to systemically important banks has weakened compared with our previous assumption. *(Source: Bloomberg)*

**Fitch Says Tunisia Turmoil Could Delay IMF Deal –** Decision by Tunisia's president to suspend parliament and fire the prime minister “may add further delays to an IMF programme that would alleviate the country's large financing pressures,” Fitch Ratings says in a note. “Tunisia will need to obtain large amounts of official creditor funding before the end of the year in order to stem the deterioration in its external liquidity position”. “Prospects for reforms that would lower fiscal deficits, stabilise debt and contain external liquidity pressures were poor before this crisis”. President's actions raise “new political uncertainties”. Fitch believes government goals of accessing Eurobond market in 2021 “are unlikely to be achieved, and the government will have to continue to rely on local financing” *(Source: Bloomberg)*

**Real Yields Drop to Record Low, Investors Lap Up Inflation Debt –** The real yield on 10-year Treasuries fell to a record low as concerns mounted over the outlook for economic growth even as investor flows fueled appetite for inflation-linked debt. The real rate, which strips out the expected impact of inflation over the next decade, fell as much as six basis points to minus 1.13%. The move was compounded by a lack of trading liquidity, with the 10-year breakeven rate, topping 2.41% Monday in the wake of substantial flows into the largest exchange-traded fund that's tied to inflation bonds. *(Source: Bloomberg)*

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A number of sources which include Bloomberg, Zawya, and daily newspapers were utilized in the creation of this report.

## GCC Sovereign Yields

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi  | 2025     | 0.70    | -0.55           | KSA        | 2025     | 1.10    | -0.52           |
| Abu Dhabi  | 2030     | 1.89    | -2.96           | KSA        | 2030     | 2.21    | -1.99           |
| Abu Dhabi  | 2050     | 2.99    | -4.51           | KSA        | 2050     | 3.48    | -3.87           |
| Bahrain    | 2026     | 3.83    | -3.51           | Oman       | 2025     | 3.29    | 2.45            |
| Bahrain    | 2030     | 5.53    | -5.75           | Oman       | 2029     | 4.95    | 2.79            |
| Bahrain    | 2047     | 6.87    | -9.05           | Oman       | 2048     | 6.64    | 1.26            |
| Dubai      | 2029     | 2.44    | -0.28           | Qatar      | 2025     | 0.88    | -1.31           |
| Kuwait     | 2022     | 0.24    | -1.41           | Qatar      | 2030     | 1.97    | -3.39           |
| Kuwait     | 2027     | 1.26    | -1.95           | Qatar      | 2050     | 3.11    | -5.18           |

## Bonds and Sukuk Indices

| Index Name                           | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index               | 2.60    | 8.08           | 0.05     | 0.43      |
| S&P MENA Bond and Sukuk Index        | 2.17    | NA             | -0.01    | -0.03     |
| Bloomberg Emerging Markets USD Index | 3.87    | 6.80           | -0.09    | -0.31     |
| Bloomberg Global Aggregate Index     | 1.01    | 7.42           | 0.17     | -2.35     |

## Interbank Rates (%)

|         | 3 Months  |            | 6 Months  |            | 12 Months |            |
|---------|-----------|------------|-----------|------------|-----------|------------|
|         | 27/7/2021 | 31/12/2020 | 27/7/2021 | 31/12/2020 | 27/7/2021 | 31/12/2020 |
| KIBOR   | 1.5000    | 1.4375     | 1.7500    | 1.6875     | 2.0000    | 1.9375     |
| SAIBOR  | 0.7929    | 0.8175     | 0.8443    | 0.8700     | 0.9143    | 0.9413     |
| BHIBOR  | 1.5917    | 2.2500     | 1.7167    | 2.5333     | 1.8667    | 2.6833     |
| QATAR   | 0.9000    | 1.1206     | 1.0250    | 1.1960     | 1.2500    | 1.3636     |
| AEIBOR  | 0.3525    | 0.5125     | 0.5625    | 0.4908     | 0.6150    | 0.6538     |
| EURIBOR | -0.5440   | -0.5450    | -0.5190   | -0.5260    | -0.4930   | -0.4990    |
| LIBOR   | 0.1289    | 0.2384     | 0.1585    | 0.2576     | 0.2414    | 0.3419     |

## USD Swap Rates

| USD Swap Rates |         |            |           | Currencies |        |            |           | Commodities |          |           |
|----------------|---------|------------|-----------|------------|--------|------------|-----------|-------------|----------|-----------|
|                | Yield % | 1D Δ (bps) | YTD Δ (%) |            | USD    | 1D Δ (bps) | YTD Δ (%) |             | USD      | YTD Δ (%) |
| 1-Year         | 0.1615  | -0.30      | -16.1     | KWD        | 0.3009 | -0.0997    | 0.80      | Gold        | 1,801.50 | -5.74     |
| 2-Year         | 0.2841  | -0.04      | 43.6      | SAR        | 3.7508 | 0.0053     | 0.03      | Silver      | 25.24    | -5.07     |
| 5-Year         | 0.8098  | -0.33      | 88.3      | BHD        | 0.3770 | 0.0000     | 0.00      | Copper      | 460.10   | 30.45     |
| 7-Year         | 1.0480  | -0.72      | 60.1      | QAR        | 3.6417 | 0.0000     | -0.01     | Nat. Gas    | 4.10     | 50.94     |
| 10-Year        | 1.2830  | -1.13      | 38.7      | OMR        | 0.3850 | 0.0000     | 0.00      | Aluminum    | 2,521.40 | 26.28     |
| 30-Year        | 1.6595  | -0.96      | 18.4      | AED        | 3.6731 | 0.0000     | 0.00      | Crude Oil   | 74.85    | 46.19     |

## US Treasuries

|         | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
|---------|---------|----------|---------|----------|---------|----------|
| 2-Year  | 0.21    | 0.01     | 0.07    | 0.00     | -0.73   | 0.00     |
| 5-Year  | 0.72    | 0.02     | 0.27    | 0.00     | -0.79   | 0.01     |
| 10-Year | 1.28    | 0.11     | 0.57    | 0.13     | -0.57   | -0.02    |
| 30-Year | 1.93    | 0.26     | 0.99    | 0.29     | 0.06    | -0.11    |

## UK Gilts

|         | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
|---------|---------|----------|---------|----------|---------|----------|
| 2-Year  | 0.21    | 0.01     | 0.07    | 0.00     | -0.73   | 0.00     |
| 5-Year  | 0.72    | 0.02     | 0.27    | 0.00     | -0.79   | 0.01     |
| 10-Year | 1.28    | 0.11     | 0.57    | 0.13     | -0.57   | -0.02    |
| 30-Year | 1.93    | 0.26     | 0.99    | 0.29     | 0.06    | -0.11    |

## German Bunds

|         | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
|---------|---------|----------|---------|----------|---------|----------|
| 2-Year  | 0.21    | 0.01     | 0.07    | 0.00     | -0.73   | 0.00     |
| 5-Year  | 0.72    | 0.02     | 0.27    | 0.00     | -0.79   | 0.01     |
| 10-Year | 1.28    | 0.11     | 0.57    | 0.13     | -0.57   | -0.02    |
| 30-Year | 1.93    | 0.26     | 0.99    | 0.29     | 0.06    | -0.11    |

## Sovereign Ratings

|                    | Moody's            | S&P                | Fitch |
|--------------------|--------------------|--------------------|-------|
| Kuwait             | A1                 | A+                 | AA    |
| KSA                | A1                 | A-u                | A     |
| UAE                | Aa2                | NR                 | AA-   |
| Abu Dhabi          | Aa2                | AA                 | AA    |
| Qatar              | Aa3                | AA-                | AA-   |
| Bahrain            | B2                 | B+                 | B+    |
| Oman               | Ba3                | B+                 | BB-   |
| Egypt              | B2                 | B                  | B+    |
| Lebanon            | C                  | SD                 | RD    |
| Jordan             | B1                 | B+                 | BB-   |
| Turkey             | B2                 | B+u                | BB-   |
| Tunisia            | B3                 | NR                 | B-    |
| Morocco            | Ba1                | BB+                | BB+   |
| US                 | Aaa                | AA+u               | AAA   |
| UK                 | Aa3                | AAu                | AA-   |
| China              | A1                 | A+                 | A+    |
| <b>USD 5Yr CDS</b> | <b>27-Jul 2021</b> | <b>31-Dec 2020</b> |       |
| Kuwait             | 46.07              | 40.69              |       |
| KSA                | 54.85              | 63.77              |       |
| Abu Dhabi          | 40.71              | 36.03              |       |
| Dubai              | 81.85              | 104.06             |       |
| Qatar              | 40.91              | 36.70              |       |
| Bahrain            | 233.88             | 233.58             |       |
| Oman               | 238.74             | 353.60             |       |
| Iraq               | 540.83             | 542.74             |       |
| Egypt              | 345.22             | 330.47             |       |
| Morocco            | 89.50              | 102.56             |       |
| Turkey             | 381.76             | 299.47             |       |
| US                 | 7.20               | 11.52              |       |
| UK                 | 7.61               | 15.13              |       |
| China              | 37.99              | 26.70              |       |
| Japan              | 16.28              | 14.74              |       |
| Germany            | 8.54               | 9.09               |       |
| France             | 20.04              | 14.42              |       |