

News Update – 6 November 2019

KPC obtains KWD 350m financing from local banks – The National Bank of Kuwait (NBK) and the Kuwait Finance House (KFH) have jointly managed and issued a KWD 350 million (\$1.2 billion) financing to the Kuwait Petroleum Corporation (KPC). The two banks were chosen by KPC to manage renewable five-year financing facilities. The facilities are provided through two tranches, a conventional KWD 210 million loan, and a KWD 140 million murabaha financing. Burgan Bank, Gulf Bank, Al Ahli Bank, and the Commercial Bank of Kuwait (CBK) provided the conventional tranche, while the murabaha tranche was provided by Boubyan Bank, Warba Bank, and Kuwait International Bank (KIB). The deal is set to help KPC achieve the goals of its 2040 strategy.

Fitch Says Bahrain Alone in GCC to Improve 2019 Fiscal Balance – Headline fiscal balances will weaken across much of the Gulf Cooperation Council (GCC) in 2019 and 2020, maintaining pressure on sovereign and external balance sheets," Fitch Ratings says in a report. Bahrain, Oman and Saudi Arabia need average oil prices above \$80/bbl to balance their budgets; "issuance and asset draw-downs to cover deficits will continue to increase debt and deplete sovereign net foreign assets". We expect further improvements in non-oil primary balances in most GCC countries in 2020, but only in Bahrain and Oman is this likely to lead to narrower headline deficits.

Qatar central bank sells 600 million riyals of T-bills – Qatar's central bank sold 600 million riyals (\$164.84 million) of Treasury bills in an auction, it said in a statement on Tuesday. A total of 300 million riyals worth of three-month T-bills were sold at 1.73%, 200 million riyals worth of six-month T-bills were sold at 1.76% and 100 million worth of nine-month T-bills were sold at 1.81%

Moody's downgrades Lebanon's rating to Caa2, maintains review for downgrade – Moody's Investors Service ("Moody's") has today downgraded the Government of Lebanon's issuer ratings to Caa2 from Caa1. The ratings remain on review for downgrade. The downgrade to Caa2 reflects the increased likelihood of a debt rescheduling or other liability management exercise that may constitute a default under Moody's definition since opening the review for downgrade of the Caa1 ratings at the start of October. Widespread social protests, the resignation of the government and loss of investor confidence have further undermined Lebanon's traditional funding model based on capital inflows and bank deposit growth, threatening the viability of the peg and macroeconomic stability. Lebanon has never defaulted on its debts. But an inflow of dollar deposits which had helped the country maintain its balance of payments deficit has reversed, and the government is increasingly relying on central bank reserves to make its debt servicing payments.

GCC Bonds & Sukuk: Best and worst Performers (6 November 2019)

Sovereigns	Yield (%)	Price Change (YTD %)	Sovereigns	Yield (%)	Price Change (YTD %)
Kuwait 22	2.00	3.18	Bahrain 24	3.68	7.80
Kuwait 27	2.32	7.86	Bahrain 29	4.80	16.73
Abu Dhabi 27	2.49	8.83	Bahrain 47	6.11	21.65
Abu Dhabi 47	3.35	18.20	Qatar 24	2.21	4.50
Dubai 23	2.53	3.99	Qatar 28	2.60	9.16
Dubai 29	3.19	9.29	Qatar 49	3.61	21.16
Oman 25	4.41	12.48	KSA 25	2.51	7.95
Oman 29	5.85	0.71	KSA 29	2.98	11.25
Oman 48	7.15	14.42	KSA 49	4.00	20.78

Source: Bloomberg

Bonds & Sukuk Indices (6 November 2019)

Index Name	Yield %	Duration	1D Chng (%)	YTD Chng (%)
Bloomberg GCC FI Index	3.31	7.31	-0.28	12.71
S&P MENA Bond and Sukuk Index	3.05	NA	-0.32	12.18
Bloomberg Emerging Markets USD Index	5.01	6.25	-0.30	11.09
Bloomberg Global Aggregate Index	1.43	7.30	-0.57	6.09

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	6/11/2019	31/12/2018	6/11/2019	31/12/2018	6/11/2019	31/12/2018
SAIBOR	2.2300	1.8988	2.2500	2.0875	2.2829	2.2863
KIBOR	2.7500	1.8750	2.9375	2.0625	3.1875	2.3750
BHIBOR	2.4000	2.4500	2.8367	2.9000	2.9500	3.2750
QATAR	2.3075	2.7342	2.4075	2.8868	2.7025	3.0468
AEIBOR	2.1725	1.8310	2.3247	2.0513	2.3388	2.5648
EURIBOR	-0.3980	-0.3290	-0.3430	-0.2710	-0.2760	-0.1860
LIBOR	1.9083	1.6858	1.9246	1.8336	1.9600	2.1022

US Treasuries

	Yield	1-Day Δ (Bps)	Currencies	USD	1-Day Δ (Bps)	YTD (%)
1-Year	1.58	-0.03	KWD	0.3038	0.0002	-0.06%
2-Year	1.62	0.02	SAR	3.7502	-0.0001	0.03%
5-Year	1.66	0.04	BHD	0.3770	0.0000	-0.02%
7-Year	1.76	0.04	QAR	3.6631	-0.0001	-0.22%
10-Year	1.85	0.07	OMR	0.3850	0.0003	0.00%
30-Year	2.33	0.16	AED	3.6730	0.0000	-0.01%

USD Swap Rates

	Yield	1-Day Δ	UK Gilts	Yield	1-Day Δ	German Bunds	Yield	1-Day Δ
2-Y	1.664	-0.01%		0.58	0.84%		-0.34	-3.00%
5-Y	1.636	-0.01%		0.55	0.09%		-0.66	-0.08%
10-Y	1.770	-0.01%		0.77	0.06%		-0.46	-0.08%
30-Y	1.955	-0.01%		1.29	0.00%		0.20	-0.03%

	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	B-	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 (%)
Abu Dhabi	43.840		-33.12
Kuwait	41.900		-32.12
Dubai	119.740		-2.20
Bahrain	196.230		-29.19
Qatar	43.840		-45.52
KSA	67.650		-33.94
Egypt	294.580		-21.00
Lebanon	1443.460		96.20
Turkey	326.418		-9.17
Iraq	332.230		-25.23
Morocco	95.030		-5.06
China	37.086		-43.85
France	17.690		-50.32
Germany	8.290		-33.69
Japan	21.180		-10.02
UK	28.06		-23.32
US	12.42		-31.31