

News Updates

Kuwait liquidity crunch unlikely until third quarter, says BofA – Steps taken by the Kuwaiti government to mitigate depletion of the treasury's liquid assets could push back the risk of a liquidity crunch to the third quarter this year, Bank of America estimates. Kuwait's General Reserve Fund (GRF), the sovereign fund used to cover state deficits, has been squeezed by the coronavirus-driven drop in oil prices and a continued stand-off between government and parliament on implementing measures such as a law to allowing state borrowing. The fund raised about 6 billion to 7 billion dinars (\$19.87 billion to \$23.19 billion) in recent months through asset swaps with Kuwait's Future Generations Fund (FGF) and thanks to money returned to the GRF after a law last year halted a mandatory annual transfer of 10% of state revenue to FGF. “Authorities have taken steps to mitigate the depletion of the liquid assets in the GRF. We estimate this lengthened the timeline for depletion of GRF liquidity until 3Q21,” BofA said in a report. “Clawback of accrued dividends from government entities could lengthen this timeline further.” The GRF is negotiating with state-owned Kuwait Petroleum Corporation on a new payment schedule for more than \$20 billion in accrued dividends, sources told Reuters this month. While such negotiations could boost GRF liquidity, the transfers are likely to occur over a relatively long timeframe rather than on up front, said BofA. “Without passage of a law permitting new debt issuance, the GRF could run out of liquidity in the coming months without further measures to replenish it,” Fitch said. (Source: Reuters)

Fitch: Turkey Rate Increase Reinforces Orthodox Policy Approach – Rebuilding policy credibility will take time and “is subject to implementation risks and dependent on the continuation of a tight monetary policy,” Fitch Ratings says. Thursday's bigger-than-expected policy rate increase is “consistent with the CBRT's stated focus on achieving sustained disinflation, reversing dollarization and rebuilding foreign-exchange reserves”. There's been “little progress on structural reforms in recent years and the political backdrop may become less conducive ahead of presidential and legislative elections due by June 2023”. Higher oil prices “mean that the current account deficit may narrow less this year than we forecast (to 2.9% of GDP from 5.3%) at the time of our February rating review, highlighting the importance of maintaining investor confidence”. Fitch expects Turkish economy to slow in 2H21 due to tighter monetary and credit conditions, and a more conservative fiscal stance. Fitch expects CBRT to ease policy toward end-2021, as easing inflation will enable it to keep real interest rates positive. (Source: Bloomberg)

Fed will raise rates when economy meets conditions, Barkin says – Longer-term borrowing costs are rising because of increased economic optimism and some expectations of rising inflation, Richmond Federal Reserve Bank President Thomas Barkin said on Friday, but the Fed won't be raising short-term interest rates until the economy meets clear benchmarks. “I expect to start raising rates when we meet the conditions that we've talked about,” Barkin said on CNBC. The Fed has promised not to raise rates until the economy has reached full employment and inflation has not only hit the Fed's 2% goal but is on track to exceed that goal for some time. “I don't have a sense that there's a timing, there's a year, there's a month, there's a quarter that I'm thinking about,” he said. (Source: Reuters)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	1.06	-1.41	KSA	2025	1.39	-1.27
Abu Dhabi	2030	2.19	-4.96	KSA	2030	2.56	-4.41
Abu Dhabi	2050	3.37	-10.97	KSA	2050	3.93	-10.50
Bahrain	2026	3.39	-0.99	Oman	2025	3.48	2.25
Bahrain	2030	5.73	-6.64	Oman	2029	5.11	1.86
Bahrain	2047	6.96	-9.97	Oman	2048	6.88	-1.73
Dubai	2029	2.72	-1.79	Qatar	2025	1.10	-1.40
Kuwait	2022	0.09	-0.53	Qatar	2030	2.24	-5.02
Kuwait	2027	1.59	-3.09	Qatar	2050	3.50	-11.31

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.81	8.08	0.11	-3.04
S&P MENA Bond and Sukuk Index	2.38	NA	0.27	-3.66
Bloomberg Emerging Markets USD Index	3.90	6.80	0.16	-3.12
Bloomberg Global Aggregate Index	1.16	7.42	-0.01	-3.97

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	22/3/2021	31/12/2020	22/3/2021	31/12/2020	22/3/2021	31/12/2020
KIBOR	1.5000	1.4375	1.6875	1.6875	2.0000	1.9375
SAIBOR	0.7963	0.8175	0.8438	0.8700	0.9163	0.9413
BHIBOR	1.6583	2.2500	1.7583	2.5333	2.1350	2.6833
QATAR	1.0850	1.1206	1.1667	1.1960	1.2933	1.3636
AEIBOR	0.3625	0.5125	0.4989	0.4908	0.6349	0.6538
EURIBOR	-0.5390	-0.5450	-0.5150	-0.5260	-0.4830	-0.4990
LIBOR	0.1969	0.2384	0.2024	0.2576	0.2763	0.3419

USD Swap Rates

	Currencies			Commodities		
	Yield %	1D Δ (bps)	YTD Δ (%)	USD	1D Δ (bps)	YTD Δ (%)
1-Year	0.2046	0.19	6.3	KWD	0.3020	0.0000
2-Year	0.2589	-0.27	30.9	SAR	3.7512	0.0000
5-Year	0.9459	-3.26	120.0	BHD	0.3771	0.0000
7-Year	1.3456	-4.32	105.6	QAR	3.6414	0.0082
10-Year	1.6967	-4.97	83.4	OMR	0.3850	0.0000
30-Year	2.1266	-5.79	51.7	AED	3.6730	0.0000

US Treasuries

	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.14	0.02	0.08	0.03	-0.66	0.01
5-Year	0.84	0.18	0.38	0.15	-0.71	0.08
10-Year	1.67	0.44	0.83	0.39	-0.41	0.26
30-Year	2.38	1.18	1.36	0.84	0.28	0.54

Currencies

	USD	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)
Gold	1,742.60	-8.42		Silver	25.86	-2.33	
Copper	411.55	16.78		Nat. Gas	2.50	-1.69	
Aluminum	2,249.00	13.46		Crude Oil	64.27	24.12	

UK Gilts

	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.14	0.02	0.08	0.03	-0.66	0.01
5-Year	0.84	0.18	0.38	0.15	-0.71	0.08
10-Year	1.67	0.44	0.83	0.39	-0.41	0.26
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Commodities

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German Bunds

	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.14	0.02	0.08	0.03	-0.66	0.01
5-Year	0.84	0.18	0.38	0.15	-0.71	0.08
10-Year	1.67	0.44	0.83	0.39	-0.41	0.26
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Sovereign Ratings

	Moody's	S&P	Fitch
Kuwait	A1	AA-	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	BBB-	BB+
US	Aaa	AA+u	AAA
UK	Aa3	AAu	AA-
China	A1	A+	A+

USD 5Yr CDS

	22-Mar 2021	31-Dec 2020
Kuwait	42.36	40.69
KSA	60.33	63.77
Abu Dhabi	41.52	36.03
Dubai	92.59	104.06
Qatar	41.50	36.70
Bahrain	187.34	233.58
Oman	277.48	353.60
Iraq	406.60	542.74
Egypt	284.20	330.47
Morocco	87.40	102.56
Turkey	304.46	299.47
US	8.45	11.52
UK	11.56	15.13
China	31.15	26.70
Japan	15.06	14.74
Germany	8.30	9.09
France	13.77	14.42