

News Updates

GCC banks to benefit from higher oil prices, improved economic activity – Banks in the Gulf Cooperation Council (GCC) banks are set to benefit from a regional economic recovery this year amid higher oil prices, supportive government spending, and normalizing non-oil activity, S&P Global Ratings said in a new report. "We expect banks' asset quality indicators to deteriorate only slightly as regulatory forbearance measures have helped the corporate sector to deal with the negative effects of the pandemic," said S&P Global Ratings credit analyst Mohamed Damak. Bahrain and the UAE are the only two countries where nominal GDP at year-end 2022 will remain slightly lower than 2019, due to the weight of the hospitality and real estate sectors in their economies. GCC banks should benefit from policy rate hikes in 2022 by the US Federal Reserve, which will prompt a similar reaction from GCC central banks given their currency pegs. "On average, a 100-basis-point (bps) increase in rates would result in a 14 percent increase in earnings and 1 percent capital accretion," the report said. However, external funding might become scarce and more expensive and asset quality indicators could be impacted in case of a faster than expected increase in rates, it added. *(Source: Zawya)*

Fitch Affirms Iraq at 'B-'; Outlook Stable – Fitch Ratings has affirmed Iraq's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B-' with a Stable Outlook. Fitch stated that Iraq's 'B-' rating reflects its high commodity dependence, weak governance, high political risk, and undeveloped banking sector, balanced by high FX reserves and low interest costs on government debt. Iraq's public finances stabilised in 2021 following a recovery in oil prices and currency devaluation. Fitch estimates the fiscal surplus at 1.4% of GDP in 2021, after a deficit of 7.5% of GDP in 2020. They estimate government revenue, which consists almost entirely of oil receipts, to have jumped by 89%, after a 40% decline in 2020. They assume expenditure jumped by 48%, approaching 2019 levels, reflecting a rebound in capital spending after its near-total collapse amid financing constraints in 2020. *(Source: Fitch Ratings)*

U.S. Treasuries Gain After Inflation Surge In Line With Expectations – U.S. Treasuries shook off the steepest jump to consumer-price inflation in four decades and absorbed a 10-year note sale, with the figures reinforcing already widespread anticipation that the Federal Reserve will start raising interest rates in March. The December inflation figures were in line with the bond market's expectations, and while benchmark Treasury yields initially rose moderately across the curve after the release, buyers soon emerged. The year-on-year jump in the consumer price index matched a forecast increase of 7%, while the core rate, which excluded food and energy prices, was a little hotter, expanding at a pace of 5.5%, versus an expected 5.4%. The reaction was muted in part because yields have already surged since the start of the year as traders brace for the Fed to begin hiking rates and wrapping up the bond purchases that have flooded markets with cash for nearly two years. The policy sensitive two-year note yield ended four basis points higher at 0.92% on Wednesday, while the benchmark 10-year note yield closed up one basis point at 1.74%, paring a brief jump above 1.75%. *(Source: Bloomberg)*

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	1.44	-0.77	KSA	2025	1.84	-1.23
Abu Dhabi	2030	2.21	-1.75	KSA	2030	2.55	-2.38
Abu Dhabi	2050	3.19	-4.23	KSA	2050	3.67	-3.92
Bahrain	2026	4.38	-0.79	Oman	2025	3.53	-0.67
Bahrain	2030	5.89	-1.73	Oman	2029	5.08	-2.29
Bahrain	2047	7.59	-3.07	Oman	2048	6.87	-3.89
Dubai	2029	2.67	-0.95	Qatar	2025	1.62	-0.77
Kuwait	2022	-0.35	-0.10	Qatar	2030	2.27	-1.42
Kuwait	2027	1.84	-0.96	Qatar	2050	3.27	-3.63

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.98	8.08	0.01	-1.57
S&P MENA Bond and Sukuk Index	2.57	NA	-0.01	-1.69
Bloomberg Emerging Markets USD Index	4.56	6.80	-0.07	-1.78
Bloomberg Global Aggregate Index	1.45	7.42	0.42	-0.72

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	13/01/2022	30/12/2021	13/01/2022	30/12/2021	13/01/2022	30/12/2021
KIBOR	1.5000	1.5000	1.7500	1.7500	2.0000	2.0000
SAIBOR	0.9229	0.9057	1.0143	0.9829	1.1129	1.0600
BHIBOR	1.5167	1.5167	1.6233	1.6233	1.7667	1.7667
QATAR	1.1500	1.1250	1.2000	1.2000	1.3000	1.3250
AEIBOR	0.4075	0.3645	0.6488	0.7000	0.7859	0.7396
EURIBOR	-0.5640	-0.5730	-0.5280	-0.5460	-0.4900	-0.4980
LIBOR	0.2444	0.2144	0.3861	0.3451	0.6956	0.5888

USD Swap Rates				Currencies				Commodities		
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)		USD	YTD Δ (%)
1-Year	0.6512	-0.03	21.7	KWD	0.3026	0.0000	-0.02	Gold	1,826.10	-0.14
2-Year	1.1137	0.14	18.3	SAR	3.7535	0.0053	0.06	Silver	23.23	-0.54
5-Year	1.6010	0.02	16.9	BHD	0.3771	0.0027	-0.01	Copper	454.55	1.84
7-Year	1.7146	0.21	16.2	QAR	3.6416	-0.0082	0.00	Nat. Gas	4.80	28.77
10-Year	1.8085	0.51	14.4	OMR	0.3850	0.0000	0.00	Aluminum	2,972.51	6.05
30-Year	1.9180	0.23	10.8	AED	3.6730	0.0000	-0.01	Crude Oil	84.55	8.70

US Treasuries			UK Gilts		German Bunds	
Yield %	1D Δ (%)		Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.92	0.01	0.79	0.07	NA	NA
5-Year	1.52	0.02	0.97	0.12	-0.58	0.04
10-Year	1.74	0.00	1.14	0.27	-0.24	0.21
30-Year	2.09	0.04	1.24	0.52	0.22	1.07

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	Caa1	NR	B-
Morocco	Ba1	BB+	BB+
US	Aaa	AA+u	AAA
UK	Aa3	AAu	AA-
China	A1	A+	A+

USD 5Yr CDS	13-Jan 2022	31-Dec 2021
Kuwait	45.49	40.53
KSA	48.94	50.97
Abu Dhabi	45.09	43.09
Dubai	88.24	89.58
Qatar	44.53	42.55
Bahrain	284.71	286.32
Oman	241.21	254.42
Iraq	471.50	507.35
Egypt	498.02	496.58
Morocco	89.93	85.91
Turkey	553.45	555.46
US	10.18	10.01
UK	9.08	8.91
China	42.22	39.86
Japan	16.02	16.23
Germany	7.29	7.53
France	17.67	17.87