

News Updates

Depleting liquidity risks Kuwait credit rating – The government has raised the level of warning about the danger of depleting liquidity in the general reserve which threatens the government ability to pay salaries, while the Minister of Finance and Minister of State for Economic Affairs and Investment Khalifa Hamada has warned saying “the state is on the verge of a difficult time during which it may not be able to meet the needs of its citizens and fulfill its obligations, which will inevitably affect Kuwait’s reputation and credit rating,” reports Al-Rai daily. The public treasury, the sources say, faced a deficit during July that exceeded all available possibilities and means to help the state fulfill its obligations which disrupted the government institutions in the country for a week which prompted the Kuwait Investment Authority (KIA) to use exceptional alternatives to save about 300 million dinars. The Council of Ministers studied in detail, during its meeting on Aug 16, the recommendations of the Economic Committee regarding the lack of liquidity in the general reserve and the need to find radical solutions to confront the deficit in the state’s general budget, which needs to be done by approving the law of limited withdrawal from the Future Generations Reserve Fund and the Public Debt Law, while implementing financial reforms without any delay to avoid negative effects in the future. (Source: Arab Times)

CI: Oman’s Sovereign Ratings Affirmed; Outlook Remains Negative – Capital Intelligence Ratings (CI Ratings or CI) announced that it has affirmed Oman’s Long-Term Foreign Currency Rating (LT FCR) and Long-Term Local Currency Rating (LT LCR) at ‘BB’. The sovereign’s Short-Term Foreign Currency Rating (ST FCR) and Short-Term Local Currency Rating (ST LCR) have also been affirmed at ‘B’. The Outlook for the ratings remains Negative. The ratings are supported by the country’s moderate fiscal and external buffers, a relatively sound banking system, as well as CI’s expectation that financial support would be forthcoming from other GCC countries in the event of need. The ratings are constrained by the strong increase in public debt in recent years, the government’s reliance on external commercial borrowing, weak domestic demand, as well as the economy’s limited diversification. The outlook reflects CI’s expectation that budgetary pressures are likely to increase again next year. (Source: Capital Intelligence)

Fed Delay on Taper Past September Is All But Certain on Job Data – Disappointment over the U.S. August payroll report is all but certain to push Federal Reserve policy makers to delay considering a move to scale back asset purchases at their Sept. 21-22 meeting. The addition of 235,000 jobs last month, falling well short of forecasts and the smallest jobs gain in seven months, suggests U.S. central bankers will need to see additional gains before starting to slow bond buying, economists said Friday following the Labor Department release. Officials want to see “substantial further progress” in jobs and inflation, and the hiring slowdown, blamed on a flare-up in Covid-19 cases, means moves in November or December are now more likely. (Source: Bloomberg)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.65	-0.66	KSA	2025	1.08	-0.66
Abu Dhabi	2030	1.79	-2.32	KSA	2030	2.12	-1.38
Abu Dhabi	2050	2.97	-4.40	KSA	2050	3.46	-3.58
Bahrain	2026	3.77	-3.63	Oman	2025	3.18	2.68
Bahrain	2030	5.45	-5.34	Oman	2029	4.77	3.93
Bahrain	2047	6.81	-8.54	Oman	2048	6.43	3.99
Dubai	2029	2.44	-0.55	Qatar	2025	0.88	-1.60
Kuwait	2022	0.03	-1.60	Qatar	2030	1.91	-3.16
Kuwait	2027	1.19	-1.83	Qatar	2050	3.12	-5.18

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.55	8.08	-0.02	1.02
S&P MENA Bond and Sukuk Index	2.16	NA	0.00	0.44
Bloomberg Emerging Markets USD Index	3.85	6.80	-0.11	0.52
Bloomberg Global Aggregate Index	1.04	7.42	-0.02	-2.09

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	05/09/2021	31/12/2020	05/09/2021	31/12/2020	05/09/2021	31/12/2020
KIBOR	1.5000	1.4375	1.7500	1.6875	2.0000	1.9375
SAIBOR	0.7957	0.8175	0.8443	0.8700	0.9143	0.9413
BHIBOR	1.5667	2.2500	1.6333	2.5333	1.8250	2.6833
QATAR	1.1000	1.1206	1.1611	1.1960	1.3375	1.3636
AEIBOR	0.2755	0.5125	0.4310	0.4908	0.4054	0.6538
EURIBOR	-0.5480	-0.5450	-0.5190	-0.5260	-0.5000	-0.4990
LIBOR	0.1155	0.2384	0.1484	0.2576	0.2228	0.3419

USD Swap Rates

			Currencies			Commodities		
	Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)	
1-Year	0.1539	-0.24	-20.1	KWD	0.3008	0.0000	0.83	Gold
2-Year	0.2964	-0.24	49.8	SAR	3.7503	0.0053	0.04	Silver
5-Year	0.8745	2.02	103.4	BHD	0.3769	0.0000	0.02	Copper
7-Year	1.1154	3.03	70.4	QAR	3.6406	0.0165	0.02	Nat. Gas
10-Year	1.3403	3.87	44.9	OMR	0.3850	0.0000	0.00	Aluminum
30-Year	1.6727	4.62	19.3	AED	3.6730	0.0000	0.00	Crude Oil

US Treasuries

	Yield %	1D Δ (%)		Yield %	1D Δ (%)		Yield %	1D Δ (%)
2-Year	0.21	0.00		0.19	-0.01		-0.70	0.00
5-Year	0.78	-0.09		0.37	-0.09		-0.75	-0.05
10-Year	1.32	-0.35		0.71	-0.33		-0.52	-0.19
30-Year	1.94	-1.01		1.06	-1.06		0.14	-0.78

UK Gilts

	Yield %	1D Δ (%)		Yield %	1D Δ (%)		Yield %	1D Δ (%)
2-Year	0.21	0.00		0.19	-0.01		-0.70	0.00
5-Year	0.78	-0.09		0.37	-0.09		-0.75	-0.05
10-Year	1.32	-0.35		0.71	-0.33		-0.52	-0.19
30-Year	1.94	-1.01		1.06	-1.06		0.14	-0.78

German Bunds

	Yield %	1D Δ (%)		Yield %	1D Δ (%)		Yield %	1D Δ (%)
2-Year	0.21	0.00		0.19	-0.01		-0.70	0.00
5-Year	0.78	-0.09		0.37	-0.09		-0.75	-0.05
10-Year	1.32	-0.35		0.71	-0.33		-0.52	-0.19
30-Year	1.94	-1.01		1.06	-1.06		0.14	-0.78

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+

	5-Sep 2021	31-Dec 2020
USD 5Yr CDS		
Kuwait	46.10	40.69
KSA	49.02	63.77
Abu Dhabi	39.14	36.03
Dubai	84.36	104.06
Qatar	38.96	36.70
Bahrain	239.76	233.58
Oman	229.69	353.60
Iraq	515.21	542.74
Egypt	339.39	330.47
Morocco	90.00	102.56
Turkey	364.09	299.47
US	7.84	11.52
UK	7.79	15.13
China	31.88	26.70
Japan	16.66	14.74
Germany	8.90	9.09
France	17.55	14.42