

News Update – 17 November 2019

Kuwait Q2 GDP declines 1.2% quarter on quarter – Kuwait's gross domestic product fell 1.2% in the second quarter from the previous quarter, the government said in a statement on Sunday. The Gulf state's GDP totalled 9.7 billion dinars (\$31.95 billion) at the end of the second quarter. The oil sector accounted for 53.7% of GDP during the period, down from 54.1% the same period a year earlier, the statement said.

Dubai Islamic Bank set to raise \$750m in 5-year sukuk – Dubai Islamic Bank, the largest Islamic bank in the United Arab Emirates, is set to raise \$750 million via a 5-year sukuk, or Islamic bonds, a document showed on Thursday. The transaction received orders of around \$2 billion, including \$433 million from the banks working on the deal, according to the document. The sukuk offer investors 140 basis points over midswaps, according to the document.

Saudi non-oil GDP forecast to rise 3% in 2019, 2020: IIF – Saudi Arabia's non-oil growth is expected to accelerate to 3% percent in 2019 and 2020, as private sector confidence improves and the monetary stance eases, the Institute of International Finance (IIF) said in a recent report. The PMI rose to 57.8 in October - the highest in three years - and point of sale transactions continue to expand, the report added. Separately, banks remain adequately capitalized, liquid assets to total assets have increased and the loan-to-deposit ratio remains well below SAMA's regulatory limit of 90%, the IIF said. Furthermore, banks' profitability in the Kingdom remains "less sensitive to changes in policy rates", and non-performing loans (NPLs) are low at around 2% of total loans, it noted.

Egypt's central bank makes third straight cut to interest rates – Egypt's central bank cut its key interest rates on Thursday for the third consecutive time, after inflation fell to its lowest in nearly 14 years and central banks continued to ease monetary policy globally. The overnight deposit and lending rates were cut by 100 basis points to 12.25% and 13.25% respectively.

S&P downgrades Lebanon's credit rating amidst ongoing protests – S&P Global Ratings said on Friday that it lowered Lebanon's long-term and short-term foreign and local currency sovereign credit ratings to 'CCC/C' from 'B-/B', citing rising financial and monetary risks. The outlook on Lebanon is negative, S&P said, specifying that it reflects the risk to Lebanon's creditworthiness from rising financial and monetary pressures tied to recent widespread protests and the resignation of the government. Confidence in the country's governance and its economy is falling, which has led to a reversal in bank deposit inflows, S&P noted, adding that the Lebanese government will need external donor support or a major domestic reform package to continue its general government debt.

GCC Sovereign Yields (17 November 2019)

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	2.45	9.04	KSA	2025	2.53	7.85
Abu Dhabi	2047	3.35	18.24	KSA	2029	2.97	11.36
Bahrain	2024	3.63	7.98	KSA	2049	3.93	22.07
Bahrain	2029	4.83	16.48	Oman	2025	4.36	12.76
Bahrain	2047	6.11	21.81	Oman	2029	5.78	1.32
Dubai	2023	2.55	3.91	Oman	2048	7.07	15.61
Dubai	2029	3.21	9.06	Qatar	2024	2.22	4.44
Kuwait	2022	2.01	3.16	Qatar	2028	2.59	9.24
Kuwait	2027	2.38	7.44	Qatar	2049	3.58	21.77

Source: Bloomberg

Bonds and Sukuk Indices (17 November 2019)

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	3.30	7.31	-0.01	12.97
S&P MENA Bond and Sukuk Index	3.04	NA	-0.02	12.40
Bloomberg Emerging Markets USD Index	5.01	6.25	-0.02	11.14
Bloomberg Global Aggregate Index	1.43	7.30	0.10	6.07

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	17/11/2019	31/12/2018	17/11/2019	31/12/2018	17/11/2019	31/12/2018
KIBOR	2.7500	1.8750	2.9375	2.0625	3.1250	2.3750
SAIBOR	2.2286	1.8988	2.2500	2.0875	2.2971	2.2863
BHIBOR	2.4000	2.4500	2.8367	2.9000	2.9167	3.2750
QATAR	2.3500	2.7342	2.4500	2.8868	2.7125	3.0468
AEIBOR	2.1392	1.8310	2.2563	2.0513	2.2551	2.5648
EURIBOR	-0.4040	-0.3290	-0.3330	-0.2710	-0.2690	-0.1860
LIBOR	1.9026	1.6858	1.9185	1.8336	1.9610	2.1022

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	1.737	0.4	-37.0
2-Year	1.632	0.9	-38.7
5-Year	1.607	1.4	-37.7
7-Year	1.650	1.4	-37.1
10-Year	1.736	1.4	-36.0
30-Year	1.915	0.8	-32.5

Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3039	0.0198	-0.07%
SAR	3.7503	0.0000	0.03%
BHD	0.3771	0.0000	-0.03%
QAR	3.6646	0.0000	-0.23%
OMR	0.3855	0.0026	0.00%
AED	3.6730	0.0000	0.00%

US Treasuries

	Yield %	1D Δ (%)
2-Year	1.61	-0.03%
5-Year	1.65	-0.08%
10-Year	1.83	-0.09%
30-Year	2.30	-0.09%

UK Gilts

	Yield %	1D Δ (%)
2-Year	0.55	-0.09%
5-Year	0.51	-0.03%
10-Year	0.73	-0.06%
30-Year	1.26	0.03%

German Bunds

	Yield %	1D Δ (%)
2-Year	-0.40	0.08%
5-Year	-0.66	-0.05%
10-Year	-0.48	-0.05%
30-Year	0.16	0.19%

	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 Δ (%)
Abu Dhabi	40.560		-36.60
Kuwait	39.900		-35.15
Dubai	114.210		-6.54
Bahrain	201.380		-27.42
Qatar	40.800		-48.09
KSA	64.370		-36.71
Egypt	294.520		-21.01
Lebanon	1846.140		147.12
Turkey	306.649		-14.68
Iraq	338.030		-24.09
Morocco	84.950		-14.18
China	37.781		-42.52
France	17.960		-49.53
Germany	7.700		-36.04
Japan	21.156		-10.02
UK	28.06		-23.32
US	12.42		-31.31