

## News Updates

**Saudi Arabia May Be Tempted to Sell Debt Soon** – Brent crude’s rebound to the highest since February and now-harmonious relations with Qatar set up a chance for Saudi Arabia to return to global debt markets. The world’s largest crude exporter could attract strong demand to its planned offering of about \$5 billion without having to pay a big premium over the existing yield curve -- despite rising U.S. yields and investor concerns that President-elect Joe Biden may be less tolerant of the kingdom’s human rights record. Saudi dollar bonds have probably already been penalized after trailing other Gulf Arab states since the start of the year with losses of 1.3%. That makes its current yields attractive. Saudi Arabia’s debt due 2050 is trading at a yield that’s 24bps higher than Indonesia’s security of similar maturity even though the Gulf Arab sovereign is rated four levels higher than the Asian nation by Moody’s. And yet it’s still cheap for the kingdom to borrow. The yield on Saudi Arabia’s bond maturing in 2029, at 2.06%, is around 90 basis points lower than a year ago and less than half of what it was when it was issued in January 2019. *(Source: Bloomberg)*

**EM Hard Currency Bond Sales May Decline in 2021: Morgan Stanley** – Emerging-market sovereigns will probably sell a gross total of \$209 billion in hard-currency debt this year, down from a record \$234 billion in 2020, according to estimates by Morgan Stanley. Mexico, the United Arab Emirates and Israel could see largest drop in issuance at over \$7.5b in 2021 compared with 2020, strategists including Simon Waever and Jaiparan Khurana wrote in a report. Saudi Arabia is expected to be the largest issuer with \$14.5b worth of bond sales, followed by the UAE and Indonesia, which are likely to issue \$13b each. High-yield issuance may climb by \$9b to \$76b, while investment-grade debt sales will probably fall by \$34b to \$133b. Local-bond issuance is likely to fall, driven by the largest regional issuers, including China, Brazil and Russia. *(Source: Bloomberg)*

**Fed’s Brainard Says Bond Buying Needed for ‘Quite Some Time’** – Federal Reserve Governor Lael Brainard pushed back against suggestions the central bank could taper its bond-buying program later this year, arguing the U.S. economy will need that monetary support for “quite some time.” “The economy is far away from our goals in terms of both employment and inflation, and even under an optimistic outlook, it will take time to achieve substantial further progress,” Brainard said Wednesday in a virtual speech to the Canadian Association for Business Economics. “Given my baseline outlook, I expect that the current pace of purchases will remain appropriate for quite some time.” The Fed last month signaled interest rates would stay near zero at least through 2023 to help the U.S. economy recover from the Covid-19 pandemic, and pledged to keep buying bonds at a \$120 billion monthly pace until “substantial further progress” had been made on its employment and inflation goals. *(Source: Bloomberg)*

## GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.84	-0.37	KSA	2025	1.20	-0.14
Abu Dhabi	2030	1.64	-0.61	KSA	2030	2.18	-1.25
Abu Dhabi	2050	2.90	-2.87	KSA	2050	3.49	-3.79
Bahrain	2026	3.34	-0.40	Oman	2025	4.23	-0.43
Bahrain	2030	5.09	-2.26	Oman	2029	5.58	-1.18
Bahrain	2047	6.29	-2.35	Oman	2048	6.97	-2.75
Dubai	2029	2.46	0.28	Qatar	2025	0.92	-0.28
Kuwait	2022	0.30	-0.29	Qatar	2030	1.71	-0.79
Kuwait	2027	1.25	-0.86	Qatar	2050	2.97	-2.67

## 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	B2	NR	B
Morocco	Ba1	BBB-	BB+
US	Aaa	AA+u	AAA
UK	Aa2	AAu	AA-
China	A1	A+	A+

## Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.53	8.08	0.22	-0.93
S&P MENA Bond and Sukuk Index	2.09	NA	0.19	-1.07
Bloomberg Emerging Markets USD Index	3.66	6.80	0.23	-1.16
Bloomberg Global Aggregate Index	0.87	7.42	0.36	-0.62

## Interbank Rates (%)

	3 Months		6 Months		12 Months	
	14/1/2021	31/12/2020	14/1/2021	31/12/2020	14/1/2021	31/12/2020
KIBOR	1.4375	1.4375	1.6875	1.6875	1.9375	1.9375
SAIBOR	0.8175	0.8175	0.8675	0.8700	0.9400	0.9413
BHIBOR	2.2333	2.2500	2.5000	2.5333	2.6667	2.6833
QATAR	1.0849	1.1206	1.1625	1.1960	1.2923	1.3636
AEIBOR	0.3625	0.5125	0.5400	0.4908	0.5525	0.6538
EURIBOR	-0.5490	-0.5450	-0.5300	-0.5260	-0.5060	-0.4990
LIBOR	0.2338	0.2384	0.2476	0.2576	0.3256	0.3419

## USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.2037	0.03	5.8
2-Year	0.2189	0.25	10.7
5-Year	0.5591	1.73	30.0
7-Year	0.8264	2.03	26.2
10-Year	1.1169	2.42	20.7
30-Year	1.5928	2.12	13.6

## Currencies

	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3031	-0.0330	0.07
SAR	3.7517	0.0000	0.00
BHD	0.3770	-0.0027	0.00
QAR	3.6420	0.0027	0.00
OMR	0.3850	0.0000	0.00
AED	3.6730	0.0000	0.00

## US Treasuries

	Yield %	1D Δ (%)
2-Year	0.15	-0.01
5-Year	0.49	-0.08
10-Year	1.11	-0.21
30-Year	1.84	-0.46

## UK Gilts

	Yield %	1D Δ (%)
	-0.13	0.05
	-0.02	0.10
	0.30	0.52
	0.87	1.27

## German Bunds

	Yield %	1D Δ (%)
	-0.68	0.01
	-0.75	0.10
	-0.61	0.46
	-0.13	1.73

Source: Bloomberg

## USD 5Yr CDS

	14-Jan 2021	31-Dec 2020
Kuwait	41.68	40.69
KSA	63.88	63.77
Abu Dhabi	41.45	36.03
Dubai	98.77	104.06
Qatar	41.29	36.70
Bahrain	234.99	233.58
Oman	345.41	353.60
Iraq	573.36	542.74
Egypt	310.93	330.47
Morocco	101.68	102.56
Turkey	317.15	299.47
US	11.31	11.52
UK	15.18	15.13
China	29.21	26.70
Japan	13.78	14.74
Germany	9.46	9.09
France	14.21	14.42