

## News Updates

**Fiscal Nightmare Ties Up Kuwait Crisis Stimulus With 40% Deficit** – Crisis economics gets complicated when the budget deficit could be equivalent to two-fifths of a nation's entire output. It's the case in Kuwait, among the world's richest nations, which has so far mustered one of the smaller packages of fiscal stimulus among Gulf Arab economies. A government announcement this week that could result in added assistance for Kuwaitis in the private sector might stretch the budget deficit further. National Bank of Kuwait SAK, the country's biggest lender, already predicts the shortfall will reach 40% of gross domestic product in the fiscal year that started April 1, or double what Fitch Ratings forecast a month ago. That would be the most since the 1991 Gulf War and its aftermath. No country is expected to run a deficit in excess of 30% this calendar year, according to the International Monetary Fund.

**Gulf sovereign bonds rally on oil price recovery** – Gulf sovereign bonds rallied on Wednesday, particularly those with longer maturities, boosted by a recovery in oil prices over the past month as demand improved. Saudi dollar bonds maturing in 2060 gained 2.3 cents to trade at 109.7 cents on the dollar. Qatari government bonds also rallied, while Omani and Bahraini notes saw small changes. Three fund managers said the recovery in oil prices helped lift the hydrocarbon-dependent region's debt markets, which also posted strong gains on Monday on the back of a global markets rally. Brent crude traded at \$35.16 a barrel on Wednesday, up from \$29.19 a week ago and a low of \$19.33 on April 21. Oman, among the weakest credits in the region, saw the yield on its 30-year bonds due in 2048 fall to 8.8% on Wednesday from 10.4% a month ago. The yield on those notes peaked at 12.1% in March.

**Qatar offers Turkey relief by tripling FX swap line to \$15 bln** – Turkey secured a tripling of its currency-swap agreement with Qatar to \$15 billion, the central bank said on Wednesday, providing some much-needed foreign funding to reinforce its depleted reserves and help steady the Turkish lira. Ankara had been urgently seeking access to funds from Doha and elsewhere to head off a potential currency spiral, and analysts say tens of billions of dollars might be needed. A senior Turkish official told Reuters talks are continuing. Turkey's central bank said the deal with its Qatari counterpart - which raised the existing FX limit from the equivalent of \$5 billion - would support financial stability and trade. The lira touched a historic low earlier this month as investors fretted over a drop in the central bank's net FX reserves and the country's relatively high foreign debt obligations, accelerating Ankara's overseas funding search.

**Egypt May Cut Dependence on Local Debt Auctions to June** – Egypt may reduce the amount it will accept in its Treasury bill and bond auctions through June, the Finance Ministry says in a statement. Ministry targeting cutting debt cost by diversifying financing sources. The accepted amounts of T-bills and bonds may be reduced after the country secured \$2.8 billion from the International Monetary Fund under the lender's emergency Rapid Financing Instrument.

## GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	1.86	3.09	KSA	2025	1.94	1.15
Abu Dhabi	2047	3.13	0.88	KSA	2029	2.46	2.14
Bahrain	2024	4.97	-6.13	KSA	2049	3.81	0.39
Bahrain	2029	6.39	-12.89	Oman	2025	5.87	-8.32
Bahrain	2047	7.36	-17.37	Oman	2029	7.68	-15.62
Dubai	2023	1.86	0.90	Oman	2048	8.52	-19.90
Dubai	2029	3.39	-2.75	Qatar	2024	1.54	1.70
Kuwait	2022	0.99	1.15	Qatar	2028	2.23	1.14
Kuwait	2027	1.73	2.80	Qatar	2049	3.41	1.16

	Sovereign Ratings		
	Moody's	S&P	Fitch
Kuwait	Aa2	AA-	AA
KSA	A1	A-u	A
UAE	Aa2	NR	NR
Abu Dhabi	Aa2	AA	AA
Qatar	Aa3	AA-	AA-
Bahrain	B2u	B+	BB-
Oman	Ba2	BB-	BB
Egypt	B2	B	B+
Lebanon	Ca	SD	RD
Jordan	B1	B+	BB-
Turkey	B1	B+u	BB-
Tunisia	B2	NR	B
Morocco	Ba1	BBB-	BBB-
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	3.52	7.32	0.67	-0.68
S&P MENA Bond and Sukuk Index	2.80	NA	0.59	1.68
Bloomberg Emerging Markets USD Index	5.22	6.26	0.77	-3.83
Bloomberg Global Aggregate Index	1.04	7.33	0.40	1.44

## Interbank Rates (%)

	3 Months		6 Months		12 Months	
	21/05/2020	31/12/2019	21/05/2020	31/12/2019	21/05/2020	31/12/2019
KIBOR	1.6875	2.7500	1.9375	2.9375	2.1875	3.1875
SAIBOR	1.0971	2.2314	1.1557	2.2557	1.1886	2.3071
BHIBOR	2.3000	2.6667	2.3833	2.7000	2.5917	2.8333
QATAR	1.2094	2.2500	1.2482	2.3500	1.3649	2.5333
AEIBOR	0.9506	2.2086	1.1072	2.1914	1.2210	2.2900
EURIBOR	-0.2590	-0.3830	-0.1380	-0.3240	-0.0750	-0.2490
LIBOR	<b>0.3741</b>	<b>1.9084</b>	<b>0.5904</b>	<b>1.9121</b>	<b>0.7219</b>	<b>1.9963</b>

## USD Swap Rates

	Currencies		
	Yield %	1D Δ (bps)	YTD Δ (%)
1-Year	0.2898	-0.20	-83.6
2-Year	0.2484	-0.29	-85.4
5-Year	0.3666	-0.59	-78.8
7-Year	0.4979	-0.73	-72.3
10-Year	0.6571	-0.85	-65.3
30-Year	0.9225	-0.72	-55.9

## Currencies

	USD		
	USD	1D Δ (bps)	YTD Δ (%)
KWD	0.3089	0.0000	-1.86
SAR	3.7580	0.0000	-0.13
BHD	0.3777	0.0000	-0.10
QAR	3.6414	0.0055	0.01
OMR	0.3850	0.0000	0.01
AED	3.6731	0.0000	0.00

## US Treasuries

	Yield %	1D Δ (%)
2-Year	0.16	0.01
5-Year	0.33	0.03
10-Year	0.68	0.05
30-Year	1.39	0.17

## UK Gilts

	Yield %	1D Δ (%)
2-Year	-0.03	-0.01
5-Year	0.05	0.04
10-Year	0.23	0.20
30-Year	0.61	0.71

## German Bunds

	Yield %	1D Δ (%)
2-Year	-0.67	0.00
5-Year	-0.68	0.01
10-Year	-0.50	0.04
30-Year	-0.06	0.30

Source: Bloomberg

USD 5Yr CDS	21-May 2020	31-Dec 2019
Kuwait	90.680	36.700
KSA	134.190	56.915
Abu Dhabi	90.860	36.090
Dubai	229.590	91.005
Qatar	91.070	36.705
Bahrain	436.540	175.995
Oman	662.230	234.400
Iraq	1122.070	383.680
Egypt	581.630	277.420
Morocco	148.010	91.435
Turkey	539.020	282.130
US	14.490	10.810
UK	29.970	16.210
China	45.100	31.205
Japan	24.700	21.042
Germany	19.500	7.080
France	35.050	16.130