

News Updates

Moody's: Continuous delay in implementing reforms affects the effectiveness of fiscal policy – Moody's, the credit rating agency, reported that the continuous delay, driven by political considerations, in implementing reforms in Kuwait, such as the introduction of value-added tax and the review of public sector wages in particular, affects the effectiveness of fiscal policy in Kuwait, and expects the fiscal deficit to remain wide even with the recovery of oil prices. The agency pointed out that the tense relationship between the government and the National Assembly extended to include financing issues in recent years, as the continuation of the impasse over the new public debt law and benefiting from the assets of the Future Generations Fund has raised the liquidity crisis and the risks of non-payment of government bonds. The sources told Al-Rai that the possibility of the executive and legislative authorities continuing to provide only piecemeal measures will make uncertainty regarding the medium-term funding situation persist, as long as the government suffers from a financial deficit, explaining that the longer the legislative impasse, the higher the liquidity risks, which may arise from the depletion of available liquid resources and the inability of the General Reserve Fund to collect funds before the maturity dates of Kuwaiti bonds. *(Source: The Times Kuwait)*

Oil Holds Above \$80 With Global Power Shortage Boosting Demand – Oil held above \$80 a barrel on expectations that a power crisis from Asia to Europe will lift demand and tighten global balances. West Texas Intermediate futures edged higher in Asian trading after closing up 1.5% on Monday. Oil markets are tightening rapidly in the run-up to the Northern Hemisphere winter as shortages of natural gas and coal boost demand for alternative power generation fuels such as diesel and fuel oil. The OPEC+ alliance's caution in restoring supply is adding to the upward price pressure. The switching is changing the U.S. crude benchmark's market structure, pushing it deeper into backwardation, a bullish pattern that indicates a dearth of supply. It's also prompting an upgrade of price forecasts, with Citigroup Inc. raising its fourth-quarter Brent forecast to \$85 a barrel and saying it could spike to \$90 at times on factors including gas-to-oil substitution this winter. OPEC+ will likely struggle to meet demand growth for the rest of the year, according to Vivek Dhar, an analyst at Commonwealth Bank of Australia. *(Source: Bloomberg)*

Two-year treasury yields hit 18-month high as energy costs stoke inflation worries – Two-year Treasury yields leapt to a more than 18-month high on Tuesday as investors sold U.S. debt, reckoning that surging energy prices would fuel inflation and add to pressure on the Federal Reserve to raise interest rates. Prices for gas, coal, oil and other commodities have soared in recent weeks, and there is growing evidence that costs are flowing through supply chains. At the resumption of trade in Asia, two year yields rose 3.6 basis points to 0.3560%, before easing a little bit to 0.3497%. That extended the sell-off in two-year Treasuries to a sixth consecutive session. The yield was at its highest since late March 2020, when investors sold debt in the days after the Fed dropped its benchmark rate to near zero. Five-year yields rose nearly 4 bps to 1.095% in Asia, their highest since late February 2020 and benchmark 10-year yields touched a four-month high of 1.6310%. The 10-year yield has now climbed about 30 basis points in three weeks, with even softer-than-expected U.S. labour data last week insufficient to staunch the sell off or shake markets' belief that the Fed is on course to begin rate rises next year. *(Source: Reuters)*

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	1.00	-1.91	KSA	2025	1.28	-1.52
Abu Dhabi	2030	2.09	-4.57	KSA	2030	2.42	-3.66
Abu Dhabi	2050	3.21	-8.34	KSA	2050	3.69	-7.13
Bahrain	2026	4.33	-5.71	Oman	2025	3.46	1.63
Bahrain	2030	5.89	-8.03	Oman	2029	5.04	2.06
Bahrain	2047	7.39	-14.31	Oman	2048	6.80	-0.71
Dubai	2029	2.52	-1.21	Qatar	2025	1.18	-2.74
Kuwait	2022	0.00	-1.88	Qatar	2030	2.20	-5.31
Kuwait	2027	1.47	-3.32	Qatar	2050	3.32	-8.54

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.75	8.08	0.00	-0.44
S&P MENA Bond and Sukuk Index	2.34	NA	-0.04	-1.02
Bloomberg Emerging Markets USD Index	4.28	6.80	-0.21	-1.92
Bloomberg Global Aggregate Index	1.24	7.42	-0.21	-4.61

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	12/10/2021	31/12/2020	12/10/2021	31/12/2020	12/10/2021	31/12/2020
KIBOR	1.5000	1.4375	1.7500	1.6875	2.0000	1.9375
SAIBOR	0.8157	0.8175	0.8614	0.8700	0.9343	0.9413
BHIBOR	1.5167	2.2500	1.6250	2.5333	1.8000	2.6833
QATAR	1.1500	1.1206	1.2000	1.1960	1.3500	1.3636
AEIBOR	0.3124	0.5125	0.4386	0.4908	0.4619	0.6538
EURIBOR	-0.5480	-0.5450	-0.5180	-0.5260	-0.4820	-0.4990
LIBOR	0.1211	0.2384	0.1565	0.2576	0.2470	0.3419

USD Swap Rates			Currencies			Commodities				
Yield %	1D Δ (bps)	YTD Δ (%)	USD	1D Δ (bps)	YTD Δ (%)	USD	YTD Δ (%)			
1-Year	0.1928	0.97	0.2	KWD	0.3019	-0.0663	0.48	Gold	1,759.50	-7.94
2-Year	0.4560	0.46	130.5	SAR	3.7509	-0.0053	0.02	Silver	22.59	-15.25
5-Year	1.1501	0.30	167.5	BHD	0.3770	0.0027	0.01	Copper	430.60	22.19
7-Year	1.4044	-3.16	114.5	QAR	3.6421	0.0027	0.00	Nat. Gas	5.27	88.63
10-Year	1.6216	-1.14	75.3	OMR	0.3850	-0.0026	0.00	Aluminum	3,048.50	52.14
30-Year	1.9023	-1.52	35.7	AED	3.6731	0.0000	0.00	Crude Oil	83.59	64.71

US Treasuries			UK Gilt		German Bunds	
Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)	
2-Year	0.35	-0.05	0.57	0.03	-0.76	0.00
5-Year	1.07	-0.05	0.79	0.05	-0.68	0.01
10-Year	1.60	0.08	1.18	0.10	-0.29	0.04
30-Year	2.15	0.34	1.51	0.14	0.35	0.04

	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+

USD 5Yr CDS	12-Oct 2021	31-Dec 2020
Kuwait	46.48	40.69
KSA	53.25	63.77
Abu Dhabi	43.96	36.03
Dubai	91.47	104.06
Qatar	43.28	36.70
Bahrain	284.08	233.58
Oman	260.27	353.60
Iraq	503.41	542.74
Egypt	458.90	330.47
Morocco	96.56	102.56
Turkey	440.57	299.47
US	11.88	11.52
UK	8.04	15.13
China	58.29	26.70
Japan	17.11	14.74
Germany	8.03	9.09
France	19.66	14.42