

News Updates

S&P Downgrades Kipco to BB-; Outlook Negative – Despite a sizable capital injection in 2019, Kuwait Projects Co. (Holding) K.S.C.'s (KIPCO's) leverage continued to increase markedly, while its investment performance remained weak. Two of its largest companies, OSN and UGH (both, unrated), reported large losses and received capital injections in 2020. Consequently, they revised their investment position assessment and business risk profile for KIPCO to weak. KIPCO will face large maturities in 2023, and its cash flow from investments is likely to remain muted over this time. Although they foresee no immediate liquidity pressure, they no longer see its financial policy as more favorable than peers'. They therefore negatively reassessed the group's liquidity to adequate from strong. They lowered their long-term issuer credit rating on KIPCO to 'BB-' from 'BB', and their Gulf Cooperation Council regional scale rating to 'gcBBB-' from 'gcBBB+'. As of March 31, 2021, their adjusted loan-to-value (LTV) for KIPCO is well above the 60% threshold. They continue to assume some capital injection from the shareholder to soften a more pronounced erosion of the LTV profile, but it may not be sufficient for a sustainable improvement. Conversely, in absence of such support, they see the potential risk of a more than one notch negative rating action. The negative outlook predominantly reflects their view of significant continued pressure on KIPCO's LTV and its portfolio credit quality given the weak performance of its key portfolio companies. Furthermore, the absence of shareholder support to ease the pressure on the LTV profile would indicate the potential for a multi-notch downgrade. (Source: S&P)

Arabian Centres starts issuing USD-denominated Sukuk – Arabian Centres Company has commenced issuing Shariah-compliant Sukuk in USD, according to a bourse disclosure on Tuesday. The USD-denominated Sukuk will be part of outstanding notes worth \$650 million that were issued on 7 April 2021 and are due in 2026. Arabian Centres will later announce the size and value of the Sukuk. The listed firm appointed Goldman Sachs International and HSBC as joint global coordinators and joint bookrunners for the transaction. The company first unveiled its intention to issue USD-denominated Sukuk last March. (Source: Mubasher)

Fitch affirms United States debt rating at 'AAA' – Ratings agency Fitch affirmed the United States' sovereign debt rating at “AAA” on Tuesday, citing the strength of the country's per capita income and the size of the economy. The agency also maintained its outlook at “negative” and said it considered U.S. debt tolerance to be higher than that of other “AAA” sovereigns. (Source: Reuters)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	0.72	-0.64	KSA	2025	1.13	-0.60
Abu Dhabi	2030	2.00	-3.82	KSA	2030	2.28	-2.49
Abu Dhabi	2050	3.06	-5.97	KSA	2050	3.55	-4.96
Bahrain	2026	3.82	-3.28	Oman	2025	3.32	2.36
Bahrain	2030	5.50	-5.47	Oman	2029	5.01	2.44
Bahrain	2047	6.85	-8.81	Oman	2048	6.73	0.19
Dubai	2029	2.47	-0.39	Qatar	2025	0.93	-1.36
Kuwait	2022	-0.15	-1.17	Qatar	2030	2.05	-4.00
Kuwait	2027	1.29	-2.14	Qatar	2050	3.18	-6.44

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.62	8.08	-0.02	-0.04
S&P MENA Bond and Sukuk Index	2.21	NA	-0.04	-0.54
Bloomberg Emerging Markets USD Index	3.86	6.80	-0.12	-0.57
Bloomberg Global Aggregate Index	1.08	7.42	-0.19	-2.85

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	14/7/2021	31/12/2020	14/7/2021	31/12/2020	14/7/2021	31/12/2020
KIBOR	1.5000	1.4375	1.7500	1.6875	2.0000	1.9375
SAIBOR	0.7929	0.8175	0.8443	0.8700	0.9143	0.9413
BHIBOR	1.6417	2.2500	1.7333	2.5333	1.8667	2.6833
QATAR	1.1307	1.1206	1.2095	1.1960	1.3388	1.3636
AEIBOR	0.3800	0.5125	0.5300	0.4908	0.5140	0.6538
EURIBOR	-0.5430	-0.5450	-0.5110	-0.5260	-0.4930	-0.4990
LIBOR	0.1329	0.2384	0.1544	0.2576	0.2445	0.3419

USD Swap Rates

	Yield %	1D Δ (bps)	YTD Δ (%)	Currencies			Commodities			
				USD	1D Δ (bps)	YTD Δ (%)	USD	YTD Δ (%)		
1-Year	0.1729	-0.22	-10.2	KWD	0.3007	0.0000	0.88	Gold	1,813.50	-4.84
2-Year	0.3280	-0.35	65.8	SAR	3.7510	-0.0053	0.03	Silver	26.13	-1.75
5-Year	0.9143	-1.47	112.6	BHD	0.3770	0.0027	0.01	Copper	427.80	21.29
7-Year	1.1590	-1.84	77.1	QAR	3.6421	0.0000	-0.01	Nat. Gas	3.70	36.21
10-Year	1.3927	-2.13	50.5	OMR	0.3851	0.0000	-0.01	Aluminum	2,522.75	26.53
30-Year	1.7473	-2.93	24.6	AED	3.6731	0.0000	0.00	Crude Oil	76.25	48.93

US Treasuries

	Yield %	1D Δ (%)	UK Gilts		German Bunds	
			Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	0.25	0.00	0.08	0.00	-0.69	0.00
5-Year	0.83	0.07	0.29	0.01	-0.70	0.00
10-Year	1.40	0.18	0.63	0.20	-0.45	0.00
30-Year	2.02	0.54	1.12	0.77	0.20	-0.15

Sovereign Ratings

	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	B3	NR	B
Morocco	Ba1	BB+	BB+
US	Aaa	AA+u	AAA
UK	Aa3	AAu	AA-
China	A1	A+	A+
USD 5Yr CDS	14-Jul 2021	31-Dec 2020	
Kuwait	45.54	40.69	
KSA	55.60	63.77	
Abu Dhabi	40.53	36.03	
Dubai	84.18	104.06	
Qatar	41.20	36.70	
Bahrain	224.26	233.58	
Oman	249.58	353.60	
Iraq	518.03	542.74	
Egypt	344.97	330.47	
Morocco	90.78	102.56	
Turkey	387.60	299.47	
US	7.21	11.52	
UK	7.75	15.13	
China	36.77	26.70	
Japan	16.11	14.74	
Germany	8.96	9.09	
France	20.03	14.42	