

News Updates

Kuwait plans taxes and sovereign bonds to balance budget, says minister – Bond sales and indirect taxation are part of Kuwait's strategy to address its budget deficit, Al-Jarida paper reported, citing the country's finance minister Minister Khalifa Hamada made the remarks in response to a parliamentary question about the government's strategy. Taxes are selective, "imposed at high varying rates on the selling price of goods harmful to public health and the environment, in addition to luxury goods specified by law," in addition to value-added tax, Hamada explained. There is need for cooperation between the government and the parliament "to allow the issuance of bonds, and the orderly and limited withdrawal from the Future Generations Reserve Fund, to cover the deficit as a temporary measure, pending the completion of the reforms contained in the government's work program," the newspaper quoted the minister as saying. (Source: Arab News)

Turkey Holds Rates Again as Inflation Rules Out Summer Cut – Turkey's central bank kept its benchmark interest rate unchanged for a fourth month on Wednesday, as rising prices and a weakening lira blight the economy's recovery from pandemic lockdowns. The Monetary Policy Committee held its one-week repo rate at 19%. Turkish inflation accelerated faster than all estimates in June due to rising global commodity prices and the easing of coronavirus restrictions, leaving little room for the reduction in borrowing costs President Recep Tayyip Erdogan has sought for July or August. The central bank said it'll maintain its current monetary stance until a significant drop in price growth, and warned of "possible volatility" in inflation during the summer as the economy reopens. (Source: Bloomberg)

Yields fall as Powell sticks to view that inflation is transitory – U.S. Treasury yields fell after Federal Reserve Chair Jerome Powell on Wednesday maintained his view that strong inflation will be temporary, even after data showed for the second day that price pressures rose more than expected in June. U.S. monetary policy will offer "powerful support" to the economy "until the recovery is complete," and any move to pull back support for the economy, by first slowing the U.S. central bank's \$120 billion in monthly bond purchases, is "still a ways off," Powell said. Powell addressed concerns that inflation posed new risks of its own, saying the pace of price increases was faster than expected but would be "moderating," language that indicated he saw no need to rush the shift towards post-pandemic policy. Benchmark 10-year yields fell six basis points on Wednesday to 1.356%. The yield curve between two-year and 10-year notes flattened to 112 basis points. Inflation expectations dipped slightly, with breakeven rates on five-year Treasury Inflation-Protected Securities (TIPS) falling to 2.56%, from 2.60% earlier on Wednesday. Long-dated Treasury yields have dropped and the yield curve has flattened as investors take the view that much of the growth boost from business reopenings has already been seen and that any reduction in the Fed's unprecedented stimulus will result in slower growth. (Source: Reuters)

GCC Sovereign Yields

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2025 | 0.73 | -0.63 | KSA | 2025 | 1.12 | -0.59 |
| Abu Dhabi | 2030 | 2.00 | -3.83 | KSA | 2030 | 2.27 | -2.42 |
| Abu Dhabi | 2050 | 3.05 | -5.63 | KSA | 2050 | 3.54 | -4.78 |
| Bahrain | 2026 | 3.77 | -3.17 | Oman | 2025 | 3.31 | 2.36 |
| Bahrain | 2030 | 5.46 | -5.22 | Oman | 2029 | 5.02 | 2.37 |
| Bahrain | 2047 | 6.83 | -8.65 | Oman | 2048 | 6.72 | 0.32 |
| Dubai | 2029 | 2.46 | -0.39 | Qatar | 2025 | 0.92 | -1.38 |
| Kuwait | 2022 | -0.10 | -1.21 | Qatar | 2030 | 2.06 | -4.05 |
| Kuwait | 2027 | 1.29 | -2.09 | Qatar | 2050 | 3.19 | -6.58 |

Bonds and Sukuk Indices

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 2.62 | 8.08 | -0.02 | -0.06 |
| S&P MENA Bond and Sukuk Index | 2.20 | NA | 0.03 | -0.51 |
| Bloomberg Emerging Markets USD Index | 3.84 | 6.80 | 0.22 | -0.36 |
| Bloomberg Global Aggregate Index | 1.06 | 7.42 | 0.21 | -2.65 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|-----------|------------|-----------|------------|-----------|------------|
| | 15/7/2021 | 31/12/2020 | 15/7/2021 | 31/12/2020 | 15/7/2021 | 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 | 0.3775 | 0.5125 | 0.4446 | 0.4908 | 0.5262 | 0.6538 |
| EURIBOR | -0.5460 | -0.5450 | -0.5130 | -0.5260 | -0.4900 | -0.4990 |
| LIBOR | 0.1261 | 0.2384 | 0.1515 | 0.2576 | 0.2433 | 0.3419 |

USD Swap Rates

| | Yield % | 1D Δ (bps) | YTD Δ (%) | Currencies | | | Commodities | | | |
|---------|---------|------------|-----------|------------|------------|-----------|-------------|-----------|----------|-------|
| | | | | USD | 1D Δ (bps) | YTD Δ (%) | USD | YTD Δ (%) | | |
| 1-Year | 0.1618 | -0.21 | -15.9 | KWD | 0.3008 | -0.0499 | 0.83 | Gold | 1,827.40 | -4.11 |
| 2-Year | 0.3045 | 0.02 | 53.9 | SAR | 3.7509 | 0.0000 | 0.02 | Silver | 26.39 | -0.75 |
| 5-Year | 0.8741 | -0.50 | 103.3 | BHD | 0.3771 | -0.0027 | 0.00 | Copper | 429.50 | 21.77 |
| 7-Year | 1.1054 | -0.99 | 68.9 | QAR | 3.6417 | 0.0192 | 0.01 | Nat. Gas | 3.67 | 35.03 |
| 10-Year | 1.3280 | -1.46 | 43.5 | OMR | 0.3851 | 0.0026 | -0.01 | Aluminum | 2,510.30 | 25.91 |
| 30-Year | 1.6811 | -1.65 | 19.9 | AED | 3.6731 | 0.0000 | 0.00 | Crude Oil | 74.25 | 45.02 |

US Treasuries

| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
|---------|---------|----------|---------|----------|---------|----------|
| 2-Year | 0.23 | 0.00 | 0.07 | 0.01 | -0.71 | 0.00 |
| 5-Year | 0.79 | 0.04 | 0.29 | -0.02 | -0.72 | 0.00 |
| 10-Year | 1.33 | 0.14 | 0.62 | 0.04 | -0.47 | 0.00 |
| 30-Year | 1.95 | 0.43 | 1.10 | 0.51 | 0.17 | 0.00 |

UK Gilts

| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
|---------|---------|----------|---------|----------|---------|----------|
| 2-Year | 0.23 | 0.00 | 0.07 | 0.01 | -0.71 | 0.00 |
| 5-Year | 0.79 | 0.04 | 0.29 | -0.02 | -0.72 | 0.00 |
| 10-Year | 1.33 | 0.14 | 0.62 | 0.04 | -0.47 | 0.00 |
| 30-Year | 1.95 | 0.43 | 1.10 | 0.51 | 0.17 | 0.00 |

German Bunds

| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
|---------|---------|----------|---------|----------|---------|----------|
| 2-Year | 0.23 | 0.00 | 0.07 | 0.01 | -0.71 | 0.00 |
| 5-Year | 0.79 | 0.04 | 0.29 | -0.02 | -0.72 | 0.00 |
| 10-Year | 1.33 | 0.14 | 0.62 | 0.04 | -0.47 | 0.00 |
| 30-Year | 1.95 | 0.43 | 1.10 | 0.51 | 0.17 | 0.00 |

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 | 15-Jul 2021 | 31-Dec 2020 | |
| Kuwait | 45.53 | 40.69 | |
| KSA | 55.07 | 63.77 | |
| Abu Dhabi | 40.46 | 36.03 | |
| Dubai | 84.43 | 104.06 | |
| Qatar | 41.35 | 36.70 | |
| Bahrain | 226.21 | 233.58 | |
| Oman | 244.95 | 353.60 | |
| Iraq | 517.20 | 542.74 | |
| Egypt | 344.72 | 330.47 | |
| Morocco | 90.65 | 102.56 | |
| Turkey | 385.08 | 299.47 | |
| US | 7.21 | 11.52 | |
| UK | 7.86 | 15.13 | |
| China | 36.41 | 26.70 | |
| Japan | 16.22 | 14.74 | |
| Germany | 9.14 | 9.09 | |
| France | 20.27 | 14.42 | |