

News Updates

Saudi Arabia’s PIF Launches \$2bn 7-year Islamic Bonds, Document Shows –Saudi Arabia's sovereign wealth fund, the Public Investment Fund (PIF), has launched \$2 billion dollar-denominated 7-year Islamic bonds or sukuk, according to an arranging bank document seen by Reuters. The bonds were launched at 85 basis points over U.S. Treasuries, tighter than the initial guidance of 115 bps over the same benchmark after the offer received a more than \$16 billion in orders, the document showed. *(Source: Reuters)*

The Big Bond Steepener Is Flopping as the Fed Delays Rate Cuts

– What was supposed to be the darling trade of 2024 has unraveled, thanks to the Federal Reserve upending predictions over how fast it would lower interest rates. The market entered January aggressively betting on sharp rate cuts. By doing so, traders looked to profit from the US Treasury yield curve returning to a traditional upward slope, a transition known as a steepener. That would put longer-dated yields back above their short-term equivalents, reflecting the usual need to be compensated for risk over time. Such calls have backfired as short-term yields went even further above long-term ones as a resilient economy and sticky inflation led Fed officials to push back hard against market speculation cuts would begin in March. Now, traders see the Fed’s first shift coming in June or possibly July, with total rate reductions for all of 2024 adding up to just slightly more than three-quarters of a percentage point. Those dynamics served as a headwind to the steepener trade, prompting a market-wide rethink. *(Source: Bloomberg)*

Fed’s Collins Repeats It is Likely Rate Cuts Will Begin This Year – The Federal Reserve will likely need to start cutting its benchmark overnight lending rate later this year, Boston Fed Bank President Susan Collins said on Wednesday. The U.S. central bank has kept interest rates unchanged since last July in the 5.25%-5.50% range after a steep hiking cycle in order to quash inflation that had risen to the highest level in 40 years. Fed policymakers have forecast three rate cuts this year but have made plain that they are waiting for more confidence in falling inflation before easing can begin. *(Source: Reuters)*

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	4.64	-1.35	KSA	2027	4.90	-1.17
Abu Dhabi	2031	4.65	-2.99	KSA	2032	5.04	-3.62
Abu Dhabi	2050	5.31	-5.35	KSA	2050	5.80	-5.87
Bahrain	2028	6.24	-1.84	Oman	2027	5.58	-1.65
Bahrain	2032	6.89	-2.05	Oman	2032	5.79	-3.16
Bahrain	2051	7.86	-2.72	Oman	2051	6.66	-4.14
Dubai	2029	4.49	-0.54	Qatar	2026	4.66	-0.73
Dubai	2050	5.77	-1.92	Qatar	2030	4.45	-2.30
Kuwait	2027	4.45	-0.82	Qatar	2050	5.27	-5.73

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	5.50	8.08	-0.03	-1.63
S&P MENA Bond and Sukuk Index	5.32	7.04	0.03	-1.89
Bloomberg Emerging Markets USD Index	7.25	6.80	0.13	-0.36
Bloomberg Global Aggregate Index	3.82	7.42	0.01	-2.84

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	29/02/2024	31/12/2023	29/02/2024	31/12/2023	29/02/2024	31/12/2023
KIBOR	4.31	4.00	4.50	4.25	4.69	4.56
SAIBOR	6.24	5.34	6.08	5.60	5.94	5.87
BHIBOR	6.38	6.14	6.38	6.27	6.38	6.55
QATAR	6.00	5.28	6.10	5.42	6.25	5.58
AEIBOR	5.13	4.31	5.14	4.94	5.28	5.04
EURIBOR	3.95	2.13	3.92	2.69	3.74	3.29
LIBOR	5.60	4.77	5.72	5.14	6.04	5.48

	USD Swap Rates			Currencies			Commodities			
	Yield %	1D Δ (bps)	YTD Δ (%)	USD	1D Δ (bps)	YTD Δ (%)	USD	YTD Δ (%)		
1-Year	5.06	0.07	6.5	KWD	0.3073	0.5630	0.56	Crude Oil	83.62	8.72
2-Year	4.54	0.26	11.7	SAR	3.7506	0.0027	-0.01	Gold	2,043.00	-2.33
5-Year	4.02	1.21	13.8	EUR	1.0836	-0.0185	-1.84	Silver	22.70	-6.69
7-Year	3.93	1.18	13.1	GBP	1.2666	0.0237	-0.52	Copper	385.15	-1.46
10-Year	3.89	1.03	12.1	JPY	149.9800	0.4734	-5.96	Nat. Gas	1.86	-19.49
30-Year	3.68	0.79	11.0	CNH	7.2110	0.0444	-1.18	Aluminum	2,158.20	-9.36

	US Treasuries		UK Gilts		German Bunds	
	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	4.65	-0.02	4.32	0.03	3.53	0.00
5-Year	4.27	-0.05	4.08	-0.01	2.55	0.04
10-Year	4.27	-0.07	4.18	0.09	2.39	0.07
30-Year	4.41	-0.09	4.64	0.19	2.59	0.34

Sovereign Ratings

	Moody's	S&P	Fitch
Kuwait	A1	A+	AA-
KSA	A1	Au	A+
UAE	Aa2	NR	AA-
Abu Dhabi	Aa2	AA	AA
Qatar	Aa2	AA	AA-
Bahrain	B2	B+	B+
Oman	Ba1	BB+	BB+
Egypt	Caa1	B-	B-
Lebanon	C	SD	RDu
Jordan	B1	B+	BB-
Turkey	B3	Bu	B
Tunisia	Caa2	NR	CCC-
Morocco	Ba1	BB+	BB+u
US	Aaa	AA+u	AAAu
UK	Aa3	AAu	AA-u
China	A1	A+	A+u

USD 5Yr CDS	29-Feb 2024	31-Dec 2023
Kuwait	41.91	35.96
KSA	50.66	50.21
Abu Dhabi	35.11	39.60
Dubai	57.79	60.36
Qatar	37.89	43.52
Bahrain	193.63	198.10
Oman	103.30	112.12
Iraq	351.95	411.62
Egypt	NA	NA
Morocco	96.49	109.36
Turkey	283.99	279.01
US	37.31	45.19
UK	28.14	33.74
China	64.69	59.80
Japan	19.28	22.74
Germany	10.66	15.61
France	21.85	22.94