

News Updates

Fitch Ratings: Negative Rating Pressure Easing on MENA Sovereigns – Oil exporting sovereigns in the MENA will register significantly stronger growth in 2022, Fitch Ratings says, as the OPEC+ taper drives large increases in oil output except in Bahrain and Qatar where oil production will remain stable. High vaccination rates in the GCC have driven gradual easing of economic restrictions in 2021, which will underpin non-oil real GDP growth of about 3%. Elsewhere in MENA, Fitch expects mostly marginal improvements in growth, following partial recoveries from the pandemic in 2020. They factor in a gradual recovery in tourism, which directly accounts for 5%-10% of GDP across MENA's non-oil economies. Fiscal space is limited across non-GCC countries to help drive stronger growth, following the increase in debt in 2020. In 2021, the number of Negative Outlooks started to decline after the pandemic-related increase in 2020. The number of downgrades also dropped, after spiking in 2020. Three of the 15 MENA sovereigns that Fitch rates are on Negative Outlook - Kuwait, Oman, and Tunisia - reflecting the pandemic's lingering hit to public and external finances and growth, and liquidity and funding uncertainties in Kuwait and Tunisia. *(Source: Fitch Ratings)*

Fitch Ratings: Risks to Egypt's External Financing Model Are Rising – Egypt is highly dependent on external financing, exposing it to global liquidity and monetary conditions, which are becoming less accommodative, Fitch Ratings says in a new report. After fleeing early in the coronavirus pandemic, non-resident portfolio investment into Egypt's local-currency debt market has rebounded, helping to finance the larger current account deficit (CAD) resulting from continued strong domestic demand and a crash in tourism revenue, although this has begun to recover. Egypt's attractiveness to non-resident investors has been supported by its record of reforms, IMF programmes, high real interest rates and a stable exchange rate (with non-resident portfolio investment contributing to stability). Many of these factors have become less supportive, in Fitch's view. Egypt has exited its IMF programme; its real interest rates, though still comparatively high, are being eroded by inflation; and global financial-market conditions are contributing to risks. Meanwhile, real appreciation in recent years could undermine confidence in Egypt's ability to maintain a rigid nominal exchange rate. *(Source: Fitch Ratings)*

Treasury Curve Flattening Close to an End, Janus Henderson Says – This year's surprise flattening in the Treasury yield curve should soon come to an end, especially given the positive outlook for the economy, according to Janus Henderson Investors. Even as the market readies for rate hikes, it's also projecting weaker inflation in the longer term, so a further flattening would raise concerns that the Federal Reserve is tightening too fast, according to Jim Cielinski, head of global bonds at the \$419 billion investment manager. The coming year will be a key inflection point as central banks pull back from markets where they have already overstayed their welcome, he said. 10-year Treasury yields are unlikely to move any higher than 2% on a sustained basis, because inflation will probably come down next year while strong demand from the huge pool of global savings helps to hold down rates, Cielinski said. *(Source: Bloomberg)*

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2025	1.26	-2.97	KSA	2025	1.54	-2.69
Abu Dhabi	2030	1.98	-3.95	KSA	2030	2.25	-2.56
Abu Dhabi	2050	2.97	-4.35	KSA	2050	3.48	-4.05
Bahrain	2026	4.15	-5.54	Oman	2025	3.37	1.62
Bahrain	2030	5.68	-6.91	Oman	2029	4.76	3.72
Bahrain	2047	7.30	-13.52	Oman	2048	6.56	2.22
Dubai	2029	2.57	-1.80	Qatar	2025	1.43	-3.80
Kuwait	2022	-0.34	-2.23	Qatar	2030	2.14	-5.06
Kuwait	2027	1.57	-4.15	Qatar	2050	3.05	-4.20

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	2.80	8.08	-0.05	0.62
S&P MENA Bond and Sukuk Index	2.40	NA	-0.12	0.08
Bloomberg Emerging Markets USD Index	4.50	6.80	0.03	-1.66
Bloomberg Global Aggregate Index	1.28	7.42	-0.05	-4.51

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	09/12/2021	31/12/2020	09/12/2021	31/12/2020	09/12/2021	31/12/2020
KIBOR	1.5000	1.4375	1.7500	1.6875	2.0000	1.9375
SAIBOR	0.8486	0.8175	0.8986	0.8700	0.9729	0.9413
BHIBOR	1.5167	2.2500	1.6017	2.5333	1.7667	2.6833
QATAR	1.1375	1.1206	1.2000	1.1960	1.3450	1.3636
AEIBOR	0.4285	0.5125	0.5550	0.4908	0.8000	0.6538
EURIBOR	-0.5650	-0.5450	-0.5380	-0.5260	-0.4990	-0.4990
LIBOR	0.1983	0.2384	0.2834	0.2576	0.4825	0.3419

USD Swap Rates			Currencies			Commodities				
Yield %	1D Δ (bps)	YTD Δ (%)	USD	1D Δ (bps)	YTD Δ (%)	USD	YTD Δ (%)			
1-Year	0.4444	0.61	130.9	KWD	0.3026	0.0000	0.23	Gold	1,786.60	-6.66
2-Year	0.8925	0.71	351.2	SAR	3.7516	0.0000	0.01	Silver	22.45	-16.07
5-Year	1.3807	-0.49	221.1	BHD	0.3771	-0.0027	0.00	Copper	436.90	24.10
7-Year	1.4920	-0.61	127.9	QAR	3.6416	-0.0082	-0.01	Nat. Gas	3.85	28.18
10-Year	1.5889	-0.80	71.7	OMR	0.3850	0.0000	0.00	Aluminum	2,633.25	31.17
30-Year	1.7086	-1.44	21.9	AED	3.6730	0.0082	0.01	Crude Oil	76.36	51.24

US Treasuries			UK Gilt		German Bunds	
Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)	
2-Year	0.69	-0.01	0.44	0.00	-7.66	0.00
5-Year	1.27	0.04	0.58	-0.05	-0.71	-0.10
10-Year	1.51	0.13	0.77	-0.42	-0.45	-0.46
30-Year	1.87	0.48	0.83	-0.84	-0.05	-2.31

	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	Caa1	NR	B-
Morocco	Ba1	BB+	BB+
US	Aaa	AA+u	AAA
UK	Aa3	AAu	AA-
China	A1	A+	A+

USD 5Yr CDS	9-Dec 2021	31-Dec 2020
Kuwait	41.48	40.69
KSA	50.80	63.77
Abu Dhabi	42.45	36.03
Dubai	87.25	104.06
Qatar	42.16	36.70
Bahrain	291.85	233.58
Oman	259.42	353.60
Iraq	578.01	542.74
Egypt	501.62	330.47
Morocco	89.68	102.56
Turkey	481.71	299.47
US	12.06	11.52
UK	8.98	15.13
China	46.54	26.70
Japan	16.76	14.74
Germany	7.75	9.09
France	18.83	14.42