

News Updates

Egypt Devaluation Risk, IMF Wait Are Dealbreakers to Bond Buyers – Egypt’s struggle to win back investors to local debt is adding urgency for the government to reach a deal with the International Monetary Fund. With external capital markets all but closed, the lack of demand has shuttered one of its main sources of funding it has left at home. Sales of local-currency bonds slumped 38% this year through August from the same period in 2021 to the equivalent of just over \$81 billion. Moody’s Investors Service said in June it expects the IMF to finalize a new program of \$4 billion to \$6 billion in the second half of this year to help Egypt fund an estimated current-account deficit of 5.4% of gross domestic product. Saudi Arabia and Egypt’s other Gulf allies have together pledged more than \$22 billion in deposits and investments in recent months to shore up the economy of a country viewed as a linchpin in the Arab world. *(Source: Bloomberg)*

Fed seen sticking to interest rate hikes even as unemployment rises – The Federal Reserve is seen sticking to sharp interest rate hikes in coming months to cool inflation, but rising U.S. unemployment and a slowdown in wage growth has traders betting that borrowing costs next year may not end up quite as high as previously anticipated. The Labor Department reported Friday that employers added a more-than-expected 315,000 jobs last month, the unemployment rate rose to 3.7% from 3.5% as more workers joined the labor force, and wage growth slowed from its earlier torrid pace. Traders still expect the Fed to deliver a third 75-basis point rate hike at its Sept 20-21 meeting, lifting the benchmark rate to 3%-3.25%, though they have pared that probability to 60% from 70% before the report. *(Source: Reuters)*

US junk bond sell-off resumes after Fed snaps summer rally – Risky US corporate borrowers are facing a renewed jump in borrowing costs as concerns that further sharp Federal Reserve rate rises will weigh heavily on the world’s biggest economy grip markets. Yields on US junk bonds have jumped to almost 8.6 per cent from a mid-August low of 7.4 per cent. The rise reflects a significant decline in the price of the debt. The fresh selling in high-yield bonds comes after a brief summer respite, in which most risky assets recovered somewhat from a dismal first half of 2022. Traders had hoped the Fed would take a softer approach to rate rises, but concerns the central bank will step up its fight against inflation have shattered the calm. Investors have raced out of funds that buy junk-rated US corporate bonds, with \$8.7bn withdrawn from accounts over the past two weeks. Redemptions in the past week ranked as the sixth-biggest weekly outflow since the coronavirus pandemic rocked US financial markets in 2020. *(Source: Financial Times)*

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	3.45	-8.61	KSA	2027	3.62	-7.76
Abu Dhabi	2031	3.78	-12.99	KSA	2032	3.87	-11.87
Abu Dhabi	2050	4.59	-24.47	KSA	2050	5.11	-23.18
Bahrain	2028	6.25	-7.32	Oman	2027	5.71	-6.31
Bahrain	2032	7.61	-13.06	Oman	2032	6.33	-8.14
Bahrain	2051	8.65	-19.21	Oman	2051	7.74	-13.36
Dubai	2029	3.97	-9.04	Qatar	2026	3.60	-7.63
Dubai	2050	5.86	-24.32	Qatar	2030	3.85	-12.06
Kuwait	2027	3.46	-8.32	Qatar	2050	4.62	-22.98

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	4.74	8.08	0.06	-10.29
S&P MENA Bond and Sukuk Index	4.34	NA	-0.39	-10.97
Bloomberg Emerging Markets USD Index	7.11	6.80	0.22	-16.27
Bloomberg Global Aggregate Index	3.11	7.42	0.54	-15.88

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	04/09/2022	31/12/2021	04/09/2022	31/12/2021	04/09/2022	31/12/2021
KIBOR	2.6250	1.5000	2.8750	1.7500	3.1875	2.0000
SAIBOR	3.1447	0.9057	3.5421	0.9829	4.0438	1.0600
BHIBOR	4.1346	1.5167	4.4832	1.6233	5.1417	1.7667
QATAR	2.4500	1.1250	2.5000	1.2000	2.7500	1.3250
AEIBOR	2.8833	0.3645	3.4500	0.7000	3.6912	0.7396
EURIBOR	0.7630	-0.5730	1.2900	-0.5460	1.8960	-0.4980
LIBOR	3.1581	0.2144	3.7366	0.3451	4.2206	0.5888

	USD Swap Rates			Currencies			Commodities			
	Yield %	1D Δ (bps)	YTD Δ (%)	USD	1D Δ (bps)	YTD Δ (%)	USD	YTD Δ (%)		
1-Year	3.8565	-8.12	620.8	KWD	0.3080	-0.0487	-1.77	Crude Oil	93.02	25.99
2-Year	3.7619	-10.41	299.6	SAR	3.7595	-0.0346	-0.11	Gold	1,722.60	-6.43
5-Year	3.3723	-10.17	146.2	EUR	0.9959	0.0804	-12.45	Silver	17.88	-24.02
7-Year	3.3031	-8.21	123.8	GBP	1.1519	-0.3118	-14.95	Copper	341.35	-22.59
10-Year	3.2878	-6.05	108.0	JPY	140.2600	0.0071	-17.92	Nat. Gas	8.79	139.01
30-Year	3.0452	-3.18	75.9	CNH	6.9227	-0.0043	-8.08	Aluminum	2,296.75	-17.68

	US Treasuries		UK Gilts		German Bunds	
	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	3.39	0.22	3.06	-0.05	NA	NA
5-Year	3.29	0.48	2.83	-0.12	1.01	0.19
10-Year	3.19	0.55	2.91	-0.36	1.32	0.32
30-Year	3.34	0.34	3.27	-1.13	1.67	0.22

	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	BB-	BB
Egypt	B2	B	B+
Lebanon	C	SD	RD
Jordan	B1	B+	BB-
Turkey	B3	B+	B
Tunisia	Caa1	NR	CCC
Morocco	Ba1	BB+	BB+
US	Aaa	AA+	AAA
UK	Aa3	AA	AA-
China	A1	A+	A+

USD 5Yr CDS	04-Sep 2022	31-Dec 2021
Kuwait	53.99	40.53
KSA	46.59	50.97
Abu Dhabi	46.61	43.09
Dubai	109.10	89.58
Qatar	45.86	42.55
Bahrain	287.54	286.32
Oman	270.09	254.42
Iraq	845.31	507.35
Egypt	NA	496.58
Morocco	238.33	85.91
Turkey	743.05	555.46
US	19.19	10.01
UK	24.40	8.91
China	72.56	39.86
Japan	18.91	16.23
Germany	14.97	7.53
France	22.54	17.87