

News Updates

Fed Hike Leads Gulf to Follow, But Rate Paths Diverge Again – Most central banks across the Arab Gulf followed the Federal Reserve in raising interest rates for the fourth time this year to maintain their currencies' pegs to the US dollar, although Kuwait and Qatar didn't match the increase in full. A mismatch between the US, where inflation is running at the hottest pace in four decades, and the economies of the six members of the Gulf Cooperation Council has created additional room for maneuver for local policy makers who don't need to act with the same urgency to contain price pressures. On Wednesday, Saudi Arabia, Bahrain and the United Arab Emirates moved in lockstep with the US central bank and raised their benchmarks by 75 basis points. By contrast, Kuwait, which maintains a peg to a basket of currencies, didn't deliver the full rate hike and increased its discount rate by 25 basis points only, while Qatar increased its lending rate by 50 basis points. In June, the misalignment with the US already allowed Saudi Arabia and Kuwait to lift rates by less than the Fed's 75 basis-point move. *(Source: Bloomberg)*

IMF says Egypt needs progress on fiscal and structural reform – The International Monetary Fund said on Tuesday that Egypt needed to make "decisive progress" on fiscal and structural reform as Cairo seeks a new round of support from the fund. In an evaluation of a \$5.2 billion stand-by arrangement agreed with Egypt in 2020, the IMF's executive board noted "Egypt's remaining vulnerability from a high public debt burden and large gross financing requirements". "Decisive progress on deeper fiscal and structural reforms is needed to boost the economy's competitiveness, improve governance, and strengthen its resilience against shocks," the board said in a statement. *(Source: Reuters)*

Fed's Powell does not believe U.S. economy is in recession right now – Federal Reserve Chair Jerome Powell on Wednesday said he did not believe the U.S. economy is currently in a recession but it is softening and the path for the Fed to avoid a recession continues to narrow. "I don't think the economy is in recession right now," Powell said at a press conference following the central bank's latest two-day policy meeting. But officials do believe the economy needs a period of below-potential growth to create sufficient slack to lower inflation. *(Source: Reuters)*

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	3.07	-6.96	KSA	2027	3.21	-6.20
Abu Dhabi	2031	3.37	-10.24	KSA	2032	3.61	-9.99
Abu Dhabi	2050	4.21	-19.61	KSA	2050	4.83	-19.92
Bahrain	2028	6.61	-9.04	Oman	2027	5.86	-7.02
Bahrain	2032	7.92	-15.22	Oman	2032	6.85	-11.41
Bahrain	2051	8.98	-22.13	Oman	2051	8.13	-17.13
Dubai	2029	3.91	-8.76	Qatar	2026	3.26	-6.45
Dubai	2050	5.79	-24.16	Qatar	2030	3.57	-10.07
Kuwait	2027	3.19	-7.23	Qatar	2050	4.31	-18.97

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	4.64	8.08	0.03	-9.65
S&P MENA Bond and Sukuk Index	4.14	NA	0.07	-9.60
Bloomberg Emerging Markets USD Index	7.13	6.80	0.22	-16.66
Bloomberg Global Aggregate Index	2.72	7.42	-0.01	-13.24

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	28/07/2022	31/12/2021	28/07/2022	31/12/2021	28/07/2022	31/12/2021
KIBOR	2.0625	1.5000	2.3750	1.7500	2.6250	2.0000
SAIBOR	2.9378	0.9057	3.3293	0.9829	3.7439	1.0600
BHIBOR	4.0117	1.5167	4.4210	1.6233	5.0667	1.7667
QATAR	2.4500	1.1250	2.5000	1.2000	2.7500	1.3250
AEIBOR	2.7159	0.3645	3.1901	0.7000	3.3494	0.7396
EURIBOR	0.2120	-0.5730	0.6230	-0.5460	1.0330	-0.4980
LIBOR	2.7929	0.2144	3.3464	0.3451	3.8070	0.5888

USD Swap Rates				Currencies			Commodities		
Yield %	1D Δ (bps)	YTD Δ (%)		USD	1D Δ (bps)	YTD Δ (%)	USD	YTD Δ (%)	
1-Year	3.3980	-0.63	535.1 KWD	0.3070	0.1140	-1.43	Crude Oil	107.34	43.50
2-Year	3.2486	-1.20	245.1 SAR	3.7567	-0.0160	-0.02	Gold	1,752.00	-4.83
5-Year	2.8726	-0.04	109.8 EUR	1.0206	0.0588	-10.24	Silver	19.18	-18.23
7-Year	2.8418	0.35	92.6 GBP	1.2160	0.0082	-10.15	Copper	348.65	-21.31
10-Year	2.8717	0.45	81.6 JPY	135.4900	0.8045	-15.06	Nat. Gas	8.62	136.43
30-Year	2.8160	-0.22	62.7 CNH	6.7454	-0.0163	-5.75	Aluminum	2,428.25	-13.11

US Treasuries			UK Gilts		German Bunds	
Yield %	1D Δ (%)		Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	2.99	0.01	1.84	-0.08	NA	NA
5-Year	2.84	0.01	1.71	-0.22	0.36	0.00
10-Year	2.79	-0.01	1.95	-0.42	0.73	0.00
30-Year	3.06	0.13	2.52	-0.81	1.17	0.00

	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	B2	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	28-Jul 2022	31-Dec 2021
Kuwait	64.39	40.53
KSA	70.37	50.97
Abu Dhabi	67.45	43.09
Dubai	119.64	89.58
Qatar	67.48	42.55
Bahrain	335.71	286.32
Oman	305.12	254.42
Iraq	732.92	507.35
Egypt	365.52	496.58
Morocco	303.73	85.91
Turkey	880.37	555.46
US	20.00	10.01
UK	14.86	8.91
China	79.27	39.86
Japan	23.75	16.23
Germany	14.63	7.53
France	26.30	17.87