

News Updates

Saudi Arabia and UAE End Monthslong Pause in Treasury Purchases – Saudi Arabia and the United Arab Emirates are wading back into the world’s most important bond market for the first time in months. Boasting a windfall oil revenue estimated at \$818 billion this year alone, both countries largely held out from buying US Treasuries through much of the global rally in crude prices. The long period of restraint ended in June, the latest month for which figures are available. Saudi Arabia increased its stockpile by \$4.5 billion, the most since August 2020, to just over \$119 billion, according to Treasury Department data. It’s still near the lowest level since 2017. The UAE, whose holdings have dropped by more than a third since June 2021, added \$1.6 billion. Governments in the region are increasingly looking to get higher returns from their stock of savings and pay down debt while diversifying their economies away from energy. *(Source: Bloomberg)*

Bahrain Posts \$88 Million Mid-Year Surplus as Revenues Jump – Bahrain reported a mid-year budget surplus of \$88 million, with revenues in the heavily indebted Gulf state increasing 52% compared to the same period last year. Bahrain remains committed to executing its fiscal balance plan and adopting initiatives that serve its targets, Finance Minister Sheikh Salman Al Khalifa said. Spending reached \$4.4 billion in the first half of the year, a 2% increase compared to 2021. The country reported a \$1.38 billion deficit last year. Bahrain received a \$10 billion financial aid package from its Gulf neighbors in 2018 to help it cope with high debt levels and budget deficits. At the time, officials outlined plans to balance the budget by 2022, later pushing back that target. *(Source: Bloomberg)*

US junk bond market in powerful rebound on easing inflation worries – One of the riskiest corners of global financial markets has made an unprecedented recovery in the past month, with prices of junk bonds rebounding as investors bet that the Federal Reserve’s efforts to tame inflation will avoid triggering a deep recession. The amount of US bonds trading at levels signalling severe investor concern has dropped rapidly over the past five weeks, in a reflection of increased optimism from investors about the state of the US economy. Just 6.2 per cent of high-yield bonds are now trading at distressed levels, compared with 11.6 per cent on July 5. Investors had backed away from US high-yield corporate debt earlier this year, fearing that aggressive interest rate rises by the Fed would force the world’s largest economy into a protracted slowdown, hitting the country’s weakest companies hardest. But signs that the pace of price growth may be steadying, with inflation data last week coming in lower than forecast, have contributed to a recovery in the price of those assets. *(Source: Financial Times)*

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	3.01	-6.83	KSA	2027	3.13	-6.07
Abu Dhabi	2031	3.37	-10.21	KSA	2032	3.44	-8.72
Abu Dhabi	2050	4.20	-19.49	KSA	2050	4.76	-19.09
Bahrain	2028	5.55	-4.27	Oman	2027	5.02	-3.90
Bahrain	2032	6.74	-7.26	Oman	2032	5.75	-4.14
Bahrain	2051	7.86	-11.61	Oman	2051	7.17	-7.22
Dubai	2029	3.78	-8.13	Qatar	2026	3.19	-6.29
Dubai	2050	5.47	-19.98	Qatar	2030	3.45	-9.66
Kuwait	2027	3.18	-7.22	Qatar	2050	4.27	-18.60

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	4.42	8.08	-0.02	-8.15
S&P MENA Bond and Sukuk Index	4.04	NA	0.04	-8.84
Bloomberg Emerging Markets USD Index	6.71	6.80	-0.06	-14.17
Bloomberg Global Aggregate Index	2.73	7.42	-0.36	-12.64

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	17/08/2022	31/12/2021	17/08/2022	31/12/2021	17/08/2022	31/12/2021
KIBOR	2.5625	1.5000	2.8125	1.7500	3.1250	2.0000
SAIBOR	3.0317	0.9057	3.4317	0.9829	3.9050	1.0600
BHIBOR	4.1417	1.5167	4.4583	1.6233	5.0907	1.7667
QATAR	2.4500	1.1250	2.5000	1.2000	2.7500	1.3250
AEIBOR	2.7725	0.3645	3.2498	0.7000	3.5629	0.7396
EURIBOR	0.3390	-0.5730	0.7450	-0.5460	1.1580	-0.4980
LIBOR	2.9419	0.2144	3.5330	0.3451	3.9946	0.5888

	USD Swap Rates			Currencies			Commodities			
	Yield %	1D Δ (bps)	YTD Δ (%)	USD	1D Δ (bps)	YTD Δ (%)	USD	YTD Δ (%)		
1-Year	3.6766	0.51	587.2	KWD	0.3068	0.0000	-1.39	Crude Oil	92.79	24.87
2-Year	3.5581	0.56	278.0	SAR	3.7548	0.0293	0.03	Gold	1,790.60	-2.73
5-Year	2.9966	1.04	118.8	EUR	1.0172	0.0000	-10.55	Silver	20.18	-14.26
7-Year	2.8889	1.22	95.8	GBP	1.2105	0.0744	-10.55	Copper	362.25	-18.24
10-Year	2.8579	1.29	80.8	JPY	134.2000	0.0149	-14.25	Nat. Gas	9.45	159.37
30-Year	2.7750	0.54	60.3	CNH	6.7952	-0.0442	-6.45	Aluminum	2,391.75	-14.27

	US Treasuries		UK Gilts		German Bunds	
	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	3.26	0.00	2.12	-0.20	NA	NA
5-Year	2.97	-0.05	1.95	-0.51	0.48	-0.13
10-Year	2.81	-0.09	2.12	-1.06	0.74	-0.43
30-Year	3.09	-0.02	2.51	-1.38	1.21	-1.50

	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	17-Aug 2022	31-Dec 2021
Kuwait	61.54	40.53
KSA	49.73	50.97
Abu Dhabi	48.35	43.09
Dubai	112.94	89.58
Qatar	48.19	42.55
Bahrain	289.46	286.32
Oman	248.96	254.42
Iraq	643.74	507.35
Egypt	NA	496.58
Morocco	246.55	85.91
Turkey	704.39	555.46
US	18.77	10.01
UK	14.07	8.91
China	70.10	39.86
Japan	18.58	16.23
Germany	13.90	7.53
France	23.50	17.87