

News Updates

Fitch Ratings Downgrades KIPCO to “BB-” – The rating agency Fitch has downgraded KIPCO from “BB” to “BB-” reflecting the company’s high leverage with Net loan to value (LTV) AT 41.4% expected at end-2024. Further, in Fitch’s opinion, KIPCO’s weighted average portfolio credit strength by equity value is relatively weak at “b+” driven by Fitch’s assessment of credit quality of its subsidiaries and weak recent profitability within its banking and financial sector. *(Source: Boursa Kuwait)*

US Bonds Are on Best Run Since March – Treasuries booked a fourth-straight week of gains — the best winning streak since March — on building investor confidence that the Federal Reserve will begin cutting interest rates next quarter. Swaps contracts tied to Fed meetings imply an over 90% probability the US central bank brings down its current 5.25% to 5.5% target rate range down in March. Across 2024, traders are penciling in nearly 160 basis points of rate reductions — more than twice as much as Fed officials signaled earlier this month in their new round of quarterly forecasts. Treasuries have gained 3.6% this year through Dec. 22, an abrupt turnaround from just a few months ago when it looked like US government debt was headed for an unprecedented third year of annual losses, Bloomberg index data show US Treasuries lost 12.5% last year and 2.3% in 2021. *(Source: Bloomberg)*

Global Outstanding Sukuk Market Surged to \$823bln By Q3-23 – Bashar Al-Natoor, the Global Head of Islamic Finance - Managing Director, Fitch Ratings, has projected a sustained uptrend in global sukuk issuance, with the market soaring to US\$823.4 billion at the end of Q3-23, reflecting a robust 9.8% annual growth. Speaking to the Emirates News Agency (WAM), Al-Natoor attributed the surge to several key factors driving the adoption of sukuk: a) filling budget gaps, especially in non-oil-rich countries; b) diversifying funding options; c) establishing flexible financial tools for institutions; d) expanding liquidity sources for banks; and e) offering corporates and projects alternatives to traditional bank loans. While higher oil prices have bolstered their finances, GCC countries are proactively issuing sukuk not just for immediate needs, but to achieve strategic goals like building robust debt market structures and diversifying their funding options, he added. He explained that the impact of rising interest rates on local investors is different to global investors, especially as many local investors are Islamic banks that have healthy liquidity and a desire to invest that liquidity. This category of investors is active and their desire to invest in sukuk increases. *(Source: Zawya)*

GCC Sovereign Yields

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2027 | 4.15 | 0.12 | KSA | 2027 | 4.44 | 1.57 |
| Abu Dhabi | 2031 | 4.08 | 2.80 | KSA | 2032 | 4.51 | 0.58 |
| Abu Dhabi | 2050 | 4.96 | -1.37 | KSA | 2050 | 5.43 | -1.03 |
| Bahrain | 2028 | 5.74 | 2.87 | Oman | 2027 | 5.02 | 2.88 |
| Bahrain | 2032 | 6.64 | 4.27 | Oman | 2032 | 5.30 | 4.90 |
| Bahrain | 2051 | 7.71 | 5.19 | Oman | 2051 | 6.32 | 11.57 |
| Dubai | 2029 | 4.34 | 0.59 | Qatar | 2026 | 3.98 | 0.62 |
| Dubai | 2050 | 5.65 | 4.39 | Qatar | 2030 | 4.12 | -2.16 |
| Kuwait | 2027 | 4.16 | -1.82 | Qatar | 2050 | 4.91 | 0.56 |

Bonds and Sukuk Indices

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 5.22 | 8.08 | 0.00 | 5.74 |
| S&P MENA Bond and Sukuk Index | 4.99 | NA | 0.09 | 4.89 |
| Bloomberg Emerging Markets USD Index | 7.07 | 6.80 | -0.01 | 8.70 |
| Bloomberg Global Aggregate Index | 3.54 | 7.42 | 0.01 | 5.20 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|------------|------------|------------|------------|------------|------------|
| | 24/12/2023 | 31/12/2022 | 24/12/2023 | 31/12/2022 | 24/12/2023 | 31/12/2022 |
| KIBOR | 4.31 | 4.00 | 4.50 | 4.25 | 4.75 | 4.56 |
| SAIBOR | 6.29 | 5.34 | 6.10 | 5.60 | 6.07 | 5.87 |
| BHIBOR | 6.51 | 6.14 | 6.50 | 6.27 | 6.53 | 6.55 |
| QATAR | 6.00 | 5.28 | 6.10 | 5.42 | 6.25 | 5.58 |
| AEIBOR | 5.48 | 4.31 | 5.39 | 4.94 | 5.29 | 5.04 |
| EURIBOR | 3.93 | 2.13 | 3.90 | 2.69 | 3.58 | 3.29 |
| LIBOR | 5.61 | 4.77 | 5.62 | 5.14 | 6.04 | 5.48 |

| USD Swap Rates | | | | Currencies | | | Commodities | | |
|----------------|---------|------------|-----------|------------|----------|------------|-------------|-----------|----------|
| | Yield % | 1D Δ (bps) | YTD Δ (%) | | USD | 1D Δ (bps) | YTD Δ (%) | | USD |
| 1-Year | 4.77 | -3.32 | -2.6 | KWD | 0.3090 | 0.06 | -0.87 | Crude Oil | 79.07 |
| 2-Year | 4.10 | -2.75 | -7.7 | SAR | 3.7510 | 0.01 | 0.20 | Gold | 2,069.10 |
| 5-Year | 3.57 | 0.00 | -4.7 | EUR | 1.1022 | 0.03 | 2.89 | Silver | 24.57 |
| 7-Year | 3.52 | 0.85 | -3.0 | GBP | 1.2711 | 0.09 | 5.11 | Copper | 390.50 |
| 10-Year | 3.51 | 1.52 | -1.3 | JPY | 142.6500 | -0.20 | -7.93 | Nat. Gas | 2.61 |
| 30-Year | 3.36 | 2.86 | 4.6 | CNH | 7.1625 | -0.15 | -3.25 | Aluminum | 2,298.00 |

| US Treasuries | | | UK Gilts | | German Bunds | |
|---------------|---------|----------|----------|----------|--------------|----------|
| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
| 2-Year | 4.32 | 0.04 | 4.00 | 0.03 | 3.09 | 0.02 |
| 5-Year | 3.87 | 0.01 | 3.44 | 0.12 | 1.93 | 0.11 |
| 10-Year | 3.89 | -0.05 | 3.50 | 0.17 | 1.92 | -0.09 |
| 30-Year | 4.05 | -0.34 | 4.06 | 0.27 | 2.20 | -0.71 |

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 | Aa3 | 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 | 24-Dec 2023 | 31-Dec 2022 |
|-------------|-------------|-------------|
| Kuwait | 35.99 | 39.45 |
| KSA | 50.15 | 60.05 |
| Abu Dhabi | 39.65 | 43.90 |
| Dubai | 61.14 | 74.01 |
| Qatar | 43.28 | 46.55 |
| Bahrain | 198.28 | 224.63 |
| Oman | 112.68 | 185.75 |
| Iraq | 411.43 | 421.67 |
| Egypt | NA | NA |
| Morocco | 108.00 | 143.12 |
| Turkey | 279.95 | 506.65 |
| US | 45.35 | 22.82 |
| UK | 33.94 | 25.54 |
| China | 60.03 | 71.08 |
| Japan | 23.41 | 23.60 |
| Germany | 15.64 | 17.15 |
| France | 22.23 | 24.94 |