

News Updates

Disinflation, Hyperinflation, Deflation, World Prices in 2024 – Global inflation is set to continue its slowdown in 2024. Central banks' targets may remain elusive in the US and the UK, but not in the euro area, where price gains will probably fall below 2% by July. Outliers include pockets of price pressure in some emerging markets, notably Turkey and Argentina, the latter of which is at risk of hyperinflation. China faces a unique challenge: the odds of deflation persisting through the first half of 2024 are a coin toss. Global inflation is expected to continue trending down, with Bloomberg Economics' projections indicating a decline to 5.4% in 4Q24 from 6.2% in 4Q23 and 9.3% in 4Q22. Advanced economies are set to see a continued reduction to 3.4% by the end of 2023, moving toward 2.2% by the end of 2024. In contrast, inflation in emerging markets excluding China is projected to end 4Q23 at 14.4% and to pick up through the first half of 2024 before decelerating again to 11.8% by 4Q24. Extreme price increases in Turkey and Argentina largely drive this divergence. China's inflation rate is expected to remain low, averaging -0.2% for 4Q23, with a rise to 1.9% anticipated by 4Q24. (Source: Bloomberg)

Saudi Arabia's Banks Set for Positive 2024 Amidst Potential Rate Cuts – Saudi Arabia's banks are expected to do well in 2024 as potential interest rate cuts lead to corporate loan growth while the lenders' robust asset quality moderate any downward risks, investment bank and asset manager SNB Capital said in a recent note. The banking sector has a 2024 price-to-book (P/B) ratio of 1.7x, in line with last 10 years average of 1.6x. With the US Federal Reserve turning towards a softer monetary stance, there is an increased focus to identify banks that benefit from rate declines. This would usually favor retail focused banks over corporate banks, given lower sensitivity of retail loans to rate change. However, as the strong loan growth of the last few years reduced funding room, the pricing power of banks to lower cost of funds will be reduced. The brokerage expects loan growth to remain robust in 2024 as a moderation in interest rates will positively impact credit demand. "We expect the sector to deliver a 14.0% YoY (year-on-year) loan growth in 2024f vs 11.0% in 2023f, driven by increased infrastructure spending. For retail banks, SNB Capital expects demand to remain moderate, impacted by higher interest rates and normalization of mortgages. (Source: Zawyia)

Gold Prices Likely to Stay Above \$2,000 in 2024, Says Analysts – Gold prices are expected to stay above \$2,000 an ounce in 2024 due to economic, political, and geopolitical risks around the world. In 2023, the gold market experienced a turbulent journey, reaching unprecedented heights above \$2,100 before experiencing a dip and stabilising around the \$2,050 level. It is projected that the Fed is forecast to cut interest rates between 50 to 125 basis points (bps) in 2024, driving down returns on deposits, hence, pushing investors to yellow metal for higher returns. Also, the upcoming US elections in late 2024 could also increase uncertainty about future monetary policies, potentially encouraging investors to diversify their portfolios by adding gold investments. Central banks' gold purchases are expected to continue, with the US central bank possibly buying around 820 tons or more, further supporting positive price trends. (Source: Zawyia)

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	4.15	0.12	KSA	2027	4.42	1.64
Abu Dhabi	2031	4.08	2.80	KSA	2032	4.51	0.59
Abu Dhabi	2050	4.96	-1.37	KSA	2050	5.42	-0.95
Bahrain	2028	5.70	2.97	Oman	2027	5.02	2.88
Bahrain	2032	6.65	4.32	Oman	2032	5.36	4.46
Bahrain	2051	7.75	4.74	Oman	2051	6.35	11.31
Dubai	2029	4.39	0.39	Qatar	2026	4.29	0.67
Dubai	2050	5.65	4.77	Qatar	2030	4.12	-2.17
Kuwait	2027	4.14	-1.80	Qatar	2050	4.93	0.16

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	5.23	8.08	0.00	5.74
S&P MENA Bond and Sukuk Index	4.98	NA	0.04	4.93
Bloomberg Emerging Markets USD Index	7.09	6.80	0.05	8.75
Bloomberg Global Aggregate Index	3.54	7.42	0.08	5.31

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	27/12/2023	31/12/2022	27/12/2023	31/12/2022	27/12/2023	31/12/2022
KIBOR	4.31	4.00	4.50	4.25	4.75	4.56
SAIBOR	6.28	5.34	6.08	5.60	6.08	5.87
BHIBOR	6.50	6.14	6.47	6.27	6.49	6.55
QATAR	6.25	5.28	6.25	5.42	6.50	5.58
AEIBOR	5.39	4.31	5.29	4.94	5.39	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	4.80	-1.18	-2.0	KWD	0.3090	0.06	-0.87	Crude Oil	80.98
2-Year	4.13	-1.03	-7.1	SAR	3.7514	0.00	0.20	Gold	2,075.70
5-Year	3.57	-1.40	-4.6	EUR	1.1042	0.00	3.15	Silver	24.47
7-Year	3.51	-1.53	-3.2	GBP	1.2730	0.04	5.35	Copper	392.00
10-Year	3.50	-1.75	-1.8	JPY	142.6400	-0.16	-8.07	Nat. Gas	2.58
30-Year	3.33	-2.12	3.7	CNH	7.1501	-0.11	-3.19	Aluminum	2,298.00

US Treasuries			UK Gilts		German Bunds	
	Yield %	1D Δ (%)		Yield %	Yield %	1D Δ (%)
2-Year	4.29	0.02		4.00	3.09	0.02
5-Year	3.88	0.06		3.44	1.93	0.11
10-Year	3.88	0.16		3.50	1.92	-0.09
30-Year	4.02	0.42		4.06	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	27-Dec 2023	31-Dec 2022
Kuwait	35.93	39.45
KSA	50.52	60.05
Abu Dhabi	50.46	43.90
Dubai	61.68	74.01
Qatar	43.93	46.55
Bahrain	202.38	224.63
Oman	113.67	185.75
Iraq	414.53	421.67
Egypt	NA	NA
Morocco	108.00	143.12
Turkey	280.09	506.65
US	45.53	22.82
UK	34.07	25.54
China	60.10	71.08
Japan	23.01	23.60
Germany	15.57	17.15
France	22.49	24.94