

News Updates

Global Bond ‘Carnival’ Sets Stage for Best Two Months on Record

– The world’s debt market is on track to post its biggest two-month gain on record as traders ramp up expectations that central banks everywhere will slash interest rates next year. The Bloomberg Global Aggregate Total Return Index has risen nearly 10% over November and December, its best run in Bloomberg data going back to 1990. Jitters around recession risks are percolating across markets, underscoring the case to own bonds, as traders bet policymakers may have to aggressively cut interest rates next year to bolster growth. Swaps traders are pricing about 150 basis points of rate cuts in the US and UK next year, and about 175 basis points in the Eurozone as investor confidence builds that central banks have won their battle against inflation after embarking on the most aggressive rate-hiking cycles in decades. Such prospects helped draw strong demand for two- and five-year Treasuries at auctions this week. Falling yields also drove the greenback lower, in turn boosting returns on foreign-currency debt as the Bloomberg index measures performance on a dollar basis. Yields on 10-year US Treasuries, a global borrowing benchmark, have tumbled around 120 basis points from its October peak to around 3.81% in Asia trading Thursday. Investment-grade corporate bonds globally have also rallied, returning almost 11% since the start of November and set for the best two-month gain on record, based on a Bloomberg index with data going back to 2001. A tightening in spreads has helped credit outperform government debt over that time span. *(Source: Bloomberg)*

Kuwait’s Oil Revenues for 9 Months Surpass 15.8 Billion Dinars. 92% of the Budget – As the conclusion of the fiscal year 2023/2024’s ninth month draws near, marking the end of the year 2023, the average price of a barrel of Kuwaiti oil stands at around \$85. This figure surpasses the budgeted estimate of \$70, reflecting a notable increase of \$15. Despite the current year’s budget projecting Kuwait’s oil production at approximately 2.676 million barrels per day, actual production as of last May witnessed a decrease to about 2.548 million barrels per day. This reduction is attributed to Kuwait voluntarily curtailing its production by approximately 128 thousand barrels per day within the OPEC alliance, a measure taken to support price stability. Kuwait’s oil revenues for December are estimated at 1.67 billion dinars. Consequently, Kuwait’s oil revenues for the first nine months of the fiscal year are projected to be around 15.8 billion dinars, constituting approximately 92% of the total oil revenues outlined in the budget for the entire fiscal year. *(Source: Zawya)*

Oil Holds Decline on Signs of Further Build in Crude Stockpiles – Oil steadied after posting the largest drop in two weeks on signs of a US stockpile build coupled with weak technical indicators. West Texas Intermediate held above \$74 a barrel after declining by 1.9% more, with Brent crude near \$80. The American Petroleum Institute reported nationwide inventories rose by 1.8 million barrels with levels at Cushing also expanding. That’s feeding into signs supply is topping demand as the year-end approaches. Official prints on US inventories, as well as gauges of output and demand are due later Thursday from the Energy Information Administration. *(Source: Bloomberg)*

GCC Sovereign Yields

Sovereigns	Maturity	Yield %	Price Δ (YTD %)	Sovereigns	Maturity	Yield %	Price Δ (YTD %)
Abu Dhabi	2027	4.18	0.17	KSA	2027	4.46	1.52
Abu Dhabi	2031	4.14	2.47	KSA	2032	4.50	0.69
Abu Dhabi	2050	4.94	-1.18	KSA	2050	5.39	-0.48
Bahrain	2028	5.70	3.04	Oman	2027	5.00	2.91
Bahrain	2032	6.62	4.57	Oman	2032	5.35	4.48
Bahrain	2051	7.71	5.18	Oman	2051	6.36	11.13
Dubai	2029	4.36	0.49	Qatar	2026	4.31	0.72
Dubai	2050	5.63	5.08	Qatar	2030	4.14	-2.18
Kuwait	2027	4.19	-1.90	Qatar	2050	4.89	0.87

Bonds and Sukuk Indices

Index Name	Yield %	Duration (yrs)	1D Δ (%)	YTD Δ (%)
Bloomberg GCC FI Index	5.20	8.08	0.23	5.99
S&P MENA Bond and Sukuk Index	4.97	NA	0.22	5.16
Bloomberg Emerging Markets USD Index	7.03	6.80	0.34	9.12
Bloomberg Global Aggregate Index	3.48	7.42	0.69	6.03

Interbank Rates (%)

	3 Months		6 Months		12 Months	
	28/12/2023	31/12/2022	28/12/2023	31/12/2022	28/12/2023	31/12/2022
KIBOR	4.31	4.00	4.50	4.25	4.75	4.56
SAIBOR	6.26	5.34	6.08	5.60	6.04	5.87
BHIBOR	6.51	6.14	6.48	6.27	6.49	6.55
QATAR	6.25	5.28	6.25	5.42	6.50	5.58
AEIBOR	5.42	4.31	5.32	4.94	5.32	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	YTD Δ (%)	
1-Year	4.77	1.08	-2.6	KWD	0.3090	0.06	Crude Oil	79.75	-1.20
2-Year	4.09	1.46	-8.0	SAR	3.7507	0.02	Gold	2,096.90	9.16
5-Year	3.51	1.47	-6.3	EUR	1.1111	0.05	Silver	24.70	-1.95
7-Year	3.44	1.38	-5.1	GBP	1.2808	0.07	Copper	395.60	4.00
10-Year	3.43	1.19	-3.7	JPY	141.2000	0.45	Nat. Gas	2.45	-50.38
30-Year	3.26	0.02	1.7	CNH	7.1193	0.47	Aluminum	2,354.50	-4.52

US Treasuries			UK Gilts		German Bunds	
	Yield %	1D Δ (%)	Yield %	1D Δ (%)	Yield %	1D Δ (%)
2-Year	4.27	-0.04	3.93	0.13	3.06	0.03
5-Year	3.81	-0.06	3.38	0.24	1.89	0.13
10-Year	3.81	-0.09	3.43	0.55	1.84	0.66
30-Year	3.96	-0.03	4.02	0.72	2.11	1.81

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	28-Dec 2023	31-Dec 2022
Kuwait	35.96	39.45
KSA	50.21	60.05
Abu Dhabi	39.60	43.90
Dubai	60.36	74.01
Qatar	43.52	46.55
Bahrain	198.10	224.63
Oman	112.12	185.75
Iraq	411.62	421.67
Egypt	NA	NA
Morocco	109.36	143.12
Turkey	279.01	506.65
US	45.19	22.82
UK	33.74	25.54
China	59.80	71.08
Japan	22.74	23.60
Germany	15.61	17.15
France	22.94	24.94