

News Updates

Bond Traders Wait for CPI to Fuel – or Doom – the Market’s Rally –

Nothing has been setting the US bond market’s direction this year more than the monthly inflation figures. This week will be no exception. The release of the April consumer-price index on Wednesday is poised to provide the biggest test yet of the rally that started this month when Federal Reserve Chair Jerome Powell swatted away worries that the central bank may raise interest rates again. It gained steam after the Labor Department reported a slowdown in job growth, pulling yields down sharply from last month’s peaks. The advance has increased the stakes in the upcoming inflation data – which could either extend it or doom it as another ill-fated turnaround. Bank of America Corp. strategists said the market will be in a “holding pattern” until then. *(Source: Bloomberg)*

The Case for Forever High Interest Rates – If financial markets are right, interest rates won't just stay high this year, but possibly forever. The return of inflation means ultra-low rates are history. And markets now reflect a scenario where even the neutral interest rate that balances the economy in the long run after factoring in inflation, dubbed 'R-star', is rising, economists say. Traders see U.S. rates at around 4% at the end of the decade, far higher than policymakers' 2.6% long-run expectations. Euro area rates are seen around 2.5%, above what has prevailed for most of the bloc's history. Yet making the right call on where rates settle is a huge challenge for policymakers and investors -- many economists reckon R-star is lower than before the great financial crisis, but disagree on how to calculate it, its current level and whether it is rising. *(Source: Reuters)*

Fitch Affirms Jordan’s BB- Rating With Stable Outlook – Jordan’s macroeconomic stability has led to Fitch Ratings affirming its long-term foreign currency issuer default ratings at BB- with a stable outlook. This confirmation highlights the country’s progress in fiscal and economic reforms, alongside resilient financing supported by its liquid banking sector, public pension fund, and international assistance, as outlined in a press release. However, the country’s ratings are constrained by high government debt, weak growth, and risks in domestic and regional politics. “Jordan has preserved economic and political stability despite significant external shocks, including social instability in the region (Arab Spring) and wars in neighboring countries (Iraq and Syria), but these shocks have led to lower growth and significant government debt build-up,” stated Fitch in the report. The analysis also pointed out that current account deficits and net external debt higher than rating peers have negatively impacted Jordan’s position. According to the US-based agency, a BB- rating signifies an elevated vulnerability to default risk, particularly in the event of adverse business or economic changes. *(Source: Arab News)*

GCC Sovereign Yields

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2027 | 4.93 | -2.00 | KSA | 2027 | 5.07 | -1.14 |
| Abu Dhabi | 2029 | 4.84 | -3.22 | KSA | 2029 | 5.01 | -2.68 |
| Abu Dhabi | 2031 | 4.87 | -3.86 | KSA | 2032 | 5.11 | -3.65 |
| Abu Dhabi | 2050 | 5.48 | -7.49 | KSA | 2050 | 5.86 | -6.45 |
| Bahrain | 2028 | 6.18 | -1.35 | Oman | 2027 | 5.72 | -1.97 |
| Bahrain | 2031 | 6.74 | -0.74 | Oman | 2031 | 5.76 | -2.83 |
| Bahrain | 2051 | 7.81 | -2.09 | Oman | 2051 | 6.65 | -3.94 |
| Dubai | 2029 | 4.57 | -0.91 | Qatar | 2028 | 4.83 | -2.63 |
| Dubai | 2050 | 6.07 | -5.85 | Qatar | 2030 | 4.77 | -4.27 |
| Kuwait | 2027 | 4.94 | -1.93 | Qatar | 2050 | 5.42 | -7.72 |

Bonds and Sukuk Indices

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 5.63 | 6.62 | 0.08 | -1.32 |
| S&P MENA Bond and Sukuk Index | 5.46 | 7.10 | 0.11 | -1.69 |
| Bloomberg Emerging Markets USD Index | 7.24 | 5.97 | -0.06 | 1.19 |
| Bloomberg Global Aggregate Index | 3.94 | 6.55 | -0.19 | -3.43 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|------------|------------|------------|------------|------------|------------|
| | 13/05/2024 | 31/12/2023 | 13/05/2024 | 31/12/2023 | 13/05/2024 | 31/12/2023 |
| KIBOR | 4.25 | 4.00 | 4.50 | 4.25 | 4.69 | 4.56 |
| SAIBOR | 6.24 | 5.34 | 6.10 | 5.60 | 5.96 | 5.87 |
| BHIBOR | 6.32 | 6.14 | 6.33 | 6.27 | 6.36 | 6.55 |
| QATAR | 6.00 | 5.28 | 6.10 | 5.42 | 6.25 | 5.58 |
| AEIBOR | 5.35 | 4.31 | 5.24 | 4.94 | 5.38 | 5.04 |
| EURIBOR | 3.82 | 2.13 | 3.79 | 2.69 | 3.63 | 3.29 |
| LIBOR | 5.58 | 4.77 | 5.71 | 5.14 | 6.04 | 5.48 |
| SOFR | 5.32 | 5.33 | 5.28 | 5.16 | 5.14 | 4.77 |

| | USD Swap Rates | | | Currencies | | | Commodities | | | |
|---------|----------------|------------|-----------|------------|------------|-----------|-------------|-----------|----------|--------|
| | Yield % | 1D Δ (bps) | YTD Δ (%) | USD | 1D Δ (bps) | YTD Δ (%) | USD | YTD Δ (%) | | |
| 1-Year | 5.16 | -0.46 | 8.6 | KWD | 0.3073 | -0.0098 | 0.55 | Crude Oil | 82.45 | 7.88 |
| 2-Year | 4.77 | -0.75 | 17.4 | SAR | 3.7505 | -0.0027 | -0.02 | Gold | 2,358.00 | 11.68 |
| 5-Year | 4.27 | -0.75 | 21.0 | EUR | 1.0774 | 0.0279 | -2.40 | Silver | 28.27 | 15.14 |
| 7-Year | 4.18 | -0.57 | 20.1 | GBP | 1.2530 | 0.0319 | -1.59 | Copper | 465.85 | 18.63 |
| 10-Year | 4.12 | -0.28 | 18.7 | JPY | 155.8100 | -0.0193 | -9.48 | Nat. Gas | 2.24 | -11.00 |
| 30-Year | 3.88 | -0.07 | 17.1 | CNH | 7.2410 | -0.0939 | -1.59 | Aluminum | 2,482.15 | 2.90 |

| | US Treasuries | | UK Giltis | | German Bunds | |
|---------|---------------|----------|-----------|----------|--------------|----------|
| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
| 1-Year | 5.15 | -0.02 | 4.60 | -0.02 | NA | NA |
| 2-Year | 4.86 | 0.02 | 4.28 | -0.03 | 3.54 | 0.00 |
| 5-Year | 4.51 | 0.04 | 4.03 | -0.12 | 2.65 | 0.00 |
| 10-Year | 4.49 | 0.04 | 4.16 | -0.20 | 2.46 | 0.00 |
| 30-Year | 4.64 | 0.05 | 4.64 | -0.33 | 2.65 | 0.00 |

| | 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 | Aa2 | AA | AA- |
| Bahrain | B2 | B+ | B+ |
| Oman | Ba1 | BB+ | BB+ |
| Egypt | Caa1 | B- | B- |
| Lebanon | C | SD | RDu |
| Jordan | B1 | B+ | BB- |
| Turkey | B3 | B+u | 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 | 13-May 2024 | 31-Dec 2023 |
|-------------|-------------|-------------|
| Kuwait | 52.06 | 35.96 |
| KSA | 49.23 | 50.21 |
| Abu Dhabi | 36.79 | 39.60 |
| Dubai | 58.50 | 60.36 |
| Qatar | 36.87 | 43.52 |
| Bahrain | 168.65 | 198.10 |
| Oman | 89.12 | 112.12 |
| Iraq | 350.74 | 411.62 |
| Egypt | NA | NA |
| Morocco | 86.34 | 109.36 |
| Turkey | 273.64 | 279.01 |
| US | 41.01 | 45.19 |
| UK | 24.36 | 33.74 |
| China | 63.14 | 59.80 |
| Japan | 22.53 | 22.74 |
| Germany | 7.70 | 15.61 |
| France | 21.72 | 22.94 |