

Bond market Briefing

Treasury rates are falling as investors worry about a new Covid version, with the 10-year yield falling below 1.5%

Concerns over a new form of the coronavirus discovered in South Africa caused Treasury rates to fall on Friday, erasing recent gains. Fears about a new Covid strain discovered in South Africa grew overnight, prompting the United Kingdom to cancel flights to six African nations. The new variation has more than 30 changes, raising concerns that it may be able to better resist the antibody protection provided by vaccinations and earlier infections. Fear of the unknown will be a major factor this weekend, and it may extend into next week. Even before the news of this newest variant broke, it was clear that the market would be coping with this for some time, and that there would be rounds of risk aversions because of fears about the pandemic. Meanwhile, weekly unemployment claims in the United States fell to their lowest level in 52 years on Wednesday 24 November. The Fed's preferred inflation indicator, the personal consumption expenditure index, climbed 4.1% year over year in October, matching forecasts. The bond market was closed on Thanksgiving Day, and no economic data or Treasury auctions were scheduled for Friday, with markets shutting early for the holiday weekend.

Lockdowns in Europe have pushed \$50 billion in bonds to the brink of junk status

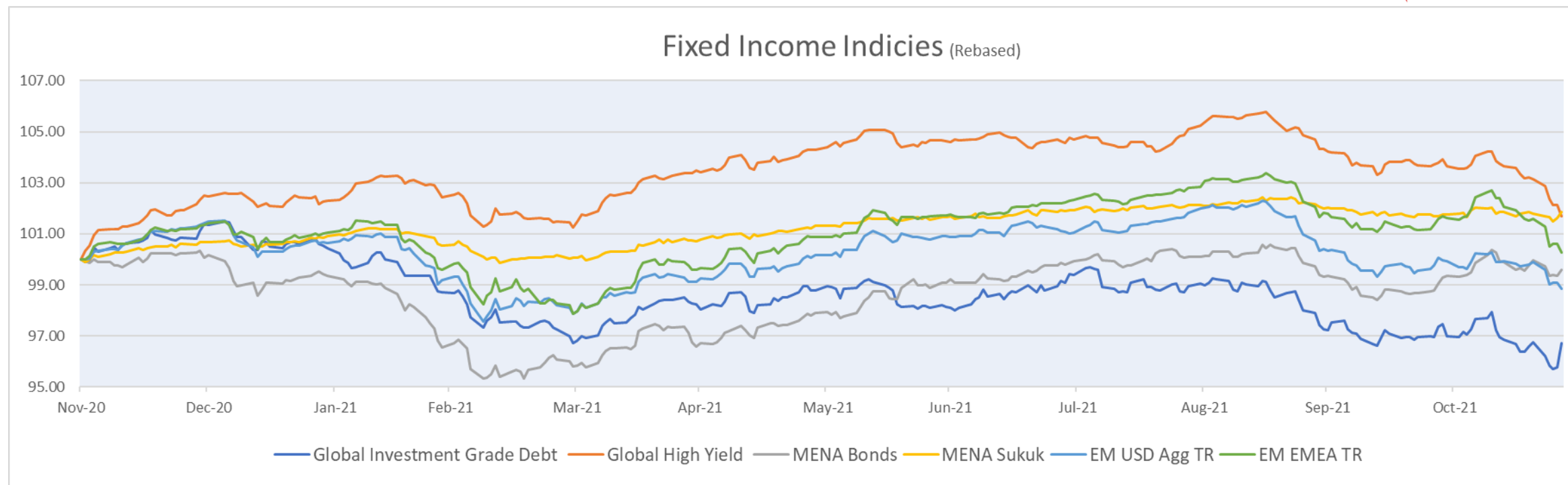
As Europe struggles to cope with one of the pandemic's worst breakouts, a fresh round of trash downgrades loom. 84 bonds worth 46 billion euros (\$52 billion) are on the verge of losing their investment-grade ratings, bringing back fallen angels who had all but gone earlier this year. This is just another indicator that the European credit market, which has been supported by central bank bond purchases for years, and especially more so during the outbreak, is beginning to show cracks. However, that assistance is expected to decrease as soon as March, driving higher borrowing prices and volatility. For the first time in more than a year, the risk premium on euro-denominated corporate bonds, as measured by Bloomberg indexes, has risen above 1%. This occurs as spread volatility rises from low levels to multi-month highs.

Fitch Ratings Maintains Majid Al Futtaim LLC at 'BBB' with a Stable Outlook

The Long-Term Issuer Default Rating (IDR) and senior unsecured rating of UAE-based Majid Al Futtaim Holding LLC (MAF) have been confirmed at 'BBB' by Fitch Ratings with stable outlook. Majid Al Futtaim Properties' (MAFP) high-quality portfolio of 29 retail malls and 13 hotels, which produces more than two-thirds of the group's EBITDA, is the driving force behind the ratings. MAFP's EBITDA dropped by 21% in 2020 as a result of government-imposed pandemic-related lockdowns and restrictions. As footfall and sales began to rebound in 1H21, EBITDA increased by roughly 6%, and the recovery is showing signs of speeding up in 2H21. With AED1.2 billion in unrestricted cash at 1H21 and AED10.2 billion in undrawn committed facilities with no substantial maturities until 2024, the company's liquidity position, which allowed it effectively manage 2020, remains solid.

Qatari banks' ratings have been placed on negative watch by Fitch

All Qatari banks have been placed on a ratings watch list by Fitch Ratings, which is concerned about the sector's rising reliance on foreign finance. In October, the credit ratings agency placed all banks' long-term issuer default ratings (IDRs) on rating watch negative (RWN) because they are the most reliant on non-domestic funding among Gulf Cooperation Council banks. Their growing reliance on external financing makes them more sensitive to external shocks and investor sentiment, and might diminish the sovereign's capacity to assist the sector if necessary. However, the impact of the outbreak on Qatari banks' credit profiles has been controlled in the short term. Despite decreases to government capital investment, the sector's loan growth remained solid at 7% in 9M21 (2020: 8.5%). Fitch has changed the outlook on the sector's operating environment score from negative to stable.



| | Week To Date | Month To Date | Year To Date | Open/Close (Week) |
|------------------------------|--------------|---------------|--------------|-------------------|
| Global Investment Grade Debt | 0.54% | -0.28% | -4.56% | 530.38/533.26 |
| Global High Yield | -1.13% | -1.88% | -0.75% | 1519.79/1502.69 |
| MENA Bonds | -0.13% | 0.26% | -0.56% | 152.46/152.26 |
| MENA Sukuk | 0.16% | 0.10% | 1.17% | 140.37/140.6 |
| EM USD Agg TR | -0.05% | -0.38% | -1.92% | 1264.08/1263.408 |
| EM EMEA TR | -0.09% | -0.43% | -0.24% | 401.85/401.5004 |

US Treasuries

| | Week To Date | Month To Date | Year To Date | Yield (Ask) | Open/Close (Week) |
|-------------|--------------|---------------|--------------|-------------|-------------------|
| US 2 Years | 0.040% | 0.00% | -0.11% | 0.2% | 99.86/99.9 |
| US 3 Years | 0.294% | 0.06% | -0.58% | 0.6% | 98.79/99.08 |
| US 5 Years | 0.621% | 0.05% | -2.85% | 1.1% | 96.62/97.22 |
| US 7 Years | 1.010% | 0.44% | -3.85% | 1.3% | 95.06/96.02 |
| US 10 Years | 1.329% | 0.75% | -4.30% | 1.4% | 94.09/95.34 |
| US 30 Years | 2.204% | 1.51% | -7.10% | 1.9% | 89.84/91.82 |

German Treasuries

| | Week To Date | Month To Date | Year To Date | Yield (Ask) | Open/Close (Week) |
|-------------|--------------|---------------|--------------|-------------|-------------------|
| GR 2 Years | 0.000% | 0.11% | -0.55% | -0.8% | 100.84/100.84 |
| GR 5 Years | 0.146% | 1.12% | -0.67% | -0.7% | 102.95/103.1 |
| GR 12 Years | 0.319% | 2.30% | -1.68% | -0.4% | 103.33/103.66 |
| GR 30 Years | 0.340% | 3.68% | -4.32% | 0.0% | 100.07/100.41 |

United Kingdom Treasuries

| | Week To Date | Month To Date | Year To Date | Yield (Ask) | Open/Close (Week) |
|--------------|--------------|---------------|--------------|-------------|-------------------|
| UKT 5 Years | 0.279% | 0.88% | -2.41% | 0.4% | 100.4/100.68 |
| UKT 10 Years | 1.044% | 2.13% | -4.69% | 0.7% | 95.83/96.83 |
| UKT 30 Years | 3.831% | 5.02% | -4.52% | 0.9% | 89.01/92.42 |

EIBOR & Interbank Rate

| | Week To Date | Month To Date | Year To Date | Open/Close (Week) |
|---------------|--------------|---------------|--------------|-------------------|
| EIBO1M Index | 270 | 400 | -20 | 0.216/0.243 |
| EIBO3M Index | 300 | 920 | -1,160 | 0.367/0.397 |
| EIBO6M Index | 410 | 1,200 | 900 | 0.54/0.581 |
| EIBO12M Index | 1,320 | 920 | 1,160 | 0.638/0.77 |

Rating & Outlook

| | Abu Dhabi | Saudi Arabia | Kuwait | Qatar | Bahrain | Oman | Egypt |
|---------|------------|--------------|--------|------------|-------------|--------------|-----------|
| Moody's | Aa2/Stable | A1/Stable | NA/NA | Aa3/Stable | B2/Negative | Ba3/Stable | B2/Stable |
| S&P | AA/Stable | NA/Stable | A+/NA | AA-/Stable | B+/Stable | NA | B/Stable |
| Fitch | AA/Stable | A/Stable | AA/NA | AA-/Stable | B+/Stable | BB-/Negative | B+/Stable |

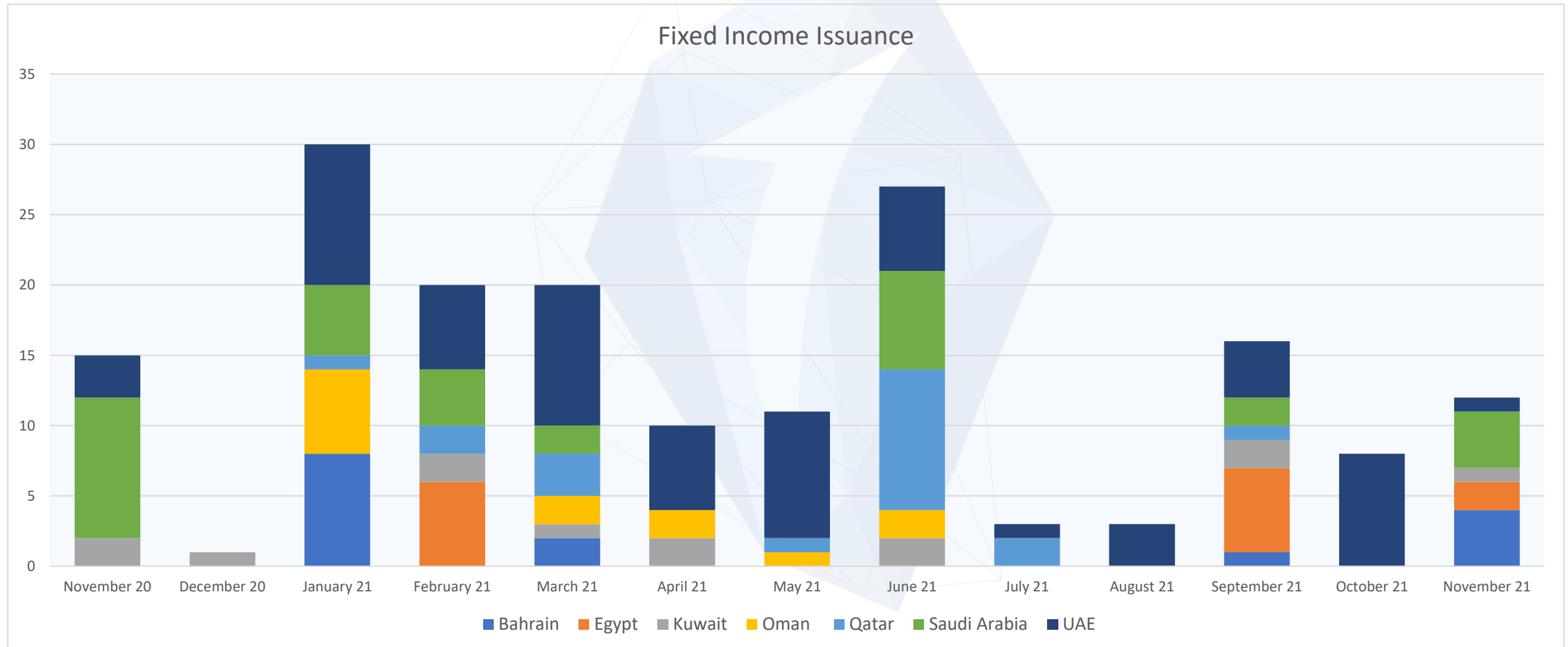
CDS

| | WTD | MTD | YTD | Last Price | | WTD | MTD | YTD | Last Price |
|------------------|--------|--------|---------|------------|-------------------|--------|--------|---------|------------|
| Dubai 5y CDS | 0.16% | -1.66% | -19.10% | 90.7 | Dubai 10Y CDS | -0.67% | -1.77% | -10.37% | 130.9 |
| Abu Dhabi 5y CDS | 11.32% | 6.04% | 18.18% | 45.0 | Abu Dhabi 10Y CDS | 3.27% | -2.11% | 7.04% | 74.3 |
| Oman 5Y CDS | 3.84% | 5.63% | -27.79% | 261.8 | Oman 10Y CDS | 2.94% | 4.05% | -19.00% | 315.8 |
| Bahrain 5y CDS | 2.43% | -2.79% | 19.37% | 287.5 | Bahrain 10Y CDS | 1.76% | -2.74% | 6.03% | 337.9 |
| Qatar 5y CDS | 10.26% | 3.00% | 16.04% | 44.6 | QATAR 10Y CDS | 5.36% | 2.07% | 4.45% | 77.3 |
| Egypt 5y CDS | 0.01% | 4.09% | 43.71% | 487.2 | Egypt 10Y CDS | -0.01% | 3.31% | 34.38% | 548.6 |
| KSA 5y CDS | 10.54% | 8.02% | -18.54% | 53.6 | KSA 10Y CDS | 7.26% | 7.62% | -12.99% | 97.3 |

Primary Issuance

| Issuer Name | Pricing Date | Maturity | Amount Issued | Coupon | Country of Risk | Currency | Series |
|-------------|--------------|----------|---------------|--------|-----------------|----------|--------|
|-------------|--------------|----------|---------------|--------|-----------------|----------|--------|

No Issuance



Note: The table and graph above excludes 1. Treasury Bills 2. EGP, SAR, KWD, QAR, BHD and OMR dominated issuance 3. issuance below 250mm USD

29/11/2021

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