

## BANKING ON KNOWLEDGE

## US benchmark treasury yield expected to reach 2% this year

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In international bond market the issuances exceeded \$5.67tn in 2020 and in 2021 it exceeded \$1.69tn. US employers added the most jobs in seven months with improvement across most industries in March 2021, as more vaccinations and fewer business restrictions supercharged the labour market recovery. Non-farm payrolls increased by 916,000 last month and February employment was revised up to a 468,000 gain, according to a Labour Department report last Friday.

The unemployment rate fell to 6% from 6.2% in February. The surge in hiring comes one year after the pandemic threw the US economy into a tailspin, sending a signal that the recovery may have reached a turning



point. It followed several sluggish months in the labour market as coronavirus cases surged and many employers paused rehiring amid

concerns about efforts to control the pandemic.

The labour market lost 22mn jobs in March 2020 and April 2020. It recovered 12mn of those jobs over the next six months, but then the pace of rehiring slowed drastically as the virus began a fall and winter spike. The new March data was the largest number of jobs added since August and the third-straight month of growth. The US 10-year yield was at 1.7216% by end of last week and had closed higher due to better than expected US job data. The 30-year yield had also surged and was at 2.3564% by end of last week. The US 10-year treasury yield is expected to reach 2% this year.

Global Sukuk issuances exceeded \$67bn in 2020 and had exceeded \$15bn in 2021. The major Sukuk issuances include UK Sovereign



Sukuk \$686.90mn, Federal Land Development Authority \$487.18mn, Dana Infra Nasional Bhd \$544.08mn, Lembaga Pembiayaan Perumahan - \$945.63mn.

The GCC Sukuk Issuances exceeded \$35bn in 2020 and is close to \$6bn in 2021. The major Sukuk issuances include Riyadh Bank - \$0.93bn, NCB - \$1.25bn, FAB Sukuk - \$0.5bn and Saudi Real estate Finance - \$1.067bn. The Gulf bond issuances exceeded \$90bn in 2020 and is at \$31.5bn in 2021. The major bond issuances include Ooredoo \$1bn, Doha Bank \$500mn, Bank Muscat \$500mn, QNB

\$1bn and Ahli Bank Qatar - \$300mn. It also included Sovereign Bond issuances namely Saudi Govt - \$5bn, Bahrain Govt - \$2bn and Sharjah Govt - \$1.25bn.

Doha Bank rated A by Fitch and Baa1 by Moody's, completed the \$500mn 5-year senior unsecured bond at a yield of 2.431% per annum, which is equivalent to a credit spread of 150 basis points over 5-year mid swap rate. The transaction was executed under the Bank's \$2bn EMTN issuance programme, which is listed on the London Stock Exchange, UK. In terms of allocation to investors -

57% were asset managers, 31% were banks, and 7% Insurance and 5% others. More importantly, the investor base was diversified geographically with, 48% of the bond issuance being allocated to the United Kingdom, 35% to the Middle East, 13% to Europe, and 4.0% to Asia.

The Gulf syndication market loans exceeded \$62bn in 2020 and had fallen from \$75bn in 2019, due to Covid-19. In 2021 it was close to \$23bn. In the Gulf bond 5-year CDS rates of the Qatar CDS was at 49.008 basis points, Saudi CDS was at 69.138 basis points, Dubai CDS was at 105.015 basis points, Abu Dhabi CDS was at 48.908 basis points and Bahrain CDS was at 203.860 basis points.

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