



BANKING ON KNOWLEDGE

Covid-19 has given a boost to 'social bonds' in global space

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In 2020, global bond issuances were at \$4.8tn. The Federal Republic of Germany and the European Investment Bank were the key issuers in 2020. Global bond issuances exceeded \$4tn in 2019. In 2020, global sukuk issuances exceeded \$53bn. The major sukuk issuers include IDB Trust Services, Persushaan Penerbit Indonesia and Federation of Malaysia. The global sukuk issuances exceeded \$58bn in 2019.

The US 10-year yield is at 0.767%. There are hopes for a new coronavirus aid relief package for the inflows into haven assets. But there remained doubt over what the path to a viable stimulus bill might look like, with both Democrats and Republicans both remaining far apart on the size of an eventual package.

The bond market was reacting more to



polls showing Democratic candidate Joe Biden's rising lead over President Donald Trump. The concern is, a wide margin of victory for Biden could usher in more government spending and a flood of new debt issuance that could

stoke inflationary pressures, pushing yields higher. On the whole, the yields inch higher on fiscal relief hopes and the growing odds of a Democratic sweep in the November presidential election.

In the September 2020 Fed meeting, it stated that with inflation running persistently below this longer run goal, the committee will aim to achieve inflation moderately above 2% for some time so that it averages 2% over time and longer-term inflation expectations remain well anchored at 2%.

The Gulf conventional bond issuances exceeded \$71bn in 2020. The major conventional bond issuers include the Qatar Investment Authority, the Kingdom of Saudi Arabia, ADB Sovereign, Sharjah Sovereign, Bahrain Sovereign and ME global Canada. The Gulf Conventional Bond Issuances exceeded \$80bn in 2019.

The Gulf sukuk issuances exceeded



\$28bn in 2020. The major sukuk issuers include Riyadh Bank, Saudi and Sharjah in 2020. The Gulf sukuk issuances exceeded \$20bn in 2019. The Gulf bond and sukuk issuances exceeded \$100bn in 2019 & 2020 respectively. Most of the Gulf Sovereigns had tapped the bond market in 2020, amidst Covid-19. The Gulf syndication loans exceeded \$75bn in 2019 and in 2020 it was at \$46bn. The syndication loans witnessed a drop in the Gulf region in 2020 due to Covid-19.

The Gulf sovereign CDS rates are as follows - Qatar 5-year Sovereign CDS rate at 40.45 Basis points, Dubai 5-year sovereign CDS rate at 141.945 basis

points, Saudi Arabia 5-year sovereign CDS rate at 69.632 basis points, Abu Dhabi 5-year Sovereign CDS rate at 41.011 basis points and Bahrain sovereign CDS rate at 345.060 basis points.

The progress on investment of sustainable development goals (SDGs) is evident across SDG sectors: infrastructure, climate change mitigation, food and agriculture, health, telecommunication, and ecosystems and biodiversity.

UNCTAD estimates that funds dedicated to investment in sustainable development have reached \$1.2-1.3tn today. However, most of these funds are invested in developed countries

in sectors such as renewable energy. The global effort to fight the Covid-19 pandemic is boosting the growth of sustainability funds, particularly social bonds. In the first quarter of 2020, social bonds related to Covid-19 crisis relief raised \$55bn, exceeding the total value of social bonds issued in all of 2019.

Since Covid-19 has overturned global markets, companies and governments have rushed to issue tens of billions of dollars' worth of special bonds that have been labelled as 'Covid bonds', 'social bonds' and 'sustainability bonds', the proceeds of which are earmarked to address impacts of the Covid-19 outbreak.

Stock exchanges actively support the fast-growing Covid-19 response bond market, for example, by waiving listing fees.

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