

GCC Bond Chart Book

A comprehensive overview of the risk and return parameters of the key securities in the GCC Fixed Income space

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GCC Bond Markets Performance - Takeaways

▶ Structure of the presentation

This GCC Bond Chart Book provides a comprehensive review of the bond market performance in 3Q'24 (Chapter I), the trends in GCC dollar bond issuances (Chapter II) and finally the bond valuations compared mostly with other emerging market peers (Chapter III and Chapter IV).

▶ GCC bonds performance

All EM bond markets posted positive returns in Q3'24, the gains in EM USD bonds were led by EM LATAM. In the GCC, all the countries recorded positive returns. High-quality sovereign of Qatar was the best performer in Q3'24. Bahrain also performed well due to the strong performance in non-oil activity. Other high-quality sovereigns also recorded positive returns but Kuwait underperformed peers. Meanwhile, the 10-year dollar bond yields declined across the GCC countries led by Kuwait and Qatar (Page 7). GCC 5yr sovereign CDS spreads marginally tightened in 3Q'24 with the exception of Saudi Arabia and Kuwait. (Page 8).

▶ GCC issuance activity

Sovereign bond issuances:

GCC bond markets continued to witness strong issuance activity from the sovereigns in 3Q'24. Saudi Arabia remains the top issuer in the first three quarters of 2024, raising USD17bn, followed by UAE with over USD7bn, Qatar with USD2bn, and Bahrain with USD2bn in total sovereign issuance during the same period. There were no new bond issuances done by Oman and Kuwait. The GCC region continues to benefit from healthy government balance and strong non-oil activity. The non-oil sector is likely to remain the primary driver of economic growth. Fiscal balances could see some deterioration in the remaining of 2024 due to the volatility of oil prices and tensions in the Middle East, but will remain healthy. We do not expect more sovereign bond issuance from remaining GCC countries in the remainder of the year.

Corporate bond issuances:

Corporate issuances continued to remain solid in 3Q'24 and have now reached the record high levels in the first three quarter of 2024. In 3Q'24, Saudi Aramco returned to the bond market for the first time in three years, raising USD6bn in 10-year, 30-year and 40-year bonds. BlackRock-led investors in Saudi Aramco's gas pipeline network Greensaif Pipelines Bidco raised USD3bn in two-tranche bond sale. ADNOC raised USD4bn from a bond market debut in over two years. The three tranche bond deal consisted of 5-year, 10-year and 30-year bond. In addition, many financials tapped the bond market in 3Q'24. ADCB sold USD500mn in Reg S Tier 2 bond, Commercial bank of Dubai launched USD500mn 5-Year bond, and Sharjah Islamic Bank issued a USD500mn sukuk. ESG-related issuances from the GCC corporates was also evident in 3Q'24. In 3Q'24 so far, Abu Dhabi Masdar raised USD1bn through green bonds while First Abu Dhabi Bank raised USD800mn. Additionally, Kuwait Warba Bank issued green bond worth USD500mn. Overall, we expect corporate bond issuance to be well received given the positive GCC growth outlook.

GCC Bond Markets – Our recommendation

ADCB Investment Strategy Fixed Income stance

GCC's strong fundamentals in the form of positive growth outlook and relatively healthy fiscal and external positioning should prove supportive for the GCC economies. As such, we continue to prefer high -quality GCC sovereign bond markets and Oman. Our key takeaway remains: GCC paper has shown resilience and will be more favored compared to other emerging markets given the quality and better rating of the sovereigns.

Asset Class	Positioning*				
	SUW	UW	N	OW	SOW
Fixed Income					
DM Treasuries IG					
DM Corporate IG					
EM USD <u>Sov.</u> IG					
EM LCY IG					
EM Corporate IG					
Global HY					
FRNs (off BM)					
Cash					

Source: Barclays, Bloomberg, and ADCB Asset Management | Notes: **Positions recommended based on Bloomberg Barclays Global Aggregate (USD unhedged) Index benchmarks, ***HQ = High Quality, ****Global HY is off benchmark position

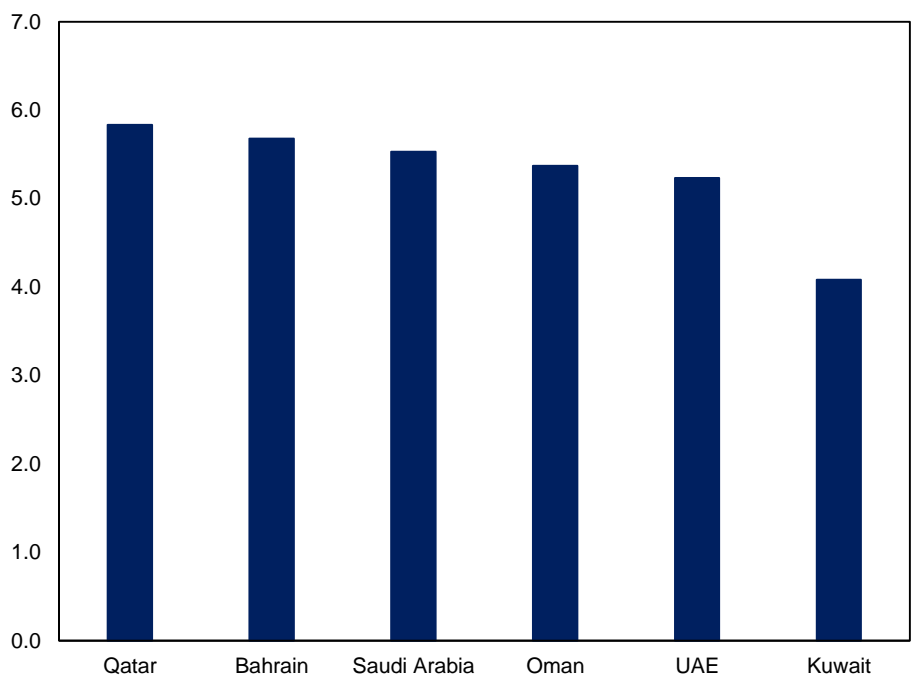
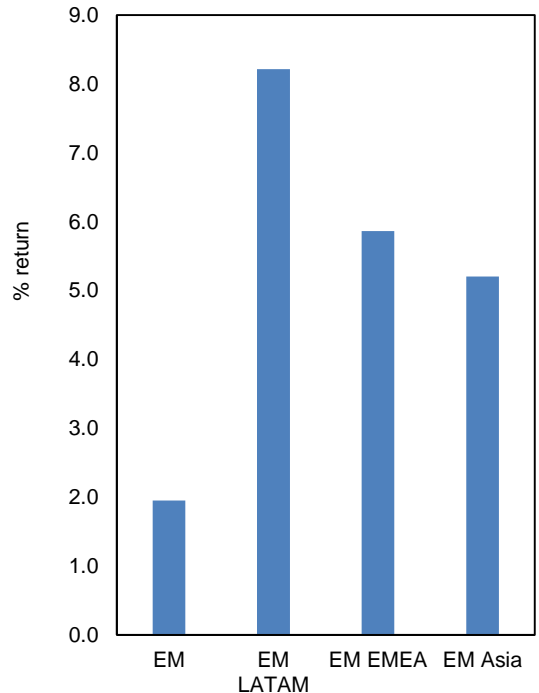
- ▶ Chapter I: GCC bond performance in 3Q'24
- ▶ Chapter II: Primary market bond issuances in GCC
- ▶ Chapter III: Credit rating valuation
- ▶ Chapter IV: GCC valuation analysis

Chapter I: GCC bond market performance in 3Q'24



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GCC countries: US dollar bond performance versus EM indices

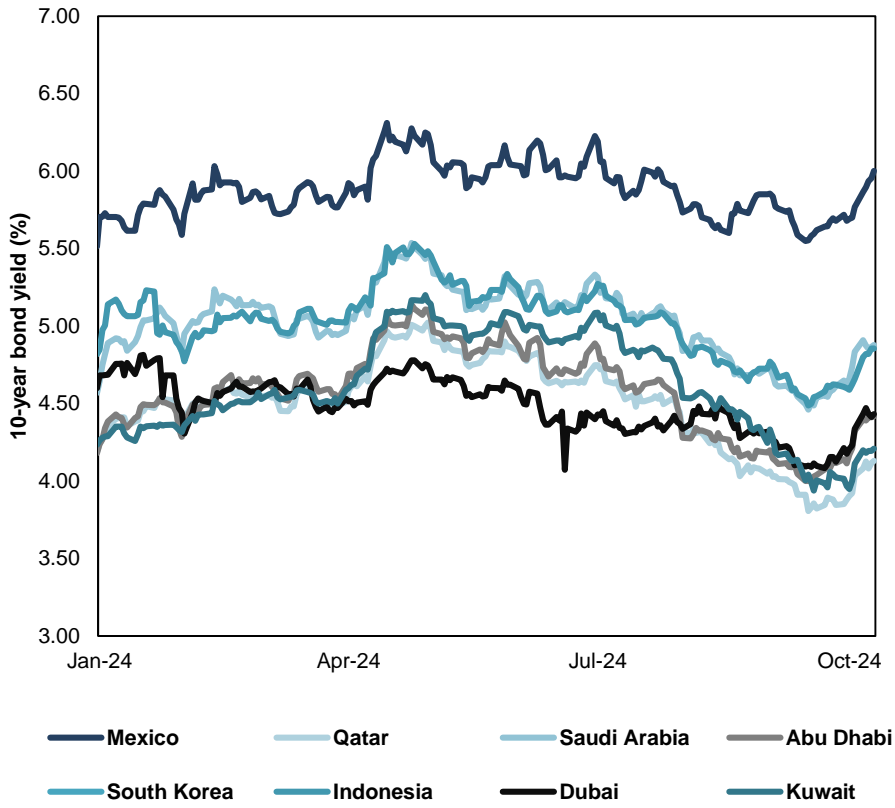


3Q 2024 return

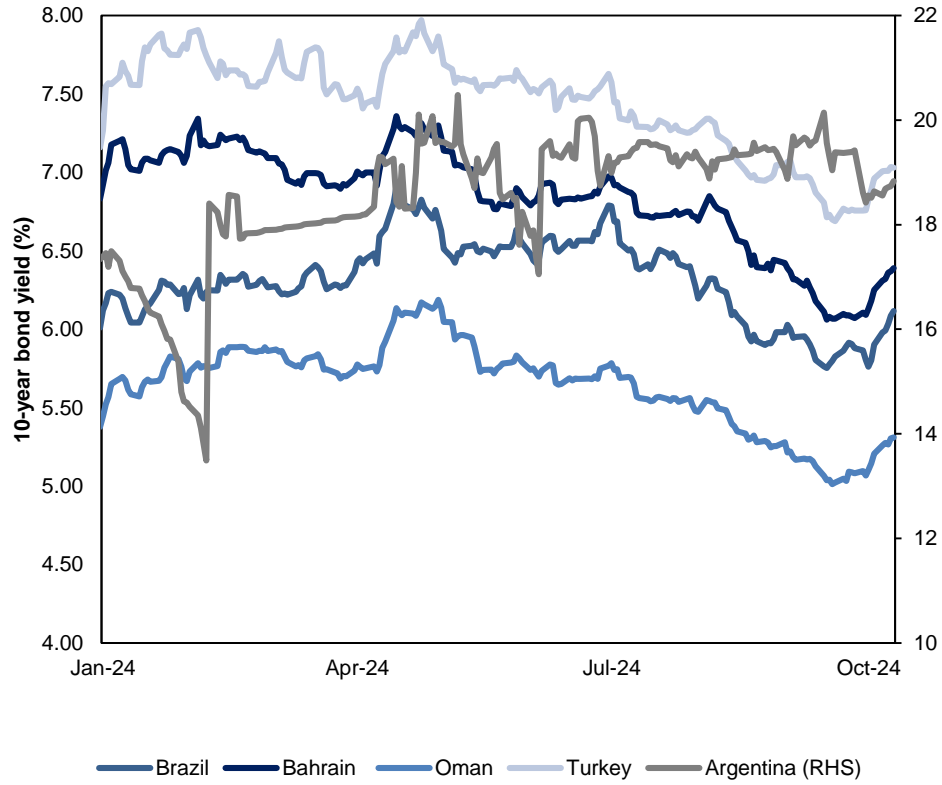
Source: Bloomberg, Barclays indices, ADCB

GCC Sovereign: 10-year dollar bond yield performance

Better quality GCC sovereigns yields have declined in line with EM peers



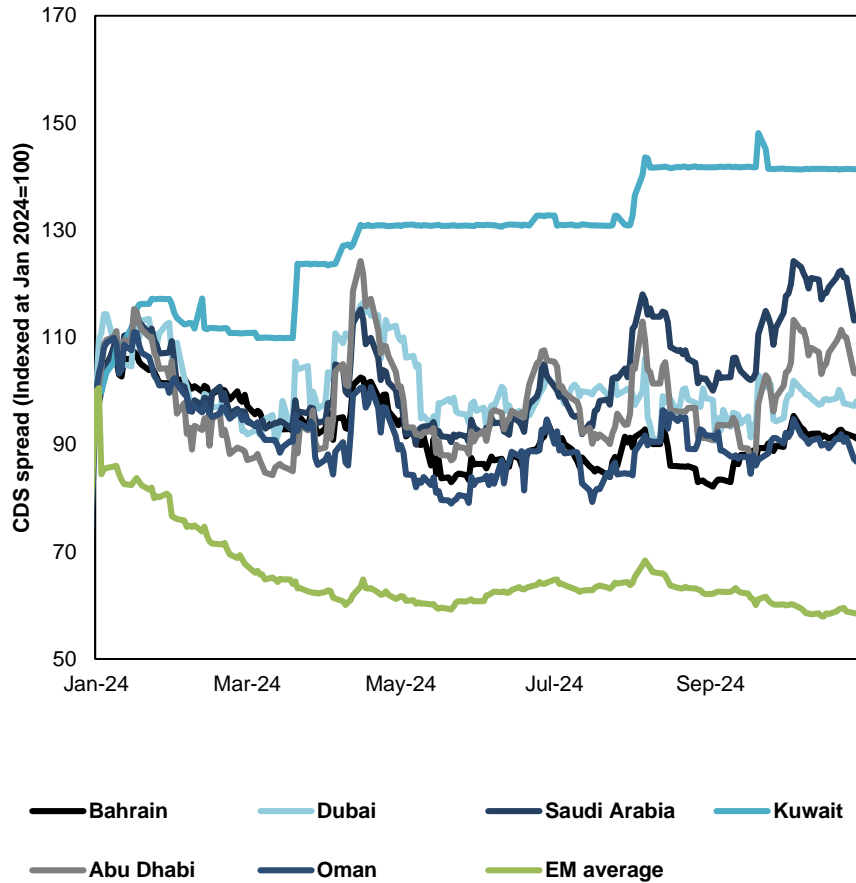
Oman and Bahrain bond yields declined in 3Q'24



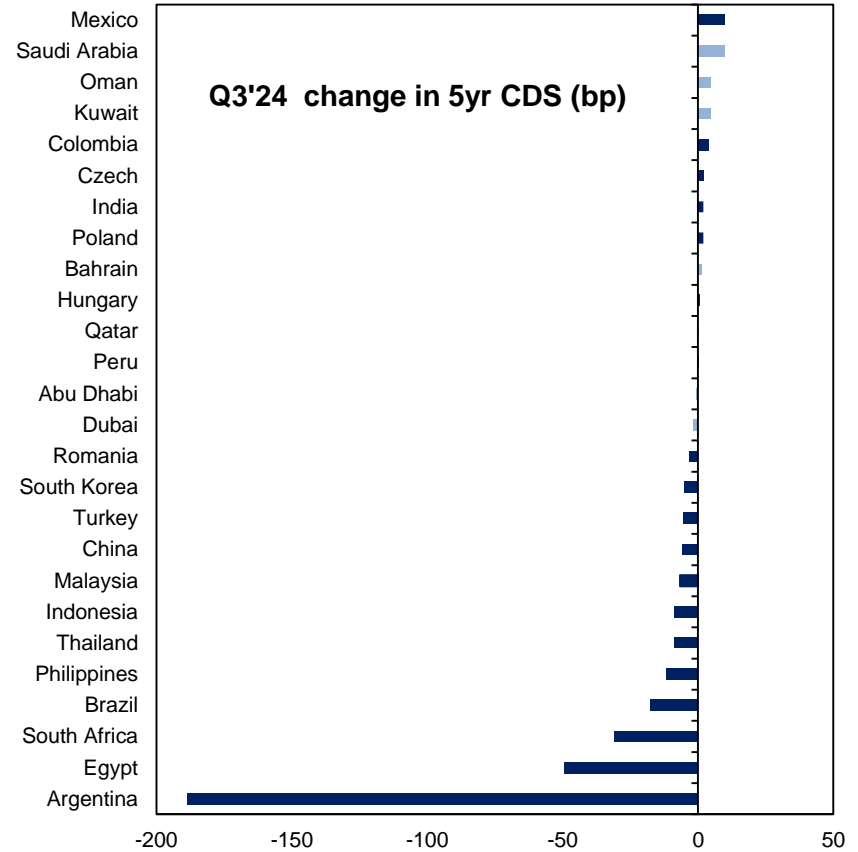
Source: Bloomberg, ADCB

GCC CDS performance versus EM

GCC CDS spreads higher than EM average



GCC spreads tightened in 3Q'24 barring Saudi Arabia and Kuwait



Source: Bloomberg, ADCB

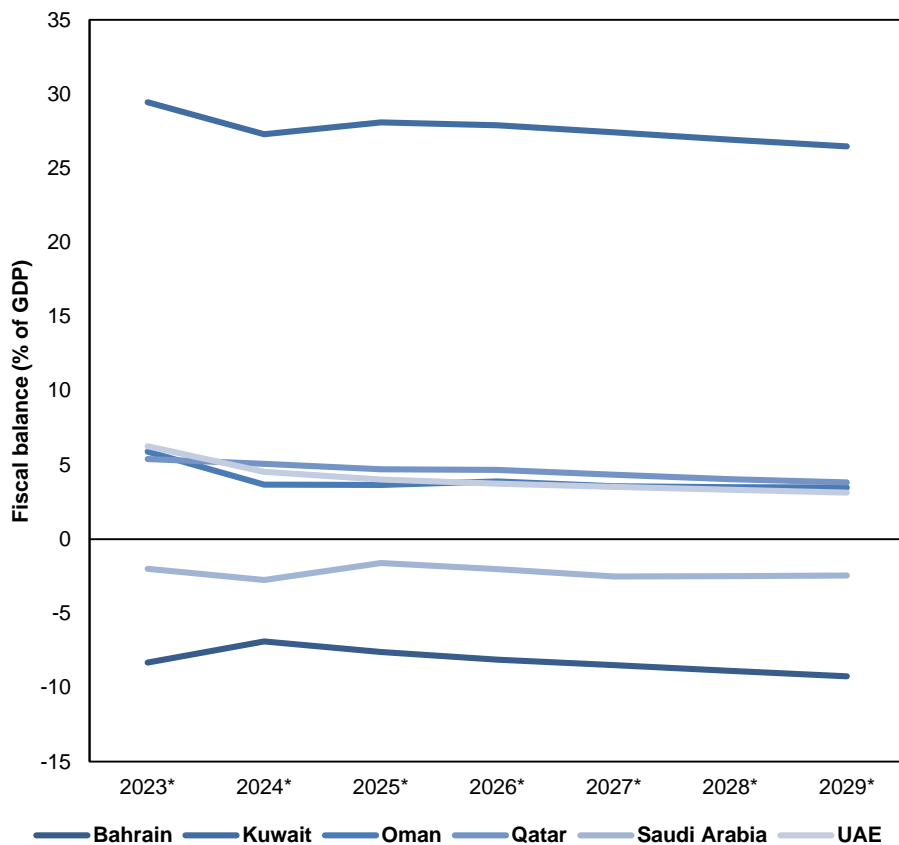
Chapter II: Primary market bond issuances in GCC



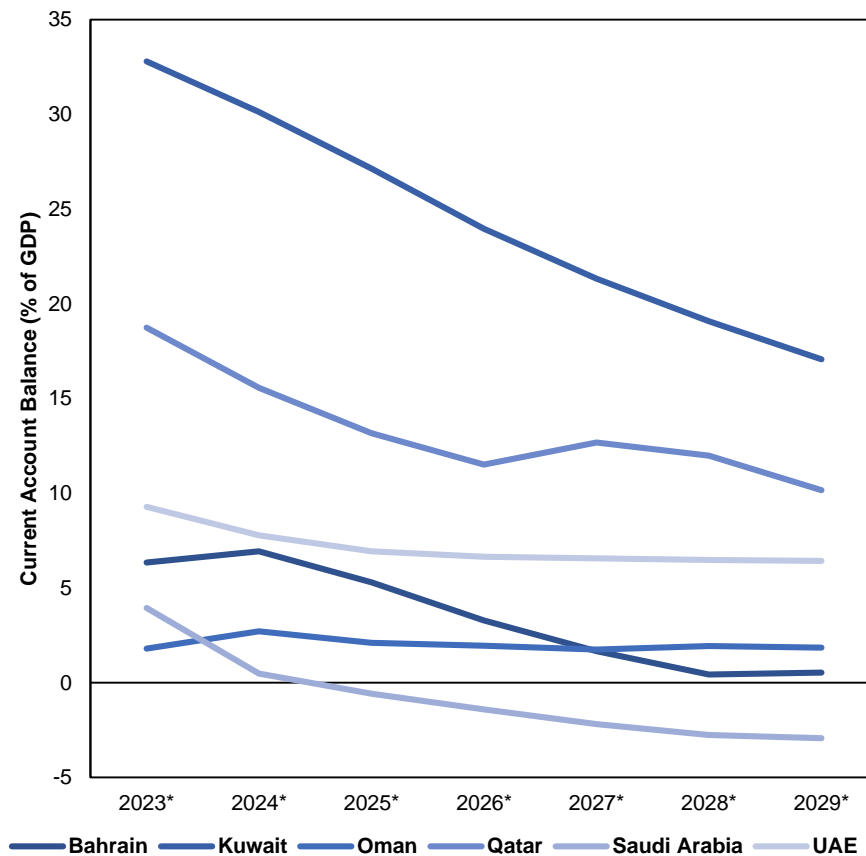
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GCC economies twin balances to remain healthy

GCC fiscal balances to remain positive in 2024 with the exception of Bahrain and Saudi Arabia



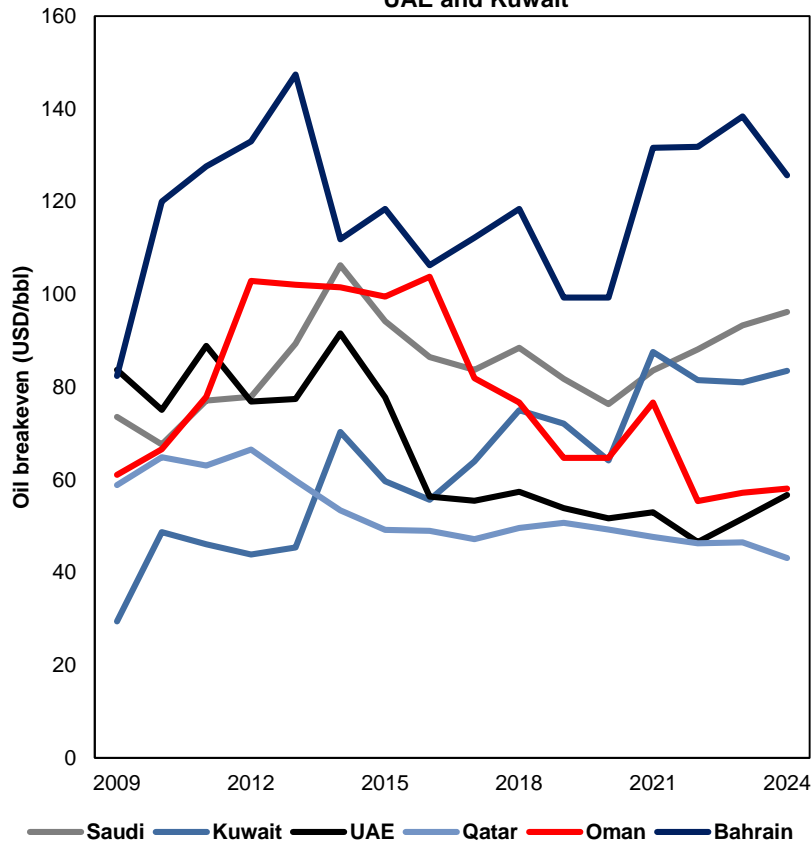
Saudi Arabia to see pressure on external balances



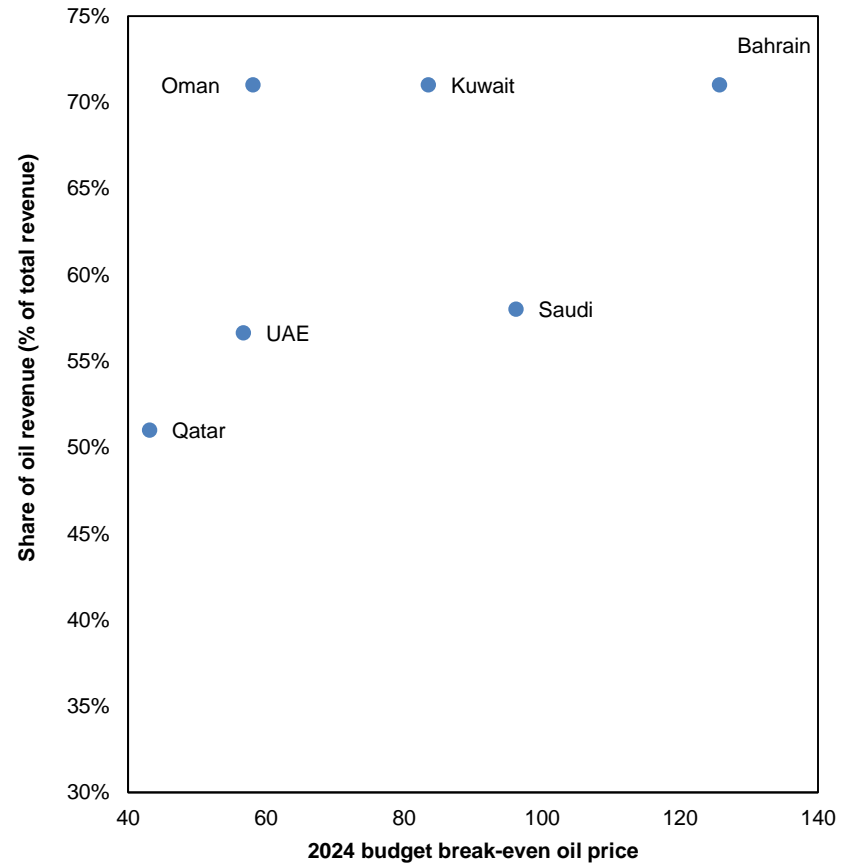
*IMF estimates
Source: IMF, ADCB

Dependency on oil has reduced, but still significant

Oil breakevens to pick up slightly in 2024 in case of Saudi, UAE and Kuwait



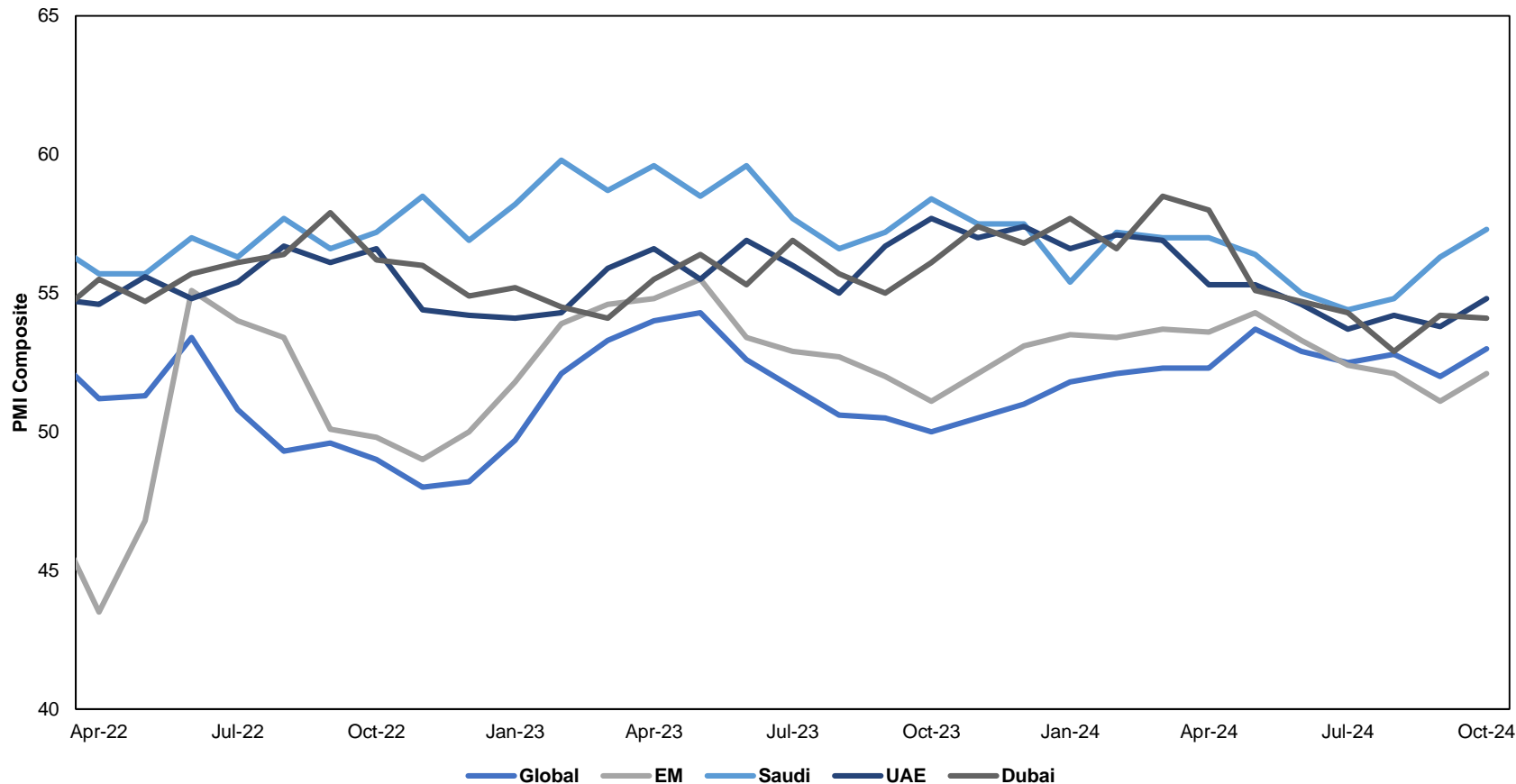
Dependency on Oil revenue



Source: IIF, Bloomberg, ADCB

GCC economies exhibit strong activity

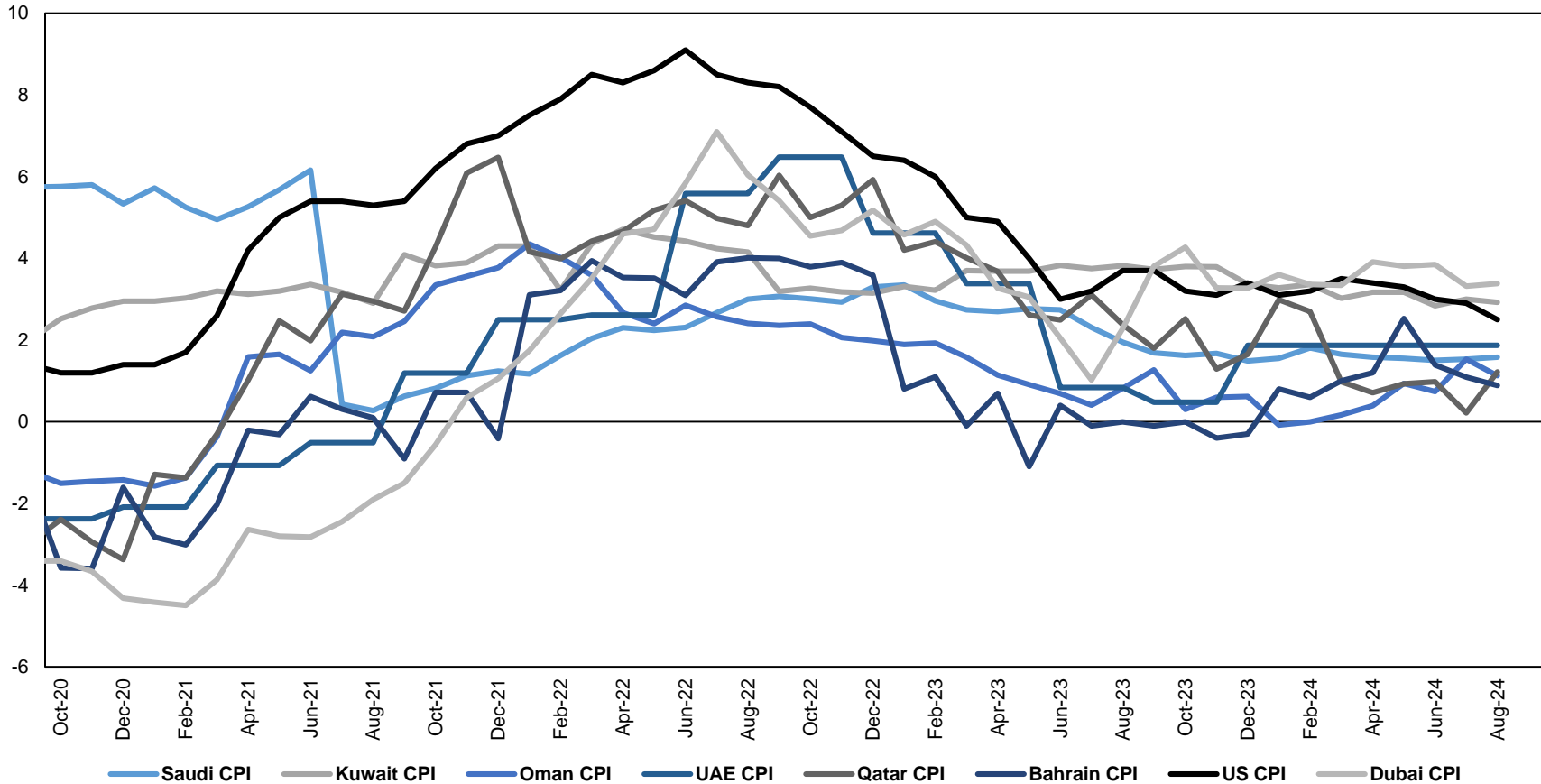
Saudi and UAE PMI in expansionary territory



Source: Bloomberg, ADCB

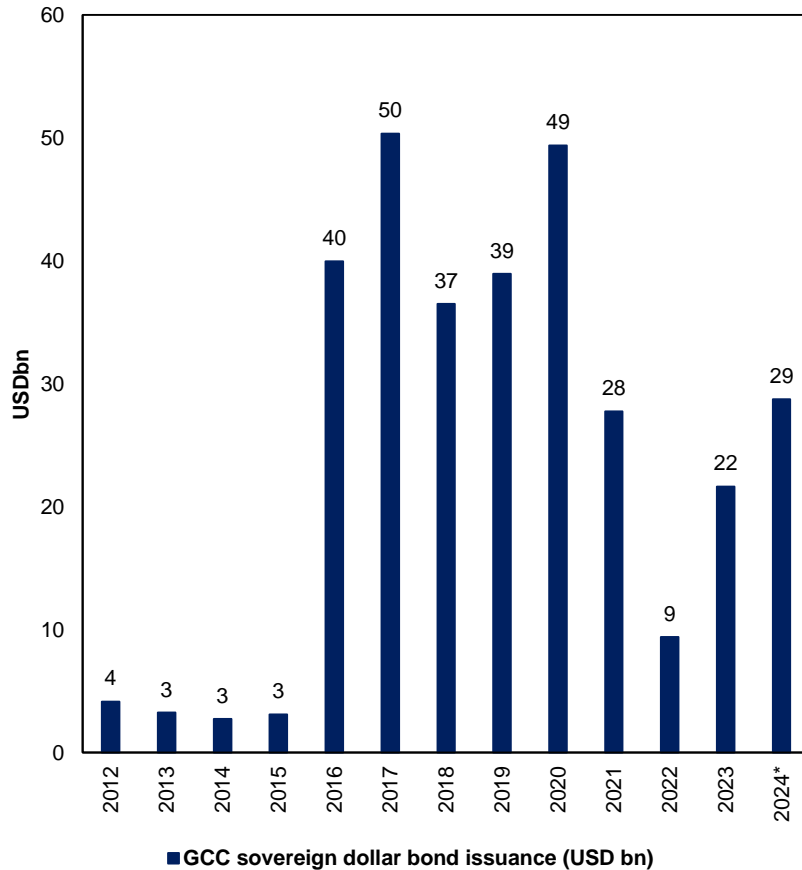
GCC inflation remains low

GCC inflation stable compared to DM inflation

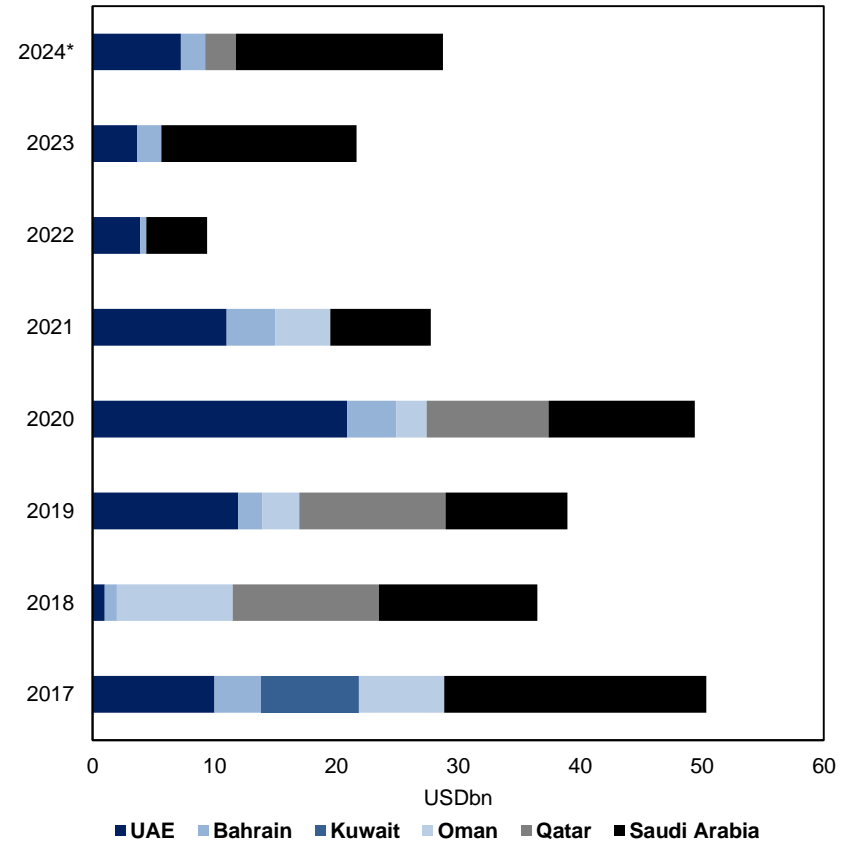


Sovereign dollar bond issuance in Jan-Sep 24

YTD 2024 issuance has surpassed 2023 issuance



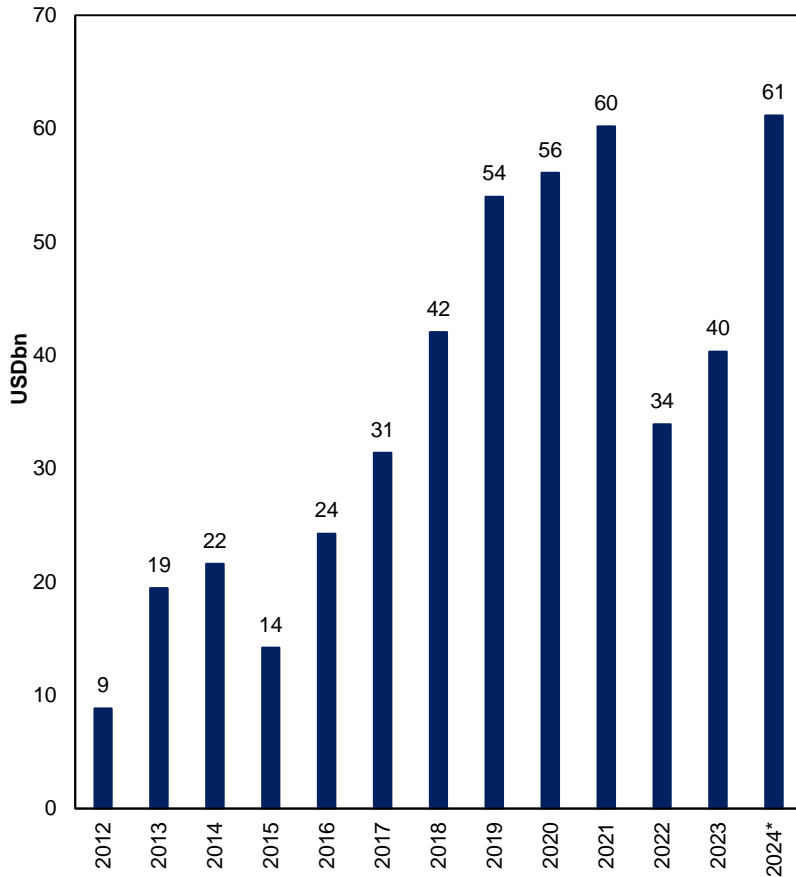
Saudi Arabia has led the issuance in 2024 so far



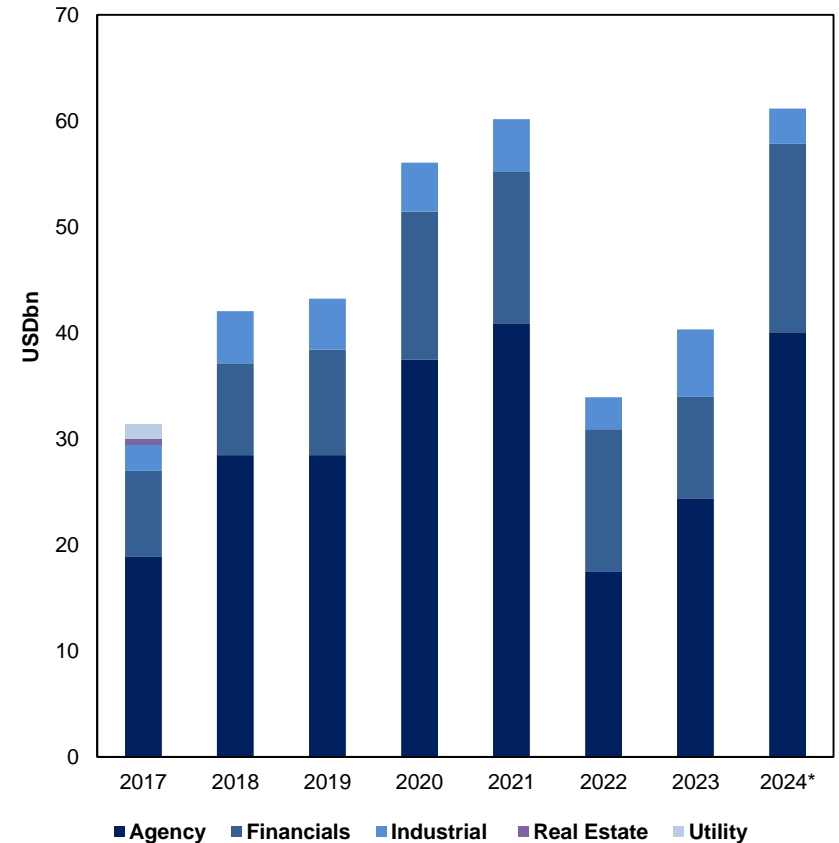
Note: *2024 USD sovereign bond issuance from 31st December 2023- 27th September 2024| Includes bonds with maturity over 1yr
 Source: Bloomberg, ADCB

Corporate issuances topping at record highs

Corporate dollar bond issuance has been on record highs



Agencies dominated issuance, but financials issuance also picked up



Note: *2024 USD sovereign bond issuance from 31st December 2023- 27th September 2024 | Includes bonds with maturity over 1yr

Source: Bloomberg, ADCB

Bloomberg classification used for corporates

Major corporate dollar bond deals in 3Q'24

Corporate Issuer	Bloomberg Ticker	Sector	Country	Amount Issued	Coupon	Maturity	Maturity Type	Issue Date	Moody Rtg [^]	Priced at issue
Saudi Arabian Oil Co	ARAMCO	Agency	SA	2000	5.25	7/17/2034	CALLABLE	7/17/2024	A1	T+105
Saudi Arabian Oil Co	ARAMCO	Agency	SA	2000	5.88	7/17/2064	CALLABLE	7/17/2024	A1	T+155
Saudi Arabian Oil Co	ARAMCO	Agency	SA	2000	5.75	7/17/2054	CALLABLE	7/17/2024	A1	T+145
Greensaif Pipelines Bidco Sarl	GASBCM	Industrial	SA	1600	6.10	8/23/2042	SINKABLE	7/31/2024	A1	T+195
UAE INTERNATIONAL GOVERNMENT BOND	UAE	Sovereign	AE	1500	4.86	7/2/2034	AT MATURITY	7/2/2024	Aa2	T+60
Suci Second Investment Co	PIFKSA	Agency	SA	1500	4.38	9/10/2027	AT MATURITY	9/10/2024	A1	T+75
Adnoc Murban Rsc Ltd	ADNOCM	Agency	AE	1500	5.13	9/11/2054	CALLABLE	9/11/2024	Aa2	T+115
Adnoc Murban Rsc Ltd	ADNOCM	Agency	AE	1500	4.50	9/11/2034	CALLABLE	9/11/2024	Aa2	T+85
Greensaif Pipelines Bidco Sarl	GASBCM	Industrial	SA	1400	5.85	2/23/2036	SINKABLE	7/31/2024	A1	T+170
Adnoc Murban Rsc Ltd	ADNOCM	Agency	AE	1000	4.25	9/11/2029	CALLABLE	9/11/2024	Aa2	T+70
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	800	6.28	7/22/2029	AT MATURITY	7/22/2024	Aa3	-
EDO Sukuk Ltd	ENEDEV	Agency	OM	750	5.66	7/3/2031	AT MATURITY	7/3/2024	-	T+135
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	750	5.80	1/16/2035	CALLABLE	7/16/2024	-	T+155
Equate Sukuk Spc Ltd	EQPCKW	Agency	KW	750	5.00	9/5/2031	CALLABLE	9/5/2024	Baa2	T+140
QIB Sukuk Ltd	QIBKQD	Financial Institutions	QA	750	4.49	9/17/2029	AT MATURITY	9/17/2024	-	T+100
SIB Sukuk Co III Ltd	SIB	Financial Institutions	AE	500	5.25	7/3/2029	AT MATURITY	7/3/2024	-	T+105
Warba Sukuk Ltd	WARBAB	Financial Institutions	KW	500	5.35	7/10/2029	AT MATURITY	7/10/2024	-	T+105
SNB Funding Ltd	SNBAB	Financial Institutions	SA	500	6.50	7/11/2029	AT MATURITY	7/11/2024	-	-
Masdar Abu Dhabi Future Energy Co	MASDAR	Agency	AE	500	4.88	7/25/2029	AT MATURITY	7/25/2024	A2	T+95
Masdar Abu Dhabi Future Energy Co	MASDAR	Agency	AE	500	5.25	7/25/2034	AT MATURITY	7/25/2024	A2	T+115
Saudi National Bank/Singapore	NCBKSG	Agency	SA	500	0.00	2/18/2025	AT MATURITY	8/16/2024	-	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	500	5.36	3/10/2035	CALLABLE	9/10/2024	-	T+170
Gaci First Investment Co	PIFKSA	Agency	SA	500	5.25	10/13/2032	CALLABLE	9/10/2024	A1	T+135
BOS Funding Ltd	BOSUH	Financial Institutions	AE	500	5.25	9/12/2029	AT MATURITY	9/12/2024	-	T+190

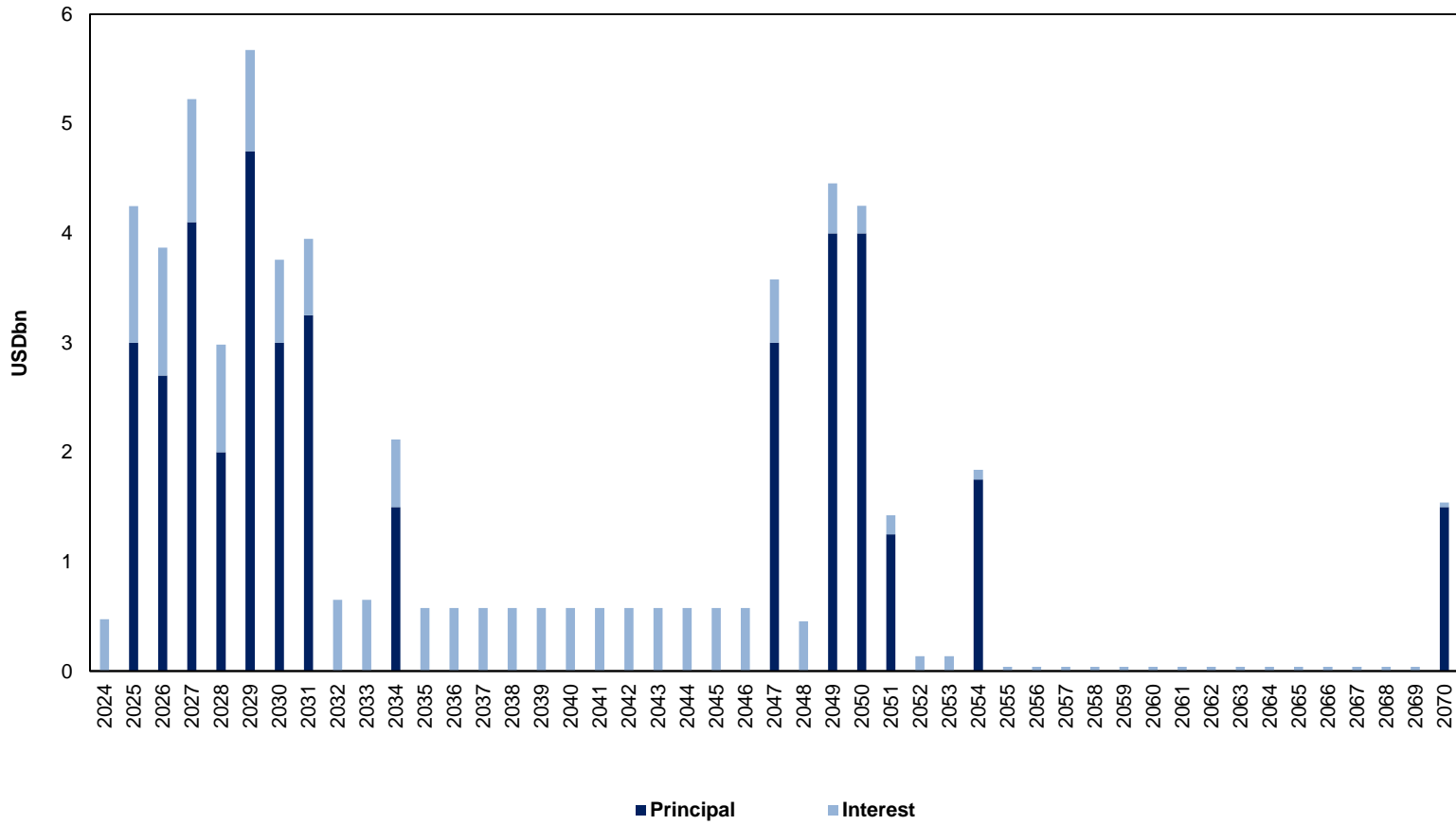
Note: Deals of only amount issued greater than USD are shortlisted, *Priced at issue indicated as spread over Treasury (T) or as mid-swap spread (M) , Bloomberg sector classification has been used, **Rated by Fitch rating (Moody's rating equivalent has been used)

GCC ESG Corporate issuances in 3Q'24

Issuer Name	Ticker	Amt Issued (USDmn)	Issue Date	Cntry of Risk	Cpn	Maturity	BBG Composite	Mty Type	Currency	Green	Sustainable	Social
First Abu Dhabi Bank PJSC	FABUH	800	7/22/2024	AE	6.283405	7/22/2029	-	AT MATURITY	USD	Y	Y	N
Warba Sukuk Ltd	WARBAB	500	7/10/2024	KW	5.351	7/10/2029	-	AT MATURITY	USD	N	Y	N
Masdar Abu Dhabi Future Energy Co	MASDAR	500	7/25/2024	AE	4.875	7/25/2029	A+	AT MATURITY	USD	Y	Y	N
Masdar Abu Dhabi Future Energy Co	MASDAR	500	7/25/2024	AE	5.25	7/25/2034	A+	AT MATURITY	USD	Y	Y	N

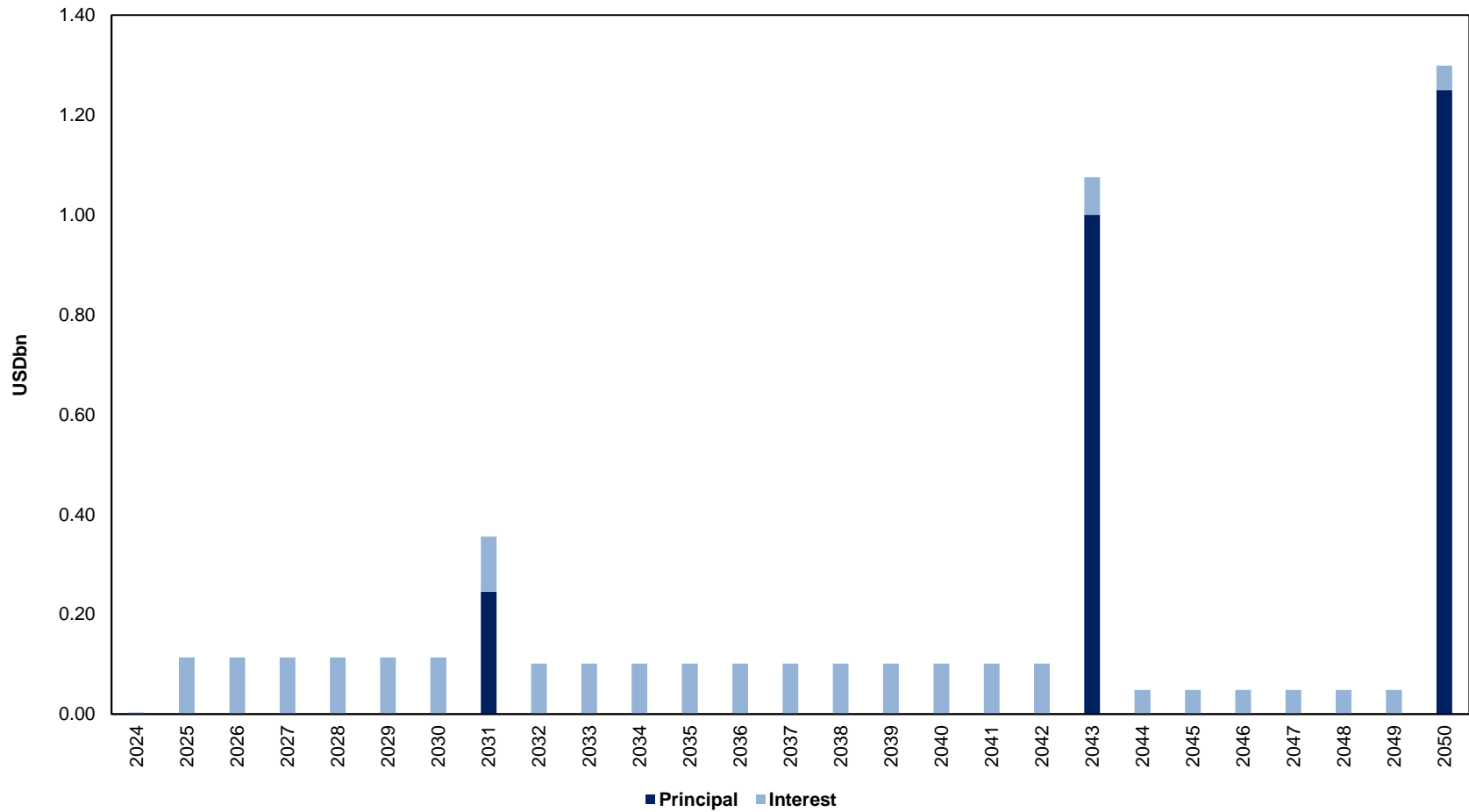
Source: Bloomberg, ADCB Asset Management

Abu Dhabi Sovereign Dollar Debt Maturity Profile



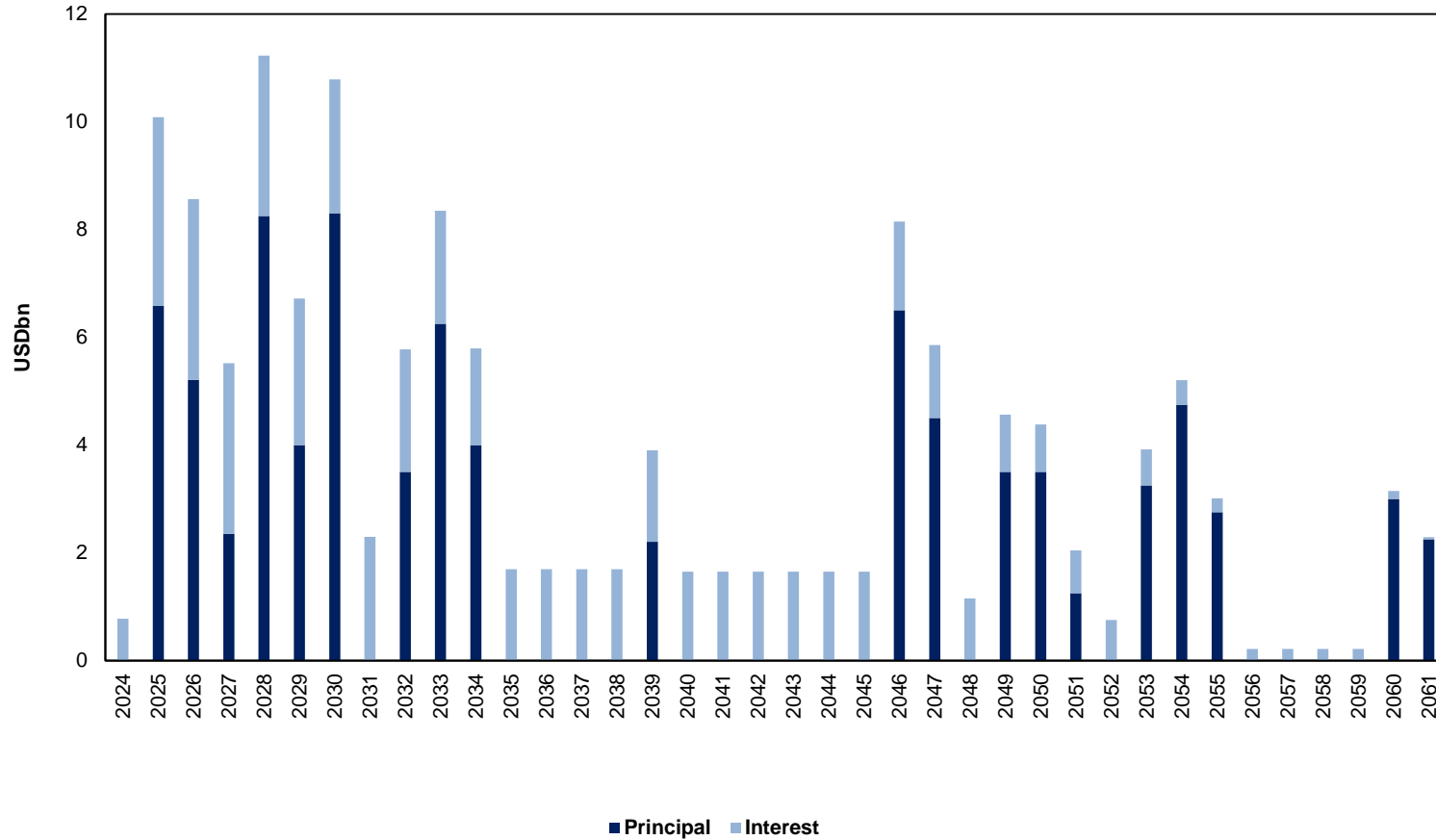
Source: Bloomberg, ADCB

Dubai Sovereign Dollar Debt Maturity Profile



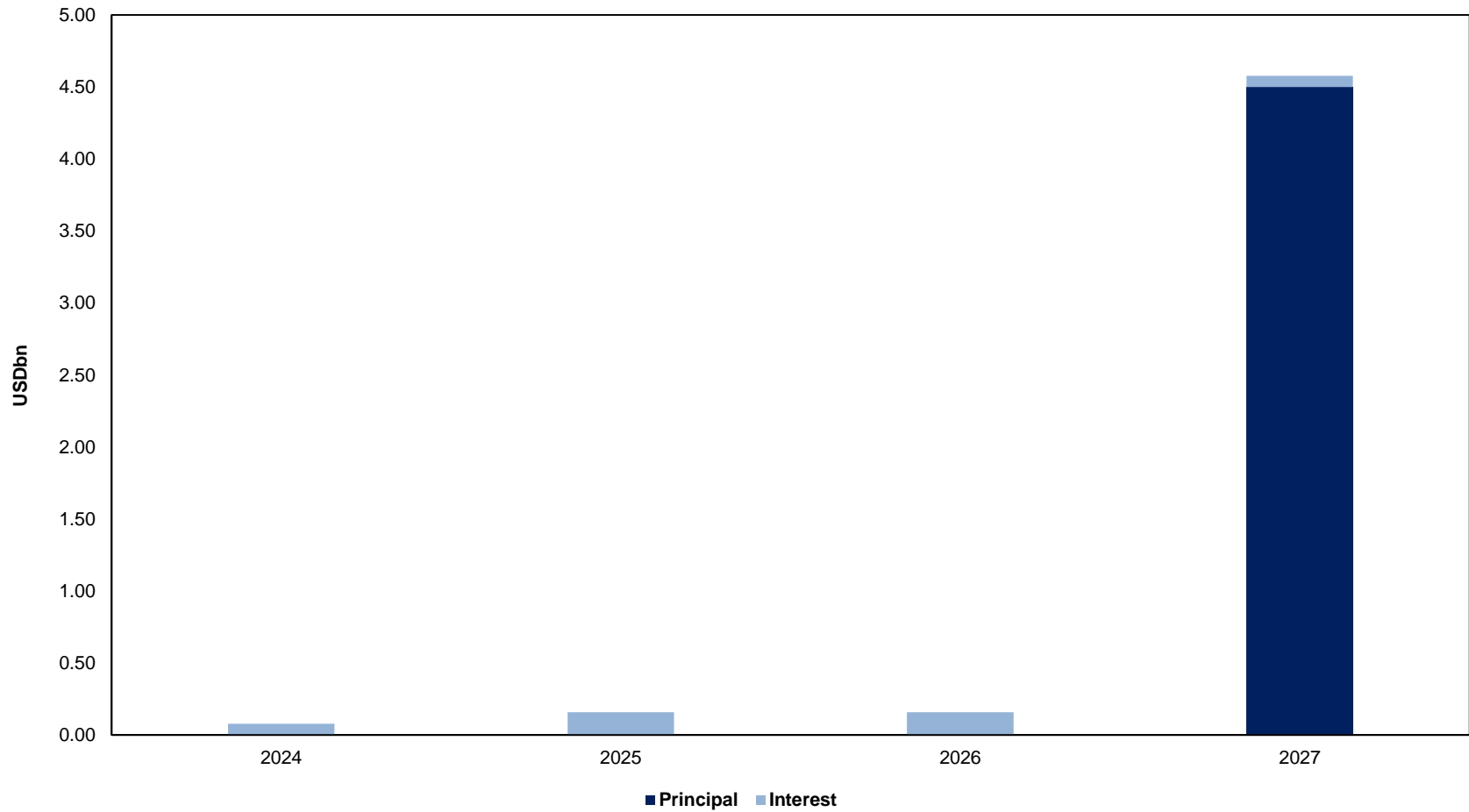
Source: Bloomberg, ADCB

Saudi Arabia Sovereign Dollar Debt Maturity Profile



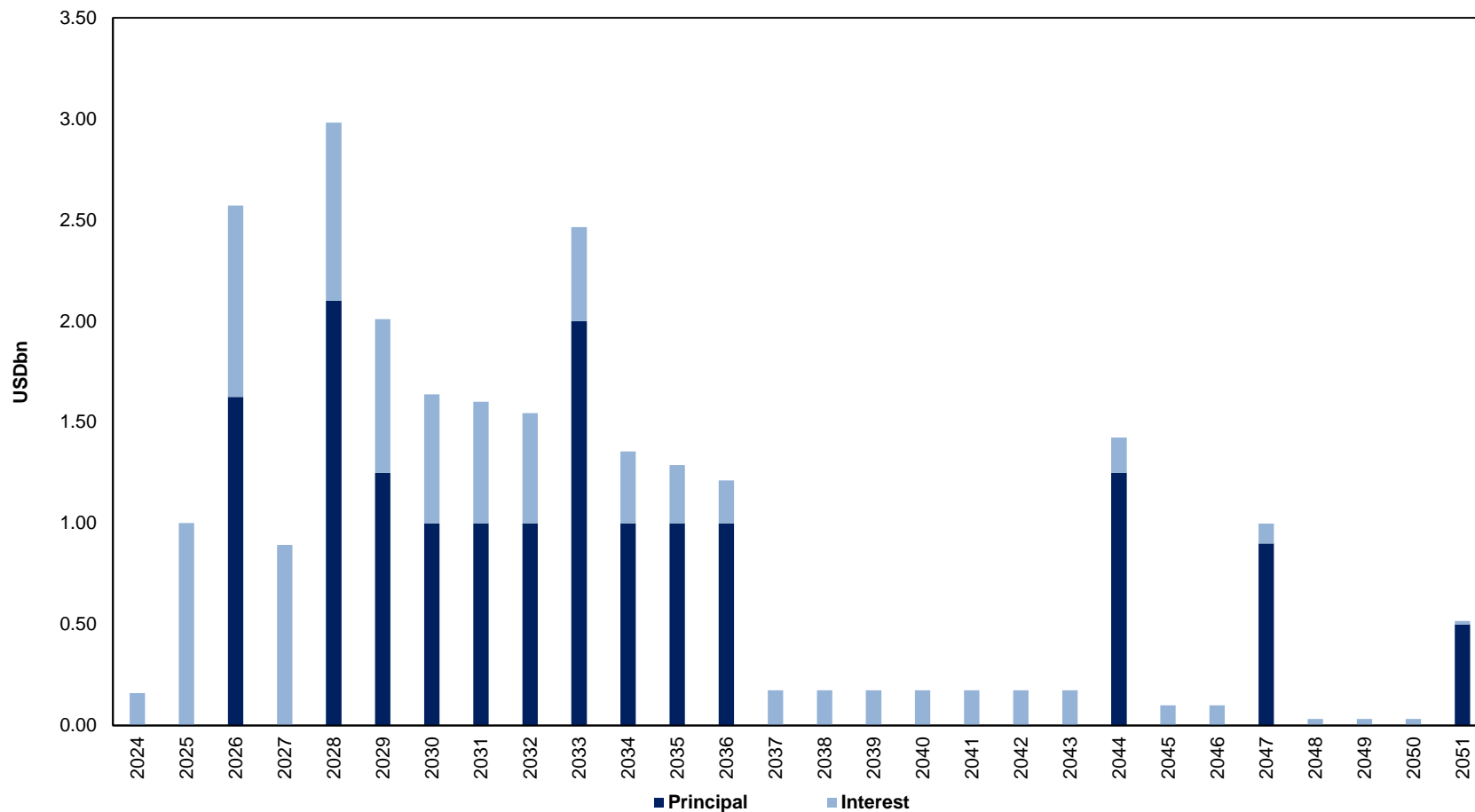
Source: Bloomberg, ADCB

Kuwait Sovereign Dollar Debt Maturity Profile



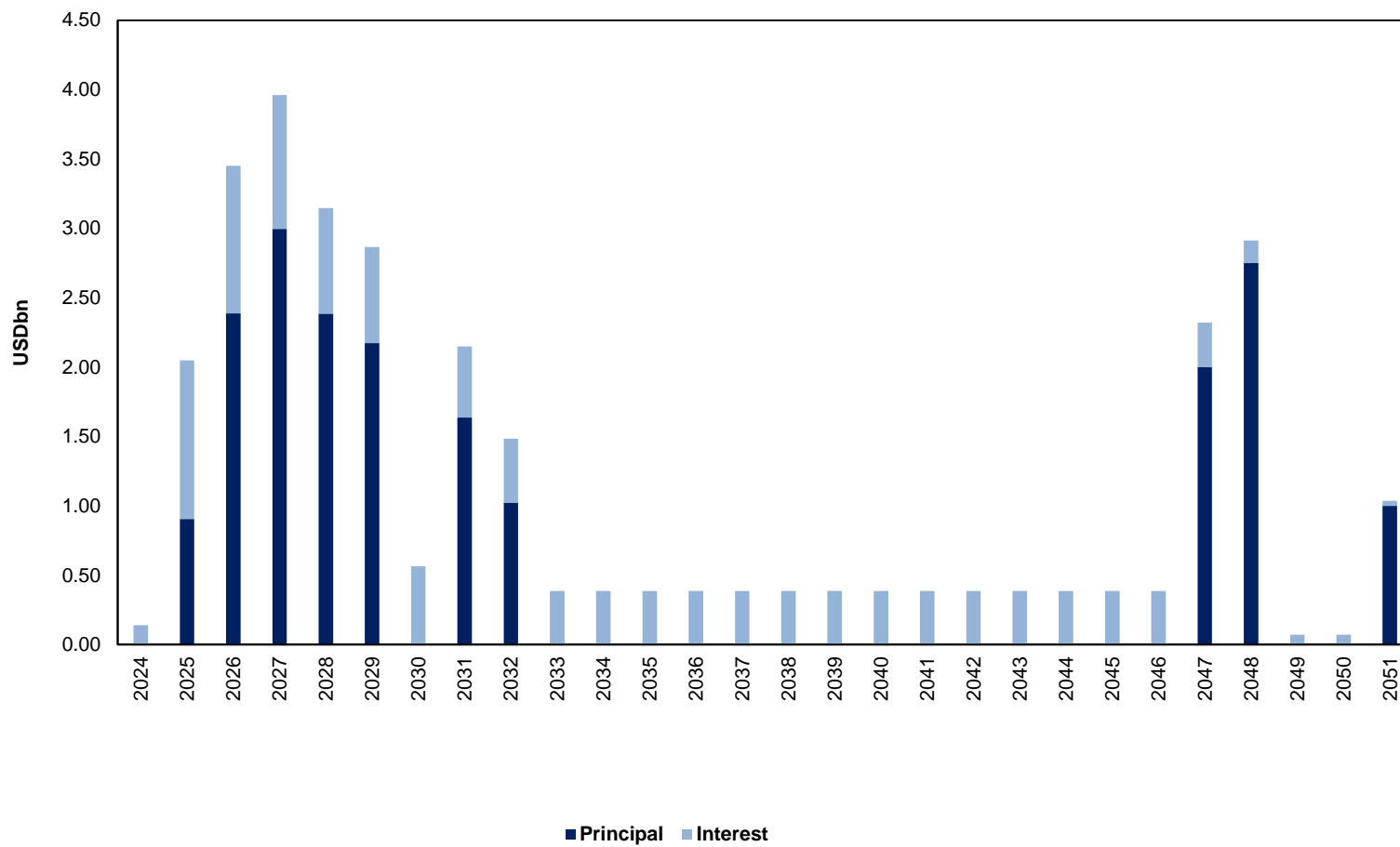
Source: Bloomberg, ADCB

Bahrain Sovereign Dollar Debt Maturity Profile



Source: Bloomberg, ADCB

Oman Sovereign Dollar Debt Maturity Profile



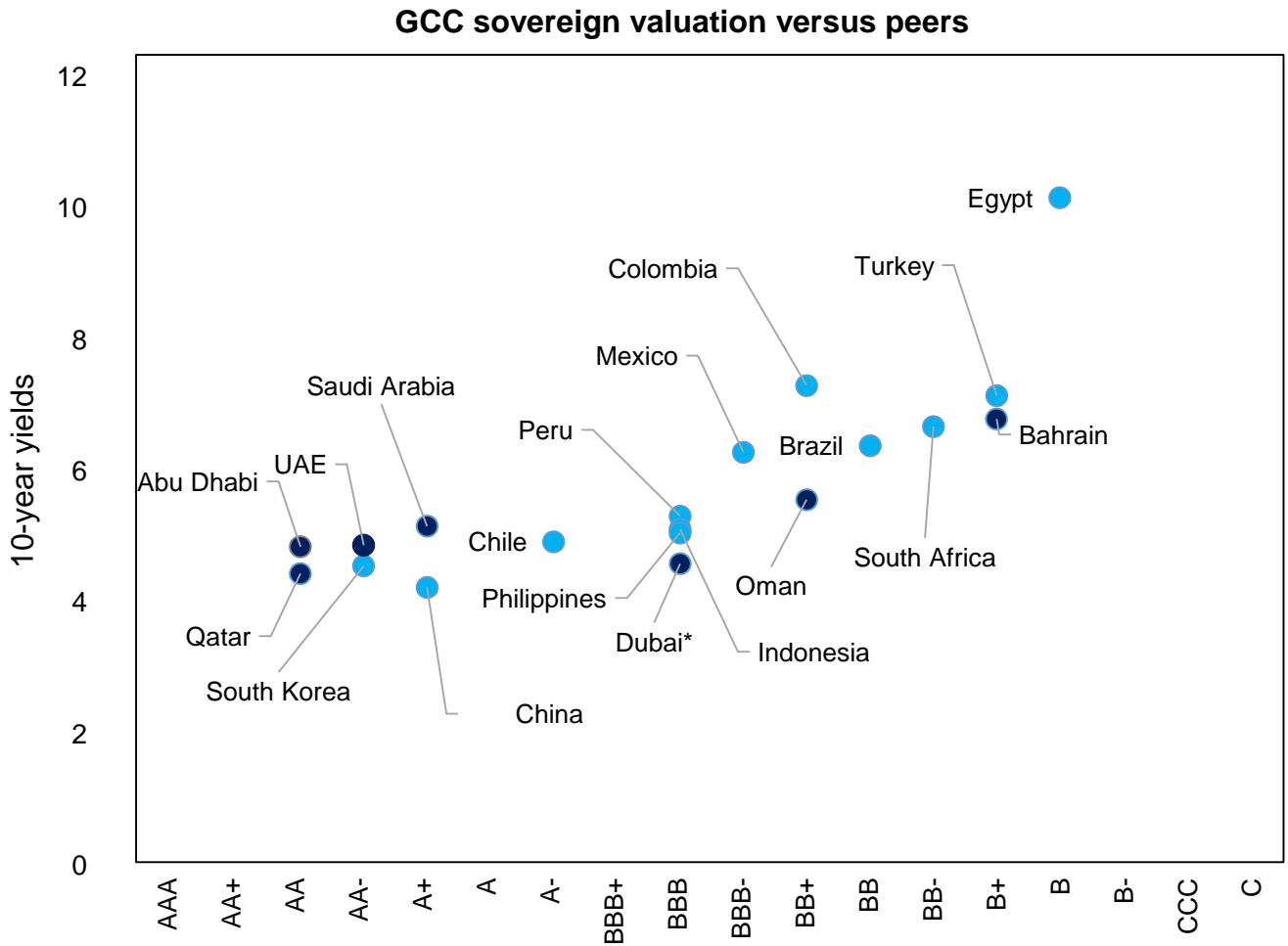
Source: Bloomberg, ADCB

Chapter III: Credit rating valuation



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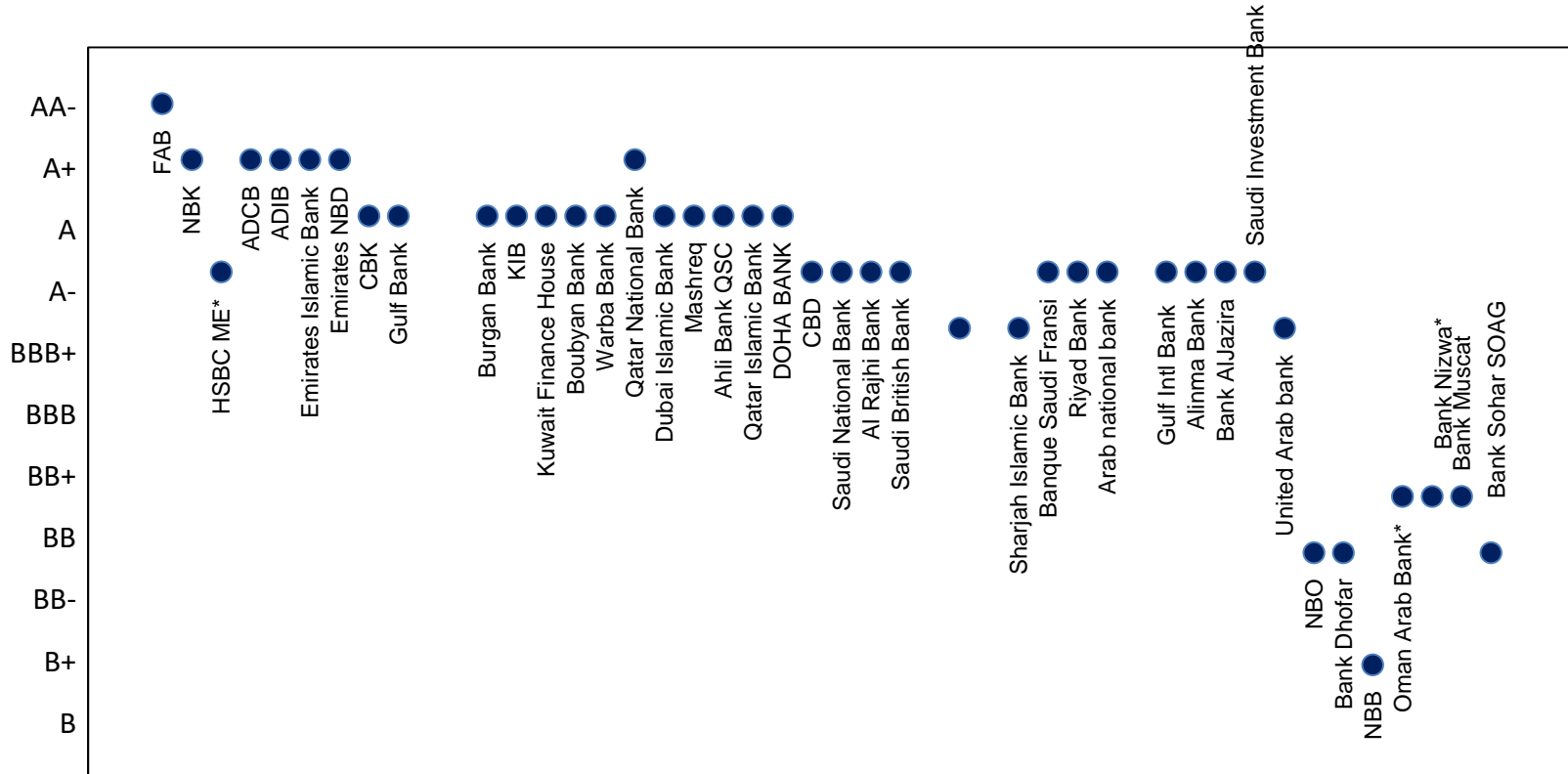
GCC sovereigns vs EM peers- 10yr segment



Note: The ratings refer to Fitch ratings, * DEWA credit rating used as a proxy for Dubai credit rating, data as of 6th November 2024
 Source: Bloomberg, ADCB

GCC Financials credit rating

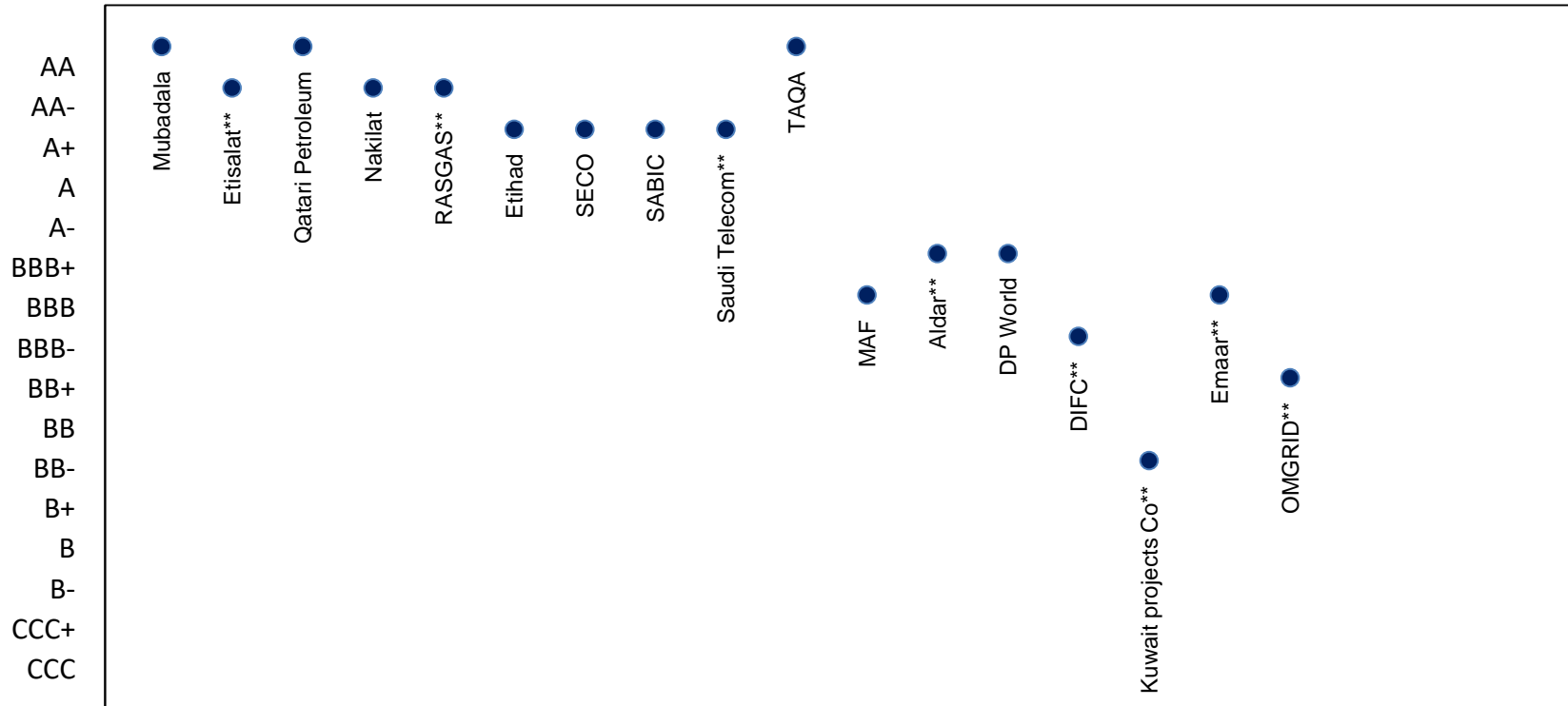
GCC Financials



Note: The ratings refer to Fitch ratings, *Moody's rating used as substitute where the corporate/bank not rated by Fitch ratings, data as of 6th November 2024
 Source: Bloomberg, ADCB

GCC Corporates credit rating

GCC Corporates



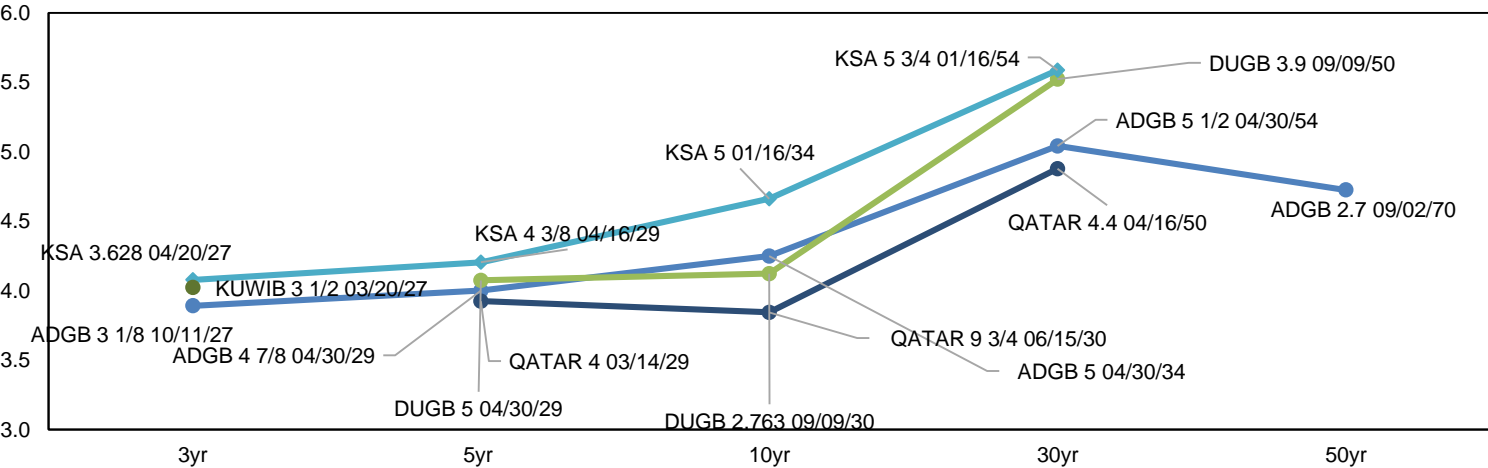
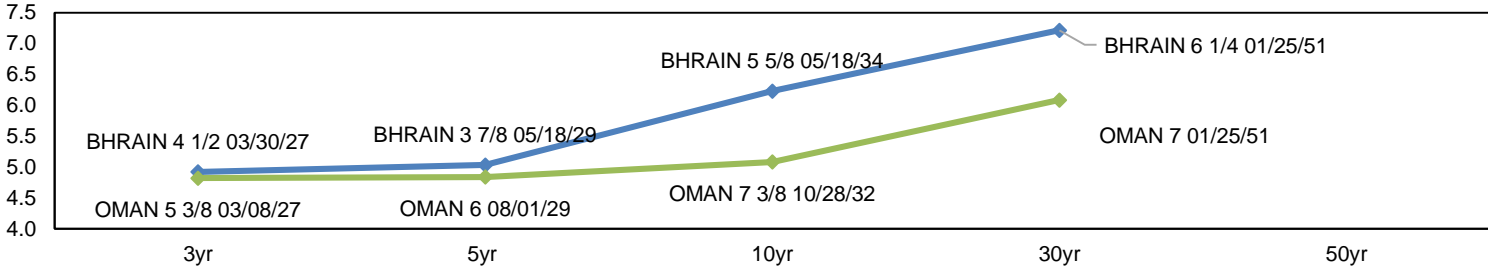
Note: The ratings refer to Fitch ratings, ** Moody's ratings used as substitute where the corporate/bank not rated by Fitch ratings, data as of 6th November 2024
Source: Bloomberg, ADCB

Chapter IV: GCC valuation analysis



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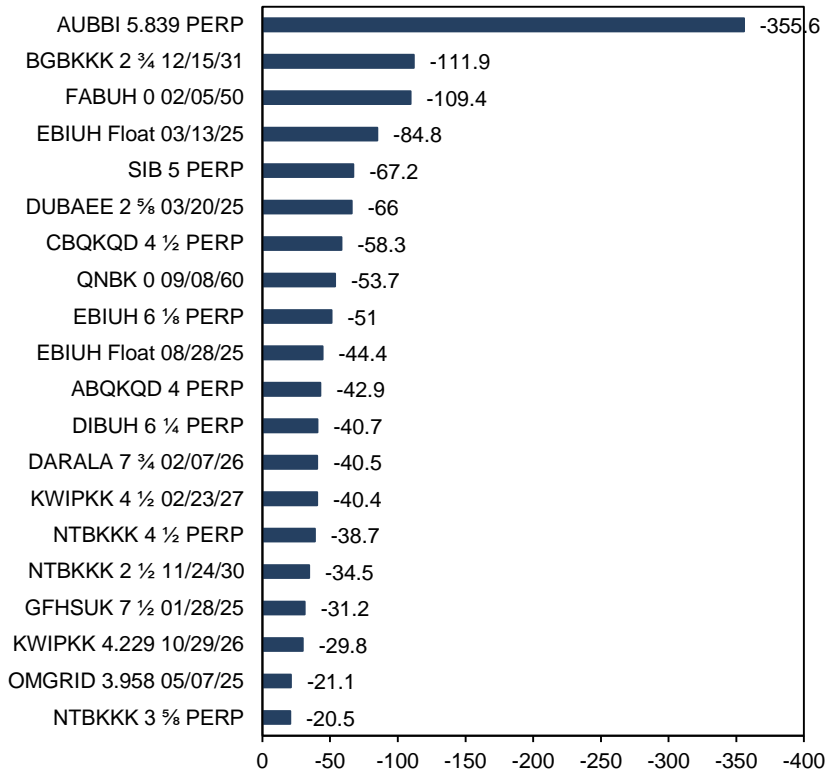
GCC sovereign dollar yield curves



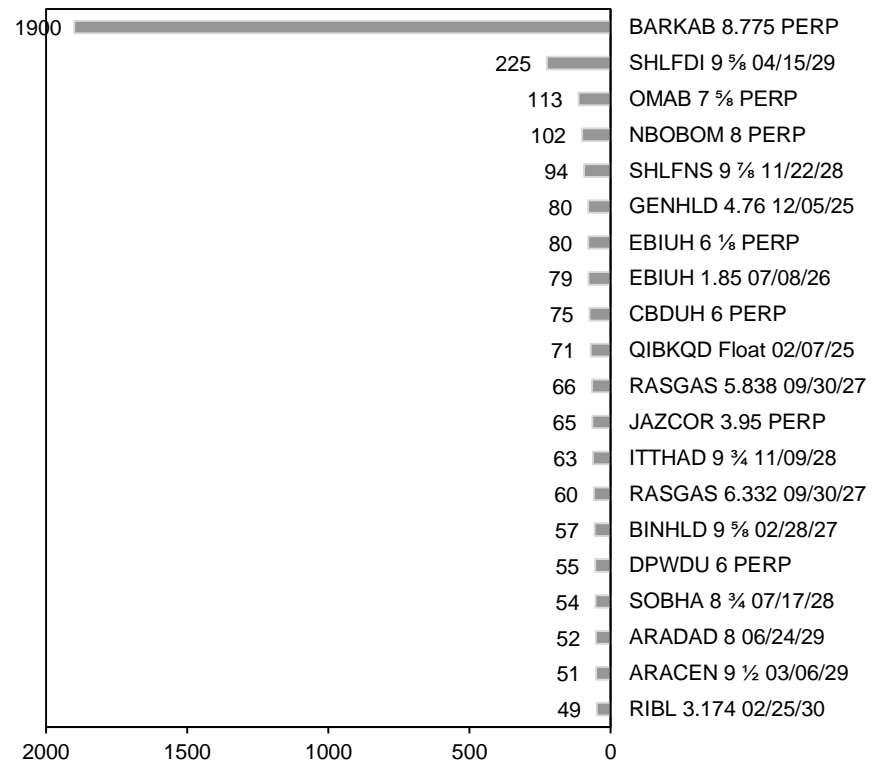
Source: Bloomberg, ADCB Note: Data as of 30th September 2024

GCC corporate top and bottom performers in 3Q'24

Top performers



Bottom performers



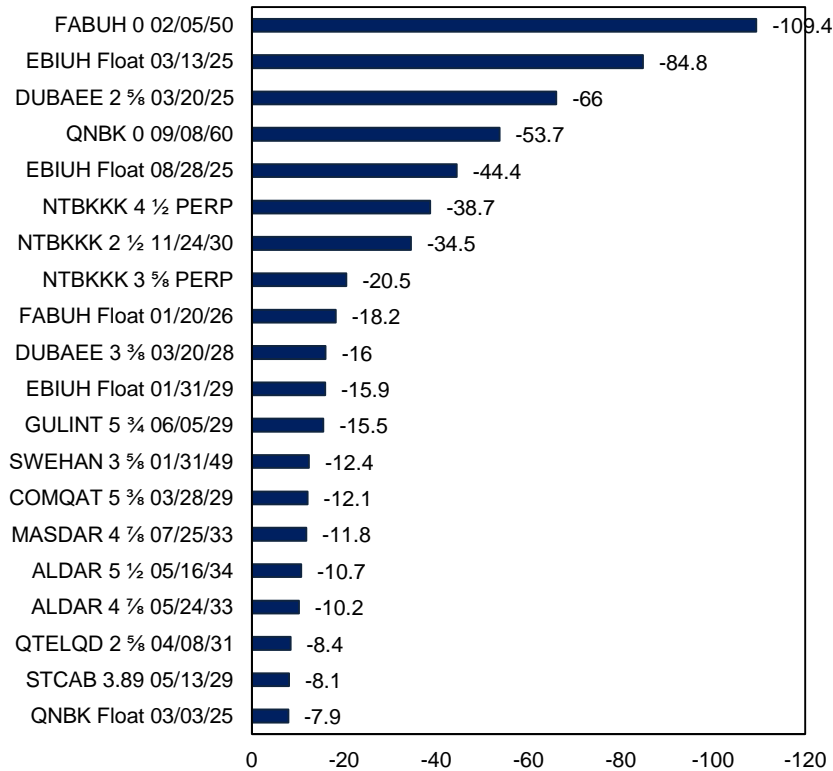
The **z-spread** is our preferred measure for analyzing the relative value of a bond. The z-spread is the additional yield one gets after having calculated an equilibrium price based on the effective cash flows and comparing that price with the market price. A higher spread implies that the bond is trading at a discount and negative spread implies that the bond is trading at a premium.

Note : change: 28th June 2024 to 30th September 2024, All bonds are dollar denominated, maturing of 1yr and above and holding outstanding size above USD250mn, "PERP" refers to Perpetual, "Float" refers to floating rate bond

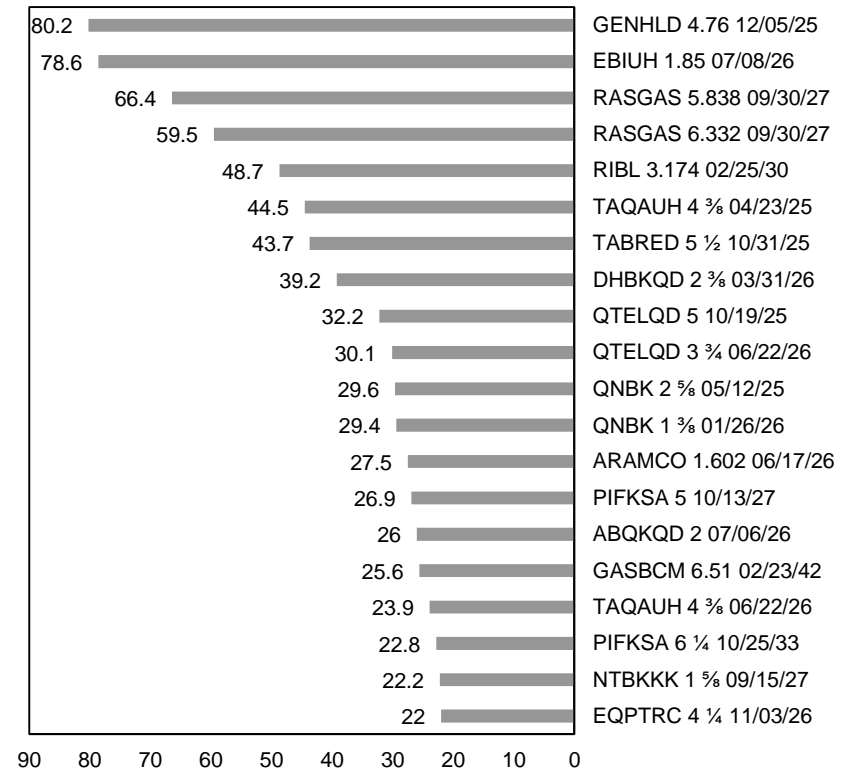
Source: Bloomberg, ADCB

GCC Investment Grade corporates (BBB- rated and above) spread performance in 3Q'24

Top performers..



..Bottom performers



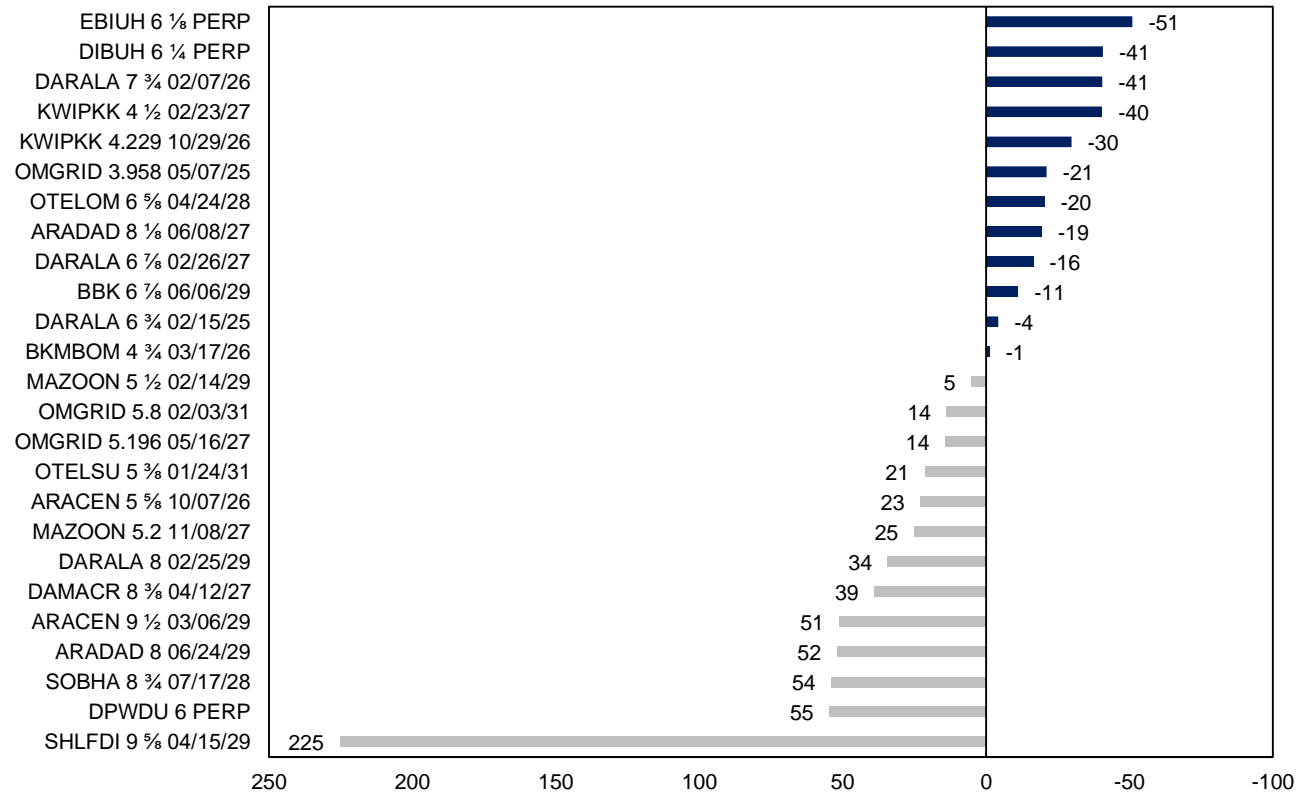
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Source: Bloomberg, ADCB

GCC High Yield corporates (rated BB+ and below only) spread performance in 3Q'24

Top and bottom performers



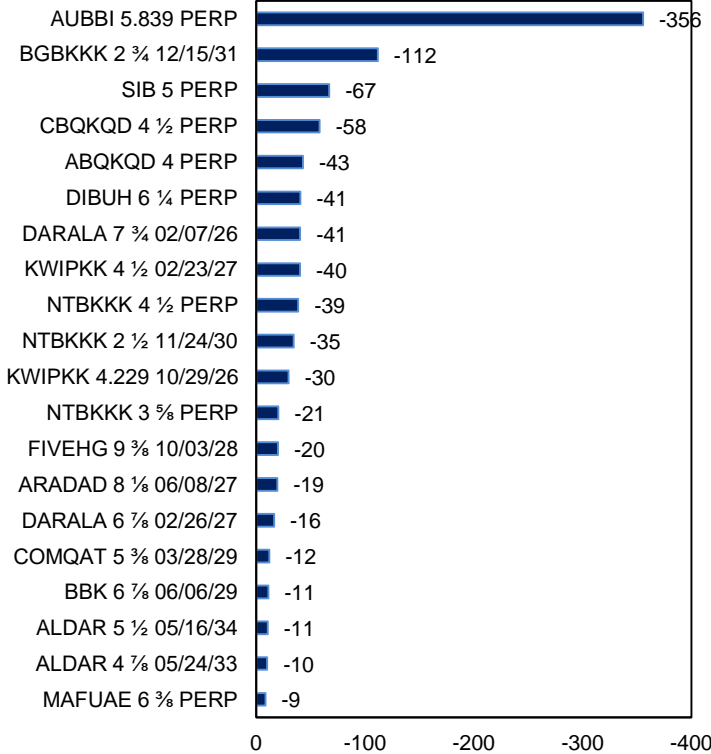
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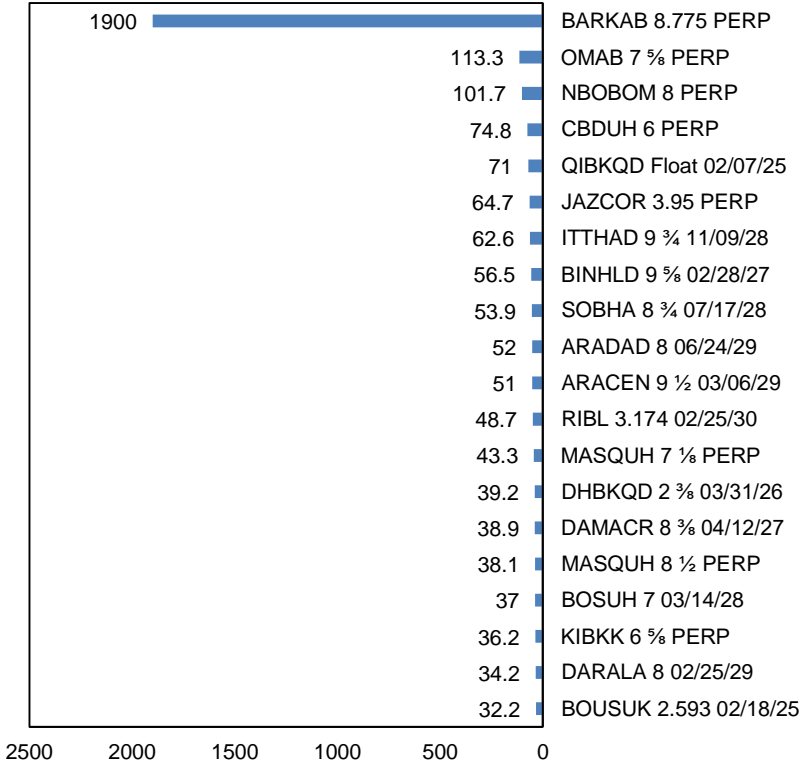
Source: Bloomberg, ADCB

GCC financials (spread performance in 3Q'24)

Top performers



Bottom performers



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Source: Bloomberg, ADCB

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