

## GCC Fixed Income Weekly Review

The sell-off in global bond markets aggravated amidst rising inflation pressures, continuing Russia-Ukraine tensions, hawkish Fed comments and evidence of strong economic growth. The sell-off was led by Global Treasuries which decline by c0.6% over the week. The 10-2yr UST yield spread which had briefly inverted, moved into the positive territory with the rise in long-end yields. Meanwhile, the 30-5yr UST spread remained deep in the negative zone. In Eurozone, periphery bond yields widened versus the core bond yields. The UK gilt yield curve continued to flatten. Global corporate IG, post a brief rally, came under pressure while Global High Yield ended the week flat. Similarly, EM USD bonds were relatively stable, recording marginal gains over the week.

GCC bonds recovered in line with the return in appetite for EM bonds. High yield sovereigns of Oman and Bahrain outperformed their peers, with Oman being the top performer. Better-rated sovereigns also recorded positive returns, partially reversing their previous declines. CDS spreads were mostly wider with Oman and Dubai an exception. In the USD sovereign market, 10yr bond yields declined across GCC countries, barring Dubai and Kuwait. 10yr Oman bond yield declined the most by 34bp over the week.

Latest PMI survey showed robust economic activity in the UAE and Saudi. UAE's non-oil economy remained strong in March on the back of strong demand. However, businesses faced mounting pressure from increasing oil and commodity prices. **The latest UAE PMI increased from 54.1 in February to 54.8 in March**, indicating the economy is doing better. Elsewhere, production and purchases activity in Saudi Arabia's non-oil private sector grew at the fastest rate in over four years. The seasonally adjusted **IHS Markit Saudi Arabia PMI rose from 56.2 in February to 56.8 in March, the highest reading since November 2021.**

Issuance activity remained quiet over the week. **Oman government is planning to repay loans worth OMR2.85bn by the end of April 2022, in an effort to reduce its public debt. The Egypt government plans to issue their first sovereign sukuk by the end of the current fiscal year.**

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aaa2	Baa1	A1	Ba2	Ba3	Aa3	B3
Fitch	A	AA	-	AA	B+	BB-	AA-	B+

## GCC Fixed Income Weekly Snapshot

				Interest rates			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	1,145.3	0.2	-9.6	Saudi	2.43	20.01	152.36
EM LatAm TR	1000.0	-0.0	-5.7	UAE	1.07	6.3	70.1
EM EMEA TR	342.9	0.5	-14.7	Kuwait	1.69	0.0	18.75
EM Asia TR	609.1	0.2	-7.5	Bahrain	1.91	0.0	39.7
Bahrain TR	179.1	1.0	0.0	Oman	1.96	-4.00	-17.40
Oman TR	137.5	1.8	0.0	Qatar	1.15	-	2.5
Kuwait TR	144.6	-0.0	-3.9	US	0.97	-3.70	75.46
Qatar TR	139.4	0.8	-6.1	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	142.7	0.6	-6.5	Saudi	2.73	17.5	167.4
UAE TR	139.7	0.6	-5.5	UAE	2.21	0.72	146.87
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.19	0.0	18.8
Saudi Arabia	51.8	0.4	1.0	Bahrain	2.81	11.66	104.66
Abu Dhabi	51.6	-	1.9	Oman	2.92	-4.7	-9.7
Dubai	103.6	-0.6	-0.8	Qatar	1.35	-	2.50
Kuwait	58.1	0.3	0.3	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	309.19	2.3	-0.5	Saudi Arabia	3.21	-2.9	73.0
Oman	243.6	-5.3	-5.3	Abu Dhabi	2.87	-2.50	85.40
Qatar	50.8	0.7	1.4	Dubai	3.17	4.3	62.6
Egypt	525.8	-23.2	-40.1	Kuwait	2.73	7.80	108.30
Turkey	568.8	9.0	18.6	Bahrain	5.96	-12.9	11.9
US	19.0	1.0	1.0	Oman	5.23	-34.50	25.70
Germany	16.6	0.1	0.4	Qatar	2.98	-3.3	87.3

Note: \*Dewa rating used as proxy, data from 29<sup>th</sup> March 2022 to 5<sup>th</sup> April 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

## UAE's non-oil private sector growth steady in March

The UAE's non-oil economy remained strong in March on the back of strong demand. However, businesses faced rising pressure from oil and commodity prices. According to the latest UAE Purchasing Managers' Index (PMI), the index increased from 54.1 in February to 54.8 in March, indicating the economy is doing better. Inflationary pressures, however, jumped to their highest level in more than three years as a result of high commodity prices. The latest PMI indicated that the non-oil private sector growth was supported mainly by domestic sales. Exports also recorded modest growth.

(Source: Zawya)

## Saudi Arabia's private non-oil sector grew strongly in March

The latest PMI survey indicated that the production and purchases activity in Saudi Arabia's non-oil private sector grew at the fastest rate in over four years. The seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index (PMI) rose from 56.2 in February to 56.8 in March, the highest reading since November 2021. However, rising cost pressures mainly on account of the Russia-Ukraine tensions weighed on the businesses' expenses.

(Source: Zawya)

## Oman government plans to reduce public debt and repay loans by the end of April

Oman government is planning to repay loans worth OMR2.85bn by the end of April 2022, in an effort to reduce its public debt down to OMR19.4bn. The Ministry of Finance (MoF) also announcement repayment of loans worth OMR1.5bn as of end-March 2022, including repayment of a loan prior to maturity. The MoF also announced the signing of loan agreement, including participation from 26 financial institutions which was oversubscribed at 150%. The government plans to use the surplus from rising oil prices on development spending, reduction in public debt and partial repayment of public debt.

(Source: Zawya)

## The Egypt government plans to issue their first sovereign sukuk before the end of this fiscal year

Egypt Finance Minister indicated that Egypt plans to issue its first sovereign sukuk by the end of the current fiscal year ending June. Egypt is also planning to tap the Japanese market. Last month, Egypt sold YEN60bn (USD489.84mn) in five-year samurai bonds in the Japanese market.

(Source: Zawya)

## Saudi Arabia's real GDP grew 6.7% in Q4 2021

Saudi Arabia's Gross Domestic Product (GDP) grew by 6.7% in Q4 2021 compared with Q4 2020, mainly on account of rising oil revenues (10.9% yoy). Additionally, non-oil revenues increased by 5.1% y-o-y, and government activities expanded by 2.4% y-o-y, according to the General Authority for Statistics.

(Source: Zawya)

## Bahrain's real GDP grew by 4.3% in Q4 2021

The Bahraini economy grew by 4.3% at real prices and 18.44% at current prices in Q4 of 2021. The oil sector grew by 4.67% at constant prices and by 64.15% at current prices. The non-oil sector grew by 4.21% at constant prices and 12.99% at current prices from Q4 of last year.

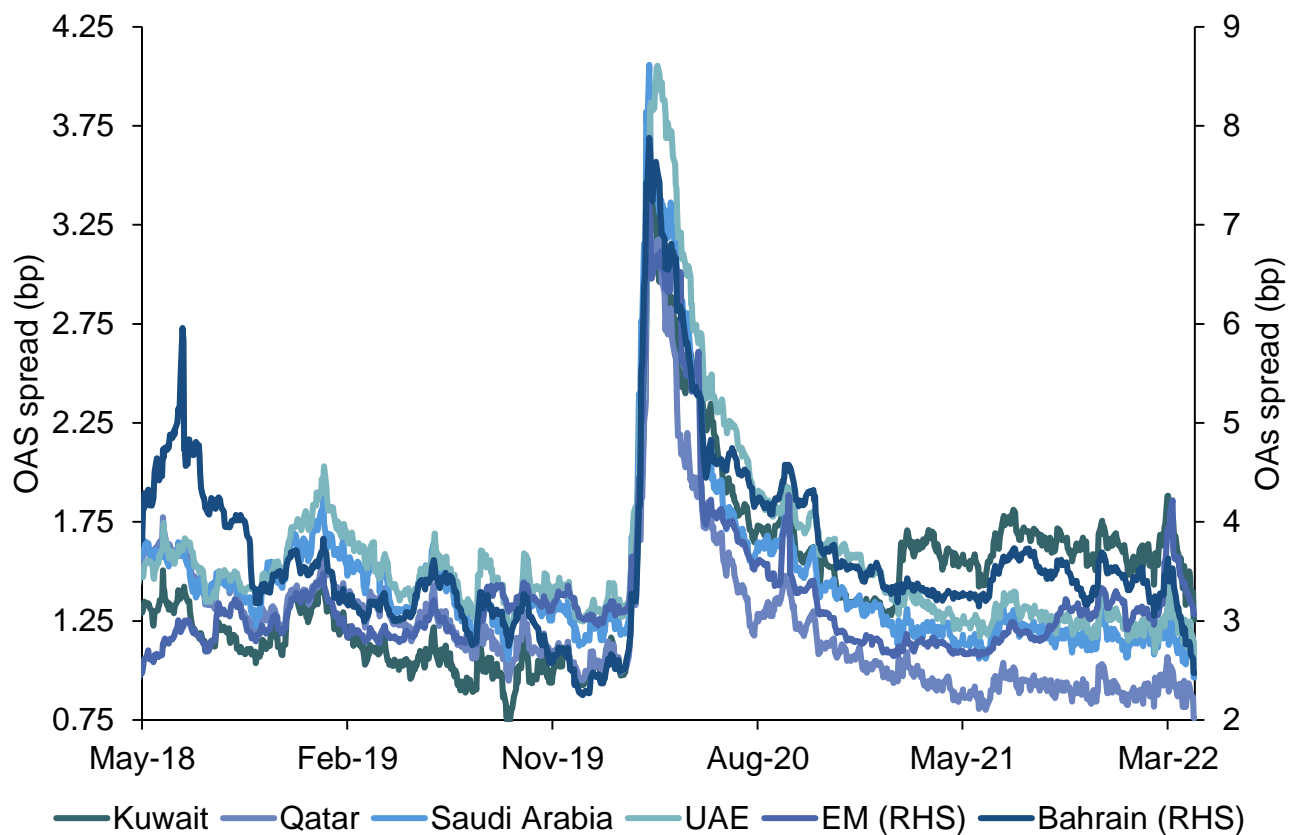
(Source: Zawya)

Issuer	BBG	Sector	Cou ntry	Issue Amt*	Cpn	Maturity	Maturity Type	Curre ncy	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
DIB Sukuk Ltd	DIBUH	Agency	AE	750	2.74	2/16/2027	AT MATURITY	USD	2/15/2022	A	2.84	-
Riyad Tier 1 Sukuk Ltd	RIBL	Agency	SA	750	4	-	PERP/CALL	USD	2/16/2022	BBB+	4.10	4.05
Fab Sukuk Co Ltd	FABUH	Agency	AE	500	2.591	3/2/2027	AT MATURITY	USD	3/2/2022	BBB+	2.62	6.05
QIB Sukuk Ltd	QIBKQD	Financial Institution	QA	250	2.525	3/3/2025	AT MATURITY	USD	3/4/2022	BBB+	2.60	8.05
MDGH GMTN RSC Ltd	MUBAUH	Agency	AE	1000	3.375	3/28/2032	CALLABLE	USD	3/28/2022	AA	3.50	47.05
MDGH GMTN RSC Ltd	MUBAUH	Agency	AE	500	3	3/28/2027	CALLABLE	USD	3/28/2022	AA	3.24	48.05
Boubyan Sukuk Ltd	BOUSUK	Financial Institution	KW	500	3.389	3/29/2027	AT MATURITY	USD	3/29/2022	A	3.45	50.05

\*Amount Issued in USDmillion, Bloomberg sector classification has been used, ^Issuer rating used where applicable, Fitch rating or equivalent used Source: Fitch Ratings, Moody's ratings, Bloomberg, ADCB Asset Management

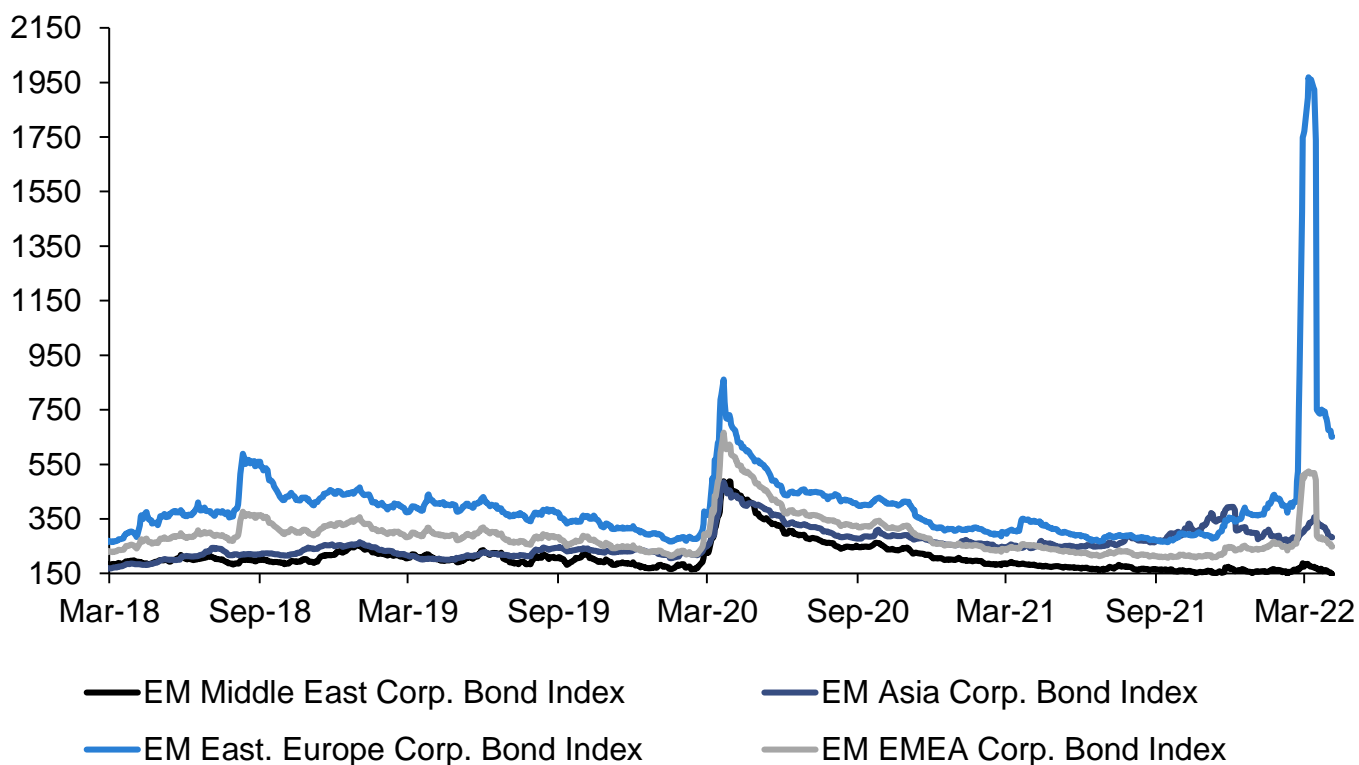
## Appendix

### Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



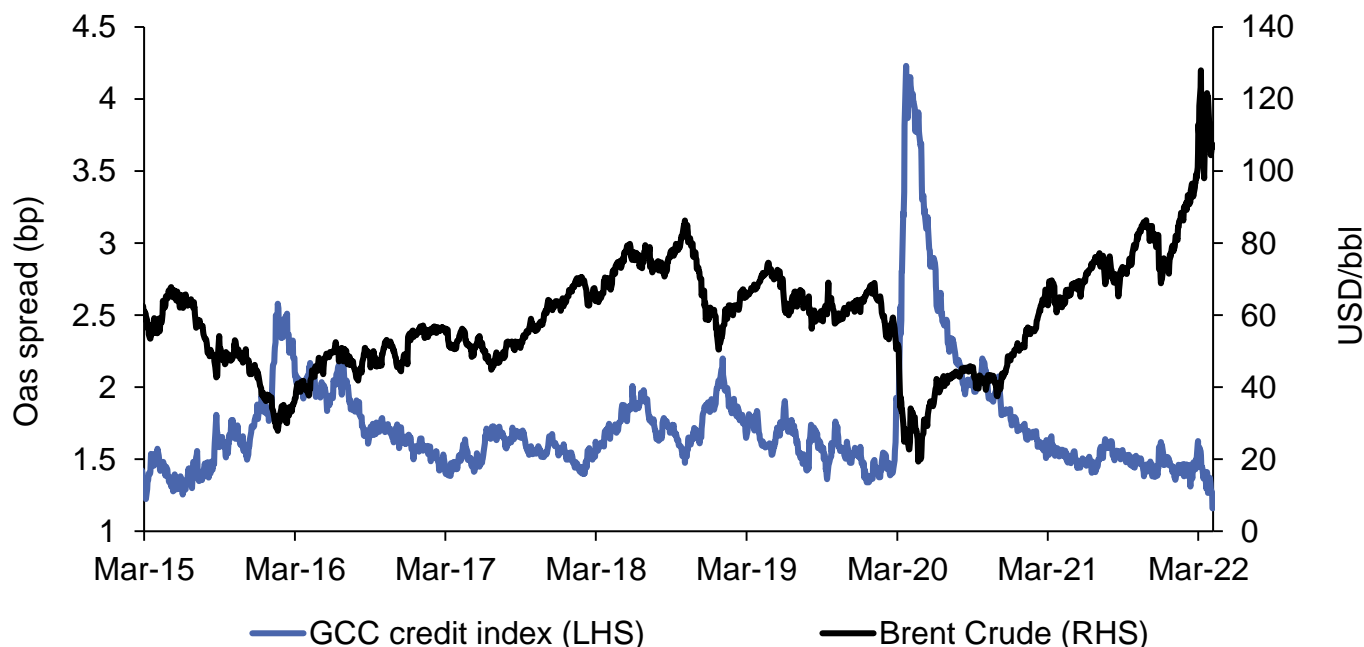
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

### Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB

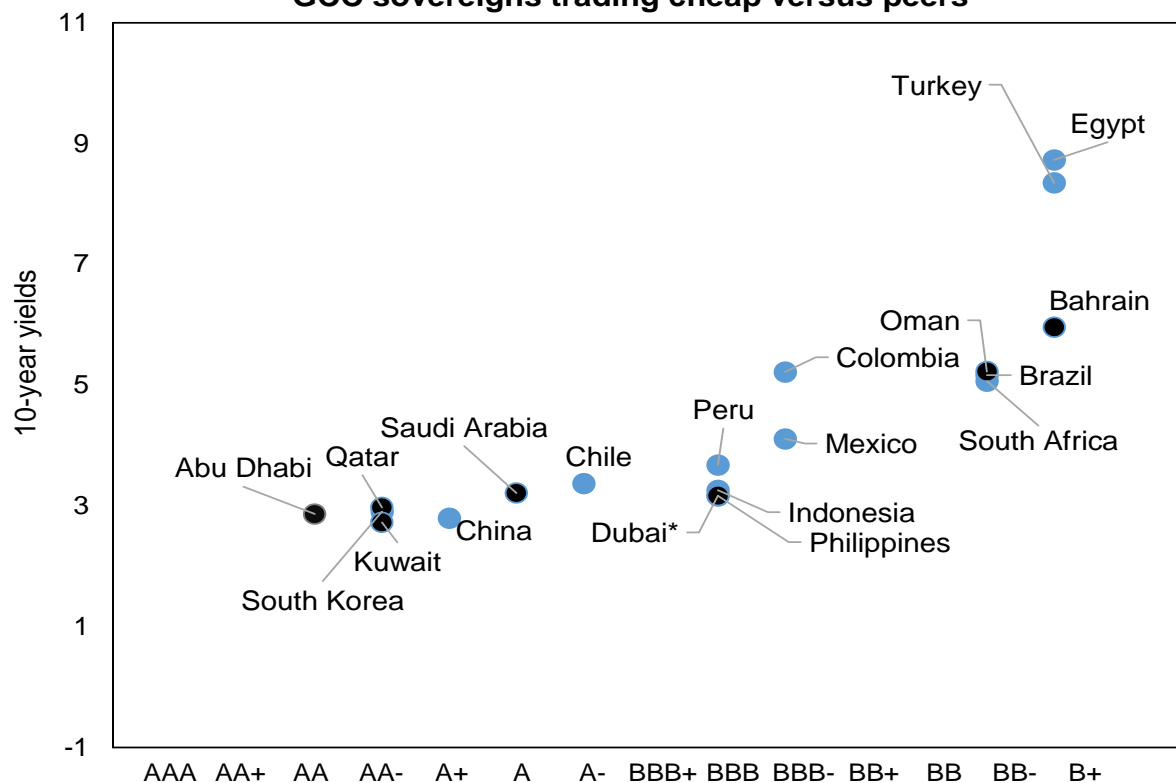
## GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

## 10yr yield versus Credit ratings (EM vs GCC)

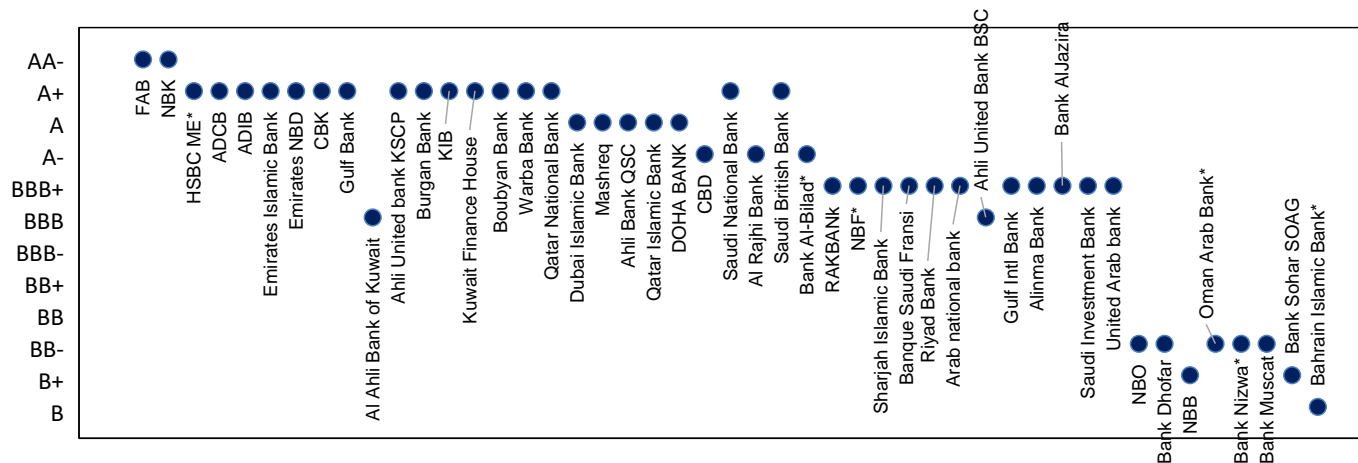
### GCC sovereigns trading cheap versus peers



Source: Bloomberg, ADCB, \*Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

## GCC Financials Credit Rating

GCC Financials

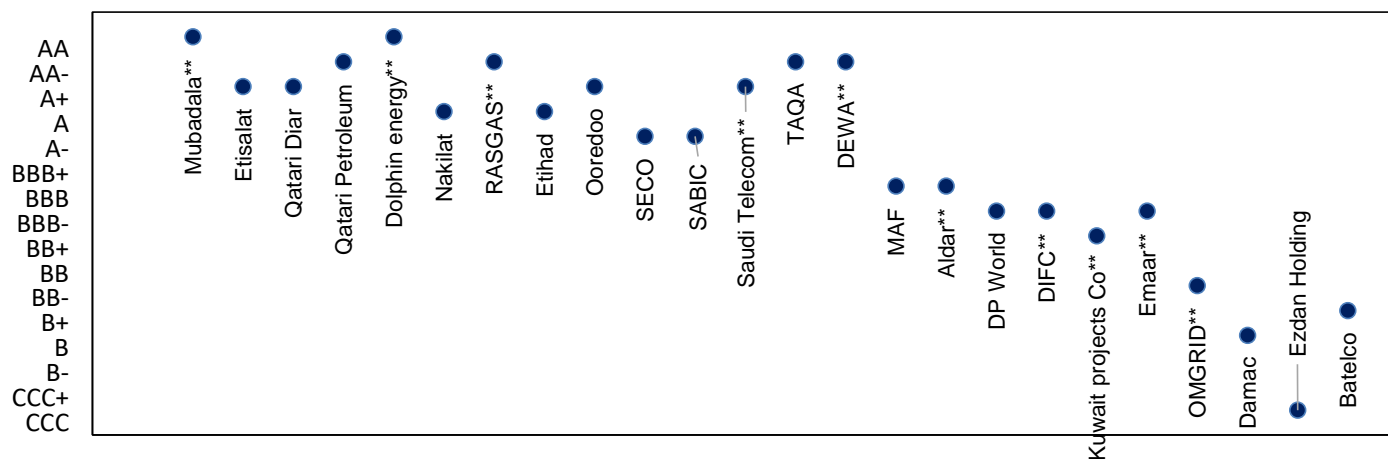


Note: The ratings refer to Fitch ratings, Moody's rating used as substitute where the corporate/bank not rated by Fitch rating

Source: Bloomberg, ADCB

## GCC Corporate Credit rating

GCC Corporates



Note: The ratings refer to Fitch ratings, Moody's rating used as substitute where the corporate/bank not rated by Fitch rating

Source: Bloomberg, ADCB



## Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTT News
4. Reuters
5. Gulfbase
6. Zawya

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