

## GCC Fixed Income Weekly Review

Global bond markets posted another week of losses on account of corporate bond losses. US Treasury bond index posted marginal losses despite the 10yr UST yields dropping to the lowest level in almost 2 weeks amidst China lockdown concerns. Corporate credit recorded heavy losses, led by Global HY bonds. Core Eurozone bond yields declined over the week while Periphery bond yields climbed. EM bonds remained under selling pressure with strong dollar weighing on the sentiment.

Appetite for GCC bonds was subdued for another week, in line with EM bond sentiment. Oman and Bahrain led the losses last week, while Saudi Arabia outperformed, UAE and Qatar were flat. Similarly, CDS spreads widened across all GCC sovereigns. Saudi Arabia and Qatar saw the largest widening of 5yr CDS spread. In the USD sovereign market, bond yields rose in all the GCC countries with Oman and Saudi Arabia recording the largest jump in yields.

**The gross domestic product (GDP) of Sharjah grew by 4.8% in 2021**, Nearly AED130.5bn in GDP was achieved last year, compared to AED124.6bn in 2020. Sharjah's non-oil sectors grew rapidly and strengthened its position as a regional hub for business, trade, and investments.

In bond issuances, **the United Arab Emirates plans to issue the first dirham-denominated treasury bonds next month. The planned auction size is of AED1.5bn.** The tenor will be in two year, three year and five years. Issuing T-Bonds in local currency will help build a domestic bond market, which will provide safe investment alternatives for both domestic and foreign investors.

**Islamic Development Bank sold five-year sukuk for USD1.6bn at 50bp over mid-swaps.**

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aau2	Baa1	A1	Ba2	Ba3	Aa3	B3
Fitch	A	AA	-	AA	B+	BB-	AA-	B+

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## GCC Fixed Income Weekly Snapshot

				Interest rates			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	1,111.5	-0.7	-12.3	Saudi	2.35	12.86	144.43
EM LatAm TR	956.7	-1.1	-9.8	UAE	1.29	4.3	92.7
EM EMEA TR	333.1	-0.6	-17.1	Kuwait	1.69	0.0	18.75
EM Asia TR	597.7	-0.3	-9.2	Bahrain	2.01	8.3	49.3
Bahrain TR	175.7	-0.5	-1.9	Oman	1.91	5.81	-22.64
Oman TR	133.7	-0.7	-2.7	Qatar	1.15	-	2.5
Kuwait TR	143.3	-0.1	-4.7	US	1.22	8.86	101.05
Qatar TR	134.6	-0.2	-9.3	12M interbank			
Saudi Arabia TR	138.1	-0.3	-9.5	Saudi	2.88	5.7	182.5
UAE TR	136.3	-0.2	-7.8	UAE	2.50	11.43	176.04
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.19	-6.3	18.8
Saudi Arabia	59.7	5.4	5.4	Bahrain	3.25	20.00	148.33
Abu Dhabi	59.4	5.3	5.3	Oman	2.89	2.8	-12.4
Dubai	106.5	1.4	1.4	Qatar	1.35	-	2.50
Kuwait	60.1	-	-	10Y yield			
Bahrain	307.26	0.8	0.8	Saudi Arabia	3.64	13.1	115.5
Oman	235.7	1.8	1.8	Abu Dhabi	3.26	0.90	124.40
Qatar	59.8	6.6	6.6	Dubai	3.52	11.5	97.2
Egypt	747.8	119.1	119.1	Kuwait	3.11	2.40	146.80
Turkey	607.6	17.3	17.3	Bahrain	6.48	11.6	64.0
US	18.9	0.9	0.9	Oman	5.74	15.50	77.40
Germany	15.3	0.4	0.4	Qatar	3.44	2.2	134.1

Note: \*Dewa rating used as proxy, data from 19<sup>th</sup> April 2022 to 26<sup>th</sup> April 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

## Sharjah recorded growth of 4.8% in 2021

The gross domestic product (GDP) of Sharjah rose by 4.8 % in 2021, according to the Emirate's Department of Statistics and Community Development (DSCD). Nearly AED130.5bn in GDP was achieved last year, compared to AED124.6bn in 2020. In addition, the non-oil sectors of the emirate grew rapidly, strengthening its position as a regional hub for business, trade, and investments. Wholesale and retail trade lead the list of economic sectors with 10% growth in 2021 compared to 2020. Transport and storage sectors grew by 9.5%, followed by accommodation/hospitality and food services by 9.1%. The extractive industries grew by 9% and health and social services increased by 7.6%.

(Source: Zawya)

## UAE launches T-bonds denominated in dirham with size of AED1.5bn to strengthen local bonds market

United Arab Emirates will issue the first dirham-denominated treasury Bonds (T-Bonds) next month. The planned auction size is of AED1.5bn, allowing foreign investors to buy bonds in local currency. The securities will be issued in tenures of two, three, and five years, later to be followed by a 10yr bond issuance. The auction will help the federal government to develop the local bond market. Issuing T-Bonds in local currency will help diversify financing resources, boost the local financial and banking sectors, provide safe investment alternatives for both domestic and foreign investors and finally contribute to the development of the domestic bond yield curve. This will help in providing a price reference for dirham-denominated bonds and sukuk.

(Source: Zawya)

## The Islamic Development Bank sold Sukuk worth USD1.6bn

Islamic Development Bank sold five-year sukuk, or Islamic bonds, for USD1.6bn at 50bp over mid-swaps. The spread tightened from an initial price guidance of around 60bp over mid-swaps after the bonds attracted more than USD2.2bn in demand.

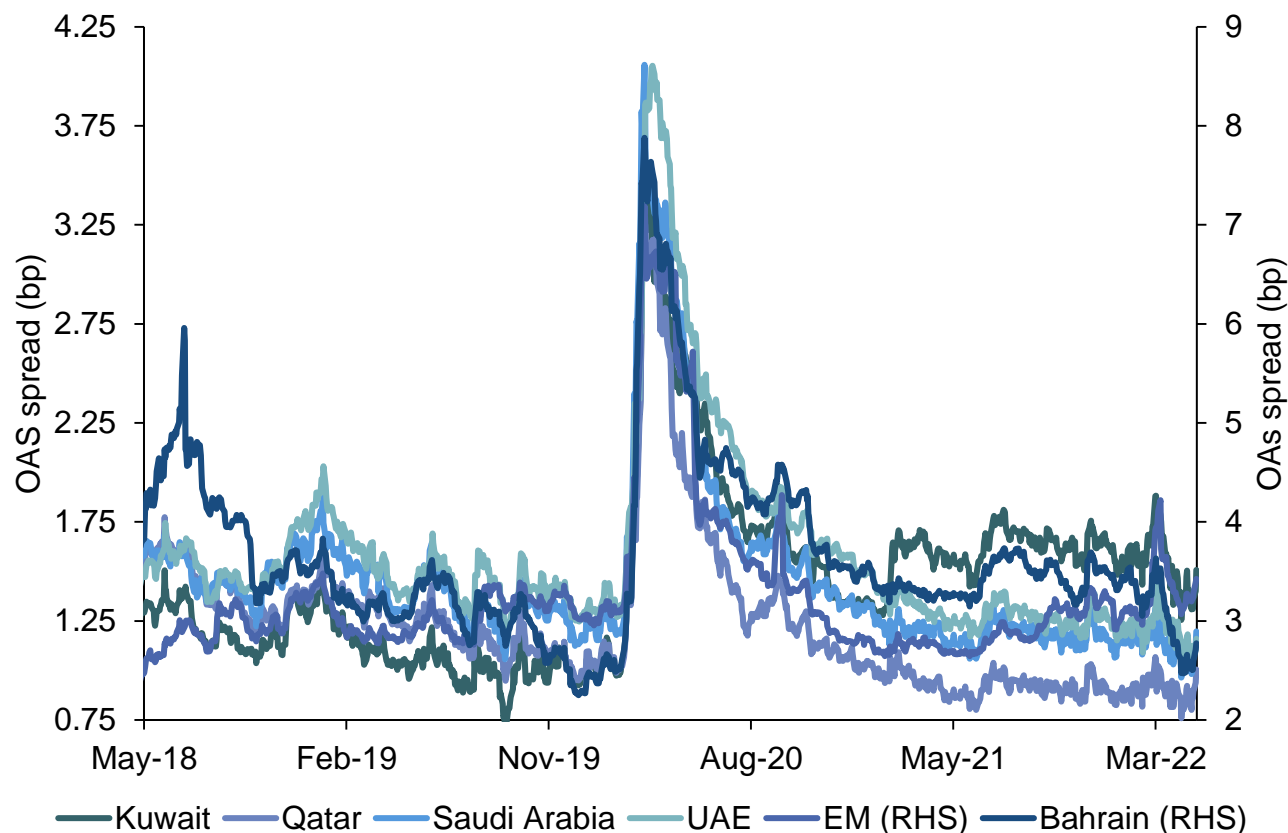
(Source: Reuters)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
Fab Sukuk Co Ltd	FABUH	Agency	AE	500	2.591	3/2/2027	AT MATURITY	USD	3/2/2022	AA-	2.62	-
QIB Sukuk Ltd	QIBKQD	Financial Institutions	QA	250	2.525	3/3/2025	AT MATURITY	USD	3/4/2022	A-	2.60	-
MDGH GMTN RSC Ltd	MUBAUH	Agency	AE	1000	3.375	3/28/2032	CALLABLE	USD	3/28/2022	AA	3.50	3.82
MDGH GMTN RSC Ltd	MUBAUH	Agency	AE	500	3	3/28/2027	CALLABLE	USD	3/28/2022	AA	3.24	3.50
Boubyan Sukuk Ltd	BOUSUK	Financial Institutions	KW	500	3.389	3/29/2027	AT MATURITY	USD	3/29/2022	A	3.45	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	500	3.5	3/31/2027	AT MATURITY	USD	3/31/2022	A+	3.78	-
Sharjah Sukuk Program Ltd	SHARSK	Sovereign	AE	750	3.886	4/4/2030	AT MATURITY	USD	4/4/2022	BBB-	4.08	-
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	543.855	1.625	4/7/2027	AT MATURITY	EUR	4/7/2022	AA-	1.90	-

\*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

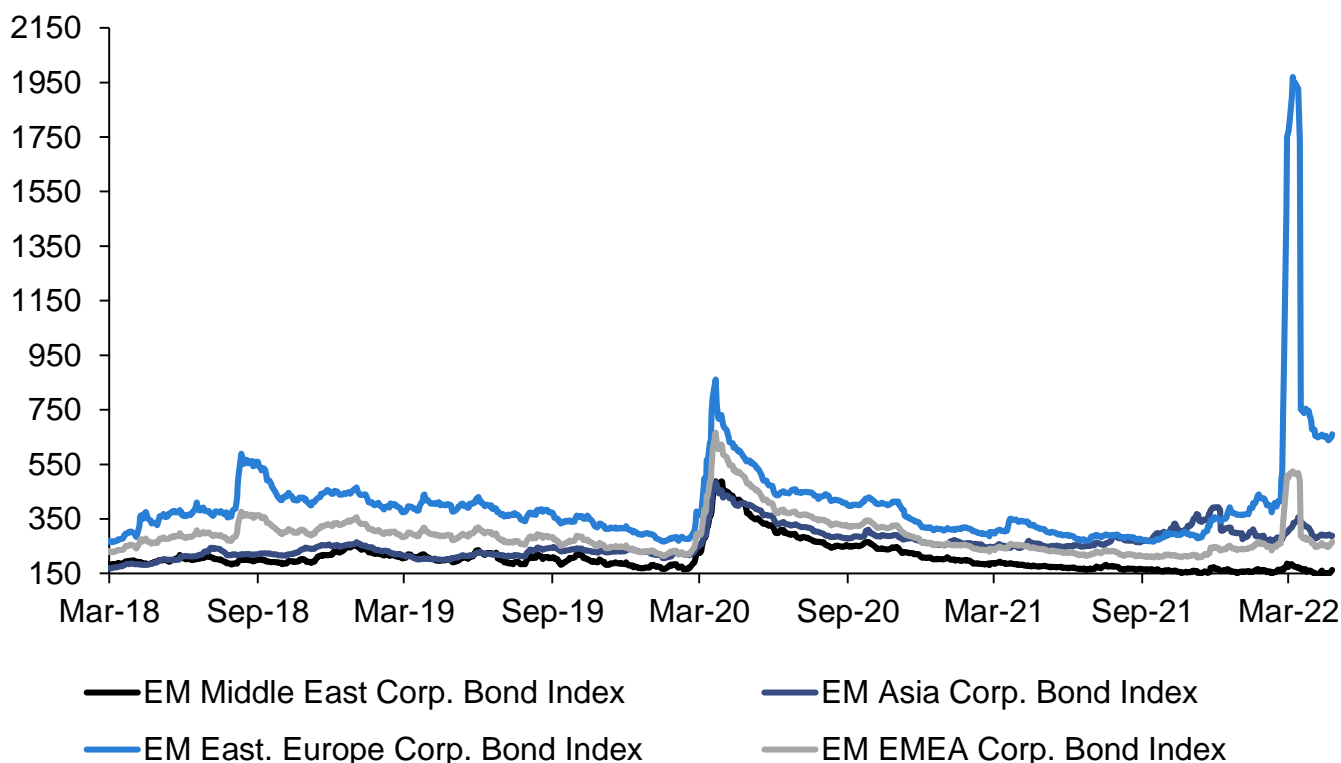
## Appendix

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



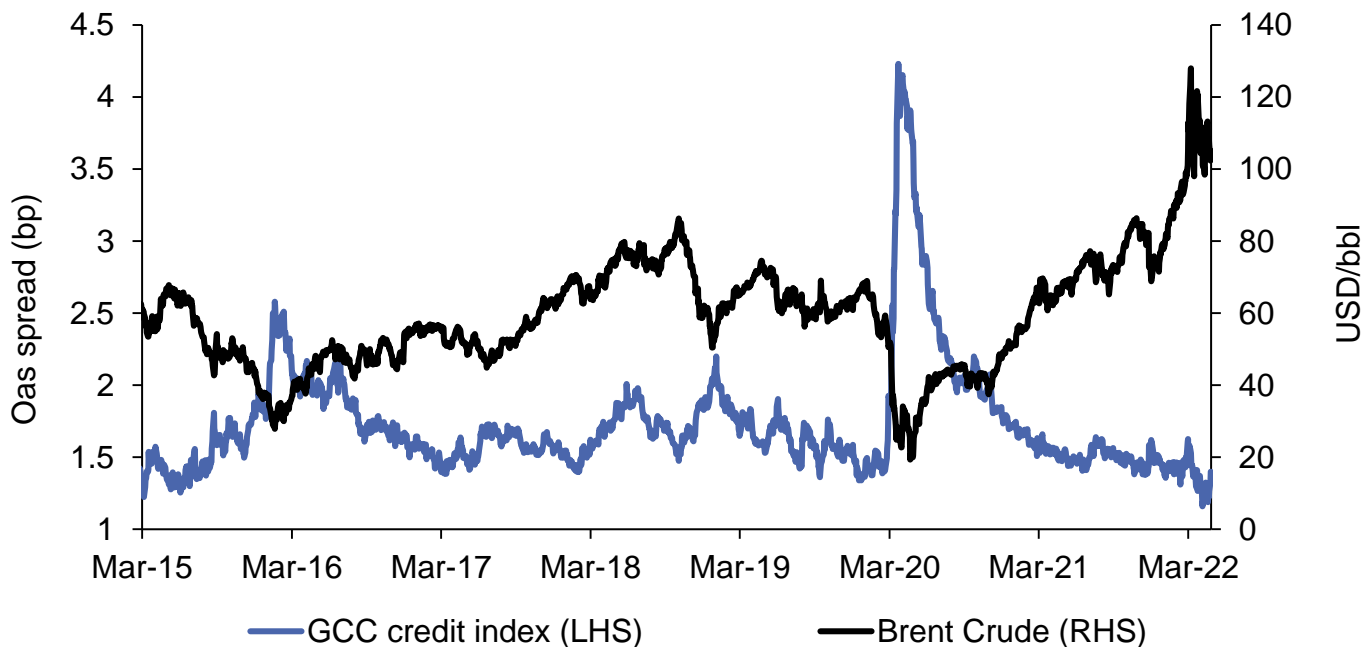
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

### Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB

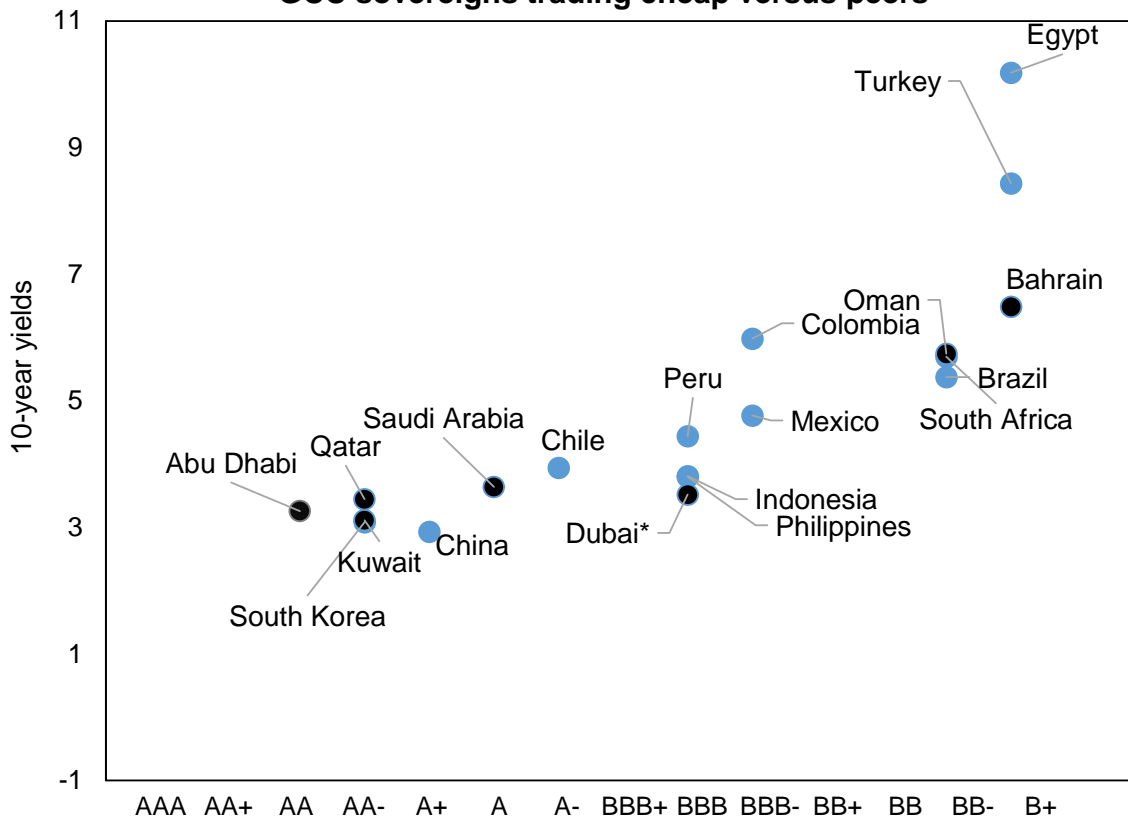
## GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

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

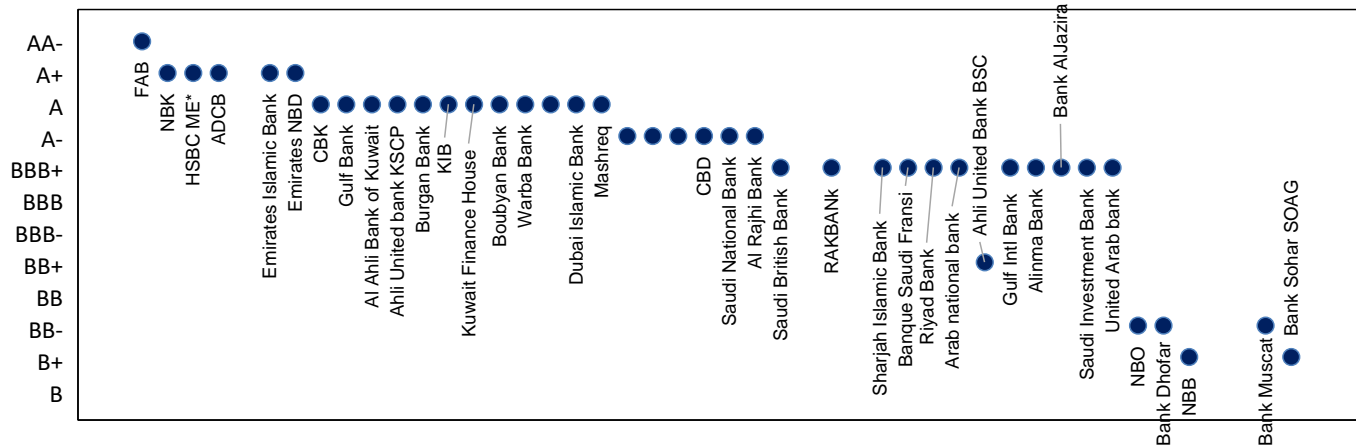
### GCC sovereigns trading cheap versus peers



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

## GCC Financials Credit Rating

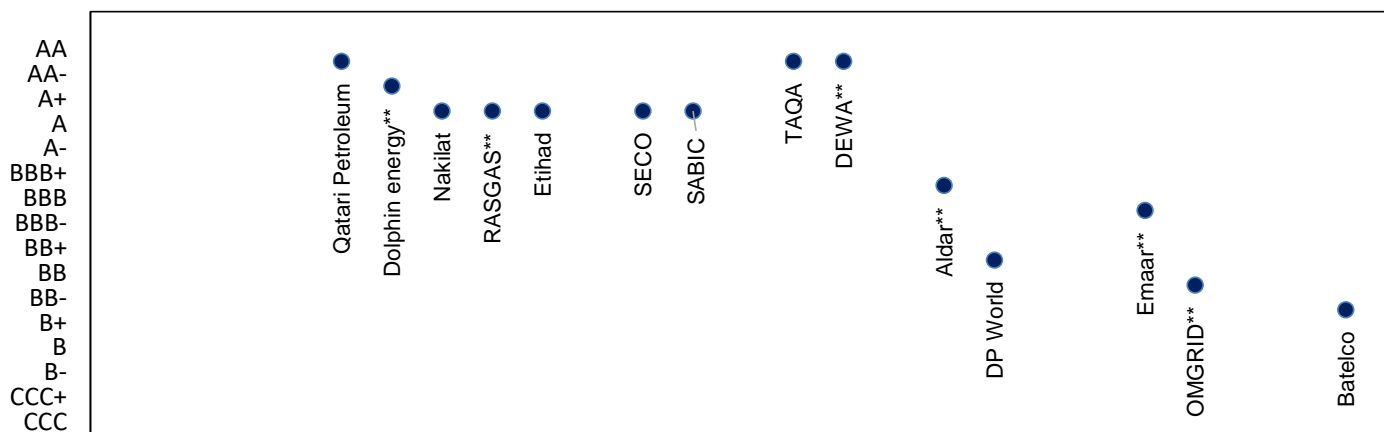
GCC Financials



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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