

GCC Fixed Income Weekly Review

Global benchmark bond index was unchanged, with the sell-off seen in long-dated bonds and US IG bonds offset by the appetite for US HY and EM bonds. In the bond market, the 10yr UST yields ended the week slightly higher with the yield curve steepening. Core Eurozone bond yields also jumped on easing Omicron concerns. UK Gilt yields ended the week flat. US IG bonds came under pressure, underperforming US HY. EM bonds rebounded on the back of easing Omicron concerns and improved risk-appetite.

GCC bonds were mixed despite improved appetite for EM bonds and rise in oil prices. Low-rated sovereigns of Oman and Bahrain recorded positive returns, outperforming their peers. Better-rated sovereigns of Saudi Arabia, UAE and Qatar ended the week unchanged. 5yr Sovereign GCC spreads widened in Saudi and Dubai while tightened in Bahrain and Kuwait. In the USD bond market, the 10yr bond yields declined by 25bp in Oman, helped by reports of the country expecting a lower budget deficit for 2022.

Oman has penciled its budget deficit to reach 5% of GDP in 2022, falling within its medium-term fiscal plan unveiled last year. Higher oil prices in 2021 coupled with fiscal consolidation reforms are expected to shrink the budget deficit and reduce the debt burden over the next few years. The sultanate has planned total spending of OMR12.1bn (USD31.43bn) in 2022. The latest PMI surveys pointed to improvement in economic activity in the UAE with the country benefitting from the Expo 2020 demand. UAE's economic activity in the non-oil sector was the strongest in almost two and half years. The IHS Markit PMI came in at 55.9 in November, rising from 55.7 in October, making it the highest reading since June 2019. Economic activity in Dubai's non-oil private sector grew at the strongest rate in 20 months, helped by the increased travel demand due to Expo 2020. The seasonally adjusted IHS Markit PMI came in at 54.5 in November, pointing to the best economic conditions since October 2019. Meanwhile, Saudi's non-oil economy grew at the slowest rate in 3 months. The seasonally adjusted IHS Markit PMI declined to 56.9 in November from 57.7 in October, but remained in the expansionary territory for the 15th month in a row.

Issuance activity remained muted for another week, both in sovereign and corporate bond markets.

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+

Prerana Seth

Fixed Income Strategist
Tel: +971 (0)2 696 2878
prerana.seth@adcb.com

Mohammed Al Hemeiri

Analyst
Tel: +971 (0)2 696 2236
mohammed.alhemeiri@adcb.com

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GCC Fixed Income Weekly Snapshot

				Interest rates (Sunday to Thursday)			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays**				3M interbank			
EM USD Agg TR	1,268.3	0.4	-1.5	Saudi^^	0.85	0.43	3.25
EM LatAm TR	1058.5	0.8	-2.6	UAE	-	-	-11.0
EM EMEA TR	402.2	0.3	-0.1	Kuwait	1.50	0.00	6.25
EM Asia TR	660.7	0.1	-2.2	Bahrain	1.52	0.0	-73.3
Bahrain TR	178.5	0.5	0.8	Oman	2.14	-0.17	-53.67
Oman TR	136.8	1.1	8.1	Qatar	1.13	-3.5	0.4
Kuwait TR	150.2	0.0	0.6	US	0.20	2.08	-3.75
Qatar TR	148.5	-0.0	-0.4	12M interbank			
Saudi Arabia TR	152.3	-0.1	0.5	Saudi^^	0.97	0.4	3.2
UAE TR	147.6	-0.0	1.0	UAE	-	-	9.54
5Y Sov. CDS				Kuwait	2.06	6.3	12.5
	Latest (bp)	-1w (bp)	YTD (bp)	Bahrain	1.77	0.00	-91.66
Saudi Arabia	53.9	0.7	-14.0	Oman	3.01	-0.8	-32.3
Abu Dhabi	45.4	0.1	5.7	Qatar	1.33	-1.55	-3.86
Dubai	97.0	1.6	-23.1	10Y yield			
Kuwait	48.9	-8.0	1.1	Saudi Arabia	2.52	1.5	16.5
Bahrain	317.19	-3.1	63.6	Abu Dhabi	2.00	0.60	39.20
Oman	279.5	-0.6	-96.8	Dubai	2.62	-1.1	2.2
Qatar	45.5	0.2	5.4	Kuwait	1.66	0.00	52.20
Egypt	512.5	-5.5	160.5	Bahrain	5.81	-4.8	99.3
Turkey	503.3	-36.5	192.9	Oman	4.84	-25.70	-63.40
US	15.1	-0.1	-1.7	Qatar	2.17	-0.1	51.6
Germany	9.8	-	-2.6				

Note: *Dewa rating used as proxy, ** data as of Friday close | Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

UAE's non-oil economy posted growth in November

UAE's economic activity in the non-oil sector was the strongest in almost two and half years, according to the new PMI survey. The IHS Markit PMI came in at 55.9 in November, rising from 55.7 in October, making it the highest reading since June 2019. The latest survey indicated further improvement in the non-oil economy better than the pre-pandemic trend. Business reported a robust rise in demand with the re-opening of the economy and Expo 2020. While output and new businesses recorded an increase, business confidence slipped in November, yet remained at levels stronger than the pre-pandemic levels. (Source: Zawya)

Dubai's non-oil private sector growth- the strongest in 20 months

Economic activity in Dubai's non-oil private sector grew at the strongest rate in 20 months, helped by the increased travel demand due to Expo 2020. The seasonally adjusted IHS Markit PMI came in at 54.5 in November, pointing to the best economic conditions since October 2019. New business grew at the fastest pace in almost two years. Sales growth also jumped to the highest level in 28 months. (Source: Zawya)

Saudi's non-oil economy growth dropped to 3-month low

Saudi's non-oil private sector grew in November, albeit at the slowest pace since August, according to the latest PMI survey. The seasonally adjusted IHS Markit PMI declined to 56.9 in November from 57.7 in October, but remained in the expansionary territory for the 15th month in a row. New orders growth slowed for the second consecutive month. On the other hand, new export orders grew at the fastest pace since May on the back of strong external demand. (Source: Reuters)

Oman has pencilled in lower budget deficit for 2022

Oman has pencilled its budget deficit to reach 5% of GDP in 2022, falling within its medium-term fiscal plan unveiled last year. Higher oil prices in 2021 coupled with fiscal consolidation reforms are expected to shrink the budget deficit and reduce the debt burden over the next few years. The sultanate has planned total spending of OMR12.1bn (USD31.43bn) in 2022. The budget is formulated on the oil price assumption of USD50 per barrel in 2022. (Source: Zawya)

Latest bond issuances (Corporate and Sovereigns)

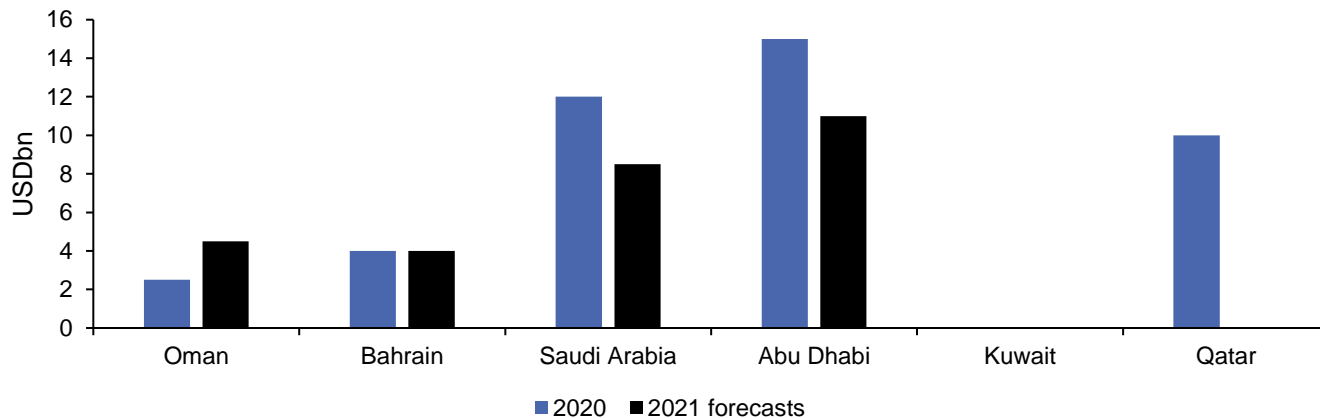
Issuer	BBG	Sector	Country	Issue Amt	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
EI Sukuk Co Ltd	EIBUH	Financials	AE	500	2.082	11/2/2026	AT MATURITY	USD	11/2/2021	A+	2.04	-
KSA Sukuk Ltd	KSA	Financials	SA	2000	2.25	5/17/2031	AT MATURITY	USD	11/17/2021	A+	2.39	-
Saudi Government International Bond	KSA	Financials	SA	1250	3.25	11/17/2051	AT MATURITY	USD	11/17/2021	A+	3.44	-
First Abu Dhabi Bank PJS	FABUH	Financials	AE	217.13	0.1475	11/17/2026	AT MATURITY	CHF	11/17/2021	A+	0.11	-
CBB International Sukuk Programme Co WLL	BHRAIN	Financials	BH	1000	3.875	5/18/2029	AT MATURITY	USD	11/18/2021	A+	3.95	-
Bahrain Government International Bond	BHRAIN	Financials	BH	1000	5.625	5/18/2034	AT MATURITY	USD	11/18/2021	A+	5.76	-
Warba Tier 1 Sukuk 2 Ltd	WARBAB	Financials	KW	250	4	-	PERP/CALL	USD	11/29/2021	A+	3.92	3.95
First Abu Dhabi Bank PJS	FABUH	Financials	AE	365	0	11/30/2051	CALLABLE	USD	11/30/2021	A+	-	-

*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

GCC sovereign borrowing estimates

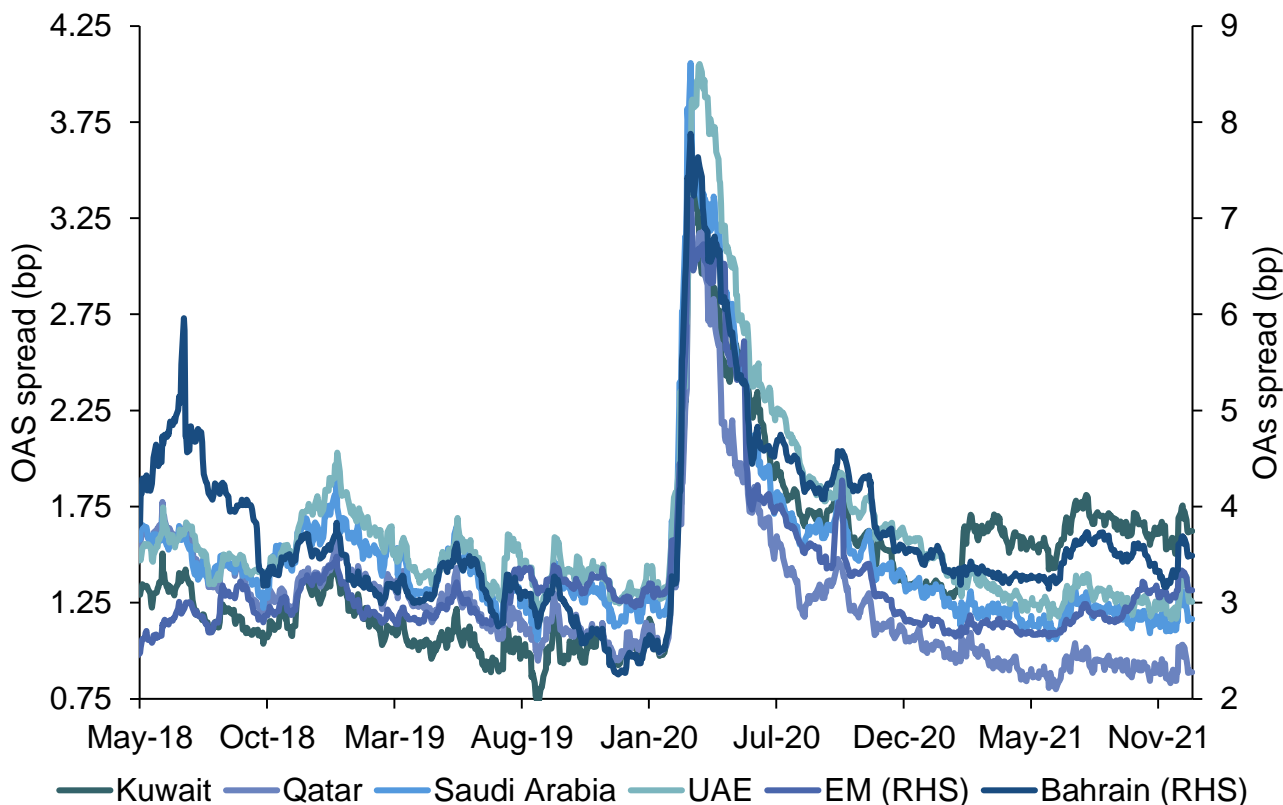
GCC sovereigns have borrowed less in 2021, barring Oman



Source: Government Sources, Bloomberg, ADCB Investment Strategy estimates

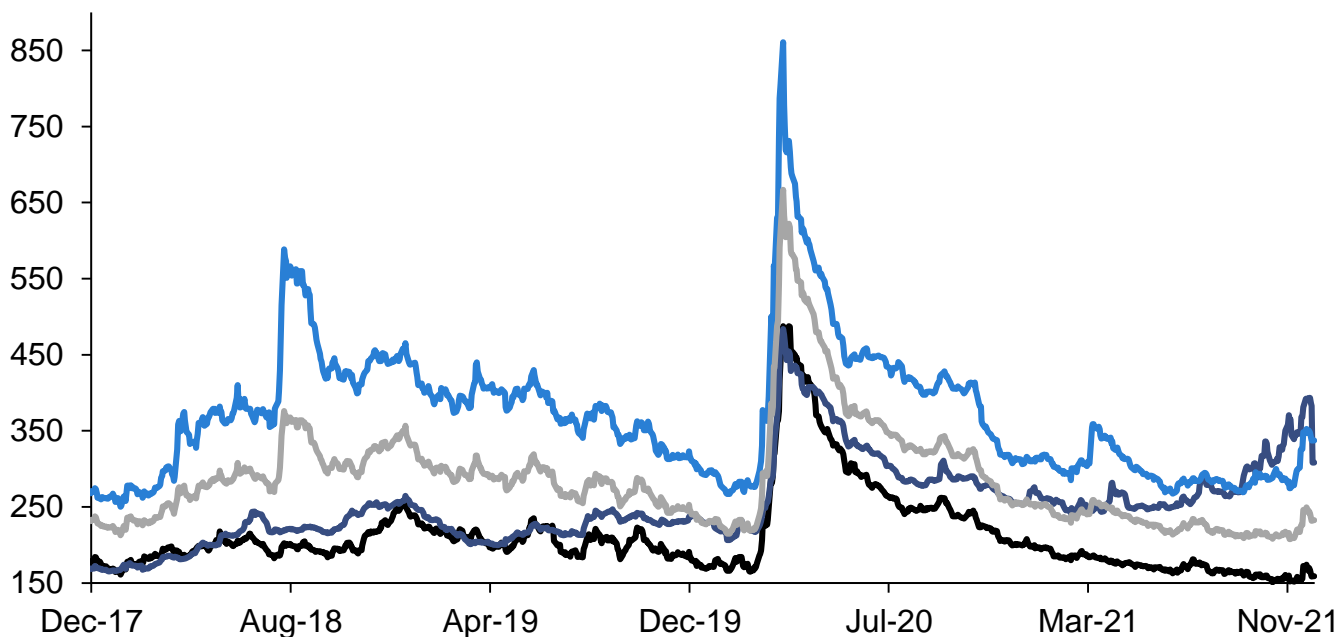
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Barclays Sovereign Bond Indices, Bloomberg, ADCB Asset Management

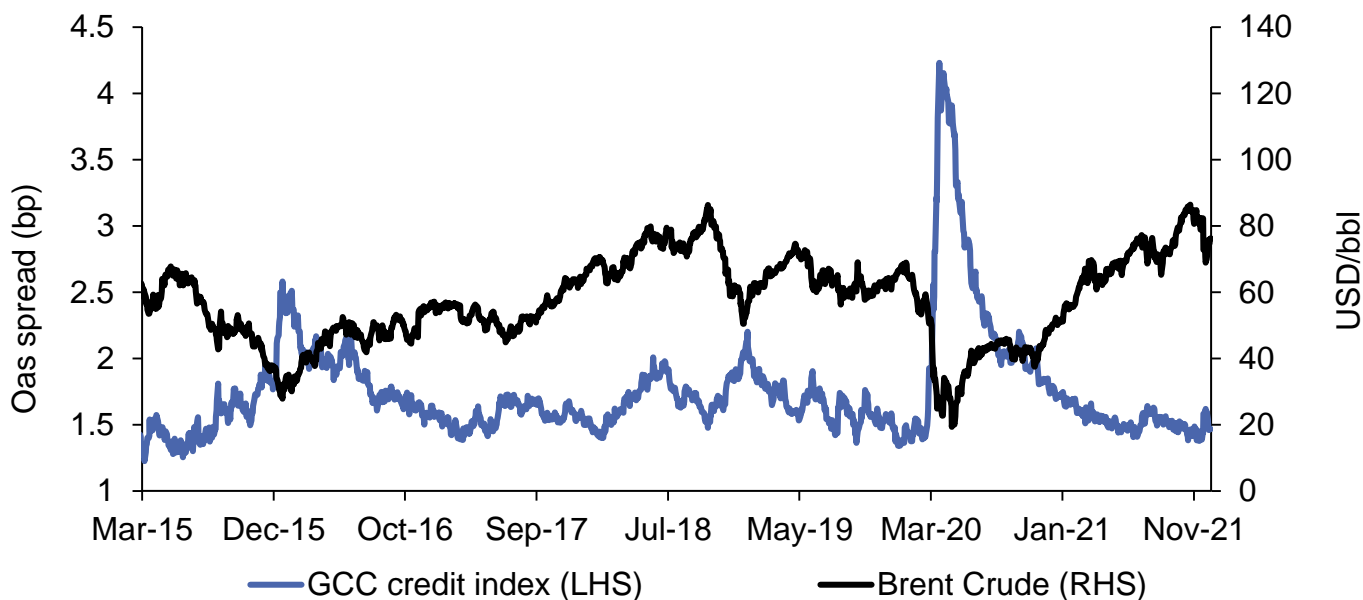
Emerging markets versus Middle East spread



— EM Middle East Corp. Bond Index — EM Asia Corp. Bond Index
— EM East. Europe Corp. Bond Index — EM EMEA Corp. Bond Index

Source: Credit Suisse Corporate Bond Indices, Bloomberg, ADCB Asset Management

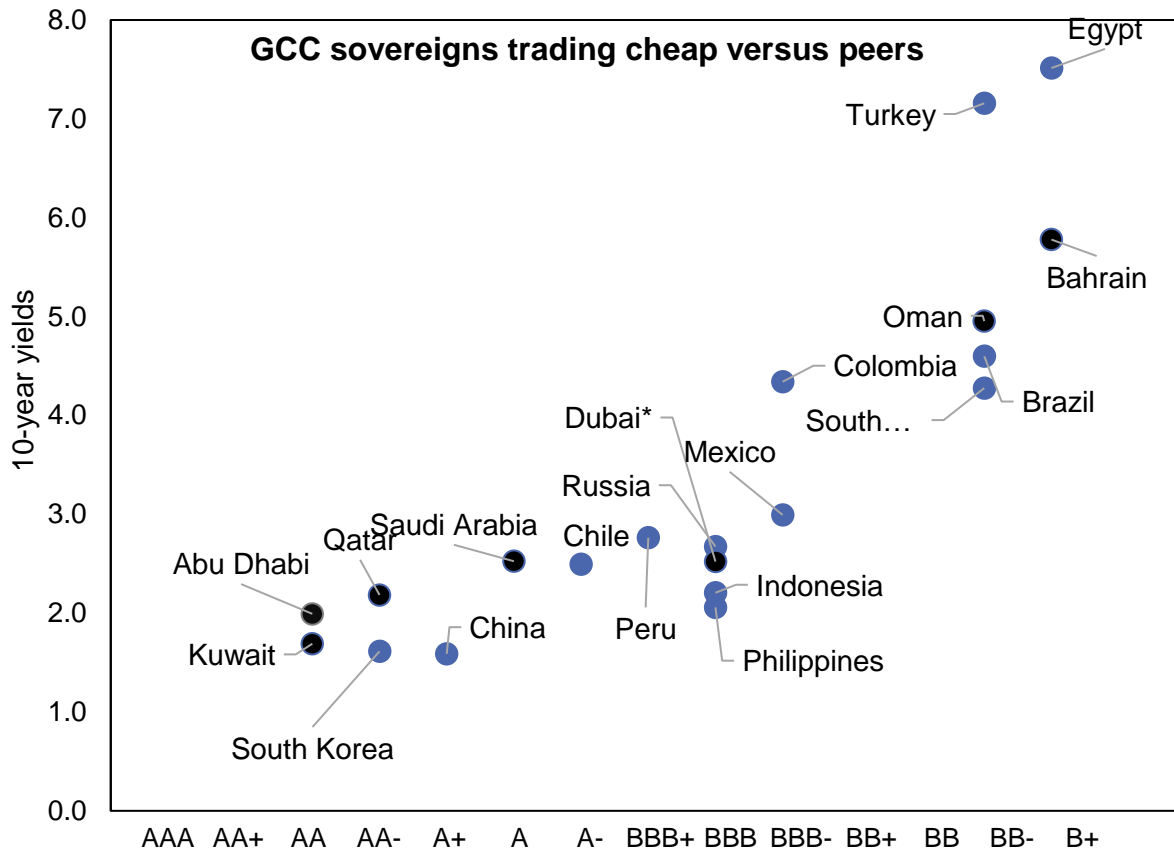
GCC corporate OAS spread versus Brent Crude



— GCC credit index (LHS) — Brent Crude (RHS)

Source: Bloomberg, ADCB

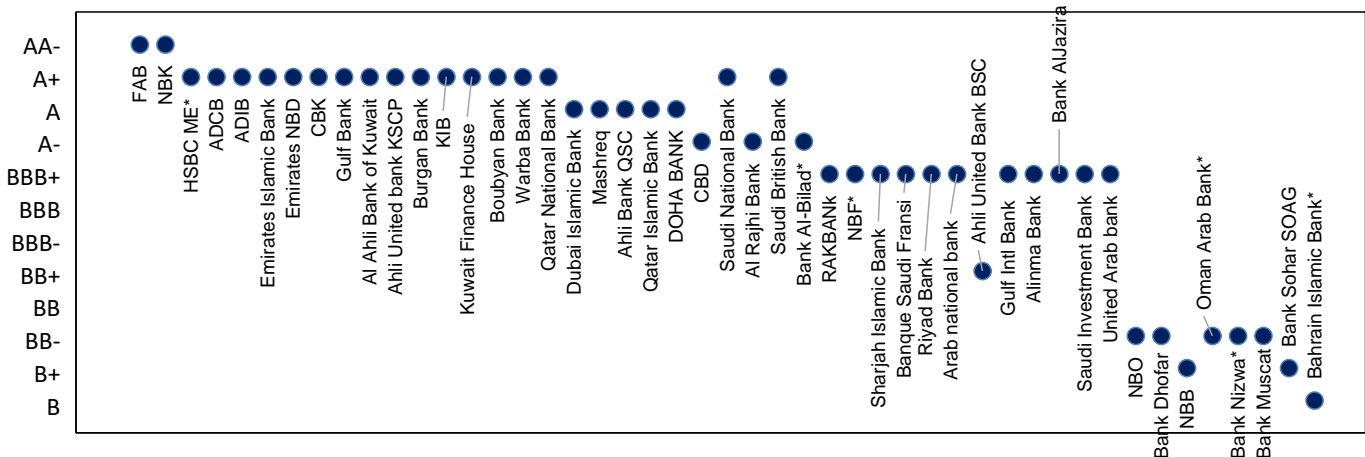
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

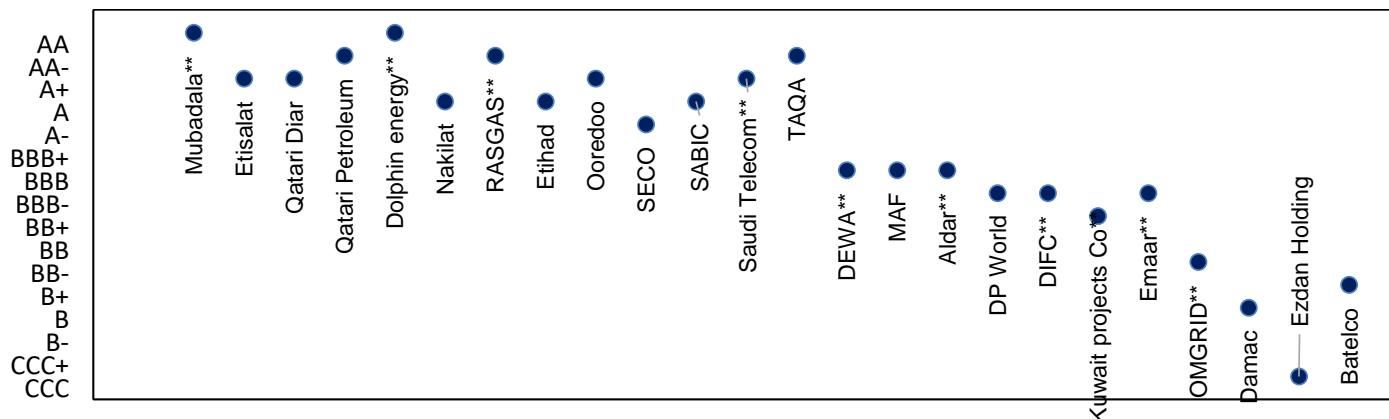
GCC Financials



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

GCC Corporate 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

Source: Fitch ratings, Moody's ratings, 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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