

GCC Fixed Income Weekly Review

Global bond markets remained under pressure, but ended the week flat as investors assessed the rising recessionary risks with the certain parts of the UST yield curve inverting. Global Treasuries posted marginal losses of c0.5% over the week as the 30-5yr UST yield curve inverted for a brief period while the 10-2y UST yield curve moved closer to inversion. In Europe, bond yields rose more than the UST counterpart. Corporate bonds partially recovered previous losses. Similarly, EM USD bonds recorded marginal gains, led by EM LatAm bonds.

GCC bonds lacked appetite, despite the marginal recovery in EM bonds. High quality sovereigns of UAE, Kuwait and Qatar led the underperformance. On the other hand, Bahrain and Oman ended the week flat. Saudi Arabia bond index has so far been the worst performer in the GCC region, declining by c7% YTD, despite the jump in oil prices. CDS spreads tightened over the week. Oman CDS spreads led the decline. In the USD sovereign market, 10yr USD bond yields rose across GCC countries, led by Kuwait.

GCC issuance activity gathered pace with the signs of stability in the EM bond market. **The Emirate of Sharjah raised USD750mn in 8-year sukuk.** The senior unsecured sukuk was priced at 135bp over similar maturity US Treasuries, tighter than the initial price guidance of 155-160bp. The sukuk drew strong interest with an order book worth USD1.1bn. **Boubyan bank finally conducted its planned sukuk sale, a month after the mandate.** The bank raised USD500mn in the 5yr senior unsecured sukuk. **Bahraini company Infracorp announced the issuance of a USD900mn in green sukuk, first green sukuk ever issued by a Bahraini company.** The sukuk has been listed on the London Stock Exchange.

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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+

GCC Fixed Income Weekly Snapshot

				Interest rates				
				3M interbank	Latest	-1w (bp)	YTD (bp)	
BBG Barclays		Latest	-1w %	YTD %				
EM USD Agg TR	1,142.7		0.5	-9.8	Saudi	2.23	7.55	132.36
EM LatAm TR	1000.5		1.3	-5.6	UAE	1.00	6.4	63.8
EM EMEA TR	341.1		0.6	-15.1	Kuwait	1.69	0.0	18.75
EM Asia TR	608.0		-0.2	-7.7	Bahrain	1.91	3.0	39.7
Bahrain TR	177.4		0.3	-0.9	Oman	2.00	-5.65	-13.40
Oman TR	135.1		0.1	-1.7	Qatar	1.15	-	2.5
Kuwait TR	144.6		-0.3	-3.8	US	1.00	3.06	78.19
Qatar TR	138.3		-0.3	-6.8				
Saudi Arabia TR	141.8		-0.2	-7.1	12M interbank	Latest	-1w (bp)	YTD (bp)
UAE TR	138.9		-0.4	-6.1	Saudi	2.56	5.3	149.9
5Y Sov. CDS		Latest (bp)	-1w (bp)	YTD (bp)	UAE	2.20	12.47	146.14
Saudi Arabia	50.8		-0.5	0.7	Kuwait	2.19	-6.3	18.8
Abu Dhabi	49.4		-1.1	-	Bahrain	2.70	0.00	93.00
Dubai	104.4		-1.3	-4.6	Oman	2.96	1.1	-5.1
Kuwait	57.7		-9.7	-9.9	Qatar	1.35	-	2.50
Bahrain	309.7		-0.2	-1.1	10Y yield	Latest	-1w (bp)	YTD (bp)
Oman	248.9		-14.3	-17.5	Saudi Arabia	3.24	8.9	75.9
Qatar	48.6		-1.8	-1.9	Abu Dhabi	2.89	11.80	87.90
Egypt	563.3		-33.9	-33.9	Dubai	3.13	5.2	58.3
Turkey	548.6		-48.8	-39.9	Kuwait	2.65	21.50	100.50
US	18.0		0.1	0.1	Bahrain	6.09	-5.0	24.8
Germany	16.2		-0.5	-0.8	Oman	5.57	2.70	60.20
					Qatar	3.01	13.9	90.6

Note: *Dewa rating used as proxy, data from 23rd March 2022 to 29th March 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Sharjah sold USD750mn in 8-year Islamic bonds

The Emirate of Sharjah raised USD750mn in 8-year sukuk. The senior unsecured sukuk was priced at 135bp over similar maturity US Treasuries, tighter than the initial price guidance of 155-160bp. The sukuk drew strong interest with an order book worth USD1.1bn.

(Source: Zawya)

Boubyan bank sold sukuk a month after mandate

Boubyan bank finally conducted its planned sukuk sale, a month after the mandate. The bank raised USD500mn in the 5yr senior unsecured sukuk. The sukuk was priced at 100bp over similar US Treasuries. The bond is rated 'A' by Fitch ratings agency. (Source: Bloomberg)

Bahraini company Infracorp listed a USD 900mn green sukuk on the London Stock Exchange

Bahraini company Infracorp announced the issuance of a USD900mn in green sukuk, first green sukuk ever issued by a Bahraini company. The sukuk has been listed on the London Stock Exchange. The sukuk proceeds will be utilized to pace the growth of sustainable infrastructure development across the Middle East and South Asia. The sukuk is convertible subordinated perpetual, having a fixed coupon of 7% for five years, after which the coupon will be set at 8.5%. (Source: Zawya and Bloomberg)

Bahrain's Arab bank issued new perpetual

Bahrain's Arab bank raised USD390mn in new subordinated perpetual. The coupon is set at 4.75%. The perpetual is callable after six years. (Source: Bloomberg)

The UAE expects a 5%-6% economic growth rate by 2022 and beyond

The UAE's Minister of Economy expects the UAE economy to double by 2031. The country is forecasted to grow by 5% to 6% in 2022 as it recovers from the pandemic and likely to maintain the same pace for the next few years. The IMF expects the UAE economy to grow by 3% this year after growing by 2.1% in 2021. The non-oil economy of the UAE has benefited from government spending, credit growth and improving business sentiment. The hosting of the Dubai EXPO has also boosted tourism. (Source: Zawya)

Oman experienced strong economic growth in 2021

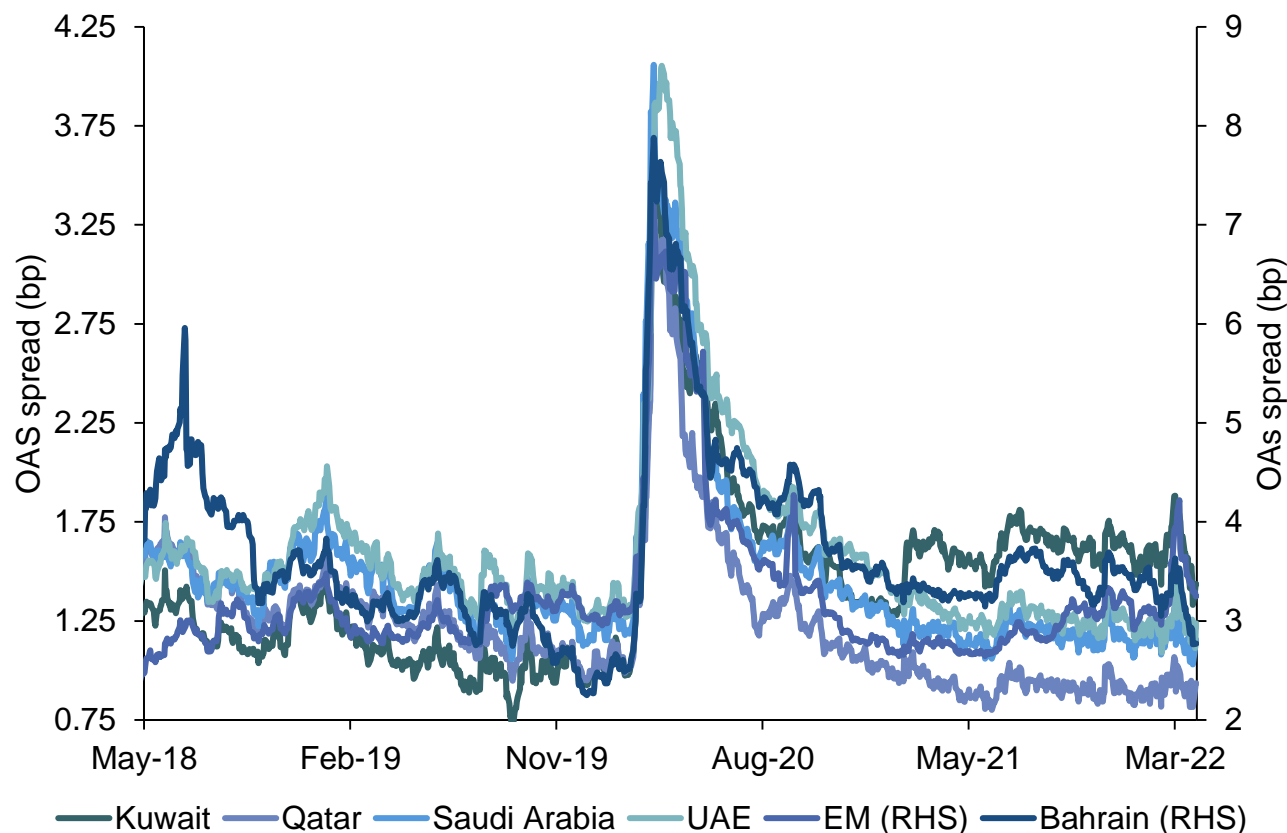
According to the Minister of Economy, Oman witnessed strong economic growth owing to the improvement in the performance of oil economy, which expanded by 25.5% in 2021, while non-oil activities grew by 7.8% in 2021. The Minister added that inflation will increase by 4.4% in response to the "Covid-19" pandemic and the challenges of supply chains. However, it can be managed by using several tools, such as spending control, reviewing wages paid, the interest rate in banks and government bond rates. (Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	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

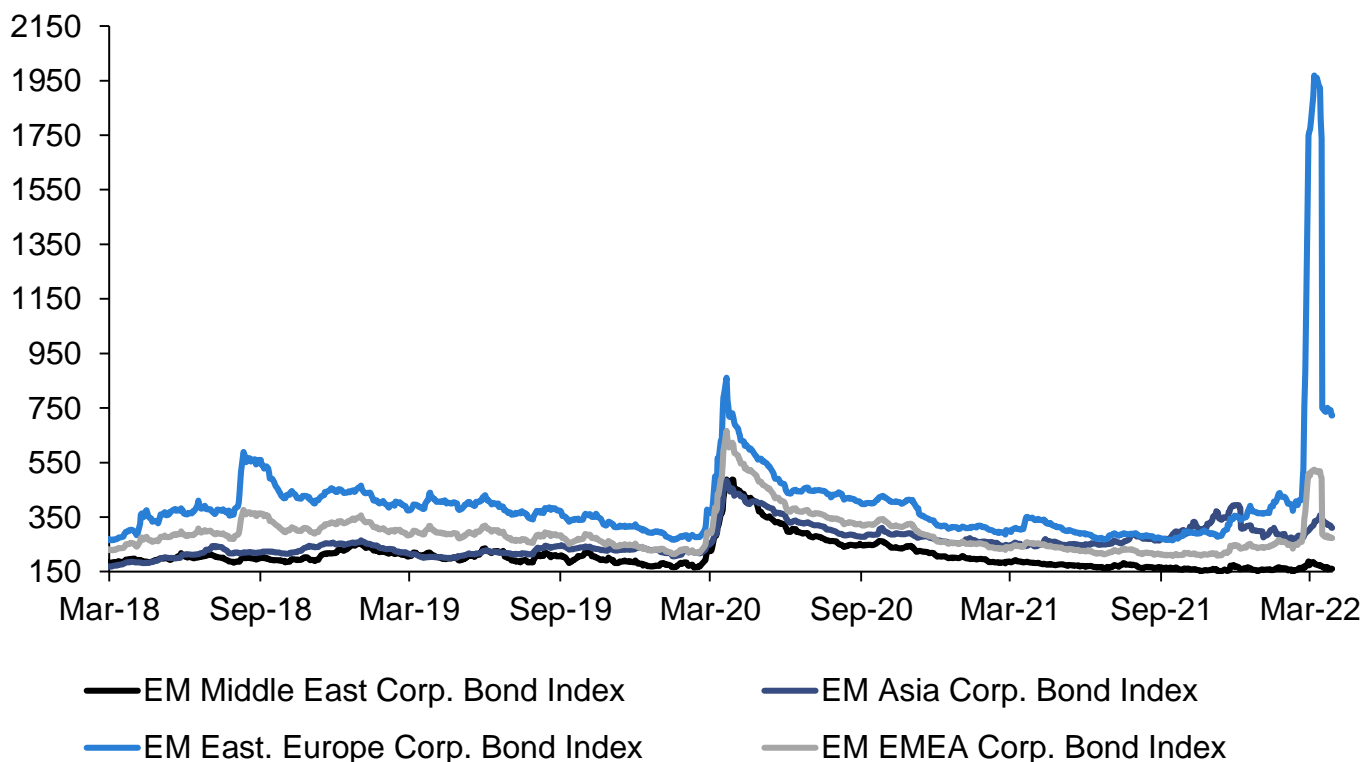
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



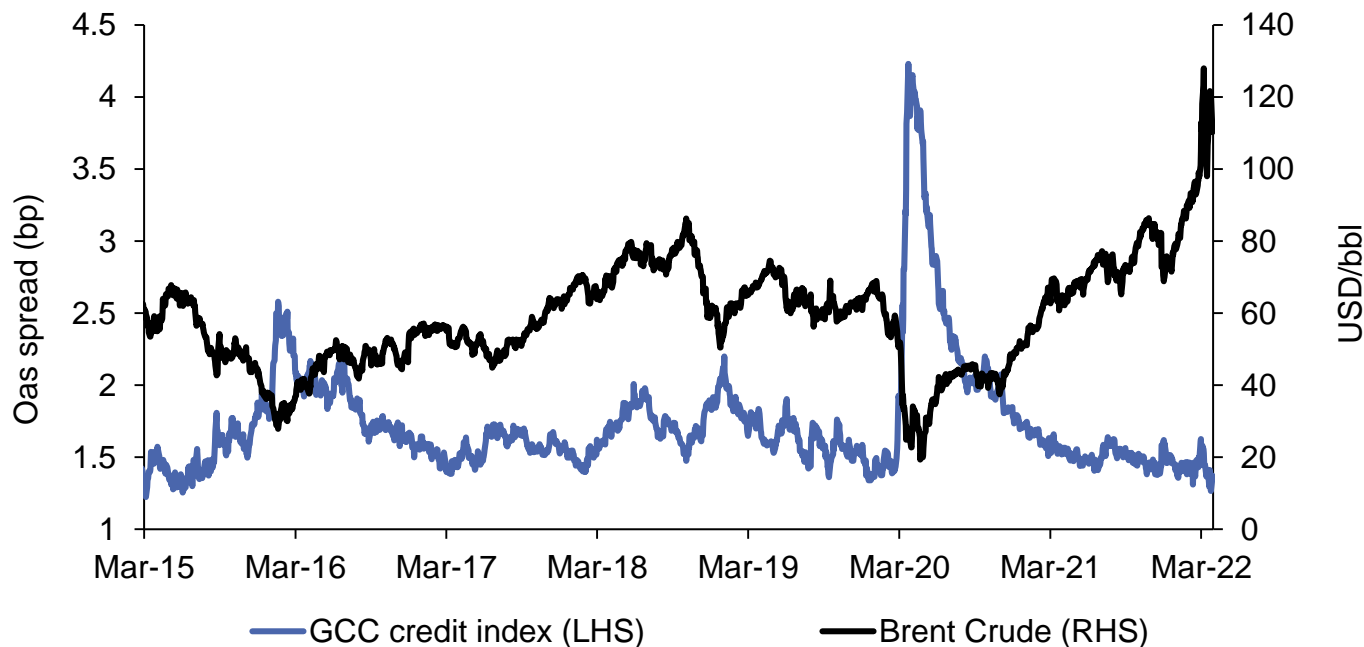
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB

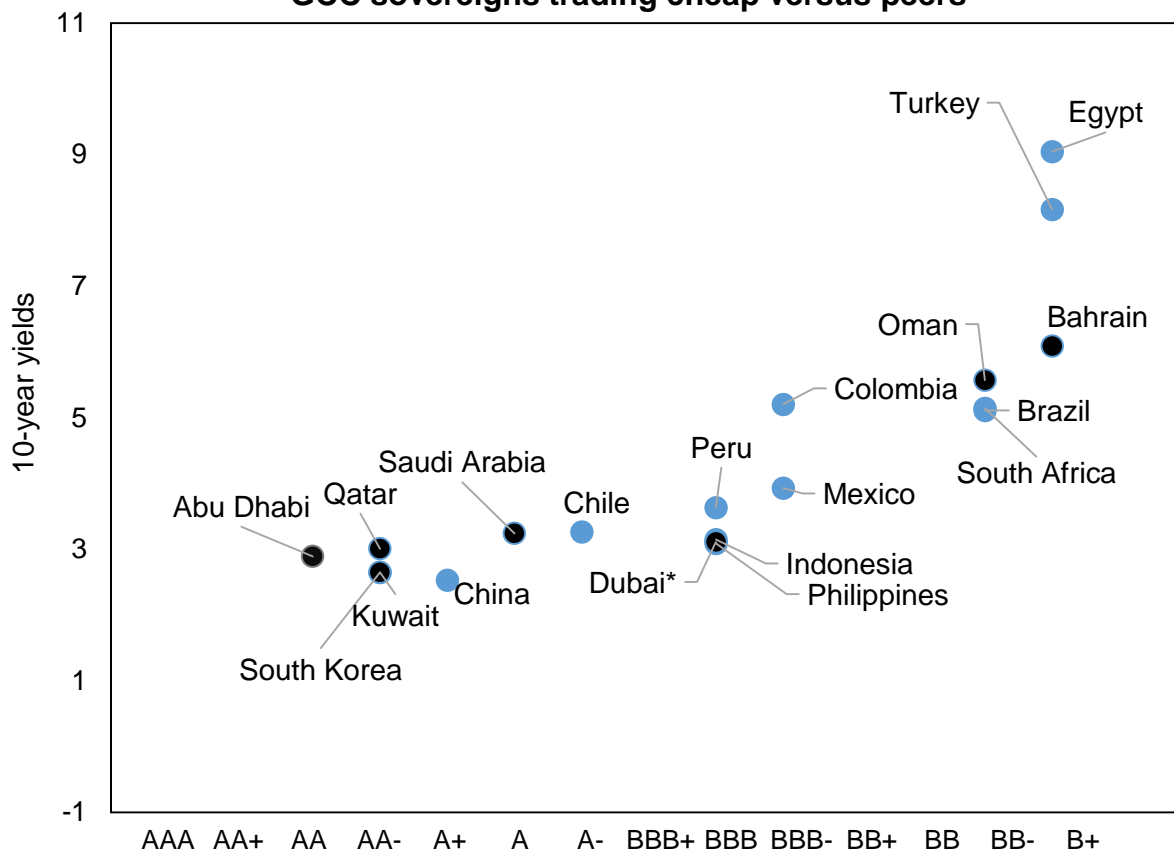
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

10yr yield versus Credit ratings (EM vs GCC)

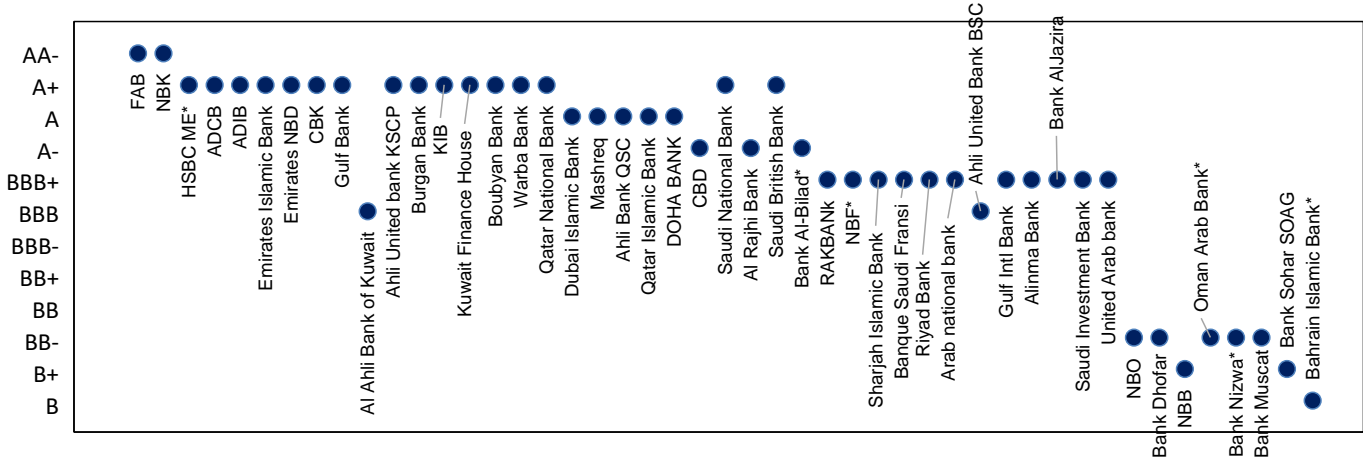
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

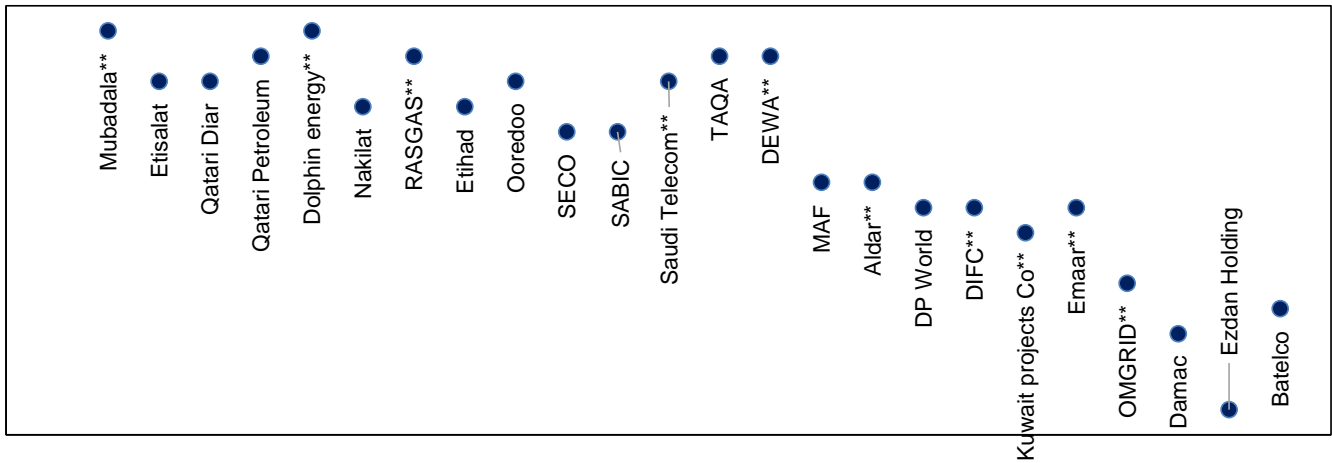
GCC Financials



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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