

GCC Fixed Income Weekly Review

Global benchmark bond index came under pressure, recording weekly losses as the DM government bond yields jumped on inflation concerns. Stronger-than expected US CPI print pushed the 10yr UST yields to 1.56%. US IG bonds underperformed US HY bonds despite the UST curve remaining flat. Inflation concerns also dominated the appetite for bonds in the Eurozone with core, periphery and UK gilt yields rising over the week. EM bonds suffered on the back of the rally in UST yields.

GCC bonds lacked appetite due to increased global bond volatility. Oman posted the largest losses last week. 5yr Sovereign GCC spreads were mostly wider with oil prices declining for the third consecutive week. In the USD bond market, the 10yr bond yields edged higher across all GCC countries. Oman recorded the largest jump in 10yr USD bond yields.

Despite the volatility in global bond markets, **two GCC sovereigns- Saudi Arabia and Bahrain borrowed in the dollar bond market. Saudi Arabia tapped the international dollar market for the third time this year, raising USD3.25bn in a dual-tranche deal.** The Kingdom sold USD2bn in the dollar sukuk maturing in May 2031 and USD1.25bn in 30yr conventional bonds. Strong demand with bid orders exceeding over USD11.5bn allowed the kingdom to increase the size of the deal. With the recent bond sale, the total dollar borrowing by the Kingdom have reached USD8.25bn while the total external borrowing stands at around USD10bn. Meanwhile, **Bahrain raised USD2bn in dollar-denominated bonds, marking its second bond sale of the year.** The dual tranche bond sale comprised of both conventional dollar bonds and Islamic dollar sukuk. USD1bn was sold in 12.5yr conventional bonds while USD1bn was raised in 7.5yr sukuk. The sale was very well received by the market with bid orders totalling over USD4.6bn. According to Moody's rating agency, Bahrain is likely to receive additional funding from its Gulf allies. Saudi Arabia, Kuwait, and the United Arab Emirates verbally reiterated their support for Bahrain last month, but no additional funding has been formally committed yet.

Issuance activity was quiet in corporate bond markets in the UAE with no new issuances announced last week.

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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

	Latest	-1w %	YTD %	Interest rates (Sunday to Thursday)			
				3M interbank	Latest	-1w (bp)	YTD (bp)
BBG Barclays**				Saudi ^{^^}	0.84	0.29	1.96
EM USD Agg TR	1,268.1	-0.3	-1.6	UAE	0.29	0.1	-22.0
EM LatAm TR	1055.1	-0.4	-3.0	Kuwait	1.50	0.00	6.25
EM EMEA TR	405.0	-0.4	0.6	Bahrain	1.52	1.7	-73.3
EM Asia TR	657.4	-0.2	-2.7	Oman	2.17	0.00	-50.83
Bahrain TR	180.3	-0.4	1.9	Qatar	1.16	1.9	4.0
Oman TR	136.0	-0.8	7.5	US	0.16	1.16	-8.24
Kuwait TR	150.4	-0.2	0.8	12M interbank	Latest	-1w (bp)	YTD (bp)
Qatar TR	147.8	-0.1	-0.8	Saudi ^{^^}	0.95	0.3	1.3
Saudi Arabia TR	151.6	-0.4	0.1	UAE	0.74	3.55	9.02
UAE TR	147.5	-0.1	0.9	Kuwait	2.00	0.0	6.3
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Bahrain	1.77	0.00	-91.66
Saudi Arabia	48.1	0.5	-19.7	Oman	3.03	0.0	-30.5
Abu Dhabi	40.5	-	0.8	Qatar	1.35	2.50	-1.36
Dubai	93.6	1.6	-26.6	10Y yield	Latest	-1w (bp)	YTD (bp)
Kuwait	53.1	-0.3	5.3	Saudi Arabia	2.56	0.9	20.5
Bahrain	280.85	9.6	27.3	Abu Dhabi	2.03	2.30	42.20
Oman	257.4	5.4	-118.9	Dubai	2.52	2.3	-7.2
Qatar	41.4	1.0	1.4	Kuwait	1.69	4.60	55.20
Egypt	467.9	17.5	115.9	Bahrain	5.46	0.0	65.2
Turkey	409.9	13.5	92.7	Oman	4.82	4.90	-65.10
US	16.5	0.6	-0.3	Qatar	2.21	1.9	55.7
Germany	9.9	-0.2	-2.5				

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

Saudi Arabia borrowed USD3.25bn in its third international bonds

Saudi Arabia tapped the international dollar market for the third time this year, raising USD3.25bn in a dual-tranche deal. The dual tranche deal comprised of a dollar sukuk and conventional dollar bond. The Kingdom sold USD2bn in the dollar sukuk maturing in May 2031 and USD1.25bn in 30yr conventional bonds. The 9.5yr sukuk was priced at 90bp over US Treasuries (UST), tighter than the initial guidance of 110bp over UST. The 30yr bond was sold at 3.36%, lower than the initial guidance of 3.6%. Although the deal was expected to be between USD2.5bn and USD3bn, strong demand allowed the Kingdom to launch on the low end of the final guidance while increasing the size of the deal. Bid orders exceeded over USD11.5bn. Prior to the recent bond issuance, Saudi Arabia had raised USD5bn in January and USD1.73bn in euro-denominated bonds in February. With the recent bond sale, the total dollar borrowings by the Kingdom have reached USD8.25bn while the total external borrowing stands at around USD10bn. The country sovereign rating outlook was recently upgraded by Moody's rating agency to "stable" from "negative", citing ease in the kingdom's government debt levels. (Source: Zawya)

Bahrain raised USD2bn in new dollar bonds and sukuk

Bahrain raised USD2bn in dollar-denominated bonds, marking its second bond sale of the year. The dual tranche bond deal comprised of both conventional dollar bonds and Islamic dollar sukuk. USD1bn was sold in 12.5yr conventional bonds while USD1bn was raised in 7.5yr sukuk. The 12.5yr dollar bond was priced at 5.625%, tighter from the initial guidance of 6-6.125%. The 7.5yr sukuk was sold at 3.875%, tighter from the initial guidance of 4.25-4.375%. The sale was very well received by the market with bid orders totalling over USD4.6bn. Bahrain is likely to receive additional funding from its Gulf allies in order to cover its needs and mitigate liquidity risks, according to Moody's rating agency. Saudi Arabia, Kuwait, and the United Arab Emirates verbally reiterated their support for Bahrain last month, but no additional funding has been formally committed. Bahrain's public debt rose to 133% of GDP in 2020 from 102% in 2019, according to the International Monetary Fund. (Source: Bloomberg)

Saudi economy grew 6.8% in Q3 of 2021, the highest rate since 2012

According to official data released last week, Saudi Arabia's economy grew by 6.8% year-over-year (yoy) in the third quarter, marking its fastest growth since 2012. The world's top oil exporter benefited from rising global energy demands. The General Authority for Statistics stated that the growth was led by strong growth in oil sector which expanded by 9.0%, boosted by the rising global demand for oil and the Kingdom's increased production in 2021. Seasonally adjusted real GDP expanded by 5.8% qoq on the back of a 12.9% growth in oil activities. (Source: Zawya)

Fitch ratings affirmed United Arab Emirates rating at 'AA-'

Fitch ratings agency affirmed the UAE's 'AA-' rating with "stable" outlook, citing the country's moderate consolidated public debt level, strong net external asset position and high GDP per capita. The rating agency stated that the Emirate of Abu Dhabi has one of the highest foreign assets among sovereigns rated by the agency. The strengths of the country were balanced by the country's relatively weak governance indicators, extreme reliance on hydrocarbon revenue and indebtedness of some of the Emirates and their related GREs. (Source: Fitch ratings)

Latest bond issuances (Corporate and Sovereigns)

Issuer	BBG	Sector	Country	Issue Amt	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
Abu Dhabi Government International Bond	ADGB	Financials	AE	1750	1.875	9/15/2031	AT MATURITY	USD	9/15/2021	AA	1.97	-
Abu Dhabi Government International Bond	ADGB	Financials	AE	1250	3	9/15/2051	AT MATURITY	USD	9/15/2021	AA	2.97	-
NBK SPC Ltd	NTBKKK	Financials	KW	1000	1.625	9/15/2027	CALLABLE	USD	9/15/2021	AA-	1.68	1.79
QIIB Senior Sukuk Ltd	QIHKQD	Financials	QA	250	4.264	3/5/2024	AT MATURITY	USD	10/12/2021	A	1.16	-
UAE INTERNATIONAL GOVERNMENT BOND	UAE	Financials	AE	1000	2	10/19/2031	AT MATURITY	USD	10/19/2021	AA	2.26	-
UAE INTERNATIONAL GOVERNMENT BOND	UAE	Financials	AE	1000	2.875	10/19/2041	AT MATURITY	USD	10/19/2021	AA	3.14	-
UAE INTERNATIONAL GOVERNMENT BOND	UAE	Financials	AE	2000	3.25	10/19/2061	AT MATURITY	USD	10/19/2021	AA	3.32	-
EI Sukuk Co Ltd	EIBUH	Financials	AE	500	2.082	11/2/2026	AT MATURITY	USD	11/2/2021	A+	2.04	-

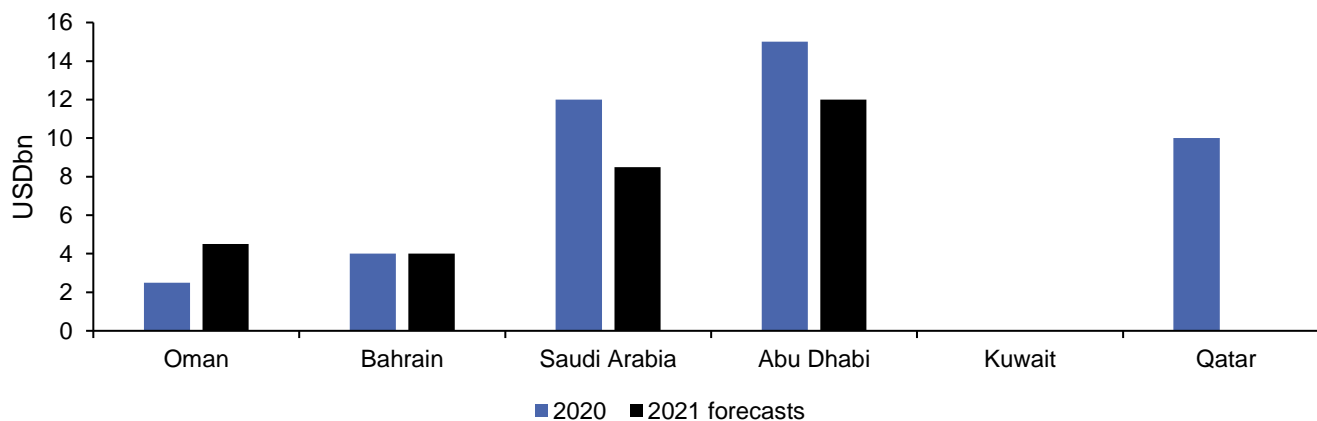
*Amount Issued in USDmillion, Bloomberg sector classification has been used, ^Issuer rating used where applicable, Fitch rating or equivalent used

Source: Fitch Ratings, Moody's ratings, Bloomberg, ADCB Asset Management

Appendix

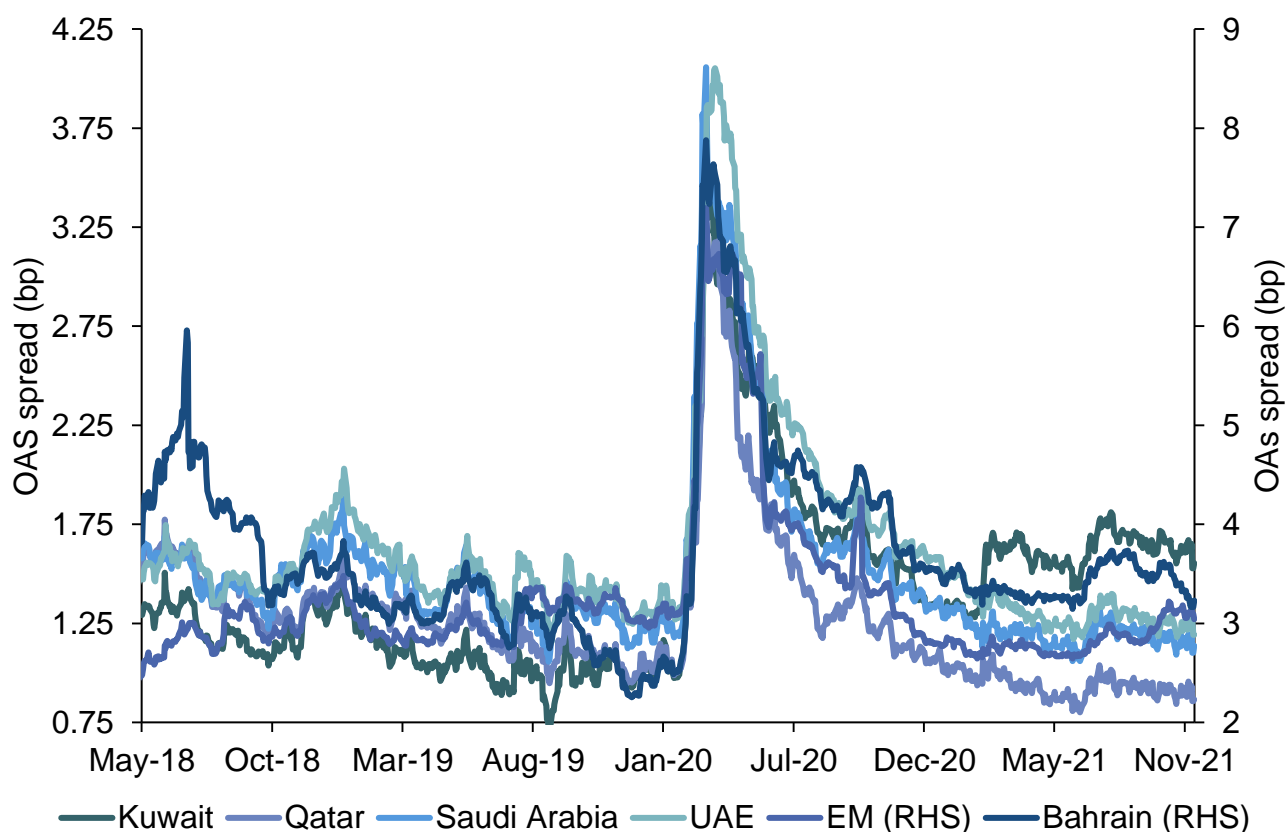
GCC sovereign borrowing estimates

GCC sovereigns have borrowed less in 2021, barring Oman



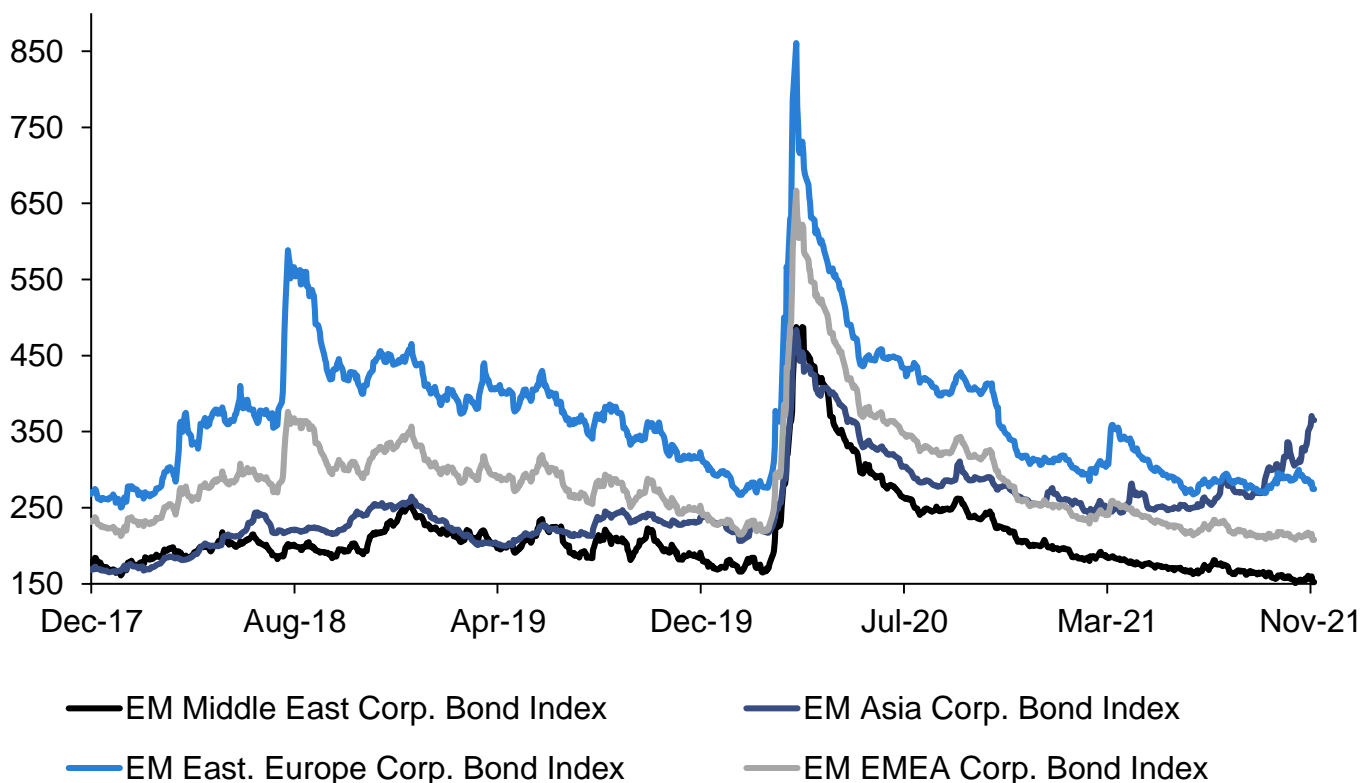
Source: Government Sources, Bloomberg, ADCB Investment Strategy estimates

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



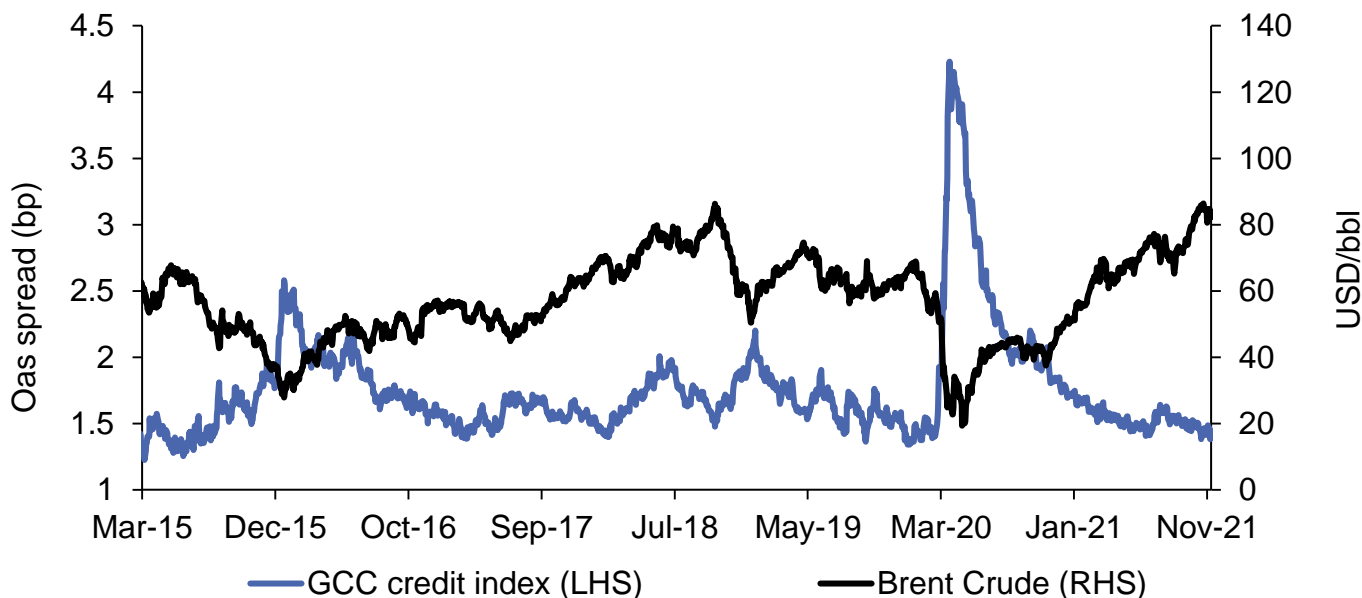
Source: Bloomberg Barclays Sovereign Bond Indices, Bloomberg, ADCB Asset Management

Emerging markets versus Middle East spread



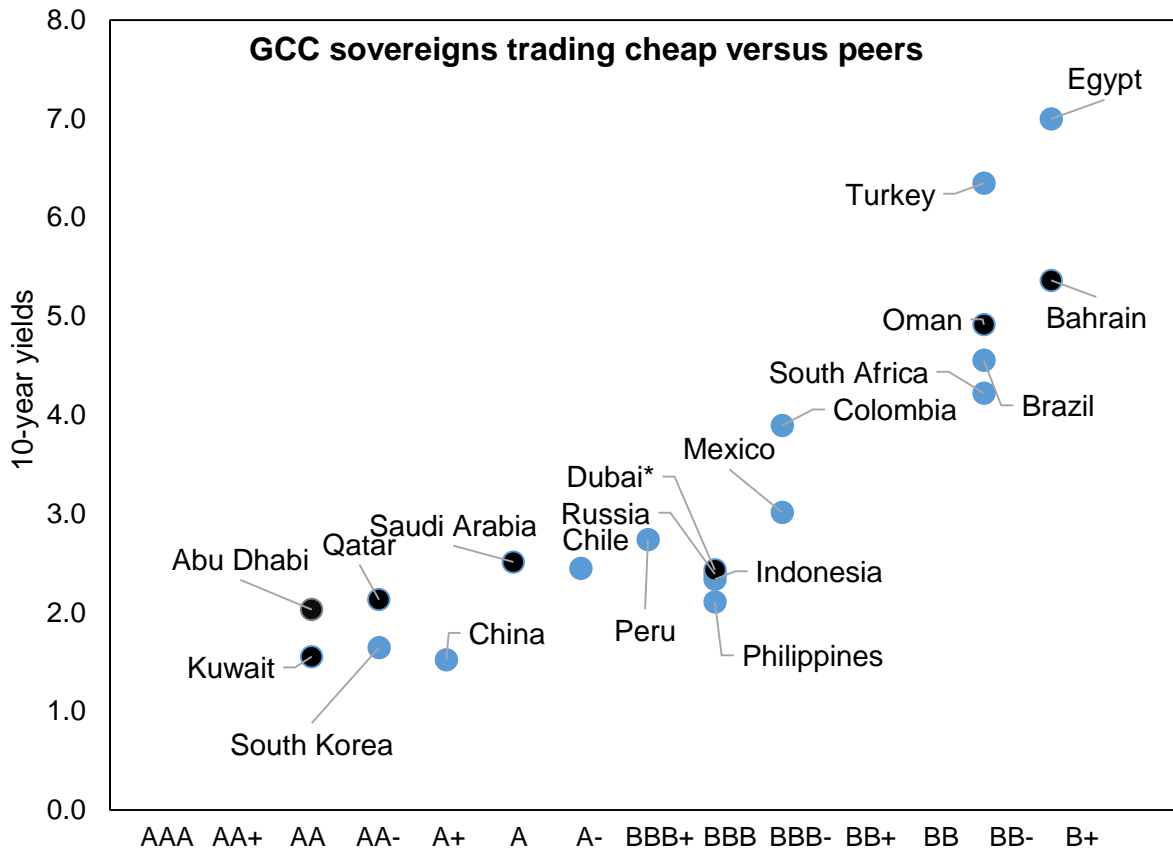
Source: Credit Suisse Corporate Bond Indices, Bloomberg, ADCB Asset Management

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

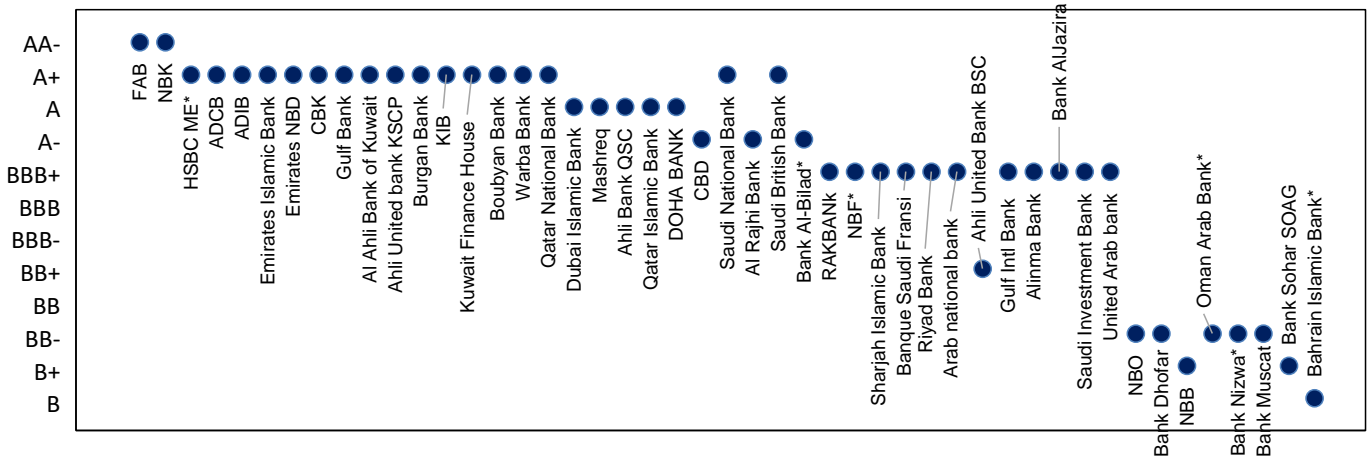
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

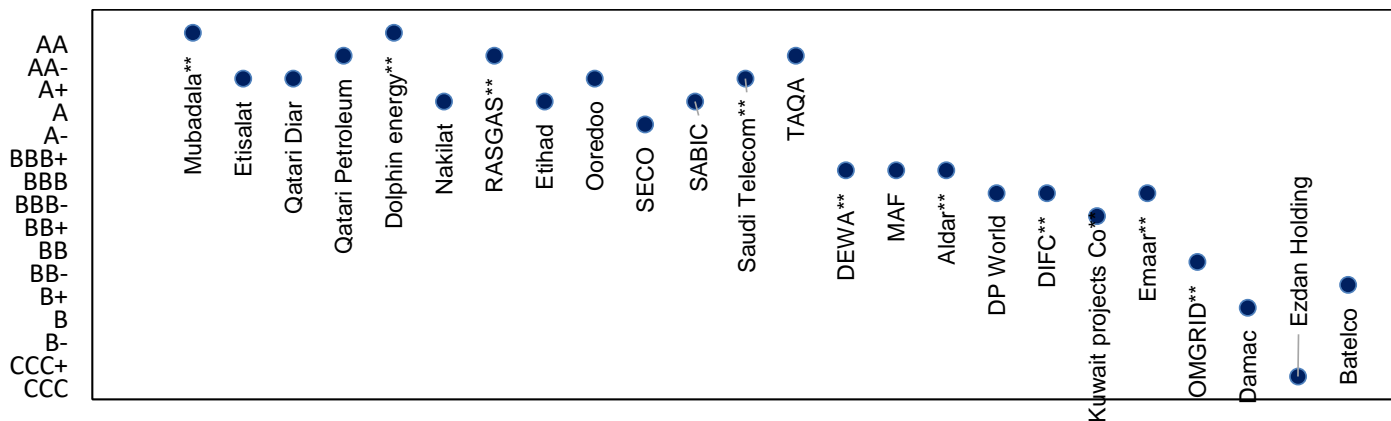
GCC Financials



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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