

GCC Fixed Income Weekly Review

Global benchmark bond index rebounded strongly with the bond markets across the globe digesting accommodative monetary policy stance by the central banks. The 10yr UST yields declined after the Fed signalled patience in raising rates. In Europe and the UK, bond yields dropped in reaction to the BoE's dovish surprise. EM bonds recorded gains amidst the drop in DM sovereign bond yields.

Appetite for the GCC bonds was strong over the week. Bahrain, Oman and Saudi Arabia outperformed the most. 5yr Sovereign GCC spreads tightened despite the decline in oil prices. In the USD bond market, the 10yr bond yields declined across all GCC countries, the most in Bahrain and Abu Dhabi.

The latest PMI survey for October showed that non-oil private sector in the GCC continued to grow. Starting with Saudi, **the seasonally adjusted IHS Markit Saudi Arabia PMI came in at 57.7 in October**, slightly lower than the previous month but still signaled strong sales growth. In the UAE, non-oil private firms saw a boost in business due to an increase in spending and a boom in tourism due to Expo 2020 Dubai. **The seasonally adjusted UAE PMI for the UAE jumped to 53.7 in October, from 53.3 in September, reaching the highest level since June 2019.** The output rose at the fastest rate in over two years, while confidence in future activity improved. Elsewhere, Qatar continued to break records as its economic output grew at the fastest rate in over four years. **The Qatar Financial Centre and IHS Markit PMI reported that companies are optimistic that workload will increase over the next 12 months with the index soaring to a new record high of 62.2.** In the latest PMI report, companies expected an improvement in market conditions in 2022, citing the upcoming FIFA World Cup as a likely source of demand.

Issuance activity remained fairly quiet for another week. **FAB issued the second green bond denominated in Swiss franc.** The 5yr maturity bond had an issuance size of CHF200mn, priced at 0.1475%, receiving strong interest from institutional investors.

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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

Bond Index Snapshot (Emerging market and GCC)				Interest rates (Sunday to Thursday)			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays**				3M interbank			
EM USD Agg TR	1,272.2	0.3	-1.2	Saudi^^	0.83	0.86	1.68
EM LatAm TR	1059.5	0.4	-2.5	UAE	0.29	-5.4	-22.1
EM EMEA TR	406.4	0.8	1.0	Kuwait	1.50	0.00	6.25
EM Asia TR	658.7	-0.2	-2.4	Bahrain	1.50	0.0	-75.0
Bahrain TR	181.1	1.1	2.3	Oman	2.17	0.67	-50.83
Oman TR	137.2	0.9	8.4	Qatar	1.14	-2.7	2.1
Kuwait TR	150.6	0.3	0.9	US	0.14	1.28	-9.40
Qatar TR	147.9	0.6	-0.8	12M interbank			
Saudi Arabia TR	152.2	0.8	0.5	Saudi^^	0.95	0.4	1.0
UAE TR	147.6	0.5	1.0	UAE	0.71	5.07	5.47
5Y Sov. CDS				Kuwait	2.00	0.0	6.3
	Latest (bp)	-1w (bp)	YTD (bp)	Bahrain	1.77	0.00	-91.66
Saudi Arabia	48.6	-2.5	-19.3	Oman	3.03	-0.6	-30.5
Abu Dhabi	40.7	-3.4	1.0	Qatar	1.33	-2.40	-3.86
Dubai	93.4	-1.5	-23.1	10Y yield			
Kuwait	54.9	-	7.1		Latest	-1w (bp)	YTD (bp)
Bahrain	276.12	-17.3	22.5	Saudi Arabia	2.56	-3.8	19.6
Oman	256.8	-	-119.5	Abu Dhabi	2.01	-8.50	39.90
Qatar	41.9	-2.7	1.8	Dubai	2.50	-1.0	-9.5
Egypt	453.2	-19.4	101.3	Kuwait	1.64	-0.40	50.60
Turkey	403.2	-42.3	92.7	Bahrain	5.46	-17.0	65.2
US	16.0	0.1	-0.8	Oman	4.78	-2.10	-70.00
Germany	10.4	-0.3	-2.0	Qatar	2.19	-0.4	53.8

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

Saudi's non-oil economy expanded in October

The IHS Markit latest PMI showed that the Saudi economy's non-oil sector continued to improve in October, as private companies reported strong sales and trade flow numbers. The seasonally adjusted IHS Markit Saudi Arabia PMI came in at 57.7 in October, slightly lower than the previous month but still signalled strong sales growth. Meanwhile, new export jobs increased at their highest level since May. (Source: Zawya)

The UAE's non-oil business activity increased to its highest level since June 2019

According to a recent business survey, UAE non-oil private firms saw a boost in business due to an increase in spending and a boom in tourism due to Expo 2020 Dubai. The seasonally adjusted PMI for the UAE jumped to 53.7 in October, from 53.3 in September, reaching the highest level since June 2019. The output rose at the fastest rate in over two years, while confidence in future activity improved. Since the start of Expo 2020 Dubai, October saw an increase in new orders. According to a survey, the event led to increased sales in a number of sectors as both tourism and investment spending increased. Organizers reported more than two million visitors to the event in October. Overall employment growth was only marginal even though few firms added to their workforce. (Source: Zawya)

Qatar's non-oil private sector growth saw strong improvement

Qatar continues to break records as its economic output grew at the fastest rate in over four years. The Qatar Financial Centre and IHS Markit PMI reported that companies are optimistic that workload will increase over the next 12 months with the index soaring to a new record high of 62.2. In the latest PMI report, companies expected an improvement in market conditions in 2022, citing the upcoming FIFA World Cup as a likely source of demand. Yousuf Mohamed Al-Jaida, CEO of QFC Authority said that the recovery and growth of the Qatari economy are primarily being driven by the country's long-term economic diversification strategy and its persistent efforts to spread the COVID-19 vaccination program following the opening of the economy. As the economy emerged from lockdown in July 2020, Qatar's PMI scores have been consistently high - the PMI has been averaging at 55.1, far higher than the long-term average of 50.7 since April 2017. (Source: Zawya)

FAB issued second green bond in Swiss francs

First Abu Dhabi Bank sold its second green bond denominated in Swiss francs, signaling the bank's commitment to sustainable finance. The 5yr maturity bond had an issuance size of CHF200mn, priced at 0.1475%, receiving strong interest from institutional investors. This marked the second CHF green bond issuance by Fab this year, after the bank sold CHF260mn in 5yr notes in January 2021. (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)
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	-

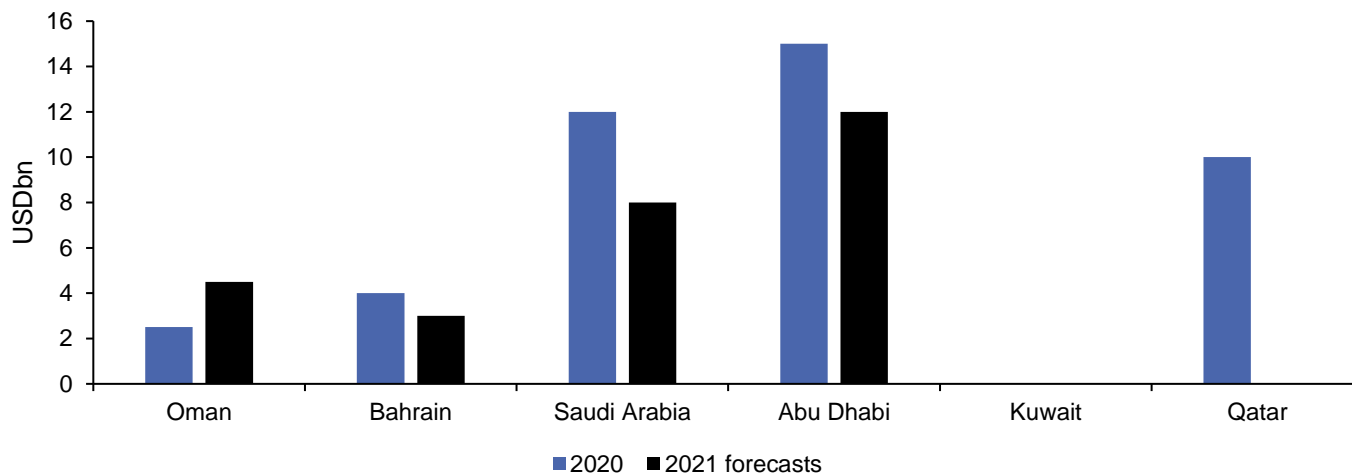
*Amount Issued in USDmillion, Bloomberg sector classification has been used, ^Issuer rating used where applicable, Fitch rating or equivalent used

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

Appendix

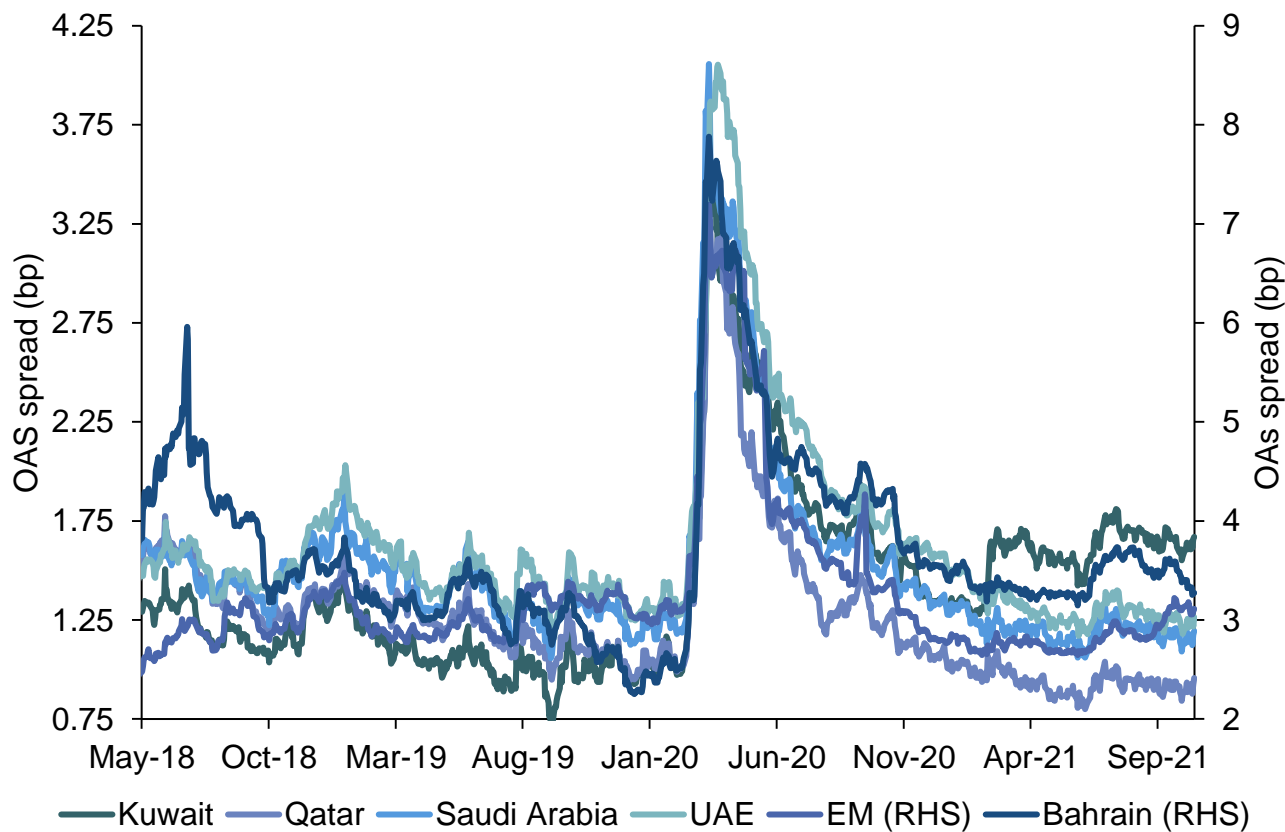
GCC sovereign borrowing estimates

GCC sovereigns to borrow less in 2021, barring Oman



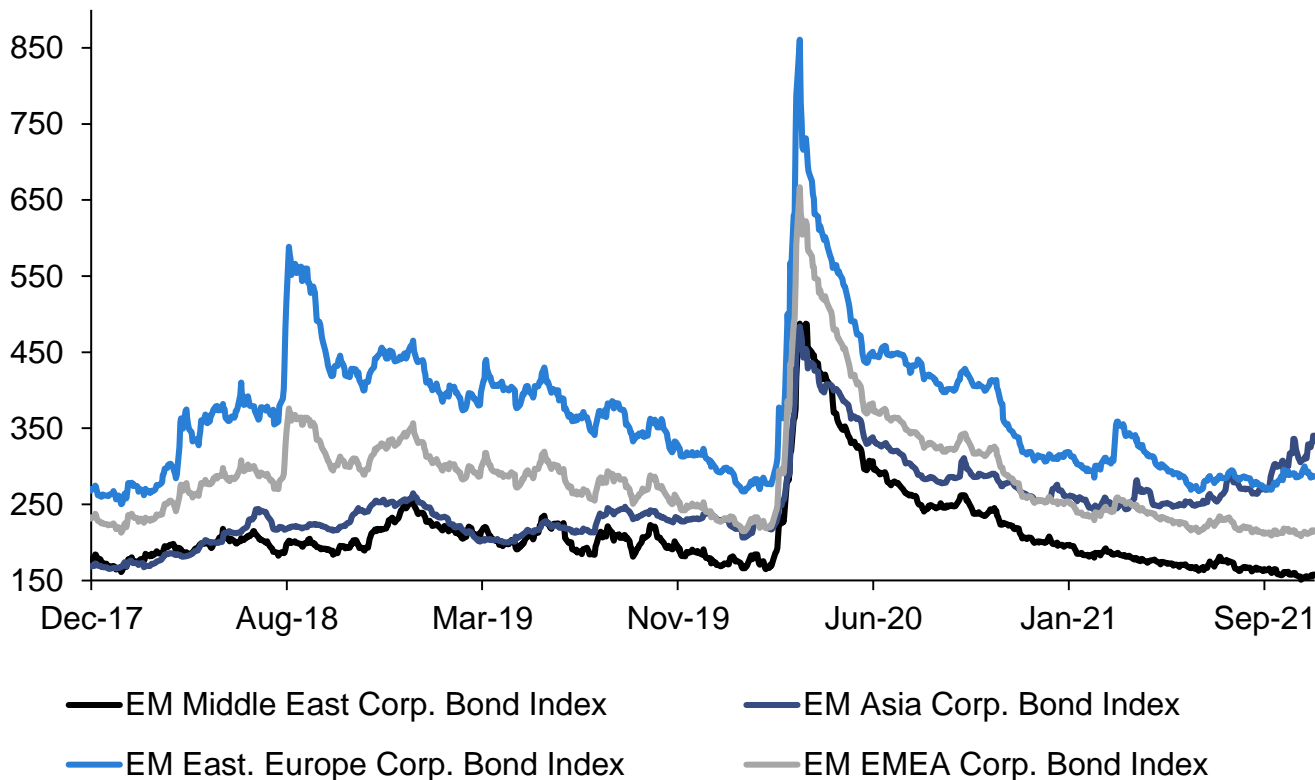
Source: Government Sources, Bloomberg, ADCB Investment Strategy estimates

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



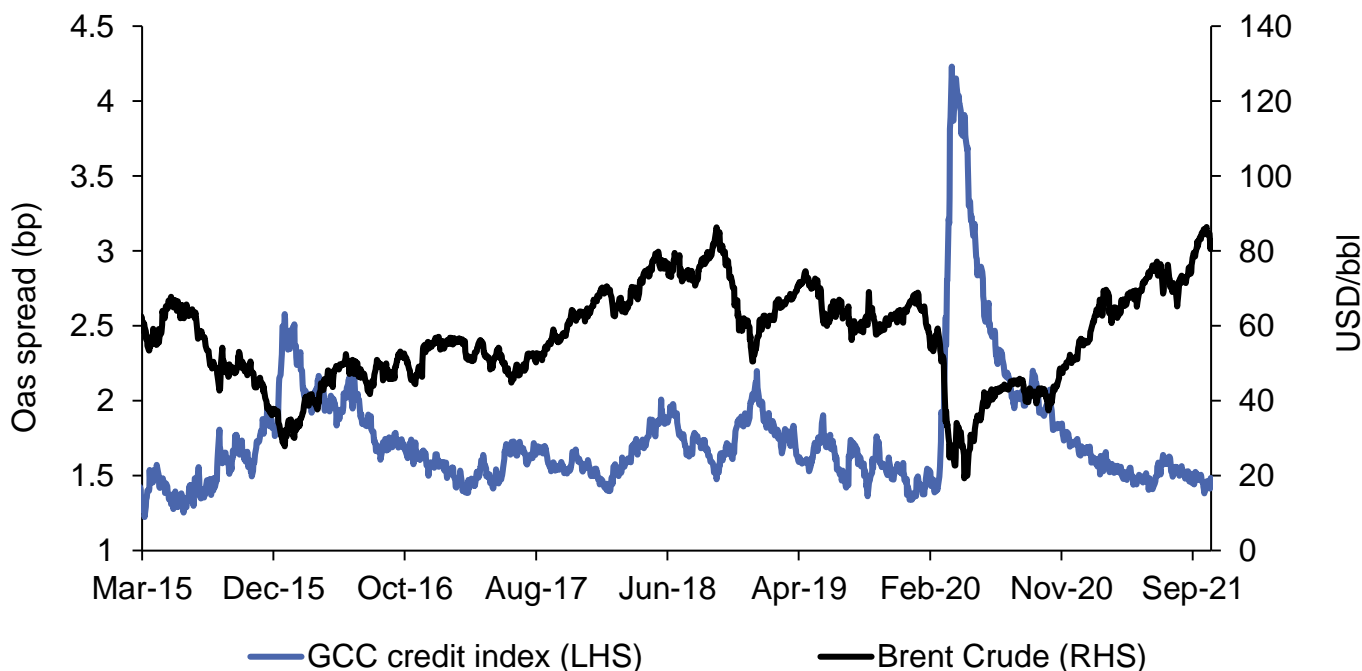
Source: Bloomberg Barclays Sovereign Bond Indices, Bloomberg, ADCB Asset Management

Emerging markets versus Middle East spread



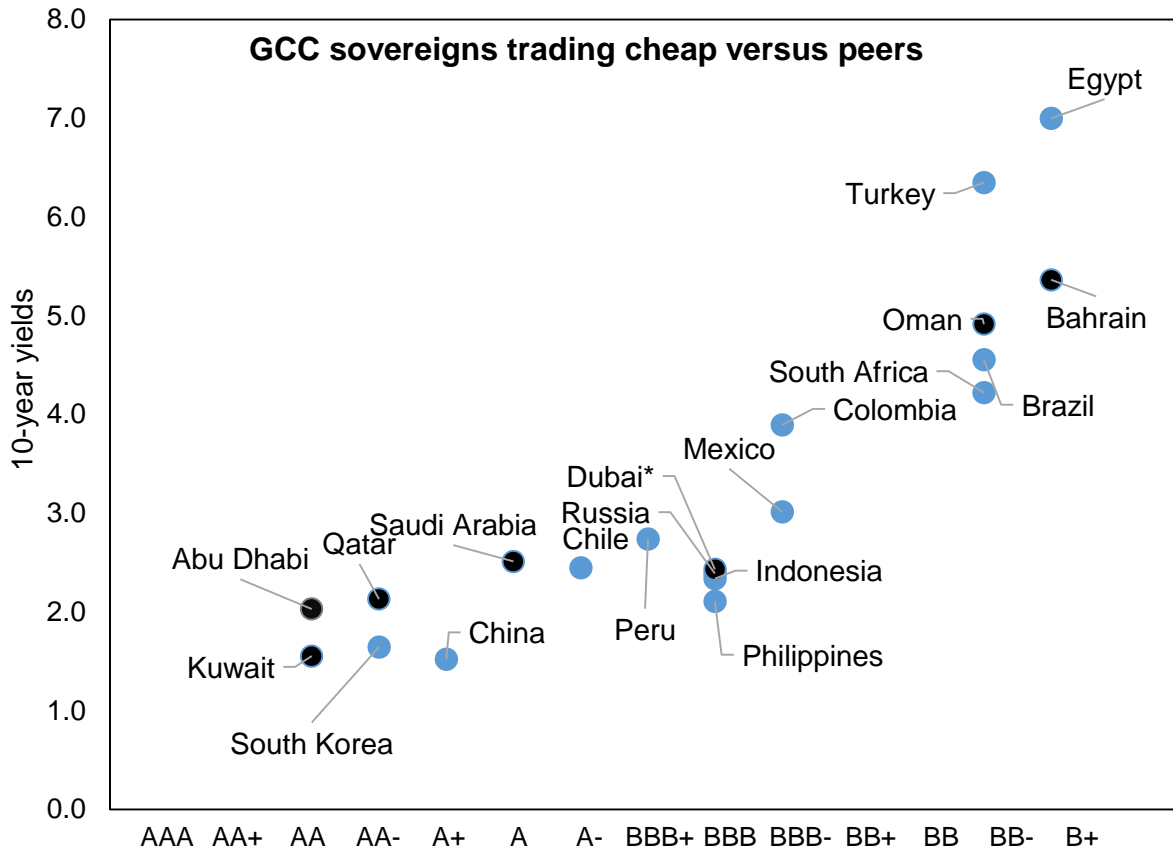
Source: Credit Suisse Corporate Bond Indices, Bloomberg, ADCB Asset Management

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

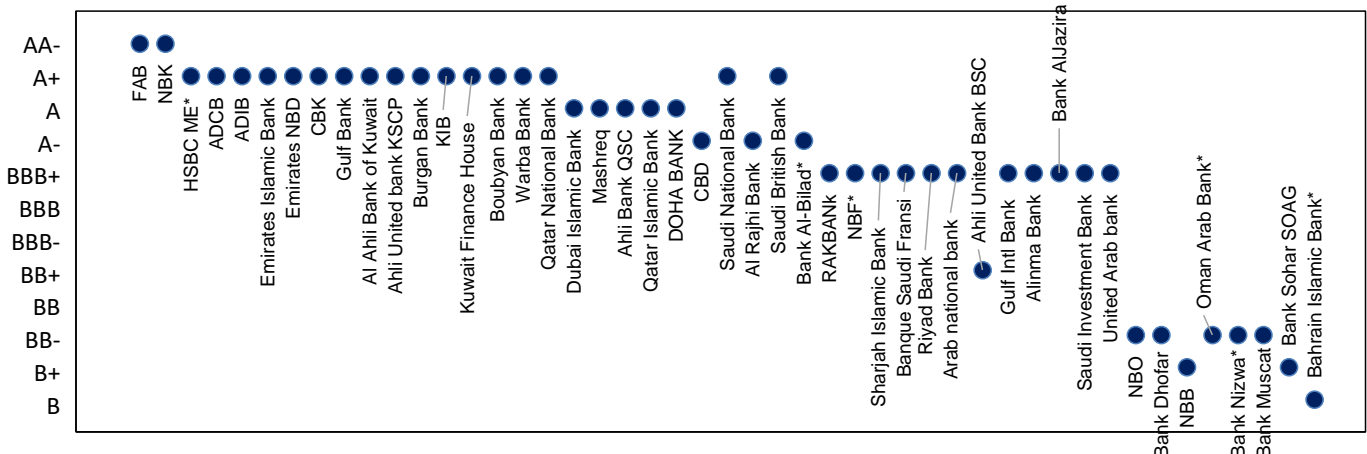
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

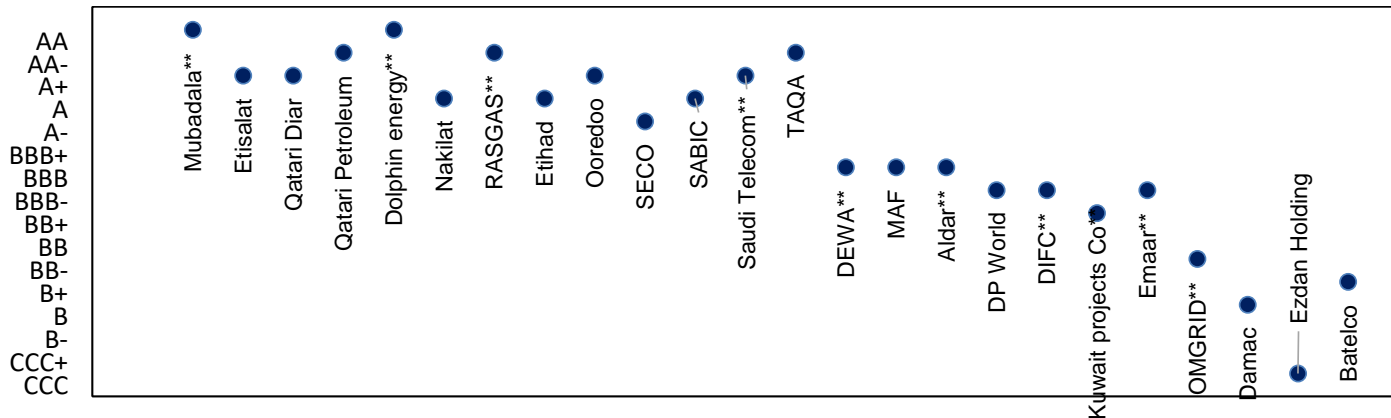
GCC Financials



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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