

GCC Fixed Income Weekly Review

Global bond markets remained under heavy selling pressure on the back of massive pick-up in long-term DM sovereign bond yields. The Fed minutes revealed that the central bank will be reducing the balance sheet at a faster than expected rate, sending the 10yr UST yields to the highest level since 2019. Core Eurozone bond yields also jumped as the ECB minutes signalled a possible end to their bond purchases by summer 2022. Corporate IG and HY sold-off during the week. EM bonds recorded declines with the rising 10yr UST yields and stronger dollar.

GCC bonds lacked appetite, in line with EM bond sentiment. High-quality sovereigns of Qatar and Saudi Arabia led the losses last week, while Bahrain and Kuwait outperformed. Similarly, CDS spreads widened in better-rated sovereigns but tightened in Bahrain and Oman. In the USD sovereign market, bond yields edged higher across the GCC with Abu Dhabi and Qatar recording the largest jump in yields.

Dubai's non-oil sector remained strong in March on the back of strong demand. **The latest Dubai PMI increased from 54.1 to 55.5 in March**, the strongest performance since June 2019. The UAE's GDP beat estimates in 2021 and recorded the highest growth rate in the region. **The UAE's GDP grew by 3.8% in 2021, beatings estimates of 2.1%.**

In bond issuances, **Dar Alarkan redeemed Islamic Sukuk worth USD500mn at USD1,000 per share. Dubai Aerospace Enterprise Ltd (DAE) successfully signed an USD1bn senior unsecured revolving credit facility.**

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	1,125.1	-1.4	-11.2	Saudi	2.28	-20.22	137.38
EM LatAm TR	975.0	-1.9	-8.0	UAE	1.10	5.8	73.1
EM EMEA TR	336.8	-1.2	-16.2	Kuwait	1.69	0.0	18.75
EM Asia TR	602.2	-1.2	-8.5	Bahrain	1.91	0.0	39.7
Bahrain TR	177.5	-0.8	-0.9	Oman	1.91	-8.00	-22.64
Oman TR	135.8	-1.0	-1.2	Qatar	1.15	-	2.5
Kuwait TR	143.8	-0.4	-4.4	US	1.02	3.50	80.71
Qatar TR	136.4	-1.7	-8.1	12M interbank			
Saudi Arabia TR	139.6	-1.7	-8.5	Saudi	2.83	7.5	176.6
UAE TR	137.6	-1.2	-7.0	UAE	2.30	5.11	155.58
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.19	0.0	18.8
Saudi Arabia	53.6	1.4	1.8	Bahrain	2.87	5.34	110.00
Abu Dhabi	53.9	2.6	2.7	Oman	2.93	3.4	-8.2
Dubai	104.0	-0.3	0.4	Qatar	1.35	-	2.50
Kuwait	60.0	2.0	2.0	10Y yield			
Bahrain	305.41	-1.9	-3.8	Saudi Arabia	3.48	21.5	99.7
Oman	238.8	-3.6	-4.8	Abu Dhabi	3.13	23.90	111.90
Qatar	52.8	1.3	2.8	Dubai	3.35	16.4	80.2
Egypt	606.5	54.3	83.3	Kuwait	3.00	13.70	135.70
Turkey	601.5	8.2	34.2	Bahrain	6.10	18.6	25.9
US	17.2	-1.8	-1.8	Oman	5.33	10.60	36.40
Germany	16.0	0.5	-0.5	Qatar	3.27	23.6	116.7

Note: *Dewa rating used as proxy, data from 6th April 2022 to 12th April 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Dar Alarkan redeems USD500mn worth of Sukuk

Dar Alarkan Real Estate Development Company redeemed its USD500mn Islamic Sukuk, issued on 5 April 2017 at USD1,000 per share. The financial implications of the transaction will be seen in the results of Q2 2022. The company registered strong growth of 605.26% year-on-year in adjusted net profits.

(Source: Zawya)

Dubai's non-oil sector experienced sharp rise in new orders as PMI posts 33-month high in March

The non-oil sector in Dubai continued to grow in March as demand picked up as a result of increased business inflows. Dubai's Purchasing Managers' Index grew to 55.5 in March from 54.1, for the second consecutive month, reflecting growth in output, new orders, employment, and suppliers' delivery times. The non-oil PMI outperformed its previous post-lockdown high, recording the strongest performance since June 2019. Firms were able to increase inventory levels for the first time in four months, on the back of boost in supplier performance. Confidence in future activity rose to its highest level since December despite an increase in energy and raw material prices. Strong PMI closed the quarter on a positive note after relaxed pandemic measures and Expo 2020 contributed to increased economic activity and tourism demand.

(Source: Zawya)

UAE's GDP grew faster than expected, posting the highest rate in the region

UAE's Gross Domestic Product (GDP) for 2021 broke international economic expectations and recorded the highest growth rate in the region. According to the Federal Competitiveness and Statistics Centre, the UAE's GDP at constant prices grew by 3.8% in 2021, beating the estimates and expectations of international institutions, who predicted a 2.1% increase. Sheikh Mohammed affirmed that improvement of local economic procedures and legislation has strengthened the UAE's position as a favourable environment that continuously attracts investments.

(Source: Zawya)

DAE signs USD1bn senior unsecured revolving credit facility

Dubai Aerospace Enterprise Ltd (DAE) successfully signed an USD1bn senior unsecured revolving credit facility. The facility would primarily be utilised to consolidate and refinance DAE's existing syndicated financing facilities, with the balance proceeds for general corporate purposes and working capital requirements. The deal represents DAE's debut Secured Overnight Financing Rate (SOFR) linked syndicated transaction and incorporates a four-year tenor, with an extension option. This facility will enable DAE to continue to optimise liquidity planning and grow the business.

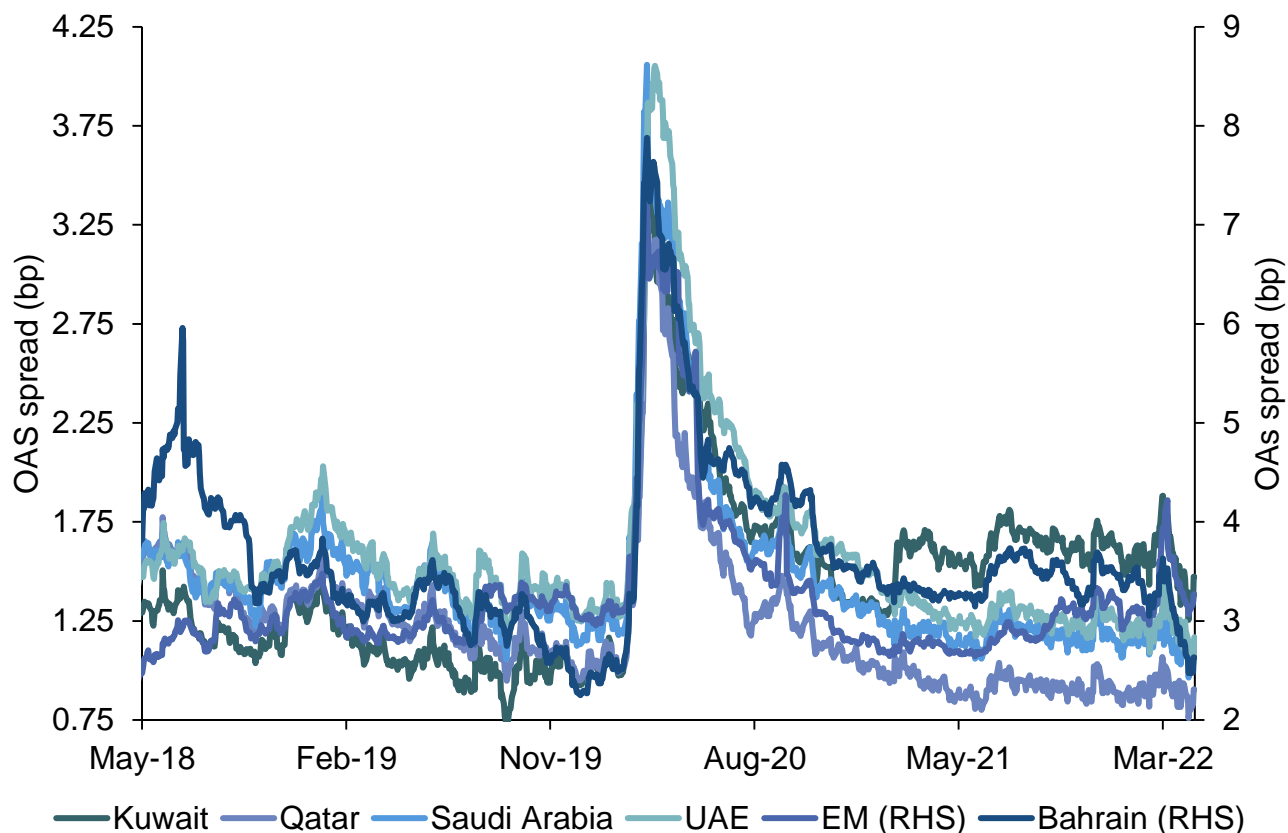
(Source: Khaleejtimes)

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

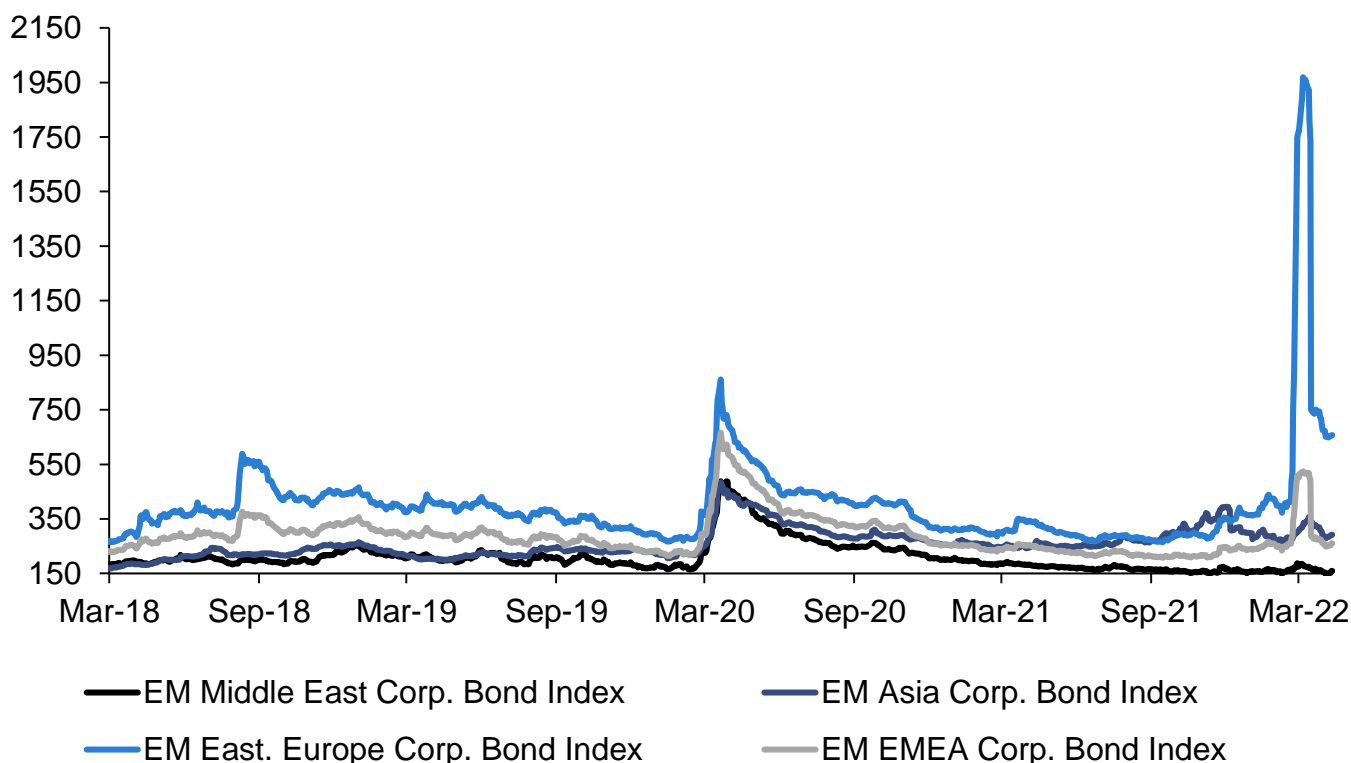
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



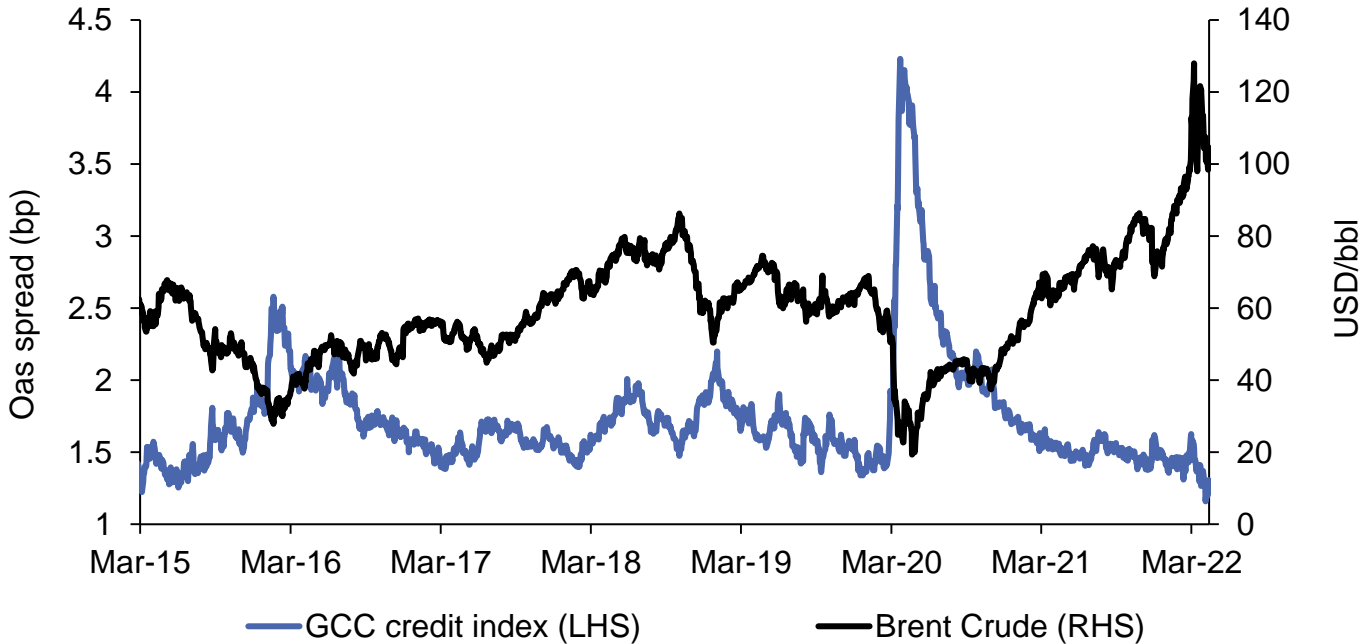
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

Emerging markets versus Middle East spread



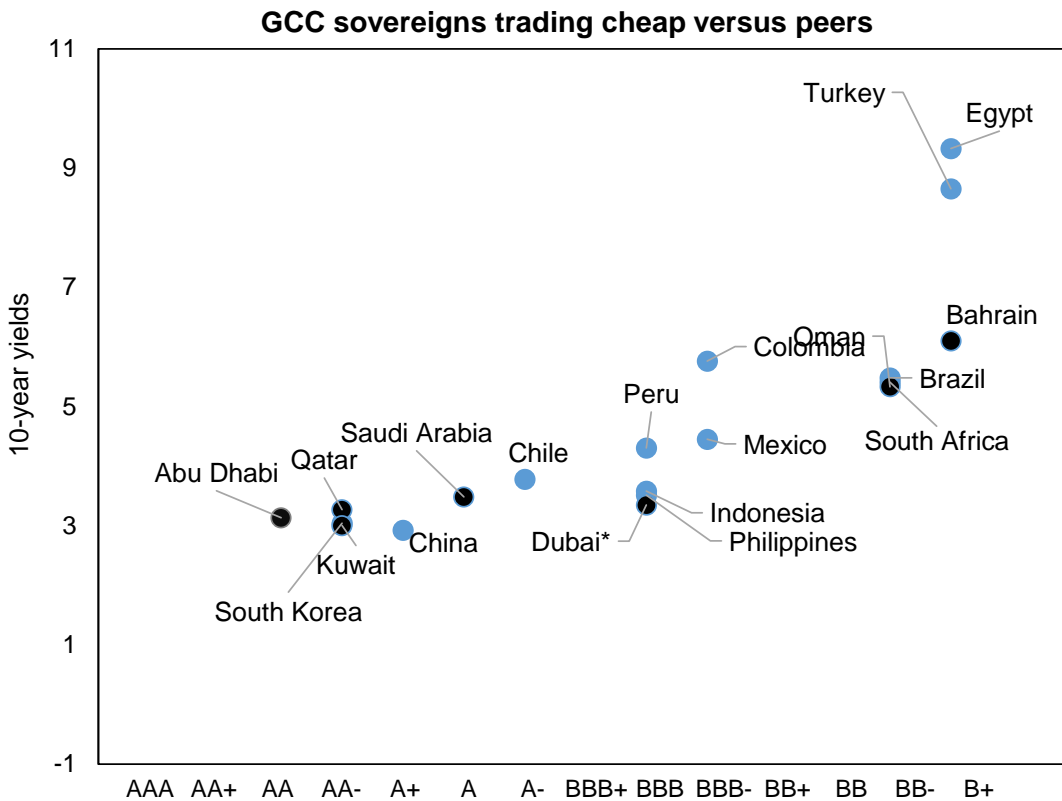
Source: Credit Suisse Corporate Bond Indices, ADCB

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

10yr yield versus Credit ratings (EM vs GCC)

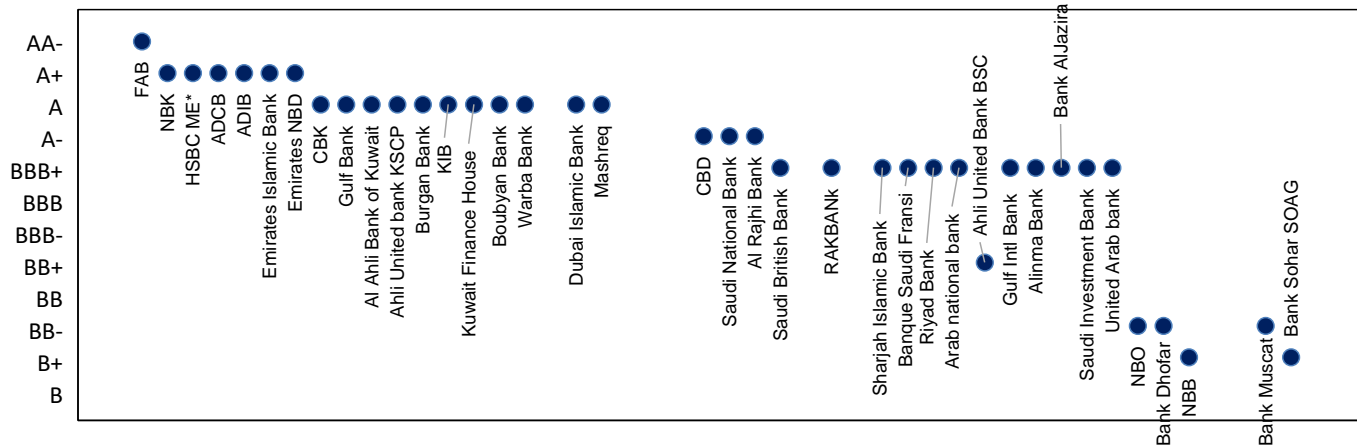


Bloomberg, ADCB, *Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

Source:

GCC Financials Credit Rating

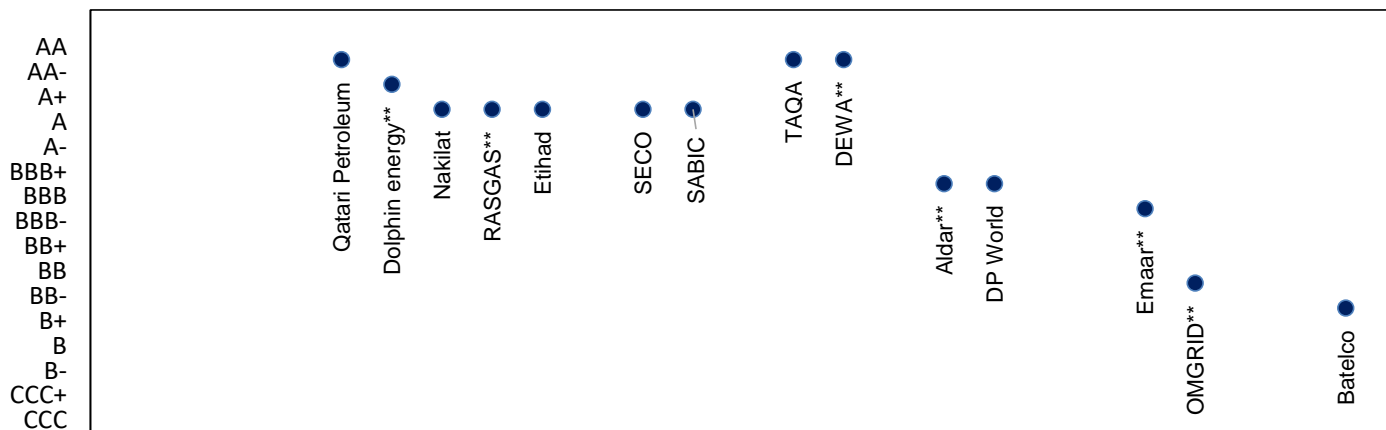
GCC Financials



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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