

## GCC Fixed Income Weekly Review

Global bond markets posted another week of losses, driven by jump in long-term bond yields. Global Treasuries led the losses with long-term UST yields inching closer to 3% level. Market expectation of a higher Fed terminal rate drove the long-term UST yield higher. The 10-2yr yield curve steepened, reversing its flattening trend. Corporate credit recorded heavy losses, led by US IG bonds. Core Eurozone bond yields rose over the week. UK and peripheral Eurozone bond yields broadly moved in line with core markets. EM bonds remained under selling pressure with rising UST yields and strong dollar weighing on the sentiment.

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

**The IMF made upward revisions to the economic growth outlook for the UAE for 2022** and warned that global growth will slow this year due to the Russian invasion of Ukraine. According to the latest IMF projections, the UAE's economy grew 2.3% in 2021, and is now forecasted to grow by 4.2% in 2022, up from 3.5% in its previous forecast. Meanwhile, according to the Federal Competitiveness and Statistics Centre, **UAE's GDP contribution from the non-oil sector grew to 72.3% in 2021 from 71.3% in 2020.**

In bond issuances, **the Islamic Development Bank is planning a sale of 5yr fixed rate sukuk with likely issuance target of USD500mn.** Elsewhere, **Saudi Electricity Company has redeemed Sukuk worth USD1.2bn.**

### Prerana Seth

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

### Mohammed Al Hemeiri

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

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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			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1,116.5	-0.9	-11.9	Saudi	2.41	9.22	150.88
EM LatAm TR	964.8	-1.2	-9.0	UAE	1.12	6.5	75.3
EM EMEA TR	334.7	-0.7	-16.7	Kuwait	1.69	0.0	18.75
EM Asia TR	598.3	-0.8	-9.1	Bahrain	1.93	1.3	41.0
Bahrain TR	176.7	-0.5	-1.3	Oman	1.89	-8.60	-24.04
Oman TR	134.8	-0.6	-1.9	Qatar	1.15	-	2.5
Kuwait TR	143.5	-0.2	-4.6	US	1.06	1.84	84.83
Qatar TR	135.1	-0.9	-9.0	12M interbank			
Saudi Arabia TR	138.6	-0.8	-9.2	Saudi	2.83	3.4	176.9
UAE TR	136.7	-0.7	-7.5	UAE	2.34	3.86	160.28
5Y Sov. CDS				Kuwait	2.19	0.0	18.8
	Latest (bp)	-1w (bp)	YTD (bp)	Bahrain	2.88	0.00	111.66
Saudi Arabia	54.8	1.2	1.2	Oman	2.87	-2.4	-14.0
Abu Dhabi	51.6	1.6	1.6	Qatar	1.35	-	2.50
Dubai	103.4	-1.2	-1.2	10Y yield			
Kuwait	60.0	-	-	Saudi Arabia	3.54	7.4	105.4
Bahrain	305.96	1.0	1.0	Abu Dhabi	3.24	12.30	123.10
Oman	236.4	-3.5	-3.5	Dubai	3.43	10.1	88.3
Qatar	54.0	0.9	0.9	Kuwait	3.07	7.60	142.30
Egypt	614.2	17.8	17.8	Bahrain	6.25	19.4	40.8
Turkey	598.7	18.6	18.6	Oman	5.54	3.20	56.90
US	18.0	-	-	Qatar	3.38	12.3	128.1
Germany	16.1	-	0.4				

Note: \*Dewa rating used as proxy, data from 13<sup>th</sup> April 2022 to 19<sup>th</sup> April 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

## The IMF upgraded its UAE growth forecast, but warns of a setback to global recovery

The IMF made upward revisions to the economic growth outlook for the UAE for 2022 and warned that global growth will slow this year due to the Russian invasion of Ukraine. According to the latest IMF projections, the UAE's economy grew 2.3% in 2021, and is now forecasted to grow by 4.2% in 2022, up from 3.5% in its previous forecast. The central bank of the UAE expects the country to grow by 3.8% in 2023. Globally, the IMF downgraded the growth outlook, saying that growth will slow from 6.1% in 2021 to 3.6% in 2022 and 2023.

(Source: Zawya)

## Saudi Electricity redeems USD1.25bn of Sukuk

Saudi Electricity Company has redeemed the second tranche of its international Islamic bond (sukuk) worth USD1.2bn, which was listed on the London Stock Exchange. Approximately 6,250 sukuk have been redeemed, according to SEC's filing to Saudi bourse Tadawul, which announced that the par value at redemption will reach USD200,000.

(Source: Zawya)

## The Islamic Development Bank planning to issue 5-year dollar sukuks

Islamic Development Bank hired banks to arrange a sale of sukuk, or Islamic bonds, denominated in US dollar. The prospective fixed-rate sukuk will be of five year maturity if market conditions are favourable. The issuance is likely to be of benchmark size, which is at least USD500mn.

(Source: Reuters)

## UAE's non-oil contributions to GDP increased to 72.3% in 2021

UAE's GDP contribution from the non-oil sector increased to 72.3% in 2021 from 71.3% in 2020, according to the Federal Competitiveness and Statistics Centre. The hotels and restaurants contributed 21.3%, Wholesale and retail contributed 14.1%, Health and social services sector contributed 13.8%. In addition, the UAE's GDP at constant prices increased by 3.8% in 2021, exceeding the predictions of relevant international institutions who expected the country's GDP to increase by 2.1%.

(Source: Zawya)

## Bahrain's economy grows faster than expected

Bahrain's Ministry of Finance and National Economy indicated that the country grew faster than expected in the first quarter of this year after a strong close to 2021. The Ministry released a summary of the performance of key indicators for Q1 22. The ministry said that the latest numbers are better than pre-pandemic benchmarks for Q1 to Q2 of 2019. The non-oil sector saw growth of 4.2%, while the oil sector saw an increase of 4.7%. Moreover, the report revealed that the hotel and restaurant industry topped non-oil sectors in terms of growth at fixed prices, with a 31.7% increase. Fitch ratings had affirmed Bahrain's long-term foreign-currency issuer default rating (IDR) at 'B+' with a stable outlook last month.

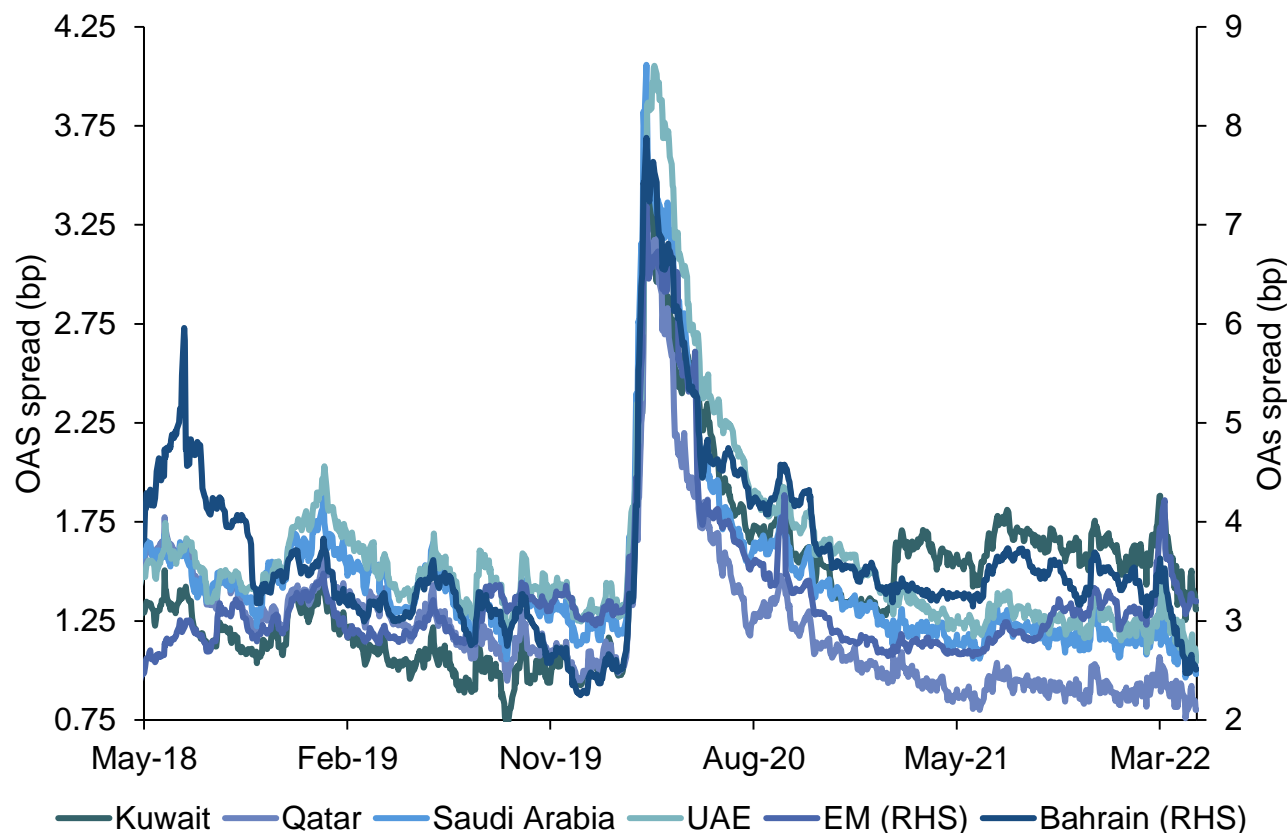
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
Fab Sukuk Co Ltd	FABUH	Agency	AE	500	2.591	3/2/2027	AT MATURITY	USD	3/2/2022	AA-	2.62	-
QIB Sukuk Ltd	QIBKQD	Financial Institutions	QA	250	2.525	3/3/2025	AT MATURITY	USD	3/4/2022	A-	2.60	-
MDGH GMTN RSC Ltd	MUBAUH	Agency	AE	1000	3.375	3/28/2032	CALLABLE	USD	3/28/2022	AA	3.50	3.82
MDGH GMTN RSC Ltd	MUBAUH	Agency	AE	500	3	3/28/2027	CALLABLE	USD	3/28/2022	AA	3.24	3.50
Boubyan Sukuk Ltd	BOUSUK	Financial Institutions	KW	500	3.389	3/29/2027	AT MATURITY	USD	3/29/2022	A	3.45	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	500	3.5	3/31/2027	AT MATURITY	USD	3/31/2022	A+	3.78	-
Sharjah Sukuk Program Ltd	SHARSK	Sovereign	AE	750	3.886	4/4/2030	AT MATURITY	USD	4/4/2022	BBB-	4.08	-
First Abu Dhabi Bank PJS	FABUH	Agency	AE	543.85	1.625	4/7/2027	AT MATURITY	EUR	4/7/2022	AA-	1.90	-

\*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

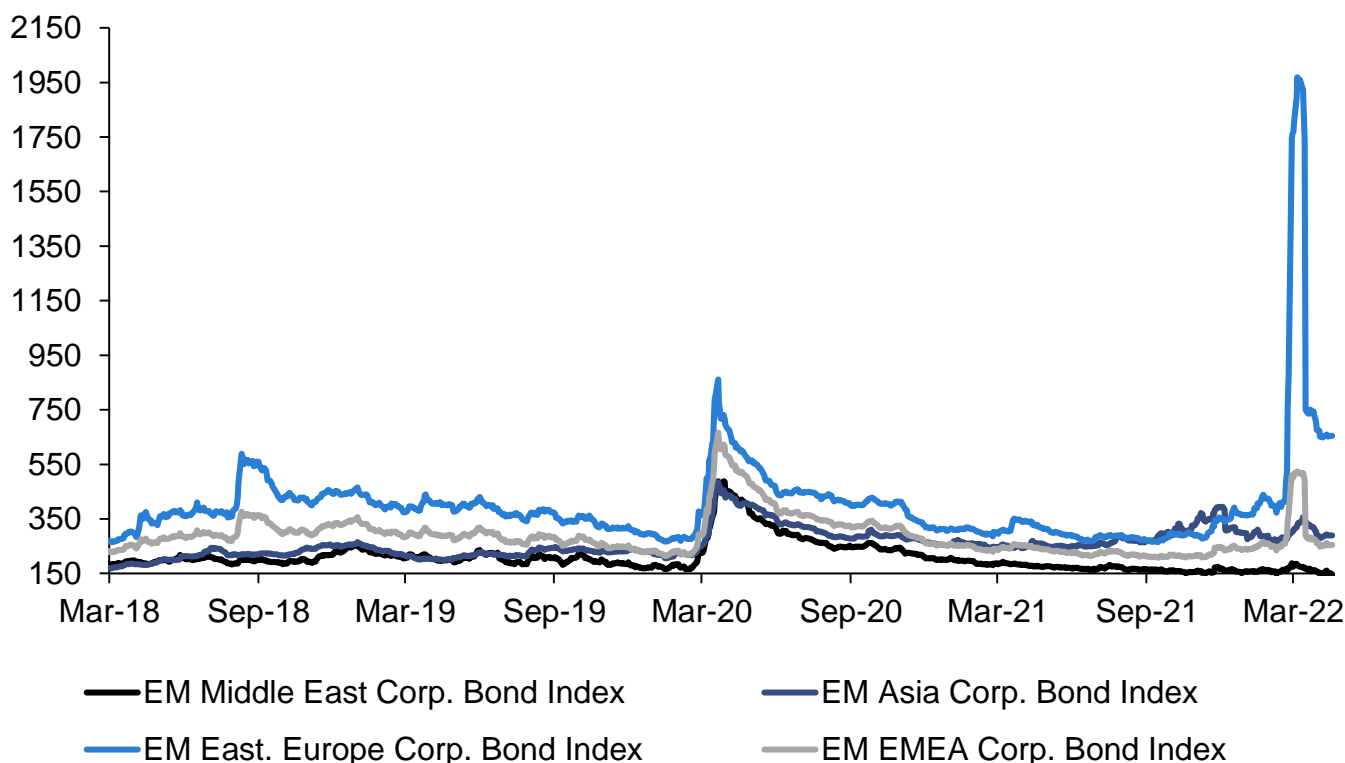
## Appendix

### Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



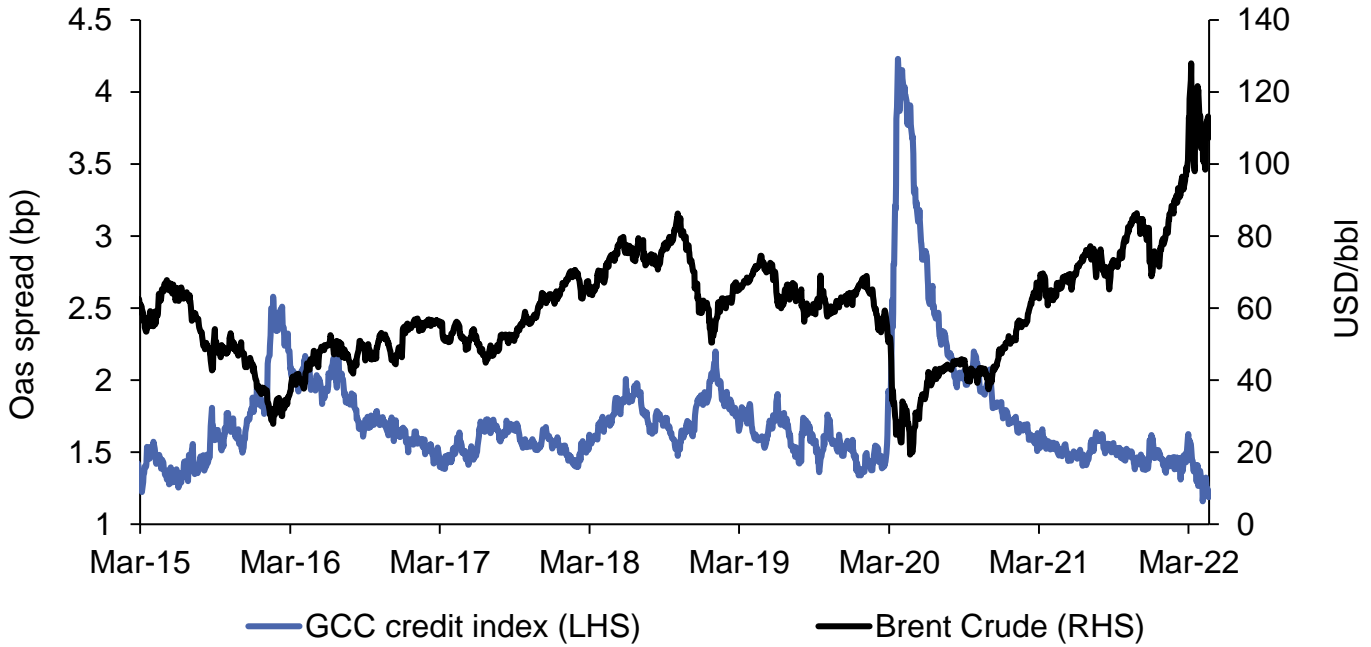
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

### Emerging markets versus Middle East spread



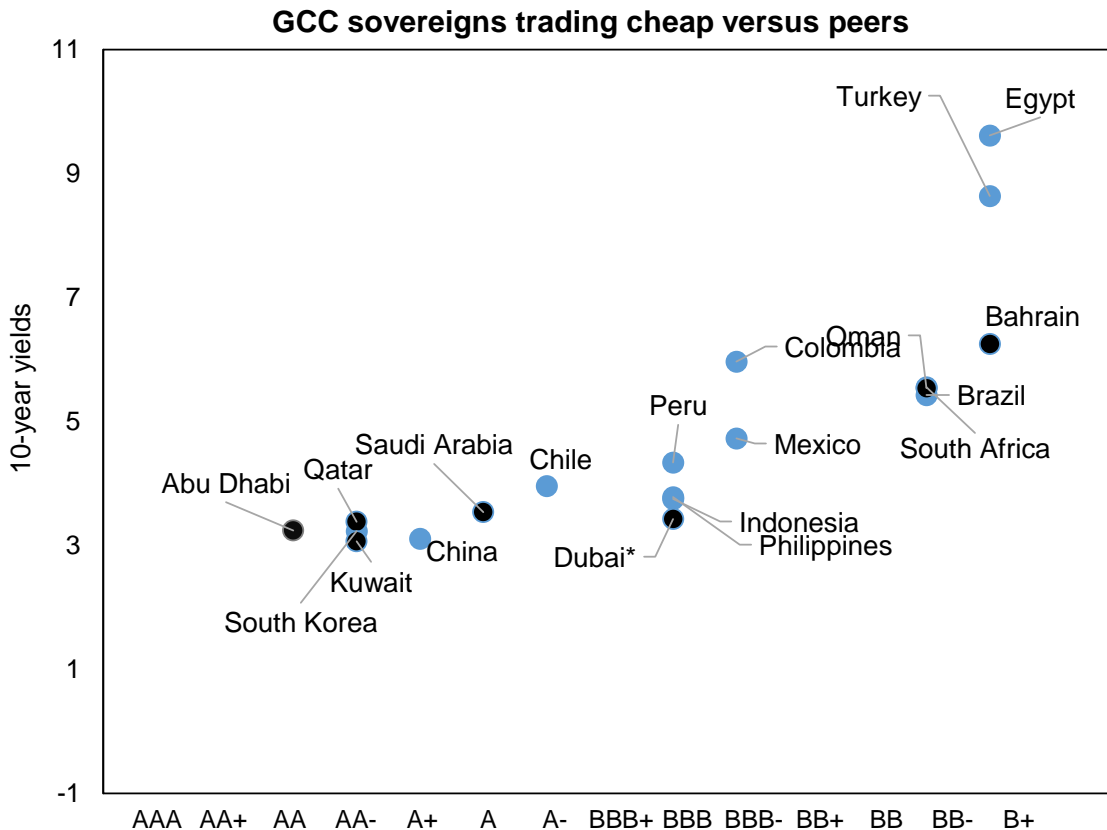
Source: Credit Suisse Corporate Bond Indices, ADCB

## GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

## 10yr yield versus Credit ratings (EM vs GCC)

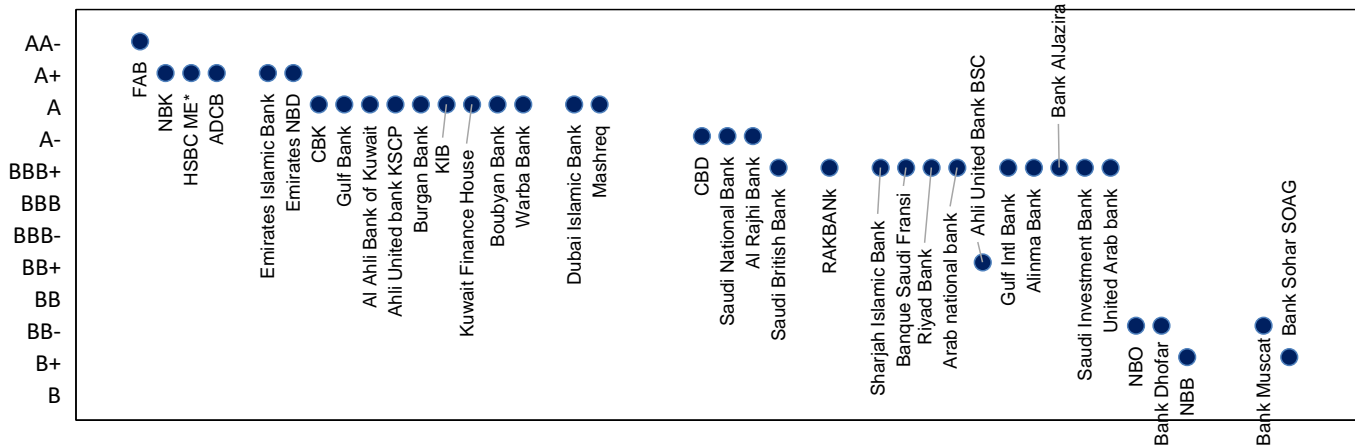


Bloomberg, ADCB, \*Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

Source:

## GCC Financials Credit Rating

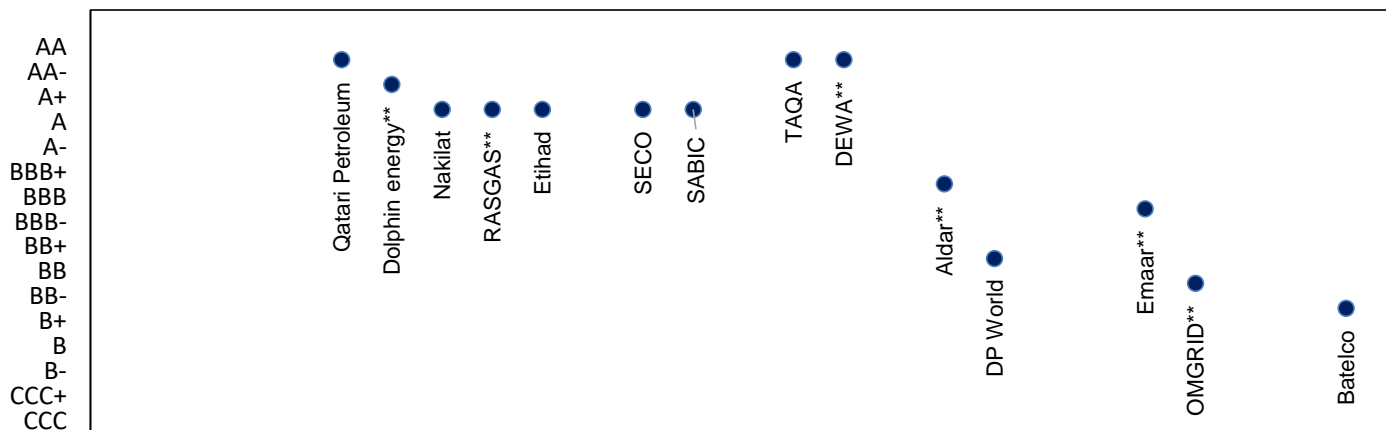
GCC Financials



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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