

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 2nd August 2023). 10Y UST Yields rose after strong GDP report. Eurozone government bond yields rose over the week. Corporate credit recorded losses, with Global IG underperforming the most. EM USD bonds had a negative week, recording losses over the week, led by EM LatAM.

Demand for GCC bonds was mostly subdued. All GCC bond markets recorded losses with the exception of Kuwait and Bahrain. 5yr CDS sovereign spreads tightened in all GCC countries barring Kuwait, as oil prices recorded strong gains. In the USD sovereign market, the 10yr USD bond yields rose across all the GCC markets, led by Abu Dhabi and Qatar.

Central banks in the GCC followed the Federal Reserve's decision to raise benchmark overnight interest rate by 25bp. The Central Bank of the United Arab Emirates (CBUAE) raised its base rate on overnight deposits by 25bp from 5.15% to 5.40%. Meanwhile, the Saudi Central Bank (SAMA) raised its repo and reverse repo rates by 25bp to 6% and 5.50% respectively. Bahrain's central bank also implemented a 25bp raise in its key interest rates. In Qatar, the central bank increased its lending rate by 25bp from 6% to 6.25%. Additionally, the bank increased its deposit rates by 25bp to 5.75%. The Central Bank of Kuwait (CBK) decided to raise the discount rate by 25bp from 4% to 4.25%. The Central Bank of Oman (CBO) increased its repo rate for local banks by 25bp to 6.00%. Separately, Saudi Arabia's economy experienced a downturn in Q2 2023, primarily due to a 4.2% decline in the oil sector's activities caused by reduced production and lower prices.

It was a quiet week in terms of issuance activity.

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba2	Aa3	B3
Fitch	A+	AA	-	AA-	B+	BB	AA-	B

Note: *Dewa rating used as proxy

GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1116.9	-0.11	4.0	Saudi	6.0	-0.13	64.6
EM LatAm TR	969.8	-0.20	5.3	UAE	5.4	2.76	108.8
EM EMEA TR	335.2	-0.05	3.8	Kuwait	4.3	6.25	25.0
EM Asia TR	595.0	-0.09	3.0	Bahrain	6.6	1.52	49.9
Bahrain TR	184.3	0.07	4.4	Oman	5.9	10.15	119.7
Oman TR	142.6	-0.14	5.1	Qatar	6.0	0.00	75.0
Kuwait TR	143.4	0.10	2.5	US	5.6	-0.03	87.3
Qatar TR	131.1	-0.46	1.7	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	134.3	-0.59	1.1	Saudi	6.0	6.43	17.9
UAE TR	134.6	-0.29	2.1	UAE	5.6	-4.59	46.0
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.8	12.50	18.8
Saudi Arabia	54.4	-1.50	-12.0	Bahrain	6.8	-0.94	25.3
Abu Dhabi	35.6	-1.10	-12.0	Oman	6.0	9.10	110.9
Dubai	76.6	-2.60	-17.5	Qatar	6.3	0.00	50.0
Kuwait	48.1	0.30	-12.6	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	234.6	-10.10	-25.4	Saudi Arabia ^{^^}	4.9	5.30	11.5
Oman	124.0	-14.60	-67.0	Abu Dhabi	4.5	13.00	24.1
Qatar	35.9	-1.00	-14.0	Dubai	4.6	9.20	16.0
Egypt	1415.8	21.20	511.5	Kuwait	4.6	5.10	76.7
Turkey	398.1	-10.90	-119.8	Bahrain	6.6	2.00	-25.3
US	35.8	1.10	8.7	Oman	5.8	8.50	-26.6
Germany	15.5	-0.40	-5.2	Qatar	4.5	10.90	26.6

data from 26th July 2023 to 1st August 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

^{^^} YTD data from 13th January 2023

Mohammed Al Hemeiri
Analyst
Tel: +971 (0)2 696 2236
mohammed.alhemeiri@adcb.com

Prerana Seth
Fixed Income Strategist
Tel: +971 (0)2 696 2878
prerana.seth@adcb.com

Ahmed Al Falahi
Analyst
Tel: +971 (0)2 497 3934
ahmed.a5@adcb.com

Kishore Muktinutalapati
Head - Investment Strategy
Tel: +971 (0)2 696 2358
kishore.muktinutalapati@adcb.com

Visit [Investment Strategy Webpage](#) to read our other reports

Saudi economy slowed in Q2 of 2023

Saudi Arabia's economy experienced a downturn in Q2 2023 compared to the previous quarter, primarily due to a 4.2% decline in the oil sector's activities caused by reduced production and lower prices. According to the General Authority for Statistics, the GDP showed a y-o-y growth of 1.1% in Q2 2023, which was lower than the 3.8% growth recorded in the previous quarter. On a q-o-q basis, the economy fell by 0.1%, as oil sector's activities fell by 1.4%. However, the non-oil sector demonstrated strong growth in Q2 2023, expanding by 5.5%, and government services activities also grew by 2.7% on a y-o-y basis.

(Source: Zawya)

GCC central banks followed the Fed decision and raised interest rates by 25bp

Following the US Fed's decision to raise benchmark overnight interest rate by 25bp, **central banks in the GCC** also raised their interest rates. Since most GCC central banks peg their currencies to the US dollar, they closely monitor the Fed's policy rate moves. **The Central Bank of the United Arab Emirates (CBUAE)** raised its base rate on overnight deposits by 25bp from 5.15% to 5.40%. Additionally, the CBUAE opted to maintain the rate for borrowing short-term liquidity from the CBUAE through standing credit facilities at 50bp above the Base Rate. Meanwhile, the **Saudi Central Bank, (SAMA)**, raised its repo and reverse repo rates by 25bp to 6% and 5.50% respectively. **Bahrain's central bank** also implemented a 25bp raise in its key interest rates. The one-week deposit facility rate was increased from 6% to 6.25%, while the overnight deposit rate was adjusted from 5.75% to 6%. However, the bank kept the four-week deposit rate unchanged at 6.75%, as well as the lending rates at 7%. **In Qatar, the central bank** increased its lending rate by 25bp from 6% to 6.25%. Additionally, the bank increased its deposit rates by 25bp to 5.75%. The monetary authority also raised the repo rate by 25bp to 6%. **The Central Bank of Kuwait (CBK)** decided to raise the discount rate by 25bp from 4% to 4.25%. Notably, this is the first time in months that the CBK has synchronized its interest rate adjustments with the Fed's moves. Furthermore, the **Central Bank of Oman (CBO)** increased its repo rate for local banks by 25bp to 6.00%. The repo rate serves as the policy rate enabling commercial banks to access short-term liquidity from the Central Bank as the lender of last resort.

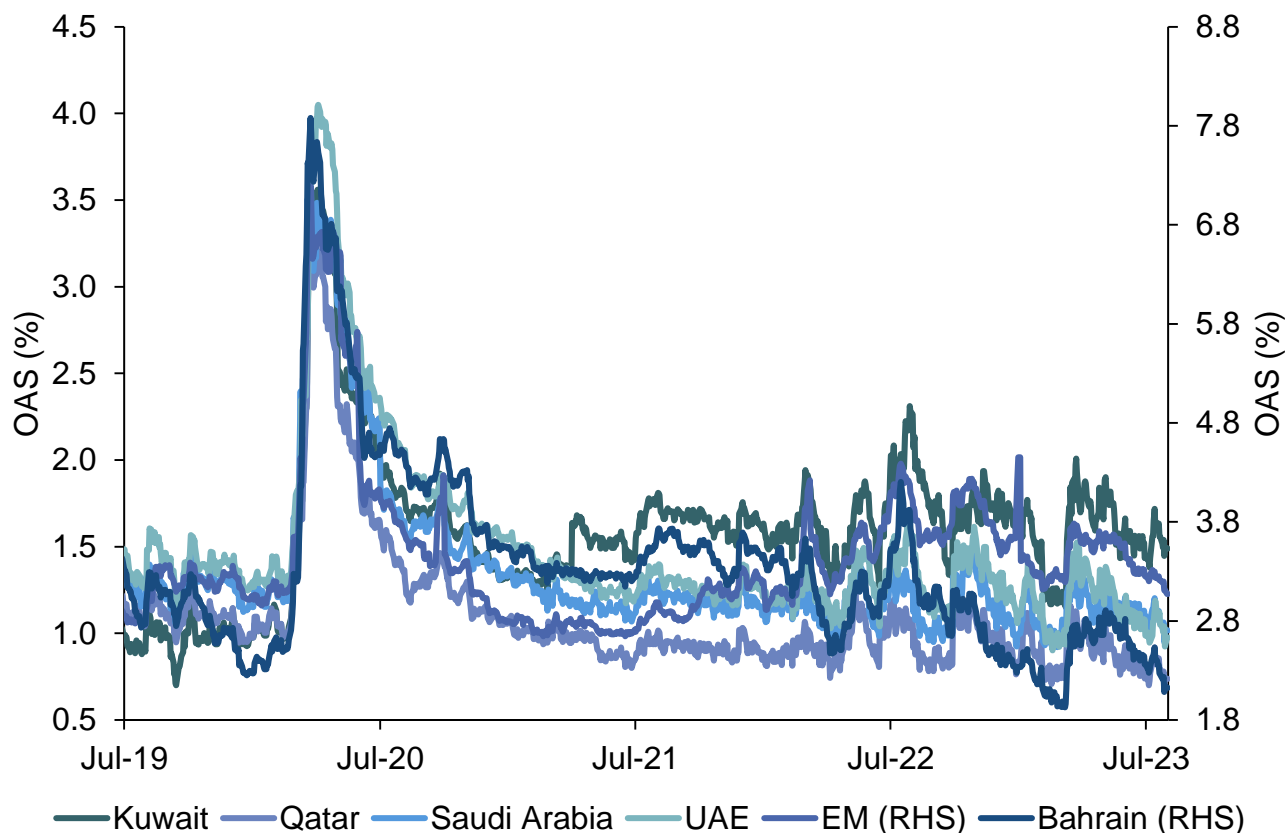
(Source: Zawya)

Issuer	BBG	Sector	Co un try	Issu e Amt*	Cpn	Maturity	Maturity Type	Curr ency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
Aldar Investment Properties Sukuk Ltd	ALDAR	Financial Institutions	AE	500	4.875	5/24/2033	AT MATURITY	USD	5/17/2023	BBB+	5.05	-
NOGAHOLDING SUKUK	OILGAS	Sovereign	BH	750	6.625	5/25/2033	AT MATURITY	USD	5/17/2023	B+	6.51	-
MAJID AL FUTTAIM HOLDING	MAFUAE	Financial Institutions	AE	500	5	6/1/2033	AT MATURITY	USD	5/23/2023	BBB	5.12	-
BANQUE SAUDI FRANSI	BSFRAB	Financial Institutions	SA	900	4.75	5/31/2028	AT MATURITY	USD	5/23/2023	A-	4.83	-
First Abu Dhabi Bank	FABUH	Agency	AE	600	4.774	6/6/2028	AT MATURITY	USD	6/6/2023	AA-	4.80	-
COMMERCIAL BANK OF DUBAI	CBDUH	Agency	AE	500	5.319	6/14/2028	AT MATURITY	USD	6/07/2023		5.29	-
SC Sukuk 1 Ltd	SHUAA	Financial Institutions	AE	100	8.25	6/13/2028	AT MATURITY	USD	6/13/2023		8.25	-
Adib Capital Invest 3 Ltd	ADIBUH	Financial Institutions	AE	750	7.25	-	PERP/CALL	USD	7/18/2023		3.66	6.23
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	500	5.375	7/18/2028	AT MATURITY	USD	7/18/2023	A+	5.26	-
Masdar Abu Dhabi Future Energy Co	MASDAR	Utility	AE	750	4.875	7/25/2033	AT MATURITY	USD	7/25/2023	A+	4.96	-
Almarai Co JSC	ALMARA	Industrial	SA	750	5.233	7/25/2033	AT MATURITY	USD	7/25/2023	BBB-	5.09	-
Dar Al-Arkan Sukuk Co Ltd	DARALA	Financial Institutions	SA	600	8	2/25/2029	AT MATURITY	USD	7/25/2023	B+	8.18	-

*Amount Issued in USD/AEDmillion, 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

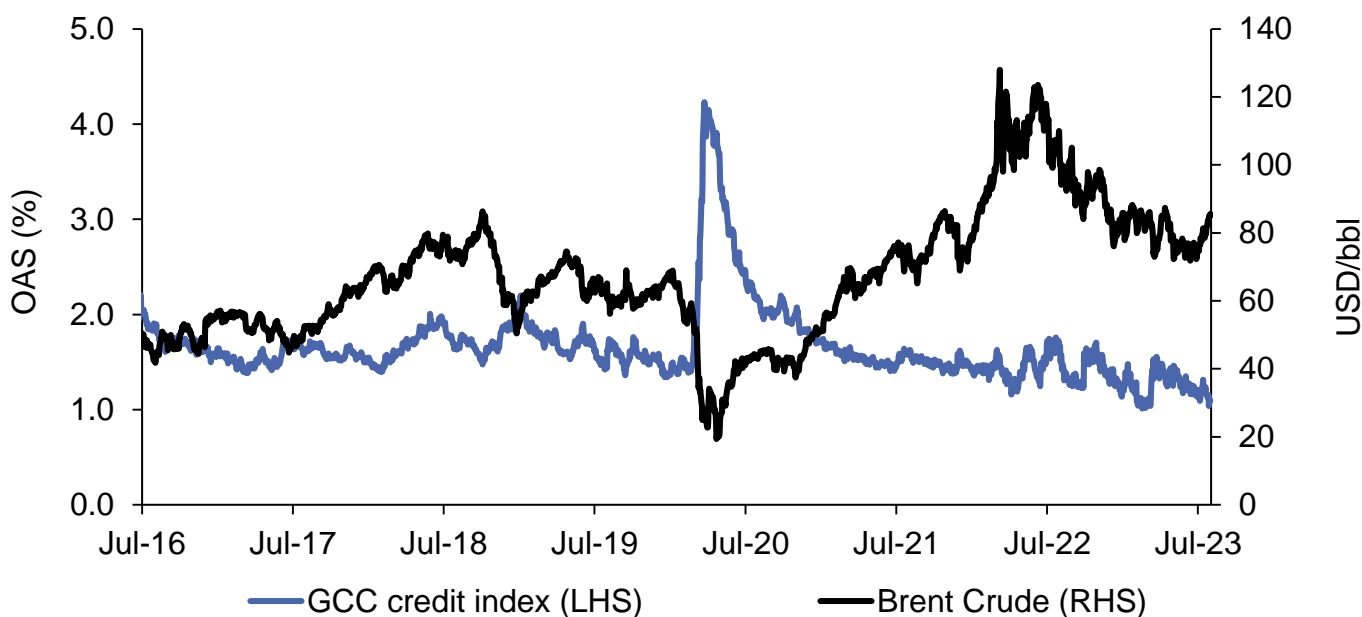
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

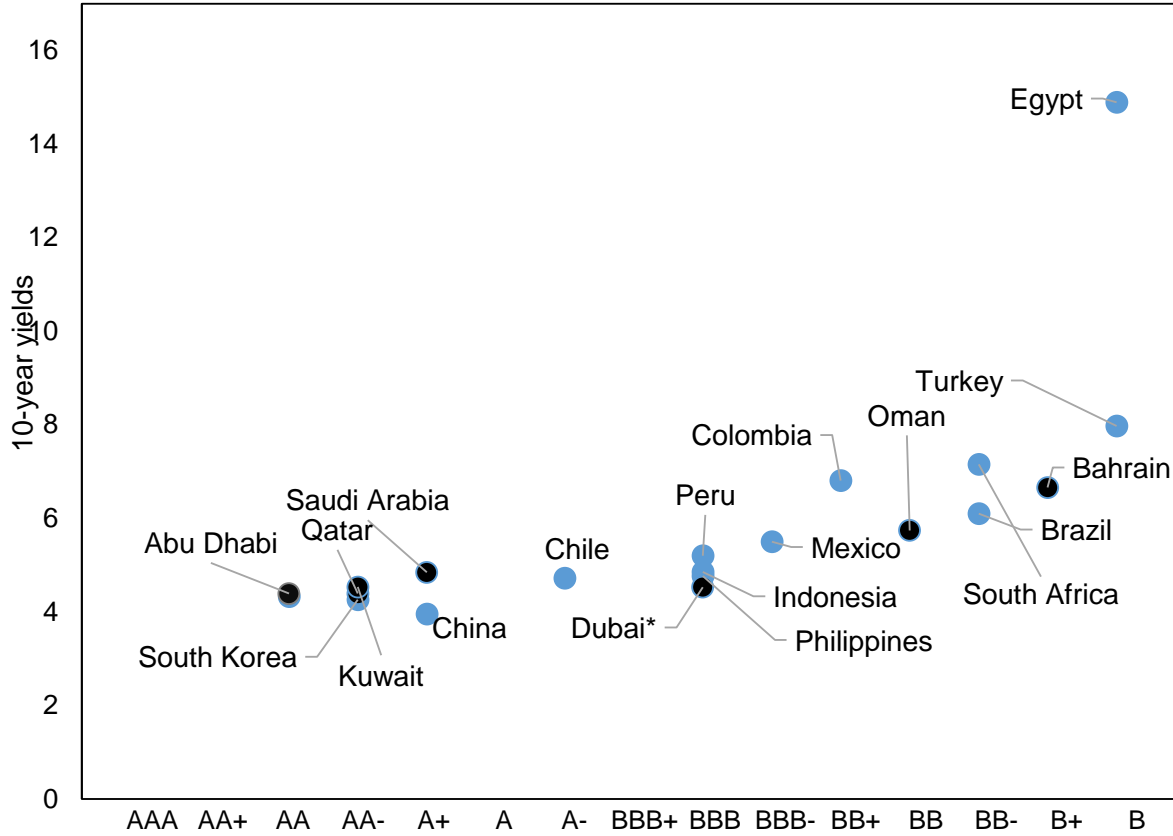
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

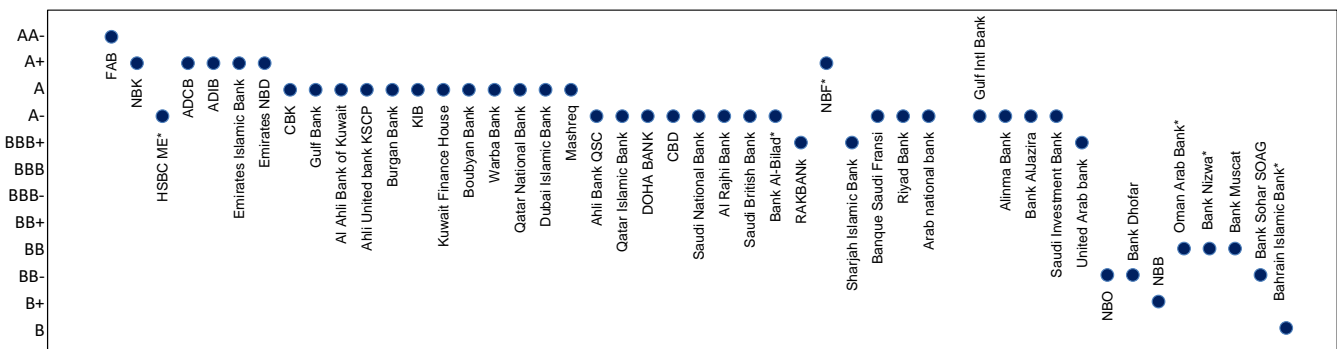
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

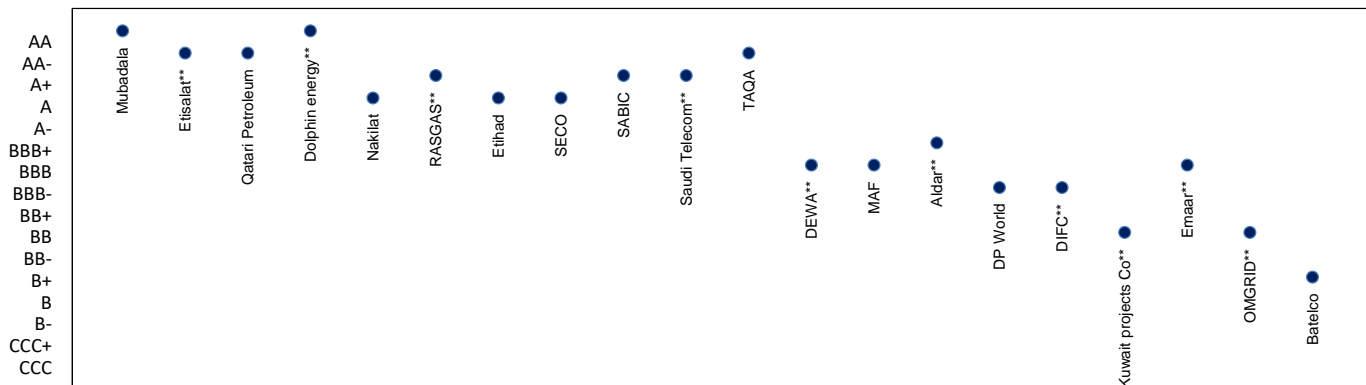
GCC Financials



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

Disclaimer

ADCB Asset Management Limited ("AAML"), is a member of ADCB Group, licensed by Financial Services Regulatory Authority in Abu Dhabi Global Markets under financial services permission number 170036.

This publication is intended for general information purposes only. It should not be construed as an offer, recommendation or solicitation to purchase or dispose of any securities or to enter in any transaction or adopt any hedging, trading or investment strategy. Neither this publication nor anything contained herein shall form the basis of any contract or commitment whatsoever. Distribution of this publication does not oblige ADCB Group to enter into any transaction.

The content of this publication should not be considered as legal, regulatory, credit, tax or accounting advice. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in this publication. Investment products are not available to US persons.

Information and opinions contained herein is are based on various sources, including but not limited to public information, annual reports and statistical data that AAML considers accurate and reliable. However, AAML makes no representation or warranty as to the accuracy or completeness of any statement made in or in connection with this publication and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. This publication is intended for customers who are either retail or professional investors.

Charts, graphs and related data or information provided in this publication are intended to serve for illustrative purposes only. The information contained in this publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. All statements as to future matters are not guaranteed to be accurate. AAML expressly disclaims any obligation to update or revise any forward looking statement to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

ADCB Group does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its publications. As a result, recipients of this publication should be aware that any or all of foregoing services may at time give rise to a conflict of interest that could affect the objectivity of this publication. Opinions expressed herein may differ from opinions expressed by other businesses or affiliates of ADCB Group.

Past performance does not guarantee future results. Investment products are not bank deposits and are not guaranteed by ADCB Group. They are subject to investment risk, including possible of loss of principal amount invested. This publication may not be reproduced or circulated without ADCB Group written authority. The manner of circulation and distribution may be restricted by law or regulation in certain jurisdictions. Persons who come into possession of this document are required to inform themselves of, and to observe such restrictions. Any unauthorized use, duplication, or disclosure of this document is prohibited by law and may result in prosecution.