

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal gains over the week (ending 8th August 2023). 10Y UST Yields declined over the week. Eurozone government bond yields fell over the week. In credit, corporate bonds ended the week on a positive note. Global HY index and EM USD bonds recorded positive gains.

Appetite for GCC bonds improved over the week. All GCC bond indices recorded positive returns except for Qatar and UAE. Bahrain was the best performer. Similarly, 5yr CDS sovereign spreads wended in all GCC countries barring Saudi Arabia. 10yr bond yields declined in Saudi Arabia, Abu Dhabi, Kuwait, and Qatar while rose in Dubai, Oman, and Bahrain.

Saudi Arabia will extend a voluntary oil output cut of 1mn bpd for another month, this reduction is to maintain the stability and balance of the oil market. UAE's non-oil sector growth slipped in July, but remains strong. **The UAE Purchasing Managers' Index declined from 56.9 in June to 56 in July**, but remained in expansionary zone. Dubai's non-oil private sector demand growth experienced a mild reduction. **The Purchasing Managers' Index (PMI) decreased from 56.9 recorded in June to 55.7 in July. Dubai's gross domestic product (GDP) increased 2.8% year-on-year in Q1 23 to reach a total of AED111.3bn**, supported by growth in the transportation and storage sector. Elsewhere, Saudi Arabia's non-oil sector experienced a slowdown in new orders in July. **The Saudi Arabia Purchasing Managers' Index decreased from 59.6 in June to 57.7 in July.** In Qatar, The non-oil sector witnesses a good start in H2 2023. **The Purchasing Managers' Index (PMI) rose slightly from 53.8 in June to 54 in July, indicating another strong improvement in business conditions.** Separately, **Oman witnessed an annual inflation rate of 0.69% in the end of June 2023.**

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			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	1113.1	0.10	3.6	Saudi	6.1	9.66	74.0
EM LatAm TR	964.7	0.00	4.8	UAE	5.4	21.55	105.3
EM EMEA TR	334.1	0.20	3.4	Kuwait	4.3	-6.25	25.0
EM Asia TR	593.8	0.10	2.8	Bahrain	6.7	1.35	51.0
Bahrain TR	184.2	0.23	4.4	Oman	5.9	-	123.0
Oman TR	142.3	0.00	4.9	Qatar	6.1	8.33	83.3
Kuwait TR	143.5	0.11	2.6	US	5.6	-0.20	87.5
Qatar TR	130.5	-0.11	1.2	12M interbank			
Saudi Arabia TR	133.8	0.07	0.8	Saudi	6.0	-0.30	17.0
UAE TR	134.2	-0.06	1.8	UAE	5.6	-1.41	44.7
5Y Sov. CDS				Kuwait	4.8	0.00	18.8
	Latest (bp)	-1w (bp)	YTD (bp)	Bahrain	6.8	-1.87	23.4
Saudi Arabia	51.2	-0.20	-12.2	Oman	6.0	-	111.5
Abu Dhabi	36.9	0.30	-10.7	Qatar	6.3	8.33	58.3
Dubai	82.3	4.80	-11.8	10Y yield			
Kuwait	48.0	-	-12.6	Saudi Arabia ^{^^}	4.9	-4.90	16.2
Bahrain	245.5	7.30	-14.5	Abu Dhabi	4.4	-6.10	23.8
Oman	128.6	1.00	-62.4	Dubai	4.8	11.90	36.6
Qatar	37.3	1.10	-12.6	Kuwait	4.7	-0.90	84.5
Egypt	1437.3	-57.10	533.0	Bahrain	6.8	1.20	-13.6
Turkey	413.8	-0.60	-104.1	Oman	5.9	2.10	-19.0
US	41.0	4.00	13.9	Qatar	4.5	-5.90	25.6
Germany	15.5	-0.20	-5.2				

data from 2nd August 2023 to 8th August 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

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Saudi Arabia extended an oil cut of 1mn bpd

Saudi Arabia has announced its intention to continue the voluntary reduction in oil production by an additional 1mn bpd throughout September. The country indicated that there is a possibility of extending this reduction further or increasing its magnitude. This extra reduction in output is aimed at strengthening the precautionary measures undertaken by OPEC+ countries, all geared towards maintaining the stability and balance of the oil market.

(Source: Zawya)

UAE's non-oil sector growth slipped in July, but remains strong

The growth of the non-oil sector in the UAE showed a slight decline in July, although it maintained its robust performance. Despite a decrease in activity compared to June, the output levels still increased. The UAE Purchasing Managers' Index declined from 56.9 in June to 56 in July, but remained in expansionary zone.

(Source: Zawya)

Dubai's non-oil private sector growth slowed due to softer demand

Dubai's non-oil private sector demand growth experienced a mild reduction, resulting in modest rise in new business activities, despite the expansion of output levels. The Purchasing Managers' Index (PMI) decreased from 56.9 recorded in June to 55.7 in July.

(Source: Zawya)

Saudi Arabia's non-oil sector experienced a slowdown in new orders in July

Non-oil business activity in Saudi Arabia eased during July, following a significant increase in output that had reached multi-year highs the month before. The Saudi Arabia Purchasing Managers' Index experienced a decrease, moving from 59.6 in June to 57.7 in July. This was the lowest since December 2022, although it still stayed above the long-run average. The sub index for New Orders pointed to a notable slowdown in growth, sliding from 69.5 in June to 63.1 in July.

(Source: Reuters)

Qatar's non-energy sector witnesses a good start in H2 2023 – PMI

Qatar's non-energy sector witnessed a good start in H2 of 2023 with output, new orders, employment and purchasing witnessing expansion, according to Qatar Financial Centre (QFC). Qatar's Purchasing Managers' Index (PMI) rose slightly from 53.8 in June to 54 in July, indicating another strong improvement in business conditions.

(Source: Zawya)

The annual inflation rate in Oman reached 0.69%

According to the National Centre for Statistics and Information (NCSI), Oman witnessed an annual inflation rate of 0.69% in June 2023. This rise in inflation was primarily influenced by upward movements in the majority of the key categories constituting the consumer price index.

(Source: Zawya)

Dubai's economy grew by 2.8% to USD30.3bn

Dubai's gross domestic product (GDP) increased 2.8% year-on-year in Q1 23 to reaching a total of AED111.3bn, supported by growth in the transportation and storage sector. Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, the Crown Prince of Dubai, highlighted that the sustained robust growth in Q1 underscores Dubai's enduring foundational strengths, its ability to persistently foster new avenues for business and innovation, and its overall resilience and sustainability.

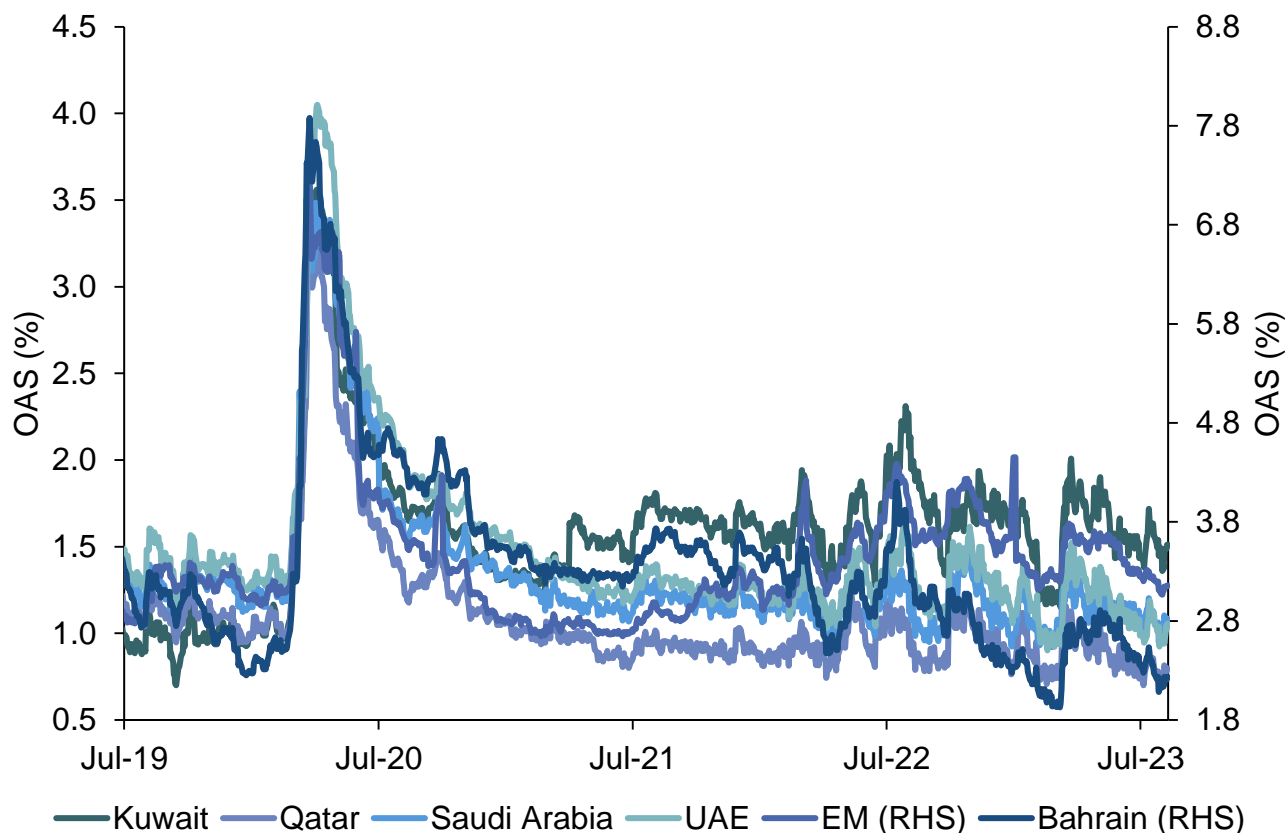
(Source: Zawya)

Issuer	BBG	Sector	Co unt ry	Issue Amt*	Cpn	Maturity	Maturity Type	Curr ency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
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/CAL	USD	7/18/2023		3.66	6.23
Abu Dhabi Commercial Bank P.JSC	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

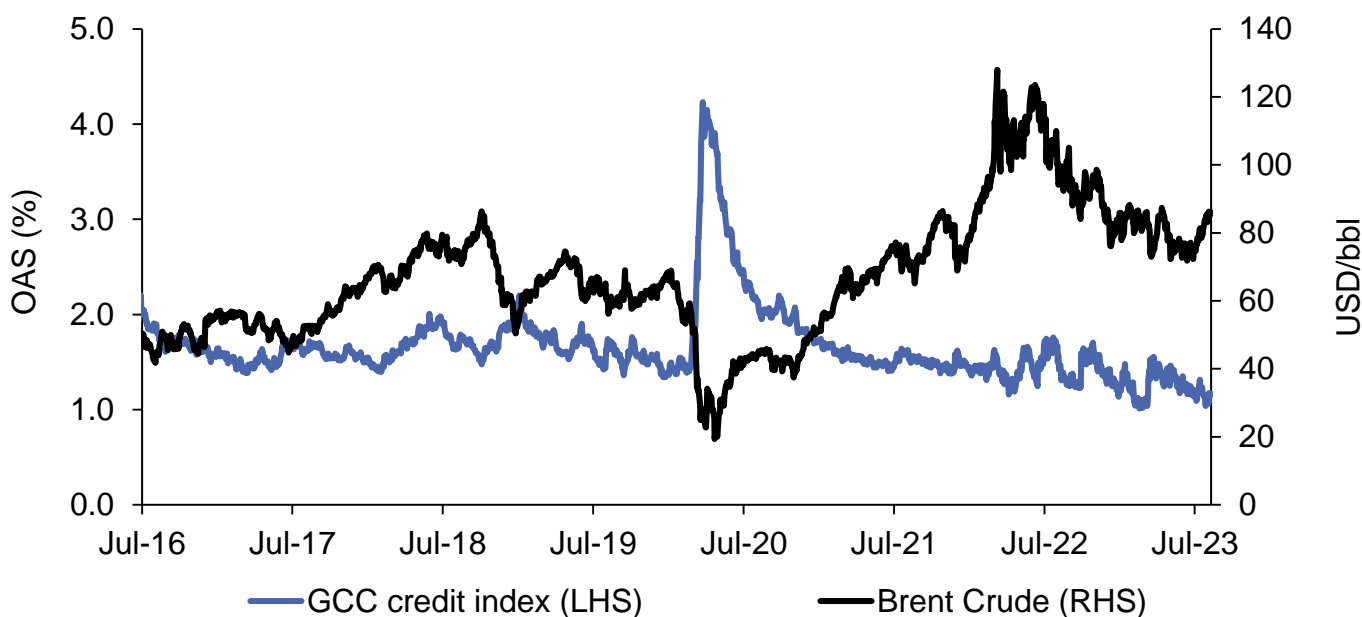
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

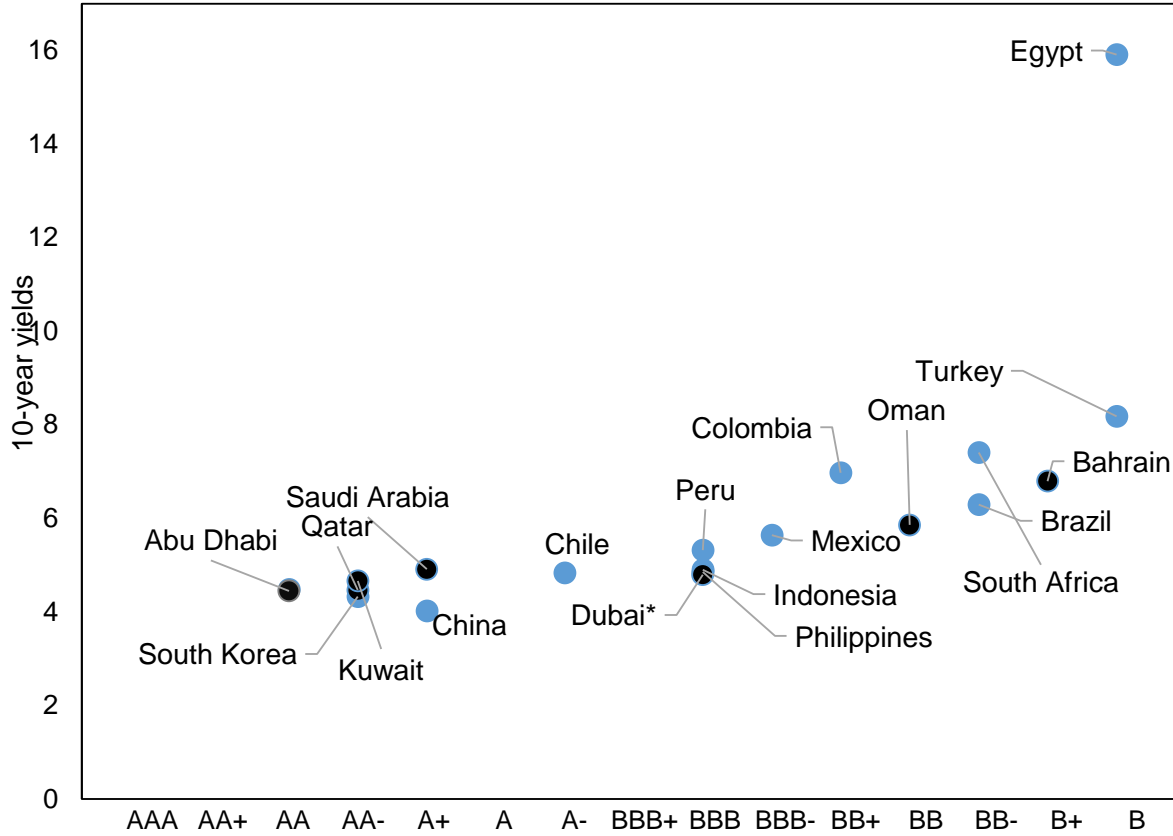
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

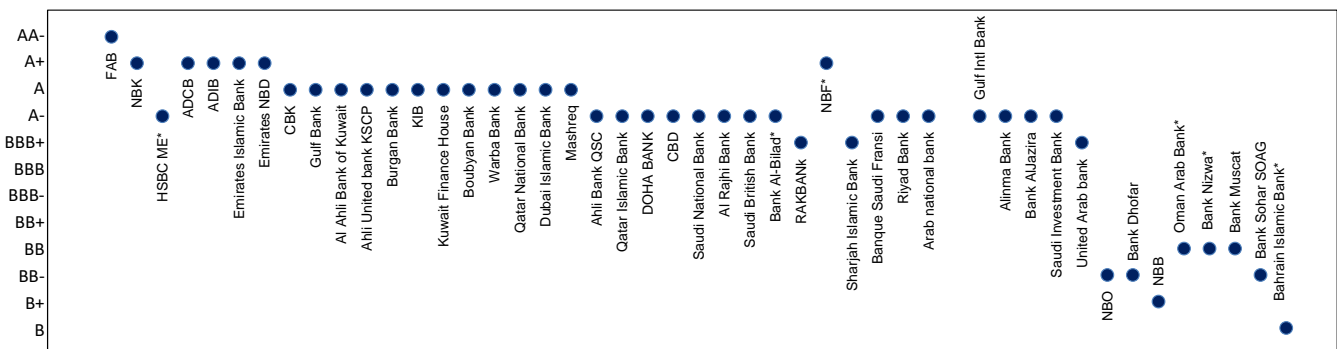
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

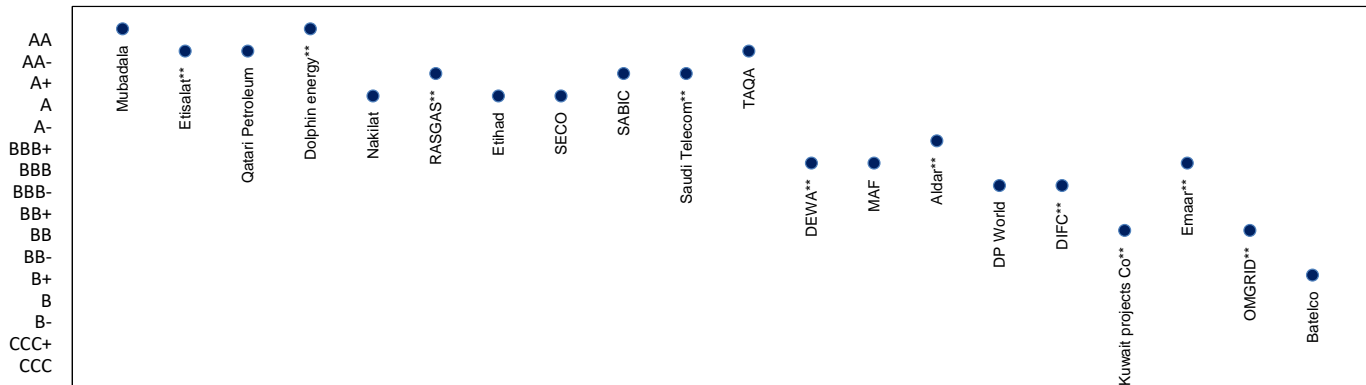
GCC Financials



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

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