

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 9th August 2022). The 10yr UST yields rose as investors weighed the possibility of a more aggressive Fed. The UST yield curve flattened, further deepening into inversion. Eurozone government bond yields jumped, tracking the rise in UST yields. Corporate credit was mixed with Global IG underperforming Global HY. Similarly, EM USD bonds recording marginal gains over the week, led by EMEA bonds.

Appetite for GCC bonds improved over the week. Oman and Bahrain were the best performers. On the other hand, UAE and Qatar were the only two bond markets in the GCC recording negative returns. 5yr CDS spreads mostly tightened across all GCC countries with Oman recording the largest tightening. In the USD sovereign market, bond yields declined in Saudi Arabia, Dubai, Bahrain, and Oman. Oman saw the largest decline in bond yields. On the other hand, yields rose in Abu Dhabi.

Dubai's non-oil activity experienced its fastest growth in three years, with companies optimistic about growth for the next 12 months. **Dubai's PMI rose from 56.1 to 56 in July, its best performance since June 2019. In Saudi Arabia, oil revenues exceeded USD66.bn in Q2 2022,** more than double than non-oil revenues. The country's oil revenue increased by 89% yoy, while non-oil revenue increased by 3% yoy. Elsewhere, **Oman government posted a budget surplus of OMR784mn in Q1 22** with state oil revenues increasing to OMR3.187bn. Oman's public spending rose to OMR5.94bn and the total public debt decreased to OMR2.2bn.

Issuance activity was muted over the week.

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aau2	Baa2	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	1,079.27	0.38	-14.81	Saudi	3.02	-0.02	211.68
EM LatAm TR	920.76	0.23	-13.16	UAE	2.80	10.03	243.96
EM EMEA TR	325.32	1.15	-19.02	Kuwait	2.38	0.00	87.50
EM Asia TR	581.39	-0.25	-11.69	Bahrain	4.10	-4.17	258.33
Bahrain TR	172.86	0.92	-3.46	Oman	3.21	25.00	107.80
Oman TR	135.51	1.71	-1.41	Qatar	2.45	-	132.50
Kuwait TR	141.48	0.19	-5.92	US	2.91	7.93	269.72
Qatar TR	134.70	-0.04	-9.24	12M interbank			
Saudi Arabia TR	138.35	0.17	-9.34	Saudi	3.91	3.70	285.40
UAE TR	135.52	-0.29	-8.33	UAE	3.53	2.18	279.52
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	3.00	6.25	100.00
Saudi Arabia	58.06	-3.60	0.60	Bahrain	5.10	0.83	333.33
Abu Dhabi	55.99	-5.40	12.30	Oman	3.63	19.00	61.60
Dubai	136.54	-9.80	39.20	Qatar	2.75	-	142.50
Kuwait	79.88	0.10	25.90	10Y yield			
Bahrain	327.11	-9.10	61.80	Saudi Arabia	3.59	-0.10	111.00
Oman	286.38	-33.40	25.10	Abu Dhabi	3.21	4.60	120.00
Qatar	56.25	-4.50	12.30	Dubai	4.02	-7.80	147.80
Egypt	1313.35	-84.50	941.80	Kuwait	3.22	2.90	157.00
Turkey	712.17	-55.20	326.50	Bahrain	7.26	-5.70	141.40
US	22.23	-0.30	10.80	Oman	5.65	-23.20	67.70
Germany	17.02	-0.90	6.10	Qatar	3.31	1.30	121.00

Note: *Dewa rating used as proxy, data from 3rd August 2022 to 9th August 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Dubai's non-oil private sector grows at its fastest rate in three years

Dubai's non-oil activity experienced its fastest growth in three years with companies optimistic about growth in the next 12 months. Dubai's PMI rose from 56.1 to 56 in July, its highest performance since June 2019. The output growth received boost from a solid increase in new business and promotional activity. The private sector output for non-energy firms rose for the 20th consecutive month and growth rates have accelerated across all sectors since June. Wholesale and retail, travel and tourism, and construction saw strong growth. Travel and tourism recorded the fastest growth in demand out of all other sectors, with businesses confident about growth over the next 12 months. The sector also saw the biggest increase in employment, which increased across all sectors.

(Source: Zawya)

Saudi Arabia's oil revenue in Q2 22 increased by 89% yoy to USD66.5bn

Oil revenues in Saudi Arabia exceeded SAR250bn (USD66.5bn) in Q2 22, more than double the non-oil revenues. The country's oil revenue increased by 89% yoy in Q2 22, while non-oil revenue increased by 3% yoy. The kingdom's total revenues in Q2 increased by 49% to SAR307bn, rising by 43% to SAR648bn in 1H 22, leading to a budget surplus of SAR77.9bn.

(Source: Zawya)

Oman budget surplus for 1H22 over USD2bn

The government of Oman posted a budget surplus of OMR784mn (USD2.04bn) in Q1 22 with state oil revenues increasing to OMR3.187bn. The Ministry of Finance said in a statement that public spending rose by 8.6% yoy to OMR5.94bn and the total public debt decreased from OMR18.6bn to OMR2.2bn. Gulf oil producers have benefited from the surge in oil prices.

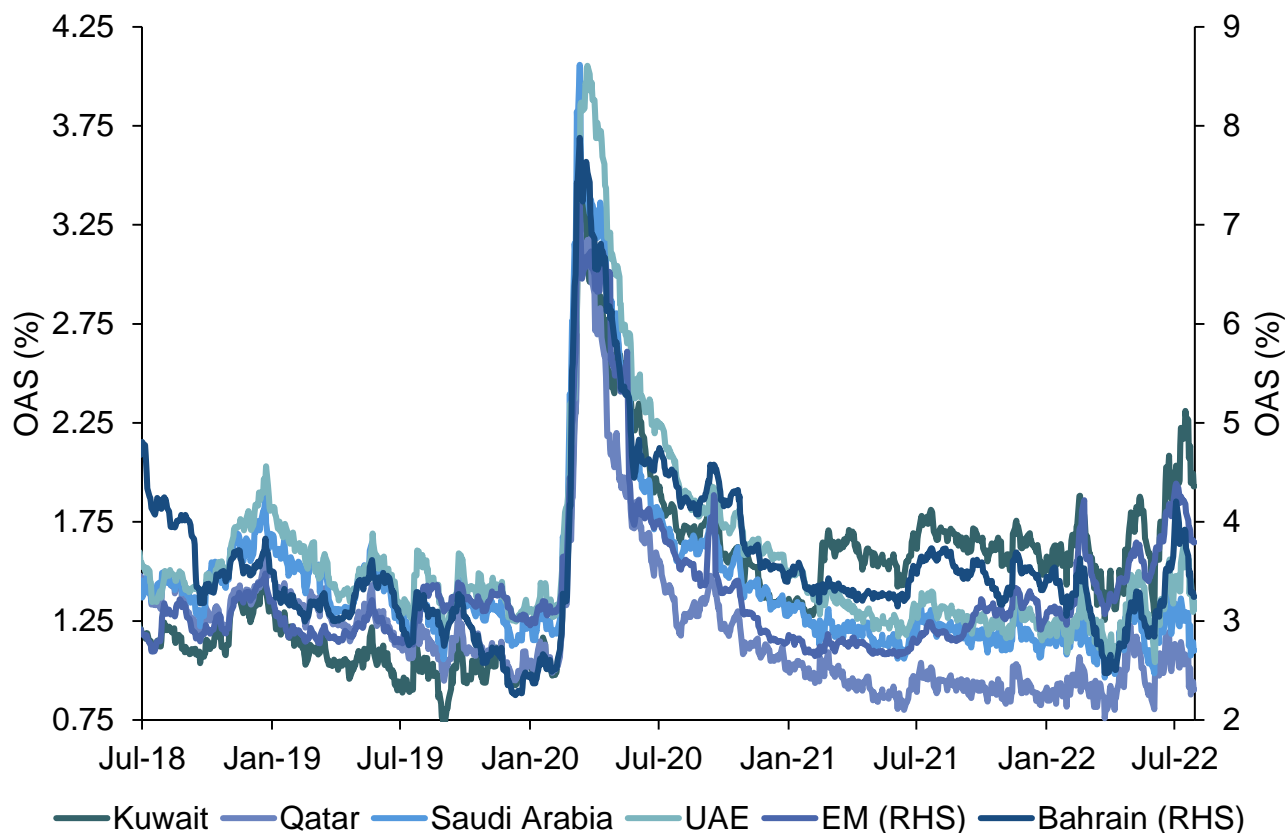
(Source: Zawya)

Issuer	BBG	Sector	Co un try	Issue Amt*	Cpn	Maturity	Maturity Type	Curre ncy	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
First Abu Dhabi Bank	FABUH	Agency	AE	310	3.345	1/14/2027	AT MATURITY	USD	14/7/2022	AA-	3.79	-
Mashreqbank PSC	MASQUH	Financial Institutions	AE	300	8.5	-	PERP/CAL L	USD	7/7/2022	A	7.60	-
QIC Cayman Ltd	QATIQD	Financial Institutions	QA	400	6.75	-	PERP/CAL L	USD	7/7/2022	-	6.53	-
UAE INTERNATIONAL GOVERNMENT BOND	UAE	Sovereign	AE	1250	4.951	7/7/2052	AT MATURIT	USD	7/7/2022	AA	4.85	-
UAE INTERNATIONAL GOVERNMENT BOND	UAE	Sovereign	AE	1750	4.05	7/7/2032	AT MATURIT	USD	7/7/2022	AA	3.92	-
Bahrain Government International Bond	BHRAIN	Sovereign	BH	500	5.961	1/5/2026	AT MATURIT	USD	7/5/2022	B+	5.92	-

*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

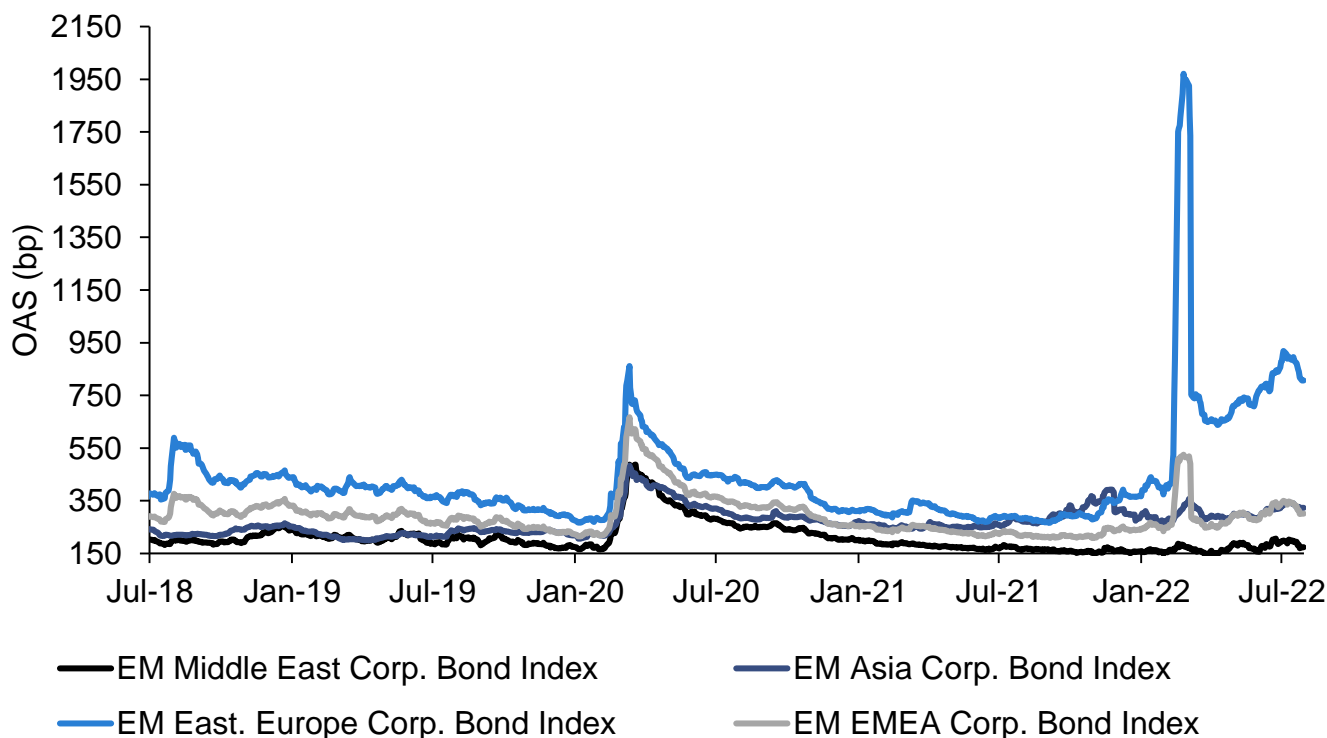
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



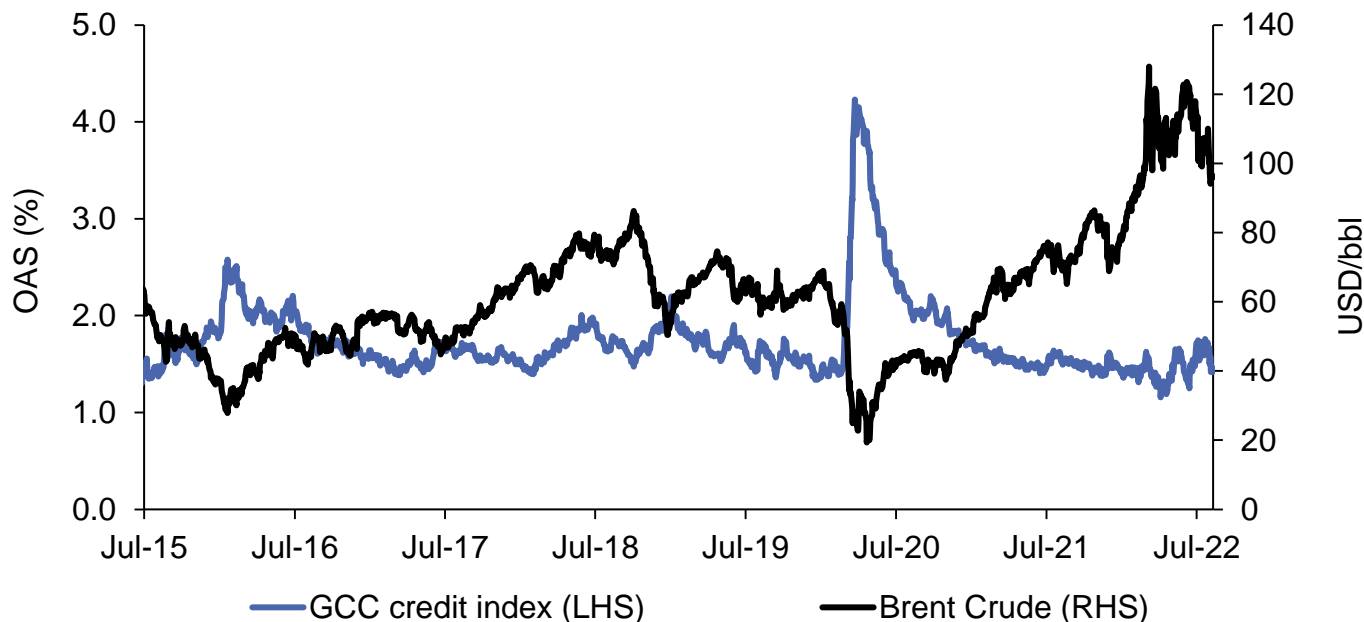
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

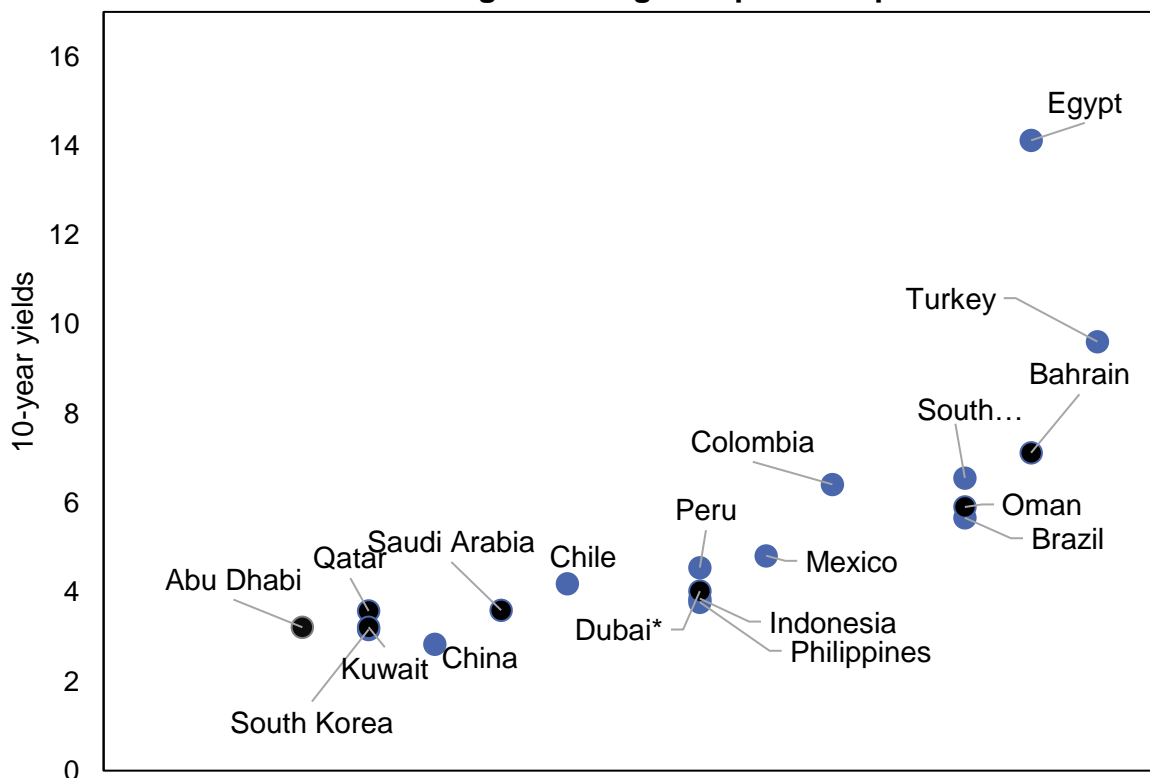
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

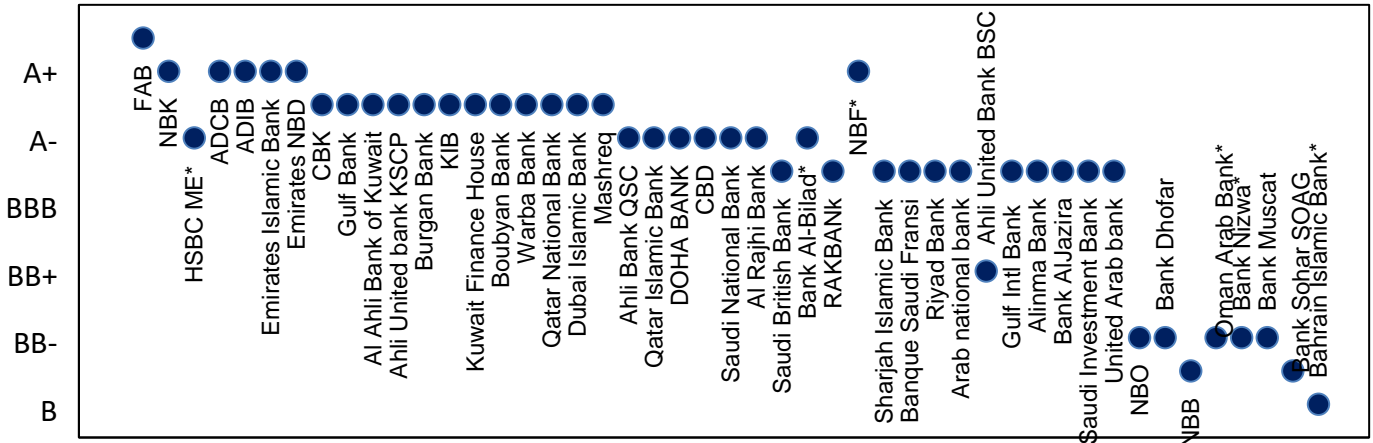
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

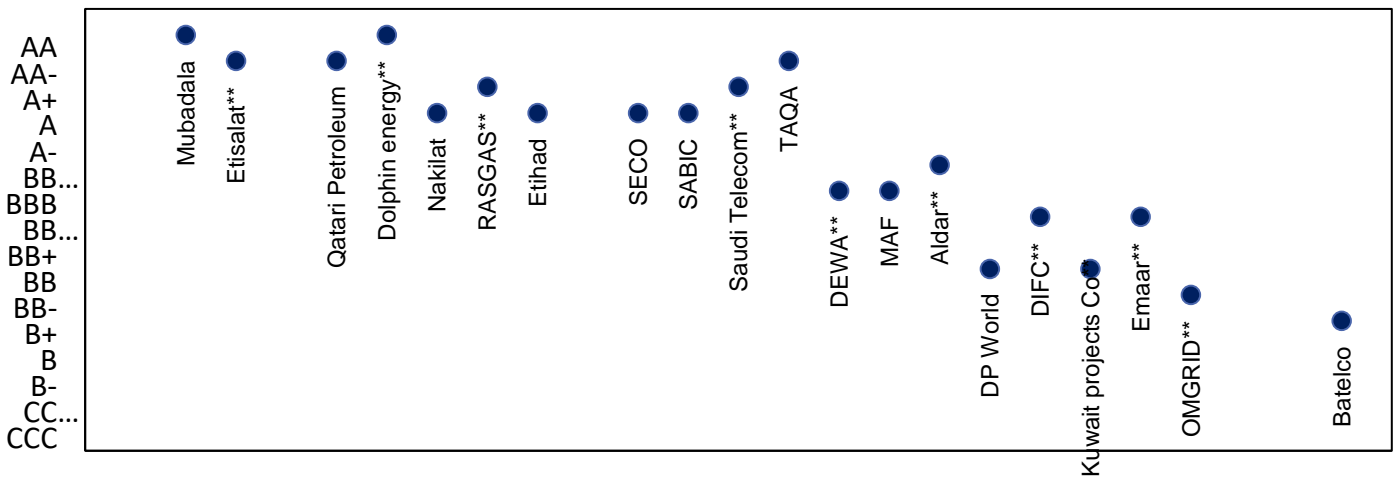
GCC Financials



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

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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