

## GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 16th August 2022). The 10yr UST yields rose on the back of upbeat US retail sales print. Eurozone government bond yields edged higher, tracking the rise in UST yields. Corporate credit was mixed with Global IG underperforming Global HY. On the other hand, EM USD bonds recorded marginal gains over the week, led by EM Asia bonds.

GCC bonds lacked appetite. High quality sovereigns of Qatar, Saudi Arabia and UAE led the underperformance. On the other hand, Bahrain recorded marginal gains, making it the best performer. Qatar bond index has so far been the worst performer in the GCC region, declining by c9% YTD. 5yr CDS spreads tightened over the week. Oman CDS spreads led the decline, tightening by 34bp as Fitch ratings upgraded the country's rating. In the USD sovereign market, bond yields edged higher in all GCC countries, barring Bahrain and Oman. Abu Dhabi and Qatar bond yields rose the most over the week.

**Fitch ratings agency upgraded the long-term foreign currency issuer default rating of Oman from BB- to BB with the stable outlook.** The agency stated that upgrade reflected the country's improved fiscal metrics, decline in external financing pressures and government's ongoing efforts to target new reforms. Elsewhere, **Bahrain's Ministry of Finance revealed that the country posted a budget surplus of BHD33mn (USD88mn) in H1 2022.** Earlier this year, the Ministry expects a significantly smaller budget deficit in H1 2022 due to high oil prices. **Saudi Arabia's Consumer Price Index rose by 2.7% in July 2022, compared to a 2.3% in June 2022.** In Qatar, **the IMF expects Qatar's budget surplus to increase by 57.6% in 2023 to QAR70.3bn (USD19.31bn).** Qatar is also expected to spend QAR236bn in 2023. according to a Qatar News Agency.

Issuance activity was muted over the week.

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aaa2	Baa2	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	1,087.28	0.32	-14.17	Saudi	3.03	0.66	212.60
EM LatAm TR	928.49	-0.02	-12.43	UAE	2.77	-0.39	240.81
EM EMEA TR	326.59	-0.04	-18.71	Kuwait	2.56	18.75	106.25
EM Asia TR	587.24	0.95	-10.81	Bahrain	4.10	-4.17	258.33
Bahrain TR	174.76	0.77	-2.40	Oman	3.17	-10.60	104.20
Oman TR	135.54	-0.06	-1.38	Qatar	2.45	-	132.50
Kuwait TR	141.85	0.18	-5.68	US	2.94	1.92	272.75
Qatar TR	134.52	-0.41	-9.36	12M interbank			
Saudi Arabia TR	138.39	-0.13	-9.31	Saudi	3.91	3.29	284.50
UAE TR	135.80	-0.06	-8.15	UAE	3.56	-9.78	282.33
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	3.13	12.50	112.50
Saudi Arabia	52.93	-1.00	-1.00	Bahrain	5.10	0.13	333.33
Abu Dhabi	51.63	-0.80	-0.80	Oman	3.62	-0.50	60.60
Dubai	131.79	-2.90	-2.90	Qatar	2.75	-	142.50
Kuwait	78.37	-1.00	-1.00	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	320.54	-5.20	-5.20	Saudi Arabia	3.60	3.10	111.30
Oman	280.08	-34.70	-34.70	Abu Dhabi	3.25	4.40	123.70
Qatar	51.72	-0.70	-0.70	Dubai	4.01	0.10	146.70
Egypt	1133.58	-50.40	-50.40	Kuwait	3.24	0.80	159.30
Turkey	714.68	33.00	33.00	Bahrain	6.81	-19.50	96.80
US	22.18	0.40	0.40	Oman	5.60	-2.90	62.80
Germany	16.79	-0.10	-0.10	Qatar	3.34	3.40	123.40

Note: \*Dewa rating used as proxy, data from 10<sup>th</sup> August 2022 to 16<sup>th</sup> August 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

## Fitch ratings agency upgraded Oman to BB

Fitch ratings agency upgraded the long-term foreign currency issuer default rating on Oman from 'BB-' to 'BB'. The agency kept the outlook stable and stated that the upgrade reflected the country's improved fiscal metrics, decline in external financing pressures and government's ongoing efforts to target new reforms. With higher oil prices this year combined with fiscal reforms, the agency expects Oman to record its first budget surplus since 2013 in 2022. The agency expects budget surpluses of 5.5% and 3.4% of GDP in 2022 and 2023 respectively, supported by a higher oil revenue stream. (Source: Zawya)

## Bahraini posted a budget surplus of USD88mn in H1 2022

According to the Ministry of Finance, Bahrain posted a budget surplus of BHD33mn (USD88mn) in H1 2022 compared to a deficit of BHD520mn a year earlier. Total public revenues reached BHD1.69bn, increasing by 52% yoy, while total expenditures reached BHD1.66bn, an annual increase of 2%. Earlier this year, the Ministry expects a significantly smaller budget deficit in H1 2022 due to high oil prices. Revenues in Bahrain jumped by 52% in H1 2022. Increased revenues helped to reduce financing costs for repaying international bonds of the public debt, including bonds worth BHD565mn (USD1.5bn) that were repaid until July. (Source: Zawya)

## Saudi CPI rose by 2.7% in July

Saudi Arabia's CPI rose by 2.7% yoy in July 2022, compared to a rise of 2.3% yoy in June 2022. According to a statement from the General Authority for Statistics, the food and beverage sector rose by 3.9% and meat prices rose 5.1%. Food and beverage prices accounted for the majority of the inflation rate in July 2022 due to their high relative importance in the Saudi consumer basket with a weight of 18.8%. (Source: Zawya)

## IMF expects Qatar's budget surplus to reach USD19BN by 2023

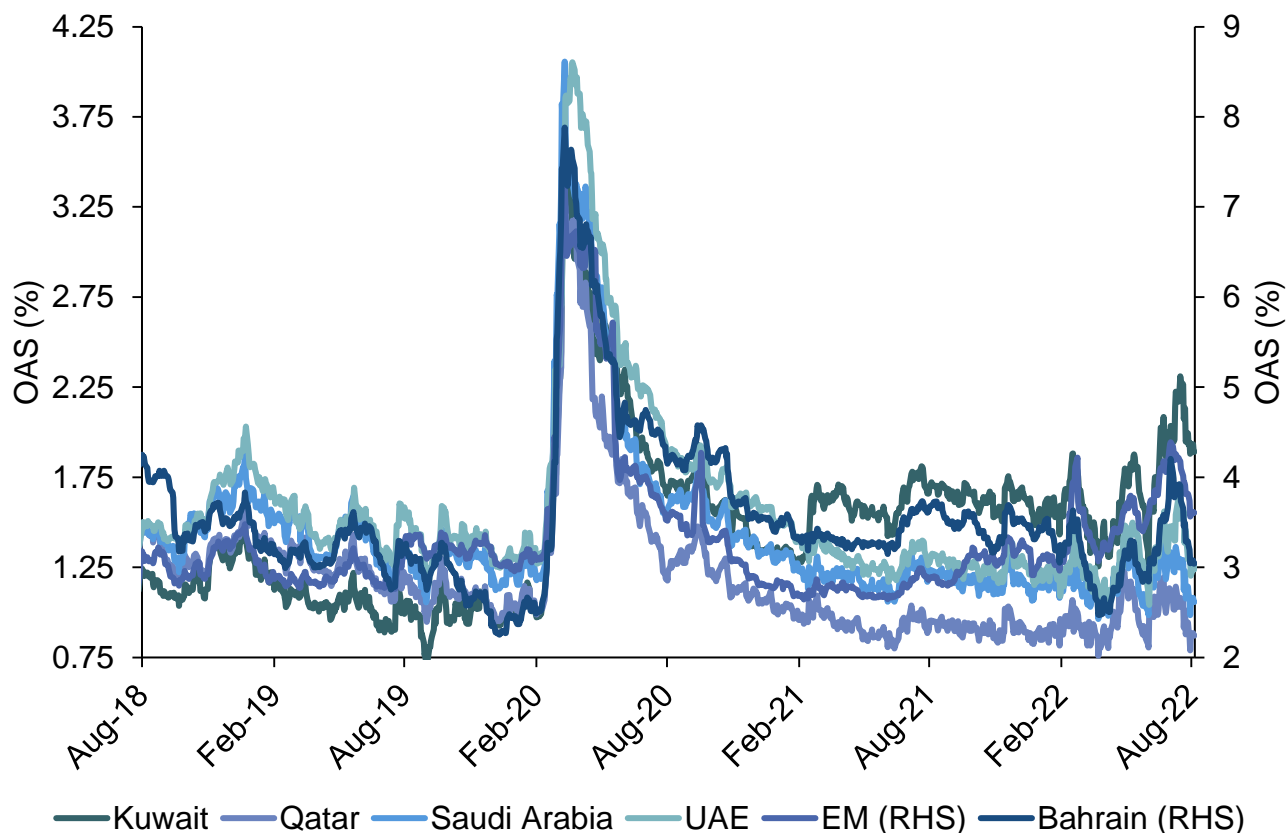
IMF expects Qatar's budget surplus to increase by 57.6% in 2023 to QAR70.3bn (USD19.31bn), compared to QAR44.6bn (USD12.2bn) forecast in 2022. Qatar is expected to spend QAR236bn in 2023, compared to QAR235.4bn in 2022, according to a Qatar News Agency. In Qatar's fiscal budget, oil was set at USD55/ barrel on average. IMF forecasts state revenues to rise by 9.4% from QAR280bn in 2022 to QAR306.3bn. Qatar is expected to generate QAR54bn revenue from oil and QAR73.3bn from Liquefied Natural Gas (LNG) in 2023, according to the IMF. (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	Q A	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

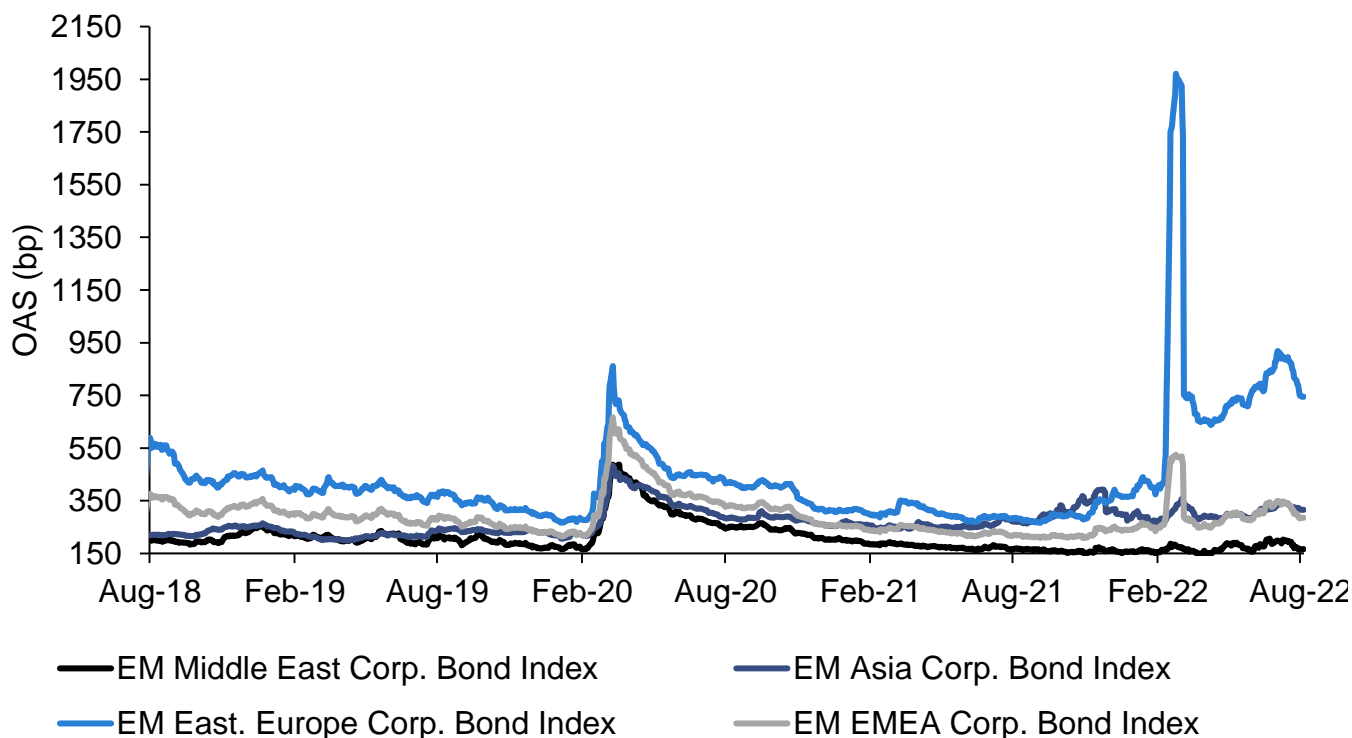
## Appendix

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



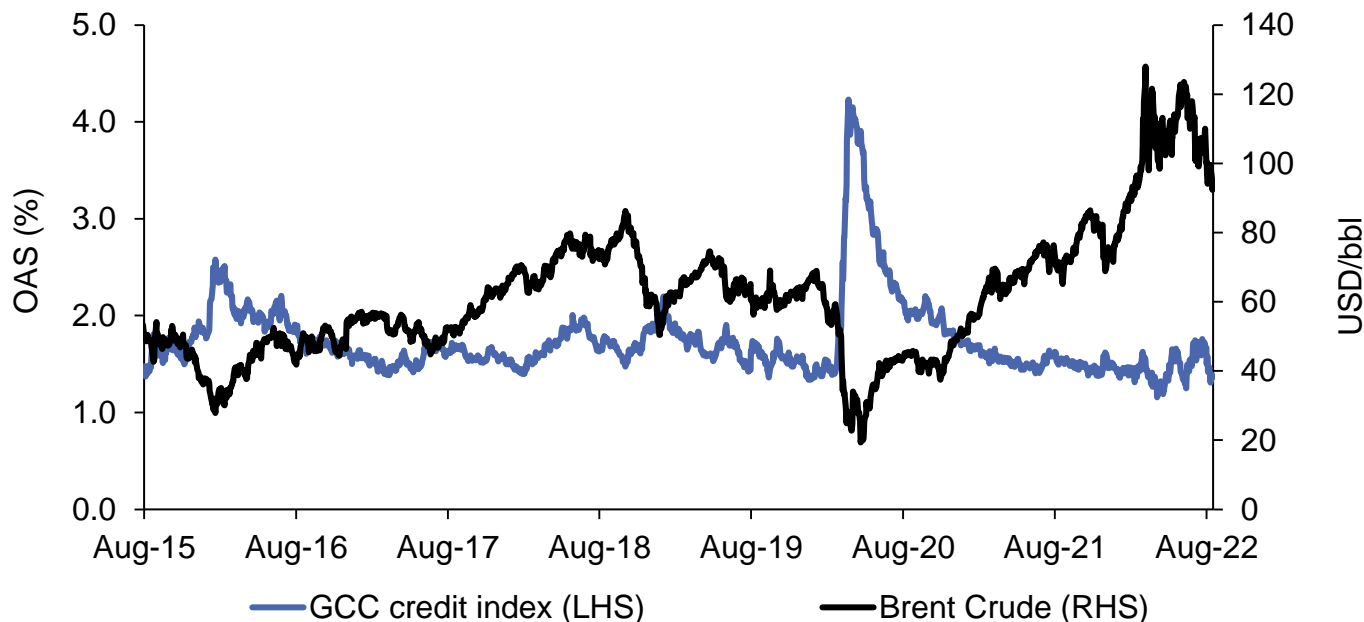
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

### Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

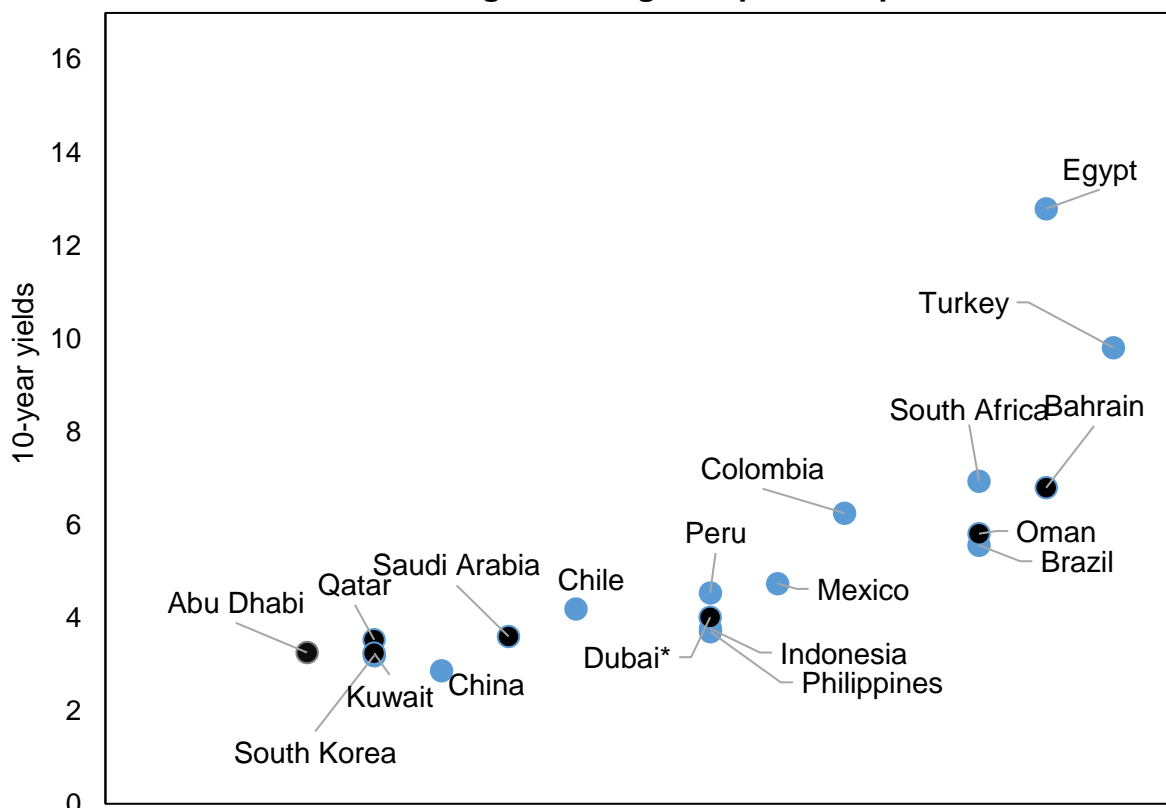
## GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

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

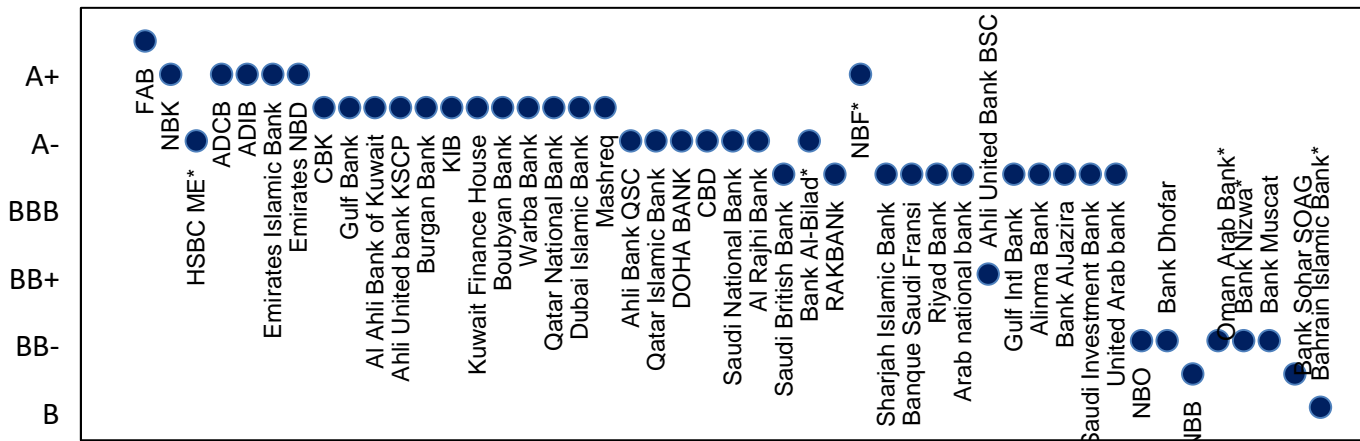
### GCC sovereigns trading cheap versus peers



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

## GCC Financials Credit Rating

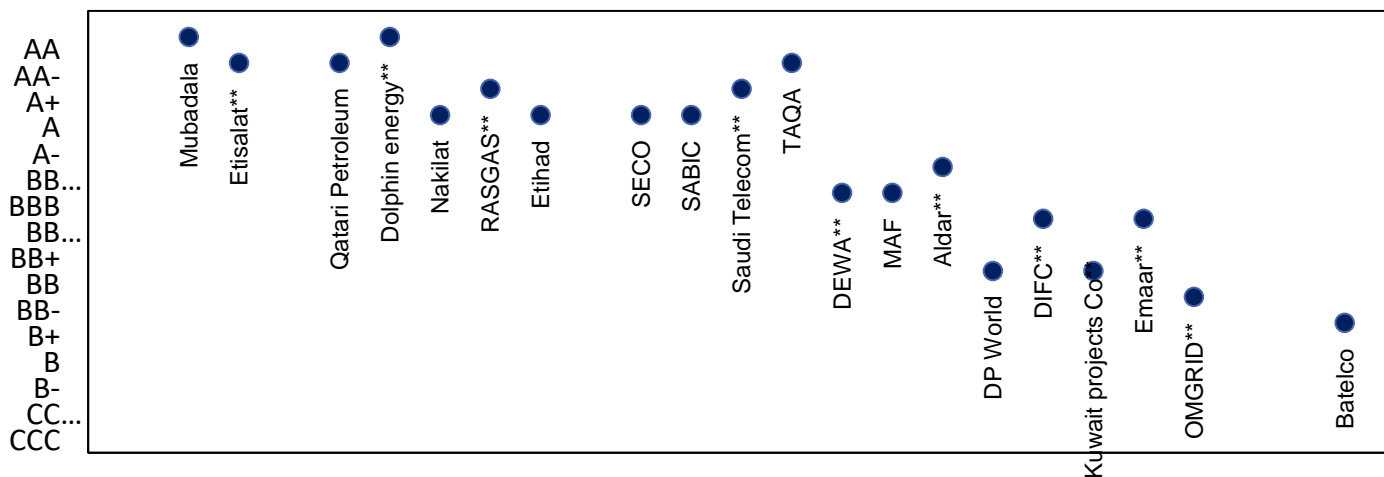
### GCC Financials



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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