

GCC Fixed Income Weekly Review

Global benchmark bond index posted gains over the week (ending 5th December 2023). 10Y UST yields fell to three-month lows on concerns about slowing US economic growth as investors priced for the possibility that the Fed will cut interest rates. Eurozone government bond yields fell over the week. In credit, corporate bonds ended the week on a positive note. Global HY index had a positive week too. On the other hand, EM USD recorded gains led by EM LatAM.

Appetite for GCC bonds improved over the week. All GCC bond indices recorded positive returns. Oman and Saudi Arabia were the best performers. 5yr CDS spreads mostly tightened across all GCC countries barring Qatar, Abu Dhabi, and Saudi Arabia. In the USD sovereign market, 10yr bond yields declined across all the GCC markets, the most in Qatar, Saudi Arabia, and Oman.

The growth of non-oil business activity in the UAE expanded at a lower rate in November due to an increase in new export business, which had a dampening effect on sales growth. **The UAE Purchasing Managers' Index showed a slight decrease, moving from 57.7 in October to 57 in November.** Elsewhere, the growth of non-oil business activity in Saudi Arabia increased at a slower rate in November, as input costs rose and export figures reduced. **The Saudi Arabia Purchasing Managers' Index (PMI) declined from 58.4 in October to 57.5 in November.**

In issuance activity, **China Construction Bank (DIFC Branch) has issued a USD600mn Green Bond at SOFR +65 with 3Yr Maturity (November 30, 2026).**

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba2	Aa3	Caa1
Fitch	A+	AA	-	AA-	B+	BB+	AA-	B-

Note: *Dewa rating used as proxy

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GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1134.7	0.90	5.6	Saudi	6.4	3.12	103.6
EM LatAm TR	987.8	1.19	7.3	UAE	5.4	-3.42	112.5
EM EMEA TR	339.1	0.88	5.0	Kuwait	4.3	0.00	31.3
EM Asia TR	605.4	0.66	4.8	Bahrain	6.7	0.66	51.5
Bahrain TR	187.3	0.37	6.1	Oman	5.9	-8.60	120.5
Oman TR	146.8	0.98	8.2	Qatar	6.3	-	100.0
Kuwait TR	145.9	0.39	4.3	US	5.6	-1.41	87.1
Qatar TR	130.1	0.81	0.9	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	134.9	0.96	1.6	Saudi	6.2	1.49	28.2
UAE TR	134.9	0.85	2.3	UAE	5.6	-5.08	45.6
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.8	0.00	18.8
Saudi Arabia	54.5	1.30	-8.9	Bahrain	6.7	-9.16	11.3
Abu Dhabi	43.6	1.90	-4.0	Oman	6.0	-6.20	110.1
Dubai	65.3	-0.20	-28.7	Qatar	6.5	-	75.0
Kuwait	57.0	-0.10	-3.6	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	227.7	-0.20	-32.3	Saudi Arabia ^{^^}	5.0	-12.80	21.3
Oman	133.5	-0.30	-57.5	Abu Dhabi	4.6	-10.60	34.3
Qatar	46.0	2.60	-4.0	Dubai	4.9	-10.60	50.9
Egypt	1280.2	-28.00	375.9	Kuwait	4.7	-5.60	84.8
Turkey	342.6	5.70	-175.3	Bahrain	6.9	-1.70	-2.3
US	48.5	-1.70	21.4	Oman	5.6	-11.40	-47.7
Germany	19.0	-0.90	-1.7	Qatar	4.5	-13.40	32.6

data from 29th November 2023 to 5th December 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

UAE's non-oil sector is experiencing expansion due to growth in demand

The growth of non-oil business activity in the UAE expanded at a lower rate in November compared to the previous month, primarily due to a more modest increase in new export business, which had a dampening effect on sales growth. The UAE Purchasing Managers' Index showed a slight decrease, moving from 57.7 in October to 57 in November. Despite this decline, the index remains comfortably above the 50.0 threshold, indicating ongoing expansion in overall business activity.

(Source: Zawya)

Saudi Arabia's non-oil sector activity growth moderated in November as exports fell and input prices rose

The growth of non-oil business activity in Saudi Arabia increased at a lower rate in November, influenced by increasing input costs and reduced export figures. The Saudi Arabia Purchasing Managers' Index (PMI) declined from 58.4 in October to 57.5 in November, but remained comfortably above the neutral threshold of 50.0, indicating an enhancement in business conditions within the kingdom's non-oil private sector economy. The decrease in the overall index was attributed to slower growth rates in staffing and inventory, along with a significant reduction in delivery times.

(Source: Zawya)

China Construction Bank CCB (DIFC branch) issued Green Bond worth USD600mn

China Construction Bank (DIFC Branch) has issued a USD600mn Green Bond at SOFR +65 with 3yr maturity November 30, 2026.

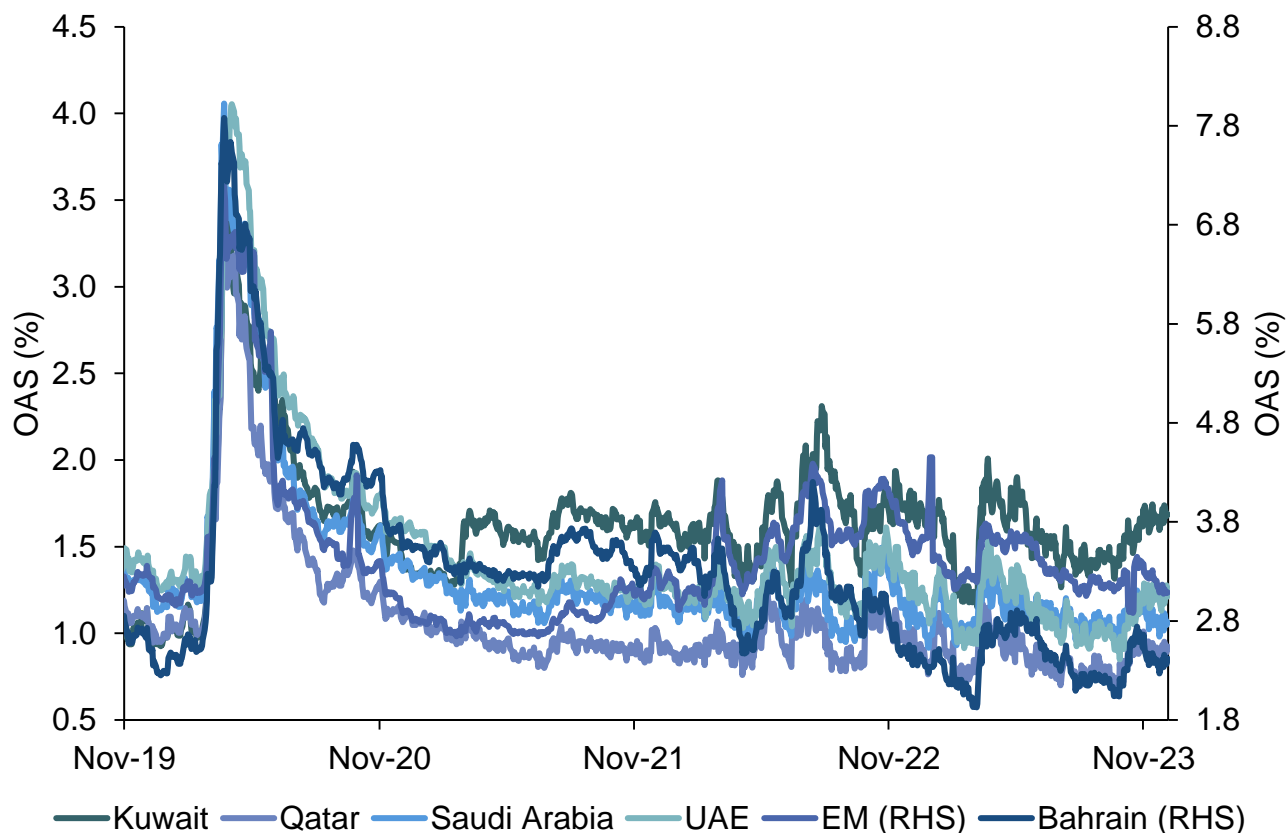
(Source: Bloomberg)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
Emirates NBD Bank PJSC	EBIUH	Agency	AE	750	5.875	10/11/2028	AT MATURIT	USD	10/03/2023	A+	5.84	-
ALPHA STAR HOLDING	DAMACU H	Agency	AE	300	8.375	4/12/2027	AT MATURIT	USD	10/05/2023	BB	8.34	-
Suci Second Investment Co	PIFKSA	Agency	SA	2250	6	10/25/2028	AT MATURIT	USD	10/18/2023	A+	5.88	-
Suci Second Investment Co	PIFKSA	Agency	SA	1250	6.25	10/25/2033	AT MATURIT	USD	10/18/2023	A+	5.97	-
MDGH GMTN	MUBAUH	Agency	AE	750	5.875	5/1/2034	AT MATURIT	USD	10/25/2023	AA	5.99	-
ITTIHAD INTERNATIONAL IN	ITTIHAD	Agency	AE	350	9.75	11/9/2028	AT MATURIT	USD	11/2/2023		10.31	-
ADIB SUKUK II CO LTD	ADIBUH	Agency	AE	500	5.695	11/15/2028	AT MATURIT	USD	11/8/2023	A+	5.54	-
QIB Sukuk Ltd	QIBKQD	Financial Institution	QA	500	5.581	11/22/2028	AT MATURIT	USD	11/22/2023	A-	5.50	-
Abu Dhabi Commercial Bank	ADCBUH	Agency	AE	750	8	PERPETUAL	PERP/CAL L	PER P/C	11/27/2023		7.43	6.91

*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

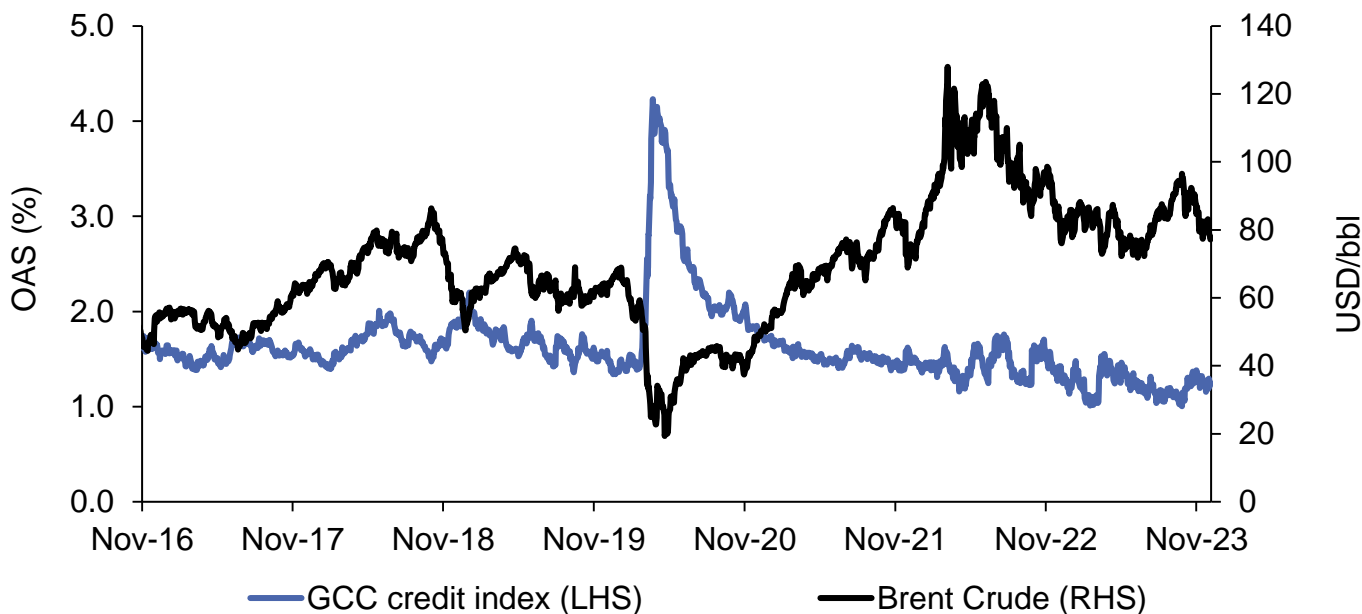
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

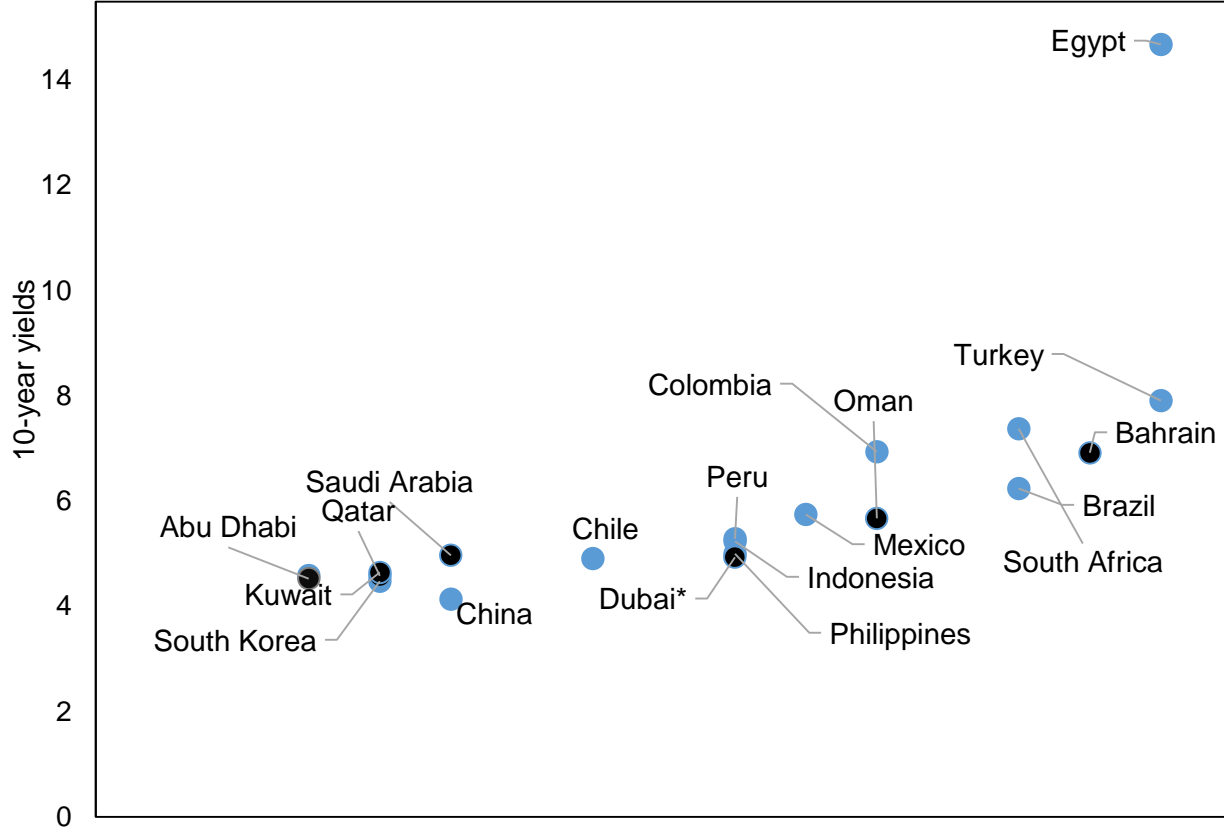
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

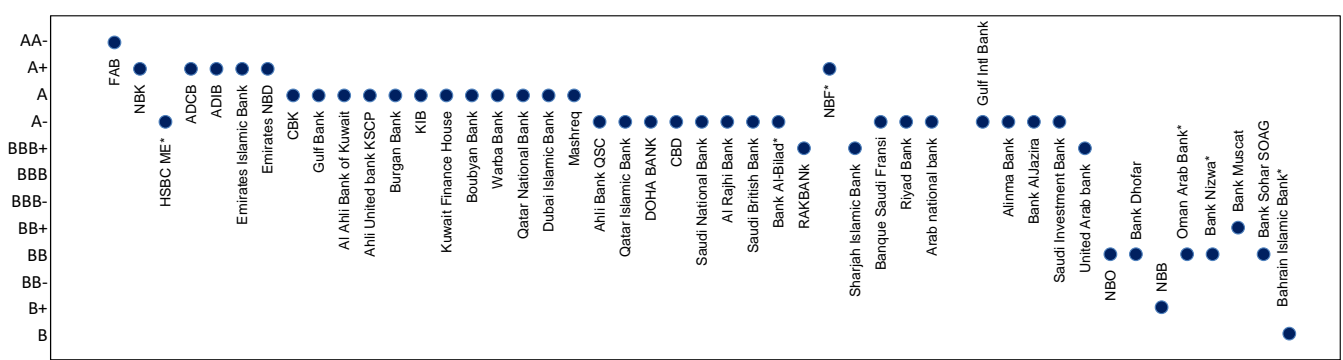
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

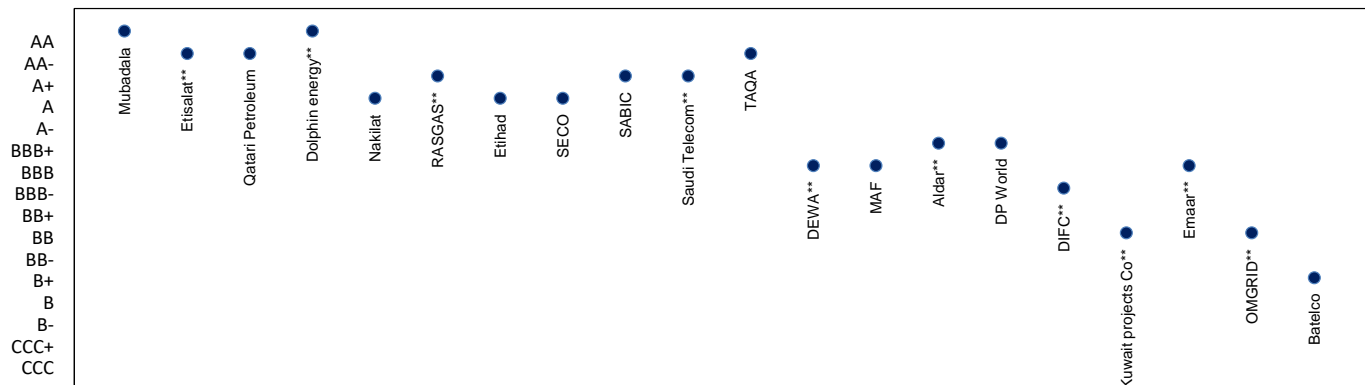
GCC Financials



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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