

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 12th December 2023). 10Y UST Yields rose over the week post the upbeat payroll report ahead of the Fed meeting. 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 too, 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 Qatar. 5yr CDS sovereign spreads almost widened in all GCC countries barring Kuwait. Oman and Bahrain widened the most. In the USD sovereign market, the 10yr bond yields rose across the GCC countries with the exception of Kuwait.

Moody's rating agency upgraded Oman's credit rating to 'Ba1' for the second time this year, maintaining a stable outlook, citing anticipated ongoing reduction in public debt and enhanced indicators of the government's capacity to manage the state's public debt burden. However, Oman's ministry of finance reported a 17% y-o-y decline in public revenue in October 2023 (OMR9.8mn in October 2023 versus OMR11.862mn recorded during the same period in 2022). Elsewhere, Saudi Arabia approved its general budget for the FY 2024, which forecasted a deficit of SAR79bn (USD21.1bn), accounting for nearly 1.9% of the gross domestic product (GDP).

Masdar, Abu Dhabi's renewable energy company, is aiming to raise USD3bn in the next few years through its Green Finance Framework. The funds raised will be allocated to finance Masdar's equity in new greenfield projects involving solar, wind, or battery storage.

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba1	Aa3	Caa1
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	1136.2	-0.30	5.8	Saudi	6.3	-4.16	100.1
EM LatAm TR	986.2	-0.63	7.1	UAE	5.5	1.91	118.1
EM EMEA TR	340.4	-0.07	5.4	Kuwait	4.3	0.00	31.3
EM Asia TR	606.3	-0.24	5.0	Bahrain	6.7	0.17	51.5
Bahrain TR	187.2	-0.27	6.1	Oman	5.9	0.30	120.8
Oman TR	146.9	-0.30	8.3	Qatar	6.3	0.00	100.0
Kuwait TR	146.2	0.16	4.5	US	5.6	-0.10	88.7
Qatar TR	131.2	0.06	1.7	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	135.4	-0.20	2.0	Saudi	6.2	0.09	28.1
UAE TR	135.3	-0.11	2.6	UAE	5.6	6.60	47.9
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.8	0.00	18.8
Saudi Arabia	55.6	0.70	-7.8	Bahrain	6.7	1.10	12.4
Abu Dhabi	44.3	0.70	-3.3	Oman	6.0	0.20	110.3
Dubai	69.5	1.90	-24.5	Qatar	6.5	0.00	75.0
Kuwait	57.0	-0.10	-3.6	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	228.4	2.20	-31.8	Saudi Arabia ^{^^}	4.9	4.60	18.8
Oman	135.2	2.50	-55.8	Abu Dhabi	4.5	5.10	30.4
Qatar	46.8	0.70	-3.1	Dubai	4.8	1.30	35.0
Egypt	1267.6	17.40	363.3	Kuwait	4.5	-9.00	69.9
Turkey	331.3	-6.80	-186.6	Bahrain	6.9	7.00	2.1
US	49.0	-0.40	21.9	Oman	5.7	9.60	-43.5
Germany	18.5	-0.30	-2.1	Qatar	4.5	3.00	29.9

data from 6th December 2023 to 12th December 2023. Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

Saudi Arabia forecasts budget deficit of more than USD21bn in 2024

According to the finance ministry of Saudi Arabia, the kingdom's government approved its general budget for the FY 2024, which forecasted a deficit of SAR79bn (USD21.1bn), accounting for nearly 1.9% of the gross domestic product (GDP). Saudi Arabia's economy estimated total revenue at SAR1.17tn for next year, while total expenditure is projected at SAR1.25tn. In addition, Saudi Arabia's total revenues is expected to reach SAR1.193tn by the end of 2023, with oil revenues expected to reach SAR752bn and non-oil GDP growth to 5.9%.

(Source: Zawya)

Oman's public revenue declined 17% y-o-y in October

Oman's ministry of finance reported a 17% y-o-y decline in public revenue in October 2023 (OMR9.8mn in October 2023 versus OMR11.862mn recorded during the same period in 2022). Despite the decline, Oman's general budget shows a surplus of OMR830mn at the end of October 2023. Net oil revenue has decreased by 12%, totaling OMR5.446mn. Public spending has also decreased by 16%, amounting to OMR8.970mn, with current expenditure at OMR6.872mn. This reduction is mainly due to the exclusion of gas purchase and transport expenses from the General Budget, which were transferred to the Integrated Gas Company.

(Source: Zawya)

Moody's upgraded Oman's credit ratings to 'Ba1' with stable outlook

Moody's rating agency has upgraded Oman's credit rating to 'Ba1' for the second time this year, maintaining a stable outlook. The improvement is attributed to the anticipated ongoing reduction in public debt and enhanced indicators of the government's capacity to manage the state's public debt burden. The governments' efforts in generating additional revenue to settle public debt, alongside effective control of expenditures and improvements in financial revenues, were highlighted as contributing factors. Moody's envisions a reduction in public debt to below 38% of GDP by the end of 2023, a projected surplus of approximately 3.5% of GDP in 2023, a current account surplus of 2% of GDP in 2023, and oil prices to average between USD80-85/bbl during 2024-2025.

(Source: Zawya)

Masdar plans to raise USD3bn under Green Finance Framework.

Masdar, Abu Dhabi's renewable energy company, is aiming to raise USD3bn in the next few years through its Green Finance Framework. The funds raised will be allocated to finance Masdar's equity in new Greenfield projects involving solar, wind, or battery storage. Niall Hannigan, the Chief Financial Officer of Masdar, emphasizes the significant opportunity for expanding global renewable energy capacity by effectively managing climate finance. Earlier this year, Masdar successfully announced the completion of its initial green bond issuance, raising USD750mn through 10-year senior unsecured notes. The strong demand for the offering, with over 5.6x oversubscription, underscores the industry's confidence and Masdar's robust financial position and strategic approach.

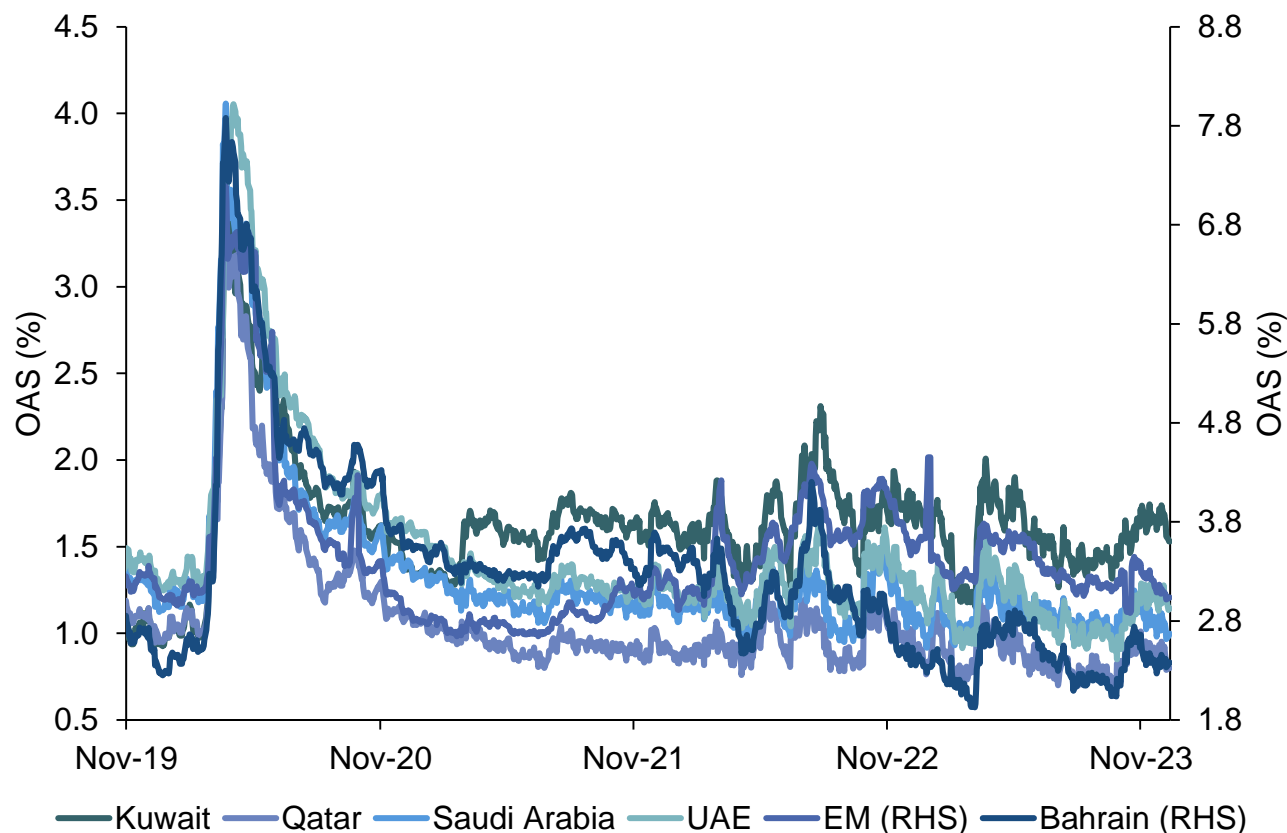
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg^	YTM (mid)	YTC (mid)
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

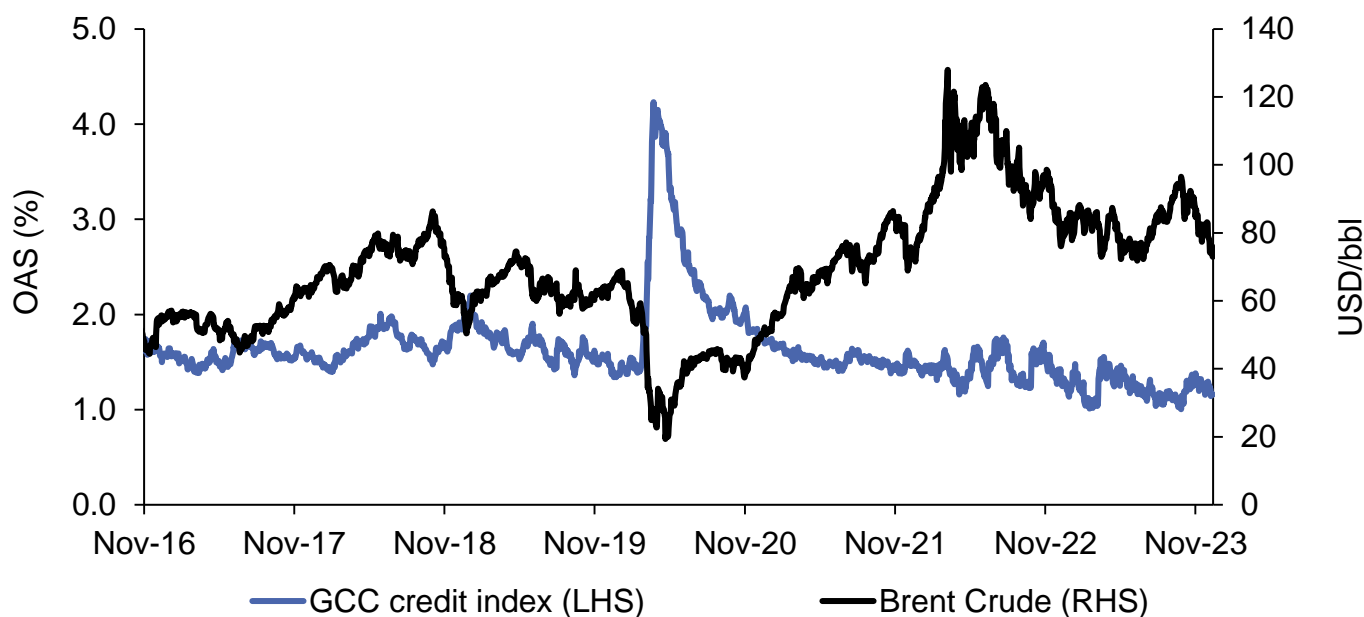
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

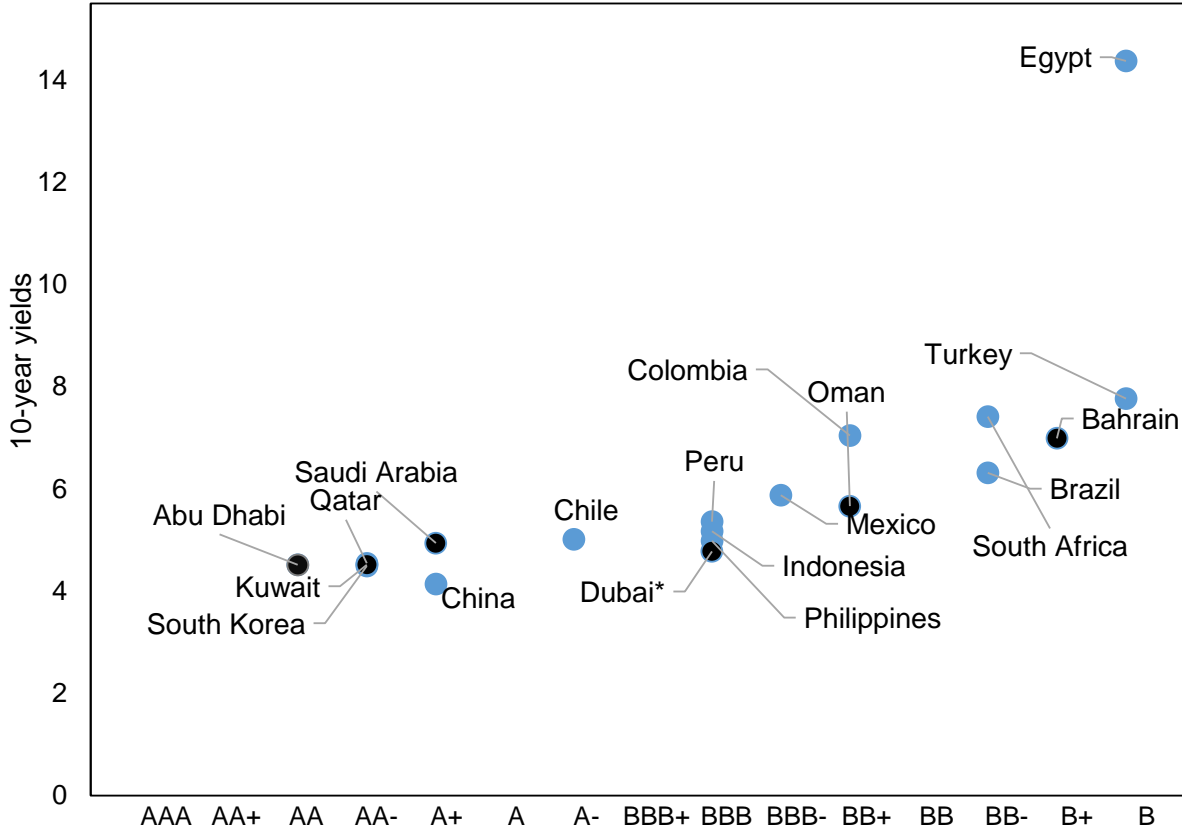
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

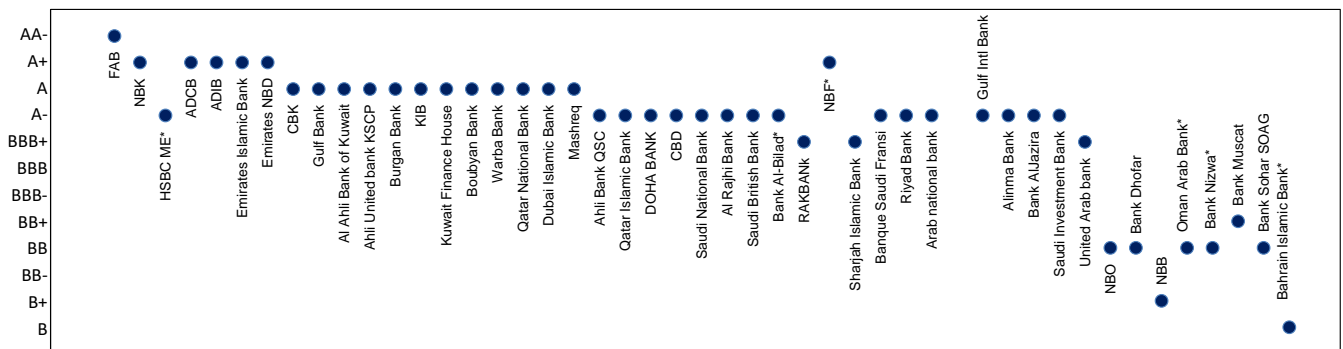
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

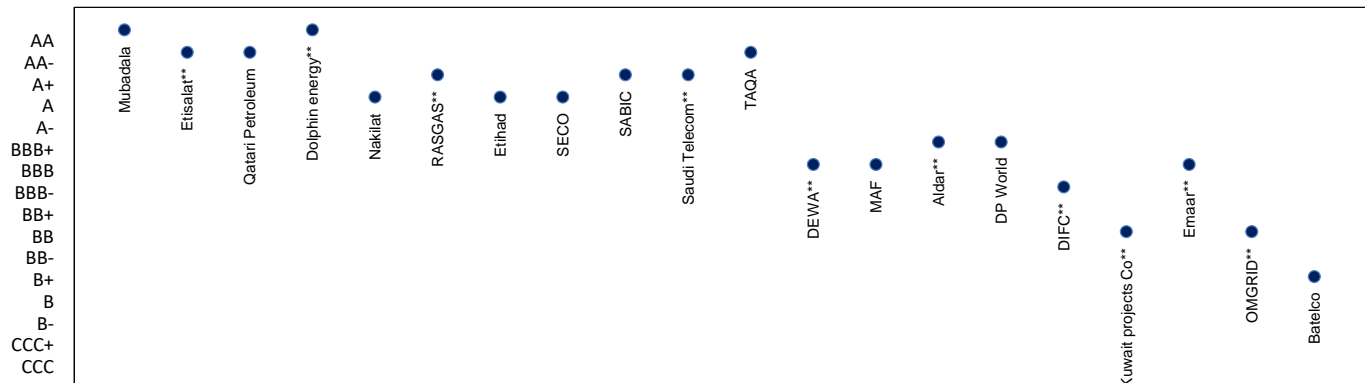
GCC Financials



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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