

GCC Fixed Income Weekly Review

Global benchmark bond index rose over the week (ending 19th December 2023). 10Y UST Yields declined over the week with the Fed signaling an end to the tightening cycle. Eurozone government bond yields declined more than UST yields over the week, despite hawkish signals from the ECB and the BoE. Corporate credit posted gains, with Global HY outperformed the most. EM USD bonds had a positive week too, led by EM EMEA.

Demand for GCC bonds was quite strong. All GCC bond markets recorded gains with high-quality sovereigns outperforming the most. 5yr CDS sovereign spreads tightened in all GCC countries- the most in Bahrain and Oman. In the USD sovereign market, the 10yr bond yields declined across the GCC countries, led by Oman, Saudi Arabia and Kuwait.

GCC central banks have kept their interest rates unchanged, following the decision by the US Federal Reserve to maintain rates. The central bank of the UAE has decided to maintain the base rate applicable to the overnight deposit facility at 5.40% and to keep the rate applicable to short-term liquidity borrowing from banks through existing credit facilities at 50bp above the base rate. **Similarly, the central banks of Qatar, Kuwait, Oman, and Bahrain also followed the Fed's decision.** Also, **Saudi Central Bank maintained its repo rates at the current 6% level.** Separately, **Saudi Arabia's annual inflation rate increased from 1.6% in October to 1.7% in November.** The main contributor to this rise was the increase of costs in housing rents, according to the General Authority for Statistics in Saudi Arabia.

Kindly note this is the last edition of the GCC fixed income weekly report for 2023. We will resume with the first edition of 2024 on 10th January 2024. We wish all our readers happy holidays!

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

	Latest	-1w %	YTD %	Interest rates			
				3M interbank	Latest	-1w (bp)	YTD (bp)
BBG Barclays				Saudi	6.3	1.04	99.5
EM USD Agg TR	1164.2	1.61	8.4	UAE	5.3	-25.68	98.8
EM LatAm TR	1016.5	1.78	10.4	Kuwait	4.3	0.00	31.3
EM EMEA TR	348.8	1.98	8.0	Bahrain	6.6	-8.00	43.2
EM Asia TR	617.6	0.99	6.9	Oman	6.0	3.00	131.3
Bahrain TR	189.8	1.33	7.5	Qatar	6.0	0.00	75.0
Oman TR	150.0	1.87	10.6	US	5.6	-1.42	87.8
Kuwait TR	147.8	0.82	5.7	12M interbank	Latest	-1w (bp)	YTD (bp)
Qatar TR	134.8	2.18	4.5	Saudi	6.1	-5.03	18.9
Saudi Arabia TR	138.8	2.21	4.5	UAE	5.5	-9.73	35.1
UAE TR	138.2	1.84	4.8	Kuwait	4.8	0.00	18.8
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Bahrain	6.6	-13.64	1.3
Saudi Arabia	54.3	-1.00	-9.1	Oman	6.1	-0.25	119.0
Abu Dhabi	43.8	-0.50	-3.8	Qatar	6.3	0.00	50.0
Dubai	67.5	-2.50	-26.6	10Y yield	Latest	-1w (bp)	YTD (bp)
Kuwait	55.0	-2.00	-5.6	Saudi Arabia ^{^^}	4.6	-22.60	-10.0
Bahrain	214.3	-12.70	-45.7	Abu Dhabi	4.2	-15.50	3.1
Oman	128.2	-5.90	-62.8	Dubai	4.6	-11.80	20.7
Qatar	46.6	-0.40	-3.3	Kuwait	4.2	-22.10	42.1
Egypt	1184.8	-78.20	280.5	Bahrain	6.7	-19.90	-21.2
Turkey	292.9	-29.80	-225.0	Oman	5.4	-23.90	-68.7
US	48.5	-0.10	21.0	Qatar	4.3	-16.60	7.5
Germany	18.0	-0.80	-2.7				

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

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GCC central banks kept interest rates unchanged

GCC central banks have kept their interest rates unchanged, following the decision by the US Federal Reserve to maintain its benchmark level at 5.4%. The central bank of the UAE has decided to maintain the base rate applicable to the overnight deposit facility at 5.40%, reflecting the general stance of the CBUAE's monetary policy. The central bank of the UAE has also decided to keep the rate applicable to short-term liquidity borrowing from banks through existing credit facilities at 50bp above the base rate. Similarly, Qatar Central Bank left key interest rates unchanged, the deposit interest rate is stable at 5.75%, the borrowing interest rate remains at 6.25%, and the repurchase rate at 6%. Additionally, the central banks of Kuwait, Oman, and Bahrain also followed the Fed's decision. The Saudi Central Bank, also known as SAMA, maintained its repo rates at the current 6% level.

(Source: Zawya)

Saudi Arabia's inflation rate rose slightly to 1.7% in November

According to the General Authority for Statistics in Saudi Arabia, the annual inflation rate in the kingdom increased from 1.6% in October to 1.7% in November. The main contributor to this rise was the increase of costs in housing rents. In November, rents surged by 9.4% and apartment prices rose by 12.8%. This surge in rents led to a 1.3% overall increase in the prices of housing, water, gas, electricity, and other fuels. Hotel and restaurant prices rising by 2.3%. Additionally, the prices of food and beverages rose by 1.4%, driven by a 4.2% increase in the cost of milk products and eggs. Despite this slight increase, inflation in Saudi Arabia has remained relatively low this year compared to global inflation levels.

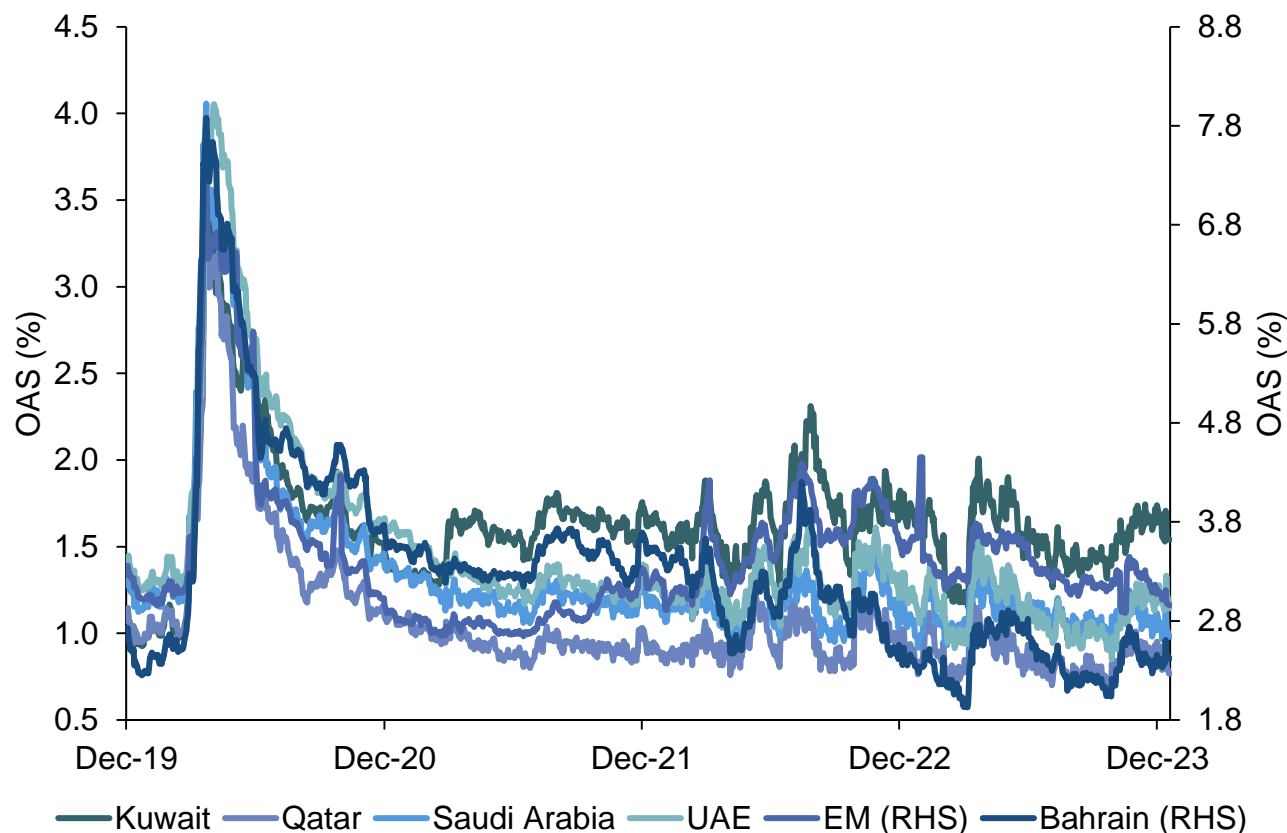
(Source: Zawya)

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

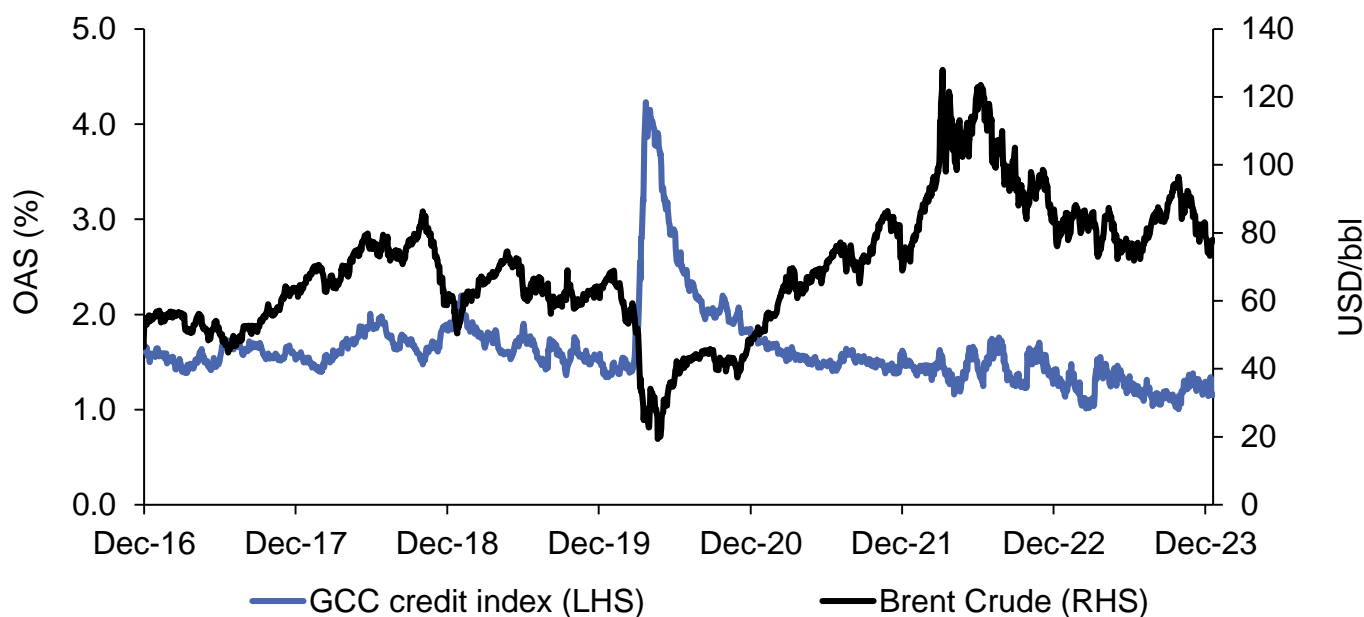
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

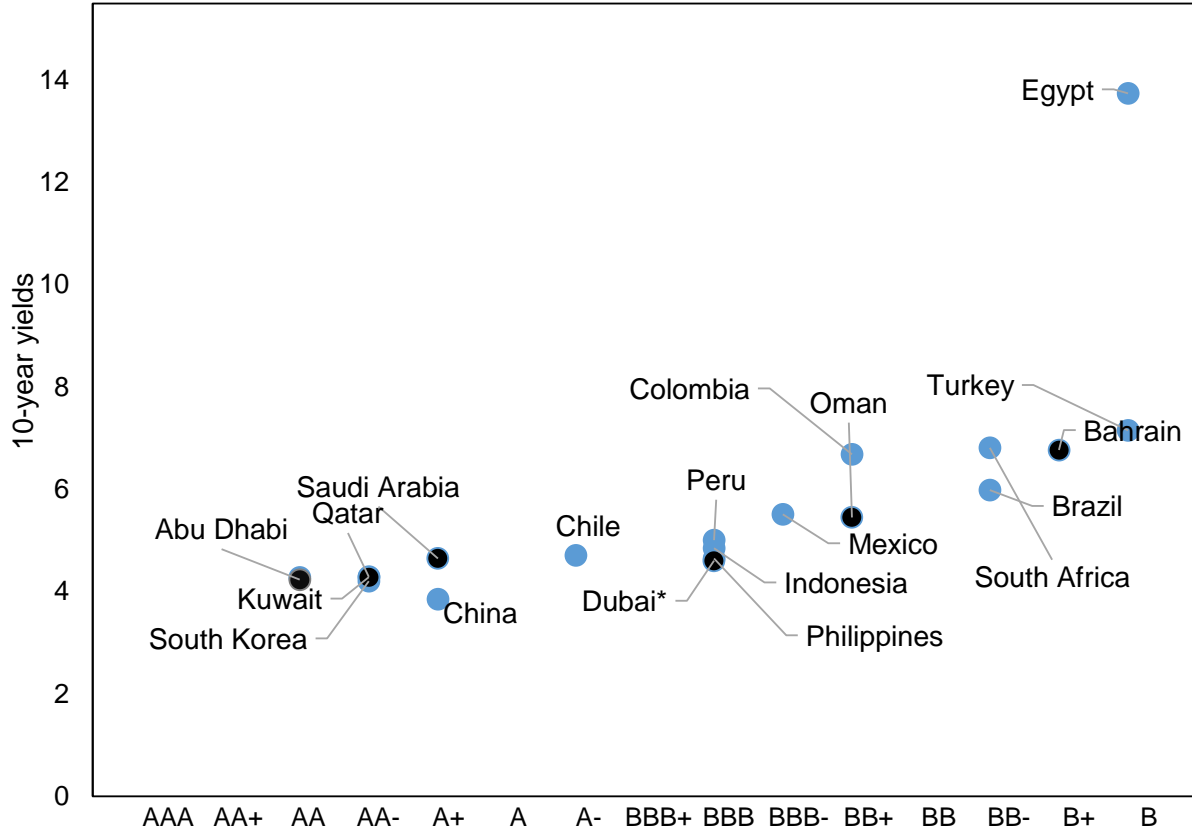
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

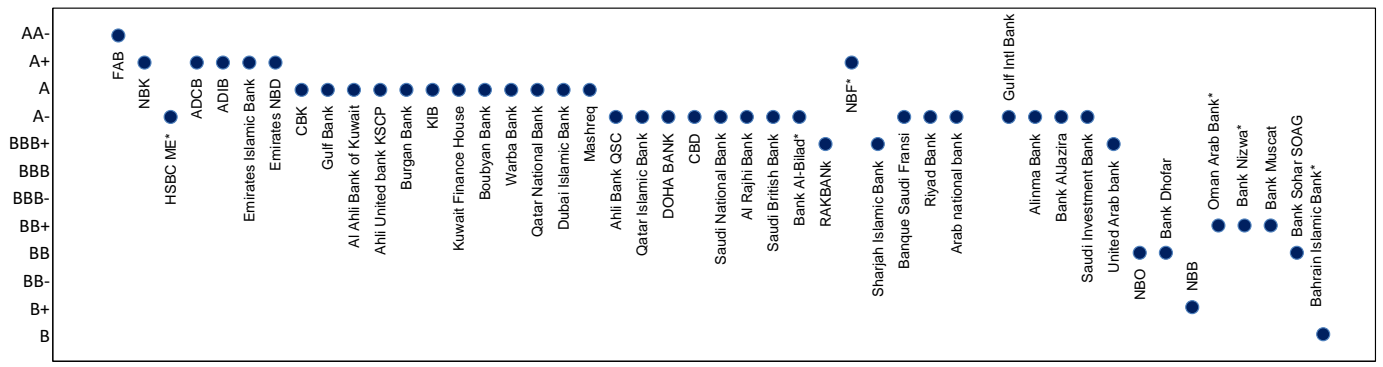
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

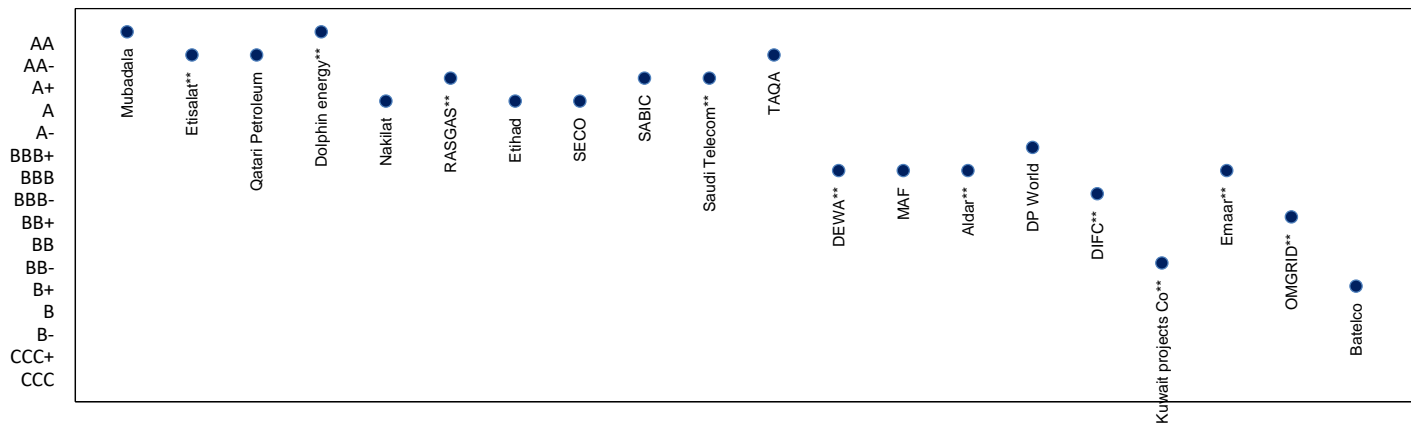
GCC Financials



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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