

GCC Fixed Income Weekly Review

Global benchmark bond index posted positive gains over the week (ending 6th December 2022). The 10yr UST yields declined in reaction to less hawkish comments by Fed Chair Jay Powell. Eurozone bond yields declined more compared to USTs after Euro area inflation surprised to the downside. Corporate credit performed well, with Global IG leading the gains. On the other hand, EM USD bonds recorded positive gains too.

Appetite for GCC bonds improved further over the week. All GCC bond indices recorded positive returns. Oman was the best performer while Kuwait underperformed the most. 5yr CDS sovereign spreads widened in all countries except Dubai and Kuwait. In the USD sovereign market, 10yr bond yields declined across all the GCC markets, the most in Qatar.

The UAE's non-oil private sector grew in November at its slowest pace since January, as signs emerged that concern over a global slowdown weighed on sales and confidence. **The seasonally adjusted UAE PMI fell to 54.4 in November from 56.6 in October, but remained in the expansionary territory.** Elsewhere, the non-oil private sector in Saudi Arabia grew strongly in November. **Saudi Arabia's PMI rose for the second consecutive month from 57.2 in October to 58.5 in November 2022.**

Dubai Islamic Bank (DIB) listed its first sustainable Sukuk with a value of USD750mn on Nasdaq Dubai. It is the first sustainable Sukuk issued by a UAE entity and was issued in accordance with DIB's Sustainable Finance Framework, which facilitates the financing of green and social projects and initiatives. DIB managed to price the 5-year senior issuance successfully at 5.493% per annum, a spread of 155bp over 5-Year US Treasury bonds. In addition, **UAE conducted its sixth dirham-denominated Treasury bond auction.** The auction received a strong demand, was oversubscribed by 4.5 times, receiving bids worth AED6.72bn. The demand was across both tranches with a final allocation of AED750mn for the three-year tranche and AED750mn for the five-year tranche, with a total of AED1.5bn issued in the auction.

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			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1075.5	1.0	-15.1	Saudi	5.3	-12.3	441.5
EM LatAm TR	918.5	0.8	-13.4	UAE	4.5	4.8	416.2
EM EMEA TR	323.7	0.7	-19.4	Kuwait	4.0	0.0	250.0
EM Asia TR	579.7	1.6	-11.9	Bahrain	5.8	0.0	429.1
Bahrain TR	176.3	1.0	-1.6	Oman	4.4	-	226.6
Oman TR	135.6	1.4	-1.3	Qatar	4.8	-	370.0
Kuwait TR	139.2	0.6	-7.4	US	4.7	-5.5	-
Qatar TR	129.8	1.3	-12.6	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	133.4	1.2	-12.6	Saudi	6.0	-6.9	492.7
UAE TR	131.7	1.2	-10.9	UAE	5.1	-5.0	434.2
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.6	6.3	256.3
Saudi Arabia	60.8	-	8.9	Bahrain	6.4	-0.8	459.2
Abu Dhabi	49.7	0.9	4.8	Oman	4.7	-	170.1
Dubai	109.4	-2.1	10.2	Qatar	5.3	-	395.0
Kuwait	59.9	-0.1	11.0	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	251.7	2.8	-52.3	Saudi Arabia	4.4	-11.6	192.8
Oman	173.9	4.6	-92.1	Abu Dhabi	4.0	-11.0	203.0
Qatar	50.0	1.0	4.7	Dubai	4.4	-14.3	185.6
Egypt	865.1	50.1	356.7	Kuwait	4.3	-12.9	262.7
Turkey	537.3	6.2	-31.5	Bahrain	6.8	-10.7	96.3
US	29.5	-1.1	15.0	Oman	6.1	-0.7	112.4
Germany	20.4	-	10.1	Qatar	4.1	-19.6	199.0

Note: *Dewa rating used as proxy, data from 30th November 2022 to 6th December 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

UAE non-oil private sector growth slows amid global headwinds-PMI

The UAE's non-oil private sector grew in November at its slowest pace since January, as signs emerged that concern over a global slowdown weighed on sales and confidence. The seasonally adjusted UAE PMI fell to 54.4 in November from 56.6 in October, but remained in the expansionary territory. The output sub-index that measures business activity fell to 59.9 in November from 62.8 in October. The employment sub-index fell to 51.5 from 52.0.

(Source: Zawya)

Saudi's non-oil private sector grew strongly in November- PMI

Saudi Arabia's non-oil private sector economy grew in November at its fastest pace since August 2015, supported by strong growth in business activities, despite rising inflationary pressures. Saudi's PMI rose for the second consecutive month from 57.2 in October to 58.5 in November 2022. It was also the highest reading since September 2021, higher than the series average of 56.8.

(Source: Zawya)

UAE conducted its sixth dirham-denominated Treasury bond auction

UAE conducted its sixth dirham-denominated Treasury bond auction. The latest auction, which is part of the AED9bn T-Bond issuance program for 2022, received strong demand and was oversubscribed by 4.5 times with bids exceeding AED6.72bn. The 3-year bond was priced at a spread of 18bp over US Treasuries while the 5-year bond was priced at a spread of 30bp over US Treasuries. The demand was across both tranches with a final allocation of AED750mn for the three-year tranche and AED750mn for the five-year tranche, with a total of AED1.5bn issued in the auction.

(Source: Zawya)

Dubai Islamic Bank has listed a sustainable sukuk on Nasdaq Dubai

Dubai Islamic Bank (DIB) listed its first sustainable sukuk with a value of USD750mn on Nasdaq Dubai. It is the first sustainable sukuk issued by a UAE entity and was issued in accordance with DIB's Sustainable Finance Framework, which facilitates the financing of green and social projects and initiatives. DIB managed to price the 5-year senior issuance successfully at 5.493% per annum, a spread of 155bp over 5-year US Treasury bonds. DIB issued the new Sukuk under a USD7.5bn Sukuk program and it received a rating of 'A3-' by Moody's and 'A' by Fitch. This new listing has added the total value of ESG-linked bonds and sukuk listed on Nasdaq Dubai to USD16.825bn. In addition, the new listing solidifies Dubai's capital markets credibility as one of the leading global sukuk listing venues adding a total value of USD80.287bn.

(Source: Zawya)

Majid Al Futtaim raised USD1.25bn in sustainability-linked loan

Emirati retail conglomerate Majid Al Futtaim raised a USD1.25bn in revolving credit facility linked to the company's environmental, social and governance (ESG) goals.

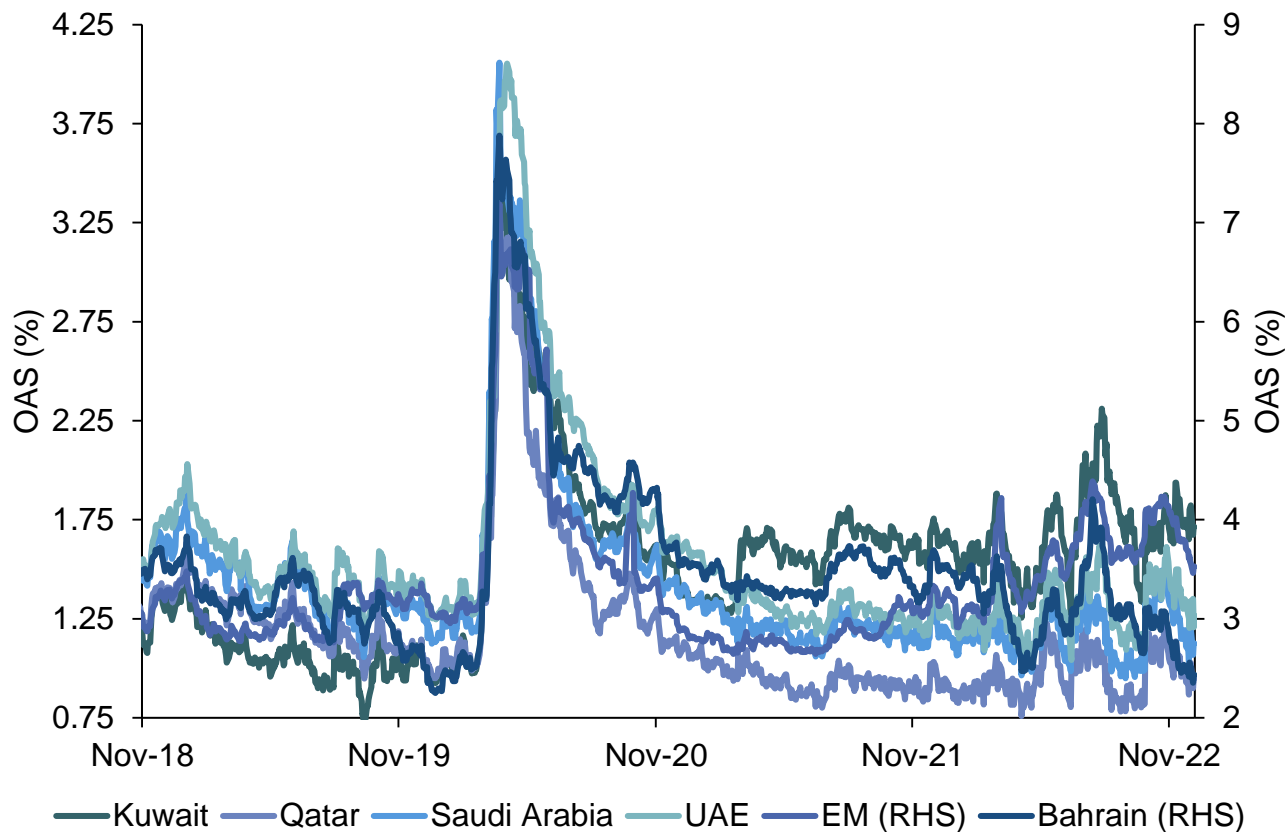
(Source: Reuters)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg^	YTM (mid)	YTC (mid)
Gaci First Investment Co	PIFKSA	Agency	SA	500	5.375	10/13/2122	CALLABLE	USD	10/13/2022	A	6.70	6.57
Gaci First Investment Co	PIFKSA	Agency	SA	1250	5.25	10/13/2032	CALLABLE	USD	10/13/2022	A	5.40	5.60
Gaci First Investment Co	PIFKSA	Agency	SA	1250	5	10/13/2027	CALLABLE	USD	10/13/2022	A	5.21	5.51
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	700	5.125	10/13/2027	AT MATURITY	USD	10/13/2022	AA-	5.29	-
Emirates NBD Bank PJSC	EBIUH	Agency	AE	500	5.625	10/21/2027	AT MATURITY	USD	10/21/2022	A+	5.75	-
KSA Sukuk Ltd	KSA	Sovereign	SA	2500	5.268	10/25/2028	AT MATURITY	USD	10/25/2022	A	5.27	-
Saudi Government International Bond	KSA	Sovereign	SA	2500	5.5	10/25/2032	AT MATURITY	USD	10/25/2022	A	5.50	-
Arada Sukuk Ltd	ARADAD	Financial Institutions	AE	100	8.125	6/8/2027	AT MATURITY	USD	10/27/2022	BB-	8.39	-
MDGH GMTN RSC Ltd	MUBAUH	Agency	AE	1000	5.5	4/28/2033	CALLABLE	USD	10/28/2022	AA	5.68	5.70
MASHREQBANK PSC	MASQUH	Agency	AE	500	7.875	02/24/2033	CALLABLE	USD	11/23/2022	BBB+	7.72	
BSF FINANCE	BSFR	Agency	SA	700	5.5	11/23/2027	AT MATURITY	USD	11/23/2022	BBB+	5.52	
DIB SUKUK LTD	DIBUH	Agency	AE	750	5.493	11/30/2027	AT MATURITY	USD	11/30/2022	A-	5.41	

*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

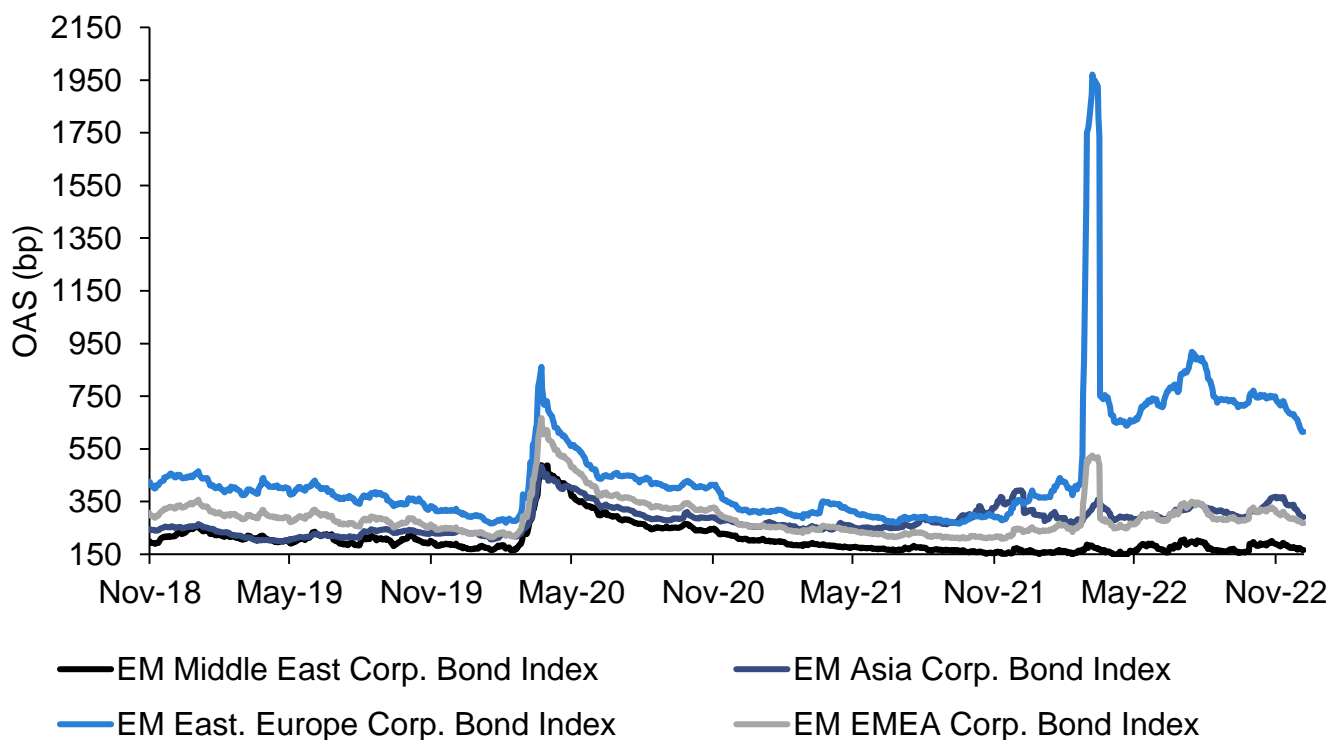
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



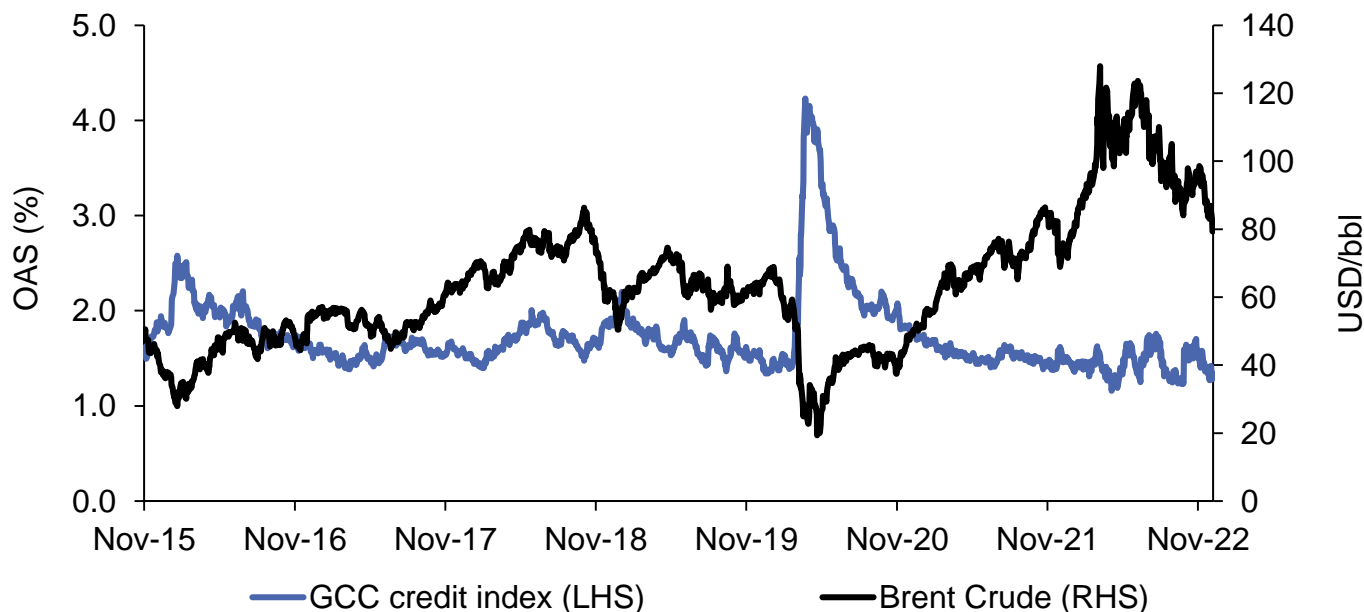
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

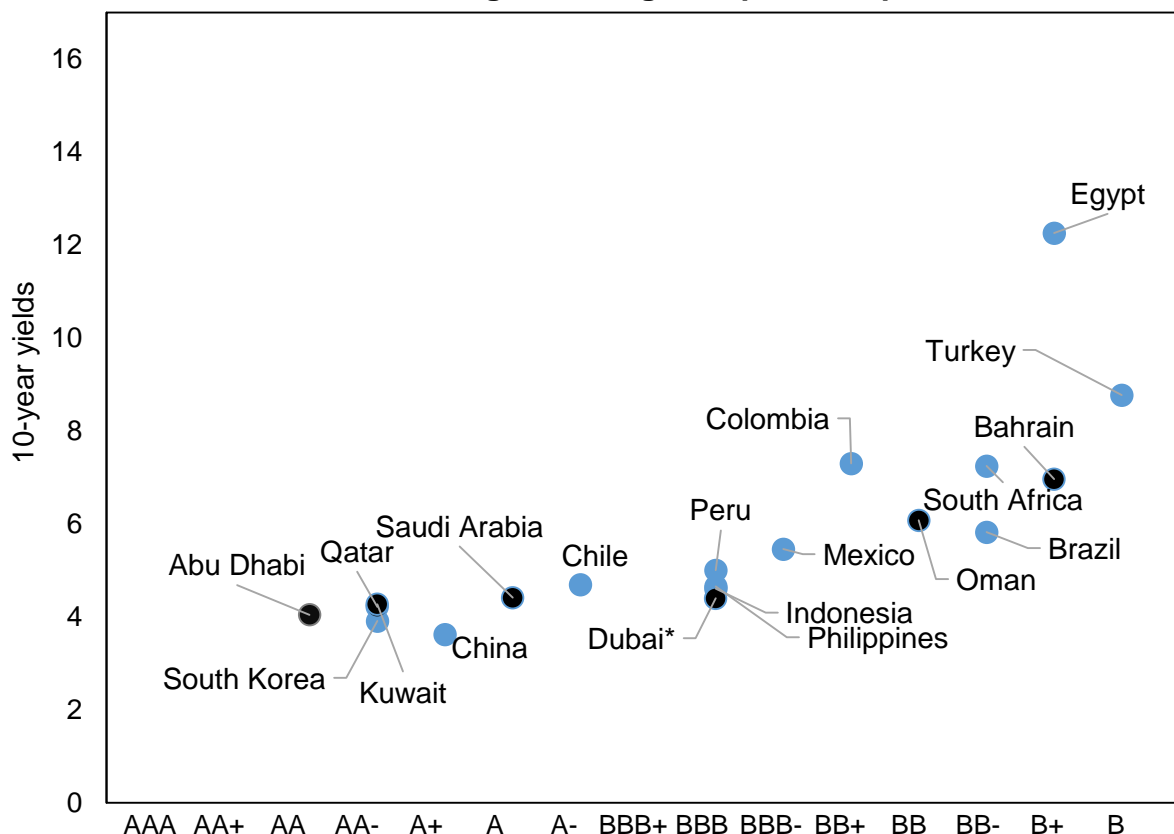
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

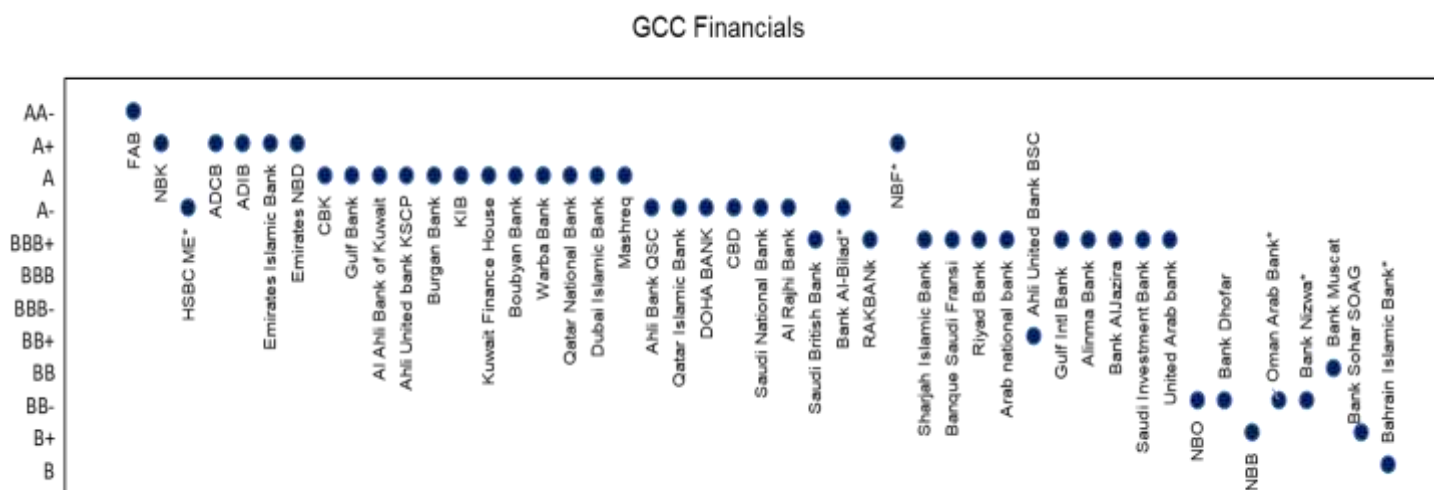
10yr yield versus Credit ratings (EM vs GCC)

GCC sovereigns trading cheap versus peers



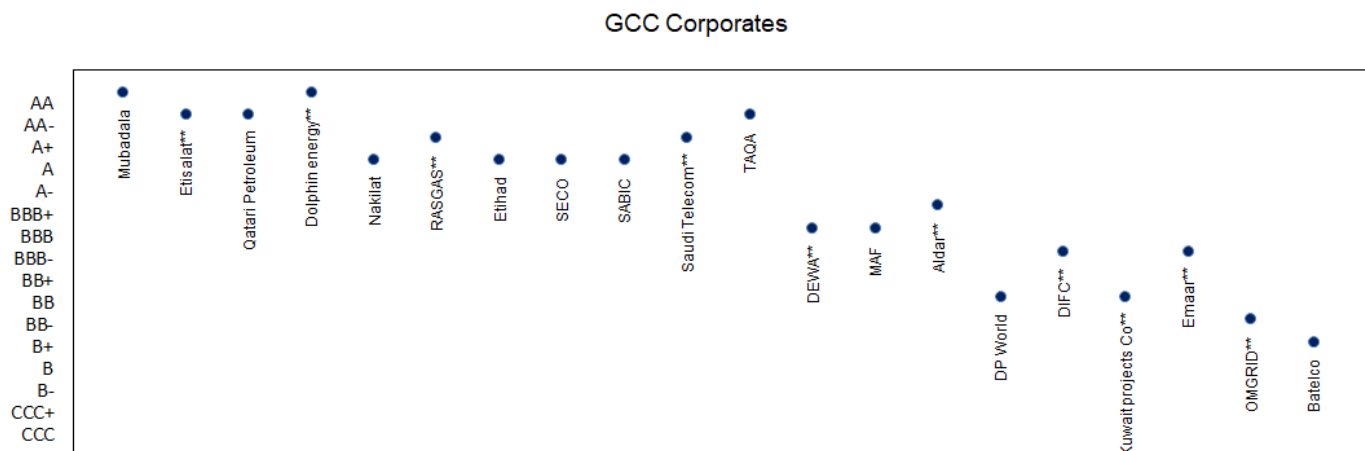
Source: Bloomberg, ADCB Asset Management, *Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

GCC Financials Credit Rating



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



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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