

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal gains over the week (ending 13th December 2022). The 10yr UST yields rose over the week as data pointed to US economy's resilience to the Fed rate hikes. Eurozone government bond yields also edged higher, rising more than UST yields. Corporate credit performed mixed, with Global IG flat while Global HY index recorded strong gains. EM USD bonds continued to post positive gains for another week.

Appetite for GCC bonds improved over the week. All GCC bond indices recorded positive returns. Oman was the best performer. 5yr CDS sovereign spreads tightened in all countries barring Oman. In the USD sovereign market, 10yr bond yields declined across all the GCC markets, the most in Kuwait.

Dubai's non-oil private sector expanded in November, but growth in output and new orders slowed since February. **Dubai PMI dropped from 56.0 in October to 54.9 in November.** Meanwhile, **Dubai's GDP grew by 4.6% y-o-y to AED307.5bn during the first nine months of 2022.** Elsewhere, **Saudi Arabia's real GDP expanded by 8.8% y-o-y in Q3 22, driven by an increase in oil activities,** according to the General Authority for Statistics. **Saudi Arabia also approved a SAR1.114trn budget for 2023 and is penciling in a surplus of SAR16bn.** Elsewhere, **Oman posted a financial surplus of OMR1.2bn, compared to recording a deficit of OMR1bn** during the same period in 2021. Qatar reported a budget surplus of QAR30bn for Q3 22 due to an increase in oil and gas revenues.

Emirates REIT issued USD380mn in Islamic bonds, completing a refinancing of its existing sukuk. The new sukuk are secured and have a profit rate of 9.5%.

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	1086.5	0.7	-14.2	Saudi	5.2	-5.6	432.0
EM LatAm TR	935.6	1.2	-11.8	UAE	4.5	6.8	418.1
EM EMEA TR	327.4	1.0	-18.5	Kuwait	4.0	0.0	250.0
EM Asia TR	581.0	0.0	-11.8	Bahrain	5.8	1.1	429.5
Bahrain TR	177.8	0.7	-0.7	Oman	4.1	-	195.8
Oman TR	137.0	1.0	-0.3	Qatar	5.0	-	382.5
Kuwait TR	140.2	0.6	-6.7	US	4.8	2.9	-
Qatar TR	131.4	0.9	-11.5	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	135.0	0.9	-11.5	Saudi	5.9	-7.0	480.5
UAE TR	133.2	0.8	-9.9	UAE	5.1	10.8	436.5
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.6	0.0	256.3
Saudi Arabia	61.1	-1.2	9.1	Bahrain	6.4	0.0	459.2
Abu Dhabi	47.5	-1.9	2.7	Oman	4.4	-	139.1
Dubai	94.8	-9.9	-4.4	Qatar	5.3	-	397.5
Kuwait	60.0	-0.1	11.1	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	243.4	-4.5	-60.7	Saudi Arabia	4.2	-12.8	175.3
Oman	183.0	4.6	-83.1	Abu Dhabi	3.9	-11.4	184.6
Qatar	48.0	-2.8	2.7	Dubai	4.2	-13.5	169.9
Egypt	798.0	-55.6	289.6	Kuwait	4.1	-19.8	242.4
Turkey	501.7	-38.5	-67.1	Bahrain	6.6	-14.5	75.9
US	27.5	-1.5	13.0	Oman	5.8	-18.3	87.3
Germany	20.6	0.2	10.3	Qatar	3.9	-11.1	180.3

Note: *Dewa rating used as proxy, data from 07th December 2022 to 13th December 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Dubai's non-oil private sector grow at a modest pace in November

Dubai's non-oil private sector expanded in November, but growth in output and new orders slowed since February. The Dubai PMI dropped from 56.0 in October to 54.9 in November. Despite the slight slowdown in growth since October, output levels continued to rise sharply.

(Source: Zawya)

Dubai's GDP grew by 4.6% to 307.5bn

Dubai's GDP grew by 4.6% y-o-y to reach AED307.5bn during the first nine months of 2022. The Wholesale and Retail Trade sector grew by 1.6% y-o-y, Transport and Storage sector expanded by 26.3% y-o-y, Accommodation and Food Services activity grew by 28% y-o-y, real estate activity grew by 2.5% y-o-y and Financial and insurance activities expanded by 1.2% y-o-y during the first nine months of 2022.

(Source: Zawya)

Saudi Arabia's real GDP grew by 8.8% in Q3 due to an increase in oil activities

Saudi Arabia's real GDP grew by 8.8% in Q3 22, driven by an increase in oil activities, according to the General Authority for Statistics. Real GDP in Q3 22 increased by 2.1% on a q-o-q basis. Oil activities in Q3 22 expanded by 14.2% y-o-y, and 4.5% q-o-q. Non-oil activities grew by 6% y-o-y, but decreased by 0.5% q-o-q.

(Source: Zawya)

Saudi Arabia has approved its budget for 2023, and surplus is expected to shrink

Saudi Arabia approved a SAR1.114trn budget for 2023 and is penciling in a surplus of SAR16bn, 2.6% of GDP. Saudi Arabia expects revenues of SAR1.13trn in 2023. The total revenue forecast for 2022 is SAR1.234trn, while the total expenditures are SAR1.132trn.

(Source: Reuters)

Qatar's Q3 surplus soars on higher oil and gas revenue

Qatar reported a budget surplus of QAR30bn for Q3 22 due to an increase in oil and gas revenues. Qatar reported that spending in Q3 22 was QAR51.8bn. Total revenues in Q3 amounted to QAR81.8bn, and over QAR76.3bn, came from oil and gas.

(Source: Reuters)

Oman's general budget posted a surplus of USD1bn

Oman posted a financial surplus of OMR1.2bn, compared to recording a deficit of more than OMR1bn during the same period in 2021 mainly due to higher oil and gas revenues. Oman's general revenues increased by 42.3% at the end of October 2022.

(Source: Zawya)

Emirates REIT refinances its sukuk with an USD380mn issue

Emirates REIT issued USD380mn in Islamic bonds, completing a refinancing of its existing sukuk. A sharia-compliant real estate investment trust rescinded its offer to exchange its USD400mn sukuk issued in 2017 for new paper in June 2021 after failing to secure investor support. The new sukuk, which were proposed last month, are secured and have a profit rate of 9.5%.

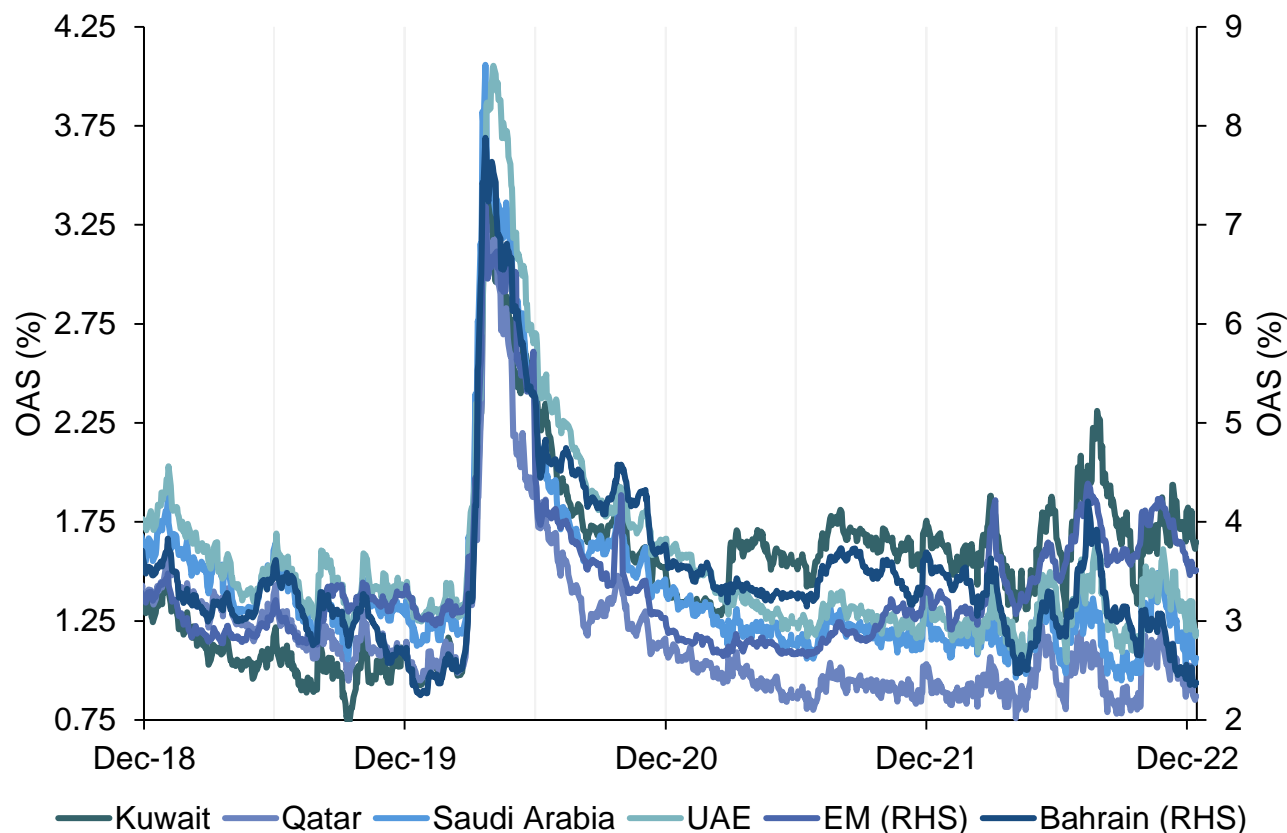
(Source: Reuters)

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

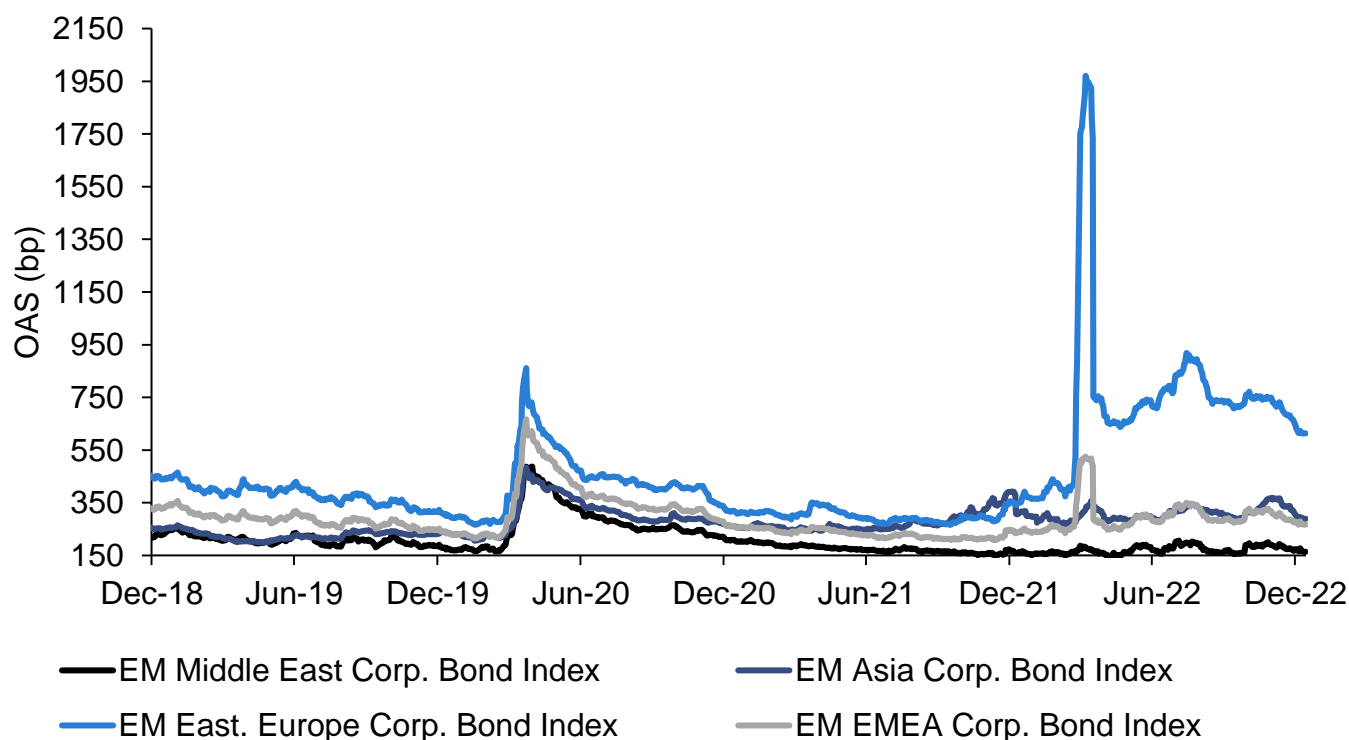
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



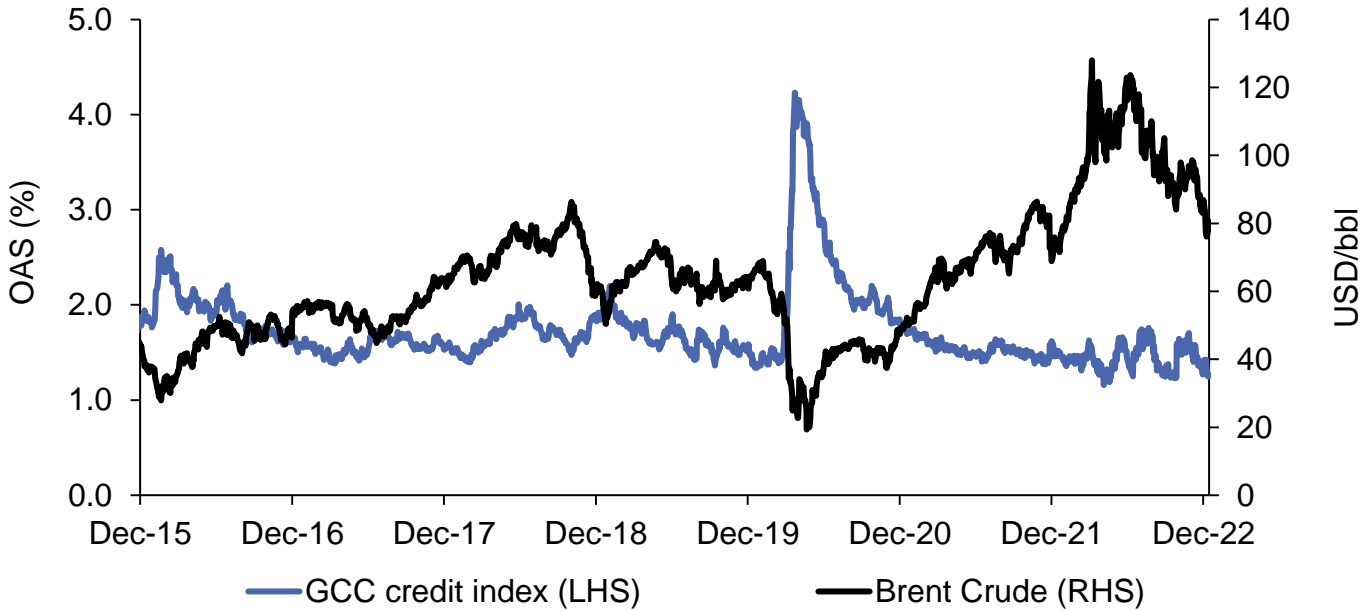
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

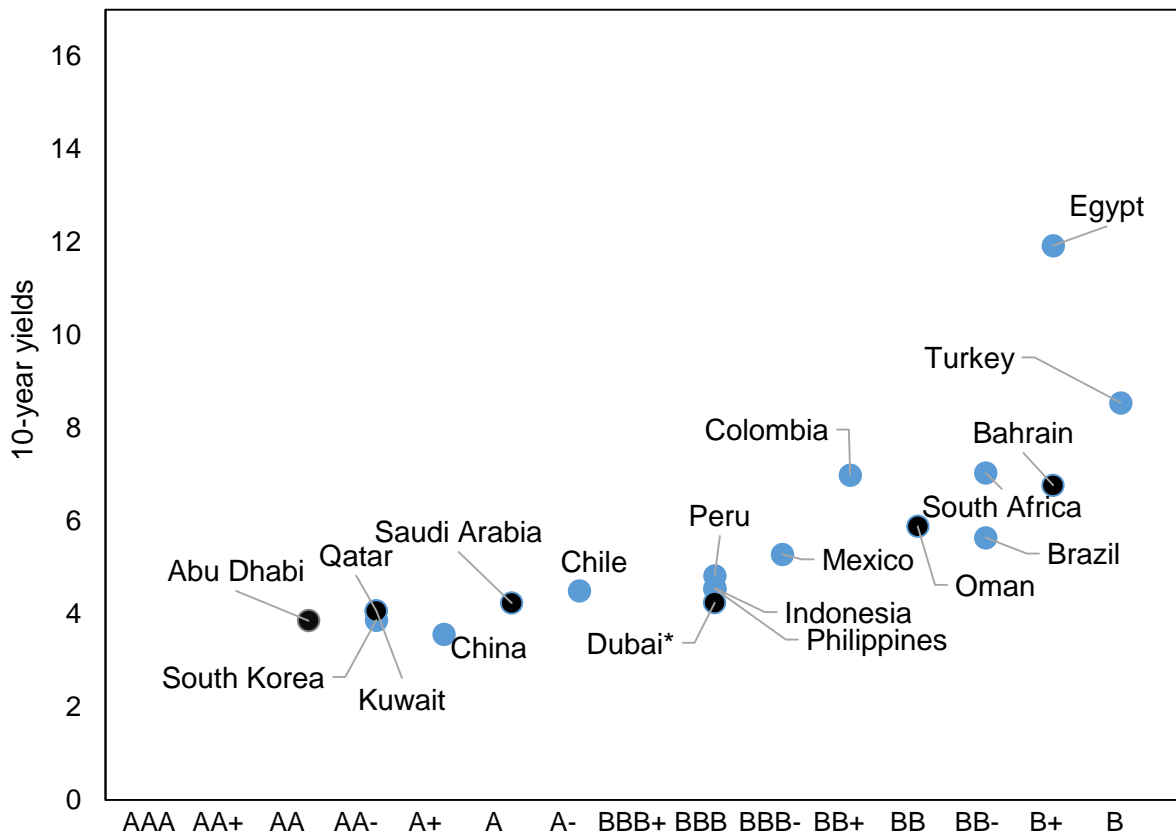
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

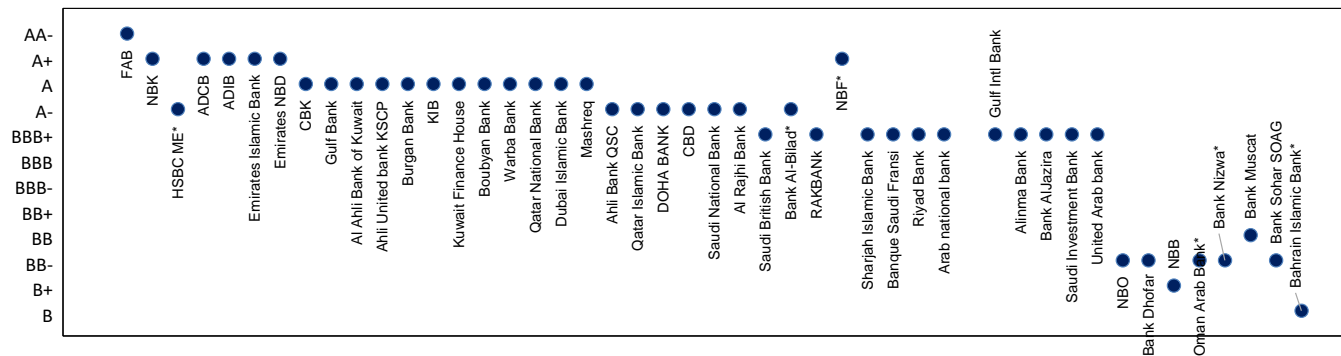
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

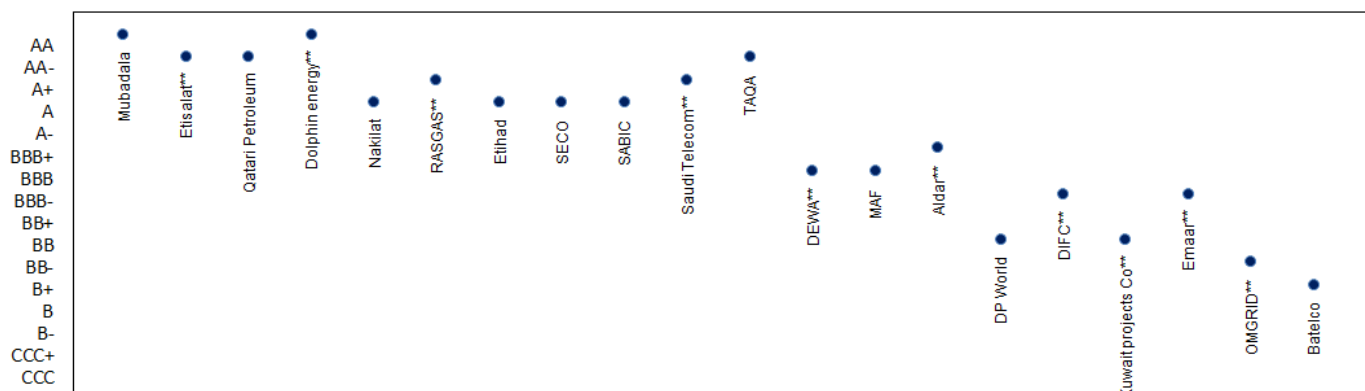
GCC Financials



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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