

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 20th December 2022). The 10yr UST yields rose over the week after Bank of Japan unexpectedly tweaked its yield curve control policy. The 10yr UST yields had initially declined after the Fed slowed the pace of rate hikes and economic data- inflation, retail sales and flash PMI came out weaker-than expected. Eurozone government bond yields rose after ECB pledged further tightening of monetary policy to fight inflation. Corporate credit recorded losses, with Global IG underperforming the most. EM bonds posted marginal losses amidst the rise in global bond market volatility.

GCC bonds lacked appetite over the week. All GCC bond markets posted negative performance. Saudi Arabia and Qatar underperformed the most. Similarly, CDS spreads widened mostly across all GCC countries with the exception of Kuwait where spreads tightened. In the USD sovereign market, 10yr bond yields rose across all the GCC markets led by Bahrain and Abu Dhabi.

GCC central banks raised interest rates in response to the Fed' rate hike of 50bp. The Central Bank of the UAE (CBUAE) raised the Base Rate applicable to the Overnight Deposit Facility (ODF) by 50bp from 3.9% to 4.4%. The Central Bank of Kuwait (CBK) decided to raise the discount rate by 0.50% from 3.00% to 3.50%. The Saudi Central Bank (SAMA), the Central Bank of Bahrain and Qatar Central Bank raised their interest rates by 50bp. Elsewhere, **Oman is forecasting a OMR1.3bn (USD3.39bn) deficit in its 2023 budget, or 3% of GDP, following an expected surplus this year.** Similarly, **Qatar has approved its 2023 budget with revenues estimated at QAR228bn and expenditures estimated at QAR199bn, with a budget surplus of QAR29bn.** Separately, **Fitch Ratings downgraded Emirates REIT's (ER) long-term issuer default rating (IDR) following last week's refinancing of its USD400mn sukuk.** The IDR is downgraded to restricted default (RD), while ER's rating is upgraded to CCC+.

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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+

GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1075.8	-1.1	-15.1	Saudi	5.2	5.1	433.8
EM LatAm TR	922.1	-1.4	-13.0	UAE	4.5	-1.5	415.8
EM EMEA TR	323.3	-1.4	-19.5	Kuwait	4.0	0.0	250.0
EM Asia TR	579.1	-0.6	-12.0	Bahrain	6.1	-	454.8
Bahrain TR	176.8	-0.7	-1.2	Oman	4.1	-10.4	197.4
Oman TR	136.0	-0.9	-1.0	Qatar	5.1	-	399.2
Kuwait TR	139.8	-0.2	-7.0	US	4.7	0.2	-
Qatar TR	130.0	-1.1	-12.4	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	133.6	-1.2	-12.5	Saudi	5.9	3.4	481.4
UAE TR	132.3	-0.7	-10.5	UAE	5.0	-3.0	422.2
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.6	0.0	256.3
Saudi Arabia	65.1	3.2	13.1	Bahrain	6.5	-	474.4
Abu Dhabi	48.1	0.8	3.2	Oman	4.3	-16.4	133.4
Dubai	98.3	2.5	-0.8	Qatar	5.4	-	409.2
Kuwait	60.0	-0.1	11.1	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	262.4	16.4	-41.7	Saudi Arabia	4.5	21.4	197.5
Oman	197.6	11.1	-68.4	Abu Dhabi	4.1	25.3	211.2
Qatar	50.8	2.4	5.5	Dubai	4.4	15.5	186.6
Egypt	942.4	139.3	434.0	Kuwait	4.2	7.1	253.5
Turkey	546.4	25.1	-22.4	Bahrain	6.9	27.7	100.9
US	26.8	0.1	12.3	Oman	6.0	18.9	104.4
Germany	20.8	-0.1	10.5	Qatar	4.1	20.0	201.9

Note: *Dewa rating used as proxy, data from 14th December 2022 to 20th December 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

GCC central banks raised interest rates in response to the US Federal Reserve's rate hike

The central banks of Saudi Arabia, Bahrain, and Qatar increased their interest rates after the Fed raised Interest on Reserve Balances (IORB) by 50bp. The Central Bank of the UAE (CBUAE) raised the Base Rate applicable to the Overnight Deposit Facility (ODF) by 50bp from 3.9% to 4.4%. The Central Bank of Kuwait (CBK) decided to raise the discount rate by 0.50% from 3.00% to 3.50%. The Saudi Central Bank (SAMA), the Central Bank of Bahrain and Qatar Central Bank raised their interest rates by 50bp.

(Source: Zawya)

Oman pencilled in 3% of GDP in 2023

Oman is forecasting a OMR1.3bn (USD3.39bn) deficit in its 2023 budget, or 3% of GDP, following an expected surplus this year. The country expects revenues of OMR11.7bn and expenditure at OMR13bn next year, based on an average oil price assumption of USD55/bbl.

(Source: Zawya)

Qatar approved 2023 budget, with an estimated expenditure of USD62.64bn

Qatar has approved its 2023 budget with revenues estimated at QAR228bn and expenditures estimated at QAR199bn, with a budget surplus of QAR29bn. In Q3 22, Qatar posted a surplus of QAR30bn, boosted by strong oil and gas revenues this year due to high global energy prices.

(Source: Zawya)

Saudi inflation rate dropped to 2.9% in November

According to Saudi Arabia General Authority for Statistics, Saudi Arabia's annual inflation rate fell from 3% in October to 2.9% in November. Consumer prices increased by 0.1%, compared to October. Price rise was mainly driven by housing costs.

(Source: Zawya)

Central bank of UAE expects real GDP to grow by 7.6 % in 2022 and 3.9% in 2023

The Central Bank of the United Arab Emirates (CBUAE) expects real GDP to grow by 7.6% in 2022, instead of its previous expectation of 6.5%. The oil GDP is expected to grow by 11%, while the non-oil GDP is expected to grow by 6.1% in 2022. Furthermore, the bank revised its estimates for 2023, and expects the real GDP to grow by 3.9% in 2023, and the non-oil GDP will grow by 4.2%.

(Source: Zawya)

Fitch downgraded Emirates REIT's IDR after refinancing its sukuk

Fitch Ratings downgraded Emirates REIT's (ER) long-term issuer default rating (IDR) following last week's refinancing of its USD400mn sukuk. The IDR is downgraded to restricted default (RD), while ER's rating is upgraded to CCC+. The "RD" IDR reflects the "distressed debt exchange" (DDE) of ER's USD400mn sukuk notes into USD380mn in two-year (plus one year) secured instruments, with modified terms and conditions. The ratings agency stated that the extension of the refinancing risk was one of the key ratings drivers.

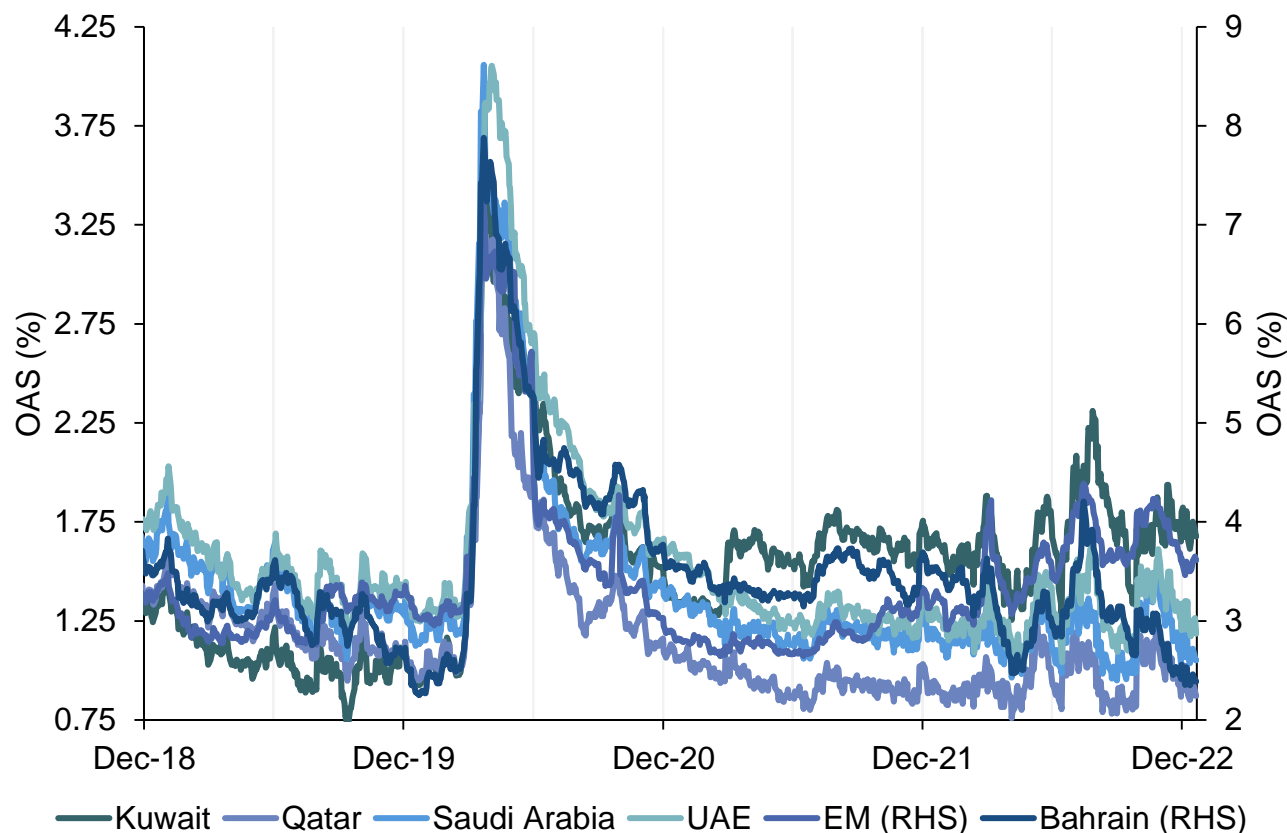
(Source: Zawya)

Issuer	BBG	Sector	Cou ntry	Issue Amt*	Cpn	Maturity	Maturity Type	Curr enc y	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

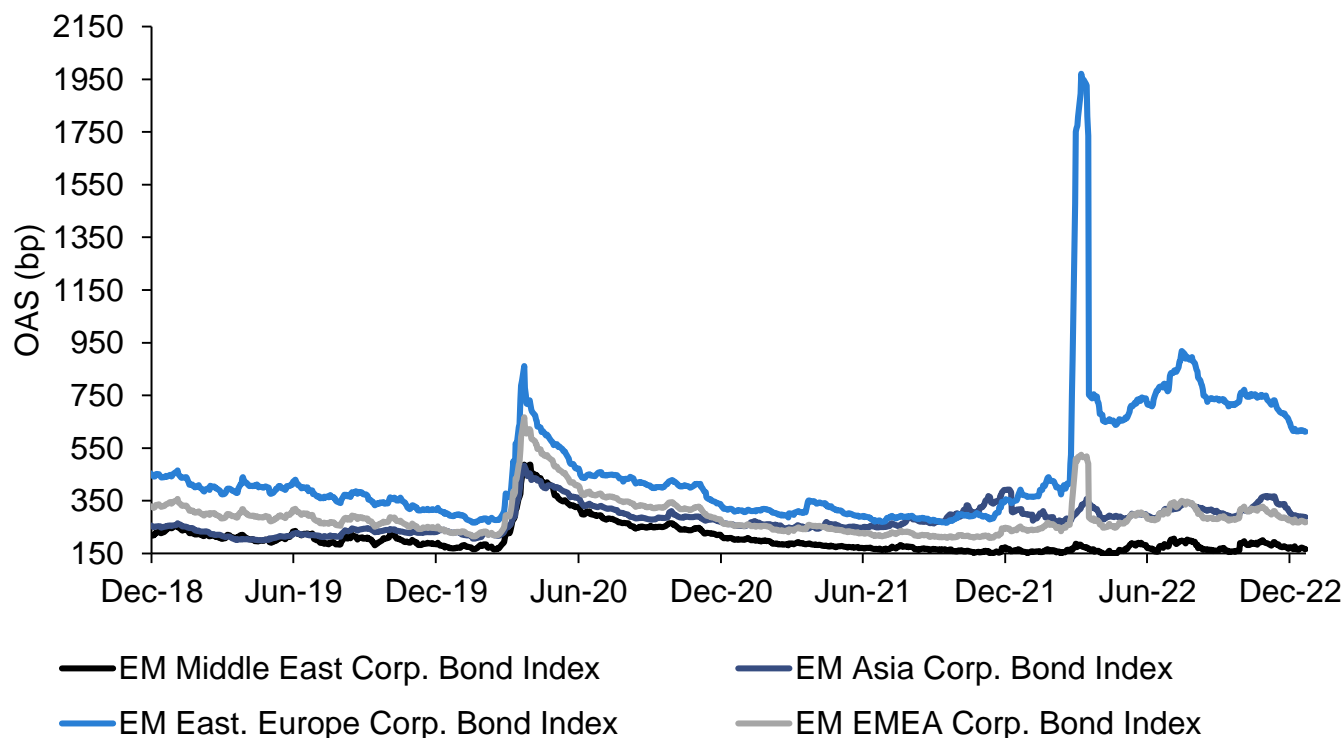
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



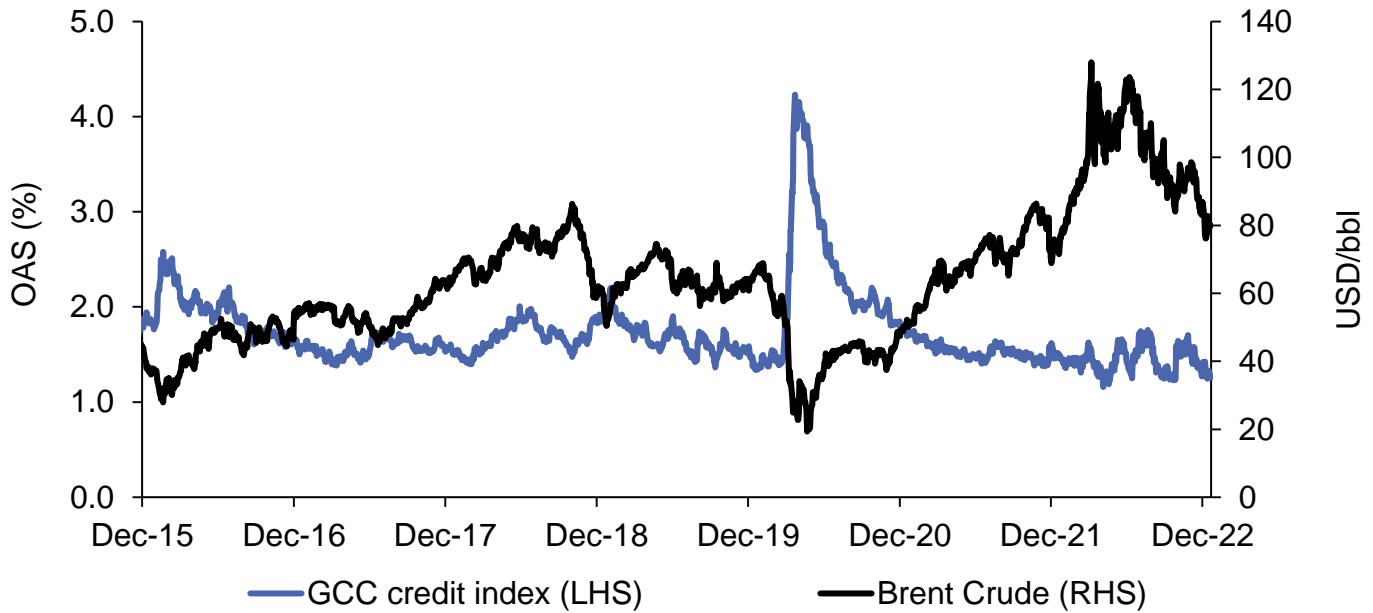
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

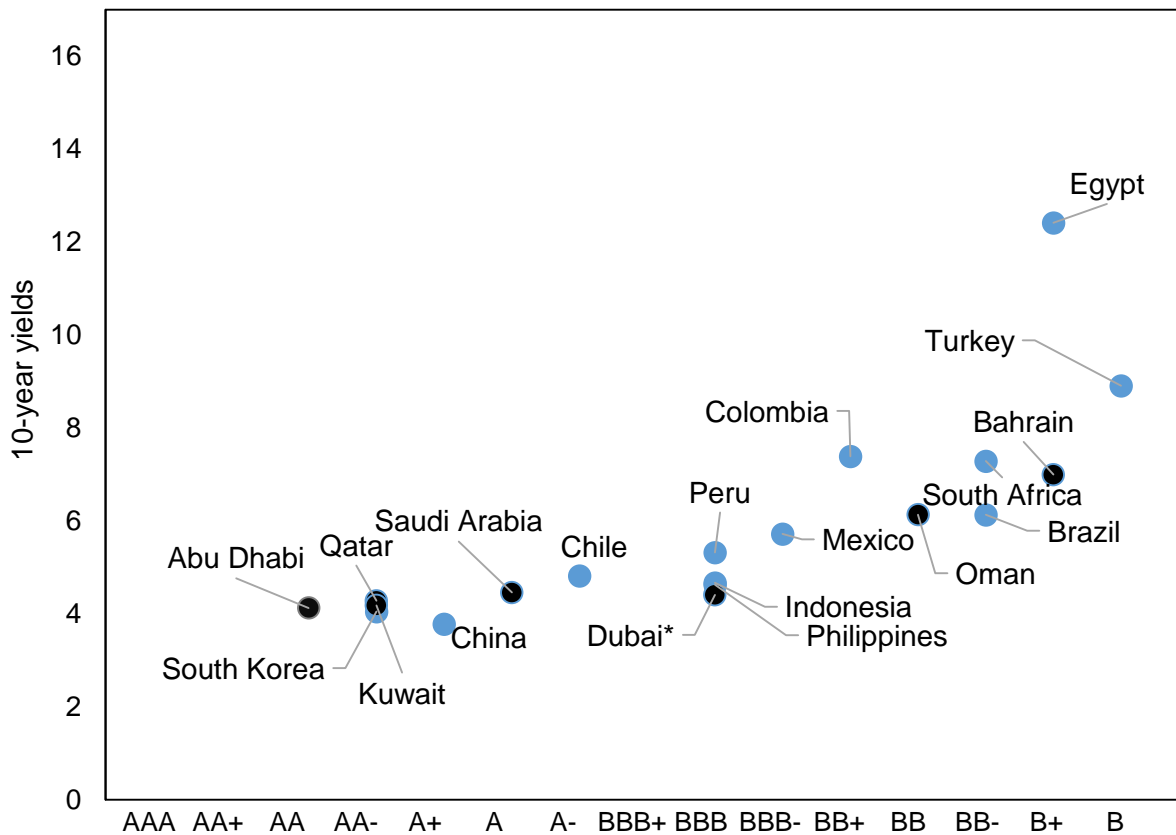
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

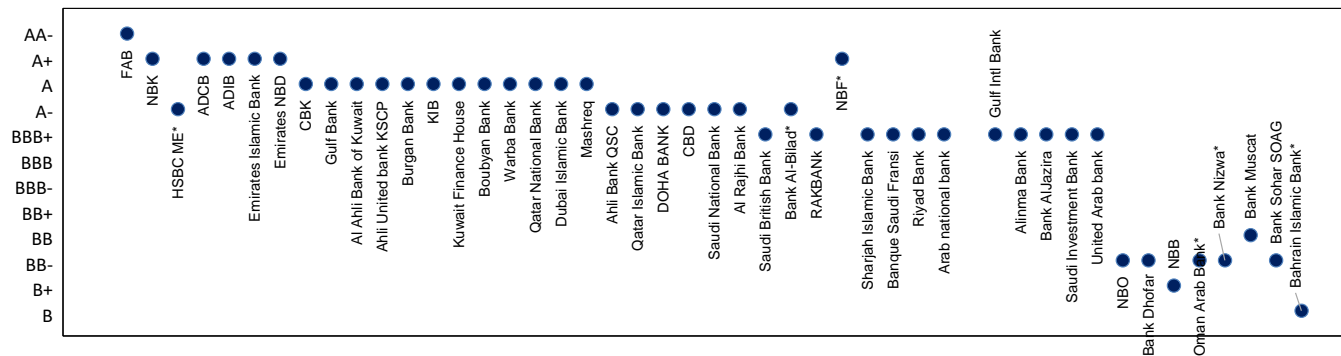
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

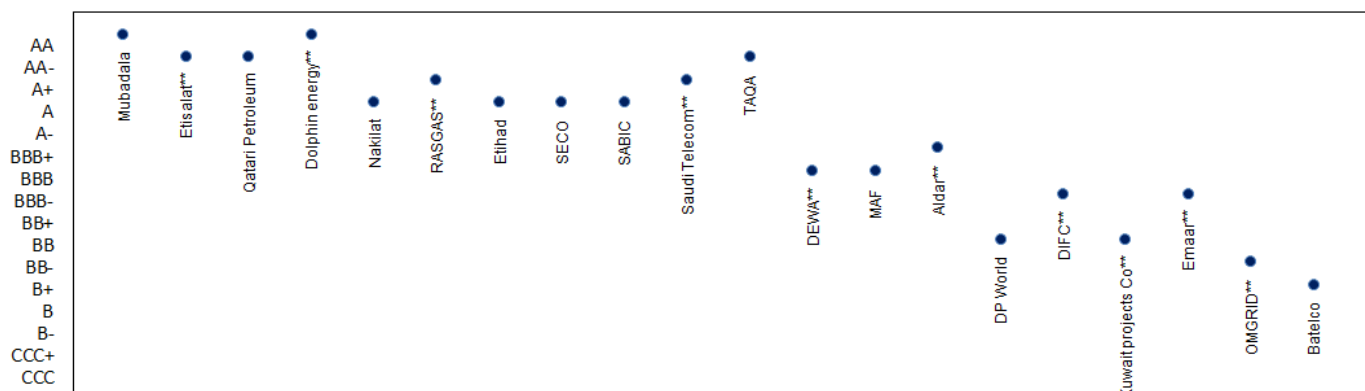
GCC Financials



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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