

GCC Fixed Income Weekly Review

Global bond index continued to decline as the volatility in the fixed income markets failed to abate amidst rising geopolitical tensions and rate hike concerns. The sell-off was mainly led by the corporate credit with both IG and HY coming under pressure. The 10yr UST yield rose over the week, breaching the 2% level, despite some safe-haven buying. In Europe, periphery bond yields rose over the week, widening their spreads versus core bond yields. No relief for EM bonds which posted another week of losses on the back of continued volatility and rising geopolitical tensions.

Appetite for GCC bonds remained weak. High-quality sovereigns of Qatar and Saudi Arabia led the losses for another week while Bahrain and Oman were mostly unchanged. Similarly, CDS spreads widened across all GCC sovereigns with Bahrain and Oman recording the largest widening in spreads. In the USD sovereign market, bond yields edged higher across the GCC with Abu Dhabi and Oman recording the largest jump in yields.

The recent PMI survey indicated that rising COVID-19 cases caused by the Omicron variant slowed growth in Dubai's private sector economy in January. **The seasonally adjusted IHS Markit Dubai Purchasing Managers' Index (PMI) fell for the first time in four months, from 55.3 in December to 52.6 in January**, but remained above the 50-mark indicating a solid improvement in the business environment across the non-oil private sector.

In corporate issuances, **Dubai Islamic Bank (DIB) sold USD750mn of 5yr senior sukuk**. The debt sale, attracted an extraordinary level of investor interest, oversubscribed by over 2.5 times. Listed on Euronext Dublin and Nasdaq Dubai, this sukuk has the lowest credit spread of any of DIB's fixed-rate senior issuances. **Riyad Bank sold USD750mn in AT1-linked Islamic bonds at a 4% yield.**

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aaa2	Baa1	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	1,215.7	-0.8	-4.0	Saudi	1.28	19.51	37.27
EM LatAm TR	1009.5	-1.1	-4.8	UAE	0.55	5.0	19.0
EM EMEA TR	387.9	-0.6	-3.4	Kuwait	1.50	0.0	0.00
EM Asia TR	631.8	-0.7	-4.0	Bahrain	1.57	0.0	5.0
Bahrain TR	176.7	-0.4	-1.3	Oman	2.13	-1.06	-0.50
Oman TR	134.6	-0.2	-2.1	Qatar	1.15	-	2.5
Kuwait TR	147.1	-0.5	-2.2	US	0.47	9.13	25.43
Qatar TR	142.1	-0.8	-4.3	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	145.8	-0.7	-4.5	Saudi	1.68	22.0	62.0
UAE TR	142.6	-0.6	-3.5	UAE	1.31	15.71	56.85
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.00	0.0	0.0
Saudi Arabia	55.0	1.0	3.1	Bahrain	1.78	0.00	1.66
Abu Dhabi	52.7	0.8	7.9	Oman	3.02	-1.0	0.4
Dubai	106.3	2.9	7.1	Qatar	1.35	-	2.50
Kuwait	60.9	2.0	12.0	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	312.23	3.8	8.2	Saudi Arabia	2.94	7.9	45.8
Oman	255.7	7.9	-10.3	Abu Dhabi	2.55	10.20	53.30
Qatar	53.0	0.9	7.8	Dubai	2.78	0.9	23.8
Egypt	547.6	22.5	39.1	Kuwait	2.27	5.50	62.20
Turkey	526.7	15.1	-42.1	Bahrain	6.17	9.0	32.5
US	13.2	0.1	-1.3	Oman	5.52	7.30	55.20
Germany	8.0	-1.1	-2.4	Qatar	2.65	6.5	55.0

Note: *Dewa rating used as proxy, data from 9th February to 16th February 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Dubai's non-oil private sector's growth slowed in January despite the rise of Omicron

The recent PMI survey indicated that rising COVID-19 cases caused by the Omicron variant slowed growth in Dubai's private sector economy in January. The seasonally adjusted IHS Markit Dubai Purchasing Managers' Index (PMI) fell for the first time in four months, from 55.3 in December to 52.6 in January, but remained above the 50-mark indicating a solid improvement in the business environment across the non-oil private sector. New business saw a weaker growth after December's 29-month high. Supply chain issues were evident though companies expect a recovery in economic activity. Despite the weakness seen in wholesale, retail, tourism and travel sectors, output levels continued to rise rapidly. Construction output reached its highest level since mid-2019.

(Source: Zawya)

Dubai Islamic Bank sold 5yr sukuk worth USD750mn

Dubai Islamic Bank (DIB) sold USD750mn of 5yr senior sukuk. The debt sale, attracted an extraordinary level of investor interest, oversubscribed by over 2.5 times. The bonds had a profit rate of 2.74% and were priced at 95bp. Listed on Euronext Dublin and Nasdaq Dubai, this sukuk has the lowest credit spread of any of DIB's fixed-rate senior issuances.

(Source: Zawya)

Riyad Bank sold USD750mn in sukuk

Riyad Bank, which has a 43% indirect ownership by the Saudi government, sold USD750mn in AT1-linked Islamic bonds at a 4% yield. The final yield tightened from an initial price guidance of 4.375% after receiving bid orders over USD3bn. Riyad Bank's AT1 sukuk is non-callable for the next five and a half years.

(Source: Zawya)

Bahrain's Oil & Gas Holding hires banks to restructure a USD1.6bn loan

Bahrain's Oil & Gas Holding Company is in talks with banks to help refinance a USD1.6bn Murabaha facility (similar to rent-to-own arrangement). According to Reuters, the transaction would include both Islamic and conventional tranches and will be linked to sustainability.

(Source: Zawya)

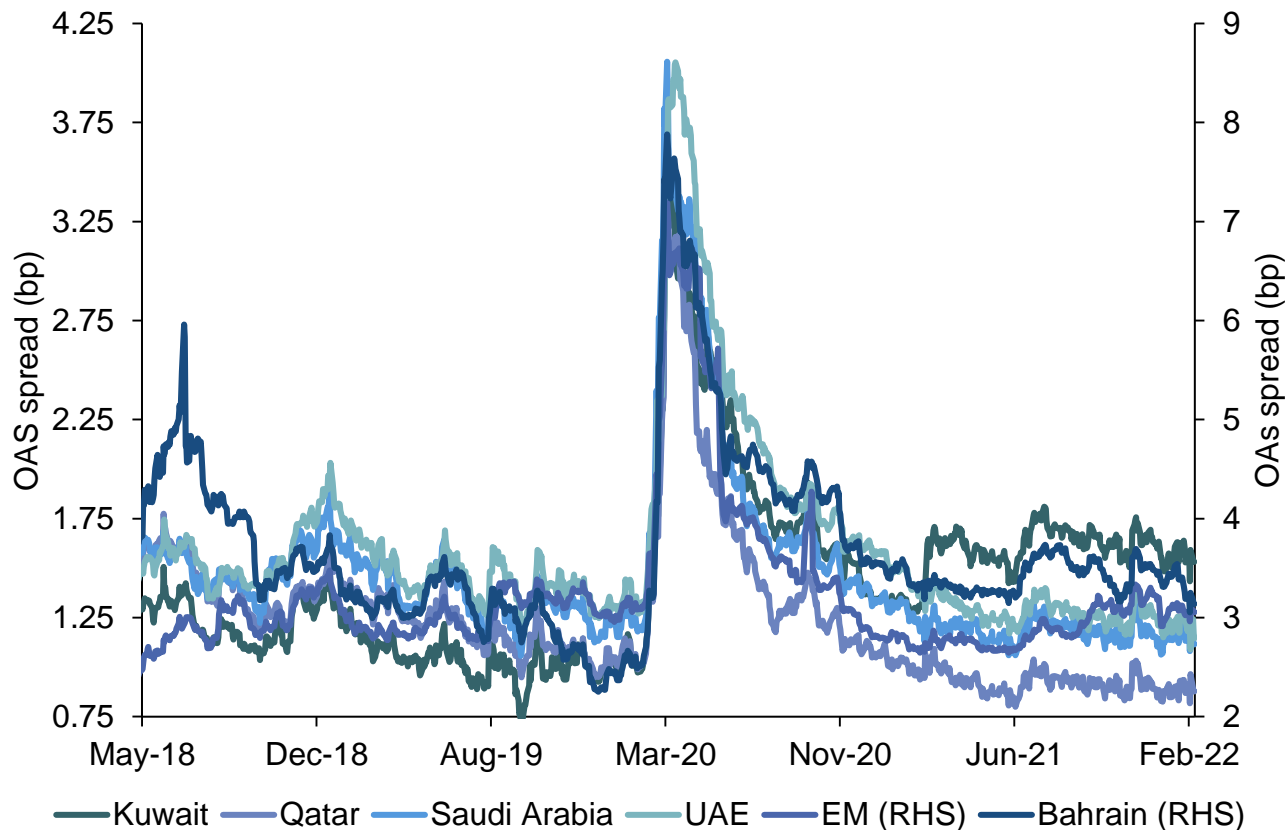
Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
SNB Sukuk Ltd	SNBAB	Financials	SA	750	2.342	1/19/2027	AT MATURITY	USD	1/19/2022	A-	2.45	-
Sweihan PV Power Co PJ	SWEHAN	Financials	AE	700.8	3.625	1/31/2049	SINKABLE	USD	1/21/2022	BBB+	3.81	0.00
EIG Pearl Holdings Sarl	EIGPRL	Financials	SA	1250	3.545	8/31/2036	SINKABLE	USD	1/25/2022	A	3.50	-
EIG Pearl Holdings Sarl	EIGPRL	Financials	SA	1250	4.387	11/30/2046	SINKABLE	USD	1/25/2022	A	4.36	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Financials	AE	250	0	1/25/2062	CALLABLE	USD	1/25/2022	A-	3.72	-
DIB Sukuk Ltd	DIBUH	Agency	AE	750	2.74	2/16/2027	AT MATURITY	USD	2/15/2022	A	2.84	-
Riyad Tier 1 Sukuk Ltd	RIBL	Agency	SA	750	4	-	PERP/CALL	USD	2/16/2022	BBB+	4.10	4.05

*Amount Issued in USDmillion, 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

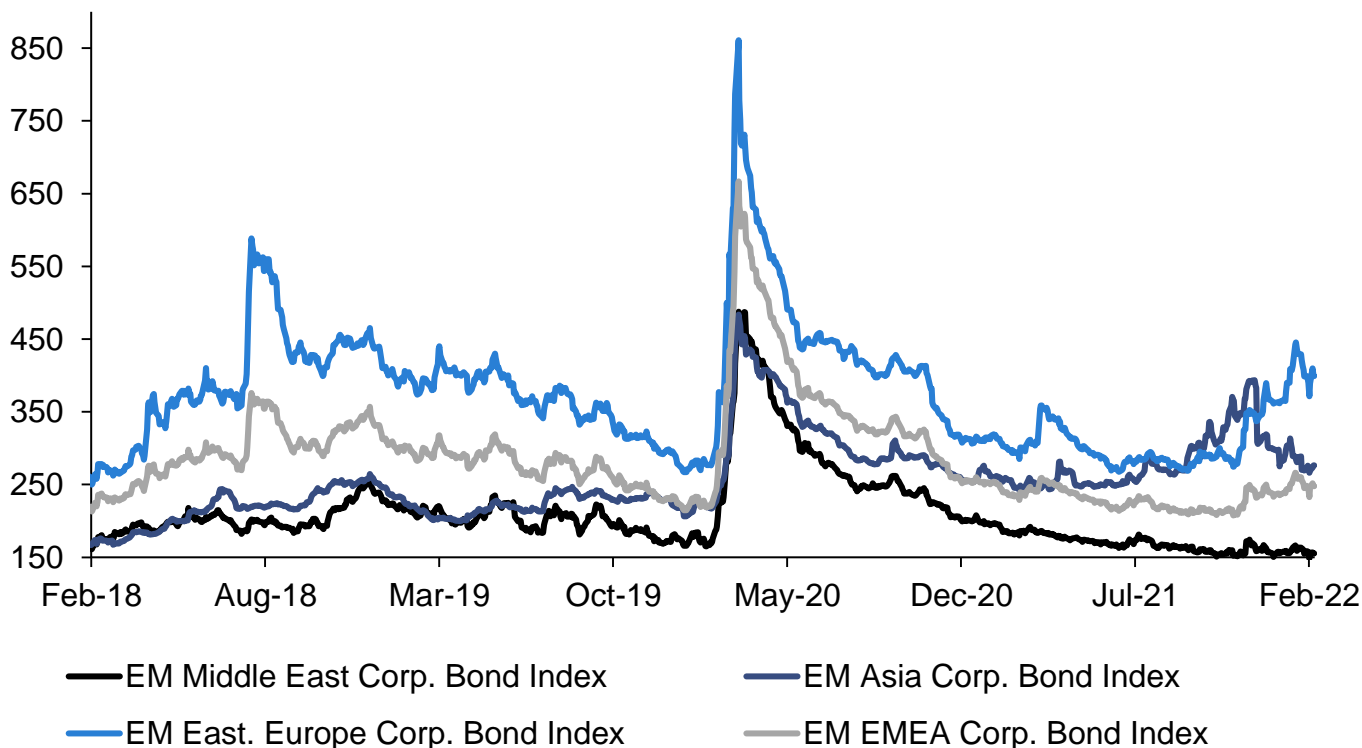
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



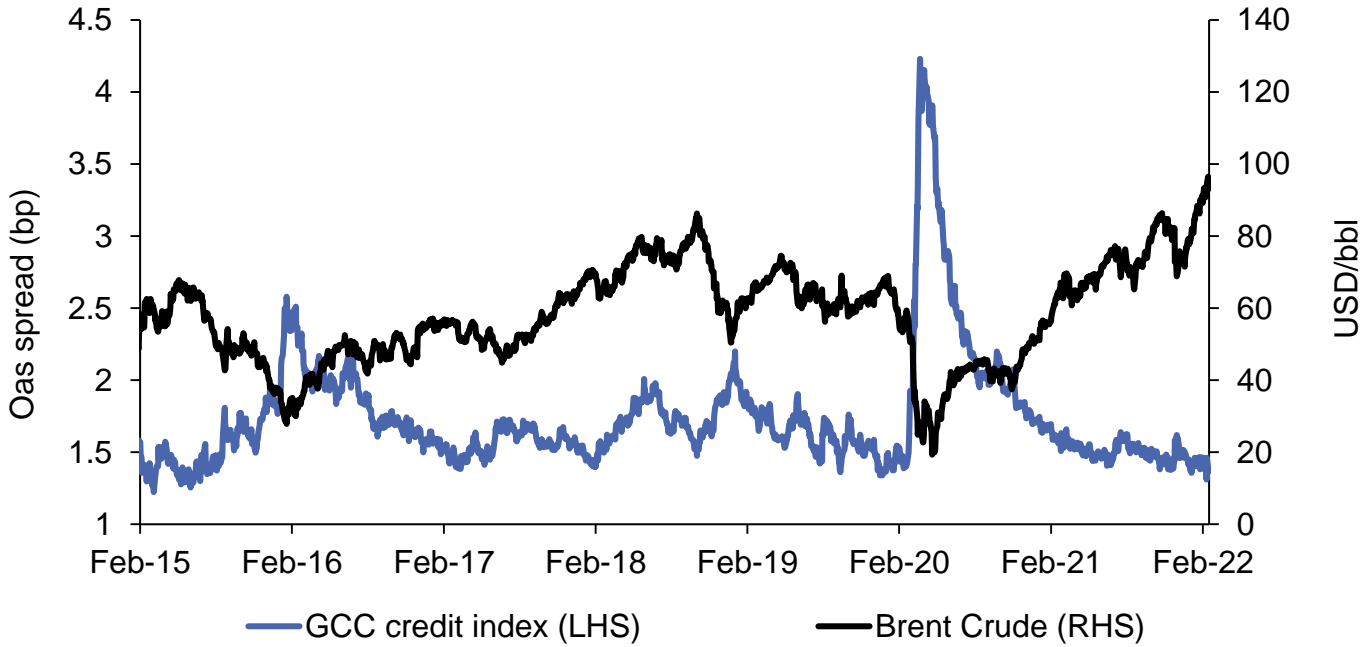
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

Emerging markets versus Middle East spread



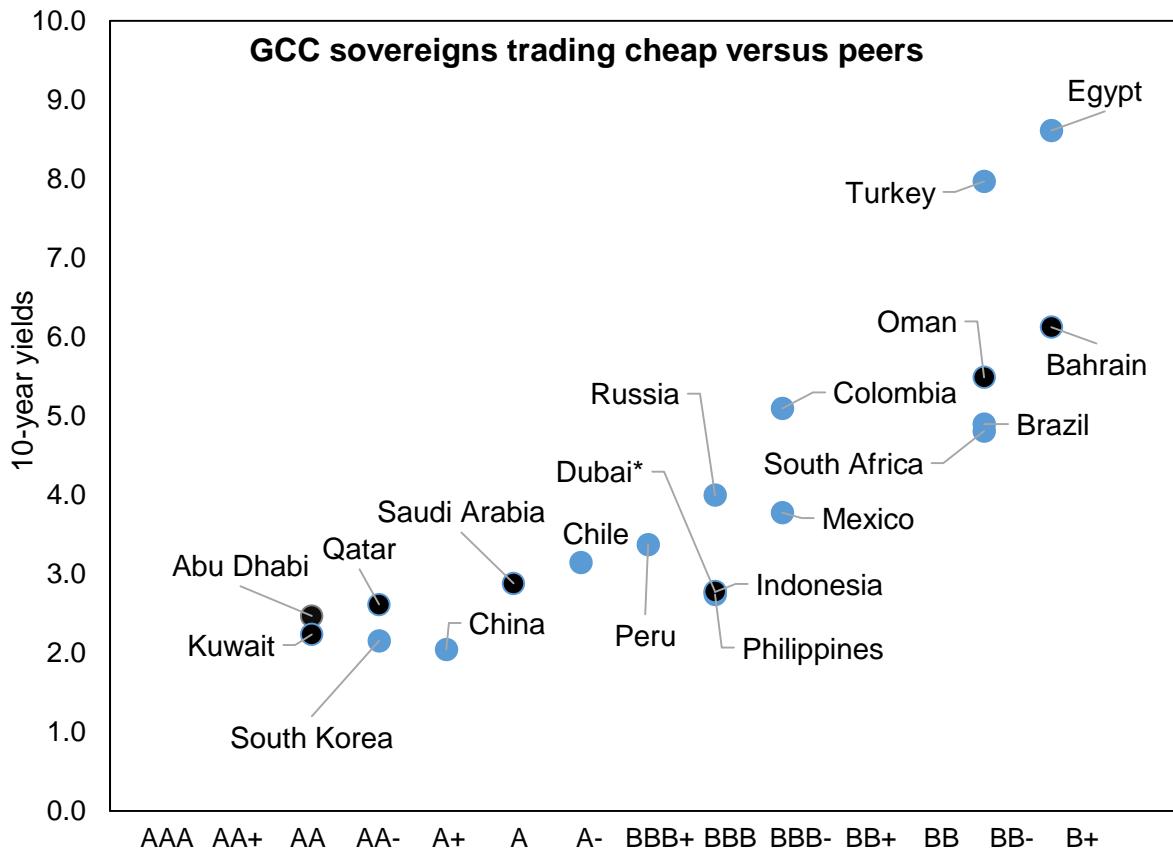
Source: Credit Suisse Corporate Bond Indices, ADCB

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

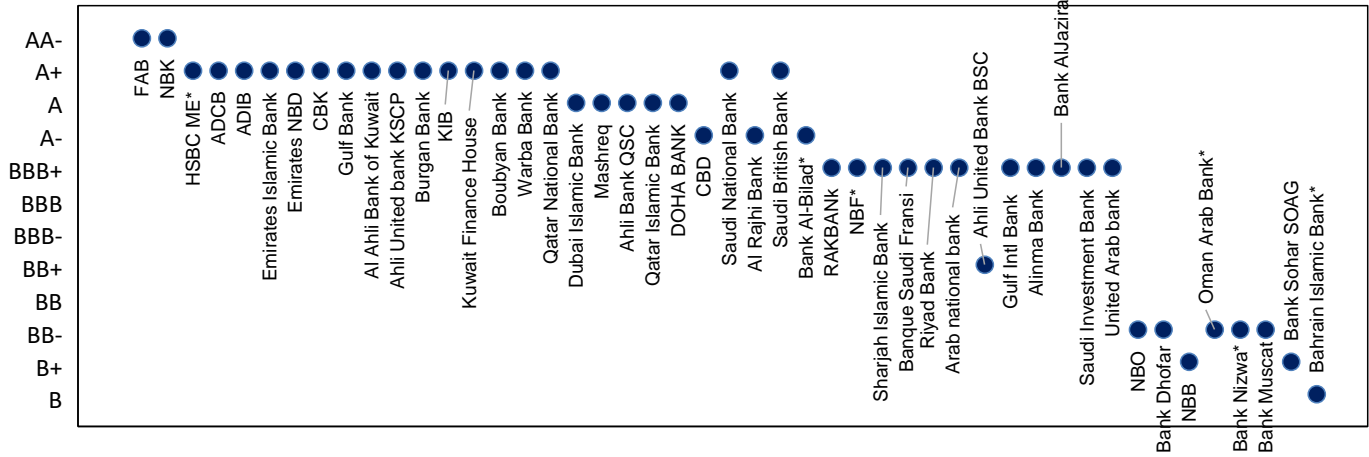
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

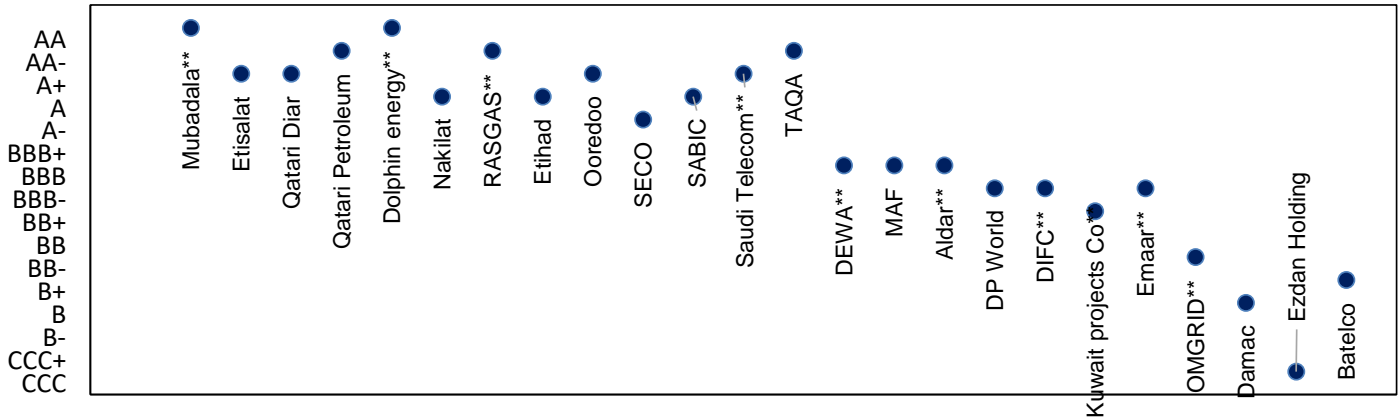
GCC Financials



Note: The ratings refer to Fitch ratings, *S&P 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 S&P ratings, ** Fitch ratings used as substitute where the corporate/bank not rated by S&P ratings
Source: Bloomberg, ADCB

Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTT News
4. Reuters
5. Gulfbase
6. Zawya

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