

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 31st January 2023). The 10-year UST yield rose on the back of upbeat GDP data. Eurozone bond yields rose on reports of better economic data and ahead of the ECB rate decision. Corporate credit recorded marginal losses, led by Global IG. EM bonds posted marginal losses with the pick-up in DM bond yields.

GCC bonds lacked appetite over the week. With the exception of Kuwait, all other GCC bond markets posted negative performance. 5yr CDS spreads mostly tightened across all GCC countries with the exception of Saudi Arabia where spreads widened. Dubai CDS spreads tightened the most. In the USD sovereign market, 10yr bond yields rose across all the GCC markets.

In economic data, **the IMF has revised down its forecast for Saudi Arabia's economic growth to 2.6% in 2023, 1.1% lower than its October estimate of 3.7%**. The IMF also projects a decline in the Middle East's growth from 5.3% in 2022 to 3.2% in 2023, largely due to the slowdown in Saudi Arabia. Meanwhile, Saudi Arabia's **non-oil economy grew in Q4 2022 at the fastest pace in more than a year and contributed to the kingdom's fastest overall growth**. The non-oil economy grew by 6.2% during Q4 of 2022, the highest level since Q3 of 2021, and the oil economy grew by 6.1% due to high crude prices. The overall estimated growth for the year was 8.7%. Elsewhere, **Kuwait's budget for the fiscal year (starting 1st April 2023) projects a budget deficit of KWD5bn (USD16.4bn), due to lower expected oil prices and increased spending**.

In latest issuances, **the first auction of the UAE's conventional dirham-denominated treasury bonds for 2023 was oversubscribed by 6.2 times, receiving bids worth AED6.85bn (USD1.86bn)**.

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba3	Aa3	B2
Fitch	A	AA	-	AA-	B+	BB	AA-	B+

Note: *Dewa rating used as proxy

GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1107.9	-0.2	3.2	Saudi	5.5	-2.1	14.0
EM LatAm TR	963.6	-0.1	4.6	UAE	4.7	-9.3	36.3
EM EMEA TR	329.6	-0.3	2.1	Kuwait	4.2	12.5	18.8
EM Asia TR	595.0	0.0	3.0	Bahrain	6.1	0.0	0.0
Bahrain TR	180.2	-0.5	2.1	Oman	4.8	8.8	15.5
Oman TR	139.8	-0.2	3.1	Qatar	5.4	-	10.0
Kuwait TR	142.9	0.2	2.2	US	4.8	-0.10	-
Qatar TR	131.7	-0.2	2.1	12M interbank			
Saudi Arabia TR	135.1	-0.3	1.7	Saudi	5.8	0.1	-8.4
UAE TR	134.2	0.0	1.8	UAE	5.1	15.4	-2.4
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	12.5	12.5
Saudi Arabia	64.3	0.1	0.9	Bahrain	6.6	0.8	0.2
Abu Dhabi	43.6	-2.1	-4.0	Oman	5.0	9.2	11.7
Dubai	88.3	-4.2	-5.8	Qatar	5.6	-	-13.3
Kuwait	59.5	-0.6	-1.1	10Y yield			
Bahrain	244.3	-0.7	-0.8	Saudi Arabia ^{^^}	4.6	7.1	-11.6
Oman	165.3	-0.5	-25.7	Abu Dhabi	4.1	6.1	-9.2
Qatar	47.1	-0.3	-2.8	Dubai	4.0	2.1	-41.6
Egypt	889.7	30.2	-14.6	Kuwait	3.7	245.5	-12.3
Turkey	554.0	-6.3	36.1	Bahrain	6.6	15.6	-27.3
US	37.6	1.3	10.5	Oman	5.6	4.6	-45.1
Germany	16.4	1.6	-4.2	Qatar	4.0	1.4	-20.6

Note: data from 25th January 2023 to 31st January 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

^{^^} YTD data from 13th January 2023

The UAE's first Treasury bond auction in 2023 was oversubscribed by 6.2 times

The first auction of the UAE's conventional dirham-denominated treasury bonds for 2023 was oversubscribed by 6.2 times, receiving bids worth AED6.85bn (USD1.86bn). The strong demand was across both tranches with a final allocation of AED550mn for the two-year tranche and AED550mn for the five-year tranche, with a total of AED1.1bn. The success is reflected in the attractive market driven price, which was achieved by a spread of a 10bp for the two-year tranche, and a spread of 15bp over for the five-year tranche.

(Source: The National)

IMF lowers Saudi Arabia's economic growth to 2.6% for 2023

IMF has downgraded its forecast for Saudi Arabia's economic growth to 2.6% in 2023, 1.1% lower than its October estimate of 3.7%. The growth slowdown in the country could be attributed to OPEC+ decision to reduce oil output. Earlier in October 2022, OPEC+ had agreed to cut output by 2mn bpd, which equals to about 2% of world demand, from November 2022 until the end of 2023. The IMF also projects a decline in the Middle East's growth from 5.3% in 2022 to 3.2% in 2023, largely due to the slowdown in Saudi Arabia.

(Source: Arab news)

Saudi Arabia recorded the strongest growth in more than a year

In Saudi Arabia, the non-oil economy expanded at the fastest pace in more than a year and contributed to the kingdom's fastest overall growth. In Saudi Arabia, during Q4 of 2022, the non-oil economy grew by 6.2%, the highest level since Q3 of 2021, and the oil economy grew by 6.1% due to high crude prices. The overall estimated growth for the year was 8.7%. In 2022, Saudi Arabia announced a spending boost aimed at addressing the impact of inflation and speeding up the development of economic diversification projects. The surplus will be used to replenish reserves, transfer to sovereign wealth funds, and potentially increase spending on diversification projects.

(Source: Bloomberg)

Kuwait expects a budget deficit of USD16.4bn and intends to increase revenue

Kuwait released budget proposals which forecast a budget deficit for the fiscal year starting April 1, despite efforts by the OPEC member to increase revenue from independent state entities. Kuwait's Finance Ministry said it expects a KWD5bn (USD16.4bn) shortfall after reducing its expectations for oil prices to \$70 a barrel and increasing spending.

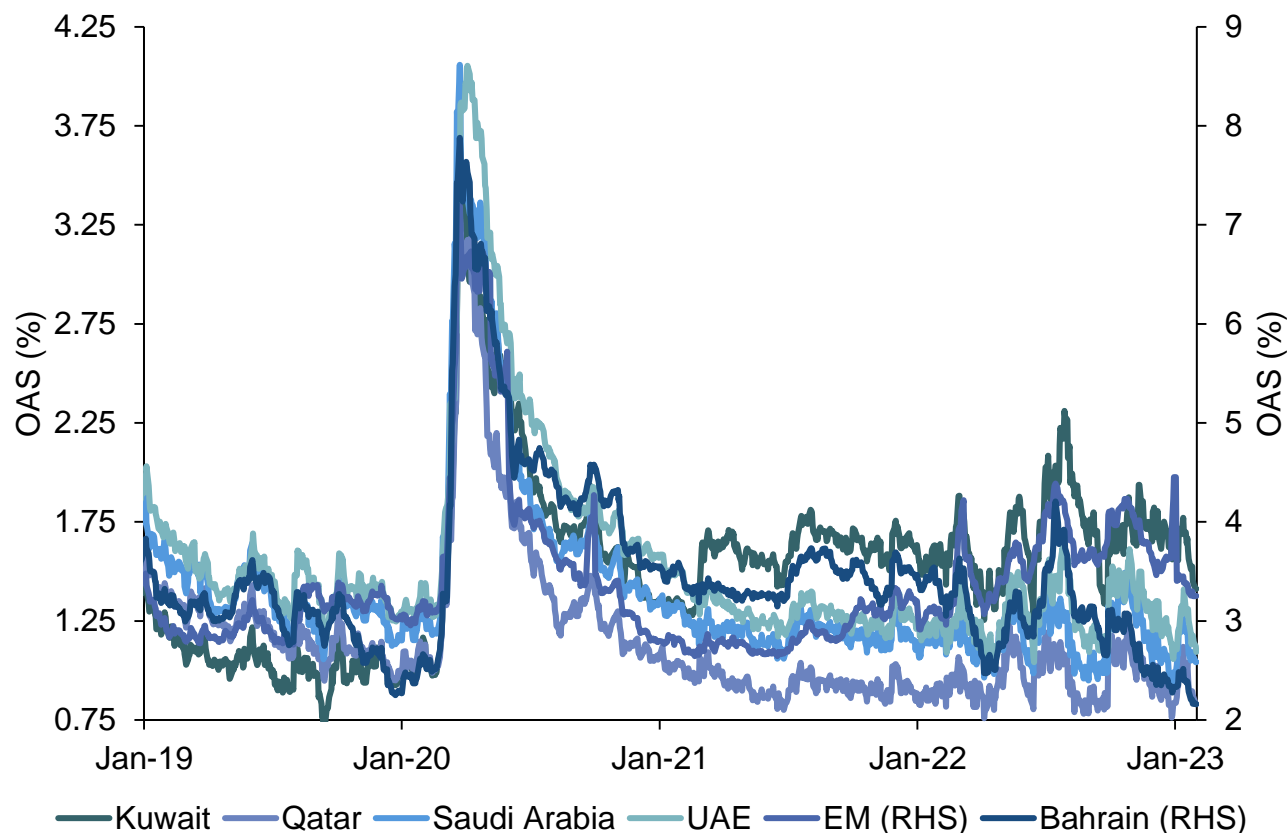
(Source: Bloomberg)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
Saudi Gov International Bond	KSA	Sovereign	SA	3500	4.875	11/30/2033	AT MATURITY	USD	1/18/2023	A	4.70	
Saudi Gov International Bond	KSA	Sovereign	SA	3250	4.75	1/18/2028	AT MATURITY	USD	1/18/2023	A	4.45	
Saudi Gov International Bond	KSA	Sovereign	SA	3250	5	1/18/2053	AT MATURITY	USD	1/18/2023	A	5.30	
Emirates NBD Bank PJSC	EBIUH	Agency	AE	272.3	5.125	1/12/2026	AT MATURITY	USD	1/12/2023	A+	4.58	
Fab Sukuk Co Ltd	FABUH	Agency	AE	500	4.581	1/17/2028	AT MATURITY	USD	1/17/2023	AA-	4.30	
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	600	4.375	4/24/2028	AT MATURITY	USD	1/24/2023	AA-	4.51	

*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

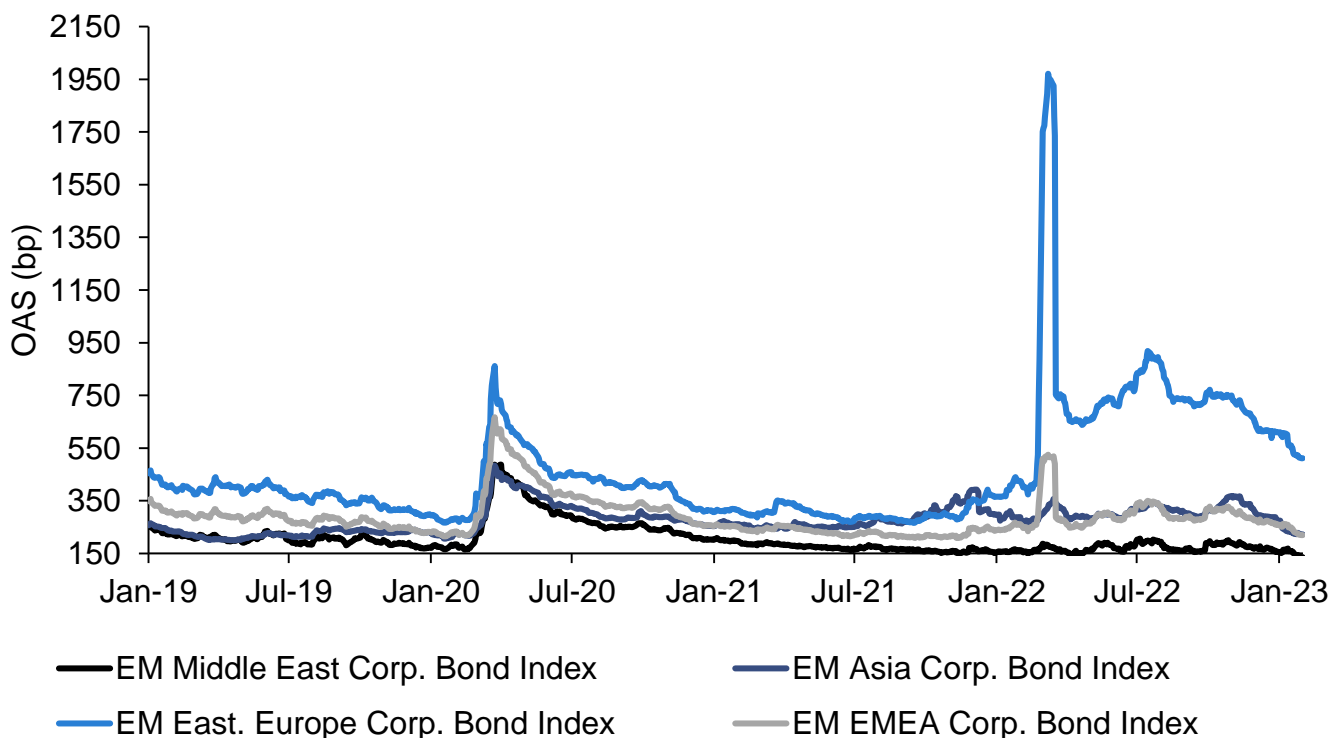
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



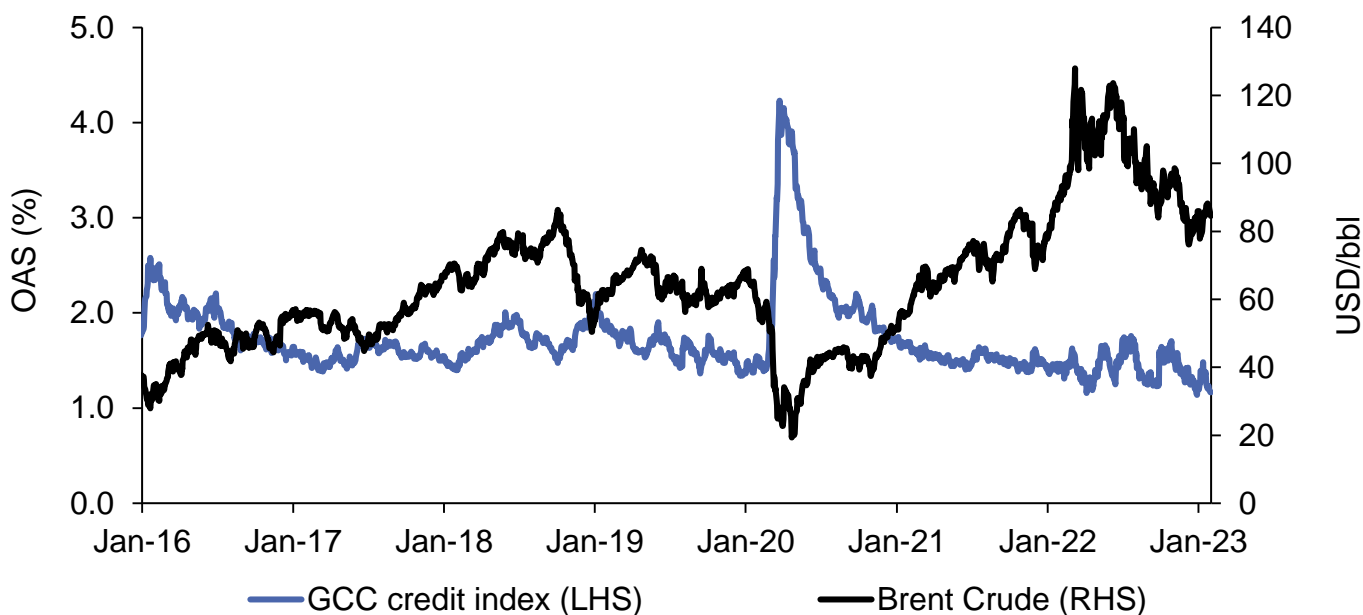
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

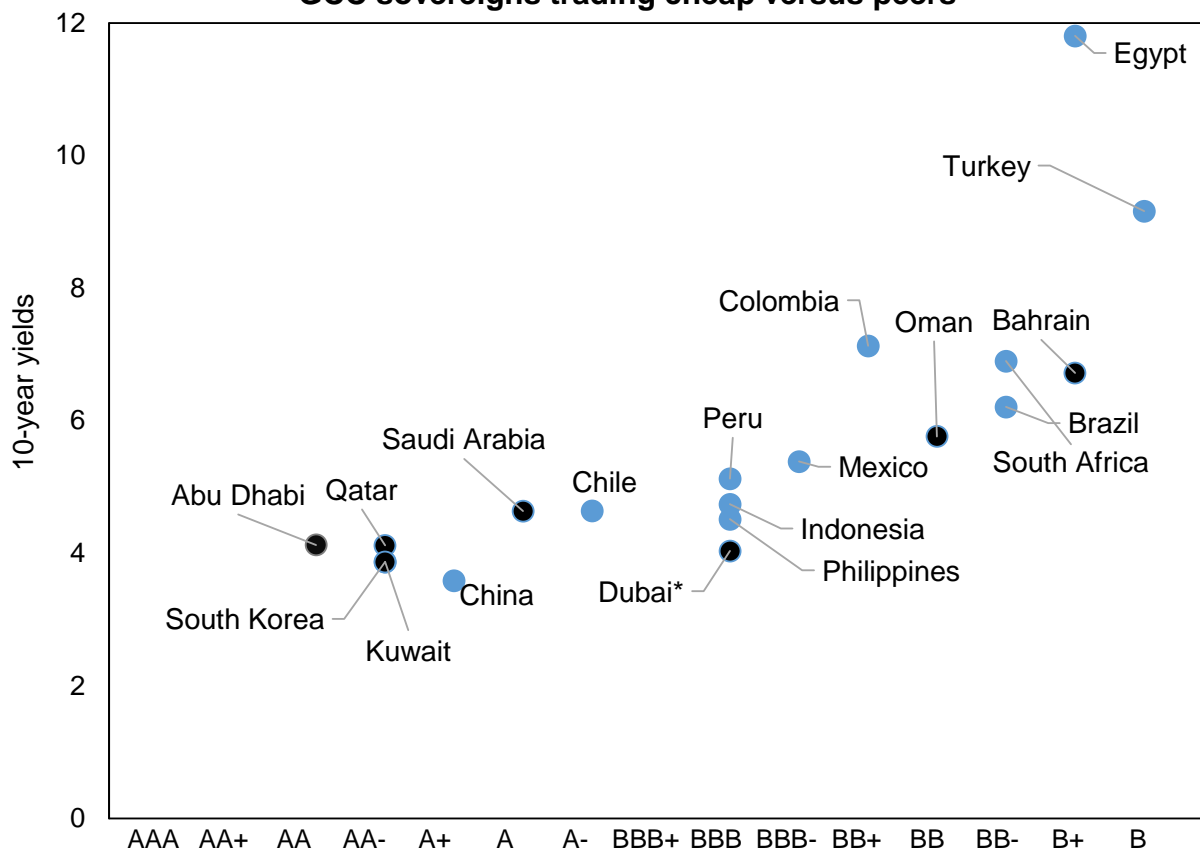
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

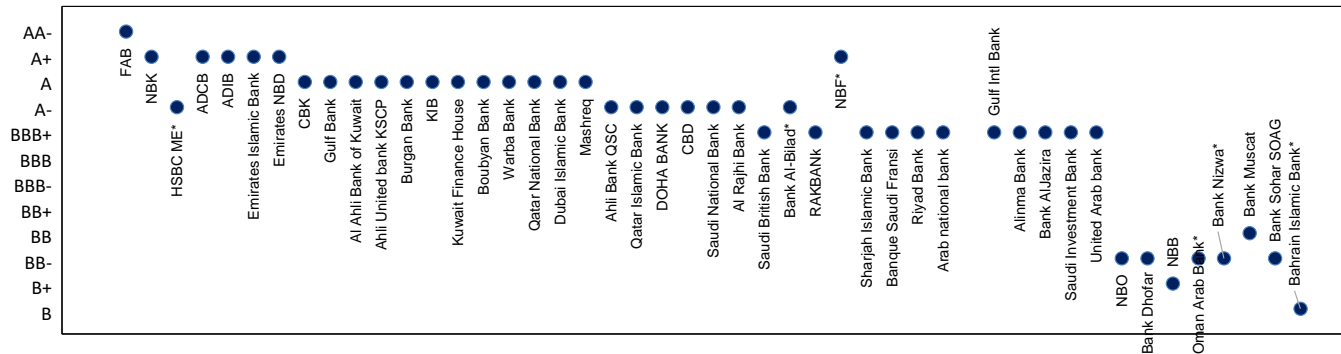
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

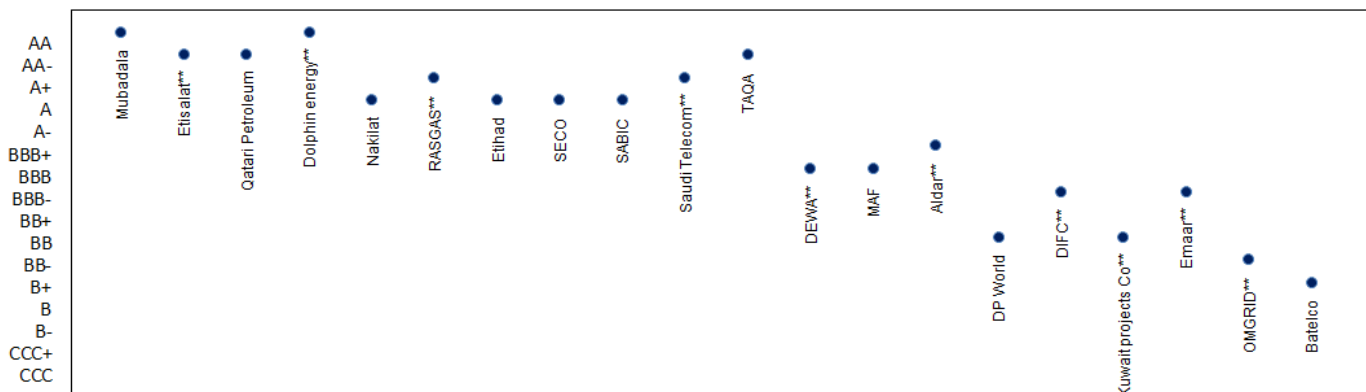
GCC Financials



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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