

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 7th February 2023). The 10-year UST yield rose as strong jobs report raised the possibility of more Fed rate hikes. Eurozone bond yields edged higher with the ECB signalling more interest rate hikes. Corporate credit recorded losses, with Global IG underperforming the most. On the other hand, EM bonds posted marginal losses on the back of rise in DM bond yields and rebound in the USD strength.

Demand for GCC bonds was mostly subdued. All GCC bond markets recorded losses with the exception of the Kuwait. Saudi Arabia underperformed the most. Similarly, CDS spreads mostly tightened with the exception of Oman and Bahrain. In the USD sovereign market, the 10yr USD bond yields rose across all the GCC markets, the most in Kuwait.

Growth in the UAE's non-oil private sector declined to its lowest level in 12 months in January due to a weakening of the global economy. **The UAE Purchasing Managers' Index (PMI) dropped for the third month in a row from 54.2 in December to 54.1 in January, marking the lowest reading in one year.** Meanwhile, **UAE's foreign trade in 2022 increased by 17% y-o-y, reaching AED2.2tn.** According to the Ministry of Economy, **the non-oil exports grew 6% in 2022 to reach AED366bn and imports rose 22% to AED1.25tn.** Elsewhere, **Saudi Arabia's non-oil private sector activity improved in January due to a rise in new orders and output. Saudi Arabia's Purchasing Managers' Index increased from 56.9 in December to 58.2 in January.**

In latest issuances, **Saudi Arabia's Public Investment Fund (PIF) is planning to raise USD5.5bn through its second round of green bond sales.** The bid orders received so far have exceeded USD32.5bn. Elsewhere, **Dubai Islamic Bank is planning to issue US dollar-denominated sukuk. This will include a benchmark size of long-term, fixed-rate sukuk with a five-year maturity, under Dubai Islamic Bank's USD7.5bn issuance program, subject to market conditions.**

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

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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	1103.2	-0.9	2.7	Saudi	5.5	1.1	15.4
EM LatAm TR	955.7	-1.4	3.8	UAE	4.8	7.3	49.6
EM EMEA TR	329.1	-0.6	1.9	Kuwait	4.2	0.0	18.8
EM Asia TR	592.9	-0.8	2.6	Bahrain	6.2	0.0	10.7
Bahrain TR	180.4	-0.1	2.2	Oman	5.1	26.6	42.1
Oman TR	140.0	-0.2	3.2	Qatar	5.3	-	2.5
Kuwait TR	143.1	0.1	2.3	US	4.8	5	-
Qatar TR	131.5	-0.5	2.0	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	134.5	-0.7	1.3	Saudi	5.8	2.7	-5.5
UAE TR	134.2	-0.2	1.8	UAE	5.1	-0.1	-4.7
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	0.0	12.5
Saudi Arabia	63.5	-0.1	0.1	Bahrain	6.6	0.8	6.8
Abu Dhabi	42.9	-	-4.7	Oman	5.3	29.6	41.3
Dubai	77.9	-3.6	-16.2	Qatar	5.6	-	-20.0
Kuwait	58.8	-0.8	-1.8	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	244.9	2.6	-15.1	Saudi Arabia ^{^^}	4.7	14.0	-6.5
Oman	161.9	3.3	-29.1	Abu Dhabi	4.2	16.8	-0.4
Qatar	44.8	-1.4	-5.1	Dubai	4.1	10.8	-33.0
Egypt	936.1	98.1	31.8	Kuwait	3.8	21.2	1.0
Turkey	547.5	10.4	29.6	Bahrain	6.6	10.5	-27.0
US	36.1	-2.3	9.0	Oman	5.7	12.7	-42.5
Germany	13.9	-1.6	-6.8	Qatar	4.1	19.5	-7.0

Note: data from 1st February 2023 to 7th February 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management
^{^^} YTD data from 13th January 2023

Saudi Arabia's PIF will sell a second round of green bonds to raise USD5.5bn

Saudi Arabia's Public Investment Fund (PIF) is planning to raise USD5.5bn through its second round of green bond sales. The fund plans to raise USD1.75bn through 7-year bonds at a spread of 115bp over US Treasuries, USD2bn through 12-year bonds at a spread of 145bp over US Treasuries, and USD1.75bn through 30-year bonds at a spread of 185bp over US Treasuries. The bid orders have been over USD32.5bn with orders for the 7-year notes over USD15.2bn, more than USD9.8bn for the 12-year and over USD7.5bn for the 30-year notes.

(Source: Reuters)

Dubai Islamic Bank plans to sell dollar-denominated sukuk

Dubai Islamic Bank is planning to issue dollar-denominated sustainable sukuk, or Islamic bonds. This will include a benchmark size of long-term, fixed-rate sukuk with a five-year maturity and is part of Dubai Islamic Bank's USD7.5bn issuance program, subject to market conditions.

(Source: Zawya)

Growth in UAE's non-oil private sector drops to its slowest level in 12-month

Growth in the UAE's non-oil private sector has declined to its lowest level in 12 months in January due to a weakening of the global economy. However, local businesses are still in good shape. The UAE Purchasing Managers' Index (PMI) dropped for the third month in a row from 54.2 in December to 54.1 in January, marking the lowest reading in one year. Despite the drop, the PMI still indicates solid improvement in business conditions for non-oil companies at the beginning of 2023.

(Source: Zawya)

UAE's non-oil foreign trade grew 17% in 2022

UAE experienced a 17% year-over-year increase in their foreign trade in 2022, reaching AED2.2tn (USD599bn). According to the Ministry of Economy, the non-oil exports grew 6% in 2022 to reach AED366bn and imports rose 22% to AED1.25tn. The UAE aims to increase their bilateral non-oil trade with India to USD100bn over the next five years, following the conclusion of a comprehensive free trade agreement. Other significant trading partners include China, Saudi Arabia, and the United States.

(Source: Zawya)

Saudi's non-oil private sector activity increased in January due to an increase in output and orders

Growth in Saudi Arabia's non-oil private sector activity improved in January due to a rise in new orders and output. Saudi Arabia's Purchasing Managers' Index increased from 56.9 in December to 58.2 in January. The output sub-index rose from 61.0 in December to 63.6 in January due to higher demand, while the new orders sub-index increased from 62.9 to 65.3 in December, with the greatest increase seen among service providers. However, the rate of job creation slowed slightly in January to 51.2 from December's near five-year high of 52.0.

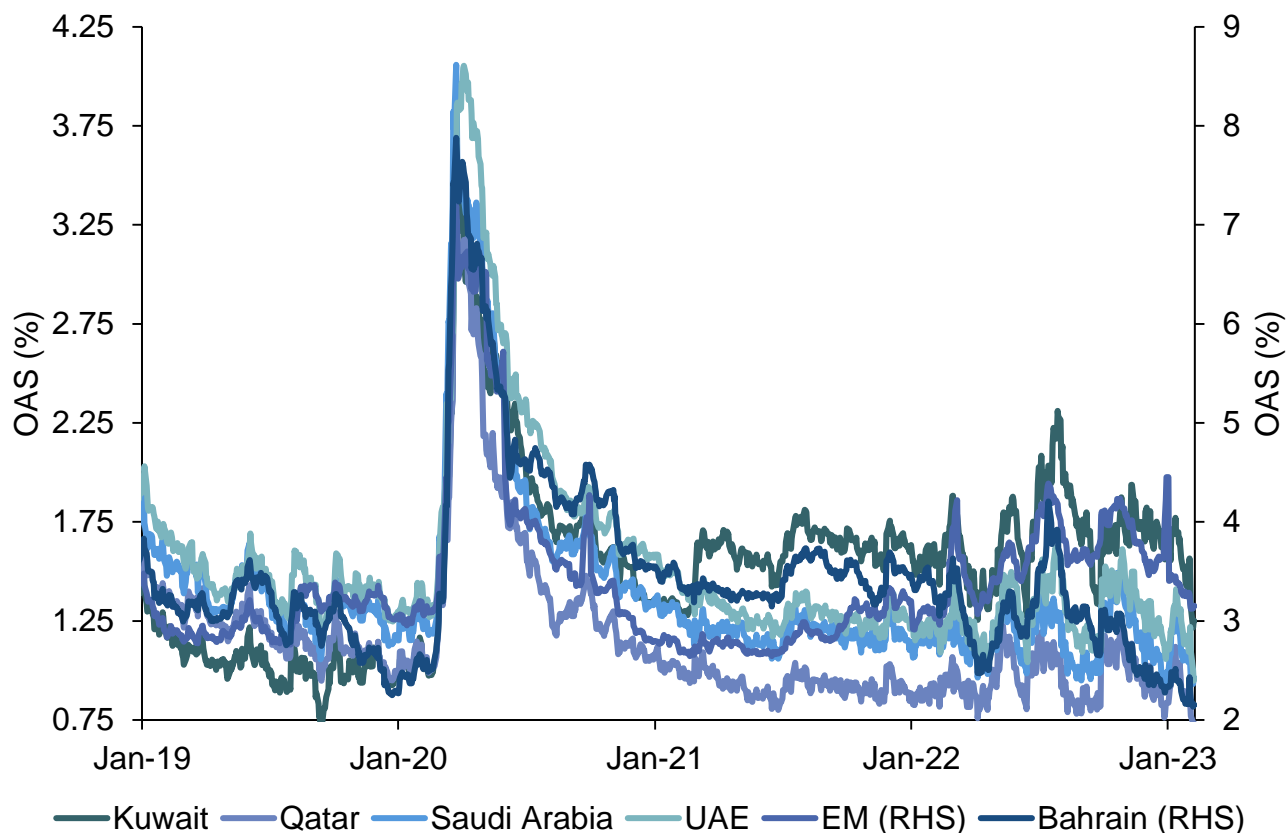
(Source: Zawya)

Issuer	BBG	Sector	Cou ntry	Issue Amt*	Cpn	Maturity	Maturity Type	Curr enc y	Issue Date	Rtg^	YTM (mid)	YTC (mid)
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	-
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	-
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

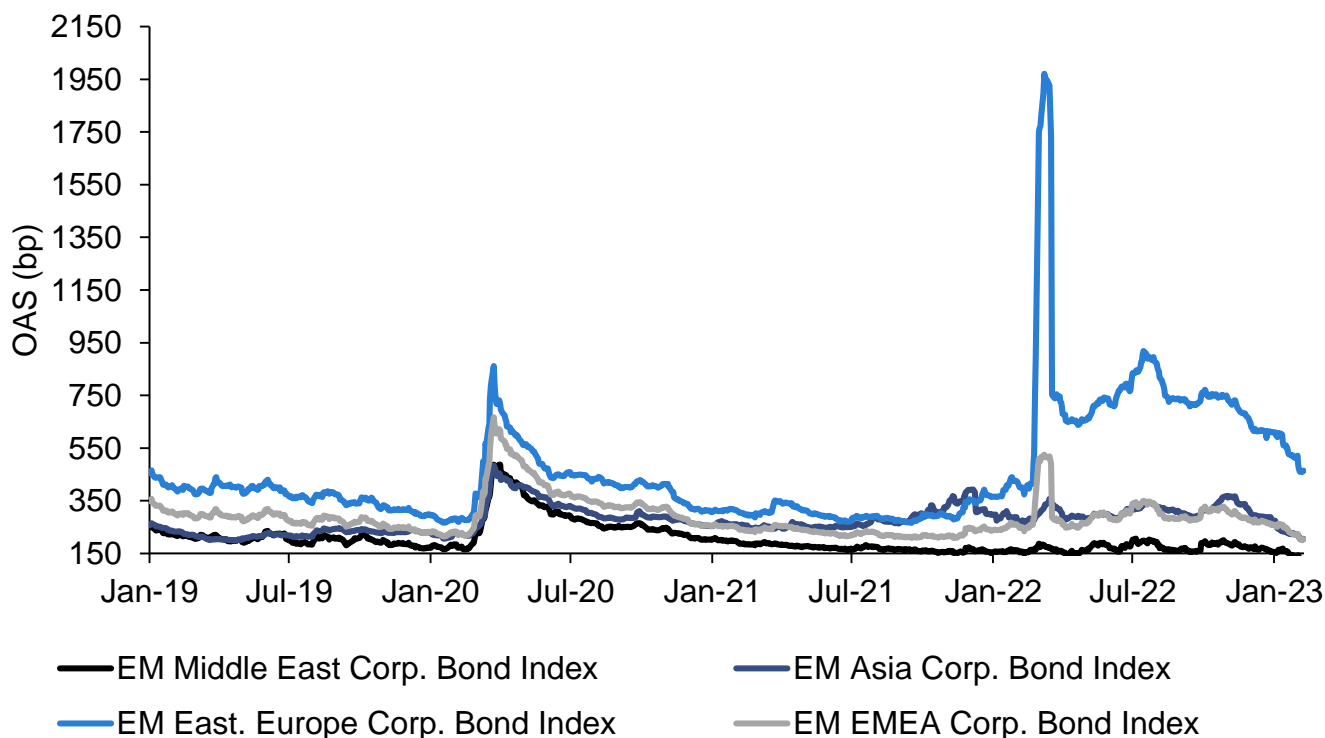
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



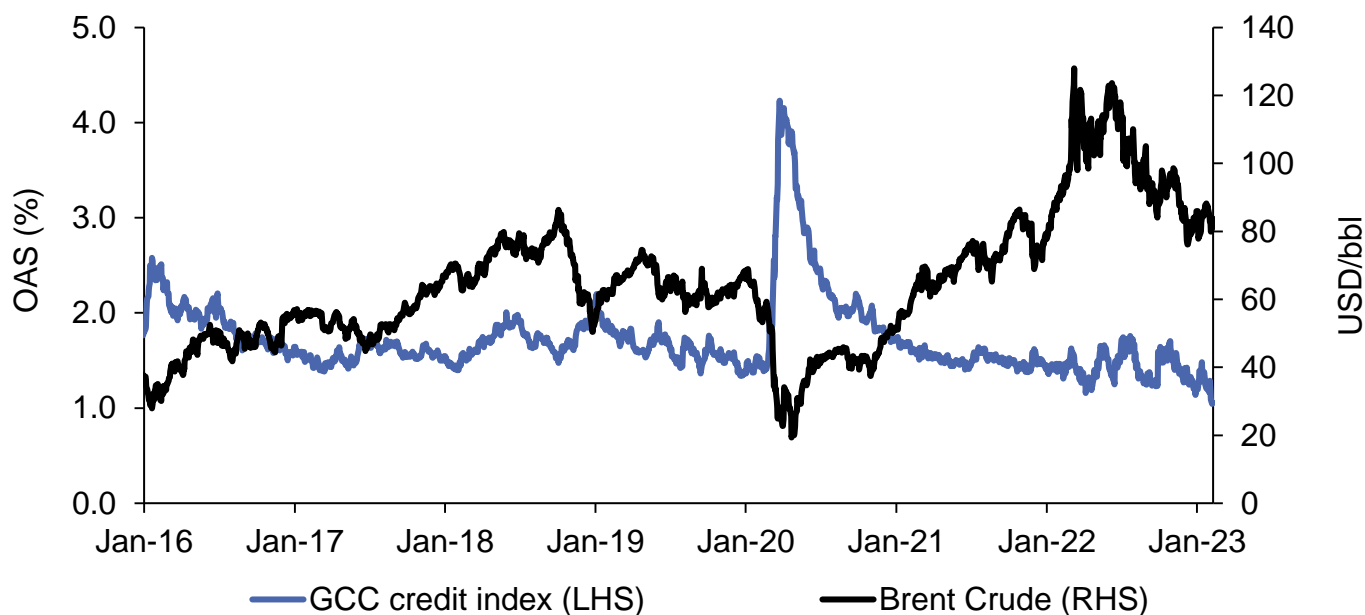
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

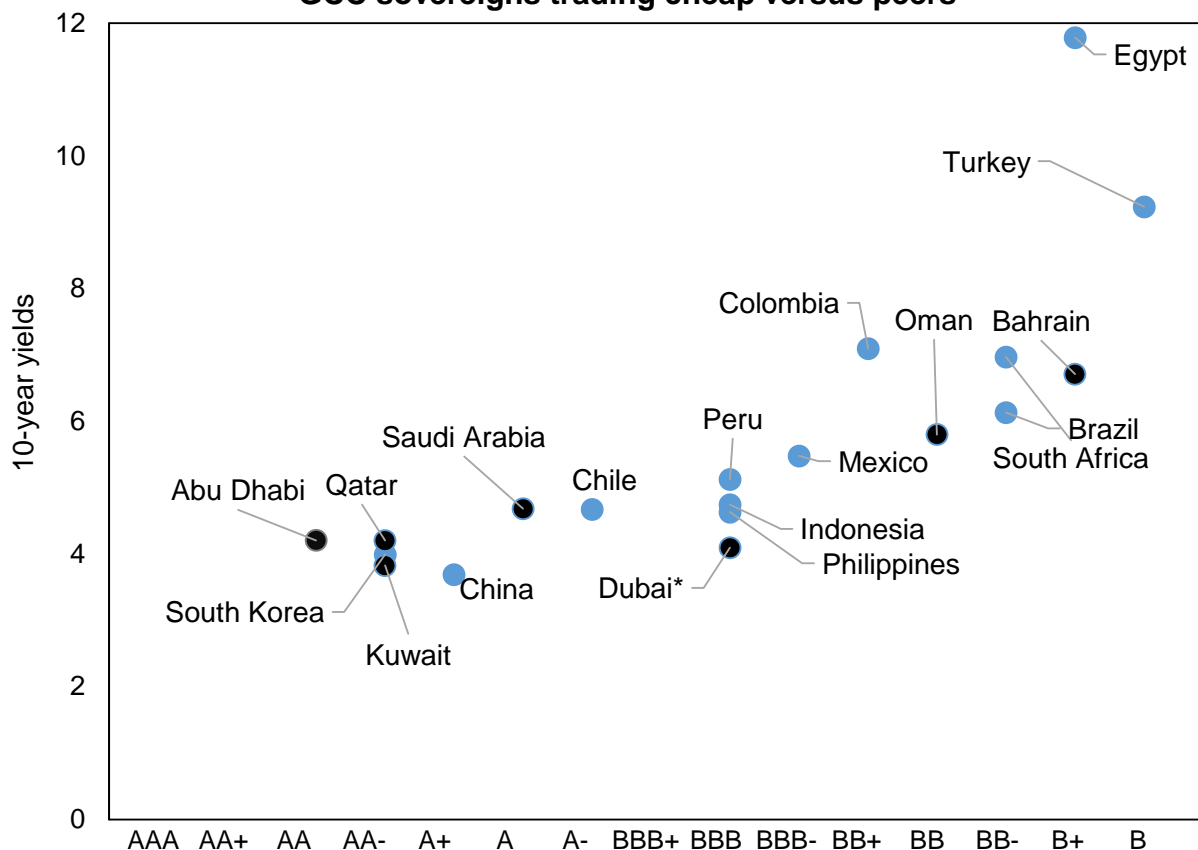
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

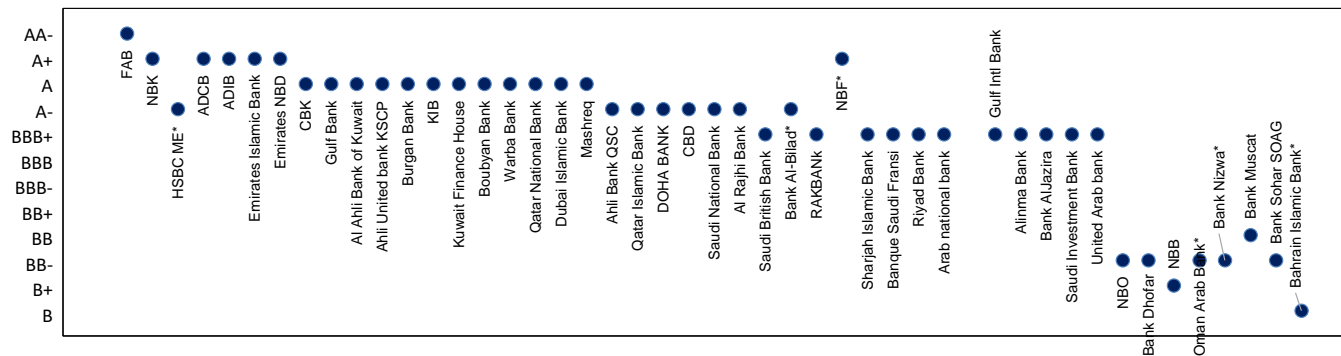
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

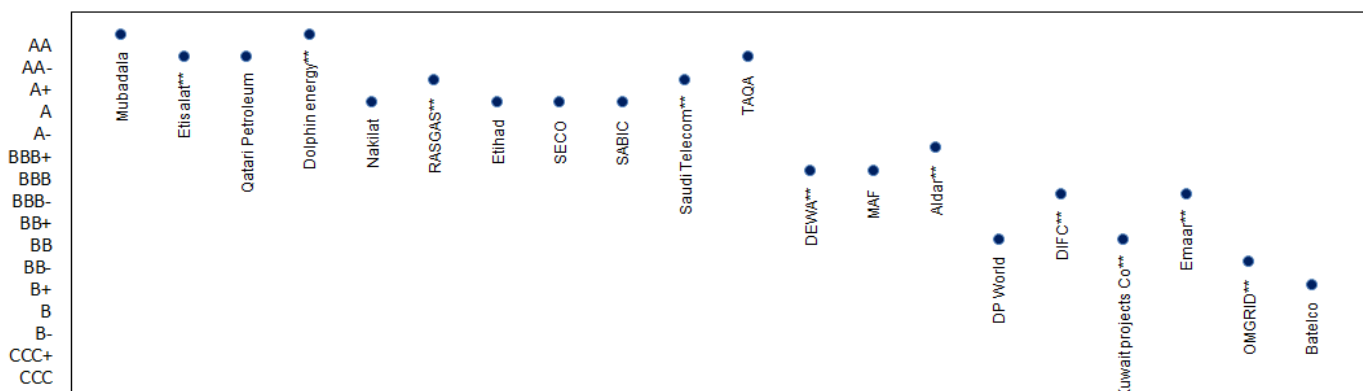
GCC Financials



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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