

## GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 21st February 2023). The 10-year US Treasury yield rose after inflation data surprised on the upside, resulting in upward revisions to the market expectations of the terminal Fed rate. Euro zone bonds yields also jumped as upbeat economic data eased the recession concerns. Corporate credit recorded losses, with Global HY underperforming the most. EM USD bonds had a negative week, recording losses over the week, led by EM LatAm.

Demand for GCC bonds was mostly subdued. All GCC bond markets recorded losses. Oman underperformed the most. Similarly, CDS spreads widened mostly across all GCC countries with the exception of Dubai and Abu Dhabi where spreads tightened. In the USD sovereign market, the 10yr USD bond yields rose across all the GCC markets, led by Oman and Kuwait.

**According to the General Authority for Statistics (GASTAT), Saudi Arabia's inflation rate increased to 3.4% in January from 3.3% in December 2022.** Elsewhere, according to the latest statement by Bahrain's finance ministry, **Bahrain's preliminary financial estimates for 2022 show that the budget deficit for 2022 decreased by 85%.**

In issuances, **the Emirate of Sharjah raised USD1bn in debut 9-year sustainable bond, the first sustainable sovereign bond in the GCC.** The bonds were priced at a spread of 280bp over similar US Treasuries, lower than the initial price guidance of 310bp. **Dubai Islamic Bank has raised USD1bn through its second sustainable sukuk. The 5.5-sukuk was priced at a profit rate of 4.8% per year.** Separately, **DAMAC raised USD200mn in senior unsecured sukuk through private placement.** The senior issuance has a term of 2.25 years and was priced successfully. Elsewhere, **Arada raised USD50mn through a second tap of its existing USD450mn sukuk.**

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba3	Aa3	B3
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	1077.5	-1.1	0.3	Saudi	5.6	9.4	26.9
EM LatAm TR	923.6	-1.7	0.3	UAE	4.6	-8.4	28.5
EM EMEA TR	322.5	-0.9	-0.2	Kuwait	4.3	0.0	25.0
EM Asia TR	582.4	-1.0	0.8	Bahrain	6.3	0.0	15.7
Bahrain TR	178.8	-0.4	1.3	Oman	5.1	8.1	39.8
Oman TR	138.2	-0.9	1.9	Qatar	5.4	-	10.0
Kuwait TR	142.0	-0.3	1.5	US	4.9	3	-
Qatar TR	128.8	-0.7	-0.1	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	131.9	-0.6	-0.7	Saudi	5.9	5.9	-1.2
UAE TR	132.1	-0.5	0.2	UAE	5.2	0.1	8.8
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	0.0	12.5
Saudi Arabia	67.4	0.1	4.0	Bahrain	6.7	0.8	17.2
Abu Dhabi	43.7	-0.5	-3.9	Oman	5.3	10.6	37.9
Dubai	80.8	-0.7	-13.2	Qatar	5.8	-	0.0
Kuwait	60.8	1.9	0.2	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	246.5	4.5	1.5	Saudi Arabia^^	5.1	13.2	31.4
Oman	158.5	1.0	-32.5	Abu Dhabi	4.4	7.9	21.6
Qatar	47.6	0.1	-2.3	Dubai	4.4	14.4	-3.5
Egypt	942.6	-40.2	38.3	Kuwait	4.2	14.9	41.5
Turkey	587.0	16.4	69.1	Bahrain	6.8	9.5	-6.0
US	36.5	1.3	9.4	Oman	6.0	20.6	-8.6
Germany	15.0	0.3	-5.7	Qatar	4.4	10.7	23.3

Note: data from 15<sup>th</sup> February 2023 to 21<sup>st</sup> February 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

^^ YTD data from 13th January 2023

## The Emirate of Sharjah raised USD1bn in debut sustainable bond

The Emirate of Sharjah raised USD1bn in a debut sustainable bond. The bond has a maturity of 9 years. The bonds were priced at a spread of 280bp over similar US Treasuries, lower than the initial price guidance of 310bp. This marks the first sustainable sovereign bond in the GCC.

(Source: Bloomberg, Reuters)

## Dubai Islamic Bank raised USD1bn through sustainable sukuk issuance

Dubai Islamic Bank has raised USD1bn through its second sustainable sukuk. The 5.5-sukuk was priced at a profit rate of 4.8% per year, representing a spread of 102.4bp over the five-year US Treasury rate, as stated by DIB.

(Source: National News)

## DAMAC raised USD200mn in a senior unsecured sukuk

DAMAC raised USD200mn in a senior unsecured sukuk through private placement. The senior issuance has a term of 2.25 years- a maturity date of 7 May 2025 and has a profit rate of 7.5%. The issuance size was increased to USD200mn from USD150mn due to strong demand from investors.

(Source: Zawya)

## Arada raised USD50mn through a second tap of existing USD450mn sukuk

Arada raised USD50mn through a second tap of its existing USD450mn sukuk, which was launched and listed on the London Stock Exchange in June of the last year. Arada's second tap follows a first tap executed in October 2022 for USD100mn. At that time, Arada had received an exceptional response from international debt capital markets, which led to an oversubscribed transaction with orders of USD185mn. This five-year installment is Arada's third attempt to access the capital markets in the past nine months, and it has an investor re-offer yield of 8.488%. Fitch and Moody's rated Arada's initial five-year fixed rate RegS debut Sukuk issuance as BB- and B1, respectively.

(Source: Arada, National News)

## Saudi Arabia inflation rate rose slightly in January

According to the General Authority for Statistics (GASTAT), Saudi Arabia's inflation rate increased to 3.4% in January from 3.3% in December 2022. Housing, water, electricity, gas, and other fuel prices have increased, as well as food and beverage prices have increased for the second month in a row.

(Source: Zawya)

## Bahrain's deficit for 2022 decreased by 85%

According to the latest statement by Bahrain's finance ministry, Bahrain's preliminary financial estimates for 2022 show that the budget deficit for 2022 decreased by 85%. The total oil revenue increased by 58%, and the total public revenue increased by 42%- both compared with the budget estimates. Fiscal deficit decreased to BHD178mn, which is 85% less than budget deficit estimates of BHD1.185bn.

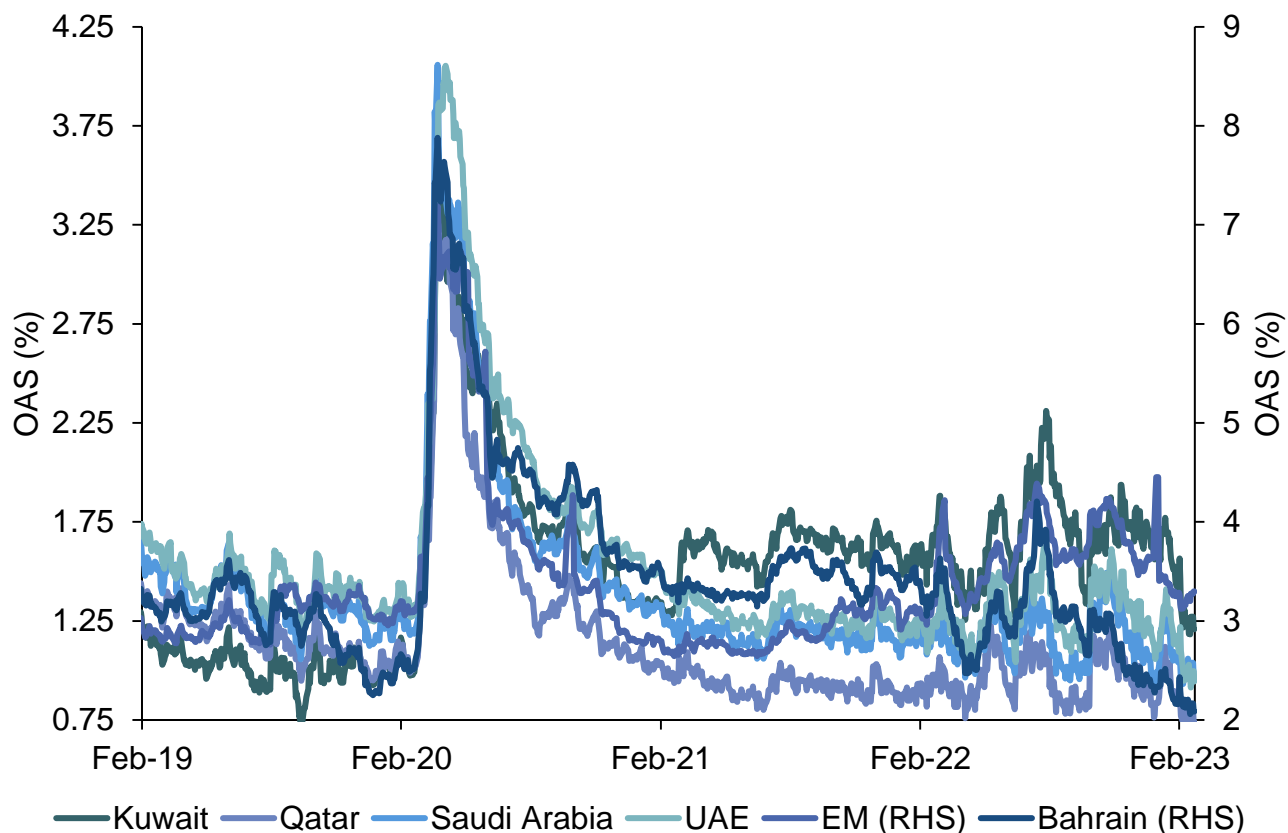
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg <sup>^</sup>	YTM (mid)	YTC (mid)
Emirates NBD Bank P.JSC	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 P.JSC	FABUH	Agency	AE	600	4.375	4/24/2028	AT MATURITY	USD	1/24/2023	AA-	4.51	-
Gaci First Investment Co	PIFKSA	Agency	SA	2000	4.875	2/14/2035	CALLABLE	USD	2/14/2023	A	5.44	5.41
Gaci First Investment Co	PIFKSA	Agency	SA	1750	5.125	2/14/2053	CALLABLE	USD	2/14/2023	A	5.87	5.79
Gaci First Investment Co	PIFKSA	Agency	SA	1750	4.75	2/14/2030	CALLABLE	USD	2/14/2023	A	4.94	5.04
FIN DEPT GOVT SHARJAH	SHJGOV	Sovereign	AE	1000	6.5	11/23/2032	AT MATURITY	USD	2/15/2023	-	6.50	-
DIB SUKUK LTD	DIBUH	Agency	AE	1000	4.8	8/16/2028	AT MATURITY	USD	2/16/2023	A	4.80	-

\*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

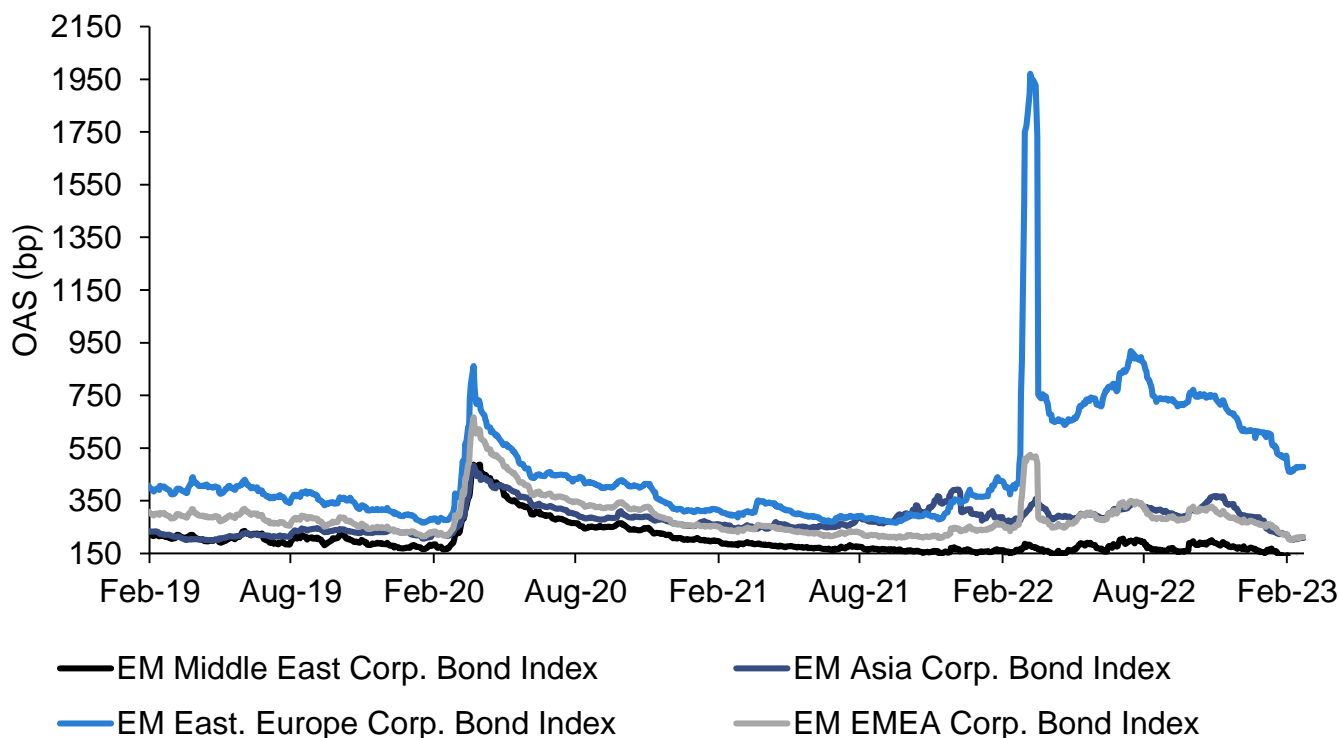
## Appendix

### Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



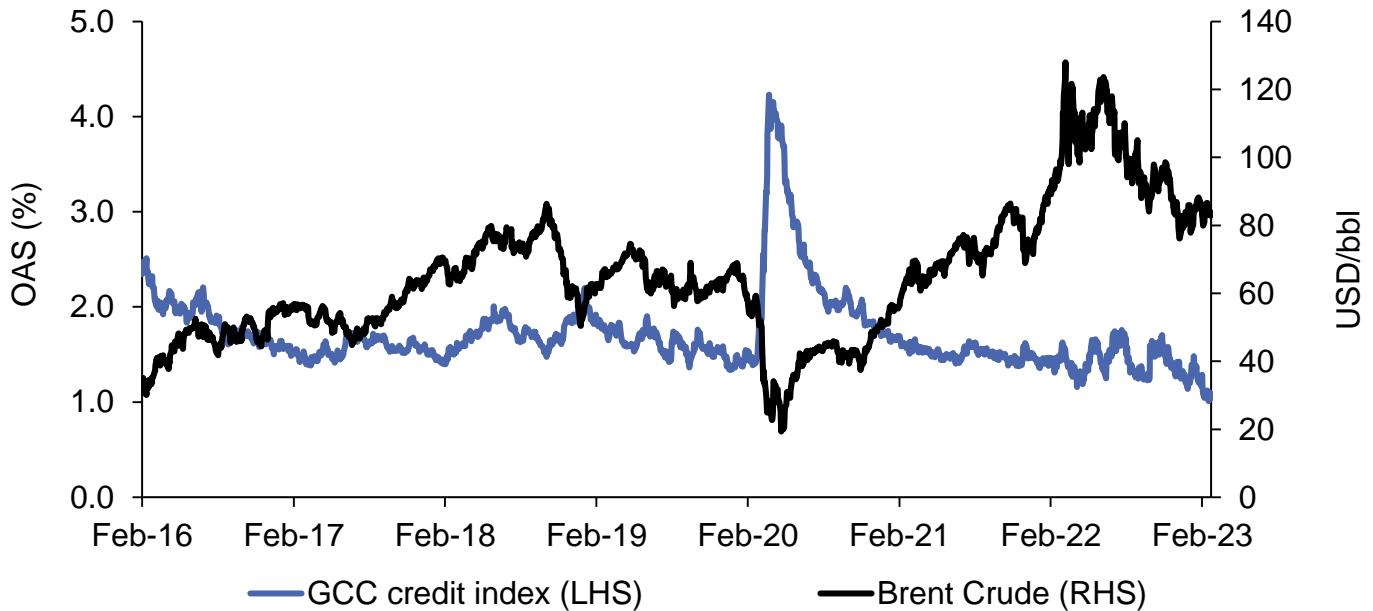
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

### Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

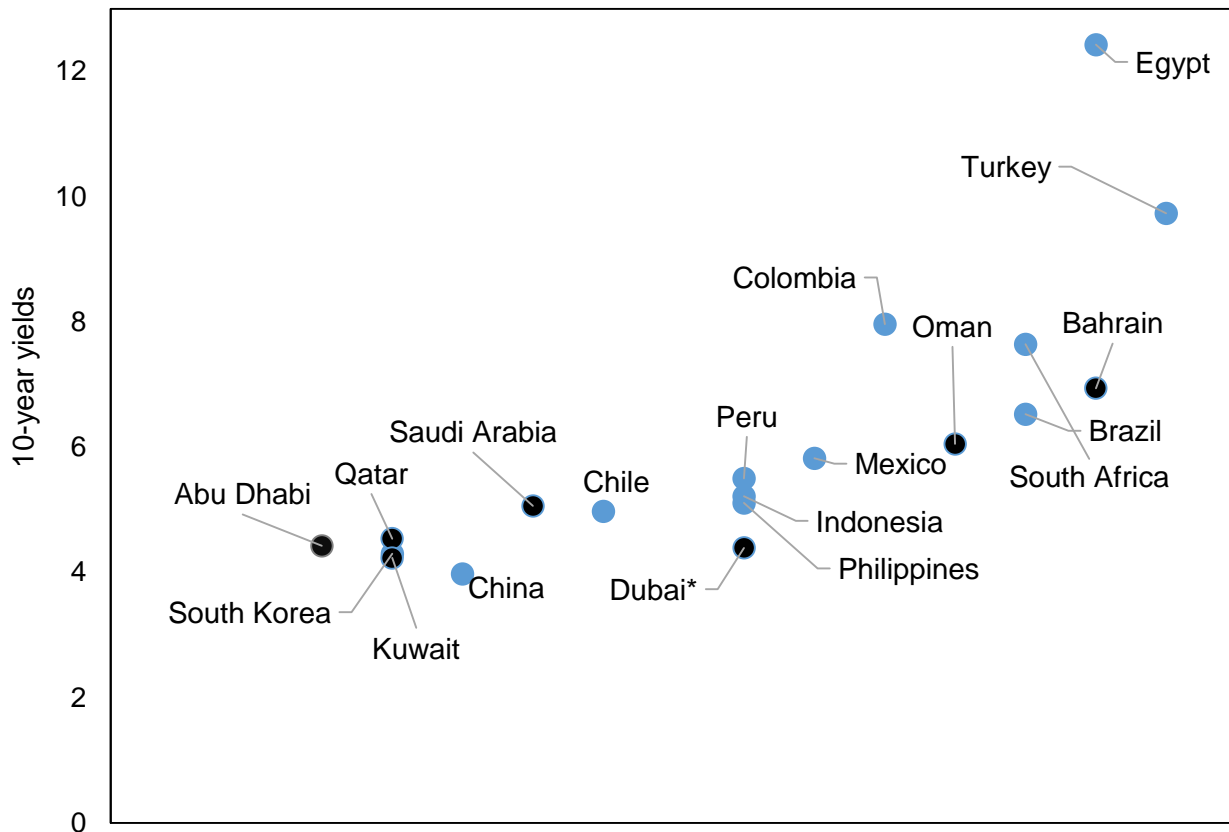
## GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

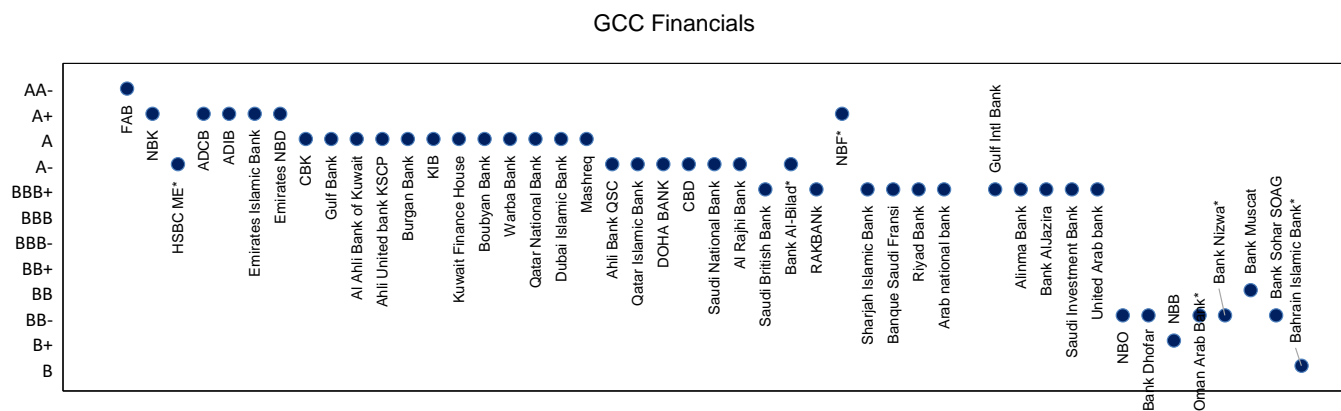
## 10yr yield versus Credit ratings (EM vs GCC)

### GCC sovereigns trading cheap versus peers



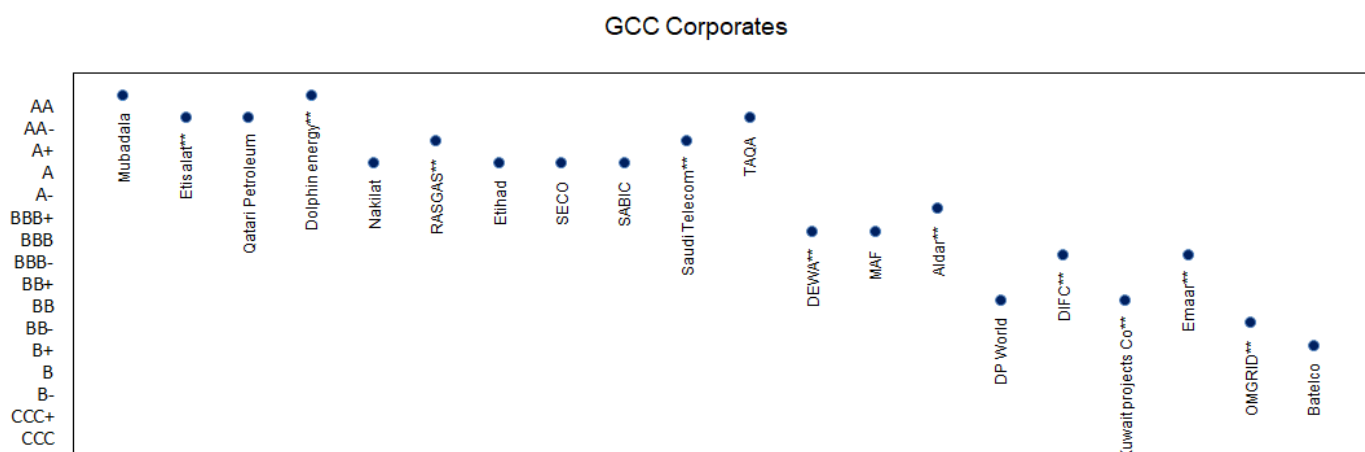
Source: Bloomberg, ADCB Asset Management, \*Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

## GCC Financials Credit Rating



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



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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