

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 9th January 2024). 10Y UST Yields rose to 4% after strong jobs data. Eurozone government bond yields edged higher over the week. Corporate credit recorded losses, with Global IG underperforming. EM USD bonds had a negative week, recording losses over the week, led by EM LatAM.

GCC bonds lacked appetite over the week. All GCC bond markets recorded losses but Saudi Arabia underperformed the most. 5yr CDS sovereign spreads widened in all GCC countries barring Dubai. In the USD sovereign market, the 10yr bond yields rose across the GCC countries, led by Oman and Saudi Arabia.

According to Sheikh Mohammed bin Rashid Al Maktoum, Ruler of Dubai, **UAE's non-oil gross domestic product (GDP) rose 5.9% in the first nine months of 2023**. Elsewhere, according to Fitch Ratings, **Qatar's GDP growth will rebound by 2% in 2024, supported by the growing hydrocarbon outcome**. Additionally, **the government of Oman has successfully decreased public debt from OMR17.6bn in 2022 to OMR15.2bn by the end of 2023**, according to the Ministry of Finance of Oman. Also, H.H. Sheikh Dr. Sultan bin Muhammed Al Qasimi, Ruler of Sharjah, **approved Sharjah's general budget for 2024, with total expenditures amounting to approximately AED40.832bn, the largest in the emirate's history**.

GCC issuances kick-started the year on a strong note. **Saudi Arabia launched a USD12bn bond issuance in three tranches, attracting over USD30bn in orders**. The kingdom sold **USD3.25bn, USD4bn, and USD4.75bn for 6, 10, and 30-year tenors**. The spreads for the six-year bond were tightened to 90bp over US Treasuries (UST) from the initial 115bp, while the 10-year bond saw its spread decrease to 110bp over UST from the initial 135bp, and to 170bp for the 30-year from 195bp. In addition, First Abu Dhabi Bank (FAB), **has set a final spread for its benchmark-sized 5-year sukuk, or Islamic bond. The final spread for the sukuk was reduced to 85bp over US Treasuries, tightening from the initial 100bp over the same benchmark, following an order book of approximately USD1.45bn**. In upcoming issuances, Kuwait Finance House (KFH) **has plans to launch a debut senior unsecured sukuk offering with a fixed rate, denominated in US dollars. The offering will be for a 5-year benchmark size**.

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba1	Aa3	Caa1
Fitch	A+	AA	-	AA-	B+	BB+	AA-	B-

Note: *Dewa rating used as proxy

GCC Fixed Income Weekly Snapshot

	Latest	-1w %	YTD %	Interest rates	Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	1152.0	-0.76	7.3	Saudi	6.2	-2.34	86.6
EM LatAm TR	1003.1	-0.80	8.9	UAE	5.2	-21.02	89.7
EM EMEA TR	344.6	-0.78	6.7	Kuwait	4.3	0.00	31.3
EM Asia TR	614.1	-0.71	6.3	Bahrain	6.5	-0.34	37.7
Bahrain TR	188.6	-0.61	6.8	Oman	6.0	-4.00	133.3
Oman TR	148.1	-0.92	9.2	Qatar	6.0	-12.50	75.0
Kuwait TR	148.0	-0.13	5.8	US	5.6	-0.44	83.3
Qatar TR	133.1	-1.01	3.2	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	136.6	-1.32	2.9	Saudi	6.0	-3.24	8.3
UAE TR	137.3	-0.69	4.2	UAE	5.1	-2.58	-4.5
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.8	0.00	18.8
Saudi Arabia	60.9	4.60	6.5	Bahrain	6.5	0.79	-9.7
Abu Dhabi	47.0	3.00	3.3	Oman	6.1	-4.25	119.0
Dubai	71.8	-2.40	4.5	Qatar	6.3	-12.50	50.0
Kuwait	59.6	4.60	4.5	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	225.3	10.00	12.6	Saudi Arabia ^{^^}	4.9	16.80	16.8
Oman	129.5	4.30	7.3	Abu Dhabi	4.4	14.50	20.5
Qatar	53.5	4.50	6.7	Dubai	4.8	7.50	33.1
Egypt	1351.2	75.10	176.8	Kuwait	4.4	7.10	53.5
Turkey	315.2	-1.60	26.8	Bahrain	6.9	15.70	0.4
US	48.5	-	0.6	Oman	5.7	23.10	-36.7
Germany	17.2	-0.40	-0.5	Qatar	4.4	16.50	19.1

data from 3rd January 2023 to 9th January 2024. Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management
^{^^} YTD data from 13th January 2023

Saudi Arabia launched a USD12bn three-tranche bond

Saudi Arabia successfully launched a USD12bn bond issuance in three tranches, attracting over USD30bn in orders due to robust investor demand. The kingdom sold USD3.25bn, USD4bn, and USD4.75bn for 6, 10, and 30-year tenors, respectively, for its domestic budgetary requirements. The spread for the six-year bond was tightened to 90bp over US Treasuries (UST) from the initial 115bp, while the 10-year bond saw its spread decrease to 110bp over UST from the initial 135bp, and to 170bp for the 30-year from 195bp.

(Source: Bloomberg)

FAB sets 5-year sukuk spreads

First Abu Dhabi Bank (FAB), has set a final spread for its benchmark-sized 5-year sukuk, or Islamic bond. The final spread for the sukuk was reduced to 85bp over US Treasuries, tightening from the initial 100bp over the same benchmark, following an order book of approximately USD1.45bn. This sukuk, part of the USD5bn Trust Certificate Issuance Programme, is scheduled to be priced at a later date.

(Source: Bloomberg)

Kuwait Finance House plans to launch a debut senior unsecured Sukuk

Kuwait Finance House (KFH), the largest bank in Kuwait and the second-largest Islamic bank globally in terms of total assets, has mandated banks to organize a set of investor calls, including a global investor call. Following market conditions, KFH plans to launch a debut senior unsecured Sukuk offering with a fixed rate, denominated in US dollars, and falling under the Regulation S category, as part of its USD4bn Trust Certificate Issuance Programme. The offering will be for a 5-year benchmark size, and FCA/ICMA stabilization will be applied. Moody's rated KFH at A2 with a stable outlook, while Fitch rated it at A with a stable outlook.

(Source: Bloomberg)

UAE's non-oil GDP grew 5.9% in the first nine months of 2023

According to Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, the UAE's non-oil gross domestic product (GDP) rose 5.9% in the first nine months of 2023. He added the year 2023 was exceptional and was a year during which the UAE witnessed unprecedented economic growth, massive global political presence, scientific advancement, new educational and healthcare developments.

(Source: Zawya)

Qatar's GDP growth will rebound by 2% in 2024, according to Fitch Ratings

According to Fitch rating agency, Qatar is expected to boost its real GDP growth as stronger investment and private and public consumption will play a vital role in the non-oil sectors. The growing industries will enable Qatar to rebound by 2%, supported by the growing hydrocarbon outcome.

(Source: Zawya)

Oman's public debt dropped to 35% of GDP in 2023

Oman has experienced a significant reduction in its public debt, reaching 35% of the gross domestic product (GDP) in 2023, thanks to fiscal reforms and higher oil prices. According to the Ministry of Finance, the government successfully decreased public debt from OMR17.6bn in 2022 to OMR15.2bn by the end of 2023, resulting in a repayment of around OMR2.4bn. Consequently, the public debt ratio as a percentage of GDP, declined to 35% by end- 2023.

(Source: Zawya)

Sharjah Ruler approved Sharjah's 2024 budget of USD11.1bn

H.H. Sheikh Dr. Sultan bin Muhammed Al Qasimi, Ruler of Sharjah, approved Sharjah's general budget for 2024, with total expenditures amounting to approximately AED40.832bn, the largest in the emirate's history, a budget that would achieve financial sustainability, ensure decent living, and ensure social security and sustainability.

(Source: Zawya)

GCC Fixed Income Weekly

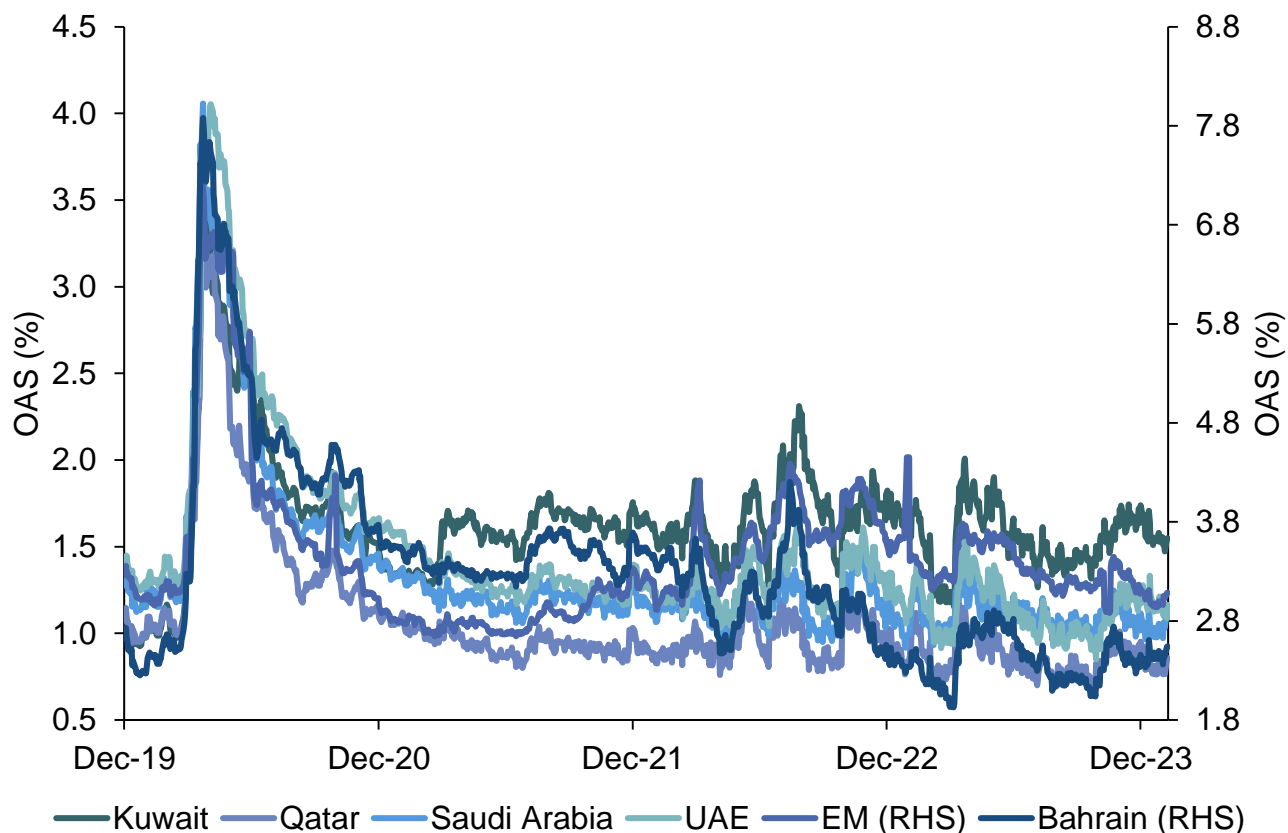
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Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
ALPHA STAR HOLDING	DAMACU H	Agency	AE	300	8.375	4/12/2027	AT MATURIT	USD	10/05/2023	BB	8.34	-
Suci Second Investment Co	PIFKSA	Agency	SA	2250	6	10/25/2028	AT MATURIT	USD	10/18/2023	A+	5.88	-
Suci Second Investment Co	PIFKSA	Agency	SA	1250	6.25	10/25/2033	AT MATURIT	USD	10/18/2023	A+	5.97	-
MDGH GMTN	MUBAUH	Agency	AE	750	5.875	5/1/2034	AT MATURIT	USD	10/25/2023	AA	5.99	-
ITTIHAD INTERNATIONAL IN	ITTIHAD	Agency	AE	350	9.75	11/9/2028	AT MATURIT	USD	11/2/2023		10.31	-
ADIB SUKUK II CO LTD	ADIBUH	Agency	AE	500	5.695	11/15/2028	AT MATURIT	USD	11/8/2023	A+	5.54	-
QIB Sukuk Ltd	QIBKQD	Financial Institution	QA	500	5.581	11/22/2028	AT MATURIT	USD	11/22/2023	A-	5.50	-
Abu Dhabi Commercial Bank	ADCBUH	Agency	AE	750	8	PERPETUAL	PERP/CAL L	PER P/C	11/27/2023		7.43	6.91

*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

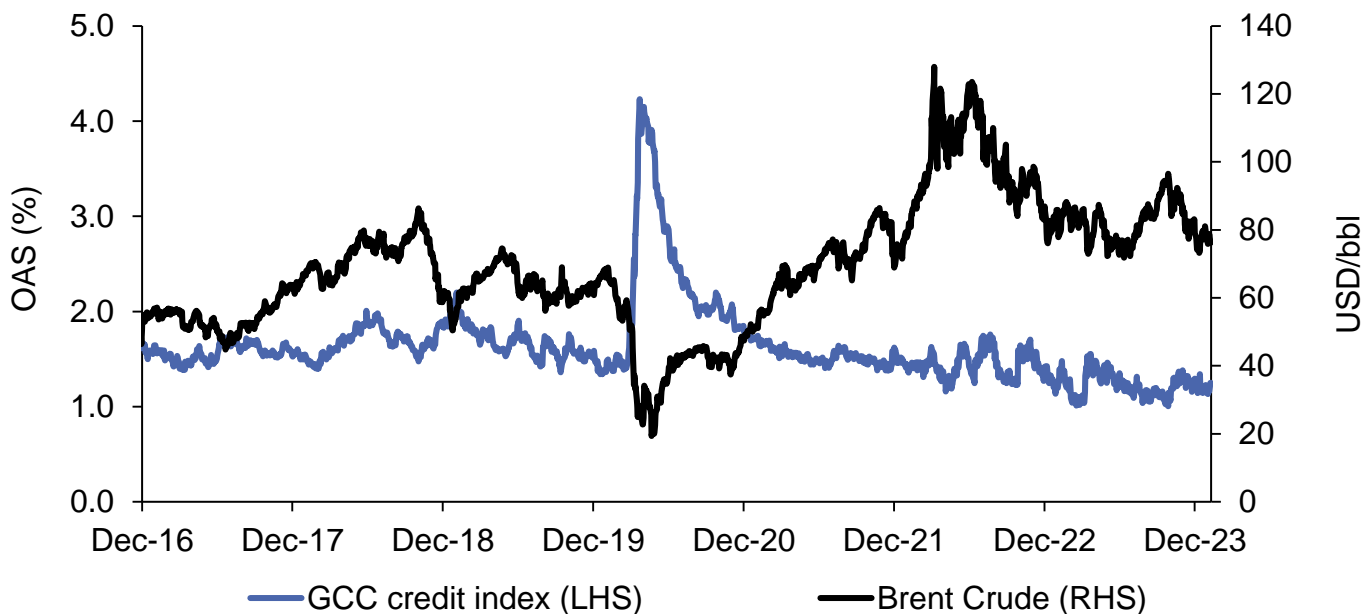
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

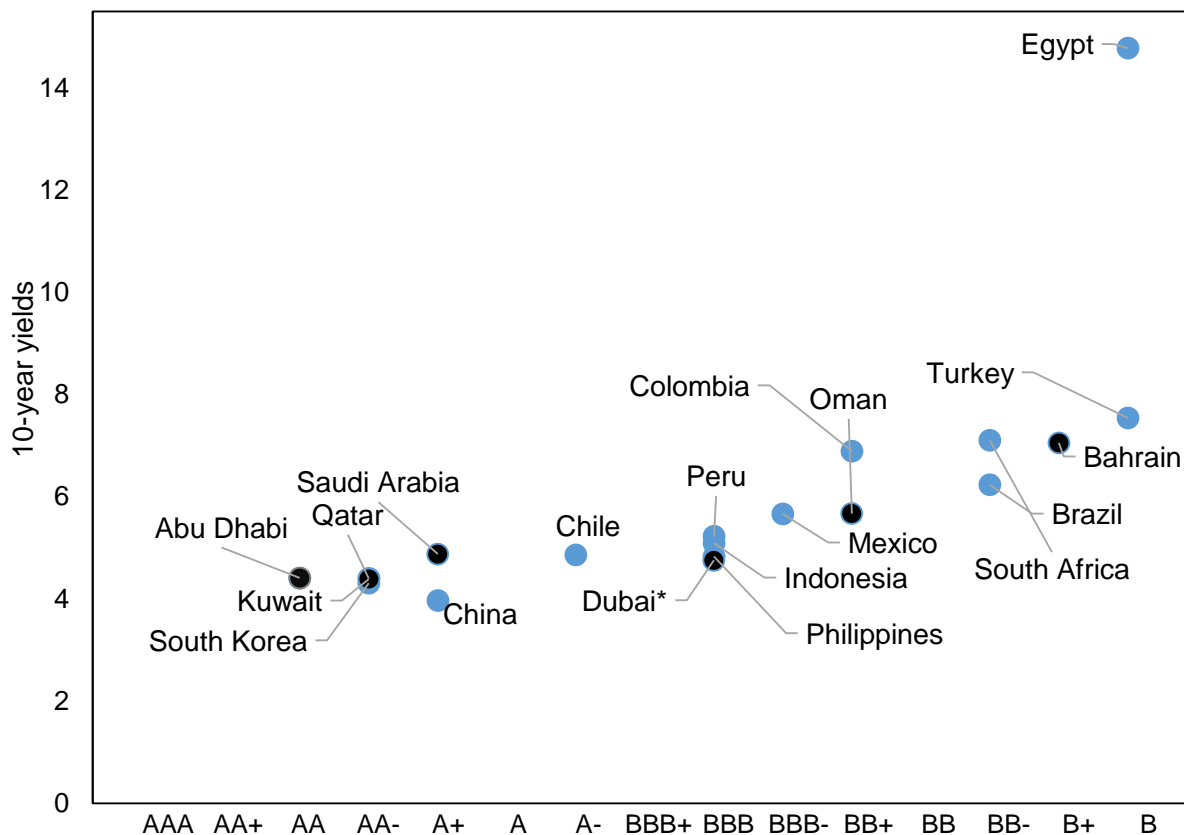
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

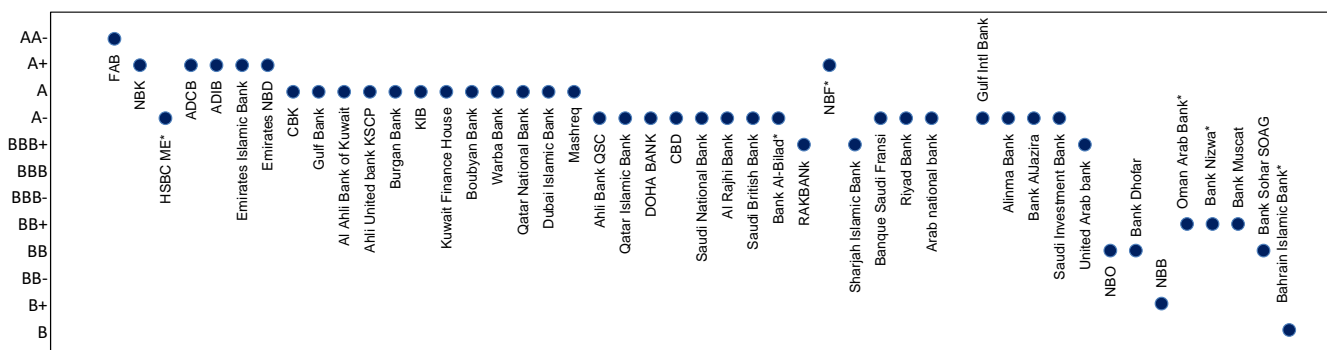
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

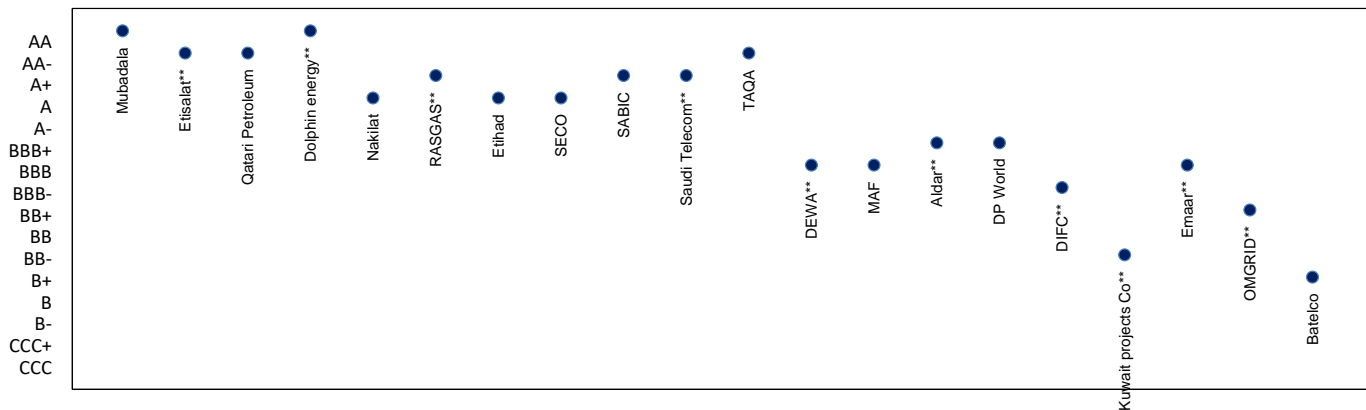
GCC Financials



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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