

## GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 16th January 2024). 10Y UST Yields rose above 4% after remarks by the Fed indicated there could be no early interest rate cuts this year. Eurozone government bond yields rose over the week. In credit, Global corporate IG had a negative week. Global HY index ended the week with a positive note. On the other hand, EM USD recorded gains 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. In the USD sovereign market, 10yr bond yields dropped across the GCC countries barring Saudi Arabia and Abu Dhabi.

According to the World Bank, **the growth in the GCC countries is anticipated to increase to 3.6% in 2024 and further to 3.8% in 2025, driven by a rebound in oil activities. The UAE is expected to experience a GDP growth of 3.7% in 2024, with a further increase to 3.8% predicted for 2025.** In addition, according to the General Authority for Statistics, **Saudi Arabia experienced a decline in its annual inflation rate from 1.7% in November to 1.5% in December.**

First Abu Dhabi Bank (FAB) has effectively launched a 5-year USD800mm sukuk with a spread 85bp over US Treasuries, yielding a total of 4.779%. Qatar International Islamic Bank (QIIB) issued a USD500mn from the sale of its senior sustainable sukuk maturing in January 2029. QIIB set the spreads at 120bp over US Treasuries. Oman Telecommunications Company (Omantel) issued a 7-year USD500mm senior unsecured USD-denominated Islamic bond, yielding a total of 5.375%. Banque Saudi Fransi has given initial price guidance of around 135bp over US Treasuries for its 5-year sukuk issuance.

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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

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1159.3	0.39	7.9	Saudi	6.2	-0.84	86.3
EM LatAm TR	1013.5	0.53	10.0	UAE	5.2	-2.94	85.8
EM EMEA TR	346.1	0.23	7.2	Kuwait	4.3	0.00	31.3
EM Asia TR	616.9	0.42	6.8	Bahrain	6.5	0.00	37.3
Bahrain TR	189.5	0.43	7.4	Oman	6.0	-2.00	131.3
Oman TR	149.1	0.38	10.0	Qatar	6.3	25.00	100.0
Kuwait TR	148.2	0.06	5.9	US	5.6	-2.86	80.6
Qatar TR	133.2	0.02	3.3	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	136.7	-0.03	2.9	Saudi	5.9	-0.92	6.5
UAE TR	137.5	0.06	4.3	UAE	5.1	3.59	-1.3
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.8	0.00	18.8
Saudi Arabia	64.1	4.50	9.7	Bahrain	6.4	-4.54	-14.4
Abu Dhabi	48.9	3.50	5.2	Oman	6.1	-3.75	115.3
Dubai	76.6	4.80	9.2	Qatar	6.5	25.00	75.0
Kuwait	63.5	3.90	8.5	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	225.0	2.80	12.3	Saudi Arabia	4.9	1.60	25.8
Oman	132.4	5.40	10.2	Abu Dhabi	4.4	1.00	20.8
Qatar	55.6	3.10	8.7	Dubai	4.7	-1.90	31.3
Egypt	1354.4	77.20	180.0	Kuwait	4.3	-5.00	48.5
Turkey	321.2	14.60	32.9	Bahrain	6.8	-7.50	-10.5
US	47.0	-1.00	-0.9	Oman	5.6	-6.20	-47.2
Germany	16.1	-0.70	-1.6	Qatar	4.3	-5.10	14.2

data from 10<sup>th</sup> January 2024 to 16<sup>th</sup> January 2024, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

## According to the World Bank-the GCC economy is expected to grow by 3.6% in 2024

According to the World Bank, the growth in the GCC countries is anticipated to increase to 3.6% in 2024 and further to 3.8% in 2025, driven by a rebounding in oil activities. The UAE is expected to experience a GDP growth of 3.7% in 2024, reflecting an improvement from the 3.4% recorded in 2023, with a further increase to 3.8% predicted for 2025. Saudi Arabia's economy is forecasted to grow by 4.1% in 2024, while Kuwait is projected to witness a 2.6% expansion rebounding in 2024. Bahrain is expected to achieve a 3.3% growth in its economy in 2024, and Qatar's economic expansion is estimated at 2.5%. Similarly, Oman is anticipated to experience a 2.7% growth in 2024, followed by a subsequent increase of 2.9% in 2025. These positive outlooks are underpinned by the recovery and revitalization of oil-related activities in the region.

(Source: Zawya)

## Saudi Arabia's inflation rate eased in December to 1.5%

According to the General Authority for Statistics, Saudi Arabia experienced a decline in its annual inflation rate from 1.7% in November to 1.5% in December. This decrease was primarily attributed to a surge in housing rent prices, which saw a 9% increase in December, contributing to an overall uptick of 7.5% in the pricing of housing, water, electricity, gas, and other fuels. Meanwhile, prices for food and beverages witnessed a 1.2% rise in December, and there was a 2.5% increase for restaurants and hotels.

(Source: Zawya)

## FAB issued the first Sukuk globally in 2024

First Abu Dhabi Bank (FAB) has effectively launched a 5-year USD800mm sukuk with a margin spread of US Treasury +85bp, yielding a total of 4.779%. This issuance holds significance as the inaugural sukuk issued worldwide in 2024 and represents the region's first offering of the year.

(Source: Bloomberg)

## Qatar QIIB issued a USD500mm senior sukuk

Qatar International Islamic Bank (QIIB) issued a USD500mm from the sale of its senior sustainable sukuk maturing in January 2029. QIIB set the spreads at 120bp over US Treasuries, tightened from the initial price guidance of 160bp over the same benchmark after the orders topped USD3.9bn.

(Source: Bloomberg)

## Omantel launched a 7-year debut sukuk

Oman Telecommunications Company (Omantel) has launched a 7-year USD500mm senior unsecured USD-denominated Islamic bond, yielding a total of 5.375%. Omantel has received a positive Ba2 rating from Moody's and a Stable BB+ rating from Fitch.

(Source: Bloomberg)

## Banque Saudi Fransi started to sell its 5-year sukuk

Banque Saudi Fransi has given initial price guidance of around 135bp over US Treasuries for its 5-year sukuk issuance. Banque Saudi Fransi is planning to sell benchmark-sized dollar-denominated senior sukuk under its USD4bn trust certificate issuance programme.

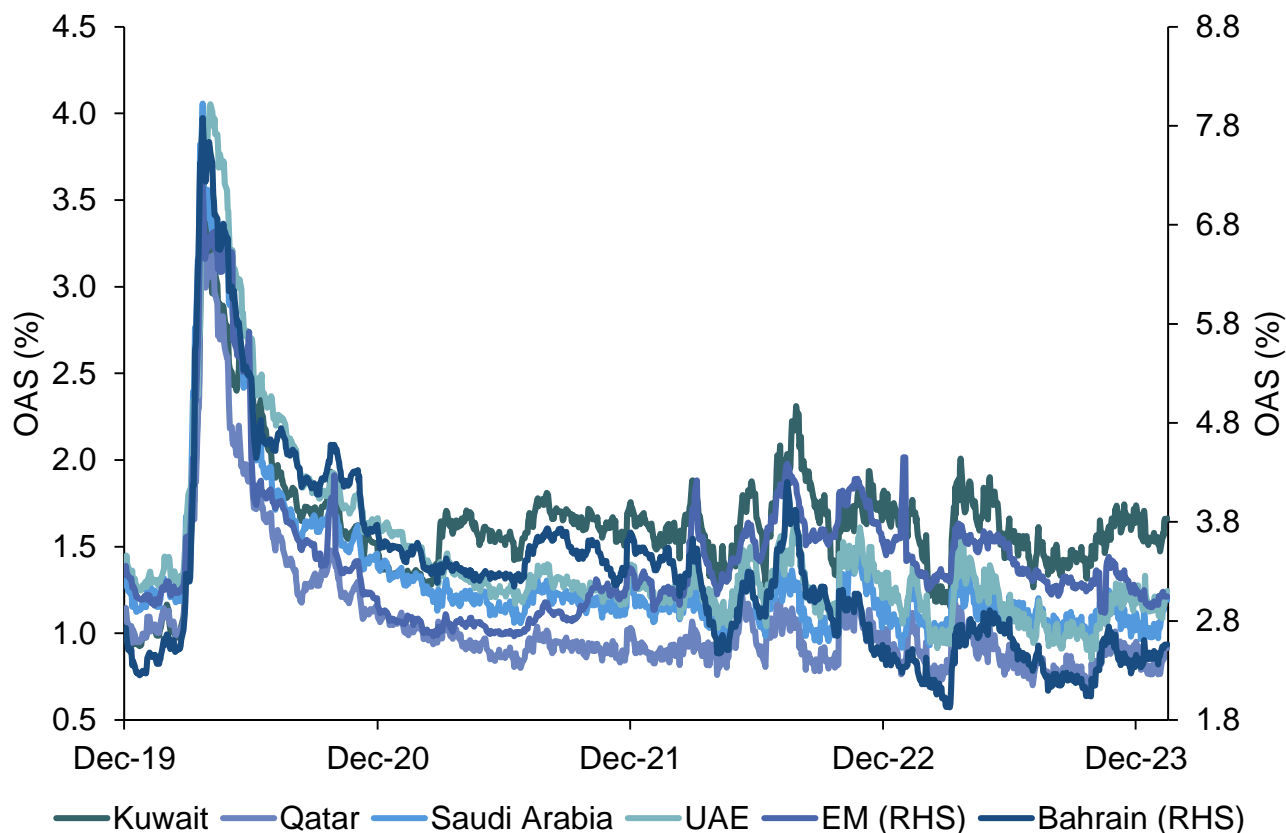
(Source: Bloomberg)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg^	YTM (mid)	YTC (mid)
Saudi Government International Bond	KSA	Sovereign	SA	4750	5.75	1/16/2054	AT MATURITY	USD	1/16/2024	A+	5.84	-
Saudi Government International Bond	KSA	Sovereign	SA	4000	5	1/16/2034	AT MATURITY	USD	1/16/2024	A+	5.06	-
Saudi Government International Bond	KSA	Sovereign	SA	3250	4.75	1/16/2030	AT MATURITY	USD	1/16/2024	A+	4.83	-
KFH SUKUK CO	KFHKK	Financial Institutions	KY	1000	5.011	1/17/2029	AT MATURITY	USD	10/1/2024	A	5.02	-

\*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

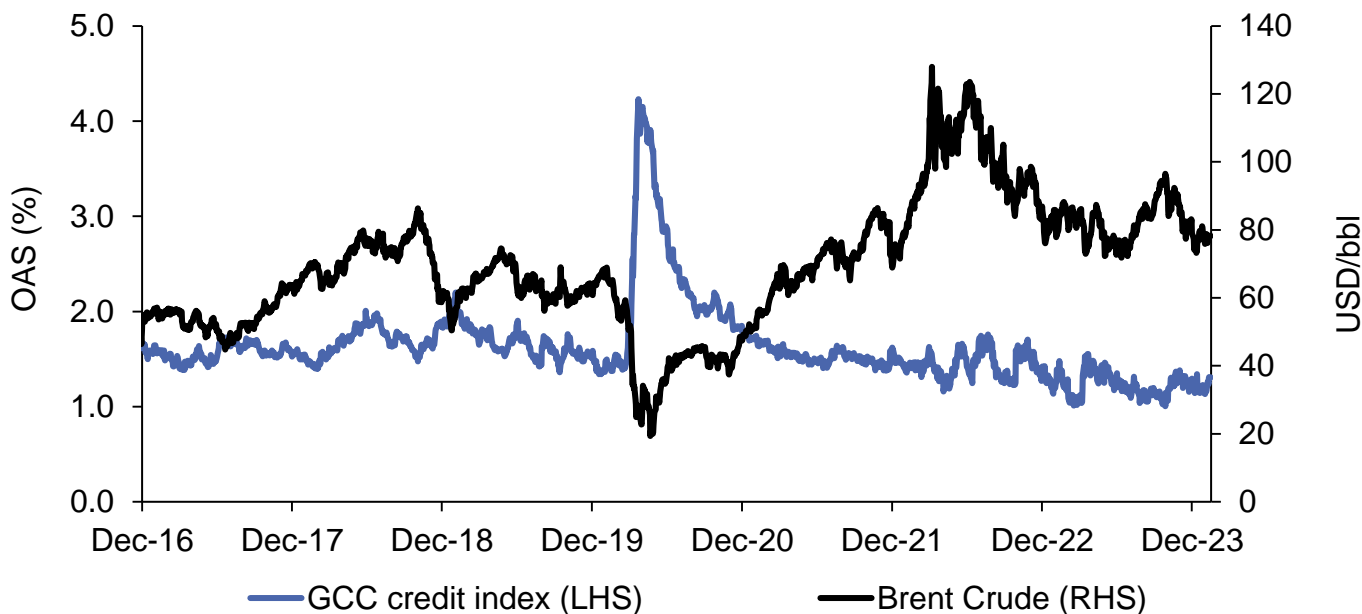
## Appendix

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



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

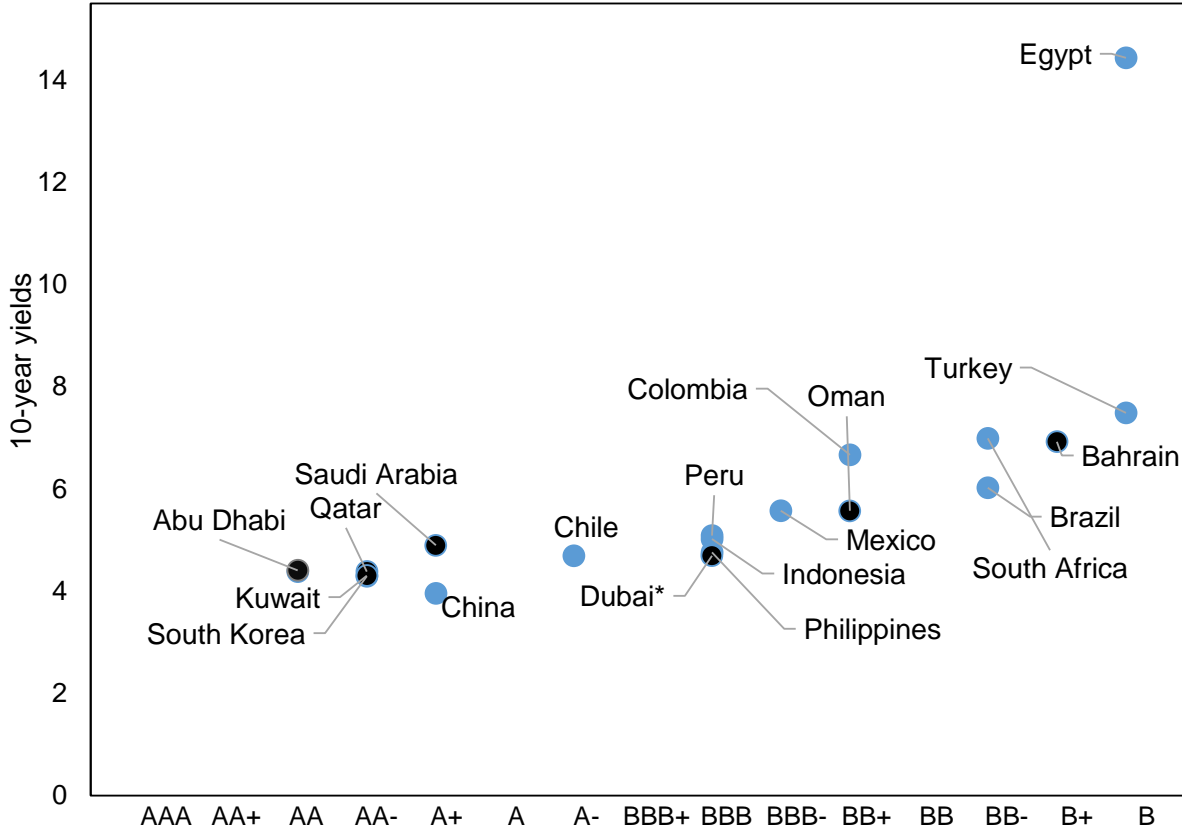
### GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

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

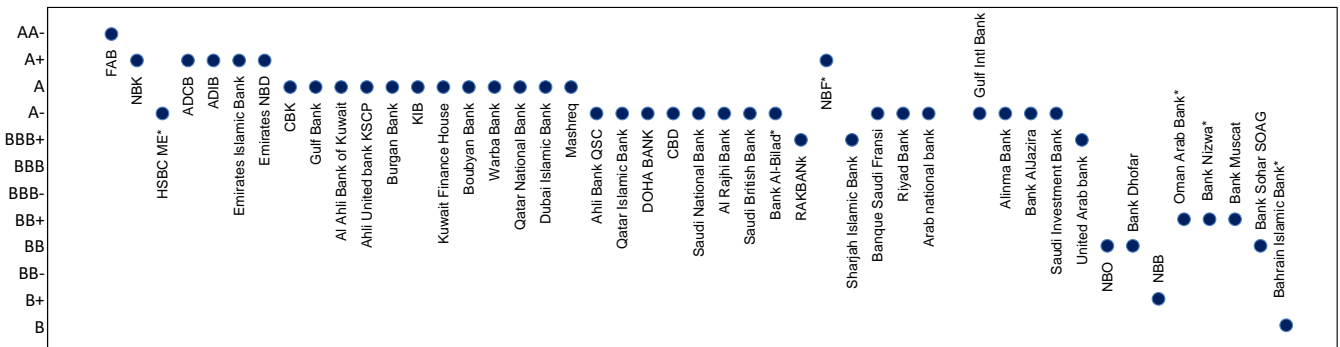
### GCC sovereign valuation versus peers



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

## GCC Financials Credit Rating

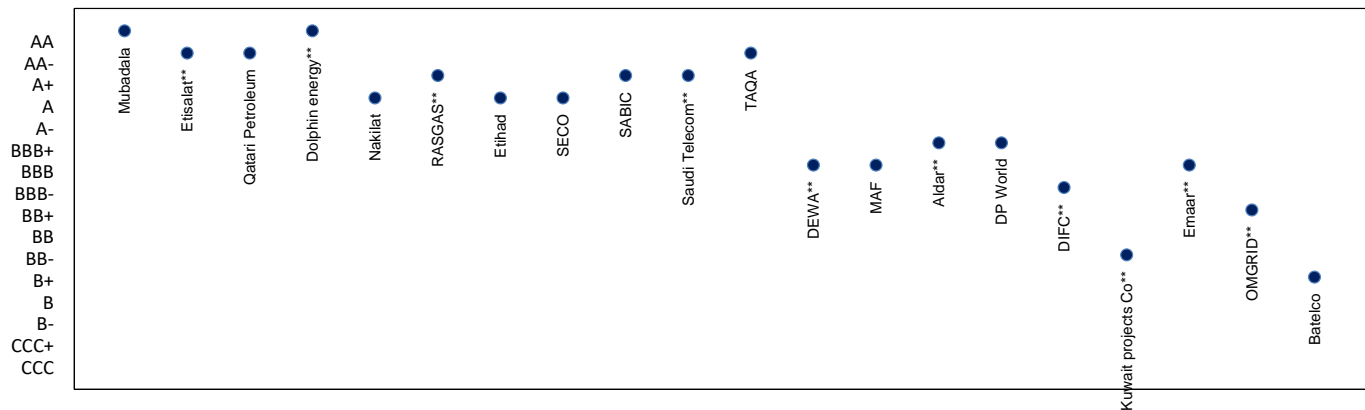
### GCC Financials



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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