

GCC Fixed Income Weekly Review

Global bond index was fairly unchanged over last one week with a modest recovery but volatility remained. DM sovereign long-term bond yields softened after jumping to their pre-pandemic high. The UST curve flattened slightly over the week, ahead of the Fed meeting. US IG bonds partially recovered from their previous losses while US HY bonds came under pressure. German bund yields returned back to negative territory after briefly turning positive. EM USD bonds recorded gains over the week, partially recovering previous losses but year-to-date gains remained deep in the negative territory.

GCC bonds mostly posted gains ahead of the first Fed meeting of the year. Oman was the best performer, followed by the better-rated sovereigns. Kuwait, on the other hand, was the worst performer. CDS spreads were mostly unchanged for the week. In the USD sovereign market, bond yields declined in all GCC countries, the most in Oman and Abu Dhabi. On the other hand, Kuwaiti 10yr bond yields jumped.

Kuwait's finance ministry announced that it had submitted to the cabinet a draft budget for the fiscal year 2022-2023, pencilling in a budget deficit of USD10.26bn, down 74.2% from last year. The country expects oil income to reach KWD16.7bn for the fiscal year ending in March 2023, a jump of 83.4% over 2021-2022. Elsewhere, Oman's budget deficit has narrowed to OMR1.22bn or 4% of GDP in 2021, from OMR4.4bn or 15.8% of GDP in 2020 based on preliminary estimates. The key driver for the improvement in budget balance was better oil and gas revenues. Production of oil and gas expanded in 2021, contributing to a jump of 41% yoy in gas revenues. Oman has pencilled in a budget deficit of OMR1.55bn in 2022, a slight modest increase to 4.9% of GDP

In corporate issuances, Abu Dhabi National Oil Company's newly formed debt-issuing unit Murban is planning to issue its debut bond sale. The company plans to target investors from Asia, Europe, the United States, and the Middle East and Africa. ADNOC's CIO stated that unlike their GCC peers, the company plans to tap the markets in relatively lower issuance size range of USD3-5bn.

Prerana Seth

Fixed Income Strategist
Tel: +971 (0)2 696 2878
prerana.seth@adcb.com

Mohammed Al Hemeiri

Analyst
Tel: +971 (0)2 696 2236
mohammed.alhemeiri@adcb.com

Visit [Investment Strategy Webpage](#) to read our other reports

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aaa2	Baa1	A1	Ba2	Ba3	Aa3	B3
Fitch	A	AA	-	AA	B+	BB-	AA-	B+

GCC Fixed Income Weekly Snapshot

	BBG Barclays			Interest rates			
	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1,233.1	0.6	-2.7	Saudi	0.95	1.51	4.37
EM LatAm TR	1026.7	0.5	-3.2	UAE	0.44	12.9	7.4
EM EMEA TR	391.1	0.2	-2.7	Kuwait	1.50	0.00	0.00
EM Asia TR	643.6	1.1	-2.2	Bahrain	1.57	3.3	5.0
Bahrain TR	175.8	-0.0	-1.8	Oman	2.04	-10.80	-9.20
Oman TR	134.7	0.9	-2.0	Qatar^^	1.15	0.0	2.5
Kuwait TR	148.8	-0.1	-1.0	US	0.27	1.36	5.32
Qatar TR	145.2	0.4	-2.1	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	148.8	0.4	-2.5	Saudi	1.20	5.6	14.4
UAE TR	144.9	0.3	-2.0	UAE	0.94	11.05	19.54
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.00	-6.3	0.0
Saudi Arabia	53.4	-0.2	1.5	Bahrain	1.78	1.66	1.66
Abu Dhabi	50.5	0.8	5.6	Oman	3.00	-2.4	-1.4
Dubai	103.1	0.2	4.0	Qatar^^	1.35	0.00	2.50
Kuwait	56.9	1.0	8.0	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	329.49	-3.5	25.4	Saudi Arabia	2.78	-7.3	29.8
Oman	292.7	2.2	26.7	Abu Dhabi	2.32	-11.10	29.40
Qatar	50.4	0.7	5.1	Dubai	2.77	-3.7	23.6
Egypt	569.8	-46.6	61.4	Kuwait	2.07	2.60	42.00
Turkey	530.9	-18.7	-37.9	Bahrain	6.15	-1.0	45.2
US	13.2	-	-1.3	Oman	5.26	-11.80	49.10
Germany	9.4	-0.4	-0.9	Qatar	2.36	-5.1	25.7

Note: *Dewa rating used as proxy, data from 18th January to 25th January 2022, ^^ data as of 18th January 2022 |

Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

ADNOC holds investor meetings before debut of its bonds

Abu Dhabi National Oil Company's newly formed debt-issuing unit Murban is planning to issue its debut bond sale. The company plans to target investors from Asia, Europe, the United States, and the Middle East and Africa. With the debt issuing unit in place, ADNOC will be able to raise debt with longer tenors and possibly at a better price by tapping the debt capital markets. ADNOC's CIO stated that unlike their GCC peers, the company plans to tap the markets in relatively lower issuance size range of USD3-5bn. Bond sale proceeds will be utilized to refinance loans. Currently ADNOC has USD6bn outstanding in loan due in 2022 and USD10bn over the next three years. ADNOC Murban, the debt-issuing unit is expected to be rated AA by S&P, Aa2 by Moody's and AA by Fitch. (Source: Reuters)

Oman's 2022 budget deficit to be lowest in 11 years

Based on preliminary estimates, Oman's budget deficit has narrowed to OMR1.22bn or 4% of GDP in 2021, from OMR4.4bn or 15.8% of GDP in 2020. The key driver for the improvement in budget balance was due to better oil and gas revenues. Production of oil and gas expanded in 2021, contributing to a jump of 41% yoy in gas revenues. Oman has pencilled in a budget deficit of OMR1.55bn in 2022, a slight modest increase to 4.9% of GDP. The budget uses an average oil price assumption of USD50/bbl. (Source: Zawya)

Kuwait drafts 2022-2023 budget with 74% reduction in deficit

Kuwait's finance ministry announced that it had submitted to the cabinet a draft budget for the fiscal year 2022-2023, pencilling in a budget deficit of USD10.26bn, down 74.2% from last year. The country expects oil income to reach KWD16.7bn for the fiscal year ending in March 2023, a jump of 83.4% over 2021-2022. For FY 2022-2023, revenues are expected to be KWD18.8bn, assuming an oil price of USD65/bbl., whereas expenditure is projected to be KWD21.9bn. A crude oil price of USD75/bbl. is needed in order to break-even on the proposed budget, which includes capital expenditures of KWD2.9bn. (Source: Reuters)

EIG-led investors in Saudi Aramco oil pipelines raised USD2.5bn, falling short of funding goal

EIG Pearl Holding, a group of investors that invested in last year's Saudi Aramco's oil pipelines network sold USD2.5bn in dual-tranche bonds, significantly lower than the initial planned amount. EIG pearl holdings was earlier targeting sale in the range of USD3.5-4.4bn. Final spreads remained unchanged from initial guidance, with around USD5bn in orders. The company sold USD1.25bn in bonds maturing in 14-1/2 to 15 years at 185bp over US Treasuries and USD1.25bn in bonds maturing in 24 1/2 to 25 years at 235bp over US Treasuries. (Source: Reuters)

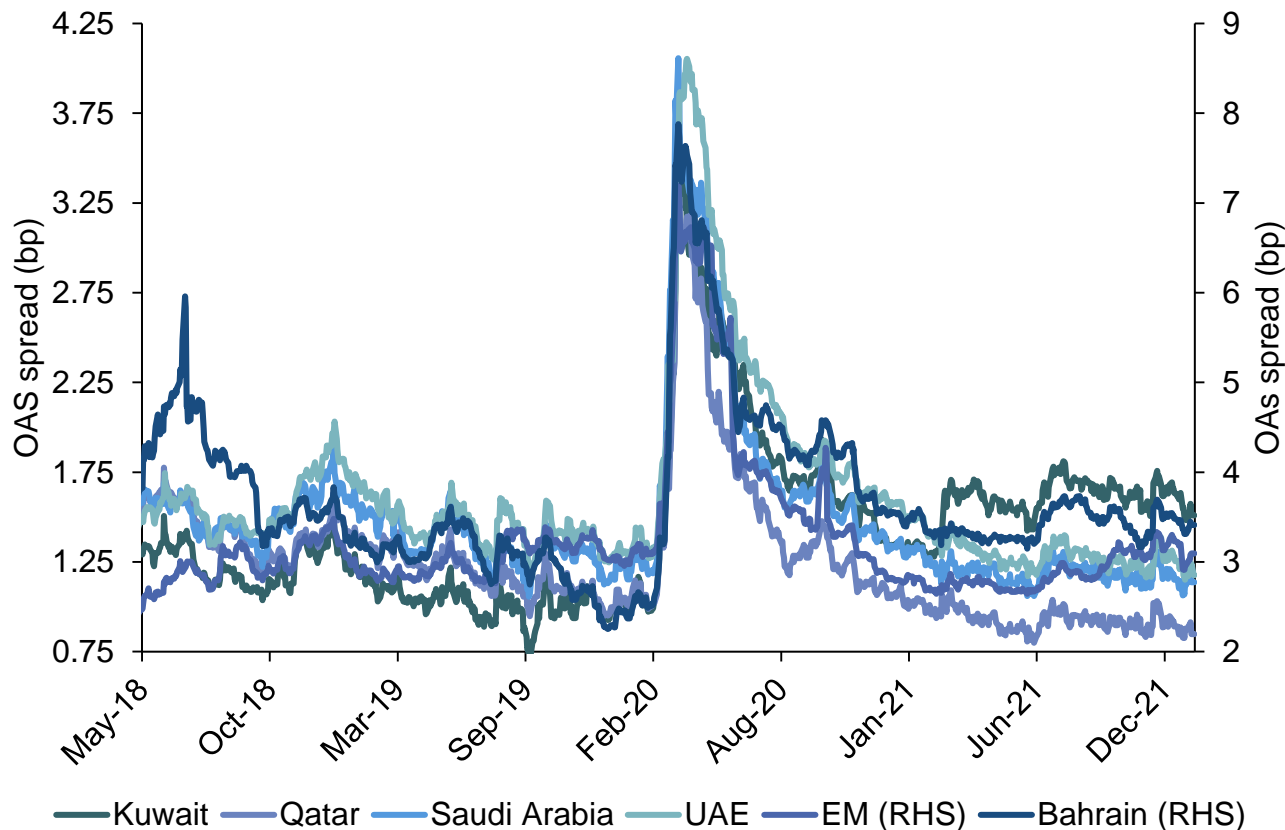
Issuer	BBG	Sector	Country	Issue Amt	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
SNB Sukuk Ltd	SNBAB	Financials	SA	750	2.342	1/19/2027	AT MATURITY	USD	1/19/2022	A-	2.45	-
Sweihan PV Power Co PJ	SWEHAN	Financials	AE	700.8	3.625	1/31/2049	SINKABLE	USD	1/21/2022	BBB+	3.81	0.00
EIG Pearl Holdings Sarl	EIGPRL	Financials	SA	1250	3.545	8/31/2036	SINKABLE	USD	1/25/2022	A	3.50	-
EIG Pearl Holdings Sarl	EIGPRL	Financials	SA	1250	4.387	11/30/2046	SINKABLE	USD	1/25/2022	A	4.36	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Financials	AE	250	0	1/25/2062	CALLABLE	USD	1/25/2022	A-	3.72	-

*Amount Issued in USDmillion, 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

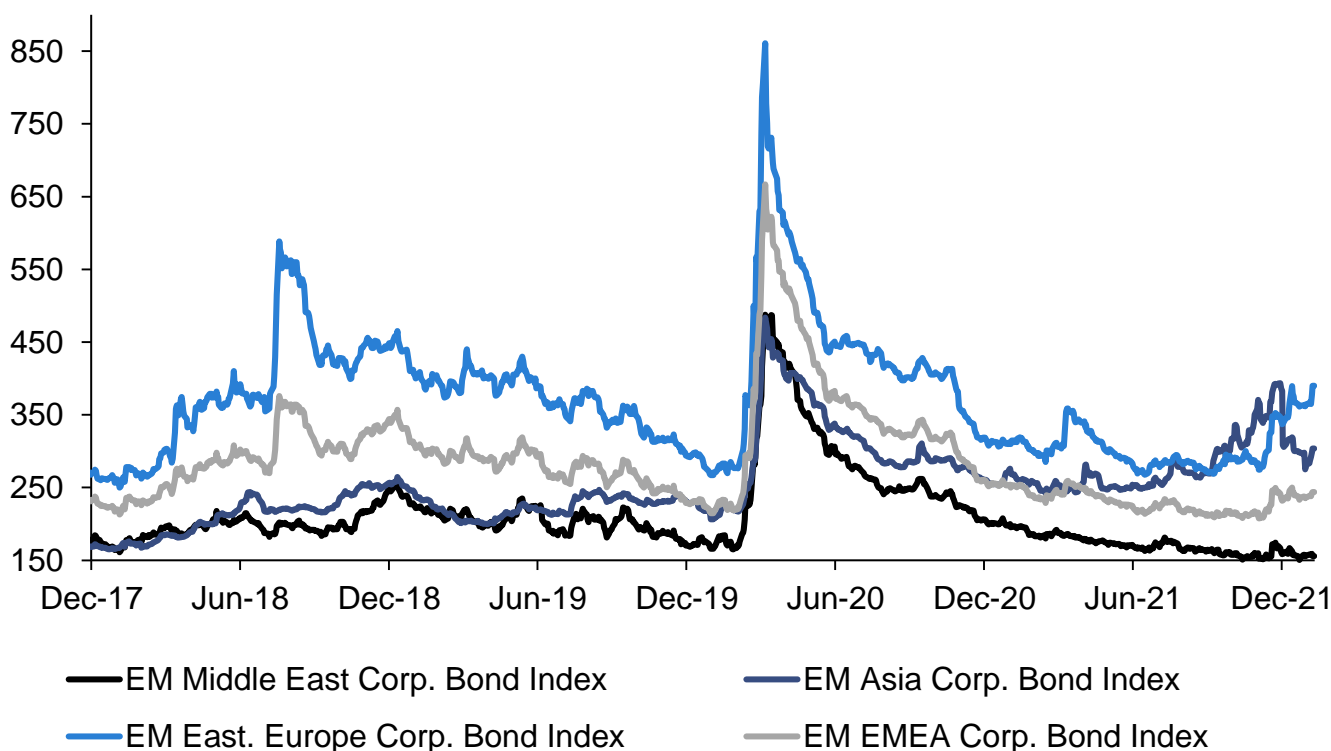
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



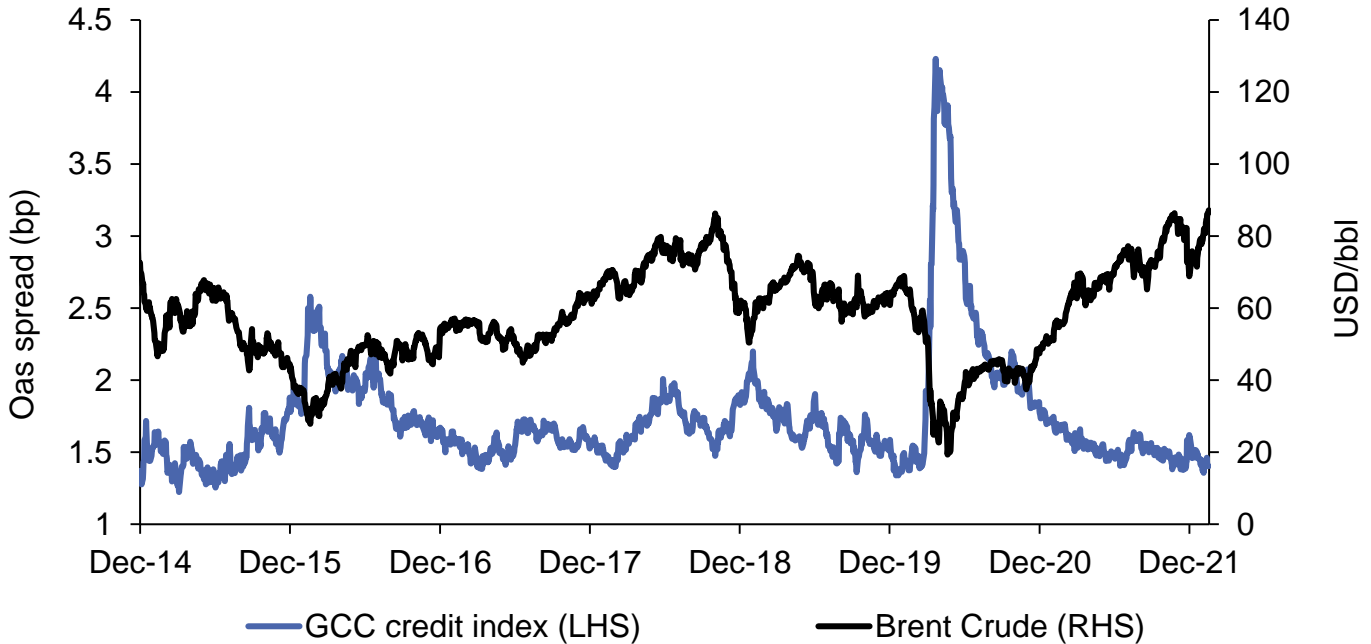
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

Emerging markets versus Middle East spread



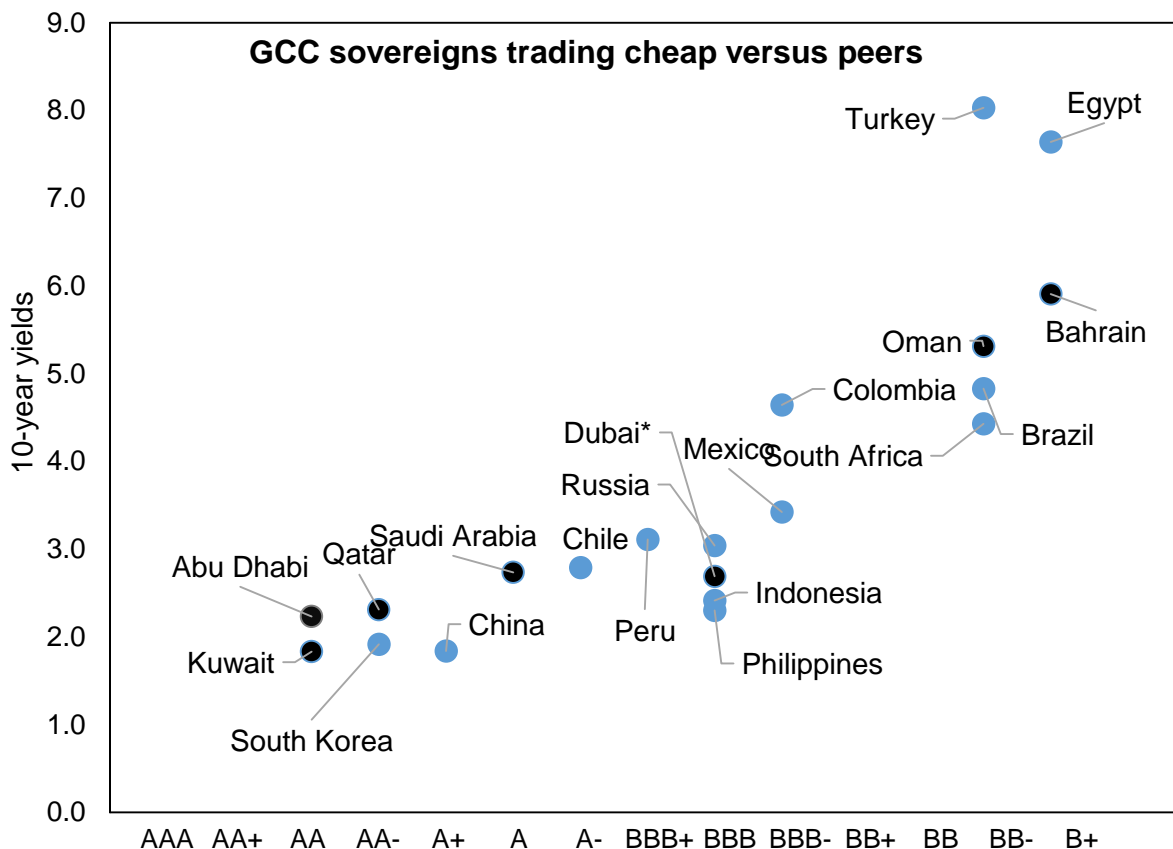
Source: Credit Suisse Corporate Bond Indices, ADCB

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

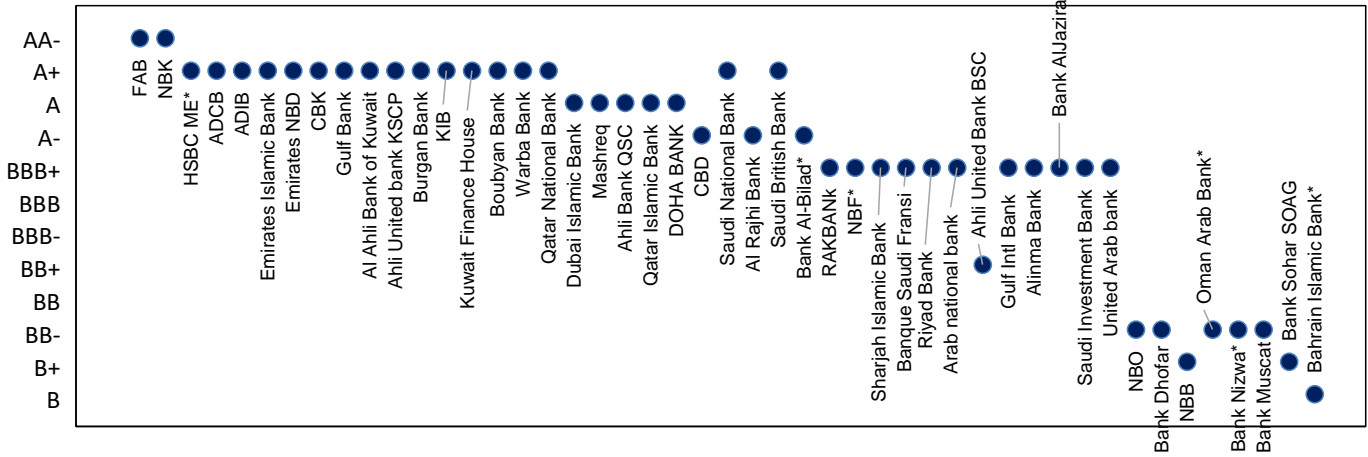
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

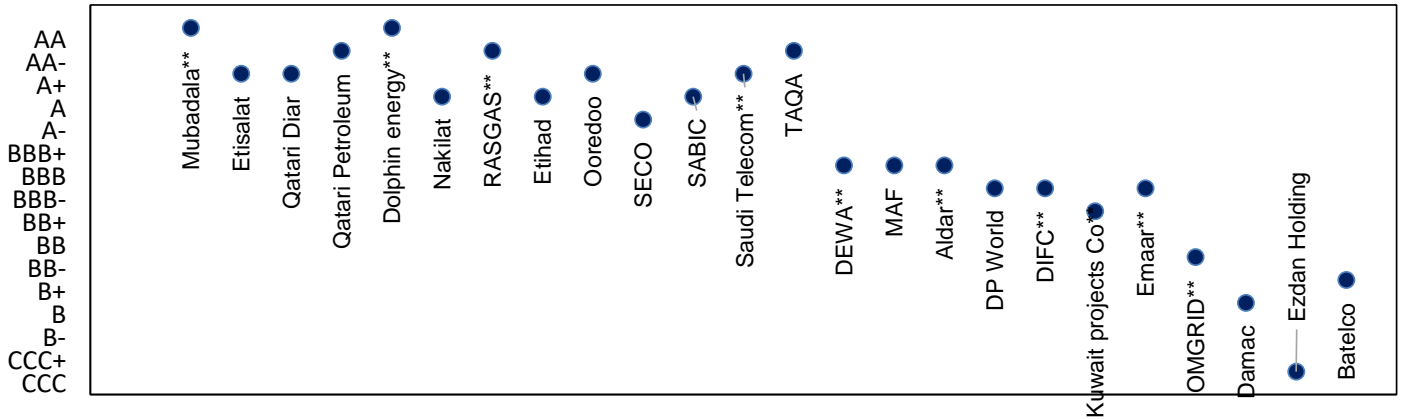
GCC Financials



Note: The ratings refer to Fitch ratings, *S&P 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 S&P ratings, ** Fitch ratings used as substitute where the corporate/bank not rated by S&P ratings, ^ refers to Moody's ratings
Source: Bloomberg, ADCB

Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTT News
4. Reuters
5. Gulfbase
6. Zawya

Disclaimer

ADCB Asset Management Limited ("AAML"), is a member of ADCB Group, licensed by Financial Services Regulatory Authority in Abu Dhabi Global Markets under financial services permission number 170036.

This publication is intended for general information purposes only. It should not be construed as an offer, recommendation or solicitation to purchase or dispose of any securities or to enter in any transaction or adopt any hedging, trading or investment strategy. Neither this publication nor anything contained herein shall form the basis of any contract or commitment whatsoever. Distribution of this publication does not oblige ADCB Group to enter into any transaction.

The content of this publication should not be considered as legal, regulatory, credit, tax or accounting advice. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in this publication. Investment products are not available to US persons.

Information and opinions contained herein is are based on various sources, including but not limited to public information, annual reports and statistical data that AAML considers accurate and reliable. However, AAML makes no representation or warranty as to the accuracy or completeness of any statement made in or in connection with this publication and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. This publication is intended for customers who are either retail or professional investors.

Charts, graphs and related data or information provided in this publication are intended to serve for illustrative purposes only. The information contained in this publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. All statements as to future matters are not guaranteed to be accurate. AAML expressly disclaims any obligation to update or revise any forward looking statement to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

ADCB Group does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its publications. As a result, recipients of this publication should be aware that any or all of foregoing services may at time give rise to a conflict of interest that could affect the objectivity of this publication. Opinions expressed herein may differ from opinions expressed by other businesses or affiliates of ADCB Group.

Past performance does not guarantee future results. Investment products are not bank deposits and are not guaranteed by ADCB Group. They are subject to investment risk, including possible of loss of principal amount invested. This publication may not be reproduced or circulated without ADCB Group written authority. The manner of circulation and distribution may be restricted by law or regulation in certain jurisdictions. Persons who come into possession of this document are required to inform themselves of, and to observe such restrictions. Any unauthorized use, duplication, or disclosure of this document is prohibited by law and may result in prosecution.