

## GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal gains over the week (ending 3rd January 2023). The 10-year Treasury yield dropped on the possibility of a recession in 2023. Euro zone bond yields also declined as data showed that German inflation slowed in December. In credit, corporate bonds ended the week on a positive note. On the other hand, EM USD bonds recorded marginal gains.

Appetite for GCC bonds was mixed, despite the marginal recovery in EM bonds. High quality sovereigns of Saudi Arabia, UAE and Qatar led the underperformance. On the other hand, Bahrain and Oman ended the week flat. 5yr CDS sovereign spreads tightened in all countries barring Kuwait. In the USD sovereign market, 10yr bond yields declined in Bahrain and Oman, while rose in Saudi Arabia, Abu Dhabi and Qatar and were flat in Kuwait and Dubai.

**UAE non-oil private sector output growth dropped to a 15-month low. The UAE's Purchasing Managers' Index (PMI) fell to 54.2 last month, marking the lowest reading since January.** Elsewhere, **Saudi Arabia's purchasing managers' index (PMI) fell from 58.5 in November to 56.9 in December**, but remained above the threshold of 50.0 that indicates growth in non-oil firms.

**Kuwait Projects Company (KIPCO) has successfully issued a USD538mn six-year senior unsecured bond.** There were fixed and floating rate tranches available for these bonds, maturing in December 2028. The fixed rate bond pays 6.75% annual coupon rate, while floating rate bond pays 3% coupon rate annually.

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aau2	Baa2	A1	Ba2	Ba3	Aa3	B3
Fitch	A	AA	-	AA	B+	BB	AA-	B+

## GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1075.8	0.3	-15.1	Saudi	5.3	9.6	434.6
EM LatAm TR	923.7	0.4	-12.9	UAE	4.5	-13.3	411.6
EM EMEA TR	323.5	0.1	-19.5	Kuwait	4.1	6.3	256.3
EM Asia TR	577.8	0.3	-12.2	Bahrain	6.1	-	462.5
Bahrain TR	176.7	0.0	-1.3	Oman	4.2	-15.2	207.6
Oman TR	136.0	0.1	-1.1	Qatar	5.4	-	425.0
Kuwait TR	140.1	0.2	-6.8	US	4.8	3.7	-
Qatar TR	129.0	-0.2	-13.1	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	132.7	-0.3	-13.1	Saudi	5.8	-2.8	477.0
UAE TR	131.7	-0.2	-10.9	UAE	5.1	10.3	433.2
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.6	0.0	256.3
Saudi Arabia	62.8	-0.8	-0.6	Bahrain	6.6	-	479.3
Abu Dhabi	46.5	-1.0	-1.2	Oman	4.5	-14.2	145.4
Dubai	93.9	-3.4	-0.2	Qatar	5.8	-	442.5
Kuwait	62.0	2.0	1.4	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	240.6	-12.3	-4.5	Saudi Arabia	4.6	8.5	213.5
Oman	189.4	-7.2	-4.2	Abu Dhabi	4.2	1.1	220.1
Qatar	49.0	-1.2	-0.9	Dubai	4.4	0.3	186.4
Egypt	870.6	-50.7	-33.6	Kuwait	4.2	0.0	252.4
Turkey	512.8	-11.5	-5.1	Bahrain	6.9	-2.1	104.9
US	28.1	-	0.9	Oman	6.1	-0.6	109.1
Germany	20.5	-0.4	-0.1	Qatar	4.2	3.2	209.6

Note: \*Dewa rating used as proxy, data from 28<sup>th</sup> December 2022 to 3<sup>rd</sup> January 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

## UAE non-oil private sector output growth dropped to a 15-month low

Non-oil private sector growth has slowed for the second month in a row in December, as output and new business growth slowed to the lowest level in more than a year. The UAE's Purchasing Managers' Index (PMI) fell to 54.2 last month, its lowest reading since January. Output and new business growth slowed to 15-month lows, while employment rose at the slowest rate in eight months.

(Source: Zawya)

## Saudi Arabia's non-oil growth expected to reach 4% in 2023, according to the PMI

Saudi Arabia's non-oil sector purchasing managers' index (PMI) fell from the seven-year high of 58.5 in November to 56.9 in December, but remained in the expansionary zone. Saudi Arabia closed the year with the strongest job growth in five years, the fastest rise in selling charges since March 2022, but purchasing growth slowed.

(Source: Zawya)

## Sharjah has approved the budget for 2023 at USD8.8bn

H.H. Sheikh Sultan bin Muhammad Al Qasimi, the Ruler of Sharjah, approved the Sharjah budget for 2023. The total expenditure will be approximately AED32.2bn. Waleed Al Sayegh, Director-General of Sharjah's Central Finance Department, reported that the general budget decreased by 12% compared to the 2022 budget. However, the government will continue to support the capital projects budget, which represents 14% of the general budget, to ensure continuity in meeting the spending needs on these projects in 2023. Payroll and wages contributed 28% to the general budget in 2023. In addition, the operating expenses for 2023 have decreased by 4% over 2022, constituting 30% of the budget.

(Source: Zawya)

## KIPCO successfully completed its USD538mn six-year bond issue

Kuwait Projects Company (KIPCO) has successfully issued a USD538mn six-year senior unsecured bond. There were fixed and floating rate tranches available for these bonds, maturing in December 2028, with the floating tranche attracting 67% of allocations. Fixed rate bond pays 6.75% annual coupon rate, while floating rate bond pays 3% coupon rate annually above the Central bank of Kuwait discount rate.

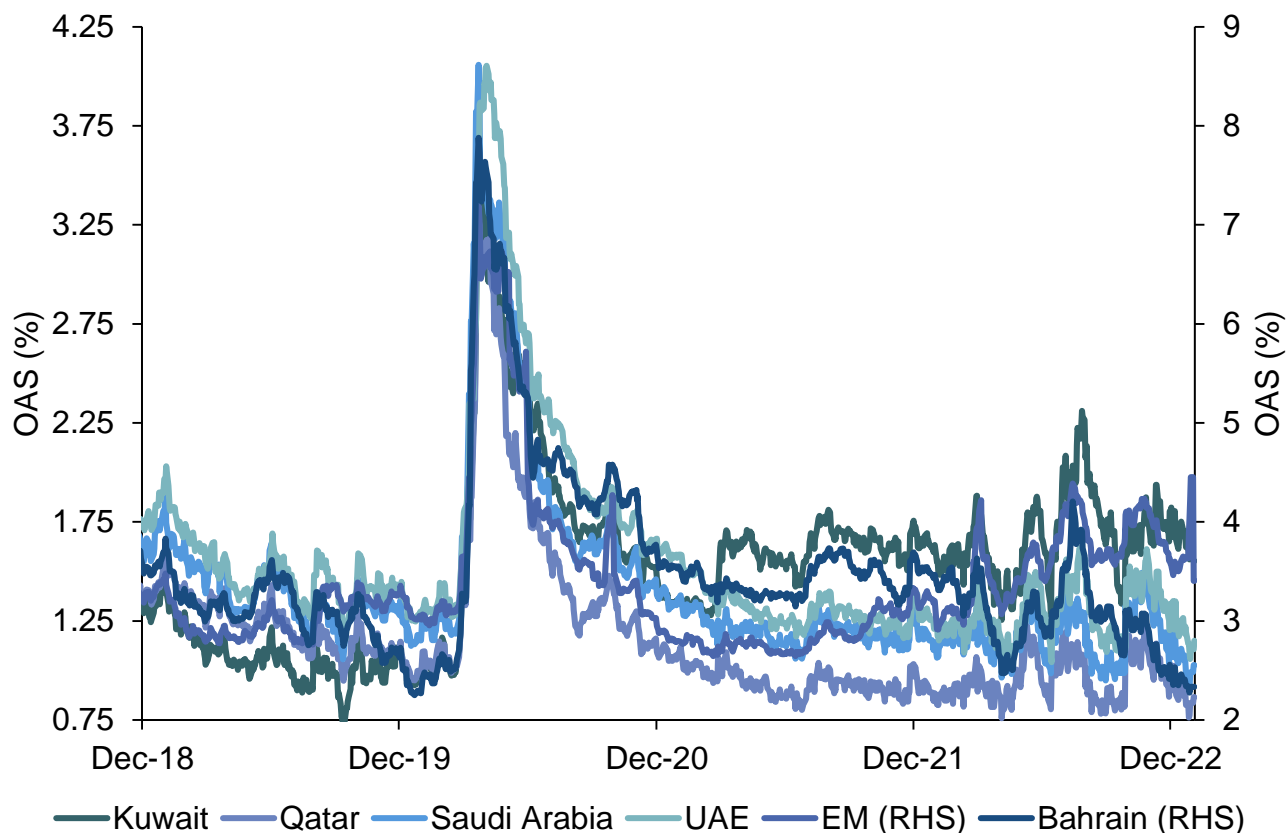
(Source: Reuters)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg <sup>^</sup>	YTM (mid)	YTC (mid)
MASHREQBANK PSC	MASQUH	Agency	AE	500	7.875	02/24/2033	CALLABLE	USD	11/23/2022	BBB+	7.72	
BSF FINANCE	BSFR	Agency	SA	700	5.5	11/23/2027	AT MATURITY	USD	11/23/2022	BBB+	5.52	
DIB SUKUK LTD	DIBUH	Agency	AE	750	5.493	11/30/2027	AT MATURITY	USD	11/30/2022	A-	5.41	

\*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

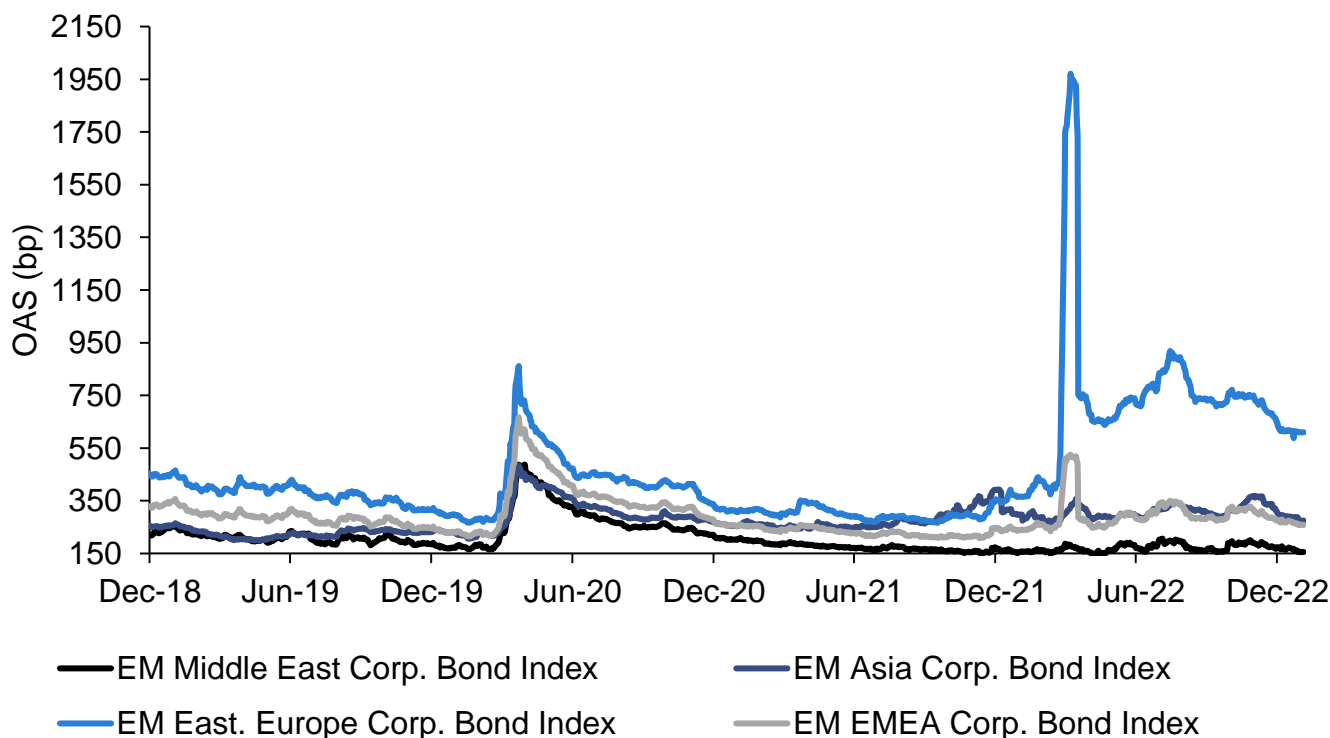
## Appendix

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



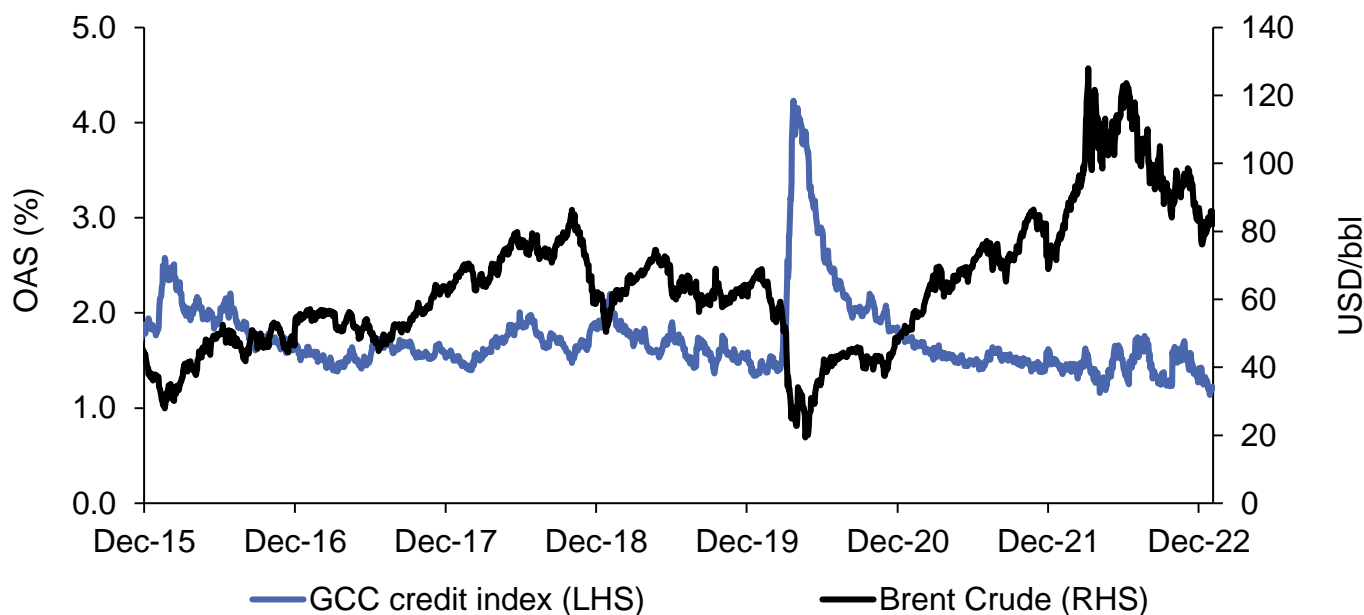
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

### Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

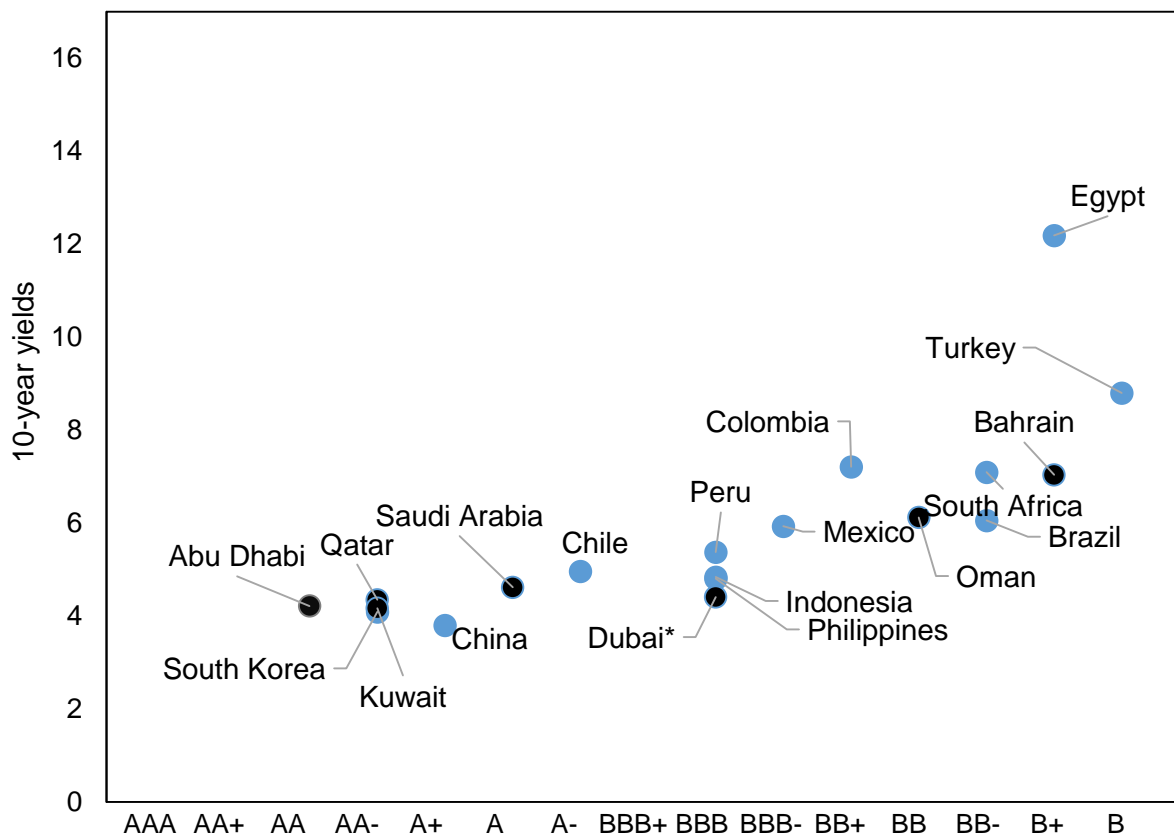
## GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

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

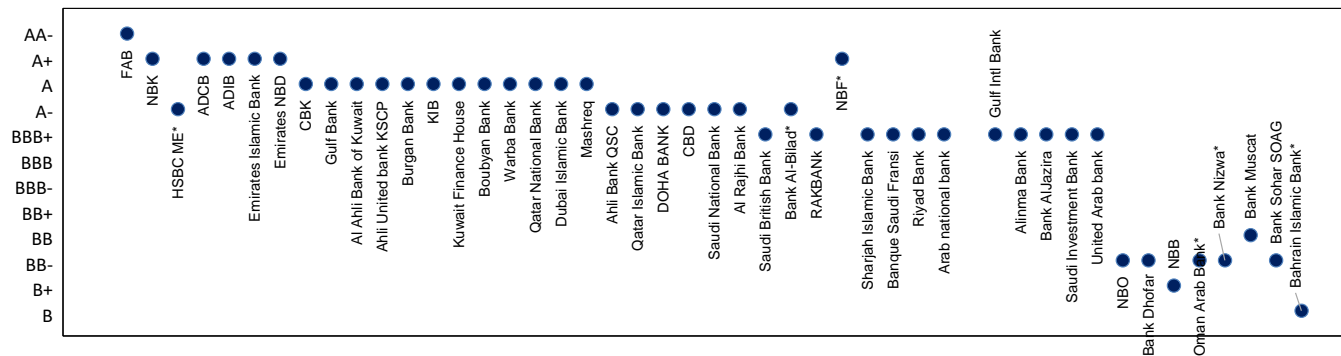
### GCC sovereigns trading cheap versus peers



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

## GCC Financials Credit Rating

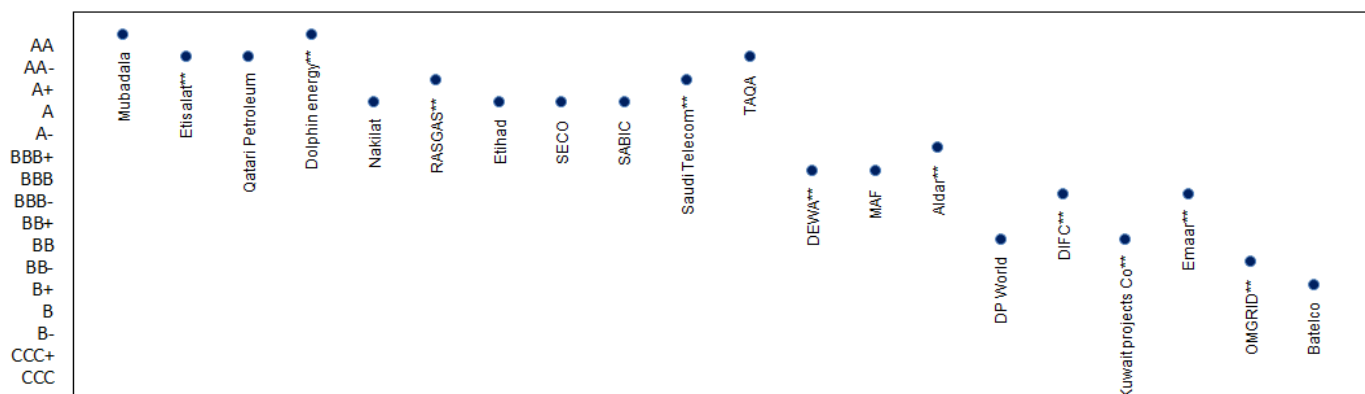
GCC Financials



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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