

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal gains over the week (ending 10th January 2023). The 10-year Treasury yield declined over the week, despite hawkish Fed comments. Eurozone government bond yields rose, reversing the decline in the previous week. Corporate credit performed well, with Global HY leading the gains. On the other hand, EM USD bonds continued to post positive gains for another week.

Appetite for GCC bonds improved over the week. All GCC bond indices recorded positive returns except for Saudi Arabia. Kuwait was the best performer. 5yr CDS sovereign spreads widened in Bahrain, Dubai, and Saudi Arabia while the same tightened in Oman, Abu Dhabi and Qatar. 10yr USD bond yields mostly rose across the GCC, barring Dubai and Kuwait.

The non-oil sectors of Dubai's economy posted a better performance than the global average in December. **Dubai's Purchasing Managers' Index (PMI) was at 55.2 in December, improving slightly from 54.9 in November.**

GCC bond issuances kick-started the year with the issuance from Saudi Arabia. **Saudi Arabia sold USD10bn of bonds in a three-part transaction, aiming to tap the debt markets amidst strong investor interest in the GCC.** As investors piled in with orders, price guidance for all three tranches of the bond tightened from its initial guidance with order books exceeding USD35bn. **First Abu Dhabi Bank (FAB), issued a USD500mn Islamic sukuk, and priced their Islamic sukuk tighter than guidance due to strong demand.**

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba3	Aa3	B2
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	1085.7	0.5	-14.3	Saudi	5.4	11.5	446.6
EM LatAm TR	934.9	0.8	-11.8	UAE	4.6	19.1	420.9
EM EMEA TR	324.5	0.1	-19.2	Kuwait	4.1	0.0	256.3
EM Asia TR	585.4	0.8	-11.1	Bahrain	6.1	0.0	462.5
Bahrain TR	177.2	0.1	-1.0	Oman	4.8	63.5	263.3
Oman TR	136.2	0.0	-0.9	Qatar	5.3	-	419.2
Kuwait TR	140.6	0.3	-6.5	US	4.8	-0.6	-
Qatar TR	129.2	0.0	-13.0	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	132.7	-0.1	-13.1	Saudi	5.8	2.0	477.7
UAE TR	132.0	0.1	-10.7	UAE	5.1	-0.9	432.6
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.6	0.0	256.3
Saudi Arabia	65.9	3.4	2.5	Bahrain	6.6	0.8	480.1
Abu Dhabi	45.4	-0.7	-2.2	Oman	4.9	53.7	191.1
Dubai	92.9	4.6	-1.2	Qatar	5.6	-	429.2
Kuwait	62.5	0.5	1.9	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	255.3	10.3	10.2	Saudi Arabia	4.7	8.4	220.6
Oman	182.3	-6.2	-11.4	Abu Dhabi	4.3	5.7	226.8
Qatar	48.8	-0.1	-1.1	Dubai	4.3	-8.4	176.0
Egypt	846.0	15.8	-58.3	Kuwait	4.1	-4.2	247.0
Turkey	543.2	29.3	25.3	Bahrain	7.0	9.8	111.1
US	29.2	1.5	2.1	Oman	6.1	5.6	113.1
Germany	19.3	-1.3	-1.4	Qatar	4.3	6.8	217.2

Note: *Dewa rating used as proxy, data from 4th January 2023 to 10th January 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Saudi Arabia sold USD10bn in a three-part bond issue

Saudi Arabia sold USD10bn of bonds in a three-part transaction, aiming to tap the debt markets amidst strong investor interest in the GCC. As investors piled in with orders, price guidance for all three tranches of the bond tightened from its initial guidance with the order books exceeding USD35bn. The kingdom sold USD3.25bn in a five-year tranche at 110bp over US Treasuries (UST), USD3.5bn in 10.5-year bonds at 140bp over UST, and another USD3.25bn in a 30-year offering at 5.5%.

(Source: Zawya)

First Abu Dhabi Bank (FAB) issued a USD500mn 5-year Islamic bond

First Abu Dhabi Bank (FAB), issued a USD500mn Islamic sukuk, and priced their Islamic sukuk tighter than guidance due to strong demand. Initially, the spread on the five-year sukuk was set at 90bp over UST at launch, which tightened from the final guidance of around 95bp after orders exceeded USD1.35bn.

(Source: Zawya)

Dubai non-oil businesses report strong output, but job growth slows

The non-oil sectors of Dubai's economy posted a better performance than the global average in December. Inflation decreased due to reduction in input costs. Dubai Purchasing Managers' Index (PMI) was at 55.2 in December, improving slightly from 54.9 in November. The output growth stayed strong in non-oil economy, but was the weakest since February. The PMI survey signaled a robust expansion in output levels on the back of new order volumes and improving customer demand. New business growth slowed, while job creation was at the weakest rate since September. Firms were also less optimistic about future activity levels in December, with optimism at a four-month low.

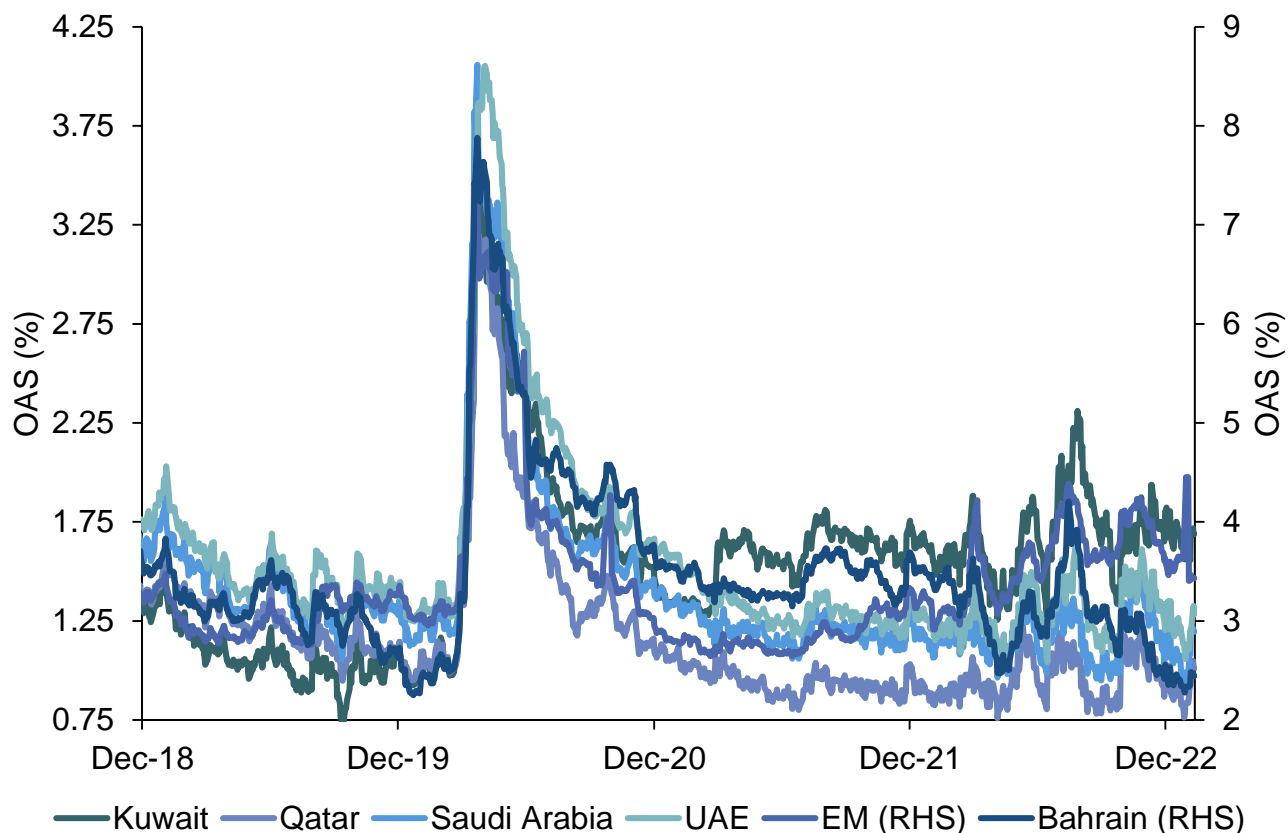
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg [^]	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

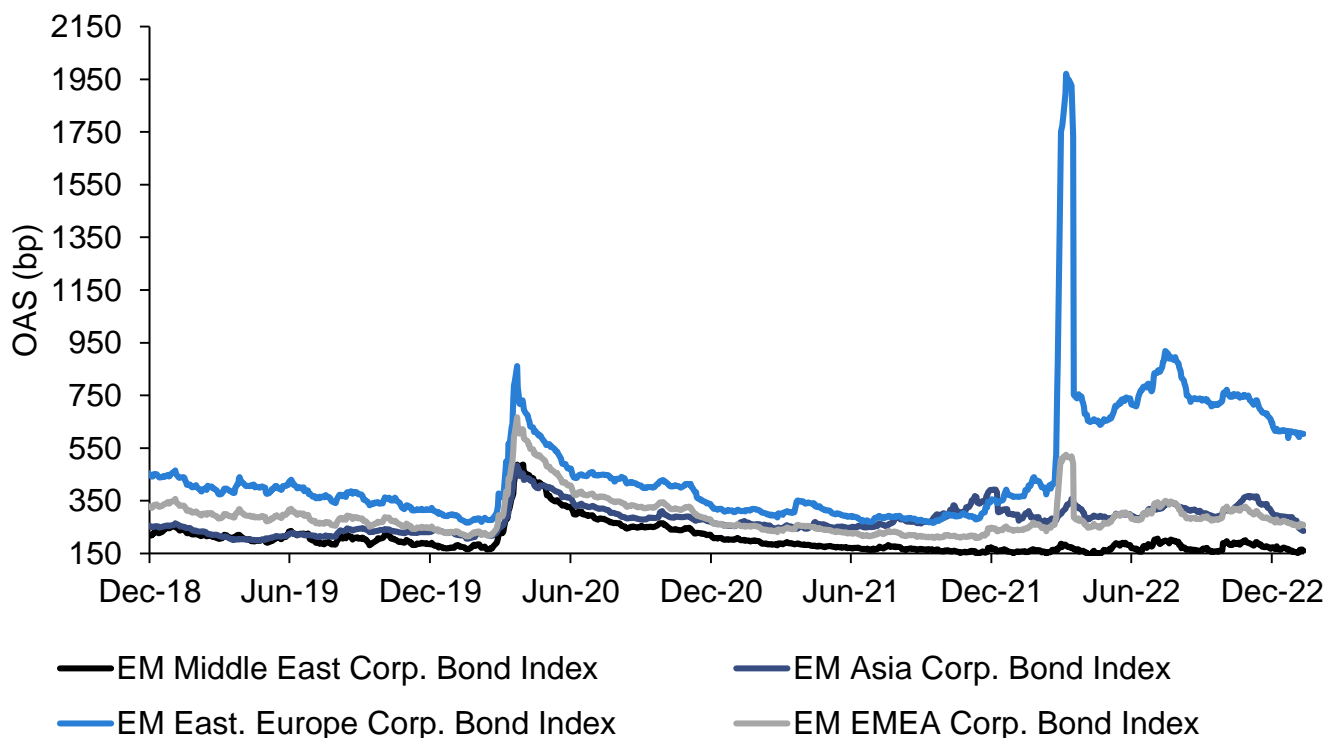
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



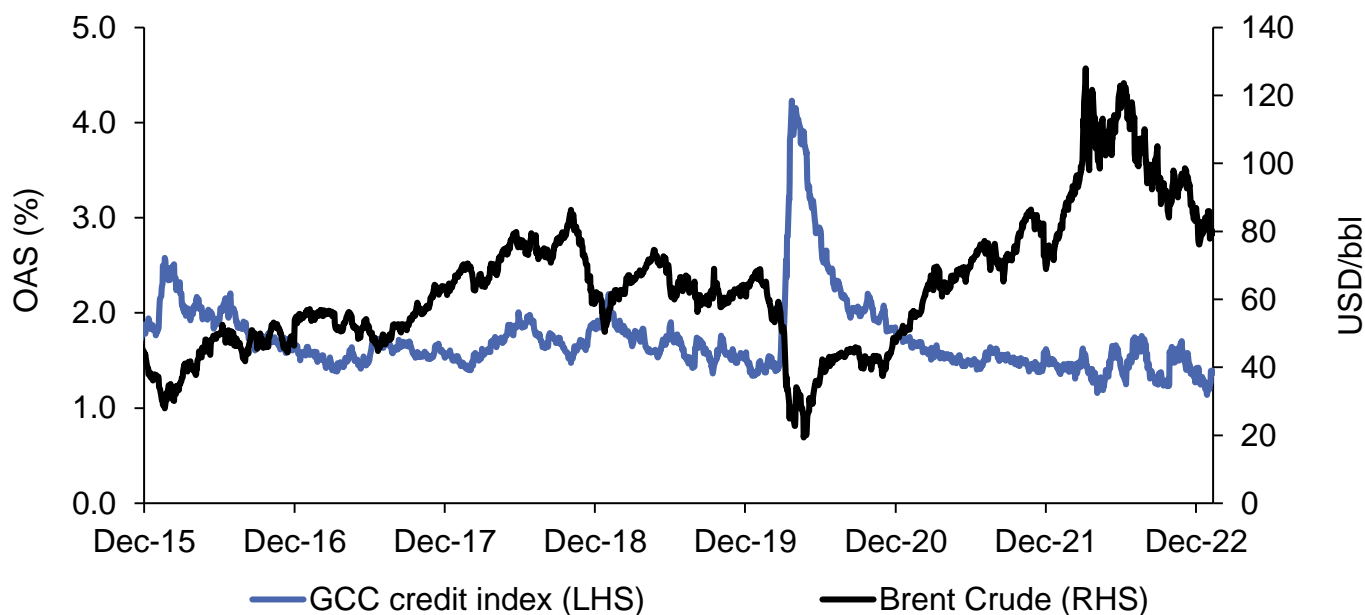
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

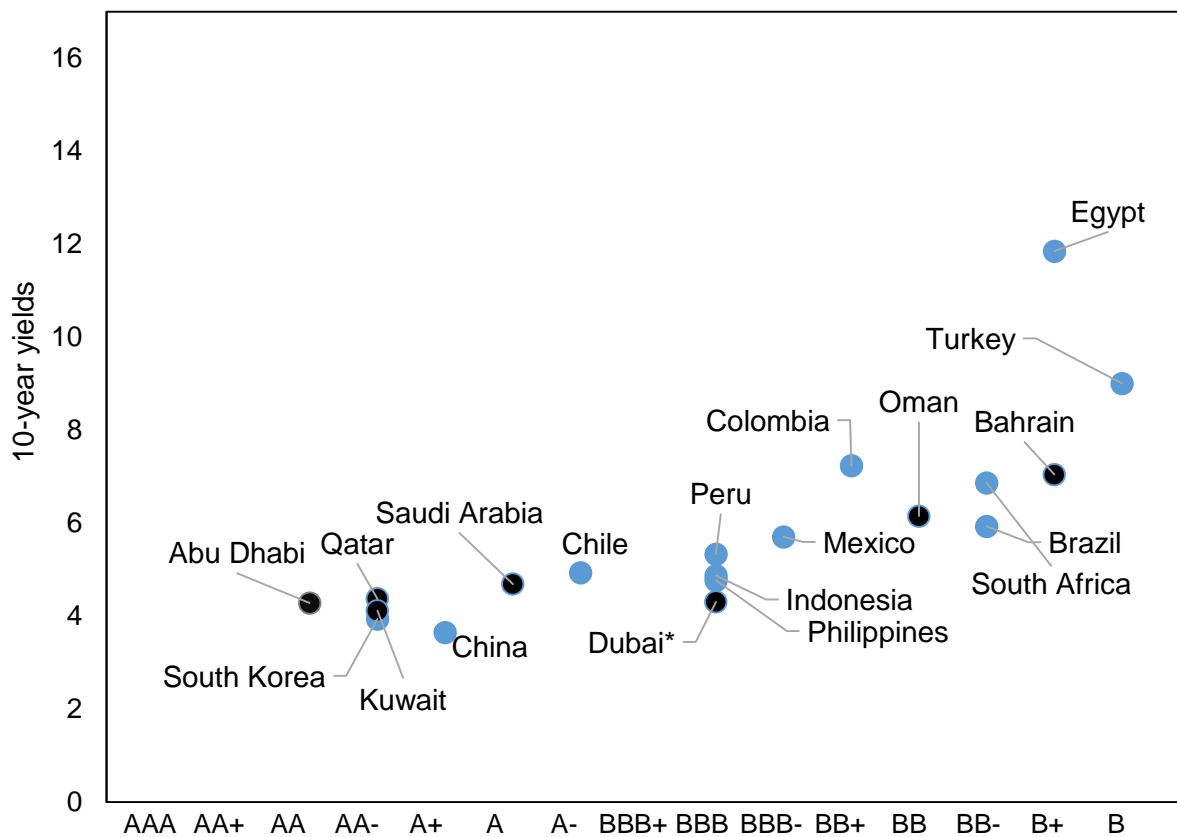
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

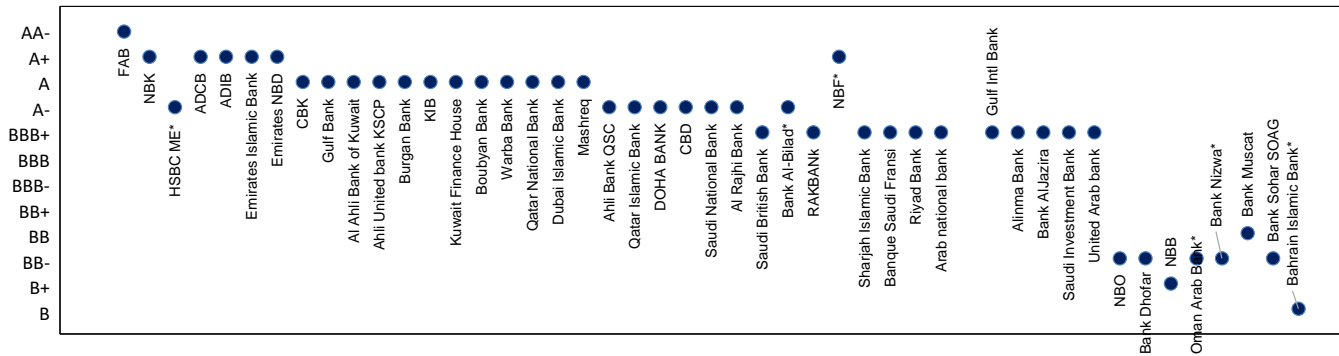
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

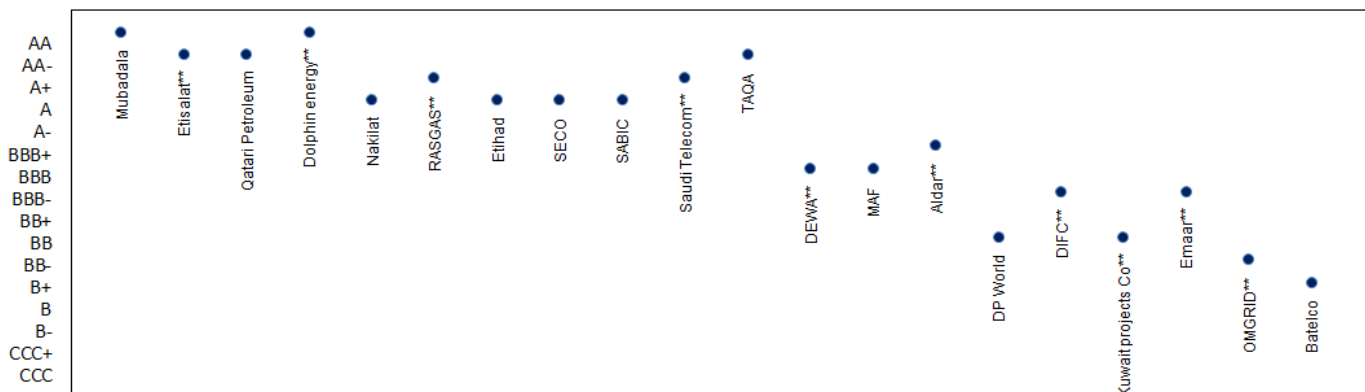
GCC Financials



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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