

GCC Fixed Income Weekly Review

Global benchmark bond index posted gains over the week (ending 17th January 2023). The 10-year Treasury yield declined over the week on soft US inflation print. Eurozone government bond yields dropped, after a report indicated that the ECB is considering a slower pace of interest rate hikes. In credit, corporate bonds ended the week on a positive note. EM USD bonds recorded another week of positive returns.

Appetite for GCC bonds improved over the week. All GCC bond indices recorded positive returns. 5yr CDS sovereign spreads widened in Saudi Arabia, Abu Dhabi, Bahrain and Qatar while the same tightened in Kuwait, Dubai and Oman. 10yr bond yields declined across all the GCC markets, the most in Bahrain and Oman.

The World Bank has raised UAE's growth forecast for 2023 by 0.7% from its previous forecast. The group expects the UAE's GDP to expand by 4.1% in 2023. Meanwhile, **the World Bank expects Oman's GDP will grow at the second fastest rate among GCC countries.** According to the group, Oman's GDP is expected to grow at a rate of 3.9% in 2023. **Sticking with Oman, Moody's ratings agency projects that Oman's approved 2023 budget will likely lead to another fiscal surplus,** if oil prices remain elevated, averaging between USD90/bbl.-USD95/bbl. in 2023. Elsewhere, **Saudi Arabia's inflation rate increased from 2.9% in November to 3.3% in December, mainly due to rising housing costs.** The average rent for housing increased by 2% in 2022, mainly due to the increase in actual rentals.

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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	1098.8	0.7	2.3	Saudi	5.4	2.7	4.9
EM LatAm TR	953.3	1.1	3.5	UAE	4.6	7.9	33.2
EM EMEA TR	327.3	0.6	1.3	Kuwait	4.1	0.0	6.3
EM Asia TR	590.8	0.6	2.3	Bahrain	6.1	0.0	0.7
Bahrain TR	178.9	0.8	1.3	Oman	4.9	-8.5	18.5
Oman TR	137.6	0.8	1.4	Qatar	5.3	-	6.7
Kuwait TR	141.6	0.6	1.2	US	4.8	-2.0	-
Qatar TR	130.3	0.8	1.0	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	133.8	0.8	0.7	Saudi	5.8	-1.2	-6.7
UAE TR	132.8	0.6	0.7	UAE	5.2	25.8	11.7
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.6	0.0	0.0
Saudi Arabia	65.7	1.1	2.3	Bahrain	6.6	0.8	-0.1
Abu Dhabi	45.8	0.7	-1.9	Oman	5.0	-7.5	14.0
Dubai	91.2	-0.8	-2.8	Qatar	5.6	-	-13.3
Kuwait	59.2	-2.8	-1.4	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	254.2	0.6	9.1	Saudi Arabia ^{^^}	4.8	1.5	1.5
Oman	179.9	-0.3	-13.7	Abu Dhabi	4.2	-6.8	-1.0
Qatar	48.9	0.3	-1.0	Dubai	4.3	-4.5	-16.9
Egypt	779.8	-59.4	-124.5	Kuwait	4.0	-9.6	16.9
Turkey	569.6	24.7	51.7	Bahrain	6.7	-15.1	-15.3
US	37.3	8.1	10.2	Oman	5.9	-15.1	-18.0
Germany	18.6	-1.2	-2.0	Qatar	4.2	-8.9	-3.3

Note: *Dewa rating used as proxy, data from 11th January 2023 to 17th January 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management
^{^^} data as of 13th January 2023

The World Bank raised its 2023 growth forecast for the UAE

The World Bank has raised the UAE's growth forecast for 2023 by 0.7% from its previous forecast. The group expects the UAE's GDP to expand by 4.1% in 2023, mainly benefitting from the recovery in non-oil economy. The forecast is higher than the 3.9% projected by the UAE Central Bank in its recent Quarterly Economic Review. Economies in all GCC countries are expected to grow at a slower pace this year, with the UAE's economy growing at the fastest pace in the Gulf region. The global economy will expand by 1.7% in 2023 and 2.7% in 2024, down from 1.3% and 0.3% respectively.

Meanwhile, Oman's GDP will rank 2nd in the GCC according to the World Bank. The group expects the country's GDP to grow at a rate of 3.9% in 2023.

(Source: Zawya)

Saudi's inflation rate rose to 3.3% in December

Saudi Arabia's inflation rate increased from 2.9% in November to 3.3% in December, mainly due to rising housing costs. The average rent for housing increased by 2% in 2022, mainly due to the increase in actual rentals. According to Saudi Arabia's General Authority for Statistics, the consumer price index (CPI) increased by 2.5% for 2022, driven by increases in food and beverage prices by 3.7% and transportation prices by 4.1%.

(Source: Zawya)

Moody's ratings agency projects Oman to report another budget surplus in 2023

Moody's ratings agency expects Oman's approved 2023 budget will likely lead to another fiscal surplus, albeit smaller than in 2022, if oil prices remain elevated, averaging between USD90/bbl.-USD95/bbl. in 2023.

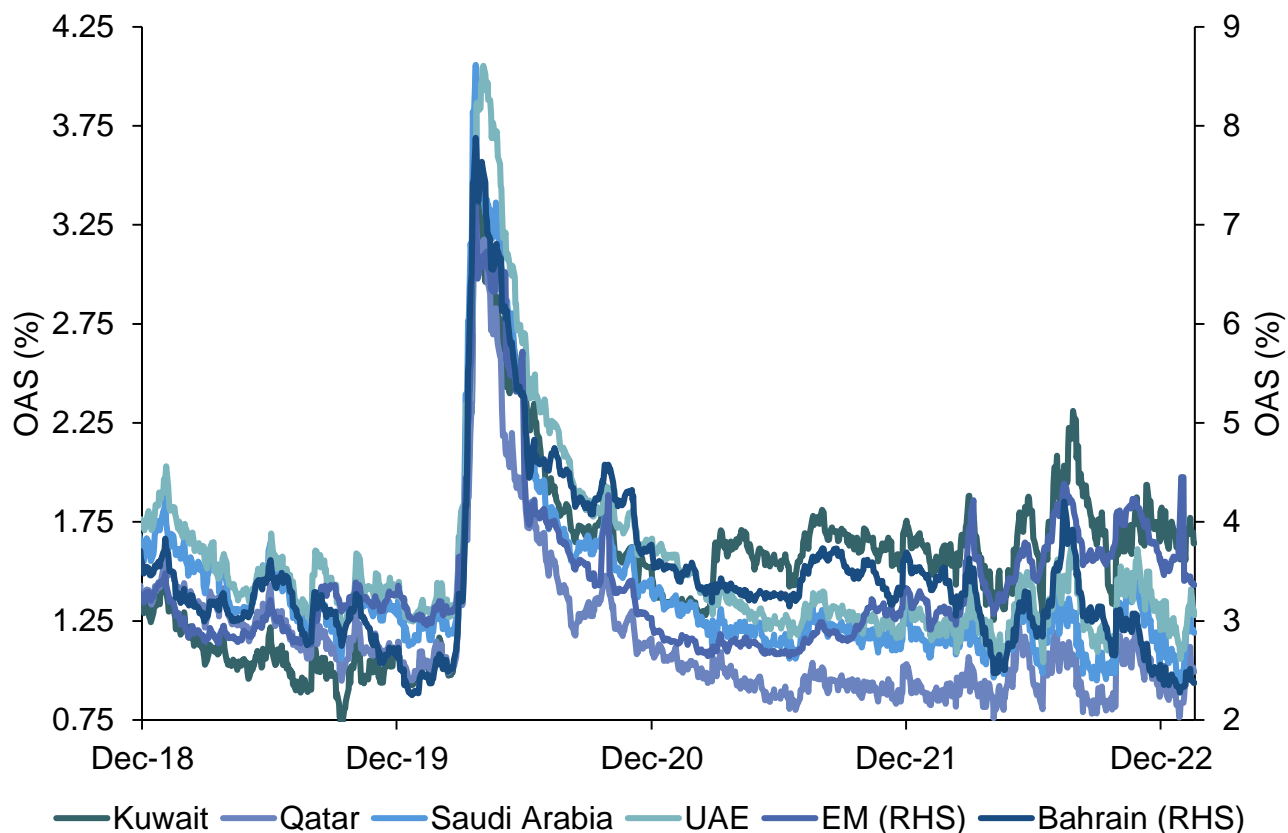
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
Saudi Gov International Bond	KSA	Sovereign	SA	3500	4.875	11/30/2033	AT MATURITY	USD	1/18/2023	A	4.70	
Saudi Gov International Bond	KSA	Sovereign	SA	3250	4.75	1/18/2028	AT MATURITY	USD	1/18/2023	A	4.45	
Saudi Gov International Bond	KSA	Sovereign	SA	3250	5	1/18/2053	AT MATURITY	USD	1/18/2023	A	5.30	
Emirates NBD Bank PJSC	EBIUH	Agency	AE	272.3	5.125	1/12/2026	AT MATURITY	USD	1/12/2023	A+	4.58	
Fab Sukuk Co Ltd	FABUH	Agency	AE	500	4.581	1/17/2028	AT MATURITY	USD	1/17/2023	AA-	4.30	

*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

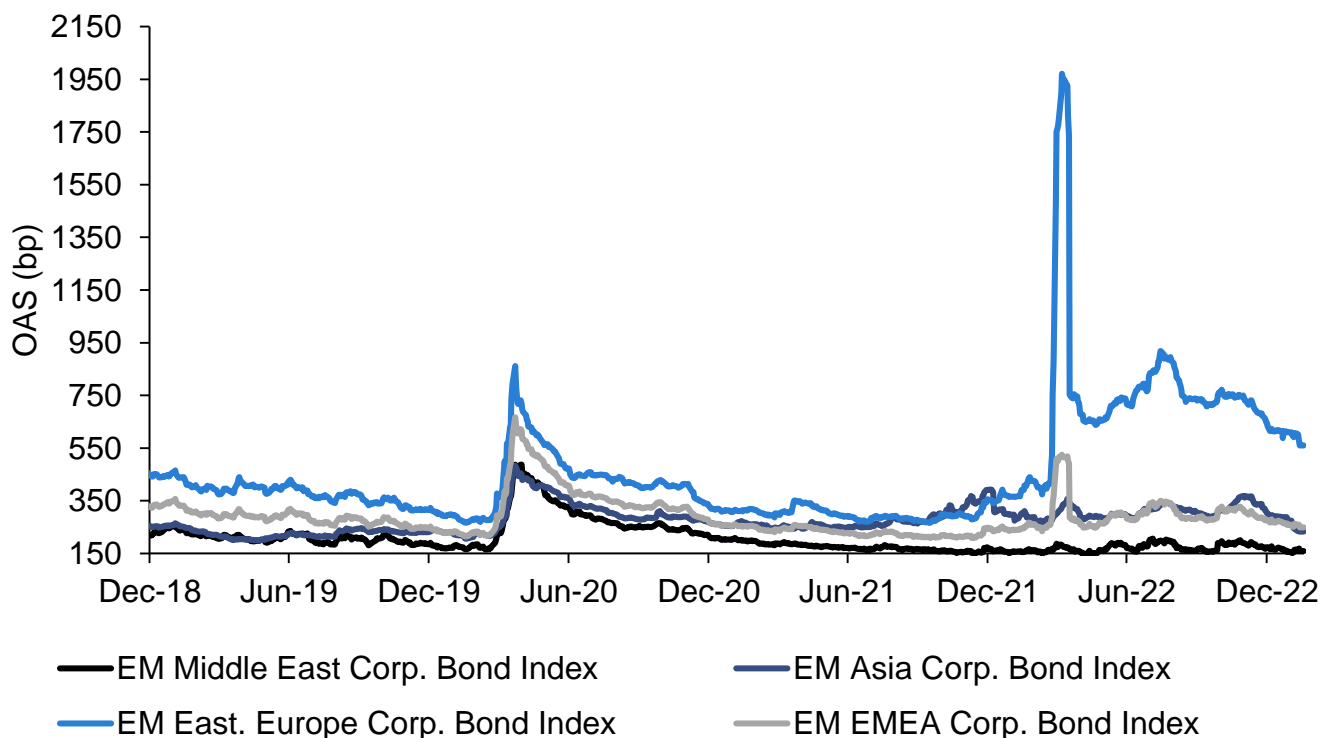
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



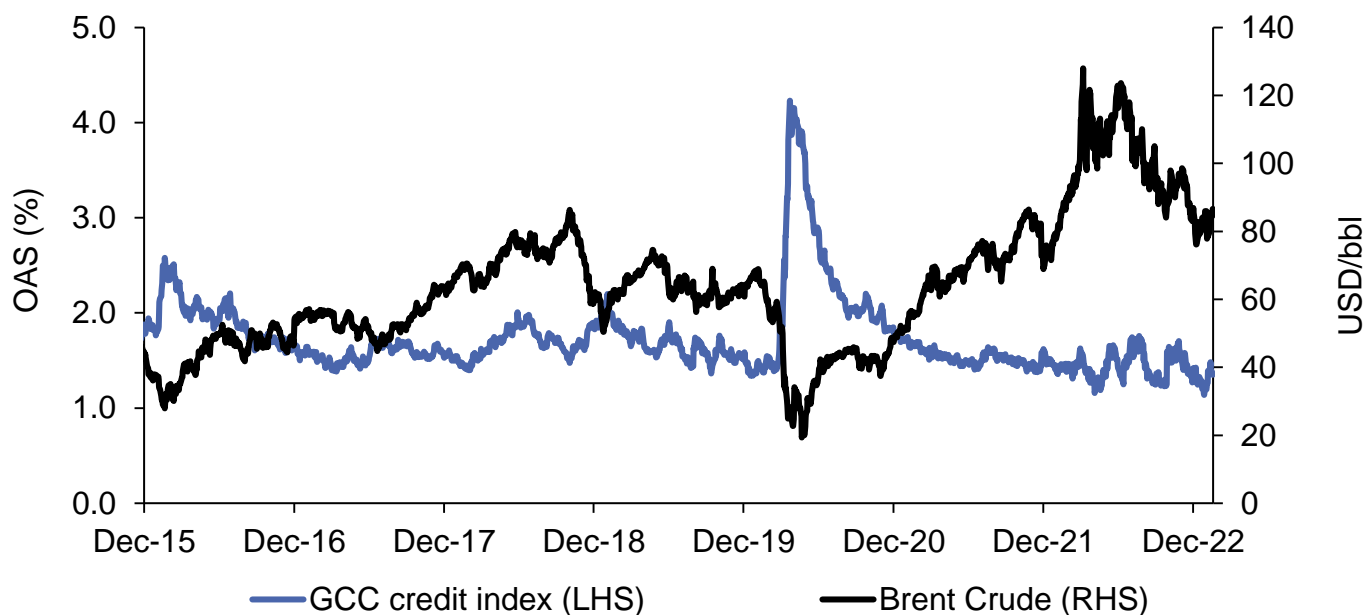
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

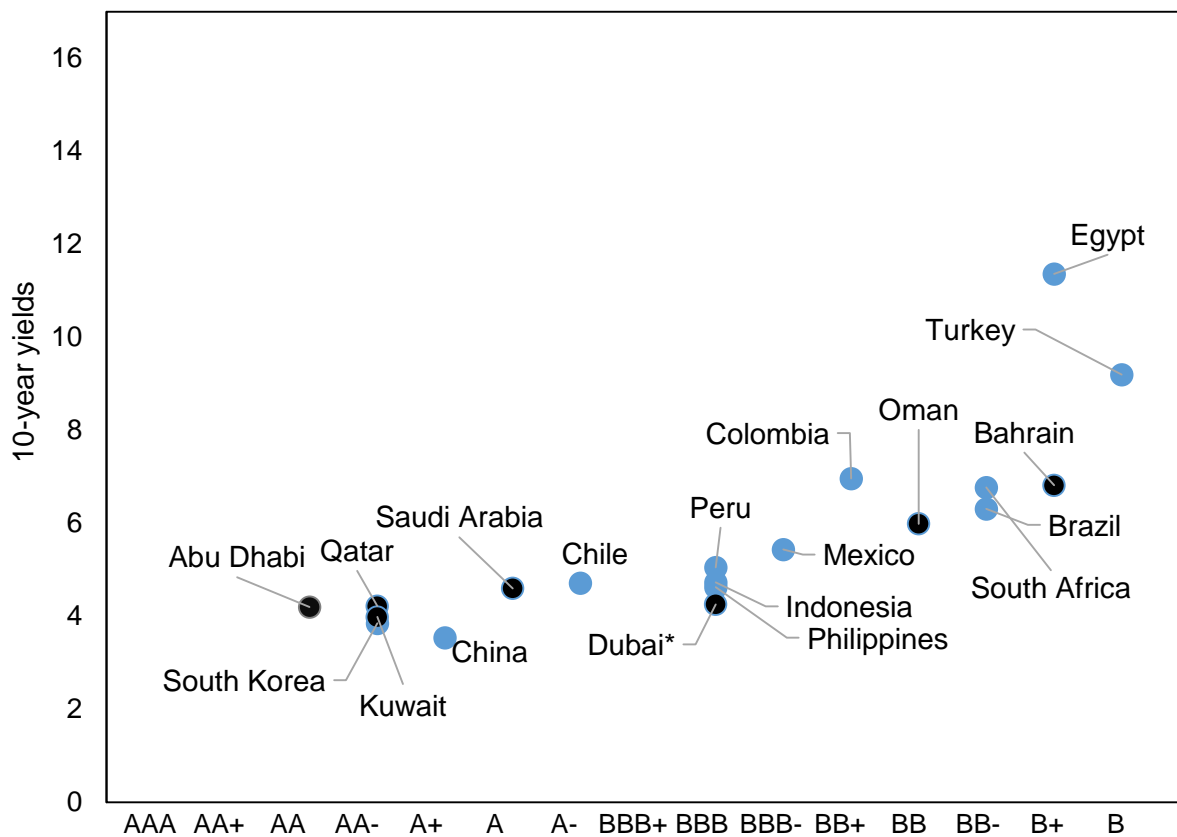
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

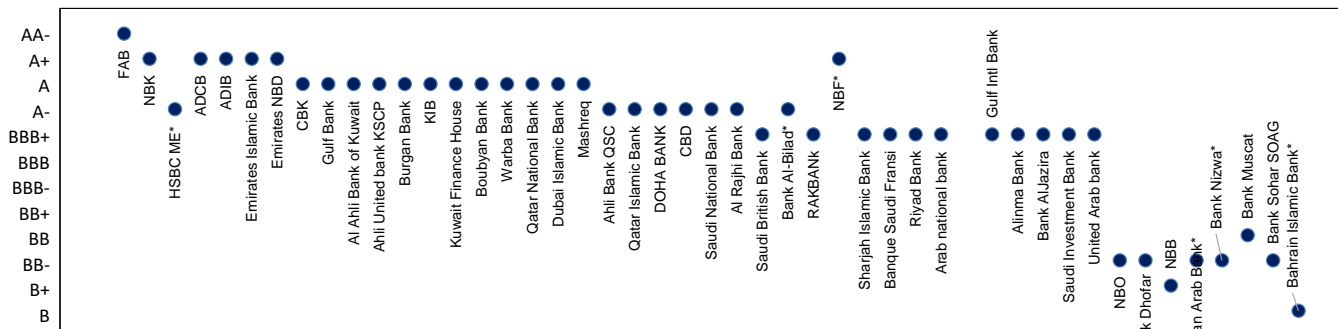
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

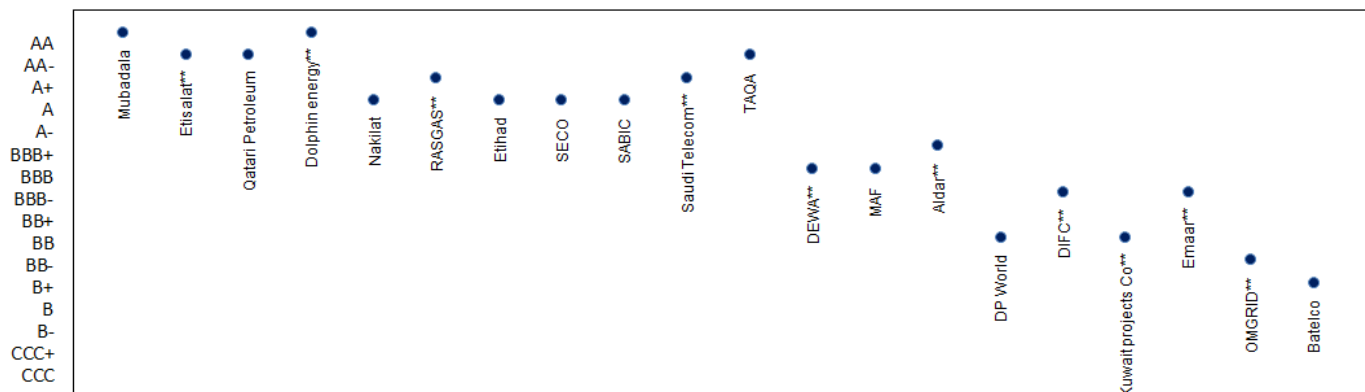
GCC Financials



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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