

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal losses over the week (ending 3rd July 2023). US Treasury yields rose after final revision of US 1Q GDP was higher than previously reported. Eurozone government bond yields rose despite better-than expected inflation print. In credit, corporate bonds ended the week with marginal losses. Global HY index recorded positive gains. EM USD bonds lacked appetite, also registering marginal losses over the week, led by EM Asia.

Demand for GCC bonds was subdued with high-quality GCC bond index underperforming EM bond index. Saudi Arabia underperformed the most. Similarly, 5yr CDS sovereign spreads mostly tightened in all GCC countries barring Qatar, Abu Dhabi and Kuwait. In the USD sovereign market, the 10yr USD bond yields rose across all the GCC markets, led by Qatar.

The non-oil sector of the United Arab Emirates experienced an increase in growth in June, with new orders rising at the fastest rate in four years. **UAE's PMI rose from 55.5 in May to 56.9 in June.** Elsewhere, Saudi Arabia's non-oil private sector experienced significant growth in June. **Saudi PMI rose from 58.5 in May to 59.6 in June.** The non-oil private sector in Qatar sustained its strong growth in June, although at a slightly slower pace compared to May. **Qatar PMI decreased from 55.6 in May to 53.8 in June.** Separately, **the IMF expects UAE to experience a positive economic growth of 3.6% this year, driven by strong domestic activity.** Elsewhere, **Oman's GDP grew by 4.7% in Q1 of 2023,** according to the National Centre of Statistics and Information (NCSI).

Finally, according to the Global Sovereign Wealth Fund's (SWF) governance, sustainability, and resilience (GSR) scoreboard for 2023, **the Saudi PIF and the UAE's ADQ have ranked the highest in sustainability rankings in 2023.**

It was a quiet week in terms of issuance activity.

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba2	Aa3	B3
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	1108.5	-0.25	3.2	Saudi	5.9	-0.91	60.1
EM LatAm TR	961.4	-0.05	4.4	UAE	5.2	2.09	87.5
EM EMEA TR	330.9	-0.25	2.5	Kuwait	4.2	0.00	18.8
EM Asia TR	594.6	-0.42	2.9	Bahrain	6.6	8.33	48.3
Bahrain TR	181.8	-0.16	3.0	Oman	5.7	9.25	107.0
Oman TR	140.8	-0.25	3.8	Qatar	5.9	2.50	62.5
Kuwait TR	142.9	-0.27	2.1	US	5.5	0.94	77.6
Qatar TR	131.5	-0.50	2.0	12M interbank**			
Saudi Arabia TR	134.6	-0.54	1.4	Saudi	5.9	-0.51	4.5
UAE TR	134.6	-0.32	2.1	UAE	5.3	-14.15	19.3
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.6	0.00	6.3
Saudi Arabia	57.7	-1.10	-5.7	Bahrain	6.8	20.28	24.4
Abu Dhabi	38.5	1.20	-9.2	Oman	5.9	11.50	100.0
Dubai	83.0	-0.20	-11.1	Qatar	6.1	12.50	37.5
Kuwait	49.5	0.50	-11.1	10Y yield**			
Bahrain	262.5	-0.70	2.6	Saudi Arabia ^{^^}	4.8	6.30	5.3
Oman	150.7	-0.90	-40.3	Abu Dhabi	4.3	11.10	10.6
Qatar	38.7	1.60	-11.2	Dubai	4.4	6.30	0.8
Egypt	1571.4	-50.30	667.1	Kuwait	4.6	17.30	74.6
Turkey	500.7	5.90	-17.2	Bahrain	6.8	3.90	-11.4
US	35.5	0.40	8.4	Oman	6.0	9.40	-8.6
Germany	15.8	-	-4.9	Qatar	4.4	24.50	24.8

Note: data from 28th June 2023 to 04th July 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

^{^^} YTD data from 13th January 2023

^{**} data is from 26th June 2023 to 04th July 2023

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

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

Ahmed Al Falahi
Analyst
Tel: +971 (0)2 497 3934
ahmed.a5@adcb.com

Kishore Muktinutalapati
Head - Investment Strategy
Tel: +971 (0)2 696 2358
kishore.muktinutalapati@adcb.com

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Growth in UAE's non-oil sector accelerated- PMI

The non-oil sector of the United Arab Emirates experienced a jump in growth in June, with new orders rising at the fastest rate in four years. The Purchasing Managers' Index (PMI) for the UAE rose from 55.5 in May to 56.9 in June, consistently staying above the threshold of 50, which indicates growth in activity.

(Source: Zawya)

The non-oil sector in Saudi Arabia expanded strongly in June as a result of new business

Saudi Arabia's non-oil private sector experienced significant growth in June, with both output and new orders increasing at accelerated rates, reaching multi-year records. The Purchasing Managers' Index (PMI) rose from 58.5 in May to 59.6 in June. This indicates a strong and above-average growth rate for the sector.

(Source: Zawya)

Qatar non-oil sector maintained growth in June with a PMI of 53.8

The non-oil private sector in Qatar sustained its strong growth in June, although at a slightly slower pace compared to May. The Purchasing Managers' Index (PMI) decreased from 55.6 in May to 53.8 in June.

(Source: Arabnews)

The GDP of Oman rose by 4.7% at constant prices

Oman's GDP grew by 4.7% in Q1 of 2023, reaching OMR8.70bn. In comparison, the GDP at constant prices was OMR8.36bn in Q1 of 2022, according to the National Centre of Statistics and Information (NCSI).

(Source: Zawya)

The UAE economy is expected to grow faster in H22-23

According to the International Monetary Fund, the UAE is set to experience a positive economic growth of 3.6% this year, driven by strong domestic activity. After achieving an impressive growth rate of 7.9% in 2022, the UAE's economy is expected to continue its upward trend in 2023, benefiting from sustained tourism and increased capital spending.

(Source: Zawya)

The Saudi PIF and the UAE's ADQ have the highest sustainability rankings in 2023

Saudi Arabia's Public Investment Fund (PIF) and the UAE's ADQ have shown the most significant improvement in the Global Sovereign Wealth Fund's (SWF) governance, sustainability, and resilience (GSR) scoreboard for 2023. The PIF has achieved sustainable growth by implementing best practices and demonstrating transparency through its annual report, which includes audit accounts and asset information. In addition, the PIF's chairman announced a commitment to achieve net-zero emissions by 2050. Abu Dhabi's ADQ has recently launched a detailed website and published its first sustainability report, aiming to set an example by aligning national priorities with SDGs ahead of COP28.

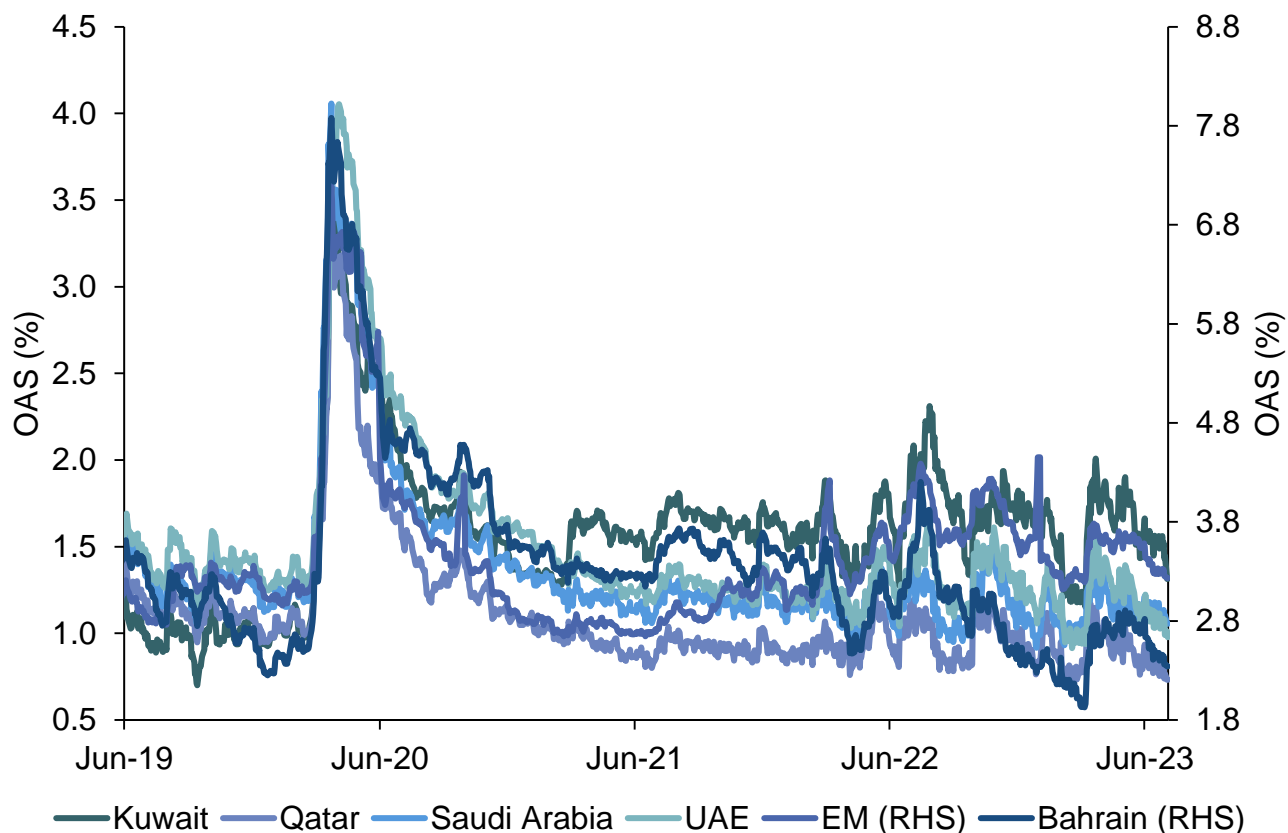
(Source: Zawya)

Issuer	BBG	Sector	Co unt ry	Issue Amt*	Cpn	Maturity	Maturity Type	Curr ency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
KSA SUKUK LTD	KSA	Sovereign	SA	3000	4.511	5/22/2033	AT MATURITY	USD	5/15/2023	A+	4.52	-
KSA SUKUK LTD	KSA	Sovereign	SA	3000	4.27	5/22/2029	AT MATURITY	USD	5/15/2023	A+	4.28	-
Aldar Investment Properties Sukuk Ltd	ALDAR	Financial Institutions	AE	500	4.875	5/24/2033	AT MATURITY	USD	5/17/2023	BBB+	5.05	-
NOGAHOLDING SUKUK	OILGAS	Sovereign	BH	750	6.625	5/25/2033	AT MATURITY	USD	5/17/2023	B+	6.51	-
MAJID AL FUTTAIM HOLDING	MAFUAE	Financial Institutions	AE	500	5	6/1/2033	AT MATURITY	USD	5/23/2023	BBB	5.12	-
BANQUE SAUDI FRANSI	BSFRAB	Financial Institutions	SA	900	4.75	5/31/2028	AT MATURITY	USD	5/23/2023	A-	4.83	-
First Abu Dhabi Bank	FABUH	Agency	AE	600	4.774	6/6/2028	AT MATURITY	USD	6/6/2023	AA-	4.80	-
COMMERCIAL BANK OF DUBAI	CBDUH	Agency	AE	500	5.319	6/14/2028	AT MATURITY	USD	6/07/2023		5.29	-
SC Sukuk 1 Ltd	SHUAA	Financial Institutions	AE	100	8.25	6/13/2028	AT MATURITY	USD	6/13/2023		8.25	-

*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

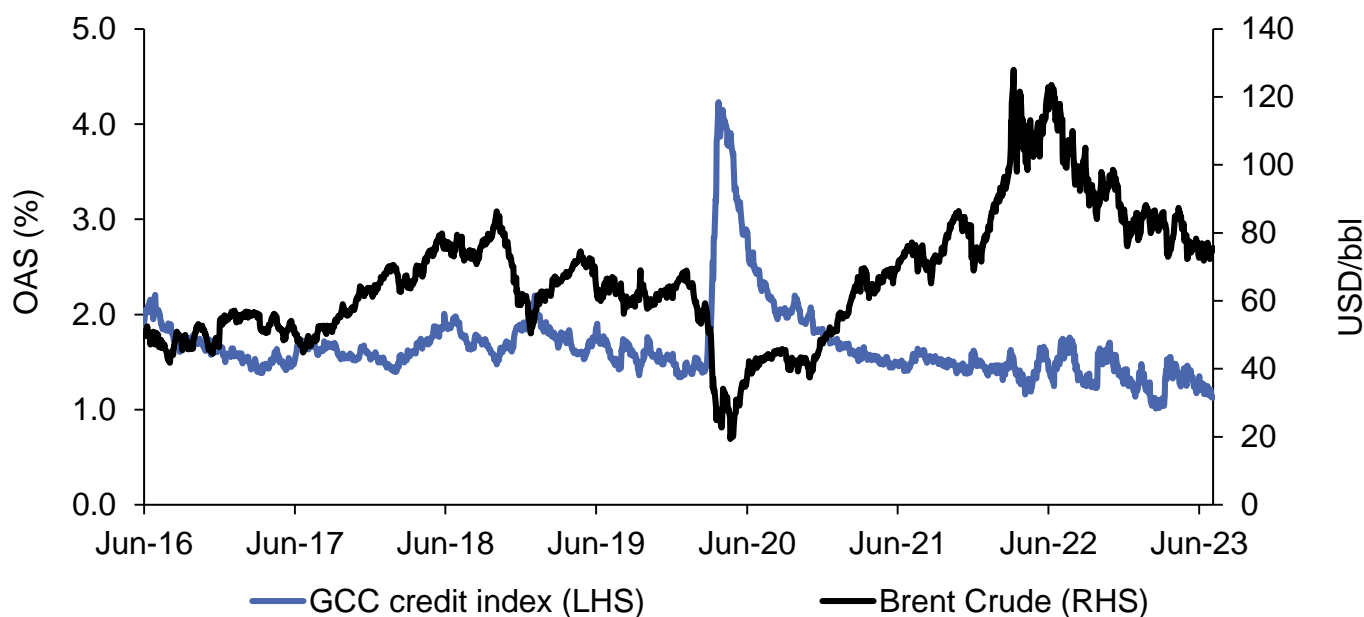
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

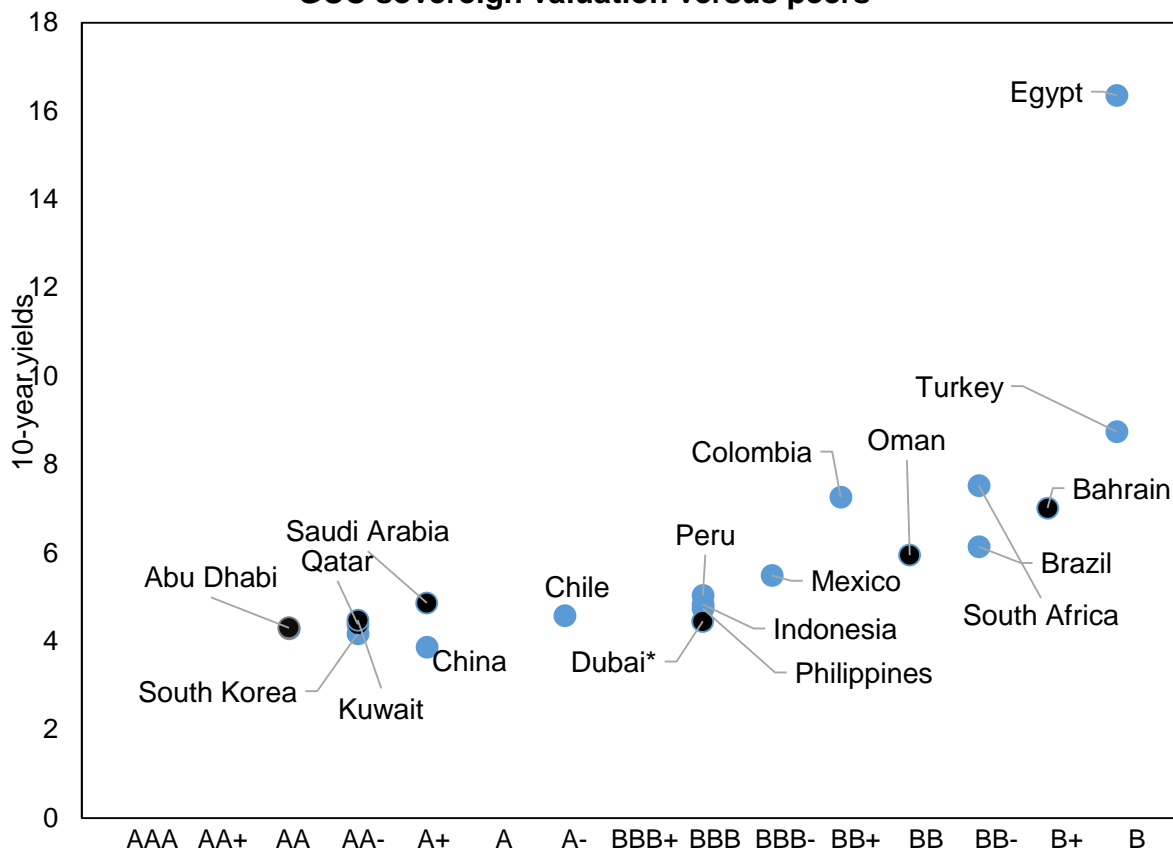
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

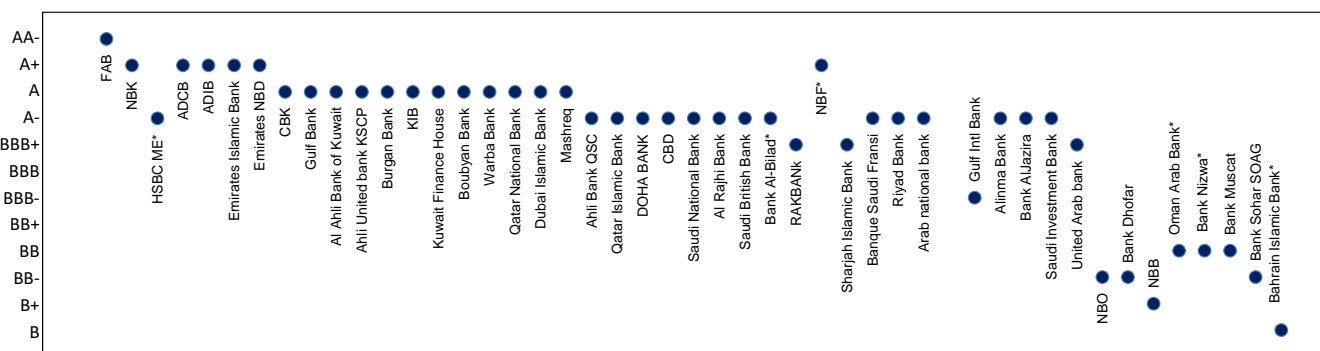
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

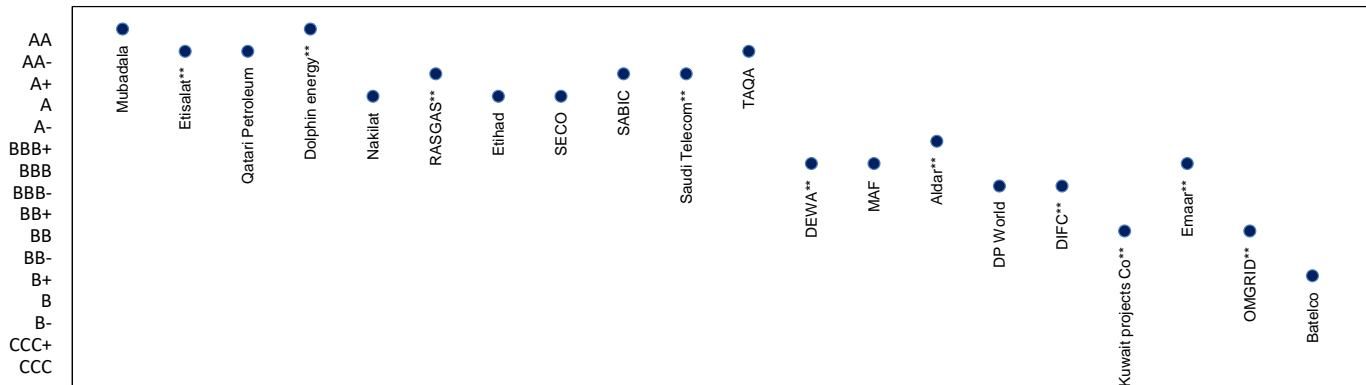
GCC Financials



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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