

GCC Fixed Income Weekly Review

Bloomberg Global benchmark bond index posted gains over the week (ending 5th July 2022), paring some of the previous losses. The 10-year US Treasury yield declined over the week on recession concerns. Similarly, Eurozone bond yields also edged lower on economic growth concerns. Global IG bonds recorded weekly gains while Global HY came under pressure. EM bonds posted weekly gains as UST yields declined.

Appetite for GCC bonds also improved over the week. UAE and Oman were the only two bond markets in the GCC recording negative returns with UAE being the worst performer last week. On the other hand, Qatar and Saudi Arabia were the best performers. CDS spreads widened mostly across all GCC countries with the exception of Abu Dhabi where spreads tightened. Dubai and Bahrain saw the largest widening of the 5yr CDS spread. In the USD sovereign market, bond yields dropped in all GCC countries barring Bahrain. 10yr USD bond yields dropped the most in Kuwait and Abu Dhabi.

The UAE non-oil private sector growth slowed in June 2022, as inflation weighed on the non-oil economy. **The UAE PMI fell from 55.6 in May to 54.8 in June. There was a marginal increase in the employment sub-index from 50.7 to 51.2**, now at the highest level since August as firms' added capacity. Saudi Arabia's non-oil private sector expanded at its fastest pace in nearly two years in June, despite the highest inflation in nearly two years. **Saudi's PMI increased from 55.7 in May and April to 57 in June. In Qatar, the economy grew by 2.5% yoy in 1Q22**, despite a slight decline from the previous quarter. Elsewhere, **the IMF expects Bahrain to experience moderate growth rebound in 2022 with the growth rate stabilizing at 3%**.

In corporate bond issuances, **Mashreq-bank is planning to sell new Additional Tier 1 bonds denominated in USD.**

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+

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GCC Fixed Income Weekly Snapshot

				Interest rates			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	1,054.57	0.38	-16.76	Saudi	2.92	0.67	201.76
EM LatAm TR	884.97	0.47	-16.53	UAE	2.16	17.29	179.81
EM EMEA TR	314.98	0.47	-21.60	Kuwait	2.13	0.00	62.50
EM Asia TR	580.81	0.21	-11.78	Bahrain	3.61	5.46	209.50
Bahrain TR	169.18	0.13	-5.51	Oman	2.53	-0.10	39.30
Oman TR	128.68	-0.12	-6.37	Qatar	2.45	-	132.50
Kuwait TR	140.93	0.25	-6.29	US	2.32	4.46	-
Qatar TR	131.25	1.07	-11.57	12M interbank			
Saudi Arabia TR	134.77	1.00	-11.69	Saudi	3.56	-0.24	249.57
UAE TR	132.99	-0.77	-10.05	UAE	3.20	-11.83	245.56
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.75	6.25	75.00
Saudi Arabia	74.56	2.90	3.00	Bahrain	4.77	0.92	299.91
Abu Dhabi	71.20	-0.30	-0.30	Oman	3.19	4.75	17.35
Dubai	144.45	11.00	11.00	Qatar	2.75	-	142.50
Kuwait	75.25	-	-	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	346.04	8.80	8.80	Saudi Arabia	4.09	-16.70	160.60
Oman	288.90	3.90	3.90	Abu Dhabi	3.56	-24.40	154.80
Qatar	71.98	1.80	1.80	Dubai	4.25	-5.10	171.00
Egypt	1108.69	19.20	19.20	Kuwait	3.29	-29.90	164.10
Turkey	858.86	18.90	18.90	Bahrain	7.62	2.50	177.90
US	21.60	1.50	1.50	Oman	6.60	-6.20	162.60
Germany	14.43	0.10	0.10	Qatar	3.61	-21.80	150.70

Note: *Dewa rating used as proxy, data from 29th June 2022 to 5th July 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

UAE's non-oil private sector growth slowed in June - PMI

UAE's non-oil private sector growth slowed to its weakest pace in five months in June. The UAE PMI fell from 55.6 in May to 54.8 in June as inflation pressures weighed on the non-oil economy. Inflationary pressures were evident with the sharp increases in fuel prices. The purchases slowed and stockpiling decreased as input costs increased at the fastest rate in 11 years. Employment sub-index rose from 50.7 to 51.2, highest level since August as firms' added capacity. Average wages rose to their highest level in four years, with some employers offering higher wages to retain staff.

(Source: Reuters)

Saudi Arabia's non-oil private sector is growing despite inflation- PMI

Saudi Arabia's non-oil private sector expanded at its fastest pace since September in June, despite inflating pressures at two year high. The PMI increased from 55.7 in May and April to 57 in June, moving above the series average of 56.8. The output sub-index increased from 59.3 in May to 61.8 in June. The upturn was driven by the robust increase in new business levels, which led firms to expand output sharply and buy more inputs. The latest data also indicated an acceleration of input cost pressures. Input cost inflation reached its highest level in 22 months, causing some firms to raise prices. The latest survey results indicate overall output confidence has risen to its highest level in 17 months, despite concerns about sustained price rises. The employment sub-index declined slightly in June, but it remained just over the 50-level.

(Source: Reuters)

Qatar's economy grew by 2.5% in 1Q22

Qatar's economy grew by 2.5% yoy in 1Q22, despite a slight decline from the previous quarter. The Planning and Statistics Authority said Qatar's real GDP decreased by 0.3% from the fourth quarter to USD45.68bn. Real gross value added (GVA) fell by 1.7% yoy in 1Q22 but grew by 0.9% from the fourth quarter.

(Source: Reuters)

IMF expects the Bahraini economy to grow by 3% due to key reforms and high oil prices

The IMF expects Bahrain's economy to experience moderate rebound in 2022 with growth rate stabilizing at 3% while its fiscal and external positions are likely to improve significantly in the near-term and over the medium-term. The IMF applauded Bahrain's policy response to the pandemic. Renewed fiscal reform momentum coupled with favourable oil prices have reduced the country's fiscal and external vulnerabilities. According to the IMF, Bahrain's economy grew by 2.2% in 2021, driven by 2.8% growth in non-hydrocarbon GDP.

(Source: Zawya)

Bahrain raised USD500mn in new dollar-denominated bonds

Bahrain raised USD500mn in new dollar-denominated bonds maturing in 2026. The bonds were priced at 5.961%.

(Source: Bloomberg)

Mashreq-bank is planning to issue AT1 dollar bonds

Mashreq-bank is planning to sell new Additional Tier 1 bonds denominated in US dollars.

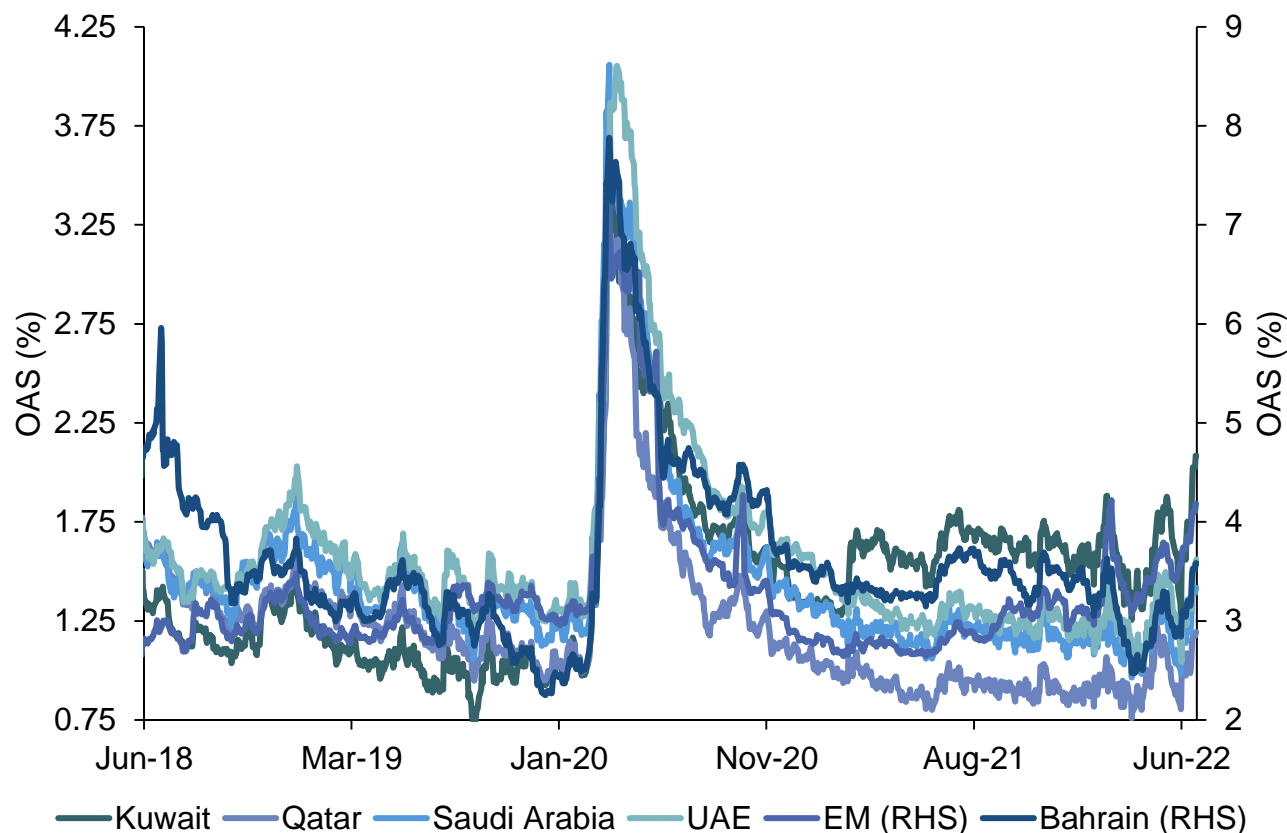
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
UAE INTERNATIONAL GOVERNMENT BOND	UAE	Sovereign	AE	1250	4.951	7/7/2052	AT MATURITY	USD	7/7/2022	AA	4.85	-
UAE INTERNATIONAL GOVERNMENT BOND	UAE	Sovereign	AE	1750	4.05	7/7/2032	AT MATURITY	USD	7/7/2022	AA	3.92	-
Bahrain Government International Bond	BHRAIN	Sovereign	BH	500	5.961	1/5/2026	AT MATURITY	USD	7/5/2022	B+	5.92	-
MAF Global Securities Ltd	MAFUAE	Financial Institutions	AE	500	7.875	-	PERP/CALL	USD	6/30/2022	BB+	7.79	-
UAE Government Bond	UAEGB	Government	AE	750	3.01	5/11/2024	AT MATURITY	AED	5/9/2022	AA-	2.85	-
UAE Government Bond	UAEGB	Government	AE	750	3.24	5/11/2025	AT MATURITY	AED	5/9/2022	AA-	3.07	-
Sharjah Sukuk Program Ltd	SHARSK	Treasury	AE	1089	1.5	5/17/2023	AT MATURITY	AED	5/17/2022	BBB-	-	-
Arada Sukuk Ltd	ARADAD	Financial Institutions	AE	350	8.125	6/8/2027	AT MATURITY	USD	6/8/2022	B+	8.35	8.22

*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

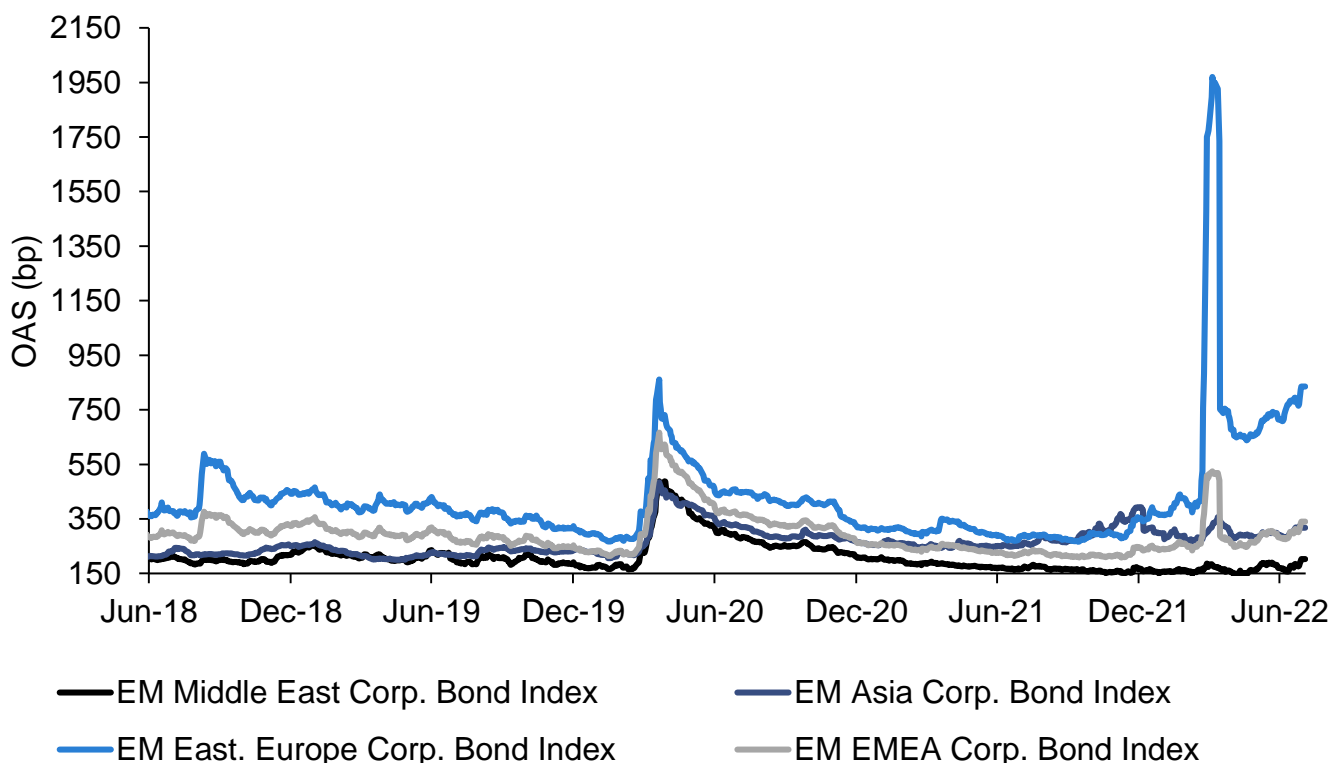
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



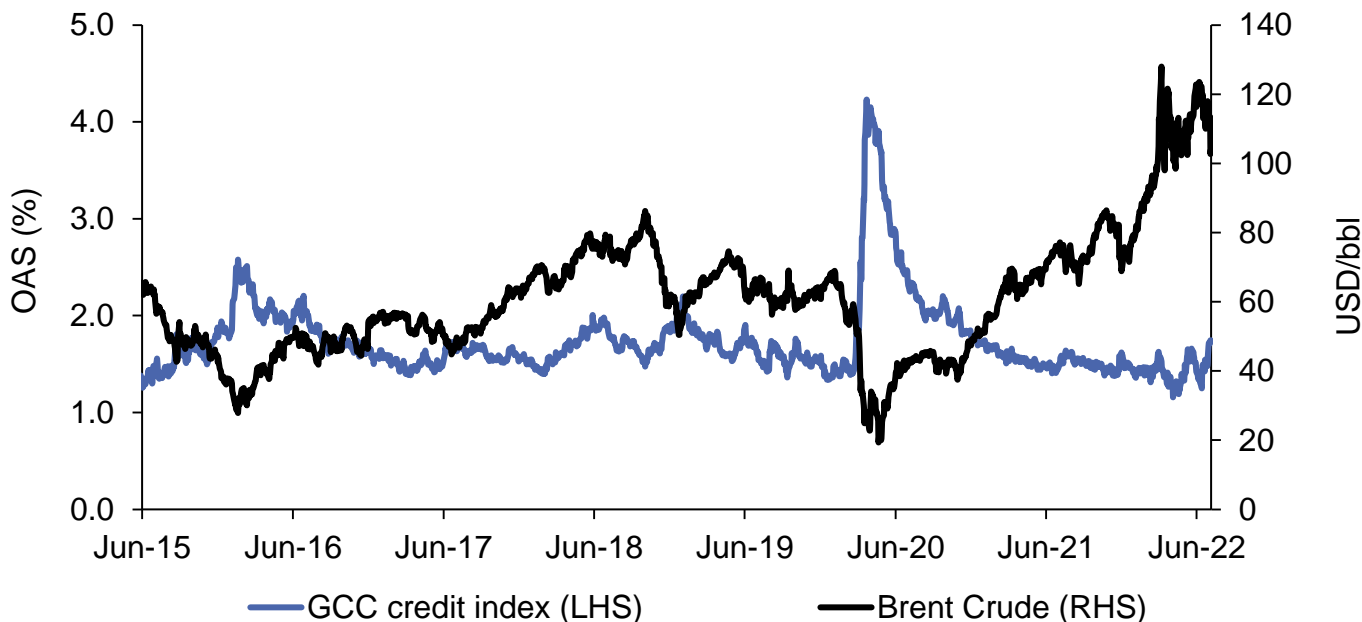
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



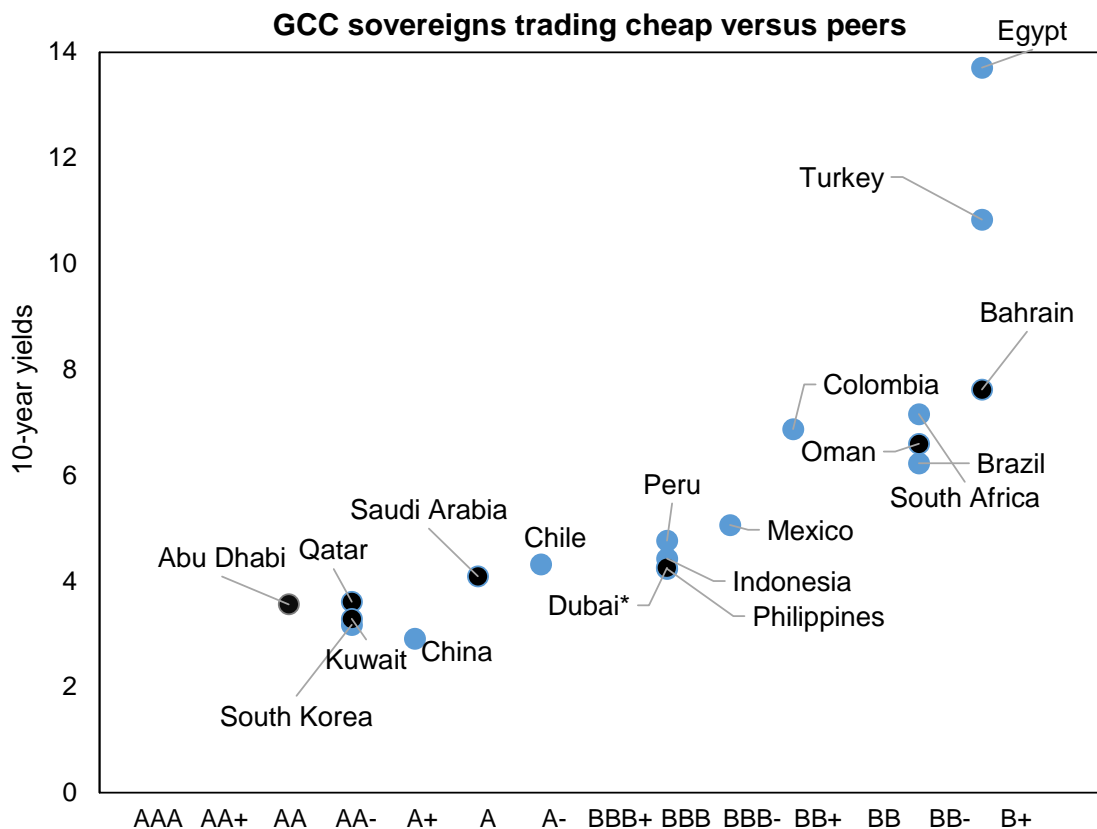
Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

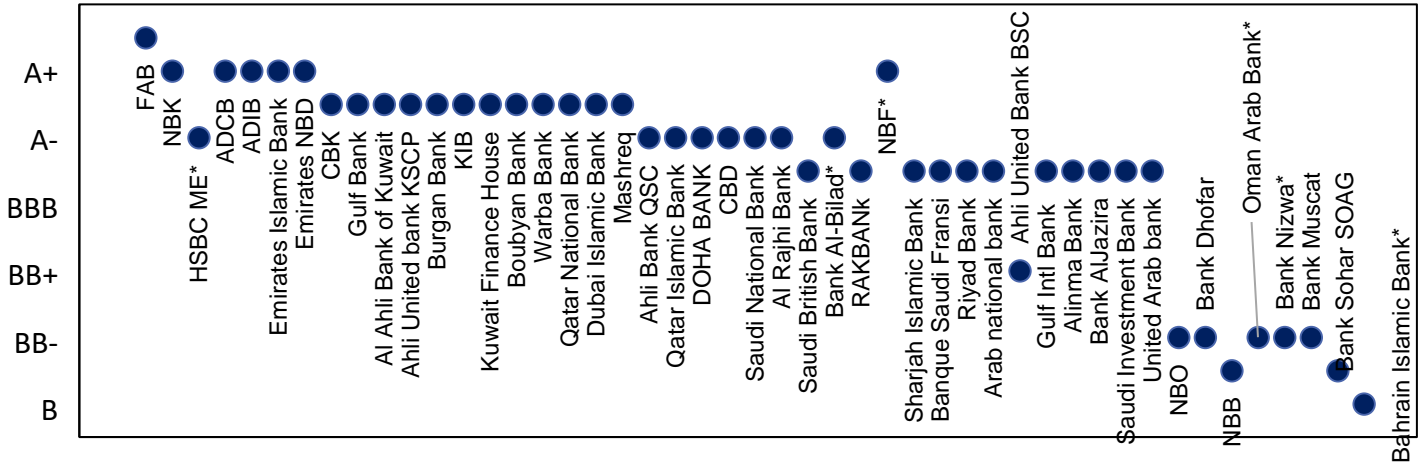
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

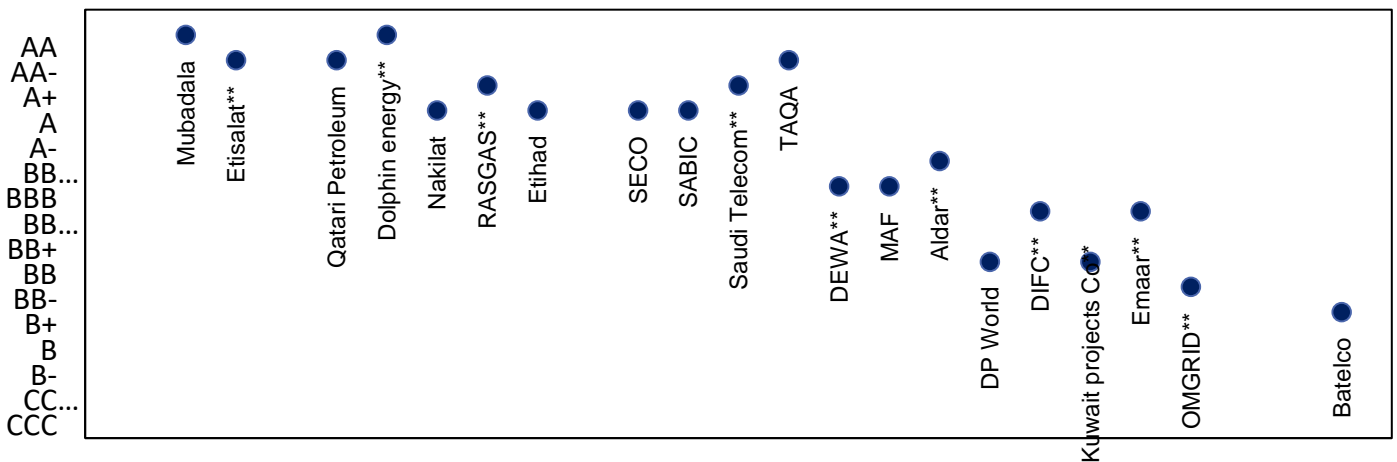
GCC Financials



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

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

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