

GCC Fixed Income Weekly Review

Bloomberg Global benchmark bond index came under pressure and posted losses last week (6th July- 12th July). The 10-year Treasury yield rose above 3% but settled at 2.96%. On the other hand, Euro zone bond yields fell amid concerns over economic outlook. Global corporate bonds recorded weekly gains. EM bonds posted losses on the back of volatile UST yields and stronger dollar.

Appetite for GCC bonds remained subdued. Bahrain and Oman led the losses last week. Bahrain was the worst performer while UAE outperformed. 5yr Sovereign spreads widened in Oman, Abu Dhabi, and Dubai while the same tightened in Bahrain, Saudi Arabia and Qatar. In the USD sovereign market, 10yr bond yields rose across all the GCC markets barring Abu Dhabi. 10yr USD bond yields rose the most in Bahrain and Oman.

Dubai's inflation increased by 4.71% yoy in May 2022, compared to 2.8% yoy in May 2021.

Dubai's CPI increased to 104.08 points in May 2022 from 101 points in May 2021. The non-oil private sector growth in Dubai reached a three-year high despite signs of rising inflation. Dubai non-oil economy expanded for the second consecutive month in June. **Dubai Purchasing Managers' Index (PMI) rose from 55.7 in May to 56.1** in June and was the highest reading since June 2019. Elsewhere, **Bahrain's Business Confidence Index was 98.13 points in Q2 2022 compared with 95.46 points in Q1 2022, an increase of 2.67 points or 2.80%**. Overall, a positive outlook was recorded in Q2-2022 for the business performance, profits, and competition sub-indices.

Issuance activity was muted over the week.

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+

Prerana Seth

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

Mohammed Al Hemeiri

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

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GCC Fixed Income Weekly Snapshot

BBG Barclays				Interest rates			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1,041.26	-0.93	-17.81	3M interbank			
EM LatAm TR	872.91	-0.95	-17.67	Saudi	2.75	-11.83	184.52
EM EMEA TR	311.09	-1.11	-22.56	UAE	2.11	16.59	174.67
EM Asia TR	573.77	-0.74	-12.85	Kuwait	2.19	6.25	68.75
Bahrain TR	165.95	-1.65	-7.32	Bahrain	-	-	-
Oman TR	127.89	-0.66	-6.95	Oman	2.23	-9.75	10.05
Kuwait TR	140.55	-0.25	-6.54	Qatar	2.45	-	132.50
Qatar TR	130.83	-0.41	-11.85	US	2.46	6.46	-
Saudi Arabia TR	134.49	-0.39	-11.87	12M interbank			
UAE TR	132.76	0.21	-10.21	Saudi	3.58	3.59	252.30
5Y Sov. CDS				UAE	3.31	10.98	256.73
	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.75	6.25	75.00
Saudi Arabia	73.85	-0.20	-0.30	Bahrain	-	-	-
Abu Dhabi	72.78	1.90	1.90	Oman	3.06	-0.75	4.85
Dubai	146.42	1.80	1.80	Qatar	2.75	-	142.50
Kuwait	76.98	-	-	10Y yield			
Bahrain	339.29	-7.90	-7.90	Saudi Arabia	3.92	2.00	143.20
Oman	293.71	4.00	4.00	Abu Dhabi	3.54	-4.10	152.50
Qatar	71.79	-0.20	-0.30	Dubai	4.24	1.10	169.10
Egypt	1247.37	127.70	127.70	Kuwait	3.35	0.00	170.90
Turkey	880.32	21.90	19.00	Bahrain	8.15	42.70	230.70
US	23.00	1.00	1.00	Oman	6.82	18.50	185.00
Germany	17.15	1.80	1.80	Qatar	3.65	7.20	155.10

Note: *Dewa rating used as proxy, data from 6th July 2022 to 12th July 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Dubai's non-oil private sector rises to a three-year high despite inflation

Dubai non-oil economy continued to grow for the second consecutive month in June. Dubai Purchasing Managers' Index (PMI) rose from 55.7 in May to 56.1 in June and was the highest reading since June 2019. The PMI report said that the uplift was achieved despite rapid increases in input costs caused by high fuel prices. However, companies experienced sharp and accelerated increases in input costs due to global supply concerns. It was the highest rate of input cost inflation since January 2018 due to increases in both wholesale and retail costs. Although non-oil companies faced higher costs, they were forced to offer discounted prices as a result of strong competition. Supplier performance improved for the sixth consecutive month during June thanks to a lower impact from the pandemic and an increase in vendor capacity.

(Source: Zawya)

Dubai's inflation increased by 5% in May 2022

Dubai's inflation increased by 4.71% yoy in May 2022, compared to 2.8% yoy in May 2021. According to the Dubai Statistics Centre's latest statistics, Dubai's CPI increased to 104.08 points in May 2022 from 101 points in May 2021.

(Source: Zawya)

Business confidence in Bahrain rose 2.8%

Almost 98% of investors anticipate stability in Bahrain's investment climate for the second quarter (Q2) of this year, according to a government survey. The information and eGovernment Authority reports the Business Confidence Index (BCI) was 98.13 points in Q2 2022 compared with 95.46 points in Q1 2022, an increase of 2.67 points or 2.80%. Overall, a positive outlook was recorded in Q2-2022 for the business performance, profits, and competition sub-indices. Results showed that 89% of companies have a stable to optimistic outlook, up 1.25% from the previous quarter. Nearly 48.1% of companies anticipate stable business performance, while 40.9% anticipate improvement. According to the survey, 80.8% of companies experienced stable to favourable business performance in Q1 of 2022. Of these, 59.1% were satisfied with their performance, while 21.7% were satisfied with their work.

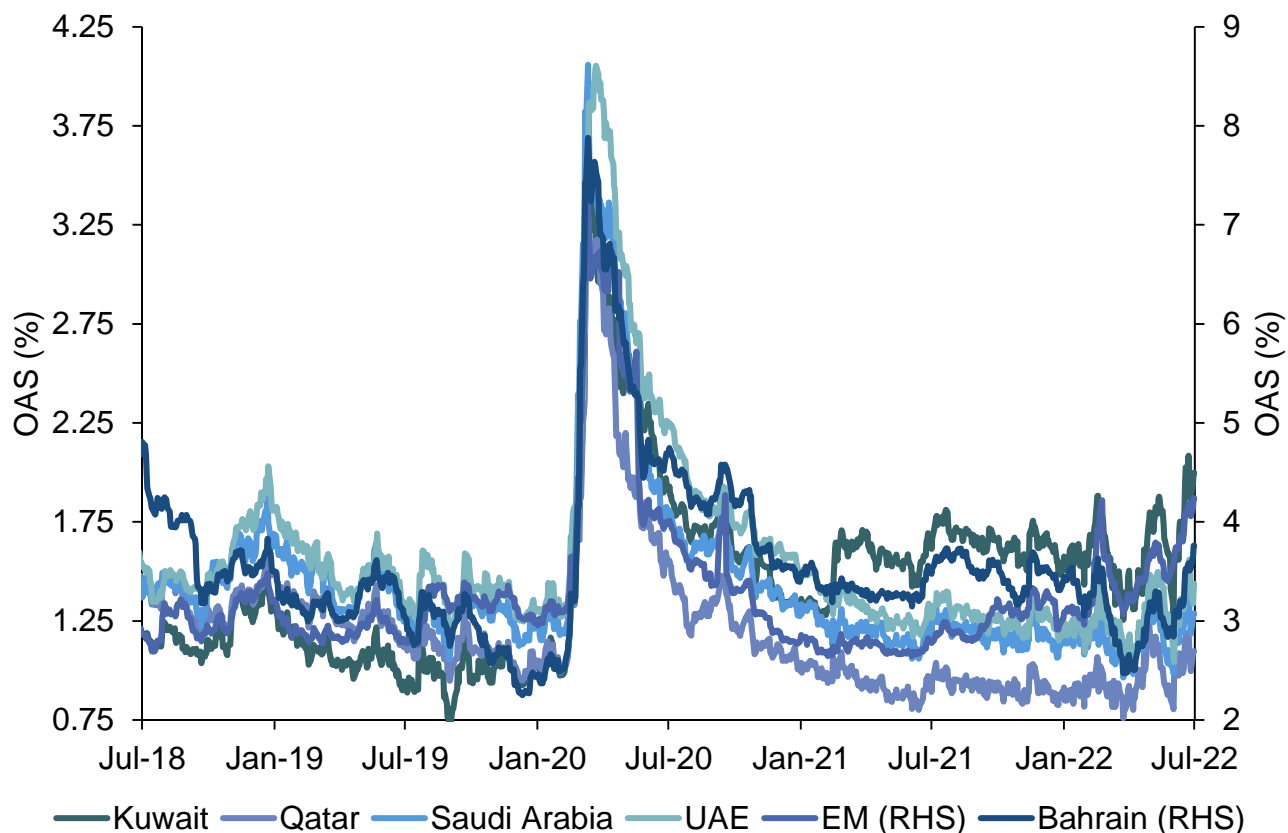
(Source: Zawya)

Issuer	BBG	Sector	Cou nt	Issue Amt*	Cpn	Maturity	Maturity Type	Curre ncy	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

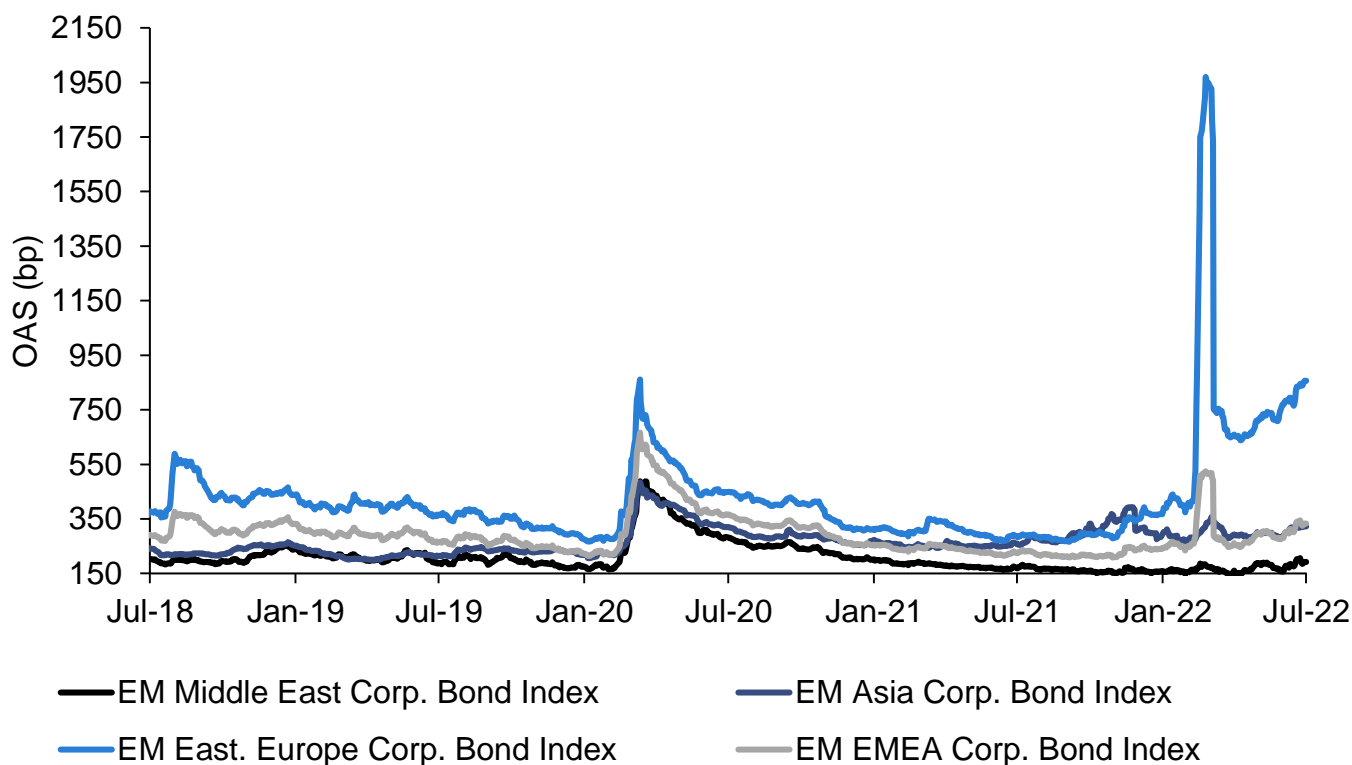
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



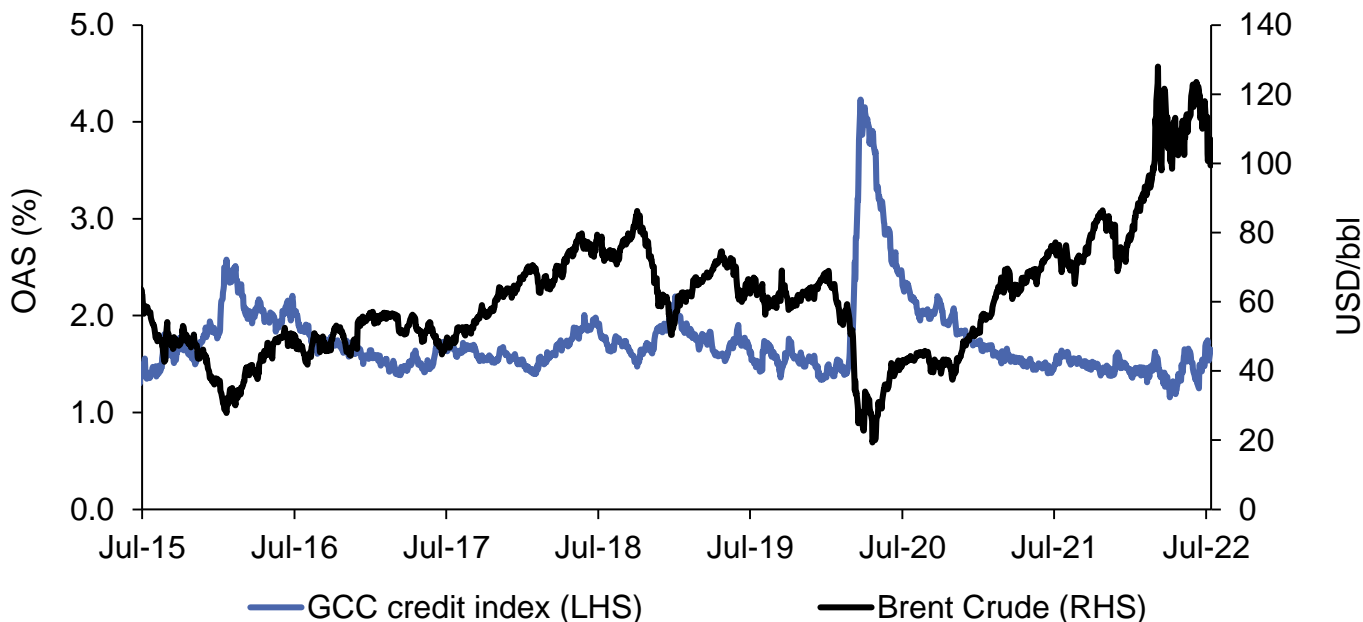
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

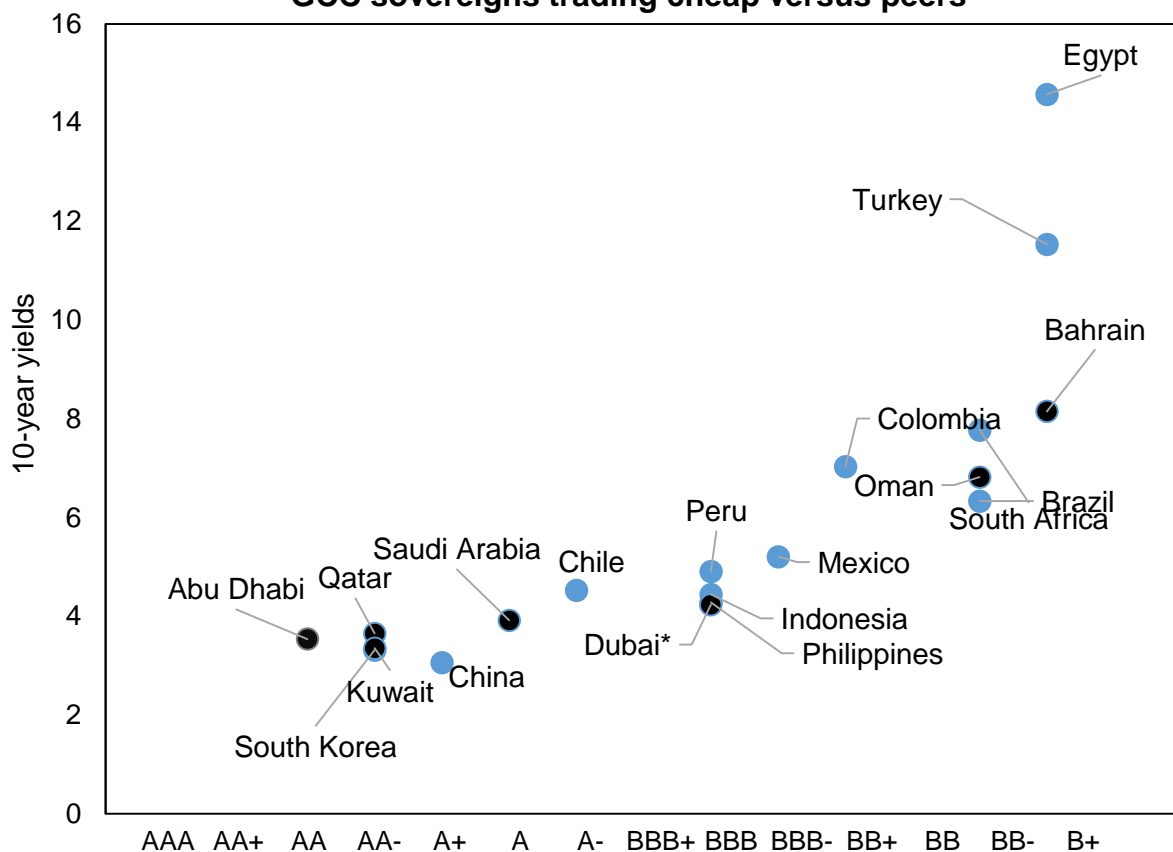
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

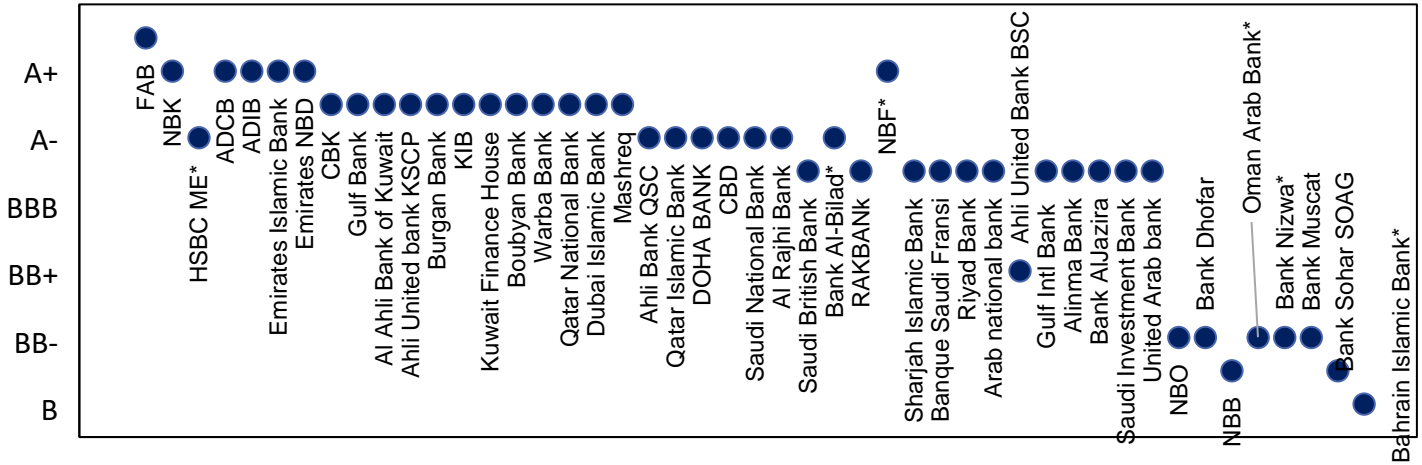
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

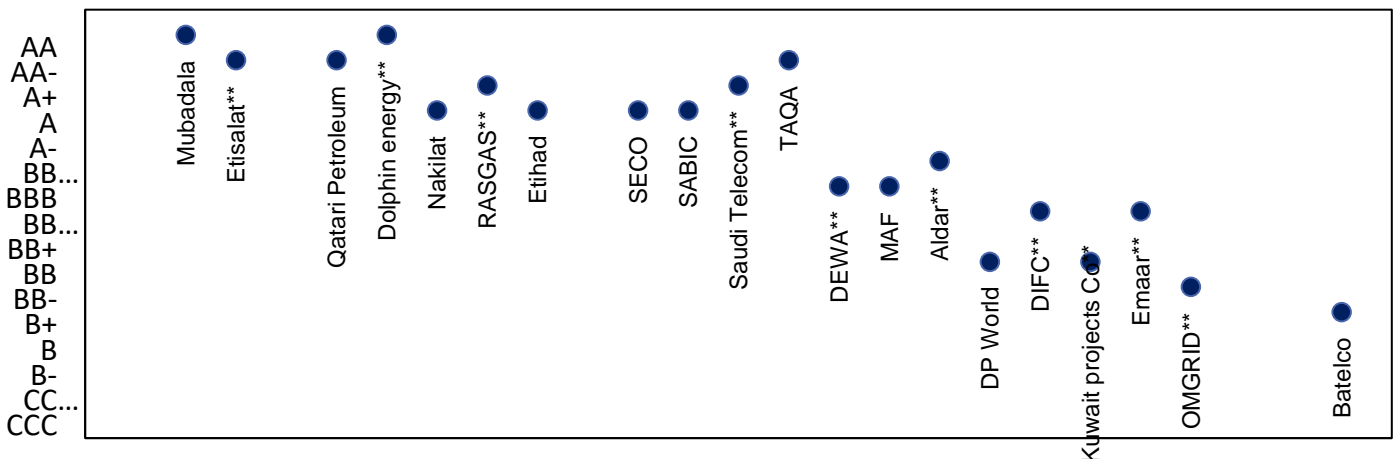
GCC Financials



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

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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