

GCC Fixed Income Weekly Review

Global benchmark bond index posted gains over the week (ending 20th July 2022), paring some of the previous losses. The 10-year Treasury yield jumped above 3%. Euro zone bond yields edged higher ahead of the ECB meeting scheduled today (21 July). Italian bond yields rose on the back of the political tensions in the country. In credit, corporate bonds performed well, led by Global HY bonds. Similarly, EM USD bonds recorded marginal gains, led by EM LatAm bonds.

Appetite for GCC bonds improved over the week. Oman and Bahrain outperformed the most while Kuwait was the only bond market in the GCC recording negative returns. 5yr CDS spreads mostly tightened across all GCC countries with Bahrain and Oman leading the tightening. In the USD sovereign market, 10yr bond yields declined across GCC countries, barring Dubai and Kuwait. 10yr Bahrain bond yield declined the most by 70bp over the week.

UAE's economy grew by 8.2% in the Q1 22, driven by higher oil production, according to latest quarterly report released by the central bank. **The central bank expects real GDP to grow by 5.4% in 2022 and 4.2% in 2023.** The UAE's oil GDP rose by 13% in Q1 22 and is estimated to grow 8% this year and 5% in 2023 according to the UAE central bank. The non-oil GDP increased by 6.1% in Q1 22 and it is expected to grow by 4.3% overall in 2022 and 3.9% in 2023. Separately, **Moody's ratings agency downgraded Sharjah's ratings from Baa3 to Ba1, citing the emirate's deteriorating fiscal metrics.** The rating agency changed the rating outlook to stable from negative. Elsewhere, **Saudi's consumer price index increased by 2.3% in June, due to rising food, beverage and transportation costs.**

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+

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GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1,039.81	0.71	-17.92	Saudi	2.93	9.82	202.66
EM LatAm TR	877.57	1.72	-17.23	UAE	2.45	3.93	208.59
EM EMEA TR	311.48	1.28	-22.47	Kuwait	2.13	0.00	62.50
EM Asia TR	568.50	-0.61	-13.65	Bahrain	3.97	26.00	245.50
Bahrain TR	165.18	1.67	-7.75	Oman	2.63	-2.47	50.13
Oman TR	127.57	2.55	-7.18	Qatar	2.45	-	132.50
Kuwait TR	140.12	-0.19	-6.83	US	2.73	-0.86	-
Qatar TR	131.04	0.17	-11.71	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	134.43	0.04	-11.91	Saudi	3.67	6.76	260.77
UAE TR	132.44	0.10	-10.42	UAE	3.41	-1.82	267.46
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.69	-6.25	68.75
Saudi Arabia	74.81	-4.10	-4.60	Bahrain	5.06	20.80	329.33
Abu Dhabi	73.85	-3.60	-3.60	Oman	3.18	-0.67	16.93
Dubai	150.36	0.90	2.30	Qatar	2.75	-	142.50
Kuwait	77.94	1.00	1.00	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	358.96	-22.40	16.30	Saudi Arabia	3.94	-1.50	145.50
Oman	331.10	-9.60	-10.70	Abu Dhabi	3.51	-3.90	150.00
Qatar	73.77	-2.40	-3.30	Dubai	4.31	5.10	176.80
Egypt	1372.95	-173.80	-174.90	Kuwait	3.38	0.20	173.80
Turkey	836.59	-64.70	-65.10	Bahrain	8.11	-70.90	227.20
US	23.36	0.40	0.40	Oman	6.72	-64.50	175.20
Germany	18.03	0.60	0.90	Qatar	3.69	-1.80	159.00

Note: *Dewa rating used as proxy, data from 14th July 2022 to 20th July 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

UAE economy grew 8.2% in Q1

UAE's economy grew by 8.2% in the Q1, driven by higher oil production, according to the latest quarterly report released by the UAE central bank. The central bank expects real GDP to grow by 5.4% this year and 4.2% in 2023. The government plans to double the size of the manufacturing sector by 2031, which will lead to strong growth prospects. Hydrocarbon GDP rose by an estimated 13% in Q1 22, as oil production averaged 2.95mn bpd. Non-oil GDP increased by 6.1% in Q1 22 and it is expected to grow by 4.3% overall in 2022 and 3.9% in 2023. Inflation rose by 3.4% in Q1 22, up from 2.3% in the Q4 21 and 0.6% in Q3 21. Inflation rate is projected to rise by 5.6% in 2022.

(Source: Zawya)

Moody's downgraded Sharjah's ratings to Ba1, outlook changed to stable

Moody's ratings downgraded its long-term foreign and local currency issuer ratings and its foreign-currency senior unsecured ratings of Sharjah, to Ba1 from Baa3, citing that the emirate's fiscal strength could deteriorate over the next few years. The rating agency stated that the government authorities were yet to indicate "a credible fiscal adjustment plan" to tackle the rising debt levels. In addition, the rating agency changed Sharjah's outlook to stable from negative, indicating that the risks to Sharjah's ratings are balanced. Sharjah's government has been facing liquidity and external vulnerability risks due to tightening global financing conditions and higher interest rates. Due to Sharjah's membership in the UAE, the emirate benefits from the highly credible currency peg and reliable access to financing from the UAE's liquid and well-capitalized banking system. Moody's, also downgraded Sharjah Sukuk Limited and Sharjah Sukuk Programme Limited's backed senior unsecured debt ratings.

(Source: Zawya)

The Saudi consumer price index rose 2.3% in June

Consumer prices increased by 2.3% in June 2022 compared to last year, higher than the increase of 2.2% in May. Based on the General Authority for Statistics (GASTAT) report, the prices of food and beverages rose by 4.4%, with food prices rising by 4.7% and meat prices rising by 4.5%. Prices in the transport segment increased by 2.5%, and this was due to a 3.3% increase in car prices.

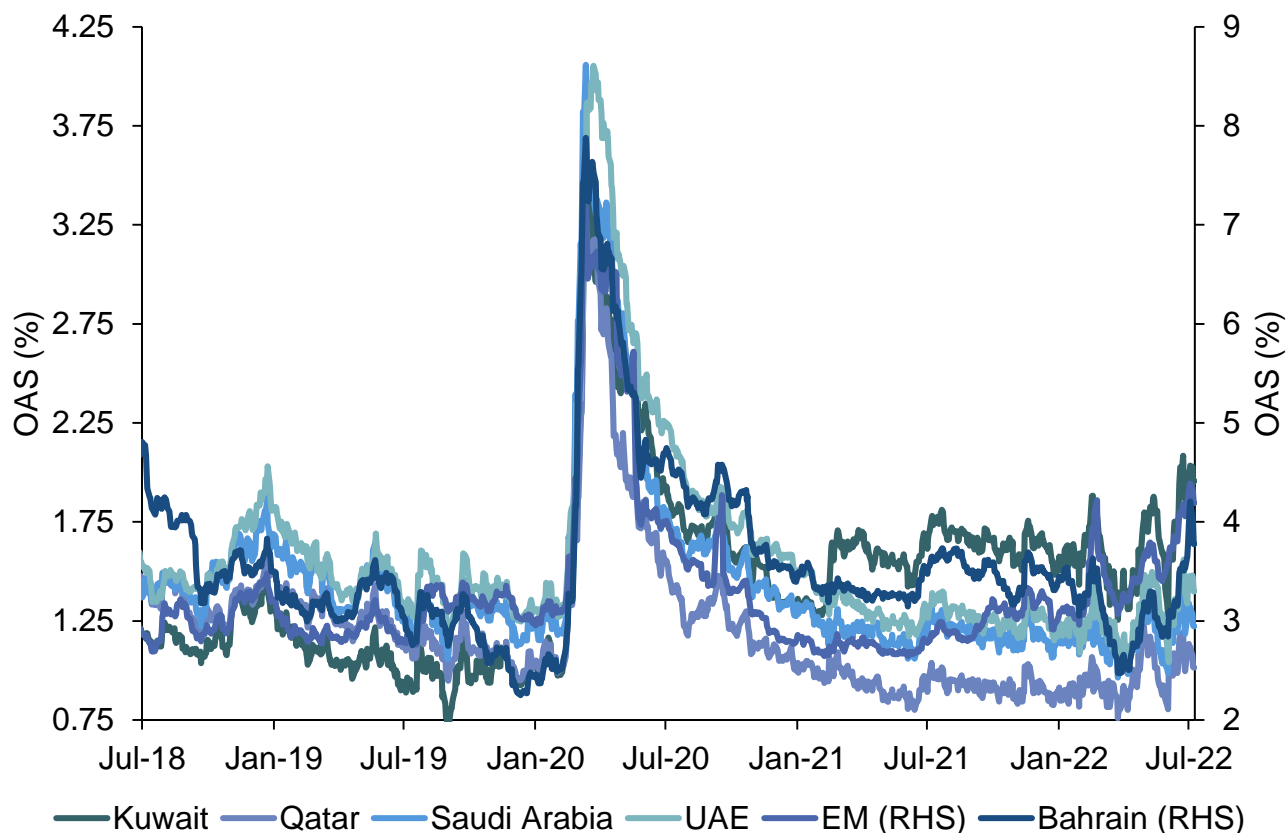
(Source: Zawya)

Issuer	BBG	Sector	Co un try	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 Internat 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

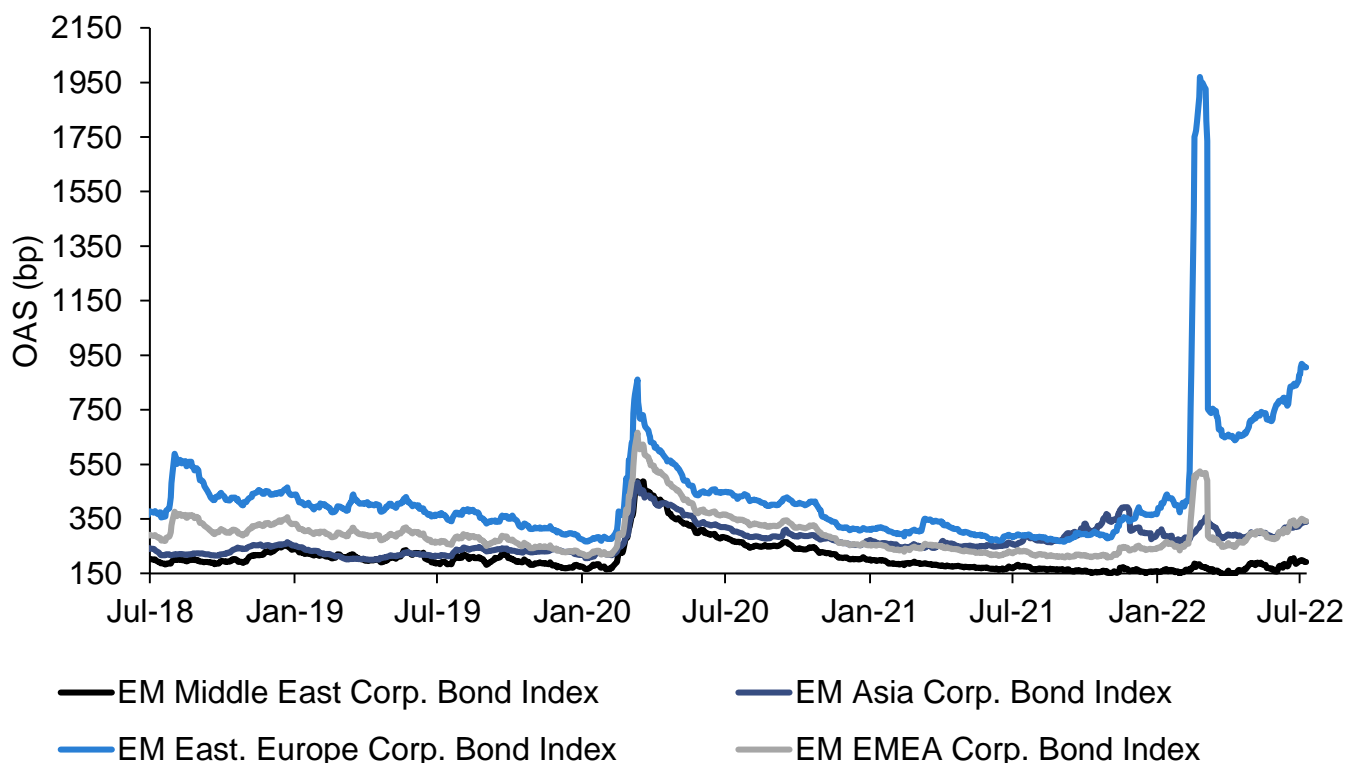
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



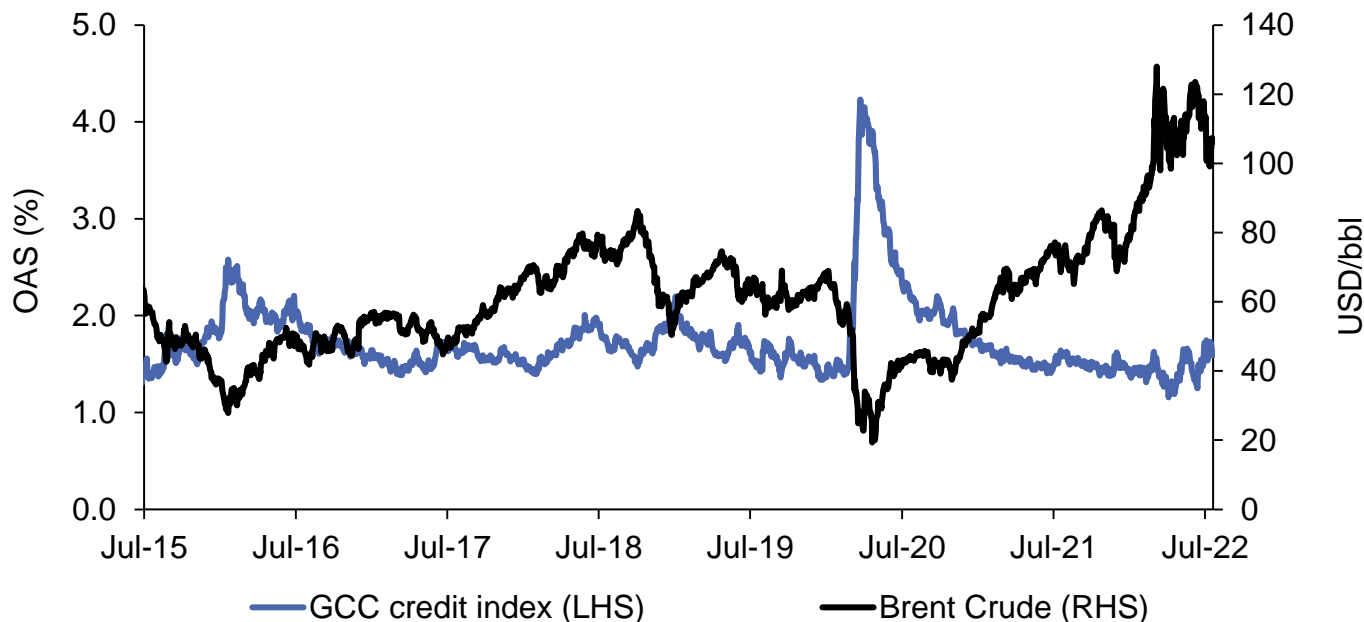
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

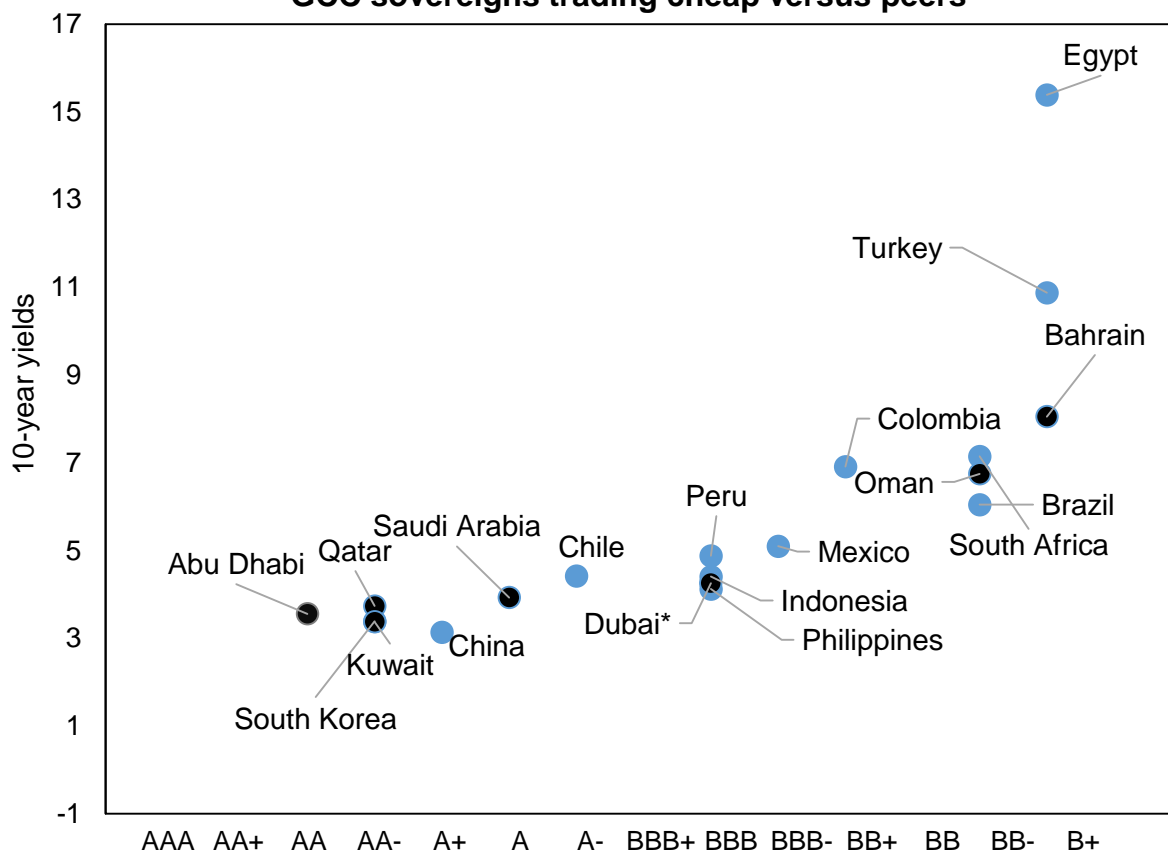
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

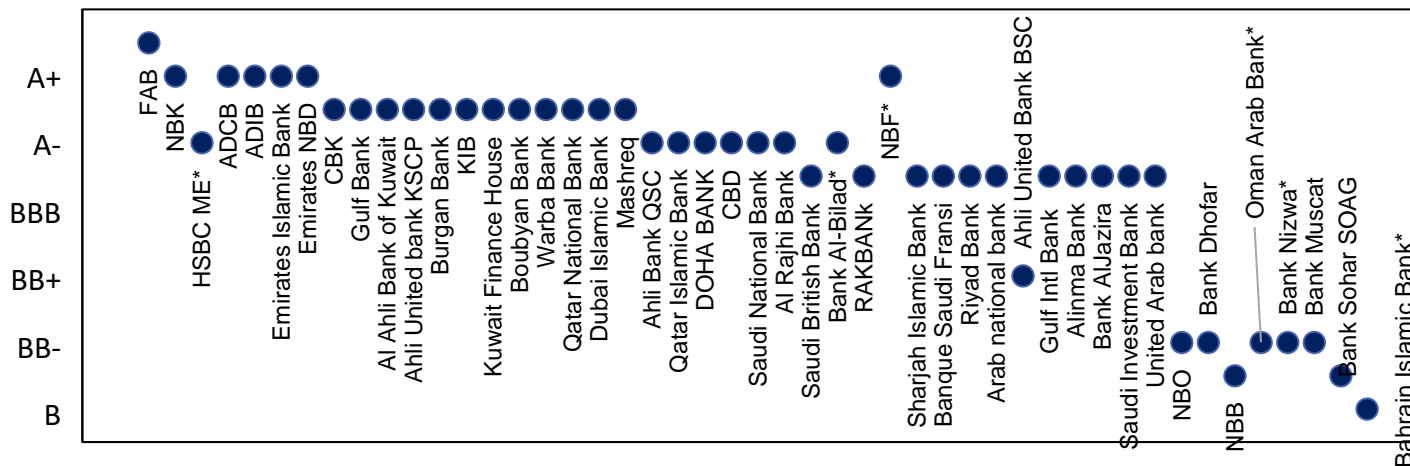
GCC sovereigns trading cheap versus peers



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

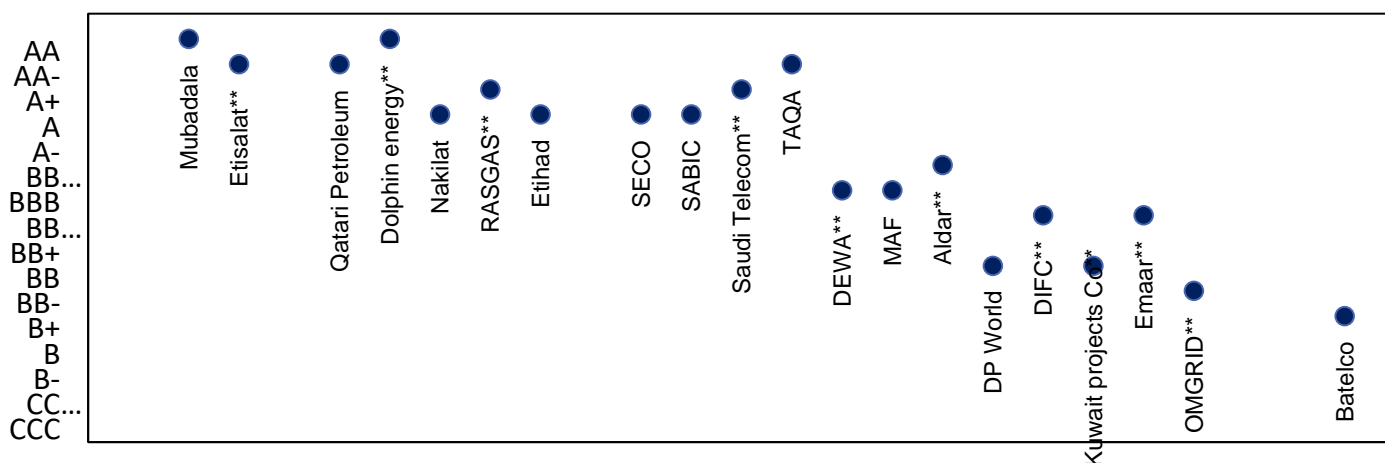


Note: The ratings refer to Fitch ratings, *Moody's rating used as substitute where the corporate/bank not rated by Fitch rating

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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