

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal losses over the week (ending 6th June 2023). US Treasury yields rose after upbeat non-farm payrolls ahead of the Fed meeting next week. Eurozone government bond yields also jumped tracking the rise in UST yields despite Eurozone reporting softer than expected inflation data. In credit, corporate credit performed well, with Global HY index leading the gains. On the other hand, EM bond index recorded marginal gains on the back of positive performance by EM EMEA and EM LatAm.

Appetite for GCC bonds improved over the week. All GCC bond indices recorded positive returns except for Saudi Arabia and Kuwait. Bahrain was the best performer. 5yr CDS sovereign spreads tightened in all GCC countries with oil prices jumping over the week. 10yr bond yields declined in Bahrain, Oman, Kuwait, and Qatar while rose in Dubai, Saudi Arabia, and Abu Dhabi.

According to the UAE's Minister of Economy, Abdullah bin Touq Al Marri, **UAE aims to become a global model in green growth and the circular economy. Projections indicate that further growth is anticipated in 2023, with GDP projected to increase by 4.3% and non-oil output by 4.6%**, according to estimates from the Central Bank of the UAE. **The UAE Purchasing Managers' Index (PMI) dropped from 56.6 in April to 55.5 in May**, marking a three-month low. Despite the slight decrease, the index remained above the neutral 50.0 mark and maintained a favorable position above its long-term average of 54.2. Elsewhere, **Saudi's Purchasing Managers Index (PMI) declined from 59.6 in April to 58.5 in May**, mainly due to lower figures in the index's two major components. Despite the decline, the PMI index remained above the growth threshold of 50.0 and exceeded its long-term average of 56.9. Separately, **Fitch affirmed Ras Al Khaimah's credit rating as 'A' with a 'positive' outlook for the second year in a row.**

First Abu Dhabi Bank (FAB) has **issued a 5-year USD600mn green bond, with a yield of 4.774%. The bond was initially planned for USD500mn but was upsized due to strong demand, resulting to a 2.8x oversubscribed orderbook.** Commercial Bank of Dubai (CBD) has hired banks to arrange a debut sale of USD-denominated green bonds. **The sale will consist of benchmark-sized green bonds with a maturity of five years, typically valued at a minimum of USD500mn.**

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	1098.3	0.52	2.3	Saudi	5.9	0.08	56.4
EM LatAm TR	941.5	0.76	2.2	UAE	5.4	15.43	106.5
EM EMEA TR	328.8	0.83	1.8	Kuwait	4.2	-6.25	18.8
EM Asia TR	593.2	-0.03	2.7	Bahrain	6.5	0.00	40.0
Bahrain TR	180.5	0.75	2.3	Oman	5.8	6.90	111.8
Oman TR	140.0	0.21	3.2	Qatar	5.9	-	67.5
Kuwait TR	143.2	-0.01	2.4	US	5.5	-0.76	75.5
Qatar TR	131.0	0.03	1.6	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	134.7	-0.06	1.4	Saudi	5.8	2.91	-2.2
UAE TR	134.5	0.00	2.0	UAE	5.4	30.32	34.1
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.6	-6.25	6.3
Saudi Arabia	60.7	-3.70	-1.8	Bahrain	6.5	1.32	-2.5
Abu Dhabi	38.5	-2.00	-8.2	Oman	5.9	7.65	104.5
Dubai	83.7	-4.30	-10.3	Qatar	6.1	-	37.5
Kuwait	49.5	-2.40	-10.6	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	262.4	-15.30	1.5	Saudi Arabia ^{^^}	4.8	1.60	1.3
Oman	154.0	-13.30	-36.2	Abu Dhabi	4.2	0.50	-4.3
Qatar	38.6	-4.30	-11.8	Dubai	4.3	1.90	-9.4
Egypt	1670.3	-169.60	765.7	Kuwait	4.2	-2.40	33.8
Turkey	495.8	-116.80	-31.4	Bahrain	6.9	-17.80	-4.3
US	37.9	-9.60	10.8	Oman	6.0	-4.10	-13.2
Germany	15.8	0.10	-4.9	Qatar	4.2	-0.90	-0.2

Note: data from 31st May 2023 to 6th June 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

The UAE non-oil private sector grew at a slower pace in May, but the outlook remains positive - PMI

UAE's non-oil private sector experienced a moderate growth slowdown in May compared to the previous month. However, businesses showed increased confidence due to improved operating conditions, reaching their highest level since October 2021. UAE's PMI dropped from 56.6 in April to 55.5 in May, marking a three-month low. Despite the slight decrease, the index remained above the 50.0 mark and maintained a favorable position above its long-term average of 54.2.

(Source: Zawya)

The non-oil sector in Saudi Arabia has slowed down- PMI

The non-oil private sector in Saudi Arabia experienced a slowdown in business activities in May, with a decrease in growth rates for new orders and output. However, job creation in the sector accelerated, reaching the fastest pace since early 2018. Saudi PMI declined from 59.6 in April to 58.5 in May, mainly due to lower figures in the index's two major components (New Orders and Output). Regardless of the decline, the PMI index exceeded its long-term average of 56.9.

(Source: Zawya)

FAB successfully prices a green bond worth USD600mn

First Abu Dhabi Bank (FAB) has issued a 5-year USD600mn green bond, with a yield of 4.774%. The bond was initially planned for USD500mn but was upsized due to strong demand, resulting to a 2.8x oversubscribed orderbook. This reflects the high level of confidence and interest from global investors in FAB's creditworthiness and sustainability initiatives. Notably, 85% of the allocation went to international investors, the highest achieved by a MENA issuer in 2023, and 34% of the allocation was dedicated to green investors, one of the highest proportions in the market.

(Source: Zawya)

Commercial Bank of Dubai plans debut sale of green bonds

Commercial Bank of Dubai (CBD) has hired banks to organize a debut sale of USD-denominated green bonds. The sale will consist of benchmark-sized green bonds with a maturity of five years, typically valued at a minimum of USD500mn. The actual issuance will be determined based on market conditions.

(Source: Reuters)

UAE's vision is to become a global example of green growth and circular economy

According to the UAE's Minister of Economy, Abdullah bin Touq Al Marri, UAE aims to become a global model in green growth and the circular economy. This objective aims to contribute to sustainable economic development and to create new markets for national exports, and enhance the overall business environment. UAE plans to attract investments worth USD160bn in new economic sectors over the next three decades.

(Source: Zawya)

Fitch affirms Ras Al Khaimah's rating for the second year in a row

Fitch rating agency has confirmed Ras Al Khaimah's credit rating as 'A' with a 'Positive' outlook for the second year in a row. Fitch predicts that the emirate's real gross domestic product (GDP) will experience a significant growth of 6.3% in 2022, surpassing the 3.3% growth recorded in 2021.

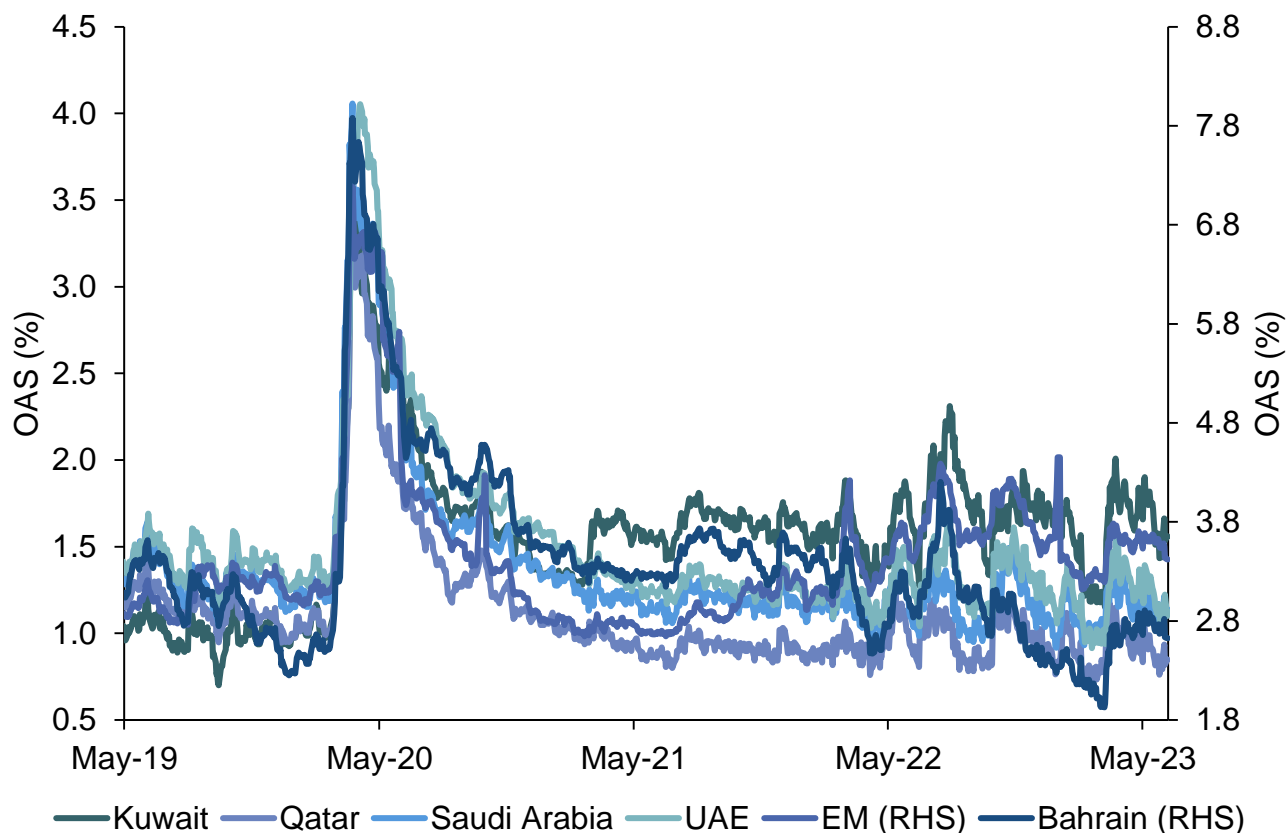
(Source: Zawya)

Issuer	BBG	Sector	Co untry	Issue Amt*	Cpn	Maturity	Maturity Type	Curr ency	Issue Date	Rtg^	YTM (mid)	YTC (mid)
MDGH GMTN RSC LTD	MUBAUH	Financial Institutions	AE	1000	4.375	11/22/2033	AT MATURITY	USD	5/11/2023	AA	4.52	-
MDGH GMTN RSC LTD	MUBAUH	Financial Institutions	AE	500	5.084	5/22/2053	AT MATURITY	USD	5/11/2023	AA	5.01	-
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	-

*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

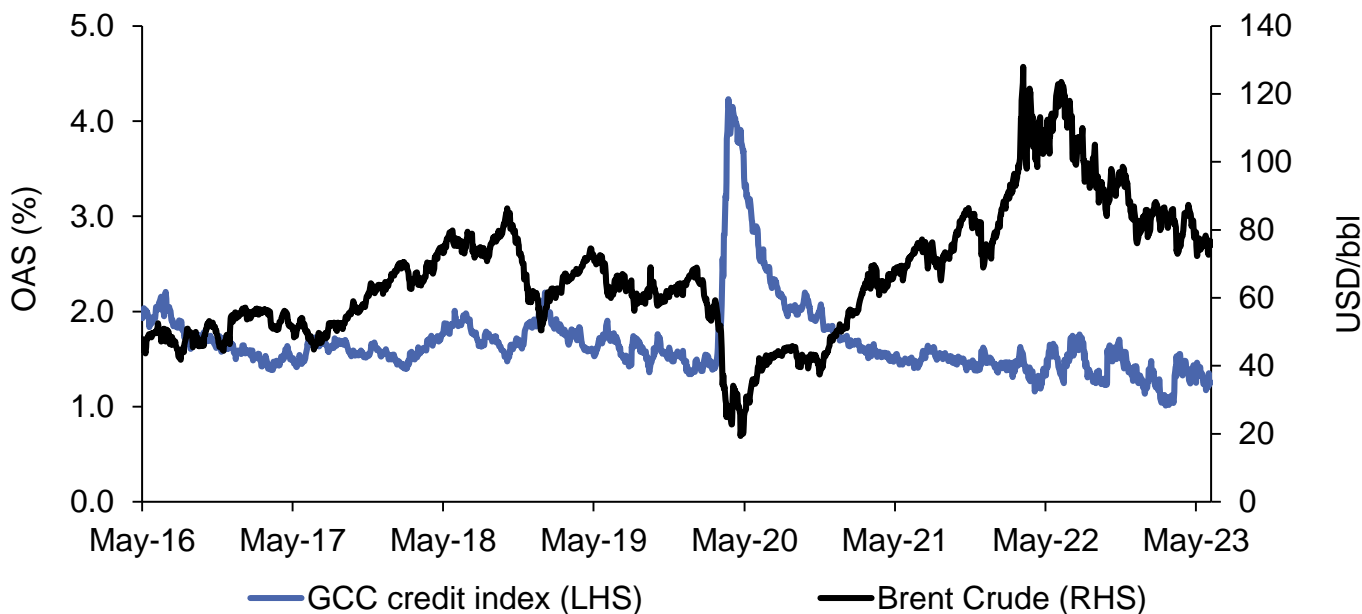
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

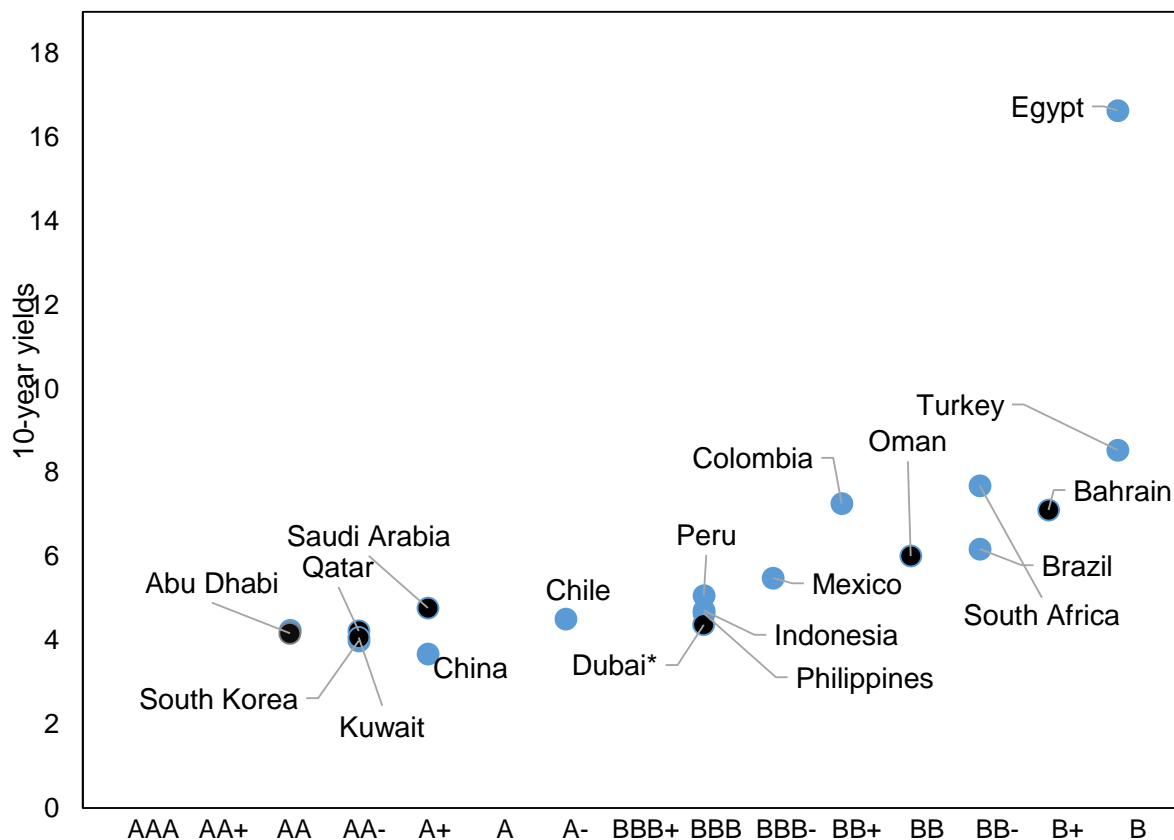
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

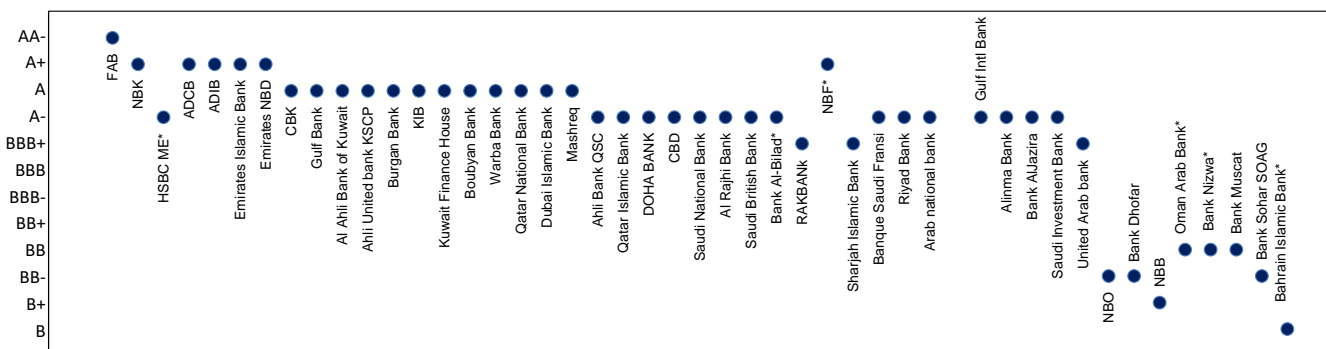
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

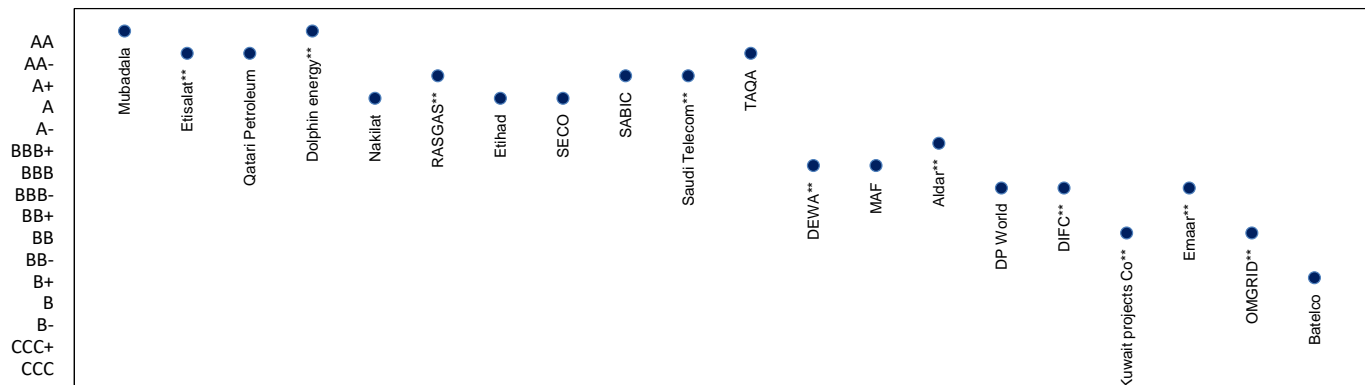
GCC Financials



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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