

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal gains over the week (ending 13th June 2023). US Treasury yields rose after CPI report showed inflation slowed ahead of Fed decision. Eurozone government bond yields fell as second estimate of 1Q23 GDP indicated that Eurozone growth contracted. In credit, corporate credit performed well, with Global HY index leading the gains. EM USD bonds had a positive week, recording gains over the week, led by LatAm.

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

According to the International Monetary Fund (IMF), **Saudi Arabia's growth will slow to 2.1% in 2023, but non-oil growth will remain strong. Moody's, the rating agency, has revised its outlook for Saudi Arabia's banking system from stable to positive.** Elsewhere, **Oman's budget surplus stood at USD1.35bn at the end of April**, according to the Ministry of Finance. In addition, in Bahrain, **the Ministry of Finance expects a reduction in the country's overall budget deficit for the year 2024. It is projected to decrease from a deficit of BHD520mn in 2023 to BHD161.4mn in 2024.**

UAE's clean energy producer Masdar plans to issue its first-ever green bonds in June to help fund an effort **to boost renewable energy generation capacity five-fold** by the end of the decade.

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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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	1100.5	0.33	2.5	Saudi	6.0	4.98	61.0
EM LatAm TR	946.2	0.68	2.7	UAE	5.1	-25.86	79.8
EM EMEA TR	329.6	0.24	2.0	Kuwait	4.2	0.00	18.8
EM Asia TR	592.8	0.14	2.6	Bahrain	6.5	-0.08	40.0
Bahrain TR	181.4	0.42	2.8	Oman	5.8	-3.00	108.8
Oman TR	140.6	0.45	3.7	Qatar	5.9	-7.50	67.5
Kuwait TR	143.2	0.04	2.3	US	5.6	4.76	80.4
Qatar TR	131.0	0.06	1.6	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	134.5	-0.02	1.3	Saudi	5.9	0.79	-0.7
UAE TR	134.4	0.01	1.9	UAE	5.4	-15.59	26.1
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	6.25	12.5
Saudi Arabia	59.9	-1.20	-3.5	Bahrain	6.5	0.33	-1.8
Abu Dhabi	36.8	-0.60	-10.8	Oman	5.9	-6.50	98.0
Dubai	83.8	1.70	-10.2	Qatar	6.1	-12.50	37.5
Kuwait	48.6	-0.90	-12.0	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	257.1	-6.60	-2.9	Saudi Arabia^^	4.8	-5.20	5.9
Oman	151.3	-3.90	-39.7	Abu Dhabi	4.3	1.40	5.6
Qatar	37.6	-0.30	-12.3	Dubai	4.4	0.50	-6.4
Egypt	1441.0	-102.90	536.7	Kuwait	4.3	6.90	44.6
Turkey	498.1	10.20	-19.8	Bahrain	6.8	-10.80	-14.7
US	36.4	-1.90	9.3	Oman	5.9	-4.60	-16.9
Germany	14.9	-0.60	-5.8	Qatar	4.2	-6.40	-3.0

Note: data from 7th June 2023 to 13th June 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

^^ YTD data from 13th January 2023

Masdar plans to sell its first green bond in June

The United Arab Emirates' clean energy producer Masdar, plans to issue its first green bonds in the coming weeks. The purpose of this bond sale is to secure funding for an ambitious project aimed at increasing renewable energy generation capacity by five times by the end of the decade. According to Mohamed Jameel Al Ramahi, the CEO of Masdar, the company intends to raise an estimated amount between USD500mn and USD700mn through the initial bond sale.

(Source: Gulf News)

Non-oil business activity remains robust in Dubai despite softer PMI data

Dubai experienced strong but slightly slower growth in its non-oil private sector during May, leading to a surge in business confidence to its highest level in three years. The UAE Purchasing Managers' Index (PMI) decreased from 56.4 in April to 55.3 in May. This decline was primarily due to a reduction in supply-side challenges, as improved global conditions resulted in a significant decrease in average lead times, marking the quickest rate of decline since mid-2019.

(Source: Zawya)

Moody's outlook on Saudi Arabia's banks has changed to positive

Moody's rating agency has revised its outlook for Saudi Arabia's banking system from stable to positive, as high oil prices and the country's reform initiatives, will aid in boosting economic growth, business confidence, and increasing government spending. Moody's highlighted that this positive environment is nurturing sustained growth in non-hydrocarbon sectors, which are the primary areas of operation for banks.

(Source: Zawya)

Saudi Arabia's growth will slow to 2.1% in 2023, but non-oil growth will remain strong- IMF

According to the International Monetary Fund (IMF), Saudi Arabia's economic growth is projected to decelerate to 2.1% in 2023 due to the OPEC+ production cuts announced in April. The International Monetary Fund (IMF) projected that the non-oil growth in Saudi Arabia will remain strong in 2023. The OPEC+ production cuts would lower overall real growth to 2.1% in 2023. Meanwhile, the non-oil growth is expected to average 5% and remain above potential.

(Source: Zawya)

Oman's budget surplus stood at USD1.35bn at the end of April- According to the Ministry of Finance

According to Oman's finance ministry, Oman achieved a budget surplus of OMR520mn in April 2023. This marks an improvement compared to the fiscal surplus of OMR468mn recorded during the same period in 2022. Total revenue for the period reached OMR4.4bn, reflecting a 4% increase. Meanwhile, expenditures rose by 3% to reach OMR3.9bn.

(Source: Zawya)

The Bahraini Finance Ministry expects the budget deficit to narrow in 2024

The Ministry of finance in Bahrain expects a reduction in the country's overall budget deficit for the year 2024- from a deficit of BHD520mn in 2023 to BHD161.4mn in 2024. Total spending is expected to remain relatively stable at approximately BHD3.6bn for both 2023 and 2024. However, total revenues are forecasted to rise to BHD3.47bn in 2024.

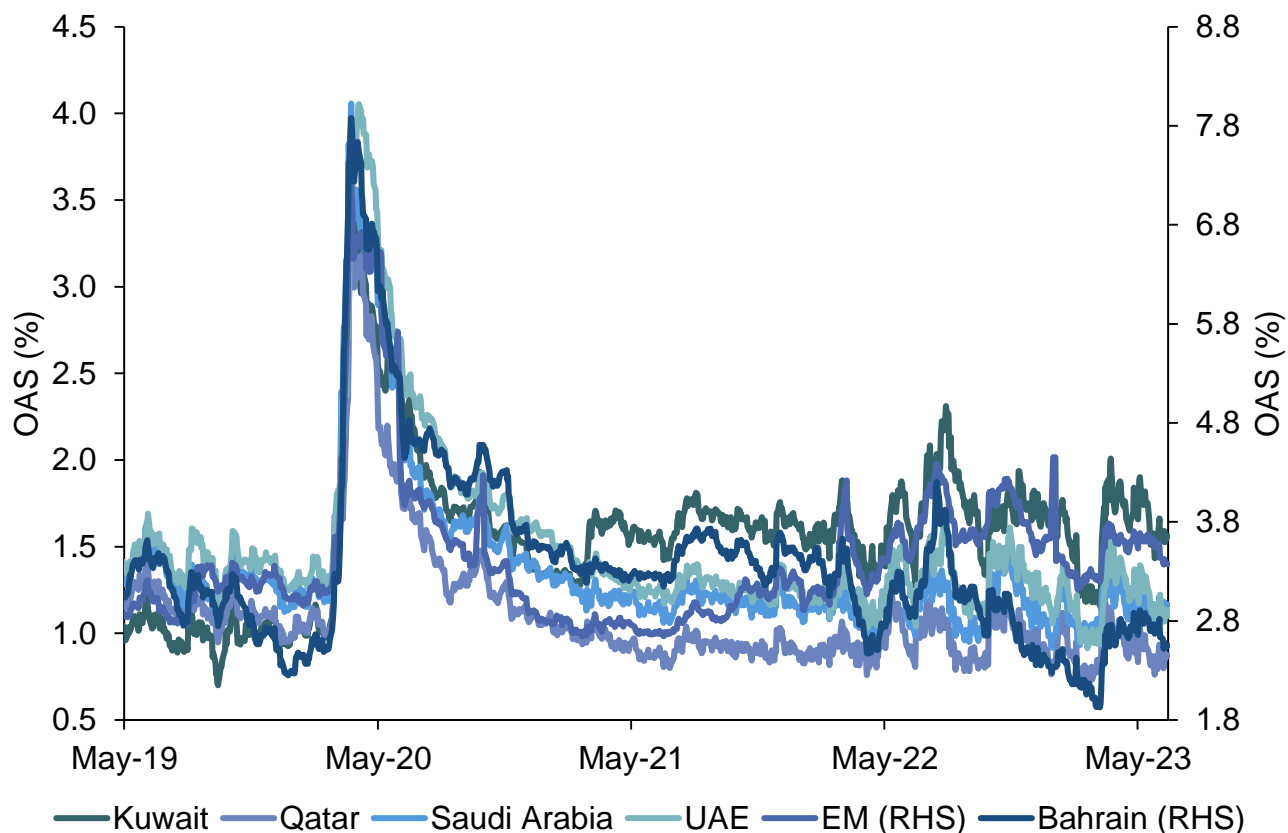
(Source: Zawya)

Issuer	BBG	Sector	Co un try	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	06/07/202		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

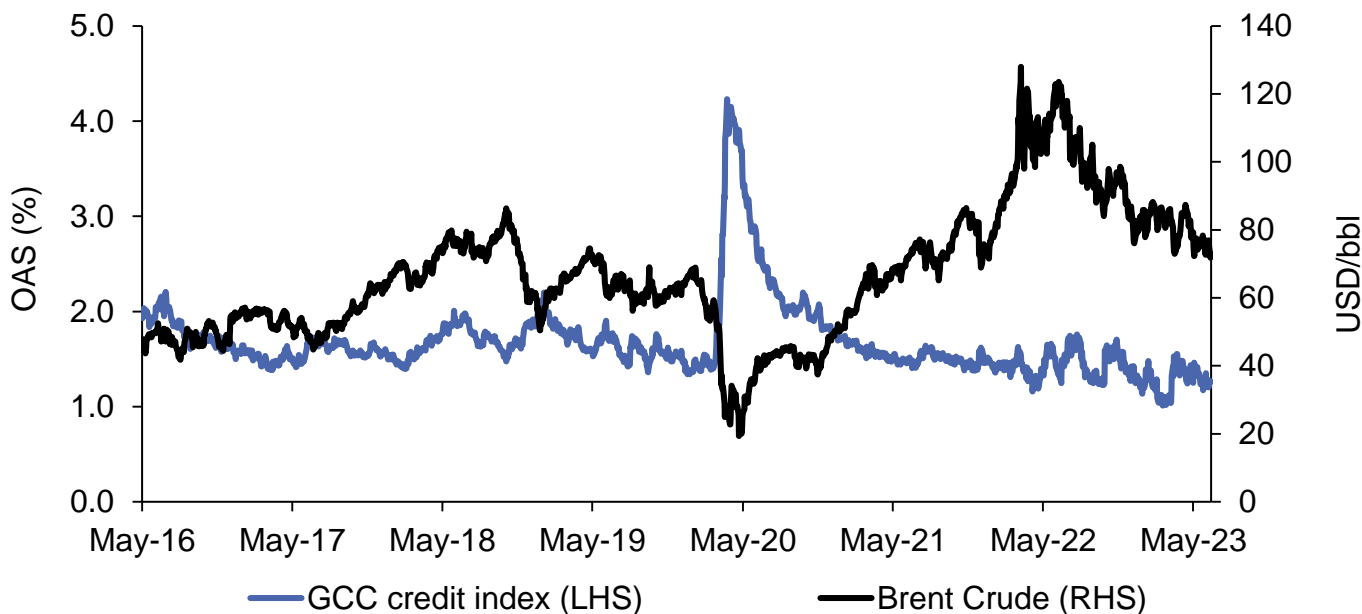
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

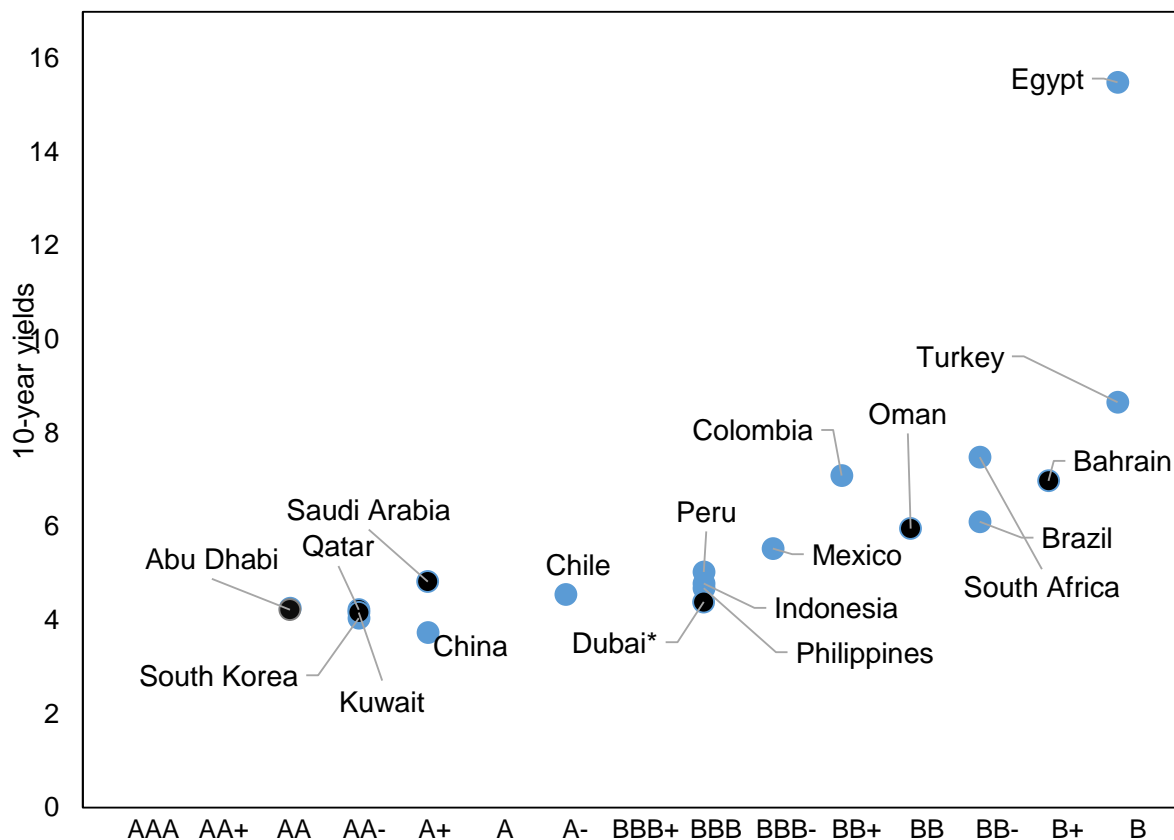
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

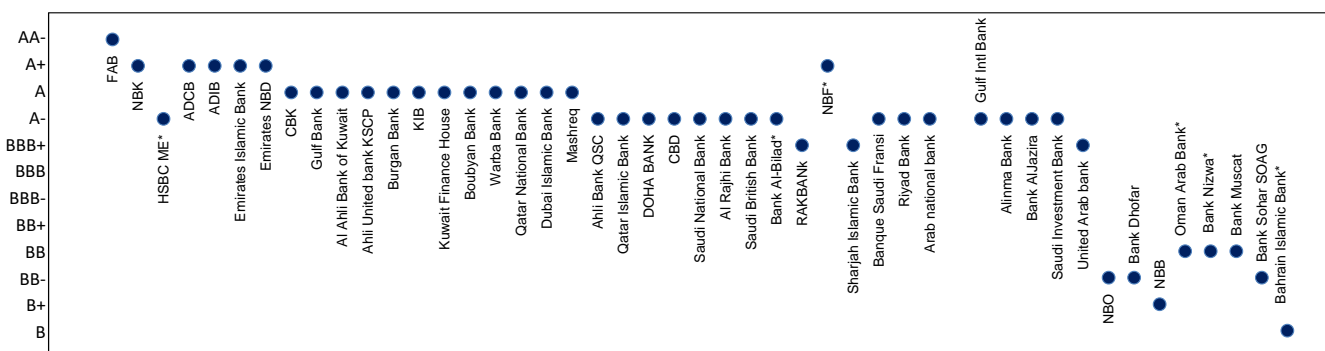
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

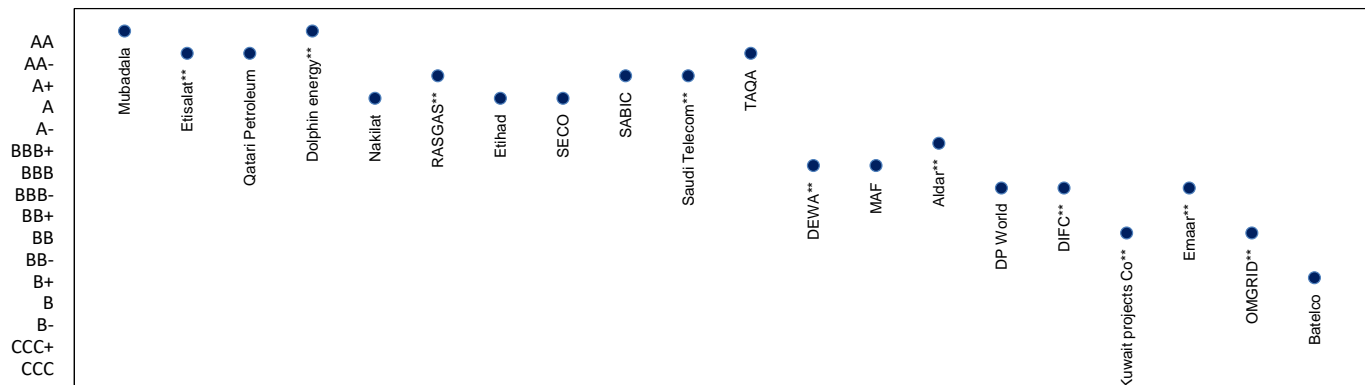
GCC Financials



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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