

## GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal gains over the week (ending 20th June 2023). US Treasury yields declined over the week despite the Fed signaling a hawkish pause. Eurozone government bond yields fell, tracking the decline in UST yields. In credit, corporate credit performed well, with Global IG 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 Kuwait. Qatar was the best performer. Similarly, 5yr CDS sovereign spreads tightened in all GCC countries barring Oman, Bahrain and Kuwait. 10yr bond yields rose across the GCC countries with the exception of Abu Dhabi and Oman.

**Following the Fed's decision to keep interest rates steady, the central banks of the UAE, Qatar, and Oman decided to maintain their key interest rates. Separately, Saudi Arabia experienced a slight increase in its inflation rate in May, reaching 2.8% compared to the previous month's rate of 2.7%. Elsewhere, according to the International Monetary Fund (IMF), Oman is expected to experience a rebound in economic growth, reaching 2.7% in 2024.**

**The Commercial Bank of Dubai has successfully generated USD500mn by issuing its first-ever green bonds, receiving orders worth USD1.5bn. The bond has a duration of five years, with a coupon rate of 5.319%, and it was priced at 140bp above US Treasuries, which is a 35bp reduction from the initial guidance of 175bp.**

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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   | 1105.3      | 0.27     | 2.9      | Saudi          | 5.9    | -1.62    | 60.6     |
| EM LatAm TR     | 953.1       | 0.57     | 3.5      | UAE            | 5.3    | 18.46    | 101.5    |
| EM EMEA TR      | 329.9       | -0.06    | 2.1      | Kuwait         | 4.2    | 0.00     | 18.8     |
| EM Asia TR      | 595.9       | 0.38     | 3.2      | Bahrain        | 6.5    | 0.00     | 40.0     |
| Bahrain TR      | 181.7       | 0.13     | 2.9      | Oman           | 5.7    | -6.85    | 101.7    |
| Oman TR         | 140.9       | 0.15     | 3.9      | Qatar          | 5.9    | -2.50    | 67.5     |
| Kuwait TR       | 143.0       | -0.12    | 2.2      | US             | 5.5    | 0.59     | 76.0     |
| Qatar TR        | 131.4       | 0.21     | 1.9      | 12M interbank  | Latest | -1w (bp) | YTD (bp) |
| Saudi Arabia TR | 134.6       | 0.09     | 1.3      | Saudi          | 5.8    | -4.67    | -4.0     |
| UAE TR          | 134.5       | 0.07     | 2.0      | UAE            | 5.5    | 6.46     | 36.3     |
| 5Y Sov. CDS     | Latest (bp) | -1w (bp) | YTD (bp) | Kuwait         | 4.7    | 0.00     | 12.5     |
| Saudi Arabia    | 56.6        | -0.80    | -6.8     | Bahrain        | 6.6    | 1.73     | -0.1     |
| Abu Dhabi       | 35.2        | -2.00    | -12.4    | Oman           | 5.8    | -4.85    | 93.7     |
| Dubai           | 80.4        | -5.90    | -13.7    | Qatar          | 6.0    | -8.33    | 25.0     |
| Kuwait          | 48.6        | 0.10     | -12.0    | 10Y yield      | Latest | -1w (bp) | YTD (bp) |
| Bahrain         | 256.3       | 2.00     | -3.7     | Saudi Arabia^^ | 4.9    | 5.00     | 12.7     |
| Oman            | 149.1       | 3.70     | -41.9    | Abu Dhabi      | 4.3    | -1.00    | 4.7      |
| Qatar           | 35.6        | -2.10    | -14.3    | Dubai          | 4.4    | 1.90     | -4.6     |
| Egypt           | 1638.9      | 188.80   | 719.6    | Kuwait         | 4.3    | 5.30     | 49.3     |
| Turkey          | 499.3       | 20.40    | -18.9    | Bahrain        | 6.8    | 3.00     | -12.6    |
| US              | 35.0        | -1.00    | 7.9      | Oman           | 5.9    | -0.40    | -17.6    |
| Germany         | 15.7        | 0.70     | -4.9     | Qatar          | 4.2    | 5.50     | 3.3      |

Note: data from 14<sup>th</sup> June 2023 to 20<sup>th</sup> June 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

^^ YTD data from 13th January 2023

## Commercial Bank of Dubai issues USD500mn in green bond sale

The Commercial Bank of Dubai has successfully generated USD500mn by issuing its first-ever green bonds, receiving orders worth USD1.5bn. The bond has a duration of five years, with a coupon rate of 5.319%, and it was priced at 140bp above US Treasuries, which is a 35bp reduction from the initial guidance of 175bp. The bank announced that the funds raised from this green bond issuance will be specifically utilized to finance various eligible projects such as renewable energy, green buildings, clean transportation, and pollution prevention and control.

(Source: Gulf News)

## GCC central banks maintain interest rates

Following the Federal Reserve's decision to keep interest rates steady, the central banks of the UAE, Qatar, and Oman decided to maintain their key interest rates. The UAE central bank announced that it would not change the base rate on its overnight deposit facility, which will remain at 5.15% starting from June 15, 2023. Additionally, the UAE central bank will keep the rate for borrowing short-term liquidity through all standing credit facilities at 50bp above the base rate. The Qatar Central Bank (QCB) stated that it would maintain the current interest rates, even after increasing its deposit rate to 5.50%, lending rate to 6%, and repo rate to 5.75% on May 4. Similarly, the Central Bank of Oman has decided to leave its repo rate unchanged at 5.75%, while the key policy rate remains within the range of 5% and 5.25%.

(Source: Zawya)

## Saudi inflation increases in May to 2.8%

Saudi Arabia experienced a slight increase in its inflation rate in May, reaching 2.8% compared to the previous month's rate of 2.7%. The rise was primarily driven by higher prices in the housing, water, electricity, gas, and other fuels category, which increased by 8.4% YoY. The food and beverage sector also saw a modest increase of 0.9%. However, Saudi Arabia has witnessed a downward trend in inflation throughout this year, starting from 3.4% in January.

(Source: Zawya)

## IMF expects Oman to grow by 2.7% in 2024

According to the International Monetary Fund (IMF), Oman is expected to experience a rebound in economic growth, reaching 2.7% in 2024. However, there will be a slight dip in 2023, with growth projected at 1.3%. Non-hydrocarbon growth is anticipated to rise to 2% in 2023 and further to 2.5% in 2024.

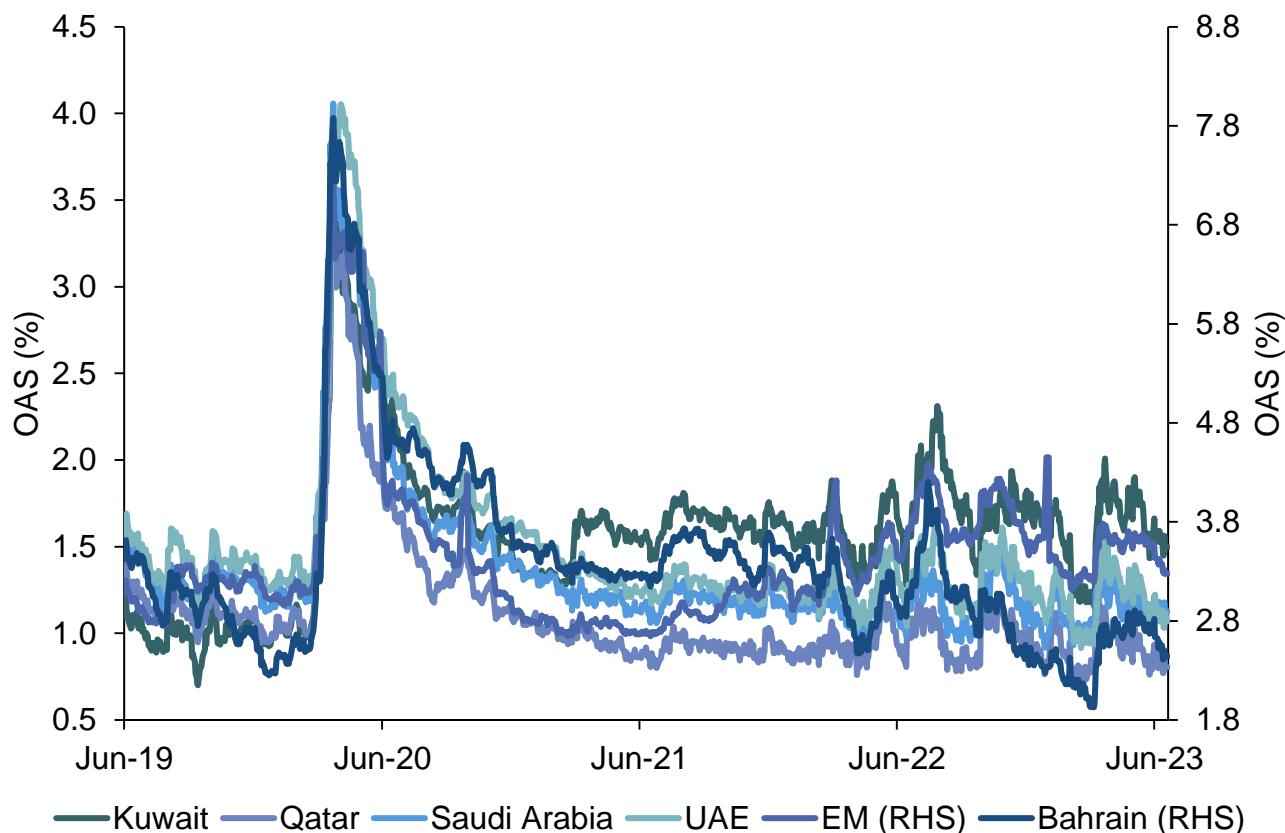
(Source: Zawya)

| Issuer                                   | BBG    | Sector                    | Co<br>unt<br>ry | Issue<br>Amt* | Cpn   | Maturity  | Maturity<br>Type | Curr<br>ency | Issue<br>Date | Rtg <sup>^</sup> | YTM<br>(mid) | YTC<br>(mid) |
|--|--------|---------------------------|-----------------|---------------|-------|-----------|------------------|--------------|---------------|------------------|--------------|--------------|
| KSA SUKUK LTD                            | KSA    | Sovereign                 | SA              | 3000          | 4.511 | 5/22/2033 | AT<br>MATURITY   | USD          | 5/15/2023     | A+               | 4.52         | -            |
| KSA SUKUK LTD                            | KSA    | Sovereign                 | SA              | 3000          | 4.27  | 5/22/2029 | AT<br>MATURITY   | USD          | 5/15/2023     | A+               | 4.28         | -            |
| Aldar Investment<br>Properties Sukuk Ltd | ALDAR  | Financial<br>Institutions | AE              | 500           | 4.875 | 5/24/2033 | AT<br>MATURITY   | USD          | 5/17/2023     | BBB+             | 5.05         | -            |
| NOGAHOLDING<br>SUKUK                     | OILGAS | Sovereign                 | BH              | 750           | 6.625 | 5/25/2033 | AT<br>MATURITY   | USD          | 5/17/2023     | B+               | 6.51         | -            |
| MAJID AL FUTTAIM<br>HOLDING              | MAFUAE | Financial<br>Institutions | AE              | 500           | 5     | 6/1/2033  | AT<br>MATURITY   | USD          | 5/23/2023     | BBB              | 5.12         | -            |
| BANQUE SAUDI<br>FRANSI                   | BSFRAB | Financial<br>Institutions | SA              | 900           | 4.75  | 5/31/2028 | AT<br>MATURITY   | USD          | 5/23/2023     | A-               | 4.83         | -            |
| First Abu Dhabi Bank                     | FABUH  | Agency                    | AE              | 600           | 4.774 | 6/6/2028  | AT<br>MATURITY   | USD          | 6/6/2023      | AA-              | 4.80         | -            |
| COMMERCIAL BANK<br>OF DUBAI              | CBDUH  | Agency                    | AE              | 500           | 5.319 | 6/14/2028 | AT<br>MATURITY   | USD          | 06/07/202     |                  | 5.29         | -            |
| SC Sukuk 1 Ltd                           | SHUAA  | Financial<br>Institutions | AE              | 100           | 8.25  | 6/13/2028 | AT<br>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

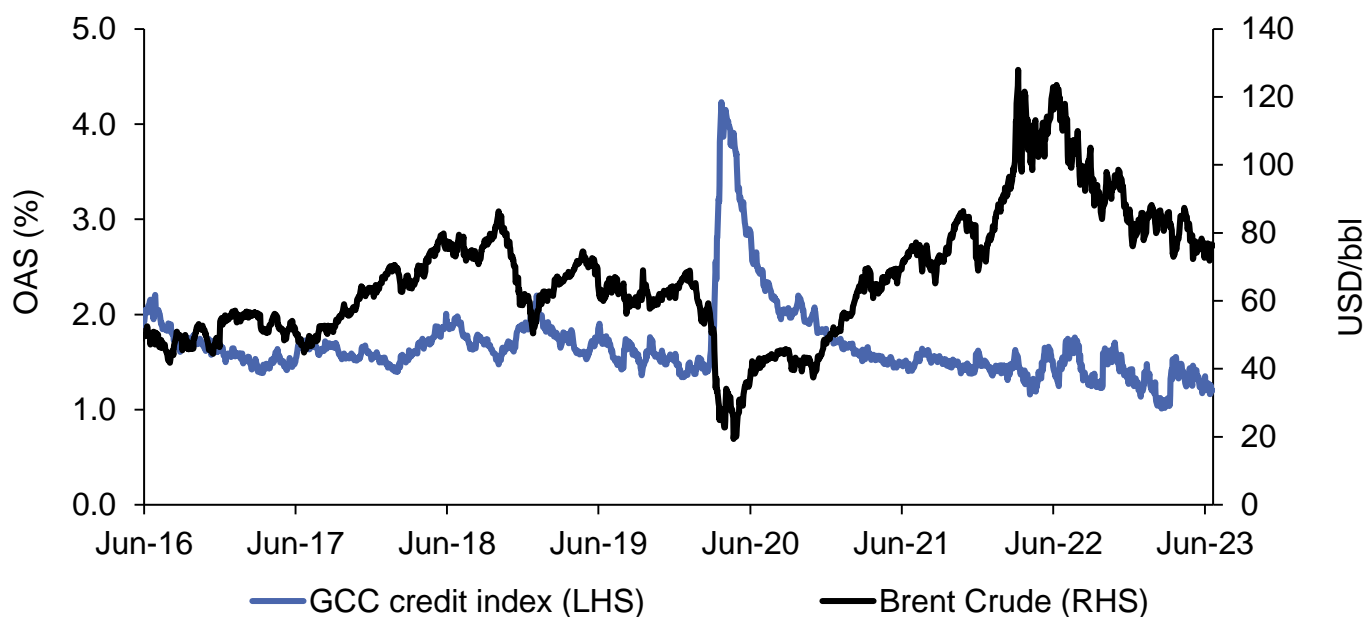
## Appendix

### Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

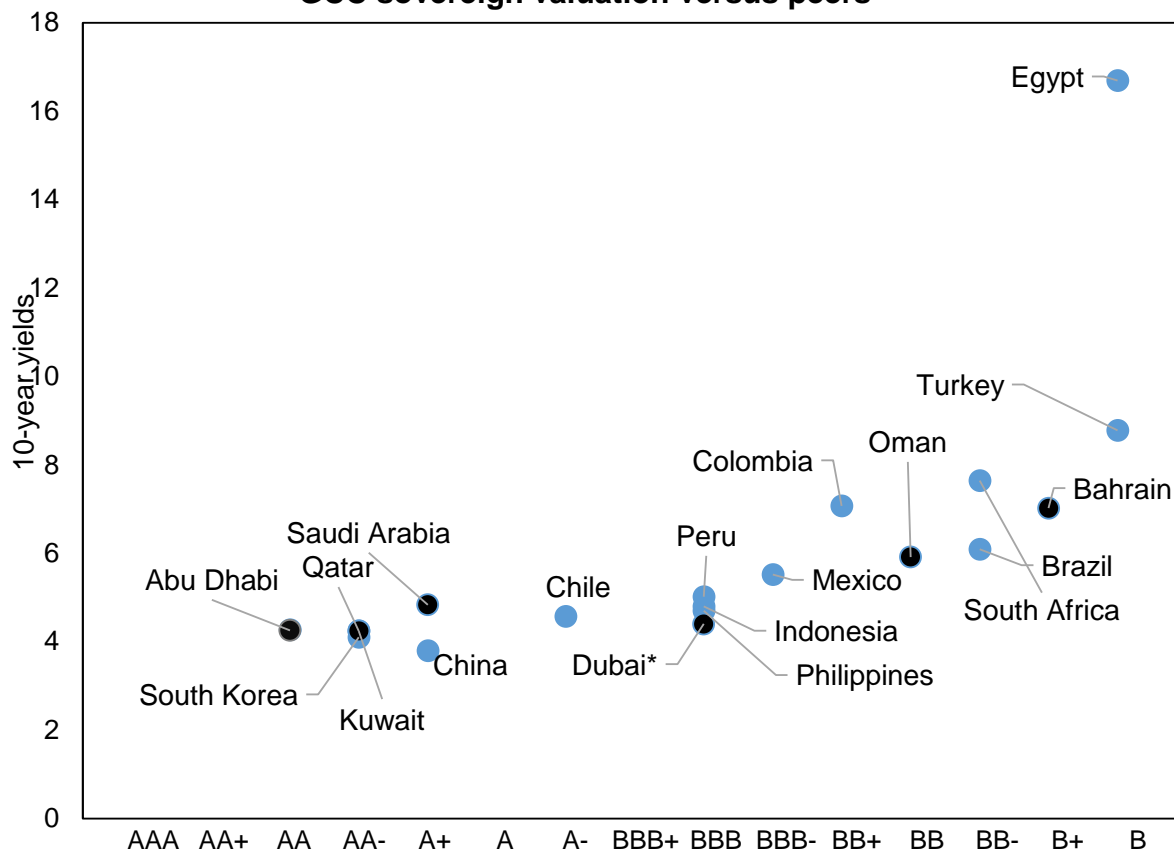
### GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

## 10yr yield versus Credit ratings (EM vs GCC)

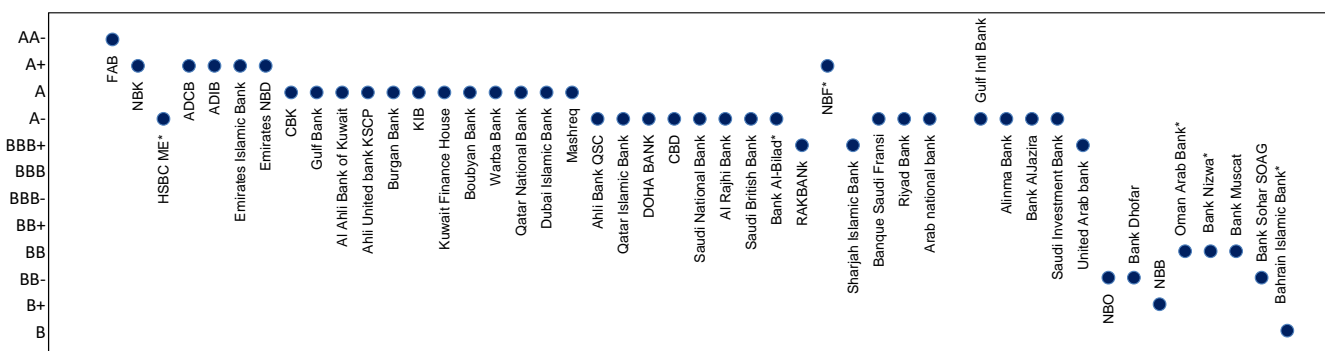
GCC sovereign valuation versus peers



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

## GCC Financials Credit Rating

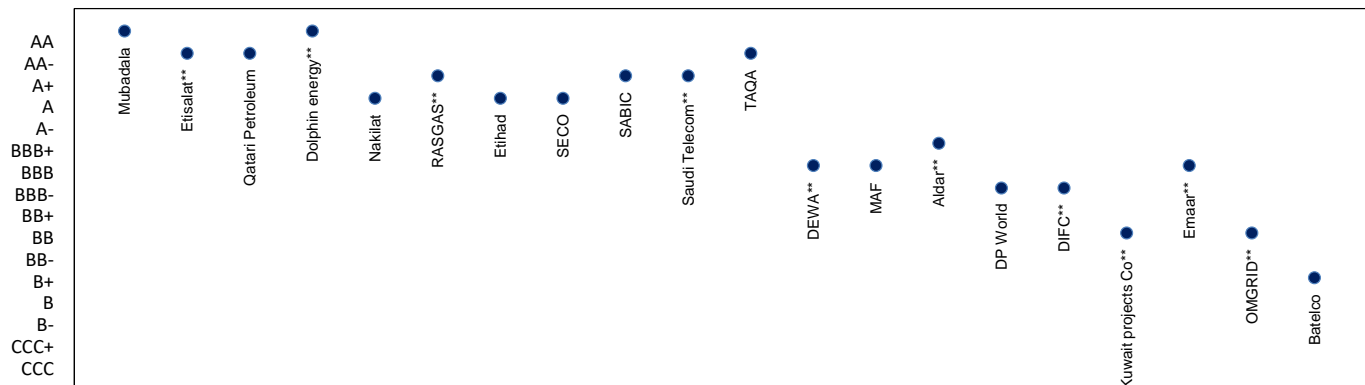
GCC Financials



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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