

GCC Fixed Income Weekly Review

Global benchmark bond index ended the week (15th June- 21st June) unchanged. UST yields declined across the curve as the Fed's aggressive stance at the FOMC meeting last week raised recession fears. Eurozone core bond yields were flat while periphery bond yields dropped in reaction to the ECB's meeting. UK Gilt yields jumped on the back of strong inflation print. Corporate credit was mixed with Global HY underperforming Global IG. EM bonds recorded marginal losses on the back of increased global market volatility.

GCC bonds fared better. Saudi Arabia bond index was the best performer. Kuwait, on the other hand, underperformed the most. 5yr Sovereign GCC spreads widened in Oman, Dubai, Kuwait, and Bahrain while tightened in Saudi Arabia, Abu Dhabi and Qatar. In the USD sovereign market, 10yr bond yields declined in Qatar, Kuwait and Abu Dhabi with Qatar recording the largest decline in yields. 10yr bond yields rose in remaining GCC, led by Bahrain.

The UAE raised AED1.5bn in its second local currency bond auction. The country sold USD750mn each in 2-year and 3-year tranche. Strong investor demand was evident despite the global market volatility with the bond sale oversubscribed by 6.5x. **Gulf central banks raised rates, following the Fed fund rate hike of 75bp.** Saudi Arabia's central bank increased its repo and reverse repo rates by 50bp to 2.25% and 1.75% respectively. Kuwait's central bank increased its discount rate by 25bp to 2.25%. The central banks of the UAE, Qatar, and Bahrain raised their key rates by the 75bp. Elsewhere, **Bahrain's GDP increased by 5.5%yoy in Q1 2022.** Non-oil economic growth was 7.8%yoy during the same period, according to the state news agency. **Saudi Arabia revealed its plans to lead investments worth USD30bn in Egypt,** while the **Egyptian parliament approved the state budget for the 2022/2023 fiscal year** which begins on July 1. Spending is expected to rise by 15% yoy and the deficit is projected to widen by 14.5% yoy.

Corporate bond issuance activity remained muted.

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	1055.04	-0.47	-16.72	Saudi	3.25	8.23	234.74
EM LatAm TR	889.55	-1.08	-16.10	UAE	2.00	27.02	163.18
EM EMEA TR	315.38	-0.15	-21.50	Kuwait	2.13	12.50	62.50
EM Asia TR	578.45	-0.29	-12.14	Bahrain	3.46	50.00	194.16
Bahrain TR	170.10	0.07	-5.00	Oman	2.28	1.05	15.05
Oman TR	127.85	0.04	-6.98	Qatar	1.15	-	2.50
Kuwait TR	140.59	-0.02	-6.51	US	2.12	9.39	-
Qatar TR	129.10	0.14	-13.02	12M interbank			
Saudi Arabia TR	132.98	0.24	-12.86	Saudi	3.79	23.70	272.77
UAE TR	131.62	0.11	-10.97	UAE	3.28	3.14	254.43
5Y Sov. CDS				Kuwait	2.75	18.75	75.00
	Latest (bp)	-1w (bp)	YTD (bp)	Bahrain	4.25	30.83	248.33
Saudi Arabia	63.48	-1.50	-1.50	Oman	3.01	5.25	-0.15
Abu Dhabi	62.41	-0.90	-0.90	Qatar	1.85	-	52.50
Dubai	133.86	3.20	3.20	10Y yield			
Kuwait	76.37	1.80	1.80	Saudi Arabia	4.28	8.50	180.00
Bahrain	326.62	1.60	1.60	Abu Dhabi	3.89	-0.60	188.10
Oman	275.29	10.30	10.30	Dubai	4.34	4.20	179.80
Qatar	63.15	-0.60	-0.60	Kuwait	3.54	-1.60	189.60
Egypt	922.12	2.90	2.90	Bahrain	7.34	14.90	149.50
Turkey	809.75	-2.80	-2.70	Oman	6.58	4.10	161.50
US	20.00	0.90	0.90	Qatar	3.90	-7.80	179.30
Germany	13.16	-0.50	-0.50				

Note: *Dewa rating used as proxy, data from 15th June 2022 to 21st June 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

UAE raised AED1.5bn in federal T-bonds

The United Arab Emirates raised AED1.5bn in its second local currency bond auction. The second auction is part of the AED9bn T-bonds issuance programme for 2022. The country sold USD750mn each in 2-year and 3-year tranche. The bond sale was successful despite the ongoing global market volatility. Both the tranches attracted strong demand with the total bids exceeding USD9bn. The 2-year bond was priced at 27bp spread over similar USTs while the 3yr bond was priced at 25bp spread over similar USTs.

(Source: Reuters)

Gulf central banks raised rates, tracking the Fed fund rate hike

The Gulf central banks followed the US Federal Reserve and raised their interest rates. Saudi Arabia made a smaller hike after the latest inflation data indicated a slowdown. Saudi Arabia's Central Bank increased its repo and reverse repo rates by 50bp to 2.25% and 1.75%. Kuwait's Central Bank increased its discount rate by 25bp to 2.25% with the country having more leeway to deviate from the Fed policy given the country's currency is pegged to an undisclosed basket. The central banks of UAE, Qatar, and Bahrain raised their key rates by the 75bp. In Oman, a similar hike is expected to follow.

(Source: Reuters)

The Bahraini economy grew by 5.5% in Q1 2022

Bahrain's GDP increased by 5.5% yoy in Q1 2022. Non-oil economic growth was 7.8%yoy during the same period, according to the state news agency.

(Source: Reuters)

Saudi Arabia plans to invest USD30bn in Egypt

Saudi Arabia plans to lead investments worth USD30bn in Egypt, according to a joint communique issued by Egypt and Saudi Arabia following Saudi Crown Prince Mohammed bin Salman's visit to Cairo.

(Source: Reuters)

Egypt parliament approved the 2022/2023 budget

The Egyptian parliament approved the state budget for the fiscal year that begins on July 1, with expenditures estimated to rise by 15% yoy and the deficit is projected to widen by 14.5% yoy. Spending will increase to EGP2.07tn in 2022-2023 from EGP1.79tn this year, while the deficit will rise to EGP558.2bn from EGP487.7bn. In 2022-2023, the fiscal deficit is projected to narrow to 6.1% of GDP from estimated 6.2% in 2021/2022.

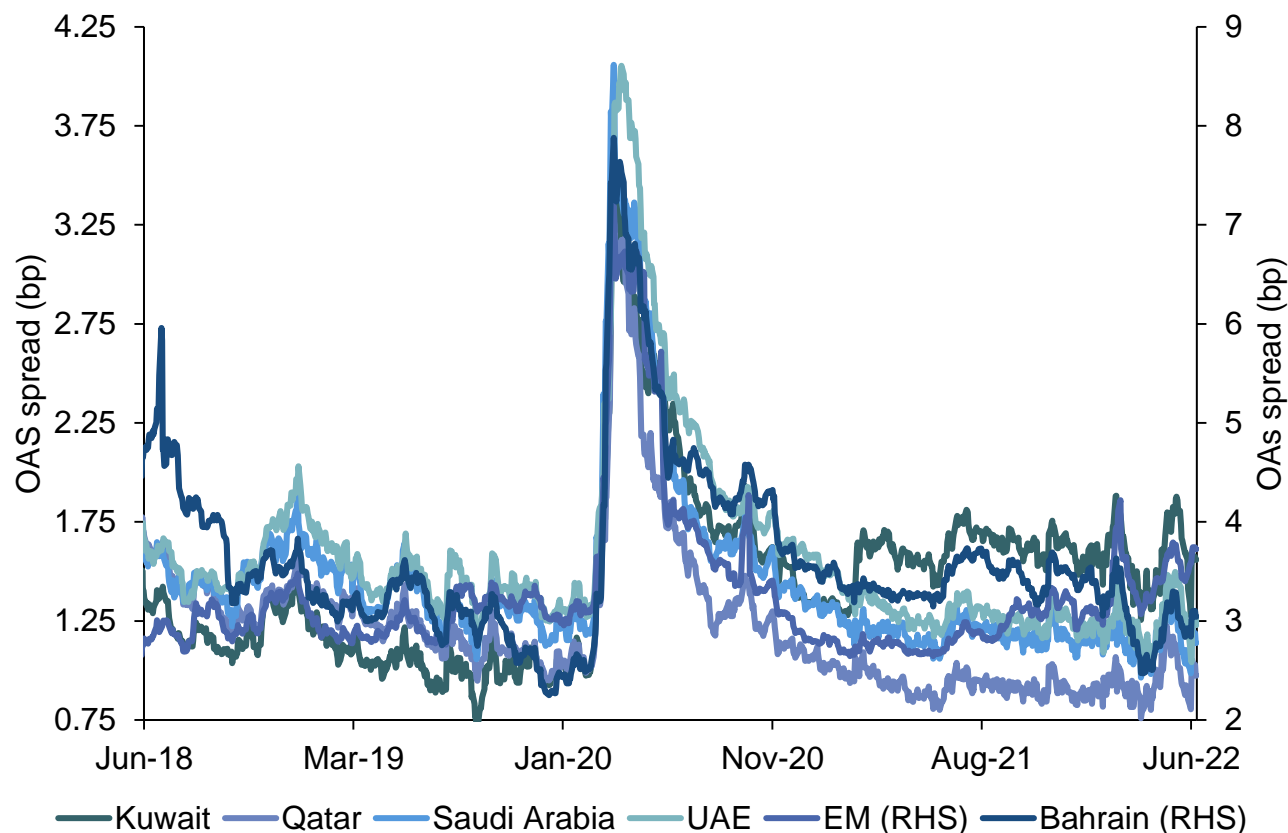
(Source: Reuters)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
Boubyan Sukuk Ltd	BOUSUK	Financial Institutions	KW	500	3.389	3/29/2027	AT MATURITY	USD	3/29/2022	A	3.45	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	500	3.5	3/31/2027	AT MATURITY	USD	3/31/2022	A+	3.78	-
Sharjah Sukuk Program Ltd	SHARSK	Sovereign	AE	750	3.886	4/4/2030	AT MATURITY	USD	4/4/2022	BBB-	4.08	-
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	543.855	1.625	4/7/2027	AT MATURITY	EUR	4/7/2022	AA-	1.90	-
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

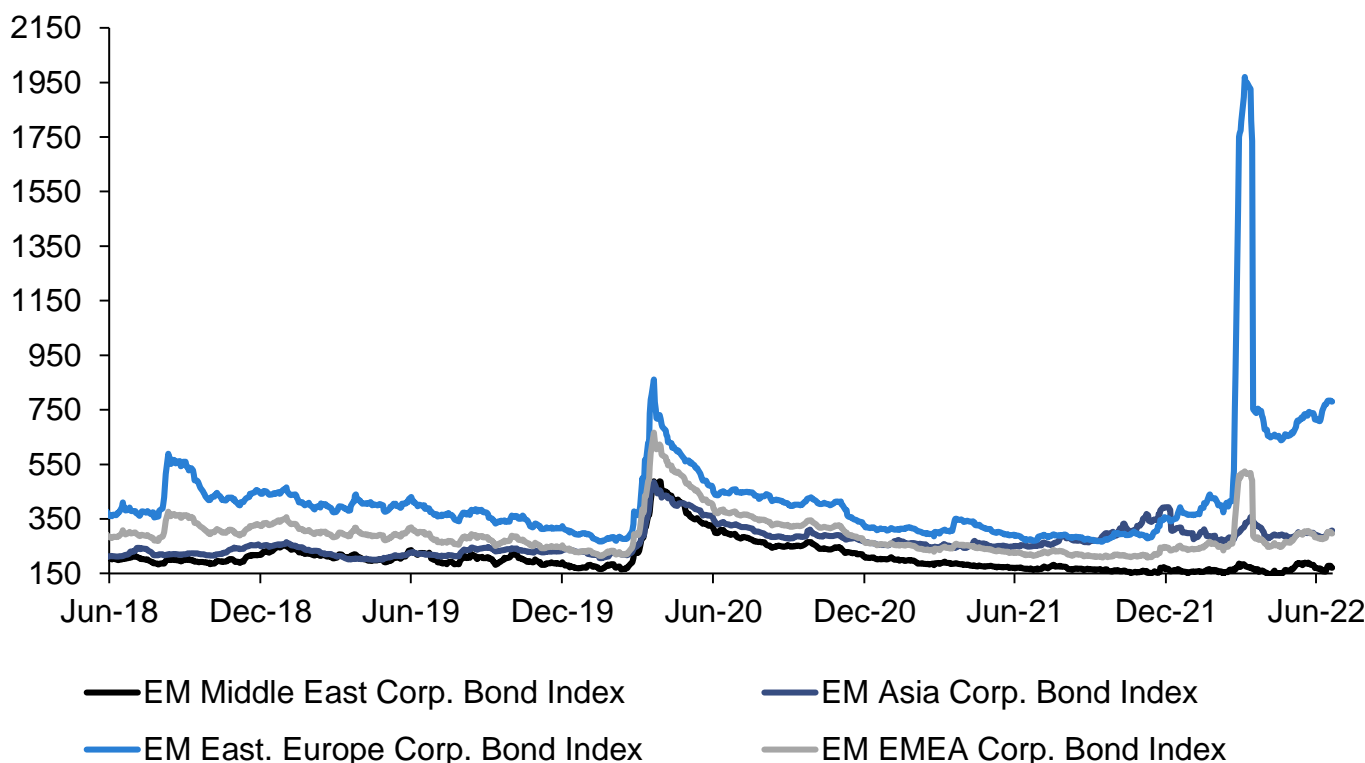
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



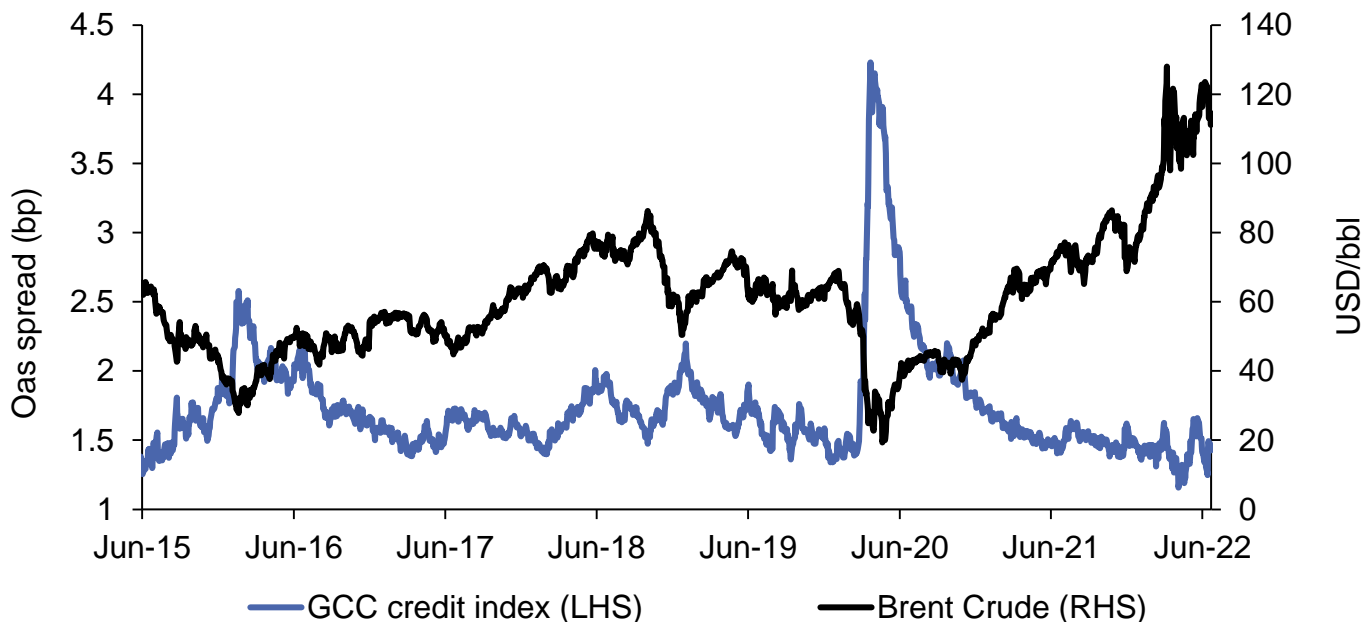
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



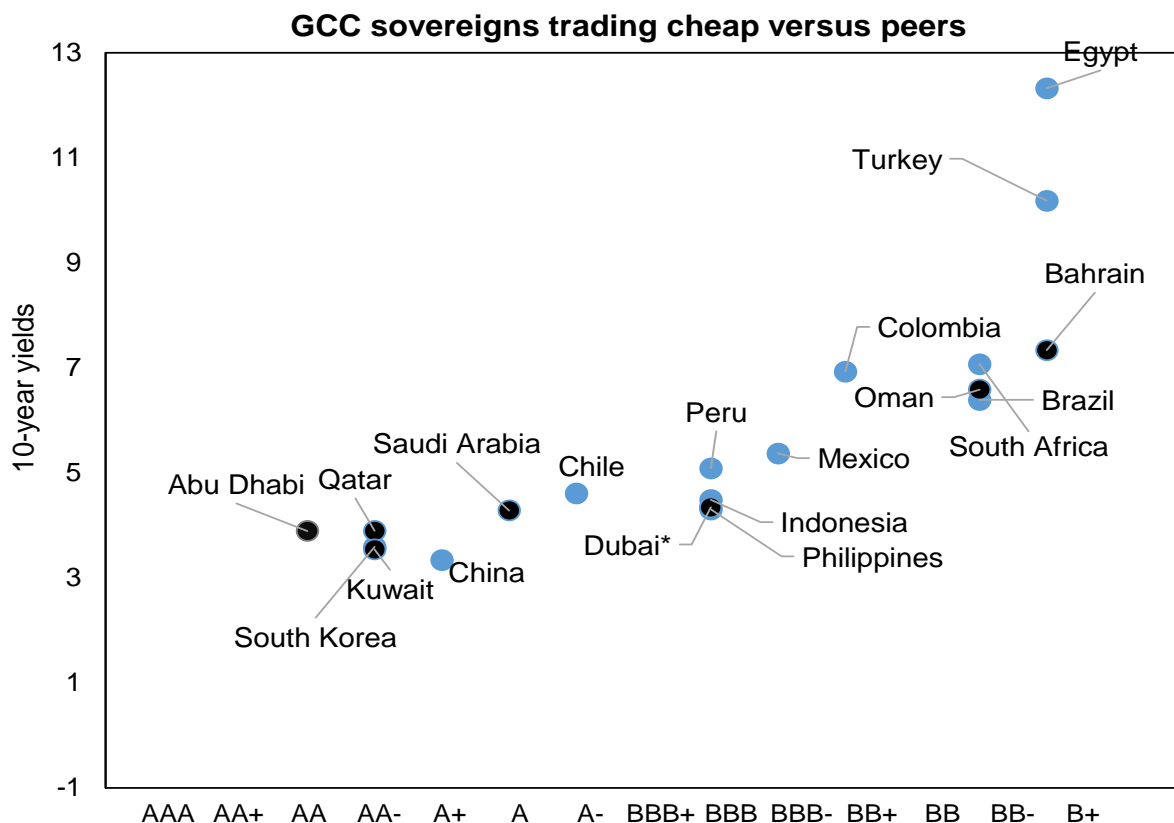
Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

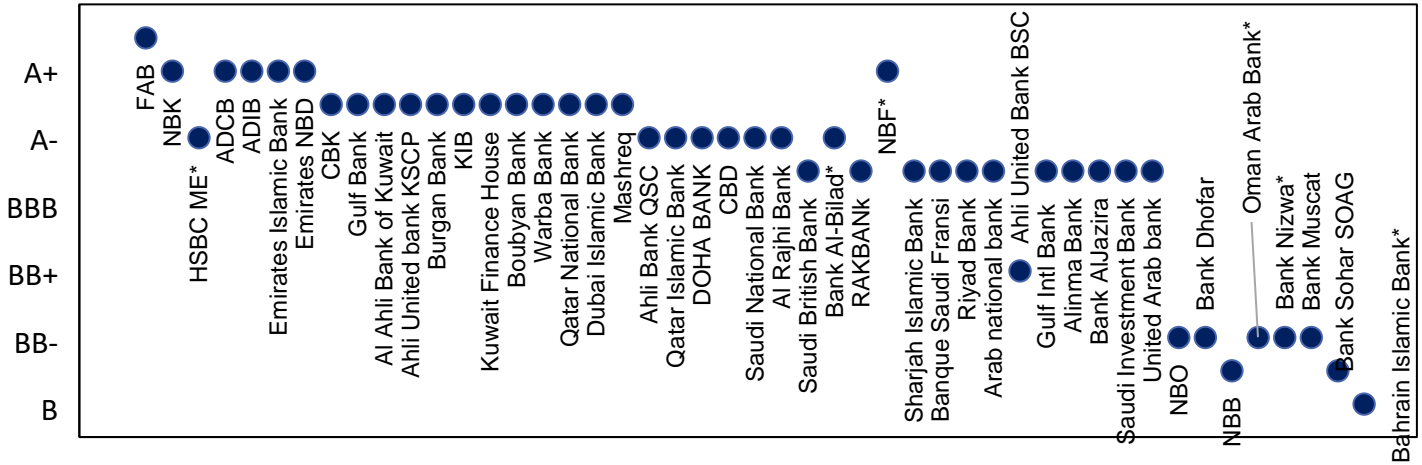
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

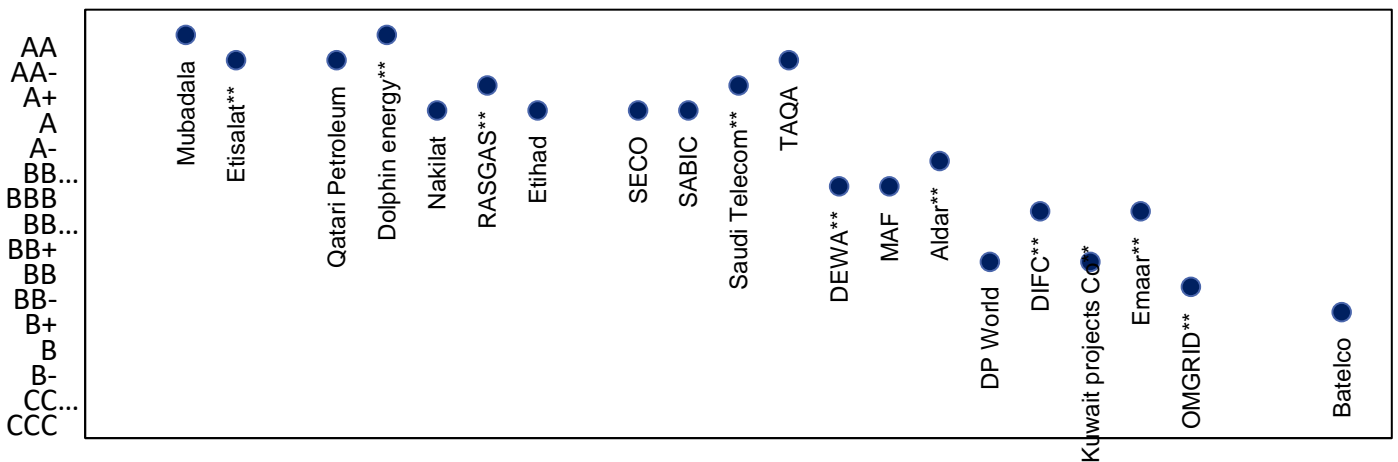
GCC Financials



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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