

GCC Fixed Income Weekly Review

Bloomberg Global benchmark bond index ended the week (22nd June- 28th June) unchanged. The 10-year US Treasury yield declined over the week on recession concerns. On the other hand, Eurozone bond yields rose over the week, led by periphery bond yields on ECB President Lagarde's hawkish comments and harder stance on inflation. Corporate credit recorded losses, with Global HY underperforming the most. EM bonds posted marginal losses on the back of global market volatility.

Demand for GCC bonds was mixed. Bahrain underperformed the most while Oman and Qatar were the best performers. Similarly, CDS spreads mostly widened across GCC countries, with Oman and Saudi Arabia recording the largest widening in spreads while spreads tightened in Dubai and Kuwait. In the USD sovereign market, bond yields declined in Abu Dhabi, Qatar and Oman only. On the other hand, yields rose in Bahrain and Kuwait the most.

The UAE is planning to raise USD3bn through the sale of two tranches of dollar-denominated bonds. USD1.75bn will be issued for the 10-year tranche and USD1.2bn for the 30-year tranche. Also, the 10-year tranche and 30-year Formosa portion will be sold separately. Demand for these bonds has been strong with bid orders exceeding USD12bn. Better-rated issuance comes at a time when investors are seeking high-quality bonds amidst rising recession risks. Separately, **Dubai's GDP recorded growth of 5.9% in 1Q 22 and 6.2% yoy growth overall in 2021.** The Crown Prince Hamdan bin Mohammed stated that Dubai has strong economic fundamentals as well as the ability to maintain sustainable growth and that next phase of economic development will focus on knowledge-based economy. Elsewhere, **Oman recorded an improvement in its fiscal position as budget deficit declined in 2021.** Oman posted budget deficit of OMR1.223bn, 45.4% decline compared to the budgeted estimate of OMR2.24bn. Public revenues increased by 29.6% to OMR11.195bn by the end of 2021 as compared to the budget estimate of OMR8.64bn.

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	1,051.73	-0.52	-16.98	Saudi	3.04	-19.79	213.42
EM LatAm TR	879.61	-1.18	-17.04	UAE	1.91	2.65	154.46
EM EMEA TR	314.90	-0.30	-21.62	Kuwait	2.13	0.00	62.50
EM Asia TR	579.48	-0.19	-11.98	Bahrain	3.54	6.31	202.14
Bahrain TR	169.81	-0.36	-5.17	Oman	2.47	24.25	34.05
Oman TR	129.35	0.37	-5.88	Qatar	1.15	-	2.50
Kuwait TR	140.52	-0.12	-6.56	US	2.23	4.70	-
Qatar TR	129.89	0.39	-12.49	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	133.39	0.12	-12.59	Saudi	3.56	-0.18	250.25
UAE TR	131.86	0.00	-10.81	UAE	3.39	9.77	265.42
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.75	0.00	75.00
Saudi Arabia	68.48	3.90	3.90	Bahrain	4.76	11.92	299.42
Abu Dhabi	66.12	3.70	3.70	Oman	3.05	-5.00	3.60
Dubai	131.30	-2.80	-2.80	Qatar	1.85	-	52.50
Kuwait	75.25	-0.60	-0.60	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	325.83	2.60	2.60	Saudi Arabia	4.26	0.00	177.30
Oman	276.40	6.00	6.00	Abu Dhabi	3.80	-8.90	178.80
Qatar	66.12	2.50	2.50	Dubai	4.31	3.00	176.10
Egypt	993.82	61.60	61.60	Kuwait	3.59	2.80	194.00
Turkey	812.71	3.40	3.40	Bahrain	7.42	14.80	158.10
US	20.07	-0.10	-0.10	Oman	6.41	-2.60	144.20
Germany	14.71	1.10	1.10	Qatar	3.84	-3.40	173.90

Note: *Dewa rating used as proxy, data from 22nd June 2022 to 28th June 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

The UAE plans to raise two-tranche dollar bonds for USD3bn

United Arab Emirates is planning to raise USD3bn through the sale of two tranches of dollar-denominated bonds. The bonds will have a maturity of 10-year and 30-year respectively. USD1.75bn will be issued for the 10-year tranche and USD1.2bn for the 30-year tranche. The 10-year tranche and 30-year Formosa portion will be sold separately. Demand for these bonds has been strong with bid orders exceeding USD12bn. The 10-year bond will offer investors 100bp above similar-maturity UST while the 30yr Formosa notes offer 175bp above USTs. The proceeds from the debt sale will be used for "budgetary purposes as required by the Public Debt Strategy and/or for investment by the EIA in accordance with the Public Debt Strategy,". The UAE has pencilled in AED56.7bn in revenue in its AED58.9bn budget for 2022, leaving a deficit gap of AED2.2bn.

(Source: Zawya and Reuters)

Dubai's GDP rose by 6.2% in 2021

Dubai's economy expanded by 6.2% yoy in 2021. The Emirate also recorded a growth of 5.9% in 1Q22, backed by the strategic initiatives and economic stimulus programs. The Crown Prince Hamdan bin Mohammed said that Dubai's economic growth was directly boosted by the government's attractive fiscal measures. In addition, he stated that Expo 2020 helped drive a post-pandemic tourism boom, increasing air and sea traffic and driving record foreign trade. Sheikh Hamdan bin Mohammed added that strong economic growth displays the emirate's strong economic fundamentals as well as the ability to maintain sustainable growth. He further indicated that the next phase of economic development will focus on knowledge-based economy.

(Source: Zawya)

Omani budget deficit declined by 45.4% in 2021

Oman's budget deficit ending at OMR1.223bn in 2021, shrinking by 45.4% compared to budget estimate of OMR2.24bn in 2021. Rise in oil prices and higher oil revenue caused the decline in the budget deficit. Public revenues increased by 29.6% to OMR11.195bn by the end of 2021 as compared to the budget estimate of OMR8.64bn. Oil revenues represented 73.6% of the total actual revenues. The actual non-oil revenue at the end of 2021 dropped by 8.3% compared to the approved budget estimate, representing 26.4% of the total revenue. Actual public spending rose by 14.1% to OMR12.41bn. This was on account of increased investment expenditures, contributions and government expenditure. Sultan Al Habsi, the Minister of Finance reiterated that the government intends to use the financial surplus to reduce the amount of state debt without violating the plan for social aspects and to promote economic recovery by increasing the expenditure on priority development projects.

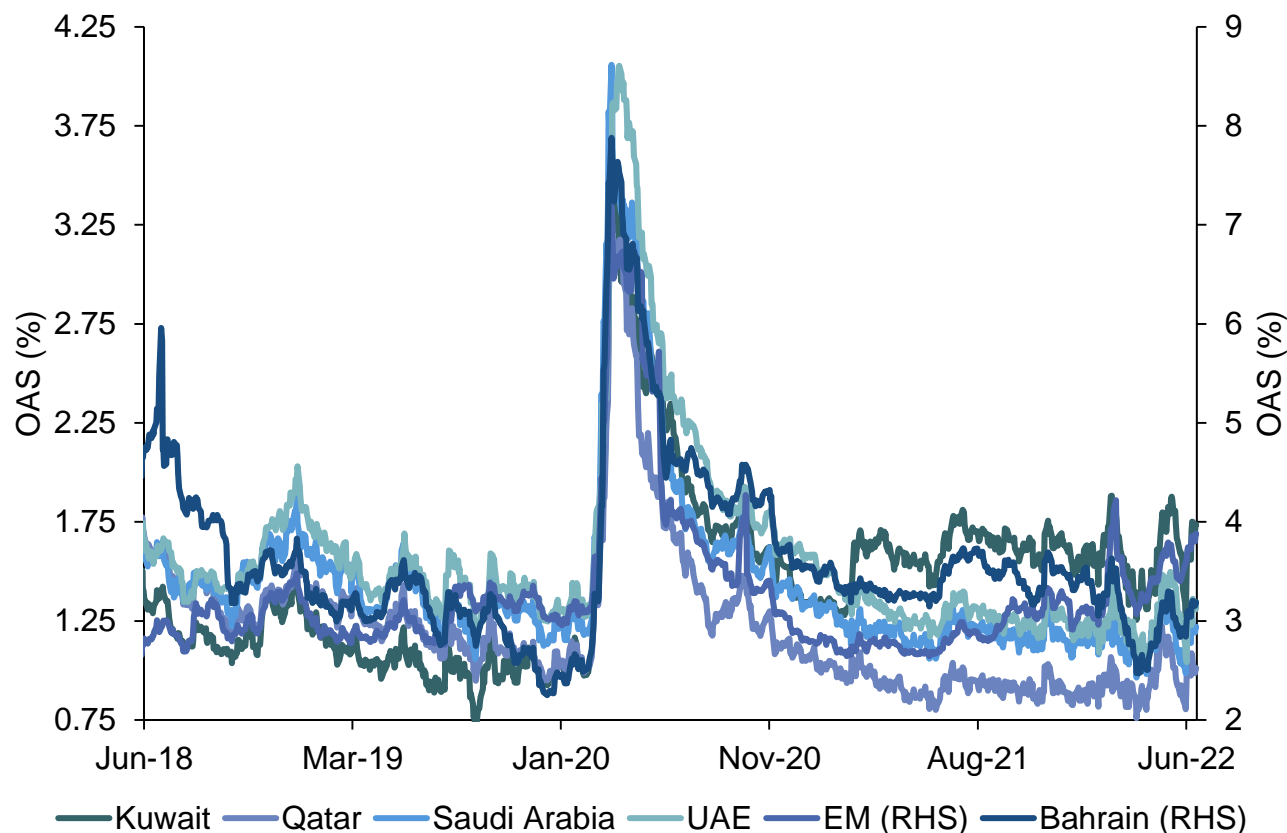
(Source: Zawya)

Issuer	BBG	Sector	C o u	Issue Amt*	Cpn	Maturity	Maturity Type	Curren cy	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
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

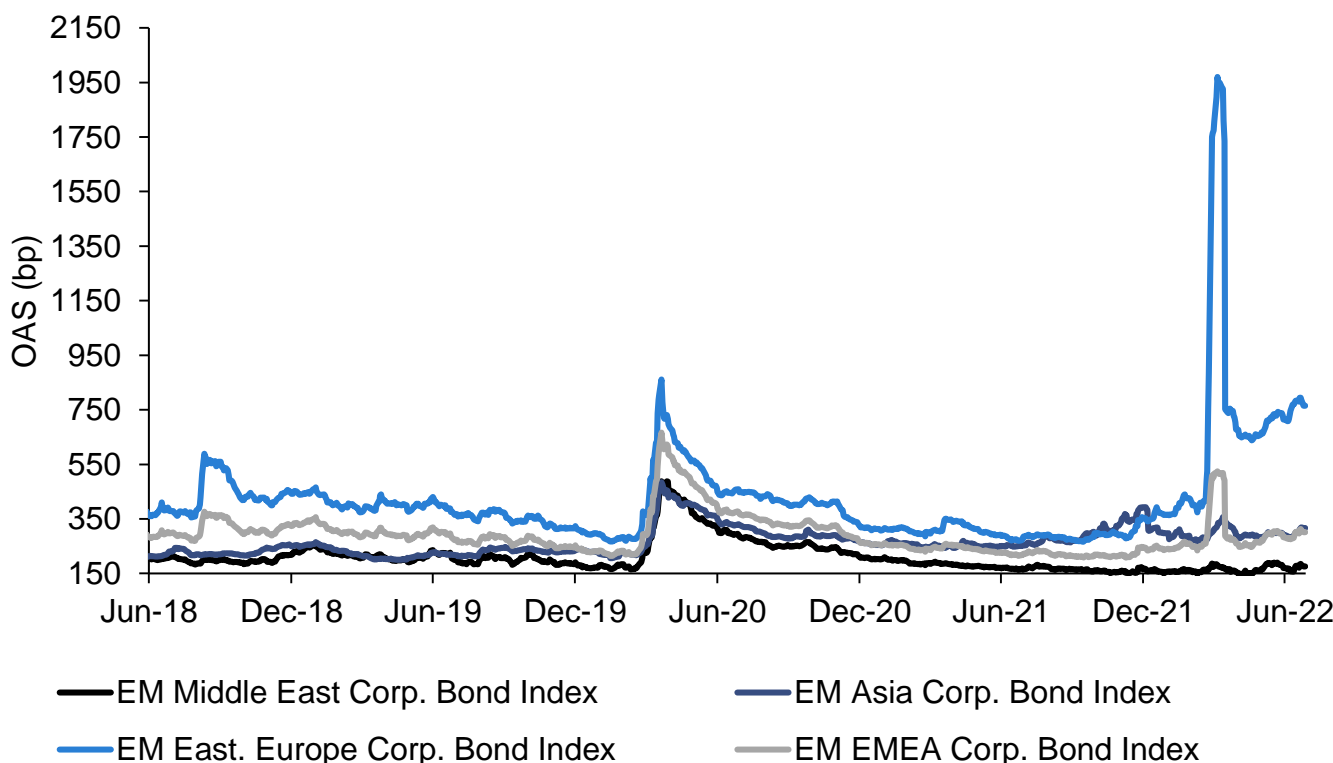
Appendix

Bloomberg Barclays Bond Indices OAs spread (EM vs GCC)



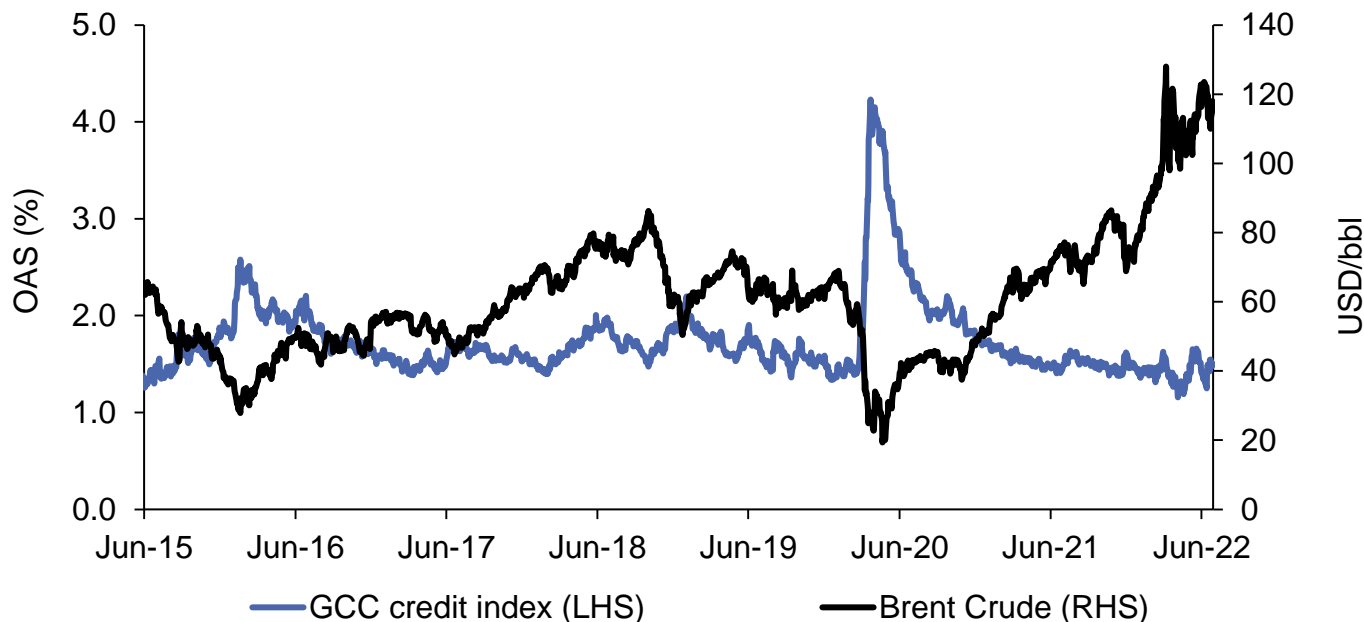
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

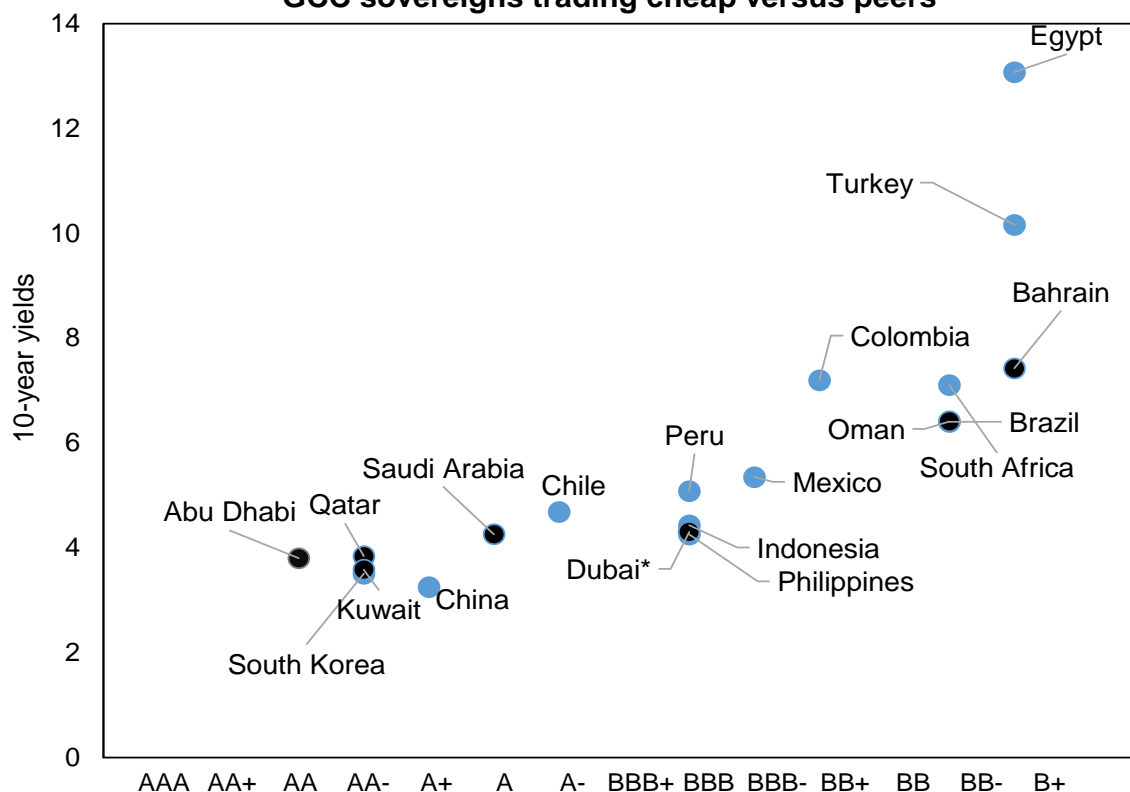
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg , ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

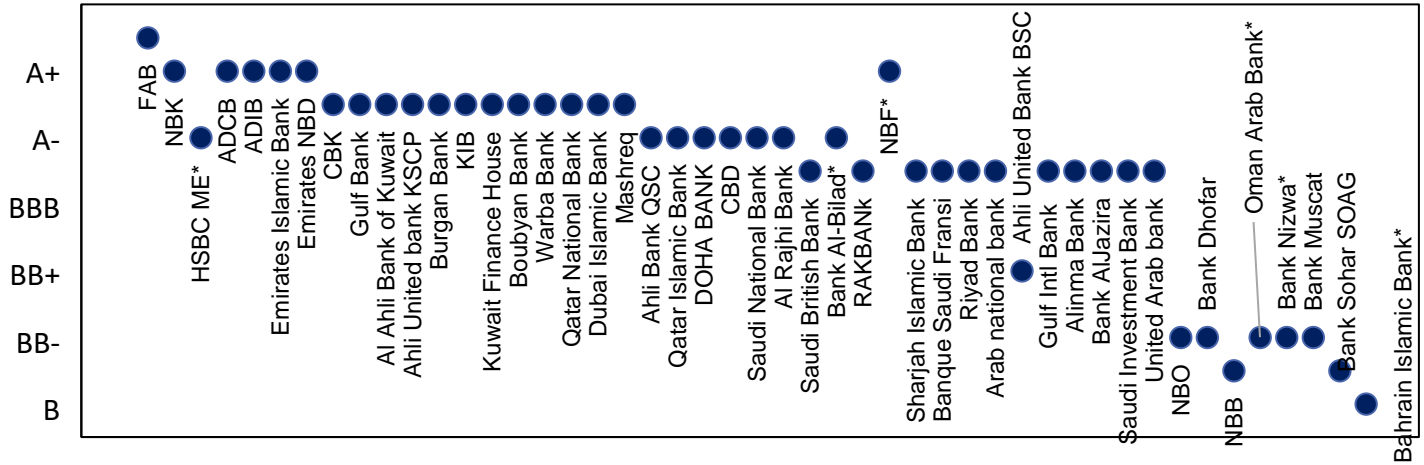
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

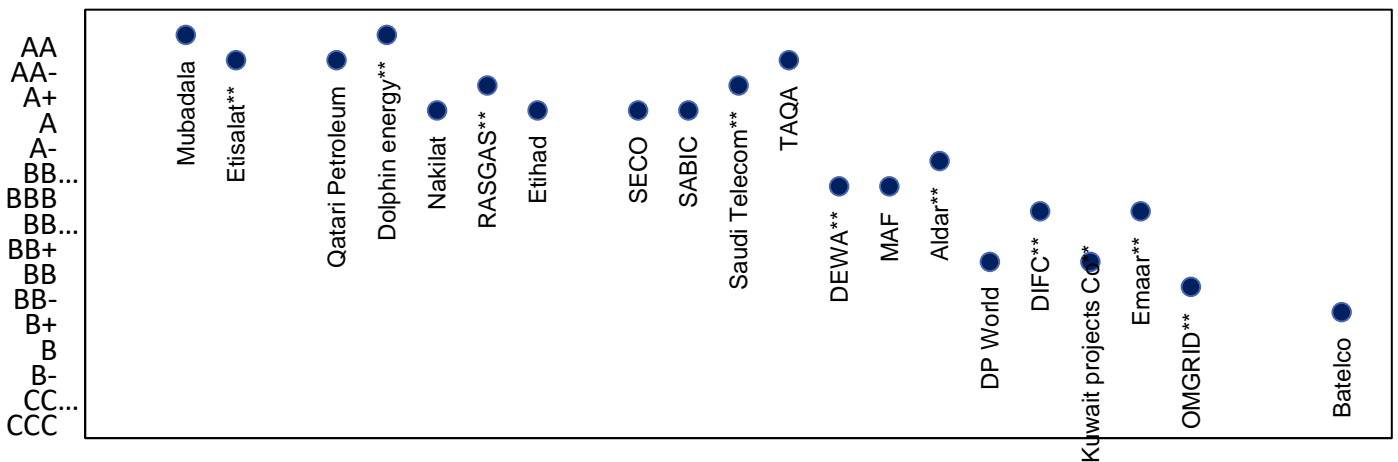
GCC Financials



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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