

GCC Fixed Income Weekly Review

Global bond markets recovered over the week as investors sought for safe-haven DM sovereign bonds on the back of rising risk-off sentiment amidst the escalating Russia-Ukraine conflict. Bloomberg Global Treasuries rose by 0.73% over the week ending 1st March 2022. US Treasuries gained more than 1% during the same period with the UST yields declining across the maturity segments. The 5yr UST yield dropped the most with markets scaling back their rate hike expectations. European yields declined more compared to USTs as investors assessed the possible impact on the region's growth due to Russia tensions. Corporate credit recorded gains with an exception of EU HY which suffered losses. EM USD bonds extended losses, coming under pressure amidst the risk-off sentiment.

GCC bonds were relatively immune to the sell-off in the emerging markets. The outperformance was led by the high-quality sovereigns of Qatar, Saudi Arabia and the UAE. Bahrain, Kuwait and Oman ended the week flat. CDS spreads widened across all GCC countries, albeit less compared to EM peers. Oman and Bahrain saw the largest widening of 5yr CDS spread. In the USD sovereign market, bond yields dropped in all GCC countries, the most in Saudi Arabia and Abu Dhabi. However, Dubai 10yr bond yield rose over the week.

GCC bond sales already had a slow start to the year amidst concerns of a hawkish Fed policy action this year. Increased volatility with escalating Russia-Ukraine tensions have further decelerated the pace of bond issuances. There were only three corporate bond issuances in January. February saw three bond issuances with the latest one being the sale of FAB's 5yr senior unsecured dollar sukuk. **FAB raised USD500mn in the 5yr dollar sukuk**, making it the first bond issuance in the GCC since Riyad Bank's AT1 issuance on February 9. **Boubyan bank also put its dollar sukuk sale on hold on the back of increased market volatility.**

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	1,174.7	-2.3	-7.3	Saudi	1.52	16.77	61.06
EM LatAm TR	1006.5	0.8	-5.1	UAE	0.57	-4.0	20.1
EM EMEA TR	354.5	-6.7	-11.8	Kuwait	1.50	0.0	0.00
EM Asia TR	629.7	-0.1	-4.4	Bahrain	1.60	3.3	8.3
Bahrain TR	175.5	-0.3	-2.0	Oman	2.04	-0.54	-9.44
Oman TR	134.3	-0.0	-2.3	Qatar	1.15	-	2.5
Kuwait TR	147.0	-0.0	-2.3	US	0.50	0.67	28.99
Qatar TR	144.1	1.3	-2.9	12M interbank			
Saudi Arabia TR	147.5	1.1	-3.4	Saudi	1.77	3.9	71.1
UAE TR	143.4	0.5	-3.0	UAE	1.37	1.64	62.92
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.06	0.0	6.3
Saudi Arabia	59.3	3.9	4.2	Bahrain	2.40	51.67	63.33
Abu Dhabi	57.9	3.4	3.6	Oman	3.00	-0.1	-1.2
Dubai	108.2	2.0	2.0	Qatar	1.35	-	2.50
Kuwait	61.9	1.0	1.0	10Y yield			
Bahrain	324.23	6.9	8.5	Saudi Arabia	2.75	-17.9	26.4
Oman	269.1	9.7	11.4	Abu Dhabi	2.36	-17.50	34.70
Qatar	58.0	4.1	4.1	Dubai	2.81	2.3	26.6
Egypt	552.2	9.9	7.1	Kuwait	2.19	-14.70	54.10
Turkey	597.8	33.0	49.1	Bahrain	6.28	-0.9	43.4
US	14.1	1.0	1.0	Oman	5.51	-10.10	54.40
Germany	10.5	1.5	1.9	Qatar	2.47	-17.3	36.4

Note: *Dewa rating used as proxy, data from 23rd February to 1st March 2022. Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

FAB raised USD500mn in 5yr dollar sukuk

First Abu Dhabi bank sold USD500mn in 5y senior unsecured dollar sukuk at the profit rate of 2.591%. The sukuk was priced at 70bp over similar USTs, tighter than the initial price guidance of 85bp over USTs. This is also the tightest spread ever achieved by FAB or any other MENA bank on a fixed rate bond or issuance. The sale attracted strong demand, despite the market volatility, receiving bid orders of over USD1.4bn. FAB's dollar sukuk sale was the third dollar-denominated debt issuance in the GCC region in February following three bond sales done in January.

(Source: Reuters, FAB)

FAB board approved AT1 bond issuance up to USD1bn

The board of First Abu Dhabi Bank (FAB) has approved issuance of up to USD1bn in Additional Tier 1 (AT1) bonds, designed to be perpetual. The board, however, did not hint at the prospective timeline on the bond issuance. FAB currently holds USD750mn in outstanding AT1 sukuk, last issued in October 2020.

(Source: Reuters)

Kuwait's Boubyan Bank paused on sukuk sale

Kuwait's Boubyan Bank paused on the sale of the sukuk on the back of the increasing volatility in the bond markets following Russia's invasion of Ukraine. The bank was planning a sale of 5yr USD-denominated senior unsecured sukuk under the Boubyan Sukuk Limited's USD3bn Trust Certificate Issuance Programme.

(Source: Reuters)

Saudi Arabia's actual budget deficit dropped to USD19.6bn in 2021

A new data release from the Ministry of Finance indicated that Saudi Arabia's budget deficit for 2021 would be smaller than estimated in December. Despite an increase in government spending, the Kingdom's actual deficit dropped to USD19.6bn from an estimated deficit of USD22.7bn. Revenues for the year were SAR966bn, up by SAR3bn from December estimates, while expenditures went up by SAR2bn to SAR1.04trn.

(Source: Zawya)

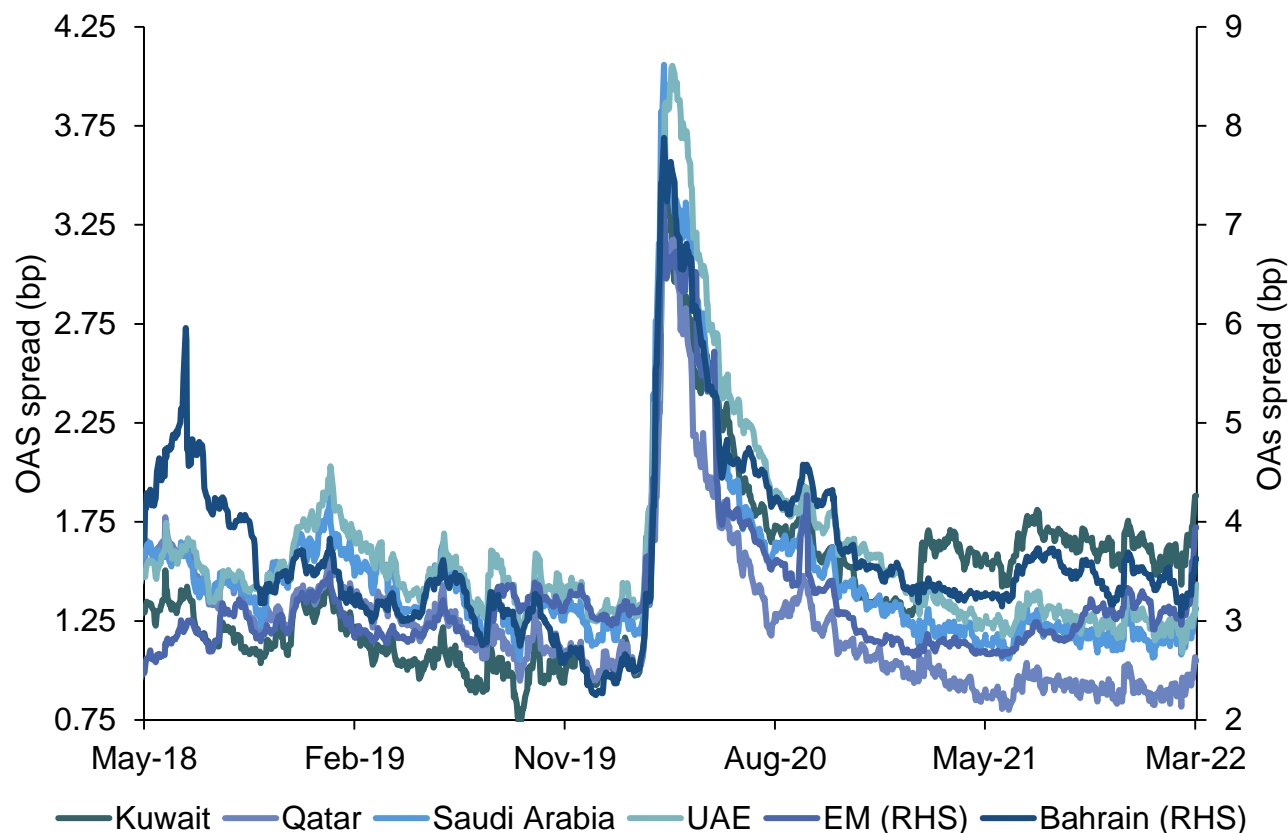
Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
SNB Sukuk Ltd	SNBAB	Financials	SA	750	2.342	1/19/2027	AT MATURITY	USD	1/19/2022	A-	2.45	-
Sweihan PV Power Co PJ	SWEHAN	Financials	AE	700.8	3.625	1/31/2049	SINKABLE	USD	1/21/2022	BBB+	3.81	0.00
EIG Pearl Holdings Sarl	EIGPRL	Financials	SA	1250	3.545	8/31/2036	SINKABLE	USD	1/25/2022	A	3.50	-
EIG Pearl Holdings Sarl	EIGPRL	Financials	SA	1250	4.387	11/30/2046	SINKABLE	USD	1/25/2022	A	4.36	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Financials	AE	250	0	1/25/2062	CALLABLE	USD	1/25/2022	A-	3.72	-
DIB Sukuk Ltd	DIBUH	Agency	AE	750	2.74	2/16/2027	AT MATURITY	USD	2/15/2022	A	2.84	-
Riyad Tier 1 Sukuk Ltd	RIBL	Agency	SA	750	4	-	PERP/CALL	USD	2/16/2022	BBB+	4.10	4.05

*Amount Issued in USDmillion, 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

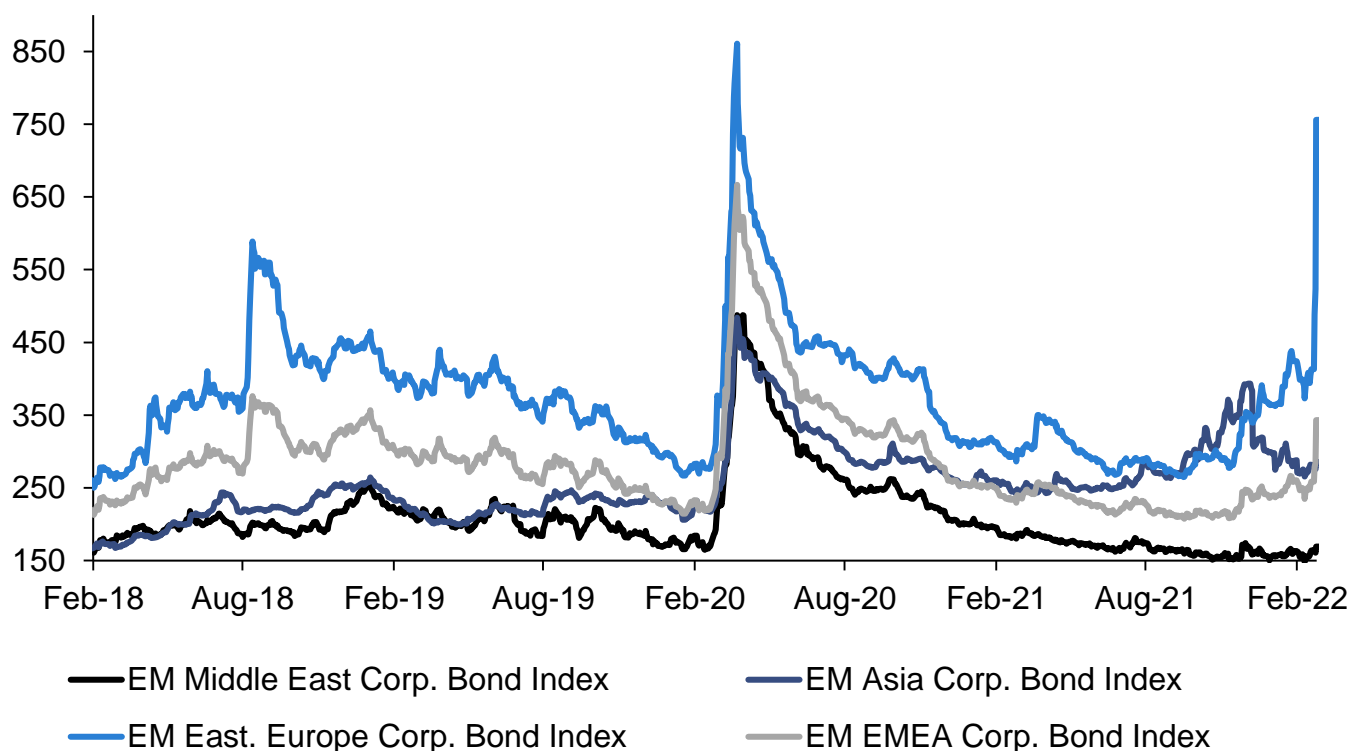
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

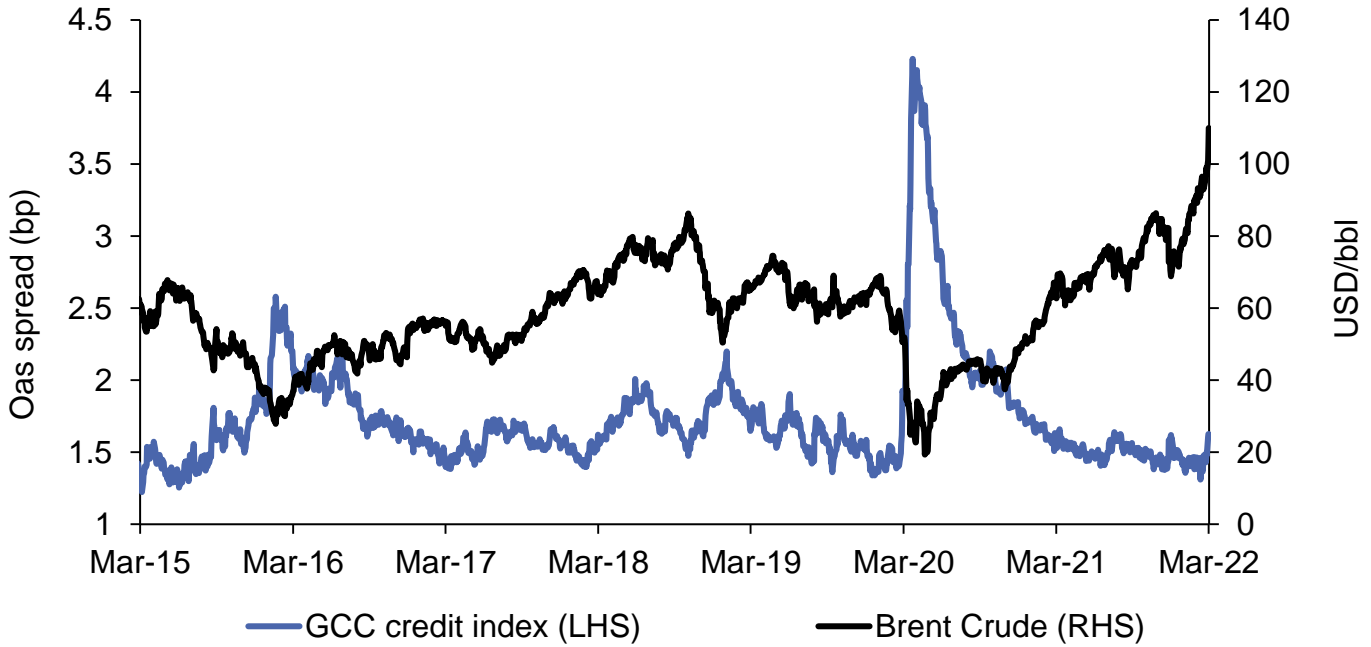
Emerging markets versus Middle East spread



Note: Data as of 24th February 2022

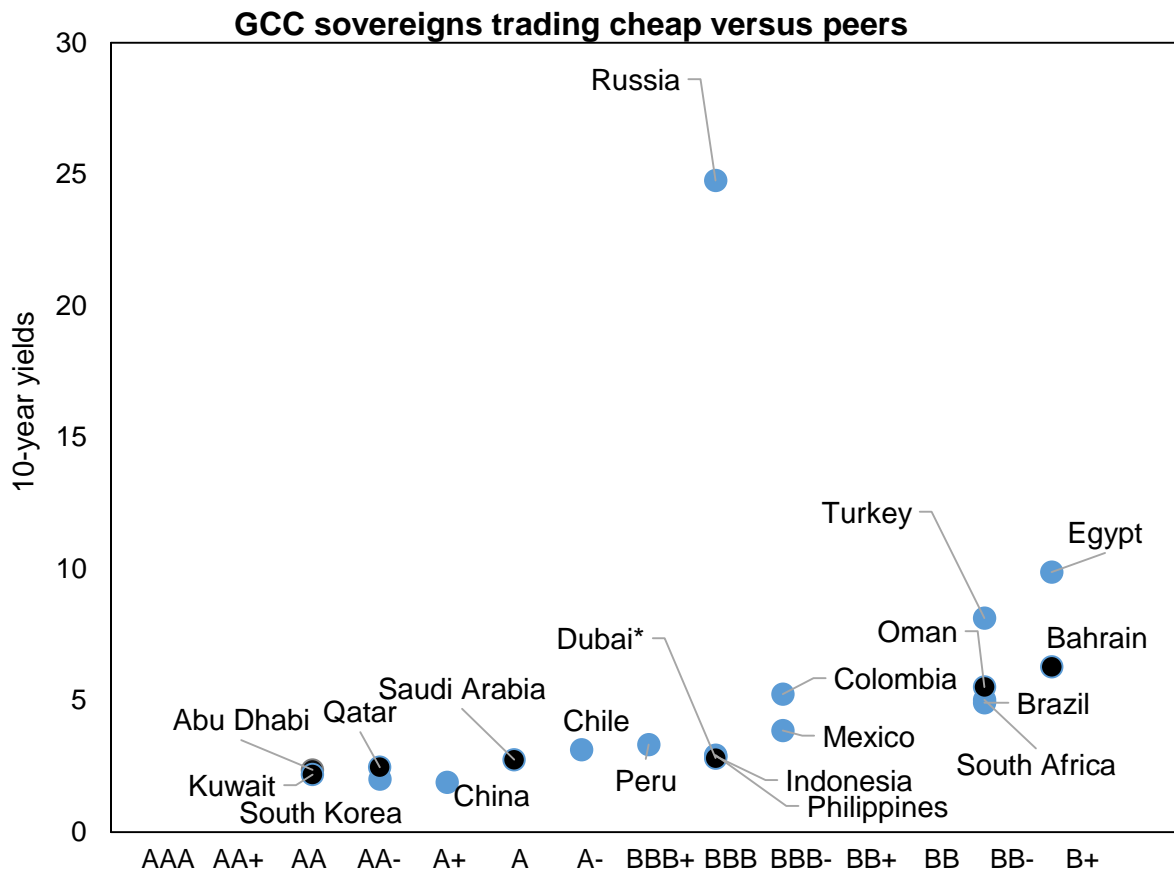
Source: Credit Suisse Corporate Bond Indices, ADCB

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

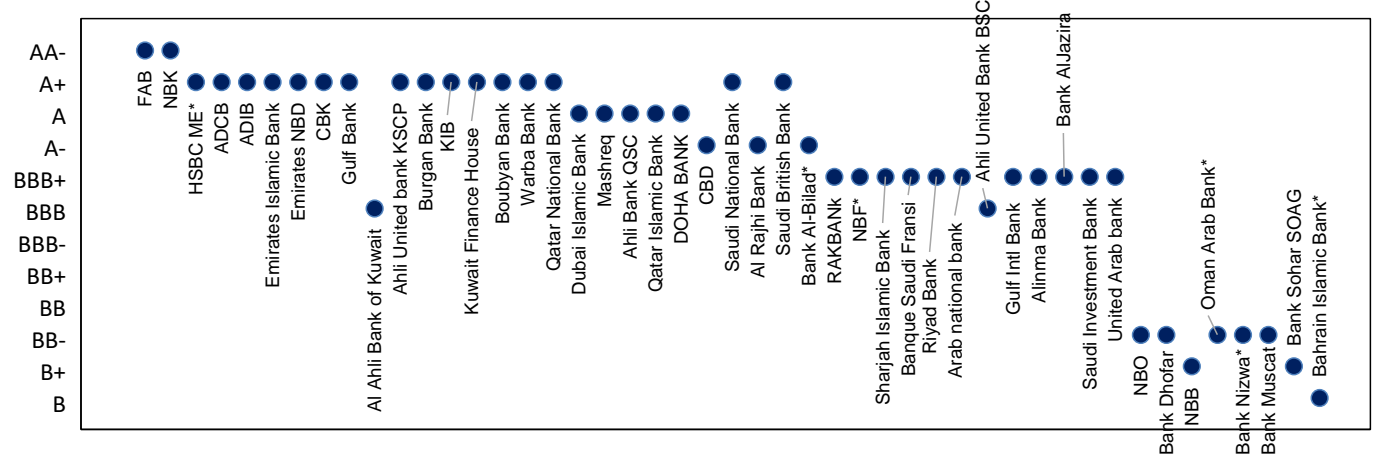
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

GCC Financials

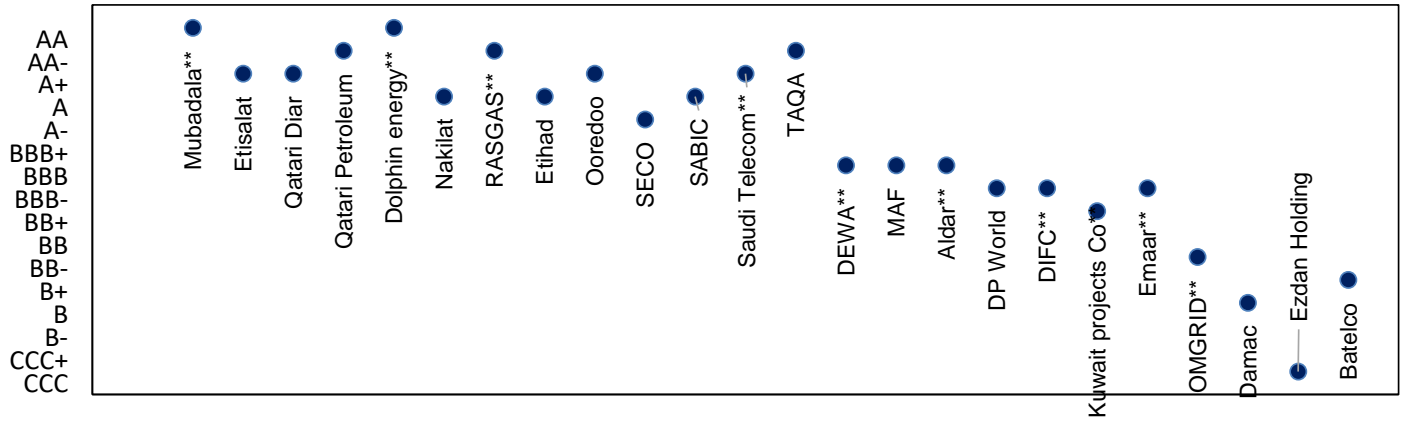


Note: The ratings refer to Fitch ratings, *S&P rating used as substitute where the corporate/bank not rated by Fitch rating

Source: Bloomberg, ADCB

GCC Corporate Credit rating

GCC Corporates



Note: The ratings refer to S&P ratings, ** Fitch ratings used as substitute where the corporate/bank not rated by S&P ratings

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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