

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal loss over the week (ending 7th March 2023). The 10-year US Treasury yield ended the week flat despite hawkish comments from the Fed Chair Jay Powell at the congressional testimony. Euro zone bond yields were higher over the week- rising more than USTs on the back of strong inflation data out of the region. In credit, corporate credit ended the week flat. Global HY index and EM USD bonds recorded marginal gains.

Appetite for GCC bonds was mixed over the week with all GCC bond indices underperforming EM bond index. Barring Bahrain and Kuwait, all other GCC countries recorded marginal positive returns. Saudi Arabia outperformed last week. 5yr CDS sovereign spreads tightened in all GCC countries barring Bahrain. 10yr USD bond yields mostly rose across the GCC with the exception of Saudi Arabia and the UAE where yields were lower.

The UAE non-oil private sector growth picked up pace in February, marking the strongest growth since October 2022. **The seasonally adjusted UAE Purchasing Managers' Index (PMI) jumped up slightly to 54.3 in February after recording a 12-month low in January.** Elsewhere, Saudi Arabia's non-oil business sector activity jumped to its highest level in eight years in February, on the back of strong increase in demand and an optimistic economic outlook. **The seasonally adjusted Saudi Arabia Purchasing Managers' Index jumped to 59.8 in February, from 58.2 in January, the fastest rate of increase since March 2015.** In addition, **Moody's rating agency has raised its growth forecasts for Saudi Arabia's economy in 2023 and 2024.** In its annual report, Moody's stated that the revision to increase the growth rate to 2.5% in 2023 from 1.7% earlier and 3.1% in 2024 from 2.6% earlier and applauded the strength of Saudi's economy.

In issuances, the **Bank of Sharjah has given initial price guidance in the area of 300bp over US Treasuries for benchmark senior unsecured dollar bonds.** The 5yr senior unsecured dollar bonds are expected to be priced on 8th March 2023, Wednesday.

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba3	Aa3	B3
Fitch	A	AA	-	AA-	B+	BB	AA-	B+

Note: *Dewa rating used as proxy

GCC Fixed Income Weekly Snapshot

				Interest rates			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	1081.7	0.2	0.7	Saudi	5.5	-3.9	18.1
EM LatAm TR	928.0	0.3	0.8	UAE	4.8	4.4	49.8
EM EMEA TR	323.6	0.2	0.2	Kuwait	4.3	0.0	25.0
EM Asia TR	584.4	0.2	1.2	Bahrain	6.3	0.0	16.7
Bahrain TR	179.4	-0.1	1.6	Oman	5.0	-2.5	34.0
Oman TR	137.9	0.1	1.7	Qatar	5.4	15.0	10.0
Kuwait TR	141.4	-0.2	1.1	US	5.0	3	-
Qatar TR	128.6	0.1	-0.3	12M interbank			
Saudi Arabia TR	131.9	0.2	-0.7	Saudi	5.8	-2.3	-7.7
UAE TR	131.8	0.1	0.0	UAE	5.2	0.8	8.0
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	0.0	12.5
Saudi Arabia	64.2	-2.9	0.8	Bahrain	6.8	0.8	19.9
Abu Dhabi	43.3	-0.3	-4.4	Oman	5.2	-1.5	28.8
Dubai	78.7	-2.0	-15.4	Qatar	5.8	40.0	0.0
Kuwait	59.5	-1.4	-1.1	10Y yield			
Bahrain	245.0	0.5	-0.1	Saudi Arabia ^{^^}	5.1	-5.2	31.0
Oman	155.9	-2.5	-35.1	Abu Dhabi	4.5	-0.8	25.6
Qatar	46.7	-0.4	-3.2	Dubai	4.5	0.7	7.0
Egypt	1068.9	104.5	164.6	Kuwait	4.5	2.2	63.4
Turkey	566.0	-21.0	48.1	Bahrain	6.8	3.4	-11.7
US	35.6	-0.8	8.5	Oman	6.1	3.0	3.1
Germany	15.5	0.4	-5.1	Qatar	4.6	3.4	39.1

Note: data from 1st March 2023 to 7th March 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

^{^^} YTD data from 13th January 2023

UAE's non-oil sector growth picked up momentum in February

UAE's non-oil private sector growth picked up pace in February, marking the strongest growth since October 2022. The seasonally adjusted UAE Purchasing Managers' Index (PMI) jumped up slightly to 54.3 in February after recording a 12-month low in January. Output growth accelerated for the first time in four months- mainly on account of underlying demand strength. However, new business rose at the slowest pace since September 2021. New jobs were added only at a marginal pace in February. Overall, companies signaled strong optimism for the next 12 months in February, the highest since October.

(Source: Zawya)

Saudi non-oil business activity surges in February on strong demand

Saudi Arabia's non-oil business sector activity jumped to its highest level in eight years in February, on the back of strong increase in demand and an optimistic economic outlook. The seasonally adjusted Saudi Arabia Purchasing Managers' Index jumped to 59.8 in February, from 58.2 the previous month, the fastest rate of increase since March 2015. The new orders sub-index rose to 68.7 - the highest reading in more than eight years, on account of strong demand momentum. The output sub-index also recorded a strong increase, at 65.6 in February from 63.6 in the previous month, leading to further expansion in employment and purchasing.

(Source: Zawya)

Moody's upgraded growth forecasts for Saudi economy in 2023 and 2024

Moody's rating agency has raised its growth forecasts for Saudi Arabia's economy in 2023 and 2024. In its annual report, Moody's stated that the revision to increase the growth rate to 2.5% in 2023 from 1.7% earlier and 3.1% in 2024 from 2.6% earlier reflects expectations that non-oil private sector activity will remain strong. The report applauded the strength of the Saudi economy despite some challenges, emphasizing the importance of the steps taken by the Kingdom to diversify its economy away from oil.

(Source: Zawya)

Bank of Sharjah gives initial price guidance for the dollar bonds

Bank of Sharjah has given initial price guidance in the area of 300bp over US Treasuries for the benchmark senior unsecured dollar bonds. The 5yr senior unsecured dollar bonds are expected to be priced on 8th March 2023, Wednesday.

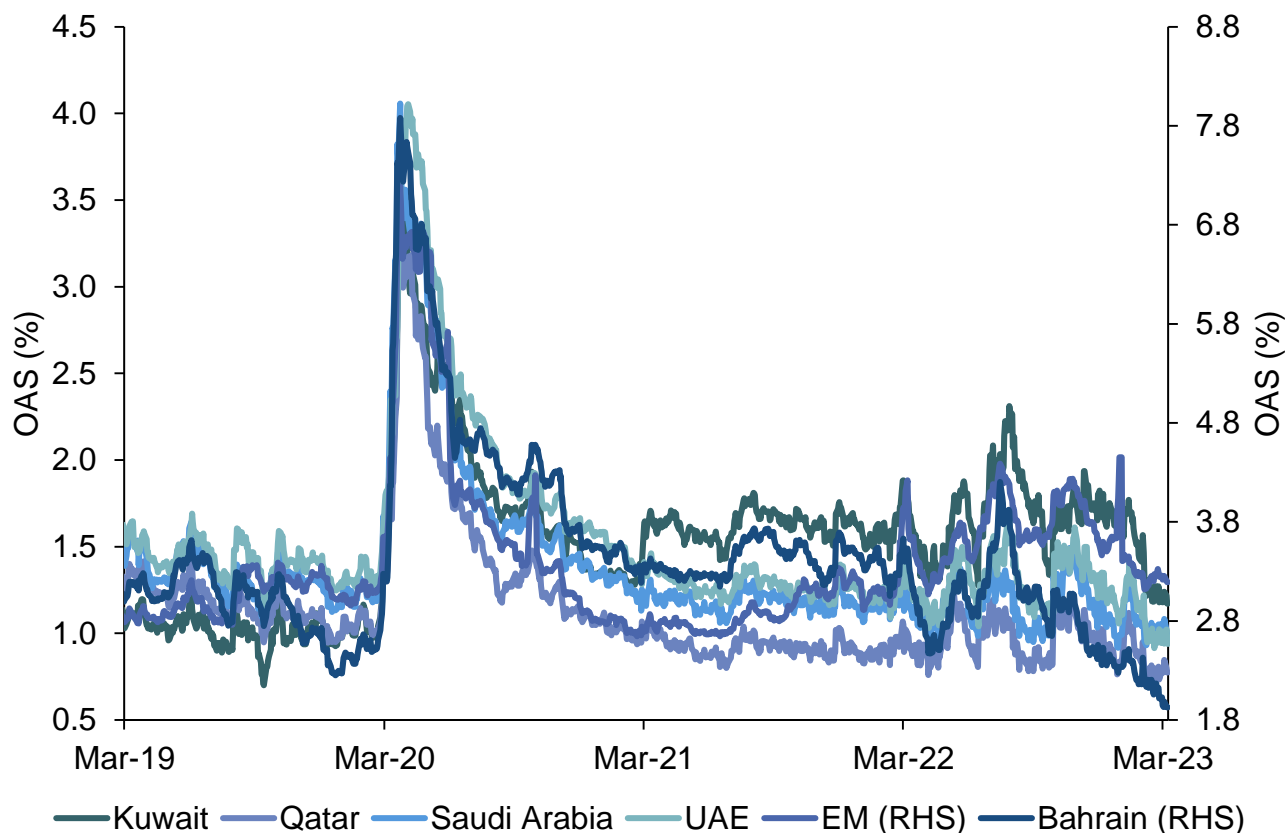
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg^	YTM (mid)	YTC (mid)
Gaci First Investment Co	PIFKSA	Agency	SA	2000	4.875	2/14/2035	CALLABLE	USD	2/14/2023	A	5.44	5.41
Gaci First Investment Co	PIFKSA	Agency	SA	1750	5.125	2/14/2053	CALLABLE	USD	2/14/2023	A	5.87	5.79
Gaci First Investment Co	PIFKSA	Agency	SA	1750	4.75	2/14/2030	CALLABLE	USD	2/14/2023	A	4.94	5.04
DIB SUKUK LTD	DIBUH	Agency	AE	1000	4.8	8/16/2028	AT MATURITY	USD	2/16/2023	A	4.80	-
TMS Issuer Sarl	GASBCM	Industrial	SA	1500	5.78	8/23/2032	SINKABLE	USD	2/23/2023	A	5.57	-
Greensaif Pipelines Bidco Sarl	GASBCM	Industrial	SA	1500	6.51	2/23/2042	SINKABLE	USD	2/23/2023	A	6.37	-
Greensaif Pipelines Bidco Sarl	GASBCM	Industrial	SA	1500	6.13	2/23/2038	SINKABLE	USD	2/23/2023	A	6.19	-
Finance Department Government of Sharjah	SHJGOV	Sovereign	AE	1000	6.5	11/23/2032	AT MATURITY	USD	2/23/2023	BB+	6.34	-

*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

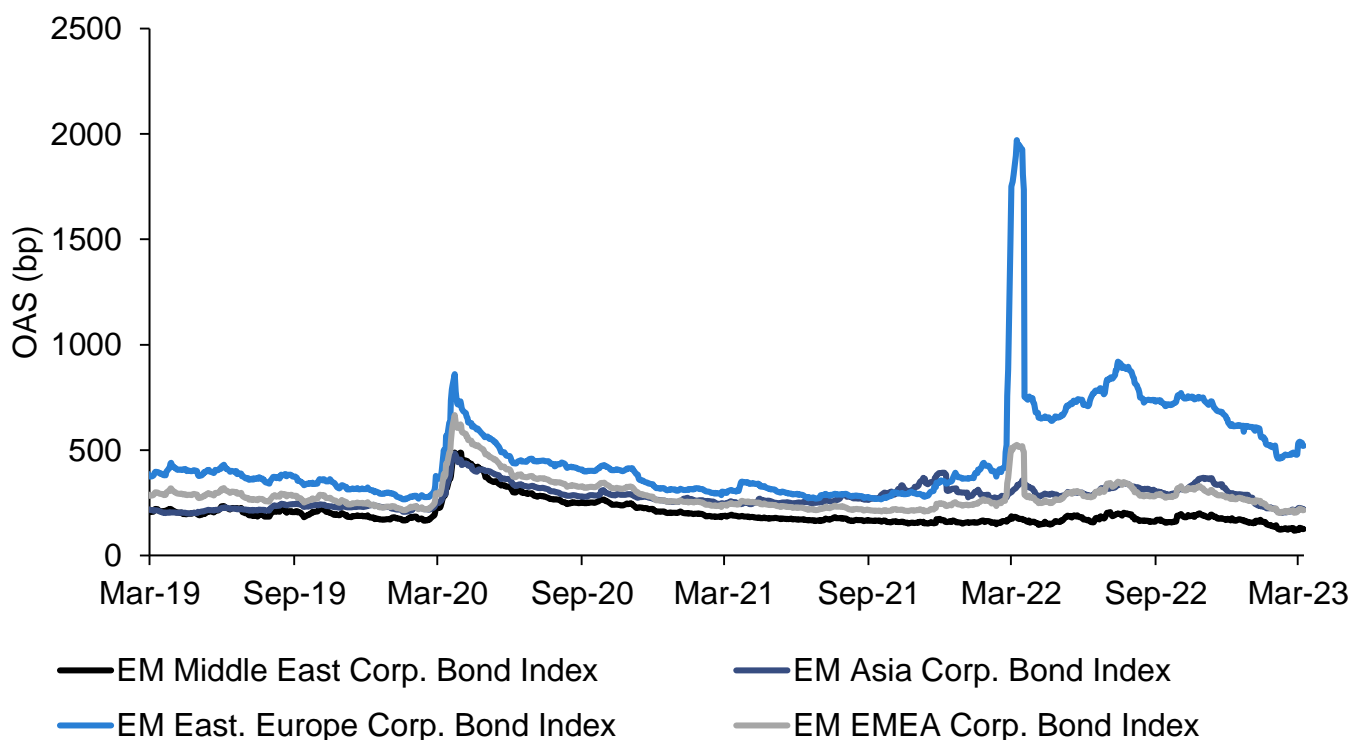
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



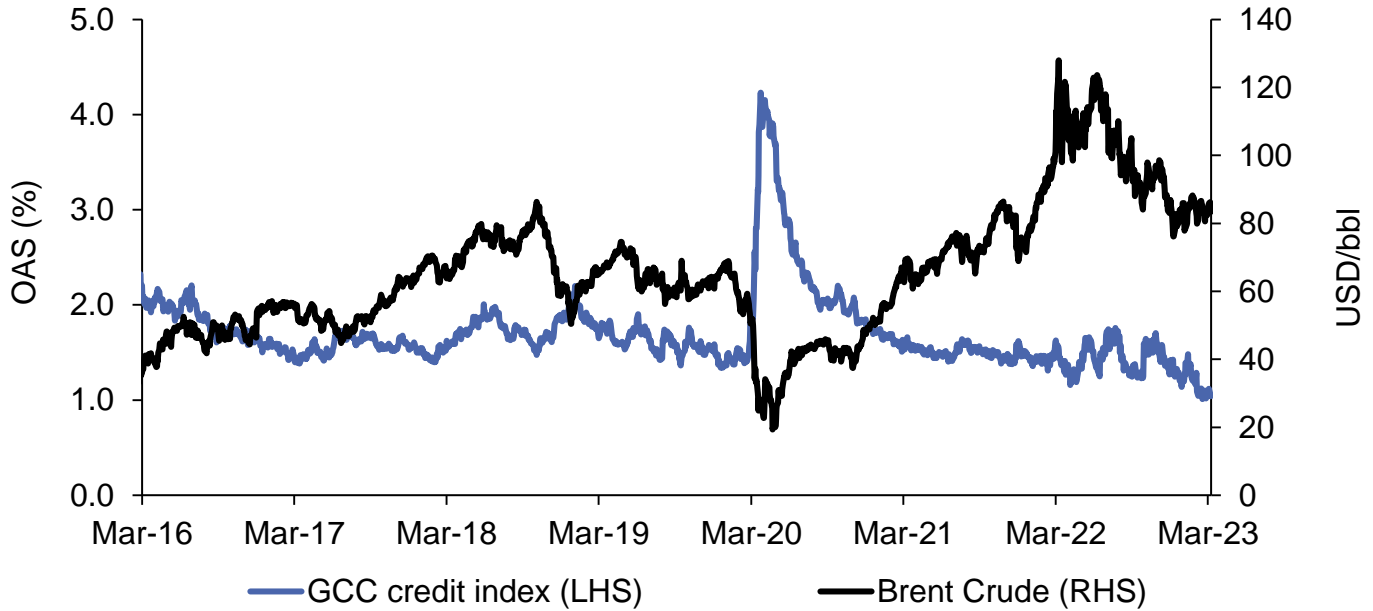
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

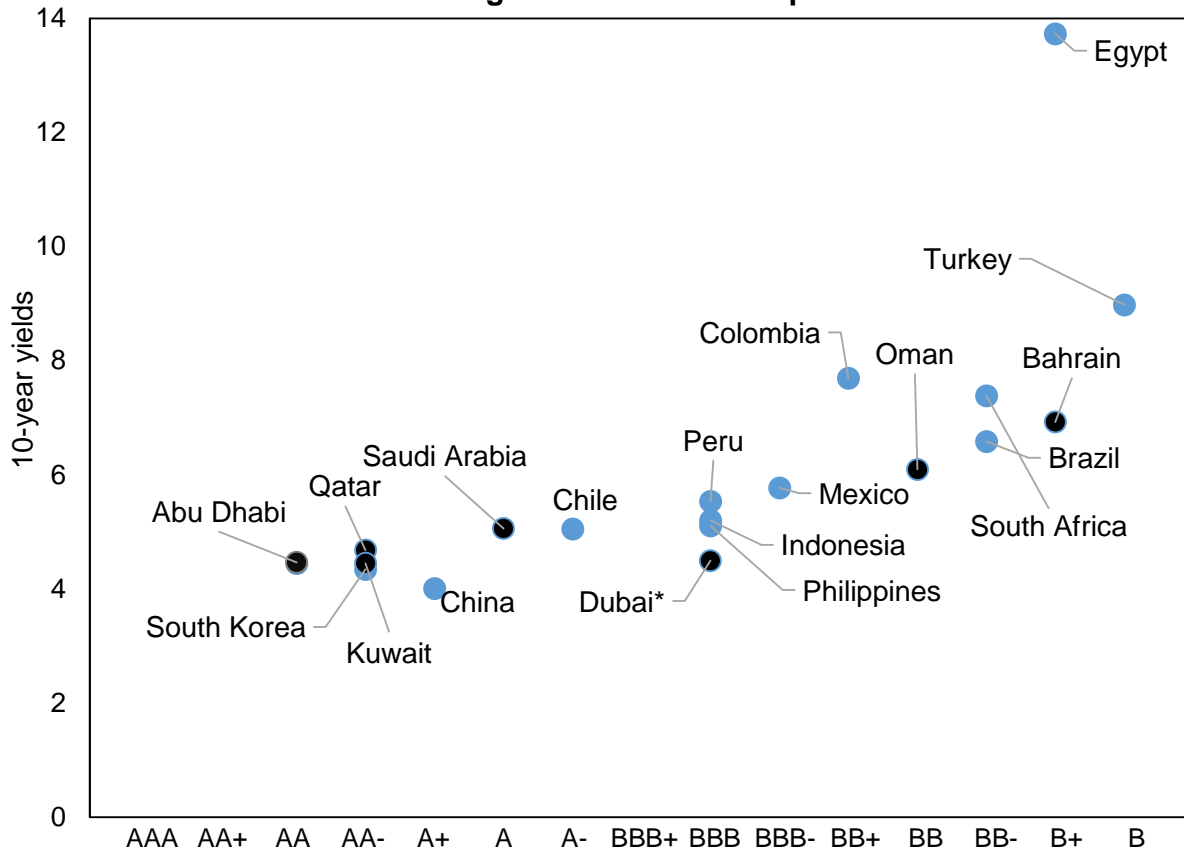
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

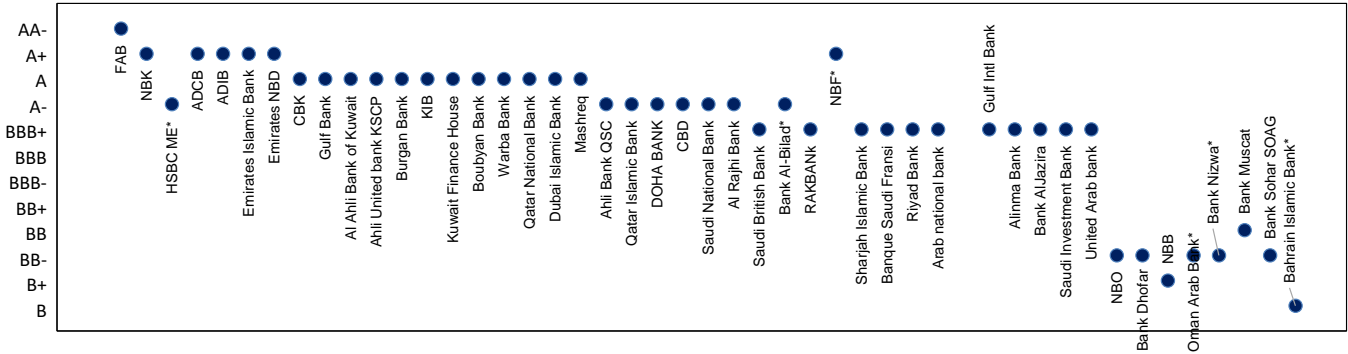
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

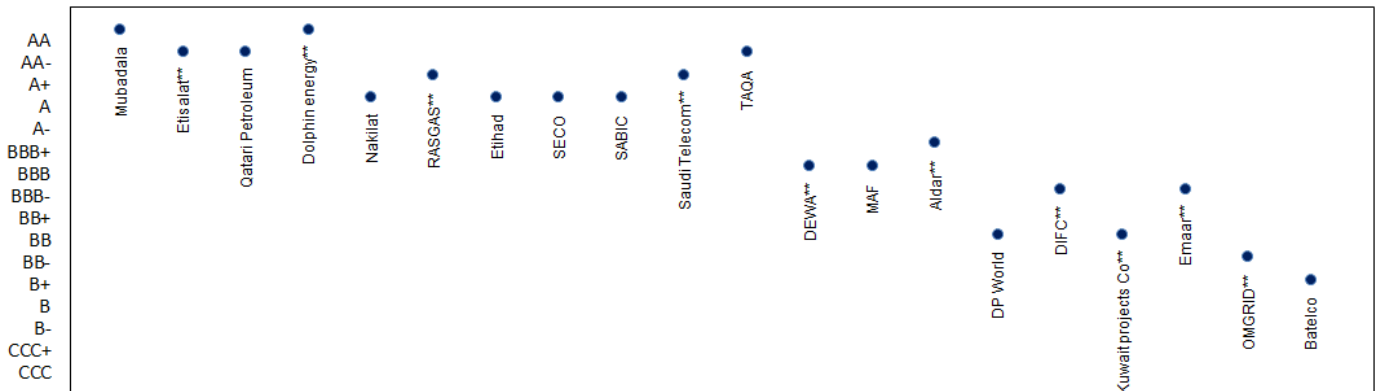
GCC Financials



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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