

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal gains over the week (ending 21st March 2023). The 10-year US Treasury yield rose as markets waited for Fed decision. Euro zone bond yields rose after UBS-CS deal. Global AT1 bond market came under increased pressure following the write-off of CHF16bn Credit Suisse instruments. In credit, corporate credit performed well, with Global IG index leading the gains. On the other hand, EM USD bonds recorded marginal losses.

Appetite for GCC bonds was mixed over the week. Kuwait, Oman and Bahrain recorded losses while high-quality sovereigns recorded marginal positive returns. Similarly, CDS spreads widened mostly across all GCC countries with the exception of Oman and Qatar where spreads tightened. The 10yr USD sovereign bond yields declined across all the GCC markets, barring Dubai.

The UAE is predicted to experience strong economic growth in 2023. UAE's GDP is projected to reach 3.2%, down from 7.9% in 2022, with the non-oil sector growing at a rate of 3.9% in 2023. **Moody's has confirmed Abu Dhabi government's Aa2 long-term local and foreign currency issuer ratings and Aa2 foreign currency senior unsecured debt rating, as well as the P-1 short-term local and foreign currency issuer ratings.** Elsewhere, **Bahrain's real economic growth during Q3 of 2022 reached 4.2% with consumer price index registering an increase of 3.6%. Bahrain's current account surplus increased to BHD2.57bn in 2022,** according to the Central Bank of Bahrain (CBB). **Oman's economy is experiencing a notable revival and is anticipated to grow by 3.6% in 2023. Oman's exports are projected to increase by 7% this year and 6.5% next year,** according to the United Nations Economic and Social Commission for Western Asia. Also, **Moody's, the credit rating agency, has updated its credit report for Saudi Arabia, confirming its "A1" rating and improving the stable outlook rating to positive,** according to Moody's rating agency.

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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	1083.6	-0.1	0.9	Saudi	5.5	-5.0	17.4
EM LatAm TR	922.0	0.0	0.1	UAE	4.9	27.7	60.7
EM EMEA TR	324.6	0.2	0.5	Kuwait	4.3	0.0	25.0
EM Asia TR	588.8	-0.6	1.9	Bahrain	6.2	0.0	1.3
Bahrain TR	179.0	-0.1	1.4	Oman	5.0	-21.0	37.1
Oman TR	137.9	-0.2	1.6	Qatar	5.2	-	-5.0
Kuwait TR	141.3	-0.6	1.0	US	4.9	4	-
Qatar TR	131.1	0.4	1.6	12M interbank			
Saudi Arabia TR	134.1	0.2	1.0	Saudi	5.7	-6.0	-14.1
UAE TR	133.3	0.0	1.1	UAE	5.0	-13.4	-11.2
5Y Sov. CDS				Kuwait	4.7	0.0	12.5
Saudi Arabia	70.5	2.0	7.1	Bahrain	6.3	0.8	-23.6
Abu Dhabi	48.5	0.3	0.8	Oman	5.3	-15.0	36.1
Dubai	93.9	6.9	-0.1	Qatar	5.4	-	-40.0
Kuwait	64.3	6.4	3.7	10Y yield			
Bahrain	265.2	6.1	5.2	Saudi Arabia ^{^^}	4.8	-2.9	3.6
Oman	173.1	-2.6	-17.9	Abu Dhabi	4.1	-1.9	-6.6
Qatar	49.9	-0.9	-	Dubai	4.4	5.6	2.2
Egypt	1396.9	-106.1	492.6	Kuwait	4.2	-3.2	33.6
Turkey	544.3	-23.3	26.4	Bahrain	6.8	-9.3	-11.1
US	45.5	1.2	18.4	Oman	6.1	-6.0	-1.1
Germany	16.5	0.4	-4.2	Qatar	4.2	-7.6	1.2

Note: data from 15th March 2023 to 21st March 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

Non-oil sector is expected to drive UAE's robust growth in 2023

The United Arab Emirates (UAE) is predicted to experience strong economic growth in 2023, despite a decrease due to the OPEC+ policy that will reverse the previous year's rise in oil production. In 2023, the country's GDP is projected to reach 3.2%, down from 7.9% in 2022, with the non-oil sector growing at a rate of 3.9% in 2023 compared to 6.6% in 2022. (Source: Zawya)

Moody's affirms Abu Dhabi's Aa2 rating - stable outlook

Moody's has confirmed Abu Dhabi government's Aa2 long-term local and foreign currency issuer ratings and Aa2 foreign currency senior unsecured debt rating, as well as the P-1 short-term local and foreign currency issuer ratings. The stable outlook reflects the expectation that oil prices will continue to be favorable and that Abu Dhabi's net creditor position will remain resilient, even in the face of somewhat lower oil prices and reduced real GDP growth due to ongoing oil production cuts.

(Source: Zawya)

Bahrain's economy grew 4.2% in Q3; the C/A surplus reached USD6.7bn

Bahrain's real economic growth during Q3 of 2022 reached 4.2% with consumer price index registering an increase of 3.6%. Bahrain's current account surplus increased remarkably from BHD978.5mn in 2021 to BHD2.57bn in 2022, according to the Central Bank of Bahrain (CBB).

(Source: Zawya)

Economic growth in Oman is remarkable

The United Nations Economic and Social Commission for Western Asia reported that Oman's economy is recovering due to successful exports and an expected growth rate of over 3% in 2023. Oman's economy is experiencing a notable revival and is anticipated to grow by 3.6% in 2023. Oman's exports are projected to increase by 7% this year and 6.5% next year.

(Source: Zawya)

Moody's upgraded Saudi Arabia's credit to A1 and changes outlook to 'Positive'

Moody's, the credit rating agency, has updated its credit report for Saudi Arabia, confirming its "A1" rating and improving the stable outlook rating to positive. The rating is based on Moody's evaluation of the government's effectiveness in implementing fiscal policies, as well as the comprehensive regulatory and economic reforms that will aid the sustainability of the country's economic diversification efforts over the medium and long terms. These efforts include non-oil sector reforms and investments aimed at reducing Saudi Arabia's dependence on hydrocarbons in the long run. The agency praised the positive impact of the government-sponsored diversification projects and initiatives, backed by private sector investment, on economic growth and the improved outlook rating. Moody's report validates the Kingdom's fiscal policies as part of its Vision 2030 program, keeping debt at a moderate level, which is lower than most similarly rated sovereign debts, and offering strong fiscal buffers and a competitive position in the global energy market.

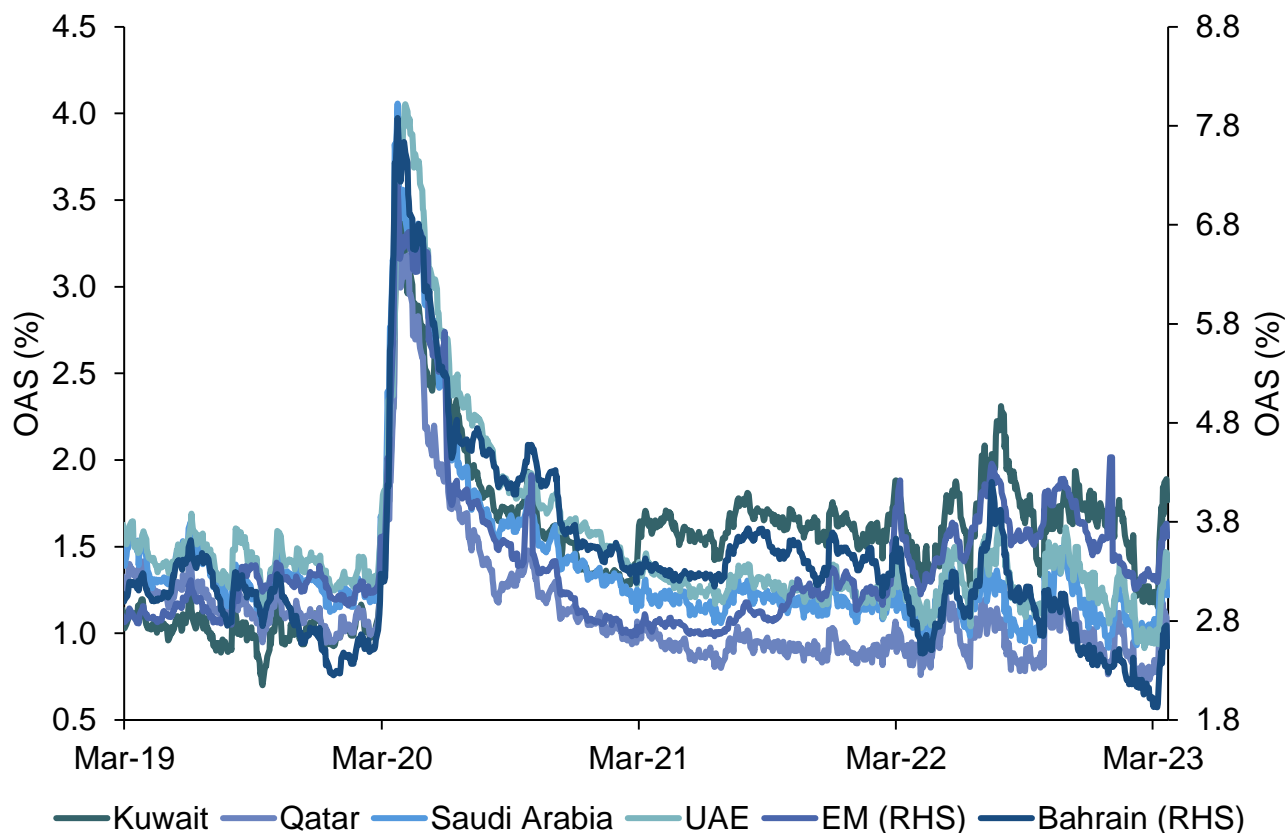
(Source: ArabNews)

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	-
BOS Funding Ltd	BOSUH	Financial Institutions	AE	500	7	3/14/2028	AT MATURITY	USD	3/14/2023	BBB+	7.45	-

*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

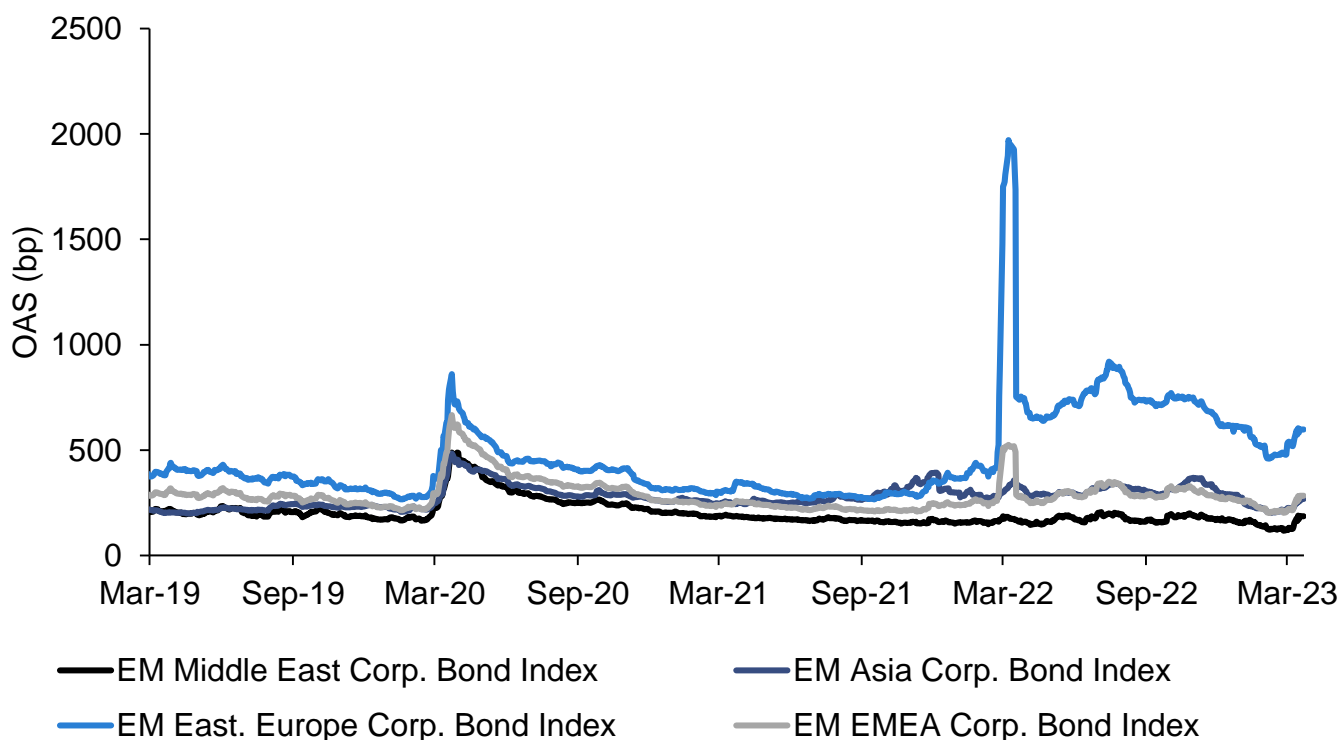
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



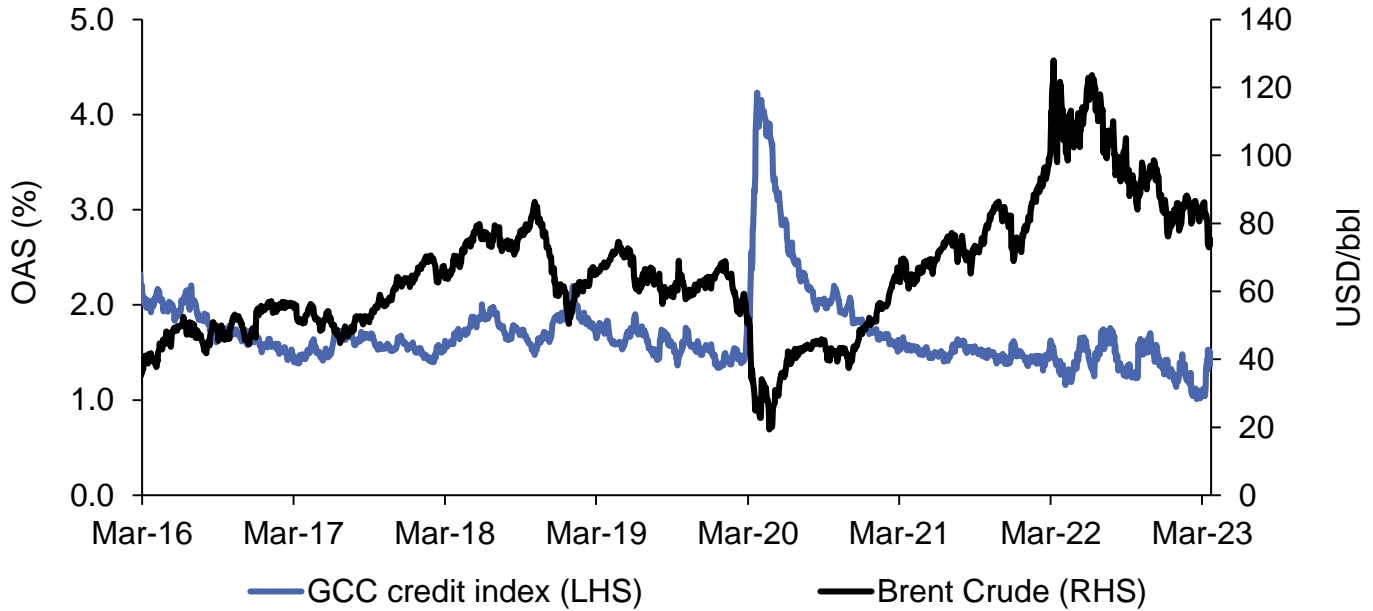
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

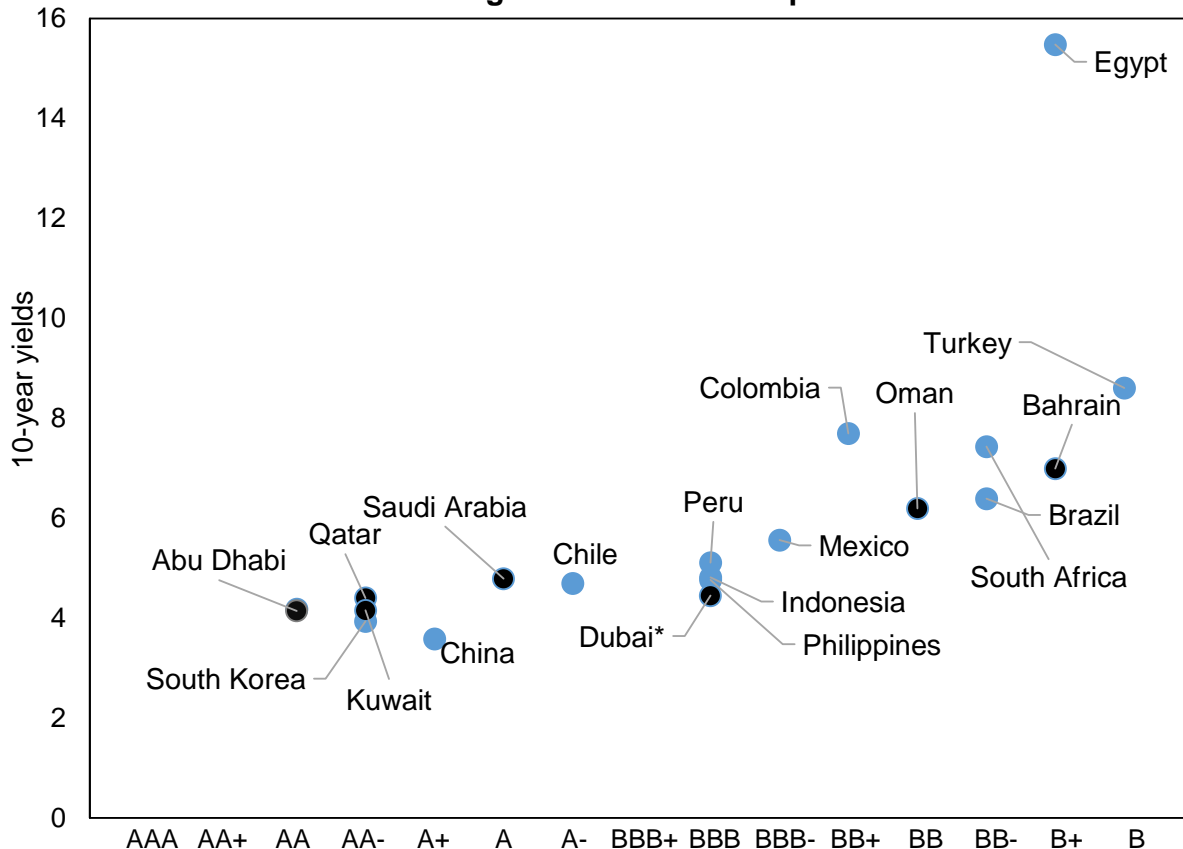
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

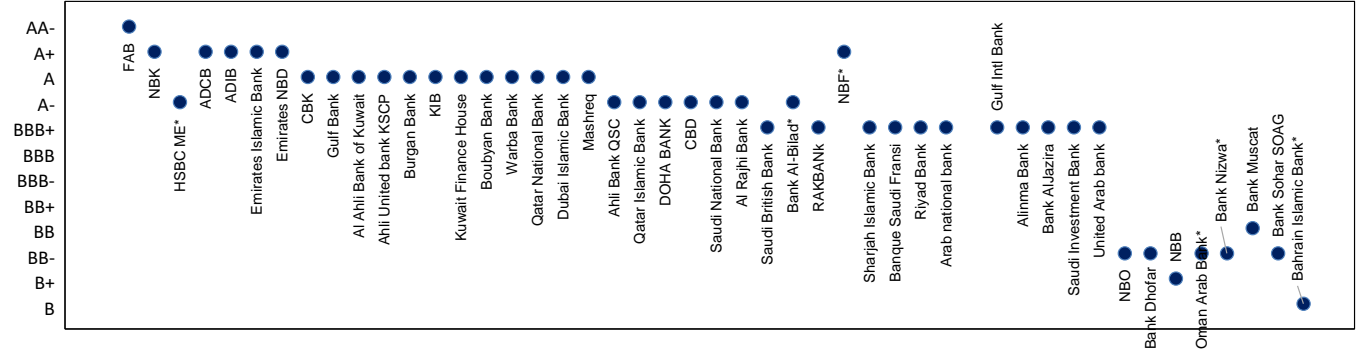
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

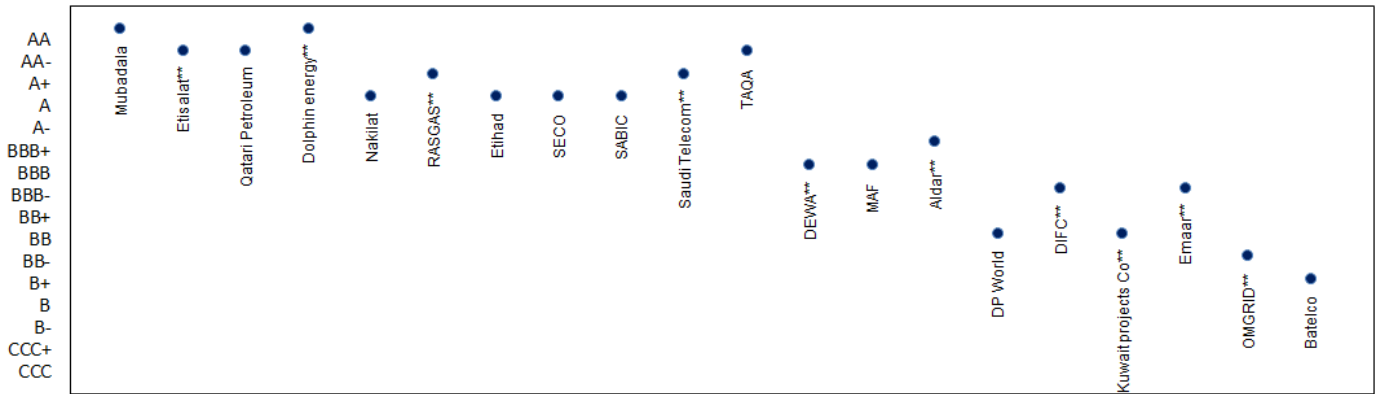
GCC Financials



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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