

GCC Fixed Income Weekly Review

Global benchmark bond index was flat over the week (ending 28th March 2023). The 10-year Treasury yield rose over the week with banking crisis concerns stabilising. Euro zone government bond yields declined over the week. In credit, corporate bonds ended the week on a negative note. EM bonds recorded marginal losses, led by EM Asia.

Appetite for GCC bonds improved over the week. Saudi Arabia and UAE outperformed the most. 5yr CDS sovereign spreads widened in Bahrain, Oman, and Kuwait while the same tightened in Dubai, and Saudi Arabia, and Abu Dhabi. 10yr bond yields declined in Saudi Arabia, Qatar, Abu Dhabi and Oman while rose in Bahrain, Kuwait, and Dubai.

The central banks of the UAE, Saudi Arabia, Bahrain, Qatar, and Oman raised their interest rates by 25bp after the Federal Reserve increased its key interest rate at a more moderate level as it tries to balance fighting inflation and financial stability. **Most central banks in the GCC follow the Fed's policy rate moves due to their currencies being pegged to the US dollar.** However, **Kuwait is an exception, as Kuwait is the only country in the six-member bloc whose dinar is tied to a basket of currencies.** Meanwhile, **the central bank of UAE (CBUAE) predicts the country's real GDP growth to rise by 4.3% in 2024.** However; **in 2023, growth is expected to remain at 3.9%.** Elsewhere, **Bahrain's real gross domestic product (GDP) experienced a growth rate of 4.9% in 2022, the highest since 2013.** The growth was primarily driven by an **increase in non-oil GDP**, according to the Minister of Finance and National Economy, Shaikh Salman bin Khalifa Al Khalifa. Also, **inflation in Oman reached 1.93% in February**, according to Oman's National Centre for Statistics and Information (NCSI).

It was a quiet week in terms of issuance activity.

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			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1086.7	-0.1	1.2	Saudi	5.7	14.6	31.2
EM LatAm TR	922.8	-0.3	0.2	UAE	4.9	17.9	62.2
EM EMEA TR	326.6	0.5	1.1	Kuwait	4.3	0.0	25.0
EM Asia TR	589.4	-0.5	2.0	Bahrain	6.3	0.0	16.0
Bahrain TR	179.4	0.2	1.6	Oman	5.0	1.0	38.1
Oman TR	138.5	0.5	2.1	Qatar	5.4	7.5	17.5
Kuwait TR	142.1	0.5	1.6	US	5.1	6	-
Qatar TR	131.7	0.5	2.1	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	135.2	0.8	1.8	Saudi	5.6	-13.0	-31.8
UAE TR	134.0	0.6	1.6	UAE	4.9	-13.3	-16.0
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	0.0	12.5
Saudi Arabia	68.2	-2.5	4.8	Bahrain	6.4	0.8	-17.0
Abu Dhabi	48.3	-0.3	0.7	Oman	5.3	3.0	39.1
Dubai	93.9	-3.1	-0.2	Qatar	5.8	0.0	0.0
Kuwait	66.9	0.4	6.3	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	259.7	1.7	-0.3	Saudi Arabia ^{^^}	4.7	-10.8	-9.8
Oman	174.6	1.1	-16.4	Abu Dhabi	4.1	-5.2	-13.8
Qatar	49.6	-0.3	-0.3	Dubai	4.4	1.1	0.8
Egypt	1454.7	51.6	550.4	Kuwait	4.0	4.3	18.7
Turkey	539.4	-11.2	21.5	Bahrain	6.8	5.4	-13.0
US	48.0	3.1	20.9	Oman	6.0	-1.0	-9.8
Germany	17.5	1.1	-3.1	Qatar	4.1	-6.4	-11.2

Note: data from 22nd March 2023 to 28th March 2023. Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

GCC central banks raised key rates by 25bp

The central banks of the UAE, Saudi Arabia, Bahrain, Qatar, and Oman have increased their interest rates following the Federal Reserve's decision to raise its key interest rate at a more moderate pace in an attempt to balance financial stability and inflation control. The Central Bank of UAE (CBUAE) raised its base rate for overnight deposits by 25bp to 4.9%. The Saudi Central Bank (SAMA) increased its repo and reverse repo rates by 25bp to 5.50% and 5%, respectively. The Central Bank of Bahrain (CBB) also increased its key interest rates by 25bp, with its one-week deposit facility rate rising to 5.75%, overnight deposit rate to 5.50%, and four-week deposit rate to 6.50%. The central bank of Qatar (QCB), which had previously kept its rates unchanged, raised its lending and deposit rates by 25bp to 5.75% and 5.25%, respectively, and also raised its repo rate by 25bp to 5.50%. However, Kuwait is an exception, as Kuwait is the only country in the six-member bloc whose dinar is tied to a basket of currencies.

(Source: Zawya)

UAE central bank projects 4.3% real GDP growth in 2024

The Central Bank of UAE (CBUAE) predicts the country's real GDP growth to rise by 4.3% in 2024. However; in 2023, growth is expected to remain at 3.9%. Although oil production is projected to slow down in line with OPEC+ agreements, the non-oil sector is anticipated to continue supporting aggregate output, albeit at a slower pace. Q4 saw oil production at an average of 3.1mn bpd, and UAE hydrocarbon GDP grew by 10% YoY, matching OPEC+ agreements for 2022.

(Source: Zawya)

Bahrain's GDP grew by 4.9% in 2022

Bahrain's real gross domestic product (GDP) experienced a growth rate of 4.9% in 2022, the highest since 2013. The growth was primarily driven by an increase in non-oil GDP and a higher contribution from the private sector towards economic activities, according to the Minister of Finance and National Economy, Shaikh Salman bin Khalifa Al Khalifa, citing the country's annual economic report. The report highlighted a growth rate of 6.2% in non-oil real GDP, which exceeded the Kingdom's Economic Recovery Plan's annual target of 5% and was the highest rate since 2012.

(Source: Zawya)

Inflation in Oman was reached 1.93% in February

In February 2023, Oman's National Centre for Statistics and Information (NCSI) reported a consumer price inflation rate of 1.93%. The data revealed price hikes for several main commodity groups, including food and non-alcoholic beverages by 5.08%, restaurants and hotels by 3.79%, health by 1.23%, transportation by 0.77%, education by 0.05%, and housing, water, electricity, gas, and other fuels by 0.03%. However, there was a decrease in the communication group by 0.15%.

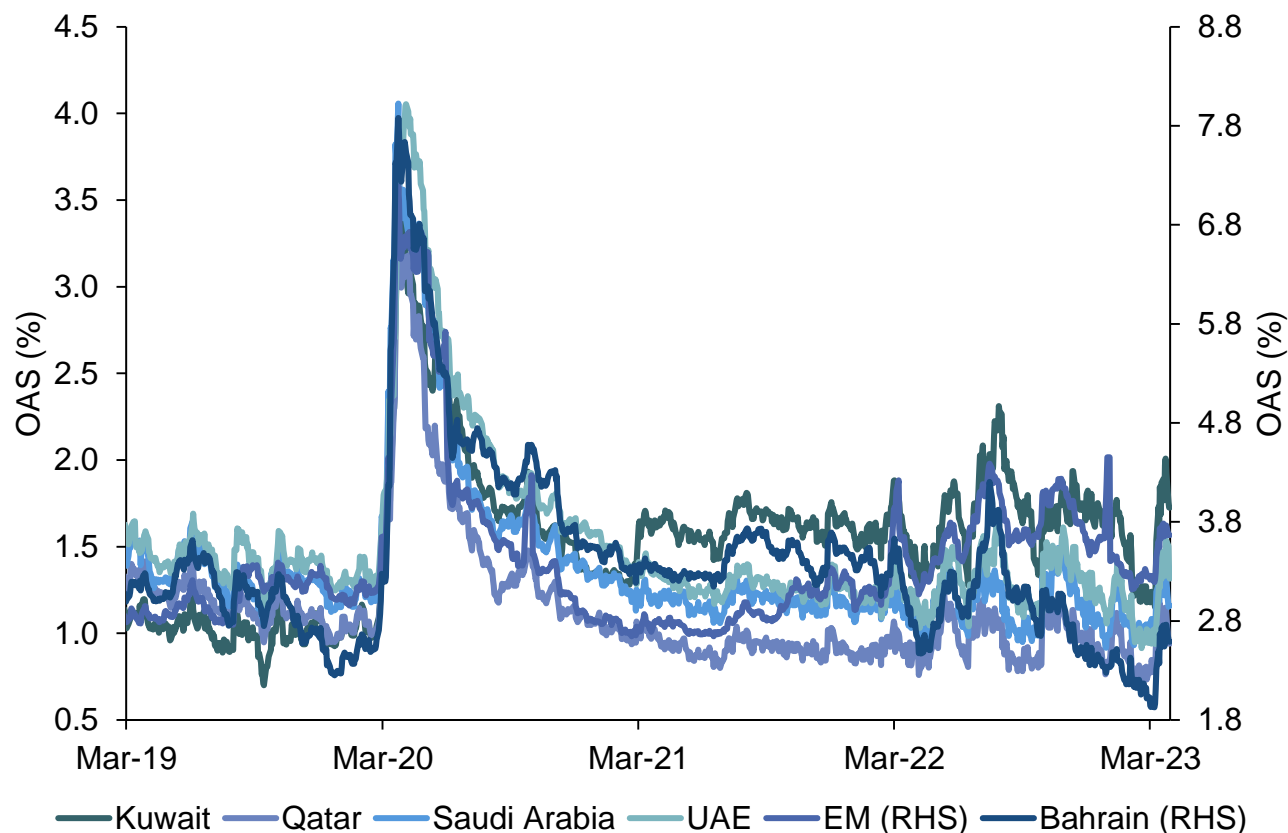
(Source: Zawya)

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	-
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

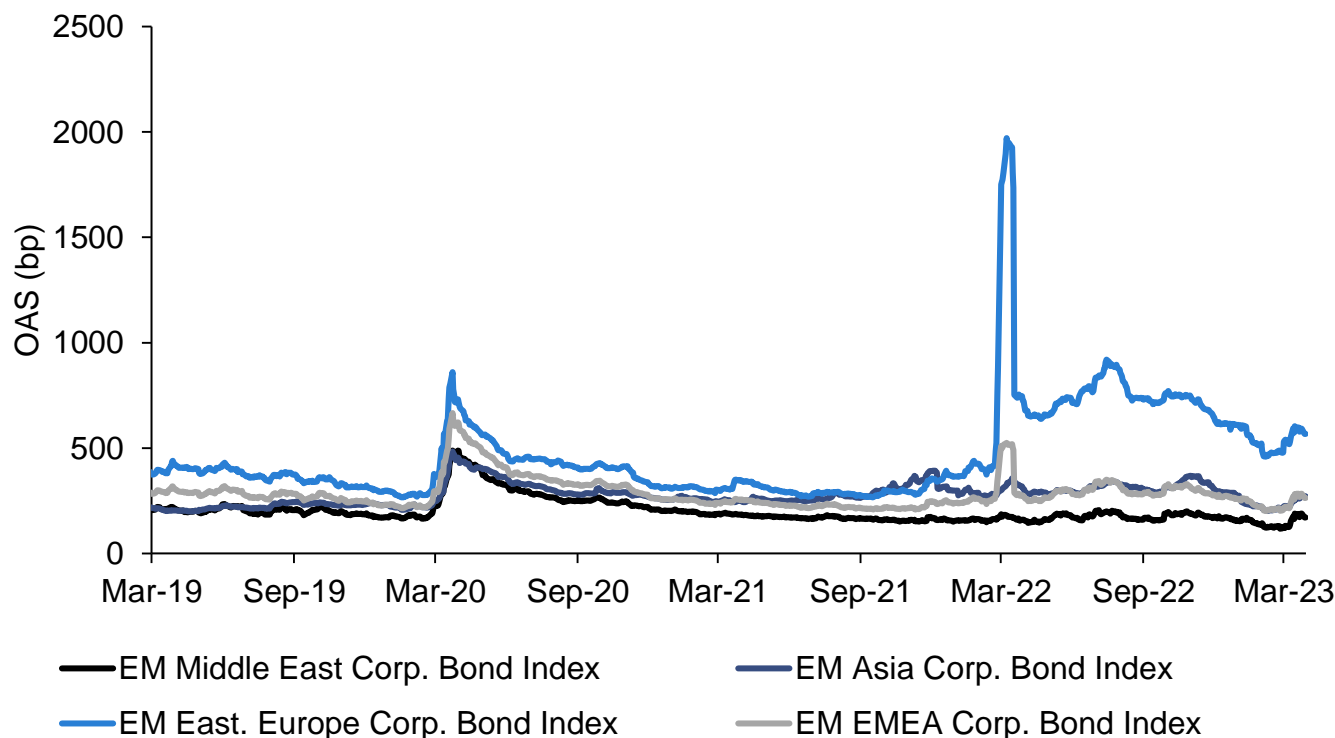
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



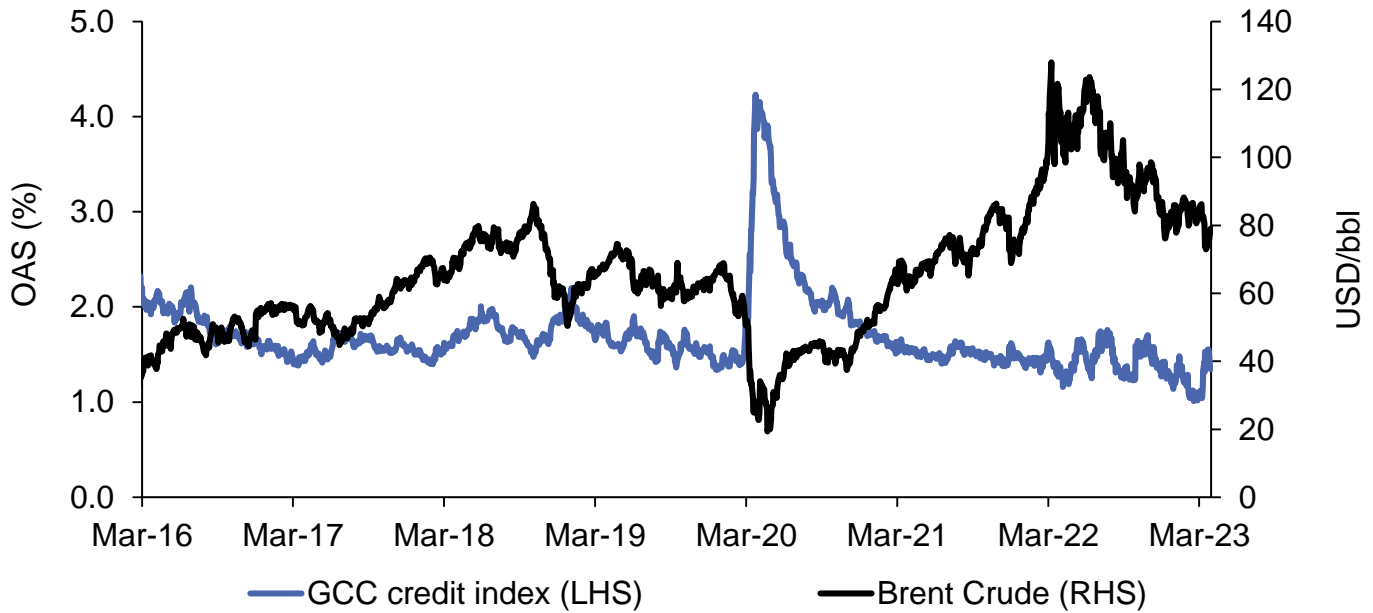
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

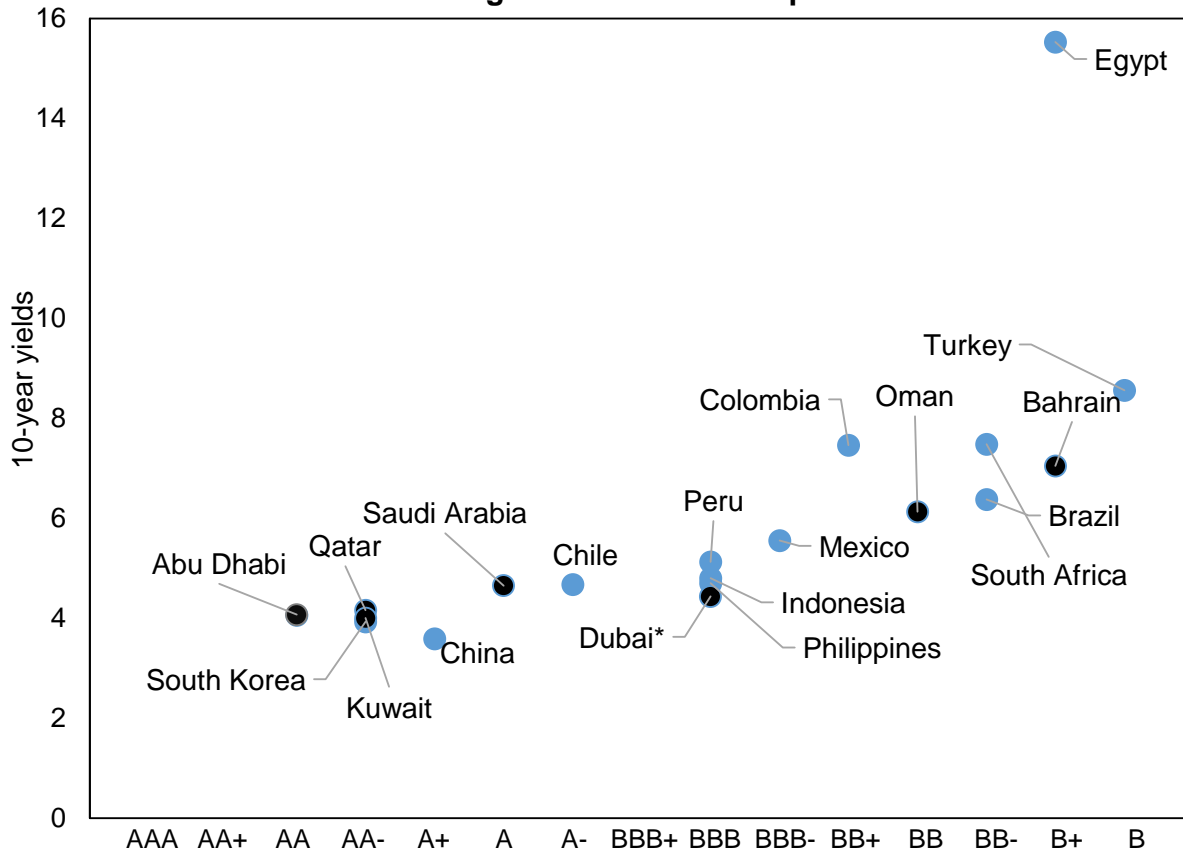
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

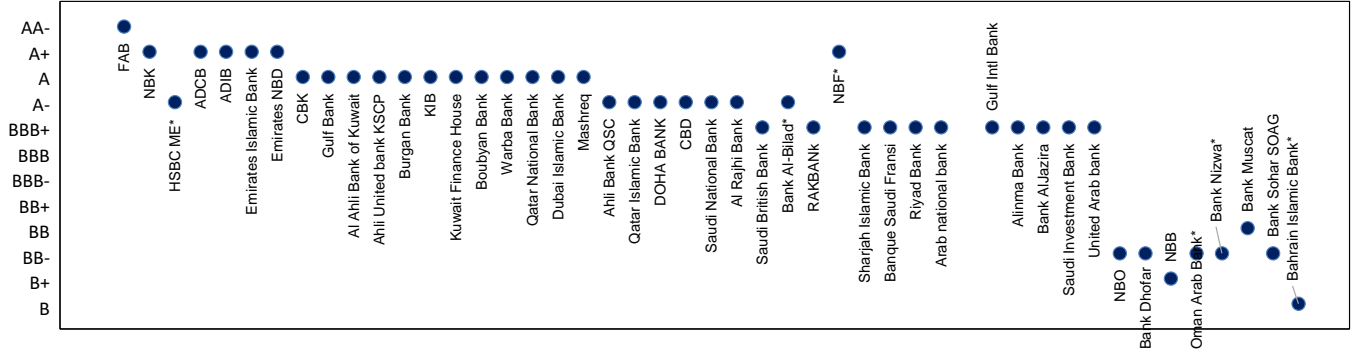
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

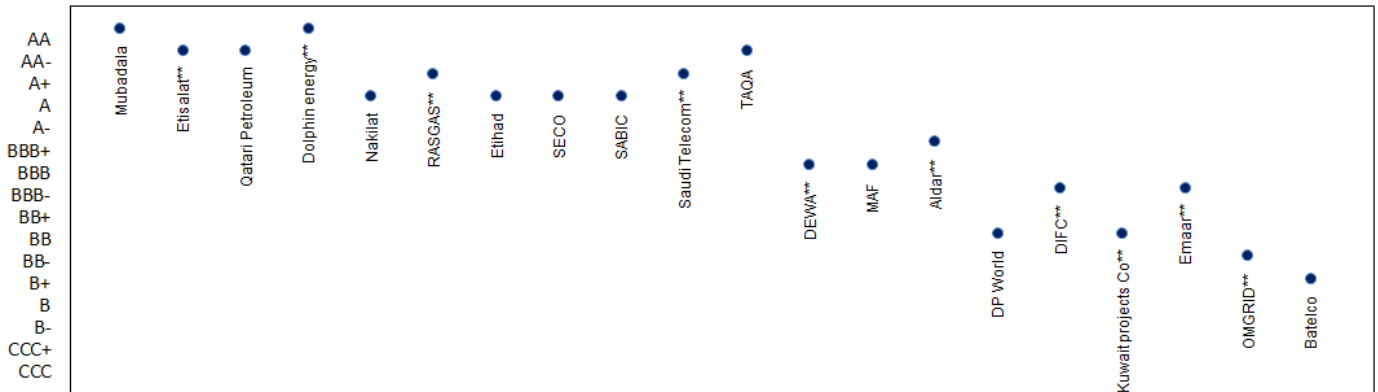
GCC Financials



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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