

## GCC Fixed Income Weekly Review

Global benchmark bond index posted declined over the week (ending 2nd May 2023). US Treasury yields fell on soft 1Q23 US GDP print ahead of the Fed May policy decision. The decline in eurozone government bond yields outpaced that in UST yields over the week. In credit, corporate bonds ended the week on a mixed note. Search for yield was evident as both Global HY index and EM USD bonds outperformed peers.

Appetite for GCC bonds improved over the week. All GCC bond indices recorded positive returns except for Qatar and Saudi Arabia. Oman was the best performer. 5yr CDS sovereign spreads widened in Bahrain, Oman, Qatar, and Saudi Arabia while the same tightened in Dubai, and Abu Dhabi, and Kuwait. 10yr USD bond yields mostly rose across the GCC, except for Oman and Bahrain.

Business activity in the UAE's non-oil private sector saw a significant increase in April, **the UAE Purchasing Managers' Index (PMI) increased from 55.9 in March to 56.6 in April**. Similarly, the non-oil private sector businesses in Saudi Arabia experienced an improvement in their overall business performance in April. **Saudi Arabia Purchasing Managers' Index increased from 58.7 in March to 59.6 in April**. Elsewhere, the Institute of International Finance (IIF) **predicts a stable increase in Oman's non-oil sector in 2023**. The growth rate of Oman's non-oil sector is expected to reach 2.4% in 2023, according to IIF.

In issuances, **the UAE government launched a AED1.1bn Islamic Treasury Sukuk (T-Sukuk)** to strengthen the local currency bond market and promote the Islamic economy. **The T-Sukuk will be issued in 2/3/5-year tenures initially and later in a 10-year sukuk**.

**Mohammed Al Hemeiri**  
Analyst  
Tel: +971 (0)2 696 2236  
[mohammed.alhemeiri@adcb.com](mailto:mohammed.alhemeiri@adcb.com)

**Prerana Seth**  
Fixed Income Strategist  
Tel: +971 (0)2 696 2878  
[prerana.seth@adcb.com](mailto:prerana.seth@adcb.com)

**Ahmed Al Falahi**  
Analyst  
Tel: +971 (0)2 497 3934  
[ahmed.a5@adcb.com](mailto:ahmed.a5@adcb.com)

**Kishore Muktinutalapati**  
Head - Investment Strategy  
Tel: +971 (0)2 696 2358  
[kishore.muktinutalapati@adcb.com](mailto:kishore.muktinutalapati@adcb.com)

Visit [Investment Strategy Webpage](#) to read our other reports

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

BBG Barclays				Interest rates			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1100.2	0.12	2.4	3M interbank			
EM LatAm TR	939.5	0.14	2.0	Saudi	5.7	-5.95	33.5
EM EMEA TR	328.8	0.10	1.8	UAE	5.2	-12.48	85.1
EM Asia TR	597.5	0.12	3.4	Kuwait	4.3	0.00	25.0
Bahrain TR	180.6	0.21	2.3	Bahrain	6.4	3.33	29.9
Oman TR	141.2	0.36	4.1	Oman	5.5	46.80	79.1
Kuwait TR	143.5	0.08	2.5	Qatar	5.8	-9.17	53.3
Qatar TR	132.7	-0.18	2.9	US	5.3	2.97	-
Saudi Arabia TR	136.5	-0.09	2.8	12M interbank			
UAE TR	135.5	0.00	2.8	Saudi	5.7	-4.55	-13.5
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	UAE	5.3	9.71	18.8
Saudi Arabia	64.5	0.10	1.1	Kuwait	4.7	0.00	12.5
Abu Dhabi	43.5	-0.50	-4.1	Bahrain	6.6	2.51	0.0
Dubai	86.2	-0.90	-7.8	Oman	5.6	38.05	71.1
Kuwait	55.9	-0.30	-4.7	Qatar	6.0	-1.67	23.3
Bahrain	269.4	2.50	9.5	10Y yield			
Oman	174.3	2.00	-16.7	Saudi Arabia <sup>^^</sup>	4.5	4.70	-21.2
Qatar	44.8	0.20	-5.1	Abu Dhabi	3.9	4.40	-28.2
Egypt	605.1	31.80	231.0	Dubai	4.3	0.90	-11.3
Turkey	553.0	-4.90	35.1	Kuwait	3.9	3.60	6.3
US	76.4	2.50	49.3	Bahrain	6.8	-0.80	-9.5
Germany	14.8	-2.20	-5.9	Oman	5.6	-5.20	-47.1
				Qatar	3.9	5.40	-27.7

Note: data from 26<sup>th</sup> April 2023 to 2<sup>nd</sup> May 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

<sup>^^</sup> YTD data from 13<sup>th</sup> January 2023

## The UAE-dirham sukuk will support Islamic finance ecosystems and investment opportunities

The UAE government launched a AED1.1bn Islamic Treasury Sukuk (T-Sukuk) to strengthen the local currency bond market and promote the Islamic economy. The T-Sukuk will be issued in 2/3/5-year tenures initially and later in a 10-year sukuk. The issuance will provide an investment option for both Islamic and conventional banks, and should encourage companies and financial institutions to issue dirham-denominated bonds and sukuk. This move is expected to develop capital market activities, support economic diversification and financial inclusion, and contribute to building a local currency bond market by establishing a pricing reference for dirham-denominated bonds, sukuk, and loan products.

(Source: Zawya)

## UAE's non-oil sector experiences robust growth as demand rises and prices fall - PMI

Business activity in the UAE's non-oil private sector saw a significant increase in April, as the demand from customers increased due to lower prices. The UAE Purchasing Managers' Index (PMI) increased from 55.9 in March to 56.6 in April, mainly due to a faster increase in new business inflows. The New Orders Index also increased to its highest level since November 2021, driven by improving market conditions and growing customer demand, resulting in strong sales.

(Source: Zawya)

## The non-oil business environment in Saudi Arabia improved in April due to strong demand

The non-oil private sector businesses in Saudi Arabia experienced an improvement in their overall business performance in April, driven by stronger domestic demand fueled by an increase in new orders. Saudi PMI increased from 58.7 in March to 59.6 in April. The rate of new orders grew at the fastest pace since September 2014..

(Source: Zawya)

## The non-oil sector in Oman is expected to grow in 2023

The Institute of International Finance (IIF) predicts a stable increase in Oman's non-oil sector in 2023. In 2022, the growth rate of Oman's non-oil sector was 2%, but it is expected to reach 2.4% in 2023. The IIF report indicated that the average oil price dropped from USD100/bbl last year to USD85/bbl this year and USD80/bbl in 2024. The report also identifies weak global economic growth as a significant risk factor for the oil price outlook.

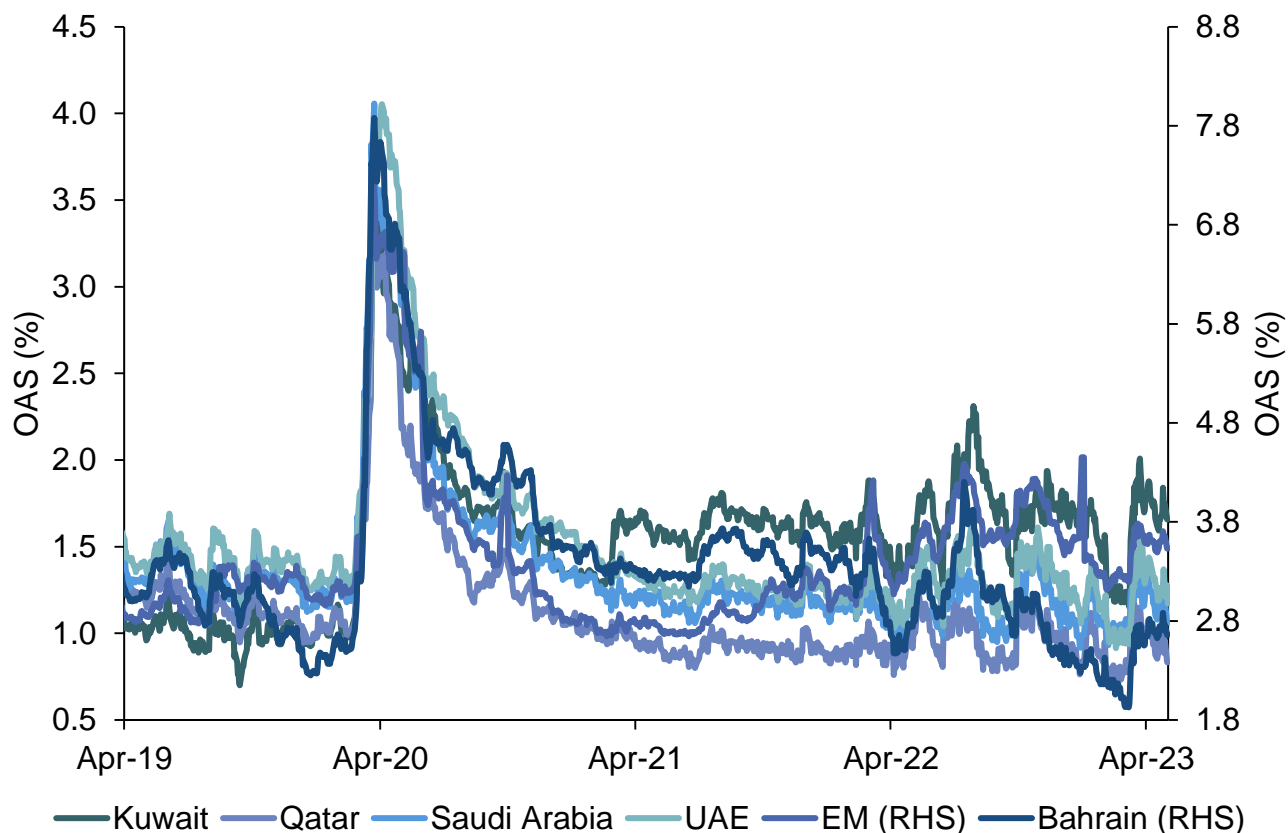
(Source: Zawya)

Issuer	BBG	Sector	Co un try	Issue Amt*	Cpn	Maturity	Maturity Type	Curr ency	Issue Date	Rtg <sup>^</sup>	YTM (mid)	YTC (mid)
AL Rajhi Sukuk Ltd	RJHIAB	Financial Institutions	SA	1000	4.75	4/5/2028	AT MATURITY	USD	4/5/2023	A-	4.53	-
SAUDI ELECTRICITY SUKUK	SECOAB	Agency	SA	1200	4.632	11/4/2033	AT MATURITY	USD	4/3/2023	A	4.49	-
SAUDI ELECTRICITY SUKUK	SECOAB	Agency	SA	800	5.684	11/4/2053	AT MATURITY	USD	4/3/2023	A	5.47	-
KINGDOM OF BAHRAIN	BHRAIN	Sovereign	BH	1000	7.75	4/18/2035	AT MATURITY	USD	4/6/2023	B+	7.69	-
CBB INTL SUKUK PROG WLL	BHRAIN	Sovereign	BH	1000	6.25	10/18/2030	AT MATURITY	USD	4/6/2023	B+	5.94	-
ABU DHABI NATIONAL ENERGY	TAQAUH	Agency	AE	500	4.375	1/24/2029	AT MATURITY	USD	4/17/2023	AA-	4.07	-
ABU DHABI NATIONAL ENERGY	TAQAUH	Agency	AE	1000	4.696	4/24/2033	AT MATURITY	USD	4/17/2023	AA-	4.70	-
Alpha Star Holding VII LTD	DAMACR	Financial Institutions	AE	400	7.75	4/27/2026	AT MATURITY	USD	4/27/2023		7.46	-

\*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

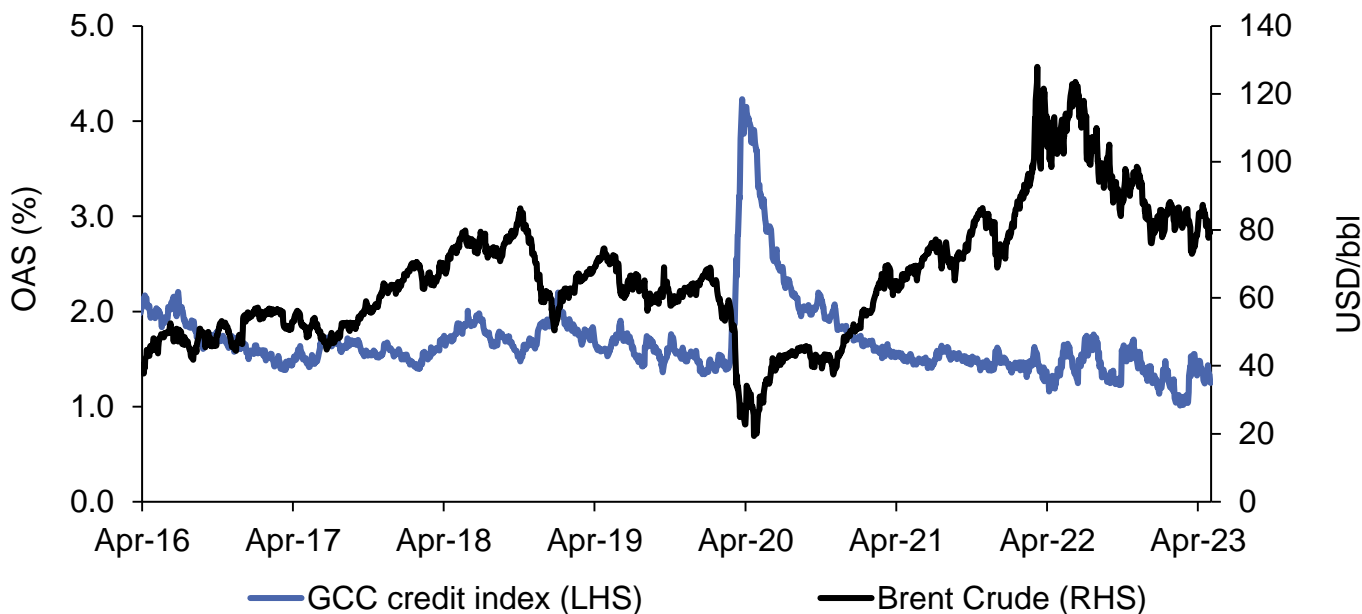
## Appendix

### Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

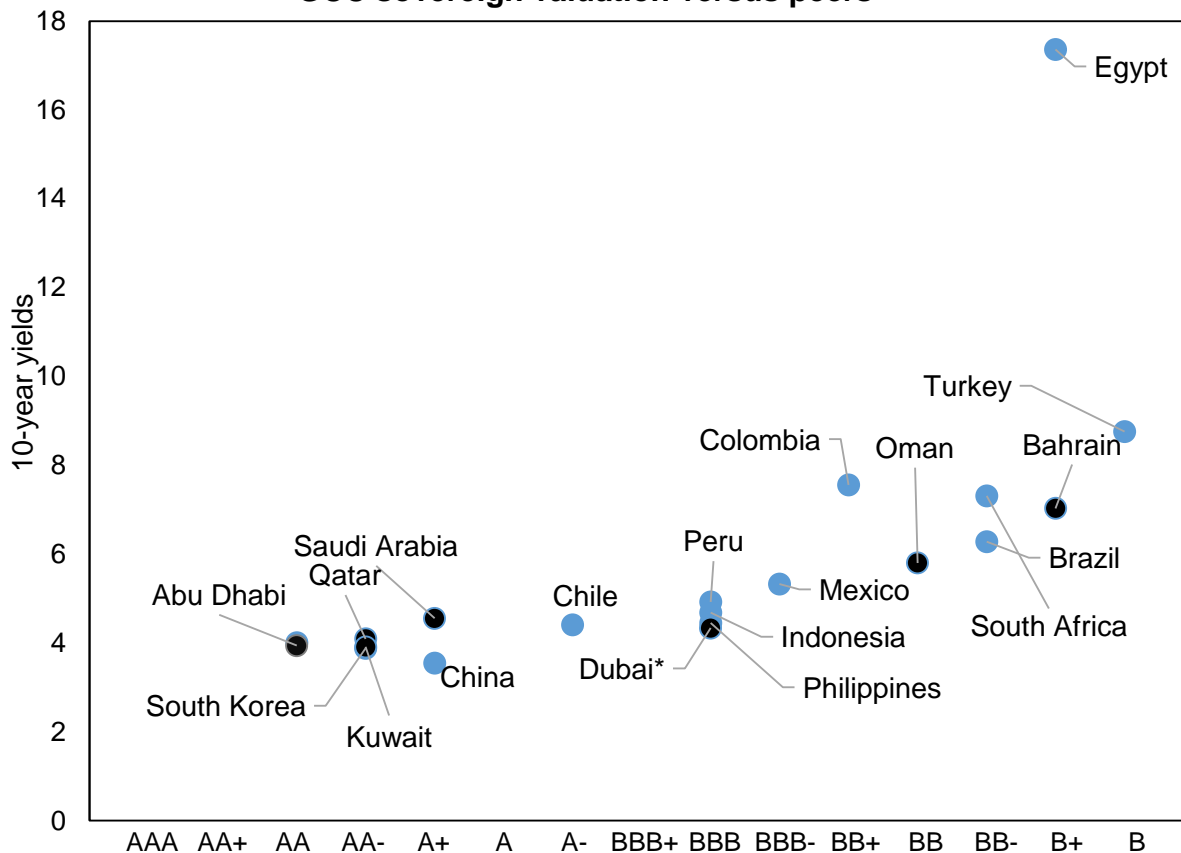
### GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

## 10yr yield versus Credit ratings (EM vs GCC)

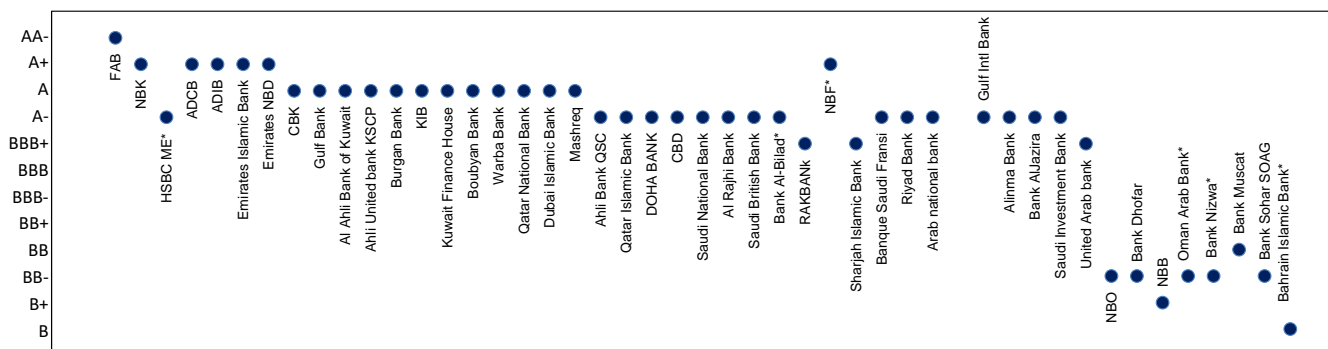
GCC sovereign valuation versus peers



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

## GCC Financials Credit Rating

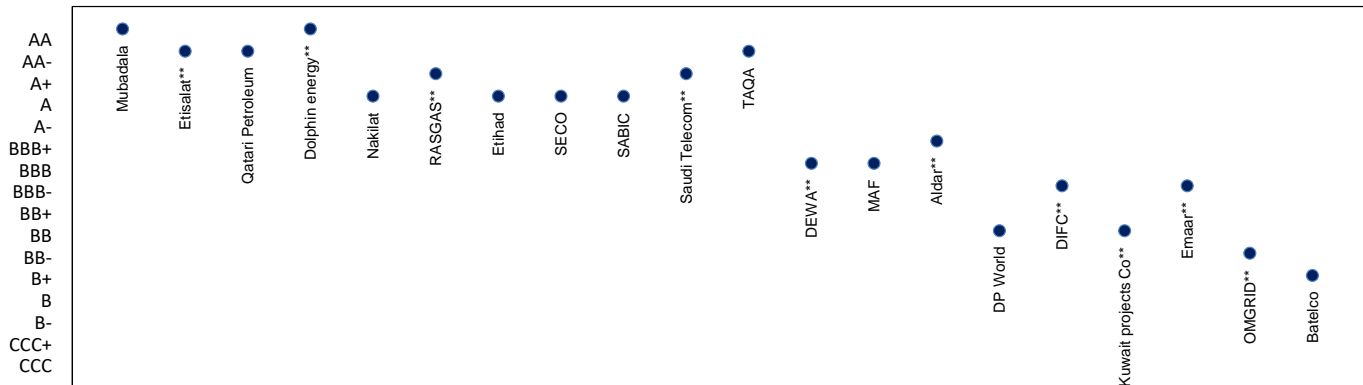
GCC Financials



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

## Disclaimer

ADCB Asset Management Limited ("AAML"), is a member of ADCB Group, licensed by Financial Services Regulatory Authority in Abu Dhabi Global Markets under financial services permission number 170036.

This publication is intended for general information purposes only. It should not be construed as an offer, recommendation or solicitation to purchase or dispose of any securities or to enter in any transaction or adopt any hedging, trading or investment strategy. Neither this publication nor anything contained herein shall form the basis of any contract or commitment whatsoever. Distribution of this publication does not oblige ADCB Group to enter into any transaction.

The content of this publication should not be considered as legal, regulatory, credit, tax or accounting advice. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in this publication. Investment products are not available to US persons.

Information and opinions contained herein is are based on various sources, including but not limited to public information, annual reports and statistical data that AAML considers accurate and reliable. However, AAML makes no representation or warranty as to the accuracy or completeness of any statement made in or in connection with this publication and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. This publication is intended for customers who are either retail or professional investors.

Charts, graphs and related data or information provided in this publication are intended to serve for illustrative purposes only. The information contained in this publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. All statements as to future matters are not guaranteed to be accurate. AAML expressly disclaims any obligation to update or revise any forward looking statement to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

ADCB Group does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its publications. As a result, recipients of this publication should be aware that any or all of foregoing services may at time give rise to a conflict of interest that could affect the objectivity of this publication. Opinions expressed herein may differ from opinions expressed by other businesses or affiliates of ADCB Group.

Past performance does not guarantee future results. Investment products are not bank deposits and are not guaranteed by ADCB Group. They are subject to investment risk, including possible of loss of principal amount invested. This publication may not be reproduced or circulated without ADCB Group written authority. The manner of circulation and distribution may be restricted by law or regulation in certain jurisdictions. Persons who come into possession of this document are required to inform themselves of, and to observe such restrictions. Any unauthorized use, duplication, or disclosure of this document is prohibited by law and may result in prosecution.