

## GCC Fixed Income Weekly Review

Global benchmark bond index posted declines over the week (ending 9th May 2023). US Treasury yields rose. Euro zone bond yields rose after strong U.S. jobs data. Corporate credit recorded losses, and ended the week in a negative note. EM USD bonds had a negative week, recording losses over the week, led by EM Asia.

Demand for GCC bonds was mostly subdued. Almost all GCC bond markets recorded losses. Qatar underperformed the most. Similarly, CDS spreads widened mostly across all GCC countries with the exception of Kuwait where spreads tightened. In the USD sovereign market, the 10yr USD bond yields rose across all the GCC markets, led by Oman and Abu Dhabi.

The GCC central banks have raised their interest rates in line with the US Federal Reserve, which recently increased its benchmark interest rate by 0.25%. **The Central Bank of the UAE increased its overnight deposit base rate by 25bp to 5.15%.** Meanwhile, **the Saudi Central Bank (SAMA) raised its repo and reverse repo rates by 25bp to 5.75% and 5.25%, respectively.** **Bahrain's central bank also increased its key interest rates by 25bp.** Similarly, **the central bank of Qatar raised its lending and deposit rates by 25bp to 6% and 5.50%, and hiked the repo rate by 25bp to 5.70%.** According to Ahmed Jasim Al Zaabi, the Chairman of the Abu Dhabi Department of Economic Development, **the non-oil sectors accounted for 50% of Abu Dhabi's real gross domestic product (GDP) in 2022, which amounted to over AED1tn (USD272bn).** **The economy of Abu Dhabi has experienced the highest growth rate among all the countries in the Middle East and North Africa region, with a significant increase of 9.3% in 2022.** In Dubai, **The purchasing managers' index rose from 55.5 in March to 56.4 in April, staying above the neutral 50 mark that separates expansion from contraction.** **Sharjah's GDP increased by 5.2% in 2022, reaching to AED136.9bn in 2022, the non-oil sector contributed significantly to this growth, increasing by 5.2% to AED133.4bn in 2022.** Elsewhere, **Saudi Arabia's economy grew by 3.9% YoY in the Q1 of 2023, according to initial government estimates of real gross domestic product (GDP).** **Non-oil activities saw a significant increase of 5.8% in Q1, while oil activities grew by 1.3%.**

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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	1097.7	-0.52	2.2	Saudi	5.9	18.50	52.9
EM LatAm TR	937.7	-0.61	1.8	UAE	5.1	-2.41	83.7
EM EMEA TR	328.3	-0.34	1.6	Kuwait	4.3	0.00	25.0
EM Asia TR	595.5	-0.62	3.1	Bahrain	6.5	11.71	38.3
Bahrain TR	180.3	-0.27	2.2	Oman	5.6	7.20	97.7
Oman TR	141.0	-0.24	4.0	Qatar	6.0	13.33	75.0
Kuwait TR	143.5	0.03	2.6	US	5.3	1.06	-
Qatar TR	132.5	-0.33	2.8	12M interbank			
Saudi Arabia TR	136.5	-0.24	2.8	Saudi	5.7	1.28	-12.9
UAE TR	135.5	-0.12	2.8	UAE	5.2	-10.14	9.6
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	0.00	12.5
Saudi Arabia	67.8	1.60	4.4	Bahrain	6.5	-5.51	-9.8
Abu Dhabi	45.6	0.30	-2.1	Oman	5.8	7.00	89.5
Dubai	90.1	3.60	-4.0	Qatar	6.1	14.17	37.5
Kuwait	55.5	-0.20	-5.1	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	274.7	3.10	14.8	Saudi Arabia <sup>^^</sup>	4.5	1.60	-24.2
Oman	178.7	3.10	-12.3	Abu Dhabi	4.0	9.10	-25.9
Qatar	46.0	0.40	-3.9	Dubai	4.3	0.40	-13.5
Egypt	617.8	18.80	243.6	Kuwait	3.9	2.10	5.7
Turkey	558.8	7.50	40.9	Bahrain	6.8	6.50	-6.2
US	74.6	0.50	47.5	Oman	5.7	9.70	-41.6
Germany	14.8	0.10	-5.9	Qatar	4.0	6.80	-23.1

Note: data from 3<sup>rd</sup> May 2023 to 9<sup>th</sup> May 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

## Central banks in the GCC have raised key interest rates in line with the US Federal Reserve

The GCC central banks have raised their interest rates in line with the US Federal Reserve, which recently increased its benchmark overnight interest rate by 0.25%. The Federal Reserve's move pushed the federal funds rate to a target range of 5% to 5.25%. The Central Bank of the UAE increased its overnight deposit base rate by 25bp to 5.15%. Meanwhile, the Saudi Central Bank (SAMA) raised its repo and reverse repo rates by 25bp to 5.75% and 5.25%, respectively. Bahrain's central bank also increased its key interest rates by 25bp. Specifically, the one-week deposit facility rate rose from 5.75% to 6%, the overnight deposit rate increased to 5.75%, and the four-week deposit rate went up to 6.75%. Similarly, the central bank of Qatar raised its lending and deposit rates by 25bp to 6% and 5.50%, respectively, and hiked the repo rate by 25bp to 5.70%.

(Source: Zawya)

## The non-oil sectors contributed half of Abu Dhabi's GDP in 2022

According to Ahmed Jasim Al Zaabi, the Chairman of the Abu Dhabi Department of Economic Development, the non-oil sectors accounted for half of the emirate's real gross domestic product (GDP) in 2022, which amounted to over AED1tn (USD272bn).

(Source: Zawya)

## The Abu Dhabi economy grows at the fastest rate in the Middle East, with a 9.3% increase in GDP

The economy of Abu Dhabi has experienced the highest growth rate among all the countries in the Middle East and North Africa region, with a significant increase of 9.3% in 2022. The estimated GDP for 2022 shows that non-oil sectors have witnessed a notable growth of AED43bn, leading to a total of AED554.6bn by the end of 2022. The Non-oil sectors contributed 50% of GDP in 2022, with real estate, healthcare, wholesale and retail trade, transportation, manufacturing, construction, finance and insurance all experiencing significant growth. The Statistics Centre - Abu Dhabi (SCAD) announced the GDP figures for 2022, revealing strong growth across multiple sectors. According to Abdulla Gharib Alqemzi, the Acting Director General of the Statistics Centre, the emirate has achieved impressive growth rates in its non-oil GDP, with an increase of 8.4% by the end of 2022.

(Source: Arabianbusiness)

## Dubai's non-oil economy hits eight-month high with stronger sales and new orders

Dubai's non-oil private sector economy experienced a significant increase to an eight months high in April, this growth was mainly due to a sharp rise in sales and new orders, as the pace of demand growth accelerated. The purchasing managers' index for Dubai rose from 55.5 in March to 56.4 in April, staying above the neutral 50 mark that separates expansion from contraction.

(Source: Zawya)

## Sharjah's GDP grew by over 5%

Sharjah's GDP increased by 5.2% in 2022, reaching to AED136.9bn in 2022, compared to AED130.1bn in 2021. According to the Department of Statistics and Community Development (DSCD). The non-oil sector contributed significantly to this growth, increasing by 5.2% to AED133.4bn in 2022 from AED126.8bn in 2021. The wholesale and retail trade sector, including motor vehicle and motorcycle repair, was the largest contributor, accounting for 24% of the total growth. Manufacturing followed with 16%, and real estate came in third with 9.7%. Construction and public administration, defense, and compulsory social security contributed 9% and 7.5%, respectively. The accommodation and food services activities sector showed the highest growth rate at 18%. Finally, the electricity, gas, and water supply sector increased by 5.9%.

(Source: Zawya)

## Saudi Arabia's economy grew 3.9% in Q1, due to non-oil activities

Saudi Arabia's economy grew by 3.9% YoY in the Q1 of 2023, according to initial government estimates of real gross domestic product (GDP). Non-oil activities saw a significant increase of 5.8% in Q1, while oil activities grew by 1.3%. The General Authority for Statistics has reported that government services activities experienced a growth rate of 4.9%. However, there was a decline in real gross domestic product (GDP) by 1.3% in Q1 of 2023 compared to the previous quarter, which was caused by a decrease of 4.8% in oil activities. The International Monetary Fund (IMF) has projected that Saudi Arabia's GDP growth will decline from 8.7% to 3.1% this year. In May, Saudi Arabia announced a reduction in oil output by 500,000 barrels per day (bpd) as part of the OPEC+ oil producers' agreement to reduce output by around 1.16 million bpd.

(Source: Nationalnews)

# GCC Fixed Income Weekly

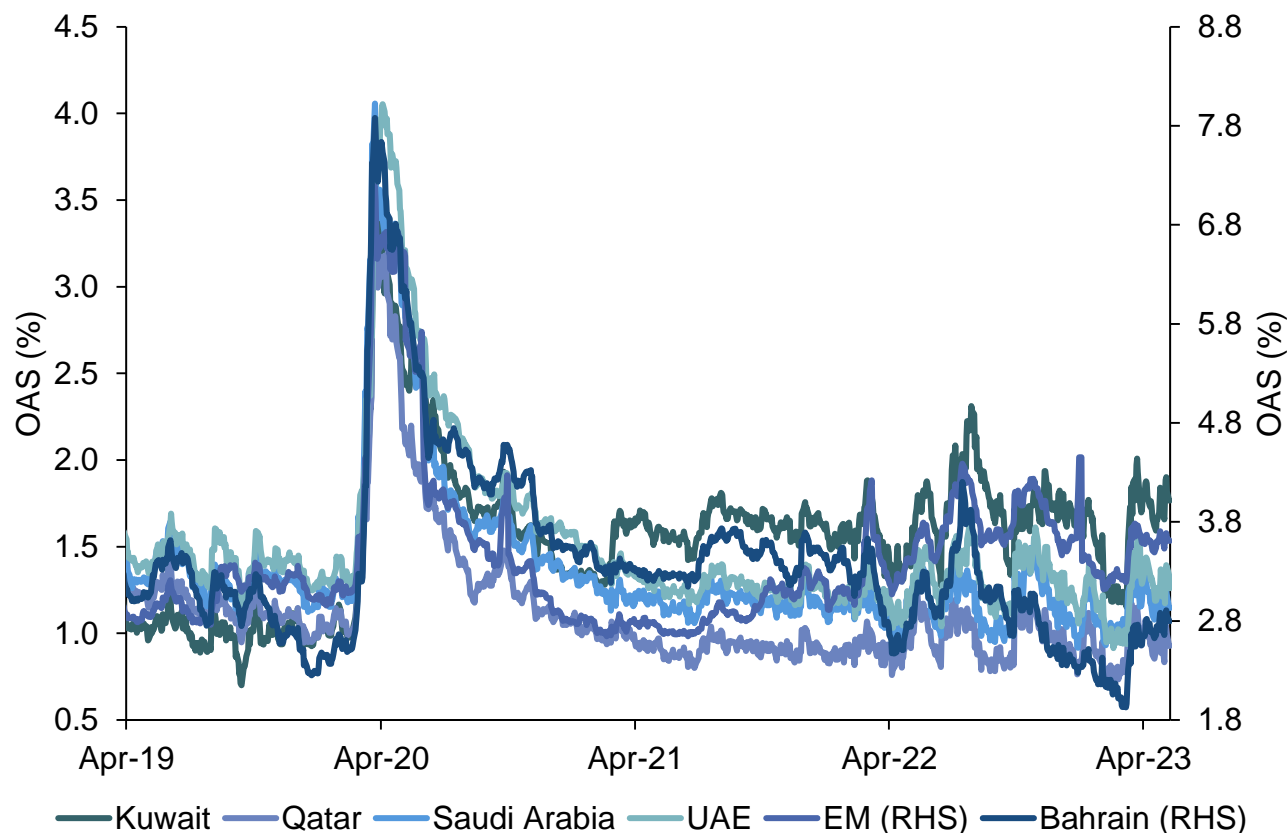
May 10 2023

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg^	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

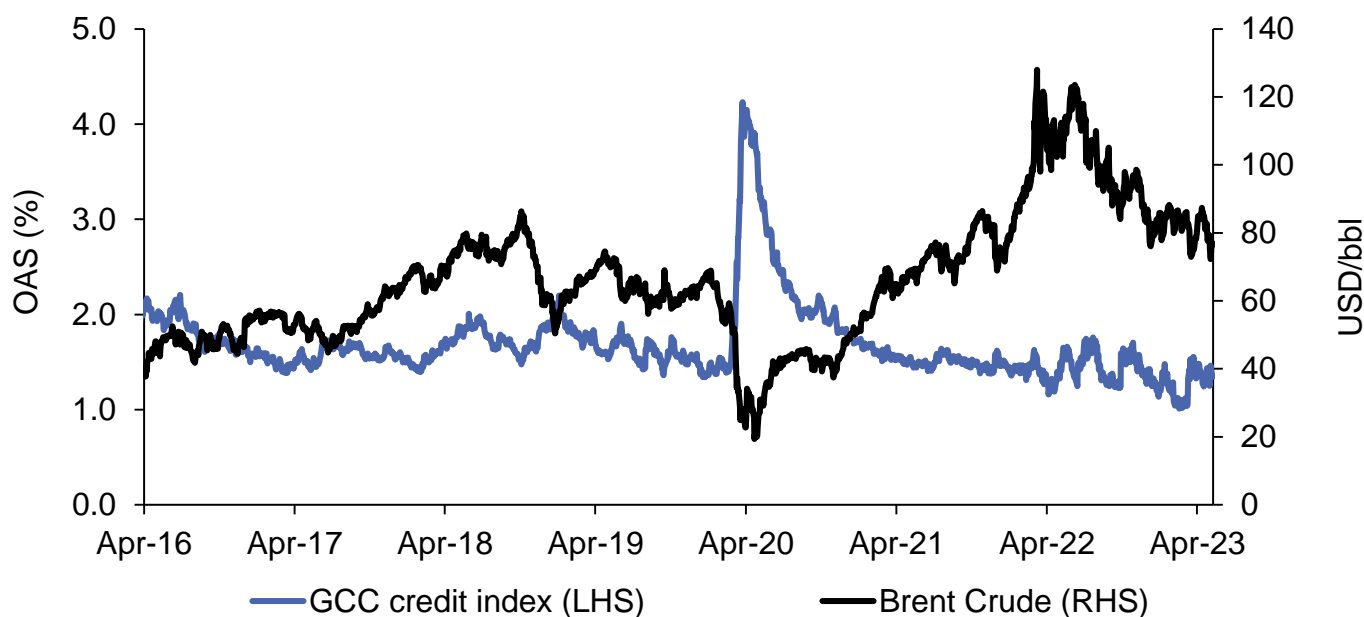
## Appendix

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



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

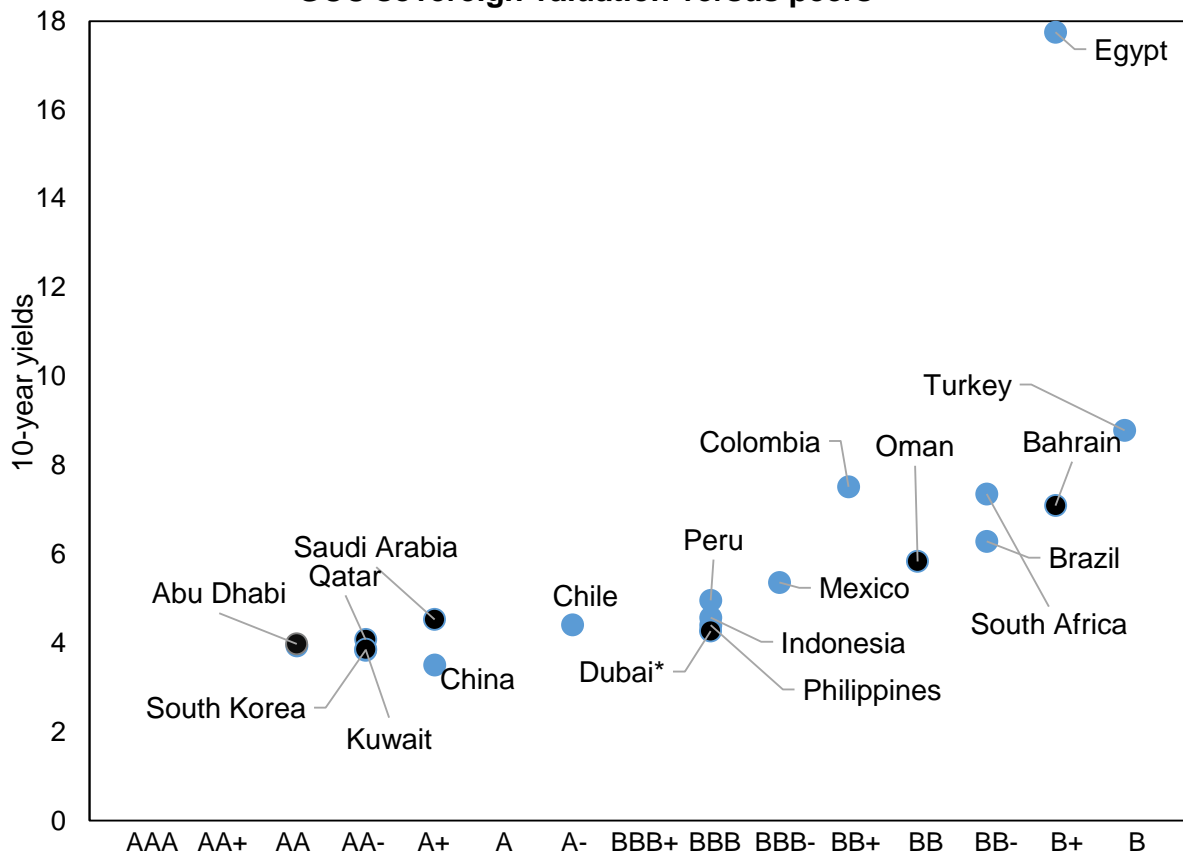
### GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

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

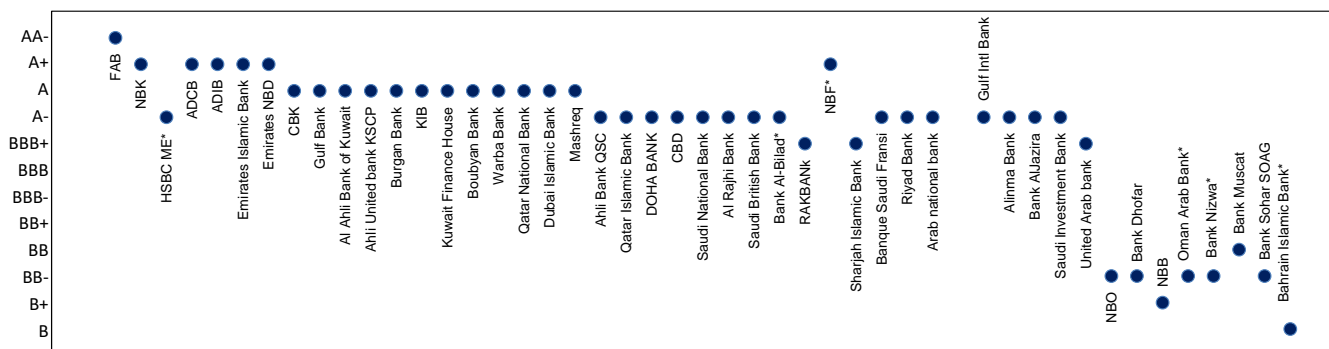
GCC sovereign valuation versus peers



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

## GCC Financials Credit Rating

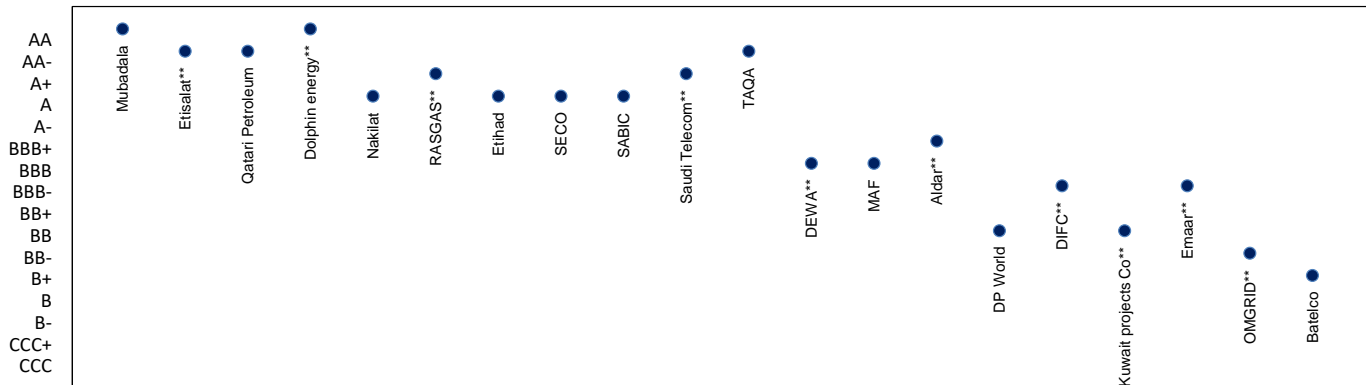
GCC Financials



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



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