

GCC Fixed Income Weekly Review

Global bond markets recorded another week of losses (*for the week ending 17th May*). The sell-off was mainly led by the corporate credit with both IG and HY coming under pressure. On the other hand, global sovereign bonds were relatively stable. The 10Y UST yields rose over the week but remained below the 3% level. In Europe, core Eurozone bond yields also edged higher over the week but peripheral bonds led the sell-off. EM bonds recorded declines with the continued volatility in UST market and stronger USD bias.

GCC bonds mostly posted gains last week. Saudi Arabia bond index was the best performer, followed by other better-rated sovereign peers. Bahrain, on the other hand, was the worst performer. Similarly, CDS spreads widened the most in lower-rated sovereigns but tightened in Dubai. In the USD sovereign market, bond yields declined in Saudi Arabia, Abu Dhabi, Oman, and Qatar. Abu Dhabi saw the largest decline in bond yields. On the other hand, yields rose in Bahrain the most.

The non-oil private sector in Dubai grew strongly in the first month after Expo 2020, led by a sharp improvement in output levels, according to the latest survey released. **The Purchasing Managers' Index (PMI) in Dubai fell in April, from 55.5 to 54.7**, its first decline since January, but remained above the 50 level indicating strong economic momentum. **The Saudi economy posted the highest quarterly fiscal surplus with SR57.49bn in over six years** in the first quarter of the 2022. According to a report by the Ministry of Finance, **this is estimated to 63.82% of the total surplus of SR90.09bn in the 2022 budget.**

In corporate issuances, **the UAE raised USD1.5bn in its inaugural auction of the dirham denominated federal treasury bonds as part of the AED9bn issuance programme for treasury bonds through 2022. The sale was oversubscribed by over 6.3 times.**

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aaa2	Baa1	A1	Ba2	Ba3	Aa3	B3
Fitch	A	AA	-	AA	B+	BB-	AA-	B+

GCC Fixed Income Weekly Snapshot

BBG Barclays				Interest rates			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1,080.1	-0.5	-14.7	3M interbank			
EM LatAm TR	923.4	-0.7	-12.9	Saudi	2.59	-2.41	168.58
EM EMEA TR	322.5	-0.0	-19.7	UAE	1.45	0.8	108.3
EM Asia TR	586.2	-0.7	-11.0	Kuwait	1.88	0.0	37.50
Bahrain TR	171.2	-0.2	-4.4	Bahrain	2.58	0.9	105.9
Oman TR	129.7	-0.0	-5.6	Oman	2.36	38.4	23.20
Kuwait TR	141.6	0.0	-5.8	Qatar	1.15	-	2.5
Qatar TR	130.8	0.4	-11.9	US	1.46	3.31	-
Saudi Arabia TR	134.7	0.6	-11.7	12M interbank			
UAE TR	133.0	0.3	-10.0	Saudi	3.14	5.9	208.4
5Y Sov. CDS				UAE	2.57	-4.33	183.46
	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.38	-6.3	37.5
Saudi Arabia	68.3	1.8	1.8	Bahrain	3.54	0	177.50
Abu Dhabi	66.9	1.3	1.3	Oman	3.08	17.2	6.2
Dubai	124.4	-0.6	-0.6	Qatar	1.85	-	52.50
Kuwait	68.1	2.0	2.0	10Y yield			
Bahrain	335.07	14.3	14.3	Saudi Arabia	3.97	-6.1	148.5
Oman	265.0	9.5	9.5	Abu Dhabi	3.69	-7.20	167.30
Qatar	67.4	1.7	1.7	Dubai	4.19	0.2	164.5
Egypt	884.2	4.0	4.0	Kuwait	3.28	1.50	163.10
Turkey	708.7	17.8	17.8	Bahrain	7.30	11.5	145.5
US	19.1	-	-	Oman	6.28	-6.10	131.50
Germany	13.9	-0.2	-0.3	Qatar	3.72	-8.4	161.3

Note: *Dewa rating used as proxy, data from 11th May 2022 to 17th May 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

The non-oil private sector in Dubai grew strongly in April

Dubai's private sector grew strongly in the first month after Expo 2020, led by a sharp improvement in output levels. Dubai's Purchasing Managers' Index (PMI) fell in April, from 55.5 to 54.7, its first decline since January. But the PMI remained above the 50 level for the 17th consecutive month. In April, the Output Index remained strong and, despite a slight decrease from the previous month, the growth rate was the second-fastest growth rate seen since July 2019. This was due to the economy recovering from COVID-19 measures and an increase in customer sales.

(Source: Zawya)

The Saudi economy posts its largest quarterly surplus in six years

Saudi Arabia posted the highest quarterly fiscal surplus in over six years with SR57.49bn in the first quarter of the 2022. According to a report by the Ministry of Finance, this is estimated to 63.82% of the total surplus of SR90.09bn in the 2022 budget. The actual revenues in the first quarter of the year totalled SR277.96bn, increasing 36%yoy while expenditures grew by 4%yoy to SR220.47bn. The total oil revenues amounted to SR183.7bn in the third quarter, up to 58%yoy over the same period last year, while non-oil revenues increased by SR94.26bn, up 7%yoy. Health and social development spending amounted to SR37.73bn, equivalent to 27% of its approved budget for 2022, which is SR138.24bn.

(Source: Zawya)

The first auction of UAE federal treasury bonds generates bids worth USD2.6bn

The UAE federal government raised AED1.5bn in its inaugural auction of the dirham denominated treasury bonds as part of the AED9bn issuance programme for UAE federal government treasury bonds through 2022. The sale was oversubscribed by over 6.3 times, with the auction receiving bids worth AED9.4bn. The strong demand was evident across both tranches, with a final allocation of AED750mn for the two-year tranche, and AED750mn for the three-year tranche. The lowest bid for the two-year tenor was 2.88%, the weighted average bids at 2.96% and the final uniform coupon rate fixed at 3.01%. The lowest bid for the 3-year tenor was at 2.95%, the weighted average bids at 3.09% and final uniform coupon rate fixed at 3.24%. The first auction will be followed by a series of subsequent periodic auctions, in line with the proposed 2022 issuance plan. The UAE federal government has indicated that the securities will be issued initially in 2-, 3-, and 5-year tenures, followed by a 10-year bonds later.

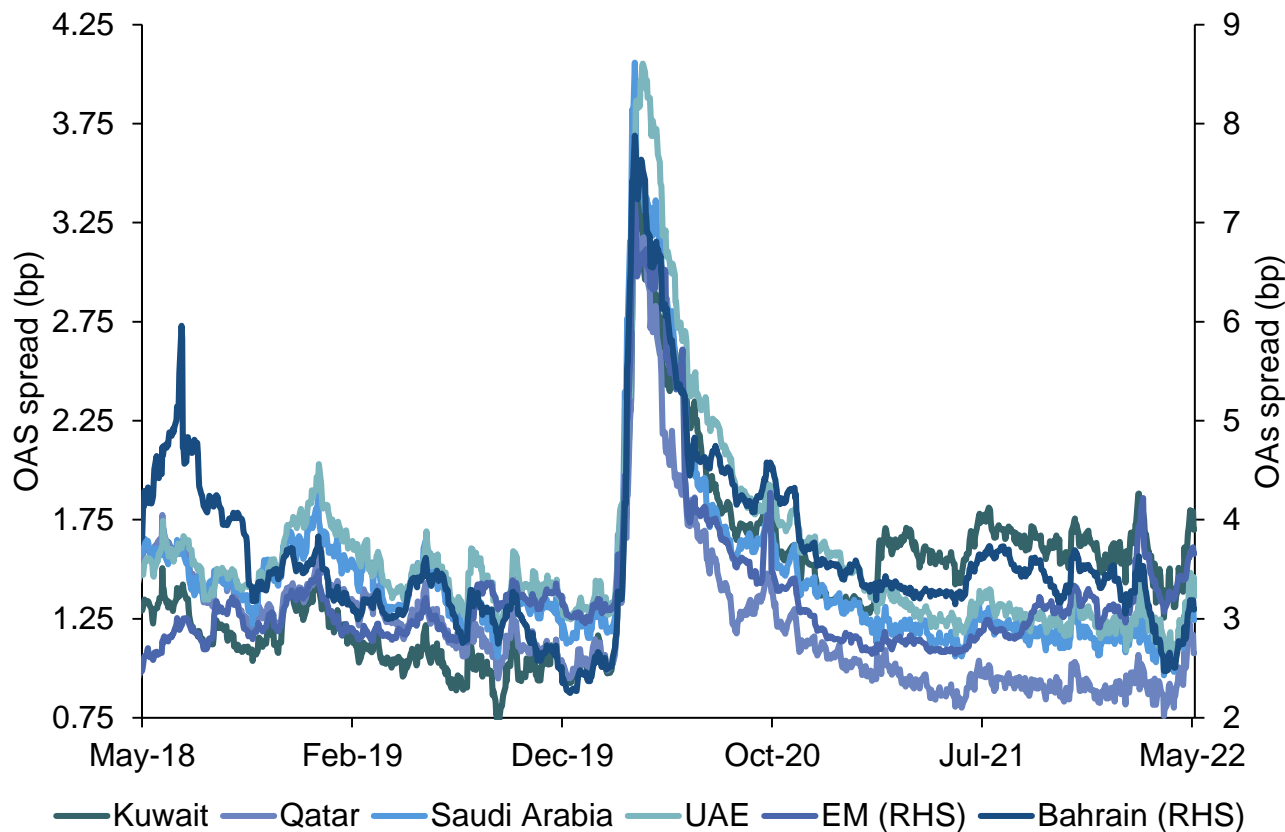
(Source: Zawya)

Issuer	BBG	Sector	C ou nt	Issue Amt*	Cpn	Maturity	Maturity Type	Curre ncy	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
Boubyan Sukuk Ltd	BOUSUK	Financial Institutions	KW	500	3.389	3/29/2027	AT MATURITY	USD	3/29/2022	A	3.45	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	500	3.5	3/31/2027	AT MATURITY	USD	3/31/2022	A+	3.78	-
Sharjah Sukuk Program Ltd	SHARSK	Sovereign	AE	750	3.886	4/4/2030	AT MATURITY	USD	4/4/2022	BBB-	4.08	-
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	543.855	1.625	4/7/2027	AT MATURITY	EUR	4/7/2022	AA-	1.90	-
UAE Government Bond	UAEGB	Government	AE	750	3.01	5/11/2024	AT MATURITY	AED	5/9/2022	AA-	2.85	-
UAE Government Bond	UAEGB	Government	AE	750	3.24	5/11/2025	AT MATURITY	AED	5/9/2022	AA-	3.07	-

*Amount Issued in USDmillion, 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

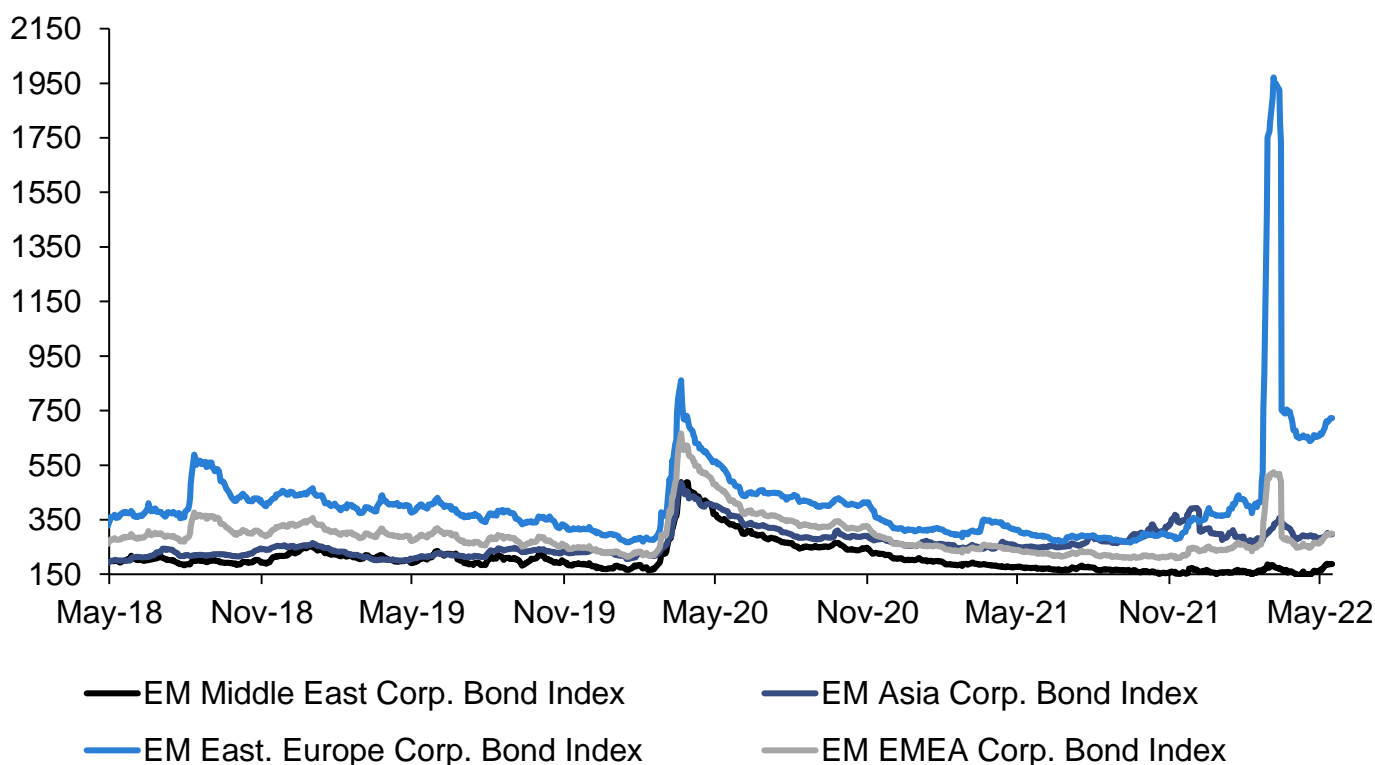
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



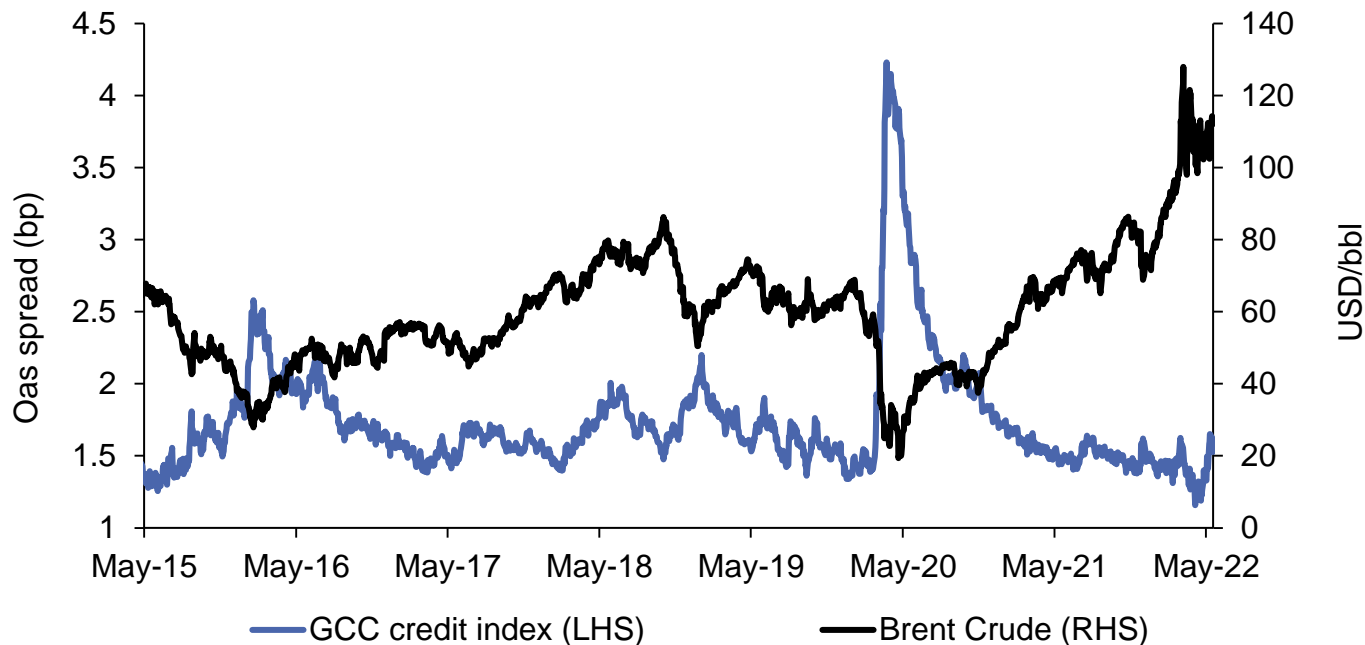
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB

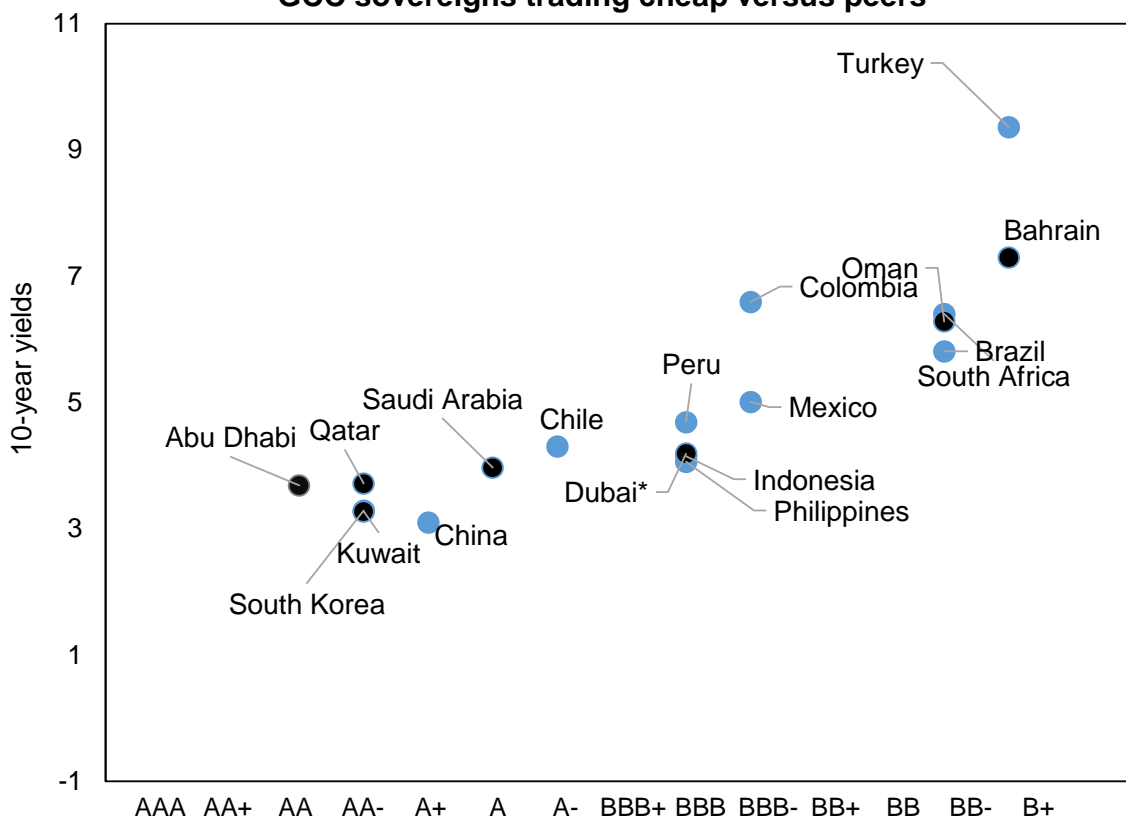
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

10yr yield versus Credit ratings (EM vs GCC)

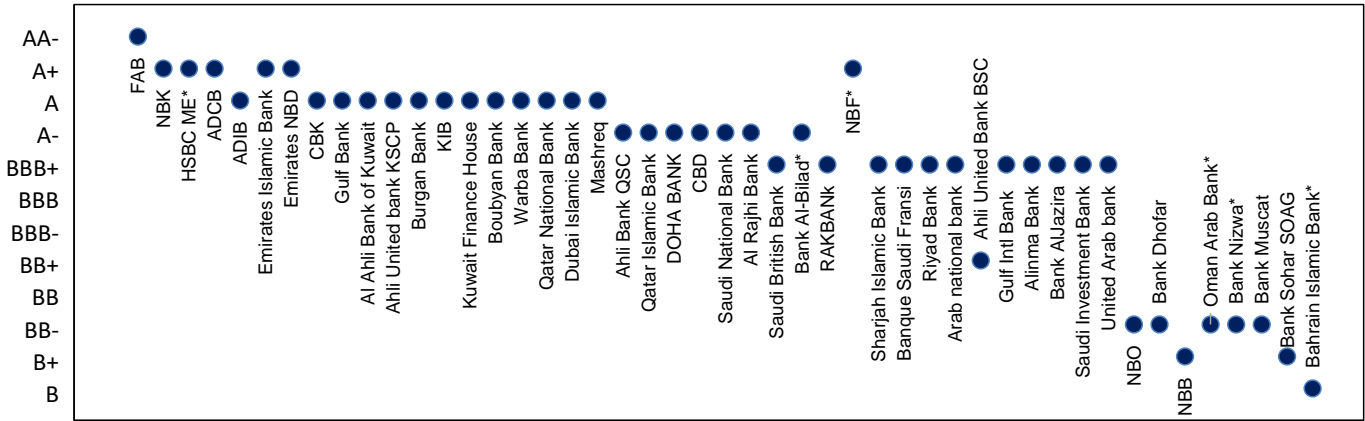
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

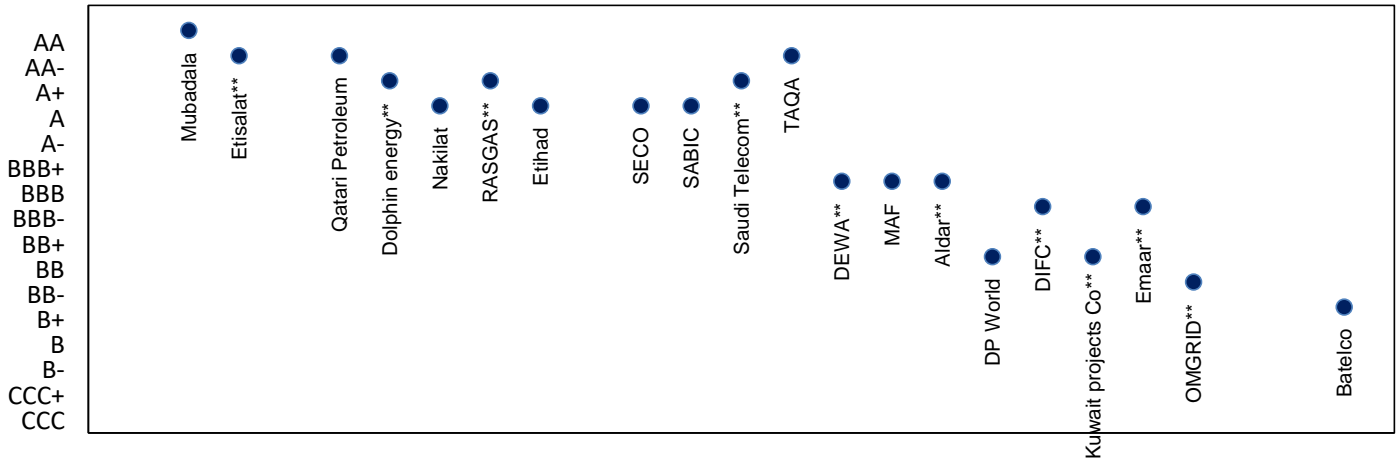
GCC Financials



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

Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTT News
4. Reuters
5. Gulfbase
6. Zawya

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