

GCC Fixed Income Weekly Review

Global benchmark bond index posted gains over the week (ending 24th May 2022), paring some of the previous losses. The gains were driven by the performance of the US Treasuries. US IG also performed well over the week. European bond yields declined over the week, but the decline was lower compared to that in UST yields. UK gilt yields ended the week flat after rising to the highest level since 2015. EM USD bonds recovered with the decline in UST yields and weaker dollar bias.

Appetite for the GCC bonds was strong over the week. Qatar, Saudi Arabia, and UAE outperformed the most. 5yr Sovereign GCC spreads widened in Dubai, Kuwait, and Bahrain while tightened in Abu Dhabi and Qatar. In the USD bond market, the 10yr bond yields declined across all GCC countries, barring Dubai where the yields were mostly unchanged. Oman saw the largest drop in 10yr bond yields.

Oman's economy is on the path of recovery according to the latest financial indicators for the first quarter of 2022. Dr. Nasser (*The Undersecretary of the Ministry of Economy*), said that the opportunities for a comprehensive economic recovery had improved, especially for the sectors most affected by the pandemic. Meanwhile, the state's surplus of OMR357mn in its general budget in 2021, will help bring liquidity to the private sector, which will support economic and commercial activity. The IMF expects the GDP to grow by about 5.6% this year, underpinned by growth in the oil sector and non-oil sector of 8% and 2%, respectively. **In Saudi Arabia**, the Finance Minister Mohammed Al-Jadaan expects **Saudi Arabia's economy to grow by 7.4% in 2022.** Elsewhere, **Fitch ratings has affirmed Bank of Sharjah at 'BBB+' with a stable Outlook for the second year in a row**, citing bank's solid position and franchise in the industry.

In corporate issuances, **Arada Developments is planning to launch its first US dollar-denominated Islamic bonds.** The deal would represent the first dollar bond to be sold out of the Gulf since Sharjah raised USD750mn in March, also through sukuk.

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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

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1,088.3	0.7	-14.1	Saudi	2.78	17.01	187.42
EM LatAm TR	929.3	0.8	-12.3	UAE	1.58	6.4	121.4
EM EMEA TR	324.9	0.7	-19.1	Kuwait	1.88	-6.3	37.50
EM Asia TR	591.4	0.5	-10.2	Bahrain	2.64	4.98	111.9
Bahrain TR	171.8	0.3	-4.0	Oman	2.24	-12.4	11.00
Oman TR	130.2	0.4	-5.3	Qatar	1.15	-	2.5
Kuwait TR	141.9	0.2	-5.6	US	1.52	4.59	-
Qatar TR	132.8	1.4	-10.5	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	136.4	1.3	-10.6	Saudi	3.25	8.9	219.2
UAE TR	134.0	0.7	-9.3	UAE	2.50	-11.26	175.68
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.44	0.0	43.8
Saudi Arabia	69.0	-0.6	-0.6	Bahrain	3.54	0	177.50
Abu Dhabi	67.4	-1.0	-1.0	Oman	3.00	-9.8	-1.8
Dubai	127.2	2.6	2.6	Qatar	1.85	-	52.50
Kuwait	75.1	6.0	6.0	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	341.66	2.6	2.6	Saudi Arabia	3.81	-19.2	132.4
Oman	271.1	0.9	0.9	Abu Dhabi	3.47	-19.70	145.60
Qatar	68.7	-0.8	-0.8	Dubai	4.21	1.0	166.6
Egypt	882.8	-11.3	-11.3	Kuwait	3.18	-9.40	153.60
Turkey	735.5	17.5	17.5	Bahrain	7.09	-15.7	125.2
US	19.6	0.6	0.6	Oman	6.17	-20.00	120.00
Germany	13.4	-0.8	-0.8	Qatar	3.49	-21.7	138.9

Note: *Dewa rating used as proxy, data from 18th May 2022 to 24th May 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Oman's economy on the path of recovery

Oman's economy is on the path of recovery according to the latest financial indicators for the first quarter of 2022. The state general budget recorded a surplus of OMR357mn in 1Q 22, highlighting that the government's efforts and measures to rein in the budget deficit have been successful amidst the rise in oil prices globally. The Undersecretary of the Ministry of Economy- Dr Nasser, said that the opportunities for a comprehensive economic recovery had improved, especially for the sectors most affected by the pandemic and the budget surplus will help bring liquidity to the private sector, which will support economic and commercial activity. He added the current level of oil prices and the increase in production in Oman have helped speed up economic recovery, as production averaged 1,025bpd in the first quarter of this year, supporting a positive outlook for the oil sector. The IMF expects the GDP to grow by about 5.6% this year, underpinned by growth in the oil sector and non-oil sector of 8% and 2% respectively, the highest expected growth rate amongst the GCC countries.

(Source: Zawya)

Saudi Arabia expects economic growth of 7.4% in 2022

Finance Minister Mohammed Al-Jadaan expects that Saudi Arabia will grow by 7.4%yoy in 2022. He also forecasted that inflation in the country would be between 2.1% and 2.3% by the end of the year. He also ruled out any immediate plans of transferring funds to the Public Investment Fund (PIF).

(Source: Zawya)

Fitch Ratings has affirmed Bank of Sharjah at 'BBB+' with a Stable Outlook

Fitch Ratings has affirmed UAE-based Bank of Sharjah P.J.S.C.'s Long-Term Issuer Default Rating (IDR) at 'BBB+' with a stable Outlook for the second year in a row. The bank's rating was affirmed due to its position and franchise in the industry, which is supported by access to Sharjah's businesses and projects. As of end of 3Q 2021, the bank had net liquid assets totalling 26% of total customer deposits.

(Source: Zawya)

Arada Developments planning to launch its first dollar sukuk

Arada Developments, one of the largest developers in the Emirate of Sharjah, has hired banks to launch its first U.S. dollar-denominated Islamic bonds. The deal would represent the first dollar bond to be sold out of the Gulf since Sharjah raised USD750mn in March, also through sukuk. Investor calls will take place over the week for the issuance of a benchmark five-year sukuk, depending to market conditions. Arada is owned 40% by Basma Group, controlled by Sheikh Sultan bin Ahmed Al Qasimi, Sharjah's deputy ruler, and 60% by Corporation KBW Investments, which is controlled by Prince Khaled bin Alwaleed Al Saud. Arada had USD251mn in debt, of which USD118.68mn matures this year, and USD128mn in cash at the end of 2021.

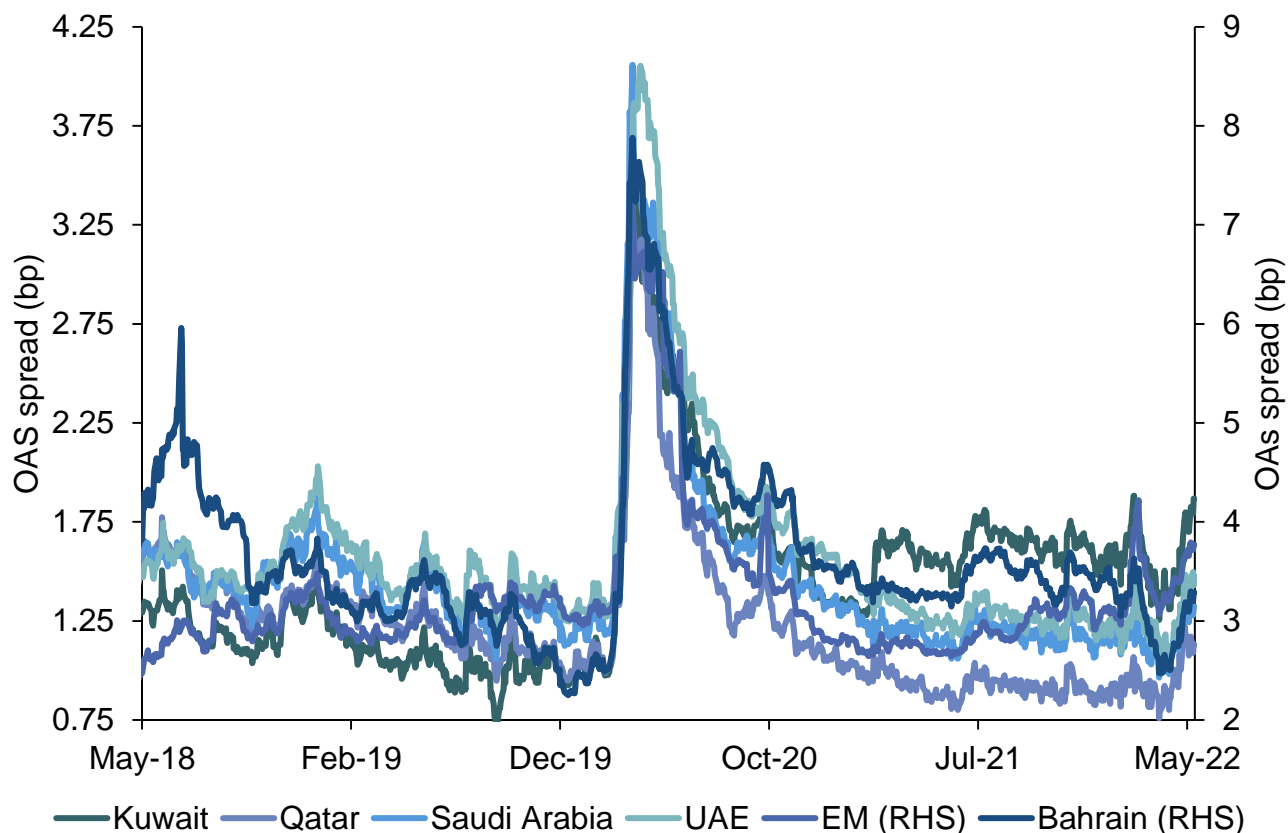
(Source: Reuters)

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 US\$million, 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

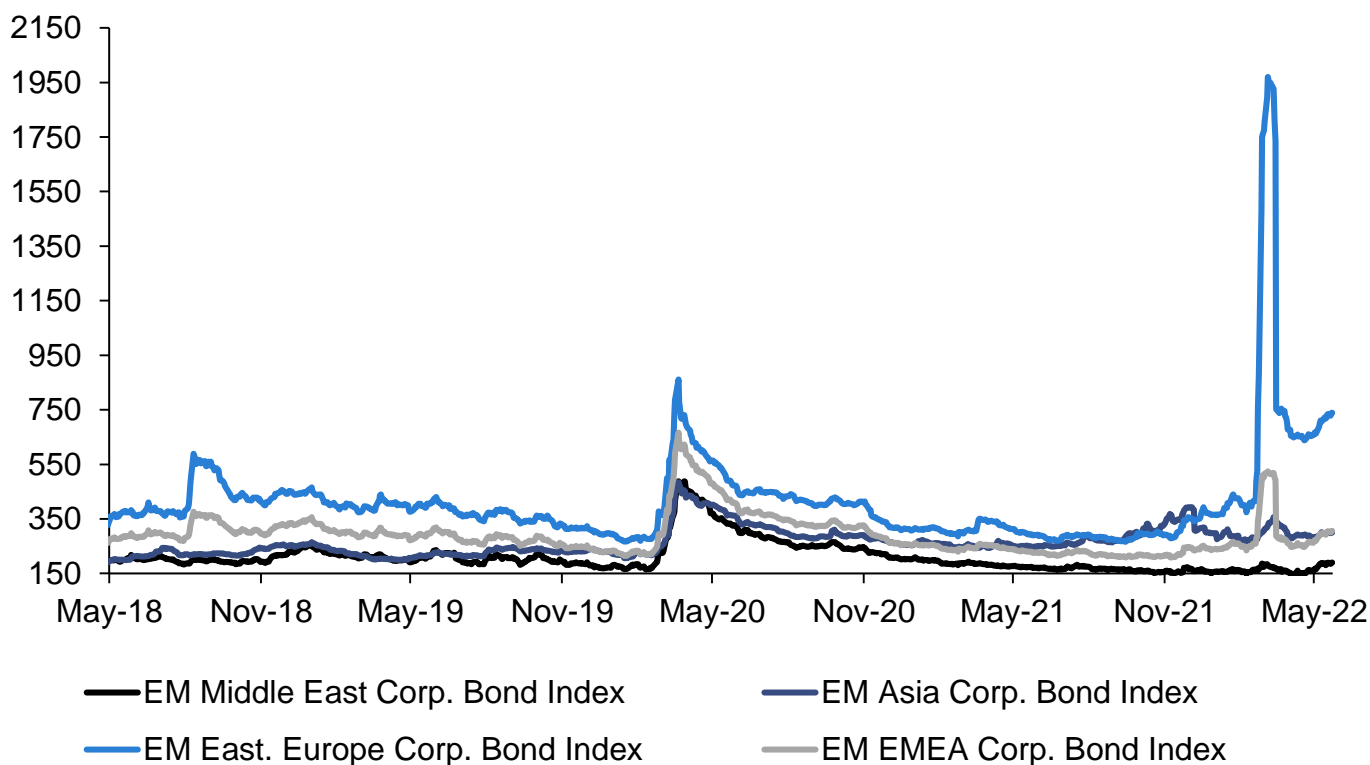
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



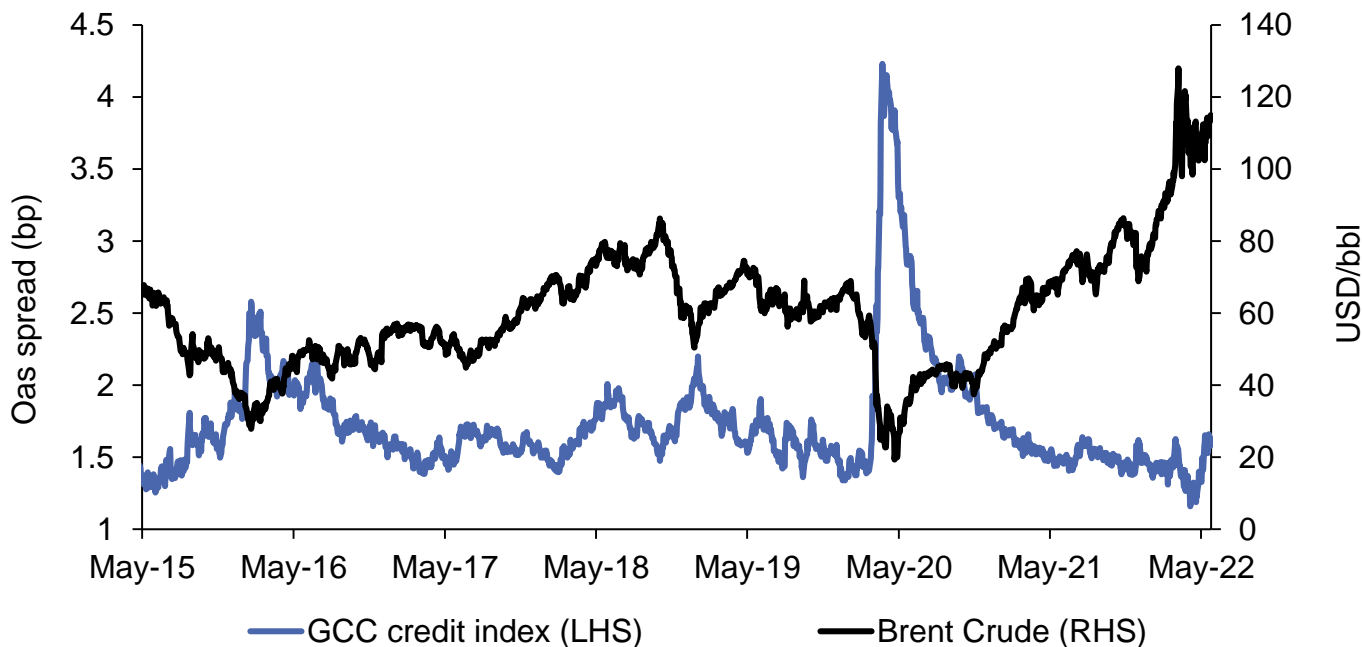
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB

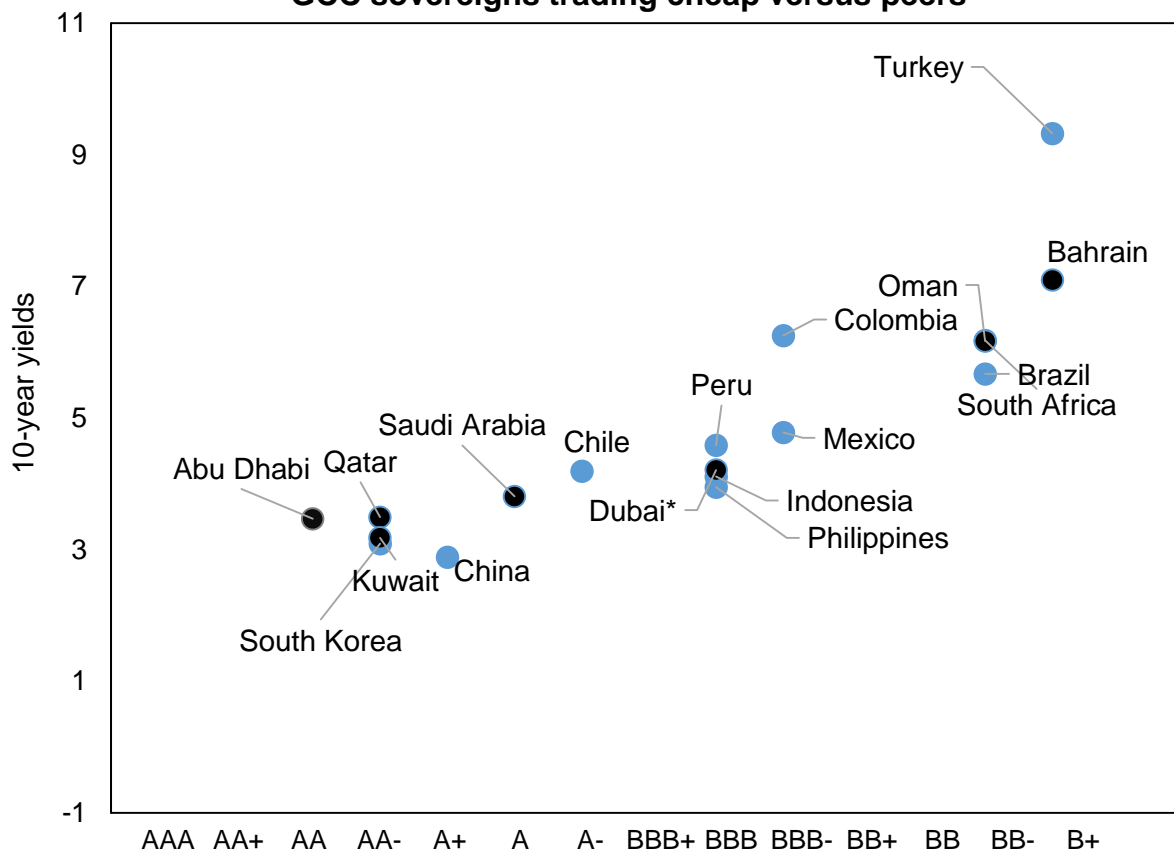
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

10yr yield versus Credit ratings (EM vs GCC)

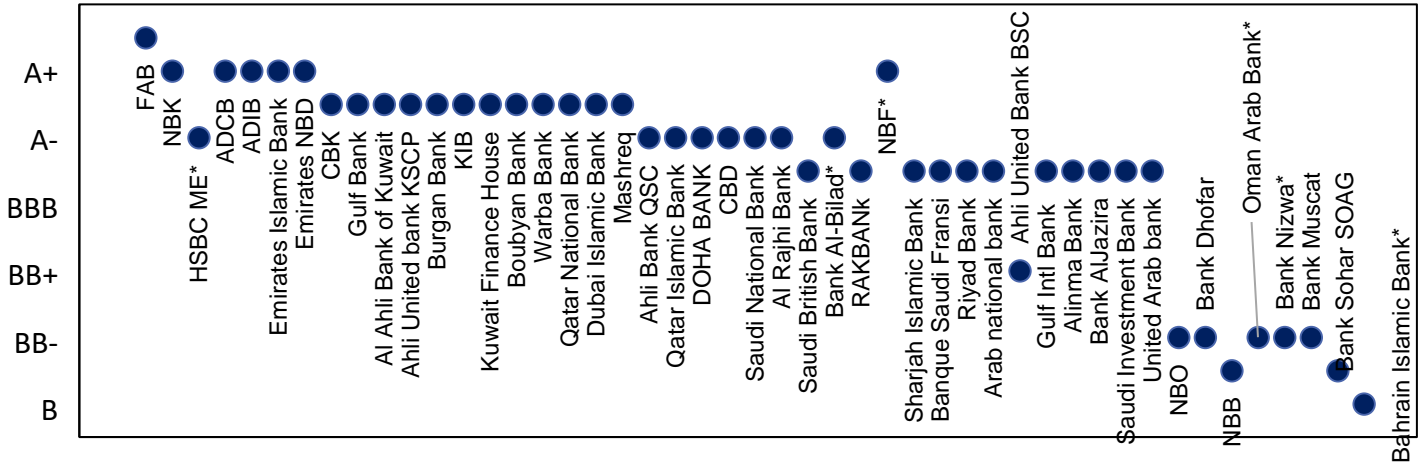
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

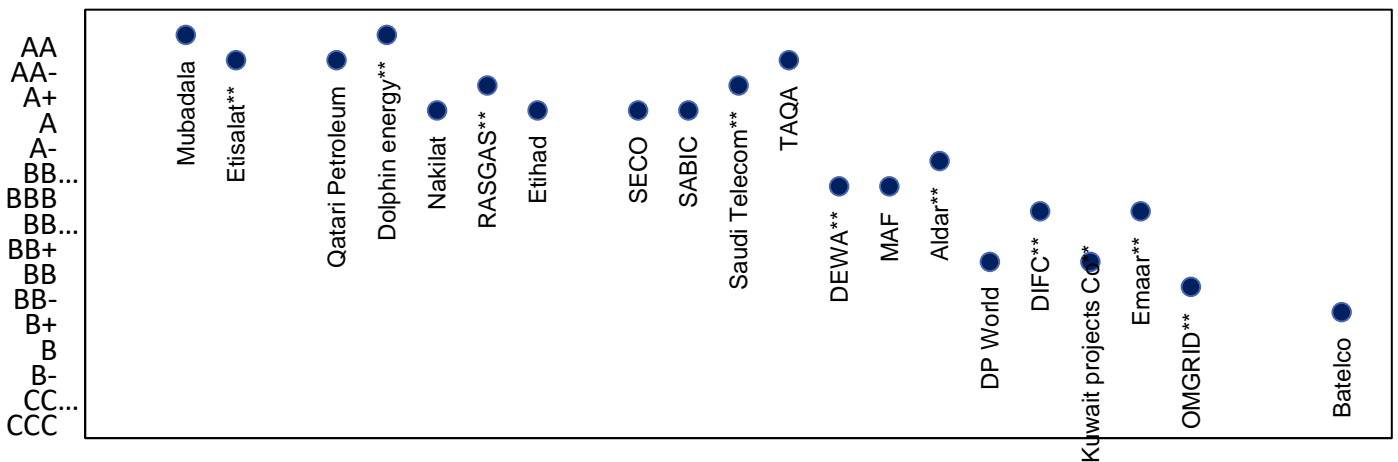
GCC Financials



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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