

GCC Fixed Income Weekly Review

Global benchmark bond index posted gains over the week (ending 7th November 2023). 10Y UST yields fell after data showed US job growth slowed more than expected in October. Eurozone government bond yields fell over the week, with inflation surprising on the downside. In credit, Global corporate IG and HY ended the week with gains. EM USD bonds had a positive week, recording gains over the week, led by LatAM.

Appetite for GCC bonds improved over the week. All GCC bond indices recorded positive returns. Qatar and Saudi Arabia were the best performers. 5yr CDS spreads tightened across all GCC countries. 10yr bond yields dropped across all GCC countries, the most in Bahrain and Oman.

GCC central banks followed Fed's decision to leave interest rates unchanged. UAE's non-oil business activity jumped in October due to a surge in new orders. **The UAE Purchasing Managers' Index increased from 56.7 in September to 57.7 in October.** Separately, **the UAE's GDP grew 3.7% in H1'2023**, as non-oil sector growth vastly outperformed overall growth. Non-oil growth surged 5.9% in the first six months of 2023, according to the economy minister of UAE. In Dubai, H.H Sheikh Mohammed bin Rashid Al Maktoum, **has approved the Government of Dubai's general budget for the 2024-2026 fiscal cycle, featuring total expenses of AED246.6bn.** Additionally, His Highness has granted approval to the General Budget of the Dubai Government for the 2024 fiscal year, **which encompasses expenses projected at AED79.1bn.** Elsewhere, **The Saudi Arabia Purchasing Managers' Index (PMI) rose from 57.2 in September to 58.4 in October.** Separately, Saudi Arabia recorded a budget deficit of SAR35.8bn (USD9.54bn) in Q3' 23. This was due to a drop in oil revenue, according to the finance ministry.

Ittihad international investment has issued international bonds with the coupon rate of 9.75%, valued at USD350mn, set to mature in 2028. Abu Dhabi Islamic Bank (ADIB) plans to issue a USD500mn dollar-denominated senior unsecured green sukuk.

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba2	Aa3	Caa1
Fitch	A+	AA	-	AA-	B+	BB+	AA-	B-

Note: *Dewa rating used as proxy

GCC Fixed Income Weekly Snapshot

	Latest	-1w %	YTD %	Interest rates	Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	1089.7	1.64	1.5	Saudi	6.3	7.65	99.7
EM LatAm TR	934.2	1.87	1.4	UAE	5.5	-2.24	123.7
EM EMEA TR	327.3	1.73	1.4	Kuwait	4.3	0.00	31.3
EM Asia TR	586.5	1.32	1.5	Bahrain	6.7	0.99	51.5
Bahrain TR	182.8	2.02	3.6	Oman	6.0	-	133.3
Oman TR	141.5	2.18	4.3	Qatar	6.0	0.00	75.0
Kuwait TR	143.7	0.45	2.7	US	5.6	-2.38	87.6
Qatar TR	125.7	1.96	-2.6	12M interbank			
Saudi Arabia TR	129.9	1.96	-2.2	Saudi	6.2	-2.52	32.4
UAE TR	130.6	1.31	-0.9	UAE	5.6	0.51	52.1
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	-6.25	12.5
Saudi Arabia	64.4	-5.10	1.0	Bahrain	6.8	-1.86	22.2
Abu Dhabi	47.1	-5.30	-0.6	Oman	6.1	-	119.0
Dubai	79.9	-6.40	-14.1	Qatar	6.3	0.00	50.0
Kuwait	59.5	-4.60	-1.1	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	243.0	-15.80	-16.9	Saudi Arabia ^{^^}	5.5	-31.70	70.9
Oman	143.4	-15.40	-47.6	Abu Dhabi	5.0	-30.90	77.1
Qatar	56.0	-5.10	6.1	Dubai	5.4	-19.50	93.6
Egypt	1608.5	-103.30	704.2	Kuwait	5.0	-17.40	120.0
Turkey	379.1	-16.20	-138.8	Bahrain	7.3	-41.40	43.3
US	54.9	1.50	27.8	Oman	6.3	-38.40	23.6
Germany	22.1	-0.30	1.4	Qatar	5.0	-26.80	82.1

data from 1st November 2023 to 7th November 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

GCC central banks hold interest rates unchanged

GCC central banks followed Fed's decision to leave interest rates unchanged. The UAE central bank maintained its base rate on overnight deposits at 5.40%. The central bank of Qatar also held the deposit rate at 5.75%, the lending at 6.25% and the repo rate at 6%.

(Source: Zawya)

UAE's non-oil business activity jumped in October due to a surge in new orders – PMI

The UAE Purchasing Managers' Index increased from 56.7 in September to 57.7 in October, it's the highest level since June 2019. The boost was fueled by strong demand, new clients, and an increase in project work. The sub-index for new orders rose to 65.2 in October. The output sub-index reached a four-month high in October, increasing from 62.8 to 63.1.

(Source: Zawya)

UAE's GDP grew 3.7% in H1' 2023

UAE's GDP grew 3.7% in H1 of 2023. The non-oil GDP growth in the UAE saw a remarkable 5.9% surge during the first half of the year, significantly outperforming the overall economic growth.

(Source: Reuters)

Dubai approved the general budget for 2024-2026 fiscal cycle.

His Highness Sheikh Mohammed bin Rashid Al Maktoum, the Vice President and Prime Minister of the UAE, has approved the Government of Dubai's general budget for the 2024-2026 fiscal cycle, featuring total expenses of AED246.6bn. Additionally, His Highness the Ruler of Dubai has granted approval to the General Budget of the Dubai Government for the 2024 fiscal year, which encompasses expenses projected at AED79.1bn.

(Source: Zawya)

Strong growth in Saudi Arabia's non-oil sector – PMI

Saudi Arabia's non-oil sector witnessed strong growth in October, leading to a notable increase in the number of jobs. The growth in new businesses has driven employment to its highest level in nine years. The Saudi Arabia Purchasing Managers' Index (PMI) increased for the second consecutive month, going from 57.2 in September to 58.4 in October, marking the highest reading since June.

(Source: Zawya)

Saudi Arabia posted a budget deficit of USD9.54bn in Q3' 23

Saudi Arabia recorded a budget deficit of SAR35.8bn (USD9.54bn) in Q3' 23. This was due to a drop in oil revenue, according to the finance ministry. The budget deficit for the first nine months of the year amounted to SAR44bn. The total revenue in Q3' reached SAR258.5bn, down 14% compared to the previous year. Oil revenue accounted for SAR147bn. Non-oil sectors are expected to grow by approximately 6% in 2023.

(Source: Zawya)

Issuer Ittihad International Investment issued international bonds

Ittihad international investment has recently issued international bonds with the coupon rate of 9.75%, valued at USD350mn, set to mature in 2028.

(Source: Bloomberg)

Abu Dhabi Islamic Bank to issue its first green sukuk

Abu Dhabi Islamic Bank (ADIB) plans to issue a USD500mn dollar-denominated senior unsecured green sukuk, and the issuance of this rated senior green sukuk offering will follow, subject to market conditions.

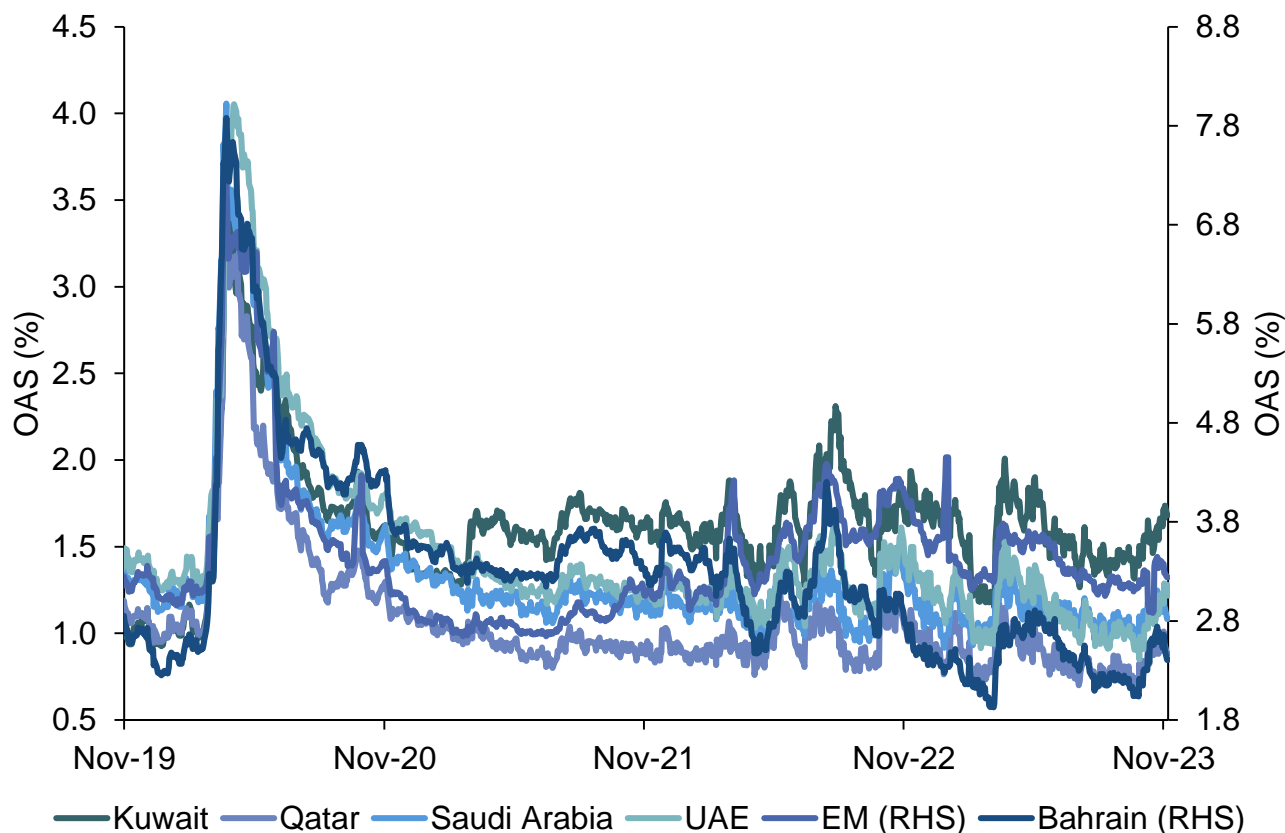
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
Emirates NBD Bank PJSC	EBIUH	Agency	AE	750	5.875	10/11/2028	AT MATURITY	USD	10/03/2023	A+	5.84	-
ALPHA STAR HOLDING	DAMACUH	Agency	AE	300	8.375	4/12/2027	AT MATURITY	USD	10/05/2023	BB	8.34	-
Suci Second Investment Co	PIFKSA	Agency	SA	2250	6	10/25/2028	AT MATURITY	USD	10/18/2023	A+	5.88	-
Suci Second Investment Co	PIFKSA	Agency	SA	1250	6.25	10/25/2033	AT MATURITY	USD	10/18/2023	A+	5.97	-
MDGH GMTN	MUBAUH	Agency	AE	750	5.875	5/1/2034	AT MATURITY	USD	10/25/2023	AA	5.99	-
ITTIHAD INTERNATIONAL IN	ITTIHADUH	Agency	AE	350	9.75	11/9/2028	AT MATURITY	USD	11/2/2023		10.31	-

*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

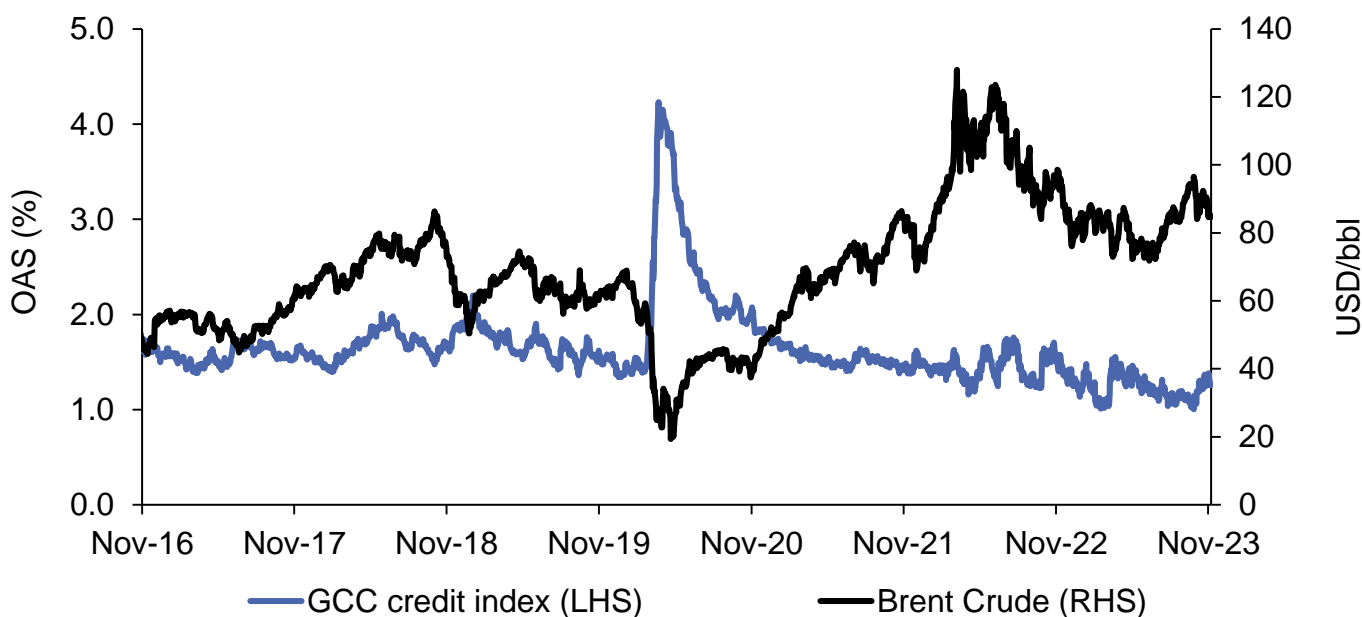
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



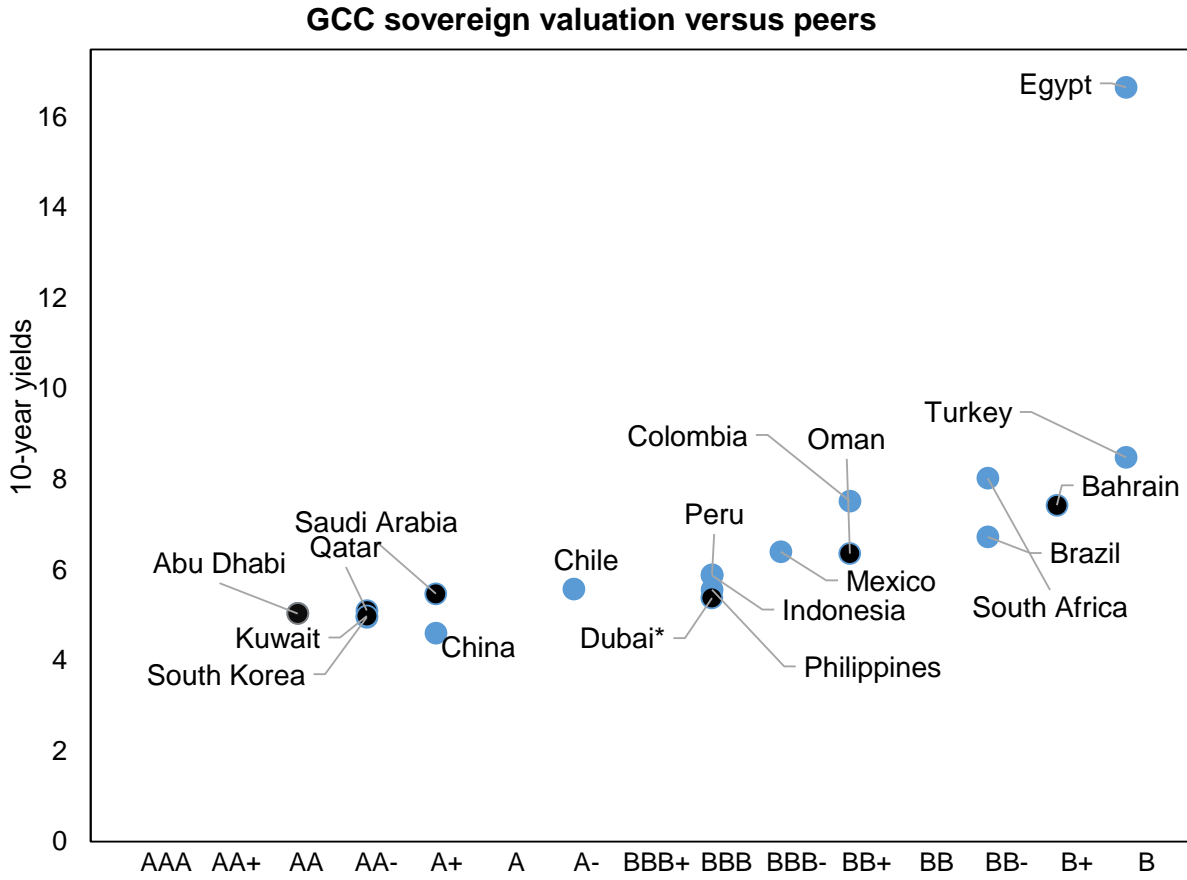
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

GCC corporate OAS spread versus Brent Crude



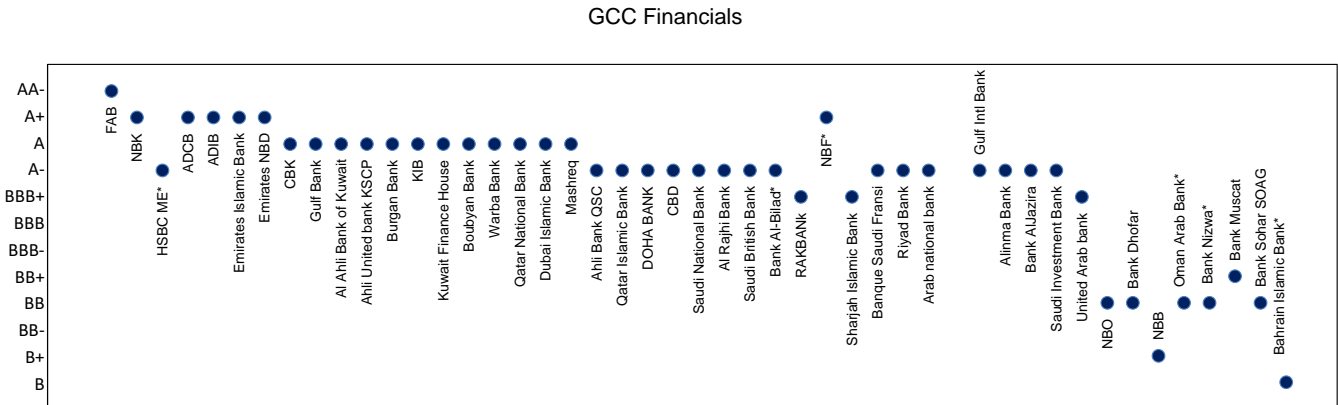
Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)



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

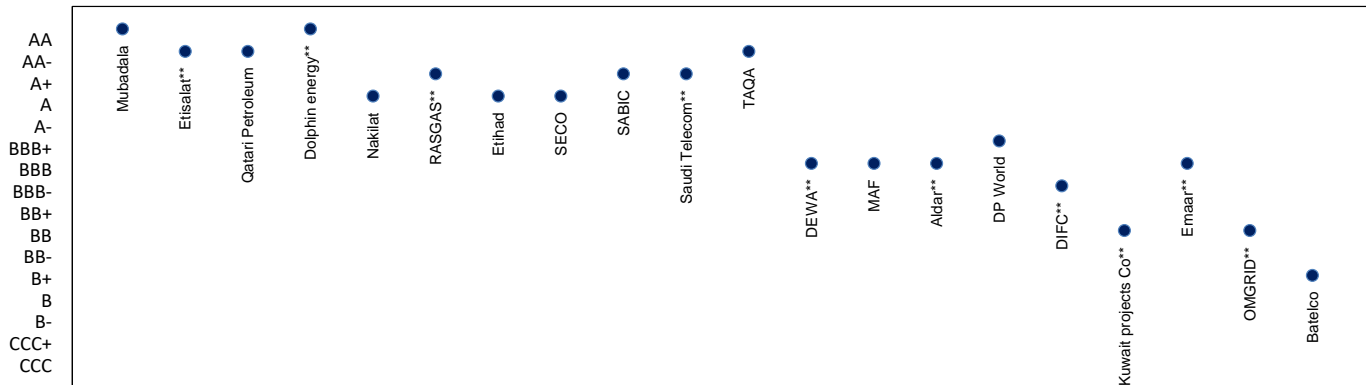
GCC Financials Credit Rating



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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