

GCC Fixed Income Weekly Review

Global benchmark bond index recorded marginal losses over the week (ending 1st November 2022). The 10yr UST yields jumped back above the 4% level, ahead of the 2nd November Fed meeting. On the other hand, UK bond yields declined over the week on expectations of lower future BoE rate hikes. The 10yr bund yields also edged lower with the ECB sounding less hawkish. In credit, corporate bonds ended the week flat. EM bond index recorded marginal gains on the back of positive performance by EM LatAm and EM EMEA.

Appetite for GCC bonds returned over the week. Bahrain outperformed while Kuwait underperformed. CDS spreads mostly tightened across GCC countries with the exception of Saudi Arabia and Kuwait. In the USD sovereign market, 10yr bond yields declined across all the GCC markets barring Dubai. 10yr USD bond yields declined the most in Bahrain by c25bp.

Saudi Arabia's non-oil private sector expanded at a faster rate in October, driven by strong demand and rising new work inflows. **The seasonally adjusted Saudi Arabia PMI jumped to 57.2 in October from 56.6 in September, rising above the series average since 2009 of 56.8.** Meanwhile, flash estimates released by the General Authority for Statistics (GaStat) showed that **Saudi Arabia's real GDP rose by 8.6% y-o-y in 3Q 2022.** Higher growth was mainly attributed to a 14.5% y-o-y rise in oil activities in 3Q 2022. Non-oil activities increased by 5.6% y-o-y in 3Q 2022.

In issuances, **the Islamic Development Bank raised USD1bn in 5yr USD sukuk.** In addition, **Saudi Arabia and Omantel conducted bond buybacks.**

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aau2	Baa2	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	1000.7	0.4	-21.0	Saudi	5.6	-6.5	472.0
EM LatAm TR	853.4	0.8	-19.5	UAE	3.9	-19.7	358.5
EM EMEA TR	303.4	0.7	-24.5	Kuwait	3.3	6.3	181.3
EM Asia TR	536.2	-0.2	-18.6	Bahrain	5.3	10.3	380.1
Bahrain TR	167.3	0.9	-6.5	Oman	3.7	11.8	153.6
Oman TR	128.6	0.7	-6.4	Qatar	2.5	-	132.5
Kuwait TR	136.2	0.2	-9.4	US	4.5	8.6	-
Qatar TR	122.8	0.7	-17.2	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	125.1	0.7	-18.0	Saudi	6.3	13.8	524.2
UAE TR	125.2	0.4	-15.3	UAE	4.8	14.4	409.0
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	3.9	6.3	193.8
Saudi Arabia	70.4	1.6	18.5	Bahrain	6.2	-0.3	445.8
Abu Dhabi	60.9	-0.5	16.6	Oman	4.0	9.4	97.0
Dubai	127.1	-4.1	27.9	Qatar	2.8	-	142.5
Kuwait	83.3	1.2	34.5	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	287.2	-11.3	-16.8	Saudi Arabia	5.1	-13.5	265.0
Oman	238.6	-13.6	-20.3	Abu Dhabi	4.8	-3.2	278.5
Qatar	61.2	-1.6	16.0	Dubai	4.9	14.3	237.5
Egypt	1173.0	-12.2	664.5	Kuwait	4.6	-9.5	293.6
Turkey	664.3	-16.6	95.5	Bahrain	8.1	-25.4	223.2
US	30.8	0.4	17.9	Oman	6.9	-8.4	192.0
Germany	28.9	0.9	18.8	Qatar	4.9	-3.0	275.8

Note: *Dewa rating used as proxy, data from 26th October 2022 to 1st November 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Saudi non-oil private sector activity expanded in October- PMI

Saudi Arabia's non-oil private sector expanded at a faster rate in October, driven by strong demand and rising new work inflows. The seasonally adjusted Saudi Arabia PMI jumped to 57.2 in October from 56.6 in September, rising above the series average since 2009 of 56.8. The output sub-index rose to 61.3 in October from 59.5 in September, while the employment sub-index declined to 50.2 from 50.5 but recorded a seventh consecutive month of growth.

(Source: Reuters)

Saudi Arabia's GDP rose by 8.6% in 3Q22 according to flash estimates

Saudi Arabia's real GDP rose by 8.6% y-o-y in 3Q 2022, according to flash estimates released by the General Authority for Statistics (GaStat). Higher growth is mainly attributed to a 14.5% y-o-y rise in oil activities in 3Q 2022. Non-oil activities increased by 5.6% y-o-y in 3Q 2022, while government services activities grew by 2.4% y-o-y in 3Q 2022. On a quarterly basis, the oil activities jumped by 5.8% q-o-q, compared to a 4.8% q-o-q rise in 2Q 2022, while the government services activities grew by 1.1% q-o-q, higher than 0.2% q-o-q in the previous quarter. Meanwhile, the non-oil activities rose by 0.2% q-o-q in 3Q 2022, versus a 0.4% q-o-q decline in 2Q 2022.

(Source: Zawya)

Islamic Development Bank sold new 5yr dollar sukuk

The Islamic Development Bank raised USD1bn in 5yr USD-denominated sukuk. The sukuk was priced at mid swap spread of 62bp, while the initial price guidance was at around mid-60s bp. The Jeddah-based multilateral lender last tapped the market in April, raising USD1.6bn in 5yr sukuk.

(Source: Zawya and Bloomberg)

Omantel announced buy back of over USD350mn of its bonds

Oman Telecommunications, a state-owned telecommunications company of Oman, announced its plans to buy back more than USD350mn of its existing bonds for cash. Omantel had earlier made a tender offer to holders of its USD600mn bonds due in 2023 and USD900mn bonds maturing in 2028. It announced to buy back just over USD140.5mn of the 2023 notes and just over USD211mn of the 2028 paper. The settlement date for the notes accepted for purchase was 24 October 2022. The tender offer will expire on 1 November 2022. The final settlement date is expected to be 3 November 2022.

(Source: Zawya)

Saudi Arabia announced buy backs of around USD1.27bn of its existing bonds

Saudi Arabia announced buy back of just under USD1.27bn of its existing bonds maturing between 2023 and 2026. Saudi Arabia indicated buy back of just over USD632.5mn of notes due next year, over USD249mn of bonds maturing in April 2025, almost USD99mn of notes due in October 2025 and more than USD287mn in bonds maturing in 2026.

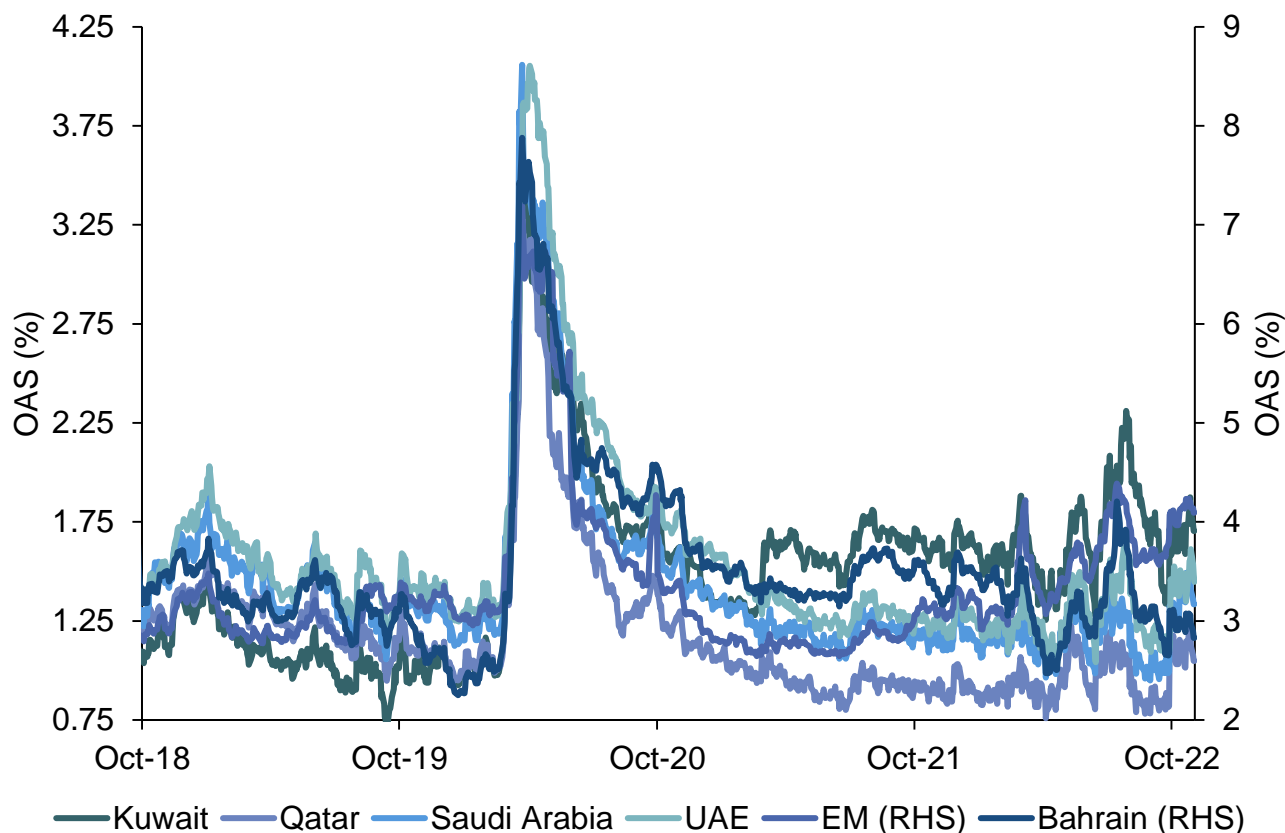
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
Gaci First Investment Co	PIFKSA	Agency	SA	500	5.375	10/13/2122	CALLABLE	USD	10/13/2022	A	6.70	6.57
Gaci First Investment Co	PIFKSA	Agency	SA	1250	5.25	10/13/2032	CALLABLE	USD	10/13/2022	A	5.40	5.60
Gaci First Investment Co	PIFKSA	Agency	SA	1250	5	10/13/2027	CALLABLE	USD	10/13/2022	A	5.21	5.51
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	700	5.125	10/13/2027	AT MATURITY	USD	10/13/2022	AA-	5.29	-
Emirates NBD Bank PJSC	EBIUH	Agency	AE	500	5.625	10/21/2027	AT MATURITY	USD	10/21/2022	A+	5.75	-
KSA Sukuk Ltd	KSA	Sovereign	SA	2500	5.268	10/25/2028	AT MATURITY	USD	10/25/2022	A	5.27	-
Saudi Government International Bond	KSA	Sovereign	SA	2500	5.5	10/25/2032	AT MATURITY	USD	10/25/2022	A	5.50	-
Arada Sukuk Ltd	ARADAD	Financial Institutions	AE	100	8.125	6/8/2027	AT MATURITY	USD	10/27/2022	BB-	8.39	-
MDGH GMTN RSC Ltd	MUBAUH	Agency	AE	1000	5.5	4/28/2033	CALLABLE	USD	10/28/2022	AA	5.68	5.70

*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

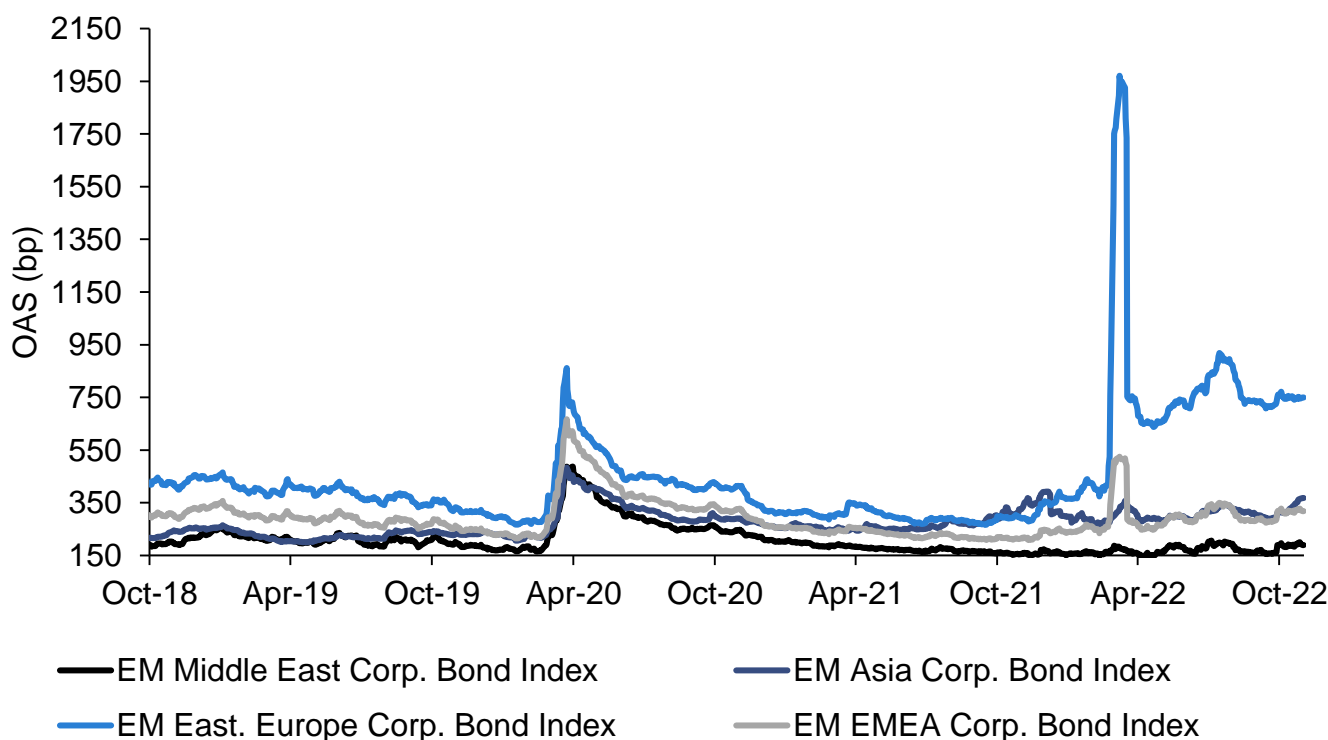
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



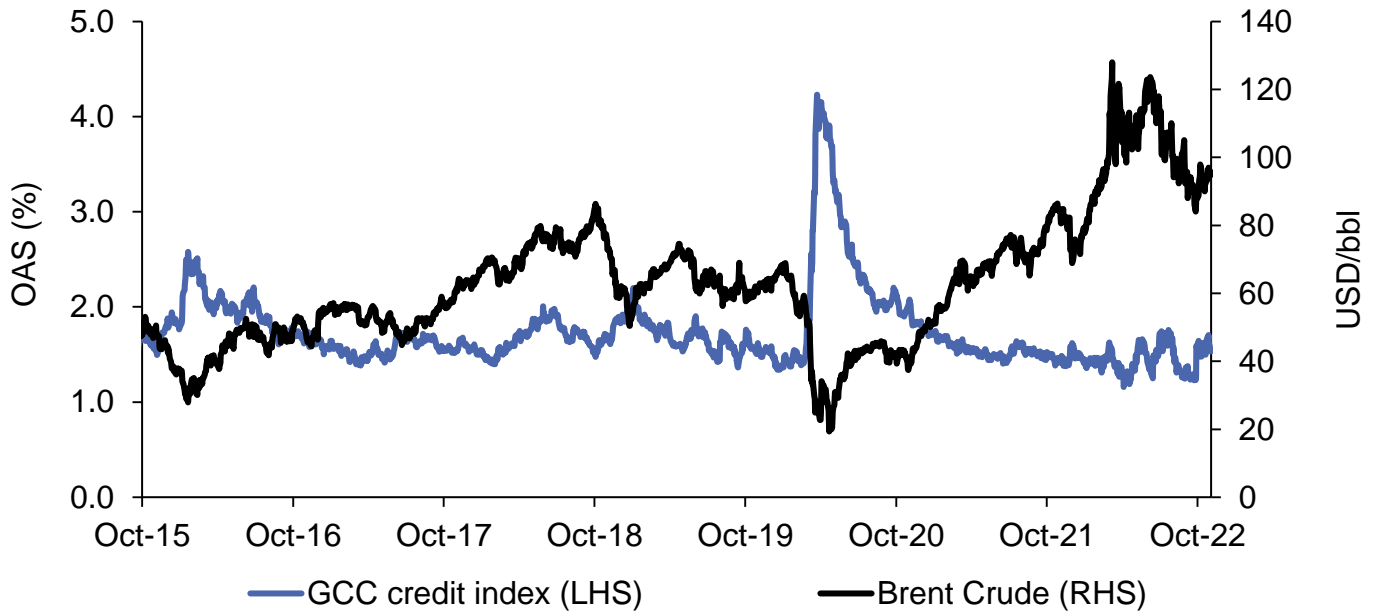
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

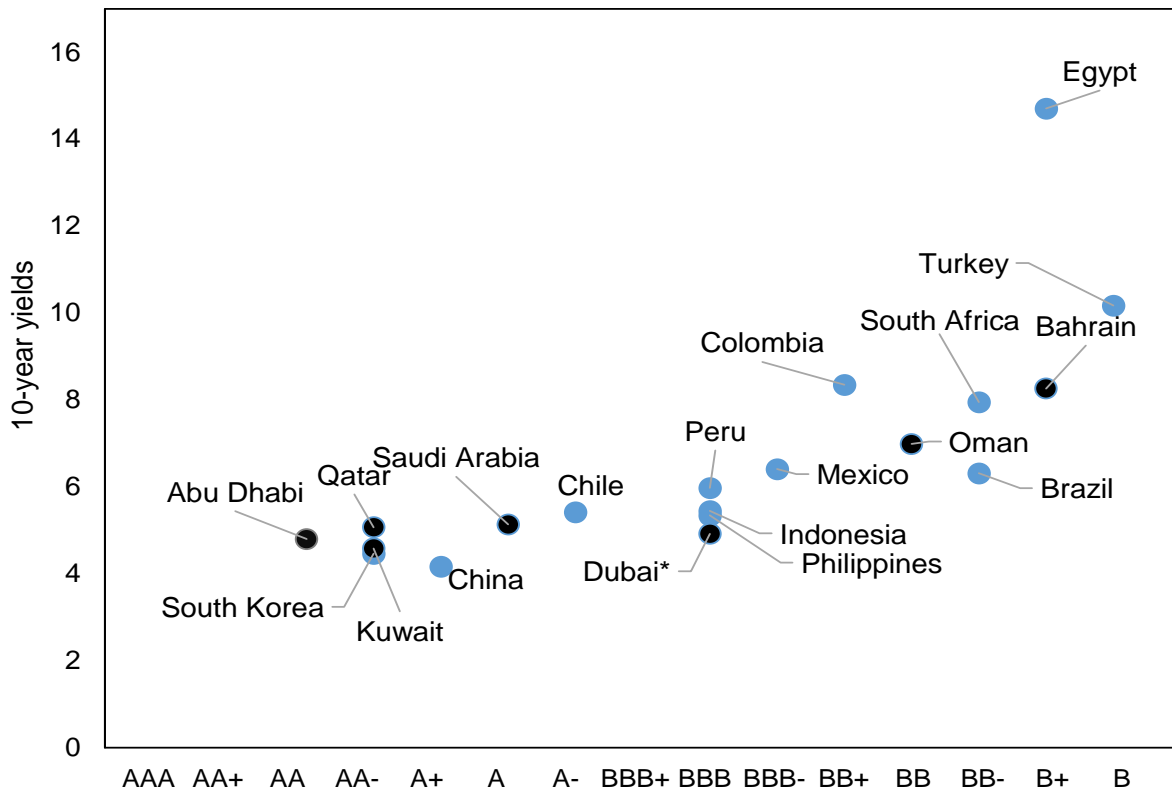
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

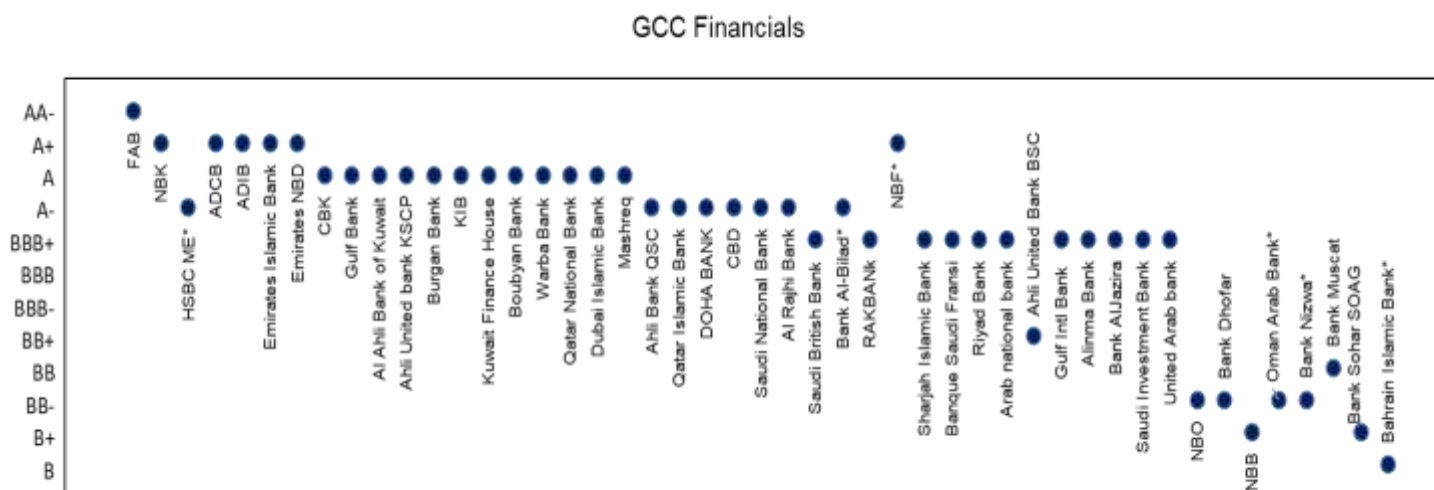
10yr yield versus Credit ratings (EM vs GCC)

GCC sovereigns trading cheap versus peers



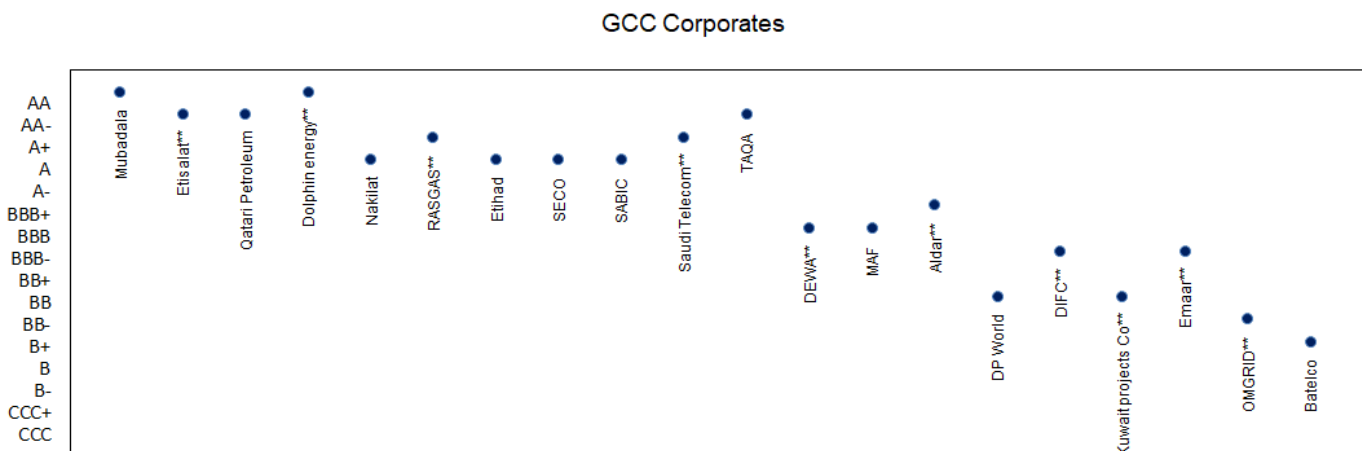
Source: Bloomberg, ADCB Asset Management, *Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

GCC Financials Credit Rating



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



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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