

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 22nd November 2022). The 10-year Treasury yield rose slightly over the week ahead of Fed meeting minutes. Euro-zone bond yields declined despite mixed signals from the ECB on whether the next rate hike could be less than 75bp. Corporate credit was relatively stable. Global HY underperformed Global IG. On the other hand, EM bonds posted marginal losses, led by EM Asia underperformance with uncertainty over China re-opening.

Demand for GCC bonds was mixed. Oman and Bahrain recorded losses while high-quality sovereigns ended the week unchanged. 5yr CDS sovereign spreads widened in Saudi Arabia, Kuwait, Abu Dhabi, and Qatar while the same tightened in Oman, Bahrain and Dubai. In the USD sovereign market, 10yr bond yields rose across all the GCC markets, led by Kuwait.

The IMF expects the UAE economy to grow by more than 6% this year after expanding by 3.8% in 2021 while inflation is likely to average just above 5%. This is supported by a rebound in tourism, construction, and activity related to Expo 2020 Dubai. This would be the strongest expansion since 2011, when the economy grew by 6.9%. Elsewhere, the Kuwait Ministry of Finance announced the closing accounts for the fiscal year ending March 31, 2022. **Kuwait's accounts recorded KWD18.6bn in total revenue, KWD21.6bn in total expenditure, and closed with a fiscal deficit of KWD3.0bn.**

Dubai Islamic Bank sold USD750mn of its debut sustainable Islamic bond. The 5yr sukuk was priced at 155bp over US Treasuries, down from the initial price guidance of 175bp after demand topped USD1.6bn. In addition, **Saudi Arabian lender Banque Saudi Fransi issued USD-denominated notes worth USD700mn under its medium-term note program.** In order to attract investors, the lender priced the notes, which are due in five years, at 5.5% per annum.

Prerana Seth

Fixed Income Strategist
Tel: +971 (0)2 696 2878
prerana.seth@adcb.com

Mohammed Al Hemeiri

Analyst
Tel: +971 (0)2 696 2236
mohammed.alhemeiri@adcb.com

Kishore Muktinatalapati

Head - Investment Strategy
Tel: +971 (0)2 696 2358
kishore.muktinatalapati@adcb.com

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aaa2	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	1043.6	-0.3	-17.6	Saudi	5.5	-16.1	#VALUE!
EM LatAm TR	895.4	-0.1	-15.6	UAE	4.3	-3.3	391.1
EM EMEA TR	315.6	-0.3	-21.4	Kuwait	4.0	0.0	250.0
EM Asia TR	557.7	-0.5	-15.3	Bahrain	5.8	-4.9	426.0
Bahrain TR	173.1	-0.6	-3.3	Oman	4.3	28.0	219.8
Oman TR	132.5	-1.0	-3.6	Qatar	4.9	-	374.2
Kuwait TR	137.7	0.2	-8.4	US	4.7	1.8	-
Qatar TR	126.2	0.0	-15.0	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	129.8	0.1	-14.9	Saudi	6.3	-2.8	523.9
UAE TR	128.5	0.0	-13.1	UAE	5.1	3.0	431.2
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.4	0.0	243.8
Saudi Arabia	60.0	2.3	8.9	Bahrain	6.3	0.0	455.8
Abu Dhabi	49.5	0.7	4.7	Oman	4.6	28.0	159.6
Dubai	112.3	-2.0	13.2	Qatar	5.2	-	390.8
Kuwait	66.1	1.0	17.2	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	248.4	-2.1	-55.6	Saudi Arabia	4.8	3.8	226.9
Oman	174.0	-5.0	-92.1	Abu Dhabi	4.4	4.1	236.1
Qatar	49.2	0.5	4.0	Dubai	4.6	2.3	205.0
Egypt	944.6	60.5	436.2	Kuwait	5.1	66.3	350.3
Turkey	565.6	-9.5	-3.2	Bahrain	7.2	24.6	132.4
US	29.0	-1.2	14.6	Oman	6.3	21.2	135.1
Germany	21.4	0.3	11.1	Qatar	4.5	5.6	236.6

Note: *Dewa rating used as proxy, data from 16th November 2022 to 22nd November 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

The UAE economy is expected to grow more than 6% in 2022, according to the IMF

The IMF expects the UAE economy to grow by more than 6% this year after expanding by 3.8% in 2021 while inflation is likely to average just above 5%. This is supported by a rebound in tourism, construction, and activity related to Expo 2020 Dubai. This would be the strongest expansion since 2011, when the economy grew by 6.9%. The IMF expects the non-hydrocarbon sector to grow around 4% in 2023 and “accelerate” over the medium term, underpinned by the government’s ongoing reforms. The new 6% growth is higher than the previous forecast.

(Source: Zawya)

Kuwait posted a fiscal deficit

The Kuwait Ministry of Finance announced the closing accounts for the fiscal year ending March 31 2022. Kuwait’s accounts recorded KWD16.2bn in oil revenue, KWD2.4bn in non-oil revenue, KWD18.6bn in total revenue, KWD16.4bn in wages and subsidies, KWD2.6bn in capital expenditure, KWD21.6bn in total expenditure, and closed with a fiscal deficit of KWD3bn. Kuwait’s Finance Minister, H.E. Abdulwahab M. Al-Rasheed, stated that rebound in oil prices in the second half of the fiscal year helped the Kuwaiti government stabilize its revenue stream. Kuwait has one of the world’s strongest sovereign balance sheets, with one of the world’s lowest sovereign debt-to-GDP ratios and a strong rebounding economy.

(Source: Zawya)

Dubai Islamic Bank sold USD750mn in its debut sustainable sukuk

Dubai Islamic Bank sold USD750mn of its debut sustainable Islamic bond. The 5yr sukuk was priced at 155bp over US Treasuries, down from the initial price guidance of 175bp after demand topped USD1.6bn.

(Source: Reuters)

Saudi Fransi Bank completed a USD700mn note offering

Saudi Arabian lender Banque Saudi Fransi issued USD-denominated notes worth USD700mn under its medium-term note program. In order to attract investors, the lender priced the notes, which are due in five years, at 5.5% per annum.

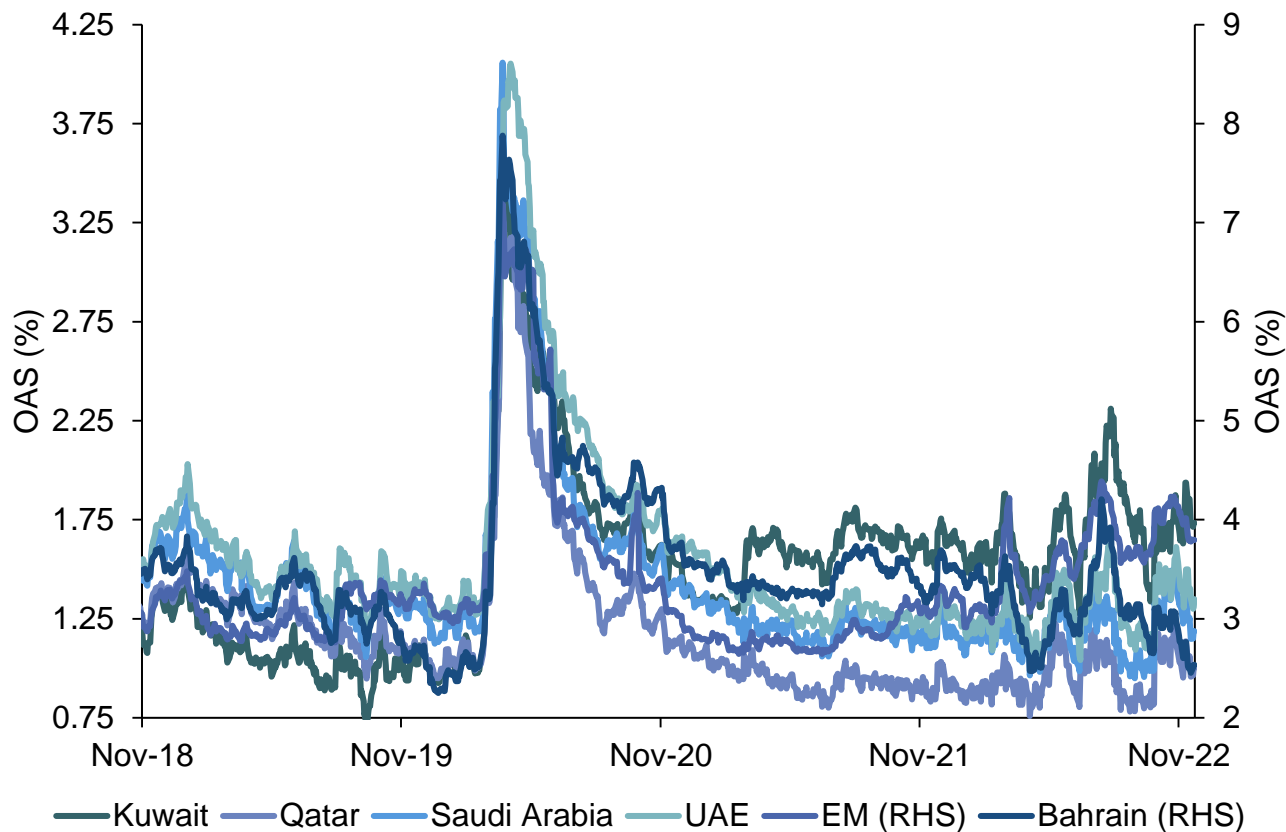
(Source: Zawya)

Issuer	BBG	Sector	Cou ntry	Issue Amt*	Cpn	Maturity	Maturity Type	Curr enc y	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
MASHREQBANK PSC	MASQUH	Agency	AE	500	7.875	02/24/2033	CALLABLE	USD	11/17/2022	BBB+	7.72	
BSF FINANCE	BSFR	Agency	SA	700	5.5	11/23/2027	AT MATURITY	USD	11/16/2022	BBB+	5.52	
DIB SUKUK LTD	DIBUH	Agency	AE	750	5.493	11/30/2027	AT MATURITY	USD	11/22/2022	A-	5.41	

*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

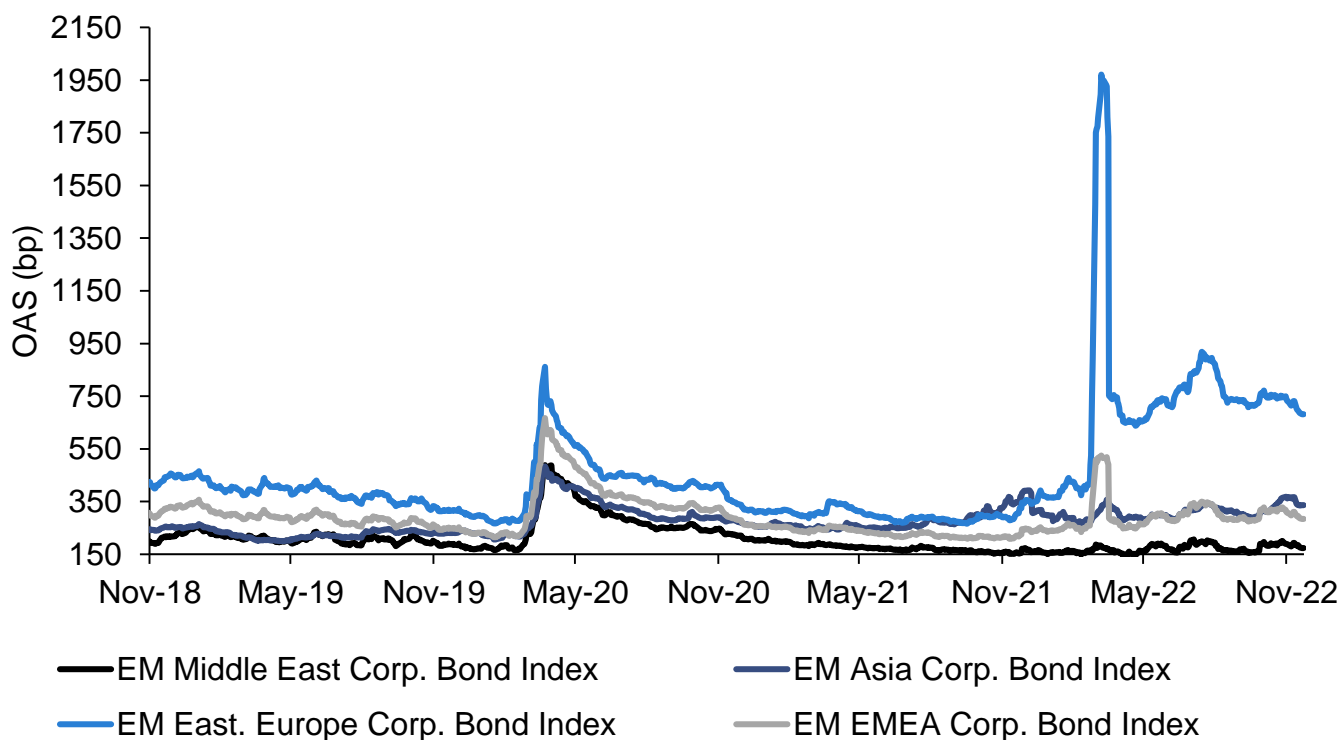
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



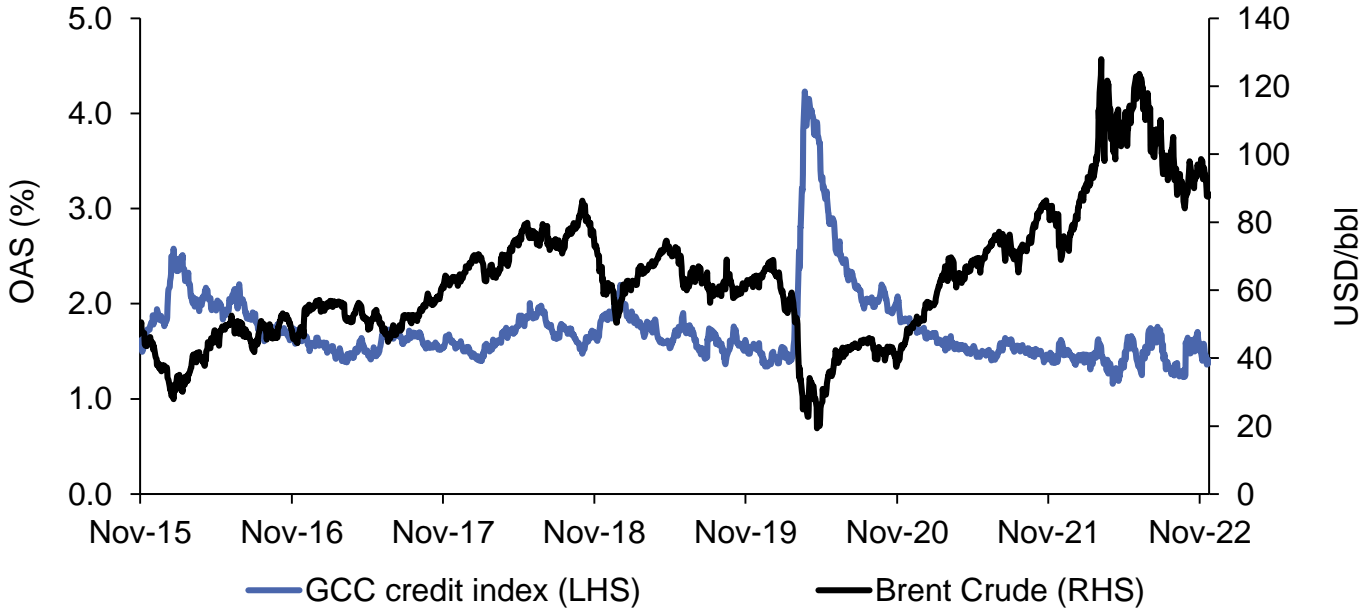
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

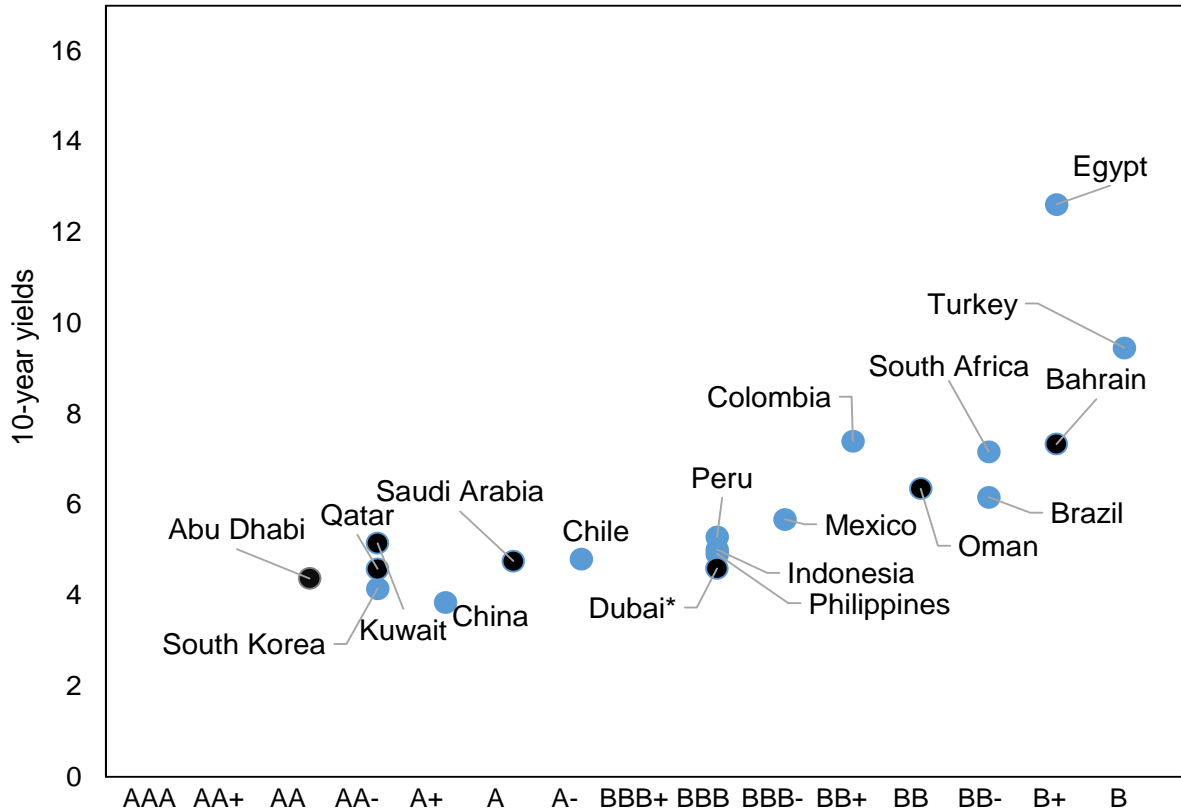
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

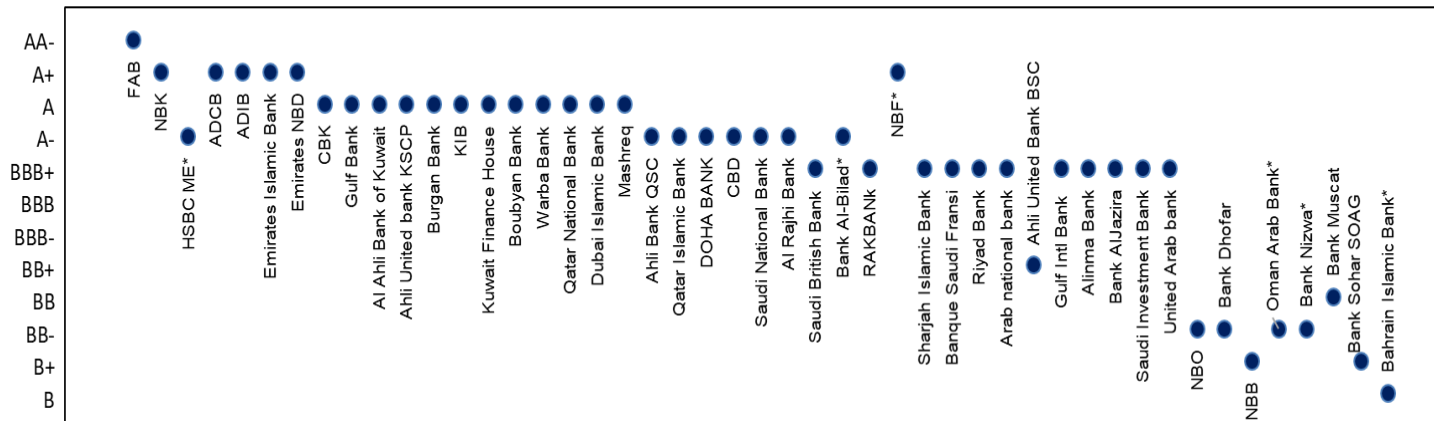
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

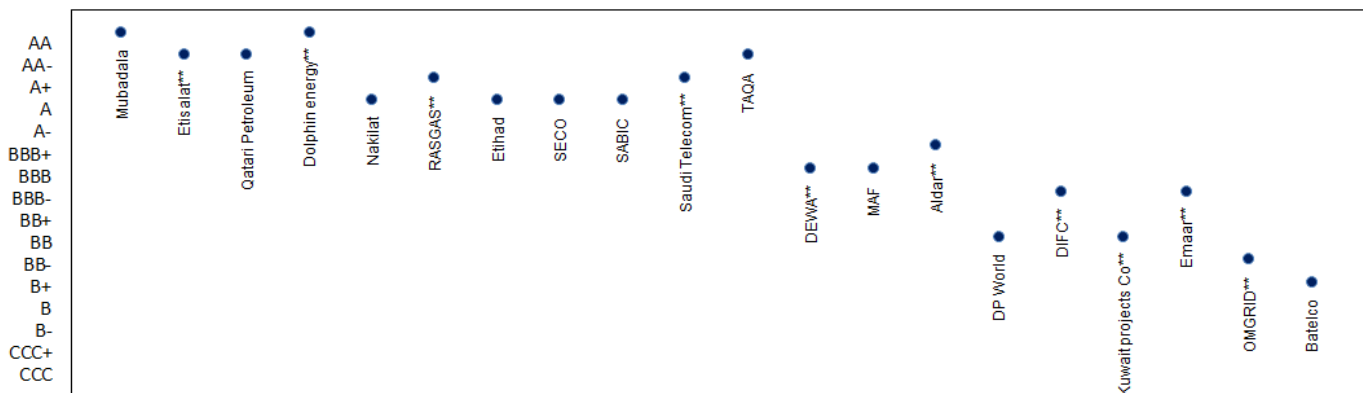
GCC Financials



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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