

GCC Fixed Income Weekly Review

Global benchmark bond index posted positive gains over the week (ending 8th November 2022). The 10yr UST yields remained above the 4% level on the back of mixed signals from the Fed. European bond yields rose more than UST counterparts as inflation data surprised on the upside. In credit, corporate bonds ended the week on a positive note. EM bond index also attracted demand on the back of positive performance by EM LatAm and EM EMEA.

Appetite for GCC bonds was mixed, despite the positive demand for EM bonds. Bahrain and Oman were the only two GCC countries recording positive gains as improvement in risk appetite favored demand for high-yielding bonds. On the other hand, high-quality sovereigns ended the week almost unchanged. CDS spreads tightened across GCC countries in line with the rise in oil prices. In the USD sovereign market, 10yr bond yields declined in Bahrain, Oman, Dubai and Qatar while rose in Kuwait and were flat in Saudi Arabia and Abu Dhabi.

Most Gulf states increased their key interest rates after the Fed raised its key policy rate by 75bp for the fourth straight time, to maintain their currencies peg to the dollar. Saudi Arabia and the United Arab Emirates both increased rates by 75bp. Bahrain also raised its main rate by 75bp while Qatar's central bank increased its lending rate by 50bp to 5%; deposit rate and repo rate by 75bp to 4.5% and 4.75% respectively. Kuwait and Oman did not announce any rate changes. Meanwhile, **latest PMI showed strong non-oil sector activity in the UAE.** The UAE's non-oil private sector maintained robust growth in October helped by the strong increase in both output and new orders leading to more jobs being added. **The seasonally adjusted UAE Purchasing Managers' Index (PMI) jumped to 56.6 in October, from 56.1 in September,** and was only slightly below August's three-year high of 56.7. **Dubai's PMI came in at 56 in October, from 56.2 in September.** The slight dip in the PMI was the first in 5 months, but marked one of the strongest seen in the past three years.

It was a quiet week in terms of issuance activity.

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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			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	1006.0	0.5	-20.6	Saudi	5.7	6.3	480.6
EM LatAm TR	861.1	0.9	-18.8	UAE	4.1	-18.8	371.2
EM EMEA TR	305.6	0.7	-23.9	Kuwait	4.0	68.8	250.0
EM Asia TR	536.3	0.0	-18.5	Bahrain	5.7	39.1	420.0
Bahrain TR	168.9	0.7	-5.7	Oman	3.9	16.2	174.4
Oman TR	129.3	0.3	-5.9	Qatar	2.5	-	132.5
Kuwait TR	136.1	-0.1	-9.5	US	4.6	4.9	-
Qatar TR	122.3	-0.4	-17.6	12M interbank			
Saudi Arabia TR	124.8	-0.2	-18.3	Saudi	6.4	9.1	535.8
UAE TR	125.2	0.0	-15.3	UAE	5.0	13.3	426.9
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.4	50.0	243.8
Saudi Arabia	68.2	-2.8	16.3	Bahrain	6.3	8.3	455.8
Abu Dhabi	56.8	-4.3	12.5	Oman	4.2	11.8	119.2
Dubai	119.9	-5.8	20.7	Qatar	2.8	-	142.5
Kuwait	79.0	-5.0	30.1	10Y yield			
Bahrain	274.5	-8.2	-28.9	Saudi Arabia	5.2	0.2	268.7
Oman	227.4	-15.1	-31.5	Abu Dhabi	4.8	0.3	281.0
Qatar	57.1	-4.5	11.8	Dubai	4.9	-3.9	236.1
Egypt	1124.3	-63.4	615.9	Kuwait	4.7	14.7	305.0
Turkey	612.6	-50.0	43.8	Bahrain	7.8	-23.5	196.3
US	31.0	0.2	18.1	Oman	6.7	-19.4	171.4
Germany	25.2	-3.6	15.1	Qatar	4.9	-1.0	275.8

Note: *Dewa rating used as proxy, data from 2nd November 2022 to 8th November 2022. Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

UAE non-oil sector activity picked up in October– PMI

The UAE's non-oil private sector maintained robust growth in October helped by the strong increase in both output and new orders leading to more jobs being added. The seasonally adjusted UAE Purchasing Managers' Index (PMI) jumped to 56.6 in October, from 56.1 in September, and was only slightly below August's three-year high of 56.7. New order inflows were higher and faster in October, with new clients, lower prices, improved services and the upcoming FIFA World Cup in Qatar being the key drivers for the rise in sales. Price pressures also were modest in October with lower fuel, metal and transport costs partly offsetting the material price increases elsewhere.

(Source: Zawya)

Dubai's non-oil sector growth remained robust in October- PMI

Dubai's PMI came in at 56 in October, from 56.2 in September. The slight dip in the PMI was the first in 5 months, but marked one of the strongest seen in the past three years. Firms are adding new jobs at the fastest pace in 3 years, as key sectors reported higher activity and orders coming through. Businesses were also helped by lowered material costs and on their transportation, for a second time in three months. The slight downward movement in the PMI was on the back of decline in the 'output sub-index', which indicated a weaker, but still substantial expansion of business activity at the start of the fourth quarter.

(Source: Gulf news)

GCC central banks raised interest rates following US Fed move

Most Gulf states increased their key interest rates after the Fed raised its key policy rate by 75bp for the fourth straight time, to maintain their currencies peg to the dollar. Saudi Arabia and the United Arab Emirates both increased rates by 75bp. The Saudi central bank lifted its repo and reverse repo rates to 4.5% and 4%, respectively. The UAE raised its base rate to 3.9%. Bahrain also raised its main rate by 75bp while Qatar's central bank increased its lending rate by 50bp to 5%; deposit rate and repo rate by 75bp to 4.5% and 4.75% respectively. Kuwait and Oman did not announce any rate changes.

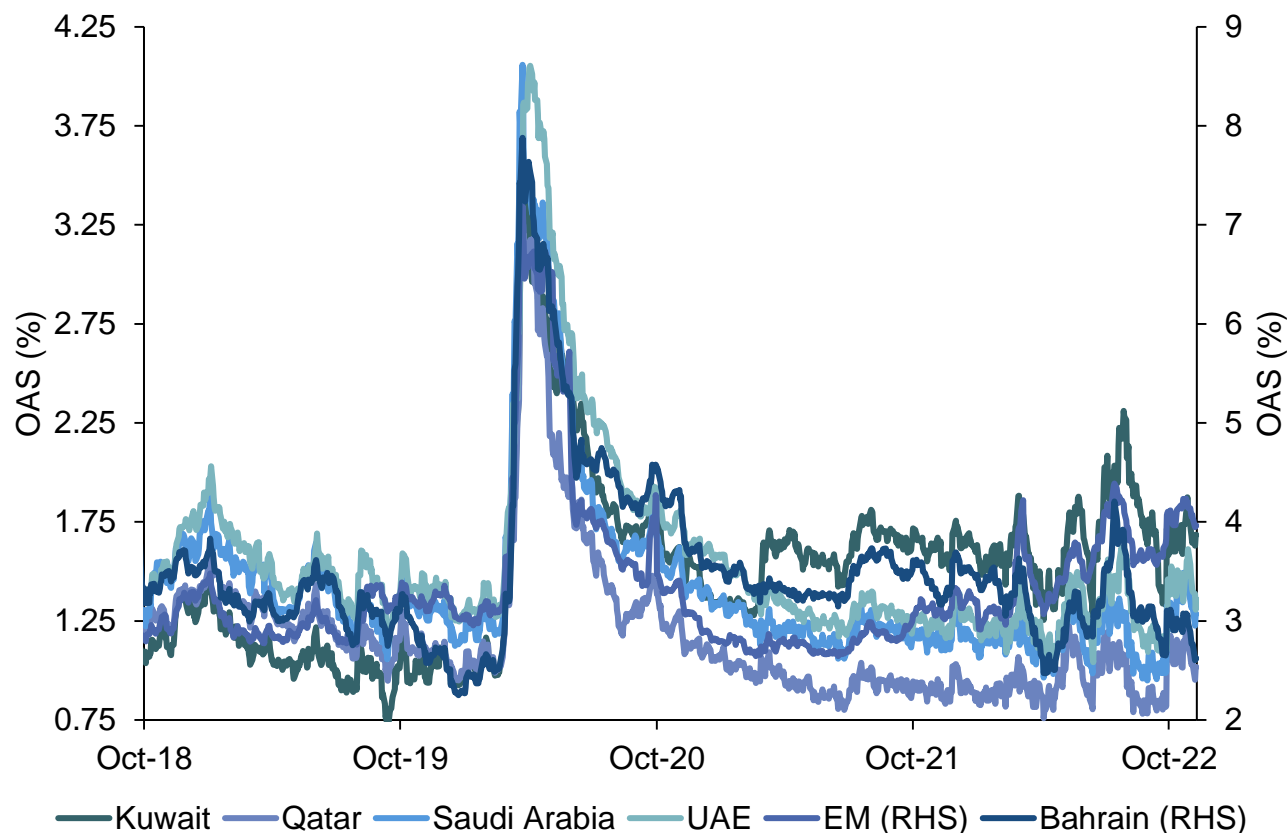
(Source: Zawya and Reuters)

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

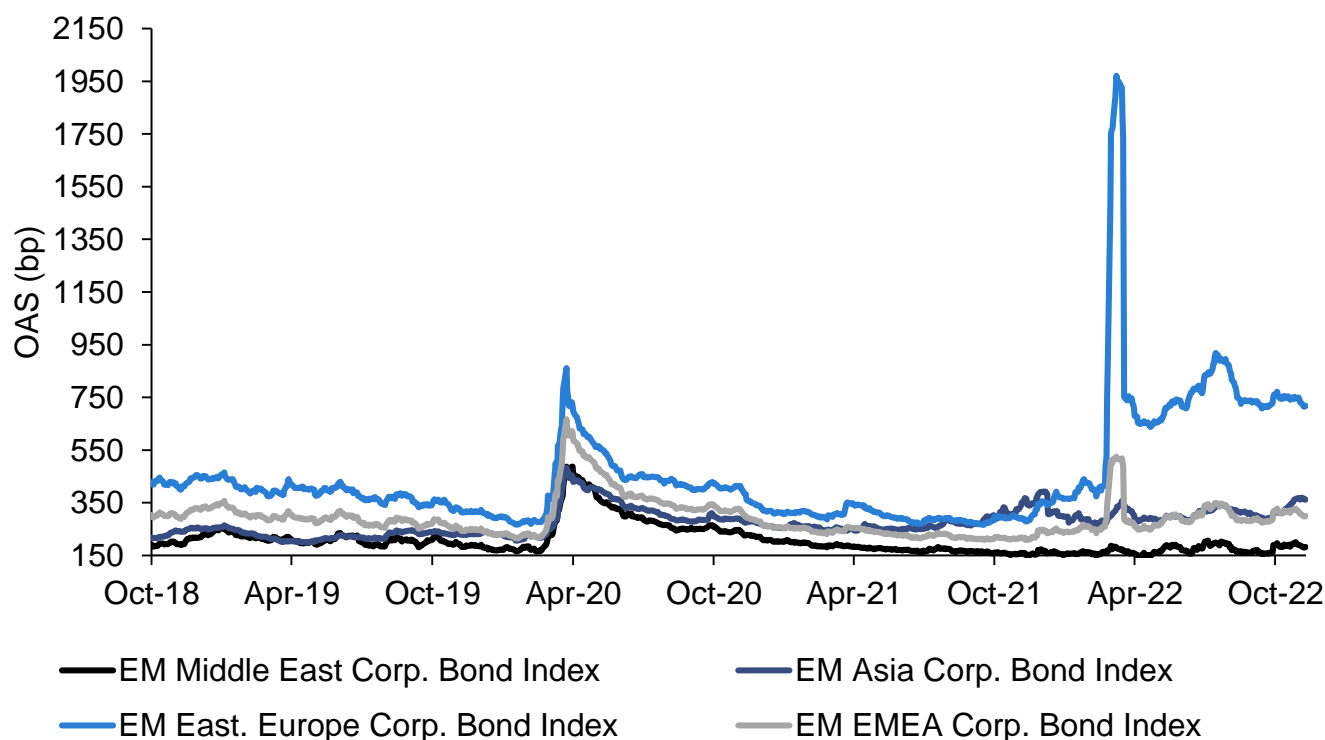
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



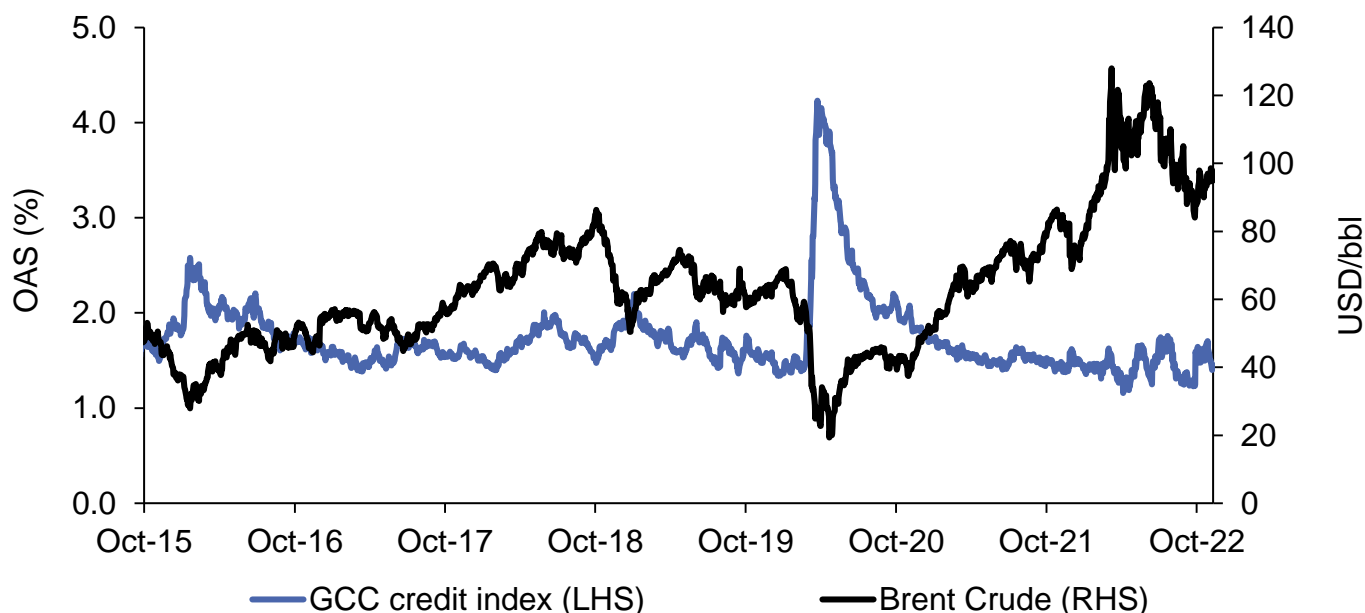
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

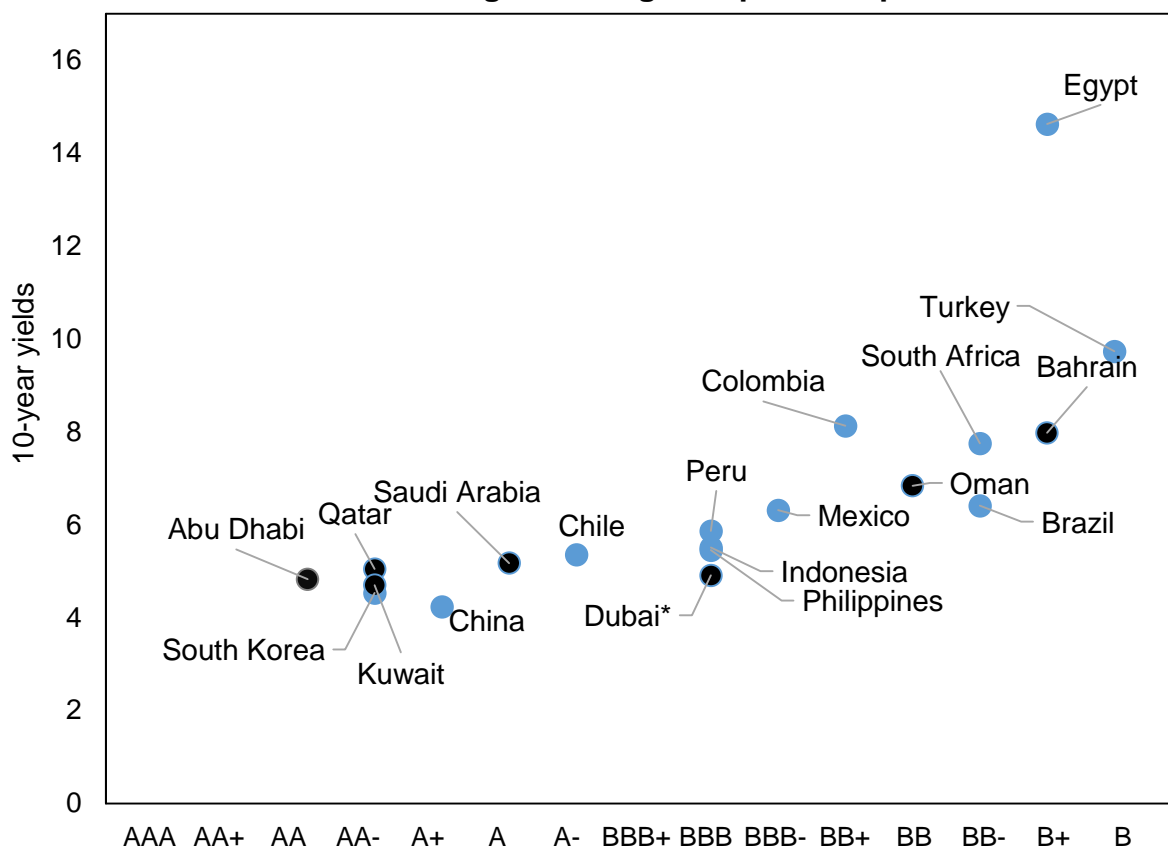
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

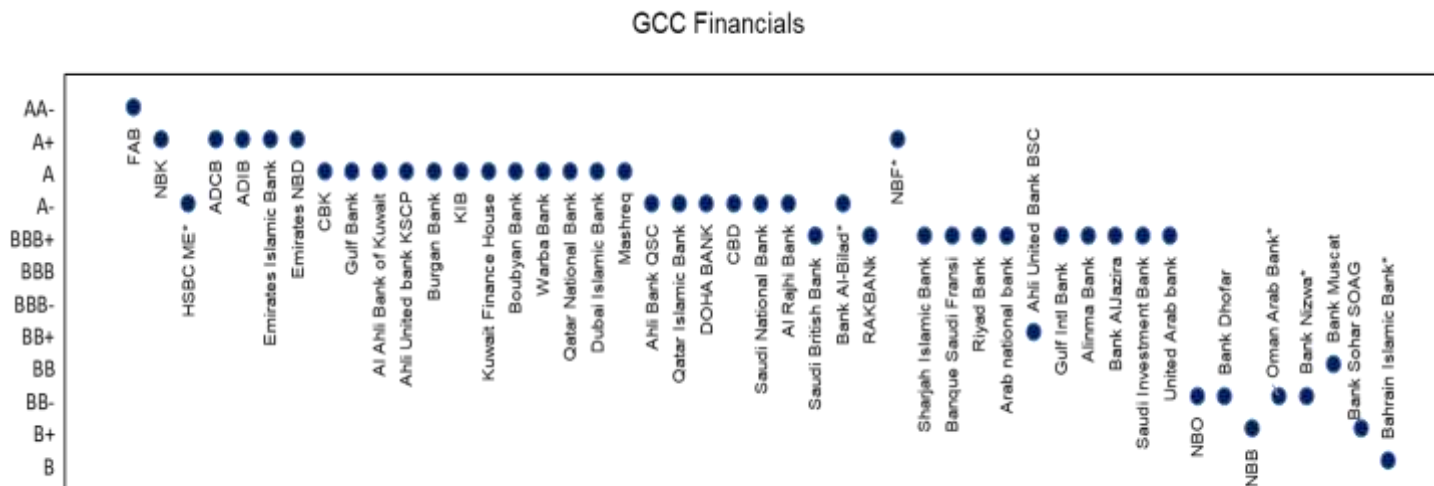
10yr yield versus Credit ratings (EM vs GCC)

GCC sovereigns trading cheap versus peers



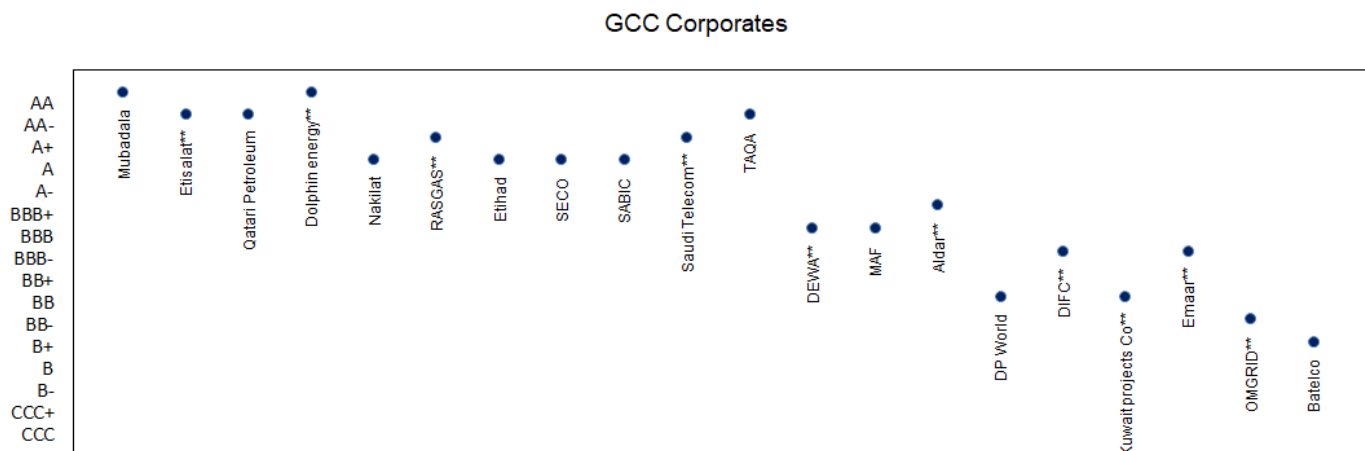
Source: Bloomberg, ADCB Asset Management, *Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

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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