

GCC Fixed Income Weekly Review

Global benchmark bond index posted declined over the week (ending 3rd October 2023). The 10-year US Treasury yield rose on strong US job openings. Euro zone government bond yields also jumped over the week. In credit, corporate bonds ended the week on a negative note. Global HY index had a negative week too. On the other hand, EM USD recorded losses led by EM LatAM.

Demand for GCC bonds was subdued. All GCC bond markets recorded losses but Qatar underperformed the most. Similarly, 5yr CDS sovereign spreads widened in all GCC except for Bahrain. In the USD sovereign market, the 10yr USD bond yields rose across all the GCC markets, led by Bahrain and Oman.

Abu Dhabi experienced a 3.5% increase in its overall GDP in Q2 23, while its non-oil economy expanded by 12.3%, according to the Statistics Centre of Abu Dhabi (SCAD). Elsewhere, **Qatar recorded a surplus in its balance of payments of QAR7.9bn (USD2.17bn) during Q2 23, according to the central bank.**

Emirates NBD raised USD750mn in new 5-year USD-denominated green senior unsecured bond within the framework of its USD20bn Euro Medium Term Note Programme. In upcoming issuances, **Damac Real Estate Development hired banks for the purpose of issuing a 3.5-year Islamic bond or sukuk denominated in USD.**

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba2	Aa3	B3
Fitch	A+	AA	-	AA-	B+	BB+	AA-	B

Note: *Dewa rating used as proxy

GCC Fixed Income Weekly Snapshot

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				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1069.0	-1.73	-0.5	Saudi	6.2	7.94	88.9
EM LatAm TR	911.3	-2.55	-1.0	UAE	5.4	18.12	109.7
EM EMEA TR	322.0	-1.76	-0.3	Kuwait	4.3	0.00	25.0
EM Asia TR	576.6	-0.93	-0.2	Bahrain	6.7	-2.34	54.4
Bahrain TR	180.5	-1.33	2.3	Oman	6.0	1.20	129.5
Oman TR	137.7	-1.72	1.6	Qatar	6.0	0.00	75.0
Kuwait TR	142.9	-0.23	2.2	US	5.6	0.26	89.6
Qatar TR	124.7	-1.77	-3.3	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	128.4	-1.64	-3.3	Saudi	6.2	-0.23	28.7
UAE TR	130.3	-1.14	-1.2	UAE	5.6	-4.26	47.1
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	0.00	12.5
Saudi Arabia	55.3	1.10	-8.1	Bahrain	6.8	0.04	24.7
Abu Dhabi	41.3	1.20	-6.3	Oman	6.1	1.00	117.3
Dubai	72.5	5.80	-21.5	Qatar	6.3	0.00	50.0
Kuwait	52.2	1.40	-8.4	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	230.2	-1.30	-29.8	Saudi Arabia ^{^^}	5.7	31.70	95.1
Oman	137.2	4.90	-53.8	Abu Dhabi	5.2	25.60	97.3
Qatar	41.0	1.00	-8.9	Dubai	5.2	-	-
Egypt	1720.0	143.80	815.7	Kuwait	5.2	8.50	134.0
Turkey	415.2	12.50	-102.7	Bahrain	7.6	40.20	69.4
US	44.9	-3.80	17.8	Oman	6.7	35.30	64.3
Germany	23.1	-0.40	2.4	Qatar	5.1	21.40	89.2

data from 26th September 2023 to 3rd October 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

Abu Dhabi's non-oil economy grew by 12.3% due to diversification

Abu Dhabi experienced a 3.5% increase in its overall GDP in Q2 23, while its non-oil economy expanded by 12.3%, according to the Statistics Centre of Abu Dhabi (SCAD). The emirate saw sustained growth in non-oil economic activities, pushing the real non-oil GDP of the emirate to AED154bn, the highest it has been since 2014. The construction sector particularly stood out, with a remarkable year-on-year growth of 19.1%, achieving its highest quarterly value added since 2014 at AED25.3bn. The financial sector also displayed substantial growth during Q2 23, recording its most significant growth rate since 2014 at 29.7%. Meanwhile, the manufacturing sector continued its upward trajectory with a 7% quarterly growth, hitting its highest quarterly value added since 2014 at AED25bn. Additionally, the wholesale and retail trade activities reached their highest quarterly value since 2014, amounting to AED16.7bn, contributing 5.8% to the total GDP in Q2 23.

(Source: Zawya)

Qatar reported a QAR7.9bn surplus in Q2 2023

Qatar recorded a surplus in its balance of payments of QAR7.9bn (USD2.17bn) during Q2 23, according to the central bank. Additionally, the central bank reported that Qatar's accounts for goods and services showed surpluses of QAR59.6bn and QAR31.3bn, respectively.

(Source: Reuters)

Emirates NBD Bank issued its first green bond

Emirates NBD Bank issued its inaugural green bond. The bank raised USD750mn in USD-denominated green senior unsecured bond with a maturity of 5 years, within the framework of its USD20bn Euro Medium Term Note Programme. The bond was priced at spread of 120bp over similar maturity US Treasuries, tighter than the initial pricing of 140bp. The bond received orders over 1.9bn, oversubscribed by 2.5x.

(Source: Zawya)

Damac Real Estate Development hired banks for a 3.5-year sukuk

Damac Real Estate Development hired banks for the purpose of issuing a 3.5-year Islamic bond or sukuk denominated in USD. These banks will coordinate a sequence of investor meetings, and if market conditions are favorable, they will proceed with the issuance of benchmark-sized Islamic bonds.

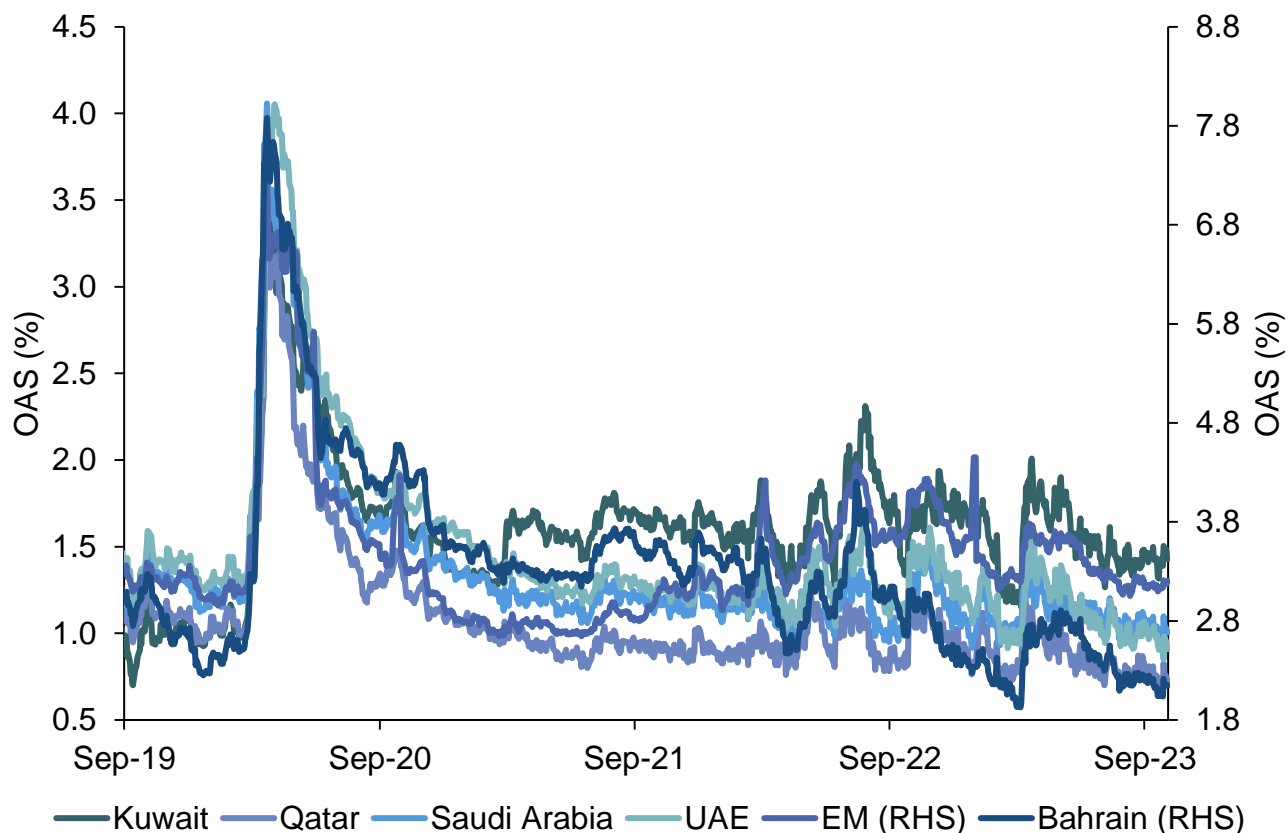
(Source: Reuters)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	650	5.5	1/12/2029	AT MATURITY	USD	9/12/2023	A+	5.55	-
DP WORLD CRESCENT LTD	DPWDU	Agency	AE	1500	5.5	9/13/2033	AT MATURITY	USD	9/13/2023	-	5.59	5.58
EOD SUKUK LTD	ENEDEV	Utility	OM	1000	5.875	09/21/2033	AT MATURITY	USD	9/14/2023	BB	5.95	-
FIRST ABU DHABI BANK PJS	FABUH	Agency	AE	1000	6.32	4/4/2034	AT MATURITY	USD	9/26/2023		6.40	-

*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

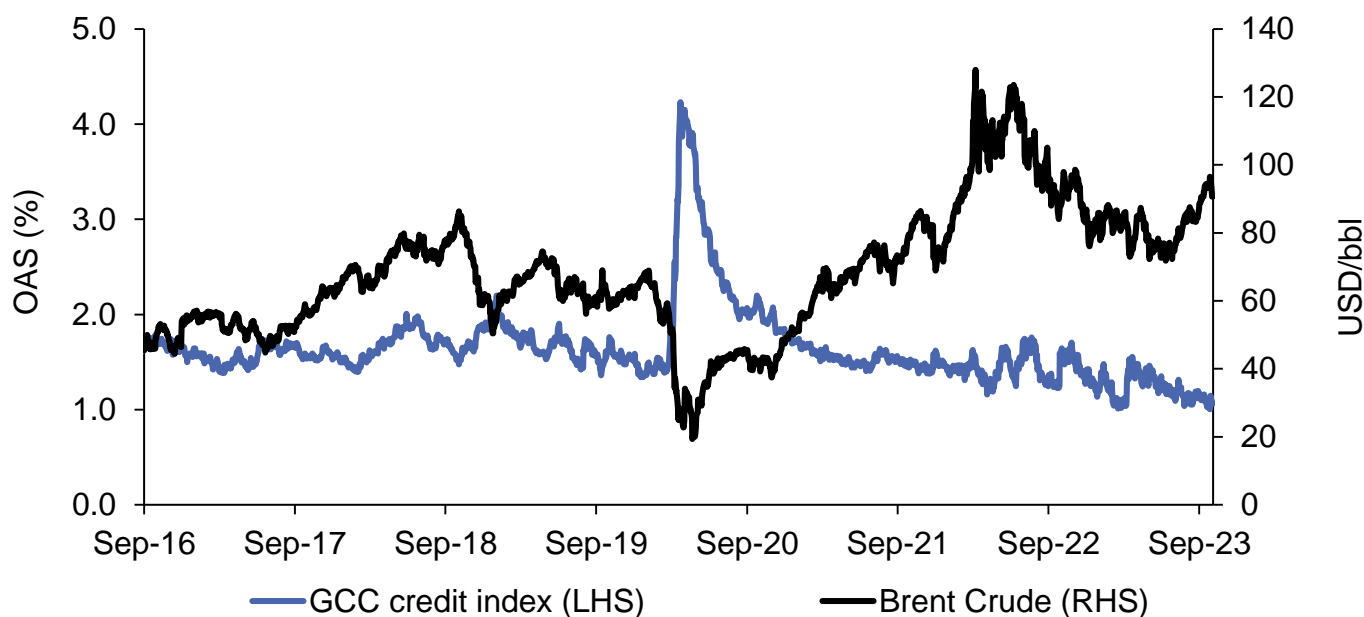
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

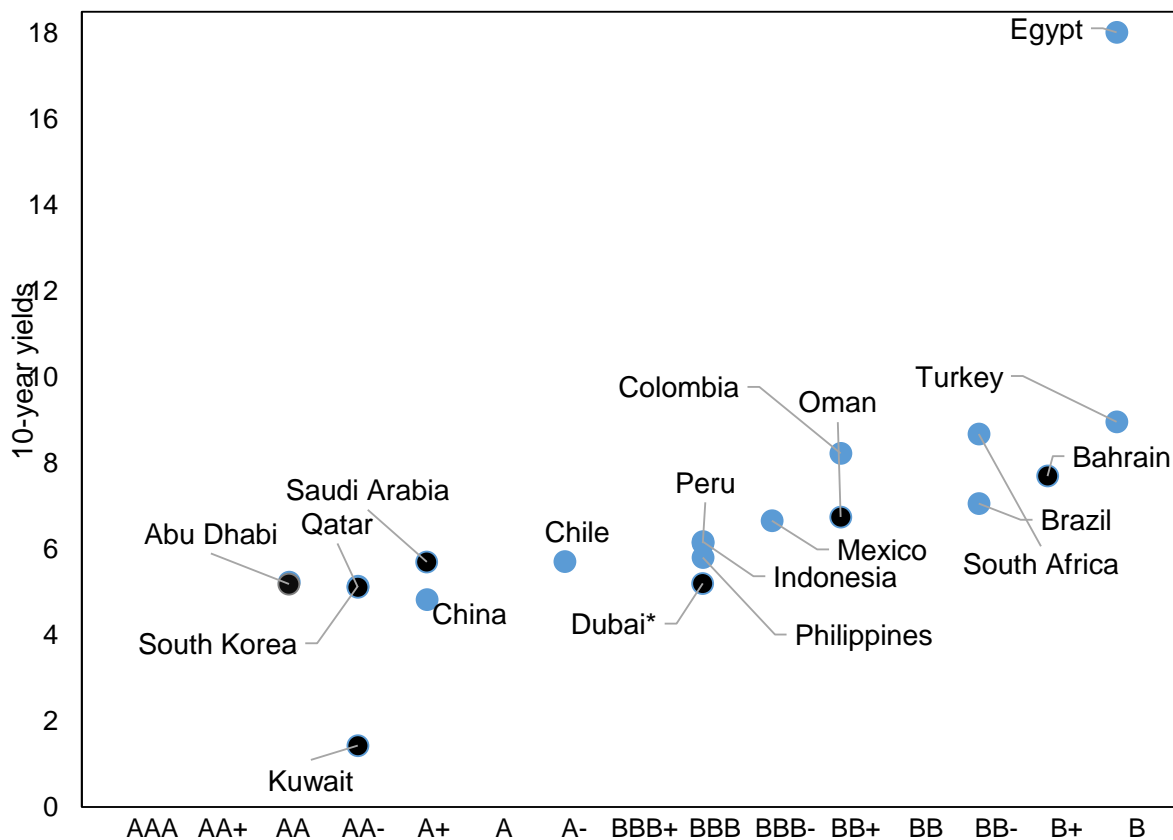
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

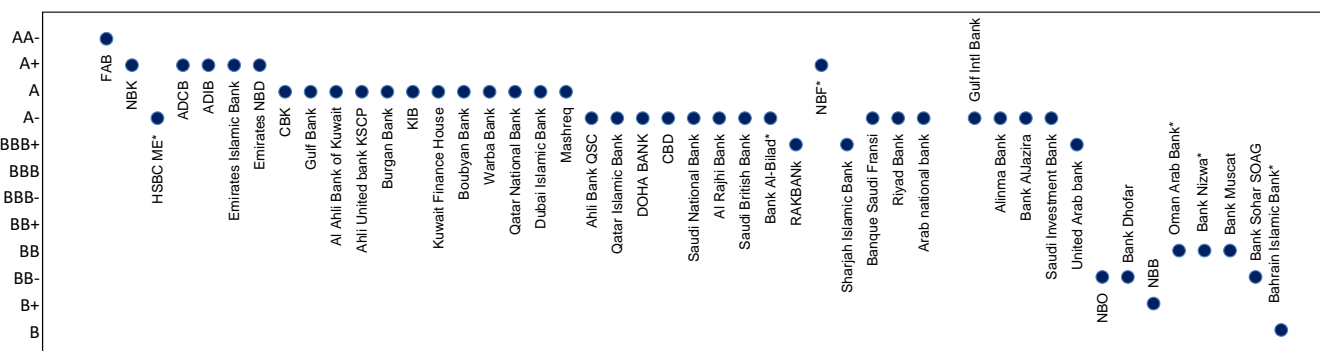
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

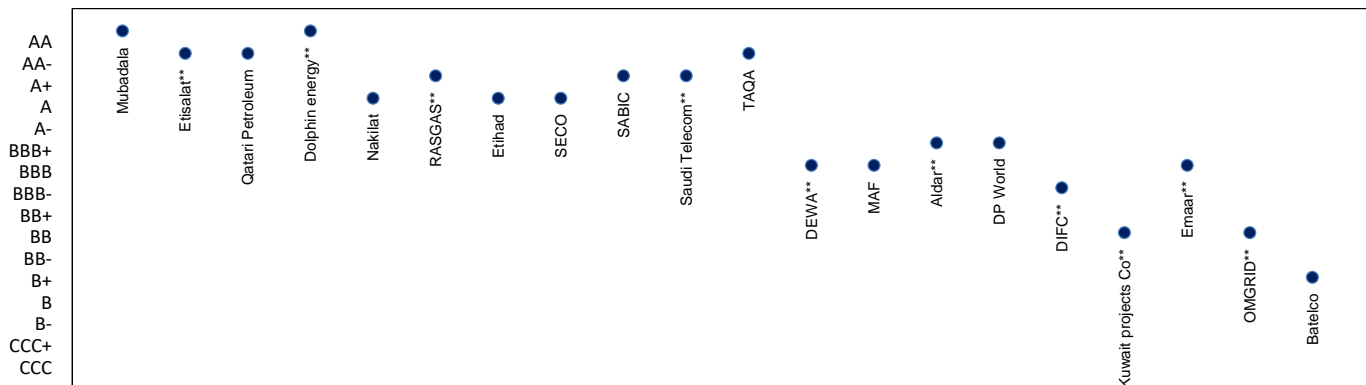
GCC Financials



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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