

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 17th October 2023). The 10-year US Treasury yields rose over the week on strong retail sales print. Euro zone government bond yields also rose over the week amidst the global bond sell-off. Corporate credit bonds ended the week on a negative note. Global IG underperformed the most. Global HY index had a negative week too. On the other hand, EM USD recorded losses led by EM EMEA.

GCC bonds lack appetite over the week. All GCC bond markets recorded losses but Bahrain underperformed the most. 5yr CDS sovereign spreads widened in all GCC. Bahrain widened the most. 10yr USD bond yields rose in all GCC countries, led by Bahrain and Saudi Arabia.

The GCC economy remained one of the top performers in the world. According to Jassim Al-Budaiwi, the Secretary General of the Gulf Cooperation Council (GCC), the GDP for GCC countries reached USD2.4trn in 2022 and is on track to expand to USD6trn by 2050. Additionally, according to the OPEC's Monthly Oil Market Report (MOMR), **the UAE's economy remains resilient, due to the consistent contributions from the non-oil sectors, particularly from tourism, leisure, and real estate sectors.** Also, **Dubai's economy expanded an annual 3.2% in 1H'23 to reach AED223.8bn**, driven by 3.6% growth in Q2' 23 and solidifying the emirate's position as a global economic hub. Elsewhere, **Saudi Arabia witnessed a reduction in its annual inflation rate in September**, which dropped from 2% in August to **1.7% in September.**

The Public Investment Fund (PIF) is planning to issue a dollar- denominated Islamic bond. **The PIF intends to offer a dual tranche of senior sukuk, which are Islamic bonds with maturities of 5 and 10 years.**

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

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GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1068.3	-0.91	-0.5	Saudi	6.3	1.01	96.0
EM LatAm TR	916.9	-0.81	-0.4	UAE	5.4	11.46	108.7
EM EMEA TR	319.6	-1.09	-1.0	Kuwait	4.3	0.00	25.0
EM Asia TR	577.2	-0.80	-0.1	Bahrain	6.7	-1.15	52.8
Bahrain TR	177.7	-1.52	0.7	Oman	6.0	-	129.5
Oman TR	136.9	-0.66	1.0	Qatar	6.0	-	75.0
Kuwait TR	142.9	-0.19	2.1	US	5.7	0.13	90.3
Qatar TR	122.9	-1.46	-4.7	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	126.9	-1.25	-4.4	Saudi	6.1	2.36	27.6
UAE TR	129.3	-0.66	-2.0	UAE	5.5	-17.21	37.1
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	0.00	12.5
Saudi Arabia	69.4	4.50	6.9	Bahrain	6.8	0.94	24.1
Abu Dhabi	54.8	5.30	7.7	Oman	6.1	-	117.3
Dubai	86.3	5.10	-7.8	Qatar	6.3	-	50.0
Kuwait	68.0	11.30	7.4	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	264.5	15.40	4.8	Saudi Arabia ^{^^}	5.8	17.10	108.3
Oman	158.6	4.90	-31.1	Abu Dhabi	5.3	14.00	105.4
Qatar	64.7	10.50	15.2	Dubai	5.5	9.60	103.9
Egypt	1823.8	81.60	919.5	Kuwait	5.1	3.50	130.9
Turkey	416.2	15.80	-101.7	Bahrain	7.9	32.30	100.6
US	48.8	1.20	21.7	Oman	6.8	15.10	74.7
Germany	23.5	-	2.9	Qatar	5.3	15.60	106.4

data from 11th October 2023 to 17th October 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

The GCC economy is one of the top performers in the world with a GDP projected to reach USD6tn

According to Jassim Al-Budaiwi, the Secretary General of the Gulf Cooperation Council, the GCC economy remained one of the top performers in the world, with the regional gross domestic product (GDP) forecast to nearly triple in nearly three decades. The GDP for GCC countries reached USD2.4trn in 2022 and is on track to expand to USD6trn by 2050.

(Source: Zawya)

UAE's economy robust, with constant contributions from non-oil sector - OPEC

According to the OPEC's Monthly Oil Market Report (MOMR), the UAE's economy remains resilient, due to the consistent contributions from the non-oil sectors, particularly from tourism, leisure, and real estate sectors. The UAE's tourism sector, attributed for more than 16% of the country's GDP, continued to recover and also surpassed pre-pandemic visitor numbers. The number of visitors to Dubai increased by 19% y-o-y in H1 of 2023. Furthermore, the government has introduced reforms aimed at attracting more investments into the economy, including policies allowing 100% foreign ownership of onshore companies and reducing the costs associated with business establishment.

(Source: Zawya)

Dubai's economy grew 3.6% in Q2' 23

Dubai's economy expanded an annual 3.2% in 1H'23 to reach AED223.8bn, driven by 3.6% growth in Q2' 23 and solidifying the emirate's position as a global economic hub. The emirate's transport and storage sector outperformed all other industries, expanding 10.5%. Land, sea and air transport sectors, contributed 42.8% to overall growth and injected AED31.4bn into the economy. Hotel and food services sector expanded 9.2%. Also, financial and insurance activities grew 2.7%. Communication sector recorded a 3.8% growth, and contributing 5% of the total growth.

(Source: Nationalnews)

Inflation in Saudi Arabia eased further in September to 1.7%

Saudi Arabia's inflation rate decreased in September, which dropped from 2% in August to 1.7% in September. The primary factor behind this inflation was the increase in housing rents, which rose by 9.8%, contributing to an overall 8.1% rise in the prices of housing, water, electricity, gas, and other fuels, according to the General Authority of Statistics.

(Source: Zawya)

Public Investment Fund (PIF) plans to issue dollar-denominated Islamic bond

The Public Investment Fund (PIF) is planning to issue a dollar-denominated Islamic bond and has appointed banks to arrange the bond sale. The PIF intends to offer a dual tranche of senior sukuk, which are Islamic bonds with maturities of 5 and 10 years. The sale is subjected to market conditions.

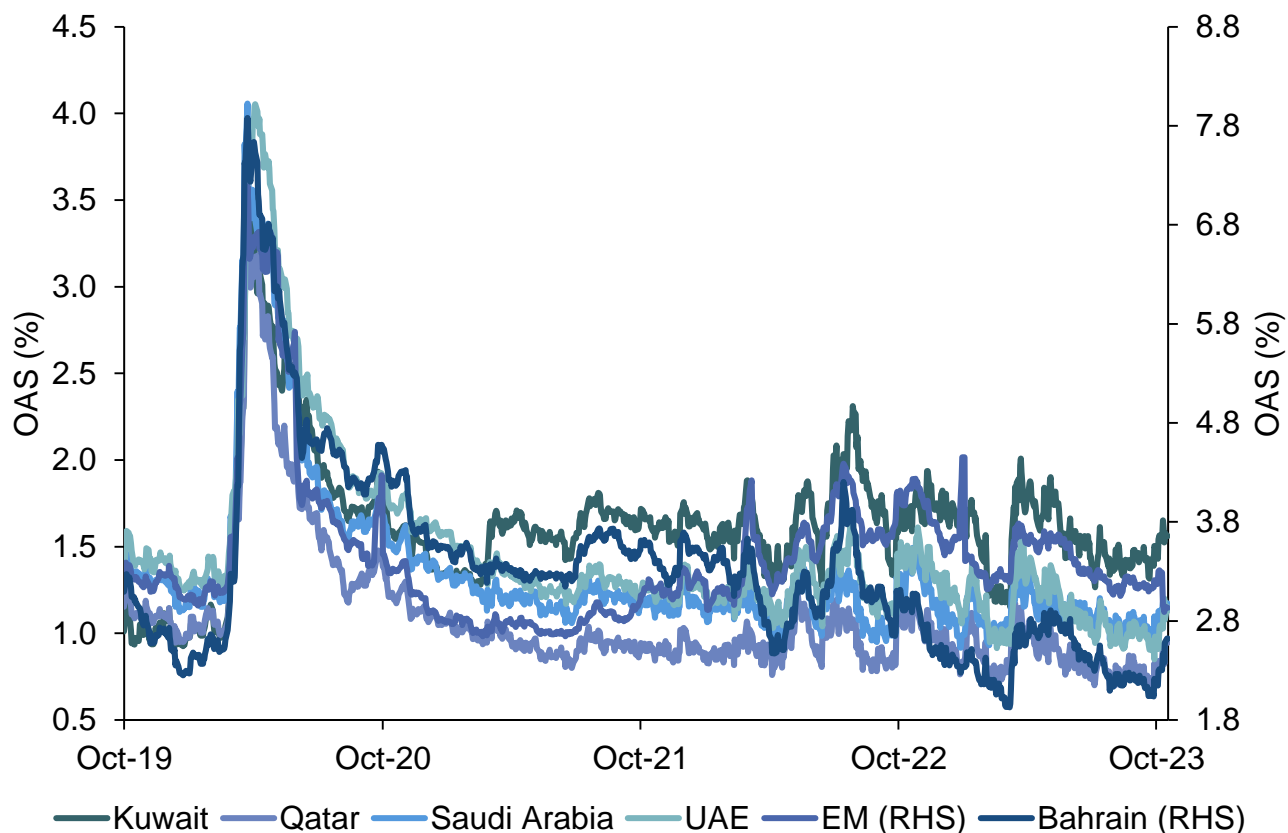
(Source: Reuters)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
Abu Dhabi Commercial Bank	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	A	6.40	-
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	-

*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

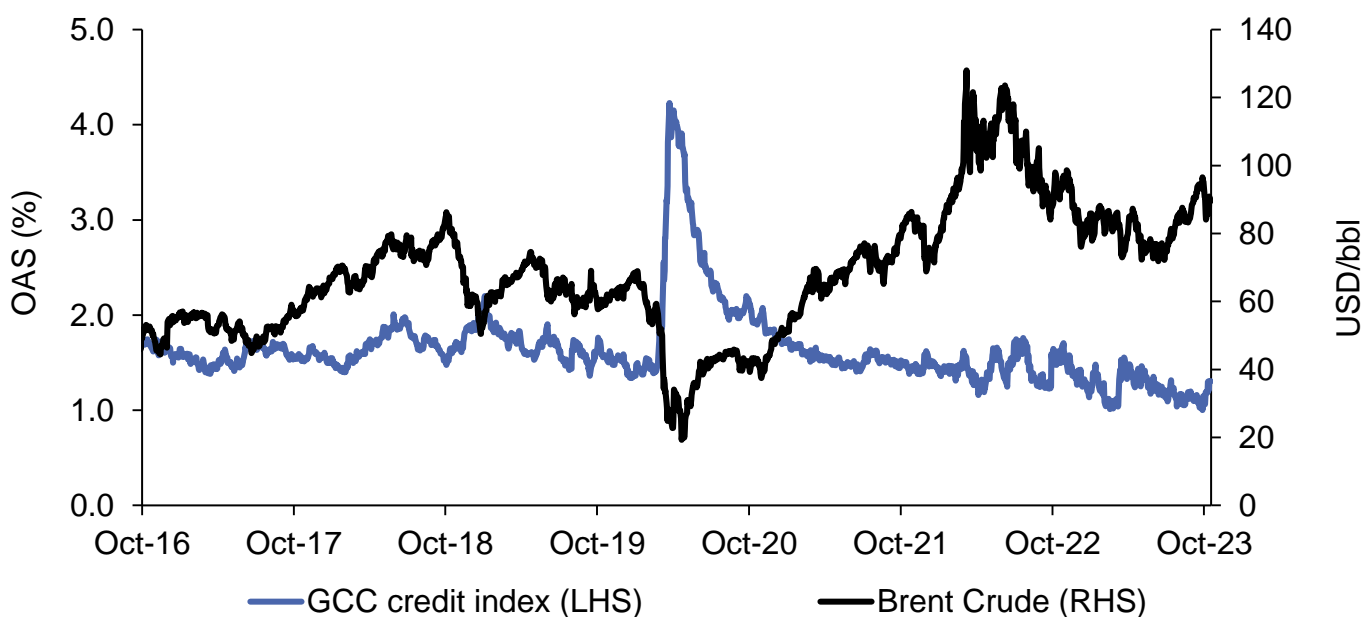
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

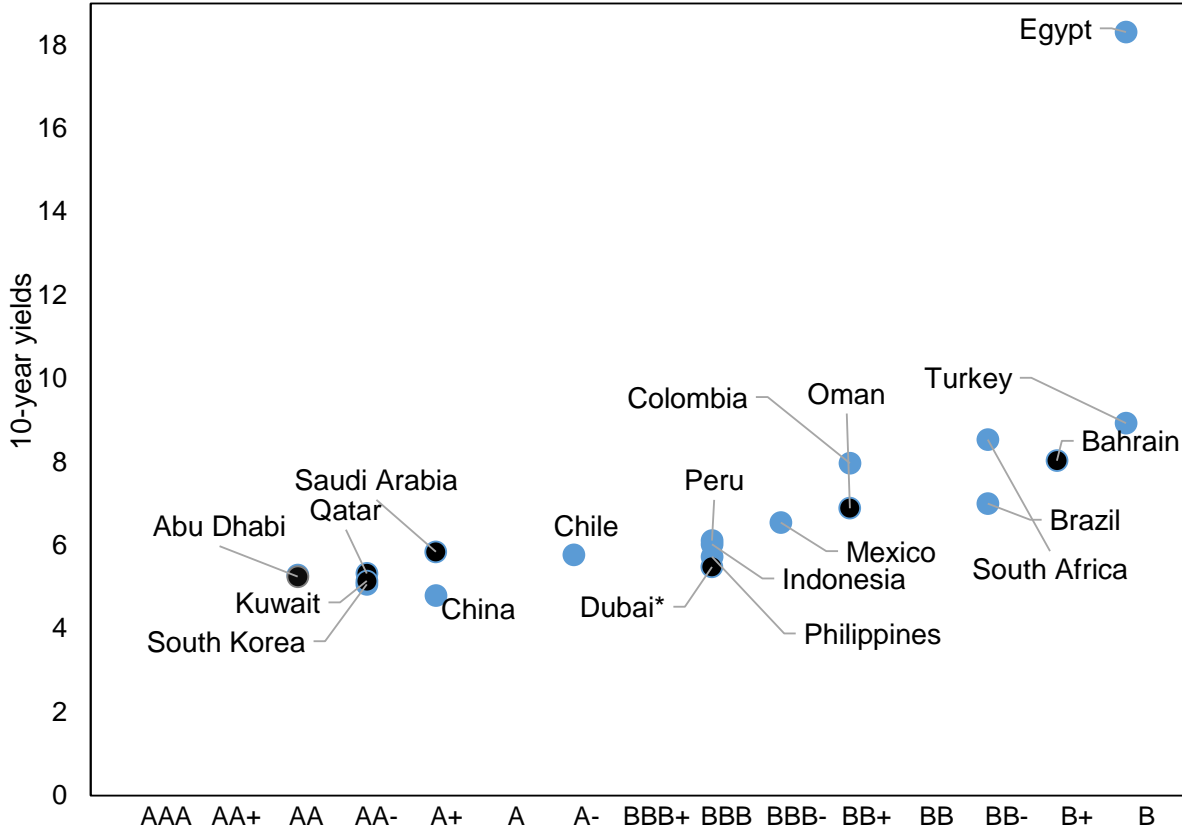
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

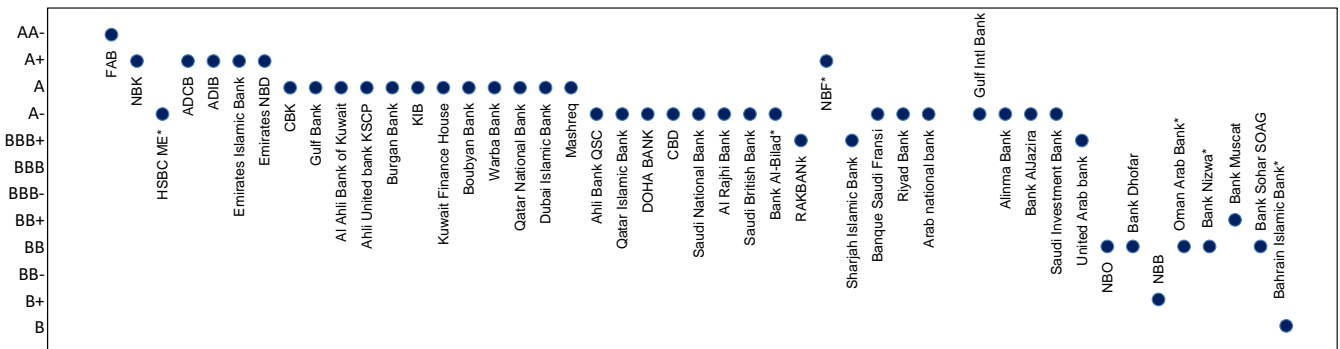
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

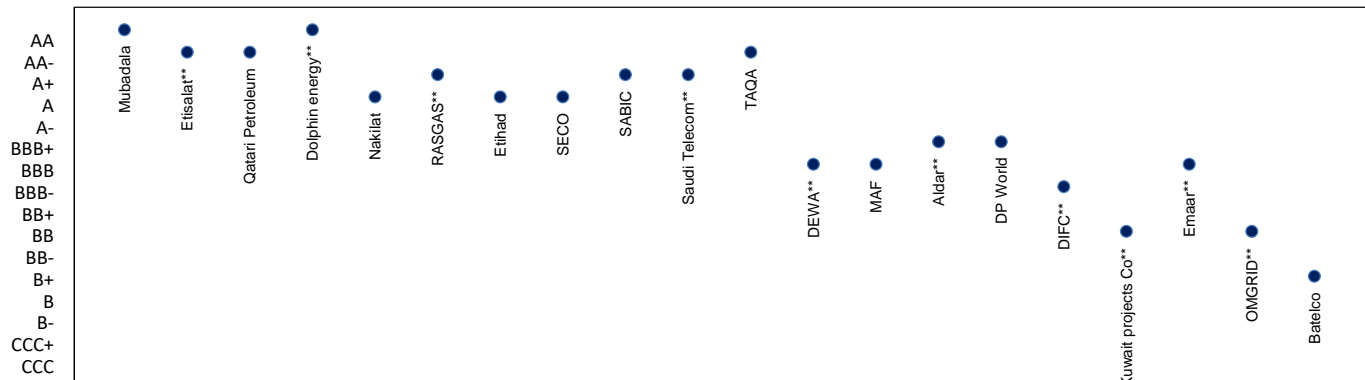
GCC Financials



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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