

GCC Fixed Income Weekly Review

Global benchmark bond index posted gains over the week (ending 24th October 2023). The 10-year US Treasury yields fell after rising to 5% at one point. Eurozone government bond yields dropped after disappointing PMI data. In credit, corporate bonds ended the week on a positive note. Global HY index had a positive week too. On the other hand, EM USD recorded gains led by EM EMEA.

Appetite for GCC bonds improved over the week. Most GCC bond indices recorded positive returns except for UAE and Oman. Saudi Arabia was the best performer. 5yr CDS spreads mostly tightened across all GCC countries barring Kuwait, Dubai, and Oman. 10yr bond yields rose across the GCC countries but dropped in Saudi Arabia, Bahrain, and Dubai.

The UAE approved the federal budget for 2024-2026 worth AED192bn (USD52.3bn). The federal budget estimates expenditures of AED64.1bn in 2024, up 1.6% from estimates for 2023 and forecasts total revenues of AED65.7bn, up 3.3% over from this year. According to H.H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, Deputy Prime Minister, Deputy Ruler of Dubai and Minister of Finance, the federal general budget reflects the strength of the national economy and the balance of expenditures and revenues and ensures the achievement of sustainable development by adopting the highest degrees of federal government financial flexibility and efficiency. **UAE is committed in supporting different sectors, including health, education, and social care.**

Saudi Arabia's sovereign wealth fund raised USD3.5bn in a debut sale of Islamic bonds. The Saudi Public Investment Fund (PIF) **launched USD2.25bn in five-year Islamic bonds, or sukuk, at 120bp over US Treasuries and USD1.25bn in 10-year sukuk at 140bp over US Treasuries.**

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	1067.5	0.29	-0.6	Saudi	6.3	3.39	99.3
EM LatAm TR	916.4	0.22	-0.5	UAE	5.5	2.59	118.8
EM EMEA TR	319.1	0.40	-1.2	Kuwait	4.3	6.25	31.3
EM Asia TR	577.0	0.22	-0.1	Bahrain	6.7	0.00	52.8
Bahrain TR	177.5	0.10	0.6	Oman	6.0	4.80	134.3
Oman TR	136.4	-0.07	0.6	Qatar	6.0	0.00	75.0
Kuwait TR	142.8	0.05	2.1	US	5.6	-3.76	88.6
Qatar TR	122.4	0.11	-5.1	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	126.6	0.32	-4.7	Saudi	6.2	3.34	35.1
UAE TR	128.6	-0.15	-2.5	UAE	5.7	16.00	57.7
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.8	6.25	18.8
Saudi Arabia	67.8	-5.40	4.4	Bahrain	6.8	-0.93	23.8
Abu Dhabi	53.5	-4.50	5.9	Oman	6.1	3.00	120.3
Dubai	87.1	0.70	-7.0	Qatar	6.3	0.00	50.0
Kuwait	72.1	4.10	11.5	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	258.3	-9.10	-1.7	Saudi Arabia ^{^^}	5.8	-12.80	108.2
Oman	160.9	0.40	-30.1	Abu Dhabi	5.4	3.00	114.2
Qatar	61.6	-7.50	11.7	Dubai	5.5	-0.40	110.1
Egypt	1807.2	-85.70	902.9	Kuwait	5.2	8.50	141.9
Turkey	413.4	-13.10	-104.5	Bahrain	8.0	-6.20	106.2
US	55.9	5.00	28.8	Oman	7.0	6.10	89.1
Germany	23.8	0.30	3.1	Qatar	5.4	6.00	121.0

data from 17th October 2023 to 24th October 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

UAE approved 2024-2026 federal budget of AED192bn

The UAE approved the federal budget for 2024-2026 worth AED192bn (USD52.3bn). The federal budget estimates expenditures of AED64.1bn in 2024, up 1.6% from estimates for 2023 and forecasts total revenues of AED65.7bn, up 3.3% over from this year. According to H.H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, Deputy Prime Minister, Deputy Ruler of Dubai and Minister of Finance, the federal general budget reflects the strength of the national economy and the balance of expenditures and revenues and ensures the achievement of sustainable development by adopting the highest degrees of federal government financial flexibility and efficiency. UAE is committed in supporting different sectors, including health, education, and social care. Social development and benefits account for 42% (AED26.7bn) of the federal budget in 2024, followed by government affairs at 39% (AED25.2bn). Nearly 16% (AED10.2bn) of the total general budget will go to public and university education, 8% (AED5.2bn) will be allocated to healthcare and community protection, 6% (AED3.6bn) will go towards social affairs while 10% (AED6.1bn) of the 2024 budget will go to pensions.

(Source: Zawya)

Saudi wealth fund PIF to raise USD3.5bn in Islamic bonds sale

Saudi Arabia's sovereign wealth fund raised USD3.5bn in a debut sale of Islamic bonds that drew strong demand. The Saudi Public Investment Fund (PIF) launched USD2.25bn in five-year Islamic bonds, or sukuk, at 120bp over US Treasuries and USD1.25bn in 10-year sukuk at 140bp over US Treasuries. The five-year tranche drew more than USD14bn in demand and the 10-year tranche received over USD10bn in orders.

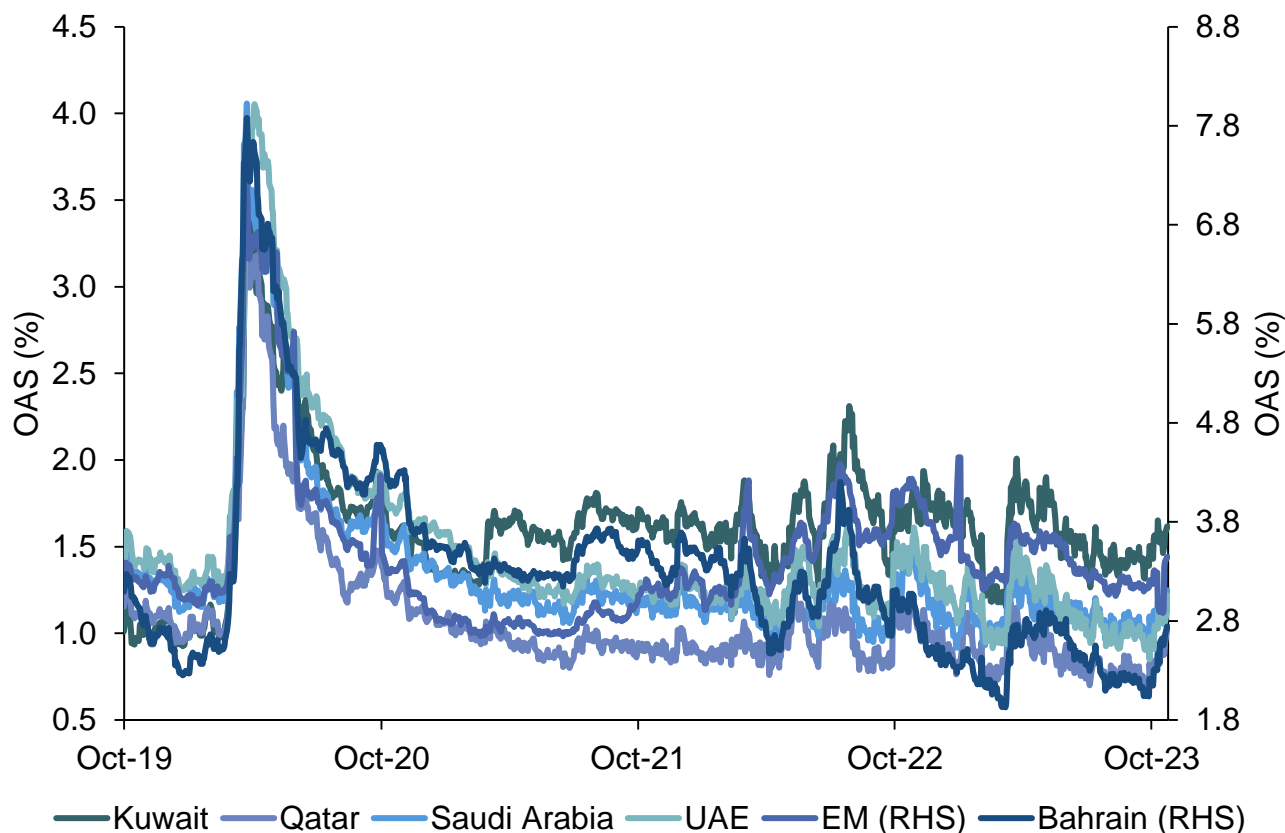
(Source: Reuters)

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

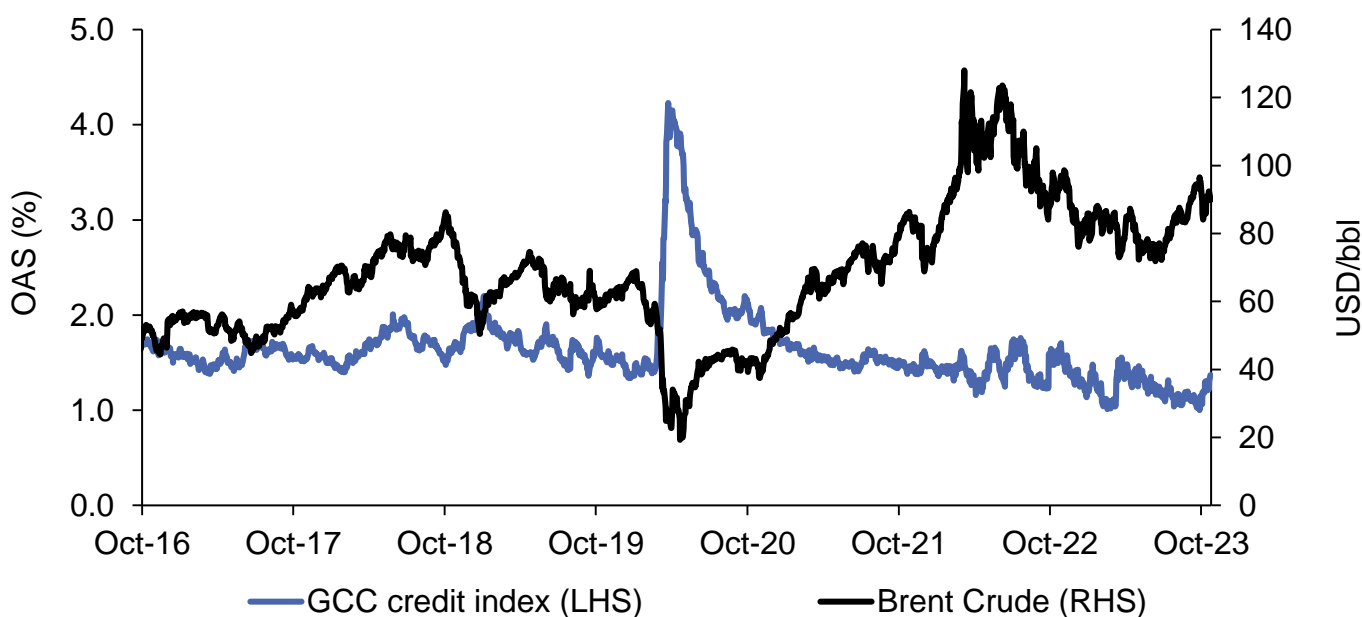
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

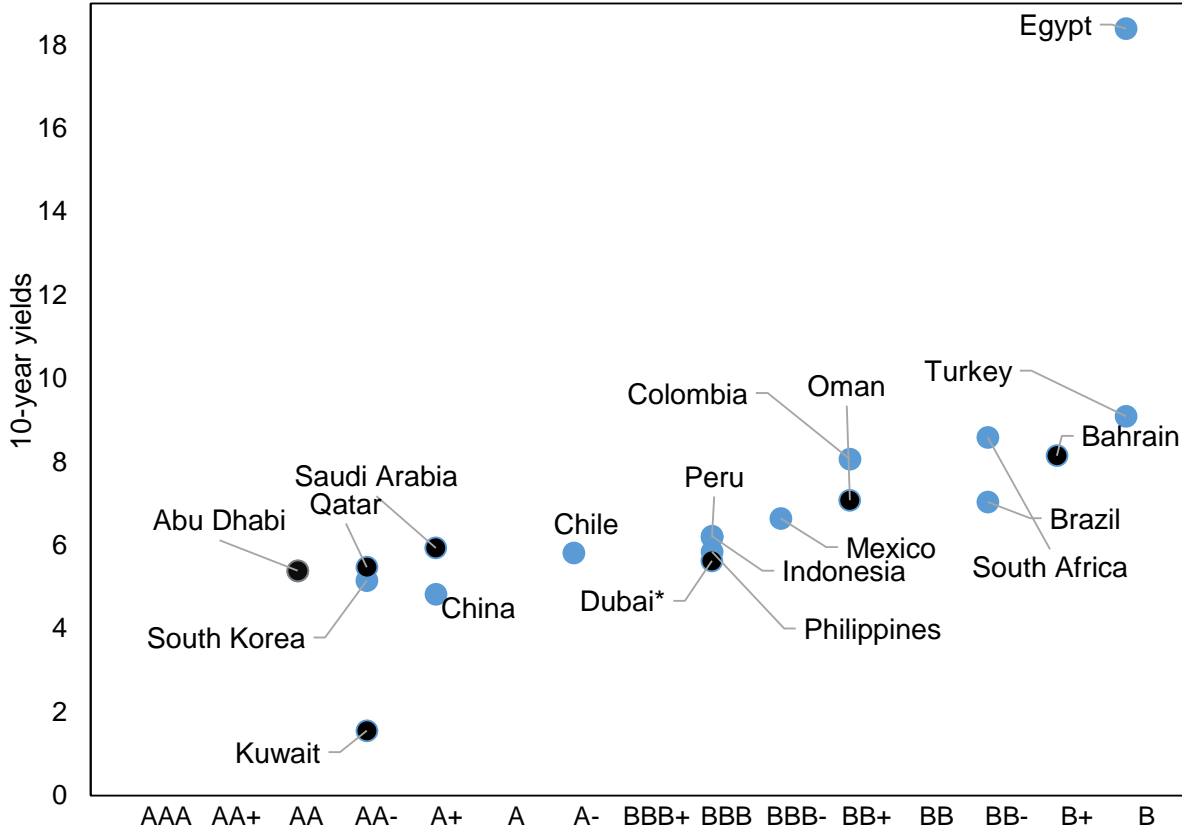
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

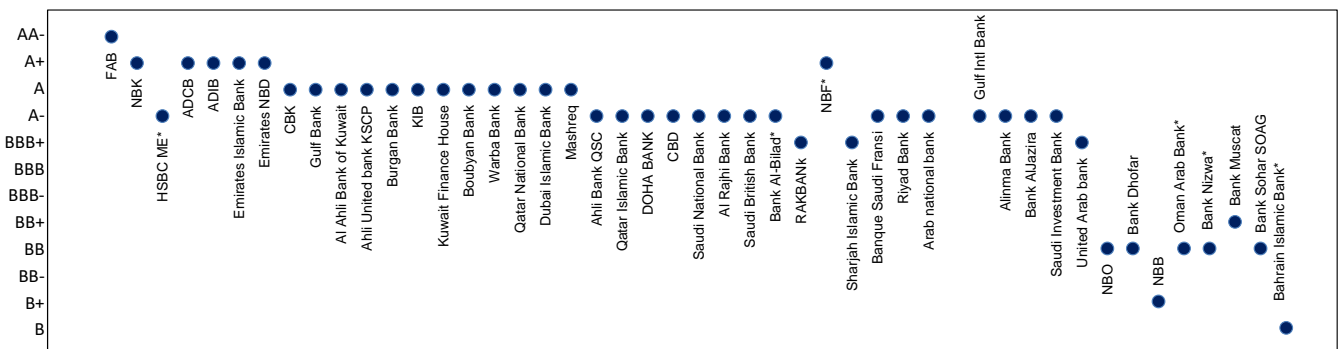
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

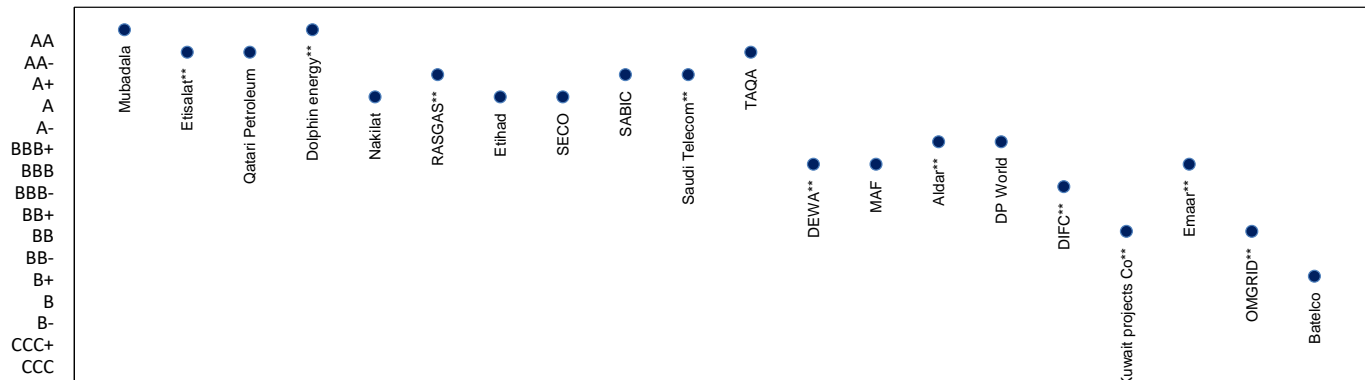
GCC Financials



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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