

## GCC Fixed Income Weekly Review

Global benchmark bond index added to weekly loss with the comeback of reflation trade put upward pressure on DM bond yields. UST yields continued to edge higher despite the disappointing payrolls number. Eurozone bond yields jumped on inflation concerns over the rise in natural gas prices. UK gilt yields increased on hawkish comments by the BoE's new chief economist. EM bonds added to their weakness on the back of broad dollar strength and rising UST yields.

Appetite for GCC bonds remained mixed with the backdrop of rising DM bond yields and weak sentiment for EM bonds. Barring Oman, all GCC sovereigns recorded negative return. Oman was the best performer, the only GCC sovereign posting positive return, boosted by improving credit outlook. Rising oil prices put downward pressure on the 5yr sovereign GCC CDS spreads. In the USD bond market, 10yr bond yields jumped across all GCC countries with Oman again being an exception. 10yr Oman bond yields declined by 3bp over the week.

**The United Arab Emirates tapped the international bond market for the first time through its debut bond sale.** The UAE raised USD4bn in a three-tranche bond deal- 10-year, 20-year and 40-year. The finance ministry raised USD1bn in the 10-year bond, USD1bn in 20-year bond and USD2bn in 40-year bond. The bond deal received strong demand, receiving more than USD22.5bn in bid orders. Strong demand also pushed the finance ministry to increase the issuance size. Overall, there was a strong bias for the 10yr tranche which at around 2.215% yield roughly matches the yield of Abu Dhabi government bond with a similar maturity. Elsewhere, the latest PMI showed strong business conditions in non-oil private sector in both Saudi and the UAE. **Saudi Arabia PMI increased from 54.1 in August to 58.6 in September**, the strongest improvement in non-oil operating conditions since August 2015. **UAE's PMI decreased to 53.3 in September from 53.8 in August.** Despite the dip in the PMI, business expectations recorded an improvement for the first time in three months as companies projected a pick-up in economic activity due to the Expo 2020.

In terms of corporate issuances activity, **APICORP raised USD750mn in its new green bonds with 5yr maturity.**

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aaa2	Baa1	A1	Ba2	Ba3	Aa3	B3
Fitch	A	AA	-	AA	B+	BB-	AA-	B+

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## GCC Fixed Income Weekly Snapshot

Bond Index Snapshot (Emerging market and GCC)				Interest rates ( Sunday to Thursday)			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays**				3M interbank			
EM USD Agg TR	1,263.4	-0.8	-1.9	Saudi <sup>^^</sup>	0.81	0.29	-0.61
EM LatAm TR	1055.5	-0.5	-2.9	UAE	0.35	3.1	-15.8
EM EMEA TR	401.5	-0.5	-0.2	Kuwait	1.50	0.00	6.25
EM Asia TR	656.2	-1.5	-2.8	Bahrain	1.55	0.0	-70.0
Bahrain TR	176.9	-0.3	-0.1	Oman	2.17	0.17	-50.83
Oman TR	134.1	0.8	6.0	Qatar	1.15	0.0	2.9
Kuwait TR	150.4	-0.2	0.8	US	0.12	-0.65	-11.48
Qatar TR	146.0	-0.6	-2.0	12M interbank			
Saudi Arabia TR	149.8	-0.7	-1.1	Saudi <sup>^^</sup>	0.93	0.1	-1.0
UAE TR	146.2	-0.5	0.0	UAE	0.52	8.10	-13.88
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.00	0.0	6.3
Saudi Arabia	55.6	-0.7	-12.3	Bahrain	1.80	0.00	-88.33
Abu Dhabi	45.0	-0.4	5.3	Oman	3.03	0.2	-30.0
Dubai	99.9	-0.6	-20.3	Qatar	1.34	0.58	-1.87
Kuwait	54.8	-	7.1	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	304.34	0.2	50.7	Saudi Arabia	2.62	9.0	25.9
Oman	276.7	-0.5	-99.6	Abu Dhabi	2.07	5.40	45.80
Qatar	45.3	-0.5	5.2	Dubai	2.57	2.1	-2.2
Egypt	474.3	-0.1	122.4	Kuwait	1.52	8.20	38.20
Turkey	439.5	0.1	129.1	Bahrain	5.93	20.1	111.7
US	14.8	-3.0	-2.0	Oman	5.15	-3.10	-32.40
Germany	10.1	-0.1	-2.3	Qatar	2.21	11.0	55.7

Note: \*Dewa rating used as proxy, \*\* data as of Friday close | Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

## The UAE sold its first bond and received USD4bn

The United Arab Emirates tapped the international bond market for the first time through its debut bond sale. The UAE raised USD4bn in a three-tranche bond deal- 10-year, 20-year and 40-year. The finance ministry raised USD1bn in the 10-year bond, USD1bn in 20-year bond and USD2bn in 40-year bond. The 10yr bond and the 20yr bond were priced at 70bp and 105bp over US Treasuries respectively while the 40yr bonds were sold at 3.25%. The bond deal received strong demand, receiving more than USD22.5bn in bid orders. Strong demand also pushed the finance ministry to increase the issuance size. Overall, there was a strong bias for the 10yr tranche which at around 2.215% yield roughly matches the yield of Abu Dhabi government bond with a similar maturity. The sale proceeds will be utilized to finance cabinet-approved infrastructure projects. (Source: Reuters)

## Saudi PMI reached a seven-year high

Saudi Arabia's non-oil private sector expanded at the fastest pace in seven years, partly due to a surge in new orders and also on account of increased consumer demand post the relaxation of Covid-19 restrictions. The seasonally adjusted IHS Markit Saudi Arabia PMI increased from 54.1 in August to 58.6 in September, the strongest improvement in non-oil operating conditions since August 2015. In addition, businesses were optimistic about the future with forecasts rising to their highest levels since the start of this year. Despite the rise in new orders, employment saw only a modest increase. (Source: Zawya)

## UAE's non-oil sector grew in September, but job created slowed

The latest PMI report showed that rise in output and new orders in the UAE's non-oil sector improved business conditions in September. The seasonally adjusted PMI decreased to 53.3 in September from 53.8 in August. Despite the dip in the PMI, business expectations recorded an improvement for the first time in three months as companies projected a pick-up in economic activity due to the Expo 2020. New orders also increased in September. Employment only saw a marginal gain. Companies expect sales to accelerate in the coming months, helped by the Expo 2020. (Source: Zawya).

## APICORP raised its first green bonds

The Arab Petroleum Investments Corporation (Apicorp), a multilateral development financial institution focused on the energy sector, raised USD750mn from its debut green bonds. This marked the first green bond issuance in the MENA region by an energy-focused company. The 5yr USD bond received strong interest, nearly oversubscribed by 3times with bid orders exceeding USD2.2bn. In terms of geographical distribution, investors outside MENA were 93% of the total subscribers with 45% from UK and Europe. (Source: Zawya)

## Qatar's economy grew 4% in Q2, driven by non-hydrocarbons

Qatar's economy grew 4% year-over-year in the second quarter, according to official preliminary estimates, mainly due to non-hydrocarbons. The GDP on constant prices decreased by 0.3% on a quarterly basis. Mining and quarrying GDP increased 0.7% year-on-year in the second quarter, while non-mining and quarrying activities posted a 6.2% growth. Accommodation and food service activities grew by 41%, Transportation and storage activities grew by 26.9%, while manufacturing grew by 13.4%. (Source: Zawya).

## Latest bond issuances (Corporate and Sovereigns)

Issuer	BBG	Sector	Country	Issue Amt	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
First Abu Dhabi Bank PJSC	FABUH	Financials	AE	344.73	1.125	9/7/2026	AT MATURITY	GBP	9/7/2021	AA-	1.20	-
ADCB	ADCBUH	Financials	AE	285	1.72	9/7/2026	AT MATURITY	USD	9/7/2021	A+	1.55	-
AUB Sukuk Ltd	AUBBI	Financials	BH	600	2.615	9/9/2026	AT MATURITY	USD	9/9/2021	BBB	2.55	-
Abu Dhabi Government International Bond	ADGB	Financials	AE	1750	1.875	9/15/2031	AT MATURITY	USD	9/15/2021	AA	1.97	-
Abu Dhabi Government International Bond	ADGB	Financials	AE	1250	3	9/15/2051	AT MATURITY	USD	9/15/2021	AA	2.97	-
NBK SPC Ltd	NTBKKK	Financials	KW	1000	1.625	9/15/2027	CALLABLE	USD	9/15/2021	AA-	1.68	1.79
QIIB Senior Sukuk Ltd	QIIKQD	Financials	QA	250	4.264	3/5/2024	AT MATURITY	USD	10/12/2021	A	1.16	-

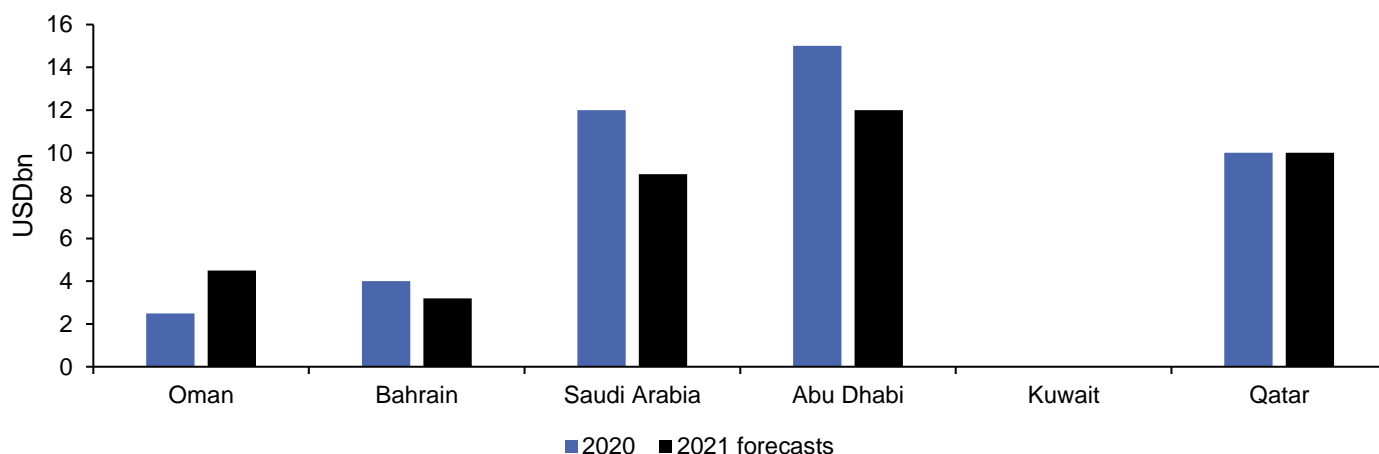
\*Amount Issued in USDmillion, Bloomberg sector classification has been used, ^Issuer rating used where applicable, Fitch rating or equivalent used

Source: Fitch Ratings, Moody's ratings, Bloomberg, ADCB Asset Management

## Appendix

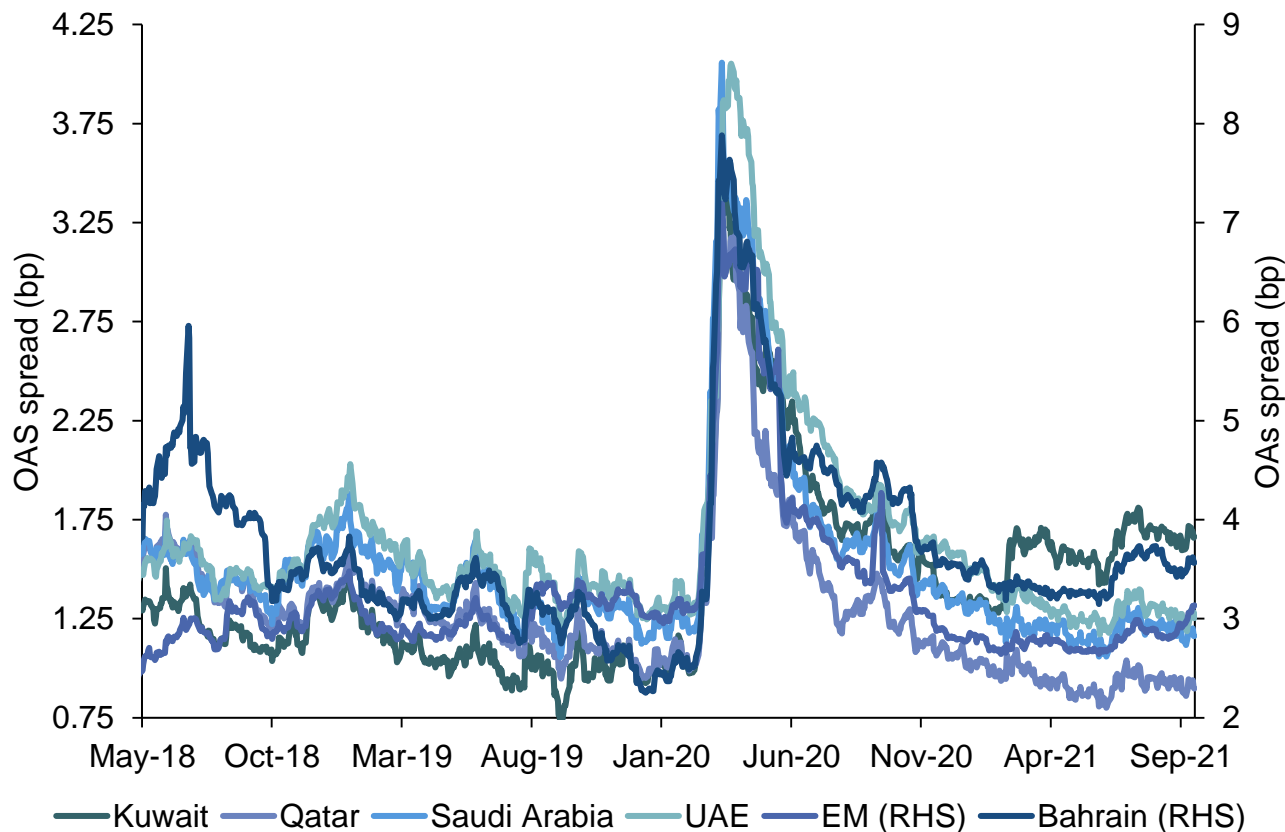
### GCC sovereign borrowing estimates

GCC sovereigns to borrow less in 2021, barring Oman



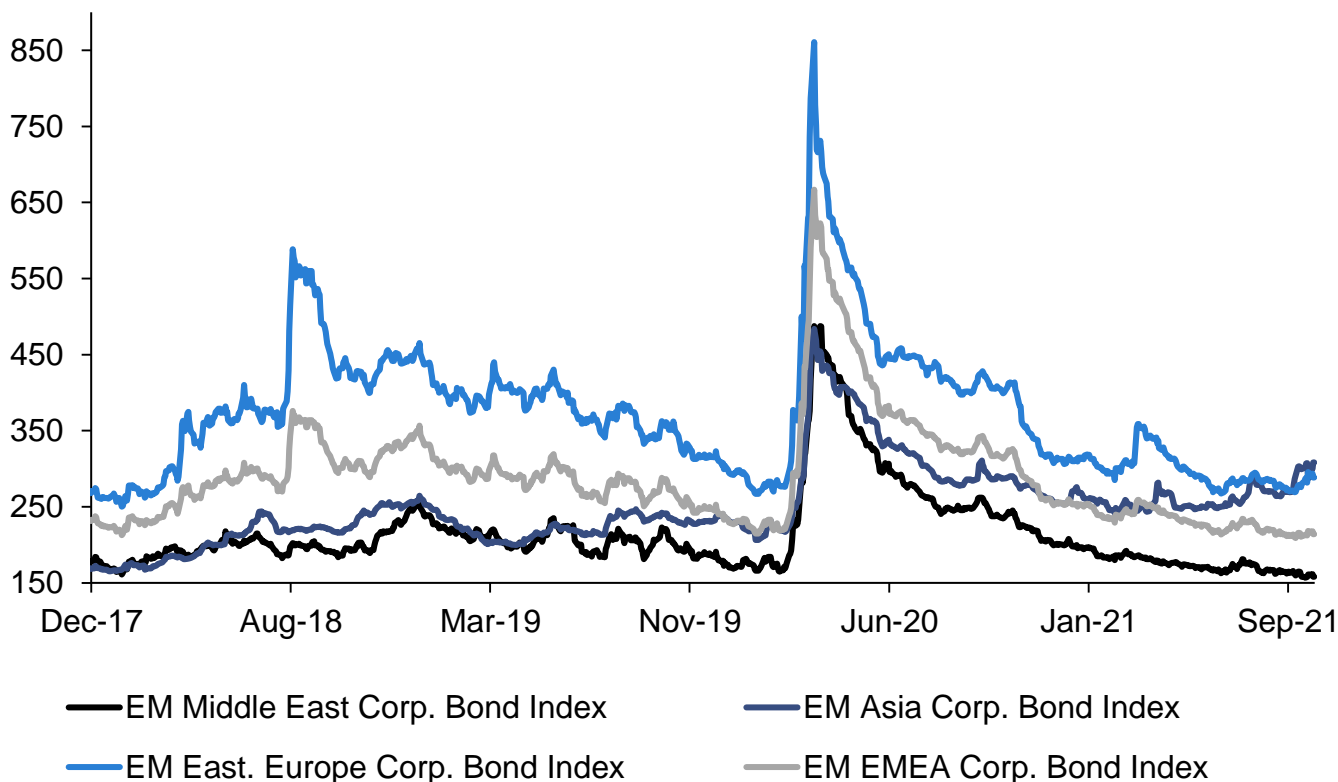
Source: Government Sources, Bloomberg, ADCB Investment Strategy estimates

### Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



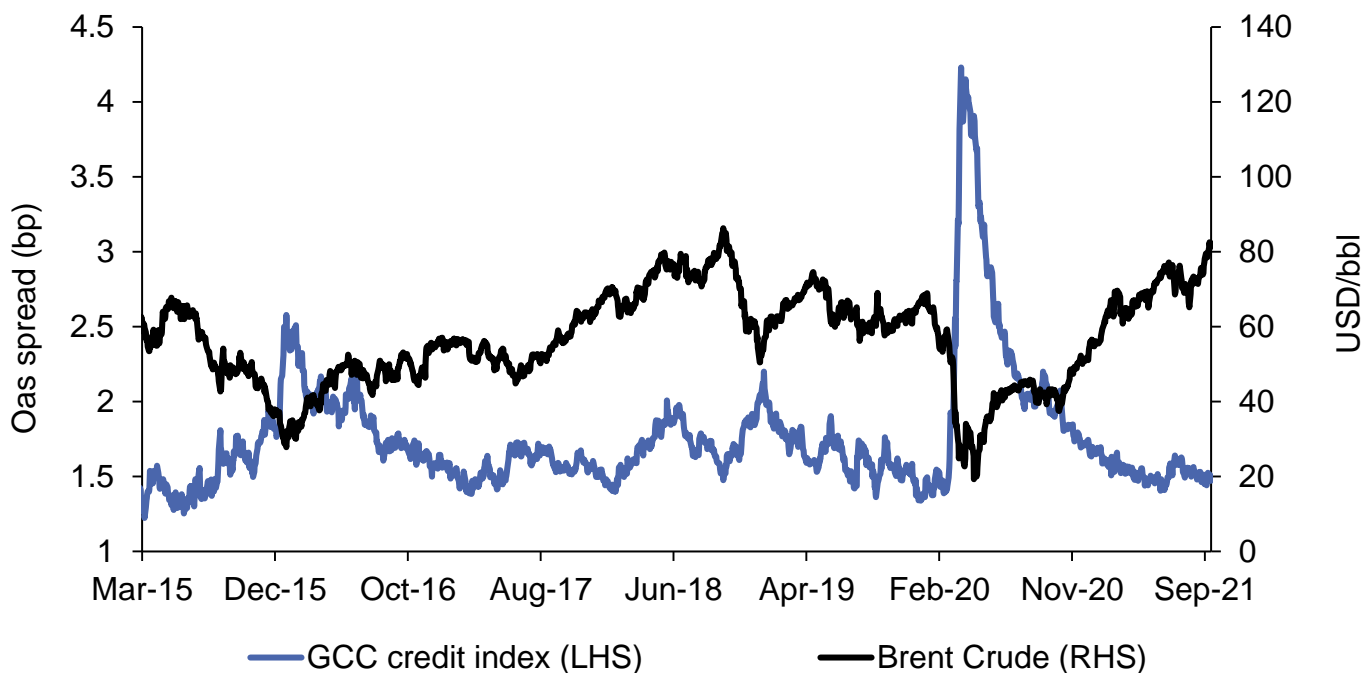
Source: Bloomberg Barclays Sovereign Bond Indices, Bloomberg, ADCB Asset Management

## Emerging markets versus Middle East spread



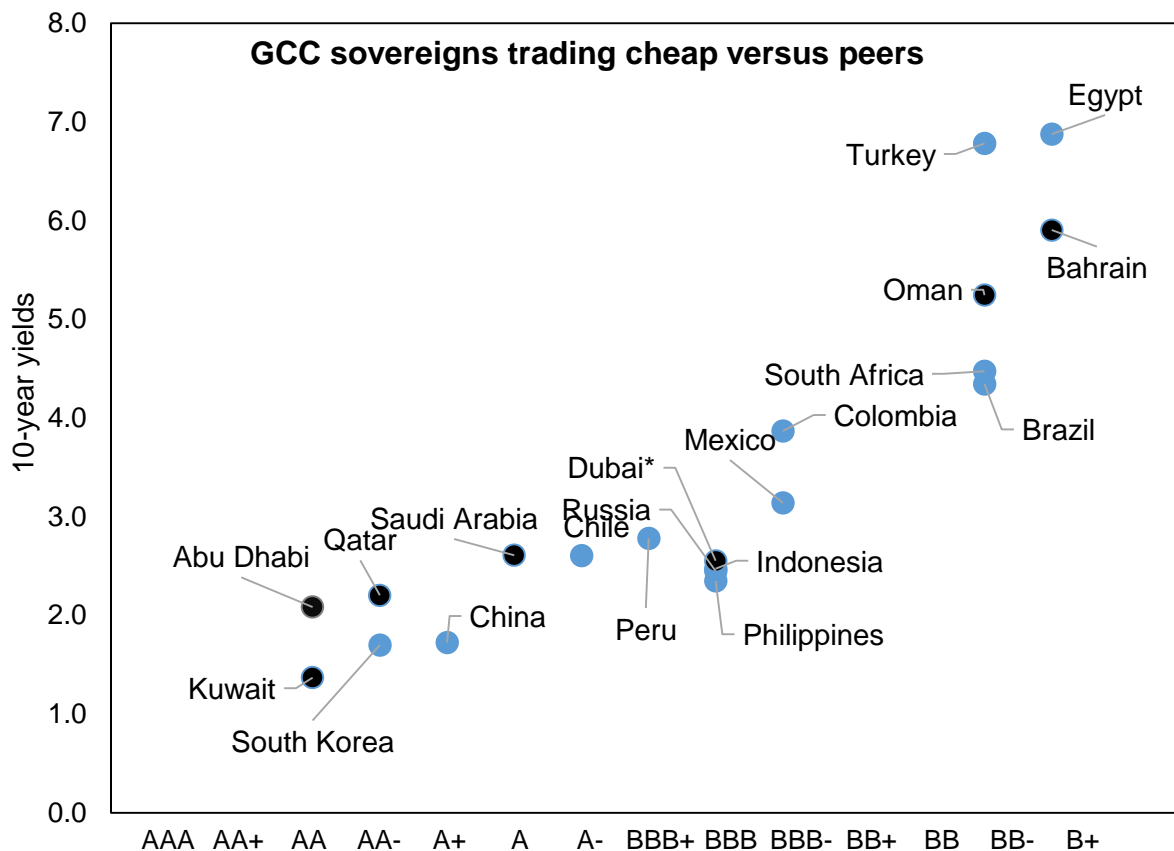
Source: Credit Suisse Corporate Bond Indices, Bloomberg, ADCB Asset Management

## GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

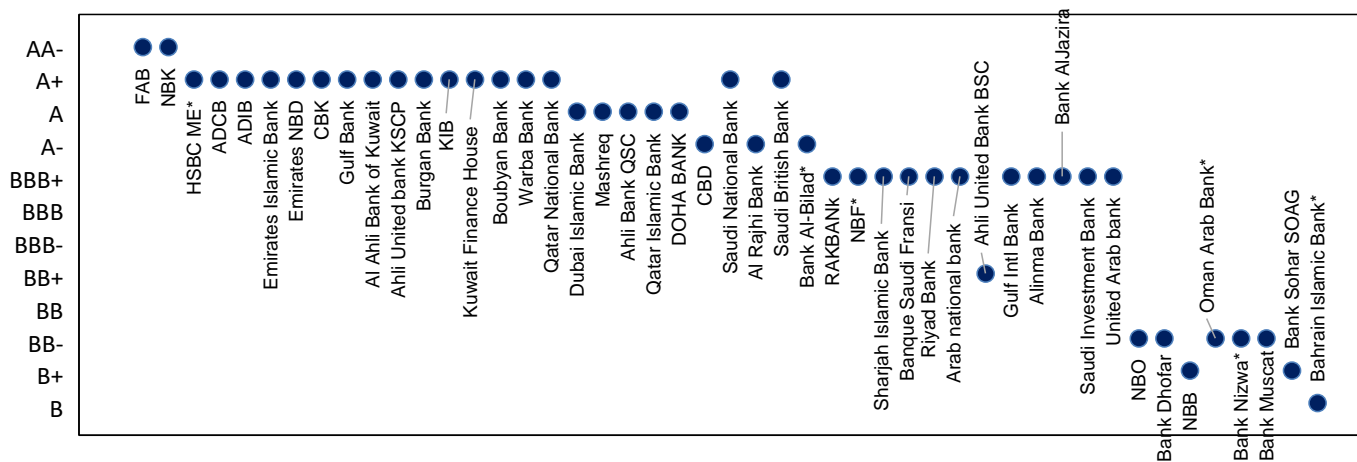
## 10yr yield versus Credit ratings (EM vs GCC)



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

## GCC Financials Credit Rating

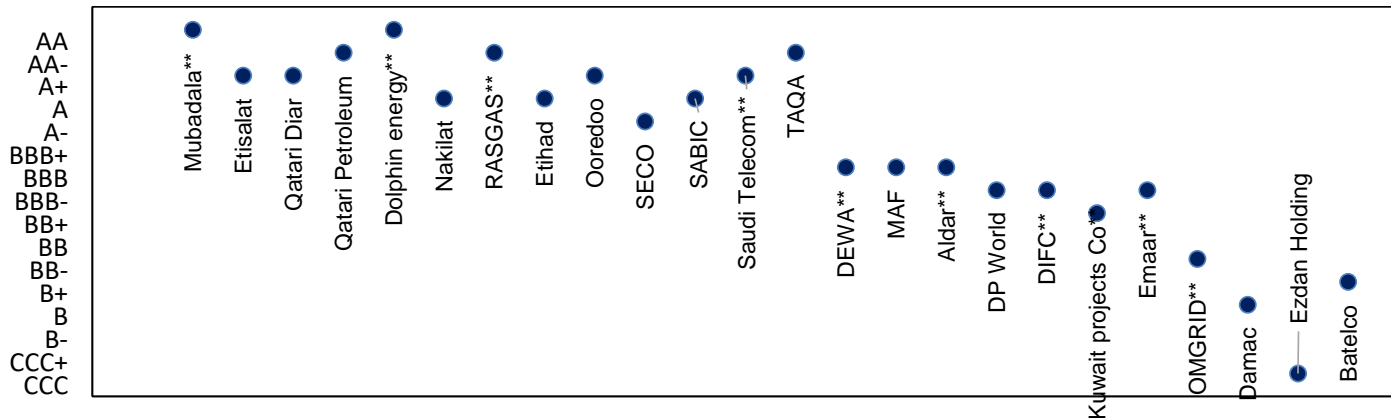
### GCC Financials



Note: The ratings refer to Fitch ratings, \*Moody's rating used as substitute where the corporate/bank not rated by Fitch ratings  
Source: Fitch ratings, Moody's ratings, Bloomberg, ADCB

## GCC Corporate Credit rating

### GCC Corporates



Note: The ratings refer to Fitch ratings, \*\* Moody's ratings used as substitute where the corporate/bank not rated by Fitch ratings

Source: Fitch ratings, Moody's ratings, Bloomberg, ADCB

## Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTT News
4. Reuters
5. Gulfbase
6. Zawya

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