

GCC Fixed Income Weekly Review

Global benchmark bond index partially recovered last week, putting an end to five consecutive weeks of losses. DM sovereign bond yields paused their rally as growth concerns outpaced inflation concerns. UST yields were lower for the week but jumped on Friday post the strong retail sales print. Core Eurozone bond yields and UK gilt yields dropped more compared to UST yields. EM bonds saw a relief rally, helped by the pause in DM sovereign bond market sell-off.

Sentiment improved for GCC bonds in line with the trend seen in EM bonds. Oman saw the largest weekly return, outperforming other GCC bond markets. Kuwait was the only country recording negative returns. 5yr Sovereign GCC spreads mostly tightened, driven by the jump in oil prices. In the USD bond market, the 10yr bond yields declined across all GCC countries, barring Abu Dhabi where the yields were marginally higher for the week. Oman saw the largest drop in 10yr bond yields.

After the UAE federal government's debut bond sale, **the UAE revealed its plans of more dollar issuance next year and also indicated that it is planning to issue local currency bonds.** The undersecretary of the Ministry of Finance, Younis Al Khoori said it is the responsibility of each emirate to issue debt in accordance with its own needs and priorities. Al Khoori added that the timing of the next dollar issuance is yet to be determined while local currency bonds will be issued "in due time" depending on the market conditions. **Elsewhere, the latest PMI survey for Dubai showed that the non-oil sector growth slowed in September.** The seasonally adjusted HIS Markit Dubai PMI dropped to 51.5 in September, down from 53.3 in August. However, business confidence was boosted with the Expo 2020 opening as companies remained optimistic about the future sales outlook. Meanwhile, **the IMF upgraded its growth forecast for Saudi to 2.8% in 2021, from previous estimate of 2.4%.** Forecast for 2022 was kept unchanged at 4.8% in 2022.

In terms of corporate issuances activity, **Jeddah-based Islamic Development Bank of Jeddah raised USD1.7bn in five-year Islamic bonds.**

Prerana Seth
Fixed Income Strategist
Tel: +971 (0)2 696 2878
prerana.seth@adcb.com

Mohammed Al Hemeiri
Analyst
Tel: +971 (0)2 696 2236
mohammed.alhemeiri@adcb.com

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| Country | Saudi Arabia | Abu Dhabi | Dubai* | Kuwait | Bahrain | Oman | Qatar | Egypt |
|---------|--------------|-----------|--------|--------|---------|------|-------|-------|
| Moody's | A1 | Aau2 | Baa1 | A1 | Ba2 | Ba3 | Aa3 | B3 |
| Fitch | A | AA | - | AA | B+ | BB- | AA- | B+ |

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 | 1,266.1 | 0.2 | -1.7 | Saudi ^{^^} | 0.82 | 0.43 | -0.18 |
| EM LatAm TR | 1061.0 | 0.5 | -2.4 | UAE | 0.41 | 5.3 | -10.5 |
| EM EMEA TR | 402.4 | 0.2 | -0.0 | Kuwait | 1.50 | 0.00 | 6.25 |
| EM Asia TR | 655.8 | -0.1 | -2.9 | Bahrain | 1.52 | -3.3 | -73.3 |
| Bahrain TR | 177.5 | 0.3 | 0.3 | Oman | 2.17 | 0.33 | -50.50 |
| Oman TR | 135.7 | 1.2 | 7.3 | Qatar | 1.15 | 0.0 | 2.9 |
| Kuwait TR | 150.4 | -0.0 | 0.8 | US | 0.12 | -0.14 | -11.61 |
| Qatar TR | 146.3 | 0.2 | -1.8 | 12M interbank | | | |
| Saudi Arabia TR | 150.1 | 0.2 | -0.9 | Saudi ^{^^} | 0.94 | 0.6 | -0.4 |
| UAE TR | 146.3 | 0.1 | 0.1 | UAE | 0.54 | 2.40 | -11.48 |
| 5Y Sov. CDS | Latest (bp) | -1w (bp) | YTD (bp) | Kuwait | 2.00 | 0.0 | 6.3 |
| Saudi Arabia | 53.3 | -2.6 | -14.6 | Bahrain | 1.80 | 0.00 | -88.33 |
| Abu Dhabi | 44.3 | -2.1 | 4.6 | Oman | 3.07 | 3.2 | -26.8 |
| Dubai | 97.1 | -3.2 | -23.1 | Qatar | 1.35 | 0.00 | -1.36 |
| Kuwait | 55.1 | 0.3 | 7.3 | 10Y yield | Latest | -1w (bp) | YTD (bp) |
| Bahrain | 315.49 | 12.5 | 61.9 | Saudi Arabia | 2.61 | -0.5 | 25.4 |
| Oman | 265.7 | -12.2 | -110.6 | Abu Dhabi | 2.07 | 0.20 | 46.00 |
| Qatar | 44.6 | -1.3 | 4.6 | Dubai | 2.55 | -2.5 | -4.7 |
| Egypt | 453.4 | -20.8 | 101.4 | Kuwait | 1.51 | -0.90 | 37.30 |
| Turkey | 450.8 | 4.9 | 140.4 | Bahrain | 5.89 | -4.4 | 107.3 |
| US | 15.2 | 0.3 | -1.6 | Oman | 5.01 | -13.80 | -46.20 |
| Germany | 10.2 | -0.2 | -2.2 | Qatar | 2.20 | -0.9 | 54.8 |

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

UAE to issue more dollar bonds in 2022

The UAE federal government is planning to issue more dollar bonds next year and is also working on plans to issue local currency debt. The UAE federal government tapped the international bond market for the first time this month. The undersecretary of the Ministry of Finance, Younis Al Khoori said it is the responsibility of each emirate to issue debt in accordance with its own needs and priorities. Al Khoori added that the timing of the next dollar issuance is yet to be determined while local currency bonds will be issued "in due time" depending on the market conditions. The latest UAE's debut bond offering, which included tranches of 10, 20 and 40 years, received strong demand with bid orders over USD22.5bn. (Source: Zawya)

Dubai's non-oil sector growth slowed in September

Dubai's non-oil sector growth lost momentum in September with new orders reporting their first decline since February. The seasonally adjusted HIS Markit Dubai PMI dropped to 51.5 in September, down from 53.3 in August. Companies indicated that sluggish consumer demand and discounts at competing firms led to decline in overall sales. Employment growth also slowed, declining to a four-month low. However, business confidence was boosted with the Expo 2020 opening as companies remained optimistic about the future sales outlook. (Source: Zawya)

Saudi Arabia's economy will grow by 2.8% in 2021, according to the IMF

According to the IMF's latest World Economic Outlook, Saudi Arabia's economy is expected to grow by 2.8% in 2021 and 4.8% in 2022. The IMF previously estimated the Kingdom to grow by 2.4% in 2021. However, the 2022 growth forecast remained the same. IMF's growth projection for the MENA region remains at 4.1% for 2021, but increased by 0.4% to 4.1% for 2022. In addition, the IMF predicts an increase in consumer prices of 12.7% in 2021 and 8.6% in 2022 for the MENA region. Inflation is fuelled by rising food prices in response to local shortages and rise in global food prices. Although, the Kingdom is anticipated to have a much-lower inflation rate of 1.6% for 2021, the price increase for 2022 is expected to be higher at 2.2%. Globally, the IMF predicts that growth will be 5.2% this year, versus a meagre 3% gain predicted for low-income developing countries. (Source: Zawya)

Islamic Development Bank received USD1.7bn in sukuk

Jeddah based Islamic Development Bank of Jeddah raised USD1.7bn in five-year Islamic bonds. The sukuk was sold at a premium of 25bp over mid-swaps, tightening from the initial guidance of 30bp over mid-swaps. The bond deal attracted strong demand, receiving bids over USD2.4bn. The strong demand allowed the multilateral development bank to raise more than its initial plan of USD1.5bn. The bank had last raised USD2.5bn in sustainability sukuk in March. (Source: Reuters).

Latest bond issuances (Corporate and Sovereigns)

| Issuer | BBG | Sector | Country | Issue Amt | Cpn | Maturity | Maturity Type | Currency | Issue Date | Rtg ^ | YTM (mid) | YTC (mid) |
|---|---------|------------|---------|-----------|-------|------------|---------------|----------|------------|-------|-----------|-----------|
| 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 | QIIBKQD | Financials | QA | 250 | 4.264 | 3/5/2024 | AT MATURITY | USD | 10/12/2021 | A | 1.16 | - |
| UAE INTERNATIONAL GOVERNMENT BOND | UAE | Financials | AE | 1000 | 2 | 10/19/2031 | AT MATURITY | USD | 10/19/2021 | AA | 2.26 | - |
| UAE INTERNATIONAL GOVERNMENT BOND | UAE | Financials | AE | 1000 | 2.875 | 10/19/2041 | AT MATURITY | USD | 10/19/2021 | AA | 3.14 | - |
| UAE INTERNATIONAL GOVERNMENT BOND | UAE | Financials | AE | 2000 | 3.25 | 10/19/2061 | AT MATURITY | USD | 10/19/2021 | AA | 3.32 | - |

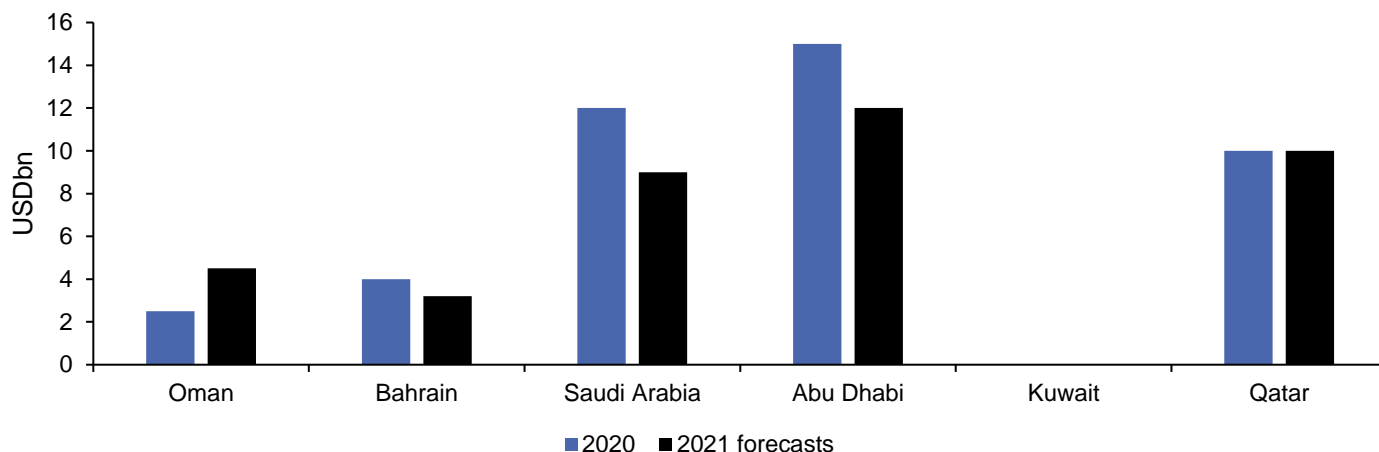
*Amount Issued in USDmillion, Bloomberg sector classification has been used, ^Issuer rating used where applicable, Fitch rating or equivalent used

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

Appendix

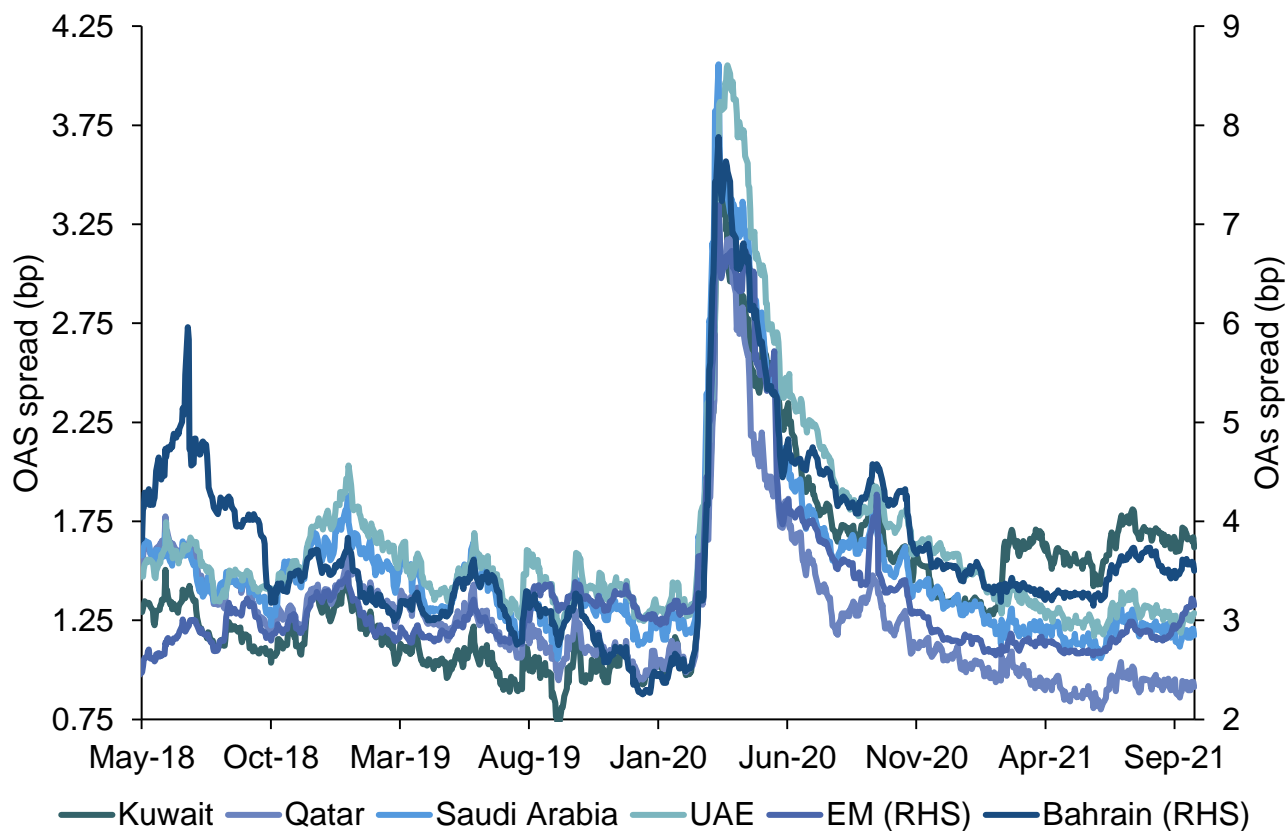
GCC sovereign borrowing estimates

GCC sovereigns to borrow less in 2021, barring Oman



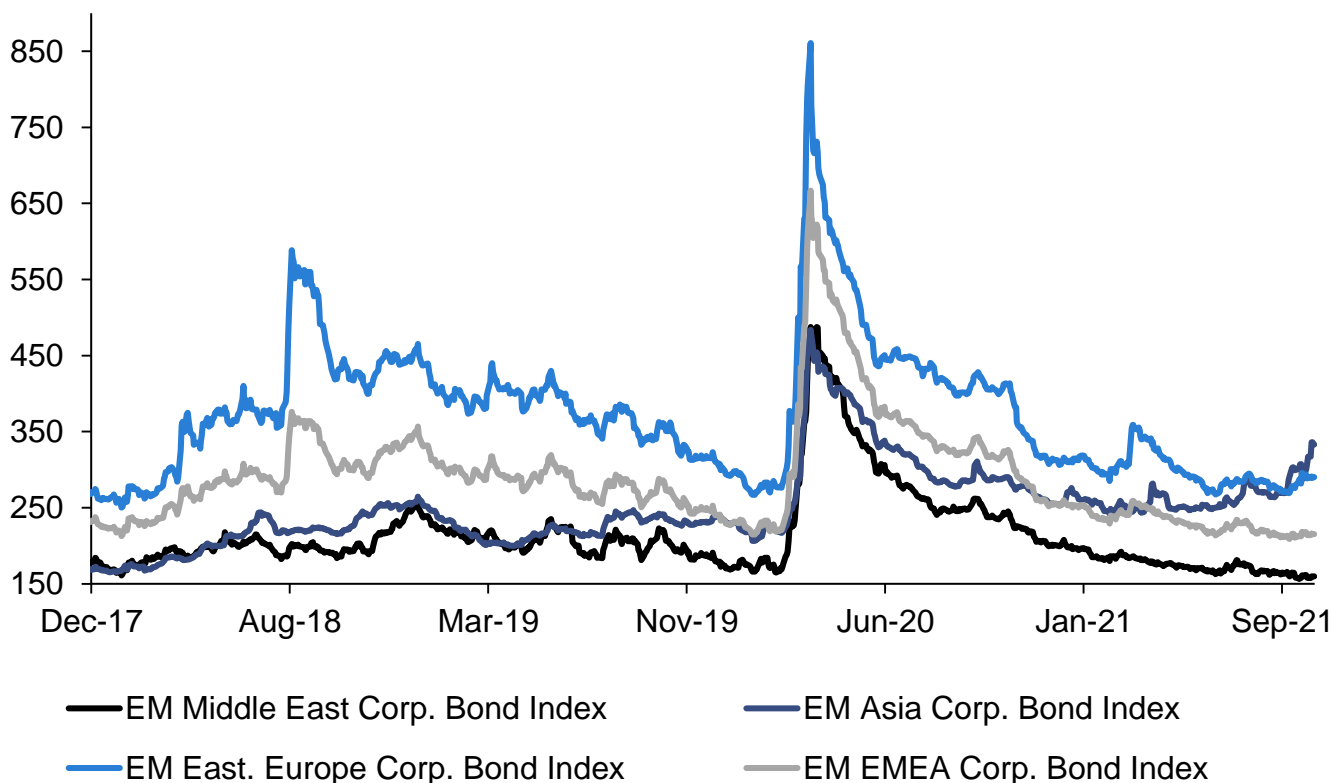
Source: Government Sources, Bloomberg, ADCB Investment Strategy estimates

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



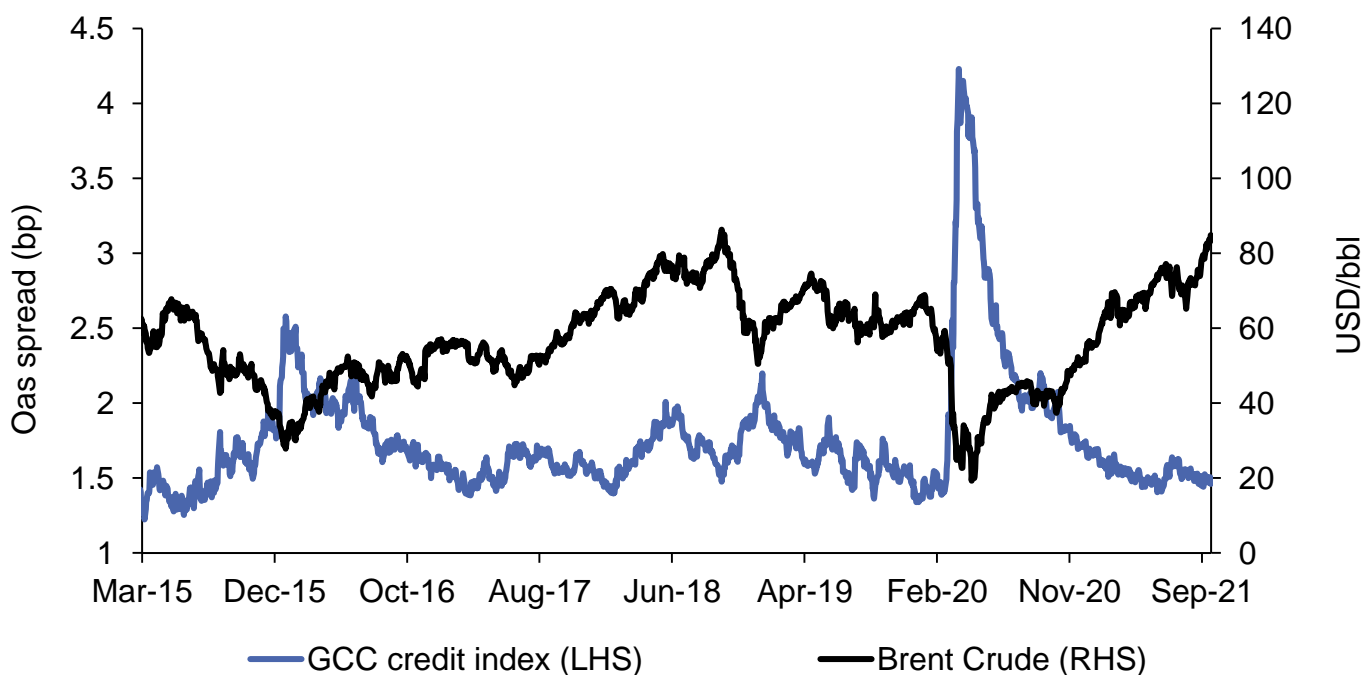
Source: Bloomberg Barclays Sovereign Bond Indices, Bloomberg, ADCB Asset Management

Emerging markets versus Middle East spread



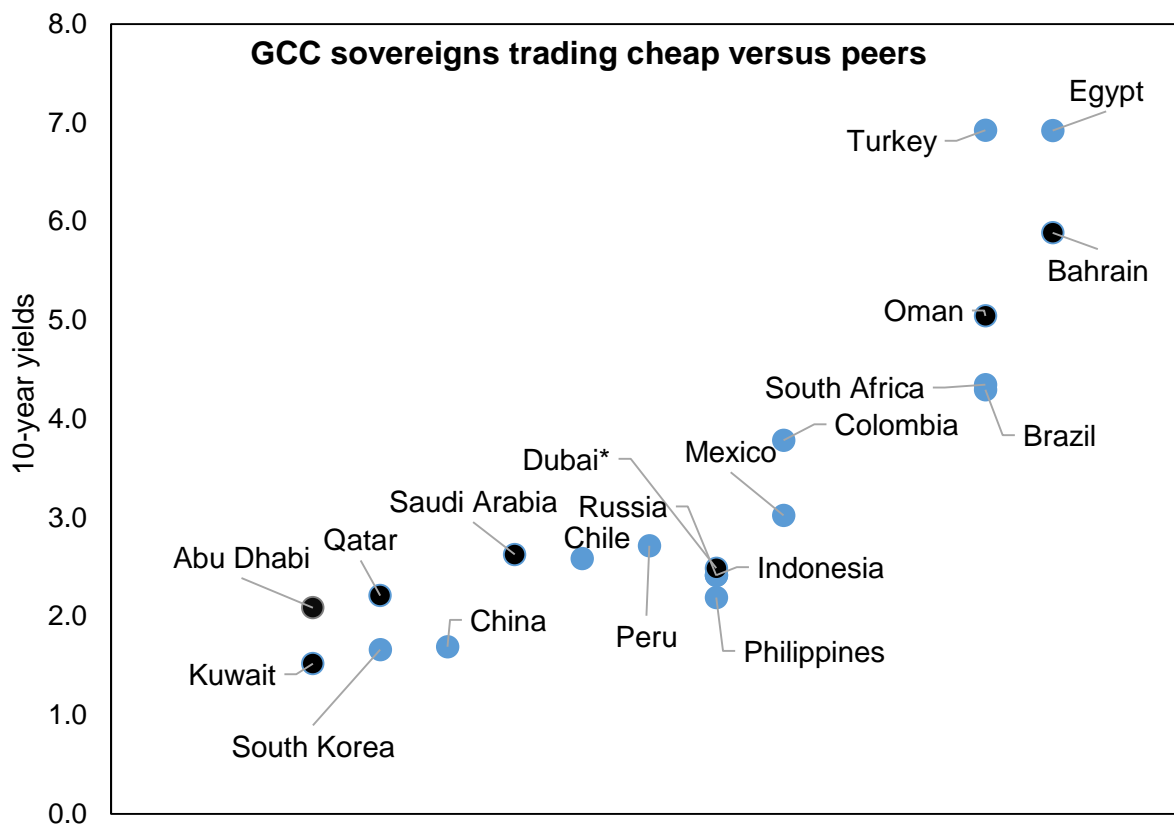
Source: Credit Suisse Corporate Bond Indices, Bloomberg, ADCB Asset Management

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB

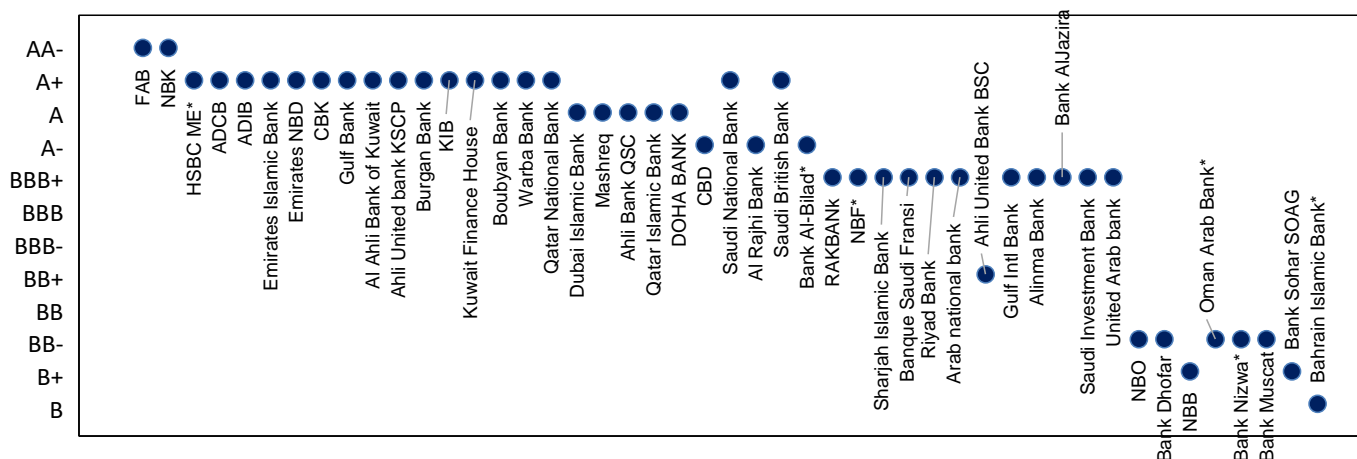
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

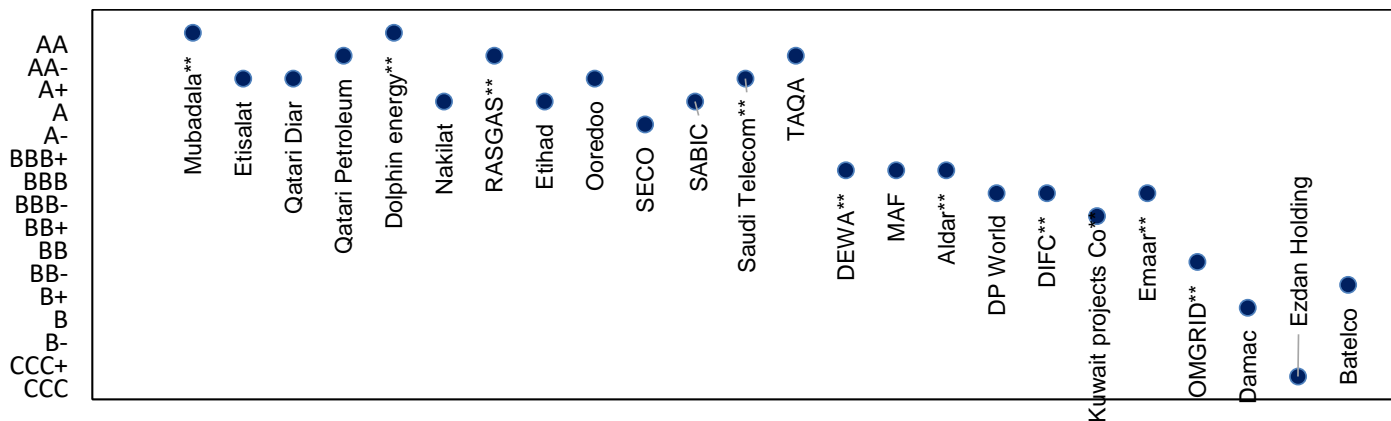
GCC Financials



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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