

GCC Fixed Income Weekly Review

Global benchmark bond index recorded losses of c1.86% over the week (ending 11th October 2022). The 10yr UST yield rose to 3.9% again on the back of increased global bond volatility as the BoE governor indicated that the central bank may not continue purchases of gilts beyond 14th October. Euro-zone bond yields jumped more than the UST counterpart. The 10yr UK Gilt yield rose back to 4.45% level, the highest since 2008. Corporate credit recorded losses, with Global IG underperforming Global HY. EM bonds also came under pressure with the rise in DM bond yields.

Appetite for GCC bonds was mostly weak amidst the global bond market volatility. Barring Oman, all other GCC bond markets recorded negative returns over the week. Saudi Arabia underperformed the most. Similarly, CDS spreads widened across all GCC countries, despite the rise in oil prices after the OPEC+ decision of supply cuts. In the USD sovereign market, 10yr bond yields rose across all the GCC markets, the most in Saudi Arabia.

Operating conditions and growth in the UAE's non-oil private sector businesses improved at a robust pace in September owing to strong growth in output and employment. **The UAE Purchasing Managers' Index (PMI) eased to 56.1 in September from 56.7 in August, declining for the first time in three months.** Saudi Arabia's non-oil private sector growth remained solid in September driven by a relatively strong pickup in output and new orders, albeit at a slower pace than in August as confidence softened. **The seasonally adjusted S&P Global Saudi Arabia Purchasing Managers' Index (PMI) for the whole economy eased to 56.6 in September from 57.7 in August.** Elsewhere, **Moody's rating agency upgraded Oman's rating outlook to "positive" from "stable", citing higher oil prices will ease the country' debt position over the next few years.**

In issuance activity, **Saudi Arabia's Public Investment Fund raised USD3bn through its first green bond issuance.** The bond was issued in three tranches, comprising of USD1.25bn in 5yr bond, USD1.25bn in 10yr bond and USD500mn in 100yr bond. Elsewhere, **FAB raised USD700mn in 5yr green bond.**

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aaa2	Baa2	A1	Ba2	Ba3	Aa3	B3
Fitch	A	AA	-	AA	B+	BB	AA-	B+

GCC Fixed Income Weekly Snapshot

BBG Barclays	Latest	-1w %	YTD %	Interest rates			
				3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1003.3	-1.3	-20.8	Saudi	4.6	26.5	366.8
EM LatAm TR	840.7	-1.7	-20.7	UAE	3.7	8.9	333.5
EM EMEA TR	302.4	-1.0	-24.7	Kuwait	3.2	0.0	168.8
EM Asia TR	548.5	-1.3	-16.7	Bahrain	5.0	0.0	348.3
Bahrain TR	166.1	-0.5	-7.3	Oman	3.4	-10.8	122.2
Oman TR	126.9	0.2	-7.7	Qatar	2.5	-	132.5
Kuwait TR	136.8	-0.4	-9.0	US	3.9	13.5	-
Qatar TR	123.4	-1.3	-16.8	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	126.5	-1.6	-17.1	Saudi	5.4	23.7	432.1
UAE TR	126.3	-0.9	-14.6	UAE	4.3	-9.4	354.0
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	3.8	0.0	181.3
Saudi Arabia	68.7	9.4	16.8	Bahrain	5.6	2.3	387.3
Abu Dhabi	51.8	-	6.9	Oman	3.7	-15.4	65.6
Dubai	136.5	4.6	37.4	Qatar	2.8	-	142.5
Kuwait	81.3	-	32.4	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	322.7	14.1	18.6	Saudi Arabia	5.0	23.4	251.4
Oman	274.2	7.6	8.1	Abu Dhabi	4.8	21.6	275.1
Qatar	62.8	3.8	17.6	Dubai	4.7	13.7	216.0
Egypt	1340.9	35.4	832.4	Kuwait	4.6	9.2	298.8
Turkey	772.0	5.6	203.2	Bahrain	8.5	13.9	268.9
US	32.1	8.9	17.6	Oman	7.2	4.6	220.7
Germany	29.1	12.0	18.8	Qatar	4.8	18.5	269.2

Note: *Dewa rating used as proxy, data from 5th October 2022 to 11th October 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

UAE PMI remained strong in September

Operating conditions and growth in the UAE's non-oil private sector businesses improved at a robust pace in September owing to strong growth in output and employment. The UAE Purchasing Managers' Index (PMI) eased to 56.1 in September from 56.7 in August, declining for the first time in three months. New business volumes saw a strong increase at the end of the third quarter of the year. New orders rose at a faster rate than the trend observed since the survey began in August 2009. Non-oil firms recorded a further increase in employment. On the price front, September data signalled a modest uptick in firms' overall expenses, following a renewed decline in August.

(Source: Zawya)

Saudi Arabia's non-oil economic activity stayed robust in September

Saudi Arabia's non-oil private sector growth remained solid in September driven by a relatively strong pickup in output and new orders, albeit at a slower pace than in August as confidence softened. The seasonally adjusted S&P Global Saudi Arabia Purchasing Managers' Index (PMI) for the whole economy eased to 56.6 in September from 57.7 in August. The output sub-index, which measures business activity, slipped to 59.5 in September from 61.5 in August.

(Source: Reuters)

Saudi to boost 2023 spending according to the pre-budget statement

Saudi Arabia real GDP growth is expected to reach 8.0% in fiscal year 2022, according to a pre-budget statement by the Saudi finance ministry. The ministry said the growth would be "driven by real GDP growth in oil activities and the sustained levels of growth in the real GDP in non-oil activities, which is expected to record growth of 5.9% in FY 2022." Saudi Arabia estimated public revenue in 2023 budget at SAR1123trn, and expenditures at SAR1114trn. The expected surplus of SAR9bn is smaller than an earlier estimate of SAR27bn, about 0.2% of the total GDP.

(Source: Zawya)

Moody's upgraded Oman's rating outlook to 'Positive'

Moody's rating agency upgraded Oman's rating outlook to "positive" from "stable", citing higher oil prices will ease the country's debt position. Moody's expects Oman's fiscal balance to remain in surplus for the next two years.

(Source: Reuters)

Saudi Arabia's PIF raised USD3bn through debut green bond

Saudi Arabia's Public Investment Fund raised USD3bn through its first green bond issuance. The bond was issued in three tranches, comprising of USD1.25bn in 5yr bond, USD1.25bn in 10yr bond and USD500mn in 100yr bond. The bond sale was more than eight times oversubscribed, with orders exceeding USD24bn. The issuance is part of PIF initiatives to support the kingdom's green agenda.

(Source: Bloomberg)

FAB sold USD700mn in 5yr green bond

FAB raised USD700mn in 5yr green bond. The coupon was priced at 5.125% and issued at 125bp over similar maturity US Treasuries.

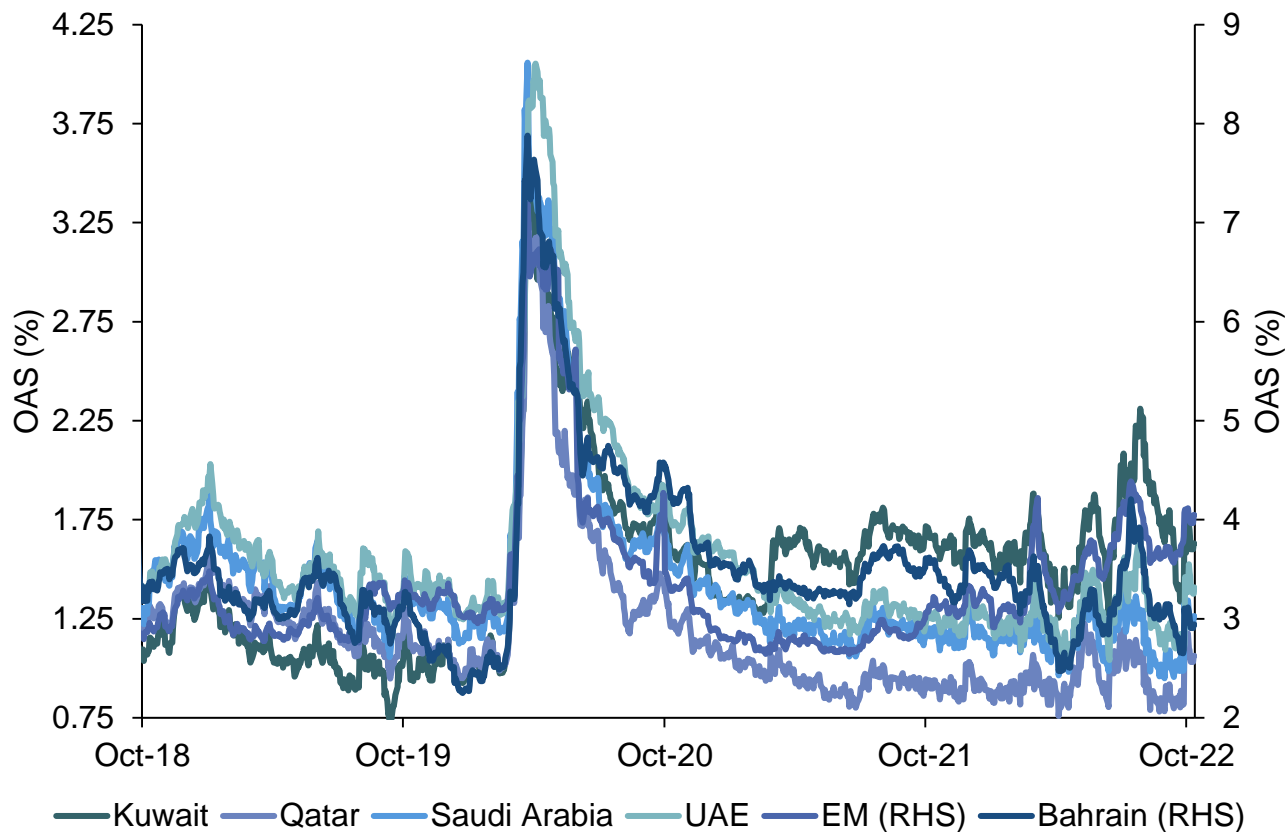
(Source: Bloomberg)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	368	4.06	3/1/2027	AT MATURITY	USD	9/1/2022	AA-	-	-
SNB Funding Ltd	SNBAB	Financial Institutions	SA	325	4.06	9/7/2027	AT MATURITY	USD	9/7/2022	A-	-	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	500	4.5	9/14/2027	AT MATURITY	USD	9/14/2022	A+	-	-
Private Department of Skh Mohamed Bin	PVTDEP	Financial Institutions	AE	300	8.75	9/23/2025	AT MATURITY	USD	9/23/2022	B+	-	-
Shelf Drilling North Sea Holdings Ltd	SHLFNS	Industrial	AE	250	10.25	10/31/2025	CALL/SINK	USD	9/26/2022	-	-	14.5

*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

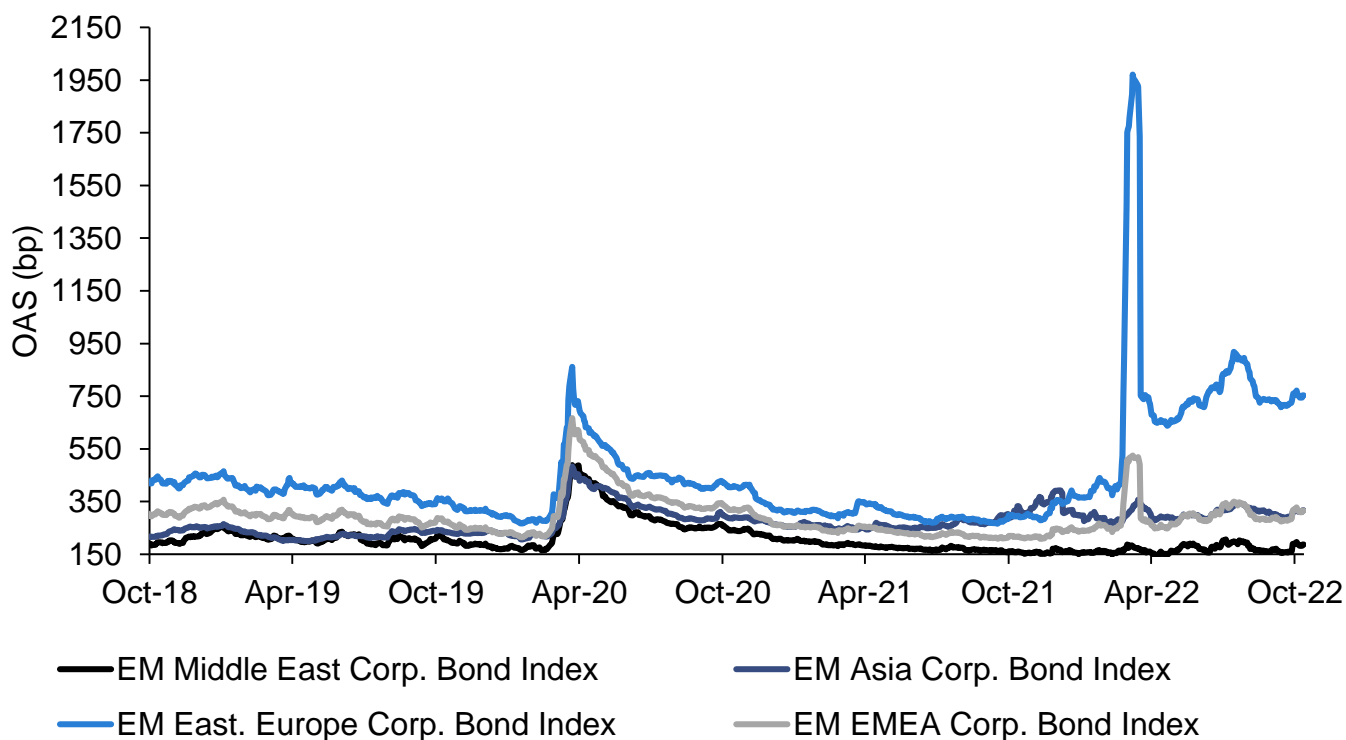
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



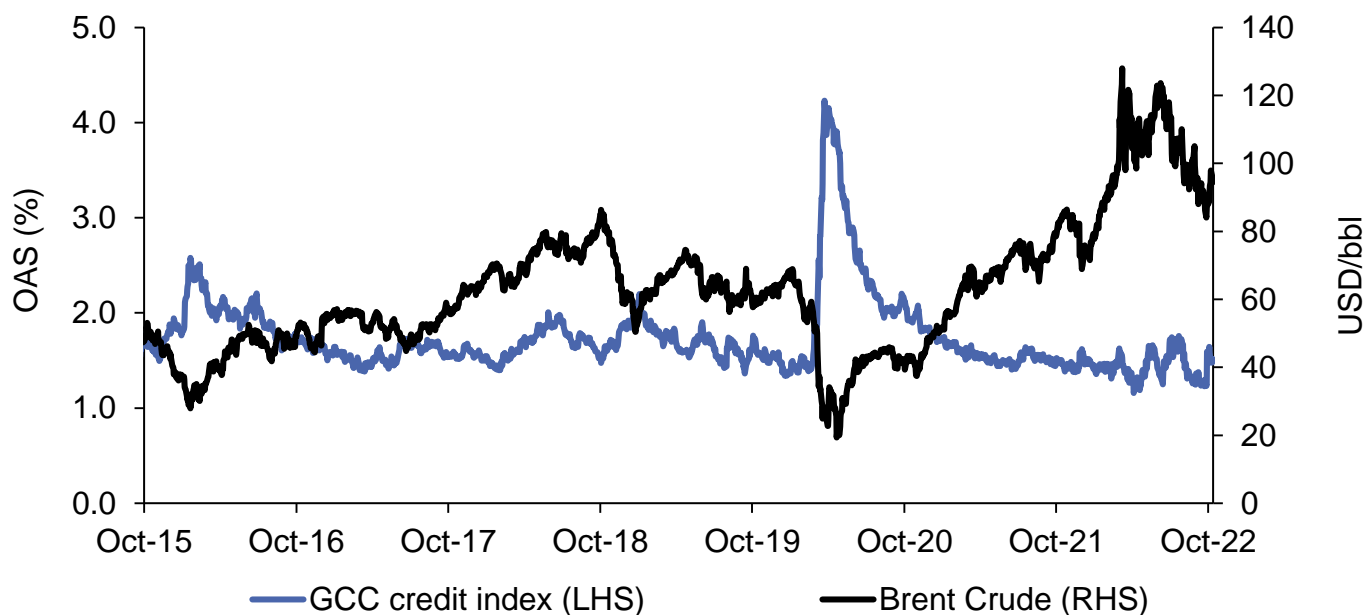
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

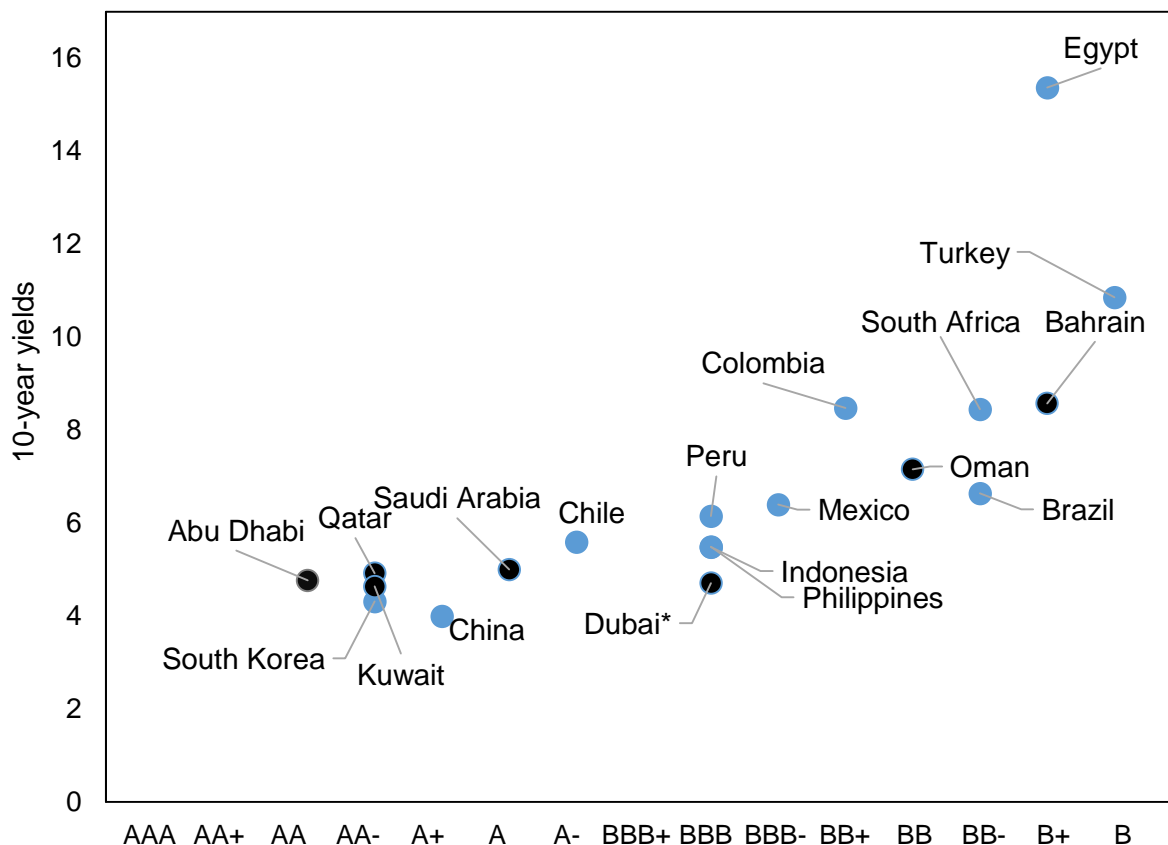
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

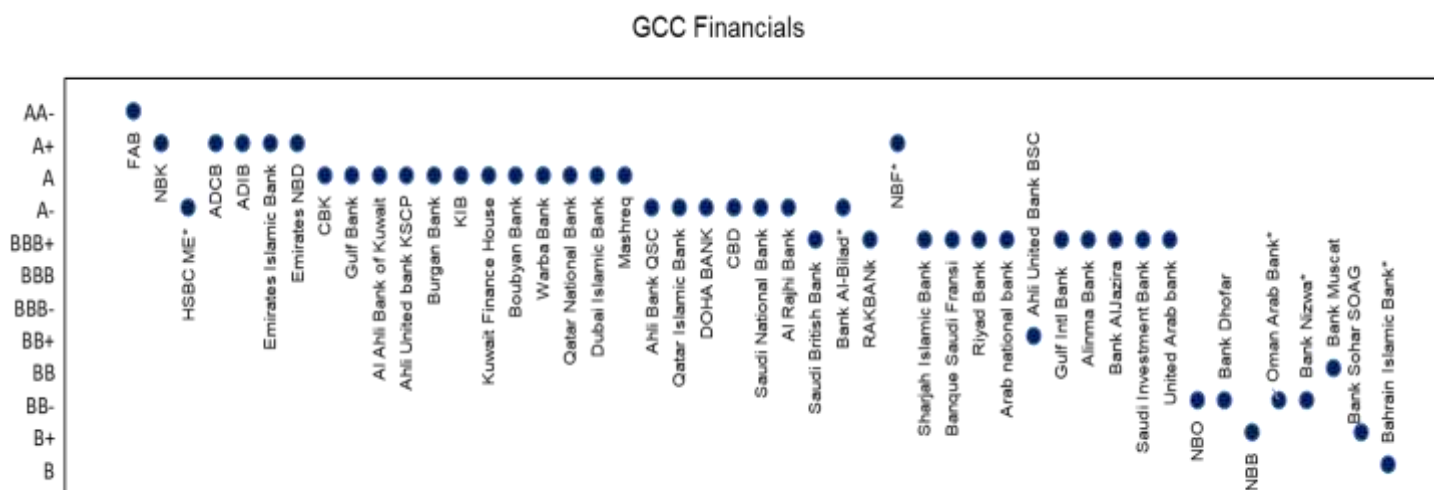
10yr yield versus Credit ratings (EM vs GCC)

GCC sovereigns trading cheap versus peers



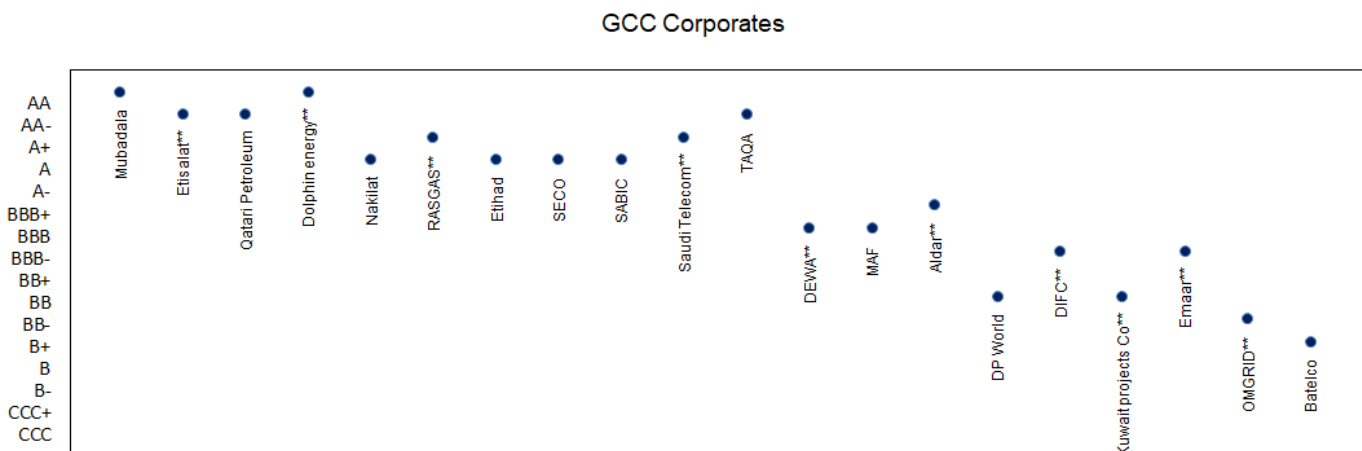
Source: Bloomberg, ADCB Asset Management, *Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

GCC Financials Credit Rating



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



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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