

## GCC Fixed Income Weekly Review

Global benchmark bond index ended the week (12<sup>th</sup> October to 18<sup>th</sup> October) flat, despite the rise in global bond volatility. The 10yr UST reached multi-year highs of c4% on the back of strong US inflation print. Euro-zone bond yields were relatively stable. The 10yr UK Gilt yield declined as the UK's new finance minister scrapped almost all planned tax cuts. Corporate credit was flat with Global HY relatively outperforming Global IG. US IG index recorded marginal weekly losses. EM bonds came under pressure amidst the rise in bond volatility.

GCC bonds lacked appetite over the week. With the exception of Oman, all other GCC bond markets posted negative performance. Appetite for GCC bonds was mostly weak amidst the global bond market volatility. Saudi Arabia underperformed the most. Similarly, CDS spreads mostly tightened across all GCC countries, barring Saudi Arabia and Qatar. In the USD sovereign market, 10yr bond yields rose across all the GCC markets, led by Kuwait and Saudi Arabia.

Issuance activity picked up in the GCC region with a comeback in sovereign bond issuance. **Saudi Arabia raised USD5bn in USD-denominated Islamic and conventional bonds for the first time in almost a year.** The kingdom sold USD2.5bn in 6yr sukuk at 105bp over similar USTs and USD2.5bn in 10yr bonds at 150bp over UST. Saudi Arabia's finance ministry also announced bond buybacks. GCC sovereign bond issuance has been fairly absent this year as higher oil prices have allowed the GCC countries to record budget surpluses for the first time in six years. We do not expect more dollar sovereign bond issuances from Saudi this year with the kingdom likely to have met its target for 2022. In corporate issuances, **Abu Dhabi sovereign wealth fund Mubadala raised USD1bn in bonds maturing in 2033.** Elsewhere, **Dubai's Emirates NBD raised USD500mn in 5yr bonds in its first public debt sale of the year.** The bond sale received more than USD1bn in bid orders.

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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

	Latest	-1w %	YTD %	Interest rates	Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	995.6	-0.6	-21.4	Saudi	5.1	35.7	419.1
EM LatAm TR	836.5	-0.4	-21.1	UAE	3.9	13.7	354.9
EM EMEA TR	300.1	-0.4	-25.3	Kuwait	3.2	0.0	168.8
EM Asia TR	543.1	-1.0	-17.5	Bahrain	5.0	3.8	352.2
Bahrain TR	165.6	-0.2	-7.5	Oman	3.6	6.4	145.6
Oman TR	127.0	0.1	-7.6	Qatar	2.5	-	132.5
Kuwait TR	136.1	-0.3	-9.5	US	4.2	21.6	-
Qatar TR	122.4	-0.5	-17.5	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	124.5	-0.9	-18.4	Saudi	5.7	23.8	464.9
UAE TR	125.2	-0.5	-15.3	UAE	4.6	13.6	384.5
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	3.9	6.3	187.5
Saudi Arabia	74.6	0.9	22.7	Bahrain	5.9	16.7	410.6
Abu Dhabi	51.8	-	6.9	Oman	4.0	6.0	95.0
Dubai	136.3	-2.1	37.2	Qatar	2.8	-	142.5
Kuwait	79.9	-1.7	31.0	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	332.4	-3.8	28.4	Saudi Arabia	5.2	14.2	274.7
Oman	273.5	-3.0	7.5	Abu Dhabi	4.9	4.7	285.2
Qatar	65.8	2.0	20.5	Dubai	4.8	1.7	225.2
Egypt	1324.0	-47.3	815.5	Kuwait	4.7	15.5	307.3
Turkey	741.1	-30.9	172.3	Bahrain	8.6	3.7	276.4
US	33.2	1.5	18.7	Oman	7.1	0.3	215.1
Germany	29.6	0.2	19.3	Qatar	4.9	1.6	276.3

Note: \*Dewa rating used as proxy, data from 12<sup>th</sup> October 2022 to 19<sup>th</sup> October 2022. Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

## Saudi Arabia sold USD5bn in first bond deal in almost a year

Saudi Arabia raised USD5bn in USD-denominated Islamic and conventional bonds for the first time in almost a year. The kingdom sold USD2.5bn in 6yr sukuk at 105bp over similar USTs and USD2.5bn in 10yr bonds at 150bp over UST. The final pricing tightened from the initial price guidance of around 135bp over USTs for the sukuk and around 180bp over USTs for the 10yr tranche. The bond sale witnessed strong demand with bid orders exceeding USD26.5bn. Saudi Arabia's finance ministry also announced bond buybacks, inviting holders of its USD3bn bonds due in 2023, USD4.5bn due in April 2025, USD2.5bn bonds due in October 2025 and USD5.5bn notes maturing in 2026 to tender them for cash.

(Source: Reuters)

## Abu Dhabi's Mubadala raised USD1bn in 2033 maturity bonds

Abu Dhabi sovereign wealth fund Mubadala raised USD1bn in bonds maturing in 2033. The bond sale was very well received, drawing over USD4.2bn in orders. The final pricing was at 165bp over 10yr UST, tighter than the initial guidance of about 200bp over the same benchmark.

(Source: Reuters)

## Emirates NBD sold USD500mn in 5yr bonds

Dubai's Emirates NBD raised USD500mn in 5yr bonds in its first public debt sale of the year. The bond sale received more than USD1bn in bid orders. The final spread tightened by 20bp to 155bp over similar USTs. Emirates NBD had last raised USD750mn in Additional Tier 1 non-callable for six years bonds in May last year.

(Source: Reuters)

## Saudi inflation rose by 3.1% in Sept on higher food prices

Saudi Arabia's inflation rose by 3.1% y-o-y in September, driven mainly by higher food prices, rents, and the rising cost of utilities. The CPI rose by 0.3% on m-o-m basis. Food and beverage prices increased by 4.3% y-o-y in September, while housing rents rose by 3.6% y-o-y, pushing the overall increase in housing, water, electricity, gas and other fuels to 3.2%.

(Source: Reuters)

## Oman posted USD2.8bn budget surplus in first eight months of 2022

Oman posted a budget surplus of OMR1.09bn (USD2.8bn) in the first eight months of this year, compared with a deficit of more than OMR1bn in the same period in 2021. Total revenue jumped by 47.3% to OMR9.325bn until the end of August 2022, compared with OMR6.331bn as at the end of August 2021. The jump was on account of higher oil revenues, from both higher prices and production volumes, and the ongoing fiscal reforms.

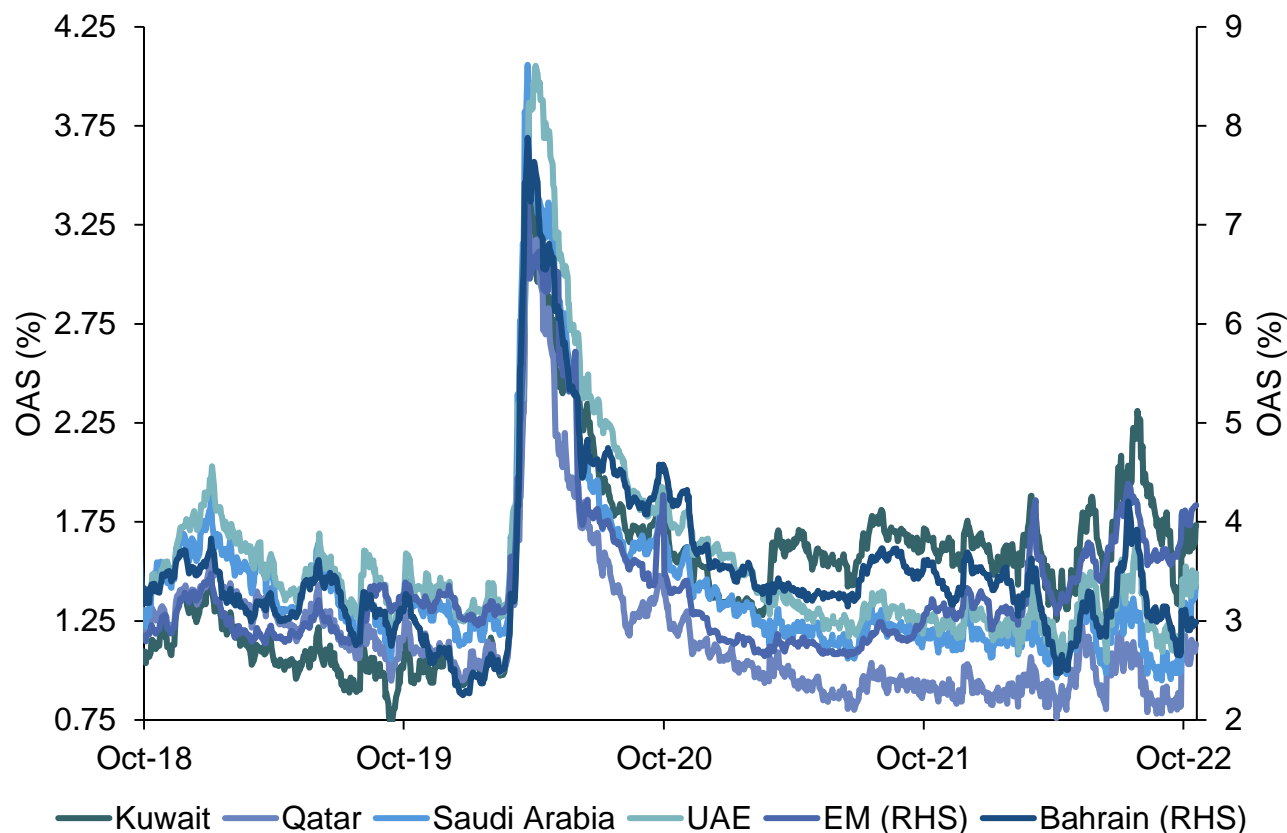
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg <sup>^</sup>	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+	4.55	-
Private Department of Skh Mohamed Bin	PVTDEP	Financial Institutions	AE	300	8.75	9/23/2025	AT MATURITY	USD	9/23/2022	B+	8.75	-
Shelf Drilling North Sea Holdings Ltd	SHLFNS	Industrial	AE	250	10.25	10/31/2025	CALL/SINK	USD	9/26/2022	-	-	14.47
Gaci First Investment Co	PIFKSA	Agency	SA	500	5.375	10/13/2122	CALLABLE	USD	10/13/2022	A	6.70	6.57
Gaci First Investment Co	PIFKSA	Agency	SA	1250	5.25	10/13/2032	CALLABLE	USD	10/13/2022	A	5.40	5.60
Gaci First Investment Co	PIFKSA	Agency	SA	1250	5	10/13/2027	CALLABLE	USD	10/13/2022	A	5.21	5.51
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	700	5.125	10/13/2027	AT MATURITY	USD	10/13/2022	AA-	5.29	-

\*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

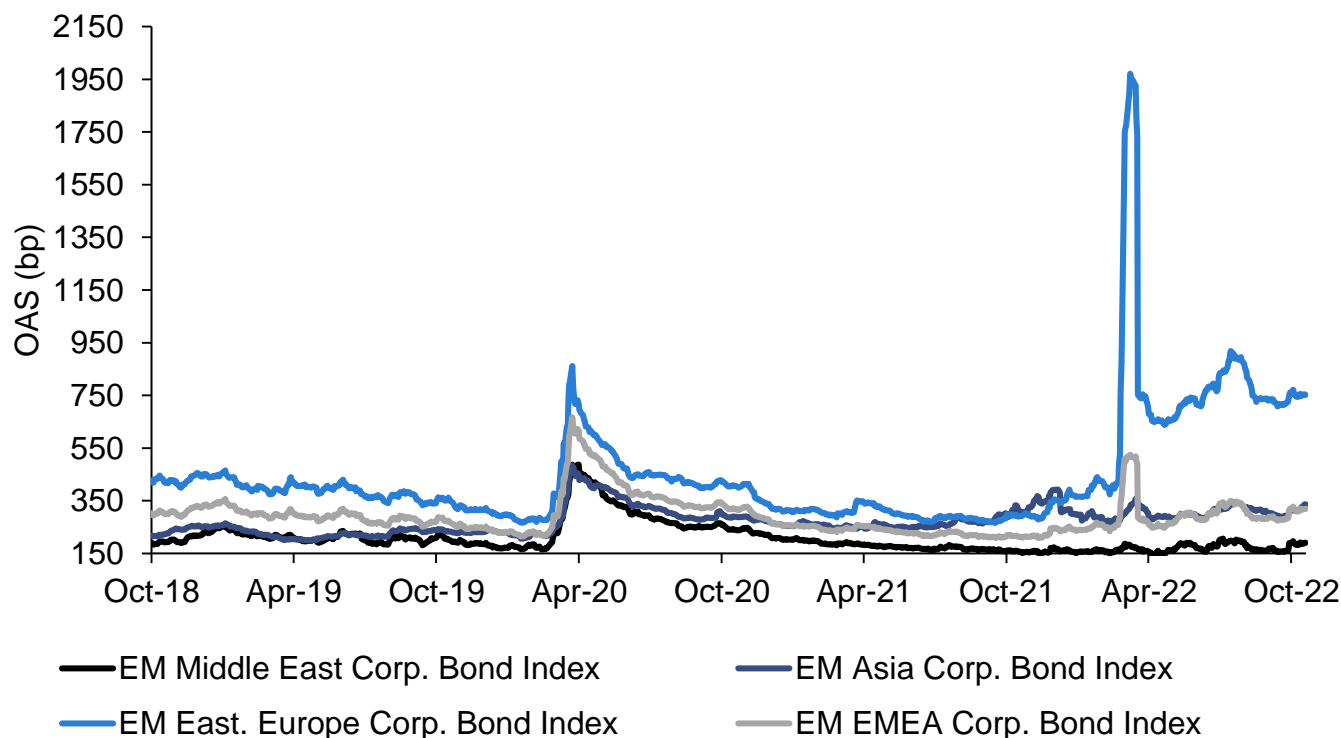
## Appendix

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



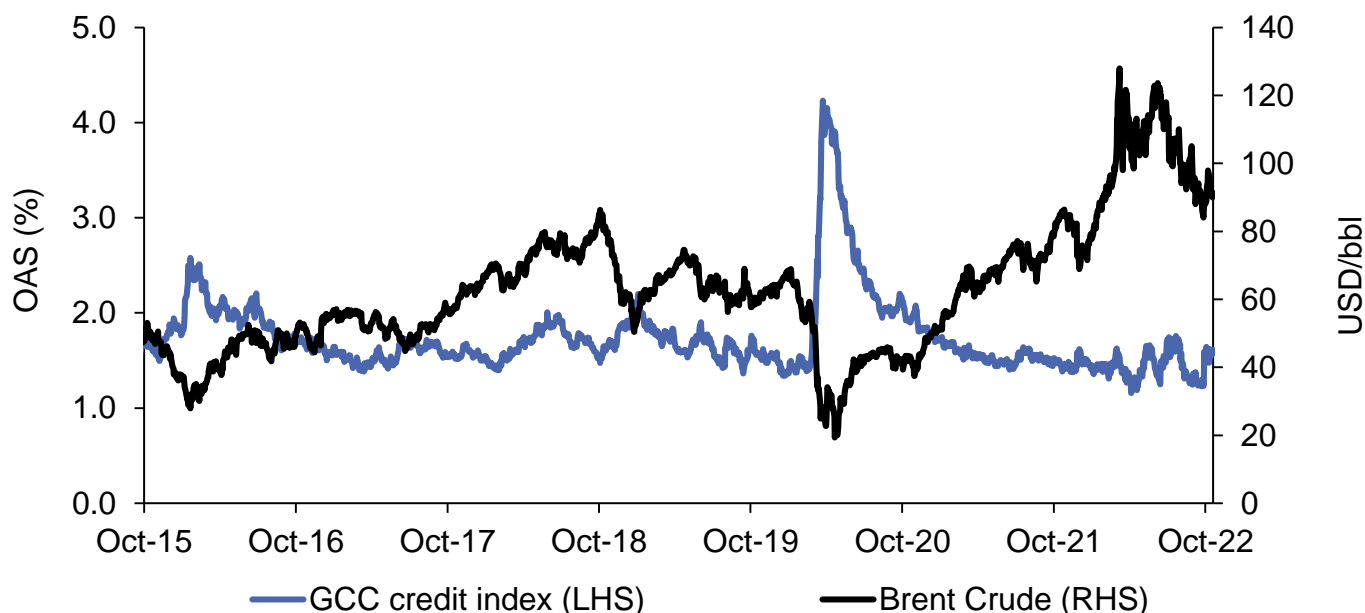
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

### Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

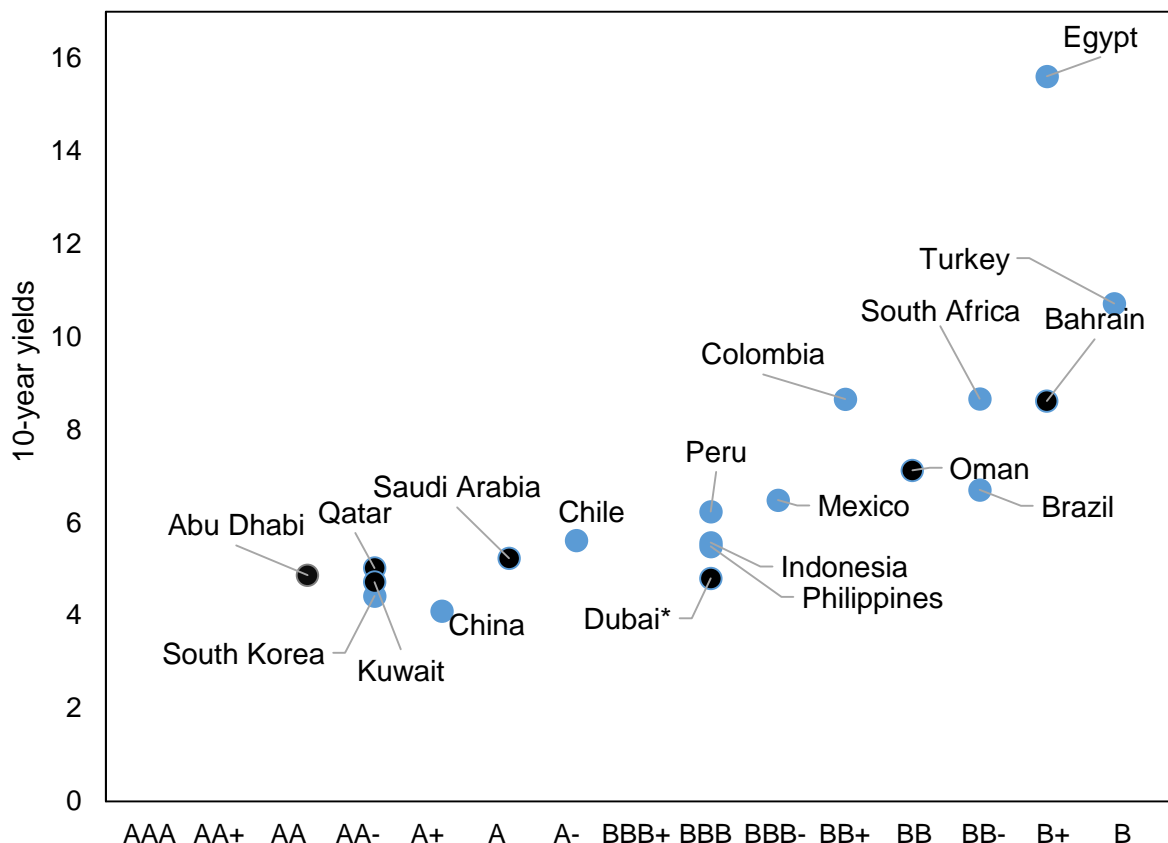
## GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

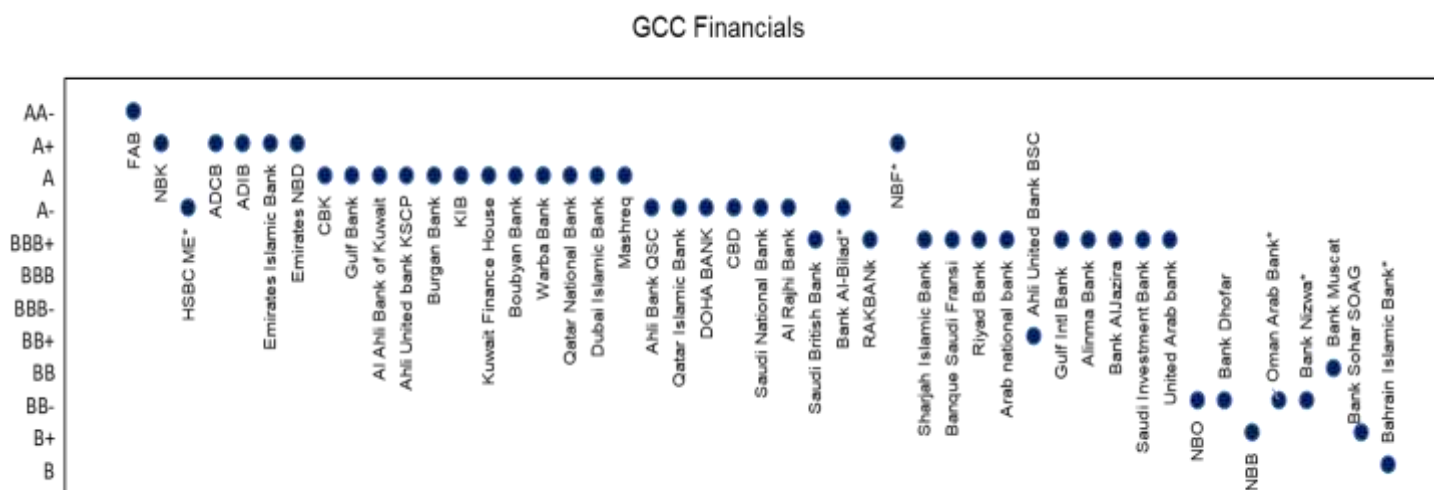
## 10yr yield versus Credit ratings (EM vs GCC)

### GCC sovereigns trading cheap versus peers



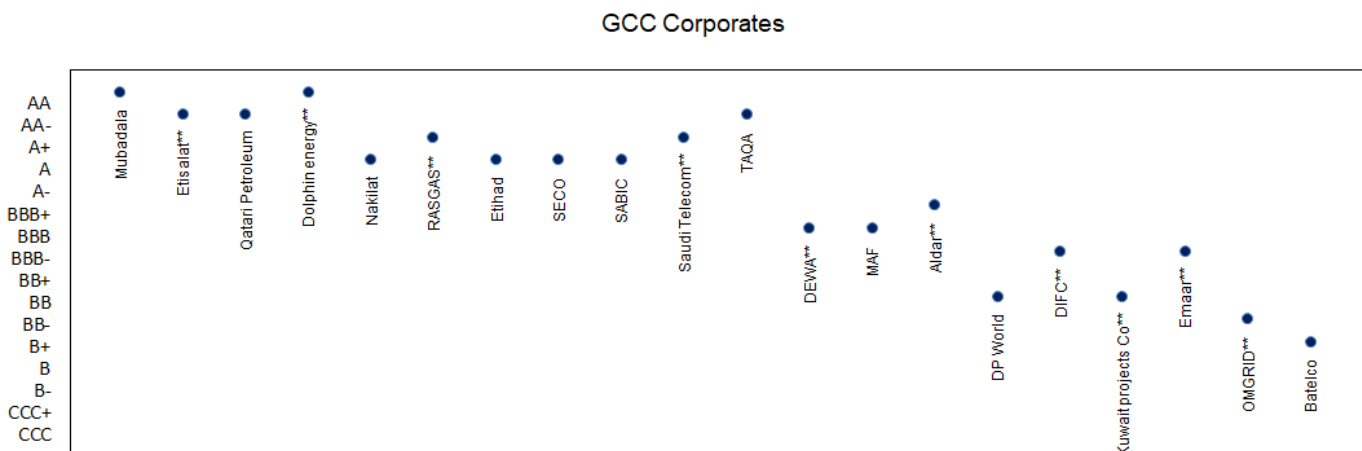
Source: Bloomberg, ADCB Asset Management, \*Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

## 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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