

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal losses over the week (ending 5th September 2023). 10Y UST yields rose over the week as the Fed indicated that it might keep interest rates elevated for an extended duration. Eurozone bond yields rose on investors' expectations about future rate hikes. In credit, corporate bonds ended the week on a negative note. Global HY index had a negative week too. EM USD bonds lacked appetite, also recording marginal losses over the week, led by EM LatAm.

Demand for GCC bonds was subdued. All GCC bond markets recorded losses but Oman underperformed the most. Similarly, 5yr CDS sovereign spreads tightened in almost all GCC countries barring Dubai and Qatar. In the USD sovereign market, the 10yr USD bond yields rose across all the GCC markets, led by Saudi Arabia, Bahrain and Oman.

Growth in UAE non-oil business decreased in August to the slowest rate in six months. However, there was an increase in business confidence levels. **The UAE Purchasing Managers' Index decreased from 56.0 in July to 55.0 in August, remaining well above the 50.0 mark indicating growth.** Elsewhere, in Saudi Arabia the expansion of non-oil business activities continued to decline in August due to a significant slowdown in output growth. **The Saudi Arabia Purchasing Managers' Index experienced its second consecutive monthly drop, falling from 57.7 in July to 56.6 in August, although it remained comfortably above the threshold indicating growth.**

Abu Dhabi Commercial Bank issued new 5Y green bonds with the final deal size of USD650mn and +125bp over similar USTs. The net proceeds of the bond will be applied to a portfolio of loans with a purpose to finance or refinance, in whole or in part, eligible green assets that fulfil the eligibility criteria set out in the Issuer's Green Bond Framework. **DP World Plans to raise at least USD1bn** through its inaugural issuance of a 10-year green sukuk denominated in USD. The pricing guidance is set of around 150bp over U.S. Treasuries

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba2	Aa3	B3
Fitch	A+	AA	-	AA-	B+	BB	AA-	B

Note: *Dewa rating used as proxy

GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1103.1	-0.43	2.7	Saudi	6.2	2.56	86.3
EM LatAm TR	957.8	-0.60	4.0	UAE	5.4	18.94	104.9
EM EMEA TR	330.9	-0.43	2.5	Kuwait	4.3	0.00	25.0
EM Asia TR	587.7	-0.28	1.8	Bahrain	6.7	-1.31	54.8
Bahrain TR	183.5	-0.24	4.0	Oman	5.9	3.40	119.7
Oman TR	141.5	-0.34	4.3	Qatar	6.0	0.00	75.0
Kuwait TR	143.4	-0.12	2.5	US	5.7	-0.73	91.0
Qatar TR	129.0	-0.29	0.0	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	132.6	-0.33	-0.2	Saudi	6.1	2.42	20.6
UAE TR	133.2	-0.14	1.0	UAE	5.4	-17.68	31.1
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	0.00	12.5
Saudi Arabia	47.9	-1.70	-15.5	Bahrain	6.8	-0.59	24.1
Abu Dhabi	36.2	-0.10	-11.4	Oman	6.0	2.70	105.5
Dubai	71.0	3.10	-23.1	Qatar	6.3	0.00	50.0
Kuwait	48.8	-0.10	-11.8	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	220.3	-3.70	-39.7	Saudi Arabia ^{^^}	5.1	16.40	37.9
Oman	118.2	-2.20	-72.8	Abu Dhabi	4.7	6.00	44.7
Qatar	36.6	0.30	-13.3	Dubai	5.0	6.80	54.4
Egypt	1576.1	56.00	671.8	Kuwait	4.8	3.20	102.3
Turkey	380.3	4.20	-137.6	Bahrain	7.0	13.20	13.7
US	51.2	1.20	24.0	Oman	6.2	14.90	9.0
Germany	17.7	-1.30	-2.9	Qatar	4.7	1.70	49.8

data from 30th August 2023 to 06th September 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

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

UAE's non-oil business growth slowed in August, but confidence is high- PMI

Growth in UAE non-oil business decreased in August to the slowest rate in six months. However, there was an increase in business confidence levels, reaching their highest point since before the pandemic. The UAE Purchasing Managers' Index decreased from 56 in July to 55 in August, it remained well above the 50.0 mark indicating growth. The output sub-index indicated that there was ongoing strong growth in business activity, although it slowed from 62.8 in July to 61.9 in August and this was the lowest reading since January.

(Source: Reuters)

Saudi's non-oil private sector continued to grow in August, with a PMI of 56.6

The expansion of non-oil business activities in Saudi Arabia continued to decline in August, primarily due to a significant slowdown in output growth. The Saudi Arabia Purchasing Managers' Index experienced its second consecutive monthly drop, falling from 57.7 in July to 56.6 in August, although it remained comfortably above the threshold indicating growth. This marked the lowest reading since September last year. The decrease in overall output growth was quite pronounced, as subindex decreased from 66.0 in July to 59.1 in August, reaching its lowest level since January of 2022 while the expansion of new business also showed signs of easing, with the subindex for new orders decreasing by nearly three points to 60.2. This decline can be attributed to increased competition and weaker export sales, which have put pressure on new business.

(Source: Reuters)

Abu Dhabi Commercial Bank raised green bonds with a five-year maturity

Abu Dhabi Commercial Bank issued new 5Y green bonds, raising USD650mn at a spread of +125bp over similar USTs. The net proceeds of the bond will be applied to a portfolio of loans with a purpose to finance or refinance, in whole or in part, eligible green assets that fulfil the eligibility criteria set out in the Issuer's Green Bond Framework.

(Source: Bloomberg)

DP World to sell at least USD1bn debut green sukuk

DP World intends to raise at least USD1bn through its inaugural issuance of a 10-year green sukuk denominated in U.S. dollars. The pricing guidance is set at around 150bp over US Treasuries. Additionally, DP World Crescent Limited may consider issuing benchmark-sized green sukuk with a minimum value of USD1bn under its USD5bn Trust Certificate Issuance Programme, subject to market conditions.

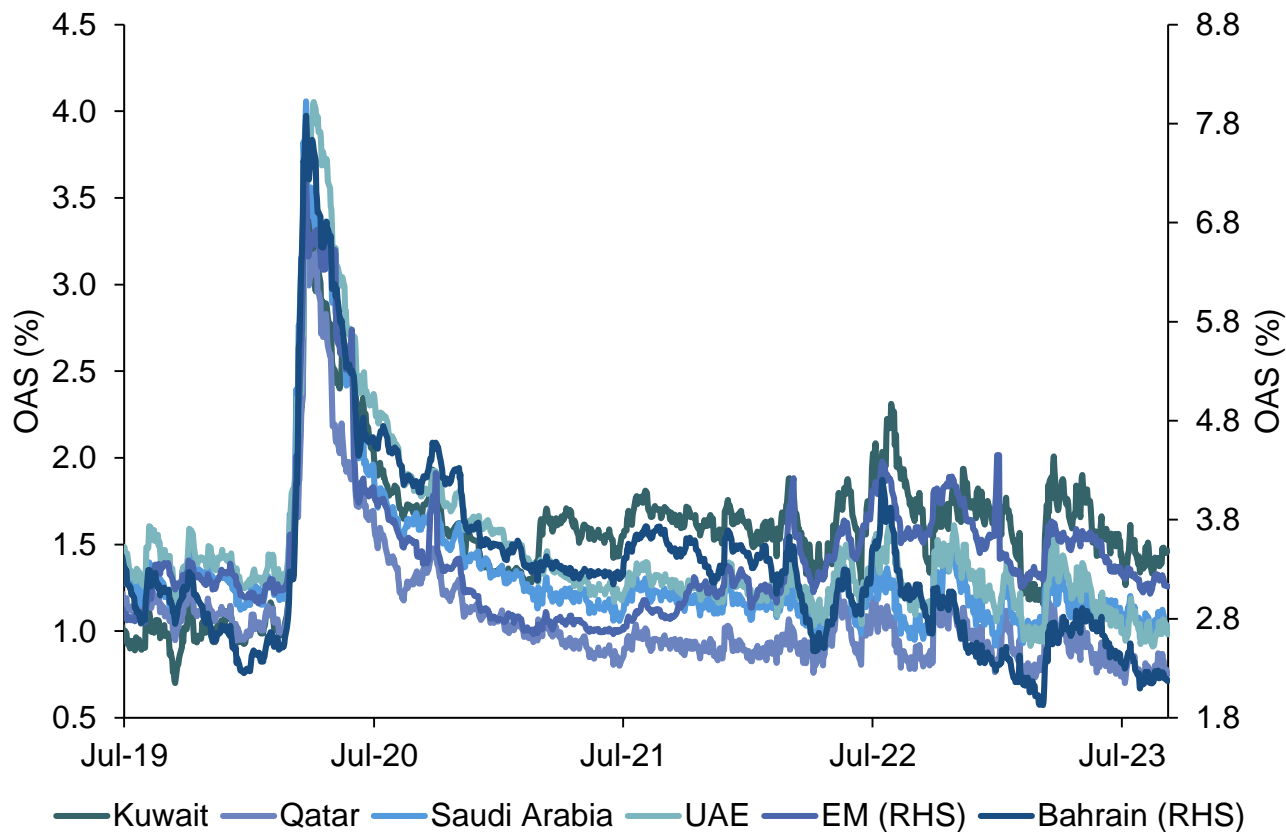
(Source: Bloomberg)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg [^]	YTM (mid)	YTC (mid)
Adib Capital Invest 3 Ltd	ADIBUH	Financial Institutions	AE	750	7.25	-	PERP/CALL	USD	7/18/2023		3.66	6.23
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	500	5.375	7/18/2028	AT MATURITY	USD	7/18/2023	A+	5.26	-
Masdar Abu Dhabi Future Energy Co	MASDAR	Utility	AE	750	4.875	7/25/2033	AT MATURITY	USD	7/25/2023	A+	4.96	-
Almarai Co JSC	ALMARA	Industrial	SA	750	5.233	7/25/2033	AT MATURITY	USD	7/25/2023	BBB-	5.09	-
Dar Al-Arkan Sukuk Co Ltd	DARALA	Financial Institutions	SA	600	8	2/25/2029	AT MATURITY	USD	7/25/2023	B+	8.18	-

*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

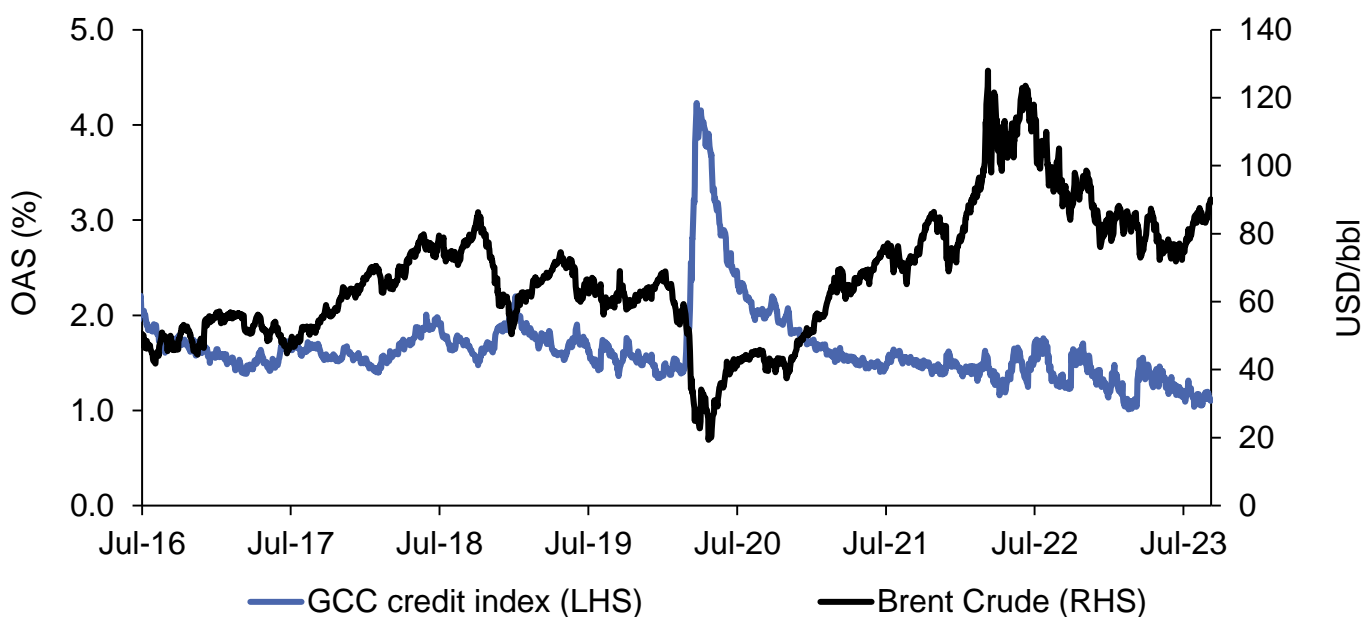
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



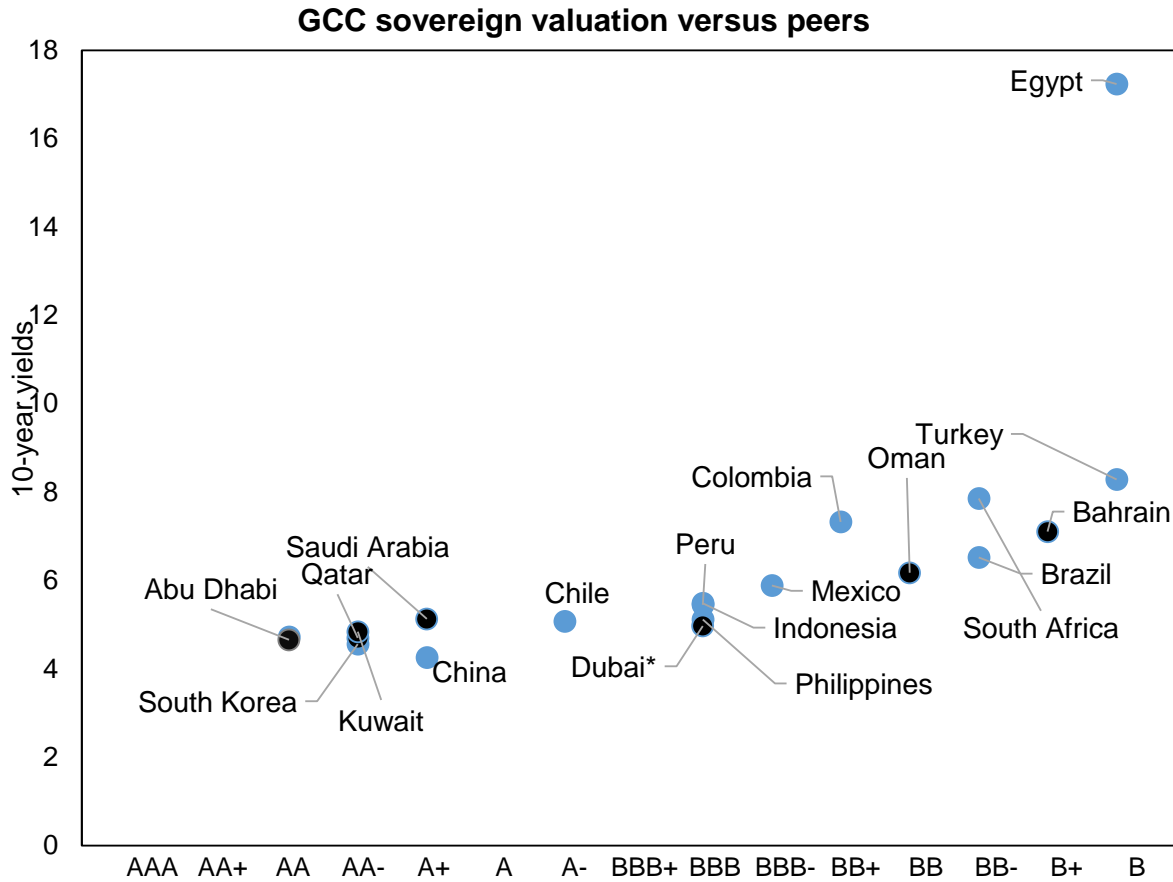
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

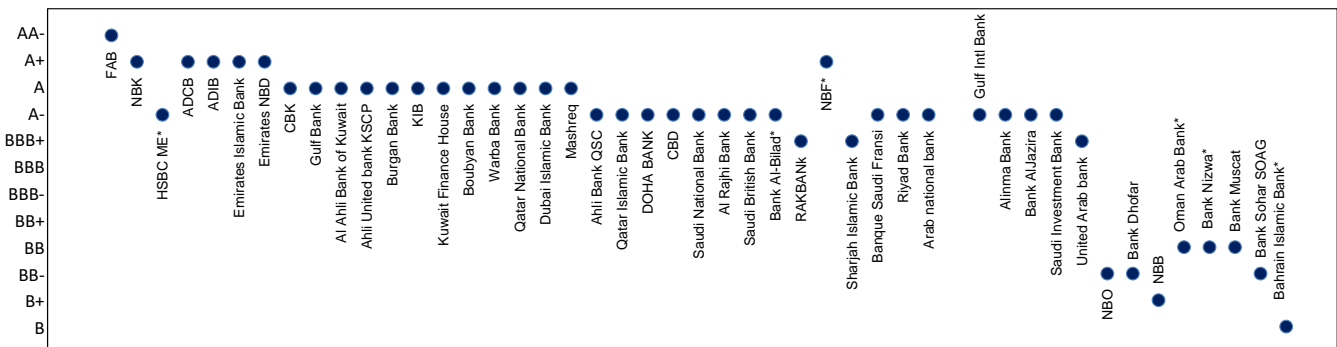
10yr yield versus Credit ratings (EM vs GCC)



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

GCC Financials Credit Rating

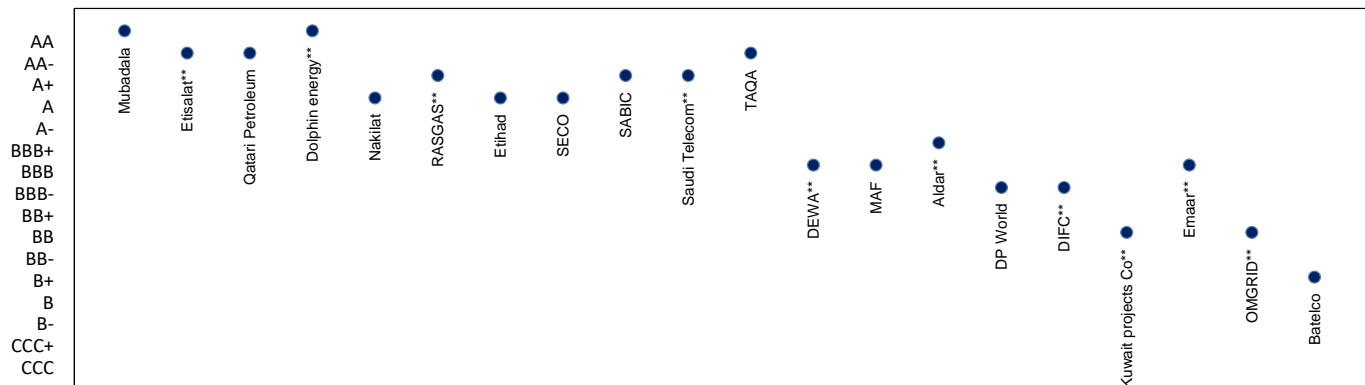
GCC Financials



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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