

GCC Fixed Income Weekly Review

Global benchmark bond index posted marginal gains over the week (ending 12th September 2023). 10Y UST Yields rose ahead of the US inflation data. Eurozone government bond yields also rose over the week. In credit, corporate bonds ended the week on a positive note. Global HY and Global IG indexes recorded positive gains. EM USD bonds had a positive week, recording gains over the week, led by EM EMEA.

Appetite for GCC bonds improved over the week. All GCC bond indices recorded positive returns except for Saudi Arabia and UAE. Bahrain was the best performer. Similarly, 5yr CDS sovereign spreads tightened in all GCC countries barring Saudi Arabia and Dubai. 10yr bond yields rose across the GCC countries with the exception of Bahrain, Abu Dhabi and Qatar.

Dubai's non-oil private sector experienced a robust but slightly softer increase in activities in August, compared to the previous month. **Dubai's Purchasing Managers' Index PMI fell for the second consecutive month, dropping from 55.7 in July to 55.0 in August**, above the neutral 50 mark indicates growth in activity. Elsewhere, **The International Monetary Fund (IMF) anticipates Saudi Arabia's GDP growth to slow to 1.9% due to the recent extension of oil production cuts**. However, the non-oil sectors of the economy are expected to remain resilient, primarily due to strong domestic demand. **Saudi Arabia's economy grew by 1.2% year-on-year in 2Q23**, the oil sector activities declined by 4.3%. The non-oil activities saw a substantial surge of 6.1%, driven by robust domestic demand, according to the General Authority of Statistics.

The Government of Sharjah has provided a pricing guidance of around 220bp over U.S Treasuries for its dollar-denominated 10.5- years Islamic bond, maturing in March 2034. The issuance of benchmark-sized, fixed-rate senior unsecured sukuk is contingent on favorable market conditions.

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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	1101.3	0.14	2.5	Saudi	6.3	1.12	94.0
EM LatAm TR	954.7	0.11	3.7	UAE	5.3	-0.76	99.6
EM EMEA TR	330.5	0.18	2.3	Kuwait	4.3	-6.25	25.0
EM Asia TR	587.5	0.11	1.7	Bahrain	6.7	0.33	55.1
Bahrain TR	183.4	0.28	3.9	Oman	6.1	11.85	138.5
Oman TR	141.5	0.19	4.3	Qatar	6.0	-	75.0
Kuwait TR	143.5	0.10	2.6	US	5.7	0.75	91.3
Qatar TR	128.6	0.09	-0.3	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	132.0	-0.08	-0.6	Saudi	6.1	-3.11	18.6
UAE TR	132.9	-0.06	0.8	UAE	5.4	-16.99	28.5
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	-6.25	12.5
Saudi Arabia	48.0	0.50	-15.4	Bahrain	6.8	0.02	23.4
Abu Dhabi	35.9	-0.10	-11.8	Oman	6.2	11.05	126.5
Dubai	69.7	-0.90	-24.4	Qatar	6.3	-	50.0
Kuwait	48.8	0.10	-11.8	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	216.5	-5.70	-43.5	Saudi Arabia^^	5.2	0.70	45.1
Oman	120.2	-5.00	-70.8	Abu Dhabi	4.7	-1.20	48.6
Qatar	36.1	-0.30	-13.8	Dubai	5.0	5.70	54.7
Egypt	1561.7	-49.90	657.4	Kuwait	4.9	3.20	106.3
Turkey	393.9	8.00	-124.0	Bahrain	7.1	-3.10	15.8
US	49.5	-2.00	22.3	Oman	6.2	0.40	13.4
Germany	18.6	0.70	-2.0	Qatar	4.7	-0.60	54.7

data from 6th September 2023 to 12th September 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

^^ YTD data from 13th January 2023

Dubai's non-oil business activity continues to expand, but at a slower rate

Dubai's non-oil private sector experienced a robust but slightly softer increase in activities in August, compared to the previous month. This moderation in growth was primarily due to a decline in demand, resulting in the slowest expansion in output since the start of the year. Dubai's Purchasing Managers' Index PMI fell for the second consecutive month, dropping from 55.7 in July to 55.0 in August. This marked the lowest reading since February, but remaining above the neutral 50 mark indicates growth in activity.

(Source: Reuters)

Saudi Arabia's economy grew by 1.2% in Q2

According to the General Authority of Statistics, Saudi Arabia's economy grew by 1.2% year-on-year in 2Q23, the non-oil sectors demonstrated stronger performance compared to the overall growth rate, which experienced a significant slowdown compared to the previous year, primarily due to reduced oil activities. In 2Q23, the oil sector activities declined by 4.3% year-on-year. The non-oil activities saw a substantial surge of 6.1% year-on-year, driven by robust domestic demand.

(Source: Reuters)

IMF anticipates Saudi Arabia's GDP growth to slow due to expended oil output cuts

The International Monetary Fund (IMF) anticipates Saudi Arabia's GDP growth to slow to 1.9% due to the recent extension of oil production cuts. In the previous year, Saudi Arabia experienced a substantial economic growth of 8.7%, mainly attributed to high oil prices. This growth enabled the country to achieve its first budget surplus in nearly a decade. However, this year, reductions in oil production and declining oil prices have negatively impacted oil revenues, thereby affecting overall economic growth. The non-oil sectors of the economy are expected to remain resilient, primarily due to strong domestic demand. Consequently, the overall economic growth forecast will be downgraded to account for the reduction in oil production, although it will still remain in positive territory. Additionally, the International Monetary Fund (IMF) predicts that non-oil GDP growth will reach 4.9% this year.

(Source: Reuters)

Sharjah started selling its 10.5-year sukuk

The government of Sharjah has provided a pricing guidance of around 220bp over U.S Treasuries for its dollar-denominated 10.5- years Islamic bond, maturing in March 2034. The issuance of benchmark-sized, fixed-rate senior unsecured sukuk is contingent on favorable market conditions.

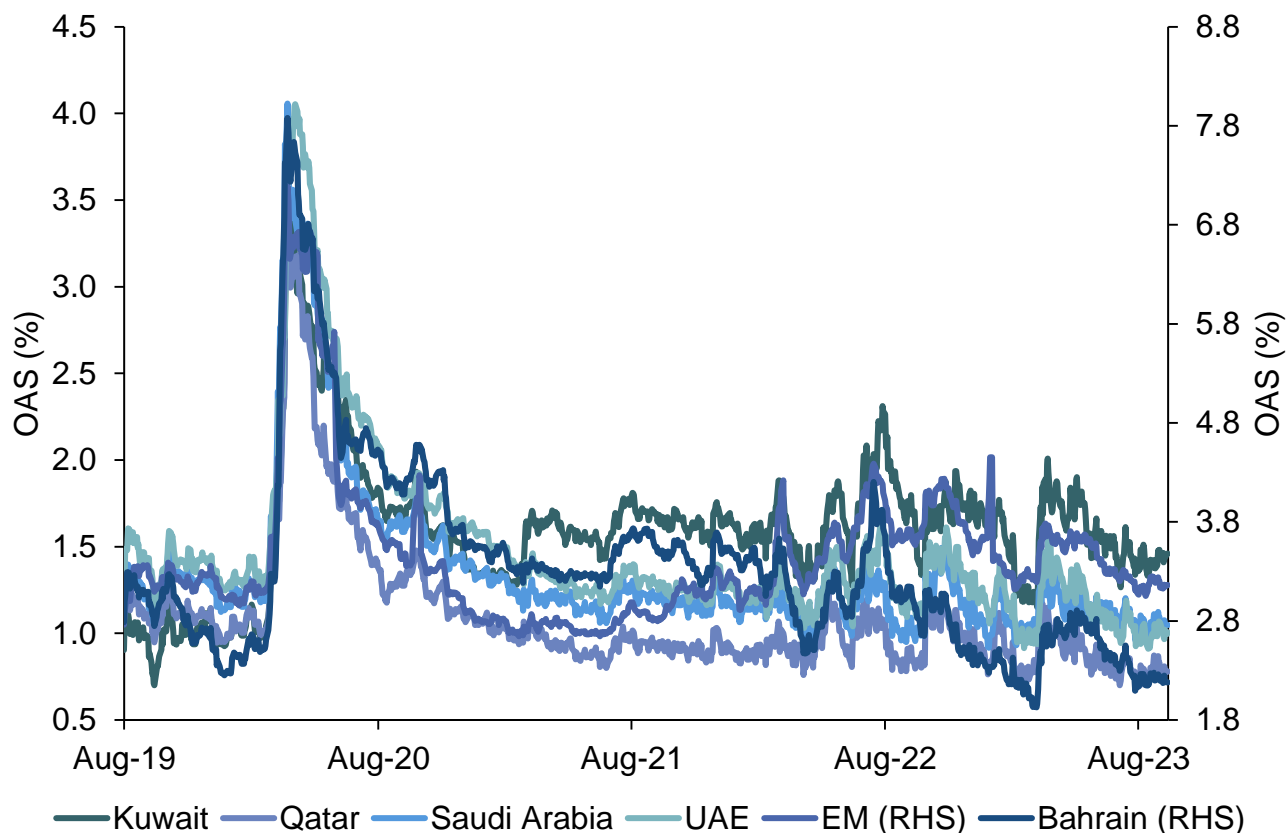
(Source: Bloomberg)

Issuer	BBG	Sector	Co unt ry	Issue Amt*	Cpn	Maturity	Maturity Type	Curr enc y	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	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	650	5.5	1/12/2029	AT MATURITY	USD	9/12/2023	A+	5.55	-
DP WORLD CRESCENT LTD	DPWDU	Agency	AE	1500	5.5	9/13/2033	AT MATURITY	USD	9/13/2023		5.59	5.58

*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

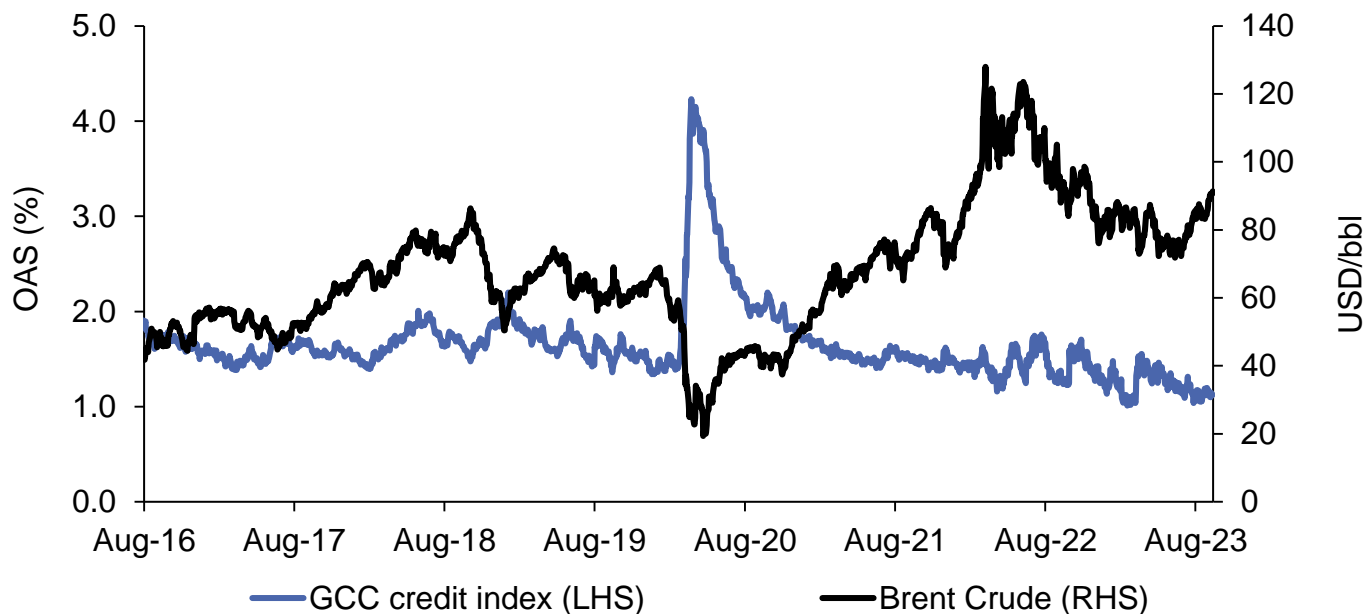
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

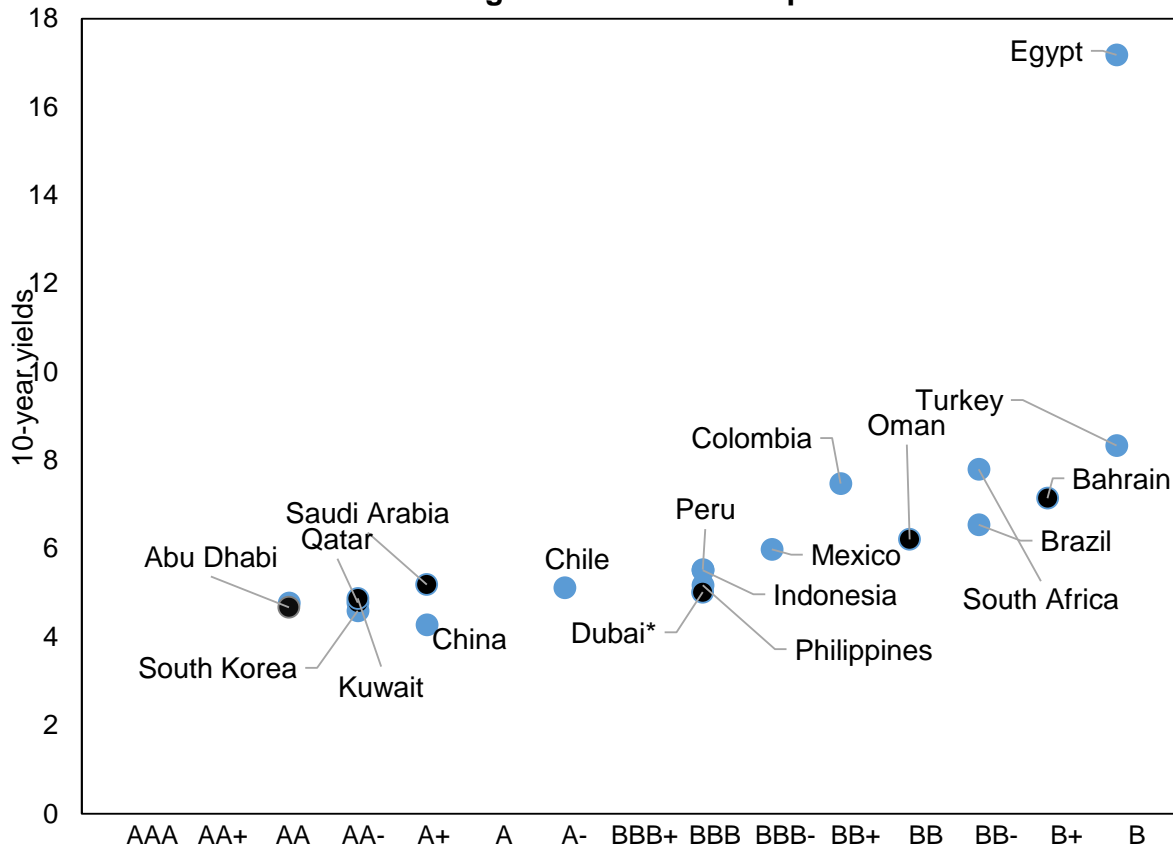
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

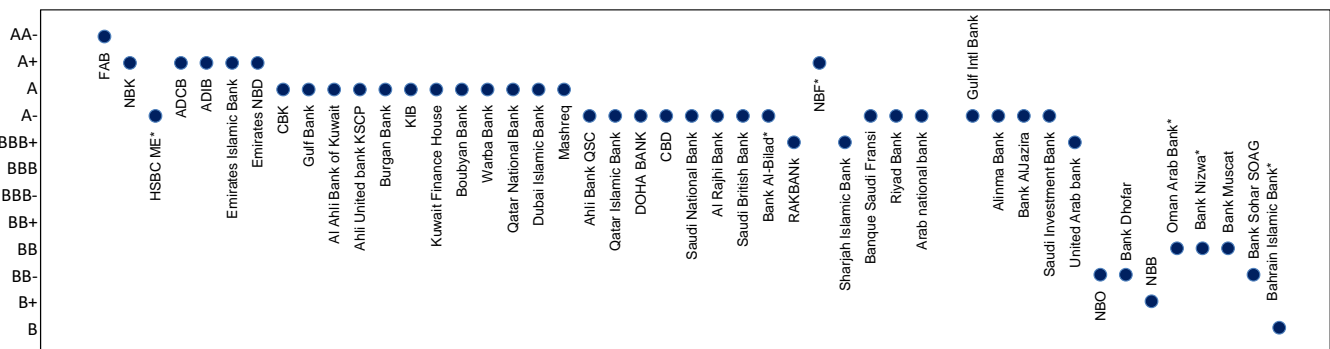
GCC sovereign valuation versus peers



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

GCC Financials Credit Rating

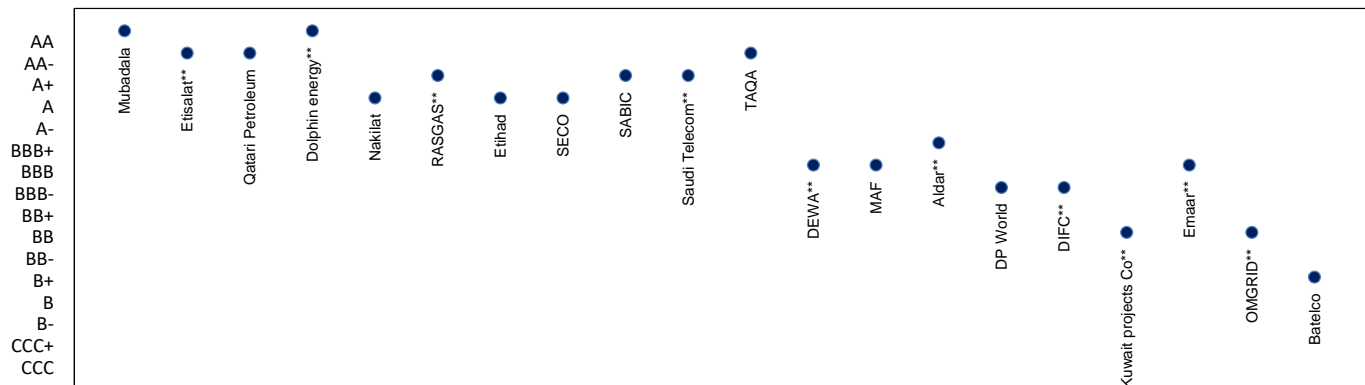
GCC Financials



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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