

## GCC Fixed Income Weekly Review

Global benchmark bond index posted declined over the week (ending 26th September 2023). 10yr UST yields rose over the week on the back of higher for longer narrative. Eurozone bond yields rose, tracking the rise in UST yields. In credit, corporate bonds ended the week on a negative note. Global HY index had a negative week too. On the other hand, EM USD recorded marginal losses led by LatAM.

Demand for GCC bonds was mixed. Bahrain, Oman and Kuwait recorded positive returns. Qatar and Saudi Arabia underperformed. Similarly, 5yr CDS sovereign spreads widened in most GCC countries with the exception of Kuwait and Dubai. In the USD sovereign market, the 10yr USD bond yields rose across all the GCC markets, led by Saudi Arabia and Abu Dhabi.

**Central banks in the GCC, including the United Arab Emirates and Qatar, followed the Federal Reserve's decision to leave interest rates unchanged**, in line with the Fed's decision to protect their currency' peg level with the US dollar. **The UAE economy has experienced approximately 3.8% growth in H1 of 2023 and is anticipated to increase by 6% throughout 2023.** In addition, **Dubai is set to decrease its public debt by around AED29bn by the end of 2023.** Elsewhere, **Saudi Arabia's gross domestic product (GDP) has reached SAR4.155tn (USD1.1trn).** **Fitch Ratings agency upgraded Oman's credit rating from BB to BB+** due to a reduction in Oman's debt-to-GDP ratio, more disciplined government spending, and the benefit of higher oil prices.

**Abu Dhabi Islamic Bank (ADIB) has successfully completed the planned redemption of its USD750mn additional tier-one (AT1) perpetual sukuk. First Abu Dhabi Bank (FAB) priced USD1bn in new 10.5yr has provided an initial price guidance of around 200bp above the U.S. Treasury rates for its expected USD750mn bonds.** These bonds are intended to be in U.S. dollars, fall under the Tier-2 category, and have a maturity period of 10.5 years.

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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			
	Latest	-1w %	YTD %		Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank			
EM USD Agg TR	-1.1	1.28	1.5	Saudi	6.1	-3.07	80.9
EM LatAm TR	-1.9	1.54	1.8	UAE	5.2	-2.62	91.6
EM EMEA TR	-1.0	1.48	1.7	Kuwait	4.3	0.00	25.0
EM Asia TR	-0.7	0.77	0.9	Bahrain	6.7	0.04	56.8
Bahrain TR	-0.6	3.64	3.9	Oman	6.0	1.75	128.3
Oman TR	-0.9	3.33	3.5	Qatar	6.0	-	75.0
Kuwait TR	-0.3	2.39	2.5	US	5.7	-0.50	89.9
Qatar TR	-1.3	-1.58	-1.3	12M interbank			
Saudi Arabia TR	-1.1	-1.70	-1.4	Saudi	6.2	5.00	28.9
UAE TR	-0.8	-0.06	0.2	UAE	5.6	13.97	51.4
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	4.7	-6.25	12.5
Saudi Arabia	51.6	2.10	-11.8	Bahrain	6.8	0.01	24.7
Abu Dhabi	38.6	1.90	-9.1	Oman	6.1	0.50	116.3
Dubai	67.6	-0.60	-26.4	Qatar	6.3	-	50.0
Kuwait	50.8	-30.00	-9.8	10Y yield			
Bahrain	222.8	3.40	-37.2	Saudi Arabia <sup>^^</sup>	5.4	18.10	63.4
Oman	129.0	2.20	-62.0	Abu Dhabi	4.9	16.00	71.7
Qatar	39.2	1.50	-10.7	Dubai	5.1	12.50	70.4
Egypt	1546.1	95.80	641.8	Kuwait	5.1	12.60	125.5
Turkey	394.4	6.60	-123.5	Bahrain	7.2	15.70	29.2
US	49.1	-0.90	21.9	Oman	6.4	14.30	29.0
Germany	22.8	2.40	2.2	Qatar	4.9	15.50	67.8

data from 20<sup>th</sup> September 2023 to 26<sup>th</sup> September 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

<sup>^^</sup> YTD data from 13th January 2023

## Fitch Ratings agency upgraded Oman's credit rating to BB+ for improved public finances

Fitch Ratings agency upgraded Oman's credit rating from BB to BB+ due to a reduction in Oman's debt-to-GDP ratio, more disciplined government spending, and the benefit of higher oil prices. The substantial increase in revenue, primarily driven by elevated oil prices last year, enabled Oman to achieve a budget surplus of OMR1.144bn and repay OMR1.1bn in loans during 1Q 23. Additionally, Oman's GDP in H1 of 2023 reached nearly OMR17bn, an increase from the around OMR16.7bn recorded in the same period of 2022.

(Source: Zawya)

## FAB raised USD1bn from sale of dollar bonds

First Abu Dhabi Bank (FAB) raised USD1bn from 10.5 year bonds. The bonds were priced at 170bp above similar maturity USTs, tighter than the initial price guidance of around 200bp. The bonds fall under the Tier-2 category and will not be callable for 5.5 years.

(Source: Bloomberg)

## ADIB successfully redeemed its USD750mn AT1 perpetual sukuk

Abu Dhabi Islamic Bank (ADIB) has successfully completed the planned redemption of its USD750mn additional tier-one (AT1) perpetual sukuk on its scheduled first call date, which was September 20, 2023. In July 2023, ADIB raised an additional USD750mn through a new AT1 perpetual sukuk issuance.

(Source: Bloomberg)

## GCC Central Banks hold interest rates unchanged

Central banks in the GCC followed the Federal Reserve's decision to leave interest rates unchanged. This step is aimed at safeguarding the peg of their currencies to the US dollar. The UAE has maintained its underlying interest rate for the overnight deposit facility at 5.40%. Similarly, Qatar has announced its intention to retain its repo rate at 6%, keep its lending rate at 6.25%, and maintain its deposit rate at 5.75%.

(Source: Bloomberg)

## Dubai is set to decrease its public debt

Dubai is set to decrease its public debt by around AED29bn by the end of 2023. This reduction results is to either repay or restructure some of its outstanding debts. Additionally, Dubai has revealed plans to list government stakes in 10 companies, aiming to generate capital and enhance the financial markets. This debt reduction involves a partial settlement of a combined AED20bn loan from Abu Dhabi and the UAE central bank, which was extended to Dubai as vital support during the 2008 global financial crisis.

(Source: Reuters)

## The UAE economy is expected to grow by 6% in 2023

The UAE economy has experienced approximately 3.8% growth in H1 of 2023 and is anticipated to increase by 6% throughout 2023. According to UAE's Minister of Economy, Abdullah bin Touq Al-Marri, the ministry is actively progressing with its plans to achieve the goal of doubling the country's GDP from AED1.5tn to AED3tn by the year 2031. Abdullah bin Touq Al-Marri also mentioned that the growth observed in 2023 was primarily driven by the robust performance of the non-oil sector, which expanded by approximately 4.5% in H1 of 2023.

(Source: Zawya)

## Oman economy shrank by 9.5% in Q2 of 2023

Oman's gross domestic product (GDP) declined by 9.5% in Q2 of 2023, mainly attributed to a drop-in oil activity. The GDP, measured at current prices, decreased from OMR11.14bn in the same period the previous year to OMR10.08bn, according to the National Center for Statistics and Information.

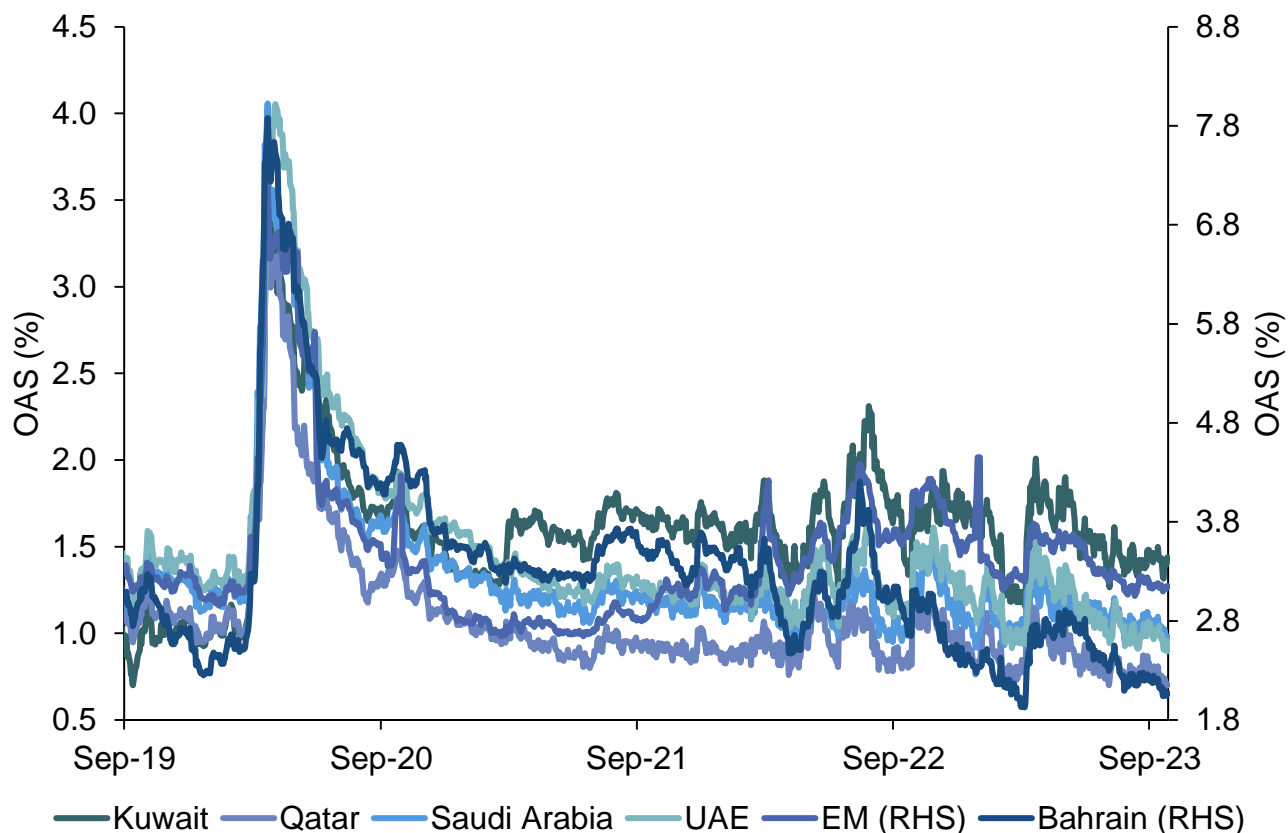
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg <sup>^</sup>	YTM (mid)	YTC (mid)
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	DPWUDU	Agency	AE	1500	5.5	9/13/2033	AT MATURITY	USD	9/13/2023	-	5.59	5.58
EOD SUKUK LTD	ENEDEV	Utility	OM	1000	5.875	09/21/2033	AT MATURITY	USD	9/14/2023	BB	5.95	-

\*Amount Issued in USD/AEDmillion, Bloomberg sector classification has been used, <sup>^</sup>Issuer rating used where applicable, Fitch rating or equivalent used Source: Fitch Ratings, Moody's ratings, Bloomberg, ADCB Asset Management

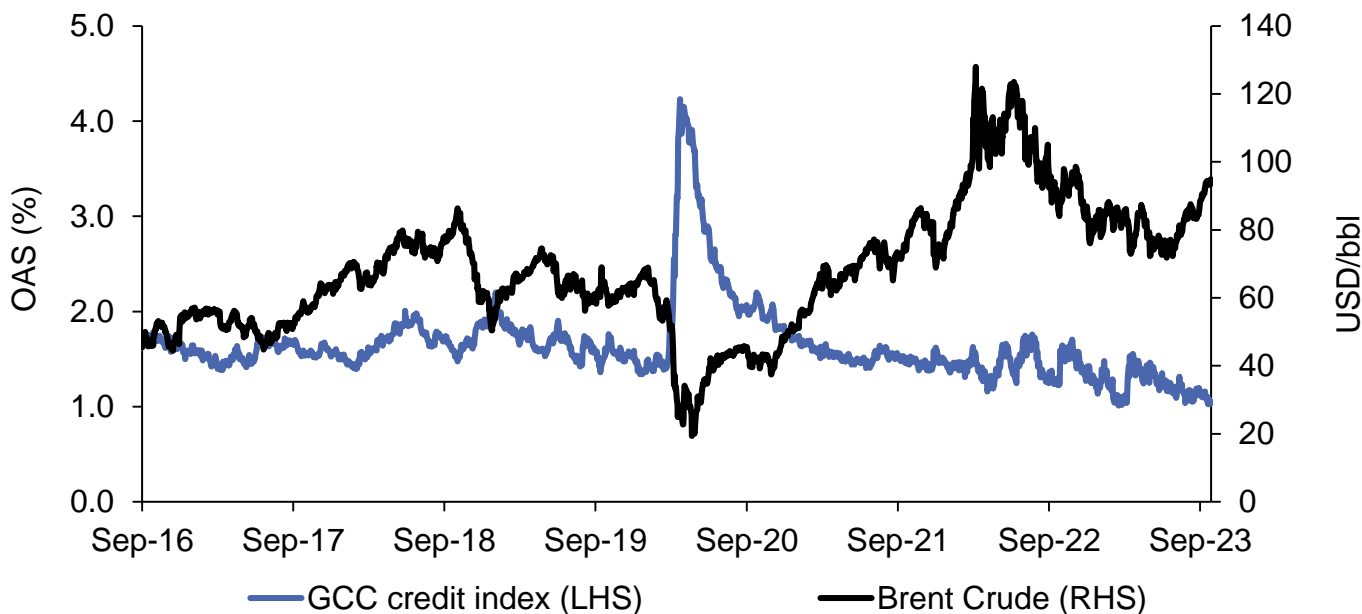
## Appendix

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



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

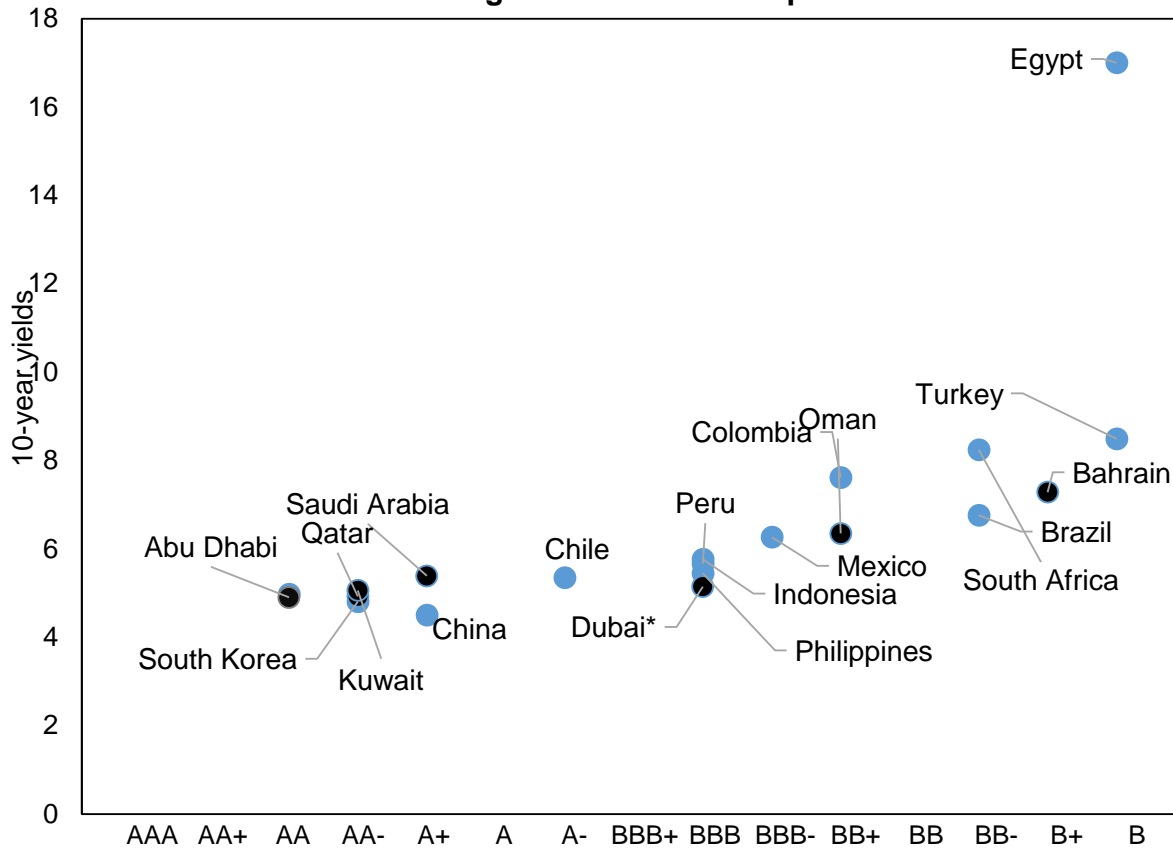
### GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

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

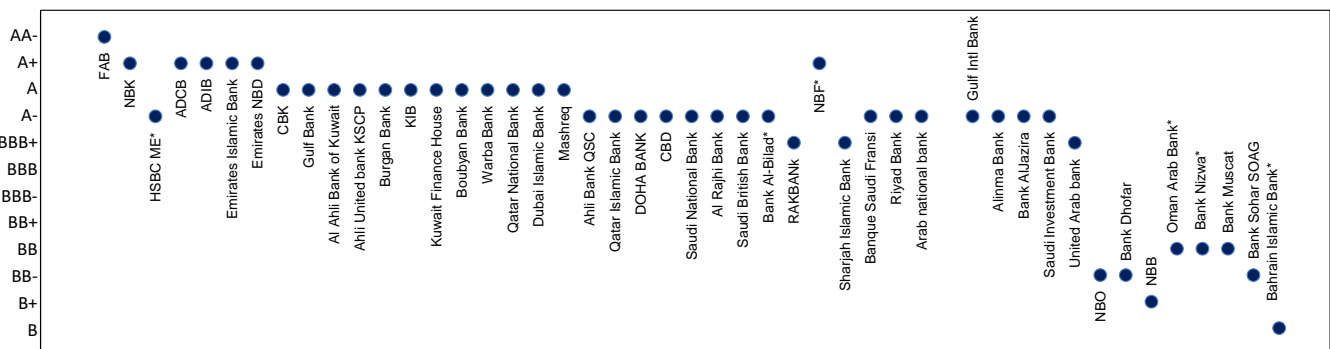
GCC sovereign valuation versus peers



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

## GCC Financials Credit Rating

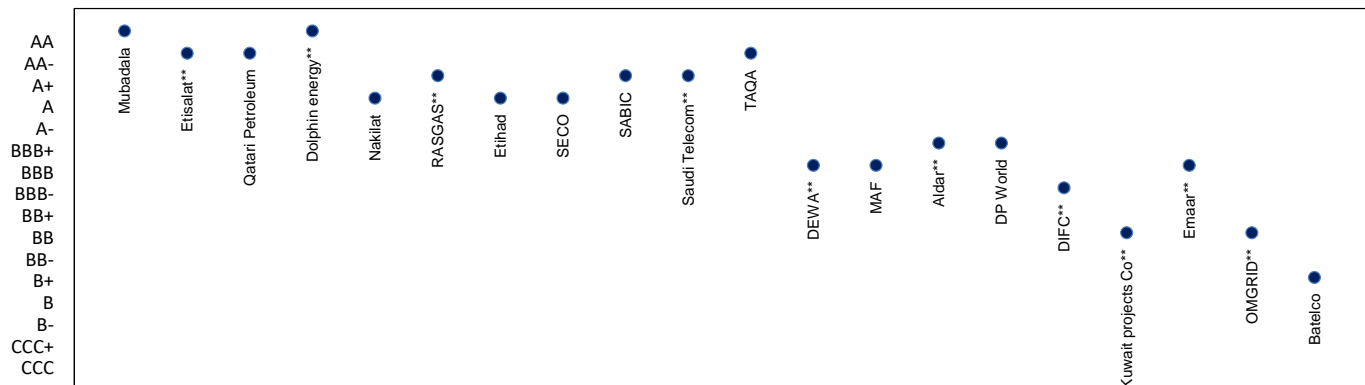
GCC Financials



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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