

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 6th September 2022). The 10yr UST yields rose to 3.32% on strong economic data. Euro zone bond yields jumped ahead of the ECB meeting. Corporate credit recorded losses, with Global IG underperforming the most. On the other hand, EM bonds posted marginal losses on the back of global market volatility.

GCC bonds came under pressure amidst the global market sell-off. Qatar and Saudi Arabia led the losses last week. Qatar was the worst performer while UAE was the only market recording positive gains, thus outperforming the peers. 5yr CDS spreads mostly tightened across all GCC countries with the exception of Bahrain where spreads widened. Oman CDS spreads tightened the most. In the USD sovereign market, 10yr bond yields rose across all the GCC markets.

The UAE Purchasing Managers Index (PMI) rose from 55.4 in July to 56.7 in August, marking the highest print recorded since June 2019. New orders increased sharply, contributing to stronger output growth. Additionally, sales increased at the fastest rate in three years due to increased client demand and price promotions. **Saudi Arabia's Purchasing Managers Index (PMI) rose from 56.3 in July to 57.7 in August, its highest level since October 2021.** Non-oil economic activity and sales continued to expand in the kingdom despite mounting global economic difficulties. New orders rose at the fastest pace since last year due to increase in client demand, higher exports, and broad recovery in the economic conditions since the pandemic. Elsewhere, **Qatar Manufacturing PMI decreased from 61.50 in July to 53.70 in August.**

Issuance activity was muted over the week.

| Country | Saudi Arabia | Abu Dhabi | Dubai* | Kuwait | Bahrain | Oman | Qatar | Egypt |
|---------|--------------|-----------|--------|--------|---------|------|-------|-------|
| Moody's | A1 | Aau2 | Baa2 | A1 | Ba2 | Ba3 | Aa3 | B3 |
| Fitch | A | AA | - | AA | B+ | BB | AA- | B+ |

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GCC Fixed Income Weekly Snapshot

| | | | | Interest rates | | | |
|-----------------|-------------|----------|----------|----------------|--------|----------|----------|
| | Latest | -1w % | YTD % | | Latest | -1w (bp) | YTD (bp) |
| BBG Barclays | | | | 3M interbank | | | |
| EM USD Agg TR | 1,056.10 | -0.93 | -16.64 | Saudi | 3.21 | 9.05 | 230.26 |
| EM LatAm TR | 893.22 | -1.01 | -15.76 | UAE | 2.98 | 7.44 | 261.14 |
| EM EMEA TR | 316.89 | -0.80 | -21.12 | Kuwait | 2.63 | 0.00 | 112.50 |
| EM Asia TR | 575.48 | -1.00 | -12.59 | Bahrain | 4.10 | -3.46 | - |
| Bahrain TR | 170.48 | -0.67 | -4.79 | Oman | 3.32 | -0.60 | 119.20 |
| Oman TR | 131.34 | -0.92 | -4.44 | Qatar | 2.45 | - | 132.50 |
| Kuwait TR | 140.88 | -0.47 | -6.33 | US | 3.14 | 4.52 | 293.05 |
| Qatar TR | 130.42 | -1.54 | -12.13 | 12M interbank | | | |
| Saudi Arabia TR | 134.14 | -1.52 | -12.10 | Saudi | 4.20 | 18.50 | 314.35 |
| UAE TR | 132.70 | 1.18 | -10.24 | UAE | 3.63 | 8.01 | 289.40 |
| 5Y Sov. CDS | Latest (bp) | -1w (bp) | YTD (bp) | Kuwait | 3.19 | 0.00 | 118.75 |
| Saudi Arabia | 50.91 | -0.40 | -0.40 | Bahrain | 5.10 | -4.17 | - |
| Abu Dhabi | 49.48 | -1.50 | -1.50 | Oman | 3.73 | 3.00 | 71.60 |
| Dubai | 127.95 | -0.10 | -0.10 | Qatar | 2.75 | - | 142.50 |
| Kuwait | 65.70 | -4.00 | -4.00 | 10Y yield | | | |
| Bahrain | 322.09 | 3.10 | 3.10 | Saudi Arabia | 4.14 | 18.30 | 165.60 |
| Oman | 289.42 | -13.40 | -13.40 | Abu Dhabi | 3.84 | 23.50 | 182.20 |
| Qatar | 50.12 | - | - | Dubai | 4.17 | 7.20 | 162.20 |
| Egypt | 1098.39 | 64.80 | 64.80 | Kuwait | 3.56 | 13.40 | 191.60 |
| Turkey | 758.24 | -24.40 | -24.40 | Bahrain | 7.76 | 22.60 | 191.70 |
| US | 24.03 | 1.80 | 1.80 | Oman | 6.36 | 24.90 | 139.00 |
| Germany | 0.00 | 0.80 | 0.80 | Qatar | 3.92 | 27.70 | 181.80 |

Note: *Dewa rating used as proxy, data from 31st August 2022 to 6th September 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

UAE non-oil private sector growth reached a three-year high

Non-oil economy growth in the UAE was the fastest in over three years in August as business conditions continued to improve on higher sales. The UAE Purchasing Managers Index (PMI) rose from 55.4 in July to 56.7 in August, marking the highest print recorded since June 2019. New orders increased sharply and contributed to stronger output growth. In addition, sales increased at the fastest rate in three years due to increased client demand and price promotions.

(Source: Zawya)

Saudi Arabia's non-oil private sector grew strongly in August

Saudi Arabia's Purchasing Managers Index (PMI) rose from 56.3 in July to 57.7 in August, its highest level since October 2021. Private sector activity and new orders in Saudi Arabia reached a ten-month high, as cost pressures eased further. Non-oil economic activity and sales continued to expand despite rise in global economic difficulties. New orders rose at the fastest pace since last year due to increase in client demand, higher exports, and broad recovery in the economic conditions since the pandemic. The output sub-index that measures business activity rose from 59.9 in July to 61.5 in August, roughly in line with 61.4 series average. The employment sub-index rose for the fifth consecutive month, although only marginally and at a fractionally slower rate. In addition, businesses were optimistic about the outlook for the next 12 months based on increased new order inflows, with some also noting upcoming projects and quality improvements.

(Source: Zawya)

Qatar's non-oil private sector growth slowed in August

Qatar's latest Purchasing Managers' Index (PMI) data showed that growth in non-oil private sector slowed in August, although output and new orders grew strongly. The expansion in total activity, new work and purchasing activity softened in July compared to August, but were still strong compared to long-run series average. Qatar's PMI decreased from 61.50 in July to 53.70 in August. Output expanded at a moderate pace in August, though still strong by historical standards. New orders rose for the twenty-sixth consecutive month. The rate of growth eased to a 15-month low, but remained strong.

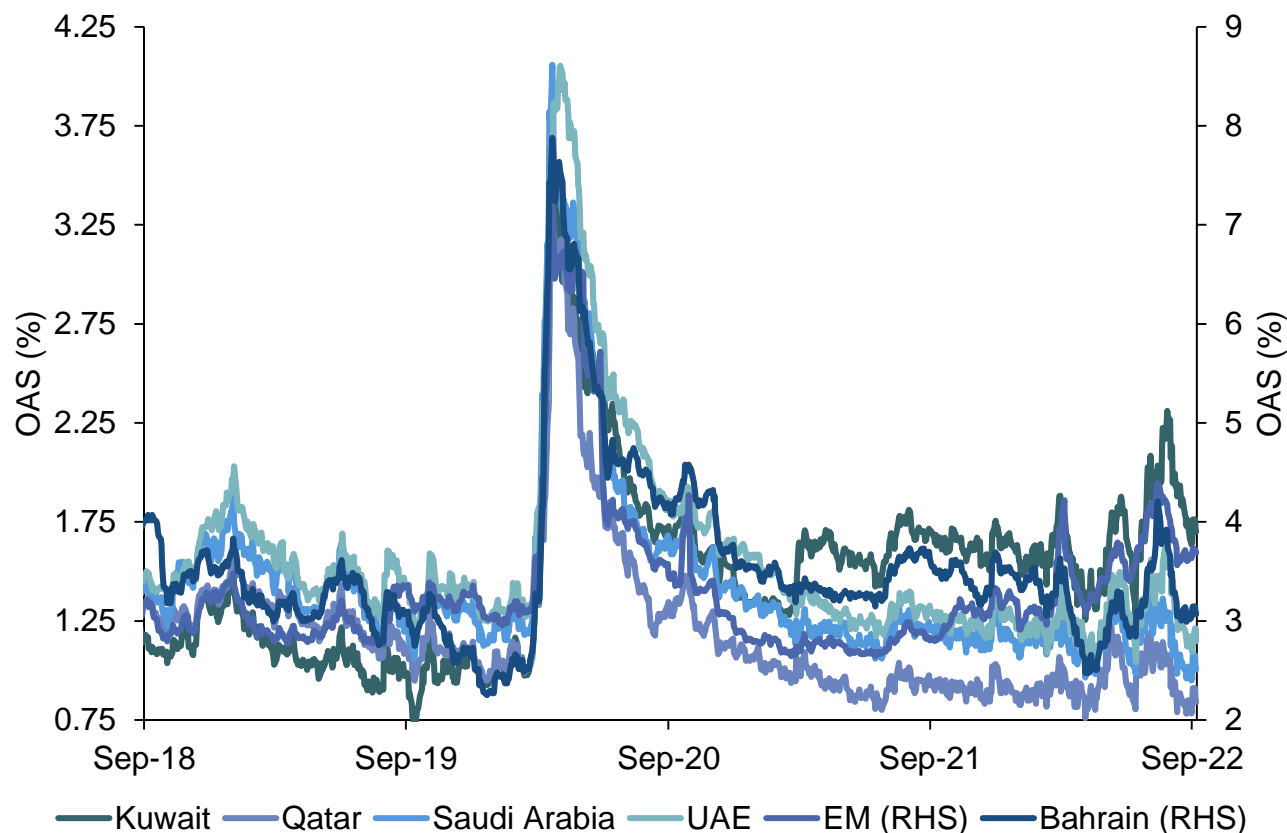
(Source: Zawya)

| Issuer | BBG | Sector | Country | Issue Amt* | Cpn | Maturity | Maturity Type | Currency | Issue Date | Rtg ^ | YTM (mid) | YTC (mid) |
|---------------------------------------|--------|------------------------|---------|------------|-------|-----------|---------------|----------|------------|-------|-----------|-----------|
| First Abu Dhabi Bank | FABUH | Agency | AE | 368 | 3.54 | 3/1/2027 | AT MATURITY | USD | 9/1/2022 | AA- | 4.79 | - |
| First Abu Dhabi Bank | FABUH | Agency | AE | 310 | 3.345 | 1/14/2027 | AT MATURITY | USD | 14/7/2022 | AA- | 3.79 | - |
| Mashreqbank PSC | MASQUH | Financial Institutions | AE | 300 | 8.5 | - | PERP/CALL | USD | 7/7/2022 | A | 7.60 | - |
| QIC Cayman Ltd | QATIQD | Financial Institutions | QA | 400 | 6.75 | - | PERP/CALL | USD | 7/7/2022 | - | 6.53 | - |
| UAE INTERNATIONAL GOVERNMENT BOND | UAE | Sovereign | AE | 1250 | 4.951 | 7/7/2052 | AT MATURIT | USD | 7/7/2022 | AA | 4.85 | - |
| UAE INTERNATIONAL GOVERNMENT BOND | UAE | Sovereign | AE | 1750 | 4.05 | 7/7/2032 | AT MATURIT | USD | 7/7/2022 | AA | 3.92 | - |
| Bahrain Government International Bond | BHRAIN | Sovereign | BH | 500 | 5.961 | 1/5/2026 | AT MATURIT | USD | 7/5/2022 | B+ | 5.92 | - |

*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

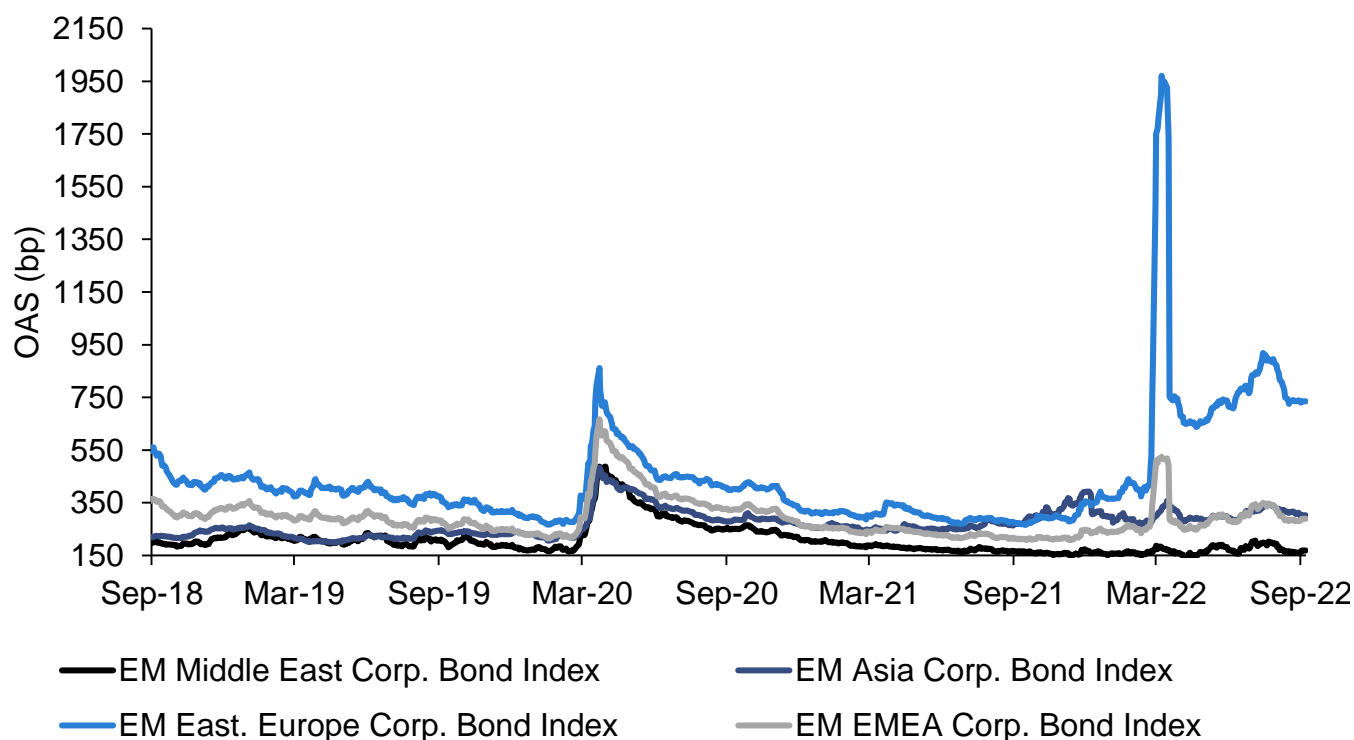
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



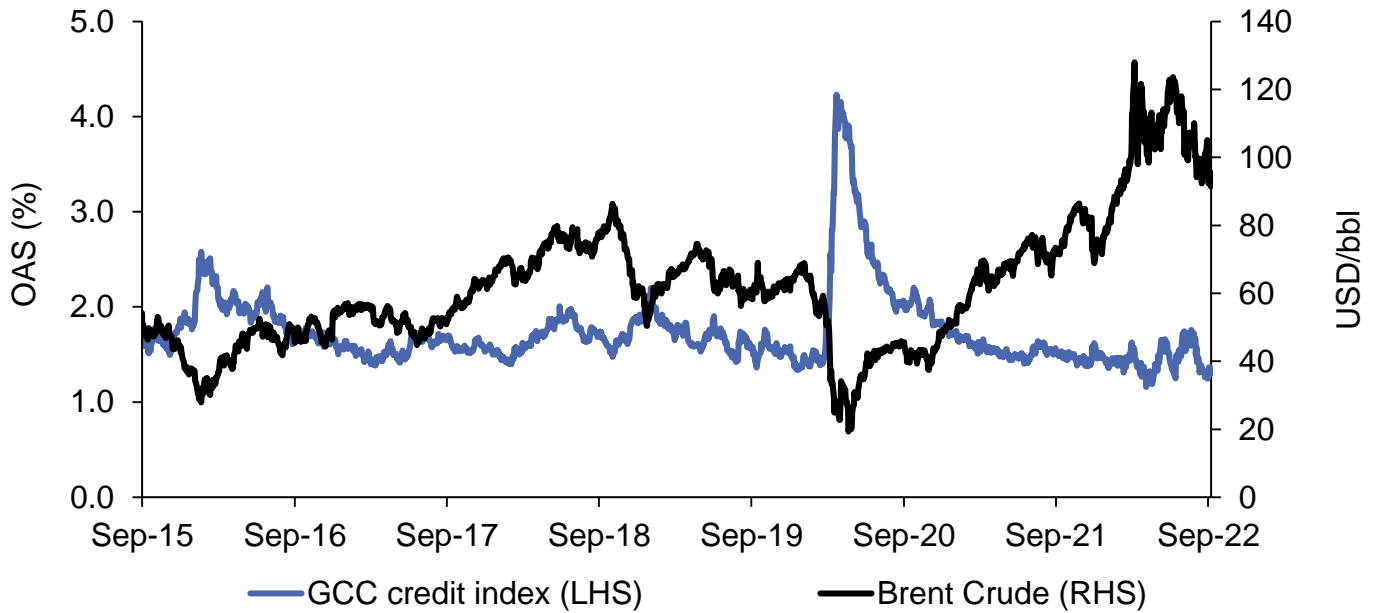
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

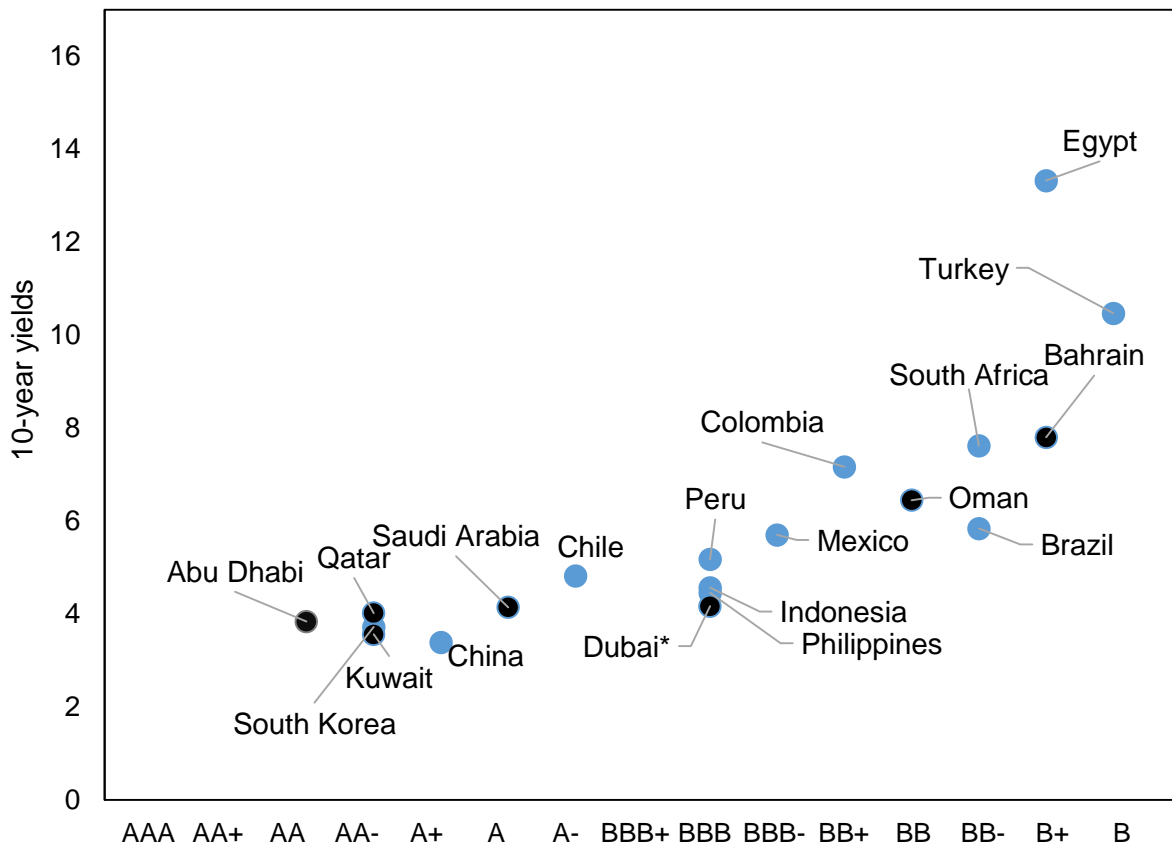
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

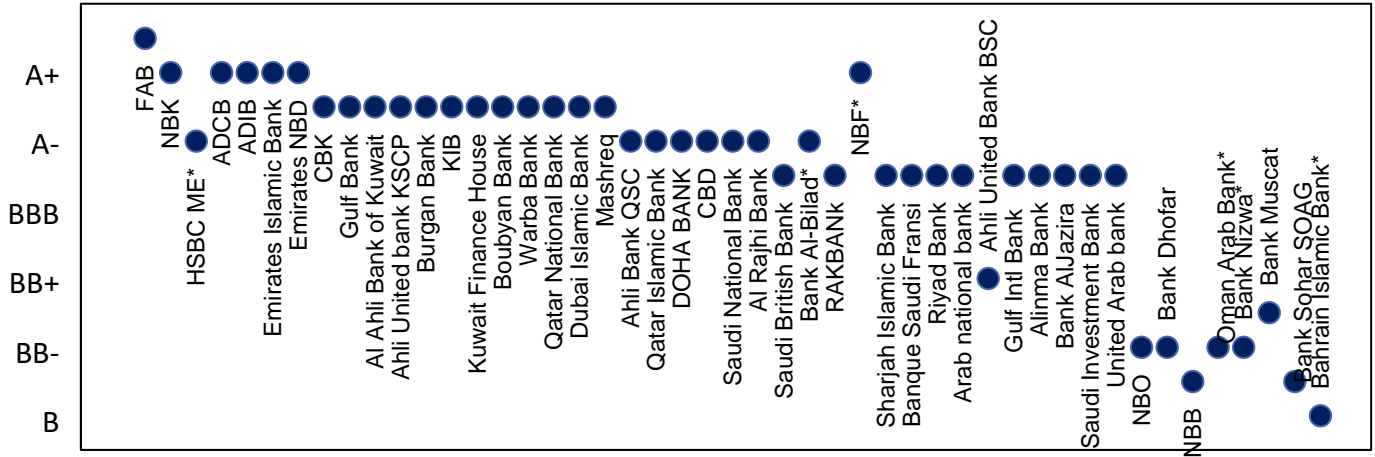
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

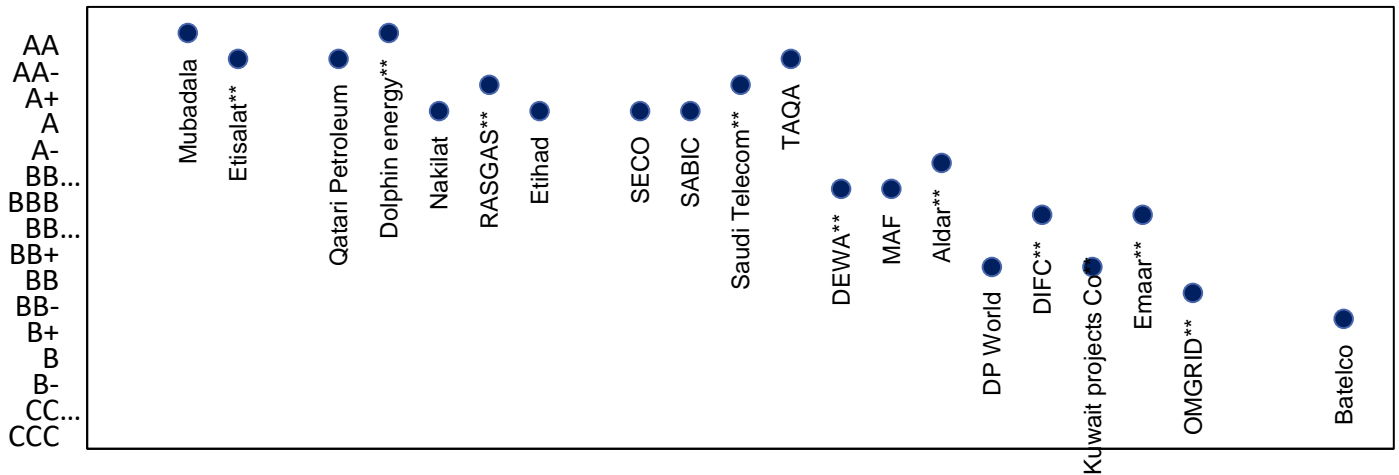
GCC Financials



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

Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTT News
4. Reuters
5. Gulfbase
6. Zawya

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