

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 13th September 2022). The 10yr UST yields rose after US inflation data exceeded expectations. Euro-zone bonds, already under pressure post the ECB's rate hike, also sold-off post the US inflation data. Corporate credit recorded losses, with Global IG underperforming the most. On the other hand, EM bonds ended the week unchanged as positive return by EM EMEA bonds more than offset the weekly losses by EM LatAm and EM Asia.

Demand for GCC bonds was mixed. Kuwait, Saudi Arabia and Qatar recorded losses while Oman, UAE and Bahrain posted positive returns. CDS spreads tightened over the week, in line with the rise in oil prices. In the USD sovereign market, bond yields edged higher across the GCC countries with Abu Dhabi and Qatar recording the largest jump in yields.

The UAE Ministry of Finance (MoF) conducted the fourth auction of the Treasury Bonds program (T-Bonds). The bond sale saw the first issuance of 5-year T-Bonds, with bids of AED8.60bn and an oversubscription of 5.7x. The country has so far raised AED6bn as part of its AED9bn T-bond program announced for 2022. Elsewhere, **Saudi's economy grew at its fastest rate in over 10 years in Q2 22** helped by the jump in oil prices. Saudi Arabia's real GDP expanded by 12.2% yoy in Q2 22 with growth primarily driven by oil activities.

In corporate bonds issuances, **ADCB sold its inaugural green bond, raising USD500mn to support low-carbon initiatives. The 5-year bond was priced at a spread of 115bp above treasuries with coupon rate of 4.5%.** The bond sale was oversubscribed by 3.8x with orders over USD1.9bn.

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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+

GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1,059.22	0.03	-16.39	Saudi	3.36	8.54	245.05
EM LatAm TR	895.91	-0.21	-15.50	UAE	3.03	5.13	266.41
EM EMEA TR	318.72	0.52	-20.67	Kuwait	2.63	0.00	112.50
EM Asia TR	575.59	-0.25	-12.58	Bahrain	4.10	-6.10	-
Bahrain TR	170.89	0.22	-4.56	Oman	3.35	8.33	122.13
Oman TR	132.06	0.62	-3.92	Qatar	2.45	-	132.50
Kuwait TR	140.59	-0.14	-6.51	US	3.27	7.61	305.58
Qatar TR	130.09	-0.13	-12.35	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	133.76	-0.14	-12.35	Saudi	4.23	2.49	316.80
UAE TR	132.15	0.33	-10.62	UAE	3.68	-9.00	293.83
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	3.19	0.00	118.75
Saudi Arabia	49.50	-1.10	-1.10	Bahrain	5.10	-3.33	-
Abu Dhabi	48.28	-1.30	-1.30	Oman	3.76	15.00	74.43
Dubai	127.51	-1.00	-1.00	Qatar	2.75	-	142.50
Kuwait	60.71	-5.00	-5.00	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	319.38	-3.30	-3.30	Saudi Arabia	4.17	2.70	168.60
Oman	270.14	-19.50	-19.50	Abu Dhabi	3.88	6.50	187.10
Qatar	47.55	-2.50	-2.50	Dubai	4.15	0.20	161.00
Egypt	957.36	-81.00	-81.00	Kuwait	3.61	3.30	196.30
Turkey	713.11	-36.30	-36.30	Bahrain	7.72	0.80	188.10
US	24.19	0.30	0.30	Oman	6.33	1.70	136.50
Germany	18.47	0.90	0.90	Qatar	3.97	3.40	186.80

Note: *Dewa rating used as proxy, data from 7th September 2022 to 13th September 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

ADCB sold USD500mn in inaugural green bonds

ADCB raised USD500mn in its inaugural green bond issuance to support low-carbon initiatives. The 5-year bond was priced at a spread of 115bp above treasuries with coupon rate of 4.5%. The bond sale was oversubscribed by over 3.8x after attracting a range of local, regional, and international investors that placed orders over USD1.9bn. ADCB has integrated ESG into its corporate strategy and aligned its sustainability approach to the UAE's ambitions for an inclusive, net-zero economy. The company's commitments include providing AED35bn in green finance by 2030, reaching net-zero in its own operations, and reducing financed emissions in line with UAE government net-zero targets. According to the MSCI, the bank has an ESG rating of 'AA', while Sustainalytics categorizes the bank as 'Medium risk'.

(Source: ADCB)

Abu-Dhabi royal-owned company revisits plans for dollar sukuk

The Private Department of Sheikh Mohamed Bin Khalid al-Nahyan LLC (PD) is reviving plans to sell dollar sukuk. PD, a small real-estate player owned by members of the royal family, last year withdrew its plans of issuing USD350mn sukuk just ahead of its pricing.

(Source: Reuters)

UAE conducted fourth auction of the T-bonds program

UAE's Ministry of Finance (MoF) as the issuer, in collaboration with the Central Bank of the UAE (CBUAE) as the issuing and paying agent, announced the results of its fourth auction of the Treasury Bonds program (T-Bonds). This issuance is part of the AED9bn T-Bond issuance program for 2022, as announced earlier this year in the T-Bonds calendar. The fourth auction saw the first issuance of 5-year bonds, with bids of AED8.60bn and an oversubscription of 5.7x. The auction's success was evident in the attractive price spreads of 8bp over US Treasuries for the 2-year bond re-opening, and spread of 20bp over US Treasuries for the new issue of 5-year bond.

(Source: Zawya)

Saudi Arabia economy grew 12.2% yoy in Q2, the fastest growth rate over 10 years

The Saudi economy grew at its fastest rate in over 10 years in Q2 22 as oil prices continued to rise. According to the General Authority of Statistics, Saudi Arabia's real GDP grew by 12.2% yoy in Q2 22, the highest since 2011. GDP grew by 9.9% yoy in Q1 22. The growth was driven primarily by oil activities, which increased by 22.9% yoy, while non-oil activities grew by 8.2% yoy. According to the IMF, Saudi Arabia will be one of the world's fastest-growing economies this year with its GDP expected to grow by 7.6% in 2022, the fastest growth in decades.

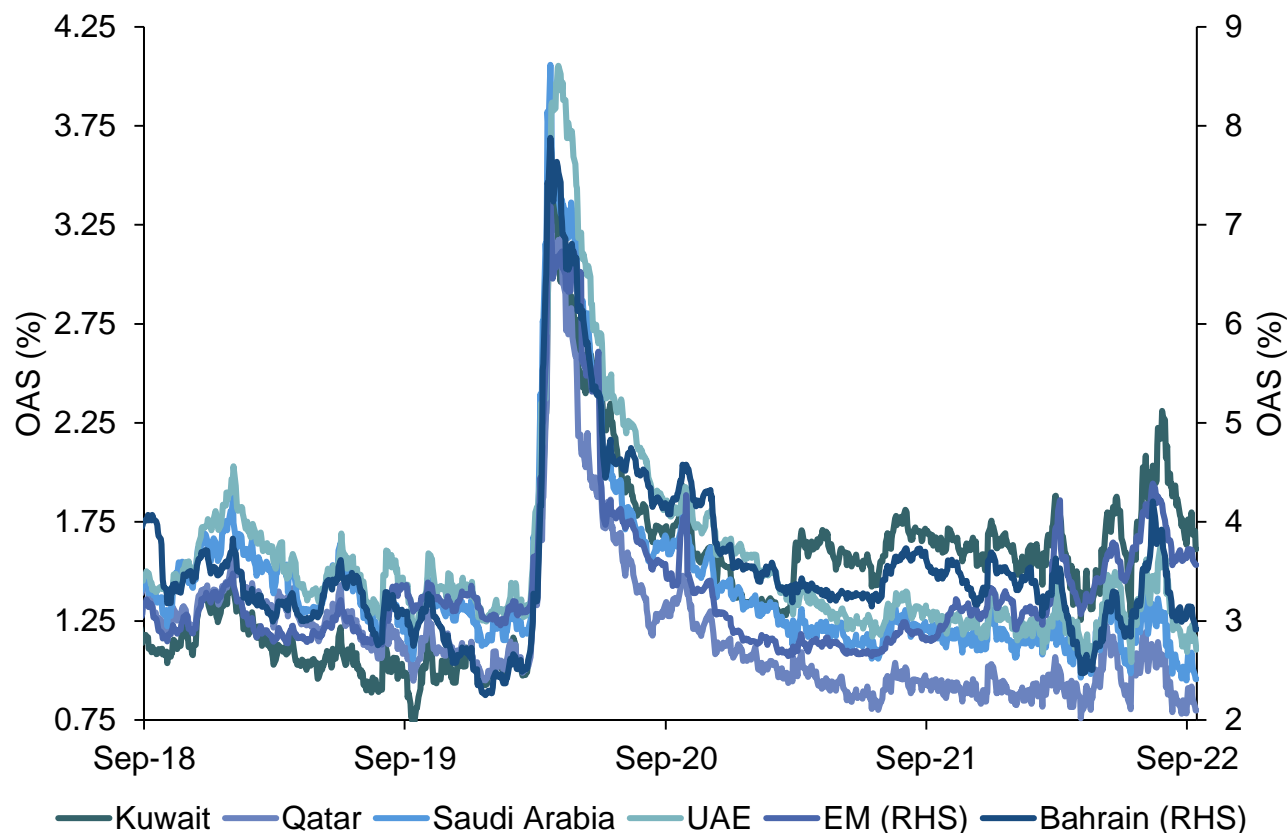
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
Abu Dhabi Commercial Bank	ADCBUH	Agency	AE	500	4.5	9/14/2027	AT MATURITY	USD	9/07/2022	A+	4.79	-
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	-

*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

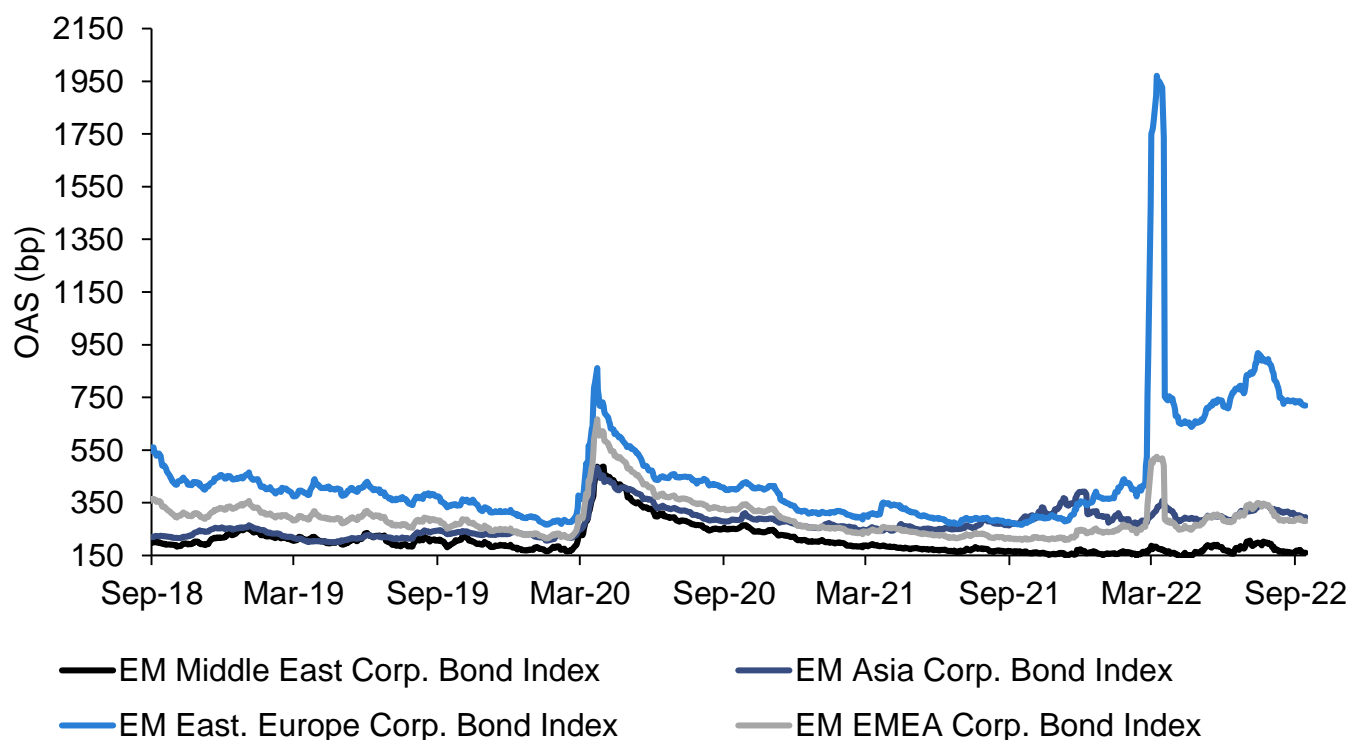
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



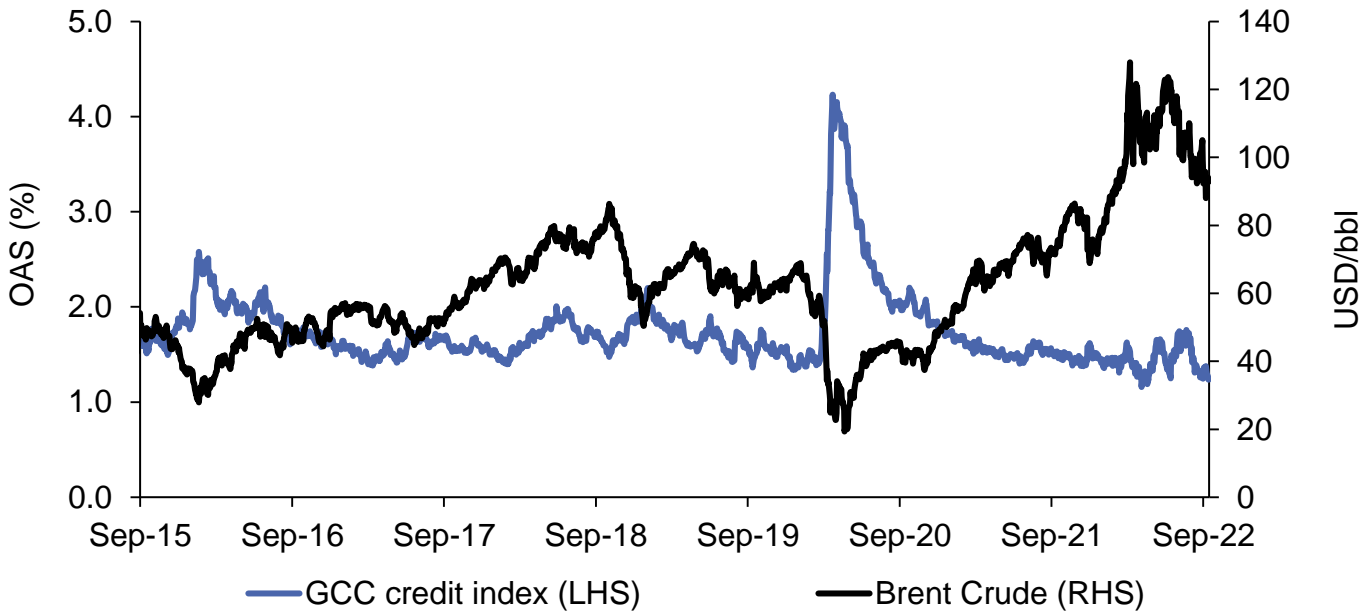
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

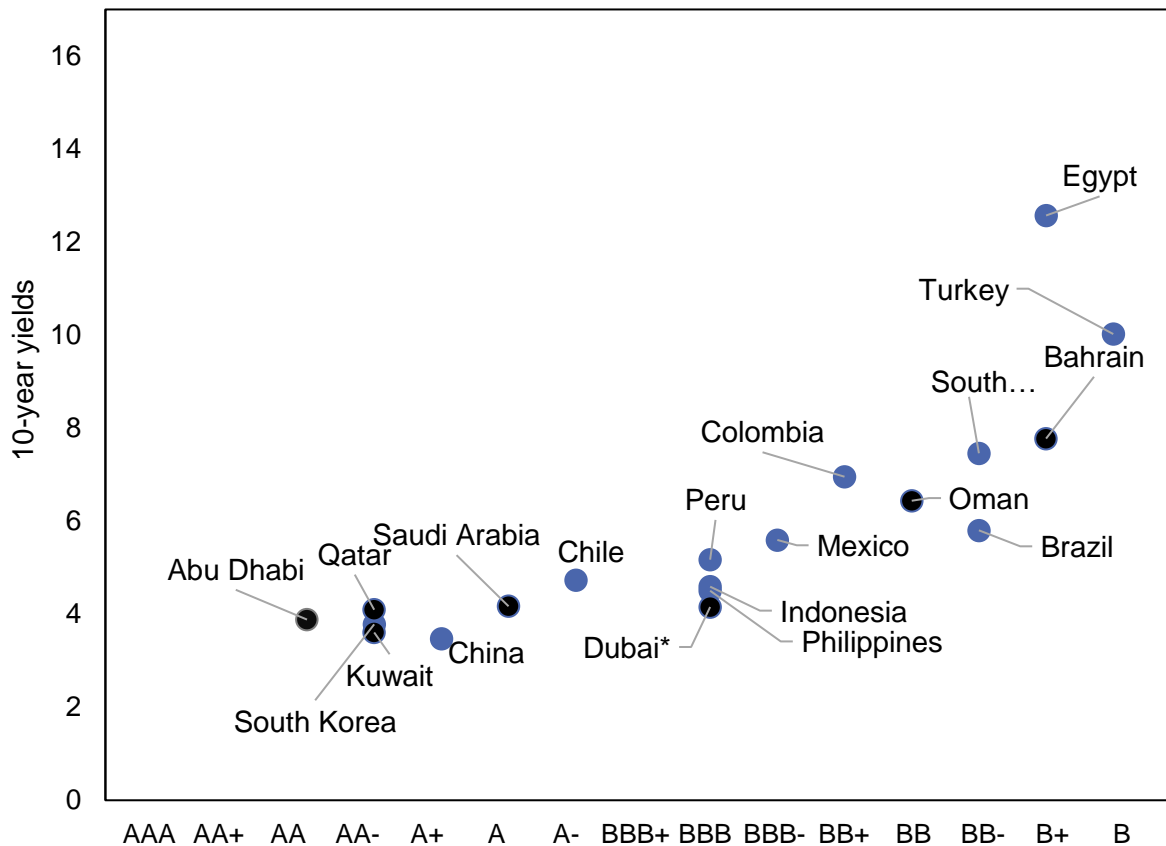
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

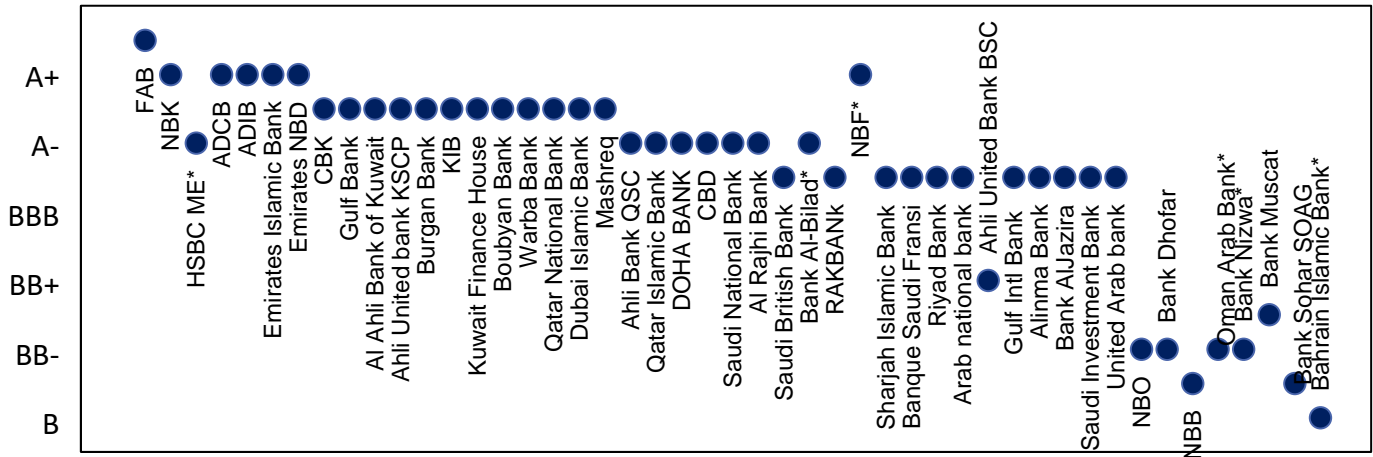
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

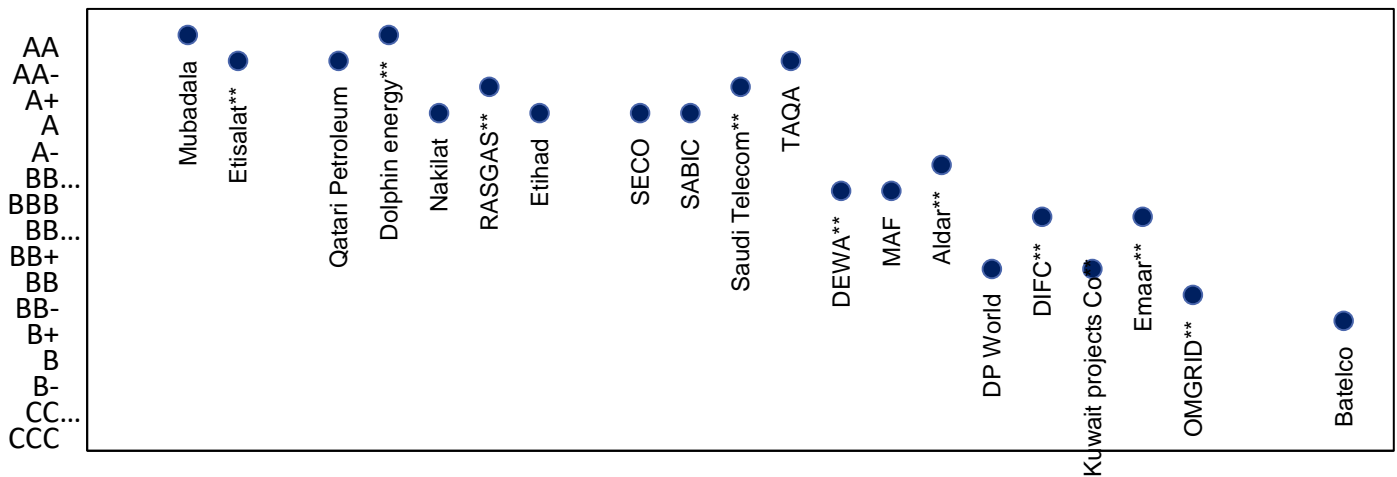
GCC Financials



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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