

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 20th September 2022). The 10yr UST yield rose to 3.51% ahead of the Fed meeting today, 21st September 2022. Euro-zone bonds remained under pressure on the back of hawkish ECB comments. Corporate credit recorded losses, with Global HY underperforming the most. EM bonds posted marginal losses amidst the rise in global market volatility.

Demand for GCC bonds was mostly subdued. All GCC bond markets recorded losses with the exception of the UAE. Qatar, Oman, Saudi Arabia underperformed the most. Similarly, CDS spreads widened across all GCC countries. Dubai and Kuwait saw the largest widening of the 5yr CDS spread. In the USD sovereign market, 10yr bond yields rose across all the GCC markets, the most in Kuwait.

OPEC+ fell short of its oil production target by 3.583mn barrels per day in August, after having missed it by 2.892mn barrels per day in July. Meanwhile, **the UAE revealed that it is accelerating plans to raise oil production capacity in order to cash in on their crude reserves before the world transitions to cleaner energy.** Abu Dhabi National Oil Company (ADNOC), is planning to produce 5mn bpd by 2025. Elsewhere, **in Saudi Arabia, the consumer prices increased by 3% yoy in August.** Inflation in August was driven by food and beverage and transport costs, both rising by 4%.

In corporate bond issuances, **the Private Department of Sheikh Mohammed Bin Khalid al-Nahyan LLC (PD), a real estate company owned by Abu Dhabi royals raised USD300mn via 3yr unsecured sukuk.** The sukuk was priced at 8.75%.

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aaa2	Baa2	A1	Ba2	Ba3	Aa3	B3
Fitch	A	AA	-	AA	B+	BB	AA-	B+

Prerana Seth

Fixed Income Strategist
Tel: +971 (0)2 696 2878
prerana.seth@adcb.com

Mohammed Al Hemeiri

Analyst
Tel: +971 (0)2 696 2236
mohammed.alhemeiri@adcb.com

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GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1,047.45	-0.99	-17.43	Saudi	3.58	17.08	267.39
EM LatAm TR	884.05	-1.47	-16.86	UAE	3.38	29.84	301.06
EM EMEA TR	314.89	-1.04	-21.71	Kuwait	2.88	25.00	137.50
EM Asia TR	570.69	-0.56	-13.34	Bahrain	4.10	-9.77	258.33
Bahrain TR	170.61	-0.20	-4.93	Oman	3.43	11.25	129.80
Oman TR	130.25	-0.86	-5.24	Qatar	2.45	-	132.50
Kuwait TR	139.79	-0.55	-7.05	US	3.60	11.83	338.73
Qatar TR	128.62	-0.93	-13.30	12M interbank			
Saudi Arabia TR	132.27	-0.86	-13.28	Saudi	4.39	12.61	333.50
UAE TR	130.95	0.73	-11.35	UAE	4.09	18.39	335.29
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	3.50	31.25	150.00
Saudi Arabia	52.98	3.70	1.70	Bahrain	5.10	-7.50	333.33
Abu Dhabi	51.75	3.30	6.90	Oman	3.88	15.00	86.10
Dubai	134.91	8.00	35.30	Qatar	2.75	-	142.50
Kuwait	63.49	3.80	16.10	10Y yield			
Bahrain	319.55	1.70	16.80	Saudi Arabia	4.42	18.60	193.20
Oman	271.07	1.60	11.70	Abu Dhabi	4.08	17.50	207.00
Qatar	51.35	3.90	7.00	Dubai	4.19	4.70	165.00
Egypt	1035.22	43.80	523.00	Kuwait	3.93	27.80	228.40
Turkey	758.30	48.90	180.40	Bahrain	7.83	6.90	198.30
US	24.92	0.70	9.90	Oman	6.57	19.90	159.70
Germany	18.08	0.10	7.80	Qatar	4.17	19.30	206.60

Note: *Dewa rating used as proxy, data from 14th September 2022 to 20th September 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

Abu-Dhabi royal-owned company raised USD300mn via 3yr sukuk

The Private Department of Sheikh Mohammed Bin Khalid al-Nahyan LLC (PD), a relatively small real estate firm owned by 11 members of Abu Dhabi's ruling family, raised USD300mn in 3yr unsecured dollar sukuk. The bond sale comes after the Private Department pulled out a USD350mn Islamic bond sale ahead of its pricing in July 2021, claiming the interest received then did not align with the company's vision and plan. This time around, the sukuk was priced at 8.75%, tighter than the initial pricing guidance of 8.875% after over USD660mn worth of orders were placed.

(Source: Reuters)

OPEC+ oil output target in August fell short by 3.583mn barrels per day (bpd)

An internal document revealed that OPEC+ fell short of its oil production target by 3.583mn bpd in August, after having missed it by 2.892mn bpd in July.

(Source: Reuters)

UAE accelerates plan to increase oil production

The UAE is accelerating plans to raise oil production capacity in order to cash in on their crude reserves before the world switches to cleaner energy. Abu Dhabi National Oil Company (ADNOC), which pumps most of the UAE's oil, plans to produce 5mn bpd by 2025.

(Source: Bloomberg)

Consumer prices in Saudi Arabia increased by 3% yoy in August

Consumer prices in Saudi Arabia increased by 3% yoy in August, accelerating from a 2.7% yoy increase in July. Inflation in August was driven by food and beverage and transport costs, both rising by 4% yoy. The price of meat increased by 6.7% contributing to the increase in prices of food and beverages, which comprise 18.8% of the consumer basket.

(Source: Zawya)

Fitch ratings indicate that the funding base of UAE corporates is well diversified

Fitch Ratings agency stated that the UAE corporates have a more diversified funding base than their regional peers. According to the rating agency, debt capital market (DCM) and equity capital market (ECM) issuances represented 32% of corporates' funding structure in H1 2022. Banks financed 68% of corporate funding structures, raising USD24bn in H1 2022. DCM issuances for corporates fell to USD2.3bn in the H1 2022. Fitch ratings agency expects DCM issuances to remain low during the rest of 2022, but to increase in the medium term due to improved economic activity.

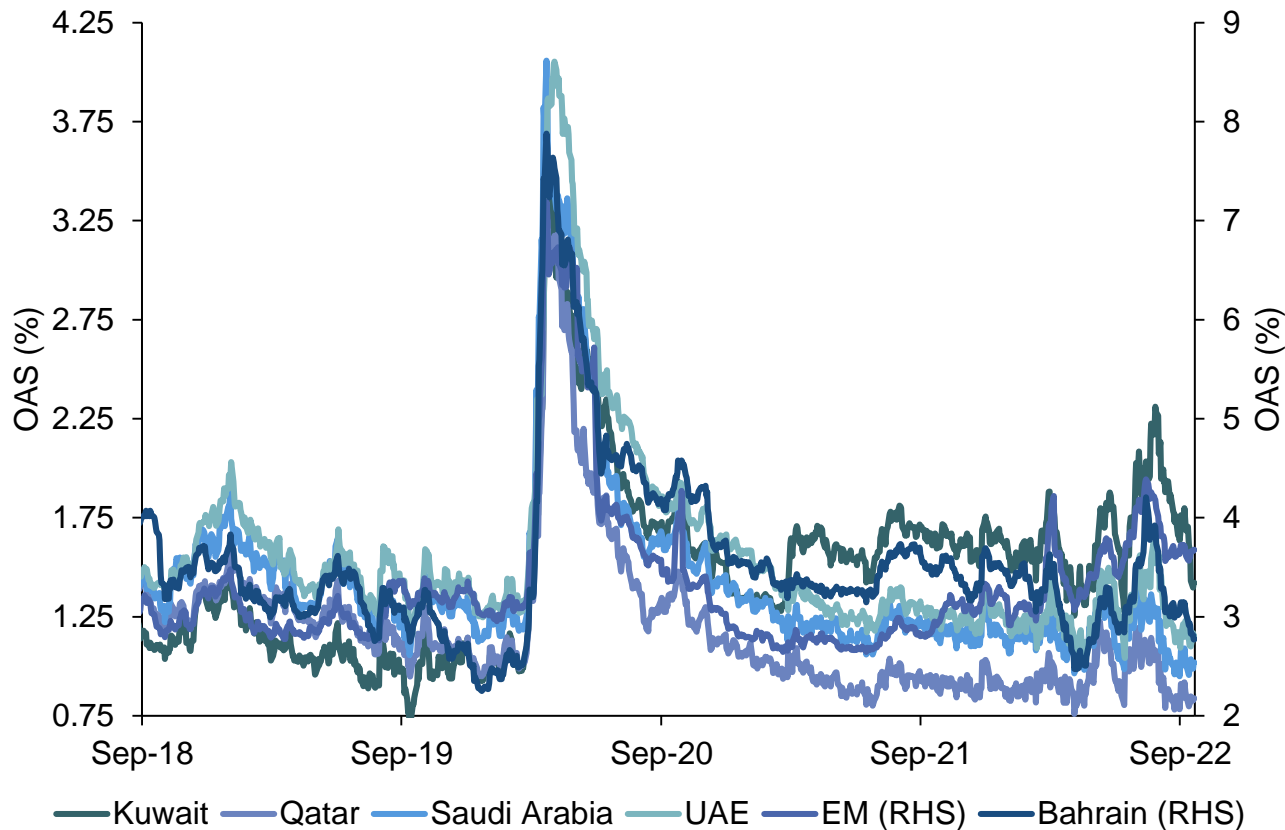
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
P.D OF SKH MD BIN KHALID	PVTDEP	Agency	AE	300	8.75	9/23/2025	AT MATURITY	USD	9/15/2022	-	5.79	-
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 MATURITY	USD	7/7/2022	AA	4.85	-
UAE INTERNATIONAL GOVERNMENT BOND	UAE	Sovereign	AE	1750	4.05	7/7/2032	AT MATURITY	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

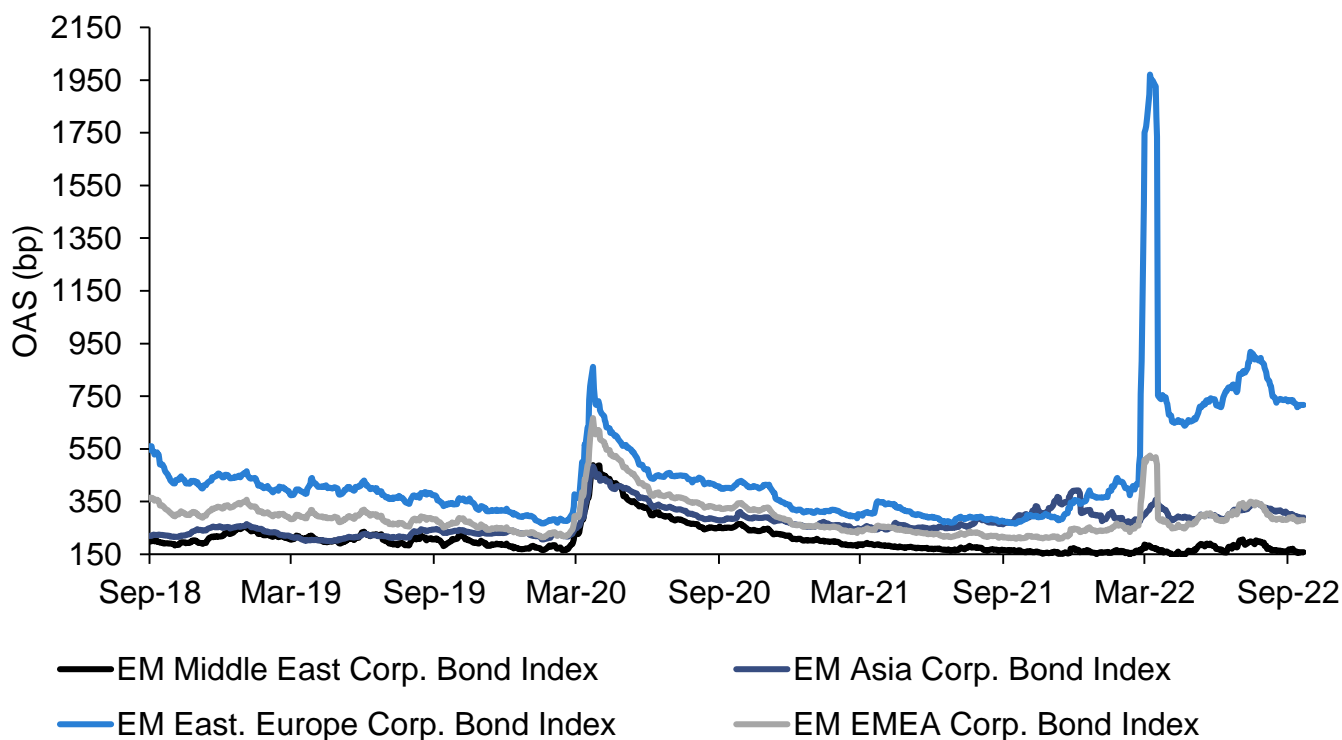
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



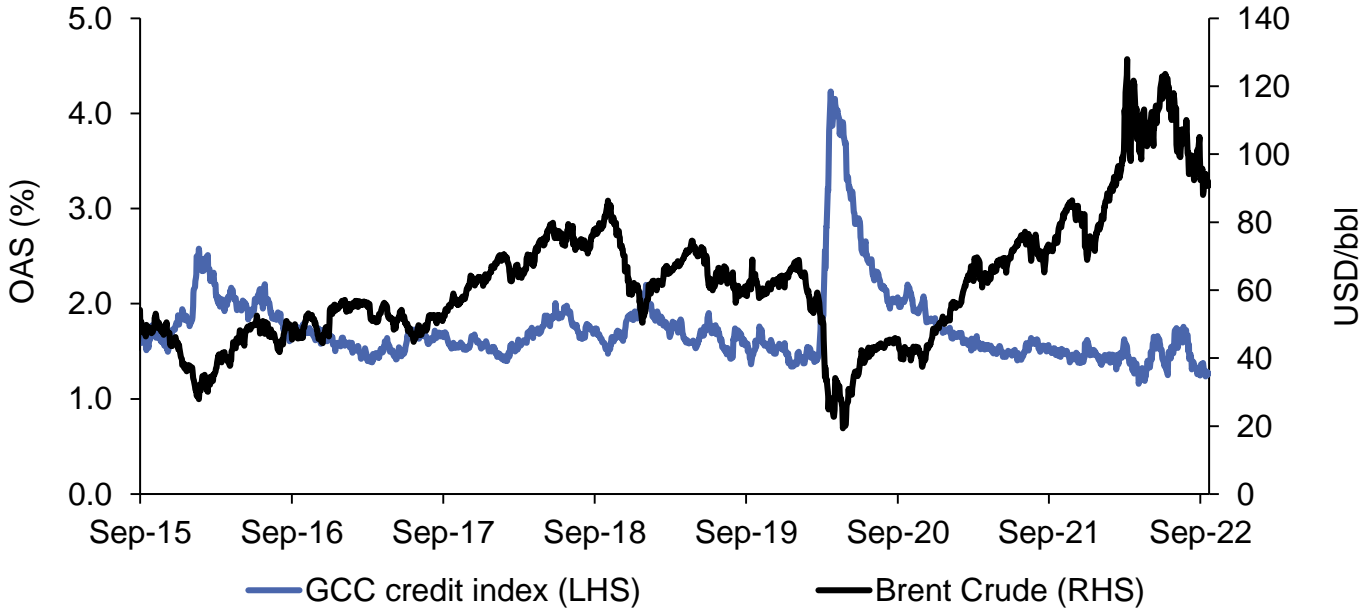
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

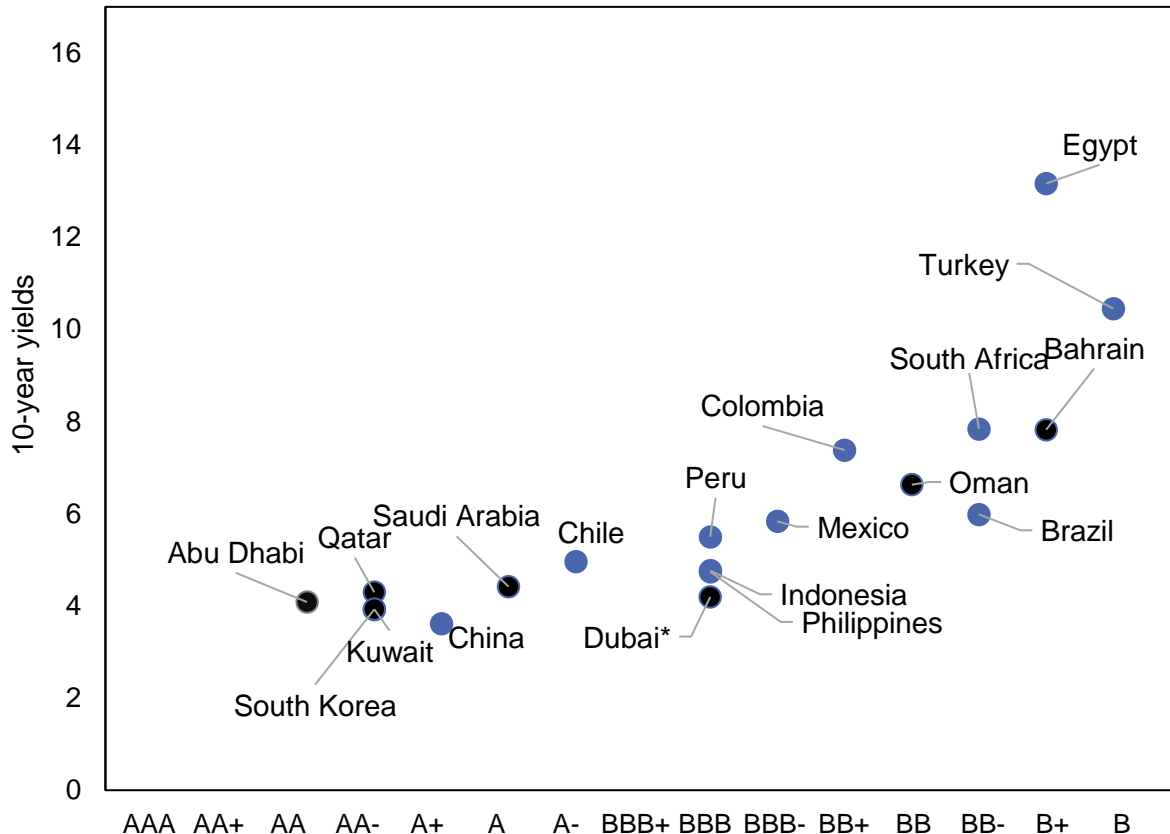
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

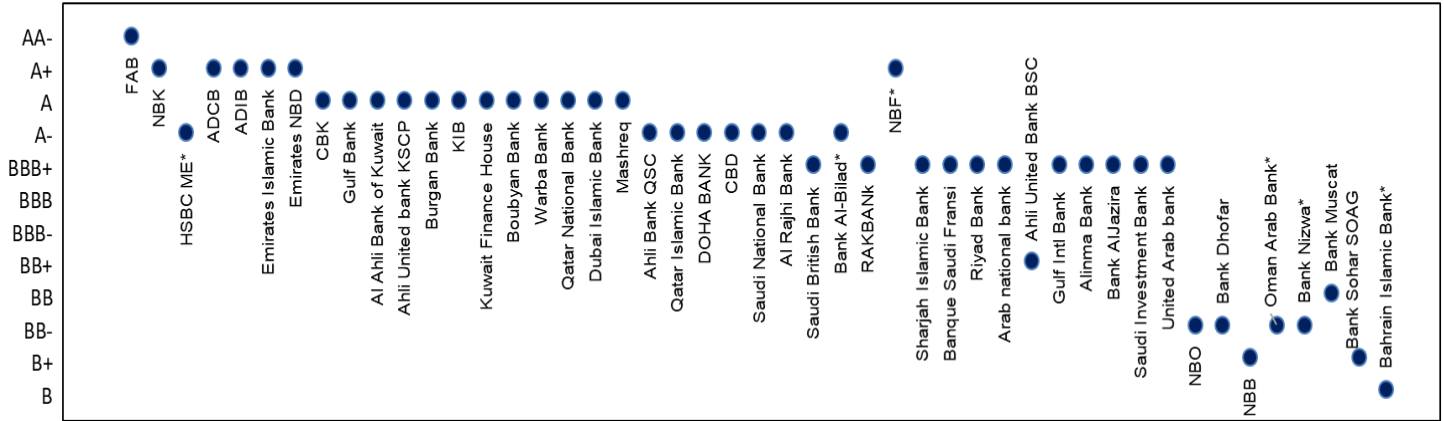
GCC sovereigns trading cheap versus peers



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

GCC Financials Credit Rating

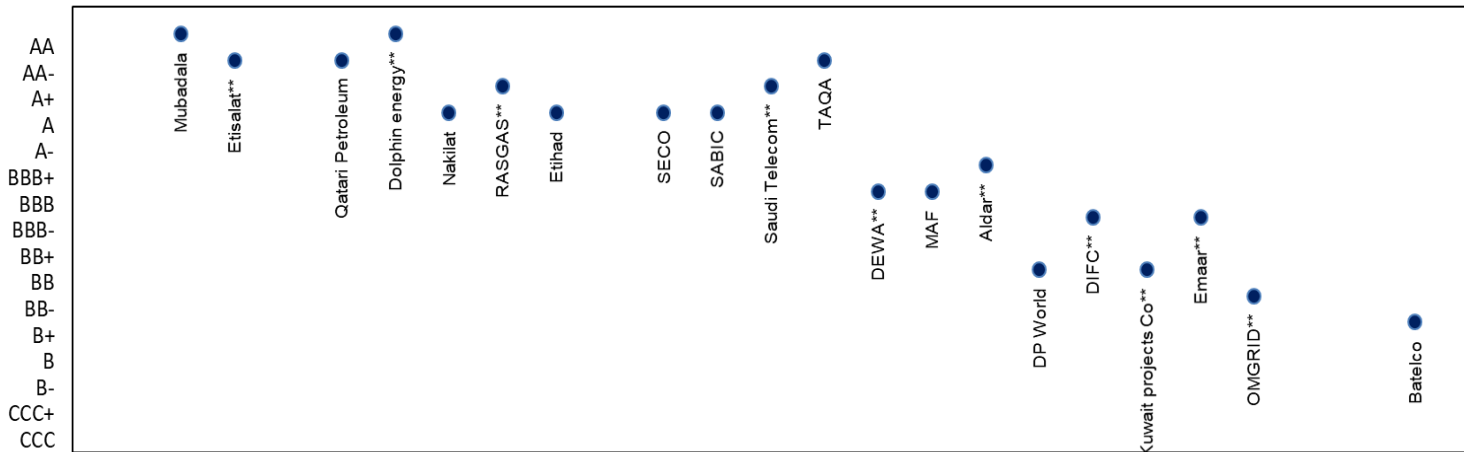
GCC Financials



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

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