

GCC Fixed Income Weekly Review

Global benchmark bond index declined over the week (ending 27th September 2022). The 10yr UST yield rose to 3.9%, after Fed policy decision on interest-rate increases. Euro-zone bond yields rose after global policy rate hikes. 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. Oman, Saudi Arabia, Qatar underperformed the most. Similarly, CDS spreads widened mostly across all GCC countries with the exception of Oman where spreads tightened. In the USD sovereign market, 10yr bond yields rose across all the GCC markets, the most in Bahrain.

The GCC central banks responded quickly to the Fed's hike by raising interest rates by 75bp in line with dollar peg demands. Kuwait's central bank raised its interest rate by only 25bp. This is the fifth rate increase this year. **Bahrain's economy grew by 6.9% yoy in Q2 of 22, the largest annual increase since 2011.** Saudi Arabia General Authority for Statistics, announced that the **per capita GDP rose during Q2 22 to its highest level in years, recording an increase of 43% from SR20,620 in Q2 21 to SR29,820 in Q2 22.** Elsewhere, in Oman, His Excellency Dr Nasser Al Mawali, Undersecretary of Oman's Economy said, **the performance of the public finances indicated an 11.5% decrease in Oman's total public debt to OMR18.4bn at the end of August 22. The inflation rate in Oman remained at acceptable limits of 3.1%.** His Excellency Nasser bin Rashid al Mawali, said the inflation rate has been kept at reasonable levels due to the strong fundamentals of Oman's economic policy.

Issuance activity was muted over the week.

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+

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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	1,012.68	-3.32	-20.06	Saudi	3.98	38.08	307.56
EM LatAm TR	840.78	-4.90	-20.70	UAE	3.51	11.56	314.52
EM EMEA TR	305.94	-2.84	-23.85	Kuwait	2.94	31.25	143.75
EM Asia TR	556.41	-2.50	-15.49	Bahrain	4.10	-21.71	258.33
Bahrain TR	167.56	-1.79	-6.42	Oman	3.44	19.50	130.55
Oman TR	126.64	-2.77	-7.86	Qatar	2.45	-	132.50
Kuwait TR	137.76	-1.45	-8.40	US	3.64	3.70	342.65
Qatar TR	125.51	-2.42	-15.43	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	129.06	-2.43	-15.43	Saudi	4.96	49.44	390.34
UAE TR	128.30	-2.02	-13.22	UAE	4.32	17.43	358.04
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	3.56	31.25	156.25
Saudi Arabia	60.54	7.50	8.60	Bahrain	5.10	-22.50	333.33
Abu Dhabi	51.75	-	6.90	Oman	3.79	26.25	77.35
Dubai	135.74	3.70	36.60	Qatar	2.75	-	142.50
Kuwait	65.23	0.30	16.40	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	325.93	5.00	21.90	Saudi Arabia	4.87	46.60	238.90
Oman	268.72	-9.10	2.70	Abu Dhabi	4.49	39.30	247.90
Qatar	58.88	7.00	13.60	Dubai	4.57	38.20	203.00
Egypt	1318.60	286.70	810.20	Kuwait	4.42	44.60	277.20
Turkey	809.73	69.30	240.90	Bahrain	8.29	54.00	245.10
US	27.89	3.70	13.40	Oman	7.11	53.40	213.70
Germany	21.70	3.50	11.40	Qatar	4.69	49.40	259.00

Note: *Dewa rating used as proxy, data from 21st September 2022 to 27th September 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

GCC countries raised interest rate by 75bp

The Central Bank of Bahrain (CBB) was the first to announce the rate hike among the GCC. The CBB raised its key policy interest rate on the one-week deposit facility from 3.25% to 4.00%. In addition, the CBB has decided to raise its overnight deposit rates from 3.00% to 3.75%, the four-week deposit rates from 4.00% to 4.75%, and the lending rates from 4.50% to 5.25%. The Saudi Central Bank (SAMA) raised its reverse repo rate by 75bp. Also, it increased its repo rate to 3.75%. The Central Bank of the UAE (CBUAE) raised the Overnight Deposit Facility Base Rate by 75bp from 2.4% to 3.15%. The CBUAE has also decided to maintain the rate for short-term borrowings through its standing credit facilities at 50bp above the Base Rate. Qatar's central bank increased interest rates by 75bps in tandem with the Federal Reserve's third consecutive increase. The central bank increased its lending rate to 4.5%, deposit rate to 3.75%, and repo rate to 4.0%. Kuwait's Central Bank (CBK) decided to raise its discount rate by 0.25% to 3.00%. It is surprising that Kuwait decided to raise its discount rate by just 25bp. Kuwait has more flexibility due to its currency basket rather than a dollar peg, and the central bank has not lowered rates as low as its peers.

(Source: Zawya)

Saudi Arabia's GDP rose to its highest level in years

The General Authority for Statistics (GASTAT) announced that the per capita gross domestic product (GDP) rose during Q2 22 to its highest level in years, reaching SR29,820. It recorded an increase of 43% compared to the same period in 2021. The data revealed that in 2021 the GDP was about SR20,620.

(Source: Zawya)

Bahrain's economy grew by 6.9% in Q2 22

The economy of Bahrain grew by 6.9% yoy in Q2 of 22, the largest annual increase since 2011.

(Source: Zawya)

The total public debt of Oman decreases by 11.5%

Excellency Dr Nasser Al Mawali, Undersecretary of Economy said the recovery of the economy was reflected in the increase of the trade balance surplus as it grew by a remarkable rate of 185.8% to reach about OMR4.71bn during the H1 of 22. He explained that the remarkable improvement in the performance of the economy came from the success of the economic and financial policies taken, while the stimulus packages geared towards recovery contributed to its cohesion and the restoration of high positive growth. His Excellency said, the performance of the public finances indicated an 11.5% decrease in Oman's total public debt to OMR18.4bn at the end of August 22. His Excellency confirms that the Minister of Economy continuously monitors global economic changes and the repercussions on its national economy to make well-considered economic decisions.

(Source: Zawya)

Oman's inflation rate remained at acceptable levels

The inflation rate in Oman remained at acceptable limits of 3.1%. His Excellency Nasser bin Rashid al Maawali, said that the inflation rate has been kept at reasonable levels due to the strong fundamentals of Oman's economic policy, which enabled Oman to tackle the food supply crisis. Statistics show that inflation dropped to 2.4% in August 2022, down from 4.4% in January 22, despite interruptions in supply chains caused by the pandemic and international crisis. During the crisis, Oman's government encouraged direct supply of food items, helping to keep inflation at an acceptable level. Data from the National Centre for Statistics and Information (NCSI) show food and non-alcoholic beverages raised 4.9% in August, transportation increased 3.1%, restaurants and hotels increased 2.1%, and fruits rose 7.5%.

(Source: Zawya)

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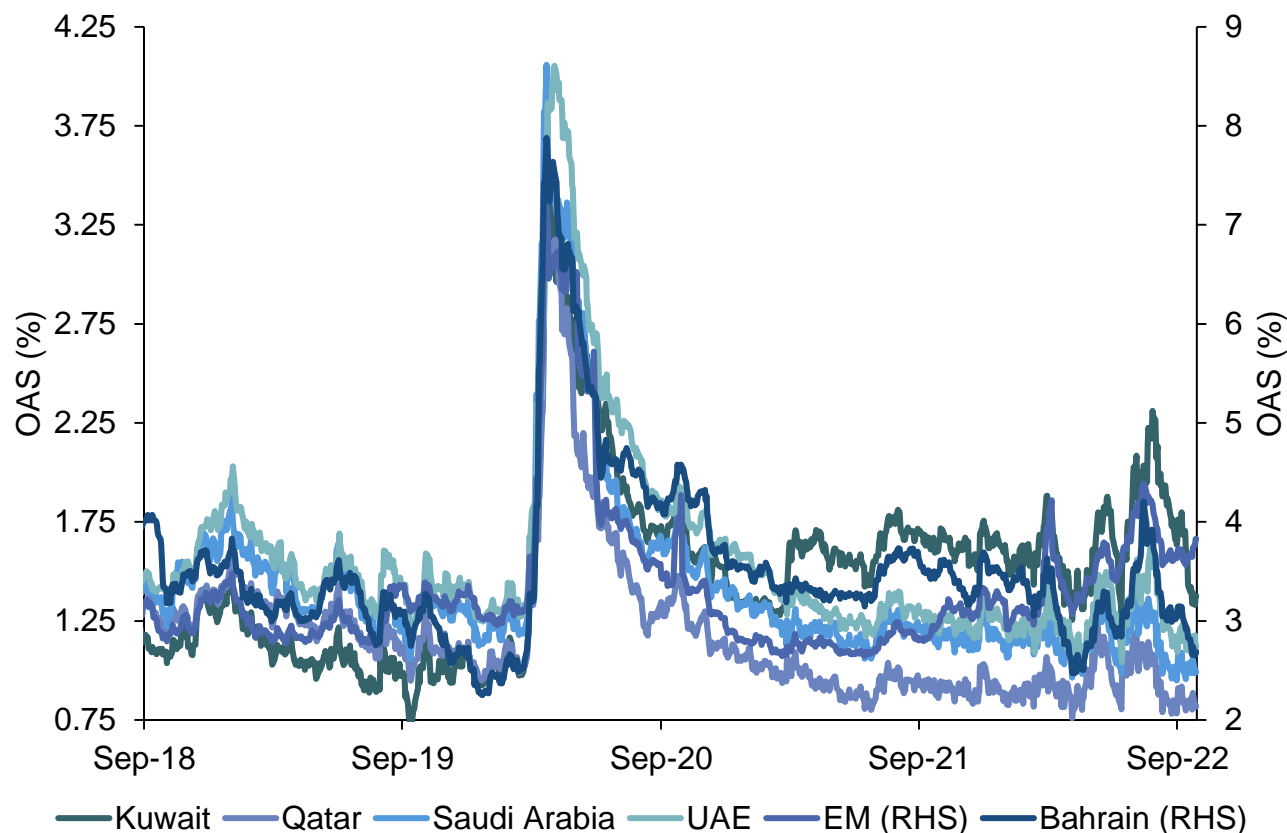
September 28 2022

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

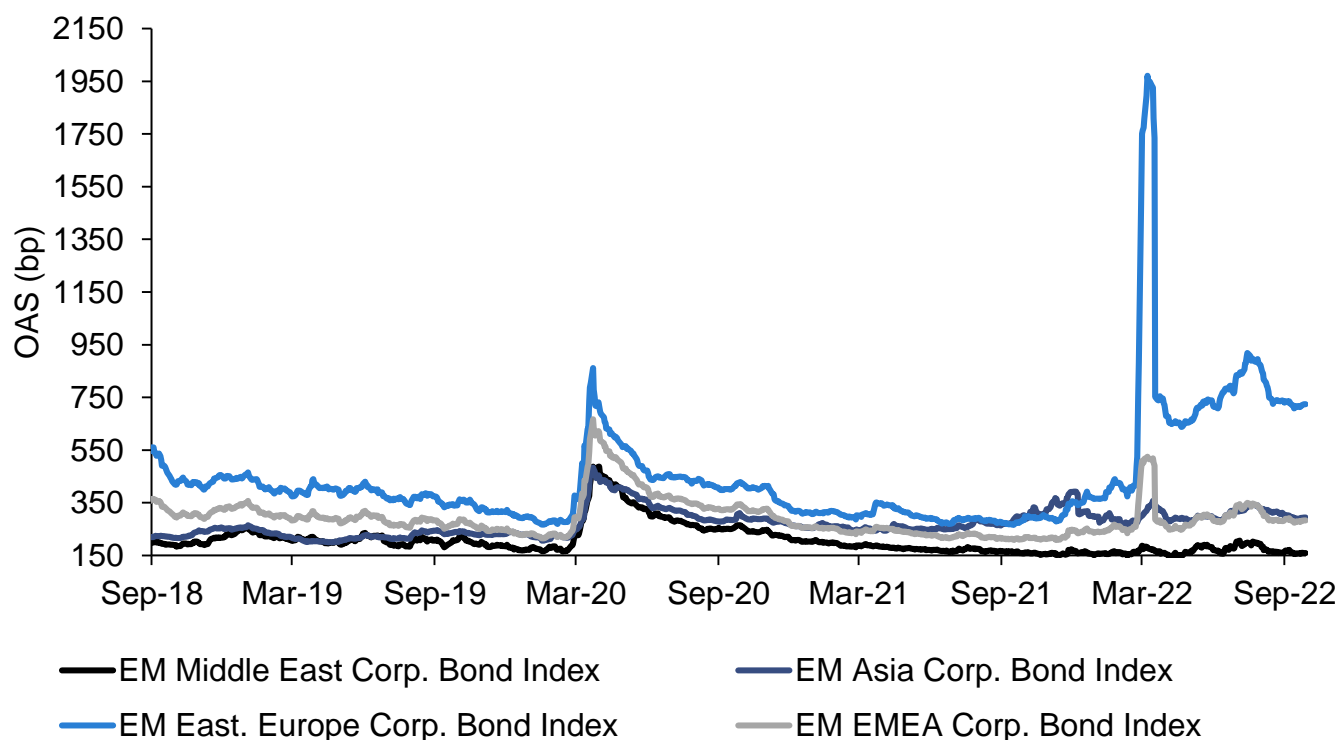
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



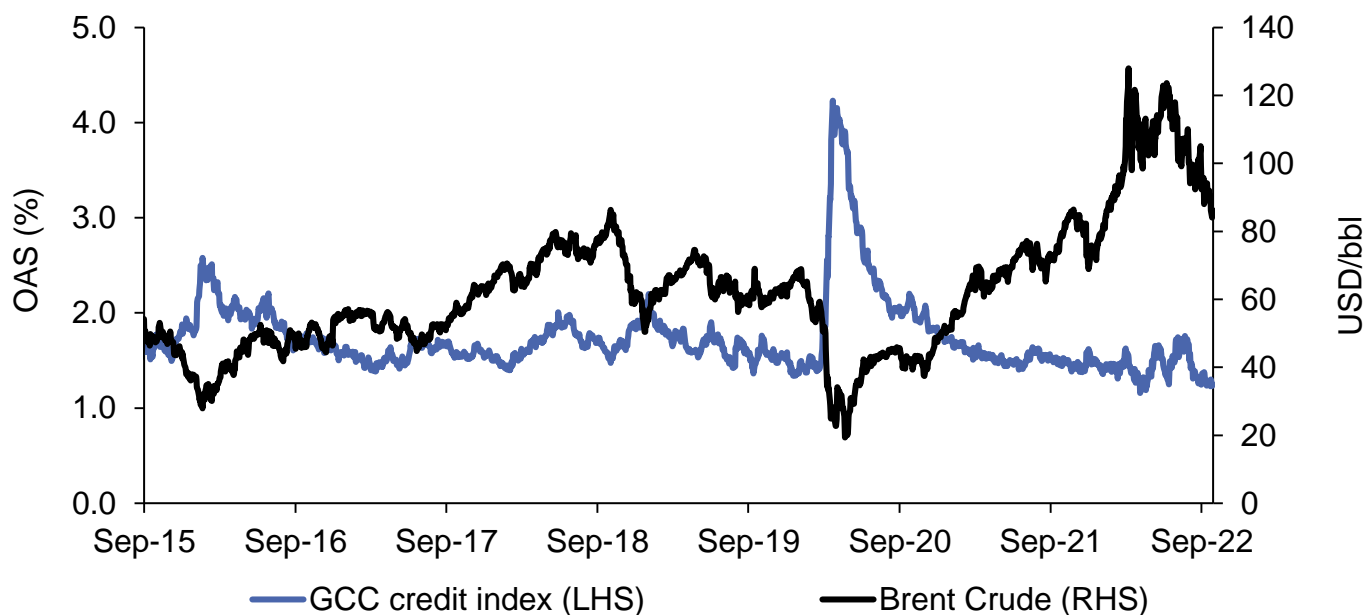
Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

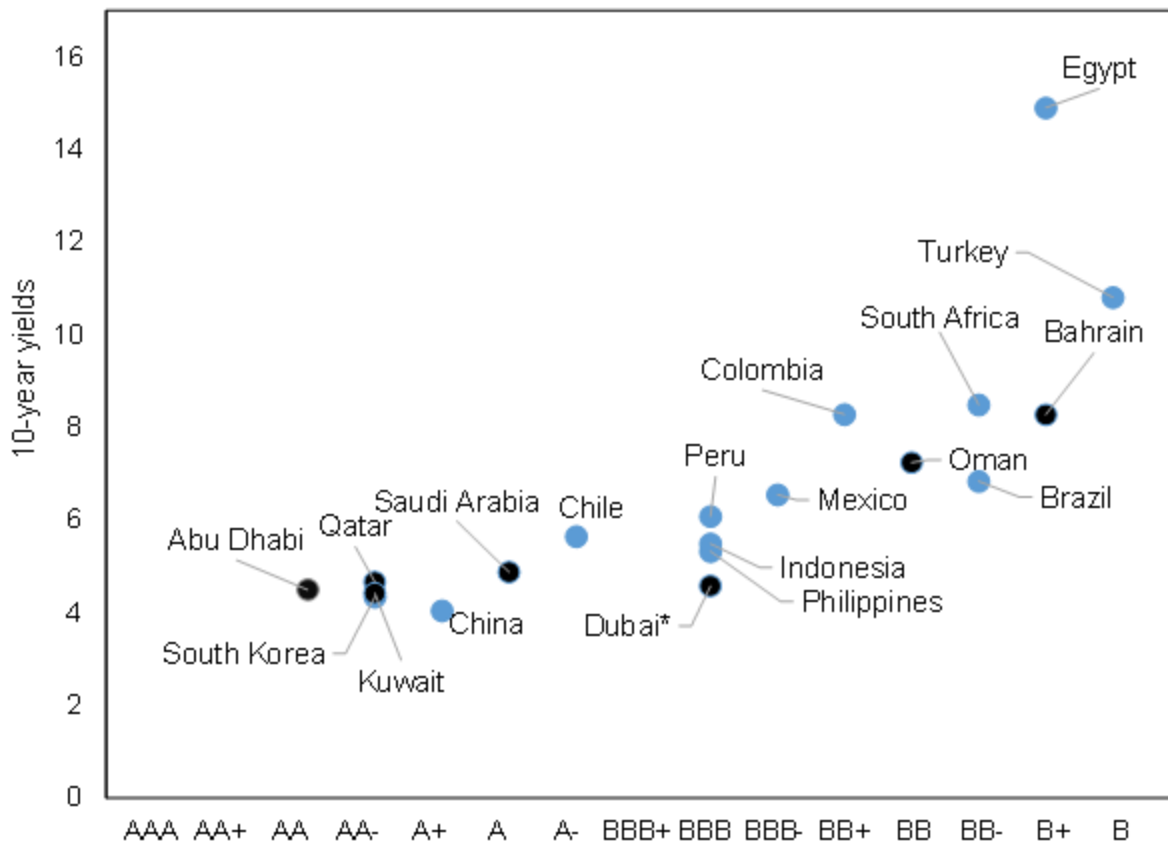
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

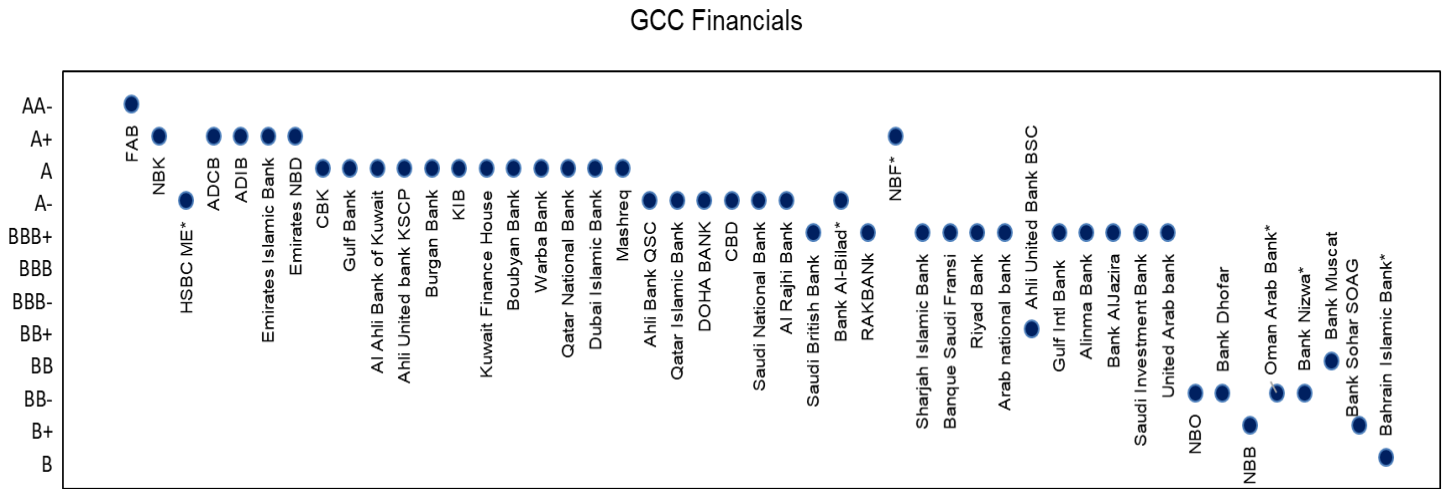
10yr yield versus Credit ratings (EM vs GCC)

GCC sovereigns trading cheap versus peers



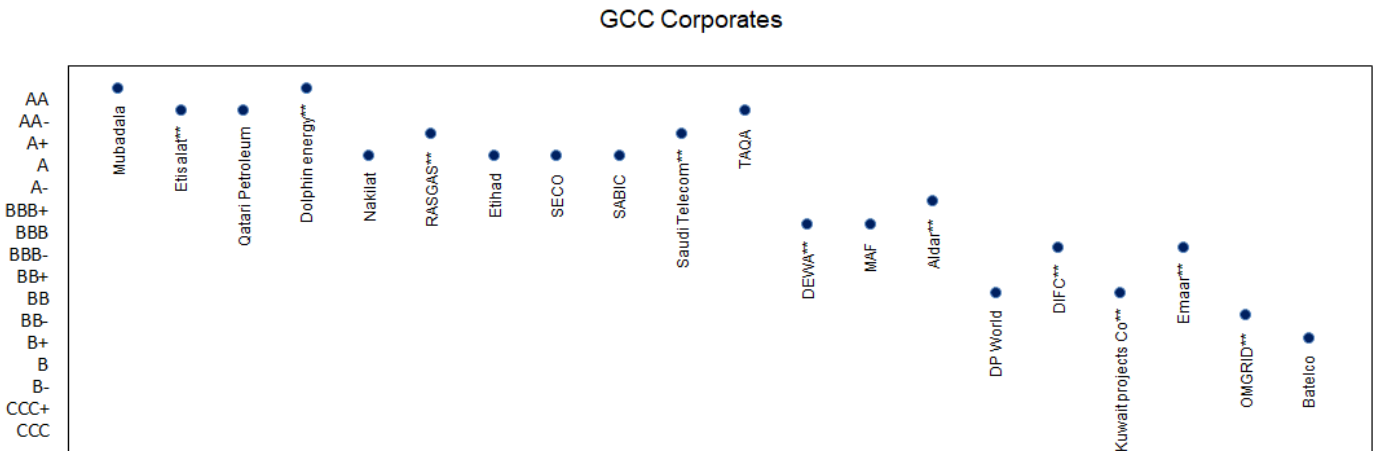
Source: Bloomberg, ADCB Asset Management, *Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

GCC Financials Credit Rating



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



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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