

GCC Fixed Income Chart Book

1H'2021 Review

5th July 2021

Rakesh Sahu / Chavan Bhogaita

Welcome to our periodic chart book for the GCC fixed income market. The idea is very simple – to give those of you who follow this market a quick snapshot of some of the key points in terms of the following:

- Overview of the GCC fixed income market
- GCC fixed income market performance year-to-date in 2021
- Primary Market issuance during the first half of 2021
- Relative value analysis
- Secondary Market performance of key instruments (snapshot from 1st January 2021 to 2nd July 2021)

We have deliberately made the report text-light in an attempt to make it easier to digest. Hopefully you will find it both interesting and useful.

If you have any feedback on the report, or indeed would like to discuss any of the points highlighted, please do contact us.

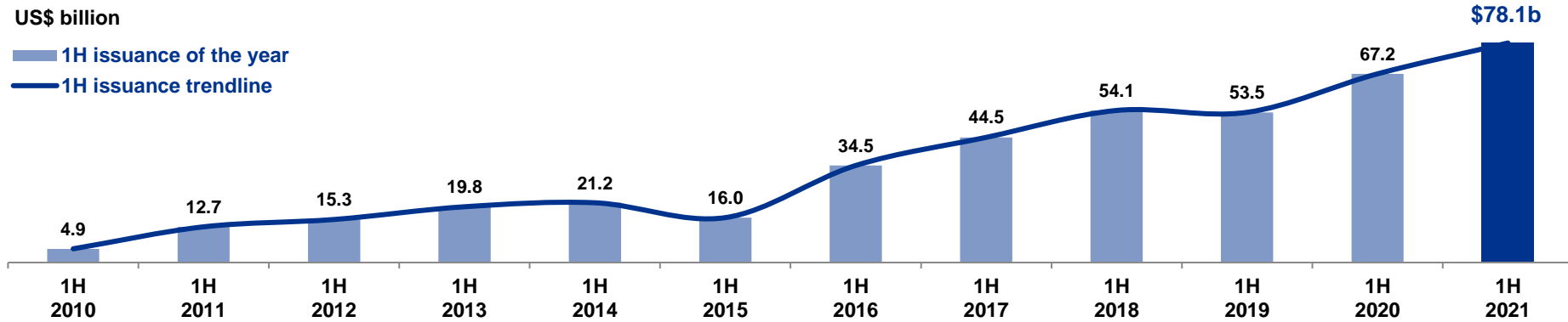
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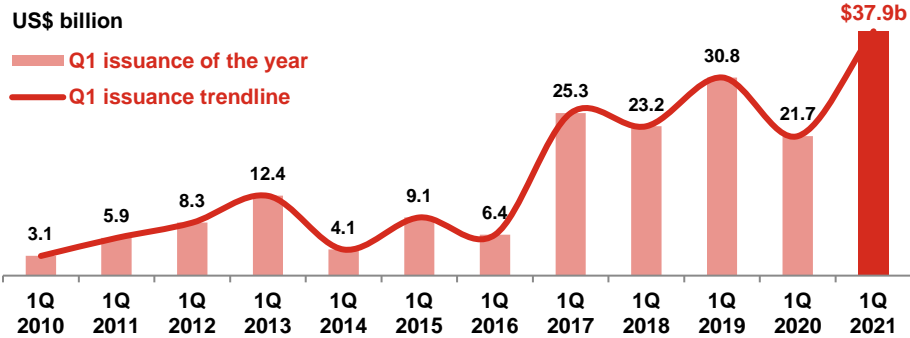
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A record first half (2021) for GCC primary bond market

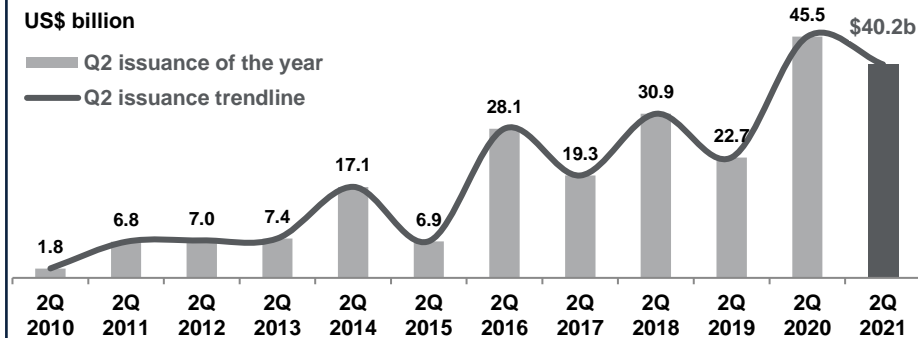
GCC primary bond issuance – historical trend for the first half (1H) of the year (hard currency bond issuance*)



Historical trend for the first quarter of the year



Historical trend for the second quarter of the year



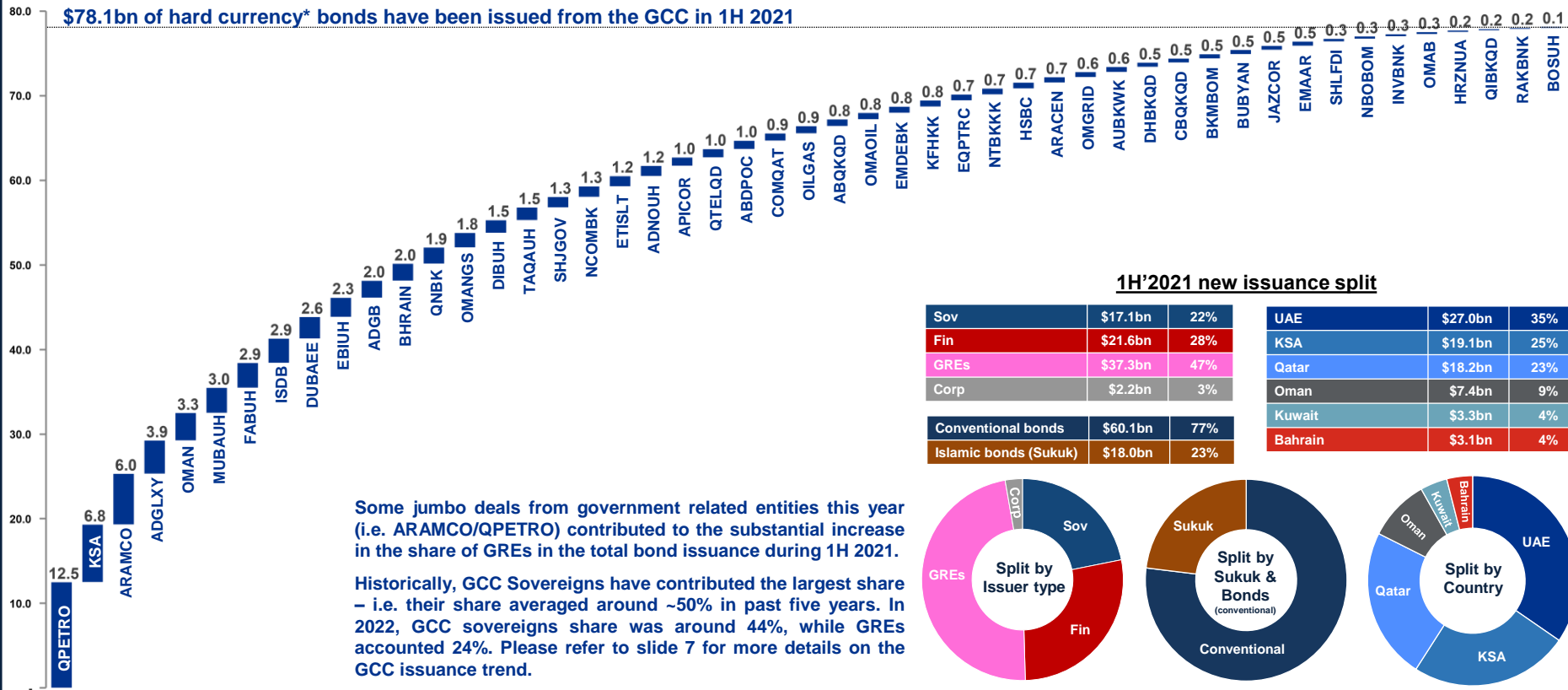
Note: * Hard currency (US\$, €, £, AU\$, JPY, CA\$, CHF) bonds and sukuk issuances from the six nations in the GCC. This includes both fixed and floating rate issuances of \$100m or above and maturity of 1-year or above. The figures are indicative figures only as the analysis is limited by the availability of information from a third-party database; Source: Bloomberg / Reuters / FAB

1H 2021 bond issuers from GCC

50% came from GREs/Corporates | 28% from Financials | 22% from Sovereigns

Hard currency bond issuers from the GCC in 1H 2021

\$78.1bn of hard currency* bonds have been issued from the GCC in 1H 2021

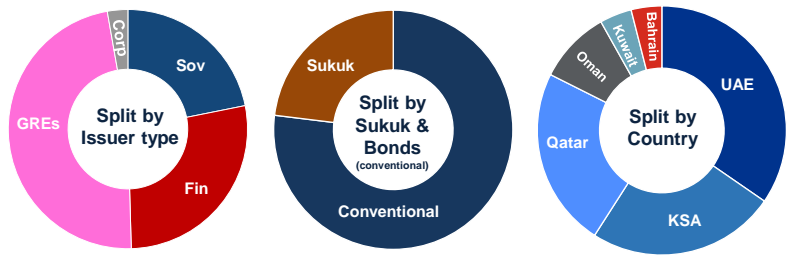


1H'2021 new issuance split

| | | | | | |
|-----------------------|----------|-----|---------|----------|-----|
| Sov | \$17.1bn | 22% | UAE | \$27.0bn | 35% |
| Fin | \$21.6bn | 28% | KSA | \$19.1bn | 25% |
| GREs | \$37.3bn | 47% | Qatar | \$18.2bn | 23% |
| Corp | \$2.2bn | 3% | Oman | \$7.4bn | 9% |
| Conventional bonds | \$60.1bn | 77% | Kuwait | \$3.3bn | 4% |
| Islamic bonds (Sukuk) | \$18.0bn | 23% | Bahrain | \$3.1bn | 4% |

Some jumbo deals from government related entities this year (i.e. ARAMCO/QPETRO) contributed to the substantial increase in the share of GREs in the total bond issuance during 1H 2021.

Historically, GCC Sovereigns have contributed the largest share – i.e. their share averaged around ~50% in past five years. In 2022, GCC sovereigns share was around 44%, while GREs accounted 24%. Please refer to slide 7 for more details on the GCC issuance trend.



Note: * Hard currency (US\$, €, £, AU\$, JP¥, CA\$, CHF) bonds and sukuk issuances from the six nations in the GCC. This includes both fixed and floating rate issuances of \$100m or above and maturity of 1-year or above.; Source: Bloomberg / Reuters / FAB

Robust demand seen for GCC bonds across asset class during 1H 2021

Investment Grade
Bonds/Sukuk
Avg. order book

~4.0x

High Yield
Bonds/Sukuk
Avg. order book

~5.1x

Conventional
Bonds
Avg. order book

~3.6x

Islamic Bonds
(Sukuk)
Avg. order book

~5.8x

Sovereign
Bonds/Sukuk
Avg. order book

~4.4x

Corporate
Bonds/Sukuk
Avg. order book

~4.7x

Financial
Bonds/Sukuk
Avg. order book

~2.7x

Financial Perp
Bonds/Sukuk
Avg. order book

~3.3x

Sovereign Deals*

Oman \$3.25b Jan deal
- \$1.75b 10Y bond
- \$1b 30Y bond
- \$500m 2025 bond tap
~\$15b Order book 4.6x

Bahrain \$2.0b Jan deal
- \$500m 7Y bond
- \$1b 12Y bond
- \$500m 30Y bond
~\$10.15b Order book 5.1x

KSA \$5.0b Jan deal
- \$2.75b 12Y bond
- \$2.25b 40Y bond
~\$22b Order book 4.4x

KSA €1.5b Feb deal
- €1b 3Y bond
- €500m 9Y bond
~€5b Order book 3.3x

Abu Dhabi \$2.0b
7Y Bond
in May
~\$6.9b Order book 3.5x

Oman \$1.75b
9Y Sukuk
in Jun
~\$11.5b Order book 6.6x

Corporate Deals*

OMGRID \$600m
10Y bond in Jan
~\$4.5bn Order book 7.5x

OILGAS \$600m
8Y Sukuk in Mar
~\$2.9bn Order book 4.8x

EQPTRC \$700m
7Y bond in Apr
~\$3.6b Order book 5.1x

ABDPOC \$1b
10Y bond in Apr
~\$4.5b Order book 4.5x

OMAOIL \$750m
7Y Bond in Apr
~\$4.5b Order book 6.0x

TAQAUH \$1.5b Apr deal
- \$750m 7Y bond
- \$750m 30Y bond
~\$6.1b Order book 4.1x

MUBAUH \$1.5b May deal
- \$500m 10Y bond
- \$1b 30Y bond
~\$6.2b Order book 4.1x

ETISLT €1b May deal
- €500m 7Y bond
- €500m 12Y bond
~€6.8b Order book 6.8x

ARAMCO \$6b Jun deal;
- \$1b 3Y Sukuk
- \$2b 5Y Sukuk
- \$2b 10Y Sukuk
~\$60b Order book 10x

EMAAR \$500m
10Y Sukuk in Jun
~\$3.3b Order book 6.6x

Financial Deals*

EBIUH \$750m
5Y bond in Jan
~\$2.2b Order book 2.9x

FABUH \$500m
5Y Sukuk in Jan
~\$1.5b Order book 3.0x

NCOMBK \$1.25b
Perp Sukuk in Jan
~\$5.3b Order book 4.2x

NTBKKK \$700m
Perp bond in Feb
~\$1.85b Order book 2.6x

BKBOMB \$500m
5Y bond in Mar
~\$1.9b Order book 3.8x

DIBUH \$500m
Perp Sukuk in Apr
~\$2.7b Order book 5.4x

EBIUH \$750m
Perp bond in May
~\$1.7b Order book 2.3x

OMAB \$250m
Perp bond in May
~\$1.0b Order book 4.0x

EMDEBK \$750m
5Y Bond in Jun
~\$3.2b Order book 4.3x

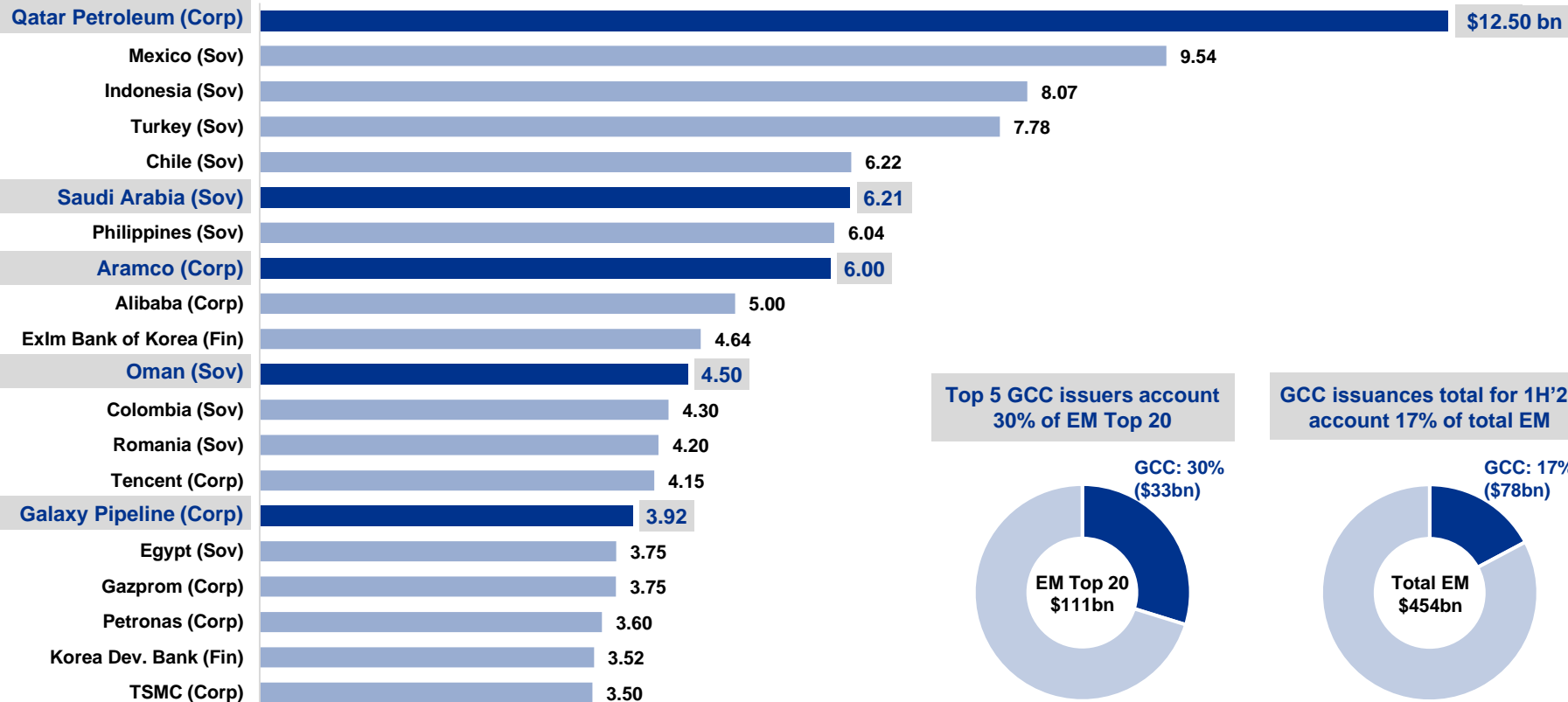
DIBUH \$1b
5Y Sukuk in Jun
~\$2.8b Order book 2.8x

Note: * Deals shown above are some select public deals in hard currency from the six nations in the GCC; Deal orderbook data sourced from various media reports; Avg. order book shown for each category is estimated figure based on select deals for which data was available from various sources; Source: Bloomberg / Reuters / Global Capital / FAB

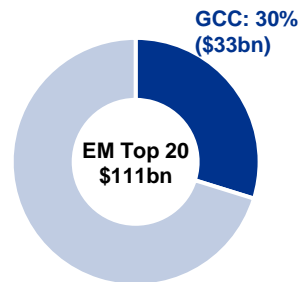
Top 20 Eurobond issuers from the Emerging Markets in 1H 2021

5 are from GCC – together they account 30% of the combined issuance from EM top 20

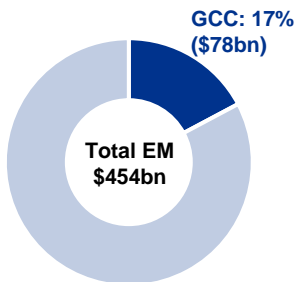
Top 20 EM Eurobond issuers in 1H 2021: GCC entities continue to establish their demand / attractiveness in the EM primary bond market



Top 5 GCC issuers account 30% of EM Top 20



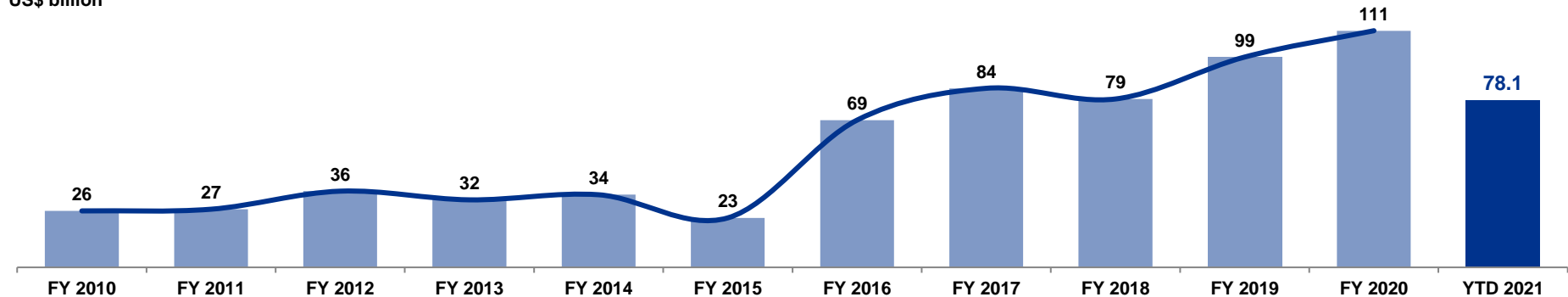
GCC issuances total for 1H'21 account 17% of total EM



GCC primary issuance – historical trend by issuer type (Sov/Fin/Corp)

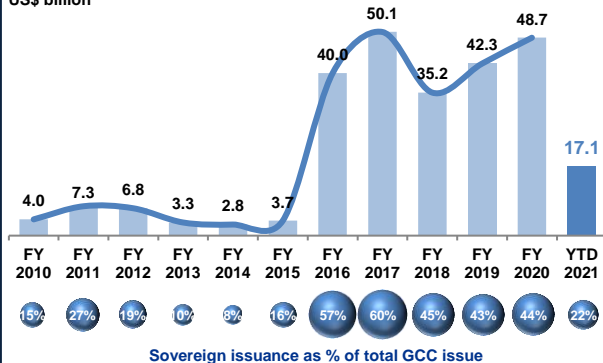
GCC hard currency bonds total issuance*

US\$ billion



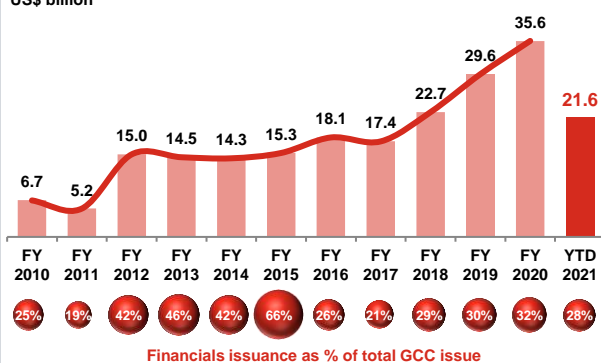
Sovereign bond issuance from the GCC

US\$ billion



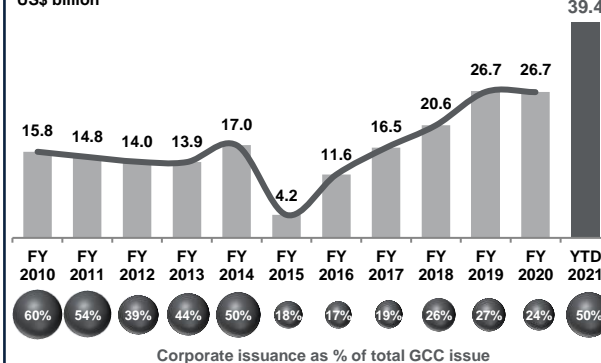
Financials bond issuance from the GCC

US\$ billion



Corporate bond issuance from the GCC

US\$ billion



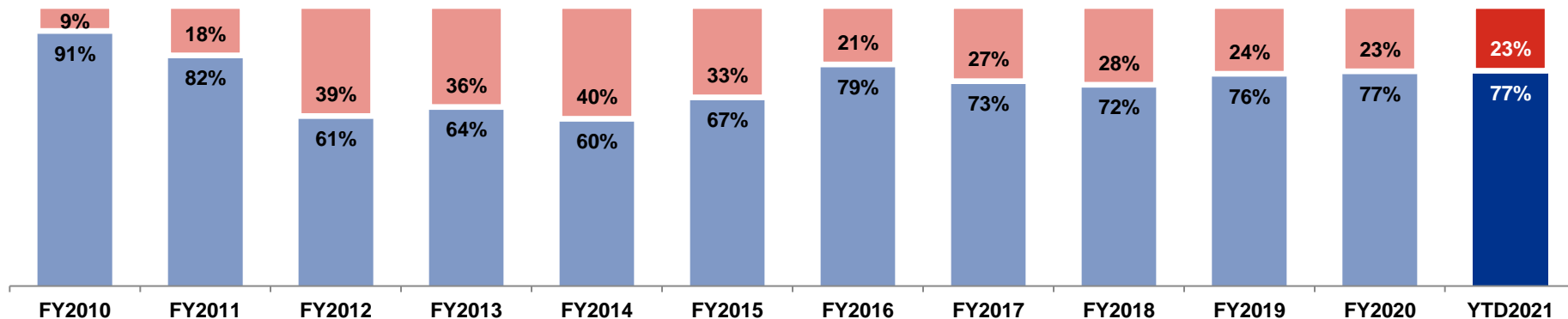
Note: * Hard currency (US\$, €, £, AU\$, JPY, CAD, CHF) bonds and sukuk issuances from the six nations in the GCC. This includes both fixed and floating rate issuances of \$100m or above and maturity of 1-year or above. The figures are indicative figures only as the analysis is limited by the availability of information from a third-party database; Source: Bloomberg / Reuters / FAB

GCC primary issuance – historical trend by Conventional/Islamic

Primary market issuance split between Conventional bonds and Islamic bonds (Sukuk)

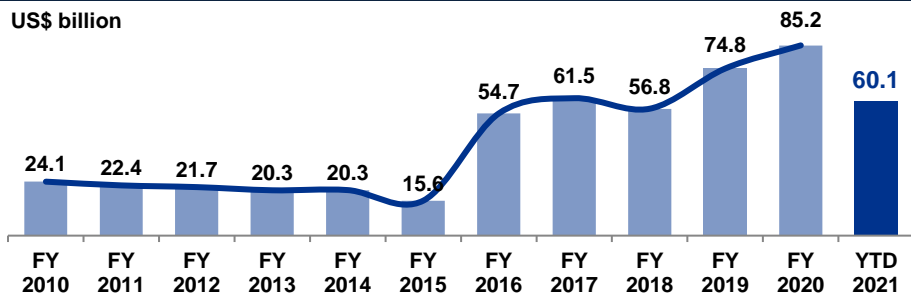
Conventional bond issuance as % of total GCC issue

Islamic bond issuance as % of total GCC issue



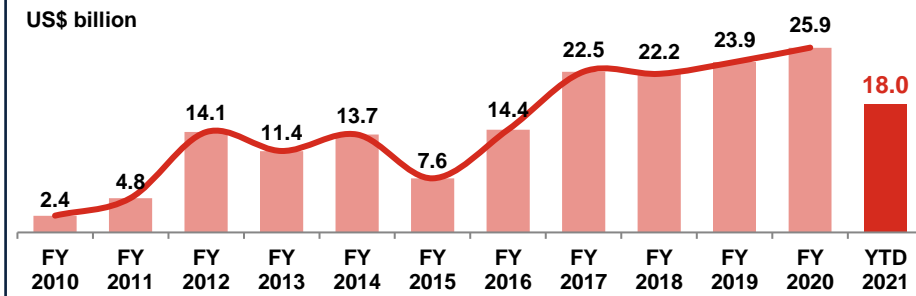
Conventional bond issuance from the GCC

US\$ billion



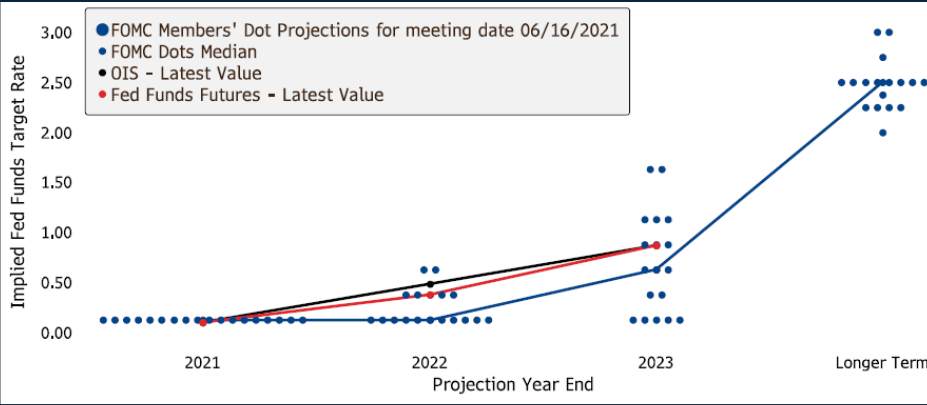
Islamic bond (Sukuk) issuance from the GCC

US\$ billion

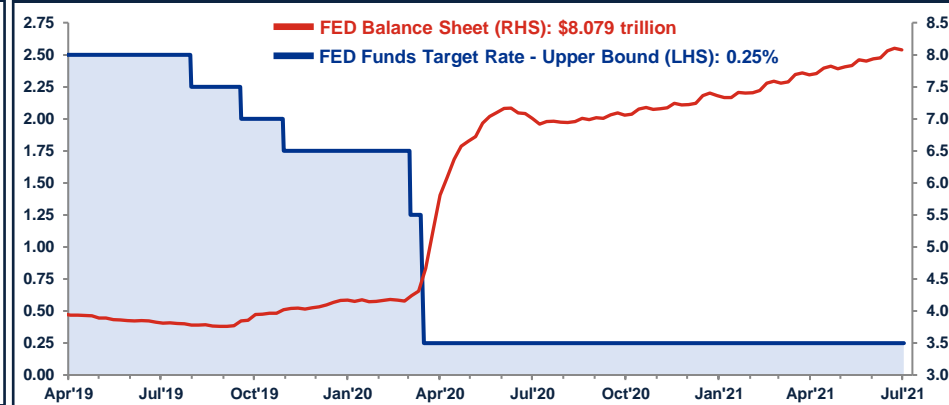


Global macro-outlook: From recession of 2020, the global economy has now set a course toward recovery with support from central bank & government stimulus

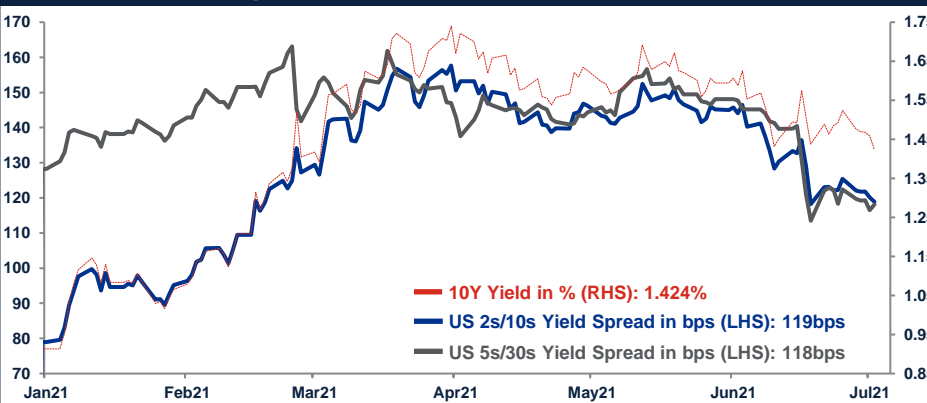
Rates set to be kept 'low for longer'



Taper will come, but not yet



Rates market dialing back reflation/inflation concerns post FOMC hawkish tilt

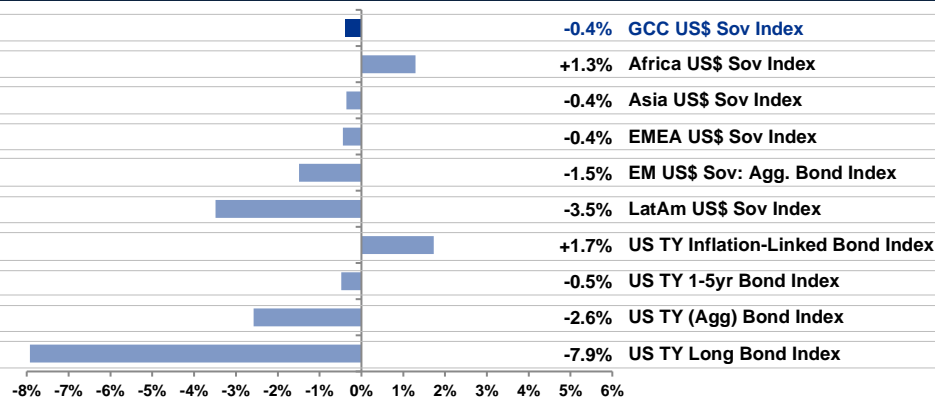


Commodities complex trades in line with reflation expectations

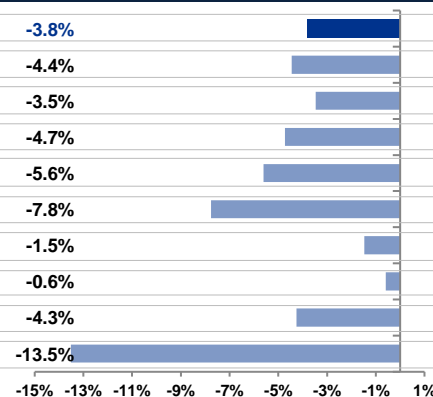


EM/GCC credit returns remain a subjugation between US Fed's rates outlook and the bear-steepening bias in the US Treasury yield curve on reflation optimism

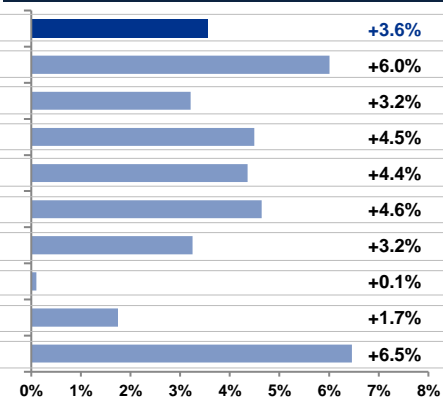
Emerging Markets Sovereigns & US Treasury bond indices: 1H 2021 Total Return



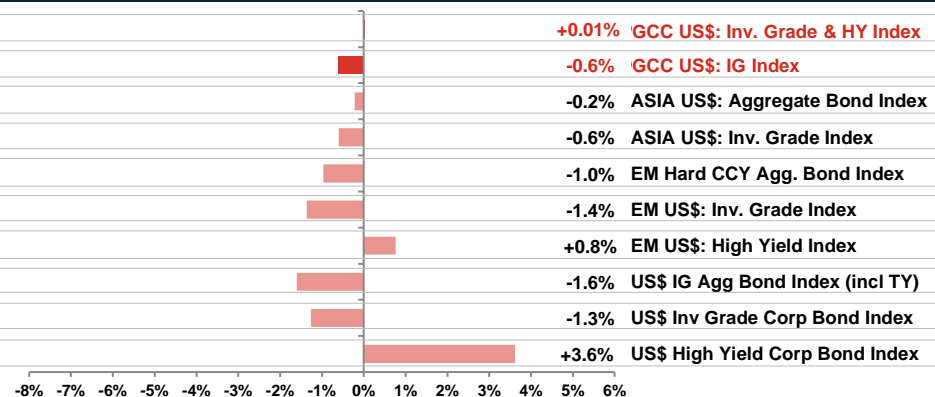
1Q 2021 Total Return



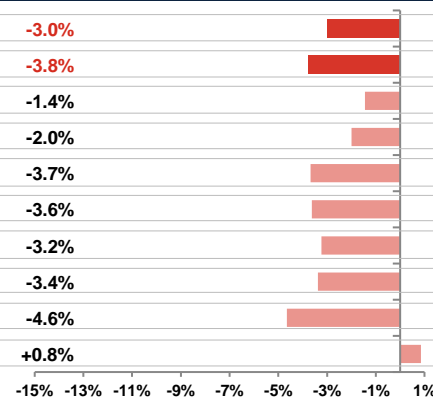
2Q 2021 Total Return



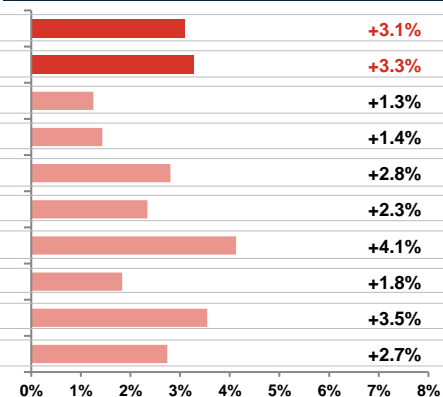
Emerging Markets & US bond indices: 1H 2021 Total Return



1Q 2021 Total Return

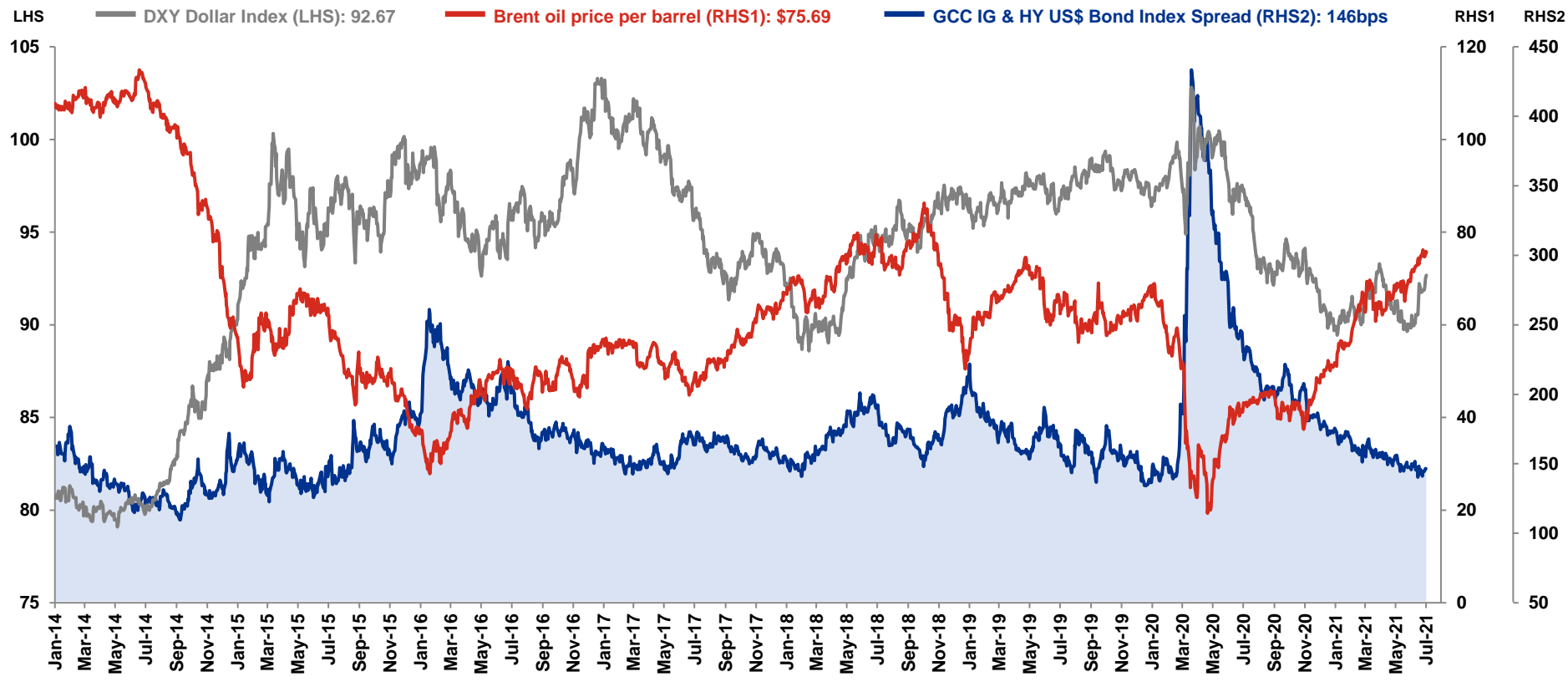


2Q 2021 Total Return



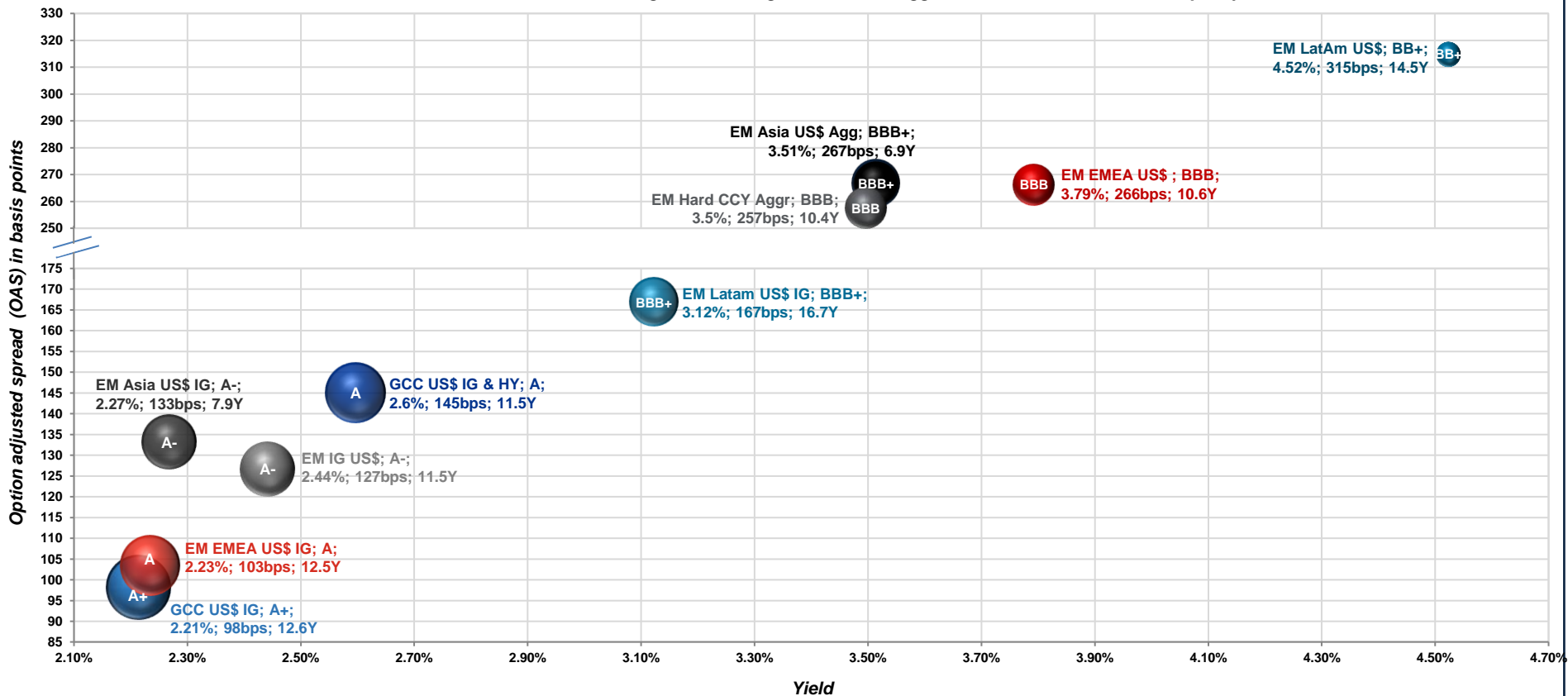
Direction of Oil price and Dollar bodes well for the outlook of GCC credits

Sustained higher Oil price and weaker Dollar could provide GCC credits the necessary fundamental support to keep them attractive on a relative risk-reward basis



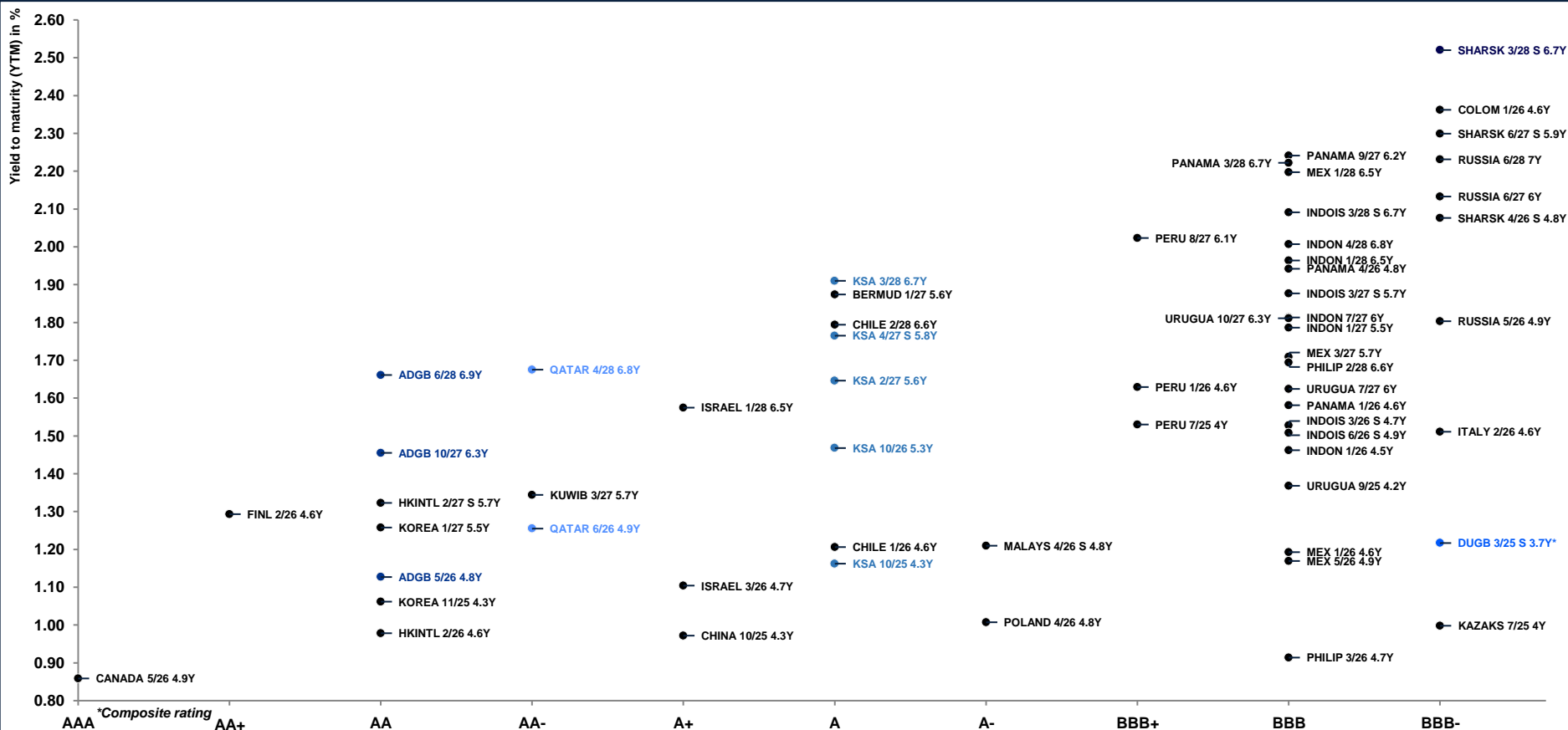
EM vs GCC – index relative value

Bubble size indicates the average credit rating of the index. Bigger the bubble better the credit quality



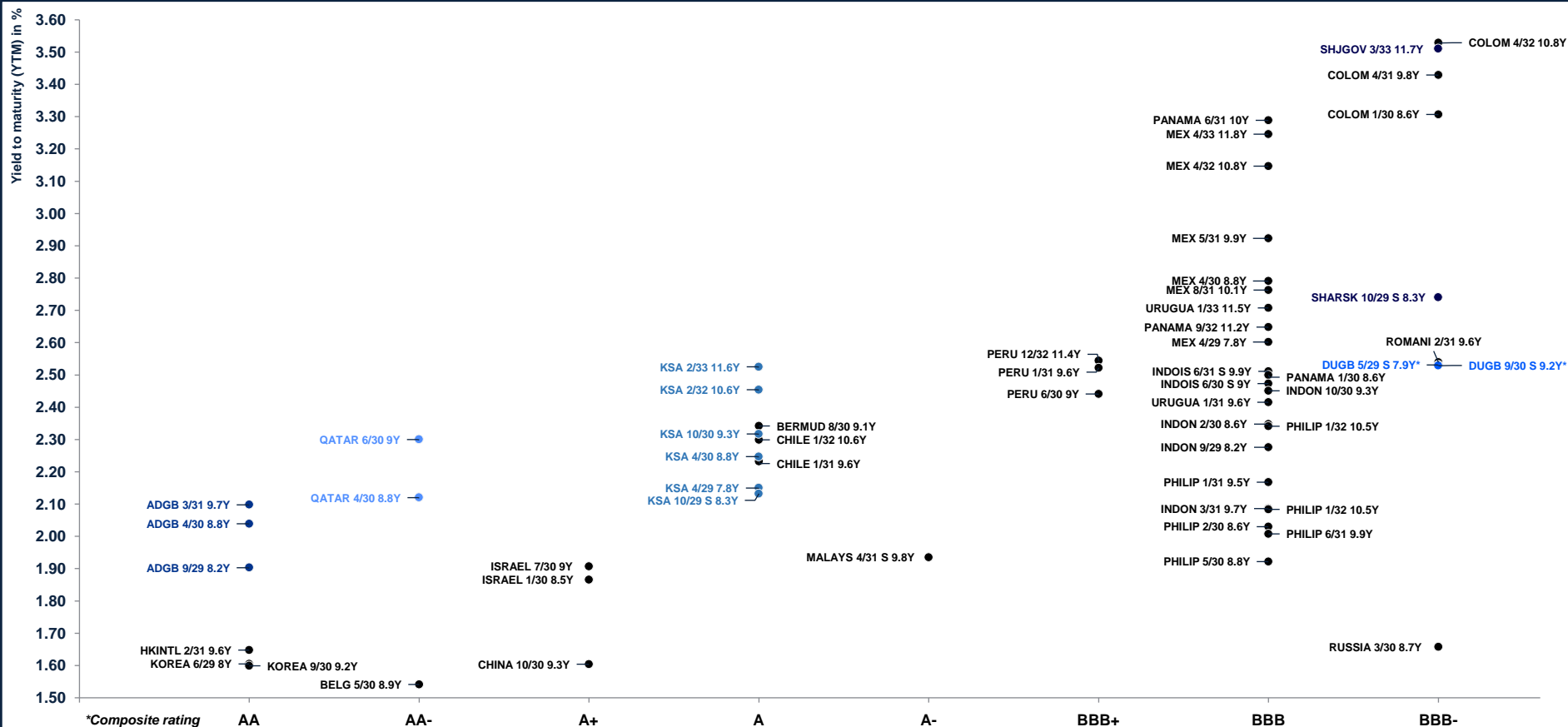
Note: Please refer appendix for the index details; pricing as on 2-July-2021; Source: Bloomberg; FAB

GCC inv. grade sovereign bonds vs EM peers: ~ 5-year maturity



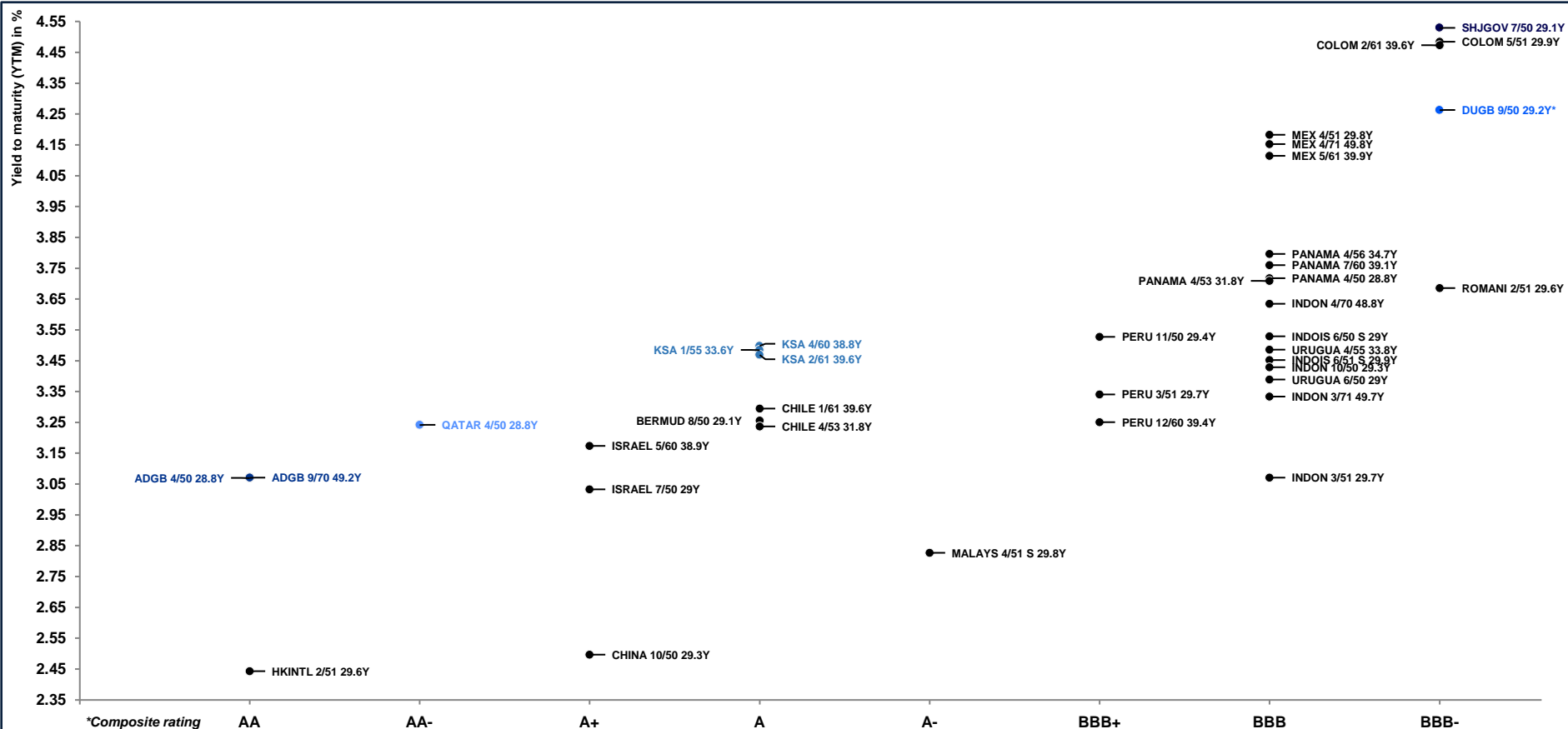
* Notes: Yields as on 2-July-2021; Composite rating - please refer Appendix for definition and calculation method; *Dubai is not rated by any rating agency and we have assigned a proxy rating of 'BBB-' based on its fundamentals with a relative comparison to Emirate of Sharjah (Baa3/BBB-) and Dubai GREs like DEWA (Baa2); and DP World (Baa3/BBB-); Source: Bloomberg/FAB

GCC inv. grade sovereign bonds vs EM peers: ~ 10-year maturity



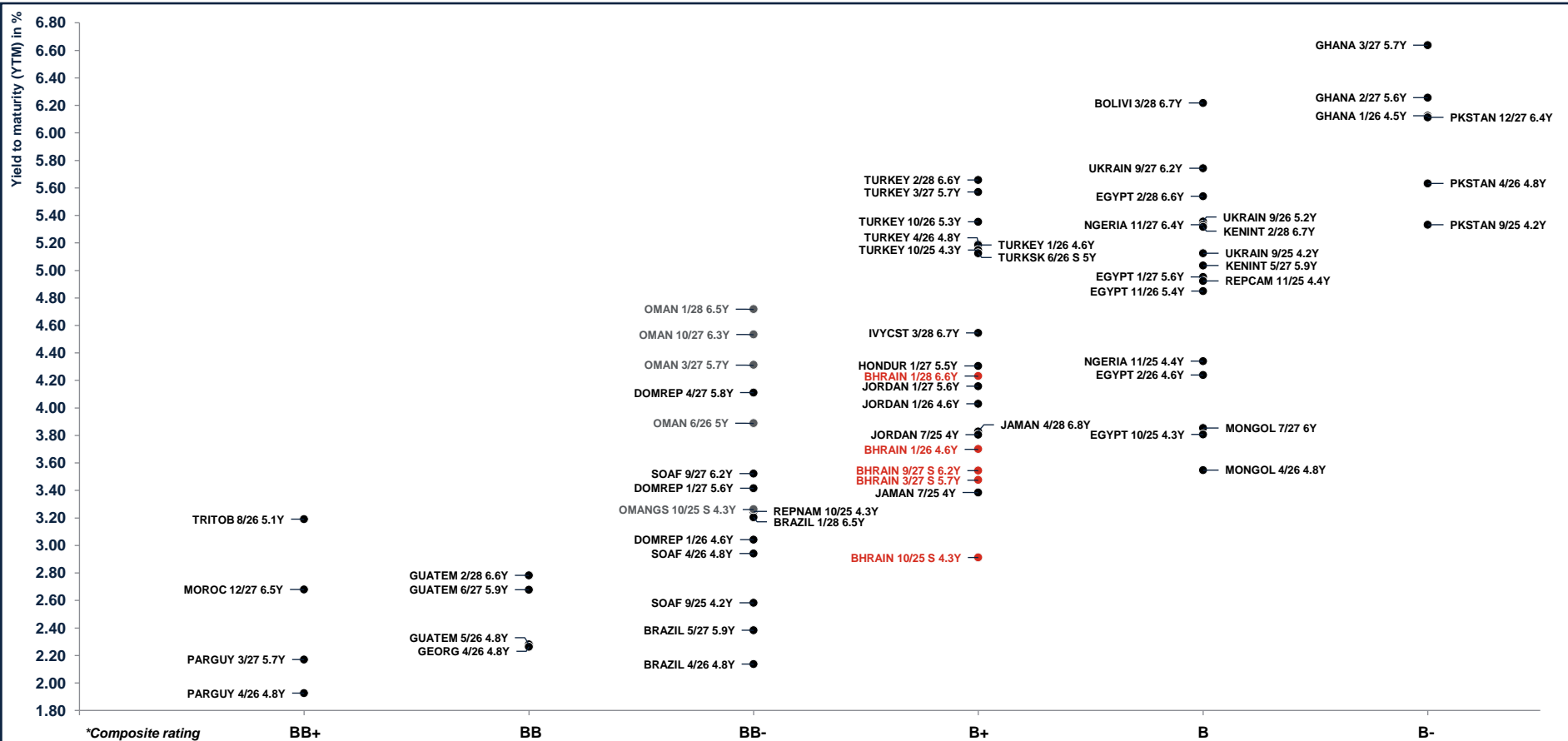
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GCC inv. grade sovereign bonds vs EM peers: ~ 30-year maturity



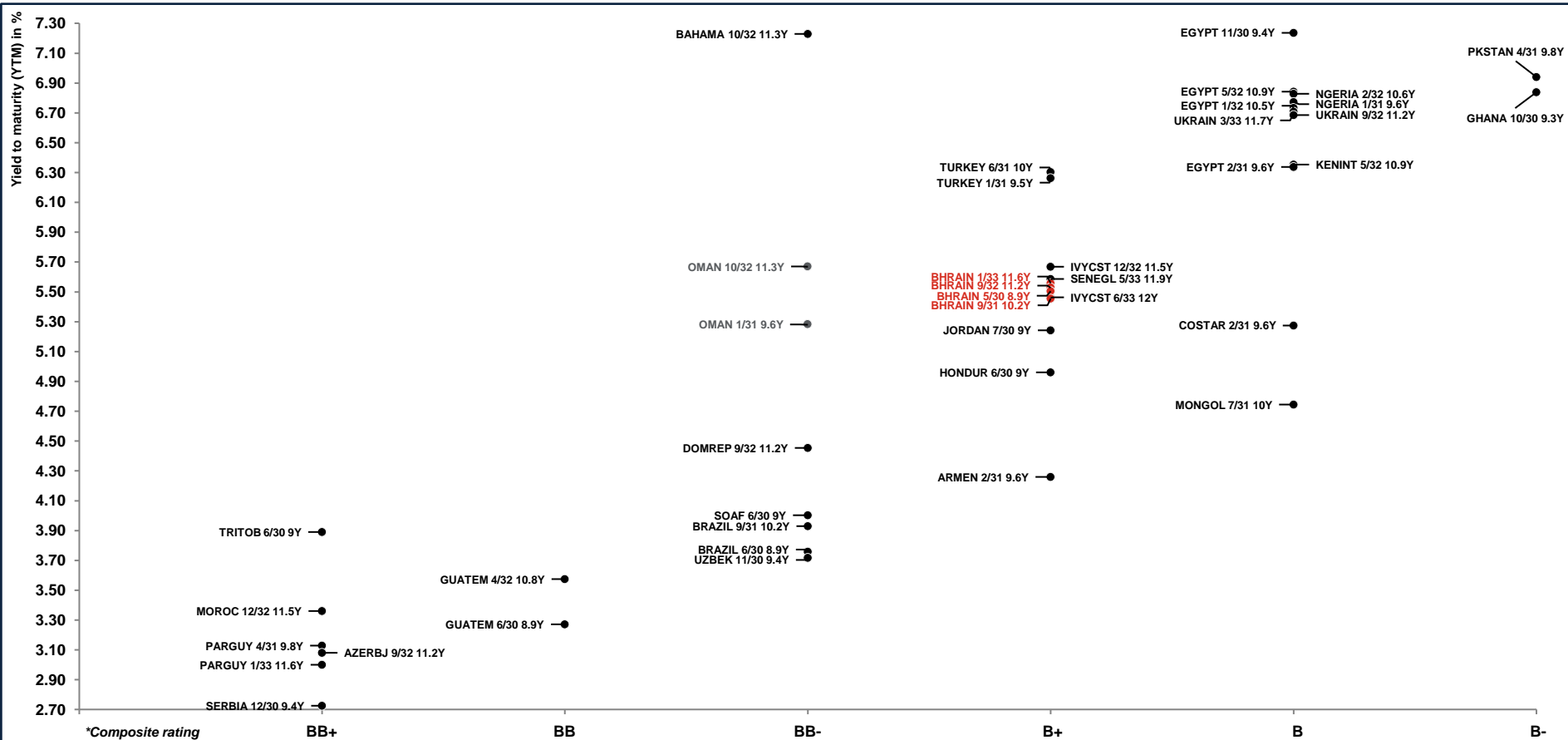
* Notes: Yields as on 2-July-2021; Composite rating - please refer Appendix for definition and calculation method; *Dubai is not rated by any rating agency and we have assigned a proxy rating of 'BBB-' based on its fundamentals with a relative comparison to Emirate of Sharjah (Baa3/BBB-) and Dubai GREs like DEWA (Baa2); and DP World (Baa3/BBB-); Source: Bloomberg/FAB

GCC sub-inv. grade sovereign bonds vs EM peers: ~ 5-year maturity



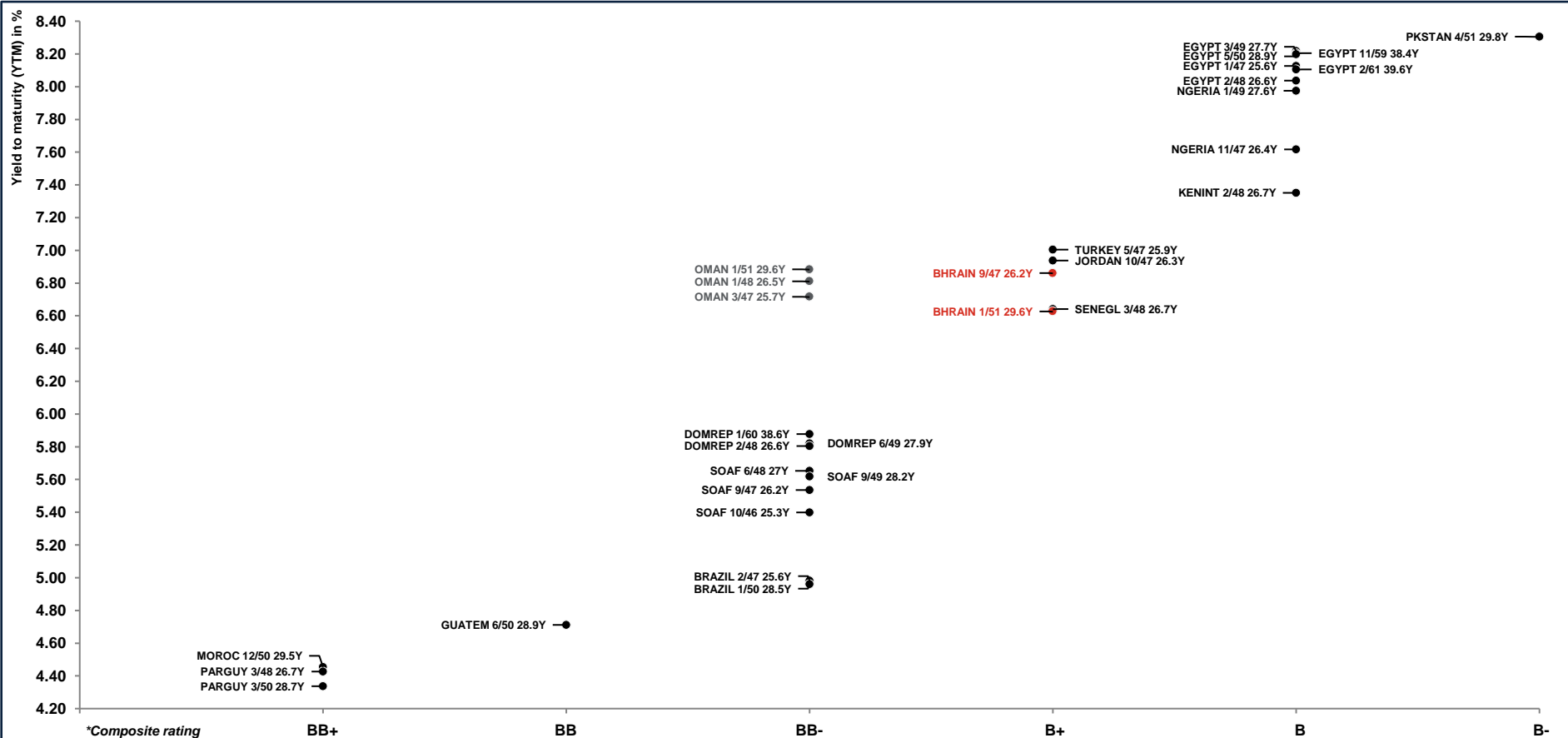
* Notes: Yields as on 2-July-2021; Composite rating - please refer Appendix for definition and calculation method; Source: Bloomberg/FAB

GCC sub-inv. grade sovereign bonds vs EM peers: ~ 10-year maturity



* Notes: Yields as on 2-July-2021; Composite rating - please refer Appendix for definition and calculation method; Source: Bloomberg/FAB

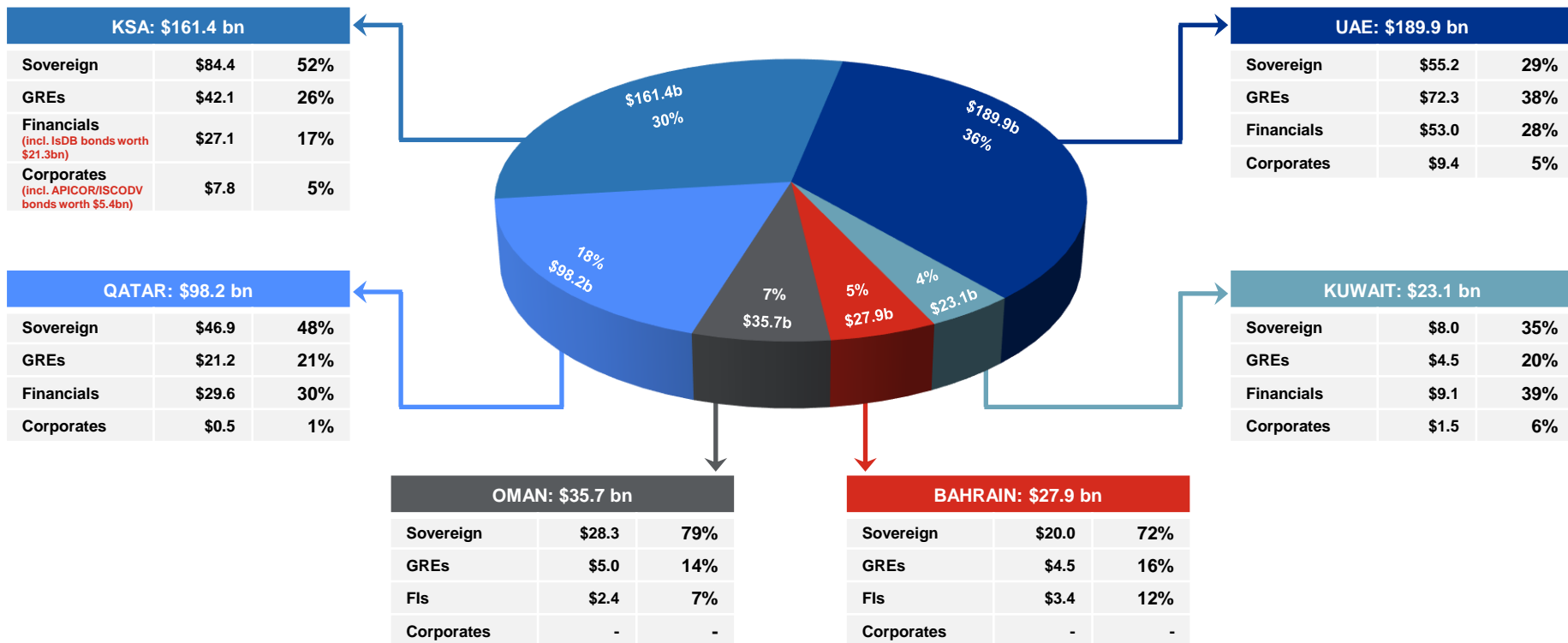
GCC sub-inv. grade sovereign bonds vs EM peers: ~ 30-year maturity



* Notes: Yields as on 2-July-2021; Composite rating - please refer Appendix for definition and calculation method; Source: Bloomberg/FAB

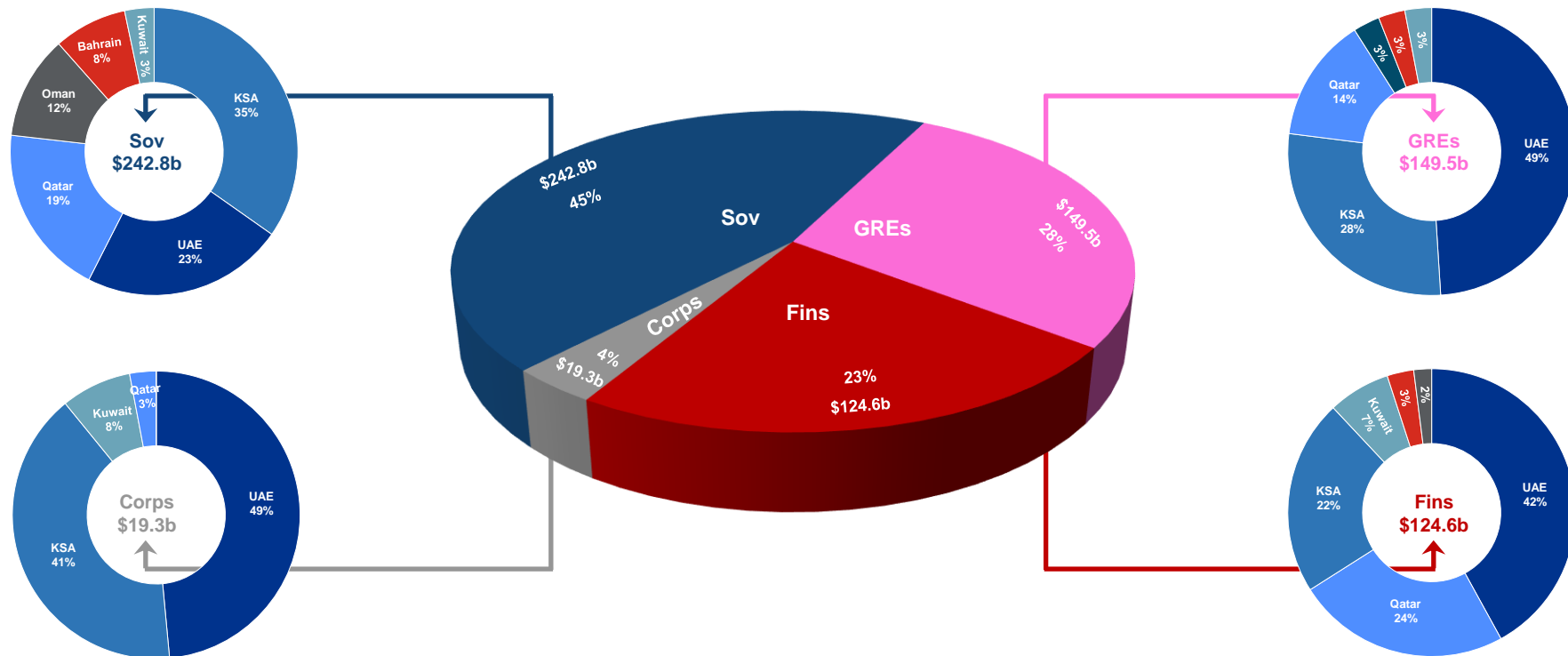
GCC fixed income – Market composition by Country

Total US\$ value of hard currency bonds and sukuk outstanding: \$536bn*



GCC fixed income – Market composition by Issuer type

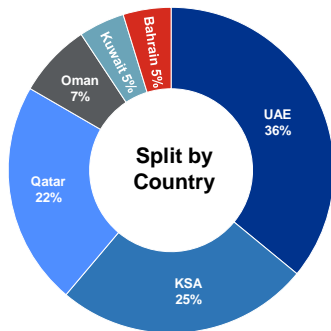
Total US\$ value of hard currency bonds and sukuk outstanding: \$536bn*



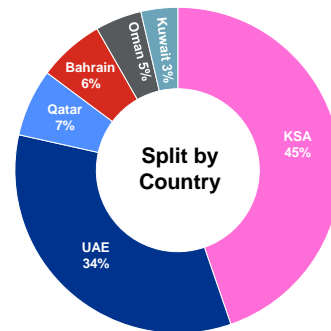
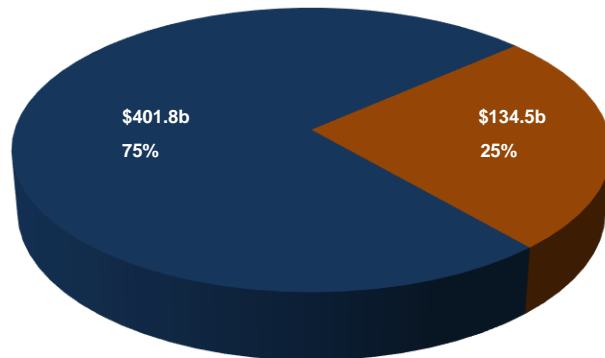
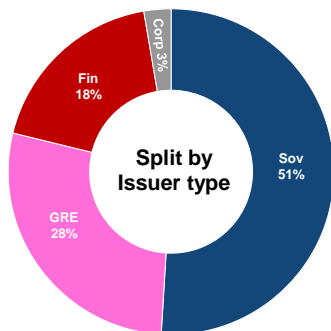
Notes: *For the above analysis we have considered major hard currency (US\$, €, £, AU\$, JP¥, CA\$, CHF) bonds and sukuk issuances from the GCC – both fixed and floating rate bonds of \$100m or above and maturity of 1-year or above. Bond value are aggregate outstanding \$ value as at 2-July-2021; The figures are indicative figures only as the analysis is limited by the availability of information from a third-party database; GRE stands for Government Related Entities; Source: Bloomberg/FAB 20

GCC fixed income – Market composition by Conventional/Islamic

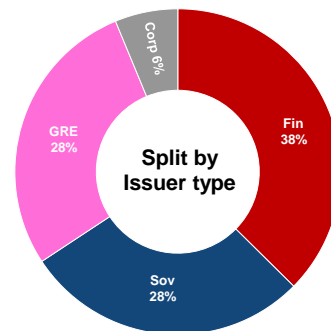
Total US\$ value of hard currency bonds and sukuk outstanding: \$536bn*



Conventional Bonds



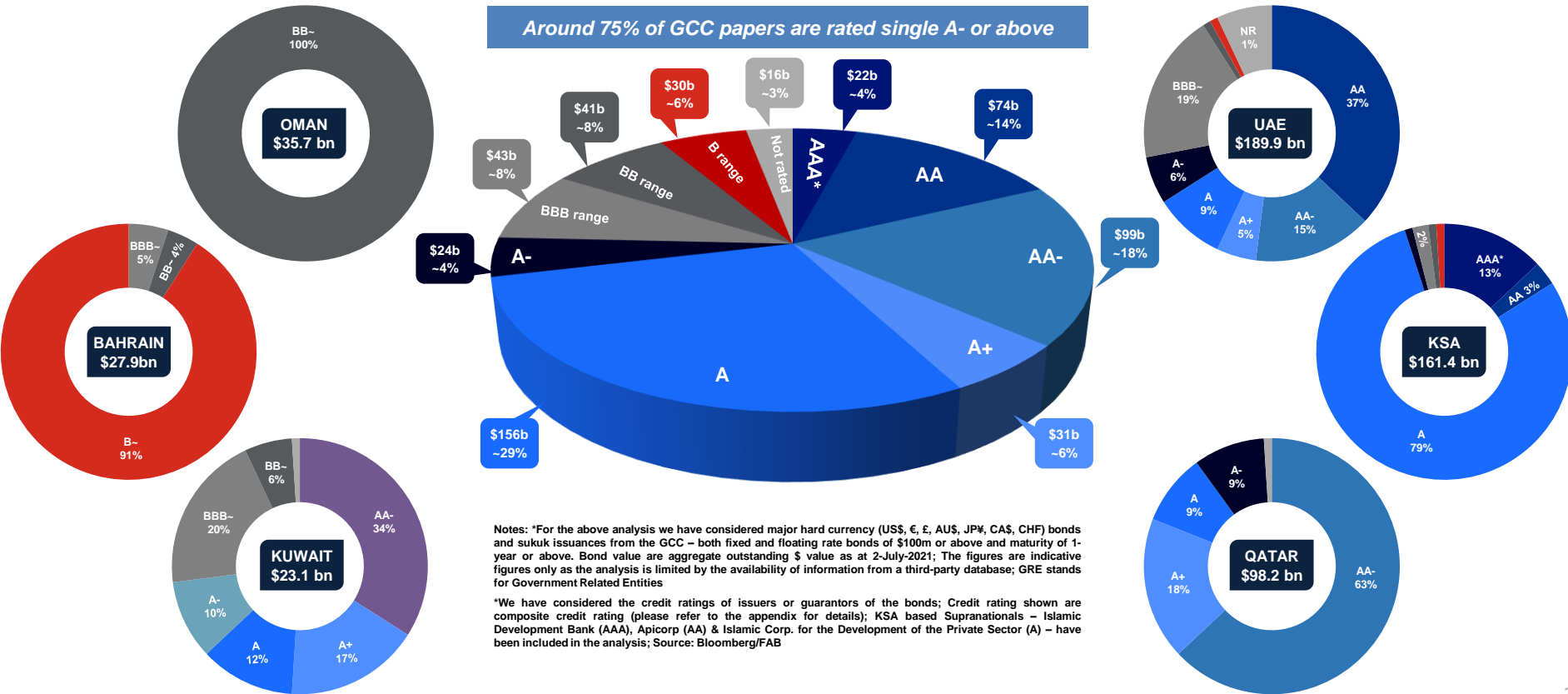
Islamic Bonds (Sukuk)



GCC fixed income – Market overview of Credit Quality*

Total US\$ value of hard currency bonds and sukuk outstanding: \$536bn*

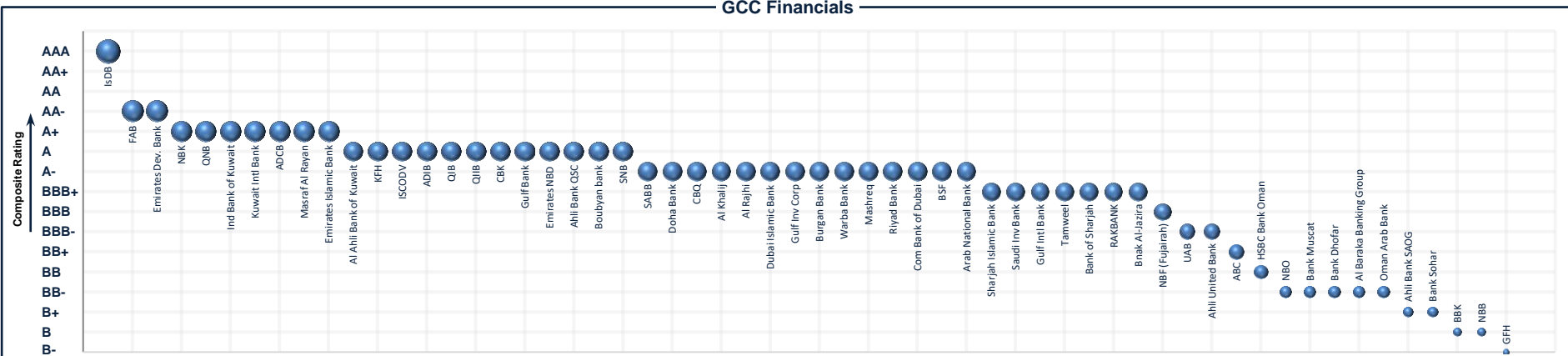
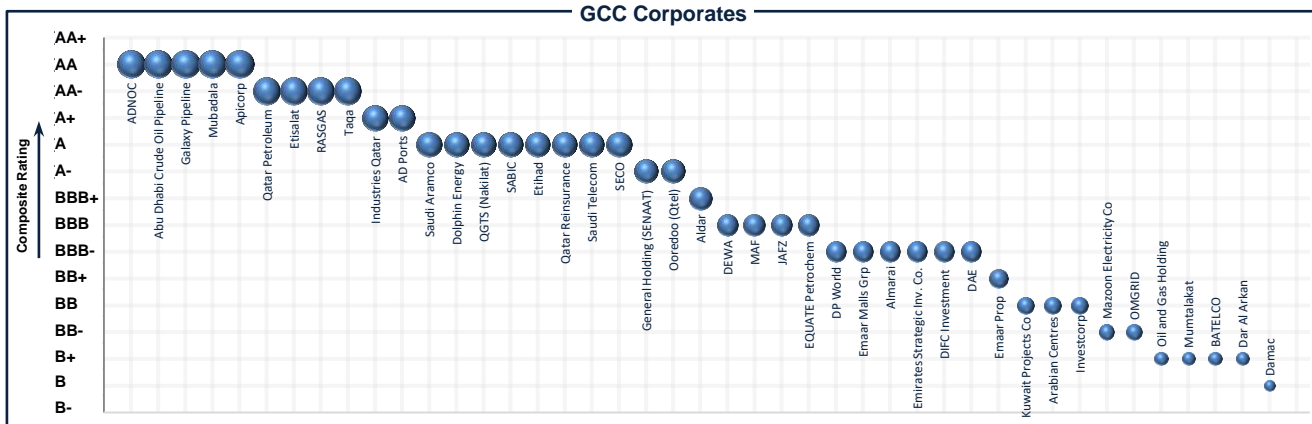
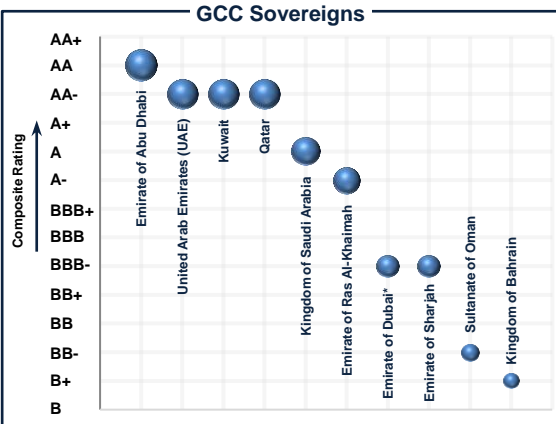
Around 75% of GCC papers are rated single A- or above



Notes: *For the above analysis we have considered major hard currency (US\$, €, £, AU\$, JP¥, CA\$, CHF) bonds and sukuk issuances from the GCC – both fixed and floating rate bonds of \$100m or above and maturity of 1-year or above. Bond value are aggregate outstanding \$ value as at 2-July-2021; The figures are indicative figures only as the analysis is limited by the availability of information from a third-party database; GRE stands for Government Related Entities

*We have considered the credit ratings of issuers or guarantors of the bonds; Credit rating shown are composite credit rating (please refer to the appendix for details); KSA based Supranationals – Islamic Development Bank (AAA), Apicorp (AA) & Islamic Corp. for the Development of the Private Sector (A) – have been included in the analysis; Source: Bloomberg/FAB

GCC credit quality at a glance



Notes: The ratings mentioned here are composite credit rating for each issuer. Please see appendix for the methodology of calculating composite credit rating; *Dubai is not rated by any rating agency and we have assigned a proxy rating of 'BBB-' based on its fundamentals with a relative comparison to Emirate of Sharjah (Baa3/BBB-) and Dubai GREs like DEWA (Baa2); and DP World (Baa3/BBB-); Source: Bloomberg/FAB

GCC bond index performance in 1H 2021

UAE Aggregate Yield

Yield change: +6bps
Total Return: +0.3%



KSA Agg. Yield

Yield change: +23bps
Total Return: -0.4%



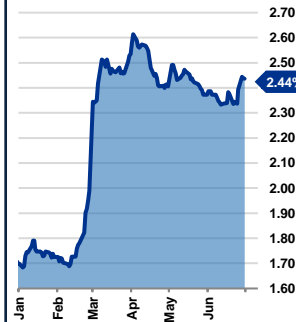
Qatar Agg. Yield

Yield change: +18bps
Total Return: -1.5%



Kuwait Agg. Yield

Yield change: +74bps
Total Return: +1.1%



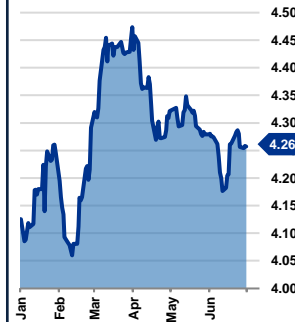
Oman Agg. Yield

Yield change: -42bps
Total Return: +4.9%



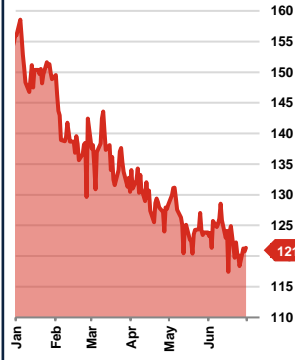
Bahrain Agg. Yield

Yield change: +13bps
Total Return: +0.7%



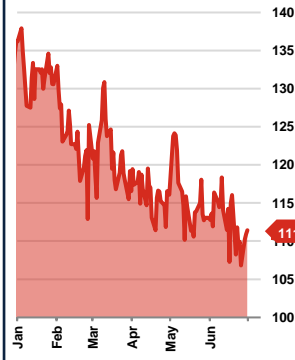
UAE Aggregate Z-spread

Z-spread change: -35bps



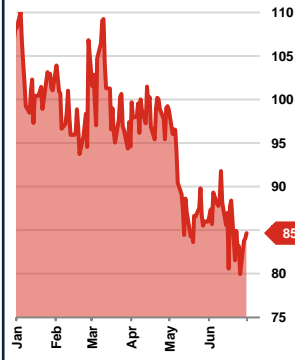
KSA Agg. Z-spread

Z-spread change: -25bps



Qatar Agg. Z-spread

Z-spread change: -24bps



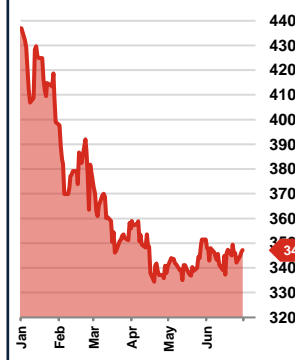
Kuwait Agg. Z-spread

Z-spread change: +10bps



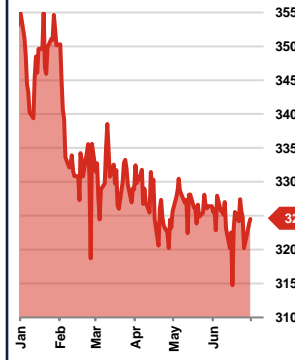
Oman Agg. Z-spread

Z-spread change: -90bps

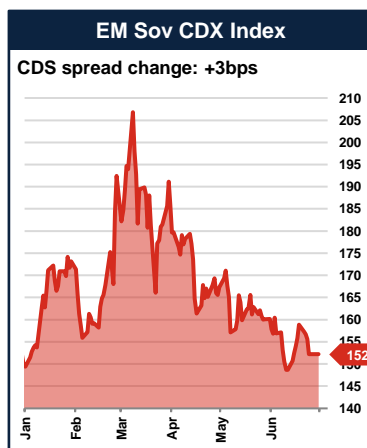
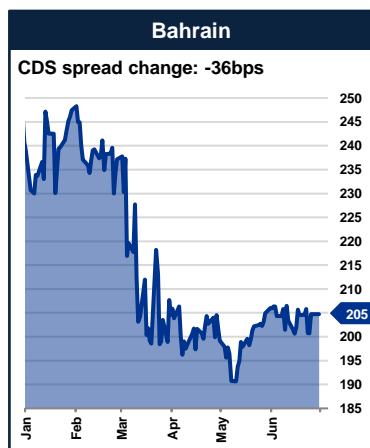
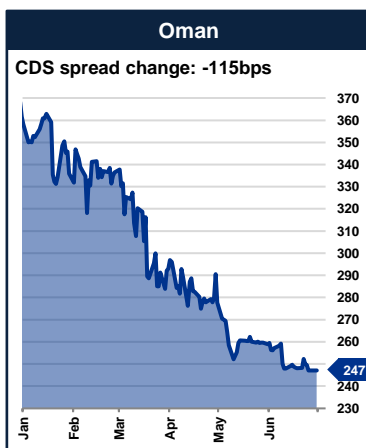
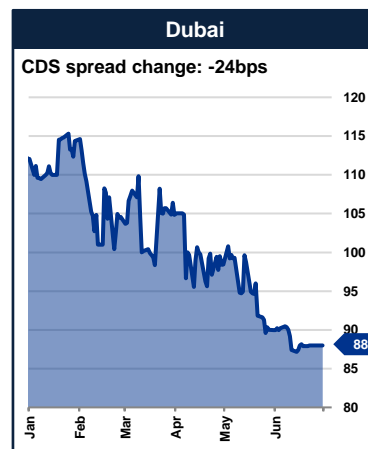
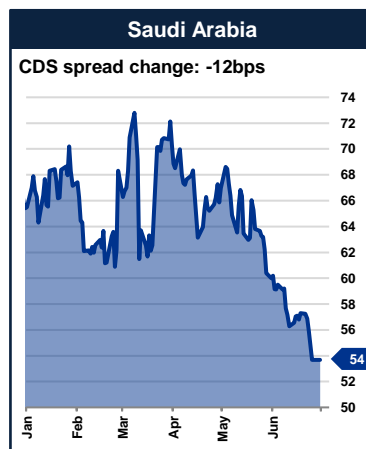
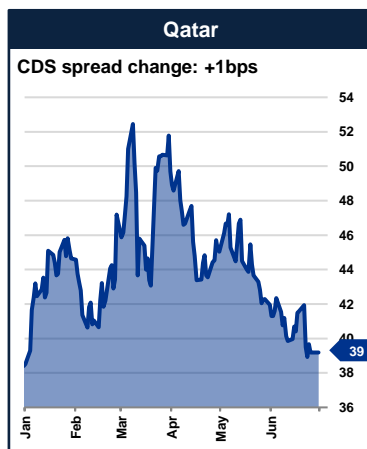
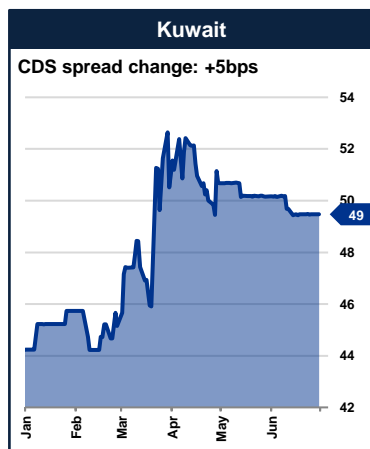
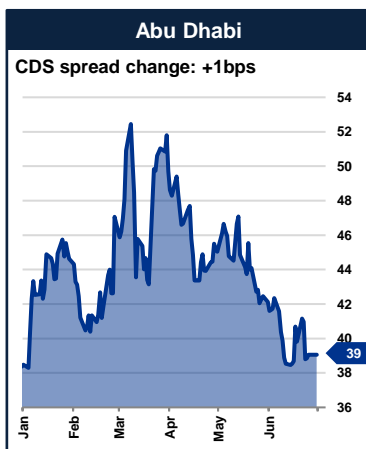


Bahrain Agg. Z-spread

Z-spread change: -30bps



GCC Sovereign CDS (5Y) spread performance in 1H 2021



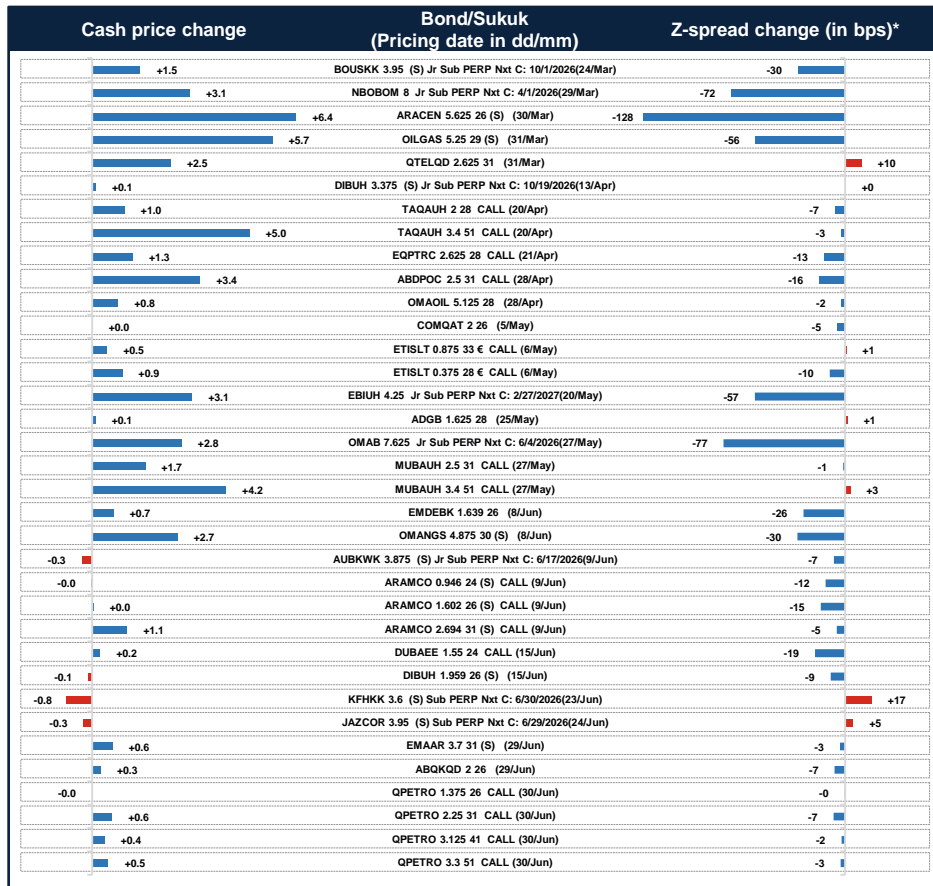
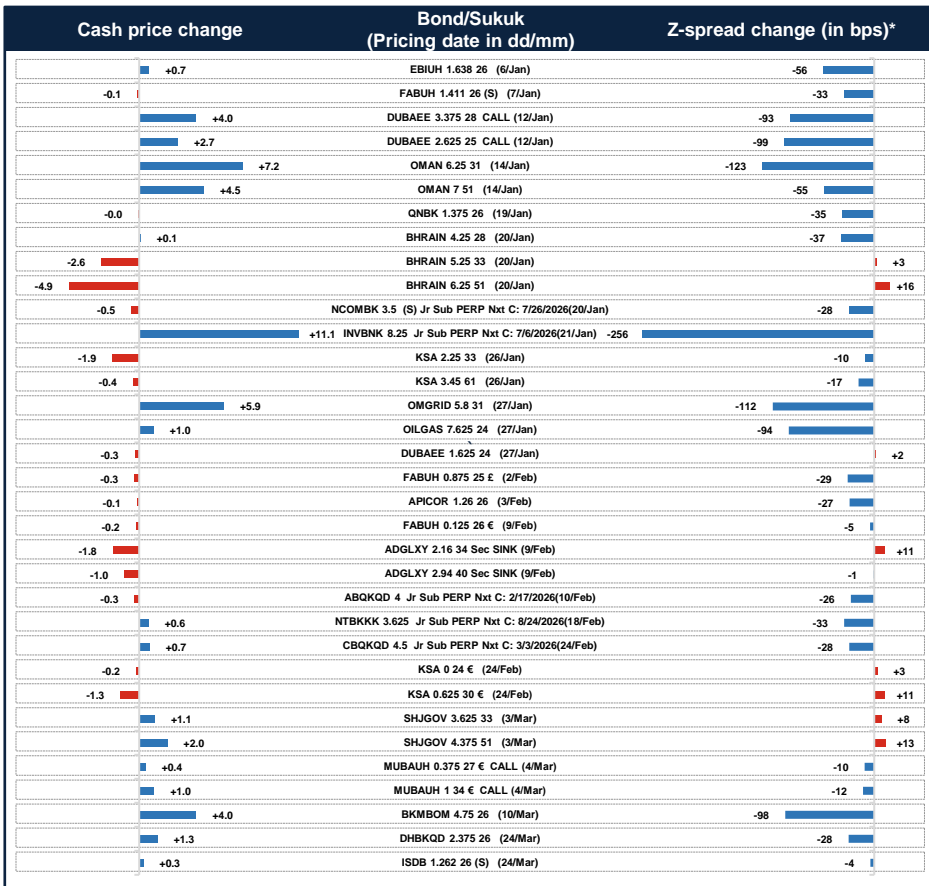
1H 2021 relative performance

| Entity | basis point change | % change |
|------------------|--------------------|----------|
| EM Sov CDX Index | +3 | +2% |
| Abu Dhabi | +1 | +2% |
| Kuwait | +5 | +12% |
| Qatar | +1 | +2% |
| Saudi Arabia | -12 | -18% |
| Dubai | -24 | -21% |
| Bahrain | -36 | -15% |
| Oman | -115 | -32% |

Note: Please refer appendix for the index details; Source: Bloomberg; FAB

GCC major primary deals in 1H'2021 and their performance

Secondary market performance since issue (change in z-spread and cash price since pricing till 2-Jul-21)



Notes: (S) in the ticker indicates Sukuk; All bonds/sukuk are US\$ senior unsecured debt of the issuer unless an abbreviation for the debt type is highlighted - e.g. - "Unsec" = Unsecured debt; "Sub" = Subordinated; "Sr Sub" = Senior Subordinated; "Jr Sub" = Junior Subordinated; "Perp" = Perpetual; Callable, Puttable and Sinkable highlighted as "Call", "Put", & "Sink" respectively; Source: Bloomberg/FAB

GCC spread performance summary

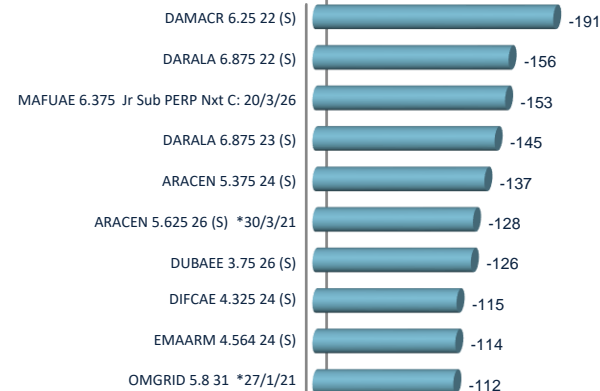
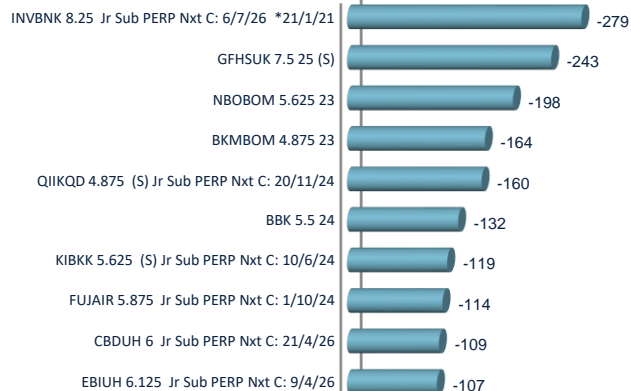
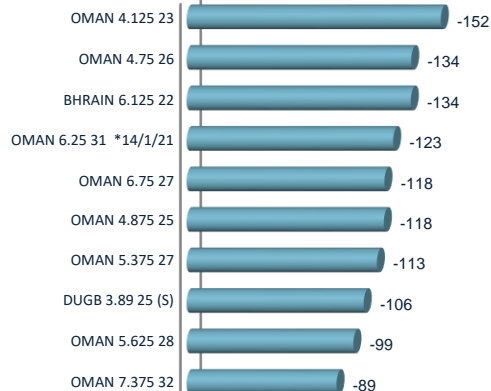
Top 10 / bottom 10 bond/sukuk performers (z-spread, bps) in each category in 2021 (till 2-Jul-21)

Sovereigns

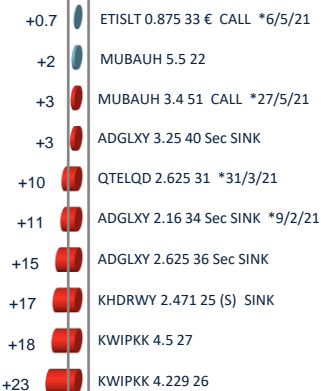
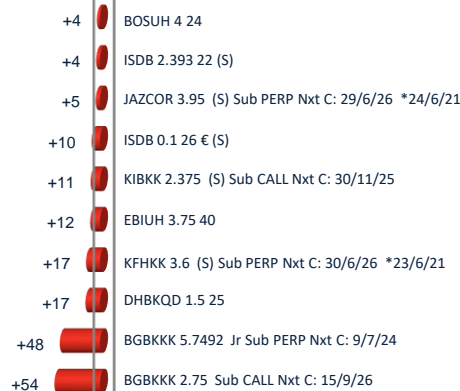
Financials

Corporates

Top 10

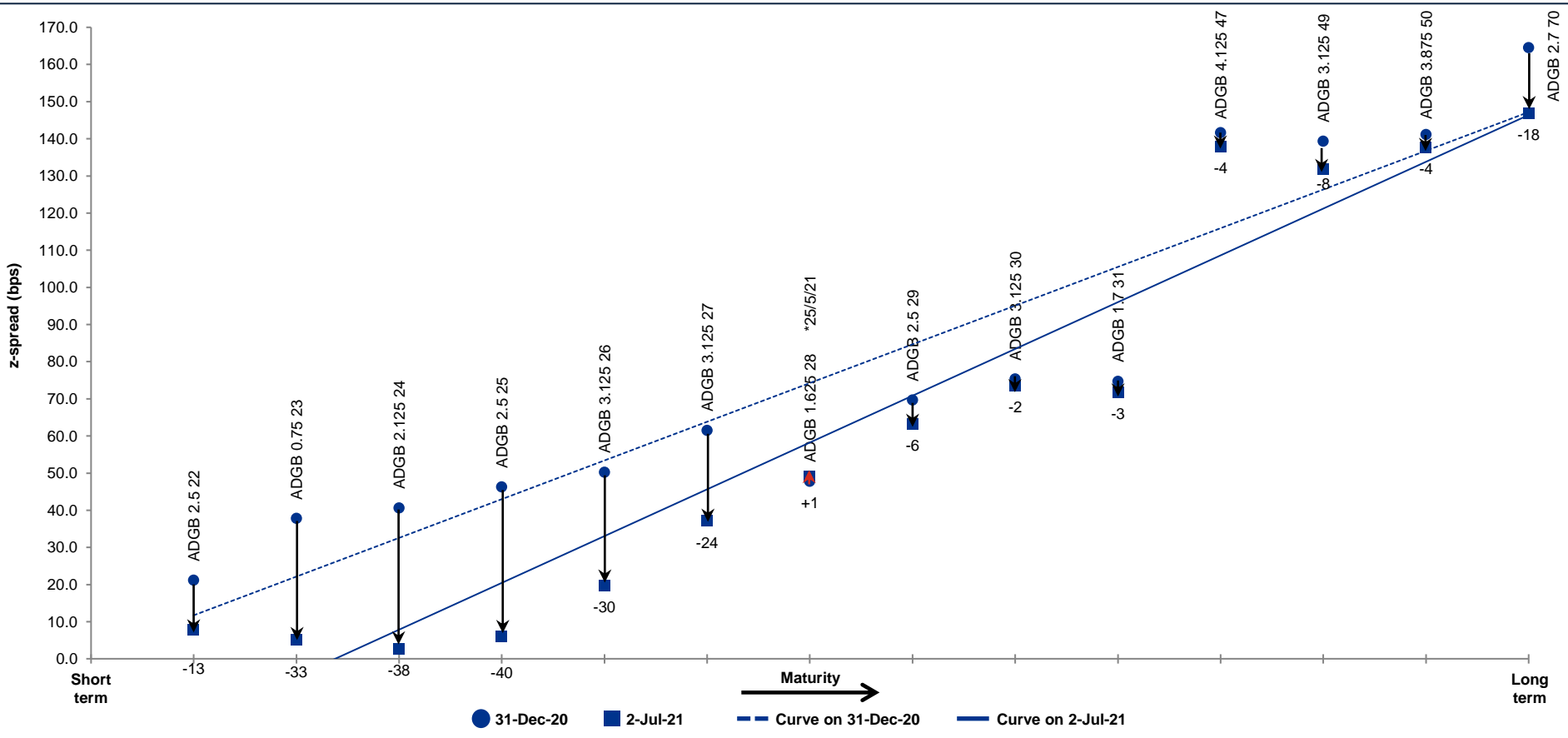


Bottom 10



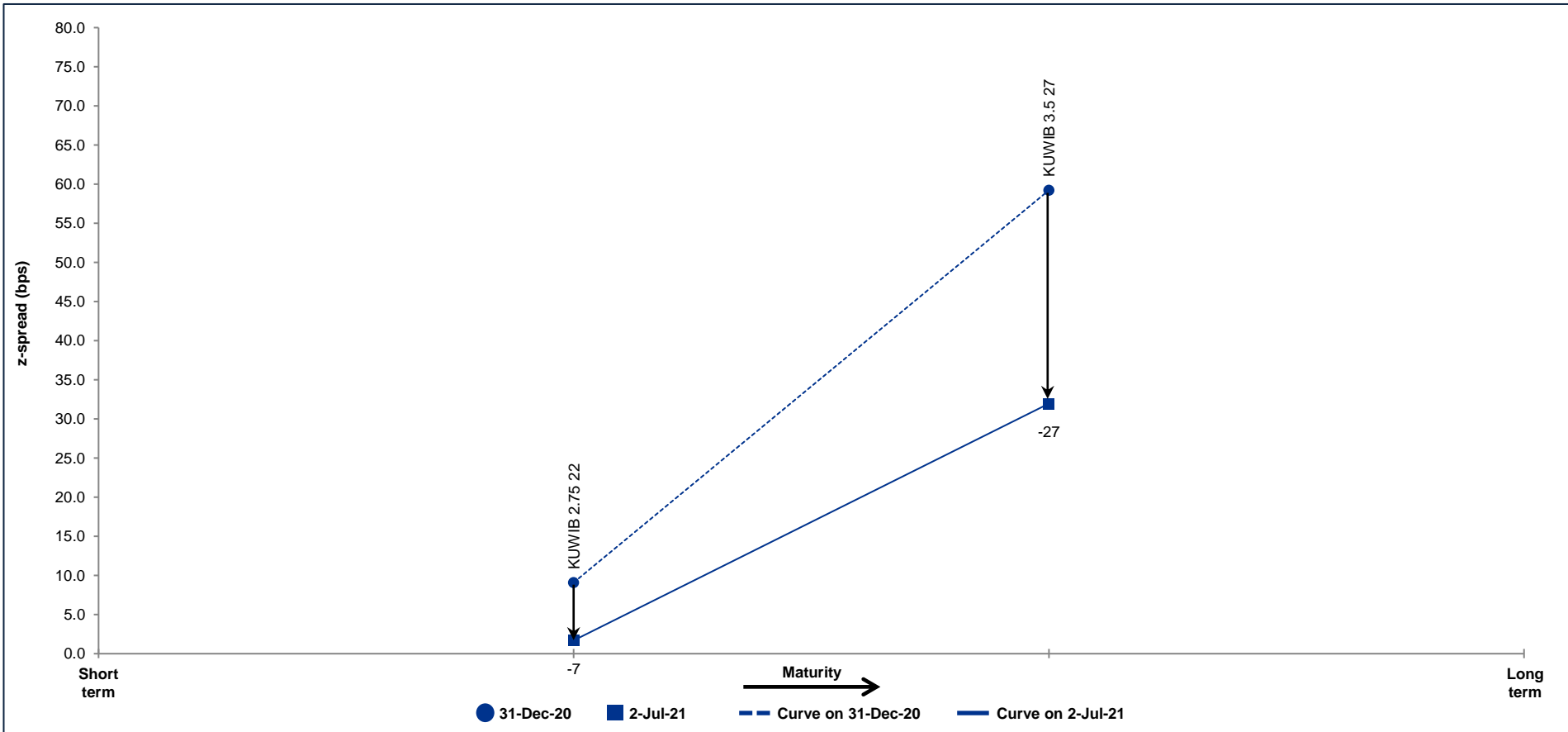
Notes: (S) in the ticker indicates Sukuk; All bonds/sukuk are \$ denominated unless any other currency is highlighted in the ticker. All bonds/sukuk are senior unsecured debt unless the debt type is highlighted in the ticker – e.g. – "Unsec" = Unsecured debt junior to Senior Unsecured debt; "Sub" = Subordinated; "Sr Sub" = Senior Subordinated; "Jr Sub" = Junior Subordinated; "Perp" = Perpetual; Callable, Puttable and Sinkable highlighted as "Call", "Put", & "Sink" respectively; * highlights spread change from the pricing date as it was issued in 2021; Source: FAB/Bloomberg

Sovereigns spread performance – Abu Dhabi

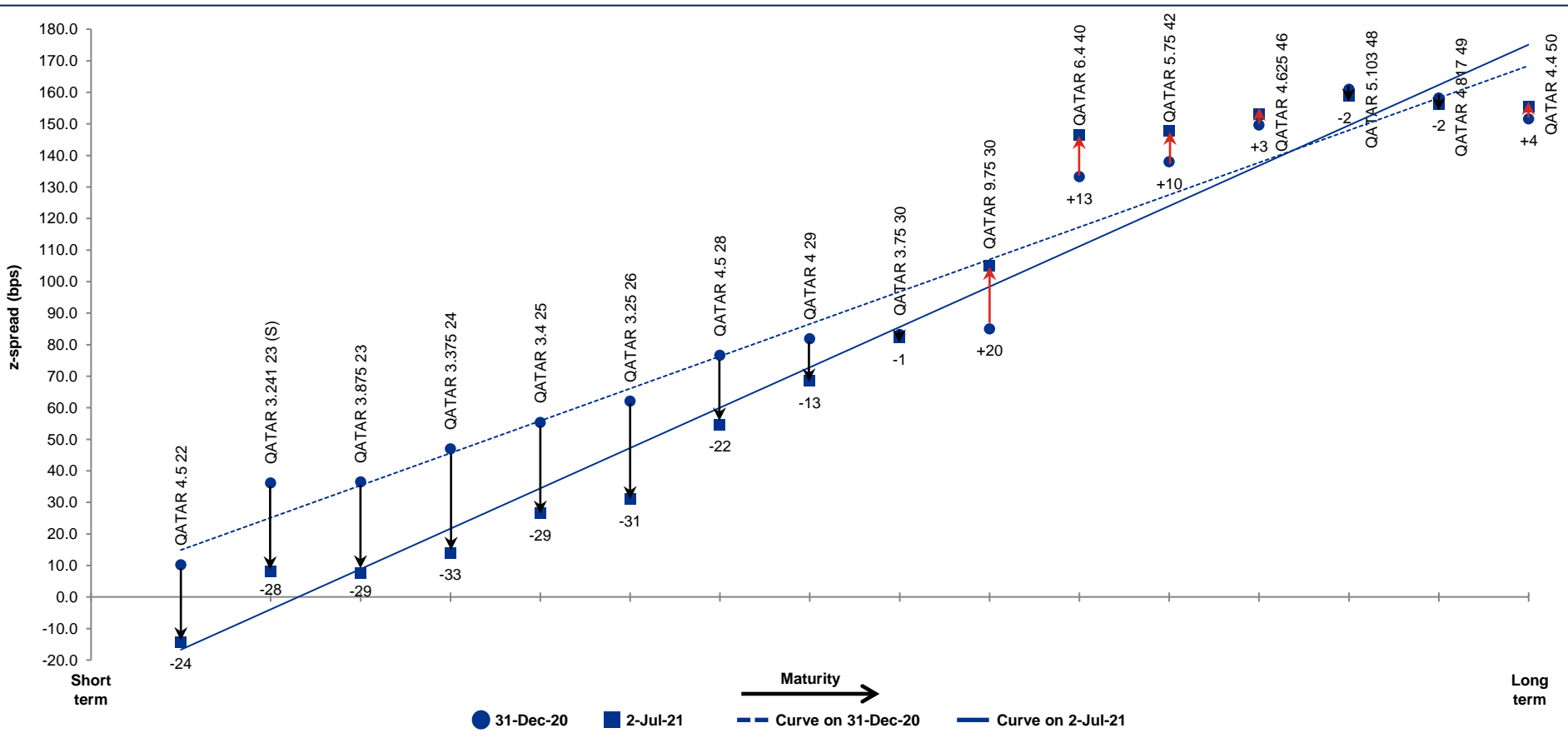


Notes: * Highlights spread change from the pricing date of the bond as it was issued in 2021; Source: FAB/Bloomberg

Sovereigns spread performance – Kuwait

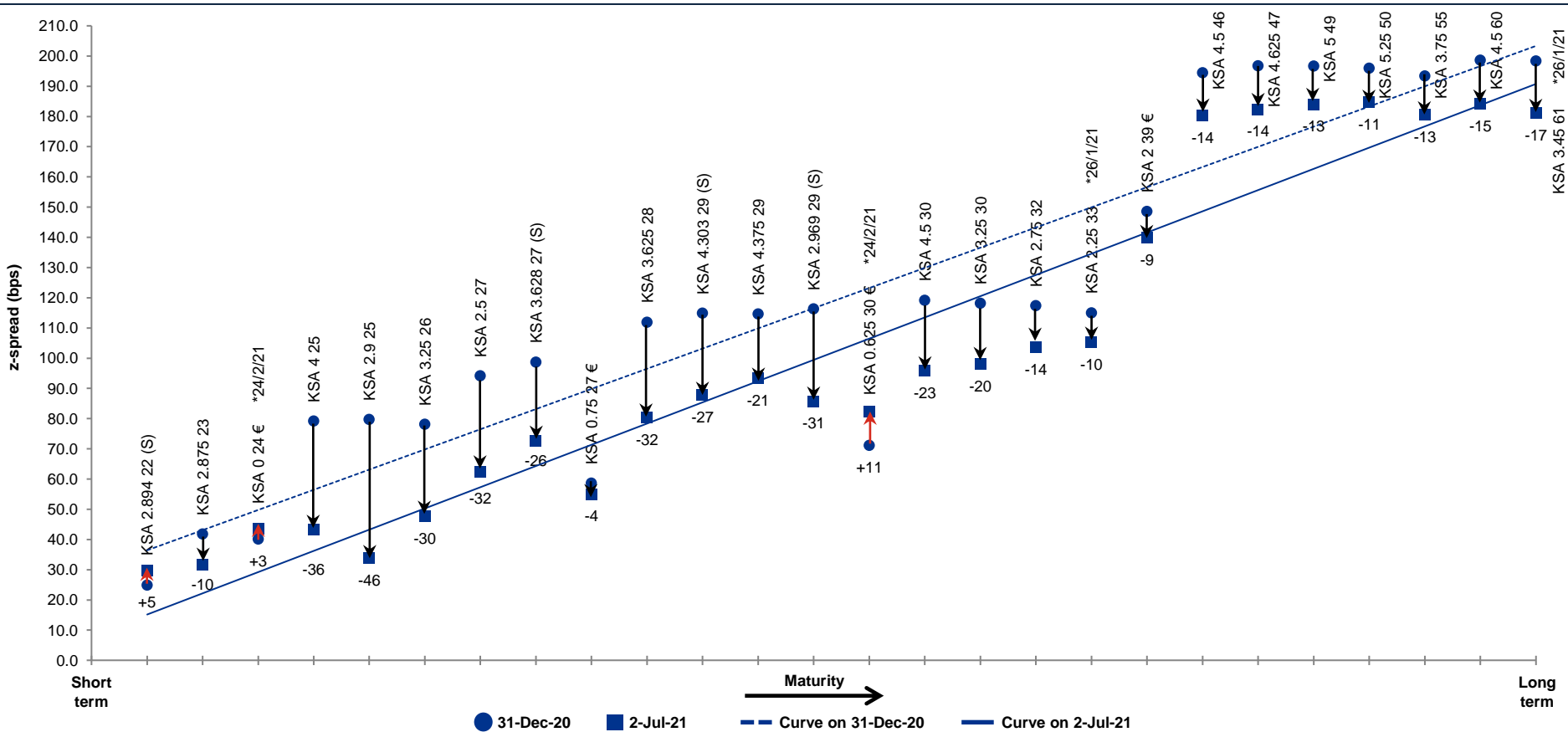


Sovereigns spread performance – Qatar



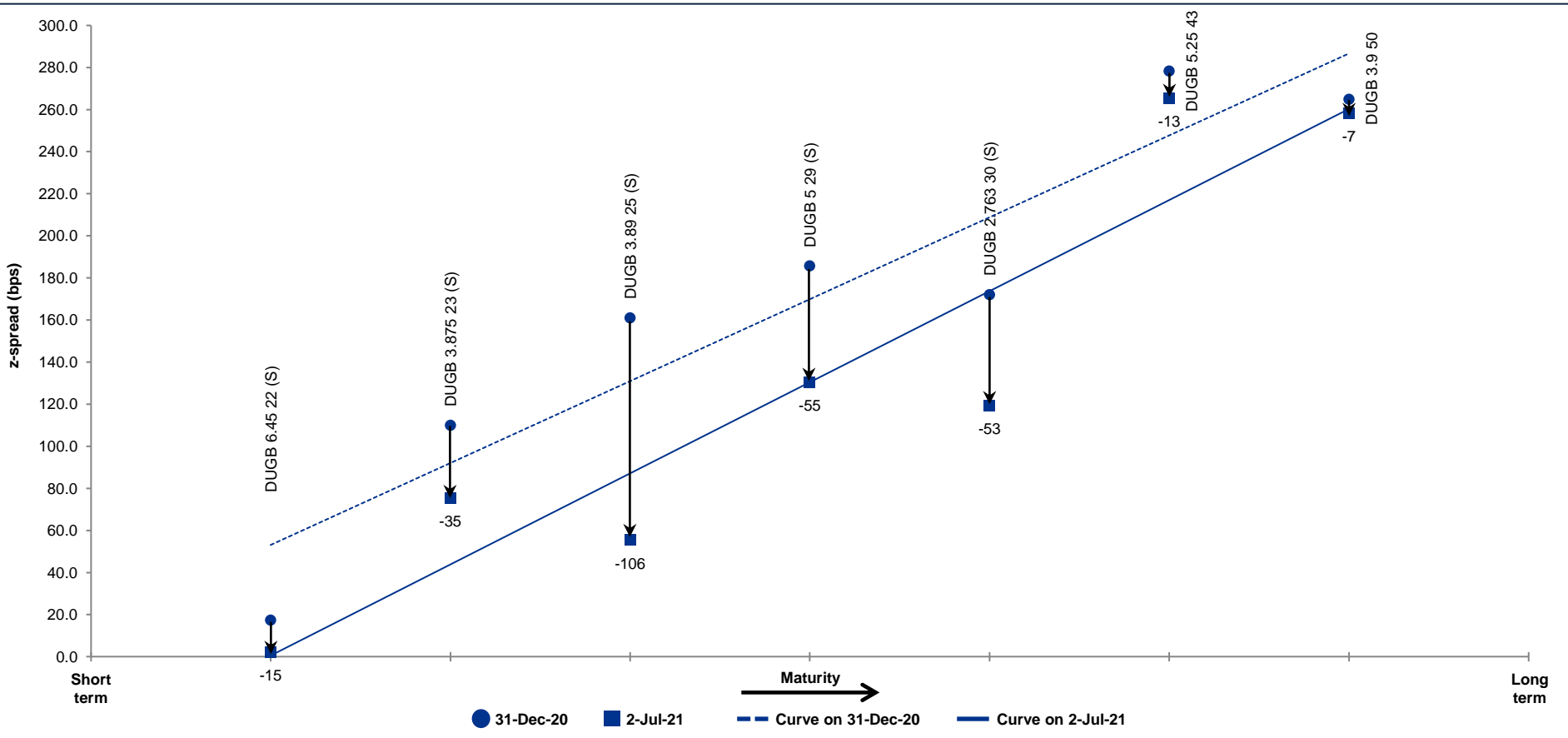
Notes: * If "Sukuk", the ticker contains "(S)" next to the maturity year; Source: FAB/Bloomberg

Sovereigns spread performance – Saudi Arabia



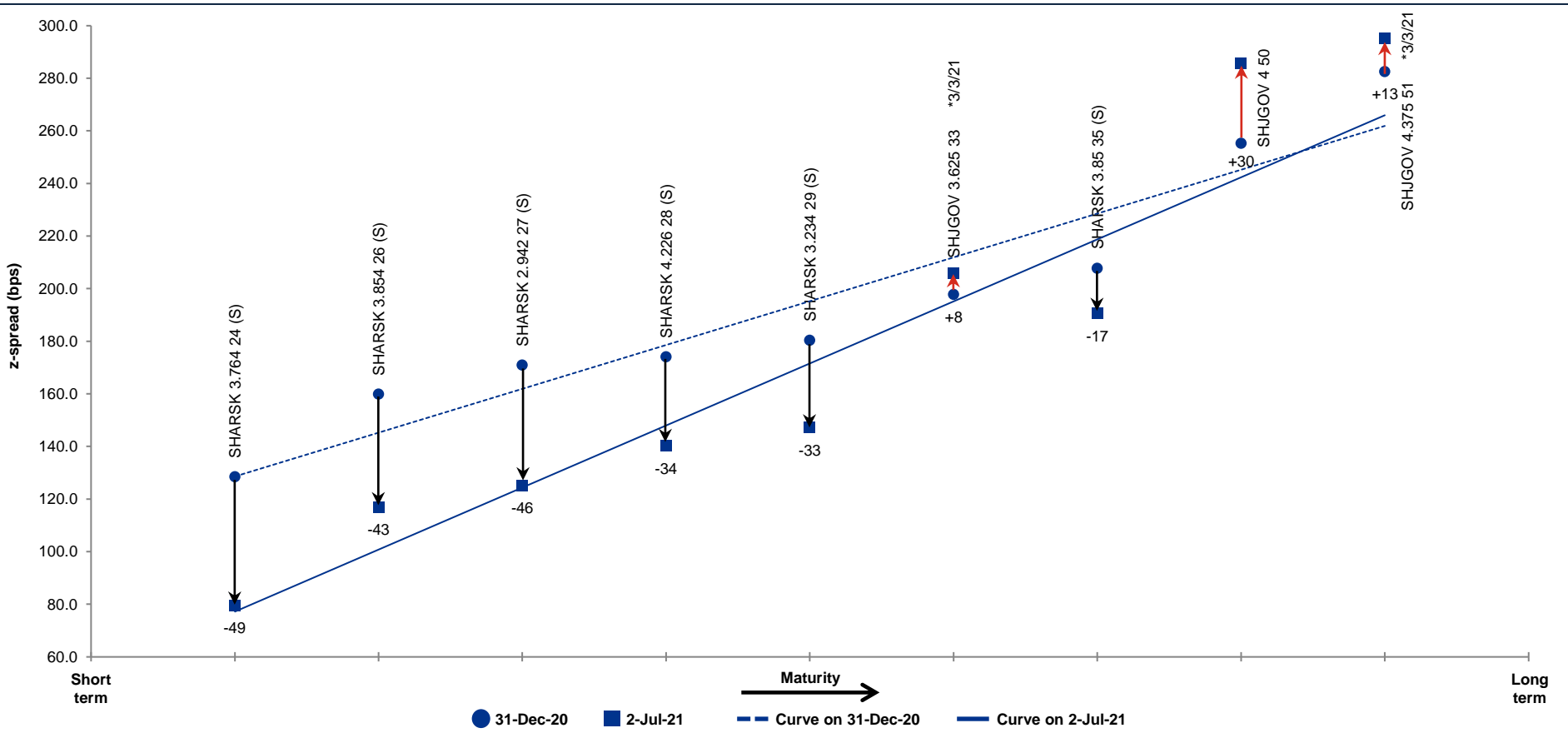
Notes: * Highlights spread change from the pricing date of the bond as it was issued in 2021; If "Sukuk", the ticker contains "(S)" next to the maturity year, Source: FAB/Bloomberg

Sovereigns spread performance – Dubai



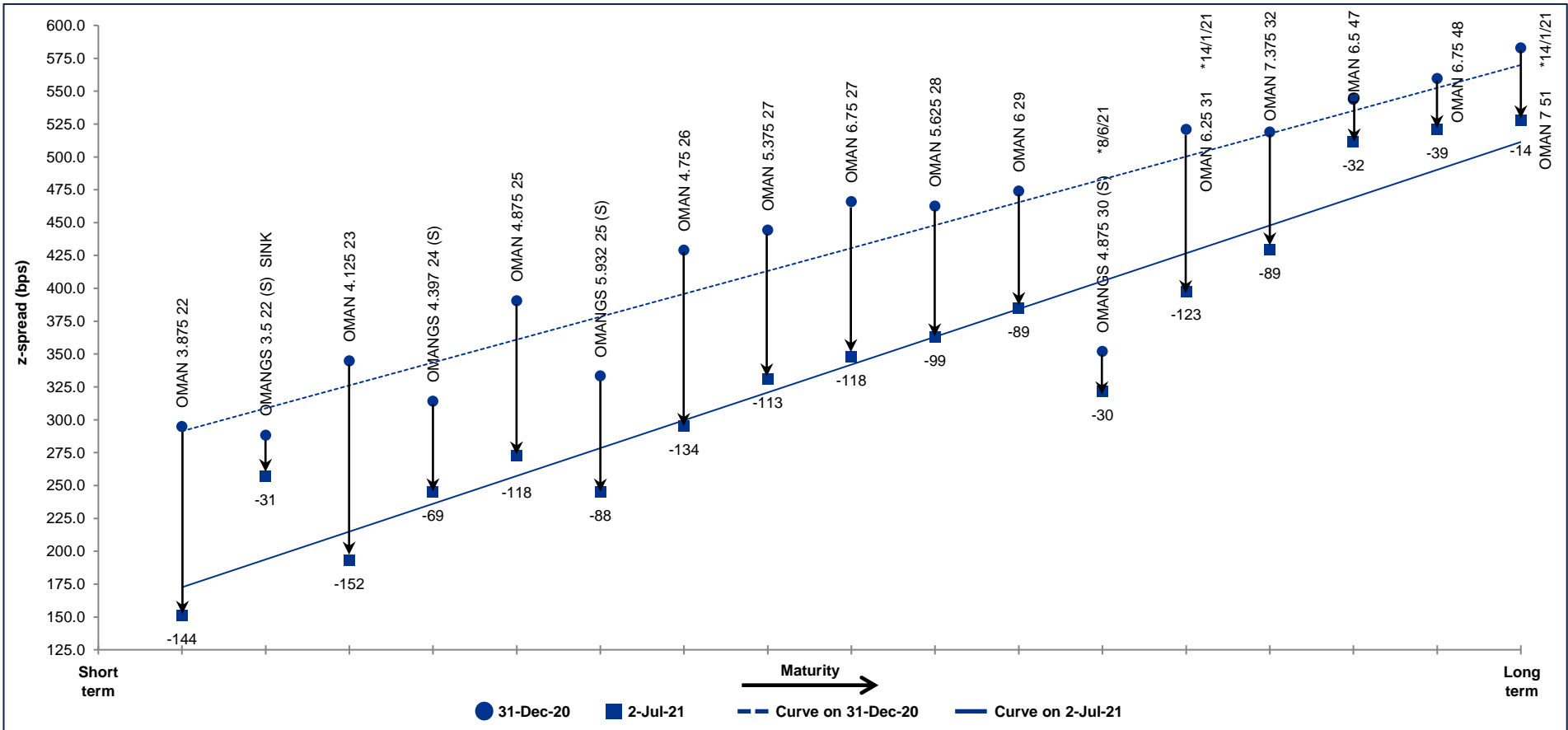
Notes: * Highlights spread change from the pricing date of the bond as it was issued in 2021; If "Sukuk", the ticker contains "(S)" next to the maturity year; Source: FAB/Bloomberg

Sovereigns spread performance – Sharjah



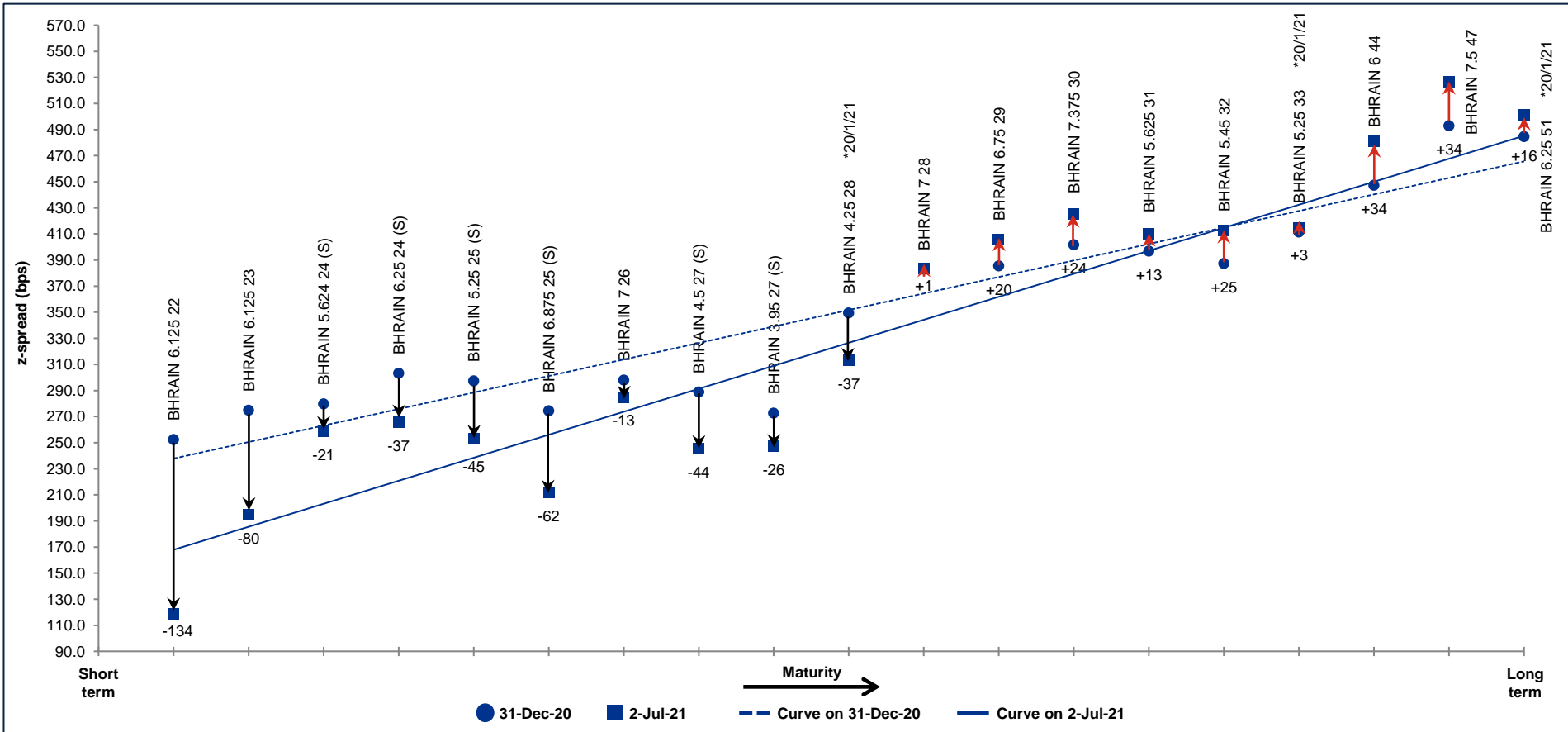
Notes: * Highlights spread change from the pricing date of the bond as it was issued in 2021; If "Sukuk", the ticker contains "(S)" next to the maturity year; Source: FAB/Bloomberg

Sovereigns spread performance – Oman



Notes: * Highlights spread change from the pricing date of the bond as it was issued in 2021; If "Sukuk", the ticker contains "(S)" next to the maturity year, Source: FAB/Bloomberg

Sovereigns spread performance – Bahrain



Notes: * Highlights spread change from the pricing date of the bond as it was issued in 2021; If "Sukuk", the ticker contains "(S)" next to the maturity year; Source: FAB/Bloomberg

- As mentioned at the start of this report, we have used “composite ratings” for this analysis – i.e. the average of the ratings assigned by three leading rating agencies Moody’s, S&P and Fitch – in order to provide a more representative view of the credit strength of each bank.
- The composite rating is calculated as follows:
 - A score is assigned to the rating from each rating agency: AAA or equivalent being the best with a score of “1”, followed by AA+ or equivalent as “2”, AA or equivalent as “3”, AA- or equivalent as “4” and so on;
 - For example FAB is rated Aa3/AA-/AA- by Moody’s/S&P/Fitch. So the scores are 4/4/4;
 - Hence the average of the scores is “4” which indicates a composite rating of “AA-” for FAB;
 - In case the average score is not an absolute number – e.g. 4.33 (average of 4, 5, & 4) – the final score is derived by rounding off the average score to the nearest whole number. In this case “4”.

- | | | |
|--|--|--|
| • GCC US\$ Inv. Grade: <i>BGCITRUU Index</i> | • EM Inv. Grade US\$: <i>BEHGTRUU Index</i> | • UAE aggregate index: <i>I29135US Index</i> |
| • GCC US\$ IG & HY: <i>BGCCTRUU Index</i> | • EM Hard CCY Aggregate: <i>LG20TRUU Index</i> | • KSA aggregate index: <i>I29134US Index</i> |
| • EM Asia US\$ IG: <i>BEUGTRUU Index</i> | • EM Sovereigns Africa US\$: <i>I22322US Index</i> | • Qatar aggregate index: <i>I29133US Index</i> |
| • EM Asia US\$ aggregate: <i>BEUCTRUU Index</i> | • EM Sovereigns LatAm US\$: <i>BSSSTRUU Index</i> | • Kuwait aggregate index: <i>I29132US Index</i> |
| • EM EMEA IG US\$: <i>H29284US Index</i> | • EM Sovereigns GCC US\$: <i>H30738US Index</i> | • Oman aggregate index: <i>I31504US Index</i> |
| • EM EMEA US\$ aggregate: <i>BSEETRUU Index</i> | • EM Sovereigns Asia US\$: <i>BSSATRUU Index</i> | • Bahrain aggregate index: <i>I28750US Index</i> |
| • EM LatAm IG US\$: <i>H29283US Index</i> | • EM Sovereigns EMEA US\$: <i>BSSETRUU Index</i> | • J.P. Morgan EMBI Global: <i>JPEIGLSP Index</i> |
| • EM LatAm US\$ aggregate: <i>BSELTRUU Index</i> | • EM Sovereigns aggregate US\$: <i>BSSUTRUU Index</i> | |

Thank You

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