

GCC Fixed Income Weekly Review

Global benchmark bond index added to losses last week, driven by the jump in DM sovereign bond yields. Global Treasuries declined with UST yields jumping in reaction to the strong US CPI print. Eurozone core government bond yields rose on the back of hawkish ECB bias. UK bonds tracked the core markets. Corporate credit recorded losses, led by Global HY bonds. EM bonds recorded marginal losses with rising UST yields.

GCC bonds lacked appetite, Oman posted the largest losses last week. CDS spreads widened across all GCC sovereigns with Bahrain recording the largest widening in spreads. In the USD sovereign market, bond yields rose in all the GCC countries with Oman and Bahrain recording the largest jump in yields.

The UAE's federal government plans to increase spending by USD334.9mn in the budget for 2022. The UAE revenues are expected to increase by AED374.98mn. The federal general reserves will be used to cover the increase in spending. **Kuwait's non-oil sector will experience growth in the next coming years.** A government report on the development of Kuwait's economic indicators between 2020 and 2022 forecasted that the non-oil sector growth will increase due to new gains in the field of refining of two environmental fuel projects and Al Zour refinery. Elsewhere, OPEC maintained its expectation that the world oil consumption will exceed pre-pandemic levels in 2022. **OPEC predicted that world oil demand would rise by 3.36mn bpd in 2022, continuing a recovery from 2020.**

In the bond issuances, there were no new bond issuance announcements with issuance activity muted amidst the global market volatility.

Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aau2	Baa1	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

Visit [Investment Strategy Webpage](#) to read our other reports

GCC Fixed Income Weekly Snapshot

				Interest rates			
BBG Barclays	Latest	-1w %	YTD %	3M interbank	Latest	-1w (bp)	YTD (bp)
EM USD Agg TR	1,052.5	-3.5	-16.9	Saudi	3.18	0.47	227.09
EM LatAm TR	890.6	-4.7	-16.0	UAE	1.67	-4.4	130.2
EM EMEA TR	314.5	-3.2	-21.7	Kuwait	2.00	6.3	50.00
EM Asia TR	575.7	-2.6	-12.6	Bahrain	2.94	14.17	142.5
Bahrain TR	169.9	-2.3	-5.1	Oman	2.21	1.8	7.55
Oman TR	127.5	-3.0	-7.2	Qatar	1.15	-	2.5
Kuwait TR	140.9	-1.0	-6.3	US	1.83	14.12	-
Qatar TR	129.2	-2.6	-12.9	12M interbank	Latest	-1w (bp)	YTD (bp)
Saudi Arabia TR	132.9	-2.7	-12.9	Saudi	3.51	9.5	244.5
UAE TR	131.7	-1.9	-10.9	UAE	3.19	48.80	244.58
5Y Sov. CDS	Latest (bp)	-1w (bp)	YTD (bp)	Kuwait	2.56	6.3	56.3
Saudi Arabia	66.8	4.2	14.8	Bahrain	3.84	12.71	207.50
Abu Dhabi	64.9	3.3	20.0	Oman	3.00	-2.0	-1.4
Dubai	134.4	4.9	35.3	Qatar	1.85	-	52.50
Kuwait	74.1	0.6	25.2	10Y yield	Latest	-1w (bp)	YTD (bp)
Bahrain	340.15	11.8	-	Saudi Arabia	4.26	38.0	177.3
Oman	269.3	1.1	3.3	Abu Dhabi	3.91	37.50	189.60
Qatar	65.3	3.3	20.0	Dubai	4.36	15.5	181.4
Egypt	919.2	129.6	-	Kuwait	3.43	30.30	178.50
Turkey	840.2	66.1	271.4	Bahrain	7.35	65.2	151.1
US	19.1	-1.1	4.6	Oman	6.72	65.80	175.50
Germany	13.9	0.2	3.6	Qatar	3.89	35.4	178.6

Note: *Dewa rating used as proxy, data from 8th June 2022 to 14th June 2022, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

UAE plans to increase federal spending by USD335mn in 2022

The UAE's federal government plans to increase spending by USD334.9mn in the budget for 2022. The UAE revenues are expected to increase by AED374.98mn. According to the council, the federal general reserves will be used to cover the increase in spending.

(Source: Zawya)

Kuwait's non-oil sector will experience growth in the coming years

A report on the development of Kuwait's main economic indicators between 2020 and 2022 predicted that the non-oil sector would grow due to new gains in the field of refining of two environmental fuel projects and Al Zour refinery. In addition; the Kuwaiti economy witnessed an important recovery at the beginning of 2022 due to the rise in international oil prices amidst the escalating tension between Russia and Ukraine. Oil exports reached an all-time high in the first quarter of 2022 while oil revenues made up 84% of the state's total revenues in the 2021-2022 general budget, compared to the non-revenues, which accounted for 16%, down by 38.9% from the previous fiscal year 2020-2021.

(Source: Zawya)

OPEC predicts that oil demand in 2022 will exceed pre-pandemic levels, but risks remain

OPEC maintains its expectation that the world's oil consumption will exceed pre-pandemic levels in 2022, although it acknowledged that Russia's invasion of Ukraine and developments around the pandemic pose considerable risks. In its latest monthly report, OPEC predicted that world oil demand would rise by 3.36mn bpd in 2022, continuing a recovery from 2020. The report expects world consumption to surpass the 100mn bpd level in the third quarter, meeting previous estimates and the 2022 average likely to reach 100.29mn bpd, just above the pre-pandemic rate in 2019.

(Source: Reuters)

Egypt could defer issuing its sovereign sukuk until the new fiscal year

According to Abu Dhabi-based Sky News Arabia TV, Egypt could delay the issuance of its first sovereign sukuk until its new fiscal year due to the turmoil in global markets.

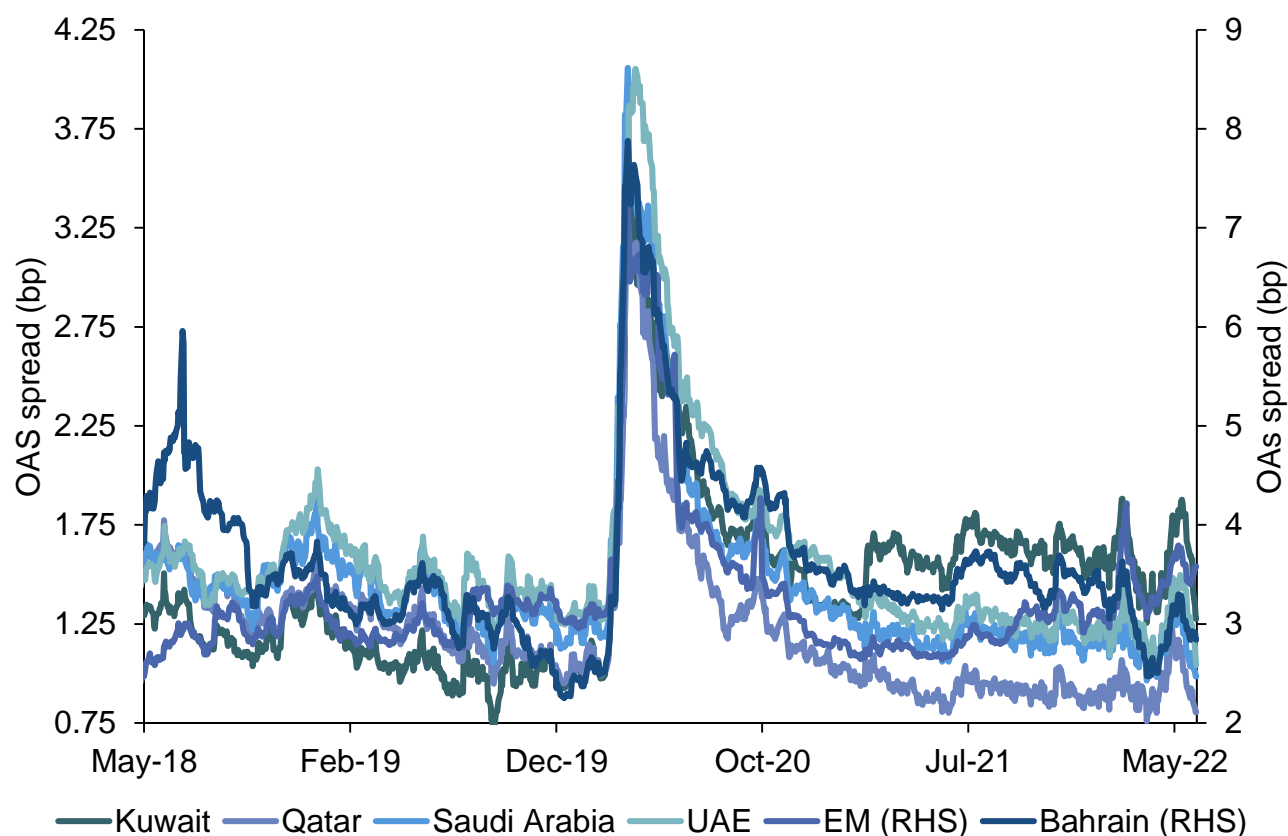
(Source: Zawya)

Issuer	BBG	Sector	Co unt ry	Issue Amt*	Cpn	Maturity	Maturity Type	Curre ncy	Issue Date	Rtg ^	YTM (mid)	YTC (mid)
Boubyan Sukuk Ltd	BOUSUK	Financial Institutions	KW	500	3.389	3/29/2027	AT MATURITY	USD	3/29/2022	A	3.45	-
Abu Dhabi Commercial Bank PJSC	ADCBUH	Agency	AE	500	3.5	3/31/2027	AT MATURITY	USD	3/31/2022	A+	3.78	-
Sharjah Sukuk Program Ltd	SHARSK	Sovereign	AE	750	3.886	4/4/2030	AT MATURITY	USD	4/4/2022	BBB-	4.08	-
First Abu Dhabi Bank PJSC	FABUH	Agency	AE	543.855	1.625	4/7/2027	AT MATURITY	EUR	4/7/2022	AA-	1.90	-
UAE Government Bond	UAEGB	Government	AE	750	3.01	5/11/2024	AT MATURITY	AED	5/9/2022	AA-	2.85	-
UAE Government Bond	UAEGB	Government	AE	750	3.24	5/11/2025	AT MATURITY	AED	5/9/2022	AA-	3.07	-
Sharjah Sukuk Program Ltd	SHARSK	Treasury	AE	1089	1.5	5/17/2023	AT MATURITY	AED	5/17/2022	BBB-	-	-
Arada Sukuk Ltd	ARADAD	Financial Institutions	AE	350	8.125	6/8/2027	AT MATURITY	USD	6/8/2022	B+	8.35	8.22

*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

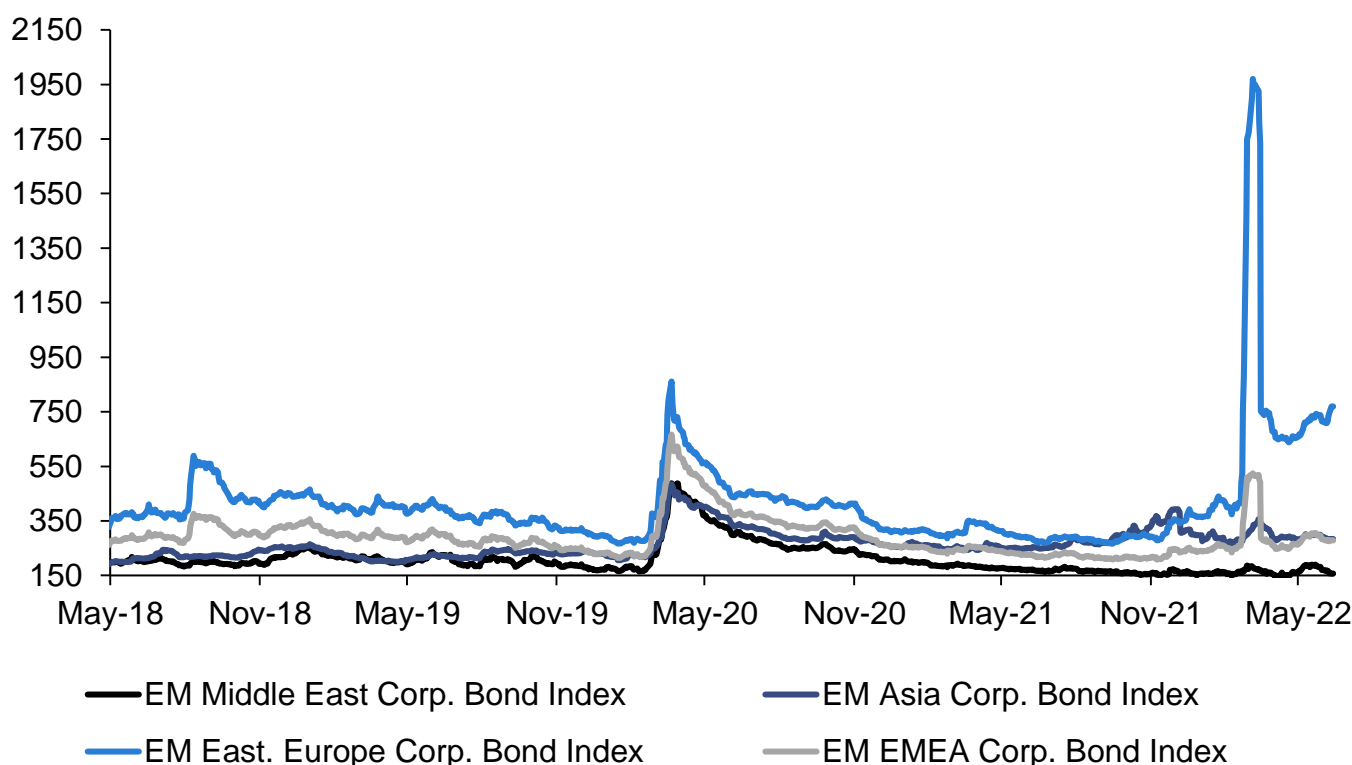
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



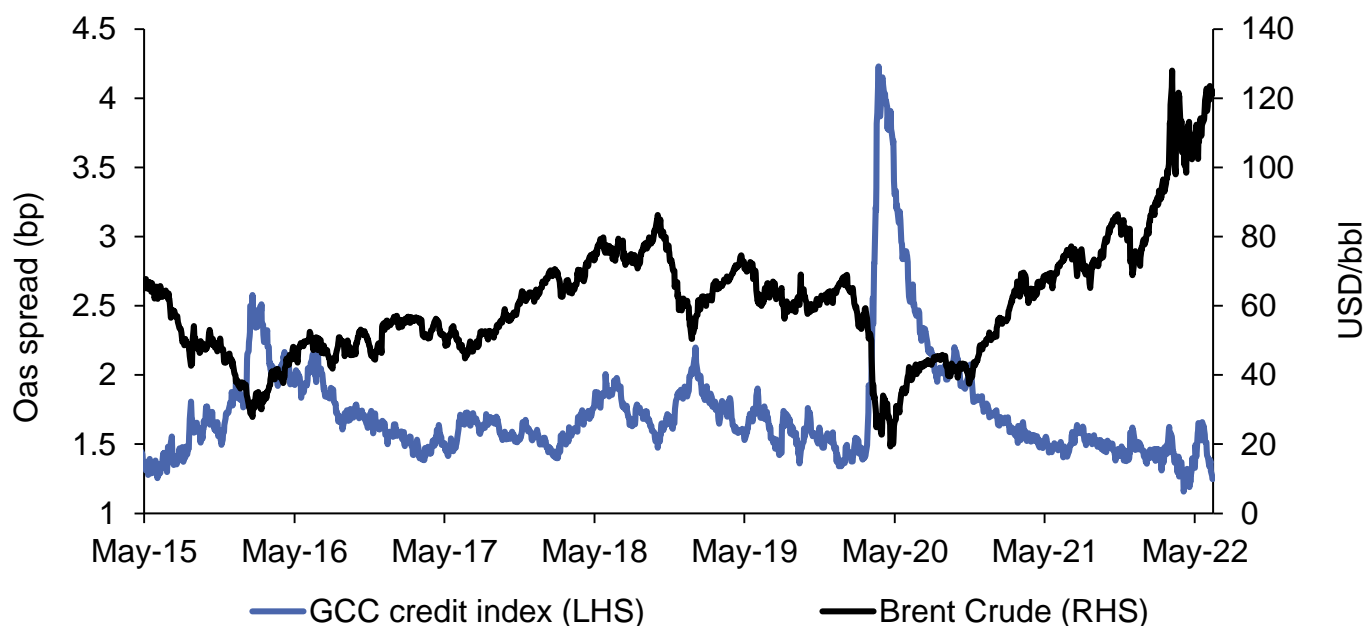
Source: Bloomberg Barclays Sovereign Bond Indices, ADCB Asset Management

Emerging markets versus Middle East spread



Source: Credit Suisse Corporate Bond Indices, ADCB Asset Management

GCC corporate OAS spread versus Brent Crude

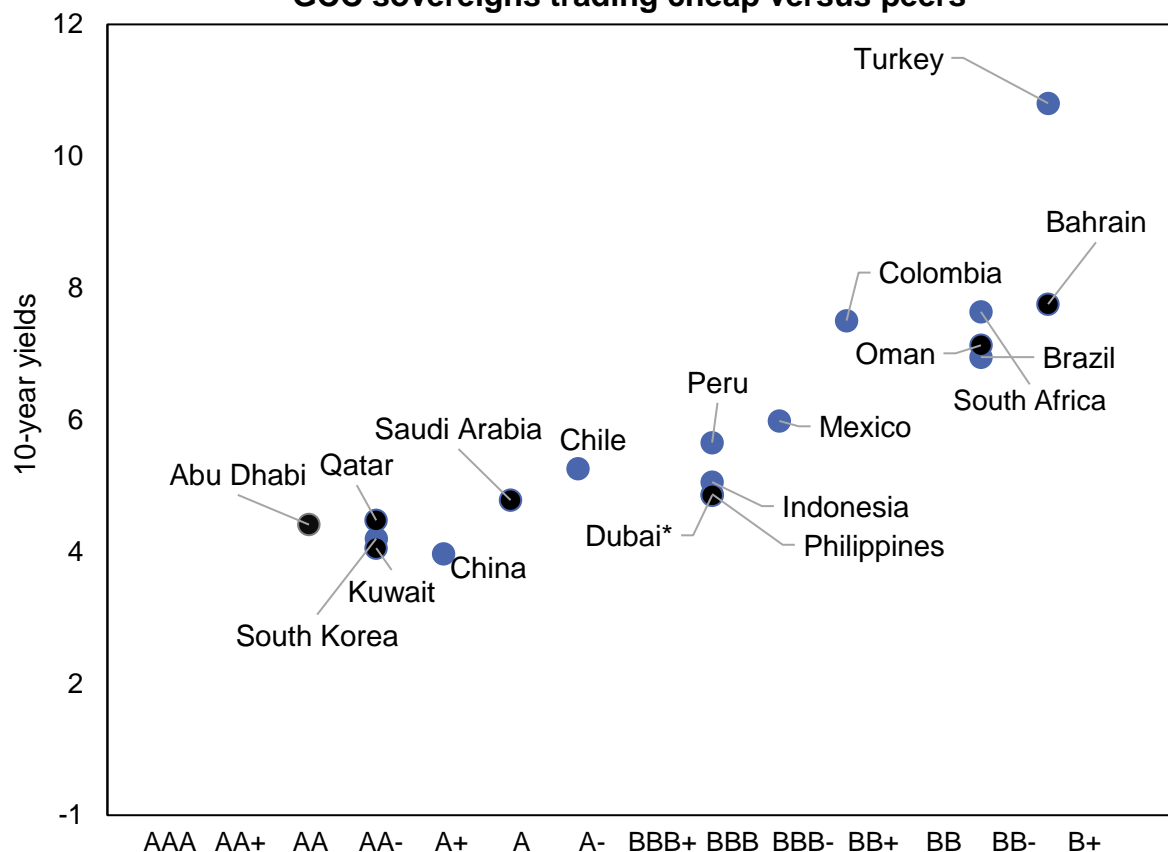


Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

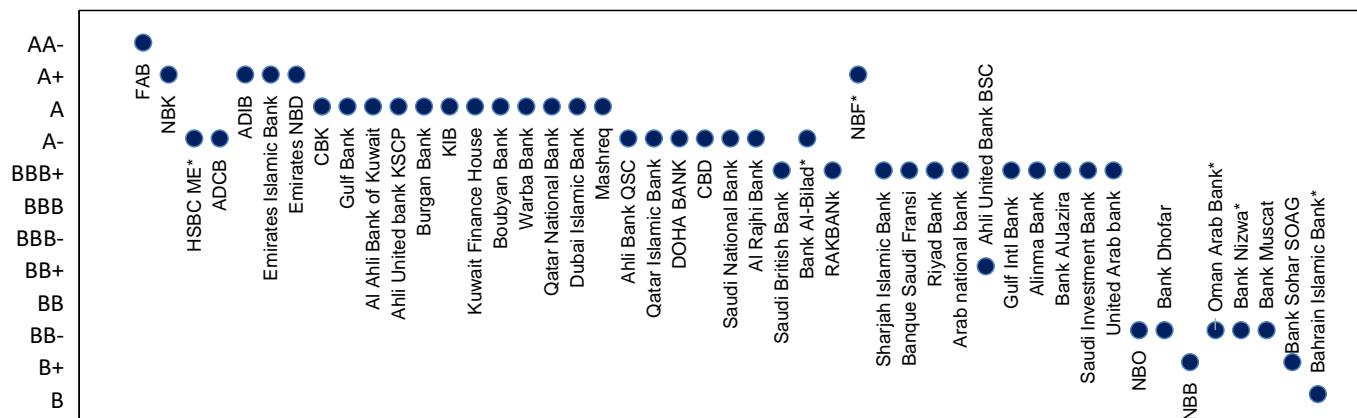
Source: Bloomberg, ADCB Asset Management, *Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

GCC sovereigns trading cheap versus peers



GCC Financials Credit Rating

GCC Financials

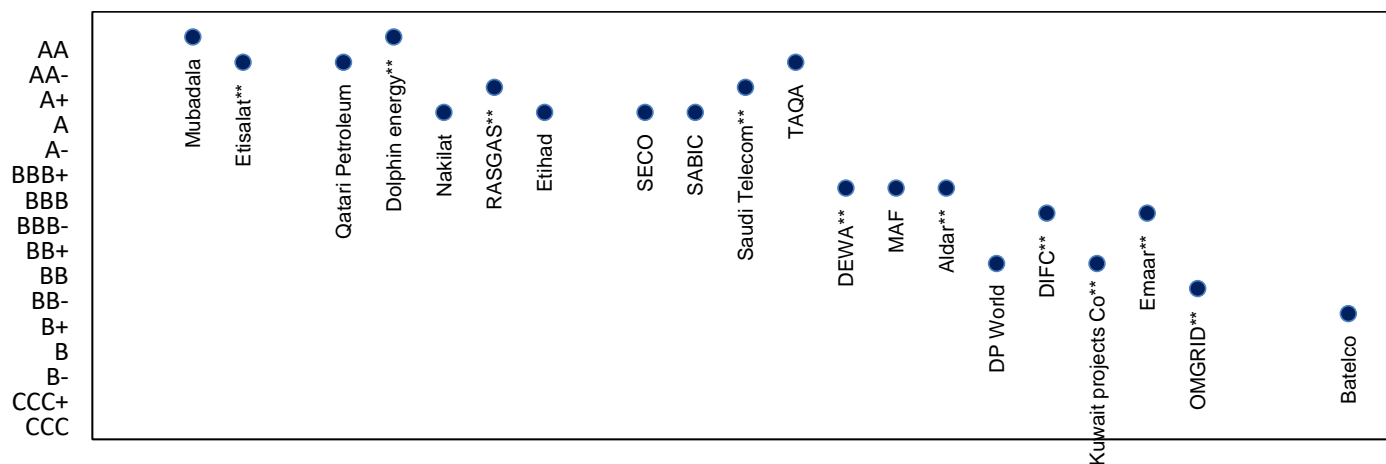


Note: The ratings refer to Fitch ratings, *Moody's rating used as substitute where the corporate/bank not rated by Fitch rating

Source: Bloomberg, ADCB Asset Management

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 Asset Management

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

Disclaimer

ADCB Asset Management Limited ("AAML"), is a member of ADCB Group, licensed by Financial Services Regulatory Authority in Abu Dhabi Global Markets under financial services permission number 170036.

This publication is intended for general information purposes only. It should not be construed as an offer, recommendation or solicitation to purchase or dispose of any securities or to enter in any transaction or adopt any hedging, trading or investment strategy. Neither this publication nor anything contained herein shall form the basis of any contract or commitment whatsoever. Distribution of this publication does not oblige ADCB Group to enter into any transaction.

The content of this publication should not be considered as legal, regulatory, credit, tax or accounting advice. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in this publication. Investment products are not available to US persons.

Information and opinions contained herein is are based on various sources, including but not limited to public information, annual reports and statistical data that AAML considers accurate and reliable. However, AAML makes no representation or warranty as to the accuracy or completeness of any statement made in or in connection with this publication and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. This publication is intended for customers who are either retail or professional investors.

Charts, graphs and related data or information provided in this publication are intended to serve for illustrative purposes only. The information contained in this publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. All statements as to future matters are not guaranteed to be accurate. AAML expressly disclaims any obligation to update or revise any forward looking statement to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

ADCB Group does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its publications. As a result, recipients of this publication should be aware that any or all of foregoing services may at time give rise to a conflict of interest that could affect the objectivity of this publication. Opinions expressed herein may differ from opinions expressed by other businesses or affiliates of ADCB Group.

Past performance does not guarantee future results. Investment products are not bank deposits and are not guaranteed by ADCB Group. They are subject to investment risk, including possible of loss of principal amount invested. This publication may not be reproduced or circulated without ADCB Group written authority. The manner of circulation and distribution may be restricted by law or regulation in certain jurisdictions. Persons who come into possession of this document are required to inform themselves of, and to observe such restrictions. Any unauthorized use, duplication, or disclosure of this document is prohibited by law and may result in prosecution.