



بنك الإمارات دبي الوطني
Emirates NBD

Credit Weekly

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GCC Credit Weekly

UST yield curve continued to ascend during the week with yields on 2yr and 10yr closing up at 1.50% (+2bps) and 2.36% (+3bps) respectively as futures implied probability of a rate hike in December increased to 78% on the back of strongest YoY wage growth (2.9%) since 2010. However safe haven bid ensuing from news about North Korea planning another nuclear test helped contain the fall in sovereign bond prices in the developed world.

Regionally, GCC credit markets had mixed performance with mild softening in bond prices on the back of widening benchmark yield curve. CDS spreads on GCC sovereigns held ground well amid improvements in government budget deficits and deepening capital markets. However, cash bonds, particularly the high grade sovereign in the AA category and shorter dated bonds suffered from steepening UST curve. Barclays GCC bond index closed with yield higher a bp at 3.40% even though credit spreads narrowed by 4bps to 130 bps during the week.

Higher co-relation with benchmark curve given its AA/stable rating and switching activity after the launch of \$10 billion in new bonds by the Emirate of Abu Dhabi pressured ADGB curve with yield on ADGB 26s widening by 15bps to 3.03% during the week

However KSA curve remained range-bound after S&P affirmed Saudi Arabia's rating at A- citing expectations of government taking steps to consolidate public finances and maintaining liquid assets close to 100% of GDP over the next two years. KSA also benefited from IMF's report which expects KSA reforms to boost its budget by \$90 billion by 2020 from new taxes and planned cuts in subsidies. Yield on KSA 27s sukuk closed down by a bp to 3.36% compared to a 2bps widening in KSA 26s bond to 3.41% - reflecting support of sharia investors for sukuk securities.

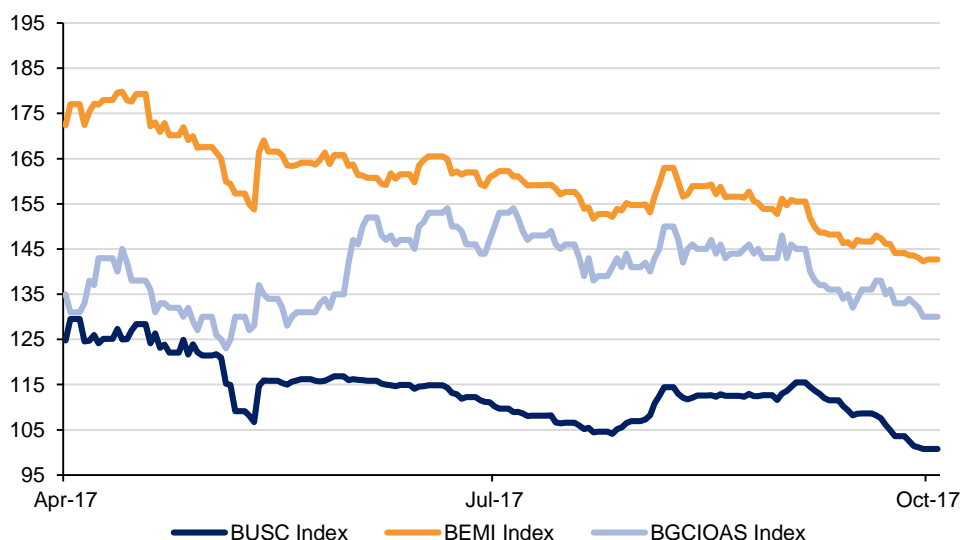
That said, not all sukuk were bid. GMSEDU perp (call date Dec 2018) and DIBUH Perp (call date Mar 2019) recorded the highest yield widening of 84bps and 38bps respectively to reach 5.84% and 4.65% respectively. This despite the ongoing positive sentiment on both sukuk with GEMS Education planning an IPO next year and DIB having received a rating upgrade from Moody's to A3 recently.

Though first hearing of the Dana Gas case happened in the UAE courts last week, the judgement is believed to have been withheld. At this stage there is no clarity whether Dana Gas will be attending the UK court hearing which was postponed to 12th October or no.

Bargain hunters supported bonds from Oman which are mainly issued by the sovereign, GREs and financials. Oman 21s gained quarter of a point with yield tightening 8bps to 3.37% as the country announced plans to create 25000 state jobs by year-end. The new jobs plan boosted expectations of higher economic growth although government will need to fund this via higher debt. Oman sovereign had mandated banks few weeks ago for benchmark sized offering, however is yet to tap the market.

EMAAR 26s closed up higher with yield tightening 2bps to 3.82% as the company makes further progress on IPOing its development business which is worth circa \$6.5 billion. Emaar expects to raise roughly \$2.0bn by offering 30% stake and IPO is expected to be completed by mid November this year.

GCC vs EM IG bonds and US IG Bonds – OAS history (bps)

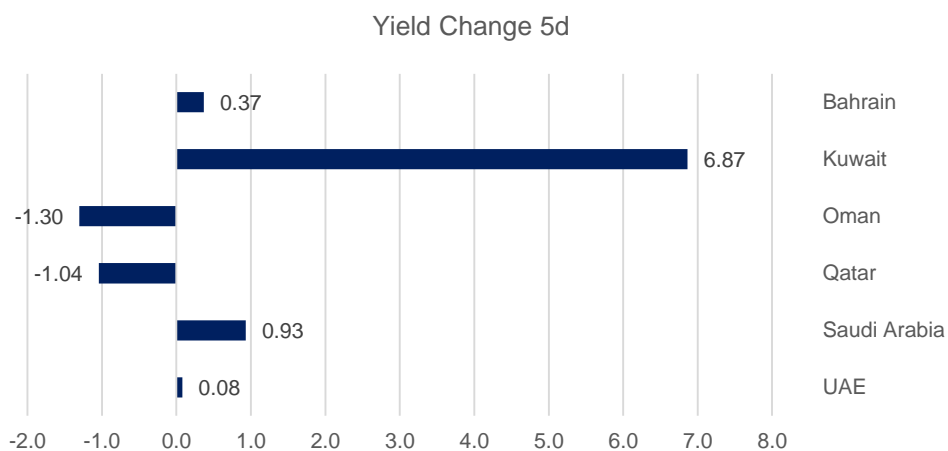


Source: Bloomberg, Emirates NBD Research

Though corporate and financial sector bonds from Qatar traded sideways during the week, Qatar sovereign curve responded negatively to the news about 2Q GDP growth slowing to 0.6% from 2.5% in 1Q 17. Yield on Qatar 22s increased 12bps to 3.03% during the week.

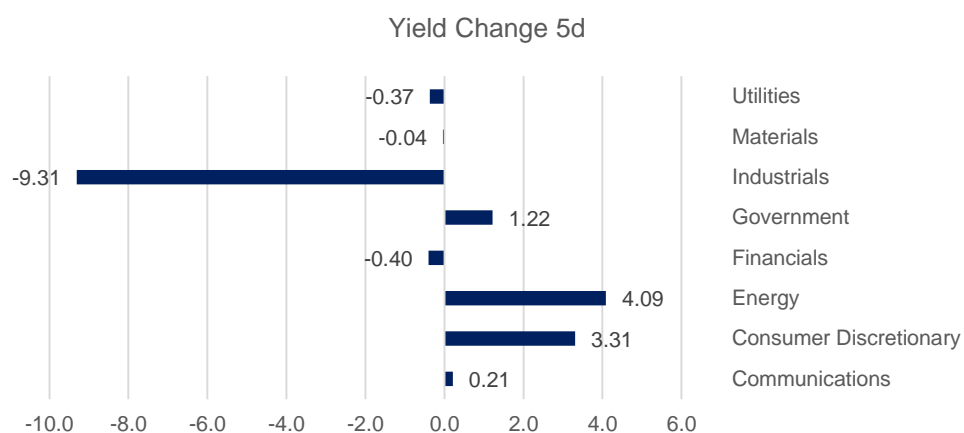
In the primary market, new \$10 billion issue across three tranches by Abu Dhabi government took the YTD total fixed rate dollar denominated issuance in the GCC to \$74 billion. ADGB priced its 5yr, 10yr and 30yr bond tranches at T+65, T+85 and T+130bps respectively from an order book of over \$30 billion.

GCC Bonds – Yield To Workout Change by Country



Source: Bloomberg, Emirates NBD Research

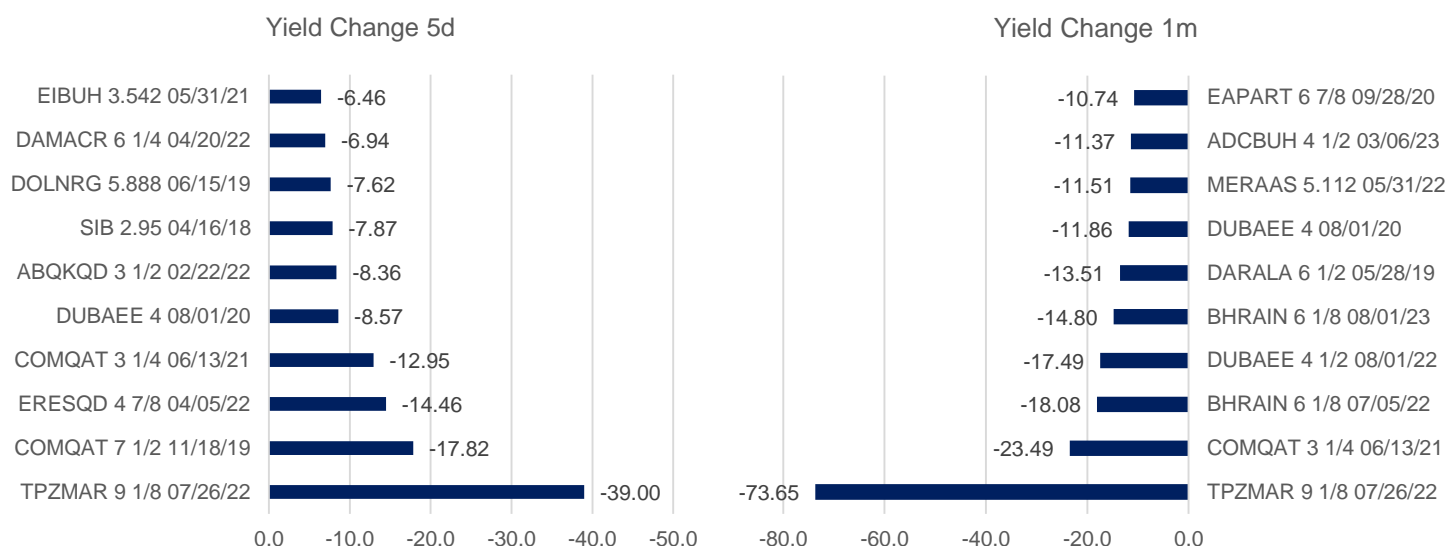
GCC Bonds – Yield To Workout Change by BICS Sector



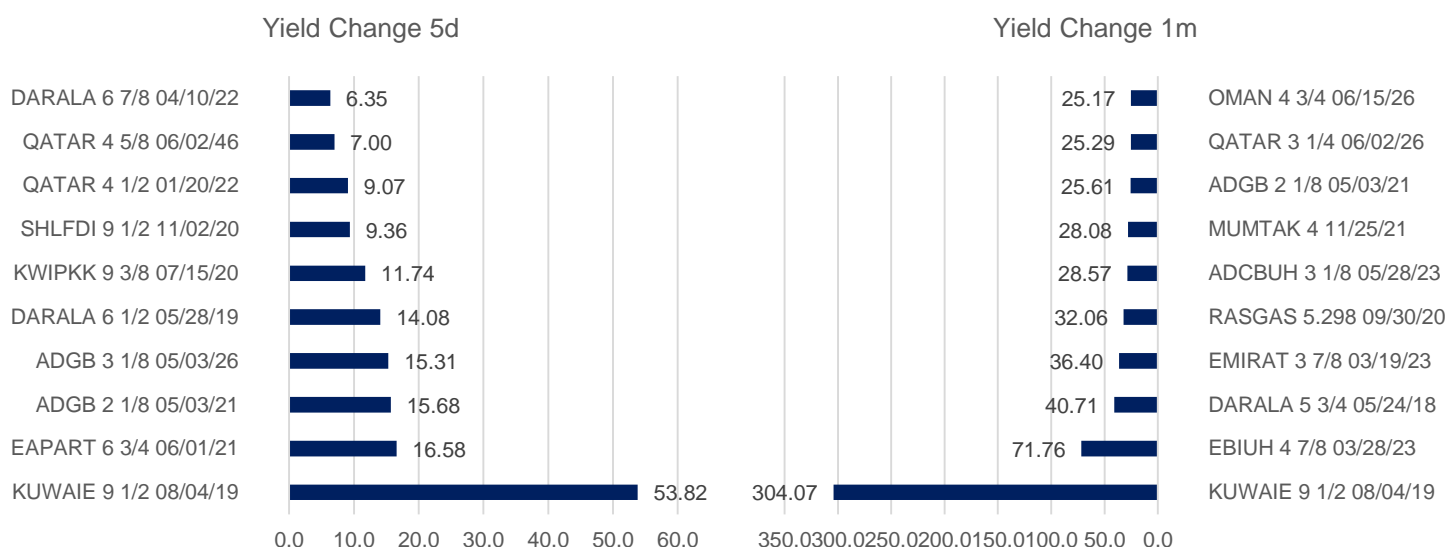
Source: Bloomberg, Emirates NBD Research

Performance

GCC Bonds - Top 10 Yield To Workout Changes



GCC Bonds - Bottom 10 Yield To Workout Changes



Source: Bloomberg, Emirates NBD Research

The scatter plot displays the relationship between the number of countries (X-axis) and the number of regions (Y-axis) for various countries. The X-axis ranges from 0.00 to 18.00, and the Y-axis ranges from 0.00 to 500.00. Data points are labeled with country codes, region counts, and dates. Lines connect some points, indicating a sequence or relationship between them.

Country Code	Regions	Countries	Date
BHRAIN 6	478	12.5	09/19/44
BHRAIN 7	442	7.5	10/12/28
BHRAIN 7	388	6.5	01/26/26
OMAN 6	375	13.5	03/08/47
BHRAIN 6	325	4.5	08/01/23
BHRAIN 5.624	315	7.5	02/12/24
BHRAIN 6	295	5.5	07/05/22
OMAN 4	285	7.0	06/15/26
OMAN 5	275	8.0	03/08/27
BHRAIN 5	200	2.5	03/31/20
OMAN 3	180	4.0	03/08/22
OMAN 3	160	4.0	06/13/21
QATAR 2.099	165	0.5	01/18/18
QATAR 6.55	145	0.5	04/09/19
KSA 2.894	145	3.5	04/20/23
QATAR 5	185	14.5	01/20/42
QATAR 6.4	185	13.5	01/20/40
KSA 4	195	16.5	10/26/46
QATAR 4	185	16.5	05/06/24
QATAR 9	155	8.5	06/15/30
KSA 3.628	155	7.5	04/20/27
RAKS 3.094	115	6.5	03/31/25
KUWIB 3	115	8.0	03/20/27
KSA 3	115	7.5	10/26/26
QATAR 3	115	8.0	06/02/26
QATAR 4	75	5.5	01/20/22
QATAR 3.241	75	6.5	01/18/23
KSA 2	75	3.5	10/26/21
QATAR 2	75	5.5	06/02/21
ADGB 3	85	7.5	05/03/26
ADGB 2	65	1.5	05/03/21
DUGB 4	15	1.5	02/22/19
ADGB 6	35	3.5	03/08/19
DUGB 4	0	1.5	12/31/18

Scatter plot showing the relationship between 10YR TREASURY DURATION (X-axis, 0.00 to 6.00) and 10YR TREASURY YIELD (Y-axis, 0.00 to 350.00). The plot displays various Treasury instruments and their yields over time, illustrating the yield curve's shape and its evolution.

Key data points and labels include:

- QNBK 2 1/8 02/14/18
- ADCBUH 2 1/2 03/06/18
- EBIUH 4 7/8 03/28/23
- QNBK 2 3/4 10/31/18
- QIBKQD 2 1/2 10/10/17
- ADCBUH 3 03/04/19
- FGBUH 2 5/8 02/24/20
- RAKBK 3 1/4 06/24/19
- EBIUH 3 1/4 11/19/19
- ADCBUH 2 5/8 03/10/20
- NBADUH 2 1/4 02/11/20
- COMQAT 2 7/8 06/24/19
- EBIUH 5 3/4 PERP
- NBADUH 5 1/4 PERP
- DIBUH 6 3/4 PERP
- QIBKQD 2.754 10/27/20
- COMQAT 3 1/4 06/13/21
- EIBUH 3.542 05/31/21
- NBADUH 4 02/14/22
- ADCBUH 4 1/2 03/06/23

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