



بنك الإمارات دبي الوطني
Emirates NBD

Credit Weekly

29 October 2017

Anita Yadav
Head of Fixed Income Research
+971 4 230 7630
anitay@emiratesNBD.com

www.emiratesnbdresearch.com

GCC Credit Weekly

Increasing speculation about the next Fed Chair being more hawkish than the current one kept bond investors on the edge during the week. UST yield curve continued to shift upwards even though futures implied probability of rate hikes in 2018 still remain at less than two. Yields on 2yr, 5yr, 10yr and 30yr treasuries closed at 1.59% (+3bps), 2.03% (+3bps), 2.41% (+4bps) and 2.92% (+4bps) respectively.

In contrast, slightly more dovish than expected ECB saw 3bps decline in 10yr Bund yields to 0.38% last week. Also despite the prospect of a rate hike in the UK reaching around 90%, 10yr Gilt yields were lower by 4bps to 1.35% during the week, owing to uncertainties surrounding the long term impact of Brexit on future inflation in the UK.

Credit protection costs were lower in the developed world with CDS levels on US IG and Euro Main narrowing 2bps each to 53bps and 52bps respectively as corporate result announcements were largely positive and oil prices rose circa 5% during the week to \$60.44/b.

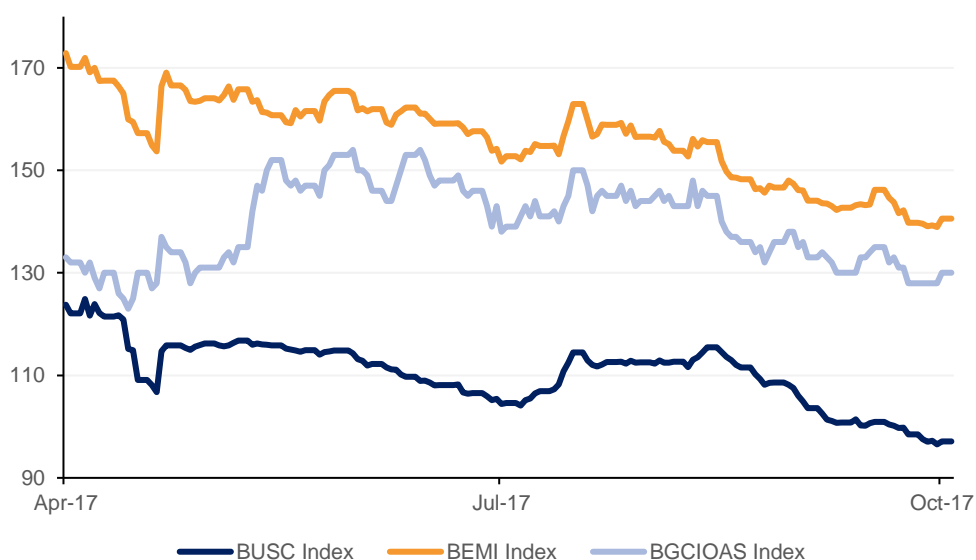
There was no singular trend in the GCC bond market. CDS levels on GCC sovereigns were mixed with those on Abu Dhabi, Kuwait and Saudi Arabia tightening few bps while Bahrain widened by 6bps to 245bps and Qatar and Dubai both widened 2bps each to 148bps and 102bps respectively.

Cash corporate bond investors took the opportunity to take profits amid improved sentiment on the back of rising oil prices, causing most bond prices to fall, albeit modestly. Average yield on Barclays GCC index closed the week at 3.47% (+6bps) and option adjusted credit spreads closed at 130bps (+2bps). GCC bonds underperformed their global counterparts with yield on US IG Bond index climbing only 3bps to 3.20% during the week and that on investment grade emerging market bonds rising an average of 5bps to 3.65% during the week.

First Abu Dhabi Bank (AA-/Aa3) announced 18% decline in 3Q profit mainly as a result of one-time gain in the previous year. Even on a like-for-like basis, the result was below expectations as integration costs were higher than budget and revenue growth suffered due to transitional period to implement merger with FGB being longer and deeper than envisaged earlier. That said, impact on FAB bonds was minimal with FABUH 22s closing the week at yield of 2.94% (+1bp) compared with yield of 2.65% on AA/stable rated ADGB 22s.

Etisalat also announced results, reflecting 3Q net income of AED 2.41 billion on revenue of AED 12.90 billion which had declined 3% y/y. Z-spread on ETISLT 24s tightened 2bps to 82bps though yield widened a bp to 3.03%.

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



Source: Bloomberg, Emirates NBD Research

News about DP World's capital spending is a constant feature in the local news, however one that does not warrant much change in its credit profile. Last week DPWDU announced intention to develop Saudi Arabia's Jeddah port into semi-automatic port. DPWDU 24s were range-bound at yield of 3.38% and Z-spread of 124bps.

ACWA Power International (BBB-/Baa3) plans to spend \$4 billion on renewable energy projects next year, with 80% of the cost coming from debt, thereby increasing the possibility of it tapping capital markets with either bond or sukuk. The company's INTLWT 39s were largely unchanged during the week at yield of 5.67% as benchmark yield widening was counter-balanced by a 4bps tightening in Z-spread to 313bps.

Emaar Properties continued to work towards its aim of completing the IPO of 20% of its Emaar Development business by mid-November. The company expects to raise circa \$1.7 billion which will largely be used to fund dividends to shareholders. Rating agencies expect little change in Emaar's BBB-/Baa3 credit rating. Bonds / sukuk from Emaar have remained well supported with EMAAR 26s closing the week at Z-spread of 152bps (-4bps) and yield of 3.84% (unchanged w/w).

Keeping pace with the YTD total of over \$80 billion issued so far, primary market was active last week as well. Arab Petroleum Investments, APICORP rated Aa3, sold \$500 million in 5yr bonds at MS+100bps against an order book exceeding \$3.6 billion. Also Abu Dhabi Crude Oil, a unit of AA rated and government owned ADNOC, raised \$837 million in 12yr bullet at T+121.5bps and \$2.2 billion in 30 year amortizing bonds at T+165.2bps.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
 General Manager Wholesale Banking
 JonathanM@emiratesnbd.com

Aazar Ali Khwaja
 Group Treasurer & EVP Global Markets & Treasury
 +971 4 609 3000
 aazark@emiratesnbd.com

Tim Fox
 Head of Research & Chief Economist
 +9714 230 7800
 timothyf@emiratesnbd.com

Research

Khatija Haque
 Head of MENA Research
 +9714 230 7803
 khatijah@emiratesnbd.com

Anita Yadav
 Head of Fixed Income Research
 +9714 230 7630
 anitay@emiratesnbd.com

Shady Shafer Elborno
 Head of Macro Strategy
 +9714 2012300
 shadyb@emiratesnbd.com

Aditya Pugalia
 Equity analyst
 +9714 609 3027
 adityap@emiratesnbd.com

Edward Bell
 Commodity Analyst
 +9714 230 7701
 edwardpb@emiratesnbd.com

Mohammed Al-Tajir
 Manager, FX Analytics and Product Development
 +9714 609 3005
 mohammedtaj@emiratesnbd.com

Athanasios Tsetsonis
 Sector Economist
 +9714 230 7629
 athanasios@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
 Tariq Chaudhary
 +971 4 230 7777
 tariqmc@emiratesnbd.com

Saudi Arabia Sales
 Numair Attiyah
 +966 11 282 5656
 numaira@emiratesnbd.com

Singapore Sales
 Supriyakumar Sakhalkar
 +65 65785 627
 supriyakumars@emiratesnbd.com

London Sales
 +44 (0) 20 7838 2241
 vallancel@emiratesnbd.com

Egypt
 Gary Boon
 +20 22 726 5040
 garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
 CEO- Emirates NBD Capital
 AhmedAQ@emiratesnbd.com

Hitesh Asarpota
 Head of Debt Capital Markets.
 +971 50 4529515
 asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
 +9714 230 7805
 patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
 +9714 609 4113
 ibrahims@emiratesnbd.com

Claire Andrea
 +9714 609 4143
 clairea@emiratesnbd.com