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GCC Fixed Income Research

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GCC Bonds and Sukuk Primary Market Analysis H1 2024 Highlights

Terminology and notes to consider before reading this report:

- **GCC:** Gulf Cooperation Council
- **GCC Bonds and Sukuk market includes:**
 - **GCC Sovereign Issuances:** Bonds and Sukuk issued by GCC governments in local or foreign currencies for financing purposes.
 - **GCC Corporate Bonds:** Bonds and Sukuk issued by GCC corporate entities including Financial Institutions (FIs) and Government-Related Entities (GREs).
- This report is based on the dataset sourced from Bloomberg with the following search parameters:
 - maturities greater than 1 year
 - excluding 144A securities
- Several resources were utilized in the drafting of this report; notable sources are Bloomberg, Zawya, rating agencies’ reports and Offering Memorandums.
- Every effort has been made to include and quote the majority of data that is accessible to Markaz.
- All currencies were converted into US Dollars for easy comparison.
- Fixed and floating rate tranches for the same issue are considered as different issuances.

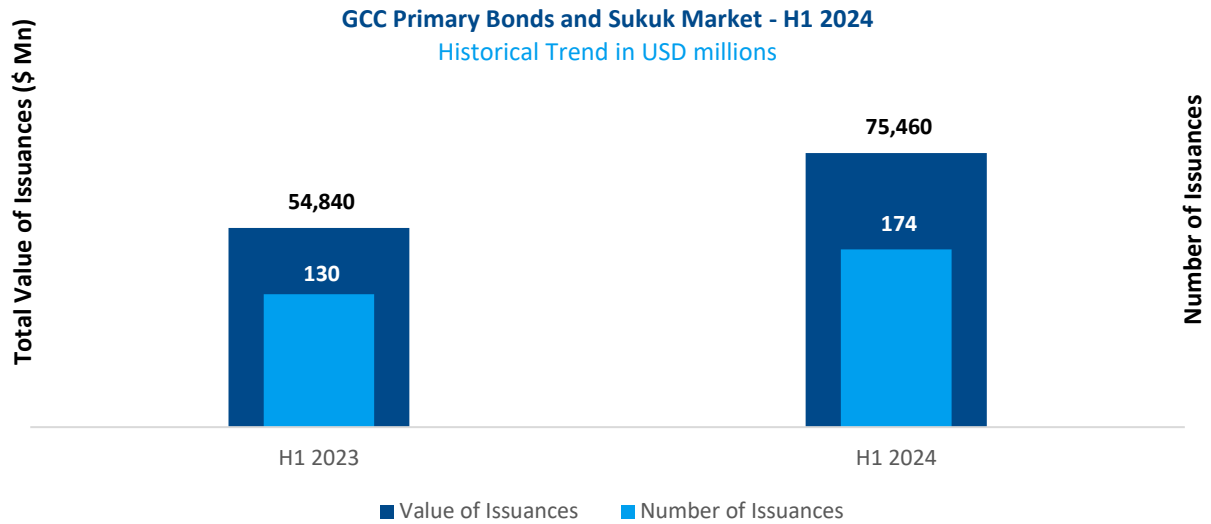
Executive Summary:

The GCC Bonds and Sukuk market primary issuances in H1 2024 raised USD 75.5 billion raised through 173 Sovereign and Corporate issuances, recording a 38% increase from the same period last year. While conventional issuances regained popularity among investors representing 65% of the market worth USD 48.8 billion in in issuances in the first half of 2024 – recording a 56% increase from the same period last year. Sukuk issuances grew 14% totaling USD 26.6 billion in the first half of 2024.

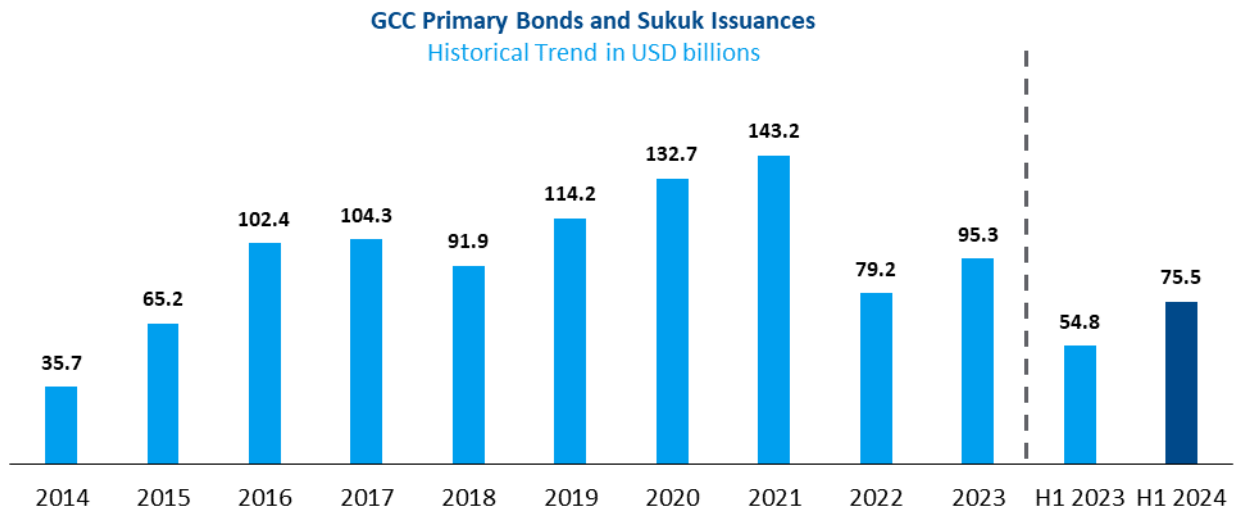
As of 30th June 2024, Saudi Arabia accounted for 49% of outstanding GCC primary issuances. In terms of market performance, the S&P MENA Bond and Sukuk Index posted a total return of -0.25%. Moreover, 5-Year Sovereign CDS spreads experienced mixed performance across GCC countries during H1 2024 with the State of Kuwait recording significant increase in spreads by nearly 39%.

GCC Bonds and Sukuk Primary Market

GCC Bonds and Sukuk primary issuances amounted to USD 75.5 billion during the first half of 2024, which represents an increase of 38% from USD 54.8 billion raised during H1 2023. The total number of primary issuances during H1 2024 was 173 issuances compared to 130 during H1 2023.



Source: Bloomberg, Markaz Analysis

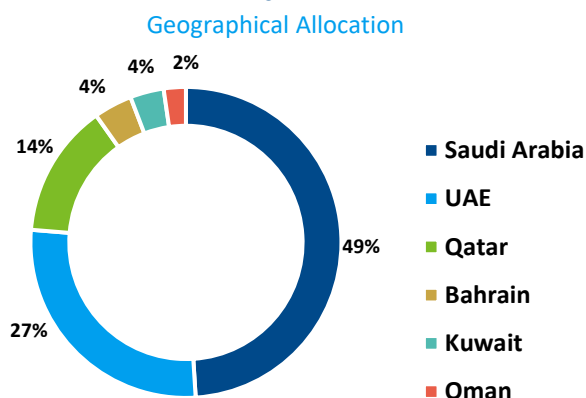


Source: Bloomberg, Markaz Analysis

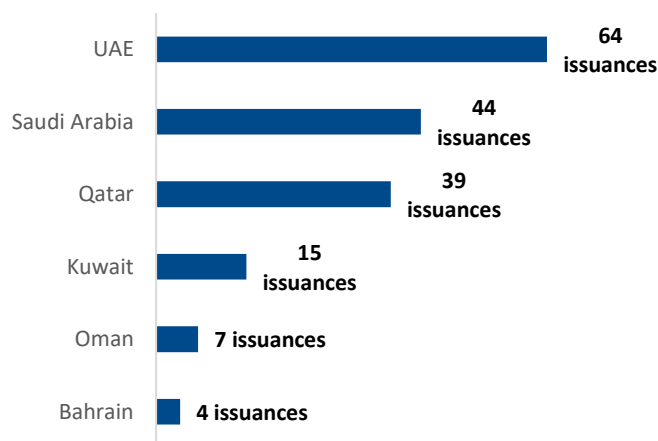
Geographical Allocation

Saudi Arabian entities were the leading issuers in the GCC during H1 2024, raising a total of USD 37.0 billion through 44 issuances (H1 2023: USD 32.9 billion through 37 issuances), representing 49% of the total value of primary GCC Bonds and Sukuk issuances. UAE second in terms of value raised USD 20.6 billion through 65 issuances during the first half (H1 2023: USD 15.4 billion through 58 issuances), representing 27% of the total value of primary GCC Bonds and Sukuk issuances.

GCC Primary Bonds and Sukuk Issuances - H1 2024



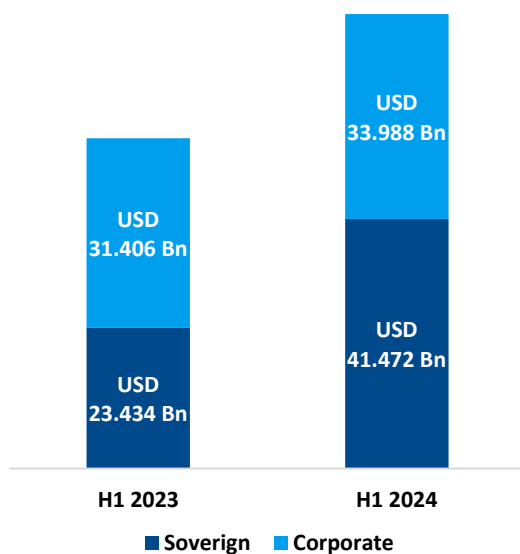
GCC Bonds and Sukuk Market - H1 2024
Number of Primary Issuances by Country



Source: Bloomberg, Markaz Analysis

Qatar entities were the third largest issuers in terms of value within the GCC during H1 2024 with USD 10.5 billion (H1 2023: USD 2.0 billion), recording a 416% increase from H1 2023. Bahraini Entities raised USD 3.0 billion during the first half of 2024 through 4 issuances representing 4% of the market. Omani Entities raised USD 1.7 billion representing 2% of the market and Kuwaiti Entities raised a total of USD 2.6 billion (H1 2023: USD 0.3 billion) through 15 issuances recording a 791% increase from H1 2023 and representing 4% of the market.

Sovereign vs. Corporate



While 2023 was a noteworthy year for GCC Corporate issuances, the first half of 2024 saw increased appetite for Sovereign issuances.

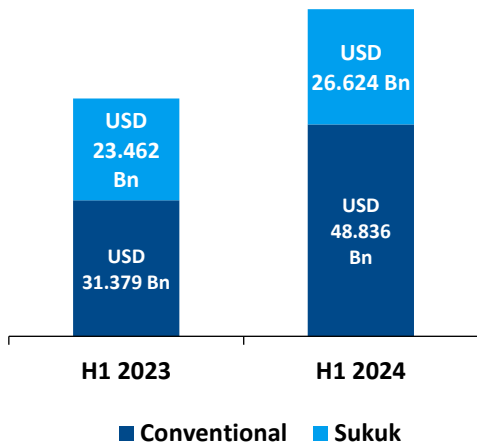
Total GCC Sovereign primary issuances increased 77% in H1 2024 compared to the same period in 2023 to reach USD 41.5 billion (H1 2023: 23.4 billion). The largest sovereign issuance in the GCC was by the Saudi Government with a USD 5.0 billion sukuk. Kuwait did not issue any sovereign bonds during H1 2024.

Total GCC Corporate primary issuances increased 8% during H1 2024 to reach USD 34.0 billion (H1 2023: USD 31.4 billion) where government related entities constituted 22% of corporate issuances or 9.1 billion.

The GCC country with the highest value of corporate issuances was the UAE with USD 12.8 bn, whereas the single largest corporate issuance was by Saudi's Public Investment Fund with a value of USD 1.8 billion.

Conventional vs. Sukuk

GCC Primary Bonds and Sukuk Issuances - H1 2024
in USD Billions



Sukuk issuances rose during H1 2024 with a 14% increase compared to H1 2023. Through 31 issuances, Sukuks in the region raised USD 26.6 billion.

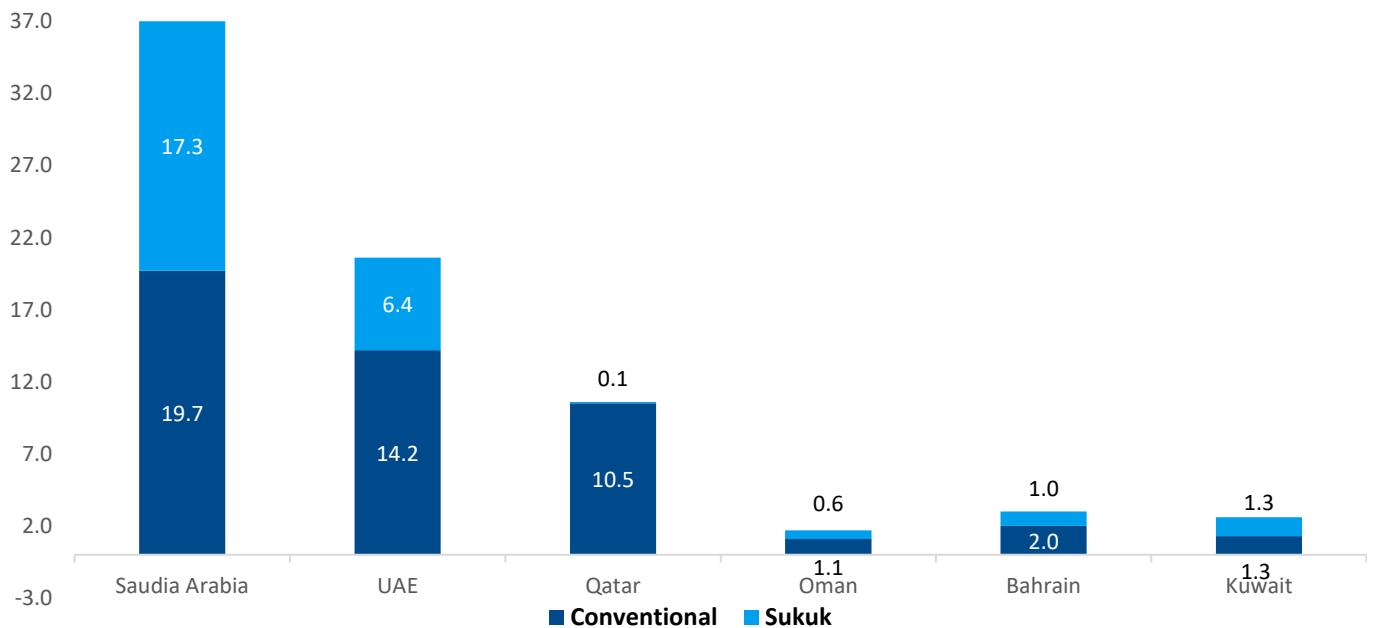
The largest sukuk issuance was by the Saudi Government with an issue size of USD 5.0 billion.

On the other hand, GCC Conventional issuances in H1 2024 amounted to USD 48.8 billion, an increase of 56% from the same period last year.

The largest single issue of a conventional bond in H1 2024 was by the Saudi Government with a total value of USD 4.8 billion.

Source: Bloomberg, Markaz Analysis

GCC Primary Debt Bonds and Sukuk Issuances - H1 2024
in USD Billion



Source: Bloomberg, Markaz Analysis

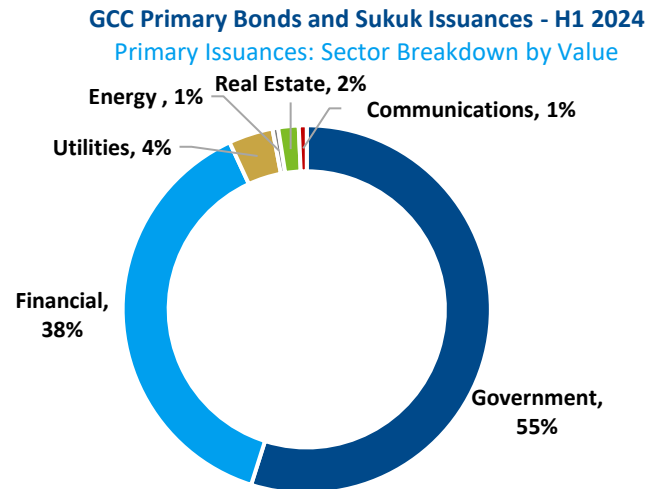
Sector Allocation

A total of USD 41.5 billion was raised by government entities in H1 2024, constituting 55% of the total value of GCC primary issuances through 29 issuances.

This was followed by the financial sector with issuances worth a total value of USD 28.8 billion, constituting 38% of total issuances.

This was followed by the Utilities sector with a total value of USD 2.9 billion through 5 issuances during the first half of 2024 and representing 4% of the market.

The Financial sector led the market in terms of the number of issuances during H1 2024 with 133 primary issuances, followed by the Government sector with 29 issuances.

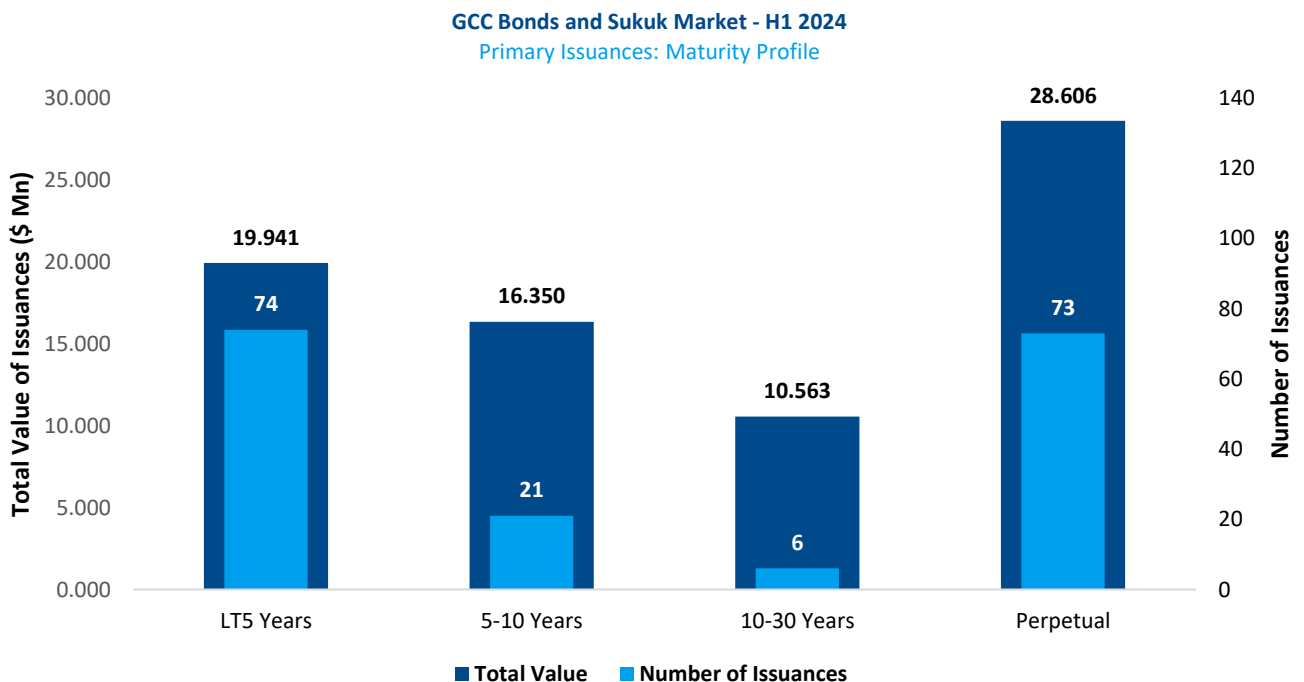


Source: Bloomberg, Markaz Analysis

Maturity Profile

In the first half of 2024, perpetual primary issuances represented 38% of the GCC debt capital markets with total value that amounted to USD 28.6 billion through 73 issuances.

Primary issuances with less than (“LT”) 5-year tenors came in second, representing 26% of the GCC debt capital markets with total value that amounted to USD 19.9 billion through 74 issuances. Issuances with 5-10 year tenors followed, raising total USD 16.4 billion through 21 issuances in H1 2024 representing 22% of GCC primary issuances. Additionally, primary issuances with 10-30 year tenors raised a total value of USD 10.6 billion through 6 issuances.

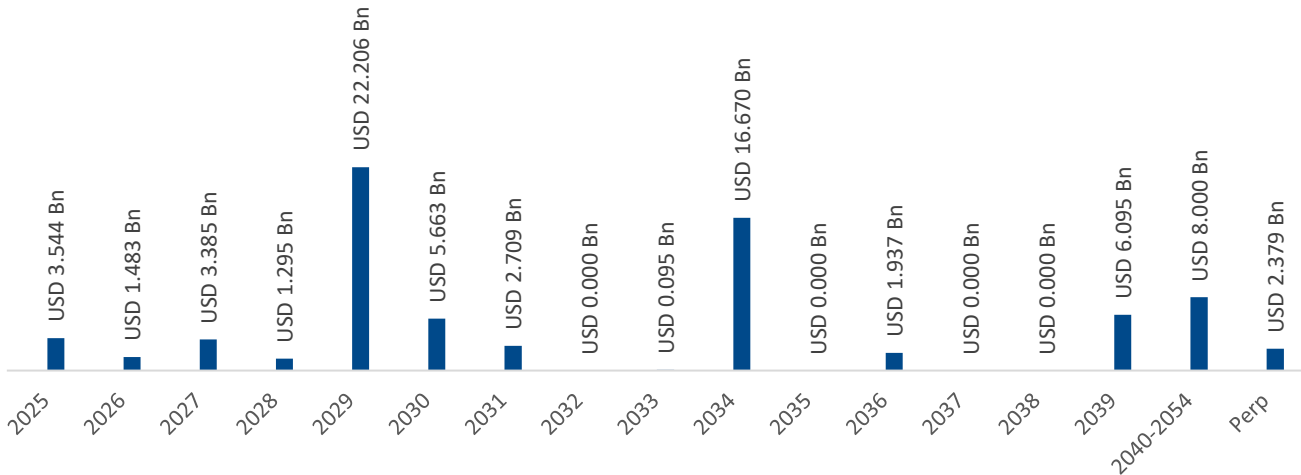


Source: Bloomberg, Markaz Analysis

Based on issuances in H1 2024, the GCC market is expected to witness elevated levels of redemptions and potential refinancing during the period from 2029 to 2034 compared to the years prior as issuances amounting to 47.3 bn are expected to mature during the said period.

GCC Bonds and Sukuk Market - H1 2024

Outstanding Amount: Maturity

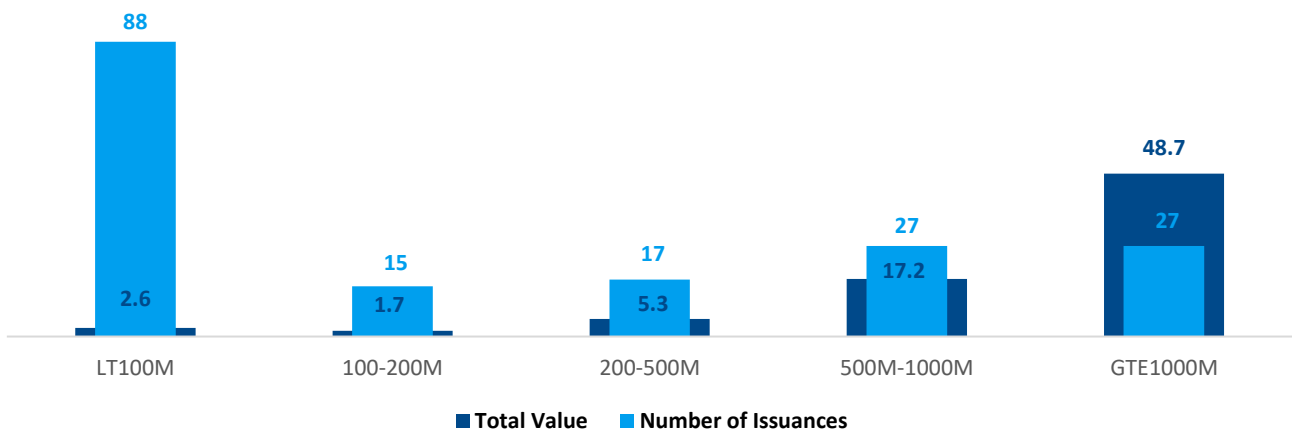


Source: Bloomberg, Markaz Analysis

Issue Size Profile

GCC Bonds and Sukuk Market - H1 2024

Primary Issuances: Size Breakdown



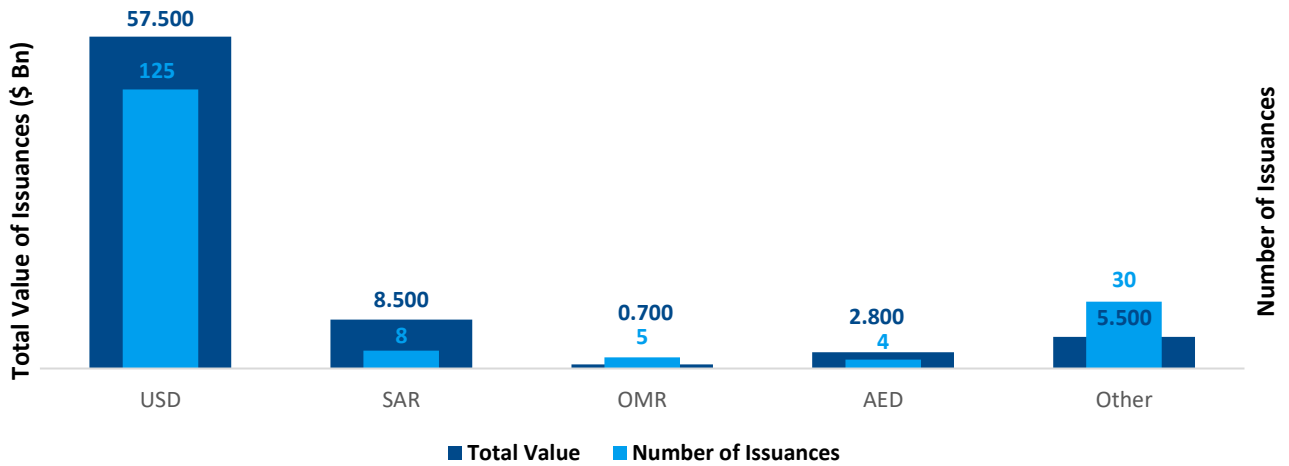
Source: Bloomberg, Markaz Analysis

During H1 2024, primary issuances ranged in issue size from USD 545.5 thousand to USD 5.0 billion. Issuances with issue size of USD 1 billion or greater raised the largest amount, totaling USD 48.7 billion through 27 issuances in H1 2024 and representing 65% of the total amount issued in the GCC.

The highest number of issuances was under USD 100 million issue size, where there were 88 issuances that raised a total amount of USD 2.6 billion during H1 2024.

Currency Profile

GCC Bonds and Sukuk Market - H1 2024
Primary Issuances: Issue Currency

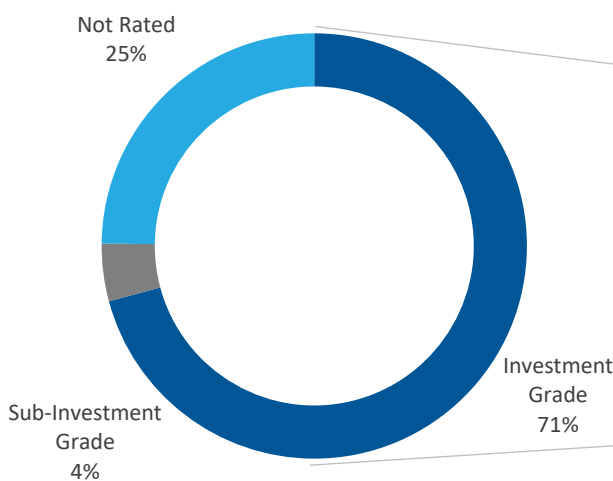


Source: Bloomberg, Markaz Analysis

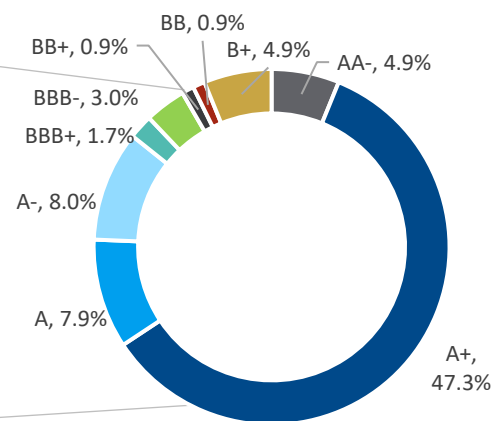
US Dollar-denominated issuances led the GCC Bonds and Sukuk market in H1 2024, raising a total of USD 57.5 billion through 125 issuances, representing a substantial 76% of the total value raised in primary issuances in the GCC. The second largest issue currency was the Saudi Riyal (SAR), where SAR denominated issuances raised a total of USD 8.5 billion through 8 issuances.

Credit Rating

GCC Bonds and Sukuk Market – h1 2024
Investment Grade-Rated Issuances



GCC Bonds and Sukuk Market – H1 2024
Investment Grade-Rated Issuances

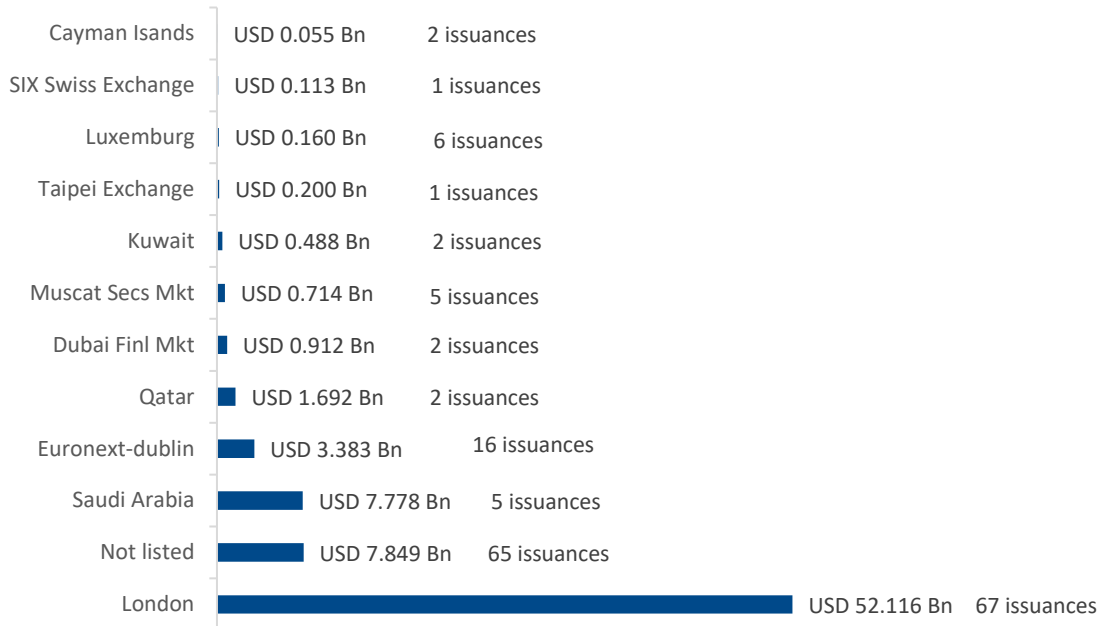


Source: Bloomberg, Markaz Analysis

In terms of value, a total of 75% of GCC Conventional and Sukuk bonds were rated in H1 2024 by either one of the following rating agencies: Standard & Poor’s, Moody’s, Fitch and/or Capital Intelligence, as compared to 85% during the same period last year. Issuances rated within the Investment Grade accounted for 71% of the total issuances in the first half of 2024.

Listing Exchange

GCC Bonds and Sukuk Market - H1 2024
Primary Issuances: Listing Exchange

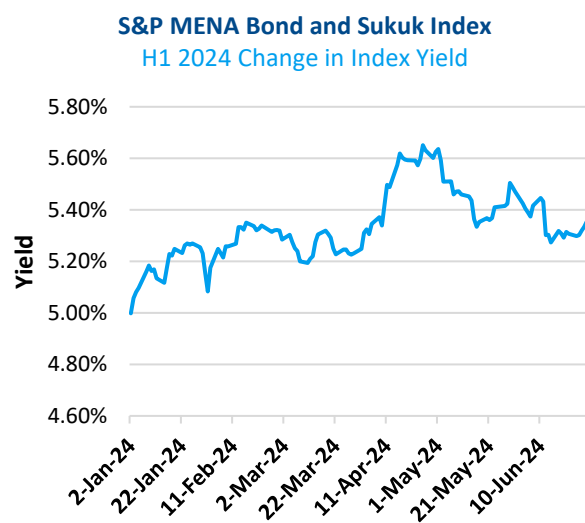
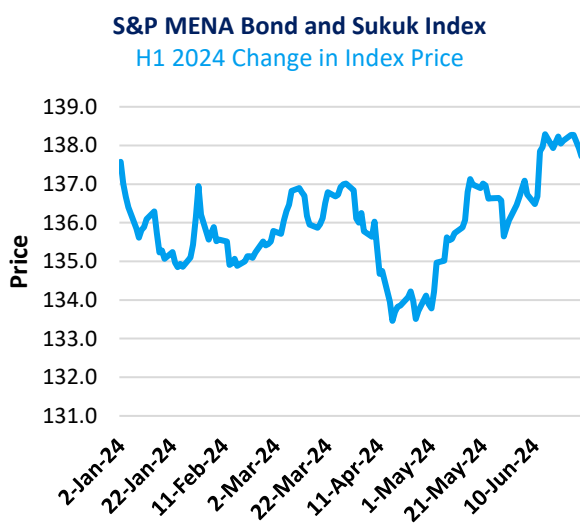


Source: Bloomberg, Markaz Analysis

London was the most preferred listing exchange during H1 2024 with listed value of GCC primary issuances, totaling USD 52.1 billion through 67 issuances. Saudi Arabia was the second most popular exchange market for GCC primary issuances, with total value of USD 7.8 billion listed in the first half of 2024.

GCC Bonds and Sukuk Market – Market performance H1 2024

The S&P MENA Bond and Sukuk Index posted a total return of -0.25% during the first half of 2024 where the index price decreased from 138.10 as of 31st December 2023 to 137.72 on 28th June 2024. The index recorded its lowest value on the 16th of April 2024 reaching 133.46, whereas the highest value recorded during H1 2024 was on the 14th of June at 138.29.



Source: S&P MENA Bond and Sukuk Index, Bloomberg, Markaz Analysis

The index yield at the start of the year was 5.00% and ended the first half at 5.35%. The maximum yield recorded on the S&P MENA Bond and Sukuk Index during H1 2024 was 5.65% on the 25th of April 2024, while the minimum yield recorded was 5.00% on 2nd January 2024.

Credit Default Swaps (CDS)

During H1 2024, the 5-Year sovereign CDS spreads for all GCC countries experienced mixed performance, where Qatar, Bahrain, and Oman narrowed by 3.8%, 8.5%, and 14.5% respectively. On the other hand, Kuwait widened by 38.6%, Saudi Arabia by 5.8%, Abu Dhabi by 5.0% and Dubai by 2.7%. At the end of the first half, the GCC country with the lowest 5-Year CDS spread was Qatar, whereas the highest was Bahrain.

The Emirate of Abu Dhabi and Qatar continue to maintain the highest sovereign credit ratings among peers in the GCC region.

GCC 5Y Sovereign CDS Spread and Credit Rating – H1 2024

Country	31/12/2023 CDS (Bps)	30/06/2024 CDS (Bps)	YTD % Change	Sovereign Credit Ratings		
				S&P	Moody's	Fitch
Abu Dhabi	41.62	43.70	5%	AA	Aa2	AA
Qatar	45.05	43.34	-4%	AA	Aa2	AA
Kuwait	45.53	63.12	39%	A+	A1	AA-
Saudi Arabia	52.66	55.70	6%	Au	A1	A+
Oman	116.94	99.99	-15%	BB+	Ba1	BB+
Bahrain	205.24	187.85	-9%	B+	B2	B+
Dubai	63.23	64.93	3%	-	-	-

Source: Bloomberg, Markaz Analysis

Appendix 1: Key GCC Sovereign and Corporate Bonds and Sukuk Issuances in H1 2024

Type	Issuer	Security Description	Country	Issue Date	Maturity Date	Issue Size (US\$ mn)	Coupon Rate	Sector	Rating
Sukuk	SAUDI GOVERNMENT SUKUK	KSASUK Float 05/27/39	Saudi Arabia	27/05/2024	27/05/2039	5,024	6.20%	Government	-/-/-
Conventional	SAUDI INTERNATIONAL BOND	KSA 5 3/4 01/16/54	Saudi Arabia	16/01/2024	16/01/2054	4,750	5.75%	Government	-/A1/A+
Conventional	SAUDI INTERNATIONAL BOND	KSA 5 01/16/34	Saudi Arabia	16/01/2024	16/01/2034	4,000	5.00%	Government	-/A1/A+
Conventional	SAUDI INTERNATIONAL BOND	KSA 4 3/4 01/16/30	Saudi Arabia	16/01/2024	16/01/2030	3,250	4.75%	Government	-/A1/A+
Conventional	GACI FIRST INVESTMENT	PIFKSA 5 1/4 01/29/34	Saudi Arabia	29/01/2024	29/01/2034	1,750	5.25%	Financial	-/A1/A+
Conventional	GACI FIRST INVESTMENT	PIFKSA 5 01/29/29	Saudi Arabia	29/01/2024	29/01/2029	1,750	5.00%	Financial	-/A1/A+
Conventional	GACI FIRST INVESTMENT	PIFKSA 5 3/8 01/29/54	Saudi Arabia	29/01/2024	29/01/2054	1,500	5.38%	Financial	-/A1/A+
Sukuk	SAUDI ELECTRICITY SUKUK	SECO 5.194 02/13/34	Saudi Arabia	13/02/2024	13/02/2034	1,400	5.19%	Utilities	(P)A/A1/-
Conventional	ADU DHABI INTERNATIONAL	ADGB 4 7/8 04/30/29	UAE	30/04/2024	30/04/2029	1,750	4.88%	Government	AA-/AA
Sukuk	ABU DHABI DEVELOPMENT HOUSING	ABQABU 5 3/8 05/08/29	UAE	08/05/2024	08/05/2029	1,250	5.38%	Government	-/Aa2/AA
Conventional	QATAR GOVT BOND	QATGB 4 1/2 01/16/29	Qatar	16/01/2024	16/01/2029	1,336	4.50%	Government	-/-/-
Conventional	QNB FINANCE LTD	QNBK 4 7/8 01/30/29	Qatar	30/01/2024	30/01/2029	1,000	4.88%	Financial	A+/Aa3/A
Sukuk	CBB INTL SUKUK PROG WLL	BHRAIN 6 02/12/31	Bahrain	12/02/2024	12/02/2031	1,000	6.00%	Government	B+/-/B+
Conventional	KINGDOM OF BAHRAIN	BHRAIN 7 1/2 02/12/36	Bahrain	12/02/2024	12/02/2036	1,000	7.50%	Government	B+/-/B+
Sukuk	KFH SUKUK CO	KFHKK 5.011 01/17/29	Kuwait	17/01/2024	17/01/2029	1,000	5.01%	Financial	-/-/-

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