

April 2024:
GCC Fixed Income Research

Markaz Research is available on
Bloomberg
Type “MRKZ” <Go>

Authors:
Fixed Income Team
FixedIncome@markaz.com

Kuwait Financial Centre “Markaz”
P.O. Box 23444, Safat 13095, Kuwait
Tel: +965 2224 8000
Fax: +965 2242 5828
markaz.com

GCC Bonds and Sukuk Primary Market Analysis Q1 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.

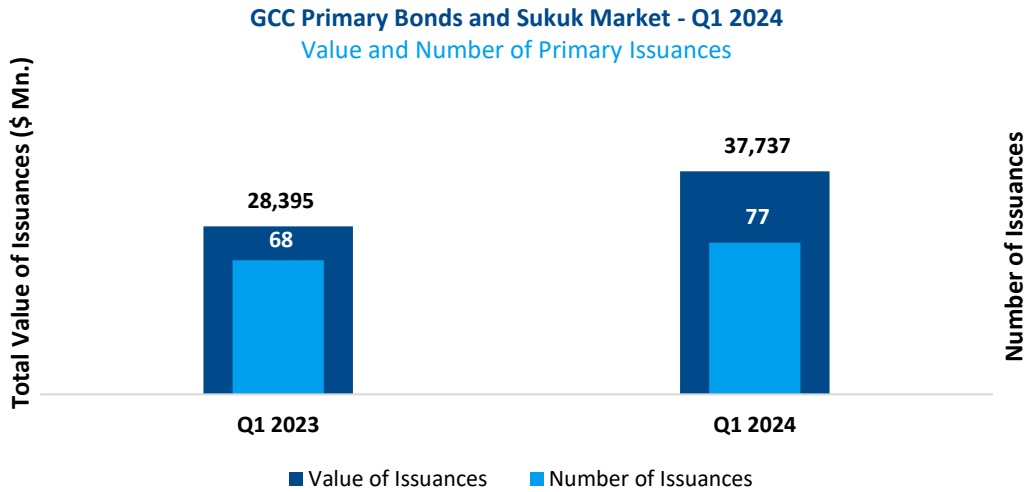
Executive Summary:

The GCC Bonds and Sukuk market primary issuances in Q1 2024 raised USD 37.737 billion raised through 77 Sovereign and Corporate issuances, recording a 33% increase from the same period last year. While conventional issuances remained popular amongst investors representing 74% of the market, demand for sukuks has increased significantly with USD 9.854 billion worth of issuances in the first quarter of 2024 – an 88% increase from the same period last year.

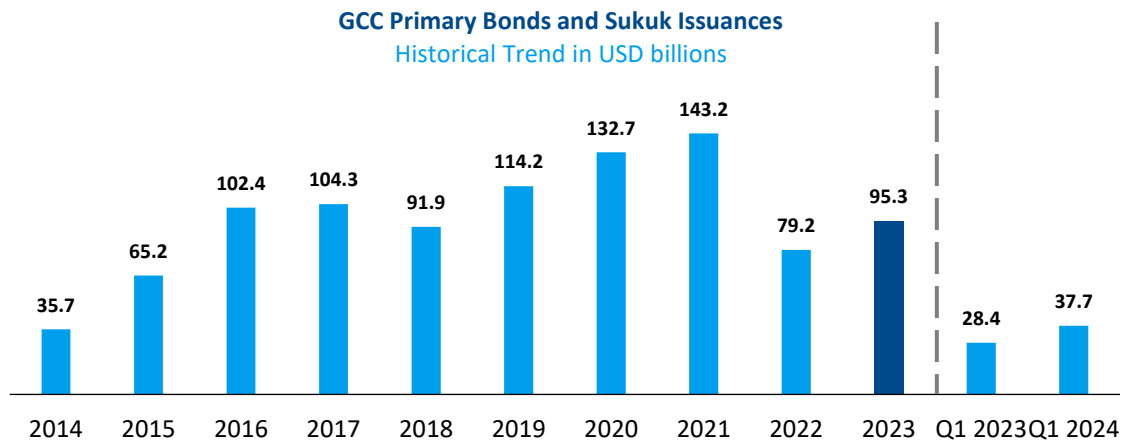
As of 31st March 2024, Saudi Arabia accounted for 62% of outstanding GCC primary issuances. In terms of market performance, the S&P MENA Bond and Sukuk Index posted a total return of -0.76%. Moreover, 5-Year Sovereign CDS spreads experienced mixed performance across GCC countries during Q1 2024 with the State of Kuwait recording significant increase in spreads by nearly 28%.

GCC Bonds and Sukuk Primary Market

GCC Bonds and Sukuk primary issuances amounted to USD 37.737 billion during the first quarter of 2024, which represents an increase of 33% from USD 28.395 billion raised during Q1 2023. The total number of primary issuances during Q1 2024 was 77 issuances compared to 68 during Q1 2023.



Source: Bloomberg, Markaz Analysis

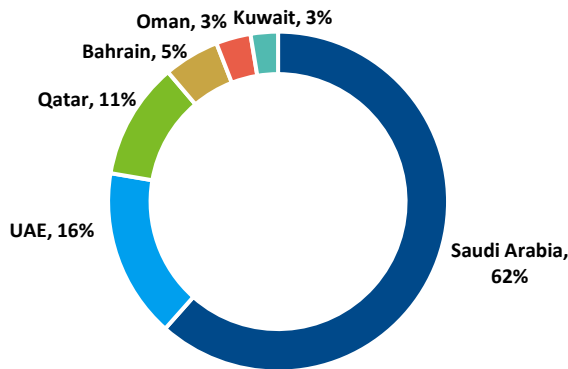


Source: Bloomberg, Markaz Analysis

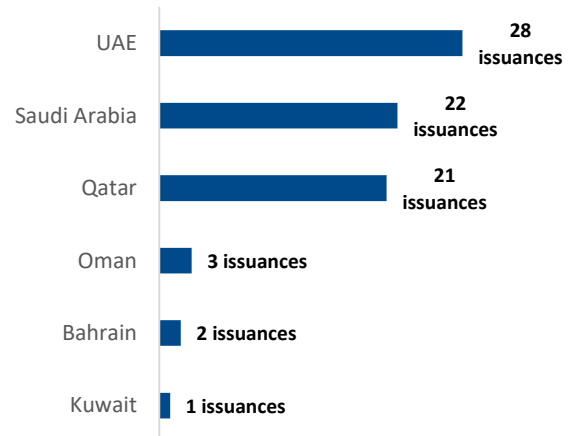
1.1.1 Geographical Allocation

Saudi Arabian entities were the leading issuers in the GCC during Q1 2024, raising a total of USD 23.203 billion through 22 issuances (Q1 2023: USD 21.351 billion through 21 issuances), representing 62% of the total value of primary GCC Bonds and Sukuk issuances. UAE second in terms of value raised USD 6.236 billion through 28 issuances during the quarter (Q1 2023: USD 5.664 billion), representing 16% of the total value of primary GCC Bonds and Sukuk issuances.

GCC Primary Bonds and Sukuk Issuances - Q1 2024
Geographical Allocation by Value

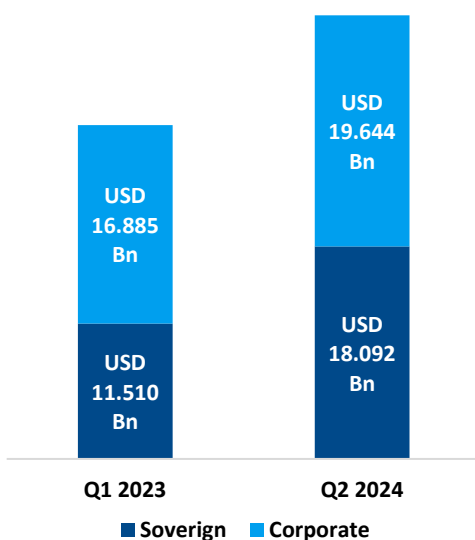


GCC Bonds and Sukuk Market - Q1 2024
Number of Primary Issuances by Country



Qatar entities were the third largest issuers in terms of value within the GCC during Q1 2024 with USD 4.188 billion (Q1 2023: USD 1.120 billion), recording more than 273% increase. Bahraini Entities closely followed raising USD 2.000 billion during the quarter through 2 issuances representing 5% of the market. Omani Entities raised USD 1.260 billion representing 3% of the market and Kuwaiti Entities raised a total of USD 1.000 billion (Q1 2023: USD 0.261 billion) through 1 issuance representing 3% of the market.

1.1.2 Sovereign vs. Corporate



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

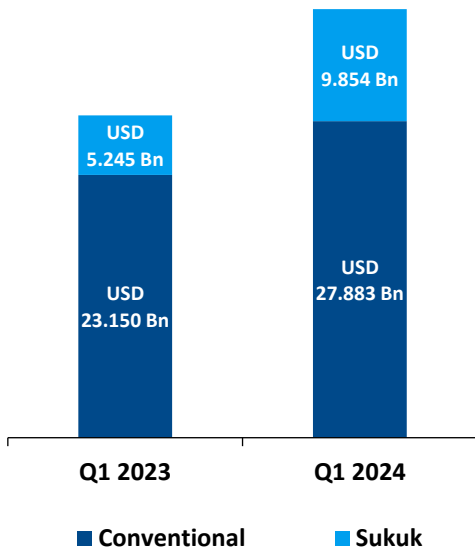
Total GCC Sovereign primary issuances increased 57.2% in Q1 2024 compared to the same period in 2023 to reach USD 18.092 billion (Q1 2023: 11.510 billion). The largest sovereign issuance in the GCC was by the Saudi Government with a USD 4.750 billion conventional bond. Kuwait did not issue any sovereign bonds during Q1 2024.

Total GCC Corporate primary issuances increased 16.3% during Q1 2024 to reach USD 19.644 billion (Q1 2023: USD 16.885 billion) where government related entities constituted 31.5% of issuances or 6.200 billion.

The GCC country with the highest value of corporate issuances was Saudi Arabia with USD 9.825 bn, whereas the single largest corporate issuance was by Saudi’s Public Investment Fund with a value of USD 1.750 billion.

Source: Bloomberg, Markaz Analysis

1.1.3 Conventional vs. Sukuk



Sukuk issuances rose during Q1 2024 with an 87.9% increase compared to the same quarter last year. Through 14 issuances, Sukuks in the region raised USD 9.854 billion.

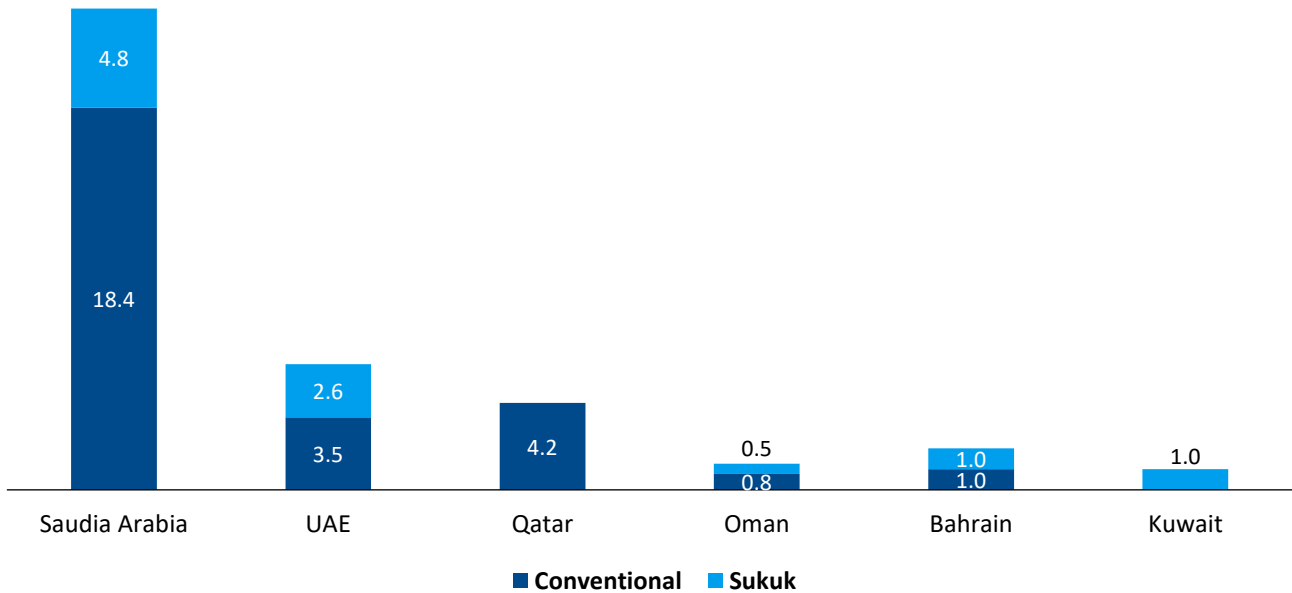
The largest sukuk issuance was Saudi Electricity Sukuk with an issue size of USD 1.400 billion.

On the other hand, GCC Conventional issuances in Q1 2024 amounted to USD 27.883 billion, an increase of 20.4% from the same period last year.

The largest single issue of a conventional bond in Q1 2024 was by the Saudi Government with a total value of USD 4.750 billion.

Source: Bloomberg, Markaz Analysis

GCC Primary Debt Bonds and Sukuk Issuances - Q1 2024 in USD Billion



Source: Bloomberg, Markaz Analysis

1.1.4 Sector Allocation

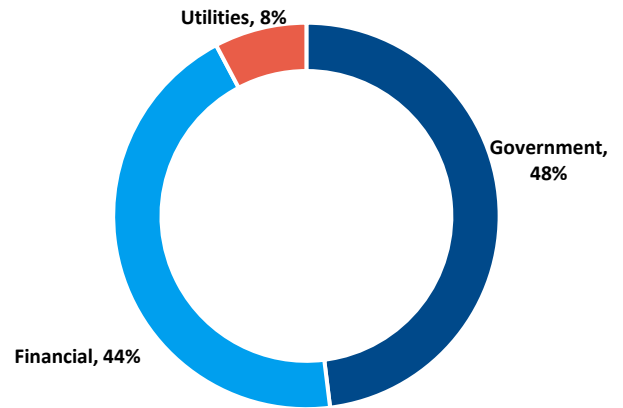
A total of USD 18.092 billion was raised by government entities in Q1 2024, constituting 48% of the total value of GCC primary issuances through 11 issuances.

This was followed by the financial sector with issuances worth a total value of USD 16.711 billion, constituting 44% of total issuances.

This was followed by the Utilities sector with a total value of USD 2.933 billion through 3 issuances during the quarter and representing 8% of the market.

The Financial sector led the market in terms of the number of issuances during Q1 2024 with 62 primary issuances, followed by the Government sector with 11 issuances.

GCC Primary Bonds and Sukuk Issuances - Q1 2024
Primary Issuances: Sector Breakdown by Value



Source: Bloomberg, Markaz Analysis

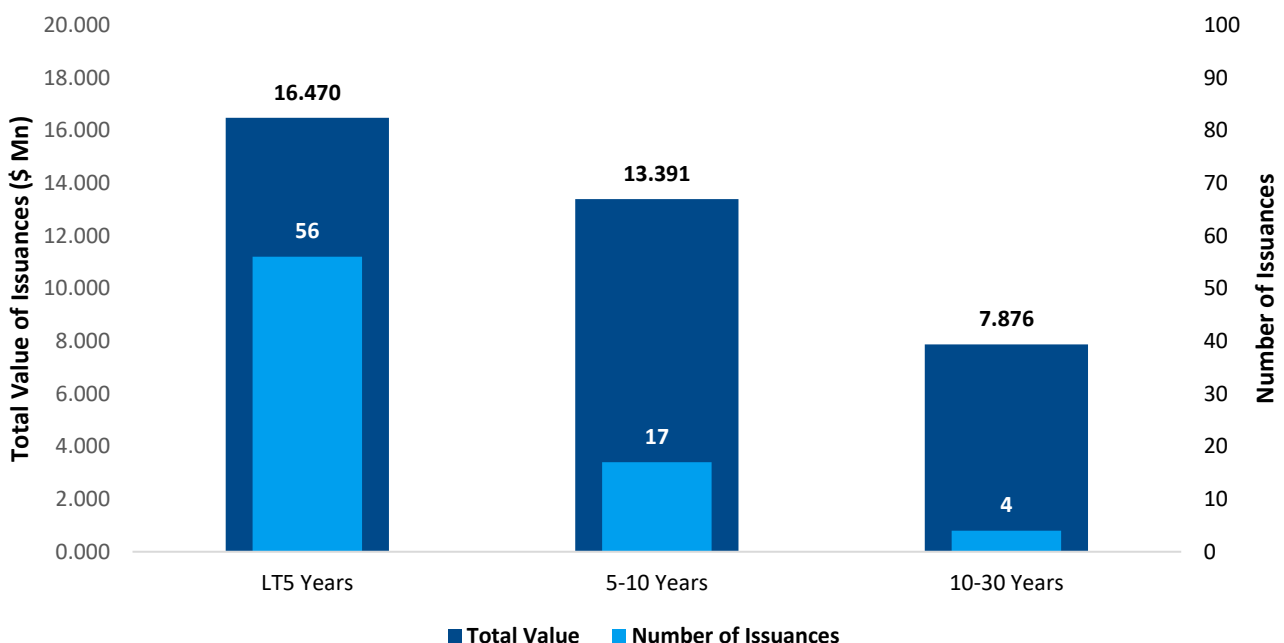
1.1.5 Maturity Profile

In the first quarter of 2024, Primary issuances with less than (“LT”) 5-year tenors represented 44% of the GCC debt capital markets with total value that amounted to USD 16.470 billion through 56 issuances.

Issuances with 5-10 year tenors came in second, raising total value of USD 13.391 billion through 17 issuances in Q1 2024 representing 36% of GCC primary issuances. Additionally, primary issuances with 10-30 year tenors raised a total value of USD 7.876 billion through 4 issuances.

There has been no perpetual bond issuances in the first quarter of 2024.

GCC Bonds and Sukuk Market - Q1 2024
Primary Issuances: Maturity Profile

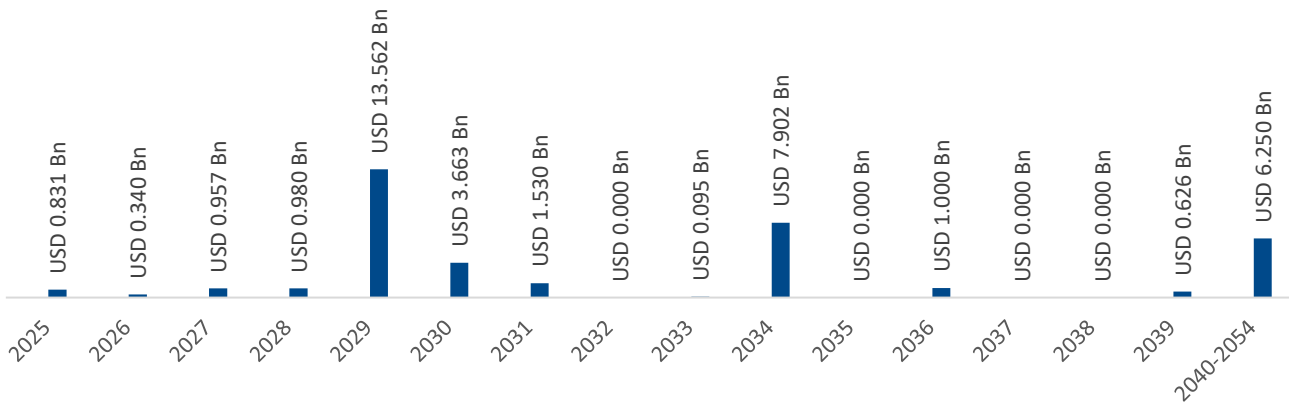


Source: Bloomberg, Markaz Analysis

Based on issuances in Q1 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 nearly USD 26.753 bn are expected to mature during the said period.

GCC Bonds and Sukuk Market - Q1 2024

Outstanding Amount: Maturity

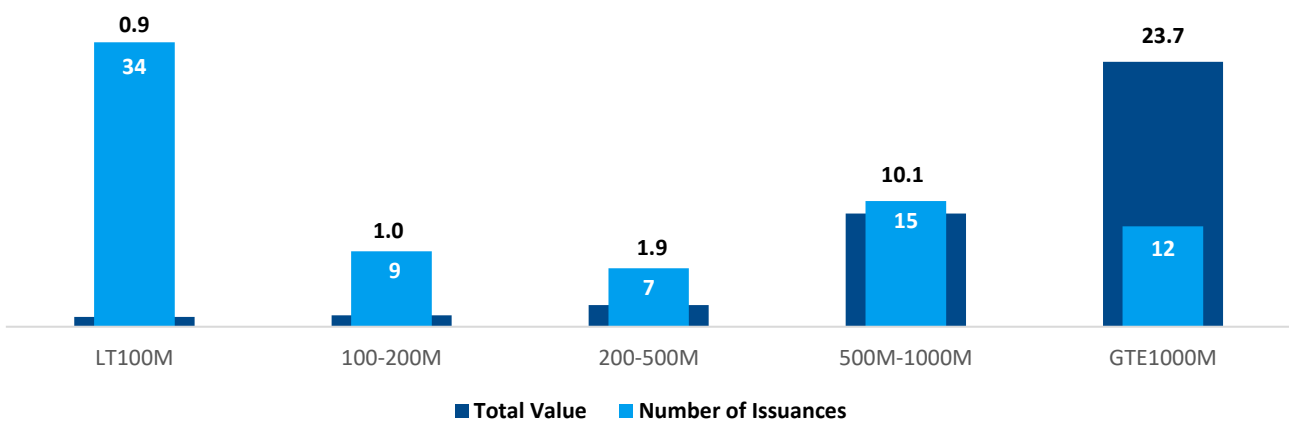


Source: Bloomberg, Markaz Analysis

1.1.6 Issue Size Profile

GCC Bonds and Sukuk Market - Q1 2024

Primary Issuances: Size Breakdown



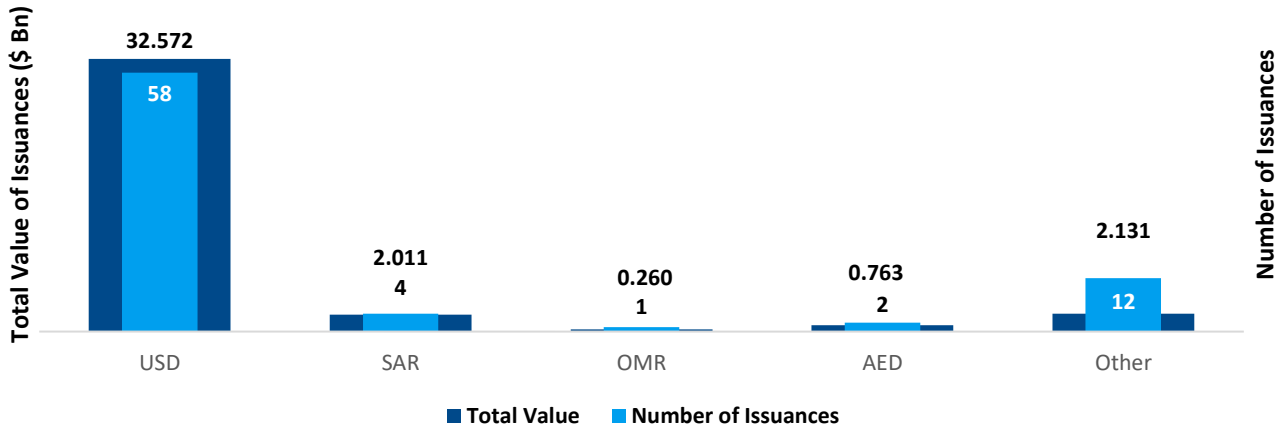
Source: Bloomberg, Markaz Analysis

During Q1 2024, primary issuances ranged in issue size from USD 4.000 million to USD 4.750 billion. Issuances with issue size of USD 1 billion or greater raised the largest amount, totaling USD 23.736 billion through 12 issuances in the quarter and representing 63% of the total amount issued in the GCC.

The highest number of issuances was under USD 100 million issue size, where there were 34 issuances that raised a total amount of USD 877 million during Q1 2024.

1.1.7 Currency Profile

GCC Bonds and Sukuk Market - Q1 2024
Primary Issuances: Issue Currency

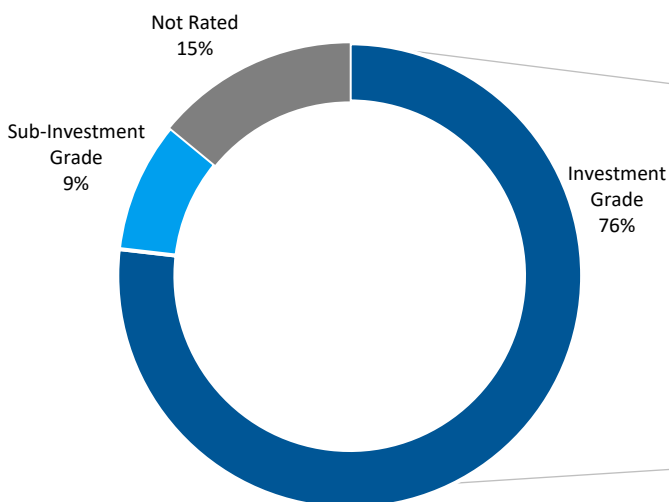


Source: Bloomberg, Markaz Analysis

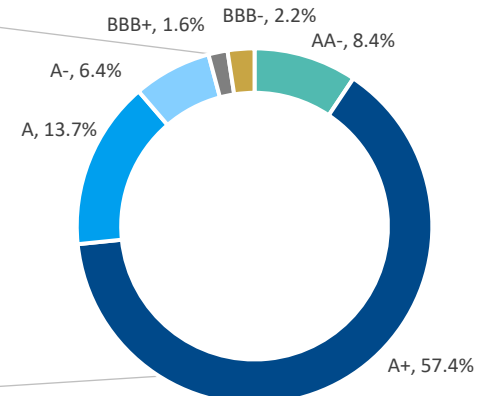
US Dollar-denominated issuances led the GCC Bonds and Sukuk market in Q1 2024, raising a total of USD 32.572 billion through 58 issuances, representing a substantial 86% of the total value raised in primary issuances in the GCC. The second largest issue currency was the Saudi Riyal (SAR), where SAR denominated issuances raised a total of USD 2.011 billion through 4 issuances.

1.1.8 Credit Rating

GCC Bonds and Sukuk Market - Q1 2024
Primary Issuances: Credit Rating



GCC Bonds and Sukuk Market – Q1 2024
Investment Grade-Rated Issuances

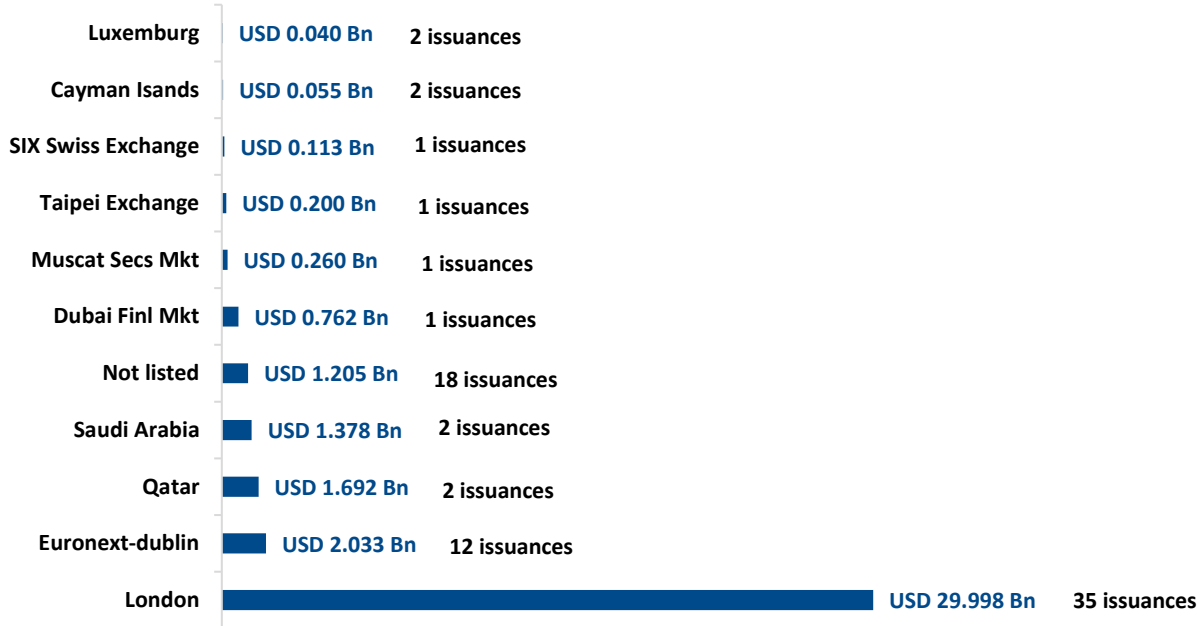


Source: Bloomberg, Markaz Analysis

In terms of value, a total of 85% of GCC Conventional and Sukuk bonds were rated in Q1 2024 by either one of the following rating agencies: Standard & Poor’s, Moody’s, Fitch and/or Capital Intelligence, as compared to 90% during the same period last year. Issuances rated within the Investment Grade accounted for 76% of the total issuances in the first quarter of 2024.

1.1.9 Listing Exchange

GCC Bonds and Sukuk Market - Q1 2024
Primary Issuances: Listing Exchange

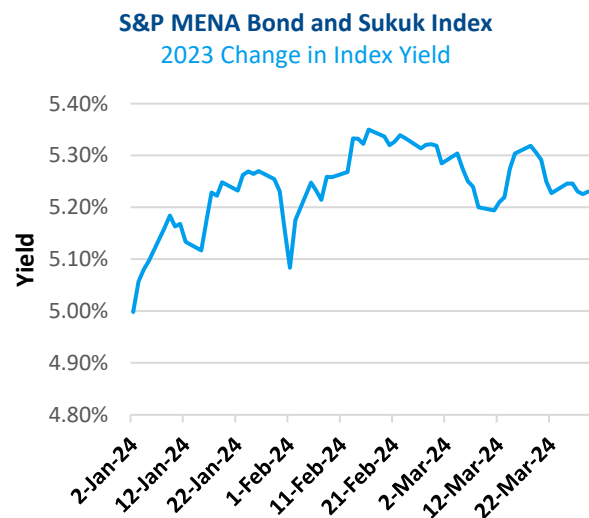
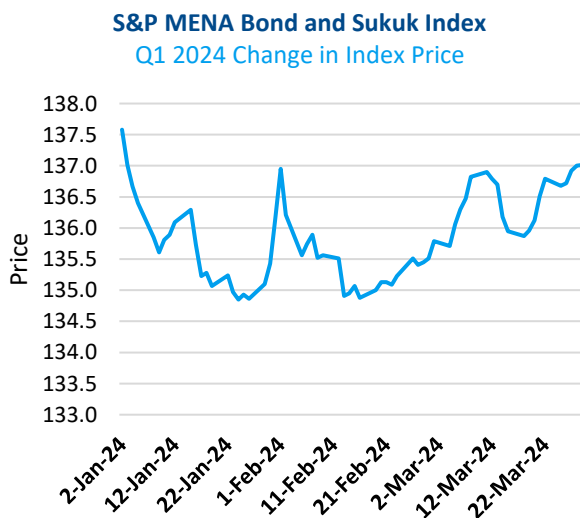


Source: Bloomberg, Markaz Analysis

London was the most preferred listing exchange during Q1 2024 with listed value of GCC primary issuances, totaling USD 29.998 billion through 35 issuances. Euro-Dublin was the second most popular exchange market for GCC primary issuances, with total value of USD 2.033 billion listed in the first quarter of 2024.

1.1.10 GCC Bonds and Sukuk Market – Market performance Q1 2024

The S&P MENA Bond and Sukuk Index posted a total return of -0.76% during the first quarter of 2024 where the index price decreased from 138.10 as of 31st December 2023 to 137.01 on 29th March 2024. The index recorded its lowest value on the 24th of January 2024 reaching 134.85, whereas the highest value recorded during Q1 2024 was on the 2nd of January at 137.60.



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 quarter at 5.23%. The maximum yield recorded on the S&P MENA Bond and Sukuk Index during Q1 2024 was 5.35% on the 18th and 19th of February 2024, while the minimum yield recorded was 5.00% on 2nd January 2024.

1.1.11 Credit Default Swaps (CDS)

During Q1 2024, the 5-Year sovereign CDS spreads for all GCC countries experienced mixed performance, where Qatar, Abu Dhabi, Bahrain, Saudi Arabia and Dubai narrowed by 15%, 11%, 8%, 2%, 1%. On the other hand, Kuwait widened by 28%, and Oman by 14%. At the end of the quarter, the GCC country with the lowest 5-Year CDS spread was Abu Dhabi, whereas the highest was Bahrain.

Qatar witnessed an upgrade from credit agencies Moody’s & Fitch during Q1 2024 resulting in Qatar receiving the highest sovereign credit ratings among peers in the GCC region alongside the Emirate of Abu Dhabi.

GCC 5Y Sovereign CDS Spread and Credit Rating – Q1 2024

Country	31/12/2023 CDS (Bps)	31/03/2024 CDS (Bps)	YTD % Change	Sovereign Credit Ratings		
				S&P	Moody's	Fitch
Abu Dhabi	41.62	37.25	-11%	AA	Aa2	AA
Qatar	45.05	38.41	-15%	AA	Aa2	AA
Kuwait	45.53	58.09	28%	A+	A1	AA-
Saudi Arabia	52.66	51.48	-2%	Au	A1	A+
Oman	116.94	100.51	14%	BB+	Ba1	BB+
Bahrain	205.24	189.88	-8%	B+	B2	B+
Dubai	63.23	62.65	-1%	-	-	-

Source: Bloomberg, Markaz Analysis

Appendix 1: Key GCC Sovereign and Corporate Bonds and Sukuk Issuances in Q1 2024

Type	Issuer	Security Description	Country	Issue Date	Maturity Date	Issue Size (US\$ mn)	Coupon Rate	Sector	Rating
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	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	-/-/-

Disclaimer:

This report has been prepared and issued by Kuwait Financial Centre K.P.S.C. (Markaz), which is regulated by the Capital Markets Authority and the Central Bank of Kuwait. The report is owned by Markaz and is privileged and proprietary and is subject to copyrights. Sale of any copies of this report is strictly prohibited. This report cannot be quoted without the prior written consent of Markaz. Any user after obtaining Markaz permission to use this report must clearly mention the source as “Markaz”. The report is intended to be circulated for general information only and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

The information and statistical data herein have been sourced from public sources or is based on Markaz’s independent research and internal analysis and is believed to be reliable and accurate in all material aspects. However, no representation or warranty, expressed or implied, is made that such information and data is accurate or complete, and therefore should not be relied upon as such. Opinions, estimates and projections in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinion of Markaz and are subject to change without notice. Markaz has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Further, Markaz accepts no liability for any statements, opinions, information, or matters, expressed or implied, arising out of, contained in or derived from this report or any omissions from this report, or any other written or oral communication transmitted or made available to any other party in relation to this report.

This report may not consider the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors are urged to seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and to understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security’s price or value may rise or fall. Investors should be able and willing to accept a total or partial loss of their investment. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily indicative of future performance.

Kuwait Financial Centre K.P.S.C. (Markaz) may seek to do business, including investment banking deals, with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of Markaz, Markaz has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Markaz’s own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or Markaz’s website shall be at your own risk.

For further information, please contact ‘Markaz’ at P.O. Box 23444, Safat 13095, Kuwait; Email: research@markaz.com; Tel: 00965 1804800; Fax: 00965 22450647.