Lower inflation and bond yield boosted the return of all asset classes

Rating:
MARKETWEIGHT

GCC Fixed Income Outlook

Bond issuance in the GCC region amounted to USD 7.4 Bn in October and November 2023, driven by robust demand from the Sovereign wealth fund, Banking sector and private companies. Out of the total issuance, the Saudi Arabia Sovereign fund issued USD 3.5 Bn, followed by USD 750 Mn issuance from UAE Sovereign wealth fund Mubadala. The Banks in UAE and Qatar collectively issued USD 2.0 Bn bonds during the period. The remaining USD 650 Mn was issued by private companies. The issuance received a good response from the investors as Mubadala, ADIB and ADCB bonds oversubscribed several times. Moreover, on the other hand, the Global Sukuk issuances saw a decline in 3Q23, largely attributable to a significant reduction in issuances within the GCC region. However, the Sukuk issuance is anticipated to rise in 4Q23. According to Fitch, the near-term Sukuk issuance is anticipated to be driven by budget deficits in countries like Indonesia, Malaysia, Bahrain, Turkey, Kuwait, and Pakistan. According to S&P, within the GCC countries, Saudi Arabia and the UAE are expected to maintain support for the growth of the Islamic finance industry in the coming years mainly due to an anticipated rise in the total value of green, social, sustainable, and sustainable-linked bonds (GSSSB).

The 5-year sovereign CDS spread tightened in all the GCC countries. The 10-year sovereign USD bond yield also fell across all the GCC countries. The growth in the oil and non-oil sectors enabled the GCC countries to post significant GDP growth in FY2022. Additionally, the GCC economy maintained its status as one of the leading global performers due to robust growth in the region. Recently, the Dubai government approved a general budget for the 2024-26 fiscal cycle with an expenditure of AED 246.7 Bn. The UAE GDP expanded by 3.7% mainly attributable to a robust 5.9% growth in the non-oil sector, which constitutes more than 70% of the nation's total economic output. Furthermore, according to the Central Bank of UAE (CBUAE), the UAE non-oil GDP is anticipated to expand, with a projected growth rate of 4.5% and 4.6% in 2023 and 2024, however, oil GDP is expected to register a negative growth of 0.3% in 2023 and is expected to grow 3.5% in 2024. The UAE's PMI rose from 56.7 in September 2023 to 57.7 in October 2023 mainly driven by the new order index which climbed to the highest level since June 2019. New order sub-index also grew from 64.7 in September 2023 to 65.2 in October 2023 mainly due to a rise in demand, and additional project work. Furthermore, in November 2023, Saudi Arabia recorded a budget deficit of USD 9.5 Bn in 3Q23 primarily as a result of the decline in the oil revenue. While the budget deficit for 9M23 stood at USD 11.7 Bn. According to the General Authority for Statistics, KSA’s GDP contracted 4.5% in the 3Q23 due to a significant decline in energy prices coupled with a decline in crude oil production. However, the non-oil sector is anticipated to grow by 6% in 2023 owing to higher government spending anticipated in coming years that will boost domestic demand. KSA’s PMI rose from 57.2 in September 2023 to 58.4 in October 2023 due to ongoing expansion in commercial activity driven by rising consumer demand and improving economic situation. According to the IMF, Oman's economy is anticipated to grow by 1.2% in FY2023 and 2.7% in FY2024. Bahrain's GDP registered a 2.0% YOY growth in 2Q23, supported by a 2.2% increase in the oil sector and a 2.0% expansion in the non-oil sector. According to IMF, Qatar’s real GDP growth is expected to grow by 2.4% in FY2024 backed by robust domestic demand and the ongoing LNG expansion. Resultantly, due to strong economic activity in the region, the debt and sukuk issuance continued to gather pace but at a modest rate. While the issuance in the region continued to grow owing to the strong demand from the corporate sector. Mubadala issued its debut green bond of USD 750 Mn, with a maturity of 10.5 years. The bond offers a yield of 6.0% and includes a coupon rate of 5.9%. While ADIB effectively launched a USD 500 Mn in green sukuk. The profit rate of the Sukuk stood at 5.7% per annum, with semi-annual payments.

Gold Outlook

Gold prices rose for the second consecutive month and recorded a gain of 2.6% MOM to USD 2,041.5 per ounce on 30 November 2023. According to the World Gold Council (WGC), global gold demand excluding over-the-counter (OTC) trading fell 6% YOY in 3Q23. While demand from the global central bank stood at 1,147.5 metric tonnes in 3Q23 compared to 1,219.2 metric tonnes in 3Q22, 8% higher than the five-year average. Gold prices increased in the first week of November mainly attributed to a decline in the US dollar and bond yields as the Fed left interest rates unchanged. However, in the following week, gold prices traded near a three-week low due to a rise in the dollar owing to the hawkish tone from the Fed's Chairman. After that, investors awaited the US inflation data to get further clarity on the interest rate outlook. During the mid-month, prices increased as investors expected no further hike due to a slowdown in the US inflation. Gold prices further rallied driven by a decline in the US dollar and bond yield as investors gained confidence over the expectation of an end to the Fed rate hikes. Moreover, the gold prices further rallied owing to the expectation of no further rate hikes supported zero yielding assets like gold. During the end of the month, the prices hovered near a seven-month high and crossed the USD 2,000 per ounce level.

Oil Outlook

Oil prices declined for the second consecutive month in November 2023. On the first trading day of the month, oil prices declined 3.2% due to weak China manufacturing data. The prices rose in the first week owing to rising supply concerns over the Israel-Hamas war. In the following week, oil prices increased as Saudi Arabia and Russia pledged to maintain the oil output cut until the end of December 2023. However, oil prices declined later to a three-month low due to the weak Chinese data and the rise in US supplies. The prices further fell driven by diminishing concerns of supply disruption due to the Israel-Hamas war. After that, oil prices increased as Iraq supported OPEC's production cut coupled with IEA's upward revision in demand forecast. Moreover, oil prices declined during the mid-month due to higher supply from the US and increasing fears about global demand. Sooner than later, oil prices rebounded in a single day due to profit booking by traders in addition to US sanctions on a few Russian oil shippers. In the next week, oil prices inched higher on expectations of deeper supply cuts by OPEC. Later, oil prices eased due to concerns of weaker demand outweighing OPEC supply cuts as the end of the month approached. Meanwhile, Oil prices declined at the start of the last week of November 2023 due to a delay in the OPEC policy meeting. However, oil prices rose at the end of the month due to a storm in the Black Sea. In the OPEC+'s policy meeting on 30 November 2023, OPEC+ producers agreed to cut oil production by 2.2 Mn barrels per day (bpd). Despite the announcement, oil prices eased as the production cut fell short of market expectations.

In the OPEC policy meeting held on 30 November 2023, OPEC+ producers agreed to cut oil production by 2.2 Mn barrels per day (bpd). The additional oil output cut of 900,000 bpd was agreed in OPEC+'s policy meeting until 1Q24. The UAE agreed to cut output by 163,000 bpd, Iraq by 220,000 bpd in 1Q24 and the remaining dividend among other members. This cut is in addition to the cut announced in April 2023 which is extended until December 2024.

Top picks for 2023

Name	Sector	Price	Mid YTM	Rating*
ALDAR 3.875% 2029	Real Estate	91.98	5.55	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	81.23	11.96	Ba2/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	92.48	5.14	A1/NA/A+
BGBKKK 5.749% PERP	Bank	97.58	8.50	NA/NA/NA
SIB 5% PERP	Bank	96.98	7.55	NA/NA/NA
ALMARA 4.311% 2024	Food and Beverages	99.59	6.13	Baa3/BBB-/NA
GENHLD 4.76% 2025	Investment Co.	98.66	5.51	A1/NA/A
REITDU 9.5% 2024	Real Estate	94.36	16.00	NA/NA/NA
INTLWT 5.95% 2039	Power Generation and Water Utility	95.94	6.40	Baa3/NR/BBB-

*Source: Bloomberg, * Moody's, S&P and Fitch*

Content:

MENA credit outlook

ADIB to issue green sukuk following collaborative investor calls with leading banks

Abu Dhabi Islamic Bank (ADIB) plans to issue a dollar-denominated senior green sukuk followed by investor calls. Standard Chartered Bank is the sole global coordinator, with ADIB, Emirates NBD, First Abu Dhabi Bank, and Sharjah Islamic Bank as joint bookrunners. The offering will fall under ADIB's Sustainable Finance Framework which focuses on initiatives with environmental benefits and social objectives. The bank, rated A2 by Moody's and A+ by Fitch, previously issued a USD 750 Mn AT1 sukuk in July.

Kuwait Petroleum mitigates USD 45.7 Bn deficit with borrowing and asset sales

Kuwait Petroleum Corporation (KPC) is facing a budget shortfall of KWD c.14.1 Bn (USD 45.7 Bn) to meet its five-year spending plan. The company plans to borrow and sell assets to cover the deficit, with the aim of reducing the expected capital expenditure of KWD 22.05 Bn, including KWD 13.9 Bn dinars for exploration and production. KPC also borrows and implements other initiatives, such as reducing the expected KWD 22.05 Bn dinars in capex by KWD 4.36 Bn by keeping KWD 3.73 Bn dinars from retained dividends, cutting its cash balance, and securing external financing. The company owned about KWD 7 Bn in dividends to the general reserve fund to cover state deficits.

Abu Dhabi Islamic Bank plans USD 500 Mn green sukuk with initial pricing set at 145 basis points

Abu Dhabi Islamic Bank provided an initial pricing indication of 145 basis points above U.S. Treasuries for its green sukuk which is set to mature on 15 November 2028. The bank aims to generate USD 500 Mn from the sale of this green debt with the pricing expected to be finalized later in November, as stated in the arranging bank document.

SRC completes SAR 3.5 Bn Sukuk Issuance bolstering its financial sector growth

Saudi Real Estate Refinance Company (SRC) a unit of the Public Investment Fund (PIF) completed its latest sukuk issuance of SAR 3.5 Bn (USD 932 Mn) marking the final two tranches under its SAR 20 Bn government-guaranteed sukuk programme. The issuance offered in 5 and 7-year dual tenors attracted institutional investors and reinforced confidence in SRC's role in Vision 2030. The company's consistent sukuk issuances contribute to Saudi Arabia's financial development, diversifying funding for the real estate sector, driving growth, and providing liquidity for banks and real estate finance companies. SRC received high credit ratings as 'A+' (stable) by Fitch Ratings, A- (stable) by S&P Global, and 'A2' (positive) by Moody's.

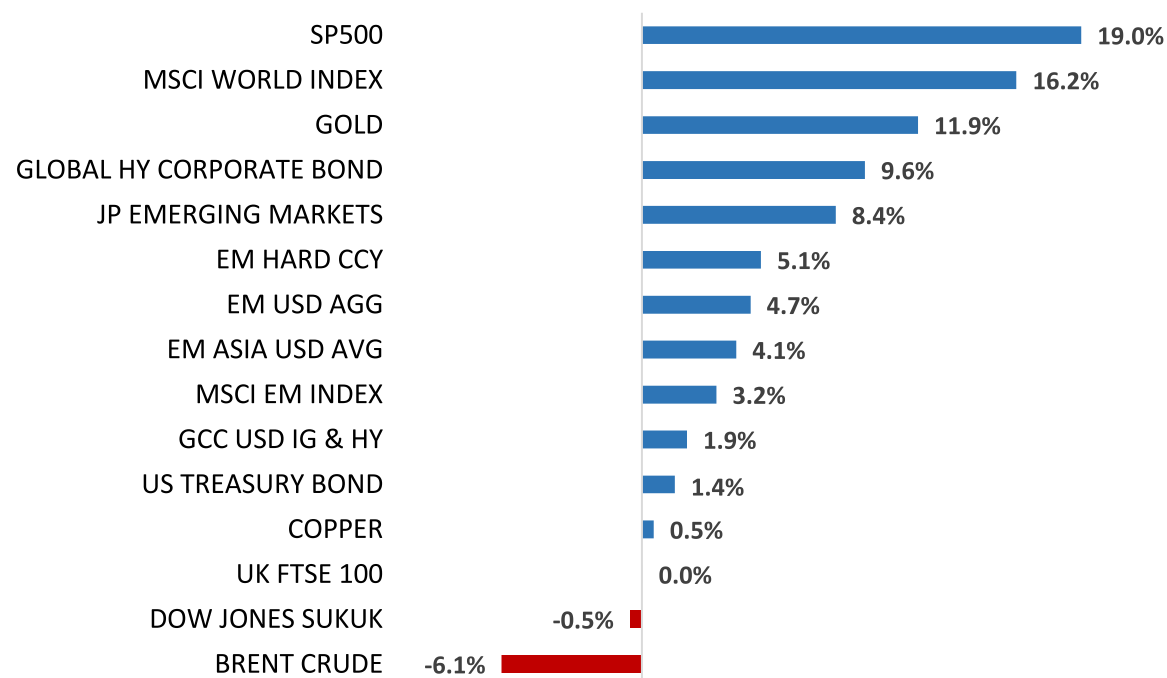
ADX introduces FAB's AED 1.3 Bn green sukuk for UAE's sustainable growth

Abu Dhabi Securities Exchange (ADX) introduces First Abu Dhabi Bank's (FAB) AED 1.3 Bn green sukuk, the UAE's largest dirham-denominated lowest-ever priced issuance in the market by UAE financial institution. The sukuk aims to support the UAE's objectives in driving a green, diversified, and resilient economy. Green finance is growing in popularity among investors in the UAE and the Gulf region, with the GCC market recording over USD 8.5 Bn in green and sustainable bonds and sukuk issuance in 2022. The domestic market for green sukuk, bonds, and loans now approaches USD 17 Bn.

Global Asset Performance

The table below summarizes the performance of key equity and debt indices along with commodity price performance. During the month, all the asset classes generated positive returns except crude oil mainly attributed to the decline in government bond yields, and lower inflation within the developed markets amid positive signs of economic moderation in the US. The S&P 500 continued to record the strongest performance on a YTD basis in 2023 followed by the MSCI World Market Index which recorded strong growth owing to the outstanding performance of developed market indices such as the US, Japan and UK. The gold also recorded a strong return during the month and generated 11.9% return on a YTD basis. The bond indices also recorded positive performance owing to a decline in bond yields. The 10-year US government bond yield fell from a peak of 5% in October 2023 to 4.4% by the end of November 2023. On a YTD basis, the Global HY Corporate bonds reported the highest return followed by JP Emerging Market, EM Hard Currency, EM USD Aggregate, EM Asia USD Average index, GCC Investment Grade and High Yield and US treasury bonds. MSCI EM Index generated positive returns due to the positive performance of Emerging markets like India, South Korea and Taiwan which recorded growth during the month partially offset by a stable performance from China owing to the weakness in the property market and decline in new home sales. UK FTSE also positive return during the month owing to a decline in inflation and further expectation of a pause in the interest rate hike. Copper reported positive performance with 4.9% growth during the month. Dow Jones Sukuk Index also recorded a positive return of 2.4% during the month. Energy prices continued to record negative performance falling 5.3% during the month, mainly due to weak Chinese manufacturing data and diminishing supply concerns caused by the Israel-Hamas war.

Figure 1: Global Asset Performance (YTD%)

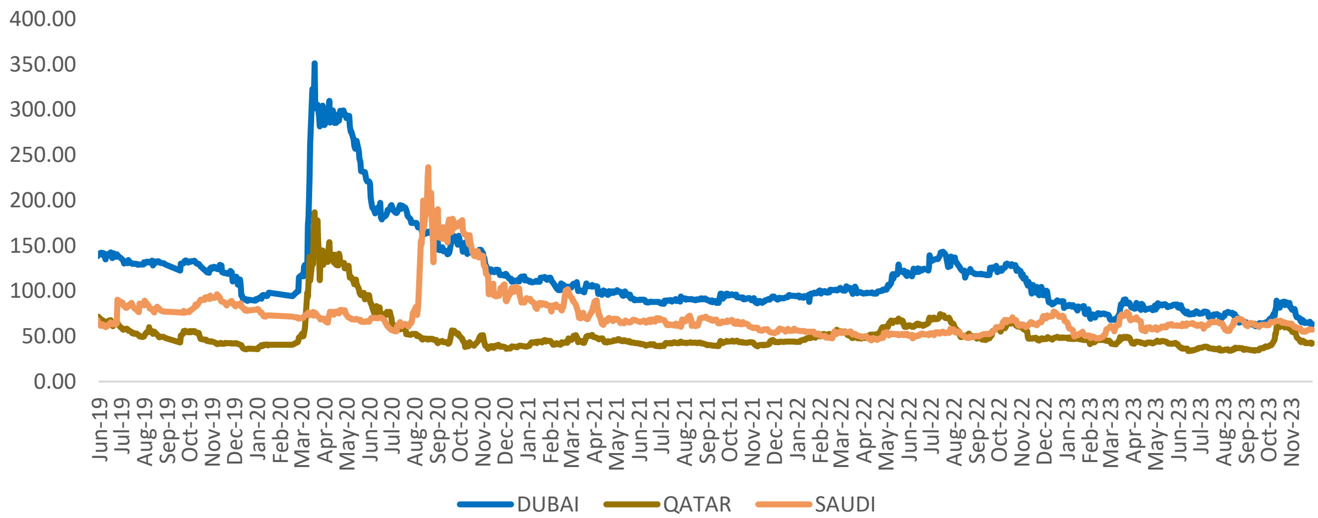


Source: Bloomberg

5-Year CDS

The 5-year CDS spread tightened across all the GCC countries. Qatar recorded the highest decline in the 5-year CDS spread on a MOM basis in November 2023. Saudi Arabia, Dubai, Abu Dhabi, Oman and Egypt also recorded the decline in November 2023. The tightening of CDS spread is a result of lower inflation and decline in bond yields.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	QATAR	SAUDI	ABU DHABI
MTD (%)	-22.83%	-26.69%	-24.52%	-20.24%

Banking Sector

Dubai Investments increases 7.68% stake in Monument Bank to strengthen its digital presence

Dubai Investments acquired an additional 7.68% equity stake in UK-based digital bank, Monument Bank Limited. The move solidifies the UAE-based group's holding in digital banking from 9.25% to 16.93% and supports international collaborations. Monument Bank serves the 'mass affluent' segment in the UK with substantial growth and savings balances surpassing GBP 700 Mn and 383% year-to-date growth. The bank recently concluded a Series B round and raised over GBP 40 Mn to expand further.

ADCB plans majority stake sale in ADCP to Nine Yards with an aim for AED 400 Mn gain

Abu Dhabi Commercial Bank (ADCB) the UAE's third-largest lender is set to sell a stake in its wholly-owned subsidiary Abu Dhabi Commercial Properties (ADCP). The bank received a binding offer for a majority share acquisition from Nine Yards Plus Holding, the real estate arm of EIH Ethmar International Holding. ADCB expects to gain around AED 400 Mn (USD 108.9 Mn) from the transaction, which positions ADCP on an accelerated growth path. The bank and Nine Yards retain separate legal status and brand. ADCB's net profit increased 22% YOY to AED 1.942 Bn in 3Q23.

Abu Dhabi Commercial Bank priced the additional tier 1 capital of USD 750 Mn

UAE's third largest lender, Abu Dhabi Commercial Bank, priced and issued the additional tier 1 capital of USD 750 Mn. The bond is non-callable bond with a tenure of 5.5 year and oversubscribed 5.5x. Due to good response from investors, the bond pricing was tightened from initial guidance of 8.625% to 8.0%. The proceeds will be utilized to strengthen the capital base to further support credit growth.

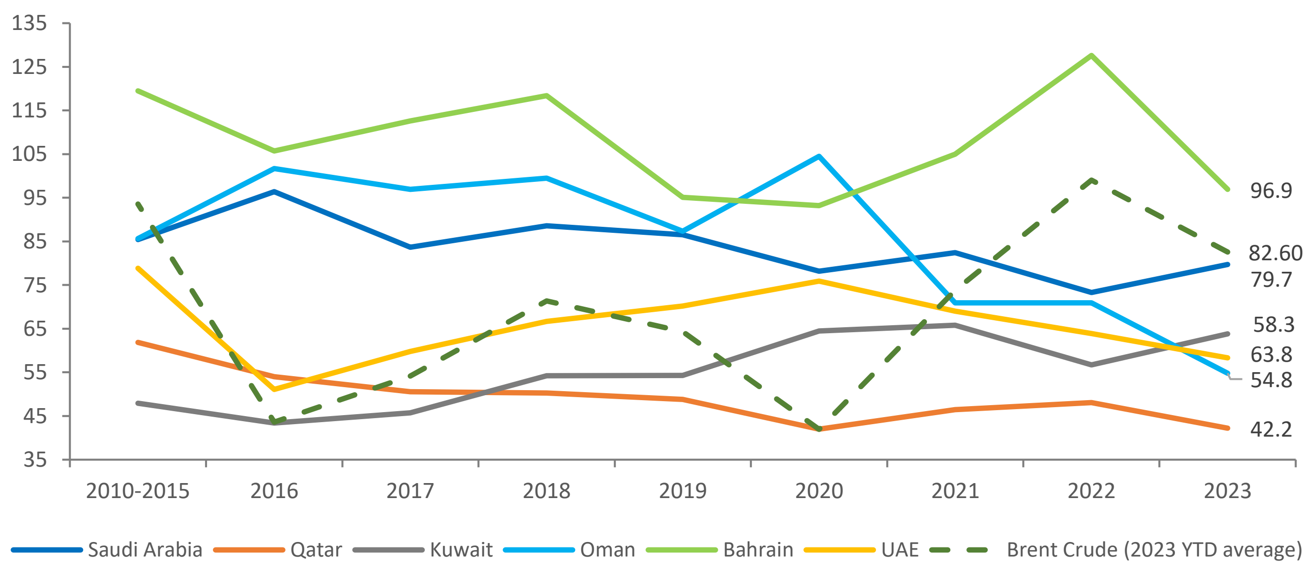
Dubai Holdings subsidiary acquires 14.84% stake in Emirates NBD from ICD

The Investment Corporation of Dubai (ICD) transferred 937.5 Mn ordinary shares of Emirates NBD to a wholly-owned subsidiary of Dubai holding an investment vehicle of Dubai's ruler Sheikh Mohammed bin Rashid Al Maktoum. Emirates NBD now owns 14.84% of the bank's issued share capital while ICD will continue to own 40.91%. ICD, a diverse portfolio including free zones, Emaar, Emirates airline, and aviation brands reported a substantial net profit of USD 7.7 Bn in 1Q23, benefiting from the expansion in the travel and tourism business segment.

Fiscal Breakeven Oil Price

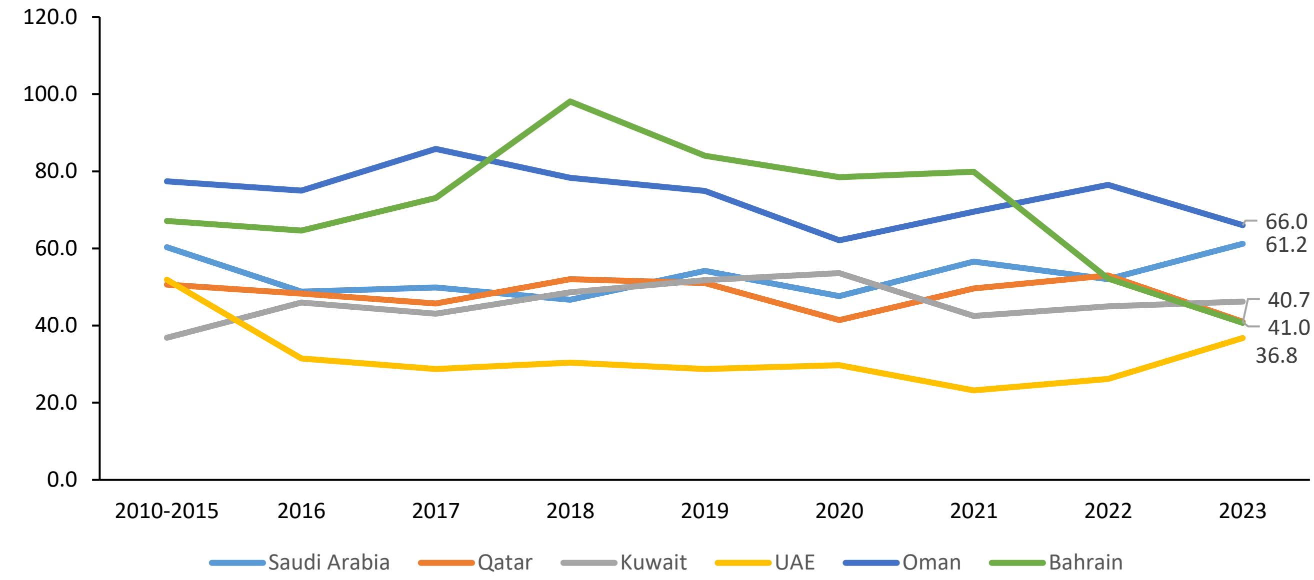
The fiscal breakeven oil prices grew in FY2023, particularly in Saudi Arabia and Kuwait due to decline in crude oil and gas production partially offset by limited government spending cuts. Kuwait's fiscal breakeven saw the highest rise from USD 56.7 in FY2022 to USD 63.8 in FY2023. Saudi Arabia fiscal breakeven rose from USD 73.3 per barrel in FY2022 to USD 79.1 per barrel in FY2023. While Bahrain, Oman, Qatar and UAE recorded a decline in break-even oil price in FY2023. Bahrain recorded the highest decline in break-even oil price from USD 127.6 per barrel in FY2022 to USD 96.9 per barrel in FY2023. Oman break-even oil price fell from USD 70.9 per barrel in FY2022 to USD 54.8 per barrel in FY2023 followed by a decline in Qatar which fell from USD 48.1 per barrel in FY2022 to USD 42.2 per barrel in FY2023. UAE break-even oil price also fell from USD 63.9 per barrel in FY2022 to USD 58.3 per barrel in FY2023.

Figure 3: Fiscal Breakeven Oil Price (USD/bbl)



Source: Bloomberg

Figure 4: External Breakeven Oil Price (USD/bbl)



Source: Bloomberg

Corporate Sector

Saudi's expertise contracting co. plans an IPO in 2024, aiming to raise USD 200 Mn

Saudi-based Expertise Contracting Co. plans to launch an initial public offering (IPO) in early next year with an aim to raise at least USD 200 Mn. The Jubail-based industrial services provider held discussions with advisers on the floatation. Established in 1999, Expertise Contracting provides services to various sectors, including petrochemical, oil & gas, fertiliser, steel, cement, water treatment, and power generation.

AD Ports Group spends to acquire USD 200 Mn offshore fleet for expansion

Abu Dhabi's AD Ports Group announced USD 200 Mn acquisition of 10 offshore vessels to strengthen its position in the offshore oil and gas market. The vessels will be acquired from Mexico's headquartered E-NAV includes various vessels like multipurpose supply vessels, platform supply vessels diving support vessels and accommodation workboats, boosting the company's Middle East and Southeast Asian operations. The acquisition is expected to increase offshore and subsea capacity by 20%. The vessels are slated for delivery by end of 2023 with financial consolidation to begin in 1Q24. The group anticipates to generate over USD 70 Mn annually in the next 3-5 years from the acquisition. AD Ports Group suggests further acquisitions to leverage positive developments in the global offshore oil and gas market and offshore wind.

Dubai Taxi Company to offer 624.75 Mn shares equivalent to 24.99% stake in IPO

Dubai Taxi Company (DTC) offered 624.75 Mn shares equivalent to 24.99% stake in the IPO as the Dubai government announces its intention to float its transport unit. The IPO will open for subscription from November 21–28 for retail investors and an additional day for professional investors, with trading expected to commence in

December 2023. The Emirates Investment Authority and the Pensions and Social Security Fund of Local Military Personnel are the cornerstone investors with 5% investment by each. Rothschild & Co. Middle East Limited is the independent financial advisor, and Citigroup Global Markets Limited, Emirates NBD Capital PSC, and Merrill Lynch International are joint coordinators. The Department of Finance for the Government of Dubai amends the size of the offering or the tranche. The offering is compliant with Shariah principles, and DTC plans to pay dividends twice each year in April and October, with a first dividend of at least AED 71 Mn (USD 19.3 Mn) in April 2024. The DTC IPO will be the first share sale by the government of Dubai in more than 12 months.

PIF secures 25% stake in Alkhorayef Petroleum to drive oil production solutions growth

Saudi Arabia's Public Investment Fund (PIF) agreed to invest in Alkhorayef Petroleum, a leading electric submersible pump manufacturer. PIF acquires 25% stake through a capital increase and new share subscription while Alkhorayef's parent company, Alkhorayef Group will retain a 75% stake. The strategic investment aligns with PIF's goal to develop Saudi Arabia's equipment and service sector, support private sector growth, and increase export revenues. Alkhorayef Petroleum is the only maker of electric submersible pumps in the Gulf and specializes in artificial lift, wireline services, and early production facilities. The investment is expected to fuel Alkhorayef Petroleum's expansion in both local and international markets.

Saudi Arabia's PIF bolsters stake in Egypt's e-Finance to strengthen economic ties

Saudi Arabia's Public Investment Fund (PIF) increased its stake in Egypt's e-Finance Company by an additional 2%, following a formal request made to the Egyptian Financial Regulatory Authority. In August 2022, Saudi Egyptian Investment Company (SEIC) acquired a 25% stake in e-Finance for 7.5 billion Egyptian pounds (USD 243 Mn), making SEIC the single-largest shareholder and securing two board seats. Saudi Arabia is Egypt's fourth largest trading partner with a trading volume of USD 6.56 Bn in 2022/2023.

DTC expands UAE retail offer in response to oversubscription in IPO

Dubai Taxi Company (DTC) increased the UAE retail offer of its IPO from AED 62.4 Mn to AED 74.9 Mn shares due to oversubscription. With a price range of AED 1.80 to AED 1.85 per share, the retail tranche now amounts to AED 135 Mn to AED 139 Mn, representing 12% of the total offer shares. The overall offering size remains at unchanged at 624.7 Mn shares representing 24.99% of total capital. The Qualified Investor Tranche will be allocated 549.7 ordinary shares, representing 88% of the offer share adjusted from the previously announced 90%. The subscription period closes on 28 November for UAE retail investors and 29 November for qualified investors. The completion of the offering and admission is expected to take place on 7 December, subject to market conditions and obtaining regulatory approvals in the UAE.

Q Holding approves USD 6.9 Bn acquisition deal with convertible bonds

Q Holding's board approved the acquisition of Modon Properties and Abu Dhabi National Exhibitions Company by issuing convertible bonds worth AED 25.6 Bn (USD 6.9 Bn). The deal includes the entire shareholding of ADQ Real Estate and Hospitality Investments LCC and IHC Capital Holding in Modon Properties, as well as the ADQ subsidiary's shareholding in ADNEC. Other acquisitions in the deal include Miza Investments LLC, Sahel 1 Restricted Limited, Sahel 2 Restricted Limited, and Oryx Action Restricted Limited. The board also approved a special resolution to increase capital from AED 6.8 Bn to AED 16.3 Bn by converting bonds to shares.

Aster DM Healthcare to sell majority gulf stake for USD 1.01 Bn to Fajr Capital

Aster DM Healthcare based in UAE is set to sell a majority stake in its Gulf business to a consortium led by private equity firm Fajr Capital Advisors for USD 1.01 Bn. Affinity Holdings, Aster's subsidiary will sell its shares in Aster DM Healthcare to Alpha GCC Holdings. The sale is expected to be completed in 4Q24. The funds managed by Fajr Capital Advisors will hold a 65% stake, while the remaining share will be maintained by Aster India's promoters. The transaction will involve USD 903 Mn at the closing with up to USD 98.8 Mn to be received subsequently. Aster DM Healthcare has a portfolio of 366 medical establishments with 27 hospitals, 115 clinics and 223 pharmacies in seven countries.

Rating Outlook

- Abu Dhabi's Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is among the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the success of the nation's financial and economic vision and policies, and the strength and stability of its economic, financial and credit sectors.
- Fitch upgraded Oman’s credit rating to BB+ from BB with a stable outlook. The upgrade is driven by a decline in debt-to-GDP ratio, improved government spending, and rise in oil prices. The upgrade is based on the premise that Oman is using oil revenues to pay down debt, extend its maturity, fiscal restraint to mitigate external risks, and higher oil prices forecast by Fitch. Oman’s gross debt declined to 40% of GDP in 2022 from 60% in 2021 and Fitch expects gross debt will further decline to 36% of GDP in 2023 and will remain stable at 35% in 2024 and 2025. Oman also reported a budget surplus of OMR 1.144 Bn (USD 2.97 Bn) and repaid OMR 1.1 Bn loans in 1Q23. Earlier Moody's Investors Service also upgraded Oman's ratings and maintained a positive outlook, citing the country's improved fiscal surplus and spending discipline. The Government of Oman's issuer and long-term senior unsecured ratings were upgraded from Ba3 to Ba2, along with an upgrade to the government's senior unsecured medium-term note program rating.
- S&P Global Ratings revised Bahrain's credit rating outlook from positive to stable due to the expectation of government measures to reduce the budget deficit and the possibility of receiving extra support from other Gulf Cooperation Council (GCC) member countries if needed. The revision of the outlook to stable is attributed to the rating agency's expectation of larger fiscal deficits from 3% to 4% of the GDP between 2023 and 2026, as compared to its earlier projection of 2% to 3% mainly due to an increased spending on social subsidies, capital expenditure and debt servicing. S&P Global Ratings affirmed Bahrain's short-term foreign and local currency sovereign credit ratings at 'B+/B' with a stable outlook.
- Fitch Ratings has affirmed Kuwait's long-term foreign-currency issuer default ratings, or IDR, to 'AA-' with a stable outlook. This is due to the Gulf state's fundamental issues being worsened by continued political limitations on decision-making. Since 2017, the Gulf state has been debating debt legislation, demonstrating the slowness with which decisions are made. Kuwait's debt is expected to climb to about 50% of GDP after the debt law is approved, according to the credit rating agency, up from the current 10%. The Kuwaiti

administration has been attempting to adopt new public debt legislation to alleviate the country's liquidity constraints, but the bill has been continually blocked by parliament.

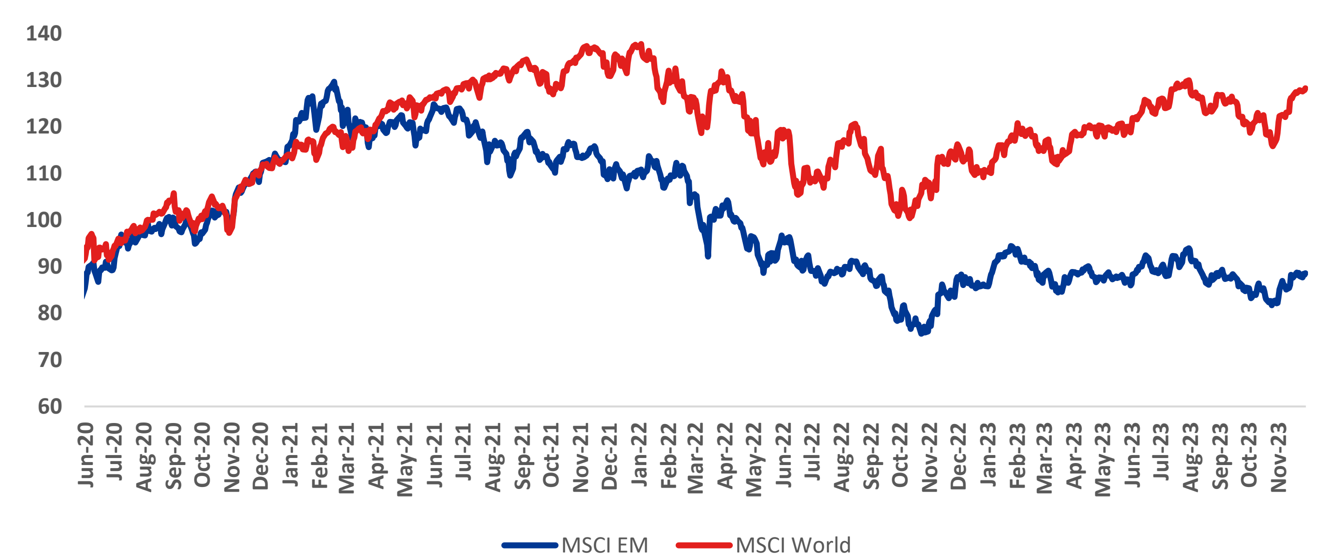
- Saudi Arabia's Long-Term Foreign-Currency Issuer Default Rating (IDR) has been upgraded to 'A+' by Fitch Ratings, with the Outlook changed to 'Stable'. The key reasons for the rating upgrading are improvements in the sovereign balance due to increased oil revenue and the fiscal structure. According to Fitch's proprietary SRM, Saudi Arabia has an 'A+' rating on the Long-Term Foreign-Currency (LT FC) IDR scale. Moody's Investors Service also lifted Saudi Arabia's credit rating outlook from stable to positive, noting the kingdom's capacity to reverse much of last year's debt growth. According to a statement, Moody's confirmed the sovereign at A1, the fifth-highest rating.

Particulars	Moody's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
UAE (Abu Dhabi)	Aa2	STABLE	AA	STABLE	AA	STABLE
Kuwait	A1	STABLE	A+	STABLE	AA-	STABLE
Qatar	Aa3	POS	AA	STABLE	AA-	POS
Saudi Arabia	A1	POS	Au	STABLE	A+	STABLE
Oman	Ba2	POS	BB+	STABLE	BB+	STABLE
Bahrain	B2	STABLE	B+	STABLE	B+	STABLE

Global Markets

After declining for three consecutive months both the MSCI Developed Market (DM) and Emerging Market (EM) indices recorded a strong rebound in November 2023. The rebound in the indices is attributed to the decline in government bond yields and lower inflation in the developed markets amid positive signs of economic moderation in the US. The 10-year US government bond yield fell from a peak of 5% in October 2023 to 4.4% by end of November 2023. On a YTD basis, both the MSCI World Index and MSCI Emerging market recorded positive returns in 2023. The MSCI World/Developed Market Index continued to outperform the MSCI Emerging Market Index by a wider margin. On a YTD basis, the MSCI World market grew 16.2%, whereas the MSCI Emerging market recorded growth of 3.2%. While, on a MOM basis, both the MSCI World Index and Emerging Market recorded positive growth of 9.2% and 7.9%, respectively in November 2023. The MSCI World Index posted a positive return primarily driven by the strong performance of all the major indices in the region such as the US, Europe, UK, and Japan. US S&P 500 recorded robust growth of 9.1% in November 2023. The main driver for the growth in US Stocks was the release of the consumer price index which was lower than anticipated owing to a decline in gasoline and energy prices. While on the 2023 YTD basis, the US S&P recorded a 20.8% return. UK FTSE index also registered a positive performance, rising 3% in November 2023. The growth was primarily fuelled by lower inflation data and a heightened expectation of a reduction in the rate hike. Japanese stocks remained the best-performing market recording a return of 28.6% on a YTD basis. While on a MOM basis, the TOPIX index grew 5.4% in November 2023 despite registering a decline in GDP on a QOQ basis. The US and Japanese stocks carry a higher weight in the index. Chinese equities showed steady performance during the month, driven by an increase in retail sales. However, market sentiment was influenced by challenges arising from the property market turmoil and mainly due to a decline in new home sales. Emerging markets also saw positive returns, with a growth of 7.9% in November 2023. The strong performance of the Emerging market was primarily driven by the positive performance of the other Emerging markets like India, South Korea and Taiwan which recorded growth during the month.

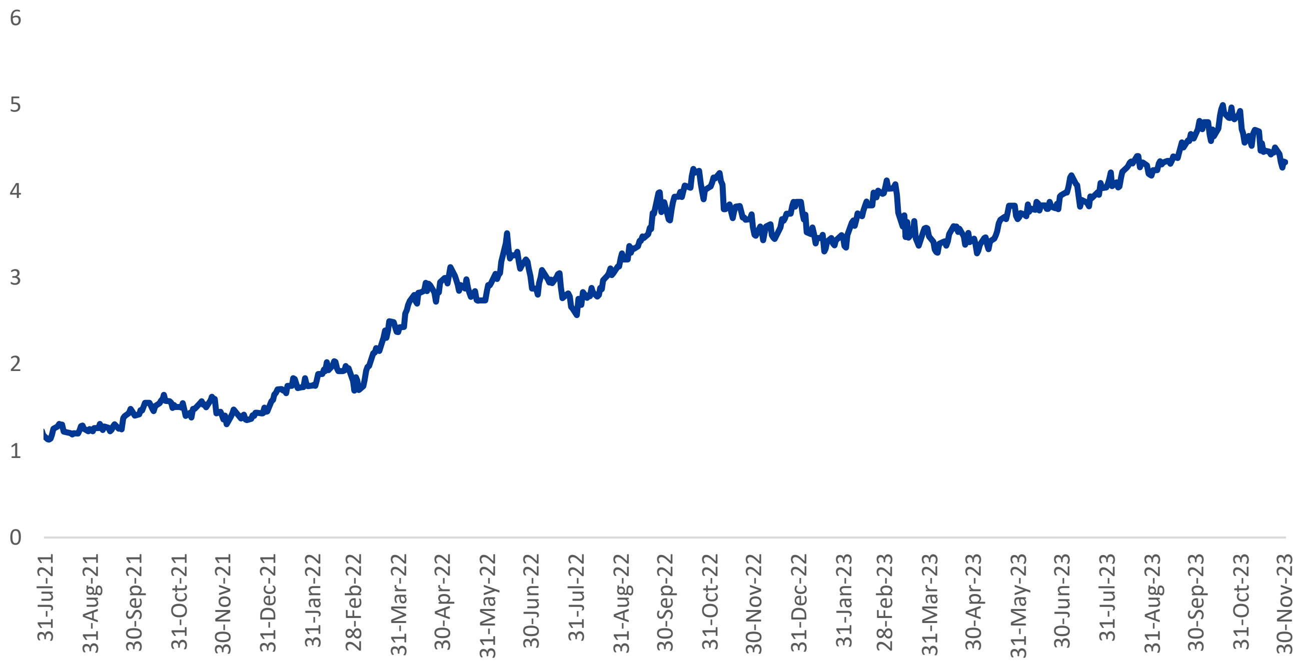
Figure 5: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

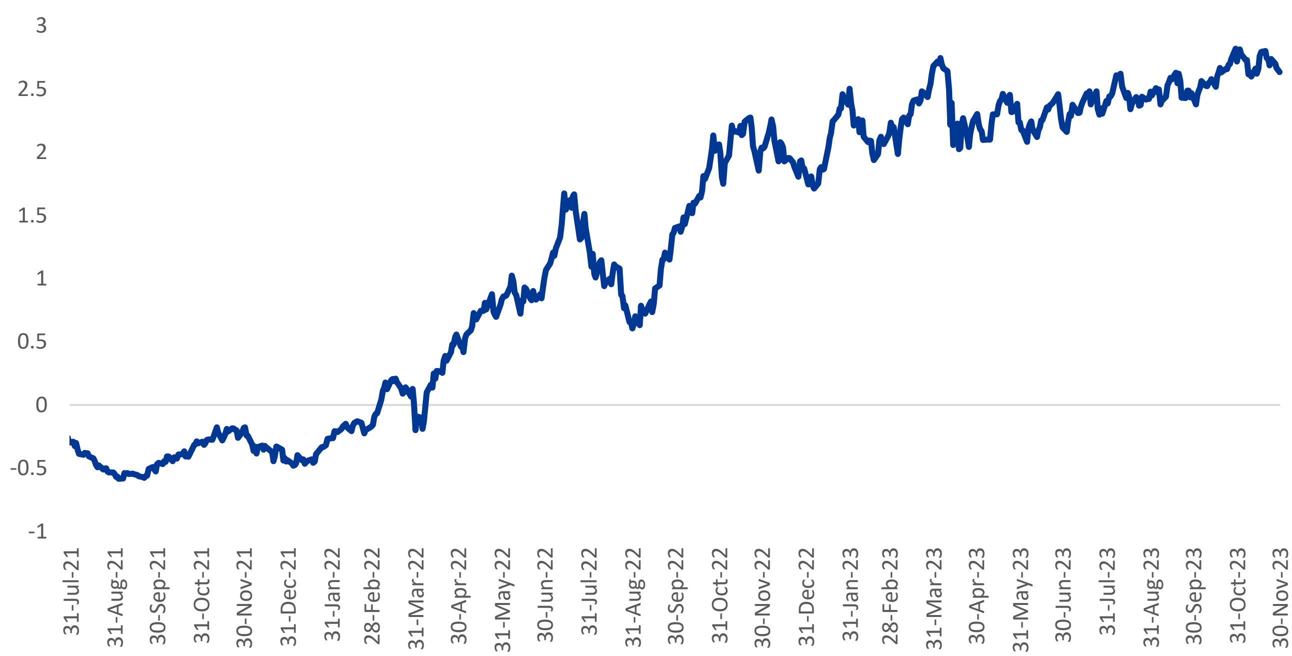
Yield on 10-year government

Figure 6: US 10-year government yield



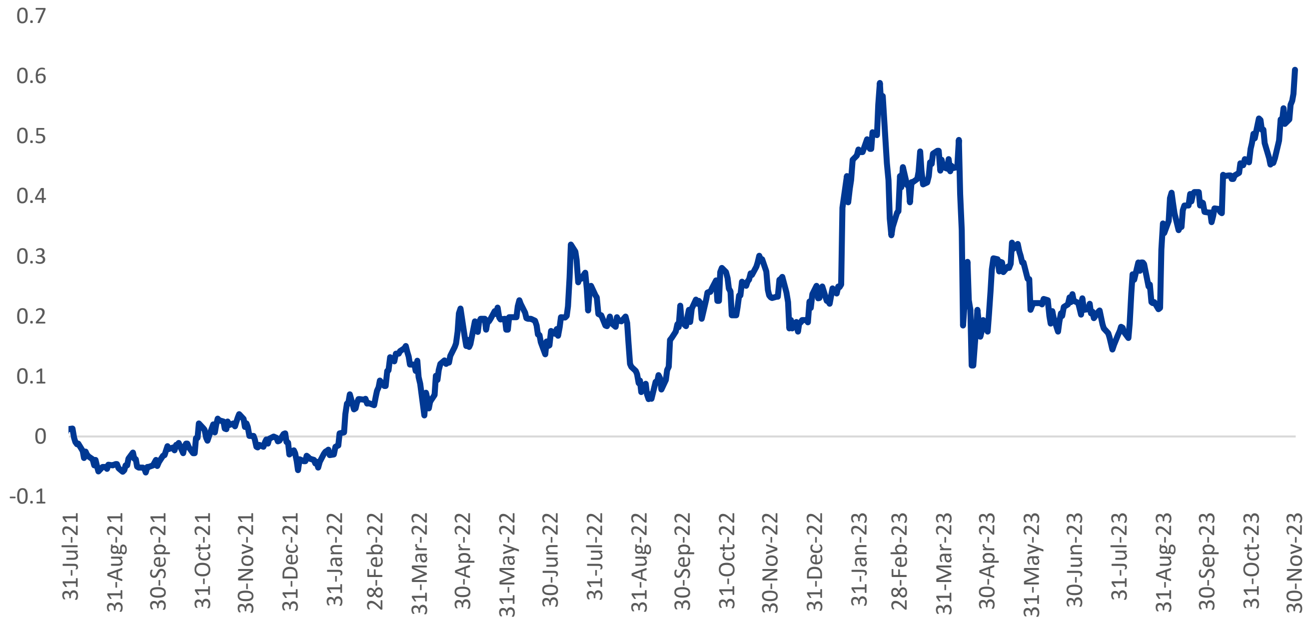
Source: Bloomberg

Figure 7: Germany 10-year government yield



Source: Bloomberg

Figure 8: Japan 10-year government yield



Source: Bloomberg

Figure 9: UK 10-year government yield

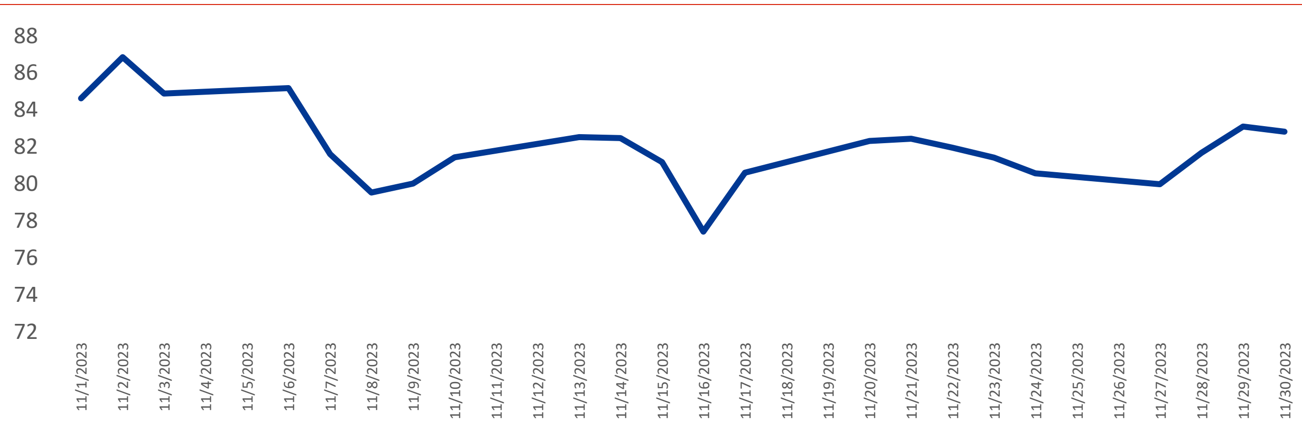
Source: Bloomberg

Oil Outlook

Oil prices declined for the second consecutive month by 5.2% MOM in November 2023. On the first trading day of the month, oil prices declined 3.2% due to the weak China manufacturing data. The price edged up in the first week due to rising supply concerns driven by the Israel-Hamas war. In the following week, oil prices increased as Saudi Arabia and Russia pledged to maintain the oil output cut until the end of December 2023. However, the rally was short-lived and the oil prices declined due to weak data from China along with a rise in the US supplies while the prices fell to the lowest levels in three months. The prices further declined due to diminishing concerns of supply disruption caused by the Israel-Hamas war. After that, oil prices edged higher as Iraq supported OPEC's production cut coupled with the IEA's upward revision in demand forecast enforced bullish sentiments among the investors. Moreover, oil prices declined during the mid-month and slipped down to a four-month low owing to higher supply from the US and rising worries on global demand. Sooner than later, oil prices rebounded 4.1% in a single day due to profit booking by traders on short positions in addition to US sanctions on a few Russian oil shippers. In the next week, oil prices inched higher on expectations of deeper supply cuts by OPEC to support prices. Later oil prices eased on concerns of weaker demand and a slowdown in the global economy outweighing OPEC supply cuts as the end of the month approached. Meanwhile, Oil prices declined at the start of the last week of November 2023 as OPEC delayed its policy meeting. However, oil prices rose at the end of the month amid a storm in the Black Sea disrupting exports from Russia and Kazakhstan which increased the fears of supply tightening. In the OPEC+'s policy meeting on 30 November 2023, OPEC+ producers agreed to cut oil production by 2.2 Mn barrels per day (bpd). Despite this announcement, oil prices eased as the production cut by OPEC fell short of market expectations. In addition, we expect the oil prices to stay stable with an upward bias driven by OPEC cuts and the end of interest rate hikes.

In the OPEC policy meeting held on 30 November 2023, OPEC+ producers agreed to cut oil production by 2.2 Mn barrels per day (bpd) including Saudi Arabia and Russia's voluntary cut of 1.3 Mn bpd. The additional oil output cut of 900,000 bpd was agreed in the OPEC+'s policy meeting. This production will be extended to 1Q24. Russia agreed to reduce an additional 200,000 bpd of export until 1Q24. The UAE agreed to cut output by 163,000 bpd, Iraq by 220,000 bpd in 1Q24 and the remaining dividend among other members. This cut is in addition to the cut announced in April 2023 which is extended until December 2024.

Figure 10: Brent Crude Oil Prices (USD per barrel)

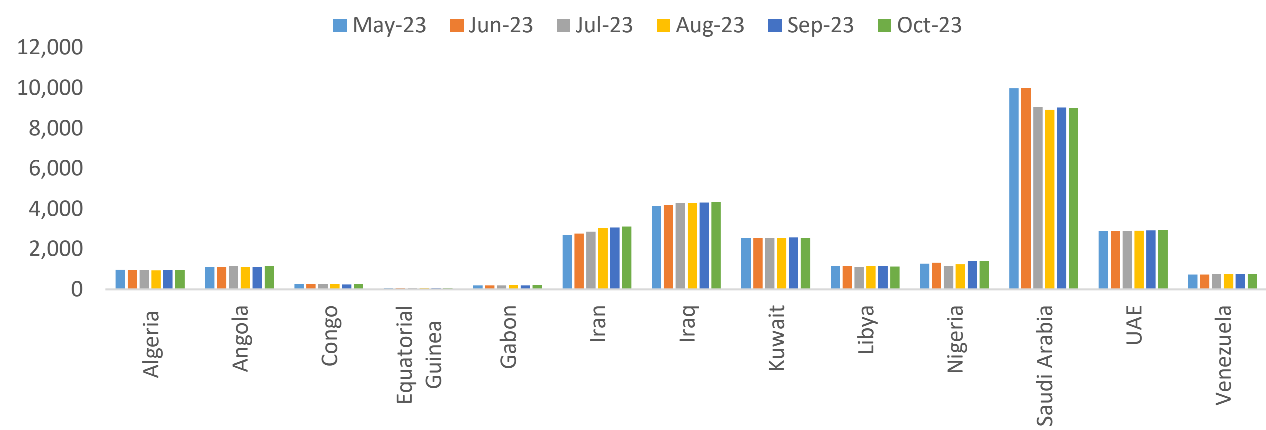


Source: Bloomberg

OPEC Production

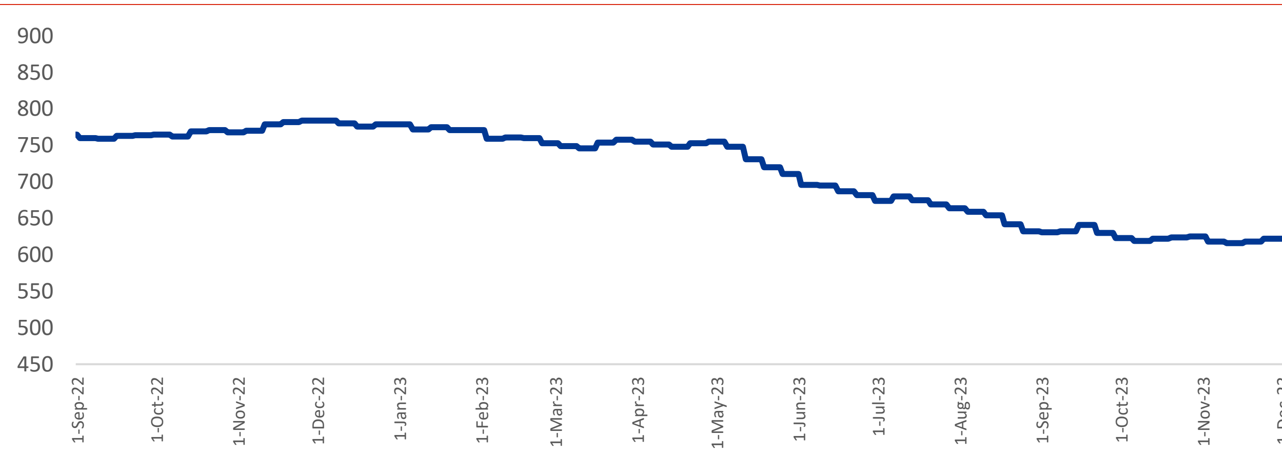
OEPC-13 crude oil production rose 82 thousand barrels per day (bpd) MOM to an average of 27.9 Mn bpd in October 2023. Nine out of 13 OPEC countries witnessed a MOM increase in oil production during October 2023. Angola recorded the largest increase of 51 thousand bpd MOM during October 2023 closely followed by Iran with 46 thousand bpd MOM. Meanwhile, Nigeria's production rose 17 thousand bpd MOM in October 2023 whereas UAE and Iraq's production increased 16 thousand bpd and 15 thousand bpd MOM, respectively. In addition, Gabon's production grew 10 thousand bpd MOM in October 2023 whereas Congo, Algeria, and Equatorial Guinea also experienced a rise in oil production by 5 thousand bpd, 3 thousand bpd and 2 thousand bpd MOM respectively. On the other hand, Saudi Arabia and Libya's production declined the most by 26 thousand bpd MOM each in October 2023 while Kuwait's production fell 24 thousand bpd MOM and Venezuela's production decreased 7 thousand bpd MOM. Saudi Arabia remained the largest producer of oil out of the OPEC-13 countries with a total production of 9.0 Mn bpd in October 2023.

Figure 11: OPEC Crude Oil Production



Source: OPEC

Figure 12: Oil Rig Count



Source: Bloomberg

FAB أبوظبي الأول للأوراق المالية SECURITIES

Credit Strategy

Top picks for 2023

Name	Sector	Price	Mid YTM	Rating
ALDAR 3.875% 2029	Real Estate	91.98	5.55	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	81.23	11.96	Ba2/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	92.48	5.14	A1/NA/A+
BGBKKK 5.749% PERP	Bank	97.58	8.50	NA/NA/NA
SIB 5% PERP	Bank	96.98	7.55	NA/NA/NA
ALMARA 4.311% 2024	Food and Beverages	99.59	6.13	Baa3/BBB-/NA
GENHLD 4.76% 2025	Investment Co.	98.66	5.51	A1/NA/A
REITDU 9.5% 2024	Real Estate	94.36	16.00	NA/NA/NA
INTLWT 5.95% 2039	Power Generation and Water Utility	95.94	6.40	Baa3/NR/BBB-

Source: Bloomberg

We continue to remain OVERWEIGHT on GENHLD, KWIPKK, ALDAR, ALAMARA and BURGAN BANK while assign MARKET WEIGHT rating on REITDU, ARAMCO, INTLWT, and SIB.

Implications on Securities Recommendations

Bond Particulars	Call	Ask Price	Yield	1M return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	95.94	6.50	-0.27	-1.19	1.92	1.50
REITDU 9.5% 2024	MW	94.36	15.67	-0.38	-1.20	-1.61	NA
GENHLD 4.76% 2025	OW	98.66	5.48	-0.01	-0.59	0.43	0.19
ALMARA 4.311% 2024	OW	99.59	5.91	0.14	0.36	0.56	0.70
SIB 5% PERP	MW	96.98	7.06	0.46	-0.25	-1.04	-1.27
ARAMCO 3.5% 2029	MW	92.48	5.12	3.30	0.78	0.44	-1.42
KWIPKK 4.5% 2027	OW	81.23	11.65	-5.40	-4.76	-4.62	-5.10
ALDAR 3.875% 2029	OW	91.98	5.49	2.65	-0.87	-0.29	0.54
BGBKKK 5.7492% PERP	OW	97.58	11.84	6.39	7.31	10.22	14.11

Source: Bloomberg

ALDAR 3.875% 2029: Maintain OVERWEIGHT rating

We assign OVERWEIGHT rating on Aldar Properties PJSC's (Aldar Properties) 3.875% senior unsecured Sukuk maturing in October 2029. The Sukuk is trading at USD 94.71 with a yield of 4.88% when held until maturity (redemption at par) with a modified duration of 5.58. The Sukuk also enjoys an investment-grade rating of 'Baa1' by Moody's.

- Aldar Properties is a leading real estate developer, with the highest market cap of AED 37.74 Bn, in Abu Dhabi. Apart from being a reliable government contractor, the company developed many innovative projects, such as Yas Island's F1 circuit and the Gate Towers in Shams Abu Dhabi. Demand for Abu Dhabi's real estate is robust, and the government supports it in terms of home purchasers. The current market has a good supply, and investors are confident in investing in quality projects in prime locations. Aldar diversified its operation and acquired SODIC in Egypt in FY2021. SODIC is a leading Egyptian real estate company with a strong track record of 25 years, having a land bank of 16 Mn sqm across 3 geographies in Egypt.
- Mubadala Investment Company, a Sovereign wealth fund of the Abu Dhabi government, owns a 25.1% stake in Aldar. Alpha Dhabi Holding owns a 28.4% stake through its related companies Sublime Commercial Corporation, Sogno Two, and Sogno Three Sole Proprietorship LLC. Aldar Properties is an important strategic partner to the government, having completed several large-scale infrastructure projects and developments in UAE.
- Aldar Properties (Aldar) released its financial results for the full year of FY2022, announcing revenues of AED 11.2 Bn, up 31% YOY with a gross profit of AED 4.7 Bn, up 31% YOY, and a net profit of AED 3.1 Bn, up 35% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose 24.7% YOY to AED 0.368 in FY2022, demonstrating consistent long-term shareholder value growth.
- Aldar's strong financial results were driven by the strong performance of Aldar Development and Aldar Investment's recurring income portfolio. The strong growth in the investment business is driven by a rapid recovery in the investment property, hospitality, and leisure business. The backlog of the development business nearly doubled to AED 14.4 Bn in 2022 as a result of record sales and project launches, in addition to strong contributions from SODIC, offering strong revenue visibility over the period of next two to three years. Additionally, Aldar already sold 86% of its launched development project pipeline in the UAE as of FY2022. The Project Management business revenue backlog increased to AED 64.8 Bn, led by the addition of new projects valued at AED 35.6 Bn in FY2022. Aldar Investment's AUM reached AED 32 Bn in FY2022 as a result of strategic acquisitions and capital deployment. The occupancy rate in the investment property business reached 92% in 2022, and the acquisition of ADGM towers supported the Company's revenue. Aldar's hospitality and leisure business recovered, owing to a robust recovery in the tourism sector in FY2022. The Company entered the Dubai market through a JV with Dubai Holding and plans to launch three developments over 3.6 Mn sqm of land. Aldar also purchased Al Fahid Island, a 3.4 Mn sqm island positioned between Saadiyat and Yas Island. Aldar Investment deployed capital amounting to AED 7.4 Bn and Aldar Development deployed AED 4.1bn in FY2022.
- The company completed a USD 1.4 Bn long-term investment with Apollo Global Management. The investment consists of a USD 500 Mn land JV between Aldar Properties and Apollo that will diversify the Company's funding source, a USD 500 Mn investment in non-call 15 Hybrid Perpetual Notes to Aldar Investment Properties priced at 5.625%, and a USD 400 Mn equity investment in Aldar Investment Properties LLC (AIP) at

100% of NAV. A considerable revenue backlog, along with a robust project pipeline and diverse revenue sources, supports the Company's long-term revenue visibility

- Liquidity position remains healthy with AED 7.6 Bn worth of free & subsidiary cash and AED 4.0 bn of undrawn bank facilities. The Company has no debt due for maturity in 2023 and AED 0.03 bn in 2024

KWIPKK 4.5% 2027: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Kuwait Projects Company (KIPCO)'s 4.5% senior unsecured bond maturing in February 2027 with an OVERWEIGHT rating. The bond is trading at USD 86.84 with a yield of 8.85% when held until maturity (redemption at par) and has a modified duration of 3.41. The bond is issued at the holding company level, so the debt service obligations would be met through the cash balance available with KIPCO and the dividends it receives.

KIPCO is one of the largest holding companies in MENA, with its consolidated assets growth of 12% to KD 11.4 Bn (USD 37.2 Bn) in FY2022, and sustained through multiple economic cycles, making consistent dividend payments for the last 17 years until FY2021. Members of the Kuwaiti ruling family remain KIPCO's shareholders since FY1988, through Al Futtooh Holding Company K.S.C. (AFH), and currently own a 44.9% direct holding. AFH supported KIPCO in all business activities, including treasury share repurchases, capital raising, and reduction in dividends.

- KIPCO's total revenue from operations increased 47% from KD 721 Mn (USD 2.35 Bn) in 2021 to KD 1.06 Bn (USD 3.5 Bn) in FY2022 mainly due to healthy performance from commercial banking, asset management & investment banking, and industrial & logistics partially offset by a decline in insurance, media & satellite services, and hospitality & real estate segment. The rise in revenue was also due to the continued exceptional performance of core firms. KIPCO completed its merger with Qurain Petrochemical Industries, expanding its portfolio to encompass additional areas such as energy, food, healthcare, and logistics. KIPCO expressed its interest in exploring investment opportunities in high-growth potential sectors such as food, healthcare, and education, and its portfolio will serve as a platform for the efforts and pave the way toward the company's future vision.
- The company's operating profit from continuing operations before provisions and directors' remuneration increased to KD 317 Mn in FY2022, up from KD 134 Mn in FY2021. Provisions for credit losses and investments were reported at KD 34 Mn in FY2022, down from KD 74 Mn in FY2021.
- The company recorded an increase in net profit to KD 25.2 Mn (USD 82.3 Mn) for FY2022, up from KD 17.5 Mn (USD 57.1 Mn) in FY2021. During FY2022, earnings per share climbed 15% YOY to KD 6.9 fils (USD 2.3 cents).
- KIPCO's Board recommended not to distribute dividends for FY2022 to ensure liquidity, timely repayment of debt maturing in the near term and pursue new investment opportunities. This also ensures the company maintains its credit profile and rating position.
- KIPCO is rated as BB- with a negative outlook from S&P and a BB stable outlook rating from Fitch. According to Fitch, KIPCO's liquidity is tight and possesses re-financing risk for the company which is manageable due to the company's proven track record and established relationship with financers and banks. In addition, ownership of Kuwait's royal family will also help in managing this risk. The recently completed acquisition will increase the company's gross assets and diversify dividend streams from multiple sectors.
- KIPCO with KD 286.4 Mn of debt maturing in FY2023 and it held cash and cash equivalents of KD 140 Mn at the parent company level

ARAMCO 3.5% 2029: Maintain MARKETWEIGHT rating

We are MARKETWEIGHT on Saudi Aramco's 3.5% bond maturing in April 2029. The bond is trading for USD 91.43 and offers a yield of 5.15%. We believe the bond offers an attractive yield for A1-rated security (limited by sovereign rating), considering it has characteristics of an 'AAA' rated company, supported by robust profitability, market leadership, significant cash flows visibility and low debt levels.

- Saudi Aramco is the world's largest integrated oil & gas company. The company generated a net profit of USD 161 Bn in FY2022, making it one of the highest profits generating public companies in the world. Aramco achieved a record financial performance in FY2022, as oil prices rose owing to rising global demand and geopolitical tension. The firm maintained its long-term objective of increasing capacity and competence across the value chain with the goal of addressing energy security and long-term viability. Aramco expects oil and gas to be crucial for the foreseeable future; yet, the risks of underinvestment in the industry are substantial, contributing to rising energy costs. Aramco embarked on the largest capital investment program in its history in order to utilize its unique advantages at scale and be part of the global solution. The company's priority is to increase oil, gas, and chemical products while also investing in innovative lower-carbon technologies that have the potential to reduce emissions. Total revenue from operations rose from USD 359 Bn in FY2021 to USD 535 Bn in FY2022.
- According to Fitch's latest credit rating, the rating agency assigned Long-Term Foreign & Local Currency of Saudi Aramco at 'A' with a positive outlook. Aramco standalone credit rating stood at 'AA+', higher than Saudi Arabia's rating, given its low debt levels, market leadership, and strong profitability. Both agencies Moody's and Fitch assigned Aramco a long-term issuer rating of 'A1' and 'A', respectively.
- In FY2022, Aramco's net income grew by 46.5% to a record USD 161.1 Bn, up from USD 110 Bn in FY2021. The rise in net income is due to increased crude oil prices, higher volume sold, and improved refined product margins. In FY2022, free cash flow reached an all-time high of USD 148.5 Bn, up from USD 107.5 Bn in FY2021. Aramco continues to prioritize a strong balance sheet, with a negative gearing ratio of 7.9% by the end of FY2022, decreasing from a positive gearing ratio of 12.0% in FY2021
- Aramco declared a dividend of USD 19.5 Bn in 4Q22, which will be paid in 1Q23. The dividend rose 4% QOQ and is consistent with the Company's dividend policy, which aims to offer a sustainable and progressive dividend. In addition, the Board of Directors proposed that eligible shareholders receive one bonus share for every ten shares held, subject to the approval at the Extraordinary General Assembly. The Company strives to maintain a stable and rising dividend in accordance with prospects, as well as to develop underlying free cash flow and create long-term value through investments in accessible opportunities.
- Aramco spent USD 37.6 Bn on capex in FY2022, up 18.0% from FY2021. Aramco anticipates to spend USD 45.0 Bn to USD 55.0 Bn on capex in FY2023, including external investments, with capex growing until the middle of the decade. In February 2022, Aramco also concluded an energy infrastructure deal which resulted in a consortium of investors led by BlackRock Real Assets and Hassana Investment Company purchasing a 49% stake in a newly established subsidiary, Aramco Gas Pipelines Company (AGPC) for USD 15.5 Bn
- The Company has USD 52.5 Bn debt due for expiration in FY2023-24, however it has enough liquidity to meet the requirement

BGBKKK 5.749% PERP: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Burgan Bank's 5.749% Jr. subordinated perpetual Additional Tier 1 (AT1) bond currently trading at USD 88.25. The bond has a yield of 8.47% with a duration of 1.12. Its loan book is diversified with exposure to Kuwait and international operations in multiple sectors. The top ten customers comprise 26% of gross loans and advances in FY2022.

- Burgan Bank is one of the leading conventional banks in Kuwait in terms of total assets and listed on Boursa Kuwait. The Bank has the network of 127 branches and 284 ATMs. The Bank is majorly owned by KIPCO Company with a stake of 64.3%
- Burgan Bank Group's revenues remained stable at KD 232.1 Mn in FY2022 as compared to KD 234.7 Mn in FY2021. Burgan Bank reported a net profit of KD 52.1 Mn despite the geopolitical turmoil and hyperinflationary accounting (IAS 29) losses of KD 24.6 Mn on its Turkish subsidiary. The net profit rose 15% in FY2022, primarily due to an increase in net interest income growth of 15% YOY and a decline in cost of risk by 69.8% YOY. Net interest income increased by 15% to KD 147.5 Mn in FY2022 from KD 128.2mn in FY2021, owing to a 30-basis point increase in net interest margins to 2.4%. Fees and commissions income rose 16% over the previous year, showing strong contributions from various lines of business. Operational expenses grew 13% to KD 107 Mn due to the inflationary environment and increased costs associated with current investments in the digital banking platform. For the FY2022, the cost-to-income ratio stood at 46.1%. Total credit provisions charge declined significantly from KD 84.6 Mn in FY2021 to KD 25.3 Mn in FY2022 due to improvement in economic environment
- The Bank's non-performing loan ratio rose marginally from 1.7% in FY2021 to 1.9% in FY2022. In 2022, the loan loss coverage ratio without collateral remained strong at 206%. Burgan's Capital Adequacy Ratio stood at 16.8%, compared to the regulatory requirement of 12.5%. The Group maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 151.2% and 110.1%, respectively, as of FY2022, substantially above the minimum regulatory requirement of 90%
- The Board of Directors approved a cash dividend of 8 fils per share, in addition to a 5% bonus share distribution, subject to shareholder approval at the Annual General Meeting
- Fitch Ratings affirmed Burgan Bank's rating at "A" Outlook-Stable. Moody's assigned a credit rating of "Baa1" with a Stable Outlook and S&P Global also assigned a rating of "BBB+" with a Stable outlook

SIB 5% PERP: Maintain MARKET WEIGHT rating

We are MARKET WEIGHT on Sharjah Islamic Bank's (SIB) 5.0% Jr. subordinated perpetual (AT1) bond. The bond offers a yield of 7.25% currently trades at USD 98.16 with a duration of 2.14 years.

- Moody's Investor Service recently downgraded the local and foreign currency long-term issuer ratings of Sharjah Islamic Bank PJSC (SIB) to Baa2 from Baa1. The outlook of the long-term issue rating is revised from Stable to Negative. The rating agency mainly revised the rating on the security in September 2022 due to a decline in the Bank's asset quality and expects it further decline due to sector concentration. The profitability will be further pressured due to an increase in financing growth and capitalization will further create earnings volatility. S&P Global Ratings upgraded SIB's long-term issuer credit rating to 'A-' from 'BBB-,' backed by the bank's strong relationship with the Government of Sharjah and expected stable business and financial profile over the next two years. The agency also expects the bank's asset quality to remain resilient and sufficient capitalization.

- Sharjah Islamic Bank's (SIB) net profit rose 26.6% to AED 651 Mn in FY2022 mainly due to an increase in funded and non-funded income partially offset by a decline in operating expenses and provisions. Total operating income also rose 12.7% to AED 1,609 Mn in FY2022 due to 10.9% in net funded income and 18.8% growth in non-funded income. In line with the bank's prudent credit management approach the provisions rose 28.3% to AED 314 Mn in FY2022. Non-performing loans rose from 4.8% in FY2021 to 6.0% in FY2022 with a stage 2 ratio of 7.8%.
- SIB's total assets grew 7.6% to AED 59.1 Bn in 2022. While net advances rose 5.7% to AED 30.7 Bn in 2022. The Bank's liquid assets amounted to AED 14.1 Bn, representing 23.9% of total assets in 2022. The Bank's customer deposits rose marginally 2.7% to AED 39.5 Bn in 4Q22. However, total equity declined 0.8% to AED 7.6 Bn in 2022. The bank's liquidity ratio remained solid for prospects, reaching AED14.1 Bn, or 23.9% of total assets, up from AED14.3 Bn, or 26.1% of total assets, at the end of the previous year. The bank's financing-to-deposits ratio hit 77.6%, indicating the strength and stability of its liquidity position.

ALMARA 4.311% 2024: Maintain OVERWEIGHT rating

We maintain OVERWEIGHT on Almarai's 4.311% Sukuk maturing in March 2024. The Sukuk is trading for USD 99.097 with a yield of 5.388% when held till maturity (redemption at par). The current price provides a good entry point for a Sukuk with a duration of 0.885 years. The Company generated robust revenue and profitability growth in the past with a dominant market share in dairy products.

- Almarai is the largest integrated consumer food producer in the Middle East, offering more than 650 products. The company's recorded an increase in annual revenues driven by a growth in revenue from Jordan, Egypt, Saudi Arabia and Kuwait. The company debt reduced from SAR 9.7 bn in FY2021 to SAR 9.5 Bn in FY2022. The Company's finance cost will increase due to higher benchmark rates. In addition, the company is expected to incur heavy capex in the next two years for the expansion of the poultry segment
- Almarai generated a total revenue of SAR 18.7 Bn in FY2022 with a total net income of SAR 1.8 Bn. The Dairy & Juice segment contributed 53% of Almarai's total revenue, followed by poultry 16%, bakery 13%, Foods 14%, and other activities 4%. The expansion in the food category and the reopening and normalization of schools supported the growth in volumes in FY2022.
- The high prices of feed (corn and soya) and dairy commodities, as well as the increased transportation and packaging costs, led to a 21% increase in the cost of sales. Growth in operating profit is lower than revenue growth rate due to higher feed cost, alfalfa cost and packaging cost. Net profit grew in line with operating profit despite an increase in benchmark interest rates
- In FY2022, Almarai's investment in working capital stood at 19% of revenue in FY2022 as compared to 16% in FY2021. Capex declined 2.2% to reach SAR 1.334 Bn. As a result, the company's free cash flow fell 40.6% to SAR 1.842 Bn in FY2022. The current CAPEX is only attributed for maintenance purposes
- Operating cash flow fell 21.9% to SAR 3.8 bn due to investment in working capital and higher zakat expenses
- Almarai is provided an investment grade credit rating of Baa3 by Moody's and BBB- by S&P with stable outlook

GENHLD 4.76% 2025: OVERWEIGHT rating

We assign OVERWEIGHT rating on Senaat's 4.76% Sukuk maturing in December 2025. The Sukuk is trading for USD 98.53 and has a yield of 5.63% when held till maturity (redemption at par). Arkan Building Materials Company PJSC completed the acquisition of Emirates Steel Industries PJSC ("Emirates Steel") and issued share capital from its majority shareholder, General Holding Corporation PJSC ("SENAAT"), on October 6, 2021, in exchange for the issuance of 5.1 Bn new ordinary shares in the Company. Emirates Steel became a direct 100% subsidiary of the Company, and SENAAT's ownership in Arkan increased from 51% to 87.5% of its issued share capital as a result of this transaction.

- Overall Group revenues in FY2021 reached AED 3,022.2 Mn, up from AED 828.7 Mn in FY2020, with Emirates Steel contributing AED 2,232.9 Mn since its acquisition.
- As of December 31, 2021, the Group's total assets were AED 12.1 Bn, up from AED 3.3 Bn in December 2020, and the value of shareholders' equity was AED 7.2 Bn, up from AED 1.7 Bn in December 2020.
- The Long-Term Issuer Default Rating (IDR) of General Holding Corporation PJSC (Senaat) has been affirmed by Fitch Ratings at 'A' with a Stable Outlook. SenaatSukuk Limited's senior unsecured notes were similarly affirmed at 'A' by Fitch. Senaat's strong relations with the Abu Dhabi government are reflected in the rating, which is based on the Government-Related Entities Rating (GRE) Criteria.

REITDU 9.5% 2024: Maintain MARKETWEIGHT rating

We maintain MARKETWEIGHT on Emirates REIT's 9.5% Sukuk maturing in December 2024. The Sukuk is trading at USD 95.72 with a yield of 16.59% when held till maturity (redemption at par). On 12 December 2022, Emirates REIT refinanced the existing sukuk with a new secured sukuk financing of USD 380 Mn with a two-year maturity. The new sukuk is fully secured with a profit rate of 9% and a maturity date of December 2024, along with a one-year extension option. The refinancing risk for the newly issued sukuk persists as the refinancing was only extended by two years. The principal outstanding on the new sukuk is reduced by USD 20 Mn. The maturity of the sukuk could be extended by one year only if USD 150 Mn is paid out of the outstanding debt and higher interest rates will apply. In case, the Company plans to settle the debt it is required to dispose of assets which will reduce cash flows as existing cash flows are not enough to pay the debt. Total debt outstanding reduced from USD 462.9 Mn in FY2022 to USD 440.1 Mn in 9M23. The net investment value of the REIT rose 29% YOY to USD 465 Mn in 9M23 due to a gain in the fair value of investment properties and lower liabilities. The company properties are diversified among commercial, educational, and retail sectors with an occupancy rate of 87.3% in 9M23.

- Emirates REIT recorded a strong growth in net profit 34.2% YOY to USD 92.6 Mn in 9M23. The growth in net profit is mainly attributable to net unrealized gain on revaluation of USD 98 Mn in 9M23 and higher net property income partially offset by higher finance cost.
- Net property income grew 10.8% YOY to USD 45.5 Mn in 9M23 driven by higher rental rates and occupancy partially offset by a 4.3% YOY rise in property operating expenses of USD 9.6 Mn. Total operating profit rose 12.8% YOY to USD 31.7 Mn in 9M23 due to a rise in net property income partially offset by higher fund expenses and a rise in ECL allowance. Despite a decline in the financing, the net finance cost almost doubled from USD 18.6 Mn in 9M22 to USD 35.1 Mn in 9M23 due to high interest rates which impacted the FFO.
- The occupancy across the portfolio rose 5.4% YOY to 87.3% in 9M23 driven by strong growth in the leasing market due to high demand. Meanwhile, occupancy across the Commercial and Retail portfolio grew 8.1%

YOY to 79% in 9M23. The Company's weighted average lease expiry (WALE) declined marginally from 6.7 years in 9M22 to 6.4 years in 9M23

- The Company's Islamic financing reduced by 5.9% YOY to 440.1 Mn in 9M23 owing to refinancing and partial repayment of Sukuk coupled with the drawdown of new bilateral facilities which led to an improvement in Financing to asset value to 44% in 9M23 from 51% in 9M22.

INTLWT 5.95% 2039: Maintain MARKETWEIGHT rating

We assign MARKETWEIGHT on APMI One's 5.95% bond maturing in May 2039. The bond is trading at USD 95.43 with a yield of 6.44% if held till maturity (redemption at par). The bond has a modified duration of 7.64. The Bond has a credit rating of BBB- from Fitch and Ba1 from Moody's both with a stable outlook.

ACWA Power Management and Investments One Ltd (APMI One) is wholly owned subsidiary of Acwa Power Company. ACWA Power Co. develops, operates, and invest in power generating and desalinated water production plants in Saudi Arabia. The company was established in FY2004 in KSA and expanded throughout the years to operate in 12 countries. The first expansion plan took place in FY2008-FY2010 in Oman and Jordan, then from 2012 to 2014, the company expanded in Morocco, South Africa, and Turkey. The final expansion was in UAE, Egypt, Bahrain, Vietnam, Ethiopia, and Uzbekistan from FY2015 to FY2020.

- Five large-scale new renewable projects have been added to the advanced development fleet (+3,500 MW) which will increase the renewable energy capacity to 14.8 GW by FY2021, accounting for 35% of the portfolio. The Company has 64 assets (in operation, under construction, or in advanced development) with a total investment cost of SAR 251.7 Bn, generating 42.7 GW of electricity producing 6.4 Mn cubic meters of desalinated water per day.
- The Company agreed to sell its 32% effective investment in SQWEC, an oil-fired facility with 850 MW of power and 212,000 cubic meters' water desalination capacity in the Kingdom of Saudi Arabia, on September 7, 2021. The sale reduced the diversification of APMI One cash flow. In order to offset the impact of lost cashflows from SQWEC, ACWA Power increased the stake in RAWEC that forms part of APMI One bondholder security and cashflows from 37% to 80%. While this offsets the cashflow impact of the sale of SQWEC, it results in greater concentration at RAWEC, for which we view the offtaker as of lower credit quality than for others in the portfolio. The issuer APMI One is a Special Purpose Company, incorporated under the laws of DIFC, which is 100% owned by ACWA Power Projects. However, APMI One is not the only entity ACWA Power Projects has its hands on. Below is the effective percentage share of ACWA Power in the listed entities as of 30th June FY2020:

  - 30% in Shuaibah Water & Electricity Co. (SWEC), Contract Initiated in 1Q10 for 20-yr PWPA.
  - 32% in Shuqaiq Water & Electricity Co. (SqWEC), Contract Initiated in 2Q11 for 20-yr PWPA.
  - 30% in Shuaibah Expansion Project Co. (SEPCO), Contract Initiated in 4Q09 for 20-yr WPA.
  - 74% in Rabigh Arabian Water & Electricity Co. (RAWEC), Contract Initiated in 2Q08 & 2Q16 for 25-yr WECA. However, in 2018 RAWEC pledged 37% of its stake leaving ACWA Power Projects with a current stake of 99% in RAWEC.
  - 40% in Rabigh Electricity Co. (RABEC), Contract Initiated in 2Q13 for 20-yr PPA.
  - 20% in Jubail Water & Power Co. (JWAP), Contract Initiated in 3Q10 for 20-yr PWPA.

- 100% in International Barges Co. for Water Desal. (BOWAREGE), No active Contract was leaving ACWA Power Projects with 100% ownership. All the assets were disposed of as scrap or fully impaired in 2019 Books.
- 22.5% in Hajr for Electricity Production Co. (HEPCO), Contract Initiated in 2Q16 for 20-yr PPA.
- In FY2020 APP increased its stake by 4.99% by acquiring Samsung C&T's share in Hajr Electricity Production Company, increasing its shares from 17.5% to 22.5%. The acquisition will strengthen the position of APP as the second-ranked shareholder after the Offtaker Saudi Electricity Company (SEC).
- 100% in First National Holding Co., which own 99% ownership in First National O&M Co. (NOMAC), NOMAC went through a restructuring that led to all the assets and liability, (Not including Rabigh Power Company (O&M)), under APP to be transferred to First National Holding Co.

- APP filed its zakat and tax returns for all the years till FY2021. APP's position with the ZATCA had been finalized till FY2014. APP obtained a ZATCA assessment for FY2018 in FY2020, with an increased zakat liability of SAR 31 Mn. The revised zakat liability was closed out at SAR 1.3 Mn. APP obtained a ZATCA evaluation for the years 2015 to 2017 in April 2021, with an additional zakat liability of SAR 39.7 Mn. APP filed an objection with the Tax Violations and Dispute Resolution Committee ("TVDRC") of the General Secretariat of Tax Committees ("GSTC"). During FY2022, the TVDRC issued a judgment partially in favor of APP, reducing the liability to SAR 11.3 Mn. After that, the ZATCA filed an appeal with the Tax Violations and Dispute Appeal Committee ("TVDAC") against the TVDRC verdict. The TVDAC is yet to review the case.
- NOMAC filed zakat returns for all years up to FY2021. During the years FY2008 to FY2012 and FY2013 to FY2016, the Firm received two zakat assessments from the ZATCA. The TVDAC ruled in favor of the company for the years FY2008 to FY2012. During the years FY2013 to FY2016, the TVDAC ruling resulted in a zakat liability of SAR 4.5 Mn. NOMAC, on the other hand, is in the midst of filing a reconsideration application in response to the TVDAC verdict.
- Financial details as of FY2022 for ACWA Power are listed below:
  - ACWA Power reported operating income before impairment loss and other expenses rose 13.5% to SAR 2,614 Mn in FY2022, higher than SAR 2,303 Mn in FY2021. The growth in the profit is driven by projects achieving initial as well as commercial operation after 2021, higher contribution from development and construction management services for projects that achieved financial close during the year, and lower project development cost, provision and write-offs in 2022 as compared to 2021. Recognition of liquidated damages and insurance recovery, and higher employee long-term incentive plan expenses also added to the higher variance. Some factors partially offset the growth, included the reversal of an impairment loss of SWEC, lower contribution from projects with extended outages, higher maintenance costs in some plants, and higher corporate expenses.
  - Adjusted net profit for FY2022 was SAR 1,575 Mn, 32%, higher than SAR 1,194 Mn of FY2021. ACWA Power reported net profit for FY2022 rose 103% to SAR 1,540 Mn from SAR 759 Mn in FY2021. In addition to higher operating income before impairment loss and other expenses, the growth was largely driven by lower impairment loss, higher other income, higher profit from discontinued operations, and higher net loss attributable to non-controlling interests (NCI) which were partially offset by higher finance charges mainly due to Rabigh 3 coming into operations and higher finance cost on Sukuk, higher Zakat and tax charge.
  - In FY2022, due to refinancing of project debt at RAWEC project debt rose from SAR 2,863 Mn (USD 763 Mn) to SAR 5,231 Mn (USD 1,395 Mn), resulting in lenders to APMI One being subordinated to a higher

level of debt at the project level with lower coverage ratios at RAWEC, and a smaller buffer to lock-up covenants

- ACWA Power reported a cash balance of SAR 4,297 Mn at the parent level in FY2022. The Company's debt stood at SAR 13.1 Bn in FY2022 with a net leverage ratio of 2.12x
- ACWA Power, through APMI One, partially bought back bonds with a pre-amortization aggregate principal amount of SAR 1,502.7 Mn (USD 400.7 Mn) at a discount through a tender offer during FY2022. The Company recorded a gain of SAR 74.8 Mn on the buyback, net of the proportional share of the unamortized transaction cost associated with the bond's issue, which is shown as other income on the consolidated statement of profit or loss. The debt has an outstanding balance of SAR 1.5 Bn as of 31 December 2022.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

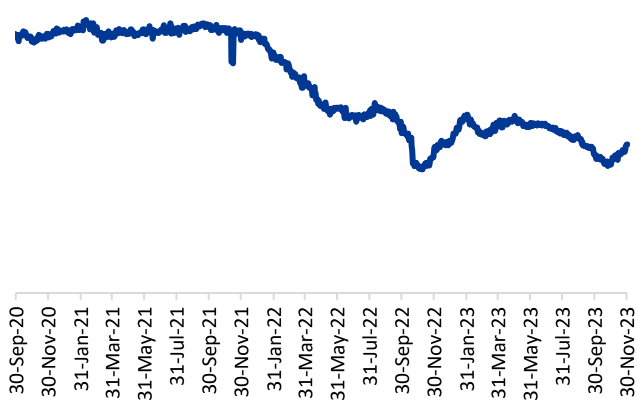


Figure 14: KWIPKK 4.5% 2027

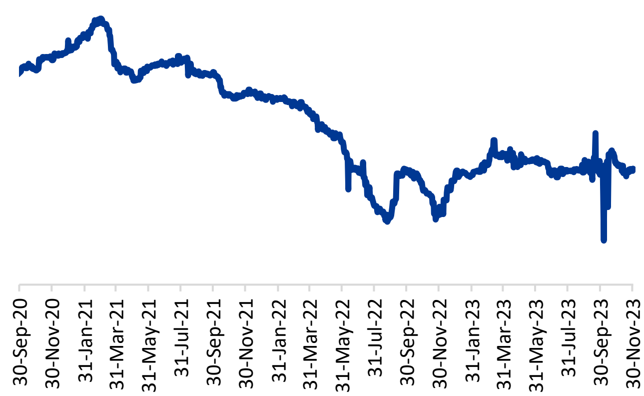


Figure 15: ARAMCO 3.5% 2029

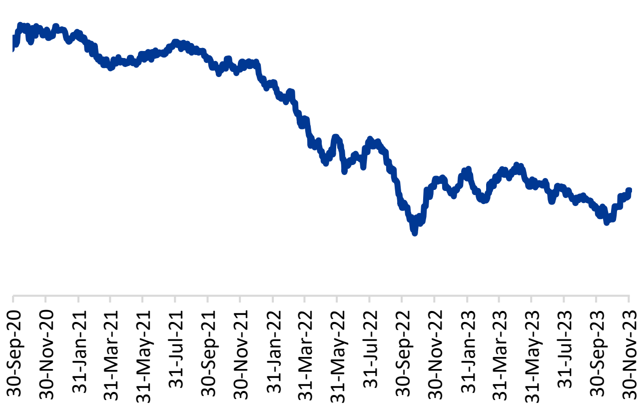


Figure 16: SIB 5% PERP

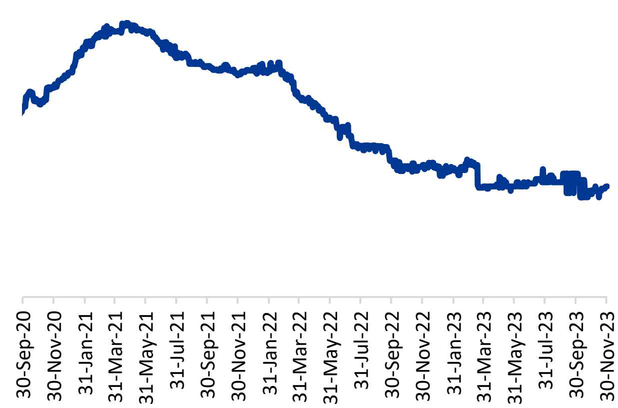


Figure 17: GENHLD 4.76% 2025

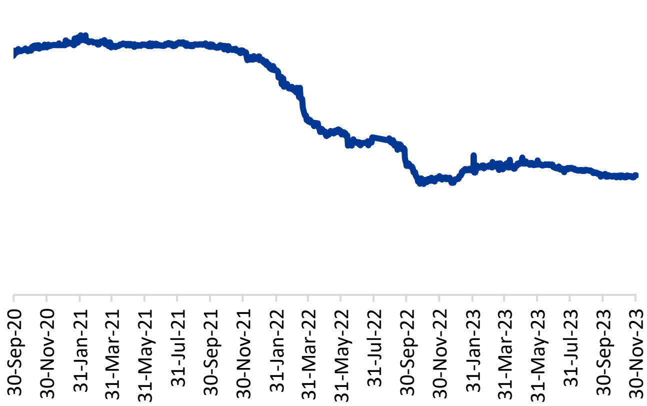


Figure 18: REITDU 9.5% 2024

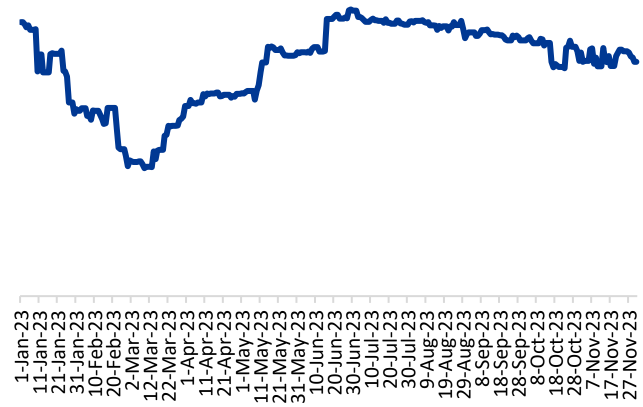


Figure 19: INTLWT 5.95% 2039

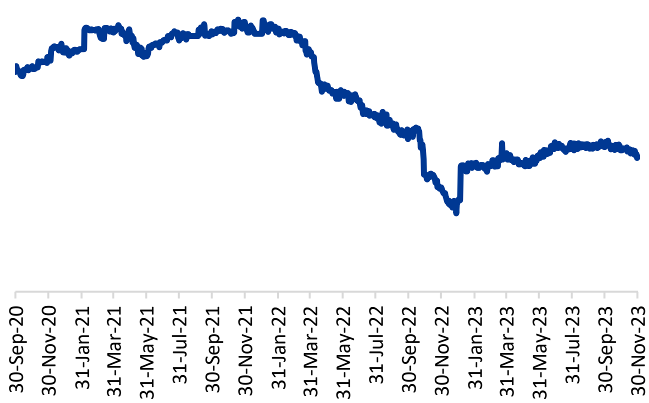


Figure 20: BGBKKK 5.749% PERP

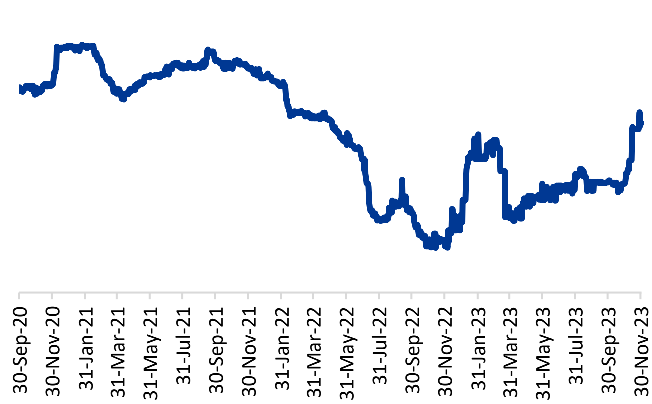
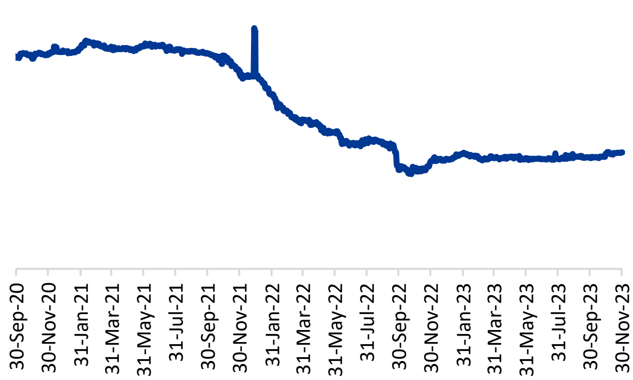


Figure 21: ALMARA 4.311% 2024



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	80.71	-6.05	-4.63
US dollar index	103.32	-0.19	-3.33
10Y Treasury yield	4.32	NA	NA
2Y Treasury yield	4.68	NA	NA
10Y German bund yield	2.45	2.73	2.73
10Y Japan bond yield	0.71	2.29	2.29
Bloomberg UAE Composite USD Liquid index	130.30	1.34	3.73

Source: Bloomberg

FAB أبوظبـي الأول للأوراق المالية SECURITIES

Sovereign Highlights

UAE

UAE non-oil private sector surges to four-year high in October driven by new orders

The UAE non-oil private sector experienced growth in October reaching to its highest level in over four years, according to a business survey. The S&P Global UAE Purchasing Managers' Index (PMI) rose 57.7 in October from 56.7 in September marking a robust improvement in sector health. The surge in new order intakes supported heightened activity, leading to additional hiring and purchasing. However, a rise in fuel and material prices contributed to a 15-month high in inflationary pressures. Despite this, firms, for the first time in a year-and-a-half marginally increased their selling prices, reflecting confidence in a positive 12-month outlook driven by robust demand expectations.

UAE considers USD 50 Bn investments in India with an expected announcement in 2023

The UAE is planning to invest up to USD 50 Bn in India with provisional pledges expected to be announced early next year. The deals involve stakes in key Indian infrastructure projects and state-owned assets, involving UAE sovereign wealth funds like Abu Dhabi Investment Authority, Mubadala Investment Co., and ADQ. The announcements anticipated before Indian Prime Minister Narendra Modi seeks a third term in upcoming federal elections. India is the UAE's second largest trade partner with bilateral trades reaching USD 84.5 Bn from April 2022 and March 2023. The UAE become the fourth largest investor in India during 2022-23, with FDI increasing to USD 3.35 Bn from USD 1.03 Bn in 2021-22. The countries aim to increase non-oil bilateral trade to USD 100 Bn.

Ajman witnessed 11% growth in economic licenses in 3Q23

The Department of Economic Development in Ajman (Ajman DED) reported 11% growth in the total number of economic licenses in 3Q23. Professional licenses accounted for 51%, followed by 44% of commercial licenses and the remaining 4% of industrial license. The license renewal movement witnessed 11% growth wheras the "Taziz" program for SME development and "Reyada" licenses for home activities grew 9%. The new licenses issued amounted to 1,428 licenses issued in 3Q23.

ADNOC and OMV progress towards USD 32 Bn petrochemical merger agreement

Abu Dhabi National Oil Co (ADNOC) and Austria's OMV AG reportedly finalized the merger deal to create USD 32 Bn petrochemical company between Abu Dhabi-listed Borouge Plc with Borealis AG. The two companies will hold 47% stake each of the merged entity with 6% as free float. The agreement is expected to be finalized before the end of the year. Borealis AG is a partnership between the two companies with OMV owning 75% stake and ADNOC holding 25%. The deal could value Borealis at over EUR 10 Bn euros (USD 10.7 Bn) while Borouge valued at nearly EUR 20 Bn euros.

Masdar consortium wins USD 1 Bn bid for 1.1 GW solar plant in Saudi Arabia

Abu Dhabi-based renewable energy, Masdar won USD 1 Bn bid to develop and operate a solar plant in Saudi Arabia. The consortium, including France's EDF Renewables and Saudi conglomerate Nesma Company signed a power purchase agreement with the Saudi Power Procurement Company. The 1,100-MW facility power over 190,000 homes and displace over 1.8 Mn tonnes of carbon dioxide annually. The project is expected to reach financial close next year and connect to the grid in 2025. The consortium aims to support Saudi Arabia's Vision 2030 of producing 50% of its electricity from renewable sources.

Dubai's non-oil private sector surges to 57.4 PMI in October due to strong demand

Dubai's non-oil private sector economy experienced a surge in October mainly driven by rise in demand and business confidence. The S&P Global UAE PMI rose to 57.4 in October from 56.1 in September with rise in the new business intakes. The upturn was prominent across wholesale and retail firms and travel and tourism service providers. Overall input prices rose in 15 months in October due to higher demand for materials. Firms reduced the output prices slightly in line with strong competition. Expectations for future activity in the non-oil private sector strengthened in October with strong wholesale and retail growth.

ADNOC submitted a bid of USD 2.14 Bn for Novonor's stake in petrochemical producer Braskem

Brazilian petrochemical producer Braskem announced that Abu Dhabi oil company ADNOC submitted a non-binding offer to buy conglomerate Novonor's stake in the company. Novonor, formerly known as Odebrecht, is Braskem's main shareholder alongside state-run oil firm Petrobras. ADNOC's bid implies a price of BRL 37.29 per share of the company with an equity value of BRL 10.5 Bn (USD 2.14 Bn) for Novonor's 38.3% stake in the petrochemical firm. The share traded at a premium of more than 100% over Braskem's closing price, and Sao Paulo-traded shares of the company soared as much as 23% following the news. Petrobras holds contractual rights to buy out Novonor in Braskem or exercise tag-along rights in case of a potential sale.

S&P affirms stable 'BBB-' rating for Sharjah with an anticipation of 2% economic growth in 2023

S&P Global Ratings affirmed 'BBB-/A3' long- and short-term foreign and local currency sovereign credit ratings on the emirate of Sharjah with a prediction of 2% growth in the economy next year. The ratings agency expects Sharjah's economy to be more diversified than most sovereigns in the GCC, with all five of its largest economic sectors expected to expand in 2023. The net general government debt is expected to rise to 44% of GDP by end-2023 with increasing debt-servicing costs. The emirate's GDP per capita is expected to strengthen slightly to USD 21,500 in 2023. The latest census reported 1.8 Mn population, 30% increase from the 2015 census. S&P projects Sharjah's budgetary performance to gradually strengthen through 2026 with the government deficit to narrow to 5.8% in 2023.

Etihad Rail and ADNOC forge strategic partnership to boost UAE's transportation infrastructure

H.H. Sheikh Theyab bin Mohamed bin Zayed Al Nahyan signed a partnership agreement between Etihad Rail and ADNOC to establish railway services between Abu Dhabi City and Al Dhannah region. The collaboration aims to enhance UAE's transportation infrastructure, aligning with sustainability goals. The agreement includes knowledge sharing, and ADNOC employees to eventually use the railway network. The partnership reflects leadership directives for national development in the UAE and serves as an important benchmark for other companies to explore opportunities to leverage the national rail network. Etihad Rail's recent agreements focus on advancing passenger services.

SAUDI ARABIA

Saudi Arabia records a budget deficit of USD 9.54 Bn in 3Q23 due to decline in oil revenue

Saudi Arabia reports a 3Q budget deficit of SAR 35.8 Bn (USD 9.54 Bn) of SAR 44 Bn due to a sharp decline in oil revenue. The country's budget surplus of almost USD 30 Bn in 2022 boosted by higher oil prices, but lower prices and voluntary cuts to crude production have affected oil revenue and growth. The total revenue in 3Q23 declined 14% YOY to SAR 258.5 Bn whereas non-oil revenue surges 53% to SAR 111.5 Bn. Saudi Arabia's Vision 2030 emphasizes non-oil growth, with an expected GDP growth around 6% in 2023. Despite a slowdown in overall growth, increased government spending aims to boost domestic demand. Higher oil prices from September are supportive of the government's spending and investment plans.

Saudi's AviLease seals USD 3.6 Bn deal for Standard Chartered's aircraft leasing business

Saudi Arabia's AviLease acquired Standard Chartered's aircraft leasing business for USD 3.6 Bn by bringing the combined business to 167 fuel-efficient aircraft leased to 46 airlines worldwide. The deal included bridge financing of USD 2.1 Bn supported by ten banks including Al Ahli Bank of Kuwait, Abu Dhabi Commercial Bank, First Abu Dhabi Bank, Mizuho Bank, Natixis, Standard Chartered Bank, BNP Paribas, Citibank N.A., HSBC Bank Middle East, and MUFG Bank. AviLease aims to become a top-10 global lessor by 2030. Lessees represent about 50% of new aircraft entering the system.

Saudi Arabia extends one Mn barrels per day for voluntary oil production cut

The Saudi Ministry of Energy confirmed the continuation of the voluntary cut of one Mn barrels per day which was initially implemented in July as part of the OPEC Plus decision and extended until December 2023. The decision maintains the kingdom's total production to around 9 Mn barrels per day. The voluntary cut is subject to next month to consider extending, deepening, or increasing production. The additional voluntary cut reinforces precautionary efforts by Opec Plus countries to support oil market stability.

Saudi non-oil sector records robust growth amid highest employment levels

Saudi Arabia's non-oil sector experienced robust growth in October, leading to a nine-year high in job numbers, according to a business survey. The Riyad Bank Saudi Arabia Purchasing Managers' Index (PMI) rose to 58.4 from 57.2 in September. The expansion in employment is seen as a positive indicator for the Saudi economy reflects growing demand for labour and potential improvements in the job market. However, wage pressures and input cost inflation reached their joint-fastest pace in over a year. Firms maintained confidence in future business activity due to growing demand and strong order pipelines.

Saudi Arabia raises USD 32.52 Bn to FDI in 2022

Saudi Arabia's foreign direct investment reached USD 32.52 Bn in 2022 up from the previous estimate of USD 8 Bn according to the state news agency SPA. The adjustment is attributed due to a new framework methodology adopted for publishing FDI data in the kingdom implemented in October.

Saudi PIF explores USD 250 Mn investment in Chinese EV maker human horizons

Saudi Arabia's Public Investment Fund (PIF) is in talks to invest USD 250 Mn in Chinese electric vehicle maker Human Horizons Group Inc. The PIF might consider acquiring the Shanghai-based company for USD 3 Bn. The PIF is exploring various strategic options including raising up to USD 1 Bn from private investors to fund its growth.

The move comes after PIF and the Saudi Electricity Company launched the Electric Vehicle Infrastructure Company to deliver EV fast-charging infrastructure across the kingdom. PIF also launched the Ceer automotive brand in a joint venture with Taiwan's Foxconn to develop EVs for the Middle East and North Africa region.

Saudi PIF becomes top shareholder in Aston Martin with increased 20.5% stake

PIF increased its stake in Aston Martin to 20.5% following a disappointing quarterly outlook. The increase of 2.6% points from 17.9% puts PIF ahead of Geely Chairman and Chinese entrepreneur Shufu Li on Aston Martin's shareholder list. The new shares were awarded to PIF-controlled Lucid Group which previously disclosed a 3.44% stake in Aston Martin. Aston Martin chair Lawrence Stroll remains the top shareholder.

Saudi Arabia surpasses 2023 target and grants 180+ regional HQ licenses to banks and industries

Saudi Arabia issued regional headquarters licenses to over 180 companies with a target of 160 for 2023. The approval rate is increasing at 10 companies per week with set of incentives. Some banks are using Saudi Arabia as their regional headquarters with many industrial and professional firms have also relocated. Saudi Arabia is set to implement its January 2024 deadline for international firms to locate regional headquarters in Riyadh.

Saudi Arabia's inflation eases to 1.6% in October due to housing costs

Saudi Arabia's annual inflation rate eased to 1.6% in October mainly driven by housing rents. Housing, water, electricity, gas, and fuel prices rose 7.8%, with nearly 15% increase in apartment rents. Food and beverage prices rose 0.8% whereas restaurants and hotels witnessed a 2% rise due to catering service. Inflation in Saudi Arabia slow easing compared to global levels, partly due to government policies. The government forecasts for inflation is 2.6% in 2023 easing to 2.2% in 2024.

MBC Group confirms 10% IPO on Tadawul and targets growth and debt repayments

Middle East media and entertainment company MBC Group is set to launch an IPO and list its shares on the Saudi Stock Exchange (Tadawul). The Capital Market Authority (CMA) approved the company's application to float 33.25 Mn ordinary shares by representing 10% of its share capital. MBC Group, majority-owned by the Saudi government aims to repay outstanding debts, boost liquidity, and invest in new initiatives to strengthen its market position. The company's current shareholders collectively own 90% of its share capital. MBC's shareholders are the state-owned Al Istedamah Holding 60% stake and the remaining 40% stake by Waleed bin Ibrahim Al Ibrahim.

Asia's first Saudi Arabia ETF launches in Hong Kong marking it the world's largest assets

Asia's first Saudi Arabia exchange-traded fund (ETF) is set to list in Hong Kong on November 29. Investors will have opportunities to trade constituent stocks of the Saudi stock market directly in the Hong Kong market through ETF, denominated in Hong Kong dollars or renminbi (RMB). The ETF, holding the largest assets of its kind globally, includes stocks like Saudi Aramco. Hong Kong Exchanges and Clearing Limited (HKEX) added the Saudi Exchange and Indonesian Stock Exchange as recognized stock exchanges, allowing companies from these markets to be listed in Hong Kong.

CSOP debuts first Asia-based Saudi ETF in Hong Kong

Hong Kong's CSOP Asset Management launched the first Asia-based exchange-traded fund (ETF) tracking Saudi equities. The CSOP Saudi Arabia ETF counts Saudi sovereign wealth fund Public Investment Fund (PIF) as an anchor investor marking its debut amid warming relations between China and Saudi Arabia. The fund tracks the performance of the FTSE Saudi Arabia Index whose 56 constituents' total market value reached USD 276.8 Bn at the end of October. Investors in Hong Kong trades Saudi stocks including Saudi Aramco and the Saudi National Bank in Hong Kong dollars or Chinese yuan. The launch comes as China's government seeks to expand ties with countries in Europe, the Middle East, and Africa, including courting US ally Saudi Arabia.

Saudi Arabia records dip in Inflation to 1.6% in October mainly driven by real estate cost

Saudi Arabia's witnessed a decline in inflation to 1.6% in October mainly driven by a 9.3% surge in real estate rental expenses and 14.9% upswing in apartment rental rates. The increase contributed to 21% of the overall inflation. The Consumer Price Index (CPI) surged 1.62% YOY in October mainly from Housing, Water, Electricity and Gas. The Wholesale Price Index (WPI) increased 1.0% YOY due to a rise in Food & Beverages, Tobacco & Textiles. However, the Index of Industrial Production (IIP) decreased 11.19% YOY in September due to a decline in the Mining and Quarrying sectors. Non-oil exports declined 17.20% YOY in September. The Saudi Central Bank's foreign reserves fell 8.20% YOY in October.

Kingdom Holding increases Citigroup stake with USD 449.56 Mn purchase from chairman

Saudi Arabia's Kingdom Holding Co. holds 16.9% stake and acquired over SAR 1.69 Bn (USD 449.56 Mn) worth of shares in Citigroup Inc. from its chairman, Prince Alwaleed bin Talal. The acquisition increased ownership from 1.63% to 2.2% and will be financed through Kingdom Holding's internal resources. The Saudi state wealth fund, Public Investment Fund acquired USD 1.5 Bn stake in Kingdom Holding in 2022. Alwaleed holds 78.1% stake in Kingdom Holding and recognized as one of the largest foreign investors in the United States with a diverse global investment.

Saudi PIF buys 10% stake in Heathrow's TOPCO from Ferrovial

The state news agency (SPA) announced Saudi Arabia's Public Investment Fund (PIF) has secured a share purchase agreement to acquire a 10% stake in TOPCO, the holding company of Heathrow Airport Holdings Ltd, from Ferrovial.

QATAR

Sinopec and QatarEnergy forge 27-Year LNG partnership for North field expansion

Sinopec has signed a 27-year liquefied natural gas supply and purchase agreement with QatarEnergy, for the second phase of Qatar's north field expansion project. The agreement involves a supply of 3 Mn metric tons of LNG per year to Sinopec. QatarEnergy will transfer a 5% interest in a joint venture with 6 Mn tons per year of LNG production capacity in the North Field South project. This is the third long-term supply deal between Sinopec and QatarEnergy, the world's top LNG supplier. The North Field expansion plan aims to increase Qatar's liquefaction capacity from 77 Mn to 126 Mn metric tons per year by 2027.

Qatar GDP growth dips in 2023, poised for recovery through hydrocarbon expansion

Qatar's economic activity is expected to slow down to 2% in 2023 after a 5% surge in 2022 supported by the soccer World Cup. However, growth is expected to rebound until 2026 mainly driven by high investments and hydrocarbon production increases. S&P expects the Brent oil price to average USD 82 per barrel in 2023 and USD 85 bbl thereafter, making Qatar's credit profile vulnerable to oil price volatility. Real GDP growth is expected to accelerate toward 2027 as gas production levels increase and non-hydrocarbon sector growth remains strong at about 4%. Qatar's LNG production capacity is set to rise by 64% between 2025 and 2027, maintaining its position as one of the largest exporters of LNG.

EGYPT

Egypt's central bank received a loan of USD 956 Mn from China Development Bank

China Development Bank disbursed a loan to Egypt's central bank of USD 956.61 Mn. The agreement was signed during the third Belt and Road Forum in Beijing. The proceeds will be used to finance the projects that were agreed upon at the summit and the 2021 Forum on China-Africa Cooperation.

Abu Dhabi Development Holding buys stake in three Egyptian companies

Abu Dhabi Development Holding Company the UAE's sovereign arm, acquired a stake in three Egyptian state-owned companies from the Egyptian Sovereign Fund. The transaction was valued at USD 800 Mn with Abu Dhabi Development Holding acquiring a 25% stake in Al-Hefnawi, a 30% stake in Ethydco, and a 35% stake in EILAB. The companies are part of seven state-owned companies in the pre-offering fund portfolio managed by the Egyptian Sovereign Fund.

Egypt Central Bank continues to maintain a stable interest rate, amid rising inflation

Egypt's central bank Monetary Policy Committee (MPC) maintains the lending rate at 20.25% and the deposit rate at 19.25%. Despite Egypt's inflation rate reaching 38.0% in September 2023, the MPC is expected to maintain stable interest rates and the currency exchange rate against the dollar until after a presidential election set for mid-December. MPC further expects that a change in future policy rates will be based on predicted inflation rather than current inflation rates.

Egypt's non-oil activity declined in October, due to a surge in inflation and supply shortages

Egypt's non-oil private sector declined for consecutive 35 months in October due to inflation, supply chain problems, and a lack of access to foreign currency resulting in minimized business activities. The S&P Global PMI dropped to 47.9 in October from 48.7 in September. The decline in PMI was attributed to a downturn in non-oil business conditions for consecutive five months in October. The country also witnessed a faster decline in new business volumes and sustained weakness in output, leading to companies reducing staffing and stock levels for the first time since July 2023. Additionally, the subindex for new orders declined to 47.1 from 47.6, while the backlog index dropped to 50.6 from 53.1, which is the highest since April 2012.

Egypt offering incentives to support its tourism industry in southern Sinai on the Red Sea

Tourism is the key source to boost foreign currency for Egypt, with more than USD 13 Bn expected to be generated from the tourism sector with a target of 15 Mn visitors in 2023. However, the Gaza war has created significant problems for the tourism sector in Egypt. Thus, Egypt offered an extra USD 500 in incentives per flight landing in Sharm el-Sheikh which is around 360 km south of Sinai's northern, Mediterranean coast, which borders with the Gaza Strip. The country is also working closely with wholesalers, retailers, and airliners to ensure their continued commitment to Egypt. As part of a plan to expand the tourism sector by 30% annually, Egypt is focusing on increasing private sector participation, including running services at tourist sites and airports.

Egypt's sovereign fund to sell a group of seven hotels by the end of 2023

Egypt is selling a group of seven hotels which includes the Cataract in Aswan, Winter in Luxor, Mena House in Cairo, and Cecil in Alexandria by the end of 2023. The names of the buyers are yet to be disclosed by Egypt however, the country was in a discussion with Qatar over the purchase but Egypt's planning minister announced recently announced a USD 700 Mn stake in the hotel company to a consortium that included the local Talaat Mostafa Group Holding Co.

Egypt plans LNG export resumption amidst seasonal drop in demand

Egypt plans to restart liquefied natural gas (LNG) exports in December or January due to a decrease in domestic demand during winter and increased gas supply from Israel, according to ENI executive Cristian Signoretto. He mentioned that with declining consumption in Egypt, LNG exports are anticipated to resume by December or possibly January.

Mitsui invests in Egypt's wadi poultry for protein business expansion

Japanese trading company Mitsui & Co acquired Egyptian broiler chicken producer Wadi Poultry S.A.E. to expand its protein business. The move aims to expand its chicken business cluster into Egypt, one of Africa's largest markets. Mitsui did not disclose the share or price of the acquisition, but it confirmed that Wadi's holding company would become its associated company. Mitsui invested USD 360 Mn in August in Ecuadoran shrimp farming to capture rising consumer demand for higher protein food.

Egypt sells a 30% stake in Eastern Co. to UAE's global investment for USD 650 Mn

Egypt sold the stake in tobacco products maker Eastern Co. to UAE's Global Investment Holding Co. for GBP 16.40 Bn (USD 531.60 Mn), or GBP 24.51 per share. The buyer, Global Investment Holding Co. from the UAE acquired 669 Mn shares for GBP 16.40 Bn (USD 531.60 Mn), with an additional payment of GBP 4.38 per share, totaling USD 650 Mn. The sale reduces the government's stake to 20.95% and gives impetus to Egypt's floundering privatization program. The IMF promised Egypt to roll back the state's involvement in the economy and allow private companies a greater role as part of a USD 3 Bn financial support package.

Egypt achieves economic resilience with a 6% budget deficit

Egypt's total budget deficit reached 6% of GDP in FY 2022/2023 with a primary surplus of 1.6%. The country's debt dropped to 96%, from 103% in FY 2015/2016. Healthcare and education sector spending rose 8.2% and 8.9% YOY, respectively. Public expenditures increased by 19.3%, and wages and workers' compensation rose by 15%. Tax revenues rose 26.9% YOY. The government supports pensioners with EGP 202 Bn during FY 2023/2024.

BAHRAIN

Bahrain's 2Q23 GDP soars 2% mainly driven by non-oil sectors

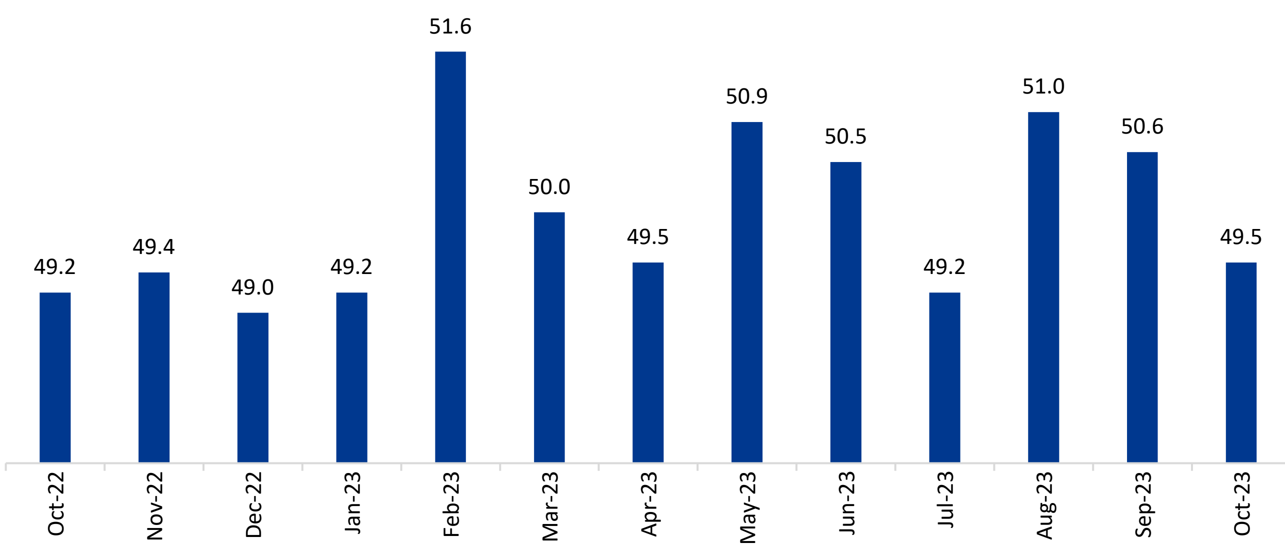
Bahrain's GDP grew 2% YOY in 2Q23 primarily due to a 2% increase in the non-oil sector and a 2.2% rise in the oil sector, according to a report by the Bahrain Chamber of Commerce. Transportation and communication activities led the list with 13.3% annual growth, followed by hotels and restaurants at 9.6%. The report emphasizes the pivotal role of non-oil sectors, contributing 82.9% to real GDP in 2Q23 showcasing the sustained growth and diversification of Bahrain's economy.

Global Economy

China's manufacturing sector declined for the first time since July 2023

China's manufacturing activity declined in October 2023 due to a weak foreign demand and drop in production. The Caixin manufacturing PMI declined for the first time since July 2023 to 49.5 in October 2023 from 50.6 in September 2023. The decline was mainly led by a fall in manufacturing production with a moderate increase in new orders amid sluggish global economic condition and high prices dampened sales. Export order declined for the fourth straight month in October 2023. Lower production and subdued demand impacted purchasing activity, while firms relied on existing stock to offset rising costs. However, weaker-than-expected sales and delays in goods shipment resulted in growth in inventories. Additionally, input prices grew at the fastest rate since January 2023 due to higher operating expenses.

Figure 22: China Caixin Manufacturing PMI

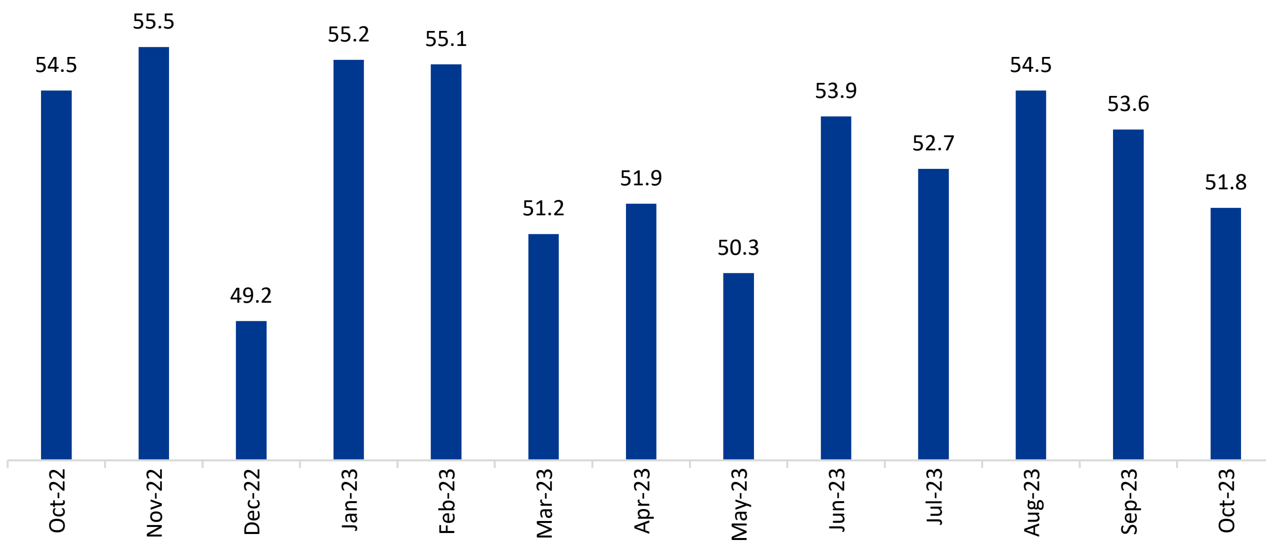


Source: Investing.com

US service sector growth slows more than expected in October

The Institute for Supply Management (ISM) reported a larger-than-expected slowdown in the US services activity to 51.8 in October 2023 from 53.6 in September 2023. The deceleration reflects a slowdown in the business activity with a significant drop in business activity index to 54.1 in October 2023 from 58.8 in September 2023. The employment index also declined to 50.2 in October 2023. However, the new order index grew to 55.5 in October 2023, reflecting a boost in new orders growth. The price index marginally declined from 58.9 in September 2023 to 58.6 in October 2023.

Figure 23: US ISM Services PMI

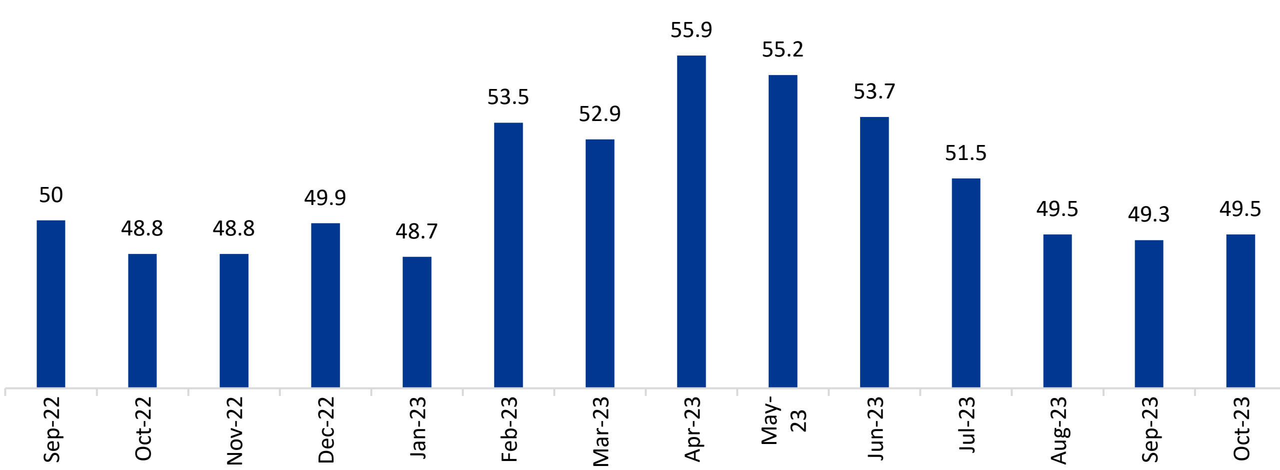


Source: Investing.com

UK service sector continued to decline for the third consecutive month in October 2023

UK service sector contracted for the third consecutive month in October 2023 mainly due to cost-of-living pressure, high interest rates, and weak consumer sentiment pressurizing demand. However, the UK's services PMI inched to 49.5 in October 2023 from 49.3 in September 2023. The unfavorable domestic economic conditions and compressed household budgets restricted new business opportunities in the UK. The new work registered the fastest decline since November 2022. However, an increase in the foreign order, driven by rising demand from the US and the Middle East. Despite slight improvement, employment numbers decreased, influenced by non-replacement of leavers amid weak sales and concerns about the future demand.

Figure 24: UK Services PMI

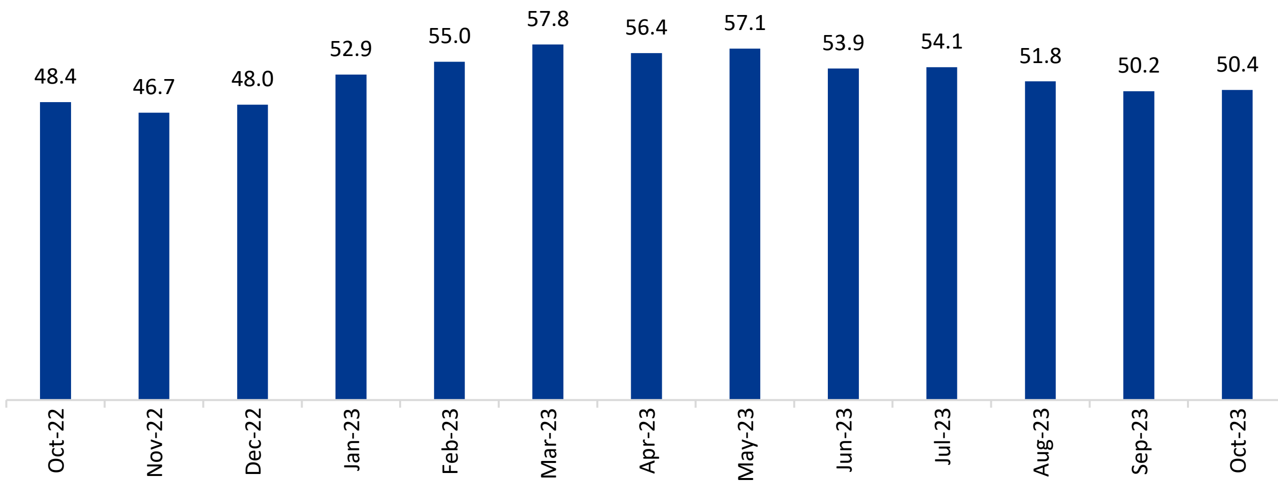


Source: Investing.com

China's service sector growth improved at moderate rate in October 2023

China's service sector expanded but at a low rate mainly due to a weak rise in new businesses during the last ten months and ongoing concerns about the economy's outlook. The headline Caixin services PMI rose to 50.4 in October 2023 from 50.2 in September 2023. New order growth slowed down in 10 months while international demand increased to the highest in four months. The slowdown in new order forced employers to adopt a cautious approach to hiring as a result employment level remain unchanged in October 2023.

Figure 25: China's Service Sector PMI

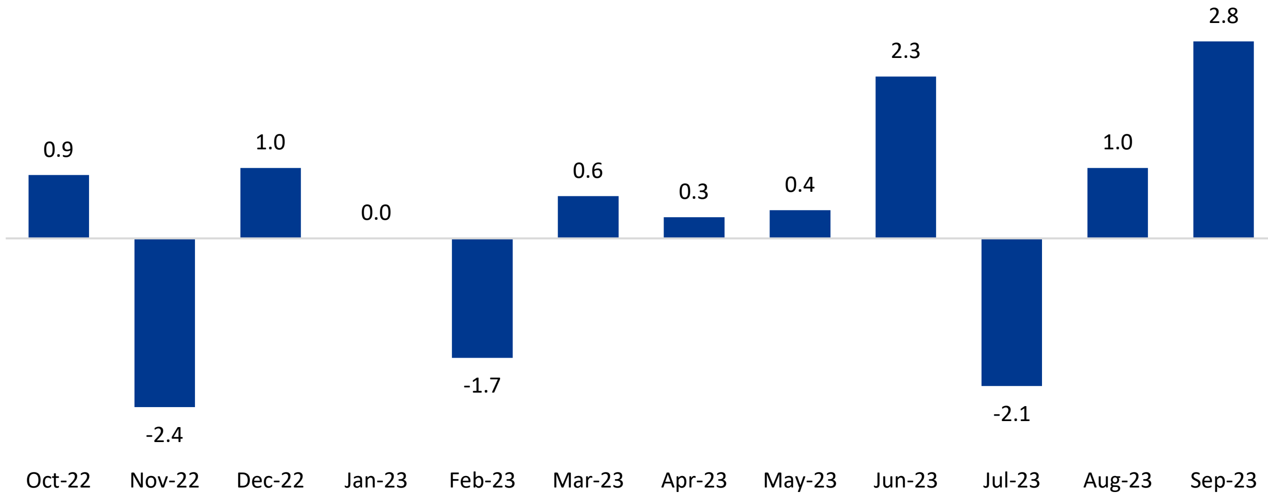


Source: Investing.com

US factory order surge surpassed the economist expectation in September 2023

The Commerce Department reported a notable surge in new orders for US manufactured goods as the factory orders rose 2.8% in September 2023 higher than expected. The growth in order was revised downward to 1.0% in August 2023. The surge in factory orders was attributed to a 4.6% spike in durable goods orders in September 2023, particularly in transportation equipment, which soared 12.7%. Non-durable goods orders rose 1.0% in September 2023 after a 2.2% surge in August 2023. Additionally, the Commerce Department noted a 0.4% increase in shipments and a 0.2% rise in inventories of manufactured goods in September 2023. The inventories-to-shipment ratio remained unchanged at 1.46 in September 2023.

Figure 26: US Factory Orders (%, MOM)

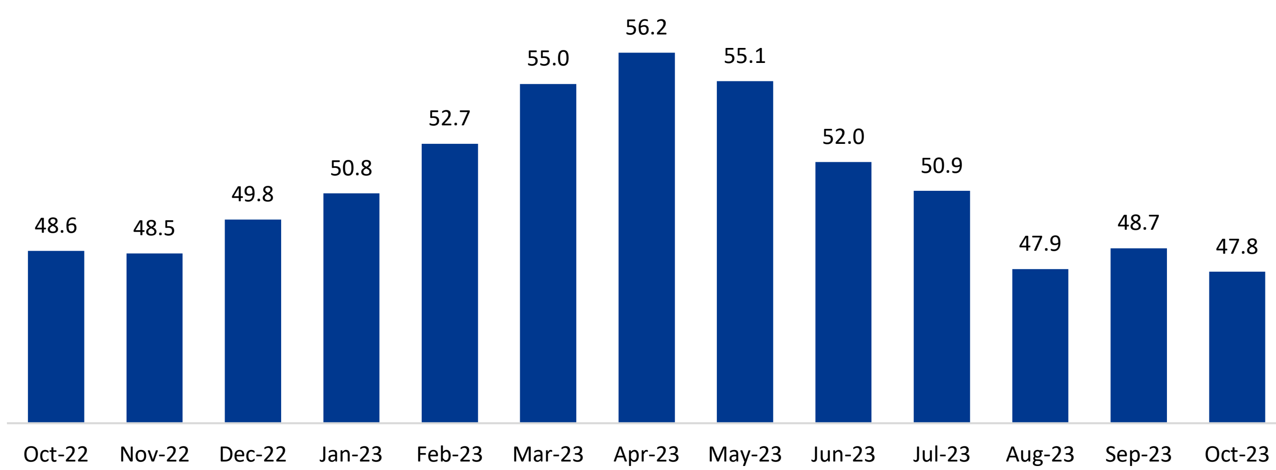


Source: Investing.com

Eurozone's private sector contracts sharply in October 2023

Euro area's HCOB composite output index reached 46.5 in October 2023 from 47.2 in September 2023, in line with the estimates. The Euro area private sector declined at a faster pace in three years due to a drop in business intakes amid the gloomier economic outlook. The decline in factory production remained in line with a fall in September 2023 while the service sector witnessed a sharp contraction in October 2023. The service sector PMI reached 32-month low of 47.8 in October 2023. New orders for goods and services declined at the fastest pace since May 2020 while foreign orders witnessed one of the sharp decline since 2014. The employment stagnated after the 32-month straight month of job creation due to a fall in capacity pressure and the companies held back recruitment.

Figure 27: EURO Area Services PMI



Source: Investing.com

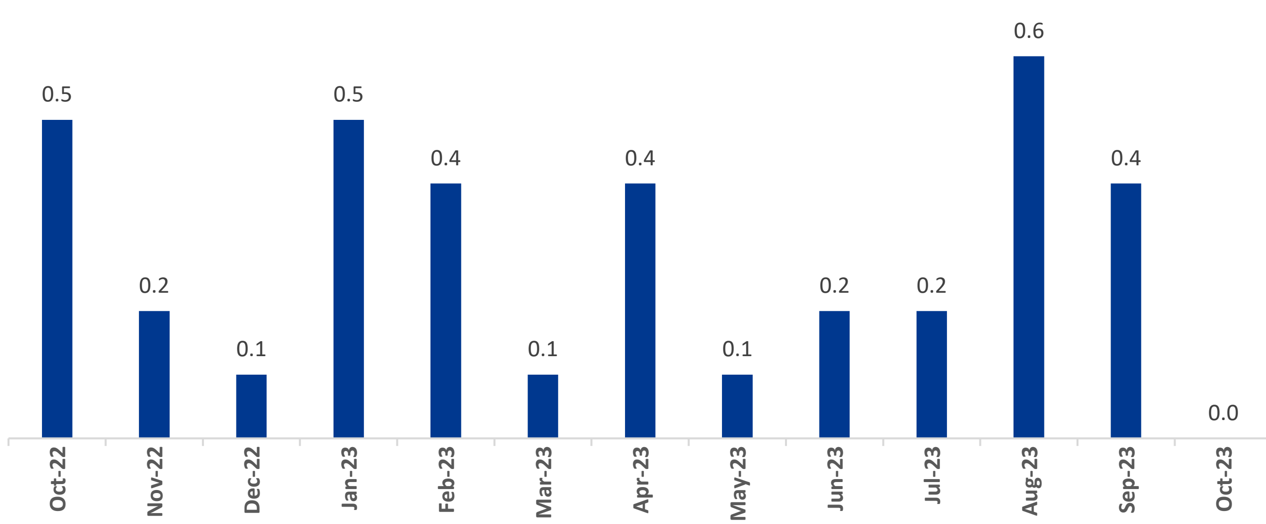
UK economic growth stalls in 3Q23 amid high inflation

The UK's economic output remained stable in 3Q23 owing to higher interest rates, which restricted spending and investment. The economy is expected to escape recession in 2023. The country's GDP reported a nil growth on QOQ basis while it registered an YOY growth of 0.6% in 3Q23. The service sector witnessed a decline of 0.1% partially offset by a rise of 0.1% in construction. The industrial output remained flat while manufacturing inched up 0.1% in September 2023. The increase in net trade volume partially offset by a decline in business investment, household spending and government consumption. Household spending dropped 0.4% in 3Q23 reflecting lower spending on miscellaneous goods and services. The UK's trade deficit for goods and services reached 0.7% of the nominal GDP. While, industrial production and manufacturing output remained steady at 1.5% and 3.0%, respectively.

US consumer inflation slowed to 3.2% YOY in October 2023

US consumer inflation moderated more than anticipated in October providing a relief for policymakers seeking to control rising prices without negatively impacting the economy. The US consumer price index (CPI) inflation grew 3.2% YOY in October 2023, down from 3.7% YOY growth in September 2023. Inflation remained unchanged MOM in October 2023 due to a notable decline in energy prices. While the drop in the gasoline index contributed to the slowdown, it was partly offset by a continued increase in the shelter index. Despite the moderation, inflation remains above the Federal Reserve's long-term target of 2.0%.

Figure 28: US consumer price index (%, MOM)



Source: U.S. Bureau of Labor Statistics

China is planning to boost housing market by providing USD 137 Bn of funds to households

China aims to offer a minimum CNY 1 Tn (USD 137 Bn) of low-cost financing to the nation's urban village renovation and affordable housing programs. The People's Bank of China (PBOC) plans to distribute funds in phases through policy banks, to ensure that the money flows down and reaches the households for housing purchases.

Fed expects interest rates to remain restrictive for sometime

The Federal Reserve plans to maintain a restrictive interest rate level until inflation moves down sustainably towards the Fed's target of 2.0%. Following the recent series of interest rate hikes a further hike in interest rates is expected to be based on a data-dependent approach.

US economic growth revised upward to 5.2% in 3Q23

The US economy grew faster than expected in 3Q23 but momentum appears to be disappearing amid high interest rates which curbed hiring and spending. The US GDP growth revised upward from 4.9% to 5.2% YOY in 3Q23. The upward revision in growth forecast is attributed to improvements in business investment in addition to growth in state and local government spending, and residential investment. The residential investment and private investment were revised higher. Consumer spending which accounts for two-thirds of the US economy revised downward from 4.0% to 3.6% in 3Q23. However, consumer spending eased at the start of 4Q23, with retail sales falling for the first time in seven months in October 2023. The labour market is also easing, with job growth slowing and the unemployment rate rising to nearly a two-year high.

FAB أبوظبي الأول للأوراق المالية SECURITIES

FAB Securities Contacts:

Research Analyst		
Ahmad Banihani	+971-2 -6161629	ahmad.banihani@Bankfab.com
Sales & Execution		
Trading Desk Abu Dhabi Head Office	+971-2 -6161777	Online Trading Link
	+971-2 -6161700/1	
Institutional Desk	+971-4 -5658395	
Sales and Marketing	+971-2 -6161703	
Customer Service		
Abu Dhabi Office	+971-2 -6161600	Online Trading Link

FAB Securities Awards: