

GCC credit update – Jan 13 2025

Market Economics | 13 January 2025

GCC credit had a soft performance in its first full trading week of 2025 as a major sell-off across benchmark bonds took its toll across multiple asset classes. Markets have substantially repriced rate expectations with futures markets now pricing in just one 25bps cut from the Federal Reserve between now and the end of 2025, supported by a strong nonfarm payrolls report for December last year and generally positive US economic data. Yields on US Treasuries jumped 10bps on the 2yr last week to close out at 4.38%, their highest level since July 2024, while the 10yr yield was higher by 16bps at 4.79%, its highest level since 2023.

Treasury yields push higher

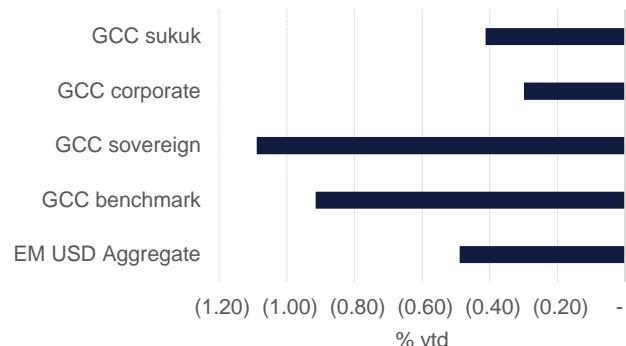


Source: General Authority for Statistics, Emirates NBD Research.

The weakness in Treasuries weighed across fixed income with global high-yield and emerging market indexes sagging last week. The Bloomberg emerging market USD-index fell 0.6% last week though spreads managed to come in by about 3bps while a broad index of GCC credit was lower by 0.9% w/w with spreads nearly unchanged.

At a sector breakdown, GCC corporate bonds fared relatively better with a draw in the index of 0.3% last week compared with a 1% drop in the GCC sovereign index. USD sukuk split the difference with a decline of 0.4%.

Performance of selected GCC credit indexes



Source: Bloomberg, Emirates NBD Research.

Selected new issuances since the start of the year:

- Saudi Arabia sovereign priced a triple tranche USD issuance, raising USD 12bn. A 3yr (2028) USD 5bn bond priced at +85, well inside of initial guidance; a USD 6yr (2031) USD 3bn priced at +100 and a 10yr (2035) USD 4bn priced at +110.
- Kuwait Finance House priced a 5yr (2030), USD 1bn sukuk at +95.
- ALDAR priced a 2055 hybrid at +204, raising USD 1bn.
- Emirates NBD priced a 5yr USD 700m Formosa FRN at SOFR+110
- FAB priced a 5yr (2030) USD 600m sukuk at +70.

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