



بنك الإمارات دبي الوطني
Emirates NBD

Credit Weekly

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GCC Credit Weekly

Weaker than expected inflation data in the US coupled with lowered expectations of growth from Trump's MAGAnomics caused UST curve to flatten last week. Yields on 2yr treasuries closed at 1.36% (-3bps) while those on 10yr were down 4bps to 2.33%. The story was different across the pond with yields on 10year Gilts and Bunds rising to 1.31% (+4bps) and 0.59% (+5bps) respectively in response to talks about ECB pairing down QE by the beginning of 2018.

Circa 5% increase in oil prices during the week, lack of new supply and rising hopes of a non-violent resolution of the rift between Qatar and its neighbours – all combined together to fuel appetite for GCC risk. CDS spreads on GCC sovereigns were down across the board with Qatar CDS closing at 105bps (-17bps), Saudi Arabia at 104bps (-5bps) and Dubai at 122bps (-10bps) respectively. Bonds were well bid albeit amid summer induced reduction in activity levels. Bloomberg Barclays GCC index saw option adjusted spreads tighten by 6bps to 148bps and yields dropping to 3.46% (-11bps) during the week.

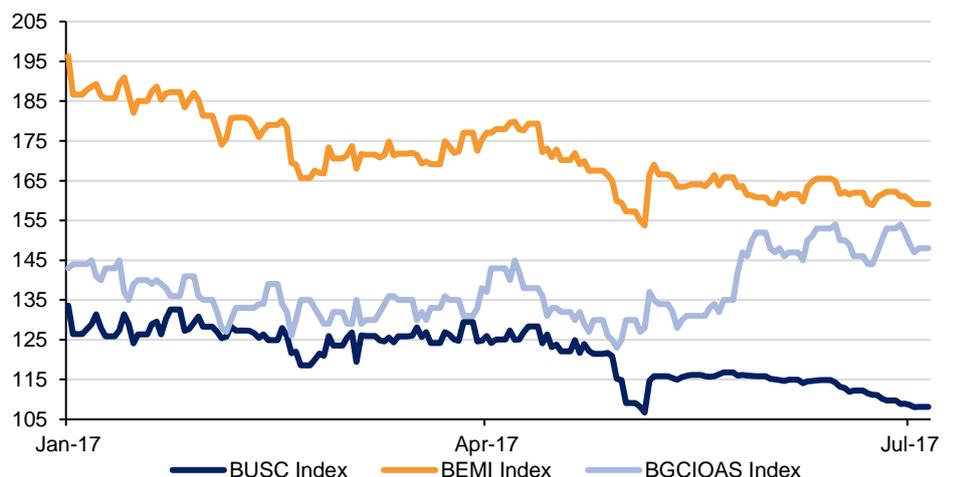
Difficult operating environment for the Middle-East based air carriers has seen Emirates Airline scale back employees, streamline operations as well as hire an outside consultant to assist with cost controls. There also have been rumours about possibility of combining Emirates operations with its low-cost sister Fly Dubai. Bonds issued by Emirates were largely unchanged with EMIRAT 25s closing at YTM of 4.32% (-1bp) during the week though FLYDU 19s recorded a 5bps increase in yields to 3.24% largely as a result of 11bps increase in Z-spread to 159bps.

On the credit rating front, Fitch continued the credit watch negative that it commenced in June on A- rating on UAE based, Commercial Bank International (CBI) following a similar action on its 40% owner, QNB's AA- rating. Fitch views CBI as a key affiliate of QNB as UAE is considered an important market for the Qatari group. A downgrade of QNB will trigger a downgrade of CBI. Fitch assumes that the Qatari authorities will not place a moratorium on support towards banking subsidiaries in countries in dispute. CBIUH 6.5% Perp has largely remained unaffected so far, closing the week with yields at 6.29% (-1bp).

Corporate results were largely uneventful.

- Commercial Bank of Dubai, CBD reported 10% increase in operating income to AED 1.31 billion, however net profit for the 1H was down 32% to AED333 million as a result of 84% increase in net impairment allowances to AED243 million. Loan-to-deposit ratio and CAR ratios were healthy at 99% and 14.9% respectively. CBDUH 18s and 20s moved little during the week.
- In contrast, Union National bank's 2Q profit was up 7% to AED 502 million as impairment dropped from AED 114 million to AED 90 million.

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

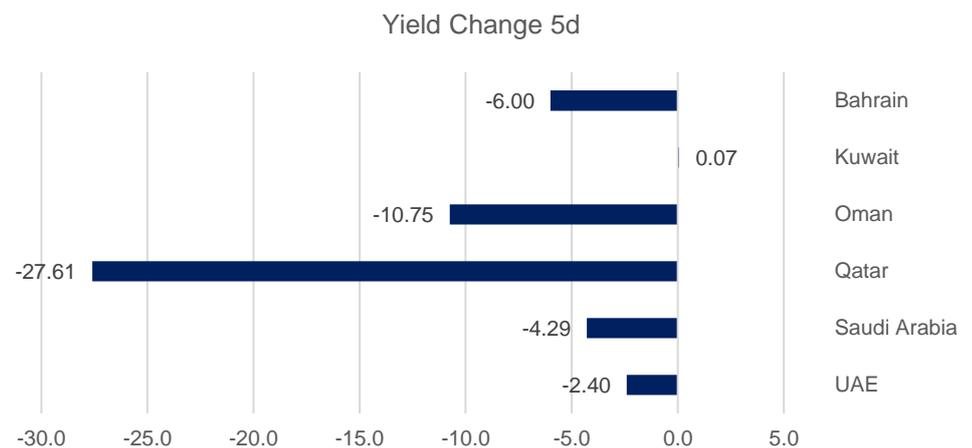


Source: Bloomberg, Emirates NBD Research

- QNB, Qatar's largest bank, reported 2% increase in 2Q profit to QAR 3.45 billion, an 11% in loans to QAR 552 billion and 15% increase in deposits to QAR 562 billion. QNBK 21s gained more than two points to \$95.98, YTW 3.17%(-55BPS) and ZGCC vs EM IG bonds and US IG Bonds – OAS history (bps).
- Bank Sohar that recently saw the outlook on its BBB- rating revised to negative by Fitch (mainly on the back of outlook revision on the Oman sovereign rating) reported 1H net profit of OMR 12 million vs OMR 9 million in the previous corresponding period.
- Boubyon Bank reported 2Q income growth of 16% to KWD 22 million.

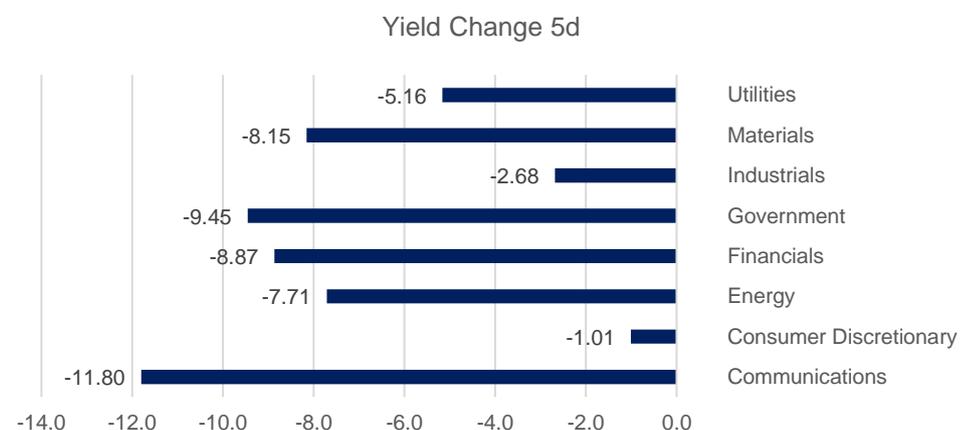
Primary market activity remained muted, barring offer of \$375 million in five year bond from Topaz Marine, majority of which will be used to refinance the upcoming 2018 bonds which are being bought ahead of schedule via tender now.

GCC Bonds – Yield To Workout Change by Country



Source: Bloomberg, Emirates NBD Research

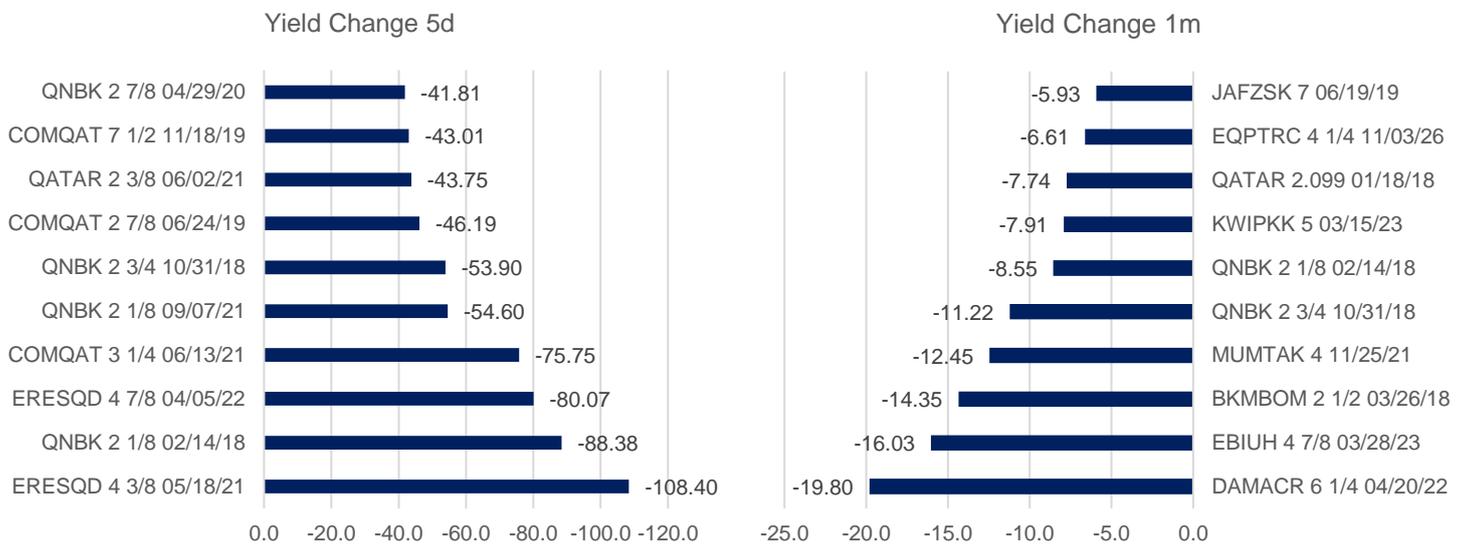
GCC Bonds – Yield To Workout Change by BICS Sector



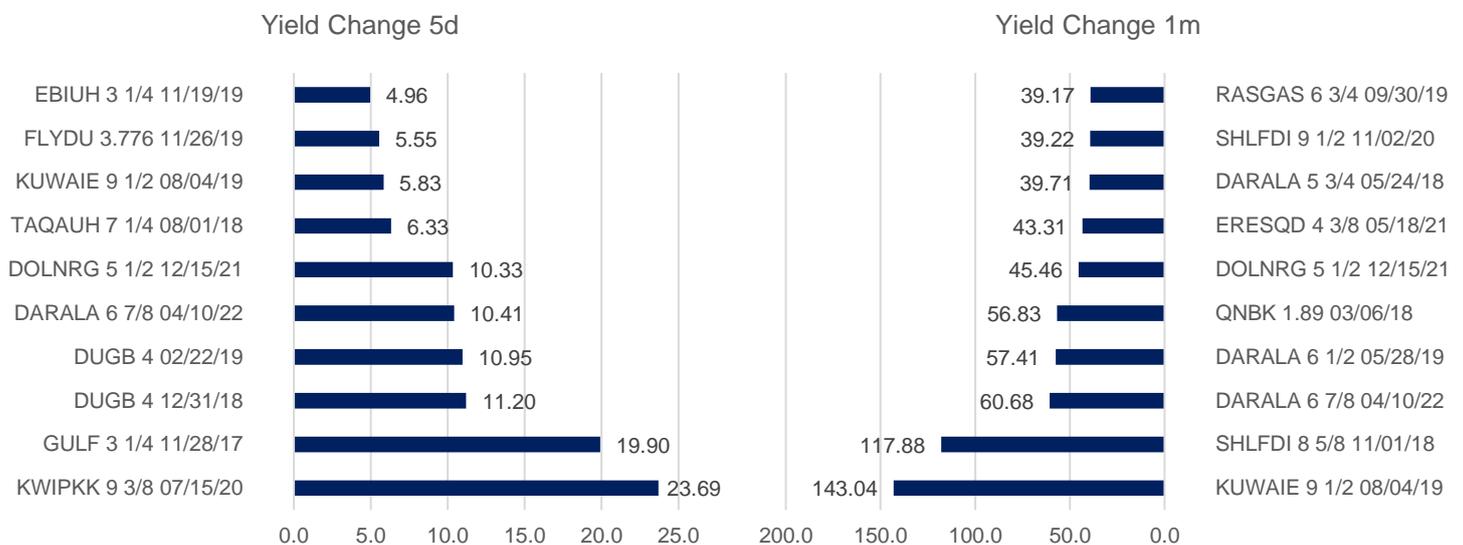
Source: Bloomberg, Emirates NBD Research

Performance

GCC Bonds - Top 10 Yield To Workout Changes



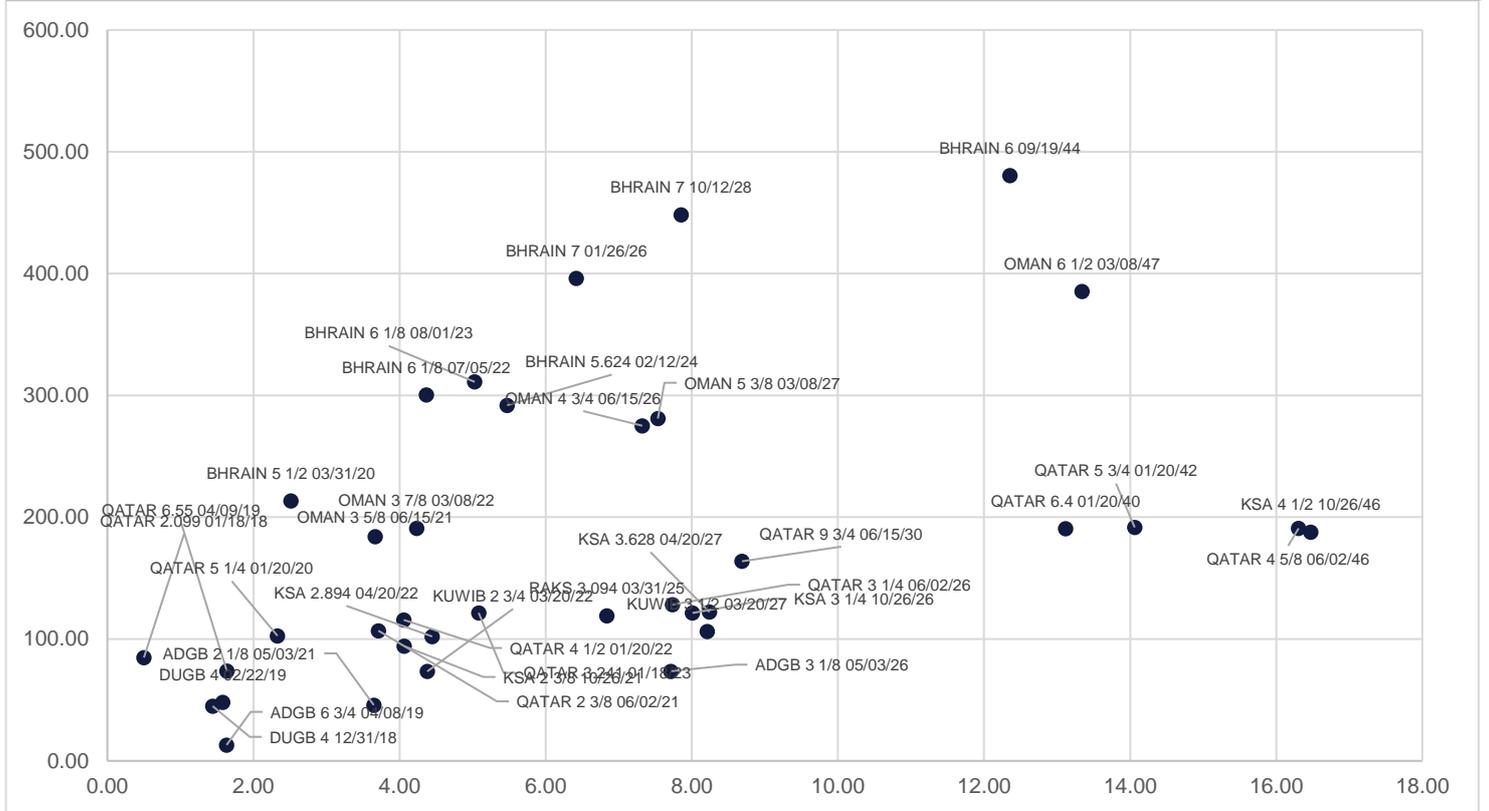
GCC Bonds - Bottom 10 Yield To Workout Changes



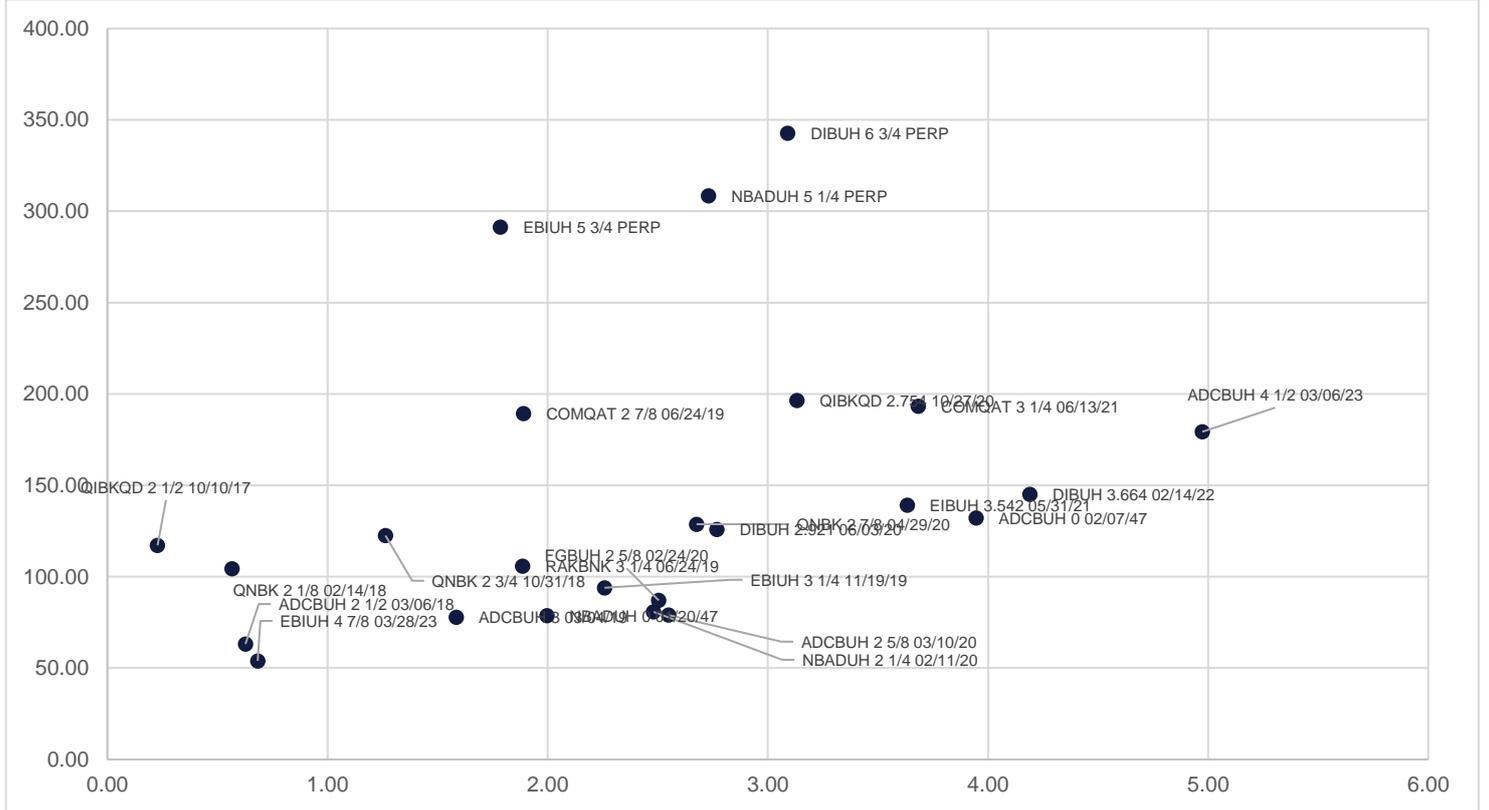
Source: Bloomberg, Emirates NBD Research

Relative Value

Sovereigns



Banks



Source: Bloomberg, Emirates NBD Research

New Issue Monitor

Issuer Name	Security Name	Cpn	Maturity	Issue Date	Issue Price	Current Price	5d Change	YTW
Oman Sovereign Sukuk SAOC	OMANGS 4.397 06/01/24	4.397	6/1/2024	6/1/2017	100.000	99.452	-16.702	4.490
Meraas Sukuk Ltd	MERAAS 5.112 05/31/22	5.112	5/31/2022	5/31/2017	100.000	101.100	2.629	4.854
NBK SPC Ltd	NTBKKK 2 3/4 05/30/22	2.75	5/30/2022	5/30/2017	99.491	98.899	2.414	2.994
QIB Sukuk Ltd	QIBKQD 3.251 05/23/22	3.251	5/23/2022	5/23/2017	100.000	96.645	-1.685	4.019
OmGrid Funding Ltd	OMGRID 5.196 05/16/27	5.196	5/16/2027	5/16/2017	100.000	101.070	-9.474	5.057
Acwa Power Management And Investments One Ltd	INTLWT 5.95 12/15/39	5.95	12/15/2039	5/15/2017	100.000	102.143	-2.886	5.708
Alpha Star Holding III Ltd	DAMACR 6 1/4 04/20/22	6.25	4/20/2022	4/20/2017	100.000	103.215	-26.614	5.471
KSA Sukuk Ltd	KSA 2.894 04/20/22	3.628	4/20/2027	4/20/2017	100.000	99.865	-3.311	2.924
KSA Sukuk Ltd	KSA 3.628 04/20/27	2.894	4/20/2022	4/20/2017	100.000	101.261	-1.952	3.474
MDC-GMTN BV	MUBAUH 3 04/19/24	3	4/19/2024	4/19/2017	99.375	98.611	-3.885	3.230
MDC-GMTN BV	MUBAUH 3 3/4 04/19/29	3.75	4/19/2029	4/19/2017	99.981	99.323	-3.786	3.822
Dar Al-Arkan Sukuk Co Ltd	DARALA 6 7/8 04/10/22	6.875	4/10/2022	4/10/2017	98.964	96.954	10.415	7.651
Ezdan Sukuk Co Ltd	ERESQD 4 7/8 04/05/22	4.875	4/5/2022	4/5/2017	99.453	95.239	-80.066	6.049
Al Ahli Bank of Kuwait KSCP	ALAHKW 3 1/2 04/05/22	3.5	4/5/2022	4/5/2017	99.569	101.169	-1.927	3.230

ADCB Finance Cayman Ltd	ADCBUH 0 04/05/47	0	4/5/2047	4/5/2017	100.000	100.000	0.340	5.080
First Abu Dhabi Bank PJSC	FABUH 3 03/30/22	3	3/30/2022	3/30/2017	99.995	100.349	1.082	2.919
Kuwait International Government Bond	KUWIB 2 3/4 03/20/22	2.75	3/20/2022	3/20/2017	99.366	100.527	-8.961	2.629
Kuwait International Government Bond	KUWIB 3 1/2 03/20/27	3.5	3/20/2027	3/20/2017	99.026	101.534	0.333	3.313
Oman Government International Bond	OMAN 6 1/2 03/08/47	6.5	3/8/2047	3/8/2017	99.360	102.040	-11.948	6.346
Oman Government International Bond	OMAN 5 3/8 03/08/27	5.375	3/8/2027	3/8/2017	99.618	102.556	-14.870	5.036
Oman Government International Bond	OMAN 3 7/8 03/08/22	3.875	3/8/2022	3/8/2017	99.488	100.322	-16.562	3.798
BOS Funding Ltd	BOSUH 4.23 03/07/22	4.23	3/7/2022	3/7/2017	100.000	101.789	-1.113	3.804
QNB Finance Ltd	QNBK 1.89 03/06/18	1.89	3/6/2018	3/6/2017	100.000	99.273	-3.685	3.023
Kuwait Projects Co SPC Ltd	KWIPKK 4 1/2 02/23/27	4.5	2/23/2027	2/23/2017	100.000	100.462	-2.866	4.440
ABQ Finance Ltd	ABQKQD 3 1/2 02/22/22	3.5	2/22/2022	2/22/2017	99.442	98.138	-17.190	3.946
Equate Sukuk Spc Ltd	EQPCKW 3.944 02/21/24	3.944	2/21/2024	2/21/2017	100.000	101.568	-4.672	3.674
DIB Sukuk Ltd	DIBUH 3.664 02/14/22	3.664	2/14/2022	2/14/2017	100.000	101.376	-0.987	3.337
ADCB Finance Cayman Ltd	ADCBUH 0 02/07/47	0	2/7/2047	2/7/2017	100.000	100.000	0.332	4.925
ICD Sukuk Co Ltd	INVCOR 5 02/01/27	5	2/1/2027	2/1/2017	99.565	104.590	-2.132	4.405
Oman Sovereign Sukuk SAOC	OMANGS 4.397 06/01/24	4.397	6/1/2024	6/1/2017	100.000	99.452	-16.702	4.490
Meraas Sukuk Ltd	MERAAS 5.112 05/31/22	5.112	5/31/2022	5/31/2017	100.000	101.100	2.629	4.854

Source: Bloomberg, Emirates NBD Research

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