



بنك الإمارات دبي الوطني
Emirates NBD

Sukuk Index

5 July 2017

Anita Yadav
Head Fixed Income Research
Tel: +9714 230 7630
anitay@emiratesnbd.com

www.emiratesnbdresearch.com

Emirates NBD Markit iBoxx USD Sukuk Index Monthly

Total return level for Emirates NBD Markit iBoxx USD Sukuk Index (the index) closed the month of June at 116.49 representing a small loss of 0.28% for the month though YTD return is still a positive 1.36%. Current performance will indicate annualised return to be over 2.7% which remains healthy in view of prevailing market conditions.

Monthly index total return was negatively impacted by the ongoing Qatar diplomatic crisis, given the dominance of GCC issuers in the index. Rising benchmark USD yields and falling oil prices also had their impact on sukuk issued out of oil related economies such as Malaysia and the GCC.

Emirates NBD Markit iBoxx USD Sukuk Index – Total Return



Source: Markit, Emirates NBD Research.

Secondary market trading in underlying sukuk was relatively muted compared with previous months as a result of Ramadan and Eid holidays.

Index Characteristics

	29th Jun-17	31-Mar-17	31-Dec-16	29-Jun-16
Number of Issuers	64	60	59	59
Number of Issues	98	94	93	87
Nominal outstanding USD'Bn	90.51	78.65	77.55	70.09
Average credit rating	A-	A-	A	A
Average Duration	4.86	4.55	4.47	4.65
Average Z-Spread, bps	160	157	182	223
Average Yield to worst, %	3.62	3.66	3.90	3.46
Price Return MTD	0.15%	-0.39%	-2.06%	-0.14%
Price Return QTD	0.88%	0.62%	-2.49%	1.33%
Price Return YTD	1.50%	0.62%	0.43%	1.58%

Source: Markit, Emirates NBD Research.

New Additions during the month

OMANGS 4.397% 06/01/2024

The above sukuk was added to the index last month. It represents senior unsecured obligation of the Sultanate of Oman. US\$2 billion was raised at issue spread of Mid Swap + 235 bps, equating to profit rate of 4.397%. Oman is rated Baa1/stable by Moody's and BBB/Negative by Fitch.

As per Moody's, Oman suffered a steeper fiscal deterioration than most Gulf Cooperation Council (GCC) peers as a result of the oil price shock as Hydrocarbon exports accounted for an average 67% of total goods exports in 2010-15, while oil and gas revenues constituted 87% of total government revenues over the same period. That said, Oman's Baa1 rating is supported by high levels of wealth and comparatively low risk that contingent liabilities from the banking system or wider non-financial public sector will crystallize on the government's balance sheet as growth slows. Although Moody's expects government debt to rise to 33% of GDP by 2017 from less than 5% at the onset of the oil price shock in 2014, Oman's fiscal buffers which the rating agency estimates at around 85% of GDP in 2015 will provide support through the process of fiscal and external adjustment. Recently Fitch revised the outlook on its BBB rating on Oman to negative citing concerns about rising government debt amid likelihood of real GDP to contract in 2017.

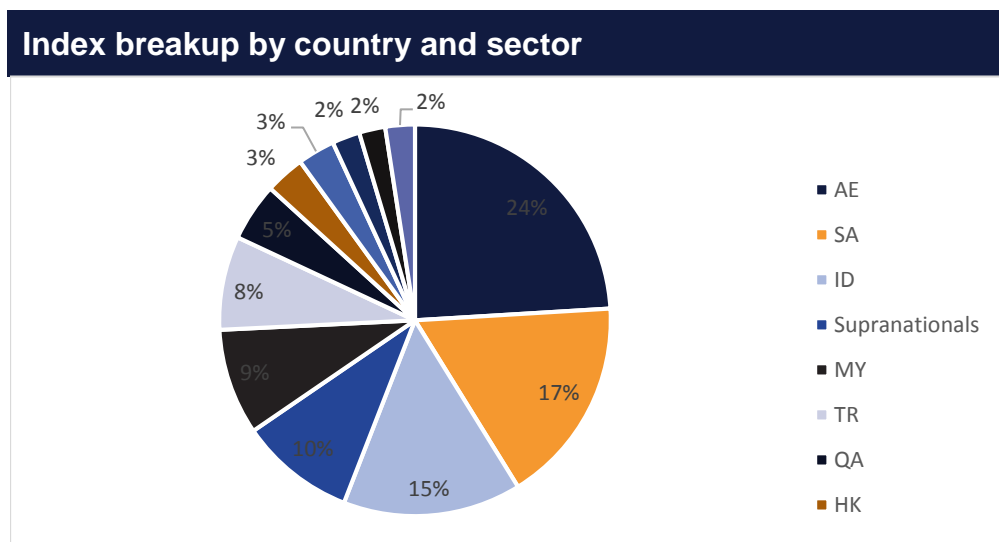
Redemption during the month

ISDB 1.535 06/04/2018

The sukuk now has less than one year to maturity.

The index remains well diversified across country and sectors

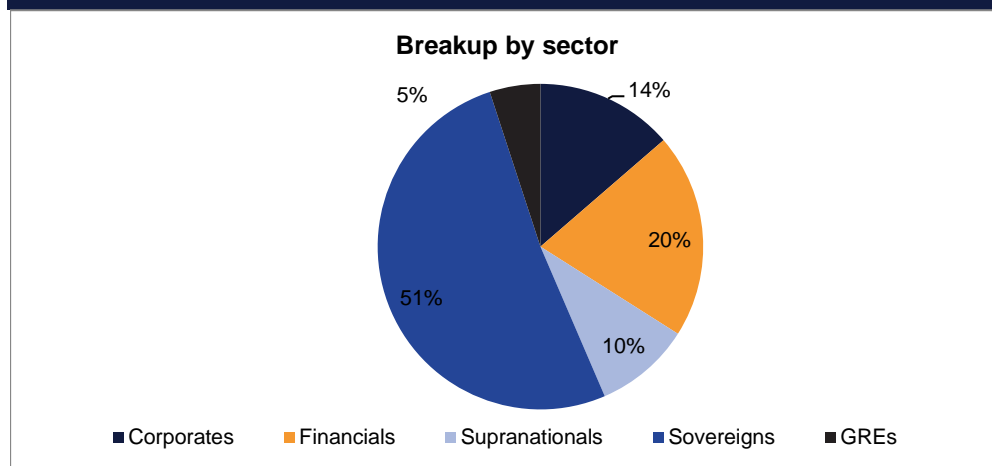
The June-end rebalancing of the index resulted in slight change in the geographic distribution of the sukuk universe. Weighting of GCC based issuers increased as a result of addition of the new \$2 billion sukuk from Oman sovereign during the month.



Source: Markit, Emirates NBD Research.

On a sector basis, 'Sovereigns' remained the dominant segment, particularly as GCC sovereigns continue to tap the sukuk universe for funding their budget deficits.

Index breakup by country and sector



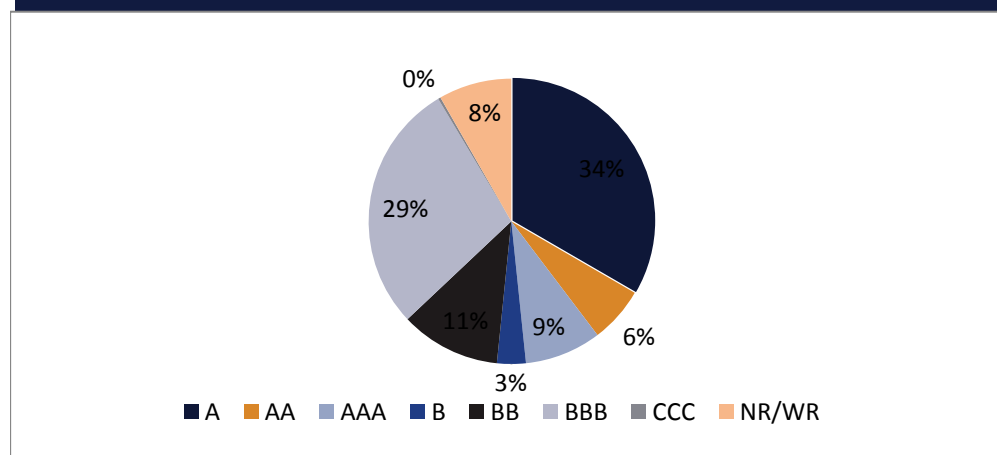
Source: Markit, Emirates NBD Research.

Credit Rating Changes during the month

There were several individual rating actions, as detailed below, during the month that impacted index constituents. However since most changes related to revision of rating outlooks, overall credit rating of the index as a whole did not change during the month.

- S&P downgraded Qatar sovereign rating by one notch to AA- and continued the credit watch negative.
- Fitch revised the outlook on Bahrain sovereign's BB+ rating from stable to negative.
- Outlook on CBB international sukuk was also revised to negative by Fitch in line with revision of outlook on Bahrain sovereign's BB+ rating.
- S&P placed the A- rating on Qatar Islamic Bank on credit watch negative.
- Fitch also placed Qatar Islamic Bank's A+ rating on credit watch negative following the eruption of the Qatar diplomatic crisis last month.
- Fitch revised the outlook on Oman sovereign's BBB rating to negative from stable.

Breakup by credit ratings



Source: Markit, Emirates NBD Research.

Top 10 Performers during the month

Top 10 performers based on tightening of credit spreads (Z-spreads) were mainly sukuk issued by sovereigns including those from Indonesia, Malaysia, Pakistan and KSA. On the corporate front, sukuk issued by Saudi Electricity and by Emirates Airlines (guaranteed by UK export agency) made it to the list of top performers, however both these corporates are majority government owned or guaranteed.

Top 10				
Issuer	Final Maturity	Z-Spread	MTD Chg	YTD Chg
Perusahaan Penerbit SBSN Indonesia III	9/10/2024	138	-28	-70
Pakistan Government International Bond	10/13/2021	272	-27	-58
Perusahaan Penerbit SBSN Indonesia	3/15/2019	82	-21	-53
Perusahaan Penerbit SBSN Indonesia III	3/29/2022	132	-21	
Perusahaan Penerbit SBSN	11/21/2022	124	-21	-33
Petronas Global Sukuk Ltd	3/18/2020	75	-18	-46
JANY Sukuk Co Ltd	9/23/2019	157	-17	63
Khadrawy Ltd	3/31/2025	81	-16	21
Perusahaan Penerbit SBSN Indonesia III	3/29/2021	132	-15	-44
IDB Trust Services Ltd	9/25/2019	56	-13	-21

Source: Markit, Emirates NBD Research.

Bottom 10 Performers during the month

Sukuk from Qatar and Bahrain featured prominently in the bottom 10 performers, on a credit spread basis. This is understandable given the negative rating actions on these two sovereigns during the month. Ezdan Holdings, the real estate business, majority owned by the Qatari ruling family also saw material widening of credit spreads on its sukuk maturing in 2021 and another in 2022.

Based on total return, sukuk issued by CBB International (Bahrain sovereign) actually were in the top 10 performers given the high coupon that cushioned some of the price fall.

Bottom 10				
Issuer	Final Maturity	Z-Spread	MTD Chg	YTD Chg
CBB International Sukuk Co SPC	11/22/2018	183	27	-31
Dar Al-Arkan Sukuk Co Ltd	4/10/2022	587	42	
KT Sukuk Co Ltd	2/17/2026	469	44	-43
Alpha Star Holding LTD	4/9/2019	362	44	-133
SoQ Sukuk A Q.S.C	1/18/2023	134	47	56
Dar Al-Arkan Sukuk Co Ltd	5/28/2019	597	62	-32
QIB Sukuk Ltd	5/23/2022	211	63	
QIB Sukuk Ltd	10/27/2020	208	69	78
Albaraka Sukuk Ltd	11/30/2025	702	75	
Ezdan Sukuk Co Ltd	4/5/2022	478	170	

Source: Markit, Emirates NBD Research.

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research & Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Shady Shafer Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Mohammed Al-Tajir
Manager, FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Aditya Pugalia
Analyst
+9714 230 7802
adityap@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241
vallancel@emiratesnbd.com

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
CEO- Emirates NBD Capital
AhmedAQ@emiratesnbd.com

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com