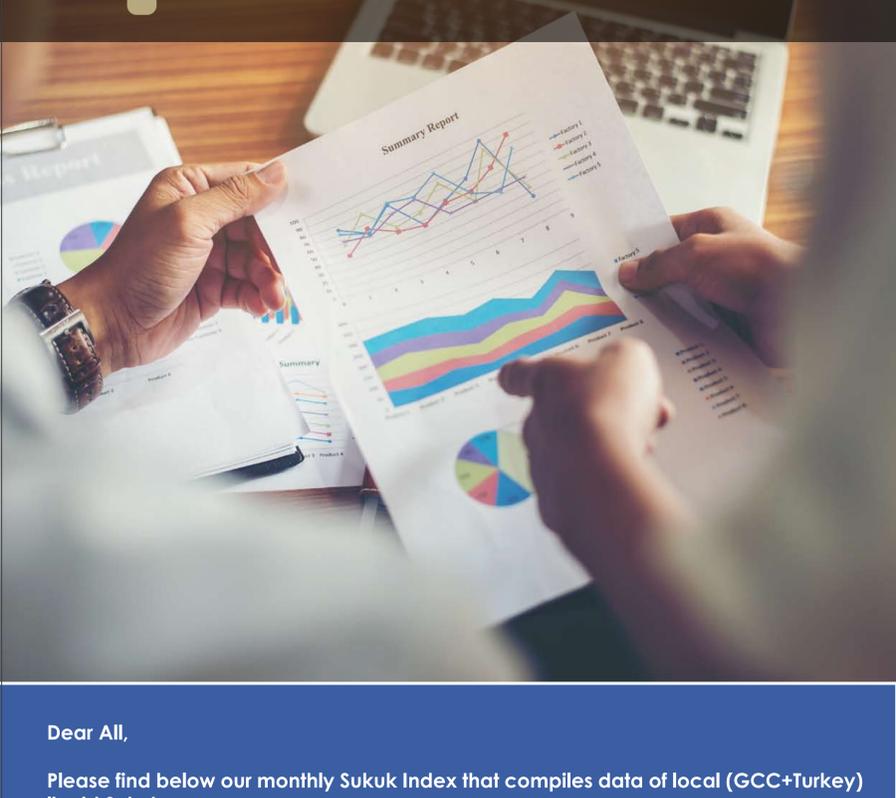


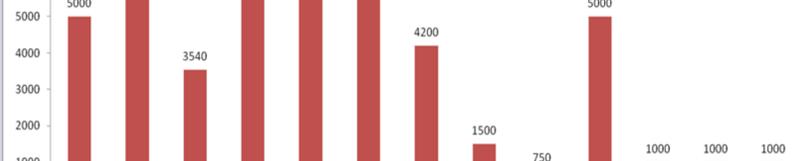
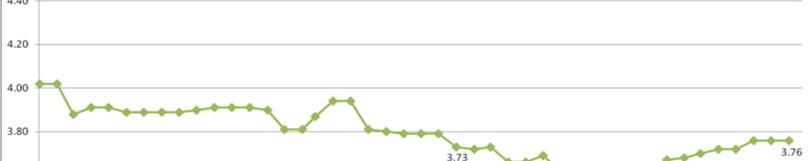
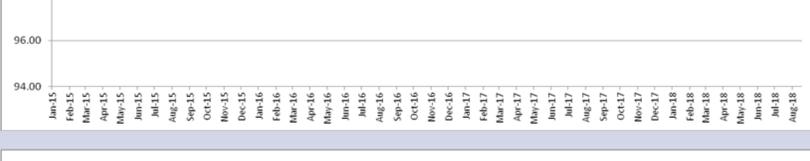
LMC Monthly Sukuk Index



Dear All,

Please find below our monthly Sukuk Index that compiles data of local (GCC+Turkey) liquid Sukuk.

Below we illustrate the Investment grade's performance for the period July 2018 – August 2018



Below we illustrate the Non-Investment grade's performance for the period July 2018 – August 2018:



Index Update:

As illustrated above, both the investment and non-investment grade Sukuk underperformed this month, declining by 0.08% and 0.97% respectively. The latter was mainly attributed to the deepening Turkish financial crisis, the growing global trade concerns and political uncertainty in the region. Looking at the index's performance, the Non-investment grade names are rewarding around 196 bps higher than investment grades.

Market Update:

US Fed Governor Jay Powell affirmed that the central bank would maintain a cautious approach to monetary tightening given the absence – despite robust economic growth – of signs that inflation will breach its 2% target. The dovish remarks supported equities, with the S&P 500 up 0.9% w/w and now recording on some definitions the longest bull market in history. US-China talks aimed at easing trade tensions however ended without a breakthrough, as both sides activated previously-announced tariffs on \$16 billion of goods with further measures expected in September...(NBK)

Concerns over the US-China trade war and President Trump's threat to walk out of the WTO pushed Brent and WTI lower d/d on Friday to \$77.4/bbl and \$69.8/bbl, respectively. Nevertheless, both prices were still up more than 1.5% w/w and closed the month higher (Brent: +4.3% m/m; WTI: +1.5% m/m) for the first time since June. Oil's gain so far in 2018 stands at almost 16%, with recent momentum coming on signs that the physical market is tightening again. These include further crude stock drawdowns in the US (-2.5 mb in w/w 24 August) and importers cutting their imports of Iranian crude as US sanctions are re-imposed...(Reuters)

Turkey's lira plunged on concerns over the economy and as tensions between it and the US escalated. By the end of the second week of August, the lira lost 20% of its value, highlighting the growing financial turmoil affected by its dispute with the US culminating in the imposition of sanctions and trade tariffs. The lira is down 41% year-to-date, also hit by rising US interest rates and a stronger dollar. The growing pressure on the lira is adding to concerns over the public and private sectors' ability to service their considerable foreign debt obligations, and has pushed Turkey's CDS rate to 341 bps. The fall in the Lira raised concerns about some European banks large exposure to Turkey where the shares of three banks (BBVA, Paribas, and Creditbank) dropped between 3-5%. These developments rippled through other emerging countries that saw their currencies hit. By the end of August, the Turkish lira came under renewed pressure even after the central bank stepped in to help restore investor confidence. The central bank changed overnight borrowing limits, ending the unrestricted funding it was offering, and effectively tightened liquidity. On Friday, the lira rose after four days of losses as the government increased taxes on dollar deposits of up to a year and got rid of a 10% tax on lira deposits lasting more than a year. But these measures and the defiant speeches by both the President and Finance Minister have yet to lead to a sustained rise in investor confidence or the lira, which was down 8.8% w/w by Friday's close. Citing signs of higher downside risks, Moody's followed up its recent downgrade of Turkey's sovereign credit rating (from Ba2 to Ba3, with a negative outlook) by cutting the ratings of 20 Turkish financial institutions. The central bank is due to hold its next policy meeting on 13 September and investors are looking for a substantial increase in the interest rate. But this measure alone may not deliver stability unless it is accompanied by a comprehensive and credible economic reform program and an improvement in Turkey's international relations...(Reuters/NBK)

Saudi authorities denied that the partial privatization of state oil giant Aramco scheduled for next year had been called off, but stated that the sale would proceed "at a time of its own choosing when conditions are optimum". Sovereign wealth fund PIF – due to receive the proceeds from the Aramco sale – has for the first time reportedly lined up \$11 billion in bank loans to help fund key investment projects...(NBK)

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