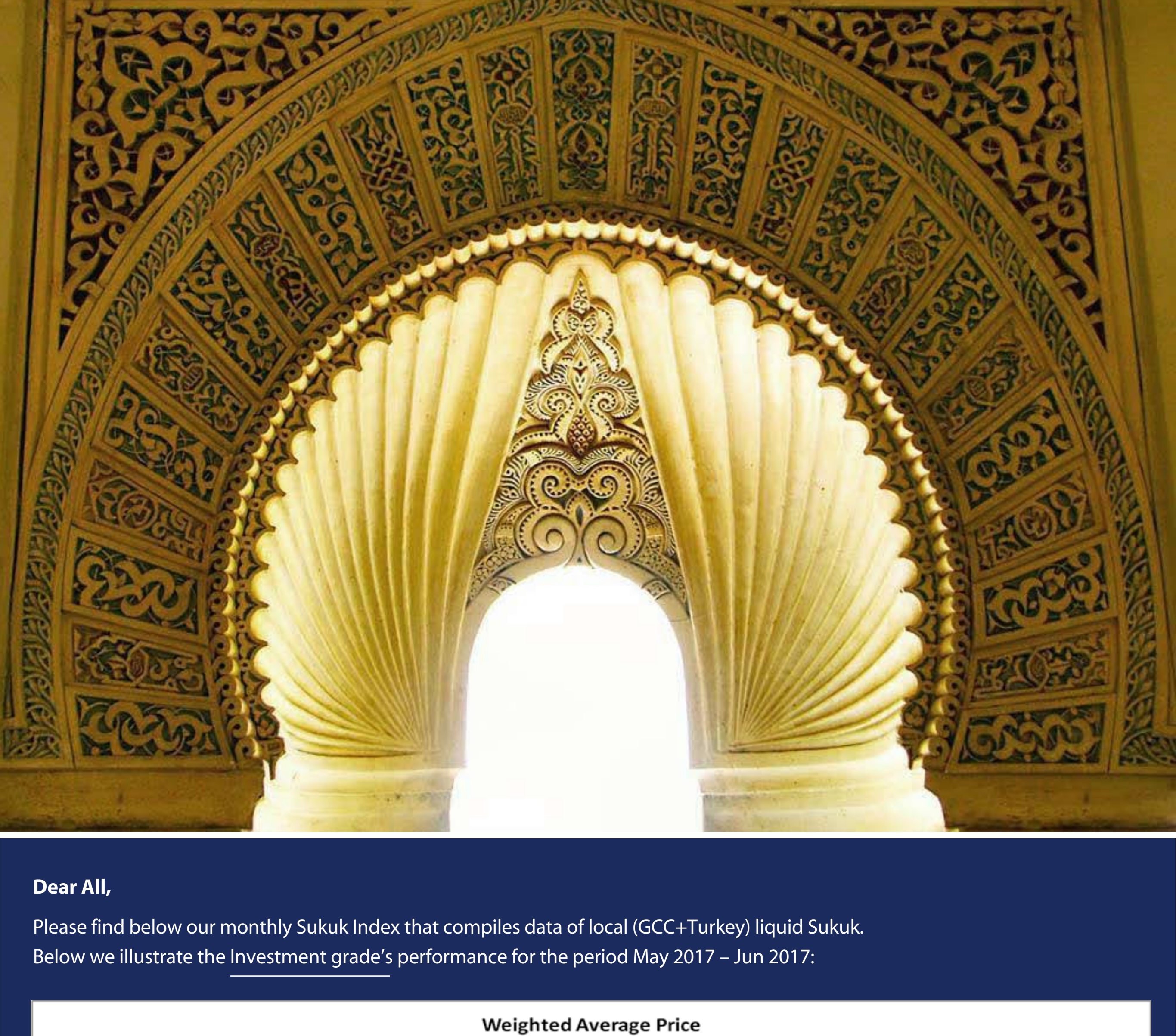
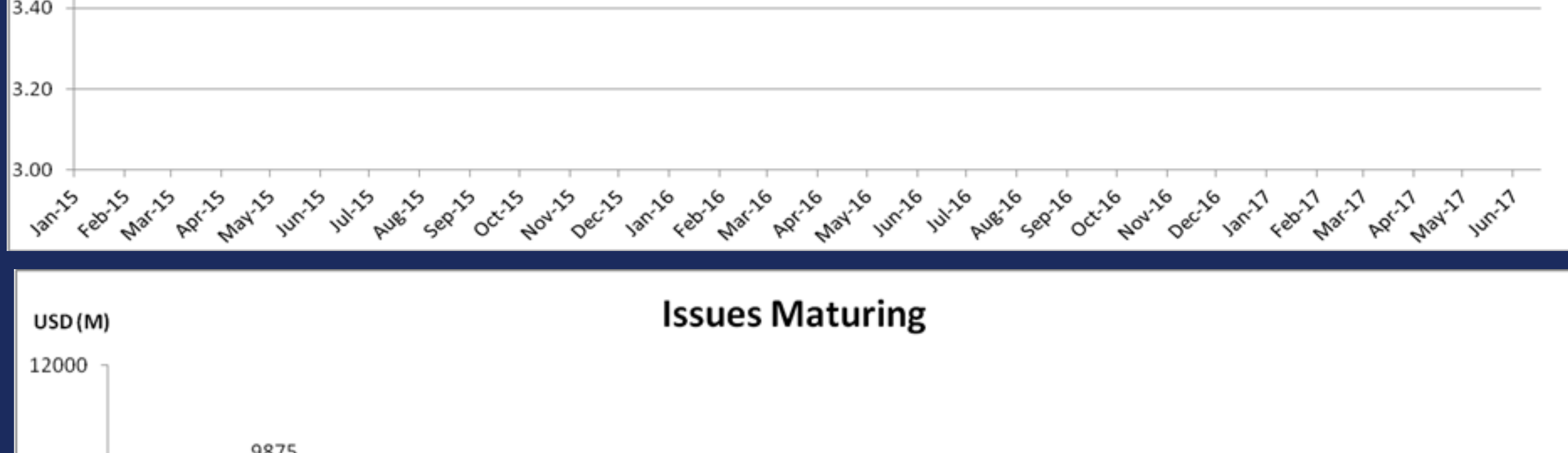


# LMC Monthly Sukuk Index

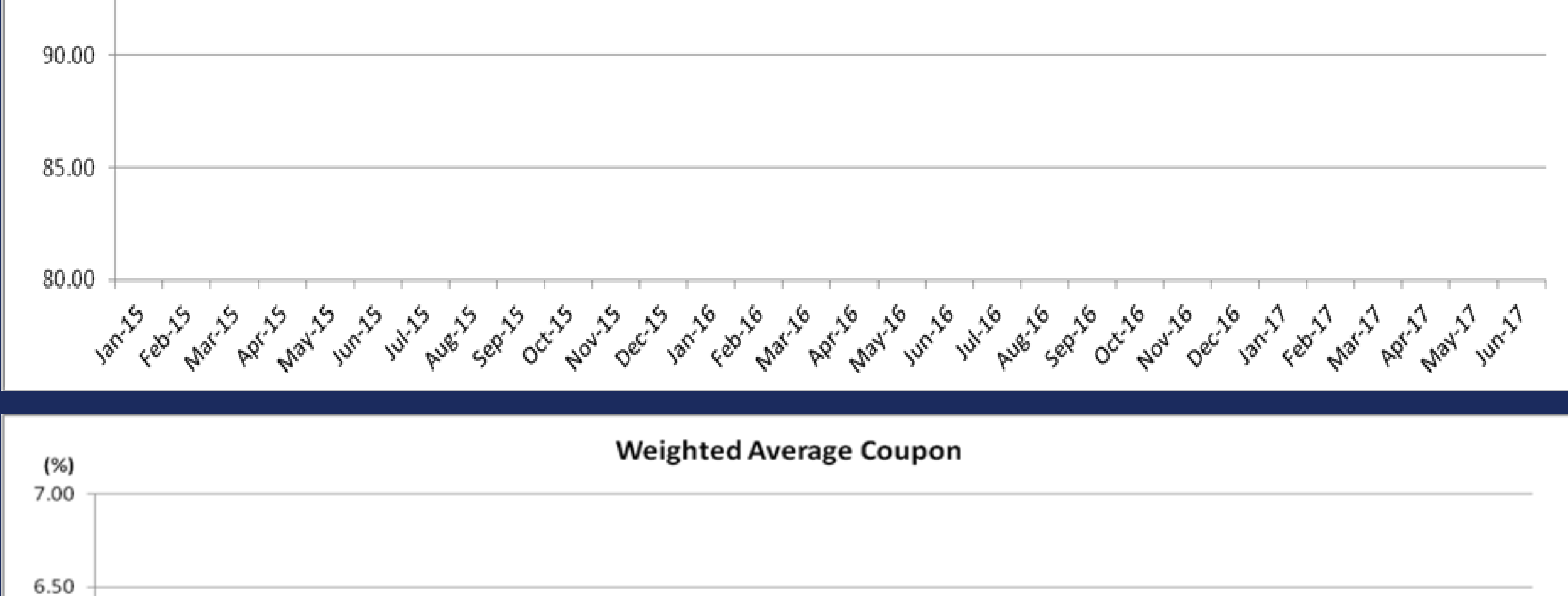
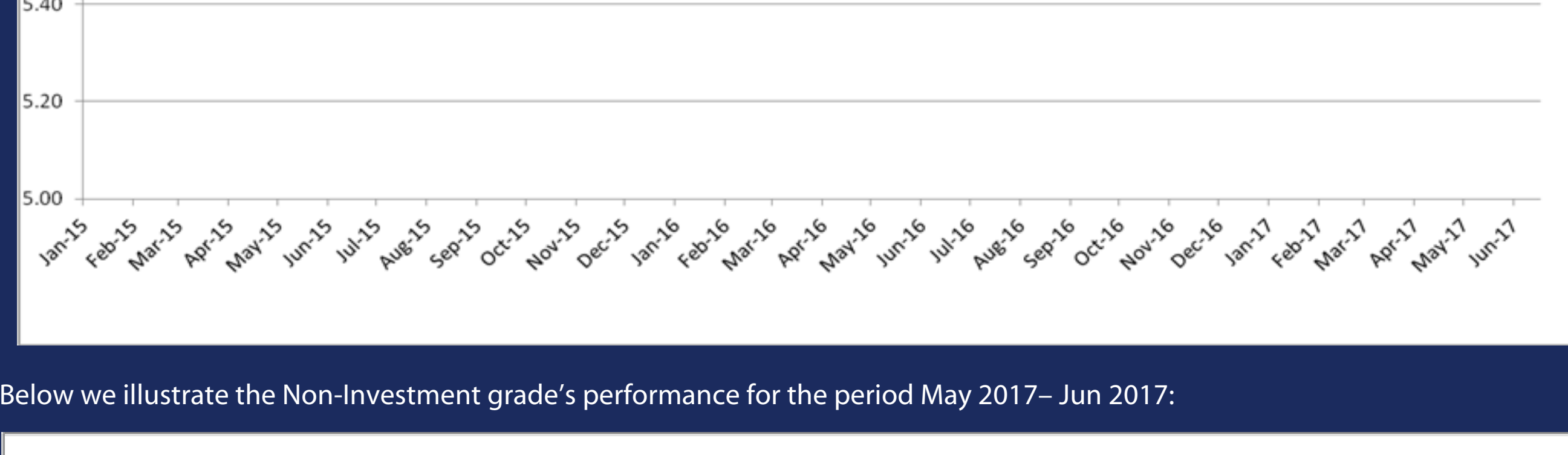
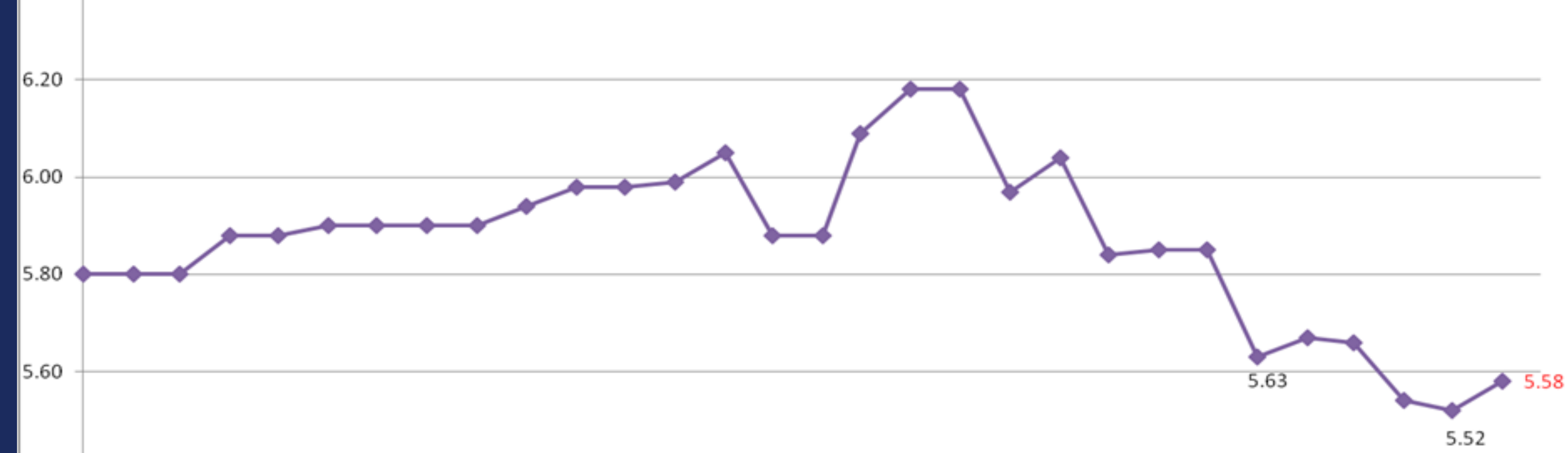


Dear All,

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 May 2017 – Jun 2017:



Below we illustrate the Non-Investment grade's performance for the period May 2017 – Jun 2017:



## Index Update:

As illustrated, both the investment grade and non-investment Sukuk underperformed this month, with the investment grade declining slightly by 0.39% and non-investment grade names by 0.82%. Based on this index's performance, the Non-investment grade names are rewarding around 133 bps higher than investment grades. In sukuk news, Islamic Development Bank has completed the repayment of (US\$800m) issued on 26th of June 2012 and due on 26th of June 2017.

## Market Update:

On the 5th of June, Saudi Arabia, Egypt, the United Arab Emirates and Bahrain severed their ties with Qatar on Monday, accusing it of supporting terrorism, in an unprecedented breach between the most powerful members of the Gulf Cooperation Council. The coordinated move dramatically escalates a dispute over Qatar's support of the Muslim Brotherhood, the world's oldest Islamist movement, and adds accusations that Doha even backs the agenda of regional arch-rival Iran. The three Gulf states announced the closure of transport ties with Qatar and gave Qatari visitors and residents two weeks to leave their countries. Qatar was also expelled from a Saudi-led coalition fighting in Yemen. The governments of Saudi Arabia, Bahrain, the United Arab Emirates and Egypt said in statements they will suspend air and sea travel to and from Qatar. Saudi Arabia will shut land crossings with its neighbor, according to the official Saudi Press Agency, potentially depriving the emirate of imports... (Bloomberg, Reuters)

Global index compiler MSCI said it would consider upgrading Saudi Arabia to emerging market status, a move that would attract tens of billions of dollars of fresh foreign money as the country seeks to diversify its economy beyond oil. MSCI will announce its decision in June 2018, and any move to upgrade would take effect in two phases - in May 2019 and August 2019. MSCI estimated 32 major Saudi stocks would gain emerging market status, giving effect to 2.4% in its index; excluding the planned Saudi Arabia Index (standalone) is already maintained using emerging market size and liquidity requirements. The 32 stocks under the standalone index currently are - SABIC, STC, Rajhi, SECO, NCB, AlMarai, MAADEN, SAMBA, SABB, BSFR, YANSAB, Riyadh Bank, SAFCO, Savola, ALINMA, ANB, MOBILY, Jarir, KAYAN, Co. for cop. Ins, EEC, Bank Albilad, PETRORABIGH, SIB, BUPA, TASNEE, APCC, SIIG, Saudi Cement, Southern Prov Cement, Catering & Al Tayyer. (Reuters, MSCI)

Fitch revises Bahrain's Outlook to Negative; Affirms IDR 'BB+' due to the following key rating drivers: Beyond various near-term measures to rein in the fiscal deficit, the government has yet to identify a clear medium-term strategy to tackle high deficits and a rapidly growing government debt ratio. The lack of a medium-term fiscal framework, combined with the absence of the two-year budget for 2017 and 2018 six months into the budget period, creates increasing uncertainty around the outlook for debt and deficits. The government deficit widened to 16.2% of GDP in 2016 from 15.4% in 2015, with subsidy reforms not fully offsetting a decline in oil revenue, and interest costs undermining savings elsewhere on expenditure. Although Fitch expects the deficit to narrow to 10.2% of GDP by 2018, this will be insufficient to stabilize the debt trajectory. Under Fitch's baseline assumptions, which include a moderate rise in oil prices and implementation of fiscal measures already identified, debt will continue to rise, hitting 100% of GDP in 2026 (from 74% of GDP in 2016). In Fitch's view, the slow progress towards the new budget and a medium-term fiscal strategy reflects the difficulty of building consensus over the next wave of fiscal consolidation measures... (Reuters, Fitch)

OPEC's oil output rose in June by 280k bpd to a record high in 2017, boosted by stronger supply by Nigeria and Libya, a Reuters survey showed. Saudi Arabia and Kuwait's compliance to a production-cutting deal helped curb output. But Nigeria and Libya were exempted from the deal due to political unrest and economic volatility. This led OPEC's production higher in June to 32.57mn bpd. Nigeria's output is expected to increase in the coming weeks to reach at least 2mn bpd in August, which would represent a 17-month high. Libya's output exceeded 1mn bpd, which is a four-year high, but still it remains below the 1.6mn bpd the country produced before the civil war in 2011... (Argaam)

In 14th of June the Federal Reserve approved its second rate hike of 2017 even amid expectations that inflation is running well below the central bank's target. In addition, the Fed provided more detail on how it will unwind its USD 4.5tn balance sheet, that includes Treasuries, mortgage-backed securities and government agency debt. As financial markets had anticipated, the policymaking Federal Open Market Committee increased its benchmark target by 25bps. The new target will be 1% to 1.25% for a rate that currently is 0.91 percent. The central bank now believes inflation will fall well short of its 2% target this year. The post-meeting statement said inflation "has declined recently" even as household spending has "picked up in recent months.". The statement also noted that inflation in the next 12 months "is expected to remain somewhat below 2 percent in the near term" but to stabilize... (CNBC)

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