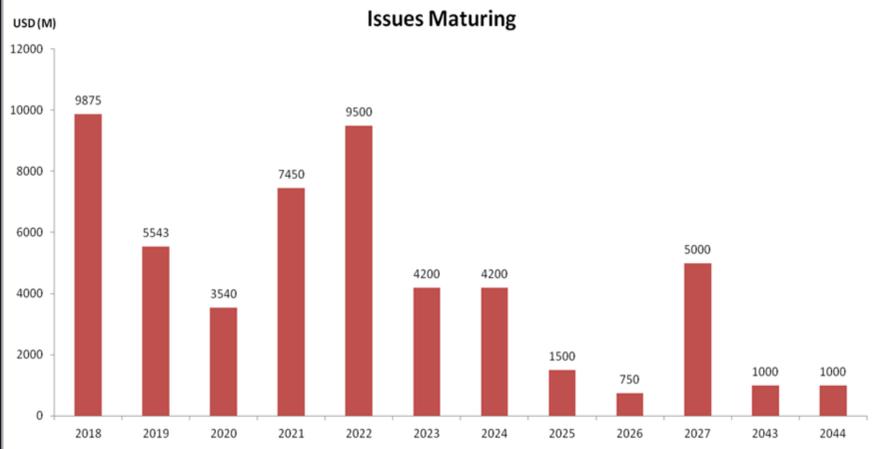
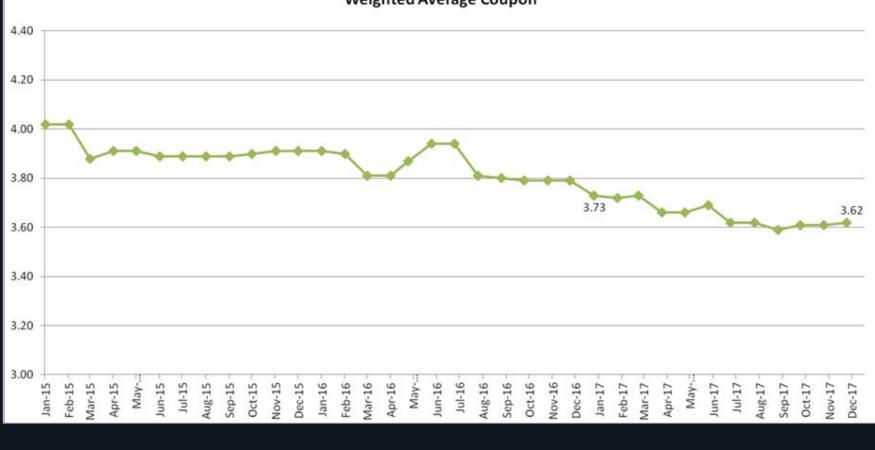
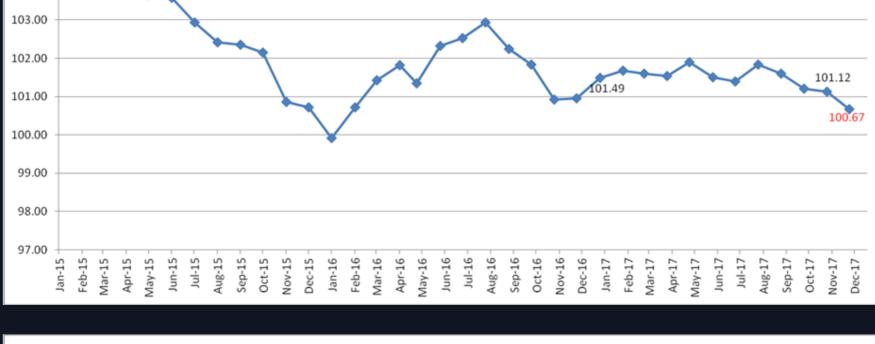


LMC Monthly Sukuk Index

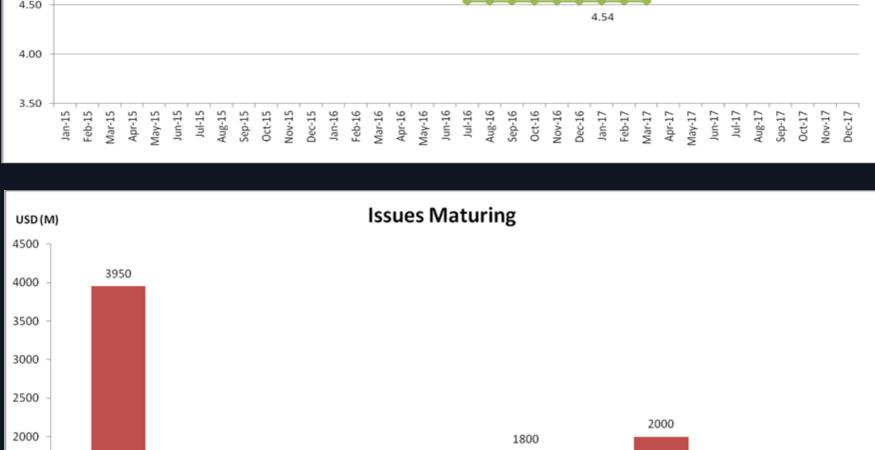
Dear All,

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 November 2017 – December 2017:



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



Index Update:

As illustrated above, both the investment grade and non-investment Sukuk underperformed this month, declining slightly by 0.44% and 0.05% respectively. Trading volumes remain relatively low due to lack of foreign investments at the time of Christmas and New Year holidays. Looking at the index's performance, the Non-investment grade names are rewarding around 142 bps higher than investment grades.

Market Update:

- Federal Reserve officials followed through on an expected interest-rate increase and raised their forecast for economic growth in 2018, even as they stuck with a projection for three hikes in the coming year. The 7-2 vote for the rate move, the Fed's third this year, raises the benchmark lending rate by a quarter percentage point to a target range of 1.25% to 1.5%. In another move that could tighten monetary conditions, the Fed confirmed that it would step up the monthly pace of shrinking its balance sheet, as scheduled, to USD 20bn beginning in January from USD 10bn. Despite the upgrade in near-term growth expectations, policy makers left the number of hikes projected for 2018 effectively unchanged. The median forecast pegged the federal funds rate at 2.1% at the end of next year. Kuwait's central bank kept its key interest rate unchanged on Wednesday, citing the need to boost economic growth, despite a 0.25 percentage point rate hike by the U.S. Federal Reserve, which usually influences Kuwaiti policy. Saudi Arabia, the United Arab Emirates and Bahrain raised their rates within minutes of the Fed's announcement. Qatar was expected to follow suit, and Oman has been raising its rates gradually... (Bloomberg, Reuters)
- In sukuk, Emirates REIT with a rating of BB+ Stable by Fitch, successfully closed a USD 400mn 5-year Sukuk (AED 1.5 billion) with a profit rate of 5.125%. The orderbook peaked at USD 1.1 billion (AED 4 billion) and was 2.5 times oversubscribed. The proceeds will be used to refinance Emirates REIT's existing debt and replace amortizing loans with bullet funding, resulting in an increase in free cash flows by approximately USD 30mn pa... (Company announcement)
- A pipeline blast in Libya and a bullish budget forecast in Saudi Arabia boosted crude prices to levels not seen since mid-2015. Brent climbed USD 1.77 to end the session at USD 67.02 a barrel, the highest level since May 2015. A pipeline run by Waha Oil that carries crude to Libya's biggest export terminal exploded Tuesday, dropping the country's output by 70,000-100,000 barrels a day. Meanwhile, Saudi Arabia is said to expect oil revenue to rise 80% by 2023. Adding to that, oil rigs are holding at 747 with no rigs added last week, according to Baker Hughes data Friday... (Bloomberg)
- The outlook for GCC banks remains stable, reflecting strong financial fundamentals in the region's largest banking systems that provide resilience to profitability and loan quality challenged posed by slower economies, according to a new report from Moody's Investors Services. In the report, Moody's forecasts that real GDP growth in the region will rise to approximately 2% in 2018, up from 0% in 2017, with oil prices stabilising at between USD 50 and USD 60 a barrel. Although fiscal consolidation efforts are ongoing in the region, a number of large-scale projects – such as Dubai's Expo 2020 and the Saudi National Transformation Program – will support capital spending and credit growth, which Moody's believes will expand by 5% in 2018... (Arabian Business)
- S&P Global Ratings lowered Bahrain's long-term foreign and local currency sovereign credit ratings on Bahrain to 'B+' from 'BB-'. S&P said the downgrade reflected Bahrain's weak external liquidity and increasing financial risk due to more limited access to international capital market financing. S&P maintains its stable outlook on Bahrain. It must be noted that Bahrain's CBB affirmed its currency peg and its ability to maintain the peg in a circular sent to media outlets in of the recent rating of Bahrain... (Reuters)

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