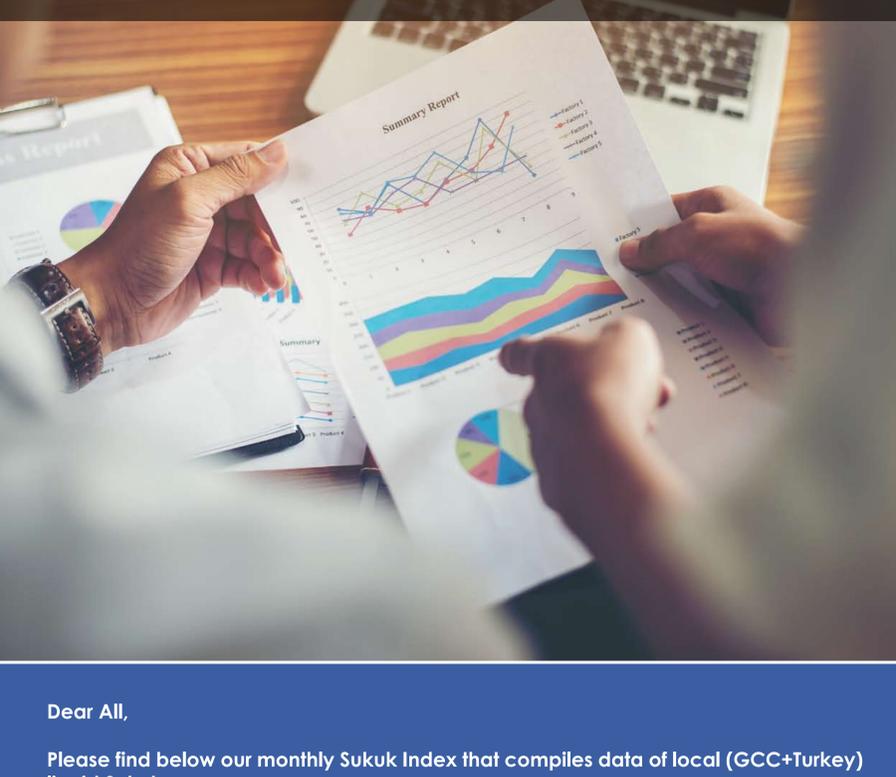


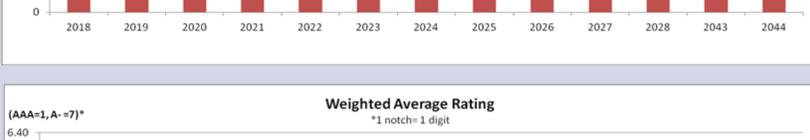
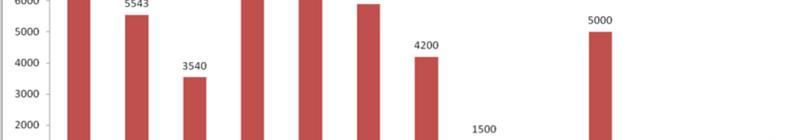
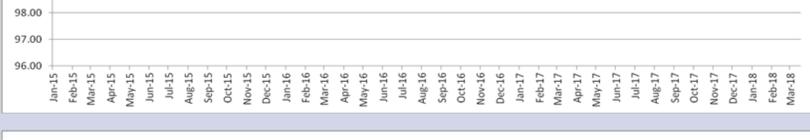
# LMC Monthly Sukuk Index



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 February 2018 – March 2018:



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



## Index Update:

As illustrated above, both the investment grade and non-investment grade Sukuk underperformed this month, declining slightly by 0.09% and 0.84% respectively. The US Fed raised interest rates as expected by 25 bps against a backdrop of strong economic growth prospects and a tight labor market, while signaling a faster pace of tightening for next year and 2020 than before. Markets fell sharply towards the end of the week, unsettled mainly by further talk of a trade war following the imposition of new tariffs on Chinese products by the US. The S&P 500 was down 6% w/w, its largest drop in more than two years. Looking at the index's performance, the Non-investment grade names are rewarding around 199 bps higher than investment grades.

## Market Update:

President Donald Trump signed an executive memorandum on Thursday that would impose retaliatory tariffs on up to USD 60bn in Chinese imports. The new measures follow a so-called 301 investigation led by U.S. Trade Representative Robert Lighthizer into China's potentially unfair trade practices with the U.S. The U.S. Trade Representative's yet-to-be-released report covers 1,300 product lines, the administration officials said. China on Friday announced plans for reciprocal tariffs on 128 U.S. products that include pork, wine, fruit and steel. Beijing said it will take measures against the U.S. goods in two stages if it cannot reach an agreement with Washington. The U.S. goods, which had an import value of USD 3bn in 2017. Tariffs could range between 15% to 25%...(CNBC)

The U.S. will grant the European Union and some other countries - based on a certain set of criteria - a temporary exemption from aluminum and steel tariffs, averting a trade war with key allies as the Trump administration tailors exemptions to target China. In addition to the EU, those exempt are Argentina, Australia, Brazil and South Korea; recall that Canada and Mexico were granted exemptions earlier. GCC producers haven't been exempted yet...(CNBC)

Central banks across the Gulf Cooperation Council (GCC) countries have followed the United States Federal Reserve in raising interest rates. The United Arab Emirates (UAE) and Bahrain rose their benchmark rates, as the UAE repo rate was increased by 25bps to 2%, with the certificates of deposit rate raised by the same amount. Bahrain also raised its overnight deposit rate by 25bps to 1.75% and its one-week deposit facility rate by a quarter point to 2%. Similarly, Kuwait hiked its key interest rate on Wednesday, in the first time in a year that the Central Bank of Kuwait (CBK) raises its rates, with the discount rate being increased to 3%. The Saudi Arabian Monetary Authority (SAMA) decided earlier to raise its two key interest rates by 25bps as the repo rate has been increased to 2.25% and the reverse repo has been set at 1.75%...(Mubasher)

In sukuk news, the Turkish Republic has completed the repayment of (US\$1.5bn) issued on 26 September 2012 and due on 26 March 2018, while Dubai Electricity and Water Authority (DEWA) had also successfully repaid its Sukuk-holders (US\$1bn) on 05 March 2018. Moreover, a number of Sukuk issuances have entered the market during this month. Dar Al Arkan successfully issued USD 500 million Sukuk with a 6.875% coupon maturing in 2023, marking its closing of the Fifth Tranche of its USD denominated International Islamic Sukuk Program. The Sukuk were sold at a discounted price of 98.964% with an initial yield of 7.25%. Bookrunners included Bank Alkhair, Deutsche Bank, Dubai Islamic Bank, Emirates NBD, Goldman Sachs, Nomura International, Noor Bank, and Standard Chartered Bank. In addition, the Government of Sharjah successfully priced a \$750 million 10-year RegS debut Sukuk with a profit rate of 3.764%, representing 100 bps over USD 10-year mid-swaps...(CBonds)

Kingdom of Bahrain successfully priced a Rule 144A/RegS international USD 1 billion 6.875% Oct-2025 sukuk offering. The Kingdom opted to close at \$1 billion against \$2.1 billion offering from investors. The offering attracted a globally diversified orderbook from both Islamic and conventional investors, with 59% of the notes distributed in MENA, 16% in Europe, 14% in UK, 9% in the US and 2% into Asia. Distribution by investor type comprised 63% of Banks/Private Banks, 33% of Fund Managers, 3% of Pensions and Insurance, and 1% others...(Twentyfourseven News)

Brent crude price declined USD 0.16/bbl during the week ending March 29, 2018 to settle at USD 70.27/bbl on Thursday, down 0.26% week on week. Oil started the week on a high note supported by expectations that OPEC-leader Saudi Arabia may extend supply cuts into 2019, as well as concerns that the United States may re-introduce sanctions against Iran. Oil prices reversed earlier gains as concerns of a looming trade dispute between the United States and China weighed on global markets. Brent crude prices continued to slide mid-week following an industry report from API that American crude storage surged. Oil closed higher, as top exporters of crude suggested that they might extend output curbs beyond this year. Brent crude prices averaged (weekly) USD 70.02/bbl over the week ending March 29, 2018; reaching a weekly high of USD 71.05/bbl, and a weekly low of USD 68.78/bbl. U.S. rig count stood at 993 (March 29, 2018), lower by 2.05 rigs week on week, and higher by 169 rigs during the same period last year...(Reuters, Baker Hughes)

Moody's has downgraded the long-term issuer and senior unsecured bond ratings of the Government of Oman to Baa3 from Baa2. The outlook remains negative. The key driver of the downgrade is Moody's expectation that Oman's fiscal and external metrics will continue to weaken, in part reflecting institutional and policy constraints. Moreover, subdued growth over the next few years will weaken economic resiliency. The negative outlook reflects Moody's view that, despite a number of credit strengths, the balance of risks to the Baa3 rating is skewed to the downside. In the absence of significant measures to narrow the fiscal and current account deficits beyond the current plans, Oman's capacity to absorb potential shocks would erode further...(Moody's)

Turkey's credit rating was cut further into junk by Moody's Investors Service on an erosion of institutional strength and more risk of external shocks. Moody's lowered the rating to Ba2 from Ba1, two levels below investment grade, with a negative outlook. That leaves the nation on par with Brazil, Croatia and Russia...(The National)

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