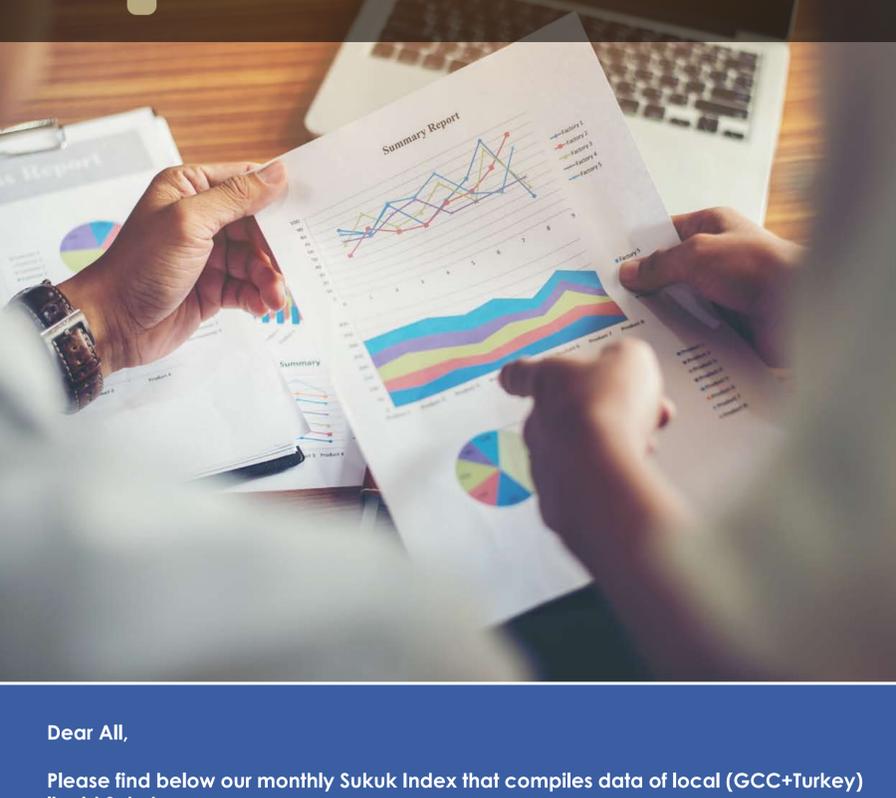


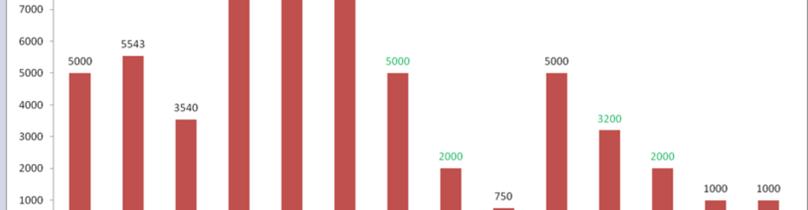
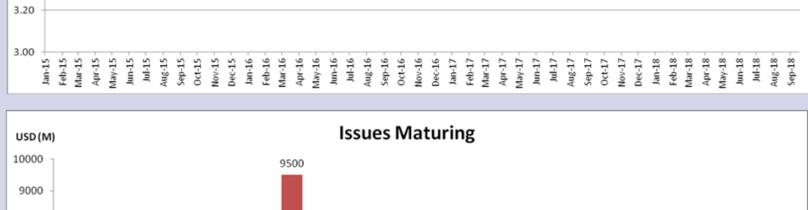
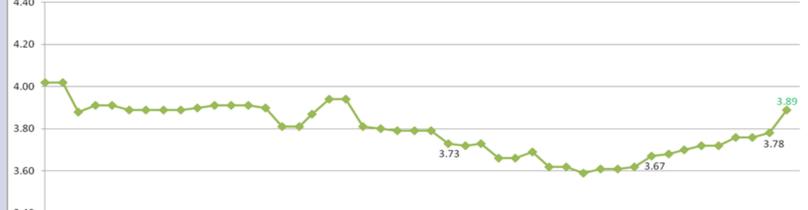
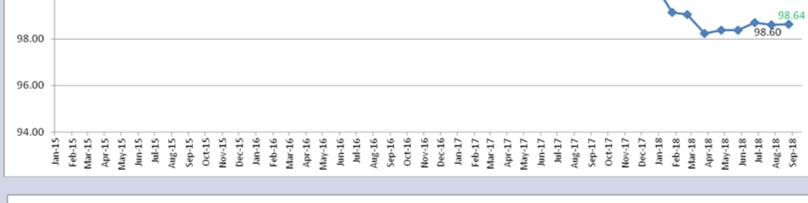
# LMC Monthly Sukuk Index



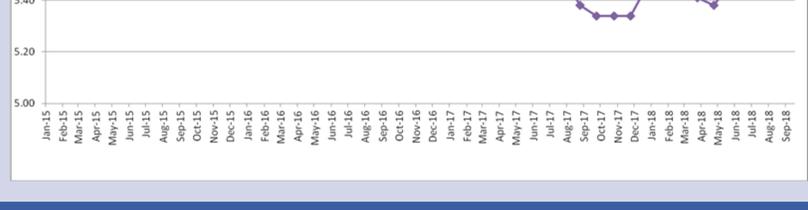
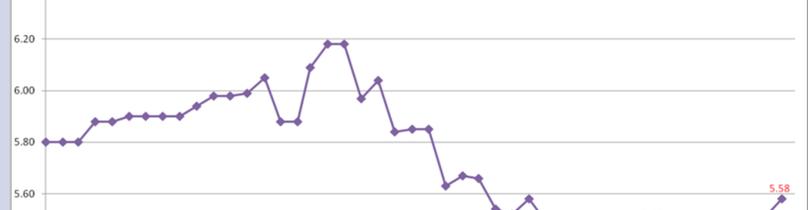
Dear All,

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 August 2018 – September 2018:



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



## Index Update:

As illustrated above, both the investment and non-investment grade Sukuk outperformed this month, inclining by 0.04% and 1.03% respectively. The latter was mainly attributed of oil prices trading over \$80 per barrel and to the news of Saudi Arabia, Qatar, the United Arab Emirates, Bahrain and Kuwait becoming eligible for the JP Morgan emerging market government bond indexes starting from Jan. 31, 2019. Looking at the index's performance, the Non-investment grade names are rewarding around 183 bps higher than investment grades.

## Market Update:

Federal Reserve officials raised interest rates for a third time this year and reaffirmed their outlook for further gradual hikes well into 2019, risking fresh criticism from President Donald Trump. The quarter-point increase boosted the benchmark federal funds rate to a target range of 2 percent to 2.25 percent, as Saudi Arabia, U.A.E, and Bahrain raise key rates following the move...(NoorBank)

Saudi Arabia said it expects inflows of around USD 11bn into the country's debt as a result of the inclusion of its international bond issues in JP Morgan's emerging markets bond indexes. Saudi Arabia, together with the United Arab Emirates, Qatar, Bahrain and Kuwait, will enter JP Morgan's emerging market government bond indexes next year, JP Morgan announced last week. The move is expected to attract a total of around USD 30bn of new foreign investment into their debt. The inclusion will be phased in between Jan. 31 and Sept. 30, 2019. The Saudi debt management office expects USD 11bn of inflows as a result of the entry into the indexes, the Saudi ministry of finance said in a statement where Saudi Arabia's bonds will have a 3.1% weight in the JP Morgan indexes...(Reuters)

The latest round of tariffs targeting U.S. and Chinese goods went into effect last Monday, raising the stakes in an escalating trade war between the world's two largest economies. US levied tariffs of 10% on USD 200bn of Chinese products that include furniture and appliances, with the rate set to increase to 25% by the end of the year. It is Washington's third tranche of China-focused levies and part of a strategy to pressure Beijing into changing trade practices that Trump has claimed hurt American companies. In response to the new round of U.S. tariffs, Chinese President Xi Jinping's government said it would impose taxes on 5,207 U.S. imports worth about USD 60bn. Products such as liquefied natural gas, coffee and various types of edible oil will see a 10% levy while a 5% tax will be imposed on items such as frozen vegetables, cocoa powder and chemical products, Beijing said...(Reuters)

Brent crude price breached USD 80/bbl, gaining USD 3.9/bbl during the week ending September 28, 2018 to settle at USD 82.7/bbl on Friday, up 5% week on week. The rise in oil prices was attributed to concerns of shrinking supplies from Iran as a result of the upcoming US sanctions. Involuntary declines in Libya, Venezuela and Iran coupled with the OPEC announcing that they will not increase supply led to a rally in oil prices in the past week...(Reuters/Baker Hughes)

A number of Sukuk issuances have come to the market during the month of September 2018. ADIB issued its Basel 3 compliant Perpetual at 7.125% for a total size of USD 750mn and initial price of mid-low 7% and a book of over USD 2bn. It was another strong issue in the secondary market as it traded at 101 and closed the session at a yield of 6.89%. DP World issued a US\$ 1bn 10 year US Dollar Sukuk, settling at 4.848% (MS+180.60 bps). Aldar Investments, the 100% owned subsidiary of Aldar issued a USD 500 million 7 year sukuk at 4.75%. Aldar will also make a tender offer to repay its existing USD 750mn sukuk maturing in December this year. Al Hilal Bank issued a USD 500mn 5 year sukuk at 4.375% (MS+148bps), with initial IPTs of MS+165 and total book size of USD 1.1bn. It traded very well in the secondary market as under-allocated local accounts started buying, it closed at zspread +128bps. SECO has successfully completed the issuance of a dual tranches Sukuk in the international markets. The first tranche is in the value of USD 800mn (equivalent to SAR 3bn), has a tenor of 5 years, maturing on 27/01/2024, and has a fixed profit rate of 4.222% p.a., while the second tranche has a value of USD 1.2bn (equivalent to SAR 4.5bn) and has a tenor of 10 years, maturing on 27/09/2028, and has a fixed profit rate of 4.723% p.a. And lastly, the Kingdom of Saudi Arabia issued a US\$ 2bn 10 year US Dollar Sukuk, settling at 4.303% (MS+134.10 bps).

Bahrain's Gulf Arab allies are weighing plans for a five-year aid package to steady its finances and protect a currency peg seen as vital to regional economic stability, according to three people with knowledge of the matter. The assistance would help Bahrain meet its financing needs over the period while it carries out fiscal reforms. The amount under negotiation is \$10 billion (the package which may include deposits and low-interest loans), though a final agreement has yet to be reached. The deal is taking shape after months of negotiations over the measures Bahrain would take to receive support from Saudi Arabia, the United Arab Emirates and Kuwait. The funds would help avert a devaluation that investors fear could force other countries in the region to follow suit. They'll also allow Bahrain, a close Saudi and U.S. ally, to borrow from international debt markets at cheaper interest rates...(Bloomberg)

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