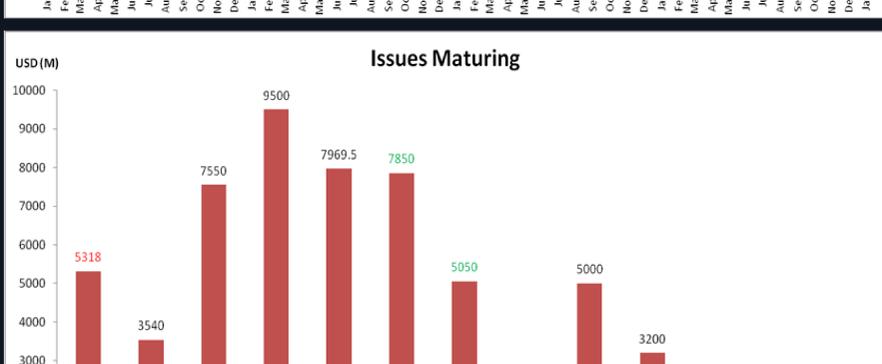
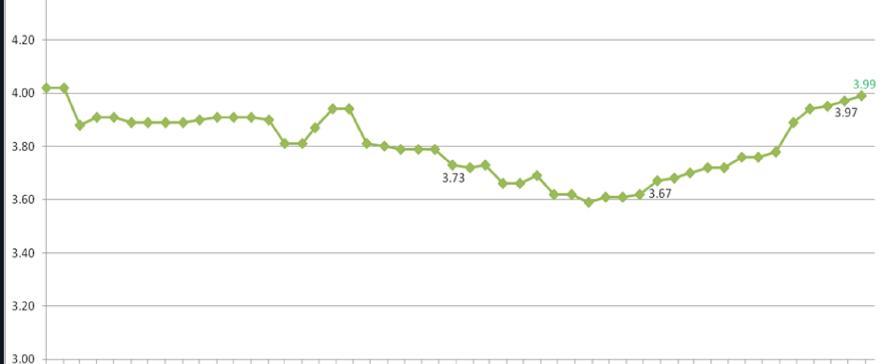


LMC Monthly Sukuk Index

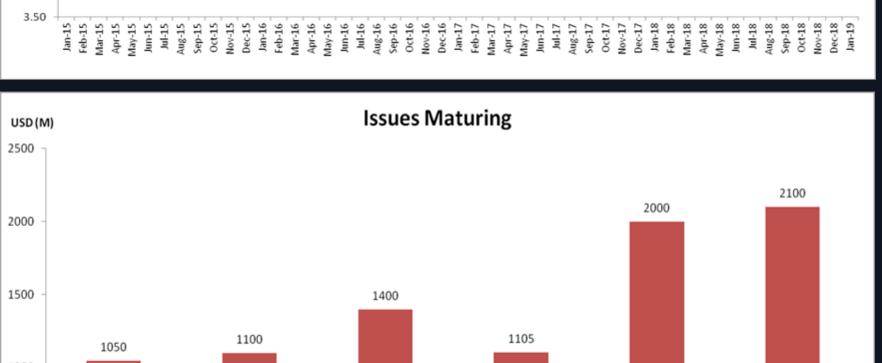
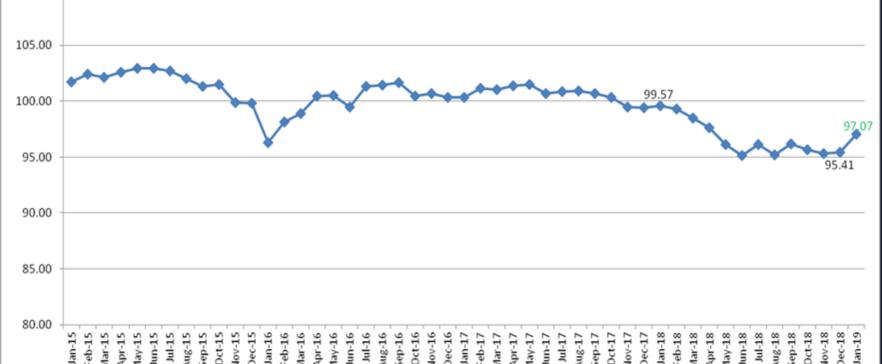
Dear All,

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 December 2018 – January 2019:



Below we illustrate the Non-Investment grade's performance for the period December 2018 – January 2019:



Index Update:

As illustrated above, both the investment and non-investment grade Sukuk outperformed this month, (+1.82% MoM / -0.72% YoY) and (+1.74% / -2.50% YoY) respectively. The latter was mainly attributed to the stability in the oil markets as well as the partial ending of the US government shutdown. Looking at the index's performance, the Non-investment grade names are ending around 198 bps higher than investment grades.

Market Update:

- President Trump ended temporarily the partial, five week old federal government shutdown without securing congressional funding for his border wall, pending further negotiations over the next coming weeks...(NBK)
- Brent closed down 1.72% w/w at \$60.84/bbl (12.62% m/m), recovering slightly on news that the US government reopened and on the turmoil in oil-producing Venezuela. Oil started the period stronger driven by news of OPEC+ having started the six month oil production cuts, before retreating on concerns of global growth. Oil ended the month slightly higher on concerns over uncertainties in Venezuela which could tighten supply. USA signaled that Venezuela's government has until April 28, 2019 to sell crude oil to the United States without sanctions...(Reuters/Zawya/NBK)
- The FOMC left the fed funds rate at 2.5 percent. It is satisfied with current rates of economic growth, inflation, and unemployment. The Fed probably won't raise rates until June at the earliest. That still gives it enough time to meet its goal of a 3 percent fed funds rate by the end of 2019. The Committee said it may not reduce its bond portfolio as rapidly as before...(CNBC)
- USA imposed sanctions on Venezuelan state-owned oil firm PDVSA last week, by freezing its U.S.-based assets, anticipated to cost the country USD 11bn in lost export proceeds over the next year and blocking access of PDVSA's USD 7bn worth of assets to current President Nicolas Maduro. PDVSA is Venezuela's largest source of revenue and the owner of U.S. refining arm Citgo Petroleum, the OPEC member's most important foreign asset. The sanctions stopped short of requiring U.S. companies from buying Venezuelan oil, but because the proceeds of such sales will be put in a "blocked account," PDVSA is likely to quickly stop shipping much crude to the United States...(CNN)
- EU officials fear Theresa May is setting the UK on course for a no-deal exit at the end of June because she will not have the political courage to ask for the longer Brexit delay they believe she needs. Senior figures in Brussels have been war-gaming the likely next steps by the British government, and believe a delay to the UK's exit date of 29 March is inevitable. But they fear the prime minister's strategy of surviving simply to survive from day to day may be leading to an inadequate short three-month extension for fear of enraging Brexiters in the Conservative party. EU officials and diplomats said the danger of the UK then crashing out in the summer was an underappreciated risk given that the escalation of no-deal planning and the cries of betrayal by Brexiters would give momentum to a cliff-edge Brexit. On Thursday the British foreign secretary, Jeremy Hunt, became the first cabinet minister to admit that the two years of negotiations allowed under article 50 may have to be prolonged, describing the Brexit impasse as "a very challenging situation"...(The Guardian)
- In Sukuk news, First Abu Dhabi Bank has raised USD 850mn in five-year sukuk offering buyers 130 basis points over mid-swaps, 20 basis points below the indicative price FAB proposed when it started marketing the notes. FAB, rated Aa3 by Moody's and AA-(minus) by S&P and Fitch, is the first issuer in the Gulf to tap the international sukuk market this year. In addition, Qatar's central bank issued five-year sukuk, worth 4 billion Qatari riyals (\$1.10 billion) and offering a 4.25 percent profit rate. Moreover, DIB, rated A3 by Moody's (stable) and A by Fitch (stable), successfully closed a USD 750mn Additional Tier 1 (AT1) Perpetual Non-Call 6yrs Sukuk with a profit rate of 6.25% per annum, which is equivalent to 366.4bps over the implied 6-year US Treasury yield. The issuance was 4.9x-oversubscribed and the investor base was well diversified with 62% of the Sukuk allocated to Middle East investors, 19% to UK/Europe, 18% to Asia and 1% to US offshore. Lastly, Al Hilal Bank has successfully completed its repayment of its US\$ 225M Sukuk priced at 3 month LIBOR +160bps due in January 2019...(Zawya)

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