



بنك الإمارات دبي الوطني  
Emirates NBD

## Sukuk Note 5 February 2019

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# Relative Value in Global Sukuk

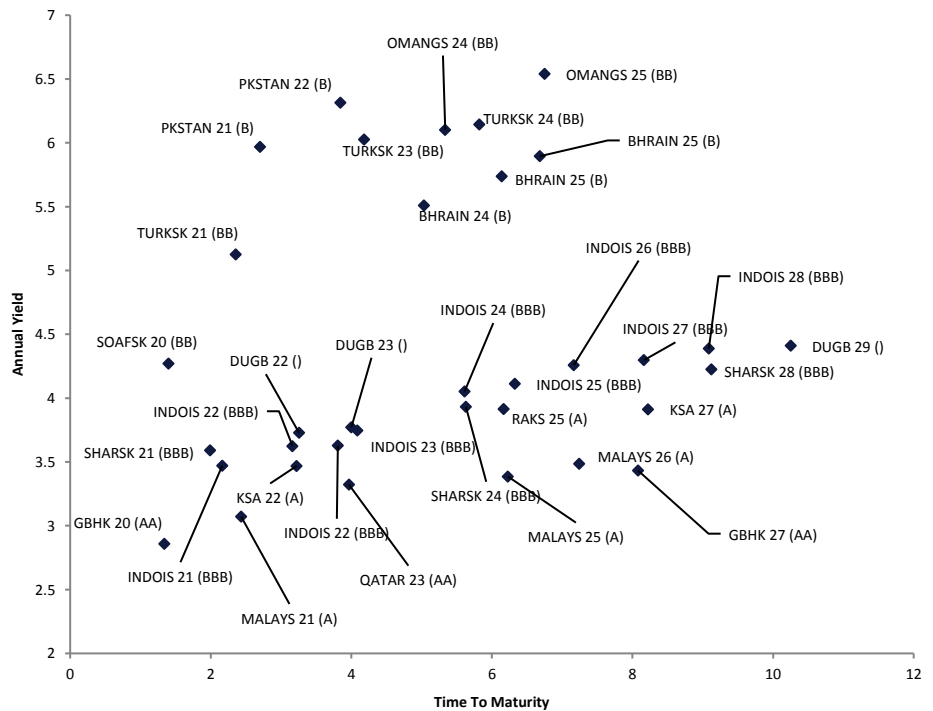
January was a constructive month for GCC bonds and sukuk. While economic data in the US remained firm, downward revision to global growth and ongoing trade tensions seemed to have made the US Federal Reserve more cautious on the interest rate outlook in the US. The Fed appears willing to be more patient on rate hikes in 2019. Dovish tone of the FOMC January meeting cemented the market expectation of slower rate hikes which in turn shifted the UST benchmark yield curve lower. Yields on 2yr, 5yr and 10yrs US treasuries closed the month of January at 2.46% (-3bps, m/m), 2.44% (-7bps, m/m) and 2.63% (-5bps, m/m).

The total return on Emirates NBD Markit iBoxx USD Sukuk index in January was a gain of +1.64% which compares very favourably with full year total return in 2018 of only 0.26%.

Looking at trading yields on various sukuk at the end of the month of January, following relative value observations are made:

- 1) In the sovereign sector :
  - a) INDOIS 27s with composite rating of 'BBB' trading at yield of 4.29% appear expensive compared with KSA 27s at yield of 3.91% with KSA rated nearly three notches higher at composite rating of 'A'.
  - b) RAKS 25s, rated 'A' appear cheap at yield of 3.91% compared with similar rated MALAYS 25s at 3.38%, particularly in view of less than one month difference in maturity.

### Sovereign Sukuk Universe

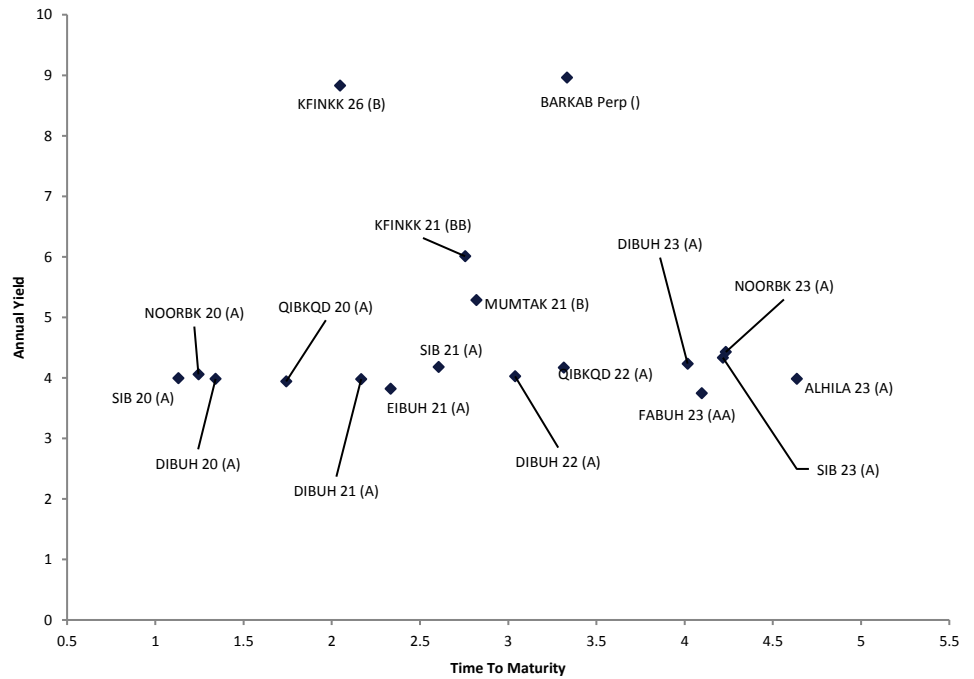


Source: Emirates NBD Research, Markit

- 2) In the Financial space:

- a) NOORBK 23s, rated 'A', at yield of 4.43% as well as SIB 23s, also rated 'A' at yield of 4.33% appear cheaper than similar rated ALHILA 23s at yield of 3.98%.
- b) SIB 21s at 4.18% appear cheaper than similar rated EIBUH 21s trading at yield of 3.82%.

## Financial sukuk universe

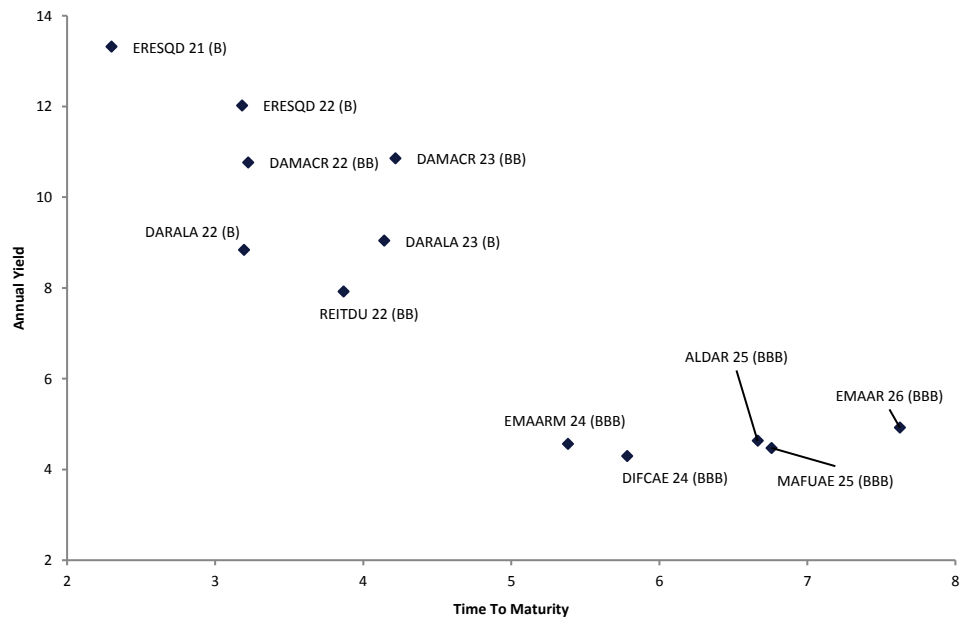


Source: Emirates NBD Research, Markit

### 3) In the real estate sector:

- a) DAMAC 23s, rated BB, at yield of 10.85%, appear cheaper than lower rated DARALA 23s at yield of 9.04%.
- b) EMAARM 24s at yield of 4.57% looks cheaper than DIFCAE 24s at yield of 4.29%, particularly in view of higher maturity tenure on DIFCAE.

## Real Estate sukuk universe

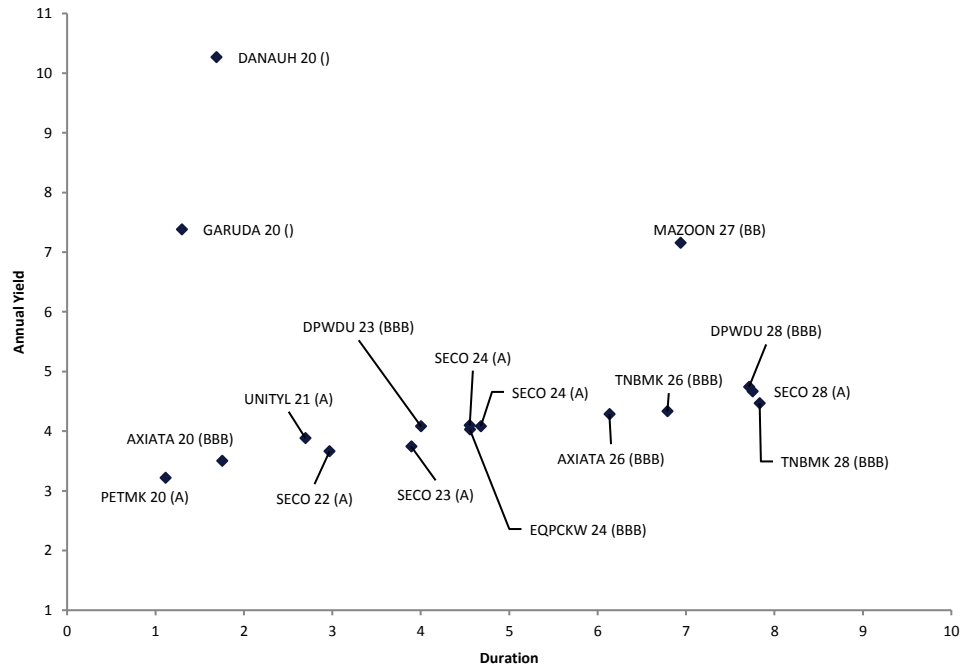


Source: Emirates NBD Research, Markit

4) In the corporate space:

- a) There appears to be no clear value dislocation in the corporate space at present. That said, MAZOOON 27s at yield of 7.13%, appear cheap for a utility business with a rating of Baa3/negative from Moody's.

### Corporate sukuk universe



Source: Emirates NBD Research, Markit

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