

Market Insights & Strategy
Global Markets

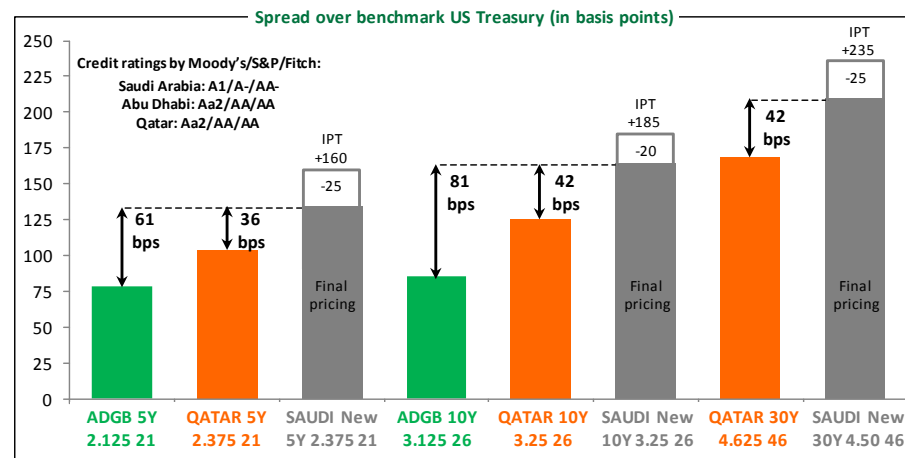
Veni, Vidi, Vici – KSA Enters The EM World In Style!

The Latin scholars among you will know that “Veni, Vidi, Vici” translates into “I came, I saw, I conquered”, as Julius Caesar is famously quoted as having said to the Roman Senate. In a similar vein, Saudi Arabia’s blockbuster sovereign bond issue truly conquered the emerging markets fixed income space last week! As the largest EM sovereign bond issuance in history, KSA’s super jumbo deal was without doubt a landmark transaction.

Last Wednesday (19th Oct) the Kingdom printed \$17.5bn in a 3-tranche deal, overtaking Argentina’s record \$16.5bn issue from April this year to become the biggest single bond sale in the emerging markets space. The Saudi deal is also the largest offering from the Middle East beating Qatar’s previous record of \$9bn from earlier this year. The KSA deal managed to generate a record order book of circa \$67bn making the deal some 4 times oversubscribed, which in itself says a lot about investor interest in the transaction.

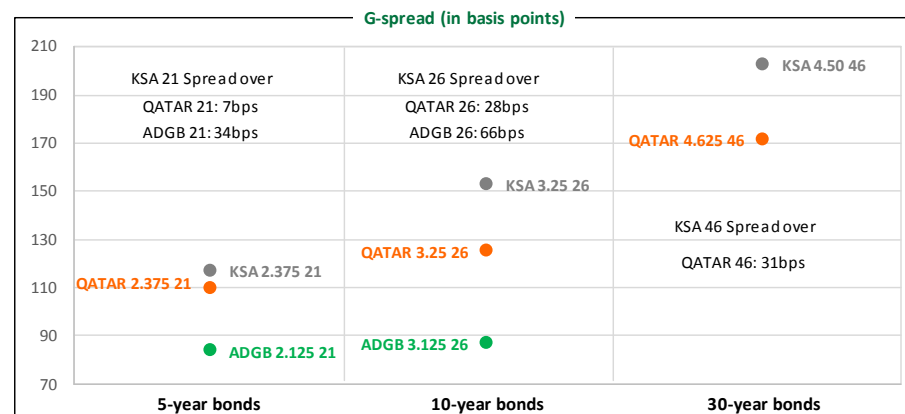
In this note we take a look in the rear view mirror and examine how the new Saudi paper stacks up against its GCC peers, and importantly how it has been trading in the secondary markets since it was free to trade on Thursday of last week. The charts below also provide some comparison of how GCC sovereign bonds are placed relative to their sovereign peers in the EM space.

Relative value based on final pricing:



Source: Bloomberg; NBAD

Relative value based on current spreads:



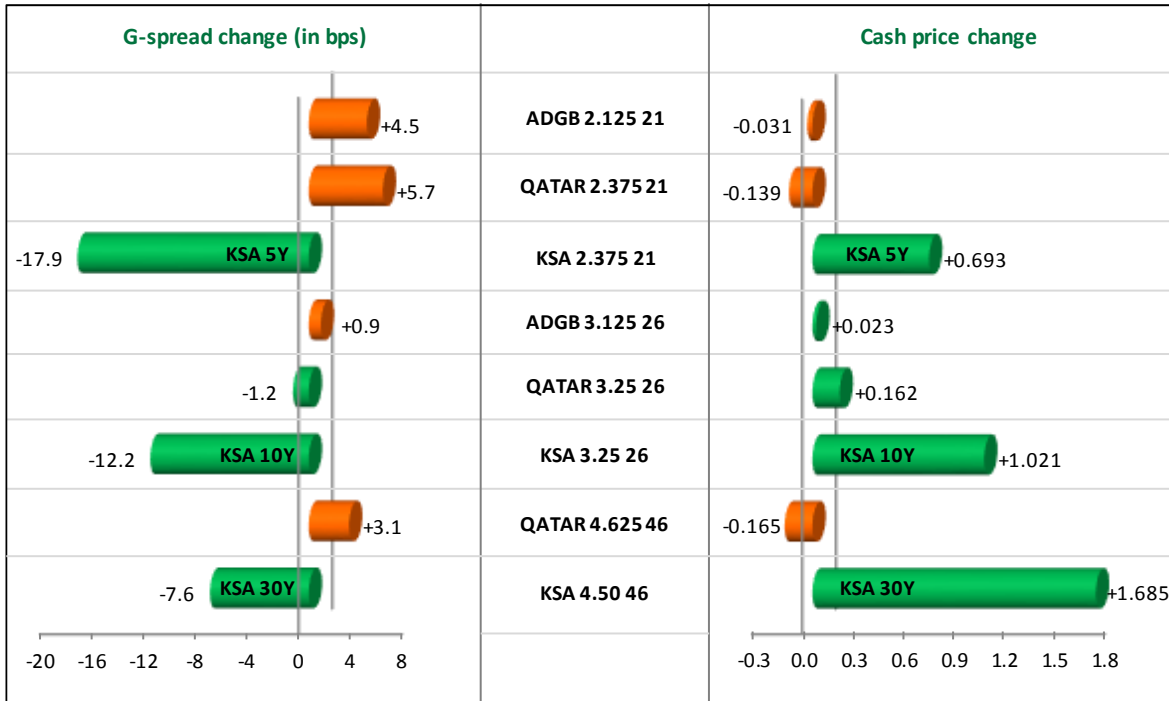
Note: G-spread is spread to the government curve of the matching currency; we have used 'bid' price from NBAD's fixed income trading desk; Source: NBAD

24 October 2016

Chavan Bhogaita
Head of Market Insights & Strategy

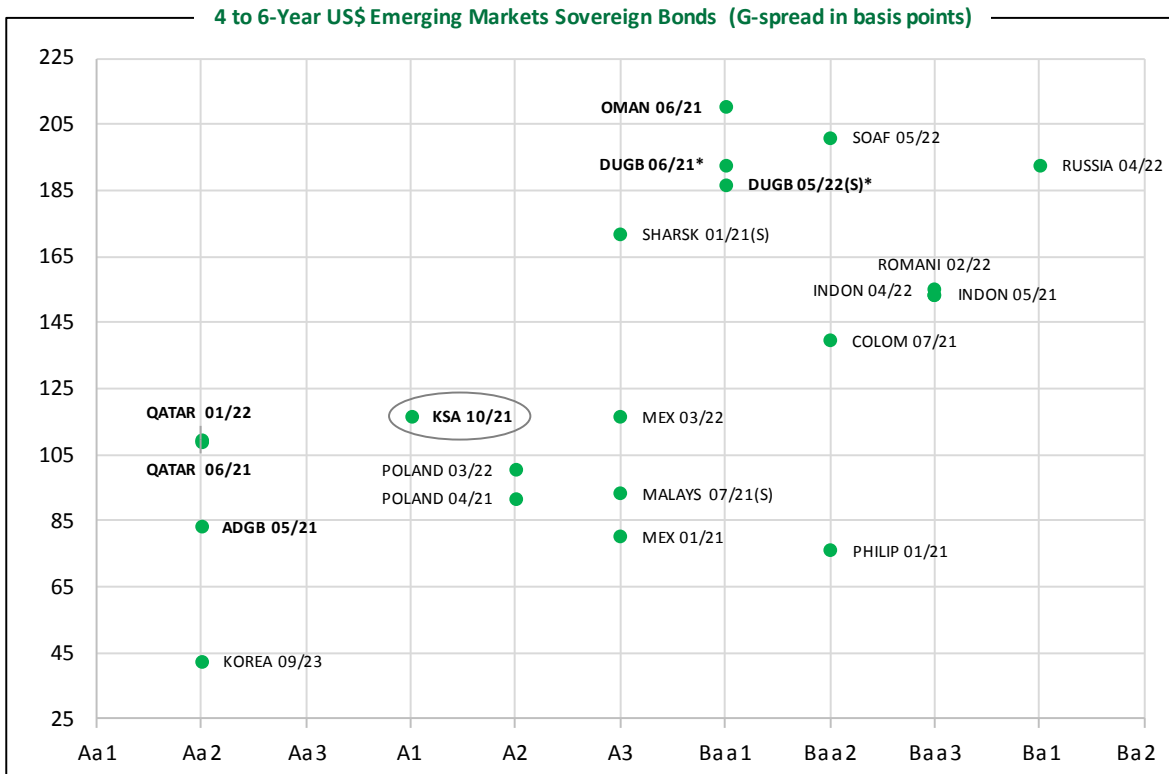
Rakesh Sahu
Analyst

KSA, Abu Dhabi & Qatar bond performance since KSA US\$ were launched (based on 21 Oct closing price):



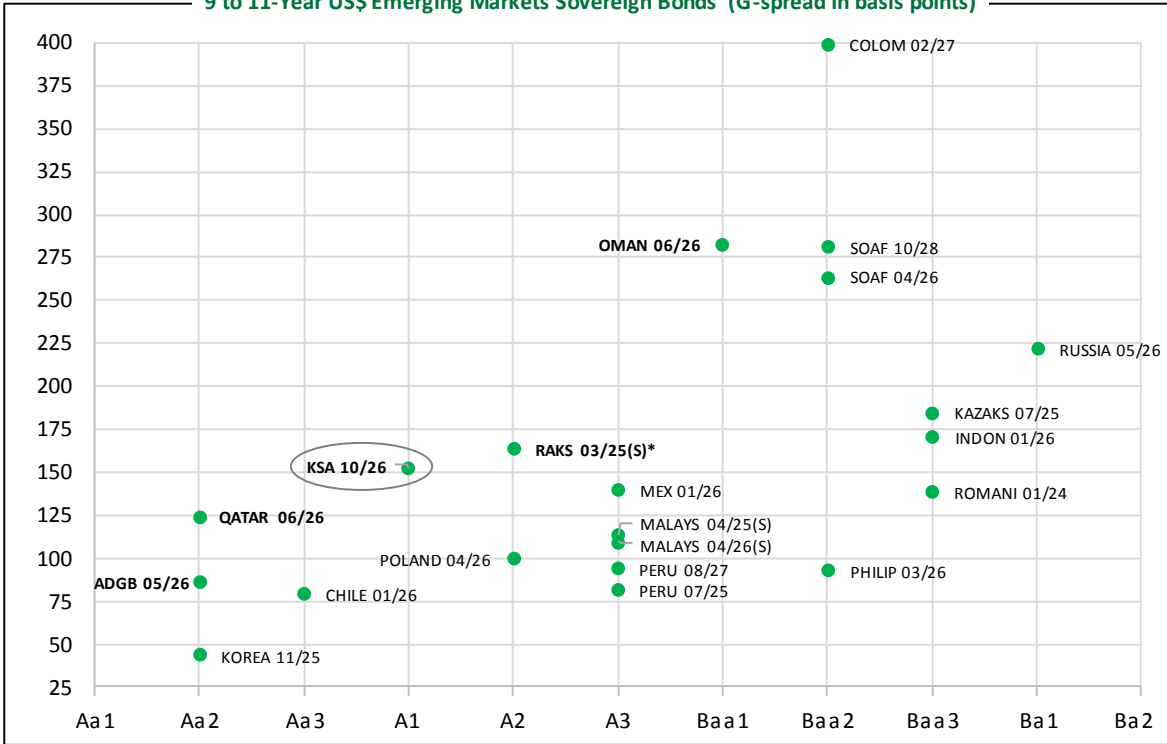
Source: We have used 'bid' price from NBAD's fixed income trading desk; Source: Bloomberg; NBAD

KSA bonds relative value vs emerging markets peers (G-spread vs Moody's rating based on 21 Oct closing price):



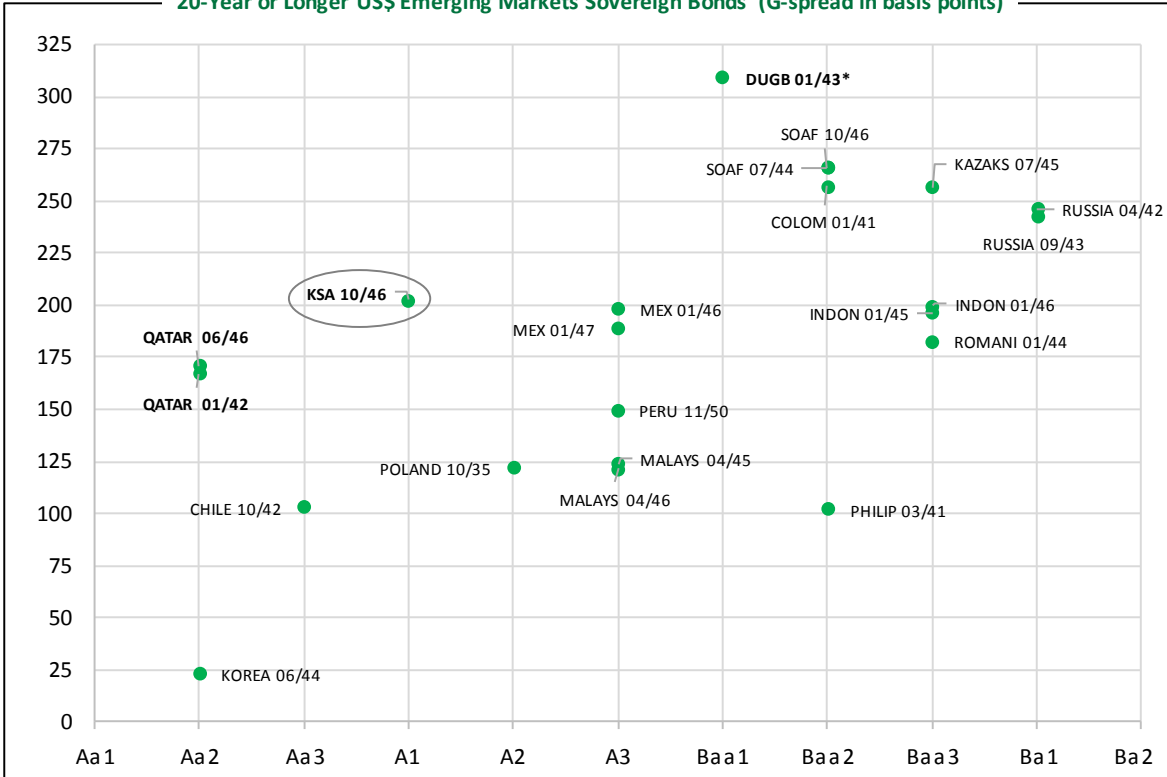
Note: *Dubai is not rated by any rating agency and we have assigned a proxy Moody's rating of Baa1 based on its fundamentals with a relative comparison to Oman (Baa1), Bahrain (Ba2) & DEWA (Baa1); (S) indicates Sukuk; G-spread is spread to the government curve of the matching currency; we have used 'bid' price from NBAD's fixed income trading desk for GCC sovereign bonds and for other bonds bid price is taken from Bloomberg; Bond ticker shows MM/YY of maturity date; Source: Bloomberg; NBAD

9 to 11-Year US\$ Emerging Markets Sovereign Bonds (G-spread in basis points)



Note: *Emirate of Ras Al Khaimah (RAK) is not rated by Moody's and we have assigned a proxy Moody's rating equivalent to RAK's ratings from S&P (A) & Fitch (A); (S) indicates Sukuk; G-spread is spread to the government curve of the matching currency; we have used 'bid' price from NBAD's fixed income trading desk for GCC sovereign bonds and for other bonds bid price is taken from Bloomberg; Bond ticker shows MM/YY of maturity date; Source: Bloomberg; NBAD

20-Year or Longer US\$ Emerging Markets Sovereign Bonds (G-spread in basis points)



Note: *Dubai is not rated by any rating agency and we have assigned a proxy Moody's rating of Baa1 based on its fundamentals with a relative comparison to Oman (Baa1), Bahrain (Ba2) & DEWA (Baa1); (S) indicates Sukuk; G-spread is spread to the government curve of the matching currency; we have used 'bid' price from NBAD's fixed income trading desk for GCC sovereign bonds and for other bonds bid price is taken from Bloomberg; Bond ticker shows MM/YY of maturity date; Source: Bloomberg; NBAD

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