Market Insights & Strategy
Global Markets

# Kuwait Minus Thirty

The State of Kuwait is finally here with its much anticipated sovereign bond issue. No-one can complain about being taken by surprise on this one given that it was flagged many months ago, indeed there has been much anticipation of this deal given the scarcity of Kuwaiti paper in the GCC bond markets.

Having recently concluded the international roadshow, the Kuwait sovereign has now announced the initial price target for its dual-tranche USD denominated bond issue. The transaction will be in 144A/RegS format and will comprise 5 and 10 year tenors.

So there's no 30-year tranche? Are you sure we hear you ask. Apparently not, and hence the title of this report. Sorry to disappoint those of you who thought we were breaking some news about freak weather in Kuwait. Back to the bonds story.

Given that the sovereign is going to the trouble of 144A format, presenting its roadshow in three US cities, and is coming hot on the heels of recent deals from Saudi Arabia and Oman, both of which successfully printed substantial paper in the 30-year tranche of their deals (and indeed saw very strong demand from investors for this tenor), why wouldn't the State of Kuwait be targeting longer term money, especially if they could lock it in at attractive levels in what is now a rising interest rate environment?

Perhaps the sovereign is of the view that the market for 30-year paper from a GCC issuer is very niche and that the recent deals from the Kingdom of Saudi Arabia and Sultanate of Oman have already soaked up most of the demand in this space (and hence no point trying to print paper in this tenor if it means paying a higher than desired premium)? Could the State of Kuwait be keen to show the world that it isn't as 'desperate' for the money as some of its GCC peers which seem to be hoovering up liquidity (after all Kuwait is in pretty good shape financially when compared to the other sovereigns in the region – click HERE to see our recent publication "*GCC: FAQs and Figures*" which shows how the sovereigns stack up)? Or, is it something as simple as Kuwait not needing 30-year money in any substantial size at the current time? Maybe. Food for thought anyway.

So what *do* we know about this forthcoming deal? Well, 5 and 10-year tranches, overall size estimated to be in the $7-10 billion range – hence it is likely to be chunky enough even without a 30-year tranche – and the initial price target has been outlined as follows (although we anticipate pricing will be tightened post book building):

* 5-year US$ Benchmark @ T+100bps area

* 10-year US$ Benchmark @ T+120bps area

The charts below show how these new bonds would stack up against paper from other GCC sovereigns. Watch this space for further updates and of course please contact our trading desk for further colour on the market, pricing, and flows.

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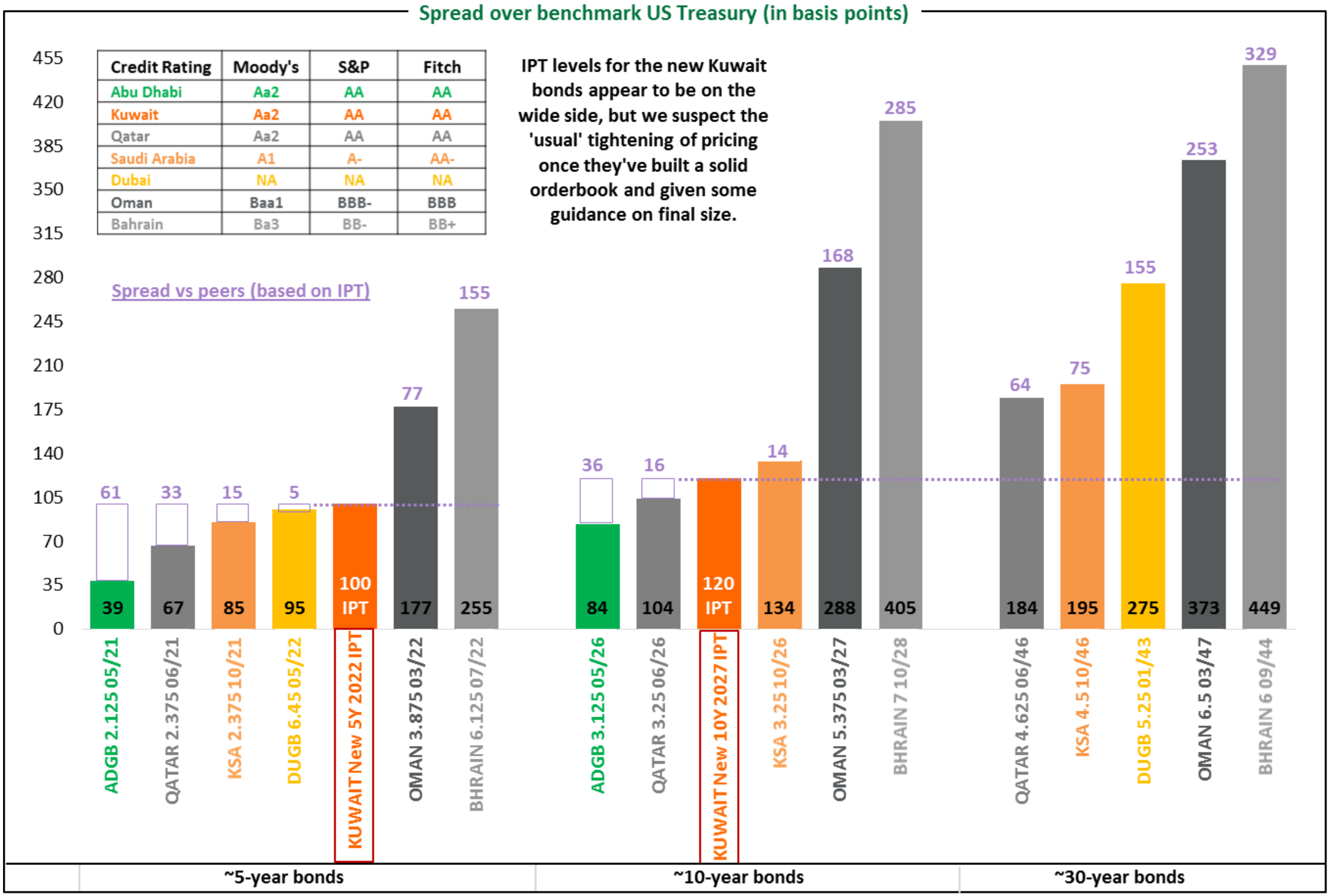
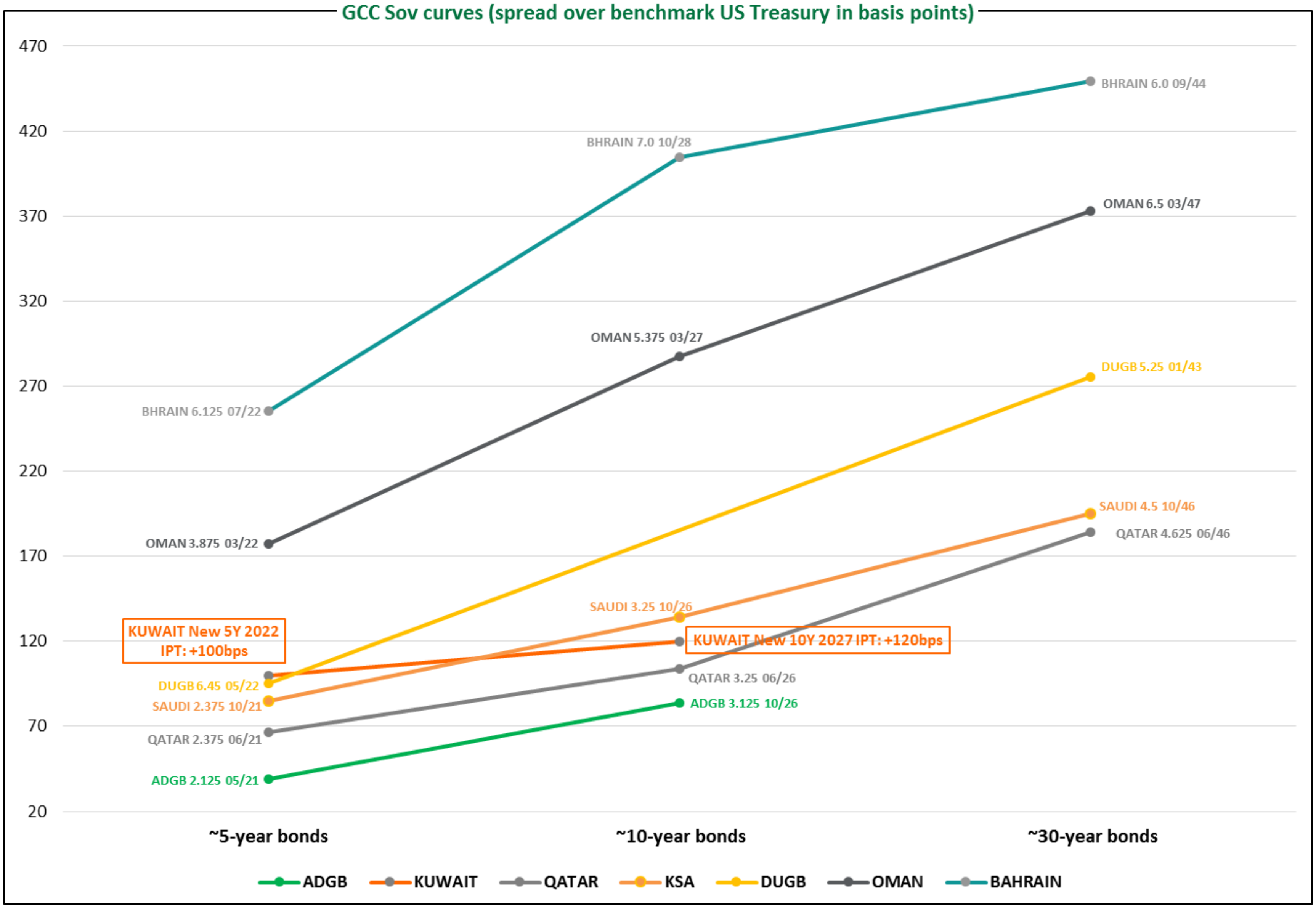
**Relative Value (based on initial price thoughts):**

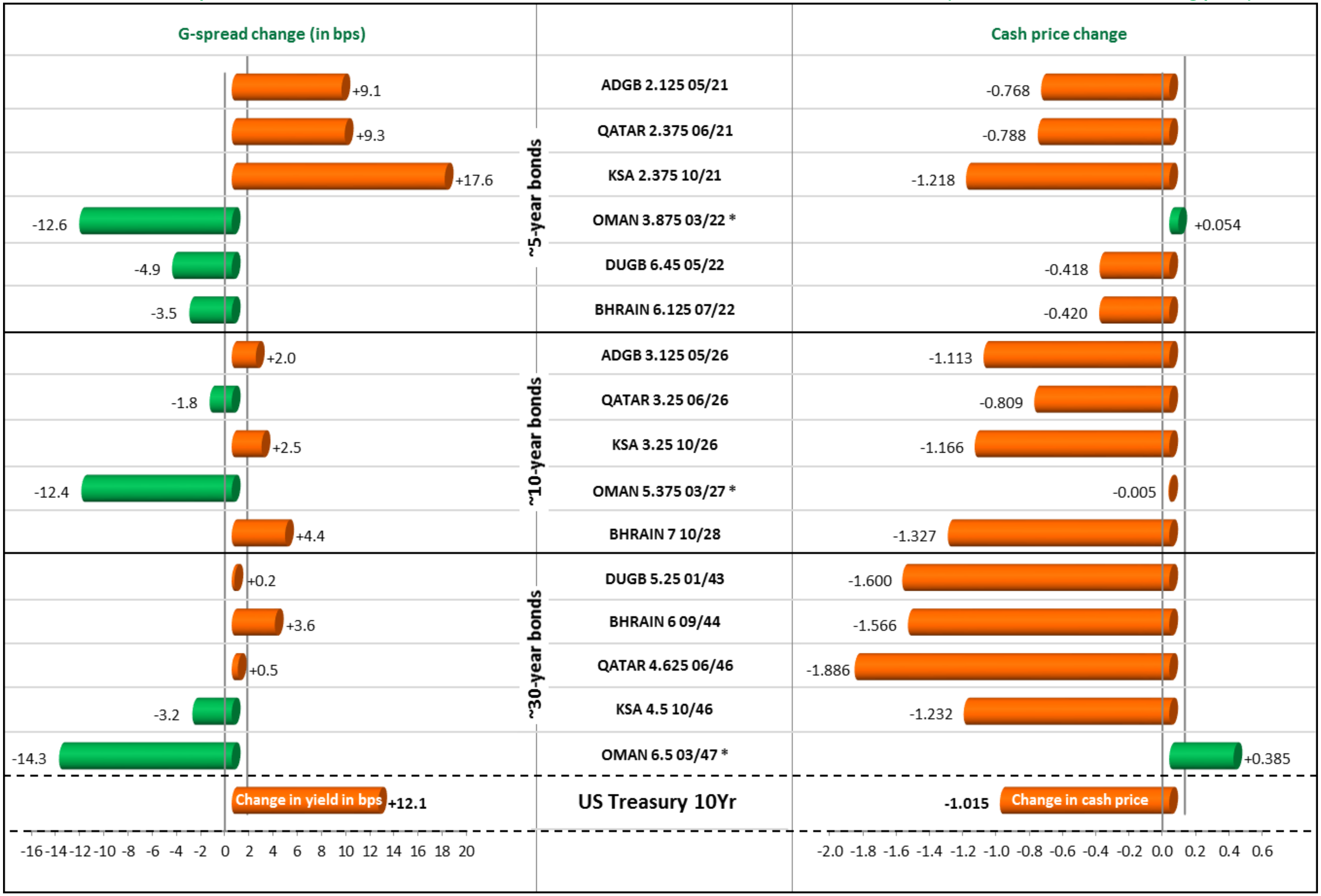



Note: The bond/sukuk name indicates the Ticker/Coupon/ Maturity Month & Yr; Spreads are based on 10th March closing price; Source: Bloomberg; NBAD



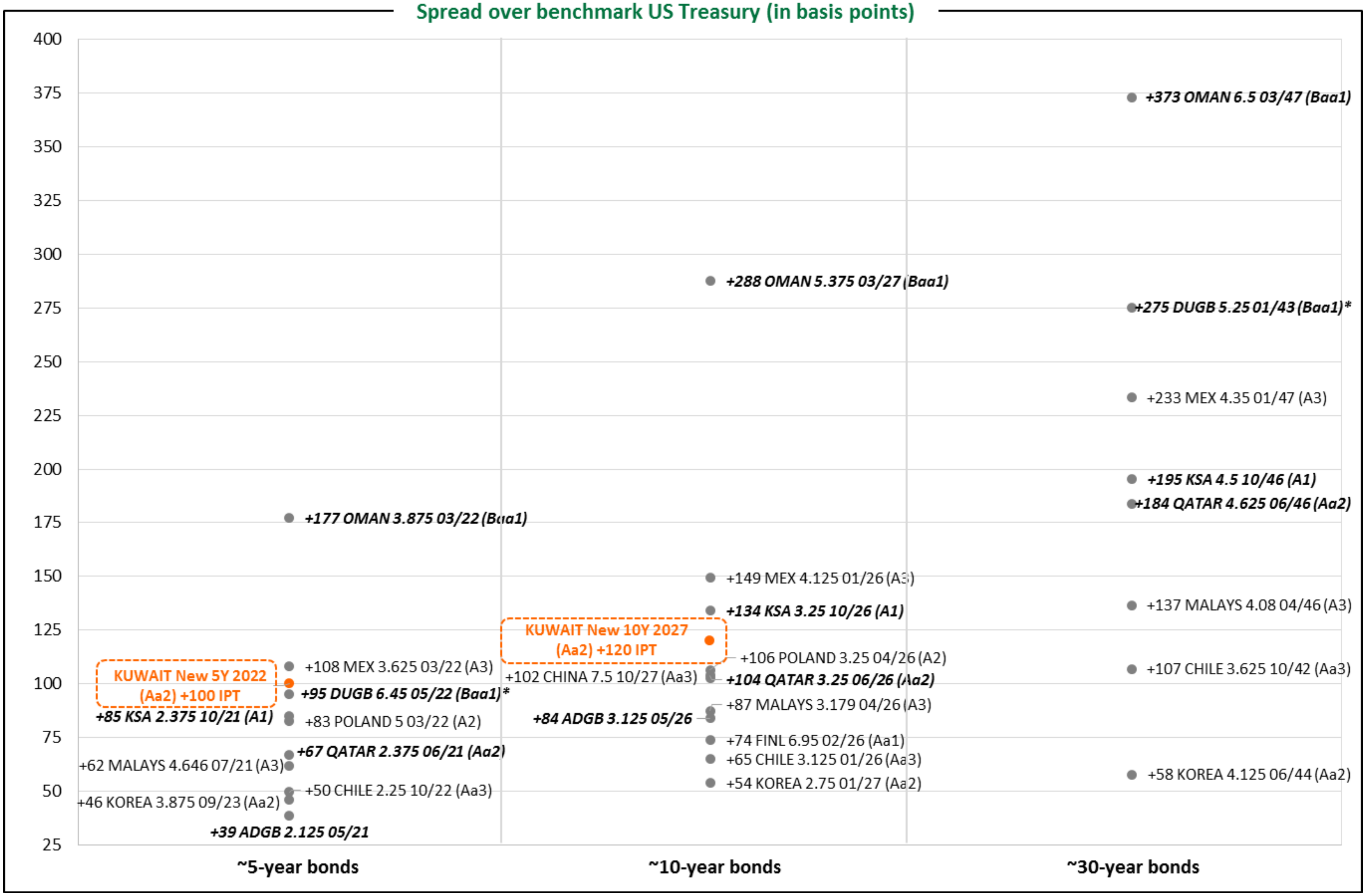

Note: The bond/sukuk name indicates the Ticker/Coupon/ Maturity Month & Yr; Spreads are based on 10th March closing price; Source: Bloomberg; NBAD

**GCC benchmark bond performance since 1st March 2017, when the Kuwait US$s mandate was announced: (based on 10th March closing price):**




Note: Oman bonds were priced on 1st March; The bond/sukuk name indicates the Ticker/Coupon/ Maturity Month & Yr; Source: Bloomberg; NBAD

**Kuwait bonds relative value vs emerging markets peers (G-spread over mid swap vs Moody's rating):**




Note: The bond/sukuk name indicates the Ticker/Coupon/ Maturity Month & Yr; *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); G-spread is spread to the government curve of the matching currency; Source: Bloomberg; NBAD

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