

Market Insights & Strategy Global Markets

The Kingdom Commeth

Finally, it's here. The Kingdom of Saudi Arabia announced late yesterday afternoon the initial terms for its much awaited super jumbo sovereign bond issuance. At first glance, it looks as though KSA is offering a reasonable premium over the comparable bonds from other GCC sovereigns – namely Abu Dhabi and Qatar. However, given the lower ratings of the Kingdom, greater political risk, economic and fiscal challenges, etc investors are of course bound to demand a premium relative to the likes of Abu Dhabi and Qatari paper. That said, we believe that there will be substantial interest in this deal, for a variety of reasons, and indeed a properly big order book!

The balancing act that the Kingdom needs to manage is pricing versus size. Ultimately Saudi Arabia's current predicament is such that it needs the cash, and hence needs to generate sufficient orders to enable a super jumbo deal to be printed, but at the same time the leadership is likely to be conscious of the fact that whatever pricing is set on this transaction will indeed set a benchmark for any future issuance. And let's be frank, the Kingdom will need to come back to the market. Hence printing a sufficiently large deal now, setting an acceptable pricing precedent for future deals, and keeping international investors happy and engaged are all key. Watch this space for further updates.

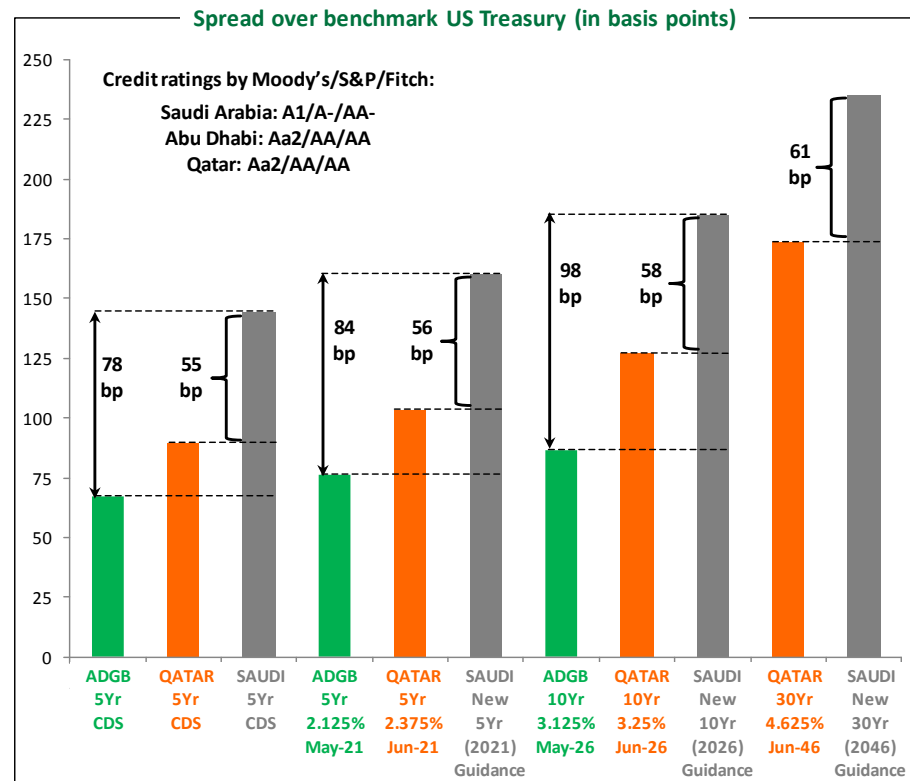
Initial price guidance announced:

* 5-year US\$ Benchmark @ T+160bps area

* 10-year US\$ Benchmark @ T+185bps area

* 30-year US\$ Benchmark @ T+235bps area

Relative Value:



Source: Bloomberg; NBAD

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Summary details of the transaction:

Kingdom of Saudi Arabia US\$ 3-Tranche 5yr/10yr/30yr IPTs

Issuer	The Kingdom of Saudi Arabia acting through the Ministry of Finance		
Issuer Ratings:	A1 (stable) / AA- (neg) (Moody's/Fitch)		
Format	144A / Reg S		
Status:	Senior, Unsecured		
Tenor	5-year	10-year	30-year
Size	US\$ Benchmark	US\$ Benchmark	US\$ Benchmark
Coupon	FXD SA 30/360	FXD SA 30/360	FXD SA 30/360
IPTs	T+160bps area	T+185bps area	T+235bps area
B&D	Citi, HSBC, J.P. Morgan		
Settlement:	(T+5)		
Denoms:	\$200k/\$1k		
Listing	Irish Stock Exchange regulated market		
Law	English		

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