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Market Insights & Strategy
Global Markets

14 September 2017

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Bahrain prints $3bn deal - anyone still doubting investor demand?

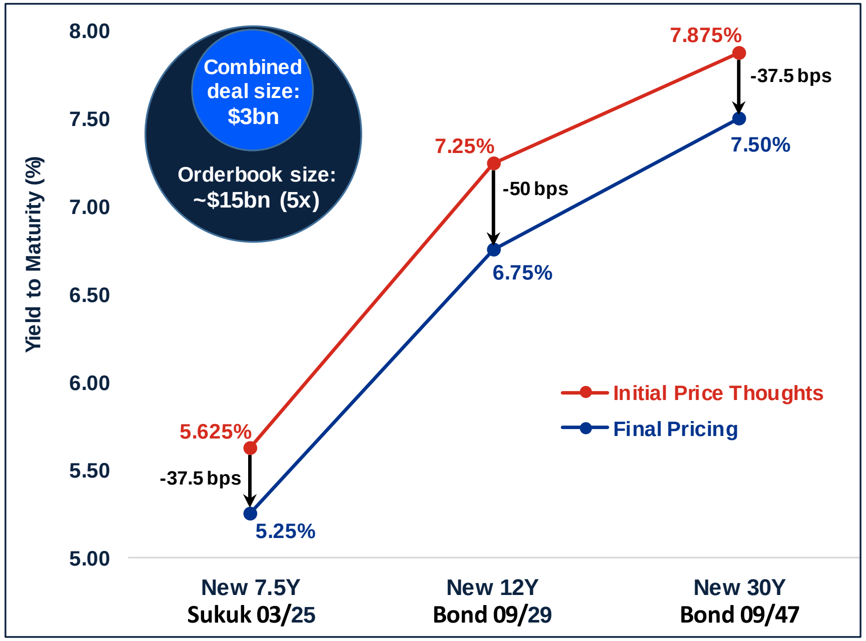
Congratulations to the Kingdom of Bahrain on an excellent deal! As per the title of our report yesterday ("Bahrain's new bond/sukuk combo – a good test of investor appetite?") we felt that this 3-tranche deal would really be a good barometer of investor sentiment and indeed willingness to invest in the Middle East. Well, with a combined order book of circa $15 billion which allowed the Sovereign to print a deal of $3 billion in aggregate, across the three tranches, the answer seems pretty clear.

Notwithstanding the ongoing uncertainties posed by the Qatar situation, and indeed the dark cloud that this holds over the region, the recent downgrade of Bahrain into sub investment grade territory, and indeed other challenges, the Kingdom of Bahrain was able to print its largest single deal in the debt capital markets. The $15 billion order book shows that fixed income investors across geographies are still willing to put money to work in this region and still find the risk-reward attractive.

Deal details:

- 7.5-year $850m Sukuk tranche was priced at 5.25% vs IPT of 5.625% area (Issue price: 100; Maturity: 20 March 2025)
- 12-year $1.25bn bond tranche was priced at 6.75% vs IPT of 7.25% area (Issue price: 100; Maturity: 20 September 2029)
- 30-year $900m bond tranche was priced at 7.5% vs IPT of 7.875% area (Issue price: 100; Maturity: 20 September 2047)

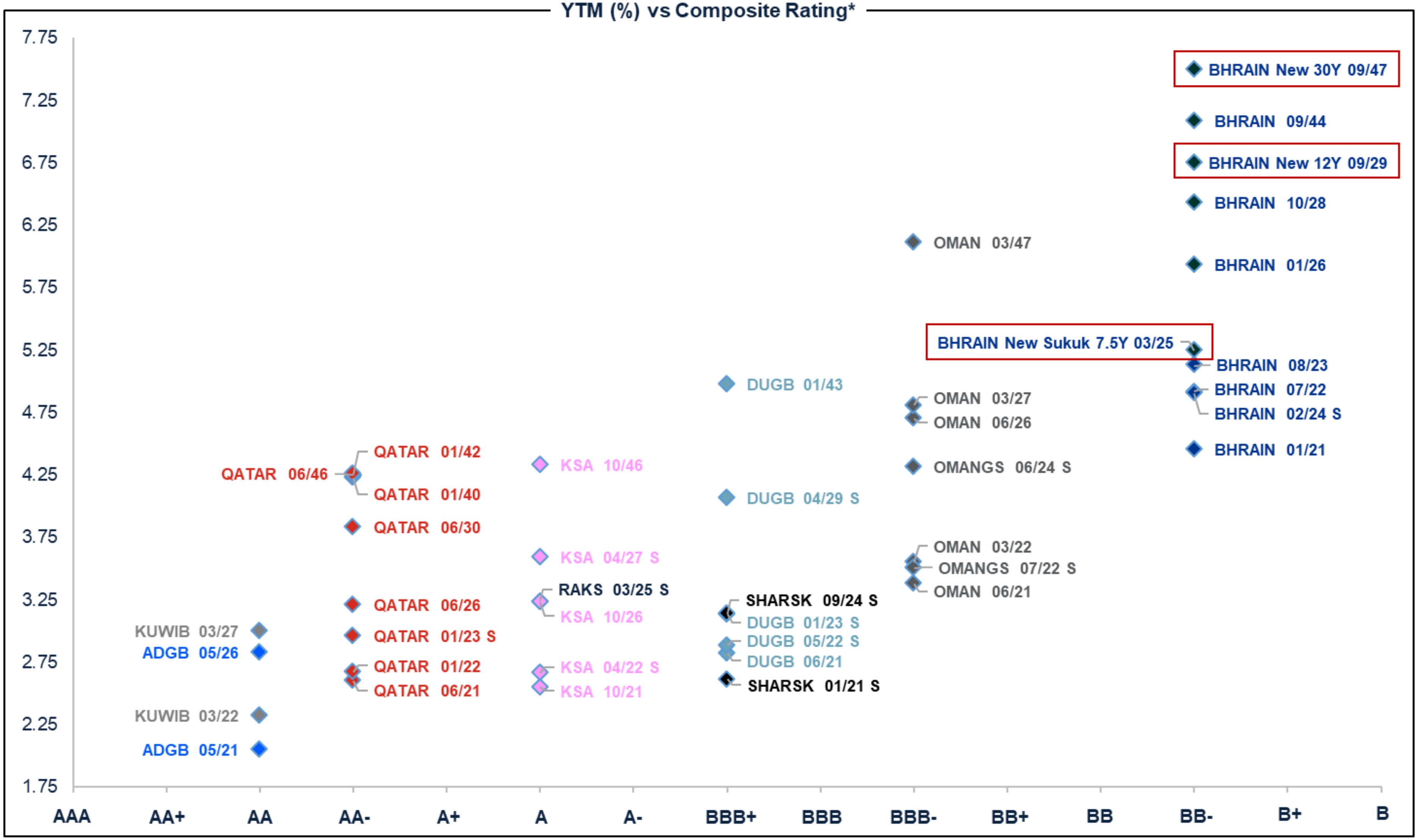
The success of this deal should be encouraging to other potential issuers in the region who may have been standing on the sidelines trying to assess investor sentiment and trying to decide whether now would be a good time to come to the market. That said, one could argue that Bahrain's latest deal was priced attractively and offered yield-hungry investors a risk-reward proposition that they're perhaps struggling to find elsewhere in the world.



Source: Bloomberg/FAB

It will be interesting to see what deals now come to the market, in particular Sovereigns and GREs (Government Related Entities) from the GCC, and whether they are met with similar enthusiasm from investors. Watch this space…

GCC sovereign bonds relative value



Notes: * X-axis represents the composite rating which is the average of the ratings assigned by three leading rating agencies Moody's, S&P and Fitch. We have used the composite rating in order to provide a more representative view of the credit strength of each bank. Dubai is not rated by any rating agency and we have assigned a proxy rating of 'BBB+' based on its fundamentals with a relative comparison to Sharjah (BBB+) & DEWA (BBB+). The ratings have been arranged from higher to lower starting from 'AA', followed by 'AA-' and so on; Source: Bloomberg/FAB

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