

# QUARTERLY MARKET SUMMARY AND KEY UPDATES

2<sup>nd</sup> Quarter 2017

August 2017

Market Data	Region	Values	QTD Change	YTD Change
<b>Equities - Global Indices</b>				
S&P 500	US	2,423	2.57%	8.24%
FTSE 100	UK	7,313	-0.14%	2.38%
CAC 40	France	5,121	-0.04%	5.31%
DAX	Germany	12,325	0.10%	7.35%
NIKKEI	Japan	20,033	5.95%	4.81%
<b>Equities - Emerging Market Indices</b>				
SHANGHAI COMP	China	3,192	-0.93%	2.86%
<b>Equities - Middle East Indices</b>				
EGX30	Egypt	13,396	3.09%	8.51%
<b>Equities - GCC Indices</b>				
TADAWUL	Saudi	7,426	6.06%	2.99%
KWSEIDX	Kuwait	6,763	-3.79%	17.65%
DFMGI	Dubai	3,392	-2.54%	-3.93%
ADSMI	Abu Dhabi	4,425	-0.41%	-2.66%
DSM	Qatar	9,030	-13.09%	-13.47%
MSM30	Oman	5,118	-7.79%	-11.49%
<b>Commodities</b>				
OIL (BRENT)	Global	48	-9.29%	-15.66%
GOLD	Global	1,242	-0.61%	8.20%
<b>Fixed Income - Middle East Indices</b>				
JCADSUTR - SUKUK	Middle East	162	1.00%	2.96%
JCADAETR - BONDS	UAE	200	1.06%	3.15%
<b>Money Market</b>				
LIBOR 3 MTH	US	1.30	13.01%	30.19%
EIBOR 3 MTH	UAE	1.52	3.25%	2.66%
<b>Credit Default Swaps (CDS)</b>				
SAUDI ARABIA CDS USD SR 5Y	Saudi	118.18	36.71%	36.71%
ABU DHABI CDS USD SR 5Y	Abu Dhabi	132.02	15.29%	-12.05%
DUBAI CDS USD SR 5Y	Dubai	61.12	49.29%	-0.21%

Source: Bloomberg, as of 30th June 2017.

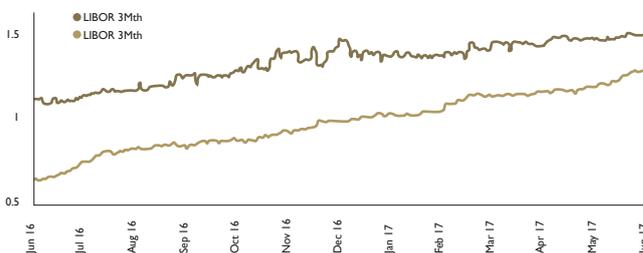
Key Banking Indicators	Value (AED Bns)
TOTAL LOANS	1,599.50
TOTAL DEPOSITS	1,615.70
CERTIFICATE OF DEPOSITS HELD BY BANKS	114.10

Key Banking Indicators	Value (%)
LOAN TO DEPOSITS RATIO	99.00%
CAPITAL ADEQUACY RATIO	18.56%

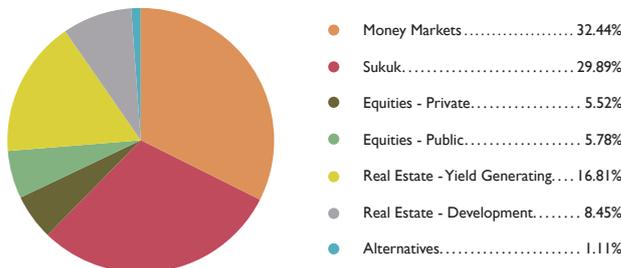
Source: UAE Central Bank, latest Available as of May 2017

## Historical – Money Market - %



Source: Bloomberg, as of 30th June 2017.

## Asset Allocation – Mudarabah Fund



As of June 2017

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## Economic Highlights

US unemployment numbers improved, Fed raised rates again in June & is likely to start reducing size of its balance sheet soon. Treasuries fell over the quarter as budget & healthcare stalled, and rose at end to more or less flat after ECB expectations.

After elections in UK and France, political risk in the Eurozone reduced. In a speech, ECB President Draghi emphasized that the ECB believes the forces currently weighing on Eurozone inflation are temporary.

A Saudi-led alliance of countries cut diplomatic ties with Qatar and moved to close off access to the country. The continuing standoff has impacted the CDS and rating outlooks for Qatar & Saudi.

Moody's downgraded China's sovereign credit rating and changed its outlook from negative to stable.

## Fixed Income

Saudi launched its inaugural \$9bn sukuk with a 5yr USD 4.5bn tranche at MS+100 and a 10yr USD 4.5bn tranche at MS+140.

Oman priced a \$2bn 7yr sukuk at MS +235bps, after being cut to junk by S&P.

New sukuk were issued by Dar Al Arkan (\$500m, 5y, MS +512.8), Damac (\$500m, 5y, MS +430.3), QIB (\$750m, 5y, MS+135) and Baraka Bahrain (5YNC Tier 1, \$400m, 7.875%). Meeras raised a private placement sukuk.

Dana Gas with a sukuk maturing in October has secured court injunctions in three jurisdictions: Sharjah, the British Virgin Isles and UK claiming that particular terms of its two outstanding sukuk were not Shariah-compliant.

## Mudarabah Fund

The Mudarabah Fund seeks to secure its bondholders and investors a steady return through a diversified asset allocation; backed by sound investment strategies and in accordance with Sharia guidelines.

Despite the market challenges, Q2 witnessed signs of recovery and improved sentiment with economic performance. The fund continues to focus on yield generation assets such as Fixed Income and Rental Properties.

## Equities

KSA, the best performer across the GCC, closed up 6.06%. Positive sentiment was driven by the elevation of Mohamed Bin Salman to Crown Prince and the addition of KSA to the EM Watch List by global index provider MSCI.

Qatari markets underperformed largely due to an ongoing row with other GCC states. Qatar Exchange General Index closed down 13.09% as foreign and GCC flows fled to safety amid increased risk and uncertainty.

Kuwait closed down 3.79% largely due to a lack of catalysts and reduced trading activity during the month of Ramadan.

Driven by weak trends in the banking and insurance sectors, UAE markets experienced lackluster performance closing down 2.54% and 0.41% for DFM and ADX exchanges.

## Real Estate

KSA transaction values dropped 31% Y-o-Y during Ramadan; average prices fell in Makkah and Riyadh.

Knight Frank reported an increase in valuation instructions and suggested a wave of KSA domiciled REITS will be established.

Dubai remained under pressure, albeit minimal changes recorded in prices or rental rates; according to JLL, 3,600 new residential units came online, primarily in Dubai Marina, Al Wasl and Meydan.

Villa rents in Sharjah rose 11.7% during H1, however apartment rents are expected to soften according to Cluttons.

Abu Dhabi market sentiment remains weak with lower residential rents and reduced occupier demand. Residential sale prices and transaction volume were down. Office space vacancy rates of 22% persist; however, Grade A & B rents remain stable.



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