



COLUMN

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GCC bond market witnesses robust activity in 2012

THE VALUE of bonds issued in the international market were close to \$1.7 trillion for the year to date and in the first half of 2012 it was worth \$2.2 trillion. This year the major bond deals were issued by European Investment bank, KfW and the Spain government. Seeking a safe haven, investors have poured money into US Treasuries, pushing down yields after the Greece concerns. The Benchmark US government bond yields have fallen to low levels in recent times at 1.48 per cent as Europe's worsening debt crisis spurred a global race for safe-haven assets. There were discussions in recent times as to whether a euro bond be issued to solve the crisis backed by the credit ratings of all eurozone countries. The mingling of debt could substantially lower the debt costs of weaker countries and raise costs for the stronger countries. However, the issuance of euro bonds would remove the weak countries' incentive to clean up their fiscal act. With the pressure mounting on Spain to deal with the banking crisis recently Germany has rejected the idea of such bonds until any fiscal union measures comes in place.

The GCC bond market so far has performed better than previous year. The GCC issues till date was close to \$18.2 billion for the year to date, however, in first half of 2011 it was close to \$10.5 billion. The conventional bond issues were worth \$6.7 billion for the year to date, however in the first half of 2011 it was close to \$8.3 billion. The Islamic bond issues were worth \$11.5 billion for the year to date, however, in the first half of 2011 it was close to \$2.1 billion. The GCC players are diversifying their funding base to capitalise on long-term opportunities. The equity markets are quite volatile and there is demand for the GCC bonds in the global market. The Islamic bond issues in 2012 have so far exceeded the conventional bond issues. Qatari

55%
surge in global sukuk issuance in the first quarter

Banks were active to tap the conventional bond market in the first quarter of 2012. The major issuers of sukuk in first quarter of 2012 are: Saudi Arabia, Dubai and Dubai Islamic Bank. The GCC sovereign yields are soaring up currently due to European crisis. Qatar five-year CDS — 139 basis points; Bahrain five-year CDS — 366; Saudi Arabia five-year CDS — 136; Dubai five-year CDS — 375 and Abu Dhabi five-year CDS-138.

Global sukuk bond issue exceeded \$85 billion in 2011 and is expected to reach \$120-130 billion in 2012. Global sukuk issuance in the first quarter of 2012 hit \$43.5 billion, up 55 per cent from the corresponding period last year. Malaysia maintained the leading position with 71 per cent of sukuk issued, followed by Saudi

Arabia with 15 per cent. Recently Malaysia Airlines is planning \$800 million in Islamic bonds.

The GCC sovereign bond issues have already witnessed activity this year with Saudi Arabia come with sovereign sukuk for its aviation agency for \$4 billion and Dubai with \$1.25 billion sukuk in April 2012. Bahrain and Qatar are also planning sovereign bonds. Qatar has come up with five sovereign bond issues in the recent years, the last two issues are \$5 billion sovereign bond issue in last week of November 2011 and \$13.7 billion bond issue in January 2011. Qatar government bond issues were mainly denominated in dollars including the last one which happened in November 2011. However, January 2011 bond issued by Qatar were in Qatari riyals. More bond issues in Qatar riyal will help in development of Qatari riyal yield curve. Despite a turbulent environment in the global financial market the GCC bond market has witnessed robust activity in 2012 as regional players are raising funds for long-term deployment.

The writer is group CEO at Doha Bank. Views expressed by the author are his own and do not reflect the newspaper's policy



The equity markets are quite volatile and there is demand for the GCC bonds in the global market. — Bloomberg