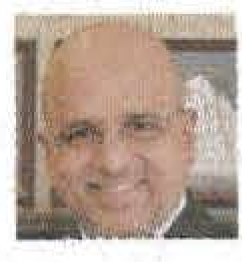
# GCC sovereign issues continue to drive region's bond market



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International bond issuances had exceeded $1.25 trillion this year. Some of the major issues came from the European Investment Bank, Germany and France. In 2016, it was close to $4 trillion. The US 10-year yield is at 2.4 per cent and had surged after March reading consumer-confidence, which soared to the highest level in more than 16 years, helping to reinvigorate trades considered risky and tempering recent healthy demand for the perceived safety of government paper.

In 2017, global sukuk issuances are more than $7.4 billion. The major issues are from Indonesia ($3 billion) and Hong Kong ($1 billion). In 2016, global sukuk issuances were more than $44.1 billion. GCC bond issuances exceeded $23 billion in 2017; GCC sukuk issuances exceeded $2.75 billion in 2017 and conventional bonds exceed $20 billion. The major GCC sovereign bonds in 2017 include those from Kuwait ($8 billion) and Oman ($5 billion).

GCC sovereigns continue to lead the region's bond market. The sharp decline in oil prices, fiscal consolidation efforts and refinancing needs had kept sovereign debt issuance in region. Most of the GCC oil exporters have adequate credit quality enabling them to comfortably raise debt in the international market. This is particularly the case with GCC countries with almost all of the economies continuing to boast investment-grade ratings despite downgrades by ratings agencies.

In 2016, GCC bonds and sovereign sukuks exceeded $72 billion. Sovereign bond issues were active during 2016 and include Saudi Arabia ($17.5 billion), Qatar ($9 billion), Abu Dhabi ($5 billion) and Oman ($3 billion). Qatar's five-year CDS is at 66.65 basis points, Saudi Arabia's is at 102.085bps, Dubai's is at 122.695bps, Abu Dhabi's is at 44.060bps and Bahrain's is at 231.405bps. Most CDS have fallen during this year after sovereign bond issuances and stable oil prices. As a result of tighter liquidity, banks have issued more debt in 2016.

**$7.4B**
global sukuk issuances in 2017 so far

With the outlook for prices improved by the Opec's move to curtail oil output, borrowers in the region had used the opportunity to fill their coffers. The recent drop in oil price on account of US shale development and Opec commitments has been temporarily put to rest after the recent Kuwait meeting that revealed that the joint committee of ministers from Opec and non-Opec oil producers have agreed to review whether a global pact to limit supplies should be extended by six months.

GCC banks have also tapped the international syndicated loan market to refinance maturing debt. Many investors — mainly in Asia but also in the US and Europe, where interest rates are low — have been willing to increase their exposure to GCC sovereigns and banks, due to high credit ratings and good yields, and this is set to continue as they both issue. The region's growing financial markets and the use of financing arrangements ranging from partial privatisation to Asian private placements to structured commodity-based financings will also further drive further fund raising activities. Majority of the issuances by GCC banks in were primarily to meet the regulatory capital requirements and this may continue this year also. The large international sovereign debt issuances, lower credit growth and stable oil prices could improve funding conditions for banks in the GCC.

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

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