

GCC capital markets subdued by oil slump



DATELINE DOHA

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Region sees drop in bond issuances and IPOs in first half of the year

CONVENTIONAL BOND ISSUES in the GCC in the first half of 2015 were close to \$11 billion while it was approximately \$12 billion in the first half of 2014.

The major conventional bond issues in 2015 include that of National Bank of Abu Dhabi at \$1.98 billion, Investment Corporation of Dubai at \$1.48 billion and HSBC Holdings at \$1.21 billion.

The value of GCC conventional bond issues in 2014 was more than \$18 billion. The major conventional bond issues in 2014 were by the Emirates Investment Authority, the emirate of Abu Dhabi and Investment Corporation of Dubai.

The value of GCC sukuk issues in the first half of 2015 was above \$5 billion. In the first half of 2014, it was close to \$12 billion. The major sukuk issues in 2015 include Dubai Islamic Bank at \$1.75 billion, Riyadh Bank at \$1.06 billion, the emirate of Ras Al Khaimah at \$1 billion and Riyadh Bank at \$1.06 billion.

The value of GCC sukuk issues in 2014 was above \$14 billion. The major sukuk issues in 2014 were done by Saudi Sovereign companies, the emirate of Dubai and National Commercial Bank.

GCC bond issues witnessed a drop in the first half of this year when compared to the same period last year, mainly in sukuks. The drop is mainly due to concerns of US Fed rate hikes and volatile oil prices.

Most of the GCC sovereign credit default swaps, or CDS, had surged by the end of last year on account of low oil prices and fiscal concerns. However, the revival in oil prices since the end of the first quarter this year has eased the GCC's sovereign CDS.

The five-year sovereign CDS by the end of June 2015 were Qatar at 59.461 basis points, Saudi Arabia at 63.68 basis points, Dubai at 191.494 basis points, Abu Dhabi at 58.325 basis points and Bahrain at 290.300 basis points.

In the first quarter of this year, most of the GCC market indices were down on account of falling oil prices. The Saudi market rallied in the first quarter of 2015, with the main catalyst being the decision to open up the market to foreign investors by the middle of this year.

At end of the first quarter on a year-to-date basis, the Dubai index was down 7.4 per cent, Abu Dhabi declined 2.1 per cent, Oman dipped 1.7 per cent, Kuwait lower by 3.9 per cent and Qatar down five per cent; Saudi Arabia was up 6.1 per cent and Bahrain rose 1.4 per cent.

West Texas Intermediate, or WTI, was at \$47.72 per barrel and Brent was at \$55.34 per barrel by the end of the first quarter.

Oil prices started recovering a bit in the second quarter on the account of tensions in Yemen, a drop in US rig data and increase in prices by Saudi Arabia to the Asian market.

In the second quarter, Dubai, Abu Dhabi, Qatar and Saudi Arabia recovered on the improvement in oil prices. When the Saudi market opening went into effect by mid-June, the market seemed to have already priced it in and the Saudi index dropped for a few consecutive sessions afterwards.

The Kuwait market remained low on account of a slowdown in the economy. However, the Kuwait stock regulator is planning to improve the investment climate by aligning with international norms.

The opening of the Saudi market is expected to raise the profile of other markets in the region such as the UAE and Qatar.

By the end of the first half of this year on a year-to-date basis, the Dubai index was up 8.2 per cent, Abu Dhabi rose 4.2 per cent, Saudi Arabia leapt 8.3 per cent and Oman climbed 1.3 per cent; Kuwait was down five per cent, Bahrain dropped more than four per cent and Qatar was flat.

WTI was at \$58.83 per barrel and Brent crude was at \$62.90 per barrel by end of the second quarter.

Initial public offerings, or IPOs, in the GCC in the first half of 2015 exceeded \$1.5 billion. Some of the major IPOs in 2015 include Saudi Ground Services at \$751.95 million, Mezzan Holding at \$219.85 million and Orascom Construction at \$184.93 million.

The first half of 2014 witnessed IPOs raising \$1.9 billion. The drop in IPOs was mainly due to the fall in oil prices, with WTI and Brent currently at \$47 and \$53 per barrel, respectively.

Overall, the GCC capital market is subdued in the first half of 2015, as witnessed by a drop in fresh bond issuances and IPOs. The recent Iran-West deal has also added potential for further downside in oil prices. The movement in oil prices and developments in Yemen are likely to impact GCC markets in the coming months.

The author is the group chief executive officer of Doha Bank. Views expressed are his own and do not reflect the newspaper's policy.

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IPOs raised in GCC in first half 2014

