

Market Insights & Strategy  
Global Markets

### Kuwait Prints \$8bn of Bonds & Pledges Prudent Borrowing Strategy

Not so long ago, a transaction above \$1bn in the GCC fixed income market was certainly noteworthy, and something above say \$3bn made a really huge splash! By contrast, Kuwait printed \$8bn yesterday and it was almost a case of “what’s the big deal?” (forgive the pun). Following the record-breaking deal from the Kingdom of Saudi Arabia (\$17.5bn) and the super-jumbo from Qatar (\$9bn) in the latter part of 2016, the GCC bond and sukuk markets seem to have progressed to the big league, and in this context an \$8bn deal from one of the GCC sovereigns was something that the market took in its stride. However, notwithstanding the relatively low-key manner in which Kuwait took \$8bn off the table, let’s not underestimate the significance of this transaction. Summary details of the State of Kuwait deal are as follows:

\* \$3.5bn 5Y priced at T+75bps vs IPT of T+100area; Issue price: 99.366; Coupon: 2.75%

\* \$4.5bn 10Y priced at T+100bps vs IPT of T+120area; Issue price: 99.026; Coupon: 3.50%

Media reports suggest that the combined order book for the deal was circa \$29bn which would make the deal almost four times oversubscribed. Bloomberg also reported Kuwait’s Deputy Prime Minister Anas al-Saleh, who is also the finance minister, as saying that the deal attracted strong demand from the US, Europe and the MENA region. All in all, a solid transaction.

Al-Saleh also said Kuwait “will continue to be a rational, prudent borrower, making sure that we maintain our current credit rating.” It is encouraging to read that Kuwait is taking a sensible approach to its borrowing and was not tempted to take more money off the table despite the strong demand shown for its debt by regional and international investors. It is also positive that they were disciplined enough to avoid the temptation of adding a 30-year tranche to the deal despite the fact that they could have arguably generated sufficient demand for this (please click [here](#) to read our earlier report).

The final pricing, even though it was tightened by some 20-25bps from the initial guidance, still offers some value against other GCC sovereign paper. Please refer to the relative value chart overleaf based on the final pricing showing how the new Kuwait bonds stack up against GCC peers.

Please contact our trading desk for live pricing, additional colour on flows, etc.

14 March 2017

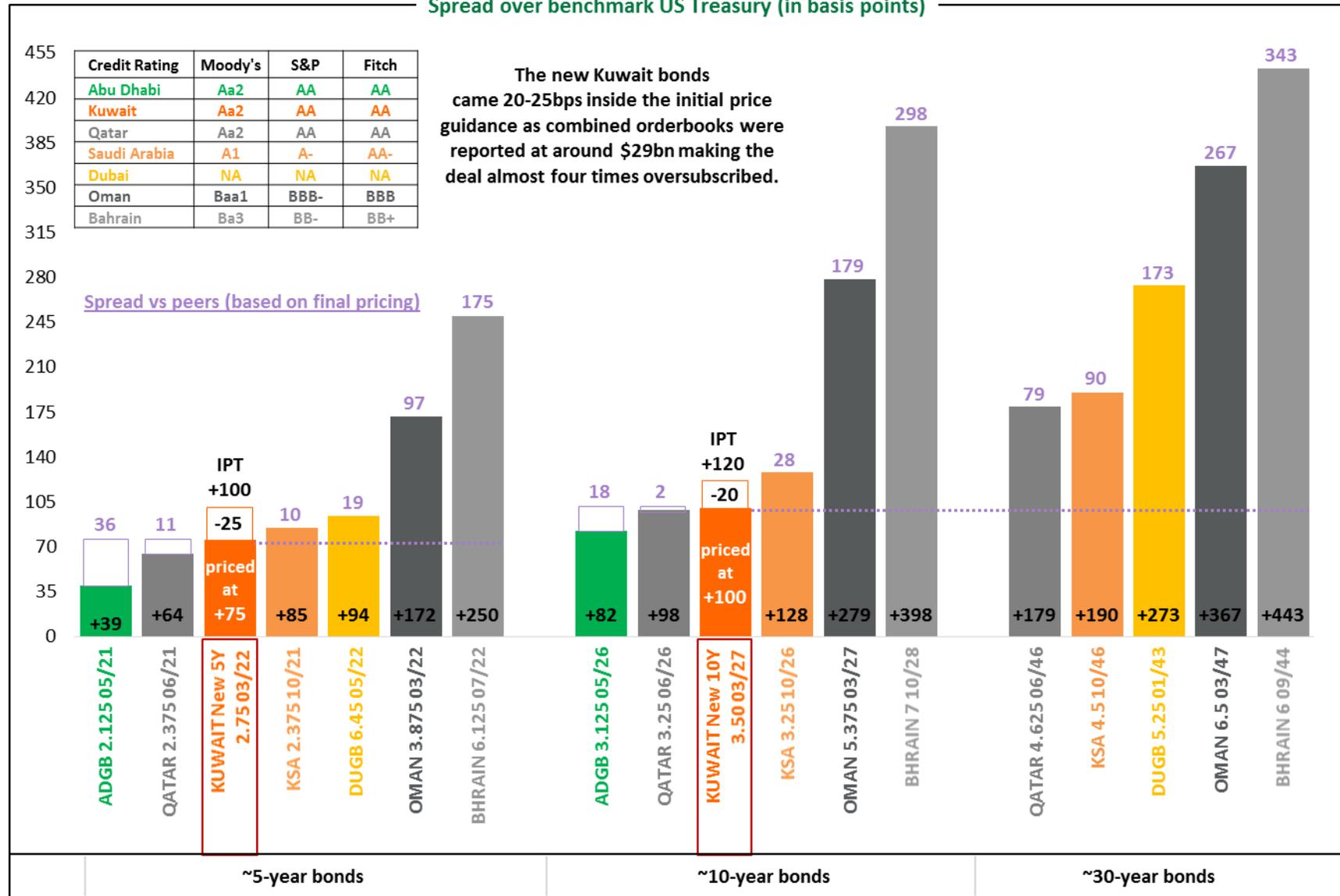
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Relative Value (based on final pricing):

Spread over benchmark US Treasury (in basis points)



Note: The bond/sukuk name indicates the Ticker/Coupon/ Maturity Month & Yr; Spreads are based on 13th March closing price; Source: Bloomberg; NBAD

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