

Market Insights & Strategy  
Global Markets

Oman Markets Its Debut US\$ Sukuk Issue

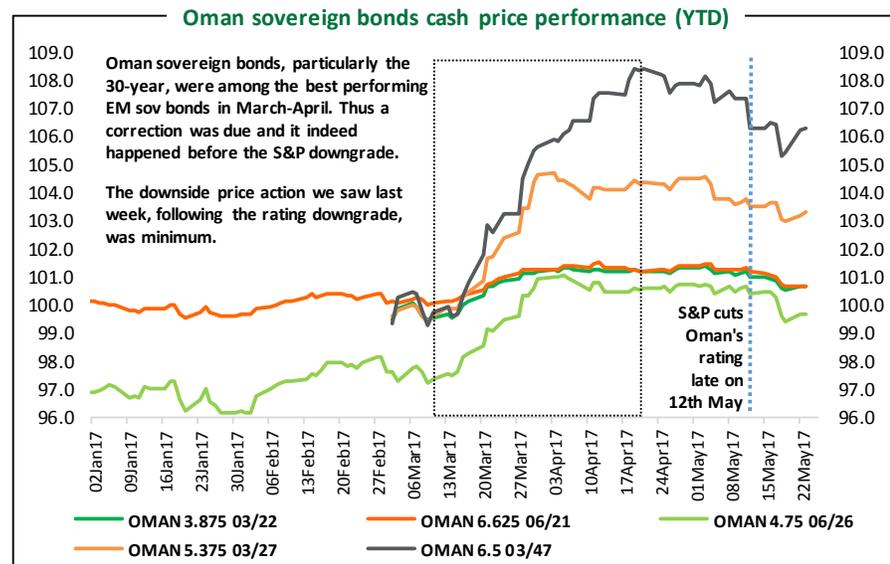
The Sultanate of Oman is back in the market once again, this time to issue its debut US\$ sukuk after issuing \$5bn in a 3-tranche conventional bond transaction earlier this year in March. The conventional issue was a successful transaction for the Sultanate given that it was around 4 times oversubscribed and the bonds were priced 25-40 bps inside their initial guidance.

Oman has released the initial price thought (IPT) for a 7-year 144a/RegS format senior unsecured sukuk as below after holding a global fixed income investor call on 22<sup>nd</sup> May.

\* 7-year US\$ Benchmark Sukuk @ MS+270bps area

The guidance looks attractive relative to Oman’s outstanding issues and other GCC sovereigns (please see chart on next page) and it appears that the sovereign is offering a good premium to its investors – for example the 7Y IPT indicates circa 86bps premium over Oman’s 2022 conventional bond for two years of additional maturity. However, some investors still may question on the Sultanate’s ability to repeat the success of its earlier deal this year given that S&P downgraded the sovereign to below investment grade (to BB+ from BBB-) just a week ago with a negative outlook?

In our opinion, the deal should go well as Oman still has investment grade ratings from Moody’s and Fitch at Baa1 and BBB respectively and the sukuk itself expected to carry the same rating from Moody’s and Fitch. Moreover, both rating agencies maintain ‘Stable’ outlook on their ratings. The market reaction to Oman’s rating downgrade was also muted and we didn’t see any big sell-off last week post the news. In fact we saw some buying in the Oman curve yesterday.



Source: Bloomberg; NBAD

The chart below shows how Oman’s new 7-year sukuk would stack up against its outstanding US\$ bonds and sukuk issued by GCC sovereigns based on the IPT announced. Watch this space for further updates and of course please contact our trading desk for further colour on the market, pricing, and flows.

23 May 2017

Chavan Bhogaita  
Head of Market Insights & Strategy

Rakesh Sahu  
Analyst

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Relative Value (based on initial price thought):

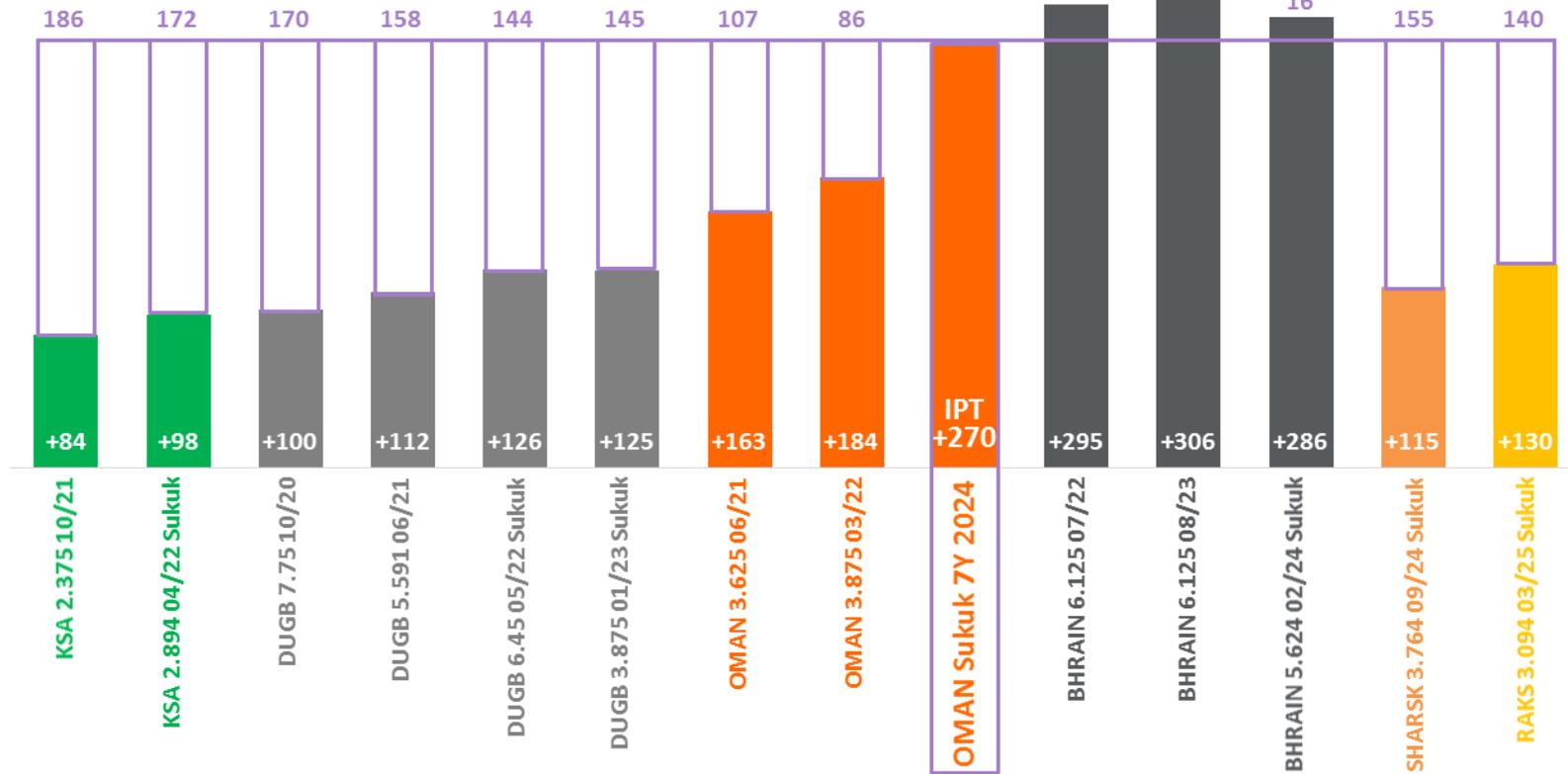
Spread over benchmark mid swap rate (in basis points)

450  
425  
400  
375  
350  
325  
300  
275  
250  
225  
200  
175  
150  
125  
100  
75  
50  
25  
0

The IPT for the 7Y Sukuk indicates circa 86bps premium over Oman's 2022 conventional bond for two years of additional maturity. It is also offering very attractive premium relative to the sukuk/bonds issued by its peer sovereigns.

Credit Rating	Moody's	S&P	Fitch
Saudi Arabia	A1	A-	A+
Dubai	NA	NA	NA
Ras Al Khaimah	A	NA	A
Sharjah	A3	BBB+	NA
Oman	Baa1	BB+	BBB
Bahrain	Ba2	BB-	BB+

Peers' spread to OMAN 7Y Sukuk based on IPT



~5 to 7-year bonds

Source: Bloomberg; NBAD

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### National Bank of Abu Dhabi

[MarketInsights&Strategy@nbad.com](mailto:MarketInsights&Strategy@nbad.com)

Tel: +971 2 6110 127

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