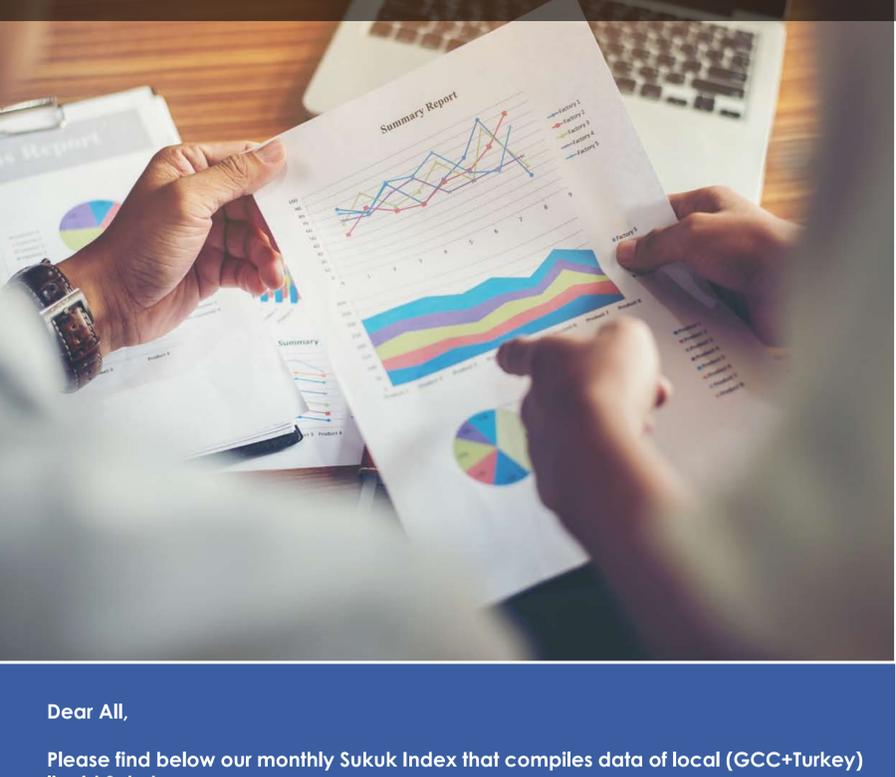


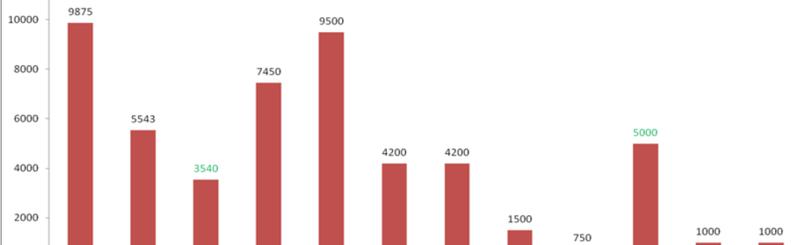
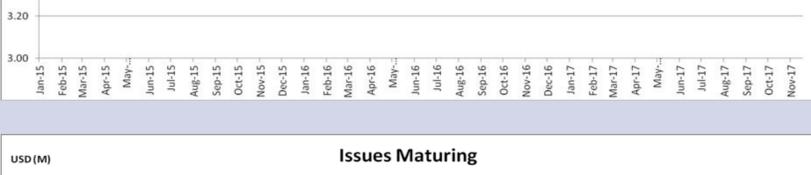
LMC Monthly Sukuk Index



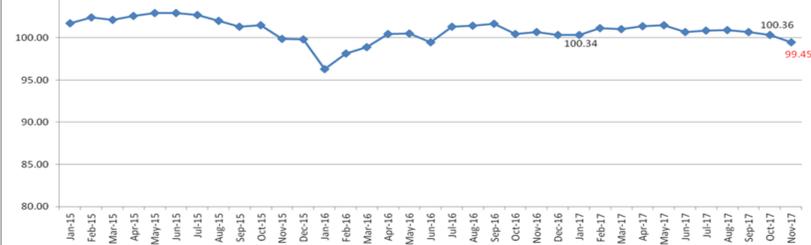
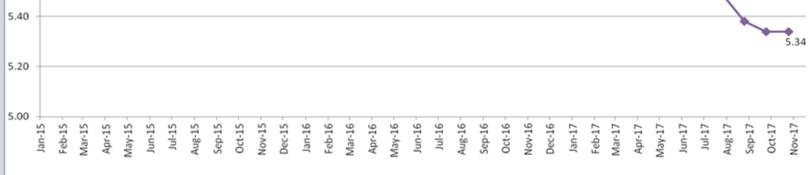
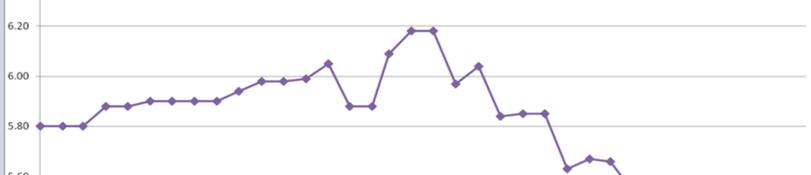
Dear All,

Please find below our monthly Sukuk Index that compiles data of local (GCC+Turkey) liquid Sukuk.

Below we illustrate the Investment grade's performance for the period October 2017 – November 2017



Below we illustrate the Non-Investment grade's performance for the period October 2017 – November 2017:



Index Update:

As illustrated above, both the investment grade and non-investment Sukuk underperformed this month, declining slightly by 0.09% and 0.90% respectively. This was due to GCC credit spreads being widened by an average of 18bps across all outstanding bond/Sukuk in the market, primarily driven by heightened geopolitical risk (specifically, the Government of Saudi held back several high profile individuals and the Prime Minister of Lebanon resigned, causing concerns regarding the stability of the region). Looking at the index's performance, the Non-investment grade names are rewarding around 143 bps higher than investment grades.

Market Update:

- On the sovereign front, Bahrain, Oman and Qatar underperformed the rest of the region (particularly Saudi and Abu Dhabi) – whilst all curves widened, Abu Dhabi was the least impacted (closed 5-7bps wider) and Bahrain was the worst impacted (closed up to 35bps wider). Similarly, high beta credits and perpetual notes widened significantly. In terms of trading volumes, there is a notable drop in market depth and the flows that were seen had a heavy sell bias. The majority of investors seem to be pricing a geopolitical risk premium and prefer to sit on the sidelines until progress is evidenced...(SCB)

- Many Federal Reserve policymakers expect that interest rates will have to be raised in the “near term,” according to the minutes of the U.S. central bank's last policy meeting. The readout from the Oct. 31-Nov. 1 meeting, at which the Fed kept rates unchanged, also showed policymakers generally agreed the economy was poised for strong growth. Several Fed officials also saw improved chances that the U.S. Congress would pass significant tax cuts that would boost business investment. While some policymakers said they still needed to see more data before deciding the timing of a rate hike, many of the officials said the jobless rate appeared to be too low for inflation to remain at its current weak level...(Reuters)

- In sukuk news, Mazoon Electricity Company on November 1 successfully priced its debut Reg S/144A US\$500mn ten-year Sukuk offering. The Sharia'a-compliant Ijarah structure was adopted for issue of the Sukuk certificates and the profit rate was set 5.2 percent, and is rated Baa2 by Moody's and BBB(e) by Fitch. Qatar Islamic Bank had also successfully priced a USD 40mn Sukuk due 2020 with a floating rate of 155bps over 3 month US Libor...(SCB)

- WTI crude settled at a two-year high after the shutdown of one of the largest crude pipelines from Canada cut supply to the United States. The restart of the 590K bpd Keystone pipeline, shut last week due to a spill, could take several weeks. WTI futures settled up USD 1.19, or 2%, at USD 58.02/bbl, the highest since July 2015, on concerns over reduced supplies on the Keystone pipeline. Brent crude settled up 75 cents, or 1.2%, at USD 63.32/bbl...(Reuters)

- S&P Global Ratings on Friday lowered Bahrain's long-foreign and local currency sovereign credit ratings on Bahrain to 'B+' from 'BB-'. S&P said the downgrade reflected Bahrain's weak external liquidity and increasing financial risk due to more limited access to international capital market financing. S&P maintains its stable outlook on Bahrain...(Reuters)

- S&P downgraded Ezzan's rating to BB with a negative outlook (from BBB-). The downgrade stems from the weakening of Ezzan's financial risk profile, due mainly to deterioration of its operating environment following the blockade of Qatar. In addition, S&P understands that Ezzan has tight headroom under its covenanted debt-service coverage ratio, which has led us to reassess its liquidity to less than adequate from adequate, even though liquidity sources exceed uses by more than 1.2x...(SCB)

- S&P lowered its rating of the Sultanate of Oman to BB from BB+, with a stable outlook. The stable outlook balances their expectation that Oman's fiscal and external deficits will shrink gradually over the period to 2020 against the risk of further deterioration of Oman's economic wealth levels and debt servicing costs...(SCB)

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