

News Update

UAE Central Bank May Impose Constraints for Bond Guarantee[†]- The finance Ministry and central bank of the UAE may issue constraints on national banks that receive a government guarantee on their bond issues. The Council approved a law yesterday that will temporarily allow the government to guarantee bonds sold by local banks. Only UAE banks are entitled to the government guarantee and the bonds can be issued in any currency and must be sold before Oct. 10, 2011.

S&P Negative on KIPCO Portfolio¹- S&P said it has revised its outlook on Kuwaiti-based operating holding company, Kuwait Projects Co. (Holding) to negative from stable. The BBB+ long-term and A-1 short-term corporate credit ratings were affirmed. "The rating actions reflect our assessment of a gradual weakening of KIPCO's investment portfolio profile, which could put pressure on its credit profile," said S&P credit analyst Andreas Kindahl.

TAQA Says Ends Relationship With S&P¹- TAQA said it had terminated its relationship with S&P due to the agency's changed ratings methodology for government-related entities (GREs). "Following our review of the new methodology published by S&P on June 30, we do not believe these criteria will result in a rating that will accurately reflect the creditworthiness of TAQA," the company's chief executive, Peter Barker-Homek, said in an emailed statement.

Creditors Fail To Vote On Dissolving \$650M Saad Sukuk¹- Creditors for a \$650mn sukuk issued by Saad Group failed to vote in a meeting last week on whether to dissolve the sukuk and get a payout. A conference call will now take place on July 6 for holders to again discuss the sukuk.

Abu Dhabi's TDIC Says \$3B Bond Program For General Funding¹- Abu Dhabi's Tourism Development & Investment Co., (TDIC), said it's \$3 bn global medium-term note program is for "general corporate funding." TDIC, a wholly-owned subsidiary of the government Abu Dhabi Tourism Authority, last week launched the program's inaugural issue, a \$1 bn, 5-year bond priced at 390 basis points over U.S. treasuries.

IPIC Said to Borrow \$5 Bn to Fund Acquisitions[†]- International Petroleum Investment Co. is borrowing \$5 bn to help pay for its purchase of Canada's Nova Chemicals Corp and an increased stake in Spain's Cia Espanola de Petroleos. IPIC initially was seeking to raise \$3.5 bn, increased the loan after receiving commitments from banks for about \$6.4 bn.

Bahrain \$250 Mn Sukuk Issue Matures¹- The Central Bank of Bahrain (CBB) has announced that the 9th issue of the \$250 mn International Islamic Leasing Sukuk, which was issued on June 30, 2004 on behalf of the government of Bahrain, has matured and been fully settled on June 30. The CBB has recently launched a successful \$750 mn sukuk denominated in USD; the first sovereign Islamic sukuk issued in the region this year.

HSBC/DIFX GCC Sukuk & Bonds US Dollar Index

Sukuk	Total Return	Duration	Yield	Spread	Life	Clean Price	Coupon	Total Market Cap
31-Dec-08	92.09	3.24	13.48	1107.62	4.05	74.93	3.80	57.72
30 June 2009	104.40	3.26	10.20	804.48	3.80	83.37	2.58	62.38
Conventional								
31-Dec-08	100.68	4.14	10.01	745.15	7.55	81.22	4.80	280.86
30 June 2009	110.47	4.74	7.72	443.67	7.77	87.11	5.00	370.72

Saudi Stock Exchange (Tadawul) Sukuk & Bond Market Watch in SAR (01 July 2009)

Sukuk	Last Trade Change				Cumulative		Best Bid		Best Offer		Today's		
	Price %	Vol.	Value	%	# of Trades	Volume Traded	Price %	Vol.	Price %	Vol.	Open %	High %	Low %
Sabic 1	98.25	450,000	-3.750	-3.676	7	3,950,000	98.325	500,000	100.000	500,000	98.205	98.250	98.250
Sabic 2	0.00	0	0.000	0.000	0	0	98.000	500,000	100.000	500,000	0.000	0.000	0.000
Sabic 3	97.50	500,000	-2.000	-2.010	1	500,000	97.000	500,000	99.000	500,000	97.500	97.500	97.500
Saudi Electricity	97.50	1,000,000	-1.499	-1.514	6	3,500,000	97.625	500,000	98.750	500,000	98.250	98.250	97.500

Interbank Rates

	1-Month		3-Month		1-Year	
	02/07/09	31/12/08	02/07/09	31/12/08	02/07/09	31/12/08
SAIBOR	0.3000	2.1625	0.6450	2.5688	1.2825	3.1925
KIBOR	1.0625	2.4375	1.2500	2.7500	1.8125	3.2500
BHIBOR	1.3950	2.6000	1.6250	2.8417	2.5767	3.2083
OMIBOR	3.4667	3.4667	3.7167	3.7167	4.7250	4.7250
AEIBOR	2.0500	4.1750	2.4563	4.3063	3.0313	4.2688
LIBOR	0.3063	0.4500	0.5875	1.4400	1.5900	2.0300
EURIBOR	0.7213	2.5888	1.0738	2.8938	1.4913	3.0588

U.S. Treasuries

	Coupon	Current Price	Price Change	Current Yield	Yield Change
3-Month	0.000	0.16	0	.16	-.000
5-Year	2.625	100-16 1/2	-0-01	2.51	.006
10-Year	3.125	96-17 1/2	-0-01 1/2	3.54	.006
30-Year	4.250	99-18+	-0-03 1/2	4.34	.007

GCC Sovereign Ratings

	Moody's	S&P	Fitch
Abu Dhabi	Aa2	AA	AA
Bahrain	A2	A	A+
Kuwait	Aa2	AA-	AA
Oman	A2	A	NR
Qatar	Aa2	AA-	NR
KSA	A1	AA-	AA-
UAE	Aa2	AA	AA

GCC Currencies

Currency	USD	1-Day Δ
KWD	0.2873	-0.0003
SAR	3.7503	-
BHD	0.3770	-
QAR	3.6413	0.0014
OMR	0.3850	-
AED	3.6729	-
EUR	0.7084	-0.0044
JPY	96.5750	-0.2300

USD 5-Year CDS Prices

	01/07/09
Abu Dhabi	246.345
Dubai	539.165
Bahrain	330.000
Qatar	160.430
Saudi Arabia	155.000
Egypt	320.900
Lebanon	375.000
Turkey	258.580
China	73.290
France	32.990
Germany	30.410
Japan	46.900
UK	69.900
US	35.330

[†] Bloomberg
¹ Zawya