

# iBoxx Tadawul SAR Government Sukuk Indices – Q2 2024

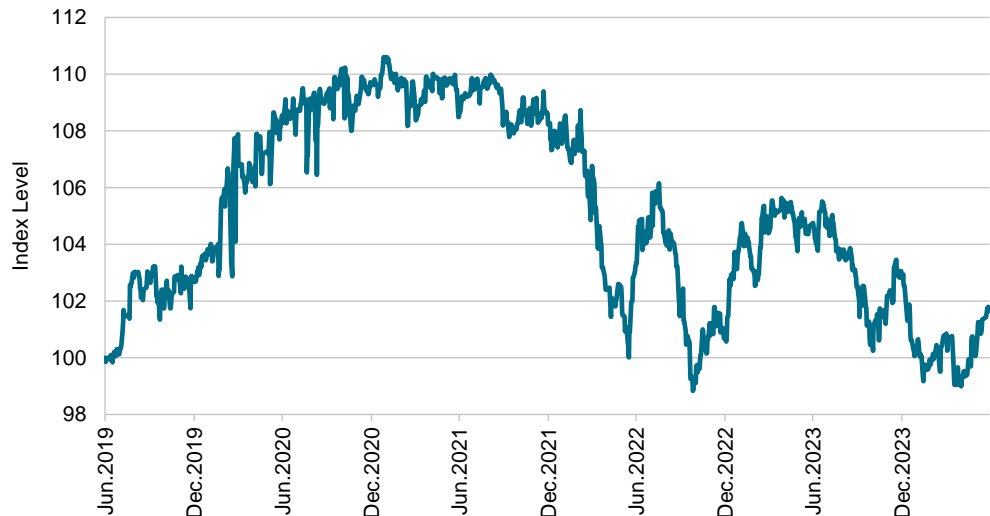
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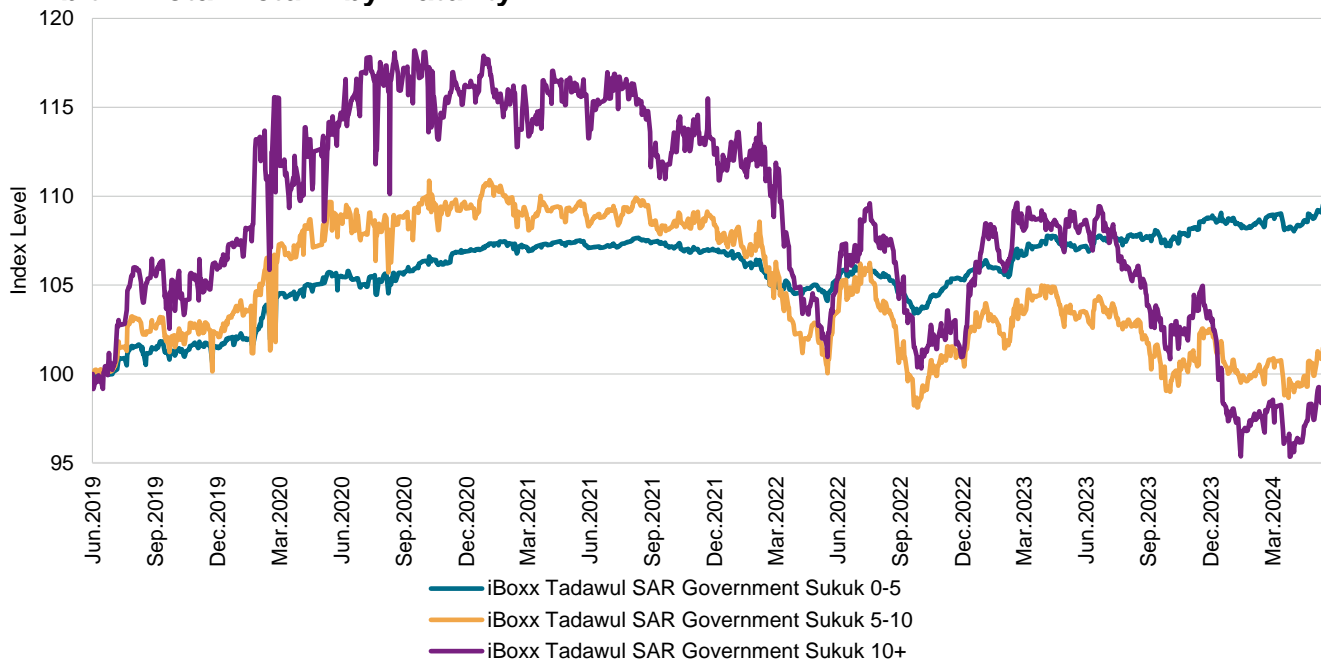
## iBoxx Tadawul SAR Government Sukuk Index

Following Q1's -1.89% return, the iBoxx Tadawul SAR Government Sukuk Index began Q2 down 1.52% in April, inching closer toward the lows of October 2022 before recouping its losses with two consecutive months of gains (up 0.75% in May and 1.43% in June). The index closed Q2 up 0.65%, bringing its YTD return to -1.26%.

### Exhibit 1: iBoxx Tadawul SAR Government Sukuk Index Returns



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Index performance is based on total return in SAR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

**Exhibit 2: Total Return by Maturity**

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Index performance based on total return in SAR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

In Q2, the 10+ year segment, which is the most sensitive to interest rate changes, performed the best at 0.82%, followed by the 0-5 year segment (up 0.60%) and the 5-10 year segment (up 0.59%). On a YTD basis, the 10+ year segment was still in the red (down 3.56%) due to its lackluster performance in Q1. Year-to-date, the 0-5 year sleeve was the only segment in the black, up 0.76%, while the 5-10 year segment was down 0.84%.

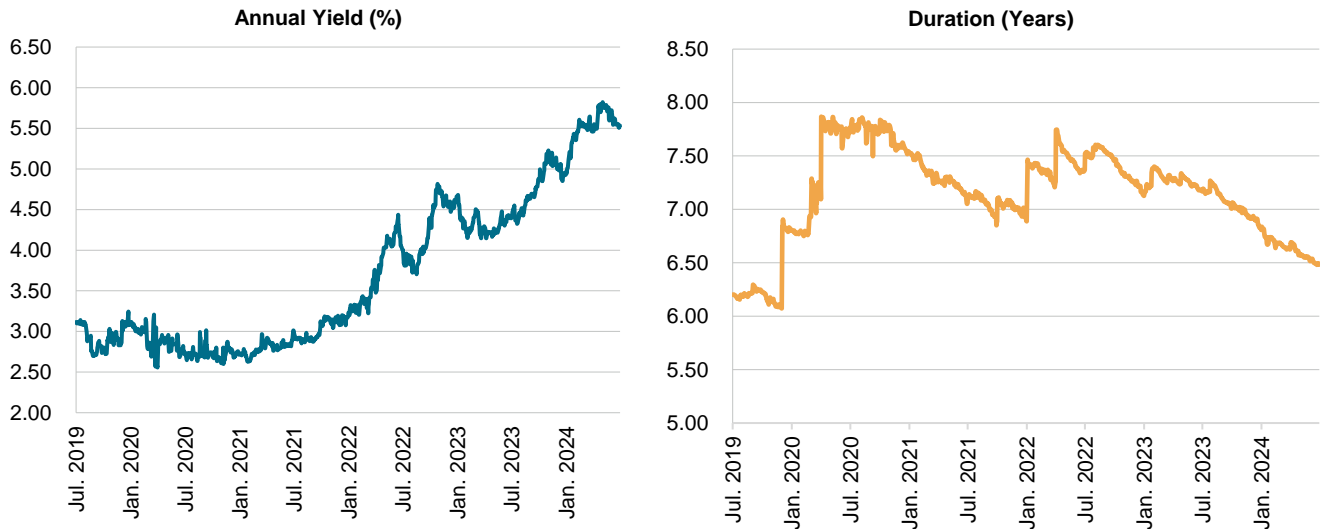
**Exhibit 3: Key Analytics of the iBoxx Tadawul SAR Government Sukuk Index**

Key Analytics	iBoxx Tadawul SAR Government Sukuk Index
Annual Yield (%)	5.57
Coupon (%)	3.34
Duration (Years)	6.48
Expected Remaining Life (Years)	8.53
Average Rating	A
Currency	SAR
Debt Type	Domestic Sovereign Sukuk
June Return (%)	1.43
Q2 Return (%)	0.65
2024 Return (%)	-1.26

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Index performance based on total return in SAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

The annual yield of the index increased by 11 bps, while duration continued to dwindle for the 11<sup>th</sup> month in a row to 6.48 years at the close of Q2. The number of constituents increased from 52 to 54 in Q2, after two sukuk with notional amounts of approximately SAR 17.63 billion and SAR 3.51 billion joined the index in April.

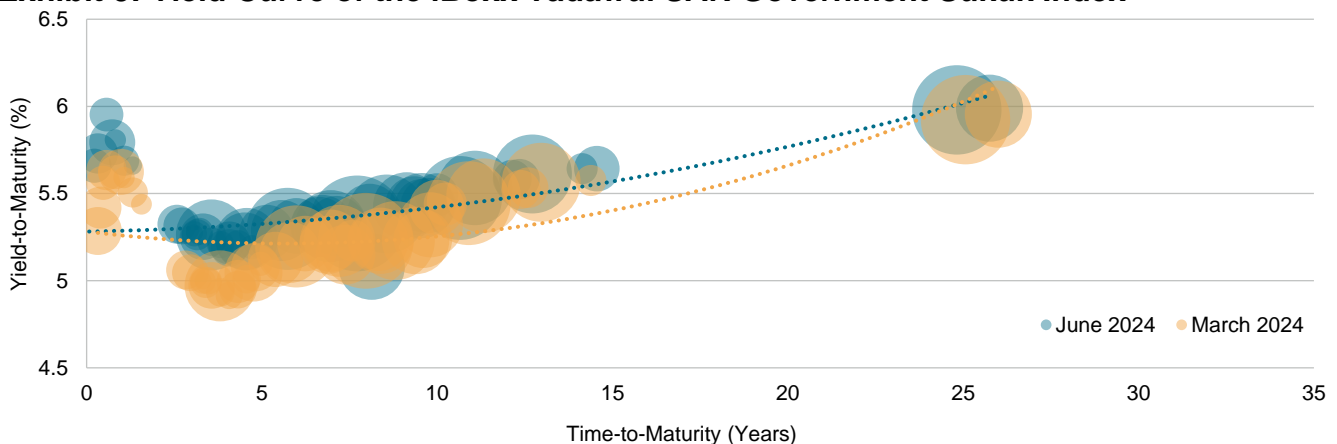
**Exhibit 4: Yield and Duration of the iBoxx Tadawul SAR Government Sukuk Index**



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

As shown in Exhibit 5, the middle part of the yield curve moved slightly upward as yields in the short to medium range rose. The shape of the curve remained largely unchanged as the yields of short-dated sukuk continued to be higher than most medium-dated sukuk.

**Exhibit 5: Yield Curve of the iBoxx Tadawul SAR Government Sukuk Index**



(Bubble Scale = Notional Amount Outstanding in SAR)

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

### Exhibit 6: Quarterly and Monthly Return by Maturity and Monthly Index Performance

Period	Maturity				
	1-3 Years	3-5 Years	5-7 Years	7-10 Years	10+ Years
Q2 Return (%)	0.80	0.41	0.70	0.55	0.82
June Return (%)	0.68	0.95	1.36	1.62	1.98

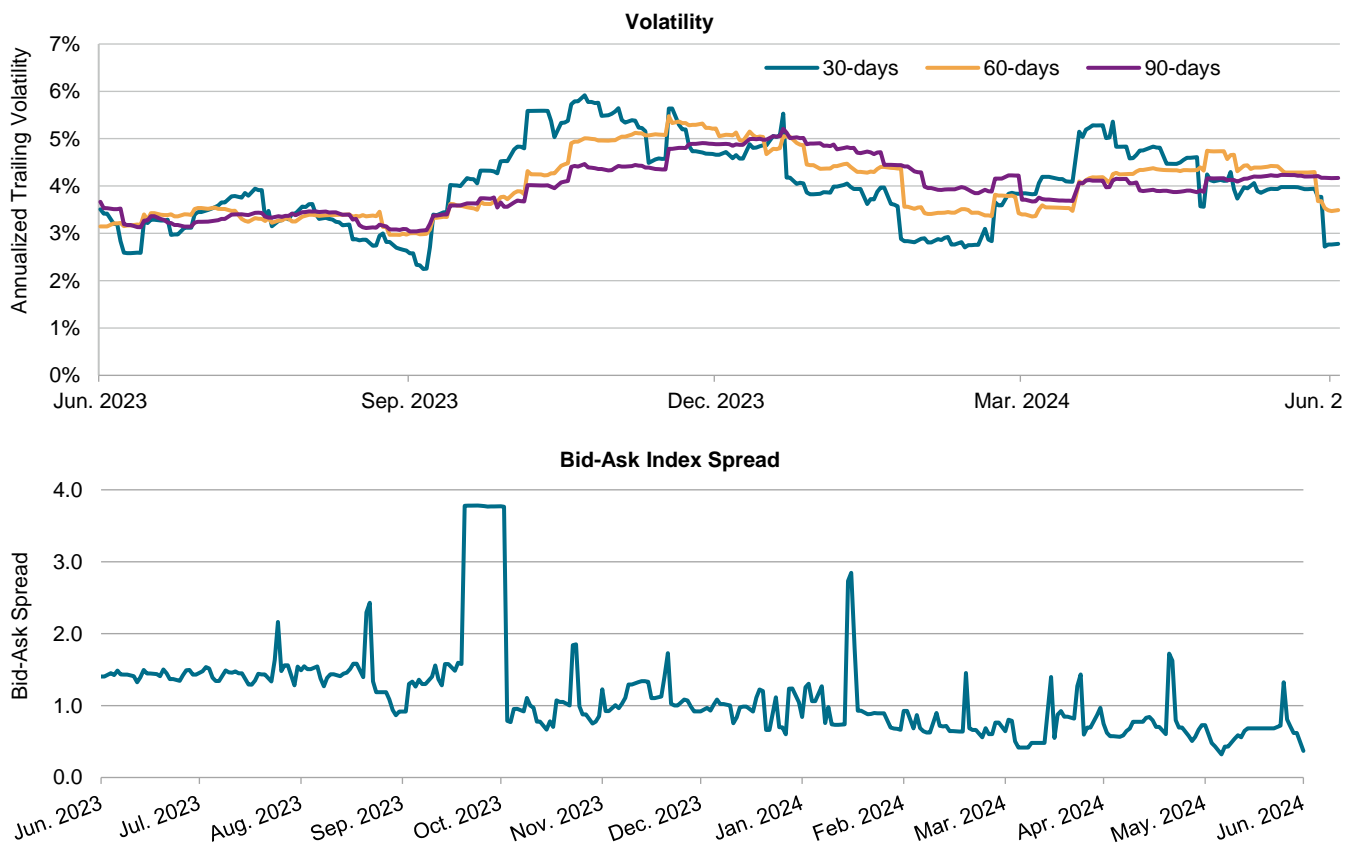
  

Period	Monthly Returns for the iBoxx Tadawul SAR Government Sukuk Index						
	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024
Monthly Return (%)	0.60	-2.41	-0.42	0.96	-1.52	0.75	1.43

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

## Volatility and Liquidity

### Exhibit 7: Volatility and Duration-Adjusted Bid-Ask Spread of the iBoxx Tadawul SAR Government Sukuk Index Overall

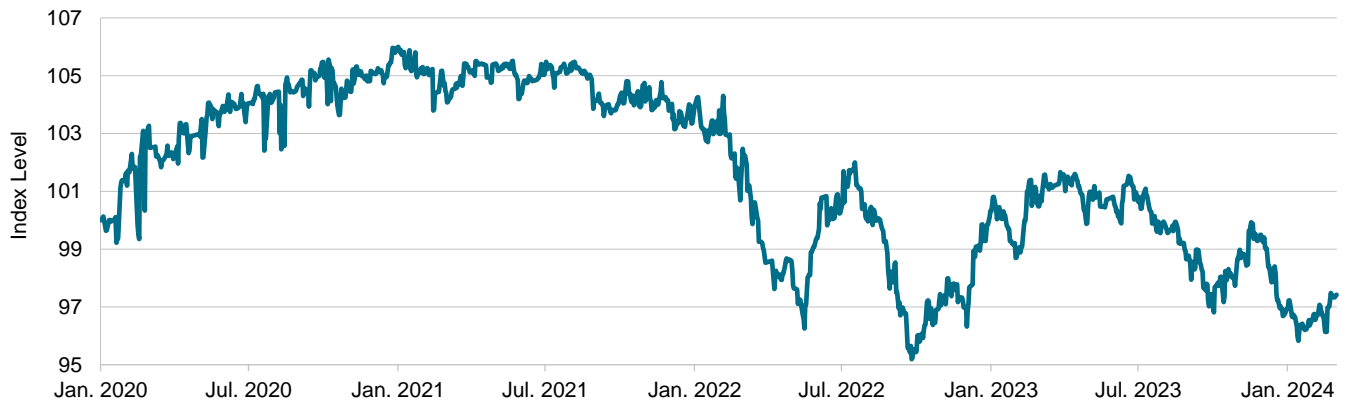


Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. The iBoxx Tadawul SAR Government Sukuk Index Overall (annualized) trailing volatility was derived from the trailing standard deviation of the index's daily log return, based on a 30-day, 60-day and 90-day lookback period and shown alongside the duration-adjusted bid-ask spread. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

As seen in Exhibit 7, volatility spiked to above 5% in April after higher-than-expected inflation data was released and the U.S. Federal Reserve signaled that any potential rate cuts will be postponed. Volatility did calm down in May and June as inflation cooled. Additionally, we saw interest rate cuts from the European Central Bank (ECB) and Bank of Canada.

## iBoxx Tadawul SAR Government Sukuk and Bond Index

### Exhibit 8: iBoxx Tadawul SAR Government Sukuk and Bond Index Returns



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Index performance is based on total return in SAR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

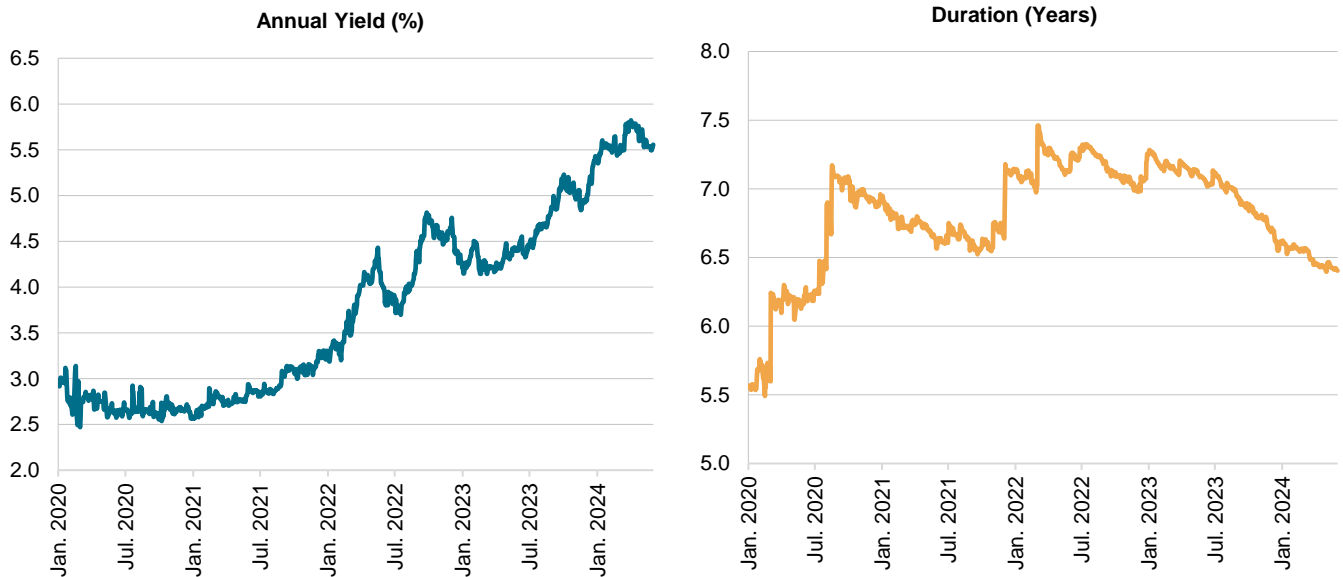
The iBoxx Tadawul SAR Government Sukuk and Bond Index ended Q2 up 0.64%. Its yield increased by 9 bps, and its duration shortened by 0.15 years. On top of the 54 sukuk in the iBoxx Tadawul SAR Government Sukuk Index, the iBoxx Tadawul SAR Government Sukuk and Bond Index includes 9 additional bonds.

### Exhibit 9: Key Analytics of the iBoxx Tadawul SAR Government Sukuk and Bond Index

Key Analytics	iBoxx Tadawul SAR Government Sukuk and Bond Index
Annual Yield (%)	5.56
Coupon (%)	3.49
Duration (Years)	6.40
Expected Remaining Life (Years)	8.39
Average Rating	A
Currency	SAR
Debt Type	Domestic Sovereign Sukuk and Bonds
June Return (%)	1.41
Q2 Return (%)	0.64
2024 Return (%)	-1.22

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Index performance is based on total return in SAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

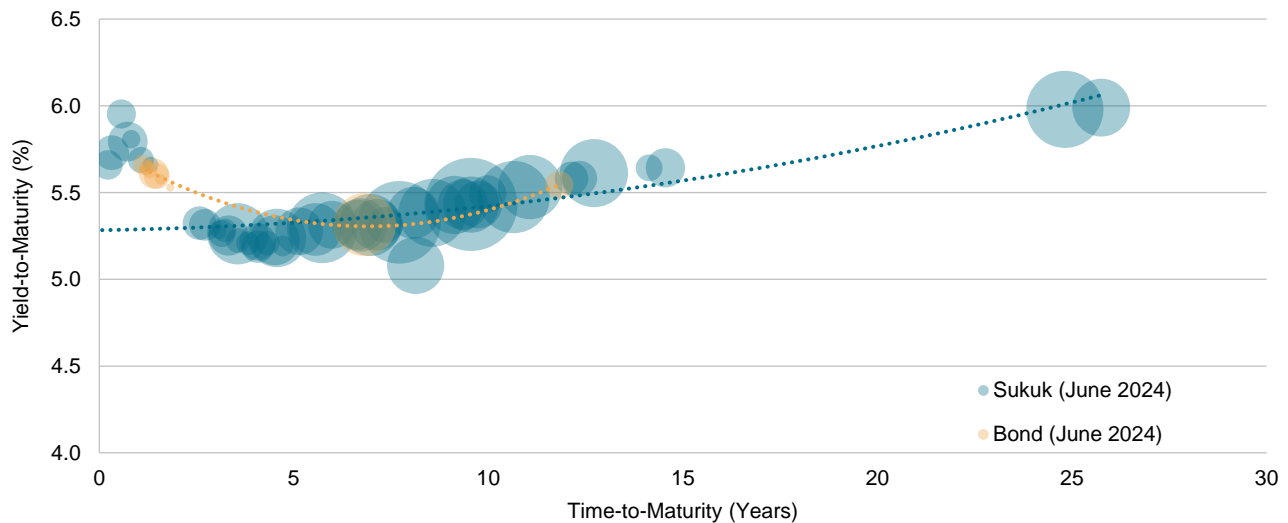
### Exhibit 10: Yield and Duration of the iBoxx Tadawul SAR Government Sukuk and Bond Index



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

The range of time-to-maturity of the bonds within the index remained shorter (1 to 12 years) than the sukuk within the index (0 to 26 years). With a collective notional amount of SAR 32.7 billion, the yield of SAR government bonds rose in tandem with the yield of SAR government sukuk, to about 5.56%.

### Exhibit 11: Bond versus Sukuk Yields in the iBoxx Tadawul SAR Government Sukuk and Bond Index



(Bubble Scale = Notional Amount Outstanding in SAR)

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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