

iBoxx Tadawul SAR Government Sukuk Indices – Q3 2024

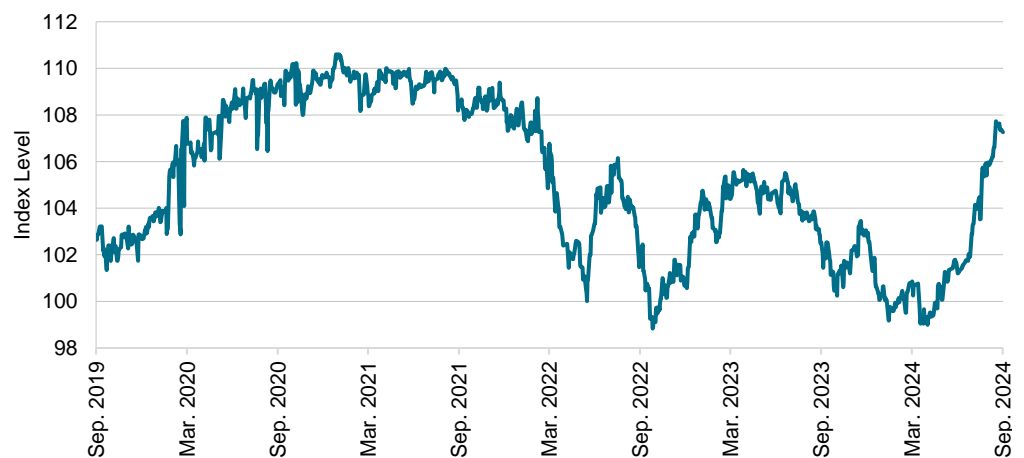
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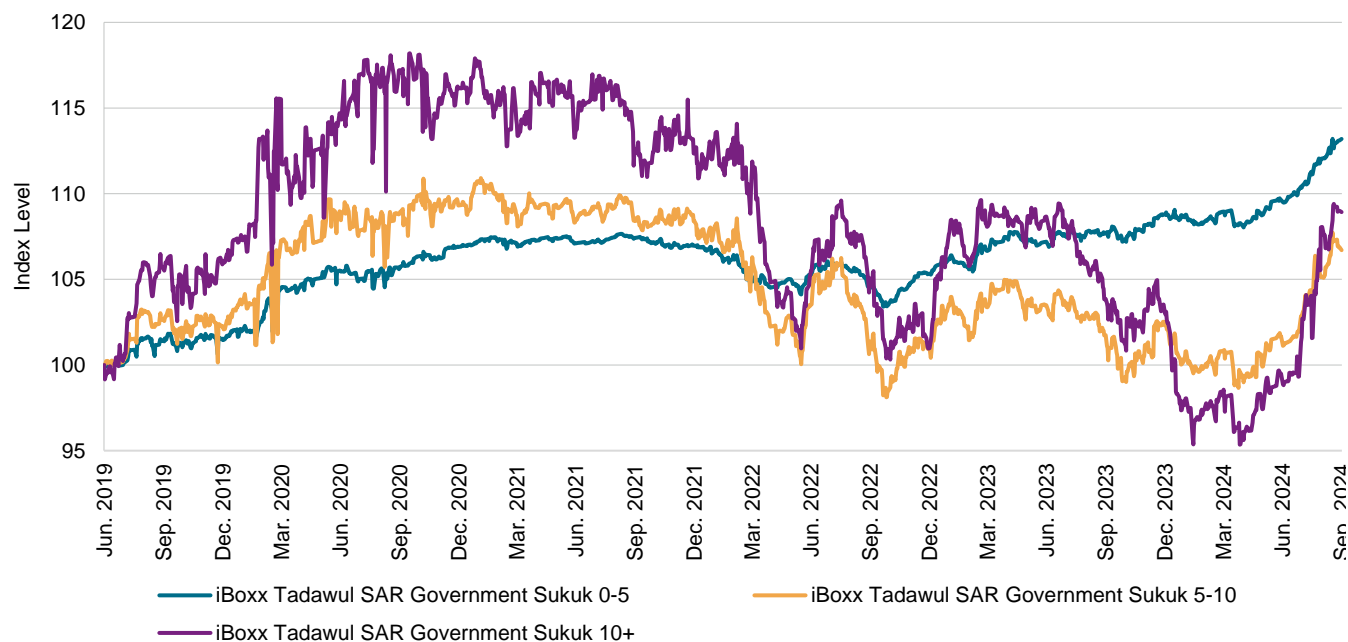
iBoxx Tadawul SAR Government Sukuk Index

After declining 1.26% in H1 2024, the iBoxx Tadawul SAR Government Sukuk Index posted three consecutive months of gains: up 0.44%, 2.62% and 1.23% in July, August and September, respectively. Overall, the index rose 5.67% in Q3, bringing its YTD return to 4.34% and nearly recovering to its pre-rate hike levels (early 2022). Additionally, with the Saudi riyal pegged to the U.S. dollar, the Saudi Central Bank implemented its first rate cut since the COVID-19 pandemic, following the U.S. Federal Reserve's 50 bps rate cut in September.

Exhibit 1: iBoxx Tadawul SAR Government Sukuk Index Returns



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

Boosted by the rate cut and declining yields, the 10+ year segment, which is the most sensitive to interest rate changes, performed the best in Q3 (up 9.48%), followed by the 5-10 year segment (up 4.95%) and the 0-5 year segment (up 3.25%). Year-to-date, all maturity segments showed similar performance—the 0-5 year sleeve led (up 5.12%), followed by the 5-10 year segment (up 4.88%) and the 10+ year segment (up 4.47%).

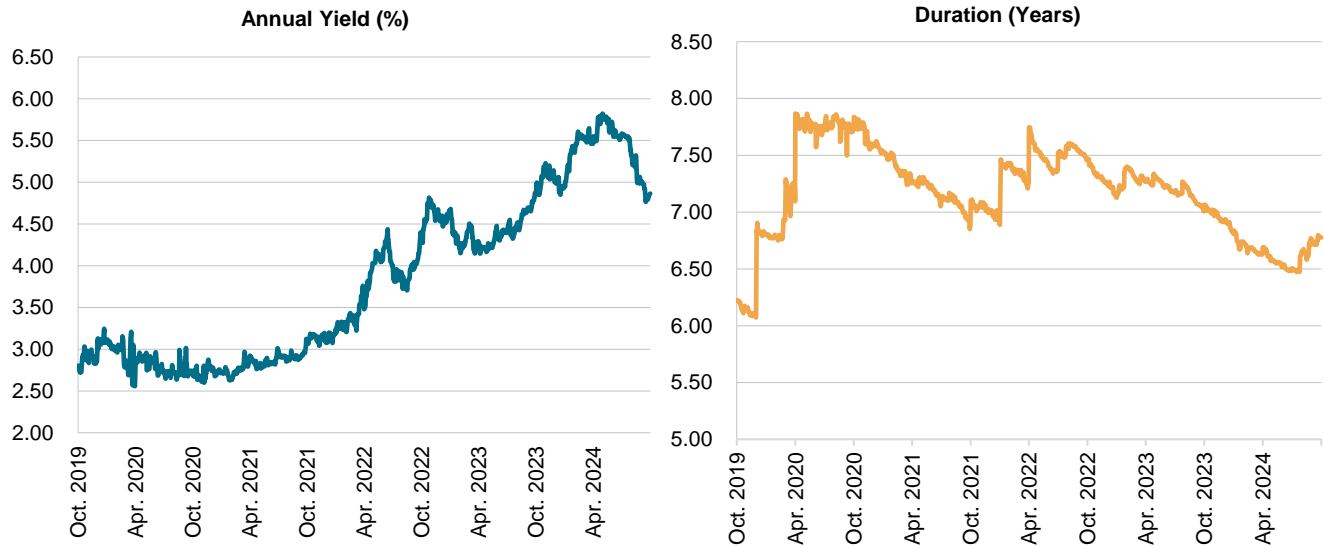
Exhibit 3: Key Analytics of the iBxx Tadawul SAR Government Sukuk Index

Key Analytics	iBxx Tadawul SAR Government Sukuk Index
Annual Yield (%)	4.86
Coupon (%)	3.53
Duration (Years)	6.77
Expected Remaining Life (Years)	8.58
Average Rating	A
Currency	SAR
Debt Type	Domestic Sovereign Sukuk
September Return (%)	1.23
Q3 Return (%)	5.67
YTD 2024 Return (%)	4.34

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

Diving into index analytics, the annual yield of the index dropped by 70 bps to 4.86%, falling below 5% for the first time in 2024. Additionally, the duration lengthened by 0.30 years in Q3 after contracting for almost a year. The number of constituents dropped from 54 to 53, after three sukuk with notional amounts of approximately SAR 7.60 billion, SAR 5.83 billion and SAR 1.85 billion matured, and two sukuk with notional amounts of approximately SAR 3.51 billion and SAR 17.63 billion were issued.

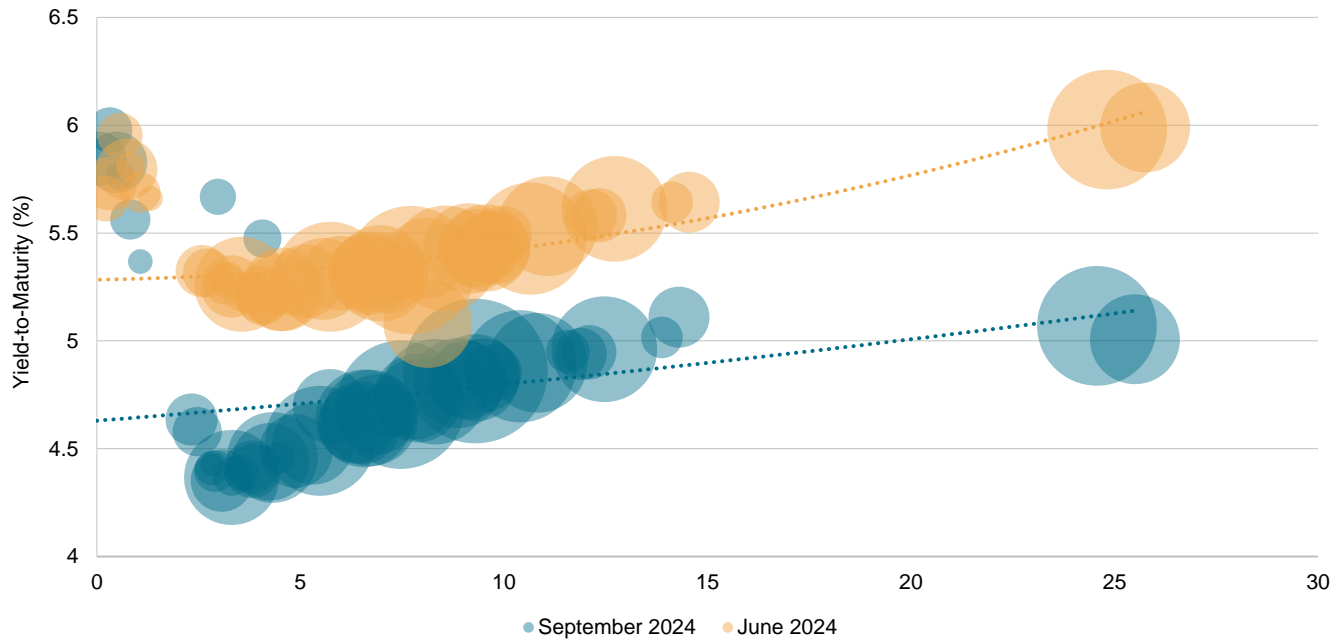
Exhibit 4: Yield and Duration of the iBoxx Tadawul SAR Government Sukuk Index



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

Following the Saudi Central Bank's 50 bps rate cut, the yield curve shifted downward (see Exhibit 5). The short-to-medium segment of the curve steepened, while long-dated sukuk yields saw the most significant decline, dropping nearly 100 bps. The ultrashort segment (0-1 year) remained relatively unchanged. The curve's shape stayed inverted, with ultrashort-dated sukuk yields still exceeding those of 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 Sept. 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

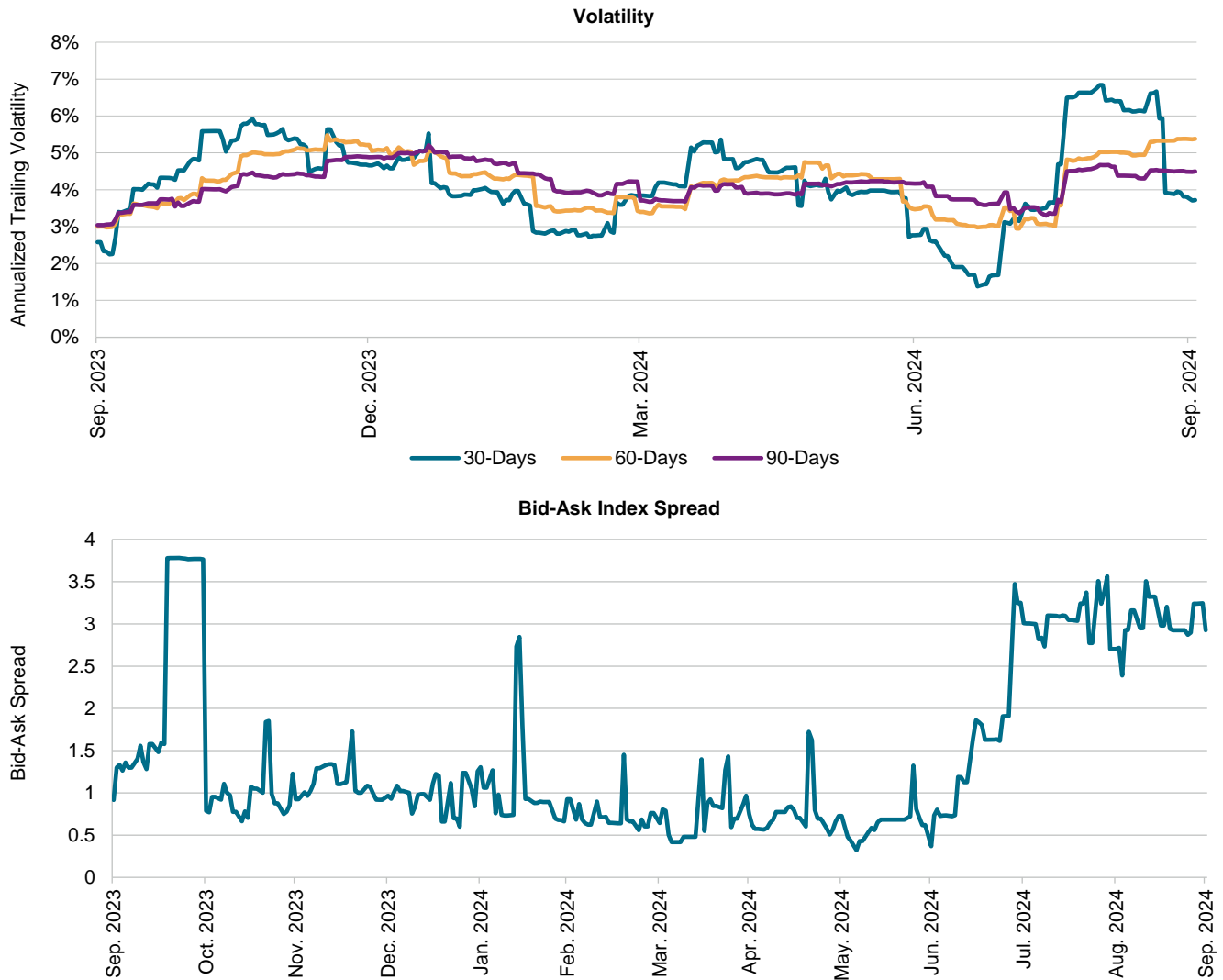
Period	Maturity				
	1-3 Years	3-5 Years	5-7 Years	7-10 Years	10+ Years
Q3 Return (%)	2.52	3.92	4.55	5.56	9.62
September Return (%)	1.08	1.06	1.60	1.42	0.80

Period	Monthly Returns for the iBoxx Tadawul SAR Government Sukuk Index						
	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024
Monthly Return (%)	0.96	-1.52	0.75	1.43	1.71	2.62	1.23

Source: S&P Dow Jones Indices LLC. Data as of Sept. 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

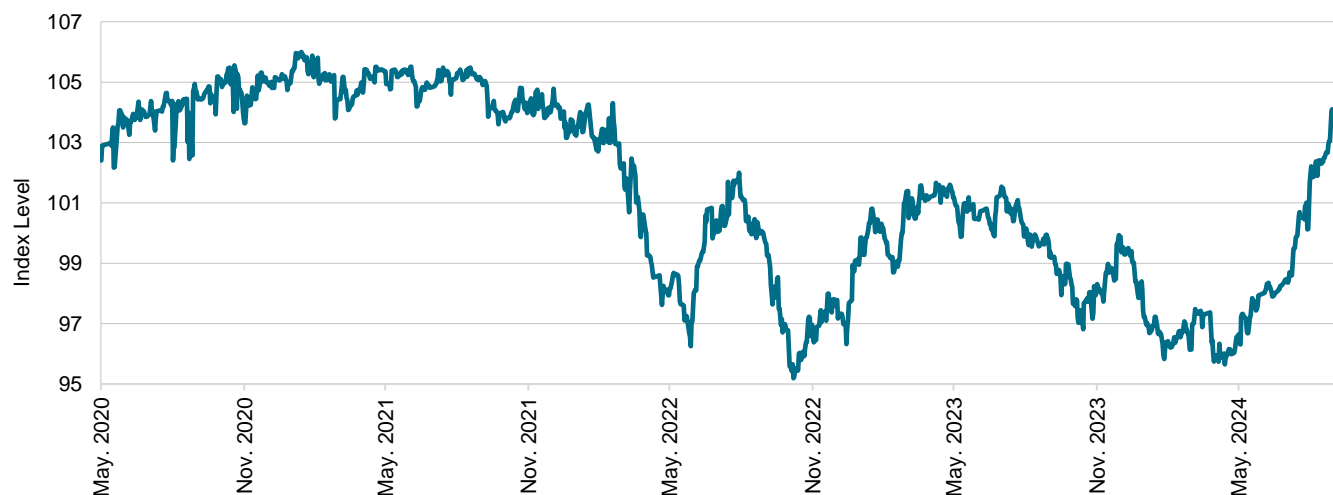


Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2024. The iBoxx Tadawul SAR Government Sukuk Index Overall (annualized) trailing volatility was derived from the trailing standard deviation of the index’s daily log return, based on a 30-day, 60-day and 90-day lookback period and shown alongside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

As shown in Exhibit 7, volatility surged above 6% in August due to escalating concerns over a broader conflict in the Middle East. However, it began to ease in the latter half of September following interest rate cuts in Saudi Arabia and several other countries both regionally and globally. Notably, bid-ask spreads widened to around 3% in Q3, a level not seen since October 2023, when tensions in the Middle East were also elevated.

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.

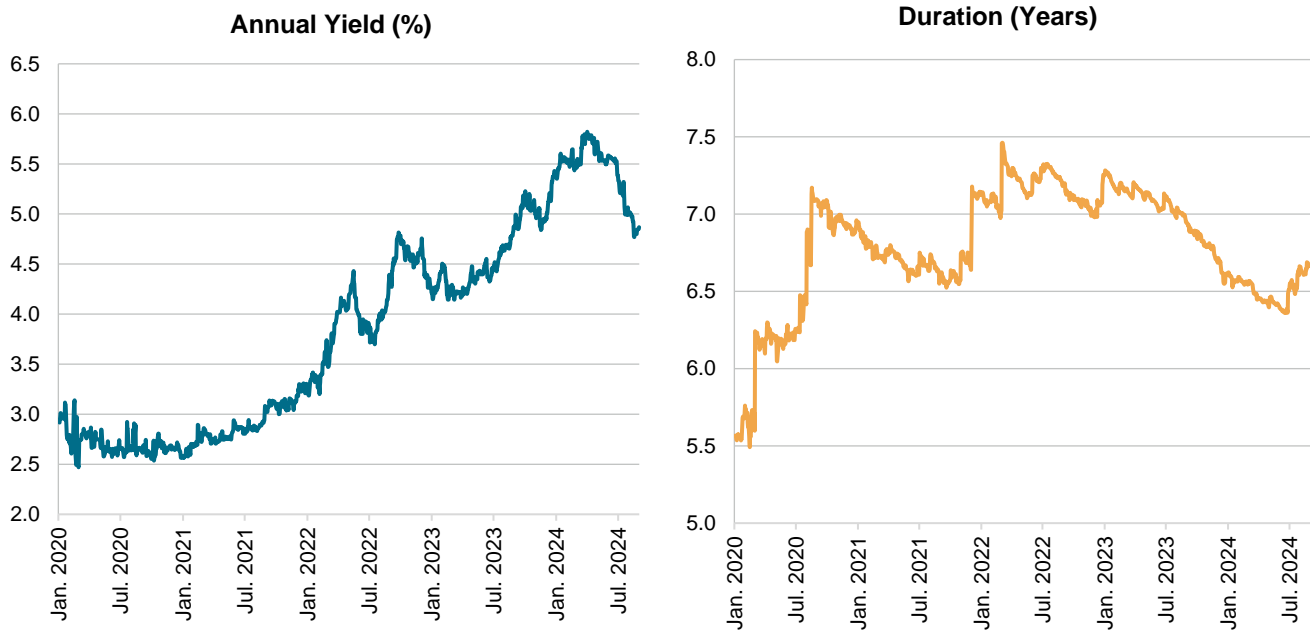
The iBoxx Tadawul SAR Government Sukuk and Bond Index ended Q3 up 5.73%. Its yield slid by 69 bps, and its duration lengthened by 0.26 years. As of Sept. 30, 2024, the iBoxx Tadawul SAR Government Sukuk and Bond Index contained 53 sukuk and 7 bonds.

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 (%)	4.87
Coupon (%)	3.55
Duration (Years)	6.67
Expected Remaining Life (Years)	8.44
Average Rating	A
Currency	SAR
Debt Type	Domestic Sovereign Sukuk and Bonds
September Return (%)	1.22
Q3 Return (%)	5.73
YTD 2024 Return (%)	4.43

Source: S&P Dow Jones Indices LLC. Data as of Sept. 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.

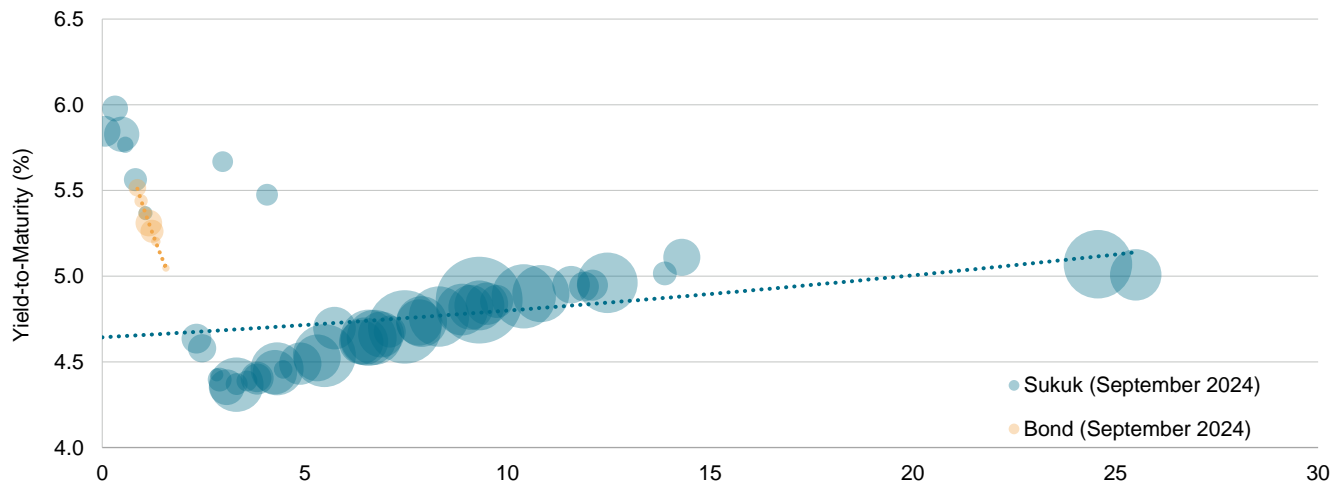
Exhibit 10: Yield and Duration of the iBoxx Tadawul SAR Government Sukuk and Bond Index



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 time-to-maturity range of the bonds in the index was notably shorter (0 to 2 years) compared to the sukuk in the index (0 to 26 years). With a total notional amount of SAR 11.55 billion and a shorter time-to-maturity, the yield on SAR government bonds, which all have shorter duration, remained above 5%, while most SAR government sukuk yields dropped below 5% or hovered around that level.

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 Sept. 30, 2024. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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