

# iBoxx Tadawul SAR Government Sukuk Indices – Q4 2024

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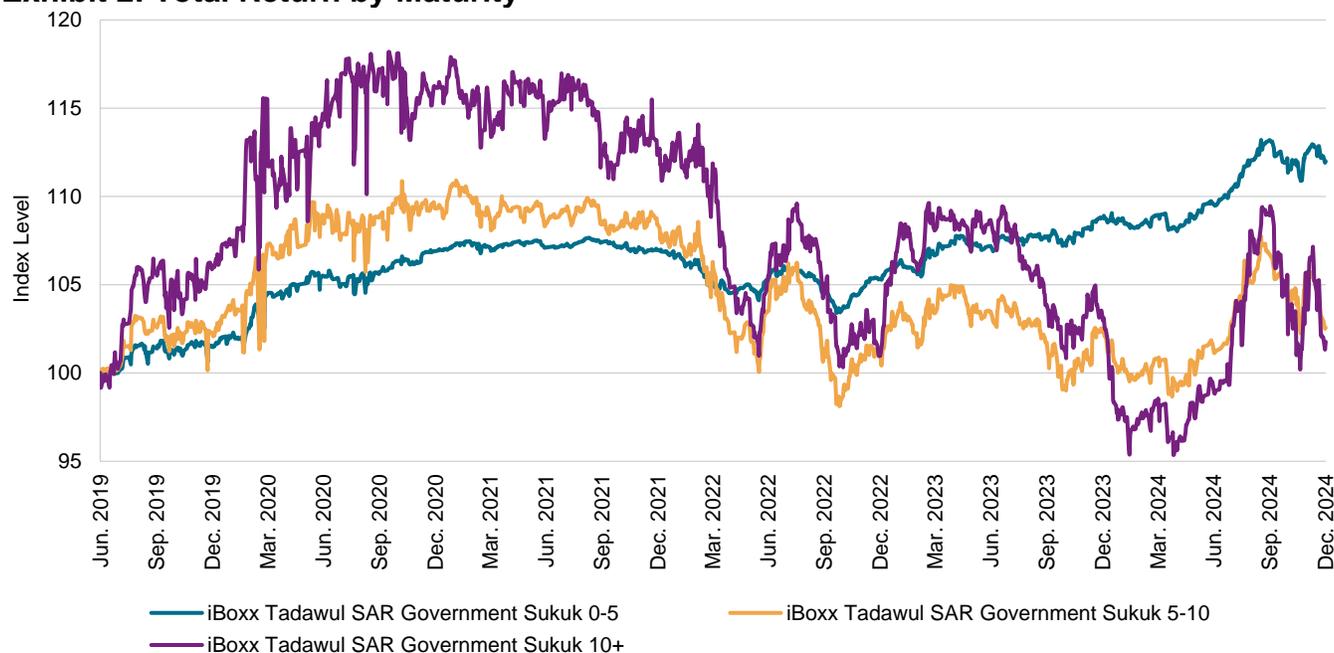
## iBoxx Tadawul SAR Government Sukuk Index

Following five months of consecutive gains, the iBoxx Tadawul SAR Government Sukuk Index recorded its largest drop in October (down 2.90%). The index recovered in November, gaining 1.59% before falling again by 2.54% in December. Overall, the index retreated 3.86% in Q4, negating the gains made in the first three quarters of the year and bringing it to a 0.31% return for 2024. Additionally, with the Saudi riyal pegged to the U.S. dollar, the Saudi Central Bank followed moves from the U.S. Federal Reserve and implemented another two 25 bps rate cuts in the last quarter of the year.

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



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 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 Dec. 31, 2024. Index performance based on total return in SAR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Unmoved by the two additional rate cuts amid rising yields in the broader market, the 10+ year segment, which is the most sensitive to interest rate changes, had the poorest performance in Q4 (down 6.56%), followed by the 5-10 year segment (down 3.89%) and the 0-5 year segment (down 1.06%). In 2024, the 0-5 year sleeve led (up 2.95%), followed by the 5-10 year segment (up 0.24%) and the 10+ year segment (down 1.22%).

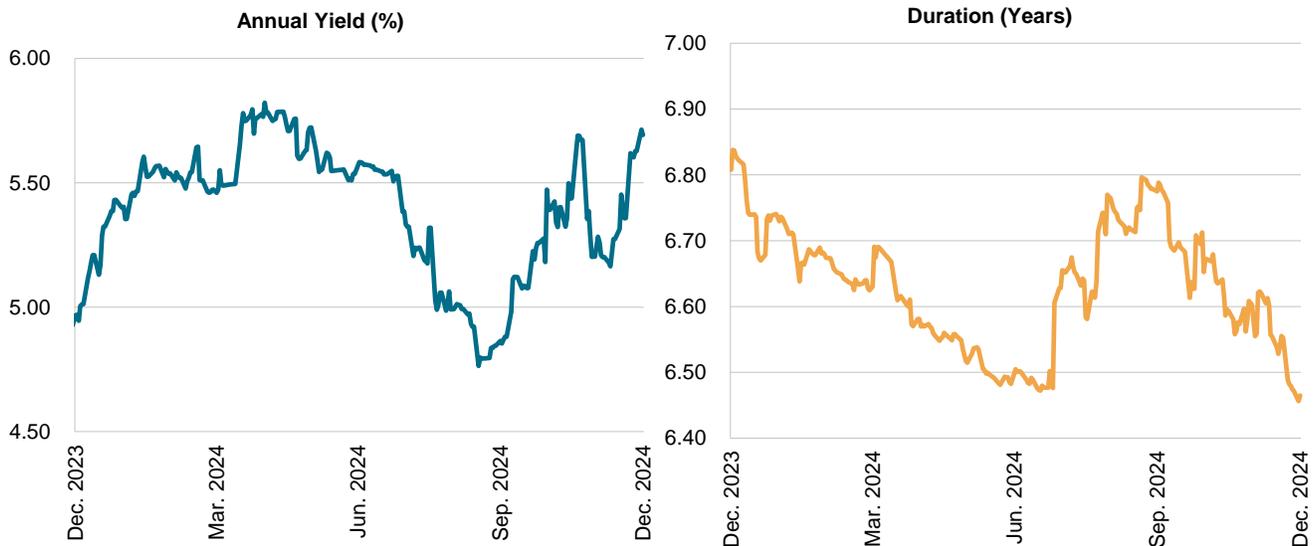
**Exhibit 3: Key Analytics of the iBoxx Tadawul SAR Government Sukuk Index**

Key Analytics	iBoxx Tadawul SAR Government Sukuk Index
Annual Yield (%)	5.69
Coupon (%)	3.57
Duration (Years)	6.46
Expected Remaining Life (Years)	8.41
Average Rating	A
Currency	SAR
Debt Type	Domestic Sovereign Sukuk
December Return (%)	-2.54
Q4 Return (%)	-3.86
2024 Return (%)	0.31

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 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 increased by 83 bps to 5.69%, bouncing back above 5% in Q4. Duration shortened by 0.31 years in Q4 after lengthening by 0.30 years in Q3. The number of constituents fell from 53 to 51, after two sukuk with notional amounts of approximately SAR 5.37 billion and SAR 3.86 billion matured. No additional sukuk were issued in Q4, as the Kingdom of Saudi Arabia opted to tap on existing issuances.

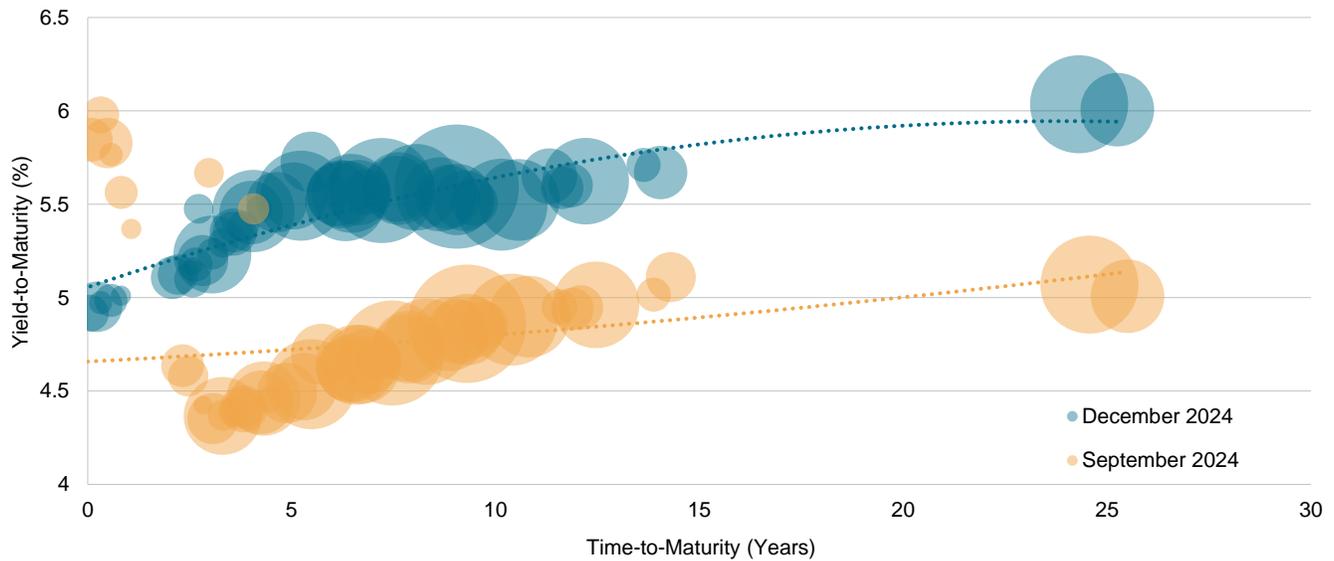
#### Exhibit 4: Yield and Duration of the iBoxx Tadawul SAR Government Sukuk Index



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2024. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

Despite the Saudi Central Bank's two consecutive 25 bps rate cuts in Q4, the yield curve shifted upward and returned to the range observed at the end of Q2 (see Exhibit 6). The medium-dated segment of the curve concaved downward as the yields of these sukuk rose by approximately 100 bps, while the sukuk with slightly longer time-to-maturity experienced a smaller rise in yields. Conversely, the ultrashort-dated sukuk yields dropped to the 5% region, in line with the Saudi Central Bank's repo rate. As a result, the curve's shape un-inverted, with the ultrashort-dated sukuk yields finally below the yields of all other 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 Dec. 31, 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
Q4 Return (%)	0.52	0.36	0.32	-0.04	0.54
December Return (%)	0.06	-0.34	-0.21	-0.19	0.36

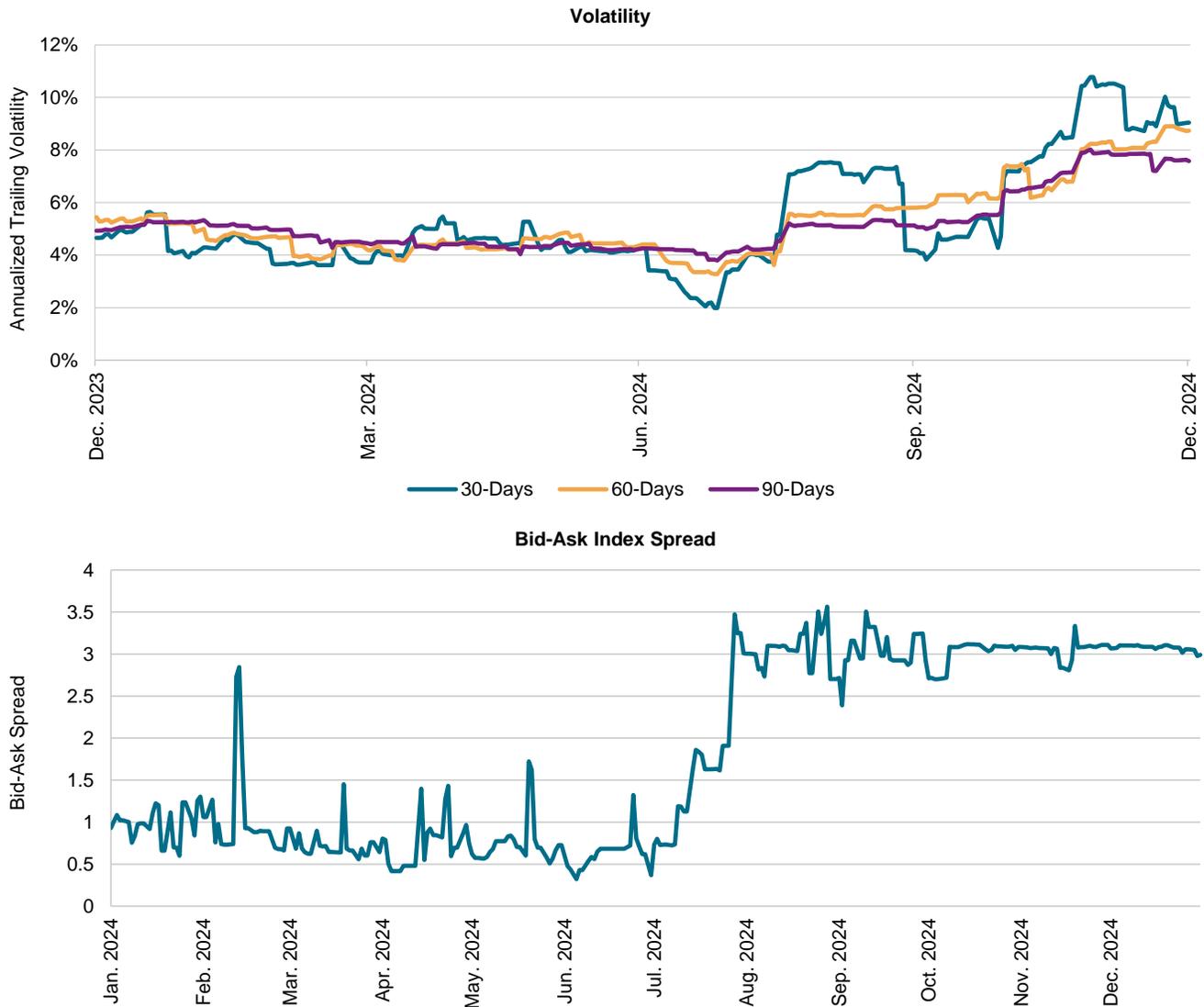
  

Period	Monthly Returns for the iBoxx Tadawul SAR Government Sukuk Index						
	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024
Monthly Return (%)	1.43	1.71	2.62	1.23	-2.90	1.59	-2.54

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 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**

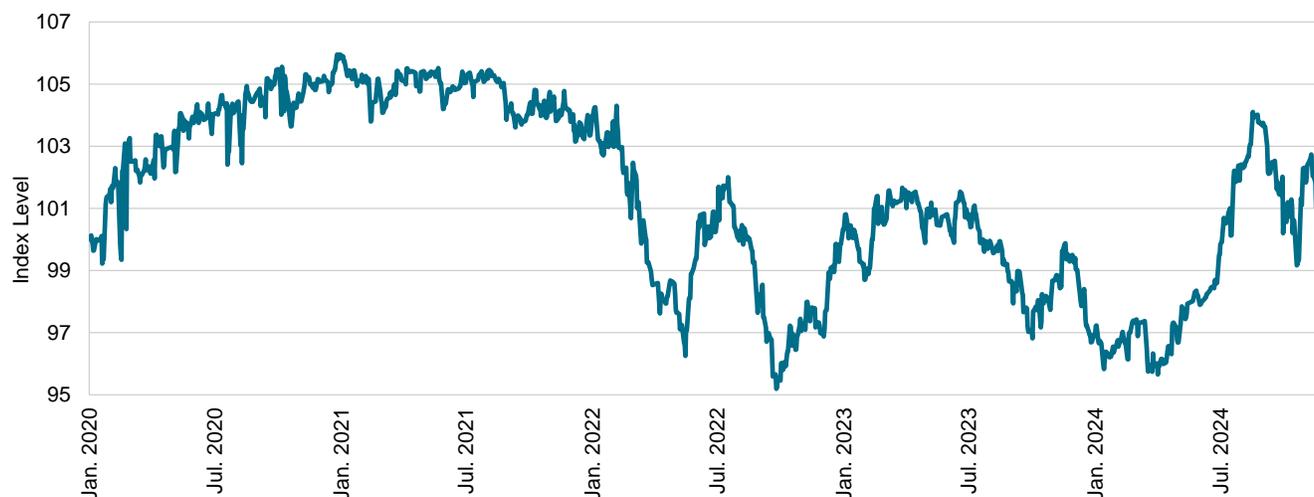


Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2024. The iBoxx Tadawul SAR Government Sukuk Index Overall (annualized) trailing volatility was derived from the trailing standard deviation of the index’s daily log return, based on a 30-day, 60-day and 90-day lookback period and shown alongside 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% again in October due to heightened tensions in the Middle East and uncertainty around the U.S. presidential election. Volatility further escalated and broke past the 10% mark in late November following renewed hostilities that undermined the ceasefire agreement between Israel and Hezbollah. Notably, bid-ask spreads continued their Q3 trend of hovering around 3%, which was a level that had previously not been seen since October 2023, when tensions in the Middle East were similarly heightened.

# 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 Dec. 31, 2024. Index performance is based on total return in SAR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

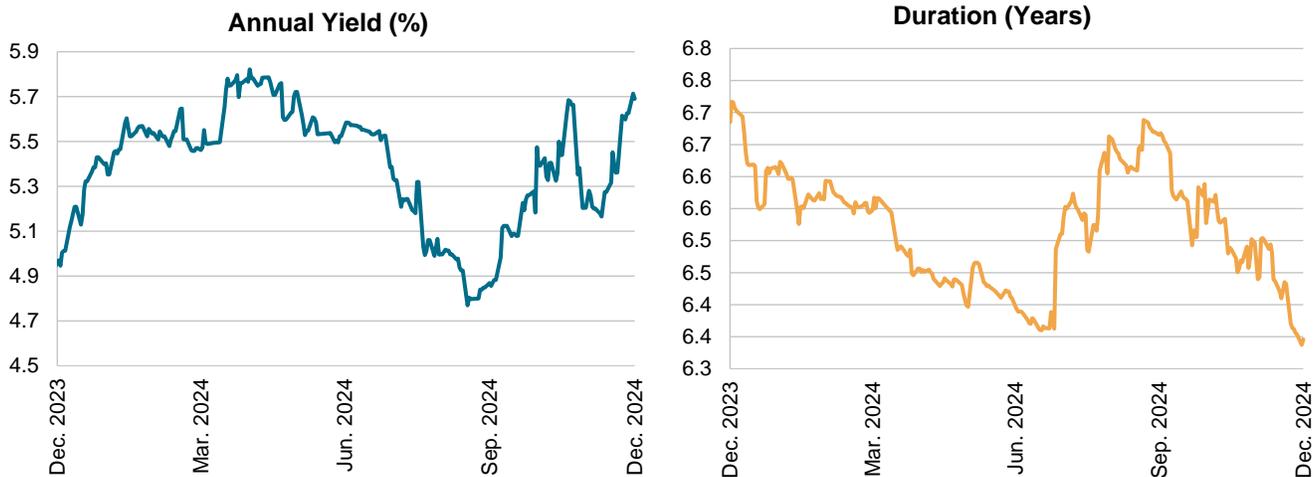
The iBoxx Tadawul SAR Government Sukuk and Bond Index ended Q4 with its worst quarterly performance of the year (down 3.74%). Its yield rose by 82 bps, and its duration lengthened by 0.04 years. As of Dec. 31, 2024, the iBoxx Tadawul SAR Government Sukuk and Bond Index contained 51 sukuk and 7 bonds.

## 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 (%)	5.69
Coupon (%)	3.59
Duration (Years)	6.35
Expected Remaining Life (Years)	8.26
Average Rating	A
Currency	SAR
Debt Type	Domestic Sovereign Sukuk and Bonds
December Return (%)	-2.47
Q4 Return (%)	-3.74
2024 Return (%)	0.52

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2024. Index performance is based on total return in SAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

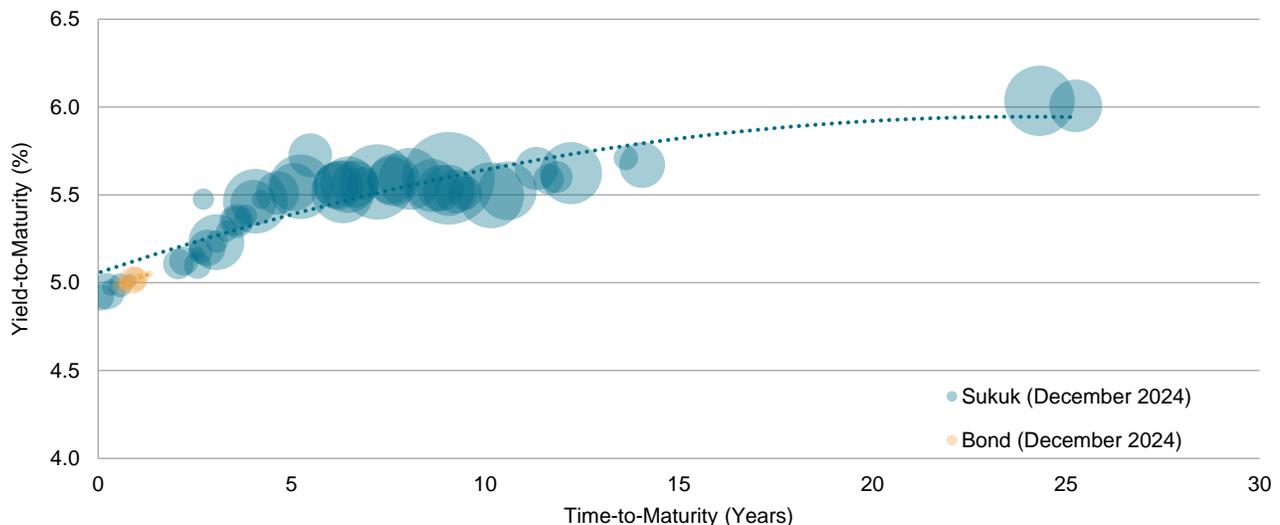
### Exhibit 10: Yield and Duration of the iBoxx Tadawul SAR Government Sukuk and Bond Index



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 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 a shorter duration, lowered to the 5% region with the other ultra-short sukuk in response to the Saudi Central Bank’s interest rate cuts, while the other longer-dated SAR government sukuk yields rose above 5%.

### 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 Dec. 31, 2024. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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