أبوظبـي الأول للأوراق المالية
FAB SECURITIES

MENA CREDIT RESEARCH

June 2025

Asset Gains Persist Amid Ceasefire and Trade Progress

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

The GCC Debt Capital Market (DCM) totalled USD 1 Tn in outstanding issuances across all currencies, reflecting a 10% YOY growth in 1Q25. According to Fitch Ratings, DCM issuances grew 11% QOQ but declined 3% YOY to USD 89 Bn in 1Q25. Saudi Arabia accounted for the largest share of total outstanding issuances at 45.1%, followed by the UAE at 29.9% and Qatar at 13% in 1Q25. With the U.S. Federal Reserve signalling potential rate cuts later in the year, most GCC central banks are expected to follow suit due to the currency peg. Against this backdrop, many GCC banks and corporates are likely to continue diversifying their funding sources through increased participation in the debt capital markets.

GCC bond and Sukuk issuances witnessed strong momentum in May 2025, totalling USD 15.6 Bn, reflecting a significant increase compared to the previous month. The issuance activity was primarily driven by banks, corporates, and sovereign entities. GCC banks continued active participation, raising USD 4.9 Bn during the month. Banque Saudi Fransi tapped the market with a USD 650 Mn perpetual AT1 bond at a 6.375% coupon, attracting over USD 1.9 Bn in orders. The bond is expected to be listed on the London Stock Exchange. Bank Al Bilad and Saudi Awwal Bank also issued USD 650 Mn each in AT1 instruments. Additionally, other regional banks collectively issued USD 2.9 Bn in Sukuk during the month. Corporate issuances also remained strong, contributing USD 8.3 Bn to the total volume during the month. On the sovereign front, the Kingdom of Bahrain raised USD 2.5 Bn through a dual-tranche offering, comprising a USD 1.75 Bn 8-year Sukuk at 6.25% and a USD 750 Mn 12-year conventional bond at 7.50%, both priced tighter than initial guidance. The offering garnered robust demand of USD 6 Bn, with stronger investor interest in the Sukuk tranche.

In its latest policy meeting held in May 2025, the U.S. Federal Reserve maintained its benchmark interest rate at 4.25%-4.50%. It signalled a cautious, data-dependent stance, suggesting that rates are likely to remain unchanged in the near term amid ongoing economic uncertainty. During the same period, U.S. Treasury yields experienced a modest upward trend, driven by fiscal concerns and market volatility. Reflecting these global trends, 10-year GCC government bond yields also faced upward pressure, influenced by both international market volatility and regional fiscal dynamics. Meanwhile, the 5-year CDS spreads grew across Dubai, Abu Dhabi and Qatar and declined across Kuwait, Oman, and Saudi. The UAE Purchasing Managers' Index (PMI) held steady at 54.0 in April 2025, as compared to March 2025, indicating continued improvement in the non-oil private sector. Employment rose at the fastest rate in 11 months as firms sought to ease backlogs, though some reported difficulties in recruitment. Output remained strong but grew more slowly, marking a seven-month low. Meanwhile, total new orders increased marginally from 56.3 in March 2025 to 56.9 in April 2025, supported by the strongest rise in international demand in five months and an uptick in domestic client acquisitions. The UAE's non-oil economy continues to demonstrate resilience, underpinned by robust diversification efforts across manufacturing, digital technology, and renewable energy sectors. According to the IMF, Abu Dhabi's economy is projected to expand by 4.2% in 2025, with growth accelerating to 5.8% in 2026. Meanwhile, Dubai's economy is projected to grow by 3.3% in 2025, rising slightly to 3.5% in 2026. Saudi Arabia's non-oil sector PMI declined to 55.6 in April 2025 from 58.1 in March, marking the slowest growth since August 2024. Despite the slowdown, the index remained well above the 50.0 threshold, signalling continued expansion. The moderation was primarily driven by a slight easing in output and new business growth. New orders softened to 61.0 in April 2025 from 64.0 in March 2025, though sales remained resilient, supported by robust domestic demand. Export orders also continued to grow, led by the manufacturing sector. The Output subindex slightly declined to 61.9 in April 2025 from a six-month peak of 62.2 in March 2025, yet continued to reflect robust demand, led by notable growth in the wholesale and retail sectors. According to the flash estimates provided by the General Authority for Statistics (GASTAT), Saudi Arabia's real GDP grew 2.7% YOY in 1Q25, driven by a 4.2% YOY rise in non-oil GDP, while oil GDP declined by 1.4% YOY. Additionally, according to GASTAT, the country's non-oil exports, including re-exports, increased by 10.7% YOY to approximately SAR 27.04 Bn in March 2025. Moreover, Kuwait has allocated around USD 6.0 Bn for infrastructure and public service initiatives in its 2025–2026 budget, with capital spending of KWD 1.7 Bn earmarked for over 90 projects. The planned investments will target critical sectors, including transportation, utilities, and the development of strategic assets like the Mubarak Al Khabeer Port. According to preliminary figures from the Information and eGovernment Authority, Bahrain's real GDP grew by 2.6% YOY in 2024. The expansion was driven by a 3.8% YOY increase in non-oil activities, while the oil sector contracted by 4.0% YOY during the same period. Oman posted a trade surplus of OMR 7.517 Bn in 2024, primarily driven by higher exports of refined oil products. Meanwhile, the IMF revised Oman's real GDP growth forecast to 2.3% for 2025, compared to its earlier projection of 3.1%.

Gold Outlook

Gold prices marginally increased 0.4% MOM in June 2025, reaching USD 3,303.14 per ounce on June 30. Prices increased in the first week of June 2025, driven by the escalation of the Russia-Ukraine war and US tariffs threats on steel and aluminium imports, coupled with uncertainty over US-China trade relations, which increased safe-haven demand. Prices continued to rise in the following week as geopolitical tensions heightened across the Middle East after Israel's strikes on Iran. Moreover, gold prices were supported by a weaker US dollar, lower-than-expected US inflation, which increased prospects of a rate cut by the Fed, and continued uncertainty over the US-China trade deal. However, gold prices declined after mid-month as the Fed held rates, indicating fewer rate cuts and appreciation of the US dollar. Gold prices further declined at the end of the month after the strengthening of the US dollar following the military attack on Iranian nuclear sites. Later, gold prices fell as the US announced Iran-Israel ceasefire, which reduced the appeal of the bullion.

Oil Outlook

Brent Crude oil prices rose 5.8% MOM to USD 67.61 per barrel on 30 June 2025. Oil prices increased in the first week of June 2025 due to a weaker US dollar and Iran's rejection of the US nuclear deal. Oil prices were partially offset by rising US gasoline inventories and Saudi Arabia's decline in July oil prices. Oil prices increased significantly in the following week after Israel struck Iran. Prices continued to rise after the mid-month due to growing tension between Israel and Iran. Additionally, the US attack on Iran's nuclear strike also led to a surge in oil prices. However, oil prices declined substantially at the end of the month after the Israel-Iran ceasefire agreement. Prices further declined as Iran attacked the US military base in Qatar without interrupting the oil and gas traffic at the Strait of Hormuz. In addition, oil prices fell on prospects of a rise in OPEC+ supply in August.

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Our Top Bond/Sukuk Picks:

Top Bond Picks for Short-term

S No.	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rtg	S&P Rating	Cntry of Risk	Coupon	Maturity
1	Oman Government International Bond	OMAN	US682051AE72	4.64	1,626,861,000	BB+	Ba1	BBB-	OM	5.375	3/8/2027
2	BSF Finance	BSFR	XS2493296813	4.63	700,000,000	A-	A1	N/A	SA	5.5	11/23/2027
3	Saudi Government International Bond	KSA	XS2974923497	4.41	5,000,000,000	A+	Aa3	N/A	SA	5.125	1/13/2028
4	Emirates NBD Bank PJSC	EBIUH	XS2625209270	4.31	750,000,000	A+	A1	N/A	AE	5.875	10/11/2028
5	Suci Second Investment Co	PIFKSA	XS2706163131	4.60	2,250,000,000	A+	Aa3	N/A	SA	6	10/25/2028
6	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS2677030194	4.40	650,000,000	A+	N/A	A+	AE	5.5	1/12/2029
7	Emirates NBD Bank PJSC	EBIUH	XS2754455769	5.09	600,000,000	A+	A1	N/A	AE	5.77077	1/31/2029
8	National Bank of Ras Al-Khaimah PSC/The	RAKBNK	XS2765600262	4.87	600,000,000	BBB+	Baa1	N/A	AE	5.375	7/25/2029
9	Emirates NBD Bank PJSC	EBIUH	XS2976518972	5.35	750,000,000	A+	A1	N/A	AE	5.45801	1/22/2030
10	Saudi Electricity Sukuk Programme Co	SECO	XS2993845945	4.75	1,500,000,000	A+	Aa3	N/A	SA	5.225	2/18/2030
11	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS3003311902	5.33	600,000,000	A+	N/A	A+	AE	5.45593	2/26/2030
12	SNB Funding Ltd	SNBAB	XS3019019416	5.60	750,000,000	A-	N/A	A	SA	5.6444	3/17/2030
13	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS3086362756	5.38	600,000,000	A+	N/A	A+	AE	5.42561	6/10/2030

Data Source: Bloomberg

Top Bond Picks for Medium/Long-term

S No.	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Cntry of Risk	Coupon	Maturity
1	Suci Second Investment Co	PIFKSA	XS2777443768	4.73	2,000,000,000	A+	Aa3	N/A	SA	5.171	3/5/2031
2	Saudi Government International Bond	KSA	US80413TBA60	4.78	2,500,000,000	A+	Aa3	N/A	SA	5.5	10/25/2032
3	Finance Department Government of Sharjah	SHJGOV	US38381CAE21	5.71	1,000,000,000	N/A	Ba1	BBB-	AE	6.5	11/23/2032
4	Suci Second Investment Co	PIFKSA	XS2706163305	4.97	1,250,000,000	A+	Aa3	N/A	SA	6.25	10/25/2033
5	Abu Dhabi Government International Bond	ADGB	XS2811094486	4.45	1,500,000,000	AA	N/A	AA	AE	5	4/30/2034
6	Saudi Government International Bond	KSA	US80413TBL26	5.04	4,000,000,000	A+	Aa3	N/A	SA	5.625	1/13/2035
7	RAK Capital	RAKS	XS3016636683	4.79	1,000,000,000	A+	N/A	A	AE	5	3/12/2035
8	DP World Crescent Ltd	DPWDU	XS3066663124	5.34	1,500,000,000	BBB+	Baa2	N/A	AE	5.5	5/8/2035
9	Finance Department Government of Sharjah	SHJGOV	US38381CAF95	6.00	1,000,000,000	N/A	Ba1	BBB-	AE	6.125	3/6/2036
10	Abu Dhabi National Energy Co PJSC	TAQAUH	US00386SAB88	5.10	912,487,000	AA	Aa3	NR	AE	6.5	10/27/2036
11	MDGH GMTN RSC Ltd	MUBAUH	US44985GAE17	5.48	750,000,000	AA	Aa2	AA	AE	6.875	11/1/2041
12	Oman Government International Bond	OMAN	XS1575968026	6.35	2,000,000,000	BB+	Ba1	BBB-	OM	6.5	3/8/2047
13	DP World Ltd/United Arab Emirates	DPWDU	XS1883879006	6.12	1,300,000,000	BBB+	Baa2	N/A	AE	5.625	9/25/2048
14	Saudi Government International Bond	KSA	US80413TAJ88	6.02	3,500,000,000	A+	Aa3	N/A	SA	5	4/17/2049
15	Abu Dhabi Government International Bond	ADGB	US29135LAU44	5.49	1,750,000,000	AA	N/A	AA	AE	5.5	4/30/2054

Data Source: Bloomberg

Top Bond Picks for SUKUK

S No.	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Cntry of Risk	Coupon	Maturity
1	**Esic Sukuk Ltd**	ESICSU	XS2747181613	5.30	700,000,000	N/A	Baa3	N/A	AE	5.831	2/14/2029
2	**BSF Sukuk Co Ltd**	BSFR	XS2978771942	4.81	750,000,000	A-	N/A	A-	SA	5.375	1/21/2030
3	**Saudi Electricity Sukuk Programme Co**	SECO	XS2993845945	4.75	1,500,000,000	A+	Aa3	N/A	SA	5.225	2/18/2030
4	**EI Sukuk Co Ltd**	EIBUH	XS3030374030	4.74	750,000,000	A+	N/A	N/A	AE	5.059	3/25/2030
5	**DIB Sukuk Ltd**	DIBUH	XS2749764382	4.72	1,000,000,000	A	A3	N/A	AE	5.243	3/4/2029
6	**Al Rajhi Sukuk Ltd**	RJHIAB	XS2761205900	4.70	1,200,000,000	A-	Aa3	N/A	SA	5.047	3/12/2029
7	**BSF Sukuk Co Ltd**	BSFR	XS2741362862	4.69	700,000,000	A-	N/A	A-	SA	5	1/25/2029
8	**SNB Sukuk Ltd**	SNBAB	XS2747631914	4.68	850,000,000	A-	N/A	A	SA	5.129	2/27/2029
9	**EI Sukuk Co Ltd**	EIBUH	XS2824746544	4.67	750,000,000	A+	N/A	N/A	AE	5.431	5/28/2029
10	**KFH Sukuk Co**	KFHKK	XS2744854261	4.66	1,000,000,000	A	N/A	N/A	KW	5.011	1/17/2029
11	**SRC Sukuk Ltd**	SRCSUK	XS3010536061	4.62	1,000,000,000	A+	Aa3	N/A	SA	5	2/27/2028
12	**DIB Sukuk Ltd**	DIBUH	XS2553243655	4.62	750,000,000	A	A3	N/A	AE	5.493	11/30/2027
13	**Suci Second Investment Co**	PIFKSA	XS2706163131	4.60	2,250,000,000	A+	Aa3	N/A	SA	6	10/25/2028
14	**KSA Sukuk Ltd**	KSA	US48266XAJ46	4.53	1,500,000,000	A+	Aa3	N/A	SA	5.25	6/4/2030
15	**KSA Sukuk Ltd**	KSA	XS2829208599	4.52	1,500,000,000	A+	Aa3	N/A	SA	5.25	6/4/2030

Data Source: Bloomberg

Content:

MENA credit outlook

Qatar Islamic Bank priced 5-year USD 750 Mn Sukuk issuance at 4.8%

Qatar Islamic Bank (QIB) has priced a USD 750 Mn 5-year senior unsecured sukuk at 4.803%, tightening from initial guidance of U.S. Treasuries plus 115–120 basis points to plus 80 basis points. The Sukuk, issued under QIB's USD 5 Bn trust certificate programme through QIB Sukuk Ltd., saw strong demand with order books exceeding USD 1.5 Bn. The fixed-rate Sukuk will pay profit semi-annually and is scheduled for listing on the London Stock Exchange's International Securities Market. The joint lead manager is a consortium of regional and international banks, including Abu Dhabi Islamic Bank, HSBC, and Standard Chartered.

Al Salam Bank closed USD 450 Mn AT1 capital issuance

Al Salam Bank, dual-listed in Dubai and Bahrain, has successfully raised USD 450 Mn through a targeted private offering of Additional Tier 1 (AT1) capital securities, underscoring strong investor confidence from regional and international markets despite global volatility. The transaction, advised and structured by ASB Capital, aligns with the bank's strategic objective to strengthen its capital base and support long-term growth ambitions.

Saudi National Bank completed USD 461 Mn 5-year riyal Sukuk priced at 6%

Saudi National Bank (SNB) issued SAR 1.73 Bn (USD 461.3 Mn) in Additional Tier 1 Sukuk under its capital raising programme. The 5-year perpetual Sukuk carries a fixed profit rate of 6% and is designed to bolster the bank's capital base in line with Basel III requirements. SNB Capital was duly appointed as the exclusive bookrunner, lead arranger, and lead manager for the transaction.

Saudi National Bank to launch USD-denominated Tier 2 capital notes

Saudi National Bank (SNB), under its USD 10 Bn Euro Medium Term Note programme, plans to issue USD-denominated Tier 2 capital notes. The Reg S 10-year non-call five notes are being issued via special purpose vehicle and attracted strong demand, with order books exceeding USD 3.9 Bn. The deal drew interest from local and international investors, with Goldman Sachs, HSBC, and J.P. Morgan among the joint lead managers. The proceeds are intended for general corporate use.

Emirates NBD locked in tighter pricing on 10-year AUD 600 Mn Kangaroo issuance

Emirates NBD priced its AUD 600 Mn 10-year senior unsecured Kangaroo bond at asset swaps +185 bps, with a coupon of 5.913%. The transaction attracted strong demand, with the final orderbook exceeding AUD 1.19 Bn, including AUD 50 Mn in JLM interest. The issuance, rated A1/A+ by Moody's and Fitch, was part of the bank's AUD 4 Bn Kangaroo Debt Issuance Programme. Emirates NBD Capital, Mizuho, and Nomura acted as joint lead managers and bookrunners.

Islamic Development Bank priced 5-year USD 1.2 Bn Sukuk issuance at 4.2%

The Islamic Development Bank (IsDB) in Saudi Arabia has priced its USD 1.2 Bn five-year US dollar Reg S Sukuk at 4.246%, with a spread of SOFR mid-swaps plus 57 bps, which is marginally narrower than the initial guidance of the spread. The Sukuk is set to debut on Euronext Dublin and Nasdaq Dubai and is backed by a strong syndicate of joint lead managers, including BBVA, Citi, Goldman Sachs, Emirates NBD Capital, and others.

Saudi Arabia's PIF launched commercial paper programme to diversify funding sources

Saudi Arabia's sovereign wealth fund, the Public Investment Fund (PIF), plans to issue notes through its inaugural commercial paper (CP) programme via offshore special purpose vehicles, comprising US dollar and Euro CP sub-programmes, intending to diversify funding sources. The CP issuance secured P-1 from Moody's and F1+ from Fitch, the highest possible short-term credit ratings and is expected to boost the PIF's short-term financing goals.

Arab Energy Fund priced 3-year USD 600 Mn notes at 3.9%

The Arab Energy Fund (TAEF) priced its USD 600 Mn Reg S 3-year senior unsecured notes at 3.985%, equivalent to SOFR mid-swaps plus 50 bps, with the final order book reaching USD 1 Bn, excluding interest from joint lead managers. These notes are issued under TAEF's Global Medium Term Note Programme, with the possibility of future issuances subject to market conditions. Initial price thoughts (IPTs) were around SOFR mid-swaps plus 60 bps.

Dar Al-Arkan successfully priced USD 750 Mn 5-year Sukuk

Saudi Arabia-based Dar Al-Arkan Real Estate Development Co. priced its USD 750 Mn 5-year USD Sukuk at 7.250%, tightening from the initial guidance of 7.750%, with a reoffer yield of 7.375%. The B1-rated Ijara-commodity Murabaha Sukuk, offering fixed semi-annual profits, will be dual-listed on the London Stock Exchange Main Market and Nasdaq Dubai. The sukuk garnered strong demand, with books closing above USD 2.6 Bn.

Alqemam opened books for Sukuk issuance

Alqemam for Computer Systems Co., listed in Saudi Arabia, has opened subscriptions for its Sukuk tranche worth SAR 4 Mn (USD 1 Mn). Issued through Sukuk Financial Company's electronic platform, the sukuk is available to eligible individual and institutional investors in Saudi Arabia, with a minimum investment of SAR 1,000 per Sukuk. Sukuk Financial Company is exclusively responsible for arranging the offering.

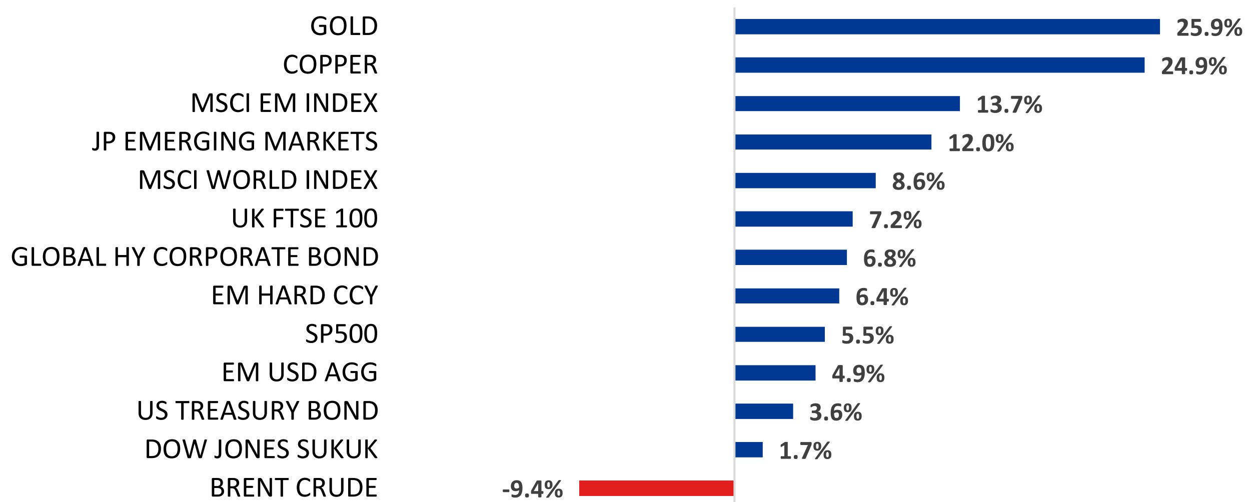
Egypt concluded USD 1 Bn Sukuk transaction via sale to Kuwait Finance House

Egypt issued USD 1 Bn in three-year Sukuk to Kuwait Finance House with a 7.875% annual coupon, as part of its USD 5 Bn Sukuk programme. The issuance proceeds are earmarked to settle a USD 1.5 Bn 10-year Eurobond. The issuance occurred amid regional conflict disrupting natural gas supplies from Israel and aims to ease pressures on Egypt's tourism sector and Suez Canal revenues.

Global Asset Performance

Global asset classes sustained their upward momentum in June 2025, with a broad-based rally across equities, emerging market debt, and industrial metals. The performance was supported by improving investor sentiment, ongoing strength in global economic data, and signs of policy continuity in major economies. Equities delivered strong gains, particularly in developed and emerging markets. The MSCI Emerging Markets Index rose 5.7% MOM, while the JP Morgan Emerging Markets Bond Index increased by 2.9% MOM, both buoyed by improved risk appetite and a stable US dollar. The S&P 500 advanced 5.0% MOM, and the MSCI World Index climbed 4.4% MOM, reflecting upbeat corporate earnings and easing fears around inflation and interest rates. However, the UK FTSE 100 saw a marginal decline of 0.1% MOM, as localized macro concerns tempered broader enthusiasm. Fixed income markets performed steadily. The US Treasury Index rose 1.1% MOM, supported by modest demand for safe assets amid policy recalibration. Emerging market fixed income also strengthened, with Global High Yield Corporate Bonds up 2.4% MOM, EM USD Aggregate Bonds up 1.9% MOM, and EM Hard Currency Debt gaining 2.3% MOM. The Dow Jones Sukuk Index rose modestly by 0.6% MOM, recovering from prior softness. In commodities, performance diverged. Gold was nearly flat (+0.5% MOM), as safe-haven demand remained stable. Copper prices surged 7.5% MOM, reflecting strong industrial demand, improved manufacturing activity, and inventory restocking in key Asian markets. Brent crude rebounded by 5.8%, recovering from prior losses, due to supply chain concerns amid the Middle East conflicts.

Figure 1: Global Asset Performance (YTD in FY2025)

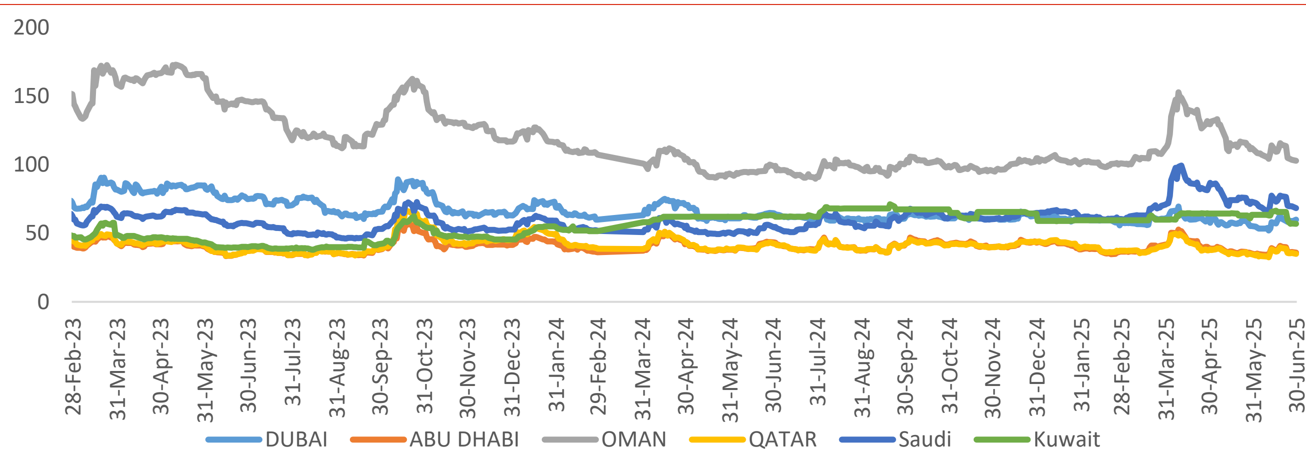


Source: Bloomberg

5-Year CDS

The 5-year CDS spread declined across all GCC Countries in June 2025 except for UAE (Abu Dhabi and Dubai) and Qatar. Kuwait recorded the highest decline on a MOM basis in June 2025, followed by Oman and Saudi Arabia. However, Abu Dhabi and Dubai recorded an expansion in CDS spread in June 2025. Dubai's CDS spread expanded the most by 8.45% MOM in June 2025, followed by Abu Dhabi with an expansion of 2.01%. Qatar recorded a marginal expansion of 0.50% MOM in June 2025.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	ABU DHABI	Oman	Kuwait	Qatar	Saudi
MTD (%)	8.45%	2.01%	-8.31%	-10.22%	0.50%	-6.27%

Banking Sector

United Arab Bank to proceed with rights issue targeting AED 1 Bn in additional capital

United Arab Bank launched a Rights Issue to raise up to AED 1.03 Bn, increasing its total share capital from AED 2.06 Bn to AED 3.09 Bn. The new shares will be issued to the existing shareholders at an issue price of AED 1 per new share. Allocation of new shares is expected on 24 July 2025, with refunds for oversubscriptions processed on the same date. The proceeds are likely to be used to reinforce the bank's capital base and fund future growth plans. This initiative has received all required regulatory and shareholder approvals, with First Abu Dhabi Bank acting as lead manager and Al Tamimi & Co. as legal adviser.

Emirates Islamic Bank to delist from DFM on 10 June 2025

Emirates Islamic Bank (EIB) has begun delisting from the Dubai Financial Market (DFM) following its acquisition by Emirates NBD. Emirates NBD will settle any cash payments owed to former EIB shareholders through designated payment channels.

Sohar International Bank and Ahli Bank SAOG temporarily halted merger negotiations

Sohar International Bank and Ahli Bank SAOG in Oman decided to postpone their proposed merger after failing to secure the necessary regulatory approvals. The two banks announced merger plans in April 2025 to form Oman's largest lender, combining assets of nearly USD 30 Bn. The bank is expected to advance with a rights issue valued at OMR 50 Mn.

Corporate Sector

NMDC LTS acquired a 70% stake in Emdad

NMDC Group, through its subsidiary NMDC LTS, has completed the acquisition of a 70% stake in Emdad, an integrated service provider in the energy sector, using a mix of debt and equity financing. The move allows NMDC to expand into the OPEX segment, enhancing recurring revenues and service diversification. The acquisition supports NMDC's long-term strategy for regional growth, innovation, and value creation in the energy sector.

Gulf Navigation to acquire Brooge Energy assets worth USD 871 Mn

Gulf Navigation Holding, a maritime and shipping company in Dubai, signed an agreement to acquire Brooge Energy's assets and subsidiaries, including Brooge Petroleum and Gas Investment Company FZE, Brooge Petroleum and Gas Investment Company Phase III FZE, and BPGIC Phase 3 Limited, in a strategic deal valued at USD 871 Mn. The acquisition includes key Brooge entities and will be financed through the issuance of new shares to Brooge Energy Limited and a structured capital raising initiative through the issuance of Mandatory Convertible Bonds (MCBs). The deal is likely to strengthen the Company's position in the energy logistics sector, expanding its infrastructure and boosting long-term growth potential.

ADNOC Gas moved forward with RGD, awarding USD 5 Bn for the first phase

ADNOC Gas reached Final Investment Decision (FID) and awarded USD 5 Bn in contracts for Phase one of its landmark Rich Gas Development (RGD) project. The initiative aims to enhance processing capacity and operational efficiency across four strategic sites: Asab, Buhasa, Habshan, and Das Island. Engineering and construction contracts have been awarded to UK-based firms Wood and Petrofac, along with UAE-based Kent. The project supports the UAE's energy self-sufficiency goals and underpins the company's ambition to achieve over 40% EBITDA growth by 2029.

Almarai to acquire Pure Beverages Industry for USD 277 Mn

Almarai, a dairy and food company in Saudi Arabia, is set to acquire Riyadh-based bottled water producer Pure Beverages Industry in a strategic deal valued at USD 277 Mn. The acquisition marks a significant step in Almarai's plan to diversify its beverage portfolio and broaden its consumer reach. The transaction is funded through internal cash reserves and underscores the company's strong financial position.

GFH Financial Group and Shuaa Capital called off merger plans

Dubai-listed GFH Financial Group, headquartered in Bahrain, has denied rumours of a merger with Dubai-based Shuaa Capital. The company clarified that no discussions, agreements, or negotiations are underway regarding such a deal.

G42 partnered with Liquid AI to offer efficient AI services across sectors

G42, an Abu Dhabi-based global technology group and Liquid AI, a US-based efficient foundation models company, partnered strategically to develop and commercialize private generative AI solutions powered by Liquid's Foundation Models. The collaboration aims to deploy AI across diverse sectors, including banking, telecom, biotech, and energy, focusing on regions from the Middle East and North Africa to the Global South. G42 subsidiaries, such as Core42 and Inception, will support AI infrastructure, model development and deployment. This US-UAE AI acceleration partnership underscores both nations' dedication to advancing responsible and inclusive AI for the benefit of all.

Taaleem acquired KFG to broaden GCC education footprint

Taaleem Holdings entered into a definitive sale and purchase agreement to acquire a 95% stake in Kids First Group Limited (KFG), a leading premium early-learning education provider in the GCC, to support children from their earliest stages of development through to K-12 education. The acquisition is expected to accelerate Taaleem's strategic entry into high-growth early childhood education and deliver earnings and cash flow accretion. The transaction will be entirely self-funded through a combination of equity and debt, and the deal is expected to be completed in the fourth quarter of Taaleem's financial year 2024-25.

Americana restaurants considered to purchase stake in Cravia to expand GCC reach

Americana Restaurants International confirmed that it is in the early stages of discussions to acquire a stake in Cravia Inc., a regional operator of brands including Zaatar W Zeit, Five Guys, and Cinnabon in Dubai. The company has not yet disclosed details regarding the size of the potential stake or the expected timeline for the transaction.

Go Telecom acquired 51% stake in Ejad Tech

Etihad Atheeb Telecommunication Co. (GO Telecom) completed the acquisition of a 51% stake in Ejad Tech Co. for Information Technology, a company specializing in IT services and digital transformation consulting, as part of the company's strategic initiative to expand its business portfolio. Furthermore, the transaction is valued at SAR 86.7 Mn, with approximately SAR 40 Mn of the total deal amount already paid, while the remaining balance is to be settled in two instalments, including SAR 23.7 Mn by year-end and SAR 23 Mn by the end of 2026.

ADQ to consider strategic stake in Limagrain's vegetable seeds unit

Abu Dhabi's ADQ plans to buy a 35% ownership stake in France-based Limagrain's vegetable seeds division and establish a joint research and development (R&D) collaboration. The partnership is focused on developing seeds suited for severe climates, supporting Limagrain's approach of welcoming minority investors to advance research into climate-resilient varieties.

Rating Outlook

- **Abu Dhabi**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the nation's financial and economic vision and policies success and the strength and stability of its economic, financial and credit sectors.
- Fitch affirmed **Oman**'s credit rating at BB+ and revised its outlook from stable to positive. Fitch cited improved public and external finances, including a reduction in government debt-to-GDP, lower net external debt, improved balance sheet, fiscal prudence, and stronger sovereign foreign assets as the factors driving the revision in outlook. The upgrade is driven by a decline in the debt-to-GDP ratio, improved government spending, and rise in oil prices. The upgrade is based on the premise that Oman is using oil revenues to pay down debt, extend its maturity, use fiscal restraint to mitigate external risks, and forecast higher oil prices by Fitch. According to Fitch estimates, government debt-to-GDP will fall from 37.5% in 2023 to 34% in 2024 and further to 33.3% in 2026. It further expects Oman's external debt to decline by USD 2.8 bn to USD 26.6 Bn in 2024 (24% of GDP). On 02 September 2024, Moody's Investors Service upgraded Oman's credit outlook from stable to positive, while affirming the long-term issuer and senior secured ratings at Ba1. The upgrade is mainly attributed to continued improvement in the country's debt metrics, coupled with higher energy prices and prudent fiscal management. Over the past two years, the country has successfully reduced its debt without having to sell its financial assets, enhancing the prospects of maintaining fiscal strength at a level that could support a higher credit rating. S&P Global Ratings upgraded Oman's long-term ratings from 'BB+' to 'BBB- 'with a stable outlook due to continued deleveraging of public sector entities. It also raised the short-term ratings on Oman from 'B' to 'A-3', while it revised the transfer and convertibility assessment from 'BBB-' to 'BBB'. The rating upgrade is attributable to the deleveraging balance sheet of the Omani government and several state-owned enterprises (SOEs) coupled with the commitment of the authorities to advance its longer-term structural reform agenda to solidify its economy.
- S&P Global Ratings revised its credit rating outlook on **Bahrain from stable to negative**. The rating agency affirmed Bahrain's short-term foreign and local currency sovereign credit ratings at 'B+/B' with a negative outlook. The downgrade of the rating is driven by the growing risks to the fiscal position and the government's ability to service and refinance debt. The agency also cited that market volatility and weak financial conditions will lead higher interest burden on the government. It also expects the fiscal deficit to remain elevated due to lower oil prices, ongoing maintenance activity at the key Abu Sa'fah oil field and higher social spending. S&P expects the fiscal deficit to widen to 7.0% of GDP in 2025 compared to 5.2% in 2024. Fitch has recently revised the outlook on Bahrain's long-term foreign currency issuer default rating to **Negative** from Stable with a rating of B+. The revision in the credit rating is mainly due to mounting fiscal pressures, growing debt levels, coupled with high interest burden and delayed fiscal reforms.
- Fitch Ratings affirmed **Kuwait**'s long-term foreign-currency issuer default ratings, or IDR, to 'AA-' with a stable outlook. This is due to the Gulf state's fundamental issues being worsened by continued political limitations on decision-making. Since 2017, the Gulf state has been debating debt legislation, demonstrating the slowness with which decisions are made. Kuwait's debt is expected to climb to about 50% of GDP after the debt law is approved, according to the credit rating agency, up from the current 10%. The Kuwaiti administration has been attempting to adopt new public debt legislation to alleviate the country's liquidity constraints, but the bill has been continually blocked by parliament.
- **Saudi Arabia**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) remained unchanged at 'A+' by Fitch Ratings, with a 'Stable' outlook. The key reasons cited by the rating agency for the rating are strong fiscal and external balance sheet, low government debt and sizable foreign reserve. The growth in the non-oil sector remains robust and the reform momentum is strong, while rising deficit, continued reliance on oil and external borrowing pose challenges. Moody's

Investors Service affirmed Saudi Arabia's credit rating outlook at stable, noting the kingdom's continuous progress in economic diversification coupled with the strong growth of its non-oil sector. According to a statement, Moody's maintained the sovereign's rating at Aa3, the fifth-highest rating citing the country's efforts to diversify the economy away from oil. S&P Global Ratings revised Saudi Arabia's outlook from positive to stable. It upgraded KSA's long-term foreign and local currency unsolicited sovereign credit rating from 'A' to 'A+' and affirmed short-term ratings at 'A-1'.

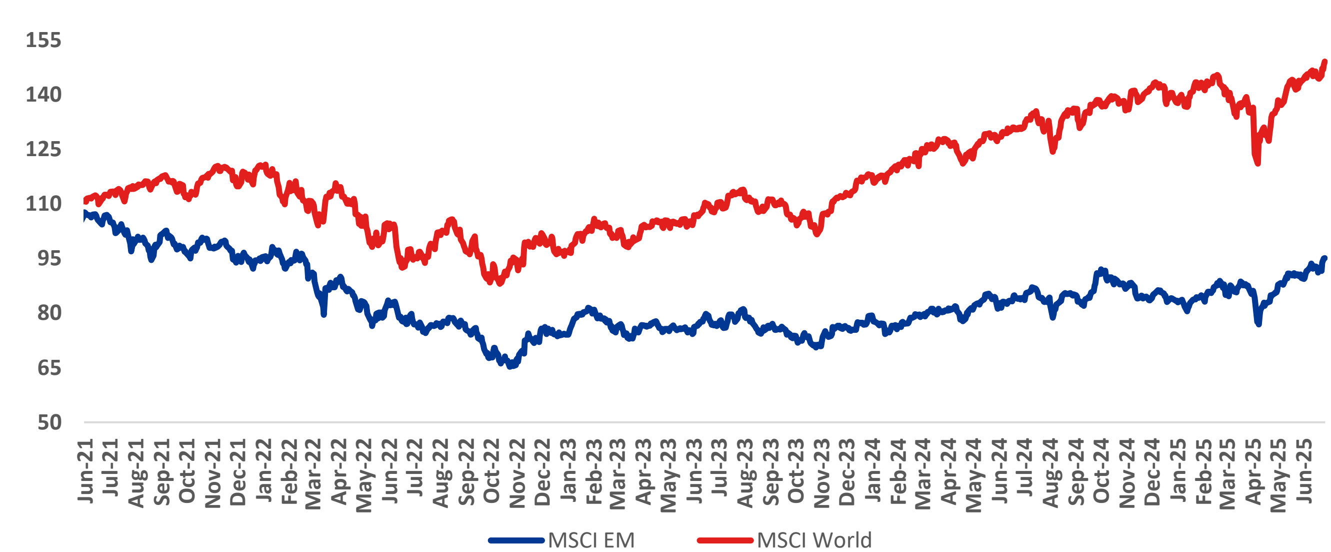
- In January 2024, Moody's upgraded **Qatar**'s local and foreign-currency Long-Term issuer and foreign currency senior unsecured debt ratings to Aa2 from Aa3. It also changed the outlook from positive to stable. The rating is attributed to significant improvements in Qatar's fiscal metrics during 2021-2023. Moody's anticipates that the improvement in Qatar's debt burden and debt-service metrics from 2021 to 2023 will continue into the medium term. Fitch Ratings has affirmed Qatar's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AA' with a Stable outlook. The rating is supported by the Country's large sovereign net foreign assets (SNFA) and a flexible public finance structure. Further, Qatar is expected to maintain a fiscal surplus, averaging around 4.5% of GDP over the medium term. The country's government debt is also projected to fall below 30% of GDP by 2028.

Particulars	Moody's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
UAE (Abu Dhabi)	Aa2	STABLE	AA	STABLE	AA	STABLE
Kuwait	A1	STABLE	A+	STABLE	AA-	STABLE
Qatar	Aa2	STABLE	AA	STABLE	AA	STABLE
Saudi Arabia	Aa3	STABLE	A+	STABLE	A+	STABLE
Oman	Ba1	POS	BBB-	STABLE	BB+	POS
Bahrain	B2	STABLE	B+	NEG	B+	NEG

Global Markets

The MSCI Developed Markets (DM) and MSCI Emerging Markets (EM) indices continued their positive momentum in June 2025. The MSCI EM Index recorded solid performance in June 2025, delivering a 5.7% MOM gain, driven by strong performances across the South Korea and Taiwan markets. On the other hand, DM equities also recorded a growth of 4.2% MOM in June 2025, primarily driven by robust performance in the US and Japanese markets. On a year-to-date (YTD) basis, the MSCI EM Index outperformed its developed counterpart, posting a 13.7% return as of June 2025, compared to an 8.6% gain by the MSCI DM Index. The MSCI DM Index delivered a positive performance in June 2025, supported by robust growth across the US and Japanese markets, partially offset by an underperformance from the European markets. In the US, the S&P 500 recorded a 5.0% MOM gain in June 2025, reaching its all-time high. The rally was supported by easing geopolitical tensions following a ceasefire between Israel and Iran, rising expectations of interest rate cuts by the Federal Reserve, and renewed optimism around potential trade agreements that could lead to lower tariffs. The S&P 500 also emerged as the best-performing equity index in 2Q25, delivering a strong return of 10.9% and rebounding sharply from the volatility experienced in April 2025. Meanwhile, the US dollar continued to weaken, with the dollar index declining 7.1% in 2Q25. This depreciation enhances the returns from international equity markets for dollar-based investors, as gains denominated in foreign currencies are translated into higher dollar returns. Japanese stocks outperformed its global peers and grew 6.6% MOM in June 2025, led by a strong performance in technology stocks and a weaker Japanese yen. THE UK FTSE 100 recorded a marginal decline of 0.3% MOM in June 2025, impacted by geopolitical uncertainties and weak domestic demand. The UK equities faced challenges from heavy weights in the energy and healthcare sectors, the only global equity segments to record negative returns during 2Q25. Despite this, the FTSE All-Share Index posted a strong return of 4.4% for 2Q25. MSCI Europe excluding the UK delivered a 3.6% return in 2Q25, supported by moderate local currency returns and significantly boosted by a weaker US dollar, which enhances returns for international investors and increases capital flows into the region. On the other hand, EM performance was primarily driven by the robust performance from the Korean and Taiwanese markets in June 2025. In 2Q25, the EM emerged as the top-performing region with strong USD-denominated returns driven by easing trade tensions and the appreciation of local currencies against the US dollar. Chinese equities saw gains in June 2025, driven by a pickup in manufacturing activity, strong consumer spending, and improved market confidence following a reduction in trade-related pressures. The performance of other EM like India and Brazil also remained positive during the month.

Figure 3: MSCI World and Emerging Market Index Historical trend



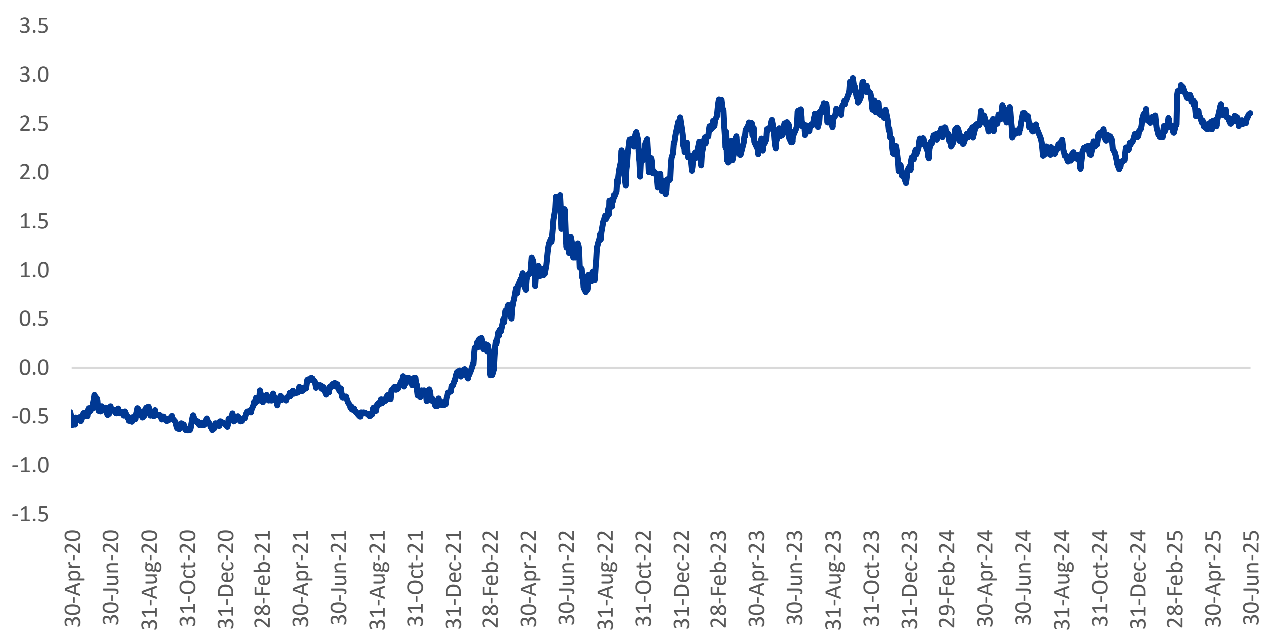
Source: Bloomberg

Yield on 10-year government

Figure 4: US 10-year government yield

Source: Bloomberg

Figure 5: Germany 10-year government yield



Source: Bloomberg

Figure 6: Japan 10-year government yield

Source: Bloomberg

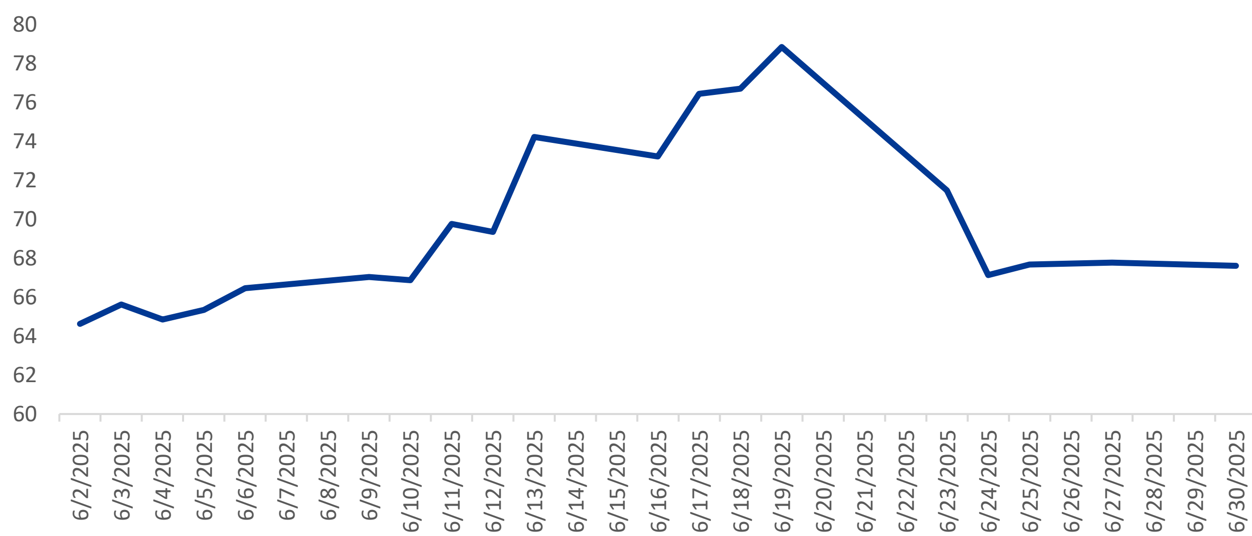
Figure 7: UK 10-year government yield

Source: Bloomberg

Oil Outlook

Brent Crude oil prices rose 5.8% MOM to USD 67.61 per barrel on 30 June 2025. Oil prices increased in the first week of June 2025 on supply concerns arising from Iran's rejection of the US nuclear deal proposal and a weaker US dollar. The increase in OPEC+ supply was offset by a disruption in Canadian supply due to wildfires. Rising US gasoline inventories indicated a weaker demand across the US, while Saudi Arabia's decline in July oil prices for Asian buyers pressurised oil prices. Oil prices increased significantly in the following week after Israel struck Iran, which increased concerns of oil supply disruption. Prices continued to rise after mid-month on the back of growing tension between Israel and Iran, increasing the risk of supply disruption in the Middle East. Additionally, the US attack on Iran's nuclear strike also boosted oil prices. However, oil prices declined substantially at the end of the month after Israel agreed on a ceasefire agreement with Iran, easing supply disruption worries in the Middle East. Oil prices further declined after Iran retaliated with an attack on the US military base in Qatar, with no actions taken to interrupt oil and gas traffic at the Strait of Hormuz. In addition, oil prices fell on prospects of rise in OPEC+ supply in August.

Figure 8: Brent Crude Oil Prices (USD per barrel)

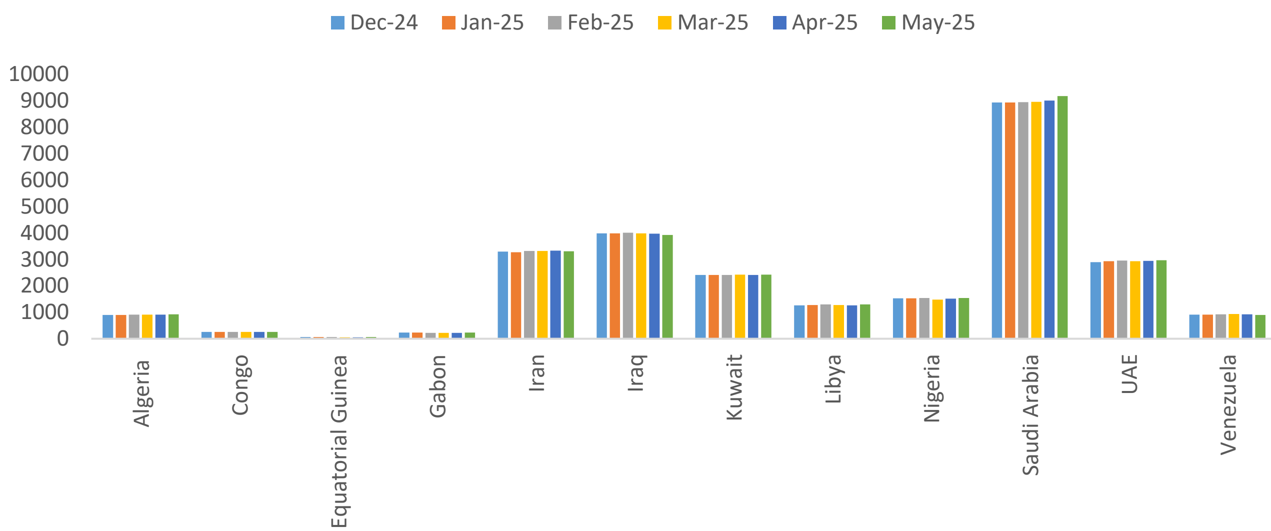


Source: Bloomberg

OPEC Production

Total Brent crude oil production from the OPEC-12 countries rose 185 thousand barrels per day (bpd) MOM, reaching 27.0 Mn bpd in May 2025. Eight of the 12 OPEC members reported an increase in production during the month. Saudi Arabia witnessed the largest rise in production, increasing 177 thousand bpd MOM in May 2025, followed by Libya, which saw a 37 thousand bpd MOM growth. UAE's oil output increased 27 thousand bpd MOM in May 2025, while Nigeria's oil output grew 22 thousand bpd MOM. Similarly, Gabon and Algeria witnessed a production growth of 12 and nine thousand bpd MOM, respectively, in May 2025. Furthermore, Equatorial Guinea and Kuwait's oil output increased seven thousand bpd and six thousand bpd MOM, respectively, in May 2025. On the other hand, Iraq's oil output fell the most by 49 thousand bpd MOM in May 2025, followed by Venezuela with a 32 thousand bpd MOM decline, while Iran and Congo's oil production fell 25 thousand bpd and six thousand bpd MOM, respectively.

Figure 9: OPEC Crude Oil Production

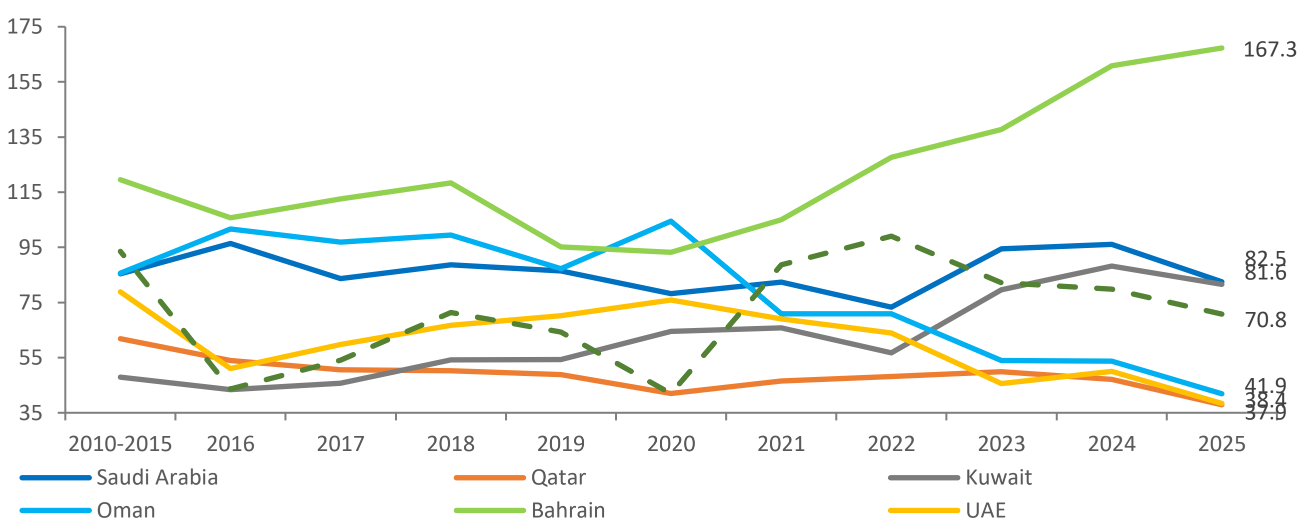


Source: OPEC

Fiscal Breakeven Oil Price

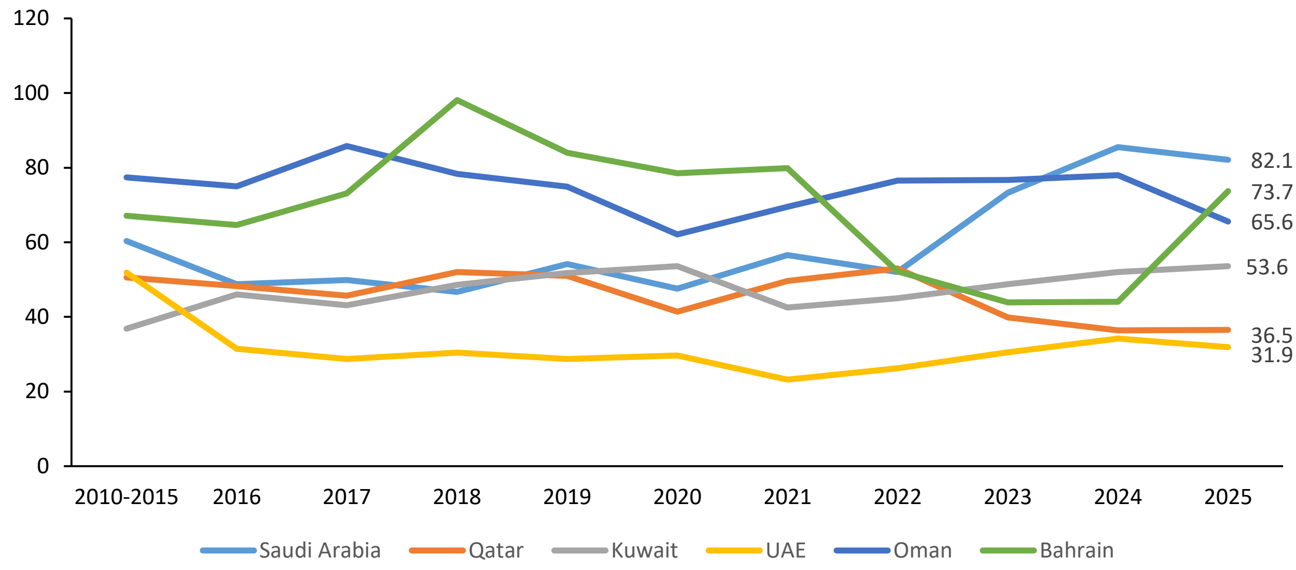
The overall fiscal breakeven oil price is expected to decline for all GCC Countries in FY2025, except Bahrain. Bahrain's fiscal breakeven is projected to grow from USD 160.8 per barrel in FY2024 to USD 167.3 in FY2025. Saudi Arabia, Qatar, Kuwait, UAE and Oman will record a decline in break-even oil prices in FY2025. Saudi Arabia will record the highest drop in break-even oil price from USD 96.1 per barrel in FY2024 to USD 82.5 per barrel in FY2025. Oman's break-even oil price will fall from USD 53.7 per barrel in FY2024 to USD 41.9 per barrel in FY2025, followed by the UAE, which is likely to witness a fall from USD 50.0 per barrel in FY2024 to USD 38.4 per barrel in FY2025. Qatar's break-even oil prices will fall from USD 47.1 per barrel in FY2024 to USD 37.9 per barrel in FY2025, while Kuwait will witness a decline from USD 88.2 in FY2024 to USD 81.6 in FY2025.

Figure 10: Fiscal Breakeven Oil Price (USD/bbl)



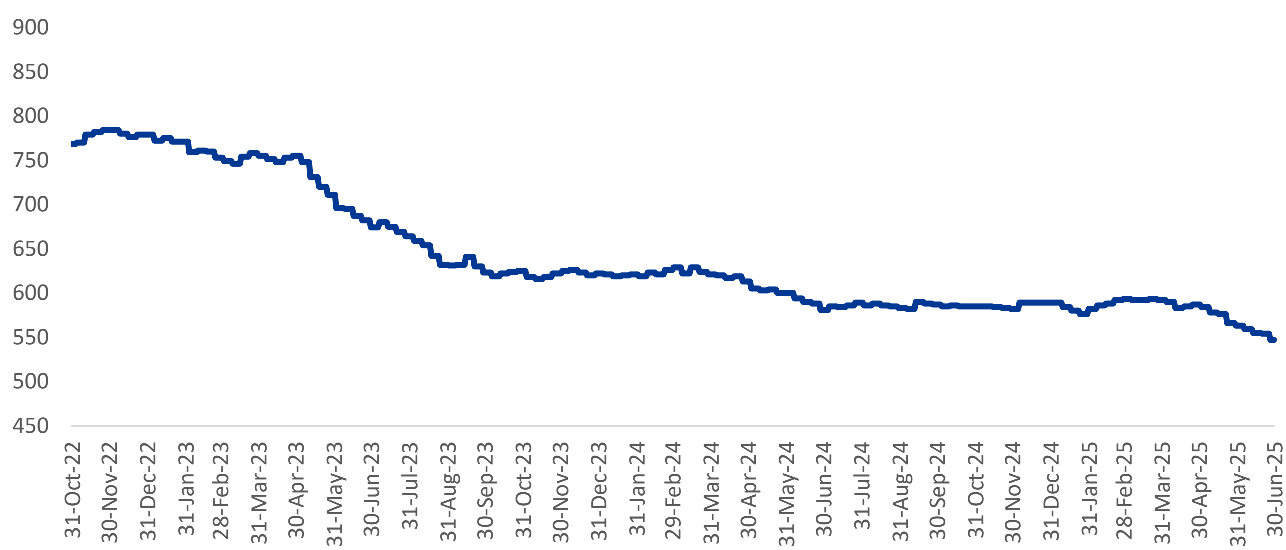
Source: Bloomberg

Figure 11: External Breakeven Oil Price (USD/bbl)



Source: Bloomberg

Figure 12: Oil Rig Count



Source: Bloomberg

Credit Strategy

Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody's/S&P/Fitch
ALDAR 3.875% 2029	Real Estate	96.98	4.69	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	94.95	8.00	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	96.79	4.45	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	94.82	6.18	NA/NA/BBB+
GENHLD 4.76% 2025	Investment Co.	100.07	4.71	A1/NA/A
INTLWT 5.95% 2039	Power Generation and Water Utility	99.50	6.02	Baa3/NR/BBB-

*Source: Bloomberg *- Ratings for the instruments are based on Bloomberg data, while the issuing company rating is considered in the absence of an instrument rating in the bond description.*

We remain OVERWEIGHT on GENHLD, ARAMCO, and ALDAR while assigning MARKET WEIGHT ratings on INTLWT, KWIPKK, and BURGAN BANK.

Implications of Securities Recommendations

Bond Particulars	Call	Price	Yield	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	99.50	6.02	-0.16	-0.43	1.12	3.15
GENHLD 4.76% 2025	OW	100.07	4.58	0.15	0.12	0.36	0.90
BGBKKK 2.75% 2031	MW	94.82	7.34	0.16	0.08	2.61	6.40
ARAMCO 3.5% 2029	OW	96.79	4.43	0.85	0.95	2.80	4.32
KWIPKK 4.5% 2027	MW	94.95	7.84	1.09	0.78	3.62	5.35
ALDAR 3.875% 2029	OW	96.98	4.66	0.67	1.11	2.84	3.81

Source: Bloomberg

ALDAR 3.875% 2029: Maintain OVERWEIGHT rating

We assign an OVERWEIGHT rating on Aldar Properties PJSC's (Aldar Properties) 3.875% senior unsecured Sukuk maturing in October 2029. The Sukuk is trading at USD 96.98 with a yield of 4.66% when held until maturity (redemption at par) with a modified duration of 3.88. The Sukuk also enjoys Moody's investment-grade rating of 'Baa1' with a stable outlook.

- In Abu Dhabi, Aldar Properties is a leading real estate developer with a market cap of AED 69.3 Bn. Apart from being a reliable government contractor, the Company developed many innovative projects, such as Yas Island's F1 circuit and the Gate Towers in Shams Abu Dhabi. Demand for Abu Dhabi's real estate is robust, and the government supports it in terms of home purchasers. The current market has a good supply, and investors are confident in investing in quality projects in prime locations. Aldar diversified its operations and acquired SODIC in Egypt in FY2021. SODIC is a leading Egyptian real estate company with a strong track record of 25 years, having a land bank of 16 Mn sqm across three geographies in Egypt.

- Mubadala Investment Company, a Sovereign wealth fund of the Abu Dhabi government, owns a 25.1% stake in Aldar. Alpha Dhabi Holding owns a 26.5% stake through its related companies Sublime Commercial Corporation, Sogno Two, and Sogno Three Sole Proprietorship LLC. Aldar Properties is an important strategic partner to the government, having completed several large-scale infrastructure projects and developments in the UAE.

- Aldar Properties (Aldar) released its financial results for 1Q25 with a revenue of AED 7.8 Bn, up 38.7% YOY, the growth was driven by strong double-digit performance in both the Development and Investment segments, supported by rising demand from residential expatriates and overseas buyers attracted by the UAE's appealing lifestyle and reputation as a prime investment destination. It recorded a gross profit of AED 2.8 Bn, up 37.3% YOY in 1Q25, and a net profit of AED 1.6

Bn, up 24.6% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose to AED 0.202 in 1Q25 from AED 0.161 in 1Q24, demonstrating consistent long-term shareholder value growth.

- Aldar's strong financial results are primarily driven by the robust performance of Aldar Development and Aldar Investment's recurring income portfolio, coupled with significant contributions from acquisitions. The strong growth in the investment business is driven by a rapid recovery in the investment property, hospitality, and leisure business segments. The backlog of the development business increased from AED 54.6 Bn in 2024 to AED 55.7 Bn in 1Q25 as a result of record sales and project launches, in addition to strong contributions from SODIC, offering healthy revenue visibility over the next two to three years. Additionally, Aldar launched 2 new developmental projects, Manarat Living III and The Wilds in 1Q25. The Project Management business revenue backlog increased to AED 89 Bn in 1Q25, compared to AED 79 Bn in 1Q24, with projects worth AED 50 Bn currently under construction. A considerable revenue backlog, along with a robust project pipeline and diverse revenue sources, supports the Company's long-term revenue visibility. Aldar Investment's AUM reached AED 42 Bn in 1Q25 as a result of strategic acquisitions and robust performance across the core real estate portfolio. Occupancy levels across the investment properties stood at 96% across the Commercial, Retail, Logistics, and Residential properties.
- Aldar Development initiated its international expansion strategy by acquiring the UK developer London Square, investing in European real estate private credit, and making direct investments in European logistics and self-storage assets. Aldar’s landbank is strategically distributed across significant investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 60.5 Mn sqm.
- Aldar Properties deployed capital amounting to c. AED 0.03 Bn in 1Q25, while in FY2024 it deployed capital of AED 4.4 Bn across development, investment and international funds & investments. It provided guidance to deploy capital of AED 3-4 Bn in FY2025. In Abu Dhabi, the land area spans 60.4 Mn sqm, with a gross floor area (GFA) of 8.1 Mn sqm. Meanwhile, in Dubai, the land area encompasses 0.05 Mn Sqm. Aldar Education is a leading private education provider in Abu Dhabi with 31 owned and managed schools as of 1Q25, primarily across the UAE, with one green field project in Abu Dhabi.
- Liquidity position remains healthy with AED 10.2 Bn worth of free & unrestricted cash and AED 19.3 Bn of undrawn bank facilities in 1Q25. The Company’s net debt stood at AED 4.0 Bn in 1Q25.

KWIPKK 4.5% 2027: Maintain MARKETWEIGHT rating

We assign a MARKETWEIGHT rating on Kuwait Projects Company (KIPCO)’s 4.5% senior unsecured bond maturing in February 2027. The bond is trading at USD 94.95 with a yield of 7.84% when held until maturity (redemption at par) and has a modified duration of 1.51. The bond is issued at the holding company level, so the debt service obligations would be met through the cash balance available with KIPCO and the dividends it receives from subsidiaries. The Company's assets and dividend inflow are concentrated in the three largest entities, contributing c. 60% of total asset value.

KIPCO is one of the largest holding companies in MENA, with its consolidated assets growing from KWD 13.0 Bn in FY24 to KWD 13.3 Bn in 1Q25, and sustained through multiple economic cycles, making consistent dividend payments for the last 17 years until FY2021. Members of the Kuwaiti ruling family remain KIPCO’s leading shareholders, through Al Futtooh Holding Company K.S.C. (AFH), and currently own a 31.91% direct holding. AFH supported KIPCO in all business activities, including capital raising, and reduction in dividend if required.

- KIPCO's total revenue from operations increased 9.0% YOY to KWD 384 Mn in 1Q25, mainly due to healthy performance from commercial banking, asset management & investment banking, and industrial & logistics, partially offset by a decline in Net fees and commission income, educational services income, and other income.
- The company's operating profit from continuing operations rose to KWD 50 Mn in 1Q25, up from KWD 44 Mn in 1Q24. Provisions for credit losses increased from KWD 6 Mn in 1Q24 to KWD 12 Mn in 1Q25. Profit before tax increased from KWD 31 Mn in 1Q24 to KWD 32 Mn in 1Q25.

- The Company recorded a decrease in net profit attributable to shareholders from KWD 6 Mn in 1Q24 to KWD 5 Mn in 1Q25.
- KIPCO cash and bank balance at the parent company level stood at KWD 66 Mn on 31 March 2025, compared to KWD 87 Mn on 31 December 2024.
- Total outstanding debt increased to KWD 852 Mn in 1Q25 from KWD 841 Mn in 4Q24.
- KIPCO has received a dividend income of KWD 5 Mn in 1Q25 compared to KWD 4 Mn in 1Q24.
- Moody’s withdrew the rating on KIPCO following a review of the issuer's request to withdraw its rating(s). Fitch rating also downgraded KIPCO's long-term issuer rating to ‘BB’- from ‘BB’ and revised the outlook from stable to negative, citing a further increase in leverage.

ARAMCO 3.5% 2029: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Saudi Aramco’s 3.5% bond maturing in April 2029. The bond is trading for USD 96.79 and offers a yield of 4.43% with a modified duration of 3.47. The issuer's credit rating is constrained by the rating of its largest shareholder, the government of Saudi Arabia, given the close link between Aramco and the sovereign. Aramco is assigned a standalone credit rating of ‘A+’ by Fitch, supported by robust profitability, market leadership, significant cash flow visibility and net cash position.

- Saudi Arabian Oil Company is an integrated energy and chemicals company. Aramco's operations are divided into two main segments: Upstream and Downstream. Upstream activities are predominantly centred in Saudi Arabia, while the Downstream sector operates on a global scale. The Upstream segment of the Company is responsible for the exploration, development, production, and sale of natural gas, condensate, crude oil, and natural gas liquids (NGLs). The activities of the downstream section include supply and trading, power generation, retail operations, base oils and lubricants, petrochemicals and refining, and distribution. The reserves of Aramco amounted to 250.0 Bn barrels of oil equivalent in FY2024, consisting of 189.8 Bn barrels of crude oil and condensate, 26.1 Bn barrels of NGL, and 209.8 trillion standard cubic feet of natural gas. The Company manages 548 reservoirs within 148 fields spread across the Kingdom and its territorial waters.
- Fitch upgraded a long-term foreign and local currency IDR to 'A+' with a stable outlook in Dec 2024, reflecting the Company’s strong business profile backed by strong control and support from the government. The government directly owns 81.48% stake in the Company in addition to the PIF ownership of 16%. Aramco's significant investments in capex and capacity expansion position the Company for future growth. Additionally, the Company maintains low production costs and substantial reserves, offsetting potential energy transition risks. Aramco boasts an SCP rating of ‘aa+’, three notches above the Sovereign’s foreign currency rating of ‘A+’. The worsening of Saudi Aramco's relative position to local peers would likely lead to a downgrade of rating.
- Revenue declined 1.0% to SAR 405.6 Tn in 1Q25, mainly due to a decline in crude oil prices, largely offset by a higher volume of crude oil sold. Revenue from Downstream operation rose 6.3% YOY to SAR 228.4 Bn in 1Q25, while revenue from Upstream operation fell 5.3% YOY to SAR 176.5 Bn in 1Q25. Other income related to sales declined 33.1% YOY to SAR 24.0 Bn in 1Q25, owing to a significant decline in revenue from the Downstream operation compared to the fall in revenue from the Downstream operation in 1Q25. Thus, revenue and other income related to sales fell from SAR 0.44 Tn in 1Q24 to SAR 0.43 Tn in 1Q25.
- Royalties and other taxes declined from SAR 52.2 Bn in 1Q24 to SAR 40.8 Bn in 1Q25. Total operating costs rose 1.0% to SAR 0.24 Tn in 1Q25 owing to an increase in purchases, producing and manufacturing expenses, partially offset by a decline in Selling, administrative and general, Exploration, royalties and other taxes, and Research and development expenses. The Company’s finance income fell to SAR 3.7 Bn in 1Q25 compared to SAR 6.8 Bn in 1Q24.
- Income before taxes and zakat fell from SAR 205.0 Bn in 1Q24 to SAR 190.2 Bn in 1Q25, primarily attributed to a decline in crude oil prices, partially offset by higher volumes sold.
- Furthermore, Aramco’s net profit declined from SAR 102.3 Bn in 1Q24 to SAR 97.5 Bn in 1Q25.

- Free cash flow fell from SAR 85.3 Bn in 1Q24 to SAR 71.8 Bn in 1Q25, primarily attributable to lower earnings, partially offset by favourable movements in working capital.
- Aramco paid base dividends of SAR 79.3 Bn in 1Q25. Additionally, the company distributed performance-linked dividends of SAR 0.8 Bn in the same period.
- The Company's progress on its Upstream oil and gas projects, such as the Dammam project expected to launch in 2H24, Marjan & Berri expected to launch by FY2025, and Zuluf anticipated to launch by FY2026, will enhance its operational flexibility to capture value from strong global demand. However, Aramco's strategy to boost oil production capacity to 13.0 Mn barrels per day by FY2027 is affected due to the OPEC+ cuts.
- Aramco's gearing ratio stood at 5.3% in 1Q25 compared to 4.5% in FY2024. The increase in gearing was primarily driven by the change in the net debt position, mainly reflecting dividend payments and capital expenditures, partially offset by operating cash inflows during the period. Aramco's capex amounted to SAR 47.0 Bn in 1Q25 compared to SAR 40.6 Bn in 1Q24, the increase was primarily due to increased development activity to support the strategic expansion of the Company's gas business. The Company's debt rose from SAR 319.3 Bn in FY2024 to SAR 326.1 Bn in 1Q25.

BGBKKK 2.75% 2031: Maintain MARKET WEIGHT rating

We are MARKETWEIGHT on Burgan Bank's 2.75% Tier 2 subordinated bond, currently trading at USD 94.82. The bond offers a yield of 7.34% and a duration of 1.14. Its loan book is diversified with exposure to Kuwait and international operations in multiple sectors.

- Burgan Bank is one of the leading conventional banks in Kuwait in terms of total assets and is listed on Boursa Kuwait. The Bank has a network of 123 branches and 283 ATMs as of 1Q25. KIPCO Company majorly owns the Bank with a stake of 33.5%.
- Burgan Bank revenues increased 8.0 % YOY to KWD 58 Mn in 1Q25, driven by a 30.1% YOY growth in the net interest income amounting to KWD 44 Mn, partially offset by a 30.2% YOY decline in the non-interest income amounting to KWD 14 Mn.
- The net interest margins rose to 2.5% YOY in 1Q25 compared to 2.0% in 1Q24. Net fees and commissions income increased from KWD 8.1 Mn in 1Q24 to KWD 7.9 Mn in 1Q25.
- Operating expenses increased 12.3% YOY to KWD 33 Mn in 1Q25. The cost-to-income ratio stood at 57.8% in 1Q25 compared to 55.6% in 1Q24.
- Provision expenses net of recoveries stood at KWD 6.8 Mn in 1Q25 compared to KWD 3.0 Mn in 1Q24 mainly due to an increase in provision for credit losses.
- The Bank reported a net profit attributable to shareholders of KWD 10 Mn in 1Q25.
- Loan and advances to customers rose 7.7% YOY to KWD 4.7 Bn in 1Q25. Deposit rose 6.9% YOY to KWD 5.4 Bn in 1Q25, with a CASA deposit of 27%.
- The Bank's non-performing loans fell marginally from 2.6% in 1Q24 to 1.8% in 1Q25. Capital adequacy ratio stood at 17.5% in 1Q25, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 181% and 113%, respectively, as of 1Q25, substantially above the minimum regulatory requirement of 100%.
- The bank redeemed its USD 500 Mn AT1 bonds in July 2024 as part of its funding strategy, under which it issued new USD-denominated AT1 Bonds worth KWD 150 Mn in May 2024.
- The bank has launched a USD 500 Mn Certificate of Deposit (CD) program to further diversify its funding base.
- Furthermore, Burgan Bank acquired from the Central Bank to acquire United Gulf Bank from United Gulf Holdings.
- Fitch Ratings affirmed Burgan Bank's long-term IDR at "A" with a stable outlook. Moody's assigned a credit rating of "Baa1" with a Stable Outlook and S&P Global also assigned a rating of "BBB+" with a Stable outlook.

GENHLD 4.76% 2025: OVERWEIGHT rating

We assign an OVERWEIGHT rating on Senaat's 4.76% Sukuk maturing in December 2025. The Sukuk is trading for USD 100.07 and offers a yield of 4.58% when held till maturity (redemption at par). Arkan Building Materials Company PJSC completed the acquisition of Emirates Steel Industries PJSC ("Emirates Steel") and issued share capital from its majority shareholder, General Holding Corporation PJSC ("SENAAT"), on October 6th, 2021, in exchange for the issuance of 5.1 Bn new ordinary shares in the Company. Emirates Steel became a direct 100% subsidiary of the Company, and SENAAT's ownership in Arkan increased from 51% to 87.5% of its issued share capital as a result of this transaction.

- Overall Group revenues in FY2023 reached AED 13,466 Mn, down from AED 13,525 Mn in FY2022, the decline in revenue is attributed to lower revenues from the building materials and Steel industries, partially offset by growth in the Food, beverages, and tannery segment.
- Revenue from the Food and Beverages segment increased to AED 4,567 Mn in FY2023 compared to AED 4,072 Mn in FY2022. Revenue from the Steel industry declined from AED 8,565 Mn in FY2022 to AED 8,029 Mn in FY2023. The revenue from Building materials declined to AED 871 Mn in FY2023 from AED 887 Mn in FY2022.
- The EBITDA of the Group reached AED 2,159 Mn in FY2023, up from AED 2,117 Mn in FY 2022. The EBITDA margin increased to 16.04% in FY2023 from 15.65% in FY2022. However, the net profit of the Group declined to AED 1,058 Mn in FY2023 from AED 1,097 Mn in FY2022. The net profit margin also declined to 7.86% in FY2023 from 8.11% in FY2022. The Group earned 8.2% return on equity in FY2023 as compared to 8.8% in FY2022.
- As of December 31, 2023, the Group's total assets stood at AED 20.6 Bn, down from AED 21.0 Bn in December 2022, and the value of shareholders equity was AED 13.3 Bn, up from AED 12.4 Bn in December 2022. The external debt of the Group declined to AED 3.1 Bn in FY2023 from AED 4.9 Bn in FY2022, improving the EBITDA leverage from 3.1x in FY2022 to 1.7x in FY2023. Out of the total debt, AED 489 Mn will mature in FY2024. The consolidated cash and bank balance declined to AED 1,077 Mn in FY2023 from AED 1,436 Mn in FY2022 attributed to the investment in working capital.
- The Long-Term Issuer Default Rating (IDR) of General Holding Corporation PJSC (Senaat) has been affirmed by Fitch Ratings at 'A' with a Stable Outlook. Senaat's Sukuk Limited's senior unsecured notes were similarly affirmed at 'A' by Fitch.

INTLWT 5.95% 2039: Maintain MARKET WEIGHT rating

We assign MARKETWEIGHT on APMI One's 5.95% bond maturing in May 2039. The bond is trading at USD 99.50 with a yield of 6.02% if held till maturity (redemption at par). The bond has a modified duration of 6.99. The Bond has a credit rating of BBB- from Fitch and Baa3 from Moody's both with a stable outlook.

ACWA Power Management and Investments One Ltd (APMI One) is wholly owned subsidiary of ACWA Power Company. ACWA Power Co. develops, operates, and invest in power generating and desalinated water production plants in Saudi Arabia. The company was established in FY2004 in KSA and expanded throughout the years to operate in 12 countries. The first expansion plan took place in FY2008-FY2010 in Oman and Jordan, then from FY2012 to FY2014, the company expanded in Morocco, South Africa, and Turkey. The final expansion was in UAE, Egypt, Bahrain, Vietnam, Ethiopia, and Uzbekistan from FY2015 to FY2020.

- Eleven large-scale new renewable projects, which aggregate of c.7.1 GW have been added to the portfolio in 2023, which now accounts for 44.5% of the power portfolio. The Company also targets achieving an equal 50/50 portfolio balance between renewables and flexible generation by FY2030. The Company has 101 assets (in operation, under construction, or in advanced development) with a total investment cost of SAR 403 Bn, generating 78.9 GW of electricity producing 9.5 Mn cubic meters of desalinated water per day.
- The Company agreed to sell its 32% effective investment in SQWEC, an oil-fired facility with 850 MW of power and 212,000 cubic meters' water desalination capacity in the Kingdom of Saudi Arabia, on September 7, 2021. The sale

reduced the diversification of APMI One cash flow. In order to offset the impact of lost cashflows from SQWEC, ACWA Power increased the stake in RAWEC that forms part of APMI One bondholder security and cashflows from 37% to 80%, while this offsets the cashflow impact of the sale of SQWEC, it results in greater concentration at RAWEC, for which we view the offtaker as of lower credit quality than for others in the portfolio. The issuer APMI One is a Special Purpose Company, incorporated under the laws of DIFC, which is 100% owned by ACWA Power Projects. However, APMI One is not the only entity ACWA Power Projects has its hands on. Below is the effective percentage share of ACWA Power in the listed entities as of 31st December FY2024:

- 30% in Shuaibah Water & Electricity Co. (SWEC), Contract Initiated in 1Q10 for 20-yr PWPA.
- 30% in Shuaibah Expansion Project Co. (SEPCO), Contract Initiated in 4Q09 for 20-yr WPA.
- 69% in Rabigh Arabian Water & Electricity Co. (RAWEC), Contract Initiated in 2Q08 & 2Q16 for 25-yr WECA.
- 40% in Rabigh Electricity Co. (RABEC), Contract Initiated in 2Q13 for 20-yr PPA.
- 20% in Jubail Water & Power Co. (JWAP), Contract Initiated in 3Q10 for 20-yr PWPA.
- 22.5% in Hajr for Electricity Production Co. (HEPCO), Contract Initiated in 2Q16 for 20-yr PPA.
- 100% in First National Holding Co., which own 99% ownership in First National O&M Co. (NOMAC), NOMAC went through a restructuring that led to all the assets and liability, (Not including Rabigh Power Company (O&M)), under APP to be transferred to First National Holding Co.
- APP filed its zakat and tax returns for all the years till FY2023. APPs closed its position with the ZATCA until FY2018, however, the assessment is pending for FY2019-22. The Company's subsidiaries and associates received a higher tax assessment from ZATCA, which led to an additional liability of SAR 151 Mn (with ACWA Power share of SAR 79 Mn). The Company has recognised provisions of SAR 151 Mn (ACWA Power share of SAR 79 Mn) against this assessment as of 31st March 2025.

The financial details as of 1Q25 for ACWA Power are listed below:

- ACWA Power's operating income before impairment loss and other expenses significantly grew from SAR 401 Mn in 1Q24 to SAR 870 Mn in 1Q25. The rise in operating income was primarily due to services and procurement income from projects in development and construction, partially offset by higher development cost provision/write-off.
- Net profit attributed to the equity holders grew 44.2% YOY to SAR 427 Mn in 1Q25. The growth in net profit is primarily from higher operating income, lower impairment loss at Noor 3 CSP in Morocco and lower Zakat and tax charges, partially offset by higher financial charges and share of profit to non-controlling shareholders.
- The adjusted net profit for 1Q25 amounted to SAR 525 Mn, a significant increase compared to SAR 92 Mn in 1Q24. This sharp rise was driven by an adjustment of SAR 97 Mn loss in 1Q25 compared SAR 204 Mn gain during 1Q24.
- In 1Q25, ACWA Power signed a Share Purchase Agreement (SPA) to acquire multiple strategic assets across Kuwait and Bahrain for a total consideration of SAR 2.6 Bn. The transaction includes a 17.5% stake in Az-Zour North and a 50% stake in its O&M company in Kuwait, as well as a 45% stake in Al Ezzel along with full ownership of its O&M company, a 45% stake in Al Dur, and a 30% stake in Al Hidd in Bahrain. After completion, the deal is expected to add 4.6 GW of gas-fired power generation capacity and 1.1 million m^3/day of water desalination to ACWA Power's portfolio. This increases ACWA Power's overall operational capacity to around 41.8 GW of energy and 6.7 Mn m^3/day of water.
- In 1Q25, consolidated power availability stood at 89.9%, in line with the level recorded in the same period of 2024. This performance reflects a slight decline from year-end 2024 levels, primarily driven by planned maintenance outages during the winter season. Within the Power segment, renewable assets operated at an average availability of 93.7% during 1Q25. This figure was below the typical performance range for the portfolio, largely due to a prolonged outage at the Noor 3 Concentrated Solar Power (CSP) plant in Morocco. Full operations at the facility resumed in April 2025, which is expected to support a return to normal availability levels in the upcoming quarter.
- ACWA Power received Capital Market Authority approval to increase its capital via a SAR 7.1 Bn rights issue.

- ACWA Power reported a cash & short-term investments of SAR 4.0 Bn in 1Q25. The Company's debt stood at SAR 26.1 Bn in 1Q25, up from SAR 24.2 Bn in FY2024.
- The Company's corporate borrowing remains constant at SAR 1.4 Bn in 1Q25.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

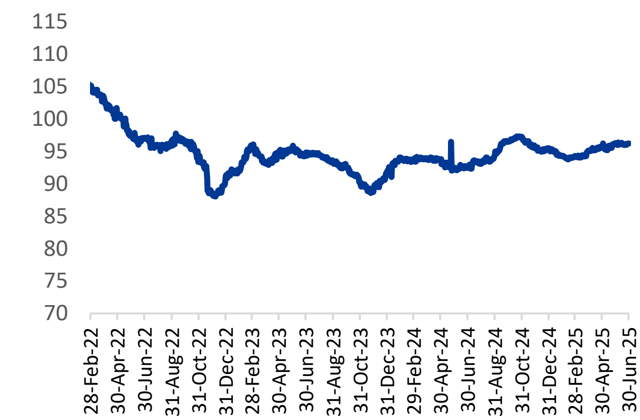


Figure 14: KWIPKK 4.5% 2027

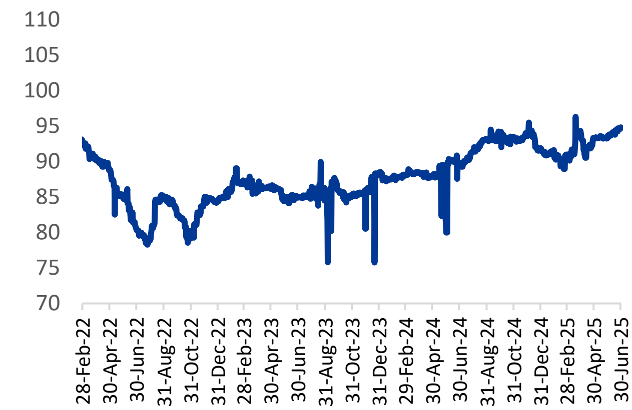


Figure 15: ARAMCO 3.5% 2029

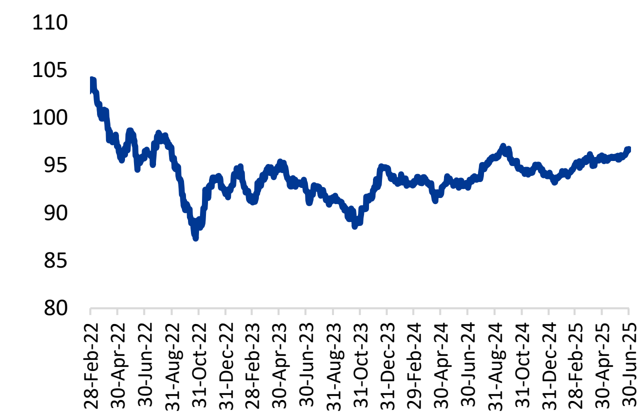


Figure 16: GENHLD 4.76% 2025

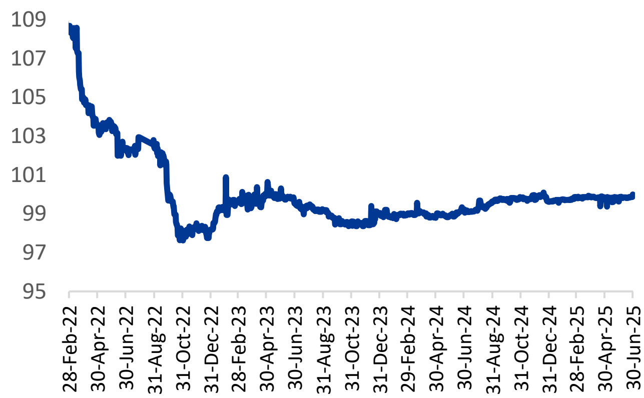


Figure 17: INTLWT 5.95% 2039

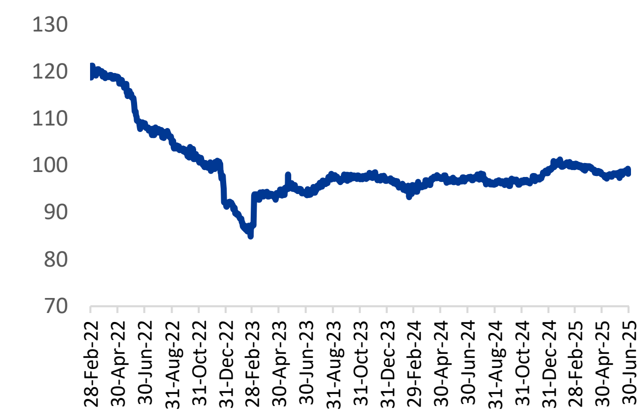
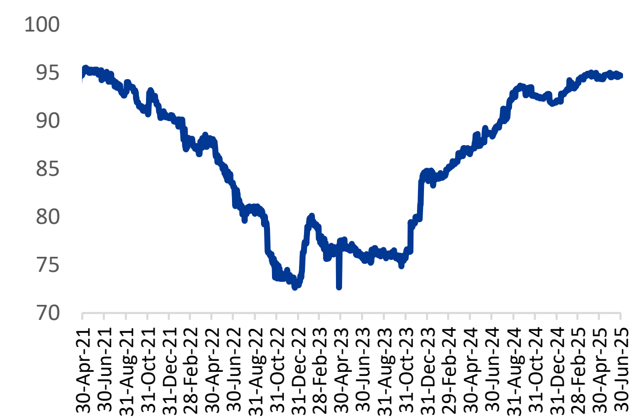


Figure 18: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	66.43	-11.00	3.96
US dollar index	96.74	-10.82	-2.60
10Y Treasury yield[1]	4.20	-0.37	-0.20
2Y Treasury yield[1]	3.71	-0.54	-0.18
10Y German bond yield[1]	2.60	0.24	0.11
10Y Japan bond yield[1]	1.39	0.29	-0.11
Bloomberg UAE Composite USD Liquid index	144.35	4.10	1.38

Source: Bloomberg, [1] in Basis point

Sovereign Highlights

UAE

EDGE in Abu Dhabi agreed USD 2.45 Bn naval deal with Kuwait

EDGE, a leading advanced technology and defence group in Abu Dhabi, signed a deal with the Kuwait Ministry of Defence to supply 62-metre FALAJ 3 missile boats. As EDGE is leading the program, it will handle the design, construction, trials, and delivery of the vessels, along with Integrated Logistics Support (ILS) and In-Service Support (ISS), providing ammunition for the vessels, showcasing its end-to-end capability offering. Abu Dhabi Ship Building (ADSB), the naval division of EDGE Group and the UAE's top shipbuilder, has been appointed as the subcontractor responsible for constructing the vessels under the programme.

Non-oil business growth hit four-year low in UAE

UAE non-oil private sector fell to its lowest level in four years to 53.3 in May 2025 from 54.0 in April 2025; however, strong demand continued to support output, reflecting the impact of U.S. tariffs on the Gulf region's second-largest economy. The UAE economy performed well, but the output growth remained slow. Despite strong demand from clients, businesses faced pressure from competition and weaker trade due to US tariffs, leading to a weak outlook and expectations of slower growth. Firms also disclosed a slight rise in input costs in May 2025.

Five Holdings to consider IPO in London or New York

FIVE Holdings, a Dubai party hotel operator that owns the Pacha hotel and nightclub, had been evaluating an initial public offering (IPO) in Dubai but is now considering a listing in London or New York. The company is likely to be valued at USD 3 Bn. The company is expected to begin the listing process by the end of the year. London is a strong IPO candidate for FIVE, driven by its large British client base and strong revenues from Ibiza, where the company operates luxury hotels alongside its properties in Switzerland and Dubai, offering premium experiences, potentially boosting London's struggling IPO market. Global IPO activity has slowed due to market volatility from U.S. policies, but the Gulf region remains active with Saudi Arabia and the UAE pushing ahead with listings.

ADNOC to take over Australia's Santos in USD 18.7 Bn deal

Santos in Australia has planned to support a USD 18.7 Bn all-cash takeover bid led by ADNOC, aiming to expand its global gas business. ADNOC's XRG, ADQ, and Carlyle offered AUD 8.89 per Santos share, while the stock last traded at AUD 7.72. The deal, valued at AUD 36.4 Bn including debt, would be Australia's largest all-cash corporate buyout. The takeover bid comes amid rising oil prices due to Middle East tensions. With Santos, the XRG-led group would gain key LNG assets in Australia and Papua New Guinea, plus an oil project in Alaska. XRG aims to grow its LNG output to 20–25 Mn tons annually by 2035.

World Bank raised UAE 2025 growth forecast to 4.6% on strong non-oil performance

The World Bank expects the UAE's economy to grow by 4.6% in 2025 and 4.9% in 2026, up by 0.6% & 0.8% respectively, helped by strong non-oil business activity. The World Bank expects the UAE's oil GDP to grow as oil production gradually resumes between May 2025 and September 2026, while the non-oil sector is projected to grow 4.9% in 2025, driven by tourism, construction, transport, and finance. Overall GDP growth is forecast to remain strong at 4.9% in 2027. The 2025 growth is also driven by business reforms, infrastructure projects, and better governance, though sectors like logistics may face challenges from global trade disruptions.

Fitch affirmed UAE's AA-rating

Fitch affirmed the UAE's AA-rating on firm reserves, low debt, and high GDP per capita. Although regional tensions and reliance on hydrocarbons, the UAE's significant foreign assets accounted for 157% of GDP, supporting the rating. Fitch expects the current conflict to remain contained and the UAE to maintain solid budget surpluses and achieve 5.2% GDP growth in 2025, mainly driven by rising oil output and steady non-oil sector expansion, further supporting the rating.

Saudi Arabia

Aramco issued USD 5 Bn bond in US

Aramco launched a 30-year bond of USD 5 Bn in the US market. Investors are keen to buy, even though the same 30-year government bond has been volatile recently. The reason to invest in the market is uncertain, and investors want to earn higher returns. For Aramco, issuing long-term bonds matches its financial strategy. Since companies like Aramco invest in long-term projects and durable assets, it is sensible for them to use long-term financing to match their investment horizon.

Saudi PMI rose as non-oil sector recorded strong output growth in May 2025

Saudi Arabia's non-oil PMI increased to 55.8 in May 2025 from 55.6 in April 2025, indicating slightly stronger growth, though still below the peak of 60.5 seen earlier this year. PMI companies reported an increase in new orders and employment, while the most considerable growth in purchasing activity was supported by faster vendor delivery. However, the selling price has remained low due to pressure from competitors. Firms reported improvements in demand, new project starts, and greater labour capacity as key drivers. Though slightly softer, this expansion reflects stable operating conditions and continued confidence across the private sector in Saudi Arabia.

Saudi Industrial Production rose 3.1% in April 2025, Utility Sub-Index slipped 0.2%

As per GASTAT, Saudi Industrial Production grew 3.1% YOY in April 2025, while the sub-index for electricity, gas, steam, and air conditioning supply activities declined 0.2% YOY. However, public utilities increased 8.8% in April 2025 compared to April 2024. The oil-related and non-oil activities index also grew 4.3% YOY and 0.1% YOY in April 2025.

Saudi inflation declined to 2.2% in May 2025 as CPI dropped slightly

Inflation in Saudi Arabia eased to 2.2% in May 2025, while the Consumer Price Index (CPI), which measures inflation, fell by 0.1% in May 2025 compared to April 2025, at 2.3%. The primary reason for falling inflation is a decline in the price of transportation, entertainment and culture, home furnishings and equipment, clothing and footwear, and communications. Price indices in other sectors, such as restaurants and hotels, education, and health remained unchanged. GASTAT reported price hikes in May 2025 across housing, food, services, and tobacco, led by a 0.4% rise in housing rents.

Saudi Arabia recorded GDP growth of 3.4% in 1Q25, beating earlier estimate of 2.7%

Saudi Arabia's economy grew by 3.4% in 1Q25, beating the forecast of 2.7%. This growth was primarily affected by lower oil prices due to an increase in the Kingdom’s oil output. On the other hand, non-oil growth expanded to 4.9% in 1Q25 compared to an estimate of 4.2%. Saudi Arabia, the world’s top oil exporter, cut July 2025 prices for Asian buyers in early June 2025 after OPEC+ raised output for a fourth straight month, including a 411,000 bpd increase for July 2025 following similar hikes in May 2025 and June 2025.

Qatar

Qatar reported USD 133 Mn budget deficit in 1Q25

Qatar posted a budget deficit of USD 133 Mn in 1Q25, covered via debt instruments, as revenue dropped 7.5% YOY to OMR 49.4 Bn. Non-oil revenue contributed OMR 6.9 Bn, while government spending declined 2.8% YOY to OMR 49.94 Bn.

Qatar Investment Authority acquired stake of 49% in Msheireb Properties

Msheireb Properties, Qatar’s leading sustainable real estate developer, has entered into a strategic partnership with Qatar Investment Authority (QIA) to boost the development of smart and sustainable urban projects within Qatar. QIA acquired a

49% stake in Msheireb Properties to support its smart, sustainable city model, while Qatar Foundation retains 51%. The partnership aligns with Qatar's Vision 2030 and aims to accelerate innovative real estate development. This collaboration allows Msheireb Properties to replicate its acclaimed urban development model, building on the success of Msheireb Downtown Doha, the world's first fully renewed and sustainable city district.

QIA partnered with Fiera Capital to launch a USD 200 Mn fund

Qatar Investment Authority (QIA) and Canada's Fiera Capital launched a USD 200 Mn equity fund to attract foreign and local investment into Qatar's stock market. The Fiera Qatar Equity Fund, structured as a daily-dealing mutual fund, comes amid regional tensions and is part of QIA's broader push to diversify the economy and strengthen market participation. QIA is expected to serve as the anchor investor. The initiative by QIA follows similar partnerships, including a USD 200 Mn fund with Ashmore Group in May 2025.

Oman

Oman to implement 5% income tax on high earners from 2028

Oman will introduce a 5% income tax on individuals earning more than OMR 42,000 annually, effective from January 2028, marking a significant milestone in its fiscal reform agenda and the first such initiative in the GCC. The newly enacted law, comprised of 76 articles across 16 chapters, aims to diversify revenue sources while ensuring that most citizens remain unaffected. According to data gathered from multiple government bodies, approximately 1% of the population is expected to fall within the taxable income bracket.

Egypt

Egypt's non-oil private sector decline eased as PMI rose to 49.5 in May 2025

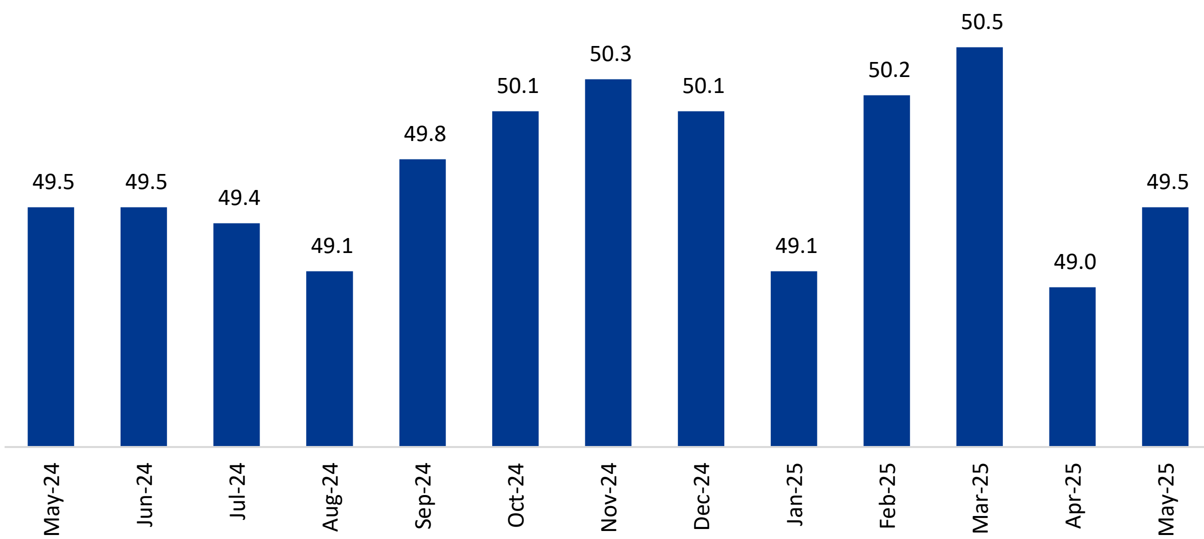
Egypt's PMI rose to 49.5 in May 2025 from 48.5 in April 2025, signalling a slower pace of contraction in the non-oil private sector. Output and new orders fell slower in May 2025, but firms cut purchases at the fastest rate in seven months and reduced staff for a fourth straight month. Output rose to 49.5 in May 2025 from 47.4 in April 2025 and new orders to 49.1 in May 2025 from 47.4 in April 2025 while, input costs jumped due to higher supplier charges and exchange rate swings, leading to a fresh rise in selling prices.

Global Economy

China factory activity contracts sharply in May on weak exports, tariff pressure

China's manufacturing activity shrank at the fastest pace since September 2022 in May, as US tariffs weighed on external demand and new orders. The Caixin manufacturing PMI fell to 48.3 in May 2025 from 50.4 in April 2025, missing estimates and marking the first sub-50 reading in eight months. New export orders dropped to their lowest since July 2023, while overall new orders and output also declined, leading to a contraction in manufacturing output for the first time in 19 months. Employment fell at the fastest pace since January, and inventories rose amid soft sales and shipping delays. Input and output prices also continued to decline. However, the official PMI suggested a milder contraction, rising slightly to 49.5 in May 2025 from 49.0 in April 2025, while non-manufacturing activity softened with the services PMI easing to 50.3 in May 2025 from 50.4 in April 2025.

Figure 20: Official China Manufacturing PMI

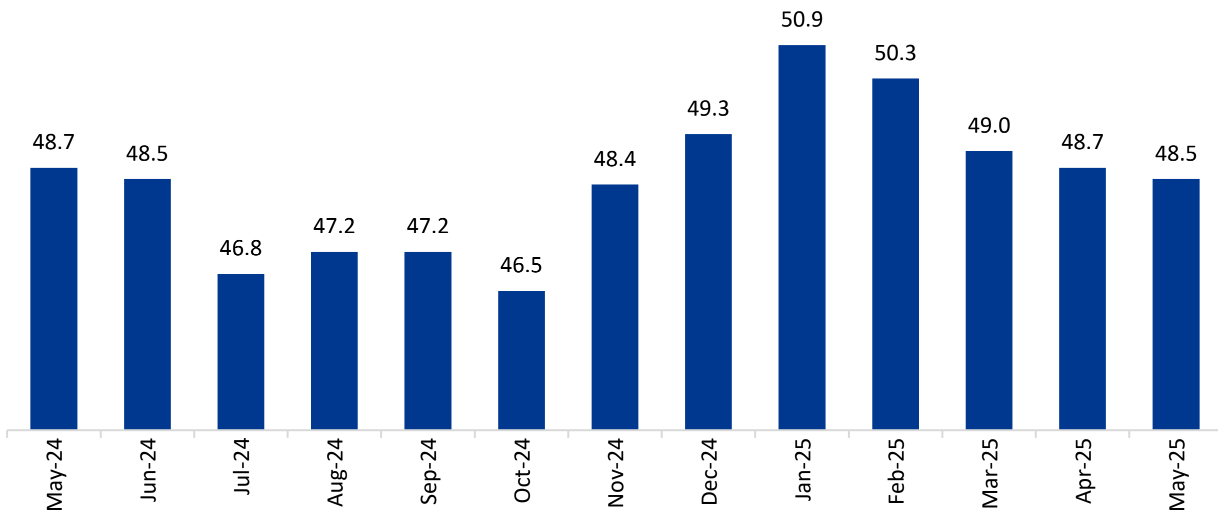


Source: CAPIQ

US manufacturing activity hits six-month low in May amid persistent weakness

US manufacturing activity slipped unexpectedly, with the ISM PMI falling to 48.5 in May 2025 from 48.7 in April 2025, marking its lowest level since November 2024 and remaining below the 50-mark for a second month. The decline came despite slight improvements in new orders, which grew from 47.6 in May 2025 compared to 47.2 in April 2025, and production, which grew to 45.4 in May 2025 compared to 44.0 in April 2025, both stayed in contraction territory. Employment also remained weak, contracting for the fourth consecutive month at 46.8 in May 2025 compared to 46.5 in April 2025. Meanwhile, the prices index eased slightly to 69.4 in May 2025 from 69.8 in April 2025, indicating a modest slowdown in input cost growth.

Figure 21: US ISM Manufacturing PMI

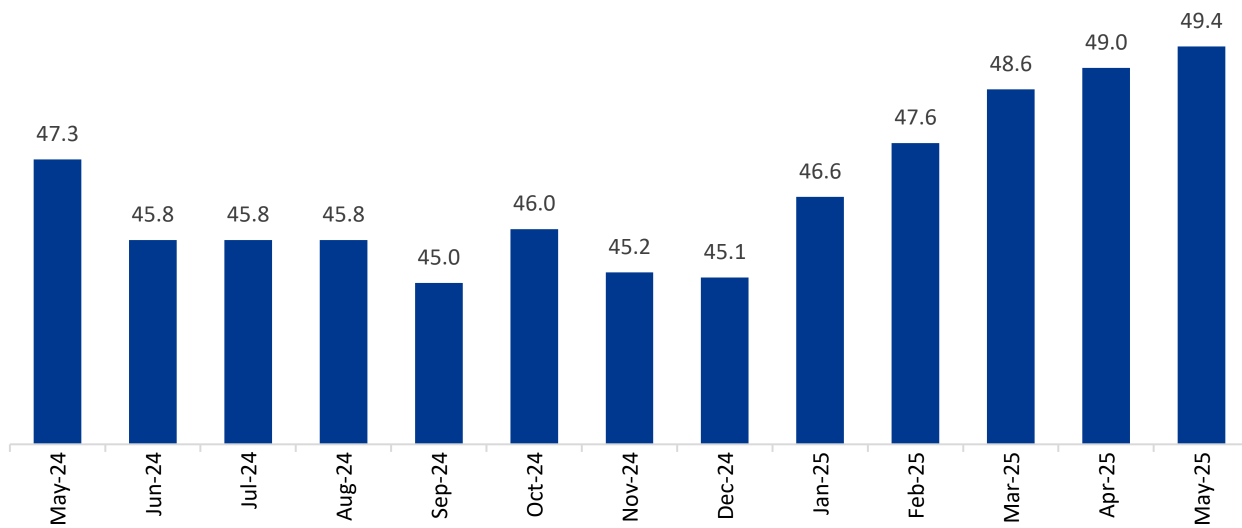


Source: CAPIQ

Eurozone manufacturing contraction eases in May, signals recovery momentum

Euro area manufacturing activity contracted at the slowest pace in over two years in May 2025, with the HCOB PMI rising to 49.4 from 49.0 in April 2025, its highest level since August 2022 and in line with the flash estimate. The improvement reflected stabilising demand and softer cutbacks in employment and inventories. Business sentiment rose to its strongest level since February 2022, while easing factory prices added scope for ECB rate cuts. Among major economies, Spain's manufacturing PMI returned to expansion with 50.5 in May 2025 compared to 48.1 in April 2025. France’s PMI nearly stabilised with 49.8 in May 2025 compared to 48.1 in April 2025, and Germany posted a third monthly rise in output despite weaker business conditions. Germany recorded a slightly lower PMI at 48.3 in May 2025 compared to 48.4 in April 2025. Additionally, Italy’s PMI slipped marginally to 49.2 in May 2025 compared to 49.3 in April 2025, continuing its contraction.

Figure 22: Eurozone's Manufacturing PMI



Source: CAPIQ

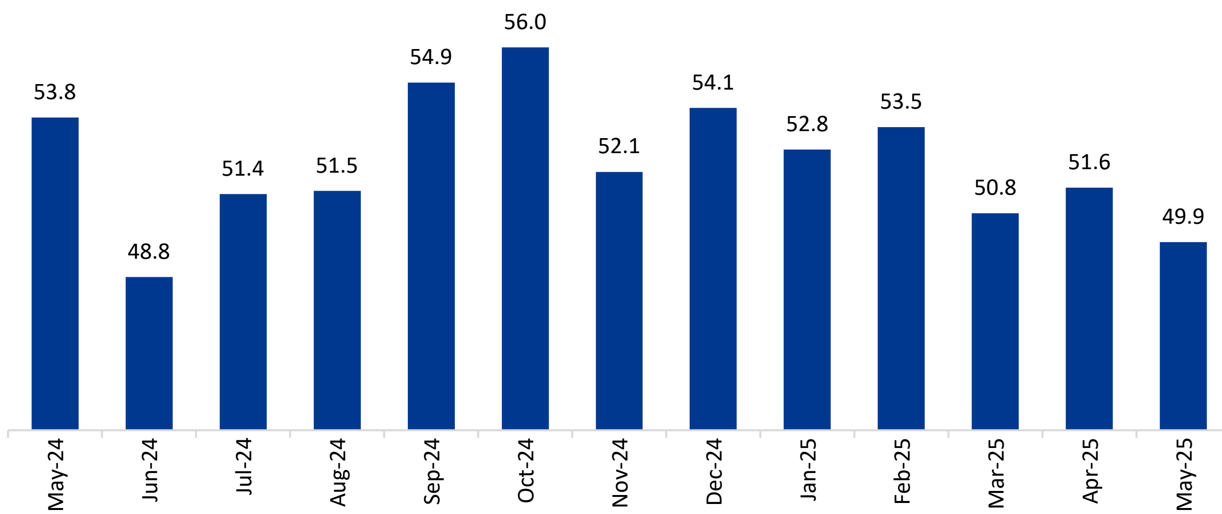
Eurozone inflation drops below 2% for the first time since 2024, boosting ECB rate cut expectations

Eurozone headline inflation eased to 1.9% in May 2025 from 2.2% in April 2025, falling below the ECB's 2% target for the first time since September 2024 and reinforcing expectations of further monetary easing. Core inflation also slowed to 2.3% in May 2025 from 2.7% in April 2025. Service inflation recorded a sharp moderation to 3.2% in May 2025 from 4.0% in April 2025. The harmonised index of consumer prices was flat on a monthly basis. Energy prices declined 3.6% YOY, while food, alcohol, and tobacco inflation increased to 3.3%. Separately, the euro area unemployment rate fell to 6.2% in April 2025, the lowest since December 2024, supporting the case for continued easing.

US services activity slips into contraction in May on weak demand

US services activity unexpectedly contracted in May 2025, with the ISM Services PMI falling to 49.9 from 51.6 in April 2025, its lowest reading since June 2024 and below the expected 52.0. The decline was driven by a sharp drop in new orders, which fell to 46.4 in May 2025 from 52.3 in April 2025, and business activity, which dropped to 50.0 in May 2025 from 53.7 in April 2025. Employment rebounded slightly, rising to 50.7 in May 2025 from 49.0 in April 2025 after two months of contraction, while the prices index jumped to 68.7 in May 2025 from 65.1 in April 2025 the highest since November 2022, amid persistent cost pressures.

Figure 23: US ISM Services PMI

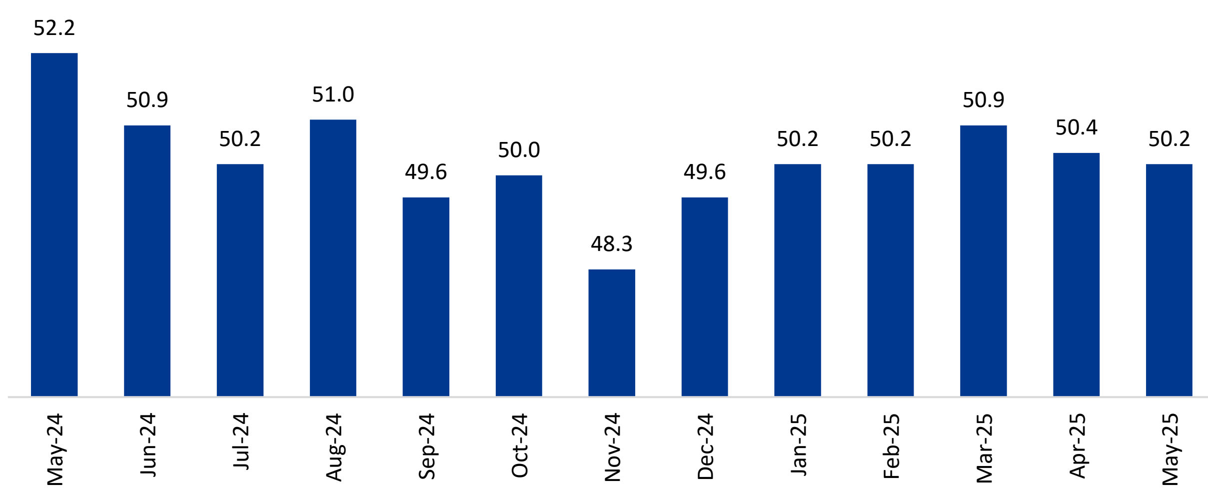


Source: CAPIQ

Eurozone private sector growth slows in May amid weak services activity

The euro area private sector expanded for a fifth straight month in May 2025, but the HCOB composite PMI eased to 50.2 from 50.4 in April 2025, reflecting the slowest growth in three months. The expansion was driven by manufacturing, while services activity contracted for the first time since November 2024, with the services PMI falling to 49.7 in May 2025 from 50.1 in April 2025. Input cost inflation moderated to a six-month low, and output prices rose slowly since October 2024. Business confidence picked up for the first time since January, though new orders remained weak. New business inflows continued to decline, extending the downturn that began in June 2024. International demand also softened, with new export orders falling for the thirty-ninth consecutive month.

Figure 24: HCOB Eurozone Composite Purchasing Managers Index (PMI)



Source: CAPIQ

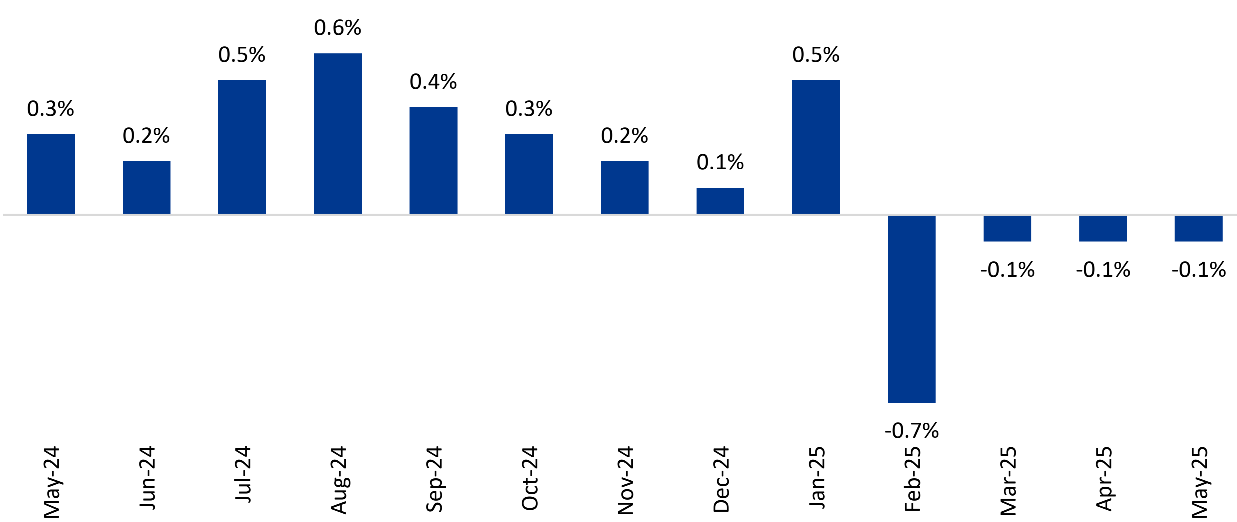
ECB cuts rates by 25 bps; signals pause amid global uncertainty and trims inflation outlook

The European Central Bank cut interest rates by 25 bps in June, marking its eighth reduction since June 2024 and bringing the deposit rate to 2%, widely considered the “neutral” level. The move came amid easing inflation, with headline CPI falling in line with the 2% target, and a subdued eurozone growth outlook impacted by external risks, particularly volatile US trade policy. The ECB trimmed its 2025 inflation forecast to 2.0% (from 2.3%) and projected 1.6% inflation for 2026, primarily due to lower energy prices and a stronger euro. Core inflation projections remained stable. GDP is expected to grow by 0.9% in 2025, supported by resilient 1Q25 data, fiscal spending, and rising real incomes. The Central Bank reiterated its data-dependent, meeting-by-meeting approach and offered no forward guidance, with markets now expecting a pause in July. While external risks remain elevated, potential longer-term inflation pressures from EU fiscal stimulus, defence spending, and demographic shifts continue to linger.

China inflation remains weak; export growth moderates while trade surplus hits a record

China’s CPI fell by 0.1% YOY in May 2025, marking the fourth straight month of decline, amid subdued domestic demand. Core inflation increased to 0.6% in May 2025 from 0.5% in April 2025, while food prices declined 0.4%. The producer prices dropped 3.3% YOY, deepening deflationary trends. The persistent price weakness has raised expectations for further PBoC easing, although ING anticipates a rate cut only by 4Q25. Furthermore, the exports rose 4.8% YOY in May 2025, slowing from 8.1% in April 2025, while imports unexpectedly declined 3.4% YOY in May 2025. The resulting trade surplus widened to a record USD 103.2 Bn in May 2025. Exports to the US plunged 34.5% YOY due to tariff disruptions, with imports from the US also down 18%. The decline resulted from a partial rollback of tariffs agreed upon during May trade negotiations.

Figure 25: China's Consumer Price Index (CPI) YOY

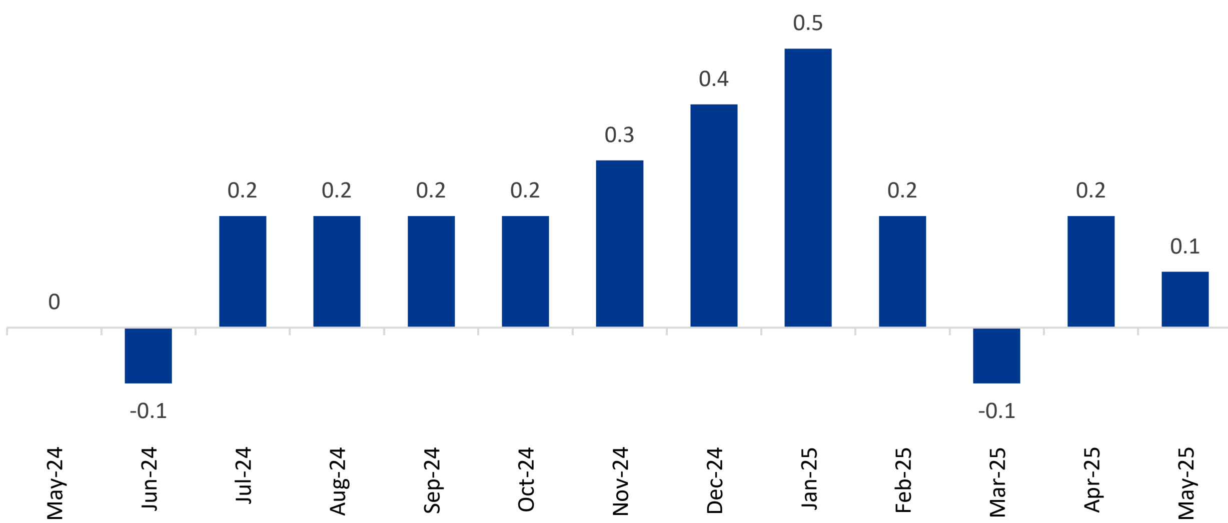


Source: CAPIQ

US consumer prices rose less than expected in May

US consumer prices edged up 0.1% MOM in May 2025, slightly below the 0.2% increase expected by economists and easing from April’s 0.2% rise. On a YOY basis, inflation rose to 2.4% in May 2025 from 2.3% in April 2025 but remained below the 2.5% forecast. Core inflation, which excludes food and energy, also rose just 0.1% MOM, while the YOY rate stayed unchanged at 2.8% during May 2025. Shelter and food prices were key drivers, each rising 0.3%, while energy prices declined 1.0% amid falling gasoline costs. Categories such as airline fares, vehicles, and apparel saw price declines, offsetting broader gains. Despite tariffs, inflationary pressures remain contained, with businesses hesitant to pass on costs.

Figure 26: US CPI (MOM)

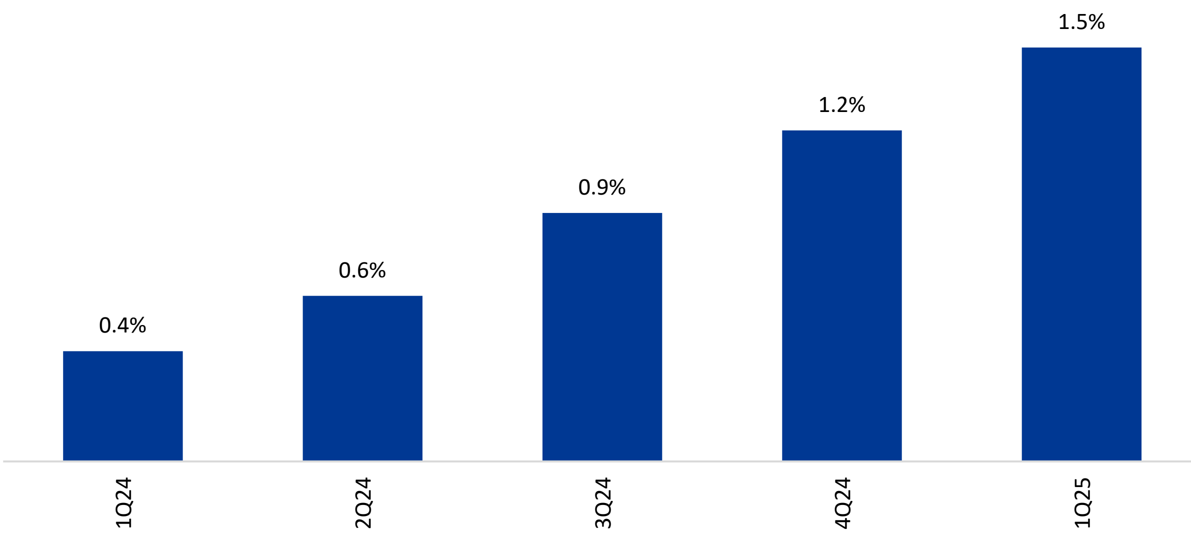


Source: CAPIQ

Eurozone GDP growth beats estimate in 1Q25 on stronger investment and exports

Euro area GDP grew 0.6% QOQ in 1Q25, double the initial estimate of 0.3%, supported by household spending, fixed investment, and exports. On the YOY basis, the economic growth improved to 1.5% in 1Q25 from 1.2% in 4Q24. Gross fixed capital formation accelerated to 1.8%, exports rose 1.9%, while imports increased 1.4%, reversing the prior quarter's decline. Household consumption rose 0.2% QOQ, while government spending remained flat. Inventories dragged growth by 0.1 ppt. Employment rose 0.2% QOQ and 0.7% YOY, with labour productivity up 0.8% YOY per person and 1.1% per hour worked. The data comes just after the ECB cut rates by 25 bps, citing inflation below the 2% target. The ECB projects GDP growth of 0.9% in 2025 and 1.1% in 2026.

Figure 27: Eurozone Gross Domestic Product (GDP) YOY



Source: CAPIQ

Japan inflation rises, reinforced rate hike speculation

Japan's core inflation rose 3.7% YOY, marking a more than two-year high in May 2025 and exceeded the Bank of Japan's (BOJ) 2% target for over three consecutive years. The rise was primarily driven by persistently elevated food prices, excluding volatile fresh items such as vegetables, with the cost of Japan's staple, rice, doubling in May compared to the same period last year. The price of a bar of chocolate also grew by 27%. These factors put pressure on the BOJ to resume rate hikes despite headwinds from U.S. tariffs. Additionally, Services inflation also increased to 1.4% in May 2025, reflecting the gradual pass-through of labour costs by firms. Furthermore, BOJ anticipated that cost-push pressures will ease later this year, supported by rising wages and solid domestic demand, warned that gradual rate hikes amid rising input costs could risk a wage-price spiral.

Powell reiterated that rate cuts remain on hold as US Fed assess the effects of tariffs

U.S. Federal Reserve Chair Jerome Powell stated that the Fed needs more time to assess the impact of rising tariffs on inflation before considering interest rate cuts. Powell noted that tariffs could temporarily increase prices, but their long-term effects on inflation remain uncertain. The Fed recently held rates steady, with no immediate plans for cuts, although some officials expect rate reductions later this year. Powell emphasised the economy remains solid, but ongoing trade policy developments will be crucial in shaping future decisions.

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