

Easing Geopolitical Risks Revive Global Risk Appetite

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

GCC fixed-income markets have strengthened following the easing of geopolitical tensions after the US-Iran deal, with investment-grade credit spreads returning to pre-conflict levels. According to Fitch ratings, as of 15 June 2026, the yield spread between the S&P GCC Sukuk Index and US Treasuries narrowed to 67 bps, from c. 100 bps on 23 March 2026, while the S&P GCC Bond Index spread declined to 89 bps from 126 bps over the same period. However, high-yield- GCC sukuk spreads remained elevated at 251 bps on 15 June 2026, compared with 209 bps before the conflict, indicating that investors continue to demand a higher risk premium for lower-rated issuers. Investment-grade GCC sukuk and bond yields moderated to 4.94% and 5.16%, respectively in June 2026, from their March peaks, whereas high-yield sukuk yields eased to 6.78% on 15 June. Looking ahead, the GCC fixed-income outlook remains cautiously positive, supported by lower geopolitical risk premiums, but yields are expected to stay relatively elevated due to the 4.27% US Treasury yield, continued interest rate volatility, and Fitch's expectation that the US Federal Reserve will not cut interest rates in 2026.

The GCC primary debt market remained active in June 2026, with issuance spanning sovereign, financial institution, multilateral, and corporate borrowers across both conventional and Islamic formats. Sovereign activity included Bahrain's benchmark 10-year USD bond issuance and Kuwait's KWD 550 Mn domestic offering across two- to seven-year maturities at yields ranging from 2.70% to 3.25%, as both governments continued to address widening fiscal deficits amid heightened regional geopolitical uncertainty. AT1 issuance emerged as a key theme during the month, led by Dubai Islamic Bank's USD 1 Bn PerpNC6 sukuk, Dukhan Bank's USD 500 Mn PerpNC5.5 sukuk, and Bank Al Jazira's USD 500 Mn PerpNC5.5 issuance. Among financial institutions, First Abu Dhabi Bank was the most active issue, raising EUR 750 Mn through a three-year green bond, while Emirates NBD completed a USD 1.5 Bn five-year senior unsecured bond via private placement at a yield of 5.125%. Corporate issuance also remained robust, with Burjeel Holdings making its debut in the international debt capital markets through a USD 500 Mn five-year sukuk, while HEA Energy secured USD 550 Mn via a three-year senior secured first-lien bond carrying an 8.75% coupon, underscoring resilient investor demand across the GCC credit spectrum despite a volatile geopolitical environment.

In June 2026, the US Federal Reserve maintained the federal funds rate at 3.50%-3.75%, as inflation continued to remain above the central bank's 2% target. The latest policy projections indicate a more cautious stance, with several policymakers anticipating the possibility of a rate hike before the end of 2026, amid persistent inflationary pressures. The US 10-year Treasury yield remained broadly stable during June 2026, easing by 3 bps from 4.47% at the start of the month to 4.44% at month-end. Meanwhile, the 5-year CDS increased across all GCC countries. The S&P UAE PMI increased from 52.1 in April 2026 to 52.6 in May 2026, but remained below the long-term average of 54.3. Business activity growth reached a three-month high during the month, supported by stronger market demand, project expansions, and government-led initiatives. Supply-chain conditions deteriorated significantly during May, with supplier delivery times lengthening at the fastest pace since April 2020. Purchasing activity declined for the first time in nine months as businesses and input cost inflation remained elevated, with costs rising at the second-fastest pace in nearly two years. Non-oil private sector continued to expand in May 2026, although the pace of growth remained moderate due to regional geopolitical tensions and ongoing supply-chain disruptions. Saudi Arabia's PMI increased to 52.8 in May 2026 from 51.5 in April, signalling an improvement in business conditions. Business activity grew at its fastest pace in three months, supported by normalized operations and stronger domestic demand. New order growth remained positive but moderate amid delayed customer spending and intense competition. Supply chains improved, with supplier delivery times shortening for the first time since February, while input cost inflation eased slightly from April's record highs despite continued increases in raw material, freight, and supplier costs.

Saudi Arabia's trade surplus increased 60% QOQ and 43.7% YOY to SAR 90.5 Bn in 1Q26, driven by stronger exports and sustained trade activity. Total merchandise trade reached SAR 535 Bn, with exports of SAR 313 Bn, and imports of SAR 222 Bn in 1Q26. Kuwait's consumer price inflation increased 2.49% YOY in May 2026 and 0.07% MOM, supported by higher prices across food, transport, healthcare, clothing, and other consumer categories. The World Bank projects Oman's economy to grow 2.4% in 2026, outperforming several GCC peers despite a regional slowdown, supported by resilient trade flows through its ports outside the Strait of Hormuz. Growth is expected to accelerate to 3.0% in 2027 and 3.4% in 2028, driven by recovering hydrocarbon output, continued infrastructure investment, and expansion in non-oil sectors. Qatar reported a budget deficit of QAR 10.3 Bn in 1Q26 as oil and gas revenues fell 23.1% YOY to QAR 32.7 Bn in 1Q26, resulting in a 23.5% YOY decline in total revenue to QAR 37.8 Bn in the same period. Total expenditure declined 3.7% YOY to QAR 48.1 Bn in 1Q26, reflecting the impact of weaker hydrocarbon revenues on the fiscal balance. According to the World Bank, Bahrain's GDP is projected to grow by 1.3% in 2026, with growth expected to accelerate to 2.8% in 2027.

Gold Outlook

Gold prices decreased 11.75% MOM in June 2026, closing the month at USD 4,005.95 per ounce. The sharp decline marked the largest monthly drop since late 2008, primarily driven by a hawkish US Federal Reserve stance, which strengthened the US dollar, reducing the appeal of the non-yielding asset like gold. The prices traded mixed with a downward bias at the beginning of the month. The announcement of a partial ceasefire between Hezbollah and Israel, along with easing concerns over the broader Middle East conflict, reduced safe-haven demand and weighed on prices. However, the downside was partially cushioned as investors awaited the release of key US economic data, while a weaker US dollar enhanced the appeal of the precious metal. As the week progressed, stronger-than-expected US labour market data, combined with renewed hostilities involving Israel and Iran, drove oil prices higher and heightened inflationary pressures. This reinforced expectations that the US Fed would maintain a restrictive monetary policy stance, exerting further downward pressure on gold prices. During the following week, gold prices first remained sideways as investors remained uncertain over the durability of the ceasefire in the Middle East conflict. The precious metal extended its decline amid renewed geopolitical hostilities between the US and Iran. However, gold later staged a modest recovery, supported by technical buying and cautious positioning ahead of the release of the US inflation data. Following the rebound, prices traded in a narrow range as market participants awaited the US inflation data for further direction. Post mid-month, gold prices recovered as the US and Iran reached a preliminary agreement to de-escalate the conflict, leading to a decline in oil prices and easing inflationary pressures. The softer inflation outlook reduced expectations of a near-term interest rate hike by the US Fed, providing support to gold. However, prices subsequently traded sideways as investors awaited further clarity on the evolving US-Israel and Iran peace negotiations. Towards the end of the week, gold resumed its downward trend after stronger inflation data, which reinforced expectations that the Fed could raise interest rates later in the year, as inflation remained above the central bank's target. During the following week, gold prices extended their downward trend as elevated oil prices fuelled inflationary pressures, reinforcing expectations of a hawkish US Fed stance. However, the precious metal staged a brief recovery on signs of positive progress in the US-Iran peace negotiations, which improved overall market sentiment. As the week progressed, gold resumed its decline amid growing expectations of a Fed interest rate hike and a strengthening US dollar, which reduced the appeal of the non-yielding asset like gold. Consequently, gold prices fell below the USD 4,000 per ounce mark for the first time since November 2025. In the final week of the month, gold prices remained under pressure as renewed military strikes involving the US and Iran in the Middle East heightened inflationary concerns and reinforced expectations of a Fed rate hike later this year.

Oil Outlook

Oil prices recorded a sharp monthly decline of 20.7% MOM to USD 72.95 per barrel in June 2026, marking one of the steepest monthly declines in recent years, driven by de-escalating geopolitical tensions and the resolution of supply disruption risks in West Asia. Prices remained elevated at the start of the month as the absence of a definitive ceasefire between Israel and Iran, despite ongoing US-Iran negotiations, kept geopolitical risk premiums high, with renewed exchanges of attacks between

Israel and Iran further heightening concerns over potential disruption of crude shipments through the Strait of Hormuz. Prices later rebounded following renewed US military action against Iran, OPEC production falling to its lowest level in over two decades, and the temporary closure of the Strait of Hormuz after US strikes on Iran, before easing on improved sentiment around a potential US-Iran peace agreement. Prices then fell sharply after the US and Iran signed a preliminary MOU aimed at ending the conflict and reopening the Strait of Hormuz, with a brief recovery on renewed Israeli strikes on Lebanon before declining again to around USD 72.50 per barrel as the successful conclusion of US-Iran peace negotiations facilitated the Strait's reopening and the resumption of tanker traffic, restoring market confidence. Toward the end of the month, prices gained briefly on renewed US-Iran military strikes before retreating as optimism grew over prospective peace negotiations in Doha following a ceasefire between the two sides. Overall, oil prices remained highly volatile through the month, with downside pressure dominating as expectations of a broader Middle East peace agreement strengthened; looking ahead, prices are expected to stay volatile until a comprehensive and lasting peace agreement is reached.

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MENA credit outlook

FAB planned USD Tier 2 bond sale with IPTs at UST+170

First Abu Dhabi Bank PJSC (FAB) plans to issue benchmark-sized Reg S USD-denominated Tier 2 capital securities, with initial price thoughts (IPTs) at around 170 bps over US Treasuries. The issuance comprises 10.5-year securities will be non-callable for 5.5 years, maturing on December 30, 2036, with the first call date on June 30, 2031 and the coupon reset date on December 30, 2031. Additionally, interest will be paid semi-annually in arrears on June 30 and December 30, beginning December 30, 2026. The notes will carry a fixed coupon until the reset date, after which the coupon will reset to the prevailing 5-year US Treasury rate plus a margin. The securities will be listed on the London Stock Exchange and cleared through Euroclear and Clearstream.

Saudi's AviLease launched USD 5-year bond sale

AviLease, an aircraft leasing company wholly owned by Saudi Arabia's Public Investment Fund (PIF), plans to issue Regulation S USD-denominated five-year bonds. The company is expected to commence a series of virtual fixed-income investor calls on June 22, 2026, ahead of the offering. BNP Paribas and Mizuho have been appointed as joint global coordinators, joint active bookrunners, and joint lead managers, while HSBC, Emirates NBD Capital, JP Morgan, Crédit Agricole CIB, and Morgan Stanley will act as joint active bookrunners and joint lead managers.

Burjeel Holdings raised USD 500 Mn through debut 5-year sukuk

Burjeel Holdings priced its debut USD 500 Mn benchmark Regulation S senior unsecured five-year sukuk under its USD 1.5 Bn Trust Certificate Programme. The sukuk carries a 7.0% fixed-rate coupon, payable semi-annually, and was priced at a 7.125% yield with a reoffer price of 99.482, tightening from initial price thoughts (IPTs) in the mid-7% range. The Proceeds from the issuance is anticipated to be used to refinancing existing debt and general corporate purposes, and the sukuk will be listed on the London Stock Exchange's International Securities Market. The transaction was marketed through a series of fixed-income investor calls ahead of pricing. The issuance attracted a final orderbook of USD 1.4 Bn (excluding joint lead managers), representing an oversubscription of nearly 2.8x, with international investors accounting for 61% of the allocation.

BADEA raised USD 1 Bn through 5-year Eurobond

The Arab Bank for Economic Development in Africa (BADEA) has priced its USD 1 Bn benchmark five-year senior unsecured Eurobond, with the spread tightening to SOFR +80 bps from initial price thoughts (IPTs) in the SOFR +88 bps area. The Regulation S Category 2 issuance carries a 4.75% fixed-rate coupon, payable semi-annually in arrears, and was priced at a 4.776% yield with a reoffer price of 99.886. The issuance generated an orderbook of USD 1.5 Bn (excluding joint lead manager interest), after peaking at over USD 1.55 Bn during bookbuilding. The notes were issued under BADEA's Euro Medium Term Note Programme. The bonds will be listed on the London Stock Exchange's Main Market.

Dukhan Bank priced USD 500 Mn perpetual AT1 sukuk

Dukhan Bank priced its USD 500 Mn Regulation S perpetual non-call resettable 5.5-year Additional Tier 1 (AT1) sukuk at a 6.0% semi-annual coupon and yield, tightening from initial price thoughts in the 6.5% area. The pricing was determined using the average yield of two US Treasury bonds maturing in May 2031 and May 2033, plus a margin of 175.4 bps. The final orderbook reached USD 1.4 Bn (excluding joint lead manager interest), representing an oversubscription of nearly 2.8x. The Mudaraba-structured sukuk will be listed on the London Stock Exchange's International Securities Market.

Emirates NBD issued USD 1.5 Bn 5-year bond through private placement

Emirates NBD (ENBD) priced a USD 1.5 Bn benchmark five-year senior unsecured bond through a private placement, with the notes carrying a 5.125% yield. The orderbook size was not disclosed, while ENBD and JPMorgan Chase served as joint bookrunners for the transaction.

Takween to establish SAR 500 Mn sukuk programme

Takween Advanced Industries, a Saudi-listed manufacturer of plastics and packaging products, plans to launch a SAR 500 Mn sukuk programme as part of a broader recapitalisation plan. As part of the restructuring, the company intends to reduce its share capital by 67.92% to SAR 245.3 Mn to offset accumulated losses of SAR 519.4 Mn. The capital reduction will be implemented through the cancellation of c. 51.9 Mn shares, reducing the total number of outstanding shares to around 24.5 Mn. Following the capital reduction, Takween plans to raise SAR 400 Mn through a rights issue. The proceeds will be used to enhance liquidity, support working capital, partially repay bank debt, and fund future growth initiatives.

Kuwait raised KWD 550 Mn through multi-tenor debt issuance

The Central Bank of Kuwait (CBK), acting on behalf of the Ministry of Finance, has issued KWD 550 million (USD 1.77 Bn) of Treasury bonds and public debt tawarruq across multiple maturities. The issuance comprised KWD 150 Mn of two-year securities at a 2.75% yield, KWD 250 Mn of three-year securities at 2.70%, KWD 100 Mn of five-year notes at 3.25%, and KWD 50 Mn of seven-year notes at 3.125%.

Bahrain launched benchmark 10-year USD bond with IPTs around 7.5%

Bahrain announced a benchmark-sized 10-year USD bond with initial price thoughts around 7.5%, while the notes are expected to mature in June 2036. The senior unsecured issuance is being offered under the kingdom's Global Medium-Term Note Programme in Rule 144A and Regulation S formats and are expected to be listed on the London Stock Exchange. The sovereign holds ratings of B with a stable outlook from S&P Global Ratings and Fitch. Citi, First Abu Dhabi Bank, Bank ABC, JP Morgan, National Bank of Bahrain, and Standard Chartered Bank acted as joint lead managers and bookrunners.

Dubai Islamic Bank priced USD 1 Bn AT1 perpetual sukuk

Dubai Islamic Bank (DIB) successfully priced a USD 1 Bn benchmark perpetual non-call six-year Additional Tier 1 (AT1) sukuk with a 6.250% profit rate, tightening from initial price thoughts in the 6.625% area. The issuance attracted an orderbook of more than USD 1.85 Bn (excluding joint lead manager interest), with participation from 85 institutional investors. Investors from the MENA region accounted for 83% of the allocation, while the remaining 17% was allocated to investors from the UK, Europe, and other international markets. The Mudaraba-structured sukuk is anticipated to be listed on Euronext Dublin and Nasdaq Dubai.

OPEC Fund initiated EUR 500 Mn 5-year benchmark bond with IPTs at MS +29 bps

The OPEC Fund for International Development, carrying AA+ ratings with stable outlooks from both S&P and Fitch, announced a no-grow EUR 500 Mn five-year benchmark bond with initial price thoughts set at mid-swaps plus 29 bps. The expected ratings on the Regulation S senior unsecured notes are aligned with those of the issuer, and the securities will be issued under the fund's Global Medium Term Note Programme. BofA Securities, Credit Agricole CIB, Goldman Sachs Bank Europe SE and Deutsche Bank have been appointed as joint lead managers and bookrunners. The bonds are scheduled to be listed on the London Stock Exchange Main Market.

Arab Energy Fund raised USD 500 Mn through five-year sukuk

The Arab Energy Fund (TAEF) has priced a USD 500 Mn benchmark five-year senior unsecured sukuk under its trust certificate issuance programme at a 4.686% profit rate. The Regulation S trust certificates were priced at SOFR +70 bps, tightening from initial price thoughts of SOFR +80 bps, with a 4.267% reoffer yield. The issuance generated an orderbook of more than USD

900 Mn (including c. USD 80 Mn from joint lead managers). The sukuk, issued through APICORP Sukuk Limited under a Wakala-Murabaha structure, will mature on June 16, 2031.

HEA Energy priced USD 550 Mn through 3-year first lien bond

HEA Energy raised USD 550 Mn through a three-year senior secured first-lien bond, priced with an 8.75% coupon and a reoffer price of 99.33% of par, with pricing tightened from initial guidance of 9.125%-9.375%. The transaction has a borrowing capacity of up to USD 650 Mn and is supported by collateral over the company's vessel portfolio and related assets. Funds raised will be allocated toward refinancing outstanding obligations, funding newbuild capex and supporting general corporate purposes. MM Mirage Bluewater II Limited acted as the issuer, while the bonds are expected to be listed on Euronext ABM within 12 months. Fearnley Securities, DNB Carnegie, and Pareto Securities served as global coordinators and joint bookrunners.

Bank AlJazira priced USD 500 Mn AT1 sukuk

Bank AlJazira priced a USD 500 Mn Regulation S perpetual non-call 5.5-year Additional Tier 1 (AT1) sukuk under its AT1 Capital Certificates Programme, with the spread tightening to 650 bps over US Treasuries from initial price thoughts (IPTs) in the 7.0% yield area. The issuance generated an orderbook of more than USD 1.5 Bn (excluding joint lead manager interest). The USD-denominated PerpNC 5.5 sukuk, issued through a special purpose vehicle, is expected to be listed on the London Stock Exchange's International Securities Market. Furthermore, the proceeds is anticipated be used to strengthen the bank's Tier 1 capital base and support general banking purposes.

First Abu Dhabi Bank priced EUR 750 Mn three-year green bond

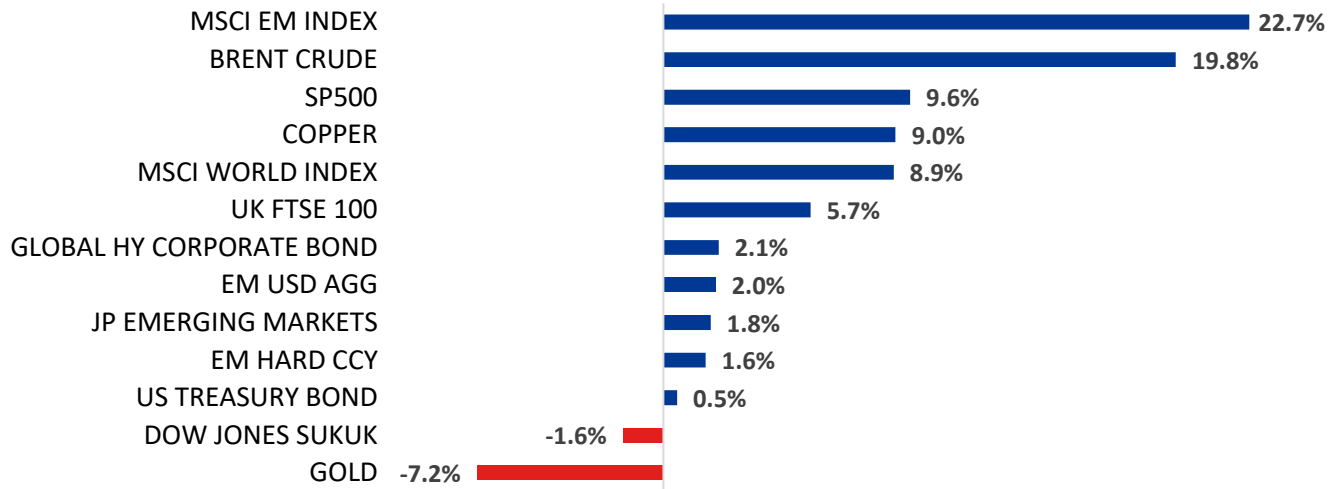
First Abu Dhabi Bank (FAB) priced a EUR 750 Mn benchmark three-year senior unsecured green bond under its EUR 20 Bn Euro Medium Term Note Programme. The bond was priced at mid-swaps +75 bps, tightening from initial price thoughts in the mid-swaps +100-105 bps area, with a 3.5302% coupon and a 3.535% reoffer yield. The issuance generated an orderbook of more than EUR 1.1 Bn (excluding joint lead manager interest). Furthermore, the net proceeds will be used to finance or refinance eligible green projects under FAB's Sustainable Finance Framework, and the bond will be listed on the London Stock Exchange's Main Market.

Global Asset Performance

Global asset classes delivered broadly positive performance during June 2026, supported by easing geopolitical tensions in the Middle East, lower energy prices, and continued confidence in the global AI investment cycle. Equities led the gains, while fixed income markets remained resilient amid improving inflation expectations and a cautious monetary policy outlook. Emerging market equities outperformed developed markets, with the MSCI Emerging Markets Index increasing 12.7% MOM, driven by strong performances in Taiwan, India, and China. Developed markets also advanced, with the MSCI World Index rising 6.6% MOM, supported by gains in Japan, France, and the UK. Japan's Nikkei 225 was the strongest performer, benefiting from a weaker yen and improved earnings outlook, while the S&P 500 declined 1.1% MOM due to profit-taking in technology and semiconductor stocks following the AI-led rally. Fixed income markets posted modest gains as investors balanced easing inflationary pressures against expectations of higher-for-longer interest rates. The Bloomberg Global Aggregate Bond Index increased 0.9% QOQ, while the JP Morgan EMBI and EM USD Aggregate Bond Index both gained 4.0% QOQ on improved risk appetite. U.S. Treasuries remained relatively flat, returning 0.3% QOQ. In the U.S., inflationary pressures showed signs of moderating despite a temporary increase in gasoline prices during May. Although labour market conditions remained resilient, contained wage growth allowed the Federal Reserve to keep interest rates unchanged at 3.50%–3.75% in May, reaffirming its commitment to price stability. Credit markets also strengthened, with the Dow Jones Sukuk Index rising 0.7% QOQ and global high-yield corporate bonds gaining 1.5% QOQ. Among commodities, copper increased 9.7% QOQ, supported by AI- and electrification-driven demand and tight supply conditions. In contrast, gold declined 10.0% QOQ as safe-haven demand weakened, while Brent crude fell 38.0% QOQ following the de-escalation of the Iran conflict and expectations of

improved energy supply through the reopening of the Strait of Hormuz. Overall, market sentiment remained constructive during 2Q26, supported by easing geopolitical risks, resilient corporate earnings, sustained AI-related capital expenditure, and expectations of stronger government spending, despite ongoing uncertainty surrounding developments in the Middle East.

Figure 1: Global Asset Performance (YTD in FY2026)

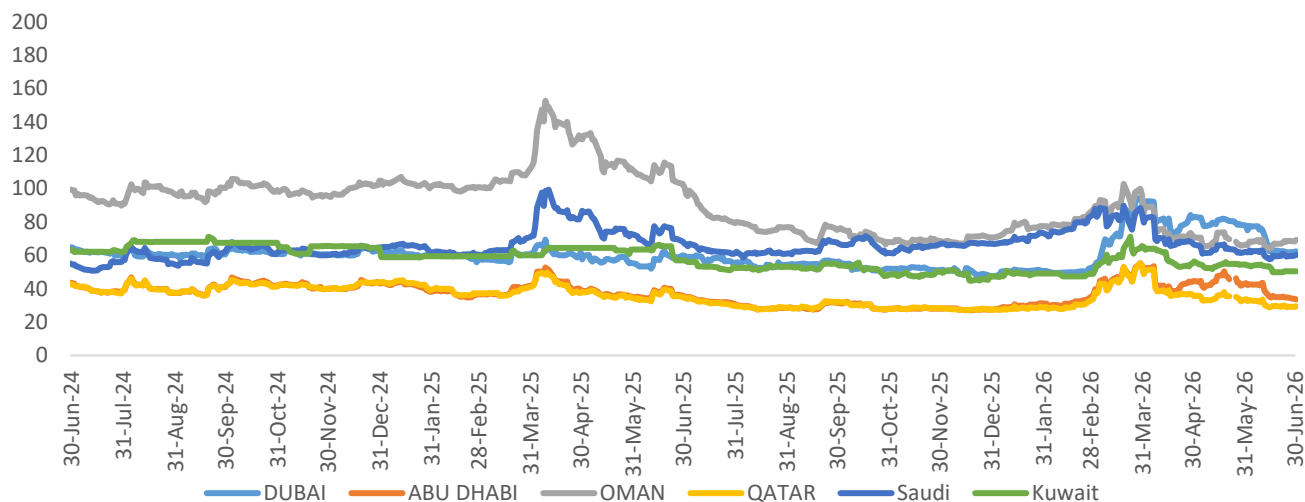


Source: Bloomberg

5-Year CDS

The 5-year CDS spread contracted across all GCC countries except Oman during June 2026, primarily driven by the preliminary US-Iran framework agreement toward a peace deal. Dubai recorded the highest contraction of 20.56% MOM in June 2026. Abu Dhabi recorded the second-highest contraction of 19.06% on a MOM basis in June 2026. Followed by Qatar and Kuwait, which recorded a contraction of 10.20% and 7.36%, respectively, on a MOM basis in June 2026. Similarly, Saudi Arabia recorded a contraction of 2.46% on a MOM basis. However, Oman recorded an expansion of 3.74% MOM in June 2026.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	Dubai	Abu Dhabi	Oman	Kuwait	Qatar	Saudi
MTD (%)	-20.56%	-19.06%	3.74%	-7.36%	-10.20%	-2.46%

Banking Sector

ADIB introduced digital home finance solution for Emiratis

Abu Dhabi Islamic Bank (ADIB) has partnered with the Abu Dhabi Housing Authority (ADHA) to provide eligible UAE nationals with digital pre-approval for Shariah-compliant home financing. Under the partnership, customers will receive instant approval in principle through ADIB's fully digital credit engine, streamlining access to home financing as part of the broader ADHA housing process. Under the programme, ADHA will provide profit-free housing finance of up to AED 1.75 Mn, while ADIB will offer additional financing where required. The initiative enables eligible UAE nationals to access tailored financing solutions for purchasing, building, or expanding their homes.

Corporate Sector

AD Ports entered into an agreement to acquire Brazilian Agri bulk operator CLI for USD 835 Mn

AD Ports Group entered into an agreement to acquire Brazil-based Corredor Logística e Infraestrutura (CLI) for AED 3.1 Bn, supporting its expansion into Latin America and strengthening its presence in the global food logistics sector. CLI manages

key grain and sugar export facilities in Brazil, and the transaction is expected to enhance connectivity with Khalifa Port and the Abu Dhabi Food Hub in KEZAD. The deal represents the largest acquisition undertaken by AD Ports and is scheduled for completion in 2H26, subject to regulatory approvals, with the current management team expected to continue overseeing operations.

L'IMAD increased its stake in TAQA to 98.1% through AD Power

Abu Dhabi-based sovereign wealth fund L'IMAD, through its subsidiary Abu Dhabi Power Corporation (AD Power), increased its ownership in TAQA to 98.1%, following the purchase of a further 9.1 Bn shares. In a separate disclosure, Two Point Zero Group announced that it had exited its entire holding in TAQA as part of its ongoing portfolio optimisation efforts.

AD Ports seeks to increase stake in Egypt's Alexandria Containers

AD Ports Group, through its subsidiary Black Caspian, filed a draft mandatory tender offer to raise its stake in Egypt's Alexandria Container & Cargo Handling Company (ALCN). The move follows the group's combined ownership exceeding the 33% threshold required by Egyptian regulations after previous acquisitions by ADQ and AD Ports. Black Caspian currently holds a 19.3% stake in ALCN and plans to purchase a further 32% stake from Alpha Oryx, along with up to 4.3% from minority shareholders through a tender offer. Completion of the transaction remains subject to regulatory approvals.

AD Ports acquired additional 30% stake in Global Feeder Shipping for USD 300 Mn

AD Ports Group, the Abu Dhabi-based ports and logistics operator, has increased its stake in Global Feeder Shipping (GFS) to 81% after acquiring an additional 30% holding for AED 1.1 Bn (USD 300 Mn). The acquisition values GFS at an enterprise value of AED 3.67 Bn. Moreover, the acquisition will be funded through a combination of debt and asset monetisation. Furthermore, the acquisition supports AD Ports Group's strategy to further expand its maritime logistics business.

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 revised **Oman's** credit rating to **"BBB- "from "BB+"** and revised its outlook from **positive to stable**. Fitch cited sustained strengthening of public and external balance sheet and increased confidence in the authorities' commitment to fiscal prudence even in a lower oil price environment. Since 2020, Oman has sharply reduced government debt from about 68% of GDP to around 36% in 2025, supported by disciplined fiscal management and policy reforms. Fitch expects moderate budget deficits of around 1% of GDP in 2026–2027, a broadly stable debt trajectory well below the 'BBB' median, and further institutionalization of fiscal discipline through a new medium-term fiscal plan. The rating is supported by relatively high GDP per capita and improved debt metrics, while constraints remain Oman's heavy reliance on oil revenues and still-modest financial buffers amid hydrocarbon price volatility. Moody's recently upgraded Oman's long-term issuer and senior unsecured ratings to **"Baa3" from "Ba1"**, citing expected enhancements in the country's debt position and improved resilience to lower oil prices. However, Moody's revised the country's outlook to "stable" from "positive", as Oman's fiscal and economic outlook remains exposed to risks stemming from its continued heavy reliance on the hydrocarbon sector and potential declines in global oil demand and prices. 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.

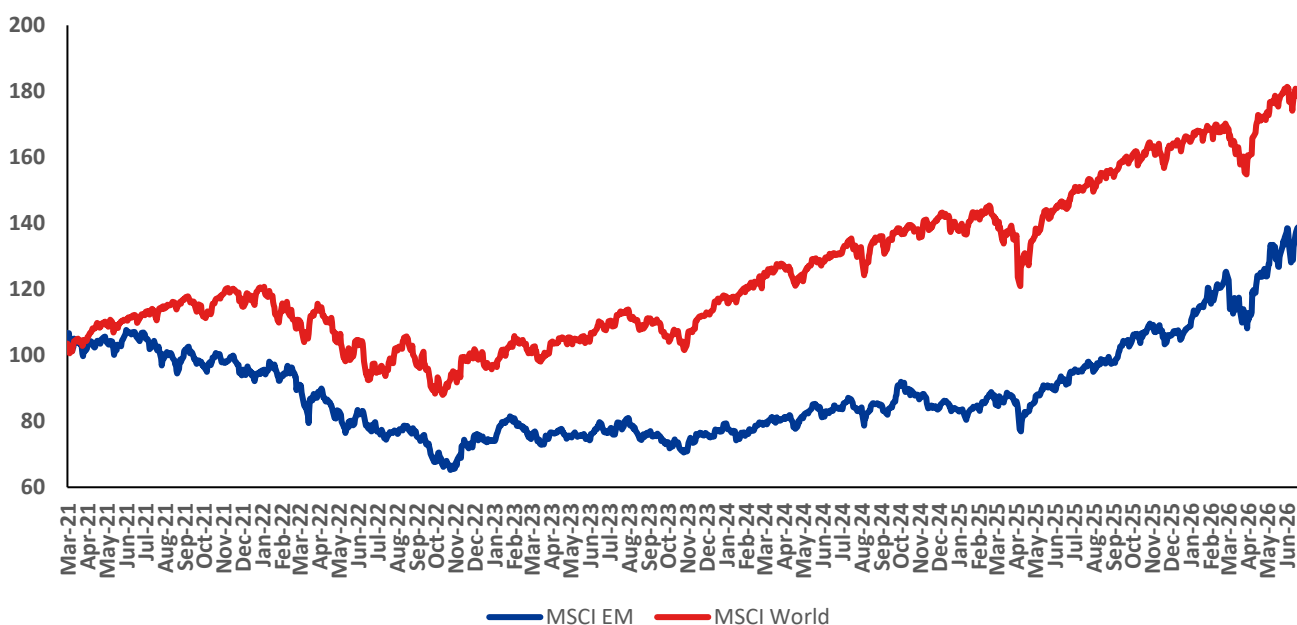
- Moody's revised **Bahrain's** outlook from "**stable**" to "**negative**", affirming the country's **B2** rating while citing the strain that regional conflict is placing on the Gulf state's already fragile fiscal and debt position, with disruptions to shipping through the Strait of Hormuz and to regional air travel weighing on Bahrain's oil and aluminium exports as well as its tourism sector, pressures that Moody's warned would further deteriorate government finances and place additional strain on the country's limited foreign-exchange reserves. S&P Global Ratings revised its credit rating outlook on Bahrain from negative to stable. The rating agency affirmed Bahrain's long-term foreign and local currency sovereign credit ratings at 'B' with a stable 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 7.6% of GDP in 2025 compared to 5.8% in 2024. Fitch has recently revised the ratings on Bahrain's long-term foreign currency issuer default rating to B from B+ with an outlook of STABLE from NEGATIVE. 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. S&P Global Ratings upgraded Kuwait's long-term sovereign credit rating to '**AA-**' with a **stable** outlook, reflecting expectations that the government will continue implementing fiscal and monetary reforms under its Vision 2035 strategy.
- **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 placed Qatar's 'AA' Long-Term Foreign-Currency and Local-Currency Issuer Default Ratings on Rating Watch Negative, reflecting heightened uncertainty around Qatar's security situation in the aftermath of the Middle East conflicts, along with the risk of a prolonged conflict or additional damage to the country's oil and gas infrastructure.

Particulars	Fitch		S&P		Moody's	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
UAE (Abu Dhabi)	AA	STABLE	AA	STABLE	Aa2	STABLE
Kuwait	AA-	STABLE	AA-	STABLE	A1	STABLE
Qatar	AA-	NA	AA	STABLE	Aa2	STABLE
Saudi Arabia	A+	STABLE	A+	STABLE	Aa3	STABLE
Bahrain	B	STABLE	B	STABLE	B2	NEG
Oman	BBB-	STABLE	BBB-	STABLE	Baa3	STABLE

Global Markets

Global equity markets maintained a positive tone in June 2026, supported by easing geopolitical tensions in the Middle East, a sharp decline in crude oil prices, and resilient expectations surrounding the global artificial intelligence (AI) investment cycle. Developed markets increased 6.6% MOM while emerging markets outperformed by increasing 12.7% MOM. Among the emerging markets, Taiwan remained among the strongest-performing markets, rising 3.1% MOM, driven by continued investor optimism surrounding semiconductor manufacturers and electrical equipment companies benefiting from sustained AI-related demand. India's Nifty 50 advanced 1.4% MOM, supported by resilient domestic macroeconomic fundamentals and improving corporate earnings expectations. In contrast, China's equity market posted a modest 0.6% MOM gain as persistent weakness in consumer spending and softer retail and automobile demand continued to weigh on investor sentiment despite ongoing policy support measures. South Korea's KOSPI remained broadly unchanged during the month amid profit-taking in semiconductor stocks following their strong rally earlier in the year, while Brazil declined 1.0% MOM, reflecting weaker commodity prices and concerns over domestic fiscal conditions. Among developed markets, Japan emerged as the strongest performer, with the Nikkei 225 gaining 5.6% MOM. The rally was supported by a persistently weak yen, which enhanced the competitiveness of Japanese exporters, alongside a steeper domestic yield curve that improved earnings prospects for financial institutions. France's CAC 40 advanced 2.7% MOM, benefiting from improving manufacturing activity, easing geopolitical risks, and stronger investor confidence across European equities. The UK's FTSE 100 posted a modest 0.8% MOM increase, with gains constrained by lower commodity prices given the index's relatively high exposure to energy and mining companies, as well as its defensive sector composition. Meanwhile, the S&P 500 declined 1.1% MOM, primarily due to profit-taking in technology and semiconductor stocks following an extended AI-led rally. Despite the temporary weakness in U.S. technology stocks, the broader investment outlook remained constructive. Investor confidence improved over the quarter as hyperscale technology companies reaffirmed or increased their capital expenditure guidance for 2026, reinforcing expectations that the multi-year AI infrastructure and data centre investment cycle remains intact. The continued commitment to AI-related spending suggests that corporate investment plans have remained largely resilient despite geopolitical uncertainties in the Middle East, providing ongoing support to global equity markets.

Figure 3: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

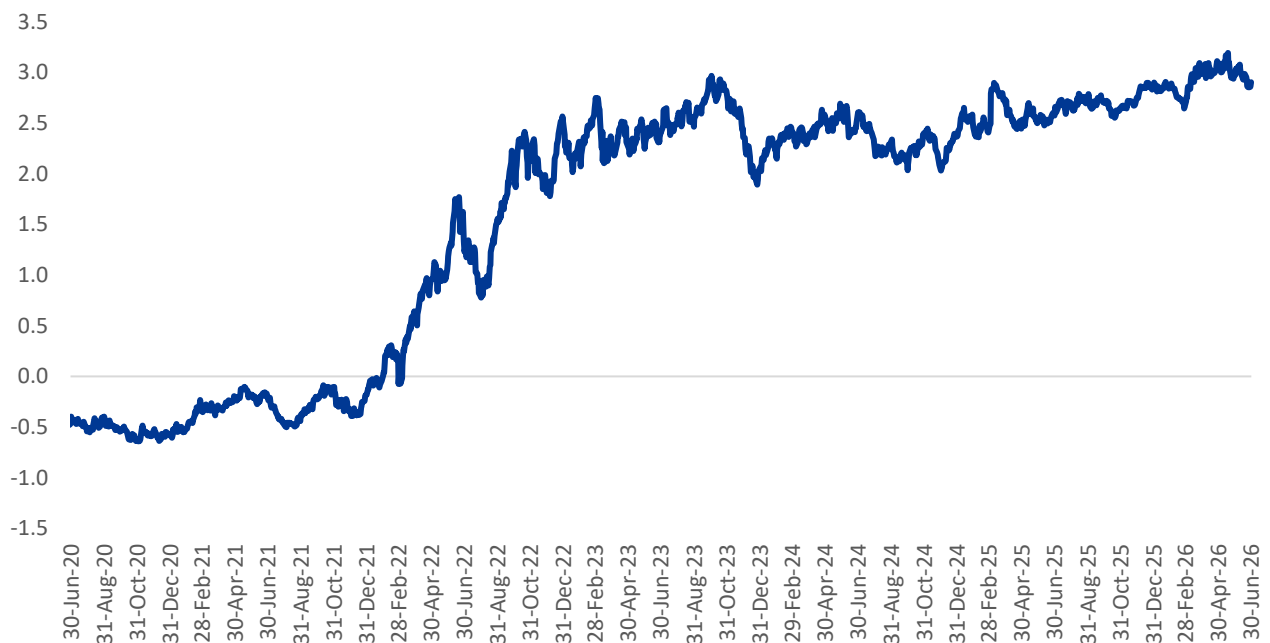
Yield on 10-year government

Figure 4: US 10-year government yield



Source: Bloomberg

Figure 5: Germany 10-year government yield



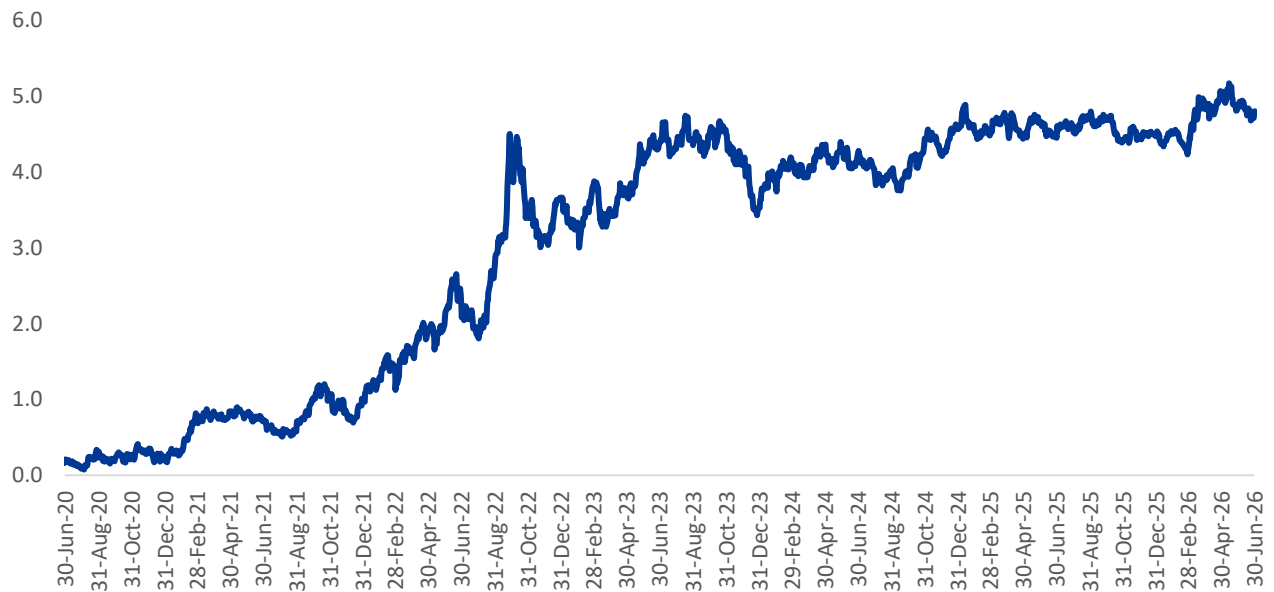
Source: Bloomberg

Figure 6: Japan 10-year government yield



Source: Bloomberg

Figure 7: UK 10-year government yield

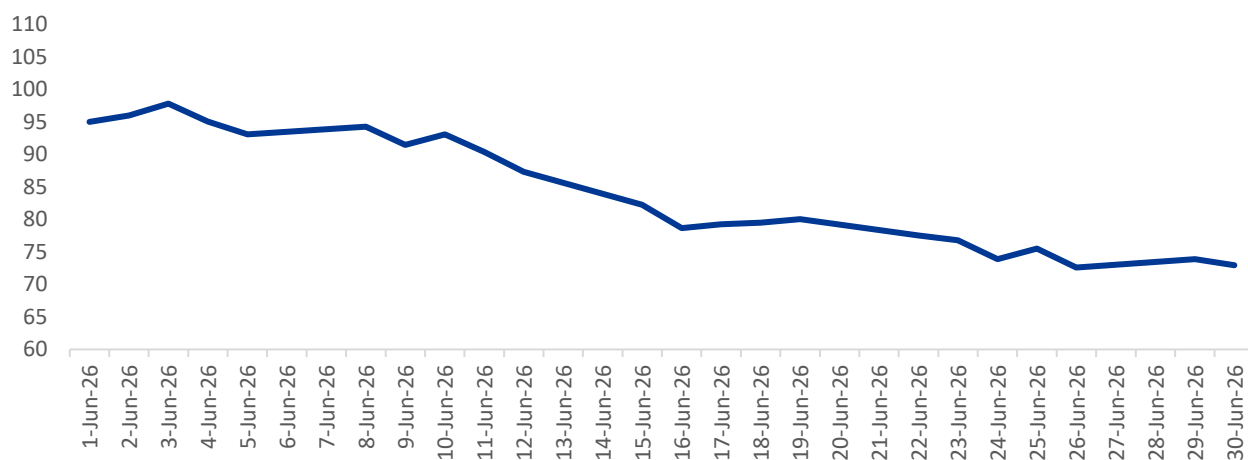


Source: Bloomberg

Oil Outlook

Oil prices recorded a sharp monthly decline in June 2026, with Brent crude falling 20.7% MOM to USD 72.95 per barrel, marking one of the steepest monthly declines in recent years and bringing prices back to their pre-conflict levels. The prices gained at the start of the month as the lack of a definitive ceasefire between Israel and Iran, despite ongoing US-Iran negotiations, kept geopolitical risk premiums elevated. Prices rose further amid renewed tensions in the Middle East but later eased after a ceasefire agreement between Israel and Lebanon fuelled optimism over a potential Middle East peace deal. In the following week, oil prices continued to rise as the exchange of attacks between Israel and Iran heightened geopolitical tensions, raising concerns over the prospects of a US-Iran peace agreement and the potential disruption of crude shipments through the Strait of Hormuz. However, the upside remained capped after OPEC+ approved its fourth consecutive monthly increase in production targets. Subsequently, oil prices declined after the US announced a temporary pause in hostilities between Israel and Iran. Nevertheless, prices rebounded following renewed US military action against Iran, coupled with OPEC's oil production falling to its lowest level in more than two decades and the temporary closure of the Strait of Hormuz after US strikes on Iran intensified supply disruption concerns. Oil prices later eased as expectations of a potential peace agreement between the US and Iran improved market sentiment. Post mid-month, oil prices witnessed a sharp decline after the US and Iran reached a preliminary agreement by signing an MOU aimed at ending the conflict and reopening the Strait of Hormuz. However, prices recovered modestly as uncertainty over the durability of the peace agreement resurfaced following renewed Israeli strikes on Lebanon. After that, oil prices fell to around USD 72.50 per barrel as the successful conclusion of US-Iran peace negotiations facilitated the reopening of the Strait of Hormuz. The resumption of oil tanker traffic through the Strait of Hormuz route restored market confidence, easing concerns over supply disruptions. Furthermore, oil prices remained under pressure as increased crude supplies from the Middle East further weighed on market sentiment. During the final week of the month, oil prices initially gained following renewed military strikes involving the US and Iran, which heightened concerns over potential supply disruptions in the Middle East. However, prices subsequently retreated as markets turned optimistic over the prospect of peace negotiations in Doha, following the ceasefire between the US and Iran aimed at ending the conflict. Overall, oil prices remained highly volatile throughout the month, with downside pressure dominating as expectations of a broader peace agreement strengthened. Looking ahead, oil prices are expected to remain volatile until a comprehensive and lasting peace agreement is reached in Middle East.

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

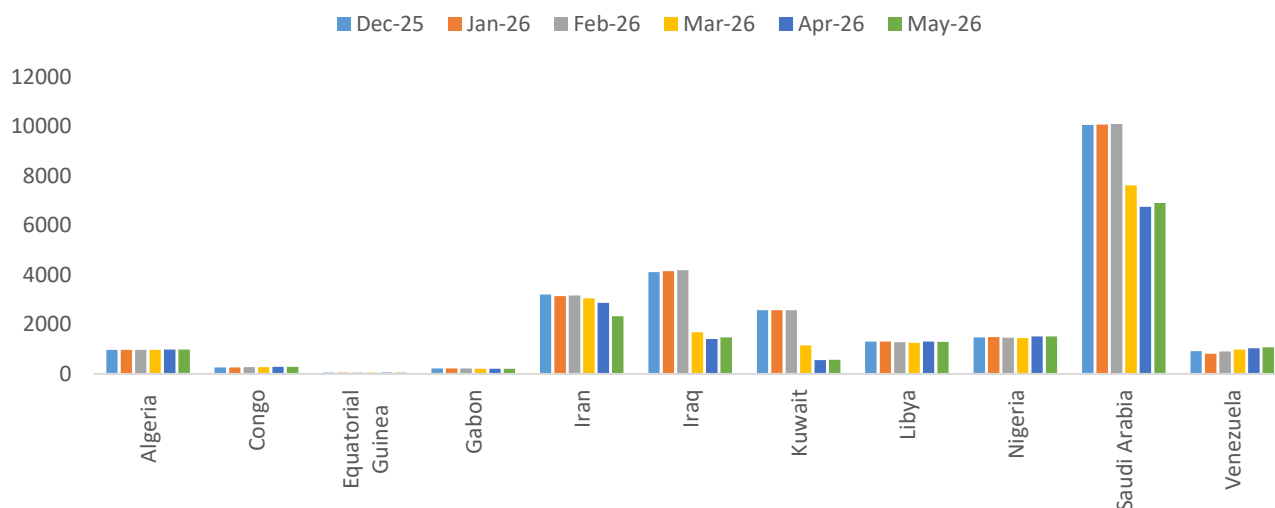


Source: Bloomberg

OPEC Production

Total crude oil production from the OPEC countries fell by 260 thousand barrels per day (bpd) MOM, reaching 16.7 Mn bpd in May 2026. Seven out of the 11 OPEC members reported an increase in production during the month. Saudi Arabia witnessed the largest increase in production, increasing 157 thousand bpd MOM in May 2026, followed by Iraq with the second-highest increase of 75 thousand bpd MOM. Venezuela's oil output increased 36 thousand bpd MOM in May 2026. Kuwait saw an increase of 17 thousand bpd MOM in May 2026. Equatorial Guinea and Gabon both saw an increase of 2 thousand bpd MOM each, while Algeria recorded an increase of 1 thousand bpd MOM in May 2026. However, Iran saw the highest decline in oil production of 545 thousand bpd MOM in May 2026, followed by Libya with a decline of 4 thousand bpd MOM. Nigeria saw a decline of 1 thousand bpd MOM in May 2026, while Congo remained flat MOM in May 2026.

Figure 9: OPEC Crude Oil Production

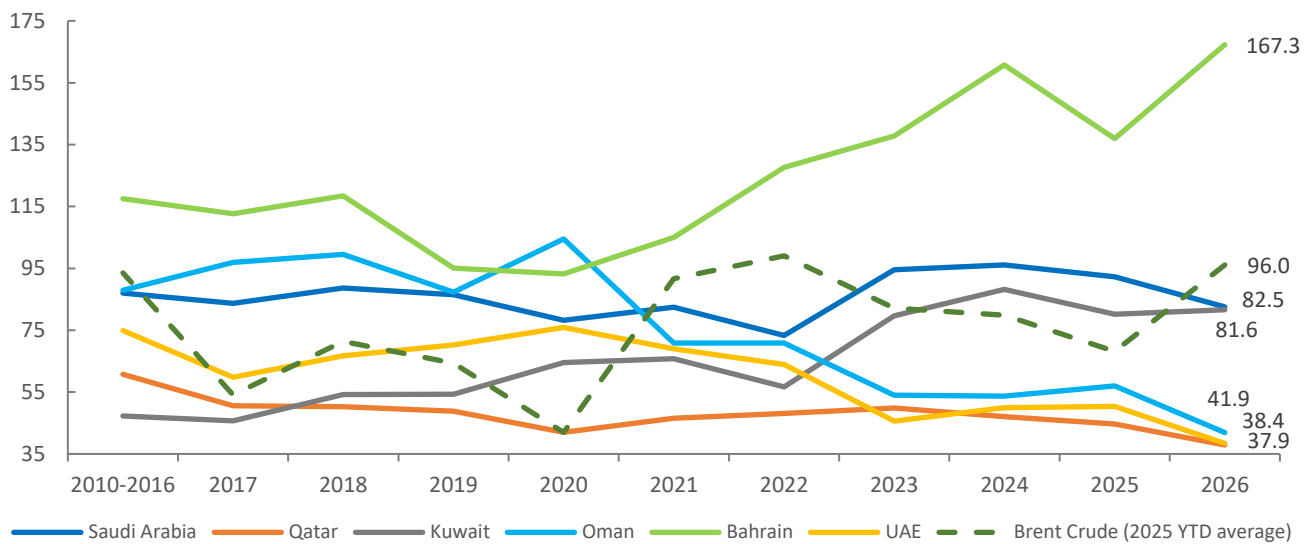


Source: OPEC (UAE excluded from OPEC effective May 2026)

Fiscal Breakeven Oil Price

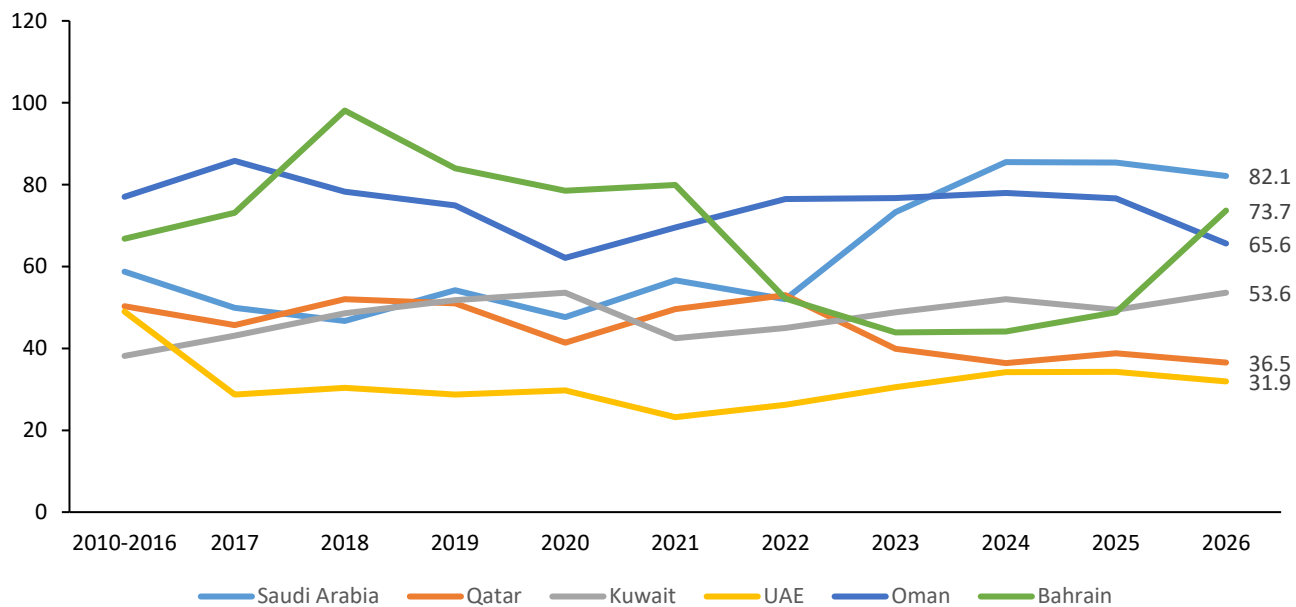
The overall fiscal breakeven oil price is expected to decline for all GCC Countries in FY2026, except Kuwait and Bahrain. Kuwait's fiscal breakeven is projected to grow from USD 80.2 per barrel in FY2025 to USD 81.6 in FY2026, while Bahrain's fiscal breakeven is projected to grow from USD 137 per barrel in FY2025 to USD 167.3 in FY2026. Saudi Arabia, Qatar, UAE, and Oman will record a decline in break-even oil prices in FY2026. Oman is expected to record the highest drop in break-even oil price, from USD 57.0 per barrel in FY2025 to USD 41.9 per barrel in FY2026. UAE's break-even oil price will fall from USD 50.4 per barrel in FY2025 to USD 38.4 per barrel in FY2026, followed by Saudi Arabia, which is likely to witness a fall from USD 92.3 per barrel in FY2025 to USD 82.5 per barrel in FY2026. Qatar's break-even oil prices will fall from USD 44.7 per barrel in FY2025 to USD 37.9 per barrel in FY2026.

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



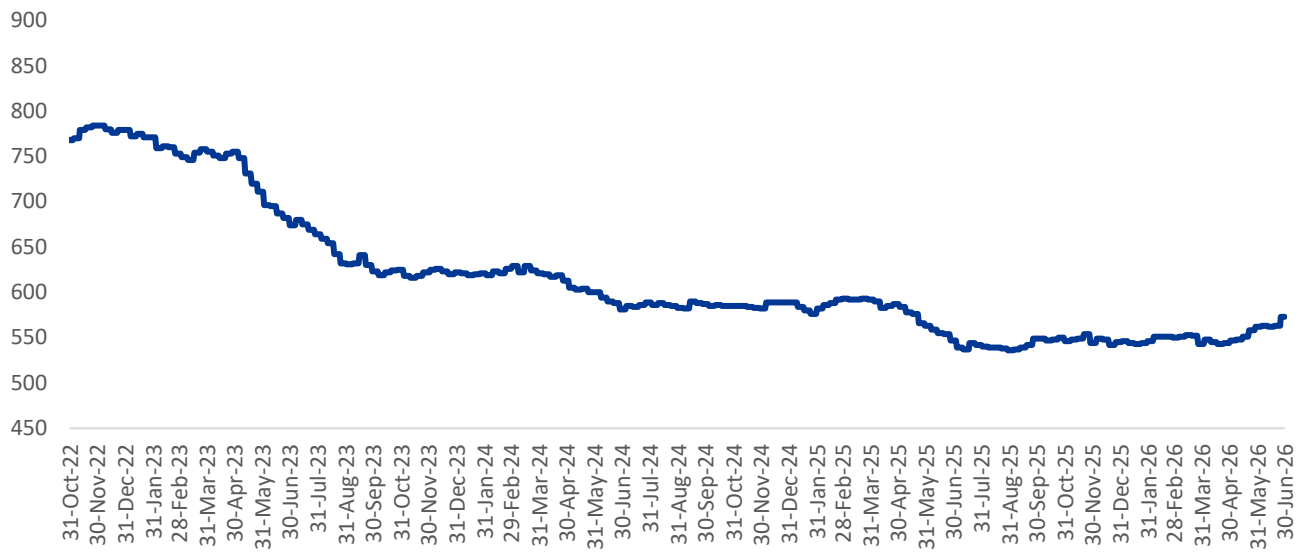
Source: Bloomberg

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	96.27	5.15	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	98.17	7.73	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	96.59	4.85	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	99.15	6.27	NA/NA/BBB+
INTLWT 5.95% 2039	Power Generation and Water Utility	100.36	5.92	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 ARAMCO and ALDAR while assigning MARKET WEIGHT ratings on INTLWT, KWIPKK, and BURGAN BANK.

Implications of Securities Recommendations

Bond Particulars	Call	Price	Yield ¹	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	100.36	5.92	-0.34	1.57	-2.39	0.79
BGBKKK 2.75% 2031	MW	99.15	6.27	0.33	1.79	1.59	4.50
ARAMCO 3.5% 2029	OW	96.59	4.85	-0.24	0.34	-1.12	-0.11
KWIPKK 4.5% 2027	MW	98.17	7.73	0.23	1.00	0.04	3.49
ALDAR 3.875% 2029	OW	96.27	5.15	-0.26	0.58	-1.50	-0.59

Source: Bloomberg, ¹Mid YTM

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 96.27 with a yield of 5.15% when held until maturity (redemption at par) with a modified duration of 3.02. 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 66.9 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 2021. SODIC is a leading Egyptian real estate company with a strong 25-year track record, spanning a land area of 24.9 Mn square meters across three geographies in Egypt.
- Mubadala Investment Company, a Sovereign wealth fund of the Abu Dhabi government, owns a 27.01% stake in Aldar. Alpha Dhabi Holding owns a 30%+ 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 1Q26 with a revenue of AED 8.7 Bn, up 12.1% YOY, the growth was driven by strong double-digit performance in both the Development and Investment segments, driven by inventory sales, ongoing recognition of development revenue backlog, contributions from recurring income portfolio from both organic and acquisitions
- It recorded a gross profit of AED 3.3 Bn, up 19.5% YOY in 1Q26, and a net profit of AED 2.3 Bn, up 20.0% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose to AED 0.254 in 1Q26 from AED 0.202 in 1Q25, demonstrating consistent long-term shareholder value growth.
- Aldar's strong financial results are primarily supported by strong demand for new launches and sales of existing inventory & project execution against backlog. The Company's revenue backlog increased from AED 71.7 Bn in 2025

to AED 72.1 Bn in 1Q26, providing strong revenue visibility across the UAE and International Business. Additionally, Aldar launched 2 new developmental projects, The Wilds Residences and Baccarat Residences in 1Q26. The project management service segment backlog stood at AED 91.6 Bn as of 1Q26, with AED 66.7 Bn under construction.

- The Company's growth was further supported by steady execution of its development revenue backlog, and resilient earnings from a diversified, defensive investment properties portfolio. High occupancy and strong rental growth across the core investment portfolio drove a solid performance, further boosted by strategic acquisitions, including Masdar City assets and logistics assets at KEZAD, which brought the platform's assets under management to AED 52 Bn in 1Q26. Strategic acquisitions, rising rental rates, and high occupancy levels, together with strong growth from Aldar Estates and Aldar Education, are supporting stable income and sustained revenue growth.
- As of 1Q26, Aldar's UAE landbank is strategically distributed across investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 69.0 Mn sqm. In Abu Dhabi, the Company's total land area spans 64.9 Mn sqm, with a gross floor area (GFA) of 8.5 Mn sqm. Meanwhile, in Dubai, the land area encompasses 4.1 Mn Sqm, with gross floor area (GFA) of 2.2 Mn sqm.
- Aldar deployed a capex amounting to c. AED 0.3 Bn in 1Q26, while in 2025, the Company deployed capital of AED 2.1 Bn. The Company has further guided that it will deploy capital of AED 3-4 Bn in 2026 across its property segment.
- Liquidity position remains strong with unrestricted cash of AED 13.9 Bn and AED 19.4 Bn of undrawn credit facilities as of 1Q26. The Company's total debt increased from AED 25.2 Bn in 4Q25 to AED 29.4 Bn in 1Q26.
- Aldar Education is a leading private education provider in Abu Dhabi, with 27 owned and managed schools as of 1Q26, primarily located across the UAE, and one greenfield project in Abu Dhabi. Aldar further expects growth with the completion of Yasmina American School in Khalifa City and a new Muna British School campus in Saadiyat Lagoons in 2025. Aldar Education is also planning to bring King's College School Wimbledon on Fahid Island in 2028-29.
- Aldar closed an AED 3.7 Bn (USD 1 Bn) public hybrid issuance in January, followed by an AED 3.7 Bn (USD 1.0 Bn) hybrid issuance to Apollo in February.
- In April, Aldar distributed a dividend of AED 0.205 per share for 2025, representing a 10.8% YOY increase and a total payout of AED 1.61 Bn.

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 98.17 with a yield of 7.73% when held until maturity (redemption at par) and has a modified duration of 0.60. 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.

KIPCO is one of the largest holding companies in MENA, with its consolidated assets growing from KWD 13.8 Bn in 2025 to KWD 14.2 Bn in 1Q26, 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 31.93% direct holding. AFH supported KIPCO in all business activities, including capital raising, and a reduction in dividends if required.

- KIPCO's total revenue from operations decreased 2.0% YOY to KWD 376 Mn in 1Q26, mainly due to a decline in investment income, industrial & logistic income, and foreign exchange gains, coupled with a rise in share of losses from associates, partially offset by growth in interest income, net fees & commission income, and energy income.
- The Company's operating profit from continuing operations declined to KWD 36 Mn in 1Q26 from KWD 50 Mn in 1Q25. Provisions for credit losses decreased from KWD 12 Mn in 1Q25 to KWD 11 Mn in 1Q26. Profit before tax decreased from KWD 32 Mn in 1Q25 to KWD 19 Mn in 1Q26.

- The Company recorded a decrease in net profit attributable to shareholders from KWD 5 Mn in 1Q25 to KWD 4 Mn in 1Q26.
- KIPCO cash and bank balance at the parent company level increased to KWD 2,407 Mn in 1Q26, compared to KWD 2,394 Mn in 2025.
- Net outstanding debt decreased to KWD 1.7 Bn in 1Q26 from KWD 1.8 Bn in 2025.
- KIPCO has received a dividend income of KWD 7 Mn in 1Q26 compared to KWD 5 Mn in 1Q25.
- Fitch affirmed KIPCO's long-term issuer rating at 'BB-' and revised the outlook to stable from negative, reflecting improved leverage following asset monetisation. Capital Intelligence also affirmed the Company's ratings at 'BB+' (long-term) and 'B' (short-term) and revised the outlook to positive, supported by improved debt structure and funding profile.

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 96.59 and offers a yield of 4.85% with a modified duration of 2.59. 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 247.2 Bn barrels of oil equivalent in 2025, consisting of 186.5 Bn barrels of crude oil and condensate, 26.2 Bn barrels of NGL, and 211.7 trillion standard cubic feet of natural gas.
- 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 increased 6.8% YOY to SAR 433.1 Bn in 1Q26, primarily driven by higher prices of crude oil and refined and chemical products. This was partially offset by lower volumes sold of refined and chemical products, as well as lower volumes sold of crude oil.
- Revenue from Downstream operation increased 3.4% YOY to SAR 236.1 Bn in 1Q26, while revenue from Upstream operation rose 11.3% YOY to SAR 196.4 Bn in 1Q26. Other income related to sales increased 42.4% YOY to SAR 34.1 Bn in 1Q26. Other income related to sales increased, primarily due to higher reference equalization prices, partially offset by higher regulated prices and lower volumes sold of crude oil and refined products at regulated prices. Thus, revenue and other income related to sales increased from SAR 416.3 Bn in 1Q25 to SAR 467.2 Bn in 1Q26.
- Royalties and other taxes increased marginally by 0.7% YOY to SAR 41.1 Bn in 1Q26. Total operating costs rose 2.7% YOY to SAR 244.7 Bn in 1Q26, driven by increases in Selling, administrative and general expenses, as well as depreciation and amortization, partially offset by a decline in purchases, production and manufacturing expenses exploration expenses.

- Impairment and held for sale remeasurement losses grew from SAR 75 Mn in 1Q25 to SAR 303 Mn in 1Q26. The Company's finance and other income remained almost stable at 3.7 Mn in 1Q26 compared to 1Q25.
- Income before taxes and zakat increased 16.7% YOY to SAR 222.1 Bn in 1Q26.
- Furthermore, Aramco's net profit increased from SAR 97.5 Bn in 1Q25 to SAR 122.0 Bn in 1Q26. The net profit attributable to equity shareholders increased from SAR 95.7 Bn in 1Q25 to SAR 120.1 Bn in 1Q26.
- Free cash flow declined to SAR 69.9 Bn in 1Q26 compared to SAR 71.8 in 1Q25.
- Aramco paid a total dividend of SAR 82.1 Bn in 1Q26.
- The Company's progress on its Upstream oil and gas projects, Phase one of the Dammam development project came onstream in 2025, adding 25 mbpd with phase two expected in 2027, adding a 50 mbpd of crude oil capacity. Procurement and construction for the Berri and Marjan crude oil increments brought onstream in 2025, providing an additional 250 mbpd and 300 mbpd, respectively. The Zuluf crude oil increment is progressing, with expected processing of 600 mbpd through a central facility in 2026. Tanajib Gas Plant, part of the Marjan development program commenced operations in 2025, adding 2.6 bscfd of raw gas processing capacity. Work on the Jafurah Gas Plant, part of the Jafurah unconventional gas field is advancing with phase one commissioned in December 2025 and sustainable sales gas projected at 2.0 bscfd by 2030, along with significant volumes of ethane, NGL, and condensate. Engineering, procurement, and construction activities for the Fadhili Gas Plant expansion are ongoing, expected to add 1.5 bscfd of additional raw gas processing capacity by 2027. In October, Aramco entered a 20-year lease-and-leaseback agreement for the Jafurah Field Gas Plant and Riyas NGL Fractionation Plant with its subsidiary, Jafurah Midstream Gas Company. As part of the deal, Aramco sold a 49% stake in the subsidiary to a consortium led by Global Infrastructure Partners (BlackRock) for SAR 41.8 Bn (USD 11.1 Bn) in cash. The subsidiary will receive quarterly volume-based tariff payments from Aramco, backed by minimum volume commitments. Aramco retains full ownership and operational control of the facilities, with no restrictions on production volumes.
- Aramco's gearing ratio increased from 3.8% in 4Q25 to 4.8% in 1Q26. Aramco's capital expenditure (Upstream) on cash basis fell to SAR 36.9 Bn in 1Q26 from SAR 37.2 Bn in 1Q25. Meanwhile, capital expenditure (Downstream) on cash basis declined from SAR 8.6 Bn in 1Q25 to 7.5 Bn in 1Q26, primarily due to the phasing of capital spending. Similarly, capital expenditure (Corporate) on cash basis decreased from SAR 1.2 Bn in 1Q25 to SAR 0.9 Bn in 1Q26.
- The Company's net debt rose from SAR 68.5 Bn in 2025 to SAR 88.8 Bn in 1Q26.
- In January, Aramco introduced 98-octane gasoline in the domestic market to meet evolving consumer needs and rising demand for premium fuels. Designed for high-performance and sports vehicles, the new fuel grade enhances engine performance and efficiency while complementing Aramco's existing fuel offerings.
- In February, Aramco announced the completion of an international bond issuance aggregating to an equivalent of SAR 15.0 Bn (USD 4.0 Bn) under its GMTN Programme. The issuance consists of four tranches, with the first tranche of SAR 1.88 Bn (USD 0.5 Bn) carrying a 4.0% coupon rate and maturing in 2029, a second tranche of SAR 5.63 Bn (USD 1.5 Bn) carrying a 4.375% coupon rate and maturing in 2031, a third tranche of SAR 4.69 Bn (USD 1.25 Bn) carrying a 5.0% coupon rate and maturing in 2036, and a fourth tranche of SAR 2.81 Bn (USD 0.75 Bn) carrying a 6.0% coupon rate and maturing in 2056. These notes are listed on the London Stock Exchange's Main Market.

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 99.15. The bond offers a yield of 6.27% and a duration of 0.19. 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 124 branches and 282 ATMs as of 1Q26. KIPCO Company holds a major stake in the Bank, owning 33.5%.

- Burgan Bank net operating income increased 10.2% YOY to KWD 64 Mn in 1Q26, driven by a rise in non-interest income from KWD 14 Mn in 1Q25 to KWD 24 Mn in 1Q26, reflecting improved fee generation and higher cross-selling activity, partially offset by 10.5% YOY decline in net interest income to KWD 40 Mn during 1Q26, primarily due to margin pressures in a competitive interest rate environment.
- The Bank's net interest margin declined to 1.9% in 1Q26 from 2.5% in 1Q25. Net fees and commissions income increased from KWD 8.1 Mn in 1Q25 to KWD 16.2 Mn in 1Q26.
- Operating expenses increased 38.4% YOY to KWD 46 Mn in 1Q26 due to continued strategic investments in digital transformation and technology infrastructure, as well as impact of hyperinflation in Turkey. Thus, the cost-to-income ratio rose to 72.5% in 1Q26 compared to 57.8% in 1Q25.
- The Bank reported a net profit attributable to shareholders of KWD 5.1 Mn in 1Q26, compared to KWD 10.7 Mn in 1Q25 due to higher expenses, higher loan loss provisions in light of evolving credit conditions and ongoing geopolitical developments.
- Loans and advances to customers rose 6.0% YOY and 2.2% QOQ to KWD 4.9 Bn in 1Q26, driven by solid performance across key subsidiaries. Deposit rose 12.6% YOY and 11.8% QOQ to KWD 6.1 Bn, with CASA deposit of 28% in 1Q26 reflecting continued customer activity and franchise stability.
- The Bank's non-performing loans ratio increased from 1.8% in 1Q25 to 2.7% in 1Q26. The Bank's NPL coverage ratio declined to 2.0x in 1Q26 from 2.4x in 1Q25.
- Capital adequacy ratio stood at 15.9% in 1Q26, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 220% and 111%, respectively, as of 1Q26, substantially above the minimum regulatory requirement of 100%.
- 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.

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 100.36 with a yield of 5.92% if held till maturity (redemption at par). The bond has a modified duration of 6.57. 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.

- The Company's operational renewable capacity increased to 7.7 GW, while projects under construction and in advanced development stages expanded the total portfolio gross renewable capacity to 52.3 GW, accounted 54.7% of total power capacity. With this momentum, the company remains firmly on track to achieve its newly elevated target of a 70% renewable energy mix by 2030, surpassing the earlier goal of a 50/50 split between renewables and flexible generation six years ahead of schedule.
- 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.

- APP filed its zakat and tax returns for all the years till FY2024. APPs closed its position with the ZATCA until FY2018; moreover, the ZATCA is currently performing audits for FY2021-24. 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's 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 30th June 2025.
- ACWA Power achieved financial close in May 2025 on two projects, including the Uzbek GH2 Phase 1 with an investment of SAR 0.4 Bn, a capacity of 52 MW and 3 KTPA, and 80% ownership, as well as the Tashkent Riverside PV + BESS with an investment of SAR 2.0 Bn, a capacity of 400 MW, and full ownership. These milestones highlight the company's expanding renewable and hydrogen portfolio in Uzbekistan.
- ACWA Power started contribution to the company's results from several projects between January and May 2025 through ICOD or PCOD. These included Chirquiq GH2 in Uzbekistan with 52 MW and 3 KTPA capacity at 80% ownership, Redstone CSP in South Africa with 100 MW at 36% ownership, Shuaibah 3 SWRO in Saudi Arabia with 600 m³/day at 47.48% ownership, Bash Wind and Dzhankeldy Wind in Uzbekistan each with 500 MW at 65% ownership, Al Shuaibah 2 Solar PV in Saudi Arabia with 2,060 MW at 35.01% ownership, and Layla Solar PV in Saudi Arabia with 91 MW at 40.76% ownership.
- ACWA Power expanded its portfolio during the year ended 31 December 2025 through the acquisition of equity interests in entities in Kuwait and the Kingdom of Bahrain via a Sale and Purchase Agreement (SPA). These entities comprise gas-fired power generation capacity of 4.6 GW, water desalination capacity of 1,114k m³/day, and associated Operations and Maintenance companies. The acquisition was executed through newly established Holding Companies under ACWA for a total consideration of SAR 1,813 Mn, with the transactions in Bahrain and Kuwait completed on 30 November 2025 and 31 December 2025, respectively, following the fulfillment of all conditions precedent.

The financial details as of 1Q26 for ACWA Power are listed below:

- ACWA Power's operating income before impairment loss and other expenses declined from SAR 870 Mn in 1Q25 to SAR 729 Mn in 1Q26, mainly due to lower revenue from development, procurement and construction services, following higher margin recognition from larger projects in 1Q25 based on milestone achievements. This was partially offset by contributions from existing and new projects reaching commercial operation, improved operating efficiency and settlement of claims, as well as income from recent acquisitions including SWEC and other power generation and water desalination assets in Bahrain and Kuwait.
- Net profit attributable to equity holders decreased 19.3% YOY to SAR 345 Mn in 1Q26. The decline was mainly due to lower operating income before impairment losses and other expenses, lower other income, higher exchange losses, and higher zakat and tax expenses, primarily driven by deferred tax effects from foreign exchange fluctuations in Moroccan projects and the implementation of global minimum tax rules. These factors were partially offset by lower finance costs, driven by the absence of MTM losses on derivatives recorded in 1Q25, as well as lower other expenses and higher finance income.
- The adjusted net profit declined 34.3% YOY to SAR 345 Mn in 1Q26, reflecting lower underlying profitability, as prior year adjustments related to impairment losses and the termination of the Africa project were not repeated in 1Q26.
- As of 1Q26, ACWA Power's portfolio continued to scale, with 109 assets across operations, construction, and advanced development, representing approximately SAR 455 Bn of assets under management. The portfolio comprised 95.7 GW of power generation capacity and 9.7 Mn m³/day of desalinated water capacity, reflecting continued execution of its long-term growth strategy across key regions.

- During the quarter, ACWA Power secured its first greenfield project in Kuwait through the Az-Zour North Phase 2 & 3 IWPP, adding 2.7 GW of power capacity and 0.6 Mn m³/day of water capacity to the development pipeline, while also achieving financial close on the Nukus 2 wind project in Uzbekistan.
- Construction activity remained strong with 32 projects under execution, representing 44.2 GW of power and 2.6 Mn m³/day of water capacity. During the quarter, two projects reached COD, adding 0.77 GWh of battery storage capacity and 0.6 Mn m³/day of desalinated water capacity to the operational portfolio.
- Consolidated power availability stood at 89.4% in 1Q26, from 89.9% in 1Q25. Furthermore, renewable assets continued to operate with strong performance, with an average availability of 97.4% in 1Q26 compared to 93.7% in 1Q25. Consolidated water availability also improved to 98.6% in 1Q26 from 96.9% in 1Q25.
- ACWA Power reported cash & short-term investments of SAR 7,833 Mn in 1Q26, down from SAR 8,164 Mn in 2025. Total assets increased from SAR 70.1 Bn in 2025 to SAR 72.1 Bn in 1Q26. The Company's debt stood at SAR 30.8 Bn in 1Q26, up from SAR 30.3 Bn in 2025.
- On 13 January 2026, the Group completed the acquisition of Badeel's 32% stake in SWEC for SAR 777 Mn, increasing its effective ownership from 30% to 62%. Despite the higher stake, SWEC continues to be accounted for as an equity-method investment as control remains unchanged.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

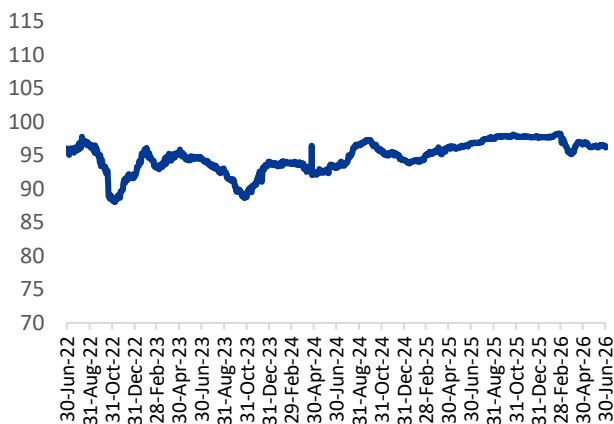


Figure 14: KWIPKK 4.5% 2027

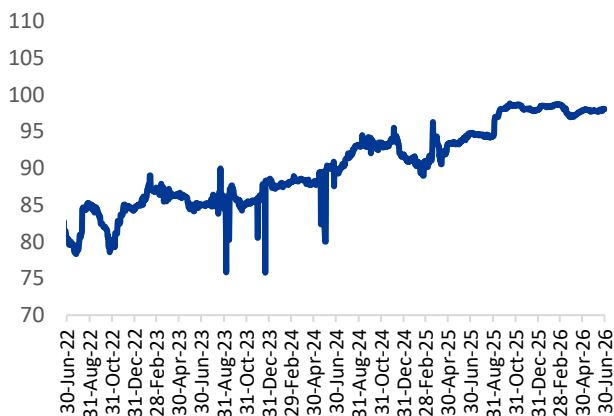


Figure 15: ARAMCO 3.5% 2029

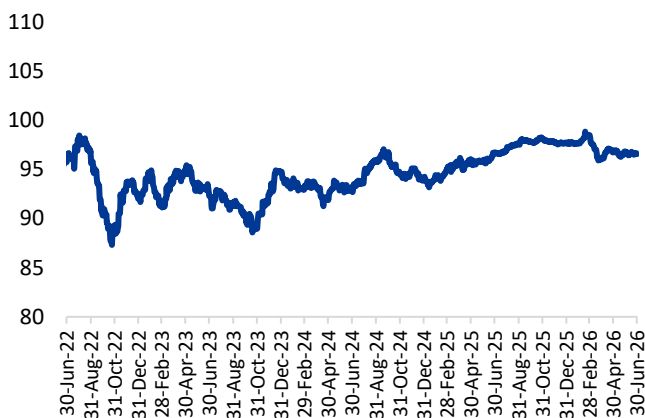


Figure 16: INTLWT 5.95% 2039

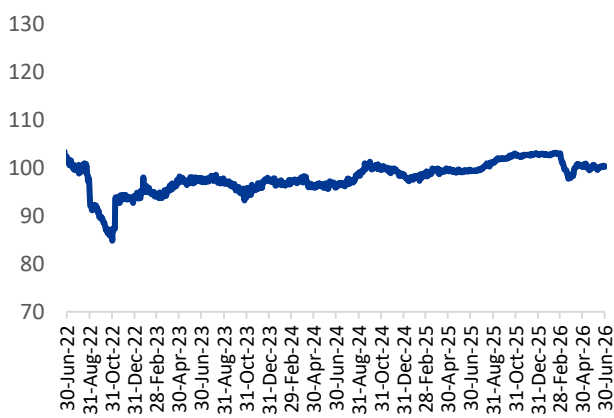
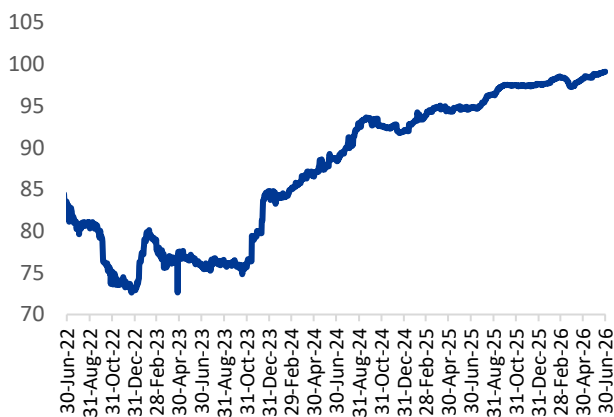


Figure 17: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	72.25	18.73	-23.93
US dollar index	101.50	3.24	2.32
10Y Treasury yield ¹	4.49	0.32	0.06
2Y Treasury yield ¹	4.19	0.72	0.21
10Y German bond yield ¹	2.90	0.05	-0.04
10Y Japan bond yield ¹	2.67	0.61	0.00
Bloomberg UAE Composite USD Liquid index	150.21	-0.08	0.33

Source: Bloomberg, ¹ in Basis point

Sovereign Highlights

UAE

UAE's economy expanded 6.2% in 2025, supported by robust non-oil sector growth

The UAE's real GDP expanded by 6.2% to AED 1.9 Tn in 2025, supported by strong momentum across the non-oil sector. Non-oil GDP increased by 6.8% to AED 1.5 Tn, reflecting continued progress in economic diversification and the rising contribution of new economy industries. Sector-wise, construction recorded the strongest growth at 11.1%, followed by financial and insurance activities at 10.4%, while real estate and transport and storage sectors grew by 7.9% and 7.8%, respectively. Regarding the composition of non-oil GDP, the trade sector remained the largest contributor with a share of 16.9%, followed by financial and insurance activities at 13.2%, construction at 12.9%, and manufacturing at 12.8%, reflecting the broad-based nature of the UAE's economy

UAE non-oil business activity improved slightly in May amid rising cost pressures

The UAE's non-oil private sector recorded a modest improvement in May 2026, with the S&P Global PMI rising from 52.1 in April to 52.6 in May, staying below the historical average level of 54.3. Growth in business activity remained modest amid regional tensions and supply chain disruptions, while export orders continued to decline, though at a slower pace. Supply-side pressures intensified, as delivery times deteriorated to their weakest level since April 2020, while input cost inflation accelerated to a near two-year high due to higher transportation costs. Despite these challenges, business sentiment remained positive, supported by expectations of a recovery in market conditions. In Dubai, the PMI increased slightly from 51.6 in April to 52.0 in May, although output growth moderated amid weaker demand conditions and elevated cost pressures.

Saudi Arabia

Saudi non-oil sector growth strengthened in May, reaching a three-month high

Saudi Arabia's Riyadh Bank PMI increased from 51.5 in April 2026 to 52.8 in May 2026, marking the highest reading in three months and remaining above the 50 thresholds indicating expansion. The improvement was driven by stronger domestic demand and a recovery in output, while new orders rose at a modest pace. Export sales contracted for the third consecutive month, primarily due to persistent shipping disruptions, elevated freight and fuel costs, ongoing geopolitical tensions, and increasing competitive pressures. Meanwhile, supplier performance improved, with delivery times easing for the first time in three months, while backlogs of work continued to increase. Business sentiment remained subdued amid concerns over regional tensions and inflation.

Saudi Arabia's GDP expanded 3.0% in 1Q26, supported by non-oil activities

Saudi Arabia's GDP grew by 3.0% YOY in 1Q26, mainly supported by non-oil sectors, which contributed 1.7 percentage points to overall growth, while oil and government activities added 0.8 and 0.3 percentage points, respectively. Oil and non-oil sectors each expanded by 2.9%, while government activities recorded growth of 1.5% during 1Q26. Among sectors, finance, insurance and business services posted the strongest growth of 5.4%, followed by manufacturing excluding oil refining at 4.0%. On the expenditure side, government and private consumption increased by 11.3% and 5.3%, respectively, while gross fixed capital formation rose by 3.9%. However, on a seasonally adjusted basis, real GDP contracted by 1.2% QOQ, mainly due to weaker oil activity.

Saudi CPI records 1.8% YOY growth in May, amid higher housing and transportation costs

Saudi Arabia's annual inflation rate stood at 1.8% YOY in May 2026, primarily driven by a 3.7% increase in housing, water, electricity, gas and other fuel prices, alongside higher transportation and restaurant and accommodation costs. Personal care, social protection and other goods and services posted the strongest increase of 5.6%, supported by an 18.5% rise in other personal goods prices. Housing costs rose due to a 4.7% increase in actual rents, while recreation, sports and culture prices

advanced by 2.6%. In contrast, furniture and household equipment, as well as clothing and footwear, recorded slight declines. On a monthly basis, inflation rose by 0.2% in May, mainly reflecting higher transportation, housing and food prices. Meanwhile, the Wholesale Price Index increased by 4.6% YOY and 1.2% MOM in May 2026.

Saudi industrial production increased 5.1% in 2025

Saudi Arabia's industrial production increased 5.1% in 2025, marking a return to growth following declines recorded in 2023 and 2024. Among the major sectors, water supply, sewerage, waste management, and remediation activities recorded the strongest growth, rising 10.0% YOY. Mining and quarrying expanded 5.8%, driven by a 5.4% increase in oil activities, while non-oil activities grew 4.3%. Overall manufacturing activity increased 3.9%, supported by a 9.3% rise in the manufacture of chemical products. Meanwhile, electricity, gas, steam, and air conditioning supply grew 5.2%, food manufacturing increased 2.9%, and the manufacture of coke and refined petroleum products rose 3.7%.

Egypt

Elevated Inflation Continues to Weigh on Egypt's Non-Oil Economy

Egypt's non-oil private sector continued to face headwinds, with the S&P Global PMI rising slightly to 47.1 in May from 46.6 in April, while remaining below the 50 threshold that signals contraction. Demand conditions remained weak, as new orders declined for the fifth consecutive month amid elevated prices and subdued customer spending. Output continued to decline, although the pace of contraction moderated slightly, with manufacturing and construction showing some improvement. Meanwhile, cost pressures intensified, with input cost growth reaching its strongest level since early 2023, due to higher fuel and electricity costs, currency depreciation and rising wages. Firms responded by raising selling prices and reducing employment, with job cuts reaching the fastest pace since June 2020.

Egypt's economy expanded by 5.2% during the period from July 2025 to March 2026

Egypt's economy grew by 5.2% during the first nine months of 2025-26, with the fiscal year ending in June. Meanwhile, Egypt's foreign exchange reserves edged up from USD 53.0 Bn in April to USD 53.1 Bn in May 2026.

Egypt posted 5.0% growth in 3Q 2025/26, targets 78% debt-to-GDP by 2027

Egypt's newly approved state budget targets reducing the debt-to-GDP ratio to around 78% by June 2027 and lowering external debt by USD 1 Bn-2 Bn. The budget also aims to reduce the financing needs of budget agencies to 10% of GDP and debt servicing costs to 35% of total expenditure over the medium term. The budget allocates EGP 837 Bn for social protection programmes, EGP 822Bn for public sector wages, and EGP 80 Bn to support industry, local manufacturing, entrepreneurship, and exports, while increasing healthcare and education spending by 30% and 20%, respectively. Despite regional geopolitical tensions, Egypt's economy grew 5.0% YOY in 3Q 2025/26, up from 4.8% a year earlier, supported by a recovery in the petroleum sector following the settlement of arrears to foreign partners and the resumption of exploration and production activities.

Kuwait

Kuwait inflation grew 2.49% YOY in May 2026

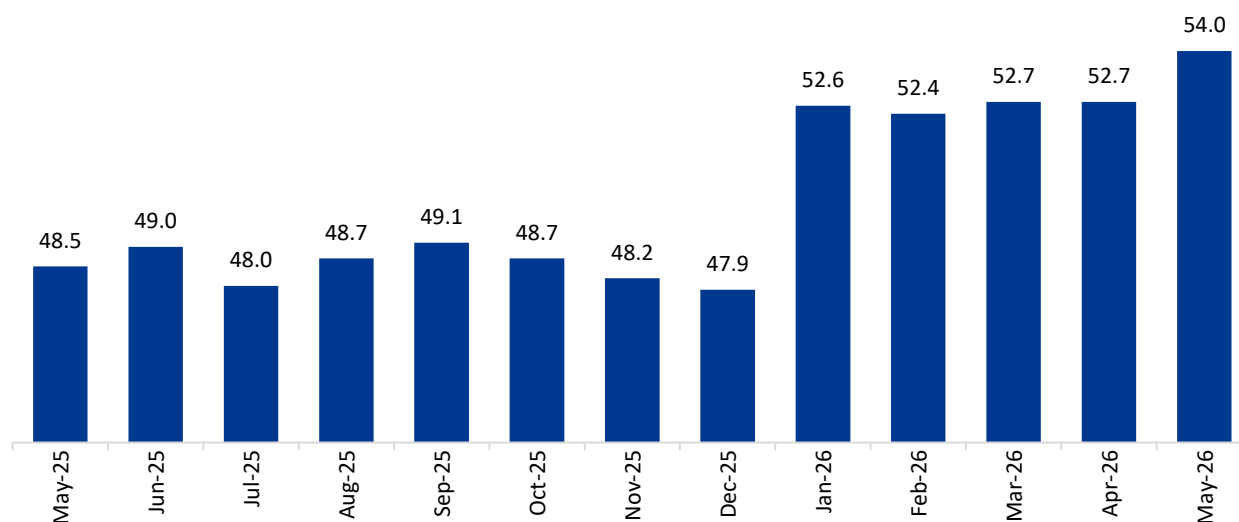
Kuwait's consumer price index (CPI) increased 2.49% YOY in May 2026, while rising 0.07% MOM from April 2026, driven by higher prices across key categories, including food and beverages, healthcare, clothing and footwear, education, and miscellaneous goods and services. Among the major components, miscellaneous goods and services recorded the highest annual increase at 6.61%, followed by food and beverages at 5.96% and transport at 4.46%. Prices also rose for healthcare (1.19%), household furnishings and maintenance (1.18%), clothing and footwear (1.10%), recreation and culture (1.06%), communications (1.03%), education (0.94%), restaurants and hotels (0.88%), housing services (0.49%), and tobacco (0.07%). Excluding food and beverages, annual inflation stood at 1.59% in May 2026.

Global Economy

US manufacturing activity reached four-year high in May

The US manufacturing sector expanded for the fifth consecutive month in May 2026, with the ISM Manufacturing PMI rising from 52.7 in April 2026 to 54.0 in May 2026, marking its highest level since May 2022. Growth was supported by stronger new orders and higher production levels, while order backlogs continued to increase. Price pressures remained elevated, although they eased slightly from the previous month. Meanwhile, the employment index improved from 46.4 in April to 48.6 in May 2026 but remained below the 50 thresholds, indicating a continued weakness in manufacturing employment.

Figure 18: US ISM Manufacturing PMI

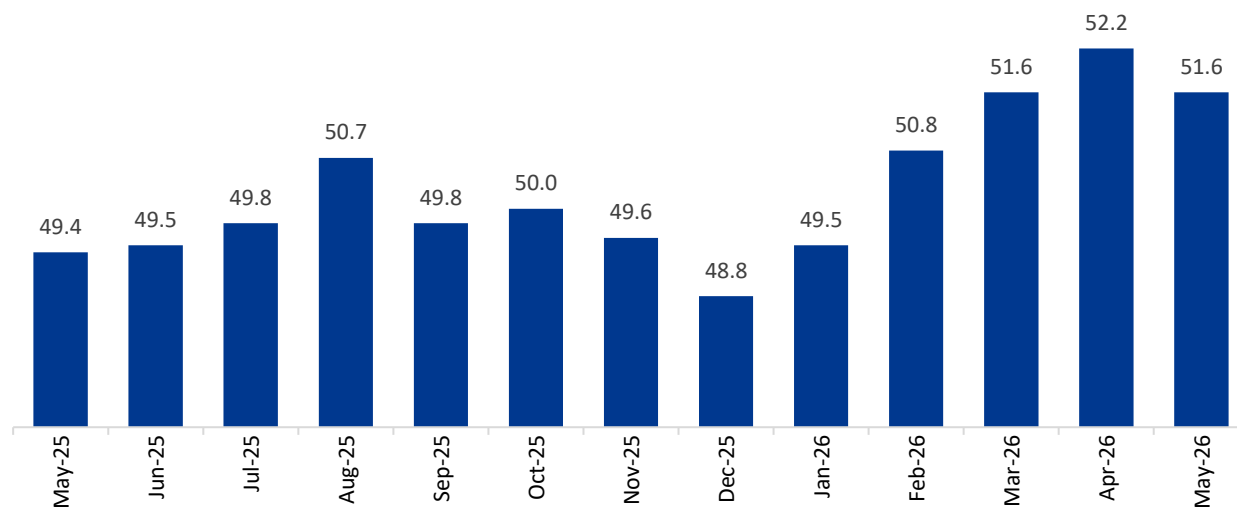


Source: CAPIQ

Eurozone manufacturing activity eased in May amid higher costs and supply disruptions

The eurozone manufacturing sector remained in expansion in May 2026, although growth moderated, with the S&P Global Manufacturing PMI easing from 52.2 in April 2026 to 51.6 in May 2026. New orders stabilized after a strong increase in the previous month, while output growth slowed and supply chain disruptions led to longer delivery times and lower inventories. Employment continued to decline, extending the downturn to three years. Meanwhile, input cost inflation accelerated to a four-year high, prompting manufacturers to increase selling prices. Among major economies, Germany and Spain recorded slower growth, France returned to contraction, while Italy posted the strongest expansion in more than four years.

Figure 19: Eurozone's Manufacturing PMI

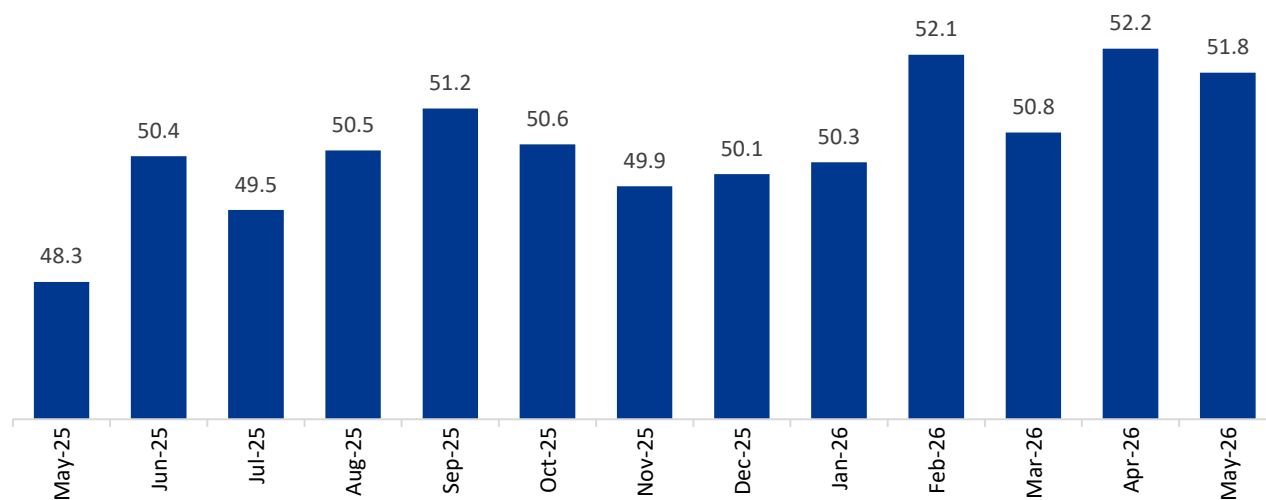


Source: CAPIQ

China manufacturing activity expanded for sixth consecutive month in May

China's manufacturing sector remained in expansion in May 2026, with the RatingDog China General Manufacturing PMI easing from 52.2 in April 2026 to 51.8 in May 2026, marking the sixth consecutive month of growth. Production and new orders continued to increase in May, although the pace of growth in new orders moderated as rising energy prices weighed on global demand for Chinese goods, while export orders declined for the first time in five months. Cost pressures eased, with both input and output price inflation slowing to three-month lows. Meanwhile, backlogs of work continued to rise amid supply delays, while employment weakened to a five-month low. Business sentiment remained positive, although confidence softened compared with April 2026.

Figure 20: China Manufacturing PMI

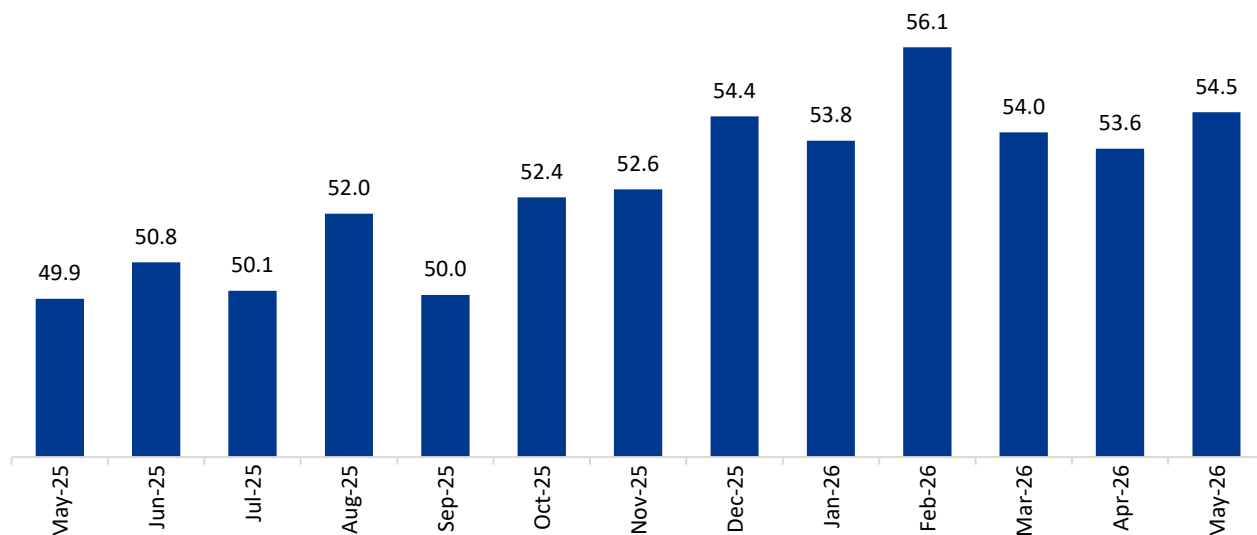


Source: CAPIQ

US services sector growth accelerated in May

The US services sector remained in expansion in May 2026, with the ISM Services PMI rising from 53.6 in April 2026 to 54.5 in May 2026, marking the 23rd consecutive month of growth. Business activity and new orders strengthened during the month, while supplier delivery times remained elevated, indicating continued supply-side pressures. Meanwhile, the employment index edged down from 48.0 in April 2026 to 47.9 in May 2026, marking a third consecutive month of contraction, while the prices index increased from 70.7 in April 2026 to 71.3 in May 2026, reaching its highest level since August 2022.

Figure 21: US Services PMI

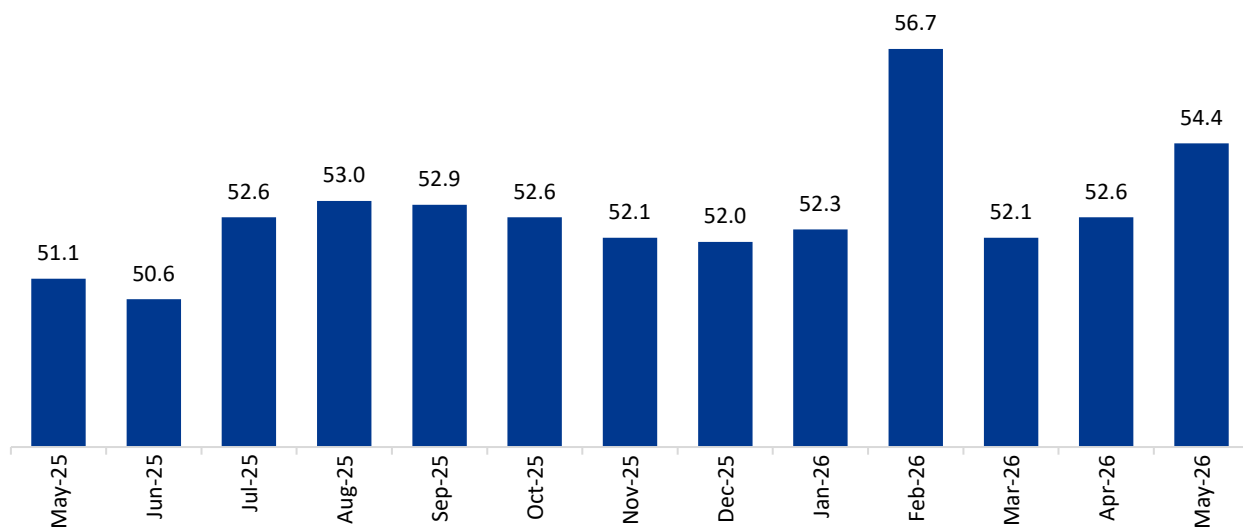


Source: CAPIQ

China services activity reached three-month high in May

China’s services sector expanded at a faster pace in May 2026, with the RatingDog China General Services Business Activity Index rising from 52.6 in April 2026 to 54.4 in May 2026, marking the strongest increase in activity in three months. Growth was supported by stronger client demand, business expansion and new project development, and higher new orders. Export demand also improved, returning to growth after slight declines in the previous two months, although the pace of expansion remained slower than that of domestic demand.

Figure 22: China's Service Sector PMI

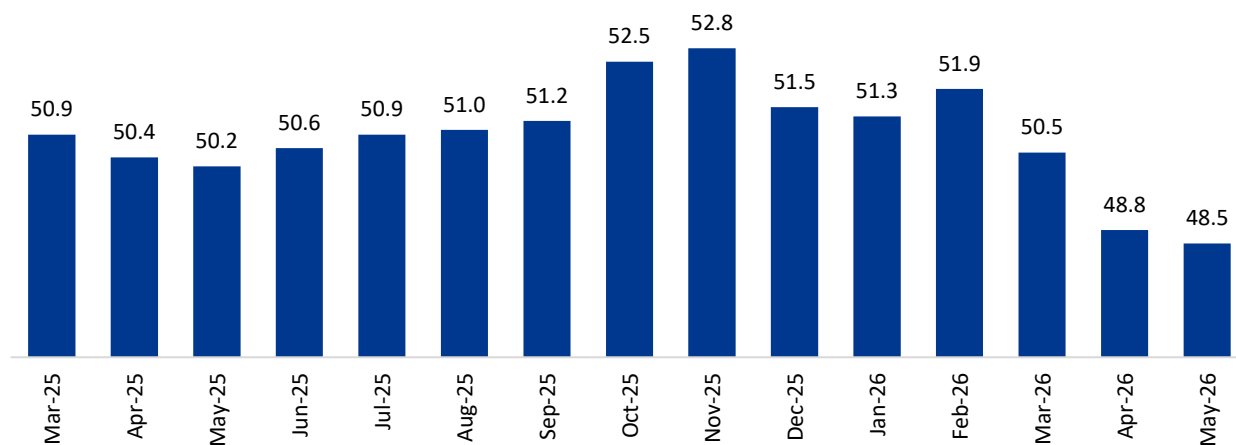


Source: CAPIQ

Eurozone private sector contraction deepened in May

The eurozone private sector remained in contraction in May 2026, with the S&P Global Composite PMI Output Index declining from 48.8 in April 2026 to 48.5 in May 2026, marking the sharpest downturn in 18 months. The weakness was driven by the services sector, where the Services PMI Business Activity Index edged up slightly from 47.6 in April 2026 to 47.7 in May 2026 but remained below the 50 thresholds, indicating a continued contraction in activity. Demand conditions remained weak, with total new orders declining for a third consecutive month and export orders recording the steepest decline so far in 2026. Meanwhile, labour market conditions softened as employment contracted, while input cost pressures remained elevated and output price inflation accelerated for the third consecutive month. Germany and France continued to weigh on overall activity, whereas Italy and Spain recorded modest growth.

Figure 23: HCOB Eurozone Composite Purchasing Managers Index (PMI)

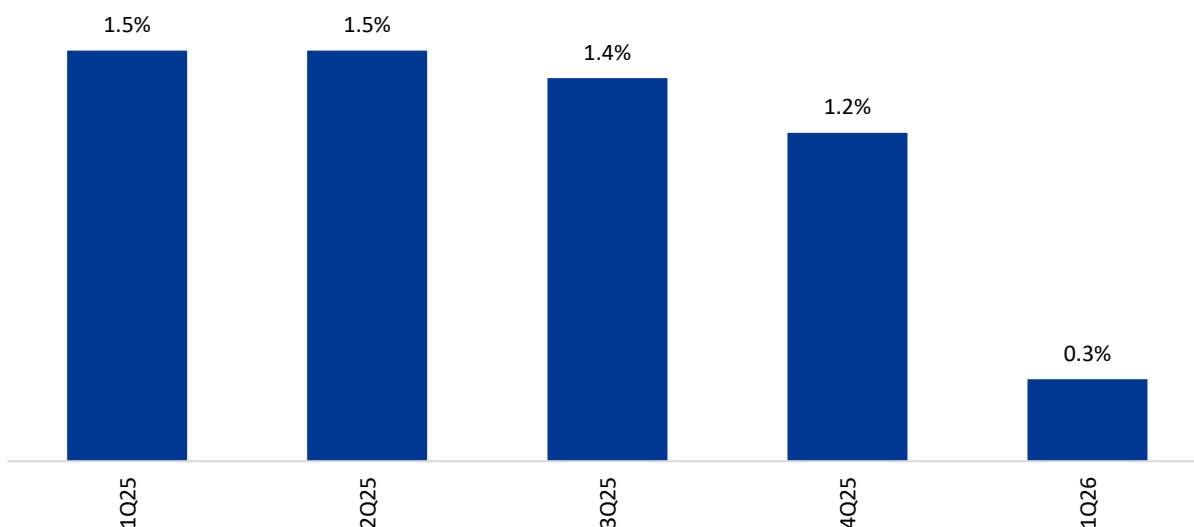


Source: CAPIQ

Eurozone economy contracted in 1Q26 for the first time since 2022

The eurozone economy contracted by 0.2% QOQ in 1Q26, reversing the 0.2% growth recorded in 4Q25 and marking the first decline since 4Q22. On an annual basis, GDP growth was revised lower to 0.3% from 0.8%. Household and government spending remained supportive, while fixed investment, net trade and inventory changes weighed on overall economic activity. Meanwhile, employment growth slowed to 0.1% QOQ in 1Q26 from 0.2% in the previous quarter.

Figure 24: Eurozone Inflation (YOY)

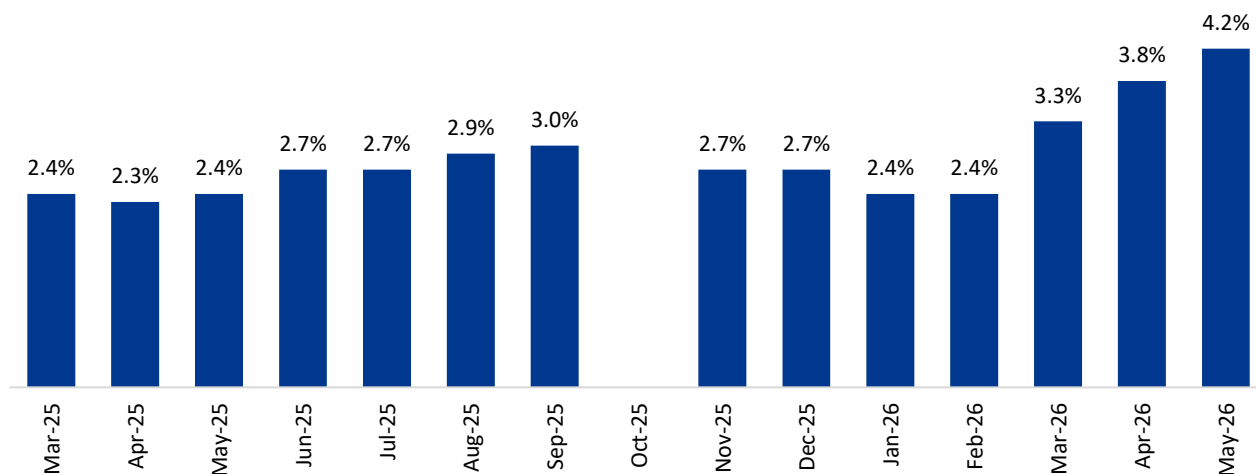


Source: CAPIQ

US inflation accelerated to three-year high in May

US consumer inflation accelerated in May 2026, with the Consumer Price Index (CPI) increasing by 0.5% MOM, following a 0.6% rise in April, while annual inflation rose to 4.2% in May 2026 from 3.8% in April 2026, marking the highest rate since April 2023. The increase was largely driven by higher energy prices, which contributed over 60% of the monthly increase in CPI, coupled with rising housing costs. Meanwhile, food price inflation eased, although concerns over higher fertilizer costs continued to pose upside risks. Meanwhile, food price inflation moderated. Real average hourly earnings declined by 0.7% YOY in May 2026, following a 0.3% decrease in April 2026.

Figure 25: US CPI (MOM)

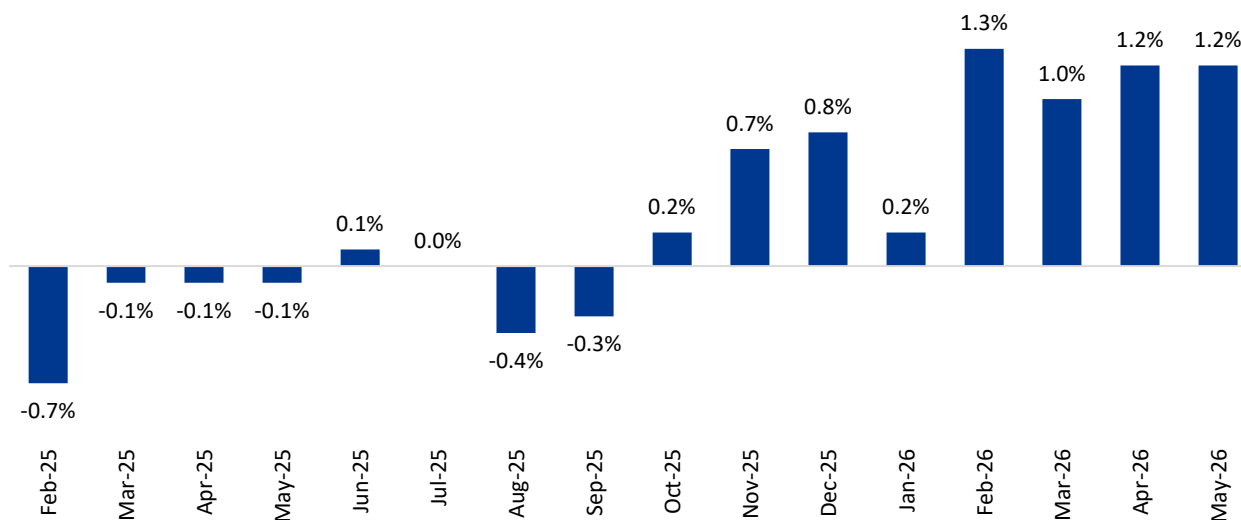


Source: CAPIQ, October and November 2025 US CPI was not published by the US Bureau of Labor Statistics (BLS)

China's inflation remained unchanged in May 2026

China's consumer inflation remained unchanged at 1.2% YOY in May 2026, matching the pace recorded in April 2026, while prices declined by 0.1% on a monthly basis. Core inflation, which excludes food and energy, eased slightly from 1.2% in April 2026 to 1.1% in May 2026. Meanwhile, producer price inflation accelerated to 3.9% in May 2026 from 2.8% in the previous month.

Figure 26: China CPI (YOY)



Source: CAPIQ

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