MENA CREDIT RESEARCH

July 2026

Renewed Geopolitical Risks Weigh on Global Risk Assets

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

GCC fixed-income markets experienced a significant pullback in July 2026, with credit spreads widening and bond indices declining as investors reassessed valuations amid mounting concerns about the sustainability of AI-related earnings and higher-than-expected interest rate persistence. The MENA Bonds Index fell 2.15% MOM, while MENA Sukuk declined 0.72% MOM, with the broader MENA Bonds & Sukuk Index retreating 1.74% over the month. GCC Credit and High Yield USD TRI (Total Return Index) underperformed peers, falling 1.80% MOM, reflecting elevated risk premiums demanded by investors on lower-rated issuers. Option-adjusted spreads widened notably, with GCC USD Credit spreads expanding 10 bps MOM to close at 88 bps, the highest levels seen in recent months. Global fixed-income indices also weakened, with the Global Investment Grade Debt Index declining 0.53% MOM and Global Sukuk falling 1.17% MOM as government bond yields moved sharply higher across developed markets. US Treasury yields remained elevated, reinforcing investor expectations that interest rates will remain higher for longer. Despite the month's weakness, the GCC fixed-income outlook retains underlying support from sovereign credit quality and stable fiscal positions, though near-term volatility is expected to persist given broader global monetary policy uncertainty and ongoing reassessment of corporate profitability in the post-AI euphoria environment.

The GCC primary debt market remained active in July 2026, with total issuance of c. USD 16.8 Bn spanning sovereigns, financial institutions, and corporates across both conventional bonds and Islamic sukuk structures. Sovereign issuance totalled USD 11.1 Bn, driven primarily by Kuwait, which tapped international markets with a multi-tranche USD 7.3 Bn offering across two, three, five, and ten-year tenors at yields ranging from 2.50% to 5.51%, addressing medium-term fiscal requirements amid elevated regional geopolitical tensions. Bahrain also participated with a USD 530.5 Mn two-year bond priced at 7.00%, reflecting its higher borrowing costs as a lower-rated issuer. Corporate conventional bond issuance totalled USD 1.7 Bn and was concentrated among UAE financial institutions, with Mashreqbank raising USD 500 Mn and Commercial Bank of Dubai raising USD 600 Mn via perpetual issuances at 6.63% coupons each, while the National Bank of Ras Al-Khaimah completed a USD 600 Mn five-year senior unsecured bond at 5.38%, signalling sustained investor appetite for bank AT1 capital instruments. Government sukuk activity accounted for USD 3.3 Bn, primarily led by Saudi Arabia's substantial USD 3.29 Bn dual-tranche issuance (10 and 15-year tenors at 5.15% and 5.20%, respectively), with modest contributions from the UAE's USD 27.2 Mn two-year sukuk. Corporate sukuk dominated July's issuance profile at USD 4.55 Bn, highlighted by SRC Sukuk's USD 2.75 Bn two-tranche offering 5.00% to 5.38% coupon, Burjeel Sukuk's USD 500 Mn five-year sukuk at 7.00%, and Tier 1 capital issuances from Dukhan Bank and Ajman Bank at perpetual structures yielding 6.00% to 6.50%, underscoring robust demand for hybrid instruments and demonstrating the GCC's continued role as a regional funding hub despite elevated yield levels and persistent macro uncertainties.

In July 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. Elevated inflation, driven primarily by higher energy prices, has lifted expectations for tighter policy, with investors now anticipating between one and two rate hikes by the end of 2026. The US 10-year Treasury yield rose by 27 bps from 4.47% at the start of the month to 4.73% at month-end. Meanwhile, the 5-year CDS increased across all GCC countries. The S&P Global UAE PMI declined from 52.6 in May 2026 to 50.8 in June 2026, the weakest reading since February 2021 and further below the long-term average of 54.3. Business activity expanded at the slowest pace in five years, constrained by the impact of the Middle East conflict, while new business growth reached a three-month high but stayed well below the historical average as customers delayed spending decisions. The labour market recorded its first contraction in over four years, at the sharpest pace since August 2020. Supply-chain conditions improved, with delivery times shortening at the fastest rate in four months as shipping bottlenecks in the Strait of Hormuz eased, supporting a sharp rebound in purchasing activity after May's contraction. Input cost inflation eased to a four-month low but remained elevated, and the non-oil private sector continued to expand only marginally amid regional geopolitical tensions. Saudi Arabia's PMI increased to 53.3 in June 2026 from 52.8 in May 2026, the highest reading in four months and signalling a solid improvement in business conditions. Business activity increased at a pace broadly consistent with May 2026, supported by project approvals, stronger customer demand and renewed sales activity following earlier postponements. New order growth accelerated to its strongest pace since February 2026, driven by improved investor confidence and domestic demand, while export orders declined for a fourth consecutive month due to logistics challenges and stronger foreign competition. Supply chains improved, with supplier delivery times shortening at the fastest rate since February 2026 as firms adopted local sourcing strategies and alternative supply routes, while purchasing activity remained subdued amid sufficient inventory levels. Input cost inflation remained steep and quickened slightly from May 2026 on elevated fuel costs, freight charges and supplier price increases linked to the Middle East conflict, completing the most pronounced quarter of cost inflation in 15 years, prompting firms to raise output charges at the second-quickest pace in nearly six years. Employment was flat during the month, reflecting heightened concerns over business expenses, even as business sentiment improved to its highest level since January 2026. According to the IMF's World Economic Outlook (WEO), July 2026, Kuwait and Qatar are projected to experience economic contractions in 2026 due to disruptions to energy production and transportation, followed by strong double-digit expansions in 2027 as hydrocarbon production, exports, and economic activity normalize.

Gold Outlook

Gold prices increased 0.95% MOM in July 2026, closing the month at USD 4,042.67 per ounce. The prices have hovered above USD 4,000.00 per ounce, making this level a crucial support. Gold initially retained its upward momentum during the following week as the labour market data prompted markets to dial back rate-hike expectations, easing pressure on yields, although a firm US dollar continued to cap the upside. The rally then paused as investors awaited the US Fed's June meeting minutes for insight into new Chair Kevin Warsh's policy direction, with fresh US strikes on Iran lifting both oil and the dollar ahead of the release. Prices fell further as renewed US-Iran hostilities drove oil higher and reignited concerns over inflation and higher-for-longer interest rates, before recovering on technical support as investors monitored developments in the Middle East. Gold slid in the subsequent week as fears of a closure of the Strait of Hormuz drove oil prices sharply higher, reviving expectations of elevated interest rates to counter the inflationary pressures from escalating hostilities in the Middle East. The precious metal then rebounded ahead of key US inflation data, and held broadly steady as the data pointed to easing inflationary pressures, before a fresh escalation in the Middle East conflict lifted oil prices and revived concerns over elevated energy costs and potential rate hikes, causing prices to decrease. Gold prices dipped post-mid-month as an escalation in the Middle East conflict pushed oil prices higher, heightening inflation concerns after several US Fed policymakers signalled that interest rate hikes may be needed to curb price pressures. The precious metal subsequently rose as oil prices softened on signs of diplomatic efforts to ease the US-Iran conflict, with investors also weighing the risk of a renewed crude price spike after Yemen's Houthis threatened to impose a naval blockade on Saudi Arabia. Gold extended its gains on technical buying and safe-haven demand ahead of the US Fed's policy meeting, before pulling back as a further escalation in the Middle East conflict drove oil prices higher and investors shifted focus to the meeting for clues on the timing of potential rate hikes. Gold prices rose in the final week as a pause in Middle East hostilities sent oil prices sharply lower and eased inflation concerns, with Iran indicating it would halt its attacks for as long as the US did the same, while investors positioned ahead of the US Fed's policy decision. Prices subsequently fell under pressure from a stronger US dollar, before holding broadly steady as market participants awaited the policy decision and accompanying commentary from the US Fed for direction on the inflation and interest rate outlook. Gold then edged higher as markets assessed the US Fed's remarks on tackling inflation after the central bank left interest rates unchanged at the meeting. The precious metal eased at the close of the month on profit-taking and a moderate rebound in the US dollar, though it retained a monthly gain, supported by bargain buying around the USD 4,000 per ounce level.

Oil Outlook

Oil prices recorded a strong monthly rebound of 23.6% MOM to USD 90.12 per barrel in July 2026, recovering from June's sharp decline as renewed geopolitical tensions in the Middle East reintroduced significant supply disruption concerns and restored the geopolitical risk premium. Prices came under pressure at the beginning of the month as progress in the Doha talks between the US and Iran raised expectations of a broader peace agreement and sustained easing of regional tensions, although the absence of a final settlement limited the downside. Prices softened further after OPEC+ agreed to increase production by 188 thousand barrels per day in August 2026 as part of the gradual unwinding of its voluntary production cuts. However, sentiment reversed sharply following renewed exchanges of missile attacks between the US and Iran, escalating concerns over disruptions to crude exports through the Strait of Hormuz. Oil prices rallied further as hostilities intensified across the Gulf, with Iran threatening key shipping routes, the collapse of the interim ceasefire raising fears of prolonged supply disruptions, and the Houthis signalling potential threats to exports through the Bab el-Mandeb Strait. Mid-month, prices climbed above USD 90 per barrel, supported by restricted tanker movements through the Strait of Hormuz, renewed attacks across the region, and Kazakhstan temporarily curtailing production after the closure of its main export route, briefly pushing prices towards the USD 100 per barrel mark. Toward the end of the month, oil prices retreated following a temporary pause in US-Iran strikes, improving hopes for a diplomatic resolution and the resumption of normal shipping flows, before recovering again as military actions resumed alongside a sharp decline in US crude inventories, reinforcing supply concerns. Overall, oil prices remained highly volatile throughout July, with geopolitical developments remaining the primary driver; looking ahead, prices are expected to remain volatile as markets continue to monitor developments in the US-Iran conflict, the security of key global shipping routes, and OPEC+ production policy.

FAB أبوظبي الأول للأوراق المالية SECURITIES

Our Top Bond/Sukuk Picks:

Top SUKUK Picks

S No.	Issuer Name	Ticker	ISIN	Yld to Mty (Mid)	Amt Out	Fitch Rating	Moody's Rating	S&P Rating	Cntry of Risk	Coupon	Maturity
1	Saudi Electricity Sukuk Programme Co	SECO	XS2608638602	6.10	1,500,000,000	A+	Aa3	N/A	SA	5.684	4/11/2053
2	Saudi Electricity Global Sukuk Co 3	SECO	XS1054250318	5.88	1,000,000,000	A+	Aa3	A+	SA	5.5	4/8/2044
3	Aldar Investment Properties Sukuk Ltd	ALDAR	XS2816816305	5.74	645,000,000	N/A	Baa1	N/A	AE	5.5	5/16/2034
4	Esic Sukuk Ltd	ESICSU	XS2747181613	5.67	700,000,000	N/A	Baa3	N/A	AE	5.831	2/14/2029
5	Sharjah Sukuk Program Ltd	SHARSK	XS2914525154	5.56	1,000,000,000	N/A	Ba1	BBB-	AE	5.433	4/17/2035
6	SRC Sukuk Ltd	SRCSUK	XS3422176480	5.54	1,500,000,000	A+	Aa3	N/A	SA	5.375	7/14/2036
7	EDO Sukuk Ltd	ENEDEV	XS3037926865	5.51	850,000,000	BBB-	#N/A N/A	BBB-	OM	5.14	1/22/2036
8	Suci Second Investment Co	PIFKSA	XS3281731821	5.42	2,000,000,000	A+	Aa3	N/A	SA	5.133	1/28/2036
9	Mazoon Assets Co SAOC	MAZOON	XS2907977131	5.34	750,000,000	BBB-	Ba1	N/A	OM	5.25	10/9/2031
10	KSA Sukuk Ltd	KSA	US48266XAK19	5.25	2,250,000,000	A+	Aa3	N/A	SA	5.25	6/4/2034

Data Source: Bloomberg

Top BOND Picks

S No.	Issuer Name	Ticker	ISIN	Yld to Mty (Mid)	Amt Out	Fitch Rating	Moody's Rating	S&P Rating	Cntry of Risk	Coupon	Maturity
1	DP World Ltd/United Arab Emirates	DPWDU	XS1883879006	6.62	1,300,000,000	BBB+	Baa2	N/A	AE	5.625	9/25/2048
2	Saudi Government International Bond	KSA	XS1791939736	6.32	3,500,000,000	A+	Aa3	N/A	SA	5	4/17/2049
3	Oman Government International Bond	OMAN	US682051AJ69	6.27	2,750,000,000	BBB-	Baa3	N/A	OM	6.75	1/17/2048
4	DP World Ltd/United Arab Emirates	DPWDU	XS0308427581	6.18	1,750,000,000	BBB+	Baa2	NR	AE	6.85	7/2/2037
5	Finance Department Government of Sharjah	SHJGOV	XS2775892065	6.13	1,000,000,000	N/A	Ba1	BBB-	AE	6.125	3/6/2036
6	Saudi Electricity Sukuk Programme Co	SECO	XS2608638602	6.10	1,500,000,000	A+	Aa3	N/A	SA	5.684	4/11/2053
7	Abu Dhabi Government International Bond	ADGB	XS2811094213	5.90	1,750,000,000	AA	N/A	AA	AE	5.5	4/30/2054
8	Finance Department Government of Sharjah	SHJGOV	US38381CAE21	5.87	1,000,000,000	N/A	Ba1	BBB-	AE	6.5	11/23/2032
9	MDGH GMTN RSC Ltd	MUBAUH	US44985GAE17	5.83	750,000,000	AA	Aa2	AA	AE	6.875	11/1/2041
10	National Bank of Ras Al-Khaimah PSC/The	RAKBNK	XS3430669450	5.64	600,000,000	BBB+	Baa1	N/A	AE	5.375	7/7/2031

Data Source: Bloomberg

Content:

MENA credit outlook

RAKBANK raised USD 600 Mn through 5-year senior unsecured bond

National Bank of Ras Al Khaimah (RAKBANK) completed a USD 600 Mn benchmark issuance of five-year senior unsecured Regulation S notes under its EMTN Programme. The notes carry a 5.375% coupon and was priced at 125 bps over US Treasuries, compared with initial price guidance of UST +155 bps, resulting in a reoffer price of 99.835 and a yield of 5.413%. The issuance generated demand exceeding USD 1.2 Bn, excluding participation by joint lead manager. The bonds are expected to receive Baa1 and BBB+ ratings from Moody's and Fitch, respectively, and will be listed on Euronext Dublin.

Mashreqbank raised USD 500 Mn through perpetual AT1 issuance

Mashreqbank raised USD 500 Mn through a benchmark perpetual non-call 5.5-year Additional Tier 1 (AT1) capital securities issuance. The securities were issued at par with a fixed annual coupon of 6.625% and priced at a spread of 242 bps over US Treasuries, improving from initial price guidance in the 6.875% area. Investor demand exceeded USD 1 Bn, including USD 85 Mn from joint lead managers. The AT1 securities are scheduled for issuance on July 7, 2026, feature a first call date of July 7, 2031, and are expected to be listed on the Global Exchange Market of Euronext Dublin. Mashreqbank's latest issuance was priced with ratings of A3 (Stable) by Moody's and A (Stable) by S&P and Fitch.

Saudi Arabia's SRC completed dual-tranche USD sukuk issuance

Saudi Real Estate Refinance Company (SRC), a Public Investment Fund (PIF)-owned entity, completed the pricing of a dual-tranche senior unsecured Regulation S US dollar sukuk under SRC Sukuk Limited's Trust Certificate Issuance Programme. The offering included 5.5-year and 10-year maturities, which were priced at spreads of 85 bps and 95 bps over US Treasuries, respectively, compared with initial price guidance of UST +115 bps and UST +125 bps. Total investor demand exceeded USD 16.75 Bn, while the individual orderbooks surpassed USD 8 Bn for the 5.5-year tranche and USD 8.75 Bn for the 10-year tranche, excluding joint lead manager interest. The issuance benefits from a guarantee provided by the Saudi Ministry of Finance on behalf of the government and is expected to receive Aa3 and A+ ratings from Moody's and Fitch, respectively.

Ajman Bank raised USD 300 Mn through perpetual AT1 sukuk

Ajman Bank priced a USD 300 Mn unrated Regulation S perpetual non-call 5.5-year Additional Tier 1 (AT1) capital sukuk under a Mudaraba structure, marking the bank's first capital securities transaction. The transaction was priced at a final yield of 6.50%, improving from initial price guidance in the 7.0% area. The issuance generated an orderbook of more than USD 500 Mn, excluding joint lead manager interest. The transaction follows the bank's inaugural USD 500 Mn five-year sukuk issued in April 2025, which carried a fixed profit rate of 5.125%.

Commercial Bank of Dubai raised USD 550 Mn perpetual AT1 capital securities

Commercial Bank of Dubai (CBD) completed the pricing of a USD 550 Mn benchmark-sized unrated Regulation S perpetual non-call six-year Additional Tier 1 (AT1) capital securities issuance, after increasing the offering size from the initial USD 500 Mn. The securities were issued at par with a 6.625% coupon and yield, compared with initial price guidance in the low 7.0% area. Investor demand reached a peak of USD 825 Mn, while the final orderbook exceeded USD 700 Mn, excluding joint lead manager interest. The issuance carries a reset margin of 225.4 bps over US Treasuries and is expected to be listed on Euronext Dublin and Nasdaq Dubai. The transaction comes after the bank redeemed its USD 600 Mn AT1 bond in April.

Kuwait raised USD 6 Bn through three-tranche sovereign bond issuance

Kuwait raised USD 6 Bn through a benchmark three-tranche senior unsecured Regulation S US dollar bond issuance under its Global Medium Term Note Programme, comprising USD 3 Bn of three-year notes, USD 1.5 Bn of five-year notes and USD 1.5 Bn of ten-year notes. The notes were priced at final spreads of 70 bps, 75 bps and 85 bps over comparable US Treasuries for the respective maturities, compared with the initial price guidance of around 95 bps, 100 bps and 110 bps. The transaction attracted investor demand exceeding USD 18 Bn. At launch, investor orders surpassed USD 6.75 Bn for the shortest tenor, USD 3.75 Bn for the five-year, and USD 4.25 Bn for the 10-year tranche, excluding joint lead manager participation. The Kuwait Ministry of Finance issued the latest debt offering, with A1 (Stable) and AA- (Stable) ratings from Moody's, S&P, and Fitch.

Bank Dhofar approved OMR 154 Mn AT1 issuance

Bank Dhofar's authorised the issuance of Additional Tier 1 (AT1) capital instruments of up to OMR 154 Mn (USD 400 Mn). The issuance will be undertaken through the bank's USD 500 Mn Euro Medium Term Note (EMTN) programme, established in April 2026 for debt issuances over a five-year period using various coupon structures. In addition, the Bank approved a capital increase of OMR 50 Mn for Dhofar Islamic.

Qatar Central Bank raised QAR 2 Bn government bonds

Qatar Central Bank (QCB), on behalf of the Ministry of Finance, issued QAR 2 Bn (USD 549 Mn) of government bonds through two tap issuances. The issuance consisted of two QAR 1 Bn tranches, maturing in September 2028 and August 2030, with yields of 4.55% and 4.70%, respectively.

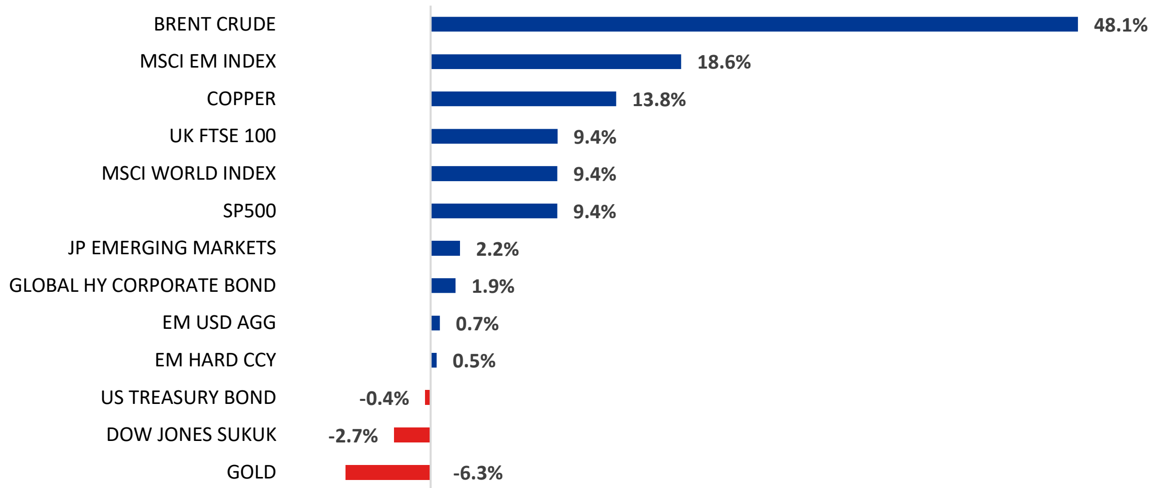
ASB Capital acted as joint lead manager on Ajman Bank's debut USD 300 Mn AT1 sukuk

ASB Capital served as Joint Lead Manager and Bookrunner for Ajman Bank's inaugural USD 300 Mn Additional Tier 1 (AT1) perpetual non-call 5.5-year Sukuk, marking the bank's first international AT1 issuance. The offering was arranged together with Dubai Islamic Bank, Emirates NBD Capital, First Abu Dhabi Bank, JP Morgan, Mashreq, Morgan Stanley, Standard Chartered Bank and Warba Bank.

Global Asset Performance

Global asset classes delivered mixed performance during July 2026 as investors balanced easing geopolitical risks with evolving monetary policy expectations and corporate earnings. Commodity markets outperformed, led by a rebound in energy prices, while equity market performance was mixed and fixed income markets softened amid expectations of higher-for-longer interest rates. Emerging market equities underperformed developed markets, with the MSCI Emerging Markets Index declining 3.3% MOM, reflecting weaker sentiment across key Asian markets. In contrast, developed markets remained resilient, with the MSCI World Index rising 0.5% MOM, supported by gains in major developed economies, while the FTSE 100 advanced 3.5% MOM. The S&P 500 was broadly unchanged, declining 0.1% MOM, as continued strength in AI-related companies was offset by profit-taking in large-cap technology stocks. Fixed income markets weakened modestly, with the Bloomberg Global Aggregate Bond Index declining 1.3% MOM, while the JP Morgan EMBI and EM Hard Currency Bond Index fell 1.2% MOM each amid higher US Treasury yields and a stronger US dollar. US Treasuries also declined 0.9% MOM as investors continued to price in a cautious pace of monetary easing. Credit markets softened, with the Dow Jones Sukuk Index and Global High Yield Corporate Bond Index declining 1.2% MOM and 0.3% MOM, respectively. Among commodities, Brent crude oil rebounded 23.6% MOM, supported by renewed supply concerns and stronger demand expectations, while copper increased 4.4% MOM on continued AI and electrification-driven demand. Gold rose 1.0% MOM as persistent geopolitical and macroeconomic uncertainties supported safe-haven demand. Overall, investor sentiment remained broadly constructive during July 2026, supported by resilient corporate earnings, sustained AI-related capital expenditure and improving macroeconomic conditions, although expectations of prolonged restrictive monetary policy continued to weigh on fixed income markets and emerging market assets.

Figure 1: Global Asset Performance (YTD in FY2026)

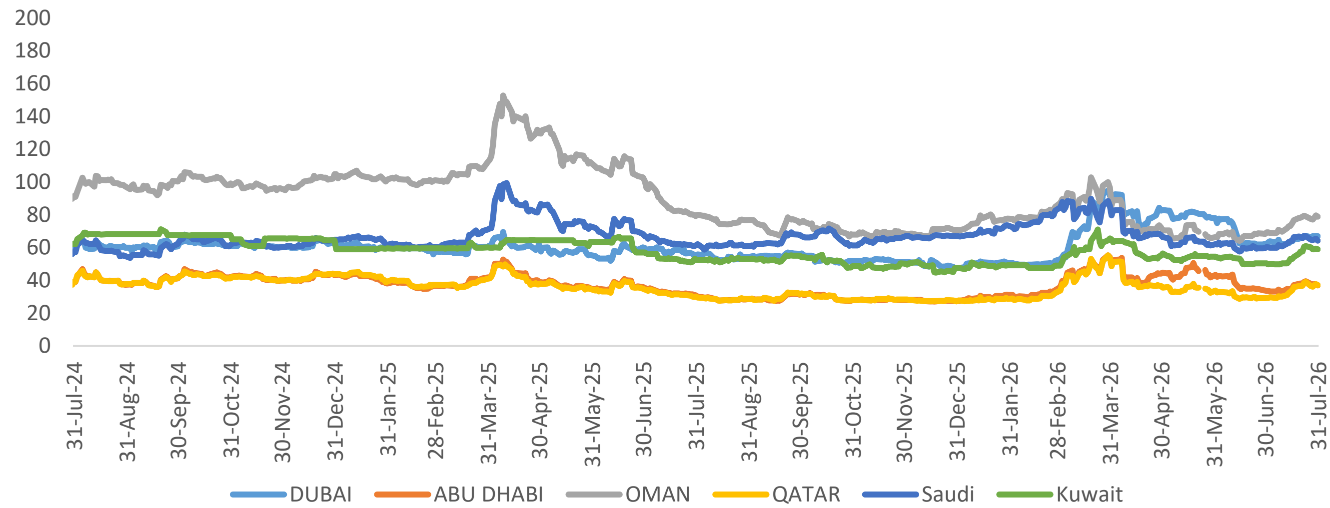


Source: Bloomberg

5-Year CDS

The 5-year CDS spread expanded across all GCC countries during July 2026, reflecting increased sovereign risk premiums amid renewed geopolitical and macroeconomic uncertainties. Qatar recorded the highest expansion of 27.10% MOM in July 2026. Kuwait recorded the second-highest expansion of 16.89% on a MOM basis in July 2026, followed by Oman and Abu Dhabi, which recorded expansions of 15.40% and 9.18%, respectively, on a MOM basis in July 2026. Similarly, Dubai and Saudi Arabia recorded expansions of 7.69% and 7.36%, respectively, on a MOM basis in July 2026.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	Dubai	Abu Dhabi	Oman	Kuwait	Qatar	Saudi
MTD (%)	7.69%	9.18%	15.40%	16.89%	27.10%	7.36%

Banking Sector

Bank Nizwa proposed merger with Alizz Islamic Bank

Bank Nizwa unveiled a proposal to merge with Alizz Islamic Bank and plans to introduce Oman International Development and Investment Company (Ominvest) as a strategic shareholder. Under the proposal, Ominvest would subscribe to new shares representing up to a 20% stake in Bank Nizwa at an indicative valuation of 1.2x book value, with the proceeds allocated toward financing the transaction. Bank Nizwa also plans to finance the acquisition by issuing a perpetual AT1 sukuk. The proposed transaction is non-binding and remains subject to regulatory approvals, while the deal value, Ominvest's investment amount and the planned sukuk size were not disclosed. Ominvest holds a 30.99% stake in Oman Arab Bank, making it a major shareholder.

Qatar Islamic Bank reduced its stake in Daaman Islamic Insurance

Qatar Islamic Bank (QIB) entered into an agreement to sell part of its 13.75% shareholding in Daaman Islamic Insurance Co. (Beema) to a group of special purpose vehicles financed by Qatar-based investment firm QInvest. Upon completion of the transaction, QIB's ownership in the Doha-listed insurance company is anticipated to decrease to 5%. The financial terms of the transaction were not disclosed, and the agreement was signed on July 9.

Sohar International Bank launched OMR 150 Mn rights issue

Sohar International Bank announced an OMR 150 Mn capital raise through a rights issue involving the offering of 1,059 Mn new shares at OMR 0.141 per share. The subscription period is expected to run from July 21 to July 26, with the final allotment scheduled for July 28 and listing on July 30. The capital raise is intended to enhance the bank's Tier 1 capital position and support its overall capital adequacy. Sohar International and Oman Investment Bank have been appointed as the issue managers and financial advisors.

Saudi Re to acquire 22.5% stake in Ada Risk Holding

Saudi Reinsurance Company (Saudi Re) obtained approval from the Saudi insurance regulator to acquire a 22.5% ownership interest in UK-based Ada Risk Holding for GBP 8.95 Mn (USD 12 Mn). The acquisition is going to be funded through the company's internal capital resources and forms part of its strategy to expand its international presence. The investment is also expected to strengthen Saudi Re's position in the Lloyd's insurance market through Ada Risk's Syndicate 2024, while supporting the development of specialised reinsurance capabilities and diversification of its underwriting portfolio.

Corporate Sector

ADNOC Distribution agreed to acquire Shell Downstream South Africa for USD 1 Bn

ADNOC Distribution reached an agreement to purchase the entire share capital of Shell Downstream South Africa (SDSA) from Shell South Africa Holdings in a transaction with an implied enterprise value of c. USD 1 Bn, subject to the required regulatory approvals and expected to be completed in 2027. Upon completion, the Company intends to transfer a 28% interest in SDSA to a local empowerment partner and an Employee Stock Option Plan (ESOP), resulting in a 72% ownership stake. The transaction also includes a long-term licence to continue using the Shell brand across SDSA's retail fuel station network and lubricants operations in South Africa. The Company expects the acquisition to be earnings accretive in the first year of acquisition and expects to deliver a 6% increase in earnings per share during the first full year following completion.

Dubai Taxi Company completed the acquisition of National Taxi for AED 1.45 Bn

Dubai Taxi Company (DTC) completed the acquisition of the entire share capital of National Taxi after securing all necessary regulatory approvals, including those from Dubai's Roads and Transport Authority (RTA) and Abu Dhabi's Integrated Transport Centre (ITC). The transaction was completed for a final consideration of AED 1.45 Bn under the agreed locked-box mechanism. The acquisition increases DTC's market share in Dubai to c. 59% and provides an entry into the Abu Dhabi market with c. 12% share. Following the completion of the deal, the Company's taxi fleet has expanded to more than 9,500 vehicles across the UAE, and the transaction is expected to contribute positively to earnings from the first full year of ownership.

ePointZero completed USD 2.25 Bn acquisition of Traverse Midstream Partners

ePointZero, a subsidiary of Abu Dhabi-based 2PointZero Group, completed the acquisition of Traverse Midstream Partners from The Energy & Minerals Group (EMG) in an all-cash transaction valued at USD 2.25 Bn. The acquisition provides ePointZero with non-operated minority interests in key US natural gas infrastructure assets, comprising a 35% interest in the Rover Pipeline and a 25% interest in the Ohio River System, both managed by Energy Transfer. The transaction marks ePointZero's first investment in US natural gas infrastructure and supports its strategy to build a globally diversified portfolio of long-term, cash-generating energy infrastructure assets. The acquired assets are located in the Appalachian Basin and are backed by long-term take-or-pay agreements, linking natural gas production to LNG export facilities, power generation networks and industrial demand centres across the US.

Dubai Investment Company subsidiary to acquire 80% interest in Clemenceau Medical Center

Dubai Investments Industries LLC, a wholly owned subsidiary of Dubai Investment Company, entered into an agreement for the acquisition of an 80% stake in Clemenceau Medical Center (CMC) through a non-cash transaction. The stake will be purchased from existing shareholders, with Khansaheb Investment LLC divesting a 55% holding and Clemenceau Medical Company S.A.E.M.L. selling its remaining 25% holding. Financial terms of the transaction were not disclosed. The acquisition will strengthen the Group's presence in the healthcare sector through the addition of CMC, an advanced medical services provider based in Dubai Healthcare City.

Spinneys to increase stake in Saudi subsidiary to 70%

Spinneys will increase its ownership in Spinneys KSA to 70% through the acquisition of an additional 20% stake from Al Hokair for SAR 18 Mn (USD 4.8 Mn), subject to regulatory approval in Saudi Arabia.

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.

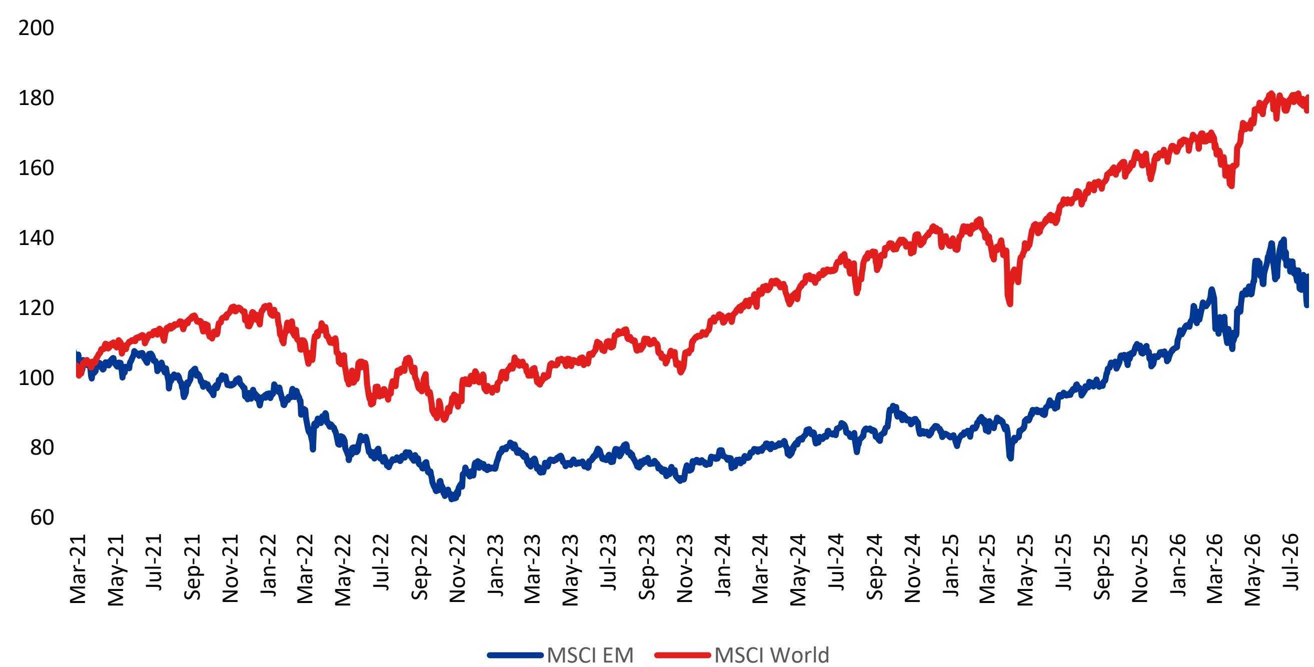
- Fitch Ratings affirmed **Kuwait**'s long-term foreign-currency issuer default ratings, or IDR, to 'AA-' with a stable outlook. This is due to the Gulf state's fundamental issues being worsened by continued political limitations on decision-making. Since 2017, the Gulf state has been debating debt legislation, 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 experienced a significant pullback in July 2026, as investors cycled between two distinct narratives, an early-month geopolitical spike that pushed Brent crude above USD 100 per barrel and lifted energy prices, followed by a shift toward second-quarter earnings and mounting concerns about the sustainability of artificial intelligence investment returns. Rather than signalling a broad retreat from AI, the earnings season prompted selective positioning, with hyperscalers proving relatively resilient while semiconductor companies faced substantial pressure from elevated valuations, export control concerns, and China's technological progress, triggering forced deleveraging that amplified the sell-off. Emerging markets declined 3.3% MOM while developed markets posted modest gains of 0.5% MOM, marking a sharp deceleration from June's broad-based rally. Among emerging markets, South Korea's KOSPI experienced the steepest decline, falling 22.2% MOM amid significant profit-taking in semiconductor stocks following their strong June performance, while Taiwan's equity market retreated 6.5% MOM as concerns mounted regarding near-term AI capex sustainability and moderating semiconductor demand. Japan's Nikkei 225 fell 8.1% MOM despite earlier strength, as the yen's recovery from historic lows eroded the export competitiveness advantage that had driven June's rally. In contrast, India's Nifty 50 demonstrated relative resilience, advancing 2.2% MOM, buoyed by stable domestic fundamentals and intra-quarter profit booking in other Asian peers, while Brazil's broad-based index outperformed among emerging markets, gaining 3.5% MOM as commodity prices stabilized and fiscal concerns eased slightly. Among developed markets, the S&P 500 remained virtually flat, declining just 0.1% MOM, as technology sector weakness was partially offset by gains in defensive and financial sectors. France's CAC 40 advanced 1.4% MOM on steady manufacturing data, while the UK's FTSE 100 posted a marginal 0.5% gain, constrained by commodity headwinds. As of July 2026, the MSCI Emerging Markets Index was up 18.6% YTD, compared with a 9.4% YTD gain in the MSCI World Index.

Figure 3: MSCI World and Emerging Market Index Historical trend



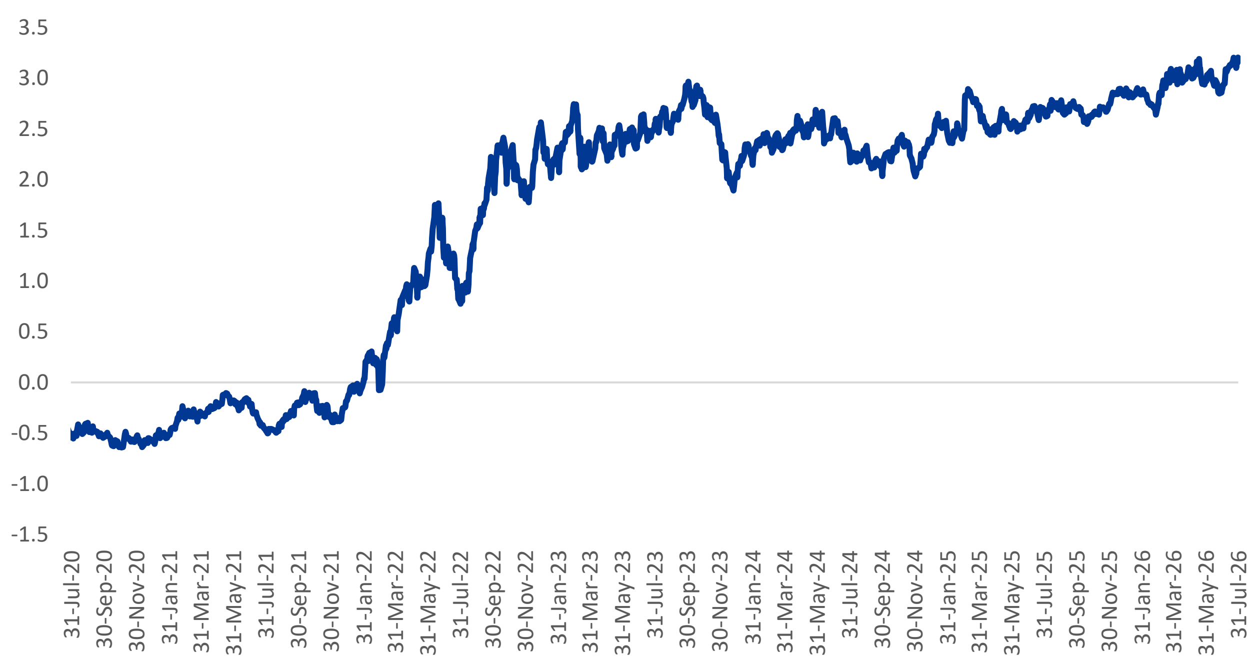
Source: Bloomberg

Yield on 10-year government

Figure 4: US 10-year government yield

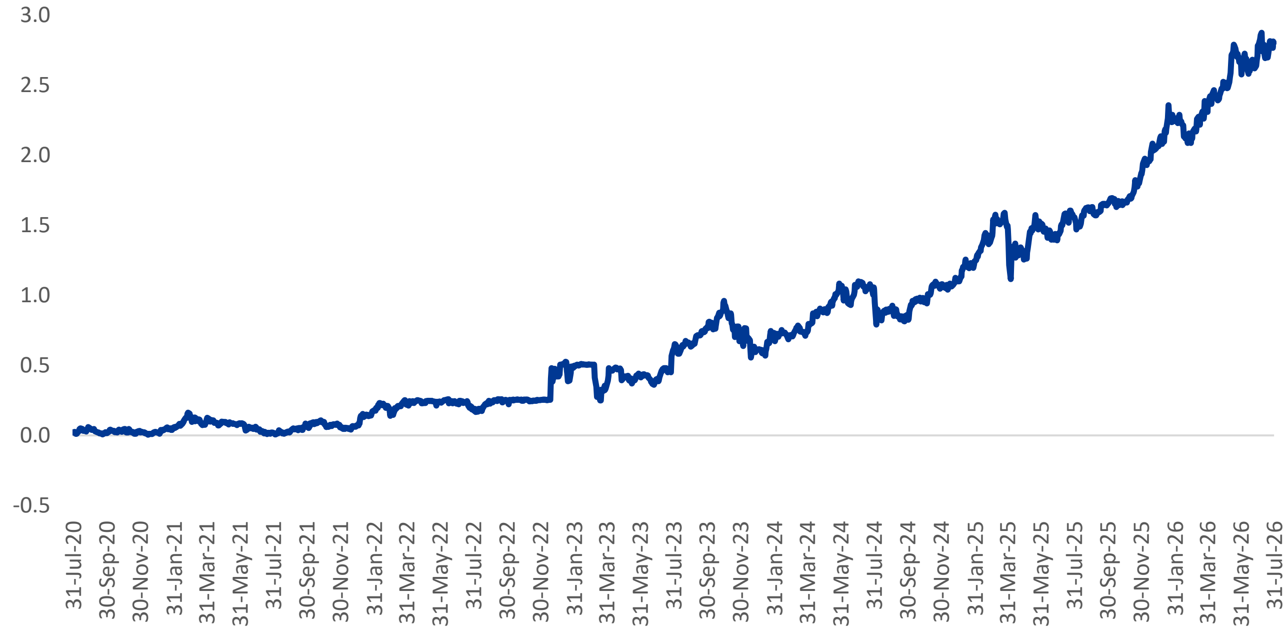
Source: Bloomberg

Figure 5: Germany 10-year government yield



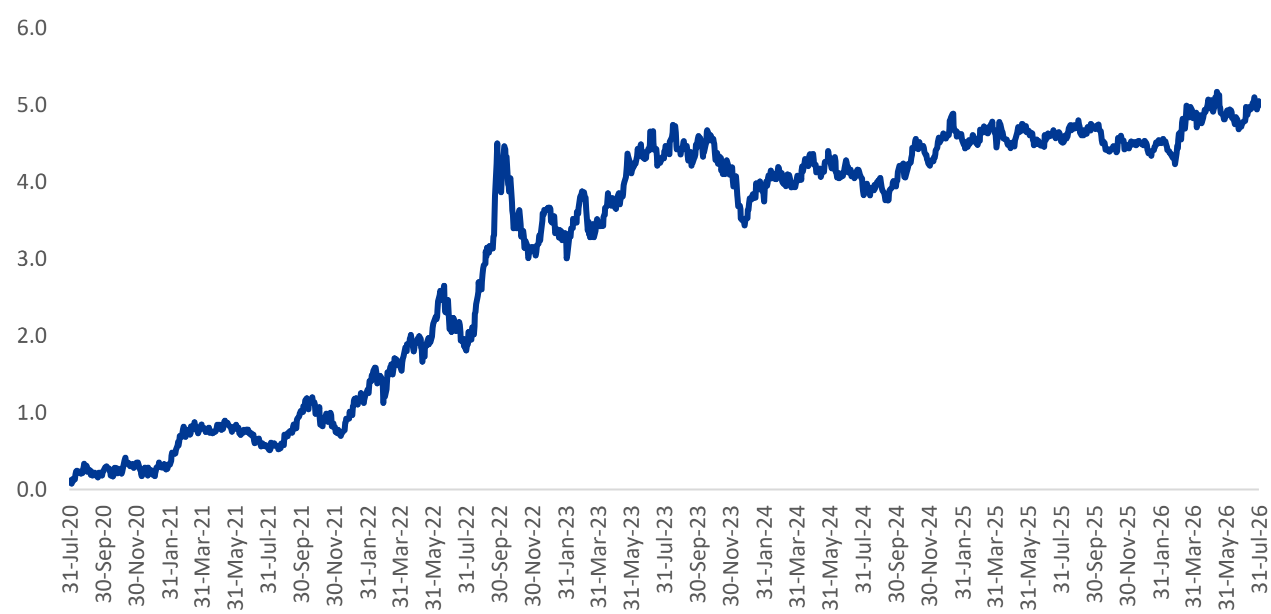
Source: Bloomberg

Figure 6: Japan 10-year government yield



Source: Bloomberg

Figure 7: UK 10-year government yield

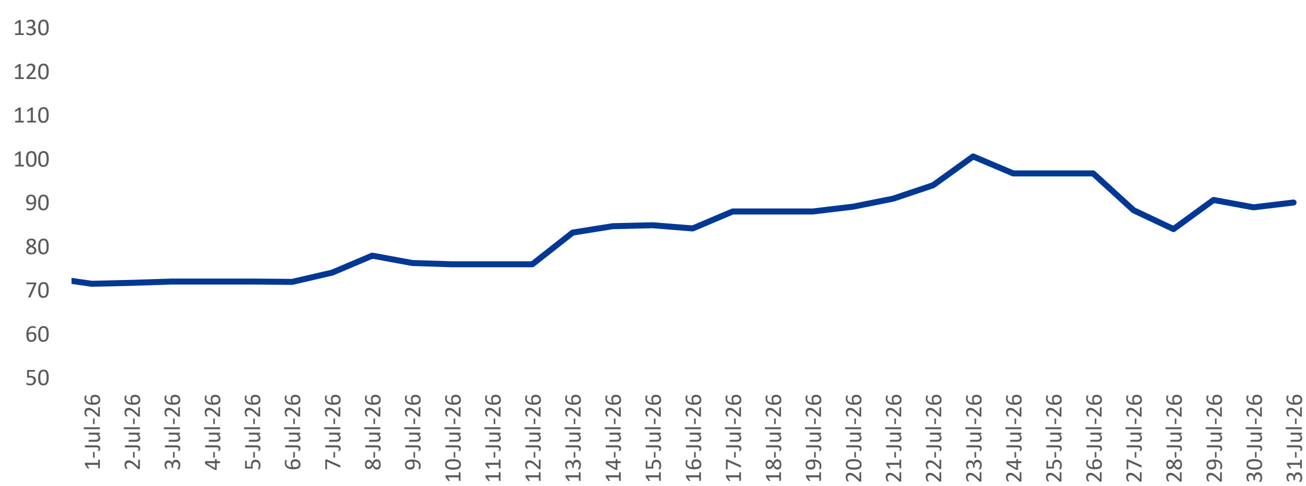


Source: Bloomberg

Oil Outlook

Oil prices recorded a rebound in July 2026, with Brent crude rising 23.6% MOM to USD 90.12 per barrel. Oil prices came under pressure at the start of the month as positive developments in the Doha talks raised hopes of a US-Iran deal and an easing of Middle East tensions, building on the interim agreement reached in June. The downside was cushioned, however, as the talks stopped short of a definitive settlement, keeping a residual geopolitical risk premium in place. Prices subsequently softened after OPEC+ agreed to raise output by 188 thousand barrels per day in August 2026, as part of the gradual unwinding of the additional voluntary cuts introduced in April 2023. Oil regained momentum thereafter as an exchange of missiles between the US and Iran renewed geopolitical tensions, with fresh US strikes on Iranian targets pushing prices higher and straining the June ceasefire. Prices jumped in the following week as Iran expanded strikes on Gulf states in response to US attacks, threatening energy shipments through the Strait of Hormuz. The US stated that the strait remained open to commercial traffic, though Iran had earlier declared it closed after a vessel travelling on an unapproved route was struck. The escalation cast further doubt over the interim agreement, which had aimed to reopen the strait and end hostilities following a further 60 days of negotiations. Prices rose further as both sides stepped up attacks across the Gulf, with the collapse of the truce limiting flows through the strait and Iran asking the Houthis to stand ready to close the Red Sea export route. Post mid-month, prices rose to their highest in more than a month, climbing above USD 90 per barrel as escalating US-Iran hostilities restricted shipments through the Strait of Hormuz and drove a decline in tanker departures from the Gulf. The conflict widened as Kuwait and Bahrain reported further Iranian strikes and Yemen's Houthis opened a new front, threatening vessels carrying Saudi crude in the Bab el-Mandeb Strait and announcing a naval blockade of Saudi Arabia. Prices further extended gains on fears of a closure of an alternate route, while Kazakhstan temporarily curtailed output after its main export route was shut, leading the prices to briefly touch the USD 100.00 per barrel mark. Oil prices tumbled in the final week after the US and Iran paused strikes over the weekend following two weeks of attacks, raising hopes of a diplomatic resolution that would de-escalate the conflict and allow shipping to resume through the Strait of Hormuz. Prices fell further as market participants continued to weigh the pause in US strikes and the prospect of a normalisation of Middle East energy flows. Oil prices rebounded thereafter following joint US-Saudi strikes in Iraq and the interception of Iranian ballistic missiles targeting US forces in the region, alongside a decline in US crude inventories. Prices rose sharply as airstrikes resumed, compounding supply concerns after US government data showed domestic crude inventories had fallen to a multi-year low. Oil closed the month around USD 90.0 per barrel as renewed hostilities between the US and Iran threatened further disruption to Middle East energy supplies.

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



Source: Bloomberg

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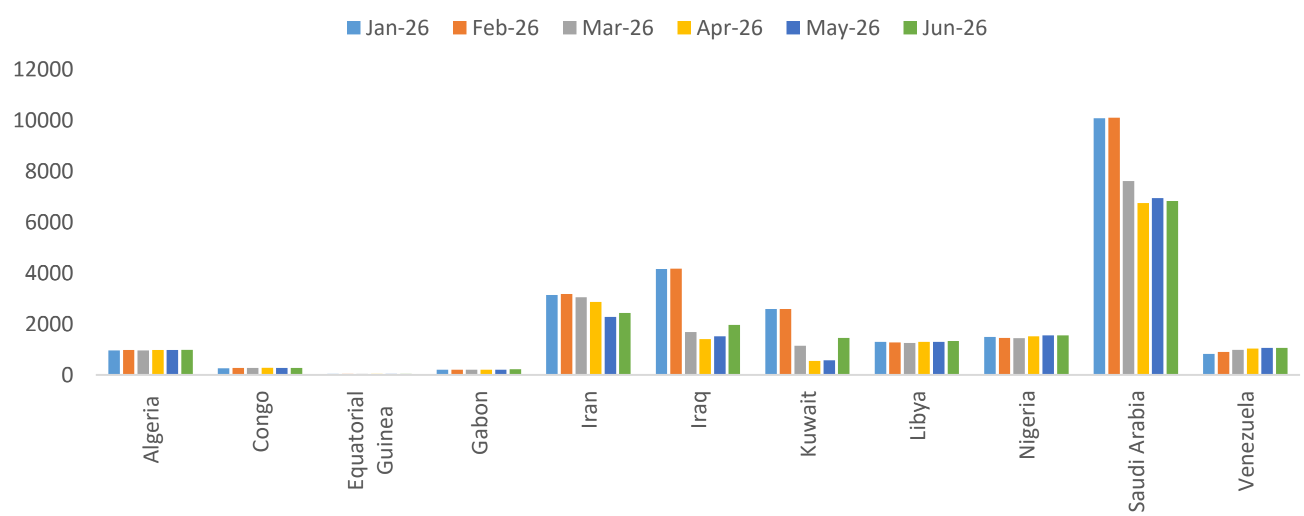
OPEC Production

Total crude oil production from the OPEC countries rose by 1,408 thousand barrels per day (bpd) MOM, reaching 18.2 Mn bpd in June 2026. Seven out of the 11 OPEC members reported an increase in production during the month. Kuwait witnessed the largest increase in production, increasing 879 thousand bpd MOM in June 2026, followed by Iraq with the second-highest increase of 445 thousand bpd MOM. Iran's oil output increased 155 thousand bpd MOM in June 2026. Libya saw an increase of 22 thousand bpd MOM in June 2026, while Gabon recorded an increase of 10 thousand bpd MOM. Algeria and Nigeria both saw an increase of 5 thousand bpd MOM each in June 2026. However, Saudi Arabia saw the highest decline in oil production of 99 thousand bpd MOM in June 2026, followed by Congo and Equatorial Guinea, each with a decline of 7 thousand bpd MOM. Venezuela's production remained flat on a MOM basis in June 2026.

Figure 9: OPEC Crude Oil Production

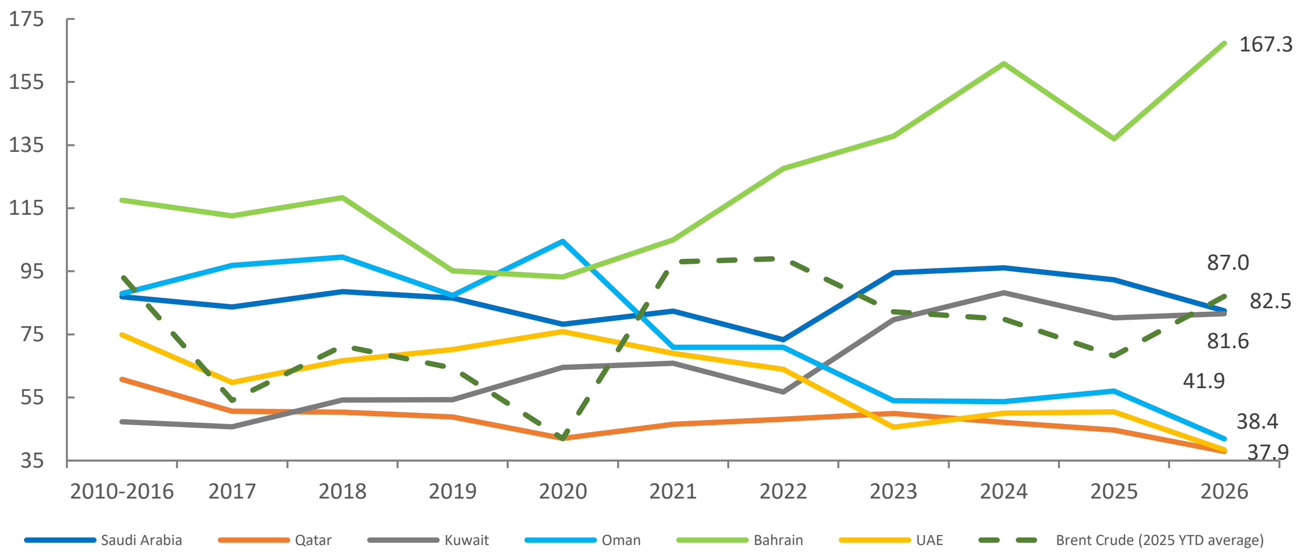


Source: OPEC (UAE excluded from OPEC effective May 2026)

Fiscal Breakeven Oil Price

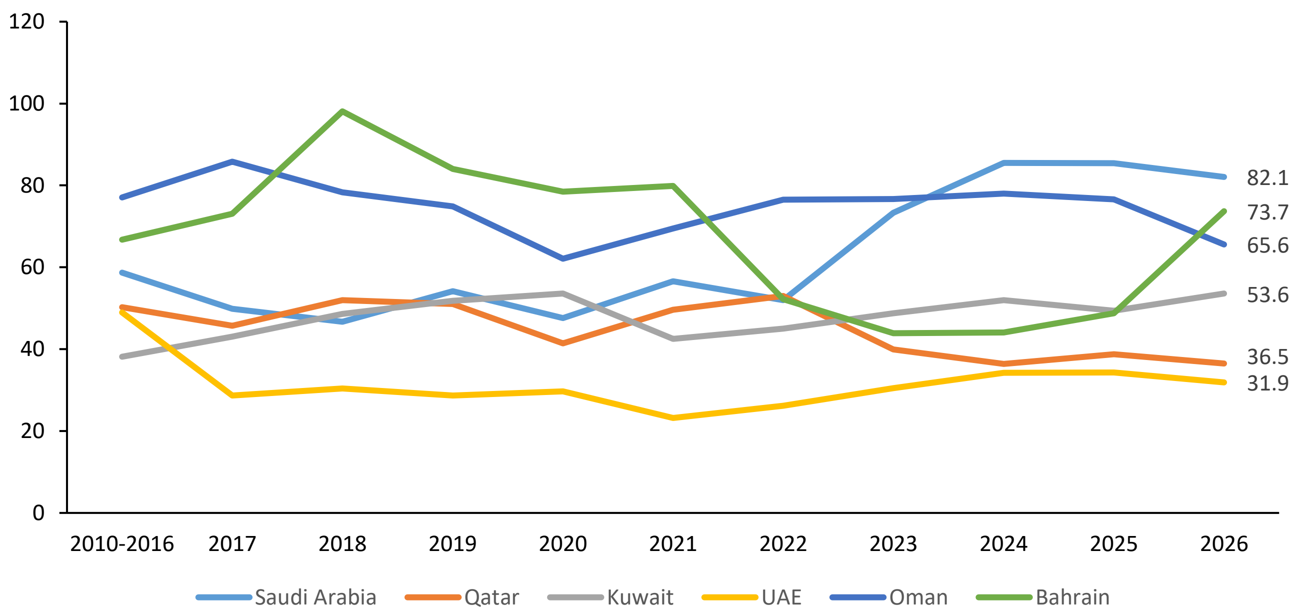
The overall fiscal breakeven oil price is expected to decline for all GCC countries in FY2026, except Bahrain and Kuwait. Bahrain’s fiscal breakeven is projected to increase from USD 137.0 per barrel in FY2025 to USD 167.3 per barrel in FY2026, while Kuwait’s fiscal breakeven is projected to increase from USD 80.2 per barrel in FY2025 to USD 81.6 per barrel in FY2026. Oman is expected to record the highest decline in fiscal breakeven oil price, from USD 57.0 per barrel in FY2025 to USD 41.9 per barrel in FY2026. The UAE’s fiscal breakeven oil price is projected to decline from USD 50.4 per barrel in FY2025 to USD 38.4 per barrel in FY2026, followed by Saudi Arabia, where the fiscal breakeven oil price is expected to decrease from USD 92.3 per barrel in FY2025 to USD 82.5 per barrel in FY2026. Qatar’s fiscal breakeven oil price is also projected to decline from USD 44.7 per barrel in FY2025 to USD 37.9 per barrel in FY2026.

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



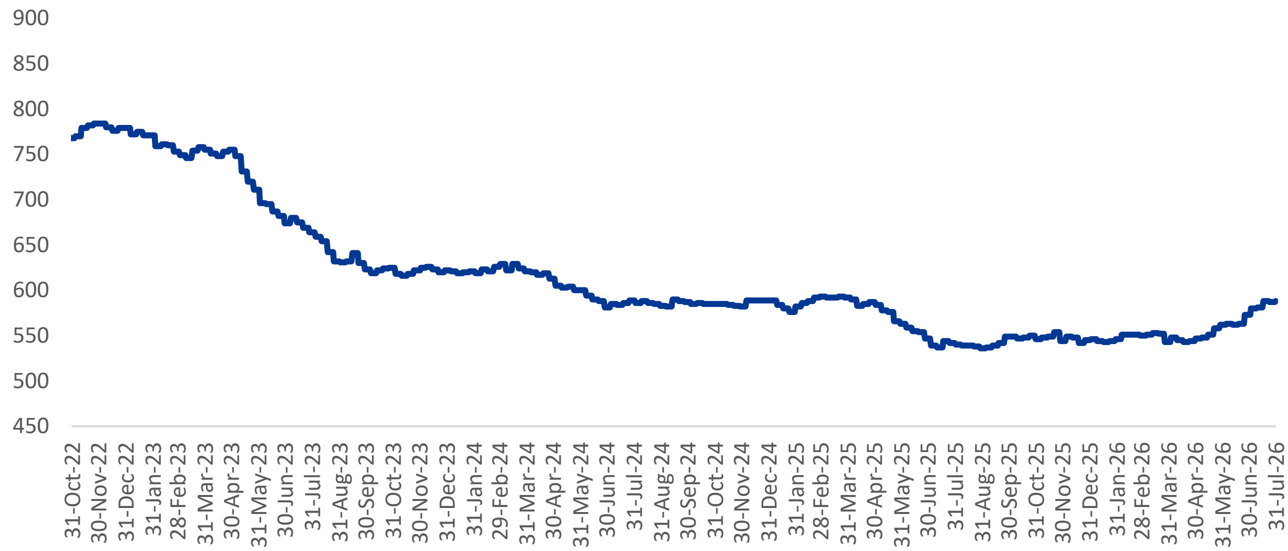
Source: Bloomberg

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	95.47	5.48	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	97.98	8.57	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	96.30	5.01	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	99.46	6.51	NA/NA/BBB+
INTLWT 5.95% 2039	Power Generation and Water Utility	98.35	6.15	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	98.35	6.15	-2.21	-2.29	-4.42	-1.79
BGBKKK 2.75% 2031	MW	99.46	6.51	0.30	1.07	1.89	4.19
ARAMCO 3.5% 2029	OW	96.30	5.01	-0.39	-0.60	-1.41	-1.05
KWIPKK 4.5% 2027	MW	97.98	8.57	-0.21	-0.04	-0.15	3.55
ALDAR 3.875% 2029	OW	95.47	5.48	-1.17	-1.50	-2.37	-2.02

Source: Bloomberg, [1]Mid 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 95.47 with a yield of 5.48% when held until maturity (redemption at par) with a modified duration of 2.93. 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 2Q26 with a revenue of AED 8.1 Bn, up 4.8% YOY. The growth was primarily driven by execution of the development revenue backlog, alongside higher recurring income from Aldar Investment supported by strong occupancy, rental growth, strategic acquisitions and growth in the Education and Estates businesses.
- It recorded a gross profit of AED 2,925 Mn, up 14.2% YOY in 2Q26, with gross margin expanding to 36.1% from 33.1% in 2Q25, and a net profit of AED 2,166 Mn, up 9.9% YOY, demonstrating the resilience of Aldar's diversified business model. EBITDA increased 17.6% YOY to AED 3,327 Mn in 2Q26, with EBITDA margin expanding to 41.0%.
- Aldar's strong financial results are primarily supported by continued execution of the development revenue backlog. The Company's development backlog increased to AED 71.6 Bn in 2Q26 from AED 62.3 Bn in 2Q25, providing clear visibility on revenue recognition over the next two to three years, including sizeable UAE backlog of AED 59.9 Bn.

The Development Holdings pipeline stood at AED 20.0 Bn in 2Q26, supporting long-term expansion of recurring income portfolio.

- 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 solid performance, further boosted by strategic acquisitions, including Masdar City assets and logistics assets at KEZAD, which contributed to higher recurring income. 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.
- Aldar maintained a robust liquidity position of AED 37.1 Bn as of 2Q26, comprising AED 16.8 Bn of free and unrestricted cash and AED 20.3 Bn of committed undrawn credit facilities. Shareholders' equity increased to AED 43.2 Bn in 2Q26. The Company's total debt rose to AED 33.3 Bn in 2Q26. Additionally, the Project Management Services PMS backlog stood at AED 87.2 Bn, with AED 62.3 Bn of projects currently under construction.
- Aldar significantly strengthened its long-term recurring income platform through strategic initiatives during 2Q26, including a landmark public-private partnership with the Department of Municipalities and Transport to develop integrated communities across five strategic locations spanning over 20 Mn sqm in Abu Dhabi. The Company acquired a AED 1.1 Bn residential and retail development in Dubai Studio City and three industrial and logistics assets in KEZAD for AED 650 Mn. Aldar also secured a AED 5.0 Bn five-year sustainability-linked revolving credit facility.
- Aldar Estates and Aldar Education continue to support the Group's diversified recurring income platform, with Aldar Education operating 27 owned and managed schools as of 2Q26, primarily located across the UAE. Aldar announced a AED 385.8 Mn investment to relocate Cranleigh Abu Dhabi to a new purpose-built campus on Saadiyat Island, increasing capacity to 2,178 students from the 2027–28 academic year.
- In February, Aldar Properties formed a AED 10 Bn retail joint venture with Mubadala, combining Yas Mall and The Galleria Luxury Collection under a single platform. The transaction is expected to create operational synergies and reinforce Aldar's leadership in premium retail assets.

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 97.98 with a yield of 8.57% when held until maturity (redemption at par) and has a modified duration of 0.52. 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 96.30 and offers a yield of 5.01% with a modified duration of 2.51. 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 19.0% YOY to SAR 450.8 Bn in 2Q26, 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 19.8% YOY to SAR 275.0 Bn in 2Q26, while revenue from Upstream operation rose 17.9% YOY to SAR 175.2 Bn in 2Q26. Other income related to sales increased significantly from SAR 28.3 Bn in 2Q25 to SAR 71.0 Bn in 2Q26. Other income related to sales increased, primarily due to higher reference equalization prices, and higher volumes sold of crude oil and refined products at regulated prices. Thus, revenue and other income related to sales increased from SAR 407.1 Bn in 2Q25 to SAR 521.8 Bn in 2Q26.
- Royalties and other taxes increased by 38.3% YOY to SAR 51.9 Bn in 2Q26. Total operating costs rose 27.3% YOY to SAR 305.7 Bn in 2Q26, driven by increases in Royalties, purchases, administrative and general expenses, as well as depreciation and amortization and research and development, partially offset by a decline in impairment charges, exploration expenses and production and manufacturing expenses.
- Impairment and held for sale remeasurement losses declined from SAR 3.5 Bn in 1Q25 to SAR 625 Mn in 2Q26. The Company's finance and other income declined by 3.0% to 4.4 Bn in 2Q26 compared to 2Q25.

- Income before taxes and zakat increased 28.9% YOY to SAR 214.7 Bn in 2Q26.
- Furthermore, Aramco's net profit increased from SAR 85.0 Bn in 2Q25 to SAR 122.6 Bn in 2Q26. The net profit attributable to equity shareholders increased from SAR 85.6 Bn in 2Q25 to SAR 121.5 Bn in 2Q26.
- Free cash flow declined to SAR 46.0 Bn in 2Q26 compared to SAR 57.1 in 1Q26.
- Aramco paid a total dividend of SAR 82.1 Bn in 2Q26.
- Aramco's gearing ratio increased from 4.8% in 1Q26 to 6.2% in 2Q26. Aramco's capital expenditure (Upstream) on cash basis increased to SAR 38.7 Bn in 2Q26 from SAR 34.6 Bn in 2Q25. Meanwhile, capital expenditure (Downstream) on cash basis declined from SAR 10.5 Bn in 2Q25 to 9.3 Bn in 2Q26, primarily due to the phasing of capital spending. Similarly, capital expenditure (Corporate) on cash basis decreased from SAR 1.0 Bn in 2Q25 to SAR 1.3 Bn in 2Q26.
- The Company's net debt rose from SAR 88.8 Bn in 1Q26 to SAR 119.7 Bn in 2Q26.
- During May 2026, Aramco agreed to transfer its equity stakes in PRefChem to PETRONAS, supporting the optimization of its downstream portfolio while enabling both companies to continue exploring strategic collaborations in crude supply, technology exchange and product distribution.
- Aramco partnered with solutions by STC to deploy its largest high-performance supercomputer, enhancing seismic imaging, reservoir modelling and hydrocarbon discovery as part of its Upstream digital transformation.
- 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 and Pasqal launched Saudi Arabia's first quantum computer and the Middle East's first commercial quantum computing platform, expanding advanced computing capabilities for the energy, materials and industrial sectors.
- 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 99.46. The bond offers a yield of 6.51% and a duration of 0.11. 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 98.35 with a yield of 6.15% if held till maturity (redemption at par). The bond has a modified duration of 6.41. 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 m^3/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 m^3/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 m^3/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 m^3/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 m^3/day of water capacity. During the quarter, two projects reached COD, adding 0.77 GWh of battery storage capacity and 0.6 Mn m^3/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

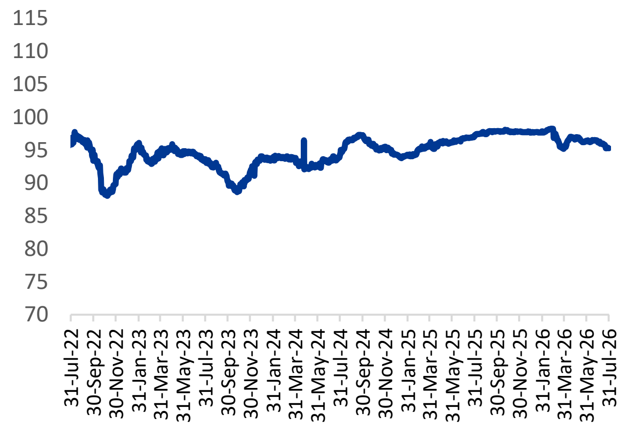


Figure 14: KWIPKK 4.5% 2027

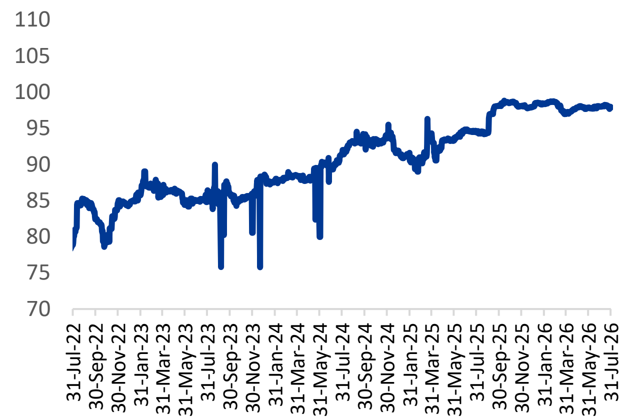


Figure 15: ARAMCO 3.5% 2029

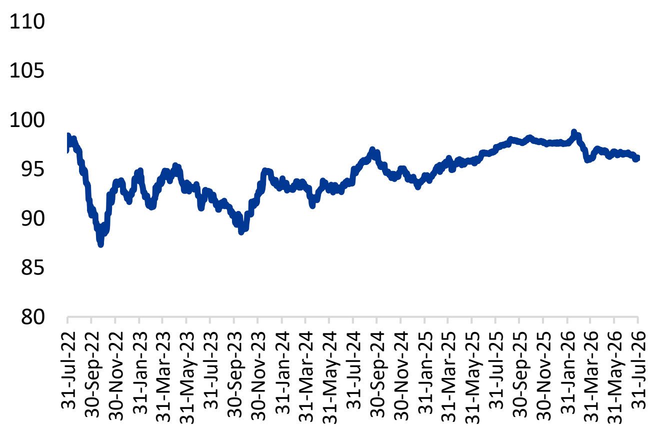


Figure 16: INTLWT 5.95% 2039

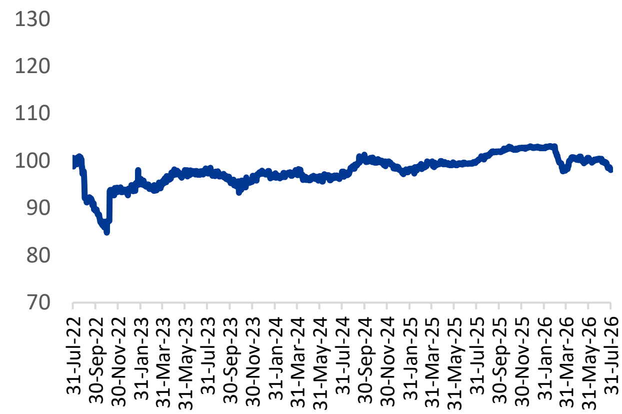
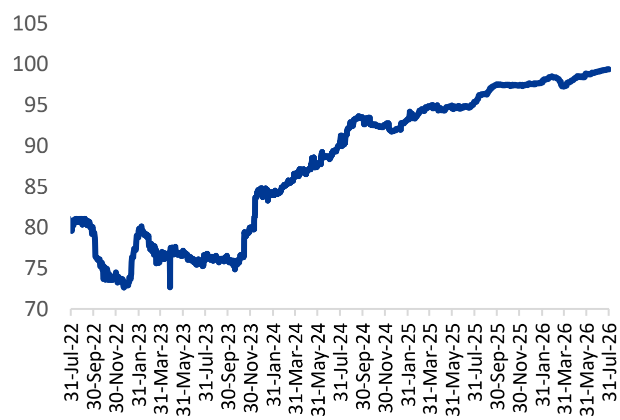


Figure 17: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	84.03	38.09	16.51
US dollar index	99.81	1.51	-1.04
10Y Treasury yield[1]	4.69	0.52	0.22
2Y Treasury yield[1]	4.25	0.78	0.11
10Y German bond yield[1]	3.15	0.30	0.29
10Y Japan bond yield[1]	2.81	0.74	0.12
Bloomberg UAE Composite USD Liquid index	147.68	-1.76	-1.68

Source: Bloomberg, [1] in Basis point

Sovereign Highlights

UAE

UAE non-oil private sector growth slowed in June, reaching a five-year low

The UAE's non-oil private sector recorded its weakest performance in more than five years during June, with the S&P Global UAE PMI declining from 52.6 in May 2026 to 50.8 in June 2026, remaining marginally above the 50 threshold indicating expansion. The slowdown reflected the impact of regional geopolitical tensions, which weighed on client spending and intensified competitive pressures, despite continued support from domestic demand and government investment. New business growth improved to a three-month high but remained below its historical average, while employment declined at the fastest pace since August 2020. Meanwhile, input cost inflation remained elevated due to higher transportation costs and commodity prices, although supply chain conditions improved as shipping disruptions through the Strait of Hormuz eased.

Dubai's economy expanded 2.4% in 1Q26, with GDP reaching AED 232 Bn

Dubai's GDP grew by 2.4% YOY to AED 232 Bn in 1Q26, reflecting continued resilience across the emirate's diversified economy. Human health and social work activities posted the strongest growth at 17.5%, followed by electricity, gas, water supply and waste management at 8.4%, and construction at 8.2%. Among the largest sectors, financial and insurance activities expanded by 6.5%, while real estate, wholesale and retail trade, information and communication, and administrative and support services grew by 3.1%, 2.6%, 2.7% and 3.6%, respectively. Wholesale and retail trade remained the largest contributor to GDP with a 22.0% share, followed by financial and insurance activities at 14.0% and real estate activities at 11.2%.

Saudi Arabia

Saudi unemployment rate declined to 6.4% in 1Q26, led by lower female joblessness

Saudi Arabia's unemployment rate eased to 6.4% in 1Q26, reflecting a quarterly decline of 0.8 percentage points, according to the General Authority for Statistics (GASTAT). Female unemployment recorded the strongest improvement during the quarter, declining by 1.3 percentage points to 9.0%, while the unemployment rate among Saudi men decreased by 0.7 percentage points to 4.9%. The overall unemployment rate, covering both Saudi and non-Saudi workers, decreased to 3.1%, representing a 0.4 percentage point decline from the previous quarter. Meanwhile, the labour force participation rate stood at 49.0% for Saudi nationals and 67.2% for the overall population, while the employment-to-population ratio reached 45.8% for Saudis and 61.0% for Saudi men.

Saudi non-oil private sector growth strengthened in June, reaching a four-month high

Saudi Arabia's Riyad Bank PMI increased from 52.8 in May 2026 to 53.3 in June 2026, reaching its highest level in four months and indicating a stronger expansion in non-oil private sector activity. The improvement was supported by the fastest increase in new orders since February, driven by stronger domestic demand, new project approvals and the resumption of orders previously delayed by regional conflict. Output growth remained broadly stable, while export orders continued to decline for the fourth consecutive month due to logistical disruptions and intense foreign competition. Meanwhile, input cost inflation remained elevated, leading businesses to raise output prices, while hiring activity remained largely unchanged.

Saudi Arabia considers expanding Red Sea oil export capacity

Saudi Arabia is considering increasing the capacity of its East-West crude oil pipeline to the Red Sea by up to 2 Mn barrels per day, with preliminary discussions underway involving neighbouring Gulf countries. The proposed expansion is intended to strengthen export routes that bypass the Strait of Hormuz and could also include transportation of refined petroleum products. The project is expected to require significant investment and several years to complete, while the final scope and structure of the expansion remain under discussion.

Saudi Arabia's producer prices increased 7.5% YOY in May 2026

Saudi Arabia's Producer Price Index (PPI) increased 7.5% YOY in May 2026, primarily driven by higher manufacturing prices. Manufacturing producer prices rose 8.0% YOY, supported by increases in the prices of chemicals and chemical products which rose 15.2% YOY, wearing apparel increased 12.7% YOY, refined petroleum products increased 10.7% YOY , basic metals increased 9.8% YOY and food products prices increased 3.2% YOY. Apart from manufacturing sector, prices for electricity, gas, steam and air conditioning supply increased 2.0% YOY, while waste management, sewage, water supply and remediation activities rose 8.3% YOY. On a monthly basis, PPI decreased 1.8% in May 2026, primarily reflecting a 2.0% fall in manufacturing prices., reflecting lower prices for refined petroleum products and fabricated metal products.

Saudi Arabia's real GDP contracted by 4.8% in 2Q26

Saudi Arabia's real GDP declined by 4.8% YOY in 2Q26, primarily due to a 24.7% contraction in oil activities, according to the General Authority for Statistics (GASTAT). Meanwhile, non-oil activities expanded by 0.6% YOY, while government activities increased by 0.9% YOY in 2Q26.

Saudi Arabia's fiscal deficit reached SAR 34.3 Bn in 2Q26

Saudi Arabia recorded a budget deficit of SAR 34.3 Bn (USD 9.14 Bn) in 2Q26, compared with SAR 34.0 Bn in 2Q25. Total government revenue increased by 12.0% YOY to SAR 338.8 Bn in 2Q26, supported by a 22.0% YOY rise in oil revenue to SAR 185.1 Bn in 2Q26 and a 3.0% increase in non-oil revenue to SAR 153.7 Bn in 2Q26. Meanwhile, government spending rose by 11.0% YOY to SAR 373.0 Bn during the quarter.

Egypt

Egypt's annual core inflation increased to 14.3% in June 2026

Egypt's annual core inflation increased from 13.8% in May to 14.3% in June, according to the Central Bank of Egypt. Meanwhile, annual urban consumer inflation eased slightly from 14.6% in May to 14.3% in June. On a monthly basis, core inflation increased by 0.3% in June, following a 1.6% rise in May.

Egypt entered negotiations for multi-year LNG supply agreements amid rising domestic gas demand

Egypt is in discussions with major energy companies, including TotalEnergies, Shell, and BP, to secure 15–18 LNG cargoes per month under contracts with an expected duration of three to five years, as the country seeks to strengthen energy security amid declining domestic gas production and rising demand. The proposed agreements are estimated to cost USD 8–11 Bn annually. The move comes as tighter global LNG markets, geopolitical tensions and disruptions to shipping routes have increased competition for LNG supplies. Egypt's natural gas import bill has already increased significantly, rising from around USD 560 Mn before the regional conflict to approximately USD 1.65 Bn for comparable import volumes in March 2026. Egypt imported 985 Bn cubic feet of natural gas between the period range of July 2025 to June 2026, with imports projected to increase to 1,081 Bn cubic feet between July 2026 and June 2027. Meanwhile, domestic gas production is expected to decline from 4.4 Bn cubic feet per day in FY2025-26 to around 4.2 Bn cubic feet per day in FY2026-27, reinforcing the country's reliance on LNG imports.

Kuwait

Kuwait's fiscal deficit increased to KWD 7.1 Bn in fiscal year 2025-26

Kuwait reported a fiscal deficit of KWD 7.1 Bn in fiscal year 2025-26, representing a 13.2% increase from the previous year. Total revenues declined by 9.7% from preliminary estimates to KWD 16.46 Bn. Oil revenues recorded a decline of 11.2% below the forecasts to KWD 13.58 Bn. Meanwhile, total expenditure decreased by 3.8% from the initial projection to KWD 23.60 Bn.

Kuwait's annual inflation increased to 2.19% in June 2026

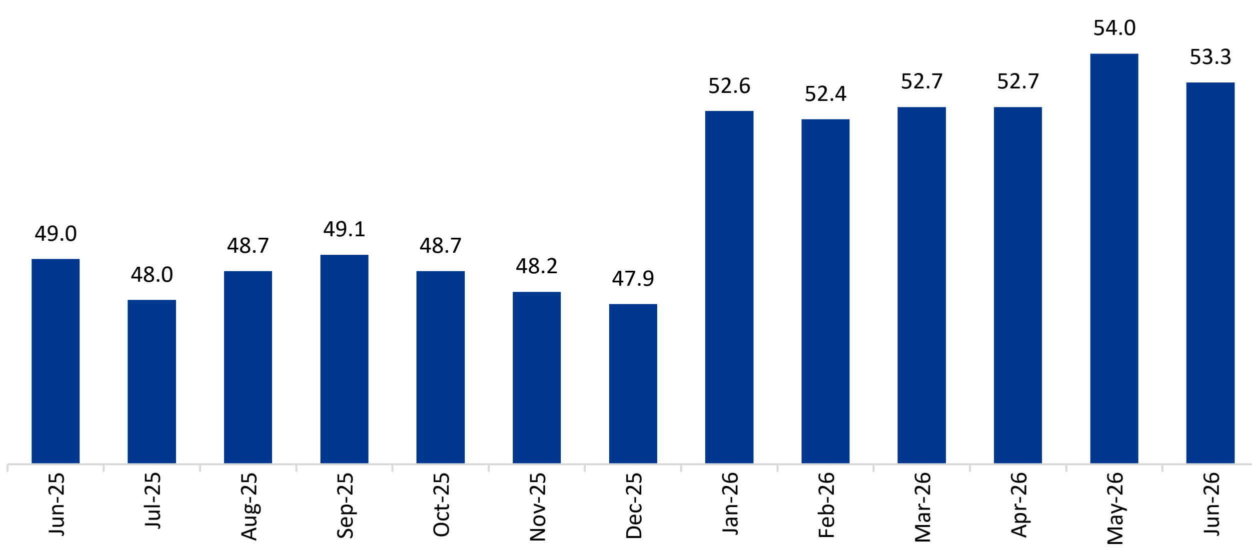
Kuwait's consumer price inflation increased to 2.19% YOY in June 2026, primarily driven by higher prices across key expenditure categories, including clothing, healthcare, education, food and miscellaneous goods and services. Food and beverages recorded the largest annual increase, rising 5.55% YOY, while prices for tobacco and cigarettes remained the same. Transport recorded the second-highest increase among the major expenditure categories, rising 4.83% YOY, while inflation across household furnishings and maintenance, healthcare, communications, recreation and culture and education remained relatively contained at around 1.0% YOY. Meanwhile, housing services edged up 0.16% YOY, clothing and footwear prices increased by 0.89% YOY, restaurant and hotel prices increased 0.22% YOY, and miscellaneous goods and services recorded a 5.8% YOY increase.

Global Economy

US manufacturing activity moderated in June 2026 while remaining in expansion

The US manufacturing sector remained in expansion in June 2026, with the ISM Manufacturing PMI easing from 54.0 in May 2026 to 53.3 in June 2026. The softness in the growth is driven by a decline in production and new orders, which moderated during the month, with the production index declining from 54.3 in May 2026 to 52.2 in June 2026 and the new orders index falling from 56.8 in May 2026 to 56.0 in June 2026. Supplier delivery times also eased from 60.6 in May 2026 to 57.4 in June 2026. Meanwhile, the employment index increased from 48.6 in May 2026 to 49.7 in June 2026 but continued to signal contraction. The price index declined sharply from 82.1 in May 2026 to 73.0 in June 2026, recording its largest monthly decrease since July 2022.

Figure 18: US ISM Manufacturing PMI

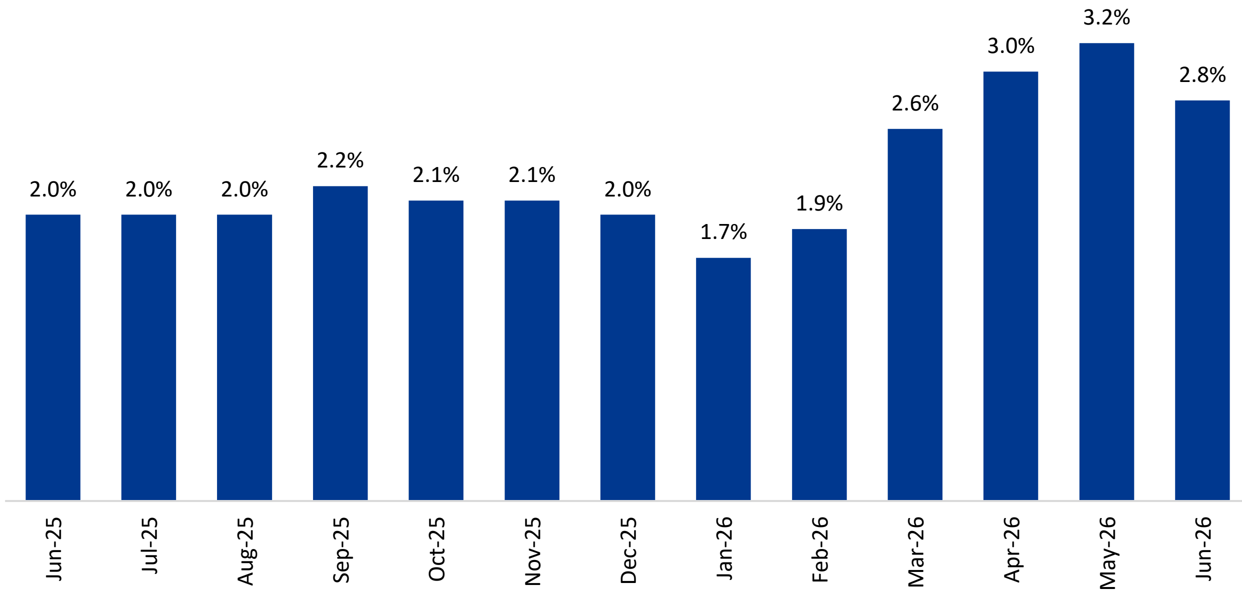


Source: CAPIQ

Eurozone inflation eased to a three-month low in June, reducing pressure to hike rates

Eurozone annual inflation declined from 3.2% in May 2026 to 2.8% in June 2026, reaching its lowest level in three months, supported by slower growth in food, energy and services prices. Core inflation, excluding energy, food, alcohol and tobacco, moderated from 2.6% in May 2026 to 2.4% in June 2026. Energy inflation slowed from 10.8% in May 2026 to 8.7% in June 2026, while services inflation eased from 3.5% in May 2026 to 3.2% in June 2026. Food, alcohol and tobacco inflation moderated from 1.9% in May 2026 to 1.6% in June 2026, whereas inflation for non-energy industrial goods remained stable at 0.9% in June 2026 compared with May 2026.

Figure 19: Eurozone's Consumer Price Index

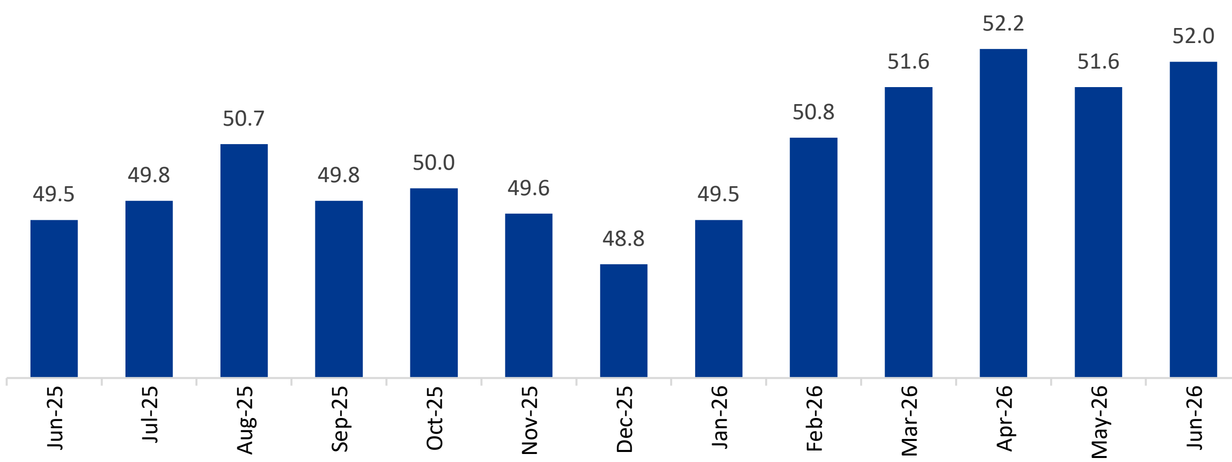


Source: CAPIQ

Eurozone manufacturing activity remained in expansion despite softer PMI amid easing prices

The eurozone manufacturing sector remained in expansion territory for the fifth consecutive month in June 2026, although the S&P Global Eurozone Manufacturing PMI grew from 51.6 in May 2026 to 52.0 in June 2026. The manufacturing sector gained strength for the sixth consecutive month as new orders recorded growth after remaining unchanged in May 2026. Although exports remained weak and recorded a decline for the second consecutive month. Employment declined for another month, but at a slower pace, and the order backlog also reduced. Meanwhile, input cost inflation eased to its lowest level since March 2026, output price inflation moderated to a three-month low, and business confidence improved to a four-month high.

Figure 20: Eurozone's Manufacturing PMI

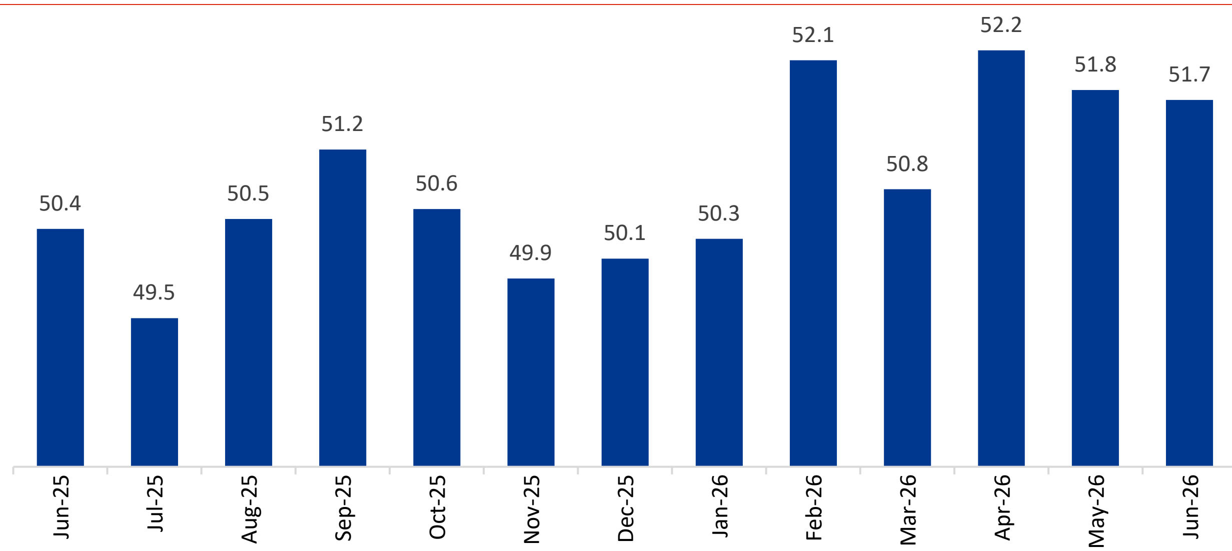


Source: CAPIQ

China manufacturing growth moderated slightly in June

China's manufacturing activity remained in the expansion territory for the seventh consecutive month in June 2026, with the RatingDog China General Manufacturing PMI easing from 51.8 in May 2026 to 51.7 in June 2026. Manufacturing output continued to increase, although the pace of expansion softened, while new orders rose for the thirteenth consecutive month and export orders declined marginally for the second straight month. Due to strong manufacturing growth, employment increased at the fastest pace since August 2023, while backlogs and finished-goods inventories rose. The input cost inflation eased to a five-month low, while manufacturers continue to experience input price growth for the 12th consecutive month, leading to output price growth for the sixth consecutive month. Business confidence remained positive owing to strong demand, business expansion, new product launches and higher production capacity, despite easing to the lowest level since January 2026.

Figure 21: China Manufacturing PMI

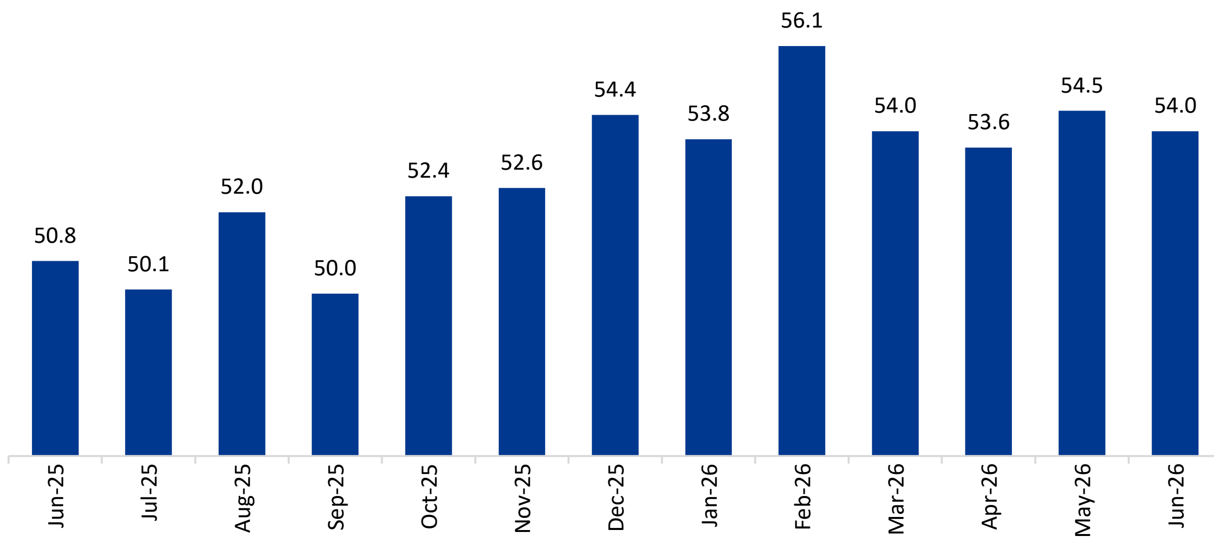


Source: CAPIQ

US services sector growth moderated slightly in June

The U.S. services sector growth moderated slightly in June 2026, with the ISM Services PMI easing from 54.5 in May 2026 to 54.0 in June 2026. The moderation reflected slower growth in business activity and new orders, with the Business Activity Index declining from 57.7 in May 2026 to 55.4 in June 2026 and the New Orders Index falling from 57.3 in May 2026 to 55.1 in June 2026. Meanwhile, the Employment Index increased from 47.9 in May 2026 to 51.2 in June 2026, moving back into expansion after four months of contraction, while the Prices Index declined from 71.3 in May 2026 to 67.7 in June 2026, marking its lowest level in four months. Manufacturing PMI eased to 53.3 in June 2026 from 54.0 in May 2026.

Figure 22: US Services PMI

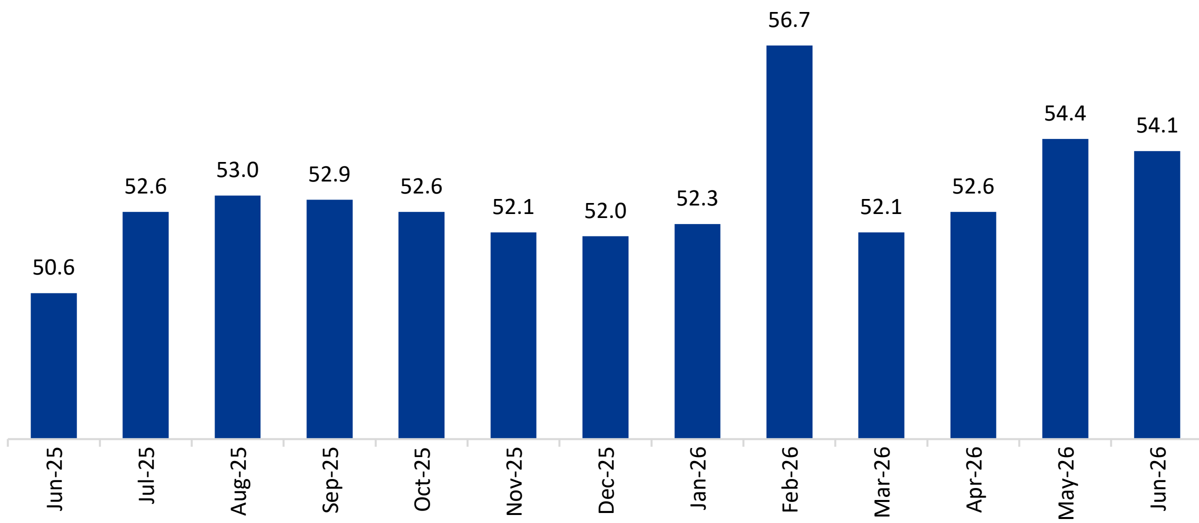


7Source: CAPIQ

China services activity remained strong in June

China's services sector remained in expansion in June 2026, with the RatingDog China General Services Business Activity Index easing slightly from 54.4 in May 2026 to 54.1 in June 2026. Although the index moderated, it continued to indicate the third-strongest expansion in services activity in nearly three years. New business remained robust, while services export orders increased for the second consecutive month and at the fastest pace since October 2024. Employment continued to rise in the services sector for a second month, with hiring growth reaching its fastest pace since July 2024. Meanwhile, input cost inflation softened from its 19-month peak.

Figure 23: China's Service Sector PMI

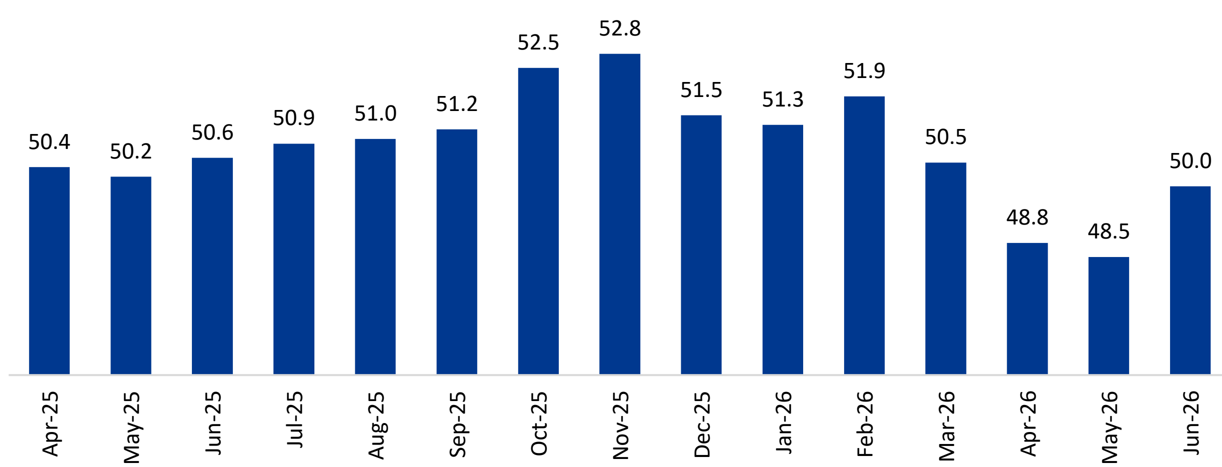


Source: CAPIQ

Eurozone private sector activity returned to stable conditions in June

The eurozone private sector returned to stable operating conditions in June 2026, with the S&P Global Eurozone Composite PMI Output Index rising from 48.5 in May 2026 to 50.0 in June 2026. The improvement reflected stronger manufacturing activity, which offset the continued weakness in the services sector, although the Services PMI Business Activity Index rose from 47.7 in May 2026 to 49.4 in June 2026 while remaining below the 50 threshold. Demand remained weak, while employment was broadly unchanged. Meanwhile, Input prices rose sharply above historical trends, though at the slowest pace in four months, while output prices saw the smallest increase since March 2026, and business confidence strengthened to its highest level since the outbreak of the Middle East conflict.

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

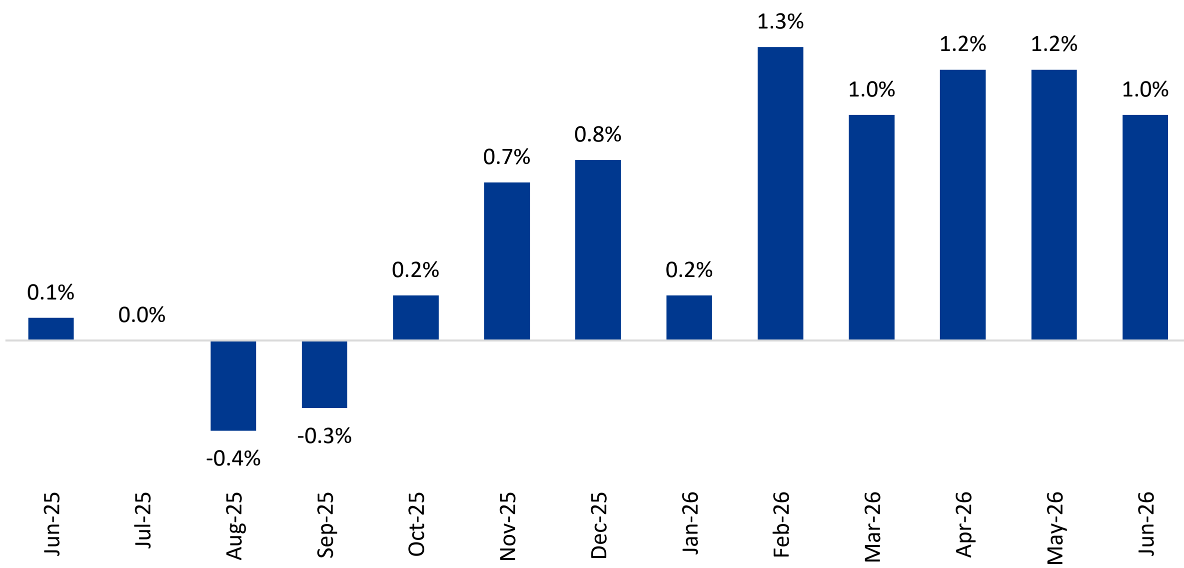


Source: CAPIQ

China's consumer inflation eased in June, while producer price inflation reached highest level since July 2022

China's consumer inflation moderated from 1.2% in May 2026 to 1.0% in June 2026, reflecting slower price growth amid a decline in food prices, while core inflation eased from 1.1% in May 2026 to 1.0% in June 2026. Food prices fell by 1.6% in June 2026, mainly due to lower pork prices, while non-food prices increased by 1.5%. On a monthly basis, the Consumer Price Index (CPI) declined by 0.3% in June 2026, compared with market expectations for a 0.2% decline. Meanwhile, producer price inflation accelerated from 3.9% in May 2026 to 4.1% in June 2026, marking its strongest annual increase since July 2022.

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

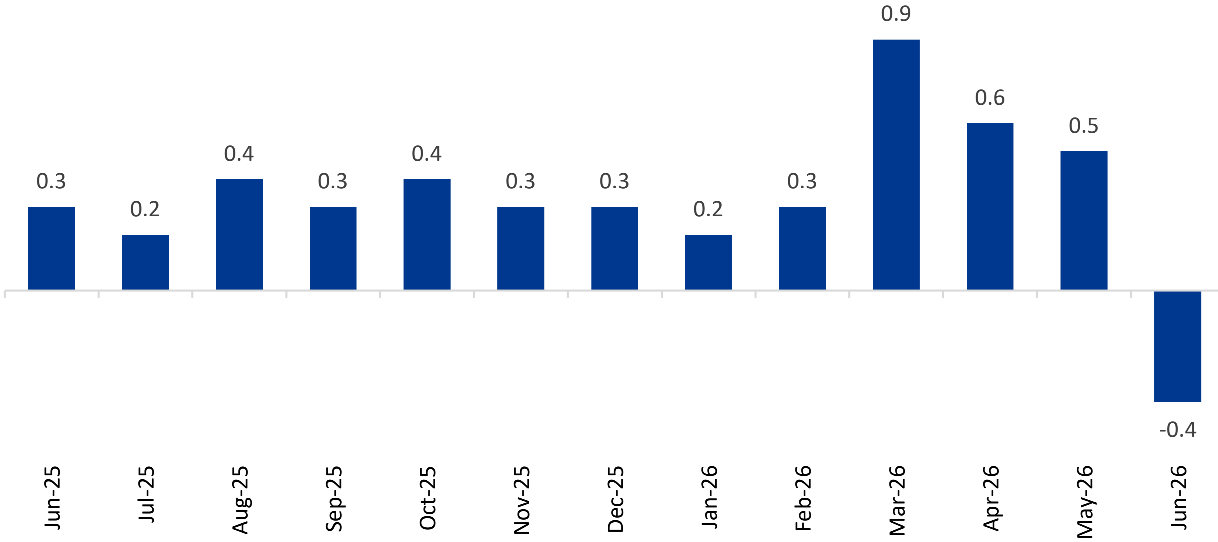


Source: CAPIQ

US consumer inflation eased in June

US consumer inflation eased in June 2026, with the Consumer Price Index (CPI) declining by 0.4% MOM after increasing by 0.5% in May 2026, marking the largest monthly decline since April 2020. On an annual basis, inflation slowed from 4.2% in May 2026 to 3.5% in June 2026, primarily due to a sharp decline in energy prices. Energy prices fell by 5.7% MOM in June 2026 after rising by 3.9% in May 2026, although they remained 15.7% higher than a year earlier. Meanwhile, core inflation, which excludes food and energy, remained unchanged on a monthly basis after increasing by 0.2% in May 2026, while annual core inflation moderated from 2.9% in May 2026 to 2.6% in June 2026.

Figure 26: US CPI (MOM)

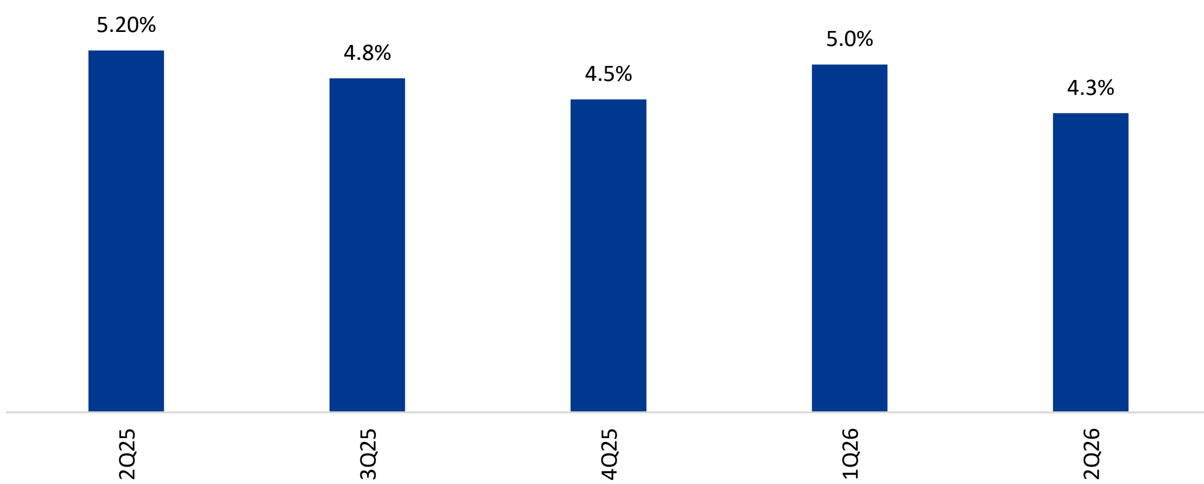


Source: CAPIQ

China's economic growth slowed to its slowest pace since late 4Q22

China's economy expanded by 4.3% YOY in 2Q26, slowing from 5.0% in 1Q26 and marking the weakest growth since 4Q22, as weaker investment and soft domestic demand weighed on growth. Fixed asset investment declined by 5.7% in 1H26, while property investment contracted 18.0% YOY. Retail sales rose by 1.0% YOY in June 2026, recovering from a 0.6% decline in May 2026, whereas industrial production growth accelerated from 4.5% in May 2026 to 5.3% in June 2026.

Figure 27: China GDP (YOY)

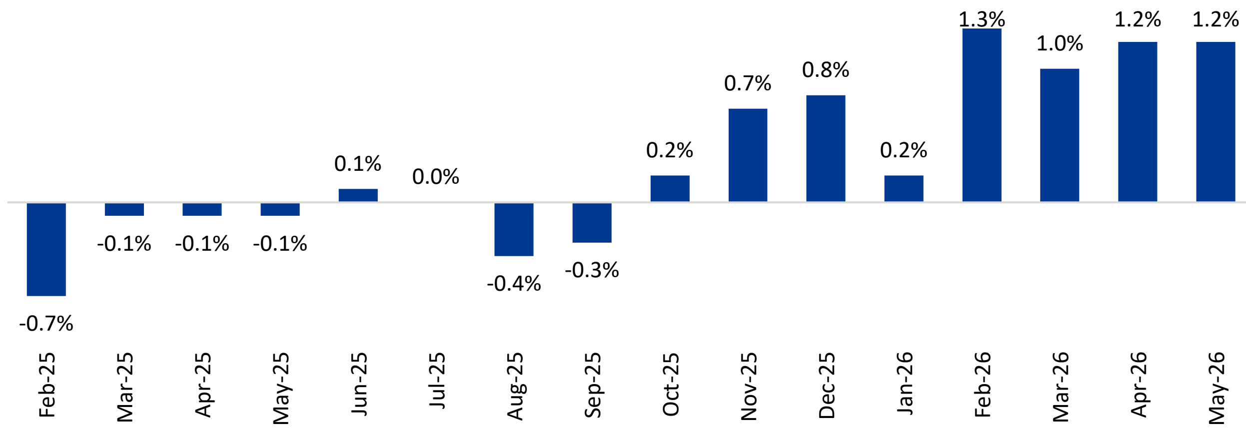


Source: CAPIQ

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 28: China CPI (YOY)



Source: CAPIQ

US Federal Reserve kept rates unchanged amid three dissenting votes

The US Federal Reserve maintained its benchmark interest rate at 3.50%-3.75%, with the Federal Open Market Committee (FOMC) voting in favour of holding rates steady. The Fed noted that economic activity remained solid, labour market conditions were stable, while inflation continued to remain above its 2% target.

US economic growth slowed unexpectedly in 2Q26

The US economy expanded at an annualised rate of 1.5% in 2Q26, slowing from 2.1% in 1Q26. The moderation was mainly driven by lower government spending, investment and exports, which offset stronger consumer spending. Consumer spending, which accounts for more than two-thirds of US economic activity, accelerated to 3.2% in 2Q26 from 0.5% in 1Q26.

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