Lower rates and Chinese Stimulus enhanced asset classes

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

The GCC bond and Sukuk issuances are projected to experience robust growth in 2024, with issuance volumes expected to exceed those of 2023. According to Moody's, the volume of Sukuk issuances in the GCC is forecasted to reach USD 200-210 Bn in 2024, compared to USD 200 Bn in 2023. However, the issuance activity is expected to slow down in 2H24, but it is expected to remain resilient as GCC governments continue implementing strategies to diversify their economies away from oil dependency.

GCC bond issuance experienced a strong rebound during September 2024 compared to the previous month, with a total issuance reaching USD 9.1 Bn. The resurgence was mainly driven by strong contributions from various sectors, including sovereign wealth funds, banks, and corporates. ADNOC Murban RSC Ltd, the debt capital markets issuing entity for ADNOC Group, successfully completed its debut bond offering, raising USD 4 Bn across three tranches with a maturity of five, ten and thirty years. The issuance was further supported by contributions from UAE, Qatar, Sharjah and Kuwait banks. The UAE's RAKBANK completed its Tier 2 issuance of USD 250 Mn with a coupon rate of 5.87% and a maturity of 10.25 years. The issuance reflected strong investor demand and was oversubscribed by 4x. Additionally, ADCB sold its USD 500 Mn in Reg S Tier 2 with a maturity of 5 years and a coupon rate of 5.361%. Banks from Qatar, Sharjah, and Kuwait collectively issued USD 1.55 Bn during the month, with strong investor demand leading to oversubscription. In Saudi Arabia, the PIF's entities, Suci Second Investment Co. and Gaci First Investment Co., issued bonds totalling USD 2 Bn, with coupon rates of 4.37% and 5.25%, respectively, further contributing to the robust bond issuance activity in the region.

Amidst all this, the US Federal Reserve, in its latest policy meeting held in September 2024, reduced the benchmark interest rate by 50 bps to 4.75% to 5.0%, marking the first rate cut in four years. As a result of the Federal Reserve's decision to reduce the interest rates, the 10-year bond yields declined across all GCC countries, owing to a decline in the US 10-year treasury yield. However, the 5-year CDS grew across all the GCC countries except Kuwait owing to the escalation of geopolitical conflicts in the region. The non-oil business activity bounced back in both KSA and UAE, with the non-oil PMI remaining above 50 in both countries, separating expansion and contraction. The seasonally adjusted S&P Global UAE Purchasing Managers Index rose to 54.2 in August, rebounding from a 34-month low of 53.7 in July 2024. This increase reflects a solid improvement in the UAE's non-oil private sector, although the pace of expansion remained the second slowest in over 18 months. Business activity gained momentum after hitting its lowest level in nearly three years, driven by stronger new order inflows, particularly from international markets. The growth in new business accelerated to a five-month high, supported by improving domestic conditions and heightened global demand. Similarly, Saudi Arabia's non-oil PMI increased from 54.4 in July 2024 to 54.8 in August 2024, reflecting improved business conditions and rising employment growth, which supported the kingdom's non-oil private sector. Business activity highlighted robust expansion, driven by an uptick in new orders and increased government investment. However, the pace of growth in August 2024 remained below the levels seen in previous years. According to the World Bank Group, the GCC region is anticipated to improve to 2.8% in FY2024 and 4.7% in FY2025, primarily driven by the recovery in oil output and healthy non-oil economic growth. According to preliminary data from Qatar's National Planning Commission, the region's trade surplus grew 3.9% to USD 5.52 Bn in July 2024. According to Fitch, Qatar's real GDP is also anticipated to accelerate by 1.8% in 2H24, owing to the growth expected in the non-oil sector. As per preliminary statistics issued by the National Centre for Statistics and Information, Oman's total trade surplus stood at USD 9 Bn in 1H24, owing to increased oil and non-oil exports. According to Bahrain's preliminary National Accounts data, the country's real GDP grew 3.3% YOY in 1Q24, driven by the oil and non-oil sector growth, which rose 3.4% YOY and 3.3% YOY in 1Q24. As per Bahrain's Ministry of Finance, the country's economy is projected to grow by 3.0% in 2024 and 3.8% in 2025.

Gold Outlook

Gold prices rose 5.2% MOM to USD 2,634.58 per ounce on 30 September 2024. Gold prices remained flat in the first week of September 2024 as investors awaited cues on US economic data to gauge the size of the Fed's interest rate cut. In the following week, prices remained steady initially as investors awaited US inflation data but increased 3.2% during the week driven by the depreciation of the US dollar owing to increased hopes of interest rate cuts by the Fed. After the mid-month, gold prices recorded a new all-time high after the announcement of the Fed's interest rate cut leading to a fall in the value of US Dollar. The Fed lowered interest rates by 50 bps on 18 September 2024 due to softening of inflation and further anticipates an additional 50 bps cut at the end of the year. As a result, prices crossed the USD 2,600 levels for the first time. Prices continued to increase in the last week of the month driven bullish market sentiments caused by the Fed's rate cut and escalation of the geopolitical tension in the Middle East.

Oil Outlook

Brent crude oil prices corrected for the third consecutive month declining 8.9% MOM to USD 71.77 per barrel on 30th September 2024. Oil prices fell in the first week of September 2024 driven by concerns of higher supply and Chinese demand worries and blockade of oil production facilities in Libya. Later in the week, this Libya dispute was resolved and production resumed. Oil prices increased marginally in the following week due to rising concerns over the impact of Hurricane Francine on the US crude oil output partially offset by weak demand outlook in China and the US. Furthermore, oil prices rallied during the third week of August attributed to lower expected US Crude oil output due to the impact of Hurricane coupled with concerns of supply chain disruption due to the Middle East conflict. In addition, the Fed's interest rate cut also supported the oil prices due to the depreciation of the US dollar. Oil prices declined in the last week due to an expectation of increased supply from Libya and other OPEC+ oil exporters owing to the agreement signed by Libya to end the dispute.

Our Top Bond/Sukuk Picks:

Top GCC Bond Picks

	Issuer Name	ISIN	Price	Amount Issued	Maturity	Yield to Maturity	Fitch Rating	Moody Rating	S&P Rating	Coupon	Currency
1	**OMAN GOV INTERNTL BOND**	XS1575968026	105.3255	2,000,000,000	3/8/2047	**6.06**	BB+	Ba1	BBB-	6.5	USD
2	**FIN DEPT GOVT SHARJAH**	US38381CAF95	102.387	1,000,000,000	3/6/2036	**5.83**	-	Ba1	BBB-	6.125	USD
3	**SAUDI INTERNATIONAL BOND**	US80413TBH14	100.754	4,750,000,000	1/16/2054	**5.7**	A+	A1	-	5.75	USD
4	**DP WORLD LTD UAE**	XS1883879006	99.322	1,300,000,000	9/25/2048	**5.68**	BBB+	Baa2	-	5.625	USD
5	**EMIRATES NBD BANK PJSC**	XS2754455769	103.145	600,000,000	1/31/2029	**5.51**	A+	A2	-	6.604	USD
6	**SAUDI INTERNATIONAL BOND**	XS1791939736	93.3455	3,500,000,000	4/17/2049	**5.5**	A+	A1	-	5	USD
7	**MEGLOBAL CANADA ULC**	XS2150023906	99.8195	1,000,000,000	5/18/2025	**5.29**	-	Baa2	BBB	5	USD
8	**ABU DHABI GOVT INT'L**	US29135LAU44	105.85	1,750,000,000	4/30/2054	**5.11**	AA	-	AA	5.5	USD
9	**ESIC SUKUK LTD**	XS2747181613	102.8365	700,000,000	2/14/2029	**5.09**	-	Baa3	-	5.831	USD
10	**MDGH GMTN RSC LTD**	XS0701227075	121.465	750,000,000	11/1/2041	**4.99**	AA	Aa2	AA	6.875	USD

Data Source: Bloomberg

Top GCC Sukuk Picks

	Issuer Name	ISIN	Price	Amount Issued	Maturity	Yield to Maturity	Fitch Rating	Moody Rating	S&P Rating	Coupon	Currency
1	**SAUDI ELECTRICITY SUKUK**	XS2608638602	101.531	1,500,000,000	4/11/2053	5.58	A+	A1	-	5.684	USD
2	**SAUDI ELEC GLOBAL SUKUK**	XS1054250318	102.332	1,000,000,000	4/8/2044	5.31	A+	A1	A	5.5	USD
3	**EDO SUKUK LTD**	XS2689095086	104.876	1,000,000,000	9/21/2033	5.19	BB+	-	BBB-	5.875	USD
4	**SHARJAH SUKUK PROGRAM**	XS2680379695	107.083	900,000,000	3/19/2034	5.14	-	Ba1	BBB-	6.092	USD
5	**ESIC SUKUK LTD**	XS2747181613	102.8365	700,000,000	2/14/2029	5.09	-	Baa3	-	5.831	USD
6	**SUCI SECOND INVEST CO**	XS2706163305	110.107	1,250,000,000	10/25/2033	4.86	A+	A1	-	6.25	USD
7	**ALMARAI CO JSC**	XS2641777235	103.1045	750,000,000	7/25/2033	4.80	-	Baa3	BBB-	5.233	USD
8	**KSA SUKUK LTD**	XS2829208169	103.8265	2,250,000,000	6/4/2034	4.75	A+	A1	-	5.25	USD
9	**SUCI SECOND INVEST CO**	XS2777443768	102.354	2,000,000,000	3/5/2031	4.74	A+	A1	-	5.171	USD
10	**MAF SUKUK LTD**	XS1991188548	100.2715	600,000,000	5/14/2029	4.57	BBB	-	BBB	4.638	USD
11	**DP WORLD CRESCENT LTD**	XS1883963990	101.058	1,000,000,000	9/26/2028	4.55	BBB+	Baa2	-	4.848	USD
12	**BANQUE SAUDI FRANSI**	XS2623560781	100.674	900,000,000	5/31/2028	4.55	A-	-	A-	4.75	USD
13	**BSF SUKUK CO LIMITED**	XS2741362862	101.797	700,000,000	1/25/2029	4.53	A-	-	A-	5	USD
14	**EI SUKUK CO LTD**	XS2824746544	103.786	750,000,000	5/28/2029	4.52	A+	-	-	5.431	USD
15	**DIB SUKUK LTD**	XS2749764382	102.9275	1,000,000,000	3/4/2029	4.50	A	A3	-	5.243	USD

Data Source: Bloomberg

Content:

MENA credit outlook

Kuwait's Equate Petrochemical Sukuk priced at 140 bps spread over US Treasuries

Kuwait's Equate Petrochemical issued USD 750 Mn Sukuk with a fixed profit rate of 5% due in September 2031 priced at 140 bps spread over US Treasuries. The spread narrowed from 170 bps initially owing to robust demand. The issue attracted bids of USD 2 Bn. First Abu Dhabi Bank, Citigroup, JP Morgan, Mizuho, and MUFG served as the global coordinators, book-runners, and lead managers together with KFH Capital, SMBC Nikko, and Warba Bank.

Saudi Arabia's PIF likely to issue a benchmark sukuk and green bond

According to Bloomberg, Saudi Arabia's Public Investment Fund (PIF) is in preparation to issue benchmark-sized three-year sukuk along with a benchmark 2032 green bond, marking its fourth time tapping into the bond market to support its investment plans, including Giga projects. The benchmark-sized three-year sukuk is anticipated to be priced at a spread of 110 bps over US Treasuries, while the benchmark 2032 green bond is expected to be priced at 135 bps over US Treasuries.

ADNOC Murban sets the initial price thoughts on its three-part bond issuance

ADNOC Murban RSC Ltd., the primary debt capital markets funding vehicle of Abu Dhabi National Oil Company (ADNOC) has set the initial price thoughts for its three-part dollar unsecured benchmark bond with maturities of 5, 10 and 30 years. The company is marketing its 5-year notes at 105 bps over US Treasuries, 10-year notes at 115 bps over US Treasuries, and 30-year portion at 145 bps over US Treasuries. The money raised from this issuance is expected to be used for general corporate purposes. Morgan Stanley and JP Morgan are the global coordinators for the issuance while BofA Securities, Citigroup, and First Abu Dhabi Bank are serving as the book-runners along with Abu Dhabi Commercial Bank, HSBC, Mizuho, and SMBC Nikko as the passive book-runners.

Bank of Sharjah successfully priced USD 500 Mn Senior unsecured bond

Bank of Sharjah successfully priced its USD 500 Mn Senior unsecured bond in the international markets. The issuance attracted orders valued at USD 1.4 Bn, recording a 3x oversubscription. Additionally, owing to the strong demand from global investors, the company managed to tighten its pricing by 25 bps from the initial guidance. The bond has a maturity of five years with a coupon rate of 5.25%.

Central Bank of Egypt raises USD 1.4 Bn in debt instruments

The Central Bank of Egypt (CBE), successfully auctioned treasury bills worth USD 1.3 Bn through two tranches. The first tranche stood at USD 0.7 Bn, with a maturity period of 182 days, while the second tranche was valued at 0.6 Bn, with a maturity period of 364 days. Additionally, the financial authority also unveiled fixed treasury bonds amounting to USD 0.1 Bn, with a maturity period of three years.

GFH-Financial seek shareholders' approval to raise USD 500 Mn through sukuk

GFH Financial Group, a Bahrain-based investment bank is likely to seek its shareholders' approval for a new USD 500 Mn Sukuk programme. The Sukuk is expected to be issued through a special-purpose vehicle in single or multiple tranches. Additionally, the bank will also ask its existing sukuk holders to agree to the modified terms, which would include an early cash redemption. The terms for the new sukuk and modified terms for the existing sukuk are to be considered at the entity's ordinary general meeting in October 2024.

National Bank of Fujairah issued additional Tier 1 capital securities

National Bank of Fujairah PJSC, privately placed additional Tier 1 capital securities worth USD 275 Mn with the Government of Fujairah. This additional capital is expected to support the bank's capital structure and refinance its AT1 capital securities of USD 350 Mn. The issuance will also allow mandatory conversion into equity shares within two years of its issuance.

Saudi Aramco plans to raise USD 3.0 Bn through two-tranche dollar Islamic bonds.

Saudi Aramco plans to raise USD 3.0 Bn in five and ten-year US dollar-denominated sukuk, or Islamic bonds. According to the term sheet, the Company initially guided its five-year bond price at 120 bps spread over Treasuries and its ten-year bond price at 135 bps spread over Treasuries. However, due to strong demand from investors, Saudi Aramco tightened its price guidance to 90 to 95 bps over US Treasuries for the five-year bond and 105 to 110 bps over the US Treasuries for the ten-year bond.

Abu Dhabi Wealth fund ADQ initiates selling of dual-tranche dollar-denominated notes

Abu Dhabi state-controlled fund, ADQ, started mandating banks to market its dollar-denominated dual tranche 7- and 30-year benchmark debt. The fund set the initial price guidance of 7-year debt at 115 bps over US Treasuries, while the 30-year tranche at 150 bps spread over US Treasuries. BofA Securities, Abu Dhabi Commercial Bank, Bank of China, BNP Paribas, First Abu Dhabi Bank, JP Morgan and Mizuho are the joint global coordinators and joint active bookrunners for the deal.

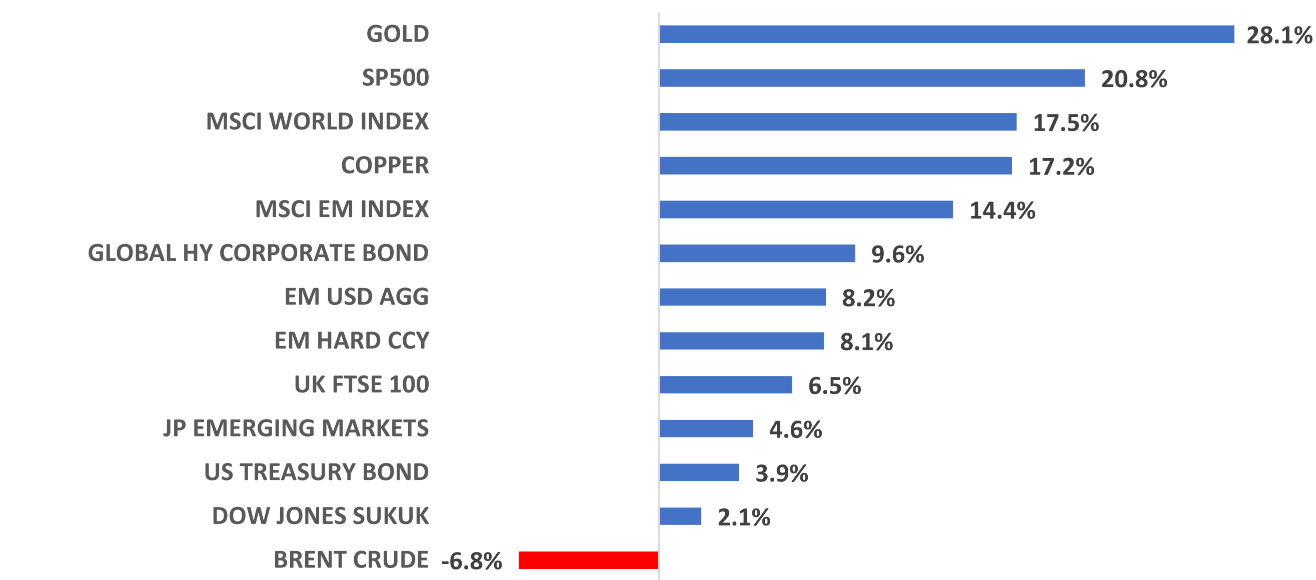
Saudi Arabia's Riyad Bank to issue additional dollar-denominated Tier 1 capital sukuk

Saudi Arabia's Riyad Bank is planning to issue additional dollar-denominated Tier 1 capital sukuk to improve its Tier 1 capital and further utilize the proceeds for general banking purposes. The issuance is expected through a special purpose vehicle and will fall under Riyad Bank's international additional tier 1 capital sukuk programme. HSBC Bank, Kamco Investment Company, Morgan Stanley & Co. International, Merrill Lynch International, Mizuho International, Riyad Capital, Standard Chartered Bank, SMBC Nikko Capital Markets Limited, and Warba Bank K.S.C.P. have been appointed as the joint book-runners and joint lead managers for the issuance.

Global Asset Performance

The table below summarizes the performance of key equity and debt indices along with commodity price performance. The performance of all the asset classes remained strong except energy and UK FTSE during September 2024. Energy prices declined 9.1% during the month, mainly due to weak demand from China and expectations of a decline in world oil demand growth in 2024. In addition, the UK FTSE 100 also declined by 1.8% MOM in September 2024. The price of copper increased 10.7% MOM in September, riding on expected growth in demand from China due to new stimulus measures announced by Chinese policymakers. Gold prices also grew 6.8% MOM, primarily due to interest rate cuts of 50 bps announced by the Fed in September, supported by expectations of further rate cuts in the upcoming period. The rate cut announced by the Fed also positively impacted equity and bond markets, with the US S&P 500 rising 2.4% MOM in September 2024. The MSCI Emerging Market index outperformed the MSCI World. MSCI World index grew 1.9% MOM, while the MSCI Emerging market grew 6.9% MOM in September 2024 due to the strong performance of Chinese equities owing to new stimulus measures announced by Chinese policymakers and supported by positive growth in Indian equities. The performance of all the bond indices also remained positive owing to rate cuts announced by the Fed in September 2024.

Figure 1: Global Asset Performance (YTD%)

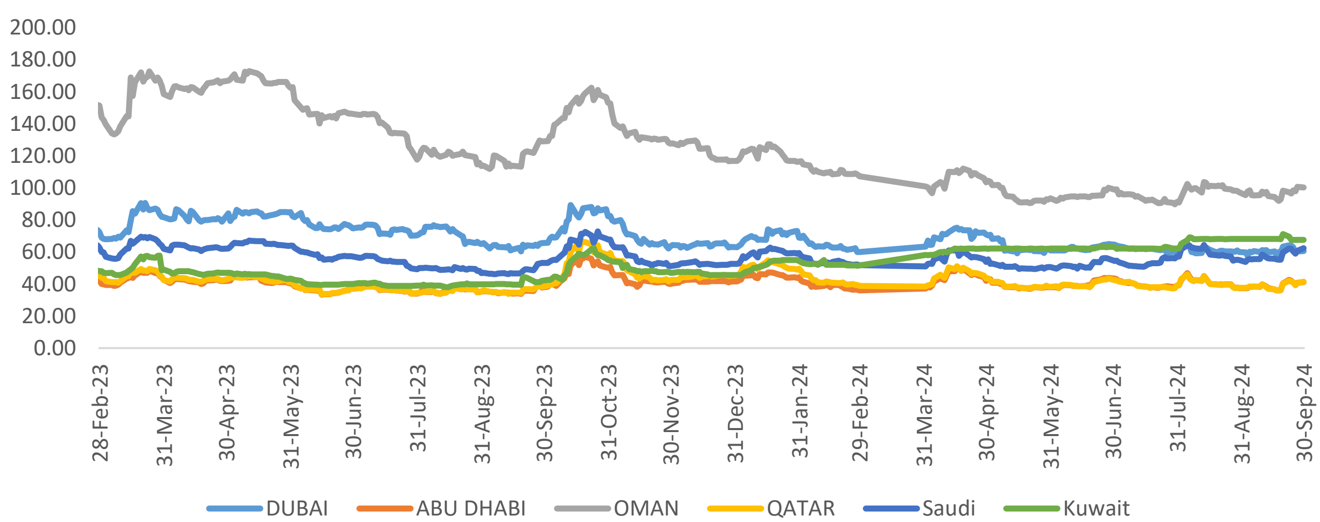


Source: Bloomberg

5-Year CDS

The 5-year CDS spread rose across all sovereign nations except Kuwait in September 2024. Saudi Arabia recorded the highest expansion on a MOM basis in September 2024, followed by Qatar, UAE, Oman and Dubai. Kuwait recorded a contraction in CDS spread during September 2024.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	ABU DHABI	Oman	Kuwait	Qatar	Saudi
MTD (%)	1.05%	9.97%	3.37%	-0.82%	10.02%	13.51%

Banking Sector

ADNTC, a Takaful insurer called off the acquisition of AMAN's portfolio

Abu Dhabi National Takaful Company (ADNTC) terminated its agreement to acquire the life insurance portfolio of Dubai Islamic Insurance & Reinsurance Company (AMAN). The company's board decided against proceeding with the acquisition since certain acquisition conditions outlined in the initial agreement were not met. ADNTC agreed to acquire AMAN's takaful insurance portfolio in October 2022 after fulfilling certain conditions.

Tabby, the BNPL app, intends to list on Tadawul and go public

Buy Now Pay Later (BNPL) app, Tabby, intends to launch an IPO and list on the Tadawul exchange. Currently, the company is focusing on its recent acquisition of Tweek, a Saudi digital wallet, and expanding its services in Saudi Arabia. Tabby was at USD 1.5 Bn in the last Series D funding round completed last year. The Company has yet to appoint banks or law firms for the anticipated IPO.

Moody's upgraded the outlook to positive on six Omani banks

Moody's upgraded six Omani banks' long-term local and foreign currency deposit ratings from "stable" to "positive." In addition, it also upgraded the Baseline Credit Assessment (BCA) and adjusted BCA for all six Omani Banks. The six banks whose ratings were upgraded are: Bank Muscat, BankDhofar, National Bank of Oman (NBO), Sohar International Bank, Oman Arab Bank (OAB), and Bank Nizwa. Bank Muscat's long-term local and foreign currency deposit ratings affirmed at Ba1 and its Baseline Credit Assessment (BCA) and Adjusted BCA, were affirmed at ba1. Similarly, Sohar International, NBO, BankDhofar, OAB, and Bank Nizwa all saw their long-term local and foreign currency deposit ratings affirmed at Ba1. The ratings of these banks align closely with the Omani government's credit profile.

Mashreq sells a 65% stake in Neo Pay to Arcapita and Dgpays for USD 385 Mn

Mashreq Bank agreed to sell 65% ownership in NeoPay to Arcapita Group Holdings Limited and Dgpays, a Turkish fintech company, for an enterprise value of USD 385 Mn. To support Neopay future growth, the bank has entered into long-term shareholder agreements with these buyers. Neopay platform is used by businesses to process business transactions. It is used in point-of-sale terminals, eCommerce, mobile payments and other non-cash payments.

Saudi Investment Bank (SAIB) to issue dollar-denominated Tier 1 sukuk worth USD 1.5 Bn

Saudi Investment Bank (SAIB), through its recently established sukuk program, intends to issue dollar-denominated Tier 1 sukuk worth USD 1.5 Bn. The Sukuk will be available to eligible investors via private placement and will help SAIB meet its financial and strategic objectives, enhancing its Tier 1 capital.

Gulf Bank signed an MoU with Boubyan Bank for a prospective merger

Gulf Bank, a Kuwaiti lender, signed a memorandum of understanding (MoU) with Boubyan Bank to explore a potential merger, which would form a consolidated Shariah-compliant entity. Gulf Bank confirmed that it had fulfilled all necessary conditions, including obtaining approval from the Central Bank of Kuwait to hire consultants before beginning a feasibility study. The proposal of merger is also approved by the board of respective banks.

QIIB mandated banks for USD Reg S AT1 sukuk

QIIB, rated A2 by Moody's and A by Fitch, tasked banks with organizing a global investor meet for a potential USD-denominated 5.5-year non-call AT1 capital issuance. Physical investor meetings in London begin on September 23, with Standard Chartered as the sole coordinator and various banks mandated as joint managers.

Corporate Sector

Delivery Hero hired Emirates NBD, and Morgan Stanley for Talabat's Dubai IPO

Delivery Hero, a German food delivery giant appointed Emirates NBD, Morgan Stanley, and JPMorgan Chase to work on Talabat's initial public offering (IPO) on the Dubai Financial Market (DFM). The IPO is expected to be launched in 4Q24 and is likely to attract funds worth USD 1 Bn.

Saipem won two contracts worth USD 1 Bn in Saudi Arabia

Saipem, an Italian energy engineering group, secured two offshore contracts worth USD 1 Bn in Saudi Arabia, under its long-term agreement with Saudi Aramco. The contracts include procurement, engineering, construction, and installation of infrastructure, including subsea pipelines at the Marjan oil and gas field as well as the Zuluf and Safaniyah oil fields.

Commercial Growth Development Co. likely to sell stake in BinDawood Holding

One of the associates of Investcorp, Commercial Growth Development Co., plans to sell 64 Mn shares, equivalent to a 5.6% stake in BinDawood Holding Co**.,** listed in Saudi Arabia. SNB Capital Company and Goldman Sachs Saudi Arabia are appointed to manage the deal.

Agility Global is considering to sale stake in fuel logistics firm Tristar

Agility Global is considering to sell a stake fuel logistics subsidiary, Tristar. The shares of Agility Global retail are listed on the Abu Dhabi stock exchange and are 51% owned by Kuwait-listed Agility Public Warehousing Company. Agility Global aims to unlock shareholder value through the stake sale.

Alpha Dhabi is set to divest its 11% stake in OCI's methanol business following Methanex acquisition

Alpha Dhabi Holding will divest 11% ownership in OCI's Global Methanol Business after its acquisition by Canadian Company Methanex. The deal will be a part of the transaction in which OCI Global sold its stake in methanol business to Methanex for USD 2.05 Bn. OCI Global will receive USD 1.15 Bn in cash coupled with 9.9 Mn common shares of Methanex representing a 13% stake, making the former, the second largest shareholder in the Company. The deal is likely to be closed in FY2025.

Emirates REIT appointed a former ADIB banker as the CFO ahead of the sukuk deadline

Emirates REIT hired a former Abu Dhabi Islamic Bank (ADIB) banker, Mike Davis, as the CFO ahead of its plan to reduce sukuk debt before the December 2024 deadline. The REIT exercised its extension option in June 2024 to extend its existing Sukuk by one year. However, it is still obligated to decrease the outstanding balance from USD 304 Mn to USD 230 Mn by December 2024, the original maturity date. It also considers options, including the issuance of a new sukuk and further asset sales.

Pearl Petroleum commenced arbitration proceedings against Enerflex over delays in the KM 250 project

Pearl Petroleum, a unit of Dana Gas, initiated arbitration proceedings against Enerflex, the EPC contractor of Khor Mor 250 project in the Kurdistan region of Iraq. Pearl Petroleum commenced arbitration to seek compensation for costs and damages resulting from the defective performance of Enerflex that led to delays in project completion. Dana Gas is working to bring the project back on track and provide an update regarding completion in due course.

Dubai Taxi Company secured 300 new plates, expanded fleet to 6,000

Dubai Taxi Company received an award of 300 new plates at Dubai's Roads and Transport Authority (RTA) auction, expanding its taxi fleet to 6,000 vehicles, and strengthening its position as the Emirate's leading taxi operator. The fleet expansion raised its market share to 46% and it is likely to generate an additional annual revenue of AED 100 Mn. The move is aligned with its fleet expansion strategy. Out of the 300 new plates, 25% will be designated to electric taxis underlying its commitment to sustainability.

LuLu Group set to launch IPO on ADX, Tadawul by November

LuLu Group, a UAE retail giant will launch its IPO by October end or early November and it is likely to raise between USD 1.5 Bn to 1.85 Bn through a dual listing on Tadawul & ADX. HSBC Holdings, Abu Dhabi Commercial Bank, Emirates NBD Capital, and Citigroup are appointed as book runners for the IPO.

Investcorp acquired three industrial real estate assets in the US valued at USD 300 Mn

Investcorp, an alternative investment firm, invested funds worth USD 300 Mn for the acquisition of three industrial real estate assets, further solidifying its USD 5.3 Bn US holdings. The acquisition of three industrial assets will add approximately 1.5 Mn sqft to the US industrial real estate portfolio growing its presence across the Southern and Western US. The acquisitions comprise the Dallas & Atlanta infill portfolio, the West Coast infill portfolio in Denver, Las Vegas, San Diego, and the San Francisco Bay Area, and the Tampa industrial portfolio.

AD Ports refinanced loans on improved terms following Fed rate cut

AD Ports, signed refinancing agreements with two UAE banks under which it will save up to USD 12 Mn (AED 44 Mn) in finance costs in the next one year. Its existing syndicated loan of USD 2.25 Bn was replaced by a medium-term facility of AED 9.2 Bn (USD 2.5 Bn), with a maturity of 2.5 years, and a short-term facility with 1.5 years of maturity. The new facilities extend the debt maturity to FY2026 and beyond. It benefits the Company by providing timing and financial flexibility by enabling it to leverage on the easing interest rates.

Masdar plans to acquire Saeta from Brookfield for USD 1.2 Bn

Masdar, UAE's renewable energy firm, will acquire the renewable power company, Saeta Yield, from Brookfield for an enterprise value of USD 1.4 Bn aligned with its aim to expand its European portfolio and reach a global capacity of 100 GW by FY2030. The transaction comprises a portfolio of wind assets boasting an aggregate capacity of 745 MW (megawatts), out of which 538 MW of wind assets are located in Spain, 144 MW of wind assets are situated in Portugal and 63 MW of solar PV assets in Spain, and also includes a development pipeline of 1.6 gigawatts (GW). Citigroup Global Markets Limited, Linklaters, UL, and KPMG acted as the transaction advisor, legal advisor, technical advisor and financial & tax advisor, respectively. The deal is likely to be finalized by FY2024 end.

Rating Outlook

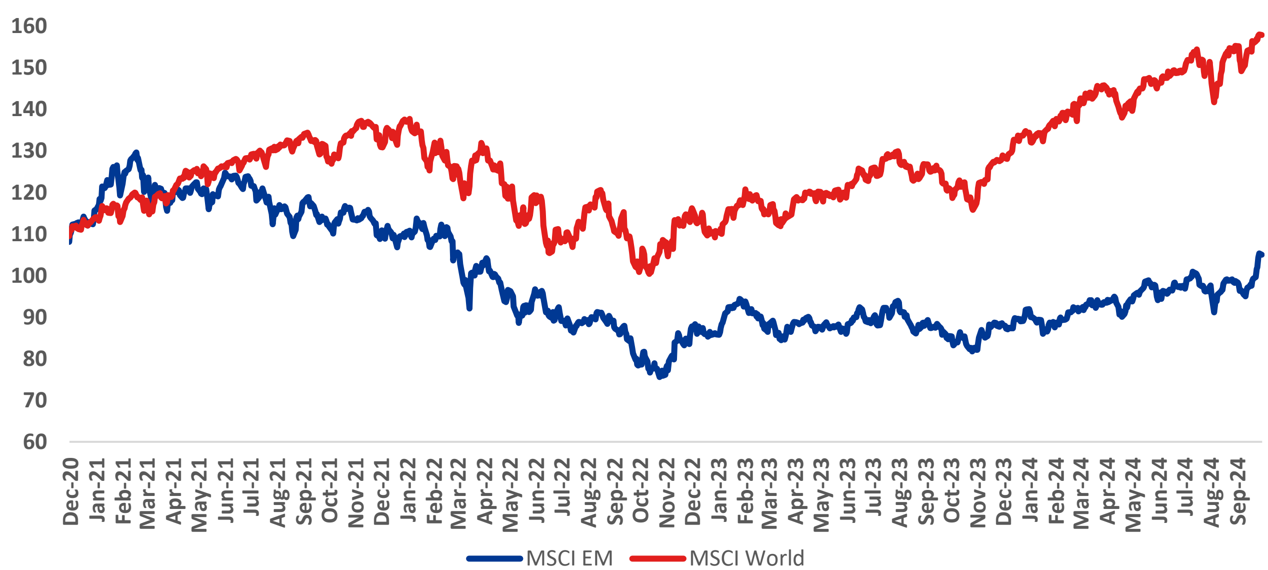
- **Abu Dhabi**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance 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 upgraded Oman's credit rating to BB+ from BB with a stable outlook. The upgrade is driven by a decline in debt-to-GDP ratio, improved government spending, and rise in oil prices. The upgrade is based on the premise that Oman is using oil revenues to pay down debt, extend its maturity, use fiscal restraint to mitigate external risks, and forecast higher oil prices by Fitch. **Oman**'s gross debt declined to 40% of GDP in 2022 from 60% in 2021, and Fitch expects gross debt to further decline to 36% of GDP in 2023 and will remain stable at 35% in 2024 and 2025. Oman also reported a budget surplus of OMR 1.144 Bn (USD 2.97 Bn) and repaid OMR 1.1 Bn loans in 1Q23. On 02 September 2024, Moody's Investors Service upgraded Oman's credit outlook from stable to positive while affirming the long-term issuer and senior secured ratings at Ba1. The upgrade is mainly attributed to continued improvement in the country's debt metrics coupled with higher energy prices and prudent fiscal management. Over the past two years, the country successfully reduced its debt without having to sell its financial assets, enhancing the prospects of maintaining fiscal strength at a level that could support a higher credit rating.
- S&P Global Ratings revised **Bahrain**'s credit rating outlook from positive to stable due to the expectation of government measures to reduce the budget deficit and the possibility of receiving extra support from other Gulf Cooperation Council (GCC) member countries if needed. The revision of the outlook to stable is attributed to the rating agency's expectation of larger fiscal deficits from 3% to 4% of the GDP between 2023 and 2026, as compared to its earlier projection of 2% to 3% mainly due to increased spending on social subsidies, capital expenditure and debt servicing. S&P Global Ratings affirmed Bahrain's short-term foreign and local currency sovereign credit ratings at 'B+/B' with a stable outlook.
- Fitch Ratings has affirmed **Kuwait**'s long-term foreign-currency issuer default ratings, or IDR, to 'AA-' with a stable outlook. This is due to the Gulf state's fundamental issues being worsened by continued political limitations on decision-making. Since 2017, the Gulf state has been debating debt legislation, demonstrating the slowness with which decisions are made. Kuwait's debt is expected to climb to about 50% of GDP after the debt law is approved, according to the credit rating agency, up from the current 10%. The Kuwaiti administration has been attempting to adopt new public debt legislation to alleviate the country's liquidity constraints, but the bill has been continually blocked by parliament.
- **Saudi Arabia**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been upgraded to 'A+' by Fitch Ratings, with the Outlook changed to 'Stable'. The key reasons for the rating upgrading are improvements in the sovereign balance due to increased oil revenue and the fiscal structure. According to Fitch's proprietary SRM, Saudi Arabia has an 'A+' rating on the Long-Term Foreign-Currency (LT FC) IDR scale. Moody's Investors Service also lifted Saudi Arabia's credit rating outlook from stable to positive, noting the kingdom's capacity to reverse much of last year's debt growth. According to a statement, Moody's confirmed the sovereign at A1, the fifth-highest rating.
- In January 2024, Moody's upgraded **Qatar**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) to Aa2 from Aa3. The upgrade was 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 recently upgraded Qatar's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'AA' from 'AA-' with a Stable outlook. The change in rating is supported by the Country's large sovereign net foreign assets (SNFA) and a flexible public finance structure. Further, Qatar is expected to maintain a fiscal surplus, averaging around 4.5% of GDP over the medium term. The country's government debt is also projected to fall below 30% of GDP by 2028.

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

Global Markets

The MSCI Developed Market Index (DM) continued its positive performance for the fifth consecutive month owing to the robust 2Q24 earnings season and strong performance across the US and the UK stocks, partially offset by the decline in Japanese stocks. Meanwhile, the MSCI Emerging Market (EM) recorded strong growth of 6.4% MOM in September compared to lackluster performance in the previous month. The MSCI DM Index continued outperforming the MSCI EM Index on a YTD basis. On a 2024 YTD basis, the MSCI DM index recorded a positive return of 17.5%, while the MSCI EM experienced a positive return of 14.3%. However, on a MOM basis, the MSCI EM performed strongly compared to the MSCI DM index since June 2024. MSCI EM recorded a gain of 6.4%, while the MSCI DM recorded a positive growth of 1.7% in September 2024. The MSCI Emerging Markets Index recorded a strong return primarily due to the positive performance of Chinese and Indian equities, partially offset by a decline in Taiwanese, Brazilian, and South Korean stocks. The Chinese equity markets performed strongly in September 2024 on the back of new stimulus measures announced by Chinese policymakers such as cuts to interest rates and reduction in downpayment requirements for home purchases. The US S&P 500 posted a strong performance among developed markets, with 2.0% MOM growth in September 2024, reporting the first positive September since 2019. Additionally, the S&P 500 market recorded a 5.5% QTD growth in September 2024. The US stocks rallied in September due to the surprise Fed announcement of rate cuts by 50 bps. However, the Japanese stocks plummeted by 4.9% in September 2024 owing to July rate hikes by the Bank of Japan and indications of further rate hikes. French equity grew marginally by 0.1% during September, primarily due to the geopolitical situation in the Middle East. The MSCI Europe ex-UK index recorded a marginal growth of 1.6% in 3Q24 due to the effects of Germany's reliance on the manufacturing sector which is under stress owing to weak demand from China and increasing competition from cheaper Chinese exports. Moreover, the UK FTSE share registered a growth of 2.3% in 3Q24. Asia ex-Japan was the top performer in equities with 10.6% returns during 3Q24 due to the strong performance of Chinese equities supported by special stimulus measures announced by policymakers. Additionally, emerging markets including India and Thailand recorded growth in 3Q24, while equity markets such as Brazil, South Korea, and Taiwan recorded negative performance during a similar period.

Figure 3: MSCI World and Emerging Market Index Historical trend

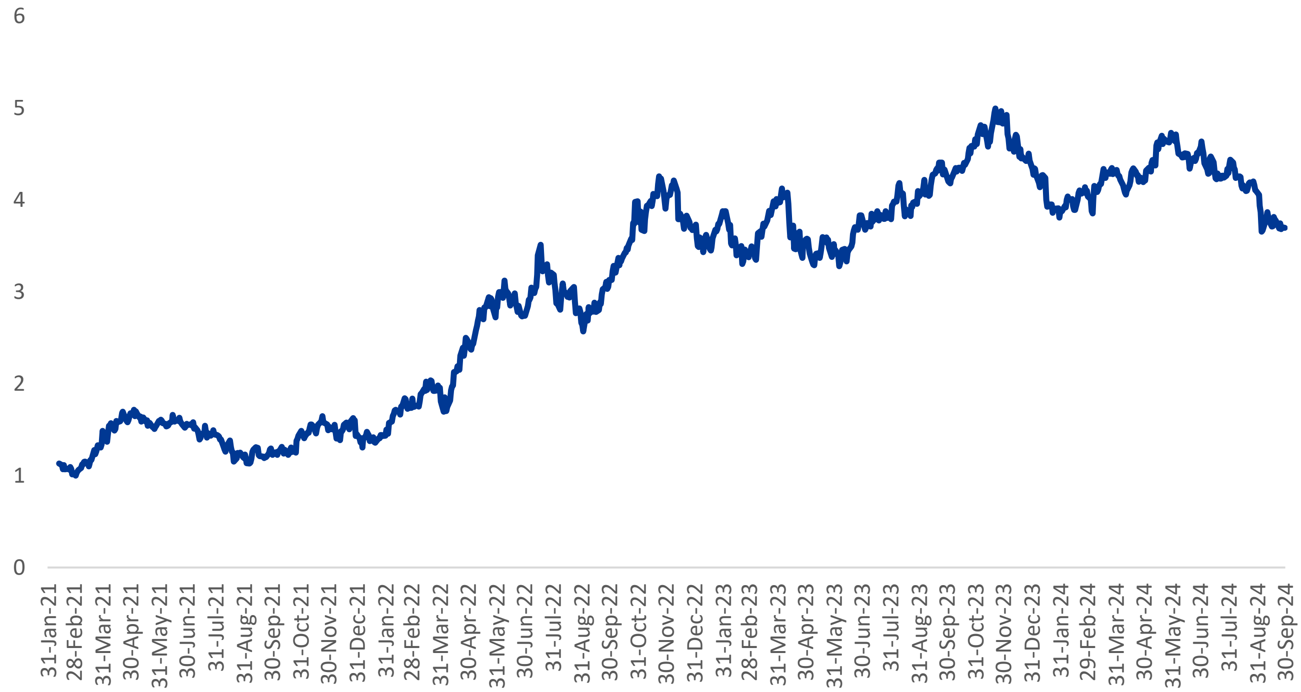


Source: Bloomberg

FAB أبوظبي الأول للأوراق المالية SECURITIES

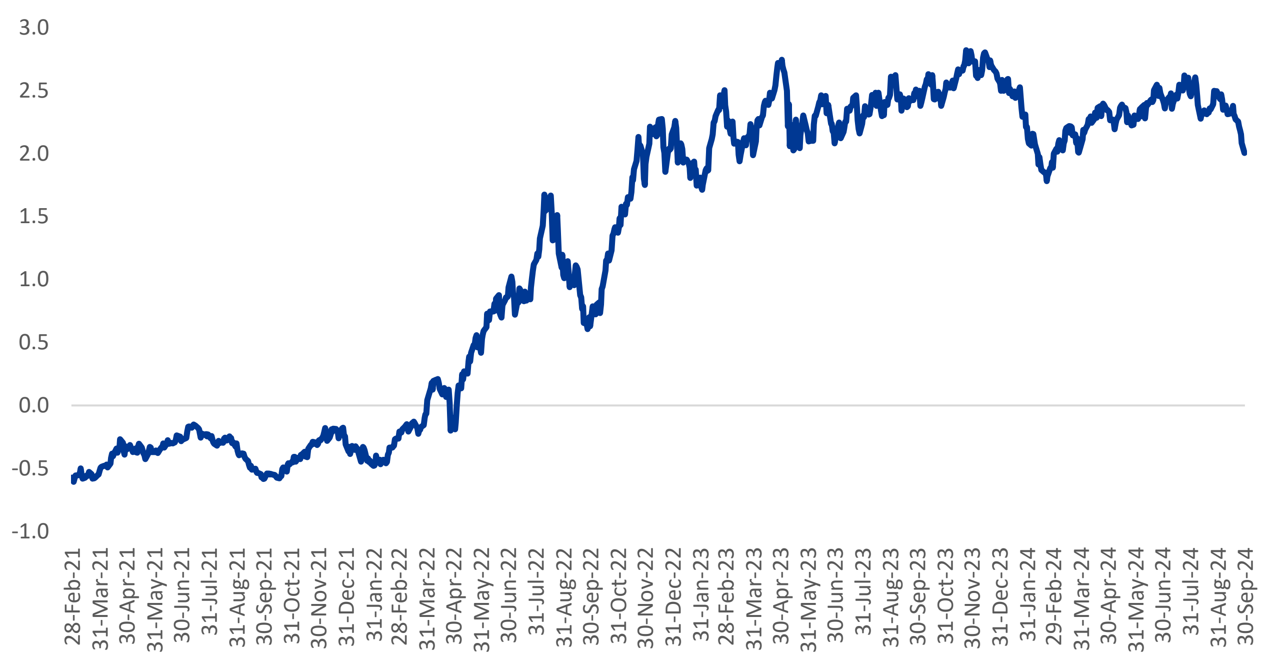
Yield on 10-year government

Figure 4: US 10-year government yield



Source: Bloomberg

Figure 5: Germany 10-year government yield

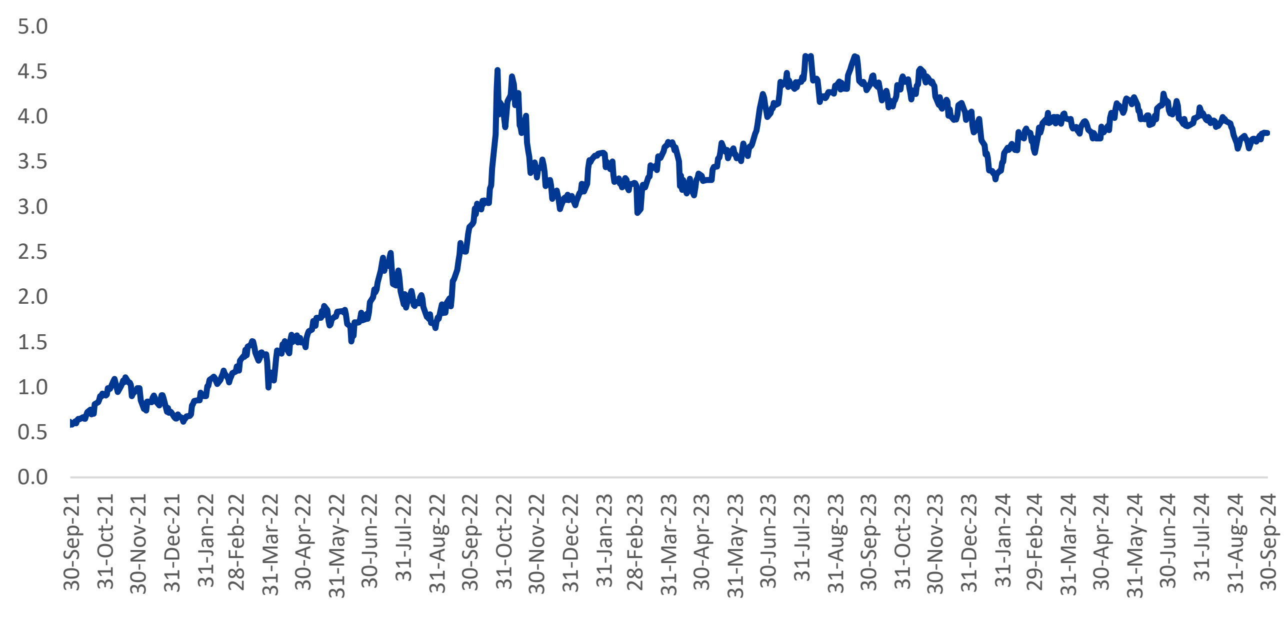


Source: Bloomberg

Figure 6: Japan 10-year government yield

Source: Bloomberg

Figure 7: UK 10-year government yield

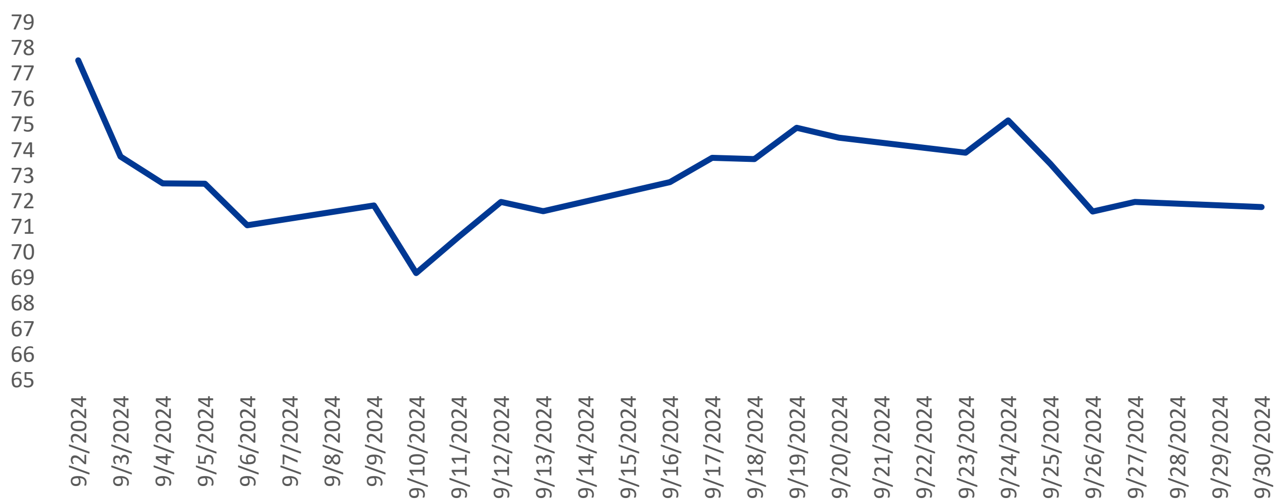


Source: Bloomberg

Oil Outlook

Brent crude oil prices corrected for the third consecutive month by 8.9% MOM to USD 71.77 per barrel on 30 September 2024. Oil prices fell 9.8% in the first week of September 2024 due to the concerns of higher supply initially coupled with worries about the sluggish economy in China impacting oil demand outweighing OPEC+'s decision to delay its planned output increase and blockade of oil production facilities in Libya. Later in the week, this Libya dispute was resolved and production resumed. OPEC+ members agreed to extend a voluntary output cut of 2.2 Mn bpd for two more months until November 2024 after oil prices fell to their lowest level in 9 months. Oil prices increased marginally in the following week due to rising concerns over the impact of Hurricane Francine on the US crude oil output partially offset by a sluggish demand outlook, particularly in China and the US owing to economic headwinds and weaker production activity. Following a slight rebound in the second week, oil prices rallied during the third week of August attributed to lower expected US Crude oil output due to the impact of Hurricane Francine coupled with concerns of supply chain disruption attributed to ongoing conflict in the Middle East between Israel and Hezbollah. In addition, the Fed's interest rate cut also supported the oil prices due to the depreciation of the US dollar. OPEC increased its medium and long-term outlook for world oil demand due to strong demand expected in India, the Middle East, and Africa, along with a slower shift to electric vehicles and clean fuel. Oil prices declined in the last week due to an expectation of increased supply from Libya and other OPEC+ oil exporters owing to the agreement signed by Libya to end the dispute which had cut down the exports to 400,000 bpd from more than 1 Mn bpd in September.

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

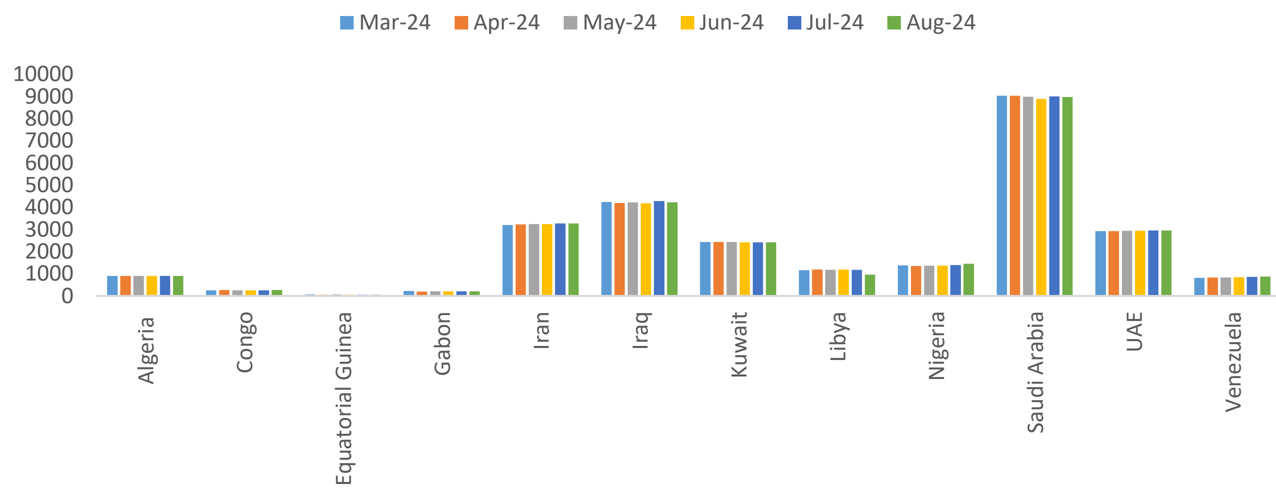


Source: Bloomberg

OPEC Production

OPEC-12 crude oil production declined by 195 thousand barrels per day (bpd) MOM to 26.6 Mn bpd in September 2024. Eight out of the 12 OPEC countries recorded a MOM increase in oil production during September 2024. Nigeria recorded the largest increase of 57 thousand bpd MOM, followed by Congo with an increase of 14 thousand bpd MOM in September 2024. Venezuela, Gabon, and UAE's crude oil production rose 11, 6, and 5 thousand bpd, respectively in September 2024 while Iran also witnessed an expansion in production of four thousand barrels per day in September 2024. Algeria and Equatorial Guinea recorded an increase of 1 thousand bpd each in September 2024 while Kuwait's crude oil production remained unchanged on MOM basis. On the other hand, Libya's crude oil production declined the most by 219 thousand bpd MOM production cut by Libyan producers, followed by Iraq with a fall of 50 thousand bpd MOM in September 2024. Similarly, Saudi Arabia's crude oil production declined 25 thousand MOM in September 2024.

Figure 9: OPEC Crude Oil Production

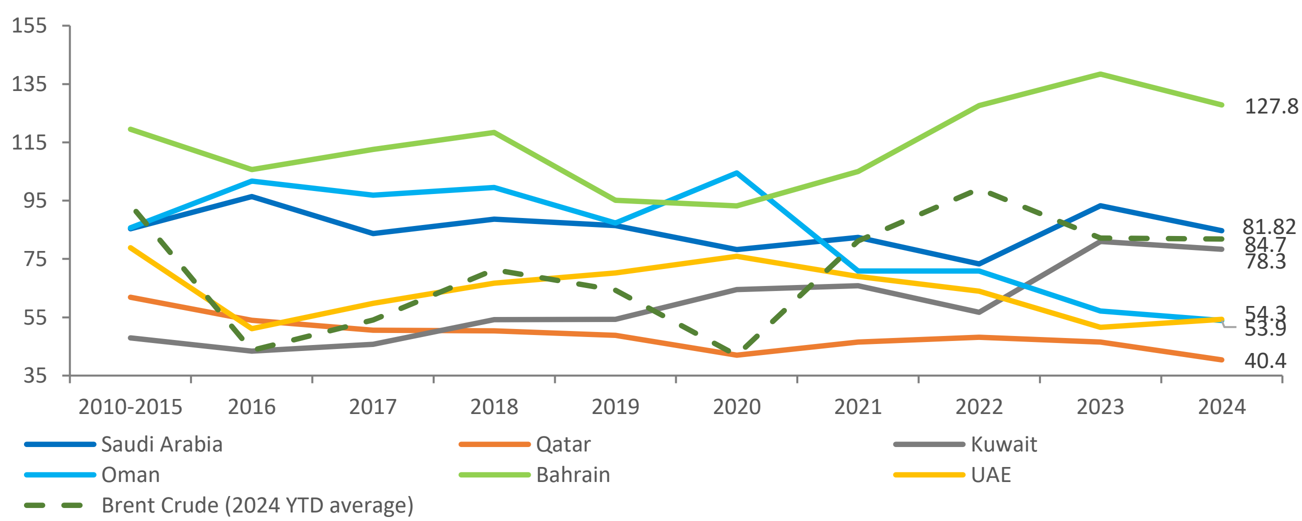


Source: OPEC

Fiscal Breakeven Oil Price

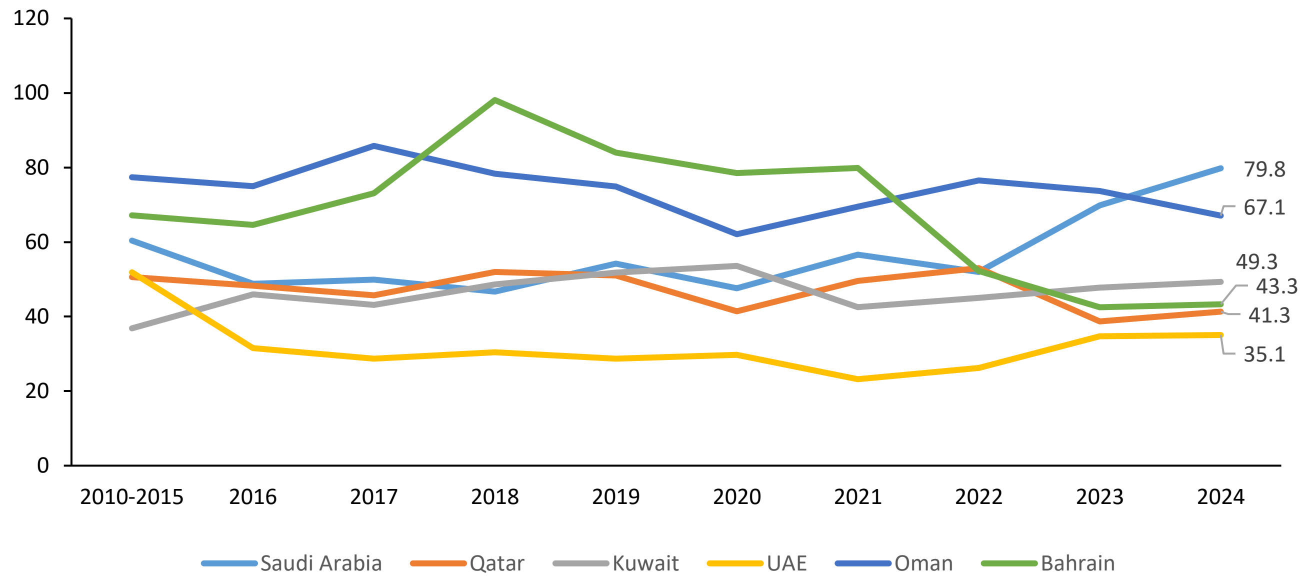
The overall fiscal breakeven oil prices are projected to decline in FY2024, except in UAE. UAE's fiscal breakeven is expected to grow from USD 51.6 per barrel in FY2023 to USD 54.3 in FY2024. Saudi Arabia, Qatar, Kuwait, Oman, and Bahrain are expected to record a decline in break-even oil prices in FY2024. Bahrain is anticipated to record the highest drop in break-even oil price from USD 138.4 per barrel in FY2023 to USD 127.8 per barrel in FY2024. Saudi Arabia's break-even oil price is expected to fall from USD 93.3 per barrel in FY2023 to USD 84.7 per barrel in FY2024, followed by Qatar, which is likely to fall from USD 46.5 per barrel in FY2023 to USD 40.4 per barrel in FY2024. Kuwait and Oman's break-even oil prices are also anticipated to decline to USD 78.3 per barrel and USD 53.9 per barrel in FY2024.

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



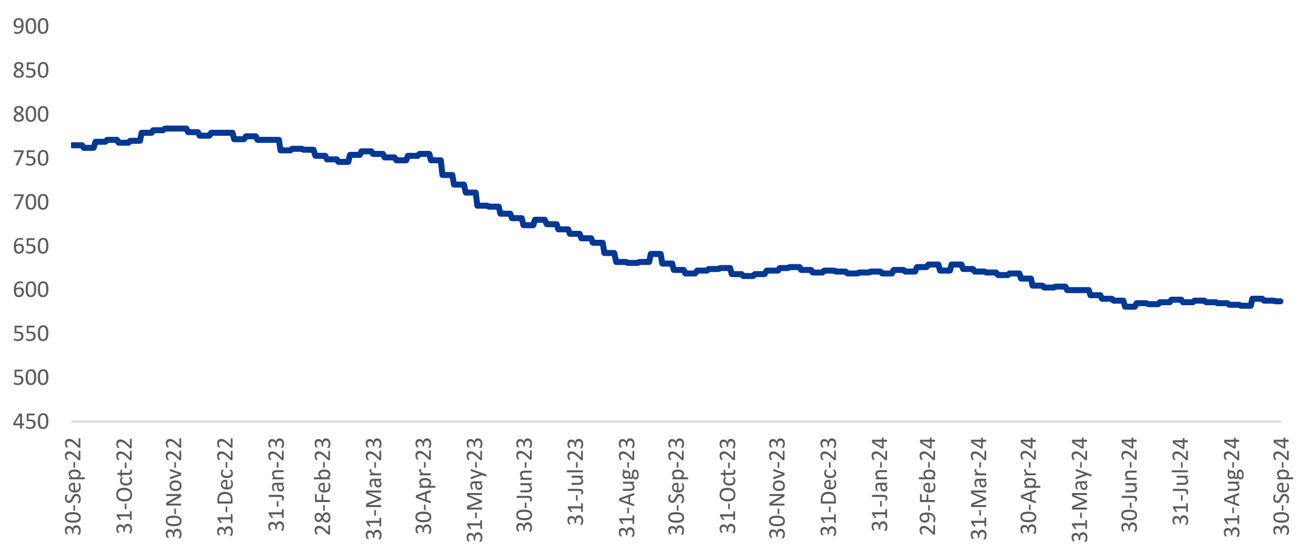
Source: Bloomberg

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	97.39	4.51	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	94.30	7.43	Ba3/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	96.21	4.46	A1/NA/A+
BGBKKK 2.75% 2031	Bank	93.56	5.88	NA/NA/BBB+
SIB 5% PERP	Bank	99.76	6.79	NA/NA/NA
GENHLD 4.76% 2025	Investment Co.	99.71	5.04	A1/NA/A
REITDU 11.0% 2025	Real Estate	99.08	11.86	NA/NA/NA
INTLWT 5.95% 2039	Power Generation and Water Utility	101.70	5.82	Baa3/NR/BBB-

Source: Bloomberg

We remain OVERWEIGHT on GENHLD, KWIPKK, ALDAR, and Aramco while assigning MARKET WEIGHT ratings on BURGAN BANK, INTLWT, and SIB. We withdraw our MARKET WEIGHT rating on REITDU owing to material uncertainty regarding the extension of Sukuk.

Implications on Securities Recommendations

Bond Particulars	Call	Ask Price	Yield	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	101.70	5.72	3.00	5.35	3.77	5.53
REITDU 11.0% 2025	NR	99.08	11.81	0.82	1.00	5.11	4.33
GENHLD 4.76% 2025	OW	99.71	5.01	0.03	0.46	0.64	1.01
SIB 5% PERP	MW	99.76	5.32	0.41	1.70	2.59	2.30
BGBKKK 2.75% 2031	MW	93.56	6.31	0.52	5.35	10.12	22.79
ARAMCO 3.5% 2029	OW	96.21	4.43	0.37	3.71	1.43	6.40
KWIPKK 4.5% 2027	OW	94.30	7.13	0.63	4.34	6.06	9.05
ALDAR 3.875% 2029	OW	97.39	4.46	0.65	4.34	3.26	7.59

Source: Bloomberg

ALDAR 3.875% 2029: Maintain OVERWEIGHT rating

We assign an OVERWEIGHT rating on Aldar Properties PJSC's (Aldar Properties) 3.875% senior unsecured Sukuk maturing in October 2029. The Sukuk is trading at USD 97.39 with a yield of 4.51% when held until maturity (redemption at par) with a modified duration of 4.45. 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 55.9 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 operation and acquired SODIC in Egypt in FY2021. SODIC is a leading Egyptian real estate company with a strong track record of 25 years, having a land bank of 17 Mn sqm across three geographies in Egypt.

- Mubadala Investment Company, a Sovereign wealth fund of the Abu Dhabi government, owns a 25.1% stake in Aldar. Alpha Dhabi Holding owns a 28.4% 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 1H24 with a total revenue of AED 10.9 Bn, up 73.2% YOY owing to robust development sales amid strong demand for new launches & current inventory. It recorded a gross profit of AED 3.9 Bn, up 43.3% YOY, and a net profit of AED 3.3 Bn, up 56.8% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose 49.1% YOY to AED 0.365 in 1H24, demonstrating consistent long-term shareholder value growth.
- Aldar's strong financial results are primarily driven by the robust performance of Aldar Development and Aldar Investment's recurring income portfolio. The strong growth in the investment business is driven by a rapid recovery in the investment property, hospitality, and leisure business segments. The backlog of the development business increased from AED 36.8 Bn in 1H23 to AED 38.9 Bn in 1H24 as a result of record sales and project launches, in addition to strong contributions from SODIC, offering healthy revenue visibility over the next two to three years. Additionally, Aldar launched 5 new developmental projects in 1H24 along with international expansion in Dubai, Ras Al Khaimah, and the United Kingdom. The Project Management business revenue backlog increased to AED 78 Bn in 1H24, compared to AED 61 Bn in 1H23, with projects worth AED 32.9 Bn currently under construction. A considerable revenue backlog, along with a robust project pipeline and diverse revenue sources, supports the Company's long-term revenue visibility. Aldar Investment's AUM reached AED 37 Bn in 1H24 as a result of strategic acquisitions and robust performance across the core real estate portfolio. Occupancy levels across the investment properties stood at 94% across the Commercial, Retail, Logistics, and Residential properties.
- Alder Properties partnered with DP World to construct a logistics park in Dubai, as part of its AED 1 Bn investment towards development of logistics assets. The company entered Dubai's commercial segment through development of an office tower comprising a leasable area of 88,000 sqm and an acquisition of a Grade A office building in Dubai Internet City.
- The Company further plans to refurbish its assets across the hospitality business to capitalize on increasing hospitality demand. Aldar expects its land sales to grow in 2H24 which will boost its gross margins whereas the Company also raised real estate prices by 5-10% owing to the strong demand and limited supply. Aldar will continue to raise prices in Abu Dhabi with the launch of new projects. The Company's master plans in Dubai will generate a gross development value of AED 25 Bn of which it has already generated AED 7-8 Bn.
- Aldar Development initiated its international expansion strategy by acquiring the UK developer London Square, investing in European real estate private credit, and making direct investments in European logistics and self-storage assets. Aldar's landbank is strategically distributed across significant investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 62.1 Mn sqm. Aldar Investment deployed capital amounting to c. AED 3.1 Bn and Aldar Development deployed c. AED 5.9 Bn in FY2023. In Abu Dhabi, the land area spans 60.7 Mn sqm, with a gross floor area (GFA) of 8.8 Mn sum. Meanwhile, in Dubai, the land area encompasses 1.4 Mn Sqm. The Company broadened its investment portfolio by procuring seven Logistics and Industrial Central acquisitions in Dubai amounting to AED 92 Mn in FY2023. Aldar Education is a leading private education provider in Abu Dhabi with 30 owned and managed schools as of 1H24 primarily across UAE by further acquiring Kent College Dubai and Virginia International Private School by injecting AED 350 Mn in FY2023.
- Liquidity position remains healthy with AED 3.6 Bn worth of free & subsidiary cash and AED 7.6 Bn of undrawn bank facilities in 1H24. The Company's net debt stood at AED 1.5 Bn in 1H24 and further AED 1.0 Bn and AED 2.4 Bn is due for maturity in 2024 and 2025 respectively.

KWIPKK 4.5% 2027: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Kuwait Projects Company (KIPCO)'s 4.5% senior unsecured bond maturing in February 2027 with an OVERWEIGHT rating. The bond is trading at USD 94.30 with a yield of 7.43% when held until maturity (redemption at par) and has a modified duration of 2.20. The bond is issued at the holding company level, so the debt service obligations would be met through the cash balance available with KIPCO and the dividends it receives from subsidiaries. The Company assets and dividend inflow is concentrated in the three largest entities contributing c. 60% of total asset value.

KIPCO is one of the largest holding companies in MENA, with its consolidated assets growth from KWD 11.8 Bn in 1H23 to KWD 12.5 Bn in 1H24, and sustained through multiple economic cycles, making consistent dividend payments for the last 17 years until FY2021. Members of the Kuwaiti ruling family remain KIPCO's leading shareholders, through Al Futtooh Holding Company K.S.C. (AFH), and currently own a 31.91% direct holding. AFH supported KIPCO in all business activities, including capital raising, and reduction in dividend in case required.

- KIPCO's total revenue from operations increased 21.8% YOY from KWD 596 Mn in 1H23 to KWD 726 Mn in 1H24 mainly due to healthy performance from commercial banking, asset management & investment banking, energy, and industrial & logistics, partially offset by a decline in media & digital satellite network services income, hospitality & real estate and others segment.
- The company's operating profit from continuing operations before provisions rose to KWD 81 Mn in 1H24, up from KD 49 Mn in 1H23. Provisions for credit losses and investments were reported rose marginally from KWD 8.7 Mn in 1H23 to KWD 8.9 Mn in 1H24.
- Profit before tax increased from KWD 32.5 Mn in 1H23 to KWD 59.2 Mn in 1H24 owing to the higher profit generated from commercial banking, energy, industrial & logistics, hospitality & real estate, and lower loss from asset management & investment banking segment partially offset by higher losses from media & satellite services and others.
- The company recorded an increase in net profit attributable to shareholders from KWD 10.4 Mn in 1H23 to KWD 11.1 Mn in 1H24. KIPCO recorded a profit from discontinued operation of KWD 11.5 Mn in 1H23 compared to nil profit/loss in 1H24.
- KIPCO cash and bank balance at the parent company level stood at KWD 184.7 Mn on 30 June 2024 compared to KWD 183.2 Mn on 31 March 2024. Total outstanding debt rose marginally from KWD 865.6 Mn in 1Q24 to KWD 867.7 Mn in 2Q24.
- The Company debt maturity of KWD 66.4 Mn is due in 2024 and the payment will be met through internal and external cash.
- KIPCO incurs annual interest expenses of USD 175-180 Mn on the holding company level. It will benefit from the decline in interest rates in the forecasted period.
- KIPCO received a dividend of USD 120 Mn in 1H24 and further expect to receive additional dividend in 2H24.
- Moody downgraded KIPCO's rating from Ba2 to Ba3 with a negative outlook. Fitch rating also downgraded KIPCO's long-term issuer rating to 'BB'- from 'BB' with a stable outlook citing high leverage and ongoing portfolio restructuring efforts. Despite these challenges, the outlook remains stable, supported by KIPCO's established track record, diversified portfolio, significant control over the majority of companies in the portfolio and stable dividend flows from the portfolio companies.

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 96.21 and offers a yield of 4.46% with a modified duration of 4.07. The credit rating of the issuer 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 'aa+' 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 251.2 Bn barrels of oil equivalent in FY2023, consisting of 191.3 Bn barrels of crude oil and condensate, 26.0 Bn barrels of NGL, and 207.5 trillion standard cubic feet of natural gas. The Company manages 541 reservoirs within 144 fields spread across the Kingdom and its territorial waters.

- Fitch upgraded a long-term foreign and local currency IDR to 'A+' with a stable outlook in April 2023, reflecting the Company’s strong business profile backed by strong control and support from the government. The government is the majority shareholder of the Company, with a direct ownership of 90.19%. 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+’ which is three notches above that of 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 rose marginally 0.9% YOY to SAR 827.7 Bn in 1H24, mainly due to higher crude oil and refined and chemical product prices largely offset by a decline in the volume of crude oil sold. Revenue from Downstream operation rose 6.1% YOY to SAR 451.0 Bn in 1H24, while revenue from Upstream operation fell 4.7% YOY to SAR 375.3 Bn in 1H24. Other income related to sales declined 8.4% YOY to SAR 80.7 Bn in 1H24 owing to decline in revenue from Upstream and Downstream operation in 1H24. Thus, revenue and other income related to sales remained unchanged at SAR 908.5 Bn in 1H24 compared to 1H23.
- Royalties and other taxes declined 11.1% YOY to SAR 107.0 Bn in 1H24. Total operating costs rose 5.6% YOY to SAR 500 Bn in 1H24 owing to increase in expenses across all categories partially offset by a decline in royalties and other taxes. The Company’s finance income fell from SAR 18.8 Bn in 1H23 compared to SAR 13.1 Bn in 1H24.
- Income before taxes and zakat fell from SAR 446.7 Bn in 1H23 to SAR 414.6 Bn in 1H24 primarily attributed to lower crude oil volume sold, weak refining margins and lower finance and other income partially offset by higher crude oil prices and lower production royalty payment.
- Furthermore, Aramco’s net profit declined 9.1% YOY to SAR 211.3 Bn in 1H24.
- Completed the secondary public offering of Aramco shares and USD 6.0 Bn of bond offering which received a strong investor response
- Aramco advanced its strategic gas expansion and announced a contract award worth USD 25 Bn and targets sales gas production growth of more than 60% by 2030 compared to 2021.
- Continued its international expansion with the acquisition of a 40% stake in Gas & Oil Pakistan Ltd.
- Free cash flow fell from SAR 202.7 Bn in 1H23 to SAR 156.4 Bn in 1H24, primarily attributable to a decline in cash flow from operation owing to lower earnings and negative movement in working capital partially offset by a decline in cash paid for the settlement of income, zakat, and other taxes.
- Aramco paid a total dividend of SAR 233 Bn in 1H2024 including base dividend of SAR 152.2 Bn and a performance dividend of SAR 80.8 Bn.
- The Company's progress on its Upstream oil and gas projects such as the Dammam project expected to launch in 2H24, Marjan & Berri expected to launch by FY2025, and Zuluf anticipated to launch by FY2026 will enhance its operational flexibility to capture value from strong global demand. However, Aramco’s strategy to boost oil production capacity to 13.0 Mn barrels per day by FY2027 is affected due to the OPEC+ cuts.
- Aramco’s gearing ratio stood at negative 0.5% in 1H24 compared to a negative 10.5% in FY2023. The increase in gearing was primarily a result of a decline in net cash position, due to lower operating cash inflows. Aramco’s capex amounted to SAR 86.1 Bn in 1H24 compared to SAR 72.0 Bn in 1H23 due to advancements in maintaining crude oil maximum sustainable capacity (MSC) and ongoing development of various gas projects. Furthermore, lower infill drilling due to directives from the govt. authorities in Saudi will result in a decline in total investment by USD 40 Bn from 2024-2028. The Company’s debt declined from SAR 290.1 Bn in FY2023 to SAR 279.2 Bn in 1H24.

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 93.56. The bond offers a yield of 5.88% and a duration of 1.83. 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 294 ATMs as of 1H24. The Bank is majorly owned by KIPCO Company with a stake of 64.3%.
- Burgan Bank revenues increased 19.3% YOY to KWD 111 Mn in 1H24 compared to KWD 93 Mn in 1H23 owing to 17.0% YOY growth in the net interest income amounting to KWD 71 Mn coupled with a 23.6% YOY growth in the non-interest income amounting to KWD 39 Mn.
- The net interest margins rose to 2.1% YOY in 1H24 compared to 1.9% in 1H23. Net fees and commissions income fell from KWD 18 Mn in 1H23 to KWD 17 Mn in 1H24.
- Operating expenses rose 15.9% YOY to KWD 62.6 Mn in 1H24 leading to a cost-to-income ratio of 56.6% in 1H24 compared to 58.3% in 1H23. The decline is due to lower growth in expenses compared to income.
- Provision expenses net of recoveries rose from KWD 3.4 Mn in 1H23 to KWD 5.4 Mn in 1H24 due to lower recoveries.
- The Bank reported a net profit attributable to shareholders of KWD 21 Mn in 1H24 compared to KWD 18 Mn in 1H23 due to a higher revenue partially offset by higher net monetary loss of KWD 12.7 Mn in 1H24 compared to KWD 7.3 Mn in 1H23.
- Loan and advances to customers rose 4.9% YTD to KWD 4.4 Bn in 1H23 which comprises 41% loan to personal, 21% to real estate, 12% to Manufacturing and the remaining to other sectors. Deposit rose 3.8% YTD to KWD 4.6 Bn in 1H24 with a CASA deposit of 32%.
- The Bank's non-performing loans rose marginally from 2.0% in 1H23 to 2.5% in 1H24. Provision coverage ratio fell from 216% in 1H23 to 174% in 1H24. Capital adequacy ratio stood at 19.3%, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 170% and 113%, respectively, as of 1H24, substantially above the minimum regulatory requirement of 100%.
- The bank redeemed its USD 500 Mn AT1 bonds in July 2024 as part of its funding strategy under which it issued new USD-denominated AT1 Bonds worth KWD 150 Mn in May 2024.
- Furthermore, Burgan Bank received approval from the Central Bank to acquire United Gulf Bank from United Gulf Holdings.
- Fitch Ratings affirmed Burgan Bank's rating 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.

SIB 5% PERP: Maintain MARKET WEIGHT rating

We are MARKET WEIGHT on Sharjah Islamic Bank's (SIB) 5.0% Jr. subordinated perpetual (AT1) bond. The bond offers a yield of 6.79% and currently trades at USD 99.76 with a modified duration of 0.71 years.

- Moody's Investor Service affirmed a long-term issuer rating at Baa2 with a stable outlook and a baseline credit assessment (BCA) at ba2. The rating agency three notch uplift from BCA is owing to the Sharjah Government's high direct and indirect ownership coupled with the UAE government's strong track record of extending support to the banking sector in case of need. S&P Global Ratings upgraded SIB's long-term issuer credit rating to 'A-' from 'BBB-,' backed by the bank's strong relationship with the Government of Sharjah and expected stable business and financial profile over the next two years. The agency also expects the bank's asset quality to remain resilient with adequate capitalization.
- Sharjah Islamic Bank's (SIB) net profit rose 14.5% YOY to AED 566 Mn in 1H24 mainly due to a growth in consumer demand and benefitting margins coupled with an increase in fee and commission income, a decline in the impairment charges amid economic expansion in the UAE. Total operating income rose 6.7% YOY to AED 1,029 Mn in 1H24 due to a

1.6% YOY growth in net funded income to AED 731 Mn and 21.6% YOY growth in non-funded income amounting to AED 298 Mn. Non-performing loans declined from 5.6% in FY2023 to 5.5% in 1H24, while provision coverage stood at 94.7% in 1H24. The bank also maintained a healthy capital adequacy ratio of 17.2% and CET 1 ratio of 12.4% in 1H24.

- SIB's total assets grew significantly by 21.6% YOY to AED 74.2 Bn in 1H24 mainly due to the growth in net advances, investment securities, and liquid assets, while net advances rose 11.5% YOY to AED 35.2 Bn in 1H24. The Bank's customer deposits rose 17.4% YOY to AED 49.5 Bn in 1H24. Similarly, total equity increased 7.2% YOY to AED 8.3 Bn in 1H24. SIB's total liquid assets stood at AED 17.0 Bn, representing 22.9% of total assets as of 1H24. The Bank's headline loan-to-deposits ratio stood at 71.2% compared to 73.1% in FY2023.

GENHLD 4.76% 2025: OVERWEIGHT rating

We assign an OVERWEIGHT rating on Senaat's 4.76% Sukuk maturing in December 2025. The Sukuk is trading for USD 99.71 and offers a yield of 5.04% when held till maturity (redemption at par). Arkan Building Materials Company PJSC completed the acquisition of Emirates Steel Industries PJSC ("Emirates Steel") and issued share capital from its majority shareholder, General Holding Corporation PJSC ("SENAAT"), on October 6th, 2021, in exchange for the issuance of 5.1 Bn new ordinary shares in the Company. Emirates Steel became a direct 100% subsidiary of the Company, and SENAAT's ownership in Arkan increased from 51% to 87.5% of its issued share capital as a result of this transaction.

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

REITDU 11.0% 2025: NOT Rated

We withdraw our MARKETWEIGHT rating on Emirates REIT's 11.0% Sukuk maturing in December 2025. The rating withdrawal is primarily due to the uncertainty surrounding the ability to meet the extension option criteria within the limited timeframe. The Sukuk trades at USD 99.08 with a yield of 11.86% when held till maturity (redemption at par). On 12 December 2022, Emirates REIT refinanced the existing USD 400 Mn sukuk with a cash payment of USD 20 Mn and the issuance of USD 380 Mn new secured Sukuk. The new secured sukuk had a maturity date of 12 December 2024 and was extended by one more year to 12 December 2025 with an initial profit rate of 9.5% and a ratcheting up profit rate structure for year 2 and year 3 depending on the amount outstanding. The new sukuk is fully secured with a profit rate of 11% from the second year with a maturity date of December 2024 and a one-year extension option. In March 2023, Emirates REIT did a partial redemption of USD 56 Mn. In June 2024, Emirates REIT exercised the extension option and extended the sukuk maturity date from 12 December 2024 to 12 December 2025. However, according to the REIT terms and conditions, the extension is only possible after reducing the outstanding face amount below USD 230 Mn on or before 12th December 2024, which stood at USD 322 Mn at the end of 1H24. The refinancing risk for the newly issued sukuk persists as the refinancing was only extended by an additional year in June 2024. The REIT is working towards a solution to reduce the face amount by generating cash from divestments and asset sales as existing cash flows are not enough to pay the debt. Emirates REIT has already sold two assets, including two Remraam residential towers and Dubai Trident Grand Mall to raise USD 15 Mn and USD 20 Mn, respectively. The auditors have raised concern regarding the excess current liability of the REIT as current liability exceeds current assets by USD 337 Mn in 1H24, which creates material uncertainty that can cast significant doubt on the Group's ability to continue as a going concern. The total debt outstanding increased to USD 439 Mn in 1H24 from USD 438 Mn in FY2023. The net asset value of the REIT rose 34.4% YOY to USD 563 Mn in 1H24 due to an 18.2% YOY increase in the fair value of investment properties to USD 991 Mn. The Company properties are diversified across commercial, educational, and retail sectors with a 5.1% YOY increase in occupancy rate to 90.5% in 1H24.

- Emirates REIT net profit grew 37.1% YOY to USD 63.5 Mn in 1H24. The growth in net profit is mainly attributable to strong growth in total property income of 12% YOY coupled with a rise in unrealised gain on revaluation of investment properties from USD 50.0 Mn in 1H23 to USD 65.0 Mn in 1H24 partially offset by an increase in fund expenses and net finance cost.
- Net property income grew 16% YOY to USD 34.4 Mn in 1H24 driven by improved rental rates, higher occupancy levels and lower operating expenses which declined by 3.4% YOY to USD 6.0 Mn in 1H24 owing to cost control measures. Total operating profit rose 19.0% YOY to USD 25.2 Mn in 1H24 due to a rise in net property income and decline in operating expenses and ECL allowance partially offset by a rise in fund expense. The net finance cost increased 7.3% YOY to USD 26.7 Mn in 1H24 due to high interest rates coupled with a marginal growth in financing.
- The occupancy across the portfolio rose 5.1% YOY to 90.5% in 1H24 driven by strong growth in the leasing market due to high demand. Meanwhile, rates across the commercial and retail portfolio increased 9.4% YOY in 1H24. The occupancy of offices at Index tower increased 9.9% while the European Business Centre occupancy increased 16.9% YOY. The Company's weighted average lease expiry (WALE) declined from 6.7 years in 1H23 to 6.0 years in 1H24. The leasing activity remained robust during 1H24 recording 107 renewals amounting to 18,354 square meters (sq.m.), 72 new leases (18,230 sq.m.) and 48 exits (6,951 sq.m.).
- The fund from operation improved on YOY basis but still remained negative of USD 1.5 Mn in 1H24 compared to a negative of USD 3.6 Mn in 1H23 owing to higher benchmark rates and high sukuk cost.

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 101.70 with a yield of 5.82% if held till maturity (redemption at par). The bond has a modified duration of 7.22. The Bond has a credit rating of BBB- from Fitch and Baa3 from Moody's both with a stable outlook.

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

- Eleven large-scale new renewable projects which aggregate of c.7.1 GW have been added to the portfolio in 2023, which now accounts for 44.5% of the power portfolio. The Company also targets achieving an equal 50/50 portfolio balance between renewables and flexible generation by FY2030. The Company has 81 assets (in operation, under construction, or in advanced development) with a total investment cost of SAR 317.7 Bn, generating 55.1 GW of electricity producing 7.6 Mn cubic meters of desalinated water per day.

- The Company agreed to sell its 32% effective investment in SQWEC, an oil-fired facility with 850 MW of power and 212,000 cubic meters' water desalination capacity in the Kingdom of Saudi Arabia, on September 7, 2021. The sale reduced the diversification of APMI One cash flow. In order to offset the impact of lost cashflows from SQWEC, ACWA Power increased the stake in RAWEC that forms part of APMI One bondholder security and cashflows from 37% to 80%, while this offsets the cashflow impact of the sale of SQWEC, it results in greater concentration at RAWEC, for which we view the offtaker as of lower credit quality than for others in the portfolio. The issuer APMI One is a Special Purpose Company, incorporated under the laws of DIFC, which is 100% owned by ACWA Power Projects. However, APMI One is not the only entity ACWA Power Projects has its hands on. Below is the effective percentage share of ACWA Power in the listed entities as of 30th June FY2020:
- 30% in Shuaibah Water & Electricity Co. (SWEC), Contract Initiated in 1Q10 for 20-yr PWPA.
- 32% in Shuqaiq Water & Electricity Co. (SqWEC), Contract Initiated in 2Q11 for 20-yr PWPA.
- 30% in Shuaibah Expansion Project Co. (SEPCO), Contract Initiated in 4Q09 for 20-yr WPA.
- 74% in Rabigh Arabian Water & Electricity Co. (RAWEC), Contract Initiated in 2Q08 & 2Q16 for 25-yr WECA. However, in 2018 RAWEC pledged 37% of its stake leaving ACWA Power Projects with a current stake of 99% in RAWEC.
- 40% in Rabigh Electricity Co. (RABEC), Contract Initiated in 2Q13 for 20-yr PPA.
- 20% in Jubail Water & Power Co. (JWAP), Contract Initiated in 3Q10 for 20-yr PWPA.
- 100% in International Barges Co. for Water Desal. (BOWAREGE), No active Contract was leaving ACWA Power Projects with 100% ownership. All the assets were disposed of as scrap or fully impaired in 2019 Books.
- 22.5% in Hajr for Electricity Production Co. (HEPCO), Contract Initiated in 2Q16 for 20-yr PPA.
- In FY2020 APP increased its stake by 4.99% by acquiring Samsung C&T's share in Hajr Electricity Production Company, increasing its shares from 17.5% to 22.5%. The acquisition will strengthen the position of APP as the second-ranked shareholder after the Offtaker Saudi Electricity Company (SEC).
- 100% in First National Holding Co., which own 99% ownership in First National O&M Co. (NOMAC), NOMAC went through a restructuring that led to all the assets and liability, (Not including Rabigh Power Company (O&M)), under APP to be transferred to First National Holding Co.
- APP filed its zakat and tax returns for all the years till FY2022. APPs closed its position with the ZATCA until FY2018, however, the assessment is pending for FY2019-22. The Company's subsidiaries and associates received a higher tax assessment from ZATCA, which led to an additional tax liability of SAR 222 Mn (with ACWA Power share of SAR 126 Mn). The Company has recognised provisions of SAR 196 Mn (ACWA Power share of SAR 100 Mn) against this assessment as of 31st December 2023.

Financial details as of 1H24 for ACWA Power are listed below:

- ACWA Power's operating income before impairment loss and other expenses rose 7.8% YOY to SAR 1,389 Mn in 1H24, higher than SAR 1,289 Mn in 1H23. The increase in operating profit was mainly due to a divestment gain of SAR 402 Mn recognized attributed to loss of control in Bash & Dzhankeldy, partially offset by a decline in development business and construction management services coupled with higher development cost, a lower net contribution from projects primarily due to outages in certain plants and higher operation & maintenance cost as well as higher general and administration expenses.
- Net profit attributed to the equity holders grew 35.5% YOY to SAR 927 Mn in 1H24. The growth in net profit is mainly attributed to higher operating income before impairment loss and other expenses, and higher other income of SAR 343 Mn recognized in 1Q24 due to recycling of the hedging reserve upon discontinuation of certain hedging contracts partially offset by higher zakat and tax expenses, and a rise in impairment and other expenses.

- Adjusted net profit amounted to SAR 723 Mn in 1H24 after adjusting impairment loss in Morocco and income related to termination of hedging instruments.
- Finance cost grew 8.2% YOY to SAR 747 Mn in 1H24, mainly due to rising market rates and additional debt.
- ACWA Power reported a cash & short-term investments of SAR 5.4 Bn in 1H24 compared to SAR 6.0 Mn in FY2023. The Company's debt stood at SAR 20.5 Bn in 1H24, up from SAR 18.2 Bn in FY2023. The net leverage ratio stood at 6.32x compared to 5.01x in 1H23.
- ACWA Power's increase in debt is primarily due to an increase in off-balance sheet leverage owing to a growth in guarantees related to equity letters of credits & EBL and other equity commitments.
- The Company's corporate borrowing grew marginally from SAR 4,587 Mn in 1H23 to SAR 4,588 Mn in FY2023. Project recourse borrowing fell from SAR 4,976 Mn in FY2023 to SAR 4,315 Mn in 1H24.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

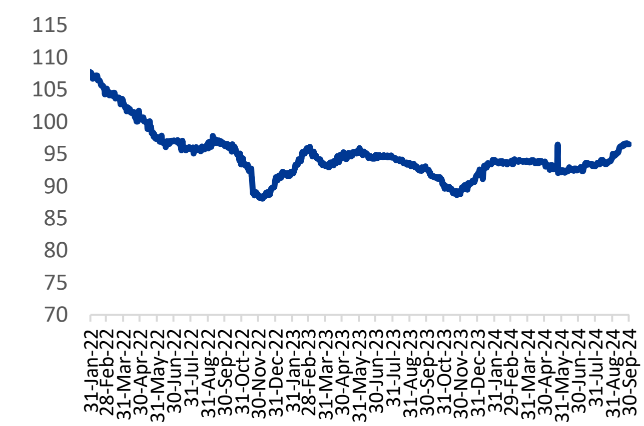


Figure 14: KWIPKK 4.5% 2027

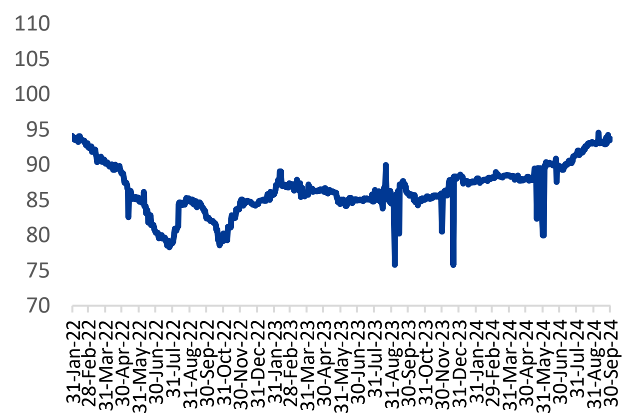
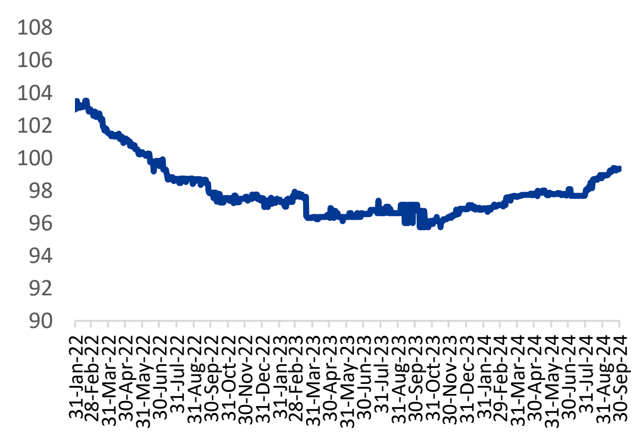


Figure 15: ARAMCO 3.5% 2029

Figure 16: SIB 5% PERP



FAB SECURITIES أبوظبي الأول للأوراق المالية

Figure 17: GENHLD 4.76% 2025

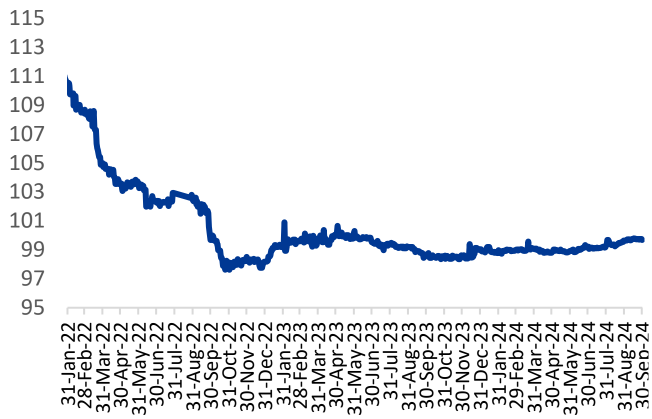


Figure 18: REITDU 11.0% 2025

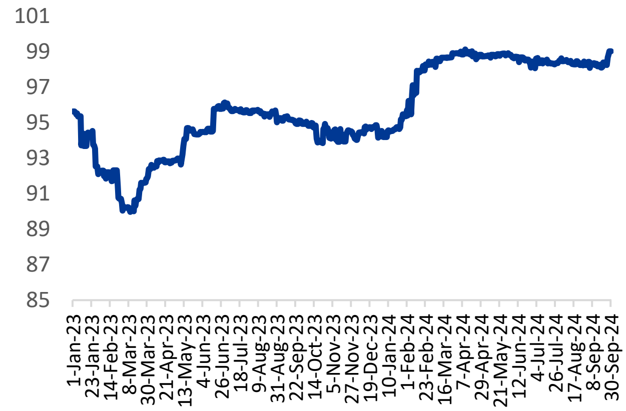


Figure 19: INTLWT 5.95% 2039

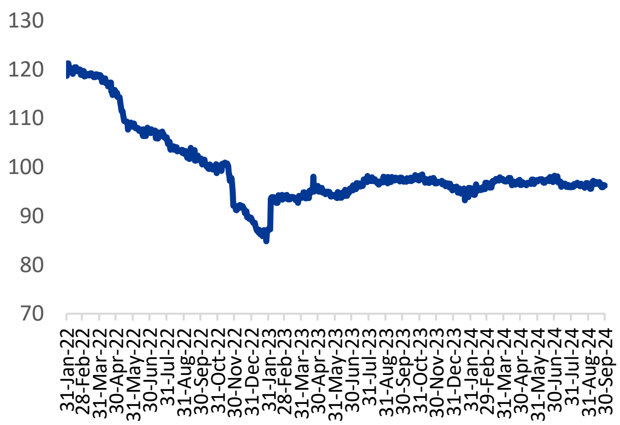
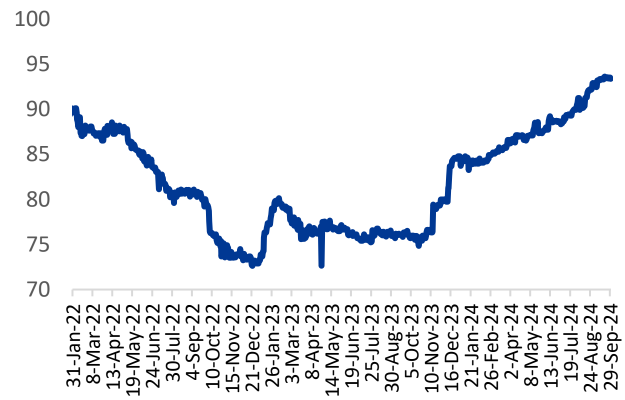


Figure 20: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	71.77	-6.84	-8.92
US dollar index	100.81	-0.52	-0.88
10Y Treasury yield[1]	3.79	-0.09	0.17
2Y Treasury yield[1]	3.64	-0.61	-0.28
10Y German bund yield[1]	2.12	0.24	0.23
10Y Japan bond yield[1]	0.86	0.56	0.35
Bloomberg UAE Composite USD Liquid index	142.33	5.43	1.01

Source: Bloomberg, [1] in Basis point

Sovereign Highlights

UAE

Far East acquired by DP World for expansion in China

DP World acquired Hong Kong's Cargo Services Far East Ltd with the transaction value being c. USD 800 Mn. Far East provides ocean and freight shipping services and handles retail & fashion distribution. Besides, DP World has a JV with Goodman Group that own a multi-story logistics centre in Hong Kong.

UAE's PMI increased to 54.2 in August from 53.7 in July

UAE's non-oil private sector bounces in August 2024 after recording 3-month low in July 2024. UAE's seasonally adjusted S&P Global PMI increased from 53.7 in July to 54.2 in August and remained in the expansionary phase. Even though, the non-oil business conditions improve from last month, the expansion rate remained second softest over a year as very few companies reported an increase in activity. The current expansion is attributbale to new projects received mainly from international clients. Pressure on operating activity eased with recovery in supply chain and increased purchases despite higher costs that led to higher output prices. Consequently, rising prices might impact the demand that can potentially curb the recent growth trend.

ADQ will manage toll and parking system in Abu Dhabi

ADQ took over operations, management, and development of DARB, Abu Dhabi's Road toll system and Mawaqif, its parking system, aligned with its aim to establish cluster ecosystems and help in the growth of its portfolio companies. Abu Dhabi Mobility, the Transport service department will continue the regulatory supervision of the toll and parking systems. DARB and Mawaqif will utilize ADQ's transport and logistics assets to enhance the development of a safe, smart, and sustainable transportation network in Abu Dhabi.

ADIA, Abu Dhabi investor sold 50% stake in Policy Expert to Cinven

The Abu Dhabi Investment Authority (ADIA) sold 50% stake in Policy Expert, UK-based Insurance solution provider to Cinven's Strategic Financials Fund as a part of its comprehensive growth strategy. Cinven's support for innovative businesses will benefit Policy Expert and boost its growth in the upcoming period.

Mubadala and Aldar builds partnership for real estate asset development valued at USD 8.17 Bn

Mubadala and Aldar Properties will manage and develop assets worth USD 8.17 Bn in Abu Dhabi under a partnership agreement. The JV will utilize Aldar's's asset management expertise and Mubadal's land bank. Deal includes establishment of retail platform of AED 9 Bn which will own Aldar's Yas Mall, and Mubadala's The Galleria Luxury Collection on Al Maryah Island. The joint venture will build income-generating real estate assets along with wellness-focused luxury communities in prime locations of Abu Dhabi.

MGM Resorts confirms application of gaming license in Abu Dhabi

MGM Resorts chief Bill Hornbuckle confirmed that they have applied for a gaming license in the UAE. Earlier MGM President and CEO commented that Abu Dhabi was their top choice for a potential gaming license.

Microsoft will set up AI and engineering development centre in Abu Dhabi

Microsoft Corp. is launching an AI development centre in Abu Dhabi to focus on AI innovations, cloud technologies and advanced cybersecurity solutions. Advanced digital and physical infrastructure in Abu Dhabi and its strategic location at the heart of the world will allow Microsoft to create positive impact across industries. Microsoft and G42 will start two centres with a focus towards responsible AI initiatives and development, deployment and safe use of generative AI models.

SAUDI ARABIA

Saudi Arabia relaxes investment rules to attract foreign investments

The Saudi Ministry of Investment updates investment rules to create investor-friendly business conditions and make investing easier for foreign investors in Saudi Arabia, effective from FY2025. After the updated regulation is implemented, multiple licenses and prior approvals will not be required. There will also be a significant reduction in paperwork and bureaucratic obstacles. The updated investment strategy aligns with Saudi Vision 2030.

Current account balance could shift to a deficit on account of low oil prices in Saudi Arabia

According to the International Monetary Fund (IMF), Saudi Arabia could face a weaker current account balance due to lower oil exports and higher investment-related imports. The current account surplus fell to 3.2% of the GDP because of declining oil prices however the impact was partially moderated with an increase in net income in the tourism sector. Although overall GDP growth contracted due to oil output limits, non-oil GDP grew by 3.8% as a result of private consumption and strong growth in non-oil investments. Non-oil growth is expected to reach 4.4% in the medium term. The country is expected to grow at 4.7% in FY2025 then at an average rate of 3.7% YOY due to a cut in oil production and a rise in non-oil investments.

Saudi Arabia witnesses non-oil GDP growth of 4.9% in 2Q24

According to the General Authority for Statistics (GASTAT), Saudi Arabia recorded 0.3% decrease in real GDP in 2Q24 compared to 2Q23 meanwhile real GDP with seasonal adjustments increased 1.4% compared to 1Q24. The statistics are as follows: 4.9% YOY and 2.1% QOQ increase in non-oil activities, 3.6% YOY and 2.3% QOQ increase in government activities and, 8.9% YOY decrease and 0.9% QOQ increase in oil activities. Besides, KSA recorded a positive growth in all other economic activities.

More than 100 Mn tourists visit Saudi Arabia, Vision 2030 target crossed

According to the IMF , Saudi Arabia attracted 100 Mn visitors annually by 2023 breaching the target set for 2030. Net tourism income rose 38% to USD 36 Bn in 2023. The tourism sector's total contribution to GDP stood at 11.5% in 2023 and is expected to reach 16% by 2034. Tourism is a major contributor to KSA's economy, providing significant sector diversification for the country. Events like Formula One, the 2027 Asian Asia Cup, and the 2030 World Expo led to the surge of international tourists and increase in leisure activities. Creation of diverse linkages across industries such as food & beverages, hotels & hospitality, travel as well as cultural industries helps Saudi Arabia to rely less on oil-intensive sectors.

Chinese car makers might start manufacturing in Saudi Arabia

Chinese car producers discussing prospects of setting up factories in Saudi Arabia. Companies such as Geely, Great Wall Motor, BYD, MG, Hongqi, GAC and Chery have existing branches in the kingdom. By the end of the year, Saudi's Public Investment Fund (PIF) is likely to open its office in Shanghai and Shenzhen.

Alcoa to reduce its stake in Ma'aden JV by 25.1% for USD 1.1 Bn

Alcoa to sell 25.1% of its stake in Saudi's Ma'aden Joint Venture for USD 1.1 Bn to Saudi Arabian Mining Company Ma'aden. The deal includes c. 86 Mn shares of Ma'aden and USD 150 Mn in cash and is expected to be closed by 1H25. Alcoa would hold shares for at least three years. Once the transaction is completed, Alcoa would own c. 2% of Ma'aden current shares outstanding.

Aramco to increase stake to 49% in MidOcean to fund acquisition of PLNG

Aramco is set to increase its stake in EIG's MidOcean to 49% and fund its acquisition of Peru LNG from Hunt Oil Company with a new stake of 15%. LNG market is expected to increase by 50% globally by 2030 hence Aramco is looking forward to strengthen its position in LNG market especially in the US. The size of stake and the value of the transaction remained undisclosed. After the deal closure, MidOcean & Hunt will hold 35% of PLNG while Aramco will hold an indirect stake of 17.2%.

Alba and Ma'aden in talk with each other for merger of their aluminium business units

Aluminium Bahrain (Alba) and Ma'aden likely to combine their business units for strategic purpose. Post-merger, the combined entity would be positioned as one of the largest aluminium producers in the world, providing positive synergistic opportunities leading to increased production, global expansion and substantial value creation. Both Ma'aden and Alba would together work on supply chain of aluminium by making it more accessible and reliable. The initial phase of the merger would include extensive due diligence, during which both companies will exchange information for evaluation of strategic and financial benefits.

Saudi Aramco plans to raise up to USD 3 Bn via two tranche dollar denominated Islamic bonds

Saudi Aramco is planning to raise up to USD 3 Bn in 5-year and 10-year US dollar denominated Sukuk or Islamic bonds. It raised USD 6 Bn in July 2024 from its first bond issuance in last three years. Aramco is looking for funds to invest in non-oil industries diversifying its economy to non-oil sector making significant contributions to Vision 2030 plan.

Qatar

QatarEnergy set to double its annual urea production

QatarEnergy will increase its production of urea from 6 Mn tons to more than 12.4 Mn tons annually. The construction of four new production lines for urea would more than double the output. The urea market is increasing with rising population driving the demand for urea which is a key ingredient for fertilisers . Besides, substantial expansion in Urea production will also increase QuatarEnergy's Liquefied natural gas (LNG) production by 85%.

QatarAirways likely to acquire a minority stake in Virgin Australia

QatarAirways is in talks to acquire a minority stake in Virgin Australia. The deal is awaiting consent from Foreign Investment Review Board of Australia. Both companies have reported strong financial performance in FY2023.

Qatar records wage growth on the back of strengthening non-oil business environment

Qatar's non-oil sector growth enhanced in August on the back of record growth in wages and substantial rise in employment due to the strengthening of non-oil business. Qatar'sPMI increased to 53.1 in August 2024 up from 51.3 in July, beyond the long-run average of 52.3.Strong demand for goods and services drove the growth in employment rate. New orders continue to increase while outstand work declined in August 2024. Purchasing activity increased for the sixth consecutive month while demand for services stood strong.

Qatar considers increasing its current stake in Iberdrola, Spanish power company

Qatar Investment Authority is currently holding 8.8% in Iberdola, mulls raising its stake after discussion with the Spanish government who possesses the right to block or put conditions on such acquisitions of large stakes by foreign entities are taken in strategic Spanish companies.

Saipem won USD 4 Bn contract from QatarEnergy

Saipem, Italian based energy group bags offshore contract of USD 4 Bn from QatarEnergy. The contract will help increase production at QatarEnergy's North Field offshore natural gas field. Previously, Qatar declared an expansion project to uplift the North Field's LNG output from the current 77 Mn tons per annum (mtpa) to 142 mtpa by 2030.

Oman

Moody’s upgrades Oman’s outlook due to improvement in fiscal performance

Moody's affirmed Oman’s long-term issuer rating at Ba 1 and upgraded its outlook from stable to positive. Moodys also affirmed Government of Oman's (P)Ba1 senior unsecured medium-term note program rating. The rating agency upgraded Oman’s outlook on account of continuous improvement in fiscal performance, sustainable oil prices and effective fiscal management. The Government of Oman reduced its debt to 34% of the projected full-year GDP in July 2024. Oman’s witnessed an increase in Petroleum Reserve Fund that supports debt service payments. The Government managed to keep spending well below nominal GDP growth which demonstrates improving fiscal policy effectiveness. Oman’s Ba1 ratings is supported by high per-capita income and the government's moderate debt burden. However, the ratings are inhibited by Oman's heavy dependence on the oil and gas sector.

Exploration and Production is set for an IPO on Muscat Stock Exchange

Oman’s OQ Exploration and Production (OQEP) will proceed with an initial public offering (IPO) and list its shares on the Muscat Stock Exchange (MSX) after approval from Oman’s Financial Services Authority (FSA). OQ SAOC will offer up to 25% of the shares in OQEP while the company will retain the right to revise the offering size at any time before the subscription period ends. Besides OQEP will raise up to USD 2 Bn from its listing on the Muscat Stock Exchange (MSX) via Initial Public Offering (IPO). The IPO price range is expected to be between 370 and 390 Omani baisas per share. The IPO includes 2 billion shares, representing 25% of total issued share capital of OQEP.

Oman creates USD 430 Mn opportunity for foreign investment

Oman launched 10 new investment opportunities valued at USD 430 Mn to attract foreign capital. The projects launched by Invest Oman includes projects in converting industries, building materials and industrialisation technology. Incentives like lower taxes are given to reduce operating costs and develop investors interest. To align with Oman Vision 2040, Oman is expanding its source of revenue and moving away from an oil-dependent economy.

Bahrain

Bahrain will impose minimum tax rate at 15% on large MNEs from the starting of FY2025

Bahrain introduced Domestic Minimum Top-up Tax (DMTT) for multinational enterprises (MNEs), effectively from FY2025 ensuring a minimum 15% tax rate on profits for MNEs with global revenues beyond USD 828 Mn.

EGYPT

Egypt’s records expansion in non-oil private sector economy

Egypt’s non-oil private sector economy expanded in August 2024 on account of increase in output levels by for the first time in last three years. Seasonally adjusted S&P Global Egypt Purchasing Managers’ Index (PMI) increased to 50.4 in August 2024 from 49.7 in July 2024. Increase in output and purchases contributed to the expansion of the non-oil sector partially offset by a decline in new orders. Companies are optimistic towards future business activity as they are increasing their inventories and hiring more staff. There is an expectation of market recovery and growing export business.

Egypt's central bank left overnight interest rates on hold

Egypt's central bank left its overnight interest rates steady due to easing inflation pressure. Even though inflationary pressures continue to subside with gradual easing of early shocks, domestic real GDP growth softened to 2.2 % in 1Q24 compared to 2.3 percent in 4Q23. Declining contribution in economic activity because of trade disruption in the Red Sea led to the softening of GDP growth.

Egyptian government plans to withdraw capital gains tax on stock market transactions

The Egyptian government is planning to withdraw the capital gains tax on stock market transactions. Capital gains tax is charged on the profits realised from sale or disposal of assets, including securities traded in the stock exchange. However the capital gains tax is cancelled or postponed five times due to challenges in implementation and investor withdrawal post announcement.

Annual urban inflation in Egypt rose to 26.2% in August 2024

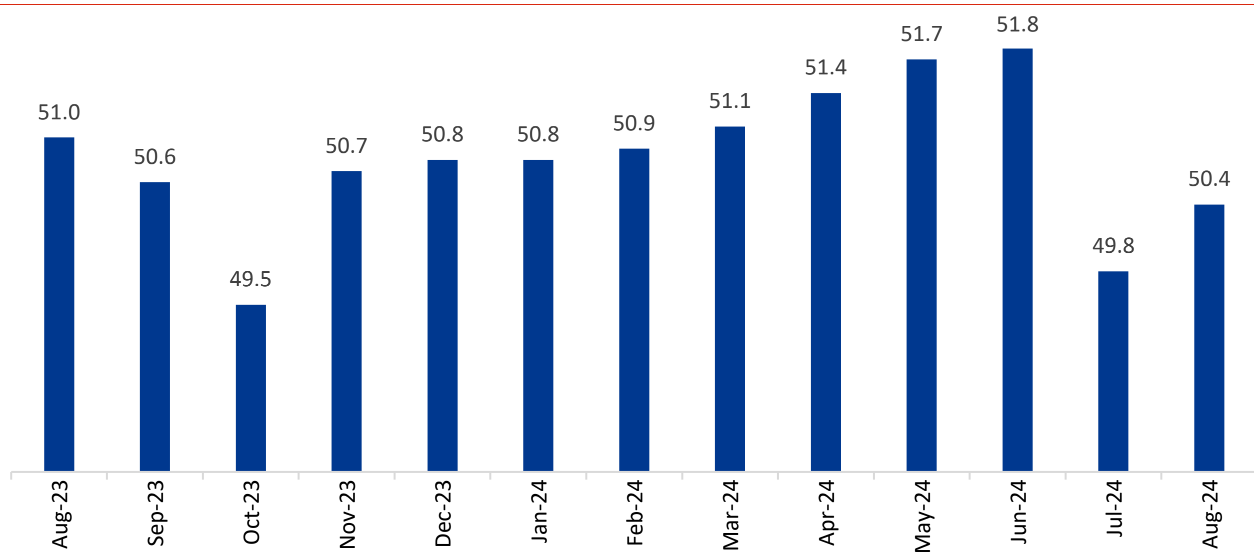
Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS) stated that the annual urban inflation increased to 26.2% in August 2024 from 25.7% in July 2024. CAPMAS said that the acceleration in urban inflation is due to a significant increase in vegetables price by 44.2% YOY, and other key food products, including a 55.9% YOY rise in food items, 43.6% YOY in bottled water and juices, 28.1% YOY in food and beverages, 32.5% YOY in grains and bread, 21.1% YOY in meat and poultry, 34.7% YOY in dairy, and 29.7% YOY in fruit.

Global Economy

China's Manufacturing Sector shifted into expansion territory

The manufacturing sector in China recovered with the manufacturing PMI score increasing from 49.8 in July 2024 to 50.4 in August 2024 owing to a growth in manufacturing production, particularly in the intermediate & consumer sectors coupled with expansion in the incoming new orders. The incoming new orders witnessed growth due to improved demand conditions and promotional efforts taken by firms. However, export orders experienced a slight decline for the first time in YTD amid deteriorating external conditions. Employment levels stabilized for the first time, after declining for 11 consecutive months, owing to ongoing workloads. Purchasing activity declined slightly due to sufficient inventory. Supply and transport constraints resulted in longer lead times. Input costs fell marginally for the first time in the last five months and business confidence reached a three-month high in August 2024.

Figure 21: China Caixin Manufacturing PMI

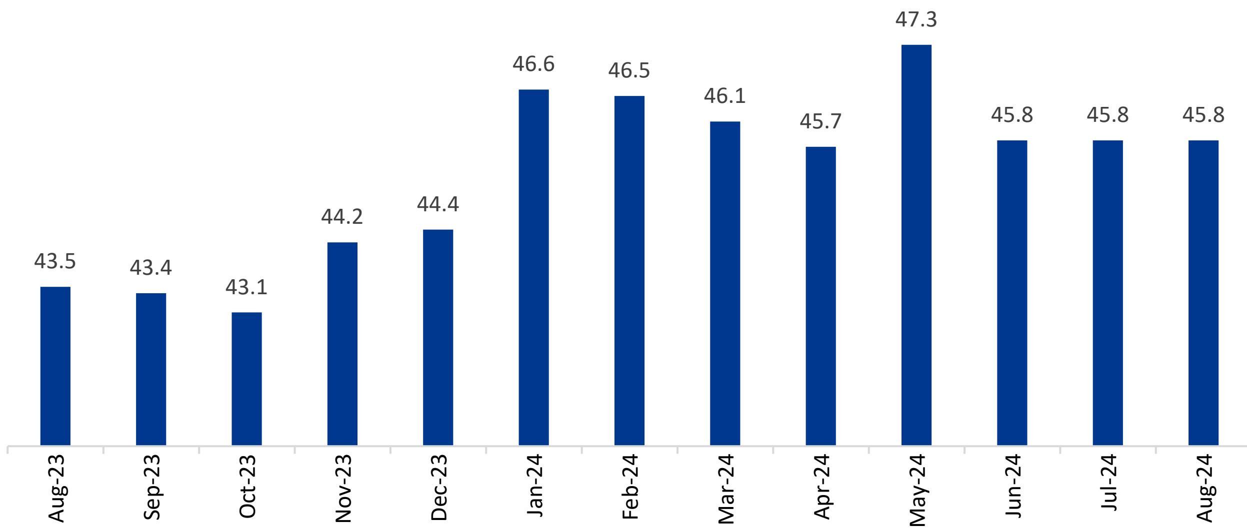


Source: CAPIQ

Eurozone factory activity continued to contract

Eurozone manufacturing activity remained in the contractionary territory in August 2024 owing to a decline in the factory output and a steeper fall in new orders. The HCOB Purchasing Managers Index remained at the same level as June and July 2024 at 45.8 in August 2024, indicating deterioration in operating conditions. The export business also witnessed weaker intakes. Outstanding business volumes fell at the fastest rate since February 2024. Purchasing activity and inventory levels also experienced a decline in August 2024. Employment levels further declined in August 2024, marking the 15th consecutive month of job cuts. Output growth outlook remained at their weakest levels since March 2024. Although input cost inflation slowed down slightly, it remained close to the 18-month high of July.

Figure 22: Eurozone's Manufacturing PMI

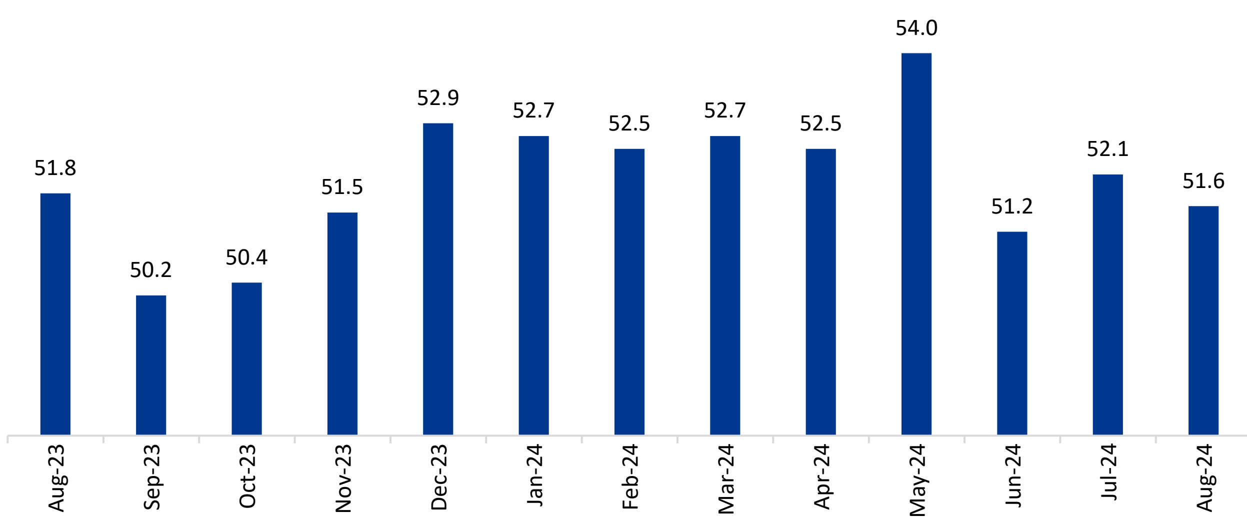


Source: CAPIQ

China's Services sector expanded in August

The China services sector continued to remain in the expansionary territory, although the Caixin PMI declined from 52.1 in July 2024 to 51.6 in August 2024. The expansion was supported by a growth in new business inflows in August 2024 owing to improved demand conditions as well as a broader range of services offered by firms. However, new work inflows experienced a softer expansion aligned with the slowdown in overall business activity in August 2024 compared to July 2024. In contrast, the export activity accelerated due to rising demand from international clients and growth in the tourism industry.

Figure 23: China service sector PMI

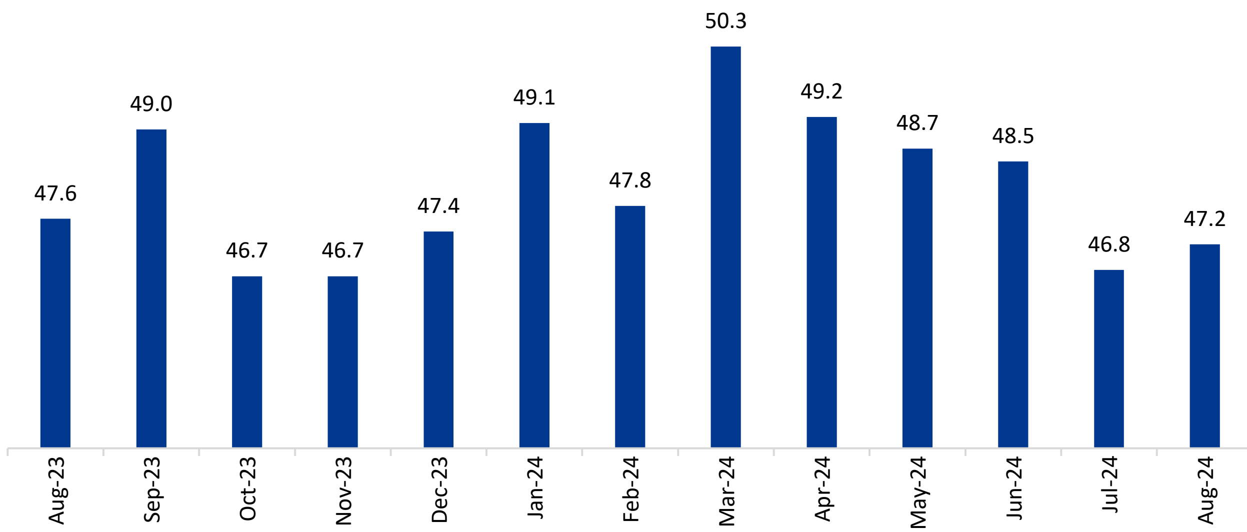


Source: CAPIQ

US Manufacturing Index recovered in August but remained in the contractionary territory

According to ISM, the manufacturing PMI of the USA rose from 46.8 in July 2024 to 47.2 in August 2024, driven by an uptick in the employment index from 43.4 in July 2024 to 46.0 in August 2024, partially offset by a decline in new orders from 47.4 in July 2024 to 44.6 in August 2024. Moreover, the production index also fell from 45.9 in July 2024 to 44.8 in August 2024. Demand was subdued owing to the unwillingness of the firms to invest in inventory and capital owing to upcoming elections and current federal monetary policy. The price index climbed from 52.9 in July 2024 to 54.0 in August 2024.

Figure 24: US ISM Manufacturing PMI

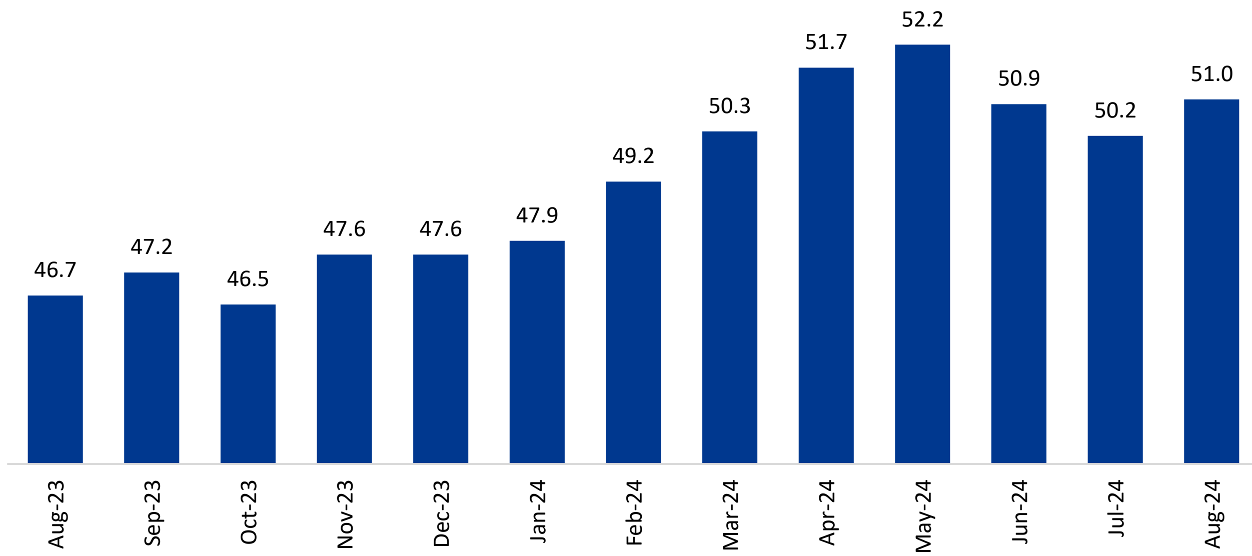


Source: CAPIQ

Eurozone Private sector growth reached a three-month high in August 2024

The euro area private activity grew at the fastest rate in the last three months as the HCOB composite output index climbed from 50.2 in July 2024 to 51.0 in August 2024 driven by a strong rise in the services activity, partially offset by a decline in the manufacturing activity. The services PMI Index rose from 51.9 in July 2024 to 52.9 in August 2024. The output growth fastened in August 2024 however incoming business witnessed a further moderate decline. The export business experienced a slowdown owing to a contraction in the orders from overseas clients. Work backlogs declined for the seventeenth month indicating dwindling capacity pressures. Hence, employment levels fell in August 2024 driven by a headcount reduction in the manufacturing industry partially offset by a rise in the staffing levels in the services sector. The input price inflation grew at the slowest rate in FY2024 whereas selling prices rose at the quickest pace since April 2024.

Figure 25: HCOB Eurozone Composite PMI

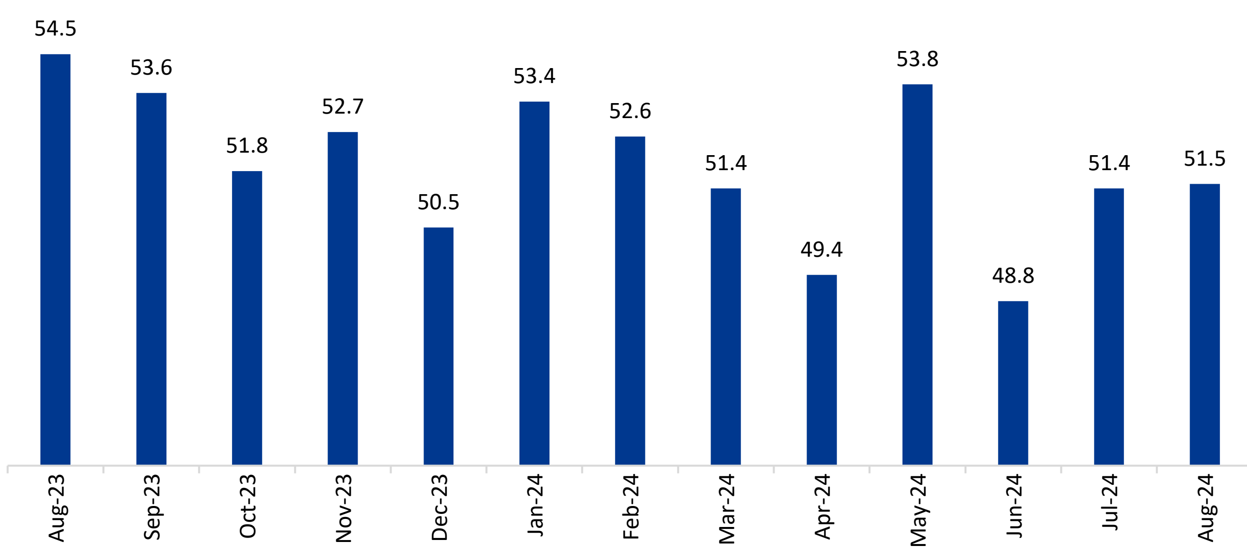


Source: CAPIQ

US Services index inched higher in August, contradicting expectations

According to ISM (Institute of Supply Chain Management), the services PMI rose slightly from 51.4 in July 2024 to 51.5 in August 2024 driven by a rise in new orders partially offset by interest rate pressures and higher costs. The new orders index grew from 52.4 in July 2024 to 53.0 in August 2024. The business activity index fell from 54.5 in July 2024 to 53.3 in August 2024. Additionally, the Employment index also dropped from 51.1 in July 2024 to 50.2 in August 2024, however remained in expansion territory. The price index increased marginally from 57.0 in July 2024 to 57.3 in August 2024.

Figure 26: US ISM Services PMI

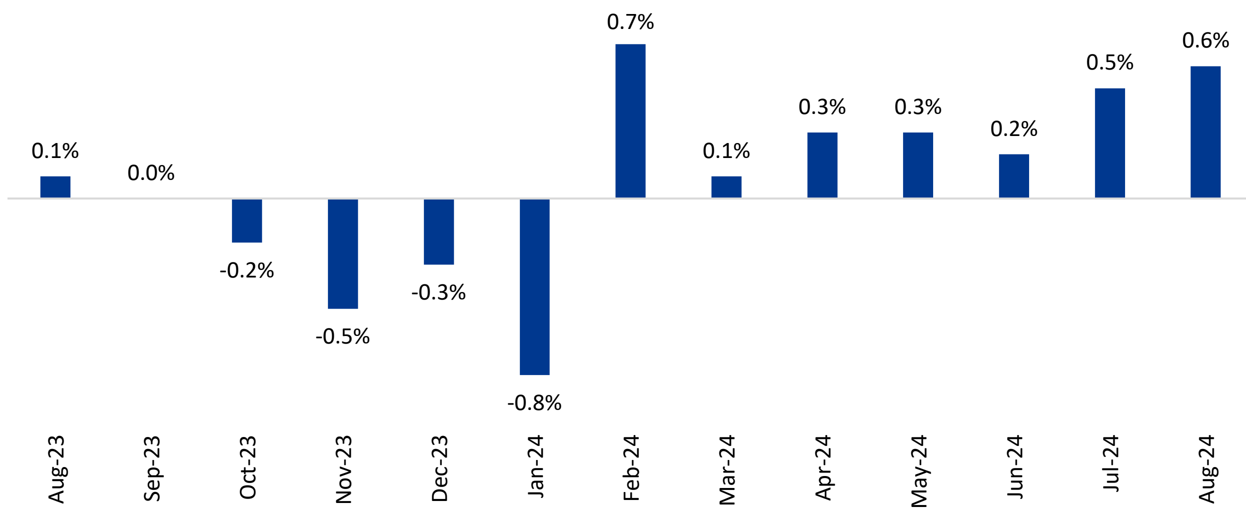


Source: CAPIQ

China Inflation rose by 0.6% YOY in August

Consumer Prices in China inched up by 0.6% YOY and 0.4% MOM in August 2024, compared to a 0.5% YOY growth in July 2024, driven by higher food costs and a rebound in domestic demand partially offset by a YOY decline of 1.8% in producer prices. Food prices rose by 2.8% YOY in August 2024 owing to extreme weather conditions including floods and high temperatures. The non-food inflation inched up by 0.2% YOY in August softened from 0.7% in July 2024. Core inflation also eased from 0.4% in July 2024 to 0.3% YOY in August 2024. The deflationary pressures prevail owing to a production surplus that is outstripping demand.

Figure 27: China Consumer Price Index (CPI) YoY

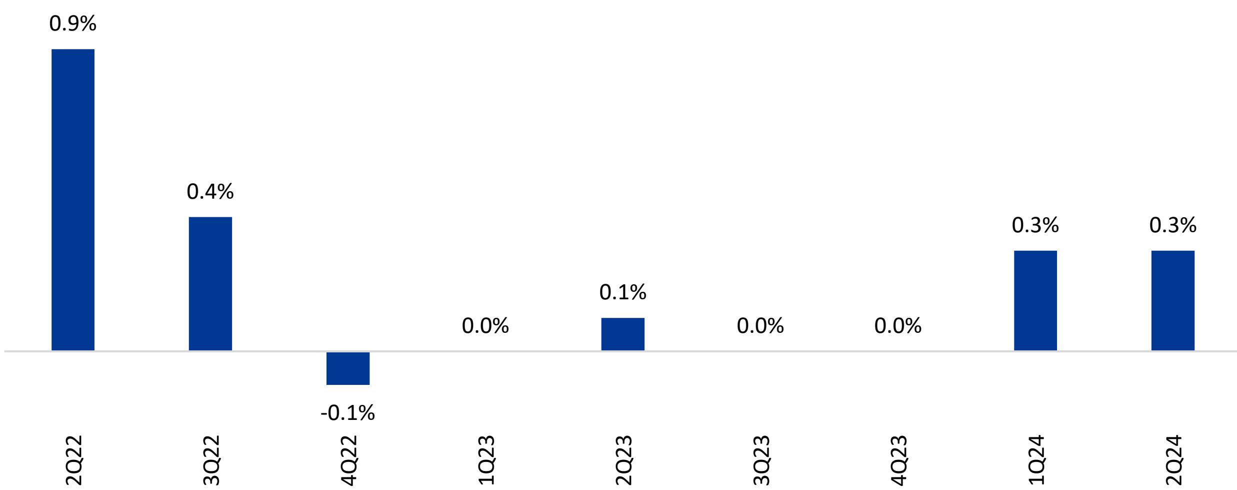


Source: CAPIQ

Eurozone GDP Growth slowed down in 2Q24

Eurozone GDP grew by 0.2% QOQ in 2Q24, while the annual GDP growth in 2Q24 stood at 0.6%, compared to a 0.5% growth in 1Q24. The rise in GDP was attributable to an increase in government spending by 0.6% QOQ in 2Q24 partially offset by 0.1% QOQ decline in household spending. Additionally, exports and imports also climbed 1.4% QOQ and 0.5% QOQ respectively in 2Q24. Hence, the net trade contributed 0.5 pp (percentage points) to the GDP growth. In 2Q24, the employment rose 0.2% QOQ and 0.8% YOY.

Figure 28: Eurozone Gross Domestic Product (GDP) YoY

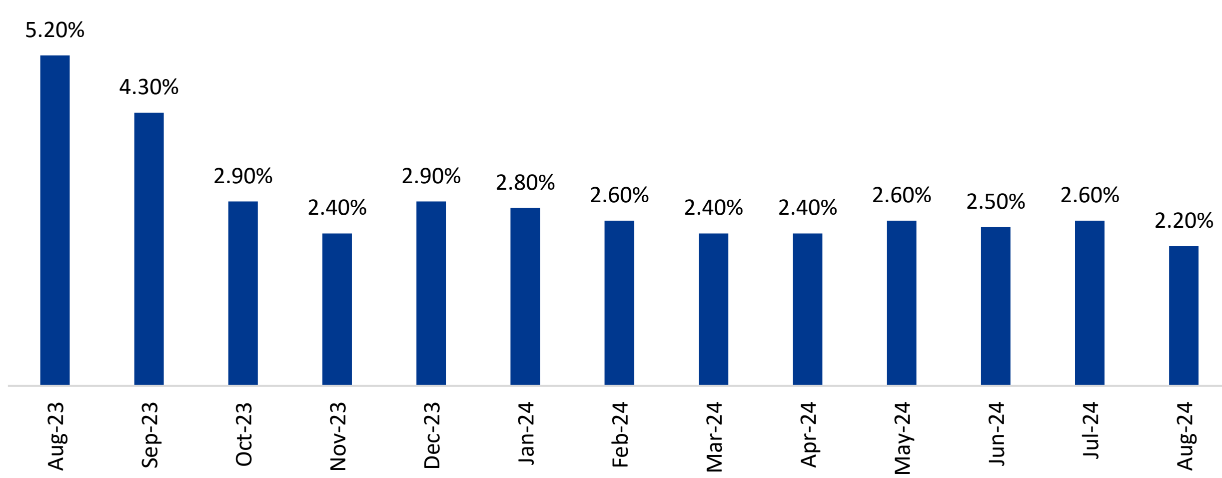


Source: CAPIQ

ECB reduced interest rate owing to weaker expected Eurozone growth

The European Central Bank (ECB) cuts the key interest rates by 25 bps (basis points) due to projections of a slowdown in euro area growth owing to weaker underlying demand and anticipated higher core inflationary pressures owing to prevailing services inflation. The New Policy rate was lowered to 3.5%. The spread between the deposit facility rate and the interest rate on main refinancing operations was set at 15 bps. The interest rate on the main refinancing operations and marginal lending facility will be reduced to 3.65% and 3.90% respectively. ECB projects inflation to grow in the upcoming months averaging at 2.5% in FY2024 owing to a sharp decline in energy prices earlier.

Figure 29: Eurozone Consumer Price Index (CPI) YoY



Source: CAPIQ

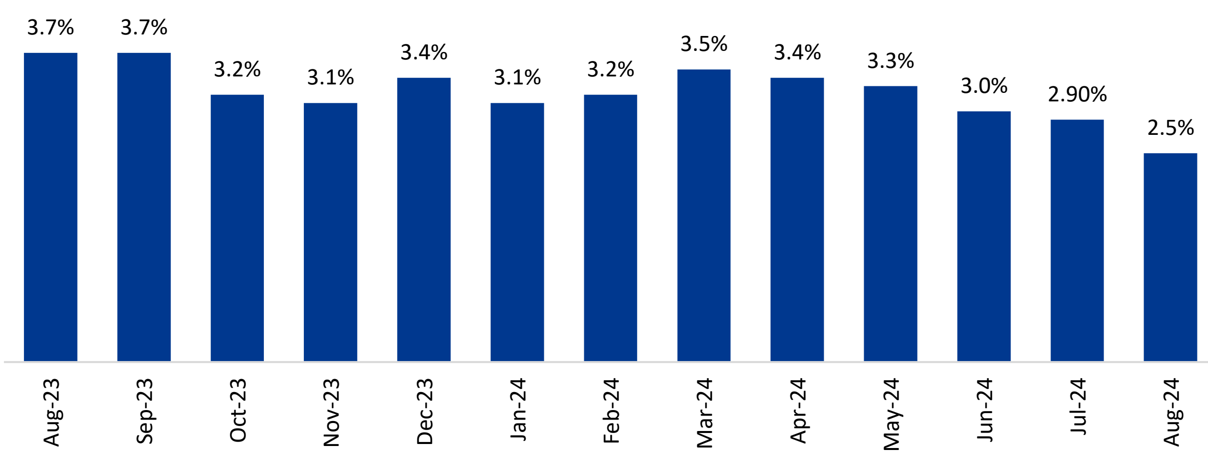
GCC Central banks reduced interest rates in response to the US Fed rate cut

The UAE Central Bank (CBUAE) lowered interest rates following the rate cuts in the USD announced by the Fed. The CBUAE lowered the Overnight Deposit Facility rate by 50 bps to 4.90% while it maintained the rate for borrowing short-term liquidity for all the standing credit facilities from the CBUAE at 50 bps over the base rate. On the other hand, the Saudi Central Bank reduced the repo rate by 50 bps to 5.50% while it lowered the reverse repo rate by 50 bps to 5.0%. Qatar's Central bank reduced key interest rate by 55 bps including the lending interest rate, deposit interest rate, and repo rate which was lowered to 5.70%, 5.20%, and 5.45%, respectively. The Central Bank of Bahrain cut its overnight deposit rate by 50 bps to 5.50%. the Central Bank of Kuwait reduced the discount rate by 25 bps to 4.0% owing to the slowdown in inflation from 4.71% in April 2022 to 3.0% in July 2024.

Federal Reserve slashed rates by 50 bps, further rate cuts expected

The Federal Reserve lowered interest rates for the first time in the last four years by 50 bs to 4.75% due to greater confidence that the inflation is shifting sustainably towards the target of 2%. The central bank decided for a larger rate cut since the risks to achieve its employment & inflation target are in balance. The Fed is expected to further cut rates by 50 bps by the end of FY2024 and FY2025. The next Monetary Policy meeting will be held on 6th and 7th November 2024, while the final meeting for the FY2024 is scheduled for 17th-18th November.

Figure 30: US CPI (YoY)



Source: CAPIQ

China's Central Bank injects liquidity at lower14-day reverse repo rate

China's Central Bank injected cash into the banking system at lower rates for the first time in the past few months aligned with its aim to ease monetary conditions. The People's Bank of China (PBOC) injected 14-day cash worth CNY 234.6 Bn (USD 33.29 Bn) into the banking system via Open Market Operation (OMO) to maintain sufficient quarter-end liquidity in the system. The PBOC added CNY 160.1 Bn through 7-day Reverse repos at 1.70% while it injected CNY 74.5 Bn through 14-day reverse repos at 1.85% compared to 1.95% in the previous injection.

China lowered amounts held in reserves by banks to boost lending

China reduced the limit of the amount banks must maintain in the reserves by releasing USD 142.6 Bn cash into the financial market aligned with its aim to boost growth. Moreover, Beijing released a list of measures to strengthen its economy, which it targeted to grow by 5.0% in FY2024. The Central Bank also lowered the seven-day reverse repo rate from 1.7% to 1.5%. The growth in the economy is impacted by the debt crisis in the property sector, a slowdown in domestic consumption, and high youth unemployment levels.

FAB أبوظبي الأول للأوراق المالية SECURITIES

FAB Securities Contacts:

Research Analyst			
Ahmad Banihani	+971-2	-6161629	ahmad.banihani@Bankfab.com
Sales & Execution			
Trading Desk Abu Dhabi Head Office	+971-2	-6161777	Online Trading Link
	+971-2	-6161700/1	
Institutional Desk	+971-4	-5658395	
Sales and Marketing	+971-2	-6161703	
Customer Service			
Abu Dhabi Office	+971-2	-6161600	Online Trading Link