FAB أبوظبـي الأول للأوراق المالية SECURITIES

MENA CREDIT RESEARCH

November 2024

Upcoming US Administration Sparks Global Asset Class Concerns

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

The GCC bonds and Sukuk issuance recorded strong growth during 3Q24. According to Markaz, the total primary debt issuance of Bonds and Sukuk in the GCC grew 14.5% YOY to USD 28.2 Bn in 3Q24. The Central banks in most GCC countries reduced the key interest rates following the US Federal Reserve's decision to reduce rates by 25 bps to 4.50% - 4.75% in November 2024. Additionally, expectations of further rate cuts are likely to fuel continued growth in GCC bonds and Sukuk issuance. This growth is further supported by the GCC government's efforts to strengthen domestic debt capital markets, diversify funding sources, address fiscal deficits, finance infrastructure projects, and refinance existing debt.

GCC bond issuance saw a significant slowdown in November 2024, reflecting a sharp decline compared to the previous month. Bond and sukuk issuance were recorded at USD 763 Mn, mainly led by contributions from banks. The National Bank of Kuwait issued USD 263 Mn sukuk with a coupon rate of 5.0%. Additionally, GFH Financial Group B.S.C., a diversified financial group headquartered in Bahrain with operations across the GCC, also issued USD 500 Mn fixed-rate bonds under its USD 500 Mn Trust Certificate Issuance Programme. The Bond has a maturity of 5 years and a coupon rate of 7.5%.

In its latest policy meeting scheduled in November 2024, the Federal Open Market Committee (FOMC) reduced the interest rate by 25 bps in November 2024, bringing the federal funds rate down to 4.50–4.75%. This move is followed by the Fed's bold move to cut interest rates by 50 bps in September 2024. The Fed is also expected to lower rates by an additional 25 bps in December 2024, bringing the rate in the range of 4.25% - 4.50%. As a result of the Federal Reserve's decision to cut the interest rates, the 10-year bond yields declined across all GCC countries. In addition, the 5-year CDS also declined across all the GCC countries. The non-oil business activity performed well in both KSA and UAE, with the non-oil PMI remaining above 50 in both countries, separating expansion and contraction. The UAE continues to exhibit solid economic growth, particularly in the non-oil sector. The non-oil sector is expected to maintain sustained growth, driven by booming tourism and real estate sectors, increased government spending on capital projects, and strong inflows of foreign direct investment (FDI). The UAE Purchasing Managers' Index (PMI) grew from 53.8 in September to 54.1 in October, signalling expansion in the non-oil economy. The growth was mainly driven by a solid growth in business activity as demand grew and firms worked to manage backlogs. However, new orders grew at the slowest pace since February 2023, leading to slower job growth and a drop in selling prices. Saudi Arabia's PMI also increased from 56.3 in September to 56.9 in October, marking the growth for the third consecutive month. The increase in PMI is primarily due to higher sales volumes, driven by increased client demand and improved economic conditions. According to the General Authority for Statistics (GASTAT), Saudi Arabia's real GDP grew 2.8% YOY in 3Q24. The growth was primarily driven by a 4.2% YOY growth in the non-oil sector and 0.3% YOY growth in the oil sector in 3Q24. Moody's Ratings recently upgraded Saudi Arabia's long-term local and foreign currency issuer and senior unsecured ratings from A1 to Aa3, citing the country's efforts to diversify its economy beyond the oil sector. According to the IMF, the MENA region is expected to record a 4.0% economic growth in 2025, driven by the gradual lifting of oil production cuts and the resolution of regional conflicts. However, the growth is expected to remain at 2.1% in 2024, attributable to persistent geopolitical tensions, including the Israel-Hamas conflict, and extended OPEC+ oil production cuts. Oman recorded the lowest inflation rate in the GCC region for September, with CPI rising 0.4% YOY in September 2024 from 1.1% in August 2024. In addition, according to the Ministry of Finance, Oman also recorded a public revenue of USD 23 Bn driven by strong growth in both the oil and non-oil sectors. According to the IMF, Qatar's economy is gradually recovering from the slowdown experienced after the World Cup. The country's near-term real GDP growth is projected at 2%, while the medium-term outlook appears strong, supported by a substantial expansion in Liquefied Natural Gas (LNG) production and accelerated structural reforms.

Gold Outlook

Gold prices fell 3.7% MOM, settling at USD 2,643.15 per ounce on 29 November 2024. The gold prices declined for the first time in the last four months in November 2024. In the first week of November, gold prices traded in a narrow range initially, ahead of the US presidential election and the Fed's policy meeting. However, gold prices fell 1.9% during the week, primarily due to a stronger US dollar owing to the victory of Donald Trump in the US presidential election. As the month progressed, gold struggled to gain traction and fell to a two-month low, mainly driven by appreciation of the US dollar and the remarks from the Fed Chairman who emphasized that there was no immediate need to consider further rate cuts. Gold prices rebounded after the mid-month, driven by a pause in the US dollar rally and rising geopolitical tensions, due to the escalation of the Russia-Ukraine war amid fears of regional conflict which involved growing threats of nuclear weapons use, that spurred demand for safe-haven. Furthermore, gold prices recorded the largest weekly gain on 22 November in the last eight months after Russia lowered the threshold for the potential use of nuclear weapon and launched hypersonic ballistic missiles at Ukraine. Consequently, prices declined during the end of the month particularly due to a stronger US dollar and the Israel-Hezbollah ceasefire, slowing down the demand for yellow metal.

Oil Outlook

Brent crude oil prices declined 1.8% MOM to USD 71.84 per barrel on 29th November 2024. Oil prices increased in the first week of November due to OPEC+'s decision to delay output increase by a month. Besides, an unexpected decline in the US gasoline inventory and the risk of a hurricane in the Gulf of Mexico also lent support to the oil prices. The uptick was partially offset by easing risks from the hurricane in the same week and lacklustre economic- stimulus packages from China. Oil prices declined in the following week due to anticipation of an increase in global production, weaker demand, and a strong US dollar. After the mid-month, oil prices rebounded due to the escalating geopolitical tensions partially offset by rising crude stocks in the US. The ongoing repairs of Kazakhstan's biggest oil field led to a reduction in the output. However, oil prices fell during the last week owing to the ceasefire agreement between Israel and Hezbollah and an increase in the US gasoline stocks coupled with concerns over weak demand.

FAB SECURITIES أبوظبي الأول للأوراق المالية

Our Top Bond/Sukuk Picks:

Top Bond Picks

	Issuer Name	Ticker	ISIN	Yld to Mty (Mid)	Amt Out	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
1	Saudi Electricity Global Sukuk Co 3	SECO	US80413MAB00	5.55	1,000,000,000	A+	Aa3	A	5.5	4/8/2044	USD
2	Sharjah Sukuk Program Ltd	SHARSK	US81953JAA34	5.51	750,000,000	N/A	Ba1	BBB-	5.433	4/17/2035	USD
3	Saudi Electricity Global Sukuk Co 2	SECO	XS0911024635	5.45	1,000,000,000	A+	Aa3	A	5.06	4/8/2043	USD
4	EDO Sukuk Ltd	ENEDEV	US28135J2B25	5.47	750,000,000	BB+	N/A	BBB-	5.662	7/3/2031	USD
5	Sharjah Sukuk Program Ltd	SHARSK	XS2680379695	5.44	900,000,000	N/A	Ba1	BBB-	6.092	3/19/2034	USD
6	Esic Sukuk Ltd	ESICSU	XS2747181613	5.31	700,000,000	N/A	Baa3	N/A	5.831	2/14/2029	USD
7	Suci Second Investment Co	PIFKSA	XS2706163305	5.03	1,250,000,000	A+	Aa3	N/A	6.25	10/25/2033	USD
8	KSA Sukuk Ltd	KSA	XS2829208169	4.94	2,250,000,000	A+	Aa3	N/A	5.25	6/4/2034	USD
9	DIB Sukuk Ltd	DIBUH	XS2749764382	4.97	1,000,000,000	A	A3	N/A	5.243	3/4/2029	USD
10	Almarai Co JSC	ALMARA	XS2641777235	4.92	750,000,000	N/A	Baa3	BBB-	5.233	7/25/2033	USD
11	SNB Sukuk Ltd	SNBAB	XS2747631914	4.91	850,000,000	A-	N/A	A-	5.129	2/27/2029	USD
12	DIB Sukuk Ltd	DIBUH	XS2553243655	4.89	750,000,000	A	A3	N/A	5.493	11/30/2027	USD
13	KFH Sukuk Co	KFHKK	XS2744854261	4.94	1,000,000,000	A	N/A	N/A	5.011	1/17/2029	USD
14	BSF Sukuk Co Ltd	BSFR	XS2741362862	4.91	700,000,000	A-	N/A	A-	5	1/25/2029	USD
15	EI Sukuk Co Ltd	EIBUH	XS2824746544	4.84	750,000,000	A+	N/A	N/A	5.431	5/28/2029	USD

Data Source: Bloomberg

Top SUKUK Picks

	Issuer Name	Ticker	ISIN	Yld to Mty (Mid)	Amt Out	Fitch Rating	Moody Rtg	S&P Rating	Coupon	Maturity	Currency
1	Oman Government International Bond	OMAN	XS1575968026	6.32	2,000,000,000	BB+	Ba1	BBB-	6.5	3/8/2047	USD
2	Finance Department Government of Sharjah	SHJGOV	US38381CAF95	6.15	1,000,000,000	N/A	Ba1	BBB-	6.125	3/6/2036	USD
3	Saudi Government International Bond	KSA	XS2747599509	5.87	4,750,000,000	A+	Aa3	N/A	5.75	1/16/2054	USD
4	DP World Ltd/United Arab Emirates	DPWDU	US23330JAA97	5.69	1,750,000,000	BBB+	Baa2	NR	6.85	7/2/2037	USD
5	Finance Department Government of Sharjah	SHJGOV	US38381CAE21	5.71	1,000,000,000	N/A	Ba1	BBB-	6.5	11/23/2032	USD
6	Oman Government International Bond	OMAN	US682051AE72	5.43	1,626,861,000	BB+	Ba1	BBB-	5.375	3/8/2027	USD
7	Abu Dhabi Government International Bond	ADGB	XS2811094213	5.36	1,750,000,000	AA	N/A	AA	5.5	4/30/2054	USD
8	Emirates NBD Bank PJSC	EBIUH	XS2754455769	5.49	600,000,000	A+	A2	N/A	6.090	1/31/2029	USD
9	MDGH GMTN RSC Ltd	MUBAUH	XS0701227075	5.32	750,000,000	AA	Aa2	AA	6.875	11/1/2041	USD
10	Saudi Government International Bond	KSA	XS2747599095	5.03	4,000,000,000	A+	Aa3	N/A	5	1/16/2034	USD
11	Suci Second Investment	PIFKSA	XS2706163305	5.03	1,250,000,000	A+	Aa3	N/A	6.25	10/25/2033	USD
12	Abu Dhabi National Energy Co PJSC	TAQAUH	US00386SAB88	5.12	912,487,000	AA	Aa3	NR	6.5	10/27/2036	USD
13	National Bank of Ras Al-Khaimah PSC/The	RAKBNK	XS2765600262	5.03	600,000,000	BBB+	Baa1	N/A	5.375	7/25/2029	USD
14	Abu Dhabi Government International Bond	ADGB	US29135LAT70	4.74	1,500,000,000	AA	N/A	AA	5	4/30/2034	USD
15	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS2677030194	4.80	650,000,000	A+	N/A	A	5.5	1/12/2029	USD

Data Source: Bloomberg

Content:

MENA credit outlook

Saudi National Bank plans to issue Additional Tier 1 sukuk

Saudi National Bank intends to issue SAR-denominated Additional Tier 1 Sukuk to investors in Saudi Arabia. The proceeds from the issuance are aimed at strengthening the Bank's capital base. The final terms and offering amount will be determined based on prevailing market conditions at the time of issuance. SNB Capital Company has been appointed as the sole bookrunner, lead arranger, and lead manager for the transaction.

UAE based Pearl Petroleum has set a price of USD 350 Mn bond issue

Pearl Petroleum Company Ltd issued and priced its senior secured bonds worth USD 350 Mn at 100% of a nominal amount. The bonds were issued at a coupon rate of 13% with a- tenor of 3.5 years. The Company is expected to use the proceeds for development and debt repayment. The bonds are callable at 100% in the first 30 months, at 103.64% after 30 months, at 101.82% after 36 months, and at 100.50% after 39 months till the maturity date. DNB Markets and Pareto Securities AS were appointed as joint lead managers and book runners for the issue.

Oman issued USD 124 Mn treasury bills.

Oman issued treasury bills worth OMR 48 Mn (USD 124 Mn) in two tranches at an interest rate of higher than 4.0%. The first tranche comprises OMR 33 Mn with a maturity of 91 days, priced at OMR 98.866 for every OMR 100. The second tranche amounts to OMR 15 Mn with a maturity of 28 days, priced at OMR 99.685 per OMR 100. The Central Bank of Oman was the issue manager for the offer.

Saudi Awwal Bank intends to Additional Tier 1 sukuk

Saudi Awwal Bank intends to issue SAR-denominated Additional Tier 1 sukuk to strengthen its capital base and support its strategic objectives. The size and terms of the issue will depend on prevailing market conditions at the time of the offering. HSBC Saudi Arabia has been appointed as the sole lead manager for the issuance.

Saudi Arabia based Roshn is set to raise SAR 2.6 Bn in 1Q25

PIF backed developer from Saudi Arabia, Roshn plans to raise funds from international banks like JP Morgan and Standard Chartered. Additionally, Roshn announced that it would raise SAR 18 Bn from local banks before the completion of 2024, out of which SAR 9 Bn worth of credit facility was raised in October 2024. Although PIF provides equity capital to Roshn, it does not offer a guarantee for the loans taken by the firm. Roshn develops commercial and retail real estate along with industrial and logistics parks. The firm also plans to build 2 out of 15 stadiums in Saudi Arabia to host the FIFA World Cup 2034.

Central Bank of Egypt received bids for USD-denominated T-bills up to USD 1.739 Bn

Central Bank of Egypt received 30 bids worth a total of USD 1.739 Bn in the auction of USD-denominated local treasury bills. The Central Bank had set the offer value of USD 1.5 Bn with a maturity period of one year, maturing on November 12, 2025. Out of these, 21 bids worth USD 1.5743 Bn were accepted, comprising interest rates ranging from 4.488% to 4.5%, averaging at 4.498%. Moreover, the bids with higher interest rates of about 5.25% were rejected by the Central Bank. The proceeds of this offering will be used to repay the previous issue of USD-denominated T-bills auctioned on November 12, 2023, worth USD 1.612 Bn, bearing interest rates ranging from 5.148% to 5.149%.

Saudi Investment Bank set a 6.375% yield for Additional Tier 1 perpetual non-call Mudaraba Sukuk offering

Saudi Investment Bank offered Additional Tier 1 capital sustainable 5-year perpetual non-callable Mudaraba sukuk at a yield of 6.375%, lower than initial price thoughts of c.6.875%. The perpetual non-callable Sukuk has a 5-year structure, with an anticipated issuance size between USD 500 Mn and USD 750 Mn. The issuance falls under SAIB Tier 1 Sukuk Limited's USD

1.5 Bn Additional Tier 1 Capital Certificate Issuance Programme, with SAIB serving as the obligor. The offering is open to both Saudi and global investors and will be listed on the London Stock Exchange. Alistithmar will be appointed as Financial Securities and Brokerage Company, while Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc, Goldman Sachs International, MUFG Securities EMEA plc, Arqaam Capital Limited and Standard Chartered Bank will be joint lead managers and bookrunners. The Bank is rated A3, A, and BBB by Moody's, Fitch, and S&P, respectively.

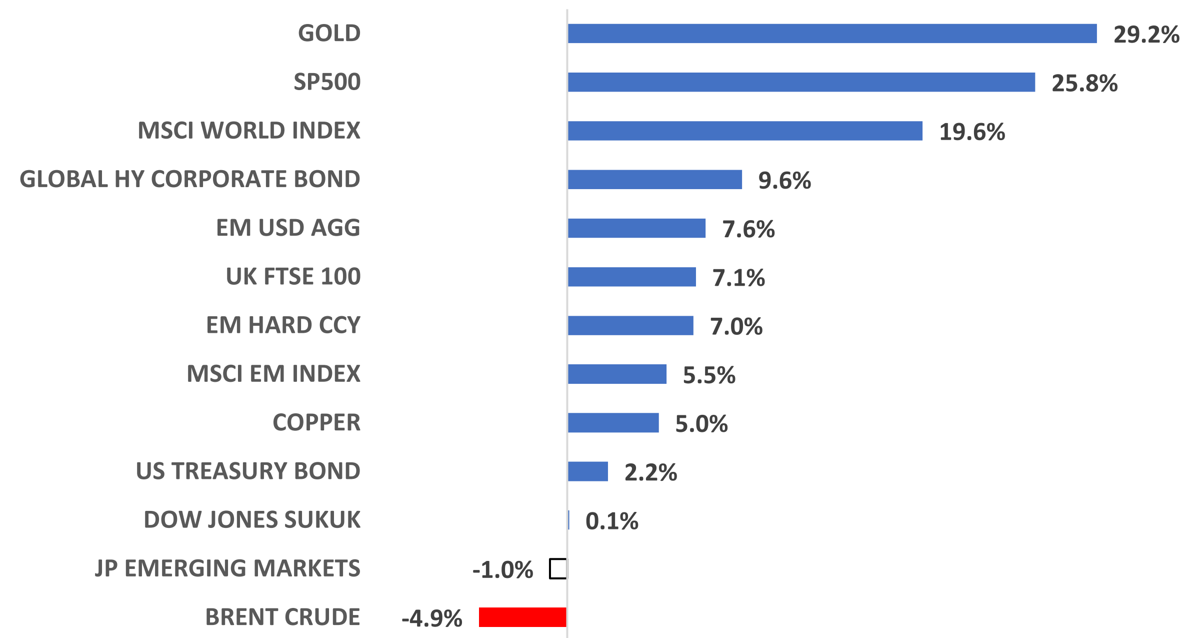
Central Bank of Bahrain to issue USD 1.25 Bn 7-Year Sukuk

The Central Bank of Bahrain (CBB) appointed a group of banks for the issuance of a 7-year USD-denominated senior unsecured 144A/Regulation S Ijara / Murabaha for the Bahrain government, through the Ministry of Finance and National Economy. The USD 1.2 Bn sukuk has a fixed coupon rate of 5.875%. The joint lead managers of the Sukuk include Dubai Islamic Bank, First Abu Dhabi Bank, JP Morgan, KIB Invest, Mashreqbank, National Bank of Bahrain, and Standard Chartered Bank. The Sukuk is set to settle on December 5, 2024, and is set to mature on June 5, 2032. The Sukuk will also be listed on the London Stock Exchange.

Global Asset Performance

The table below summarizes the performance of key equity and debt indices along with commodity price performance. All asset classes Gold, Copper, MSCI EM, Dow Jones Sukuk and JP Emerging Market indices, recorded growth during the month. Energy prices increased 0.2% during the month, OPEC+'s decision to delay the output coupled with the escalating geopolitical tensions. The performance of commodities also declined during the month. Gold prices fell 3.8% MOM in November 2024, primarily driven by appreciation of the US dollar and the remarks from the Fed Chairman who emphasized that there was no immediate need to consider further rate cuts. The price of copper also declined 6.6% MOM in November 2024. Equity Market performance, except for MSCI Emerging Market (EM), remained positive during the month. US S&P 500 recorded a strong growth of 6.2% MOM mainly due to expectations of deregulation, which benefitted the US energy and financial sectors. In addition, the favourable macroeconomic data and better-than-expected positive earnings results in 3Q24 also contributed to the US equity growth. MSCI Developed Market (DM) index continued to outperform the EM index. MSCI DM index grew 4.5% MOM during the month, while MSCI EM declined 3.9% MOM during the month. UK FTSE index grew 2.1% MOM primarily due to healthy financial performance. The performance of all the bond indices remained positive during the month.

Figure 1: Global Asset Performance (YTD%)

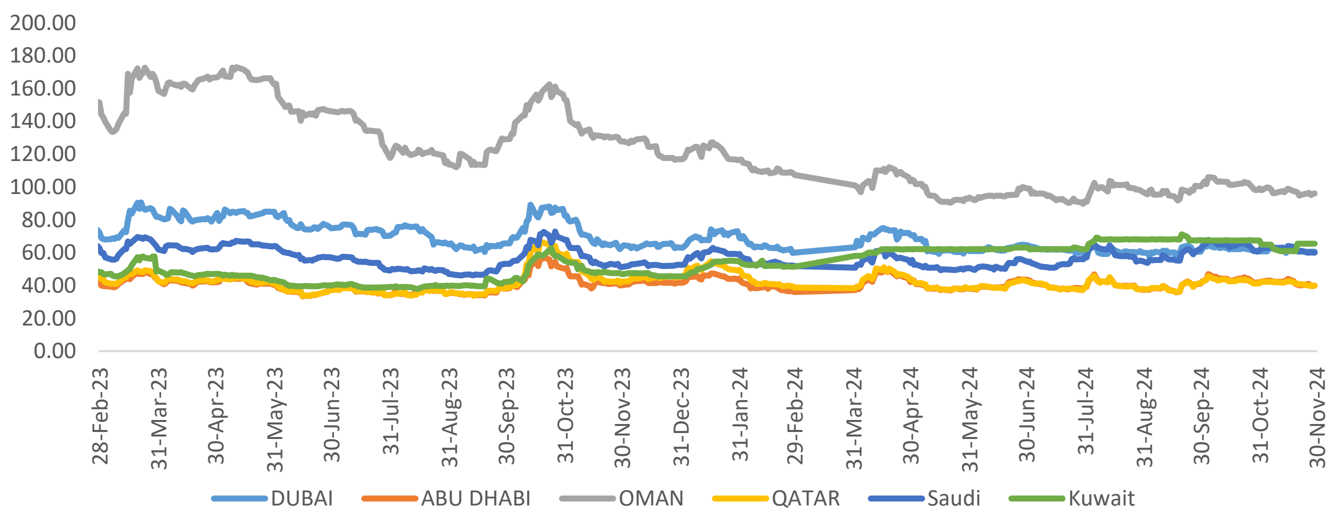


Source: Bloomberg

5-Year CDS

The 5-year CDS spread declined across all sovereign nations in November 2024. Abu Dhabi recorded the highest contraction on a MOM basis in November 2024, followed by Qatar, Oman, and Kuwait. Saudi Arabia and Dubai recorded the least contraction in CDS spread during November 2024.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	ABU DHABI	Oman	Kuwait	Qatar	Saudi
MTD (%)	0.42%	1.82%	-1.25%	-0.07%	-0.40%	-1.12%

Banking Sector

National Bank of Bahrain (NBB) explores potential merger with the Bank of Bahrain and Kuwait (BBK)

National Bank of Bahrain (NBB) proceeds with a potential merger with the Bank of Bahrain and Kuwait (BKK). The NBB, with a 44% ownership stake held by Bahrain's sovereign wealth fund, Mumtalakat, has engaged Goldman Sachs as its financial advisor to facilitate negotiations with BKK. The market capitalization of NBB currently stands at BHD 502 Mn, while the market capitalization of BBK stands at BHD 188 Mn.

Visa rolled out flexible payment feature in the UAE and US

Visa launched a flexible payment feature to take advantage of the rising demand for various types of transactions in the United States and the United Arab Emirates. This innovative feature enables customers to use a single card linked to multiple funding sources. To support this initiative in the US, Visa partnered with fintech company Affirm, which boasts 1.4 Mn active cardholders, and Liv Bank to drive its expansion in the UAE. The Company also plans to extend this offering to European markets.

Sohar International Bank revised its schedule for the rights issue

Sohar International Bank extends its right issue subscription period from 14th-20th November 2024, mainly due to the Oman National Day holidays, declared for 20 & 21st November 2024. The Bank is extending 1.04 Bn new shares on an approximately 1 for 5.36 basis at OMR 0.127. The proceeds from the offers will be utilized to increase the Tier 1 capital of the Bank. Sohar previously raised OMR 163.2 Mn through a right issue in September 2022.

Emirates NBD mandated banks 5-year US dollar-denominated senior unsecured sustainability-linked loan

Emirates NBD mandated banks for a potential five-year senior unsecured sustainability-linked Loan (SLL) notes. The SIL notes will be issued under the Emirates NBD's Euro Medium Term Note (EMTN) programme worth USD 20 Bn. Emirates NBD Capital, First Abu Dhabi Bank, HSBC, Industrial and Commercial Bank of China, and Societe Generale are appointed as joint book-runners and joint lead managers. Emirates NBD will allocate an amount equal to the net proceeds of the notes to finance or refinance the SLL Funding Assets Portfolio.

Corporate Sector

Enersol to acquire 95% stake in Deep Well Services for USD 223 Mn

Enersol, a joint venture formed between ADNOC Drilling and Alpha Dhabi, is set to acquire a 95% equity stake in the Deep Well Services (DWS), a US-based company catering to the energy sector, for nearly USD 223 Mn. The deal is expected to be on a cash-free and debt-free basis, excluding associated fees and expenses.

Julphar divested its pharmaceutical operations to BinDawood for USD 118 Mn

Gulf Pharmaceutical Industries (Julphar), a UAE-based pharmaceutical manufacturer, divested its Zahrat Al Rawdah Pharmacies operation to BinDawood, a Saudi-based company at USD 118 Mn. Zahrat Al Rawdah operates 173 outlets in the Kingdom of Saudi Arabia. Jullphar's move to divest aligns with its goal of moving towards growth from non-core activities. Additionally, Julphar plans to allocate the proceeds from the transaction towards expanding its portfolio of speciality products and enhancing its manufacturing facility in Saudi Arabia.

IntelliGrid secured USD 480 Mn deal with SOCAR to modernise gas distribution in Azerbaijan

IntelliGrid, a joint venture between Presight and Esyasoft Holding, secured a deal with SOCAR, an oil and gas company in Azerbaijan, for USD 480 Mn. The deal was finalized to develop an AI-backed system for optimising gas consumption, reducing emissions and advancing towards sustainability goals. The smart grid system is anticipated to track gas consumption, detect pipe leakage and optimise gas flow. The technology will be deployed in the area where AzeriGas, SOCAR's subsidiary, serves 2.6 Mn customers in Azerbaijan.

Ma'aden planned to increase its share capital to USD 10 Bn

Ma'aden, Saudi Arabian Mining Company has planned to increase its share capital to USD 10.12 Bn for boosting its phosphate business, representing 3.01% surge in the Company's share capital. The fund will be used to acquire 25% stake in Ma'aden Wa'ad Al Shamal Phosphate Company (MWSPC) held by Mosaic Phosphates. The transaction is set to increase Ma'aden's stake in MWSPC to 85%.

ADNOC plans divesting its stake in Adnoc Gas

Abu Dhabi National Oil Co. (ADNOC) is considering selling 3-5% of its stake in Adnoc Gas. However, the decision is not final and depends on market conditions. The deal, worth billions of dollars, can be reversed if market conditions are unfavourable.

Aramco Digital will invest USD 1 Bn in Mavenir

Aramco Digital, Saudi Aramco's digital arm, plans to invest USD 1 Bn to acquire a minority stake in Mavenir, a US-based telecommunications software maker. The transaction is expected to value Mavenir at USD 3 Bn. The deal marks Aramco Digital's first significant investment in the telecommunications sector, aligning with its strategy to drive technological advancements and support economic diversification.

Union Coop considers the transition to a public joint stock company

Union Coop had directly listed its shares on DFM in July 2022. The Company is considering transitioning from a consumer cooperative society to a public joint-stock company, following the listing of the UAE supermarkets, Lulu Retail Holdings Plc on ADX and Spinneys on DFM. It aims to boost its financial resources and competitive capabilities and attain its strategic objectives.

ADNH Catering aims to increase its stake to 50% in Compass Arabia

ADNH Catering, a subsidiary of Abu Dhabi National Hotels (ADNH), plans to raise its stake from 30% to 50% in Compass Arabia, a food services company, to further establish its market presence in Saudi Arabia. The acquisition aligns with the Company's strategic objective to expand its presence in Saudi Arabia.

Rating Outlook

- **Abu Dhabi**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the nation's financial and economic vision and policies success and the strength and stability of its economic, financial and credit sectors.
- Fitch 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 upgraded Oman's long-term foreign and local currency sovereign credit ratings from 'BB+' to 'BBB-' with a stable outlook. It also raised the short-term ratings on Oman from 'B' to 'A-3' while it revised the transfer and convertibility assessment from 'BBB-' to 'BBB'. The rating upgrade is attributable to deleveraging balance sheet of the Omani government and several state-owned enterprises (SOEs) coupled with the commitment of the authorities to advance its longer-term structural reform agenda to solidify its economy.
- S&P Global Ratings revised **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 revised Saudi Arabia's credit rating outlook from positive to stable, noting the kingdom's continuous progress in economic diversification coupled with the strong growth of its non-oil sector. According to a statement, Moody's upgraded the sovereign's rating from A1 to Aa3, the fifth-highest rating citing the country's efforts to diversify the economy away from oil. S&P Global Ratings revised Saudi Arabia's outlook from stable to positive owing to the Government's efforts to solidify the non-oil economy through

reforms and investments. It affirmed its 'A/A-1' long- and short-term foreign and local currency unsolicited sovereign credit ratings.

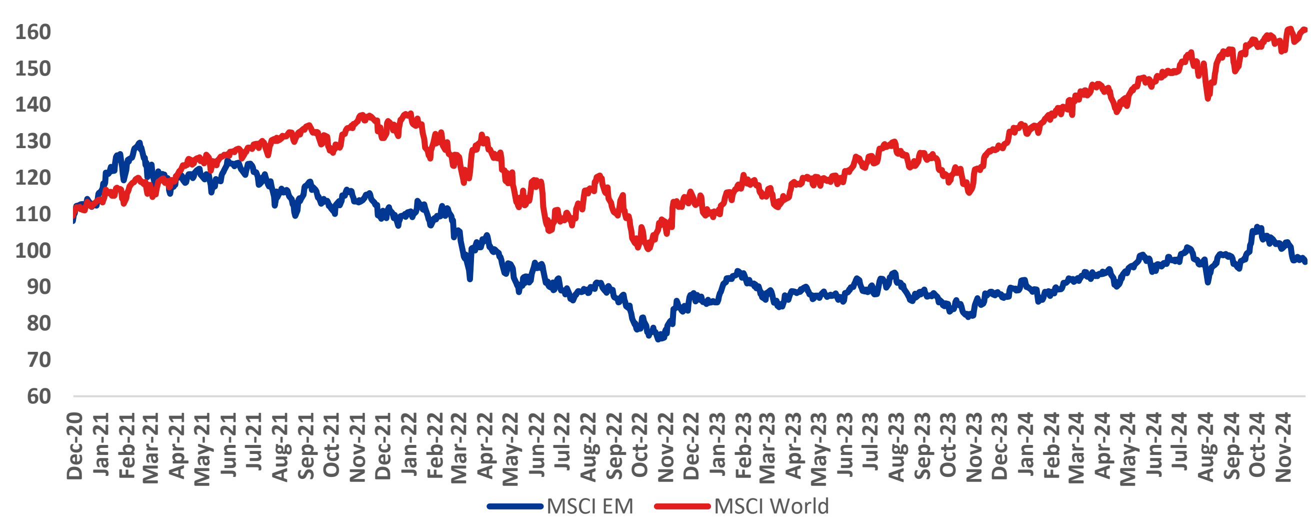
- In January 2024, Moody's upgraded **Qatar**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) to Aa2 from Aa3. The upgrade was attributed to significant improvements in Qatar's fiscal metrics during 2021-2023. Moody's anticipates that the improvement in Qatar's debt burden and debt-service metrics 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	Aa3	STABLE	A	POS	A+	STABLE
Oman	Ba1	POS	BBB-	STABLE	BB+	STABLE
Bahrain	B2	STABLE	B+	STABLE	B+	STABLE

Global Markets

The MSCI Developed Markets Index (DM) recorded an upward trajectory during the month after experiencing a setback in October 2024. The increase in the MSCI DM was primarily driven by the strong performance of US and UK equities, although stagnant results from Japanese and European stocks partially offset this. In contrast, the MSCI Emerging Markets (EM) Index recorded a decline of 3.6% MOM in November 2024, continuing the trend established in October. The decline in the EM market was primarily attributed to a stronger US dollar and a continued correction in Indian equities, which fell 0.3% MOM due to weak corporate results in 2Q25 (ended in September 2024) and subdued urban demand. Indian equities had previously been a market leader in EM index growth throughout most of 2024. 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 19.6%, while the MSCI EM experienced a modest return of 5.4%. In November 2024, the MSCI EM recorded a decline of 3.6% MOM, while the MSCI DM recorded a growth of 3.9% MOM. The US S&P 500 saw a healthy growth of 5.9% MOM in November, driven by the expectations of deregulation, which benefitted the US energy and financial sectors. Additionally, the US industrial sector is also forecasted to benefit from the upcoming Trump administration's anticipated tax cuts and trade policy in 2025. The favourable macroeconomic data and better-than-expected positive earnings results in 3Q24 also contributed to the US equity growth. UK equities also recorded 2.5% MOM gains during November 2024 due to healthy financial performance. However, MSCI DM Index growth was partially offset by a decline in European equities due to uncertainties related to US trade policy and earnings warnings from consumer goods and automotive sectors. The MSCI Europe ex-UK index recorded a marginal decline of 0.1% MOM in November 2024. Japanese equities also declined, with the TOPIX falling 0.5% MOM in November 2024. Chinese equities recorded a modest growth of 1.4% MOM in November 2024 over concerns about future trade conflicts and the previously announced government stimulus measures insufficient to support the domestic housing market and investor confidence. In addition, other EM indices such as India, Taiwan, South Korea and Brazil declined during the month due to concerns related to US monetary policy, the strengthening Dollar Index, and trade policy risks.

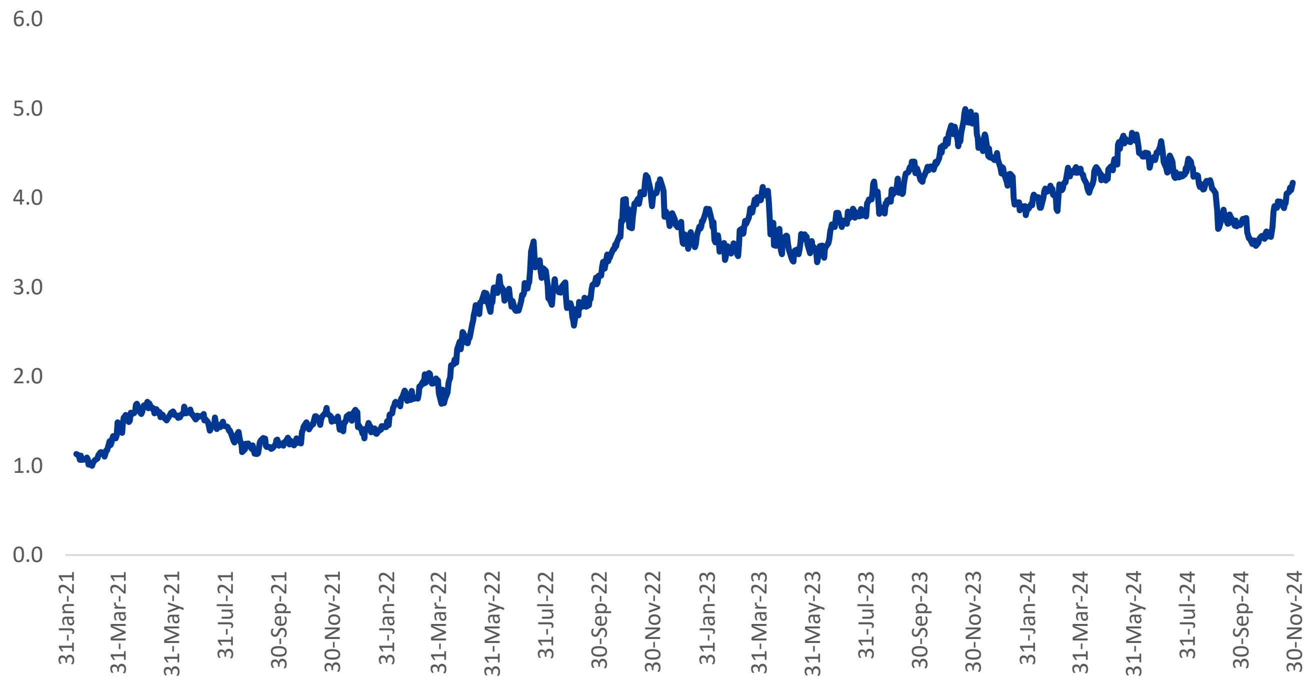
Figure 3: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

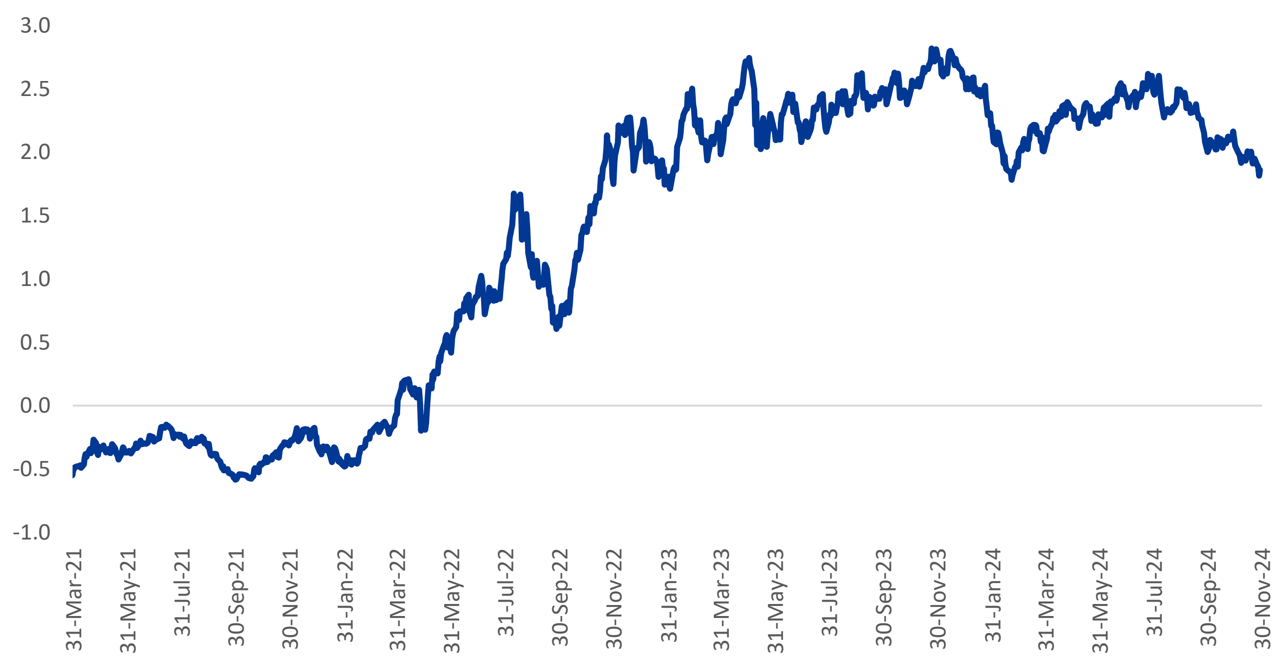
Yield on 10-year government

Figure 4: US 10-year government yield



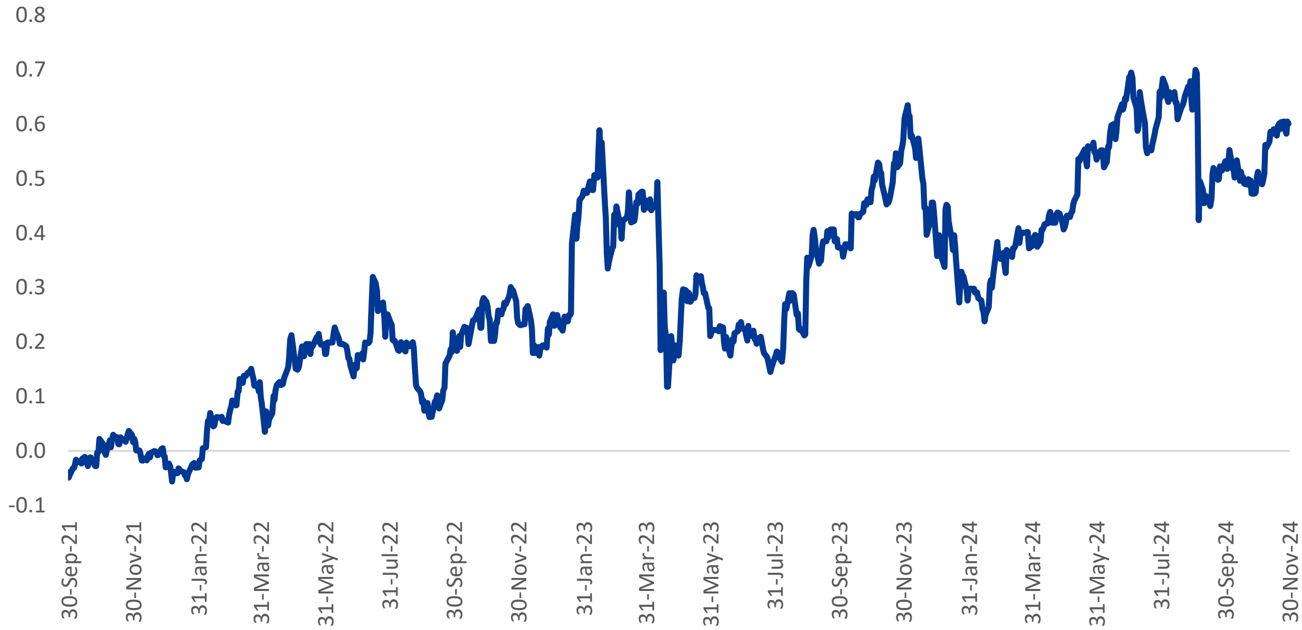
Source: Bloomberg

Figure 5: Germany 10-year government yield



Source: Bloomberg

Figure 6: Japan 10-year government yield



Source: Bloomberg

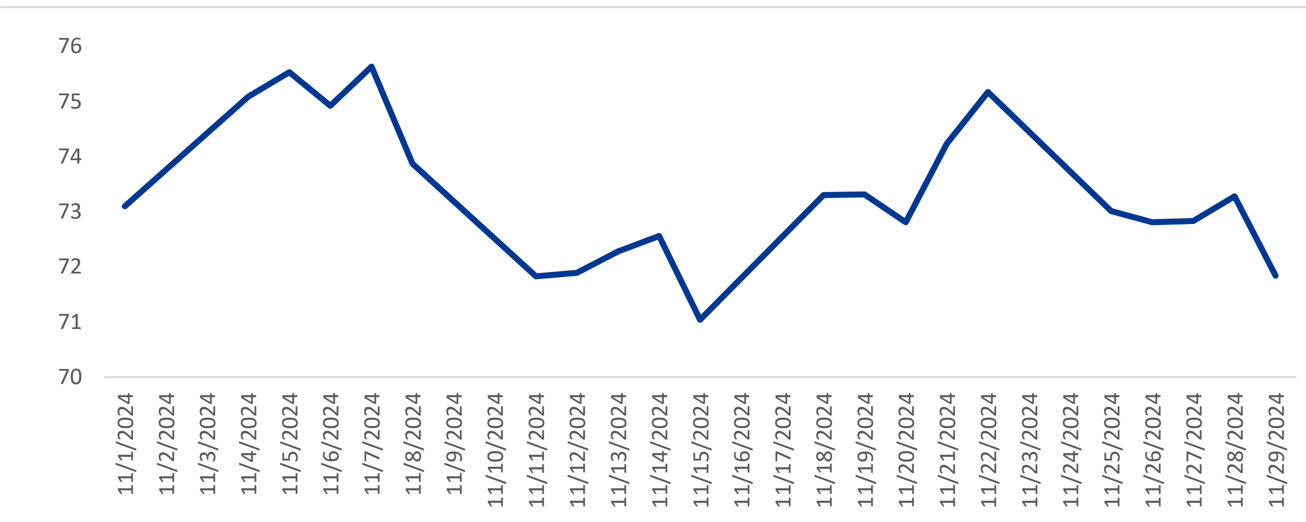
Figure 7: UK 10-year government yield

Source: Bloomberg

Oil Outlook

Brent crude oil prices declined 1.8% MOM to USD 71.84 per barrel on 29 November 2024. Oil prices opened the month on a positive note and continued to trade with a positive bias in the first week of November 2024, due to OPEC+'s decision to delay the output increase by a month owing to the weak Chinese demand and rising non-OPEC supply. Moreover, seven OPEC+ countries along with Saudi Arabia extended the voluntary cut of 2.2 Mn bpd till December 2024. Besides, an unexpected decline in the US gasoline inventory and the risk of a hurricane in the Gulf of Mexico also lent support to the oil prices. The uptick was partially offset by easing risks from the hurricane in the same week and lacklustre economic- stimulus packages from China. However, in the following week, oil prices fell due to anticipation of an increase in global production, weaker demand, and a strong US dollar. OPEC also lowered its global oil demand forecast for 2024 and 2025. After the mid-month, oil prices rebounded due to the escalating geopolitical tensions as Russia launched a hypersonic ballistic missile on Ukraine partially offset by rising crude stocks in the US. The ongoing repairs of Kazakhstan's biggest oil field led to a reduction in the output by 28-30%, further tightening the global supply. However, oil prices fell during the last week owing to the ceasefire agreement between Israel and Hezbollah which resulted in a sell-off and an increase in the US gasoline stocks coupled with concerns over weak demand.

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

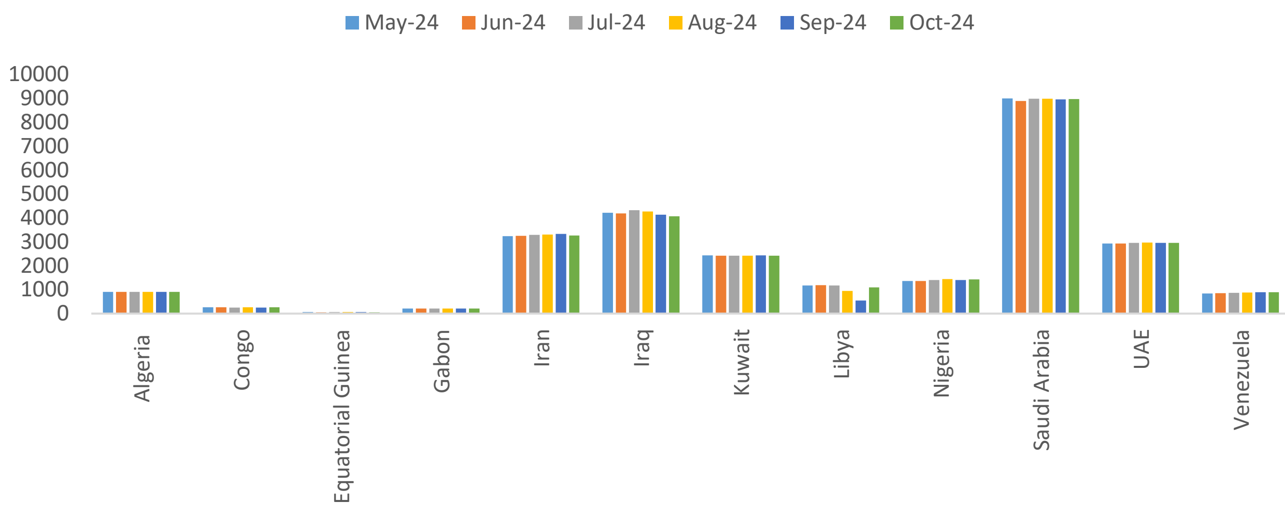


Source: Bloomberg

OPEC Production

OPEC-12 crude oil production rose by 468 thousand barrels per day (bpd) MOM to 26.5 Mn bpd in October 2024. Six out of the 12 OPEC countries recorded an MOM increase in oil production during October 2024. Libya recorded the highest increase of 556 thousand bpd MOM, followed by Nigeria with a rise of 35 thousand bpd MOM in October 2024. Congo's crude oil production increased by 12 thousand bpd MOM, in October 2024. Gabon and Venezuela witnessed an expansion in production of seven thousand bpd MOM each in October 2024. Moreover, Saudi Arabia's oil production rose by four thousand bpd MOM in October 2024 while Algeria recorded no change in oil production on MOM basis. On the other hand, Iran's crude oil production declined the most by 68 thousand bpd MOM in October 2024 followed by Iraq with a fall of 65 thousand bpd MOM. Similarly, Kuwait, Equatorial Guinea, and UAE's crude oil production declined 14, four, and two thousand bpd MOM, respectively in October 2024.

Figure 9: OPEC Crude Oil Production

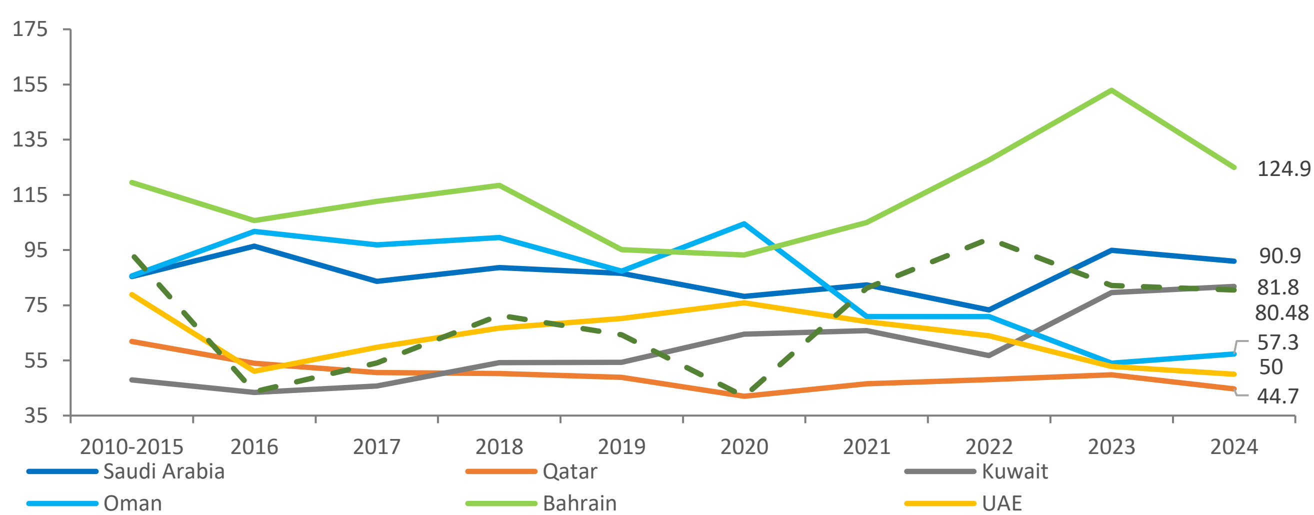


Source: OPEC

Fiscal Breakeven Oil Price

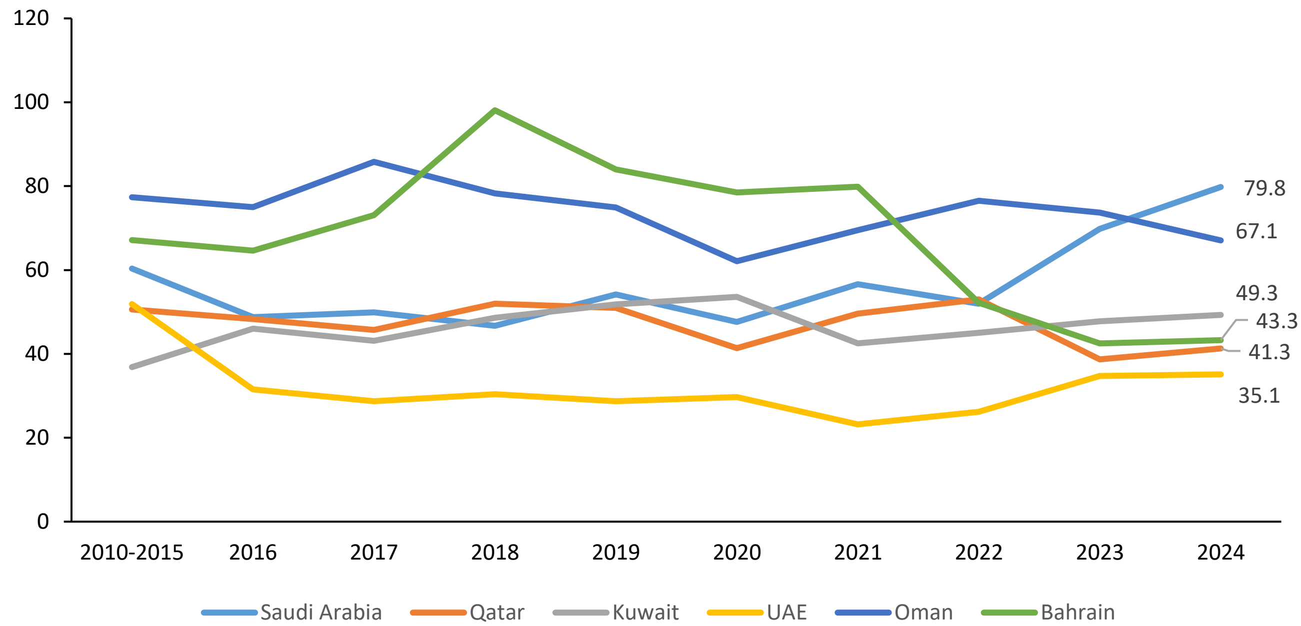
The overall fiscal breakeven oil prices are projected to decline in FY2024, except in Oman and Kuwait. Oman's fiscal breakeven is expected to grow from USD 54.0 per barrel in FY2023 to USD 57.3 in FY2024 and Kuwait's fiscal breakeven is expected to grow from USD 79.6 per barrel in FY2023 to USD 81.8 in FY2024. Saudi Arabia, Qatar, Kuwait, UAE, 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 152.9 per barrel in FY2023 to USD 124.9 per barrel in FY2024. Saudi Arabia's break-even oil price is expected to fall from USD 94.9 per barrel in FY2023 to USD 90.9 per barrel in FY2024, followed by Qatar, which is likely to fall from USD 49.8 per barrel in FY2023 to USD 44.7 per barrel in FY2024. UAE's break-even oil prices are also anticipated to decline from USD 52.8 per barrel in FY2023 to USD 50.0 per barrel in FY2024.

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



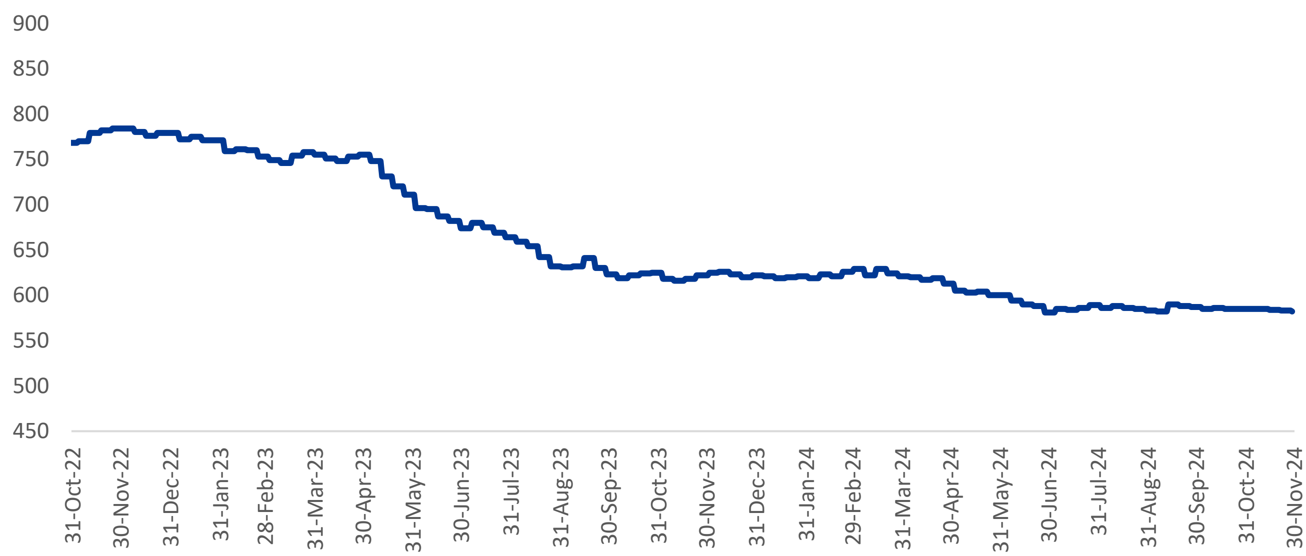
Source: Bloomberg

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



Source: Bloomberg

Figure 12: Oil Rig Count



Source: Bloomberg

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FAB SECURITIES

Credit Strategy

Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody's/S&P/Fitch
ALDAR 3.875% 2029	Real Estate	95.84	4.88	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	93.77	7.80	Ba3/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	94.52	4.91	A1/NA/A+
BGBKKK 2.75% 2031	Bank	92.73	6.50	NA/NA/BBB+
SIB 5% PERP	Bank	99.36	7.45	NA/NA/NA
GENHLD 4.76% 2025	Investment Co.	99.83	4.95	A1/NA/A
REITDU 11.0% 2025	Real Estate	100.54	10.65	NA/NA/NA
INTLWT 5.95% 2039	Power Generation and Water Utility	100.03	5.99	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	100.03	5.94	-0.09	1.93	2.07	4.06
REITDU 11.0% 2025	NR	100.54	3.41	0.47	1.90	6.49	6.59
GENHLD 4.76% 2025	OW	99.83	4.92	0.17	0.12	0.76	1.23
SIB 5% PERP	MW	99.36	5.99	-0.26	0.97	2.27	3.00
BGBKKK 2.75% 2031	MW	92.73	6.98	-0.09	1.43	9.16	20.79
ARAMCO 3.5% 2029	OW	94.52	4.89	-1.30	-0.67	-0.35	4.31
KWIPKK 4.5% 2027	OW	93.77	7.50	-0.38	1.27	5.49	8.99
ALDAR 3.875% 2029	OW	95.84	4.83	-1.18	0.61	1.63	6.45

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 95.68 with a yield of 4.93% when held until maturity (redemption at par) with a modified duration of 4.36. 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 9M24 with a total revenue of AED 16.5 Bn, up 69.0% YOY owing to record highest development sales, solid contribution from recurring income portfolio as well as recent acquisitions. It recorded a gross profit of AED 5.7 Bn, up 42.1% YOY in 9M24, and a net profit of AED 4.6 Bn, up 52.3% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose 44.1% YOY to AED 0.493 in 9M24, demonstrating consistent long-term shareholder value growth.
- Aldar's strong financial results are primarily driven by the robust performance of Aldar Development and Aldar Investment's recurring income portfolio coupled with significant contributions from acquisitions. The strong growth in the investment business is driven by a rapid recovery in the investment property, hospitality, and leisure business segments. The backlog of the development business increased from AED 36.8 Bn in 9M23 to AED 48.6 Bn in 9M24 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 8 new developmental projects in 9M24, out of which three projects including Verdes by Haven in Dubai, The Arthouse on Saadiyat Island, and Yas Riva were launched in 3Q24. The Project Management business revenue backlog increased to AED 76 Bn in 9M24, compared to AED 59 Bn in 9M23, with projects worth AED 54 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 9M24 as a result of strategic acquisitions and robust performance across the core real estate portfolio. Occupancy levels across the investment properties stood at 95% across the Commercial, Retail, Logistics, and Residential properties.
- Aldar Development initiated its international expansion strategy by acquiring the UK developer London Square, investing in European real estate private credit, and making direct investments in European logistics and self-storage assets. Aldar's landbank is strategically distributed across significant investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 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 8.7 Mn sqm. Meanwhile, in Dubai, the land area encompasses 1.4 Mn Sqm. Aldar Education is a leading private education provider in Abu Dhabi with 31 owned and managed schools as of 9M24 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 9.5 Bn worth of free & unrestricted cash and AED 8.4 Bn of undrawn bank facilities in 9M24. The Company's net debt stood at AED 2.1 Bn in 9M24.

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 94.61 with a yield of 7.46% when held until maturity (redemption at par) and has a modified duration of 2.03. 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 11.9 Bn in 9M23 to KWD 12.7 Bn in 9M24, 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 16.7% YOY to KWD 1,091 Mn in 9M24 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 & energy segment income.

- The company's operating profit from continuing operations before provisions rose to KWD 122 Mn in 9M24, up from KWD 108 Mn in 9M23. Provisions for credit losses and investments declined from KWD 29 Mn in 9M23 to KWD 24 Mn in 9M24. Profit before tax increased from KWD 56 Mn in 9M23 to KWD 87 Mn in 9M24.
- The Company recorded an increase in net profit attributable to shareholders from KWD 12 Mn in 9M23 to KWD 13 Mn in 9M24. KIPCO recorded a profit from discontinued operation of KWD 12 Mn in 9M23 compared to nil in 9M24.
- KIPCO cash and bank balance at the parent company level stood at KWD 153 Mn on 30 September 2024 compared to KWD 185 Mn on 30 June 2024.
- Total outstanding debt declined from KWD 1.8 Bn in 9M23 to KWD 1.6 Bn in 9M24
- 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 94.82 and offers a yield of 4.85% with a modified duration of 3.97. 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 remained flat at SAR 1.24 Tn in 9M24 compared to 9M23, mainly due to higher crude oil prices largely offset by a decline in the volume of crude oil sold. Revenue from Downstream operation rose 7.0% YOY to SAR 696.8 Bn in 9M24, while revenue from Upstream operation fell 7.6% YOY to SAR 545.6 Bn in 9M24. Other income related to sales declined 15.9% YOY to SAR 128.7 Bn in 9M24 owing to a decline in revenue from Upstream and Downstream operation in 9M24. Thus, revenue and other income related to sales fell from SAR 1.40 Tn in 9M23 to AED 1.37 Tn in 9M24.
- Royalties and other taxes declined from SAR 175.5 Bn in 9M23 to SAR 157.7 Bn in 9M24. Total operating costs rose 6.0% YOY to SAR 771.8 Bn in 9M24 owing to an increase in expenses across all categories partially offset by a decline in royalties and other taxes. The Company’s finance income fell to SAR 18.7 Bn in 9M24 compared to SAR 25.7 Bn in 9M23.

- Income before taxes and zakat fell from SAR 685.0 Bn in 9M23 to SAR 609.7 Bn in 9M24 primarily attributed to lower crude oil volume sold, weak refining margins and lower finance and other income partially offset by higher crude oil prices.
- Furthermore, Aramco's net profit declined from SAR 349.9 Bn in 9M23 to SAR 307.1 Bn in 9M24.
- Free cash flow fell from SAR 279.0 Bn in 9M23 to SAR 238.9 Bn in 9M24, primarily attributable to lower earnings partially offset by lower cash paid for the settlement of income, zakat and other taxes coupled with favourable movements in working capital
- Aramco paid a total dividend of SAR 349.5 Bn in 9M2024 including a base dividend of SAR 228.3 Bn and a performance dividend of SAR 121.2 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 1.9% in 9M24 compared to a negative 6.3% in 9M23. The increase in gearing was primarily a result of an increase in net debt owing to operating cash inflows partially offset by dividend payments and capital expenditures during 9M24. Aramco's capex amounted to SAR 135.7 Bn in 9M24 compared to SAR 113.4 Bn in 9M23 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 rose from SAR 290.1 Bn in FY2023 to SAR 303.5 Bn in 9M24.

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 92.69. The bond offers a yield of 6.48% and a duration of 1.67. 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 7.33% and currently trades at USD 99.52 with a modified duration of 0.55 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 99.99 and offers a yield of 4.81% 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

- 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 100.54 with a yield of 3.41% 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 issued 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 99.63 with a yield of 6.03% if held till maturity (redemption at par). The bond has a modified duration of 6.98. 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

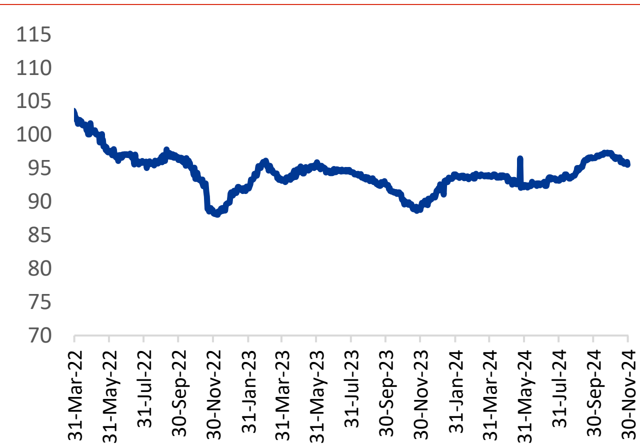


Figure 14: KWIPKK 4.5% 2027

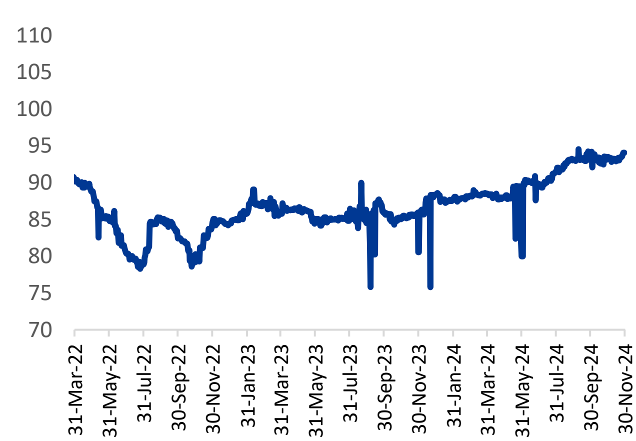


Figure 15: ARAMCO 3.5% 2029

Figure 16: SIB 5% PERP

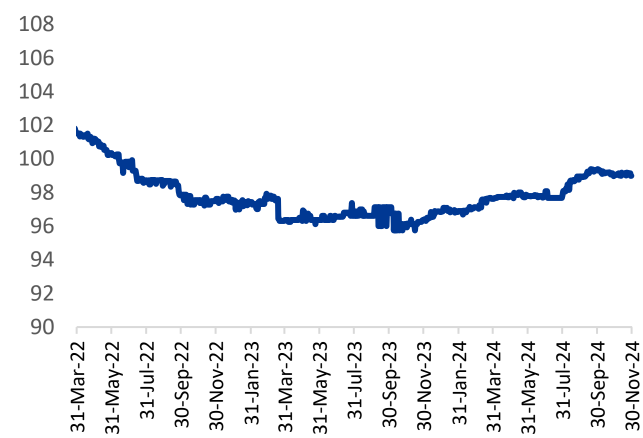


Figure 17: GENHLD 4.76% 2025

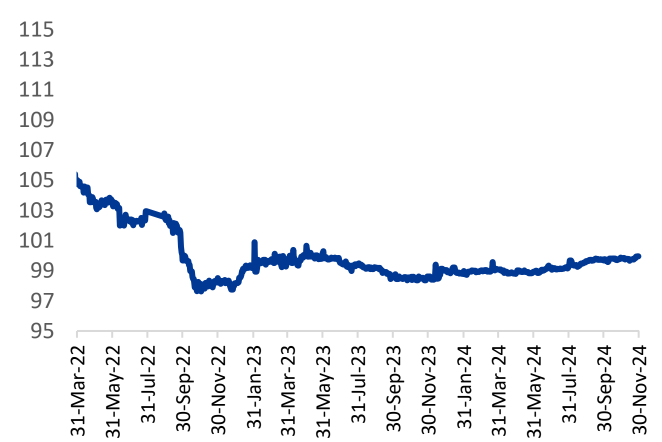


Figure 18: REITDU 11.0% 2025

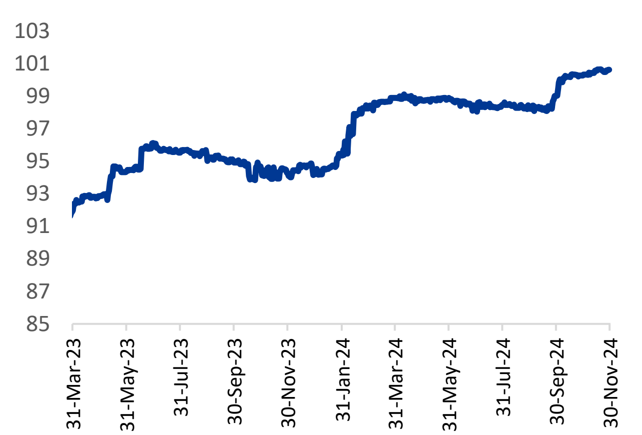
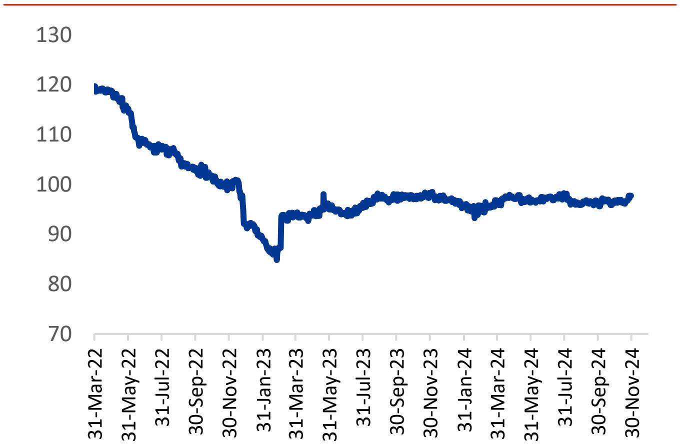


Figure 19: INTLWT 5.95% 2039



Source: Bloomberg

FAB SECURITIES أبوظبي الأول للأوراق المالية

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	73.30	-4.85	3.07
US dollar index	105.84	4.45	1.46
10Y Treasury yield[1]	4.22	NA	NA
2Y Treasury yield[1]	4.20	NA	NA
10Y German bond yield[1]	2.13	1.80	1.80
10Y Japan bond yield[1]	1.04	-0.64	-0.64
Bloomberg UAE Composite USD Liquid index	139.80	3.56	0.18

Source: Bloomberg, [1] in Basis point

FAB أبوظبي الأول للأوراق المالية SECURITIES

Sovereign Highlights

UAE

Lulu Holdings expanded IPO size to 30%

UAE's retailer Lulu Holding has increased its IPO offer size from 25% to 30% to meet the strong demand from global investors. The revised offer contains 3.09 Bn shares, including an additional 516.4 Mn shares, exclusively allocated to professional investors under the Qualified Investor Offering. The IPO is expected to have a price of AED 2.04 per share, with the initial range starting from AED 1.94, based on the company's estimated market valuation of AED 21.1 Bn.

S&P Global UAE Purchasing Managers' Index improved to 54.1 in October 2024

The UAE's non-oil activity increased in October 2024 driven by higher output, despite a slowdown in demand to its lowest level since February 2023. The seasonally adjusted S&P Global UAE PMI index rose marginally from 53.8 in September 2024 to 54.1 in October 2024. The input costs grew at the slowest rate in six months, with a slowdown in purchase prices and wages. Decline in demand resulted in the weakest employment levels in the last 20 months coupled with a reduction in selling prices.

Lulu IPO priced at USD 0.56 per share, raises USD 1.72 Bn (similar to first content of UAE)

Lulu set its top of the range IPO price at AED 2.04 per share, indicating a market cap of AED 21.1 Bn. The Company raised USD 1.72 Bn through this offering. The IPO was oversubscribed 25 times across tranches, excluding cornerstone investors, with subscriptions exceeding AED 135 Bn. Earlier, Lulu expanded the IPO offer size from 25% to 30%, allocating 3.098 Bn shares.

TA'ZIZ' awarded over USD 2 Bn for strategic infrastructure projects in Abu Dhabi

TA'ZIZ, a joint venture between ADNOC and ADQ, has announced over USD 2 Bn EPC contracts for development of site infrastructure projects in Al Ruwais Industrial City. The project is intended to support the development of TA'ZIZ's chemicals and transition fuels ecosystem. The contract will boost UAE's economic growth through ADNOC's In-Country Value program. TA'ZIZ aims to commence production in 2027, targeting production of 4.7 Mn tons per year by 2028.

ADNOC signed a 15-year deal for 1 mtpa sales and purchase agreement for Ruwais LNG project

ADNOC signed the first long-term sales and purchase agreement (SPA) for the lower-carbon Ruwais LNG project. SPA converts the previous terms of agreement between ADNOC and SEFE into a definitive contract. The 15-year contract commits SEFE to purchase 1 Mn tonnes per annum of LNG sourced from the project starting in 2028. Over 7 mtpa of the Ruwais LNG project's production capacity has already been committed to international customers through long-term agreements. This agreement reinforces ADNOC's role as a key global supplier of low-carbon natural gas and supports Germany's energy security.

Dubai's GDP grew 3.3% to USD 31.6 Bn in 2Q24

Dubai's GDP expanded 3.3% YOY to AED 116 Bn in 2Q24, reflecting Dubai's long-term development plans, which focus on boosting sustainable economic growth and positioning the Country as a global business and investment hub. Sectors like logistics, technology, and tourism have contributed significantly to this growth, with the government focusing on accelerating digital transformation and fostering business opportunities.

Talabat launches IPO and seeks expansion in Middle East markets

Talabat launched its IPO to maximize growth in the existing market rather than expanding in new territories. The Company aims to boost its food delivery position while increasing customer engagement in retail and grocery deliveries. Talabat earlier planned to sell 15% of Talabat's stake, equal to 3.49 Bn shares for USD 1 Bn in IPO. However, it increased the size of its IPO to 20.0%, equivalent to 4.6 billion shares for USD 2.0 Bn, owing to robust domestic and international demand from investors.

The price range is set between AED 1.50 to AED 1.60 per share. The proceeds from the IPO will go to the Talabat for general corporate purposes.

Mubadala considering selling Porto Sudeste in Brazil along with Minas Gerais iron-ore mines

Mubadala Capital plans to sell its iron ore port in Brazil. The sale might also include Mineracao Morro do Ipe, an iron-ore mining project in Minas Gerais. This combined sale is being considered to appeal to investors seeking a unified iron-ore operation. The Morro do ipe project plans to expand production from 3.5 Mn to 9 Mn through an investment of USD 230 Mn. However, no timeline for the sale is given while the process is anticipated to be completed soon.

ADNOC Gas and GAIL signed 10-year LNG SPA agreement

ADNOC Gas has entered into a Sales and Purchase (SPA) agreement with GAIL to supply up to 0.52 Mn metric tonnes per annum of LNG in 2026. The partnership aligns with India's rising LNG demand as it aims to increase natural gas in its energy mix from the current 6% to 15% in 2030. LNG will be supplied from Das Island liquefaction facility which has a production capacity of 6.0 Mn metric tonnes per annum.

68.6 Mn passengers visited Dubai International Airport in 9M24

Dubai International (DXB) has set a new benchmark for airport traffic, following 6.3% YOY growth in in passenger traffic to 68.6 Mn. DXB's continued growth is driven by a shift towards more direct traffic from markets like India, Saudi Arabia and the UK. DXB expects 23.2 Mn guests in 4Q24, primarily due to the tourist visits in the winter season and expats travelling home for the festive season. The airport's advanced technology ensures smooth operation, with high efficiency in baggage handling and minimum wait times.

S&P Global upgraded Ras Al Khaimah's economic outlook to 'A/A-1' with a stable outlook

S&P Global upgraded Ras Al Khaimah's credit rating from A/A-2 to A/A-1, with a stable outlook, considering the emirate's economic growth and fiscal stability. RAK's solid pipeline of tourism-related development projects is expected to boost the emirate's growth momentum. Additionally, S&P Global anticipates Ras Al Khaimah to benefit from solid non-oil growth in sectors like mining, economic free zones, and ports due to infrastructure spending in the UAE, GCC, and Indian subcontinents.

Saudi Arabia

Diriyah Company plans IPO to secure international investment

Diriyah Company, backed by PIF, plans to list on Tadawul to secure foreign investment for the Diriyah giga project, worth USD 64 Bn. The Diriyah giga project includes 38 hotels and more than 100 restaurants will have a population of c. 100 thousand. Diriyah Company awarded a USD 2.13 Bn JV contract to develop four luxury hotels and the Royal Diriyah Equestrian & Polo Club under the Wadi Safar master plan. Additionally, the project pipeline includes the Armani Hotel, managed by Emaar Hospitality Group and the Baccarat Hotel Riyadh.

Amala secures financial close for USD 1.5 Bn Multi-Utility infrastructure project

The consortium led by EDF Group and Masdar, with partners Korea East-West Power Co. (EWP) and SUEZ, achieved financial close for Amaala's USD 1.5 Bn multi-utility infrastructure project in Saudi Arabia. Funding for the project is secured through First Abu Dhabi Bank, Riyad Bank, Saudi National Bank, Emirates NBD, and Alinma Bank. The facility includes an off-grid renewable energy system generating electricity for a 250 MW solar photovoltaic plant, 700 MWh battery energy storage, a desalination plant, a wastewater treatment plant, and transmission and distribution lines. First phase of the project is planned to start in 2025.

Saudi Arabia utilises state funds to attract foreign investments.

Saudi Arabia is working to attract foreign investment, with a target amount of USD 100 Bn by the end of 2030, by entering into co-investment deals with money managers at conferences that assures investors security in partnering with Saudi funds. Brookfield launched a USD 2 Bn Middle East fund supported by the Saudi Public Investment Fund (PIF) and Hassana. Additionally, PIF signed an MOU with a Japanese financial institution for an investment of up to USD 51 Bn. Furthermore, the Fund plans to collaborate with the Hong Kong Monetary Authority to create a USD 1 Bn fund focused on firms expanding in Saudi Arabia.

Saudi Arabia's GDP grew 2.8% YOY in 3Q24 amid strong non-oil activity

According to GASTAT, Saudi Arabia’s real GDP expanded 2.8% YOY in 3Q24, attributed to a strong growth in the non-oil sector, which increased 4.2% YOY. KSA’s oil activity marginally grew 0.3% YOY in 3Q24. Furthermore, the Government sector recorded a healthy growth of 3.1% YOY in 3Q24. The seasonally adjusted real GDP surged marginally by 0.8% in 3Q24 compared to 2Q24, demonstrating the stable economic momentum across several sectors.

Saudi Arabia recorded a SAR 30 Bn deficit in 3Q24, driven by lower oil prices

Saudi Arabia reported a budget deficit of SAR 30 Bn in 3Q24, driven by a decline in revenue due to lower oil prices. Government spending stood at SAR 339 Bn in 3Q24, while KSA generated a revenue of 309 Bn. Oil revenue stood at SAR 191 Bn while non-oil revenue was at SAR 118 Bn in 3Q24. The government is reassessing its spending plans, delaying or scaling back some of its Vision 2030 projects.

Saudi’s non-oil sector growth boosted in October 2024

Saudi Arabia’s non-oil sector grew at the fastest pace in October since the last six months, primarily due to an increase in sales, improved business activity, purchasing, employment and stock levels. The seasonally adjusted PMI grew to 56.9 in October 2024 from 56.3 in September 2024 recording the third consecutive monthly increase. Additionally, the continued growth in the non-oil sector is expected to boost the GDP contribution to more than 52%. Furthermore, material cost and wages increased during October 2024 which led to a rise in input price inflation.

China plans to sell sovereign USD-denominated bonds in Saudi Arabia

China plans to issue up to USD 2 Bn sovereign bonds in Saudi Arabia in November 2024. China issued a EUR 2 Bn dual-tranche bond in September 2024, the first offshore issuance since 2021 when it sold a EUR 40 Bn tripe-tranche deal and a USD 4 Bn four-part bond, demonstrating China’s continued efforts to raise funds in international markets.

Diriyah partners with Raffles Hotels for the first residential project

Diriyah partnered with Raffles Hotel & Resorts to introduce its first branded residency. These homes will blend Raffles’s elegance and glamour with Najdi-inspired architecture, offering a unique living experience. This initiative is part of Diriyah’s larger strategy to develop diverse housing options for over 100 thousand future residents, marking Diriyah as a hub for luxury living and community development.

Saudi exchange reported key updates in listing rules

The Saudi Exchange unveiled significant changes to the listing rule for debt instruments in line with Capital Market Authority’s market enhancements, effective from the publication date, aiming to enhance liquidity and attract more investors to participate in the debt capital market. Key amendments include reducing the minimum issuance size for Sukuk and bonds, thus making it easier for all issuers, including SMEs, to raise funds through debt instruments. Additionally, debt instruments issued by KSA’s development funds, sovereign funds, and banks through exempt offers will no longer have to follow rules stated in Part 3 of the amended listing rules.

Saudi Exchange considering listing on Hong Kong stock exchange

Saudi publicly listed companies on Tadawul and the ones backed by PIF are considering listing on the Hong Kong Stock Exchange. Listing in Hong Kong would enable Saudi companies to raise funds to support economic diversification. On the other hand, Hong Kong and global investors can gain exposure to the Gulf’s growing economy.

Moody’s upgrades Saudi Arabia's rating from Aa3 to A1 on non-oil diversification

Moody’s upgraded Saudi Arabia’s credit rating from A1 to Aa3, attributed to the country's efforts to reduce its dependence on oil. Saudi Arabia is expanding its focus on non-oil sectors like tourism, sports and manufacturing, and infrastructure. Additionally, the country prioritises attracting foreign investments to achieve its goals. Besides, Moody’s changes Saudi Arabia’s outlook from positive to stable due to the uncertainty in the global economy and oil markets.

Saudi 2025 budget projects SAR 101 Bn fiscal deficit amid gigaproject spends

Saudi Arabia forecasts a 2025 fiscal deficit of SAR 101 Bn, c. 2.3% of total GDP. The deficit is attributed to the government’s commitment towards strategic investments in massive projects under Vision 2030 program to diversify the economy. Total expenditure is estimated to be around SAR 1.285 Tn while the revenue is anticipated to reach SAR 1.184 Tn. The Kingdom’s public debt is projected to increase from SAR 1.2 Tn in 2024 to SAR 1.3 Tn in 2025. The country will seek local and international financing to cover the 2025 deficit.

Qatar

Qatar’s debt servicing cost is expected to average below 5% by 2027

Qatar’s average debt-servicing costs is anticipated to stay below 5% of general government revenue by 2027, supported by debt reduction measures and expected earnings from the North Filed Expansion (NFE). Qatar repaid approximately QR 27 Bn of debt (about 3.4% of the GDP) in 2023, and a reduction of around 2% of GDP in 2024 partially offset by a new issuance of USD 2.5 Bn in May 2024. The general government debt is expected to reduce from 50% of GDP in 2023 to 48% of the GDP in 2024. In addition, the government debt is forecasted to decline to 33% of GDP in 2027, in line with the government’s debt repayment strategy.

QatarEnergy expands offshore holdings in Orange Basin with TotalEnergies deal

QatarEnergy signed a deal with TotalEnergies to acquire additional offshore exploration interest in the Orange Basin. QatarEnergy will increase its stake to 35.25% in block 2913B and 33.025% in block 2912 as part of the deal. TotalEnergy will continue to operate both Blocks with other stakeholders.

Qatar Energy commences blue ammonia project worth USD 1.2 Bn

Qatar Energy has initiated the development of a USD 1.2 Bnblue ammonia project in Mesaieed Industrial City, with the production expected to begin in 2Q26. The project will enhance Qatar Energy’s expertise in constructing and operating ammonia plants used for fertiliser production in collaboration with Qatar Fertiliser Company (QAFCO). The new plant will feature an ammonia unit with a capacity of 1.2 Mn tonnes annually, with an additional unit for CO2 injection and storage capable of handling 1.5 Mn tonnes per year.

Bahrain

AlAbraaj Restaurants Group set for IPO

AlAbraaj Restaurants Group, a Bahrain’s food and beverage industry, announced to raise BD 9 Mn (USD 23.91 Mn) through IPO by offering 38 Mn shares. The offer represents 35% of its total issued share capital post-IPO for 236 fils per share. The proceeds from the IPO enable businesses to expand regionally and enhance offerings. The shares will be listed on the Bahrain Bourse.

Kuwait

Kuwait plans to launch tourism city spending USD 1.8 Bn

Kuwait plans to construct a tourism city, which consists of hotels and other facilities with a cost of nearly USD 1.8 Bn. Oliver Wyman has secured a USD 1.5 Mn contract to conduct a feasibility study for the project in the Northern Al-Jahra governorate. The Kuwaiti government approved the project, which will be monitored by the General Organization for Social Insurance. The project will span across 1.4 Mn square meters and it will feature hotels, a tourism resort, restaurants, zoo, water park, botanical gardens, theatres, golf course and other facilities.

EGYPT

Fitch upgraded Egypt's credit rating from 'B- ' to 'B'

Fitch upgraded Egypt's credit rating from 'B-' to 'B' on account of strong finances received via various foreign investments and tight monetary conditions. The credit rating agency has greater confidence on flexible exchange rate policy. Egypt is seeking large-scale investments while overcoming a long-running economic crisis. Loan packages such as USD 8 Bn from the International Monetary Fund (IMF), USD 35 Bn from Abu Dhabi, and USD 1 Bn from the EU given to Egypt helped the country stabilise its economy.

Egypt non-oil PMI inched up from 48.8 in September 2024 to 49.0 in October 2024

Egypt's non-oil sector is affected by rising costs and selling prices which resulted in a decline in order volumes in October 2024. S&P Global PMI declined from 49.0 in August 2024 to 48.8 in September 2024. The fall in business activity is partially offset by a marginal expansion in stock levels and employment in the month of October 2024. Weakening market conditions led to a decline in sales. Pressure on prices continued to restrain the sector from returning to the growth phase.

Central Bank of Egypt withdrew EGP 1.4 Tn in excess liquidity to fight inflation

The Central Bank of Egypt (CBE) withdrew EGP 1.369 Tn in excess liquidity from the banking system via its weekly fixed-return deposit auction. The auction witnessed participation from 25 banks with an interest rate of 27.75% on the weekly deposits. The move is taken to counter inflation with increasing annual urban inflation as the central bank seeks to limit spending and stabilize prices by reducing excess liquidity in the market.

Egypt's Annual urban inflation remained steady at 26.5% in October 2024

Egypt's annual urban headline inflation remained broadly stable at 26.5% in October 2024. Non-food inflation increased to 26.0% in October from 25.5% in September driving the increase in the overall inflation. The increase in inflation is mainly attributable to a rise in administered prices (e.g. LPG and pharmaceutical products), along with the increased prices of services such as rents and spending on restaurants and cafes. Meanwhile, the annual food inflation stood at its lowest level in two years to 27.3% in October 2024. Annual core inflation fell to 24.4% in October 2024 from 25.0% in September 2024. Additionally, the annual headline inflation stood at 26.3% in October 2024, up from 26.0% in September 2024. On MOM basis, headline inflation rose by 1.1% in October 2024 similar to September 2024 while food prices grew by 1.1% in October 2024 compared with 2.6% in September 2024.

Egypt plans long-term LNG deal with foreign companies

Egypt is considering purchasing long-term volumes of liquefied natural gas (LNG) from U.S. companies and other foreign companies to shift its reliance on the expensive spot market and meet power demand at a time of a decline in domestic gas production. Egypt's domestic output declined to a seven-year low in September 2024 and is expected to drop further by

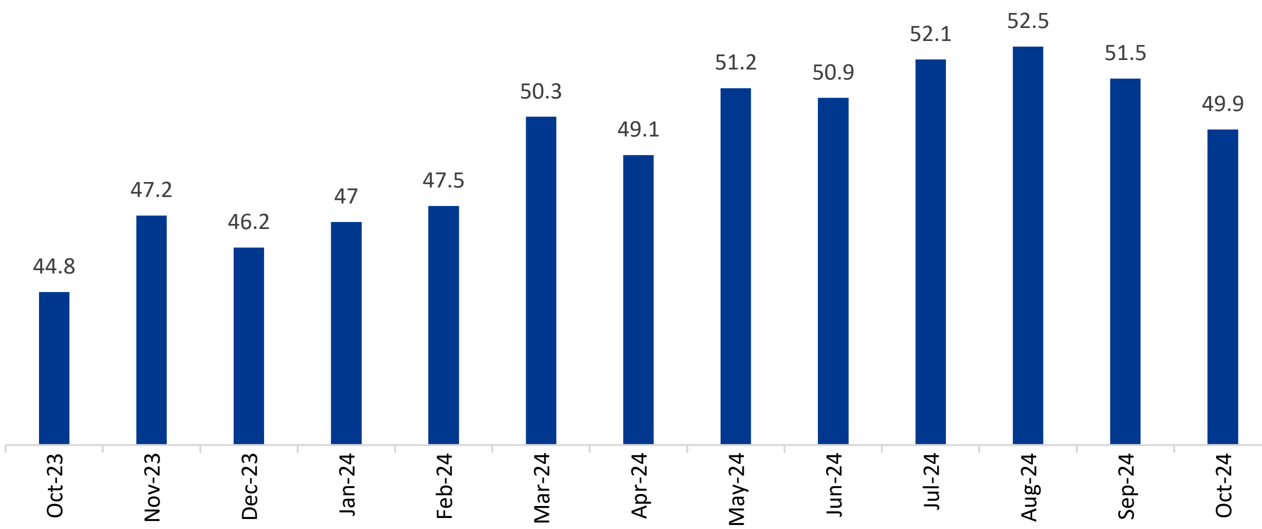
22.5% by the end of 2028. On the other hand, power consumption is anticipated to increase by 39% in the next 10 years. The Ministry of Petroleum is seeking three or four years of gas supply to hedge against sudden price rises. The government also seeks to include a flexibility clause to find gas sooner.

Global Economy

UK Manufacturing activity contracted first time since April 2024

According to S&P Global, the Manufacturing Purchasing Manager's Index (PMI) edged down from 51.5 in September 2024 to 49.9 in October 2024 as the manufacturers waited for the budget announcement amid uncertainty regarding investment and spending in the economy. However, output rose for the sixth consecutive month at a marginal growth rate, resulting in a mild inventory build-up attributable to higher production. The production was increased to complete current contracts. On the other hand, new work inflow declined, reflecting a weaker business sentiment and economic slowdown. Moreover, new export orders also fell for the third consecutive month, driven by lower demand from clients in Europe, China, and the US. In October, employment rose for the third time in four months, attributable to higher production and efforts to clear work backlogs. Business optimism showed a slight recovery from a nine-month low. Input cost inflation eased significantly while selling prices continued to grow. Supplier lead times continued to lengthen, with delivery times rising to the highest level since February 2024.

Figure 20: UK's Manufacturing PMI

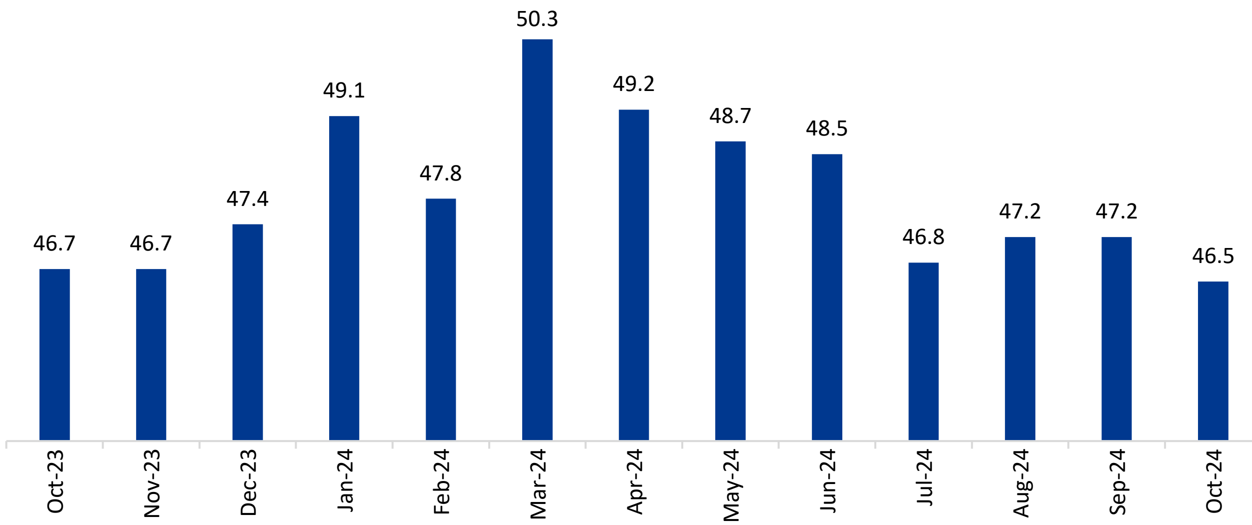


Source: www.investing.com

US Manufacturing Index unexpectedly dropped to its lowest level in more than a year

According to the Institute for Supply Management, U.S. PMI declined from 47.2 in September 2024 to 46.5 in October 2024, lower than the estimate of 47.6, driven by a fall in the production index from 48.9 in September 2024 to 46.2 in October 2024. However, the new orders index inched up from 46.1 in September 2024 to 47.1 in October 2024. The employment index rose slightly from 43.9 in September 2024 to 44.4 in October 2024. Moreover, the prices index increased from 48.3 in September 2024 to 54.8 in October 2024, reflecting a rise in raw material costs.

Figure 21: US ISM Manufacturing PMI

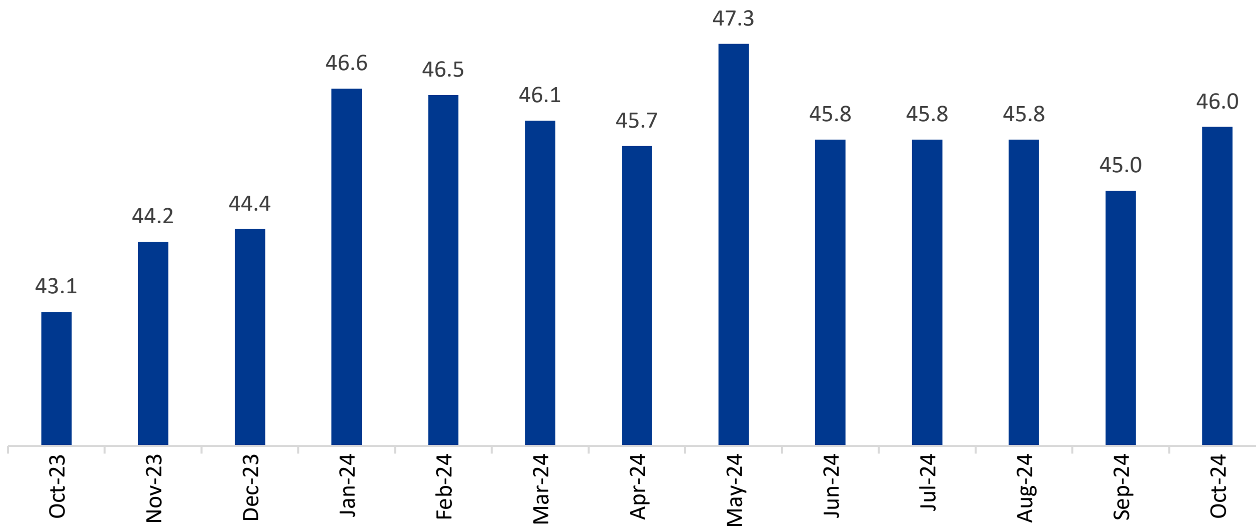


Source: www.investing.com

Eurozone Manufacturing slump continued in October 2024

According to S&P Global, the HCOB manufacturing Purchasing Managers' Index inched up from 45.0 in September 2024 to 46.0 in October 2024, remaining in the contractionary territory, recording the slowest decline since May 2024. However, factory activity contracted for the twenty-eighth month straight. Furthermore, the Industry output is expected to contract by 0.1% in 4Q24. The factory output continued to decline, though the pace of contraction slowed since September 2024. Purchasing activity was reduced by manufacturers owing to a lack of new orders. Pre-production inventories also fell sharply due to reduced input buying. Employment further declined in October, with job cuts staying close to a September's 49-month high record. Input costs for manufacturers dropped in October, with the decline in prices for raw materials being the fastest since March. Additionally, manufacturers offered the largest discounts on finished goods in six months. The overall eurozone manufacturing sector largely weighed down by poor performance in Germany and France.

Figure 22: Eurozone's Manufacturing PMI

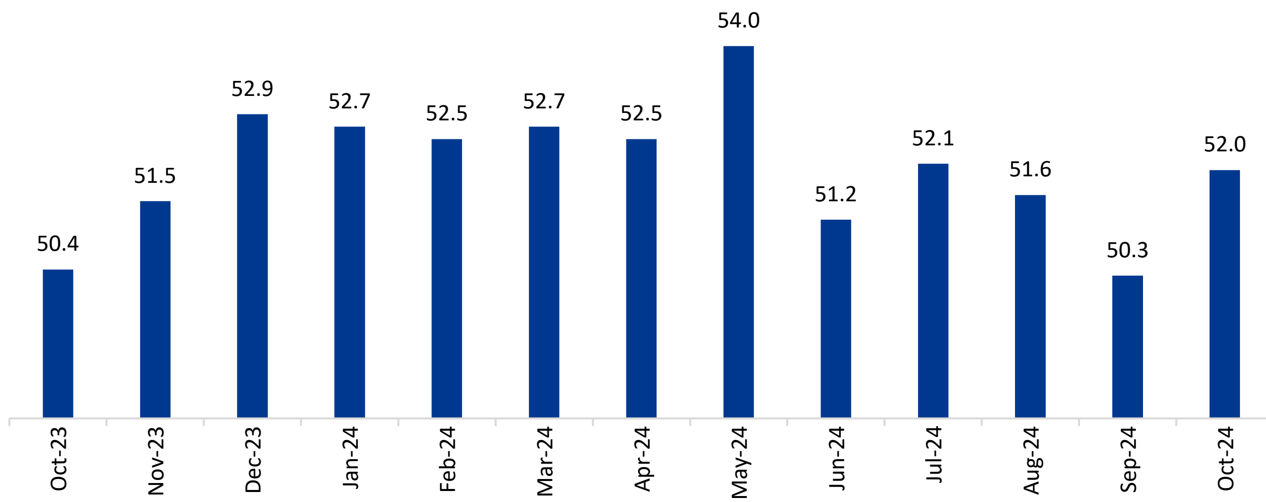


Source: www.investing.com

China service PMI improved to 52.0 in October 2024

The services sector in China remained in the expansionary territory as the PMI grew from 50.3 in September to 52.0 in October 2024. Improvements in underlying demand and market conditions supported a rise in new business inflows during the month. Moreover, new orders grew driven by a notable increase in export business, attributed to ongoing business development efforts and growing interest from foreign markets, particularly the US. Despite a faster pace of growth in service activity, backlogs of work increased in October 2024 and at a slightly quicker rate than in September 2024. As a result, the service sector experienced capacity pressures.

Figure 23: China's Service Sector PMI

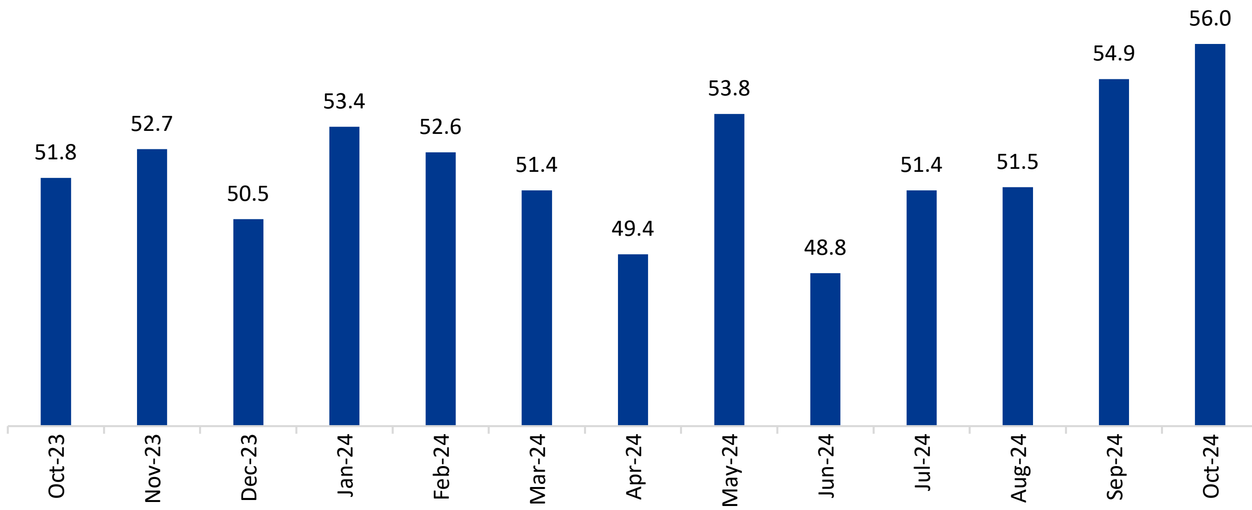


Source: www.investing.com

U.S. Services activity unexpectedly climbed to a two-year high in October 2024

According to ISM, the US Service sector PMI unexpectedly rose sharply from 54.9 in September 2024 to 56.0 in October 2024, higher than the estimated level of 53.8 driven primarily by an increase in employment levels. The employment index grew from 48.1 in September 2024 to 53.0 in October 2024. On the other hand, the supplier delivery index also climbed from 52.1 in September 2024 to 56.4 in October 2024, reflecting improved economic conditions. However, business activity dropped from 59.9 in September 2024 to 57.2 in October 2024. Similarly, the new orders index fell from 59.3 in September 2024 to 57.4 in October 2024. The price index edged down from 59.4 in September 2024 to 58.1 in October 2024.

Figure 24: US ISM Services PMI

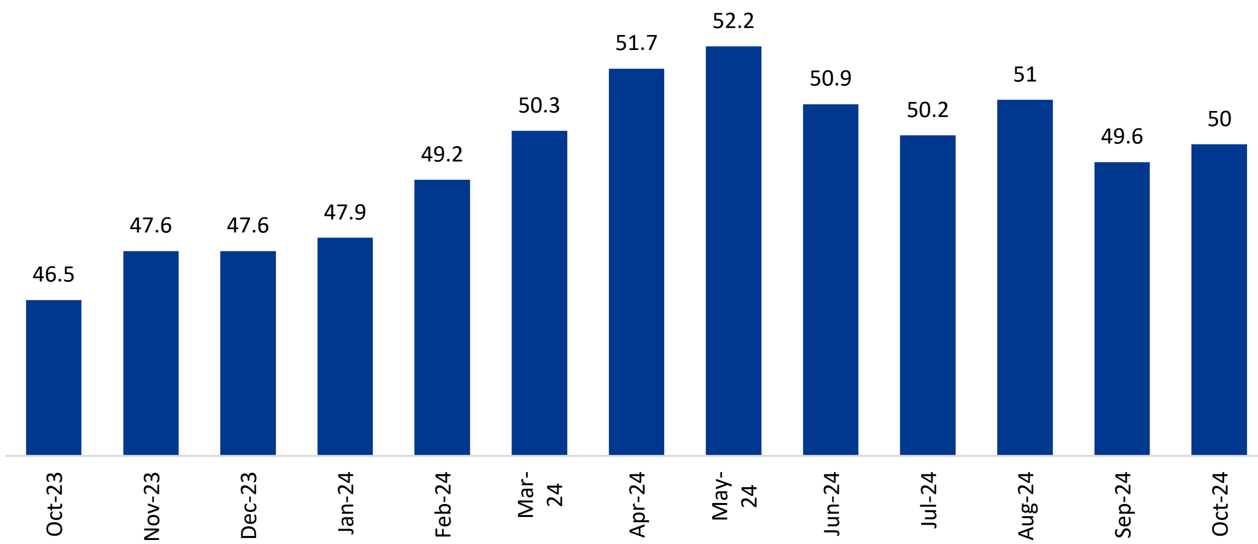


Source: www.investing.com

Eurozone Private Sector witnessed stagnation in October 2024

The euro area private sector experienced stagnation as the HCOB composite output index rose marginally from 49.6 in September 2024 to 50.0 in October 2024, driven by an uptick in the service sector partially offset by a slowdown in manufacturing activity. New business shrank for a fifth consecutive month due to a steep fall in demand for goods coupled with the sharpest drop in sales at services companies since January 2024. The volume of outstanding orders also decreased, allowing firms to redirect resources toward clearing backlogs. As a result, companies reduced their workforce, with the rate of job cuts reaching the fastest pace since December 2020. Business confidence weakened for the fifth month in a row, reaching its lowest point of the year. Input price inflation remained stable, marking the third-softest rate in nearly four years. Although companies raised selling prices, the pace of price increase was the second slowest since February 2021.

Figure 25: HCOB Eurozone Composite Purchasing Managers Index (PMI)



Source: www.investing.com

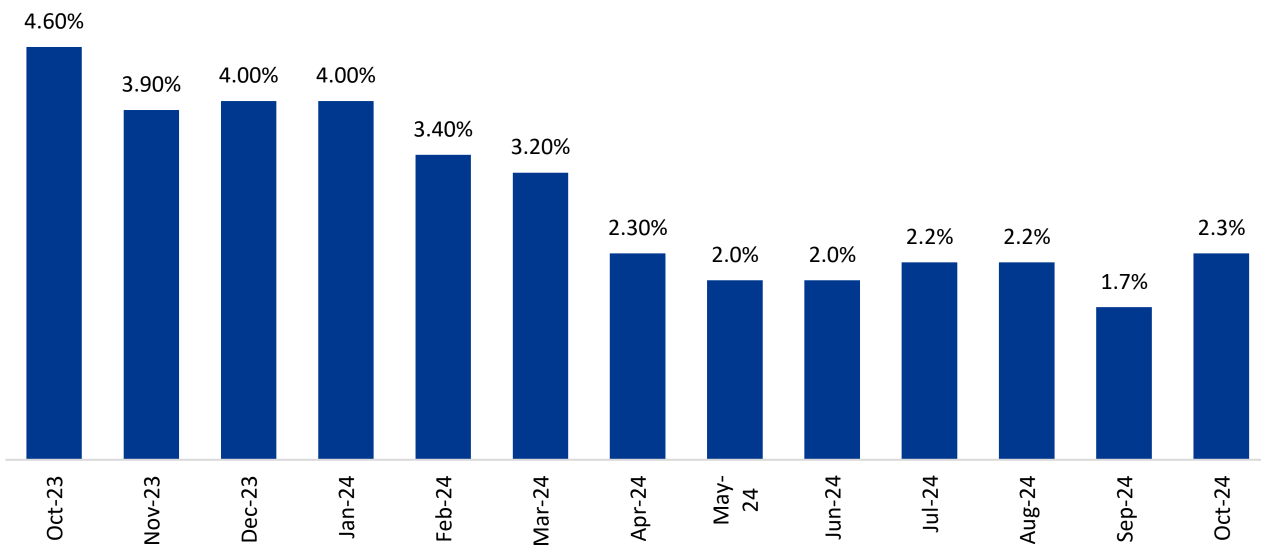
GCC central banks lowered interest rates in response to the Fed's decision

Central banks in the GCC lowered interest rates by 25 bps, following the US Federal Reserve's second rate cut of the year, which reduced its benchmark rate by 25 bps to a range of 4.5% to 4.75%. The Saudi Central Bank (SAMA) reduced its repo and reverse repo rates by 25bps each, to 5.25% and 4.75%, respectively, while the Central Bank of the UAE (CBUAE) lowered the base rate for its Overnight Deposit Facility from 4.90% to 4.65%, effective 8th November onwards. The CBUAE further announced that it would maintain a 50 bps margin above the base rate for short-term borrowing. The Central Bank of Bahrain (CBB) cut its overnight deposit rate by 25bps to 5.25%, effective 10th November onwards. The Qatar Central Bank (QCB) reduced its deposit rate, lending rate, and repo rate by 30 bps each, which reached 4.90%, 5.40%, and 5.15%, respectively, effective 10th November onwards. The rate cuts are expected to boost sectors sensitive to credit conditions, such as real estate and domestic spending, supporting broader economic resilience.

Bank of England lowered interest rates by 25bps

The Bank of England lowered interest rates by 25 bps to 4.75%, marking the second rate cut in FY2024, as UK inflation is approaching the 2% target. Despite the recent bond market volatility, the rate cut was widely expected. According to the Central Bank, the rates are anticipated to decline gradually if current trends persist. The Bank also stated that global events, such as tensions in the Middle East, could push inflation higher if oil prices rise. UK's falling inflation supports rate cuts, while the recent budget, with plans for higher government spending, could spur demand. Hence, the BoE may keep rates unchanged in December 2024 due to the prevalence of two opposing trends unless there is a significant downturn in economic data in the upcoming month.

Figure 26: U.K. Consumer Price Index (CPI) YoY



Source: www.investing.com

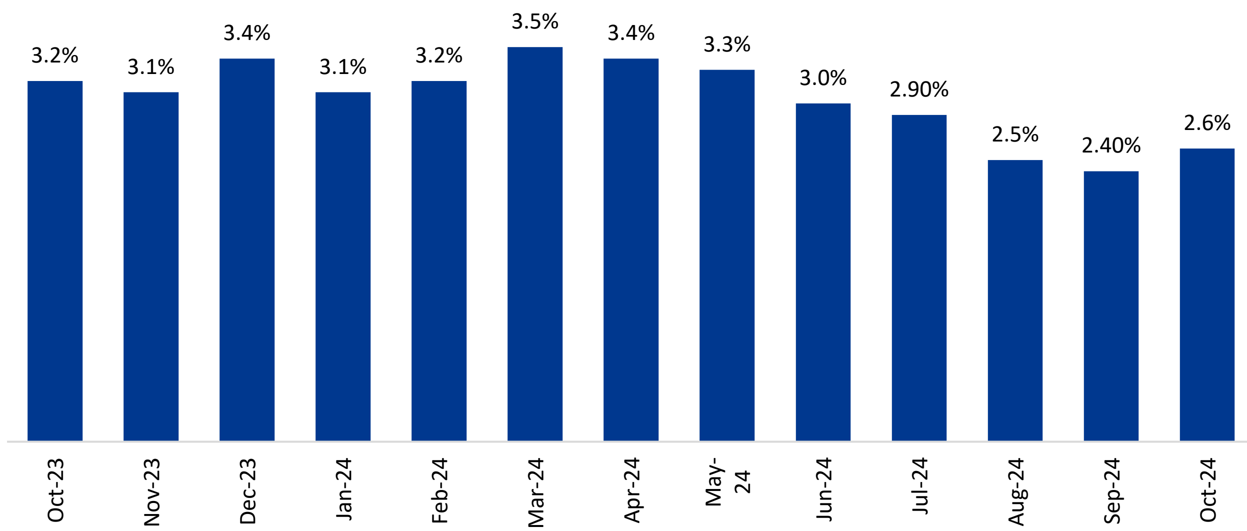
China set to reduce home-buying taxes,

China is planning to cut taxes on home purchases. Regulators are working on a proposal that would allow major cities, including Shanghai and Beijing, to lower the deed tax for homebuyers from the current maximum rate of 3% to as low as 1%.

U.S. Consumer Price Inflation October 2024 data stood in line with Economist Estimates

The US CPI rose 0.2% MOM in October 2024, in line with the growth seen in the last three months and the estimates, driven by increased shelter costs, prices for used cars and trucks, medical care, airline fares, and recreation. The surge was partially offset by a decline in apparel prices, communication, household furnishings, and operations. The inflation rose from 0.2% MOM in September 2024 to 0.4% in October 2024. Moreover, food prices increased 0.2% MOM in October 2024 compared to a 0.4% rise in September 2024. Core consumer prices inched up by 0.3% MOM in October 2024. However, energy prices remained the same level in October after declining 1.9% MOM in September 2024.

Figure 27: US CPI (YoY)



Source: www.investing.com

China Central Bank injected USD 124 Bn into its banking system through one-year policy loans

China's central bank injected CNY 900 Bn (USD 124.3 Bn) into the financial system through one-year loans, aiming to support liquidity as local governments intensify bond sales to ease debt burdens. The People's Bank of China (PBOC) provided these medium-term facility (MLF) loans to financial institutions at an interest rate of 2%. As local governments issue more bonds to manage debt risks and boost economic activity, liquidity pressures in China's banking system are rising, especially toward the year-end. Moreover, the PBOC is likely to reduce banks' reserve requirements in the coming months to help ease these pressures due to maturing reverse repos, heightened bond issuance, and increased cash demand as the month ends.

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