Resilient Global Activity and Subdued Inflation Lift Investor Confidence

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

GCC Sukuk and bond issuances declined 22.1% YOY to USD 100.3 Bn in 1H25 from USD 128.8 Bn in 1H24. According to Kamco Invest, the contraction was primarily attributed to a steep drop in government issuances, which fell to USD 36.6 Bn in 1H25 from USD 76.9 Bn in 1H24. In contrast, corporate issuances registered growth, rising to USD 63.7 Bn in 1H25 from USD 51.9 Bn in 1H24. In terms of issuance composition, sukuk volumes declined sharply, while bond issuance stayed relatively stable YOY in 1H25. Bonds totalled USD 60.9 Bn in 1H25, compared to USD 60.2 Bn in 1H24, whereas sukuk issuances fell from USD 68.6 Bn in 1H24 to USD 39.4 Bn during 1H25.

The GCC bond and sukuk issuances also slowed considerably in August 2025, with total issuance reaching USD 950 Mn, down from higher levels recorded in the prior month. Activity was primarily driven by financial institutions, as banks and sovereigns stayed on the sidelines. Notable issuances included UAE-based Binghatti Holding's USD 500 Mn 5-year sukuk, which attracted strong demand, oversubscribed nearly five times with an order book of over USD 2.5 Bn. Similarly, Sharjah-based developer Arada raised USD 450 Mn through a sukuk offering at a 7.150% coupon, which also received a healthy response, with subscriptions exceeding USD 2 Bn from both regional and international investors.

In its July 2025 meeting, the US Fed held the rate steady at 4.25%-4.50%, marking the fifth consecutive meeting without a change amid ongoing global economic uncertainties. Looking ahead, the September 2025 Federal Open Market Committee (FOMC) meeting is anticipated to mark the first 25 bps rate cut of the year, bringing the federal funds rate to 4.00%-4.25%, with expectations of an additional cut in December and the possibility of up to three reductions over 2025. The Fed, however, remains data-dependent, with any further policy actions contingent on incoming economic indicators and evolving financial conditions. The US 10-year Treasury yield remained broadly stable throughout the month of August 2025. Meanwhile, the 5-year CDS spreads declined across almost all the GCC countries, except Kuwait. The UAE's seasonally adjusted S&P Global Purchasing Managers' Index (PMI) fell to its lowest level in over four years, reaching 52.9 in July 2025, down from 53.5 in June 2025. The decline was driven by weaker new business growth amid regional tensions and heightened competition, which impacted order inflows and expansion of activity. Output growth remained resilient but slightly below historical trends, while employment recorded only a modest increase, the weakest in four months, accompanied by a sharper rise in backlogs. According to the CBUAE, the UAE's GDP is projected to grow by 4.0% in 2025, followed by a further acceleration to 5.4% in 2026. Non-oil GDP is expected to expand by 4.5% in 2025, with growth anticipated to hold steady into 2026. Meanwhile, the hydrocarbon sector is forecast to rise by 4.1% in 2025, followed by a stronger expansion of 8.1% in 2026. The Riyad Bank Saudi Arabia's non-oil PMI also slipped from 57.2 in June 2025 to 56.3 in July 2025 on the back of a slowdown in new orders. Business activity in the non-oil sector grew at the weakest pace in three and a half years, while overall sentiment fell to its lowest since July 2024. Activity was pressured by intense competition and reduced customer footfall, with some firms also struggling to secure new international clients, resulting in weaker exports. Companies reported higher inventory levels, slower increases in input costs, and shorter delivery times. However, rising input prices continued to drive an uptick in selling prices. Saudi Arabia's real GDP expanded 3.9% YOY in 2Q25, supported by a 4.7% YOY increase in non-oil GDP, a 3.8% YOY rise in oil GDP, and 0.6% YOY growth in government services. The country's fiscal deficit narrowed sharply by 41.1% QOQ to SAR 34.5 Bn in 2Q25, reflecting stronger oil and non-oil revenues. Meanwhile, annual inflation remained stable at 2.1% YOY in July 2025, with both the Consumer Price Index (CPI) and Wholesale Price Index (WPI) showing marginal MOM movement. Oman's inflation rose by 0.8% YOY in July 2025. According to the Ministry of Economy, the country's GDP growth is projected at 2.2% for 2025, up from 1.7% in 2024, supported by a recovery in oil activities, which are expected to expand by 1.3% after contracting by 3% in 2024. Non-oil sectors, however, is projected to grow at a slower pace of 2.7%, compared to 3.9% in 2024.

Inflation, as measured by the CPI, is also expected to increase to 1.3% in 2025 from 0.6% in 2024, remaining within the government's five-year plan target, owing to continued subsidies on essential goods and services. In July 2025, Kuwait's inflation also rose slightly to 2.4% YOY in July 2025 compared to 2.3% in June 2025, driven by higher food and beverage costs. The country's economy returned to growth in 1Q25, posting a 1% YOY increase in real GDP, with full-year GDP projected to rebound from a 2.8% contraction in 2024 to a 1.9% expansion in 2025.

Gold Outlook

Gold price rose 3.8% MOM in August 2025, reaching USD 3,414.86 per ounce on 28 August 2025. Prices increased during the first week of August 2025 due to trade uncertainty arising from new US tariff announcements, a decline in the US dollar index, and rising expectations of the FED rate cut in September 2025. However, prices declined in the following week, mainly attributable to easing geopolitical risks, which reduced the demand for the safe-haven. Furthermore, gold prices rebounded after mid-month on the back of lower Treasury yields and depreciation of the US dollar, following soft US inflation data that increased bets of interest rate cuts in September 2025. Additionally, investors awaited the outcome of the US President and the Ukrainian President's meeting to discuss the peace deal. Prices increased at the end of the month due to a decline in the dollar index, following the US president's announcement to remove Fed Governor Lisa Cook from the Fed's board of directors.

Oil Outlook

Brent Crude oil prices declined 6.3% MOM to USD 67.98 per barrel on 28 August 2025. Oil prices fell in the first week of August due to concerns of weaker global demand and OPEC+ plans to increase production. Similarly, prices continued to decline in the following week due to worries of higher US tariffs. However, prices rebounded after the mid-month due to increasing fears of supply disruption. Additionally, strong oil demand in the US supported the hike in oil prices. Further, oil prices declined at the end of the month due to further expectations of weak demand in the US as the summer season ends.

Our Top Bond/Sukuk Picks:

Top Bond Picks for Short-term

S No.	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rtg	S&P Rating	Cntry of Risk	Coupon	Maturity
1	SNB Funding Ltd	SNBAB	XS3019019416	5.37	750,000,000	A-	N/A	A	SA	5.560	3/17/2030
2	Emirates NBD Bank PJSC	EBIUH	XS2976518972	5.20	750,000,000	A+	A1	N/A	AE	5.464	1/22/2030
3	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS3086362756	5.16	600,000,000	A+	N/A	A+	AE	5.356	6/10/2030
4	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS3003311902	5.12	600,000,000	A+	N/A	A+	AE	5.415	2/26/2030
5	Emirates NBD Bank PJSC	EBIUH	XS2754455769	5.07	600,000,000	A+	A1	N/A	AE	5.767	1/31/2029
6	National Bank of Ras Al-Khaimah PSC/The	RAKBNK	XS2765600262	4.64	600,000,000	BBB+	Baa1	N/A	AE	5.375	7/25/2029
7	Saudi Electricity Sukuk Programme Co	SECO	XS2993845945	4.58	1,500,000,000	A+	Aa3	N/A	SA	5.225	2/18/2030
8	Oman Government International Bond	OMAN	US682051AE72	4.50	1,626,861,000	BB+	Baa3	BBB-	OM	5.375	3/8/2027
9	BSF Finance	BSFR	XS2493296813	4.49	700,000,000	A-	A1	N/A	SA	5.5	11/23/2027
10	Suci Second Investment Co	PIFKSA	XS2706163131	4.39	2,250,000,000	A+	Aa3	N/A	SA	6	10/25/2028
11	Saudi Government International Bond	KSA	XS2974923497	4.23	5,000,000,000	A+	Aa3	N/A	SA	5.125	1/13/2028
12	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS2677030194	4.22	650,000,000	A+	N/A	A+	AE	5.5	1/12/2029
13	Emirates NBD Bank PJSC	EBIUH	XS2625209270	4.16	750,000,000	A+	A1	N/A	AE	5.875	10/11/2028

Data Source: Bloomberg

Top Bond Picks for Medium/Long-term

S No.	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Cntry of Risk	Coupon	Maturity
1	Oman Government International Bond	OMAN	XS1575968026	6.11	2,000,000,000	BB+	Baa3	BBB-	OM	6.5	3/8/2047
2	Saudi Government International Bond	KSA	US80413TAJ88	5.94	3,500,000,000	A+	Aa3	N/A	SA	5	4/17/2049
3	DP World Ltd/United Arab Emirates	DPWDU	XS1883879006	5.90	1,300,000,000	BBB+	Baa2	N/A	AE	5.625	9/25/2048
4	Finance Department Government of Sharjah	SHJGOV	US38381CAF95	5.80	1,000,000,000	N/A	Ba1	BBB-	AE	6.125	3/6/2036
5	Abu Dhabi Government International Bond	ADGB	US29135LAU44	5.45	1,750,000,000	AA	N/A	AA	AE	5.5	4/30/2054
6	MDGH GMTN RSC Ltd	MUBAUH	US44985GAE17	5.40	750,000,000	AA	Aa2	AA	AE	6.875	11/1/2041
7	Finance Department Government of Sharjah	SHJGOV	US38381CAE21	5.31	1,000,000,000	N/A	Ba1	BBB-	AE	6.5	11/23/2032
8	DP World Crescent Ltd	DPWDU	XS3066663124	5.09	1,500,000,000	BBB+	Baa2	N/A	AE	5.5	5/8/2035
9	Saudi Government International Bond	KSA	US80413TBL26	4.97	4,000,000,000	A+	Aa3	N/A	SA	5.625	1/13/2035
10	Abu Dhabi National Energy Co PJSC	TAQAUH	US00386SAB88	4.93	912,487,000	AA	Aa3	NR	AE	6.5	10/27/2036
11	Suci Second Investment Co	PIFKSA	XS2706163305	4.82	1,250,000,000	A+	Aa3	N/A	SA	6.25	10/25/2033
12	Saudi Government International Bond	KSA	US80413TBA60	4.67	2,500,000,000	A+	Aa3	N/A	SA	5.5	10/25/2032
13	RAK Capital	RAKS	XS3016636683	4.66	1,000,000,000	A+	N/A	A	AE	5	3/12/2035
14	Suci Second Investment Co	PIFKSA	XS2777443768	4.61	2,000,000,000	A+	Aa3	N/A	SA	5.171	3/5/2031
15	Abu Dhabi Government International Bond	ADGB	XS2811094486	4.24	1,500,000,000	AA	N/A	AA	AE	5	4/30/2034

Data Source: Bloomberg

Top Bond Picks for SUKUK

S No.	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Cntry of Risk	Coupon	Maturity
1	Esic Sukuk Ltd	ESICSU	XS2747181613	5.05	700,000,000	N/A	Baa3	N/A	AE	5.831	2/14/2029
2	BSF Sukuk Co Ltd	BSFR	XS2978771942	4.66	750,000,000	A-	N/A	A-	SA	5.375	1/21/2030
3	EI Sukuk Co Ltd	EIBUH	XS3030374030	4.65	750,000,000	A+	N/A	N/A	AE	5.059	3/25/2030
4	Al Rajhi Sukuk Ltd	RJHIAB	XS2761205900	4.60	1,200,000,000	A-	Aa3	N/A	SA	5.047	3/12/2029
5	BSF Sukuk Co Ltd	BSFR	XS2741362862	4.59	700,000,000	A-	N/A	A-	SA	5	1/25/2029
6	Saudi Electricity Sukuk Programme Co	SECO	XS2993845945	4.58	1,500,000,000	A+	Aa3	N/A	SA	5.225	2/18/2030
7	DIB Sukuk Ltd	DIBUH	XS2749764382	4.54	1,000,000,000	A	A3	N/A	AE	5.243	3/4/2029
8	EI Sukuk Co Ltd	EIBUH	XS2824746544	4.52	750,000,000	A+	N/A	N/A	AE	5.431	5/28/2029
9	SNB Sukuk Ltd	SNBAB	XS2747631914	4.50	850,000,000	A-	N/A	A	SA	5.129	2/27/2029
10	KFH Sukuk Co	KFHKK	XS2744854261	4.49	1,000,000,000	A	N/A	N/A	KW	5.011	1/17/2029
11	DIB Sukuk Ltd	DIBUH	XS2553243655	4.41	750,000,000	A	A3	N/A	AE	5.493	11/30/2027
12	Suci Second Investment Co	PIFKSA	XS2706163131	4.39	2,250,000,000	A+	Aa3	N/A	SA	6	10/25/2028
13	SRC Sukuk Ltd	SRCSUK	XS3010536061	4.38	1,000,000,000	A+	Aa3	N/A	SA	5	2/27/2028
14	KSA Sukuk Ltd	KSA	US48266XAJ46	4.36	1,500,000,000	A+	Aa3	N/A	SA	5.25	6/4/2030
15	KSA Sukuk Ltd	KSA	XS2829208599	4.36	1,500,000,000	A+	Aa3	N/A	SA	5.25	6/4/2030

Data Source: Bloomberg

Content:

MENA credit outlook

UAE's Binghatti Holding launches USD 500 Mn 5-year sukuk

Binghatti Holding successfully priced its USD 500 Mn Reg S 5-year benchmark sukuk at a profit rate of 8.125%, representing a spread of 418 bps over US Treasuries. The final pricing reflected a tightening from the initial guidance of around 8.500%. The issuance garnered strong investor appetite, being oversubscribed five times with an order book exceeding USD 2.5 Bn, and attracted significant interest from both regional and international investors. The sukuk, rated Ba3 (Stable) by Moody's and BB- (Stable) by Fitch, is issued under Binghatti's USD 1.5 Bn Trust Certificate Issuance Programme and is expected to be listed on Nasdaq Dubai and the London Stock Exchange. Emirates NBD Capital, Abu Dhabi Islamic Bank, HSBC, Dubai Islamic Bank, and Mashreq acted as Joint Global Coordinators, alongside Ajman Bank, Arqaam Capital, Abu Dhabi Commercial Bank, RAKBANK, First Abu Dhabi Bank, Sharjah Islamic Bank, and Warba Bank as Joint Lead Managers and Bookrunners.

FAB launched Gulf's first-ever Blue Bond issued by a bank

First Abu Dhabi Bank (FAB) issued a HKD 390 Mn (USD 50 Mn) five-year Blue Bond, becoming the first financial institution in the Gulf region to launch such an instrument. The bond is issued through a private placement, and was anchored by a 'Dark Green' investor seeking a specifically blue-labelled instrument. The proceeds from the issuance will be allocated to eligible projects within FAB's blue asset pool, which includes sustainable water management initiatives such as clean drinking water infrastructure, climate change adaptation projects (including wetland, mangrove, and coral reef rehabilitation), as well as sustainable fisheries, aquaculture, and broader biodiversity conservation.

Saudi Awwal Bank issued USD 1.25 Bn Tier 2 green bond

Saudi Awwal Bank (SAB) issued USD 1.25 Bn USD-denominated Tier 2 green bond priced at T+220 bps, tighter than initial guidance, with a 5.947% annual yield and strong demand exceeding USD 3.3 Bn. The issuance was led by Goldman Sachs International and HSBC which also serving as sole green structuring bank, while the bonds will be listed on the London Stock Exchange's International Securities Market. The offering was initially marketed at price thoughts of T+245 bps.

Alinma Bank priced USD 500 Mn AT1 sukuk at par with semi-annual coupon of 6.25%

Saudi Alinma Bank priced USD 500 Mn perpetual Additional Tier 1 (AT1) sustainable sukuk, non-callable for 5.5 years, at par with a semi-annual coupon of 6.25%. Additionally, the issuance attracted strong demand, with the order book exceeding USD 1.75 Bn excluding Joint Lead Manager interest. Furthermore, the sukuk will be issued on the London Stock Exchange's International Securities Market.

Banque Saudi Fransi issues USD 1 Bn Tier 2 capital notes

Banque Saudi Fransi issued Reg S USD 1 Bn Tier 2 capital notes offering a coupon of 5.761%, maturing in 10 years, with a call option after 5 years. The issuance will be offered to eligible investors both within the Kingdom and internationally. The bon d will be issued on London Stock Exchange's International Securities Market. Furthermore, DBS Bank, Emirates NBD Bank, HSBC Bank, Mashreq Bank, Mizuho International, Abu Dhabi Commercial Bank, Citigroup, and Saudi Fransi Capital were appointed as joint lead managers.

Kuwait secures USD 491 Mn through domestic debt sale

Kuwait successfully raised USD 491 Mn through its latest domestic debt issuance, which was oversubscribed ten times on the back of strong demand from local banks. Following this issuance, the country's Ministry of Finance achieved 50% of its KD 2 Bn local borrowing target for the 2025-2026 fiscal year. The issuance comprised a mix of two-year bonds and Murabaha instruments, priced at a variable rate of 0.25%-0.375% above the Central Bank's base rate. The proceeds from the offering are expected to be allocated towards Education, healthcare, infrastructure, and energy projects, while also supporting the country's general reserves.

Oman unveils USD 195 Mn development bond offering

The Central Bank of Oman, on behalf of the Omani government, announced the launch of the 76th Government Development Bonds issuance. The offering is valued at OMR 75 Mn, with an additional green shoe option of up to OMR 15 Mn. The bonds carry a five-year tenor, maturing on August 24, 2030, and offer an annual coupon of 4.35%, payable semi-annually on February 24 and August 24. The proceeds from the issuance are anticipated to support the government's financing needs, including covering the projected fiscal deficit and meeting debt servicing obligations.

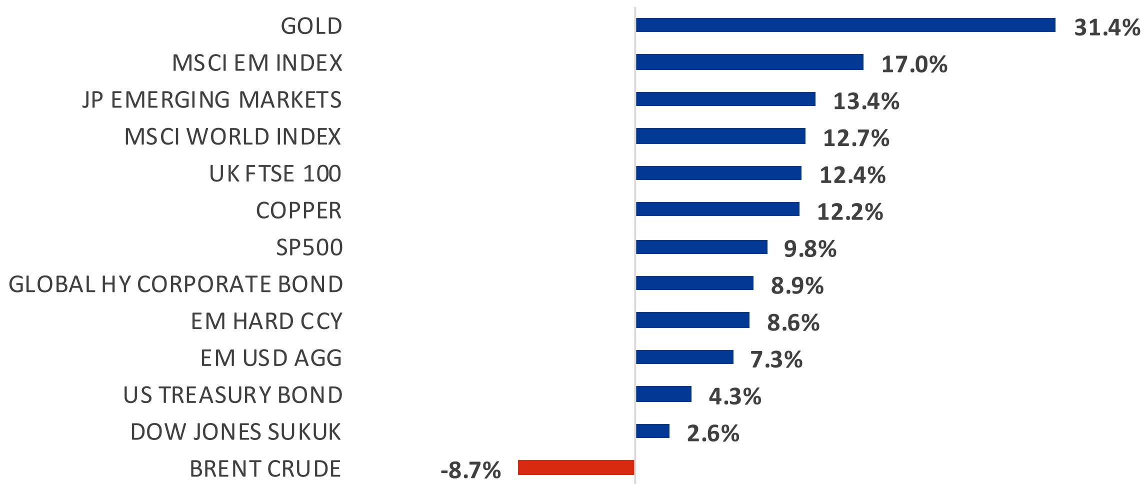
Oman development bonds attracted strong demand, oversubscribed 2.1 Times

The Central Bank of Oman (CBO) announced that the 76th Government Development Bonds (GDB) auction, valued at RO 90 Mn, was oversubscribed 2.1 times, with investor applications reaching RO 189.05 Mn. Additionally, the issue recorded an average yield of 4.32% at a price of RO 100.135, while yields ranged between 4.28% at RO 100.31 and 4.34% at RO 100.045. Furthermore, the five-year bond, offering a coupon rate of 4.35% per annum, is scheduled to mature on 24 August 2030.

Global Asset Performance

Global asset classes extended their gains in August 2025, supported by resilient economic activity data, positive corporate earnings, and policy developments that underpinned investor sentiment, even as geopolitical uncertainty and trade frictions persisted. Equity markets were broadly higher, with developed market equities leading performance. Equities maintained their upward trajectory, led by strong performances in both developed and select emerging markets. The MSCI Emerging Markets Index rose 1.2% MOM, driven by strong Chinese equity performance. Elsewhere, South Korean equities faced pressure from tax reforms, while Indian stocks lagged after the US imposed a 50% tariff. Brazil stood out as a global outperformer. Additionally, the JP Morgan Emerging Markets Bond Index (JPM EMBI) gained 2.1% MOM in August 2025. In developed markets, the S&P 500 rose 1.9% MOM in August 2025, and the MSCI World Index advanced 2.5% MOM, supported by notable strength in Japanese and the US equities. The UK FTSE 100 rose 0.6% MOM but underperformed, with hotter inflation and a cautious Bank of England stance dampening rate-cut expectations. Fixed income markets advanced, as global bond indices benefited from supportive liquidity conditions and moderating inflation trends. Global High Yield Corporate Bonds rose 1.5% MOM, reflecting improved risk appetite amid resilient corporate earnings. Emerging Market Hard Currency Debt also advanced 1.5% MOM, while EM USD Aggregate Bonds climbed 1.3% MOM, supported by US rate cut forecasts and a weaker US dollar. US Treasuries edged up 1.0% MOM, supported by Powell's Jackson Hole remarks and weaker data that reinforced expectations of a September Fed cut, while yield curve steepening signaled investor concerns over long-term policy credibility and Fed independence. Meanwhile, the Dow Jones Sukuk Index extended its gradual recovery, rising 0.6% MOM in August 2025. In commodities, performance diverged sharply. Gold prices increased 4.8% MOM in August, after a stable value in July, driven by a weaker US dollar, lower Treasury yields, and heightened expectations of a September Fed rate cut despite intermittent easing of geopolitical risks. Additionally, copper also rose 3.8% MOM in August 2025. In contrast, Brent crude declined 6.1% MOM, driven mainly by weaker global demand concerns, OPEC+ supply increases, and renewed tariff worries, which outweighed mid-month support from supply disruption fears and strong US demand.

Figure 1: Global Asset Performance (YTD in FY2025)

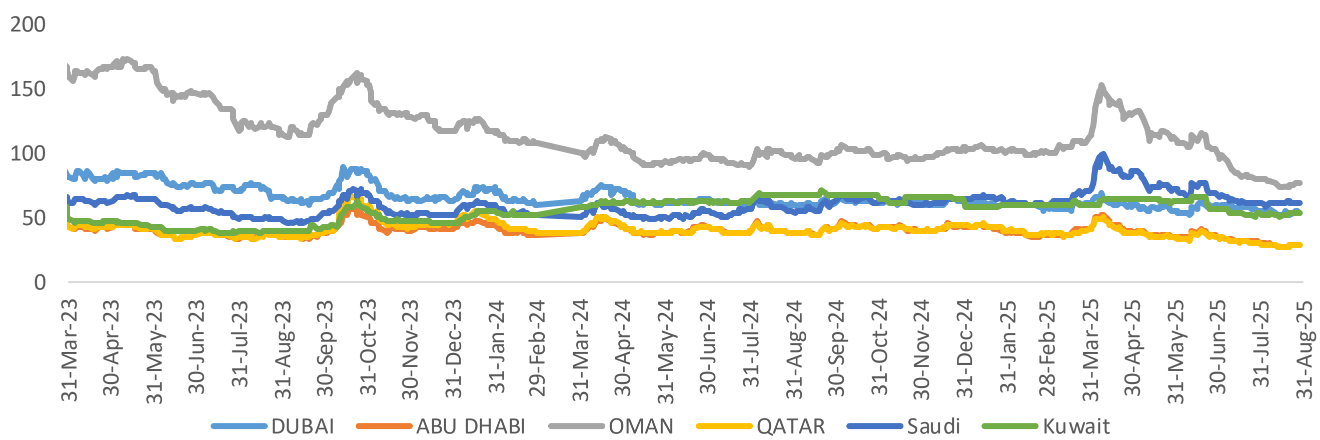


Source: Bloomberg

5-Year CDS

The 5-year CDS spread declined across all GCC Countries except Kuwait during August 2025. Kuwait recorded a growth of 0.41% MOM in August 2025. Abu Dhabi recorded the highest decline of 7.7% on a MOM basis in August 2025. Qatar recorded the second-highest drop of 4.0% MOM during the month. Additionally, on a MOM basis, other GCC countries such as Oman, Dubai, and Saudi Arabia also recorded a decline of 3.1%, 1.5%, and 0.5%, respectively, during August 2025.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	ABU DHABI	Oman	Kuwait	Qatar	Saudi
MTD (%)	-1.48%	-7.66%	-3.11%	0.41%	-4.04%	-0.49%

Banking Sector

Warba–Gulf Bank Merger to create Kuwait's third-largest Islamic Bank

Kuwait's Gulf Bank secured preliminary approval from the Central Bank of Kuwait to transition into a fully Sharia-compliant institution, a move closely tied to its planned merger with Warba Bank. Moreover, the merger will establish a new Islamic banking entity positioned to sustain growth for nearly a decade without requiring additional capital infusion. Warba Bank, which holds a 32.75% stake in Gulf Bank already secured approval from Gulf Bank's board to proceed. The combined entity is expected to become Kuwait's third-largest financial institution with total assets of approximately KWD 13 Bn (USD 42.5 Bn). Additionally, Gulf Bank's asset base of approximately KWD 7 Bn (USD 22.9 Bn) is expected to expand significantly once integrated into the Islamic framework, thereby strengthening the group's market share. Furthermore, the merger will leverage Gulf Bank's strong retail presence and branch network.

Corporate Sector

Dubai's Amanat inks deal to sell real estate assets for AED 453 Mn

Amanat Holding has signed a sale and purchase agreement (SPA) to divest the real estate assets of North London Collegiate School for AED 453 Mn (USD 123.3 Mn). The transaction, including the transfer of the property, is expected to be finalized in 3Q25.

ADNOC raised USD 317 Mn through a secondary offering in its logistics subsidiary

ADNOC raised USD 317 Mn through an institutional placement of a 3% stake in its logistics and services unit, executed through a bookbuild offering. Additionally, the company priced the placement at AED 5.25 (USD 1.43) per share for c. 222 Mn shares. Furthermore, the transaction attracted strong demand, achieving nearly seven times oversubscription and ranking among the region's strongest secondary sell-downs. The deal is expected to raise ADNOC L&S's free float to 22% and enhance share liquidity.

Rating Outlook

- **Abu Dhabi**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the nation's financial and economic vision and policies success and the strength and stability of its economic, financial and credit sectors.
- Fitch affirmed **Oman**'s credit rating at BB+ and revised its outlook from stable to positive. Fitch cited improved public and external finances, including a reduction in government debt-to-GDP, lower net external debt, improved balance sheet, fiscal prudence, and stronger sovereign foreign assets as the factors driving the revision in outlook. The upgrade is driven by a decline in the debt-to-GDP ratio, improved government spending, and rise in oil prices. The upgrade is based on the premise that Oman is using oil revenues to pay down debt, extend its maturity, use fiscal restraint to mitigate external risks, and forecast higher oil prices by Fitch. According to Fitch estimates, government debt-to-GDP will fall from 37.5% in 2023 to 34% in 2024 and further to 33.3% in 2026. It further expects Oman's external debt to decline by USD 2.8 bn to USD 26.6 Bn in 2024 (24% of GDP). Moody's recently upgraded Oman's long-term issuer and senior unsecured ratings to **"Baa3" from "Ba1**", citing expected enhancements in the country's debt position and improved resilience to lower oil prices. However, Moody's revised the country's outlook to "stable" from "positive", as Oman's fiscal and economic outlook remains exposed to risks stemming from its continued heavy reliance on the hydrocarbon sector and potential declines in global oil demand and prices. S&P Global Ratings upgraded Oman's long-term ratings from 'BB+' to 'BBB- 'with a stable outlook due to continued deleveraging of public sector entities. It also raised the short-term ratings on Oman from 'B' to 'A-3', while it revised the transfer and convertibility assessment from 'BBB-' to 'BBB'. The rating upgrade is attributable to the deleveraging balance sheet of the Omani government and several state-owned enterprises (SOEs) coupled with the commitment of the authorities to advance its longer-term structural reform agenda to solidify its economy.
- S&P Global Ratings revised its credit rating outlook on **Bahrain** from **stable to negative**. The rating agency affirmed Bahrain's short-term foreign and local currency sovereign credit ratings at 'B+/B' with a negative outlook. The downgrade of the rating is driven by the growing risks to the fiscal position and the government's ability to service and refinance debt. The agency also cited that market volatility and weak financial conditions will lead higher interest burden on the government. It also expects the fiscal deficit to remain elevated due to lower oil prices, ongoing maintenance activity at the key Abu Sa'fah oil field and higher social spending. S&P expects the fiscal deficit to widen to 7.0% of GDP in 2025 compared to 5.2% in 2024. Fitch has recently revised the outlook on Bahrain's long-term foreign currency issuer default rating to **Negative** from Stable with a rating of B+. The revision in the credit rating is mainly due to mounting fiscal pressures, growing debt levels, coupled with high interest burden and delayed fiscal reforms.
- Fitch Ratings affirmed **Kuwait**'s long-term foreign-currency issuer default ratings, or IDR, to 'AA-' with a stable outlook. This is due to the Gulf state's fundamental issues being worsened by continued political limitations on decision-making. Since 2017, the Gulf state has been debating debt legislation, demonstrating the slowness with which decisions are made. Kuwait's debt is expected to climb to about 50% of GDP after the debt law is approved, according to the credit rating agency, up from the current 10%. The Kuwaiti administration has been attempting to adopt new public debt legislation to alleviate the country's liquidity constraints, but the bill has been continually blocked by parliament.
- **Saudi Arabia**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) remained unchanged at 'A+' by Fitch Ratings, with a 'Stable' outlook. The key reasons cited by the rating agency for the rating are strong fiscal and external balance sheet, low government debt and sizable foreign reserve. The growth in the non-oil sector remains robust and the reform momentum is strong, while rising deficit, continued reliance on oil and external borrowing pose challenges. Moody's

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

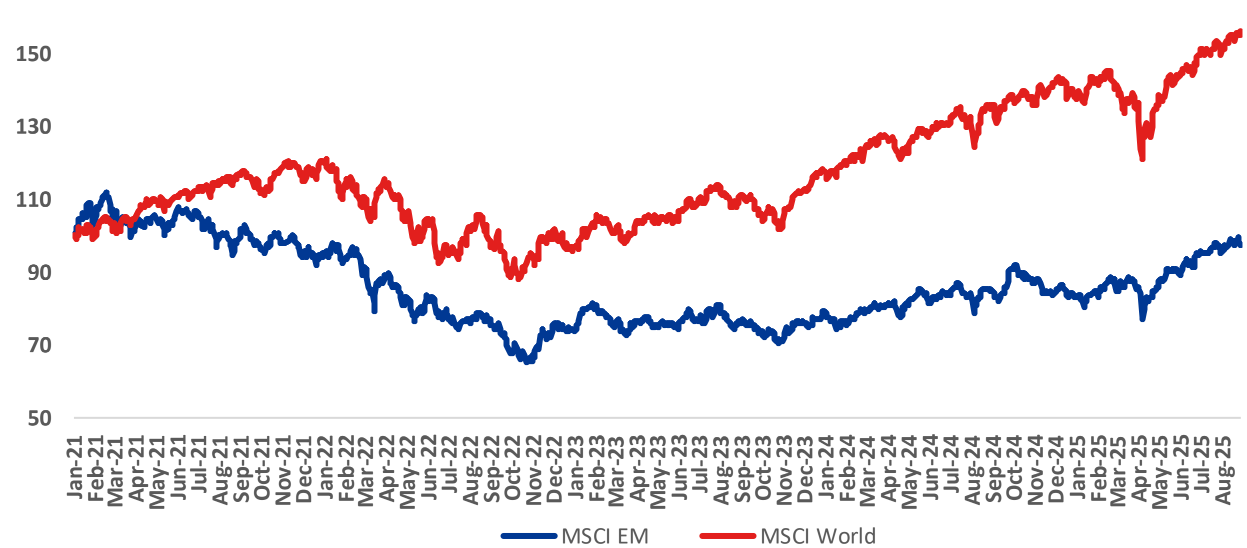
- In January 2024, Moody's upgraded **Qatar**'s local and foreign-currency Long-Term issuer and foreign currency senior unsecured debt ratings to Aa2 from Aa3. It also changed the outlook from positive to stable. The rating is attributed to significant improvements in Qatar's fiscal metrics during 2021-2023.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

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

Global Markets

Global equity markets extended their gains in August 2025, though performance was uneven across regions. Investor sentiment remained broadly positive, supported by resilient global economic activity, strong corporate earnings, and policy signals, despite rising trade frictions and political uncertainties. Both developed and emerging markets advanced, continuing the momentum from July. The MSCI Emerging Markets (EM) Index gained 1.2% MOM in August, marking its eighth straight monthly rise. China led the gains, supported by the extension of the US-China trade truce until November and Beijing's plan to triple chip supply by 2026, which boosted technology stocks. Brazil also reached record highs, driven by easing inflation, favourable global liquidity, solid fundamentals, and broad-based sector gains, despite ongoing fiscal challenges. Conversely, South Korea underperformed as tax reforms dampened sentiment, while Indian equities weakened after the US imposed a sharp 50% tariff on imports to discourage Russian oil purchases. EM equities have outperformed MSCI World on a YTD basis, with the MSCI EM Index gaining 17.0% versus a 12.7% rise in the MSCI DM Index. Developed markets also posted robust gains, with the MSCI DM Index climbing 2.7% MOM. The US continued to lead, with the S&P 500 advancing 1.9% and touching new record highs. Strong second-quarter corporate earnings were a key driver, with nearly three-quarters of S&P 500 companies beating estimates. An upbeat manufacturing PMI further supported optimism, while the government's announcement to acquire a 10% stake in Intel added confidence to the technology sector, offsetting concerns around payroll revisions and AI-related revenue sustainability. Japan emerged as the standout performer in local currency terms, with the TOPIX surging 4.0% MOM due to the recently signed US-Japan trade deal, stronger-than-expected quarterly GDP growth, and rising core machinery orders, all of which highlighted resilient economic momentum and boosted confidence in corporate investment. The MSCI Europe ex-UK index advanced, supported by an expansionary composite PMI and robust loan growth. However, French equities weighed on overall returns, with the CAC 40 slipping 0.8% MOM as political uncertainty escalated following a government no-confidence vote. The UK's FTSE-100 rose 0.6% MOM in August but underperformed, as hotter-than-expected inflation and a hawkish Bank of England stance tempered rate-cut expectations, overshadowing gains. On the policy front, US trade actions underscored a more protectionist shift. While fewer announcements were made compared to earlier months, the imposition of higher reciprocal tariffs on multiple partners and a 50% levy on Indian imports signalled Washington's intent to exert pressure on trade flows, particularly those linked to Russian energy. These measures could fuel renewed trade tensions, disrupt global supply chains, and present headwinds for emerging market equities.

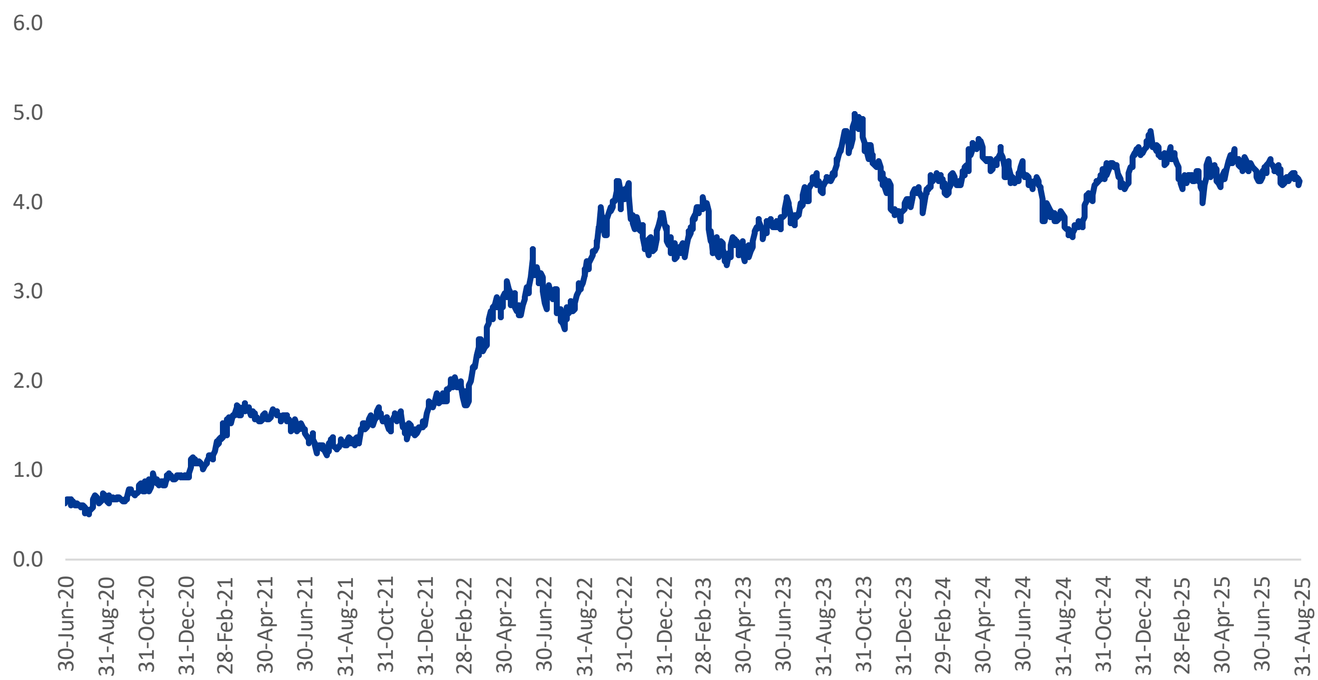
Figure 3: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

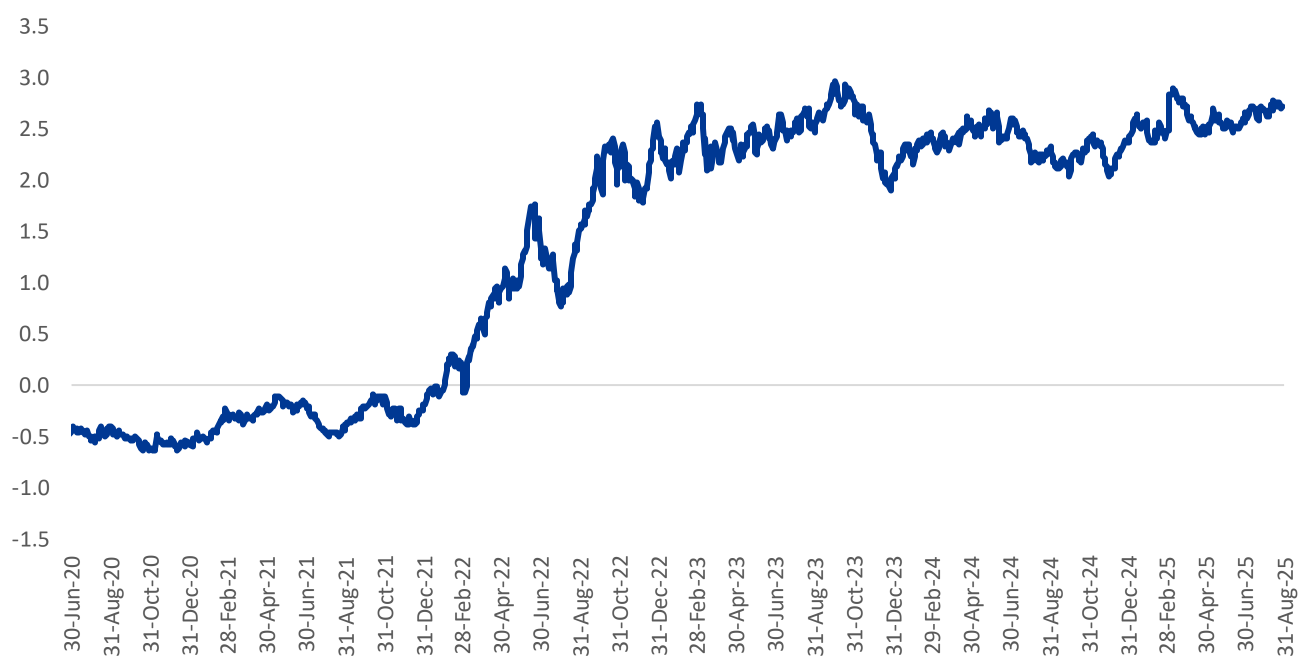
Yield on 10-year government

Figure 4: US 10-year government yield



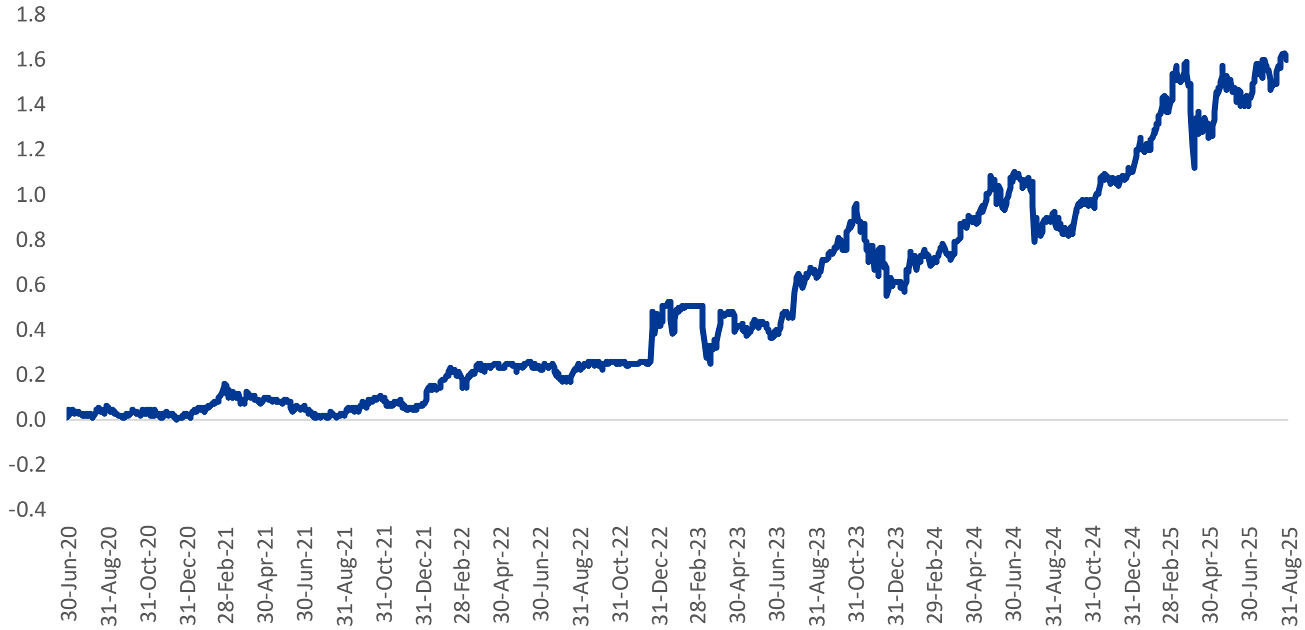
Source: Bloomberg

Figure 5: Germany 10-year government yield



Source: Bloomberg

Figure 6: Japan 10-year government yield



Source: Bloomberg

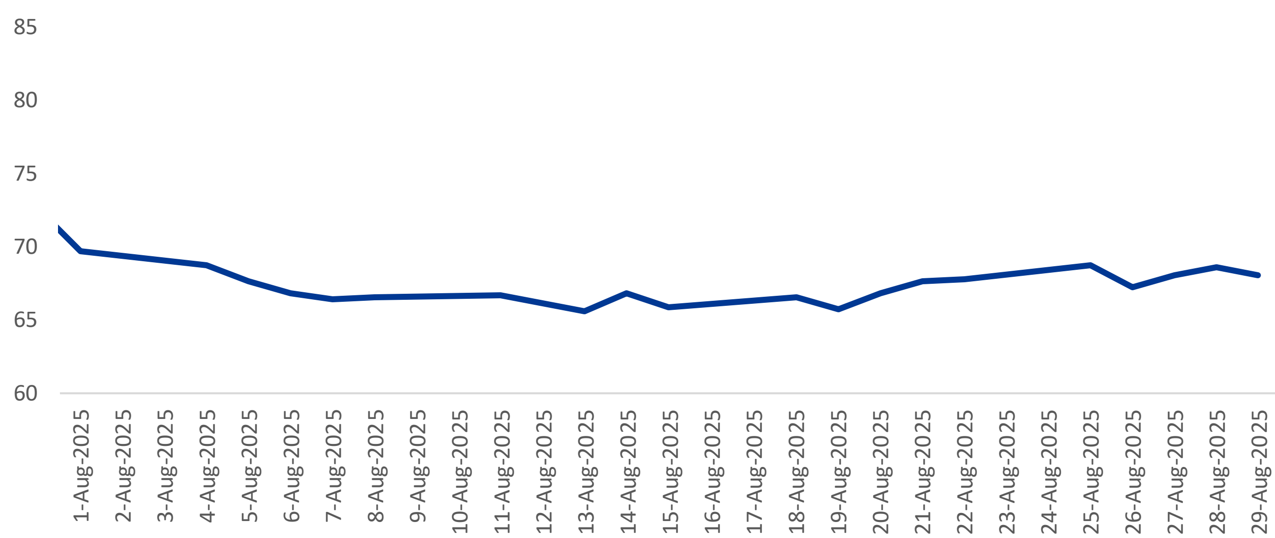
Figure 7: UK 10-year government yield

Source: Bloomberg

Oil Outlook

Brent Crude oil prices declined 6.3% MOM to USD 67.98 per barrel on 28 August 2025. Oil prices fell in the first week of August due to concerns of weaker global demand and OPEC+ plans to increase production in September 2025, raising concerns of oversupply. OPEC+ agreed to boost output by 547 thousand barrels per day from September 2025. Prices continued to decline in the following week due to the worries of higher US tariffs, along with Russia and Ukraine moving closer to a peace deal. However, prices rebounded after mid-month due to increasing fears of supply disruptions resulting from Ukraine’s strikes on Russia’s energy infrastructure. Moreover, a larger-than-expected decline in the US crude inventory indicated strong demand, supporting the hike in oil prices. Further, oil prices declined toward the end of the month amid further expectations of weaker US fuel demand as the summer season ends.

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

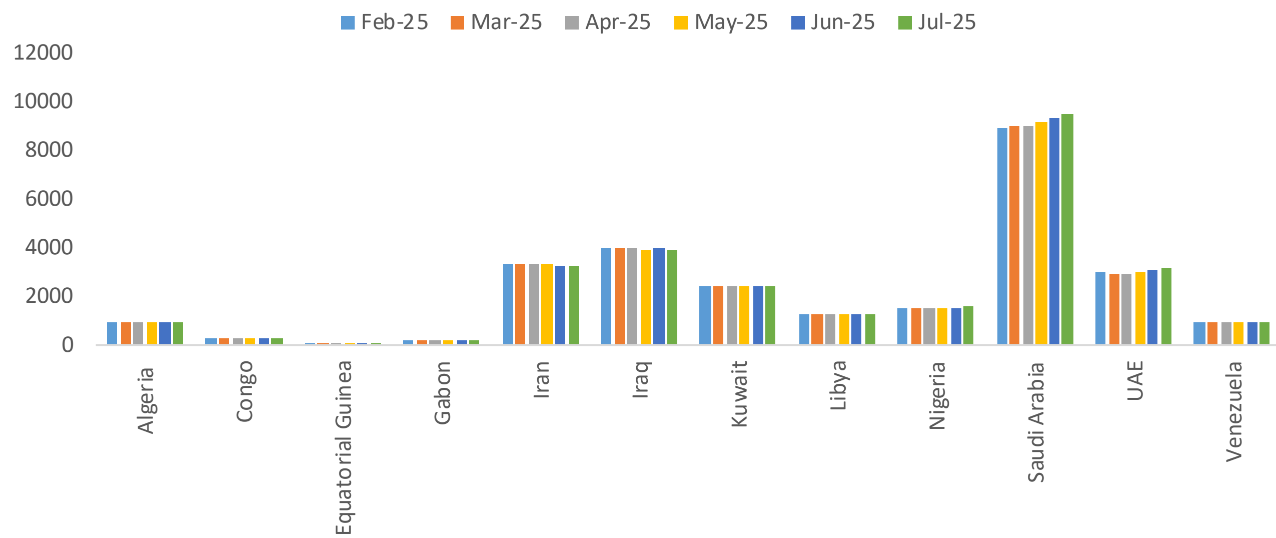


Source: Bloomberg

OPEC Production

Total Brent crude oil production from the OPEC-12 countries rose 262 thousand barrels per day (bpd) MOM, reaching 27.5 Mn bpd in July 2025. Seven of the 12 OPEC members reported an increase in production during the month. Saudi Arabia witnessed the largest rise in production, increasing 170 thousand bpd MOM in July 2025, followed by the UAE, which saw a 109 thousand bpd MOM growth. Libya’s oil output increased 22 thousand bpd MOM in July 2025, while Nigeria’s oil output grew 16 thousand bpd MOM. Similarly, Kuwait and Congo witnessed a production growth of eight and five thousand bpd MOM, respectively, in July 2025. Furthermore, Algeria’s oil output increased four thousand bpd MOM in July 2025. On the other hand, Iraq’s oil output fell the most by 51 thousand bpd MOM in July 2025, followed by Iran with a 12 thousand bpd MOM decline, while Iran’s oil production fell five thousand bpd MOM. Additionally, Equatorial Guinea’s production in July 2025 remained unchanged compared to the previous month at 53 thousand bpd.

Figure 9: OPEC Crude Oil Production

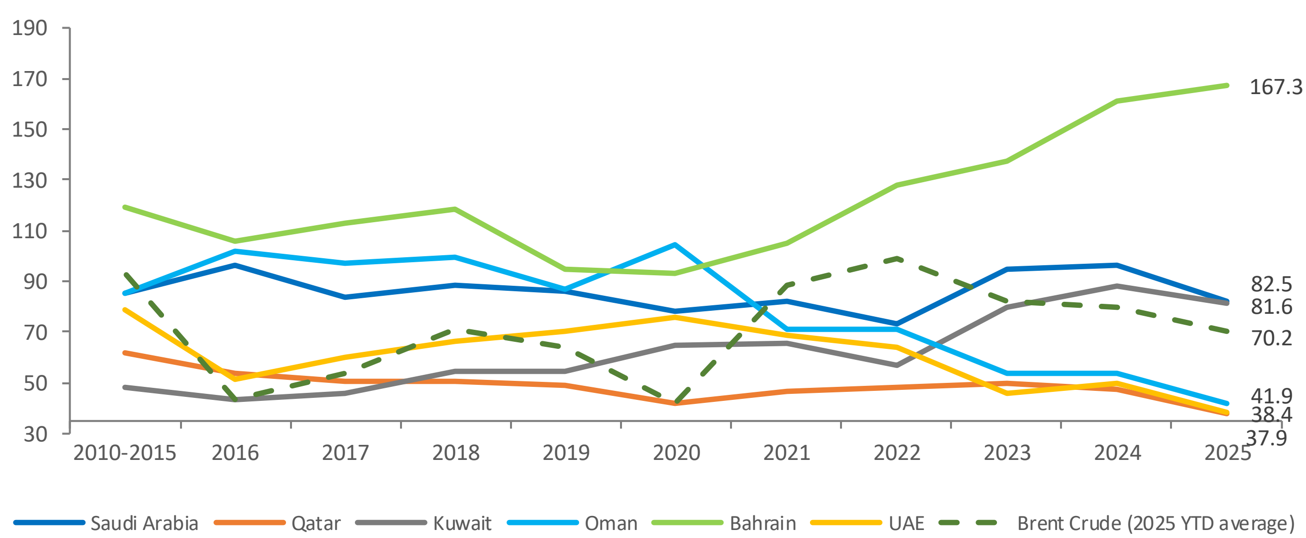


Source: OPEC

Fiscal Breakeven Oil Price

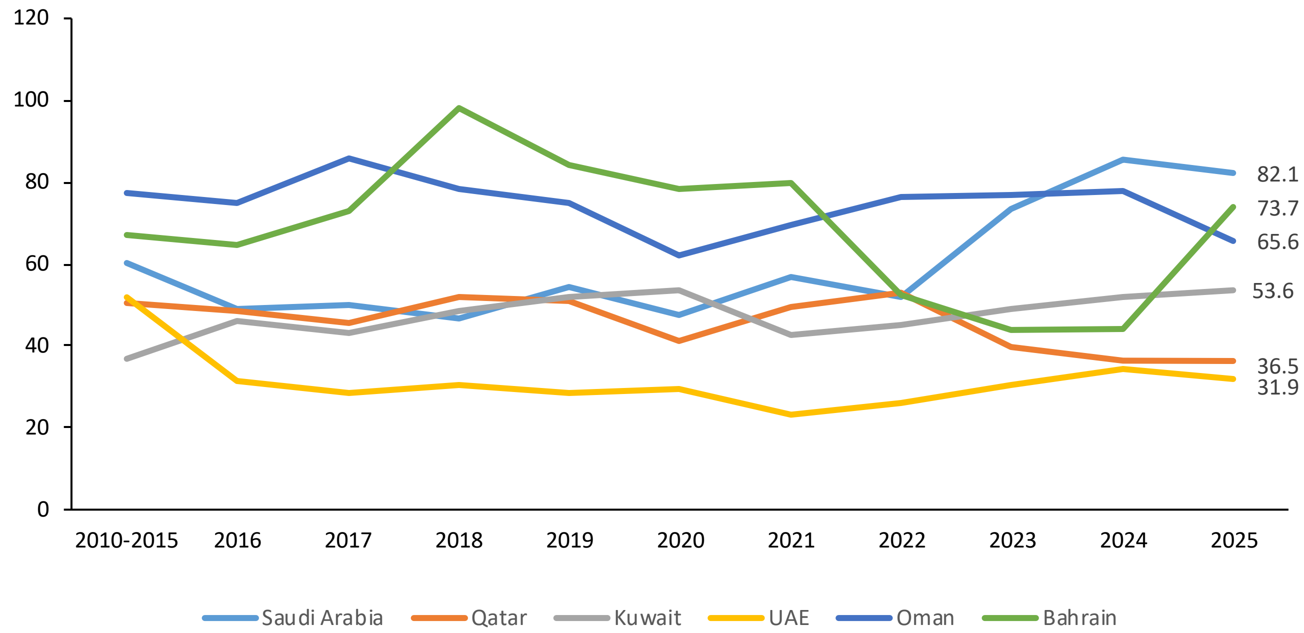
The overall fiscal breakeven oil price is expected to decline for all GCC Countries in FY2025, except Bahrain. Bahrain's fiscal breakeven is projected to grow from USD 160.8 per barrel in FY2024 to USD 167.3 in FY2025. Saudi Arabia, Qatar, Kuwait, UAE and Oman will record a decline in break-even oil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

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



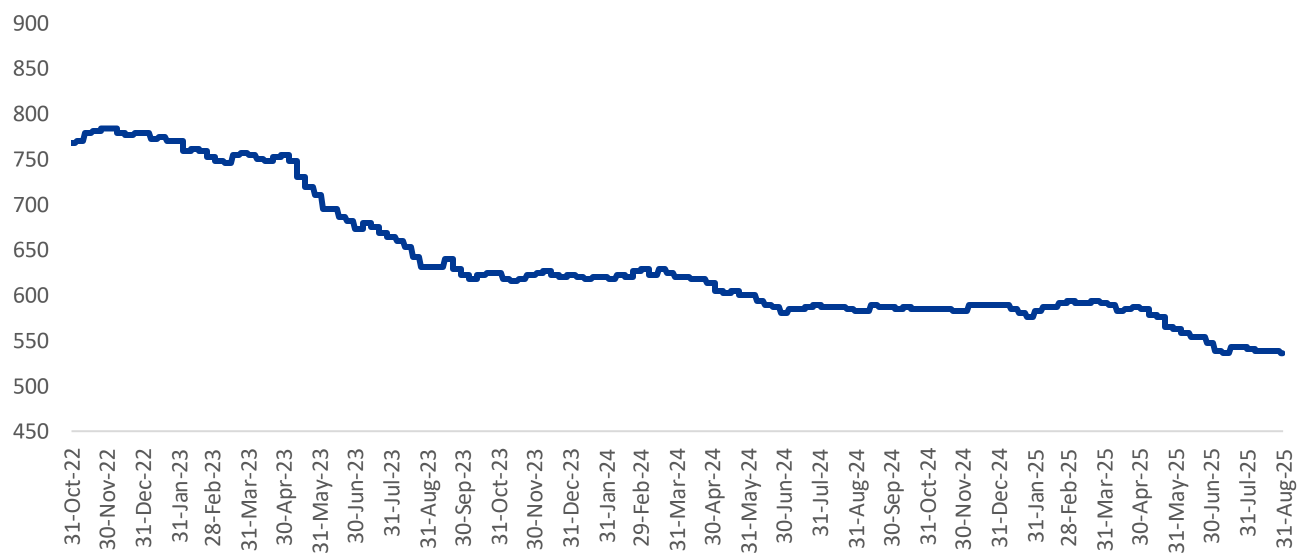
Source: Bloomberg

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



Source: Bloomberg

Figure 12: Oil Rig Count



Source: Bloomberg

Credit Strategy

Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody’s/S&P/Fitch
ALDAR 3.875% 2029	Real Estate	97.54	4.56	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	94.52	8.67	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	97.64	4.23	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	96.49	5.86	NA/NA/BBB+
GENHLD 4.76% 2025	Investment Co.	100.03	4.70	A1/NA/A
INTLWT 5.95% 2039	Power Generation and Water Utility	101.17	5.85	Baa3/NR/BBB-

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

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

Implications of Securities Recommendations

Bond Particulars	Call	Price	Yield	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	101.17	5.78	1.04	1.54	2.84	2.12
GENHLD 4.76% 2025	OW	100.03	4.58	0.02	0.14	0.35	0.39
BGBKKK 2.75% 2031	MW	96.49	6.31	1.04	1.94	4.43	3.52
ARAMCO 3.5% 2029	OW	97.64	4.21	0.34	1.77	3.73	1.91
KWIPKK 4.5% 2027	MW	94.52	8.54	-0.16	0.71	3.23	1.17
ALDAR 3.875% 2029	OW	97.54	4.53	0.15	1.27	3.46	0.96

Source: Bloomberg.

ALDAR 3.875% 2029: Maintain OVERWEIGHT rating

We assign an OVERWEIGHT rating on Aldar Properties PJSC’s (Aldar Properties) 3.875% senior unsecured Sukuk maturing in October 2029. The Sukuk is trading at USD 97.54 with a yield of 4.53% when held until maturity (redemption at par) with a modified duration of 3.72. 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 73.6 Bn. Apart from being a reliable government contractor, the Company developed many innovative projects, such as Yas Island’s F1 circuit and the Gate Towers in Shams Abu Dhabi. Demand for Abu Dhabi’s real estate is robust, and the government supports it in terms of home purchasers. The current market has a good supply, and investors are confident in investing in quality projects in prime locations. Aldar diversified its operations and acquired SODIC in Egypt in FY2021. SODIC is a leading Egyptian real estate company with a strong track record of 25 years, having a land bank of 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 26.5% stake through its related companies Sublime Commercial Corporation, Sogno Two, and Sogno Three Sole Proprietorship LLC. Aldar Properties is an important strategic partner to the government, having completed several large-scale infrastructure projects and developments in the UAE.

- Aldar Properties (Aldar) released its financial results for 1H25 with a revenue of AED 15.5 Bn, up 42.2% YOY, the growth was driven by strong double-digit performance in both the Development and Investment segments, supported by cross-platform growth driven by inventory sales, successful new launches, ongoing recognition of development revenue backlog, contributions from recurring income portfolio from both organic and acquisitions. It recorded a gross profit of AED 5.3 Bn, up 38.7% YOY in 1H25, and a net profit of AED 3.6 Bn, up 25.9% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose to AED 0.452 in 1H25 from AED 0.358 in 1H24, demonstrating consistent long-term shareholder value growth.

- Aldar's strong financial results are primarily driven by the robust revenue growth supported by high demand for new launches and strong sales from existing inventory. The Company's revenue backlog stood at AED 62.3 Bn as of 1H25 compared to AED 54.6 Bn in FY2024, providing strong revenue visibility across the UAE and International Business. Additionally, Aldar launched 5 new developmental projects, Manarat Living III and The Wilds, Fahid Beach Residences, The Beach House, and Waldorf Astoria Residences Yas in 1H25. The project management service segment backlog stood at AED 86.0 Bn as of 1H25, with AED 57 Bn under construction. The Company's growth was sustained by continued execution of the development revenue backlog, record development sales, and contribu tions from the recurring income portfolio. High occupancy and strong rental growth across the core investment portfolio drove a solid performance, further boosted by strategic acquisitions, including Masdar City assets, which brought the platform's assets under management to AED 47 Bn in 1H25. Strategic acquisitions, increasing rental rates and near-full occupancy levels, alongside strong growth from Aldar Estates and Aldar Education, are driving income stability and revenue growth.
- Aldar's landbank is strategically distributed across investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 60.0 Mn sqm.
- Aldar Properties deployed a capex amounting to c. AED 1.0 Bn in 1H25, while in FY2024, the Company deployed capital of AED 2.3 Bn. The Company has further guided that it will deploy capital of AED 3-4 Bn in FY2025 and AED 9-12 Bn in FY2027 across its Property segment. In Abu Dhabi, the Company's total land area spans 59.9 Mn sqm, with a gross floor area (GFA) of 7.9 Mn sqm. Meanwhile, in Dubai, the land area encompasses 0.05 Mn Sqm.
- Liquidity position remains strong with unrestricted cash of AED 12.2 Bn and AED 17.5 Bn of undrawn credit facilities as of 1H25. The Company's total debt increased from AED 16.4 Bn in 4Q24 to AED 22.1 Bn in 1H25.
- Aldar Education is a leading private education provider in Abu Dhabi, with 31 owned and managed schools as of 1H25, primarily located across the UAE, and one greenfield project in Abu Dhabi. Aldar further expects growth with the opening of Yasmina American School in Khalifa City and a new Muna British School campus in Saadiyat Lagoons in 2025-26, along with other expansion plans. Additionally, the Company plans to bring King's College School Wimbledon to Fahid Island in 2028-29.
- Aldar Investment's strategic partners have established a USD 1 Bn private credit platform in Europe, aimed at investing in senior secured debt across a range of real estate sectors in the UK and the European Union.

KWIPKK 4.5% 2027: Maintain MARKETWEIGHT rating

We assign a MARKETWEIGHT rating on Kuwait Projects Company (KIPCO)'s 4.5% senior unsecured bond maturing in February 2027. The bond is trading at USD 94.52 with a yield of 8.54% when held until maturity (redemption at par) and has a modified duration of 1.38. The bond is issued at the holding company level, so the debt service obligations would be met through the cash balance available with KIPCO and the dividends it receives from subsidiaries. The Company's assets and dividend inflow are concentrated in the three largest entities, contributing c. 60% of total asset value.

KIPCO is one of the largest holding companies in MENA, with its consolidated assets growing from KWD 13.0 Bn in FY2024 to KWD 13.5 Bn in 1H25, 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 a reduction in dividends if required.

- KIPCO's total revenue from operations increased 6.0% YOY to KWD 769 Mn in 1H25, mainly due to healthy performance from commercial banking, energy, industry and logistics, Hospitality and real estate income, partially offset by a decline in asset management and investment banking income.

- The Company's operating profit from continuing operations rose to KWD 89 Mn in 1H25, up from KWD 81 Mn in 1H24. Provisions for credit losses increased from KWD 9 Mn in 1H24 to KWD 30 Mn in 1H25. Profit before tax decreased from KWD 59 Mn in 1H24 to KWD 49 Mn in 1H25.
- The Company recorded a decrease in net profit attributable to shareholders from KWD 11.1 Mn in 1H24 to KWD 10.1 Mn in 1H25.
- KIPCO cash and bank balance at the parent company level stood at KWD 2,685 Mn in 1H25, compared to KWD 2,663 Mn in FY2024.
- Total outstanding debt decreased to KWD 853 Mn in 1H25 from KWD 922 Mn in 1H24.
- KIPCO has received a dividend income of KWD 6 Mn in 1H25 compared to KWD 7 Mn in 1H24.
- Moody's withdrew the rating on KIPCO following a review of the issuer's request to withdraw its rating(s). Fitch rating also downgraded KIPCO's long-term issuer rating to 'BB'- from 'BB' and revised the outlook from stable to negative, citing a further increase in leverage.

ARAMCO 3.5% 2029: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Saudi Aramco's 3.5% bond maturing in April 2029. The bond is trading for USD 97.64 and offers a yield of 4.21% with a modified duration of 3.31. The issuer's credit rating is constrained by the rating of its largest shareholder, the government of Saudi Arabia, given the close link between Aramco and the sovereign. Aramco is assigned a standalone credit rating of 'A+' by Fitch, supported by robust profitability, market leadership, significant cash flow visibility and net cash position.

- Saudi Arabian Oil Company is an integrated energy and chemicals company. Aramco's operations are divided into two main segments: Upstream and Downstream. Upstream activities are predominantly centred in Saudi Arabia, while the Downstream sector operates on a global scale. The Upstream segment of the Company is responsible for the exploration, development, production, and sale of natural gas, condensate, crude oil, and natural gas liquids (NGLs). The activities of the downstream section include supply and trading, power generation, retail operations, base oils and lubricants, petrochemicals and refining, and distribution. The reserves of Aramco amounted to 250.0 Bn barrels of oil equivalent in FY2024, consisting of 189.8 Bn barrels of crude oil and condensate , 26.1 Bn barrels of NGL, and 209.8 trillion standard cubic feet of natural gas. The Company manages 548 reservoirs within 148 fields spread across the Kingdom and its territorial waters.
- Fitch upgraded a long-term foreign and local currency IDR to 'A+' with a stable outlook in Dec 2024, reflecting the Company's strong business profile backed by strong control and support from the government. The government directly owns 81.48% stake in the Company in addition to the PIF ownership of 16%. Aramco's significant investments in capex and capacity expansion position the Company for future growth. Additionally, the Company maintains low production costs and substantial reserves, offsetting potential energy transition risks. Aramco boasts an SCP rating of 'aa+', three notches above the Sovereign's foreign currency rating of 'A+'. The worsening of Saudi Aramco's relative position to local peers would likely lead to a downgrade of rating.
- Revenue declined 5.2% YOY to SAR 784.5 Bn in 1H25, mainly due to crude oil, refined products, and chemicals were sold at lower prices. However, decline was partially offset by selling more refined and chemical products and trading larger volumes of crude oil compared to 1H24. Revenue from Downstream operation increased 1.6% YOY to SAR 458.0 Bn in 1H25, while revenue from Upstream operation fell 13.4% YOY to SAR 325.1 Bn in 1H24. Other income related to sales declined 35.2% YOY to SAR 52.3 Bn in 1H25, Other income from sales fell mainly because the government paid less price equalization compensation, as crude oil and product reference prices dropped while

regulated prices were higher than last year. Thus, revenue and other income related to sales fell from SAR 908.5 Bn in 1H24 to SAR 836.8 Bn in 1H25.

- Royalties and other taxes declined from SAR 107.0 Bn in 1H24 to SAR 78.3 Bn in 1H25. Total operating costs fell 4.3% YOY to SAR 478.3 Bn in 1H25 owing to a decrease in production royalties, partly offset by higher production and manufacturing costs compared to 1H24.
- The Company's finance and other income fell to SAR 8.2 Bn in 1H25, compared to SAR 13.1 Bn in 1H24.
- Income before taxes and zakat fell from SAR 414.6 Bn in 1H24 to SAR 356.8 Bn in 1H25, primarily attributed to a decline in crude oil prices, partially offset by higher volumes sold.
- Furthermore, Aramco's net profit declined from SAR 211.3 Bn in 1H24 to SAR 182.6 Bn in 1H25.
- Free cash flow fell from SAR 156.4 Bn in 1H24 to SAR 129.0 Bn in 1H25, primarily attributable to lower net cash provided by operating activities due to lower earnings and investment in working capital and higher capital expenditures due to higher capex on downstream operations.
- Aramco paid total dividend of SAR 160.2 Bn in 1H25. Additionally, this total dividend includes a performance -linked dividend of SAR 1.6 Bn.
- The Company's progress on its Upstream oil and gas projects, Phase one of the Dammam development project came onstream in 2025, with phase two expected in 2027, adding a total of 75 mbpd of crude oil capacity. Procurement and construction for the Berri and Marjan crude oil increments are on track for completion in 2025, providing an additional 250 mbpd and 300 mbpd, respectively. The Zuluf crude oil increment is progressing, with expected processing of 600 mbpd through a central facility in 2026. Construction of the Tanajib Gas Plant, part of the Marjan development program, is on track for 2025, adding 2.6 bscfd of raw gas processing capacity. Work on the Jafurah Gas Plant, part of the Jafurah unconventional gas field, is advancing, with phase one expected to complete in 2025 and sustainable sales gas projected at 2.0 bscfd by 2030, along with significant volumes of ethane, NGL, and condensate. Engineering, procurement, and construction activities for the Fadhili Gas Plant expansion are ongoing, expected to add 1.5 bscfd of additional raw gas processing capacity by 2027.
- Aramco's gearing ratio rose to 6.5% in 1H25 from -0.5% in 1H24. The increase was mainly due to a shift in net debt (from a cash position), driven by dividend payments and capital expenditures, partly offset by operating cash inflows during the period. Aramco's capital expenditure (capex) rose to SAR 93.2 Bn in 1H25 from SAR 86.1 Bn in 1H24. Capex for 1H25 remained broadly in line with the same period last year, supported by ongoing development of strategic gas projects and the expansion of crude oil production to maintain a maximum sustainable capacity of 12.0 mmbpd. The Company's debt rose from SAR 319.3 Bn in FY2024 to SAR 348.4 Bn in 1H25.

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 96.49. The bond offers a yield of 6.31% and a duration of 0.99. 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 125 branches and 279 ATMs as of 1H25. KIPCO Company holds a major stake in the Bank, owning 42.97%.
- Burgan Bank net operating income increased 13.7 % YOY to KWD 125.7 Mn in 1H25, driven by a 16.2% YOY growth in the net interest income amounting to KWD 82.6 Mn, coupled with a 13.7% YOY rise in the non-interest income amounting to KWD 125.7 Mn during 1H25.

- The Bank's net interest margins grew 10 bps YOY to 2.2% in 1H25 compared to 2.1% in 1H24.
- Operating expenses increased 22.4% YOY to KWD 76.6 Mn in 1H25. The cost-to-income ratio stood at 61.0% in 1H25 compared to 56.6% in 1H24.
- The Bank reported a net profit attributable to shareholders of KWD 20.8 Mn in 1H25, compared to KWD 21.2 in 1H24.
- Loans and advances to customers rose 4.0% YOY and 3.4% QOQ to KWD 4.6 Bn in 1H25. Deposit rose 15.7% YOY and 1.1% QOQ to KWD 5.4 Bn, with CASA deposit of 68% in 1H25.
- The Bank's non-performing loans increased from 2.5% in 1H24 to 3.2% in 1H25. Provisional coverage declined from 258% in 1H24 to 180% in 1H25.
- Capital adequacy ratio stood at 17.4% in 1H25, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 225% and 113%, respectively, as of 1H25, substantially above the minimum regulatory requirement of 100%.
- Burgan Bank successfully executed its first KWD 150 Mn perpetual AT1 bond issuance in the local market, which was oversubscribed, reflecting strong investor demand and forming part of the Bank's broader funding strategy.
- The bank launched a USD 500 Mn Certificate of Deposit (CD) program to further diversify its funding base.
- Burgan Bank signed a USD 190 Mn agreement to acquire Bahrain-based United Gulf Bank, aligning with its strategy to diversify assets and expand revenue streams.
- Fitch Ratings affirmed Burgan Bank's long-term IDR at "A" with a stable outlook. Moody's assigned a credit rating of "Baa1" with a Stable Outlook, and S&P Global also assigned a rating of "BBB+" with a Stable Outlook.

GENHLD 4.76% 2025: OVERWEIGHT rating

We assign an OVERWEIGHT rating on Senaat's 4.76% Sukuk maturing in December 2025. The Sukuk is trading for USD 100.03 and offers a yield of 4.58% when held till maturity (redemption at par). Arkan Building Materials Company PJSC completed the acquisition of Emirates Steel Industries PJSC ("Emirates Steel") and issued share capital from its majority shareholder, General Holding Corporation PJSC ("SENAAT"), on October 6th, 2021, in exchange for the issuance of 5.1 Bn new ordinary shares in the Company. Emirates Steel became a direct 100% subsidiary of the Company, and SENAAT's ownership in Arkan increased from 51% to 87.5% of its issued share capital as a result of this transaction.

- Overall Group revenues in FY2024 reached AED 13,260 Mn, down from AED 13,466 Mn in FY2023. The decline in revenue is attributed to lower revenues from the building materials and steel industries, partially offset by growth in the Snacking, Agri-business, and Food & Water segment.
- Revenue from the Food and Beverages segment increased to AED 4,923 Mn in FY2024 compared to AED 4,568 Mn in FY2023. Revenue from the Steel industry declined from AED 8,029 Mn in FY2023 to AED 7,577 Mn in FY2024. The revenue from Building materials declined to AED 761 Mn in FY2024 from AED 871 Mn in FY2023.
- The EBITDA declined to AED 1,827 Mn in FY2024, compared to AED 2,174 Mn in FY 2023. The EBITDA margin decreased to 13.78% in FY2024 from 16.15% in FY2023. However, the net profit of the Group declined to AED 988 Mn in FY2024 from AED 1,058 Mn in FY2023. The net profit margin also declined to 7.45% in FY2024 from 7.86% in FY2023. The Group earned 7.6% return on equity in FY2024 as compared to 8.2% in FY2023.
- As of December 31, 2024, the Group's total assets stood at AED 20.1 Bn, down from AED 20.6 Bn in December 2023, and the value of shareholders' equity stood at AED 12.8 Bn as of December 2024, down from AED 13.3 Bn in

December 2023. The external debt of the Group increased to AED 3.3 Bn in FY2024 from AED 3.1 Bn in FY2023, improving the EBITDA leverage from 1.7x in FY2023 ton 2.0x in FY2024. The consolidated cash and bank balance increased from to AED 1,077 Mn in FY2023 to AED 1,478 Mn in FY2024.

- The Long-Term Issuer Default Rating (IDR) of General Holding Corporation PJSC (Senaat) has been affirmed by Fitch Ratings at 'A' with a Stable Outlook. Senaat's Sukuk Limited's senior unsecured notes were similarly affirmed at 'A' by Fitch.

INTLWT 5.95% 2039: Maintain MARKET WEIGHT rating

We assign MARKETWEIGHT on APMI One's 5.95% bond maturing in May 2039. The bond is trading at USD 101.17 with a yield of 5.78% if held till maturity (redemption at par). The bond has a modified duration of 6.89. The Bond has a credit rating of BBB- from Fitch and Baa3 from Moody's both with a stable outlook.

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

- The Company's operational renewable capacity increased to 7.7 GW, while projects under construction and in advanced development stages expanded the total portfolio gross renewable capacity to 52 GW, accounted 55.3% of total power capacity. With this momentum, the company remains firmly on track to achieve its newly elevated target of a 70% renewable energy mix by 2030, surpassing the earlier goal of a 50/50 split between renewables and flexible generation six years ahead of schedule.
- The Company agreed to sell its 32% effective investment in SQWEC, an oil-fired facility with 850 MW of power and 212,000 cubic meters' water desalination capacity in the Kingdom of Saudi Arabia, on September 7, 2021. The sale reduced the diversification of APMI One cash flow. In order to offset the impact of lost cashflows from SQWEC, ACWA Power increased the stake in RAWEC that forms part of APMI One bondholder security and cashflows from 37% to 80%, while this offsets the cashflow impact of the sale of SQWEC, it results in greater concentration at RAWEC, for which we view the offtaker as of lower credit quality than for others in the portfolio. The issuer APMI One is a Special Purpose Company, incorporated under the laws of DIFC, which is 100% owned by ACWA Power Projects. However, APMI One is not the only entity ACWA Power Projects has its hands on.
- APP filed its zakat and tax returns for all the years till FY2024. APPs closed its position with the ZATCA until FY2018; moreover, the ZATCA is currently performing audits for FY2021-24. The Company's subsidiaries and associates received a higher tax assessment from ZATCA, which led to an additional liability of SAR 151 Mn (with ACWA Power's share of SAR 79 Mn). The Company has recognised provisions of SAR 151 Mn (ACWA Power share of SAR 79 Mn) against this assessment as of 30th June 2025.
- ACWA Power achieved financial close in May 2025 on two projects, including the Uzbek GH2 Phase 1 with an investment of SAR 0.4 Bn, a capacity of 52 MW and 3 KTPA, and 80% ownership, as well as the Tashkent Riverside PV + BESS with an investment of SAR 2.0 Bn, a capacity of 400 MW, and full ownership. These milestones highlight the company's expanding renewable and hydrogen portfolio in Uzbekistan.
- ACWA Power started contribution to the company's results from several projects between January and May 2025 through ICOD or PCOD. These included Chirquiq GH2 in Uzbekistan with 52 MW and 3 KTPA capacity at 80% ownership, Redstone CSP in South Africa with 100 MW at 36% ownership, Shuaibah 3 SWRO in Saudi Arabia with 600 m^3/day at 47.48% ownership, Bash Wind and Dzhankeldy Wind in Uzbekistan each with 500 MW at 65%

ownership, Al Shuaibah 2 Solar PV in Saudi Arabia with 2,060 MW at 35.01% ownership, and Layla Solar PV in Saudi Arabia with 91 MW at 40.76% ownership.

The financial details as of 1H25 for ACWA Power are listed below:

- ACWA Power's operating income before impairment loss and other expenses significantly grew from SAR 1,388.9 Mn in 1H24 to SAR 2,207.0 Mn in 1H25. The increase was driven by higher income from development and construction management services on eight projects and stronger operational project contributions, including an LD and insurance claim settlement at Noor 3 CSP. This was partly offset by higher outages, maintenance costs, and the absence of divestment gains in 1H25.
- Net profit attributable to equity holders declined 1.9% YOY to SAR 909 Mn in 1H25, despite stronger operating income. The uplift in operating performance was offset by SAR 435 Mn of negative hedging variances, mainly from hedge reserve recycling in 1H24 and current MTM losses, alongside higher net financial charges and lower finance income (SAR 111 Mn) from new project debt.
- The adjusted net profit for 1H25 amounted to SAR 1,172 Mn, a significant increase compared to SAR 723 Mn in 1H24. This sharp rise was driven by project in Africa, impairment loss, and no termination of hedging instruments in 1H24.
- ACWA Power completed SAR 7,125 Mn fundraising in 1H25 via a rights issue to finance expansion, target USD 250 Bn AUM by 2030, invest in power, desalination, green hydrogen, pursue M&A, and strengthen balance sheet amid growth plans. Additionally, it reinstated the Senegal project (400K m^3/day, fully renewable) following successful negotiations with the offtakers.
- Furthermore, the company signed 15 GW of PPAs under PIF 5 and PIF 6 in 1H25, representing one of the largest capacity deals ever executed simultaneously.
- The company entered strategic agreements to develop a green hydrogen and renewable energy export corridor between Saudi Arabia and Europe, while also expanding into Southeast Asia through partnerships in Malaysia.
- The company’s 18-month pipeline includes 80.7 GW of power (+~24 GWh BESS) and 6.7 Mm^3/day of water across 20 countries. It expects 34 financial closes (+1.8 GWh BESS) covering 2.4 Mm^3/day of water across 8 countries.
- The company achieved financial close worth SAR 2.4 Bn for two projects in Uzbekistan. Additionally, it achieved commercial operations for 3.3 GW of power capacity and 600K m^3/day of desalinated water capacity.
- In 1H25, ACWA Power signed a Share Purchase Agreement (SPA) to acquire multiple strategic assets across Kuwait and Bahrain for a total consideration of SAR 2.6 Bn. The transaction includes a 17.5% stake in Az-Zour North and a 50% stake in its O&M company in Kuwait, as well as a 45% stake in Al Ezzel along with full ownership of its O&M company, a 45% stake in Al Dur, and a 30% stake in Al Hidd in Bahrain. After completion, the deal is expected to add 4.6 GW of gas-fired power generation capacity and 1.1 Mn m^3/day of water desalination to ACWA Power’s portfolio. This increases ACWA Power’s overall operational capacity to around 41.8 GW of energy and 6.7 Mn m^3/day of water.
- In 1H25, consolidated power availability stood at 91.6%, marginally lower than level recorded in the same period of 2024 (92.6%). This performance was primarily driven by forced and planned maintenance outages across certain assets. Within the Power segment, renewable assets operated at an average availability of 96.3% during 1H25, compared to 92.7% in 1H24. Consolidated water availability stood at 97.8% in 1H25 compared to 96.5% in 1H24.
- ACWA Power reported a cash & short-term investment of SAR 4.3 Bn in 1H25. The Company’s debt stood at SAR 29.7 Bn in 1H25, up from SAR 26.3 Bn in FY2024.
- The Company’s total assets increased from SAR 56.9 Bn in FY2024 to SAR 60.9 Bn in 1H25.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

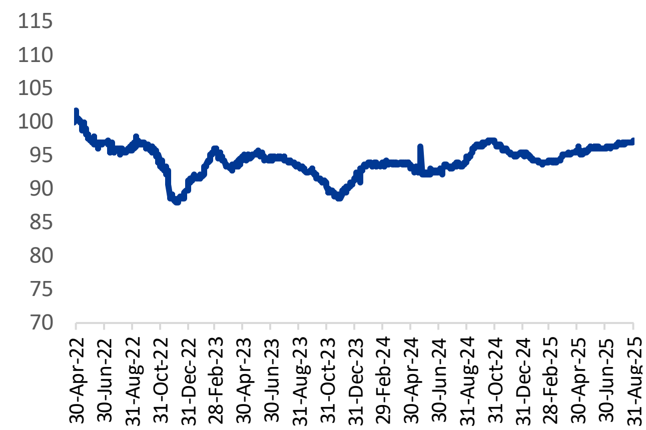


Figure 14: KWIPKK 4.5% 2027

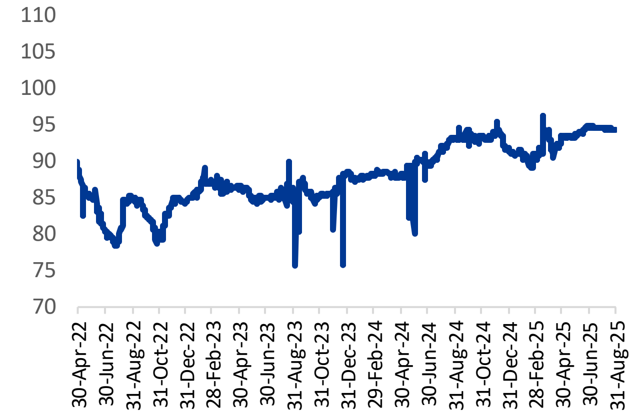


Figure 15: ARAMCO 3.5% 2029

Figure 16: GENHLD 4.76% 2025

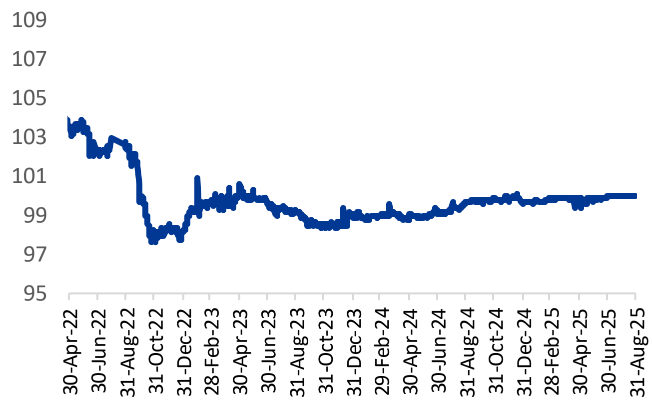


Figure 17: INTLWT 5.95% 2039

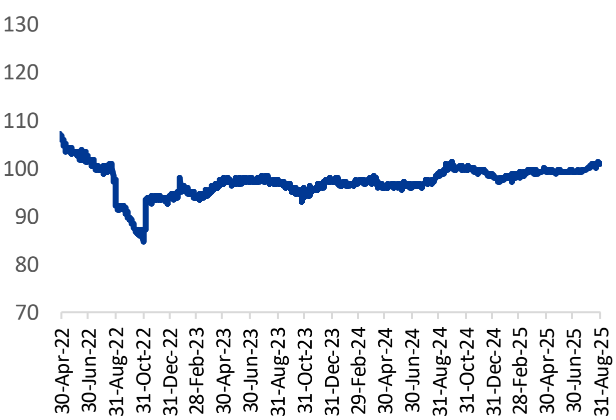
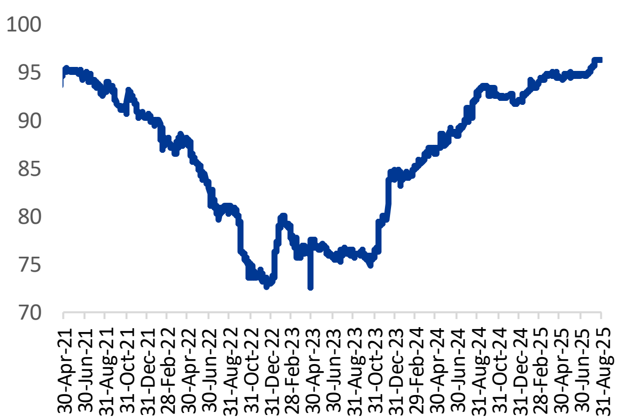


Figure 18: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	67.19	-9.98	-3.56
US dollar index	97.69	-9.96	-1.47
10Y Treasury yield[1]	4.23	-0.34	-0.14
2Y Treasury yield[1]	3.62	-0.63	-0.32
10Y German bond yield[1]	2.72	0.36	0.03
10Y Japan bond yield[1]	1.61	0.51	0.05
Bloomberg UAE Composite USD Liquid index	147.28	6.21	1.23

Source: Bloomberg, [1] in Basis point

Sovereign Highlights

UAE

UAE's non-oil private sector PMI declined to 52.9 in July 2025

UAE's seasonally adjusted S&P Global PMI fell to 52.9 in July 2025 from 53.5 in the previous month. The uncertainty in the region weighed on sales, resulting in a slowdown in new orders. Employment increased marginally, while purchasing activity declined, even though production increased sharply as firms tried to reduce work backlogs. Additionally, average sales prices increased due to a rise in cost inflation.

Santos extended the due diligence deadline for USD 18.7 Bn offer from ADNOC

Australian gas producer Santos extended the due diligence deadline to 22 August 2025 for the USD 18.7 Bn offer from XRG, along with ADQ and Carlyle. The offer valued Santos at USD 5.76 per share. The deal will make Santos, ADNOC's Asia-Pacific LNG hub, fulfil ADNOC's vision to expand beyond the Middle East.

Dubai's GDP increased 4% YOY in 1Q25

Dubai's economy showcased a resilient performance with GDP rising 4% YOY in 1Q25, reaching AED 119.7 Bn. The GDP growth is mainly driven by solid performance across Human Health and Social Work Activities, Real Estate, financial insurance, accommodation & food service, and transport & storage.

Saudi Arabia

Saudi Arabia's budget deficit reduces to SAR 34.5 Bn in 2Q25

Saudi's budget deficit fell 41.1% QOQ to SAR 34.5 Bn in 2Q25, mainly attributable to an increase in oil and other revenues. KSA's total revenue rose 14.4% QOQ to SAR 301.6 Bn in 2Q25, of which SAR 149.9 Bn is generated from non-oil activities. On the other hand, public spending in KSA increased 4.3% QOQ to SAR 336.1 Bn in 2Q25.

Saudi Arabia's non-oil PMI fell to 56.3 in July 2025 due to a slowdown in business activity

Saudi Arabia's non-oil PMI declined from 57.2 in June 2025 to 56.3 in July 2025 on the back of a slowdown in new orders. Fierce competition and lower customer footfall weighed on activity, while some businesses struggled to win new international clients, which led to lower exports. Firms witnessed a rise in inventory levels while input prices increased at a slower pace, along with shorter delivery times. Moreover, increasing input prices led to a surge in selling prices.

CMA might allow Global investor to trade on Tadawul

Saudi Arabia's Capital Market Authority (CMA) is exploring options of allowing global investors to participate in Tadawul. This follows CMA's decision to allow GCC residents to trade directly in the market. It stands as a part of larger reforms aimed at liberalising KSA's financial market, diversifying funding sources, and attracting international capital.

Saudi Arabia to allow listing of investment funds on Tadawul

CMA is planning to allow the public listing of investment funds Tadawul and Nomu. This initiative is aimed at expanding access to investment vehicles and enhancing the diversity of available financial products in KSA. It will also benefit the asset management industry and provide new funding channels to boost economic growth. Additionally, the funds exposure will be limited to not more than 25% of the total size for a single client.

Inflation in Saudi Arabia fell to 2.1% in July 2025

Saudi Arabia's inflation decreased 0.1% MOM to 2.1% in July 2025. According to GASTAT, the decline in inflation is mainly due to a slowdown in housing, water, electricity, gas, and fuel prices, despite a continued increase in rents. Food and beverages, personal goods and services, and restaurants & hotels prices also increased while prices of furnishings, transportation, and clothing eased.

Saudi Aramco signed a USD 11 Bn deal with an international consortium

Saudi Aramco signed a USD 11 Bn lease and leaseback deal for its Jafurah gas processing facilities with an international consortium led by Global Infrastructure Partners (GIP). The agreement creates a new subsidiary, Jafurah Midstream Gas Company (JMGC), which will lease development and usage rights for Jafurah Field Gas Plant and the Riyas NGL Fractionation Facility and lease them back to Aramco for 20 years. Aramco will hold a 51% stake in JMGC, while GIP will own the rest.

Saudi Arabia announced new land tax zones in Riyadh

Saudi Arabia's Minister of Municipal and Rural Affairs and Housing, Majid Al-Hogail, announced the geographic zones for the implementation of white land fees in Riyadh, marking a significant step toward regulating the real estate market and promoting balanced urban development in line with orders from Crown Prince Mohammed bin Salman. Moreover, the new phase of the program allows landowners and developers to seize development opportunities while supporting the ministry's objectives of increasing supply and achieving equilibrium in the housing sector. Under the updated framework, annual fees will be levied on undeveloped land according to five tiers:

Priority Zone 1: 10% of land value

Priority Zone 2: 7.5% of land value

Priority Zone 3: 5% of land value

Priority Zone 4: 2.5% of land value

Outside priority areas: exempted from fees but included in an owner's total undeveloped land holdings in Riyadh

Qatar

Qatar Gas aims to secure a USD 1 Bn syndicated loan

Qatar Gas Transport Co. (Nakilat) is planning to secure a USD 1 Bn syndicated loan, with Japan's Mizuho Bank appointed as the sole mandated lead arranger and bookrunner. The five-year facility includes a greenshoe option that could increase the total size by an additional USD 330 Mn. The loan is priced at a margin of 82 bps over SOFR, and the proceeds are expected to be used for general corporate purposes.

Bahrain

Bahrain's real GDP grew 2.7% YOY during 1Q25

According to the Bahrain Ministry of Finance, the country's real GDP grew 2.7% YOY in 1Q25. The GDP growth was mainly supported by a 2.2% YOY increase in non-oil activities and a 5.3% YOY rise in oil activities during the period.

Kuwait

Kuwait's business activity strengthens as PMI rises to 53.5 in July 2025

Kuwait's Purchasing Managers' Index (PMI) climbed to 53.5 in July 2025 from 53.1 in June 2025, signalling expansion in the non-oil private sector for the 11th consecutive month. The increase was primarily supported by a sharp rise in new orders, reflecting strong demand for goods and services. Employment levels held steady after hitting record highs in June, while growth in export orders eased to a three-month low, driven by advertising initiatives and price incentives. Overall, the sector maintained solid momentum, extending the expansion phase that began in February 2023.

Kuwait inks USD 3.27 Bn power plant deal

The Kuwait Authority for Partnership Projects (KAPP) signed agreements with Saudi Arabia's ACWA Power and the Gulf Investment Corporation for phases two and three of the Al-Zour North power plant, with a combined value exceeding KWD 1 Bn (USD 3.27 Bn). The project is expected to take three years to complete, and once completed, it is anticipated to add 2.7 GW of power generation capacity and produce 120 million gallons of water per day using combined-cycle technology. Kuwait expects electricity supply to improve significantly as major projects come onstream, including a large-scale partnership with China. Additionally, the government also aims to finalize an implementation agreement with China in 1Q26 for phases three and four of the Shagaya renewable energy project, which will add a combined capacity of 3.2 GW.

Kuwait aims USD KWD 3-6 Bn borrowing to fund the 2025–26 deficit

Kuwait plans to borrow KWD 3-6 Bn in 2025-26 through a mix of conventional and Islamic instruments to finance a widening fiscal deficit. The deficit is projected to increase to KWD 3.8 Bn in 2025-26 from KWD 1.2 Bn in FY 2024-25, primarily due to weaker oil revenues. Furthermore, the shortfall is expected to be fully financed through local and external borrowing, supported by the March 2025 debt law approval, which allows up to KWD 30 Bn in debt issuance over 50 years.

Kuwait posted USD 3.47 Bn fiscal deficit in 2024-25

The approved final account of the State Financial Administration for fiscal year 2024/2025 showed that revenues from ministries and government departments totalled KWD 22 Bn of which KWD 19.36 Bn is generated from oil revenues, while expenditures reached c. KWD 23.1 Bn. This resulted in an actual budget deficit of KWD 1.06 Bn. Meanwhile, the government posted a surplus of KWD 150.4 Mn in the first half of 2004-25, supported by elevated revenues and controlled spending.

Egypt

Egypt's non-oil sector edges toward stability as PMI approaches growth mark

According to the S&P Global Egypt PMI report, Egypt's non-oil private sector showed early signs of stabilization in July 2025. The country's headline PMI rose to 49.5 in July 2025 compared to 48.8 in June 2025, remaining below the 50.0 neutral mark but reaching its joint-highest level in five months, signalling only a marginal contraction. Employment level increased for the first time in nine months, while declines in output and new orders softened, with some firms citing improved sales activity. The wholesale and retail sector continued to weigh on demand and output. Input costs accelerated, particularly for cement and fuel, though they stayed below the long-run average. Selling prices rose for the third month in a row, though the pace of inflation remained moderate. Business sentiment edged higher from June's record low, with companies expressing cautious optimism on expectations of easing inflationary pressures and reduced regional instability.

Egypt's annual urban inflation eases to 13.9% in July 2025

According to CAPMAS, Egypt's annual urban consumer price inflation fell to 13.9% in July 2025, down from 14.9% in June. Urban food and beverage prices dropped 3% MOM in June 2025, but were still 3.4% higher compared to July 2024. On a monthly basis, urban inflation eased by 0.5% in July 2025, mainly due to lower prices in meat and poultry by 4.9%, fruits by 11%, and vegetables by 7%, while bread and cereals saw slight increases of 0.4% and seafood of 0.2%. Core inflation, which excludes volatile items such as fuel and select food products, edged up to 11.6% YOY in July 2025 from 11.4% in June.

Central Bank of Egypt cut policy rates by 200 bps to support growth

Egypt's central bank resumed its monetary easing cycle, delivering an expected 200 bps cut in overnight rates, the third reduction this year, as inflation moderated and economic growth accelerated. The deposits and lending rates were set at 22% and 23%, respectively. Furthermore, the country's preliminary GDP growth increased from 4.8% in 1Q25 to 5.4% in 2Q25, supported by stronger tourism and manufacturing. Meanwhile, headline inflation eased from 14.9% in June 2025 to 13.9% in

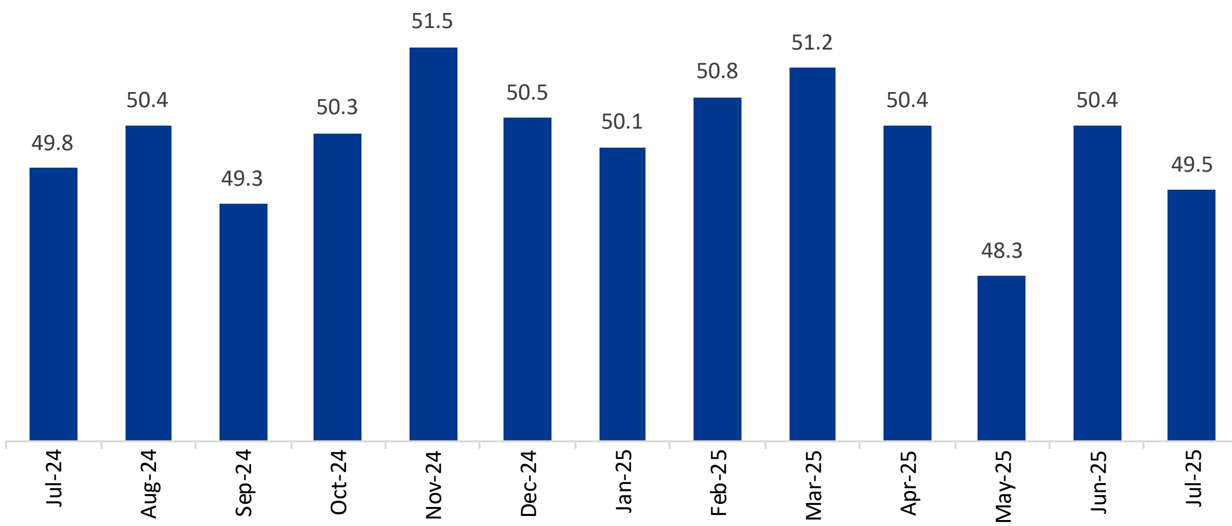
July 2025, well below its peak of 38% in September 2023. The Monetary Policy Committee emphasised that the decision reflected its updated assessment of inflation dynamics and the economic outlook.

Global Economy

China's manufacturing PMI fell to 49.5 in July 2025

China's manufacturing PMI turned into a contraction phase to 49.5 in July 2025 from 50.4 in the previous month. The decline in PMI index is mainly attributable to the weakening of new orders that resulted in lower production and staffing levels. Export orders declined for the fourth consecutive month in July 2025. Purchasing activity increased in July 2025 while th e supply chain conditions continued to worsen due to delays in shipment. Although input prices increased, businesses decreased selling prices amid intense competition.

Figure 19: China Manufacturing PMI



Source: CAPIQ

Bank of England cuts interest rates by 25 bps to 4.00%

The Bank of England reduces benchmark interest rates by 25 bps to 4.00% in August 2025, marking the fifth cut since August 2024. The committee will take a gradual and careful approach for further easing the interest rates as the inflation is expected to peak at 4.0% in September before falling towards the target rate.

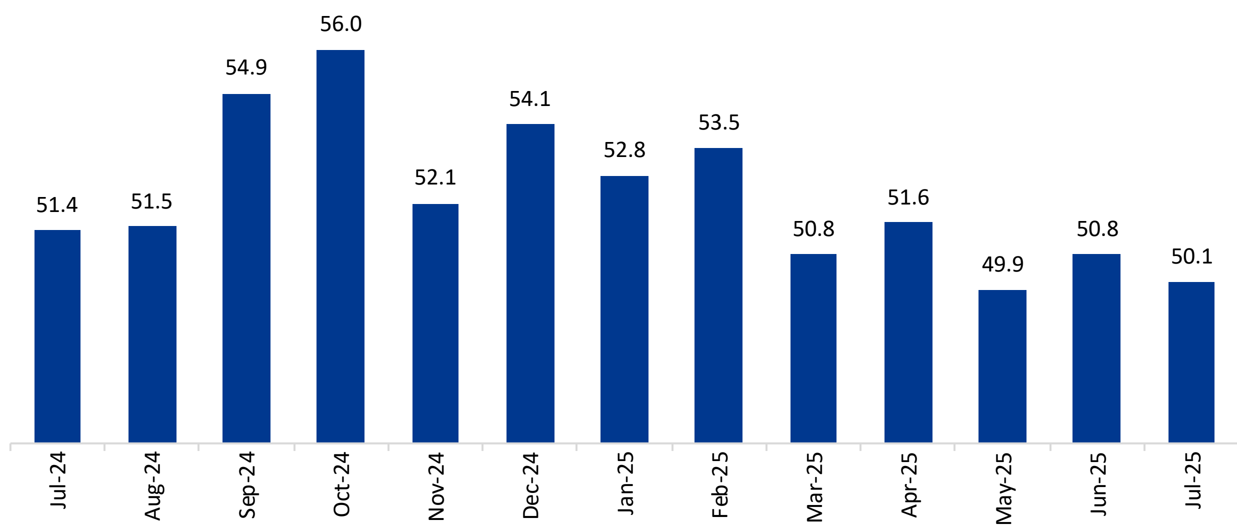
Fed chair hinted softer inflation may support cuts

Federal Reserve Chair Jerome Powell offered guidance on the monetary policy outlook while emphasizing the shifting balance of economic risks. Powell highlighted that the labor market remains close to maximum employment and inflation has declined substantially from its post-pandemic peak. However, he cautioned that "the balance of risks appears to be shifting,". Furthermore, he emphasized the need to balance both sides of the Fed's dual mandate of maximum employment and 2% long-term inflation. Moreover, Powell also stated that unemployment and other labor market measures allows the Fed to "proceed carefully" when considering policy adjustments.

US services PMI eased to 50.1 in July 2025

The ISM services PMI moderated from 50.8 in June 2025 to 50.1 in July 2025, driven by a decline in business activity and new orders. Employment levels fell in July 2025 with rising pending orders. Additionally, prices increased in July 2025, reaching the highest levels since October 2022.

Figure 20: US ISM Services PMI

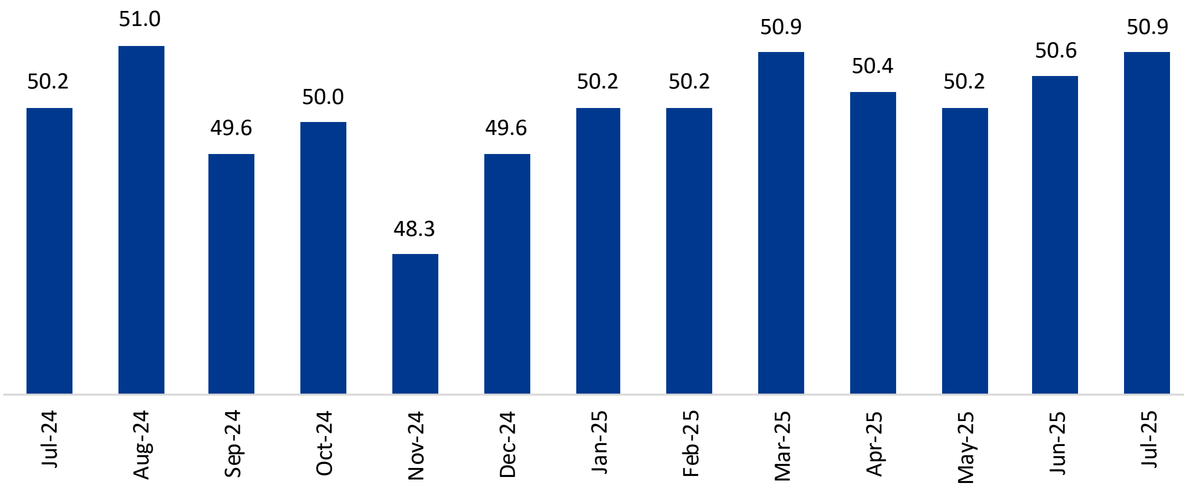


Source: CAPIQ

Eurozone private sector PMI rose to 50.9 in July 2025

The HCOB final composite PMI marginally increased from 50.6 in June 2025 to 50.9 in July 2025, staying in the contraction phase with subdued momentum. The improvement in the index is mainly driven rising services index. New orders declined in July due to lower international sales. Businesses increased staffing levels despite weaker demand and capacity pressure. Input price eased marginally while output price inflation increased to a three-month high.

Figure 21: Eurozone private sector PMI

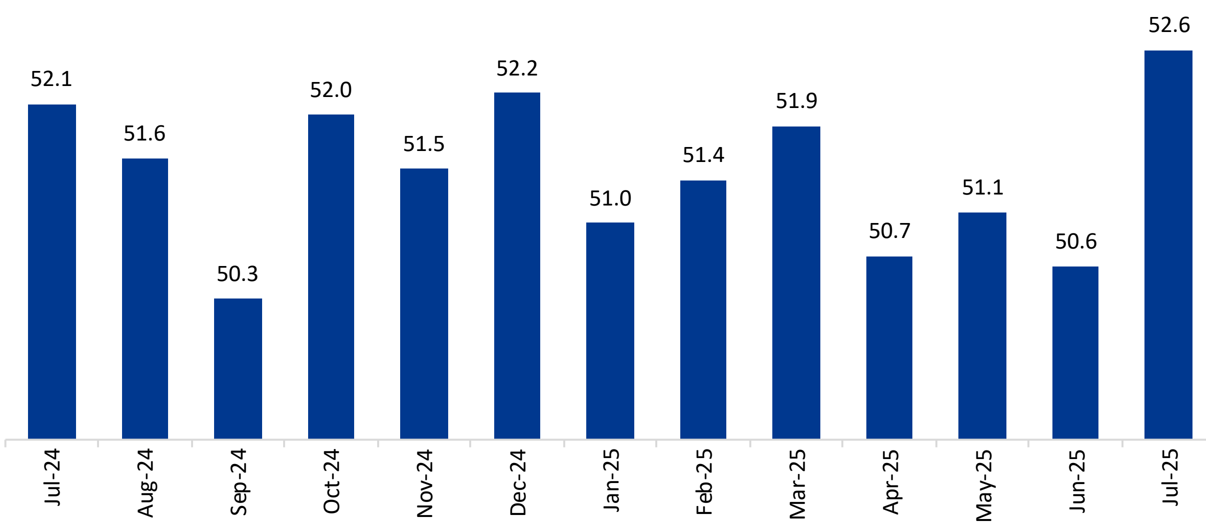


Source: CAPIQ

China's services PMI improved substantially to 52.6 in July 2025

China's services PMI increased significantly from 50.6 in June 2025 to 52.6 in July 2025, driven by solid growth in new orders due to an improvement in demand. Employment activity increased due to rising new orders and strong business confidence. Average input prices increased in July 2025 due to rising raw material, salary, and fuel costs, which led businesses to a raise selling prices.

Figure 22: China's services PMI

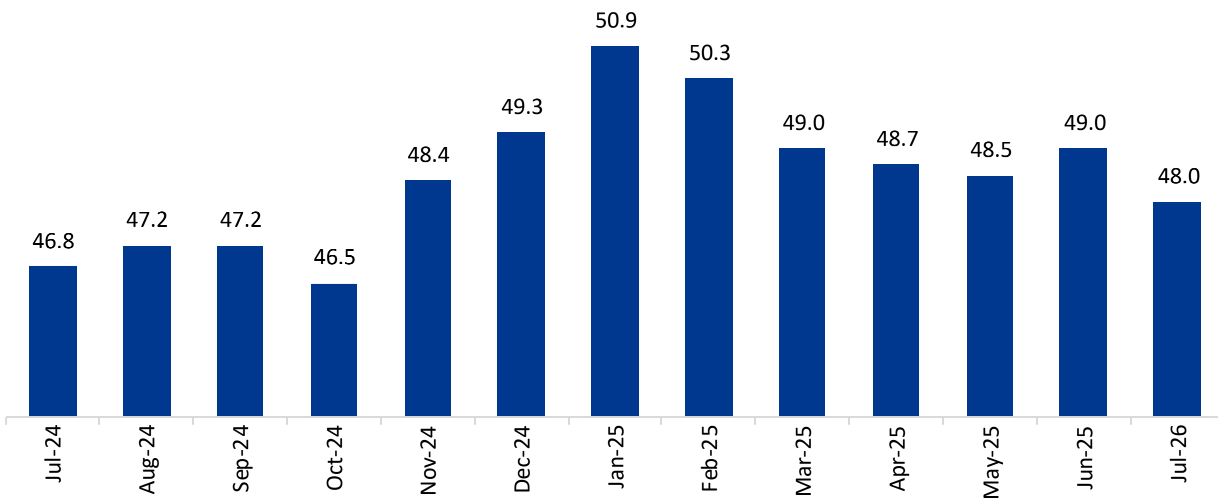


Source: CAPIQ

The US manufacturing PMI falls to a nine-month low in July 2025

The US manufacturing PMI fell to 48.0 in July 2025 from 49.0 in the previous month. Employment levels declined in July 2025 along with a decline in supplier deliveries index, despite an increase in new orders and production activity. Meanwhile, pric es fell due to a slower increase in cost of raw materials.

Figure 23: US ISM Manufacturing PMI

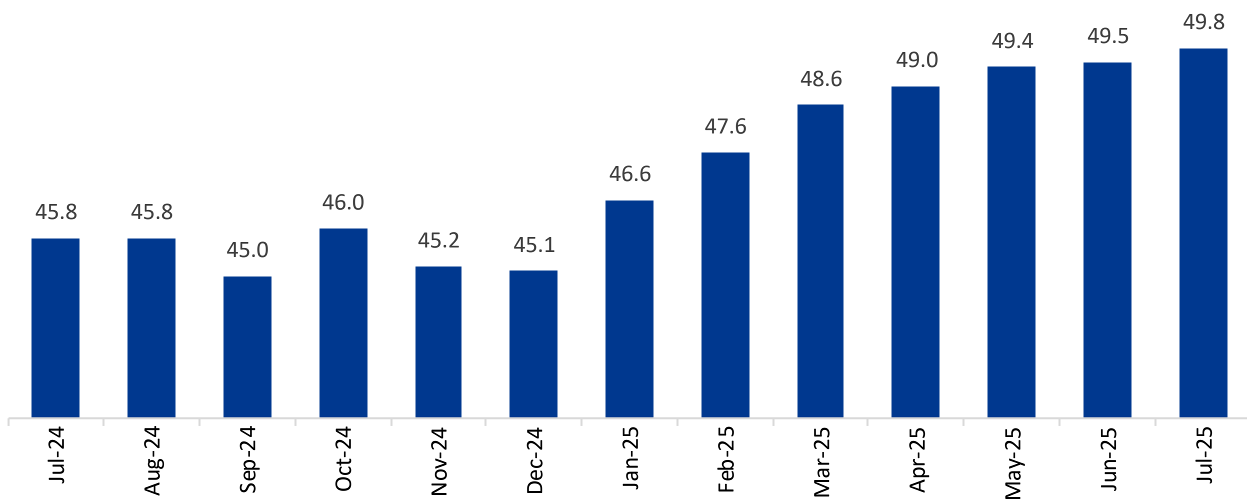


Source: CAPIQ

Eurozone manufacturing activity marginally improved to 49.8 in July 2025

The Eurozone manufacturing activity largely remained stable, with the S&P Global HCOB PMI marginally increasing from 49.5 in June 2025 to 49.8 in July 2025. The increase in the index in mainly attributable to a rise in production activity, partial ly offset by a slowdown in new orders. Germany and France remained in contraction despite a moderate rise in PMI, while Spain's manufacturing strengthened and Italy saw signs of a turnaround, suggesting divergent trends across member states.

Figure 24: Eurozone's Manufacturing PMI

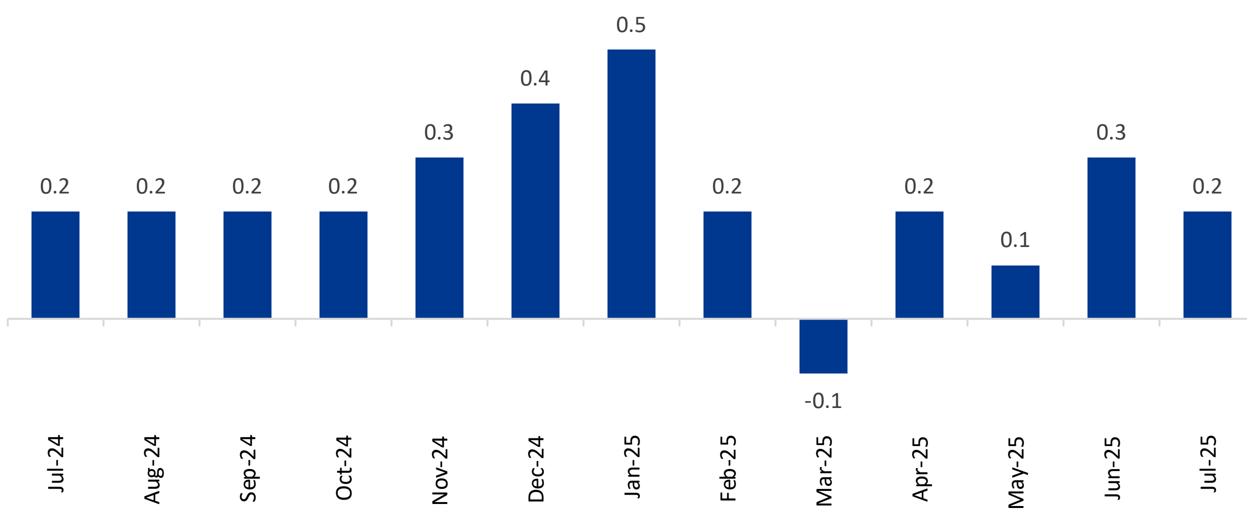


Source: CAPIQ

US inflation rose 0.2% MOM in July 2025

The US consumer prices increased 0.2% MOM in July 2025, after a 0.3% MOM growth in June 2025. On an annual basis, inflation remained unchanged at 2.7% in July 2025 compared to the previous month. The monthly increase is inflation is driven by a rise in shelter costs, partially offset by a decline in energy prices, while food prices remained flat.

Figure 25: US CPI (MOM)



Source: CAPIQ

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