

**Geopolitical Conflict to Trigger Market Volatility and Safe-Haven Flows**Sector Weighting:  
**MARKET WEIGHT****GCC Fixed Income Outlook**

Sustainable bond issuance in the MENA is expected to remain resilient through 2026, with forecasts pointing to regional volumes of USD 20-25 Bn, supported by robust activity in the GCC, especially from Saudi Arabia and the UAE. According to S&P Global, total sustainable sukuk issuance in the Middle East rose to a record USD 11.4 Bn in 2025, marking a significant increase from USD 7.9 Bn in 2024, reflecting growing momentum across the region. The sustainable bond market remains highly concentrated, with the UAE and Saudi Arabia jointly contributing around 80% of total 2025 issuance by value, indicating their dominant role in driving regional sustainable debt activity. The sustainable bond market in the region continues to be dominated by green instruments, with sustainable sukuk that fund environmental and social projects, gaining increasing traction and comprising a growing share of total issuance. Government-related entities and financial institutions are playing a central role in driving this expansion, aligning capital markets with national climate targets and diversification strategies.

In February 2026, total bond issuance amounted to USD 8.3 Bn, with the corporate sector contributing the largest share at USD 5.1 Bn, representing 61.2% of total issuance. This was driven primarily by four tranches from Saudi Arabian Oil Company totalling USD 4.0 Bn. Sovereign sector accounted for USD 2.1 Bn, representing 25.5% of total issuance, primarily supported by issuances from the Bahrain Government International Bond of USD 1.3 Bn and the CBB International Sukuk Programme Co of USD 800 Mn. Meanwhile, the Financial Institutions sector raised USD 1.1 Bn, led by Alpha Star Holding X Ltd's issuance of USD 600 Mn and Binghamti Sukuk 2 SPV Ltd's issuance of USD 500 Mn. Overall, the corporate segment dominated February's primary market activity, contributing over a major portion of total issuance during the month.

In its December 2025 meeting, the US Federal Reserve lowered the federal funds rate by 25 basis points to a range of 3.50%-3.75%, aiming to support the slowing economy amid increasing employment risks. Looking forward, market expectations suggest the possibility of one more rate reduction in 2026. The US 10-year Treasury yield was at 4.18% in early February 2026 and fell to 4.02% at the end of the month. The US 10-year Treasury yield fell in February 2026 as investors moved into safer government bonds due to economic uncertainty, increasing demand and lowering yields. Meanwhile, the 5-year CDS increased across all the GCC countries except Kuwait. UAE PMI increased to 54.9 in January 2026 from 54.2 in December 2025, the highest level in 11 months. Order volumes rose sharply in January 2026, marking the fastest increase in 22 months and reflecting a strong recovery in growth momentum since mid-2025. The expansion was primarily driven by stronger domestic demand and positive responses to new products and services, while growth in international orders remained relatively modest. The month also reflected the sharpest increase in input purchasing across the non-oil sector in six-and-a-half years, driven by stockpiling efforts and stronger order books. As a result, firms raised their inventories at the fastest pace since last February. Input costs rose at the fastest rate in 1.5 years, mainly due to higher raw material prices and wages. According to UAE Economy and Tourism Minister, the country's economy is expected to grow by more than 5% in 2026, with non-oil sectors projected to expand by more than 5.5% and contribute around 78% of GDP. Furthermore, Moody's upgraded the outlook on UAE banks from stable to positive, due to ongoing economic diversification and structural financial reforms. Despite moderate profitability and persistent geopolitical risks, operating conditions remain strong, supported by solid liquidity, steady economic growth, and rising population levels that are expected to drive deposit growth and lending expansion. Saudi Arabia's non-oil private sector PMI declined to 56.3 in January 2026 from 57.4 in December 2025, slightly below its long-term average of 56.9. Business activity expanded strongly in January 2026, supported by improving market demand, new projects, and increased client activity. New order volumes rose at a solid pace, driven largely by favourable domestic market conditions. Export sales also strengthened, improving further compared to December 2025. Input price inflation in the non-oil private sector accelerated for the second consecutive month, driven by higher costs for metals,

materials, fuel, and technology, along with a modest rise in wages. According to General Authority for Statistics, Saudi Arabia's real GDP grew 4.5% in 2025, with 4.9% growth in 4Q25. Non-oil activities were the main driver, contributing 2.7%, followed by oil 1.4% in 2025. Additionally, Saudi Arabia's Industrial Production Index rose 8.9% YOY in December 2025. Growth was driven by mining, manufacturing, and utilities, with oil-related activities up 10.1% and non-oil industrial output increasing 5.8%, highlighting ongoing diversification efforts. Furthermore, Saudi Arabia recorded a trade surplus of SAR 22.3 Bn in November 2025, reflecting a 70% YOY increase. Oman is strengthening its manufacturing sector under Oman Vision 2040 to boost non-oil growth, with non-oil exports reaching OMR 4.4 Bn by August 2025. The sector contributes about 10% of GDP, supported by strategic projects led by the Oman Investment Authority to enhance value addition, jobs, and export capacity. According to National Planning Council, Qatar's industrial Producer Price Index rose 0.64% MOM to 101.09 points in December 2025. The monthly increase was driven by a 4.9% rise in manufacturing, while mining and quarrying despite its heavy weight, fell 0.4% amid lower crude and gas prices. Qatar's Consumer Price Index grew 2.28% and declined 2.2% MOM YOY in January 2026. The monthly drop was mainly driven by lower prices in recreation and culture, miscellaneous goods and services, restaurants and hotels, and clothing, while transport, communication, health, furniture, and education recorded modest increases. According to the Ministry of Finance, Qatar recorded a budget deficit of QAR 5.3 Bn in 4Q25 as total revenues of QAR 51.6 Bn fell short of expenditures of QAR 56.9 Bn.

### **Gold Outlook**

Gold prices continued its rally for the seventh consecutive month and rose 7.9% MOM in February 2026 to close at USD 5,278.93 per ounce. At the beginning of the month, gold prices declined after the Chicago Mercantile Exchange (CME) raised margin requirements, prompting some investors to scale back their positions. Shortly thereafter, prices rebounded strongly amid expectations surrounding the appointment of a new Federal Reserve Chairperson, which fueled market speculation about potential interest rate cuts. Gold's upward momentum was further supported by escalating geopolitical tensions between the US and Iran, driving investors toward safe-haven assets. In the following week, gold resumed its advance on growing anticipation that the Federal Reserve might signal rate cuts in response to the US labor market report. Despite this, prices briefly softened as some investors rotated funds into higher-risk assets instead of safe havens. Later in the month, lower-than-expected US CPI data influenced rate cut expectations, contributing to renewed price movements in gold. After mid-month, bullion faced additional downward pressure, partly due to subdued trading activity during the Lunar New Year holidays across Asian markets. As the month progressed, market participants closely monitored developments in US-Iran relations and awaited further clarity on the Federal Reserve's policy direction regarding potential rate cuts. In the final week, gold prices advanced as a weaker US dollar, following a US Supreme Court ruling on previously imposed tariffs provided support. Additionally, momentum further gathered steam from rising US-Iran tensions and softer European bond yields. However, gains were limited as investors awaited US inflation data for clues on the Federal Reserve's policy outlook. Subsequently, gold prices eased amid profit-taking by market participants. With geopolitical tensions intensifying due to ongoing military actions involving the US, Israel and Iran, gold prices have climbed sharply nearing around USD 5,500 per ounce amid strong safe-haven demand. The outlook for the coming months remains highly uncertain as investors continue to seek refuge in gold while geopolitical risks persist in the short term.

### **Oil Outlook**

Oil prices increased 2.5% month-on-month to USD 72.48 per barrel in February 2026, driven by fluctuating geopolitical developments and supply dynamics. Prices initially declined as expectations of reduced US intervention in Iran and prospects of renewed nuclear talks eased risk premiums. However, tensions resurfaced following US action against an Iranian drone and reports of Iranian involvement near US-flagged vessels, prompting a rebound in prices. Further volatility stemmed from shifting expectations around US-Iran negotiations, OPEC+ production policy, and supply trends. OPEC output fell by around 60 thousand bpd in January due to weaker production in Nigeria and Libya, while OPEC+ maintained its pause on output hikes. Strong US employment data supported demand expectations, but rising US crude inventories including an 8.5 Mn barrel build and forecasts of global supply outpacing demand from the IEA capped gains. Further, oil prices were influenced by

Iranian naval drills near the Strait of Hormuz, falling US crude stocks, and lower Saudi exports, though expectations of higher Saudi and Venezuelan output, potential OPEC+ production increases, and the largest US inventory build in three years weighed on prices.

## Our Top Bond/Sukuk Picks:

### Top Bond Picks

S No.	Issuer Name	Ticker	ISIN	Yld to Mty (Mid)	Amt Out	Fitch Rating	Moody Rtg	S&P Rating	Country of Risk	Coupon	Maturity
1	DP World Ltd/United Arab Emirates	DPWDU	XS1883879006	6.03	1,300,000,000	BBB+	Baa2	N/A	AE	5.625	9/25/2048
2	Oman Government International Bond	OMAN	US682051AJ69	5.99	2,750,000,000	BBB-	Baa3	N/A	OM	6.750	1/17/2048
3	Saudi Government International Bond	KSA	US80413TBS78	5.95	3,500,000,000	A+	Aa3	A+	SA	5.875	1/12/2056
4	Finance Department Government of Sharjah	SHJGOV	US38381CAF95	5.86	1,000,000,000	N/A	Ba1	BBB-	AE	6.125	3/6/2036
5	Saudi Government International Bond	KSA	US80413TAJ88	5.83	3,500,000,000	A+	Aa3	N/A	SA	5.000	4/17/2049
6	DP World Ltd/United Arab Emirates	DPWDU	XS0308427581	5.65	1,750,000,000	BBB+	Baa2	NR	AE	6.850	7/2/2037
7	Finance Department Government of Sharjah	SHJGOV	US38381CAE21	5.52	1,000,000,000	N/A	Ba1	BBB-	AE	6.500	11/23/2032
8	Abu Dhabi Government International Bond	ADGB	XS2811094213	5.47	1,750,000,000	AA	N/A	AA	AE	5.500	4/30/2054
9	MDGH GMTN RSC Ltd	MUBAUH	US44985GAE17	5.41	750,000,000	AA	Aa2	AA	AE	6.875	11/1/2041
10	Abu Dhabi National Energy Co PJSC	TAQAUH	US003865AB88	4.89	912,487,000	AA	Aa3	NR	AE	6.500	10/27/2036

Data Source: Bloomberg

### Top SUKUK Picks

S No.	Issuer Name	Ticker	ISIN	Yld to Mty (Mid)	Amt Out	Fitch Rating	Moody Rtg	S&P Rating	Country of Risk	Coupon	Maturity
1	Saudi Electricity Sukuk Programme Co	SECO	XS2608638602	5.77	1,500,000,000	A+	Aa3	N/A	SA	5.684	4/11/2053
2	Saudi Electricity Global Sukuk Co 3	SECO	XS1054250318	5.58	1,000,000,000	A+	Aa3	A+	SA	5.500	4/8/2044
3	Sharjah Sukuk Program Ltd	SHARSK	XS2914525154	5.37	1,000,000,000	N/A	Ba1	BBB-	AE	5.433	4/17/2035
4	DP World Crescent Ltd	DPWDU	US260979AA70	5.31	1,500,000,000	BBB+	Baa2	N/A	AE	5.500	5/8/2035
5	Sharjah Sukuk Program Ltd	SHARSK	XS2680379695	5.24	900,000,000	N/A	Ba1	BBB-	AE	6.092	3/19/2034
6	Suci Second Investment Co	PIFKSA	XS3281731821	5.12	2,000,000,000	A+	Aa3	N/A	SA	5.133	1/28/2036
7	EDO Sukuk Ltd	ENEDEV	US280915AA75	5.11	650,000,000	BBB-	N/A	BBB-	OM	5.140	1/22/2036
8	Aldar Investment Properties Sukuk Ltd	ALDAR	XS2816816305	5.10	645,000,000	N/A	Baa1	N/A	AE	5.500	5/16/2034
9	Esic Sukuk Ltd	ESICSU	XS2747181613	4.96	700,000,000	N/A	Baa3	N/A	AE	5.831	2/14/2029
10	Almarai Co JSC	ALMARA	XS2641777235	4.89	750,000,000	N/A	Baa3	BBB-	SA	5.233	7/25/2033

Data Source: Bloomberg

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## MENA credit outlook

### **Damac raised USD 600 Mn through 3.5-year sukuk at 6.125% profit rate**

Damac raised USD 600 Mn through a 3.5-year benchmark sukuk, which attracted an orderbook exceeding USD 1.7 Bn, excluding JLM interest. The sukuk was priced at a 6.125% semi-annual coupon, tightened from initial price thoughts in the 6.625% area, while the Regulation S Murabaha structure set a yield of 6.125% at par. The issuance was marketed through Alpha Star Holding X Limited, an SPV, with Damac Real Estate Development Limited acting as obligor. The sukuk was issued under Alpha Star's USD 2 Bn Trust Certificate Issuance Programme and carried expected ratings of Ba1 by Moody's and BB+ by S&P.

### **First Abu Dhabi Bank raised USD 750 Mn through 5-year Formosa bond**

First Abu Dhabi Bank raised USD 750 Mn through a 5-year floating rate Formosa bond, with pricing unchanged from final guidance at SOFR +75 bps, paid quarterly in arrears, while the reoffer price was set at par. The Regulation S senior unsecured issuance carried an expected rating of Aa3 by Moody's, coupled with the issuer's Aa3/AA-/AA- ratings. The bond is going to be listed on the Taipei Exchange and London Stock Exchange, marking FAB's second debt market issuance of the year following a USD 750 Mn 5-year Eurobond issued in January at a 4.299% fixed coupon.

### **Binghatti raised USD 500 Mn through 5-year sukuk following investor engagement**

Dubai-based developer Binghatti priced a USD 500 Mn 5-year sukuk at an 8.375% coupon, while pricing was set at US Treasuries plus 461.3 bps. Final orderbooks exceeded USD 2.2 Bn, excluding JLM interest, allowing tightening from initial price thoughts in the 8.875% area. The Regulation S senior unsecured sukuk is rated BB- by Fitch, while proceeds are expected to be used for general corporate purposes. The notes will be listed on Dubai and London Stock Exchange International Securities Market.

### **Al Rayan Bank raised USD 137 Mn through 3-year green sukuk issuance**

Qatar-listed AlRayan Bank, rated A2 by Moody's and A by Fitch, raised QAR 500 Mn (USD 137 Mn) through a 3-year green sukuk at a profit rate of 4.25% per annum, while the issuance marked the bank's debut sustainability-linked sukuk transaction. The sukuk will be listed on the Qatar Stock Exchange, and the lender is supported by the Qatar Investment Authority, which holds a 20.46% stake in the bank.

### **Emirates NBD priced debut EUR 500 Mn 5-year green bond**

Dubai's Emirates NBD priced its debut EUR 500 Mn 5-year green bond at mid-swaps plus 77 bps, tightening from initial guidance of MS plus 100-105 bps, while books closed above EUR 1.25 Bn. The Regulation S notes were issued under the bank's USD 20 Bn EMTN programme and were listed on Euronext Dublin and Nasdaq Dubai. Moreover BNP Paribas, Crédit Agricole CIB, Barclays, HSBC, Emirates NBD Capital, and ING acted as joint lead managers and bookrunners.

### **Mashreq priced USD 500 Mn AT1 perpetual capital security at 6.25%**

Dubai-based Mashreqbank priced a USD 500 Mn Regulation S perpetual non-call 5.5-year Additional Tier 1 capital security at 6.25%, while final books exceeded USD 1.35 Bn excluding JLM interest. Pricing for the unrated securities was set over the interpolated 5.5-year US Treasury with a benchmark yield of 3.734%, moreover initial guidance was set between 6.75%-6.875%. Mashreqbank holds long-term ratings of A3 (Stable) from Moody's, A (Stable) from S&P and A (Stable) from Fitch.

### **ADCB raised USD 300 Mn through five-year Formosa floating rate bond**

Abu Dhabi Commercial Bank, rated A+ (Stable) by S&P and Fitch, raised USD 300 Mn through a 5-year floating rate Formosa bond priced at SOFR plus 78 bps, while the senior bonds carried ratings in line with the issuer. Standard Chartered Bank

(Taiwan) and ANZ Taipei branch acted as lead managers for the issuance. The bank also issued two Formosa bonds in February and May last year, raising USD 600 Mn in each issuance with five-year tenors, moreover the February issuance was priced at SOFR plus 105 bps and the May tap was priced at SOFR plus 100 bps.

#### **Kuwait raised KWD 150 Mn through new three-year domestic bond tranche**

Kuwait issued a new KWD 150 Mn (USD 495 Mn) tranche of 3-year treasury and Tawarruq bonds for local banks at a yield of 3.625%, while the Central Bank of Kuwait issued the securities on behalf of the Ministry of Finance. The issuance followed a similar-sized tranche issued in February at the same yield, marking the first domestic issuance of 2026. The latest issuance increased total domestic borrowing in 2025-26 to KWD 2.5 Bn, moreover combined with KWD 3.46 Bn raised through international issuances, total funding reached KWD 5.96 Bn. The Ministry of Finance further aims to cover a budgeted fiscal deficit of KWD 6.3 Bn during the current fiscal year.

#### **FAB raised GBP 450 Mn through 5.5-year senior unsecured benchmark bond after bookbuild**

First Abu Dhabi Bank raised GBP 450 Mn (USD 613 Mn) through a 5.5-year senior unsecured benchmark bond, with pricing tightened to UKT plus 75 bps from initial price thoughts in the Mid-Gilts plus 90 bps area, while final books exceeded GBP 775 Mn after peaking above GBP 825 Mn including GBP 75 Mn JLM interest. The bond carried a 4.6965% annual coupon (short first), alongside a 4.702% annual yield and reoffer price at par. The issuance was rated Aa3 / AA- / AA- by Moody's, S&P and Fitch and was issued under the bank's USD 20 Bn Euro Medium Term Note Programme. Standard Chartered, Barclays, Deutsche Bank, FAB and TD Securities acted as joint lead managers and bookrunners, with Standard Chartered acted as billing and delivery agent. The bond is going to be listed on the London Stock Exchange main market.

#### **UAE Ministry of Finance issued AED 550 Mn debut 7-year dirham Islamic T-Sukuk tranche**

The Ministry of Finance (MoF), in coordination with the Central Bank of the UAE (CBUAE), announced the launch of the first-ever 7-year tranche of UAE Dirham-denominated Islamic Treasury Sukuk (T-Sukuk) worth AED 550 Mn, marking the longest tenor issued under the programme. The issuance formed part of the February auction under the 2026 Islamic Treasury Sukuk Programme, through which a total of AED 1.1 Bn was raised. The tranches carried a YTM of 3.53% for the May 2030 tranche and 3.779% for the February 2033 tranche. Moreover, both tranches were priced below par relative to comparable US Treasury benchmarks at the time of issuance. The instruments are listed on Nasdaq Dubai under the UAE Treasury Islamic Sukuk Programme.

#### **Bank AlJazira is set to issue SAR-denominated AT1 capital sukuk under SAR 5 Bn programme**

Bank AlJazira plans to issue SAR-denominated Additional Tier 1 capital sukuk under its SAR 5 Bn AT1 Capital Sukuk Programme through a private placement. The perpetual sukuk will be offered to select institutional investors in Saudi Arabia. Moreover, the final size and terms will be determined based on market conditions. Additionally, the bank appointed AlJazira Capital and Al Rajhi Capital as joint lead managers and bookrunners for the issuance.

#### **Commercial Bank of Qatar prices USD 500 Mn PNC 5.5-year AT1 capital securities**

Commercial Bank of Qatar (PSQC), raised USD 500 Mn through a perpetual non-call 5.5-year (PNC5.5) additional tier 1 (AT1) capital securities issuance. The securities were priced at par with a 6.25% semi-annual coupon and a reset spread of 265.6 bps, with final books exceeded USD 1.5 Bn, excluding joint lead manager interest. Furthermore, BofA Securities, DBS Bank Ltd, HSBC, Mashreq, Santander and SMBC acted as joint lead managers and joint bookrunners, arranging a series of fixed income investor calls. The Regulation S Category 2 issuance will be listed on Euronext Dublin.

#### **Abu Dhabi completes USD 3 Bn dual-tranche sovereign bond after strong investor demand**

The Government of Abu Dhabi mandated banks for its first sovereign bond issuance of 2026, structured as a dual-tranche US dollar-denominated benchmark offering. JP Morgan was appointed as billing and delivery bank for the five-year tranche,

while Standard Chartered Bank assumed the same role for the 10-year tranche. The senior unsecured Regulation S Category 1 bonds were designated for listing on the London Stock Exchange and the Abu Dhabi Securities Exchange under the sovereign's Global Medium Term Note Programme. The emirate subsequently completed the USD 3 Bn issuance, with strong investor demand leading to a tightening of spreads from initial guidance. The five-year tranche was priced with a 3.75% coupon at a reoffer price of 99.824%, equating to a spread of 20 bps over US Treasuries and a yield of 3.789%. The 10-year tranche carried a 4.25% coupon at a reoffer price of 99.814%, with the spread tightened to 25 bps over US Treasuries and a final yield of 4.73%.

#### **Qatar Islamic Bank Priced USD 750 Mn 5-Year USD Sukuk**

Qatar Islamic Bank (QIB), plans to issue a USD-denominated, Regulation S-only, five-year benchmark fixed-rate senior unsecured sukuk through QIB Sukuk Ltd., under its USD 5 Bn Trust Certificate Issuance Programme. QIB priced the USD 750 Mn sukuk at par, carrying a profit rate of 4.402% and a spread of 80 bps over US Treasuries, tightening from initial price thoughts of T+115 bps. Moreover, final orderbooks, excluding joint lead manager interest, closed at over USD 1.6 Bn. Additionally, the trust certificates were issued through QIB Sukuk Ltd a special-purpose vehicle, under Wakala/Murabaha principles. Furthermore, Settlement is expected on 5 March 2026, with maturity on 5 March 2031, and the sukuk will be listed on the London Stock Exchange's International Securities Market.

#### **Omniyat Holdings Prices USD 600 Mn 5-Year Benchmark Sukuk at 7.25%**

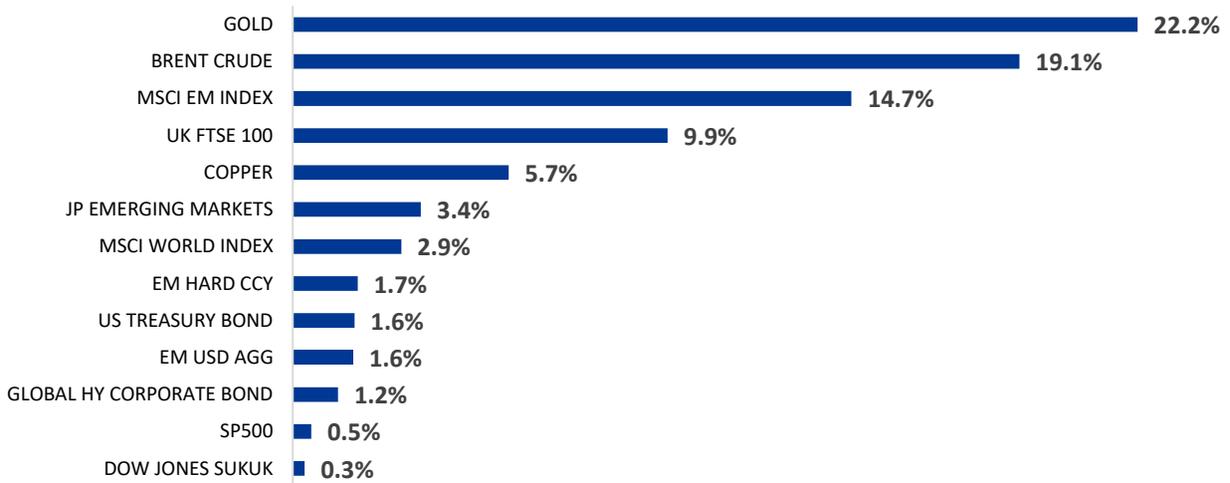
Dubai-based Omniyat Holdings mandated banks for a USD-denominated five-year Regulation S senior unsecured benchmark sukuk under its USD 2 Bn Trust Certificate Issuance Programme. The Company priced the USD 600 Mn sukuk at par, carrying a 7.25% semi-annual coupon payable in arrears, offering a yield of 363 bps over US Treasuries with an orderbook of USD 1.8 Bn. Omniyat Sukuk 1 Limited is the issuer, with Omniyat Holdings Ltd being the obligor, and the sukuk will be listed on the London Stock Exchange's ISM and Nasdaq Dubai.

#### **Global Asset Performance**

Global asset classes recorded broad-based gains in February 2026, except for the S&P 500, due to rotation within equity markets. Equity markets led performance, driven primarily by emerging markets. The MSCI Emerging Markets Index rose 5.4% MOM, underpinned by strong gains in South Korea, Brazil, Taiwan, and China. Developed market equity performance was mixed. While the MSCI World Index advanced 0.6% MOM, supported by strength in Japan and the UK, the S&P 500 declined marginally by 0.9% MOM. Japan's Nikkei 225 and the UK FTSE 100 supported developed market gains. Fixed income also generated positive returns during February 2026. Global bond indices rose by 1.2% MOM as investors focused on high-quality assets amid growing uncertainty related to AI and geopolitical concerns. The JP Morgan EMBI gained 1.2%, while EM hard currency debt and EM USD aggregate bonds advanced 1.0% and 1.2% MOM, respectively. Additionally, US Treasuries posted 1.6% MOM returns. In credit markets, the Dow Jones Sukuk Index rose 0.7% MOM in February after declining in the previous month, while global high yield corporate bonds gained 0.2% MOM. While economic activity remained healthy, growing concern about risks of future AI driven unemployment, combined with growing geopolitical risks, put downward pressure on bond yields, and global fixed income delivered total returns of 1.1% MOM in February 2026. Commodities delivered strong performance. Copper rose 1.4% MOM, while gold recorded a 7.9% MOM gain, due to geopolitical tensions between Iran and the US, driving investors toward safe-haven assets. Gold prices were also supported by expectations surrounding the appointment of a new Federal Reserve Chairperson, which fueled market speculation about potential interest rate cuts. Brent crude increased 2.5% MOM, driven by fluctuating geopolitical developments and supply dynamics. Oil prices were influenced by Iranian naval drills near the Strait of Hormuz, falling US crude stocks, and lower Saudi exports. From a style and regional perspective, equity market performance continued to broaden. However, the Iran-Israel conflict aftermarket closure for the month of February is expected to further drive commodity prices in the upcoming period. Emerging markets outperformed the MSCI World Index on a YTD basis, while small-cap equities outperformed large caps across regions. February was a favorable month for investors, with most asset classes delivering positive returns. Both

economic and market data pointed to continued broadening in growth and returns, and diversified investors would have reaped the benefits. However, beneath the surface, there was significant volatility and return dispersion, with geopolitics now triggering sharp market moves at the start of March.

**Figure 1: Global Asset Performance (YTD in FY2026)**

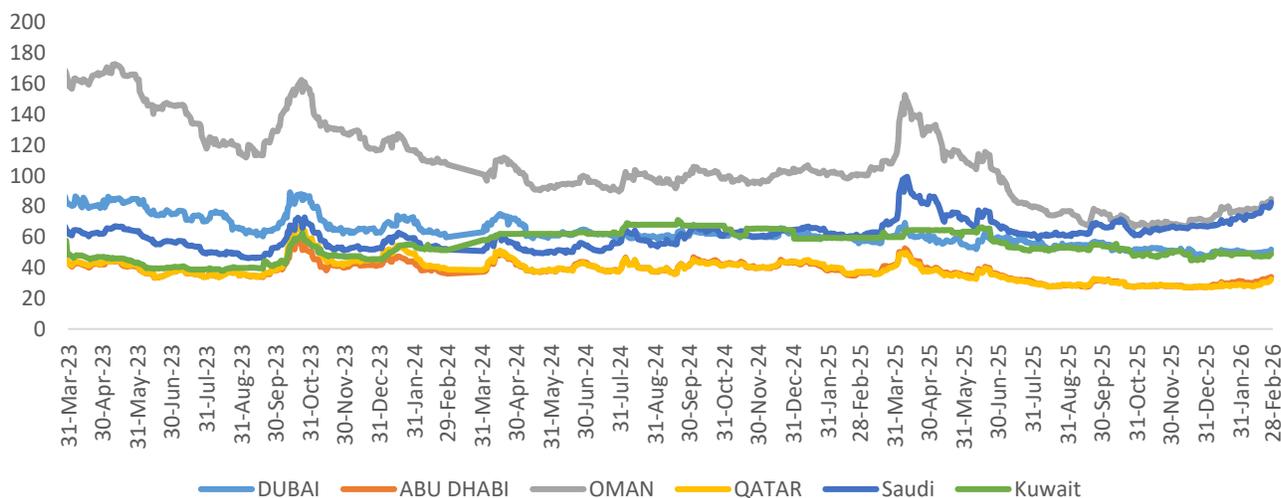


Source: Bloomberg

### 5-Year CDS

The 5-year CDS spread expanded across all GCC Countries except Kuwait during February 2026. Qatar recorded the highest expansion of 12.28% MOM in February 2026. Saudi Arabia recorded the second-highest expansion of 12.18% on a MOM basis in February 2026. Followed by Oman and Abu Dhabi, which recorded an expansion of 9.52% and 9.10%, respectively, on a MOM basis in February 2026. Similarly, Dubai recorded an expansion of 2.35% on a MOM basis. However, Kuwait recorded a contraction of 0.50% MOM in February 2026.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	Dubai	Abu Dhabi	Oman	Kuwait	Qatar	Saudi
MTD (%)	2.35%	9.10%	9.52%	-0.50%	12.28%	12.18%

### Banking Sector

#### SRC signed agreement to acquire residential mortgage portfolio from Alawwal Bank

Saudi Real Estate Refinance Company (SRC), a subsidiary of the Public Investment Fund, signed an agreement with Alawwal Bank to acquire a residential mortgage portfolio. The transaction is intended to support the housing sector and strengthen the sustainability of the residential mortgage market by providing liquidity to financing institutions, allowing to expand lending and address growing demand for home financing. Furthermore, the acquisition is also expected to enhance market efficiency by offering banks and finance companies more flexible funding options, thereby improving access to housing finance for Saudi households.

### Corporate Sector

#### Maersk’s subsidiary APM Terminals acquired 37.5% stake in DP World’s South Container Terminal in Jeddah

APM Terminals, a subsidiary of Maersk, agreed to acquire a 37.5% stake in the South Container Terminal at Jeddah Islamic Port, while DP World will retain a 62.5% majority stake and continue to lead operations. The transaction combines Maersk’s

global maritime logistics network with DP World's operational capabilities in port management, aiming to enhance trade connectivity and reinforce Saudi Arabia's role as a strategic gateway linking Asia, Europe and Africa.

#### **DAE Capital moved closer to acquiring control of Macquarie AirFinance**

Dubai-based aircraft leasing company Dubai Aerospace Enterprise (DAE), through its leasing arm DAE Capital, is nearing an agreement to acquire a controlling stake in Macquarie AirFinance. DAE was among the final contenders for the Macquarie aircraft leasing assets alongside Saudi Arabia's AviLease and Qatar's Lesha Bank. The potential sale followed a competitive bidding process amid elevated demand for aircraft.

#### **Emirates Driving Company to acquire a 51% stake in Performise Labs**

Abu Dhabi-listed Emirates Driving Company (EDC) planned to acquire a 51% stake in UAE-based AI firm Performise Labs. The proposed acquisition aligns with EDC's strategy to integrate advanced technologies into mobility solutions, particularly in driver training, testing, and broader transport services. Moreover, the transaction forms part of the company's transformation into "Emirates Mobility," an integrated platform focused on expanding its presence across the mobility ecosystem.

#### **Aldar issued USD 1 Bn subordinated hybrid notes to Apollo through private placement**

Aldar Properties raised USD 1 Bn through the issuance of subordinated hybrid notes with a 10.25-year non-call period to Apollo Global Management through a private placement, to strengthen its capital base and support growth initiatives. The proceeds were deployed as equity into Aldar Investment Properties. The transaction includes repayment of USD 500 Mn perpetual subordinated notes issued as part of a USD 1.4 Bn debt and equity investment by Apollo. Moreover, Aldar's ownership in AIP increased to 90% with Apollo retaining 10% of the stake.

### **Rating Outlook**

- **Abu Dhabi's** Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the nation's financial and economic vision and policies success and the strength and stability of its economic, financial and credit sectors.
- Fitch revised **Oman's** credit rating to **"BBB- "from "BB+"** and revised its outlook from **positive to stable**. Fitch cited sustained strengthening of public and external balance sheet and increased confidence in the authorities' commitment to fiscal prudence even in a lower oil price environment. Since 2020, Oman has sharply reduced government debt from about 68% of GDP to around 36% in 2025, supported by disciplined fiscal management and policy reforms. Fitch expects moderate budget deficits of around 1% of GDP in 2026–2027, a broadly stable debt trajectory well below the 'BBB' median, and further institutionalization of fiscal discipline through a new medium-term fiscal plan. The rating is supported by relatively high GDP per capita and improved debt metrics, while constraints remain Oman's heavy reliance on oil revenues and still-modest financial buffers amid hydrocarbon price volatility. Moody's recently upgraded Oman's long-term issuer and senior unsecured ratings to **"Baa3" from "Ba1"**, citing expected enhancements in the country's debt position and improved resilience to lower oil prices. However, Moody's revised the country's outlook to "stable" from "positive", as Oman's fiscal and economic outlook remains exposed to risks stemming from its continued heavy reliance on the hydrocarbon sector and potential declines in global oil demand and prices. S&P Global Ratings upgraded Oman's long-term ratings from 'BB+' to 'BBB-' with a stable outlook due to continued deleveraging of public sector entities. It also raised the short-term ratings on Oman from 'B' to 'A-3', while it revised the transfer and convertibility assessment

from 'BBB-' to 'BBB'. The rating upgrade is attributable to the deleveraging balance sheet of the Omani government and several state-owned enterprises (SOEs) coupled with the commitment of the authorities to advance its longer-term structural reform agenda to solidify its economy.

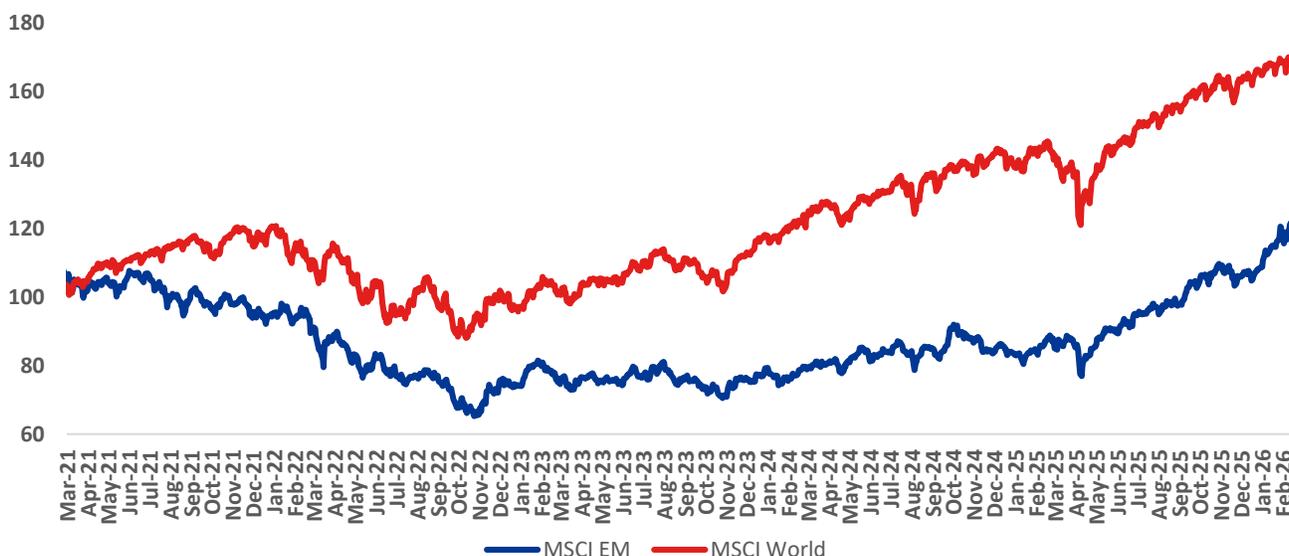
- S&P Global Ratings revised its credit rating outlook on **Bahrain** from **negative to stable**. The rating agency affirmed Bahrain's long-term foreign and local currency sovereign credit ratings at 'B' with a stable outlook. The downgrade of the rating is driven by the growing risks to the fiscal position and the government's ability to service and refinance debt. The agency also cited that market volatility and weak financial conditions will lead higher interest burden on the government. It also expects the fiscal deficit to remain elevated due to lower oil prices, ongoing maintenance activity at the key Abu Sa'fah oil field and higher social spending. S&P expects the fiscal deficit to widen to 7.6% of GDP in 2025 compared to 5.8% in 2024. Fitch has recently revised the ratings on Bahrain's long-term foreign currency issuer default rating to B from B+ with an outlook of STABLE from NEGATIVE. The revision in the credit rating is mainly due to mounting fiscal pressures, growing debt levels, coupled with high interest burden and delayed fiscal reforms.
- Fitch Ratings affirmed **Kuwait's** long-term foreign-currency issuer default ratings, or IDR, to 'AA-' with a stable outlook. This is due to the Gulf state's fundamental issues being worsened by continued political limitations on decision-making. Since 2017, the Gulf state has been debating debt legislation, demonstrating the slowness with which decisions are made. Kuwait's debt is expected to climb to about 50% of GDP after the debt law is approved, according to the credit rating agency, up from the current 10%. The Kuwaiti administration has been attempting to adopt new public debt legislation to alleviate the country's liquidity constraints, but the bill has been continually blocked by parliament. S&P Global Ratings upgraded Kuwait's long-term sovereign credit rating to 'AA-' with a **stable** outlook, reflecting expectations that the government will continue implementing fiscal and monetary reforms under its Vision 2035 strategy.
- **Saudi Arabia's** Long-Term Foreign-Currency Issuer Default Rating (IDR) remained unchanged at 'A+' by Fitch Ratings, with a 'Stable' outlook. The key reasons cited by the rating agency for the rating are strong fiscal and external balance sheet, low government debt and sizable foreign reserve. The growth in the non-oil sector remains robust and the reform momentum is strong, while rising deficit, continued reliance on oil and external borrowing pose challenges. Moody's Investors Service affirmed Saudi Arabia's credit rating outlook at stable, noting the kingdom's continuous progress in economic diversification coupled with the strong growth of its non-oil sector. According to a statement, Moody's maintained the sovereign's rating at Aa3, the fifth-highest rating citing the country's efforts to diversify the economy away from oil. S&P Global Ratings revised Saudi Arabia's outlook from positive to stable. It upgraded KSA's long-term foreign and local currency unsolicited sovereign credit rating from 'A' to 'A+' and affirmed short-term ratings at 'A-1'.
- In January 2024, Moody's upgraded **Qatar's** local and foreign-currency Long-Term issuer and foreign currency senior unsecured debt ratings to Aa2 from Aa3. It also changed the outlook from positive to stable. The rating is attributed to significant improvements in Qatar's fiscal metrics during 2021-2023. Moody's anticipates that the improvement in Qatar's debt burden and debt-service metrics from 2021 to 2023 will continue into the medium term. Fitch Ratings has 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	Fitch		S&P		Moody's	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
UAE (Abu Dhabi)	AA	STABLE	AA	STABLE	Aa2	STABLE
Kuwait	AA-	STABLE	AA-	STABLE	A1	STABLE
Qatar	AA	STABLE	AA	STABLE	Aa2	STABLE
Saudi Arabia	A+	STABLE	A+	STABLE	Aa3	STABLE
Bahrain	B	STABLE	B	STABLE	B2	STABLE
Oman	BBB-	STABLE	BBB-	STABLE	Baa3	STABLE

## Global Markets

Global equity markets navigated a more volatile backdrop in February 2026, with performance dispersion widening across regions. Developed market equities delivered a 0.6% MOM total return during February 2026, while emerging markets outperformed with total returns of 5.4% MOM, extending their recent leadership. The MSCI Emerging Markets performance was driven by strong returns across South Korea, Taiwan, Brazil, and China. South Korea's KOSPI and Taiwan's TAIEX ranked among the top-performing global indices. However, gains were partially offset by subdued performance in India. Emerging markets-maintained growth in February, building on the momentum achieved during the previous month. They outpaced developed markets by a wide margin, with the scale of outperformance not seen since the early 2000s. Emerging markets also outperformed developed markets on a YTD basis, delivering 14.7% YTD returns in February 2026, compared to 2.9% YTD for developed markets. The S&P 500 declined 0.9% MOM, making it the weakest-performing major developed market, amid concerns related to AI-driven uncertainty. Investors questioned the return on significant AI capex commitments by hyperscalers, while also assessing the disruptive implications of AI tools across industries. The software sector came under notable pressure amid concerns over the sustainability of SaaS business models. Wealth management stocks and broader financials were also weighed down by software exposure and private credit linkages. In contrast, investors rotated toward asset-heavy sectors expected to benefit from the AI infrastructure buildout, lifting materials, utilities, and energy. Japan was the standout performer among developed markets. The Nikkei 225 surged 10.4% MOM. Markets reacted positively to the snap election victory of Prime Minister Sanae Takaichi. As investors factored in a higher probability of additional fiscal stimulus, Japanese equities rallied strongly. UK equities also posted solid gains, with the FTSE 100 advancing 6.7% MOM, supported by a favorable sector composition and exposure to energy and materials. France also generated positive returns during the month, with the FR40 rising 5.5% MOM. Emerging markets extended their outperformance, driven by strength in Asia and Latin America. South Korea led global returns, with the KOSPI surging 19.5% MOM on strong semiconductor and AI-related manufacturing momentum. Taiwan gained 10.5%, while Brazil rose 4.1%. China's SSE Composite Index advanced 1.1%. In contrast, India lagged with the NIFTY 50 declining 0.6% MOM in February. Macro developments created crosscurrents during the month. The US Supreme Court ruled against the use of the International Economic Emergency Powers Act to justify the April 2025 reciprocal tariffs, while geopolitical tensions between the US and Iran escalated after market close in February.

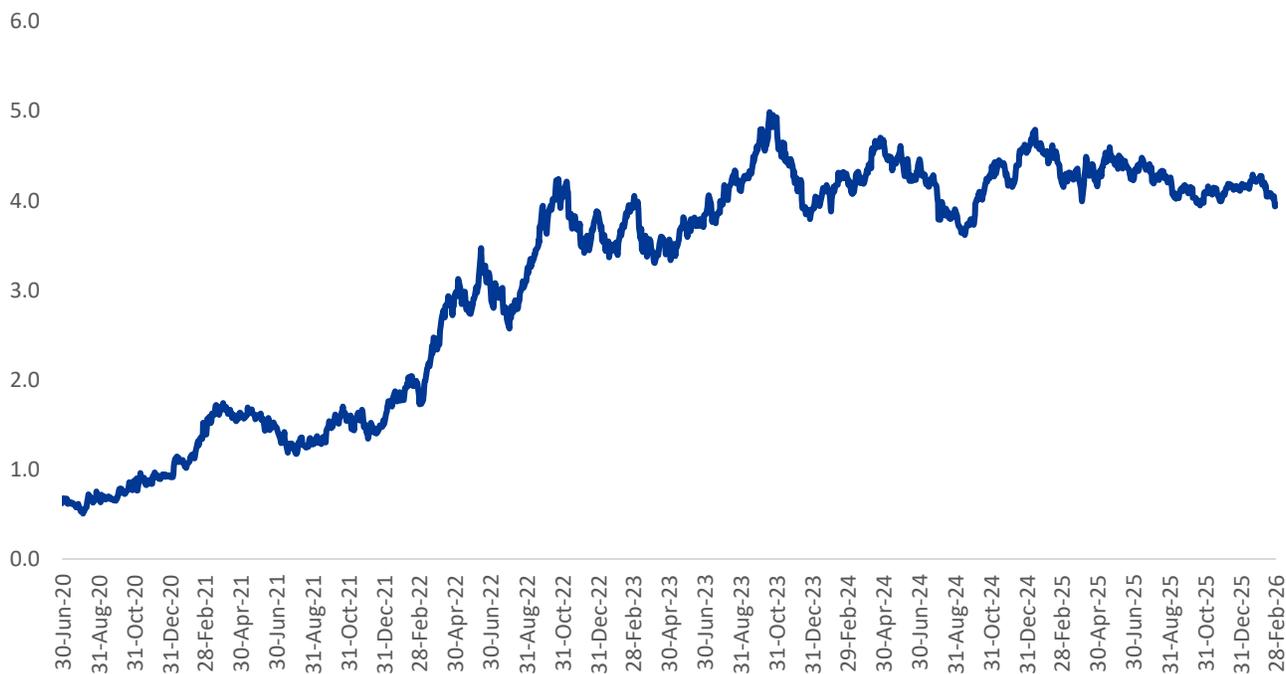
Figure 3: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

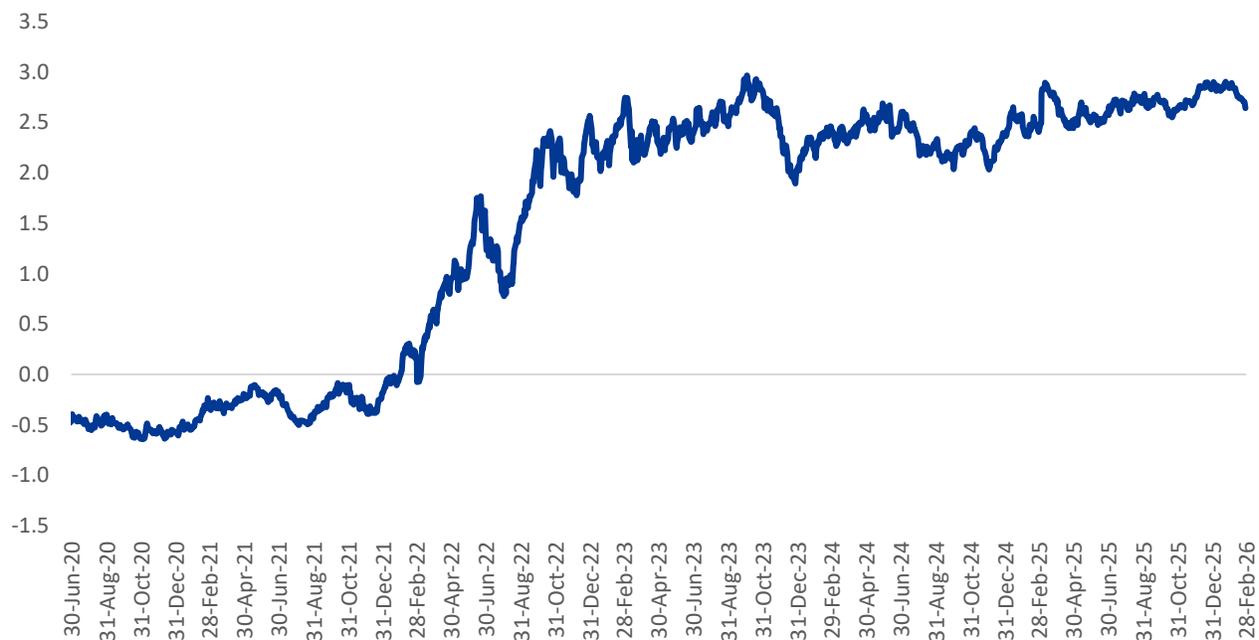
**Yield on 10-year government**

**Figure 4: US 10-year government yield**



Source: Bloomberg

**Figure 5: Germany 10-year government yield**



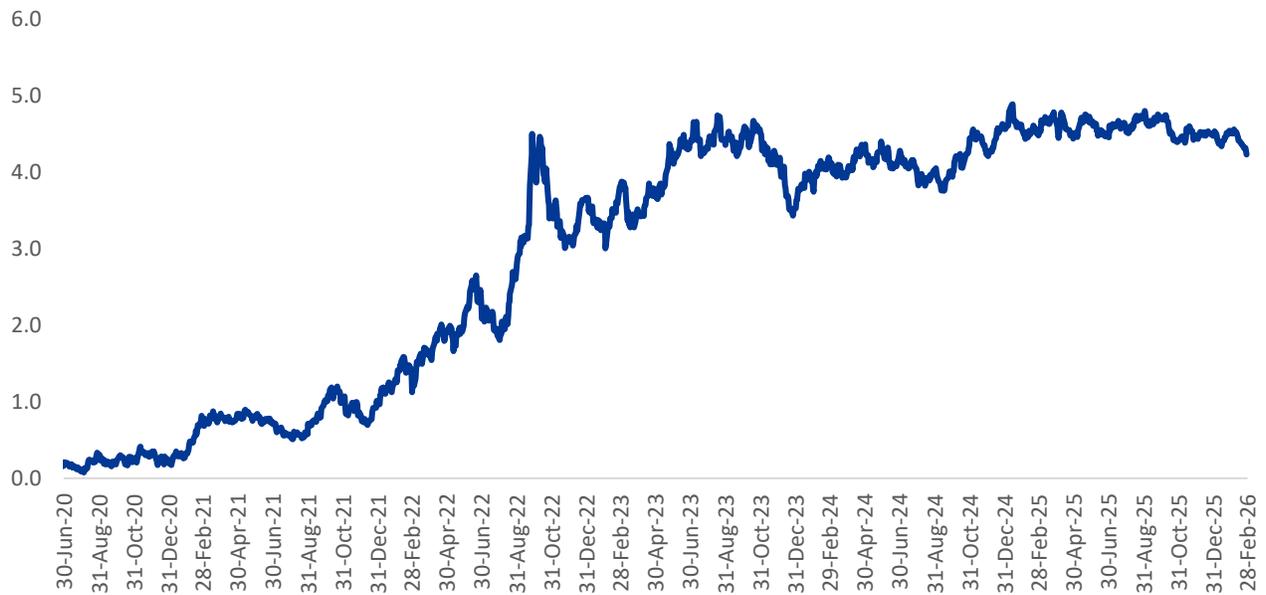
Source: Bloomberg

**Figure 6: Japan 10-year government yield**



Source: Bloomberg

**Figure 7: UK 10-year government yield**

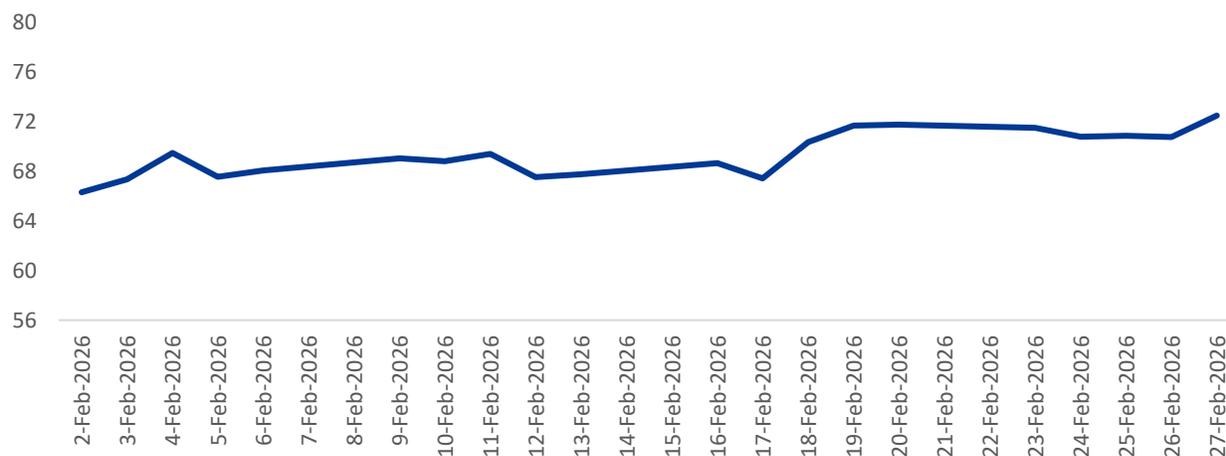


Source: Bloomberg

## Oil Outlook

Oil prices rose 2.5% MOM to USD 72.48 per barrel in February 2026. At the beginning of the month, oil prices dropped significantly as the perceived risk of US intervention in Iran eased, with additional discussions anticipated between the two countries regarding a nuclear agreement. However, prices rebounded amid escalating tensions between the US and Iran, following the US neutralizing an Iranian drone and reports of Iranian involvement near US flagged vessels. Subsequently, oil prices weakened again as plans emerged for further talks between the US and Iran to be held in Oman. In the subsequent week, oil prices advanced as OPEC output declined slightly in January, mainly due to weaker supply from Nigeria and Libya despite modest increases elsewhere. Production fell by around 60 thousand bpd on a MOM basis in January 2026, impacted by weather disruptions and capacity constraints, while OPEC+ maintained its pause on output hikes amid oversupply worries. Oil prices further gained as additional support following US remarks after discussions with Israel and the possibility of military deployments, partially offset by the impact of 8.5 Mn barrel build in US crude inventories reported by the EIA. Strong US employment data further reinforced demand expectations. However, comments from US officials about a potential Iran agreement eased geopolitical risk premiums, while the IEA projected that global supply would outpace demand of crude oil. Increasing US stockpiles and expectations of higher Venezuelan output also exerted downward pressure on prices. Post mid-month, oil prices edged up on ongoing geopolitical tensions ahead of US-Iran talks, though expectations of OPEC+ resuming output from April 2026 capped gains. Prices rose further as investors weighed supply risks after Iran held naval drills near the Strait of Hormuz before nuclear talks with the US. Later, prices slipped lower on expectations from the US-Iran negotiations. However, rising US-Iran tensions, Iranian naval drills near the Strait of Hormuz, falling US crude stocks, and lower Saudi exports all pushed oil prices higher. During the last week, oil prices were pressured by the largest US crude inventory build in three years and weakness in the North Sea physical market, despite ongoing US-Iran talks. Expectations of higher Saudi production and potential OPEC+ output increases also weighed on prices, offsetting geopolitical tensions that had previously supported a risk premium. As geopolitical tensions intensify amid renewed military confrontations involving the US, Israel, and Iran, oil prices have climbed beyond the USD 80 per barrel level. Recent attacks and infrastructure damage in the Middle East have amplified concerns over potential supply disruptions, further driving crude prices higher. Increased market volatility is expected in the near term due to the prospect of reduced Iranian oil exports. Although Iran has indicated that it will not shut the Strait of Hormuz, it has warned of possible actions targeting US-affiliated vessels transiting the waterway. If these tensions persist, further upside in oil prices could be witnessed in the coming period.

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

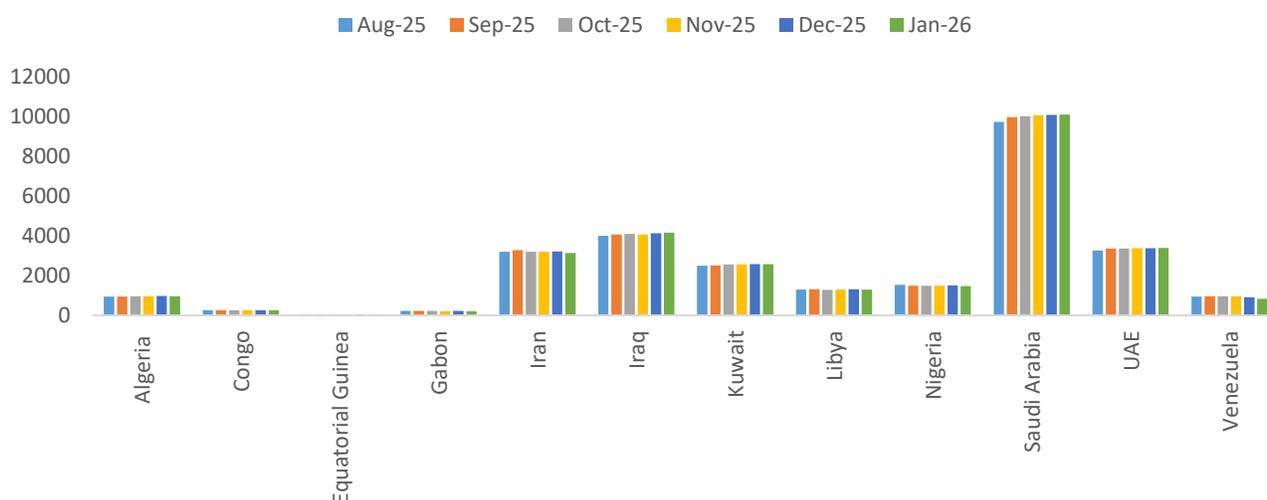


Source: Bloomberg

### OPEC Production

Total Brent crude oil production from the OPEC-12 countries decreased 135 thousand barrels per day (bpd) MOM, reaching 28.5 Mn bpd in January 2026. Six out of the 12 OPEC members reported a decrease in production during the month. Venezuela witnessed the largest decline in production, decreasing 87 thousand bpd MOM in January 2026, followed by Iran with the second-highest decrease of 81 thousand bpd MOM decline. Nigeria’s oil output decreased 19 thousand bpd MOM in January 2026, followed by Gabon's oil production, which fell 9 thousand bpd MOM. Similarly, Algeria recorded oil production decline of 2 thousand bpd MOM in January 2026. Iraq saw the highest increase in oil production of 38 thousand bpd MOM in January 2026 with Saudi Arabia and UAE both saw an increase of 13 thousand bpd each MOM in January 2026. Kuwait saw an increase of 5 thousand bpd MOM in January 2026, while Congo saw an increase of 1 thousand bpd MOM. Equatorial Guinea oil production remained unchanged in January 2026 on a MOM basis.

Figure 9: OPEC Crude Oil Production

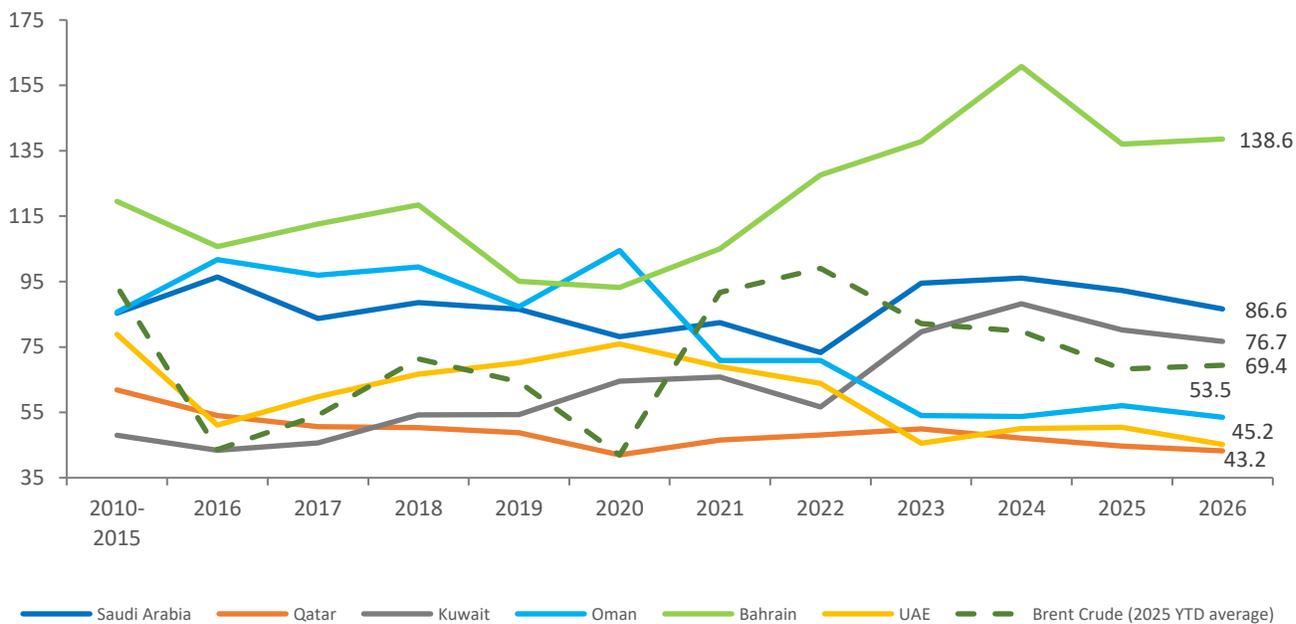


Source: OPEC

### Fiscal Breakeven Oil Price

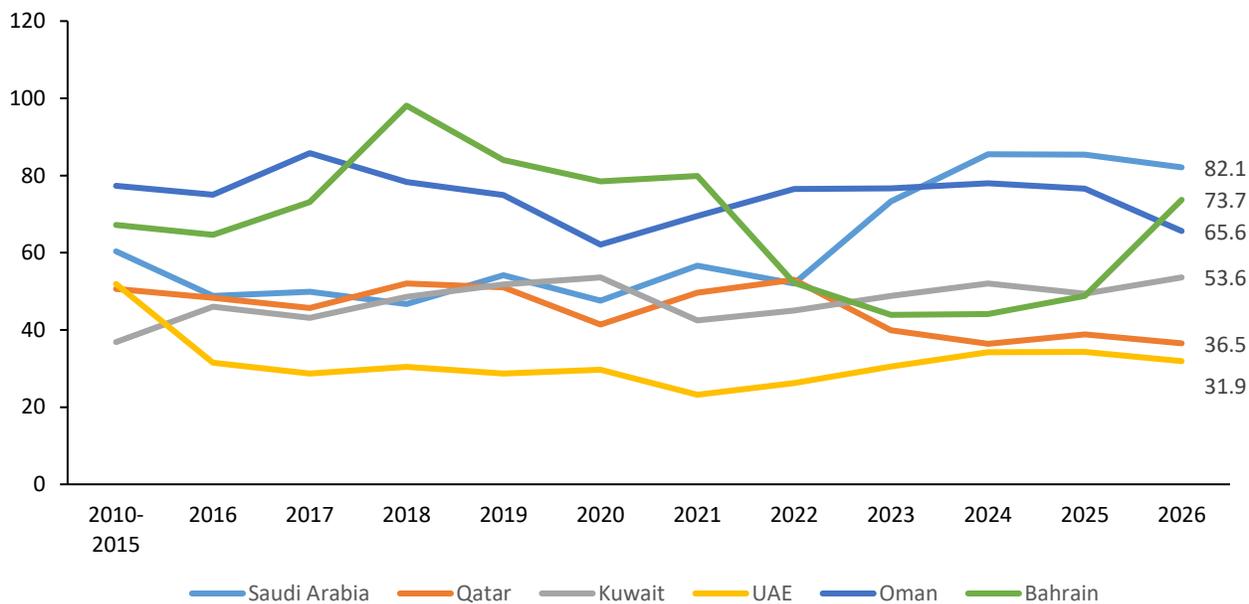
The overall fiscal breakeven oil price is expected to decline for all GCC Countries in FY2025, except Bahrain. Bahrain’s fiscal breakeven is projected to grow from USD 137 per barrel in FY2025 to USD 138.6 in FY2026. Saudi Arabia, Qatar, Kuwait, UAE, and Oman will record a decline in break-even oil prices in FY2026. Saudi Arabia is expected to record the highest drop in break-even oil price, from USD 92.3 per barrel in FY2025 to USD 86.6 per barrel in FY2026. UAE's break-even oil price will fall from USD 50.4 per barrel in FY2025 to USD 45.2 per barrel in FY2026, followed by Oman, which is likely to witness a fall from USD 57 per barrel in FY2025 to USD 53.5 per barrel in FY2026. Kuwait’s break-even oil prices will fall from USD 80.2 per barrel in FY2025 to USD 76.7 per barrel in FY2026, while Qatar will witness a decline from USD 44.7 in FY2025 to USD 43.2 in FY2026.

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



Source: Bloomberg

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



Source: Bloomberg

**Figure 12: Oil Rig Count**



Source: Bloomberg

## Credit Strategy

### Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody's/S&P/Fitch
ALDAR 3.875% 2029	Real Estate	98.26	4.42	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	98.80	5.96	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	98.40	4.06	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	98.48	5.60	NA/NA/BBB+
INTLWT 5.95% 2039	Power Generation and Water Utility	103.11	5.64	Baa3/NR/BBB-

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

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

### Implications of Securities Recommendations

Bond Particulars	Call	Price	Yield <sup>1</sup>	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	103.11	5.64	0.32	0.24	0.24	4.12
BGBKKK 2.75% 2031	MW	98.48	5.60	0.38	0.95	0.88	4.39
ARAMCO 3.5% 2029	OW	98.40	4.06	0.77	0.60	0.77	3.37
KWIPKK 4.5% 2027	MW	98.80	5.96	0.30	0.53	0.65	7.95
ALDAR 3.875% 2029	OW	98.26	4.42	0.49	0.36	0.56	3.13

Source: Bloomberg, <sup>1</sup>Mid YTM

### ALDAR 3.875% 2029: Maintain OVERWEIGHT rating

We assign an OVERWEIGHT rating on Aldar Properties PJSC's (Aldar Properties) 3.875% senior unsecured Sukuk maturing in October 2029. The Sukuk is trading at USD 98.26 with a yield of 4.42% when held until maturity (redemption at par) with a modified duration of 3.30. 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 80.7 Bn. Apart from being a reliable government contractor, the Company developed many innovative projects, such as Yas Island's F1 circuit and the Gate Towers in Shams Abu Dhabi. Demand for Abu Dhabi's real estate is robust, and the government supports it in terms of home purchasers. The current market has a good supply, and investors are confident in investing in quality projects in prime locations. Aldar diversified its operations and acquired SODIC in Egypt in 2021. SODIC is a leading Egyptian real estate company with a strong 25-year track record, spanning a land area of 25.0 Mn square meters 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 30%+ stake through its related companies Sublime Commercial Corporation, Sogno Two, and Sogno Three Sole Proprietorship LLC. Aldar Properties is an important strategic partner to the government, having completed several large-scale infrastructure projects and developments in the UAE.
- Aldar Properties (Aldar) released its financial results for 2025 with a revenue of AED 33.8 Bn, up 47.0% 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 11.6 Bn, up 43.9% YOY in 2025, and a net profit of AED 7.6 Bn, up 36.0% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose to AED 0.955 in 2025 from AED 0.699 in 2024, demonstrating consistent long-term shareholder value growth.
- Aldar's strong financial results are primarily supported by strong demand for new launches and existing inventory amid robust UAE real estate market fundamentals. The Company's revenue backlog stood at AED 71.7 Bn as of 2025

compared to AED 54.6 Bn in 2024, providing strong revenue visibility across the UAE and International Business. Additionally, Aldar launched 11 new developmental projects, Manarat Living III and The Wilds, Fahid Beach Residences, The Beach House, Waldorf Astoria Residences Yas, Fahid Beach Terraces, Al Deem Townhomes, Rise by Athlon, Yas Living, The Row Saadiyat and Yas Riva Residences in 2025. The project management service segment backlog stood at AED 94.8 Bn as of 2025, with AED 64 Bn under construction.

- The Company's growth was further supported by steady execution of its development revenue backlog, record sales performance, and strong contributions from its 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 49 Bn in 2025. Strategic acquisitions, rising rental rates, and high occupancy levels, together with strong growth from Aldar Estates and Aldar Education, are supporting stable income and sustained revenue growth.
- As of 2025, Aldar's UAE landbank is strategically distributed across investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 59.5 Mn sqm. In Abu Dhabi, the Company's total land area spans 59.4 Mn sqm, with a gross floor area (GFA) of 7.7 Mn sqm. Meanwhile, in Dubai the land area encompasses 0.05 Mn Sqm, with gross floor area (GFA) of 0.1 Mn sqm.
- Aldar deployed a capex amounting to c. AED 2.1 Bn in 2025, while in 2024 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 2026 and AED 9-12 Bn in 2028 across its property segment.
- Liquidity position remains strong with unrestricted cash of AED 14.2 Bn and AED 16.4 Bn of undrawn credit facilities as of 2025. The Company's total debt increased from AED 16.4 Bn in 4Q24 to AED 25.2 Bn in 4Q25.
- Aldar Education is a leading private education provider in Abu Dhabi, with 27 owned and managed schools as of 2025, 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 will expand its education portfolio in 2026-27 through the rebranding of Rugby School Dubai, formerly Kent College Dubai, further strengthening its presence in Dubai. Aldar Education is also planning to bring King's College School Wimbledon on 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 98.80 with a yield of 5.96% when held until maturity (redemption at par) and has a modified duration of 0.93. 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 9M25, 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 5.8% YOY to KWD 1,155 Mn in 9M25, mainly due to strong growth across energy income, hospitality & real estate income, industrial & logistic income, coupled with rise in interest and investment income, partially offset by a decline in share of results of associates, and net fees & commission income.

- The Company's operating profit from continuing operations rose to KWD 123 Mn in 9M25, up from KWD 122 Mn in 9M24. Provisions for credit losses increased significantly from KWD 18 Mn in 9M24 to KWD 36 Mn in 9M25. Profit before tax decreased from KWD 87 Mn in 9M24 to KWD 75 Mn in 9M25.
- The Company recorded an increase in net profit attributable to shareholders with 7.3% YOY to KWD 13 Mn in 9M25.
- KIPCO cash and bank balance at the parent company level stood at KWD 2,344 Mn in 9M25, compared to KWD 2,663 Mn in FY2024.
- Net outstanding debt increased from KWD 722 Mn in 9M24 to KWD 1,869 Mn in 9M25.
- KIPCO has received a dividend income of KWD 8 Mn in 9M25 compared to KWD 11 Mn in 9M24.
- 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 98.40 and offers a yield of 4.06% with a modified duration of 2.88. 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 5.9% YOY to SAR 1,170.6 Bn in 9M25, mainly due to lower realization of crude oil, refined products, and chemicals. However, the decline was partially offset by a higher volume of refined and chemical products sold compared to the previous period last year. Revenue from Downstream operation decreased 3.3% YOY to SAR 674.1 Bn in 9M25, while revenue from Upstream operation fell 9.4% YOY to SAR 494.6 Bn in 9M25. Other income related to sales declined 34.5% YOY to SAR 84.3 Bn in 9M25. Other income related to sales fell due to lower reference equalization prices, higher regulated prices, and lower volumes sold of crude oil and refined products. Thus, revenue and other income related to sales fell from SAR 1,373.1 Bn in 9M24 to SAR 1,254.9 Bn in 9M25.
- Royalties and other taxes declined from SAR 157.7 Bn in 9M24 to SAR 115.4 Bn in 9M25. Total operating costs fell 8.9% YOY to SAR 702.9 Bn in 9M25, owing to a decrease in production royalties, partially offset by higher production and manufacturing costs compared to 9M24.

- The Company's finance and other income fell to SAR 12.4 Bn in 9M25, compared to SAR 18.7 Bn in 9M24.
- Income before taxes and zakat fell from SAR 609.7 Bn in 9M24 to SAR 551.0 Bn in 9M25, primarily attributed to a lower realization of crude oil, refined products, and chemicals, partially offset by higher volumes sold.
- Furthermore, Aramco's net profit declined from SAR 314.7 Bn in 9M24 to SAR 283.6 Bn in 9M25. The net profit attributable to equity shareholders declined from SAR 307.1 Bn in 9M24 to SAR 278.6 Bn in 9M25.
- Free cash flow fell from SAR 238.9 Bn in 9M24 to SAR 217.3 Bn in 9M25, primarily attributable to lower net cash generated from operating activities due to lower earnings and investment in working capital, coupled with higher capital expenditures on downstream operations.
- Aramco paid a total dividend of SAR 240.3 Bn in 9M25. Additionally, this total dividend includes a performance-linked dividend of SAR 2.5 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 50 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 be completed 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. In October, Aramco entered a 20-year lease-and-leaseback agreement for the Jafurah Field Gas Plant and Riyas NGL Fractionation Plant with its subsidiary, Jafurah Midstream Gas Company. As part of the deal, Aramco sold a 49% stake in the subsidiary to a consortium led by Global Infrastructure Partners (BlackRock) for SAR 41.8 Bn (USD 11.1 Bn) in cash. The subsidiary will receive quarterly volume-based tariff payments from Aramco, backed by minimum volume commitments. Aramco retains full ownership and operational control of the facilities, with no restrictions on production volumes.
- Aramco's gearing ratio declined marginally from 6.5% in 2Q25 to 6.3% in 3Q25. Aramco's capital expenditure (capex) on cash basis fell to SAR 105.8 Bn in 9M25 from SAR 110.1 Bn in 9M24. This decrease was mainly due to phasing the expansion of crude oil production to maintain a maximum sustainable capacity of 12.0 mmbpd (millions barrels per day) and continuing development activity on multiple strategic gas projects. The Company's net debt marginally declined to SAR 114.3 Mn in 3Q25 compared to SAR 115.6 Mn in 2Q25.

#### **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 98.48. The bond offers a yield of 5.60% and a duration of 0.51. 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 284 ATMs as of 9M25. KIPCO Company holds a major stake in the Bank, owning 33.5%.
- Burgan Bank net operating income increased 16.9% YOY to KWD 268 Mn in 2025, driven by a 13.0% YOY growth in the net interest income amounting to KWD 178 Mn, coupled with a 25.4% YOY rise in the non-interest income amounting to KWD 90 Mn during 2025. The improvement was driven by sustained loan expansion, stable net interest margins, higher fee income, and contributions from the integration of United Gulf Bank (UGB), including its key subsidiary Kamco Investment Company KSCP.

- The Bank's net interest margins remained stable YOY at 2.3% in 2025, reflecting effective balance sheet management in a changing interest-rate environment.
- Operating expenses increased 25.0% YOY to KWD 163 Mn in 2025. Thus, the cost-to-income ratio stood at 60.9% in 2025 compared to 57.0% in 2024.
- The Bank reported a net profit attributable to shareholders of KWD 47 Mn in 2025, compared to KWD 46 Mn in 2024, reflecting stable earnings performance and highlighting the resilience of its business model despite heightened market uncertainty.
- Loans and advances to customers rose 8.0% YOY and 2.1% QOQ to KWD 4.8 Bn in 2025, driven by Kuwait business and solid performance across key subsidiaries. Deposit rose 11.3% YOY and 5.2% QOQ to KWD 5.5 Bn, with CASA deposit of 27% in 2025.
- The Bank's non-performing loans increased marginally from 1.8% in 2024 to 1.9% in 2025. Provisional coverage stood at 239% in 2025, further underscoring the strength of the credit protection.
- Capital adequacy ratio stood at 16.8% in 2025, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 186% and 112%, respectively, as of 2025, substantially above the minimum regulatory requirement of 100%.
- Fitch Ratings affirmed Burgan Bank's long-term IDR at "A" with a stable outlook. Moody's assigned a credit rating of "Baa1" with a Stable Outlook, and S&P Global also assigned a rating of "BBB+" with a Stable Outlook.
- Burgan Bank successfully issued USD 500 Mn through a 5-year senior unsecured bond, carrying a fixed coupon of 4.875% and priced at a spread of 115 bps over US Treasuries.
- During the year, the Bank launched a USD 500 Mn Certificates of Deposit (CD) program, a new funding instrument designed to diversify sources and strengthen liquidity.
- Burgan Bank also increased its authorized capital by KD 200 Mn to 600 Mn supporting future growth and ensuring continued regulatory approval.

#### **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 103.11 with a yield of 5.64% if held till maturity (redemption at par). The bond has a modified duration of 6.73. 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 30<sup>th</sup> 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<sup>3</sup>/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 9M25 for ACWA Power are listed below:

- ACWA Power's operating income before impairment loss and other expenses significantly grew from SAR 2,365.1 Mn in 9M24 to SAR 2,764.3 Mn in 9M25. The increase is mainly due to higher contributions from operational projects, increased income from development and construction management services and higher development cost, provisions, and write-offs in 3Q24 period due to the termination of a project in Africa. This was partially offset by a debt restructuring gain from ACWA GUC in Turkey in 3Q24, and a divestment gain in 2Q24 from the Bash and Dzhankeldy Wind projects in Uzbekistan following a minority stake sell-down.
- Net profit attributable to equity holders increased 2.0% YOY to SAR 1,280 Mn in 9M25. The increase in profit was primarily driven by higher operating income, as well as increased net financial charges, including forex, net of other income. However, this positive effect was partially offset by a higher share of non-controlling interest, an additional impairment charge related to Noor 3 CSP IPP in Morocco on account of the current period impact of the LD and insurance settlement income and lower profit attributable to equity holders of the parent following a 30% divestment of RAWEC in June 2024, and increased zakat & tax charges.
- The adjusted net profit rose 21.8% YOY to SAR 1,355 Mn in 9M25, excluding the impact of impairment loss, project termination in Africa, partially mitigated by the gain on termination of hedging instruments.
- ACWA Power raised SAR 7.1 Bn in 9M25 via a rights issue, increasing the total capital from SAR 7.3 Bn to SAR 7.6 Bn in June 2025, to finance expansion, target USD 250 Bn AUM by 2030, invest in power, desalination, green hydrogen, pursue M&A, and strengthen the balance sheet amid growth plans.
- Furthermore, the company signed 9 PPAs, 1 WPA, acquired power and water plants in Bahrain, Kuwait, and China - adding 24.7 GW of power and 1.8 Mn m<sup>3</sup>/day of water to the portfolio.

- During 9M25, the Company added 7 GW of power and 600,000 m<sup>3</sup>/day of desalinated water as incremental operational capacity, thus bringing the total operational capacity in the portfolio to 40 GW of power and 5.3 Mn m<sup>3</sup>/day of water.
- The company's projects, including the Chirchiq Green Hydrogen and Karatau Wind projects in Uzbekistan, the Saad 2, Al Rass 2, and Al Khafah solar PV plants in Saudi Arabia, and various wind projects in Azerbaijan, began partial or full operations in 3Q25. These projects added 3.7 GW of power capacity and 3,000 tonnes of green hydrogen annually to the operational portfolio.
- The company achieved financial close worth SAR 15.3 Bn for three projects, including the two CCGT plants in Saudi Arabia—Rumah 1 IPP and Al-Nairiyah 1 IPP.
- On 25th December 2024, the Group signed the equity transfer agreement for the acquisition of 100% shares in Xinyang Mingshang New Energy Co. Ltd. On 30th September 2025, the conditions precedent were met, and 100% equity shares were transferred to the Group. Accordingly, the asset has been consolidated in the financial statements for 9M25. By closing another phase of acquisitions in China, the Company added the 100 MW Mingyang Wind Power Project to its portfolio.
- 9M25, consolidated power availability stood at 91.7%, lower than the level recorded in 9M24 (93.9%). The planned or forced outages across conventional power assets impacted the Company's performance during 9M25. Renewable assets continued to operate with strong performance, with an average availability of 97.0% during 9M25, compared to 95.7% in 9M24. Consolidated water availability also improved to 98.3% in 9M25 from 97.4% in 9M24.
- ACWA Power reported a cash & short-term investment of SAR 9.9 Bn in 9M25 up from SAR 4.1 Bn in 2024. As a result, total assets increased from SAR 56.9 Bn in FY2024 to SAR 68.6 Bn in 9M25. The Company's debt stood at SAR 29.4 Bn in 9M25, up from SAR 25.9 Bn in FY2024.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

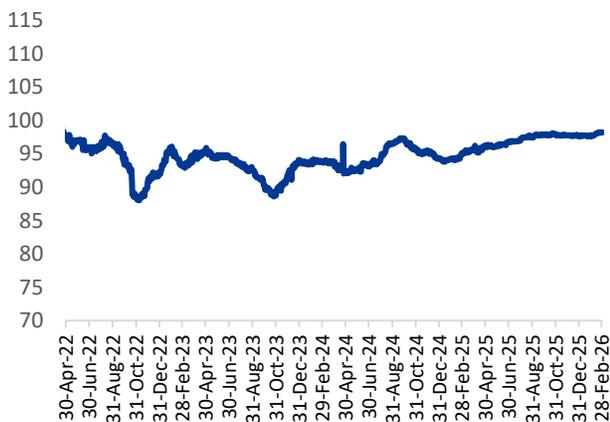


Figure 14: KWIPKK 4.5% 2027

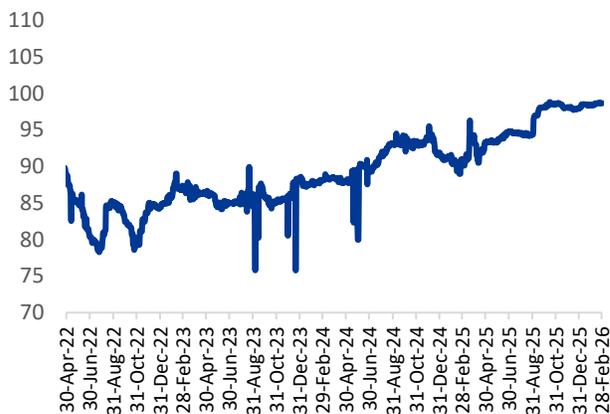


Figure 15: ARAMCO 3.5% 2029

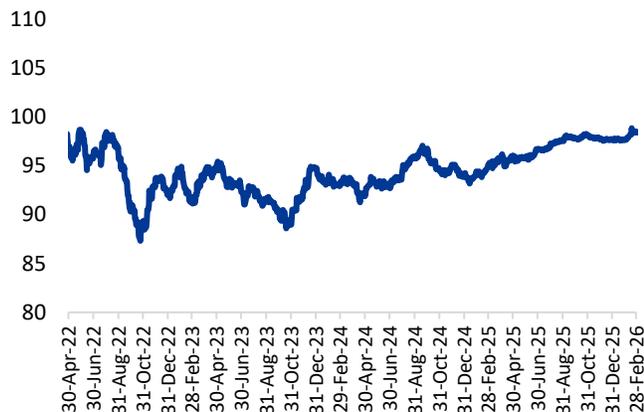


Figure 16: INTLWT 5.95% 2039

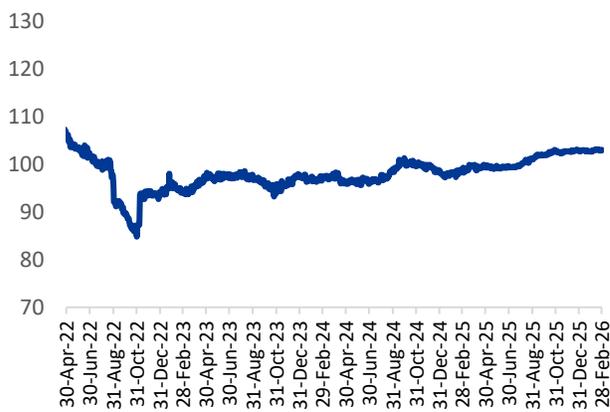
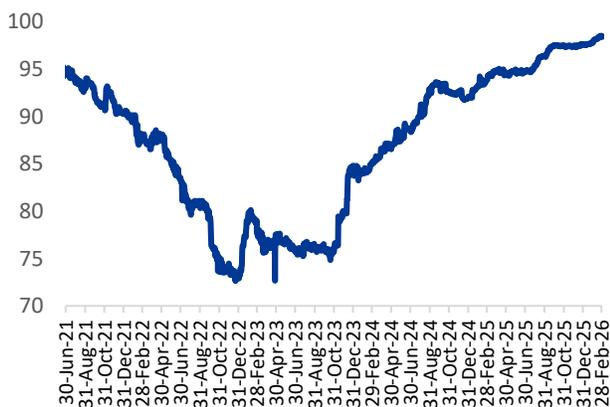


Figure 17: BGBKKK 2.75% 2031



Source: Bloomberg

**Key Market Indicators**

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	78.75	29.42	18.78
US dollar index	98.20	-0.13	0.58
10Y Treasury yield <sup>1</sup>	3.96	-0.21	-0.26
2Y Treasury yield <sup>1</sup>	3.38	-0.09	-0.14
10Y German bond yield <sup>1</sup>	2.64	-0.21	-0.20
10Y Japan bond yield <sup>1</sup>	2.07	0.00	-0.15
Bloomberg UAE Composite USD Liquid index	151.96	1.08	1.07

Source: Bloomberg, <sup>1</sup> in Basis point

## Sovereign Highlights

### UAE

#### **Dubai's economy recorded USD 96.6 Bn GDP in 9M25 with 4.7% growth**

Dubai's economy expanded 4.7% YOY in 9M25, with GDP reaching c. AED 355 Bn, including AED 113.8 Bn in 3Q25 alone. Growth accelerated to 5.3% YOY in 3Q25, reflecting continued economic momentum across key sectors. Human Health and Social Work activities recorded the fastest growth at 15.4% YOY in 9M25, contributing 1.5% of GDP, while the Financial and Insurance sector expanded 8.5% YOY, accounting for 12% of GDP. The Construction sector also grew 8.5% YOY in 9M25, contributing 6.7% to GDP, while Real Estate increased 6.7% YOY, contributing 8.2%, with a total value of AED 29.1 billion. The strong performance was supported by rising tourism activity, with Dubai welcoming 13.95 Mn international visitors in 9M25, up 5% YOY.

#### **Robust new orders drive faster non-oil growth in the UAE**

The UAE's non-oil private economy grew at its quickest rate in almost two years in January 2026, fueled by a notable surge in fresh orders and strengthening economic momentum. The seasonally adjusted Purchasing Managers' Index (PMI), rose from 54.2 in December 2025 to 54.9 in January 2026, marking its highest level in 11 months. Expansion was largely supported by the strongest increase in new business in nearly two years, driven by firmer domestic demand and favorable market reactions to newly introduced products and services. Buying activity posted its most pronounced rise in six and a half years, leading to input cost inflation hitting an 18-month peak. Despite higher costs, companies generally maintained stable selling prices to preserve competitiveness. Employment increased marginally, while improved delivery times helped ease capacity pressures. Business confidence strengthened to a 15-month high, reflecting optimism about future demand. In Dubai, non-oil private sector activity remained robust, with new business growth rising to a two-month high, supported by increased client spending, improved operating conditions, higher employment, and stronger business sentiment, despite continued input cost pressures.

#### **Dubai's DXB airport expected to handle nearly 100 Mn passengers in 2026**

Dubai International Airport (DXB) is forecast to handle 99.5 Mn passengers in 2026, reflecting continued strong travel demand and building on its record performance in 2025. The airport processed 95.2 Mn passengers in 2025, reflecting a 3.1% YOY increase. India, Saudi Arabia, and Britain continued to be top markets, while China, Italy, and Egypt posted double-digit growth. DXB reported its busiest day, month, quarter, and year on record in 2025, operating near full capacity. To support future growth, authorities are investing in infrastructure enhancements, including advanced baggage screening machines to improve passenger flow. Additionally, expansion of Al Maktoum International Airport, backed by a USD 35 Bn investment, is underway to increase capacity to 150 Mn passengers annually over the next decade, with long-term plans to reach 260 Mn passengers.

### Saudi Arabia

#### **Saudi Arabia's real GDP expanded 4.5% in 2025**

Saudi Arabia's real GDP grew by 4.5% YOY in 2025. Oil activities recorded the highest growth at 5.6% YOY in 2025, followed by non-oil activities at 4.9% YOY, while government activities rose by 0.9% YOY. Non-oil activities were the main driver of real GDP growth, contributing 2.7%, followed by oil activities at 1.4%, while government activities and net taxes on products added 0.1% and 0.2%, respectively. In 4Q25, real GDP increased by 4.9% YOY, supported by a 10.4% YOY expansion in oil activities and a 4.1% YOY rise in non-oil activities, while government activities declined by 1.2% YOY. On a seasonally adjusted basis, real GDP grew 1.1% QOQ in 4Q25, driven by a 1.4% QOQ increase in oil activities and a 1.3% QOQ rise in non-oil activities, while government activities contracted by 0.2% QOQ.

**Saudi Arabia allowed full foreign investor access to capital market in February 2026**

Saudi Arabia opened its capital market to all categories of foreign investors, enabling overseas institutions and funds to directly trade on the Tadawul All Share Index (TASI). The Capital Market Authority (CMA) introduced a new regulatory framework allowing non-resident foreign investors to directly invest in shares listed on the main market, removing earlier qualification requirements and eliminating the Qualified Foreign Investor (QFI) framework. The updated regulations also removed swap agreements, allowing foreign investors to directly own listed shares instead of gaining only economic exposure. However, ownership limits remain in place, restricting non-resident foreign investors from holding 10% or more in any listed company, while total foreign ownership is capped at 49%. The move aims to expand the investor base, attract international capital inflows, and improve market liquidity.

**Saudi Arabia launched national privatization strategy to expand PPPs**

Saudi Arabia unveiled a new National Privatization Strategy aimed at expanding the role of public-private partnerships (PPPs) and accelerating economic diversification under Vision 2030. Led by the National Center for Privatization & PPP (NCP), the strategy seeks to enhance infrastructure quality and public service efficiency while strengthening private sector participation and supporting fiscal sustainability. The strategy targets increasing satisfaction levels across 18 sectors, signing more than 220 PPP contracts by 2030, and mobilizing over USD 64 Bn in private capital by 2030. It also aims to create thousands of jobs and open new investment opportunities in transport and logistics, water, healthcare, education infrastructure, and real estate. The government plans to seek private sector participation in key projects, including the Saudi Landbridge railway connecting the east and west coasts, education infrastructure developments, water desalination and treatment facilities, strategic reservoirs, and international airports.

**Saudi Arabia's economy expanded 4.9% YOY in 4Q25, supported by strong oil sector expansion**

Saudi Arabia's economy expanded 4.9% YOY in 4Q25, driven by higher oil production and continued growth in non-oil sectors. Oil activities rose sharply by 10.4% YOY in 4Q25, reflecting increased output following the easing of production cuts by the OPEC+ group, while non-oil activities rose around 4.0% YOY. For 2025, real GDP rose 4.5% YOY, with oil sector growth at 5.6% YOY and non-oil sector growth at 4.9% YOY. The government further projects GDP growth of 4.6% in 2026. The country's economic transformation under Vision 2030 continues to support non-oil sectors such as tourism, manufacturing, and technology, although spending priorities are being recalibrated toward more commercially viable projects, including developments like NEOM.

**Saudi Arabia non-oil private sector slowed in January 2026**

Saudi Arabia's non-oil private sector remained in expansion territory at the beginning of 2026, although growth slowed on MOM basis. The Riyadh Bank Purchasing Managers' Index (PMI) declined from 57.4 in December 2025 to 56.3 in January 2026, marking its lowest level in six months, while remaining above the 50 threshold that indicates expansion. Business activity continued to be supported by strong market demand, new projects, and improved client engagement, although new order growth remained almost flat in January. The new orders sub-index increased marginally from 61.8 in December 2025 to 61.9 in January 2026, driven by improving domestic conditions and higher export orders, particularly from GCC and Asian markets, although rising foreign competition remained a challenge. Employment growth moderated to its slowest pace in a year, despite continued hiring. Meanwhile, input cost pressures increased for the second consecutive month, driven by higher fuel, metal, and wage costs.

**Saudi industrial production rose 8.9% YOY in December 2025, driven by mining and non-oil activity**

Saudi Arabia's Industrial Production Index (IPI) increased 8.9% YOY in December 2025, supported by stronger activity across mining and quarrying, manufacturing, water supply and sewerage, as well as waste management and remediation activities. The mining and quarrying sub-index rose 13.2% YOY, while manufacturing activity expanded 3.2% YOY. The water supply,

sewerage, waste management, and remediation activities sub-index recorded a 9.4% YOY increase. The oil activities index grew 10.1% YOY, and the non-oil activities index rose 5.8% YOY in December 2025.

#### **Saudi inflation eased to 1.8% in January 2026**

Saudi Arabia's annual inflation rate declined from 2.1% in December 2025 to 1.8% in January 2026, while easing from 2.0% in January 2025. On a yearly basis, the inflation was mainly driven by a 4.2% rise in housing, water, electricity, gas, and other fuel costs, including a 5.2% increase in actual rents. In addition, transportation prices rose 6.0%, while food and beverages prices increased 1.0%. On a monthly basis, Consumer Price Index (CPI) rose 0.2% in January 2026, supported by higher housing, transport, and restaurant prices, partly offset by declines in food and beverage and communications costs. Meanwhile, the Wholesale Price Index (WPI) rose 2.9% YOY and 1.5% MOM, mainly due to higher prices of other transportable goods.

#### **Saudi Arabia's budget deficit widened to SAR 94.85 Bn in 4Q25**

Saudi Arabia's budget deficit widened from SAR 88.5 Bn in 3Q25 to SAR 94.9 Bn (USD 25.3 Bn) in 4Q25, while total expenditure increased from SAR 358.4 Bn in 3Q25 to SAR 371 Bn in 4Q25. Furthermore, total revenue rose from SAR 269 Bn in 3Q25 to SAR 276 Bn in 4Q25. Oil revenue increased from SAR 150.8 Bn in 3Q25 to SAR 154.2 Bn in 4Q25. However, total oil revenue declined 20% YOY in 2025. Non-oil revenue grew from SAR 119 Bn in 3Q25 to SAR 122.6 Bn in 4Q25. For 2025, the budget deficit reached SAR 276 Bn, while total debt rose from SAR 1.22 Tn in 2024 to SAR 1.52 Tn in December 2025.

### **Qatar**

#### **Qatar posted USD 1.45 Bn budget deficit in 4Q25**

In 4Q25, Qatar recorded a fiscal deficit of QAR 5.3 Bn (USD 1.45 Bn). Government revenues totaled QAR 51.6 Bn during 4Q25, whereas overall spending reached QAR 56.9 Bn, leading to the budget gap.

### **Egypt**

#### **Egypt issued USD 950 Mn in one-year dollar treasury bills**

Central Bank of Egypt issued USD 950 Mn in one-year dollar treasury bills, replacing USD 1.06 Bn in maturing bills, which had a weighted average yield of 3.50% previously.

#### **Non-oil private sector in Egypt continues to expand amid soft demand**

Non-oil private sector of Egypt recorded third straight month of output growth in January 2026, representing the longest expansion streak since late 2020, although demand conditions softened. The seasonally adjusted S&P Global Egypt PMI edged down from 50.2 in December 2025 to 49.8 in January 2026, reflecting a slight softening in overall operating conditions. Despite the dip, output continued to rise, supported by improved external demand, while domestic sales weakened following two months of growth. Meanwhile, a sharp fall in backlogs of work, marking the steepest decline in nearly three years, contributed to the largest drop in employment since October 2023. Selling prices declined for the first time since mid-2020 as cost pressures moderated, while business sentiment for the next 12 months remained cautiously positive.

#### **Egypt sign landmark USD 3.5 Bn spectrum deal to boost telecom sector**

Egypt finalized a historic USD 3.5 Bn deal to allocate 410 megahertz of additional spectrum to its four mobile carrier Telecom Egypt, Orange Egypt, Vodafone Egypt, and E& Egypt, marking the largest spectrum transaction in the country's telecom sector. The newly assigned spectrum equals the total frequency allocated since the launch of mobile services three decades ago and is expected to enhance network capacity. The country's improved foreign currency position has been supported by an International Monetary Fund-backed programme, strong tourism revenues, remittances, and major investment agreements with Gulf nations, including the UAE.

### **Egypt's core inflation eases to 11.2% YOY in January 2026**

Egypt's core inflation rate declined from 11.8% YOY in December 2025 to 11.2% YOY in January 2026, according to the Central Bank of Egypt.

### **Egypt slashes interest rates by 100 bps amid economic shift**

The Central Bank of Egypt lowered its key interest rates by 1 percentage point to support economic growth and lower borrowing costs for consumers and businesses. Following the decision, the main policy rates were set at 29% for overnight deposits, 19.5% for the main operation, and 20% for overnight lending.

## **Kuwait**

### **Kuwait plans a new law to regulate domestic and international sukuk issuance**

Kuwait is preparing to introduce new legislation to regulate the issuance of government sukuk in both domestic and international markets. The move aims to strengthen fiscal sustainability and provide more flexible financing tools amid ongoing fiscal reforms and budget deficit pressures, with hydrocarbons accounting for nearly 90% of government revenues in 2024. The development follows Kuwait's return to global debt markets in 2024, raising USD 11.25 Bn from a three-part bond sale, while a new public debt law increased the borrowing ceiling to KWD 30 Bn (USD 98 Bn) to enable long-term funding options.

### **Kuwait Oil in discussions with US firms to develop shale oil and gas resources**

Kuwait Oil Company (KOC) is in discussions with US operators to explore potential cooperation in developing Kuwait's shale oil and shale gas resources. The company is engaging with firms including Devon Energy and EOG Resources to leverage their expertise in resource development.

### **Kuwait's draft budget projected USD 32.1 Bn deficit for 2026-2027**

Kuwait's proposed budget for 2026-2027 anticipates a deficit of KWD 9.8 Bn (USD 32.1 Bn), with total revenues projected at KWD 16.3 Bn. Oil income is expected at KWD 12.8 Bn for 2026-2027, marking a 16.3% YOY drop. Meanwhile, total spending is set to rise 6.2% YOY to KWD 26 Bn.

## **Bahrain**

### **Fitch downgraded Bahrain's sovereign rating to "B" with stable outlook**

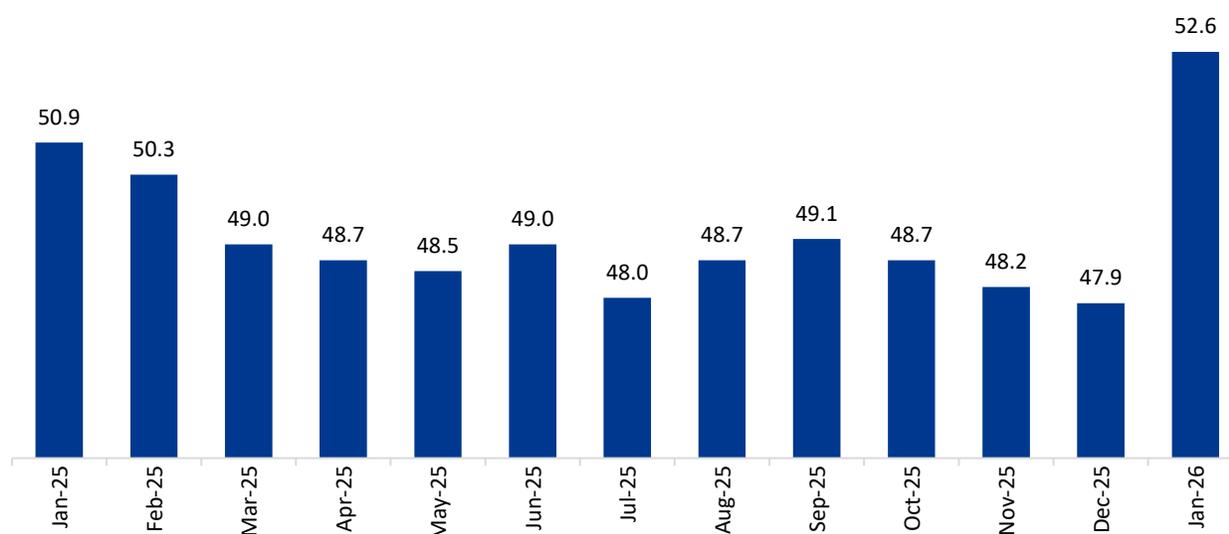
Fitch downgraded Bahrain's long-term foreign-currency issuer default rating to "B" from "B+", citing high public debt, large fiscal deficits and low foreign exchange reserves, while maintaining a stable outlook. Fitch expects government debt-to-GDP to continue rising despite the implementation of a fiscal consolidation package. Moreover, reliance on hydrocarbon revenues alongside lower oil income, higher interest costs and increased public sector wages have increased fiscal deficits in recent years.

## Global Economy

### US manufacturing index unexpectedly returned to expansion in January 2026 due to strong new orders

Manufacturing activity in the US unexpectedly expanded in January for the first time in 12 months. The US ISM manufacturing PMI increased sharply from 47.9 in December 2025 to 52.6 in January 2026. A significant rise in new orders mainly drives the improvement, with the new orders index growing from 47.4 in December 2025 to 57.1 in January 2026, the highest level since February 2022. Furthermore, production index climbed from 50.7 in December 2025 to 55.9 in January 2026. Meanwhile, the employment index improved from 44.8 in December 2025 to 48.1 in January 2026, although conditions remained relatively weak. Moreover, input cost pressures continued, and the prices index edged up from 58.5 in December 2025 to 59.0 in January 2026, suggesting a modest acceleration in input cost pressures.

Figure 18: US Manufacturing PMI

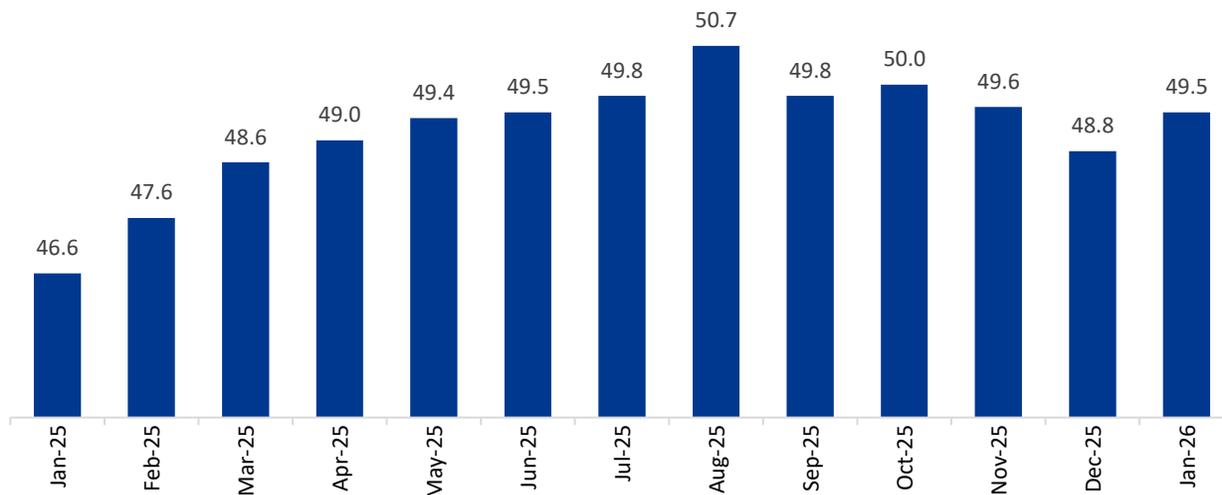


Source: CAPIQ

### Eurozone manufacturing activity contraction eases in January 2026

Eurozone manufacturing activity remained in contraction in January 2026 but showed signs of improvement as the HCOB Manufacturing Purchasing Managers' Index (PMI) increased from 48.8 in December 2025 to 49.5 in January 2026, marginally below the threshold of 50.0, which separates expansion from contraction. Production returned to growth and expanded for the tenth time in the past eleven months, although new and export orders declined for the third consecutive month. Employment levels further declined amid reduced purchasing activity by firms. Additionally, input cost pressures climbed to a three-year high, limiting pricing power as output remained largely unchanged. Furthermore, business confidence strengthened to the strongest level since February 2022.

Figure 19: Eurozone Manufacturing PMI

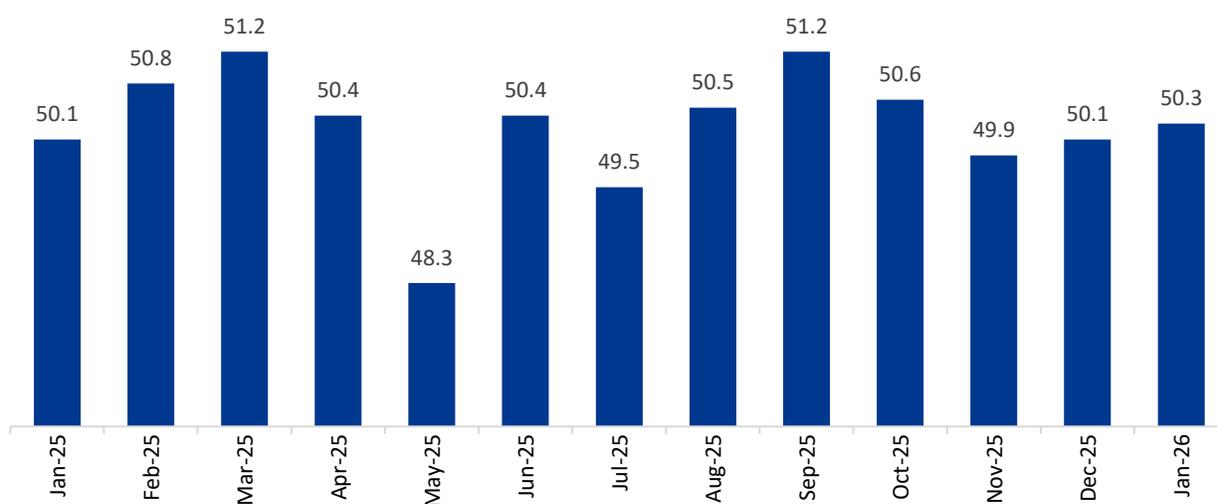


Source: CAPIQ

**China’s manufacturing sector gained momentum in January 2026 on strong orders**

The RatingDog Manufacturing Purchasing Managers’ Index (PMI) increased slightly from 50.1 in December 2025 to 50.3 in January 2026, marking the fastest growth in three months. This improvement was supported by faster growth in production, higher new orders, and fresh increase in export orders, especially from Southeast Asia. Moreover, employment rose for the first time in three months, supported by expanded workforce capacity and enhanced operational efficiency. Firms increased purchasing activity to meet demand, while inventories declined as shipments rose. On the cost front, input cost pressures intensified, as prices increased at the quickest rate since September 2025.

Figure 20: China Manufacturing PMI

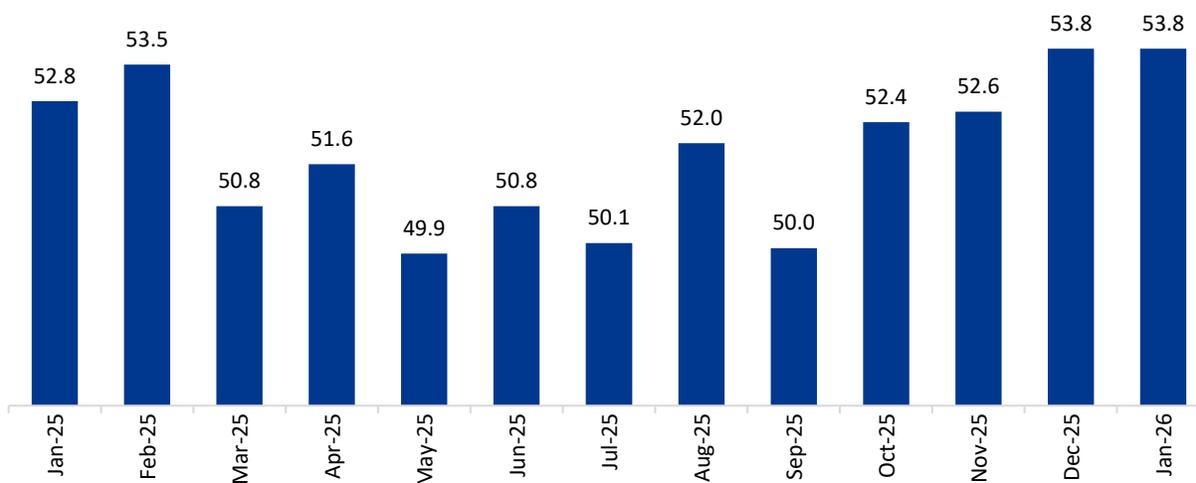


Source: CAPIQ

### US services index remained unchanged in January 2026

Services activity in the US remained unchanged in January 2026. The ISM Services PMI stayed flat at 53.8 in January 2026 after recording the same reading in December 2025, indicating ongoing expansion. However, the new orders index declined from 56.5 in December 2025 to 53.1 in January 2026. Furthermore, the employment index decreased from 51.7 in December 2025 to 50.3 in January 2026, indicating moderate but ongoing job growth. Moreover, input cost pressures continued, with the prices index rising from 65.1 in December 2025 to 66.6 in January 2026.

Figure 21: US Services PMI

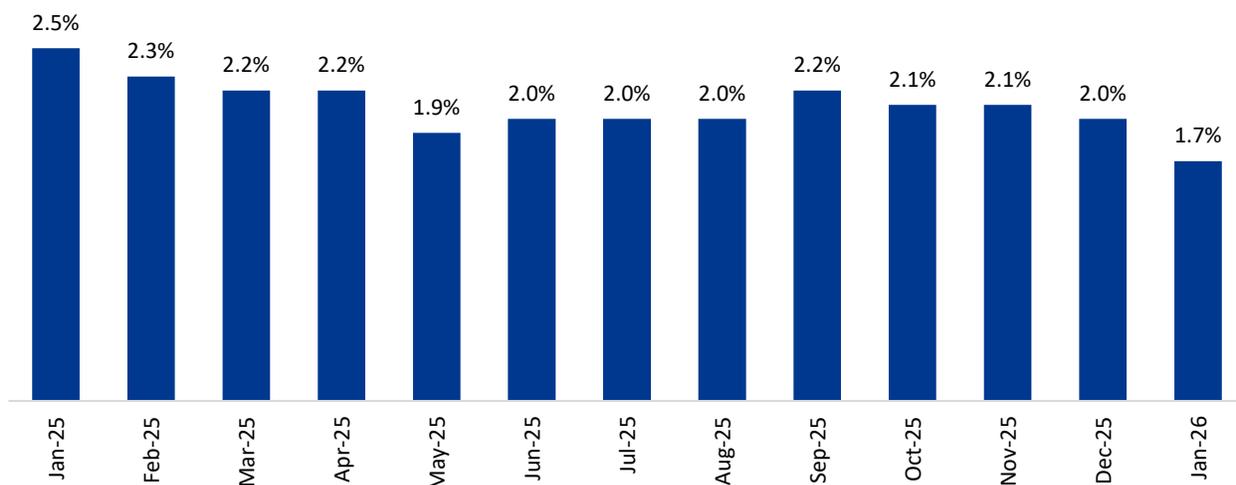


Source: CAPIQ

### Eurozone inflation declined below 2% target in January 2026

Eurozone consumer price inflation declined in January 2026, falling below the 2% target of the European Central Bank. The annual headline inflation slowed from 2.0% in December 2025 to 1.7% in January 2026, primarily due to a fall in energy prices and a strong euro. Furthermore, core inflation (excluding energy, food, alcohol and tobacco) slowed from 2.3% in December 2025 to 2.2% in January 2026, indicating moderation in underlying price pressures. Meanwhile, the services inflation remained sticky at 3.2% YOY, recording the largest growth among major components. Energy prices declined sharply 4.1% YOY, and non-energy industrial goods recorded modest YOY growth of 0.4% YOY in January 2026. On a monthly basis, consumer prices declined 0.5% in January 2026.

Figure 22: Eurozone Inflation (YOY)

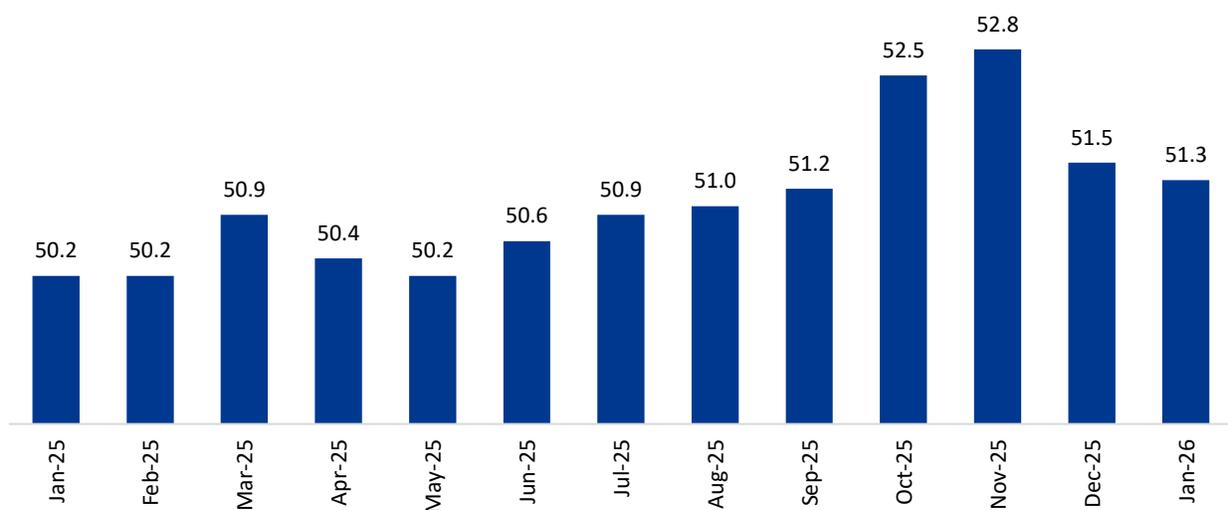


Source: CAPIQ

#### Eurozone private sector growth slowed to a four-month low as service activity declined

The euro area private sector continued to expand in January 2026, however, the pace of growth slowed to a four-month low. The HCOB Eurozone Composite Purchasing Managers' Index (PMI) declined from 51.5 in December 2025 to 51.3 in January 2026, indicating weaker growth momentum, although it remained above the 50.0 threshold for the thirteenth consecutive month. This slowdown was primarily driven by weaker growth in the services sector, which more than offset a renewed expansion in manufacturing output. The services Purchasing Managers Index dropped from 52.4 in December 2025 to 51.6 in January 2026, above the 50.0 threshold.

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

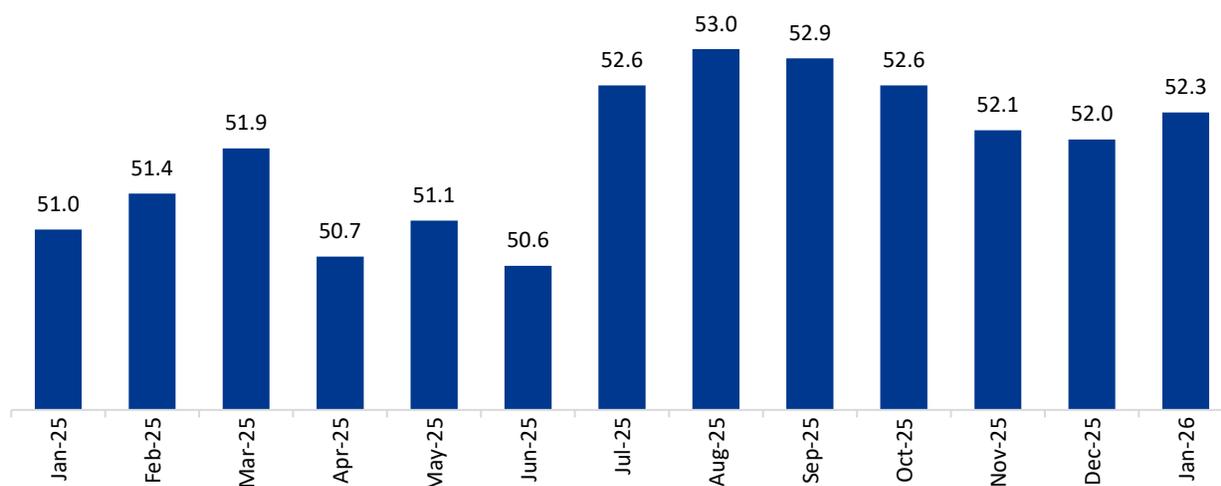


Source: CAPIQ

### China service sector activity gained momentum in January 2026

China’s service sector expanded at a faster pace in January 2026, supported by stronger growth in new business. The RatingDog China Services Purchasing Managers’ Index (PMI) rose from 52.0 in December 2025 to 52.3 in January 2026, marking the strongest expansion in three months and remaining above the 50.0 threshold. Furthermore, new business growth accelerated, driven by promotional activities, greater client interest, and improved external demand, which increased for the second time in the past three months, partly supported by new product launches. Additionally, employment in the services sector increased for the first time in six months, helping firms manage workload. Moreover, input cost pressures continued, although the rate of cost inflation eased to a five-month low, and output prices remained broadly stable.

Figure 24: China Services PMI

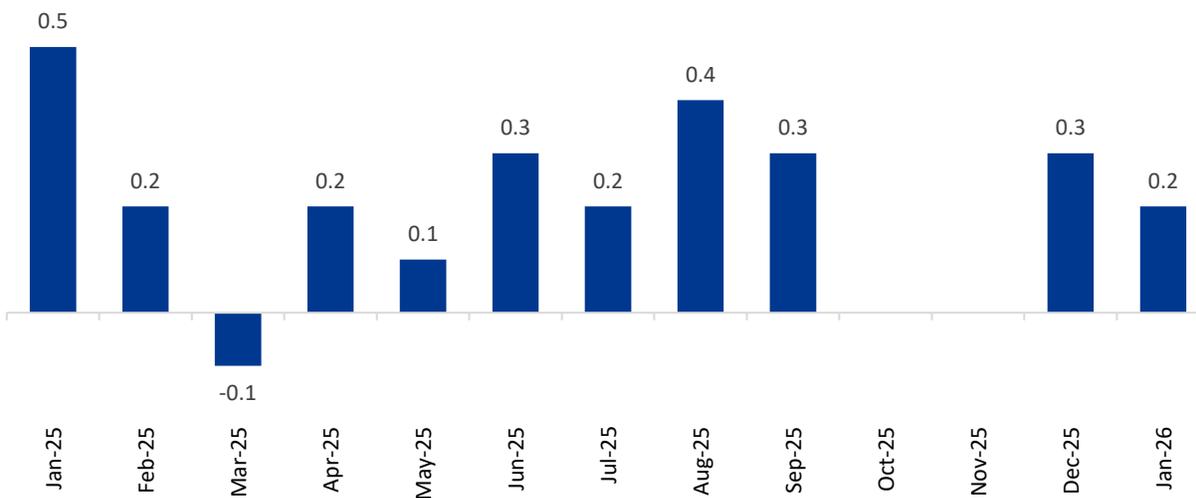


Source: CAPIQ

### US consumer price growth moderated in January 2026

The US consumer prices increased 0.2% MOM in January 2026, following a 0.3% MOM increase in December 2025. Additionally, core CPI (excluding food and energy) rose 0.3% in January 2026. Furthermore, on a YOY basis, headline inflation slowed from 2.7% in December 2025 to 2.4% in January 2026, while core inflation eased from 2.6% in December 2025 to 2.5% in January 2026. The moderation in prices was largely driven by a decline in energy prices, which fell 1.5% MOM in January 2026, while food prices increased 0.2% MOM, and shelter costs rose 0.2% MOM in January 2026, contributing to the overall increase in consumer prices. The increase in core prices was mainly driven by higher prices for shelter, airline fares, personal care, recreation, medical care, and communication. On the other hand, prices for used cars and trucks, household furnishings and operations, and motor vehicle insurance declined in January 2026.

Figure 25: US CPI (MOM)

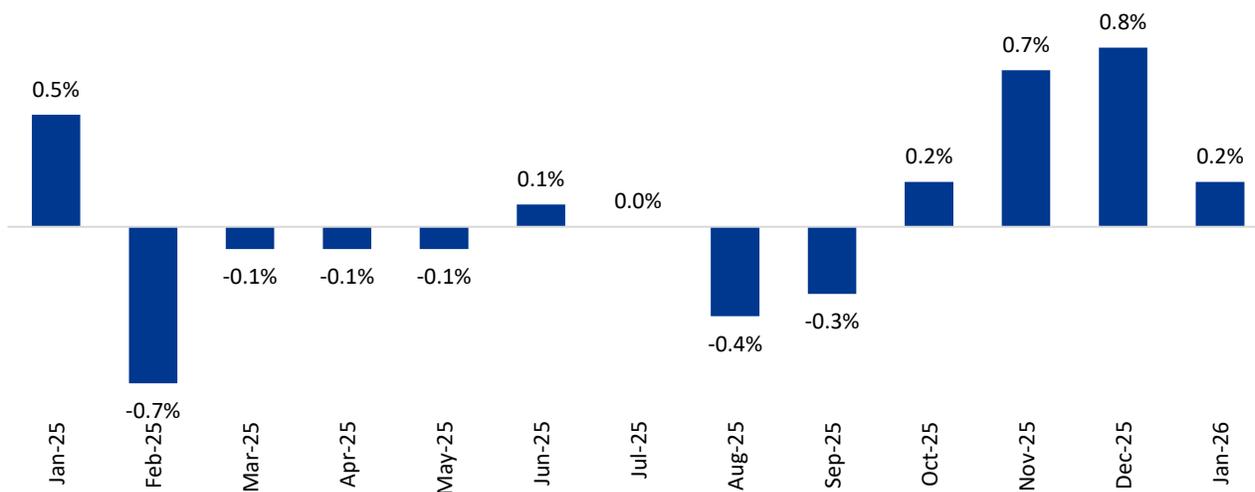


Source: CAPIQ, October and November 2025 US CPI was not published by the US Bureau of Labor Statistics (BLS)

### China's consumer price growth moderated in January 2026

Consumer prices in China increased at a slower pace in January 2026, largely due to Lunar New Year timing effects. The Consumer Price Index (CPI) increased 0.2% YOY in January 2026, down from 0.8% YOY in December 2025. On a monthly basis, consumer prices rose 0.2% in January 2026. Furthermore, core inflation (excluding food and energy) eased from 1.2% in December 2025 to 0.8% in January 2026. Meanwhile, food prices declined 0.7% YOY in January 2026, reversing the 1.1% increase recorded in December 2025, while non-food inflation slowed from 0.8% in December 2025 to 0.4% in January 2026. Additionally, producer prices declined at a slower pace, falling from a 1.9% YOY decline in December 2025 to a 1.4% YOY decline in January 2026.

Figure 26: China CPI (YOY)

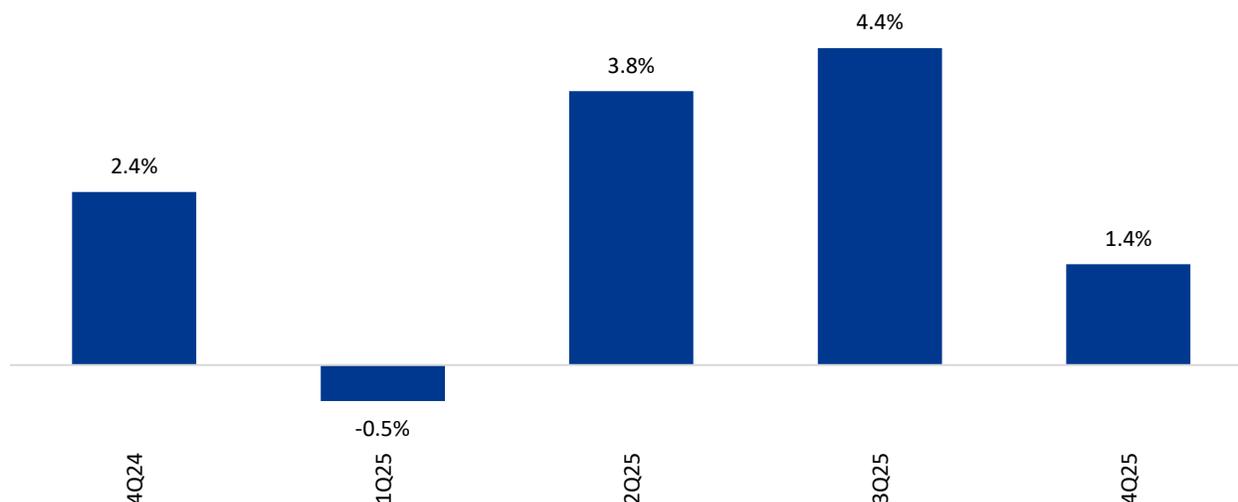


Source: CAPIQ

**US GDP growth slowed to 1.4% in 4Q25 amid a decline in government spending and exports**

US economic growth slowed in 4Q25, with GDP rising 1.4% YOY compared with 4.4% YOY in 3Q25. The moderation was attributed to the longest government shutdown in US history, coupled with a decline in government spending and exports. However, an increase in consumer spending, investment and a smaller contraction in imports partially offset the slowdown. The temporary federal government shutdown reduced growth by c. 1% point during 4Q25. On the inflation front, the PCE price index increased from 2.8% in 3Q25 to 2.9% in 4Q25. Moreover, core PCE (excluding food and energy) increased 2.7% in 4Q25 compared to a 2.9% increase in 3Q25.

Figure 27: US GDP Growth (YOY)



Source: CAPIQ

**Federal Reserve minutes showed divided views on the interest rate outlook**

The Federal Reserve released minutes of the 27-28 January meeting, indicating a divergence of views on the policy rate outlook, while several participants assessed that further rate cuts could be appropriate if inflation declines in line with expectations. However, others preferred maintaining rates for some time as incoming data was being evaluated. Moreover, some judged that additional easing may not be warranted until disinflation progress is firmly re-established. A number of participants supported a two-sided outlook, reflecting the possibility of rate increases if inflation remains above target. The Fed maintained the federal funds target range of 3.50%-3.75% following three consecutive quarter-point cuts in 2025.

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