MENA CREDIT RESEARCH

October 2024

Uncertainty in U.S. Election and Rate Cut Hopes Impacted Asset Classes

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

The GCC bonds and Sukuk issuance recorded strong growth during 9M24. According to Markaz, the GCC bonds and Sukuk issuance grew from USD 79.3 Bn in 9M24 to USD 102.7 Bn in 9M24. The GCC bond and Sukuk issuances are further projected to experience robust growth in 2024 following the US Federal Reserve's rate cut to 5% in September 2024, with financing conditions improving. The rates are expected to be 4.5% at end-2024 and 3.5% at end-2025, boosting 4Q24-2025 issuance activity, along with drivers such as refinancing upcoming maturities, funding and diversification goals, with issuance volumes expected to exceed those of 2023. The corporate sector is leading the GCC bond and Sukuk issuances with a total value of USD 59.4 bn in 9M24 and USD 26.3 Bn in 3Q24.

GCC bond issuance experienced strong growth during October 2024 compared to the previous month, with a total issuance reaching USD 15.7 Bn. The resurgence was mainly driven by strong contributions from various sectors, including sovereign wealth funds, banks, and corporates. SA Global Sukuk Ltd, the debt capital markets issuing entity for ARAMCO Group, successfully completed its bond offering, raising USD 6.0 Bn across four tranches. These tranches had maturities of five and ten years, with two issues for each maturity. The issuance was further supported by contributions from UAE, Qatar, and Kuwait banks. The UAE's sovereign wealth fund Abu Dhabi Developmental (ADQ) also issued bonds worth USD 3.0 Bn in three tranches, each with an equal amount of USD 1.0 Bn in October 2024, two with maturity of 30 years and one with seven years. Additionally, Abu Dhabi National Energy Company PJSC also issued two bonds with amounts of USD 900 Mn and USD 850 Mn with the maturity of seven and 13 years, respectively, and coupon rates of 4.375% and 4.75%. Banks from Qatar, Kuwait, and the UAE collectively issued USD 2.66 Bn during the month, with strong investor demand. The Sharjah Sukuk Program, a sovereign fund of Sharjah, also issued a bond with an amount of USD 750 Mn, with a coupon rate of 5.433% and a maturity of 10.5 years, further contributing to the robust bond issuance activity in the region during the month.

In September 2024, the US Federal Reserve reduced its benchmark interest rate by 50 bps, to a range of 4.75% to 5.0%, marking the first rate cut in four years. The Fed is also expected to lower rates by an additional 25 bps in both November and December 2024, bringing the rate in the range of 4.25% to 4.5%. The 10-year bond yields recorded an expansion across all the GCC countries in October 2024. However, the 5-year CDS spreads declined for most GCC countries, except for the UAE. The non-oil business activity performed well in both KSA and UAE, with the non-oil PMI remaining above 50 in both countries, separating expansion and contraction. The seasonally adjusted S&P Global UAE Purchasing Managers Index rose to 54.1 in October, rebounding from 53.8 in September 2024. This increase reflects a solid improvement in the UAE's non-oil private sector however, demand grew at the slowest rate in 20 months. The business activity gained momentum after hitting its lowest level of nearly three years in September 2024, partly attributed to higher sales and healthy pipelines. However, the pace of growth in new orders continued to soften, hitting its lowest level since February 2023. Similarly, Saudi Arabia's non-oil PMI increased from 56.3 in September 2024 to 56.9 in October 2024, supported by the fastest growth in new orders since March, reflecting improved business conditions, purchasing activities, stocks, and rising employment growth, which supported the kingdom's non-oil private sector. The growth in new orders is attributable to the success of Vision 2030's strategic focus on innovation and infrastructure development, which depend on infrastructure investment and domestic reforms to develop new sectors, diversify revenue streams, expand the private sector, and create jobs. According to the World Bank Group, the GCC region is anticipated to improve to 2.8% in FY2024 and 4.7% in FY2025, primarily driven by the recovery in oil output and healthy non-oil economic growth. Qatar's real GDP growth is projected to strengthen marginally at 2.1% in 2024. The country's non-oil growth is expected to be robust at 2.4%, driven by a growing tourism sector. The hydrocarbon sector is expected to decelerate to a 1.6% growth in 2024, affected by capacity constraints. Yet, a major boost is anticipated from 4Q25 to 2027, with the North Field expansion project coming online. According to the World Bank, the real GDP growth of Oman is projected to reach 0.7% in 2024, impacted by the extension of oil production cuts. Non-hydrocarbon growth is expected to remain robust expanding at 2.6% in 2024 on continued reforms and investment projects but remains insufficient to drive the GDP growth. In 2024, Kuwait's GDP is projected to contract by 1%, reflecting a 2.4% reduction in oil production due to extended OPEC+ output cuts, with a gradual phase-out expected after September. With the gradual recovery of oil output and stable external conditions, overall GDP is projected to grow by 2.5% in 2025 and 2.7% in 2026.

Gold Outlook

Gold prices continued positive momentum and rose 4.2% MOM to USD 2,743.97 per ounce on 31 October 2024. Gold prices increased marginally by 0.7% in the first week of October driven by safe-haven demand due to rising tension in the Middle East and a decline in bond yield. The gain was capped due to smaller rate cuts, as the Fed's Chairman indicated. Besides, investors waited for US payroll data to gauge the Fed's interest rate policy. The following week, prices declined initially due to stronger US jobs data that increased bets of smaller interest rate cuts resulting in the strength of the US dollar against major currencies. However, prices rebounded to end flat during the week as the US inflation data increased hopes of interest rate cuts which later led to a decline in the dollar index. Gold prices further increased during the mid-week owing to a decline in treasury yield whereas investors awaited US economic data to determine the number of interest rate cuts. Additionally, uncertainty over the US election outcome supported the rally in gold prices breaking USD 2,700 levels for the first time. Later, prices further gained strength due to rising conflicts in the Middle East that boosted demand for the bullion outweighing the firmer dollar. Consequently, the uncertainty of the US election outcome drove the gold prices to record high levels by the end of the month.

Oil Outlook

Brent crude oil prices inched up 1.9% MOM to USD 73.16 per barrel on 31st October 2024. Oil prices climbed significantly in the first week of October 2024 attributable to fears of supply disruptions owing to escalating geopolitical tensions partially offset by a rise in the U.S. crude inventories. In the following week, oil prices declined initially due to profit booking but rebounded by the week's end due to the concerns of supply disruption. Moreover, oil prices declined in the mid-month of October 2024 driven by easing fears of supply disruption caused by Israel's unwillingness to strike Iran's oil targets and decline in imports from China. Furthermore, oil prices rebounded in the fourth week of October 2024 due to positive sentiments from US economic data and ongoing tensions in the Middle East. During the end of the month, oil prices eased as Israel's retaliation to Iran's strike bypassed Tehran's oil and nuclear facilities.

Our Top Bond/Sukuk Picks:

Top Bond Picks for Short, Medium, and Long-term

No	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
1	**Oman Government International Bond**	OMAN	XS1575968026	6.354	2.00BN	BB+	Ba1	BBB-	6.5	3/8/2047	USD
2	**Finance Department Government of Sharjah**	SHJGOV	XS2775892065	6.016	1.00BN		Ba1	BBB-	6.125	3/6/2036	USD
3	**Saudi Government International Bond**	KSA	XS2747599509	5.982	4.75BN	A+	A1		5.75	1/16/2054	USD
4	**DP World Ltd/United Arab Emirates**	DPWDU	XS1883879006	5.9	1.30BN	BBB+	Baa2		5.625	9/25/2048	USD
5	**Saudi Government International Bond**	KSA	XS1791939736	5.772	3.50BN	A+	A1		5	4/17/2049	USD
6	**Emirates NBD Bank PJSC**	EBIUH	XS2754455769	5.663	600.00MN	A+	A2		6.584	1/31/2029	USD
7	**Finance Department Government of Sharjah**	SHJGOV	XS2587708624	5.587	1.00BN		Ba1	BBB-	6.5	11/23/2032	USD
8	**Abu Dhabi Government International Bond**	ADGB	XS2811094213	5.395	1.75BN	AA		AA	5.5	4/30/2054	USD
9	**MDGH GMTN RSC Ltd**	MUBAUH	XS0701227075	5.297	750.00MN	AA	Aa2	AA	6.875	11/1/2041	USD
10	**Oman Government International Bond**	OMAN	XS1575967218	5.229	1.63BN	BB+	Ba1	BBB-	5.375	3/8/2027	USD
11	**Saudi Government International Bond**	KSA	XS2747599095	5.08	4.00BN	A+	A1		5	1/16/2034	USD
12	**Abu Dhabi National Energy Co PJSC**	TAQAUH	XS0272949016	5.007	912.49MN	AA	Aa3	NR	6.5	10/27/2036	USD
13	**Saudi Government International Bond**	KSA	XS2548892020	4.948	2.50BN	A+	A1		5.5	10/25/2032	USD
14	**National Bank of Ras Al-Khaimah PSC/The**	RAKBNK	XS2765600262	4.896	600.00MN	BBB+	Baa1		5.375	7/25/2029	USD
15	**Almarai Co JSC**	ALMARA	XS2641777235	4.869	750.00MN		Baa3	BBB-	5.233	7/25/2033	USD

Data Source: Bloomberg

Top Sukuk Picks

No	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
1	**Saudi Electricity Sukuk Programme Co**	SECO	XS2608638602	5.84	1.50BN	A+	A1		5.684	4/11/2053	USD
2	**Sharjah Sukuk Program Ltd**	SHARSK	XS2914525154	5.48	750.00MN		Ba1	BBB-	5.433	4/17/2035	USD
3	**Saudi Electricity Global Sukuk Co 2**	SECO	XS0911024635	5.42	1.00BN	A+	A1	A	5.06	4/8/2043	USD
4	**EDO Sukuk Ltd**	ENEDEV	XS2852997993	5.28	750.00MN	BB+		BBB-	5.662	7/3/2031	USD
5	**Suci Second Investment Co**	PIFKSA	XS2706163305	5.12	1.25BN	A+	A1		6.25	10/25/2033	USD
6	**KSA Sukuk Ltd**	KSA	XS2829208169	5.07	2.25BN	A+	A1		5.25	6/4/2034	USD
7	**Saudi Electricity Sukuk Programme Co**	SECO	XS2763630857	5.01	1.40BN		A1	A	5.194	2/13/2034	USD
8	**Almarai Co JSC**	ALMARA	XS2641777235	4.87	750.00MN		Baa3	BBB-	5.233	7/25/2033	USD
9	**KSA Sukuk Ltd**	KSA	XS2829208599	4.87	1.50BN	A+	A1		5.25	6/4/2030	USD
10	**BSF Sukuk Co Ltd**	BSFR	XS2741362862	4.74	700.00MN	A-		A-	5	1/25/2029	USD
11	**DIB Sukuk Ltd**	DIBUH	XS2749764382	4.72	1.00BN	A	A3		5.243	3/4/2029	USD
12	**SNB Sukuk Ltd**	SNBAB	XS2747631914	4.71	850.00MN	A-		A-	5.129	2/27/2029	USD
13	**KFH Sukuk Co**	KFHKK	XS2744854261	4.71	1.00BN	A			5.011	1/17/2029	USD
14	**DIB Sukuk Ltd**	DIBUH	XS2553243655	4.67	750.00MN	A	A3		5.493	11/30/2027	USD
15	**Al Rajhi Sukuk Ltd**	RJHIAB	XS2761205900	4.67	1.00BN	A-	A1		5.047	3/12/2029	USD

Data Source: Bloomberg

Content:

MENA credit outlook

Commercial Bank of Dubai (CBD) issued USD 500 Mn five-year senior unsecured bond

The Commercial Bank of Dubai (CBD) issued a five-year senior unsecured bond sized at USD 500 Mn with a fixed coupon rate of 4.864%, to be listed in Dublin. The bond is likely to settle on 10th October 2024, with a maturity date of 10th October 2029. Citibank, Commerzbank, Emirates NBD Capital, First Abu Dhabi Bank, JPMorgan Chase are appointed as bookrunners.

Aramco completed international sukuk issuance of USD 3 Bn

Aramco completed USD 3 Bn international sukuk issuance denominated in US dollars of equal tranche of USD 1.5 Bn each. The issuance of USD 1.5 Bn bears a profit of 4.25% per annum and maturity of 2029 and the other being USD 1.5 Bn with a profit of 4.75% per annum maturing in 2034. The Sukuk will be listed on the London Stock Exchange (LSE), received strong demand, and oversubscribed six times. Both issuances were priced with a negative new issue premium reflecting Aramco's robust credit profile. Aramco accomplished sukuk issuance to diversify and widen its investor base, leading to enhanced liquidity, and re-establishing its sukuk yield curve.

TAQA declared pricing of dual-tranche senior unsecured notes of USD 1.75 Bn

TAQA priced its dual-tranche senior unsecured notes at USD 1.75 Bn, to be listed on the London Stock Exchange. The first tranche of the USD 850 Mn bond maturing on 9th March 2037 with a coupon rate of 4.75% will be used to finance, refinance and invest in green projects with an agenda of advancing towards ESG and decarbonisation. The proceeds from the second tranche of USD 900 Mn with a coupon rate of 4.375% and maturity date of 9 October 2031, will be utilized for general corporate purposes. The note, being a part of TAQA's global medium-term note programme, is expected to receive a rating of Aa3 by Moody's and AA by Fitch. Bank of China Limited, Barclays Bank PLC, Citigroup Global Markets Limited, First Abu Dhabi Bank (FAB) JP Morgan Securities Plc, Mizuho International Plc, MUFG Securities EMEA Plc, and Natixis are appointed as Joint lead managers and bookrunners.

IFA Hotels and Resorts secured USD 163 Mn refinancing with a UAE bank for its Fairmont The Palm property

IFA Hotels and Resorts secured USD 163 Mn refinancing with a UAE bank for its Fairmont The Palm property located on The Palm Jumeriah. The proceeds will be utilized to settle an existing facility worth AED 581 Mn secured from another UAE local bank. In addition, it also took a loan from a local bank worth AED 30 Mn, with a 12-year maturity, to fund expansion activities across the country.

GFH receives approval from investors for USD 500 Mn Sukuk programme

GFH Financial, a leading regional financial group in Bahrain, declared that it received approval from the shareholders for the Sukuk issuance worth USD 500 Mn through a special purpose vehicle (SPV), subject to obtaining essential regulatory approvals. Shareholders also approved the modifications to the terms and conditions of the existing USD 500 Mn sukuk maturing in 2025 and the delegation of powers to the board of directors and their delegates for conducting the necessary measures needed to carry out the Sukuk programme.

Al Rajhi Bank raised Sharia-compliant loan facility of USD 1.92 Bn

Al Rajhi Bank, the largest bank in Saudi Arabia, secured USD 1.92 Bn of a three-year sustainability-linked Islamic credit facility. The issue attracted interest from 20 lenders including Emirates NBD Bank, HSBC Holdings and Maybank Investment Bank Bhd. The syndicated loan has been split into two tranches of USD 1.2 Bn and USD 705 Mn. The transaction is being considered as the largest financing from a Middle Eastern Bank.

Dubai Islamic Bank issued AT1 sukuk of USD 500 Mn

Dubai Islamic Bank, the largest Islamic bank in UAE, issued USD 500 Mn AT1 sukuk with a profit rate of 5.25% compared to the initial pricing of 5.75%. The Sukuk will attract investors from private banks and fund managers in Europe, Asia and the Middle East and will be dual-listed on Euronext Dublin and Nasdaq Dubai. Al Rajhi Capital, Dubai Islamic Bank, Emirates NBD Capital, FAB, HSBC, Sharjah Islamic Bank and Standard Chartered Bank are working as joint lead managers and joint bookrunners.

Ooredoo completed the sale of USD 500 Mn bond

Ooredoo, a telecommunication company in Qatar, raised USD 500 Mn through the sale of international bonds. The senior unsecured note with a coupon rate of 4.625% will mature on October 2034, and was oversubscribed 3.6x. The 10-year bond received a rating of A2 and A ratings from Moody's and S&P, respectively. The offering drew interest from investors like asset managers, fund managers, insurance and pensions firms, banks and sovereign wealth funds from global markets like the United Kingdom, the United States, Middle East and North Africa (MENA), Asia and Europe. The bond placement was issued by the telecom firm's wholly owned unit Ooredoo International Finance Limited under its Global Medium Term Notes programme of USD 5 Bn on the Irish Stock Exchange. Ooredoo recorded the narrowest spread at 88 basis points over 10-year US Treasuries.

RAK Properties mandated CBD for USD 544 Mn syndicated long-term loan facility

RAK Properties, a UAE-based developer, mandated Commercial Bank of Dubai (CBD) to arrange a syndicated long-term financing facility of USD 544 Mn. This facility will be used to develop the Mina Al Arab project and provide long-term liquidity to RAK Properties.

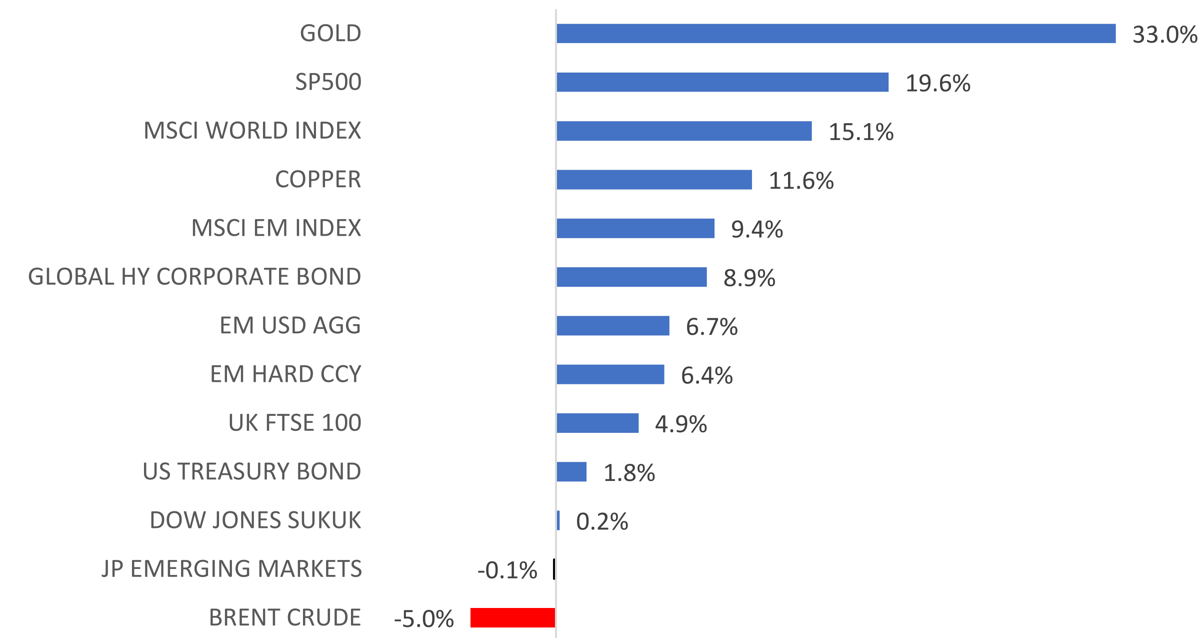
Dubai's gross general government debt levels will decline to USD 50 Bn by FY2024

Dubai government debt levels will decline to 34% of GDP equivalent to USD 50 Bn in 2024 from 70% of GDP in 2021. S&P Global estimates that the USD 15 Bn facility provided by Abu Dhabi and the Central Bank of the UAE will be rolled over, along with Emirates NBD loan and bilateral and syndicated facilities. The rating agency expects a fiscal surplus from 2024-2027, so it does not predict additional debt issuance for the deficit financing over the next two years. The expectation doesn't include debt financing for the USD 35 Bn Al Maktoum Airport expansion project or the USD 8.2 Bn rainwater drainage network Tasreef project. The government finds another liquidity boost following the listing of government-related entities (GREs) including Empower, Parkin and Dubai Taxi Co. S&P expects real GDP growth of 3% from 2024-2027 following 3.3% in 2023.

Global Asset Performance

The table below summarizes the performance of key equity and debt indices along with commodity price performance. The performance of all the asset classes declined except energy and Gold during October 2024. Energy prices increased 1.8% during the month, mainly due to fears of broader Middle East conflict and disruptions to Iranian exports. In addition, the Gold prices also rose by 5.3% MOM in October 2024 primarily due to interest rate cuts of 50 bps announced by the Fed in September, supported by expectations of further rate cuts in the upcoming period. The price of copper declined 5.47% MOM in October. The US S&P 500 declined 1.2% MOM in October 2024 despite the positive economic output. MSCI World index declined 2.4% MOM due to a fall in US and European equities partially offset by growth in Japanese stocks due to appreciation of US dollar, while the MSCI Emerging market fell 5.01% MOM in October 2024 due to the weak performance of Indian equities owing to weak quarterly results and stronger US dollar. The performance of all the bond indices was also negative in October 2024 due to the cooling of rate cut expectations with the uncertainty in the US elections.

Figure 1: Global Asset Performance (YTD%)

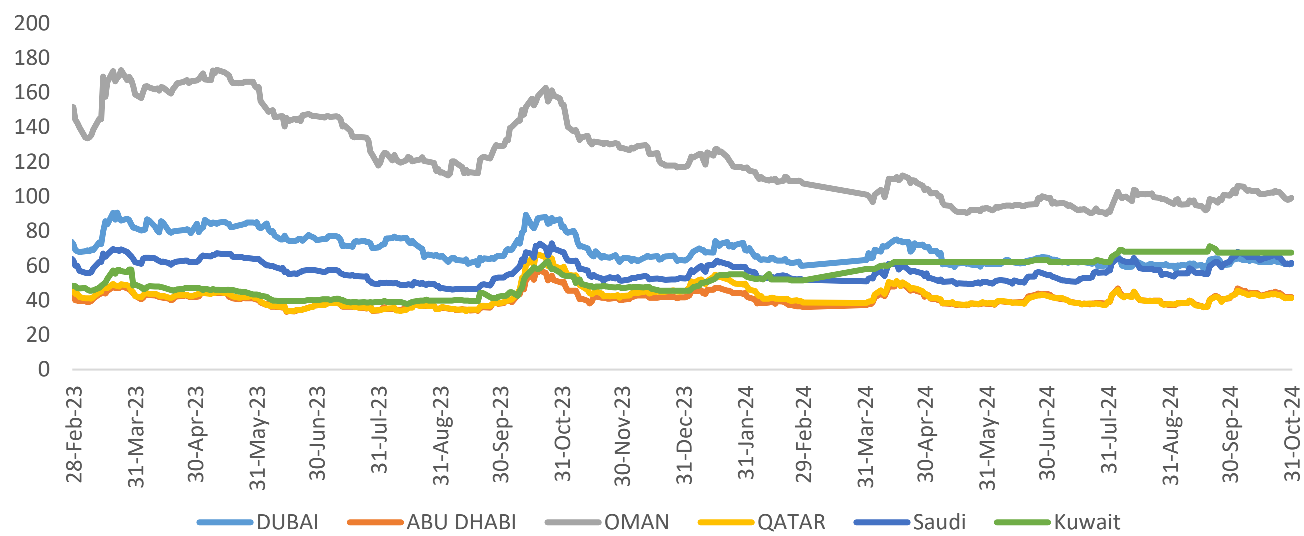


Source: Bloomberg

5-Year CDS

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

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

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

Banking Sector

Alinma Bank signs data centre MoU with Dell Technologies

Dell Technologies and Alinma Bank signed a Memorandum of Understanding (MoU) to jointly develop and deliver innovative data centre transformation solutions to accelerate the digital transformation initiatives of Saudi-based Alinma Bank. The agreement includes Dell's IT infrastructure and workload migration solutions, the Dell AI Factory models and frameworks, and cybersecurity enhancements, along with client, edge, and multi-cloud solutions through Dell APEX.

GFH Financial increased stake in Khaleeji Bank to 82.95%

GFH Financial Group raised stake in the Khaleeji Bank by 25% to 82.95%. The investment will reflect positively on GFH's financials and increase its returns.

Lesha Bank completed the acquisition of Bereke Bank in Kazakhstan

Lesha Bank LLC successfully acquired the entire share capital of "Bereke Bank" JSC in Kazakhstan. The transaction between both entities was completed on 8 October 2024. The agreed acquisition price is USD 134.9 Mn based on the exchange rate at the time of completion. Bereke Bank provides services to both individuals and businesses across Kazakhstan and with a network of 18 branches. The transaction aligns with the long-term vision of Lesha Bank which encourages cross-border opportunities and expansion in international markets. The acquisition is a strategic step that strengthens the investment portfolio of Lesha Bank and supports the collaborative ties between the two countries.

Mashreq launched NEO CORP to enhance customer experience for corporate clients in Kuwait

Mashreq, MENA's leading financial institution, launched Mashreq NEO CORP, an innovative digital banking platform, intended to enhance customer experience for business clients in Kuwait. It provides access to a wide range of cash management and trade services like payments, collections, account services, etc. NEO CORP is easy to navigate and enhances efficiency and convenience for the clients. Real-time data and analytics capabilities help corporate clients make quick informed decisions.

ADIB launched ADIB Ventures to accelerate innovation in fintech sector

Abu Dhabi Islamic Bank (ADIB) launched ADIB Ventures, aimed to drive innovation and collaboration within the global financial technology (fintech) sector. The launch of ADIB Ventures is likely to strengthen ADIB's position as a leader in digital transformation. The program plans to create a strong ecosystem that connects emerging fintech companies and integrates AI technologies to enhance customer experience for over 1.3 Mn clients. Through ADIB Ventures, the bank aims to partner with fintech innovators and accelerate the development of digital solutions for banking customers.

ADQ plans to acquire 96% of the Turkish bank

ADQ, Abu Dhabi state-controlled fund agreed with Bank Audi-led consortium to acquire 96% of the shares of Odea Bank, a subsidiary of Bank Audi in Turkey. Investors in the Turkish Bank such as Bank Audi, International Finance Corporation, IFC FIG Investment Company Sàrl, and the European Bank for Reconstruction and Development (EBRD) are likely to sell Odea Bank's shares to ADQ. The deal value remains undisclosed.

Corporate Sector

Emirates REIT will sell Office Park to TECOM Group for USD 196 Mn as Sukuk deadline approaches

Emirates REIT will sell Office Park, a 12-year asset in Dubai Internet City, to TECOM Group for USD 196 Mn as the sukuk deadline for Emirates REIT. Dubai-listed TECOM Group will acquire the five-building Grade A commercial asset subject to approval at the REIT's general assembly. The net proceeds from the sale of Office Park will be utilized for partial redemption of the secured Sukuk certificates issued on 12 December 2022. One-year extension option was already exercised by Emirates REIT on the USD 380 Mn bond which was last refinanced in 2022 and the partial deadline to reduce the outstanding bond to USD 230 Mn lasts in December 2024. The buildings owned by Emirates REIT, have Global companies including Coca-Cola, Uber, Red Hat, and Ticketmaster as tenants since 2012.

Lulu Group will abandon Tadawul for IPO listing

Lulu Group, a UAE supermarket operator will opt for a single listing on the Abu Dhabi Exchange because of difficulties coordinating with two regulators. Previously, it looked forward to a dual listing with Tadawul, Saudi Arabia's Stock Exchange. It is considered to be one of the largest deals in the UAE this year with prospects of an around USD 1.5 Bn-equivalent offer. The bookrunners are Abu Dhabi Commercial Bank, Citigroup, Emirates NBD and HSBC.

Agility Global will invest to fund MEA start-ups

Agility Global, an Abu Dhabi-listed company will invest in a fund that extends capital to start-ups in the Middle East and Africa (MEA). Agility Ventures, Agility Global's corporate venture capital arm, will allocate the investment to Fund III, a new fund managed by Global Ventures, based in Dubai. It is a venture capital (VC) firm with specialisation in growth-stage emerging markets investing in MEA. The fund is looking to invest in companies which are poised for technological transformation in emerging markets in the next ten years.

PIF considers raising stake in Nintendo

Public Investment Fund (PIF) mulls raising stakes in Nintendo and other gaming companies in Japan. It currently has a stake of 8.58% in Nintendo and has stakes in other video game companies like Nexon, Capcom, and Koei Tecmo.

Spinneys will set up major food processing facility in Dubai

Food Tech Valley, a UAE-government-led initiative to build a sustainable food ecosystem, signs a 27-year agreement with Spinneys, the leading premium supermarket chain in UAE, for developing a 500,000 sq ft food processing unit in Dubai. The partnership between Food Tech Valley and Spinneys is built on UAE's commitment towards strengthening food security and sustainability and aligns with Dubai's vision to become a global leader in advanced food technologies while positioning Dubai as a hub for food innovation, sustainability, and security. The UAE government aims to make the nation one of the world's leaders in the Global Food Security Index by 2051.

Almarai Company will acquire a dairy producer in Jordan for USD 70 Mn

Almarai Company signed an agreement to acquire Jordan's Hammoudeh Food Industries for USD 70 Mn. It will be completing this deal through its subsidiary, Teeba Investment for Developed Food Processing Company. The acquisition is aimed at strengthening Almarai's position in Jordan and aligns with the company's growth strategy to maintain sustainable growth in core markets. The deal will be financed using the internal cash flows of Almarai.

Maqta Gateway signed a partnering agreement with Presight AI Technologies

Maqta Gateway, part of AD Ports Group's Digital Cluster, and Presight AI Technologies signed a strategic partnering deal for the development and commercialisation of artificial intelligence and data analytics solutions for trade and logistics in the ports and maritime sectors. The combined entity will collaborate to unlock the full potential of data analytics, Generative AI, and AI and provide innovative solutions for the trade and logistics sectors while opening new opportunities for collaboration and growth.

IHC's Ghitha Holding will acquire a controlling stake in International Food Industries

Ghitha Holding, a retail subsidiary of Abu Dhabi conglomerate International Holding Company (IHC), will buy a controlling stake in International Food Industries, a canned food manufacturer in Fujairah for USD 11.2 Mn. The company's subsidiary, Zee Stores International will take 70% of the shares in the International Food Industries, according to a disclosure on the Abu Dhabi Securities Exchange (ADX).

ADNOC will close the acquisition by buying a controlling stake in Fertiglobe

Abu Dhabi National Oil Company P.J.S.C. (ADNOC) will close the acquisition of OCI's 50% + 1 share stake in Fertiglobe by 15 October 2024. A block trade will be initiated on the Abu Dhabi Securities Exchange (ADX) ahead of closing. Post-completion ADNOC's shareholding will rise to 86.2% in Fertiglobe, while the free float traded will remain at 13.8% on ADX.

Raya Holding approved an offer from Helios to acquire a 49% stake in Raya Foods

Raya Holding for Financial Investments approved an offer from Helios Investment Partners for the acquisition of a 49% stake in Raya Foods, a wholly-owned subsidiary of Raya Holding valued at USD 40 Mn. The deal includes a secondary share purchase, a USD 14 Mn capital increase via issuance of new shares, and a USD 9 Mn convertible mezzanine loan. The transaction will reach its final stage by 1Q25. The deal with Helios will support Raya Food's broad strategy to reach new markets, mainly Saudi Arabia. Proceeds from the transaction will be used to build a new 25,000-square-metre factory in Sadat City, which will be utilized for processing and exporting lyophilised (freeze-dried) foods.

IHC's EasyLease acquired a controlling 51% stake in Gallega Global Logistics

EasyLease, a subsidiary of International Holding Company (IHC), acquired a controlling 51% stake in Gallega Global Logistics to take advantage of the growing logistics industry. The deal value remains undisclosed. The acquisition includes Gallega's 3.5 Mn square feet of logistics facilities in Abu Dhabi and Dubai. Gallega Global is a logistics service owned by Ghassan Aboud Group, which manages shipping, customs documentation and related logistics, as well as at least 130,000 vehicles. The transaction will strengthen EasyLease's position in the mobility and logistics sectors.

Rating Outlook

- **Abu Dhabi**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the nation's financial and economic vision and policies success and the strength and stability of its economic, financial and credit sectors.
- Fitch upgraded Oman's credit rating to BB+ from BB with a stable outlook. The upgrade is driven by a decline in debt-to-GDP ratio, improved government spending, and rise in oil prices. The upgrade is based on the premise that Oman is using oil revenues to pay down debt, extend its maturity, use fiscal restraint to mitigate external risks, and forecast higher oil prices by Fitch. **Oman**'s gross debt declined to 40% of GDP in 2022 from 60% in 2021, and Fitch expects gross debt to further decline to 36% of GDP in 2023 and will remain stable at 35% in 2024 and 2025. Oman also reported a budget surplus of OMR 1.144 Bn (USD 2.97 Bn) and repaid OMR 1.1 Bn loans in 1Q23. On 02 September 2024, Moody's Investors Service upgraded Oman's credit outlook from stable to positive while affirming the long-term issuer and senior secured ratings at Ba1. The upgrade is mainly attributed to continued improvement in the country's debt metrics coupled with higher energy prices and prudent fiscal management. Over the past two years, the country successfully reduced its debt without having to sell its financial assets, enhancing the prospects of maintaining fiscal strength at a level that could support a higher credit rating. S&P Global Ratings upgraded Oman's long-term foreign and local currency sovereign credit ratings from 'BB+' to 'BBB-' with a stable outlook. It also raised the short-term ratings on Oman from 'B' to 'A-3' while it revised the transfer and convertibility assessment from 'BBB-' to 'BBB'. The rating upgrade is attributable to deleveraging balance sheet of the Omani government and several state-owned enterprises (SOEs) coupled with the commitment of the authorities to advance its longer-term structural reform agenda to solidify its economy.
- S&P Global Ratings revised **Bahrain**'s credit rating outlook from positive to stable due to the expectation of government measures to reduce the budget deficit and the possibility of receiving extra support from other Gulf Cooperation Council (GCC) member countries if needed. The revision of the outlook to stable is attributed to the rating agency's expectation of larger fiscal deficits from 3% to 4% of the GDP between 2023 and 2026, as compared to its earlier projection of 2% to 3% mainly due to increased spending on social subsidies, capital expenditure and debt servicing. S&P Global Ratings affirmed Bahrain's short-term foreign and local currency sovereign credit ratings at 'B+/B' with a stable outlook.
- Fitch Ratings has affirmed **Kuwait**'s long-term foreign-currency issuer default ratings, or IDR, to 'AA-' with a stable outlook. This is due to the Gulf state's fundamental issues being worsened by continued political limitations on decision-making. Since 2017, the Gulf state has been debating debt legislation, demonstrating the slowness with which decisions are made. Kuwait's debt is expected to climb to about 50% of GDP after the debt law is approved, according to the credit rating agency, up from the current 10%. The Kuwaiti administration has been attempting to adopt new public debt legislation to alleviate the country's liquidity constraints, but the bill has been continually blocked by parliament.
- **Saudi Arabia**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been upgraded to 'A+' by Fitch Ratings, with the Outlook changed to 'Stable'. The key reasons for the rating upgrading are improvements in the sovereign balance due to increased oil revenue and the fiscal structure. According to Fitch's proprietary SRM, Saudi Arabia has an 'A+' rating on the Long-Term Foreign-Currency (LT FC) IDR scale. Moody's Investors Service also lifted Saudi Arabia's credit rating outlook from stable to positive, noting the kingdom's capacity to reverse much of last year's debt growth. According to a statement, Moody's confirmed the sovereign at A1, the fifth-highest rating. S&P Global Ratings revised Saudi Arabia's outlook from stable to positive owing to the Government's efforts to solidify the non-oil economy through reforms and investments. It affirmed its 'A/A-1' long- and short-term foreign and local currency unsolicited sovereign credit ratings.

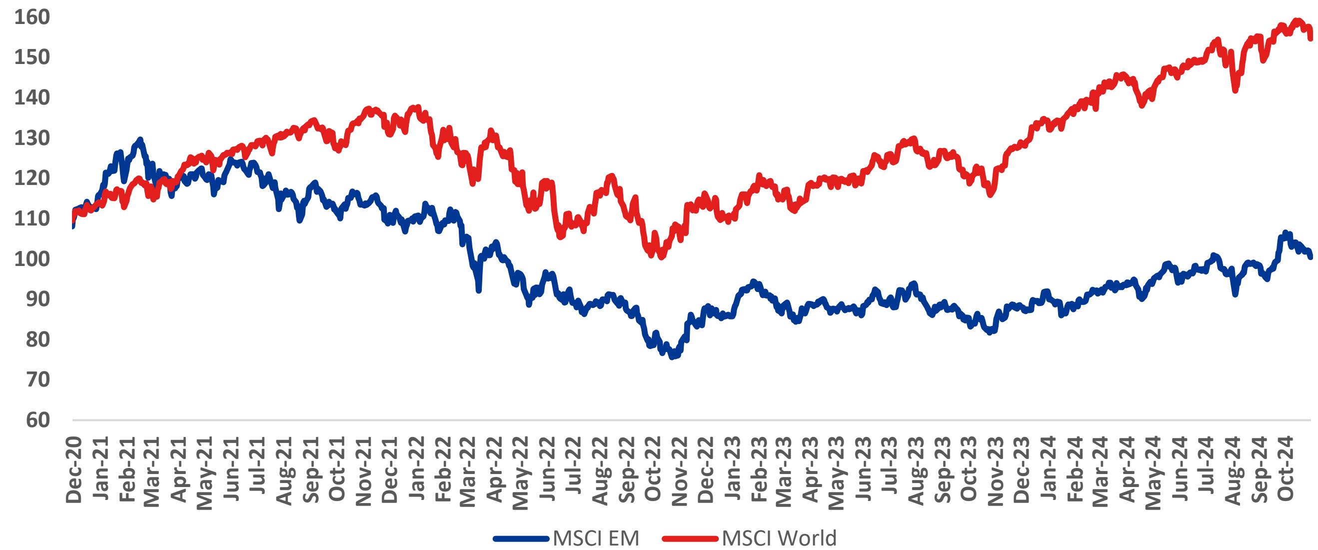
- In January 2024, Moody’s upgraded **Qatar**’s Long-Term Foreign-Currency Issuer Default Rating (IDR) to Aa2 from Aa3. The upgrade was attributed to significant improvements in Qatar’s fiscal metrics during 2021-2023. Moody’s anticipates that the improvement in Qatar’s debt burden and debt-service metrics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

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

Global Markets

In October 2024, the MSCI Developed Markets Index (DM) registered its first decline since April 2024, ending a five-month streak of growth. The MSCI DM decline in October was primarily driven by weak performance across US, UK, and European stocks, partially offset by the growth in Japanese stocks. Additionally, the MSCI Emerging Market (EM) recorded a decline of 4.4% MOM in October 2024 compared to healthy performance in the previous month. The growth of the EM market is hampered due to the stronger US dollar and a correction in Indian equities, which fell by 7.3% MOM due to weaker corporate results. The MSCI DM Index continued outperforming the MSCI EM Index on a YTD basis. On a 2024 YTD basis, the MSCI DM index recorded a positive return of 15.1%, while the MSCI EM experienced a positive return of 9.4%. MSCI EM recorded a decline of 4.4% MOM, while the MSCI DM recorded a decline of 2.0% MOM in October 2024. The MSCI Emerging Markets Index recorded a negative return primarily due to the dollar appreciation and fall of Indian equities by 7.3% MOM in October 2024 due to weak corporate results which have been the market leader of the EM index for most of 2024. The downturn in the EM index in October was despite positive measures taken by Chinese policymakers, such as interest rate cuts and reductions in down payment requirements for home purchases. These actions were part of broader efforts to support economic growth in 2025, including allowing local governments to use special bonds to buy land from struggling developers and increasing the debt ceiling for local governments. The US S&P 500 also fell 0.9% MOM basis in October despite the stronger economic data. The labour market report exceeded expectations in September with stronger-than-expected nonfarm payrolls, a decline in the unemployment rate to 4.1%, and 4.0% YOY wage growth. According to the first estimates of the 3Q24 data, annualized GDP grew 2.8% QOQ basis, supporting the economic growth trend. The US equity market also began earning season with strong results from the banking sector while guidance from the tech companies was mixed which led to volatility in the market. The earnings momentum registered a decline as positive earnings surprises were among the lowest in 3Q24. However, Japanese equities performed well, with the TOPIX rising by 1.9% MOM in October, supported by a stronger dollar, which benefited export-driven industries. However, concerns over the hawkish stance of the Bank of Japan and potential political instability following the loss of the ruling coalition in recent elections could impact future growth. The MSCI Europe ex-UK index also recorded a decline of 3.2% MOM basis in October, reflecting growing concerns over a potential economic slowdown, particularly in Germany. Industrial and automotive production continued to decline in October, and the Purchasing Managers' Index (PMI) entered contraction territory, falling below 50. The UK FTSE also recorded a 1.6% MOM decline in October. Moreover, the UK FTSE shares also registered a decline of 1.6% on an MOM basis in October. Asia ex-Japan was the worst performer in equities with a 4.5% decline during October due to the weak performance of Indian equities.

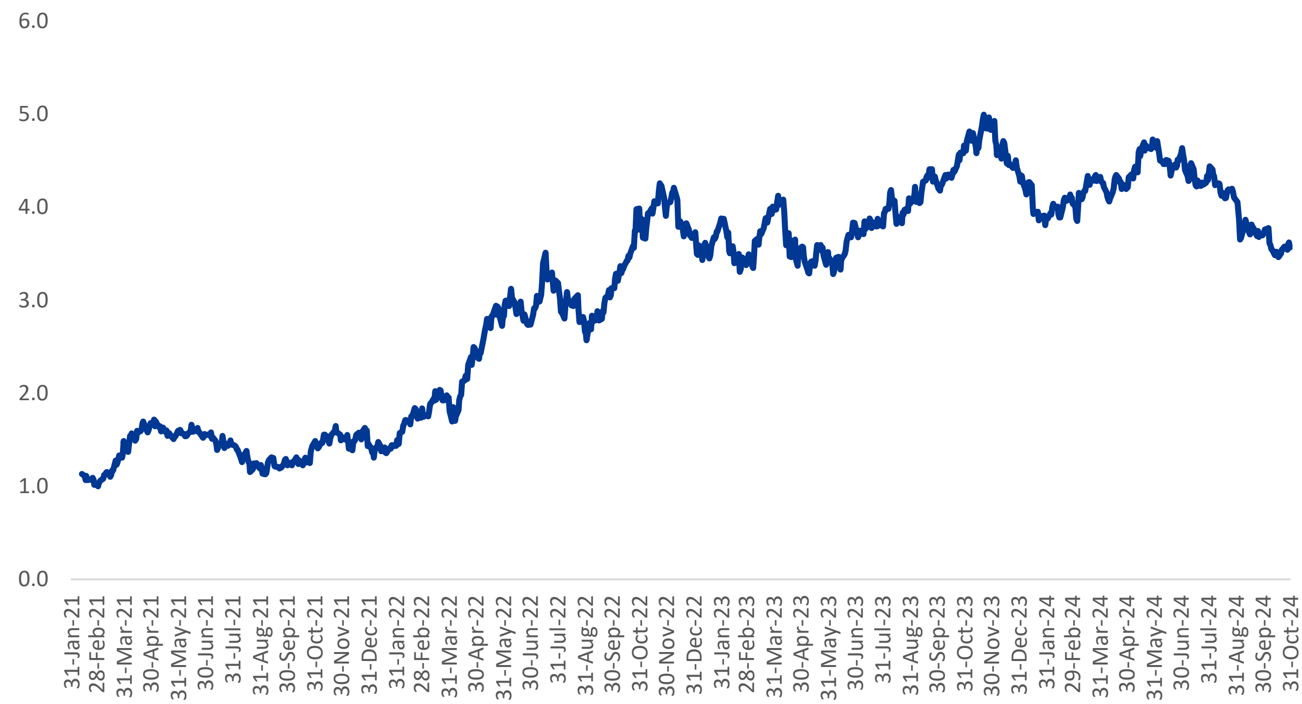
Figure 3: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

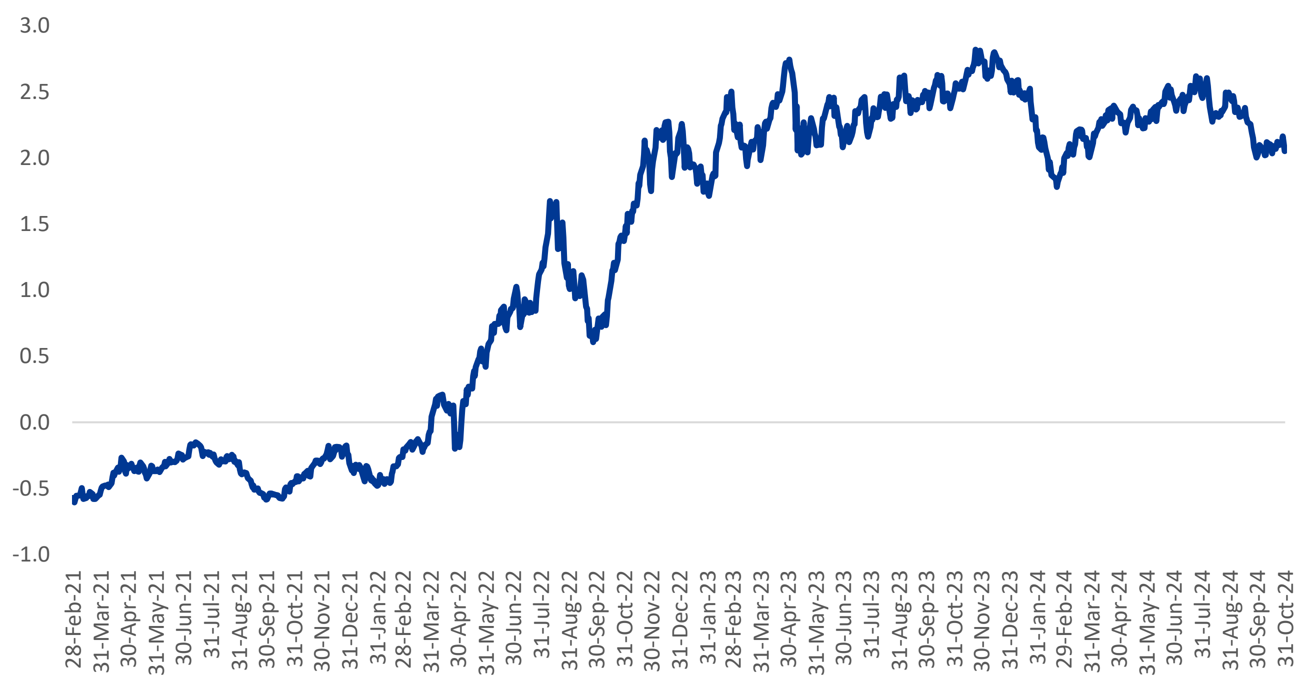
Yield on 10-year government

Figure 4: US 10-year government yield



Source: Bloomberg

Figure 5: Germany 10-year government yield



Source: Bloomberg

Figure 6: Japan 10-year government yield

Source: Bloomberg

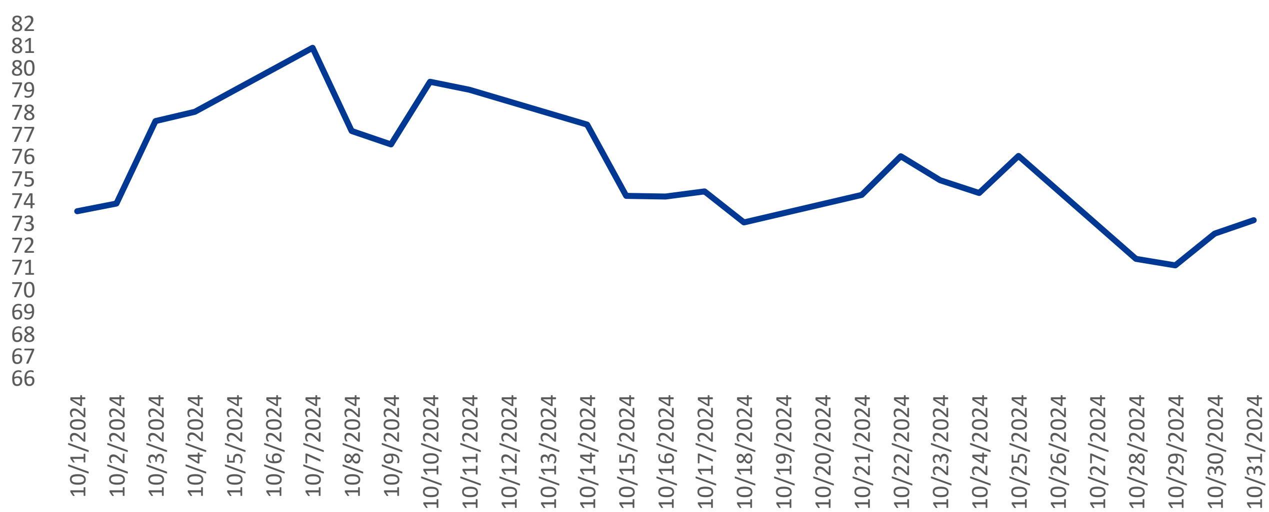
Figure 7: UK 10-year government yield

Source: Bloomberg

Oil Outlook

Brent crude oil prices rose 1.9% MOM to USD 73.16 per barrel on 31st October 2024 after declining for three consecutive months. Oil prices rose substantially by 8.8% in the first week of October 2024, marking the highest weekly gain in the last year, due to the fears of supply disruptions owing to the escalation of war in the Middle East as Iran carried a missile attack on Israel. Moreover, the fear of potential supply disruption was partially offset by ample supply in the global market and an increase in the US crude inventories. In the following week, oil prices edged lower initially due to profit booking but rebounded by the week's end amid concerns of supply disruption caused by increasing geopolitical tension coupled with an increase in stock-up demand driven by hurricane Milton. Moreover, oil prices declined during the mid-month owing to easing fears of supply disruption after Israel showed unwillingness to strike Iranian oil targets in addition to a decline in the imports, particularly by China. Moreover, OPEC lowered its global oil demand growth projections for FY2024 and FY2025 impacting prices. Furthermore, oil prices rebounded in the fourth week of October 2024 due to the ongoing tensions in the Middle East. Moreover, positive sentiment as a result of solid US economic data including consumer spending, job gains and inflation also supported the prices. During the last week of October, oil prices eased as Israel's retaliation to Iran's strike bypassed Tehran's oil and nuclear facilities and relieved geopolitical tension in the Middle East.

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

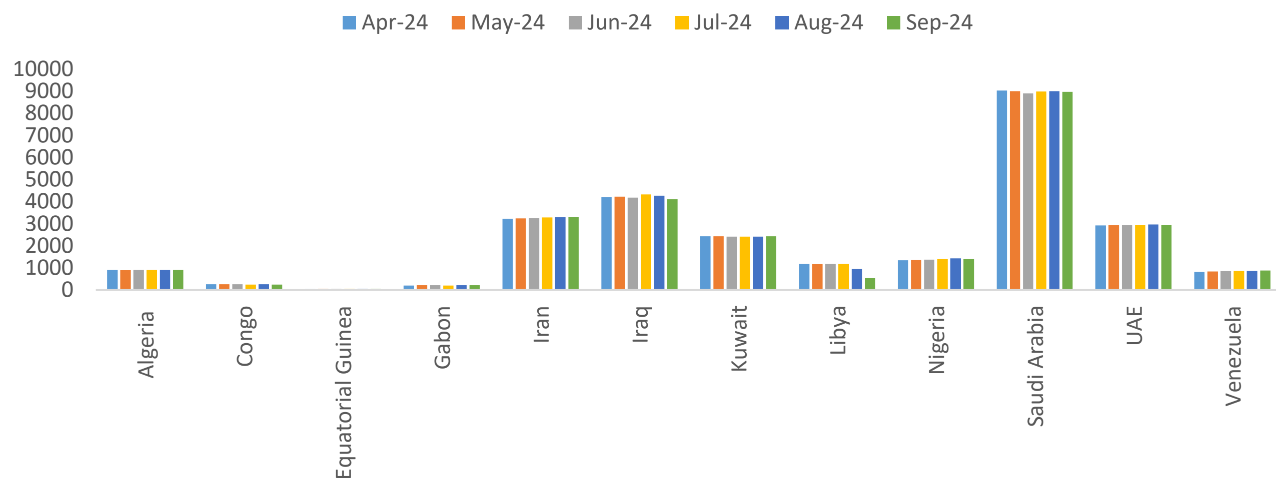


Source: Bloomberg

OPEC Production

OPEC-12 crude oil production declined by 606 thousand barrels per day (bpd) MOM to 26.0 Mn bpd in September 2024. Eight out of the 12 OPEC countries recorded a MOM decline in oil production during September 2024. Libya recorded the highest reduction of 410 thousand bpd MOM, followed by Iraq with a decline of 155 thousand bpd MOM in September 2024. Nigeria, Saudi Arabia, and Congo's crude oil production fell 33, 23, and 10 thousand bpd MOM, respectively in September 2024 while Gabon and UAE witnessed a contraction in production of six thousand bpd each. Algeria recorded a decline of one thousand bpd in September 2024. On the other hand, Iran's crude oil production increased the most by 21 thousand bpd followed by Kuwait with a growth of 12 thousand bpd MOM in September 2024. Similarly, Equatorial Guinea and Venezuela's crude oil production rose three thousand and two thousand bpd MOM, respectively in September 2024.

Figure 9: OPEC Crude Oil Production

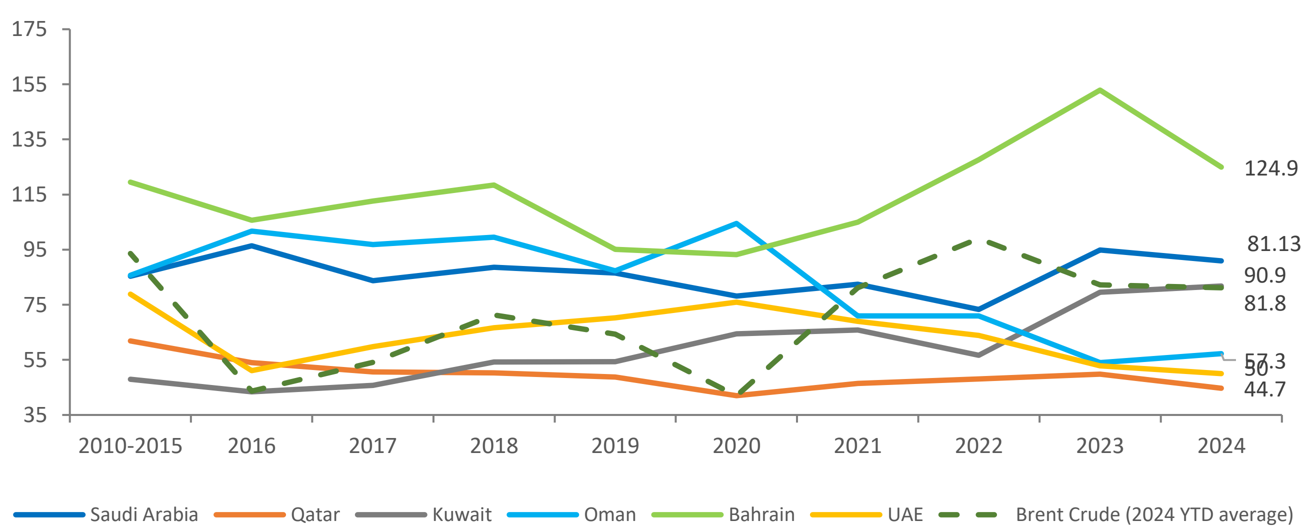


Source: OPEC

Fiscal Breakeven Oil Price

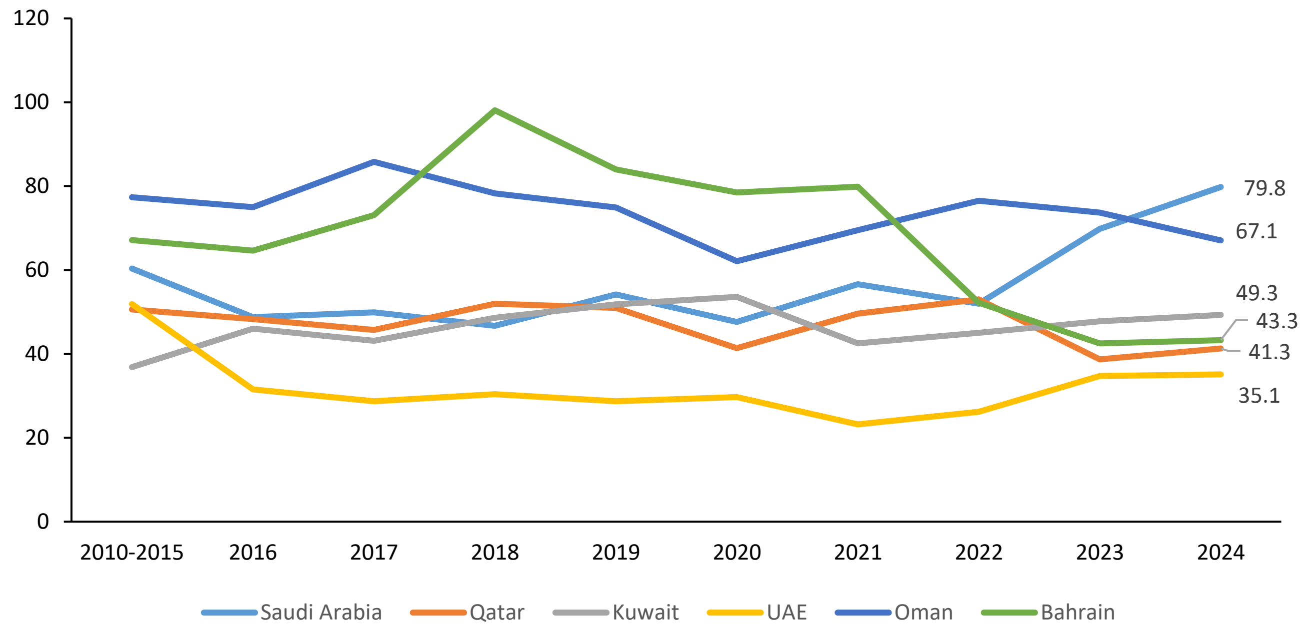
The overall fiscal breakeven oil prices are projected to decline in FY2024, except in Oman and Kuwait. Oman's fiscal breakeven is expected to grow from USD 54.0 per barrel in FY2023 to USD 57.3 in FY2024 and Kuwait's fiscal breakeven is expected to grow from USD 79.6 per barrel in FY2023 to USD 81.8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

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



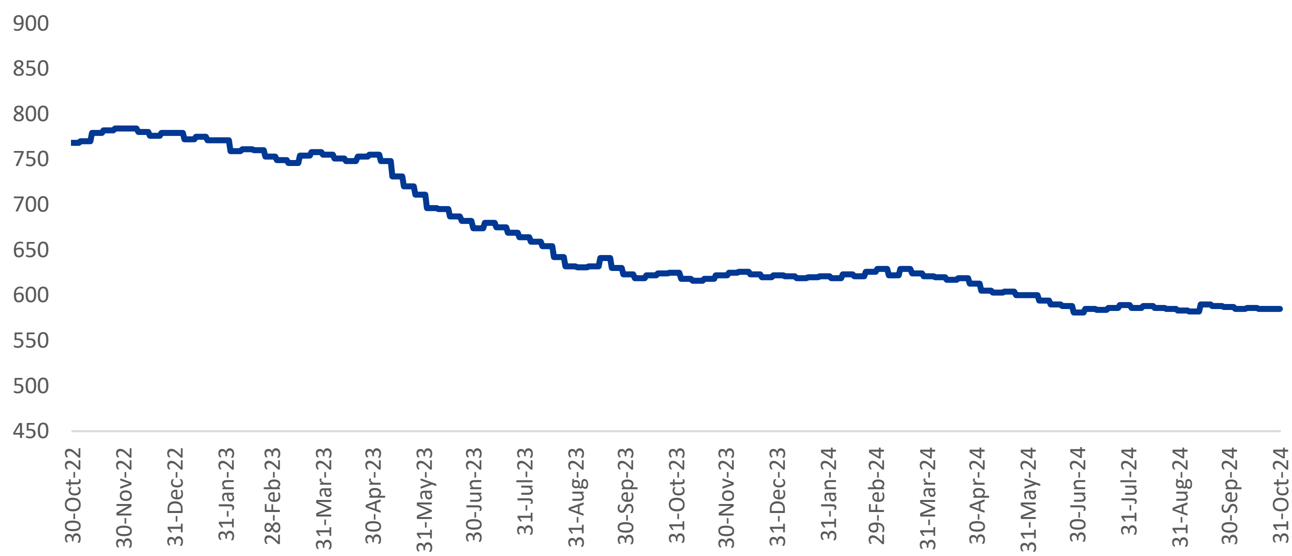
Source: Bloomberg

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



Source: Bloomberg

Figure 12: Oil Rig Count



Source: Bloomberg

Credit Strategy

Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody's/S&P/Fitch
ALDAR 3.875% 2029	Real Estate	95.84	4.88	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	93.77	7.80	Ba3/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	94.52	4.91	A1/NA/A+
BGBKKK 2.75% 2031	Bank	92.73	6.50	NA/NA/BBB+
SIB 5% PERP	Bank	99.36	7.45	NA/NA/NA
GENHLD 4.76% 2025	Investment Co.	99.83	4.95	A1/NA/A
REITDU 11.0% 2025	Real Estate	100.54	10.65	NA/NA/NA
INTLWT 5.95% 2039	Power Generation and Water Utility	100.03	5.99	Baa3/NR/BBB-

Source: Bloomberg

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

Implications on Securities Recommendations

Bond Particulars	Call	Ask Price	Yield	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	100.03	5.94	-0.09	1.93	2.07	4.06
REITDU 11.0% 2025	NR	100.54	3.41	0.47	1.90	6.49	6.59
GENHLD 4.76% 2025	OW	99.83	4.92	0.17	0.12	0.76	1.23
SIB 5% PERP	MW	99.36	5.99	-0.26	0.97	2.27	3.00
BGBKKK 2.75% 2031	MW	92.73	6.98	-0.09	1.43	9.16	20.79
ARAMCO 3.5% 2029	OW	94.52	4.89	-1.30	-0.67	-0.35	4.31
KWIPKK 4.5% 2027	OW	93.77	7.50	-0.38	1.27	5.49	8.99
ALDAR 3.875% 2029	OW	95.84	4.83	-1.18	0.61	1.63	6.45

Source: Bloomberg

ALDAR 3.875% 2029: Maintain OVERWEIGHT rating

We assign an OVERWEIGHT rating on Aldar Properties PJSC's (Aldar Properties) 3.875% senior unsecured Sukuk maturing in October 2029. The Sukuk is trading at USD 95.84 with a yield of 4.83% when held until maturity (redemption at par) with a modified duration of 4.43. The Sukuk also enjoys Moody's investment-grade rating of 'Baa1' with a stable outlook.

- In Abu Dhabi, Aldar Properties is a leading real estate developer with a market cap of AED 55.9 Bn. Apart from being a reliable government contractor, the company developed many innovative projects, such as Yas Island's F1 circuit and the Gate Towers in Shams Abu Dhabi. Demand for Abu Dhabi's real estate is robust, and the government supports it in terms of home purchasers. The current market has a good supply, and investors are confident in investing in quality projects in prime locations. Aldar diversified its operation and acquired SODIC in Egypt in FY2021. SODIC is a leading Egyptian real estate company with a strong track record of 25 years, having a land bank of 17 Mn sqm across three geographies in Egypt.
- Mubadala Investment Company, a Sovereign wealth fund of the Abu Dhabi government, owns a 25.1% stake in Aldar. Alpha Dhabi Holding owns a 28.4% stake through its related companies Sublime Commercial Corporation, Sogno Two, and Sogno Three Sole Proprietorship LLC. Aldar Properties is an important strategic partner to the government, having completed several large-scale infrastructure projects and developments in the UAE.

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

KWIPKK 4.5% 2027: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Kuwait Projects Company (KIPCO)'s 4.5% senior unsecured bond maturing in February 2027 with an OVERWEIGHT rating. The bond is trading at USD 93.77 with a yield of 7.50% when held until maturity (redemption at par) and has a modified duration of 2.10. The bond is issued at the holding company level, so the debt service obligations would be met through the cash balance available with KIPCO and the dividends it receives from subsidiaries. The Company assets and dividend inflow is concentrated in the three largest entities contributing c. 60% of total asset value.

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

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

ARAMCO 3.5% 2029: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Saudi Aramco's 3.5% bond maturing in April 2029. The bond is trading for USD 94.52 and offers a yield of 4.89% with a modified duration of 4.04. The credit rating of the issuer is constrained by the rating of its largest shareholder, the government of Saudi Arabia, given the close link between Aramco and the sovereign. Aramco is assigned a standalone credit rating of 'aa+' by Fitch supported by robust profitability, market leadership, significant cash flow visibility and net cash position.

- Saudi Arabian Oil Company is an integrated energy and chemicals company. Aramco's operations are divided into two main segments: Upstream and Downstream. Upstream activities are predominantly centred in Saudi Arabia, while the Downstream sector operates on a global scale. The Upstream segment of the Company is responsible for the exploration, development, production, and sale of natural gas, condensate, crude oil, and natural gas liquids (NGLs). The activities of the downstream section include supply and trading, power generation, retail operations, base oils and lubricants, petrochemicals and refining, and distribution. The reserves of Aramco amounted to 251.2 Bn barrels of oil equivalent in FY2023, consisting of 191.3 Bn barrels of crude oil and condensate, 26.0 Bn barrels of NGL, and 207.5 trillion standard cubic feet of natural gas. The Company manages 541 reservoirs within 144 fields spread across the Kingdom and its territorial waters.

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

BGBKKK 2.75% 2031: Maintain MARKET WEIGHT rating

We are MARKETWEIGHT on Burgan Bank's 2.75% Tier 2 subordinated bond, currently trading at USD 92.73. The bond offers a yield of 6.98% and a duration of 1.74. Its loan book is diversified with exposure to Kuwait and international operations in multiple sectors.

- Burgan Bank is one of the leading conventional banks in Kuwait in terms of total assets and is listed on Boursa Kuwait. The Bank has a network of 124 branches and 294 ATMs as of 1H24. The Bank is majorly owned by KIPCO Company with a stake of 64.3%.
- Burgan Bank revenues increased 19.3% YOY to KWD 111 Mn in 1H24 compared to KWD 93 Mn in 1H23 owing to 17.0% YOY growth in the net interest income amounting to KWD 71 Mn coupled with a 23.6% YOY growth in the non-interest income amounting to KWD 39 Mn.
- The net interest margins rose to 2.1% YOY in 1H24 compared to 1.9% in 1H23. Net fees and commissions income fell from KWD 18 Mn in 1H23 to KWD 17 Mn in 1H24.
- Operating expenses rose 15.9% YOY to KWD 62.6 Mn in 1H24 leading to a cost-to-income ratio of 56.6% in 1H24 compared to 58.3% in 1H23. The decline is due to lower growth in expenses compared to income.
- Provision expenses net of recoveries rose from KWD 3.4 Mn in 1H23 to KWD 5.4 Mn in 1H24 due to lower recoveries.
- The Bank reported a net profit attributable to shareholders of KWD 21 Mn in 1H24 compared to KWD 18 Mn in 1H23 due to a higher revenue partially offset by higher net monetary loss of KWD 12.7 Mn in 1H24 compared to KWD 7.3 Mn in 1H23.
- Loan and advances to customers rose 4.9% YTD to KWD 4.4 Bn in 1H23 which comprises 41% loan to personal, 21% to real estate, 12% to Manufacturing and the remaining to other sectors. Deposit rose 3.8% YTD to KWD 4.6 Bn in 1H24 with a CASA deposit of 32%.
- The Bank's non-performing loans rose marginally from 2.0% in 1H23 to 2.5% in 1H24. Provision coverage ratio fell from 216% in 1H23 to 174% in 1H24. Capital adequacy ratio stood at 19.3%, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 170% and 113%, respectively, as of 1H24, substantially above the minimum regulatory requirement of 100%.
- The bank redeemed its USD 500 Mn AT1 bonds in July 2024 as part of its funding strategy under which it issued new USD-denominated AT1 Bonds worth KWD 150 Mn in May 2024.
- Furthermore, Burgan Bank received approval from the Central Bank to acquire United Gulf Bank from United Gulf Holdings.
- Fitch Ratings affirmed Burgan Bank's rating at "A" with a stable outlook. Moody's assigned a credit rating of "Baa1" with a Stable Outlook and S&P Global also assigned a rating of "BBB+" with a Stable outlook.

SIB 5% PERP: Maintain MARKET WEIGHT rating

We are MARKET WEIGHT on Sharjah Islamic Bank's (SIB) 5.0% Jr. subordinated perpetual (AT1) bond. The bond offers a yield of 5.99% and currently trades at USD 99.36 with a modified duration of 0.62 years.

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

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

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

GENHLD 4.76% 2025: OVERWEIGHT rating

We assign an OVERWEIGHT rating on Senaat's 4.76% Sukuk maturing in December 2025. The Sukuk is trading for USD 99.83 and offers a yield of 4.92% when held till maturity (redemption at par). Arkan Building Materials Company PJSC completed the acquisition of Emirates Steel Industries PJSC ("Emirates Steel") and issued share capital from its majority shareholder, General Holding Corporation PJSC ("SENAAT"), on October 6th, 2021, in exchange for the issuance of 5.1 Bn new ordinary shares in the Company. Emirates Steel became a direct 100% subsidiary of the Company, and SENAAT's ownership in Arkan increased from 51% to 87.5% of its issued share capital as a result of this transaction.

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

REITDU 11.0% 2025: NOT Rated

We withdraw our MARKETWEIGHT rating on Emirates REIT's 11.0% Sukuk maturing in December 2025. The rating withdrawal is primarily due to the uncertainty surrounding the ability to meet the extension option criteria within the limited timeframe. The Sukuk trades at USD 100.54 with a yield of 3.41% when held till maturity (redemption at par). On 12 December 2022, Emirates REIT refinanced the existing USD 400 Mn sukuk with a cash payment of USD 20 Mn and issued USD 380 Mn new secured Sukuk. The new secured sukuk had a maturity date of 12 December 2024 and was extended by one more year to 12 December 2025 with an initial profit rate of 9.5% and a ratcheting up profit rate structure for year 2 and year 3, depending on the amount outstanding. The new sukuk is fully secured with a profit rate of 11% from the second year with a maturity date of December 2024 and a one-year extension option. In March 2023, Emirates REIT did a partial redemption of USD 56 Mn. In June 2024, Emirates REIT exercised the extension option and extended the sukuk maturity date from 12 December 2024 to 12 December 2025. However, according to the REIT terms and conditions, the extension is only possible after reducing the outstanding face amount below USD 230 Mn on or before 12th December 2024, which stood at USD 322 Mn at the end of 1H24. The refinancing risk for the newly issued sukuk persists as the refinancing was only extended by an additional year in June 2024. The REIT is working towards a solution to reduce the face amount by generating cash from divestments and asset sales as existing cash flows are not enough to pay the debt. Emirates REIT has already sold two assets, including two Remraam residential towers and Dubai Trident Grand Mall to raise USD 15 Mn and USD 20 Mn, respectively. The auditors have raised concern regarding the excess current liability of the REIT as current liability exceeds current assets by USD 337 Mn in 1H24, which creates material uncertainty that can cast significant doubt on the Group's ability to continue as a going concern. The total debt outstanding increased to USD 439 Mn in 1H24 from USD 438 Mn in FY2023. The net asset value of the REIT rose 34.4% YOY to USD 563 Mn in 1H24 due to an 18.2% YOY increase in the fair value of investment properties to USD 991 Mn. The Company properties are diversified across commercial, educational, and retail sectors with a 5.1% YOY increase in occupancy rate to 90.5% in 1H24.

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

INTLWT 5.95% 2039: Maintain MARKET WEIGHT rating

We assign MARKETWEIGHT on APMI One's 6.18% bond maturing in May 2039. The bond is trading at USD 100.03 with a yield of 5.94% if held till maturity (redemption at par). The bond has a modified duration of 7.07. The Bond has a credit rating of BBB- from Fitch and Baa3 from Moody's both with a stable outlook.

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

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

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

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

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

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

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

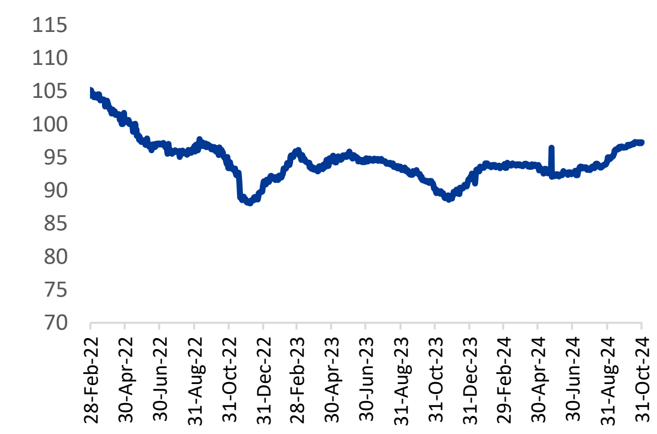


Figure 14: KWIPKK 4.5% 2027

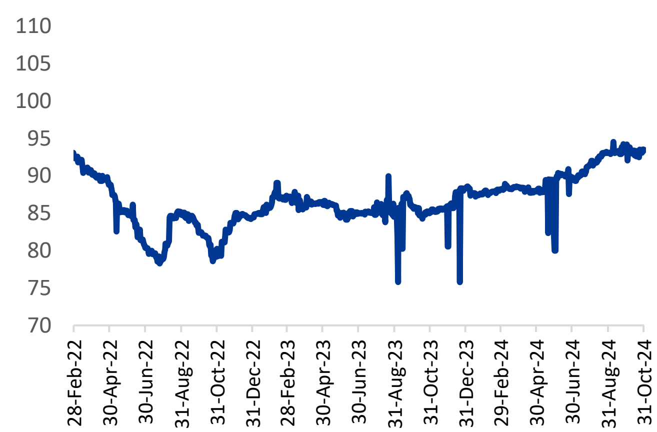


Figure 15: ARAMCO 3.5% 2029

Figure 16: SIB 5% PERP

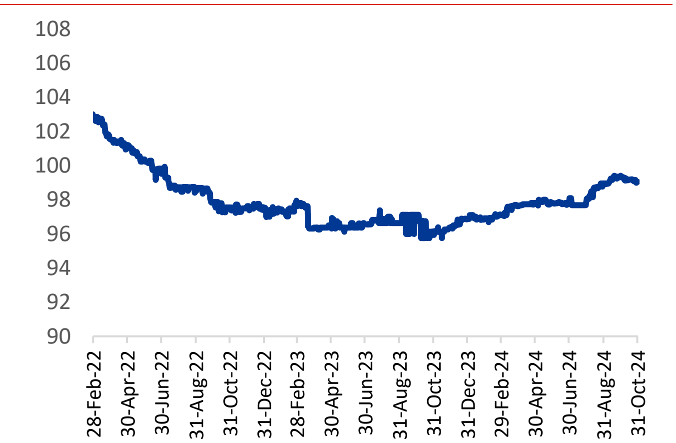


Figure 17: GENHLD 4.76% 2025

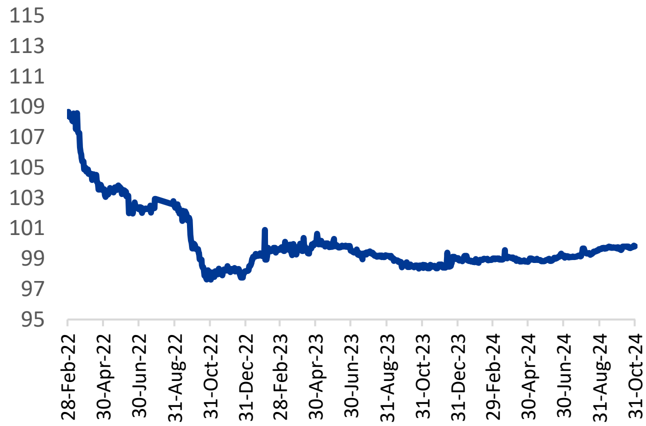


Figure 18: REITDU 11.0% 2025

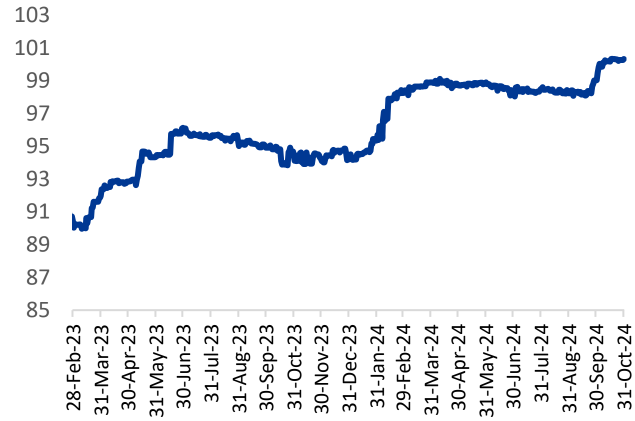


Figure 19: INTLWT 5.95% 2039

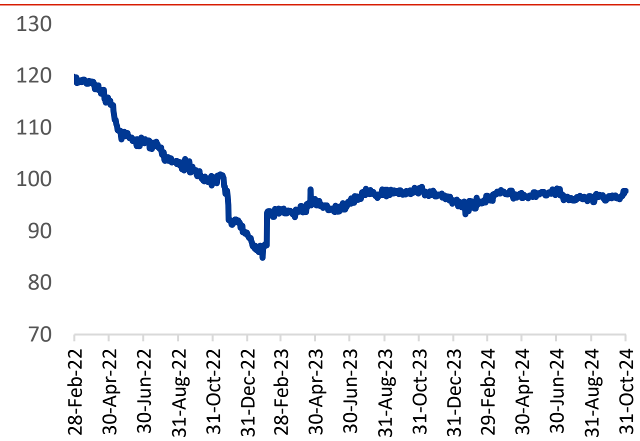
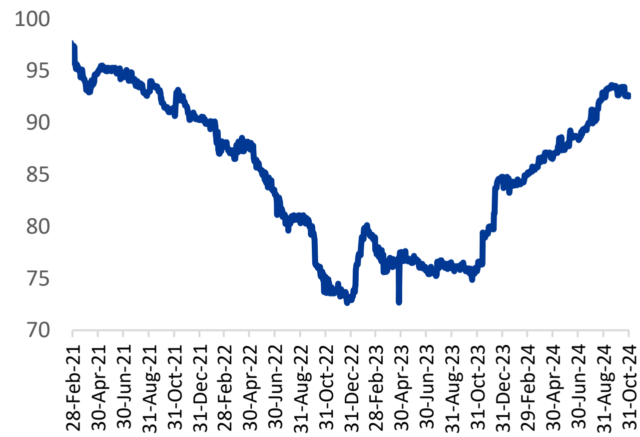


Figure 20: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	74.21	-3.67	-4.92
US dollar index	103.64	2.28	1.10
10Y Treasury yield[1]	4.21	0.33	0.59
2Y Treasury yield[1]	4.16	-0.07	0.50
10Y German bund yield[1]	2.20	0.31	0.31
10Y Japan bond yield[1]	0.59	0.29	0.07
Bloomberg UAE Composite USD Liquid index	139.32	3.20	-2.30

Source: Bloomberg, [1] in Basis point

Sovereign Highlights

UAE

ADNH Catering announced its intention to launch an IPO on ADX

ADNH Catering plc, owned by Abu Dhabi National Hotels Co, announced its plans to launch an IPO and list its shares on the Abu Dhabi Securities Exchange (ADX) in October 2024. ADNH Catering will offer 900 million shares, equivalent to 40% of ADNH Catering's total issued share capital. The selling shareholder will have the option to change the offering's size before the subscription period expires. A book-building process will be followed to determine the offer price. Abu Dhabi National Hotels Co shareholders will be eligible to receive up to 10% of the shares. First Abu Dhabi Bank PJSC and Citigroup Global Markets Ltd. are appointed global coordinators and joint bookrunners. The joint bookrunners are Abu Dhabi Commercial Bank PJSC and Emirates NBD Capital PJSC.

Abu Dhabi's GDP grew 4.1% in 2Q24

Abu Dhabi's gross domestic product (GDP) rose 4.1% YOY in 2Q24 driven by continued expansion in non-oil activity, aligned with the emirate's economic diversification efforts. Abu Dhabi's GDP rose to an all-time high of AED 297 Bn in 2Q24, indicating the emirate's sustained economic strength. In 1H24, the non-oil economy grew 5.7% YOY driving the overall economic growth to 3.7% YOY in 1H24. The non-oil activity grew 6.6% YOY to reach a record of AED 164.2 Bn in 2Q24, contributing 55.2% to the economy, at its highest levels since FY2014, owing to growth in construction, manufacturing, finance and insurance, wholesale and retail, transportation and storage, and information and communication activity.

UAE's non-oil business sector growth slowed down in September 2024

UAE's non-oil business activities experienced the weakest growth in the last three years due to lower new orders and reduced employment opportunities impacting the overall output. The seasonally adjusted S&P Global UAE Purchasing Managers' Index (PMI) fell from 54.2 in August 2024 to 53.8 in September 2024. The growth in new orders softened as the business reported few hires leading to the slowest growth in employment since the end of 2022. Despite a boost in output, business activity expanded at its slowest pace since September 2021. The new business received by non-oil firms recorded the sharpest growth during the period supported by a solid growth in export sales coupled with robust local market conditions. Firms witnessed competitive pressure impacting sales and tough market conditions promoted businesses to adopt a cautious outlook. The input cost rose sharply since September attributable to higher prices of transportation, machinery, technology, petrol and labour.

UAE's non-oil business activity slowed down in September 2024

The seasonally adjusted S&P Global UAE Purchasing Managers' Index (PMI) dropped from 54.2 in August 2024 to 53.8 in September 2024 at its weakest level in the last three years, owing to a new business order and employment level reduction. The fall is mainly attributed to intense competition and challenging market conditions. The new business rose sharply due to robust growth in export sales and favourable local market conditions. The input cost of production was high in September 2024, supported by high expenses in transportation, machinery, technology, petrol, and labour. However, the inflation rate dropped to the lowest point since April 2024.

Modon Holding elected as a master developer by ADQ for the USD 110 Bn Ras El Hekma mega project.

ADQ selected Modon Holding as the master developer for the 170 Mn square metres (sqm) Ras El Hekma megaproject in Egypt. Modon Holding will undertake the development of the 50 Mn sqm in the first phase, and the rest 120 Mn sqm will be developed in partnership with prominent developers from Egypt, the UAE, and the international community, which is overseen by ADQ subsidiary Ras El Hekma Urban Development Project Company and Modon Holding. The first phase will focus on the tourism segment, through the development of an international airport and high-speed rail connectivity to attract

400 Mn tourists within a four-hour flight radius. The master plan includes residential, office, and hospitality spaces, retail, leisure facilities, a marina, and a special free zone. The company also plans to build infrastructure to help high-growing industries like business services, financial services, light manufacturing, and technology. Modon Holdings signed agreements with various key partners like Orascom Construction, Elsewedy Electric, Abu Dhabi Airports, TAQA, etc to support in the development of the Ras El Hekma mega project. The project is expected to attract USD 110 Bn in investment, provide 750K jobs, and contribute USD 25 Bn annually to the GDP of the country by FY2045. Moreover, it is estimated that USD 55 Bn will be invested and 100K jobs will be created through construction activities, and the establishment of hospitality and manufacturing entities by FY2030.

Dubai Holding plans to launch a REIT

Dubai Holding plans to start a real estate investment trust (REIT) to capitalize on Dubai's booming property market. Companies like City Group Inc, HSBC Holdings PLC, and Emirates NBD Capital have been selected to manage the trust offering. Dubai Holding includes developers like Dubai Properties and Meraas. Moreover, Dubai Holdings announced the merger of Nakheel and Meydan developers, owner of Dubai's racecourse. This initiative by the company is to expose investors to high-quality income-generating assets.

Burjeel partners with Modon for the development of healthcare facilities in Egypt

Burjeel Holdings is set to establish its presence in Egypt by developing new healthcare facilities. Burjeel Holdings signed an MOU with Modon to operate and manage healthcare facilities and services in Ras El Hekma. ADQ appointed Modon as the master developer for the Ras El Hakma project. Ras El Hekma is a substantial development project in Egypt with investments of USD 35 Bn spanning across 170 Mn square meters, where they plan to build commercial, residential, and tourist facilities. The agreement between Burjeel and Modon includes the development of multi-specialty facilities for residents and visitors, as well as offering innovative healthcare solutions and technologies. The deal also offers medical training and capacity-building programs, the development of public health initiatives, and wellness programs.

Presight launch AI-Startup Accelerator at Expand North Star

Presight launched AI-Startup Accelerator aimed to assist AI companies. Presight will provide expertise, technological resources, and networking opportunities to AI start-ups coupled with Presight's infrastructure and the broader G42 ecosystem, to connect businesses with a network of institutional customers and partners. Presight AI-Startup Accelerator focuses on businesses from MENA, Southeast Asia, and Central Asia region that have developed a prototype, are ready for market testing, and are looking to scale their sales efforts. Selected businesses will engage in a three-month acceleration programme, that offers infrastructure support, high-performance computing, access to cloud services, industry-leading data security, and exposure to foundational LLM, GPTs, and algorithms.

Dubai government's debt is expected to decline to USD 50 Bn by 2024 year-end

Dubai's government debt is anticipated to decrease from 70% of the GDP in 2021 to 34% of the GDP to USD 50 Bn by 2024 year-end. S&P Global expects USD 15 Bn facility from Abu Dhabi and CBUAE to be renewed along with the Emirates NBD loan and other bilateral and syndicated facilities. S&P Global expects a fiscal surplus from 2024-27 and thus, does not expect any additional debt issuances over the next two years. However, the forecast excludes the financing for Al Maktoum Airport project and rainwater drainage project. Dubai is expected to witness a boost in liquidity following the listing of the Empower, Parkin, and Dubai Taxi Company.

LuLu Group set to list on ADX with 2.58 Bn shares

UAE retail giant LuLu will sell 2.58 Bn shares representing 25% of its stake through a three-tranche IPO. Lulu aims to raise to raise between USD 1.7 Bn to USD 1.8 Bn through this IPO. The Company's shares will list on ADX on 14 November 2024, while the final offering price will be announced on 6 November 2024. A certain percentage of the share will be allocated to the company's employees while the Company aims to maintain a total dividend payout ratio of 75% on profit after tax paid semi-annually. Emirates NBD Capital, HSBC Holdings, Abu Dhabi Commercial Bank, and Citigroup are the joint book-runners for LuLu, while Moelis & Co. will serve as the Financial Advisors. Additionally, Abu Dhabi Commercial Bank, Emirates NBD Capital, First Abu Dhabi Bank, HSBC Bank Middle East, and EFG Hermes will work as joint lead managers.

ADNEC Group will acquire 100% of the share of Royal Catering Company

ADNEC Group, a subsidiary of Modon Holding is set to acquire 100% stake in Royal Catering Service Company. The acquisition is expected to strengthen ADNEC's Capital Catering business with enhanced focus on serving the like aviation, defence, and healthcare sector. Additionally, the deal would enhance the company's production capacity by addition of several catering facilities into its asset base. The acquisition will also assist the ADNEC in broadening its growth strategy by undertaking larger contracts.

Dubizzle updated syndicate for upcoming IPO in 2025

Dubizzle Group has appointed Emirates NBD, Goldman Sachs, HSBC, and Morgan Stanley to lead its IPO, which is expected to happen in 2025. Earlier, Citigroup was appointed for the deal, but it has been replaced by Morgan Stanley and Goldman Sachs. As per the preliminary analysis, the IPO is valued between USD 500 Mn to USD 1 Bn. Dubizzle Group was rebranded in 2023 and was previously traded in the name of Emerging Marketplaces Group. The company achieved unicorn status after raising USD 200 Mn in a funding round led by US-based Affinity Partners in 2022.

ADNOC initiates takeover strategy of Covestro AG

ADNOC started the takeover offer to the shareholders of Covestro AG, for the acquisition of all outstanding shares of Covestro after the approval from the German Federal Financial Supervisory Authority. ADNOC finalized the deal to buy Covestro shares on 1 October 2024 for USD 16.3 Bn including debt. The shareholders of Covestro can accept the offer by selling their shares at an offer price of EUR 62 (USD 67) in cash per Covestro share at a solid premium while the offer is valid till 27 November 2024. The offer is conditional on a minimum acceptance threshold of 50% plus one share of the company's issued share capital, besides other regulatory conditions. Additionally, ADNOC will also purchase EUR 1.17 Bn worth Covestro shares from a 10% capital increase to strength funding.

Saudi Arabia

Saudi Arabia projects FY2024 deficit to expand to 3% of GDP

Saudi Arabia expects its FY2024 fiscal deficit will expand to 3.0% of GDP in FY2024 owing to higher government expenditure to boost growth and achieve the objectives of the Vision 2030 economic transformation plan. KSA is likely to record a fiscal deficit of SAR 118 Bn (USD 32 Bn) in FY2024, greater than the earlier estimates of SAR 79 Bn. The Kingdom continued to increase its expenditure amid lower oil prices and voluntary oil production cuts. It further expects to report a fiscal deficit of 2.3% of GDP in FY2025.

Delta Airlines and Saudia signed a codeshare agreement to expand its network

Delta Airlines entered into a codeshare agreement with KSA's flagship airline, Saudia, to enable improved connectivity between the US and the Middle East. The agreement allows airlines to sell seats on one another's flights. As a result, customers of Delta will have access to nine locations in Saudi Arabia while Saudia customers will be able to access 12 destinations in the US and the Middle East.

Saudi's non-oil sector improved in September 2024 due to increased output, new orders

Saudi Arabia's non-oil economy witnessed growth in September 2024 owing to an increase in output and new orders coupled with a contraction in supply conditions. The Riyad Bank PMI climbed for the second consecutive month from 54.8 in August 2024 to 56.3 in September 2024, at its highest level since May 2024. The new order volumes rose attributed to domestic demand and new export orders. Employment levels also rebounded amid improvements in business conditions. The expectations for output softened amid increased competition and a decline in selling charges. A rise in material prices, technology costs and wages drove expenses. The growth in purchasing activity fell to its lowest levels in the last three months owing to an uptick in inventory levels.

PIF is considering to acquire a minority stake in sport streamer DAZN

PIF is one of the potential bidders considering the purchase of a 10% stake worth USD 1 Bn in DAZN, the sports-streaming group. DAZIN is backed by billionaire Len Blavatnik. DAZN is currently the broadcasting partner for Italy's Serie A, Spain's LaLiga, Germany's Bundesliga and France's Ligue 1. Hence, the deal is expected to enhance PIF’s influence in European football subject to successful completion.

PIF to invest USD 10 Bn in green hydrogen production

According to Bloomberg, Saudi Arabia launched a new Energy Solutions Company to invest at least USD 10 Bn in production of low-carbon fuel. The Kingdom will make a few investments in collaboration with Aramco, the state-owned oil giant. The new company will be led by former CEO of Thyssenkrupp Uhde CEO Cord Landsmann.

Keeta expanded to Riyadh with an investment of USD 266 Mn

Keeta announced its expansion into Riyadh, aligned with its efforts to improve food delivery services across Saudi Arabia. Keeta is the international subsidiary of Meituan, China’s on-demand delivery giant. The Company will invest SAR 1 Bn in the Kingdom in line with Saudi Arabia’s Vision 2030 strategy. The investment is likely to drive the growth of its operations, contribute to the job market as well as the economy. Keeta will leverage the country’s favourable demographics and growing demand for digital solutions.

Saudi companies intend to invest in Algeria’s oil industry

Saudi Arabia is planning to invest in Algeria's oil industry alongside other foreign companies, in line with its aim to develop the country’s hydrocarbon sector. Sonatrach, the state-owned oil company in Algeria, is in negotiations with 12 foreign companies, including Saudi Arabia, Sweden, and the US, under Algeria's new hydrocarbons law 19-13, developed to seek foreign capital.

KSA’s Tawaref acquired AI solutions provider Amaana

Tawaref, a tech investment community financing start-up, acquired Amaana.ai, an AI (artificial intelligence) solutions provider. The acquisition is likely to enhance Tawaref’s capabilities in providing AI-driven solutions to investors and start-ups. The deal enabled the Company to expand its service portfolio by including AI-driven business solutions, company formation, legal and accounting services and government registration using the KSA landing program.

Inflation rate in KSA remained stable at 1.7% in September 2024 owing to higher rental prices

Saudi Arabia's Consumer Price Index (CPI) or inflation rate was stable at 1.7% in September 2024 compared to September 2023 primarily driven by an uptick in the prices of housing, water, electricity, gas, and other fuels by 9.3% coupled with a rise of 0.8% in food and beverage prices partially offset by a decline of 3.3% in the Transportation prices. The rents paid for housing rose by 11.2% in September 2024 while the apartment rental prices climbed by 10% causing the overall inflation to remain stable.

Manara is in advanced talks to acquire a stake in First Quantum's Zambian mines

Manara Minerals is finalizing the deal to acquire a 15-20% stake in Canadian miner First Quantum Minerals' Zambian copper and nickel assets for USD 1.5-2 Bn. Miner is joint venture between KSA mining Co Ma’aden and sovereign wealth fund PIF. First Quantum Minerals is also considering to sell stake partial stake in the Zambian Mine and Las Cruces mine in Spain, to raise capital and reduce debt following the shutdown of the Cobre Panama mine. Manara is a leading bidder for the mines, aligning with First Quantum's goal to maintain a majority stake.

Saudi Arabia will inject USD 15 Bn into Egypt's economic sector

Riyadh-based companies intend to invest up to USD 15 Bn in Egypt over the period of three years. Saudi Arabia and Egypt agreed to safeguard and promote investments between both countries, enabling Saudi companies to invest in the Kingdom. The investments will be made in key sectors such as industry, tourism, real estate development, and energy. As a result, the Saudi private sector's total investments will increase to USD 50 Bn.

KAFD will raise USD 700 Mn through REIT

Saudi Arabia's King Abdullah Financial District (KAFD) plans to raise USD 700 Mn via a real estate investment trust (REIT) to fund further development. The Company will place a few income-generating buildings of the real estate project in Riyadh in a trust offering investors an opportunity to acquire a stake through a listing on the Saudi stock exchange. The company hired Citigroup Inc, HSBC Holdings Plc, and Al Rajhi Capital as the advisors on the deal.

Qatar

Qatar Airway enter Australian routes by acquiring minority stake in Virgin Australia

Qatar Airways will acquire a 25% stake in Virgin Australia from Bain Capital. The acquisition would give more scale to Virgin Australia as it prepares for an IPO and also strengthen its position to compete with its rival Qantas Airways, which is the domestic market leader in Australia. As per the deal, Virgin Australia expects to initiate flights to Doha from Australian cities like Brisbane, Melbourne, Perth, and Sydney by mid of 2025, which will enable Qatar to enhance traffic to its Doha hub. However, the deal requires approval from Australia's competitor regulator. The rejection of the offer last year resulted in a close relationship between the Australian government and Qantas. Qantas had lobbied against Qatar Airways' access to limit competition.

Gulf international services initiate IPO for insurance subsidiary

Gulf International Services announced its plans to list its wholly-owned subsidiary, Al Koot Insurance, on the Qatar Stock Exchange. QatarEnergy, the largest shareholder of Gulf International Services, which has been listed on the Qatari stock exchange since 2008, provides head office services to the company. Gulf International Services has been allowed to operate independently and is managed by its boards of directors and management.

Qatar Energy and Exxon Mobil secure three-year's extension to build LNG plant in Texas

Exxon Mobil and Qatar Energy LNG, a joint venture received an additional three-year from Federal regulators to build the Golden Pass LNG plant. The project located in Sabine Pass is one of two largest US LNG facilities. The extension was allowed due to the delay caused after lead contractor, Zachry Holdings, filed for Chapter 11 bankruptcy protection, citing that the project was at least USD 2.4 billion over the original budget. Golden Pass is still to announce a new EPC contractor and is currently negotiating with McDermott International to take on the lead role.

Bahrain

Bahrain's real GDP rose 1.3% driven by strong non-oil activity

Bahrain's economy exhibited healthy performance in 2Q24 attributed to the strong performance of the non-oil sector. The country's real GDP rose 1.3% YOY in 2Q24 despite a drastic 6.7% YOY decline in the oil industry. The growth is mainly due to the 2.8% YOY growth in the non-oil sector. The growth of the non-oil sector is attributable to strong growth in transportation and storage, information and communications, and accommodation and food services supported by growing tourism demand. Additionally, Mature sectors within the non-oil economy also showcased a solid performance.

Kuwait

Kuwait plans to launch tourism city spending USD 1.8 Bn

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

EGYPT

Egypt's non-oil firms recorded a significant drop in business activities in September 2024

Non-oil companies experienced a significant decline in business activity levels in Egypt in September 2024, representing a reversal from the first growth experienced in three years in August. The seasonally adjusted S&P Global Egypt Purchasing Managers' Index (PMI) dropped from 50.4 in August 2024 to 48.8 in September 2024, which is attributed to rising prices that affected sales and reduced business activities.

Egypt plans to boost oil production

Egypt is set to increase natural gas production from multiple key concession areas including its giant Zohr field, in 2025. The government plans to boost the output at Zohr by drilling new wells, starting in 1Q25. Production from the field remained steady c. 2 Bn cubic feet per day (bcf/d) in FY2023-24, which concluded in June 2024. Zohr reached an output of 3.2 bcf/d in 2019 but it declined to 1.9 bcf/d in early 2024, largely due to foreign oil companies' reluctance to invest due to Egypt's accumulated debt. In August, Prime Minister Mostafa Madbouly bought a comprehensive plan to restore and enhance production levels in corporations with foreign partners. Additionally, Egypt is aiming to expand pipeline imports from Israel and Cyprus while exporting liquefied natural gas (LNG) through its two export facilities.

Egypt Central Bank key policy rates kept unchanged

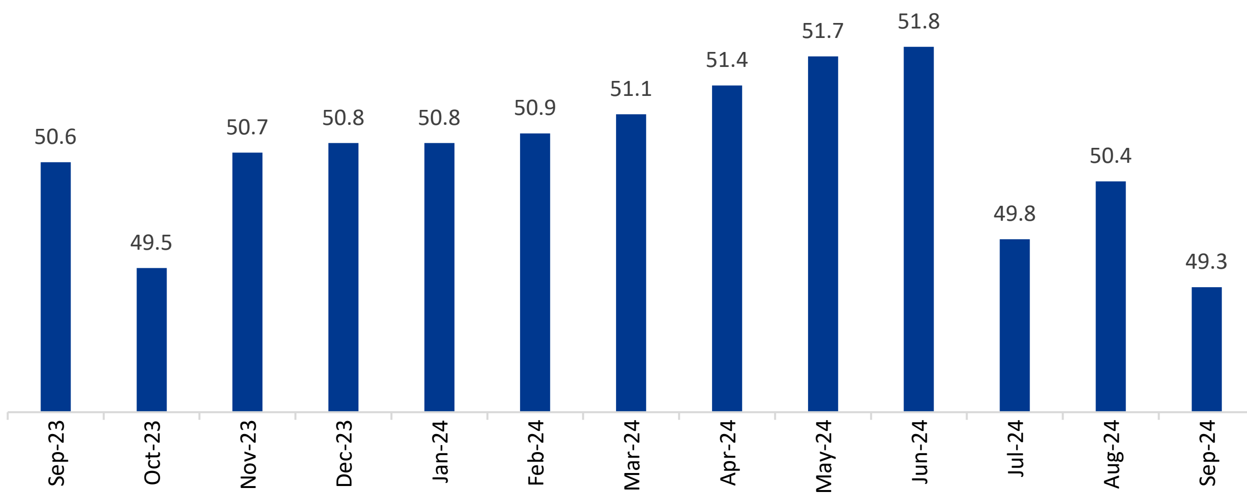
The Monetary Policy Committee (MPC) of Egypt Central Bank announced to maintain the current rate, keeping CBE's overnight deposit rate at 22.5%, the overnight lending rate at 28.25, and the rate of the main operation at 27.75%. Additionally, the Committee also maintains the discount rate at 27.75%. This decision reflects recent global and domestic developments and economic outlook since the last MPC meeting.

Global Economy

China's manufacturing PMI slips into contraction

China's manufacturing sector entered into contraction territory in September 2024 with a PMI of 49.3 from 50.4 in August 2024. Chinese manufacturers experienced a decline in production due to a reduction in demand, intense competition, and challenging market conditions. Moreover, export orders were impacted due to unfavourable international demand. On the other hand, the service sector in China continues to grow, supported by improving demand conditions and new product launches.

Figure 21: China Caixin Manufacturing PMI

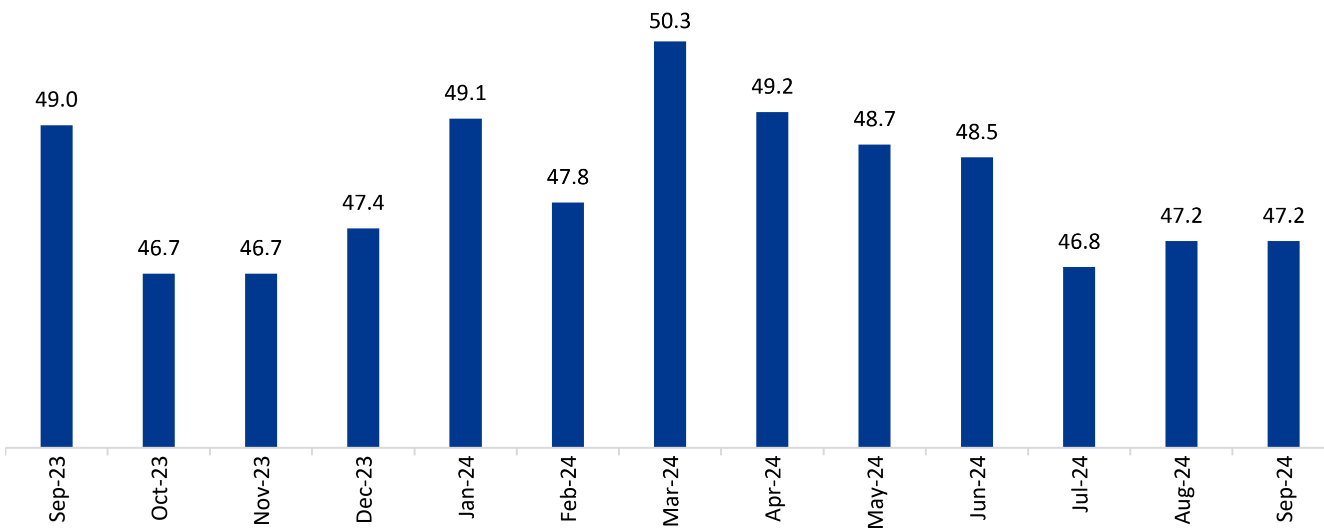


Source: CAPIQ

US Manufacturing Index remained in the contraction phase during September 2024

US manufacturing activities remained in the contraction phase with an unchanged manufacturing PMI of 47.2 in September 2024 compared to August 2024. The new orders index increased to 46.1 in September 2024 compared to 44.6 in August 2024 but remained in the contraction territory for a sixth consecutive month. Demand remained challenging as companies were reluctant to invest in capital and inventory due to the monetary policy and election-related uncertainty. Additionally, the production index increased to 49.8 in September 2024 from 44.8 in August 2024. However, employment declined in September 2024 compared to the previous month while prices fell to a contraction phase in September 2024 compared to an expansionary phase in August 2024 signalling a decline in raw material prices.

Figure 22: US ISM Manufacturing PMI

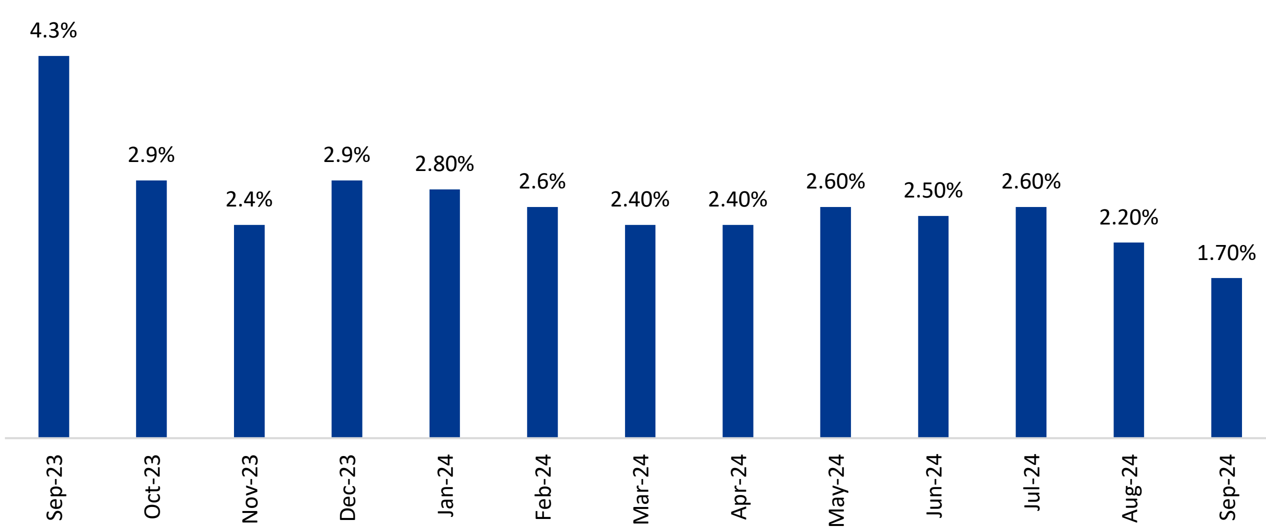


Source: CAPIQ

Eurozone inflation shrinks below the target levels of 2.0%

Eurozone inflation fell below the European Central Bank's target rate of 2.0% for the first time in three years, indicating an effective interest rate cut from the ECB. Eurozone inflation declined 1.7% YOY in September 2024 compared to 2.2% YOY in August 2024. Additionally, core inflation dropped to 2.7% in September 2024 compared to 2.8% in August 2024. Moreover, Energy prices exhibited an annual decline of 6% in September 2024, accelerating from a 3% drop in August 2024, while non-energy industrial goods maintained a steady growth of 0.4% in September 2024. Besides, food, alcohol, and tobacco prices and service costs also gained in September 2024.

Figure 23: Eurozone Consumer Price Index (CPI) YoY

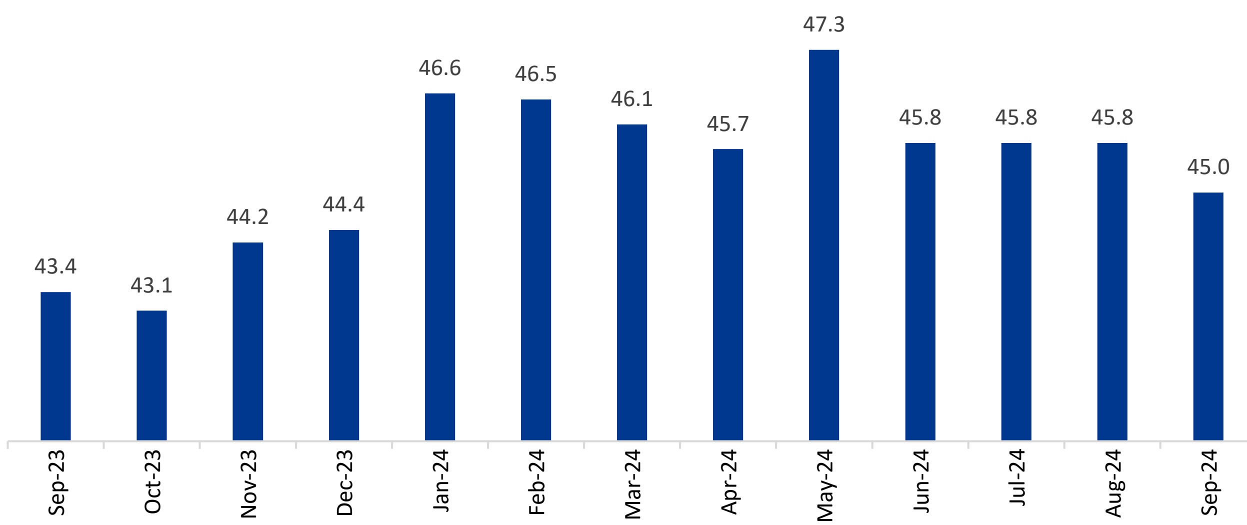


Source: CAPIQ

Eurozone manufacturing activity contracted in September 2024

The Eurozone manufacturing activity further contracted with a decline in orders, output, employment, and procurement activity. HCOB factory Purchasing Managers Index slipped to 45.0 in September 2024 from 45.8 in August 2024. Production and new orders continued to decline in September 2024 at a sharp rate while sales were impacted due to global uncertainty. Moreover, purchasing activity fell at the sharpest rate since December 2023 while inventories reduced at a faster pace. Staffing activity continued to decline while job cuts reached the highest levels since October 2012. On the other hand, businesses reduced work backlogs in September 2024 with declining new orders. Furthermore, input prices and sales prices dropped in September 2024 while businesses maintained a positive outlook, with more companies expecting growth over the next 12 months than those anticipating a downturn.

Figure 24: Eurozone's Manufacturing PMI

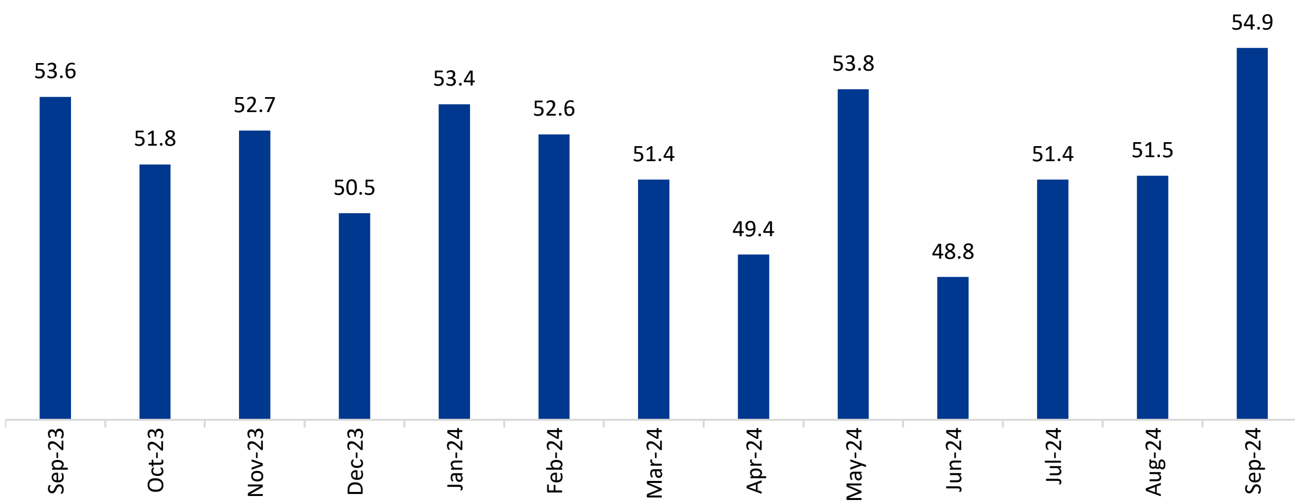


Source: CAPIQ

US services PMI ends in strong expansionary territory in September 2024

The US ISM services PMI rose to 54.9 in September 2024 compared to 51.5 in August 2024 recording a higher-than-expected increase. This healthy performance is fuelled by an increase in business orders and business activity in September 2024. However, the employment levels declined in September 2024. Meanwhile, the price increased at a sharp rate in September 2024. Furthermore, supply pricing issues continued due to the political uncertainty and gradual stabilization of the supply chain whereas labour cost and availability remain key concerns.

Figure 25: US ISM Services PMI

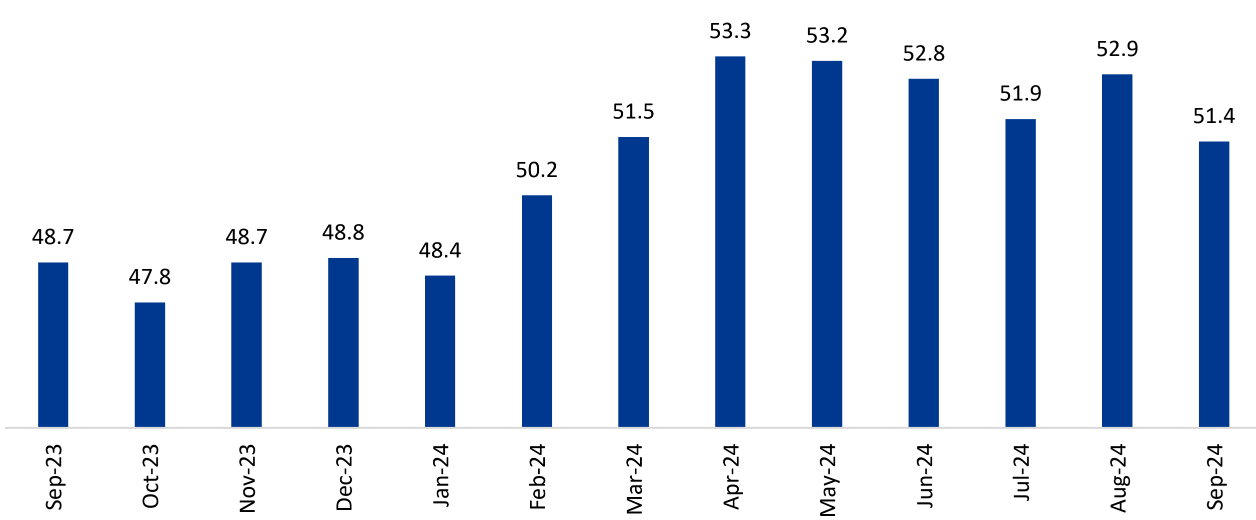


Source: CAPIQ

Eurozone private sector PMI slipped into contraction phase in September 2024

The HCOB Eurozone private sector PMI contracted for the first time in the last seven months to 49.6 in September 2024 compared to 51.0 in August 2024 as France, Germany, and Italy recorded contraction simultaneously. Contraction of the private sector is mainly attributable to a decline in new business, export sales, factory output, and employment whereas the service sector growth fell to a seventh-month low. Eurozone services PMI declined from 52.9 in August 2024 to 51.4 in September 2024. Moreover, business witnessed a decline in outstanding work whereas the employment rate fell as firms reduced labour resulting in a weakening of business confidence. Besides, input cost slowed down in September 2024 while sales prices increased marginally.

Figure 26: EURO area services PMI

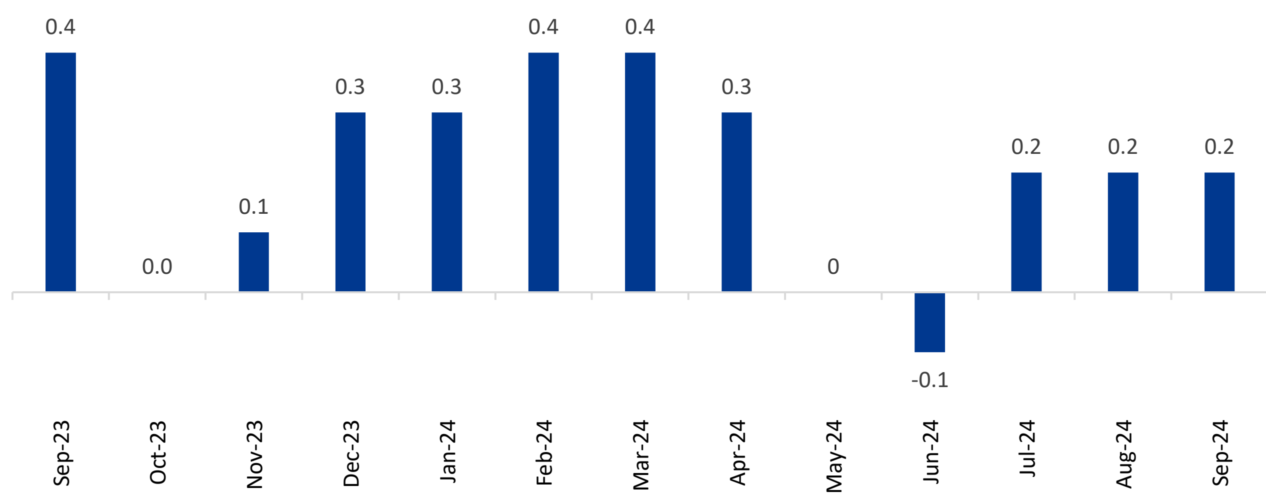


Source: CAPIQ

US consumer prices rose marginally 0.2% in September 2024

The US inflation expanded slightly 0.2% MOM in September 2024, which matches the increase in July and August 2024. The annual rate of consumer price growth declined 2.4% in September 2024 from 2.5% in August 2024. Rise in shelter and food prices contributed over 75% of the monthly increase in consumer prices. However, the increase in inflation was partially offset by a steep decline in energy prices. Additionally, core consumer prices increased 0.3% MOM for the second month in a row due to a rise in shelter, medical care, apparel, airline fares, and motor vehicle insurance prices. Similarly, the annual rate for core consumer prices grew 3.3% in September 2024 compared to 3.2% in August 2024.

Figure 27: US CPI (MOM)

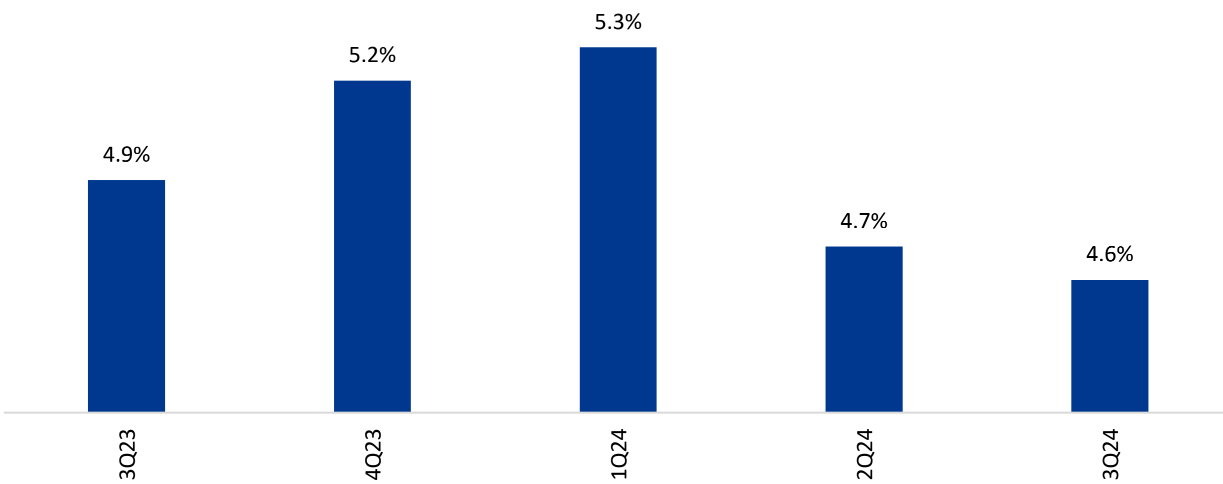


Source: CAPIQ

China's GDP rose at a slow pace, recording 4.6% QOQ growth in 3Q24

China's economy grew at the slowest pace in 3Q24 to 4.6% YOY compared to 4.7% YOY in 2Q24. Industrial and retail output outperformed while the property sector continued to struggle. China's economy struggled in 2024 as industrial production outperformed domestic consumption and rising deflationary risk amid a downturn in the real estate sector coupled with increasing local government debt. The policymakers have relied on infrastructure and manufacturing investments to boost growth and now aim to encourage consumer spending. However, markets are still waiting for more details on the planned fiscal stimulus package. Additionally, China might consider issuing CNY 6 Tn through special treasury bonds over the next three years and CNY 2 Tn of sovereign bonds as part of fiscal stimulus. This action would increase government spending to stabilize the economic condition.

Figure 28: China GDP (YOY)



Source: CAPIQ

ECB reduced interest rates by 25 Bps as Lagarde concerns over Eurozone growth

The European Central Bank (ECB) reduced interest rates by 25 bps as the policymakers believe the disinflation process is on track but the central bank remains concerned over the condition of the euro area economy. ECB decreased the deposit facility rate by 25 bps to 3.25% based on its assessment of the inflation outlook, strength of monetary policy transmission, and dynamics of underlying inflation. The core inflation stood higher than desired levels while the headline inflation experienced slow growth. ECB intends to maintain a restrictive policy to get the Euro area inflation back to the 2.0% target.

FAB Securities Contacts:

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