Global Assets Begin 2025 with Positive Returns Despite US Tariff Concerns

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

The GCC bonds and Sukuk issuance grew strongly during January 2025 and is expected to reach between USD 190 Bn and USD 200 Bn in 2025, following robust debt market performance in 2024. Total Sukuk issuance amounted to USD 193.4 Bn in 2024, slightly lower than the USD 197.8 Bn Sukuk issuance in 2023. However, foreign currency-denominated issuance increased by 29% YOY to USD 72.7 Bn in 2024 and is expected to contribute USD 70-80 Bn. US Fed left the interest rate unchanged in January 2025 at 4.25% - 4.50%. According to Fitch Ratings, the Fed will lower interest rates by an additional 100 bps in 2025, promoting favourable financing conditions. As a result, the GCC credit growth is also anticipated to be robust in 2025, especially in Saudi Arabia and the UAE.

The GCC monthly Government and corporate bond and sukuk issuances amounted to USD 23,350 Mn, of which Saudi Government International Bond issued USD 12,000 Mn, including USD 4 Bn at a coupon rate of 5.6%, USD 5,000 at 5.1% and USD 3,000 at 5.4% maturing in 10 years, 3 years and 6 years respectively. KFH Sukuk Co. issued USD 1 Bn at a 5.4% coupon rate maturing in 5 years, and Aldar Properties issued a callable bond of USD 1 Bn at a 6.6% coupon rate maturing in 2055. FAB Sukuk Company issued USD 600 Mn at 5.2% with a maturity of 5 years. Al Rajhi Sukuk issued a perpetual callable bond worth USD 1500 Mn at 6.2%. BSF Sukuk Co., First Abu Dhabi Bank and Emirates NBD Bank issued USD 750 Mn each at 5.4%, 5.3% and 5.4%, respectively, with a maturity of 5 years each. Gaci First Investment Co issued two callable bonds of USD 2,400 Mn and 1,600 Mn at 5.2% and 5.6% maturing in 9 and 10 years, respectively. Bapco Energies issued sukuk worth USD 1,000 Mn at a coupon rate of 6.2%, maturing in 10 years till 2035.

The US Fed left the interest rate unchanged during the latest policy meeting held in January 2025, resulting in the stable US 10-year treasury yield at 4.50%. However, the US treasury yield rose during the month's end as the market adjusted for the potential implications of the tariff threat by the Trump administration. Moreover, the 10-year bond yields declined across all GCC countries, resulting in positive returns from all GCC bond indices, with Qatar providing the highest returns. In addition, the 5-year CDS tightened across all the GCC countries during January 2025. The UAE Purchasing Managers' Index (PMI) recorded a nine-month high of 55.4 in December 2024, improved from 54.2 in November 2024, indicating faster growth in the non-oil private sector. The strong market conditions at the end of the year helped secure new businesses and larger order book volumes, strengthening the non-oil economy. According to the International Monetary Fund (IMF), the UAE's near-term growth will continue to be strong at about 4% in 2025 despite OPEC+-related reductions in oil production. Economic activity is anticipated to be driven by non-hydrocarbon industries like financial services, tourism, construction, and public spending. The KSA PMI recorded its highest level in over a decade in January 2025, reflecting the robust economic condition in the non-oil business sector driven by increasing new orders and resilient business output. KSA PMI jumped to 60.5 in January 2025 from 58.4 in December 2024. The General Authority for Statistics (GASTAT) reported that the Consumer Price Index (CPI) in Saudi Arabia grew 1.7% YOY in 2024. An 8.8% increase in housing, water, electricity, gas, and other fuel prices was the leading cause of this inflation, primarily caused by a 10.6% increase in housing rents. Qatar's economy grew 2% YOY, with a GDP of QAR 180.23 Bn in 3Q24 at constant prices. Bahrain's GDP increased by 2.1% at constant prices in 3Q24, primarily due to a 3.9% YOY growth in the non-oil sector. Manufacturing was the biggest non-oil contributor to Bahrain's GDP, followed by banking and insurance operations. Kuwait's inflation rate increased by 2.5% due to rising food prices. The biggest rise was in food and drink, followed by apparel. The inflation rate in Kuwait, excluding food and beverages, stood at 2.0% in December 2024. The strong non-oil sector's performance will likely fuel Oman's GDP growth to 3.1% in 2025. This expansion would demonstrate the success of market-driven, fiscal, and regulatory policies spearheaded by the government that have aided in the nation's economic recovery since 2022. Oman's inflation rate increased by 0.7% in December 2024. Food and nonalcoholic beverages saw a 1.7% increase in price, health saw a 3.2% increase, and personal goods and services saw a 4.5% increase. The average inflation rate in GCC nations increased by 1.5% YOY by the end of September 2024. The 5.7% price increase in the housing category was the leading cause of the increase.

Gold Outlook

Gold prices rose 6.6% MOM settling at USD 2,798.4 per ounce on 31 January 2024. Gold prices inched up marginally in the first week of January 2024 owing to a weaker US dollar. Investors are waiting for the US jobs data and assessed policy changes proposed by Trump that will affect the interest rate outlook in the near term. Moreover, in the following week, Trump's proposed tariff caused uncertainty accelerating the uptick in gold prices, while the increase in prices was partially offset by the impact of a stronger US Dollar and treasury yield driven by increased bets of slower interest rate cuts, dampening the yellow metal's appeal. During the mid-month, gold prices marginally rose owing to concerns over Trump's administration policy and strong US jobs data that indicated a slower pace of rate cut by the Fed. Meanwhile, the investors awaited the US CPI data for further clarity on the Fed's rate cuts. Gold prices were supported after the Fed's Governor hinted at three to four rate cuts in 2025 if the US economic data weakens. In the following week, gold prices rallied to their highest level in 11 weeks attributable to a weak dollar as investors continued to invest in the safe haven asset amid uncertainty regarding Trump's trade policies. During the end of the month, gold prices reached an all-time high due to repetitive tariff concerns on Trump's policies.

Oil Outlook

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Our Top Bond/Sukuk Picks:

Top Bond Picks

Issuer Name	Ticker	ISIN	Yld to Mty	Amount	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
Oman Government International Bond	OMAN	US682051AF48	6.54	2,000,000,000	BB+	Ba1	BBB-	6.5	3/8/2047	USD
Finance Department Government of Sharjah	SHJGOV	XS2775892065	6.28	1,000,000,000	N/A	Ba1	BBB-	6.125	3/6/2036	USD
Saudi Government International Bond	KSA	US80413TBH14	6.09	4,750,000,000	A+	Aa3	N/A	5.75	1/16/2054	USD
Finance Department Government of Sharjah	SHJGOV	US38381CAE21	6.04	1,000,000,000	N/A	Ba1	BBB-	6.5	11/23/2032	USD
DP World Ltd/United Arab Emirates	DPWDU	XS0308427581	5.94	1,750,000,000	BBB+	Baa2	NR	6.85	7/2/2037	USD
Abu Dhabi Government International Bond	ADGB	XS2811094213	5.60	1,750,000,000	AA	N/A	AA	5.5	4/30/2054	USD
MDGH GMTN RSC Ltd	MUBAUH	XS0701227075	5.56	750,000,000	AA	Aa2	AA	6.875	11/1/2041	USD
Saudi Government International Bond	KSA	US80413TBL26	5.43	4,000,000,000	A+	Aa3	N/A	5.625	1/13/2035	USD
Abu Dhabi National Energy Co PJSC	TAQAUH	XS0272949016	5.43	912,487,000	AA	Aa3	NR	6.5	10/27/2036	USD
Oman Government International Bond	OMAN	US682051AE72	5.27	1,626,860,000	BB+	Ba1	BBB-	5.375	3/8/2027	USD
Emirates NBD Bank PJSC	EBIUH	XS2976518972	5.42	750,000,000	A+	A2	N/A	5.468	1/22/2030	USD
National Bank of Ras Al-Khaimah PSC/The	RAKBNK	XS2765600262	5.18	600,000,000	BBB+	Baa1	N/A	5.375	7/25/2029	USD
Emirates NBD Bank PJSC	EBIUH	XS2754455769	5.22	600,000,000	A+	A2	N/A	5.772	1/31/2029	USD
BSF Finance	BSFR	XS2493296813	5.06	700,000,000	A-	A1	N/A	5.5	11/23/2027	USD
Abu Dhabi Commercial Bank PJSC	ADCBUH	XS2677030194	4.94	650,000,000	A+	N/A	A	5.5	1/12/2029	USD

Top Bond Picks for Sukuk

Issuer Name	Ticker	ISIN	Yld to Mty	Amount	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
Saudi Electricity Sukuk Programme Co	SECO	XS2608638602	5.98	1,500,000,000	A+	Aa3	N/A	5.684	4/11/2053	USD
Sharjah Sukuk Program Ltd	SHARSK	XS2680379695	5.81	900,000,000	N/A	Ba1	BBB-	6.092	3/19/2034	USD
Saudi Electricity Global Sukuk Co 3	SECO	US80413MAB00	5.71	1,000,000,000	A+	Aa3	A	5.5	4/8/2044	USD
EDO Sukuk Ltd	ENEDEV	XS2689095086	5.68	1,000,000,000	BB+	N/A	BBB-	5.875	9/21/2033	USD
Saudi Electricity Global Sukuk Co 2	SECO	XS0911024635	5.68	1,000,000,000	A+	Aa3	A	5.06	4/8/2043	USD
Esic Sukuk Ltd	ESICSU	XS2747181613	5.55	700,000,000	N/A	Baa3	N/A	5.831	2/14/2029	USD
BSF Sukuk Co Ltd	BSFR	XS2978771942	5.43	750,000,000	A-	N/A	A-	5.375	1/21/2030	USD
KSA Sukuk Ltd	KSA	XS2829208169	5.42	2,250,000,000	A+	Aa3	N/A	5.25	6/4/2034	USD
Almarai Co JSC	ALMARA	XS2641777235	5.33	750,000,000	N/A	Baa3	BBB-	5.233	7/25/2033	USD
KFH Sukuk Co	KFHKK	XS2974156627	5.32	1,000,000,000	A	N/A	N/A	5.376	1/14/2030	USD
Al Rajhi Sukuk Ltd	RJHIAB	XS2761205900	5.29	1,000,000,000	A-	Aa3	N/A	5.047	3/12/2029	USD
DIB Sukuk Ltd	DIBUH	XS2749764382	5.27	1,000,000,000	A	A3	N/A	5.243	3/4/2029	USD
SNB Sukuk Ltd	SNBAB	XS2747631914	5.21	850,000,000	A-	N/A	A-	5.129	2/27/2029	USD
EI Sukuk Co Ltd	EIBUH	XS2824746544	5.15	750,000,000	A+	N/A	N/A	5.431	5/28/2029	USD
DIB Sukuk Ltd	DIBUH	XS2553243655	5.02	750,000,000	A	A3	N/A	5.493	11/30/2027	USD

Data Source: Bloomberg

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Content:

MENA credit outlook

Aldar Properties will issue its first USD benchmark hybrid notes to raise USD 1 Bn

Aldar Properties, the Abu Dhabi-based real estate developer, has planned to issue its debut benchmark-sized USD-denominated conventional Reg S resettable subordinated notes with a 7.25-year tenor and a 30.25 non-call period. Initial Price Thought (IPT) is expected to be around 6.875%. The notes are expected to have a Baa3 rating from Moody's, subject to market conditions. Citi is the sole structuring advisor, global coordinator, and joint bookrunner with other participating banks, including Abu Dhabi Commercial Bank, Bank of China, Emirates NBD Capital, and others.

PIF secured USD 7 Bn through its first Murabaha credit facility

Saudi Arabia's Public Investment Fund (PIF) has successfully raised USD 7 Bn from its inaugural Murabaha credit facility as part of its medium-term capital-raising strategy. The facility was backed by a diverse group of 20 international and regional financial institutions. The new facility will help PIF diversify its funding portfolio along with its Sukuk, which was issued two years ago.

Saudi Arabia commenced sale of three-tranche benchmark-sized dollar debt

Saudi Arabia's Ministry of Finance has ordered banks to price a series of senior unsecured debt offerings under its Global Medium Term Note program. The debt will consist of three tranches: a three-year note, a six-year note, and a ten-year note. The initial price for the issue will range from UST +120 bps for the three-year, UST +130 bps for the six-year, and UST +150 bps for the ten-year. The issue is expected to be rated Aa3 and A+ by Moody's and Fitch, respectively. It will be listed on the London Stock Exchange and is intended for general domestic budgetary purposes.

Saudi Arabia sold USD 12 Bn in a three-part bond offering amidst strong demand

Saudi Arabia raised USD 12 Bn through a three-part bond sale that attracted strong demand from investors, with the total orders reaching around USD 37 Bn. The sale included bonds with three, six, and ten-year tenors, raising USD 5 Bn, USD 3 Bn, and USD 4 Bn, respectively. The proceeds from the issue will cover the country's budget deficit and debt repayments. This deal would diversify the pool of investors and supply the Kingdom with funding from global debt capital markets effectively and efficiently. The pricing on the bonds was lowered from initial guidance due to strong investor interest.

FAB Sukuk Company priced a five-year Sukuk worth USD 600 Mn under its USD 5 Bn programme

Abu Dhabi's FAB Sukuk Company has priced a five-year senior unsecured dollar Sukuk worth USD 600 Mn with a profit rate of 5.153% under its USD 5 Bn trust certificate issuance programme. The Sukuk will be listed on the London Stock Exchange (LSE) and is set to settle on 16th January 2025, with a maturity date of 16th January 2030. Joint lead managers and book runners for the issuance include Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD Capital, FAB, Industrial and Commercial Bank of China, Islamic Corporation for the Development of the Private Sector, and Standard Chartered.

Emirates NBD priced USD 700 Mn five-year FRN at SOFR +110 bps

Emirates NBD has launched USD 700 Mn in senior unsecured five-year floating-rate notes (FRN), with final pricing guidance at SOFR +110 bps. Australian and New Zealand Banking Group (ANZ) Taipei and Standard Chartered Taiwan are joint managers, while Emirates NBD Capital is the structuring agent. Moody's and Fitch will rate the notes A and A+, respectively. The proceeds from the issuance will be used for general purposes.

Bapco Energies priced its bond offering close to sovereign levels

Bahrain's Bapco Energies (formerly Nogaholding) made a strong return to the US dollar Sukuk market with a USD 1 Bn 10-year Sukuk issuance, priced at a yield of 6.25%. This pricing came 50 bps tighter than the initial guidance of 6.75%, reflecting strong investor demand, with the order book oversubscribed at over USD 4 Bn. Despite Bapco being rated B+ by Fitch, the Sukuk was priced close to Bahrain's sovereign curve, indicating investor appetite for higher yields. The success of the issuance highlighted investor interest in locking in attractive rates, even as yield curves were flat in the Sukuk market.

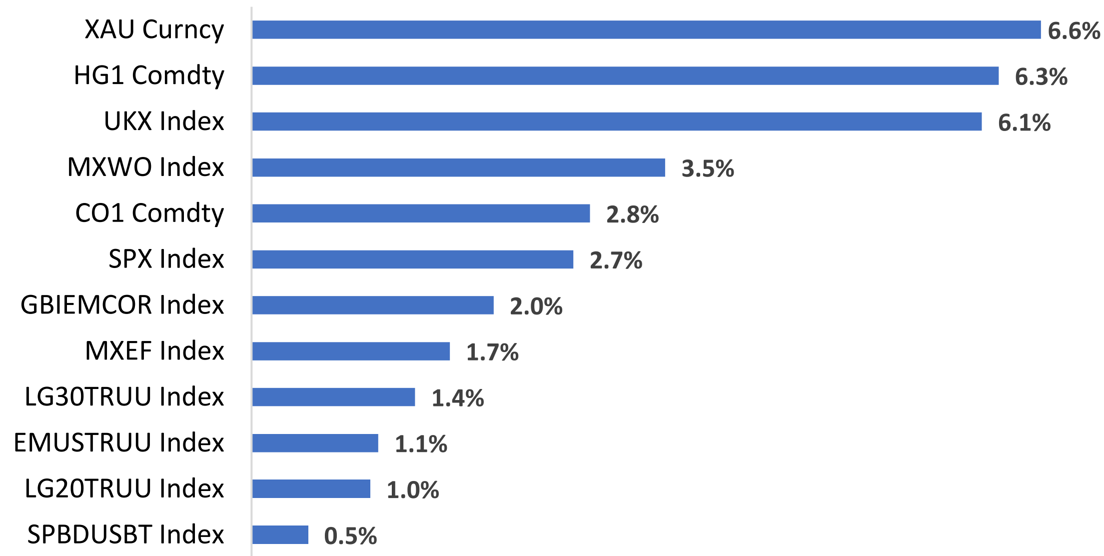
Bank ABC cancelled issue of USD 400 Mn in AT1 bonds

Bank ABC in Bahrain has abandoned its plans to issue USD 400 Mn in Reg S AT1 Capital Securities that were initially priced at an 8% yield. The bank cited the need to reassess the timing of the issuance due to current market conditions and intends to revisit the offering when the market environment becomes more favourable.

Global Asset Performance

The table below summarizes the performance of key equity and debt indices along with commodity price performance. All asset classes recorded an increase in January 2025. Brent Crude oil prices rose 2.8% during the month owing to anticipation of interest rate cuts by the Fed and proactive policies of China coupled with colder weather in the northern hemisphere and increasing concerns over supply disruptions due to US sanctions on Russian oil. The gain in oil prices was partially offset by uncertainty regarding the impact of Trump's proposed tariffs. The performance of other commodities increased during the month. Copper prices increased 6.3% MOM in January 2025, while gold was the highest performing asset growing 6.6% MOM, primarily due to Trump’s proposed tariff caused uncertainty driving the uptick in gold prices partially offset by stronger US dollar and treasury yield. Equity market witnessed a solid performance in January 2025. MSCI Developed markets grew 3.5% MOM in January 2025 mainly due to a 7.1% MOM growth in the European markets driven by strong growth in the financial and consumer sector owing to the strong economic environment, while the UK markets recorded a 6.1% MOM growth in January 2025 with a sharp depreciation in Sterling. The S&P 500 index grew 2.8% in January 2025 driven by Trump’s promise of tax cuts and deregulation partially offset by selloff due to the launch of DeepSeek. MSCI Emerging Markets marginally increased 1.5% in January 2025 driven by a positive growth in Chinese equities owing to positive economic data and supportive tariff threats from Trump partially offset by a decline in Indian markets. Japan markets remained flat with a 0.1% MOM increase in January 2025. Additionally, the bond indices witnessed fluctuations in January 2025 with marginal growth where the rise in US markets was driven by weaker than expected inflation in December and AI tech sell-off.

Figure 1: Global Asset Performance (YTD in FY2025)

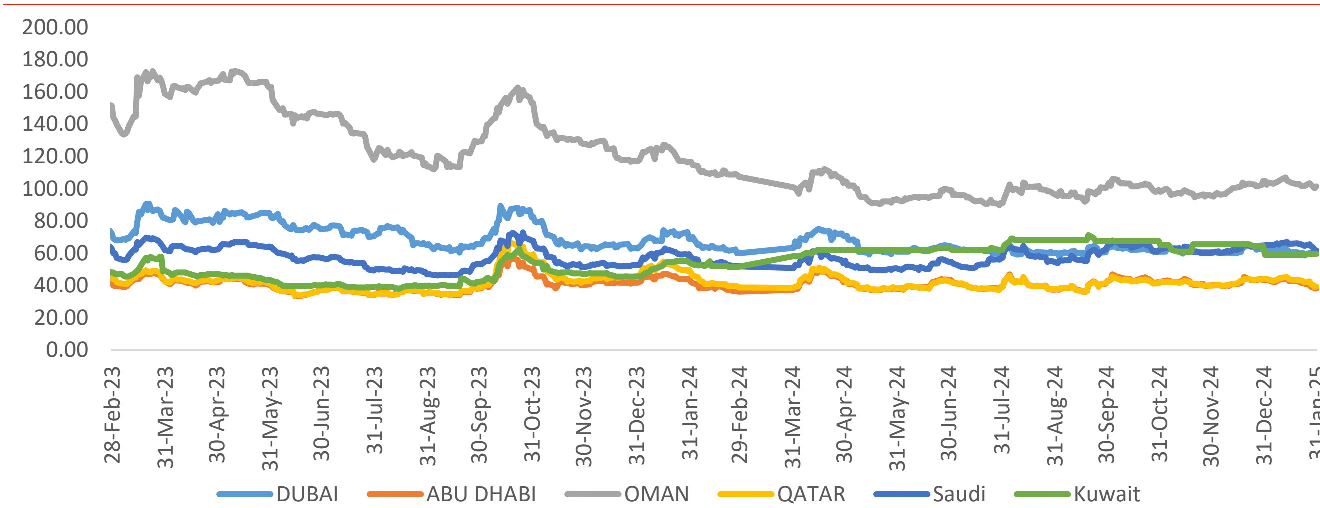


Source: Bloomberg

5-Year CDS

The 5-year CDS spread declined across all sovereign nations in January 2025. Abu Dhabi recorded the highest decline on a MOM basis in January 2025, followed by Qatar, Kuwait, Saudi Arabia and Dubai. Oman's CDS spread contracted 3.07% MOM in January 2025.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	ABU DHABI	Oman	Kuwait	Qatar	Saudi
MTD (%)	-4.35%	-11.77%	-3.07%	-7.66%	-10.23%	-4.80%

Banking Sector

Mashreq finalized USD 385 Mn sale of majority stake in Neopay

Mashreq, a leading financial institution in MENA region, completed the sale of a majority stake in Neopay, a leading digital payments company in the UAE, with Mashreq retaining a significant minority stake. The partnership aims to support Neopay's expansion into new markets and enhance its services across the Middle East. The completion of the transaction highlighted the shared commitment of Mashreq, DgPays, and Arcapita Group towards fostering innovation, and growth, and shaping the future of digital payments in the region.

Sharjah transferred a 20% ownership stake in Invest Bank to a security fund

The Government of Sharjah has reduced its direct stake in Invest Bank by transferring 47.49 Bn shares, or 20.48%, to the Sharjah Social Security Fund (SSSF) on December 30, 2024. Following the transfer, Sharjah now holds a 70.06% stake in the bank, while the SSSF holds 18.04%, and other shareholders have retained 11.9% of the stake.

Gulf Bank transfers a 32.75% stake to Warba Bank.

Kutayba Y. Alghanim has agreed to sell all shares of Alghanim Trading Company LLC to Warba Bank. The 32.75% stake in Gulf Bank will be transferred to Warba Bank after receiving all the pending regulatory approval. The sale is part of a strategic realignment by Kutayba Y. Alghanim Group, intending to redirect resources toward new ventures in Kuwait and the MENA region.

Riyad Bank will redeem Sukuk worth USD 1.5 Bn five years ahead of schedule

Riyad Bank, listed in Saudi Arabia, plans to redeem its USD 1.5 Bn 10-year Sukuk five years ahead of schedule. The redemption is related to the bank's announcement of issuing a new Sukuk under its SAR 10 Bn (USD 2.67 Bn) riyal-denominated programme.

Gulf Bank and Boubyan Bank cancelled merger plans

Boubyan Bank and Gulf Bank in Kuwait have decided to cancel their planned merger, which would have created a single Shariah-compliant bank with over USD 50 Bn worth of assets. The decision followed the disclosure that Alghanim Trading, a major shareholder in Gulf Bank, will sell its 32.7% stake to Warba Bank in Kuwait for USD 1.61 Bn.

Saudi National Bank approved buyback of 16 Mn shares

The board of Saudi National Bank, the largest bank in Saudi Arabia by assets, proposed buying back 16 Mn treasury shares for its employees' equity programme. The buyback will be funded through the bank's internal resources. Treasury shares currently make up 0.92% of the total shares eligible for the programme.

Dubai Islamic Bank increased stake in Turkey digital bank to 25%

Dubai Islamic Bank (DIB), the fourth largest bank in the UAE, raised its stake in Turkey's T.O.M Group of Companies to 25% from 20% by exercising an option from its initial acquisition in September 2023. The T.O.M. Group owns Turkey's first licensed digital retail bank, a licensed e-money company, and a licensed financing company specialising in digital products among other subsidiaries.

Corporate Sector

ADNOC L&S secured a USD 2 Bn hybrid capital facility to support investment needs

ADNOC Logistics & Services (ADNOC L&S) issued a hybrid capital instrument worth USD 1.1- USD 2.0 Bn to fund growth, including acquiring Singapore-based tanker management company Navig8 Top Co Holdings Inc. The initial drawdown is USD 1.1 Bn, while the remaining USD 0.9 Bn would be available until December 2026. The initial drawdown on the facility will carry an interest rate below SOFR +150 basis points and has the option of repayment at the company's discretion. The USD 1 Bn allocation will mainly finance the Navig8 acquisition, while the remainder will support the other investments.

ADNOC Gas allocated USD 2.1 Bn worth of contracts to upgrade LNG supply infrastructure

ADNOC Gas awarded contracts worth USD 2.1 Bn for developing an LNG pre-conditioning plant (LPP), compression facilities, and transmission pipelines to supply feedstock to the Ruwais LNG plant. The largest contract was valued at USD 1.24 Bn and was awarded to a syndicate of ENPPI and Petrojet while another contract for a pipeline deal of USD 514 Mn was awarded to China Petroleum Pipeline Engineering, and Petrofac Emirates won a USD 335 Mn compression facility contract.

NMDC Energy secured contract worth USD 1.1 Bn from Taiwan Power Company

NMDC Energy has secured a USD 1.136 Bn contract from Taiwan Power Company (Taipower) to renew the second phase of the Tung-Hsiao Power Plant in Taiwan. The contract involves the design, construction, and installation of subsea gas pipelines at a depth of 10 to 55 meters between Taichung and Tung-Hsiao on Taiwan's west coast, along with the construction of a 1,000-meter pipeline that will connect the shore to the offshore area and dredging operations of around 6 Mn cubic meters. The dredging will be done by NMDC Group subsidiary NMDC Dredging & Marine.

ADQ will acquire Aramex

ADQ, Abu Dhabi's sovereign wealth fund, has planned to make a cash offer to acquire 100% of the shares of Aramex, a Dubai-based courier company, excluding shares owned by Abu Dhabi Ports Co. The offer is made via Q Logistics Holding LLC, which will offer Aramex shareholders AED 3 (USD 0.82) per share, a 33% premium over the January 9, 2025, share price of AED 2.25. Abu Dhabi Ports, which holds a 22.69% stake in Aramex, is owned by ADQ, and the acquisition is focused on transforming Aramex's operations, which have been in decline since 2019.

Bahrain's Alba discontinued proposed merger discussions with Saudi's Ma'aden

Aluminium Bahrain (Alba) and Saudi Arabian Mining Co. (Ma'aden) have mutually agreed to terminate talks regarding a proposed merger. The merger was agreed upon based on Ma'aden selling its aluminium units to Alba in exchange for Alba's share capital, potentially forming a global aluminium powerhouse. Additionally, both companies have decided to cancel the contract for marketing and sale of Ma'aden Aluminium Co.'s products.

Elm Company agreed to purchase Thiqah from PIF for USD 907 Mn

Elm Company, a digital security firm in Saudi Arabia, has agreed to acquire business services firm Thiqah from the Public Investment Fund (PIF) for USD 906.28 Mn. The deal is a cash transaction subject to regulatory approvals and other conditions. Once finalized, Thiqah will become a wholly-owned subsidiary of Elm Company, which is 67% owned by PIF.

Fertiglobe is likely to invest USD 1 Bn in blue ammonia production on demand from Asia

Fertiglobe will invest over USD 1 Bn in blue ammonia production depending on securing purchase commitments from Asia, mainly from Japan and South Korea, which aims to subsidize commodity imports. Once these contracts are secured, the company intends to make a final investment decision for the blue ammonia project in the UAE. The production boost will come from upgrading Fertiglobe's Ta'ziz project in Ruwais, which is expected to begin ammonia production in 2027.

Pure Health reached an agreement to acquire a 60% stake in Hellenic Healthcare

Abu Dhabi's Pure Health Holding has agreed to acquire a 60% stake in Hellenic Healthcare Group (HHG) for USD 2.31 Bn. CVC Capital Partners will retain 35%, while HHG's CEO, Dimitris Spyridis, will hold the remaining 5%. The deal will enable Pure Health to serve an additional 1.4 Mn patients annually, supporting its strategy to diversify revenue streams and improve operational efficiency. The acquisition is also part of Abu Dhabi's broader economic diversification efforts to reduce reliance on oil revenues.

STC Group secured USD 8.7 Bn government contract

STC Group, the largest telecoms operator in Saudi Arabia, announced that it has secured a USD 8.7 Bn contract from a government entity to build, operate, and provide telecommunications infrastructure services. The project will span 18 months for preparation and execution and will be followed by 15 years of operational services. While the identity of the government entity remains undisclosed, STC stated that the project will have a positive financial impact, with revenue expected to be recognised once the project becomes operational in 4Q26.

Alpha Dhabi purchased a stake of 73.73% in the National Corporation for Tourism and Hotels

Alpha Dhabi Holding has acquired a 73.73% controlling stake in the National Corporation for Tourism and Hotels (NCTH) by transferring assets from its Alpha Dhabi Hospitality Holding LLC and Murban Energy Limited. The deal includes four luxury hotels, including The St. Regis Saadiyat Island Resort, Al Wathba Resort in Abu Dhabi, and Cheval Blanc properties in the Maldives and Seychelles. The acquisition will expand NCTH's portfolio to eight hotels with nearly 1,500 rooms and strengthen Alpha Dhabi's presence in the global luxury hospitality sector, supporting its growth and diversification strategy.

FAB SECURITIES أبوظبي الأول للأوراق المالية

Rating Outlook

- **Abu Dhabi**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the nation's financial and economic vision and policies success and the strength and stability of its economic, financial and credit sectors.
- Fitch affirmed **Oman**'s credit rating at BB+ and revised its outlook from stable to positive. Fitch cited improved public and external finances, including a reduction in government debt-to-GDP, lower net external debt, improved balance sheet, fiscal prudence, and stronger sovereign foreign assets as the factors driving the revision in outlook. The upgrade is driven by a decline in 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 affirmed Oman's long-term foreign and local currency sovereign credit ratings at 'BBB-' with a stable outlook. It affirmed the short-term ratings on Oman at '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 affirmed **Bahrain**'s credit rating outlook at 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 stable outlook 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) remained unchanged at 'A+' by Fitch Ratings, with a 'Stable' outlook. The key reasons for the rating 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 affirmed Saudi Arabia's credit rating outlook at stable, noting the kingdom's continuous progress in economic diversification coupled with the strong growth of its non-oil sector. According to a statement, Moody's maintained the sovereign's rating at Aa3, the fifth-highest rating citing the country's efforts to diversify the economy away from oil. S&P Global Ratings maintained Saudi Arabia's positive outlook

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.

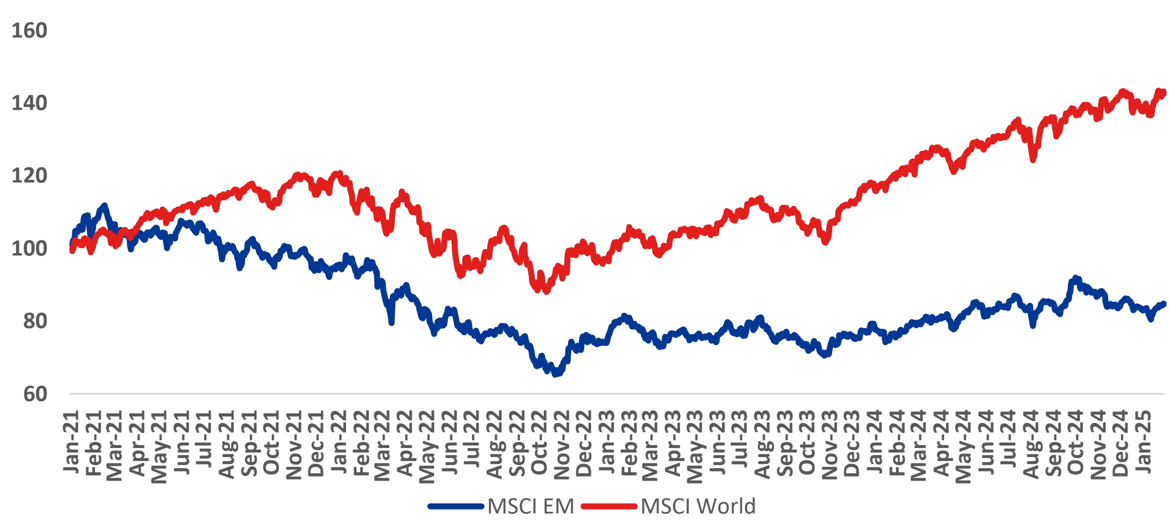
- In January 2024, Moody's maintained **Qatar**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) at Aa2. The rating is attributed to significant improvements in Qatar's fiscal metrics during 2021-2023. Moody's anticipates that the improvement in Qatar's debt burden and debt-service metrics from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

Particulars	Moody's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
UAE (Abu Dhabi)	Aa2	STABLE	AA	STABLE	AA	STABLE
Kuwait	A1	STABLE	A+	STABLE	AA-	STABLE
Qatar	Aa2	STABLE	AA	STABLE	AA	STABLE
Saudi Arabia	Aa3	STABLE	Au	POS	A+	STABLE
Oman	Ba1	POS	BBB-	STABLE	BB+	POS
Bahrain	B2	STABLE	B+	STABLE	B+	STABLE

Global Markets

The global equity market performed strongly at the beginning of 2025 with positive returns. The MSCI Developed Markets (DM) Index grew 3.6% MOM in January 2025, delivering a positive return to investors. The upturn in the developed market is mainly attributable to the outperformance of the European economy in January 2025. The MSCI Europe ex-UK recorded the highest increase of 7.1% MOM compared to other equity markets due to improved financial sector and more consumer discretionary spending in the eurozone. Since the technology sector weighs only 10% in the European Index, it remained largely unaffected due to the launch of the Chinese artificial intelligence (AI) Model – DeepSeek. On the other hand, the high concentration of technology companies dragged the US equity market down as China's DeepSeek emerged. However, it exhibited positive growth owing to robust economic performance in the US. The MSCI Emerging Markets (EM) Index performed weakly as it increased by only 1.8% MOM in January 2025 due to the lacklustre performance of Indian equities, which declined for the fourth consecutive month driven by uncertain economic outlook and weak earnings. Nevertheless, Chinese equities increased due to positive economic growth and the implementation of less aggressive tariffs from the US government. The MSCI DM Index continues outperforming the MSCI EM Index in January 2025. The S&P 500 reported a positive return of 2.8% in January 2025 due to a strengthening US job market and healthy GDP growth of 2.3% annualised in 4Q24. However, the market value of Nvidia weighed down the US index performance, falling by USD 600 Bn, owing to the fact that DeepSeek produced low-cost AI models efficiently. UK equities demonstrated solid performance, with the FTSE All-Share rising 5.5% MOM in January 2025. Overall, the European equity market outpaced the US equity market, signalling a change in the global equity market performance trend from the last two years. The Japanese equities underperformed in January 2025 as the TOPIX delivered 0.1% MOM in January 2025. The Bank of Japan (BoJ) raised interest rates by 25 bps, with growing confidence in the sustainability of domestic wage growth. As a result, the yen's upward pressure proved to be a hindrance to the export-oriented Japanese equity market. The poor performance of Indian stocks negatively impacted the overall performance of the MSCI Asia ex-Japan Index, as it rose slightly by 0.8% MOM in January 2025. However, the performance of Chinese equities edged up marginally in January 2025 due to more encouraging economic activities in the country.

Figure 3: MSCI World and Emerging Market Index Historical trend



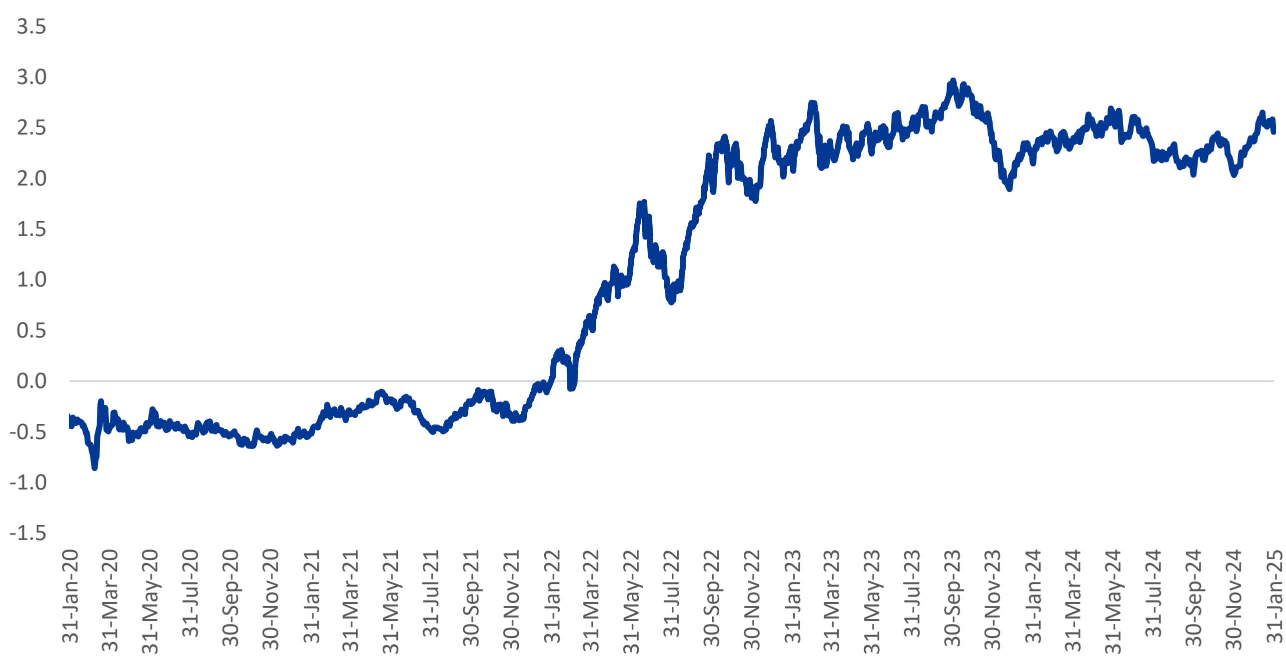
Source: Bloomberg

Yield on 10-year government

Figure 4: US 10-year government yield

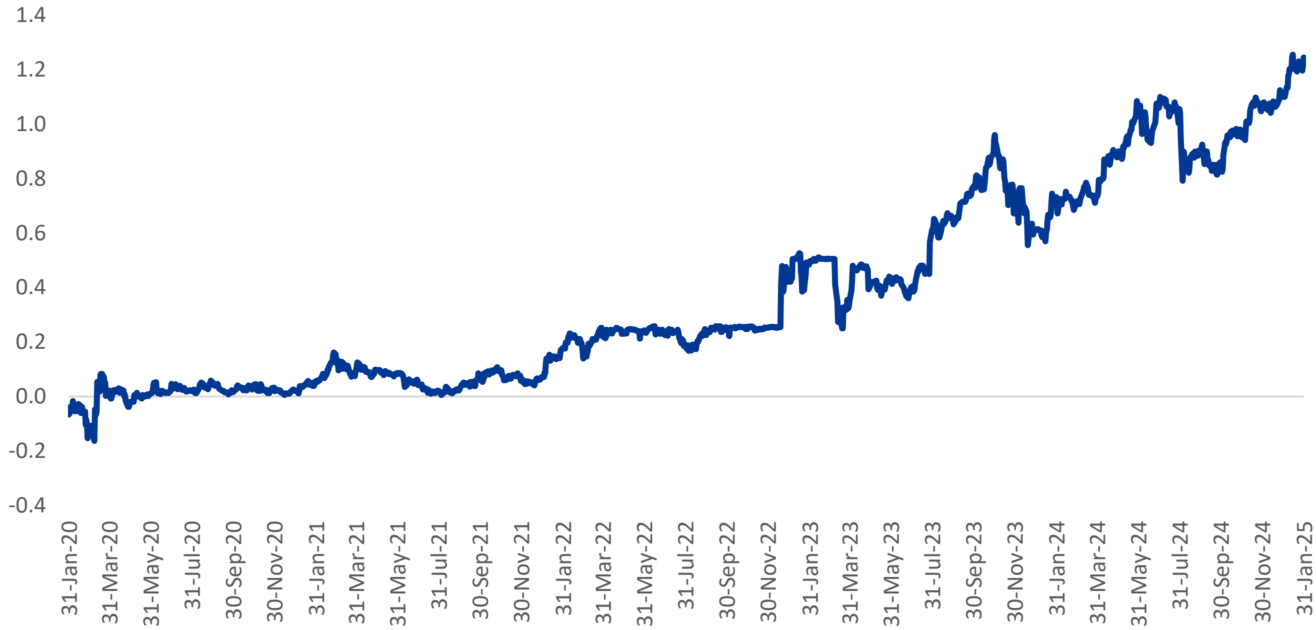
Source: Bloomberg

Figure 5: Germany 10-year government yield



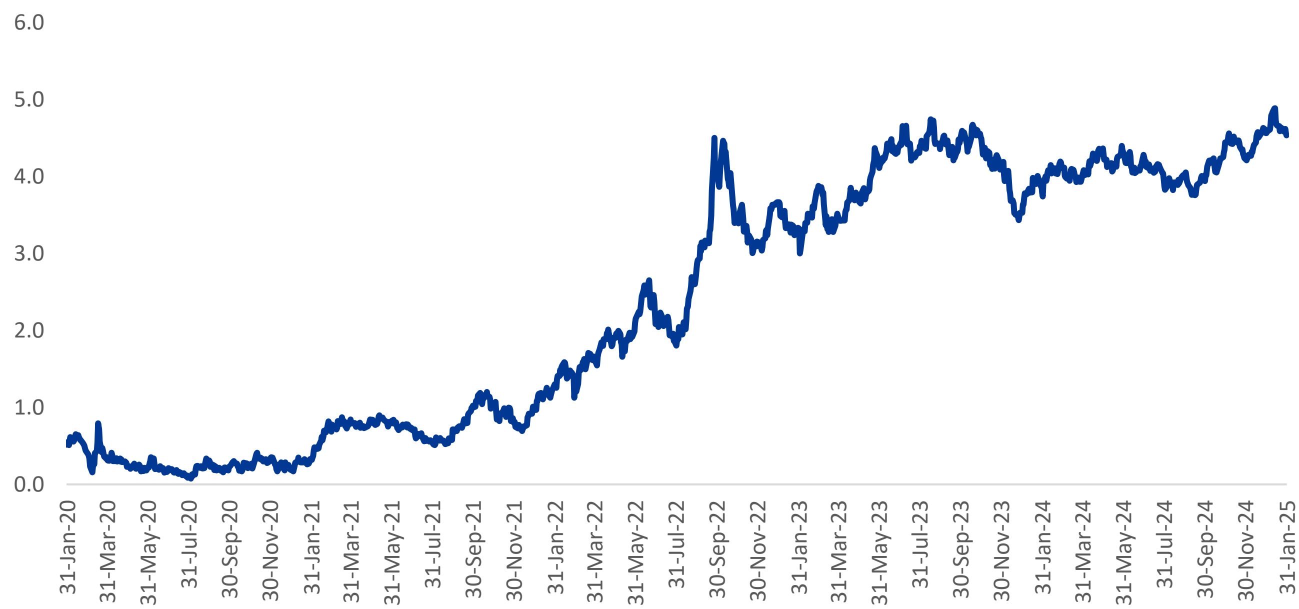
Source: Bloomberg

Figure 6: Japan 10-year government yield



Source: Bloomberg

Figure 7: UK 10-year government yield

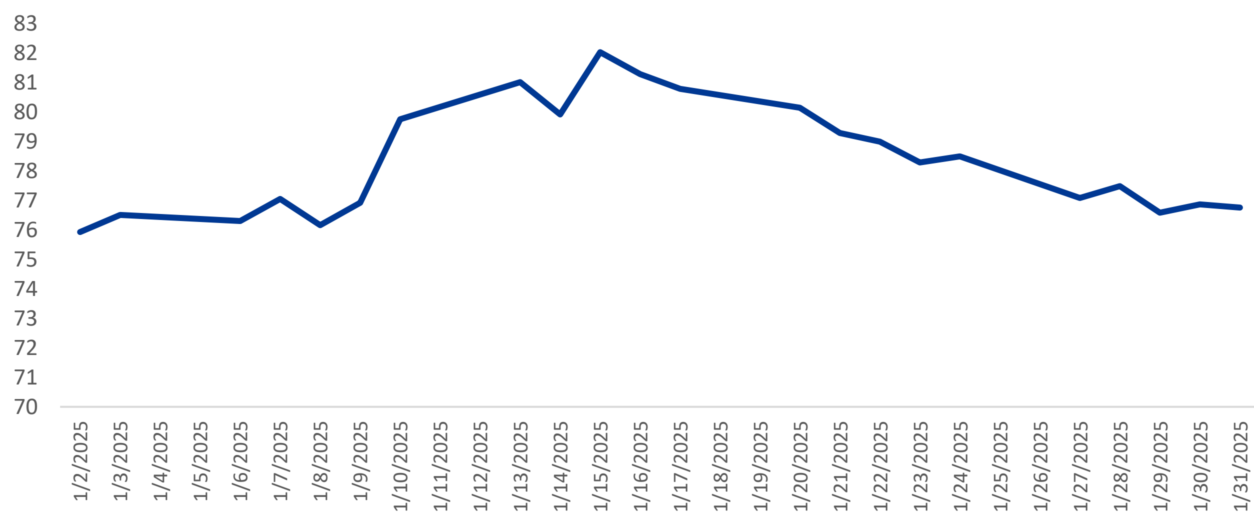


Source: Bloomberg

Oil Outlook

Brent Crude oil prices rose 2.8% MOM to USD 76.76 per barrel on 31 January 2024. Oil prices closed at more than two months high in the first week of January 2025 due to the expectation of the adoption of expansionary monetary policy around the world that is likely to boost economic growth, resulting in higher fuel demand. Moreover, anticipation of interest rate cuts by the Fed and proactive policies of China coupled with colder weather in the northern hemisphere further supported the oil prices. Meanwhile, oil prices further strengthened in the following week, attributable to the tightening of supply from Russia & OPEC countries with strong US jobs data indicating expansion in economic activity and growth in oil demand. The growth in prices during the week is partially offset by an increase in US fuel inventories. Oil prices continued their momentum during the mid-month owing to increasing concerns over supply disruptions due to US sanctions on Russian oil coupled with declining oil inventories, freezing temperatures in the US & Europe, and a more positive outlook on China's stimulus efforts. Furthermore, oil prices corrected in the following week attributable to uncertainty regarding the impact of Trump's proposed tariffs on global economic growth and energy demand. Moreover, in the last week of January 2025, a decline in China's manufacturing activity and warmer weather forecasts resulted in a negative shift in the demand outlook, contributing to a fall in prices. The decline in prices was partially offset by concerns over the US President's proposed tariffs on Mexico and Canada.

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

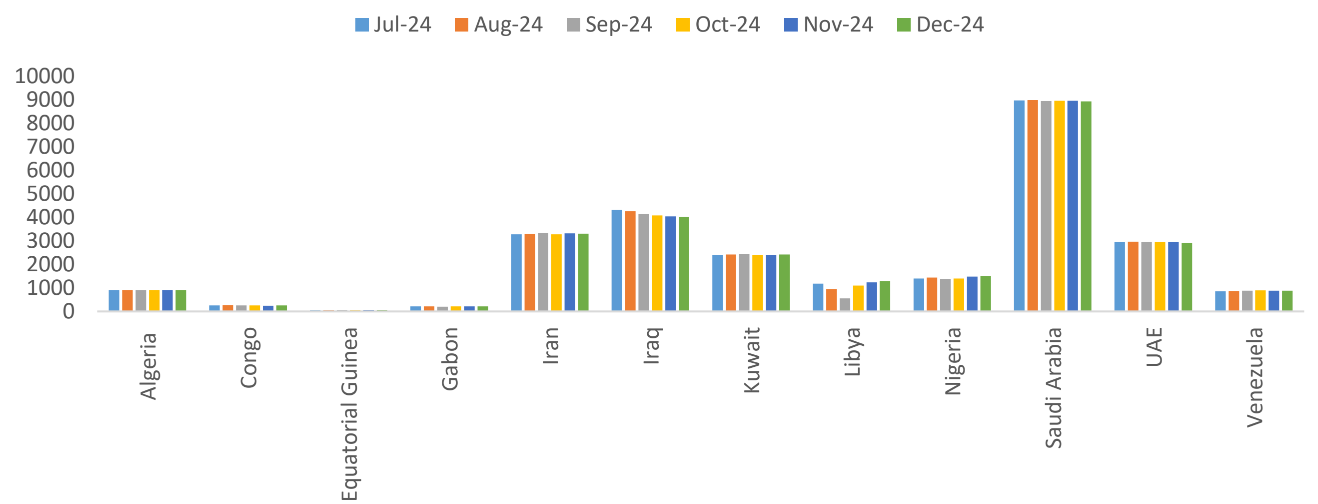


Source: Bloomberg

OPEC Production

Total Brent crude oil production from the OPEC-12 countries increased 22 thousand barrels per day (bpd) MOM, reaching 26.7 Mn bpd in December 2025. Seven out of the 12 OPEC members reported production increases during the month. Libya led with the largest gain, rising 52 thousand bpd MOM, followed by Nigeria, which saw an increase of 30 thousand bpd MOM in December 2024. Congo's oil output grew 15 thousand bpd MOM in December 2024, while Kuwait and Venezuela recorded a growth of nine thousand bpd MOM each. Moreover, Gabon witnessed a production rise of seven thousand bpd in December 2024. Equatorial Guinea's oil production rose to three thousand bpd in December 2024. Conversely, UAE's oil output fell the most by 44 thousand bpd MOM in December 2024 while KSA's output fell 24 thousand bpd MOM. Iraq's witnessed a 23 thousand bpd MOM decline in oil production during December 2024 while Iran's output fell 12 thousand bpd MOM in December 2024. Additionally, Algeria's production remained unchanged in December 2024 on MOM basis.

Figure 9: OPEC Crude Oil Production

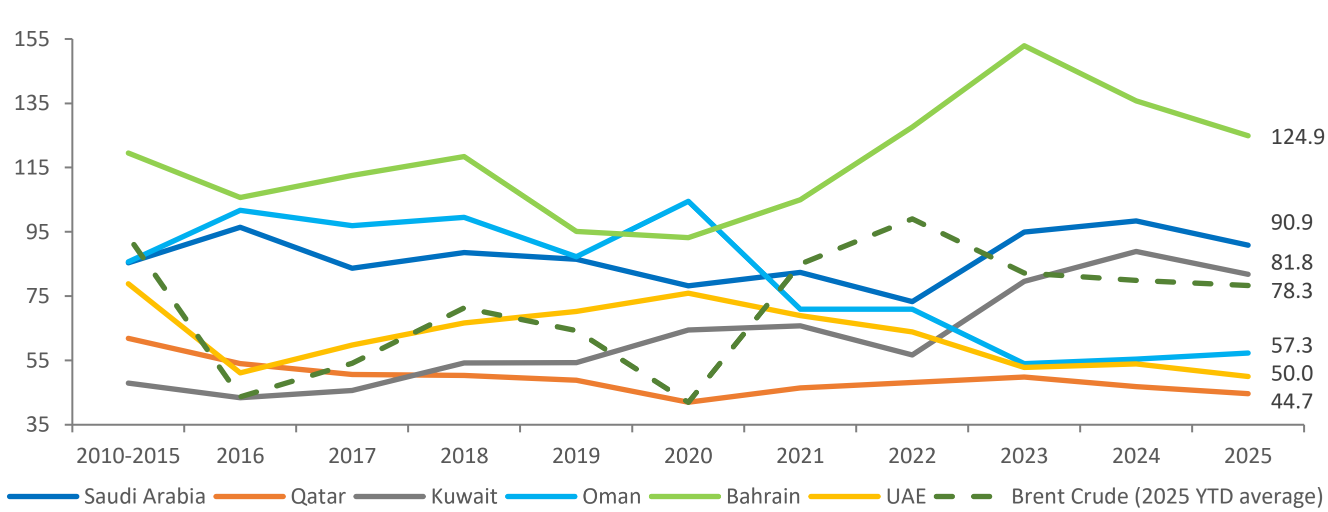


Source: OPEC

Fiscal Breakeven Oil Price

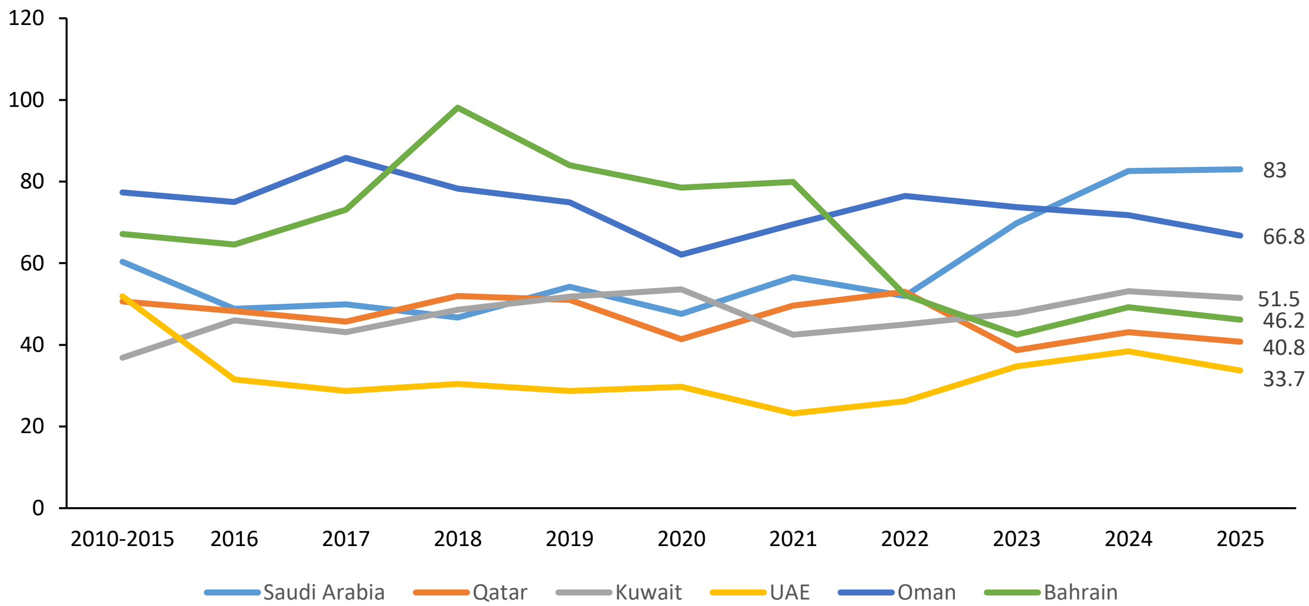
The overall fiscal breakeven oil prices declined in FY2025, except in Oman. Oman's fiscal breakeven grew from USD 55.4 per barrel in FY2024 to USD 57.3 in FY2025. Saudi Arabia, Qatar, Kuwait, UAE, and Bahrain recorded a decline in break-even oil prices in FY2025. Bahrain recorded the highest drop in break-even oil price from USD 135.7 per barrel in FY2024 to USD 124.9 per barrel in FY2025. Saudi Arabia's break-even oil price fell from USD 98.4 per barrel in FY2024 to USD 90.9 per barrel in FY2025, followed by Kuwait, which witnessed a fall from USD 88.9 per barrel in FY2024 to USD 81.8 per barrel in FY2025. UAE's break-even oil prices declined from USD 53.9 per barrel in FY2024 to USD 50.0 per barrel in FY2025, while Qatar witnessed a decline from USD 46.9 in FY2024 to USD 44.7 in FY2025.

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



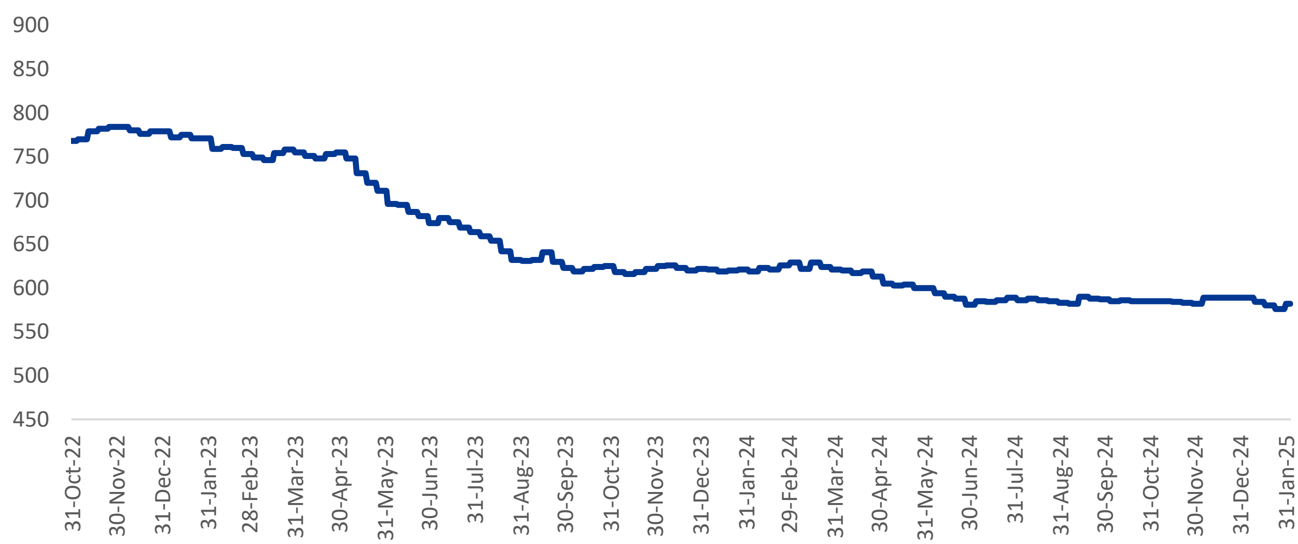
Source: Bloomberg

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



Source: Bloomberg

Figure 12: Oil Rig Count



Source: Bloomberg

Credit Strategy

Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody's/S&P/Fitch*
ALDAR 3.875% 2029	Real Estate	94.44	5.27	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	91.02	9.70	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	94.18	5.08	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	93.45	6.61	NA/NA/BBB+
SIB 5% PERP	Bank	99.76	7.57	NA/NA/NA
GENHLD 4.76% 2025	Investment Co.	99.77	5.08	A1/NA/A
INTLWT 5.95% 2039	Power Generation and Water Utility	98.51	6.14	Baa3/NR/BBB-

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

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

Implications of Securities Recommendations

Bond Particulars	Call	Ask Price	Yield	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	98.51	6.16	0.08	-1.51	-0.40	1.79
GENHLD 4.76% 2025	OW	99.77	5.04	0.09	-0.06	0.12	0.98
SIB 5% PERP	MW	99.76	5.57	0.41	0.32	0.48	2.54
BGBKKK 2.75% 2031	OW	93.45	7.12	1.25	0.78	1.30	11.08
ARAMCO 3.5% 2029	MW	94.18	5.06	0.27	-0.35	0.05	0.44
KWIPKK 4.5% 2027	OW	91.02	9.41	-0.95	-2.86	-1.46	2.81
ALDAR 3.875% 2029	OW	94.44	5.22	0.00	-1.45	-0.06	0.84

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 94.44 with a yield of 5.27% when held until maturity (redemption at par) with a modified duration of 4.18. The Sukuk also enjoys Moody's investment-grade rating of 'Baa1' with a stable outlook.

- In Abu Dhabi, Aldar Properties is a leading real estate developer with a market cap of AED 55.9 Bn. Apart from being a reliable government contractor, the Company developed many innovative projects, such as Yas Island's F1 circuit and the Gate Towers in Shams Abu Dhabi. Demand for Abu Dhabi's real estate is robust, and the government supports it in terms of home purchasers. The current market has a good supply, and investors are confident in investing in quality projects in prime locations. Aldar diversified its operation and acquired SODIC in Egypt in FY2021. SODIC is a leading Egyptian real estate company with a strong track record of 25 years, having a land bank of 17 Mn sqm across three geographies in Egypt.

- Mubadala Investment Company, a Sovereign wealth fund of the Abu Dhabi government, owns a 25.1% stake in Aldar. Alpha Dhabi Holding owns a 28.4% stake through its related companies Sublime Commercial Corporation, Sogno Two, and Sogno Three Sole Proprietorship LLC. Aldar Properties is an important strategic partner to the government, having completed several large-scale infrastructure projects and developments in the UAE.

- Aldar Properties (Aldar) released its financial results for 9M24 with a total revenue of AED 16.5 Bn, up 69.0% YOY owing to record highest development sales, solid contribution from recurring income portfolio as well as recent acquisitions. It recorded a gross profit of AED 5.7 Bn, up 42.1% YOY in 9M24, and a net profit of AED 4.6 Bn, up 52.3% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose 44.1% YOY to AED 0.493 in 9M24, demonstrating consistent long-term shareholder value growth.

- Aldar's strong financial results are primarily driven by the robust performance of Aldar Development and Aldar Investment's recurring income portfolio coupled with significant contributions from acquisitions. The strong growth in the investment business is driven by a rapid recovery in the investment property, hospitality, and leisure business segments. The backlog of the development business increased from AED 36.8 Bn in 9M23 to AED 48.6 Bn in 9M24 as a result of record sales and project launches, in addition to strong contributions from SODIC, offering healthy revenue visibility over the next two to three years. Additionally, Aldar launched 8 new developmental projects in 9M24, out of which three projects including Verdes by Haven in Dubai, The Arthouse on Saadiyat Island, and Yas Riva were launched in 3Q24. The Project Management business revenue backlog increased to AED 76 Bn in 9M24, compared to AED 59 Bn in 9M23, with projects worth AED 54 Bn currently under construction. A considerable revenue backlog, along with a robust project pipeline and diverse revenue sources, supports the Company's long-term revenue visibility. Aldar Investment's AUM reached AED 37 Bn in 9M24 as a result of strategic acquisitions and robust performance across the core real estate portfolio. Occupancy levels across the investment properties stood at 95% across the Commercial, Retail, Logistics, and Residential properties.
- Aldar Development initiated its international expansion strategy by acquiring the UK developer London Square, investing in European real estate private credit, and making direct investments in European logistics and self-storage assets. Aldar's landbank is strategically distributed across significant investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 62.1 Mn sqm. Aldar Investment deployed capital amounting to c. AED 3.1 Bn and Aldar Development deployed c. AED 5.9 Bn in FY2023. In Abu Dhabi, the land area spans 60.7 Mn sqm, with a gross floor area (GFA) of 8.7 Mn sqm. Meanwhile, in Dubai, the land area encompasses 1.4 Mn Sqm. Aldar Education is a leading private education provider in Abu Dhabi with 31 owned and managed schools as of 9M24 primarily across UAE by further acquiring Kent College Dubai and Virginia International Private School by injecting AED 350 Mn in FY2023.
- Liquidity position remains healthy with AED 9.5 Bn worth of free & unrestricted cash and AED 8.4 Bn of undrawn bank facilities in 9M24. The Company's net debt stood at AED 2.1 Bn in 9M24.

KWIPKK 4.5% 2027: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Kuwait Projects Company (KIPCO)'s 4.5% senior unsecured bond maturing in February 2027 with an OVERWEIGHT rating. The bond is trading at USD 91.02 with a yield of 9.70% when held until maturity (redemption at par) and has a modified duration of 1.84. The bond is issued at the holding company level, so the debt service obligations would be met through the cash balance available with KIPCO and the dividends it receives from subsidiaries. The Company assets and dividend inflow is concentrated in the three largest entities contributing c. 60% of total asset value.

KIPCO is one of the largest holding companies in MENA, with its consolidated assets growth from KWD 11.9 Bn in 9M23 to KWD 12.7 Bn in 9M24, and sustained through multiple economic cycles, making consistent dividend payments for the last 17 years until FY2021. Members of the Kuwaiti ruling family remain KIPCO's leading shareholders, through Al Futtooh Holding Company K.S.C. (AFH), and currently own a 31.91% direct holding. AFH supported KIPCO in all business activities, including capital raising, and reduction in dividend in case required.

- KIPCO's total revenue from operations increased 16.7% YOY to KWD 1,091 Mn in 9M24 mainly due to healthy performance from commercial banking, asset management & investment banking, energy, and industrial & logistics, partially offset by a decline in media & digital satellite network services income, hospitality & energy segment income.
- The company's operating profit from continuing operations before provisions rose to KWD 122 Mn in 9M24, up from KWD 108 Mn in 9M23. Provisions for credit losses and investments declined from KWD 29 Mn in 9M23 to KWD 24 Mn in 9M24. Profit before tax increased from KWD 56 Mn in 9M23 to KWD 87 Mn in 9M24.

- The Company recorded an increase in net profit attributable to shareholders from KWD 12 Mn in 9M23 to KWD 13 Mn in 9M24. KIPCO recorded a profit from discontinued operation of KWD 12 Mn in 9M23 compared to nil in 9M24.
- KIPCO cash and bank balance at the parent company level stood at KWD 153 Mn on 30 September 2024 compared to KWD 185 Mn on 30 June 2024.
- Total outstanding debt declined from KWD 1.8 Bn in 9M23 to KWD 1.6 Bn in 9M24.
- KIPCO received a dividend of USD 120 Mn in 1H24 and further expect to receive additional dividend in 2H24.
- Moody downgraded KIPCO's rating from Ba3 to B1 with a negative outlook citing high market value leverage, a weak forecasted interest coverage ratio. Fitch rating also downgraded KIPCO's long-term issuer rating to ‘BB’- from ‘BB’ and revised the outlook from stable to negative citing a further increase in leverage.

ARAMCO 3.5% 2029: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Saudi Aramco’s 3.5% bond maturing in April 2029. The bond is trading for USD 94.18 and offers a yield of 5.08% with a modified duration of 3.79. The credit rating of the issuer is constrained by the rating of its largest shareholder, the government of Saudi Arabia, given the close link between Aramco and the sovereign. Aramco is assigned a standalone credit rating of ‘aa+’ by Fitch supported by robust profitability, market leadership, significant cash flow visibility and net cash position.

- Saudi Arabian Oil Company is an integrated energy and chemicals company. Aramco's operations are divided into two main segments: Upstream and Downstream. Upstream activities are predominantly centred in Saudi Arabia, while the Downstream sector operates on a global scale. The Upstream segment of the Company is responsible for the exploration, development, production, and sale of natural gas, condensate, crude oil, and natural gas liquids (NGLs). The activities of the downstream section include supply and trading, power generation, retail operations, base oils and lubricants, petrochemicals and refining, and distribution. The reserves of Aramco amounted to 251.2 Bn barrels of oil equivalent in FY2023, consisting of 191.3 Bn barrels of crude oil and condensate, 26.0 Bn barrels of NGL, and 207.5 trillion standard cubic feet of natural gas. The Company manages 541 reservoirs within 144 fields spread across the Kingdom and its territorial waters.
- Fitch upgraded a long-term foreign and local currency IDR to 'A+' with a stable outlook in April 2023, reflecting the Company’s strong business profile backed by strong control and support from the government. The government is the majority shareholder of the Company, with a direct ownership of 90.19%. Aramco's significant investments in capex and capacity expansion, position the Company for future growth. Additionally, the Company maintains low production costs and substantial reserves, offsetting potential energy transition risks. Aramco boasts an SCP rating of ‘aa+’ which is three notches above that of the Sovereign’s foreign currency rating of ‘A+’. The worsening of Saudi Aramco's relative position to local peers would likely lead to a downgrade of rating.
- Revenue remained flat at SAR 1.24 Tn in 9M24 compared to 9M23, mainly due to higher crude oil prices largely offset by a decline in the volume of crude oil sold. Revenue from Downstream operation rose 7.0% YOY to SAR 696.8 Bn in 9M24, while revenue from Upstream operation fell 7.6% YOY to SAR 545.6 Bn in 9M24. Other income related to sales declined 15.9% YOY to SAR 128.7 Bn in 9M24 owing to a decline in revenue from Upstream and Downstream operation in 9M24. Thus, revenue and other income related to sales fell from SAR 1.40 Tn in 9M23 to SAR 1.37 Tn in 9M24.
- Royalties and other taxes declined from SAR 175.5 Bn in 9M23 to SAR 157.7 Bn in 9M24. Total operating costs rose 6.0% YOY to SAR 771.8 Bn in 9M24 owing to an increase in expenses across all categories partially offset by a decline in royalties and other taxes. The Company’s finance income fell to SAR 18.7 Bn in 9M24 compared to SAR 25.7 Bn in 9M23.
- Income before taxes and zakat fell from SAR 685.0 Bn in 9M23 to SAR 609.7 Bn in 9M24 primarily attributed to lower crude oil volume sold, weak refining margins and lower finance and other income partially offset by higher crude oil prices.
- Furthermore, Aramco’s net profit declined from SAR 349.9 Bn in 9M23 to SAR 307.1 Bn in 9M24.

- Free cash flow fell from SAR 279.0 Bn in 9M23 to SAR 238.9 Bn in 9M24, primarily attributable to lower earnings partially offset by lower cash paid for the settlement of income, zakat and other taxes coupled with favourable movements in working capital
- Aramco paid a total dividend of SAR 349.5 Bn in 9M2024 including a base dividend of SAR 228.3 Bn and a performance dividend of SAR 121.2 Bn.
- The Company's progress on its Upstream oil and gas projects such as the Dammam project expected to launch in 2H24, Marjan & Berri expected to launch by FY2025, and Zuluf anticipated to launch by FY2026 will enhance its operational flexibility to capture value from strong global demand. However, Aramco's strategy to boost oil production capacity to 13.0 Mn barrels per day by FY2027 is affected due to the OPEC+ cuts.
- Aramco's gearing ratio stood at 1.9% in 9M24 compared to a negative 6.3% in 9M23. The increase in gearing was primarily a result of an increase in net debt owing to operating cash inflows partially offset by dividend payments and capital expenditures during 9M24. Aramco's capex amounted to SAR 135.7 Bn in 9M24 compared to SAR 113.4 Bn in 9M23 due to advancements in maintaining crude oil maximum sustainable capacity (MSC) and ongoing development of various gas projects. Furthermore, lower infill drilling due to directives from the govt. authorities in Saudi will result in a decline in total investment by USD 40 Bn from 2024-2028. The Company's debt rose from SAR 290.1 Bn in FY2023 to SAR 303.5 Bn in 9M24.

BGBKKK 2.75% 2031: Maintain MARKET WEIGHT rating

We are MARKETWEIGHT on Burgan Bank's 2.75% Tier 2 subordinated bond, currently trading at USD 93.45. The bond offers a yield of 6.61% and a duration of 1.52. Its loan book is diversified with exposure to Kuwait and international operations in multiple sectors.

- Burgan Bank is one of the leading conventional banks in Kuwait in terms of total assets and is listed on Boursa Kuwait. The Bank has a network of 125 branches and 290 ATMs as of 9M24. The Bank is majorly owned by KIPCO Company with a stake of 64.3%.
- Burgan Bank revenues increased 5.1% YOY to KWD 165 Mn in 9M24 driven by a 23.1% YOY growth in the net interest income amounting to KWD 112 Mn partially offset by a 19.1% YOY decline in the non-interest income amounting to KWD 53 Mn.
- The net interest margins rose to 2.2% YOY in 9M24 compared to 1.9% in 9M23. Net fees and commissions income fell from KWD 30 Mn in 9M23 to KWD 26 Mn in 9M24.
- Operating expenses increased 12.8% YOY to KWD 96 Mn in 9M24 leading to a cost-to-income ratio of 58.1% in 9M24 compared to 54.3% in 9M23.
- Provision expenses net of recoveries rose stood at KWD 6.7 Mn in 9M23 compared to a recovery of KWD 1.5 Mn in 9M23.
- The Bank reported a net profit attributable to shareholders of KWD 33 Mn in 9M24 compared to KWD 30 Mn in 9M23 due to a higher revenue.
- Loan and advances to customers rose 5.8% YOY to KWD 4.4 Bn in 9M24 which comprises 43% loan to personal, 20% to real estate, 12% to Manufacturing and the remaining to other sectors. Deposit rose 14.2% YOY to KWD 5.0 Bn in 9M24 with a CASA deposit of 28%.
- The Bank's non-performing loans fell marginally from 2.0% in 9M23 to 1.9% in 9M24. Provision coverage ratio increased from 215% in 9M23 to 218% in 9M24. Capital adequacy ratio stood at 19.0%, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 150% and 115%, respectively, as of 9M24, substantially above the minimum regulatory requirement of 100%.
- The bank redeemed its USD 500 Mn AT1 bonds in July 2024 as part of its funding strategy under which it issued new USD-denominated AT1 Bonds worth KWD 150 Mn in May 2024.
- Furthermore, Burgan Bank received approval from the Central Bank to acquire United Gulf Bank from United Gulf Holdings.

- Fitch Ratings affirmed Burgan Bank's rating at "A" with a stable outlook. Moody's assigned a credit rating of "Baa1" with a Stable Outlook and S&P Global also assigned a rating of "BBB+" with a Stable outlook.

SIB 5% PERP: Maintain MARKET WEIGHT rating

We are MARKET WEIGHT on Sharjah Islamic Bank's (SIB) 5.0% Jr. subordinated perpetual (AT1) bond. The bond offers a yield of 7.57% and currently trades at USD 99.76 with a modified duration of 0.40 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 17.6% YOY to AED 903 Mn in 9M24 mainly due to a growth in consumer demand and benefitting margins coupled with an increase in fee and commission income, decline in the impairment charges amid economic expansion in the UAE. Total operating income rose 14.3% YOY to AED 1,614 Mn in 9M24 due to a 1.7% YOY growth in net funded income to AED 1,104 Mn and 55.7% YOY growth in non-funded income amounting to AED 510 Mn. Non-performing loans declined from 5.6% in FY2023 to 5.2% in 9M24, while provision coverage stood at 95.7% in 9M24. The bank also maintained a healthy capital adequacy ratio of 17.7% and CET 1 ratio of 12.9% in 9M24.
- SIB's total assets grew significantly from AED 65.9 Bn in FY2023 to AED 74.8 Bn in 9M24 mainly due to the growth in net advances, investment securities, and liquid assets, while net advances rose 10.7% YTD to AED 36.6 Bn in 9M24. The Bank's customer deposits rose 6.2% YTD to AED 48.0 Bn in 9M24. CASA deposits accounted for 40.1% of the total customer deposits as of September 2024. SIB's total liquid assets stood at AED 15.6 Bn, representing 20.8% of total assets as of 9M24. The Bank's headline loan-to-deposits ratio stood at 76.2% during 9M24 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 99.77 and offers a yield of 5.08% 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.

INTLWT 5.95% 2039: Maintain MARKET WEIGHT rating

We assign MARKETWEIGHT on APMI One's 5.95% bond maturing in May 2039. The bond is trading at USD 98.51 with a yield of 6.14% if held till maturity (redemption at par). The bond has a modified duration of 7.08. 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 9M24 for ACWA Power are listed below:

- ACWA Power's operating income before impairment loss and other expenses rose 12.5% YOY to SAR 2,365 Mn in 9M24. 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 higher development cost, and general & administrative expense.
- Net profit attributed to the equity holders grew 16.0% YOY to SAR 1,255 Mn in 9M24. The growth in net profit is mainly attributed to higher operating income before impairment loss and other expenses, and higher other income of SAR 104 Mn 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 1,113 Mn in 9M24 after adjusting impairment loss, debt restructuring Gain, Termination of Project in Africa, and income related to termination of hedging instruments.
- Finance cost fell marginally 0.2% YOY to SAR 1.1 Bn in 9M2424, mainly due to ACWA Guc debt restructuring.
- ACWA Power reported a cash & short-term investments of SAR 5.9 Bn in 9M24, at the same levels as FY2023. The Company's debt stood at SAR 24.7 Bn in 9M24.
- ACWA Power's increase in debt is primarily due to an increase in off-balance sheet leverage owing to growth in guarantees related to equity letters of credits & EBL and other equity commitments.
- The Company's corporate borrowing grew marginally from SAR 4,586 Mn in FY2023 to SAR 4,588 Mn in 9M24.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

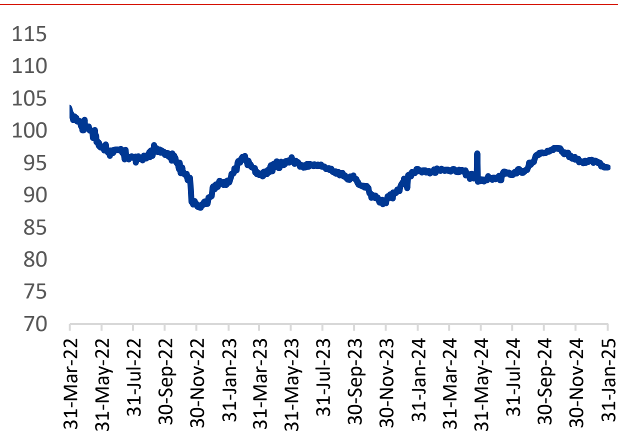


Figure 14: KWIPKK 4.5% 2027

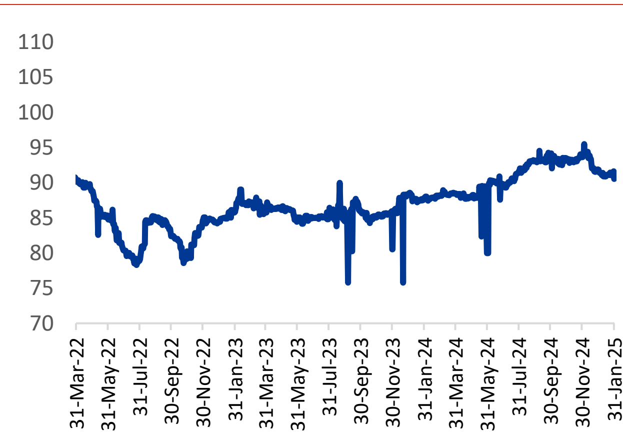


Figure 15: ARAMCO 3.5% 2029

Figure 16: SIB 5% PERP

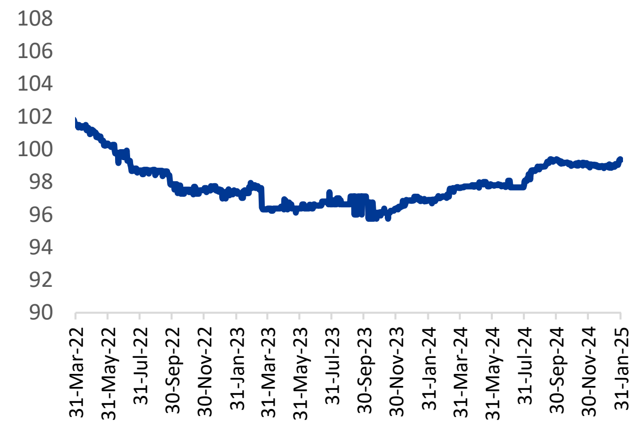


Figure 17: GENHLD 4.76% 2025

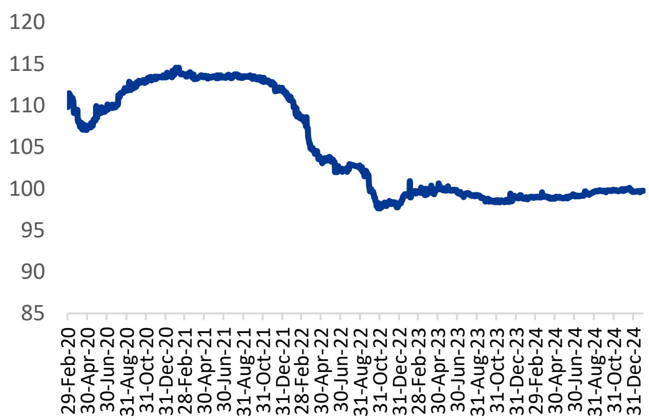


Figure 18: INTLWT 5.95% 2039

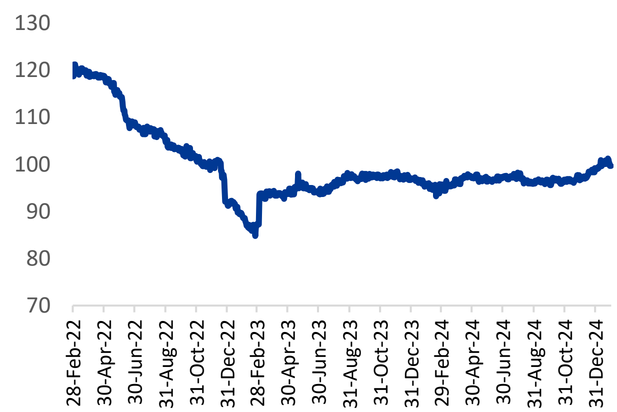
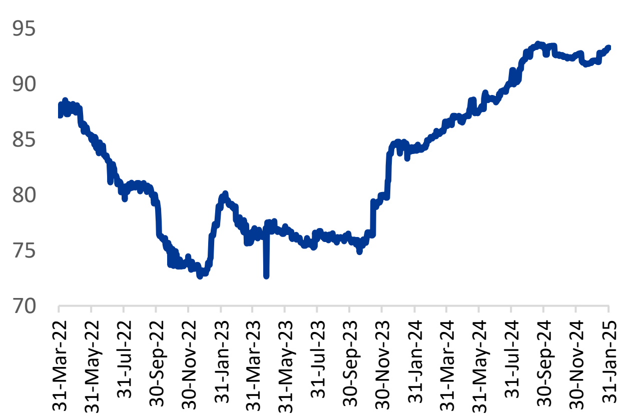


Figure 19: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	76.39	2.34	-0.16
US dollar index	109.63	1.05	0.62
10Y Treasury yield[1]	4.52	-0.05	-0.05
2Y Treasury yield[1]	4.24	-0.01	-0.01
10Y German bond yield[1]	2.46	0.09	0.09
10Y Japan bond yield[1]	1.24	0.14	0.14
Bloomberg UAE Composite USD Liquid index	139.13	0.34	0.34

Source: Bloomberg, [1] in Basis point

FAB أبوظبي الأول للأوراق المالية SECURITIES

Sovereign Highlights

UAE

UAE’s non-oil PMI rose to 55.4 in December 2024

The UAE’s non-oil private sector experienced its fastest growth in nine months, with the S&P Global PMI rising to 55.4 in December 2024 from 54.2 in November 2024. The growth is driven by strong demand, new orders, and higher order volumes. However, staffing levels grew at a slow pace due to margin pressures, while the employment levels remained unchanged in December 2024 compared to the previous month. Dubai’s PMI was 55.5 in December 2024 compared to 53.9 in November 2024, indicating strong growth driven by a rapid expansion in new orders and output.

Abu Dhabi’s real GDP grew 4.5% YOY in 3Q24

Abu Dhabi's real GDP grew 4.5% YOY in 3Q24, driven mainly by strong growth in the non-oil sector, which expanded 6.6% YOY. Abu Dhabi’s oil economy recorded a 2.2% YOY growth in 3Q24 despite ongoing production cuts from OPEC+. The transport and storage sector recorded the fastest growth in 3Q24 supported by higher passenger numbers at Zayed International Airport. The financial services sector grew 11.6% YTD in 3Q24, while construction benefited from major infrastructure projects like Etihad Rail. Non-oil GDP growth is expected to reach 5.5% in 2025.

Dubai revealed USD 1.5 Bn in new housing projects

The Prime Minister of UAE has approved housing projects worth USD 1.5 Bn to build 3,004 homes for Emirati citizens across Dubai. The project includes 1,181 units in Latifa City for housing loan recipients and additional homes in areas such as Al Yalayis 5, Wadi Al Amardi, Al Awir 1, Hatta, Oud Al Muteena, and rural Dubai for housing grant recipients. The housing programs are a top priority of the government to improve living standards and foster stable communities in Dubai.

Dubai CPI inflation moderates in December 2024 and is expected to reach 2.8% in 2025

Dubai's CPI inflation eased to 2.8% YoY in December 2024 from 3% in November 2024, with a 2024 average of 3.3%. Inflation is expected to slow further to 2.8% YoY in 2025, largely due to lower transport costs. While housing costs rose 7.2%, other sectors like food and beverages showed a modest price increase of 1.3% YoY. The strong US dollar and competitive business conditions helped keep overall price pressures subdued. The UAE's GDP growth is projected at 5% for 2025.

Real estate sector in Abu Dhabi experienced a 125% increase in FDIs

Abu Dhabi's real estate sector saw a significant rise in foreign direct investments (FDIs), which more than doubled in 2024, reaching AED 7.86 Bn, registering a 125% YOY growth. The sector attracted investments from 2,302 investors across 105 countries, including the US, UK, Kazakhstan, Russia, France, and China. Total property transactions in the emirate amounted to AED 96.2 Bn, up 10.45% from 2023. The growth highlighted Abu Dhabi's strong investment environment and infrastructure, making it a top global investment destination.

Saudi Arabia

Saudi Arabia's financing requirements projected at USD 37 Bn in 2025

Saudi Arabia is expected to need approximately USD 37.02 Bn funding in 2025, under a borrowing plan approved by Mohammed Al Jadaan, Finance Minister of Saudi Arabia.

Saudi Arabia’s Finance Minister approved Annual Borrowing Plan for 2025

Saudi Arabia's Finance Minister has approved the Annual Borrowing Plan of approximately SAR 139 Bn for the fiscal year 2025. This plan aims to cover the expected budget deficit of SAR 101 Bn along with debt principal repayments of approximately SAR 38 Bn, maturing in 2025. Saudi Arabia intends to diversify local and international financing channels to improve KSA's access to various debt markets.

Saudi Arabia's PMI declined to 58.4 in December 2024

Saudi Arabia's Purchasing Managers' Index (PMI) fell to 58.4 points in December 2024 while remaining above the threshold level of 50.0 since September 2020, signalling business condition improvement in the non-oil private sector. Strong domestic demand, growing exports, increased business activity and inventory levels spurred the sharp rise in new orders in the non-oil private sector of Saudi Arabia.

Saudi Tabreed to prepare for IPO

Saudi Tabreed District Cooling Co, partially owned by the National Central Cooling Co (Tabreed) and Saudi Arabia's Public Investment Fund (PIF), is working with Citigroup Inc and SNB Capital on a potential IPO. As of March 2024, PIF owns 20% of the firm, and Tabreed holds another 20%.

Riyad Bank of Saudi Arabia to aim for USD 2.5 Bn valuation for Riyad Capital IPO

Riyad Bank of Saudi Arabia has enlisted JP Morgan Chase & Co. to help with an IPO for its investment banking arm, Riyad Capital, with an estimated valuation of USD 2.5 Bn, expected to occur by mid-2025. The Public Investment Fund (PIF) is the largest shareholder in Riyad Bank, with a 21.75% stake, and the Saudi government holds 10.39% of shares.

Saudi's Manara Minerals might invest in Pakistan's Reko Diq

Manara Minerals, a joint venture between Saudi Arabia's state-controlled Ma'aden and the Public Investment Fund (PIF), might invest in Reko Diq mine, one of the world's largest underdeveloped cooper-gold areas jointly owned by Pakistan and global mining company, Barrick Gold, within the next two quarters. The potential investment is part of Saudi Arabia's strategy to diversify its economy away from oil by acquiring minority stakes in overseas assets.

PIF secured a stake of 23% in Saudi Reinsurance

Saudi Arabia's Public Investment Fund (PIF) has acquired a stake in Saudi Reinsurance Company (Saudi Re) to strengthen the country's insurance sector. The deal was formalized in July 2024, with Saudi Re issuing 26.73 Mn new shares to raise capital of SAR 1.15 Bn in exchange for a stake of 23.08%. The investment, valued at SAR 427.68 Mn, was made through a capital increase and share subscription. It aims to enhance Saudi Re's capacity and credit rating, benefiting the insurer and its policyholders.

STC Bank will begin full operations

STC Bank, a subsidiary of Saudi Telecom Company (STC Group), is set to launch its fully digitalized bank to offer digital banking services in Saudi Arabia after receiving approval from the Saudi Central Bank (SAMA). STC Bank will allow customers to manage their finances, open accounts, pay bills, receive salaries, and transfer funds entirely online. The move aligns with Saudi Arabia's digital transformation goals and Vision 2030's push towards a cashless society.

Qatar

Qatar's employment and wages show robust growth in 2024

Qatar's non-energy private sector ended strongly in 2024, with employment and wage growth reaching record levels. Demand for goods and services remained high, boosting business activity. The PMI held steady at 52.9 in December 2024, signalling solid growth in the non-energy private sector. While wage pressures persisted, cost inflation eased, and companies slightly discounted prices. Financial services saw significant employment growth, and businesses remained optimistic about 2025, driven by strong demand in sectors like construction, tourism, and infrastructure.

Bahrain

Bahrain's economy achieved real growth of 2.1% in 3Q24

Bahrain's GDP grew by 2.1% in 3Q24, reaching BD 3,734 Mn at constant prices. This growth was driven primarily by a 3.9% increase at constant prices in the non-oil sector. Manufacturing was the top contributor to the non-oil economy, contributing 20.1%, followed by financial and insurance activities, which contributed 17%. Professional, scientific, and technical activities saw the highest growth rate at constant prices at 13.8%, while information and communication activities grew by 11.9%.

Bahrain will issue international bonds and Sukuk of USD 2-3 Bn in 2025

Bahrain plans to issue USD 2-3 Bn in bonds and sukuk in 2025, alongside a USD 1 Bn sukuk by Bapco Energies. However, challenges are expected to arise due to tightening global liquidity and fluctuating oil prices, reminiscent of the difficulties faced in 2020. Bahrain has USD 2.4 Bn in external bonds maturing in 2025, and S&P Global estimates sovereign issuance will be between USD 2-2.5 Bn, likely raising the debt-to-GDP ratio above 135%.

Bahrain's MPs approved a remittance tax of 2%

Bahrain’s MPs have approved a 2% tax on expat remittances for the second time. The tax is intended to reduce reliance on oil revenue and encourage spending within Bahrain, but it has faced strong opposition. The tax could harm the economy, lead to illegal money transfer methods, and violate international agreements on the freedom of money transfer. Key institutions like the Finance Ministry, Central Bank of Bahrain, and Bahrain Chamber of Commerce have warned that the move could hurt Bahrain’s competitiveness and investment climate.

Kuwait

Kuwait might be permitted to raise debt after an eight-year break

Kuwait is expected to approve a public debt law soon, enabling the country to borrow for the first time in eight years. The law will allow Kuwait to raise USD 65 Bn over the next 50 years, with the option to issue conventional bonds and Sukuk.

Egypt

Egypt will receive USD 1.2 Bn from IMF in January 2025

Egypt is set to receive a USD 1.2 Bn disbursement from the International Monetary Fund (IMF) in January 2025 as part of the USD 8 Bn programme, following a staff-level agreement on the fourth review of the 46-month Extended Fund Facility arrangement. Egypt, facing high inflation and foreign currency shortages, agreed to the expanded IMF programme in March 2024. Additionally, Egypt aims to raise about USD 3 Bn through various issuances by the end of the current fiscal year.

Inflation and weakening currency impacted Egypt’s non-oil sector in December 2024

Rising price pressures and a weakening Egyptian currency led to a decline in non-oil business activity, with companies reporting higher costs and reduced demand in December 2024. The Purchasing Managers' Index (PMI) fell to 48.1 in December 2024 from 49.2 in November 2024, indicating a contraction in business conditions. Firms faced escalating costs but were reluctant to raise prices, opting to reduce margins to maintain orders. The downturn, particularly in the construction, wholesale, and retail sectors, was driven by weaker demand and challenging economic conditions. Additionally, the ongoing depreciation of the Egyptian pound against the US dollar worsened inflation and led to the sharpest drop in new orders in eight months.

Egypt hosted 15.7 Mn tourists during 2024

Egypt achieved a record of 15.7 Mn tourists despite regional geopolitical challenges. This success is mainly attributable to the collective efforts of the Ministry of Tourism, which emphasized Egypt's diverse tourism offerings, positioning the country as a leading global destination. The government plans to develop the tourism sector, including creating an Investment Opportunities Bank to promote tourism investments and adding 40,000 new hotel rooms. The government also highlighted efforts to enhance tourism products, introduce new concepts, and implement a comprehensive marketing strategy.

Egypt's inflation rate dropped to 24.1% in December 2024

The Central Bank of Egypt (CBE) reported that inflation decreased by 1.4 percentage points to 24.1% in December 2024, with expectations for the downward trend to continue in early 2025. The monthly inflation rate also fell to 0.9% by the end of 2024, down from 1.3% in the same period in 2023. The annual inflation rate dropped from 25.5% in November 2024 to 24.1% in December 2024. The CBE aims to reduce inflation to 5-7% by 2026-2028, supported by ongoing macroeconomic reforms, including the liberalization of the exchange rate.

Egypt tightened yield on USD 2 Bn bonds as demand reached nearly USD 10 Bn

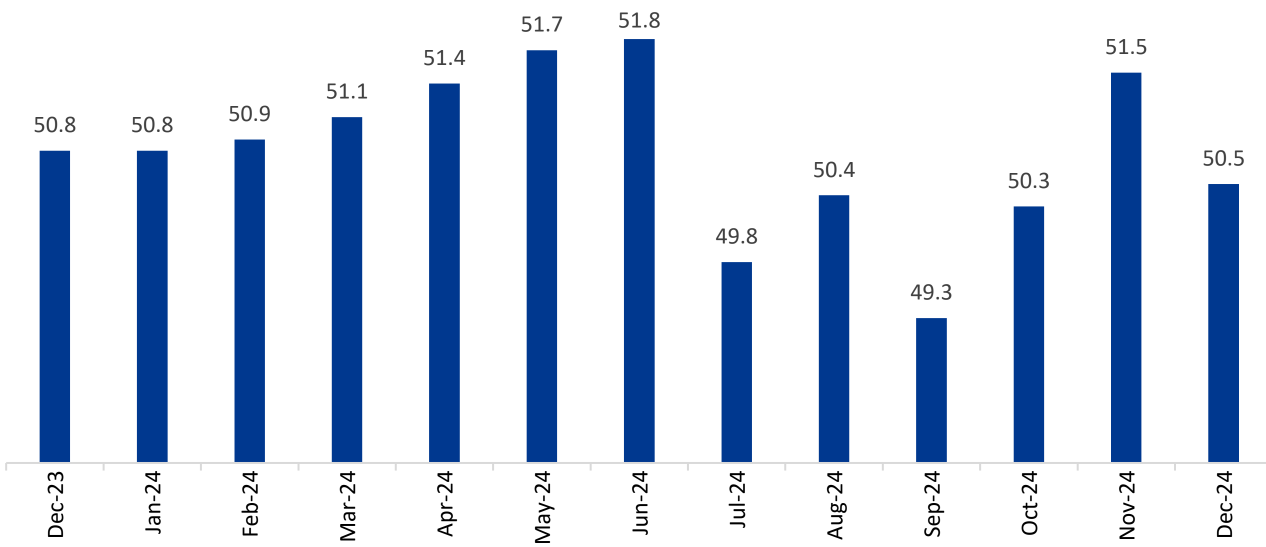
Egypt’s government has priced its USD 2 Bn dual-tranche bond tighter than initial expectations, with demand exceeding USD 9.8 Bn. The USD 1.25 Bn five-year senior unsecured bond was priced at an 8.6% yield, down from initial guidance of 9.2%, while the USD 750 Mn eight-year bond came in at 9.4%, compared to an initial 10%. The bonds will be listed on the London Stock Exchange and managed by several major banks, including JPMorgan and Citigroup.

Global Economy

China's manufacturing sector growth slowed down in December 2024

China's manufacturing sector expanded at a slower pace, primarily due to weaker foreign demand, as indicated by the Caixin PMI, which dropped to 50.5 in December 2024 from 51.5 in November 2024. Manufacturing output grew for the 14th consecutive month, though new orders softened mainly from abroad. The input costs rose, and selling prices fell for the first time since September 2024 as companies lowered prices to boost sales. Business confidence weakened, with concerns over the economic outlook and US tariffs.

Figure 19: China Manufacturing PMI

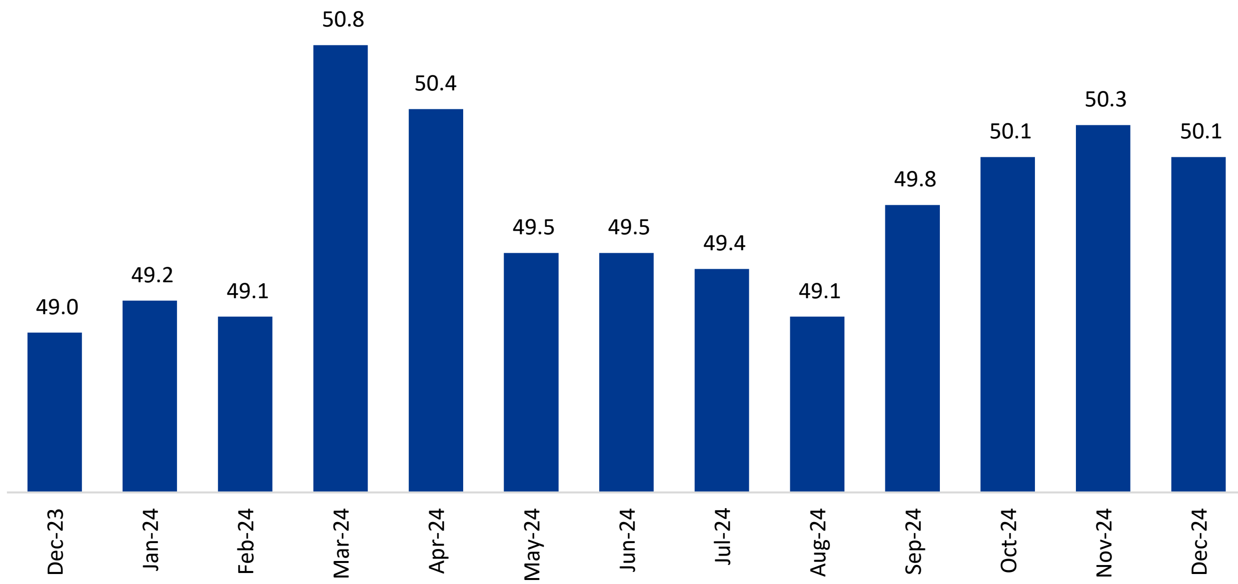


Source: CAPIQ

China's private sector grew in December 2024

China's private sector grew in December 2024, supported by fiscal stimulus and loose monetary policy. The manufacturing PMI dropped slightly to 50.1 in December 2024 from 50.3 in November 2024, indicating expansion as it remained above the 50.0 threshold for the third month. The non-manufacturing PMI rose more than expected to 52.2, boosting the composite PMI to 52.2 in December 2024, up from 50.8 in November 2024. The faster growth in services and construction helped drive momentum, and increased fiscal support will likely fuel growth in early 2025. However, the ongoing boost might be short-lived due to potential US tariff actions and ongoing structural economic challenges.

Figure 20: China Private Sector PMI



Source: CAPIQ

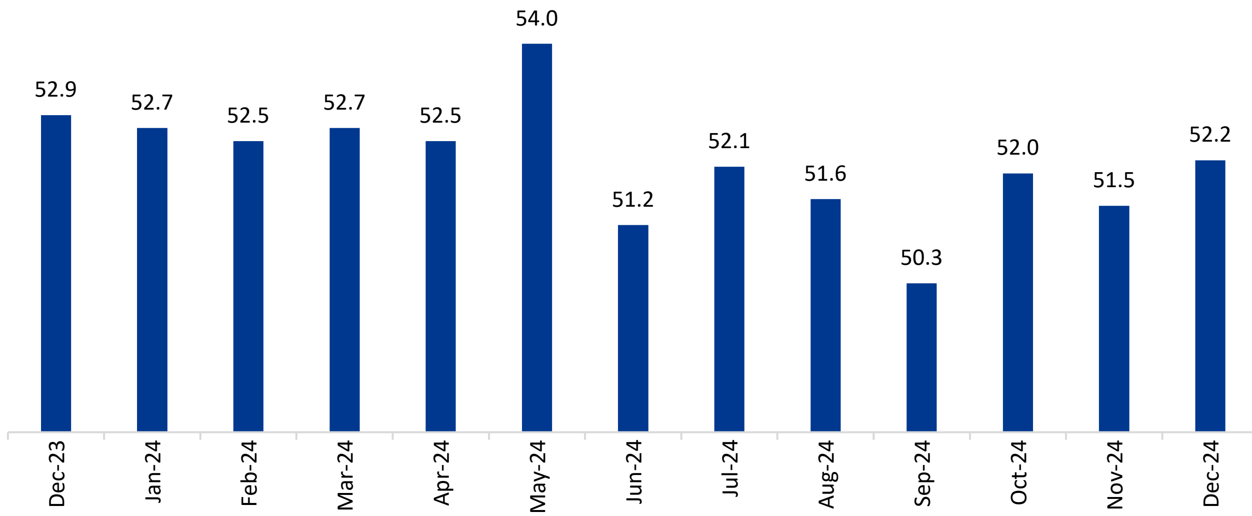
China’s factory activity slowed down, but services sector showed recovery

China's manufacturing activity recorded slight growth in December 2024, with the PMI at 50.1, while the non-manufacturing PMI rose to 52.2, driven by service growth. Policymakers are implementing fiscal and monetary measures to support recovery, especially in the property market, though challenges like weak consumption, investment, and property sector issues remain. Despite the fact that recent stimulus has provided short-term relief, it may not ensure long-term growth due to risks like U.S. tariffs and structural problems. The World Bank raised China's growth forecast but cautioned that low confidence and ongoing property sector struggles could impede progress in 2025.

China’s service sector reported its strongest growth in seven months

China's service sector grew at its fastest pace in seven months in December 2024, with the services PMI rising to 52.2, marking the sector's expansion to two years. Strong domestic demand and promotional efforts drove growth, though export business declined.

Figure 21: China Services Sector PMI

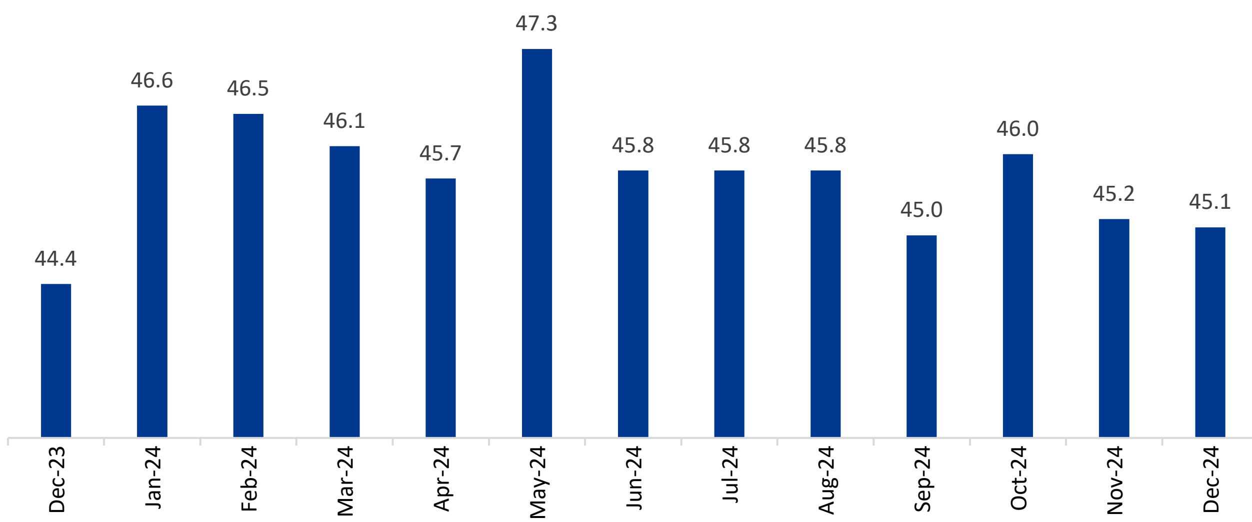


Source: CAPIQ

Eurozone manufacturing sector remained in decline

The Euro area manufacturing sector continued to shrink in December 2024, with the PMI dropping to 45.1, signalling contraction. Domestic orders fell more sharply than exports, and output declined the fastest since October 2023. Manufacturers also reduced purchasing and inventories while input prices remained steady. Despite challenges, manufacturers showed increased optimism for future growth, though business confidence remained weak. Country performance varied as Germany, France, and Italy reported further declines, with France experiencing its sharpest contraction since May 2020. However, Spain's manufacturing sector improved, with rising output and new orders.

Figure 22: Eurozone Manufacturing Sector PMI

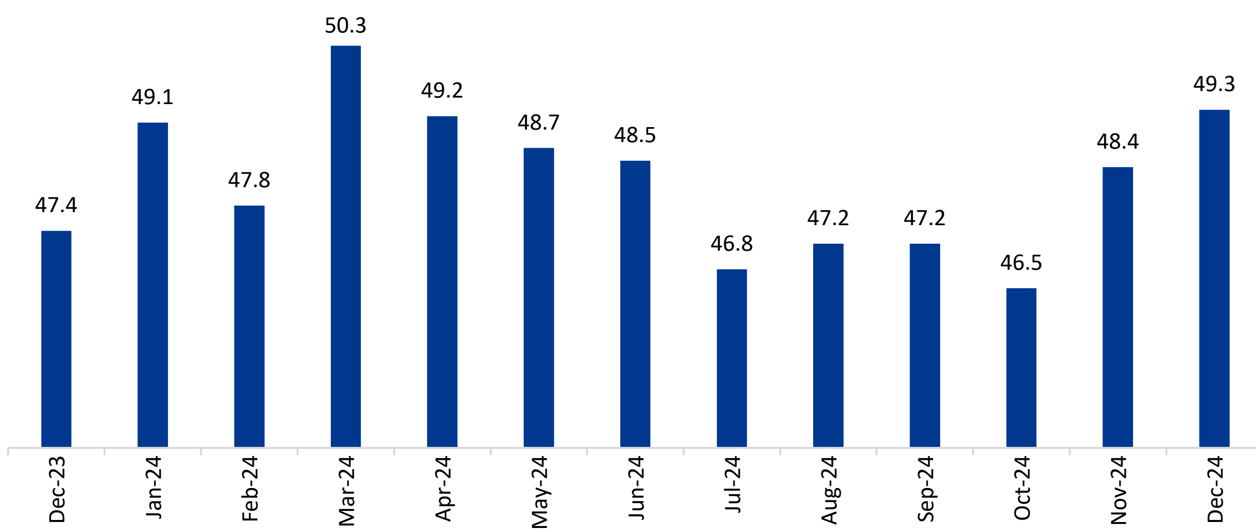


Source: CAPIQ

US manufacturing index showed slight decline in December 2024

US manufacturing activity contracted at a slower rate in December 2024, with the ISM manufacturing PMI rising to 49.3 from 48.4 in November 2024, still indicating contraction but reaching its highest level since March 2024. The increase was driven by stronger growth in new orders and a rebound in production.

Figure 23: US ISM Manufacturing PMI

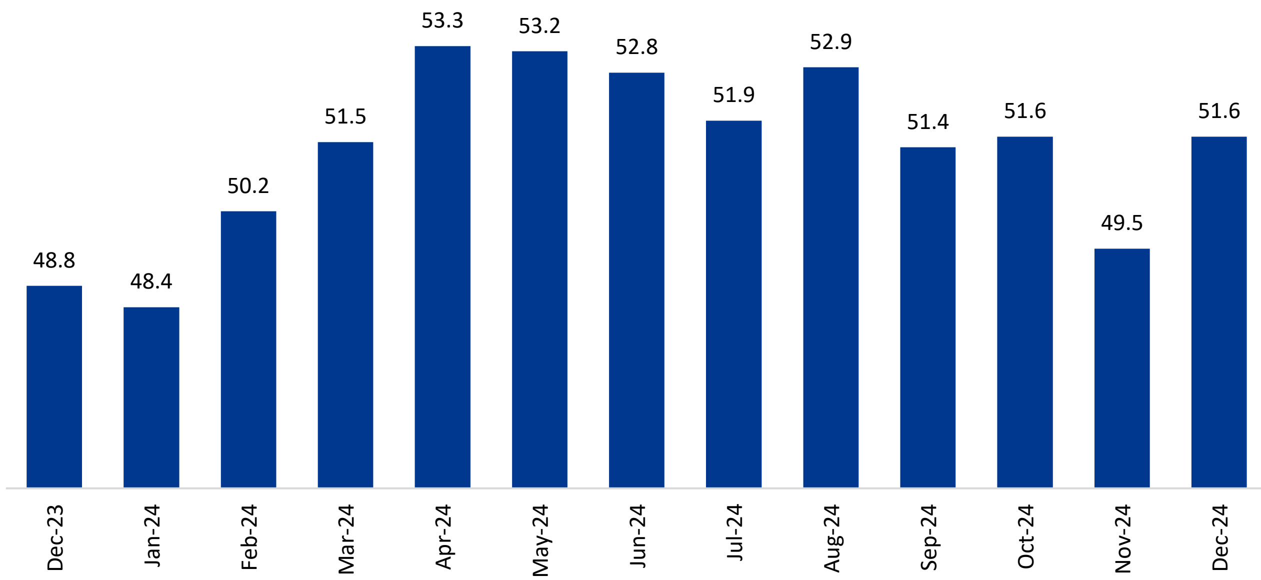


Source: CAPIQ

Eurozone private sector contracts slightly

The Euro area's private sector showed a slight contraction in December 2024, but the services sector showed signs of recovery. The composite output index rose to 49.6 in December 2024 but remained in contraction territory. Services PMI increased to 51.6 in December 2024, indicating growth, while demand for goods and services declined for the seventh consecutive month. Employment fell sharply, and inflationary pressures grew. The contraction was mainly driven by the manufacturing sector, with Germany, France, and Italy all reporting declines in activity.

Figure 24: Euro Area Services PMI

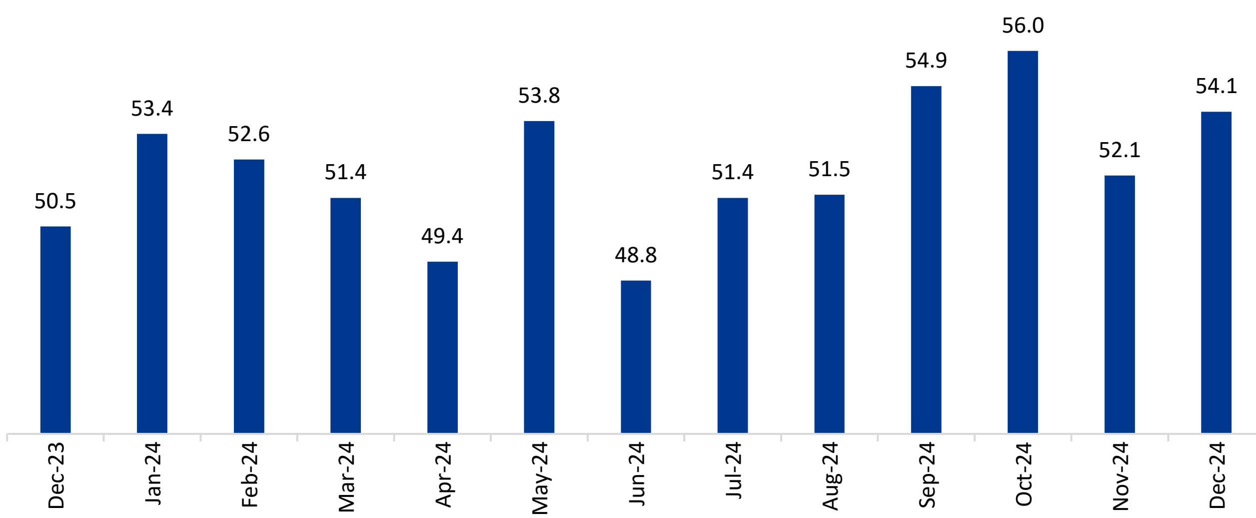


Source: CAPIQ

US services sector growth exceeded expectations in December 2024

US service sector activity surpassed expectations in December 2024, with the ISM services PMI rising to 54.1 from 52.1 in November 2024, fuelled by a substantial increase in business activity. The new orders index rose to 54.2 in December 2024 from 53.7 in November 2024.

Figure 25: US Service Sector PMI

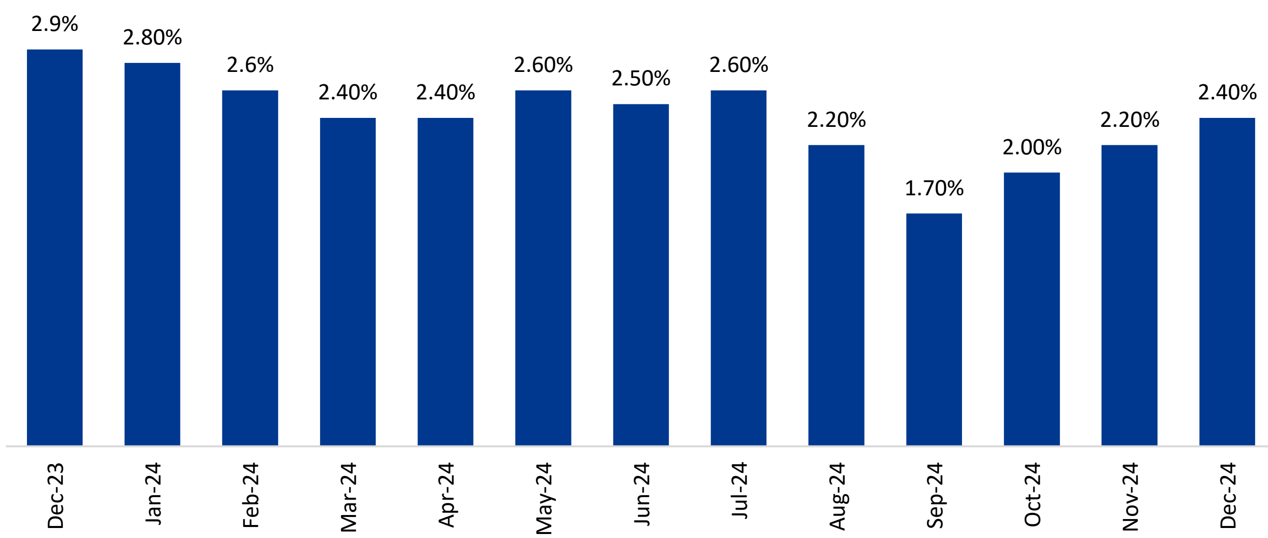


Source: CAPIQ

Eurozone inflation rebound suggested slower pace of ECB rate cuts

Eurozone inflation rose to 2.4% in December 2024, its fastest pace in five months, signalling that the European Central Bank (ECB) will likely proceed with slower interest rate cuts than expected. Core inflation stayed at 2.7%, and services saw the highest annual growth at 4.0%. Food, alcohol, and tobacco prices increased by 2.7%, while energy prices edged up slightly. Inflationary pressures, particularly in services, suggested that the ECB will maintain gradual rate cuts in 25 bps increments. After lowering its benchmark rates by the same amount in October 2024 and September 2024, the ECB lowered them by a quarter point in December 2024.

Figure 26: Eurozone Consumer Price Index (CPI)

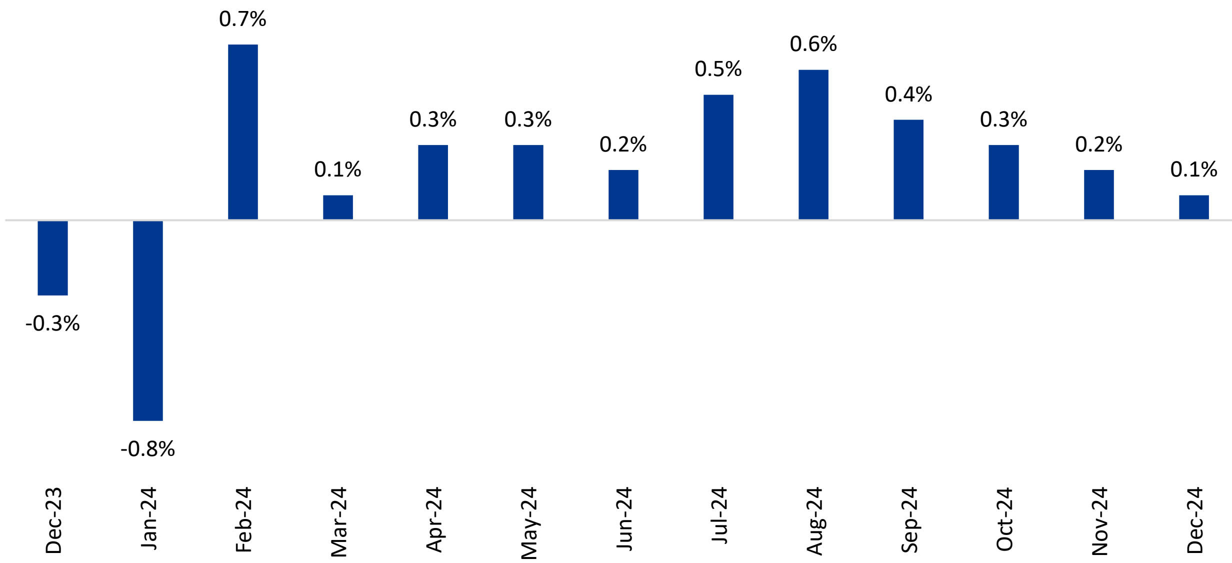


Source: CAPIQ

China's inflation remained stable in December 2024

China's consumer prices remained flat in December 2024, surpassing expectations for a 0.2% decline. Yearly, consumer prices rose by 0.1%, which is in line with forecasts but lower than the previous month's 0.2% increase. Meanwhile, producer prices fell 2.3% annually, slightly better than the forecasted 2.4% decline after a 2.5% drop in November 2024.

Figure 27: Eurozone Consumer Price Index (CPI)

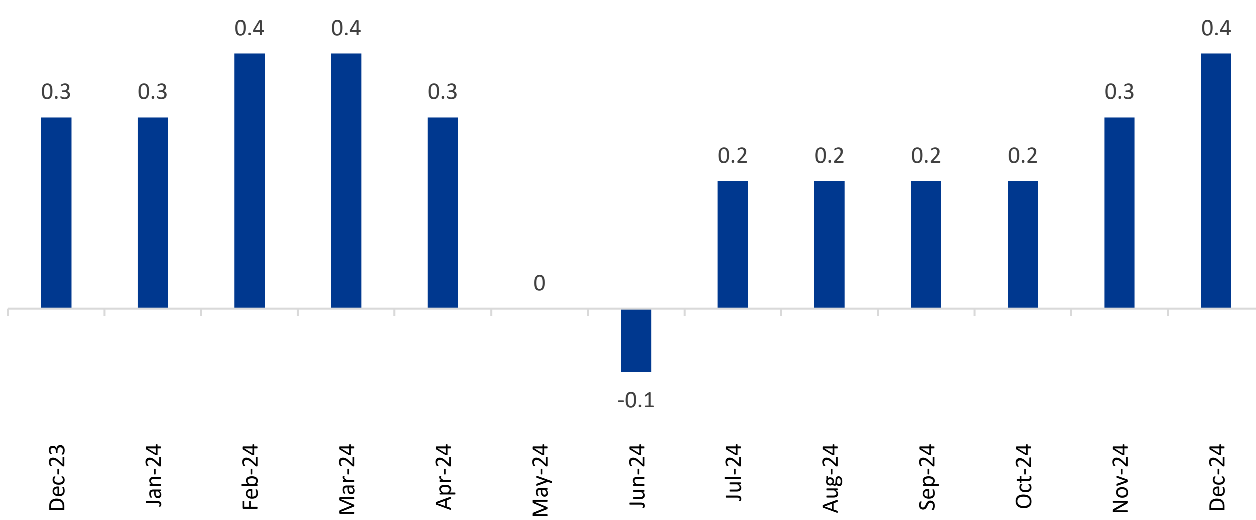


Source: CAPIQ

US core consumer price growth unexpectedly decelerated in December 2024

The U.S. Labor Department's December 2024 report revealed a 0.4% increase in consumer prices that was slightly above expectations and primarily driven by a 2.6% jump in energy prices. Core prices, excluding energy and food, rose by 0.2%, and annual core inflation slowed slightly to 3.2%. Overall, consumer prices grew 2.9% YOY from 2.7% in November. A separate report showed producer prices rose 0.2%, with annual producer prices growing at 3.3%.

Figure 28: US Consumer Price Index (CPI)

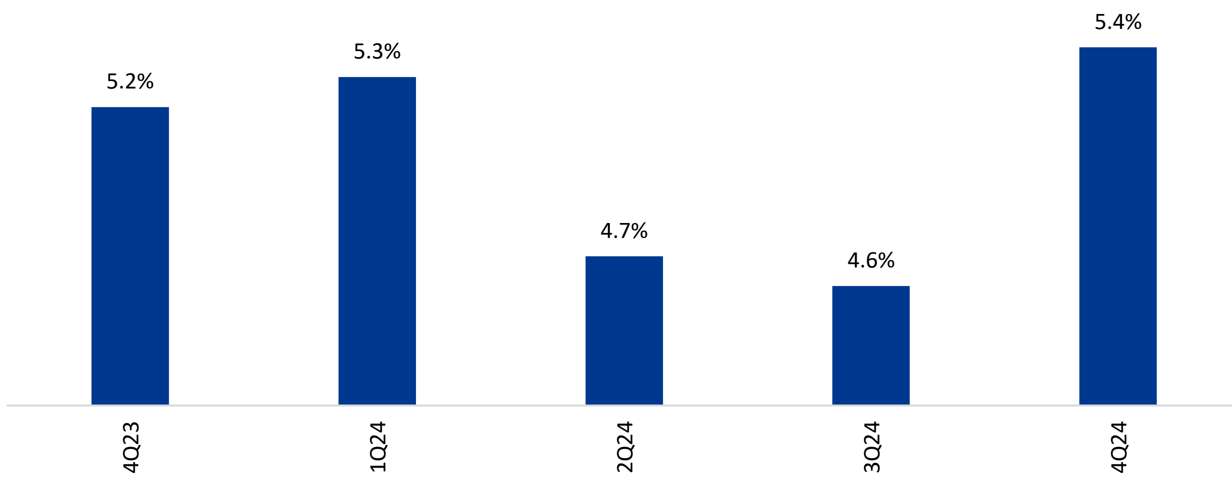


Source: CAPIQ

China's GDP grew 5.4% YOY in 4Q24

China's GDP grew by 5.4% YOY in 4Q24, surpassing expectations of 5.0% and up from 4.6% in 3Q24. On a quarterly basis, GDP rose 1.6%, matching forecasts. GDP increased by 5.0% for the full year, up from 4.8% in 2023. Industrial production in December 2024 rose 6.2%, exceeding the expected 5.4%, while retail sales increased by 3.7%, also above forecasts. Fixed asset investment grew by 3.2%, less than the expected 3.3%. The unemployment rate was 5.1% in December 2024, slightly above the forecast of 5.0%.

Figure 29: China GDP

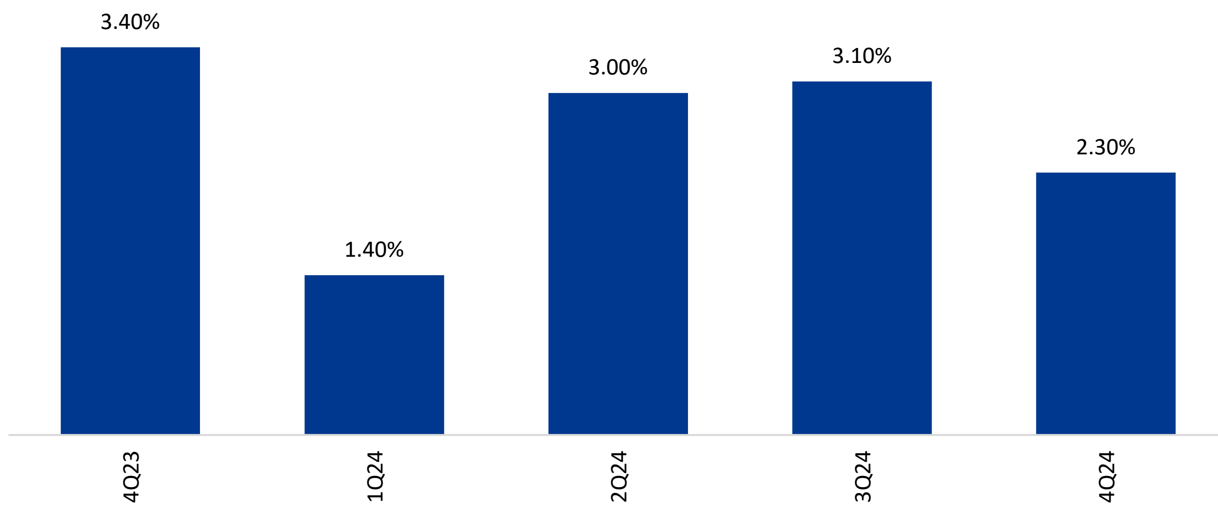


Source: CAPIQ

US economic growth slowed more than anticipated in 4Q24

US economic growth was slower than expected, with GDP increasing by 2.3% in 4Q24, below the forecasted 2.6%. The slowdown was attributed to decreased investment and exports, although consumer and government spending provided a boost. The domestic demand remained strong, and inflation was in line with expectations. Consumer prices rose by 2.3% in 4Q24, while core prices (excluding food and energy) increased by 2.5% in 4Q24. Although growth slowed, the economy ended the year relatively stable.

Figure 30: US GDP



Source: CAPIQ

Yen surged on the back of an interest rate hike by the Bank of Japan

The Bank of Japan (BOJ) raised its interest rate to 0.5%, the highest in 17 years, aiming to curb inflation and stabilize the economy. The BOJ expects core inflation to stay above 2% for the next three years, citing risks from labour shortages and rising prices. While future rate hikes will depend on economic data, the yen strengthened, and bond yields rose after the decision.

FAB SECURITIES أبوظبي الأول للأوراق المالية

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