FAB أبوظبي الأول للأوراق المالية SECURITIES

MENA CREDIT RESEARCH

February 2025

Global Bonds Provided Stability in Multi-Asset Portfolios

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

The GCC bonds and Sukuk issuance recorded strong growth during 2024. According to Markaz, the total primary debt issuance of Bonds and Sukuk in the GCC grew 55.1% YOY to USD 147.9 Bn through 296 issuances during 2024. The strong growth in issuances was supported by the GCC sovereign and private entities. Total GCC corporate primary issuances increased 45.5% YOY to USD 79.7 Bn in 2024. Corporate issuances represented 53.9% of total issuances in 2024 compared to 57.5% in 2023. Government-related corporate entities raised USD 17.4 Bn, representing 21.7% of total corporate issuances during 2024. Meanwhile, total sovereign primary issuances in the GCC grew 68.2% YOY to USD 68.2 Bn, comprising 46.1% of total issuances in 2024. The US Fed left the interest rate unchanged in January 2025 at 4.25-4.50 %. The Fed is projected to cut the interest rates by 50 bps in 2025, which is lower than the previous expectations of a 100-bps cut. This is expected to support favourable financing conditions, contributing to robust credit growth in the GCC, particularly in Saudi Arabia and the UAE.

The GCC bond and sukuk issuances recorded a drop compared to the previous month. The GCC bond and Sukuk issuance amounted to USD 7.5 Bn, driven by corporate and sovereign entities. The Saudi Electricity Company remained a key issuer in the market, raising USD 2.75 Bn through a dual-tranche Sukuk issuance under its Sukuk issuance program. The issuance recorded solid investor demand with order books exceeding USD 6.1 Bn for the 5-year tranche (excluding joint lead manager interest) and surpassing USD 5.5 Bn for the 10-year tranche. The issuance was further supported by banks such as Emirate NBD, SIB, and Abu Dhabi Commercial Bank, which together issued USD 2.1 Bn during the month. The Saudi Arabian Mining Company Ma'aden issued a total of USD 1.3 Bn under the Company's International Trust Certificate Issuance Programme. The Government of Sharjah also issued USD 500 Mn during the month, while Damac Properties successfully raised USD 750 Mn through a 3.5-year Sukuk. The issuance garnered strong investor interest, resulting in an oversubscription of 2.8x, with the order book exceeding USD 2.1 Bn.

The US Fed, during its last meeting held in January 2025, left the interest rate unchanged. As a result, the 10-year bond yields declined across all GCC countries. In addition, the 5-year CDS tightened across all the GCC countries during February 2025. The UAE Purchasing Managers' Index (PMI) remained strong, with PMI at 55.0 in January 2025 from a nine-month high of 55.4 in December 2024. Business activity and new orders grew sharply, driven by strong market conditions and easing cost pressures. However, hiring and inventory growth remained limited despite rising demand. Additionally, capacity pressures increased due to high backlog volumes and administrative delays. According to the UAE's Ministry of Economy, the UAE's national economy is projected to grow 5.0-6.0% in 2025, mainly supported by robust performance anticipated from the renewable energy, infrastructure, trade, technology, and financial services sectors. Saudi Arabia's non-oil PMI surged from 58.4 in January 2025 to 60.5 in January 2025, its highest level since September 2014. The strong growth in PMI is primarily due to the fastest increase in export orders since 2011, which supported expansion in activity and stocks. According to the General Authority for Statistics (GASTAT), Saudi Arabia's GDP grew 1.3% in 2024, mainly due to strong growth in the non-oil sector. Recently, Fitch Ratings affirmed Saudi Arabia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A+' with a Stable Outlook, citing the Kingdom's strong fiscal and external balance sheets. Qatar's economy grew 2% YOY, with a GDP of QAR 180.2 Bn in 3Q24 at constant prices. The country's economic outlook remains robust in the medium term, driven by substantial LNG production growth and accelerated structural reforms. Bahrain's GDP increased 2.1% YOY at constant prices in 3Q24, primarily due to a 3.9% YOY growth in the non-oil sector. According to the National Centre for Statistics and Information (NCSI), Oman recorded a trade surplus of OMR 7.14 Bn (USD 18.18 Bn) in the first 11 months of 2024, exceeding the OMR 7.00 Bn reported previously. This growth was largely driven by a significant rise in oil and gas exports. Kuwait's Ministry of Finance projected a budget deficit of around KWD 6.3 Bn (USD 20.43 Bn) for the 2025-2026 fiscal year. The draft budget estimates total revenues at KWD 18.23 Bn, with oil revenues anticipated to reach KWD 15.3 Bn, representing a 5.7% decline compared to 2024-2025.

Gold Outlook

Gold prices rose 2.1% MOM for the second consecutive month, settling at USD 2,857.83 per ounce on 28 February 2025. Gold prices rose in the first week of February 2024 owing to the concerns regarding the US-China trade war and inflation concerns that boosted demand for the yellow metal. The upward momentum continued in the following week, reaching record high levels as the US president plans to charge reciprocal tariffs on countries taxing US imports, leading to a strong demand for the safe haven. Furthermore, prices continued to increase after the mid-month on the back of the US president's tariff threats but subdued at the end of the week as traders booked profits. Gold prices hit the highest levels in the last week of February 2024, due to global uncertainty and purchases by the Central Bank of Egypt but ended with a weekly decline owing to the appreciation of the US dollar due to the unclear terms on possible Europe tariffs along with postponement of planned tariffs on Canada and Mexico. Additionally, investors awaited cues on the Federal Reserve's monetary policy.

Oil Outlook

Brent Crude oil prices fell 4.7% MOM to USD 73.18 per barrel on 28 February 2025. Oil prices declined in the first week of February 2025 due to the US president holding tariffs on Mexico and Canada, coupled with fears of tariffs on China and other countries. In the following week, oil prices increased due to rising fuel demand and threats of Trump's tariffs offset by an anticipated peace deal between Russia and Ukraine ending the week flat. After the mid-month, oil prices increased initially due to a drone attack in Russia, but the prices declined marginally due to a rise in US crude inventories and investors' concerns regarding new tariffs. In the last week of February 2025, oil prices declined due to resumption of exports from the Kurdistan oil field, coupled with an uncertainty on global economic growth, partially offset by new US sanctions on Iran and reversal of Chevron's license in Venezuela.

Our Top Bond/Sukuk Picks in GCC:

Top Bond Picks

S No.	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
1	**Oman Government International Bond**	OMAN	US682051AF48	6.26	2,000,000,000	BB+	Ba1	BBB-	6.5	8-Mar-2047	USD
2	**Finance Department Government of Sharjah**	SHJGOV	XS2775892065	6.22	1,000,000,000	N/A	Ba1	BBB-	6.125	6-Mar-2036	USD
3	**Saudi Government International Bond**	KSA	US80413TBH14	5.96	4,750,000,000	A+	Aa3	N/A	5.75	16-Jan-2054	USD
4	**Finance Department Government of Sharjah**	SHJGOV	US38381CAE21	5.94	1,000,000,000	N/A	Ba1	BBB-	6.5	23-Nov-2032	USD
5	**DP World Ltd/United Arab Emirates**	DPWDU	XS0308427581	5.66	1,750,000,000	BBB+	Baa2	NR	6.85	2-Jul-2037	USD
6	**Abu Dhabi Government International Bond**	ADGB	XS2811094213	5.48	1,750,000,000	AA	N/A	AA	5.5	30-Apr-2054	USD
7	**MDGH GMTN RSC Ltd**	MUBAUH	XS0701227075	5.46	750,000,000	AA	Aa2	AA	6.875	1-Nov-2041	USD
8	**Emirates NBD Bank PJSC**	EBIUH	XS2976518972	5.29	750,000,000	A+	A2	N/A	5.457	22-Jan-2030	USD
9	**Saudi Government International Bond**	KSA	US80413TBL26	5.28	4,000,000,000	A+	Aa3	N/A	5.625	13-Jan-2035	USD
10	**Abu Dhabi National Energy Co PJSC**	TAQAUH	XS0272949016	5.26	912,487,000	AA	Aa3	NR	6.5	27-Oct-2036	USD
11	**Emirates NBD Bank PJSC**	EBIUH	XS2754455769	5.2	600,000,000	A+	A2	N/A	5.76	31-Jan-2029	USD
12	**National Bank of Ras Al-Khaimah PSC/The**	RAKBNK	XS2765600262	5.08	600,000,000	BBB+	Baa1	N/A	5.375	25-Jul-2029	USD
13	**Oman Government International Bond**	OMAN	US682051AE72	5.03	1,626,860,000	BB+	Ba1	BBB-	5.375	8-Mar-2027	USD
14	**BSF Finance**	BSFR	XS2493296813	4.91	700,000,000	A-	A1	N/A	5.5	23-Nov-2027	USD
15	**Emirates NBD Bank PJSC**	EBIUH	XS2625209270	4.88	750,000,000	A+	A2	N/A	5.875	11-Oct-2028	USD

Data Source: Bloomberg

Top SUKUK Picks

S No.	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
1	**Saudi Electricity Sukuk Programme Co**	SECO	XS2608638602	5.98	1,500,000,000	A+	Aa3	N/A	5.684	11-Apr-2053	USD
2	**Sharjah Sukuk Program Ltd**	SHARSK	XS2680379695	5.81	900,000,000	N/A	Ba1	BBB-	6.092	19-Mar-2034	USD
3	**Saudi Electricity Global Sukuk Co 3**	SECO	US80413MAB00	5.71	1,000,000,000	A+	Aa3	A	5.5	8-Apr-2044	USD
4	**EDO Sukuk Ltd**	ENEDEV	XS2689095086	5.68	1,000,000,000	BB+	N/A	BBB-	5.875	21-Sep-2033	USD
5	**Saudi Electricity Global Sukuk Co 2**	SECO	XS0911024635	5.68	1,000,000,000	A+	Aa3	A	5.06	8-Apr-2043	USD
6	**Esic Sukuk Ltd**	ESICSU	XS2747181613	5.55	700,000,000	N/A	Baa3	N/A	5.831	14-Feb-2029	USD
7	**BSF Sukuk Co Ltd**	BSFR	XS2978771942	5.43	750,000,000	A-	N/A	A-	5.375	21-Jan-2030	USD
8	**KSA Sukuk Ltd**	KSA	XS2829208169	5.42	2,250,000,000	A+	Aa3	N/A	5.25	4-Jun-2034	USD
9	**Almarai Co JSC**	ALMARA	XS2641777235	5.33	750,000,000	N/A	Baa3	BBB-	5.233	25-Jul-2033	USD
10	**KFH Sukuk Co**	KFHKK	XS2974156627	5.32	1,000,000,000	A	N/A	N/A	5.376	14-Jan-2030	USD
11	**Al Rajhi Sukuk Ltd**	RJHIAB	XS2761205900	5.29	1,000,000,000	A-	Aa3	N/A	5.047	12-Mar-2029	USD
12	**DIB Sukuk Ltd**	DIBUH	XS2749764382	5.27	1,000,000,000	A	A3	N/A	5.243	4-Mar-2029	USD
13	**SNB Sukuk Ltd**	SNBAB	XS2747631914	5.21	850,000,000	A-	N/A	A-	5.129	27-Feb-2029	USD
14	**EI Sukuk Co Ltd**	EIBUH	XS2824746544	5.15	750,000,000	A+	N/A	N/A	5.431	28-May-2029	USD
15	**DIB Sukuk Ltd**	DIBUH	XS2553243655	5.02	750,000,000	A	A3	N/A	5.493	30-Nov-2027	USD

Data Source: Bloomberg

Content:

MENA credit outlook

Nasdaq Dubai welcomes region's first blue bond from DP World

Nasdaq Dubai listed the Middle East and North Africa's first corporate Blue Bond of USD 100 Mn by DP World under its USD 10 Bn global medium-term note programme. The proceeds will be allocated to marine transportation, port infrastructure, and water-positive projects. The bond offers a coupon rate of 5.25% and will mature in 2029. It was priced 99.6 bps over the treasury yield. The listing also enhances the Dubai International Financial Centre's (DIFC) role as a leading hub for ESG-linked investments.

Sharjah government issued bonds of EUR 500 Mn for 7-year

The Government of Sharjah issued fixed-rate Regulation S senior unsecured bonds worth EUR 500 million (USD 521 million) with a maturity of 7 years. The proceeds from the offering will be used for budgetary needs and to help establish a EUR yield curve, and it will be listed on both the London Stock Exchange and Nasdaq Dubai. The bond was priced at mid-swaps over 245 basis points and was oversubscribed 3.4 times, with an order book surpassing EUR 1.7 billion. UK investors accounted for 45% of the allocation, followed by MENA investors at 26%, with asset managers taking 59% and banks 27%. Joint lead managers include ADCB, Bank of Sharjah, Crédit Agricole CIB, Emirates NBD Capital, HSBC, IMI-Intesa Sanpaolo, and J.P. Morgan.

KSA mining giant Ma'aden issues USD-denominated sukuk

The Saudi Arabian Mining Company (Ma'aden) marketed US dollar-denominated trust certificates, offering a five-year tranche of USD 750 Mn at a 5.25% profit rate and a ten-year tranche of USD 500 Mn at a 5.5% profit rate. The issuances are initially priced at 140 basis points over treasury for the five-year tranche and 155 plus treasuries for the ten-year tranche. The certificates will be listed on the London Stock Exchange's International Securities Market and are eligible for sale under Regulation S and Rule 144A. Fitch and Moody's have assigned ratings of BBB+ (stable) and Baa1 (stable), respectively, to the issuance.

Abu Dhabi Commercial Bank prices FRN Formosa bond offering

Abu Dhabi Commercial Bank is offering a five-year senior floating-rate Formosa bond in US dollars at SOFR plus 105 basis points. The bond will pay quarterly coupons in arrears, with proceeds allocated for general corporate purposes. It will be listed on the Taipei Exchange and Euronext Dublin. HSBC and Standard Chartered acted as joint managers. The issuance was rated in line with the issuer.

Emirates NBD will issue USD 1 Bn additional tier 1 capital securities at 6.25%

Emirates NBD is set to issue USD 1 Bn in AT1 capital securities at 6.25%, with listings on Euronext Dublin and Nasdaq Dubai. The regulation S category 2 perpetual six-year issuance has an initial call date in August 2030, with a reset scheduled for February 2031. Furthermore, ADCB, BofA Securities, Citi, Emirates NBD Capital, FAB, and Standard Chartered Bank are serving as joint lead managers and bookrunners

Qatar National Bank issues final price guidance for Formosa Bond

Qatar National Bank is offering a five-year senior floating-rate Formosa bond in US dollars, with final price guidance at SOFR plus 105 basis points. The notes will be issued by QNB Finance and guaranteed by Qatar National Bank. The issuance is part of the bank's USD 22.5 Bn Medium Term Note Programme. Additionally, it is rated A+ by S&P, in line with the guarantor's Aa3/A+/A+ ratings. Furthermore, the Reg S notes will be listed on the Taipei Exchange and the London Stock Exchange. HSBC Bank (Taiwan) and Standard Chartered Bank (Taiwan) are the joint managers.

SIB will issue USD 500 Mn five-year Sukuk

Sharjah Islamic Bank is set to issue a USD 500 Mn Reg S five-year sukuk, with initial price guidance at 125 bps over the treasuries. The sukuk will be issued under a wakala structure through SIB Sukuk Company III Limited and listed on Euronext Dublin and Nasdaq Dubai. This issuance is part of the bank's USD 3 Bn trust certificate issuance programme. Emirates NBD Capital, HSBC, Standard Chartered, ADIB, DIB, Mashreq Bank, ICD, and Warba Bank are acting as joint lead managers and book runners.

Government of Qatar prices dual tranche bond offering

The government of Qatar, through the Ministry of Finance, priced a dual tranche 144A/Reg S senior unsecured bond issuance of three and five-year. The offering includes a three-year USD 1 Bn bond priced at 30 bps over the treasury yield with a 4.50% profit rate and a 10-year USD 2 Bn bond priced at 45 bps over the treasury yield with a 4.875% profit rate. The offering order book surpassed USD 7.5 Bn, excluding joint lead manager interest. The notes will be listed on the London Stock Exchange.

Damac prices USD 750 Mn sukuk

Damac Real Estate Development, an Emirati property company, successfully sold a USD 750 Mn 3.5-year sukuk, its first benchmark issuance in 18 months. The sukuk is priced at a yield of 7% beginning with a profit rate of 7.5%, which received subscriptions of over USD 2.1 Bn, enabling Damac to increase the size of the offering by USD 150 Mn. Investors were attracted by Dubai's booming property market, where prices are expected to rise by 5%-8% in 2025. Damac's strong market presence and the yield on offer contributed to the demand. The sukuk will be listed on Euronext Dublin and saw significant international participation. Damac holds a Ba2 rating from Moody's and BB from S&P. Emirates NBD Capital, HSBC and JP Morgan acted as joint global coordinators.

KSA appoints banks for the issuance of Euro-denominated 7-year green bond and 12-year conventional bond

Saudi Arabia appointed banks for a potential Euro-denominated dual-tranche bond offering, which includes a seven-year inaugural green bond and a 12-year conventional bond. The net proceeds from the green bond will finance eligible green projects as per the kingdom's Green Financing Framework. HSBC, JP Morgan, and Société Générale are the global coordinators and joint active book runners, with HSBC and JP Morgan also serving as joint green structuring agents. Crédit Agricole CIB and SNB Capital are joint passive book runners. The conventional bond is sold in three tranches of USD 5 Bn, USD 3 Bn and 4 Bn with a tenure of three, six and 10-year. The proceeds will be used to finance budget deficit and pay down debt.

Tabreed appoints banks for the issuance of a 5-year green sukuk

Tabreed, the UAE district cooling company, appointed banks for a five-year Reg S dollar-denominated green sukuk. Citi and Standard Chartered are the joint global coordinators, and other banks, including Emirates NBD Capital and First Abu Dhabi Bank, are the joint lead managers and joint book runners. The sukuk will be issued under Tabreed's USD 1.5 Bn Trust Certificate Issuance Programme and is subject to market conditions. Tabreed holds Baa3 (stable) and BBB (stable) ratings from Moody's and Fitch.

Doha Bank appoints banks for a USD bond issuance under its USD 3 Bn EMTN programme

Qatar's Doha Bank, rated A (stable) by Fitch and Baa1 (stable) by Moody's, appointed banks to arrange investor meetings starting from 25 February 2025 for a potential debt offering that is subject to market conditions. The bank may issue a USD 5-year benchmark fixed-rate senior unsecured bond under its USD 3 Bn EMTN Programme. Doha Finance Limited will act as the issuer and Doha Bank will provide the guarantee. ANZ, Deutsche Bank, Emirates NBD Capital, HSBC, Kamco Invest, Mashreq, MUFG, QNB Capital, and Standard Chartered Bank are joint lead managers and book runners, while the Commercial Bank is a co-manager. The Qatari Government owns 23.62% of the share capital of Doha Bank through the Qatar Investment Authority and the Civil Pension Fund.

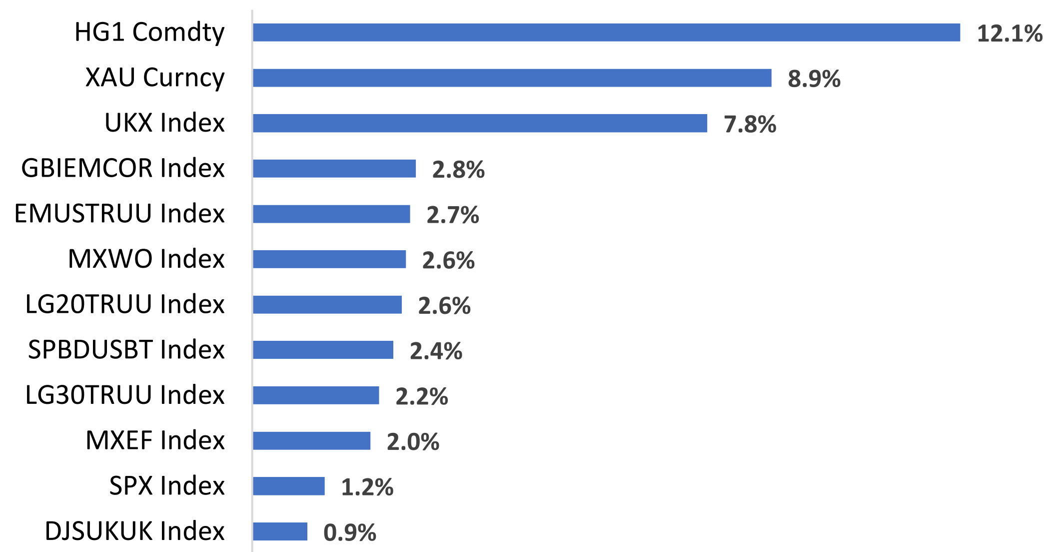
Saudi Arabia concludes USD 9.27 Bn Eurobond issuance, featuring its inaugural green tranche

The National Debt Management Centre (NDMC) completed a EUR 2.25 Bn (USD 8.86 Bn) euro-denominated bond issuance under Saudi Arabia's Global Medium-Term Note Issuance Programme (GMTN). The offering received strong investor response and received subscriptions of EUR 10 bn, oversubscribing by four times. The bonds were issued in two tranches: a EUR 1.5 Bn (SAR 5.90 Bn) 7-year green bond maturing in 2032 and a EUR 750 Mn (SAR 2.96 Bn) 12-year bond maturing in 2037. The EUR 1.5 billion seven-year green bond was priced at mid-swap plus 115 basis points (bps), 40bps tighter than initial guidance, with demand exceeding EUR 7.2 Bn. The EUR 750 Mn 12-year conventional bond was priced at mid-swap plus 145bps, 30bps tighter, with books topping EUR 2.7 Bn. The green tranche's net proceeds will fund eligible green projects as per the kingdom's Green Financing Framework.

Global Asset Performance

The table below summarizes the performance of key equity and debt indices along with commodity price performance. The asset classes recorded mixed performance during February 2025, with a positive performance of gold & copper and all major fixed-income instruments amid declining US Treasury Yield. Brent crude oil prices fell due to growing supplies amid weak demand. The equity market's performance remained subdued as the MSCI Developed Market Index fell 0.7% MOM due to rising concerns about US economic growth, as both corporate and consumer sentiment were impacted by increasing uncertainty regarding the objectives of the US administration. The MSCI Emerging Markets (EM) Index grew marginally as it grew 0.5% MOM in February 2025, driven mainly by Chinese equities and also benefitted from the weakening of the US dollar. The UK equities continued to outperform the US equities in February 2025 with a MOM growth of 1.6% in February 2025. Gold prices continued to rise further, primarily driven by uncertainty around the trade war and the decline in the US dollar. Amidst this mixed performance of asset classes, fixed income stood as a sliver lining for multi-asset class investors. During the month, bond investors focussed on weak US sentiment data and economic growth risks while largely ignoring the potential threat of growing inflation amid the trade war. All bond indices recorded positive performance, with the best performance from the US Treasury Yield. The declining yields spilled to other markets and benefitted returns of fixed income instruments. Thus, fixed income indices such as the Emerging Market USD Aggregate Index recorded returns of 1.62% MOM basis, EM Hard Currency of 1.55%, Global High Yield Corporate Bond 0.79%, Dow Jones Sukuk 0.78% and JP Morgan Emerging Market 0.75%.

Figure 1: Global Asset Performance (YTD in FY2025)

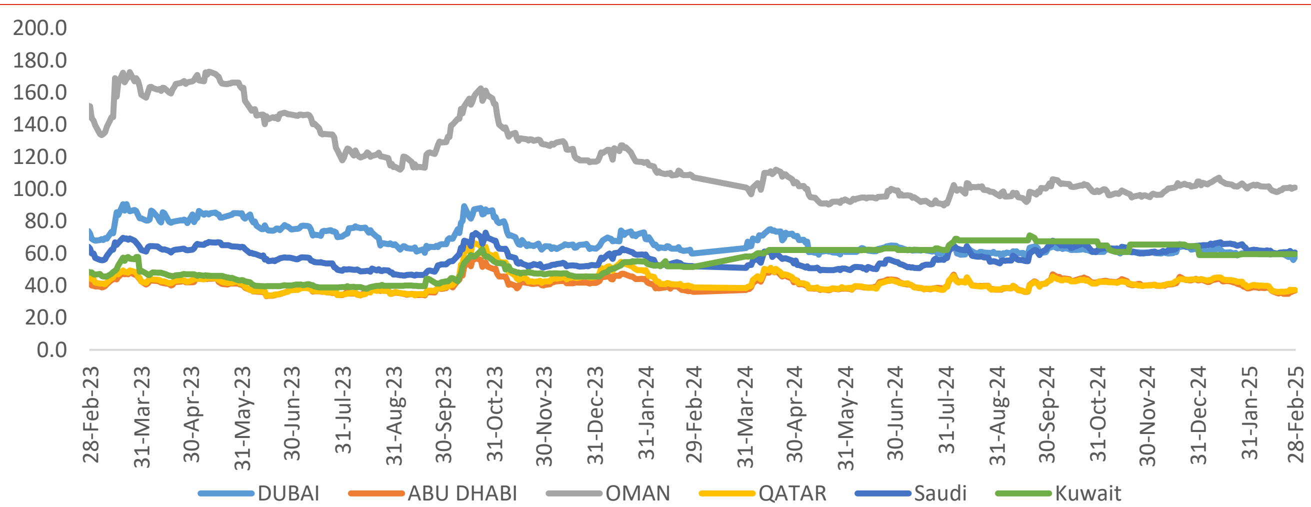


Source: Bloomberg

5-Year CDS

The 5-year CDS spread declined across all sovereign nations in February 2025. Qatar recorded the highest decline on a MOM basis in February 2025, followed by Dubai, Abu Dhabi, Saudi Arabia, Oman and Kuwait. Qatar's CDS spread contracted 5.18% MOM in February 2025.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	ABU DHABI	Oman	Kuwait	Qatar	Saudi
MTD (%)	-4.19%	-3.76%	-0.48%	-0.03%	-5.18%	-1.90%

Banking Sector

HSBC to exit Bahrain retail banking amid restructuring

HSBC reached an agreement to sell its Bahrain retail banking operations to Bank of Bahrain and Kuwait (BBK) as part of its ongoing global restructuring. The transaction will see BBK, majority-owned by the governments of Bahrain and Kuwait, acquire retail loans, deposits, and accounts from approximately 76,000 customers. The financial details of the transaction are not public. HSBC continues to streamline its business by exiting low-return consumer banking markets, consolidating its commercial and investment banking divisions, and reshaping its leadership structure.

Corporate Sector

Eshraq Investments eyes investment in Shuaa MCB

Eshraq Investments is evaluating an investment in Shuaa Capital's mandatory convertible bond (MCB) offering. Shuaa Capital is one of the major shareholders of Eshraq, holding 18.38% stake in the entity. Shuaa plans to issue the MCB in two tranches totalling USD 175 Mn as part of its ongoing debt restructuring.

ADNOC secures 5-Year LNG agreement with India's BPCL

ADNOC signed a five-year agreement to supply 2.5 Mn tons of LNG to BPCL. The Indian refiner is expected to receive 40 cargoes of LNG under the five-year contract with supply expected to begin in April 2025. In the initial two years, the supply is expected to lower and will be gradually ramped up. In another deal, ADNOC will also finalize a 15-year LNG supply contract with IOC, set to commence in April 2026.

AppliedAI secures USD 55 Mn funding from G42

G42, backed by Microsoft and Mubadala, led a USD 55 Mn series A investment in Abu Dhabi-based start-up AppliedAI. It also received funding support from Bassemer Venture Partners, Palantir, McKinsey and Accrete Capital. The funding will be used to expand hiring and develop AI tools. ApppliedAI was founded in the UK in 2021 and later moved to Abu Dhabi. The Company develops software and helps organizations operating in healthcare, insurance, government and financial services to automate processes.

Spanish firm Tecnicas Reunidas secured a USD 3.4 Bn upstream contract in UAE

Spanish engineering firm Tecnicas Reunidas won a USD 3.4 Bn contract for an upstream oil and gas project in the UAE. The project requires the development of upstream facilities, including offshore activities and modular-designed processing units. The five-year project will be led by the company's Madrid office, requiring over 1.2 Mn engineering hours. ADNOC allocated USD 7.5 Bn in contracts for the Lower Zakum offshore oil project.

Alpha Data announces to sell 40% stake in upcoming IPO

Alpha Data, a UAE-based technology services firm, is set to offer 400 Mn shares in its IPO on the Abu Dhabi Securities Exchange (ADX). Bin Hamoodah and Ibbini Investment hold a 40% stake in the Company, which will be offered for sale. EFG Hermes and Emirates NBD Capital PJSC are appointed as joint global coordinators and joint book runners. The offer price will be determined through a book-building process, with shares expected to debut on ADX in March 2025. Alpha Data plans to distribute an AED 130 Mn dividend in two instalments, with a minimum 80% payout thereafter.

ADNOC raises USD 2.84 Bn by selling shares in its gas unit

ADNOC completed the share offering of its gas unit, ADNOC Gas. It raised a proceed of USD 2.84 bn through the offering. The issuance of ADNOC Gas was priced at AED 3.40 per share. This is the largest offering in the MENA region after the follow-on offering of Aramco shares. The parent Company, ADNOC, sold 3.1 Bn shares in the offering to institutional investors, equivalent to 4% of the ADNOC Gas share capital. BofA Securities, Citi, EFG Hermes, First Abu Dhabi Bank, HSBC, and International Securities served as joint global coordinators and book runners.

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+' with a stable outlook. Fitch has recently revised the outlook on Bahrain's long-term foreign currency issuer default rating to **Negative** from Stable with a rating of B+. The revision in the credit rating is mainly due to mounting fiscal pressures, growing debt levels coupled with high interest burden and delayed fiscal reforms.

- Fitch Ratings 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.

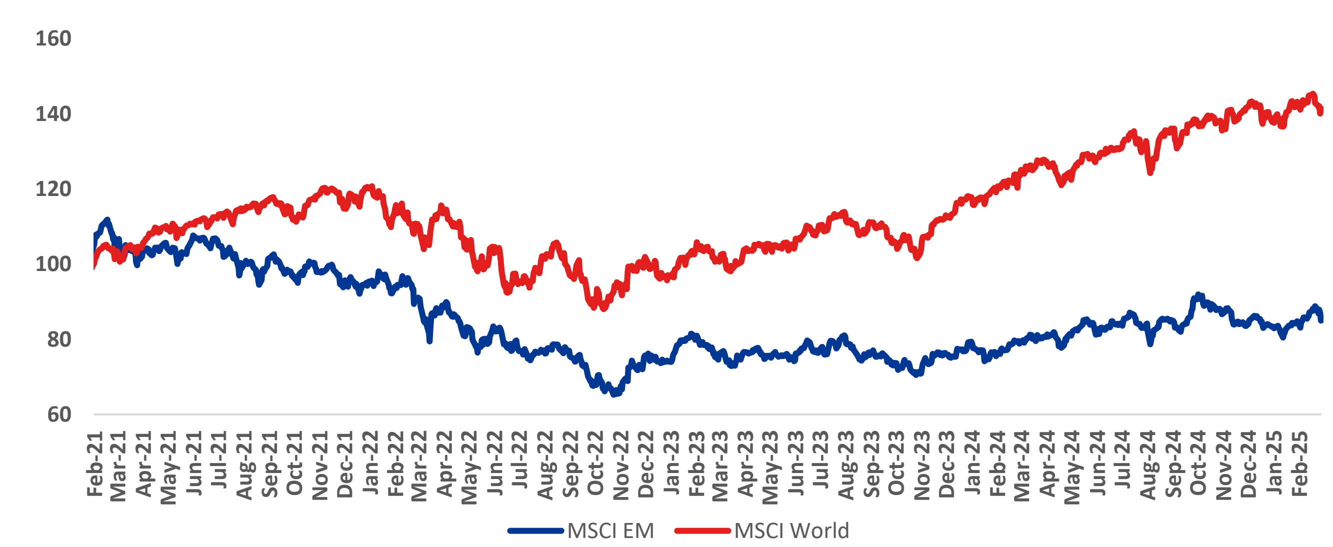
- In January 2024, Moody's maintained **Qatar**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) at Aa2. The rating is attributed to significant improvements in Qatar's fiscal metrics during 2021-2023. Moody's anticipates that the improvement in Qatar's debt burden and debt-service metrics from 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+	NEG

Global Markets

The developed market performance was lacklustre in February 2025 after giving a positive return at the beginning of 2025. The MSCI Developed Markets (DM) Index declined 0.7% MOM in February 2025. The decline in developed markets is primarily due to rising concerns about US economic growth, as both corporate and consumer sentiment were impacted by increasing uncertainty regarding the economic objectives of the US administration. The MSCI Europe ex-UK rose 3.4% MOM in February 2025, the highest amongst other equity markets as investors increasingly considered the possibility of a ceasefire in Ukraine. The UK equities continued to outperform the US equities in February 2025, with the European financial sector maintaining its position as a top performer amongst others, with returns on equity surpassing their US counterparts. The MSCI Emerging Markets (EM) Index grew marginally as it increased only 0.5% MOM in February 2025, driven mainly by Chinese equities. However, the MSCI EM Index outshone the MSCI DM Index in February 2025, in contrast to the resulting performance in January 2025. The US S&P 500 fell 1.3% MOM in February 2025 due to the continued concerns regarding mega-cap technology hurting US stocks. Communication services and consumer discretionary were the worst-performing industries, recording a negative decline of 4.2% and 9.0%, respectively. However, there were ongoing indications of a rotation within the index, with sectors including real estate, energy, and consumer staples all producing strong returns in February 2025. The performance of UK equities continued to grow but at a slower pace, as UK FTSE All-Share recorded a growth of 1.3% MOM in February 2025. Overall, the European equity market continued to outpace the US equity market. The MSCI Asia ex-Japan increased 1.1% MOM due to robust growth in the Chinese equity market in February 2025. The excitement about the possibilities of DeepSeek continued to promote the larger Chinese tech complex while high-level discussions between Xi Jinping, the Chinese president and top corporate executives also suggested an improved regulatory climate in China. The Japan TOPIX recorded a decrease of 3.8% MOM in February 2025, highlighting the weak performance of Japanese stocks due to the yen's appreciation by 2.8% against the US dollar, adversely affecting the yen-sensitive market. Apart from South Korea, the performance of other emerging economies, such as Brazil and India, also showed negative returns in February 2025.

Figure 3: MSCI World and Emerging Market Index Historical trend



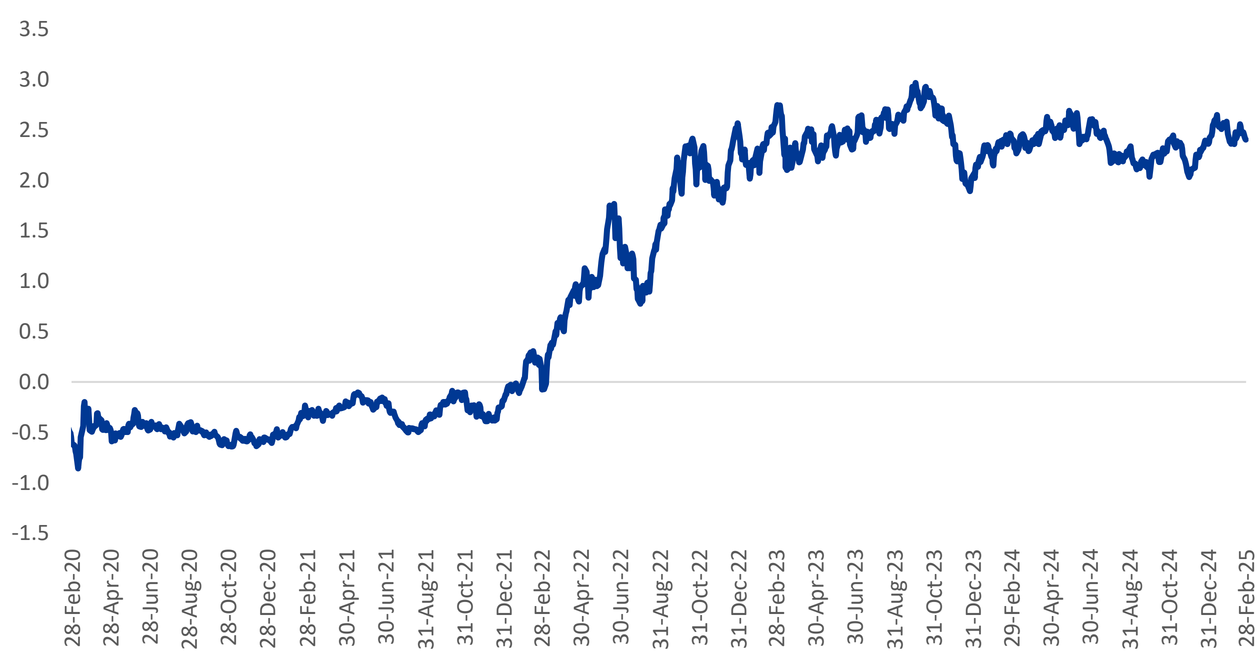
Source: Bloomberg

Yield on 10-year government

Figure 4: US 10-year government yield

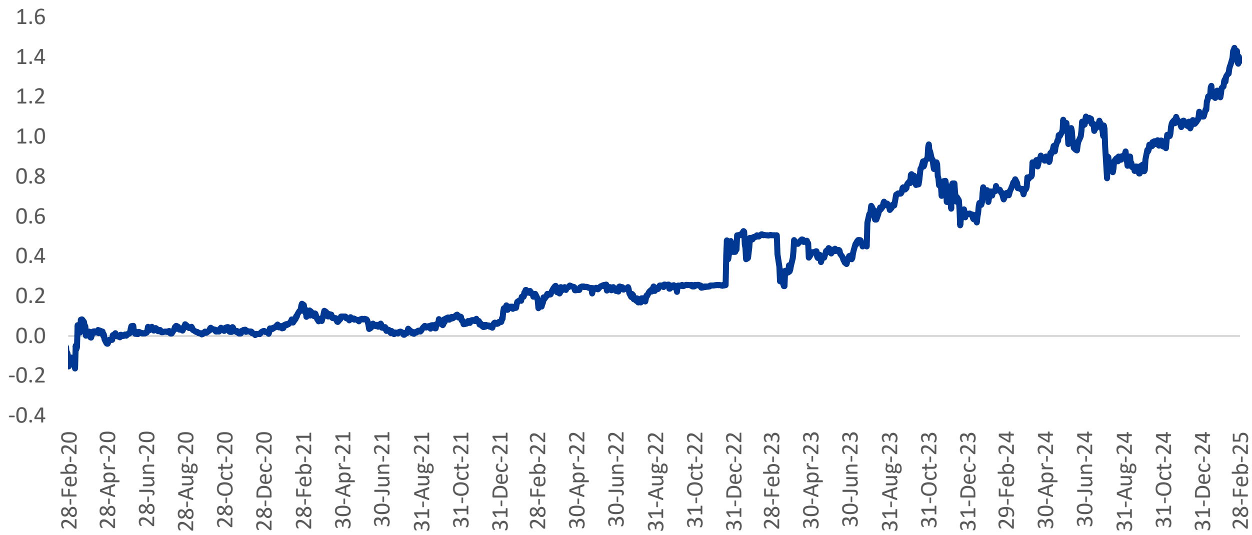
Source: Bloomberg

Figure 5: Germany 10-year government yield



Source: Bloomberg

Figure 6: Japan 10-year government yield



Source: Bloomberg

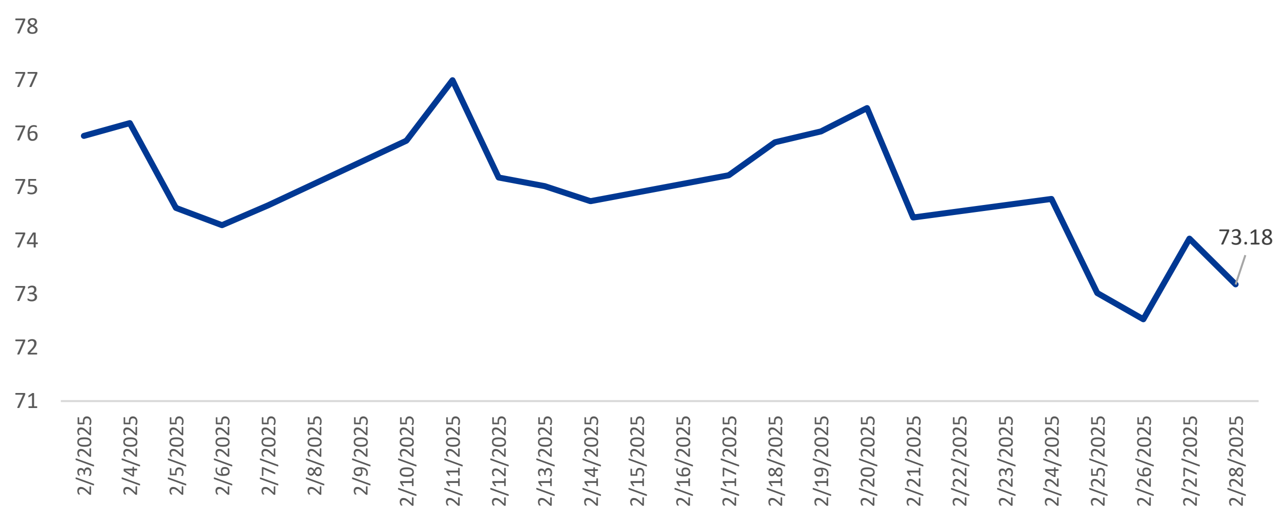
Figure 7: UK 10-year government yield

Source: Bloomberg

Oil Outlook

Brent Crude oil prices fell 4.7% MOM to USD 73.18 per barrel on 28 February 2025. Oil prices declined in the first week of February 2025 as the US president agreed to hold off tariffs on Mexico and Canada. Oil prices further decreased due to a rise in the US crude inventories that indicated weak demand. Additionally, fears of US-China trade tariffs and concerns of a tariff hike on other countries also contributed to a decline in oil prices. In the following week, oil prices increased due to the rising fuel demand and threats of Trump's tariffs on steel and aluminium exports, offsetting an anticipated peace deal between Russia and Ukraine, which could lead to an end to sanctions on Russian oil. Thus, the oil prices ended flat for the week. After the mid-month, oil prices initially gained due to a drone attack in Russia on an oil pipeline pumping station, which led to reduced shipments to Kazakhstan. However, the prices ended the week with a marginal decline due to a rise in US crude inventories and investors' concerns regarding new tariffs that could affect the oil demand. In the last week of February 2025, oil prices declined due to the resumption of exports from the Kurdistan oil field coupled with uncertainty on global economic growth and fuel demand and US tariff threats, partially offset by new US sanctions on Iran and reversal of Chevron's license in Venezuela that increased bets of supply tightening.

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

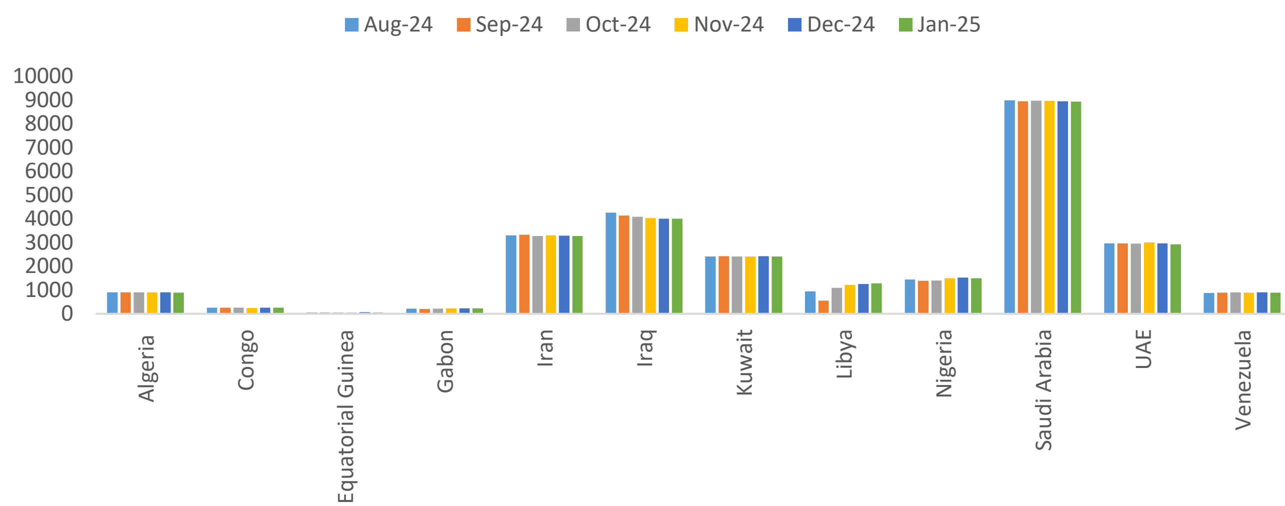


Source: Bloomberg

OPEC Production

Total Brent crude oil production from the OPEC-12 countries fell 123 thousand barrels per day (bpd) MOM, reaching 26.7 Mn bpd in January 2025. Nine out of the 12 OPEC members reported production decline during the month. UAE witnessed the largest decline, falling 37 thousand bpd MOM, followed by Nigeria, which saw a decline of 30 thousand bpd MOM in January 2025. Venezuela's oil output fell 18 thousand bpd MOM in January 2025 while Kuwait's oil output dropped 14 thousand bpd MOM. Saudi Arabia and Iran recorded a decline of 13 thousand bpd MOM each in January 2025. Moreover, Algeria witnessed a production fall of eight thousand bpd MOM in January 2025. Iraq and Equatorial Guinea's oil production reduced by five thousand and two thousand bpd MOM respectively, in January 2025. Conversely, Libya, is the only country that recorded an increase in oil production during January 2025, with a 17 thousand bpd MOM growth. Additionally, Congo and Gabon's oil production remained unchanged on MOM basis in January 2025.

Figure 9: OPEC Crude Oil Production

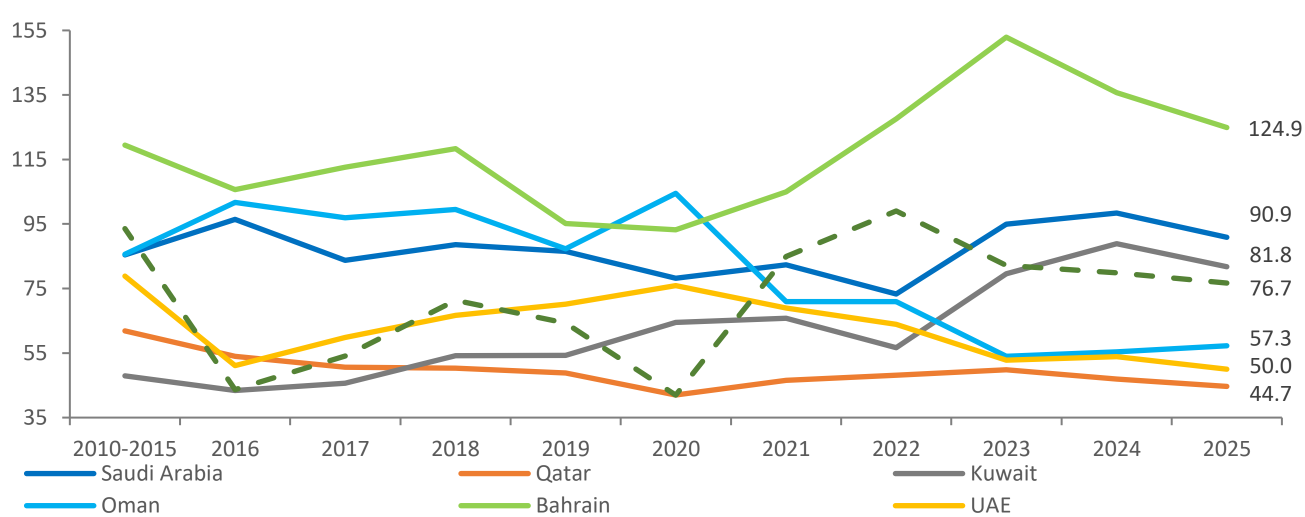


Source: OPEC

Fiscal Breakeven Oil Price

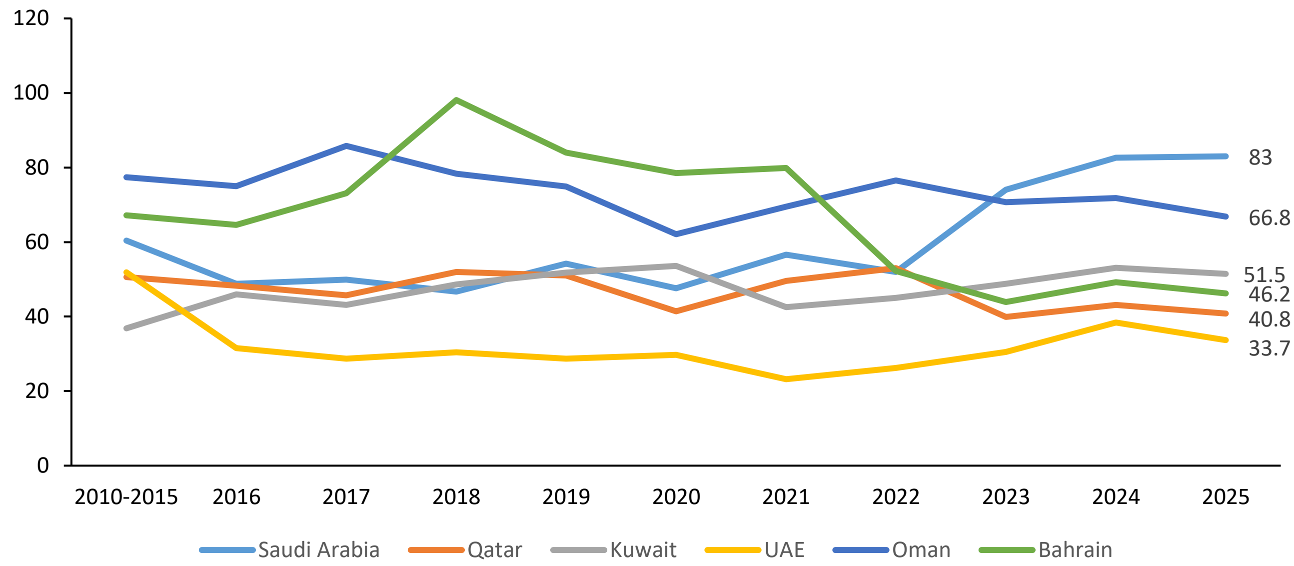
The overall fiscal breakeven oil prices is expected to decline for all GCC Countries in FY2025, except Oman. Oman's fiscal breakeven will grow from USD 55.4 per barrel in FY2024 to USD 57.3 in FY2025. Saudi Arabia, Qatar, Kuwait, UAE, and Bahrain will record a decline in break-even oil prices in FY2025. 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 will fall from USD 53.9 per barrel in FY2024 to USD 50.0 per barrel in FY2025, while Qatar will witness a decline from USD 46.9 in FY2024 to USD 44.7 in FY2025.

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



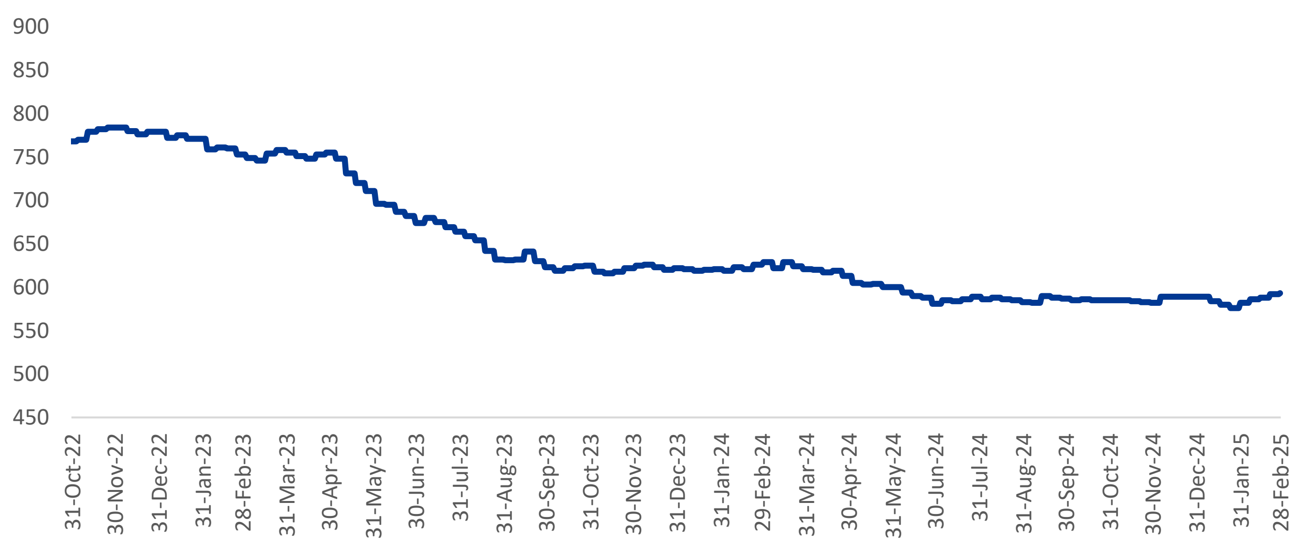
Source: Bloomberg

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	95.32	5.08	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	90.68	10.11	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	95.15	4.84	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	94.07	6.31	NA/NA/BBB+
SIB 5% PERP	Bank	99.99	7.30	NA/NA/NA
GENHLD 4.76% 2025	Investment Co.	99.85	5.01	A1/NA/A
INTLWT 5.95% 2039	Power Generation and Water Utility	99.31	6.06	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, and ALDAR while assigning MARKET WEIGHT ratings on INTLWT, SIB, KWIPKK, 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	99.31	6.06	0.95	-0.56	0.40	1.64
GENHLD 4.76% 2025	OW	99.85	5.01	0.11	0.07	0.20	0.80
SIB 5% PERP	MW	99.99	7.30	0.28	0.72	0.72	2.58
BGBKKK 2.75% 2031	MW	94.07	6.31	0.76	1.39	1.98	10.18
ARAMCO 3.5% 2029	OW	95.15	4.84	1.08	0.19	1.09	1.83
KWIPKK 4.5% 2027	MW	90.68	10.11	-0.11	-3.86	-1.81	2.24
ALDAR 3.875% 2029	OW	95.32	5.08	1.03	-0.18	0.86	1.36

Source: Bloomberg

ALDAR 3.875% 2029: Maintain OVERWEIGHT rating

We assign an OVERWEIGHT rating on Aldar Properties PJSC's (Aldar Properties) 3.875% senior unsecured Sukuk maturing in October 2029. The Sukuk is trading at USD 95.32 with a yield of 5.08% when held until maturity (redemption at par) with a modified duration of 4.11. 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 2024 with a total revenue of AED 23.0 Bn, up 62.4% 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 8.0 Bn, up 44.3% YOY in 2024, and a net profit of AED 5.6 Bn, up 42.7% YOY, demonstrating

the resilience of Aldar's diversified business model. Aldar EPS rose to AED 0.699 in 2024 from AED0.486 in 2023, 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 2023 to AED 54.6 Bn in 2024 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 12 new developmental projects in 2024, out of which four projects including Mamsha Palm, Faya Al Saadiyat, Mandarin Oriental Residences, and Mamsha Gardens were launched in 4Q24. The Project Management business revenue backlog increased to AED 91 Bn in 2024, compared to AED 82 Bn in 2023, with projects worth AED 50 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 42 Bn in 2024 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 2.3 Bn and Aldar Development deployed c. AED 1.9 Bn in FY2024. 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 2024 primarily across UAE, with one green filed project in Abu Dhabi.
- Liquidity position remains healthy with AED 10.5 Bn worth of free & unrestricted cash and AED 8.1 Bn of undrawn bank facilities in 2024. The Company's net debt stood at AED 1.3 Bn in 2024.

KWIPKK 4.5% 2027: Maintain MARKETWEIGHT rating

We assign a MARKETWEIGHT rating on Kuwait Projects Company (KIPCO)'s 4.5% senior unsecured bond maturing in February 2027. The bond is trading at USD 90.68 with a yield of 10.11% when held until maturity (redemption at par) and has a modified duration of 1.81. 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 are concentrated in the three largest entities, contributing c. 60% of total asset value.

KIPCO is one of the largest holding companies in MENA, with its consolidated assets 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 95.15 and offers a yield of 4.84% with a modified duration of 3.72. The credit rating of the issuer is constrained by the rating of its largest shareholder, the government of Saudi Arabia, given the close link between Aramco and the sovereign. Aramco is assigned a standalone credit rating of ‘aa+’ by Fitch supported by robust profitability, market leadership, significant cash flow visibility and net cash position.

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

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

BGBKKK 2.75% 2031: Maintain MARKET WEIGHT rating

We are MARKETWEIGHT on Burgan Bank's 2.75% Tier 2 subordinated bond, currently trading at USD 94.07. The bond offers a yield of 6.31% and a duration of 1.45. 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 123 branches and 280 ATMs as of 2024. The Bank is majorly owned by KIPCO Company with a stake of 33.5%.
- Burgan Bank revenues increased 3.3 % YOY to KWD 229 Mn in FY2024, driven by a 16.7% YOY growth in the net interest income amounting to KWD 157 Mn, partially offset by a 17.5% YOY decline in the non-interest income amounting to KWD 72 Mn.
- The net interest margins rose to 2.3% YOY in FY2024 compared to 2.1% in FY2023. Net fees and commissions income fell from KWD 38 Mn in 2023 to KWD 34 Mn in 2024.
- Operating expenses increased 12.3% YOY to KWD 130 Mn in 2024. The cost-to-income ratio stood at 57.0% in FY2024 compared to 52.4% in FY2023.
- Provision expenses net of recoveries rose stood at KWD 5.9 Mn in 2024 compared to KWD 5.7 Mn in FY2023.
- The Bank reported a net profit attributable to shareholders of KWD 46 Mn in 2024 compared to KWD 44 Mn in 2023 due to a higher revenue.
- Loan and advances to customers rose 5.5% YOY to KWD 4.5 Bn in 2024 driven by 21.7% loan to personal, 15.5% to sovereign, 13.0% to other services and the remaining to other sectors. Deposit rose 9.9% YOY to KWD 4.9 Bn in FY2024 with a CASA deposit of 31%.
- The Bank's non-performing loans fell marginally from 2.0% in FY2023 to 1.8% in FY2024. Capital adequacy ratio stood at 18.6% in FY2024, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 153% and 116%, respectively, as of FY2024, 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 7.30% and currently trades at USD 99.99 with a modified duration of 0.32 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 grew significantly 24.5% YOY to AED 1,048 Mn in FY24, mainly due to an increase in profit earnings from Islamic finance, sukuk investments, and deposits, along with higher profit rates. Rising transactional activity led to enhanced fees and commission earnings, along with improved rental yields and real estate revenue, contributing to increased other income. Earnings from Islamic financing and sukuks grew 20.6% YOY to AED 3,725 million in FY24, driven by a rise in both profit rates and interest earning assets. Total operating income rose 10.4% YOY to AED 2,181 Mn in FY24. Non-performing loans declined from 5.6% in FY2023 to 4.9% in FY24, while provision coverage rose from 93.8% in FY23 to 99.5%. The bank maintained its capital position with a capital adequacy ratio of 17.1% and a CET 1 ratio of 12.4% in FY24.

- SIB's total assets grew significantly from AED 65.9 Bn in FY2023 to AED 79.2 Bn in FY24, mainly due to the growth in investment securities, murabaha and wakalah with financial institutions and net loans. The Bank's customer deposits grew 14.5% YOY to AED 51.8 Bn in FY24 due to the retail deposit offerings and the enhancement of customer service experience. SIB's liquid assets constituted 21.6% of total assets equivalent to AED 17.1 billion in FY24, sufficient to meet short-term obligations. The Bank's loan-to-deposits ratio marginally reduced at 72.8% in FY24 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 99.85 and offers a yield of 5.01% 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 99.31 with a yield of 6.06% if held till maturity (redemption at par). The bond has a modified duration of 7.02. 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.

The financial details as of FY2024 for ACWA Power are listed below:

- ACWA Power's operating income before impairment loss and other expenses marginally grew 0.1% YOY to SAR 2,983 Mn in FY2024. The rise in operating income was primarily due to capital recycling activities of SAR 402 Mn and gain from debt restructuring of ACWA Guc, partially offset by lower contribution from operations and management fees, as well as increase in development costs and G&A expenses.
- Net profit attributed to the equity holders grew 5.7% YOY to SAR 1,757 Mn in FY2024. The growth in net profit is primarily from the reversal of impairment at the Barka plant in Oman, better cash management, and a rise in operating income partially offset impairment loss at Noor 3 CSP in Morocco, along with a higher non-controlling interest resulting from the sale of ownership in RAWEC and decline in other income.
- Adjusted net profit amounted to SAR 1,373 Mn in FY2024 after adjusting impairment loss, Termination of project in Africa, debt restructuring gain on ACWA, and income related to termination of hedging instruments.
- Distributions declined 14.2% YOY to SAR 1.3 Bn in FY2024 due to a decline in dividend payouts from projects. Capital recycling significantly stood at SAR 861 Mn in FY2024 following the sale of stake in RAWEC.
- Overall cash outflow increased 22.1% YOY to 1,203 Mn in FY2024 as expenses related to the diversity bond and staff costs rose.
- ACWA Power reported a cash & short-term investments of SAR 4.1 Bn in FY2024, compared to SAR 6 Bn in FY2023. The Company's debt stood at SAR 24.2 Bn in FY2024, up from SAR 23.5 Bn in FY2023.
- The Company's corporate borrowing fell from SAR 1.5Bn in FY2023 to SAR 1.4 Bn in FY2024.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

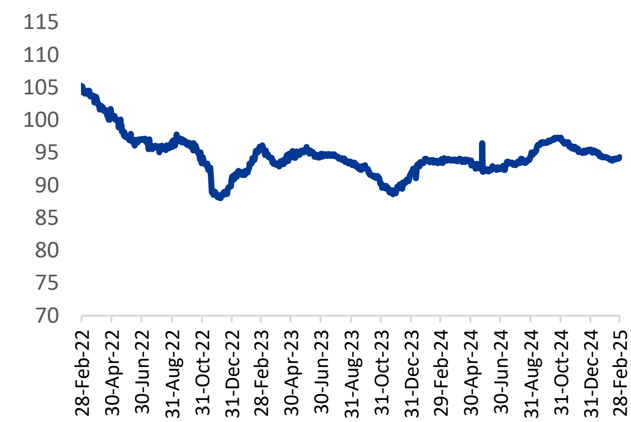


Figure 14: KWIPKK 4.5% 2027

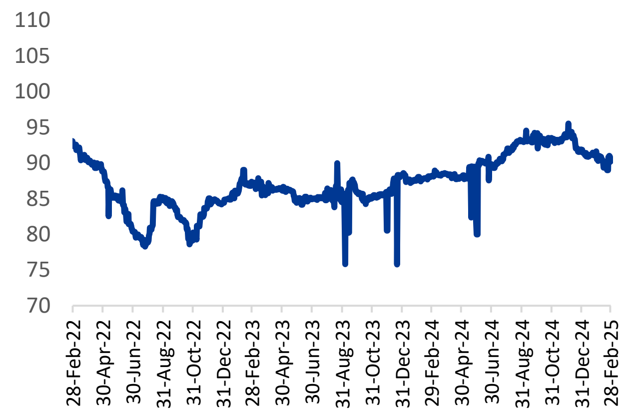


Figure 15: ARAMCO 3.5% 2029

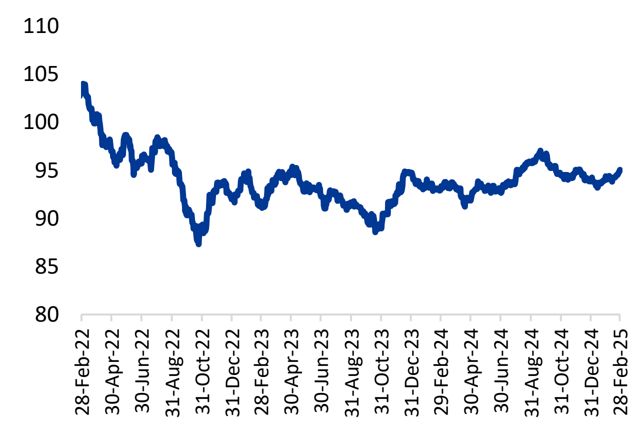


Figure 16: SIB 5% PERP

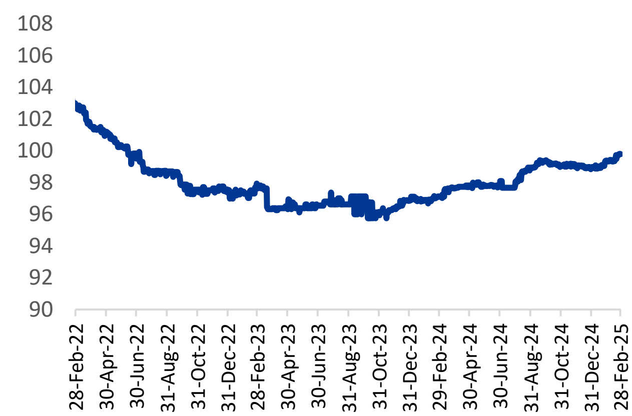


Figure 17: GENHLD 4.76% 2025

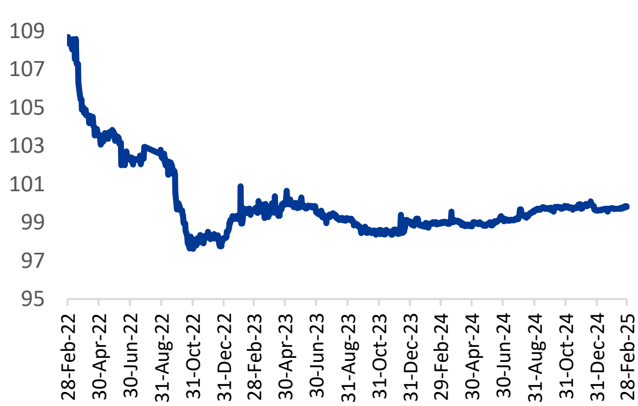


Figure 18: INTLWT 5.95% 2039

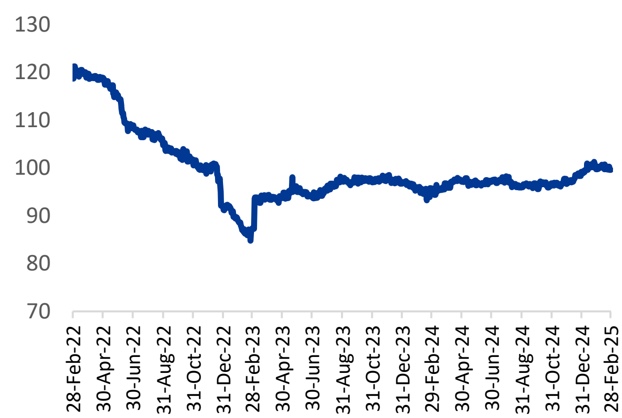
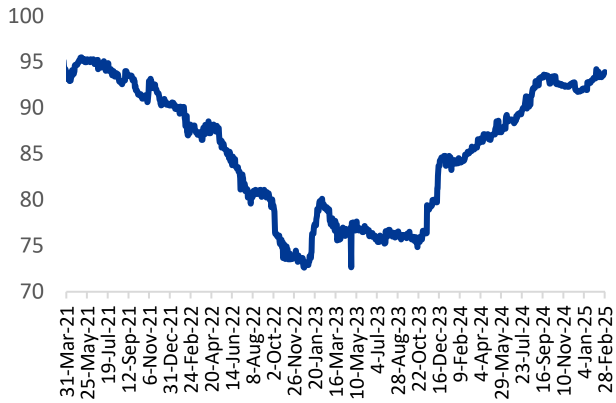


Figure 19: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	72.73	-2.56	-4.25
US dollar index	107.37	-1.03	-1.49
10Y Treasury yield[1]	4.24	-0.33	-0.30
2Y Treasury yield[1]	4.01	-0.24	-0.21
10Y German bond yield[1]	2.42	0.06	-0.04
10Y Japan bond yield[1]	1.40	0.30	0.15
Bloomberg UAE Composite USD Liquid index	141.62	2.13	1.79

Source: Bloomberg, [1] in Basis point

Sovereign Highlights

UAE

Tabby Partners with DubaiPay to Offer Convenient Payment Solutions

Dubai integrated Tabby into DubaiPay, its unified digital payment platform, enabling deferred payments and enhancing financial flexibility for residents, businesses, and visitors enabling a secure and seamless way to payments. This addition expands DubaiPay's payment options, allowing users to make installment-based payments alongside credit cards, direct debit, smart wallets, and Apple Pay. The initiative supports Digital Dubai's strategy to accelerate digital transformation and aligns with the emirate's vision of a cashless economy.

UAE's Non-Oil Economy Remains Resilient Despite Slight January PMI Drop

The UAE's non-oil sector started the year strong, driven by robust growth and a sharp rise in business activity, as favourable market conditions and easing cost pressures fuelled a surge in new orders. However, the UAE PMI dipped slightly from 55.4 in December 2024 to 55.0 in January 2025, primarily due to capacity pressures which remained a key issue to the sector. The favorable market conditions and easing cost pressures led to a surge in new orders. However, this had little effect on inventories, as stock levels increased marginally despite robust purchasing growth.

Dubai's GDP Grows 3.1% in 9M24

Dubai's economy maintained strong momentum, with GDP rising 3.1% YOY to AED 339.4 Bn in 9M24, reflecting solid expansion across key sectors. The wholesale and retail trade sector, the largest contributor, grew 2.9% YOY to AED 83.12 Bn, while the transportation and storage sector surged 5.3% YOY to AED 42.14 Bn in 9M24. Additionally, financial and insurance activities rose 4.5% YOY to AED 39.44 Bn in 9M24. Furthermore, other sectors, including ICT, real estate, and manufacturing, posted steady growth, reinforcing Dubai's position as a global trade and innovation hub under the Dubai Economic Agenda D33.

Dubai Records a 9% YOY growth in Visitors in 2024

Dubai welcomed 18.72 Mn international visitors in 2024, reflecting a 9% YOY growth compared to 17.15 Mn in 2023. The strong visitor growth is mainly attributable to Dubai's strategic vision under the Dubai Economic Agenda D33, which focuses on strengthening its global business and tourism appeal. Additionally, the other key drivers of this growth include public-private partnerships, market diversification, infrastructure expansion, and international campaigns. The hospitality sector also saw significant growth, with hotel occupancy rising from 77.4% in 9M23 to 78.2% in 9M24, alongside an increase in room inventory.

ADNOC Gas Secures Long-Term LNG Agreement with Indian Oil

ADNOC Gas entered into a 14-year sales and purchase agreement (SPA) with Indian Oil Corporation Ltd (Indian Oil) to supply up to 1.2 Mn tonnes per annum (MTPA) of liquefied natural gas (LNG). Valued between USD 7 Bn and USD 9 Bn, the agreement converts a previous Heads of Agreement, with deliveries commencing in 2026. The agreement is anticipated to support ADNOC Gas' strategy to expand its customer base, following multiple LNG agreements signed in the past two years, ranging from 0.4 MTPA to 1.2 MTPA for up to 14 years. The LNG will be sourced from ADNOC Gas' Das Island facility, which has a production capacity of 6 MTPA and has shipped over 3,500 LNG cargoes worldwide. This partnership further cements ADNOC Gas' position as a key supplier of lower-carbon LNG to fast-growing Asian markets, including India.

DP World recorded the robust cargo volumes at Jebel Ali Port

DP World achieved another exceptional year in trade, reporting its highest container and breakbulk cargo volumes at Jebel Ali Port since 2015. In 2024, the port handled 15.5 Mn twenty-foot equivalent units (TEUs), an increase of 1 Mn TEUs compared to 2023. This represents the highest throughput in nearly a decade, reinforcing Jebel Ali's position as the region's premier trade and logistics hub despite persistent supply chain disruptions. The port's TEU volume accounted for c.18% of DP World's total global container throughput of 88.3 Mn TEUs for the year. Additionally, breakbulk cargo experienced substantial growth, rising 23% YOY to 5.4 Mn metric tonnes (MTs), marking the second-highest performance in nearly ten years. DP World's global network of ports and terminals managed a record 88.3 Mn TEUs, reflecting an 8.3% YOY growth in 2024. According to the Company, Jebel Ali Free Zone's thriving ecosystem and strong connections with major global economies position it well to support the region's expanding trade volumes.

Saudi Arabia

Fitch affirmed Saudi Arabia's 'A+' credit rating, keeping the outlook stable

Fitch Ratings affirmed Saudi Arabia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A+' with a Stable Outlook, citing the Kingdom's strong fiscal and external balance sheets. The report highlighted that government debt-to-GDP and Sovereign Net Foreign Assets (SNFA) are significantly stronger than the 'A' and 'AA' medians, supported by substantial fiscal buffers in deposits and public-sector assets. Fitch projects SNFA to reach 63.7% of GDP in 2024-2025, far exceeding the 'A' median of 8.7% of GDP. The agency noted that fiscal reforms aimed at reducing reliance on oil revenue could further support the rating. Additionally, it expects non-oil exports to grow steadily, while the services balance deficit is set to decline, driven by strong expansion in the travel sector.

Umm Al Qura to List on Saudi Exchange to Fund USD 26.7 Bn Mecca Development

Umm Al Qura for Development and Construction announced plans to launch an initial public offering (IPO) and list its shares on the Saudi Exchange's primary market. The proceeds will fund infrastructure, land settlements, and the MASAR Destination project, a Mecca redevelopment valued at SAR 100 Bn (USD 26.66 Bn). The Company plans to issue 130.8 Mn new shares, representing 9.09% of its post-increase capital. Located in Mecca, one of Islam's holiest sites, MASAR spans 1.2 Mn square meters and aims to enhance the city's infrastructure. The project will introduce hotels, residential units, retail spaces, and cultural centers.

Ma'aden set to issue US Dollar denominated bonds

State-backed Saudi Arabian Mining Company (Ma'aden) plans to issue US dollar-denominated trust certificates through a special purpose vehicle, offering them to eligible investors in Saudi Arabia and abroad. As part of its growth strategy, the company aims to invest over USD 10 Bn, allocating approximately USD 2.5 Bn annually over the next five years to expand its phosphates, aluminum, gold, and base metals businesses. Citigroup Global Markets Limited, HSBC Bank, Al Rajhi Capital Company, BNP Paribas, GIB Capital, JP Morgan Securities, Natixis, Saudi Fransi Capital, SNB Capital Company and Standard Chartered Bank are appointed as the joint lead managers for the offering

Saudi non-oil business activity surged to 10-Year High

Saudi Arabia's non-oil business sector saw its fastest growth in over a decade in January 2025, driven by a sharp increase in new orders and strong business activity. The seasonally adjusted Riyad Bank Saudi Arabia Purchasing Managers' Index (PMI) rose to 60.5 in January 2025, up from 58.4 in December 2024, driven by the highest rise in new orders since June 2011, with the new orders index climbing to 71.1 in January 2025 compared to 65.5 in December 2024. Additionally, favorable economic conditions and ongoing infrastructure projects boosted demand, resulting in increased customer orders and export sales.

Saudi Wealth Fund PIF seeks USD 3.1 Bn financing from SACE

Saudi Arabia's Public Investment Fund (PIF) is in talks with Italian insurer and export credit agency SACE for EUR 3 Bn (USD 3.1 Bn) in loan guarantees. If approved, SACE will provide backing to a consortium of international banks lending to the USD 1 Tn sovereign fund. These discussions follow Italian Prime Minister Giorgia Meloni's visit to Saudi Arabia, during which agreements worth USD 10 Bn were signed, including a USD 3 Bn financing arrangement for NEOM under a multicurrency untied facility.

Saudi Arabia to introduce updated investment fund rules

Saudi Arabia plans to implement new investment fund regulations to boost transparency, safeguard investors, and align with global market standards. The framework seeks to strengthen the asset management sector, enhance disclosure for fund unit holders, and reinforce governance practices. It also introduces limits on service fees, commissions, and charges levied by public fund managers while establishing guidelines for the voluntary withdrawal of fund managers. The draft regulations, now available to the public on the CMA website, outline the requirements for setting up investment funds and preparing financial statements.

Neom, DataVolt to develop USD 5 Bn AI project

NEOM joined forces with DataVolt to establish a 1.5-gigawatt (GW) net-zero artificial intelligence project within its Oxagon industrial zone. The project's first phase involves a USD 5 Bn investment and it will commence operations by FY2028. NEOM aims to drive AI expansion by leveraging its energy resources and financial strength.

Saudi Arabia’s BNPL firm Tabby prepares for IPO

Tabby, Saudi Arabia’s fintech firm is working with banks to launch an IPO. The fintech giant is working with HSBC Holdings Plc, JPMorgan Chase & Co., and Morgan Stanley on the deal. The company secured USD 200 Mn in Series D equity financing, valuing it at USD 1.5 Bn. Tabby collaborates with over 30,000 brands, including 10 of the largest retail groups in the MENA region. Its user base stands at 10 million,

Saudi Arabia reported USD 30.83 Bn fiscal deficit for FY2024

Saudi Arabia reported a fiscal deficit of SAR 115.625 Bn (USD 30.83 Bn) in FY2024, driven by a 6% YOY rise in total spending. The government revised its FY2024 deficit estimate to SAR 115 Bn, up from an earlier forecast of SAR 79 Bn riyals, accounting for approximately 3% of GDP. The deficit reached SAR 58 Bn, by September 30th, with more than half incurred in 3Q24. Total revenue for FY2024 reached SAR 1.26 Tn, reflecting a 4% YOY increase , while spending grew SAR 1.38 Tn, up 6% YOY. In the 4Q24, the budget deficit stood at SAR 57.66 Bn, with spending declining 9% from the previous year to SAR 360.52 Bn.

Saudi Inflation witnessed modest uptick as it reached 2% in January 2025

Saudi Arabia's Consumer Price Index (CPI) recorded a 2% inflation rate in January 2025, rising slightly from 1.9% in December 2024, driven primarily by an 8% increase in housing, water, electricity, gas, and fuel prices. Food and beverage costs rose by 0.8%, while miscellaneous personal goods and services saw a 3.3% uptick, largely due to a 21.6% surge in jewellery, watches, and antiques. In contrast, transportation expenses declined by 1.9%, with food prices influenced by a 5.6% rise in vegetable costs. On a monthly basis, inflation edged up by 0.3% from December 2024, mainly due to a 0.3% increase in housing, water, electricity, gas, and fuel prices, with actual housing rents also rising by 0.3%.

Dar Al Arkan Consortium acquired Jeddah property worth USD 2 Bn auction

Dar Al Arkan, along with Kenzi Al Arabiya Company and a group of investors, acquired a real estate property in Jeddah for SAR 4.5 Bn (USD 1.2 Bn) at a major auction. The acquisition represents the largest real estate auction in Saudi Arabia for FY2025. The company anticipates a positive financial impact from the transaction beginning in 2Q25 and continuing in the following years.

Saudi Aramco to Acquire 25% Stake in Philippines' Unioil

Aramco finalized agreements to acquire a 25% equity stake in Unioil Petroleum Philippines, with its strategy to expand downstream operations and enhance its global retail network by securing more outlets for its refined products. The investment aims to introduce Aramco's high-quality products and services to the Philippines while strengthening its presence in key global markets through strategic partnerships. Aramco plans to extend its brand, competitive retail offerings, and Valvoline-branded lubricants to select retail stations in the Philippines upon completion of the deal.

Saudi Arabia acquired 44.6% stake in Olam's agribusiness for USD 1.8 Bn Saudi Arabia's SALIC agreed to acquire a 44.58% stake in Olam Group's agricultural business for USD 1.78 Bn. The acquisition aligns with SALIC's strategy to diversify essential commodity sources and strengthen its position in the global grains sector. The acquisition also highlights Saudi Arabia's focus on securing food supply chains and reducing reliance on imports. Olam will have unlocked USD 3.87 Bn in gross proceeds after the completion of the divestiture. Meanwhile, Olam is preparing to list its ingredients business, ofi, on the London Stock Exchange's premium segment, along with a secondary listing in Singapore.

Qatar

Qatar Partners With Scale AI to Enhance Government Services Using AI

Qatar's government entered in a five-year partnership with Scale AI to deploy AI-powered tools and training, enhancing public services in the Gulf Arab state. The collaboration will facilitate the adoption of predictive analytics, automation, and advanced data analysis to improve operational efficiency. Over the next five years, Scale AI will identify and develop more than 50 potential AI applications for Qatar's government.

Oman

Oman Sets Out Tender For Dry Port Project on Saudi border

Public Authority for Special Economic Zones and Free Zones (OPAZ) in Oman announced the launch of the third package tender for developing the economic zone at Al Dhahira (EZAD), that includes construction of a 4 sq km dry port facility and a veterinary quarantine near the Omani-Saudi border in collaboration with Saudi Arabia, with Phase I covering 1 sq km along with the veterinary quarantine, aligning with EZAD's goal of strengthening trade between Oman and Saudi Arabia while ensuring high standards through civil, mechanical, electrical, plumbing, and structural works.

Omani Investment Firm to Back Asyad Shipping IPO

Oman's Asyad Shipping announced that its upcoming IPO will receive anchor investments from Qatar Investment Authority (QIA) subsidiary and a government-owned Omani investment firm. QIA's Falcon Investments and the Omani government's Mars Development will acquire 20% and 10% of the offering, respectively, at 123 baisas per share. The IPO includes 1.042 Bn shares valued at over OMR 128 Mn, giving the company a total valuation of OMR 640.7 Mn.

Moody's Changed Omani Banks' Outlook to 'Positive' due to Improved Loan Quality

Moody's upgraded the outlook for Oman's banking sector from "stable" to "positive" due to improving operating conditions and loan quality. Moody's expects loan quality to improve as economic growth strengthens borrowers' repayment capacity. Omani banks are anticipated to maintain steady profitability and solid capital buffers. Non-oil growth in Oman is projected to reach around 3% in 2025-2026, driven by strong business confidence, tourism, and private sector investments in various sectors. On the other hand, over-reliance on government deposits remains a risk, deposit growth is expected to align with loan demand. The positive outlook also reflects the government's improved capacity to support banks in a crisis, thanks to reduced debt and better debt affordability.

Kuwait

Kuwait Projects USD 20.43 Bn Deficit in 2025-26 Draft Budget

Kuwait's draft budget for 2025-2026 forecasts a deficit of KWD 6.3 Bn, with total revenues projected at KWD 18.23 Bn. Additionally, oil revenues are expected to reach KWD 15.3 Bn, marking a 5.7% decline from 2024-2025, based on an oil price of USD 68 per barrel. Meanwhile, total expenditure is set to decrease slightly by 0.1% to KWD 24.54 Bn.

Kuwait Allocated KWD 1.7 Bn for 124 Projects in 2025-26 Budget

Kuwait's 2025-2026 budget allocates c. KWD 1.7 Bn for 124 projects in 2025-26. Total capital expenditure for the project is estimated at nearly KWD 1.9 Bn These projects aim to benefit citizens by enhancing key sectors such as health, power, water, education, and sewage. The budget forecasts a deficit of KWD 6.3 Bn, with total revenues projected at KWD 18.2 Bn.

EGYPT

Egypt’s Non-Oil Private Sector PMI Rose from 48.1 in December 2024 to 50.7 in January 2025

Egypt's non-oil private sector expanded from 48.1 in December 2024 to 50.7 in January 2025, marking its first growth since August 2024, driven by higher output and sales volumes. The growth in Egypt’s non-oil private sector is mainly supported by improving domestic market conditions and easing cost pressures, which boosted sales. However, businesses were unsure if the improvement would last, making them cautious about hiring more staff. Output and new orders increased in January while the cost pressures eased to an eight-month low, with input prices rising at a slower pace. This allowed firms to make only slight increases in output prices, marking the softest rise in four-and-a-half years.

Egypt’s Annual Inflation Eases to 24% in January 2025

Egypt's annual urban consumer price inflation declined marginally to 24% YOY in January 2025 from 24.1% in December 2024. Prices remained high across all categories compared to January 2024, with food and beverages increasing by 20.2%, transport by 33.6%, and entertainment by 48%. On a monthly basis, Egypt’s headline inflation rose 1.6% in January 2025 after remaining unchanged in December 2024. Additionally, food and beverage prices increased by 2.1% MOM, while healthcare services saw a 4.6% rise. A sharp expansion in the money supply drove the increase in prices, with M2 money supply growing by a record 31.07% in 2024.

BP Announces Start of Raven Field’s Second Phase Production

BP has begun production of Raven field offshore Egypt’s second development phase. The newly drilled wells are projected to yield approximately 220 Bn cubic feet of gas and 7 Mn barrels of condensate. Egypt natural gas production declined to record low levels, with its domestic supplies reaching a seven-year low in September 2024. Furthermore, this downturn turned the country into a net importer, securing multiple cargoes to meet demand. In response, Egypt is actively negotiating with international oil and gas companies to attract further investment to mitigate the natural decline.

Egypt’s Central Bank Maintains Overnight Interest Rates

Egypt's central bank kept its key overnight interest rates unchanged, citing inflation risks stemming from global trade uncertainties and geopolitical tensions. Furthermore, the monetary policy committee maintained the lending rate at 28.25% and the deposit rate at 27.25%. Additionally, the central bank emphasized that holding rates steady would support the projected disinflation trend and help stabilize inflation expectations.

Moody’s Affirms Egypt’s Caa1 Rating, with Positive Outlook

Moody’s reaffirmed Egypt’s Caa1 long-term foreign and local currency issuer ratings, maintaining a positive outlook due to progress in external and fiscal rebalancing. The agency also retained Egypt’s foreign-currency senior unsecured ratings at Caa1 and its foreign-currency senior unsecured MTN program rating at (P)Caa1. Additionally, the positive outlook has reflected the possibility of strengthening Egypt's external position and debt servicing capacity. However, Moody's cautioned that capital outflow owing to external shocks could threaten the country's commitment to a floating exchange rate, potentially causing renewed external imbalances and a depletion of foreign-currency reserves.

Egypt to Increase Monthly Minimum Wages for Public Sector Employees

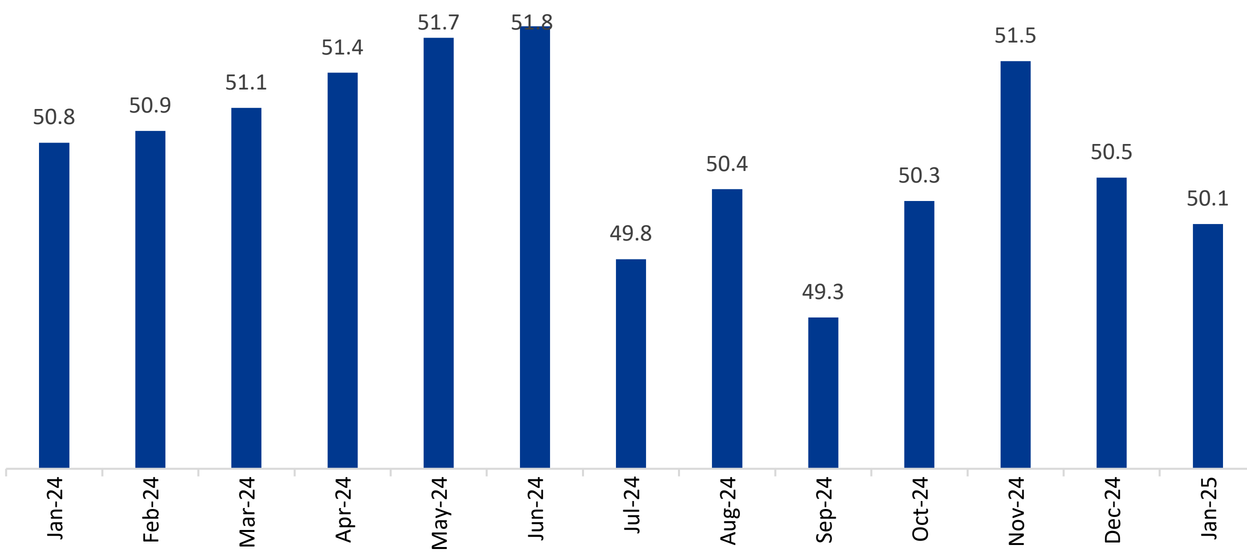
Egypt to increase the minimum wage for public sector workers to EGP 7,000 per month starting in July 2025, aligning it with the private sector's minimum wages. The raise is part of a broader social protection plan costing EGP 80-85 Bn, set to begin in the new fiscal year. A temporary relief package of EGP 35-40 Bn also be implemented from March to June, supporting 10 Mn of the most vulnerable families in March and April. Despite past wage hikes, inflation eroded their real value. With high inflation at 24% in January and an economic crisis, Egypt is seeking an USD 8 Bn IMF loan to stabilize its economy, which includes adopting a flexible exchange rate and reducing the state's economic role.

Global Economy

China’s Manufacturing Sector Weakens in January.

China's manufacturing sector expanded in January slower, with PMI marginally falling to 50.1 in January 2025 from 50.5 in December 2024. It remained marginally above 50.0, which separates expansion from contraction. The slower expansion in output is due to the decline in staffing the most since 2020, the decline in exports for the second consecutive month and challenges emerging from the international policies. The production growth accelerated in January 2025 owing to high business orders driven by improved underlying demand, and higher promotional effort also supported the growth in output. The sentiment among the manufacturers improved on the back of improved demand and growth optimism. Purchasing activity expanded in response to higher work inflows, and producers showcased interest to accumulate inventories as buffer stock supporting growing demand.

Figure 20: China Caixin Manufacturing PMI

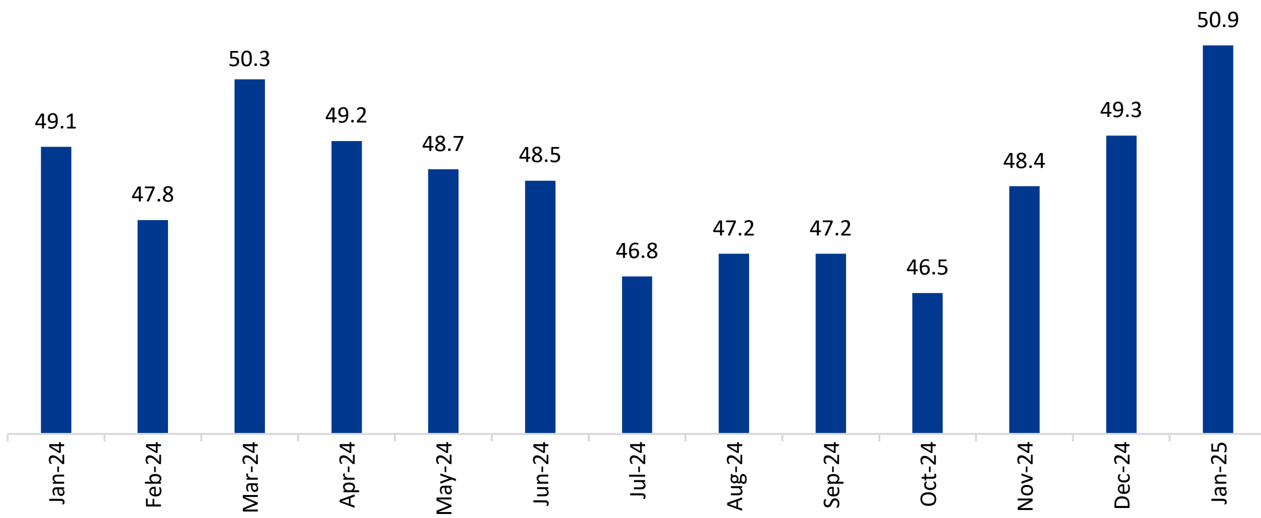


Source: CAPIQ

US Manufacturing activity recorded growth for the first time in two years

US manufacturing activity expanded in January 2025, after 26 months of contraction, with the PMI index rising to 50.9 from 49.3 in December 2024 due to the higher growth in new orders. The new orders index rose from 52.1 in December 2024 to 55.1 in January 2025. The production index turned around after eight months of contraction, as the index rose from 52.1 in December 2024 to 55.1 in January 2025. Additionally, the employment index expanded from 45.4 in December 2024 to 50.3 in January 2025. Furthermore, inflation pressure continued to grow as the index increased from 52.5 in December 2024 to 54.9 in January 2025.

Figure 21: US ISM Manufacturing PMI

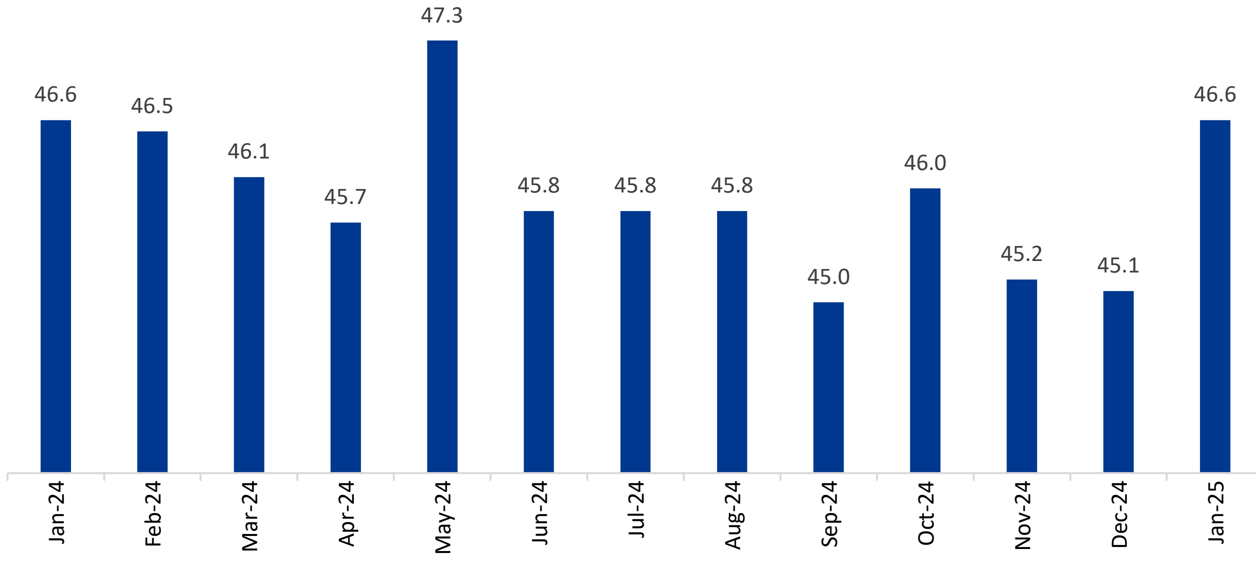


Source: CAPIQ

Eurozone manufacturing activity falls at the slowest pace in eight months

The eurozone's manufacturing sector contracted at a slower pace in January 2025, with the final HCOB manufacturing PMI rising to 46.6 in January 2025 from 45.1 in December 2024. This is the highest level in the last eight months. The slowdown in contraction is due to a lower decline in output, orders, inventories, and purchasing activity. The export market also had a lower impact on the factory sales performance in January 2025. The manufacturers tapered their purchases while the decline was the lowest in the last eight months, and inventories also registered a weak rate depletion. However, staffing cuts accelerated as companies cleared backlogs. Although input prices increased for the first time since August 2024, firms refrained from passing costs to the customers. Manufacturers remain optimistic about the outlook for production amid a climb in growth expectation, the highest since February 2022. Among major economies, Spain was the only one to expand, while France and Germany saw the steepest declines.

Figure 22: Eurozone's Manufacturing PMI

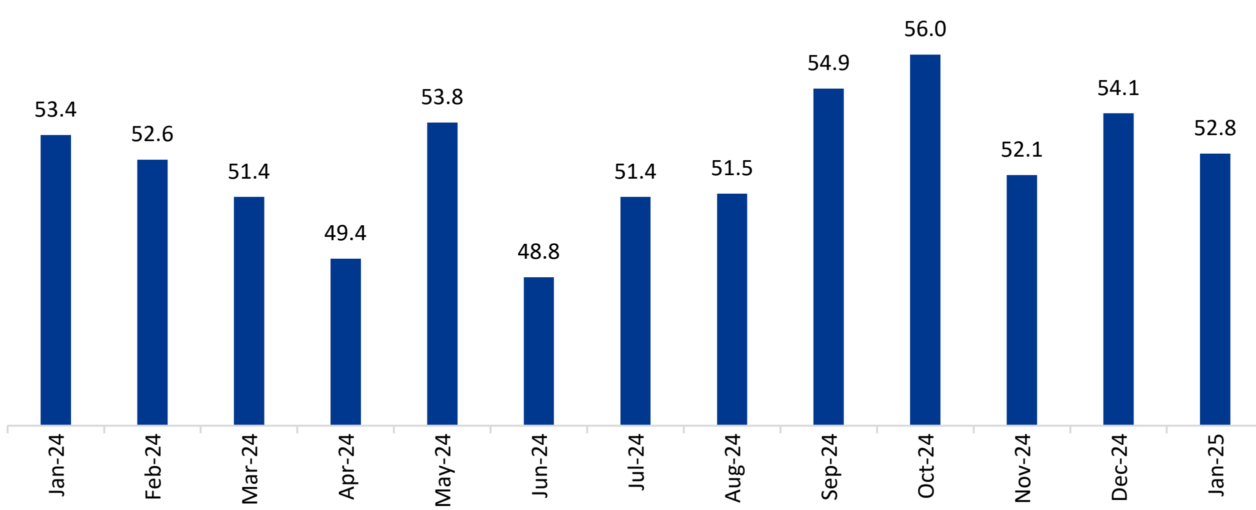


Source: CAPIQ

US services sector surprisingly recorded a modest slower growth in January

US service sector growth slowed unpredictably in January, with PMI index PMI falling from a revised 54.1 in December 2024 to 52.8 in January 2025, driven by a slow growth in business activity and new orders. The business activity index dropped from 58.0 to 54.5, while the new orders index fell from 54.4 in December 2024 to 51.3 in January 2025. The survey committee indicated that slower growth is owing to poor weather conditions. On the other hand, the employment index rose from 51.3 in December 2024 to 52.3 in January 2025, indicating modest growth in employment opportunities. However, price pressures eased as the index fell from 64.4 in December 2024 to 60.4 in January 2025, suggesting a slowdown in price growth.

Figure 23: US ISM Services PMI

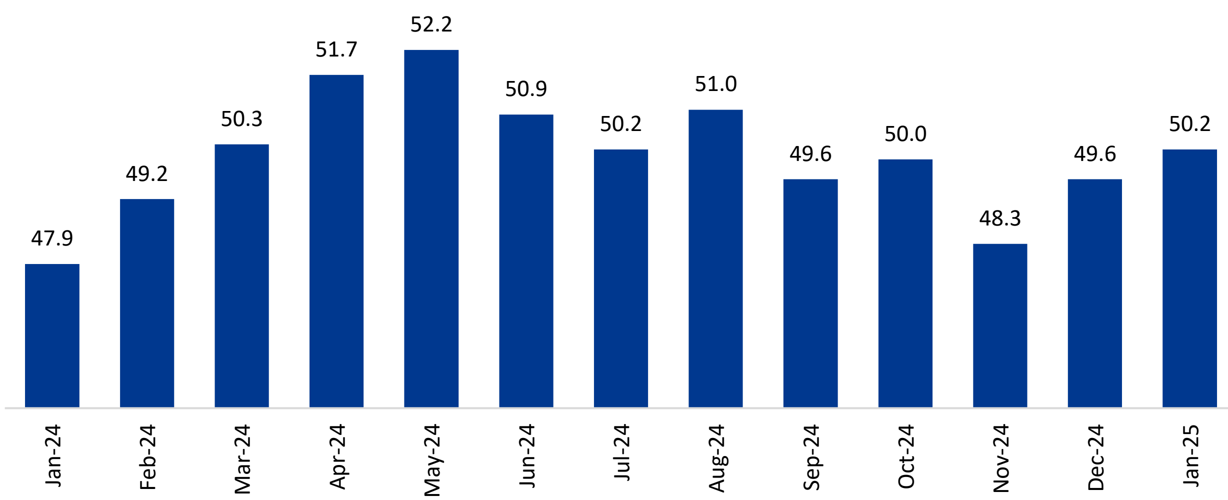


Source: CAPIQ

Eurozone private sector recorded growth after five months

The Eurozone private sector expanded in January for the first time in five months, supported by a slower decline in factory production and a soft expansion in services activity. The HCOB composite output index rose from 49.6 in December 2024 to 50.2 in January 2025. The services sector PMI index dropped marginally from 51.6 in December 2024 to 51.3 in January 2025. The output rose in January 2025 despite eight consecutive falls in overall new business inflows. The backlog declined for the second consecutive month as both manufacturers and service providers cleared backlog. The workforce softened marginally in January 2025 as job losses were confined to manufacturing. The growth expectation among the companies remained the highest since July 2024, and manufacturers remained more bullish than service providers for the first time in three years.

Figure 24: HCOB Eurozone Composite Purchasing Managers Index

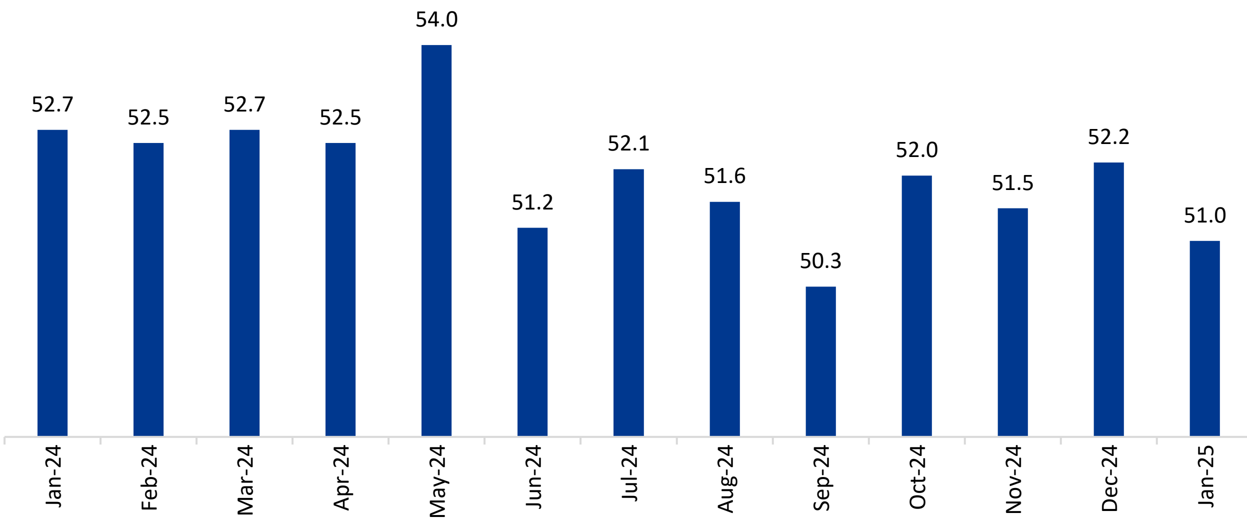


Source: CAPIQ

China’s services activity softened in January 2025

China's services sector grew at a slower pace in January, as weak new business expansion and job losses weighed on growth, with the Caixin Services PMI falling from 52.2 in December 2024 to 51.0 in January 2025. Service sector growth was supported by higher new business, driven by improved demand and successful business development. Additionally, foreign demand rebounded after falling at the end of 2024. However, the backlog fell for the first time since July 2024, and the rate of decline was pronounced in the last two and a half years. The cost pressure intensified in January 2025 as the cost inflation hit the highest level in three months, owing to higher input prices. Sentiment in the services sector remained positive, and the companies expressed hope that corporate growth plans and supportive government policies could support sales in the next twelve months. The level of confidence remained below average.

Figure 25: China's Service Sector PMI



Source: CAPIQ

Bank of England lowers rate by 25 bps, expects soft growth in 1Q25

The Bank of England reduced its key interest rate by 25 basis points to 4.50%. The majority of the monetary policy committee members voted in favour of the cut, while the two members voted for a higher cut amid sluggish UK economic growth owing to uncertainty over trade tariffs. The committee judged that there is progress on disinflation due to the decline in domestic prices and wages. The MPC stressed a cautious approach to further easing. Governor Andrew Bailey emphasized that future rate cuts would depend on economic conditions. The committee maintained that monetary policy should remain restrictive until inflation risks subside.

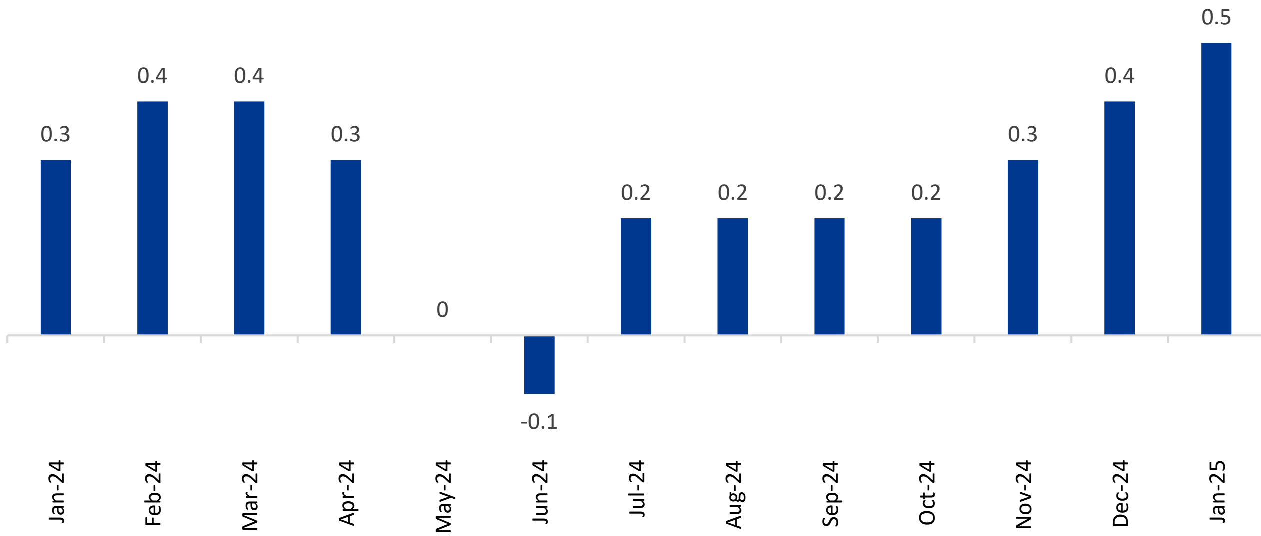
Fed is no hurry to cut rates as economy remains strong

Federal Reserve Chairman Jerome Powell indicated it is in no rush to lower interest rates, pointing to a resilient economy with low unemployment and inflation above the Fed target range. Addressing the Senate Banking Committee, he cautioned that premature policy easing could hinder inflation control. While recognizing risks such as trade tariffs and labor market shifts, he asserted that current policy is well-equipped to navigate uncertainties.

US consumer prices grew 0.5% in January, exceeding estimates

US consumer prices rose more than expected in January, with the CPI growing from 0.4% in December 2024 to 0.5% in January 2025. This is higher than the forecast of 0.3%. Additionally, annual inflation accelerated to 3.0% in January 2025 from 2.9% in December 2024. The higher-than-expected growth in monthly inflation is due to continued growth in energy prices, which rose by 1.1% in January 2025 after growing 2.4% in December 2024. The core inflation excluding food and energy prices rose 0.4% in January 2025 after climbing 0.2% in December 2024. The monthly growth in core inflation is driven by an increase in shelter costs as well as higher prices of motor vehicle insurance, recreation, used cars and trucks, medical care, communication and airline fares.

Figure 26: US Consumer Price Inflation % (MOM)



Source: CAPIQ

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