FAB أبوظبي الأول للأوراق المالية SECURITIES

MENA CREDIT RESEARCH

May 2025

Equity Recovered on Tariff Pause; Treasuries Slip Amid US Fiscal Woes

Sector Weighting: **MARKET WEIGHT**

GCC Fixed Income Outlook

The GCC Debt Capital Market (DCM) totalled USD 1 Tn in outstanding issuances across all currencies, reflecting a 10% YOY growth in 1Q25. According to Fitch Ratings, DCM issuances grew 11% QOQ but declined 3% YOY to USD 89 Bn in 1Q25. Saudi Arabia accounted for the largest share of total outstanding issuances at 45.1%, followed by the UAE at 29.9% and Qatar at 13% in 1Q25. With the U.S. Federal Reserve signalling potential rate cuts later in the year, most GCC central banks are expected to follow suit due to the currency peg. Against this backdrop, many GCC banks and corporates are likely to continue diversifying their funding sources through increased participation in the debt capital markets.

GCC bond and Sukuk issuances witnessed strong momentum in May 2025, totalling USD 15.6 Bn, reflecting a significant increase compared to the previous month. The issuance activity was primarily driven by banks, corporates, and sovereign entities. GCC banks continued active participation, raising USD 4.9 Bn during the month. Banque Saudi Fransi tapped the market with a USD 650 Mn perpetual AT1 bond at a 6.375% coupon, attracting over USD 1.9 Bn in orders. The bond is expected to be listed on the London Stock Exchange. Bank Al Bilad and Saudi Awwal Bank also issued USD 650 Mn each in AT1 instruments. Additionally, other regional banks collectively issued USD 2.9 Bn in Sukuk during the month. Corporate issuances also remained strong, contributing USD 8.3 Bn to the total volume during the month. On the sovereign front, the Kingdom of Bahrain raised USD 2.5 Bn through a dual-tranche offering, comprising a USD 1.75 Bn 8-year Sukuk at 6.25% and a USD 750 Mn 12-year conventional bond at 7.50%, both priced tighter than initial guidance. The offering garnered robust demand of USD 6 Bn, with stronger investor interest in the Sukuk tranche.

In its latest policy meeting held in May 2025, the U.S. Federal Reserve maintained its benchmark interest rate at 4.25%-4.50%. It signalled a cautious, data-dependent stance, suggesting that rates are likely to remain unchanged in the near term amid ongoing economic uncertainty. During the same period, U.S. Treasury yields experienced a modest upward trend, driven by fiscal concerns and market volatility. Reflecting these global trends, 10-year GCC government bond yields also faced upward pressure, influenced by both international market volatility and regional fiscal dynamics. Meanwhile, the 5-year CDS spreads declined across the GCC countries. The UAE Purchasing Managers Index (PMI) held steady at 54.0 in April 2025, as compared to March 2025, indicating continued improvement in the non-oil private sector. Employment rose at the fastest rate in 11 months as firms sought to ease backlogs, though some reported difficulties in recruitment. Output remained strong but grew more slowly, marking a seven-month low. Meanwhile, total new orders increased marginally from 56.3 in March 2025 to 56.9 in April 2025, supported by the strongest rise in international demand in five months and an uptick in domestic client acquisitions. The UAE's non-oil economy continues to demonstrate resilience, underpinned by robust diversification efforts across manufacturing, digital technology, and renewable energy sectors. According to the IMF, Abu Dhabi's economy is projected to expand by 4.2% in 2025, with growth accelerating to 5.8% in 2026. Meanwhile, Dubai's economy is projected to grow by 3.3% in 2025, rising slightly to 3.5% in 2026. Saudi Arabia's non-oil sector PMI declined to 55.6 in April 2025 from 58.1 in March, marking the slowest growth since August 2024. Despite the slowdown, the index remained well above the 50.0 threshold, signalling continued expansion. The moderation was primarily driven by a slight easing in output and new business growth. New orders softened to 61.0 in April 2025 from 64.0 in March 2025, though sales remained resilient, supported by robust domestic demand. Export orders also continued to grow, led by the manufacturing sector. The Output subindex slightly declined to 61.9 in April 2025 from a six-month peak of 62.2 in March 2025, yet continued to reflect robust demand, led by notable growth in the wholesale and retail sectors. According to the flash estimates provided by the General Authority for Statistics (GASTAT), Saudi Arabia's real GDP grew 2.7% YOY in 1Q25, driven by a 4.2% YOY rise in non-oil GDP, while oil GDP declined by 1.4% YOY. Additionally, according to GASTAT, the country's non-oil exports, including re-exports, increased by 10.7% YOY to approximately SAR 27.04 Bn in March 2025. Moreover, Kuwait has allocated around USD 6.0 Bn for infrastructure and public service initiatives in its 2025–2026 budget, with capital spending of KWD 1.7 Bn earmarked for over 90 projects. The planned investments will target critical sectors, including transportation, utilities, and the development of strategic assets like the Mubarak Al Khabeer Port. According to preliminary figures from the Information and eGovernment Authority, Bahrain's real GDP grew by 2.6% YOY in 2024. The expansion was driven by a 3.8% YOY increase in non-oil activities, while the oil sector contracted by 4.0% YOY during the same period. Oman posted a trade surplus of OMR 7.517 Bn in 2024, primarily driven by higher exports of refined oil products. Meanwhile, the IMF revised Oman's real GDP growth forecast to 2.3% for 2025, compared to its earlier projection of 3.1%.

Gold Outlook

Gold prices remained flat in May 2025 compared to the previous month, reaching USD 3,289.25 per ounce on May 30, marking the fifth consecutive monthly gain. Prices declined in the first two days of the month owing to the appreciation of the US dollar and easing trade concerns as Donald Trump indicated potential trade agreements with South Korea, Japan, and India, which reduced the demand for the bullion. Later, gold prices increased during the week, driven by the US President's tariff concerns as investors chose the safe haven to hedge against portfolio volatility. Additionally, the Federal Reserve's warning of rising unemployment and inflation leading to economic uncertainty drove stronger demand for gold. Moreover, gold prices were partially offset by the announcement of the US-UK trade deal and expected US-China trade talks. In the following week, gold prices declined further on waning US-China trade tensions after a 90-day pause on tariffs and a stronger dollar continued to diminish safe-haven demand, extending losses from the previous week. After the mid-week, gold prices rose due to renewed US tariff threats and a weaker dollar, prompting investors to seek safe-haven assets amid a worsening US economic outlook. Consequently, Moody's downgrade of the US credit rating added some support to the yellow metal. However, gold prices corrected at the end of the month due to easing US-EU trade tensions after the extension of the tariff deadline and a rising US dollar, along with the US court's decision to block President Trump's tariffs, further pressuring the prices.

Oil Outlook

Brent Crude oil prices rose 1.2% MOM to USD 63.90 per barrel on 30 May 2025. Oil prices fell in the first two days of May 2025 due to an expected rise in crude supply, resulting in a selloff. Prices gained in the following week, driven by China's initiative for trade talks, partially offset by the OPEC+ decision to increase oil output. Later, oil prices continued the momentum as the US-UK trade agreement decreased the prospects of economic disruption. Additionally, a 90-day pause in the US-China trade war also supported oil prices. However, oil prices declined after mid-week due to the appreciation of the US dollar and an anticipated rise in OPEC+ production. Moreover, oil prices fell at the end of the month due to the ongoing predictions of rising OPEC+ production and uncertainty on the US tariffs.

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Our Top Bond Picks:

Top Bond Picks for Short-term (Currency in USD)

	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rtg	S&P Rating	Cntry of Risk	Coupon	Maturity
1	Emirates NBD Bank PJSC	EBIUH	XS2754455769	5.29	600,000,000	A+	A1	N/A	AE	5.75726	1/31/2029
2	Oman Government International Bond	OMAN	XS1575967218	4.90	1,626,861,000	BB+	Ba1	BBB-	OM	5.375	3/8/2027
3	BSF Sukuk Co Ltd	BSFR	XS2741362862	4.87	700,000,000	A-	N/A	A-	SA	5	1/25/2029
4	KFH Sukuk Co	KFHKK	XS2744854261	4.83	1,000,000,000	A	N/A	N/A	KW	5.011	1/17/2029
5	SRC Sukuk Ltd	SRCSUK	XS3010536061	4.83	1,000,000,000	A+	Aa3	N/A	SA	5	2/27/2028
6	DIB Sukuk Ltd	DIBUH	XS2553243655	4.81	750,000,000	A	A3	N/A	AE	5.493	11/30/2027
7	Suci Second Investment Co	PIFKSA	XS2706163131	4.80	2,250,000,000	A+	Aa3	N/A	SA	6	10/25/2028
8	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS2677030194	4.65	650,000,000	A+	N/A	A+	AE	5.5	1/12/2029
9	Emirates NBD Bank PJSC	EBIUH	XS2625209270	4.58	750,000,000	A+	A1	N/A	AE	5.875	10/11/2028
10	KSA Sukuk Ltd	KSA	XS2548889406	4.55	2,500,000,000	A+	Aa3	N/A	SA	5.268	10/25/2028
11	Saudi Government International Bond	KSA	XS2974923497	4.54	5,000,000,000	A+	Aa3	N/A	SA	5.125	1/13/2028
12	KSA Sukuk Ltd	KSA	XS2830523465	4.50	1,250,000,000	A+	Aa3	N/A	SA	5.25	6/4/2027

Data Source: Bloomberg

Top Bond Picks for Long-term (Currency in USD)

	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rtg	S&P Rating	Cntry of Risk	Coupon	Maturity
1	Oman Government International Bond	OMAN	US682051AF48	6.60	2,000,000,000	BB+	Ba1	BBB-	OM	6.5	3/8/2047
2	DP World Ltd/United Arab Emirates	DPWDU	US23330JAB70	6.32	1,300,000,000	BBB+	Baa2	N/A	AE	5.625	9/25/2048
3	Saudi Government International Bond	KSA	US80413TAJ88	6.24	3,500,000,000	A+	Aa3	N/A	SA	5	4/17/2049
4	Finance Department Government of Sharjah	SHJGOV	US38381CAF95	6.18	1,000,000,000	N/A	Ba1	BBB-	AE	6.125	3/6/2036
5	Saudi Electricity Sukuk Programme Co	SECO	XS2608638602	6.06	1,500,000,000	A+	Aa3	N/A	SA	5.684	4/11/2053
6	Finance Department Government of Sharjah	SHJGOV	US38381CAE21	5.96	1,000,000,000	N/A	Ba1	BBB-	AE	6.5	11/23/2032
7	DP World Ltd/United Arab Emirates	DPWDU	XS0308427581	5.92	1,750,000,000	BBB+	Baa2	NR	AE	6.85	7/2/2037
8	Saudi Electricity Global Sukuk Co 3	SECO	US80413MAB00	5.77	1,000,000,000	A+	Aa3	A+	SA	5.5	4/8/2044
9	Abu Dhabi Government International Bond	ADGB	US29135LAU44	5.68	1,750,000,000	AA	N/A	AA	AE	5.5	4/30/2054
10	Sharjah Sukuk Program Ltd	SHARSK	XS2914525154	5.60	1,000,000,000	N/A	Ba1	BBB-	AE	5.433	4/17/2035

Data Source: Bloomberg

Content:

MENA credit outlook

Public Investment Fund (PIF) raised USD 1.25 Bn through 7-year sukuk

PIF raised USD 1.25 Bn through a 7-year sukuk in April 2025. The offering is PIF's second bond market transaction in 2025. PIF tightened its pricing to 110 basis points over the US Treasuries, down from the initial guidance of 140 basis points, due to strong investor demand, with orders exceeding USD 8.2 Bn.

DP World raises USD 1.5 Bn through 10-year US dollar sukuk

DP World priced a USD 1.5 Bn, 10-year sukuk at a coupon rate of 5.5%, 145 basis points over the US Treasuries. The offering was set for issuance on May 8, 2025, with the offer book exceeding USD 3.3 Bn, reflecting solid investor demand. The sukuk will be issued by DP World Crescent Limited and listed on the London Stock Exchange and Nasdaq Dubai. The issue is a part of DP World's USD 7.5 Bn trust certificate program and will support general corporate purposes. Additionally, DP World holds a Baa2 and BBB+ ratings from Moody's and Fitch.

Bahrain secures USD 1.75 Bn through sukuk and USD 750 Mn via bond offering

Bahrain priced its USD 1.75 Bn 8-year sukuk at a coupon rate of 6.25%, lower than the earlier expected initial price thoughts (IPTs) of c. 6.625%. Similarly, the USD 750 Mn 12-year bond is priced at 7.50%, down from initial price thoughts (IPTs) of c. 7.75%. The two-part offering drew strong demand of USD 6.3 Bn, with more interest in the sukuk than the bond. The sukuk is issued under Bahrain's Trust Certificate Programme, while the bond is issued under its Global Medium Term Note Programme.

Banque Saudi Fransi successfully concludes USD 650 Mn AT1 bond offering

Banque Saudi Fransi (BSF) completed USD 650 Mn US dollar-denominated AT1 bond issuance. The 6-year non-callable perpetual bond was issued with at 6.375%, with a +252 bps reset margin. The transaction drew strong demand with the order book exceeding USD 1.9 Bn. The bond is a part of BSF's USD 3 Bn AT1 Capital Note Programme with listing on the London Stock Exchange. BSF holds A1 (Moody's) and A- (S&P and Fitch) ratings, with global banks like HSBC, ADCB, Saudi Fransi Capital, Citigroup Global Markets, etc. acting as joint lead managers.

Omniyat upsizes its inaugural sukuk issuance to USD 500 Mn

Omniyat increased its inaugural dollar sukuk issuance to USD 500 Mn from USD 400 Mn after strong investor demand that pushed the order book to USD 1.8 Bn. The sukuk was priced at 8.375%, down from the initial price of c. 8.0%, signalling solid market interest, though analysts noted limited potential for immediate price gains. Rated BB- by Fitch, indicating moderate risk of default with speculative grade. The funds from the issue will finance Omniyat's ultra-luxury projects targeting high-net-worth individuals relocating to Dubai.

Al Rajhi Bank launched USD 500 Mn 5-year sukuk at T+95bps

Al Rajhi Banking and Investment Corp. issued a USD 500 Mn five-year USD sukuk, priced at T+95 basis points, narrowed from the initial guidance of c. T+125bps due to strong investor demand. The offering witnessed an order book of USD 1.2 Bn. The proceeds from the sukuk will be used to support general corporate activities. The sukuk is issued through Al Rajhi Sukuk Ltd., with Al Rajhi Bank serving as the obligor.

Saudi National Bank to launch fresh sukuk issuance

Saudi National Bank (SNB) plans to launch a SAR-denominated sukuk to strengthen its capital position in line with the Basel III framework. The board approved the issuance on November 11, 2024, with the sukuk being offered to only eligible investors in Saudi Arabia, subject to market conditions and regulatory approvals. SNB Capital will serve as the sole bookrunner, lead arranger, and lead manager for the transaction.

Sobha Realty has priced a USD 500 Mn 3-year sukuk at 8%

Sobha Realty appointed banks for a 3-year, USD 500 Mn sukuk issuance under its USD 1.5 Bn Trust Certificate Issuance Programme. The sukuk is priced at 8% with a 7.9955% semi-annual coupon rate. The issue met with solid investor backing, with the final order book surpassing USD 1.45 Bn. Joint lead managers for the deal include Abu Dhabi Commercial Bank, JP Morgan, and Emirates NBD Capital. The sukuk will be listed on the London Stock Exchange and Nasdaq Dubai, with proceeds from the issue allocated to settle existing debts and general corporate purposes.

Warba Bank eyes 6.5% yield on USD 250 Mn AT1 sukuk offering

Warba Bank has priced its USD 250 Mn AT1 sukuk at 6.25%, lower than the initial guidance of 6.5%, owing to strong investor demand. The Reg S, Category 2 sukuk is a perpetual instrument with a 5.5-year non-call period, offering a benchmark yield of 4.148% and a reoffer yield of 6.25%. The sukuk will be listed on Nasdaq Dubai and the London Stock Exchange's International Securities Market on May 20, 2025.

Saudi Awwal Bank sets preliminary pricing for USD green AT1 sukuk

Saudi Awwal Bank has appointed BofA Securities and HSBC to arrange its first USD-denominated green AT1 sukuk through private placement. The issue is a part of Saudi Awwal Bank's USD 5 Bn AT1 Capital Certificate Programme. The sukuk is structured as a mudaraba with an initial price of c. 6.875%. Meanwhile, HSBC will act as the sole green structurer. The proceeds will enhance the bank's capital base and support general corporate purposes. The sukuk is expected to be listed on the London Stock Exchange.

Bank Albilad releases initial price guidance for its first AT1 sukuk offering

Bank Albilad launched its first USD-denominated AT1 sukuk, expected to be sized at USD 500 Mn, with initial price thoughts of c. 6.750%. The perpetual non-call 5.5-year mudaraba sukuk is issued under the bank's USD 2 Bn AT1 capital sukuk programme. Albilad Capital and HSBC Bank plc will serve as global coordinators and joint lead managers, respectively, with Emirates NBD Capital and Goldman Sachs International as joint lead managers. The sukuk will be listed on the London Stock Exchange.

Alinma Bank plans 5.5-year USD AT1 sukuk offering

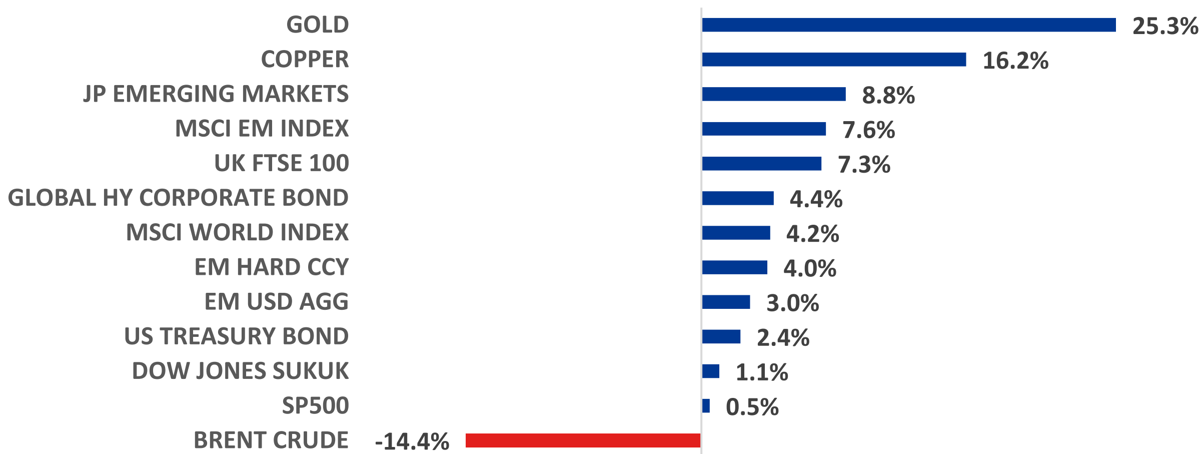
Saudi Arabia's Alinma Bank mandated issuing USD-denominated sustainable AT1 Capital Certificates under its USD 1 Bn issuance programme. The Reg S perpetual sukuk, featuring a 5.5-year non-call period and fixed-rate resettable structure, will be issued via a special purpose vehicle. The issue is priced at a 6.5%, lower than the initial price of c. 7% and has received over USD 1.75 Bn in excess orders. Proceeds will improve the Bank's Tier 1 capital and general banking needs. Alinma Bank is rated A2 (Stable) by Moody's and A- (Stable) by S&P and Fitch.

Global Asset Performance

The table below summarizes the performance of key equity and debt indices along with commodity price performance. Asset classes posted a broad-based recovery in May, supported by easing trade tensions and improving consumer sentiment. Notably, equities performed strongly, with the S&P 500 and MSCI World Index gaining 5.8% MOM and 5.6% MOM, respectively, driven by progress in U.S- EU trade negotiations and a temporary delay in planned tariff hikes, which eased fears of a global economic slowdown. Emerging markets also posted positive returns, supported by a weaker U.S. dollar. The MSCI Emerging Markets Index rose 4.1% MOM, while the JP Morgan Emerging Markets Bond Index returned 1.4% MOM. Fixed income, however, showed mixed results. Rising U.S fiscal concerns, triggered by a sovereign credit rating downgrade and weak demand at long-dated Treasury auctions, resulted in a mid-month sell-off in bonds. This led to negative performance in

U.S. Treasuries (-0.9% MOM) and Dow Jones Sukuk (-0.4% MOM), though some indices such as Global High Yield Corporate Bonds (1.7% MOM) and EM USD Agg (0.7% MOM) still recorded gains by month-end due to a late recovery. Commodities were the weakest-performing asset class. Gold prices remained flat, as the improving risk sentiment reduced the demand for safe-haven assets. Meanwhile, copper prices rebounded, rising 2.9% MOM amid improving trade sentiment. Brent crude oil also recovered modestly, increasing 1.0% MOM, as fears of demand destruction declined with reduced geopolitical risk.

Figure 1: Global Asset Performance (YTD in FY2025)

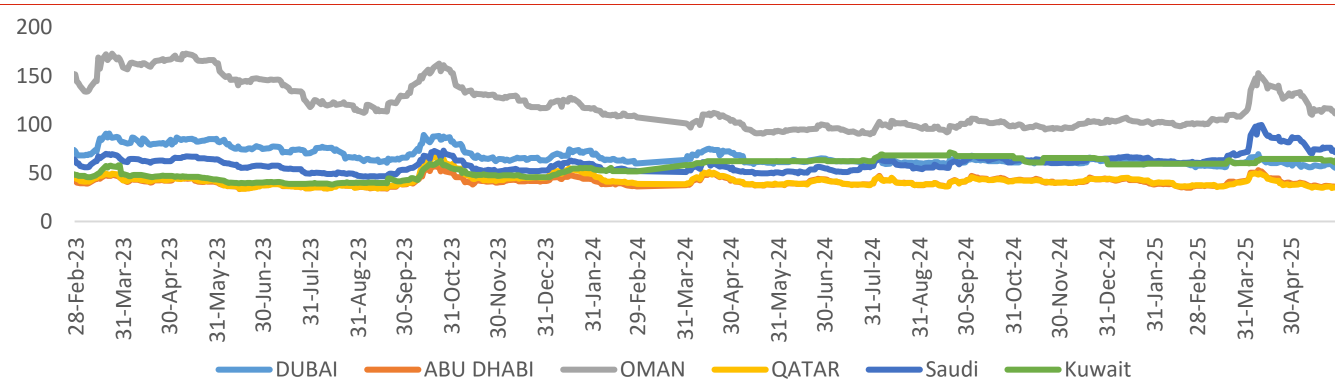


Source: Bloomberg

5-Year CDS

The 5-year CDS spread declined across all GCC Countries in May 2025. Oman recorded the highest decline on a MOM basis in May 2025, followed by Saudi Arabia and Dubai. Additionally, Abu Dhabi and Qatar also recorded an expansion in CDS spread in May 2025. Oman's CDS spread expanded the most by 13.52% MOM in May 2025.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	ABU DHABI	Oman	Kuwait	Qatar	Saudi
MTD (%)	-10.45%	-10.26%	-13.52%	-1.54%	-7.24%	-12.93%

Banking Sector

Bank al Etihad plans to purchase Investbank

Jordan's Bank al Etihad acquired Investbank in a stock-for-stock deal, forming one of the largest lenders in the country with an equity value exceeding USD 1.4 Bn. The merger will result in combined assets of USD 16 Bn. Moreover, the transaction is pending for the final approval at the extraordinary general meeting of both banks on June 25. The move aligns with the Central Bank of Jordan's strategy to consolidate the banking sector.

Gulf Bank and Warba Bank considering a potential merger

Gulf Bank and Warba Bank are exploring a potential merger that could result in one of the largest Shariah-compliant banks in the country. Warba Bank, which led the initiative, received approval from Gulf Bank's board to proceed with a feasibility study. Furthermore, Warba Bank believes the merger would enhance competitiveness within the local Islamic banking sector, positioning the combined entity as the third-largest financial institution in the country, after KFH and NBK, with total assets reaching KWD 13 Bn.

Corporate Sector

AD Ports Group and Suez Canal Economic Zone agreed to develop the KEZAD East Port Said Zone

AD Ports Group and Egypt's Suez Canal Economic Zone (SCZONE) signed a 50-year renewable agreement to operate and develop a 20 square km industrial and logistics park near Port Said. The KEZAD East Port Said project aims to enhance trade and investments along the Suez Canal's East-West trade route. Phase 1 will cover an area of 2.8 square km with an estimated USD 120 Mn investment over the next three years, while the construction is expected to start by 2025 year-end. Hassan Allam Holding will partner with AD Ports to develop the port. The project is expected to boost Egypt's industrial and logistics sectors, strengthen regional trade, and attract significant foreign investments.

Dubai Holding launches residential REIT IPO

Dubai Holding plans to list a 12.5% stake in its Dubai Residential REIT, aiming to raise USD 500 Mn. The REIT, managed by DHAM Investments, includes 35,700 residential units in premium communities. Despite global market volatility, Dubai Holding remains confident in the emirate's real estate outlook, which is driven by foreign investment and residency reforms. Trading is expected to begin by May 28. Valued at USD 5.9 Bn, the REIT aims to maintain at least an 80% payout ratio in 2026.

ADNOC Drilling secured a USD 806 Mn contract for three offshore island rigs

ADNOC Drilling secured a USD 806 Mn contract by ADNOC Offshore for three advanced island rigs to support the operation expansion at the offshore Zakum project. The new rigs are expected to be operational between 2027 and 2028, following an earlier order of three island rigs, placed in July 2024. The rigs will be co-developed in collaboration with Honghua Group, and leverage AI and digital tools. Operating on ADNOC's artificial islands, the rigs will support extended reach drilling. Consequently, advanced mobility systems will allow the rigs to shift positions efficiently.

ADNOC Drilling pledges USD 700 Mn for future acquisitions

ADNOC Drilling allocated c. USD 700 Mn for new acquisitions in 2025 to expand in domestic as well as international markets. ADNOC Drilling plans to carry out the operations through Enersol, a joint venture between ADNOC Drilling and Alpha Dhabi Holding. The company is targeting nearly USD 5 Bn in revenues by 2026.

Fertiglobe signs deal to acquire Wengfu Australia's distribution business

Fertiglobe signed an agreement to acquire the distribution assets of Wengfu Australia Pty Ltd. The acquisition cost will be based on net asset value, including liquid inventory and fully recoverable working capital, along with a premium of USD 8 Mn. The deal will be financed through secured trade facilities, without impacting the company's dividend distribution capacity.

SABIC looks to float its gas division

Saudi Basic Industries Corporation (SABIC) is considering an IPO for its gas subsidiary, National Industrial Gases Company, and is in early talks with potential advisers such as Lazard, HSBC, JPMorgan, and Morgan Stanley. SABIC owns a 74% stake in the National Industrial Gases Company.

Tawoos signs deal to take over NMC's Healthcare unit in Oman

Tawoos Group signed an agreement with NMC Healthcare Group to acquire NMC Healthcare LLC Oman and Elegant Medical Centre Oman. NMC Oman comprises six clinics, two hospitals, and aesthetic centres. NMC Oman is expected to be fully acquired by July 2025, subject to standard closing requirements. The acquisition aligns with Tawoos Group's strategy to strengthen Oman's private healthcare sector, enhance service quality, and diversify its investment portfolio. Tawoos will receive transitional support from NMC post-acquisition to ensure continuity of care**.**

ADNOC Drilling secured USD 1.15 Bn deal for two Jack-Up rigs

ADNOC Drilling secured a USD 1.15 Bn, 15-year contract from ADNOC Offshore to deploy two advanced jack-up rigs to support its offshore operations. The rigs are scheduled to begin operations by the end of 2Q25 and will start generating revenue from 2H25 onward. Moreover, the contract ensures operational continuity through 2040 and beyond, supporting ADNOC's production capacity targets and delivering strong, recurring revenue and attractive returns. Furthermore, the rigs will utilize advanced technologies, such as artificial intelligence, real-time data analytics, automation, and digitalisation, to maximise efficiency, safety, and uptime**.**

ADNOC Drilling secured majority stake in SLB's gulf land rigs business

ADNOC Drilling plans to acquire a 70% stake in SLB's onshore rig business in Oman and Kuwait for USD 112 Mn. The company plans to grow this joint venture to twice its size within a year. The acquisition will provide ADNOC Drilling access to eight operational rigs, including six in Oman and two in Kuwait. The transaction for the acquisition comprised an upfront payment of USD 91 Mn, with an additional USD 21 Mn subject to business performance. Moreover, the transaction will be financed by drawing from a USD 1 Bn revolving loan facility with regional and international banks, which the Company plans to refinance prior to its 4Q25 maturity. The deal is expected to close in 1Q26.

Tabreed and CVC in talks to acquire Multiply Group's District Cooling Business

Tabreed and CVC entered exclusive negotiations to acquire Multiply Group's district cooling subsidiary, and PAL Cooling Holding (PCH), with a deal expected to exceed USD 1 Bn in value. This potential acquisition highlights rising international investor interest in the Gulf's infrastructure sector. The other interested bidders included KKR, I Squared Capital, Investcorp, and TAQA.

Rating Outlook

- **Abu Dhabi**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the nation's financial and economic vision and policies success and the strength and stability of its economic, financial and credit sectors.
- Fitch affirmed **Oman**'s credit rating at BB+ and revised its outlook from stable to positive. Fitch cited improved public and external finances, including a reduction in government debt-to-GDP, lower net external debt, improved balance sheet, fiscal prudence, and stronger sovereign foreign assets as the factors driving the revision in outlook. The upgrade is driven by a decline in the debt-to-GDP ratio, improved government spending, and rise in oil prices. The upgrade is based on the premise that Oman is using oil revenues to pay down debt, extend its maturity, use fiscal restraint to mitigate external risks, and forecast higher oil prices by Fitch. According to Fitch estimates, government debt-to-GDP will fall from 37.5% in 2023 to 34% in 2024 and further to 33.3% in 2026. It further expects Oman's external debt to decline by USD 2.8 bn to USD 26.6 Bn in 2024 (24% of GDP). 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 has 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 the deleveraging balance sheet of the Omani government and several state-owned enterprises (SOEs) coupled with the commitment of the authorities to advance its longer-term structural reform agenda to solidify its economy.
- S&P Global Ratings revised its credit rating outlook on **Bahrain from stable to negative**. The rating agency affirmed Bahrain's short-term foreign and local currency sovereign credit ratings at 'B+/B' with a negative outlook. The downgrade of the rating is driven by the growing risks to the fiscal position and the government's ability to service and refinance debt. The agency also cited that market volatility and weak financial conditions will lead higher interest burden on the government. It also expects the fiscal deficit to remain elevated due to lower oil prices, ongoing maintenance activity at the key Abu Sa'fah oil field and higher social spending. S&P expects the fiscal deficit to widen to 7.0% of GDP in 2025 compared to 5.2% in 2024. Fitch has recently revised the outlook on Bahrain's long-term foreign currency issuer default rating to **Negative** from Stable with a rating of B+. The revision in the credit rating is mainly due to mounting fiscal pressures, growing debt levels, coupled with high interest burden and delayed fiscal reforms.
- Fitch Ratings 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 revised Saudi Arabia's outlook from positive to stable. It upgraded KSA's long-term foreign and local currency unsolicited sovereign credit rating from 'A' to 'A+' and affirmed short-term ratings at 'A-1'.

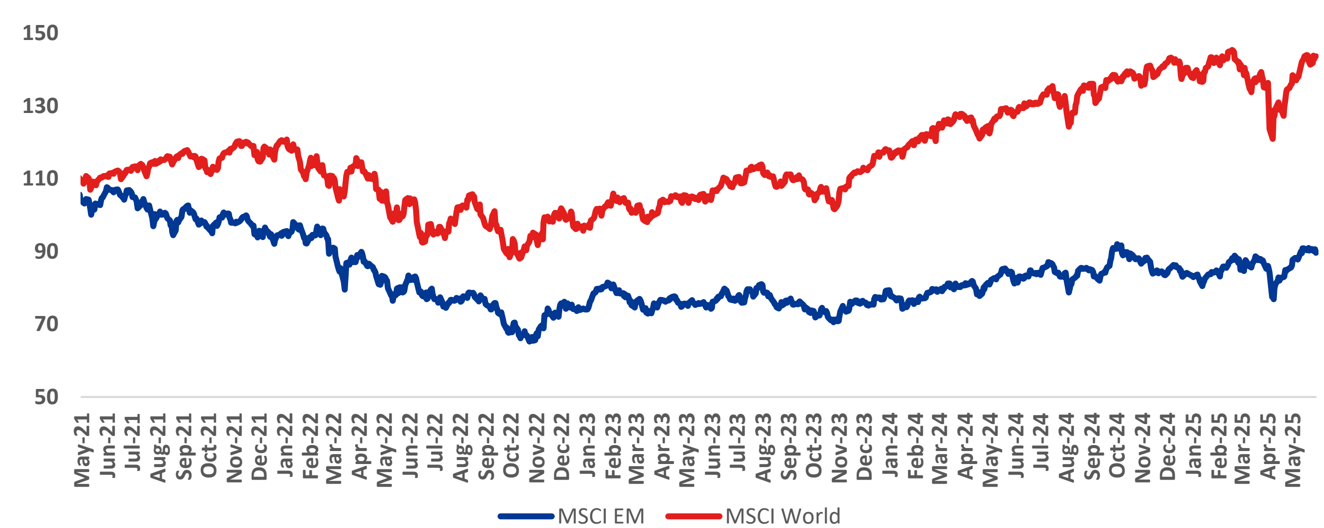
- In January 2024, Moody's maintained **Qatar**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) at Aa2. The rating is attributed to significant improvements in Qatar's fiscal metrics during 2021-2023. Moody's anticipates that the improvement in Qatar's debt burden and debt-service metrics from 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	A+	STABLE	A+	STABLE
Oman	Ba1	POS	BBB-	STABLE	BB+	POS
Bahrain	B2	STABLE	B+	NEG	B+	NEG

Global Markets

The MSCI Developed Markets (DM) and MSCI Emerging Markets (EM) indices recorded their strongest monthly gains in May 2025. Developed market equities maintained their upward trajectory, with the MSCI DM Index rising by a robust 5.7% MOM in May 2025, owing to the robust performance of the US market. Meanwhile, the MSCI EM Index continued its positive momentum, supported by strong performances from the Korean and Taiwanese markets, delivering a 4.6% MOM gain in April 2025. On a year-to-date (YTD) basis, the MSCI EM Index outperformed its developed counterpart, posting a 7.6% return as of May 2025, compared to a 4.2% gain by the MSCI DM Index. The MSCI DM Index delivered a strong performance in May 2025, supported by strong gains across the US, Japan, MSCI Excluding UK and the UK FTSE market. The US S&P 500 outperformed most global peers, rebounding strongly with a 6.3% MOM return in May 2025. The growth was driven by a strong 1Q25 earnings season and broad-based gains across cyclical sectors such as industrials and consumer discretionary. European equities excluding the UK rose 4.9% MOM in May 2025, supported by progress in US–EU trade talks, expectations of fiscal support, and positive earnings revisions. The UK FTSE index rose 4.1% in May 2025, delivering modest gains despite pressure on defensive sectors like healthcare, consumer staples, and utilities. US drug pricing reforms under President Trump weighed on UK-listed pharmaceutical firms, raising concerns over potential revenue losses from their American operations. Simultaneously, ongoing inflation and stiff market competition hindered consumer staples companies from effectively passing rising input costs to consumers. Additionally, the utilities sector faced challenges, as rising UK bond yields diminished the appeal of dividend-paying stocks. Japanese stocks continued to record a positive performance of 5.1% MOM in May 2025. The performance of EM was primarily driven by the robust performance of the Korean and Taiwanese markets in May 2025. Chinese equities saw gains in May, supported by signs of easing geopolitical tensions, as the U.S. administration signalled a willingness to resume negotiations. Additionally, investor sentiment was bolstered by China's decision to cut key interest rates to support the domestic economy amid ongoing trade friction. The performance of other EM like India and Brazil remained positive during the month.

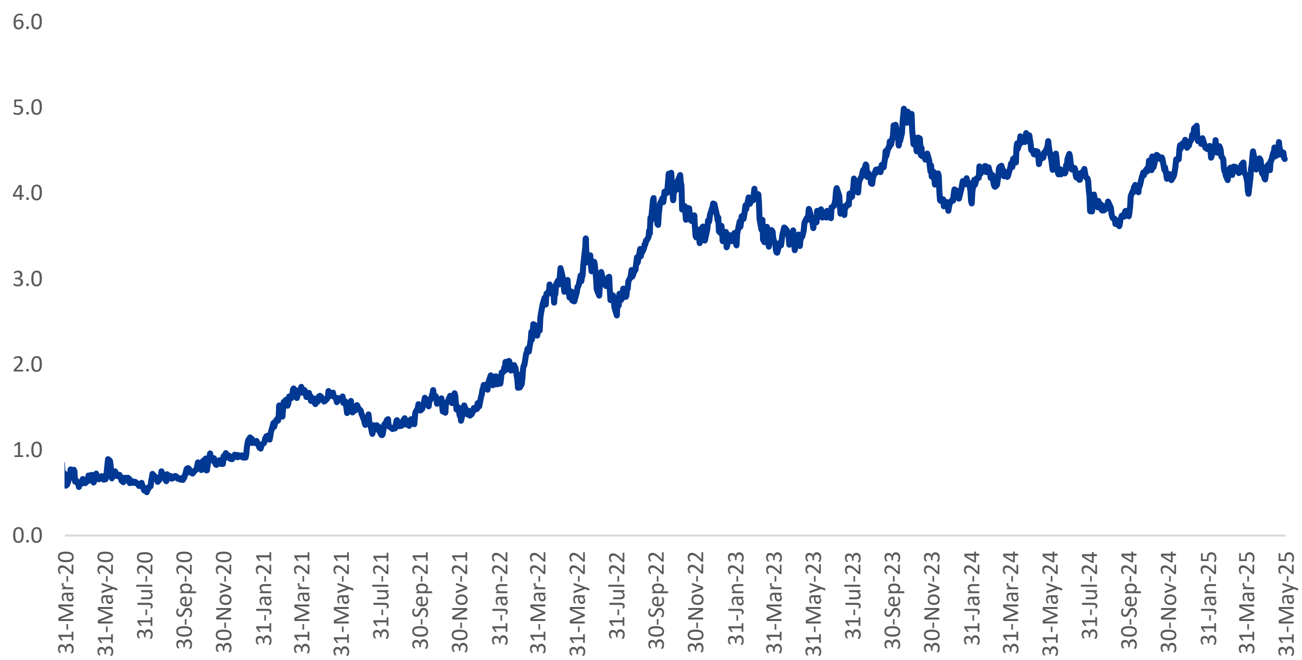
Figure 3: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

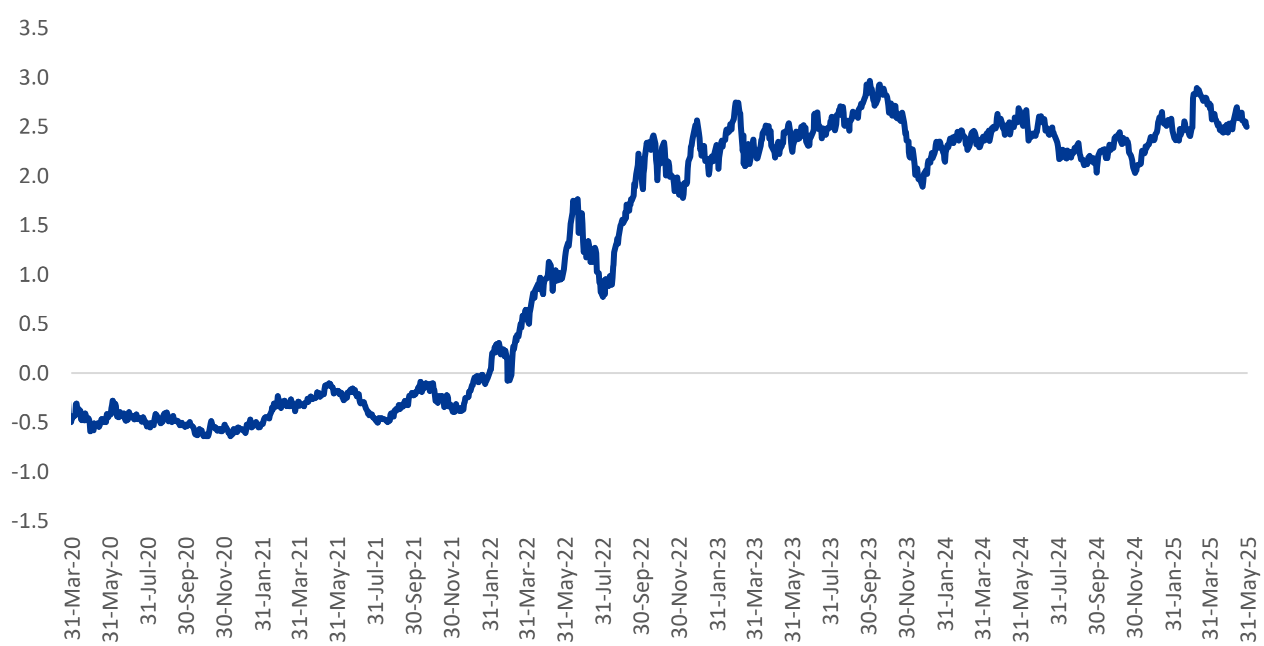
Yield on 10-year government

Figure 4: US 10-year government yield



Source: Bloomberg

Figure 5: Germany 10-year government yield

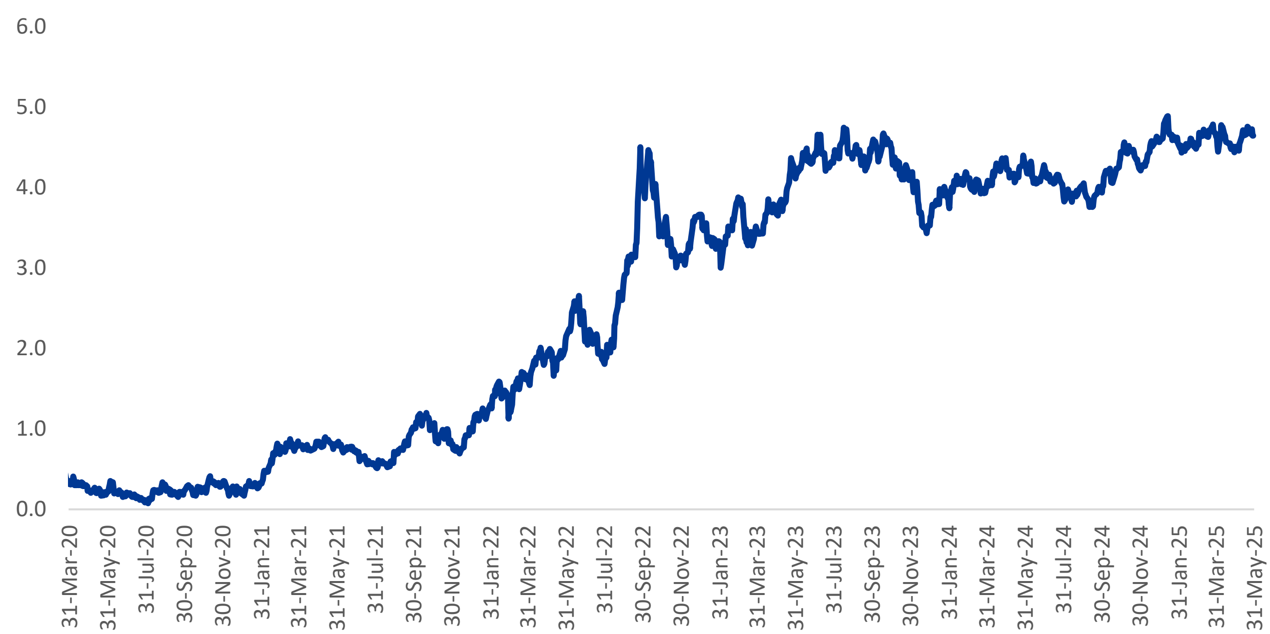


Source: Bloomberg

Figure 6: Japan 10-year government yield

Source: Bloomberg

Figure 7: UK 10-year government yield

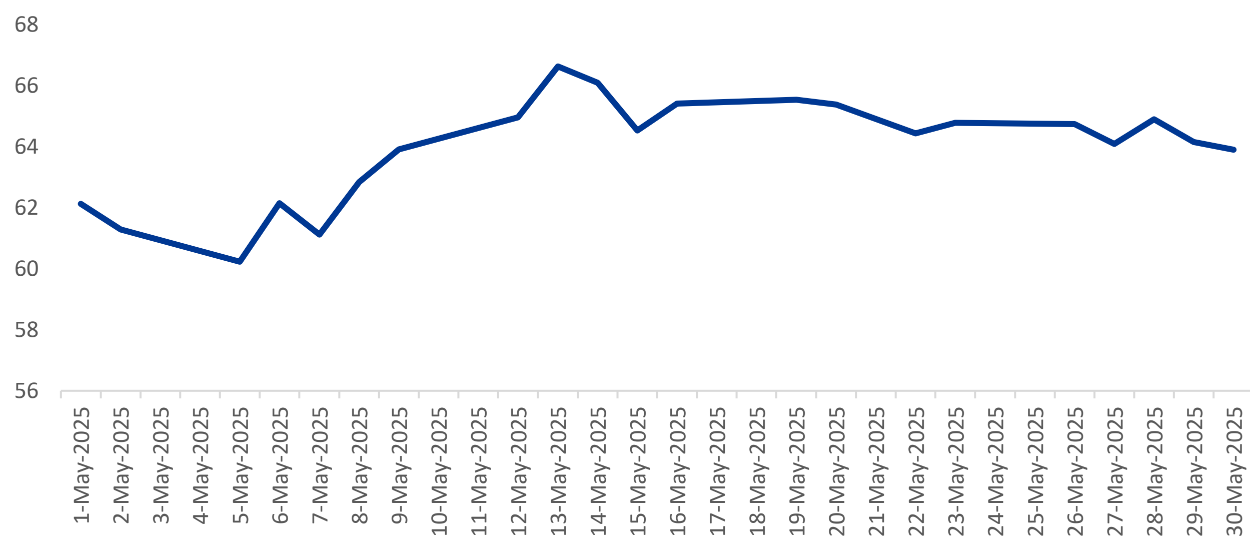


Source: Bloomberg

Oil Outlook

Brent Crude oil prices rose 1.2% MOM to USD 63.90 per barrel on 30 May 2025. Oil prices declined initially in the first two days of May 2025 due to the expected rise in crude supply from Saudi Arabia, resulting in a selloff. Oil prices gained in the following week, driven by China's initiative for trade talks with the US, which is expected to boost the oil demand, partially offset by the OPEC+ decision to increase oil output. OPEC+ plans to accelerate its oil output by unwinding 2.2 million bpd cuts until November 2025. Oil prices continued the momentum in the following week as the US-UK trade agreement boosted investor confidence that economic disruptions from US tariffs could be averted. Additionally, a 90-day pause in the US-China trade wars outweighed the prospects of the return of Iranian oil. However, oil prices declined after mid-week due to the anticipation of OPEC+ further increasing its oil output and appreciation of the US dollar as President Trump passed a tax and spending cut bill. Oil prices fell at the end of the month due to ongoing predictions of rising OPEC+ production and uncertainty on US tariffs, partially offset by the US extending the deadline for trade talks with the EU, coupled with the US's ban on Chevron from exporting Venezuelan crude oil.

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

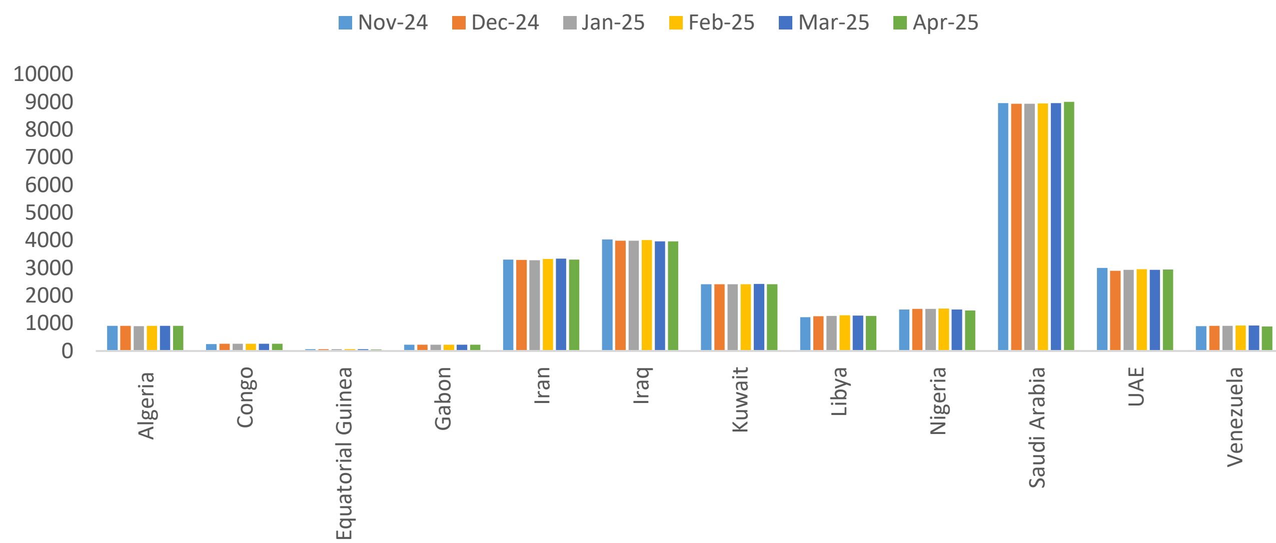


Source: Bloomberg

OPEC Production

Total Brent crude oil production from the OPEC-12 countries fell 61 thousand barrels per day (bpd) MOM, reaching 26.7 Mn bpd in April 2025. Nine of the 12 OPEC members reported a decline in production during the month. Venezuela witnessed the largest drop in production falling 34 thousand bpd MOM in April 2025, closely followed by Iran which saw a 31 thousand bpd MOM decline. Nigeria's oil output reduced 28 thousand bpd MOM in April 2025, while Libya's oil output decreased 14 thousand bpd MOM. Similarly, Kuwait and Iraq witnessed a production decline of six and five thousand bpd MOM, respectively, in April 2025. Furthermore, Algeria, Equatorial Guinea, and Gabon's oil output fell one bps each in April 2025. On the other hand, Saudi Arabia's oil output increased 48 bps MOM in April 2025, while UAE's oil production rose 11 bps MOM.

Figure 9: OPEC Crude Oil Production

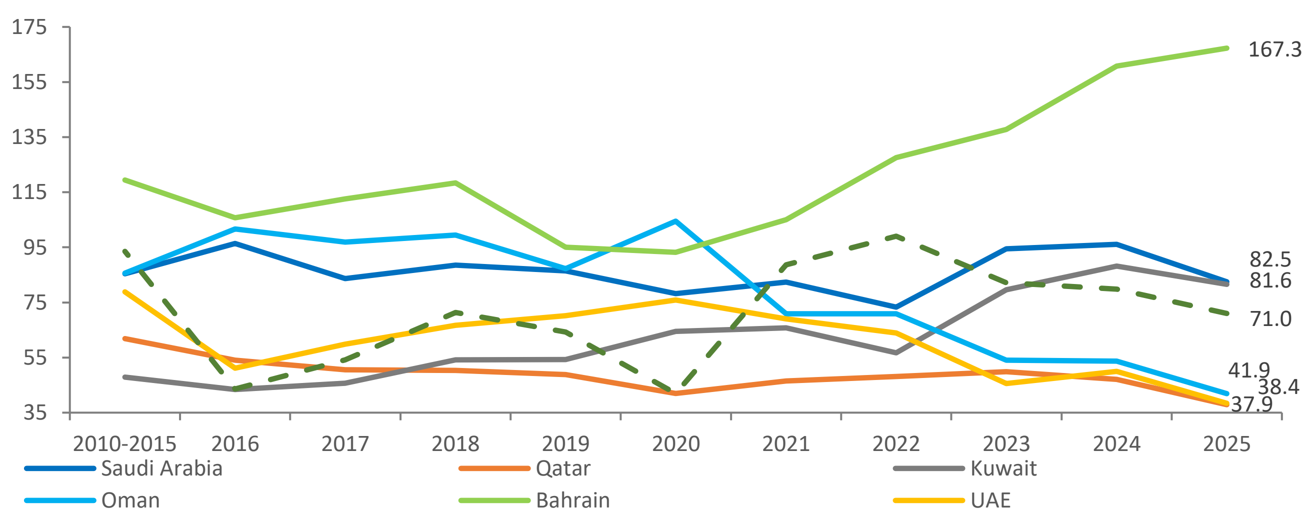


Source: OPEC

Fiscal Breakeven Oil Price

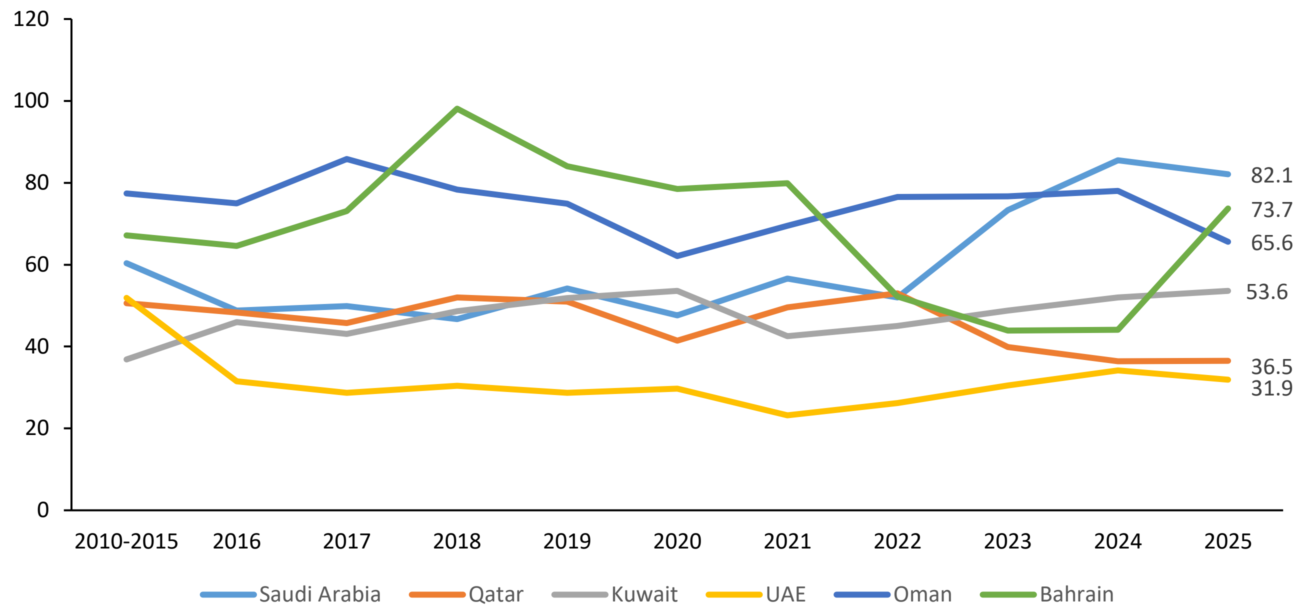
The overall fiscal breakeven oil price is expected to decline for all GCC Countries in FY2025, except Bahrain. Bahrain's fiscal breakeven is projected to grow from USD 160.8 per barrel in FY2024 to USD 167.3 in FY2025. Saudi Arabia, Qatar, Kuwait, UAE, and Bahrain will record a decline in break-even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

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



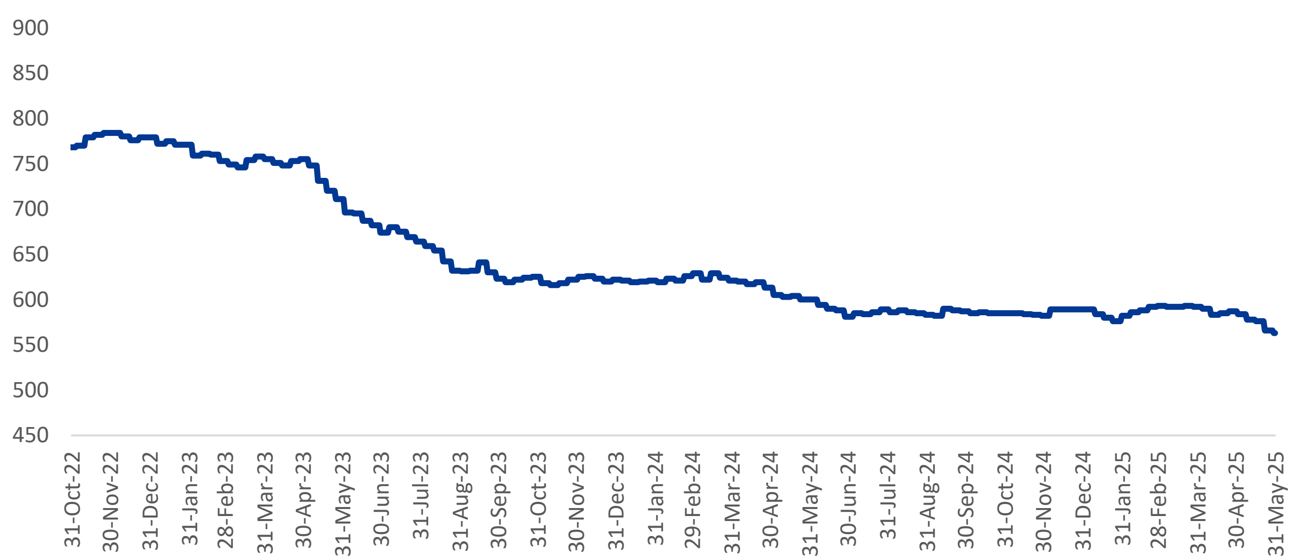
Source: Bloomberg

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



Source: Bloomberg

Figure 12: Oil Rig Count



Source: Bloomberg

Credit Strategy

Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody's/S&P/Fitch
ALDAR 3.875% 2029	Real Estate	96.44	4.84	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	93.72	8.78	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	95.99	4.67	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	95.08	6.21	NA/NA/BBB+
SIB 5% PERP	Bank	100.15	7.33	NA/NA/NA
GENHLD 4.76% 2025	Investment Co.	99.67	5.49	A1/NA/A
INTLWT 5.95% 2039	Power Generation and Water Utility	99.90	6.00	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	Price	Yield	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	99.90	6.00	0.24	0.60	1.00	2.83
GENHLD 4.76% 2025	OW	99.67	5.49	-0.18	-0.17	0.03	0.72
SIB 5% PERP	MW	100.15	7.33	0.02	0.07	0.98	2.11
BGBKKK 2.75% 2031	MW	95.08	6.21	0.64	1.12	3.13	8.34
ARAMCO 3.5% 2029	OW	95.99	4.67	0.25	0.89	1.99	3.11
KWIPKK 4.5% 2027	MW	93.72	8.78	-0.08	3.42	1.55	16.64
ALDAR 3.875% 2029	OW	96.44	4.84	0.13	1.19	2.06	3.80

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 96.44 with a yield of 4.84% when held until maturity (redemption at par) with a modified duration of 3.95. The Sukuk also enjoys Moody's investment-grade rating of 'Baa2' with a stable outlook.

- In Abu Dhabi, Aldar Properties is a leading real estate developer with a market cap of AED 65.3 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 16 Mn sqm across three geographies in Egypt.
- Mubadala Investment Company, a Sovereign wealth fund of the Abu Dhabi government, owns a 25.1% stake in Aldar. Alpha Dhabi Holding owns a 26.5% stake through its related companies Sublime Commercial Corporation, Sogno Two, and Sogno Three Sole Proprietorship LLC. Aldar Properties is an important strategic partner to the government, having completed several large-scale infrastructure projects and developments in the UAE.
- Aldar Properties (Aldar) released its financial results for 1Q25 with a revenue of AED 7.8 Bn, up 38.7% YOY, the growth was driven by strong double-digit performance in both the Development and Investment segments, supported by rising demand from residential expatriates and overseas buyers attracted by the UAE's appealing lifestyle and reputation as a

prime investment destination. It recorded a gross profit of AED 2.8 Bn, up 37.3% YOY in 1Q25, and a net profit of AED 1.6 Bn, up 24.6% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose to AED 0.202 in 1Q25 from AED 0.161 in 1Q24, 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 54.6 Bn in 2024 to AED 55.7 Bn in 1Q25 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 2 new developmental projects, Manarat Living III and The Wilds in 1Q25. The Project Management business revenue backlog increased to AED 89 Bn in 1Q25, compared to AED 79 Bn in 1Q24, 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 1Q25 as a result of strategic acquisitions and robust performance across the core real estate portfolio. Occupancy levels across the investment properties stood at 96% 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 60.5 Mn sqm.
- Aldar Properties deployed capital amounting to c. AED 0.03 Bn in 1Q25, while in FY2024 it deployed capital of AED 4.4 Bn across development, investment and international funds & investments. It provided guidance to deploy capital of AED 3-4 Bn in FY2025. In Abu Dhabi, the land area spans 60.4 Mn sqm, with a gross floor area (GFA) of 8.1 Mn sqm. Meanwhile, in Dubai, the land area encompasses 0.05 Mn Sqm. Aldar Education is a leading private education provider in Abu Dhabi with 31 owned and managed schools as of 1Q25 primarily across UAE, with one green field project in Abu Dhabi.
- Liquidity position remains healthy with AED 10.2 Bn worth of free & unrestricted cash and AED 19.3 Bn of undrawn bank facilities in 1Q25. The Company's net debt stood at AED 4.0 Bn in 1Q25.

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 93.72 with a yield of 8.78% when held until maturity (redemption at par) and has a modified duration of 1.58. 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 growing from KWD 13.0 Bn in FY24 to KWD 13.3 Bn in 1Q25, 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 9.0% YOY to KWD 384 Mn in 1Q25, mainly due to healthy performance from commercial banking, asset management & investment banking, and industrial & logistics, partially offset by a decline in Net fees and commission income, educational services income, and other income.

- The company's operating profit from continuing operations rose to KWD 50 Mn in 1Q25, up from KWD 44 Mn in 1Q24. Provisions for credit losses increased from KWD 6 Mn in 1Q24 to KWD 12 Mn in 1Q25. Profit before tax increased from KWD 31 Mn in 1Q24 to KWD 32 Mn in 1Q25.
- The Company recorded a decrease in net profit attributable to shareholders from KWD 6 Mn in 1Q24 to KWD 5 Mn in 1Q25.
- KIPCO cash and bank balance at the parent company level stood at KWD 66 Mn on 31 March 2025, compared to KWD 87 Mn on 31 December 2024.
- Total outstanding debt increased to KWD 1.6 Bn in 1Q25 from KWD 1.1 Bn.
- KIPCO has received a dividend income of KWD 5 Mn in 1Q25 compared to KWD 4 Mn in 1Q24.
- Moody’s withdrew the rating on KIPCO following a review of the issuer's request to withdraw its rating(s). Fitch rating also downgraded KIPCO's long-term issuer rating to ‘BB’- from ‘BB’ and revised the outlook from stable to negative, citing a further increase in leverage.

ARAMCO 3.5% 2029: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Saudi Aramco’s 3.5% bond maturing in April 2029. The bond is trading for USD 95.99 and offers a yield of 4.67% with a modified duration of 3.54. 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 250.0 Bn barrels of oil equivalent in FY2024, consisting of 189.8 Bn barrels of crude oil and condensate, 26.1 Bn barrels of NGL, and 209.8 trillion standard cubic feet of natural gas. The Company manages 548 reservoirs within 148 fields spread across the Kingdom and its territorial waters.
- Fitch upgraded a long-term foreign and local currency IDR to 'A+' with a stable outlook in April 2023, reflecting the Company’s strong business profile backed by strong control and support from the government. The government directly owns 81.48% stake in the Company in addition to the PIF ownership of 16%. Aramco's significant investments in capex and capacity expansion, position the Company for future growth. Additionally, the Company maintains low production costs and substantial reserves, offsetting potential energy transition risks. Aramco boasts an SCP rating of ‘aa+’, 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 declined 1.0% to SAR 405.6 Tn in 1Q25, mainly due to a decline in crude oil prices largely offset by a higher volume of crude oil sold. Revenue from Downstream operation rose 6.3% YOY to SAR 228.4 Bn in 1Q25, while revenue from Upstream operation fell 5.3% YOY to SAR 176.5 Bn in 1Q25. Other income related to sales declined 33.1% YOY to SAR 24.0 Bn in 1Q25 owing to a major decline in revenue from Downstream operation compared to the fall in revenue from Downstream operation in 1Q25. Thus, revenue and other income related to sales fell from SAR 0.44 Tn in 1Q24 to SAR 0.43 Tn in 1Q25.
- Royalties and other taxes declined from SAR 52.2 Bn in 1Q24 to SAR 40.8 Bn in 1Q25. Total operating costs rose 1.0% to SAR 0.24 Tn in 1Q25 owing to an increase in purchases, producing and manufacturing expenses, partially offset by a decline in Selling, administrative and general, Exploration, royalties and other taxes, and Research and development expenses. The Company’s finance income fell to SAR 3.7 Bn in 1Q25 compared to SAR 6.8 Bn in 1Q24.

- Income before taxes and zakat fell from SAR 205.0 Bn in 1Q24 to SAR 190.2 Bn in 1Q25, primarily attributed to a decline in crude oil prices, partially offset by higher volumes sold.
- Furthermore, Aramco's net profit declined from SAR 102.3 Bn in 1Q24 to SAR 97.5 Bn in 1Q25.
- Free cash flow fell from SAR 85.3 Bn in 1Q24 to SAR 71.8 Bn in 1Q25, primarily attributable to lower earnings, partially offset by favourable movements in working capital.
- Aramco paid base dividends of SAR 79.3 Bn in 1Q25. Additionally, the company distributed performance-linked dividends of SAR 0.8 Bn in the same period.
- 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 5.3% in 1Q25 compared to 4.5% in FY2024. The increase in gearing was primarily driven by the change in the net debt position, mainly reflecting dividend payments and capital expenditures, partially offset by operating cash inflows during the period. Aramco's capex amounted to SAR 47.0 Bn in 1Q25 compared to SAR 40.6 Bn in 1Q24, the increase was primarily due to increased development activity to support the strategic expansion of the Company's gas business. The Company's debt rose from SAR 319.3 Bn in FY2024 to SAR 326.1 Bn in 1Q25.

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 95.08. The bond offers a yield of 6.21% and a duration of 1.21. 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 283 ATMs as of 1Q25. KIPCO Company majorly owns the Bank with a stake of 33.5%.
- Burgan Bank revenues increased 8.0 % YOY to KWD 58 Mn in 1Q25, driven by a 30.1% YOY growth in the net interest income amounting to KWD 44 Mn, partially offset by a 30.2% YOY decline in the non-interest income amounting to KWD 14 Mn.
- The net interest margins rose to 2.5% YOY in 1Q25 compared to 2.0% in 1Q24. Net fees and commissions income increased from KWD 8.1 Mn in 1Q24 to KWD 7.9 Mn in 1Q25.
- Operating expenses increased 12.3% YOY to KWD 33 Mn in 1Q25. The cost-to-income ratio stood at 57.8% in 1Q25 compared to 55.6% in 1Q24.
- Provision expenses net of recoveries rose stood at KWD 6.8 Mn in 1Q25 compared to KWD 3.0 Mn in 1Q24 mainly due to an increase in provision for credit losses.
- The Bank reported a net profit attributable to shareholders of KWD 10 Mn in 1Q25.
- Loan and advances to customers rose 7.7% YOY to KWD 4.7 Bn in 1Q25. Deposit rose 6.9% YOY to KWD 5.4 Bn in 1Q25, with a CASA deposit of 27%.
- The Bank's non-performing loans fell marginally from 2.6% in 1Q24 to 1.8% in 1Q25. Capital adequacy ratio stood at 17.5% in 1Q25, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 181% and 113%, respectively, as of 1Q25, 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.
- The bank has launched a USD 500 Mn Certificate of Deposit (CD) program to further diversify its funding base.
- Furthermore, Burgan Bank acquired from the Central Bank to acquire United Gulf Bank from United Gulf Holdings.

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

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 7.33% and currently trades at USD 100.15 with a modified duration of 0.08 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 affirmed SIB's long-term issuer credit rating at 'A-', and revised outlook from stable to negative. The revision in credit outlook is due to a decline in capital ratios in recent years. The risk-adjusted capital ratios fell from 10.4% in 2023 to 8.9% at the end of FY2024, owing to balance sheet growth coupled with the acquisition of treasury shares in 4Q24. The rating agency expects a recovery in capitalization, however, the path towards this increase is uncertain and subject to management action on capital increase. Furthermore, the Bank is facing potential risk due to its significant exposure to the Sharjah government. The Government of Sharjah faces rising fiscal pressure from high capital spending and debt servicing costs. SIB's 38% of the total financing is tied to the government entities, with 70% of that linked to the Sharjah Government. Any deterioration in the Sharjah Government's financial health will impact SIB's credit quality.
- Sharjah Islamic Bank's (SIB) net profit grew significantly 24.6% YOY to AED 319 Mn in 1Q25, the growth in net profit is mainly driven by a rise in funded income, coupled with solid growth in non-funded income and reversals of impairments, partially offset by a decline in net funded income, growth in G&A expense and tax charges. Earnings from Islamic financing and sukuks grew 6.0% YOY to AED 914 Mn in 1Q25, driven by a rise in both profit rates and interest earning assets. Total operating income rose 5.3% YOY to AED 532 Mn in 1Q25. Non-performing loans improved to 4.6% in 1Q25 to 4.9% in FY24, while provision coverage remains stable at 99.2% in 1Q25. The bank maintained its capital position with a capital adequacy ratio of 15.8% and a CET 1 ratio of 11.3% in 1Q25.
- SIB's total assets grew significantly from AED 79.2 Bn in 1Q24 to AED 82.8 Bn in 1Q25, mainly due to the growth in investment securities, murabaha and wakalah with financial institutions and net loans. The Bank's customer deposits grew 15.6% YOY to AED 52.1 Bn in 1Q25 due to the retail deposit offerings and the enhancement of customer service experience. SIB's liquid assets constituted 21.8% of total assets equivalent to AED 18.1 Bn in 1Q25, sufficient to meet short-term obligations. The Bank's loan-to-deposits ratio marginally increased at 77.4% in 1Q25 compared to 74.0% in 1Q24.

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 99.67 and offers a yield of 5.49% 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 FY2023 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 99.90 with a yield of 6.00% if held till maturity (redemption at par). The bond has a modified duration of 6.81. 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 101 assets (in operation, under construction, or in advanced development) with a total investment cost of SAR 403 Bn, generating 78.9 GW of electricity producing 9.5 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 31st December FY2024:
- 30% in Shuaibah Water & Electricity Co. (SWEC), Contract Initiated in 1Q10 for 20-yr PWPA.
- 30% in Shuaibah Expansion Project Co. (SEPCO), Contract Initiated in 4Q09 for 20-yr WPA.
- 69% in Rabigh Arabian Water & Electricity Co. (RAWEC), Contract Initiated in 2Q08 & 2Q16 for 25-yr WECA.
- 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.
- 22.5% in Hajr for Electricity Production Co. (HEPCO), Contract Initiated in 2Q16 for 20-yr PPA.

- 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 FY2023. 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 liability of SAR 151 Mn (with ACWA Power share of SAR 79 Mn). The Company has recognised provisions of SAR 151 Mn (ACWA Power share of SAR 79 Mn) against this assessment as of 31st March 2025.

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

- ACWA Power's operating income before impairment loss and other expenses significantly grew from SAR 401 Mn in 1Q24 to SAR 870 Mn in 1Q25. The rise in operating income was primarily due to services and procurement income from projects in development and construction, partially offset by higher development cost provision/write-off.
- Net profit attributed to the equity holders grew 44.2% YOY to SAR 427 Mn in 1Q25. The growth in net profit is primarily from higher operating income, lower impairment loss at Noor 3 CSP in Morocco and lower Zakat and tax charges, partially offset by higher financial charges and share of profit to non-controlling shareholders.
- The adjusted net profit for 1Q25 amounted to SAR 525 Mn, a significant increase compared to SAR 92 Mn in 1Q24. This sharp rise was driven by an adjustment of SAR 97 Mn loss in 1Q25 compared SAR 204 Mn gain during 1Q24.
- In 1Q25, ACWA Power signed a Share Purchase Agreement (SPA) to acquire multiple strategic assets across Kuwait and Bahrain for a total consideration of SAR 2.6 Bn. The transaction includes a 17.5% stake in Az-Zour North and a 50% stake in its O&M company in Kuwait, as well as a 45% stake in Al Ezzel along with full ownership of its O&M company, a 45% stake in Al Dur, and a 30% stake in Al Hidd in Bahrain. After completion, the deal is expected to add 4.6 GW of gas-fired power generation capacity and 1.1 million m^3/day of water desalination to ACWA Power's portfolio. This increases ACWA Power's overall operational capacity to around 41.8 GW of energy and 6.7 Mn m^3/day of water.
- In 1Q25, consolidated power availability stood at 89.9%, in line with the level recorded in the same period of 2024. This performance reflects a slight decline from year-end 2024 levels, primarily driven by planned maintenance outages during the winter season. Within the Power segment, renewable assets operated at an average availability of 93.7% during 1Q25. This figure was below the typical performance range for the portfolio, largely due to a prolonged outage at the Noor 3 Concentrated Solar Power (CSP) plant in Morocco. Full operations at the facility resumed in April 2025, which is expected to support a return to normal availability levels in the upcoming quarter.
- ACWA Power received Capital Market Authority approval to increase its capital via a SAR 7.1 Bn rights issue.
- ACWA Power reported a cash & short-term investments of SAR 4.0 Bn in 1Q25. The Company's debt stood at SAR 26.1 Bn in 1Q25, up from SAR 24.2 Bn in FY2024.
- The Company's corporate borrowing remains constant at SAR 1.4 Bn in 1Q25.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

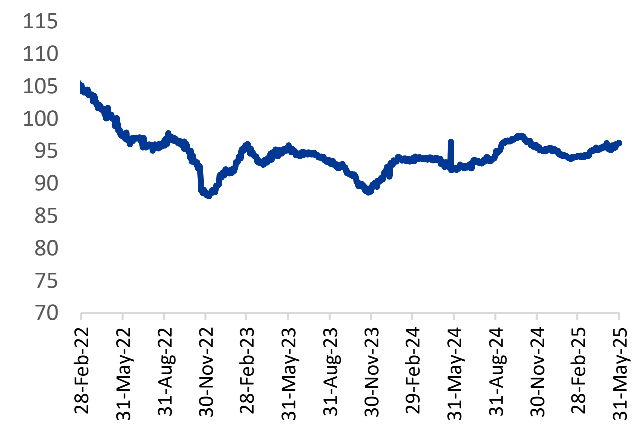


Figure 14: KWIPKK 4.5% 2027

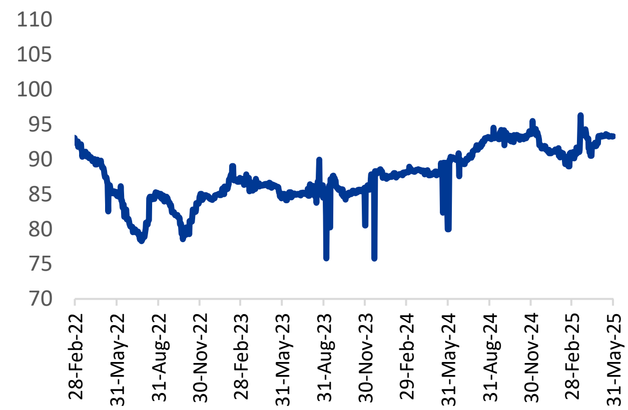


Figure 15: ARAMCO 3.5% 2029

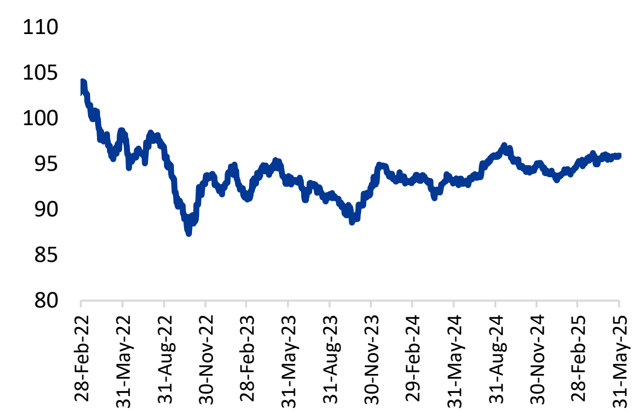


Figure 16: SIB 5% PERP

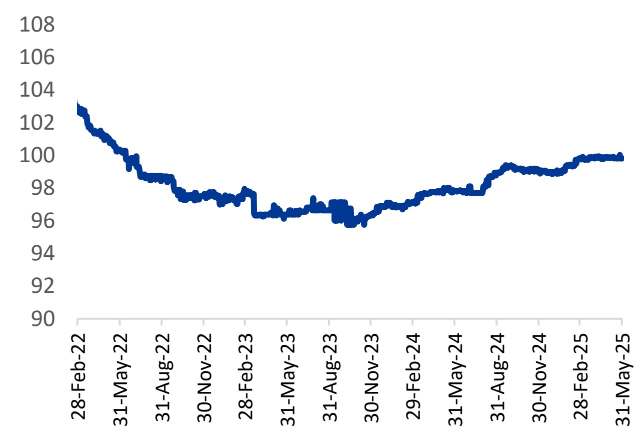


Figure 17: GENHLD 4.76% 2025

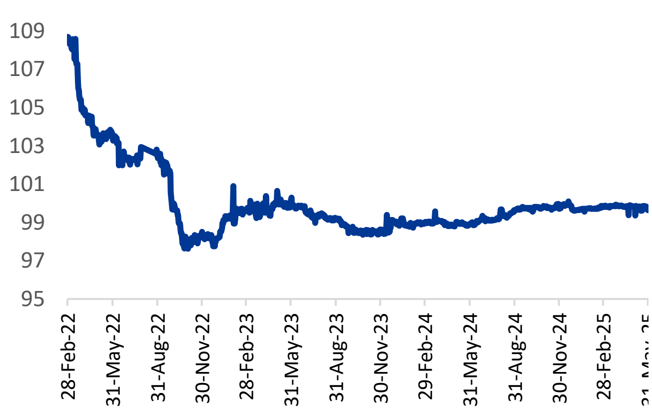


Figure 18: INTLWT 5.95% 2039

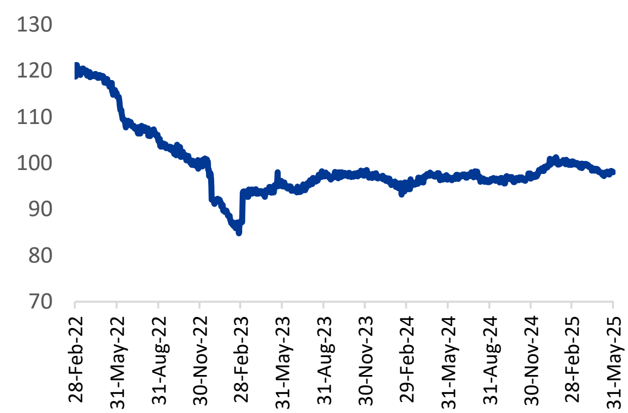
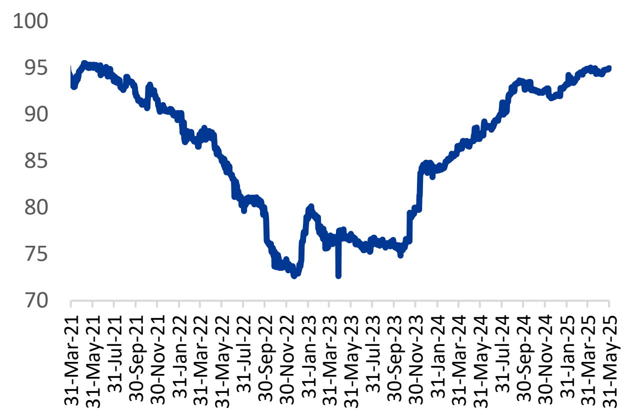


Figure 19: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	64.84	-13.13	5.79
US dollar index	98.81	-8.92	-1.22
10Y Treasury yield[1]	4.44	-0.13	0.28
2Y Treasury yield[1]	3.92	-0.33	0.32
10Y German bond yield[1]	2.54	0.18	0.10
10Y Japan bond yield[1]	1.50	0.39	0.18
Bloomberg UAE Composite USD Liquid index	142.38	2.68	-0.30

Source: Bloomberg, [1] in Basis point

Sovereign Highlights

UAE

Miral and Disney team up to build landmark Theme Park in UAE

Disney and Miral Group announced plans to build a Disney theme park in Abu Dhabi. The park will be located on Yas Island, a major tourist destination, home to attractions like Warner Bros World and SeaWorld. Miral will finance, build, and operate the resort, while Disney Imagineers will lead its design and earn royalties from revenue. The initiative is part of Disney's USD 60 Bn plan to double its cruise ship fleet and build theme parks.

Dubai to open new bidding process for Al Maktoum Airport development

Dubai is accelerating the expansion of Al Maktoum International Airport (AMIA), with more contracts set to be awarded this year. Initial contracts for enabling works and a second runway have already been issued. Dubai Aviation Engineering Projects (DAEP) is overseeing the design and execution of the project. Key first-phase packages, such as transit systems and baggage handling, are in the tendering stage. The project aligns with Dubai's Economic Agenda 2033 and includes the world's largest passenger terminal. The 70 km airport, on completion, will handle around 260 Mn passengers and 12 Mn tonnes of cargo annually, with phase one ready in 10 years.

Hiring activity accelerates in April 2025 amid increased operational demands

UAE non-oil private sector hiring rose in April at the fastest pace in 11 months to ease workloads and drive growth. Output expanded but at a slower rate, with increasing backlogs due to payment delays and execution challenges. The S&P Global UAE PMI stood unchanged at 54.0 in April 2025 compared to the previous month, reflecting stable but mixed business conditions. Strong domestic and international demand has driven an increase in new orders, while delivery times have improved, and input purchases have also risen. Despite rising costs, firms raised prices modestly and remained optimistic about future growth, supported by solid sales pipelines.

Saudi Arabia

Saudi Arabia real GDP rose 2.7% YOY in 1Q25

Saudi Arabia's economy expanded 2.7% YOY in 1Q25, driven by a 4.2% YOY increase in non-oil activities, as the country continues its diversification efforts. Oil economy witnessed a 1.4% YOY decline in 1Q25, while government activities rose 3.2% YOY. Consumer spending increased 17.3% YOY in 1Q25, while the non-oil exports rose 14.3% in February 2025. Inflation rose 2.3% YOY in 1Q25, primarily due to higher rental costs.

Saudi Arabia records a USD 15.65 Bn fiscal deficit in 1Q25

Saudi Arabia's fiscal deficit rose to USD 15.65 Bn in 1Q25, compared to USD 3.30 Bn in 1Q24, mainly due to an 18% YOY decline in oil revenues to USD 39.95 Bn. Non-oil revenues rose 2% YOY to SAR 113.81 Bn in 1Q25. The Kingdom's public debt reached 1.33 Tn riyals in 1Q25, while it forecasts a SAR 101 Bn deficit for 2025, driven by strategic Vision 2030 investments and efforts to diversify the economy.

Flynas is set to launch its IPO in May 2025

Saudi budget airline flynas plans to launch an IPO in May 2025, marking the first Gulf airline listing in nearly 20 years. The company will offer 51.3 Mn shares, representing 30% of its stake, with 10.2% being newly-issued shares. Flynas aims to capitalise on strong demand driven by Saudi Arabia's aviation and tourism strategy. The IPO is scheduled between May 28 and June 1 and aims to raise funds to expand flynas' fleet, grow its network, and enhance operations.

Saudi Arabia's PMI drops to 55.6 in April 2025

The Riyad Bank Saudi Arabia PMI fell to 55.6 in April 2025 from 58.1 in March 2025, indicating a slowdown in business activity. The decline is mainly due to a drop in new orders. Despite the PMI index falling, Saudi Arabia's non-oil private sector showed substantial improvement in April. Business activity increased at the start of 2Q25, driven by stronger sales, new project approvals, and a rise in tourist arrivals. Saudi Arabia's non-oil private sector experienced a notable surge in employment, as businesses expanded their workforce to keep up with growing sales and increased activity.

KSA plans to construct 180,000 hotel rooms and serviced apartments for the FIFA World Cup

Saudi Arabia plans to build over 180,000 hotel rooms and serviced apartments by 2034 to host the FIFA World Cup, AFC Asian Cup, Riyadh Expo, and Asian Winter Games. The MEED's Saudi Giga Project Summit 2025 agenda focused on broader infrastructure development, including stadiums, transport networks, and hospitality projects.

Saudi Arabia's inflation remained unchanged at 2.3% in April 2025

According to GASTAT, Saudi Arabia's annual inflation remained unchanged at 2.3% in April 2025, compared to the previous month and April 2024. Apartment rents rose 11.9% in April 2025 while housing, water, electricity, gas, and fuel prices grew 6.8%. Food and beverage prices increased 2.2%, while education and personal goods also saw price hikes. Conversely, prices fell in home furnishings, clothing, and transport, whereas the tobacco prices stayed flat.

Saudi Aramco explores funding options for Jafurah project infrastructure

Saudi Aramco is looking for investors to support infrastructure development, including pipelines, for its USD 100 Bn Jafurah gas project. Jafurah is set to begin production in 2025 and aims to increase production capacity to 2 Bn cubic feet per day by 2030. The potential Jafurah deal would help Aramco raise funds and continue its strategy of monetising infrastructure. Aramco is expected to invest over USD 100 Bn in the Jafurah project to build extensive gas processing and pipeline infrastructure over the next 15 years.

Saudi Arabia and Kuwait confirmed new oil discover in North Wafra field

The governments of Saudi Arabia and Kuwait jointly announced a new oil discovery in the North Wafra Wara-Burgan field, situated roughly 5 km north of the Wafra field within the Partitioned Zone between the two nations. This marks the first discovery since production operations resumed in the Partitioned Zone and its adjacent offshore areas in mid-2020, following a suspension period.

Bahrain

Bahrain's real GDP grew 3.4% YOY in 4Q24

Bahrain's real GDP expanded 3.4% YOY in 4Q24, driven by strong growth in the non-oil sector, despite a decline in trade within the GCC. Non-oil economy rose 4.6% YOY in 4Q24, driven by solid growth across international communication, transport & logistics, manufacturing, and financial & insurance activities. In contrast, the oil economy contracted 3.5% YOY in 4Q24. Additionally, Bahrain's total trade volumes within GCC countries fell 2% YOY to USD 2 Bn in 4Q24. However, trade with Qatar surged 255% to USD 116.1 Mn in 4Q24, while trade with Saudi Arabia rose by 2%. China remained Bahrain's top import partner, while Saudi Arabia led exports.

Egypt

Egypt's current account deficit shrinks due to rising remittances

Egypt's current account deficit narrowed to USD 5.17 Bn in 4Q24 from USD 6.82 Bn in 4Q23, driven by an increasing remittance from Egyptians working abroad. Remittance inflows more than doubled to USD 8.74 Bn in 4Q24 on YOY basis, owing to the currency devaluation. Though remittances surged, the trade deficit rose to USD 13.44 Bn due to a rebound in imports and increase in foreign exchange. Tourism and oil export revenues rose, showing resilience amid regional tensions, while oil imports also increased. Suez Canal revenue plunged to USD 880.9 Mn 4Q24 from USD 2.4 Bn in 4Q23 due to Houthi attacks disrupting shipping routes. Foreign direct investment increased to USD 2.72 Bn, while foreign treasury outflows declined.

IMF review boosts Egypt's net foreign assets in March

Egypt's net foreign assets rose by USD 4.9 Bn MOM to USD 15.08 Bn in March 2025 driven by the IMF's approval of a USD 1.2 Bn disbursement and a USD 1.3 Bn arrangement under IMF's facility. Increased foreign investor demand for Egyptian treasury bills further boosted foreign asset inflows. The central bank and commercial banks posted higher foreign assets in February, though only the central bank recorded a rise in foreign liabilities.

Egypt's non-oil private sector declined to 48.5 in April

Egypt's non-oil private sector contracted to 48.5 in April from 49.2 in March, signalling the weakest reading in 2025. The decline is driven by a drop in domestic and international demand, leading to lower output and new orders. Firms held output prices steady, despite a sharp rise in input costs due to a 15% hike in fuel prices, ending nearly five years of inflation. Employment and purchasing activity declined, with job cuts for the third consecutive month. Business confidence improved slightly but remained below long-term averages amid weak international demand. Supply chains remained stable, with unchanged delivery times and a marginal rise in inventories.

Egypt Central Bank lowered interest rates by 100 bps

Egypt's central bank reduced its overnight interest rates by 100 bps, a smaller cut than market expectations amid accelerating economic growth and easing inflation. The Monetary Policy Committee (MPC) lowered the overnight deposit rate to 24% and the lending rate to 25%, marked the second cut in 2025 after maintaining rates unchanged for a year. The MPC stated that the 100 bps cut balances the need to remain cautious amidst prevailing risks while allowing room to advance the easing cycle and support the disinflation trajectory.

Qatar

Qatar's Ashghal launches USD 22 Bn infrastructure development plan

Qatar's Public Works Authority (Ashghal) launched a five-year infrastructure plan worth over USD 22 Bn to be implemented between 2025 and 2029. The plan includes a variety of projects such as government buildings for health, education, sports, and culture, sewage networks, and strategic outflows aimed at reducing flooding and improving efficiency. The key component of the plan is the Strategic Outfalls Project, scheduled to launch in 2025. The two-phase initiative aims to reuse stormwater for irrigation and cooling across northern and southern Doha, while tunnelling on the leading network is set to begin in 2025, followed by sub-tunnelling in early 2026. Ashghal is also preparing public-private partnership projects, including infrastructure works for more than 5,500 residential plots. Furthermore, Ashghal has introduced financial measures worth USD 5.8 Bn to support the contracting sector.

Qatar's North Field East gas expansion is scheduled to commence production by mid-2026

Qatar Energy's North Field East natural gas expansion project is expected to start production by mid-2026, with new LNG trains coming online gradually. The project is expected to increase LNG output from 77 Mn metric tons per year (mtpa) to 126 mtpa by 2027. However, the company did not announce the timeline for achieving full capacity. Qatar Energy secured multiple supply deals with European and Asian partners in the North Field expansion project. Additionally, it plans to begin US LNG exports once the Golden Pass project starts by 2025 year-end.

Oman

Oman to upgrade and expand Shinas Port facilities

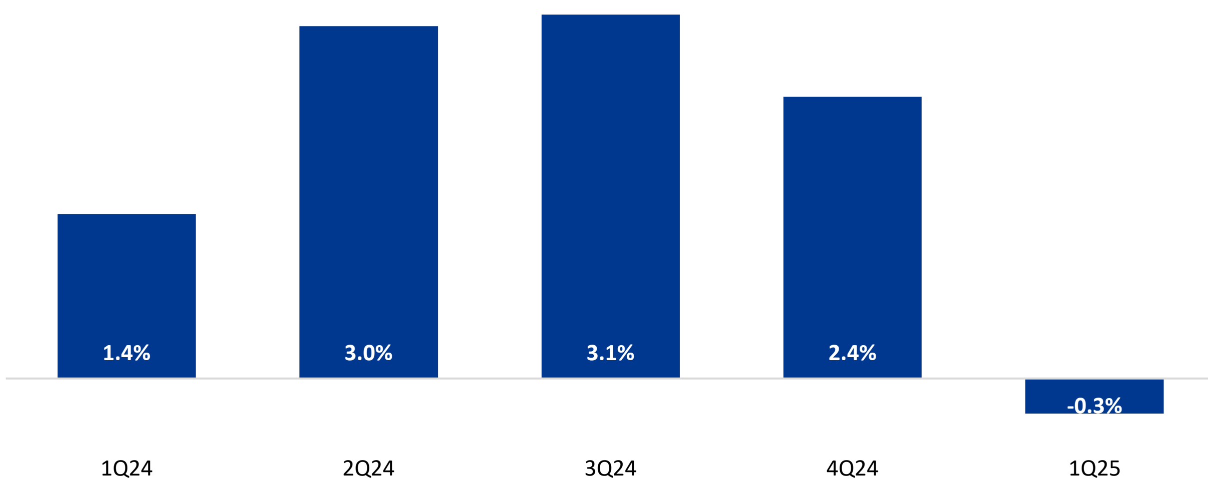
QS Maritime, which operates Shinas Port in Oman, is set to start a significant expansion and modernisation project by the 2025 year-end. The USD 200 Mn upgrade will take 5-7 years to complete and aims to enhance operational efficiency. The project's first phase involves expanding the port's basin in south and constructing a new breakwater on the northern side, enabling the port to accommodate larger vessels. The expansion will increase the port's area to 1.8 Mn square meters, featuring dedicated spaces for fuel tanks, factories, and warehouses. Additionally, a new sea route between Shinas and Bandar Abbas Port in Iran will start during 4Q24, offering two weekly ferry trips. The port has already seen a significant rise in commercial activity, with a sharp increase in ships.

Global Economy

US GDP slipped unexpectedly in 1Q25 amidst an import surge

The US real GDP contracted by 0.3% in 1Q25, compared to a substantial growth of 2.4% in 4Q24. This downturn was primarily driven by a sharp 41.3% increase in imports, as companies accelerated purchases ahead of impending tariffs, which impacted GDP growth by 5.0 percentage points. Additionally, a reduction in government spending led to further downward pressure on overall economic output. However, this negative impact was partially mitigated by gains in investment, consumer spending, and export growth.

Figure 20: U.S. Gross Domestic Product (GDP) YOY

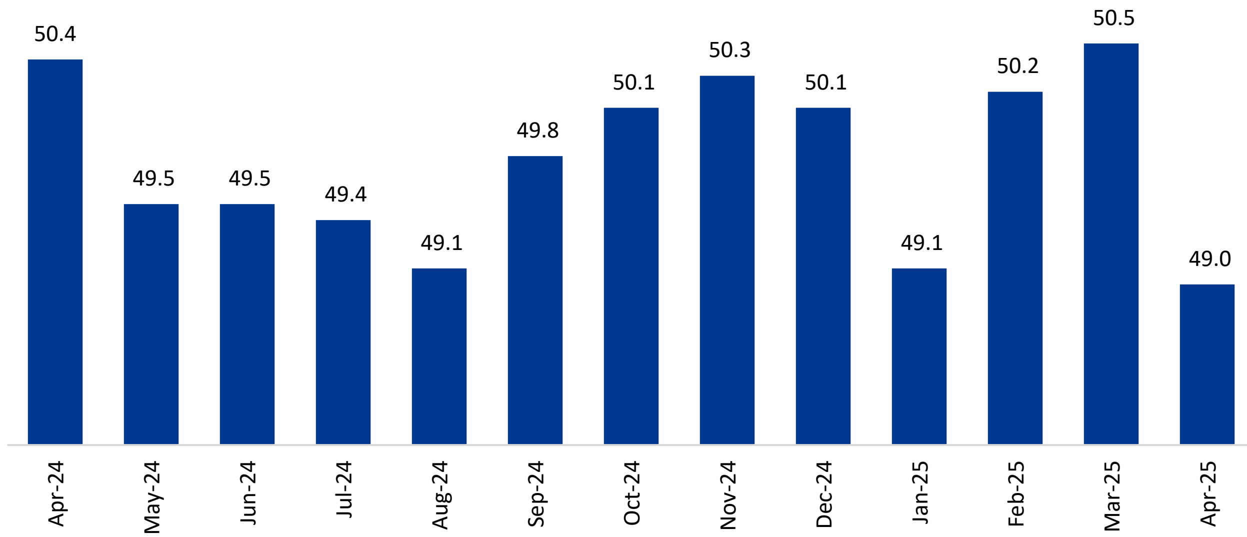


Source: CAPIQ

China's manufacturing activities contracted amidst weak export demand

China's manufacturing activity contracted in April, as tariff tensions weighed on export orders. Purchasing managers' index (PMI) declined from 50.5 in March 2025 to 49.0 in April 2025, marked its lowest level in 16 months. The non-manufacturing PMI decreased from 50.8 in March 2025 to 50.4 in April 2024. Furthermore, a private sector PMI survey indicated that the manufacturing sector expanded at its slowest rate since January, with the Caixin factory PMI dropped from 51.2 in March 2025 to 50.4 in April 2025.

Figure 21: China Manufacturing PMI

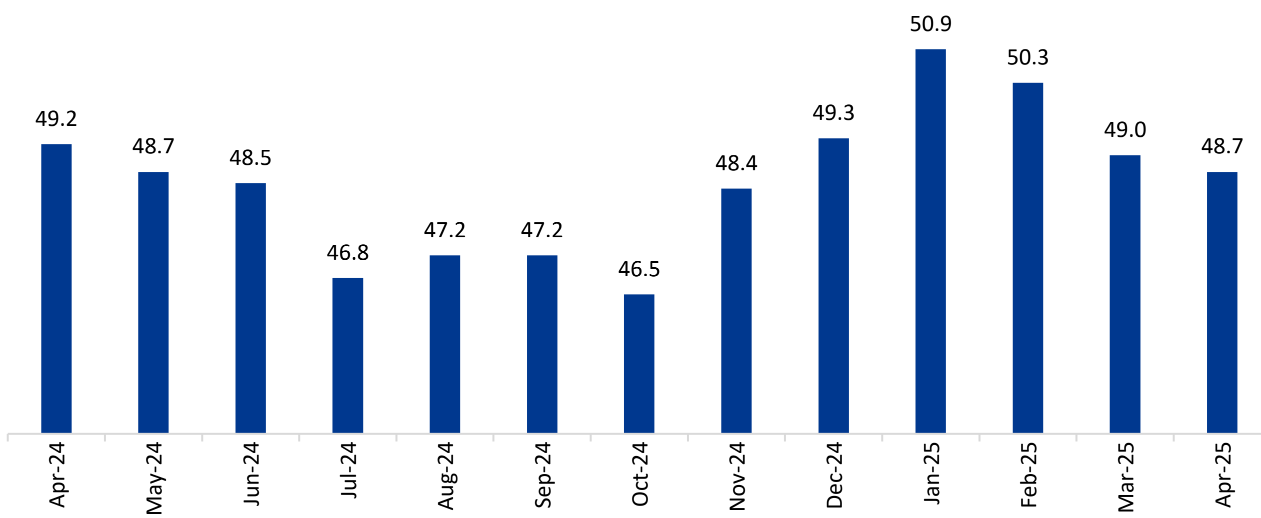


Source: CAPIQ

US Manufacturing Index Falls Further into Contraction in April 2025

In April 2025, the ISM Manufacturing PMI fell to 48.7 from 49.0 in March, indicating continued contraction. The decline was mainly due to a sharper drop in production, though new orders and employment slightly improved but stayed below 50. The price index rose to 69.8 amid rising raw material costs and tariff-related pressures. These factors led to growing backlogs, supplier delays, and increased inventories, reflecting ongoing challenges in the manufacturing sector despite some signs of stabilization.

Figure 22: US ISM Manufacturing PMI

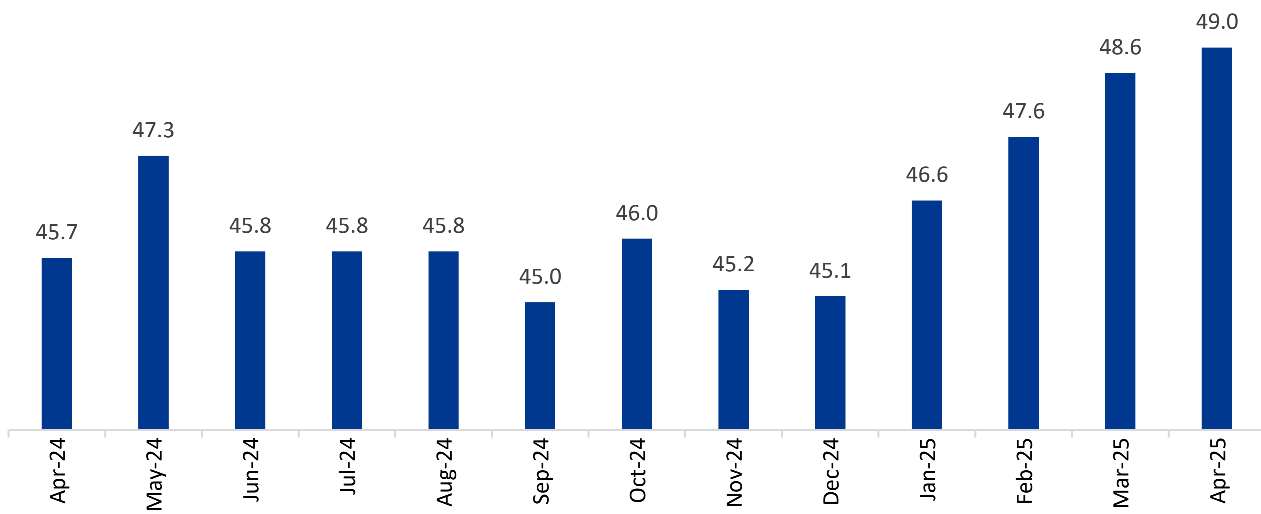


Source: CAPIQ

Eurozone manufacturing activity contracted at a slower rate

Eurozone manufacturing contracted at a slower pace in April 2025, with the HCOB PMI rising to 49.0 from 48.6 in March, its fourth consecutive increase, signalling sector stabilization. Production grew at its fastest rate in over three years, while job cuts slowed to a ten-month low. However, backlogs were cleared at the fastest pace in three months. Input prices fell for the first time since November 2024, but output prices rose sharply. Despite progress, the sector remains exposed to U.S. tariffs, though increased EU defence spending may support future stability.

Figure 23: Eurozone's Manufacturing PMI

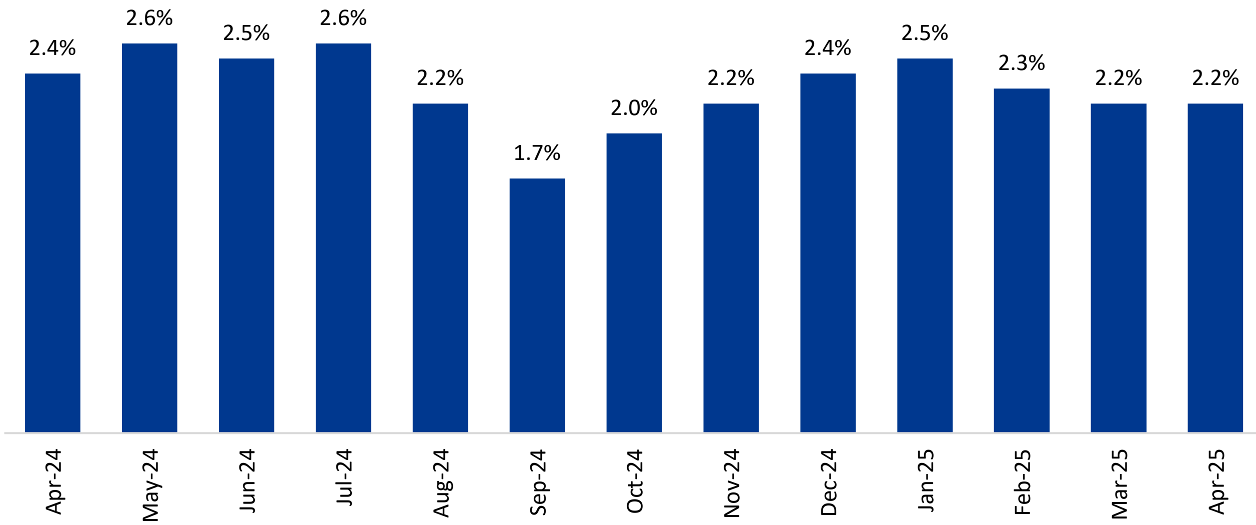


Source: CAPIQ

Eurozone inflation stayed steady close to the European Central Bank's 2% target

In April 2025, the Eurozone's HICP rose 2.2% YOY, staying near the ECB's 2% target. Core inflation increased to 2.7% in April 2025 from 2.4% in March. Services led annual price gains at 3.9%, followed by food, alcohol, and tobacco at 3.0%. Non-energy industrial goods saw a steady 0.6% rise. Conversely, energy prices fell more sharply, declining 3.5% compared to 1.0% in March. The data reflects persistent core inflation pressures despite easing energy costs.

Figure 24: Eurozone Consumer Price Index (CPI) YOY

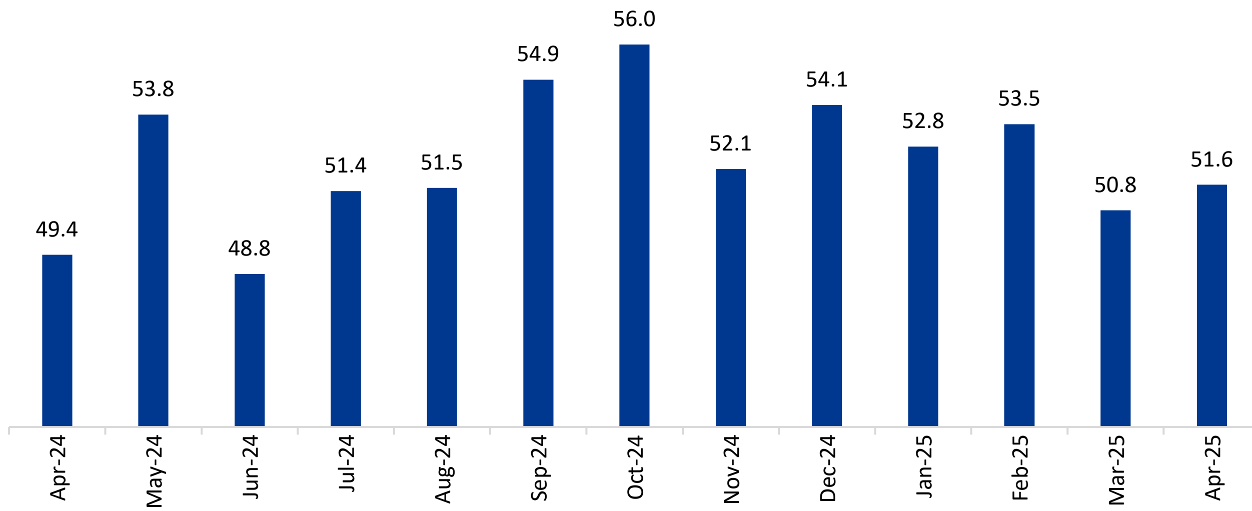


Source: CAPIQ

US services sector growth accelerated in April 2025

The ISM Services PMI unexpectedly rose to 51.6 in April 2025, indicating growth in U.S. service sector activity, contrary to economists expectations of a slight decline. The increase was driven by stronger new orders and improved employment conditions, despite employment remaining in contraction territory. However, business activity growth slowed, and prices surged to their highest level since January 2023, with respondents citing tariff impacts and federal agency budget cuts as concerns. Meanwhile, ISM's separate report showed U.S manufacturing PMI edged down, signalling continued contraction in that sector.

Figure 25: US ISM Services PMI

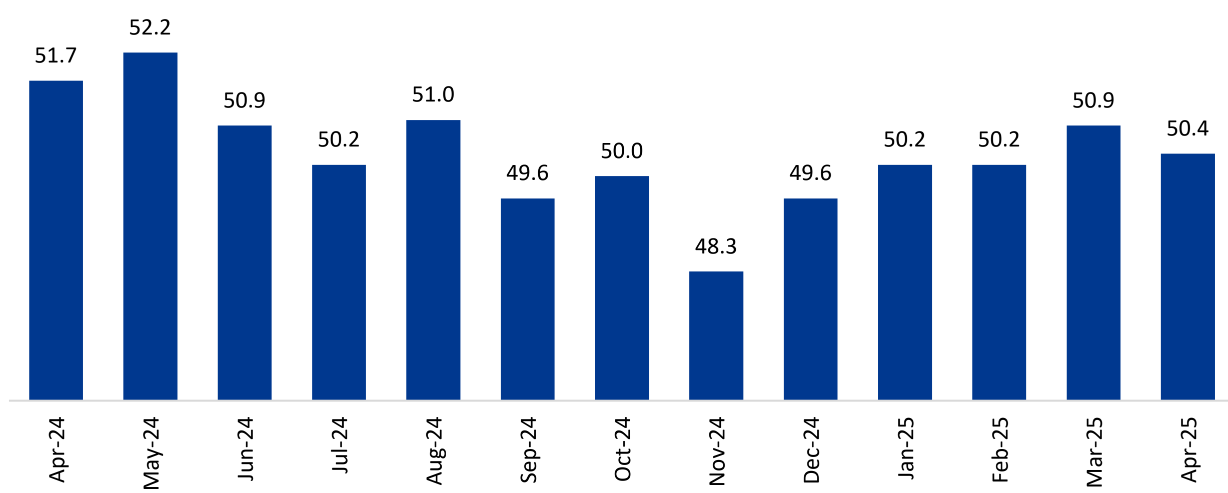


Source: CAPIQ

Eurozone private sector expansion slows amidst softening demand

Euro area private sector growth weakened in April 2025 as soft demand conditions limited expansion, with the HCOB composite PMI contracting to 50.4 compared to 50.9 in March 2025. Growth was driven solely by the manufacturing sector, while services stagnated. Italy and Spain contributed positively, with Italy posting its strongest growth in nearly a year. Germany's growth slowed, nearing stagnation, and France continued to contract for the eighth month, dragged by declining services. Weaker export demand impacted sales, while employment rose only in services. Sentiment and price pressures eased, with output charges rising at their slowest pace in 2025.

Figure 26: HCOB Eurozone Composite Purchasing Managers Index (PMI)

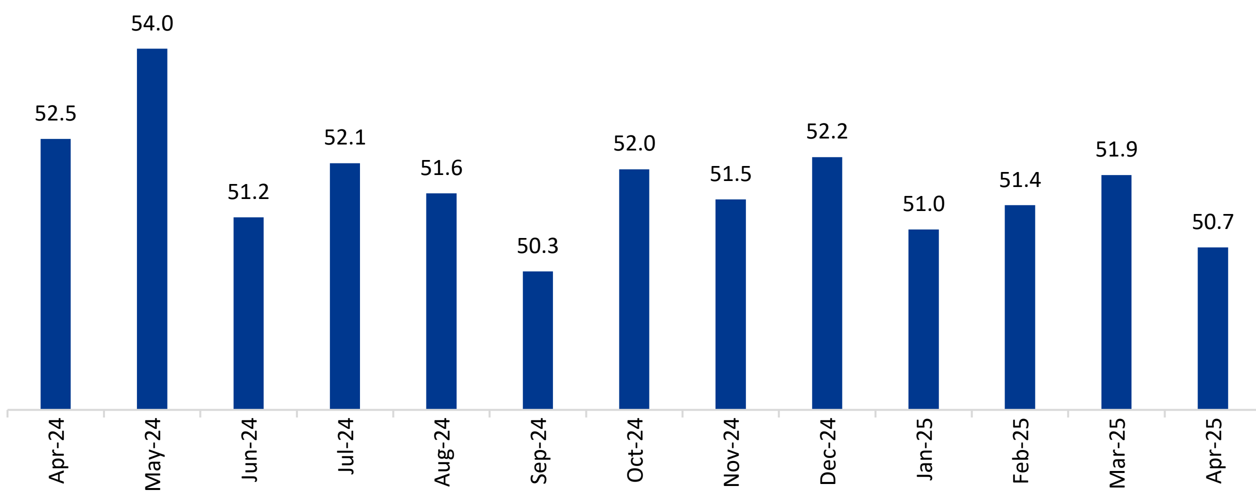


Source: CAPIQ

China's services activity eased amidst softer demand

China's services sector grew at its slowest pace in seven months in April 2025, with the Caixin Services PMI falling to 50.7 from 51.9 in March 2025. Growth was impacted by disruptions in goods trade from new tariffs, which weakened new business and confidence. New work expanded at its slowest rate in over two years, while firms cut staff for a second month amid cost concerns. Input costs rose sharply, driven by wages, but output charges were reduced to support sales amid rising competition. Overall private sector growth slowed as both services and manufacturing lost momentum.

Figure 27: China's Service Sector PMI



Source: CAPIQ

Fed maintained Interest Rates steady, cautioned on rising unemployment and inflation

The Federal Reserve left interest rates unchanged at 4.25–4.50% for the third consecutive meeting, citing increased uncertainty in the economic outlook. The decision supports its dual mandate of maximum employment and 2% inflation. The Fed noted continued solid economic activity and a stable labour market, though inflation remains elevated. It warned of rising risks to both inflation and unemployment. The Fed emphasized it will closely monitor incoming data and risks before making further moves. Markets largely expect no rate change at the June meeting, with a smaller chance of a rate cut.

China eased Policy to bolster economic recovery

The People's Bank of China cut its 7-day reverse repo rate by 10 bps to 1.4% and lowered the reserve requirement ratio to 9.0% from earlier 9.5%, injecting CNY 1 trillion into the financial system to support an economy hit by trade tariffs. Additional measures include increased re-lending funds for tech, consumption, and elderly care, and a cut to housing loan rates. These steps aim to boost lending and stabilize growth amid deflationary pressures. Economists expect limited credit demand impact, noting further easing may follow if needed, though stronger fiscal support remains essential for sustained recovery.

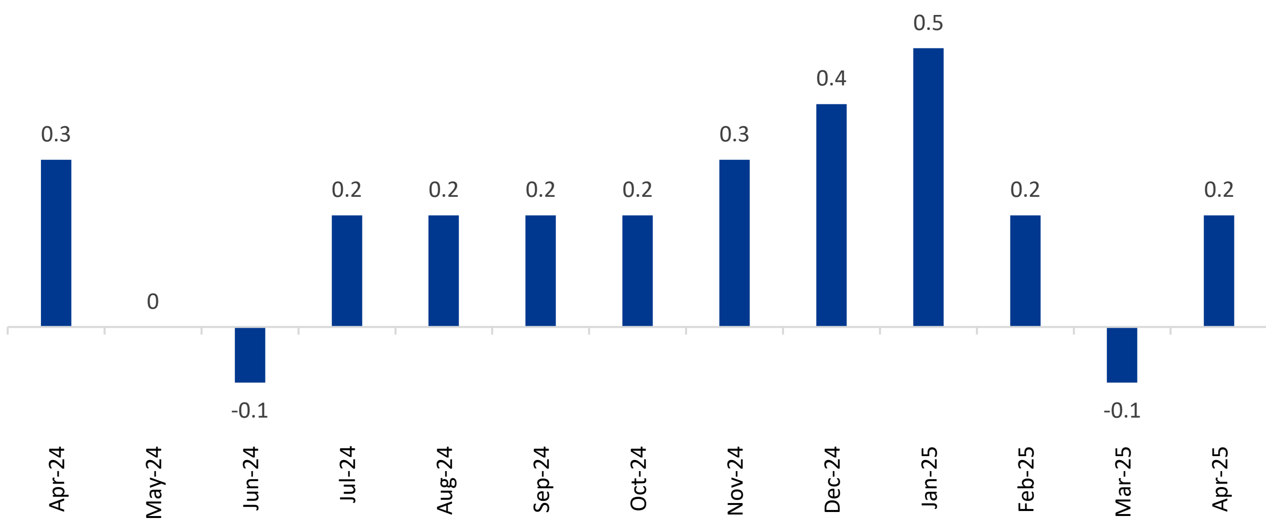
Bank of England lowered the key rate by 25 Bps amidst tariff uncertainty

The Bank of England cut its interest rate by 25 basis points to 4.25%, citing slowing inflation and risks from higher global trade tariffs. The decision, made in a split vote, marked the fourth cut since August 2025. While five members supported the move, two advocated a larger cut, and two others favoured holding rates steady to guard against persistent inflation. Policymakers acknowledged that global trade developments could impact UK activity. The rate cut reflects progress in curbing inflation, with the Bank emphasizing a cautious approach to further easing.

Consumer prices increased 0.2% in April 2025, slightly below expectations

US consumer prices rose modestly in April 2025, with the CPI increasing by 0.2%, following a 0.1% decline in March, signalling easing inflationary pressure. Shelter costs up 0.35%, contributed over half of the monthly rise. Energy prices rebounded by 0.7%, led by natural gas and electricity, despite a drop in gasoline prices. Core CPI excluding food and energy, also rose 0.2%, driven by higher costs for shelter, medical care, education, and personal care. Offsetting declines were seen in airline fares, used vehicles, communication, and apparel, indicating a mixed inflation landscape.

Figure 28: US CPI (MOM)

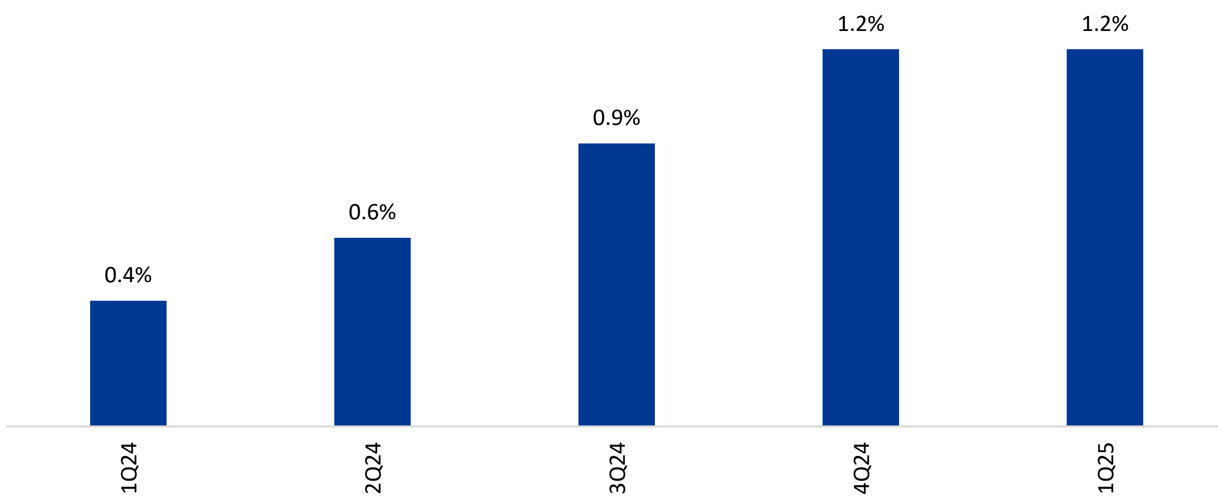


Source: CAPIQ

Eurozone GDP grew by 0.3% in 1Q25 as the job market strengthened

GDP in the euro area rose by 0.3% QOQ, slightly below the preliminary estimate of 0.4%. Annual GDP growth held steady at 1.2% in the 1Q25, which aligned with expectations. Spain witnessed the most substantial quarterly growth at 0.6%, while Germany and Italy recorded growth of 0.2% and 0.3%, respectively, in 1Q25. Furthermore, France saw a modest increase of 0.1% in 1Q25. Across the broader European Union (EU27), GDP increased by 0.3% QOQ, with growth reaching 1.4% on a YOY basis. Moreover, Ireland registered the highest sequential growth among member states, with GDP rising 3.2%. Additionally, employment across the euro area increased by 0.3% QOQ in 1Q25, following a 0.1% gain in the previous quarter. On an annual basis, employment growth remained stable at 0.8% in 1Q25.

Figure 29: Eurozone Gross Domestic Product (GDP) YOY



Source: CAPIQ

China Lowers Loan Prime Rates for First Time in Seven Months

The People's Bank of China cut the one-year loan prime rate (LPR) after seven months by 10 bps to 3.00%, along with the five-year LPR, a key reference for mortgage lending, lowered to 3.50% from 3.60% to stimulate domestic consumption and support the property sector amid easing trade tensions. Additionally, the central bank also reduced the 7-day reverse repo rate by 10 bps and the reserve requirement ratio by 50 basis points, along with various measures to counteract the economic slowdown driven by trade tariffs.

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