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Mashreq Capital

Outlook on MENA Fixed Income and Equity Markets

Q3 2026

MENA Fixed Income and Equity Markets Outlook Q3 2026

Author

Andreas Anthis
Head of Multi Asset & Absolute Return

Contributors

Amol Shitole
Head of Fixed Income

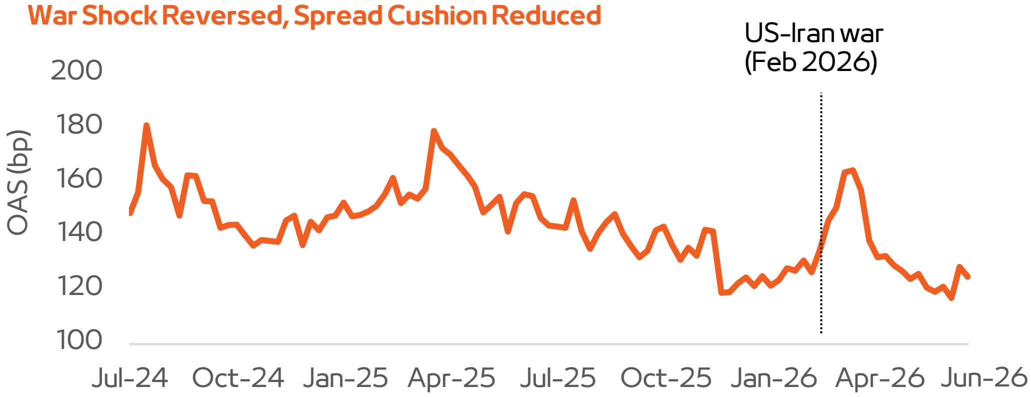
Ibrahim Masood
Head of Equities

MENA Fixed Income Outlook

We remain cautiously constructive on MENA fixed income, with full-year returns expected in the low-to-mid single-digit range. The asset class passed a meaningful conflict stress test, but the recovery has reduced the valuation cushion. MENA fixed income returned 0.52% in 1H26, well below 4.38% in 1H25, after the **US-Iran** war triggered a sharp March drawdown. The index returned -2.48% in 1Q26, before recovering 3.08% in 2Q26 as conflict risk premia retraced.

The conflict reinforced credit differentiation, with dispersion widening across quality tiers even as the headline spread move looked contained. MENA spreads widened from 135 bps pre-war to 175 bps at the peak, before tightening to 122 bps by end-2Q26. Spreads ended tighter than pre-war levels, limiting scope for broad compression in 2H26. Returns should therefore come mainly from carry, roll-down, and selective duration rather than another major re-rating.

War Shock Reversed, Spread Cushion Reduced



Source: Bloomberg, Mashreq Capital — EM USD AGG: MENA OAS

Core investment-grade sovereigns and GREs remained resilient. Market functioning stayed orderly, and liquidity in higher-quality names normalized after the initial volatility shock. Confidence proved more fragile in higher-risk HY issuers, especially real-estate-linked credits, where bid-ask spreads widened sharply and weaker developer bonds sold off before partially recovering. The episode reinforces our preference for a selective, credit-specific approach to HY rather than an outright beta bid.

MENA hard-currency issuance printed USD 85bn in 1H26, of which USD 43bn came in 2Q, leaving the market comfortably on track for our full-year estimate of USD 135bn. Robust Eurobond demand alongside a deep private-placement bid has been absorbed without meaningful concession, though any re-escalation in geopolitical risk would likely re-widen new-issue premia and raise execution risk on the primary pipeline.

The global backdrop remains supportive but narrower. US consumption is losing support from excess savings and fiscal stimulus, while AI-linked capex is carrying more of the growth impulse. Inflation remains well above target, keeping the Fed biased toward higher-for-longer rates. Regionally, differentiation matters more than beta, with **Saudi Arabia and Oman** among the more resilient credits.

Strategy & Top Ideas - Fixed Income

SOVEREIGNS – QUALITY HELD, BETA STILL MATTERS

The conflict has shifted sovereign selection from recovery beta to shock absorption. We prefer credits where buffers, policy credibility, and market access still compensate for tighter spreads. We are less willing to pay for balance-sheet strength when near-term transmission risk or valuation limits upside.

Overweight	Neutral	Underweight
UAE	Oman	Iraq
Morocco	Saudi Arabia	Lebanon
Egypt	Jordan	Qatar
	Bahrain	Kuwait

Quality Anchors and Reform Upside: **UAE, Morocco,** and **Egypt** offer the clearest risk-adjusted opportunities. UAE remains the preferred GCC IG exposure, supported by strong buffers, deep demand, and improving route resilience. Morocco remains a rating-migration story, with GREs still offering better carry than the sovereign. Egypt moves to overweight as stronger external buffers, FX flexibility, and IMF anchoring reduce the risk of another 2022-style reserve shock.

Investable, but Upside Is Capped: Saudi Arabia, Oman, **Jordan, and Bahrain** remain investable but less compelling. Saudi Arabia has strong reform momentum, but fiscal deficits and heavy issuance cap upside. Oman has the cleanest oil transmission story, but spreads already reflect much of the improvement. Jordan retains policy discipline and external backing, but upside is limited. Bahrain remains weak fundamentally, although GCC support and valuation argue against a deeper underweight.

Avoid Where Cushion Is Thin: **Qatar, Kuwait, Iraq, Lebanon, and Tunisia** screen less attractive for different reasons. Qatar and Kuwait have strong balance sheets, but weaker near-term risk-reward. Qatar remains exposed to LNG routing risk, while Kuwait's reform capacity is constrained. Iraq, Lebanon, and Tunisia remain underweight, with limited buffers, weak policy flexibility, and higher vulnerability to renewed regional stress or tighter global liquidity.

Off-Benchmark Diversifier: **Turkey** remains a selective off-benchmark position. Policy orthodoxy has improved, and the credit offers diversification away from regional oil and GCC-specific geopolitical risk. However, inflation, politics, and external funding sensitivity keep conviction contained.

Strategy & Top Ideas - Fixed Income

CORPORATE DIFFERENTIATION – SELECTION MATTERS

In corporate bonds, we believe selection matters more than broad market exposure. With macro risks higher and country outcomes becoming more different, we prefer companies with strong cash flows, visible income, and resilient balance sheets.

GCC Subordinated Debt – Overweight Tier 2

- We continue to prefer GCC Tier 2 bank debt over Tier 1 debt. Tier 2 offers attractive income for the level of risk and is better suited to an environment where returns are expected to come mainly from bond income. Saudi bank subordinated bonds may continue to trade at wider levels than regional peers because of higher external funding needs and a steady supply of new issuance.

GCC Real Estate – Selective

- In GCC real estate, we remain selective. We prefer higher-quality issuers with clear cash-flow visibility. Within high yield, we favour BB-rated issuers with pre-sale-led business models, where revenue is secured before project completion. This provides better liquidity and stronger balance-sheet protection compared with
- weaker peers.

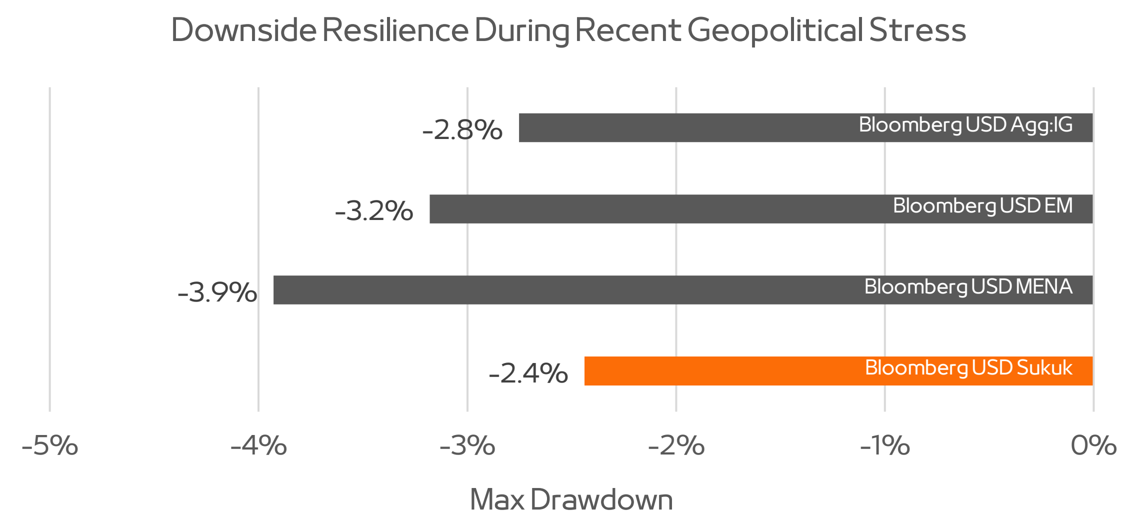
Strong Sponsors and Attractive Yields: Opportunities in Saudi & UAE Pipeline Debt

- We remain constructive on selected infrastructure linked bonds in Saudi Arabia and the UAE. These transactions offer a clear yield premium versus sovereigns and similarly rated global credit, underpinned by strong sponsors, predictable cash flows and robust structures.

MENA Fixed Income and Equity Markets Outlook Q3 2026

Global Sukuk Outlook - Fixed Income

The USD sukuk market continues to trade with resilience relative to conventional MENA fixed income, underpinned by a sticky institutional bid, deep regional liquidity, and steadily rising global participation in Sharia-compliant income. That resilience is visible in performance: the global sukuk index returned 0.72% in 1H26, ahead of the broader MENA bond index at 0.52%. Hard-currency sukuk issuance printed above USD 33bn in 1H26, and we now expect full-year supply of USD 70–80bn — revised lower to reflect the geopolitical overhang and episodic volatility around the US–Iran conflict. Even on a slower trajectory, the calendar remains GCC-concentrated (~46% of the market) and continues to be absorbed comfortably. We look for low-to-mid single-digit total returns in 2026, driven predominantly by carry and roll-down rather than material spread compression. Sukuk continues to screen rich versus its own history and versus broader EM credit, reflecting strong technicals and defensive positioning — evident in the recent drawdown, where sukuk declined just –2.4% through the geopolitical stress episode vs. –3.9% for MENA, –3.2% for EM, and –2.8% for US IG.



Source: Bloomberg, Mashreq Capital

Oil Exporters — Relative Insulation, with Differentiation

With oil off its highs and geopolitical risk easing at the margin, GCC fundamentals remain well supported by strong sovereign balance sheets, sizeable buffers, and ongoing diversification. **UAE** and **Oman** stand out as the most resilient credits, the UAE anchored by sovereign wealth and persistent capital inflows, Oman by its non-Hormuz export routes, tighter fiscal discipline, and lower debt stock, which allow higher oil revenues to feed more directly into the sovereign balance sheet. **Saudi Arabia** benefits from alternative export optionality via the East-West pipeline, but fiscal deficits and a heavy supply calendar cap the upside. **Qatar** and **Kuwait** retain strong balance sheets but offer weaker near-term risk-reward, given LNG routing risk and constrained reform capacity respectively. **Bahrain** has the least fiscal room in the GCC and derives only limited benefit from higher oil, leaving GCC support as the principal anchor for bondholders. Outside the region, **Malaysia** continues to benefit from its net energy exporter status and an improving current account, providing a degree of insulation against a softer global growth backdrop.

Global Sukuk Outlook - Fixed Income

Oil Importers — Fiscal Stress, Differentiated Buffers

For energy-importing countries, the recent moderation in oil prices provides some near-term relief, easing pressure on import bills and fiscal balances. However, structural vulnerabilities remain, and the key differentiator continues to be whether each country has sufficient financial buffers, credible policy frameworks, and external support to withstand potential renewed volatility in energy markets or global growth.

Indonesia remains sensitive to oil-price swings given its energy subsidy exposure, though lower prices reduce immediate fiscal pressure. The medium-term focus is on the authorities' ability to manage subsidy costs without eroding fiscal discipline. **Egypt** is in a stronger position than during the 2022 shock, supported by improved external buffers and greater exchange-rate flexibility, but its recovery remains dependent on continued reform progress and external financing. **Turkey** has improved its policy direction through more orthodox monetary policy, though reserve adequacy and inflation dynamics remain key risks to watch.

The **Philippines** faces the most visible near-term pressure, with wider fiscal and external deficits, below-potential GDP growth of 4.0%, and negative outlook revisions from both S&P and Fitch, suggesting current valuations may not fully reflect the downside risk. Within the broader importer universe, on **Pakistan** and **Benin**, we had exited both positions in the first half of the year given the elevated oil-price environment and its adverse implications for external balances and fiscal metrics. With oil prices having since moderated, we have turned neutral on both credits, as ongoing reform programmes and external support now provide sufficient near-term stability to offset weaker structural fundamentals.

MENA Fixed Income and Equity Markets Outlook Q3 2026

Strategy & Top Ideas - Fixed Income

Investment Grade Sovereigns

Within investment-grade sovereign sukuk, we remain overweight the **UAE**, and **Oman**. These positions provide a defensive anchor in a more uncertain environment. The UAE outlook remains supported by **Abu Dhabi**'s strong external asset position, potential upside from higher oil production post OPEC exit, and an increasingly diversified growth model. Oman's improved fiscal discipline and reform momentum have strengthened its credit profile.

We remain underweight Indonesia, where policy uncertainty has increased, reinforced by Fitch's revision of the sovereign outlook to Negative. We are also underweight **Malaysia**. While Malaysia's fundamentals remain supportive, current spreads do not offer enough compensation for the risks, limiting relative value at current levels.

Overweight	Underweight
Oman	Asia
UAE	Supranationals
GCC Tier 2s	

High Yield Sovereigns

In high-yield sovereign sukuk, we remain more selective than at the start of the year. **Turkey** now looks more constructive, supported by tighter macroeconomic policies, a return to more orthodox monetary and fiscal management, and a gradual rebuilding of foreign-exchange buffers, which together have improved the near-term credit trajectory. **Bahrain** was a favoured position in the first half of the year, supported by the elevated oil-price environment which had provided some relief to its fiscal metrics and reinforced the credit's carry appeal. With oil prices having since moderated, and given Bahrain's structurally weaker fiscal flexibility and continued reliance on GCC support, we have moved to a neutral position on the credit. **Egypt** remains a valuation-driven exposure; while reform and external funding risks persist, ongoing policy recalibration and multilateral support have helped stabilise near-term risks, with current yields offering adequate compensation for uncertainty. We also remain neutral on **Pakistan** and **Benin**, where attractive valuations and IMF-anchored reform programmes provide near-term support against weaker structural fundamentals.

Strategy & Top Ideas - Fixed Income

Corporates

Subordinated Debt – Overweight Tier 2

- We continue to prefer Tier 2 over Tier 1 subordinated sukuk. This was our preference before the conflict and remains appropriate given the current environment. Tier 2 offers attractive income for the level of risk and is better suited to a market where returns are expected to come mainly from carry. Saudi Tier 1 subordinated sukuk space is likely to trade wider than regional peers because of higher external funding needs and a steady pipeline of new issuance.

GCC Real Estate – Selective

- We remain highly selective in GCC real estate rather than seeking broad exposure. Our preference is for stronger issuers with clearer cash-flow visibility. Within high yield, we favour BB-rated issuers with pre-sale-led business models, where revenues are secured before project completion. This provides better liquidity and stronger balance-sheet protection compared with weaker peers.

MENA Fixed Income and Equity Markets Outlook Q3 2026

Emerging Markets Fixed Income Outlook

Q2 was dominated by headlines, the Iran conflict, oil price swings, and fears of a repeat of 2022, but EM Fixed Income proved remarkably resilient. The index returned 3.42%, driven almost entirely by spread tightening, with curves contributing little. The sell-off around the escalation was short-lived; inflows returned quickly and by end-June spreads had retraced through pre-conflict levels.

The real-economy damage was materially smaller than feared. Despite the Strait of Hormuz being shut for nearly 3.5 months, trade and supply chains adjusted better than expected — Asia sourced replacement barrels from a broader set of producers, strategic reserves were tapped selectively, and softer regional demand avoided the generalised inflation shock of 2022. The read-across is that geopolitical risk premia can unwind far faster than the initial panic implies; the next leg is less about war headlines and more about whether oil can sustainably hold current levels absent another disruption.

The broader macro backdrop has evolved in line with this. The Iran ceasefire and subsequent normalisation have unwound the geopolitical premium, oil had settled in the low $70s by June end, and global growth indicators are holding up better than feared. Credit fundamentals have moved in the same direction: May and June both saw positive rating actions comfortably outpace negative, and the four-month moving average of net rating changes is now at its highest level in a decade, supported by upgrades and outlook improvements across Argentina, South Africa, Uzbekistan, Ghana and Bermuda.

Looking ahead, the balance of risks has shifted. With the energy shock behind us, second-round inflation risks look far less threatening than a quarter ago. Our base case remains that 10Y USTs grind lower into year-end, with some short-term volatility. The risk, however, is asymmetric: sticky US inflation prints and a heavy Treasury supply calendar could keep yields anchored, or push them higher in a worst-case scenario. With EM spreads at 20-year tights, there is very little cushion if that plays out. Fiscal fragility also remains a concern in pockets of the market, particularly for lower-rated sovereigns with limited room to absorb higher funding costs or renewed commodity volatility. Against this backdrop, we expect performance to remain highly differentiated, with country selection and carry driving returns far more than broad beta.

Emerging Markets Fixed Income Outlook

Investment Grade Sovereigns

Within investment-grade, we prefer names where valuations still offer a reasonable cushion against a tougher rates backdrop and where fundamentals are supported by clear tailwinds. **Morocco** is a good example, the fiscal deficit is expected to hold around 3.5% of GDP with the current account widening toward 3.1% on the higher oil bill, but this is largely priced in, and the credit continues to benefit from a strong agricultural rebound and large-scale infrastructure investment tied to the World Cup and AFCON. **Chile** is another preferred name, a defensive, fundamentally solid IG credit where valuations still screen reasonably; upside is limited given tight spreads and copper production headwinds despite the price tailwind, but it remains a high-quality defensive holding at current levels.

By contrast, we remain underweight GCC and Asia within emerging market investment grade sovereigns. On a ratings-adjusted basis, valuations across these regions screen less attractive than comparable Latin American credits, investors are not being compensated enough for the risk. This is evident in the sovereign credit curve on the following page, where GCC and Asian IG names cluster at or below fair value while our preferred LatAm credits sit cheap to the fitted curve.

High Yield Sovereigns

In high yield, we continue to focus on quality, preferring BB-rated sovereigns over lower-rated credits where debt levels, funding needs and market access are more vulnerable in a volatile backdrop. Our preferred overweights are **South Africa**, **Uzbekistan**, **Armenia**, **Colombia** and **Pakistan**. South Africa is the clearest positive rating story in EM, with Fitch's June upgrade to 'BB' Stable following S&P and Moody's positive actions, anchored by consistent primary surpluses and Eskom's turnaround. Uzbekistan continues to deliver on reforms, with both Fitch and Moody's moving positively in June on the back of narrower deficits and progress on the NIF listing. Armenia benefits from ongoing regional normalisation, Colombia offers attractive carry and political re-pricing ahead of the 2026 election, and Pakistan remains anchored by the IMF programme with rebuilt FX buffers. On the underweight side, we stay underweight the weakest names where fundamentals remain a concern and valuations leave little cushion. **Senegal** is one example, with fragile debt dynamics and uncertain IMF engagement weighing on the outlook. Bahrain is another, where spreads screen tight against a weak fundamental backdrop with persistent fiscal deficits, elevated debt, and heavy reliance on GCC support.

Emerging Markets Fixed Income Outlook

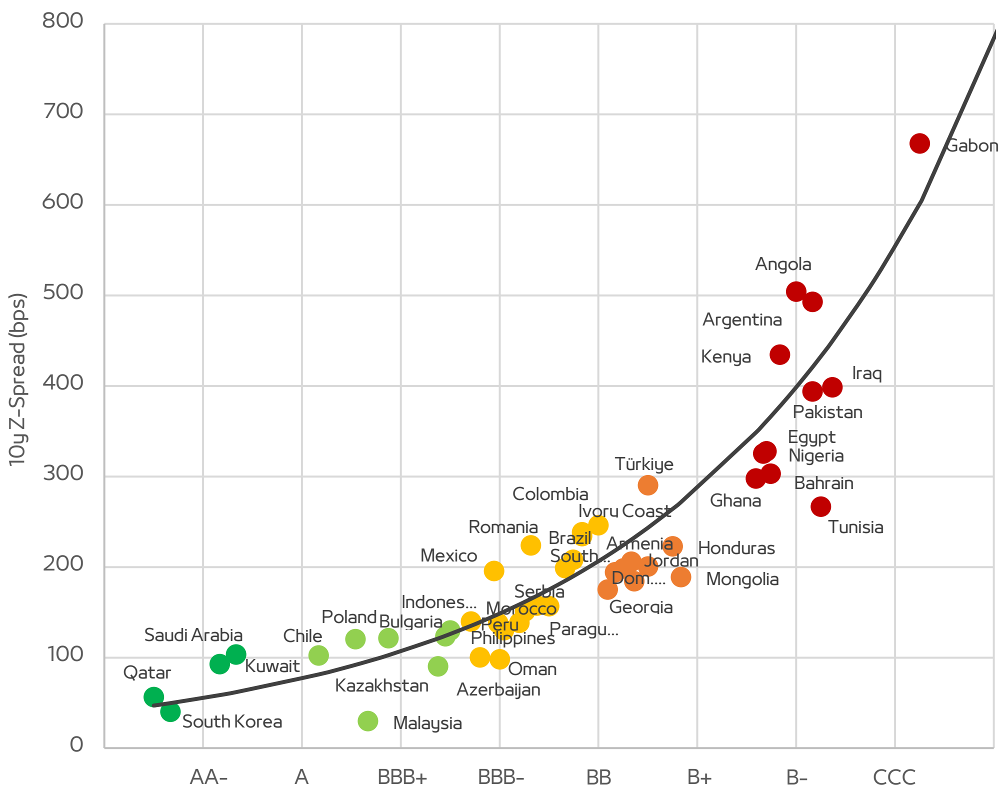
Corporates

We remain neutral on emerging market corporates and continue to prefer sovereigns across the asset class. Spreads are tight, fundamentals stable and default rates still below historical averages, but at current valuations the pickup on offer does not adequately compensate for the incremental risk in a more volatile backdrop where dispersion is likely to rise.

Regionally, we are most constructive on CEEMEA, where quasi-sovereigns and national champion banks offer the best risk-adjusted opportunities. **Uzbekistan** and **Morocco** stand out on the quasi-sovereign side, with attractive spreads over the sovereign and credit stories that mirror the sovereign itself. Within the GCC, we have turned more constructive post the Iran-related widening, favouring names with strong sovereign linkage, and we continue to see selective value in subordinated bank paper from high-quality national champions. In LatAm, we stay selective and broadly neutral, preferring quasi-sovereigns and well-anchored national champions over broad corporate beta. We remain underweight Asia, where valuations screen stretched and offer limited compensation for the broader risk backdrop.

Overall, we continue to favour quality, sovereign linkage and issuer selection over broad corporate beta.

Sovereign Credit Curve – Rating vs 10y Z-Spread

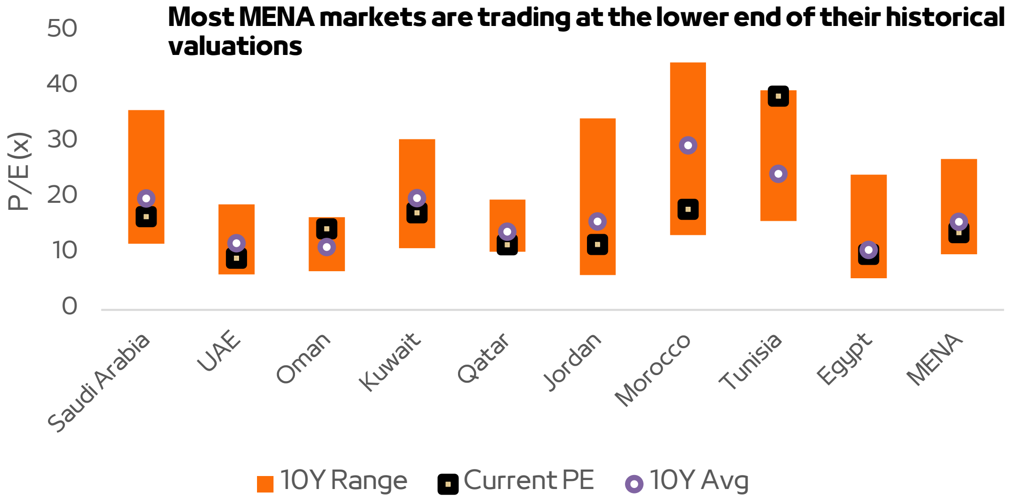


Source: Bloomberg, Mashreq Capital

MENA Equity Outlook

We are positive on MENA (Middle East and North Africa) equities, while remaining selective in our approach to security selection. The region remains well supported by a stronger US dollar, relatively elevated oil prices and improving fiscal dynamics. While oil has eased to around USD70/bbl following the Iran-US ceasefire, this remains a constructive level for regional economies, particularly as higher production volumes help offset lower prices and support revenues. Post-conflict reconstruction and higher government spending should provide an additional tailwind. US policy rates holding at current levels are also supportive, given the region's large financials weight. Saudi Arabia, Oman and the UAE remain best positioned, underpinned by strong sovereign balance sheets, reform momentum and structural growth stories.

The S&P MENA Pan Arab Total Return Composite Index (MENA Index) advanced 1.1% in a quarter characterized by heightened volatility and significant dispersion across regional markets. Improving prospects for a resolution to the US-Iran conflict triggered a notable rotation in performance. Saudi Arabia and Oman, the strongest-performing markets in the first quarter, declined 2.9% and 7.6%, respectively, while previously lagging markets staged a sharp recovery. Dubai rose 13.4%, Abu Dhabi gained 3.7%, and Kuwait advanced 2.9%, while Egypt was the standout performer, generating a USD return of 26.6%.



Valuation Dislocation Presents Opportunity

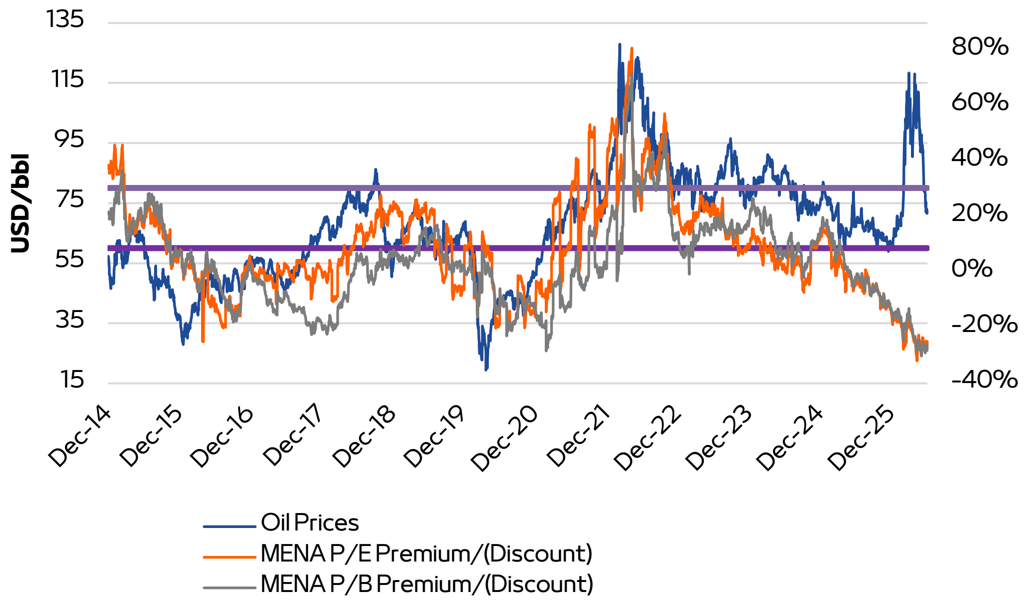
MENA equities remain attractively valued relative to broader emerging markets, currently trading at an approximate 20% discount despite oil prices holding within the supportive US$70–80/bbl range. Historically, the region has traded at a 10–15% premium at similar oil price levels. We view this valuation gap as transitory and expect it to narrow over time, supported by compelling relative valuations, a gradual recovery in capital inflows and a pickup in regional investment activity. Additional tailwinds include sustained government spending, reconstruction-related demand and higher oil production to meet pent-up demand, all of which should underpin earnings growth and improve sentiment across the region.

MENA Fixed Income and Equity Markets Outlook Q3 2026

MENA Equity Outlook

Valuations remain supportive across MENA, although earnings trends are increasingly diverging. Saudi Arabia offers the most compelling combination of reasonable valuations (equity risk premium at 152bps) and an expected earnings recovery, while the UAE screens as the cheapest market (equity risk premium at 655bps), largely reflecting concerns around a sharp slowdown in earnings. As earnings expectations continue to diverge across markets, stock and sector selection are likely to become a more important driver of returns than broad regional exposure.

MENA trading at a historic discount to Global Emerging Markets (GEM)



Macro Backdrop: Resilient with Differentiation

The regional macro backdrop is improving. Following the US–Iran ceasefire, the reopening of the Strait of Hormuz is improving traffic flows and restoring access to energy exports for Bahrain, Qatar and Kuwait, supporting a recovery in revenues from 3Q26 onwards. Saudi Arabia, Oman and select UAE companies enter this phase from a position of strength, with scope to accelerate oil exports, increasing government revenues.

The sectoral impact is expected to be uneven. Commodities, infrastructure and technology are likely beneficiaries, while real estate, tourism and consumer-oriented sectors may continue to face headwinds as sentiment improves only gradually against a backdrop of elevated logistics costs and higher import expenses.

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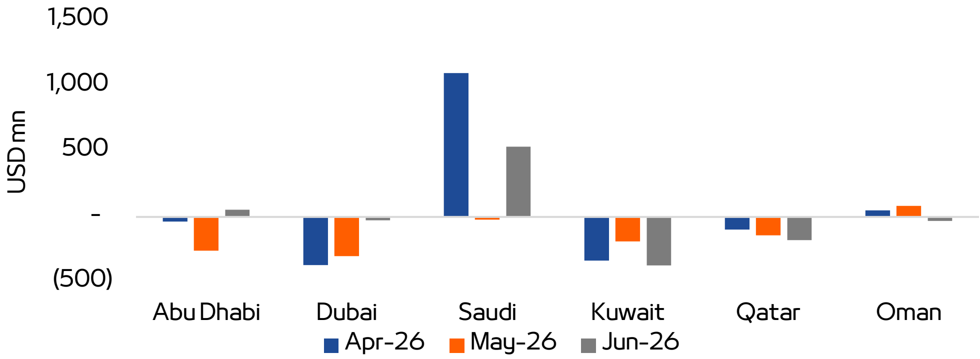
MENA Equity Outlook

Foreign Selling Shows Signs of Easing

Foreign flows remained negative across the region through 2Q26, reflecting broad-based selling. The UAE led outflows, followed by Kuwait and Qatar, as regional conflict weighed on investor sentiment. Oman also shifted to outflows after missing MSCI EM inclusion, with entry now likely deferred to 2028. Saudi Arabia was the only market to record net inflows, although these were largely concentrated in Aramco; ex-Aramco, Saudi Arabia's flows were also negative. Looking ahead, outflows are beginning to moderate as geopolitical risks ease, while the region remains relatively attractive versus broader EM, particularly in a strong USD environment.

Foreign Flows for Q2 2026



Positioning: Selective and Fundamentally Driven

Our positioning remains selective, with a clear preference for Saudi Arabia and Oman, where the fundamental backdrop is strongest.

- **Saudi Arabia:** We continue to favour infrastructure, energy services and commodity-linked sectors, reflecting sustained fiscal spending, healthy project pipelines and improving earnings visibility.
- **Oman:** Energy remains our core allocation, supported by attractive sector fundamentals and the prospect of Oman's inclusion in major EM indices, with FTSE and MSCI upgrades expected in 2027 and 2028, respectively.
- **UAE:** We continue to prefer Abu Dhabi financials. In Dubai, we favour sectors with limited exposure to tourism and residential real estate, while remaining cautious on financials. We remain cautious on Qatar and Kuwait. Qatar continues to face near-term headwinds from LNG infrastructure constraints and trade disruptions, while progress on structural reforms in Kuwait remains limited. We maintain a neutral stance on Egypt despite the Egyptian pound's c.10% recovery, as the sustainability of recent reforms and their consistent implementation remain key areas to monitor.

	ERP	ERP Median 5 Yrs	Trailing EPS Growth
MENA (%)	2.77	2.49	4.73
Saudi Arabia (%)	1.52	1.17	-0.48
Qatar (%)	4.08	4.22	-1.91
Oman (%)	3.07	5.12	7.94
UAE (%)	6.55	5.86	7.28
Kuwait (%)	1.22	1.72	-10.09

MENA Fixed Income and Equity Markets Outlook Q3 2026

MENA Equity Outlook

Saudi Arabia	Overweight
IT	↑
Industrials	↑
Materials	=
Utilities	↓

Saudi Arabia – Fiscal Resilience, Structural Growth: Spending remains elevated even as priorities evolve, anchoring long-term growth across energy, petrochemicals and infrastructure. Oil at current levels continues to support fiscal room, with higher volumes offsetting price normalization. Infrastructure remains the key beneficiary given deep project pipelines and stable cash flows, while real estate is supported by ownership reforms and tight supply conditions. Data centre demand is accelerating, and we favour companies with direct exposure to this structural theme. We remain less constructive on asset-light IT businesses, where persistent pricing and margin pressures continue to constrain earnings growth.

Oman	Overweight
Energy	↑
Financials	↑
Materials	↓

Oman – Strategic Advantage, Re-rating Potential: Oman's uninterrupted export access during the conflict has reinforced Oman's role as a strategic regional trade corridor, a structural advantage we expect to persist beyond the current cycle. Oil prices around US$70/bbl continue to underpin our positive view on energy, supporting resilient cash generation and earnings visibility. This in turn sustains government revenues, preserving fiscal flexibility to sustain investment and diversification efforts. Although the deferral of MSCI Emerging Markets inclusion to 2028 has dampened near-term sentiment, prospective FTSE inclusion remains a credible medium-term catalyst. We would view any market weakness as an opportunity, given the market's attractive fundamentals and re-rating potential.

UAE	Neutral
Energy	↑
Communication Services	↑
Financials	↓
Utilities	↓

UAE – Differentiated Opportunities: We remain selective on the UAE and underweight financials overall, although important differences are emerging between Abu Dhabi and Dubai. Abu Dhabi is better positioned, in our view, with the ADNOC value chain benefiting from higher production capacity and Abu Dhabi banks supported by stronger balance sheets and more resilient earnings. In contrast, Dubai-focused banks carry greater exposure to the real estate cycle, where market conditions may become less supportive as inflows moderate and population growth normalises. While transaction activity has started to recover, we believe supply-demand fundamentals are likely to adjust gradually, supporting a more cautious stance toward Dubai-facing exposures.

Qatar	Underweight
IT	↑
Communication Services	↑
Financials	↓

Qatar – LNG Headwinds: Damage to LNG infrastructure is likely to weigh on Qatar's near-term outlook, with LNG exports remaining constrained as facilities may take time to return to full capacity. Despite government support measures, loan growth is expected to remain subdued, while delays to planned LNG expansion projects represent a longer-term headwind to economic growth and banking sector earnings.

Kuwait	Underweight
Financials	↓
Industrials	↓

Kuwait – Waiting for Reform Catalysts: Damage to refining, power and water infrastructure is likely to delay reforms as policy shifts toward rebuilding. We remain cautious, pending clearer progress on reform implementation.

Egypt	Neutral
Financials	=

Egypt –Recovery Still Fragile: The Egyptian pound has recovered by c.10% since the ceasefire, but the broader recovery remains at an early stage. We remain neutral, seeking greater confidence in the sustainability of disinflation and reform progress before turning more constructive.

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CONTACT US:

Mashreq Capital (DIFC) Ltd.
Al Fattan Currency House,
Tower 1, Floor 1, Office 111,
DIFC, Dubai, United Arab Emirates

Tel: +971 4 424 4618
Email: MarketingTeam@mashreq.com

www.mashreqcapital.ae