Mashreq Capital

Outlook on MENA Fixed Income & Equity Markets

Q2 2025

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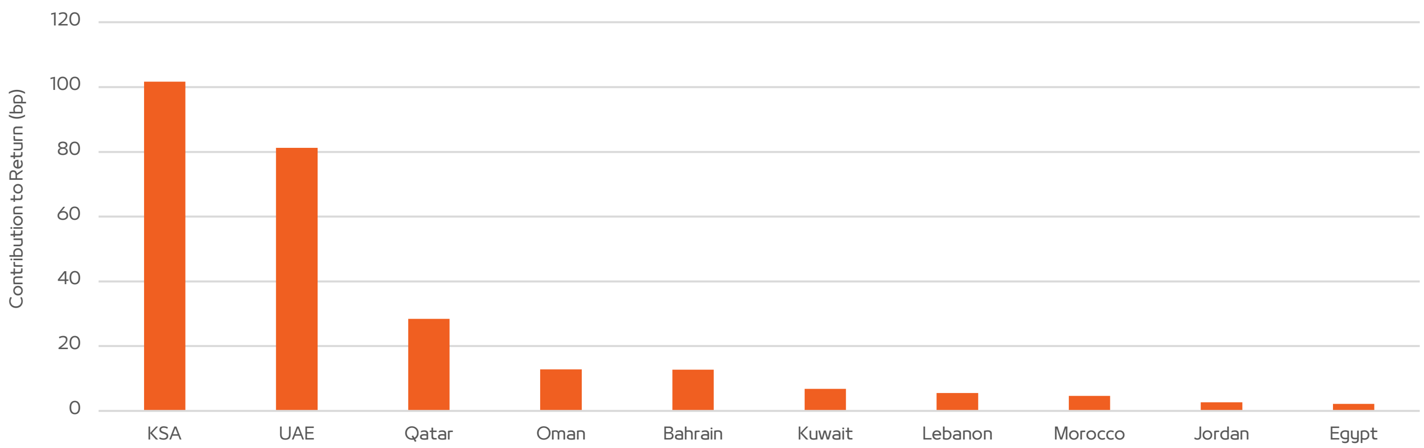
MENA Fixed Income

Market Overview

The MENA fixed income markets started on a strong footing during 1Q25. The Bloomberg MENA USD Agg Index was up 2.6%, a sharp rebound from the negative 2.6% loss reported during 4Q24 and much stronger than the 0.6% gain reported in 1Q24. The market benefited from a decline in US Treasury yields (10-year UST yields closed 40bps lower at 4.21% during the quarter), which supported the long-duration (6.1) and high-quality MENA bond index (Credit Rating: A). In terms of countries, the top contributors were Saudi Arabia (102bps), the UAE (81bps), and Qatar (28bps). At the issuer level, Saudi, Abu Dhabi, and Qatar sovereigns contributed 57bps, 20bps, and 18bps respectively to total returns. In terms of detractors, Al Rajhi Bank was at negative 12bps due to a cheap new issue, and Binghatti was at negative 7bps due to idiosyncratic reasons. By sector, Sovereign & GREs contributed 220bps to 1Q25 returns, while the rest came from Corporates. By rating buckets, IG added 194bps, and the remaining came from HY. All duration buckets added to the gains, with the top three contributions coming from 10+ years (65bps), 3-5 years (63bps), and 1-3 years (47bps).

Contribution to Total Return by Country[1]



Market Outlook

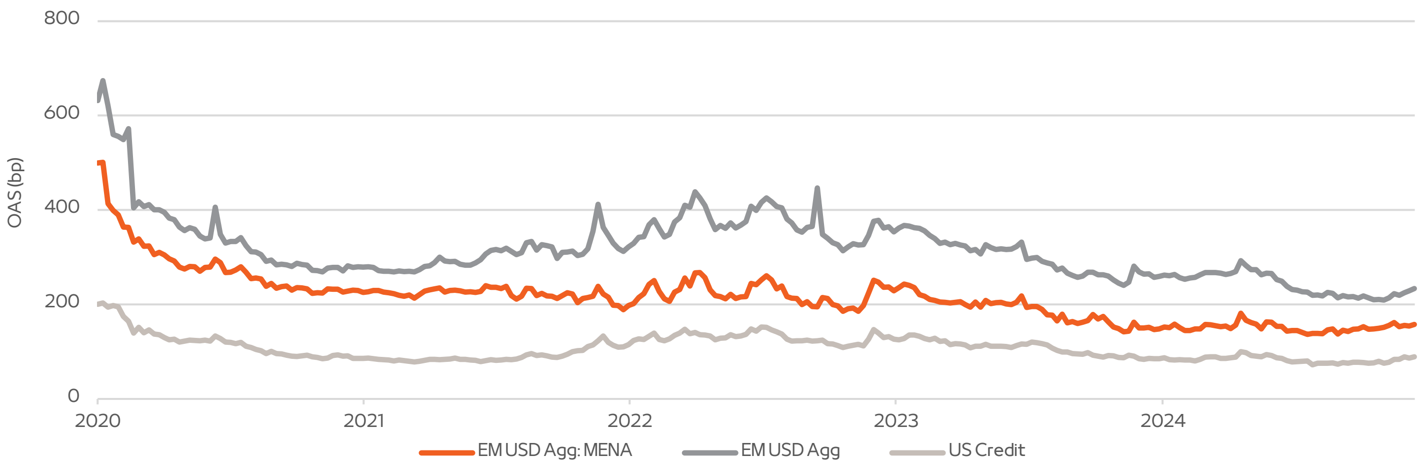
We maintain a neutral view on the MENA fixed income markets for 2Q25. We changed our duration stance on the market from underweight in 1Q25 to a small overweight this quarter by cutting high beta credit risk in the portfolios and adding a few investment-grade names, considering rapidly deteriorating market sentiments and unprecedented volatility in global financial markets. MENA credit spreads continue to remain tight, which is stopping us from turning outright bullish on the markets at this point. That said, yield-focused investors can find some comfort in attractive running yields. The yield on the Bloomberg MENA bond Index is close to 6.0%, which is approximately 100bps higher than the last 5-year average and about 280bps higher than the lows of 3.2% seen in December 2020. We believe these are reasonable yields to lock in, given our expectation of the continued rate-cutting cycle in the US in 2025-26.

The key risks to the regional bond markets remain the ongoing weakness in Brent oil prices and elevated global geopolitical risks. In the face of growing market risks, we prefer to be selective and diversified within our portfolios. Within the GCC, we expect the UAE, Qatar, and Oman to outperform KSA, Kuwait, and Bahrain in the near term because of the lower fiscal breakeven oil prices of the former. We expect MENA bond markets to remain resilient versus broader EM bond markets due to their higher credit quality, which tends to hold better amid the risk-off market environment.

[1]Source: Bloomberg, Indices used: Bloomberg EM USD Agg: MENA Index, Bloomberg EM USD Agg Index, Bloomberg US Corporate High Yield Index

MENA Fixed Income

MENA Spreads Prove Resilient



The ongoing geopolitical risks are expected to impact MENA trade, economies, and markets through three main channels: tariffs, sanctions, and peace/ceasefire agreements. Based on new tariffs announced by the US on April 9th, the MENA region is likely to be the least impacted compared to the rest of the world due to lower tariff rates. Furthermore, the magnitude of future tariff changes is likely to be muted for the region as it runs a trade deficit with the US, unlike Asia. Moreover, the US shares close economic and military cooperation with several MENA countries, including Saudi Arabia, the UAE, and Qatar, implying a stable trade relationship with the US.

The Gulf countries are also acting as peace brokers within the EMEA region. Regarding sanction risks, Iran would be the most impacted economy by the US sanctions. Under fresh US sanctions, Iran's oil exports could drop to 100k-150k barrels per day from the current 1.5 million barrels per day. This is likely to benefit Saudi Arabia and the UAE, which have a combined 4-4.5 million barrels per day of spare oil capacity that could be brought back to markets to replace the lost oil output from Iran.

On peace/ceasefire agreements, there are several uncertainties regarding the terms and timing of such agreements. However, the direct winners from prospective mutually beneficial peace agreements in Europe and the Middle East are likely to be Ukraine, Russia, and Israel, as they can focus on rebuilding their war-torn economies. We also expect several commodity-importing economies, including Egypt, Turkey, Pakistan, and Jordan, to benefit from lower energy and food prices if the regional conflicts end. All in all, we expect geopolitical uncertainty to remain elevated and prefer to be defensive.

Relative Valuations

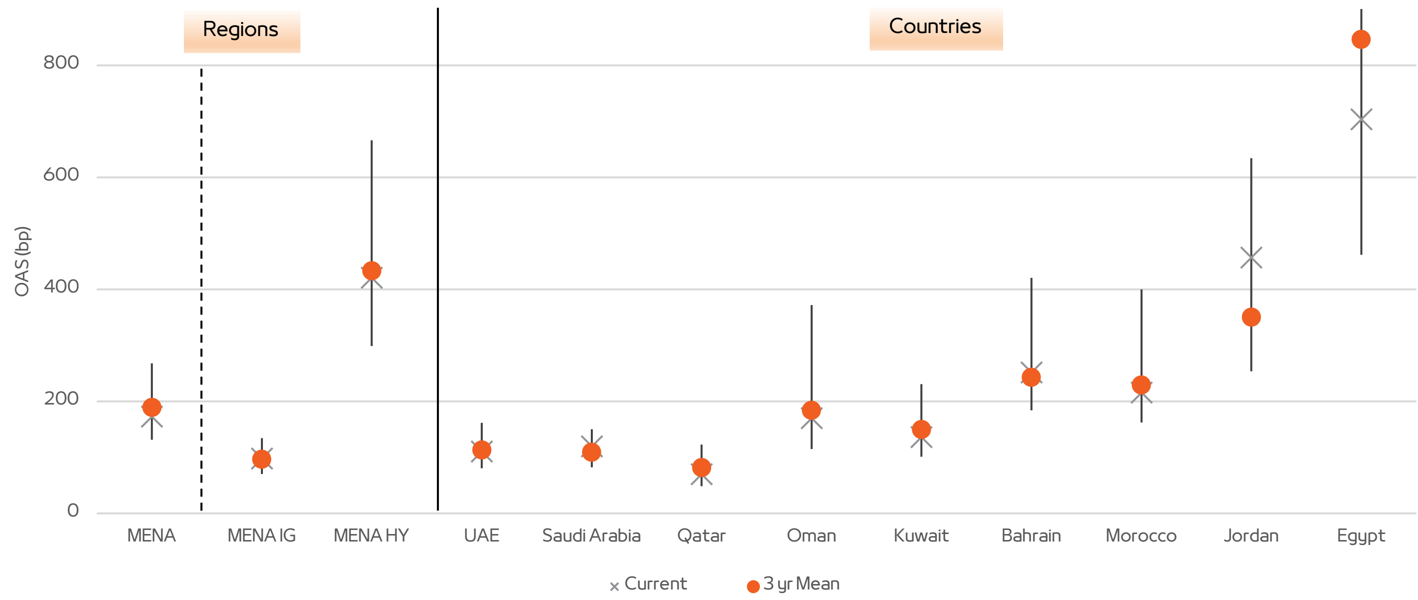
As of April 11th, 2025, spreads have decompressed from the lows seen in 4Q24, driven by weaker global growth expectations and declines in oil prices. Despite the decompression, spreads remain tight on a historical basis. Currently, they are in the 40th percentile over the past three years and in the 20th percentile over the past ten years. However, spreads within MENA are supported by the large domestic investor base and strong credit fundamentals of regional issuers.

On a relative value basis, we see value in Saudi Arabia, Oman, and Morocco, which look attractive in our view. Saudi Arabia is the cheapest single A-rated sovereign within global emerging markets and is undergoing positive economic diversification. Both Oman and Morocco are undergoing economic reforms and have upcoming idiosyncratic catalysts that we expect to support spreads to stay resilient.

Conversely, we are cautious on Bahrain due to the potential for widening spreads. Bahrain maintains the highest fiscal break-even oil prices within the GCC at about $125/bbl. Given the weak oil price environment, we expect this to weigh on fiscal balances and be negative for spreads.

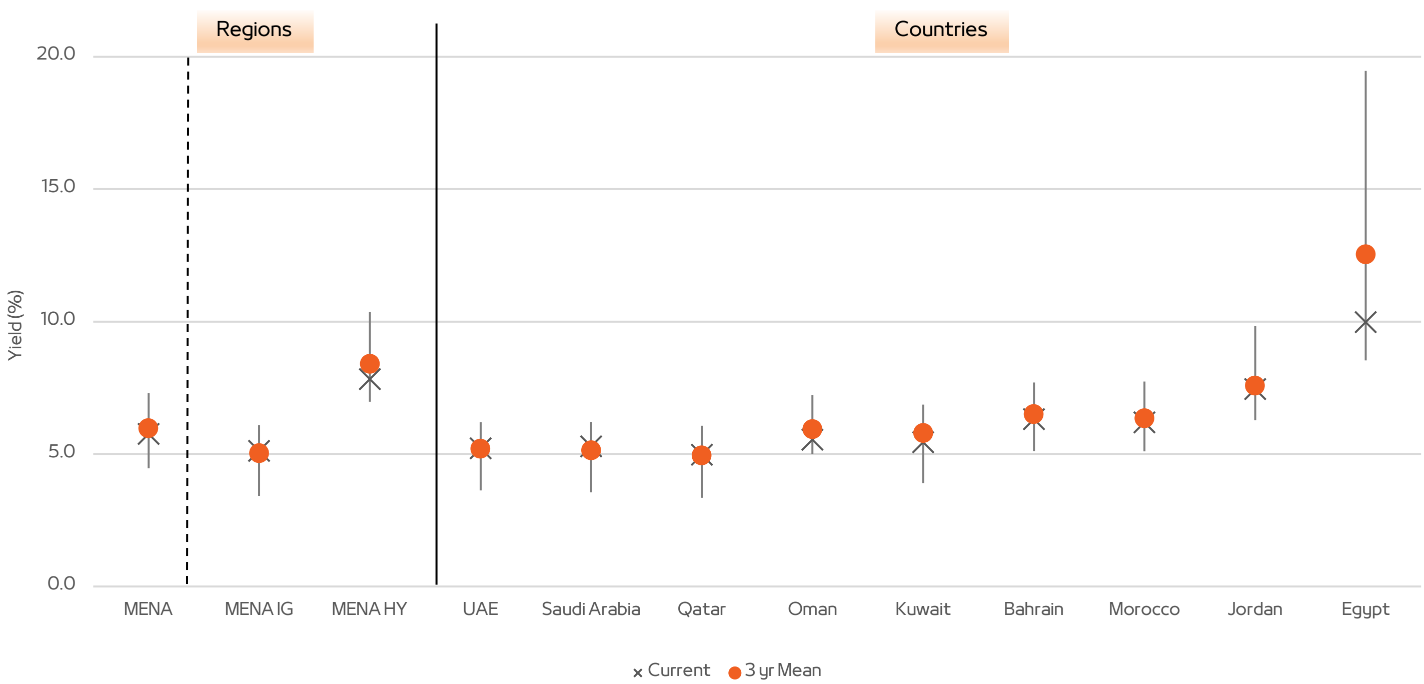
MENA Fixed Income

OAS Dispersion by Country[1]



All-in yields, on the other hand, remain attractive compared to history. The yield on the Bloomberg USD EM Agg: MENA index is approximately 6.0%, while its 10-year average is around 5.0%. Within the investment-grade segment, the dispersion is more pronounced, and yields are currently in the 82nd percentile when looking over the past 10 years. Therefore, even with relatively tight spreads, MENA fixed income looks attractive on an all-in yield basis.

Yield Dispersion by Country[1]



[1]Source: Bloomberg. Indices used can be found in the back of the document.

MENA Fixed Income

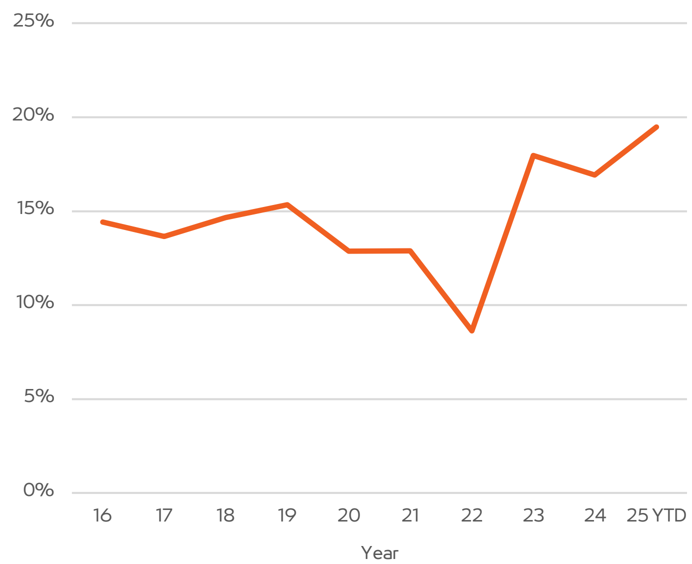
Supply Outlook

Issuance for the MENA region is set to grow in 2025, fueled by government initiatives, diversification goals, and deficit funding. For the year, we are expecting gross supply to be approximately 120 billion across USD, GBP, and EUR. Year to date, we have seen about 40% of our 2025 target, with over 50% coming from the Kingdom of Saudi Arabia. Saudi Arabia's issuance has increased in recent years, reflecting its ambitious targets laid out in its 'Vision 2030' to diversify revenues away from oil. Debt to GDP has risen from 22% in 2019 to 29% in 2024, and as a result of this level of issuance, the country represented 43% of the region's issuance in 2024, up from an average of around 22% in 2016-18, which were the first few years following the announcement of Vision 2030. We expect this level of issuance to continue as the government executes its vision, supported by the fact that Debt to GDP levels are well below developed market peers and that the Kingdom's credit rating was recently upgraded in February 2025 by Moody's to Aa3. Furthermore, domestic corporates and financials will also continue to increase their supply as they look to offset the higher costs of domestic liquidity caused by PIF's giga projects and to diversify their funding base.

Looking forward to the remainder of the year, we anticipate most of the upcoming supply to come from KSA and the UAE. Within the UAE, the emirates of Ras Al-Khaimah and Sharjah have both been active issuers in 1Q25, and we are expecting issuance at the Federal level and from Abu Dhabi. Elsewhere in the GCC, we expect Kuwait to come to the international market for the first time since 2017 following the passing of a new public debt law, which should help its weakening public finances.

MENA Issuance Trends[2]

MENA as a share of Global EM issuance[2]



[1]Source: Bloomberg indices used can be found in the back of the document.
[2]Source: JP Morgan, Mashreq Capital calculations. Issuance data including securities denominated in USD, GBP, and EUR.

MENA Fixed Income

Strategy and Top Ideas

Sovereigns

Quality Duration (UAE, Qatar): Despite ongoing volatility in US Treasury yields, we like select quality duration trades for 2Q25. We acknowledge that MENA IG spreads are tight versus historical averages. Nevertheless, higher quality IG bonds tend to perform well compared to HY bonds amid a slower global economic growth outlook. This trade also offers relatively better protection versus HY bonds if the US economy enters a recession. In terms of a pecking order, we like AA-rated GCC bonds due to their ability to express duration views in the most efficient way amid the current poor bond market liquidity. The UAE and Qatari sovereign bonds benefit from their relative cheapness compared with similarly rated names within the global EM. We are turning more constructive on the Qatari sovereign going into 2Q25, given that JP Morgan's index exclusion story of Qatar has been well telegraphed and is mostly priced in by now.

Underweight Saudi Arabia on Deficits, Bond Supply, and Beta: The higher fiscal breakeven oil price and declining oil prices are likely to result in higher bond issuance from Saudi Arabia at both the sovereign and GRE levels, leading to its near-term underperformance versus higher quality sovereigns in the GCC. We are less concerned about the capex related to several mega projects in Saudi Arabia, as the country has maintained flexibility and delayed such discretionary spending in a weaker oil price environment in the past. Although the valuations appear attractive versus similarly rated EM peers, the sovereign should remain high beta within the GCC IG space due to its near-term fundamental challenges and relatively weaker technicals. That said, we note that the Saudi economy is likely to handle the near-term funding challenges well, given its low debt load and robust external asset base. The sovereign/GRE belly is likely to stay more resilient versus the long end in 2Q25, in our view.

Value in Mid-Beta Rising Stars (Oman and Morocco): We see value in cross-over rising stars within MENA, namely Oman and Morocco. The Omani sovereign bonds are likely to stay resilient versus the EM BB bucket, considering their potential rating upgrade to IG and lower fiscal breakeven oil price (below $60 per barrel) within the GCC. We like both Morocco and its GREs for their improving economic and credit fundamentals and expect both issuers to be upgraded to IG by rating agencies over the next 12 months. We have a slight preference for Moroccan GREs for their attractive spread over sovereign versus regional peers.

Selective HY Names (Egypt & Turkey): We continue to like Egypt as its near-term liquidity and funding needs appear manageable. We like the front end of the curve for its lower beta and prefer to wait for risk sentiments to improve before switching into cheap, low cash price long-end bonds. We like some exposure to Turkey as a diversification trade. Though political risks have increased in recent times, the central bank's response to the crisis has been swift. After the recent sell-off, we find value in select corporates and bank subsidiaries in Turkey.

Corporates

Underweight Deteriorating Credit Stories (Bahrain and Sharjah): We are underweight on two downgraded sovereign stories in the region, namely Bahrain and Sharjah. High fiscal breakeven oil prices, tight valuations, and a deteriorating credit profile keep us underweight on Bahraini bonds. Although we believe in continued Gulf support, especially from Saudi Arabia, we choose to get involved at wider yield levels later this year. Regarding Sharjah, S&P recently revised the outlook on the emirate to negative from stable due to rising fiscal deficits (6% of GDP in 2025E), debt load (62% of GDP), and debt servicing costs (32% of revenue). We expect strong implicit support from the UAE to the emirate; however, there is room for valuations to widen further over the year.

GCC Pipeline Bonds: Within the GCC IG corporate universe, we are overweight on the pipeline bonds from Saudi Arabia and the UAE due to their strong sponsorship, stable cash flows, and robust contractual structures. These names offer an attractive yield pick-up versus sovereign as well as similarly rated global bonds. While most IG GREs in the region are trading flat to 20bps wide over sovereigns, pipeline bonds offer an attractive spread pick-up of approximately 50bps or higher over respective sovereigns and offer value.

MENA Fixed Income

Bank Subordinated Bonds (AT1s and Tier 2s): This has been one of the most resilient parts of the MENA bond market over the years. It forms approximately 5% of the index and is largely dominated by issuances from GCC banks that are very well capitalized and have some level of government ownership. Given the declining oil prices and the recent sell-off in global AT1s and Tier 2 bonds, we expect some weakness to translate into regional subordinated bonds if market sentiment continues to remain fickle. We are trimming our large overweight on this sector due to market repricing risks. We prefer names with short call dates, attractive carry, and higher reset rates.

High-Yield Corporates: We are turning defensive on this segment of the MENA bond market. High-yield corporates form a tiny portion of the MENA bond market (<3%) and are predominantly concentrated in the Dubai and Saudi real estate sectors. These names are strong carry names and are largely issued in Sukuk format, which benefits from strong technicals such as a buy-and-hold investor base. Most of the names in this category exhibit corporate governance issues, aggressive debt-fueled growth strategies, and supply risk. We don't think this sector will stay immune to deteriorating global risk sentiments. We are cautious with our credit selection in this segment..

Fixed Income Country Views

	Negative	Neutral	Positive
Saudi Arabia		●	
UAE		●	
Qatar		●	
Oman			●
Bahrain	●		
Egypt			●
Kuwait		●	
Morocco			●
Jordan		●	
Turkey			●

● Mashreq Capital's current views

MENA Fixed Income

Saudi Arabia (M/S/F; Aa3 sta / A+ sta / A+ sta)

We maintain a neutral fundamental sovereign credit outlook on Saudi Arabia, as its strong financial position is counterbalanced by emerging external pressures. Non-oil GDP growth is projected at 4.4% in 2025, supported by robust domestic demand, ongoing diversification under Vision 2030, and rising investment activity led by the Public Investment Fund (PIF), which plans to scale up annual spending from USD 40bn to USD 70bn. Overall GDP growth is forecast to rebound to 4.7%, as the kingdom phases out 1 million barrels per day of voluntary oil production cuts announced from October 2024 to September 2025, with output set to rise by 411,000 barrels per day starting in May. On the fiscal side, Saudi Arabia's 2025 budget projects a deficit of 2.9% of GDP, with total expenditure set at USD 342bn—a 4.5% reduction from the 2024 budget. Despite the pullback, spending remains elevated at 32.4% of GDP, reflecting ongoing support for key Vision 2030 initiatives. The government has also reprioritized large-scale projects, with Neom's funding reportedly reduced. Revenues are budgeted to decline by 3.7% year-on-year, based on conservative oil price assumptions. With the IMF estimating the fiscal breakeven at around USD 91 per barrel (current Brent price of approximately USD 64 per barrel), persistent oil price weakness and global trade tensions could widen the deficit beyond current forecasts. Still, the use of cautious revenue assumptions and more targeted capital allocation signals a shift toward greater fiscal discipline amid external uncertainty. External buffers remain solid, with foreign reserves exceeding USD 410bn and nearly USD 950bn in assets under PIF. That said, near-term bond spread performance will largely depend on oil market dynamics and the evolving global trade landscape.

UAE (Aa2 sta / AA- sta / AA- sta)

We maintain a neutral sovereign credit outlook on the United Arab Emirates (UAE), balancing robust non-oil sector expansion and fiscal resilience against moderating hydrocarbon revenues and geopolitical risks. The UAE's credit profile benefits from substantial financial buffers—primarily through Abu Dhabi's sovereign wealth funds, which collectively manage approximately USD 1.7 trillion in assets as of late 2024—providing a strong cushion against external shocks and supporting long-term economic stability. The sovereign's GDP grew by 3.8% year-on-year during the first nine months, reaching USD 350bn. This growth was primarily driven by a 4.5% expansion in non-oil sectors such as tourism, real estate, and construction, which contributed 74.6% of total real GDP. Hydrocarbon production was constrained by OPEC+ agreements, but planned quota increases in 2025 are expected to provide a modest uplift.

The sovereign's 2025 federal budget is expansionary, with expenditures rising nearly 12% to USD 19.5bn. About 40% of the budget is earmarked for social development and pensions, with education and healthcare receiving the largest shares—aligned with the UAE's diversification strategy. Ongoing structural reforms—including corporate tax implementation, labor market unification, and investment facilitation—are expected to strengthen long-term competitiveness. Nonetheless, key risks include oil price volatility, regional geopolitical tensions, and the pace of reform execution.

Qatar (Aa2 sta / AA sta / AA sta)

Qatar's sovereign credit outlook remains neutral, underpinned by strong macroeconomic fundamentals, ample fiscal buffers, and disciplined debt management. The country's debt-to-GDP ratio has improved markedly—falling from 72% in 2020 to an estimated 41% in 2024—driven by elevated hydrocarbon revenues and a prudent fiscal stance. While hydrocarbons continue to account for nearly 80% of government revenue, making the fiscal outlook sensitive to commodity price swings, Qatar remains well-insulated against external shocks, including those from ongoing global trade tensions and tariff-related disruptions, due to its sizeable sovereign reserves and one of the lowest fiscal breakeven oil prices in the region—estimated at just under USD 47 per barrel for 2024 and projected to fall further.

Economic activity strengthened in 2024, with real GDP growing by 2.4% compared to 1.2% in 2023, supported by a robust 3.4% expansion in non-hydrocarbon sectors such as manufacturing, logistics, and services. These sectors now make up close to 60% of total output, reflecting meaningful progress in diversification. Medium-term growth prospects are anchored by the North Field LNG expansion, which will increase production capacity from 77 to 142 million tonnes per annum by 2030. The project is expected to significantly boost export earnings and fiscal surpluses, with the IMF projecting the primary surplus to rise from 1.6% in 2024 to over 5% by 2026.

MENA Fixed Income

Oman (Ba1 pos/ BBB- sta / BB+ pos)

Oman's credit profile has shown marked improvement since the pandemic, driven by prudent fiscal management, declining debt, and robust hydrocarbon revenues, positioning it for a potential rating upgrade to investment grade by both Moody's and Fitch. The government's debt-to-GDP ratio fell to 35% in 2024 (from 37.5% in 2023 and a peak of 70% in 2020), reflecting disciplined repayment strategies and higher oil prices over the past 3-4 years. Fiscal surpluses persisted in 2024 (2.9%), supported by conservative budgeting and structural reforms, including VAT implementation and subsidy rationalization. Oman's interest expense-to-revenue ratio has shown significant improvement (from 10.6% in 2020 to 7.5% in 2023), reflecting fiscal consolidation and debt reduction.

Non-oil growth accelerated to 4.2% in 2024, fueled by manufacturing (notably the Duqm refinery) and tourism, while FDI inflows—though concentrated in oil/gas—remained strong at 11% of GDP. The current account surplus (2.8% of GDP in 2024) and rising FX reserves (USD 18.3bn by November 2024, covering 4+ months of imports) further bolster external resilience. Based on our current baseline oil price assumptions, we estimate that Oman's current account surplus will decline below 1% of GDP in 2025. Oman's debt reduction, reform traction, and diversification justify optimism. If oil prices stabilize and non-oil growth persists, a rating upgrade is likely sooner, reinforcing its status as a GCC reform standout. With minimal direct exposure to US exports, Oman is unlikely to face significant direct economic consequences from potential US tariffs.

Bahrain (B2 sta/ B+ pos/ B+ neg)

We have a negative outlook on Bahrain as its sovereign credit profile remains under severe strain due to persistent fiscal deficits, soaring debt, and weak structural reforms. Despite high per-capita income and GCC support, the government's failure to implement meaningful fiscal consolidation—evidenced by the abandonment of key measures like VAT hikes and subsidy cuts—has exacerbated vulnerabilities. The 2025-26 budget projects deficits of 8% and 6% of GDP respectively, but these figures likely understate the true fiscal gap due to unaddressed off-budget spending. With public debt already at 130% of GDP and interest costs consuming 25% of revenue, Bahrain's debt dynamics are unsustainable without perpetual GCC bailouts. The economy's overreliance on oil (70% of total government revenue) and challenging non-oil revenues further undermine stability. While tourism and FDI provide some diversification, oil production shocks and stagnant private investment highlight structural weaknesses. The central bank's thin FX reserves (covering only 2 months of imports) and dependence on short-term external borrowing leave Bahrain highly exposed to global liquidity shocks. Bahrain's lack of fiscal discipline, weak buffers, and external vulnerabilities warrant a negative outlook. Without drastic reforms, the sovereign risks slipping into a debt trap, even with GCC lifelines.

The 2025 budget reinforces the government's focus on structural transformation, with targeted spending on education, healthcare, and infrastructure. This aligns with broader efforts to foster private sector-led growth and economic resilience. With respect to recent tariff developments, Bahrain's direct exposure to US exports is mostly limited, but with some meaningful outliers. Bahrain runs trade deficits with the US; hence, it was imposed the minimum 10% tariff. Nevertheless, this is caused by high oil exports and, as energy products are exempt, the actual direct impact will be negligible. Bahrain has sizeable aluminum exports to the US which would be impacted by a 25% tariff, as aluminum exports to the US are worth 1.5% of GDP.

Egypt (Caa1 pos/ B- pos/ B sta)

We have a positive outlook on Egypt. It is supported by recent reforms, easing inflation, renewed investor confidence, and strong external backing. Following the March 2024 policy reset marked by currency devaluation, transition to a flexible exchange rate, and tighter monetary policy, the Central Bank has regained credibility. Inflation has declined sharply to 12.8% in February 2025 from a peak above 30% in 2023, aided by policy tightening and subsidy rationalization, with expectations of further moderation ahead.

MENA Fixed Income

External liquidity pressures have eased significantly. Foreign reserves rose to USD 47bn in March 2025, covering nearly five months of imports. Egypt also returned to international bond markets in January with a successful USD 2bn Eurobond issuance that was two and a half times oversubscribed, reflecting renewed confidence in the reform path. The USD 35bn Ras El-Hekma investment agreement with the UAE—Egypt's largest FDI deal to date—provided a major boost to FX inflows and market sentiment. These inflows, alongside IMF support through the Extended Fund Facility and Resilience and Sustainability Facility, have strengthened Egypt's financing outlook. On the fiscal front, Egypt recorded a strong primary surplus of 5.6% of GDP in FY2024, with the surplus expected to reach 3.4% in FY2025—potentially reducing the debt-to-GDP ratio to 83.9%, down from a peak of 94.3% in 2023. While the government's interest expense is projected to reach a multi-year high of 63.2% of revenue in 2025, this is expected to improve gradually as interest rates decline. Real GDP growth is forecast to recover to 3.5% in FY2025, supported by tourism, logistics, and a rebound in private investment. While external debt service remains elevated and regional risks persist, the balance of risks is improving. Reflecting these developments, Moody's affirmed Egypt's Caa1 rating and changed the outlook to positive, citing enhanced liquidity buffers and credible policy execution.

Kuwait (A1 sta/ NR / AA- sta)

Our neutral fundamental view on Kuwait is based on the country's economic and fiscal strength but relatively weak progress on economic diversification as well as internal institutional issues. Debt to GDP is among the lowest in the world, at an estimated 2.9% for 2024. This level is extraordinarily low in part due to the country being unable to pass a new debt law from 2017 until earlier this year. The failure to pass the law since 2017 resulted in the country drawing down its reserve fund to finance deficits. The new debt law should help support public finances and likely result in new borrowings pushing debt-to-GDP levels higher. The market is starving for new bond issuance as the country only has one bond outstanding, which is maturing in 2027. The new debt law will allow the country to raise USD 65bn from bond sales over the next 50 years. We expect the issuance to be front-loaded over the next 10 years. In our view, the new sovereign bond issuance is likely to be well received by the market.

Morocco (Ba1 sta/ BB+ pos/ BB+ sta)

Our positive fundamental view on Morocco reflects recently implemented socioeconomic reforms and positive economic growth, which will be supported by the upcoming World Cup in 2030. The Kingdom is undergoing several structural changes under the 'New Development Model' launched in 2021, which targets economic diversification, female labor-force participation, improved education levels, among others. We view this shift in the underlying economic structure positively and support the Kingdom's growth and fiscal trajectory. Despite running fiscal deficits, the Government has maintained fiscal discipline and has implemented new reforms and policies, including the elimination of fuel subsidies. The Kingdom has lowered its fiscal deficit from 7.1% in 2020 to 3.9% in 2024 and aims to reduce this to 3.8% in 2025. Economic diversification has helped lower the current account deficit, driven by increased tourism numbers (17.4mn in 2024 vs 14.5mn in 2023) as well as continued phosphate and automotive exports. The IMF approved a USD4.5bn 2-year flexible credit line, which would help the Government weather potential future external shocks, which we view positively. Furthermore, recent oil price declines will be beneficial to the economy given the Kingdom is an importer. Regarding ratings, the Kingdom is rated BB+ but received a positive outlook by S&P last year, raising the probability of an upgrade into investment grade should the government continue to deliver on its reforms.

Jordan (Ba3 sta/ BB- sta/ BB- sta)

Our neutral view on Jordan reflects its strong and effective policy institutions, which have helped it gain effective international and technical support. This is matched with relatively low growth, high debt levels (89% in 2023), and social pressures. Jordan is a key recipient of international aid; in 2024, foreign assistance accounted for approximately 12% of GDP, with the largest provider being the US, accounting for about a quarter. The January freezing of USAID directly puts at risk part of this funding and highlights Jordan's vulnerability to external policymaking. The country maintains relations with multiple international institutions and, as such, retains access to a USD 1.2bn IMF program, and the EU recently announced a EUR 3bn aid package for 2025-27. Tariff-related policy uncertainty is also set to weigh on the country's economic growth prospects. The US is the top export destination for Jordan, representing about 20% of all exports and accounting for approximately 5% of GDP. Textiles are one of the key exports and therefore are not likely to be subject to exemptions or mitigants. We view this negatively given the country is already suffering from high unemployment and other socio-economic pressures.

MENA Fixed Income

Turkey (B1 pos/ BB- sta/ BB- sta)

We are positive on Turkey and expect it to be a potential rating upgrade story, as its macroeconomic outlook is improving, supported by disinflation progress, tighter monetary policy, and fiscal consolidation, signaling a return to orthodoxy after years of volatility. Headline CPI inflation fell to 38.1% in March 2025 from 39.1% in February, with core inflation decelerating sharply to 37.4% in March versus 40.2% in February, reflecting the impact of the Central Bank's (CBRT) aggressive rate hikes to 42.5% and liquidity controls. CBRT's commitment to maintaining restrictive policy has bolstered lira stability and reduced dollarization, while foreign reserves have improved to USD 45bn. However, this level is down from USD 66bn in March 2024 as the central bank spent the money to defend the lira because of recent political turmoil. Currently, Turkey's FX import cover stands at approximately 1.6 months, indicating relatively low foreign exchange reserves compared to import needs. While this remains a vulnerability, ongoing policy normalization and efforts to rebuild reserves are key to strengthening external buffers. While the recent political events in Turkey have generated discussion, we focus on the nation's underlying strengths and long-term economic trajectory. Fundamental factors provide a strong base for overcoming challenges, suggesting the country possesses the capacity to absorb political shifts and achieve an economic rebound in the future.

Growth rebalancing is underway, with the current account deficit narrowing to 0.7% of GDP in late 2024 (from 3.6% in 2023). A large portion of this improvement was due to lower energy imports, reflecting lower oil prices, and a fall in gold imports, which was partly driven by an imposition of a quota and partly by increased confidence in the lira. The 2025 budget targets a fiscal deficit of 3% of GDP (down from approximately ~ 5% in 2024), aided by phasing out earthquake-related spending and new tax measures, including a 10% minimum corporate tax. Structural reforms, such as gradual wage moderation (2025 minimum wage hike: 30% vs. 49% in 2024) and banking sector deleveraging, further enhance sustainability. Turkey's fiscal metrics show resilience despite macroeconomic challenges, with government debt/GDP estimated around 26% in 2024 – less than half the 'BB' peer median of around 55%. However, interest expense/revenue is expected to increase marginally to around 10.8% in 2025 (up from 10.5% in 2024) due to higher domestic borrowing costs. Risks remain (e.g., lira volatility, energy import dependence), but Turkey's credible policy shift, resilient private sector, and strong tourism inflows (up 7% YoY in 2024) underpin a positive trajectory. If reforms persist, rating upgrades are likely, with inflation projected to fall toward 30% by end-2025 and growth stabilizing at approximately ~2%.

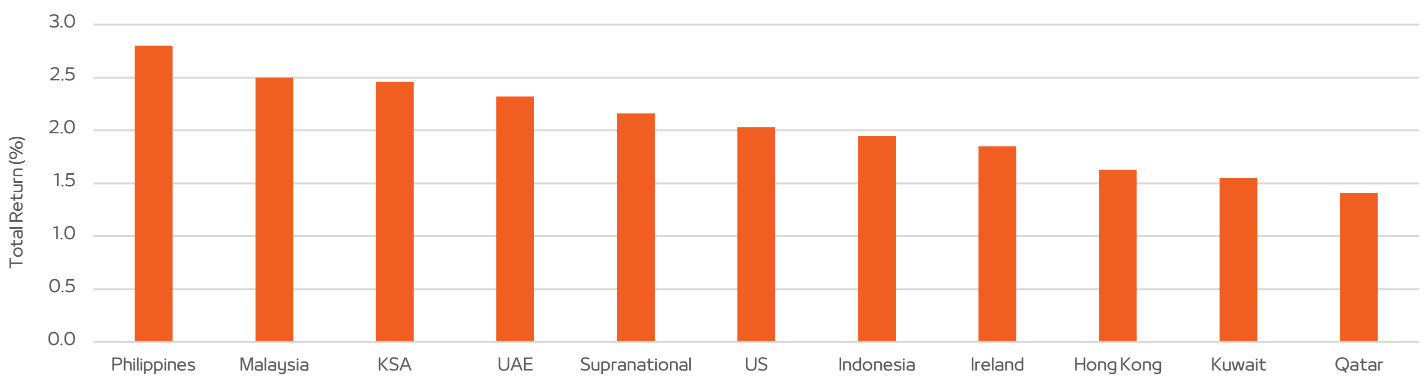
Global Sukuk

Market Overview

The USD fixed income sukuk market started firmly in 1Q25, with the Bloomberg Global Aggregate USD Sukuk Index posting a 2.3% return in the first quarter—broadly in line with the 2.6% gain of the higher-risk Bloomberg USD MENA Index and matching the 2.3% return of the Bloomberg Emerging Markets USD Aggregate Index. Performance was largely driven by favorable movements along the U.S. Treasury curve, although gains were partially tempered by a modest widening in credit spreads.

At the issuer level, Indonesia was the key contributor to spread widening, driven by investor concerns over recent policy developments. The new President, Prabowo Subianto, has introduced expansive fiscal measures, and the perceived rising influence of the military in governance has added to market unease. Among the top contributors to index returns were KSA sovereign and GRE bonds.

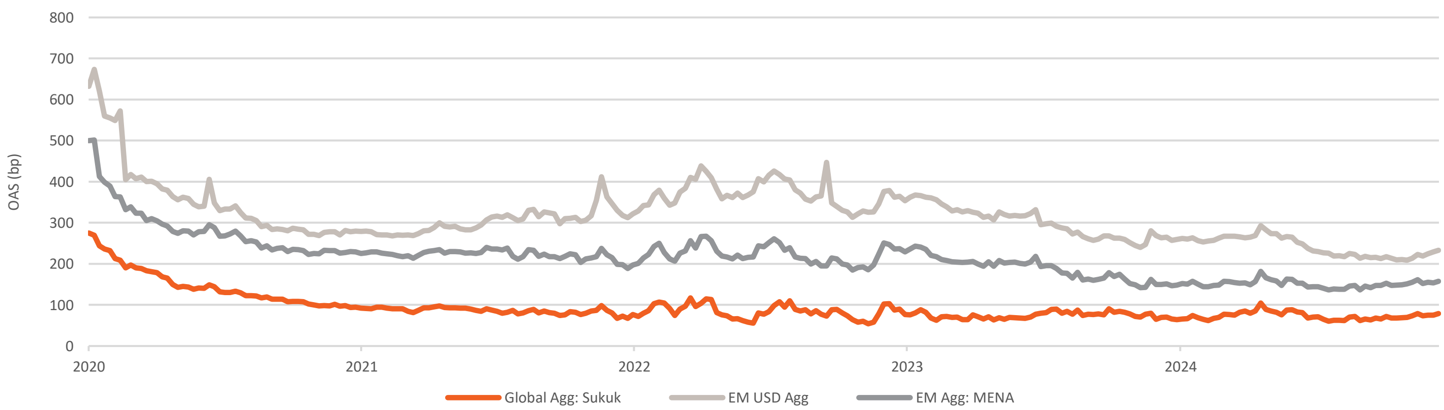
Total Return by Country[1]



Market Outlook

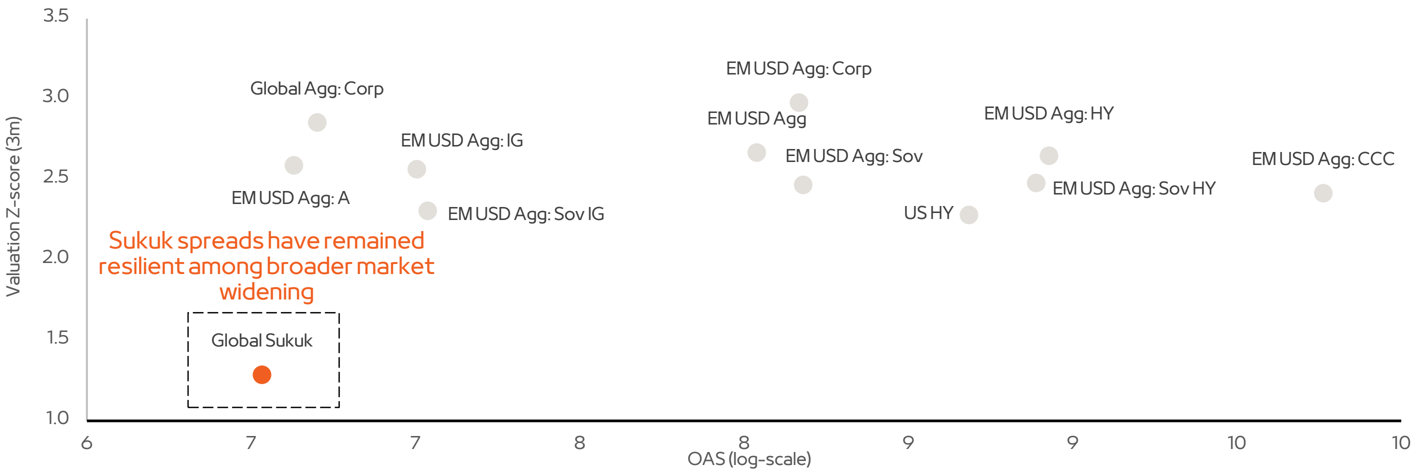
We maintain a neutral outlook on the sukuk market and expect the Bloomberg Global Aggregate USD Sukuk Index to deliver low- to mid-single-digit returns for the full year 2025, following a strong performance in 1Q25. While index spreads have widened year-to-date, they remain tighter than the five-year historical average. Given the prevailing economic uncertainty, we anticipate credit spreads to widen further from current levels, with the extent largely dependent on the disruption caused by the ongoing tariff war and its impact on global growth. This widening is likely to be partially offset by a normalization in the benchmark yield curve, which currently appears steeper than fundamentals would suggest. On a relative basis, we expect sukuk spreads to outperform those of conventional bonds, supported by steady and resilient demand from a committed investor base.

Sukuk Spreads



[1]Source: Bloomberg. Index: Bloomberg Global Agg USD Sukuk Index.

Global Sukuk



Source: Bloomberg, Data as of 11/04/25. Indices used can be found in the back of the document.

Supply Outlook

Following a strong performance in 2024, with USD-denominated sukuk issuance rising 10.7% year-on-year to approximately USD 60bn, the market remained resilient in 1Q25. Large, liquid deals (USD 250mn or more) totaled around USD 15.3bn, broadly in line with the same period last year. Activity began on a softer note in January amid benchmark yield volatility but picked up meaningfully in February, as issuers looked to front-load issuance ahead of potential disruptions linked to tariff uncertainty. The quarter recorded 18 new sukuk deals, slightly higher than the 17 in the same period last year and well above the pre-2024 average of 5 to 7 transactions in first quarters.

Looking ahead, the USD sukuk market is expected to remain robust in 2025, with total issuance likely to mirror 2024 levels. That said, near-term activity may remain uneven due to ongoing volatility, though a pickup in the second half—driven by expected sovereign and quasi-sovereign deals from KSA—could help offset any 2Q softness.

The anticipated implementation of AAOIFI Standard 62—which aims to enhance Sharia compliance around ownership and risk-sharing—has raised concerns about potential supply disruptions. However, with a phased rollout over one to three years and no retroactive impact on existing sukuk, we do not expect any material effect on new issuance in 2025.

Strategy and Top Ideas

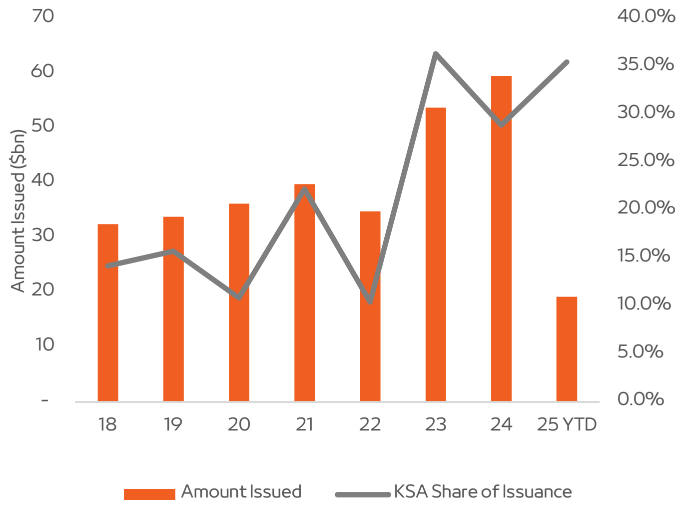
In anticipation of potential tariff-related shocks to the U.S. and global economy, we see better value in duration versus credit risk. At the country level, we propose overweight positions in high-quality issuers, including the UAE and Saudi Arabia, along with their respective GREs. We expect investment-grade sukuk to show resilience against tariff-led potential economic shocks as the asset class benefits from stable demand for Shariah-compliant securities. The performance so far in the first week of April is a testament to this, as Bloomberg's sukuk index (IG only) has been slightly up against a loss of 1.8% in Bloomberg's MENA index and a loss of 0.5% in Bloomberg's EM Index.

We maintain an underweight stance on Bahrain due to weak fundamentals and tight pricing. Among high-yield corporates and bank perpetuals, we remain cautious on both given tight valuations and a challenging environment. However, we prefer bank perpetuals over high-yield corporates, given their consistent track record of calling at the first call date.

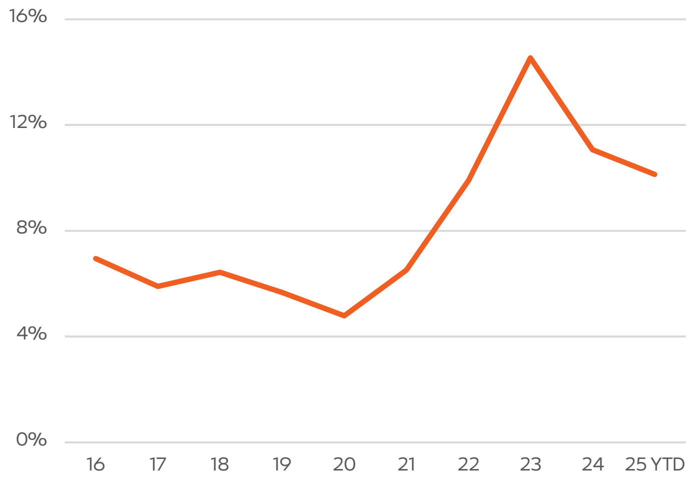
[1]Source: Bloomberg JP Morgan, Mashreq Capital Calculations.

Global Sukuk

Global USD Sukuk Issuance Trends[1]



Global USD Sukuk as a share of Global USD EM issuance[1]



[1]Source: Bloomberg JP Morgan, Mashreq Capital Calculations.

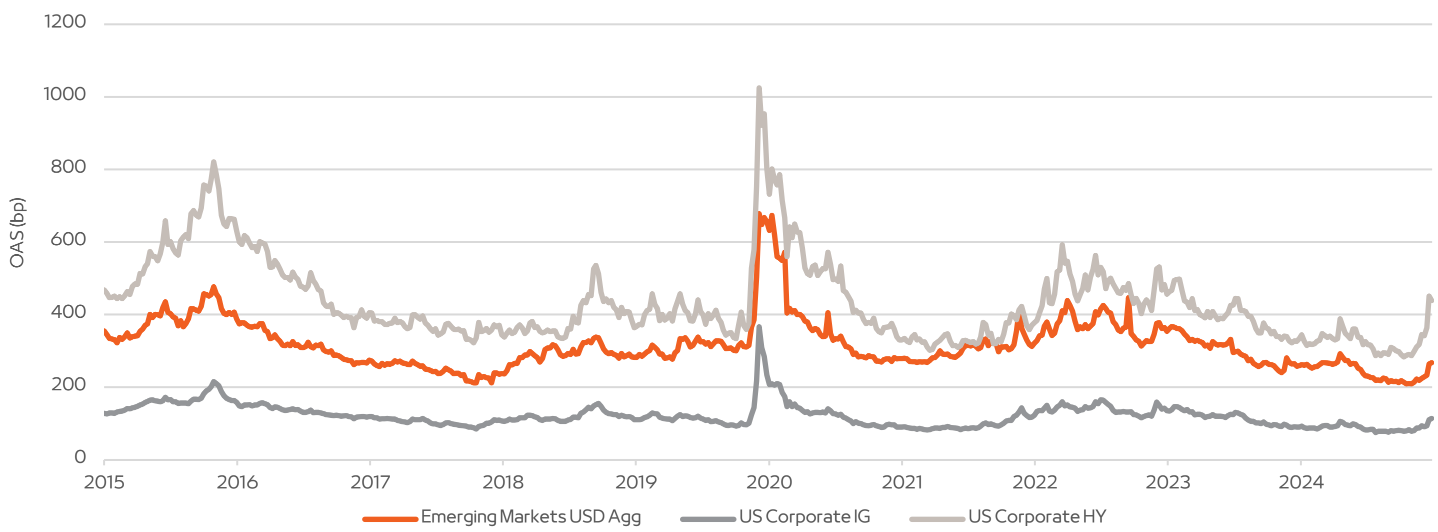
Emerging Markets Fixed Income

Market Overview

For the first quarter of the year, the Bloomberg Emerging Markets USD Aggregate Index returned 2.3%. The main driver in the markets was the aggressive round of tariffs initiated by the US administration, which resulted in (1) the US yield curve moving lower and (2) decompression of credit spreads, with the former having a greater impact on index-level performance. Spreads started the year at the tightest levels since 2018, leaving limited room for them to move meaningfully tighter. The uptick in decompression escalated in February, reflecting the broader 'risk-off' market sentiment across other assets and the increased risks of a US recession.

In terms of countries, Lebanon led the total return basis with a 21.6% return following the election of a new president in January, ending a two-year stalemate. Conversely, Ecuador underperformed with a -11.8% return, as the first round of presidential elections showed a tighter race between market-friendly Noboa and his leftist opponent Gonzalez.

Spreads have lifted off the tights[1]



Market Outlook

We have an underweight view on Emerging Markets for the second quarter of the year. The new US administration poses risks to EM as it seeks to redefine relationships with almost all trading partners. Consequently, the probability of a US recession has grown since the start of this year due to the aggressive nature of tariffs implemented by the US, as well as uncertainty about government spending and DOGE-related cuts. Even if the US were to avoid a recession, spillovers in EM are likely given trade flows and negative investor sentiment, which can weigh on the asset class due to its higher beta nature.

We have taken steps to position portfolios in a more defensive approach from the start of the year, trimming several overweight positions in High Yield Sovereigns. Furthermore, for the select HY sovereigns that we continue to like, we have taken steps to switch from the long end of the issuer's curves to the front end, as we expect the front end of these curves to stay more resilient in a risk-off environment. In terms of duration, we have been adding from our neutral stance to now be positioned slightly overweight as we expect growth concerns will continue.

Given the current backdrop of growth scares and tariff policy uncertainty, we believe that quality will outperform and credit spreads will widen over the quarter. Therefore, we believe that we need to be selective within HY and hold names that have upcoming idiosyncratic catalysts which can drive spreads lower.

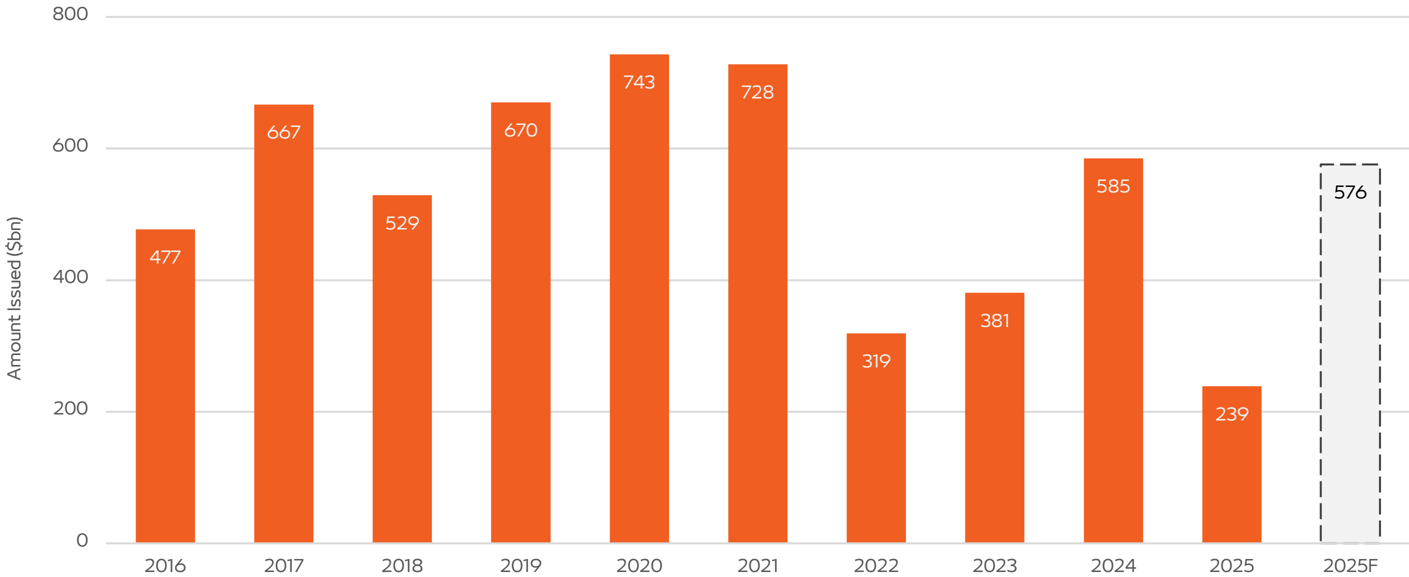
[1]Source: Bloomberg, Data as of 11/04/25 Indices used: Bloomberg EM USD Agg Index, Bloomberg US Corporate Index, Bloomberg US Corporate High Yield Index

Emerging Markets Fixed Income

Supply Outlook

The outlook for Emerging Markets issuance in 2025 is expected to be broadly in line with the strong year of 2024 but below the record highs of 2020. The first quarter of 2025 saw approximately $239 billion in combined supply from both Sovereigns and Corporates (including GREs). This quarter has been robust, with issuers frontloading supply in January and February, leading to the highest quarterly number on record. This has been driven in part by strong issuance levels from the MENA region, specifically Saudi Arabia, which has issued $14.4 billion. Other large issuers year-to-date include Mexico ($11 billion), Poland ($8.6 billion), and Romania ($7.1 billion).

Looking ahead for the remainder of the year, we anticipate supply to slow given uncertainty in the global macro-outlook. In terms of countries, we are still anticipating significant supply from Saudi Arabia, which could increase further should oil prices weaken, weighing on fiscal balances. Kuwait recently passed a new public debt law, which will allow the country to come to the international market for the first time since 2017, and we anticipate significant supply as a result. Elsewhere, we anticipate significant upcoming supply from Turkey, Romania, Poland, and Indonesia.



Source: JP Morgan, Mashreq Capital calculations.
Indices used on slide 2 & 3: MENA represented by the Bloomberg EM USD Agg: MENA index, Bloomberg GCC USD Credit index (MENA IG), Bloomberg EM USD Agg: MENA HY (MENA HY), Bloomberg EM USD Agg: UAE (UAE), Bloomberg EM USD Agg: Saudi Arabia (KSA), Bloomberg EM USD Agg: Qatar (Qatar), Bloomberg EM USD Agg: Oman (Oman), Bloomberg EM USD Agg: Kuwait (Kuwait), Bloomberg EM USD Agg: Bahrain (Bahrain), Bloomberg EM USD Agg: Morocco (Morocco), Bloomberg EM USD Agg: Jordan (Jordan), Bloomberg EM USD Agg: Egypt (Egypt), Bloomberg EM USD Agg: Iraq (Iraq), Bloomberg EM USD Agg: Lebanon (Lebanon).

Emerging Markets Fixed Income

Strategy and Top Ideas

Investment Grade Sovereigns

Looking at the higher quality sovereigns, we like defensive positions such as Abu Dhabi, Chile, Qatar, and Poland. Despite tight valuations on the highest quality names within Emerging Markets, we believe these will outperform amid a slower global economic growth outlook. Abu Dhabi and Qatar benefit from some of the strongest economic balance sheets, helped by vast hydrocarbon reserves and low fiscal breakevens. Qatar has recently underperformed after it was announced that the country will be leaving JP Morgan's flagship EM index. While this does provide negative headwinds, we believe this is already captured in the current price. We like Chile due to it being an energy importer, which acts as a natural hedge to other oil-exporting sovereigns. Furthermore, recent political trends within the country give us comfort that the upcoming presidential election will result in the country moving back to the political center.

We have a negative view on Romania, Panama, and Indonesia, where we expect to see underperformance within the IG Sovereign space. Both Romania and Panama carry fallen angel risks given fiscal underperformance and rising debt levels and are on a negative outlook by rating agencies. Political risks have also moderately increased; recent presidential elections within Romania were canceled alleging Russian interference, and Panama has been subject to hostile rhetoric from the US administration. Indonesia has recently underperformed following recent policy developments, yet despite this, bonds still screen tight relative to others.

High Yield Sovereigns

For High Yield, we prefer BB-rated sovereigns over lower credit quality ones. Within these higher quality names, we like Morocco, Oman, and Uzbekistan, as we believe these will outperform due to improving economic backdrops from government-led reforms. We expect spreads for Morocco to stay relatively resilient in a risk-off environment given its improving fundamentals from recent policy implementation. Furthermore, its bonds act as a hedge should oil prices continue to fall, relative to bonds issued by oil exporters.

For Uzbekistan, we are positive on the economic growth picture, which is forecasted to be around 6% for the next few years. The country's external buffers are strong and are benefiting from gold prices being at record highs, as the country is home to one of the world's largest miners, which is state-owned. Despite recent political noise, our favorable stance on Turkey remains in place, reflecting the improving macroeconomic outlook from effective policymaking. Conversely, we are cautious with B-rated oil exporters and sovereigns from SSA, which, in our view, should underperform in the current environment.

Corporates

We see the most value in CEEMEA corporates, which, in our view, are less susceptible to the inevitable spillovers from a global growth slowdown. Reflecting our positive stance on the economic outlook for Turkey and Uzbekistan, we are constructive on financials from these countries. Valuations for these issuers remain attractive compared to similarly rated peers, and as a result, we expect them to be more resilient in a risk-off environment.

Asian corporates are the most sensitive to weaker economic growth from China, which fuels our underweight stance on the region. Credit spreads for these corporates screen tight, posing downside risks in our view should they re-price to trade in line with global peers.

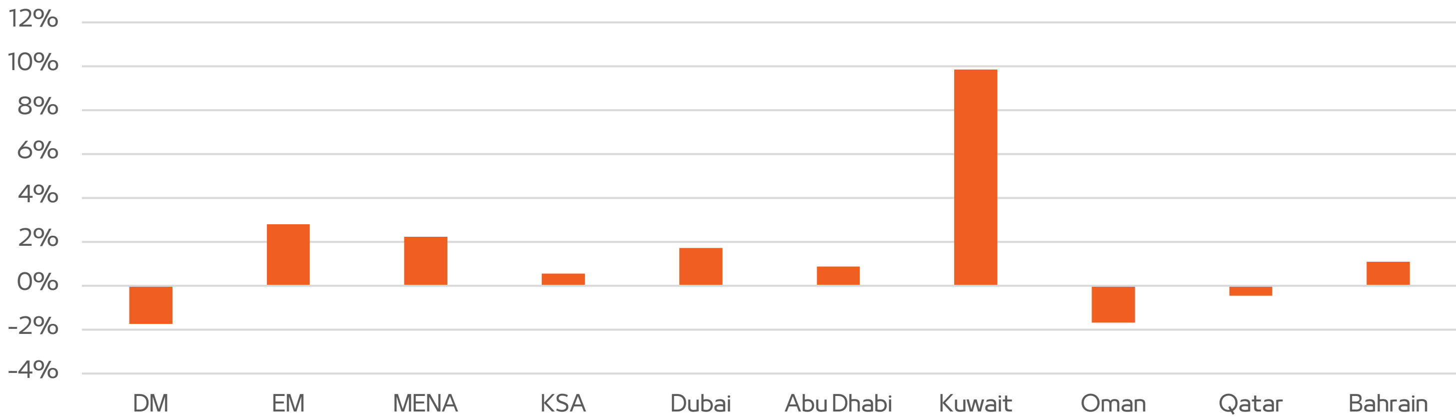
Within Latam, we like several idiosyncratic stories that are going through reforms, which, in our view, justifies spread tightening. However, we remain cautious in the near term as many exhibit higher beta given weaker corporate fundamentals, which can result in underperformance in a risk-off environment.

Outlook on Equity markets

Market Overview

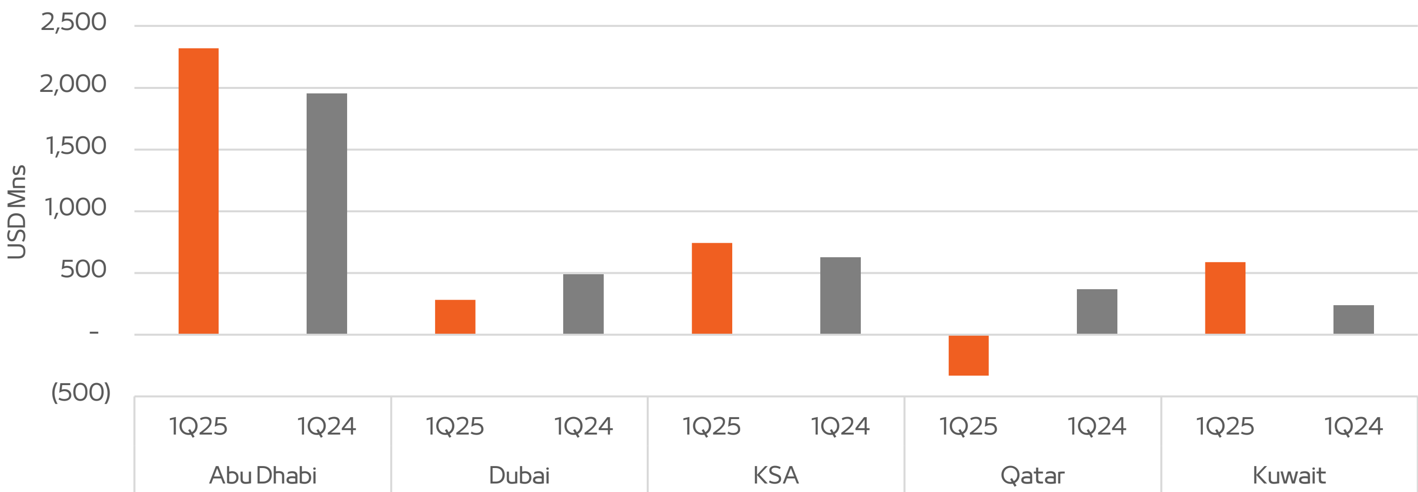
The MENA region experienced a rocky start to the year, underperforming Emerging Markets by 57 basis points in the first quarter, as oil prices weakened. This is reflected in the weak market performance in Oman and Qatar as investors grew wary of the economic outlook. In KSA, the robust performance of Saudi banks and real estate companies helped mitigate concerns of a potential decrease in government spending due to lower oil prices. This pushed Saudi Arabia (Tadawul All Share Index) 0.56% higher in the first quarter of 2025. Real estate firms with exposure to the holy cities benefited from new regulations permitting foreign investment.The UAE market, which is less sensitive to oil returns, fared better than many GCC peers. Dubai gained 1.72%, supported by strong performance from Emaar Properties, Dubai Islamic Bank, Emirates Integrated Telecom (DU), and Air Arabia, among others. Though Abu Dhabi was up 0.87%, it underperformed Dubai as ADNOC stocks remained under pressure. Kuwait was the top performer for the quarter, up 9.85%. This performance was supported by the new public debt law, which allows the issuance of sovereign bonds and sukuk. The law is expected to address liquidity constraints, finance infrastructure projects, and reduce reliance on oil revenues.

Performance of Key Markets – 1Q25



QFI* flows were positive for Abu Dhabi, KSA, and Kuwait in the first quarter. KSA's inflows were driven by banks and real estate companies, especially Riyadh Bank, Saudi National Bank, Jabal Omar Development Co, and Makkah Construction and Development Co. This helped offset outflows from ARAMCO and SABIC. Kuwait's positive flows were led by National Bank of Kuwait and Kuwait Finance House. Dubai's flows were subdued, with inflows in Emaar Development largely offset by outflows from Emaar Properties.

Est. QFI Net Flows



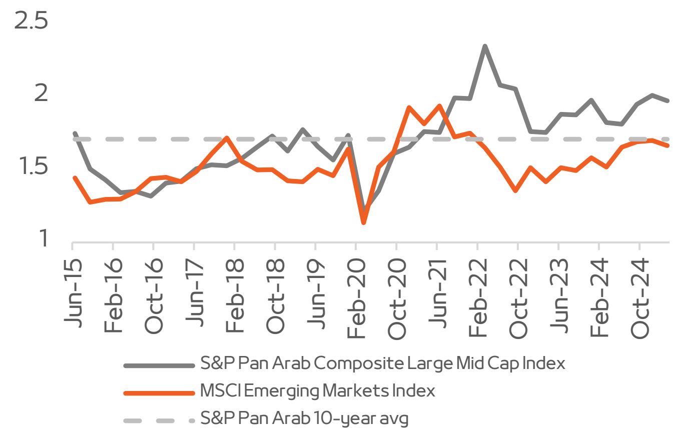
Source: Bloomberg *Qualified Foreign Investors

Equity

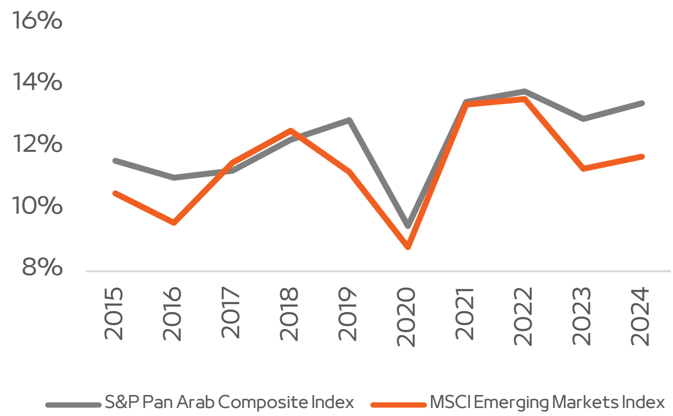
Valuations

As of the end of Q1, MENA's forward Price/Book ratio was 1.97x, above its 10-year average of 1.71x. However, it is 16% below the high of 2.35x in 2022. MENA trades at a premium to broader Emerging Markets (EM), and the widening P/B spread between the MSCI Emerging Markets (EM) Index and the S&P Pan Arab Composite Index signals greater investor confidence in the MENA and GCC region. A higher ROE for MENA than the EM Universe is also a driver for this valuation premium. Over the past three years, the S&P Pan Arab Index had an average ROE of 13.4%, approximately 120 basis points higher than EM.

Forward Price/Book ratio



ROE %



Earnings Review

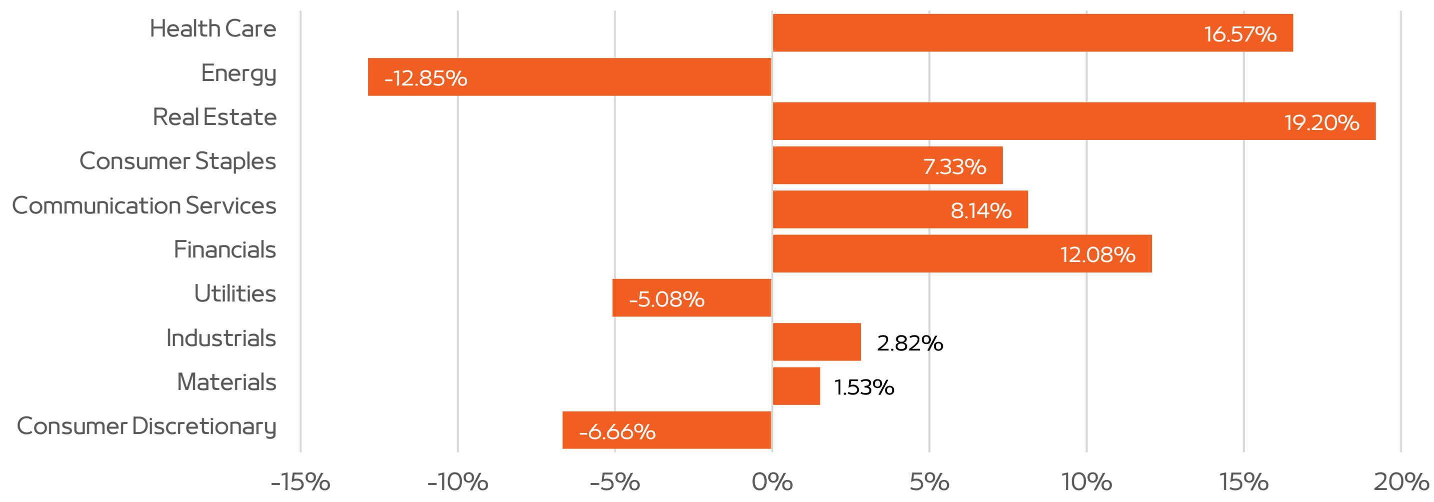
MENA had modest earnings growth of 4.3% in CY24, driven by the financial sector. Banks in Saudi Arabia and the UAE performed well, benefiting from expanding Net Interest Margins (NIMs). This was supported by falling interest rates and robust loan growth, reflecting the region's continued economic growth. Ongoing infrastructure projects in Saudi Arabia have led to strong earnings growth in industrials, with companies like Riyadh Cables posting strong results.

The energy sector was a drag on overall earnings, with profits impacted by a sustained decline in oil prices. The materials sector faced headwinds from polypropylene and polyethylene overcapacity. Fertilizer manufacturers faced pressure from declining urea prices and rising feedstock costs, particularly in Saudi Arabia. Cement producers' earnings improved largely on the back of better realized prices in KSA, despite inventory levels remaining high.

Source: Bloomberg

Equity

Earnings Growth - CY24



Real estate in the UAE posted strong results, particularly Emaar Properties and Aldar Properties. Growth was fueled by new project launches and higher property handovers, underpinned by strength in the UAE property market.

In Saudi Arabia, signs of slower earnings growth were seen in the fourth quarter of 2024. This was noticeable in the healthcare sector, with Dallah Healthcare, Mouwasat Medical Services, and Fakeeh Care facing challenges. The retail sector also experienced pressure, with companies like BinDawood Holding and Savola Group (barring the one-off) reporting lower profits. Margins were also under pressure for Leejam Sports Company in the leisure sector. Higher competition led to broader margin compression, although some companies faced unique challenges. Two recent IPOs, Lulu Hypermarket and Nice One, significantly missed expectations due to company-specific issues.

Source: Bloomberg
*Based on representative companies filtered using liquidity

Equity

Market Outlook

Positive Outlook for MENA Domestic Demand and Inward-Looking Businesses: Following the end of the quarter, US President Donald Trump marked "Liberation Day" on April 2 by enacting significant trade tariffs on several trade partners, led by China. China, followed by other countries, retaliated by imposing trade tariffs on the US. This possibly marks the first major instance of protectionist measures on a global scale since the Smoot-Hawley Tariff Act in 1930. Risk assets sold off sharply across the globe in response. The US later paused the implementation of tariffs for 90 days, excluding China. Imports of consumer electronics from China were also exempted from the tariffs. At the time of writing, there remains significant uncertainty about the ultimate magnitude and form of these trade tariffs. However, in our opinion, regardless of the final shape and form of these tariffs, this development is negative for growth and investment. Markets have found some semblance of stability post the sharp initial selloff. This appears to be based on the hope that these tariffs imposed by the USA are more of a bargaining tool and are meant to bring major trading partners to the negotiating table. Even if the tariffs are rolled back soon, we believe the outlook for global economic growth and business investment has been negatively impacted. This further strengthens our positive view for domestic demand and inward-looking businesses in the MENA region. We continue to shy away from businesses reliant on external demand, such as petrochemical exporters.

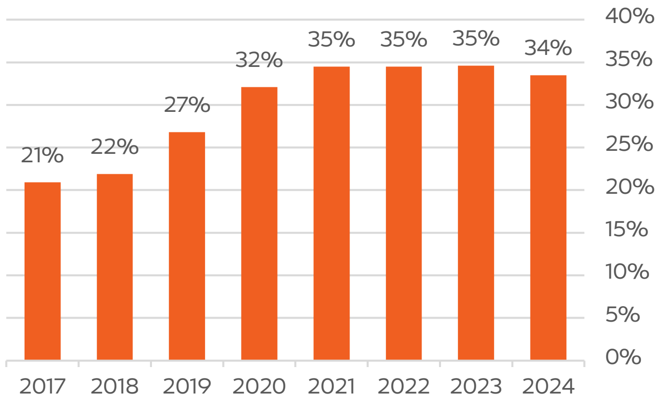
Negative Backdrop for Oil Prices: On April 3, OPEC+ announced plans to restore oil output to levels prior to the voluntary production cuts of 2.2 million barrels per day (in place since 2023) over the next 18 months. This was followed by an announcement to increase output by a higher-than-anticipated 411 thousand barrels per day in May, effectively bringing forward the increases for the next three months. Brent crude responded by dropping about 7%, and oil prices continue to remain weak at the time of writing. Part of the increased output merely legitimizes the overproduction by several OPEC members since January 2024. OPEC cited healthy market fundamentals as one of the reasons for the move. This is curious since the risks remain to the downside for oil prices in the current global backdrop. In our opinion, OPEC's production decision, combined with the trade tariffs announced by the US and several other countries, creates a negative backdrop for oil prices. It will be interesting to see where oil prices settle over the medium term. Lower oil prices may finally curb the relentless growth in US shale output, which may have been one of the objectives of the decision to increase output by OPEC+ members.

Positive on Saudi, UAE, and Increasingly Oman: We continue to see addressable bottom-up opportunities in the MENA region, dominated by the UAE and Saudi Arabia. We favor markets where policymakers have a clear strategy of economic development, with demonstrated execution of parts of the vision. The UAE and Saudi Arabia rank well on this metric. Oman has executed an impressive macro turnaround in recent years, and we are keen to identify and address opportunities in Oman as sentiment and liquidity improve. We continue to view demographics across the region positively. Most markets have young populations with a rapidly expanding workforce. Policymakers remain cognizant of the need to create employment opportunities for this young, growing workforce.

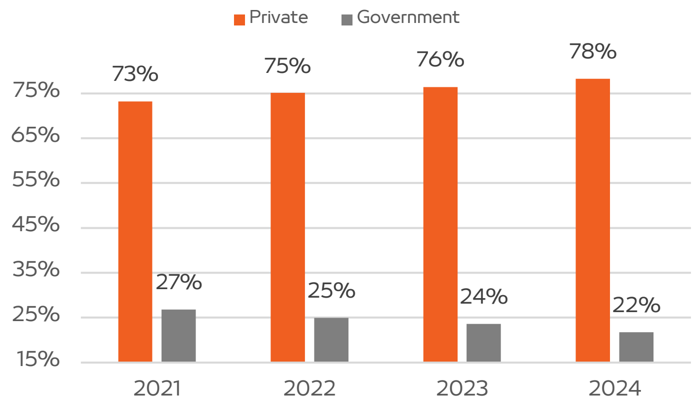
This combination has spurred rapid social change and economic development in the last few years across the region. Saudi Arabia is the poster child of this phenomenon. It has successfully achieved two remarkable milestones in a relatively short period of time. Almost all the new job growth is in the private sector, in sharp contrast to the past. Female labor force participation has grown exponentially and looks set to continue growing for the foreseeable future.

Equity

KSA – Female Labour force participation rate %



KSA - % of Total Employed (ex others/undefined)



Favored Themes: Domestic Demand, Infrastructure, Financials: We believe these policy priorities will persist for the foreseeable future. This will continue to provide impetus to our favored themes of domestic demand, infrastructure, and financials. We do not find compelling value in the materials or integrated oils (Aramco). We continue to like the oil & gas supply chain (the Adnoc group) and select businesses in the Industrials sector. In addition, there remains a vast opportunity in the Technology space, in our opinion. This is driven by a top-down desire to drive efficiencies across the public sector (Elm, for example), capitalize on G2G linkages (Presight), or bottom-up opportunities to enhance the intermediation piece in financial services (Rasan). There is also an opportunity around the development of data centers (Solutions, Edarat) to cater to commercial and sovereign cloud needs. We expect the technology sector to continue to grow rapidly for many years. We also like select opportunities in Real Estate, Education, and Consumer Discretionary.

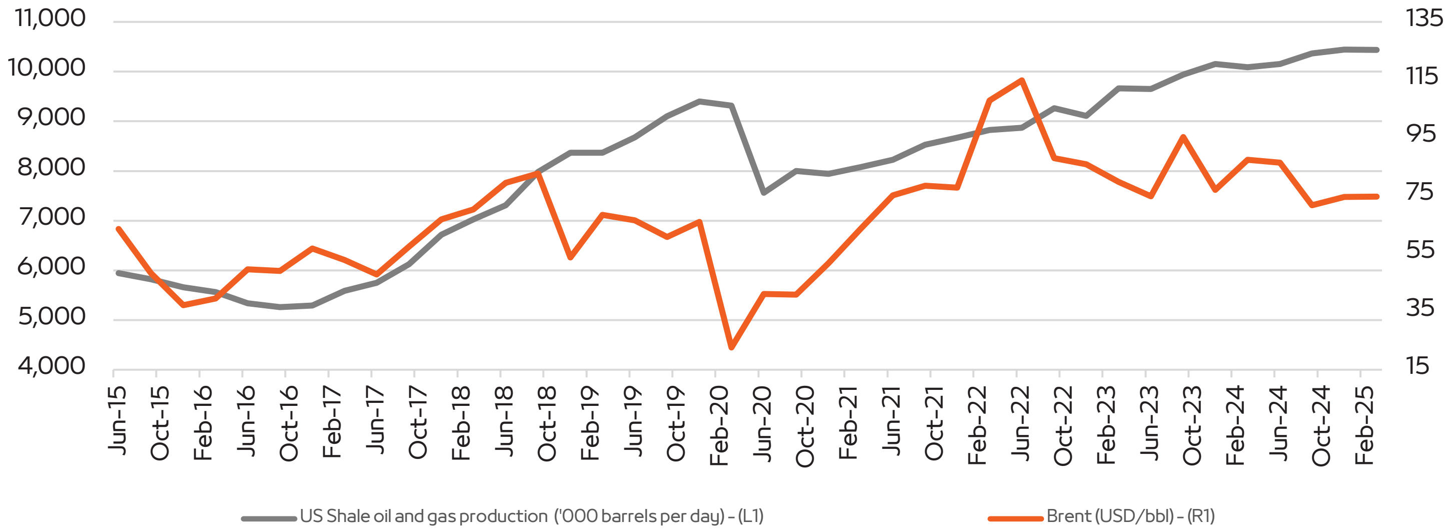
Our top-down view on Kuwait has improved with the imminent passage of the debt law, hopefully followed by the mortgage law. It is challenging at present to find many compelling opportunities linked to this potential macro improvement. We have identified acouple of names we like and are in the process of completing our diligence. The sharp run-up in prices in many stocks already is not making it easier to find attractive risk-reward profiles.

Scenarios, Tactical Catalysts, and Risks: Any commentary about risk assets in the MENA region would be incomplete without a quick comment on oil prices. We believe the relevant driver for fiscal outcomes (for both energy exporters and importers) is a sustained (beyond three months) move in energy prices. In our opinion, the current status quo is negative for oil prices. We are carefully monitoring the response of US shale output to lower oil prices. We have observed a relentless increase in US shale output as Brent has stayed above USD 70/bbl. A sustained drop in oil prices to the mid to low 60s is likely to curtail US shale output/growth. Overall, the outlook for oil prices remains weak as OPEC+ members normalize output.

Source: KSA government data

Equity

US Shale production vs Brent



In a weak oil price scenario, the UAE and Qatar are likely to be relative winners due to their lower sensitivity of GDP growth and fiscal balances to oil prices. Saudi Arabia has the highest sensitivity to oil prices, followed by Kuwait and Oman. We are running limited exposure to businesses that are likely to be among the first to have their revenues affected by weaker government spending.

US Equity Markets Backdrop: Market analysts have started scaling back their equity market targets. Consensus earnings growth estimates for the next 12 months for the S&P 500, at approximately 13%, are at risk of downward revision, in our opinion. This may result in weak US equity market performance, which could potentially spill over to other regions, including the GCC.

Geopolitics: In our opinion, a key risk remains a direct confrontation with Iran by the USA and/or its allies. Such a scenario may result in a material market impact over the short term.

Significant Sector Deterioration: We refer to Dubai real estate, always a point of debate between bulls and bears. The AED 150 billion of off-plan sales in 2024 would seem to indicate that we are late in the cycle, and we have tried to position accordingly. Unlike many developed markets, the real estate market in Dubai remains primarily a cash market, with mortgages accounting for less than 30% of transactions. The regulatory structure around project development and handovers is more robust than it was in prior cycles. We continue to monitor sector data closely.

Source: Bloomberg

Equity

Below we summarize our bottom-up portfolio allocations:

Country Views

	Negative	Neutral	Positive
Saudi Arabia			●
UAE			●
Qatar	●		
Oman			●
Bahrain	●		
Egypt	●		
Kuwait		●	
Morocco	●		
Jordan	●		

Sector Views

	Negative	Neutral	Positive
Financials			●
Communication Services			●
Consumer Discretionary			●
Consumer Staples	●		
Energy			●
Health Care	●		
Industrials			●
Information Technology			●
Materials	●		
Real Estate		●	
Utilities		●	

● Mashreq Capital's current views

Appendix

Macroeconomic Data

Region	GDP Growth (%)					Inflation (%)					Policy Rate (%)				
	2022A	2023A	2024A	2025F	2026F	2022A	2023A	2024A	2025F	2026F	2022A	2023A	2024A	2025F	2026F
World	3.6	3.3	3.2	2.8	3.0	8.6	6.7	5.7	3.9	3.5					
DM	3.0	1.9	1.8	1.5	1.7	8.5	5.7	3.9	3.3	2.7	3.76	5.54	4.80	3.85	3.40
EM	3.9	4.4	4.8	4.2	4.1	6.4	5.8	6.6	3.4	3.0	6.02	6.67	6.93	5.79	4.98
Eurozone	3.5	0.4	0.9	0.8	1.2	8.4	5.5	2.4	2.2	1.9	2.50	4.50	3.15	2.15	2.15
US	2.5	2.9	2.8	1.8	1.9	8.0	4.1	3.0	3.0	2.7	4.50	5.50	4.50	4.00	3.60
UK	5.0	0.4	1.1	0.9	1.3	9.1	7.4	2.5	3.1	2.3	3.50	5.25	4.75	3.75	3.35
Canada	4.2	1.5	1.5	1.5	1.4	6.8	3.9	2.4	2.4	2.0	4.25	5.00	3.25	2.25	2.50
Japan	0.9	1.5	0.1	1.0	0.8	2.5	3.3	2.7	2.7	1.9	-0.10	-0.10	0.25	0.80	1.00
Australia	4.2	2.1	1.1	2.0	2.4	6.6	5.6	3.2	2.6	2.7	3.10	4.35	4.35	3.55	3.40
Brazil	3.0	3.3	3.4	2.0	1.6	9.3	4.6	4.4	5.4	4.3	13.75	11.75	12.25	15.00	12.38
Mexico	3.9	3.3	1.5	0.3	1.4	7.9	5.6	4.7	3.7	3.6	10.50	11.25	10.00	8.00	7.50
India	9.7	7.6	8.2	6.3	6.5	6.7	5.7	5.0	4.7	4.2	6.25	6.50	6.50	5.65	5.60
Indonesia	5.3	5.1	5.0	5.0	5.0	4.2	3.8	2.3	2.1	2.7	5.50	6.00	6.00	5.20	5.05
S. Africa	1.9	0.7	0.6	1.6	1.8	6.9	5.9	4.4	3.8	4.5	7.00	8.25	7.75	7.25	7.12
Egypt	6.7	3.8	2.4	4.0	4.6	8.5	24.4	33.3	19.0	11.3	16.25	19.25	27.25	NA	NA
Turkey	5.3	5.1	3.2	2.9	3.5	72.0	53.4	60.0	32.9	20.4	9.00	42.50	47.50	30.30	20.95

Country	GDP Growth (%)					Fiscal Breakeven ($/bbl)					Fiscal Deficit (% GDP)				
	2022A	2023A	2024A/F	2025F	2026F	2022A	2023A	2024F	2025F	2026F	2022A	2023A	2024F	2025F	2026F
Qatar	4.2	1.2	1.5	2.7	5.0	48.3	49.8	46.9	44.7	NA	10.4	5.6	2.0	2.1	4.0
UAE	7.5	3.6	4.0	4.8	4.4	46.6	52.8	53.9	50.0	NA	10.0	5.0	4.8	4.4	4.2
Kuwait	5.9	-3.6	-2.7	2.8	2.7	81.6	79.6	88.9	81.8	NA	30.4	29.9	25.6	25.3	24.9
Saudi Arabia	7.5	-0.8	1.2	3.8	4.2	88.0	94.9	98.4	90.9	NA	2.5	-2.0	-3.0	-3.4	-3.2
Oman	9.6	1.3	1.0	3.0	2.7	55.4	54.0	55.4	57.3	NA	10.3	6.7	5.0	2.5	3.3
Bahrain	6.0	3.0	2.6	3.0	2.9	131.8	152.9	135.7	124.9	NA	-5.1	-10.6	-7.7	-7.3	-7.7

Historical Market Returns (%)

	Indices	2019	2020	2021	2022	2023	2024	QTD	YTD
US Treasuries	5-year US Treasuries	5.3	6.2	-2.0	-8.0	4.5	2.3	2.7	3.0
	10-year US Treasuries	8.5	10.0	-3.1	-14.9	3.6	-0.7	3.9	3.4
US Fixed Income	US IG	8.7	7.5	-1.5	-13.0	5.5	1.3	2.8	2.0
	US HY	14.3	7.1	5.3	-11.2	13.4	8.2	1.0	-0.2
EM Fixed Income	Global EM	13.1	6.5	-1.7	-15.3	9.1	6.6	2.3	1.0
	MENA Agg	13.3	6.9	0.5	-10.6	6.2	3.6	2.6	1.8
	Global Sukuk	10.8	7.7	0.8	-7.8	5.4	3.3	2.3	2.1
EM / DM Equity	US S&P 500	31.5	18.4	28.7	-18.1	26.3	25.0	-4.3	-9.8
	EURO STOXX 600	27.9	-1.4	25.8	-9.9	16.6	9.6	5.9	0.8
	MSCI EM	18.8	18.8	-2.3	-19.8	10.2	8.0	3.0	0.0
	S&P Pan Arab	11.4	-0.9	35.2	-4.6	7.7	4.6	3.1	0.7

Source: Bloomberg, IMF

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Appendix

Market Data

Bond Yield Forecasts	2022A	2023A	2024A	2024A	2025F	2026F
UST 2-YR	4.43	4.25	4.24	3.88	4.23	4.11
UST 5-YR	4.00	3.85	4.38	3.95	4.23	4.11
UST 10-YR	3.87	3.88	4.57	4.21	4.23	4.11
UST 30-YR	3.96	4.03	4.78	4.57	4.23	4.11
Gilt 10-Yr	3.67	3.54	4.57	4.68	4.18	3.98
Bund 10-YR	2.57	2.02	2.37	2.74	2.63	2.83
JGB 10-YR	0.42	0.61	1.10	1.49	1.50	1.66
Equity Market Forecasts	**2022A**	**2023A**	**2024A**	**2024A**	**2025F**	**2026F**
S&P 500	3840	4770	5882	5612	6065	6306
MSCI EM	956	1024	1075	1101	NA	NA
EUR 600	425	479	508	534	531	570
S&P Pan Arab Composite	160	166	169	172	NA	NA
Commodity Price Forecasts	**2022A**	**2023A**	**2024A**	**1Q25**	**2025F**	**2026F**
Brent (USD/ bbl)	86	77	75	75	66	63
Natural Gas (USD/ mmbtu)	4.48	2.51	3.63	4.12	3.89	3.98
Gold (USD/ oz)	1824	2063	2625	3124	3176	3382
Copper (USD/mt)	8372	8559	8768	9710	9240	9300

Fixed Income Indices	OAS	Min	Max	1Yr Avg	5Yr Avg	10Yr Avg	10yr Percentile
US IG	40	30	81	40	51	49	31
US HY	409	296	740	314	450	460	62
EM Agg	260	262	620	262	387	363	15
EM Sov + Quasi	253	271	623	272	389	359	12
EM Corp	285	225	611	225	381	373	27
EM IG	126	102	311	102	184	187	21
EM HY	485	515	1280	525	776	700	21
MENA Agg	173	152	462	152	282	264	20
MENA IG	100	84	301	84	165	158	24
MENA HY	413	334	1049	334	641	586	20
Global Sukuk	89	65	286	65	131	-	-

Equity Indices	P/E	Min	Max	1Yr Avg	5Yr Avg	10Yr Avg	10yr Percentile
S&P 500	23.1	14.5	38.0	26.7	25.0	22.6	73.0
MSCI EM	14.1	9.4	22.2	15.9	15.3	14.6	53.0
STOXX Europe	13.9	11.5	31.4	15.1	17.5	17.4	13.0
S&P Pan Arab	14.2	9.8	31.7	14.9	17.4	15.6	38.0

Indices used on slide 2 & 3: MENA represented by the Bloomberg EM USD Agg: MENA index, Bloomberg GCC USD Credit index (MENA IG), Bloomberg EM USD Agg: MENA HY (MENA HY), Bloomberg EM USD Agg: UAE (UAE), Bloomberg EM USD Agg: Saudi Arabia (KSA), Bloomberg EM USD Agg: Qatar (Qatar), Bloomberg EM USD Agg: Oman (Oman), Bloomberg EM USD Agg: Kuwait (Kuwait), Bloomberg EM USD Agg: Bahrain (Bahrain), Bloomberg EM USD Agg: Morocco (Morocco), Bloomberg EM USD Agg: Jordan (Jordan), Bloomberg EM USD Agg: Egypt (Egypt), Bloomberg EM USD Agg: Iraq (Iraq), Bloomberg EM USD Agg: Lebanon (Lebanon).

Indecies used on slide 9. Bloomberg EM USD Agg Index, Bloomberg EM IG Index, Bloomberg EM HY Index, Bloomberg EM Agg: A Index, Bloomberg EM Agg Sov Index, Bloomberg EM Agg Sov HY Index, Bloomberg EM Agg Sov IG Index, Bloomberg EM Agg Sov Index, Bloomberg EM Agg Corp Index, Bloomberg Global Agg Corp Index, Bloomberg Global Agg Sukuk Index,

Source: Bloomberg, IMF

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