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Mashreq Capital

Outlook on MENA Fixed Income & Equity Markets

Q3 2025

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Fixed Income

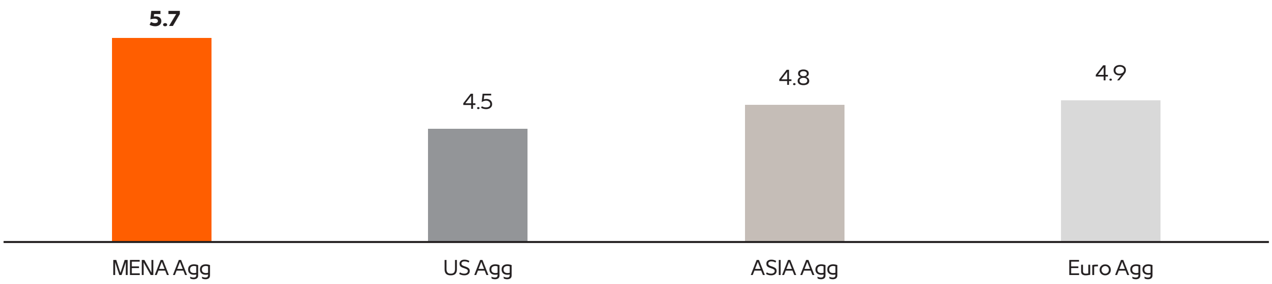
MENA AGG: Global Positioning

A high quality, higher yielding IG opportunity

The MENA fixed income asset class has an average credit rating of A2/A3 and a duration of approximately 6.2 years. MENA Fixed Income offers a risk profile comparable to other regional aggregate indices such as US Agg, Asia Agg and Euro Agg. Despite similarities in credit quality and duration the MENA Agg consistently delivers a compelling yield premium of close to +100 basis points on average. This persistent yield advantage reflects both the region's improving credit fundamentals and the market's relative underappreciation of MENA credits.

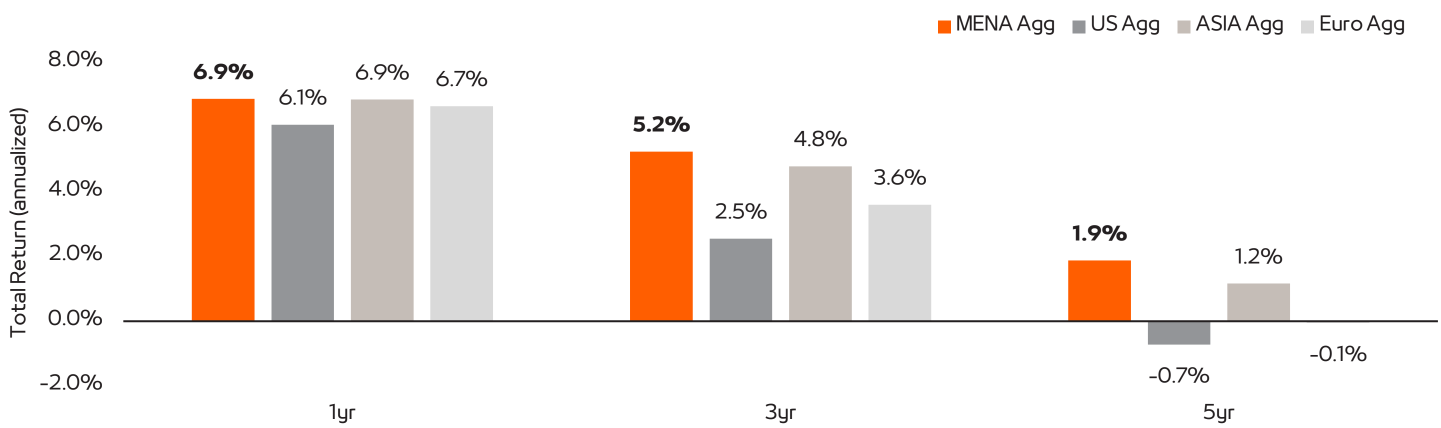
This yield premium has translated into consistent outperformance. Over one-, three-, and five-year horizons, the MENA Agg index has outpaced its regional peers, demonstrating resilience amid global volatility and geopolitical uncertainties.

USD Hedged Yields (%)



	MENA Agg	US Agg	ASIA Agg	Euro Agg
Yield (%)	5.7	4.5	4.8	4.9
OAS (bps)	161	32	78	51
Duration (yrs)	6.2	6.1	5.6	6.4
Rating	A2/A3	AA2/AA3	A3/BAA1	AA3/A1

MENA Fixed Income Has Consistently Outperformed



With spreads continuing to offer attractive relative value, MENA fixed income merits increased consideration from global asset allocators seeking high-quality, diversified exposure with strong risk-adjusted returns. Amid a macro environment marked by market volatility, inflation uncertainty, and easing central bank policies, the region's stable yield premium combined with solid credit fundamentals positions MENA bonds as a compelling source of excess return.

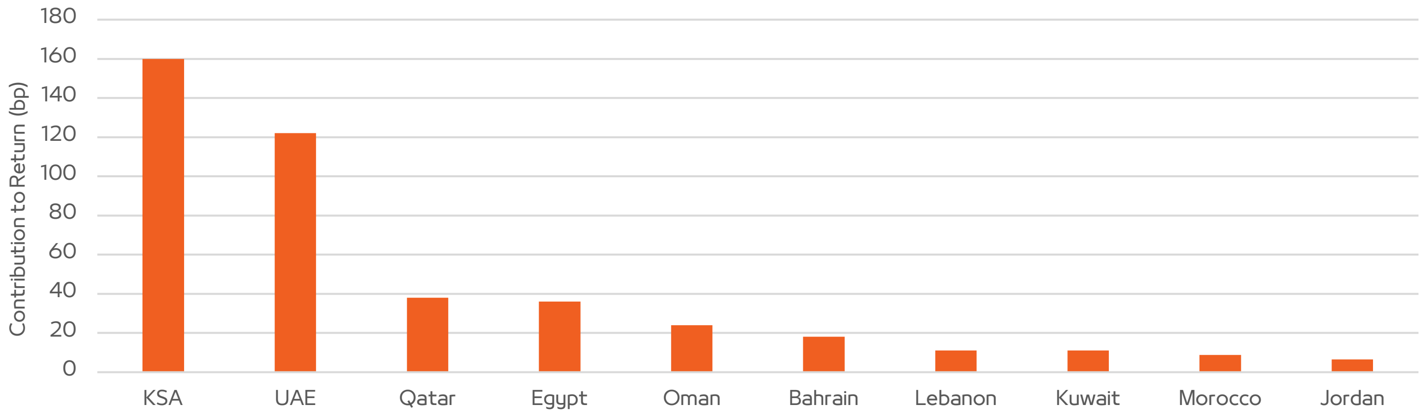
Data as of 30/06/2025. Indices used: Bloomberg EM USD Agg: MENA (MENA Agg); Bloomberg US Aggregate (US Agg); Bloomberg EM USD Agg: ASIA (ASIA Agg); Bloomberg Euro-Aggregate (Euro Agg). Hedged yields are calculated using FX forwards . Past performance is no guarantee of future results.

MENA Fixed Income

Market Overview

The MENA fixed income markets delivered strong performance in 1H25, with the Bloomberg MENA USD Aggregate Index rising 4.4%—driven by a sharp rebound in Q1 (+2.6%) and steady gains in Q2 (+1.7%). The rally in Q1 was supported by a decline in US Treasury yields, which benefited bonds across the curve—though the impact was more pronounced at the long-duration than the short end of the curve. In contrast, performance across the curve diverged in Q2, as the yield curve steepened—short-end bonds rose while long-end bonds declined. Credit spreads widened slightly during the first half of the year, with the Bloomberg EM USD MENA Index's z-spread hovering around 160bps. Sovereigns and GREs led sectoral performance, contributing 256bps and 118bps to total returns, respectively. Country-wise, Saudi Arabia (160bp), the UAE (122bp), and Egypt (36bp) were consistent top contributors. Issuer-level gains were led by Saudi (90bp), Egypt (36bp), and Abu Dhabi (27bp) sovereigns.

Contribution to Total Return by Country – 1H25[1]



Market Outlook

Looking ahead to the second half of 2025, we maintain a constructive stance on MENA fixed income, supported by sound sovereign fundamentals, high credit ratings, and resilient investor demand. Despite persistent global and regional volatility, MENA credit spreads have remained anchored, underlining the strength of issuer balance sheets and the region's relative macroeconomic stability.

While valuations are tight, the Bloomberg MENA Bond Index continues to offer attractive carry—yielding approximately 5.7%, about 60bps above its 5-year average and nearly 250bps above the lows of December 2020. As such, we expect carry to remain the primary driver of returns in 2H25, with limited contribution from spread compression and benchmark yield movements likely to offset one another. This should support full-year total returns in the mid-to-high single-digit range.

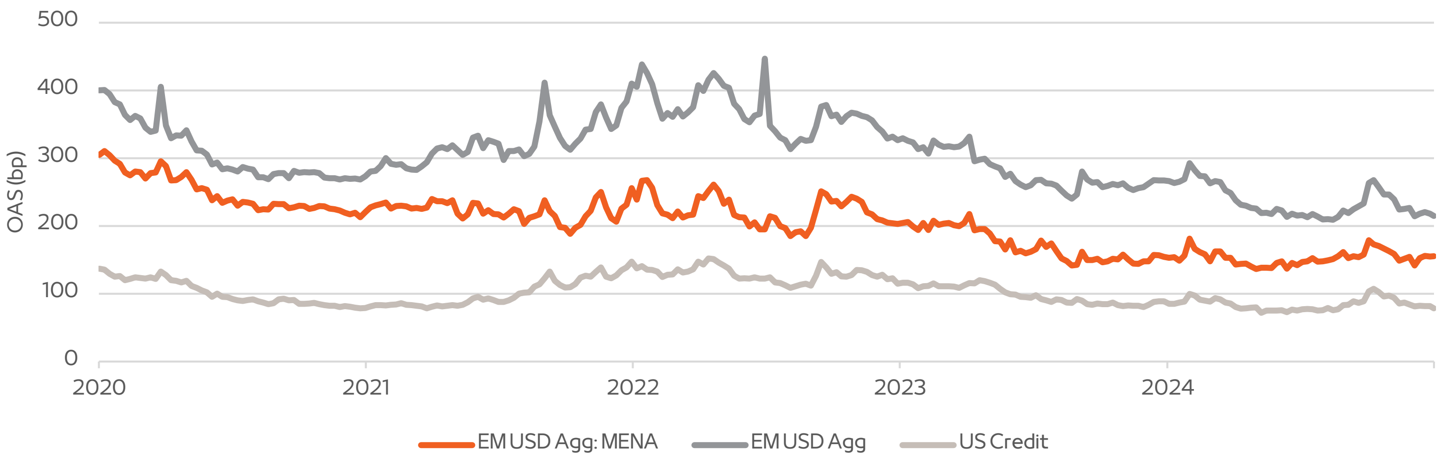
At a country level, we see continued outperformance from Egypt, underpinned by macroeconomic stabilization, positive real rates, a narrowing current account deficit, and the recovery in Suez Canal revenues. Within the GCC, we are constructive on Oman due to its improving credit ratings, ongoing structural reforms, and limited supply risk. In Saudi Arabia, we favor positioning in the belly and front end of the curve, where valuations remain compelling. UAE and Qatari bonds continue to offer defensive value, providing stability and liquidity in diversified portfolios.

We expect default rates in the MENA region to stay lower than those in the broader emerging markets (EM), supported by the region's strong investment-grade profile and relatively low corporate debt issuance. Over the past five years, the average default rate for MENA corporates has been just 0.4%, significantly below the estimated 1.5% average for EM corporates. On the sovereign side, Lebanon's 2020 default is the only case in the region during this period, resulting in an average sovereign default rate of 2.2%, which is also lower than the 4–5% average for EM sovereigns.

[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

Resilient MENA Credit Spreads Defy Global Headwinds and Signal Regional Strength



MENA credit markets continued to demonstrate resilience in 1H25, defying a challenging global backdrop marked by subdued growth, geopolitical tensions, and oil price volatility. Regional credit spreads have tightened from the temporary widening observed in April, underscoring investor confidence in the region's macro and credit fundamentals.

The broader global environment remains supportive of emerging market (EM) assets. As global investors gradually diversify away from concentrated USD exposure, capital flows into EM fixed income have increased. This trend has also benefited MENA credits, despite the region's USD-pegged exchange rate regimes. Notably, the recent 12-day escalation between Israel and Iran—while briefly disrupting oil markets—had a limited impact on EM credit spreads, reflecting strong market resilience and ample liquidity.

At the sovereign level, we remain selective:

- **UAE and Qatar** continue to offer stability, supported by low fiscal breakeven oil prices and diversified economies. These fundamental factors have helped maintain steady credit spreads and attract long-term investor demand.
- **Saudi Arabia** remains underpinned by solid credit fundamentals, though its long-dated bonds have faced modest pressure due to increased supply. We remain constructive, especially at the front and intermediate segments of the curve.
- **Oman** credit remains resilient, driven by fiscal consolidation, declining debt levels, and fiscal prudence. The proposed introduction of personal income tax in 2028 adds to the credibility of its medium-term fiscal strategy, supporting potential rating upgrades beyond BBB- in our view
- **Morocco** continues to benefit from its structural reform agenda, economic diversification efforts, and fiscal discipline, all of which are contributing to tighter spreads.
- **Egypt** benefits from strong financial support from GCC countries, policy support from the ongoing IMF program, narrowing current account deficit, and expected de-escalation in the regional conflict.

While regional spreads remain tight relative to historical averages, the credit narrative across MENA remains compelling. Reform momentum, sound fiscal frameworks, and increasing global allocations to EM assets continue to underpin the region's appeal among investors.

MENA Fixed Income

Relative Valuations

As of end of Q2 2025, spreads returned to pre-liberation levels, in the bottom quartile over the last decade. Despite tight valuations, income-seeking investors continue to find appeal in the region's mid-single-digit yields, supporting demand. The market's resilience was evident during the recent geopolitical flare-up between Iran and Israel, where spreads held firm amid heightened headline risk.

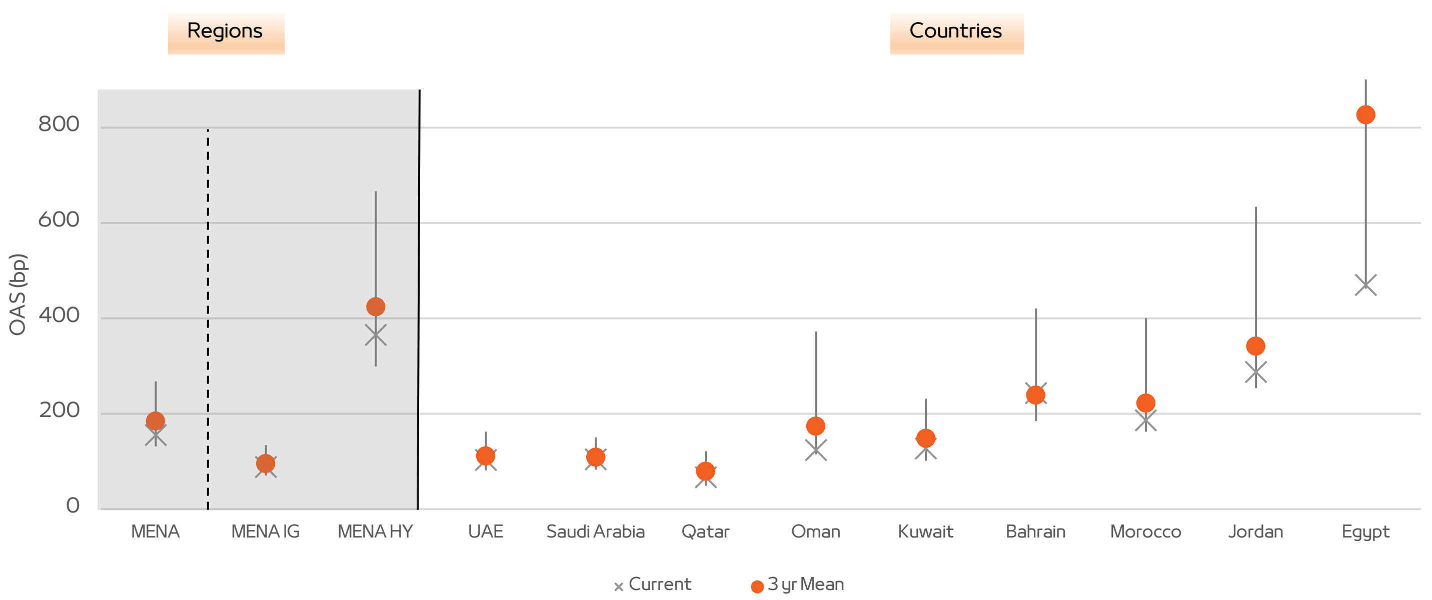
Regional technicals remain strong, supported by domestic demand from bank treasuries—particularly in Saudi Arabia and the UAE—which continue to favor high-quality sovereign and public-sector bonds. This institutional demand for High Quality Liquid Assets (HQLA) underpins spread stability.

From a relative value perspective, we see opportunities in:

- **Saudi Arabia (short-end and belly):** The cheapest A-rated sovereign in global EMs, with positive structural reforms underway.
- **Oman**: Supported by improving fundamentals and attractive spreads, especially at the long end.
- **Morocco**: Benefiting from macro and fiscal reforms, with scope for spread compression and rating upside.
- **Egypt**: A supportive macro environment—weakening USD, declining inflation, and lower oil prices—could drive further spread tightening.

We remain cautious on Bahrain and Sharjah, citing limited fiscal reform momentum and challenging debt dynamics.

OAS Dispersion by Country[1]

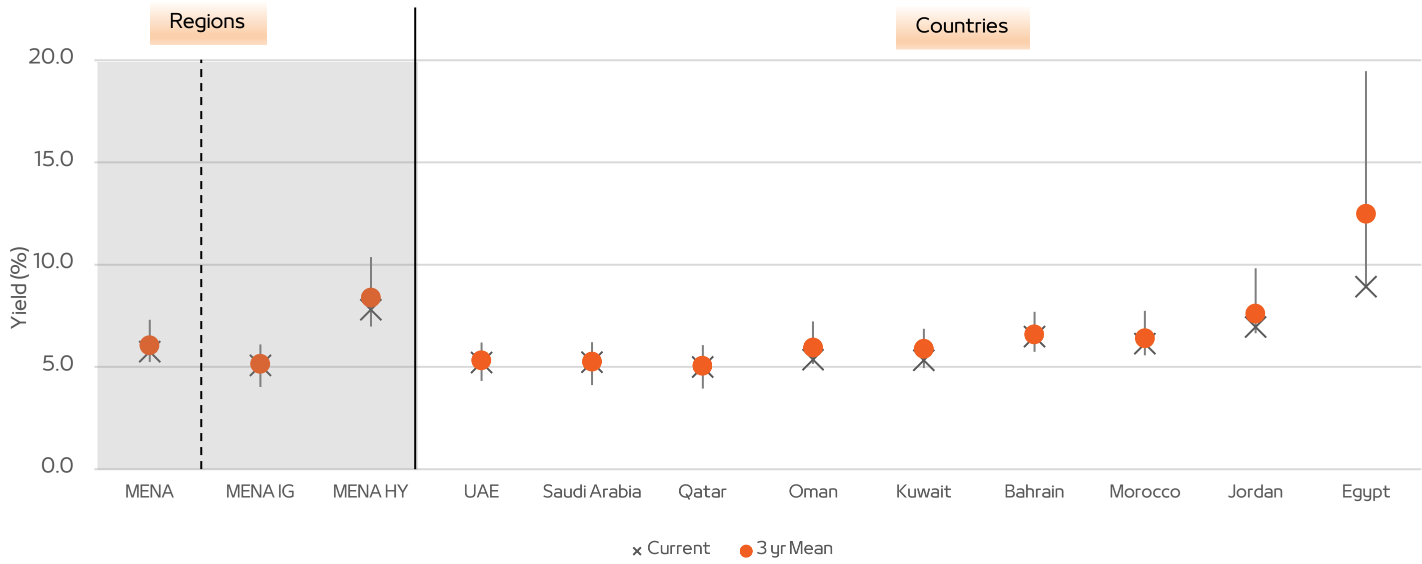


All in yields on the other hand remain attractive compared to history, the yield on the Bloomberg USD EM Agg: MENA index is c.5.7% while its 10-year averages c.5.0%. Therefore, even with relatively tight spreads, MENA fixed income looks attractive on an all-in yield basis.

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

MENA Fixed Income

Yield Dispersion by Country[1]



Supply Outlook

MENA bond issuance is set to rise in 2025, driven by sovereign funding needs, diversification strategies, and infrastructure investments. We forecast hard currency gross supply to reach approximately USD 125bn, with about 62% already executed in 1H25. Of this, 46% originated from Saudi Arabia, reflecting its elevated funding needs under Vision 2030.

Saudi Arabia's debt-to-GDP ratio has climbed from 22% (2019) to 29% (2024), with its share of regional issuance rising from an average 22% (2016–18) to 43% in 2024. This highlights its growing role as a key regional issuer.

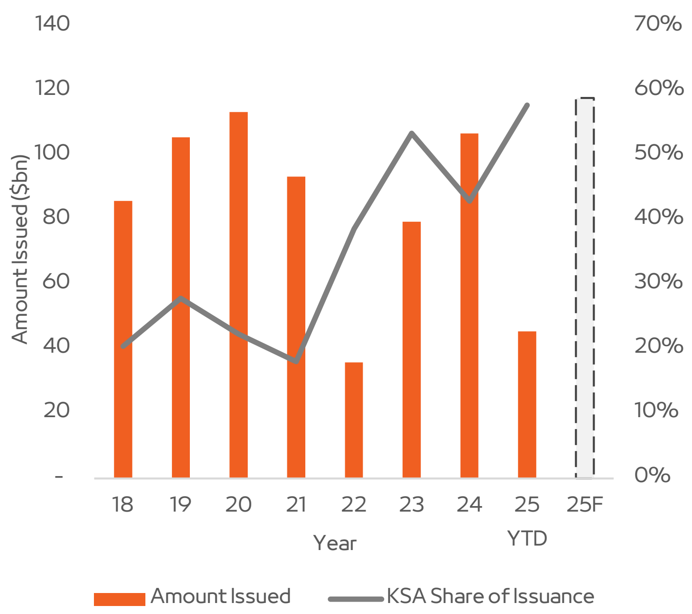
In June 2025, Kuwait began preparing for a potential USD 20Bn bond deal—it's largest to date—aimed at financing development projects and budgetary shortfalls under a new debt law. This law allows borrowings of up to KWD 30Bn (c. USD 98bn) across Islamic and conventional formats over the next 50 years.

Looking ahead, we expect Saudi Arabia, the UAE, and Kuwait to lead regional supply. Within the UAE, Sharjah and Ras Al-Khaimah have already been active in 1H25, and additional issuance is expected at the Federal and emirates' level.

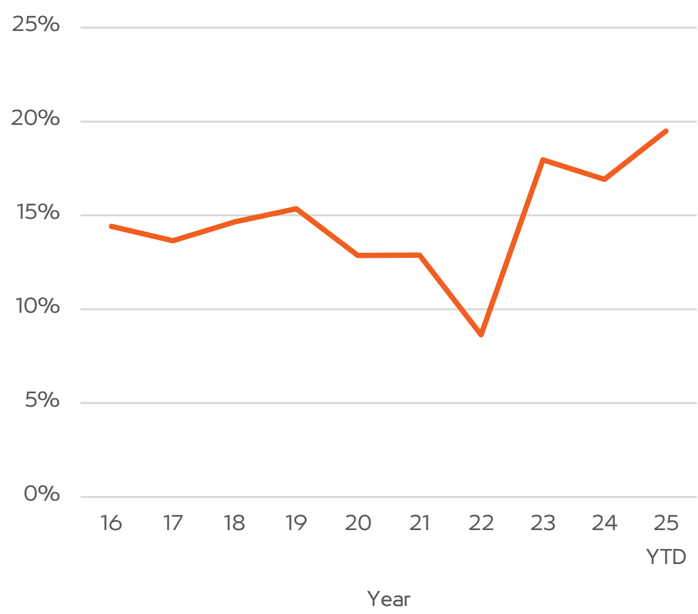
[1]Source: Bloomberg used can be found in the back of the document.

MENA Fixed Income

MENA Issuance Trends[2]



MENA as a share of Global EM issuance[2]



Strategy and Top Ideas

Sovereigns

Rising Stars on the Radar: Oman & Morocco Poised for Investment Grade: Both offer compelling crossover value. Oman's improving credit metrics and sub-$60 fiscal breakeven oil price support resilience within the BB+/BBB- space. Morocco and its GREs are well-positioned for rating upgrades within 12–18 months. We prefer Moroccan GREs for their attractive sovereign spread pickup.

High Conviction High Yield: Egypt & Turkey: We favor Egypt's front-end and belly, which remain relatively steep and offer better risk-reward than long-end exposures. Turkey provides diversification benefits; while political risk remains elevated, the central bank's policy response has helped stabilize the market.

Defensive Duration: Quality IG Exposure via UAE & Qatar: In a volatile rate environment, we like quality duration via AA-rated sovereigns. UAE and Qatar offer efficient vehicles to express long-duration views. Both UAE and Qatari bonds are relatively cheap compared to similarly rated global EM peers.

Caution on the Curve: Saudi Long-End Faces Pressure from Supply & Deficits: Elevated fiscal breakeven oil prices and increased supply could lead to short-term underperformance versus UAE and Qatar. While valuations appear attractive compared to other A-rated EM sovereigns, Saudi remains high beta within the GCC IG complex due to its fiscal profile and issuance pipeline.

[2]Source: JP Morgan, Mashreq Capital calculations. Issuance data including securities denominated in USD, GBP, and EUR.

MENA Fixed Income

Corporates

Strong Sponsors and Attractive Yields: Opportunities in Saudi & UAE Pipeline Debt: We are constructive on select infrastructure-linked bonds in Saudi Arabia and the UAE. These deals offer attractive yield premiums versus sovereigns, backed by strong sponsors, predictable cash flows, and sound structures.

AT1s Still Attractive: GCC AT1s & Tier 2s Offer Compelling Risk-Reward: This sector has historically shown resilience, comprising around 5% of the MENA index. Issued largely by well-capitalized, often government-linked GCC banks, these instruments offer appealing carry. Although we trimmed exposure in 1H25 due to rich valuations, we remain overweight vs. benchmarks given strong repayment behavior and robust capital buffers.

Fundamentals First: Staying Cautious on Bahrain & Sharjah: Both names face deteriorating credit profiles. Bahrain suffers from tight spreads, elevated breakeven oil prices, and limited structural reforms. Sharjah has seen its S&P outlook revised to negative due to rising deficits (6% of GDP), high debt (62% of GDP), and increasing debt service costs (32% of revenue). While Gulf support is assumed, we prefer better entry levels.

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 - NEUTRAL

Moody's	S&P	Fitch
Aa3 sta	A+ sta	A+ sta

We maintain a neutral sovereign credit outlook for Saudi Arabia, balancing its strong financial position against emerging external pressures. Non-oil GDP growth is projected at 4.4% in 2025, driven by robust domestic demand, Vision 2030 diversification, and increased Public Investment Fund (PIF) spending, rising from $40 billion to $70 billion annually. Overall GDP growth is forecast at 4.7%, supported by a phased reduction of 1 million barrels per day in voluntary oil production cuts from October 2024 to September 2025, with output increasing by 411,000 barrels per day from May. The 2025 budget projects a 2.9% GDP deficit, with spending at $342 billion (down 4.5% from 2024 but high at 32.4% of GDP) to sustain Vision 2030 projects, though Neom's funding is reduced. Revenues are expected to fall 3.7% year-on-year, based on conservative oil price assumptions (IMF breakeven at $96/barrel vs. current Brent at $68/barrel), risking a wider deficit amid oil price weakness and global trade tensions. Strong external buffers, including $410 billion in foreign reserves and $950 billion in PIF assets, provide resilience, but bond spread performance will hinge on oil market dynamics and global trade developments.

UAE - NEUTRAL

Moody's	S&P	Fitch
Aa2 sta	AAsta	AA-sta

We maintain a neutral sovereign credit view on the United Arab Emirates (UAE), reflecting a balance between strong non-oil sector growth and fiscal resilience on one hand, and moderating hydrocarbon revenues and regional geopolitical risks on the other. The UAE's credit profile is supported by substantial financial buffers—particularly Abu Dhabi's sovereign wealth funds, which manage approximately USD 1.7 trillion in assets as of late 2024—providing a robust cushion against external shocks and underpinning long-term economic stability. The economy expanded by 3.8% year-on-year in the first nine months, driven largely by a 4.5% rise in non-oil sectors such as tourism, real estate, and construction, which accounted for 74.6% of real GDP. While oil production remained constrained under OPEC+ agreements, anticipated quota increases in 2025 are likely to offer moderate support to growth. The 2025 federal budget is expansionary, with around 40% allocated to social development and pensions, prioritizing education and healthcare in line with the UAE's economic diversification strategy. Structural reforms—including the introduction of corporate tax, labor market integration, and investment facilitation—should enhance long-term competitiveness. However, downside risks persist from oil price volatility, geopolitical tensions, and the uncertain pace of reform implementation..

Qatar - NEUTRAL

Moody's	S&P	Fitch
Aa2 sta	AA sta	AA sta

We maintain a neutral sovereign credit view on the United Arab Emirates (UAE), reflecting a balance between strong non-oil sector growth and fiscal resilience on one hand, and moderating hydrocarbon revenues and regional geopolitical risks on the other. The UAE's credit profile is supported by substantial financial buffers—particularly Abu Dhabi's sovereign wealth funds, which manage approximately USD 1.7 trillion in assets as of late 2024—providing a robust cushion against external shocks and underpinning long-term economic stability. The economy expanded by 3.8% year-on-year in the first nine months, driven largely by a 4.5% rise in non-oil sectors such as tourism, real estate, and construction, which accounted for 74.6% of real GDP. While oil production remained constrained under OPEC+ agreements, anticipated quota increases in 2025 are likely to offer moderate support to growth. The 2025 federal budget is expansionary, with around 40% allocated to social development and pensions, prioritizing education and healthcare in line with the UAE's economic diversification strategy. Structural reforms—including the introduction of corporate tax, labor market integration, and investment facilitation—should enhance long-term competitiveness. However, downside risks persist from oil price volatility, geopolitical tensions, and the uncertain pace of reform implementation.

MENA Fixed Income

Oman - POSITIVE

Moody's	S&P	Fitch
Ba1 pos	BBB-sta	BB+ pos

Oman's credit profile has strengthened significantly since the pandemic, driven by prudent fiscal management, declining debt levels, and solid hydrocarbon revenues— resulting in recent upgrades to Investment Grade by both S&P and Moody's. The debt-to-GDP ratio fell to 35% in 2024, down from 37.5% in 2023 and a peak of 68% in 2020, reflecting disciplined debt repayment and favorable oil prices. Fiscal surpluses continued in 2024 (2.9% of GDP), supported by conservative budgeting and structural reforms such as VAT implementation and subsidy rationalization. The interest expense-to-revenue ratio improved from 10.6% in 2020 to 7.3% in 2024, signaling effective fiscal consolidation. Non-oil GDP grew by 4.2% in 2024, led by manufacturing—particularly the Duqm refinery—and tourism, while FDI inflows remained robust at 11% of GDP, albeit concentrated in the oil and gas sector. External resilience was bolstered by a current account surplus of 2.8% of GDP and rising foreign exchange reserves, which reached USD 18.3 billion by November 2024, covering over four months of imports. Based on baseline oil price assumptions, the current account surplus is expected to narrow to below 1% of GDP in 2025. Overall, Oman's debt reduction, reform momentum, and diversification progress support a constructive outlook, with the potential for an earlier rating upgrade if oil prices stabilize and non-oil growth remains strong. Limited direct exposure to U.S. exports also insulates Oman from potential tariff-related disruptions.

Bahrain - NEGATIVE

Moody's	S&P	Fitch
B2 sta	B+ neg	B+ neg

We maintain a negative outlook on Bahrain's sovereign credit profile, which remains under significant strain due to persistent fiscal deficits, unsustainable debt levels, and limited progress on structural reforms. Despite high per-capita income and continued GCC support, the government's reluctance to implement meaningful fiscal consolidation—evident in the reversal of VAT hikes and subsidy cuts—has deepened fiscal vulnerabilities. The 2025–26 budget forecasts deficits of 8% and 6% of GDP, though these likely understate the true fiscal gap given ongoing off-budget expenditures. Public debt stands at around 130% of GDP, with interest payments consuming 25% of government revenue, underscoring an unsustainable debt trajectory that depends heavily on recurring GCC assistance. Bahrain's fiscal outlook is further undermined by its reliance on oil, which accounts for 70% of government revenue, and by weak non-oil revenue generation. Although tourism and FDI offer some diversification, structural challenges persist, including oil production shocks and sluggish private investment. The central bank's foreign exchange reserves cover only about two months of imports, while the country's reliance on short-term external borrowing heightens exposure to global liquidity shocks. The 2025 budget signals a focus on structural transformation, with increased spending on education, healthcare, and infrastructure to support private sector-led growth. However, without decisive reforms, Bahrain risks slipping into a debt trap. Regarding recent U.S. tariffs, Bahrain's exposure is minimal due to energy export exemptions, though trade deficits with the U.S. triggered a baseline 10% tariff, with limited direct economic impact expected.

Egypt - POSITIVE

Moody's	S&P	Fitch
Caa1 pos	B- sta	B sta

We hold a positive outlook on Egypt, underpinned by recent reforms, declining inflation, renewed investor confidence, and strong external support. The March 2024 policy reset—including currency devaluation, adoption of a flexible exchange rate, and tighter monetary policy—has helped restore the Central Bank's credibility. Inflation fell to 16.8% in May 2025 from over 30% in 2023, driven by policy tightening and subsidy reforms, with further moderation expected. External liquidity pressures have eased, with foreign reserves rising to USD 48 billion—covering nearly five months of imports. Egypt's successful return to international markets in January 2025 with a USD 2 billion Eurobond, oversubscribed by 2.5 times, highlights improving investor sentiment. The landmark USD 35 billion Ras El-Hekma FDI deal with the UAE further boosted FX inflows and market confidence. Backed by IMF programs—including the Extended Fund Facility and Resilience and Sustainability Facility—Egypt's external financing outlook has strengthened. Fiscal performance has improved, with a 5.6% primary surplus in FY2024 and a projected 3.4% surplus in FY2025, likely reducing the debt-to-GDP ratio to 83.9% from 94.3% in 2023. While interest payments are expected to consume 63.2% of revenue in 2025, this burden should ease gradually as rates decline. Real GDP growth is projected to rebound to 3.5% in FY2025, supported by tourism, logistics, and recovering private investment. Although external debt service remains high and regional risks persist, the overall risk balance is improving.

MENA Fixed Income

Kuwait - NEUTRAL

Moody's	S&P	Fitch
A1 sta	NR	AA- sta

We maintain a neutral fundamental view on Kuwait, reflecting its strong economic and fiscal position, tempered by limited progress on diversification and ongoing institutional challenges. Kuwait's debt-to-GDP ratio remains among the lowest globally, estimated at just 2.9% in 2024. This exceptionally low level is partly the result of the government's inability to pass a new debt law between 2017 and early 2024, which forced reliance on reserve fund drawdowns to finance deficits. The recent passage of the debt law marks a turning point, enabling the government to raise up to USD 65 billion through bond issuance over the next 50 years. While this will gradually increase debt levels, it should improve fiscal flexibility and liquidity management. With only one outstanding sovereign bond maturing in 2027, the market is eager for new issuance, and we expect upcoming bonds—likely front-loaded over the next decade—to be well received by investors. However, progress on structural reforms and economic diversification remains modest, limiting upside potential in the near term.

Morocco - POSITIVE

Moody's	S&P	Fitch
Ba1 sta	BB+ pos	BB+ sta

We hold a positive fundamental outlook on Morocco, driven by socioeconomic reforms and robust economic growth, bolstered by the 2030 World Cup. The 2021 New Development Model advances economic diversification, female labour-force participation, and education, supporting Morocco's growth and fiscal trajectory. Despite persistent fiscal deficits, disciplined policies, including fuel subsidy elimination, reduced the deficit from 7.1% of GDP in 2020 to 3.9% in 2024, targeting 3.8% in 2025. Strong tourism (17.4 million visitors in 2024 vs. 14.5 million in 2023), phosphate, and automotive exports narrowed the current account deficit. A $4.5 billion IMF 2-year flexible credit line enhances resilience against external shocks, while declining oil prices ($68/barrel Brent) benefit Morocco as an oil importer. Rated BB+ with a positive S&P outlook in 2024, Morocco is poised for a potential investment-grade upgrade if reforms continue.

Jordan - NEUTRAL

Moody's	S&P	Fitch
Ba3 sta	BB- sta	BB- sta

Our neutral view on Jordan balances the country's strong policy institutions and sustained international support against persistent structural challenges, including low growth, high debt, and socio-economic pressures. Jordan's effective governance has secured continued access to foreign assistance—amounting to around 12% of GDP in 2024—with the U.S. as the largest contributor. While the temporary freeze in USAID disbursements earlier this year raised concerns, funding has since resumed. Jordan also benefits from a $1.2 billion IMF program and a newly announced EUR 3 billion EU aid package for 2025–2027. However, growth prospects face headwinds from rising trade policy uncertainty. The U.S.—Jordan's largest export market, accounting for approximately 20% of exports and 5% of GDP—is considering tariffs that could affect key sectors like textiles, which are unlikely to receive exemptions. Given Jordan's already high unemployment and social strain, this poses downside risks to both economic performance and fiscal stability.

Turkey - POSITIVE

Moody's	S&P	Fitch
B1 pos	BB- sta	BB- sta

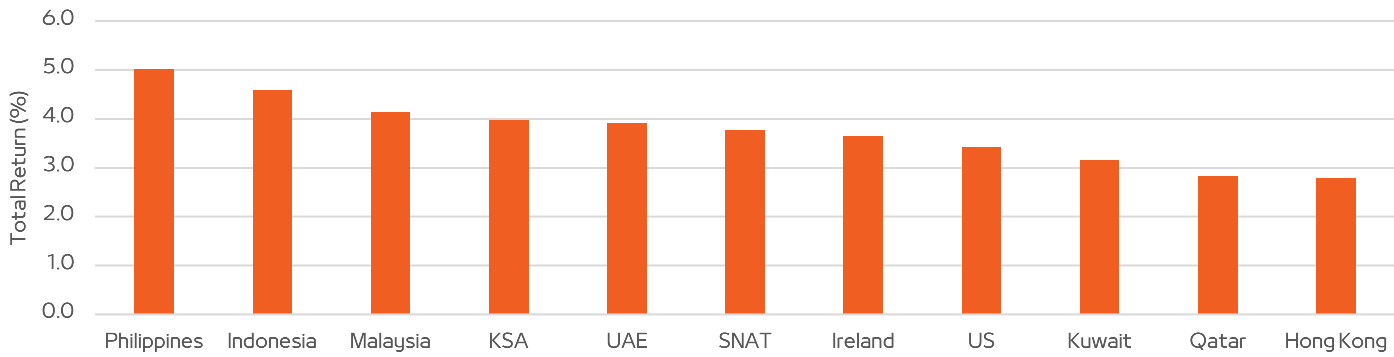
We are positive on Turkey and expect it to be a potential rating upgrade story, as its macroeconomic outlook is improving, supported by disinflation progress, tighter monetary policy, and fiscal consolidation, signalling a return to orthodoxy after years of volatility. Headline CPI inflation fell to 35.4% in May 2025 from 37.9% in April. 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 78bn in mid-March 2025 as the central bank spent the money to defend Lira because of recent political turmoil. Currently turkey's FX import cover remains low at 1.6 months, posing a vulnerability, but structural improvements are underway. The current account deficit narrowed sharply to 0.7% of GDP in late 2024 (from 3.6% in 2023), driven by reduced energy and gold imports and rising confidence in the lira. The 2025 budget targets a fiscal deficit of 3% of GDP, down from nearly 5% in 2024, supported by the phase-out of earthquake-related spending and new tax measures, including a 10% minimum corporate tax. Structural reforms—such as wage moderation and banking sector deleveraging—are enhancing economic resilience. Government debt remains low at an estimated 26% of GDP in 2024, well below the 'BB' peer median of 55%, though interest costs are expected to rise slightly to 10.8% of revenue in 2025 due to higher domestic borrowing rates. While risks from lira volatility and energy dependence persist, Turkey's credible policy shift, resilient private sector, and strong tourism inflows (up 7% YoY in 2024) support a constructive outlook. If reform momentum continues, further disinflation and growth stabilization around 2% could pave the way for rating upgrades.

Global Sukuk

Market Overview

The Bloomberg Global Aggregate USD Sukuk Index returned 4.0% in the first half of 2025, underscoring the sukuk market's resilience amid persistent global financial uncertainty and elevated geopolitical tensions. Performance was primarily driven by a bull steepening of the U.S. Treasury curve, which boosted returns in the short and intermediate tenors, while longer-duration sukuk lagged. Sukuk issued by Indonesia and the Philippines outperformed, offering defensive characteristics and valuable diversification away from the Middle East—where markets were directly impacted by the Israel-Iran conflict. Strong investor demand and spread compression in these Asian credits further supported overall returns.

Total Return by Country[1]



Market Outlook

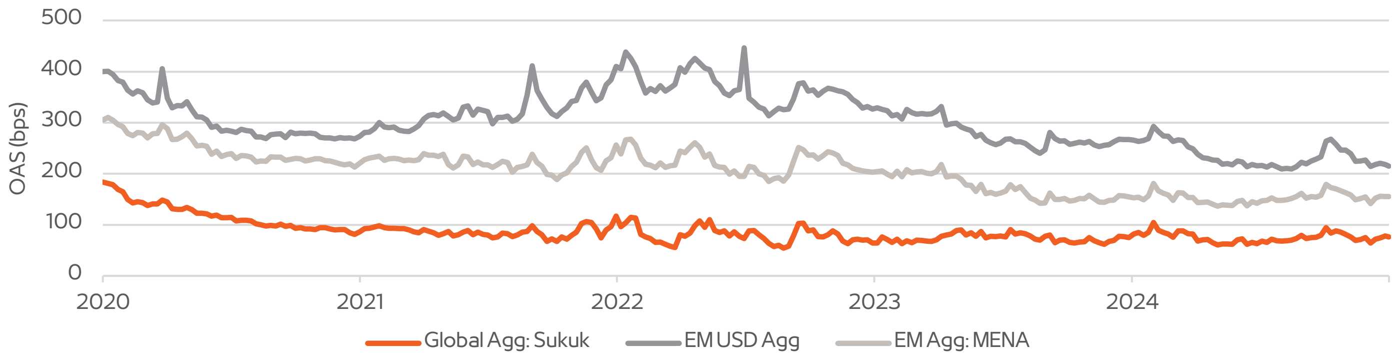
The outlook for the sukuk market in the second half of 2025 remains positive, supported by sustained momentum, resilient investor demand, and favourable long-term structural drivers. Market sentiment continues to trend positively, with expectations for mid-single-digit total returns by year-end, building on the strong performance delivered in 1H25.

While sukuk index spreads have widened modestly compared to the start of the year, they remain tighter than their five-year historical average, reflecting continued investor confidence in the asset class. The recent spread movement appears largely technical in nature, and a potential normalization in benchmark yield curves could help absorb some of the widening pressure, reinforcing sukuk's overall stability and appeal.

Looking ahead, the sukuk market will remain sensitive to broader macroeconomic headwinds, particularly the impact of escalating global trade tensions and tariff regimes, which could weigh on global growth. In addition, geopolitical uncertainty in the Middle East may add episodic volatility, although the sukuk asset class has historically shown resilience during periods of regional stress.

Overall, the sukuk market remains well-positioned within the broader EM fixed income space, offering an attractive combination of stable carry, lower volatility, and robust technical support through year-end.

Sukuk Spreads



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

Global Sukuk

Supply Outlook

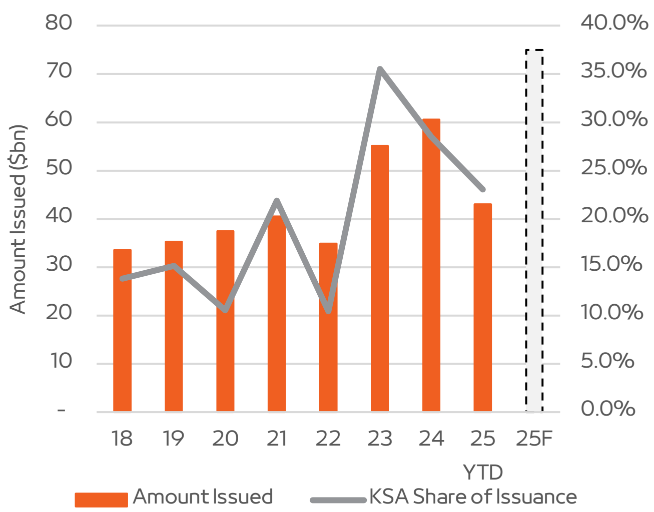
Building on the momentum from 2024—when hard currency sukuk issuance grew by 10.7% year-over-year to USD 60 billion—the sukuk market remained resilient through the first half of 2025. According to S&P Global Ratings, total sukuk issuance for the year is projected to reach USD 190–200 billion, with foreign currency-denominated sukuk accounting for USD 70–80 billion. Issuance volumes continue to hover near record levels, driven by sustained activity from key markets such as Malaysia, the GCC (particularly Saudi Arabia), and Indonesia.

We expect hard currency sukuk issuance in 2025 to broadly match last year's volumes, supported by strong demand for Sharia-compliant infrastructure financing, especially in the GCC. Saudi Arabia's ongoing economic transformation and commitment to Vision 2030 are likely to drive further supply. Investor appetite remains robust, as seen in oversubscription across recent primary deals.

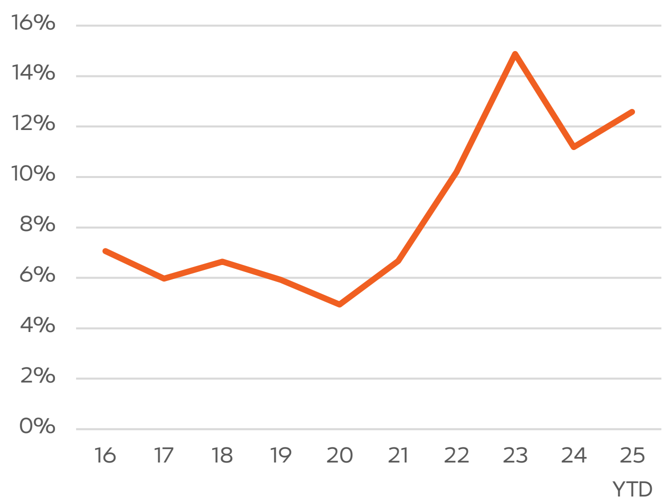
While the sukuk market continues to grow, it remains geographically concentrated, with the GCC dominating hard-currency issuance and exposure skewed toward a limited set of issuers. This concentration presents portfolio diversification challenges that institutional investors should monitor.

The phased implementation of AAOIFI Standard No. 62 is not expected to materially impact sukuk issuance in 2025. The standard's focus on enhancing ownership and risk-sharing structures is a positive step for long-term market integrity, and the lack of retroactive application should help ensure a smooth transition for new deals.

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.

Global Sukuk

Strategy and Top Ideas

Yield Curve & Duration:
With most of the bull steepening in global yield curves already priced in, we maintain a neutral to moderately long duration stance. This positioning offers flexibility to capture potential upside in rates while avoiding undue interest rate risk in a still-uncertain macro environment.

Regional Allocation:
As geopolitical tensions in the Middle East ease, we are turning incrementally constructive on GCC sukuk, shifting allocation away from Asian names. The GCC continues to offer a compelling combination of improving credit fundamentals, strong sovereign support, and relative value opportunities in USD-denominated sukuk markets.

Credit Quality & High Yield:
Improved macro visibility and greater clarity around global trade policy support a more selective approach to high yield sukuk. We are increasing exposure to credits in Turkey and Egypt, where policy reforms and economic stabilization are gaining traction. These markets present opportunities for credit spread compression and total return enhancement.

Key Takeaways:
- Maintain a neutral to slightly long duration bias.
- Increase exposure to GCC sukuk as geopolitical risks recede.
- Selectively add high yield sukuk where fundamentals are improving.
- This balanced strategy is designed to capture yield and capital appreciation opportunities while maintaining prudent risk management across the sukuk portfolio for the remainder of 2025.

Emerging Markets Fixed Income

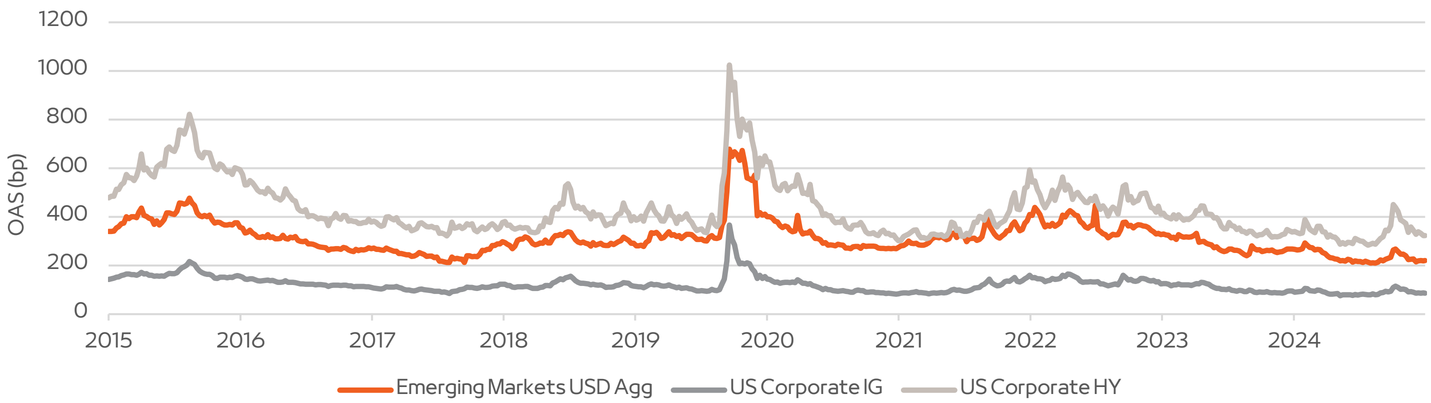
Market Overview

Emerging market debt delivered a solid performance in the first half of the year, with the Bloomberg EM USD Aggregate Index returning 4.9%. The rally was supported by a broad decline in U.S. Treasury yields and consistent spread carry, despite intermittent periods of volatility. In Q1, risk sentiment weakened amid policy uncertainty from the new U.S. administration—particularly around tariffs—which pushed Treasury yields lower and widened EM credit spreads. The post-'Liberation Day' spike in spreads proved temporary, as subsequent policy rollbacks helped stabilize markets and restore investor confidence.

Technical factors remained supportive throughout H1. Robust global demand for yield, a softer U.S. dollar, and elevated commodity prices—especially oil and metals—provided a constructive backdrop, particularly for high-yielding frontier sovereigns. EM resilience was notable, even against a backdrop of heightened geopolitical risk, including renewed tensions in the Middle East which did not result in substantial widening for the region.

Performance dispersion across countries remained high. Lebanon led with a 46.5% total return following the resolution of a prolonged political impasse and the appointment of a new president. In contrast, Senegal was the weakest performer, declining 11.2% amid deteriorating fiscal dynamics and rising concerns over debt sustainability.

Spreads have remained resiliant[1]



Market Outlook

We have moved to a neutral view on Emerging Markets for the third quarter of the year. The broader macro backdrop still remains uncertain, given risks around US recession dynamics, policy direction, and geopolitical tensions. However, the reversal of some tariffs and a reduced probability of near-term U.S. recession (currently estimated at 37.5%) support a less bearish stance than the quarter prior.

The fundamental picture for EM sovereign and corporate credit remains stable overall, but valuations are increasingly a concern as spreads are tight and have retracted to historically low levels, despite the continued macro and geopolitical uncertainty. Therefore, we expect periods of volatility to persist, especially as the impact from the front loading of growth which should starts to fade and inflation could keep the Fed on hold for longer. In this environment, we like carry as we see limited room for further spread decompression, given current levels and therefore remain selective on issuers, selecting those who have idiosyncratic reasons to tighten.

We expect EM default rates to remain relatively subdued in 2025 across both sovereign and corporate issuers. A key differentiator versus past cycles is that many of the most vulnerable sovereigns have already undergone post-COVID restructurings or are currently under active IMF programs, reducing the pool of near-term default candidates. On the corporate side, the EM high-yield default rate stands at 1.8% YTD, consistent with expectations, and is primarily driven by a handful of repeat or previously stressed issuers. Our full-year forecast remains at 3-4% with regional risks skewed towards Asia, while CEEMEA should remain more stable - this compares to an average rate of ~5% over the past decade.

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

Emerging Markets Fixed Income

Strategy and Top Ideas

Investment Grade Sovereigns

Within the IG sovereign space, we remain overweight Abu Dhabi, Chile, Qatar, and Poland as high-quality defensive allocations. These credits benefit from strong external buffers, stable policy frameworks, and moderate debt loads. Despite tighter valuations, we believe these names are well-positioned to outperform amid weaker global growth and market uncertainty. Elsewhere, we see selective opportunities in Romania following the recent election which has given us a cause to expect improving fundamentals. We remain underweight sovereigns like Saudi Arabia and Indonesia, where valuations are tight relative to fundamentals and policy direction raises concerns. Saudi Arabia's continued fiscal expansion may weigh on spreads, despite favourable oil dynamics. In Indonesia, gains from strong exports may be fully priced in, while downside risks emerge from China and fiscal deterioration.

High Yield Sovereigns

Within the High Yield space, we maintain a clear preference for BB rated sovereigns over lower-rated credits. Amid the uncertain macro backdrop, we are in with fragile investor sentiment, the BB segment offers an attractive balance of yield, improving fundamentals, and relative resilience in a risk-off environment. Therefore, our favoured theme is quality within HY, with overweights in Uzbekistan, Morocco, and Azerbaijan, as well as continued support for Turkey and Pakistan. We remain constructive on Uzbekistan, supported by robust growth (~6% forecast), strong FX reserves, and positive terms of trade via elevated gold prices. We like Morocco as it could outperform in an environment of falling oil prices, and with a positive outlook from S&P, a potential upgrade to investment grade is a near-term catalyst. Conversely, we remain underweight lower-rated names, where we see deteriorating debt metrics, reliance on external funding, and weaker market access raise concern. We see risks of underperformance in names such as Senegal, where debt sustainability remains fragile and global shocks could renew stress.

Corporates

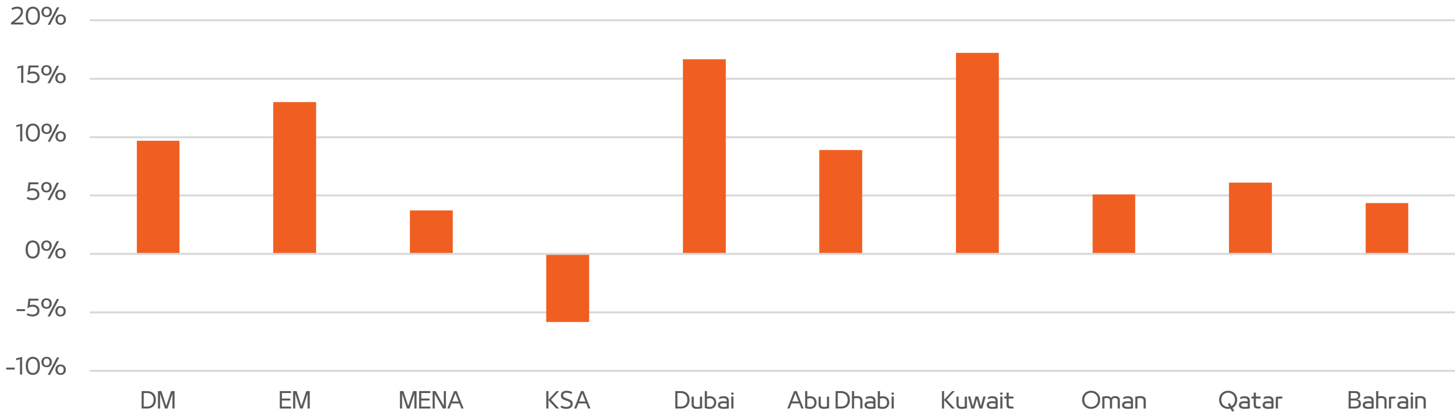
We remain Neutral on EM corporates, with spreads tight but fundamentals steady and defaults running below average. Our preference is to focus on government-related entities (GREs) in countries with improving macro backdrops—notably Uzbekistan and Morocco, where the spread over sovereign pickup remains attractive. While valuations are rich relative to history, EM corporates are supported by balanced technicals, stable leverage metrics, and a broad investor base. We expect a selective grind tighter in spreads, but the uncertain macro backdrop limits the scope for indiscriminate risk-taking. In contrast, we remain underweight Asia as a region, where spreads are tight and we are cautious on segments sensitive to commodity prices or China-linked demand, such as smaller oil & gas issuers and parts of Asian real estate.

MENA Equity

Market Overview

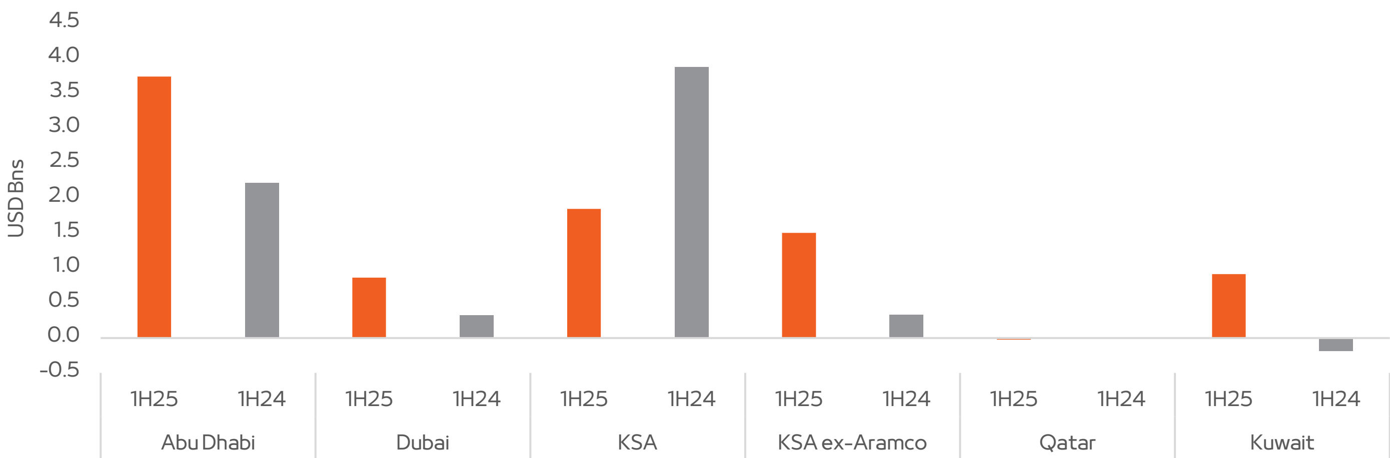
The MENA region struggled during the first half, underperforming Emerging Markets by 928 basis points, driven by weakening oil prices and the impact of geopolitical tensions. Saudi Arabia was the worst performer in the GCC, as concerns about a potential decrease in government spending intensified due to further pressure on oil prices from increased OPEC+ production. Aramco, SABIC, and ACWA Power were key drags on the market. This was not offset by the strong performance of Saudi banks and telecommunications companies. As a result, Saudi Arabia (Tadawul All Share Index) declined by 5.83% in the first half of 2025. The UAE market, which is less sensitive to oil returns, performed better than most GCC peers. Dubai gained 16.66%, supported by strong performance from Dubai Islamic Bank, Emirates NBD, Emaar Properties, and Emirates Integrated Telecom (DU), among others. Abu Dhabi was up 8.88%, driven by solid performance from banks and ADNOC names, primarily ADNOC Drilling and ADNOC Distribution. Both ADNOC companies, which had been under pressure following Q1 earnings, rebounded strongly in Q2. Kuwait extended its lead as the region's top performer in H1 2025, gaining 17.20%, driven by investor optimism around reforms to the public debt law. Kuwait's market was supported by strong performance from Kuwait Finance House and National Bank of Kuwait.

Performance of Key Markets – 1H25



QFI* flows were positive for Abu Dhabi, Dubai, KSA (ex-Aramco), and Kuwait in the first half. KSA's inflows were driven by real estate companies and banks, especially Saudi National Bank, Jabal Omar Development Co., and Makkah Construction and Development Co. In H1 2024, KSA's flows were largely led by Aramco's inflows, which remained subdued in H1 2025. Kuwait's positive flows were led by National Bank of Kuwait and Kuwait Finance House. Dubai's flows were supported by inflows into DEWA and Emaar Development, which were slightly offset by outflows from Talabat. Abu Dhabi's flows were largely led by the additional stake sale from ADNOCGAS in the first quarter.

Est. QFI Net Flows



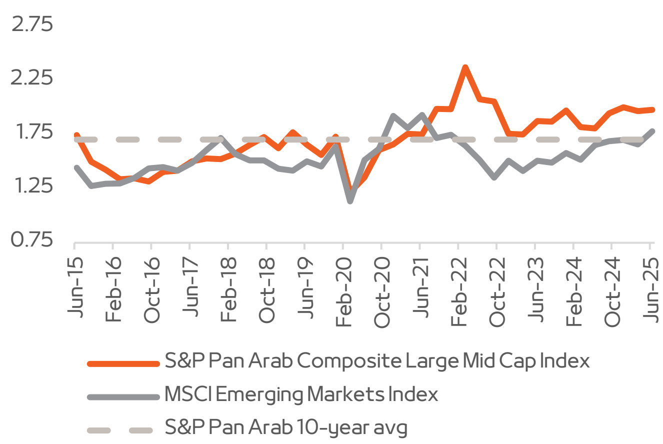
All chart data on page - Source: Bloomberg *Qualified Foreign Investors

MENA Equity

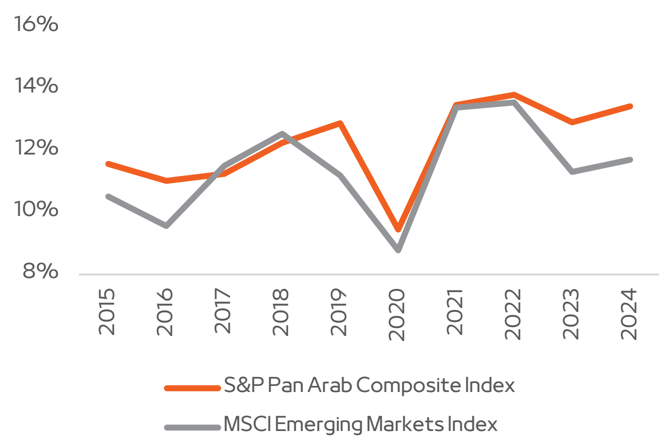
Valuations

As of the end of H1 2025, MENA's forward Price/Book ratio was 1.98x, above its 10-year average of 1.71x. However, it is 17% below the high 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 %

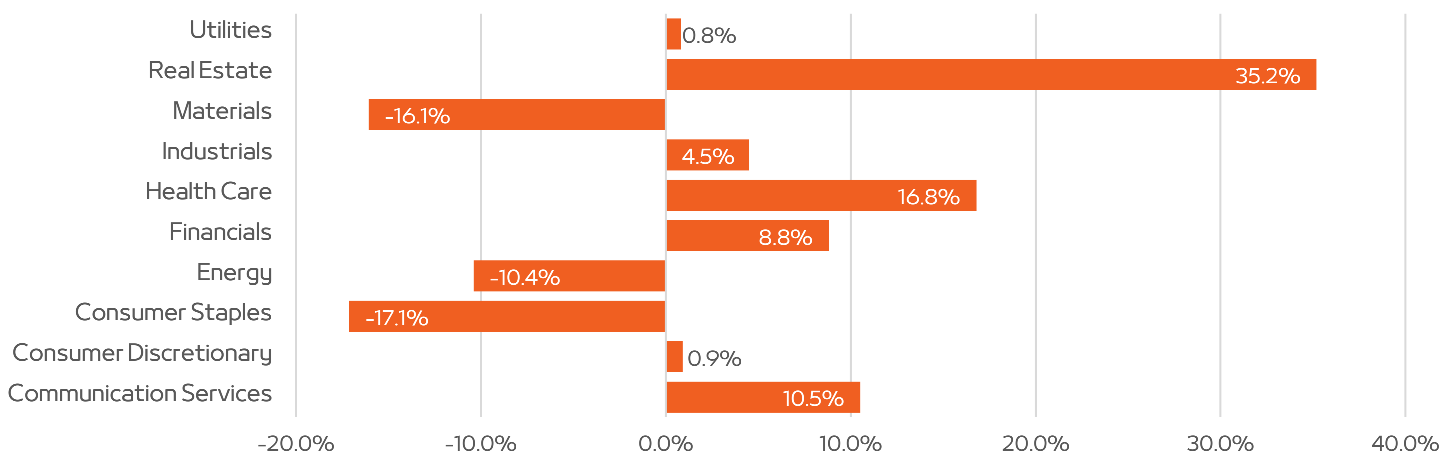


MENA Earnings Review - Q1 2025

Executive Summary

MENA delivered resilient earnings growth of 4.89% in Q1 2025, with real estate, financials, and communication services driving this performance. This growth trajectory reflects the region's continued economic diversification and demonstrates the effectiveness of ongoing structural reforms in key markets.

1Q2025 Earnings Growth - MENA



All chart data on page - Source: Bloomberg
*Based on representative companies filtered using liquidity

MENA Equity

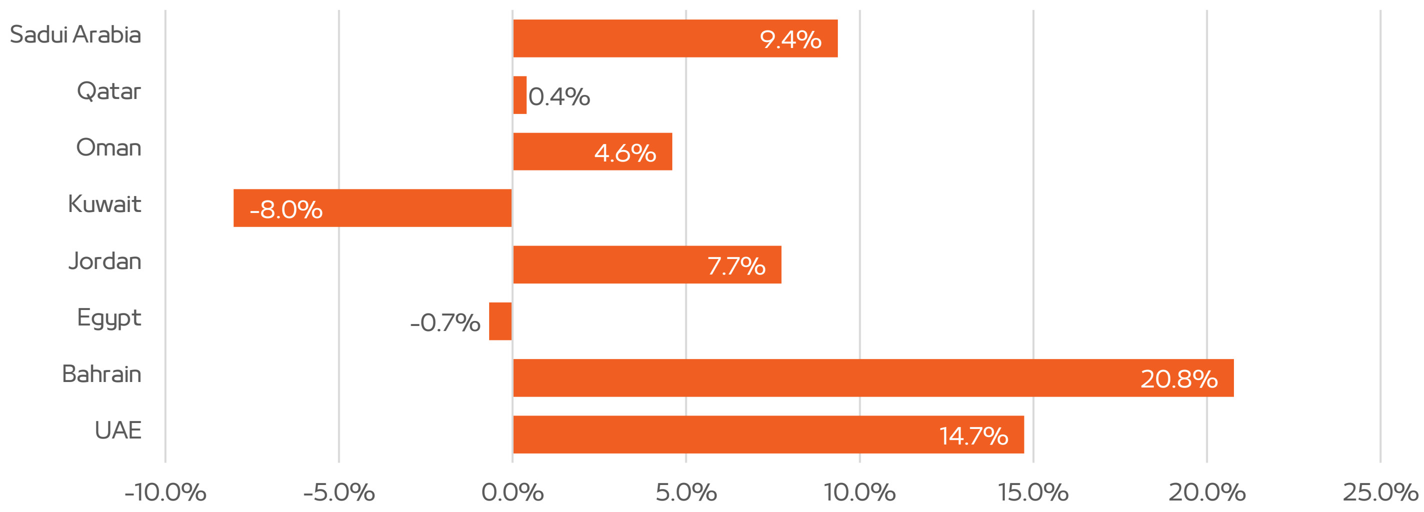
Sector Performance Analysis

Financial Services: Sustained Momentum

The financial sector delivered strong earnings growth of 8.8% year-over-year, with robust loan expansion in the UAE and Saudi Arabia underpinning this performance. The "higher for longer" interest rate environment continues to support Net Interest Margins (NIMs), while non-performing loan (NPL) ratios remain at manageable levels.

Key Highlight: Alrajhi Bank emerged as a standout performer with a 35% year-over-year profit surge. The bank benefited from favourable liability repricing as interest rates moderated, while its mortgage-concentrated portfolio sustained asset yields.

Earnings Growth - Banking



Communication Services: Population-Driven Growth

The communication services sector posted 10.5% growth, with continued population inflows and peak tourism activity supporting this expansion. Emirates Telecom Group led sector performance with a 130% year-over-year earnings increase, though a one-time gain from the Khazna divestiture primarily drove this result. Excluding this exceptional item, the company achieved robust underlying EBITDA growth of 15.4% year-over-year and expanded its customer base by 13%.

Real Estate: Demand remains buoyant

Real estate companies capitalized on ongoing structural reforms in the UAE and Saudi Arabia, delivering exceptional earnings growth of 35% year-over-year. Dar Al-Arkan and Emaar ranked among the sector's top performers, capitalizing on sustained demand momentum.

Energy: Headwinds Persist

The energy sector weighed on overall performance with a 10.4% decline in Q1 2025 earnings, as lower oil prices amid increased OPEC production affected results. Saudi Aramco recorded a 7% year-over-year decline in net income, while Saudi drilling companies Arabian Drilling and Ades also posted disappointing results.

Source: Bloomberg
*Based on representative companies filtered using liquidity

MENA Equity

Market Outlook

Trade Policy Landscape

The US implemented a 90-day tariff pause on April 9, 2025, and trade negotiations with major partners continue, with only the UK securing a limited agreement with the US as of July 1, 2025. The tariff pause deadline approaches on July 9, 2025, while negotiations with key partners remain ongoing with uncertain outcomes. China represents the only partner with an extended deadline for comprehensive agreement completion in August.

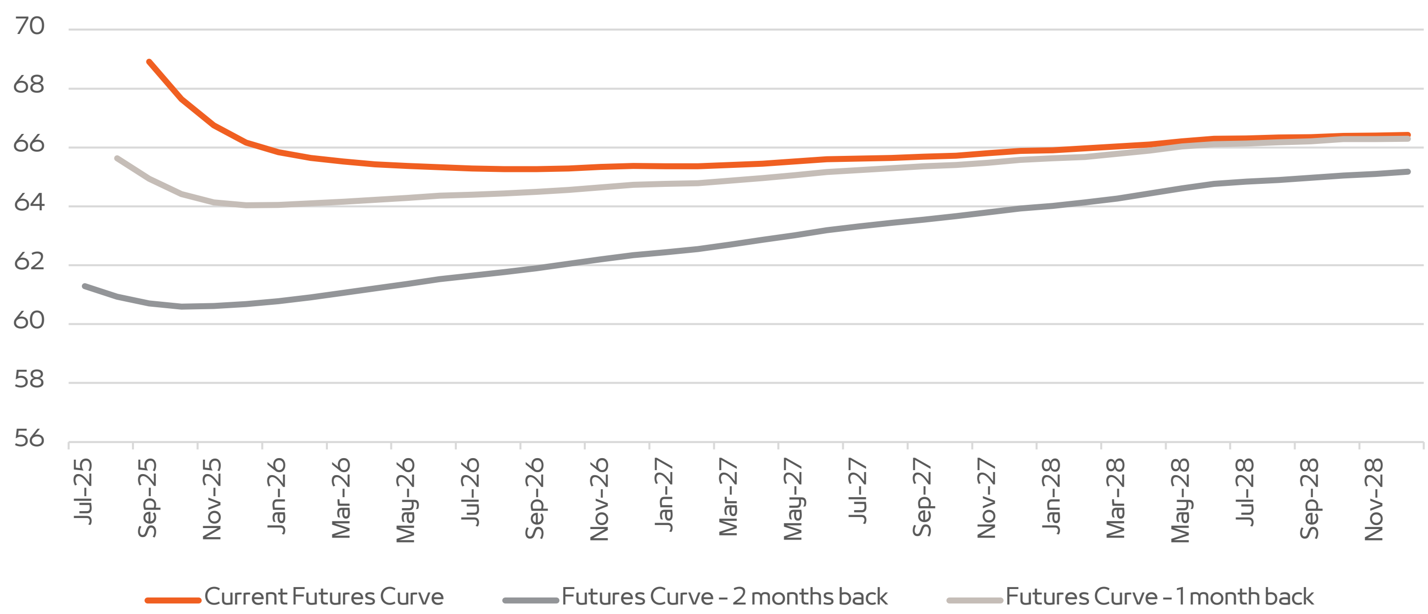
Assessment: Regardless of the final structure of potential tariffs, we maintain our view that these developments will create headwinds for global growth and investment. Even if policymakers implement tariffs in modified form, the outlook for global economic expansion and business investment has deteriorated. The MENA region, particularly the GCC, remains relatively insulated, with geopolitics and oil prices representing the primary risk factors.

Oil Price Dynamics

The Iran-Israel conflict intensified oil price volatility. Following the truce, Brent crude prices declined sharply from $78-80/barrel to current levels of around $67-68/barrel. OPEC+ expects to increase production by 411,000 barrels per day when convening virtually on July 6, 2025.Brent's prompt spread – the gap between two nearest contracts ¬— has decreased post war but is still above pre-war levels. Interestingly, the whole curve of oil is still above pre-war level.

Assessment: Current oil prices remain supportive of regional markets, with $60/barrel representing the threshold below which regional markets typically experience stress. While summer demand should provide support, the post-summer outlook appears less promising. We anticipate oil prices will weaken further, trading in the $55-65/barrel range for the remainder of the year as OPEC production decisions and global trade tariffs create a challenging backdrop.

Futures Curve - Brent



All chart data on page - Source: Bloomberg
*Based on representative companies filtered using liquidity

MENA Equity

Strategic Positioning

Geographic Focus

We maintain a constructive bottom-up outlook on Saudi Arabia, the UAE, and increasingly Oman. Our preference centers on markets where policymakers demonstrate clear economic development strategies with proven execution capabilities. The UAE and Saudi Arabia excel on this metric, while Oman has delivered an impressive macroeconomic turnaround, presenting emerging opportunities as sentiment and liquidity improve.

Our outlook on Kuwait has improved with the anticipated passage of mortgage law. We are still working on identifying attractive opportunities to play the improved macroeconomic story however the risk/reward in many names seems skewed against us given the run up. That said, we have added BOURSA, a direct beneficiary of improved activity.

Demographic Advantage: Regional demographics remain favourable, with young populations and rapidly expanding workforces. Policymakers recognize the imperative to create employment opportunities for this demographic cohort, which has spurred rapid social change and economic development. Saudi Arabia exemplifies this transformation, achieving remarkable milestones including private sector job creation and exponential growth in female labour force participation.

Sector Preferences

Our investment thesis centers on three core themes: domestic demand, infrastructure, and financials. These policy priorities will persist, providing sustained momentum for our preferred sectors.

Sector Allocation:

- In the UAE, we've added Talabat due to its strong alignment with the country's economic growth. We also added Presight AI Holding, recognizing its unique value proposition in AI and its crucial government-to-government (G2G) ties, which provide a significant competitive edge.

- In KSA, we've observed a performance divergence between asset-light and asset-heavy tech companies. Asset-light players such as Elm, Rasan Information Technology, and AZM Communication have outperformed asset-heavy firms like Al Moammar Information System and Edarat Communication and Information. Consequently, we've increased our exposure to these asset-light leaders, including the addition of AZM Communication to our portfolio.

- In line with our identified themes, we've increased exposure to Retal Urban Development Company and GAS Arabian Services. Retal is poised to benefit from declining interest rates, which will reduce mortgage costs. GAS aligns perfectly with the Saudi government's vision to expand gas infrastructure, making it a key energy infrastructure play.

- We've added Sulaiman Al Habib and National Company for Learning and Education to our Saudi Arabian holdings. These companies align with the kingdom's expanding private sector and boost our portfolio's defensive characteristics. In Kuwait, we've invested in Boursa Kuwait to gain exposure to the market's improved activity and increasing optimism.

- We've exited Borouge, a cyclical and long-held position, taking advantage of a recent buyback offer. We also divested from underperforming assets like Lulu Retail Holdings, Humansoft, Oman Telecommunications, and Jarir to reallocate capital toward more promising growth opportunities in the market.

MENA Equity

Risk Assessment

Oil Price Sensitivity
Sustained energy price movements (beyond three months) represent the primary driver of fiscal outcomes for both energy exporters and importers. In a weak oil price scenario, the UAE and Qatar will emerge as relative winners due to their lower sensitivity of GDP growth and fiscal balances to oil prices. Saudi Arabia exhibits the highest oil price sensitivity, followed by Kuwait and Oman.

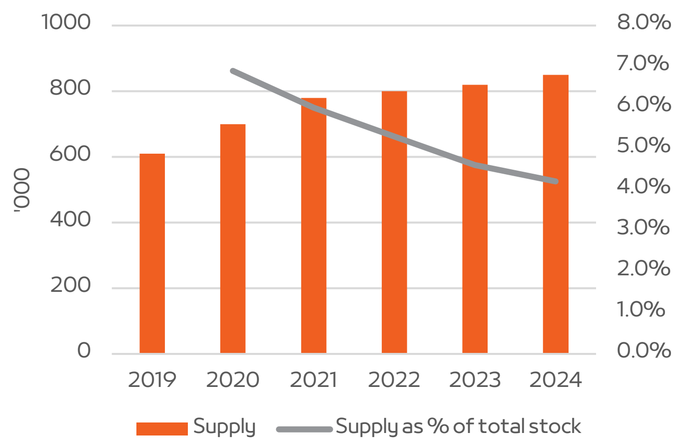
Portfolio Positioning: We maintain limited exposure to businesses that would be adversely affected by reduced government spending in a weaker oil price environment.

US Equity Markets: Markets have rebounded strongly following the tariff pause, trading at all-time highs, with expectations of reduced tariff impact and anticipated Federal Reserve rate cuts supporting this performance.

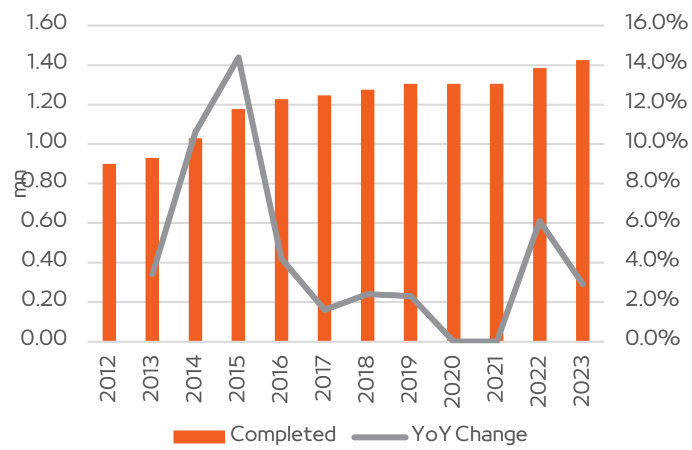
Geopolitics: The post-truce environment has shifted market focus from geopolitical tensions to oil price dynamics.

Dubai Real Estate: Dubai real estate remains buoyant. Emaar reportedly had its best month in May. Rent growth has slowed down, however there are no indications of stress in the sector. We will continue to monitor sector metrics.

Dubai- Residential Supply Additions



Saudi Arabia - Residential Stocks Supply

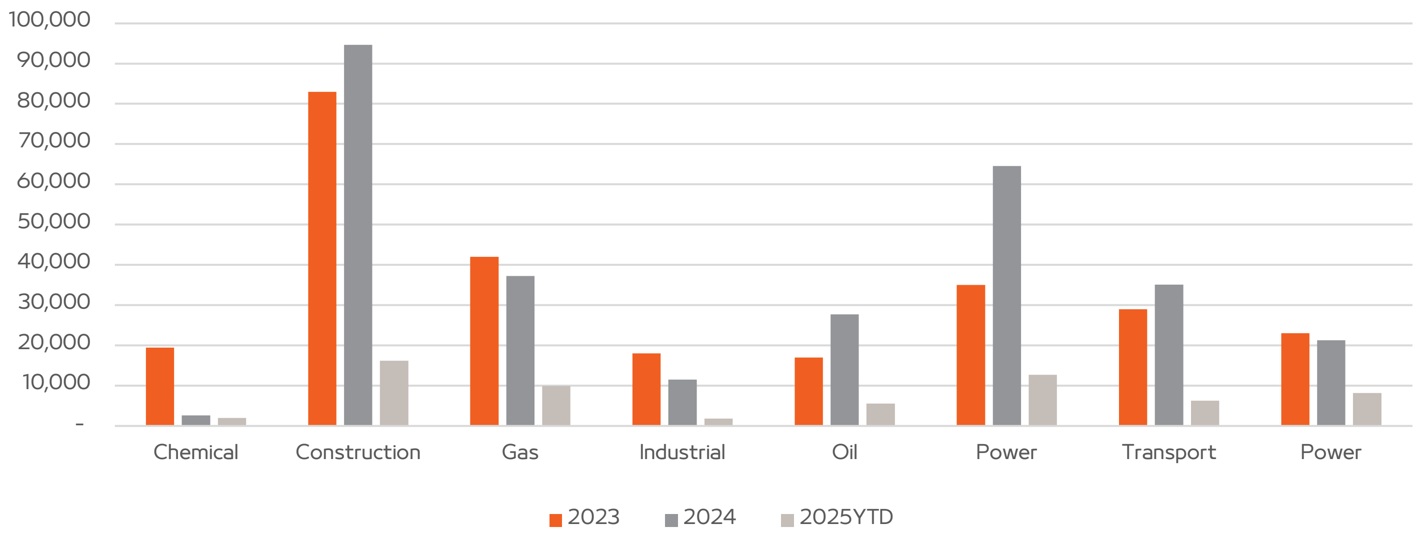


Key factors to look at

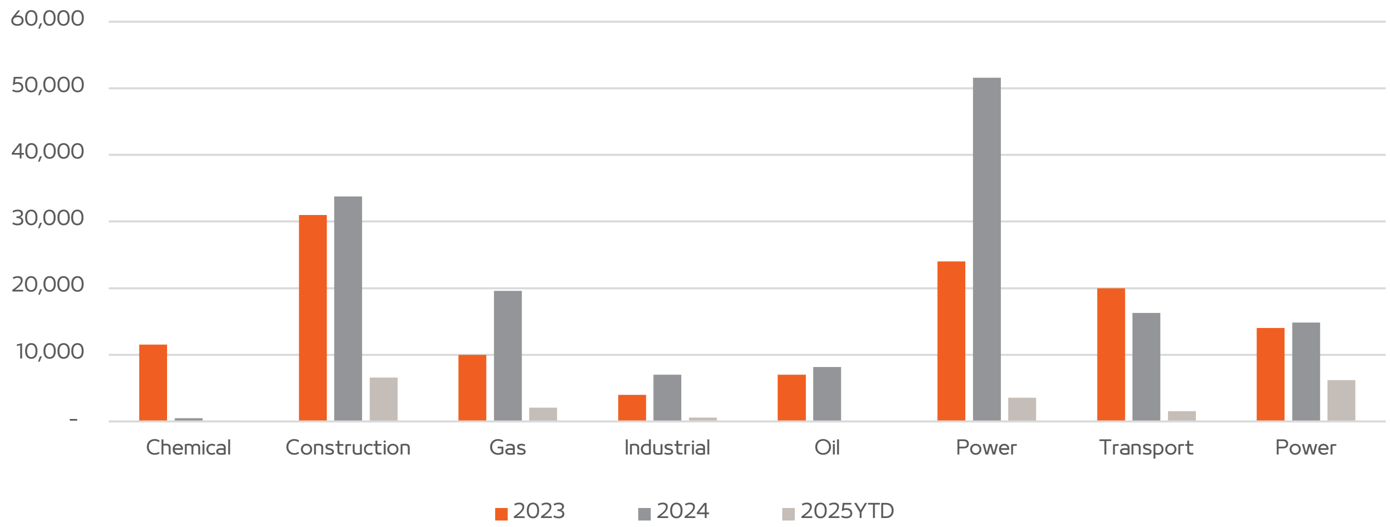
- The upcoming earnings season, particularly for Saudi Arabian companies, will be a critical indicator. Any further slowdown in earnings growth there would be a negative signal for the overall market. We anticipate financials will maintain their strong performance as indicated by the sector data emerging out of Saudi and UAE. We might see positive surprises from materials and cyclical names, especially aluminium manufacturers and copper miners.
- Progress on project awards across the region is a key variable going forward. We've already observed a significant slowdown this year. If this pace continues, we anticipate an impact on earnings growth within the next one to two years.
- Recent geopolitical tensions may pose a risk to tourist arrivals in the region. While the situation has improved and the risk appears subdued, we'll be closely watching tourism metrics to gain a clearer understanding of the situation's impact.
- The passage of Kuwait's mortgage law remains a key checkpoint. Consultations with stakeholders are ongoing, and the entire market has rallied in anticipation of its approval. Any positive progress on this legislation would be favourable.

MENA Equity

Value of GCC contracts awarded by Sector (USDmn)



Value of Saudi Arabia Contracts awarded by Sector (USDmn)



Conclusion

Q1 2025 earnings largely met expectations, with financials and domestic demand-driven sectors in Saudi Arabia and the UAE delivering strong performance. We anticipate this trend will continue, with ongoing structural reforms and favourable demographic dynamics providing support. Our strategy remains focused on domestic demand themes while we avoid external demand-dependent sectors, particularly petrochemical exporters.

Source: Bloomberg

MENA Equity

Below we summarize our bottom-up portfolio allocations:

Country Views

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

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 (%)				
	2022 A	2023 A	2024 A	2025 F	2026 F	2022 A	2023 A	2024 A	2025 F	2026 F	2022 A	2023 A	2024 A	2025 F	2026 F
World	3.6	3.5	3.3	2.6	2.8	8.6	6.6	5.7	3.8	3.5					
DM	3.1	1.9	1.9	1.3	1.5	8.5	5.7	3.9	3.3	2.8	3.8	5.5	4.8	3.9	3.3
EM	3.9	4.4	4.8	4.1	4.0	6.4	5.7	6.7	3.1	2.9	6.0	6.7	6.9	5.8	5.0
Eurozone	3.5	0.5	0.9	1.0	1.1	8.4	5.5	2.4	2.0	1.8	2.5	4.5	3.2	1.9	1.9
US	2.5	2.9	2.8	1.5	1.6	8.0	4.1	3.0	2.9	2.8	4.5	5.5	4.5	4.1	3.5
UK	5.0	0.4	1.1	1.1	1.2	9.1	7.4	2.5	3.2	2.3	3.5	5.3	4.8	3.8	3.3
Canada	4.2	1.5	1.6	1.4	1.1	6.8	3.9	2.4	2.1	2.1	4.3	5.0	3.3	2.3	2.3
Japan	0.9	1.4	0.2	0.8	0.8	2.5	3.3	2.7	2.8	1.8	-0.1	-0.1	0.3	0.7	0.9
Australia	4.2	2.1	1.1	1.7	2.3	6.6	5.6	3.2	2.6	2.7	3.1	4.4	4.4	3.4	3.4
Brazil	3.0	3.3	3.4	2.3	1.6	9.3	4.6	4.4	5.2	4.4	13.8	11.8	12.3	14.8	12.5
Mexico	3.9	3.3	1.5	0.0	1.3	7.9	5.6	4.7	3.9	3.7	10.5	11.3	10.0	7.5	7.0
India	9.7	7.6	8.2	6.3	6.3	6.7	5.7	5.0	4.6	3.8	6.3	6.5	6.5	5.3	5.4
Indonesia	5.3	5.1	5.0	4.8	4.9	4.2	3.8	2.3	1.9	2.6	5.5	6.0	6.0	5.1	4.9
S. Africa	2.1	0.8	0.5	1.0	1.6	6.9	5.9	4.4	3.4	4.4	7.0	8.3	7.8	7.0	7.0
Egypt	6.7	3.8	2.4	3.9	4.4	8.5	24.4	33.3	17.5	11.6	16.3	19.3	27.3	NA	NA
Turkey	5.3	5.1	3.2	2.9	3.3	72.0	53.4	60.0	34.3	22.2	9.0	42.5	47.5	36.9	24.9

Countr	GDP Growth (%)					Fiscal Breakeven ($/bbl)					Fiscal Balance (% GDP)				
	2022 A	2023 A	2024 A/F	2025 F	2026 F	2022 A	2023 A	2024 F	2025 F	2026 F	2022 A	2023 A	2024 F	2025 F	2026 F
Qatar	4.2	1.2	1.5	2.6	5.0	48.5	49.9	47.1	44.7	43.2	10.4	5.5	0.7	0.0	1.1
UAE	7.5	3.6	4.0	4.5	4.7	46.6	45.6	50.0	50.4	45.2	10.0	5.9	4.8	2.9	2.9
Kuwait	5.9	-3.6	-2.7	2.7	2.9	81.6	79.6	88.2	80.2	76.7	28.2	26.3	21.6	23.6	23.0
Saudi Arabia	7.5	-0.8	1.3	3.8	4.1	89.1	94.5	96.1	92.3	86.6	2.5	-2.0	-2.8	-4.9	-4.9
Oman	9.6	1.3	1.0	2.6	3.2	55.4	54.0	53.7	57.0	53.5	10.5	6.9	6.3	1.2	1.1
Bahrain	6.0	3.0	2.6	2.8	2.9	131.8	137.8	160.8	137.0	138.6	-5.1	-8.5	-10.7	-10.4	-11.1

Historical Market Returns (%)

	Total Returns (%)	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	1.7	4.4
	10-year US Treasuries	8.5	10.0	-3.1	-14.9	3.6	-0.7	1.4	5.3
US Fixed Income	US IG	8.7	7.5	-1.5	-13.0	5.5	1.3	1.2	4.0
	US HY	14.3	7.1	5.3	-11.2	13.4	8.2	3.5	4.6
EM Fixed Income	Global EM	13.1	6.5	-1.7	-15.3	9.1	6.6	2.5	4.9
	MENA Agg	13.3	6.9	0.5	-10.6	6.2	3.6	1.7	4.4
	Global Sukuk	10.8	7.7	0.8	-7.8	5.4	3.3	1.7	4.0
EM / DM Equity	US S&P 500	31.5	18.4	28.7	-18.1	26.3	25.0	10.9	6.2
	EURO STOXX 600	18.8	18.8	-2.3	-19.8	10.2	8.0	12.2	15.5
	MSCI EM	27.9	-1.4	25.8	-9.9	16.6	9.6	3.3	9.4
	S&P Pan Arab	11.4	-0.9	35.2	-4.6	7.7	4.6	1.1	4.3

Source: Bloomberg, IMF
*- QTD returns are for the period from 03/31/2025 to 06/30/2025.
**- YTD returns are for the period from 12/31/2025 to 06/30/2025.

Appendix

Market Data

Bond Yield Forecasts	2022A	2023A	2024A	2024A	2025F	2026F
UST 2-YR	4.43	4.25	4.24	3.72	3.70	3.49
UST 5-YR	4.00	3.85	4.38	3.80	3.91	3.75
UST 10-YR	3.87	3.88	4.57	4.23	4.29	4.13
UST 30-YR	3.96	4.03	4.78	4.77	4.70	4.57
Gilt 10-Yr	3.67	3.54	4.57	4.49	4.38	4.19
Bund 10-YR	2.57	2.02	2.37	2.61	2.64	2.81
JGB 10-YR	0.42	0.61	1.10	1.43	1.54	1.65
Equity Market Forecasts	**2022A**	**2023A**	**2024A**	**2024A**	**2025F**	**2026F**
S&P 500	3840	4770	5882	6205	5957	6229
MSCI EM	956	1024	1075	1223	NA	NA
EUR 600	425	479	508	541	563	570
S&P Pan Arab Composite	160	166	169	172	NA	NA
Commodity Price Forecasts	**2022A**	**2023A**	**2024A**	**2Q25**	**2025F**	**2026F**
Brent (USD/ bbl)	86	77	75	68	68	65
Natural Gas (USD/ mmbtu)	4.48	2.51	3.63	3.46	3.72	4.24
Gold (USD/ oz)	1824	2063	2625	3303	3252	3486.0
Copper (USD/mt)	8372	8559	8768	9869	9726	9911

Index	OAS	min	max	1Yr Avg	5Yr Avg	10Yr Avg	10yr Percentile[1]
US IG	32	33	66	39	46	47	3
US HY	281	267	600	312	393	398	4
EM Agg	213	265	400	265	312	311	1
EM Sov + Quasi	209	259	384	281	308	305	1
EM Corp	225	209	448	209	320	325	10
EM IG	102	106	201	106	144	159	2
EM HY	391	508	774	526	602	584	6
MENA Agg	155	149	306	149	224	222	13
MENA IG	87	86	177	86	122	132	6
MENA HY	365	324	730	324	523	507	17
Global Sukuk	76	76	184	76	116	118	22

Index	P/E	min	max	1Yr Avg	5Yr Avg	10Yr Avg	10yr Percentile[2]
S&P 500	26.4	14.5	38.0	26.7	25.2	22.7	14.0
MSCI EM	16.1	9.4	22.2	16.0	15.4	14.7	21.0
STOXX Europe	15.4	11.5	31.3	15.1	17.5	17.2	65.0
S&P Pan Arab	14.3	9.8	31.7	15.0	17.8	15.7	43.0

1 OAS Percentile refers to the current option-adjusted spread relative to its 10-year history. A lower percentile indicates spreads are tighter (more expensive) versus historical norms.

2P/E Ratio Percentile shows the current price-to-earnings ratio versus its 10-year history. A lower percentile implies richer (more expensive) equity valuations.

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).
Indices 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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