

## GCC bonds shine globally in July; equities steady in stride

- Financial markets in the Gulf navigated complex landscape during July...
- ...with both equities and fixed income delivering positive returns...
- ...and performing inline to better compared with international peers.
- We remain constructive on the outlook for the region's financial markets.

### The macro viewpoint

- ▷ In July 2025, GCC economies navigated a complex global landscape shaped by oil dynamics, trade shifts, and geopolitical undercurrents.
- ▷ Brent crude prices hovered near USD70/bbl, rebounding from mid-June lows amid Israel-Iran tensions, which briefly spiked prices above USD80/bbl mark before a ceasefire restored stability. OPEC+ announced a surprise ramp-up in production targets for August, unwinding most voluntary cuts – a move that tempered price gains but signaled confidence in demand recovery.
- ▷ Global trade expanded modestly, up 2% in Q2, but faced headwinds from policy uncertainty and disruptions. GCC ports, which continued to feel the ripple effects of rerouted shipping and elevated logistics costs, continued to diversify supply chains and favor intra-GCC sourcing.
- ▷ US policy remained a mixed signal. While interest rates held steady, trade tensions had ebbs and flows feeding into uncertainty around energy demand outlook.
- ▷ Despite these challenges, the GCC's non-oil sectors showed resilience, buoyed by diversification efforts and strategic neutrality in global power dynamics. GCC financial markets posted strong returns during July. Both bonds and equities asset classes registered gains. When compared to their global counterparts, GCC bonds outperformed while GCC equities performed largely inline.
- ▷ We retain our constructive outlook on the GCC region on a cross-asset basis. The region's strong fundamental backdrop should provide a buffer against geopolitical and tariff-related uncertainties. The focus on structural reforms remains the key long-term driver. From a regional cross-asset viewpoint, we remain positive on Abu Dhabi and KSA; neutral on Qatar and Kuwait. Within fixed income, we also like Oman, and are neutral on Bahrain while in equities we stay cautious on both. While we remain positive on Dubai equities, we keep our recently introduced neutral stance on the Emirate's fixed income.
- ▷ Note: This edition omits the 'Theme of the Month' – look for its return in next month's report.

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### Exhibit 1: Summary of our top-down views on GCC markets

View (3M-6M)*						Top-down/Macro rationale
--	-	N	+	++		
Equities						
Abu Dhabi						Valuation supported by the cycle; structural story intact.
Dubai						Momentum remain strong, valuations remain reasonable.
KSA						Waiting for the cyclical recovery while the structural growth remains strong.
Kuwait						Valuations have been adjusting in line with the earnings revisions.
Qatar						Earnings downgrade momentum reflected in valuations.
Oman						Cross-asset basis, we continue to like fixed income to equities.
Bahrain						Stay cautious on rising cyclical vulnerabilities. Market remains a cyclical play.
Fixed Income						
Abu Dhabi						Attractive bond valuations, strong fundamentals, high-quality within EM.
Dubai						Valuations stretched, debt reduction efforts are positive.
KSA						Attractive bond valuations, strong fundamentals, high-quality within EM.
Kuwait						New law to allow bond issuance and JPM upgrade are credit positive.
Qatar						Strong fundamentals, quality within EM. Market upgrade helps.
Oman						Improving debt fundamentals, fiscal management, reduced oil dependency.
Bahrain						External debt concerns remain; heavy dependency on oil.

**Legend**  Current  Previous

Source: ADCB Asset Management | Notes: \*Views in regional context. "--" = Very Negative, "-" = Negative, "N" = Neutral, "+" = Positive, "++" = Very Positive.

## GCC cross-asset views by geography

Abu Dhabi	Equities (Positive)	Fixed Income (Positive)
<p>▷ <b>Macro:</b> Abu Dhabi's economy demonstrated strong momentum in early 2025, underpinned by its diversification efforts. Official data showed 3.4% YoY GDP growth in Q1'25 for the emirate. Notably, Abu Dhabi's non-oil sector expanded 6.1% YoY – for the first time ever in a first quarter, the non-oil economy contributed more than half (56.2%) of GDP. S&amp;P Global's data indicated that outside of Dubai, Abu Dhabi's non-oil private sector saw faster growth.</p> <p>▷ <b>Equities:</b> Abu Dhabi's financial markets were strong in July. The ADX index hovered above the 10,000 level throughout the month. Abu Dhabi's blue-chip stocks, especially banks and energy companies, saw price gains. Banking sector shares led the rally after strong earnings, and international investors continued to be net buyers.</p> <p>▷ <b>Fixed Income:</b> UAE sovereign bonds recorded gains over the past month, tracking the rally in EM bonds. However, UAE bonds still underperforming EM USD bonds on a YTD basis. We continue to believe that valuations of Abu Dhabi sovereign bonds are attractive relative to its high credit rating and strong macroeconomic backdrop within EM. Abu Dhabi sovereign bonds are also attractive versus Dubai sovereign bonds especially given the former's better fiscal metrics.</p>		

Colour legend
Very Negative
Negative
Neutral
Positive
Very Positive

Dubai	Equities (Positive)	Fixed Income (Neutral)
<p>▷ <b>Macro:</b> Dubai's non-oil economy grew at a notably slower pace in June, reflecting some headwinds. The Dubai PMI fell to 51.8, down from 52.9 in May – this was a multi-year low, indicating the slowest improvement in business conditions since September 2021. Dubai's crucial travel and real estate sectors remained broadly strong through July. The emirate welcomed 5.3m international visitors in Q1'25, up 3% YoY, and that momentum continued into summer.</p> <p>▷ <b>Equities:</b> Dubai's financial markets surged in July 2025, emerging as a standout in the region. The DFM General Index broke past the 6,000 mark for the first time in 17 years. Dubai's market cap and trading volumes hit multi-year highs. Strong corporate earnings, continued growth in key sectors like the real estate and tourism helped keep the flows and momentum strong. DFM's performance has outpaced not only regional peers but also many global indices in 2025.</p> <p>▷ <b>Fixed Income:</b> Dubai USD sovereign CDS spread continued to widen over the past month despite the ease in Middle east tensions, but bond yields declined over the past month. We remain neutral on Dubai as valuations appear expensive compared to Abu Dhabi and Saudi Arabia. Dubai sovereign bonds do not hold a rating but given the public debt levels and substantial government related entities liabilities, they rank lower compared to Abu Dhabi sovereigns. Recent debt reduction through repayment of debt is credit positive. Prospects of positive fiscal surplus, revenue generation through IPOs of state owned companies and lower bond issuance remain favourable.</p>		

Saudi Arabia	Equities (Positive)	Fixed Income (Positive)
<p>▷ <b>Macro:</b> Saudi Arabia's non-oil private sector continued to expand robustly. The Riyadh Bank PMI for Saudi hit 57.2 in June, a three-month high, up from 55.8 in May. This reflects vigorous growth in business conditions – well above the 50 threshold. Saudi Arabia's inflation remains relatively low and stable. Annual inflation was 2.3% in June, ticking up slightly from 2.2% in May.</p> <p>▷ <b>Equities:</b> Macroeconomic news influenced Saudi financial markets in July. Mid-month, global trade and tariff concerns temporarily weighed on Saudi stocks – the Tadawul All Share Index saw declines. However, toward late July, sentiment improved. Strong US and Chinese fuel demand lifted oil prices, benefiting Saudi petrochemical and energy stocks. Year-to-date, Saudi market lags significantly.</p> <p>▷ <b>Fixed Income:</b> Saudi Arabia bonds posted gains over the past month but underperformed UAE and Qatar. 10Y USD bond yields saw the smallest decline compared to GCC peers. Fiscal concerns remain with declining oil revenues and higher spending resulting in a budget deficit in 1Q'25. However, Saudi bond yields are already accounting for the weaker fiscal backdrop and trading cheap not only to similar rated peers in EM and also compared to the GCC peers.</p>		

Kuwait	Equities (Neutral)	Fixed Income (Neutral)
<p>▷ <b>Macro:</b> Kuwait's non-oil private sector maintained growth in June, though at a slightly cooler pace. The PMI came in at 53.1, down from 53.9 in May. This still comfortably indicates expansion, supported by increased output and new orders. Inflation in Kuwait edged higher but remained modest. In June, consumer prices were up 2.32% YoY, accelerating slightly from May's 2.25%. The increase was driven mainly by more expensive food (food/beverage prices jumped over 5% YoY) and costlier health, clothing, and education services.</p> <p>▷ <b>Equities:</b> Kuwait equities posted gains over the past month and outperformed broader GCC indices. On the year-to-date basis, gains on Kuwaiti stocks stand tall compared to not only their regional peers but also compared to other emerging and developed world stock markets. For the context, 2025-to-date returns from Kuwait stock market are comparable to those from Dubai.</p> <p>▷ <b>Fixed Income:</b> Kuwait bonds only registered modest gains and thus underperformed regional GCC peers. Recent reports indicate that Kuwait has been preparing for raising borrowing and has authorized its sovereign wealth fund to issue in foreign currencies. We believe the re-opening of the sovereign debt market marks a major shift in the country's fiscal policy while the reclassification of Kuwait (in phased manner over six months) by J.P. Morgan as developed market is also positive. However, the sole 2027 USD maturity bond is trading at a tighter spread of c55bp versus similar maturity USTs.</p>		

Colour legend
Very Negative
Negative
Neutral
Positive
Very Positive

Qatar	Equities (Neutral)	Fixed Income (Neutral)
<p>▷ <b>Macro:</b> Qatar led the GCC in non-oil business momentum in June. The PMI for Qatar's non-energy private sector rose to 52.0 (from 50.8 in May), marking the fastest expansion since March and the 18th straight month of growth. This indicates solid improvements in output and new orders. Official data show real GDP grew 3.7% YoY in Q1 2025, down from 6.1% in late 2024. Qatar experienced virtually no inflation by mid-2025. In June, the CPI was up just 0.1% YoY.</p> <p>▷ <b>Equities:</b> DSM saw strong gains over the past month slightly better than the overall GCC and has been resilient with mid-single digit gains on a year-to-date basis. Looking forward, the combination of the coming gas output expansion and Qatar's role in energy markets (LNG demand remains high) is expected to bolster both economic growth and market confidence. The World Bank in June highlighted that Qatar's growth could accelerate to ~6.5% by 2026-27 when the next phase of LNG facilities comes online – a positive sign for long-term investors.</p> <p>▷ <b>Fixed Income:</b> Qatar bonds posted positive returns over the past month. Due to recent underperformance, valuations of Qatar bonds are looking attractive versus Abu Dhabi in certain maturity segments. Macroeconomic backdrop remains positive with the country expected to post positive fiscal and external balances in 2025. The oil breakeven levels are also the lowest in the region. The reclassification of Qatar (in phased manner over six months) as developed market by J.P. Morgan should attract demand from developed market investors.</p>		

Oman	Equities (Negative)	Fixed Income (Positive)
<p>▷ <b>Macro:</b> Oman's economy showed moderate growth in early 2025. The National Statistics agency reported GDP grew 2.5% YoY in Q1'25 at constant prices. This expansion was driven by a robust non-oil sector, which rose 4.4% in Q1, offsetting a slight 0.4% decline in oil-sector output. Oman's government forecasts full-year 2025 real GDP growth at around 2.2%, an acceleration from 1.7% in 2024. Oman continues to enjoy low inflation.</p> <p>▷ <b>Equities:</b> Muscat Stock Market index posted strong returns during July taking the year-to-date returns into positive territory. Over the past month, as the region experienced tailwinds, Oman also experienced its idiosyncratic tailwind in the form a sovereign rating upgrade.</p> <p>▷ <b>Fixed Income:</b> Oman bonds were the best performers last month, rallying on reports of sovereign rating upgrade and returning to investment grade status. Government effort to reduce debt levels through fiscal discipline are supportive. Reports of the country introducing income tax will help diversify oil revenues and further reduce the breakeven oil prices. While spreads are pricing in the improving fundamentals, the positive rating momentum is favourable.</p>		

Bahrain	Equities (Negative)	Fixed Income (Neutral)
<p>▷ <b>Macro:</b> Bahrain's economy is on a modest upswing. Forecasts in mid-2025 project full-year real GDP growth of roughly 3.0–3.5% as non-oil sectors gather pace. Economic expansion is being driven by diversification into tourism, finance, and manufacturing, though external headwinds (like global interest rates and oil price swings) temper the outlook. Consumer prices in Bahrain remained in deflation through mid-2025, but the trend is easing. In June, inflation was -0.4% YoY, a milder deflation than May's -1.0% YoY.</p> <p>▷ <b>Equities:</b> Bahrain stock market registered modest gains and underperformed broader GCC indices over the past month. Yet, on a year-to-basis, Bahrain stocks recorded a negative return and stand as the second worst performing market in the GCC, only better than the returns from Saudi stock market.</p> <p>▷ <b>Fixed Income:</b> Bahrain bonds were the second-best performers last month but underperformed Oman. Fiscal concerns remain with declining oil revenues and sharply higher financing costs pushing the budget deficit beyond 5% of GDP in 2024. However, spreads are too tight relative to B-rated peers against the weak fundamentals. Dependency on oil remains significant, making it the most sensitive to oil price fluctuations. Weak external balances make the bond market vulnerable to external shocks.</p>		

Colour legend
Very Negative
Negative
Neutral
Positive
Very Positive

**Exhibit 2: Cross-asset performance\* summary of GCC markets and their global benchmarks**

Fixed Income	Latest	1M (%)	YTD (%)	3M interbank	Latest	1M (bp)	YTD (bp)
Global Agg	494.7	-0.39	6.67	Saudi	5.63	-0.87	15.10
Global Treasuries	208.2	-0.70	6.68	UAE	4.20	-6.86	-19.86
EM USD Agg TR	1314.7	0.62	5.29	Kuwait	4.06	0.00	12.50
EM LatAm TR	1200.2	0.42	6.00	Bahrain	5.66	4.12	-2.98
EM EMEA TR	387.4	0.92	5.18	Oman	4.56	-4.40	-30.20
EM Asia TR	679.3	0.39	4.60	Qatar	4.65	0.00	-2.50
Bahrain TR	213.1	1.39	4.80	US SOFR	4.28	-8.00	-9.00
Oman TR	167.4	2.07	6.91	5Y Sov. CDS	Latest	1M (bp)	YTD (bp)
Kuwait TR	163.1	0.45	4.06	Saudi Arabia	63.16	-8.57	1.50
Qatar TR	143.1	0.72	3.97	Abu Dhabi	32.49	-5.05	-11.64
Saudi Arabia TR	147.9	0.61	4.88	Dubai	64.60	0.53	1.76
UAE TR	149.3	0.73	4.72	Kuwait	58.93	-1.20	-15.90
Equity	Latest	1M %	YTD %	Bahrain	188.13	-28.83	0.76
ADX	10285.7	4.15	9.34	Oman	84.94	-24.11	-17.14
DFM	6103.4	7.08	18.10	Qatar	32.53	-4.91	-11.17
Tadawul	10946.4	-0.76	-8.47	10Y yield	Latest	1M (bp)	YTD (bp)
DSM	11220.1	4.71	6.67	Saudi Arabia	4.96	-4.70	-41.80
MSM30	4741.3	5.73	4.85	Abu Dhabi	4.40	-13.90	-61.10
BHSE	1953.7	1.49	-1.78	Dubai	4.33	-14.50	-47.40
KWSE	9273.9	3.71	18.18	Bahrain	6.75	-23.70	-20.30
MSCI GCC	748.8	2.93	3.85	Oman	4.90	-33.50	-80.90
MSCI EM	1265.2	3.11	17.32	Qatar	4.46	-11.90	-36.50
MSCI ACWI	939.3	3.26	11.32				

Source: MSCI, Local Stock Exchanges, Bloomberg, and ADCB Asset Management | Notes: \*based on data as of close of July 23, 2025.



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