

Idiosyncra-nope

- ▶ **Month of August saw similar moves across fixed income markets in the GCC.**
- ▶ **Even in equity markets, barring minor exceptions, there were no idiosyncrasies.**
- ▶ **Across assets we prefer quality; and favour bonds over equities in the region.**
- ▶ **In this note, we make a few changes to our top-down views on GCC markets.**

The macro viewpoint

- ▷ Through August and into early September, the global macro setup eased somewhat: the US dollar weakened and the 10Y US Treasury yield fell towards the 4% level as expectations for Fed easing increased following very weak US job market data for August.
- ▷ Oil did deliver a counterweight to the otherwise easing conditions. Brent crude prices fell c10% over the past five weeks to early September. Influencing the oil prices was a tug-of-war between OPEC+ supply management and softer demand signals.
- ▷ Geopolitics and logistics remained a slow-burn risk premium rather than a discrete shock. Firms continued to adapt to Red Sea rerouting costs, but survey and policy commentary suggested persistent caution on supply-chain pass-through and inventory management, keeping business leaders focused on resilience over expansion.
- ▷ For GCC, fiscal cushions were adequate but narrowed the upside headroom relative to earlier in the year. Macro prints that did land in the period (August to early September) mostly reinforced existing narratives rather than creating new ones.
- ▷ Equity flows across the region reflected the macro crosscurrents. GCC benchmarks dipped in August as lower oil prints and mixed earnings intersected with easing global financial conditions, though moves were orderly and lacked capitulation features.
- ▷ In credit, high-grade GCC sovereigns and quasi-sovereigns nudged wider on rates beta, while high-yield segments were comparatively steadier; primary supply was sporadic during the summer.
- ▷ We stay constructive on GCC assets, and prefer bonds over equities within the region and favor quality across. Within equities, with this note we turn neutral on Abu Dhabi, Dubai, and Saudi Arabia (all positive earlier), and positive on Kuwait and Qatar (both neutral earlier). We remain negative on Oman and Bahrain. Within fixed income, we remain positive on Abu Dhabi, Saudi Arabia, and Oman, and neutral on Dubai, Kuwait, and Qatar. We turn negative on Bahrain fixed income (neutral earlier).

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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			■	■		Earnings momentum is fading but valuations are not expensive.
Dubai			■	■		Locking in gains following a year of significant returns and outperformance.
KSA			■	■		Earnings downgrades continue, but we watch for a cyclical recovery to turn positive.
Kuwait			■	■		Valuations are slightly above the long-run average, but earnings momentum rising.
Qatar			■	■		Earnings momentum picking up while valuations remain inexpensive.
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 may be stretched but 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		■	■			Tighter spreads; 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 (Neutral)	Fixed Income (Positive)
<p>▷ Macro: August offered few fresh Abu Dhabi-specific macro prints, leaving global variables – slipping US yields and softer oil – to set the tone around a still-firm non-oil execution narrative. The World Bank’s UAE macro brief continued to frame 2025 growth as driven by diversified non-oil engines, with risks channelled through oil prices, rates, and trade uncertainty. In high frequency data, according to the UAE PMI survey, demand signals weakened in August, with total sales intakes in the non-oil economy increasing at their slowest rate in over four years. Firms reduced input purchases in an effort to lower stock positions. Meanwhile, output growth and business confidence both recorded slight increases.</p> <p>▷ Equities: ADX posted losses over the past month and performed largely in line with broader GCC benchmarks. Within ADX, with the exception of utilities sector, all others posted sizable losses over the past month. Consumer discretionary, telecoms, and real estate underperformed the most. Stock dispersion outweighed index directionality, consistent with a market rewarding defensible cash flows and policy-backed growth niches over cyclical. Data pointed to international participation remaining stable, while domestic flows rotated within high-liquidity names given the data-light backdrop. We turn neutral (from positive) on the outlook for Abu Dhabi equities given the fading earnings momentum; but valuations are not expensive.</p> <p>▷ Fixed Income: Abu Dhabi USD sovereigns and high-grade quasi-sovereigns largely tracked US duration with limited deviation on the spread basis. Bond yields through August stayed within narrow ranges, especially in the middle and longer parts of the maturity curve, and there was limited August primary activity to influence the curve dynamics. Abu Dhabi’s high-grade profile and policy credibility continue to influence the asset class outlook. Secondary trading was orderly and liquidity was strong enough through August.</p>		

Colour legend
Very Negative
Negative
Neutral
Positive
Very Positive

Dubai	Equities (Neutral)	Fixed Income (Neutral)
<p>▷ Macro: Dubai’s Q1’25 GDP confirmed 4% YoY growth, with outsized gains in health and social work and solid advances in real estate, finance, and trade, reinforcing the narrative of broad-based domestic demand heading into H2. Meanwhile, July CPI accelerated to 2.9% YoY on housing and food, a development that kept rent and services pass-through in focus throughout August. The combination of robust activity data and a firmer inflation pulse framed macro discussions around sustainability of momentum versus the headwinds from discount-rate mechanics. According to PMI, businesses saw their fastest output growth in seven months this August, driven by higher client sales and project activity. Overall orders also increased, though less than in July.</p> <p>▷ Equities: DFM index posted losses over the past month but remained the best performing GCC market on a one-year basis. Over the past month, materials, real estate, and communication services sectors posted losses and exerted a drag on the overall index while consumer staples, financials, and transportation sectors posted gains. Flows rotated within domestic-demand proxies and high-liquidity names, with investors preferring earnings visibility over momentum. International participation held steady, although the demand for cyclicals lagged given oil’s softer tape. After a period of strong performance, we lock in gains and turn neutral (from positive) on the outlook.</p> <p>▷ Fixed Income: Dubai’s USD bonds performed in line with other GCC markets, with movements in yields driven mainly by changes in US rates rather than shifts in credit spreads. The key 2029 and 2050 bond maturities stayed within a tight yield range throughout mid-August, and overall spread changes were minimal for the month. This stability was supported by consistent fiscal policy signals and solid economic growth, which helped maintain positive investor sentiment. New bond issuance was limited, but trading activity in the secondary market remained healthy enough to support portfolio adjustments during August.</p>		

Saudi Arabia	Equities (Neutral)	Fixed Income (Positive)
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- ▷ **Macro:** The IMF's Article IV set August's baseline: resilient non-oil activity, contained inflation, and a modest current-account deficit driven by investment-linked imports and remittances, financed without stress. Markets also digested July CPI at 2.1% YoY with housing inflation easing, reinforcing a benign inflation narrative as August progressed. Local economic commentary through August highlighted steady private-sector credit growth and solid PMI readings (especially improving operating conditions reported in August), consistent with an ongoing Vision 2030 investment cycle, even as headline growth remains sensitive to OPEC+ dynamics.
- ▷ **Equities:** Continuing its underperformance over the past year, Saudi equities posted losses and underperformed their GCC peers again over the past month. Within Tadawul all share, all key sectors posted sizable losses. Household and personal goods sector underperformed the most while real estate and materials outperformed. Earnings revisions continue to remain negative for Saudi Arabia making it the only major market within the GCC experiencing persistent downgrades. Valuations remain below five-year averages, providing some downside cushion. We downgrade our view from positive to neutral as earnings downgrades continue. However, we continue to watch for any signs of cyclical recovery to turn positive again.
- ▷ **Fixed Income:** Credit spreads remained largely unchanged, suggesting that investors remained confident in Saudi fundamentals and financial buffers – even with weaker oil prices. Thanks to the summer calm, there was limited new issuance during August, but trading volumes remained healthy, with demand focused on the short-end of the yield spectrum. Overall, market pricing was driven more by regional trends than by any changes in Saudi-specific credit risk.

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Very Negative
Negative
Neutral
Positive
Very Positive

Kuwait	Equities (Positive)	Fixed Income (Neutral)
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- ▷ **Macro:** August and early September brought a light domestic data calendar, keeping Kuwait's narrative externally driven by oil and global rates. Medium-term outlook is driven by a gradual non-oil recovery as OPEC+ cuts unwind and reform delivery improves, with inflation contained and current-account dynamics sensitive to oil revenues. Market focus during August remained on execution of the reform and project pipeline and on the fiscal stance into FY 2025/26. PMI data indicated that business conditions in Kuwait's non-oil private sector improved during August, with some indications of slower growth compared to previous months. Inflationary pressures appeared to ease, as input costs rose at their lowest rate since late 2022.
- ▷ **Equities:** Kuwaiti equities traded range-bound through August, delivered small gain and outperformed the broader region. Liquidity rotated within large-cap financials and defensive names in a catalyst-light window, and foreign participation appeared steady but selective. Valuations are slightly above the 5Y average, and earnings revisions continue to be positive. We turn positive (from neutral) on the outlook as we see earnings upgrades continuing.
- ▷ **Fixed Income:** Kuwait's government bonds remained steady in August, with yield movements mostly influenced by regional factors. Trading activity in mid-August showed tight pricing around the 2027–2029 maturities, and the difference in spreads compared to other GCC countries stayed largely unchanged. There was not much new issuance during the month to shift the market, and local attention remained focused on Kuwait's medium-term funding plans linked to its fiscal outlook for FY 2025/26. Overall, the market continued to view Kuwait as a stable and low-beta credit within the region.

Qatar	Equities (Positive)	Fixed Income (Neutral)
<p>▷ Macro: August saw continued evidence of external strength: official commentary highlighted robust international reserves at end-July and stable liquidity through the summer, helping anchor sentiment even as LNG price signals were mixed. The macro narrative into early September remained one of steady non-hydrocarbon activity alongside LNG expansion plans, with inflation pressures contained relative to global peers. PMI data indicates that business conditions in Qatar's non-energy sector saw further improvement in August. While business activity remained mostly steady, there was a notable rise in employment as expectations for the 12-month outlook increased.</p> <p>▷ Equities: Qatar equity market posted marginal loss over the past month but still outperformed GCC benchmarks. Within Qatar, industrials sector underperformed the most while transportation sector outperformed. Flows were selective and liquidity was strong, but weakening oil prices limited multiple expansion. Absent new local macro surprises, index moves tracked the regional tone, with investors prioritizing balance-sheet strength and stable cash flows during the past month. We are now positive (previously neutral) as we see earnings momentum picking up while valuations remain inexpensive.</p> <p>▷ Fixed Income: Qatar's USD curve remained a regional anchor, with 2028s and long-dated paper trading in narrow yield ranges through most of August. Spreads were steady, supported by ample buffers and strong external accounts, and primary issuance was limited. The market continued to price Qatar as a high-grade hold within GCC allocations, with moves dictated by regional and global factors.</p>		

Colour legend
Very Negative
Negative
Neutral
Positive
Very Positive

Oman	Equities (Negative)	Fixed Income (Positive)
<p>▷ Macro: Few new macro data points landed in August, and the narrative remained centred on prudent fiscal execution, low inflation, and a steady non-oil recovery, consistent with the World Bank's Oman assessments cited in summer commentary. With oil softer, investors watched for any near-term impact on financing costs and project pacing, but there were no material Oman-specific surprises in the period.</p> <p>▷ Equities: Oman equity market not only outperformed its regional peers but also posted strong returns over the past month. Muscat equities nudged higher on stock-specific catalysts in industrials and banks, supported by benign inflation and stable domestic activity. Liquidity remained modest but adequate, and performance was capped late in August by the global back-up in yields. Strategically, investors continued to focus on dividend carry and reform-linked stories.</p> <p>▷ Fixed Income: Primary activity was quiet, and secondary trading retained orderly liquidity through the month of August. With fiscal prudence still the central pillar and ratings momentum stable into the summer, investor appetite remained intact, though sensitive to oil prices and global rates.</p>		

Bahrain	Equities (Negative)	Fixed Income (Negative)
<p>▷ Macro: Investors leaned on the established services-led non-oil growth and fiscal-consolidation narrative while monitoring oil softness and global yield volatility as the principal drivers of near-term conditions. Baseline outlooks into early September still framed growth as moderate and contingent on sustained fiscal discipline and supportive regional liquidity.</p> <p>▷ Equities: Bahrain's market stayed range-bound as banks and insurers offered earnings stability but falling energy prices put a cap on multiple expansion. Flows were thin and selective, and without new domestic catalysts, the index's path tracked regional beta. Dividend carry and balance-sheet quality remained the main pillars for positioning.</p> <p>▷ Fixed Income: No notable August primary changed the relative-value picture; secondary liquidity was sufficient to facilitate portfolio manager rebalancing. The market continued to price Bahrain on fiscal path credibility and regional support expectations, with oil trajectory and US rates as the main swing variables. However, fall in 10Y yields on Bahraini bonds has deviated from the regional dynamics over the past month and looks excessive to us. We turn negative on the asset class.</p>		

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	500.9	1.15	8.01	Saudi	5.44	-	-4.07
Global Treasuries	209.8	0.82	7.51	UAE	4.08	-10.59	-31.97
EM USD Agg TR	1348.4	1.37	7.99	Kuwait	4.06	-	12.50
EM LatAm TR	1229.1	1.00	8.55	Bahrain	5.47	-18.85	-22.16
EM EMEA TR	398.3	1.54	8.13	Oman	4.57	3.25	-29.70
EM Asia TR	695.5	1.58	7.10	Qatar	4.73	0.00	5.00
Bahrain TR	220.3	2.26	8.32	US SOFR	4.42	7.00	5.00
Oman TR	170.3	1.14	8.73	5Y Sov. CDS	Latest	1M (bp)	YTD (bp)
Kuwait TR	165.3	0.89	5.41	Saudi Arabia	63.61	0.22	1.04
Qatar TR	146.5	1.61	6.41	Abu Dhabi	30.06	-1.10	-14.07
Saudi Arabia TR	151.7	1.35	7.54	Dubai	60.52	-0.95	-2.32
UAE TR	152.8	1.29	7.17	Kuwait	58.93	-1.20	-15.90
Equity	Latest	1M %	YTD %	Bahrain	178.29	-1.77	-9.08
ADX	9960.4	-3.41	5.78	Oman	78.30	-4.75	-23.78
DFM	5935.4	-3.47	15.18	Qatar	30.30	-0.76	-13.40
Tadawul	10497.1	-3.96	-12.53	10Y yield	Latest	1M (bp)	YTD (bp)
DSM	11124.8	-2.10	6.08	Saudi Arabia	4.67	-15.50	-71.60
MSM30	5078.2	4.71	11.73	Abu Dhabi	4.12	-15.60	-89.70
BHSE	1937.7	-0.38	-2.38	Dubai	4.00	-16.50	-80.40
KWSE	9265.9	0.06	17.80	Bahrain	6.15	-40.10	-80.50
MSCI GCC	723.3	-3.48	0.31	Oman	4.67	-14.10	-103.20
MSCI EM	1282.2	2.27	18.90	Qatar	4.22	-16.50	-60.30
MSCI ACWI	958.9	1.95	13.63				

Source: MSCI, Local Stock Exchanges, Bloomberg, and ADCB Asset Management | Notes: *based on data as of close of September 08, 2025.

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