

UAE Investment Outlook – Navigating volatility with structural resilience

The investment environment has entered a period of heightened uncertainty, shaped by geopolitical tensions, energy-market disruptions, and shifting macroeconomic expectations. Against this backdrop, investors are reassessing risk, recalibrating exposures, and seeking clarity on how regional economies – particularly the UAE – may perform under different scenarios. The UAE’s combination of strong macro fundamentals, deep financial buffers, and proactive policy responses provides a compelling anchor in an otherwise unsettling landscape.

This note outlines the global scenarios shaping the investment environment, assesses the UAE’s macro and sectoral outlook, and highlights the Central Bank of the UAE’s (CBUAE) newly announced resilience measures – one of the most comprehensive policy packages deployed in recent years. Together, these elements frame up the UAE’s investment outlook for the period ahead.

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Exhibit 1: Our three scenarios on how the regional conflict could impact regional/global outcomes

	Short sharp shock	Adverse	Tail risk
Probability	55%	35%	10%
Description	Risk-off, but no fundamental change	Energy-driven stagflation scare that fades away	Sustained closure of strait of Hormuz, and regional escalation
Global macro	Global growth could be stronger; GCC economies see a soft patch	Global growth weakens at the margin; inflation concerns surface	Inflation becomes a major problem forcing central banks to consider hawkish outcomes
Oil	Sharp rise followed by normalization	New higher range for a prolonged period	Brent spikes to USD120-150/bbl range and stays
Fixed income	Upside risk to yields driven by real rates and inflation	Upside risk to yields driven by sharp rise in inflation expectations	Downside risk to yields driven by prolonged risk-off
Credit	Spreads widen but normalize later	Spreads widen and stay wider	Spread widening continues putting spotlight on weaker credits
FX	USD likely to strengthen and moderate subsequently	Currencies of oil importers come under pressure	Currencies of oil importers and those with weak fundamentals come under acute pressure

Source: ADCB Asset Management

Global scenarios: A world defined by risk, energy, and policy uncertainty

The global backdrop is best understood through three distinct scenarios (exhibit 1), each with different implications for growth, inflation, financial markets, and investor sentiment. These predominantly reflect the duration of the conflict in the middle east.

1. Short Sharp Shock (55% probability): This is the base case and assumes a risk-off episode without a fundamental shift in global conditions. Global growth could prove more resilient than feared, although GCC economies may experience a temporary soft patch. Oil prices see a sharp rise followed by normalization, while fixed income markets face upside risk to yields driven by real rates and inflation. Credit spreads widen initially but later normalize, and the USD strengthens as investors seek safety.

2. Adverse scenario (35% probability): This scenario reflects an energy-driven stagflation scare that eventually fades. Global growth weakens at the margin, and inflation concerns surface more visibly. Oil prices settle into a higher range for a prolonged period, and yields face upside pressure from rising inflation expectations. Credit spreads widen and remain wider for longer, while currencies of oil-importing economies come under pressure.

3. Tail risk scenario (10% probability): The most severe scenario assumes a sustained closure of the Strait of Hormuz and regional escalation. Inflation becomes a major global problem, forcing central banks to consider hawkish outcomes. Oil prices spike into the USD120–150/bbl range and stay elevated, while fixed income markets see downside risk to yields due to prolonged risk-off sentiment. Credit spreads widen sharply, putting weaker credits under scrutiny. Currencies of oil importers and economies with fragile fundamentals face acute pressure.

Across all three scenarios, the common threads are volatility, energy-market sensitivity, and a global investor base that remains highly reactive to geopolitical developments. These dynamics shape the UAE's near-term macro environment and sectoral performance.

UAE macro sector outlook: Resilience with differentiated sector dynamics

The UAE's macro-outlook is shaped by its open economy, strong fiscal buffers, and diversified sectoral base. While global shocks are transmitted through trade, tourism, capital flows, and sentiment, the UAE's structural strengths provide meaningful insulation.

- ▷ **Trade & Logistics:** Under the base case, the UAE experiences a sharp but temporary fall in shipping through the Strait of Hormuz, with airspace closures disrupting cargo flows. Seasonal slowdowns help offset some of the impact. Under the adverse and tail-risk scenarios, however, extended shipping disruption materially weakens trade volumes, with persistent logistics bottlenecks, higher insurance costs, and rerouting challenges – a larger drag for open economies.
- ▷ **Travel & Tourism:** The sector faces a heavy near-term hit due to airspace closures and shelter-in-place guidance, but a rebound is expected once sentiment stabilizes. Under more severe scenarios, tourism flows weaken for longer, and extended airspace restrictions depress hospitality and aviation.
- ▷ **Consumption & Investment:** In the base case, households and firms pause spending and investment while awaiting clarity, though underlying fundamentals remain intact. Under adverse conditions, the freeze in investment decisions lasts longer, and consumption remains subdued as uncertainty persists.
- ▷ **Capital Flows & Asset Prices:** Capital inflows may soften and asset prices come under pressure in the short sharp shock scenario, though funding needs remain manageable. Under the alternative scenarios, more pronounced outflows and risk aversion emerge, with higher funding costs and weaker market appetite.
- ▷ **Banking & Financial Stability:** The UAE's banking system remains stable across all scenarios, supported by strong balance sheets, robust FX regimes, and sovereign buffers. Even under adverse conditions, stability is preserved, though liquidity could tighten and banks may face slower credit demand and weaker fee income. Here the most recently announced measures by the Central Bank of the UAE stand tall in reassuring investors (see next section).
- ▷ **Fiscal & External Accounts:** Higher oil prices support fiscal positions in the base case, though export disruption through Hormuz remains a risk. Under more severe scenarios, constrained export

volumes may erode fiscal gains from higher oil prices, and external balances weaken for more open economies.

- ▷ **Oil & Energy:** Oil prices rise in the base case, supporting GCC revenues, and export volumes are largely preserved. Under adverse and tail-risk scenarios, prolonged disruption risks deeper volume losses. Higher prices help but may not fully offset lost shipments.

CBUAE's new resilience measures: A proactive policy anchor

On 17 March 2026, the Central Bank of the UAE announced a comprehensive Financial Institution Resilience Package, reinforcing the UAE's commitment to financial stability amid global and regional uncertainty.

Strength of the UAE's monetary system

The UAE enters this period from a position of exceptional strength:

- ▷ Over AED 1 trillion in foreign exchange reserves
- ▷ 119% monetary base cover ratio, meaning reserves exceed the entire monetary base
- ▷ AED 5.4 trillion in total banking sector assets
- ▷ cAED 920 billion in liquidity held by banks at the CBUAE
- ▷ Over AED 400 billion in bank reserve balances

These figures highlight the depth of the UAE's financial buffers and its capacity to absorb external shocks.

Five pillars of the resilience package

1. **Monetary Policy Measures:** Banks can access up to 30% of their cash reserve requirement, with term liquidity facilities available in both AED and USD.
2. **Liquidity & Funding Relief:** Temporary easing of liquidity and stable funding ratios gives banks greater flexibility to support the economy.
3. **Capital Buffer Relief:** The CBUAE temporarily releases the Countercyclical Capital Buffer and the Capital Conservation Buffer.
4. **Credit Risk Management:** Banks are allowed to postpone loan classification for individuals and corporates affected by extraordinary conditions.
5. **Additional Support:** Banks are expected to continue providing financing to customers, and the CBUAE stands ready to deploy further tools if needed.

These measures reinforce the UAE's precautionary and proactive policy framework, strengthening confidence in the country's financial stability and competitiveness. They also provide a meaningful backstop for sectors facing temporary stress, ensuring credit flows remain uninterrupted.

UAE market and sector strategy: Divergence across scenarios

UAE markets have come under acute pressure over the past two weeks and have significantly underperformed their regional counterparts (exhibit 2). UAE's underperformance was driven by the weakness in sectors like real estate, utilities, and financial services (banks). We discuss the investment outlook based on the two scenarios we detailed above base case (55% probability) and alternative case (45% probability) scenarios and observe that some of the comments we make in the sector-wise paragraphs below are applicable to both equities and fixed income.

Our base case sees the recent dislocation as overdone and any normalization in the headline volatility should see a strong rebound in UAE asset prices. We like banks, utilities, consumer staples, telecoms, airlines, and real estate. Under the alternative scenario, UAE asset prices may have further downside from the current levels.

Banks: The outlook for the UAE banking sector diverges meaningfully across scenarios. In the short sharp shock case, banks are positioned for a strong rebound as risk premium unwinds. Funding spreads tighten and foreign investor flows return, reflecting confidence in the sector's deep buffers and stable operating environment. Under the adverse and tail-risk scenarios, however, the picture shifts. Banks face valuation compression as global risk aversion rises, accompanied by foreign outflows and slower credit growth. Confidence effects become more pronounced, and fee income softens, even though overall financial stability remains intact due to the UAE's strong balance sheets and liquidity support.

Exhibit 2: Performance of GCC equities (as of March 17, 2026)

Country/region	1Y	6M	3M	Since war*
UAE	5.0%	-6.9%	-7.8%	-16.3%
Saudi Arabia	-5.2%	4.2%	5.8%	1.4%
Kuwait	5.8%	-6.2%	-4.8%	-0.8%
Qatar	2.1%	-7.4%	-2.9%	-6.7%
Oman	79.7%	48.6%	31.2%	4.2%
Bahrain	14.3%	6.5%	-8.0%	-6.1%
GCC	0.7%	1.3%	1.8%	-3.9%
EM EMEA	18.3%	7.9%	2.5%	-8.5%
EM	32.2%	10.9%	10.0%	-7.2%
ACWI	20.1%	3.8%	1.8%	-4.1%
Abu Dhabi ADX	1.1%	-4.8%	-4.0%	-8.6%
Dubai DFM	6.5%	-8.1%	-9.9%	-15.3%
Saudi TASI	-8.0%	2.7%	5.0%	4.5%
Qatar QSE	-0.1%	-7.4%	-2.5%	-6.0%
Kuwait All Share	8.6%	-3.9%	-4.3%	-0.5%
Oman MSM	75.0%	49.8%	29.2%	5.2%
Bahrain BSE	-3.3%	-1.1%	-7.5%	-6.6%

Source: Regional Stock Exchanges, MSCI, LSEG Workspace, and ADCB Asset Management | Notes: *Data between February 27, 2026, and March 17, 2026.

Real Estate: Real estate benefits from the UAE's safe-haven status in the base case. Sentiment improves as uncertainty fades, and demand normalizes, supported by the country's attractiveness to residents and investors seeking stability. In the alternative scenarios, the sector becomes more vulnerable. Demand weakens as expat departures or evacuations reduce the population base, leading to pricing pressure and a deterioration in population trends. These dynamics weigh on both transactional activity and sentiment, particularly in segments reliant on continued inflows. However, the recent acute price action in the sector's listed capital market assets already appears to be discounting not only our base case but also a good portion of the alternative case scenarios. Accordingly, the sector presents investment opportunities which may be "high risk-high reward" at this stage. Exhibit 3 highlights the attraction that is emerging in the UAE real estate sector. While earnings growth may have some downside, low valuation provides a cushion.

Transportation & Aviation: Transportation and aviation experience a short-term hit in the base case, driven by temporary airspace closures and travel disruptions. As conditions stabilize, travel resumes and the sector begins to recover. Under the adverse and tail-risk scenarios, the challenges deepen. Tourism slows more persistently, population inflows weaken, and higher fuel costs compress margins. These pressures combine to create a more prolonged drag on airlines, airports, and logistics operators.

Consumer Discretionary: Consumer discretionary sectors see a slower recovery in the base case, largely due to the drag from weaker tourism. As normalization takes hold, retail activity improves and spending patterns stabilize. In the more severe scenarios, however, the sector faces significant headwinds. Demand weakens sharply, supply-chain constraints intensify, and overall consumption softens as households adopt a more cautious stance. These pressures weigh on both volumes and profitability.

Consumer Staples: Consumer staples remain one of the most stable segments in the short sharp shock scenario. Fundamentals hold up well, and disruption is minimal given the essential nature of the category. Under adverse conditions, however, even this defensive sector is not fully insulated. A weaker expat base reduces volumes, and premium formats become more vulnerable as consumers trade down or delay purchases.

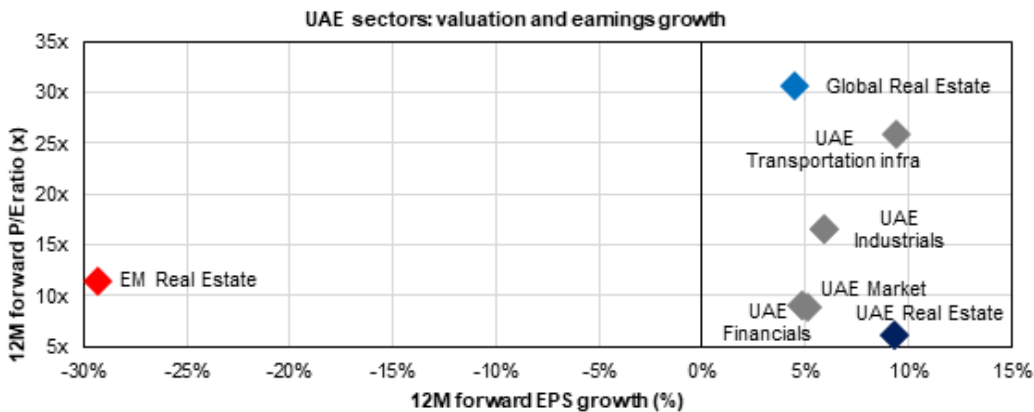
Healthcare: Healthcare maintains a defensive profile across scenarios. In the base case, the sector is well-positioned for a sharp rebound if population growth resumes, benefiting from both structural demand and the UAE’s strong healthcare infrastructure. Under the adverse and tail-risk scenarios, the sector remains defensive but faces capex and working-capital strain. The UAE is also more exposed than Saudi Arabia in this context, given its higher reliance on expatriate population dynamics.

Insurance: Insurance performs well in the base case, benefiting from stability returning to the broader economy. Its defensive characteristics support steady performance even during periods of uncertainty. In alternative scenarios, the sector remains defensive but contends with higher regional risk premia, which may affect pricing, profitability, and investor sentiment.

Oil & Gas: Oil and gas outcomes depend heavily on the duration and severity of disruptions. In the base case, prices normalize, freight stabilizes, and export flows resume, supporting sector revenues. Under the adverse and tail-risk scenarios, higher prices provide some offset, but export and logistics constraints limit upside. Shipping bottlenecks become more persistent, creating operational challenges even as headline prices remain elevated.

TMT (Telecom & Tech): The TMT sector stands out for its resilience. In the base case, it delivers stable cash flows and remains largely insulated from short-term volatility. Under more severe scenarios, the sector continues to be defensive, though demand-linked segments – such as tourist SIM cards and enterprise services – soften as tourism and business activity slow. Even so, the sector’s essential nature and recurring revenue base help anchor performance.

Exhibit 3: Valuation-earnings growth nexus of UAE equity sectors



Source: LSEG Workspace, I/B/E/S, and ADCB Asset Management

Conclusion: A resilient investment landscape anchored by policy strength

The UAE’s investment outlook is shaped by a complex global environment, but the country’s structural strengths – deep financial buffers, diversified economic base, and decisive policy action – position it as one of the most resilient markets in the region. While sectoral performance will vary across scenarios, the overarching narrative is one of stability, preparedness, and the capacity to absorb external shocks. CBUAE’s new resilience measures reinforce this foundation, ensuring that liquidity, capital, and credit conditions remain supportive even under adverse global conditions. As investors navigate a world defined by energy volatility, geopolitical risk, and shifting macro expectations, the UAE stands out as a market where strong fundamentals and proactive governance continue to anchor confidence with recent dislocation appearing overdone under our base case scenario.

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