KAMCO INVEST

Investment Strategy & Research

GCC Fixed Income Market Update

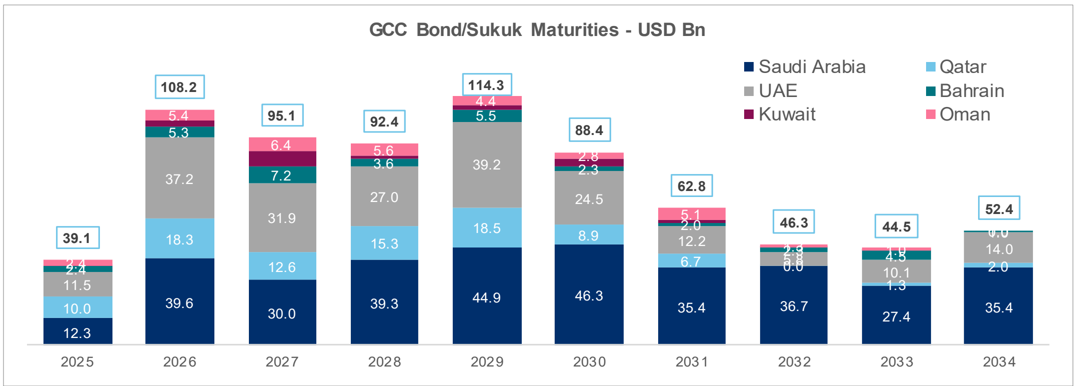
July-2025

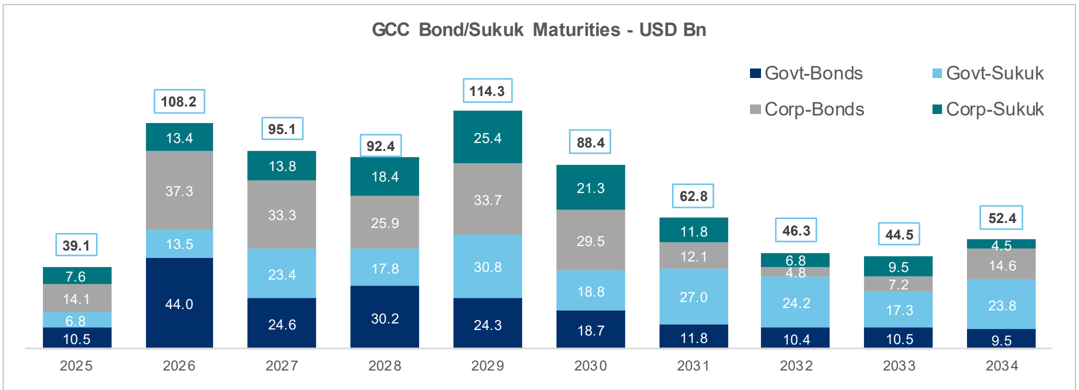
Tariff impact to decide Fed rate cut path…

Global debt market issuances reached a record level during Q1-2025 and 1H-2025 with a total of USD 6.4 Trillion in issuances during 1H-2025, according to data from LSEG. Issuances in Q2-2025 declined by 8% q-o-q but the record high issuances during the first quarter overshadowed this decline in YTD numbers. *The growth in issuances were led by higher investment grade instruments while issuance of high yield instruments remained flat y-o-y. Government issuers and Financials maintained their share of issuances during 1H-2025 accounting for three fourth of total issuances. Corporates issuers in emerging markets were leading with 26% increase in issuances during 1H-2025 with issuers from India, Saudi Arabia, Brazil and UAE accounting for 52% of total emerging markets activity. Issuances of green bonds reached a three-year low level and declined by 2% to reach USD 267.7 Bn during 1H-2025. The volume of issuances also declined to two year low levels.*

Yields on US sovereign bonds remained volatile and the yield on 10-year bonds largely trended downwards since its peak during the third week of May-2025 at 4.6% to now trade at 4.3%. *There were gains during the first week of July-2025, the biggest gains in five weeks, after a surprisingly strong jobs report and the signing of the tax bill by the US president that would add close to USD 3.4 Trillion to deficits over the next decade. However, yields declined in recent sessions reflecting expectations of future interest rate cuts by the US Fed as well as strong demand in auction of 10-year treasury notes. The most recent meeting by the US Fed indicated rate cuts in the remainder of the year, although the frequency would depend on the impact that tariffs would have on the economy and inflation.*

The rate forecast for 2025 form most global central banks remains uncertain, especially in the aftermath of the announcement of tariffs in the US. The increase in tariffs were expected to be mostly inflationary in nature that would force the US Fed to hold rates steady. *The US Fed maintained its wait and watch approach in terms of rate cuts, despite pressure from the government. The Fed insisted on staying cautious keeping an eye on inflation and economic impact of the tariffs. However, in the recent Fed meeting, there has been some softening of tone with some officials indicating rate cuts later this year.* ***Nevertheless, forecasts suggest a late year rate cut but an accelerated pace of cuts in 2026 mainly catching up with their European counterparts that have lowered rates by 100 bps this year led by economic weakness.***





Sources : Bloomberg, Kamco Invest Research

Junaid Ansari
Head of Investment Strategy & Research
+(965) 2233 6912
jansari@kamcoinvest.com

Inflation and interest rate hikes

The minutes of the most recent Fed meeting indicated a division amongst officials over the impact of the tariffs on inflation and the economy and the supposed reaction to this by the US Fed by cutting rates or keeping in at current levels. The Fed majority of the officials agreed that the tariffs would have a lasting impact on inflation in the US. However, the latest dot plot showed an almost equal split on whether there would be a rate cut this year, which was pegged at two cuts, or there will be no cuts, although the former had a slight majority. Nevertheless, despite pressure from the US government, the rate was held steady for the fourth consecutive meeting indicating Fed's cautious stance and a wait for clarity, defying steady economic growth and strong employment numbers that analysts doubt represent the true picture about the US labor market. Data also showed a decline in small business sentiment in the US with subdued forecasts for job creation, inventory restocking and sales outlook.

In terms of tariff agreements, the Trump administration has sent more than 20 letters so far to its trading partners and simultaneously delayed the implementation of higher tariffs to 1-August-2025 from the last deadline of 9-July-2025 that marked the end of the 90-day reprieve announced in April-2025. Based on the current analysis, the new tariff rates in the announcements make little difference to the US average tariff rate overall relative to levies already planned, as per Bloomberg. Moreover, new tariff announcements were made on copper imports in the US with rates as high as 50%. This led to a spike in copper prices in the US to record high levels while producers around the world hunt for long-term supply agreements with copper miners. The data also showed significantly higher tariffs expected to be imposed on China and a 50% tariff on Brazil, while already announcing 25% tariffs on Japan and South Korea. Based on data from Bloomberg, estimates suggest average tariff rate on US imports could settle at 15.5% in the base case scenario as compared to 2.3% before the trade war.

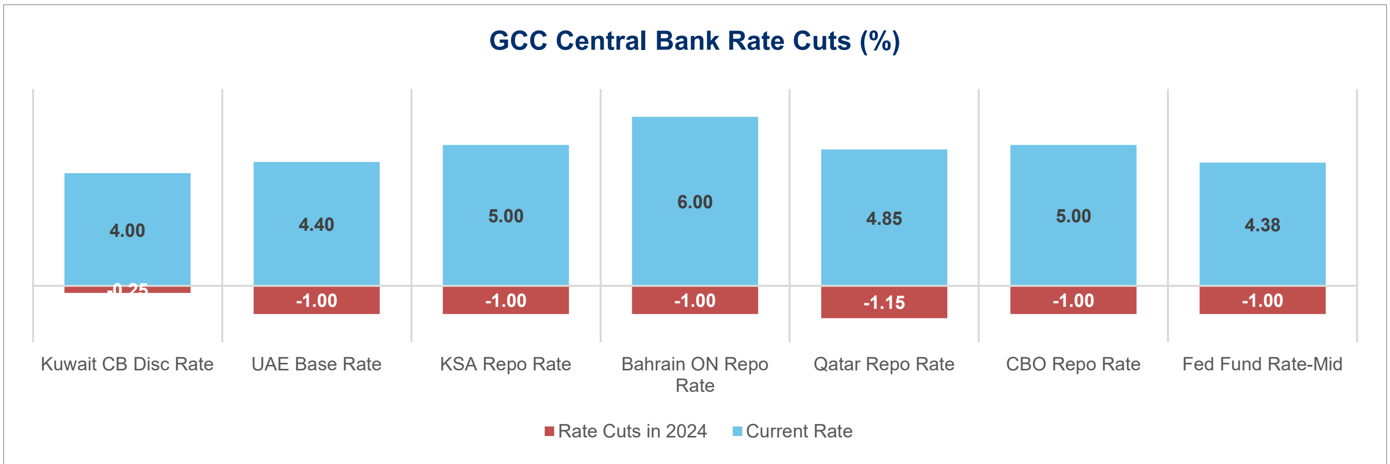
In Europe, meanwhile, the ECB continued to lower rates with four cuts so far this year and eight times since June-2024 to 2%. The ECB president insisted that the current interest rate position is appropriate while inflation hovers around the 2% target. The ECB is expected to hold interest rates steady at current levels in the next meeting while consensus estimates suggest one more cut later this year while the options market indicate two cuts. The cuts would mostly likely be triggered by slower inflation readings as well as weakened economic outlook from the US tariffs. There are also concerns about the strength of the Euro against the USD. The EUR has risen nearly 15% vs. the greenback during 1H-2025 and this further impacts the competitiveness of European products in the world markets.

GCC - Sovereign Credit Ratings Profile

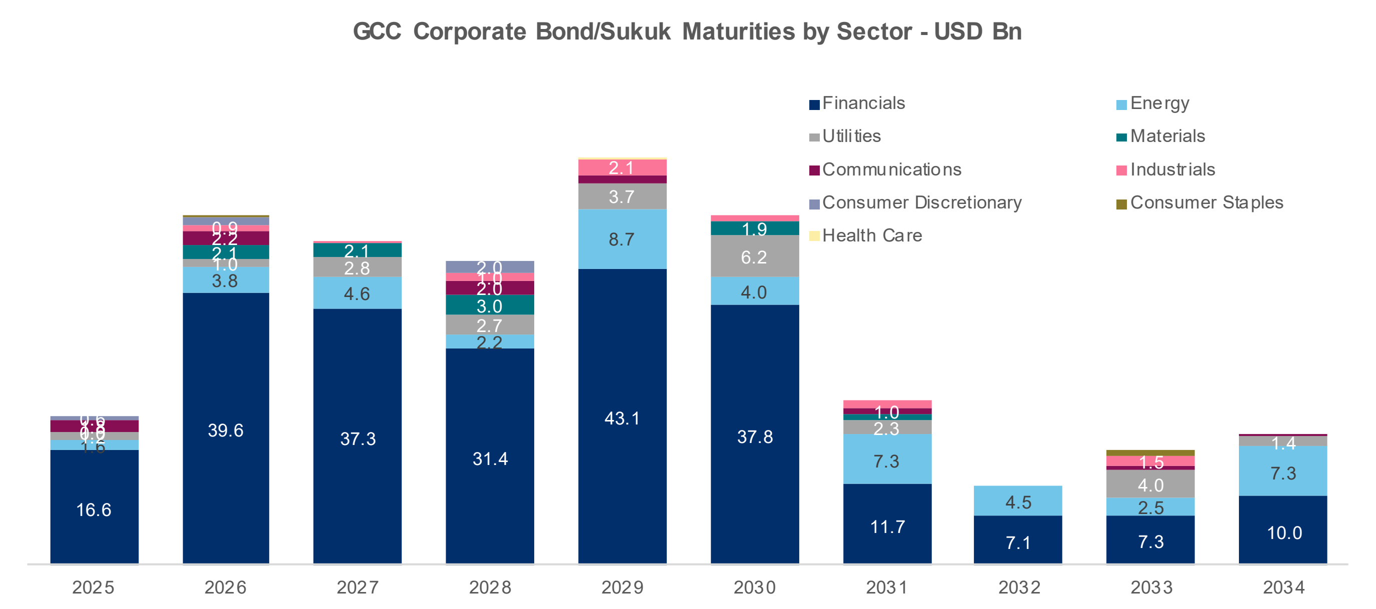
	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Bahrain	B+	NEG	B2	STABLE	B+	NEG
Kuwait	A+	STABLE	A1	STABLE	AA-	STABLE
Oman	BBB-	STABLE	Baa3	STABLE	BB+	POS
Qatar	AA	STABLE	Aa2	STABLE	AA	STABLE
Saudi Arabia	A+	STABLE	Aa3	STABLE	A+	STABLE
UAE	AA	STABLE	Aa2	STABLE	AA-	STABLE
Abu Dhabi	AA	STABLE	Aa2	STABLE	AA	STABLE

Sources : Bloomberg

Meanwhile, in the GCC, the trend in the interest rates was almost in line with that by the US Fed. Last year, most GCC central banks lowered in line with the Fed decision while Kuwait, which has its currency pegged to a basket of currencies, implemented a 25 bps cut vs. 100 bps cuts by other central banks in the region. GCC instruments benefits from being closely tied to US corporate spread but the credit profile helps to protect against volatility and tariff related risks. In terms of economic growth, the increase in oil output should be positive for the rest of the year, especially if the crude oil sustains current levels of around USD 70/b. This along with a strong non-oil manufacturing sector in the region with steady projects market activity will support non-oil growth.



Sources : Bloomberg, Kamco Invest Research

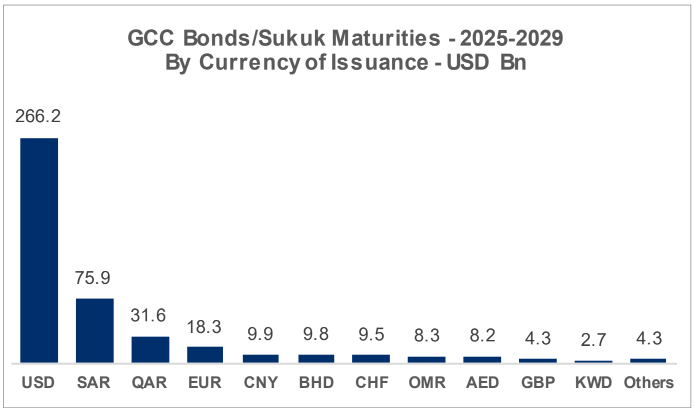


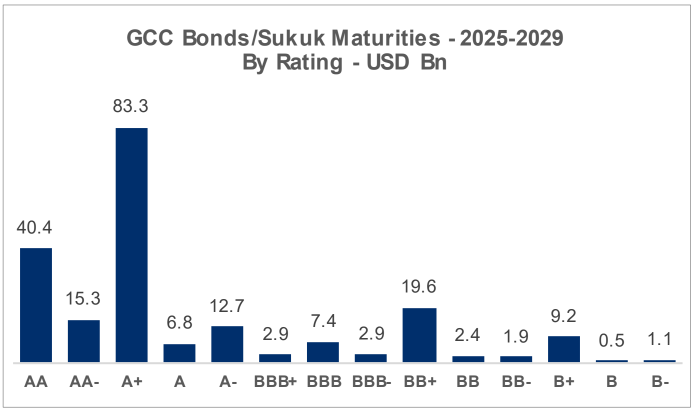
Sources : Bloomberg, Kamco Invest Research

GCC Bond/Sukuk Maturities

GCC governments are expected to see elevated levels of maturities over the next five years, especially for bond issuances during the years after the pandemic. According to data from Bloomberg, GCC sovereign maturities stands at USD 226.1 Bn over the next five years (2025-2029), whereas corporate maturities stand at slightly lower at USD 223.0 Bn. Both bond and sukuk maturities are expected to remain elevated starting from 2025 until 2029 and then gradually taper for the rest of the tenor. The higher maturities during the next five years reflects a number of short-term (less than 5-year maturity) issuances by governments and corporates. A majority of these maturities are denominated in USD at 59.3% followed by local currency issuances in SAR and QAR at 16.9% and 7.0%, respectively. In addition, due to the credit rating profile of the GCC governments, a majority of these maturities are in the high investment grade or A rated instruments with maturities of USD 158.5 Bn while maturities of investment grade instruments stood at 171.7 Bn. In terms of type of instruments, conventional bonds dominate with USD 278.0 Bn in maturities over the next five years, whereas sukuk maturities are expected to be at USD 171.0 Bn. In terms of conventional bond maturities, corporate maturities stood at USD 144.3 Bn, surpassing government bond maturities at USD 133.7 Bn. In the sukuk market, government sukuk maturities stood at USD 92.4 Bn vs. corporate sukuk maturities at USD 78.6 Bn.

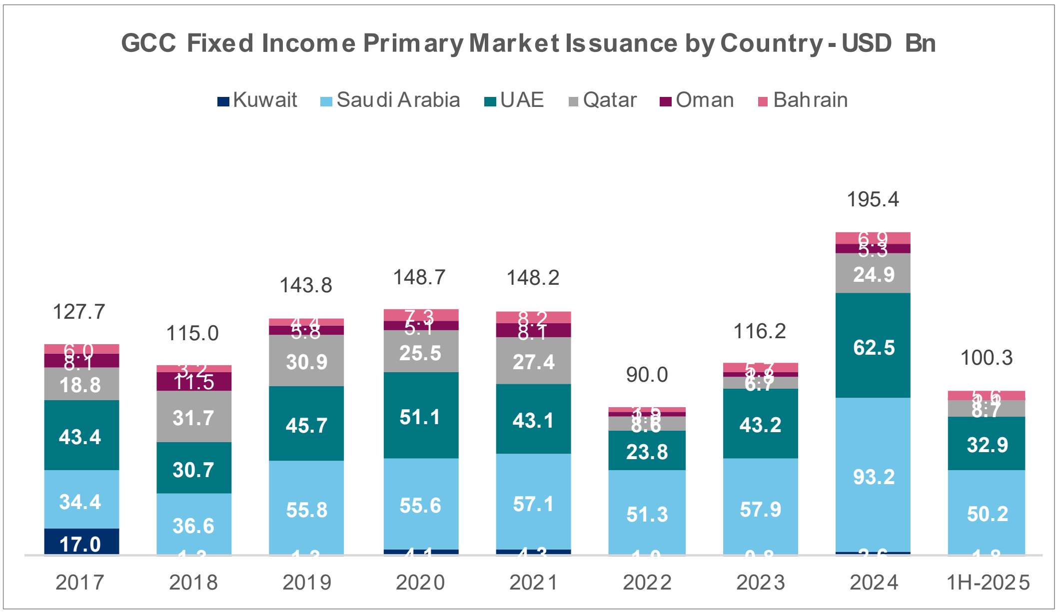
At the country level, Saudi Arabia continues to see the biggest fixed income maturities during 2025-2029. The Kingdom is expected to see maturities of USD 166.0 Bn until 2029 followed by UAE and Qatari issuers at USD 146.8 Bn and USD 74.7 Bn, respectively. However, bulk of the maturities in Saudi Arabia are for bonds/sukuk issued by the government at USD 96.7 Bn while in the case of UAE, the lion's share of maturities are for instruments issued by corporates at USD 119.1 Bn. Kuwait has the smallest maturities in five years at USD 13.2 Bn while the number for Oman and Bahrain stood at around USD 24.0 Bn each. In terms of sector maturities, Banks and other Financial Services sector have USD 167.9 Bn in maturities in the next five years, accounting for around 75.3% of the total corporate maturities and 37.4% of the total maturities in the GCC until 2029. The Energy sector was next with maturities of USD 21.0 Bn or 9.4% of GCC corporate maturities until 2029 followed by Utilities and Materials at USD 11.3 Bn and USD 7.2 Bn, respectively. Banks in UAE have the biggest maturities over the next five years at USD 65.5 Bn followed by Qatari banks with maturities of USD 23.2 Bn.





Sources : Bloomberg, Kamco Invest Research

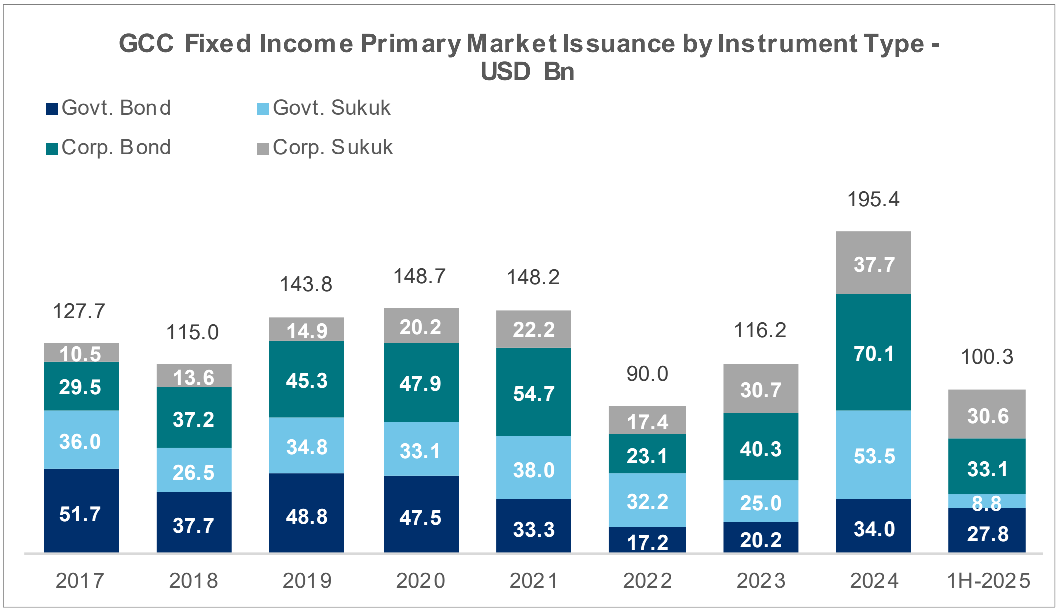
Banks in UAE and Qatar accounted for 39.8% of total corporate maturities in the GCC and 19.8% of total bonds/sukuk maturities over the next five years in the GCC. Other Financial Services and Real Estate sectors were next with maturities of UD 27.7 Bn and USD 13.2 Bn until 2029. Meanwhile, Real Estate maturities are concentrated mainly in the UAE and Saudi Arabia at USD 9.1 Bn and USD 3.2 Bn, respectively, until 2029.



Sources : Bloomberg, Kamco Invest Research

Issuances in 2025 on track to reach 2024 records

Aggregate issuances of bonds and sukuks in the GCC stood at USD 100.3 Bn during 1H-2025 as compared to USD 128.8 Bn during 1H-2024, resulting in a y-o-y decline of USD 28.5 Bn or 22.1%. The decline was mainly led by more than 50% decline in government issuances in 1H-2025 while an increase in corporate issuances partially offset the overall decline. Government issuances reached USD 36.6 Bn in 1H-2025 vs. UDS 76.9 Bn in 1H-2024 while corporate issuances stood at USD 63.7 Bn this year vs. USD 51.9 Bn during the first half of last year. Full year issuances during 2024 stood at a record high level of USD 195.4 Bn.



Sources : Bloomberg, Kamco Invest Research

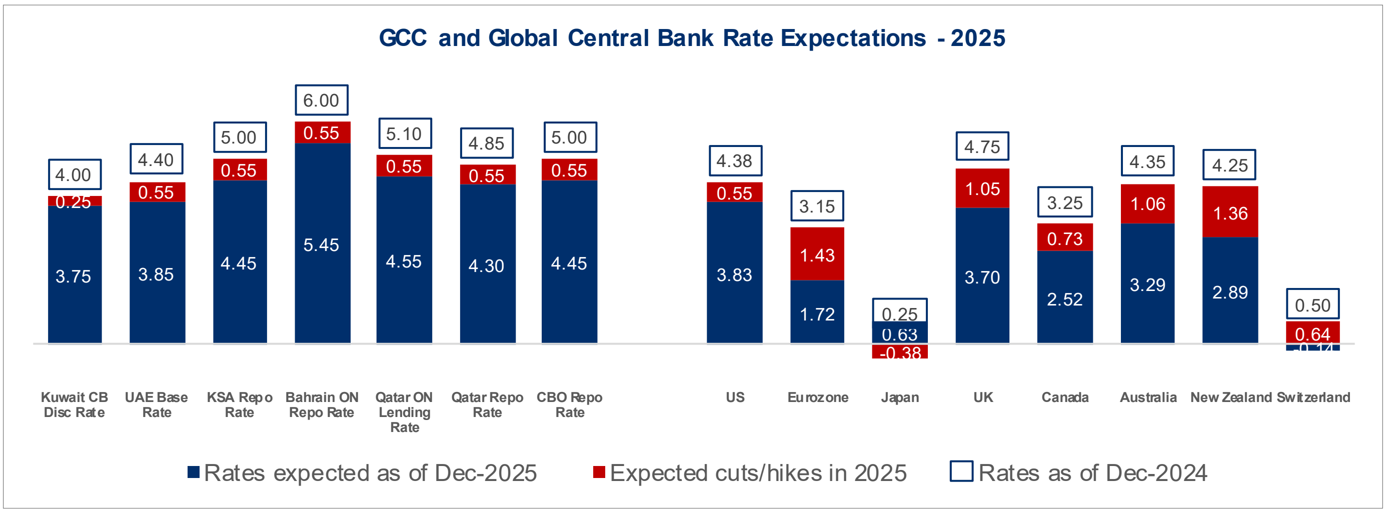
In terms of type of issuances, sukuk issuances witnessed a sharp decline during 1H-2025 whereas bond issuance remained flat y-o-y. Aggregate GCC bond issues stood at USD 60.9 Bn this year vs. USD 60.2 Bn during 1H-2024 whereas sukuk issuances declined by almost a third to reach USD 39.4 Bn this year as compared to issuances of USD 68.6 Bn during the first six months of last year.

At the country level, there was a broad-based y-o-y decline in issuances during the year, barring marginal growth in issuances from UAE and Bahrain. Aggregate issuances from the UAE stood at USD 32.9 Bn in 1H-2025 as compared to USD 31.7 Bn in 1H-2024, registering a gain of 3.8%. On the other hand, issuances from Saudi Arabia, Oman and Qatar witnessed double-digit declines. Total issuances from Saudi Arabia stood at USD 50.2 Bn, accounting for half of the issuances in the GCC, but declined by almost a third from USD 72.4 Bn in issuances in 1H-2024. Issuances from Qatar and Oman almost halved to USD 8.7 Bn and USD 1.1 Bn during 1H-2025. The structure of maturities saw perpetual instruments seeing growth in 2024 after seeing a steep decline in 2023. According to data from Bloomberg, aggregate issuances of perpetual instruments remained steady in the region with aggregate issuances during 1H-2025 already reaching full year levels seen in 2024 at USD 10.7 Bn. Saudi-based issuers were the biggest in this space with issuances of USD 7.4 Bn in perpetual instruments followed by UAE with issuances of USD 2.7 Bn.

The issuance of green instruments remained steady during 1H-2025 in the GCC. Total issuances of green instruments reached USD 8.7 Bn during 1H-2025 as compared to USD 18.0 Bn in full year 2024. Saudi Arabia was leading in the GCC with green instrument issuances worth USD 5.6 Bn this year as compared to USD 5.9 Bn during full year 2024. Issuances in UAE stood at USD 3.1 Bn this year vs. USD 5.0 Bn last year.

Outlook - Fed vs. GCC rate moves

Expectations for rates cuts remain volatile with the current consensus estimates suggesting one to two cuts by the end of the year by the US Fed. The uncertainty comes mainly from the changing policies of the US government related to the tariffs as well as wavering confidence in the US economy and the greenback. Treasury bond auctions post the tariff announcements have garnered tepid demand, although the demand for auctions in July-2025 calmed these fears. In addition, USD has seen significant declines this year against a basket of currencies and especially against the Euro. This would further influence investor decision regarding whether to go for local currency bonds.



Sources : Bloomberg, Kamco Invest Research

For the GCC, we have forecasted rates based on US Fed rate cuts. As a result, most central banks in the GCC would slash rates in line with the US Fed due to the pegged currencies. However, Kuwait has its currency pegged to a basket of currencies. As such, we've forecasted a 25 bps cut by the Kuwait Central Bank in its discount rate. Last year, Kuwait lowered its discount rate by 25 bps last year as against 100 bps cuts implemented by other GCC central banks.

In terms of issuances, we believe that GCC would see a back end loaded issuance this year as against higher issuances during the start of last year. Fixed income issuers would focus on locking in lower rates as expectations for rate cuts gain pace by the end of the year as uncertainty related to tariffs see more clarity. Maturity refinancing is expected to come in at USD 21.7 Bn during the remainder of the year while government deficit financing led by lower average oil prices would also contribute to the overall trend during the rest of the year and compensate for the decline in issuances during 1H-2025. Sukuk issuances are expected to gain traction during 2H-2025 backed by demand from specific investors and funding diversification. Moreover, the announcement from the Kuwaiti government for the issuance of USD 6.0 Bn in bonds in the international market in the coming months would be further incremental to overall fixed income issuances from the region.

Disclaimer & Important Disclosures

Kamco Invest *is authorized and fully regulated by the Capital Markets Authority ("**CMA, Kuwait**") and partially regulated by the Central Bank of Kuwait **("CBK")***

This document is provided for informational purposes only. Nothing contained in this document constitutes investment, an offer to invest , legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions. In preparing this document, Kamco Invest did not take into account the investment objectives, financial situation and particular needs of any particular person. Accordingly, before acting on this document, investors should independently evaluate the investments and strategies referred to herein and make their own determination of whether it is appropriate in light of their own financial circumstances and objectives. The entire content of this document is subject to copyright with all rights reserved. This research and the information contained herein may not be reproduced, distributed or transmitted in Kuwait or in any other jurisdiction to any other person or incorporated in any way into another document or other material without our prior written consent.

Analyst Certification

Each of the analysts identified in this report, if any and where applicable, certifies, with respect to the sector, companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Kamco Invest Ratings

Kamco Invest research is based on the analysis of regional and country economics, industries and company fundamentals. Kamco Invest company research reflects a long-term (12-month) target price for a company or stock. The ratings bands are:

* ***Outperform:*** *Target Price represents expected returns >= 10% in the next 12 months*
* ***Neutral:*** *Target Price represents expected returns between -10% and +10% in the next 12 months*
* ***Underperform:*** *Target Price represents an expected return of <-10% in the next 12 months*

In certain circumstances, ratings may differ from those implied by a fair value target using the criteria above. Kamco Invest policy is to maintain up-to-date fair value targets on the companies under its coverage, reflecting any material changes to the analyst's outlook on a company. Share price volatility may cause a stock to move outside the rating range implied by Kamco Invest's fair value target. Analysts may not necessarily change their ratings if this happens, but are expected to disclose the rationale behind their view to Kamco Invest clients.

Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Kamco Invest and shall be of no force or effect. The information contained in this document is based on current trade, statistical and other public information we consider reliable. We do not represent or warrant that such information is fair, accurate or complete and it should not be relied upon as such. Kamco Invest has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The publication is provided for informational uses only and is not intended for trading purposes. The information on publications does not give rise to any legally binding obligation and/or agreement, including without limitation any obligation to update such information. You shall be responsible for conducting your own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this or other such document. Moreover, the provision of certain data/ information in the publication may be subject to the terms and conditions of other agreements to which Kamco Invest is a party.

Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service. This document is directed at Professional Clients and not Retail Clients within the meaning of CMA rules. Any other persons in receipt of this document must not rely upon or otherwise act upon it. Entities and individuals into whose possession this document comes are required to inform themselves about, and observe such restrictions and should not rely upon or otherwise act upon this document where it is unlawful to make to such person such an offer or invitation or recommendation without compliance with any authorization, registration or other legal requirements.

Kamco Investment Company (DIFC) Limited ("Kamco Invest DIFC") is regulated by the Dubai Financial Services Authority (DFSA). Kamco Invest DIFC may only undertake the financial services activities that fall within the scope of its existing DFSA licence. This document is intended for Professional Clients or Market Counterparties only as defined by the DFSA, and no other person should act upon it.'

This document may not be distributed in Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. The recipients of this document hereby should conduct their own due diligence on the accuracy of the information relating to the contents of this document. If you do not understand the contents of this document you should consult an authorized financial advisor.

Risk Warnings

Any prices, valuations or forecasts are indicative and are not intended to predict actual results, which may differ substantially from those reflected. The value of an investment may go up as well as down. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including, without limitation, foreseeable or unforeseeable changes in interest rates, foreign exchange rates, default rates, prepayment rates, political or financial conditions, etc.).

Past performance is not indicative of future results. Any opinions, estimates, valuations or projections (target prices and ratings in particular) are inherently imprecise and a matter of judgment. They are statements of opinion and not of fact, based on current expectations, estimates and projections, and rely on beliefs and assumptions. Actual outcomes and returns may differ materially from what is expressed or forecasted. There are no guarantees of future performance. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. This document does not propose to identify or to suggest all of the risks (direct or indirect) which may be associated with the investments and strategies referred to herein.

Conflict of Interest

Kamco Invest and its affiliates provide full investment banking services, and they and their directors, officers and employees, may take positions which conflict with the views expressed in this document. Salespeople, traders, and other professionals of Kamco Invest may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this document. Kamco Invest may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this document. Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other Kamco Invest business areas, including investment banking personnel. United Gulf Bank, Bahrain owns majority of Kamco Invest's shareholding and this ownership may create, or may create the appearance of, conflicts of interest.

No Liability & Warranty

Kamco Invest makes neither implied nor expressed representations or warranties and, to the fullest extent permitted by applicable law, we hereby expressly disclaim any and all express, implied and statutory representations and warranties of any kind, including, without limitation, any warranty as to accuracy, timeliness, completeness, and fitness for a particular purpose and/or non-infringement. Kamco Invest will accept no liability in any event including (without limitation) your reliance on the information contained in this document, any negligence for any damages or loss of any kind, including (without limitation) direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with your use or inability to use this document, or in connection with any error, omission, defect, computer virus or system failure, or loss of any profit, goodwill or reputation, even if expressly advised of the possibility of such loss or damages, arising out of or in connection with your use of this document. We do not exclude our duties or liabilities under binding applicable law.

Kamco Investment Company - K.S.C. (Public)
Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq
P.O. BOX : 28873, Safat 13149, State of Kuwait
Tel: (+965) 2233 6600   Fax: (+965) 2249 2395
Email : research@kamcoinvest.com
Website : www.kamcoinvest.com