

GCC Fixed Income Market Update

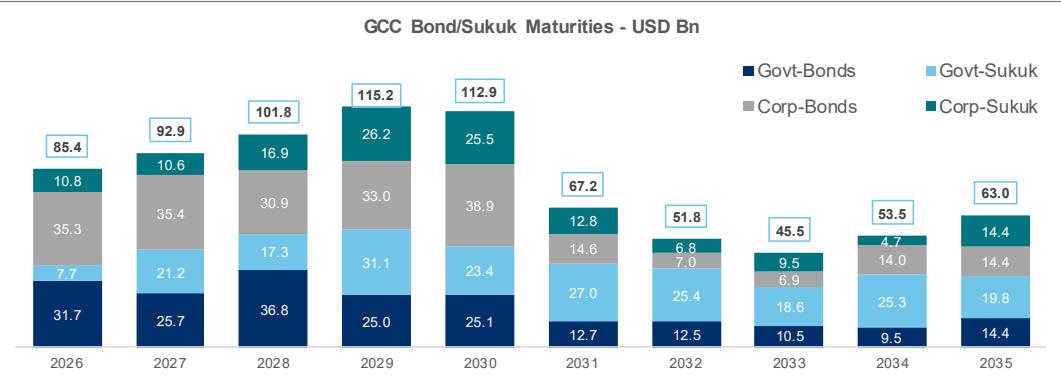
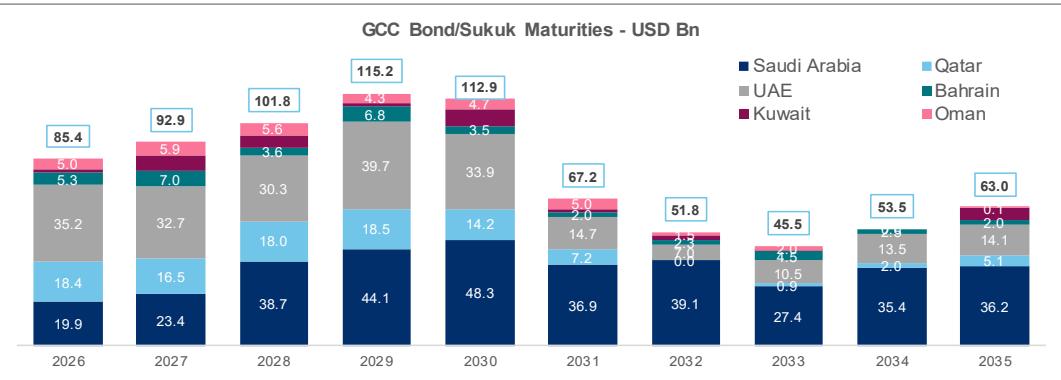
December-2025

AI and sovereign issuances power global debt market to record highs...

An easing of financing conditions coupled with softer USD led to a wave of fixed income issuances this year driven largely by emerging market governments. The increase in Eurobond issuances by emerging market sovereigns comes despite increasing talks of de-dollarization. In terms of sectors, there has been a steep increase in non-financials corporates raising debt this year. Bonds issuances related to AI-linked companies in the US hit a record high this year aggregating to over USD 200 Bn, as per IIF. A similar trend was seen across clean-tech firms that are mainly concentrated in China. A separate report from Dealogic also showed record debt issuances by global technology companies as the intense competition to build artificial intelligence capacity forces even cash-rich firms to borrow heavily to fund that investment. Total issuances by tech companies reached USD 428.3 Bn through the first week of December-2025 with US firms accounting for the lion's share of these issuances raising USD 341.8 Bn followed by European and Asian tech companies with total issuances of USD 49.1 Bn and USD 33.0 Bn, respectively.

In terms of quarterly data, global debt market issuances remained elevated during Q3-2025, over the USD 3.0 Trillion per quarter mark, resulting in record issuances during the year. As per data from LSEG, issuances during 9M-2025 increased by 12% y-o-y to reach USD 9.5 Trillion marking the strongest issuances during the nine month period since at least 1980. Issuances of investment grade debt increased by 8% during the year to reach USD 4.5 Trillion as Q3-2025 issuances faltered 11% q-o-q to reach USD 1.4 Trillion. On the other hand, high yield issuances increased by 20% y-o-y during 9M-2025 to reach USD 385 Bn and increased by 22% q-o-q during Q3-2025.

Corporates issuers in emerging markets were leading with 19% y-o-y increase in issuances during 9M-2025 with issuances totaling USD 349.4 Bn. Corporate debt issuers from India, Saudi Arabia, Brazil and Malaysia accounted for 50% of total emerging markets activity. Issuances of green bonds remained subdued registering a growth of 1% from last year to reach USD 393.4 Bn during 9M-2025 with volumes registering a growth of 2% vs. last year. Issuances of green bonds during Q3-2025 declined by 22% q-o-q. In terms of currency, local currency bonds from Asian issuers registered a y-o-y growth of 22% during 9M-2025 to reach USD 3.6 Trillion. China led the way in terms of issuances, registering a growth of 23% while Japanese issuances declined by 8%.



Sources : Bloomberg, Kamco Invest Research

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

Inflation and interest rate changes

The latest data on inflation shows a cooling trend with US CPI coming in lower than expected at 2.7% for November-2025, beating all records despite talks of impact of tariffs while inflation in the UK declined for the second consecutive month to reach 3.2% in November-2025 from 3.6% in the previous month mainly led by slower food price rises. Inflation in the Eurozone came in close to the medium-term target of 2.0% reaching 2.1% in November-2025, stable from the October-2025 inflation rate. Core inflation for the region was also stable at 2.4% during November-2025. Inflation in emerging market had the biggest impact at the global level with significant fall in certain countries that have seen double-digit inflation numbers. According to Bloomberg, the global composite inflation excluding China is expected to ease to 5.5% during Q4-2025 from as high as 16.6% in Q2-2024. Inflation in China was below zero for the bulk part of this year and recovered to 0.7% during November-2025, a 21-month high level, driven by rising food costs (especially vegetables), while factory-gate (PPI) deflation deepened to -2.2%, signaling persistent weak demand despite government efforts, with core inflation holding steady at 1.2%.

In terms of rate cuts, global central banks showed significant divergence in their policy paths. While the US and UK continued to cut rates to support weakening growth, the Eurozone and Canada paused their easing cycles, and Japan moved in the opposite direction by raising rates. The US Fed implemented its third rate cut for the following weeks of speculations on the possibility of the cut. The 25 bps cut would reduce the target range for the federal funds rate to between 3.50% and 3.75%. The decision was termed as a "close call" according to Fed chair, intended as an insurance cut to guard against a softening labor market even while navigating persistent inflation pressures. Also, the rate cut decision generated the most internal dissent since 2019, with the final vote tallying 9 to 3. Furthermore, the absence of reliable data following the historic 43-day government shutdown resulted in further speculation and market volatility. The Fed also signaled a cautious forward path, with the dot plot projections suggesting only one additional rate cut in 2026.

Officials indicated the current rate was in "neutral" territory that neither significantly stimulates nor restricts the economy. The Bank of England also cut its benchmark rate by 25 bps to 3.75%, its lowest level in three years. The decision was a narrow 5 to 4 vote, reflecting deep divisions within the committee that highlighted the sharp fall in inflation in November-2025 and a stagnant economy with zero growth expected in Q4-2025.

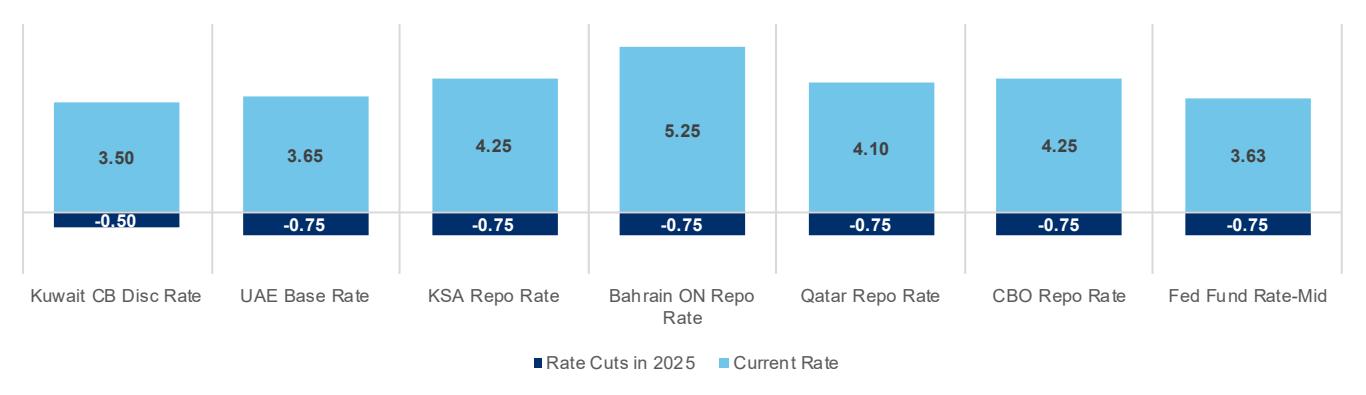
GCC - Sovereign Credit Ratings Profile

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Bahrain	B	STABLE	B2	STABLE	B+	NEG
Kuwait	AA-	STABLE	A1	STABLE	AA-	STABLE
Oman	BBB-	STABLE	Baa3	STABLE	BBB-	STABLE
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

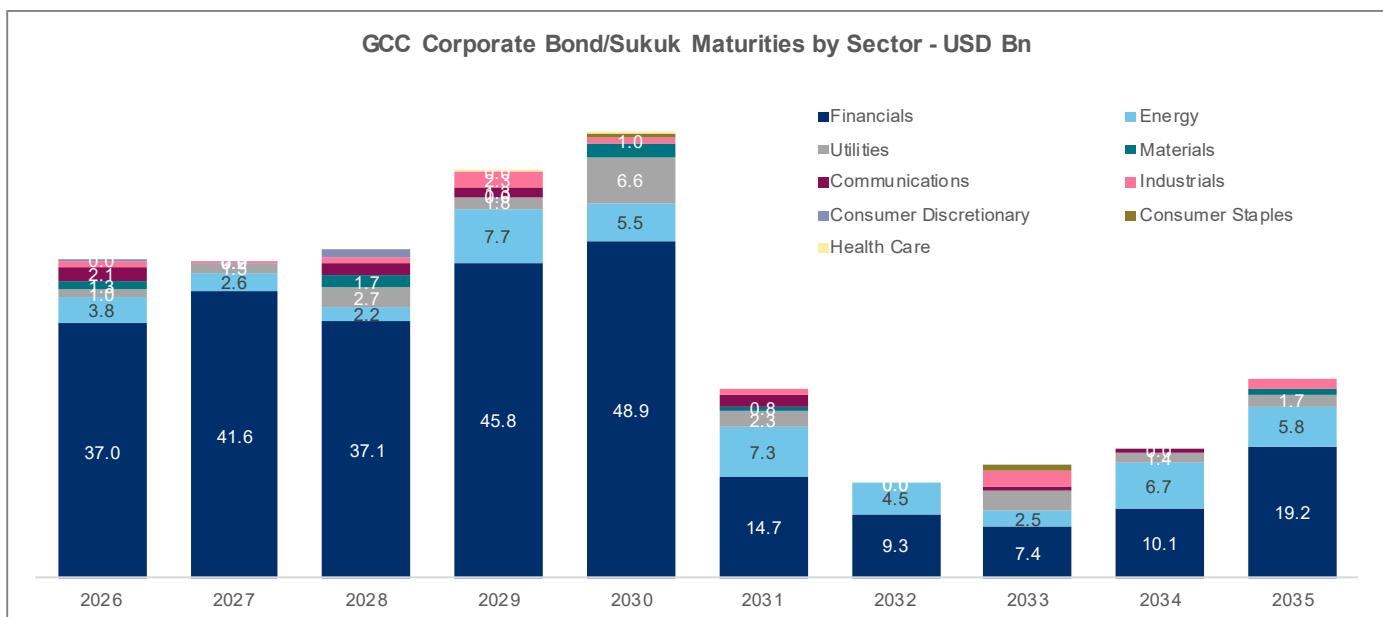
Sources : Bloomberg

Meanwhile, the ECB kept its main refinancing rate steady at 2.15% and the deposit facility rate at 2.0%. This marked the fourth consecutive meeting without a rate change, following a series of eight cuts between mid-2024 and mid-2025. The ECB described the current policy as being in a "good place," noting that inflation is stabilizing near the 2% target. On the other hand, the Bank of Japan raised its policy rate by 25 bps to 0.75% in December-2025, signaling the country's exit from the era of ultra-loose monetary policy as core inflation remains steady at 2%. In the GCC, the trend in the interest rates was almost in line with that by the US Fed as most GCC central banks lowered rates in line with the Fed decision whereas Kuwait, which has its currency pegged to a basket of currencies, implemented a total of 50 bps cut vs. 75 bps cuts by other central banks in the region.

GCC Central Bank Rate Cuts (%)



Sources : Bloomberg, Kamco Invest Research

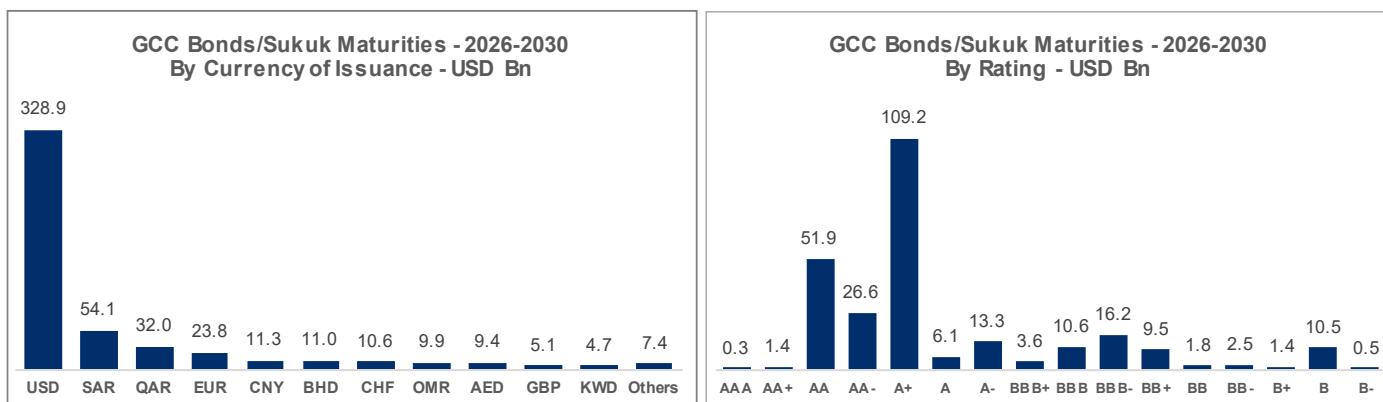


Sources : Bloomberg, Kamco Invest Research

GCC Bond/Sukuk Maturities

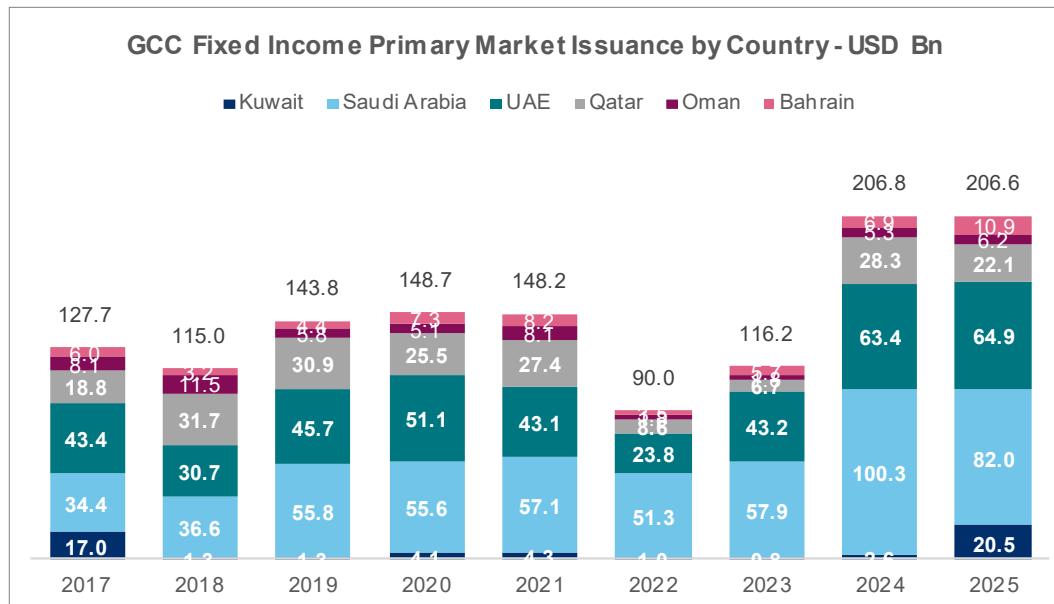
GCC governments are expected to see elevated levels of maturities over the next five years, especially for bond issuances during the years after the pandemic. According to data from Bloomberg, GCC sovereign maturities stands at USD 244.8 Bn over the next five years (2026-2030), whereas corporate maturities are much higher at USD 263.3 Bn. Both bond and sukuk maturities are expected to remain elevated starting from 2026 until 2030 and then gradually taper for the rest of the tenor. The higher maturities during the next five years reflects deficit financing issuances from GCC governments as well as investment and refinancing related issuances from the corporates. A majority of these maturities are denominated in USD at 64.7% followed by local currency issuances in SAR and QAR at 10.6% and 6.3%, 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 208.7 Bn while maturities of investment grade instruments stood at 239.1 Bn. In terms of type of instruments, conventional bonds dominate with USD 317.6 Bn in maturities over the next five years, whereas sukuk maturities are expected to be at USD 190.5 Bn. In terms of conventional bond maturities, corporate maturities stood at USD 173.4 Bn, surpassing government bond maturities at USD 144.2 Bn. In the sukuk market, government sukuk maturities stood at USD 100.6 Bn vs. corporate sukuk maturities at USD 89.9 Bn.

At the country level, Saudi Arabia continues to see the biggest fixed income maturities during 2026-2030. The Kingdom is expected to see maturities of USD 174.5 Bn until 2030 closely followed by UAE with maturities of USD 171.8 Bn. However, bulk of the maturities in Saudi Arabia are for bonds/sukuk issued by the government at USD 106.4 Bn while in the case of UAE, the lion's share of maturities are for instruments issued by corporates at USD 136.2 Bn. Qatar was next with maturities of USD 85.6 Bn while maturities in Kuwait, Bahrain and Oman stood around USD 25 Bn each over the next five years. In terms of sector maturities, Banks and other Financial Services sector have USD 210.4 Bn in maturities in the next five years, accounting for around 79.9% of the total corporate maturities and 41.4% of the total maturities in the GCC until 2030. The Energy sector was next with maturities of USD 21.8 Bn or 8.3% of GCC corporate maturities until 2030 followed by Utilities and Industrials at USD 13.6 Bn and USD 5.4 Bn, respectively. Banks in UAE have the biggest maturities over the next five years at USD 80.9 Bn followed by Qatari banks with maturities of USD 28.2 Bn.



Sources : Bloomberg, Kamco Invest Research

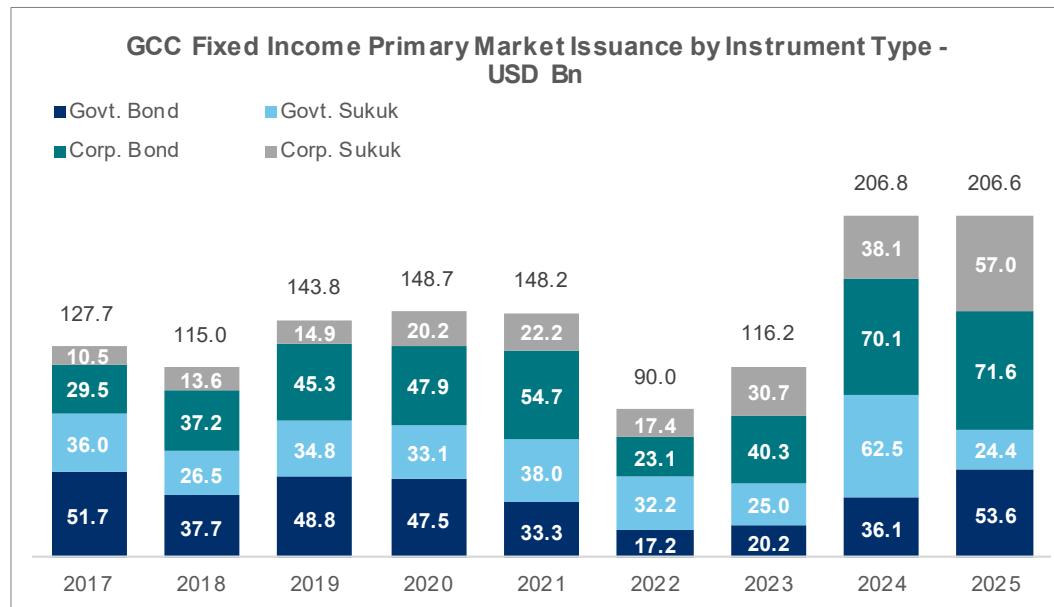
Banks in UAE and Qatar accounted for 41.5% of total corporate maturities in the GCC and 21.5% of total bonds/sukuk maturities over the next five years in the GCC. Other Financial Services and Real Estate sectors were next with maturities of USD 33.9 Bn and USD 16.6 Bn until 2030. Meanwhile, Real Estate maturities are concentrated mainly in the UAE and Saudi Arabia at USD 11.2 Bn and USD 4.3 Bn, respectively, until 2030.



Sources : Bloomberg, Kamco Invest Research

Issuances in 2025 in line with the record issuances in 2024

Aggregate issuances of bonds and sukuks in the GCC stood at USD 206.6 Bn until the third week of December-2025 as compared to USD 206.8 Bn in 2024, highlighting another year of active bonds/sukuk primary market in the GCC. However, in terms of issuers, there was a sharp decline in government issuances during the year as compared to last year while corporate issuances reached a new record high level. Government issuances reached USD 77.9 Bn in 2025 vs. USD 98.6 Bn in 2024 while corporate issuances stood at USD 128.6 Bn this year vs. USD 108.2 Bn during 2024.



Sources : Bloomberg, Kamco Invest Research

In terms of type of issuances, sukuk issuances witnessed a sharp decline during 2025 whereas bond issuances showed a healthy growth. Aggregate GCC bond issuances stood at USD 125.2 Bn in 2025, the highest on record, vs. USD 106.2 Bn during 2024 whereas sukuk issuances declined by 19.1% to reach USD 81.4 Bn this year as compared to issuances of USD 100.6 Bn during 2024.

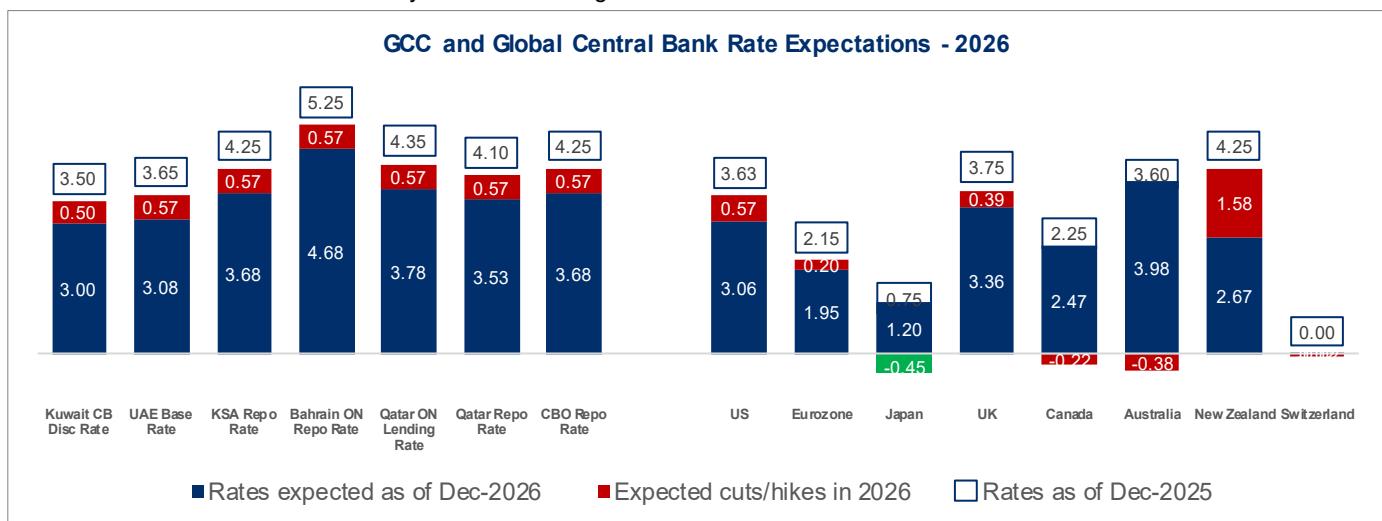
At the country level, the trend in fixed income issuances remained mixed with Saudi Arabia and Qatar showing a decline in total issuances during 2025 while the rest of the GCC aggregates showed growth. Nevertheless, despite a decline of 18.3%, Saudi Arabia remained the biggest issuer of fixed income instruments in the GCC and one of the biggest globally with total issuances of USD 82.0 Bn in 2025 vs. USD 100.3 Bn in 2024. Issuances from Qatar also showed a sharp decline of 21.7% reaching USD 22.1 Bn in 2025 vs. USD 28.3 Bn in 2024. Aggregate issuances from the UAE showed a marginal growth during the year reaching USD 64.9 Bn in 2025 as compared to USD 63.4 Bn in 2024, registering a gain of 2.5%. Kuwait showed the biggest growth in issuances during the year as the country tapped the fixed market after the approval of the debt law. Total issuances from Kuwait stood at USD 20.5 Bn in 2025 vs. USD 2.6 Bn in 2024 with bulk of the issuances were from the government.

The structure of maturities saw perpetual instruments seeing a significant growth in 2025 reaching a new record high during the year with total issuances of USD 17.9 Bn vs. USD 10.7 Bn in 2024. Saudi Arabia remained the biggest issuer of perpetual instruments during the year at USD 10.6 Bn followed by UAE and Kuwait with issuances of USD 3.3 Bn and USD 1.9 Bn, respectively. In terms of type of perpetual instruments, perpetual sukuks far exceeded bonds during the year reaching USD 12.0 Bn during the year vs. perpetual bonds of USD 5.9 Bn. The increase in perpetual sukuk issuances were seen mainly in Saudi Arabia as banks in the Kingdom bolstered their capital with AT1 perpetual instruments.

The issuance of green instruments in the GCC showed significant growth during 2025 as compared to the previous year although it remained below record levels seen in 2023. Total issuances of green instruments reached USD 12.5 Bn during 2025 as compared to USD 4.6 Bn in 2024 and USD 17.3 Bn in 2023. UAE was leading in the GCC with green instrument issuances worth USD 5.6 Bn this year as compared to USD 3.8 Bn in 2024. Issuances in Saudi Arabia stood at USD 5.1 Bn this year vs. zero issuances in 2024.

Outlook

Expectations for rates cuts in 2026 remain volatile with the Fed dot plot suggesting a single rate cut in 2026 whereas the consensus estimates and the options market showing at least two cuts next year. Market expectations were boosted by the release of lower than expected inflation numbers for November-2025 while labor market continues to remain a concern for the US Fed. Moreover, the impact of tariffs remain unclear despite the US government finalizing tariff rates with a number of its trading partner. That said, inflation is expected to see a decline globally in 2026 based on Bloomberg forecast of an average inflation of 2.8% in 2026 and end of year levels coming in at around 2.3%.



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 are expected to slash rates in line with the US Fed due to the pegged currencies. As such, we've forecasted a 50 bps cut by all central banks in the GCC. We see minimal pressure on currency pegs in the GCC and monetary policies are expected to remain largely stable and supportive of the sizable projects market in the region.

In terms of issuances, we expect higher issuances from the governments facing deficits, especially from Saudi Arabia and Kuwait. The rest of the region, especially UAE and Qatar are expected to see elevated levels of corporate issuances during the year. The decline in interest rate further boost our forecast for issuances from the region in 2026 especially at the start of the year when issuers focus on locking in lower rates. Maturity refinancing is expected result in approximately USD 85.4 Bn in issuances during 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. Based on IMF forecasts, deficit financing would result in issuances of close to USD 60 Bn during 2026.

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 $\geq 10\%$ 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
