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GCC Fixed Income Research

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GCC Bonds and Sukuk Market Analysis 2024 Highlights

Terminology and notes to consider before reading this report:

- **GCC:** Gulf Cooperation Council
- **GCC Bonds and Sukuk market includes:**
 - **GCC Sovereign Issuances:** Bonds and Sukuk issued by GCC governments in local or foreign currencies for financing purposes.
 - **GCC Corporate Bonds:** Bonds and Sukuk issued by GCC corporate entities including Financial Institutions (FIs) and Government-Related Entities (GREs).
- This report is based on the dataset sourced from Bloomberg with the following search parameters:
 - maturities greater than 1 year
 - excluding 144A securities
- Several resources were utilized in the drafting of this report; notable sources are Bloomberg, rating agencies’ reports and Offering Memorandums.
- Every effort has been made to include and quote the majority of data that is accessible to Markaz.
- All currencies were converted into US Dollars for easy comparison.
- Fixed and floating rate tranches for the same issue are considered as different issuances.

Executive Summary:

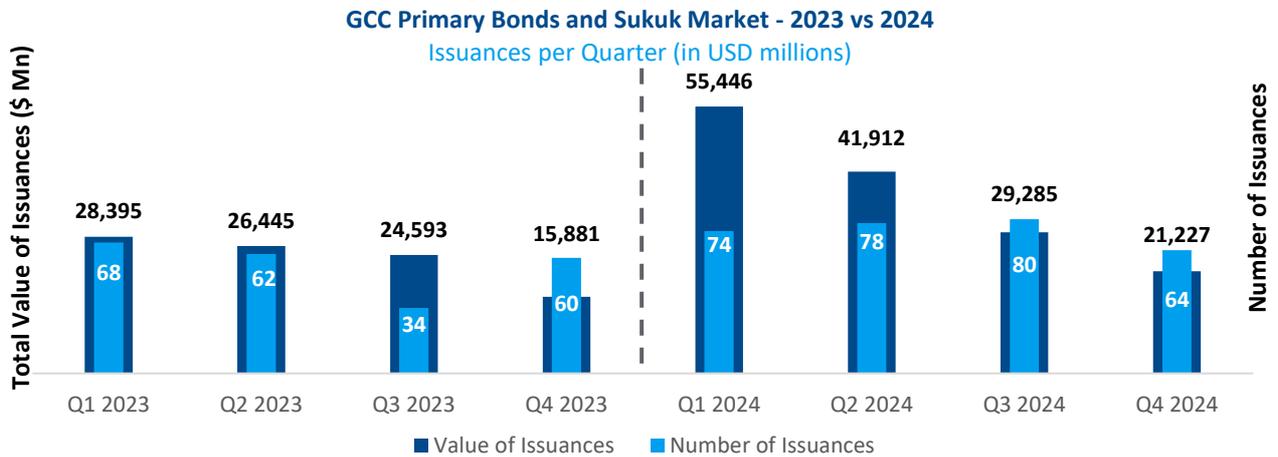
The GCC Bonds and Sukuk market primary issuances in 2024 witnessed total issuance value of USD 147.9 billion through 296 issuances, recording a 55.1% increase when compared to 2023. As of year-end 2024, Saudi Arabia accounted for 53.7% of GCC primary issuances followed by the UAE representing 26.0%. The year also witnessed an increased appetite for conventional bonds which accounted for 53.3% of total issuances. Corporate issuers continued to dominate issuances, with 53.9% of issuances coming from corporate issuers.

In terms of market performance, the S&P MENA Bond and Sukuk Index posted a total return of 1.36% for the year, while 5-Year Sovereign CDS spreads experienced mixed performance across GCC countries during the year.

Major economies began an interest rate cutting cycle in Q3 2024 as inflation numbers began to moderate. The US Federal Reserve began its easing cycle with a 50-basis point cut and many GCC economies followed suit. This trend continued in Q4, with the Federal Reserve (“Fed”) cutting rates twice during the quarter, with all GCC countries (except Kuwait) following suit. As a result, fixed income markets saw a drop in yields and a rise in bond prices across maturities. Both developed and emerging markets experienced negative returns for the quarter, driving their year-to-date (“YTD”) returns down.

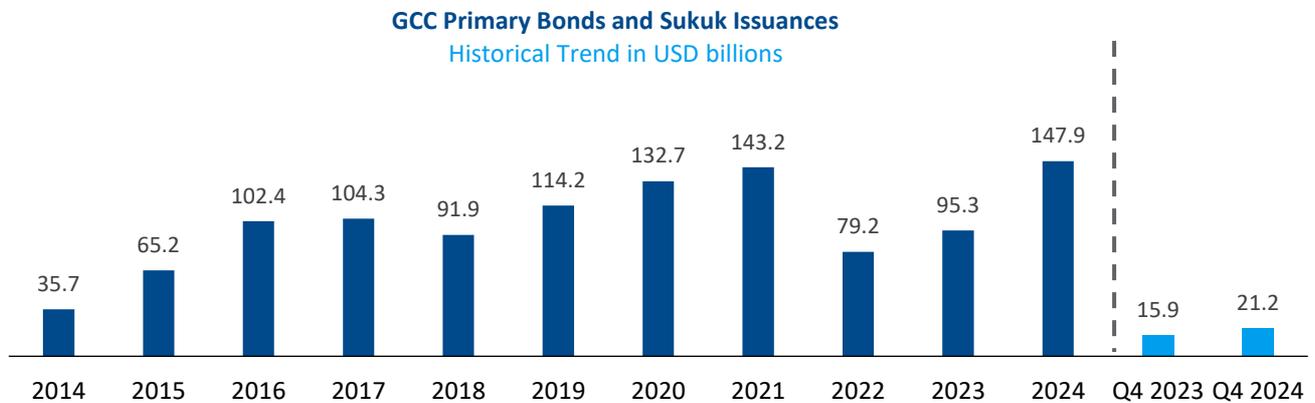
GCC Bonds and Sukuk Primary Market

GCC Bonds and Sukuk primary issuances amounted to USD 147.9 billion during 2024, which represents an increase of 55% from USD 95.3 billion raised during 2023. In Q4 2024 alone, primary issuances amounted to USD 21.2 billion, an increase of 34% from Q4 2023. The total number of primary issuances during 2024 was 296 issuances compared to 224 during 2023, representing a 32.1% increase. The average issue size during 2024 increased to USD 500 million up from USD 426 million during 2023, indicating issuers are coming to the market with larger issue sizes.



Source: Bloomberg, Markaz Analysis

Primary Issuances in the GCC have been trending upwards over the last three years, with 2024 recording the highest level of issuances over the last 10 years. The growth of issuances year-over-year has reached 55.1%, the highest growth rate since 2016.

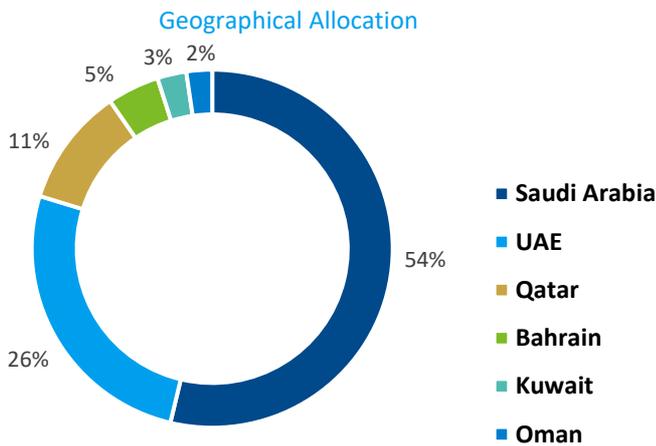


Source: Bloomberg, Markaz Analysis

Geographical Allocation

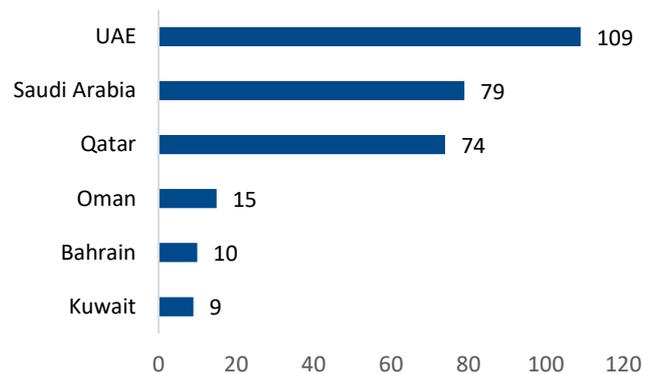
Saudi Arabian entities were the leading issuers in the GCC during 2024, raising a total of USD 79.5 billion through 79 issuances, representing 53.7% of the total value of primary GCC bonds and sukuk issuances. UAE entities ranked second with USD 38.5 billion through 109 issuances, representing 26.0% of total issuances for the year. Qatari entities follows rank with USD 15.7 billion through 74 issuances, followed by Bahrain with USD 6.9 billion through 10 issuances. Finally, Kuwait and Oman issued USD 3.9 billion and USD 3.4 billion through 9 and 15 issuances respectively.

GCC Primary Bonds and Sukuk Issuances - 2024



GCC Primary Bonds and Sukuk Market - 2024

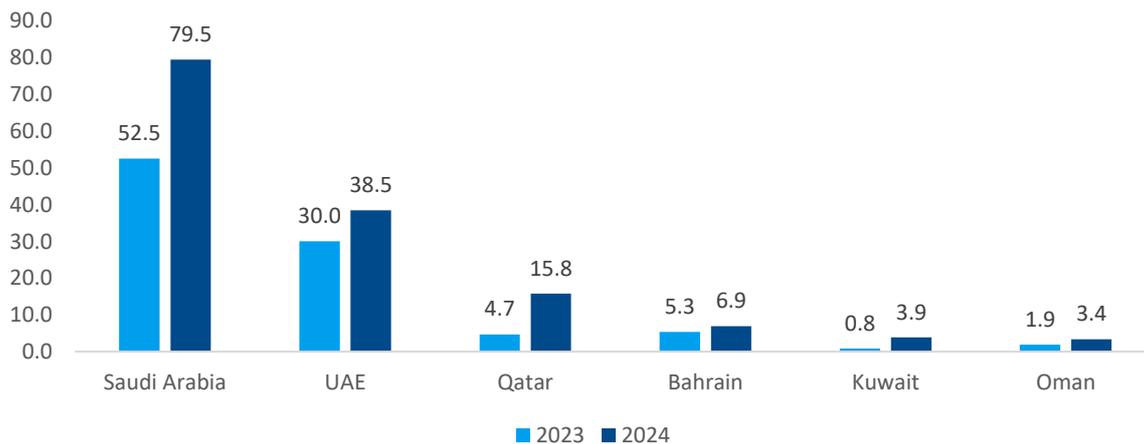
Number of Issuances by Country



Source: Bloomberg, Markaz Analysis

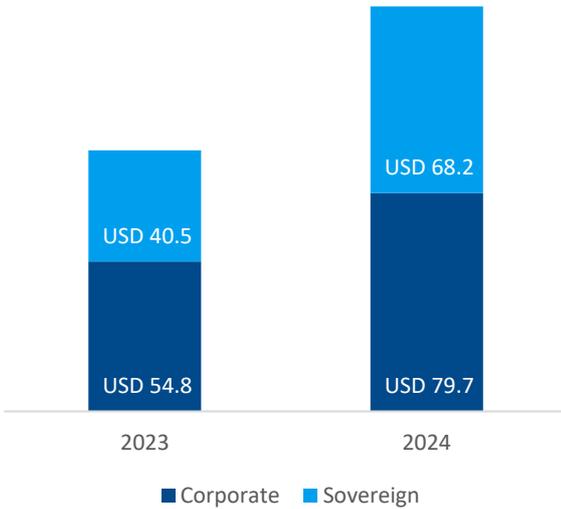
In terms of year-on-year % growth, Kuwaiti issuances recorded the highest growth, with nearly 359% increase in issuances, followed by Qatar with an increase of 236% from 2023. Oman also experienced significant growth in issuances when compared to 2023, with an increase of 84%. Saudi Arabia follows, with an increase in issuances of 51%, followed by Bahrain and the UAE with 29% and 28% respectively.

GCC Primary Bonds and Sukuk Market - 2024
Value of Issuances by Country (in USD billions)



Source: Bloomberg, Markaz Analysis

Sovereign vs. Corporate (in USD Billions)



Source: Bloomberg, Markaz Analysis

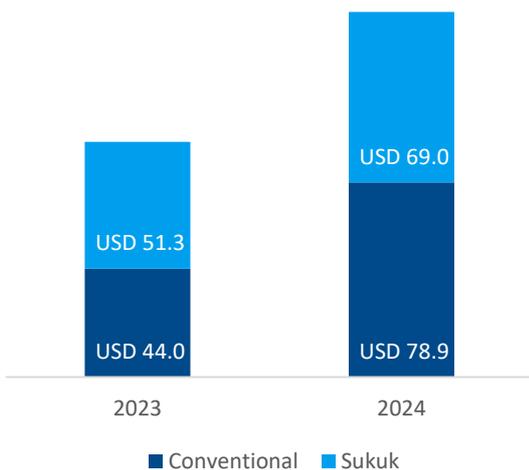
In line with 2023, the total value for corporate issuances (including from Government Related Entities) surpassed that of Sovereign issuances. Total corporate primary issuances increased by 45.5% in 2024 compared to 2023, reaching USD 79.7 billion and represented 53.9% of all issuances in 2024, compared to 57.5% in 2023.

Government related corporate entities raised a total of USD 17.4 billion during 2024, an increase of 21.7% from the previous year (USD 14.3 billion).

The GCC country with the highest value of corporate issuances was Saudi Arabia with USD 33.1 billion, whereas the single largest GCC corporate issuance was by Aramco, with a value of USD 2.0 billion. In fact, the top 10 corporate issues in terms of value for the year were by Saudi issuers.

Sovereign issuances represented 46.1% of all issuances during the year, up from 42.5% of all issuances during the previous year. The largest sovereign issue of the year was also issued by Saudi Arabia, with a total value of USD 12.6 billion.

Conventional vs. Sukuk (in USD Billions)



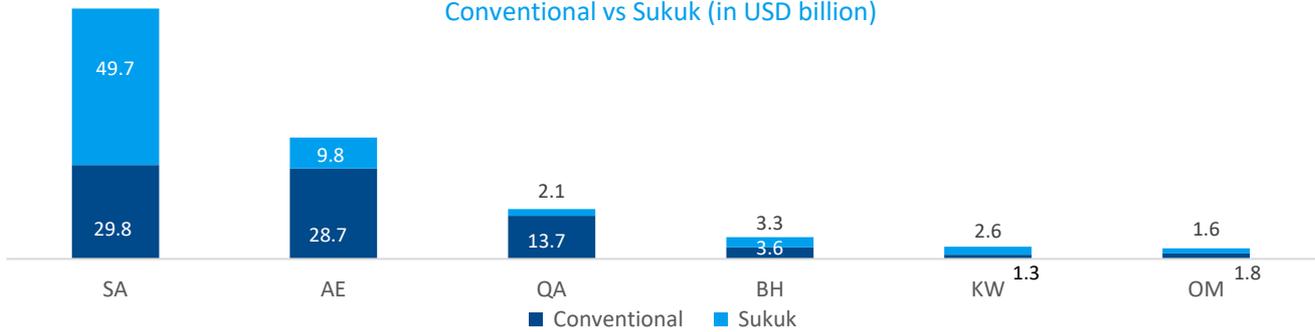
Source: Bloomberg, Markaz Analysis

GCC conventional issuances increased by 79.4% in 2024 in comparison to 2023, resulting in a total value USD 78.9 billion for the year. The largest single issue of a conventional bond in 2024 was by the Saudi Arabian government, with an issue size of USD 4.75 billion.

GCC Sukuk issuances increased by 34.4% over the year, resulting in a total value of US 69 billion for the year. The largest sukuk issuance in 2024 was by the Saudi government, with an issue size of USD 12.6 billion.

As for issuer preferences, 2024 saw an increased appetite for conventional bond issuances in the GCC, representing 53.3% of total issuances for the year. This contrasts with 2023, which saw more Sukuk issuances (53.9% of all issuances in 2023 versus 46.7% in

GCC Primary Debt Bonds and Sukuk Market- 2024
Conventional vs Sukuk (in USD billion)



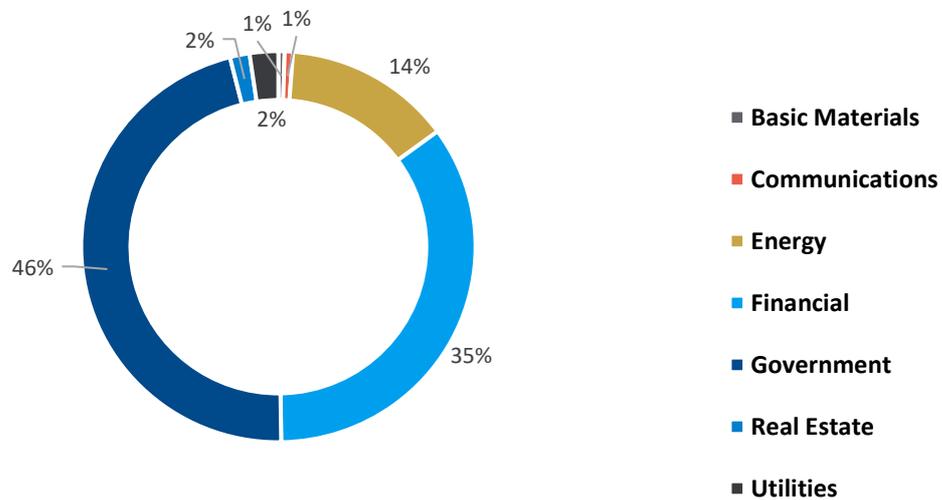
Source: Bloomberg, Markaz Analysis

The largest value of sukuk issuances for the year came from Saudi Arabian issuers, with a total value of USD 49.7 billion for the year, representing 72.0% of total Sukuk issuances in the GCC. Saudi Arabian issuers also recorded the largest conventional issuances over the year, with a total value of USD 29.8 billion, representing 37.7% of total conventional issuances.

Sector Allocation

Government issuances led the bond and sukuk issuances in 2024, with total value of USD 68.2 billion through 46 issuances, followed by the financial sector with USD 51.3 billion through 203 issuances. This is an increase in both the size and the number of issuances for both the sectors when compared to 2023. The energy sector follows with USD 20.3 billion through 28 issuances, with the remaining sectors together representing a small portion of total issuance (5.51%).

GCC Primary Bonds and Sukuk Issuances - 2024
Primary Issuances: Sector Breakdown by Value



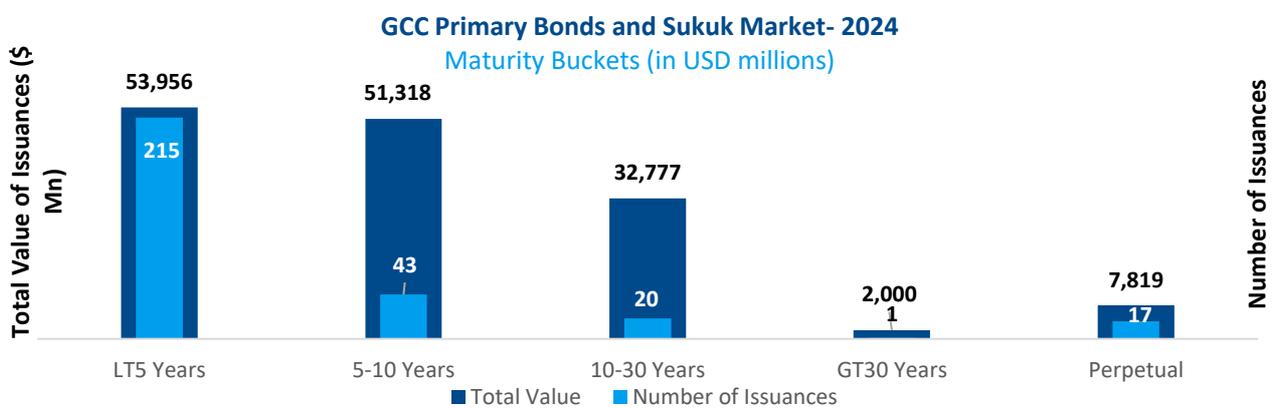
Source: Bloomberg, Markaz Analysis

Maturity Profile

In 2024, primary issuances with less than (“LT”) 5-year tenors represented 36.5% of total issuances for the year with a total value of USD 54.0 billion through 215 issuances, a significant increase from the previous year (2023: USD 29.5 billion through 147 issuances)

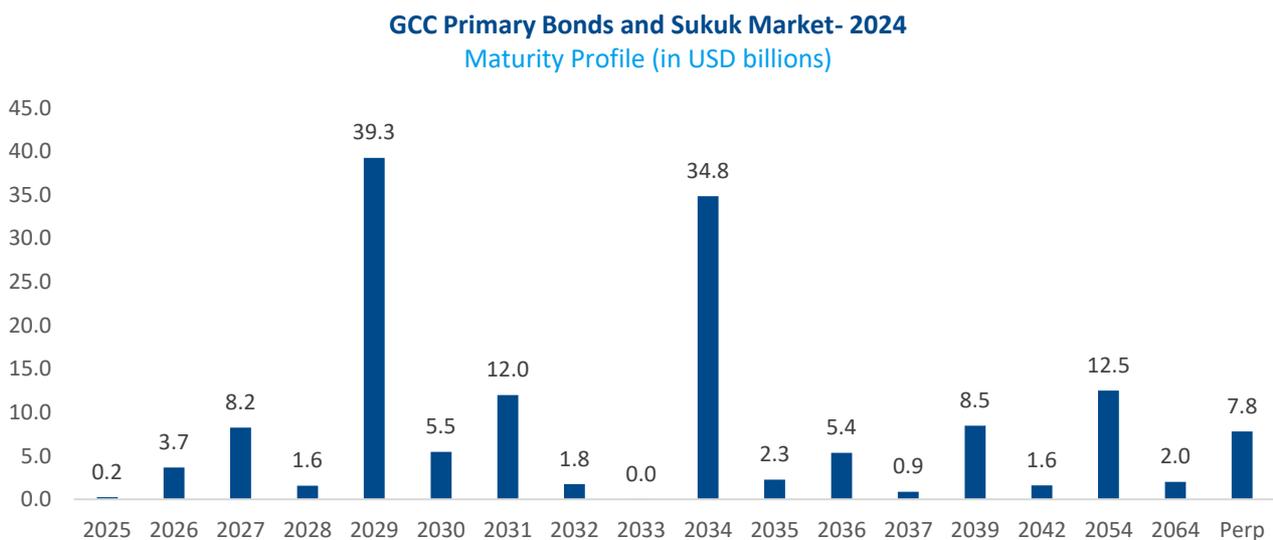
Primary issuances with 5–10-year tenors came in second, representing 34.7% of total issuances for the year with a total value of USD 51.3 billion through 43 issuances, an increase from the previous year (2023: USD 45.5 billion through 52 issuances). Issuances of 10-30-year tenors followed, raising a total of USD 32.8 billion through 20 issuances, an increase from the year before (2023: USD 16.1 billion through 14 issuances).

During the year, one issuance came in with a maturity greater than (“GT”) 30 years, with a value of USD 2 billion, compared to no issuances in that maturity bucket for 2023. Finally, perpetual issuances saw an increase in both the size and number of issuances when compared to 2023, with a total value of USD 7.8 billion through 17 issuances (2023: USD 4.2 billion through 11 issuances).



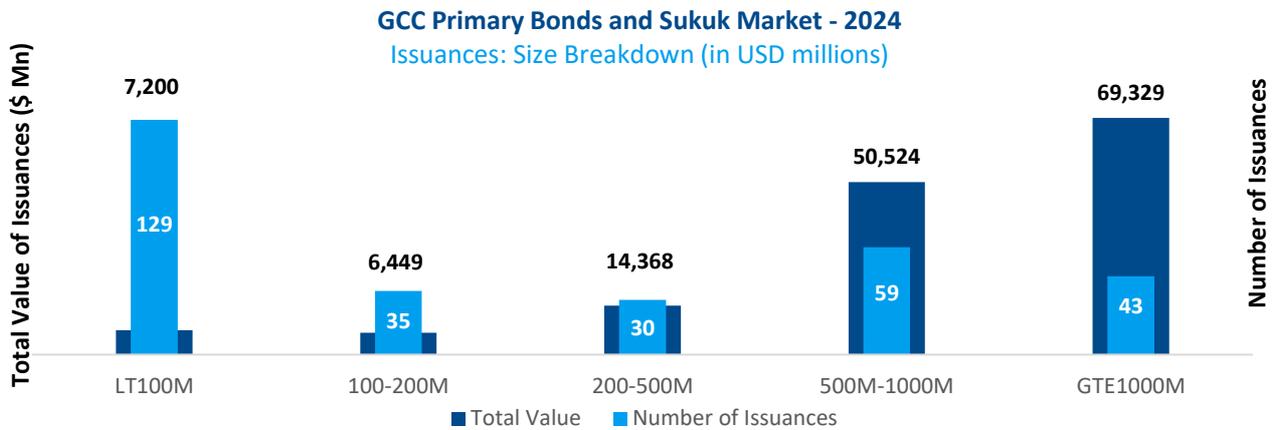
Source: Bloomberg, Markaz Analysis

Looking at the maturity schedule below, we see a large concentration of maturities between the years of 2029 and 2034, with USD 93.3 billion worth of bonds maturing in that period.



Source: Bloomberg, Markaz Analysis

Issue Size Profile

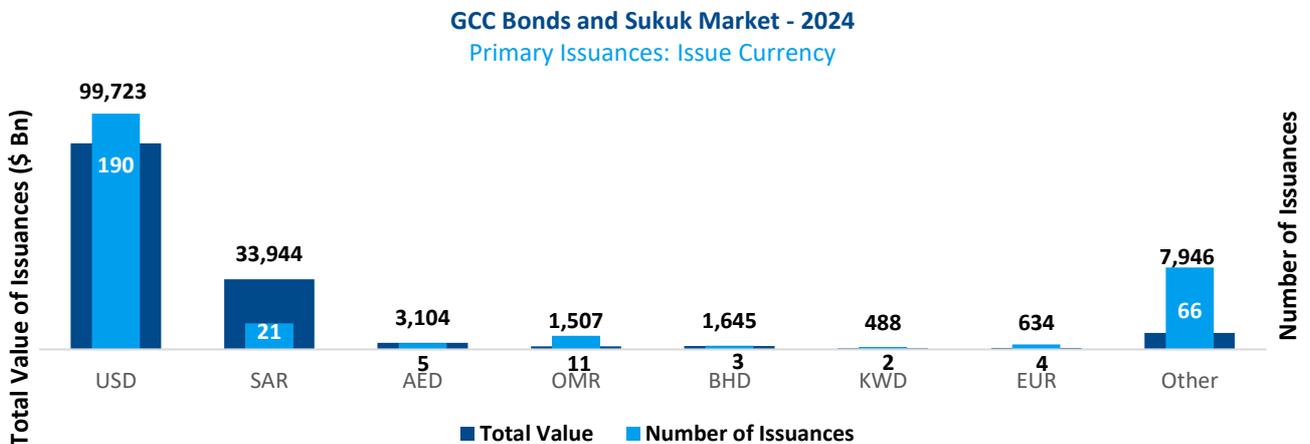


Source: Bloomberg, Markaz Analysis

During 2024, GCC primary issuances ranged in size from USD 4.0 million to USD 12.6 billion. Issuances with issue size of USD 1 billion or greater raised the largest amount, totaling USD 69.3 billion through 43 issuances and representing 46.9% of the total amount issued in the GCC. Issuances sized between USD 500 million and USD 1 billion followed, with a total issuance size of USD 50.5 billion through 59 issuances.

The highest number of issuances was under USD 100 million issue size, where there were 129 issuances that raised a total amount of USD 7.2 billion during 2024.

Currency Profile



Source: Bloomberg, Markaz Analysis

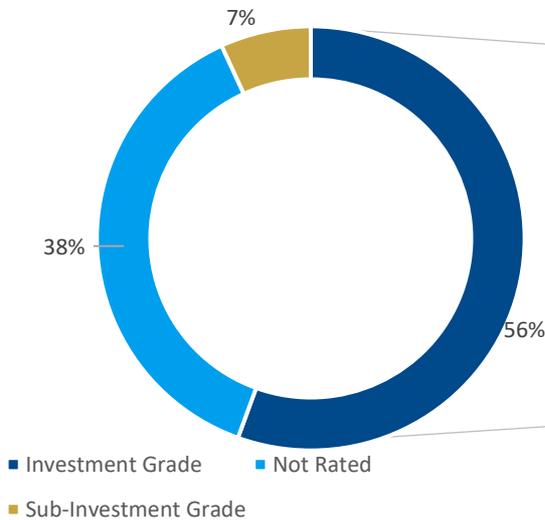
US Dollar-denominated issuances led the GCC Bonds and Sukuk primary market in 2024, raising a total of USD 99.7 billion through 190 issuances, representing a substantial 66.9% of the total value raised in primary issuances during the year. The second largest issue currency was the Saudi Riyal (SAR), where SAR denominated issuances raised a total of USD 33.9 billion through 21 issuances, representing 23.0% of the total value raised during the year.

As for currencies bucketed under “Other” which totaled USD 8.0 billion, the Chinese Yuan represented 0.53% of total issuances with a total value of USD 787 million through 19 issuances.

Credit Rating

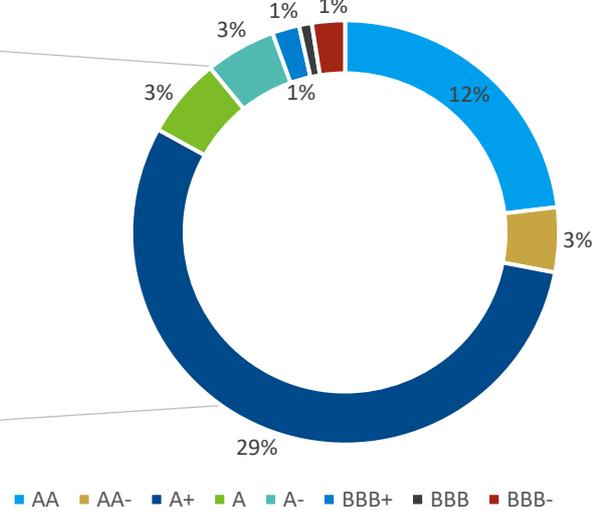
GCC Primary Bonds and Sukuk Market – 2024

Issuances: Credit Rating



GCC Bonds and Sukuk Primary Market – 2024

Investment-Grade Issuances



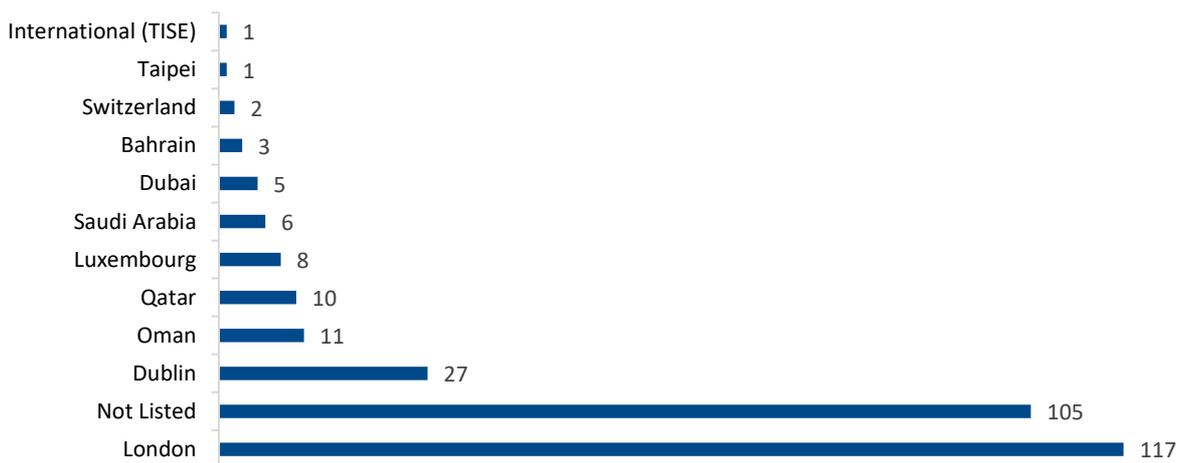
Source: Bloomberg, Markaz Analysis

In terms of value, a total of 62.4% of GCC Conventional and Sukuk bonds were rated in 2024 by at least one of the following rating agencies: Standard & Poor’s, Moody’s, Fitch and Capital Intelligence, a decrease from 2023 (69.1%). Issuances rated within the Investment Grade accounted for 55.5% of the total issuances during the year, while Sub-Investment Grade accounted for 6.8% of rated bonds.

Listing Exchange

GCC Primary Bonds and Sukuk Market - 2024

Listing Exchange



Source: Bloomberg, Markaz Analysis

London was the most preferred listing exchange during 2024 with listed value of GCC primary issuances, totaling USD 85 billion through 117 issuances. Dublin was the second most popular exchange market for GCC primary issuances in 2024, with 27 different issuances, with a total value of USD 6.2 billion.

Fixed Income Indices:

GCC indices were one of the worst performing indices over the year when compared to the others, mainly due to geopolitical tensions in the region. The indices returned a modest 1.43% for the Bloomberg GCC index, and 1.36% for the S&P Mena Bond and Sukuk Index. The only indices that performed worse were the S&P US Treasury Index (1.24%) and the FTSE World Government Bond Index (2.87%).

Index Name	Q1	Q2	Q3	Q4	2024
Bloomberg Global Agg	0.01%	0.12%	4.24%	-0.95%	3.40%
Bloomberg EMD	1.53%	0.68%	5.82%	-1.47%	6.58%
Bloomberg GCC	-0.79%	0.66%	4.95%	-3.22%	1.43%
FTSE WGBI	-2.42%	-1.58%	6.95%	-5.44%	-2.87%
S&P U.S. Treasury Bond Index	-0.71%	0.34%	4.32%	-2.58%	1.24%
S&P MENA Bond and Sukuk Index	-0.76%	0.52%	5.02%	-3.24%	1.36%

Source: Bloomberg, Markaz Analysis

The best performing index over the year was the Bloomberg EMD index, which tracks the performance of Emerging Market Debt, returning 6.58% over the year. This return was mainly driven by improving local currency returns, the higher yielding nature of Emerging Market Debt, and a relatively shorter duration than developed markets indices.

The Bloomberg Global Agg index had the second-best return, benefitting from currency appreciation, with 25 of 27 currencies in the index recording positive returns in 2024. Lower corporate bond spreads also drove returns higher for the Global Agg, with investment grade and high yield spreads at historic lows.

As for the Bloomberg GCC index, its modest returns were mainly due to geopolitical tensions in the region over the year, negatively impacting investor sentiment towards the region. Oil price volatility in 2024 also kept returns muted, with flat oil prices leading to wider budget deficits, affecting overall market stability.

Credit Default Swaps (CDS)

During 2024, the 5-Year sovereign CDS spreads for GCC countries experienced mixed performance, where Abu Dhabi, Dubai, Qatar, Oman, and Bahrain narrowed by 0.02%, 6.07%, 8.39%, 18.11%, and 11.70% respectively. On the other hand, Saudi Arabia CDs widened by 18.10% from 20.66 to 62.19.

The Emirate of Abu Dhabi and Qatar continue to maintain the highest sovereign credit ratings among peers in the GCC region, followed by Kuwait and Saudi Arabia.

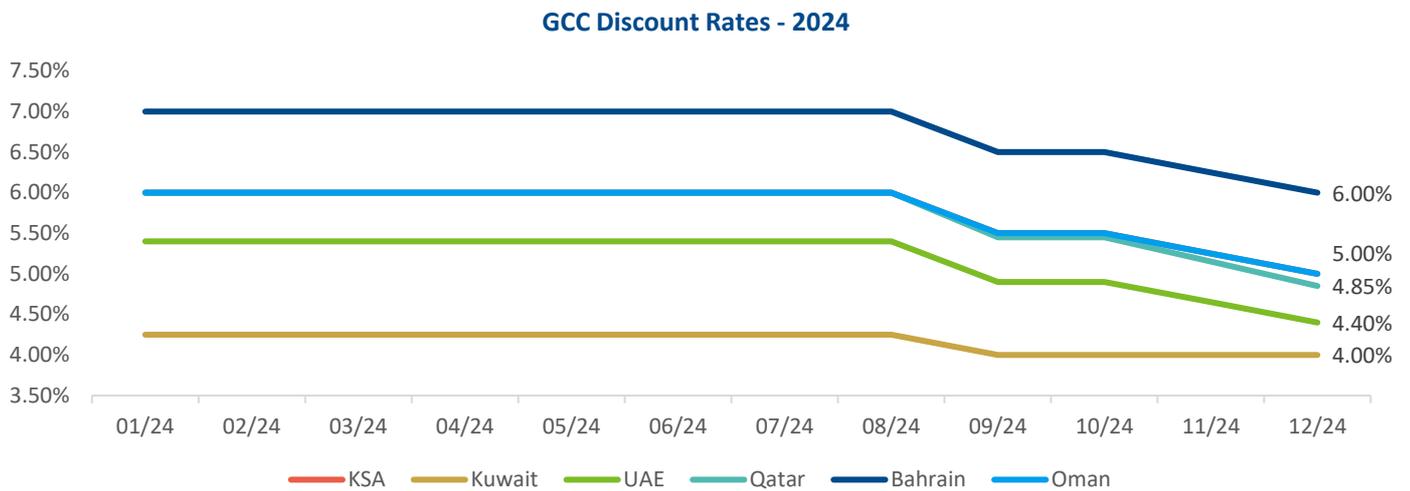
GCC 5Y Sovereign CDS Spread and Credit Rating – 2024

Country	31/12/2023	30/09/2024	31/12/2024	QTD % Change	YoY % Change	Sovereign Credit Ratings		
	CDS (Bps)	CDS (Bps)	CDS (Bps)			S&P	Moody's	Fitch
Abu Dhabi	41.62	41.15	41.61	1.12%	-0.02%	AA	Aa2	AA
Qatar	45.05	41.47	41.27	-0.48%	-8.39%	AA	Aa2	AA
Kuwait	45.53	67.52	64.41	-4.61%	41.46%	A+	A1	AA-
Saudi Arabia	52.66	62.30	62.19	-0.18%	18.10%	Au	A1	A+
Oman	116.94	100.40	95.76	-4.62%	-18.11%	BB+	Ba1	BB+
Bahrain	205.24	183.10	181.22	-1.03%	-11.70%	B+	B2	B+
Dubai	63.23	60.61	59.39	-2.01%	-6.07%	-	-	-

Source: Bloomberg, Markaz Analysis

Central Bank Discount Rates

Following the US Fed cut rates by 25 bps consecutively during its November and December meetings, ending the year with a Fed fund rate of 4.25%-4.50%, GCC central banks, excluding Kuwait, followed the exact rate cutting cycle as the Fed, given their currency peg to the dollar. Coincidentally, the central bank discount rates for both Saudi Arabia and Oman exactly match each other. The Central Bank of Kuwait only cut rates once during the year, lowering the target from 4.25% to 4.00%, the lowest discount rate in the Gulf.



Source: Bloomberg, Markaz Analysis

Appendix 1: Key GCC Sovereign and Corporate Bonds and Sukuk Issuances in 2024

Type	Issuer	Security Description	Country	Issue Date	Maturity Date	Issue Size (US\$ mn)	Coupon Rate	Sector	Rating
Sukuk	Kingdom of Saudi Arabia	KSASUK 4.94 01/18/34	Saudi Arabia	18/01/2024	18/01/2034	12,571	4.94%	Government	-/-/-
Sukuk	Kingdom of Saudi Arabia	KSASUK 5.4 04/25/31	Saudi Arabia	25/04/2024	25/04/2031	5,849	5.40%	Government	-/-/-
Sukuk	Kingdom of Saudi Arabia	KSASUK Float 05/27/39	Saudi Arabia	27/05/2024	27/05/2039	5,024	6.20%	Government	-/-/-
Conventional	Kingdom of Saudi Arabia	KSA 5 3/4 01/16/54	Saudi Arabia	16/01/2024	16/01/2054	4,750	5.75%	Government	-/A1/A+
Conventional	Kingdom of Saudi Arabia	KSA 5 01/16/34	Saudi Arabia	16/01/2024	16/01/2034	4,000	5.00%	Government	-/A1/A+
Conventional	Emirate of Abu Dhabi	ADGB 4 7/8 04/30/29	UAE	30/04/2024	30/04/2029	1,750	4.88%	Government	AA/-/AA
Conventional	Emirate of Abu Dhabi	ADGB 5 1/2 04/30/54	UAE	30/04/2024	30/04/2054	1,750	5.50%	Government	AA/-/AA
Conventional	Emirate of Abu Dhabi	ADGB 5 04/30/34	UAE	30/04/2024	30/04/2034	1,500	5.00%	Government	AA/-/AA
Conventional	State of Qatar	QATAR 4 3/4 05/29/34	Qatar	29/05/2024	29/05/2034	1,500	4.75%	Government	AA/Aa2/AA
Conventional	State of Qatar	QATGB 4 1/2 01/16/29	Qatar	16/01/2024	16/01/2029	1,336	4.50%	Government	-/-/-
Conventional	Qatar National Bank QPSC	QNBK 4 7/8 01/30/29	Qatar	30/01/2024	30/01/2029	1,000	4.88%	Financial	A+/Aa3/A
Sukuk	Kuwait Finance House	KFHKK 5.011 01/17/29	Kuwait	17/01/2024	17/01/2029	1,000	5.01%	Financial	-/-/A
Sukuk	EQUATE Petrochemical Co KSC	EQPCKW 5 09/05/31	Kuwait	05/09/2024	05/09/2031	750	5.00%	Basic Materials	BBB/Baa2/-
Sukuk	Warba Bank KSCP	WARBAB 5.351 07/10/29	Kuwait	10/07/2024	10/07/2029	500	5.35%	Financial	-/-/A
Conventional	National Bank of Kuwait SAKP	NTBK 5 1/2 06/06/30	Kuwait	06/06/2024	06/06/2030	500	0.055	Financial	-/A1/A+
Sukuk	Kingdom of Bahrain	BHRAIN 5 7/8 06/05/32	Bahrain	05/12/2024	05/06/2032	1,250	5.88%	Government	-/-/B+
Conventional	Kingdom of Bahrain	BHRAIN 7 1/2 02/12/36	Bahrain	12/02/2024	12/02/2036	1,000	7.50%	Government	B+/-/B+
Sukuk	Kingdom of Bahrain	BHRAIN 6 02/12/31	Bahrain	12/02/2024	12/02/2031	1,000	6.00%	Government	B+/-/B+
Sukuk	Mazoon Asset Co	MAZOOON 5 1/4 10/09/31	Oman	09/10/2024	09/10/2031	750	5.25%	Utilities	-/Ba1/BB+

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