

GCC Fixed Income Quarterly

Q3-2026

Higher rates slow Q3 issuances, but 2026 stays on record pace...

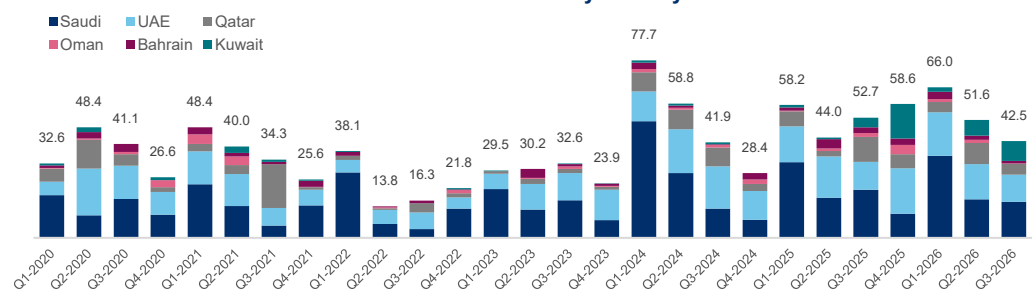
Global fixed income markets had a record nine months, with issuance of USD 10.7 trillion, up 9% y-o-y and the strongest opening period since LSEG's records began in 1980. However, issuances during Q3-2026 declined by 17% from a record second quarter as sticky inflation, oil prices above USD 100/b and the war in the Middle East and between Russia and Ukraine pushed global central banks back toward tightening. The ECB and the Bank of Japan both raised rates in September-2026, and the US Fed delivered its first hike since 2023. US benchmark yields rose quickly, with the 10-year US Treasury climbing 53.6 bps in September alone to 5.287%.

Investment grade corporate debt carried the market, reaching a record USD 5.2 trillion as technology companies borrowed heavily to fund AI infrastructure and large M&A deals came to market. Investor interest remained strong but demanded higher yield, particularly on long-dated and AI-related paper. High yield issuance rose to a five-year high of USD 399.8 Bn, and green bonds climbed 26% to a record USD 494.4 Bn. International bond offerings reached a record USD 5.3 trillion. On the other hand, emerging markets were weaker, with corporate issuance down 6% to USD 361.5 Bn, with Saudi Arabia, India, Malaysia and Brazil together accounted for 46% of that total.

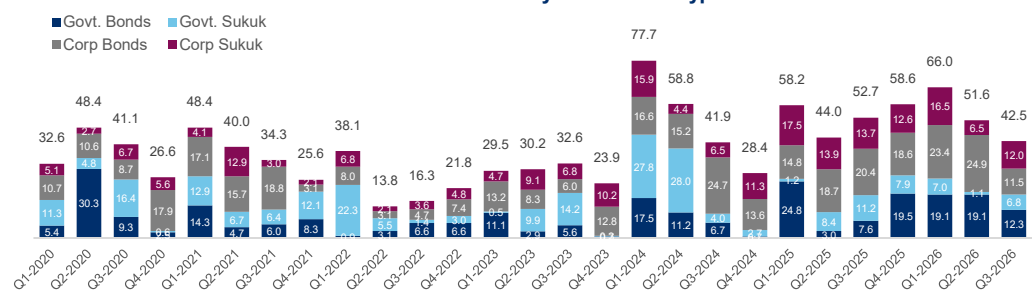
GCC bond and sukuk issuance fell 17.5% q-o-q to USD 42.5 Bn in Q3-2026, almost exactly in line with the global slowdown and 19.4% below a year earlier. Issuances in July-2026 was elevated at USD 18.5 Bn, helped by Kuwait's USD 6 Bn sovereign bond. August-2026 witnessed a drop to USD 7.3 Bn as the summer lull met renewed fighting, and September-2026 recovered to USD 16.7 Bn. Issuance for 9M-2026 reached USD 160.0 Bn, up 3.3% y-o-y. Corporates accounted for most of the decline, while sukuk made a strong comeback, rising to 44% of quarterly volume from 15% in Q2-2026. Saudi Arabia led with USD 15.7 Bn, all in sukuk, followed by the UAE at USD 12.0 Bn and Kuwait at USD 8.7 Bn.

Demand for Gulf paper remained strong. Kuwait, Saudi Arabia and Qatar all priced sovereign deals with order books two to five times their size, and Qatar was able to tighten pricing by 30 bps on its first international bond of the year. Coupons rose with global rates and with 3-month SAIBOR, which jumped 70.5 bps in September, and Saudi banks paid 6.30% to 6.50% on new AT1 sukuk. Regional bond indices posted losses in Q3-2026 with the MENA Bond index down by 4.5%, the biggest in 16 quarters while the MENA Sukuk index was down by 2.2%, also the biggest decline since Q3-2022. Even so, the GCC USD credit spread ended the quarter at just 88 bps, about half the EM average of 170 bps. Investors were reacting to higher rates rather than to concerns about Gulf credit quality.

GCC Fixed Income Issuances by Country - USD Bn



GCC Fixed Income Issuances by Instrument Type - USD Bn



Sources : OPEC, EIA, Bloomberg

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Global overview

Global bond markets had their busiest nine months on record despite a difficult Q3-2026. According to data from LSEG, total fixed income market issuance reached USD 10.7 trillion in the first nine months of 2026. That is 9% more than a year earlier and the strongest opening period since LSEG's records began in 1980. However, number of deals declined as just under 28,000 offerings came to market, 4% fewer than in 9M-2025 and the lowest in two years, indicating the money was raised through fewer and larger transactions. Issuances during Q3-2026 declined by 17% q-o-q, although that comparison is with the largest quarter LSEG has ever recorded. The decline reflected higher borrowing costs as interest rates remained at decades high levels.

The macro backdrop also explained most of the slowdown. Inflation proved sticky, oil swung sharply, and the US-Iran conflict passed the seven-month mark, with Brent crude closing at USD 102.6/b at the end of September-2026. Energy-driven inflation pushed the major central banks into tightening. The ECB raised rates in September-2026 for the second time since the war began, taking its main refinancing rate to 2.65% and its deposit rate to 2.5%. The Bank of Japan lifted its policy rate to 1.25%, a 31-year high. The US Federal Reserve, after holding steady for most of the year, delivered its first increase since 2023, moving the federal funds target range to 3.75% to 4.00%. As a result, benchmark yields rose quickly as the 10-year US Treasury gained 53.6 bps in September-2026 alone to end the month at 5.287%, and the 30-year yield hit its highest level in 20 years in August.

Investment grade corporate debt accounted for the largest share of global volume, as per LSEG. Issuance reached a record high of USD 5.2 trillion in 9M-2026, up 14%. It was the third quarter in a row above USD 1.5 trillion, even though Q3 volume was 14% lower than Q2. Spending on artificial intelligence remained the largest single source of new papers in the market. US investment grade sales reached USD 145.2 Bn in August, beating the 2020 monthly record and setting a new high for the third month running. Alphabet, Amazon, Meta, Microsoft and Oracle had issued roughly USD 220 Bn of bonds in 2026 through August. Although investors kept buying, they became pickier on price. And, as a result, Amazon had to add 18 to 21 bps of extra yield on its longest bonds to place a USD 25 Bn sale in July. By September, spreads on AI-related issuers were around 115 bps, against about 78 bps for the wider investment grade market. Cover ratios on hyperscaler deals had dropped from about five times in February to about two times in July. By sector, LSEG reported that issuance from Retail and from Media & Entertainment more than doubled y-o-y during 9M-2026, and Technology posted strong double-digit growth. On the other hand, issuances in Consumer Staples declined by 41% and Materials declined by 20% vs. 9M-2025. Issuances from Financials and Government & Agency issuers made up three-quarters of all issuance, but declined slightly y-o-y during 9M-2026.

GCC issuances

The fixed income market in the GCC followed the global pattern very closely. Bond and sukuk issuance with tenors above one year fell to USD 42.5 Bn in Q3-2026, as per data from Bloomberg, down 17.5% from Q2-2026 and 19.4% from Q3-2025. That was the lowest quarterly total in our data since the start of 2025. Issuances during July-2026 was high at USD 18.5 Bn, largely thanks to Kuwait. August-2026 witnessed a drop in issuances to USD 7.3 Bn as the usual summer slowdown coincided with renewed fighting in the region and rising Treasury yields. Issuers came back in September-2026 with USD 16.7 Bn of new paper. For 9M-2026, GCC issuances reached USD 160.0 Bn, 3.3% above 9M-2025, but well behind the global market's 9% growth.

Corporate issuances witnessed the biggest decline during Q3-2026, falling 25% q-o-q to USD 23.4 Bn, while government issuance slipped 6% to USD 19.0 Bn. Sukuk saw strong demand with issuances rising about 2.5 times q-o-q to USD 18.8 Bn, made up of USD 6.7 Bn of government sukuk and USD 12.0 Bn of corporate sukuk. That lifted sukuk's share of the quarter to 44% from 15% in Q2-2026. Gulf borrowers returned to the sukuk market after a period of conflict-driven volatility had pushed some issuers toward conventional bonds. At the country level, Saudi Arabia led with USD 15.7 Bn in issuances, all of it in sukuk. Followed by the UAE at USD 12.0 Bn, almost entirely from corporates. Kuwait was the only major market to grow, raising USD 8.7 Bn pushing the 9M-2026 issuances by the country to USD 17.5 Bn, against USD 6.0 Bn a year earlier. Issuances by Qatar stood at USD 4.7 Bn, Bahrain at USD 1.0 Bn and Oman at USD 0.3 Bn.

Country-specific highlights included:

- Kuwait sold USD 6 Bn of 3-, 5- and 10-year bonds in July at spreads of 70, 75 and 85 bps over Treasuries, with the order book topping USD 18 Bn.
- Saudi Arabia raised USD 3.25 Bn of 5- and 10-year Ijarah sukuk in early September on a USD 16.5 Bn order book, pricing at 70 and 80 bps over Treasuries.
- Qatar sold its first international bond of the year in late September. The USD 3 Bn dual-tranche conventional deal priced at 55 and 65 bps over Treasuries after peak orders of USD 7.7 Bn allowed a 30 bps tightening.

Pricing of GCC bonds moved in line with global rates as spreads stayed tight, but coupons rose. Kuwait's new 10-year pays 5.509%, compared with 4.652% on its October-2025 10-year issuance. Saudi Arabia's 10-year sukuk priced at 5.60%, against 4.875% on its January 10-year bond. In terms of interest rate actions, Gulf central banks matched the Fed, with SAMA raising its repo rate to 4.50% and the CBUAE lifting its base rate to 3.90%.

In terms of benchmark performance, the MENA Bonds & Sukuk index fell 3.8% in Q3-2026 reflecting 4.4% fall in the MENA Bonds index and 2.2% fall in the MENA Sukuk index. The GCC Credit + HY index lost 3.8% in the quarter, taking its year-to-date decline to 3.4%, while the shorter-duration GCC sukuk index fell a smaller 2.2%. Investor appetite for good-quality Gulf credit held up, though. The GCC USD Credit OAS ended the quarter at 88 bps, only 10 bps wider in September-2026 and roughly half the EM USD Aggregate's 170 bps. The sell-off was driven by rates rather than concerns about credit.

Corporate supply was thin in July-2026 and August-2026 and picked up in September-2026, led by banks and top-tier names. Higher local funding costs were evident with the 3-month SAIBOR jumped 70.5 bps in September-2026 and 82.1 bps during Q3-2026 to 5.54%. Saudi banks including Al Rajhi, Arab National Bank, Alinma and SNB issued a string of AT1 perpetual sukuk with coupons of 6.30% to 6.50%. DP World raised about USD 1.6 Bn across two tranches: EUR 750 Mn of six-year green notes and USD 750 Mn of 10-year conventional notes. FAB and Mashreq each sold USD 500 Mn of five-year bonds. The trend indicated that strong regional issuers can still refinance and manage their balance sheets even as rates stay higher for longer. On ratings, Fitch removed Qatar from Rating Watch Negative and affirmed it at AA, but kept a negative outlook because of continued risks to LNG exports through the Strait of Hormuz.

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