



2026

THE YEAR OF  
DECOUPLING

THE EXECUTION OF VISIONS  
THAT WILL TRANSFORM THE NEW GCC

ANNUAL LETTER - 2026



aram  
CAPITAL

Knowledge | Ethics | Effort

Al Ramz Asset Management Subsidiary



# FOREWORD: THE GREAT DECOUPLING

The outlook for the year ahead is constructive and increasingly supportive. While global uncertainty remains elevated, conditions across the GCC are comparatively strong. Much of the risk facing the region appears external rather than domestic, and the moderation of U.S. recession concerns has eased pressure on regional markets. Against this backdrop, the macro environment remains broadly favorable for growth, supported by continued reform momentum and diversification progress.

At the same time, investors should be careful not to frame the GCC through outdated assumptions. One of the more consequential risks in 2026 may not be misjudging oil prices, but overestimating the extent to which oil still explains market behavior.

This is not a call to discount hydrocarbons. Energy remains strategically important. However, the structure of the regional economy is evolving. The GCC is increasingly influenced by a wider set of drivers, from capital market development and infrastructure investment to population inflows and private sector expansion. In that sense, the region is not decoupling from global cycles, but gradually moving away from its historical dependence on a single narrative.

What we are observing is a transition phase. The focus is shifting from policy announcements toward delivery and implementation. Ambition is being complemented by greater emphasis on execution, capital efficiency, and measurable outcomes. Competition is becoming less about scale of spending and more about the effectiveness with which policy is translated into economic impact.

From an investment perspective, this creates a different opportunity set. The central theme is not simply growth versus slowdown, but the rotation of liquidity within a transforming regional economy. While global markets continue to grapple with fragmentation, monetary divergence, technological disruption, and geopolitical uncertainty, the GCC's trajectory remains anchored in more tangible dynamics: infrastructure build-out, regulatory reform, expanding domestic demand, and deeper capital markets.

In this environment, broad market exposure alone may be insufficient. Incremental returns are increasingly linked to understanding regulatory frameworks, capital allocation priorities, and execution capacity, and identifying companies positioned to benefit from the intersection of these forces.

Risk management remains central to this approach. Rather than relying on a single base case, we continue to emphasize scenario analysis and stress testing to ensure portfolios remain resilient when conditions evolve differently than expected.

The GCC is not simply growing faster, it is gradually changing its economic direction. While cyclical factors will continue to matter, the more important opportunity may lie in the region's structural transformation and its ability to convert reform into durable economic outcomes.

# TO OUR INVESTORS

The year 2026 marks a pivotal “**Mid-Cycle**” moment for the Gulf’s grand economic visions. We have officially migrated from the phase of glossy renderings and strategic announcements to the era of concrete deliverables, operational realities, and the inevitable friction of execution and competition.

This transition occurs against a global backdrop defined by what we term “**The Great Fragmentation**”, a world characterized by diverging monetary policies, fractured supply chains, and the relentless ascent of Artificial Intelligence. Yet, for the GCC, the narrative for 2026 is defined by a distinct decoupling.

While the United States economy decelerates to a trend-like 2.0% growth as the lagged effects of monetary tightening finally bite, emerging markets within the GCC are accelerating, with non-oil activity driving aggregate growth forecasts of 4.5%. This decoupling is structural, not merely statistical. The robust expansion of tourism, entertainment, logistics, and manufacturing is now acting as the primary engine of economic activity, counterbalancing the drag from a hydrocarbon sector grappling with supply surpluses.

Growth, however, comes at a cost. With Brent crude forecasted to average between USD55 and USD65 per barrel in 2026, many sovereigns are operating below their fiscal breakeven prices. Saudi Arabia, for instance, projects a budget deficit of 3.3% of GDP as it maintains countercyclical spending to fuel Vision 2030. The challenge for the year ahead is financing this “**Strategic Deficit**” without crowding out private sector liquidity.

Looking ahead, our central investment thesis rests on the anticipation of a “**Liquidity Rotation**”. With the US Federal Reserve signaling a pivot to rate cuts, projected at a cumulative 75-100 basis points through 2026, the high cost of capital that dampened equity valuations is set to reverse. We expect this monetary easing to unlock billions in liquidity currently trapped in high-yield time deposits, redirecting flows back into high-dividend equities and growth sectors.

In 2026, the Alpha will be generated by pivoting from “**Oil Beta**” to “**Legislative Alpha**”, focusing on sectors driven by specific government mandates rather than crude prices.

### **IN SAUDI ARABIA**

We look to the construction super-cycle and the banks funding it.

### **IN THE UAE**

We see value in utilities and logistics players benefiting from the population boom and falling interest rates.

### **IN QATAR**

We focus on industrials preparing for the LNG export boom.

### **IN KUWAIT**

We anticipate a credit cycle driven by the new mortgage law.

### **IN OMAN**

We target the privatization pipeline and high-yield utilities supported by the sovereign's return to investment grade

We stress-test a “parallel universe” where inflation re-accelerates, the Fed stays tight (or re-tightens) and oil shocks higher, driving global multiple de-rating, but strengthening the GCC’s fiscal/liquidity floor and shifting our portfolio from “**Liquidity Rotation**” to “**Resilience Rotation**” (energy + cash-generative defensives, minimal duration/leverage).

As we navigate 2026, the region is running faster than ever, investing billions and reshaping societies to fundamentally alter its destination.

**WELCOME TO THE ARAM CAPITAL'S ANNUAL LETTER FOR THE YEAR 2026.**

# TABLE OF CONTENTS

## 01 GCC MARKET OUTLOOK

### 1. EXECUTIVE SUMMARY

8

## 02 THE GCC TOP DOWN

1. **A BIRD'S EYE VIEW:** Benign state opened by geopolitics 10
2. **GCC GEOPOLITICAL RISK PROFILE:** Structural improvement driven by de-escalation 10
3. **OIL MARKET:** Muted by gradual normalization in global supply/demand 11
4. **CURRENCY PEG:** Remains secure despite widening budget deficits 12
5. **INFLATION:** To remain subdued 13
6. **GDP GROWTH OUTLOOK:** Acceleration to ~4.5% driven by national themes 13
7. **GCC MORE COMPELLING VS. EMERGING MARKETS:** Relative strength and attractive valuations 14
8. **INTEREST RATE:** Easing and broadly limited overall impact 16
9. **GLOBAL FIXED INCOME:** USA recession risks subside 17
10. **FOREIGN ACTIVE FLOWS:** Markets to remain under-owned 27
11. **PUBLIC OFFERINGS:** Sustaining healthy momentum 29
12. **CORPORATE EARNINGS:** Mid to high single digit growth 30
13. **PROJECTS EXECUTION:** The great recalibration and shift to delivery 31

## 03 2026 GCC COUNTRY VIEWS

1. **UNITED ARAB EMIRATES:** The diversification alpha 35
2. **SAUDI ARABIA:** The construction super cycle amid softening oil prices 37
3. **QATAR:** The value and gas play 38
4. **KUWAIT:** The legislative turnaround 39
5. **OMAN:** Deleveraging and divestment dividend 40
6. **BAHRAIN:** The emerging frontier 42
7. **EGYPT:** From survival beta to earnings visibility 44

## 04 2026 GCC SECTOR VIEWS

1. **FOREIGN ACTIVE FLOWS:** Overweight financials and real estate 47
2. **BANKING:** Credit expansion, quality books and compressing NIMs 50
3. **ENERGY & PETROCHEMICALS:** Upstream resilience; downstream challenged 52
4. **MINING:** High growth and investment 53
5. **CONSUMER & RETAIL:** Consolidating for synergies 53
6. **CONSTRUCTION & MATERIALS:** the delivery trade 54
7. **REAL ESTATE:** Maturity vs Acceleration 55
8. **TELECOMS:** the digital utility in a diversification economy 55

## 05 2026 PARALLEL UNIVERSE PLAYBOOK

1. **THE OIL CRASH SCENARIO:** Flight to quality, rebalance to cash generative exposures 58
2. **GEOPOLITICAL ESCALATION:** Skip liquidation and actively de-risk 58
3. **US FEDERAL RESERVE POLICY ERROR:** Pace towards dividend exposures, retain flexibility to add beta 59

## 06 APPENDICES

1. **THEME 1:** Deleveraging of the gcc economies: 2025 is pivot, now the peak? 60
2. **THEME 2:** AI as a macro force: from infrastructure build-out to operational alpha 61
3. **THEME 3 :** Government policy support for the business environment 63
4. **THEME 4:** Population and attraction of the human capital to the region 64
5. **THEME 5:** The tale of four cities 69

## 07 DISCLAIMER

# GCC MARKET OUTLOOK

## EXECUTIVE SUMMARY

The year 2026 marks a pivotal “mid-cycle” moment for the region’s grand economic visions. We are migrating from the phase of glossy renderings and strategic announcements to the era of concrete deliverables, operational realities, and the inevitable friction of execution. Yet, this transition occurs against a global backdrop defined by what we term **“The Great Fragmentation”**—a world characterized by diverging monetary policies, fractured supply chains, and the relentless, capital-intensive ascent of AI.

The narrative for 2026 is defined by a distinct decoupling. While the IMF projects global growth to stabilize at approximately 3.1% in 2026, the composition of this growth is shifting fundamentally. The US economy is decelerating to a trend-like 2.0% as the lagged effects of monetary tightening finally bite, while emerging markets, specifically within the GCC, are accelerating, with forecasts of 4.5% aggregate growth driven by non-oil activity. This decoupling is not merely statistical; it is structural. The robust expansion of non-oil sectors—tourism, entertainment, logistics, and manufacturing—is now acting as the primary engine of economic activity, counterbalancing the drag from a hydrocarbon sector grappling with supply surpluses. However, this growth comes at a cost. The region faces a renewed **“Fiscal Reality Check.”** With Brent Crude forecasted to average between USD55 and USD65 per barrel in 2026, many sovereigns are operating below their fiscal breakeven prices. Saudi Arabia, for instance, projects a budget deficit of 3.3% of GDP as it steadfastly maintains countercyclical spending to fuel Vision 2030. The challenge for 2026 is financing this **“Strategic Deficit”** without crowding out private sector liquidity or excessively eroding the fiscal buffers.

The energy transition has entered a paradoxical phase defined by a simultaneous oil and LNG **“Supply Wave.”** Oil markets now contend with excess capacity and softening demand—driven partly by China’s economic restructuring—while LNG is entering a super-cycle, led by major capacity additions in Qatar and the US. This leaves the GCC with a bifurcated outlook: pressure on oil revenues but expanding upside in gas and low-carbon hydrogen, strengthening the region’s role as both an energy-security anchor and a transition-fuel leader. Macroeconomic risks, however, remain significant. We expect 2026 Brent at USD55–65/bbl, reflecting rising non-OPEC supply and subdued global demand. This introduces sharp fiscal differentiation: Qatar and the UAE can comfortably absorb lower prices due to low fiscal breakevens, while Saudi Arabia and Kuwait face tighter budget constraints, prompting greater reliance on strategic debt issuance and more disciplined expenditure to sustain their diversification momentum.

As the GCC economies approach the fiscal year 2026, the region stands at a defining inflection point characterized by a divergence between hydrocarbon volatility and non-oil economic acceleration. Late 2025 data paint a picture of a region in transition, where the historical correlation between Brent crude prices and equity market performance is fraying, replaced by idiosyncratic domestic drivers ranging from legislative reform in Kuwait to population growth in the UAE to giga-project execution in Saudi Arabia.

The capital markets of the region have exhibited a **“Two-Speed”** performance in 2025. Oman, UAE and Kuwait have posted robust double-digit gains, driven by localized catalysts—specifically, a real estate boom and banking reforms—while Saudi Arabia’s Tadawul and the Qatar Stock Exchange have faced liquidity headwinds and valuation compressions. Looking ahead to 2026, the central investment thesis rests on the anticipation of a **“Liquidity Rotation.”** With the US Federal Reserve signaling a pivot to rate cuts, leading to a projected cumulative reduction of 75-100 basis points through 2026, the high cost of capital that dampened equity valuations in 2023–2025 is set to reverse. This monetary easing will likely unlock liquidity currently trapped in high-yield time deposits, redirecting flows back into high-dividend yield equities and growth sectors in our view.

In 2026 alpha will be generated by identifying sectors and companies directly exposed to government-mandated non-oil growth engines. In Saudi Arabia, this means construction and materials firms feeding the giga-projects; in Kuwait, banks unlocking the retail mortgage market; in Qatar, industrials preparing for the LNG export boom; and in the UAE, utilities and logistics players benefiting from population expansion and those companies that are powering the AI boom.

Even as our base case is built around disinflation, Fed cuts and Brent at cUSD55–65, we explicitly stress-test a **“Parallel Universe”** where inflation re-accelerates, the Fed stays tight (or re-tightens), and OPEC+ drives an upside oil shock. In that stagflation mix, global risk appetite and equity multiples de-rate, but the GCC’s macro **“Floor”** improves as fiscal balances and system liquidity are surprised to the upside.

Our playbook in this scenario is a **“Resilience Rotation”**: minimize duration and leverage, maximize contracted/regulated cash flows and pricing power, and own the inflation hedge via energy—pairing cash-generative defensives with energy-linked upside to protect carry through volatility.

# THE GCC TOP DOWN

## A BIRD'S EYE VIEW

BENIGN STATE UPENDED BY GEOPOLITICS



### GEOPOLITICS

- Regional de-escalation & lower risk
- GCC diplomacy and cooperation deepen
- UAE, Saudi big beneficiaries



### OIL MARKETS

- Brent anchored near \$55–65
- Well supplied market; softer demand
- LNG / gas upside for GCC



### INTEREST RATES

- Fed cuts ~75–100 bps
- GCC mirrors via USD pegs
- Lower rates hurt NIMs, aid equity rotation



### GDP & INFLATION

- GCC growth ~4.5%, above global
- Non-oil sectors drive expansion
- Inflation low at ~2–3%



### BUDGETS & CURRENCIES

- Lower oil widens some deficits
- Strong balance sheets and SWFs cushion
- Dollar pegs and FX reserves secure



### FLOWS

- GCC still under-owned in EM
- Fed cuts move cash to equities
- Active IPO and sukuk pipeline



### EARNINGS & VALUATIONS

- Earnings growth slows but stays positive
- Valuations reasonable; some EM discount
- High dividend yields support returns

## GCC GEOPOLITICAL RISK PROFILE

STRUCTURAL IMPROVEMENT DRIVEN BY DE-ESCALATION

We expect the Gulf's geopolitical risk profile to continue its structural improvement into 2026, driven by sustained regional de-escalation, institutionalized cooperation, and an increasingly pragmatic approach adopted by GCC governments toward external relationships. Inter-GCC dynamics remain the most stable they have been in over a decade, with broadly, geopolitical cohesion now anchored in shared economic diversification programs, energy-transition strategies, and coordinated fiscal/monetary policies. Nonetheless, frictions could arise while competition to execute and deliver intensifies.

In intra-regional relations, the GCC continues to expand diplomatic normalization efforts. Saudi Arabia and the UAE have maintained their outreach with Iran, leveraging the Chinese-brokered détente of 2023, while localized security incidents in the Red Sea have been managed without escalation spilling over into the Gulf financial markets. The resumption of diplomatic channels with Turkey, full normalization with Syria, and continued multilateral engagement with Iraq, Jordan, and Egypt underpin the GCC's strategy of stabilizing its periphery. We watch that cohesion closely as it passes through the test of time and Trump's fragmented world.

From the global standpoint, tensions across US–China and Russia–Ukraine, remain elevated and could create periodic volatility in oil markets or trade routes. However, for 2026, we expect favorable regional dynamics to outweigh global geopolitical risks, particularly as Gulf economies deepen strategic partnerships with both Western and Eastern blocs while maintaining policy neutrality.

Overall, the direction of travel remains positive: a more predictable geopolitical environment, rising economic integration, and reduced inter-state frictions. Of these trends, we expect the UAE and Saudi equities to remain the key beneficiaries, given their higher foreign ownership, global investor interest, and stronger linkage between geopolitical stability and capital flows.

## OIL MARKET

### MUTED BY GRADUAL NORMALIZATION IN GLOBAL SUPPLY/DEMAND

For **2026**, we expect Brent crude to average **USD 55–65/bbl**, reflecting a gradual normalization in global supply–demand conditions, higher OPEC+ production, and a softer global GDP profile. From the Gulf's perspective, while this price band is lower than recent years, it remains broadly manageable for most GCC fiscal positions due to multi-year reforms, spending discipline, and the growing contribution of non-oil sectors. Importantly, this range is also considered sustainable for oil-importing economies, reducing demand destruction risk.

On the **demand side**, global oil consumption is expected to remain above **103–104 mbpd in 2026**, supported by aviation recovery, petrochemical feedstock requirements, and resilient emerging-market demand. However, structural efficiency gains, EV penetration, and slower OECD growth cap the upside. Demand growth remains positive but decelerating versus the sharp post-pandemic rebound.

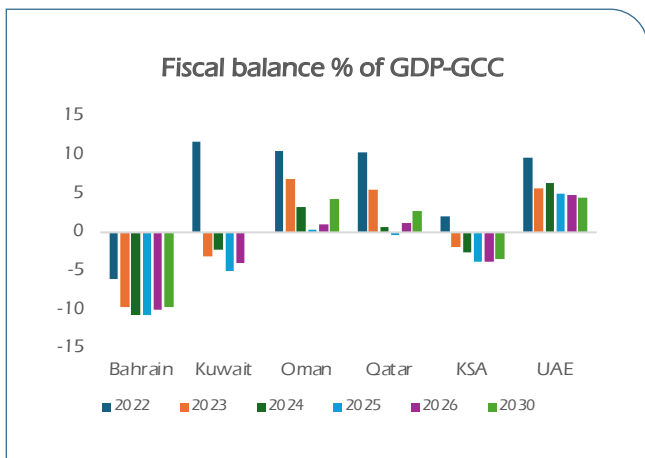
On the supply side, OPEC+ enters 2026 with a strategy centered on market stability rather than market-share expansion. While quotas are likely to remain flexible, the group is expected to manage supply closely to prevent excessive downside volatility. Non-OPEC supply—especially US shale (despite some downside revisions), Brazil, Canada, and Guyana—is expected to expand meaningfully in 2025–26, creating a more balanced market and reducing the risk of sustained price spikes. The status of Iranian supply remains a swing factor: partial reintegration into global markets and the continuation of shadow exports could add incremental barrels.

Overall, we expect 2026 to be characterized by a well-supplied but orderly oil market, with OPEC+ adjusting output to maintain price stability. While the price range is lower, GCC economies—particularly the UAE and Qatar—maintain strong buffers and diversification momentum, ensuring resilience even at USD 55–65/bbl.

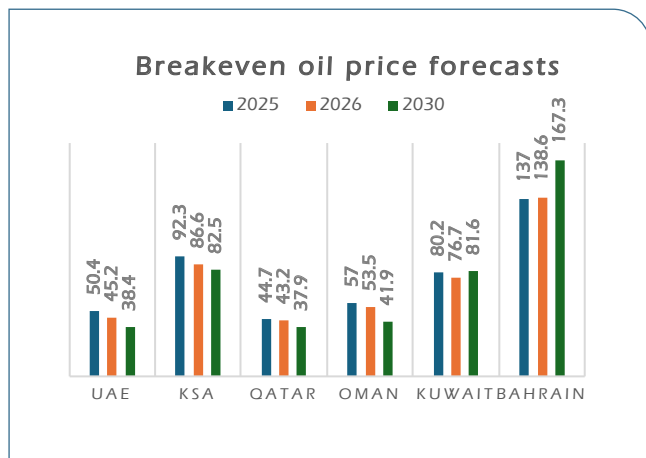
## CURRENCY PEG

REMAINS SECURE DESPITE WIDENING BUDGET DEFICITS

With our 2026 oil price outlook of USD 55–65/bbl, GCC fiscal balances are set to soften after the strong surplus years of 2022–2023. At this price level, hydrocarbon revenues fall below fiscal breakeven for Saudi Arabia, Kuwait and Bahrain, pushing their budgets back into moderate deficits, while UAE and Qatar will see narrower surpluses.



SOURCE IMF- Regional Economic Outlook



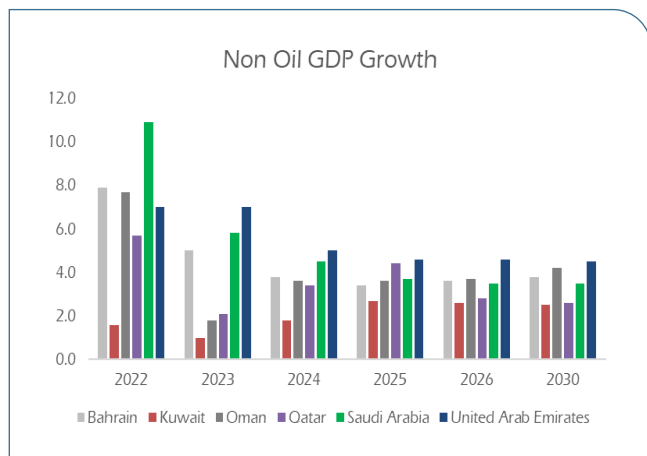
SOURCE IMF- Regional Economic Outlook

Despite this cyclical softening, the region’s fiscal foundations remain highly resilient. Balance sheets are strong, debt levels low, and sovereign wealth assets deep enough to provide counter-cyclical capacity. Governments are expected to manage this environment through a combination of calibrated debt issuance, selective expenditure rationalization, sustained non-oil revenue growth, and prudent use of sovereign fund support.

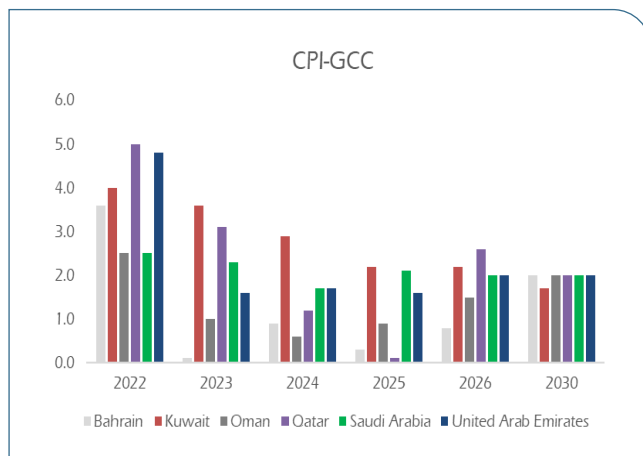
# INFLATION

TO REMAIN SUBDUED

Inflation remains contained across the region—typically 2–3%—due to imported price stability from the peg. This low-inflation backdrop supports real household incomes and helps maintain non-oil growth momentum.



SOURCE IMF- Regional Economic Outlook



SOURCE IMF- Regional Economic Outlook

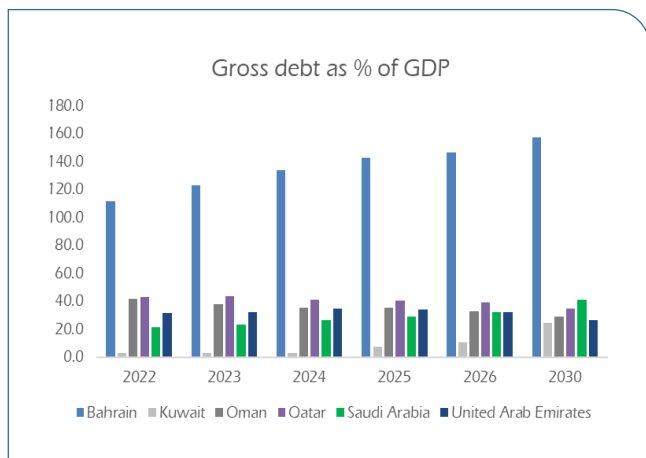
A key pillar supporting fiscal stability is the ongoing **Diversification Drive**, which continues to expand non-oil revenue streams through tourism, logistics, manufacturing, digital economy activity, and government services. These structural reforms are gradually lowering the region's fiscal dependence on oil and improving medium-term resilience.

# GDP GROWTH OUTLOOK

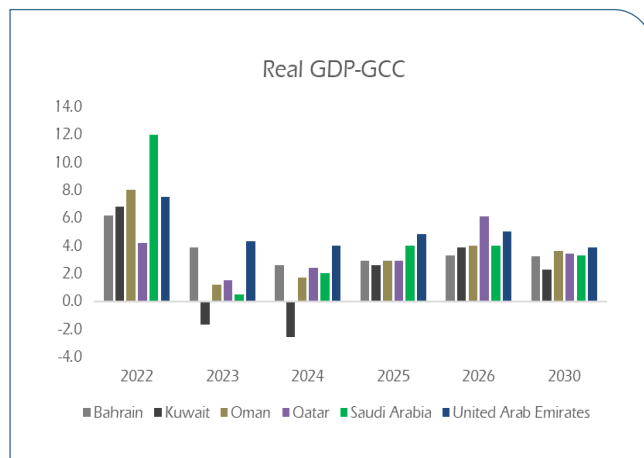
ACCELERATION TO ~4.5% DRIVEN BY NATIONAL THEMES

The GCC enters 2026 on a firm footing, with 2025 marking a pivotal transition where region-wide growth rebounds to a 3.5–4% range driven by services, tourism, and construction. The UAE leads this recovery with projected growth of 4.8%, followed by Saudi Arabia at 3.8% and Bahrain at 3.5%, while Kuwait exits contraction to reach 2.7%. Structurally, the non-oil economy now accounts for over 70% of GDP in the UAE and 80% in Bahrain, reinforcing resilience against supply constraints, though a **“Fiscal Gap”** persists as non-oil sources still contribute less than 20% of government revenues across the bloc.

Looking ahead, 2026 defines a **“Great Decoupling”** where aggregate growth accelerates to 4.5% despite a muted oil price forecast of USD 55–65 per barrel. This expansion is driven by distinct national themes: Saudi Arabia enters the **“Peak Execution”** phase of its construction super-cycle, the UAE targets 5.6% non-oil GDP growth fueled by population expansion, and Kuwait anticipates a credit revival unlocked by its new mortgage law. Additionally, Oman projects non-oil growth of 3.7–4.0% as it capitalizes on its return to investment-grade status, while Qatar prepares for a GDP re-rating ahead of its massive LNG export boom.



SOURCE IMF- Regional Economic Outlook



SOURCE IMF- Regional Economic Outlook

## GCC MORE COMPELLING VS. EMERGING MARKETS

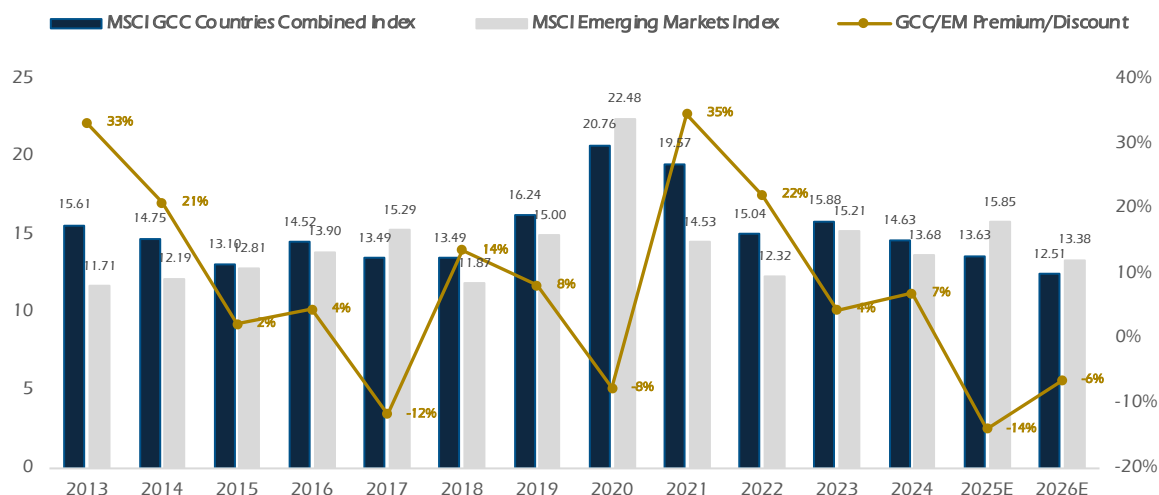
### RELATIVE STRENGTH AND ATTRACTIVE VALUATIONS

Since the Global Financial Crisis, emerging markets have consistently underperformed the S&P 500, a trend that widened during the AI-driven U.S. equity rally of 2023–24. This divergence was fueled by exceptional earnings from U.S. mega-cap technology stocks, prolonged periods of dollar strength, weak performance in Chinese equities, and compressed valuations across non-tech EM segments. However, 2025 marked a turning point. Emerging markets began outperforming U.S. equities, supported by a weaker dollar, constructive commodity prices, historically low valuations, and sharp recoveries in North Asia semiconductors and China-focused ETFs, which gained over 30% in 2025. Despite this rebound, EM’s cumulative return relative to the S&P 500 since the early 2000s remains negative, leaving significant room for mean reversion if global market leadership broadens beyond U.S. large-cap technology.

Meanwhile, GCC valuations—which historically traded at a premium to EM due to stronger fundamentals—have compressed and flipped into a discount, reflecting softer oil prices, uncertainty around mega-project execution, and heavy IPO supply during 2024–25.

Looking ahead to 2026, emerging markets are expected to maintain their relative strength, driven by attractive valuations—over 30% below developed markets and more than 40% below U.S. equities—and stronger earnings leverage to global growth. A projected Federal Reserve easing cycle should further support EM currencies, capital flows, and equity performance. Within EM, the GCC is positioned to regain part of its historical premium as oil prices stabilize, non-oil growth accelerates under structural reform programs, and deeper capital markets attract global investors. These dynamics, combined with robust fiscal buffers and high dividend yields, make the GCC a compelling segment within EM for both growth and income-focused strategies. Softer oil prices and uncertainty around mega-project execution—particularly in Saudi Arabia—have weighed on earnings expectations. At the same time, the rebound in North Asia technology, led by Korea and Taiwan semiconductors, has lifted the broader EM index. GCC participation remains limited, with its weight in EM at only about 6–7%, while heavy IPO supply and a multi-year listing cycle in Saudi Arabia and the UAE have contributed to valuation cooling following the post-euphoria phase.

### The GCC's premium over EM have compressed to the historical lows



SOURCE Bloomberg

Over the next 12–24 months, emerging markets are expected to outperform developed markets, driven by significantly lower valuations—over 30% below developed markets and more than 40% below U.S. equities—combined with stronger earnings leverage to global growth. This outlook is further supported by an anticipated Federal Reserve easing cycle, which historically benefits EM currencies, capital flows, and equities. If market leadership shifts from U.S. mega-cap technology to a broader global growth cycle, emerging markets stand to gain the most. Within EM, the GCC stands out as a high-quality, high-yield segment, supported by lower earnings volatility, stronger returns on equity, robust fiscal anchors, deep sovereign wealth buffers, and compelling dividend profiles.

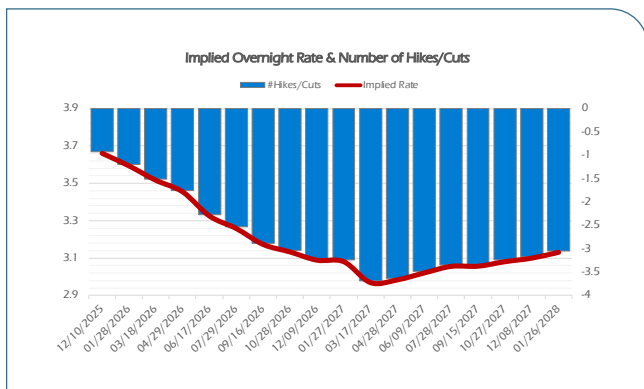
# INTEREST RATE

## EASING AND BROADLY LIMITED OVERALL IMPACT

By 2026, the global battle against the post-pandemic inflation surge has largely been won, but the peace is fragile. Inflation in advanced economies is expected to converge closer to target levels, though the “last mile” to 2% has proven stubborn, particularly in the US where services inflation remains sticky and above target.

By 2026, global monetary policy is no longer synchronised. The Fed and Bank of England are expected to deliver shallow easing cycles as growth and labour markets cool, while the ECB and SNB largely sit on their hands with inflation near target. Japan is the only major economy still normalising upwards, with the BoJ projected to lift its policy rate toward 1% by end-2026. For the GCC, dollar pegs imply broad alignment with the Fed’s cuts, but lower domestic inflation means real policy rates will be structurally more supportive, reinforcing the region’s positive non-oil growth differential versus developed markets.

For 2026, we expect the Federal Reserve to cut rates by 75–100 bps to the mid-3% range by the end of 2026, a shift driven by easing inflationary pressures, slower global growth, and the need to stabilize credit conditions. GCC central banks—given the USD peg—are likely to follow these cuts almost fully. Unlike the rising-rate environment of 2022, the 2026 rate cycle presents a headwind for GCC banks, which are structurally asset-sensitive and typically experience NIM compression when benchmark rates fall.



SOURCE Bloomberg

Lower rates reduce the cost of equity, but the earnings impact dominates, leading to a generally softer outlook for bank valuations. Real interest rates may remain mildly negative, but this provides limited offset to the structural NIM pressure.

A reduction in SAIBOR/EIBOR rates will lower borrowing costs for leverage-heavy sectors like real estate developers and petrochemical producers, directly boosting net margins. As the yield on cash deposits falls below 4%, the dividend yields of GCC equities—averaging 3.3% in Saudi Arabia and over 5% in specific UAE and Qatari sectors—will become increasingly attractive, driving a rotation of capital back into stocks.

# GLOBAL FIXED INCOME

## USA RECESSION RISKS SUBSIDE

2025 will be remembered as a year dominated by Trump's tariffs, aggressive fiscal expansion in developed economies, and heightened political uncertainty. Despite the apparent disorder, macroeconomic data remained resilient, with inflation proving sticky. Global financial markets experienced significant volatility yet managed to reach all-time highs. Valuations became increasingly stretched across most asset classes, while term premia across developed sovereign yield curves rose notably.

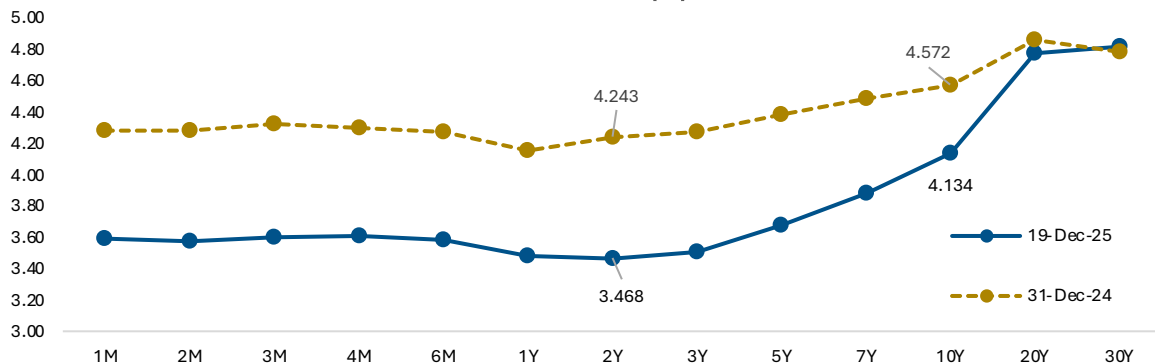
Against this backdrop, and despite sustained political pressure, the U.S. Federal Reserve maintained a hawkish stance, keeping policy rates unchanged. However, this posture shifted following the release of August payroll data, which revealed a sharp slowdown in hiring alongside substantial downward revisions to June and July figures—marking a clear turning point in the market narrative.

The Federal Reserve not only flinched but also commenced a USD 40 billion quantitative easing program. While markets had anticipated an end to quantitative tightening—given the extreme volatility in SOFR rates and the rapid depletion of the Reverse Repo Facility—balance-sheet expansion was largely unexpected.

Following this shift, the U.S. yield curve bull-steepened, while the MOVE Index (U.S. Treasury volatility) declined to its lowest level in four years. Longer-dated yields remain higher than levels observed prior to the Federal Reserve's rate-cut cycle in 2025; however, the entire yield curve now trades below its end-2024 levels.

Looking ahead, we expect one to two additional rate cuts in 2026. The U.S. economy is likely to continue expanding, albeit at a slower pace, supported by ongoing fiscal stimulus. Inflation is gradually moderating, driven by easing housing costs, slower growth in average hourly earnings, stable to lower energy prices, and the fading impact of tariffs. Moreover, there is a meaningful probability that a significant portion of Trump-era tariffs could be overturned by the Supreme Court. Meanwhile, labour-market conditions are weakening, with unemployment at its highest level since the COVID-19 period. Finally, markets are increasingly factoring in the appointment of a more politically aligned, pro-Trump Federal Reserve Chair.

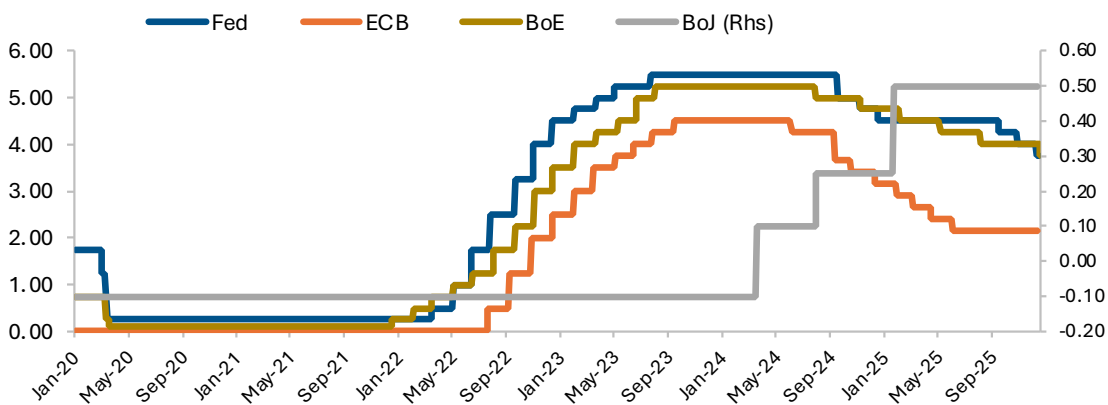
### US Yield Curve (%)



SOURCE Bloomberg

In this environment, a laddered strategy with an emphasis on the belly of the curve appears prudent. Solid growth dynamics, large fiscal deficits, rising global term premia, and renewed concerns around Federal Reserve independence are likely to limit the downside in long-end yields. That said, active and dynamic management will be required should our base-case scenario fail to materialize. For example, if a new Fed chair were to pursue renewed quantitative easing at the long end of the curve, extending duration would become a viable strategy. Conversely, should inflation surprise to the upside, the strategy would pivot toward a lower-duration stance.

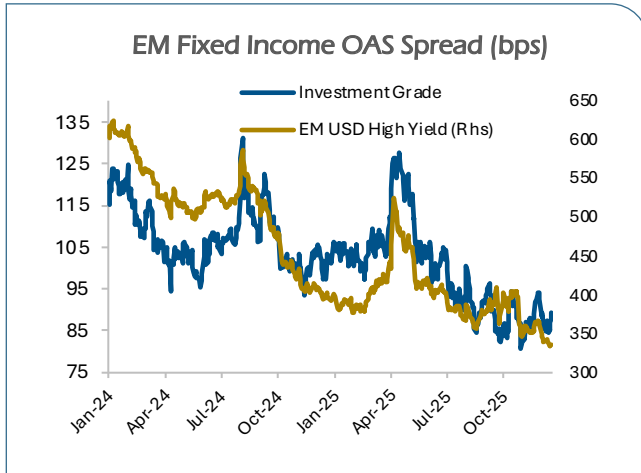
### Central Bank Policy Rates (%)



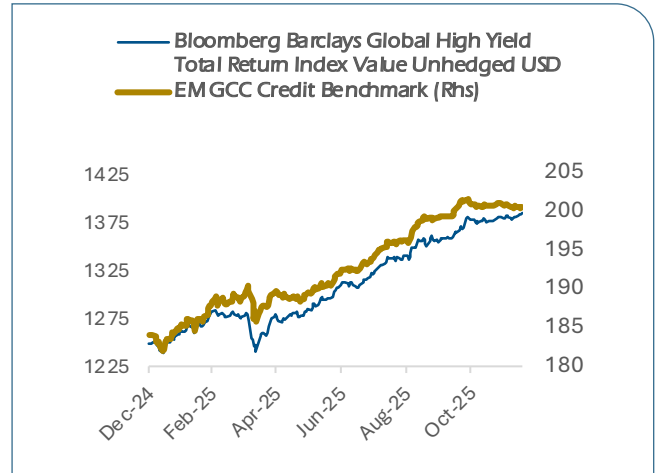
SOURCE Bloomberg

Global monetary policy paths are increasingly diverging. The Bank of Japan continues to move against the global trend, and further rate hikes should be expected. The European Central Bank appears to be done with its easing cycle, with the next move likely to be a rate increase. Meanwhile, the Bank of England has been given the green light to resume rate cuts, supported by cooling inflation and weakening labour-market data.

In the United States, current market-implied probabilities continue to point toward at least one additional rate cut.



SOURCE Bloomberg



SOURCE Bloomberg

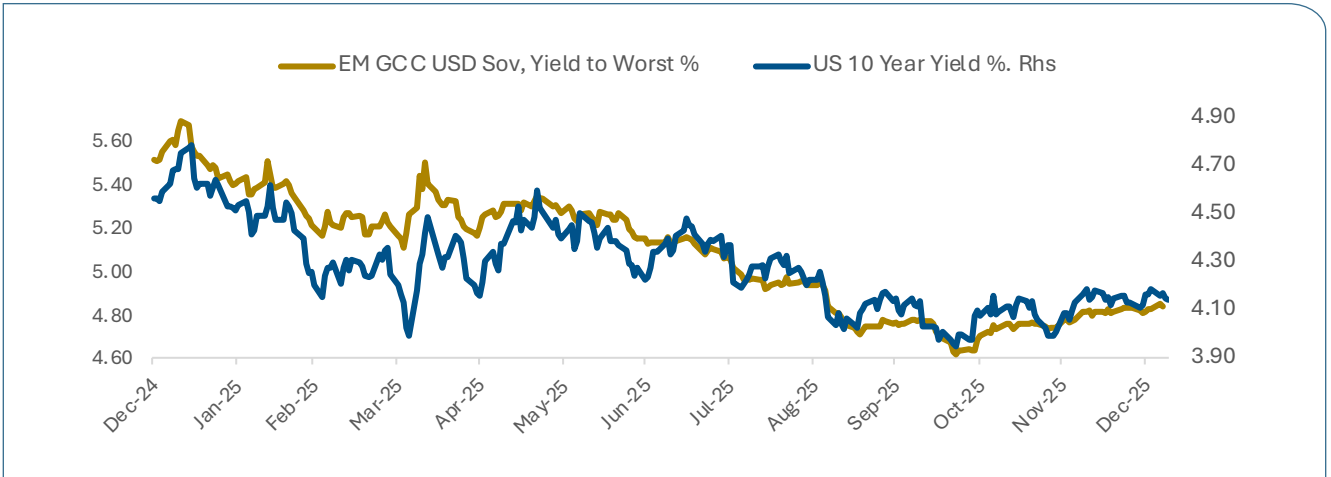
Easing financial conditions and strong risk-on sentiment pushed emerging-market bond prices higher. Credit spreads have compressed to multi-decade lows, effectively pricing in near-perfect economic outcomes and leaving limited room for further spread tightening.

Against this backdrop, a laddered strategy with a focus on the belly of the curve should perform well in the current environment. Selective alpha generation becomes critical, as beta returns are likely to be driven primarily by movements in the U.S. Treasury yield curve, given that spreads are already tight.

The primary market should continue to provide attractive new trade opportunities, while switch trades are expected to remain a key source of incremental value. Moreover, strong non-oil GDP growth across the region provides comfort in selectively allocating to high-quality high-yield credits.

## GCC YIELD CURVES- HOW TIGHT IS TIGHT

Despite lower oil prices and record-high new issuance, GCC sovereign yields declined throughout 2025. Yield compression in the region was more pronounced than in the U.S. Treasury market, driven primarily by significant spread tightening. Government spreads narrowed to unprecedented levels, with Abu Dhabi mid-tenor bonds trading inside comparable U.S. Treasuries at certain points.



SOURCE Bloomberg

This performance broadly mirrored that of Emerging Markets; however, the decline in oil prices did not negatively impact GCC bond and Sukuk valuations, even among lower-rated sovereigns, reflecting strong investor confidence in the region's credit fundamentals. More recently, GCC spreads have widened, creating a more comfortable entry point for investors.

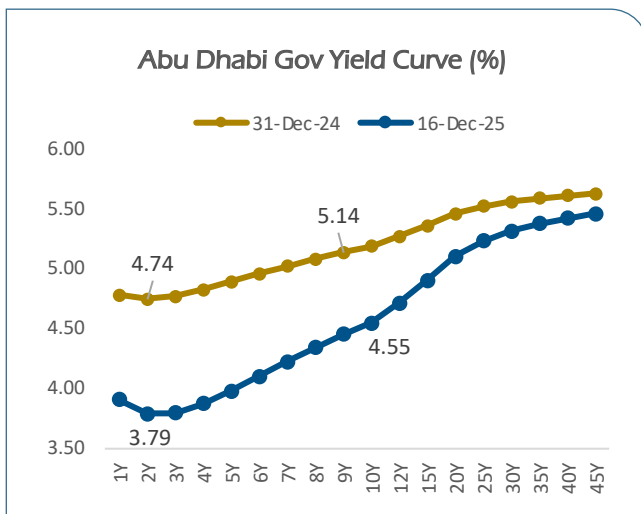
The GCC sovereign credit landscape has become increasingly bifurcated between investment-grade and high-yield issuers. Credit quality among higher-rated sovereigns continued to improve, while several lower-rated governments experienced rating pressure. Oman was the standout, as sustained fiscal consolidation and deleveraging efforts bore fruit, culminating in its official upgrade to investment-grade status. Saudi Arabia also received a rating upgrade, lifting its composite sovereign rating to A+ from A.

In contrast, Bahrain's sovereign credit profile weakened, with S&P downgrading the rating to B from B+, underscoring the growing divergence within the GCC credit spectrum.

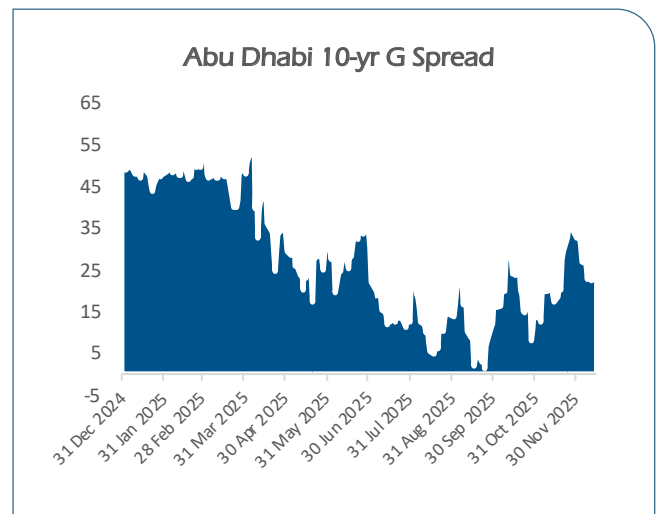
From a relative-value perspective, Oman’s sovereign yields compressed the most across the GCC, while Sharjah’s yields compressed the least. Meanwhile, Abu Dhabi and Qatar sovereign curves – and Saudi Arabia to a lesser extent – closely mirrored the shape and movements of the U.S. Treasury yield curve.

The Abu Dhabi government yield curve recorded an average yield decline of approximately 60 bps. The compression was most pronounced at the front end, where yields tightened by around 93 bps, followed by the belly of the curve, which compressed by approximately 80 bps. In contrast, the long end lagged, with yields declining by only 30 bps.

Abu Dhabi’s 10-year G-spread compressed sharply to around 25–30 bps, having briefly turned negative in September, underscoring the strength of demand for Abu Dhabi sovereign risk.



SOURCE Bloomberg

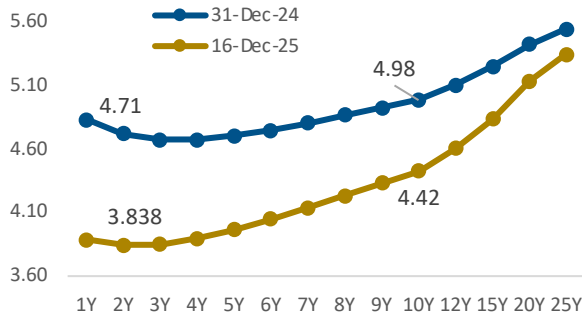


SOURCE Bloomberg

The Qatari government yield curve recorded an average yield decline of approximately 60 bps over the period. The compression was most pronounced at the front end, where yields tightened by around 88 bps, followed by the belly of the curve, which compressed by approximately 66 bps. In contrast, the long end lagged, with yields declining by only 35 bps.

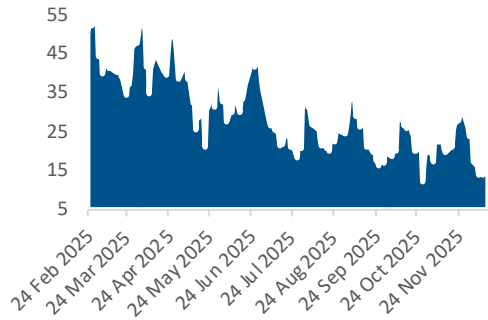
In line with this move, the 10-year G-spread tightened by 35 bps to approximately 17 bps, making Qatar the tightest-spreading sovereign in the GCC.

**Qatar Gov Yield Curve (%)**



SOURCE Bloomberg

**Qatar 10-yr G Spread (bps)**

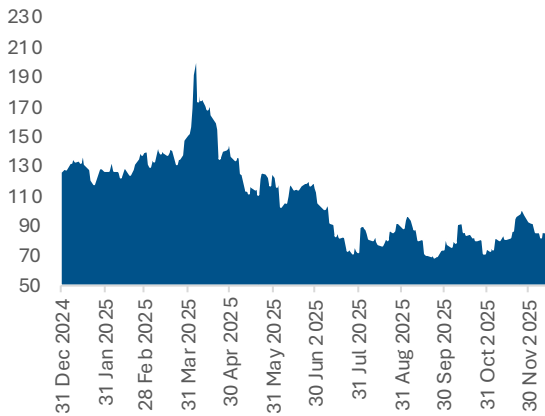


SOURCE Bloomberg

Oman government yield curve recorded an average yield decline of approximately 95 bps. The compression was most pronounced at the front end, where yields tightened by around 110 bps, followed by the belly of the curve, which compressed by approximately 124 bps. In contrast, the long end of the curve lagged, with yields declining by 55 bps.

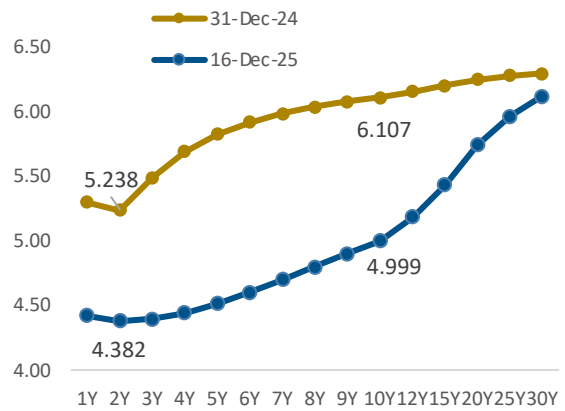
Oman's 7-year G-spread compressed sharply, tightening to 90 bps. Oman government bonds look expensive relative to Saudi Arabia, giving the credit rating differential, however, the scarcity of Omani bonds should justify current valuations.

**Oman 7-yr G Spread (bps)**



SOURCE Bloomberg

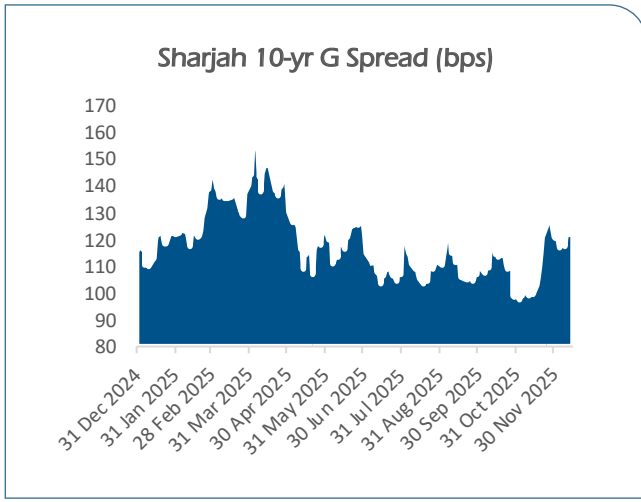
**Oman Gov Yield Curve (%)**



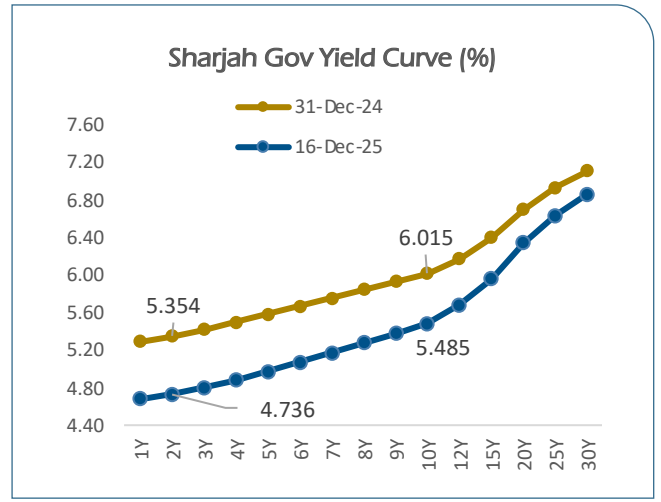
SOURCE Bloomberg

The Sharjah government yield curve recorded an average yield decline of approximately 51 bps. The compression was most pronounced at the front end, where yields tightened by around 62 bps, followed by the belly of the curve, which compressed by approximately 58 bps. In contrast, the long end lagged, with yields declining by 37 bps.

Unlike other GCC sovereigns, Sharjah's 10-year G-spread widened by nearly 10 bps, reflecting heightened investor concerns over the emirate's fiscal position.



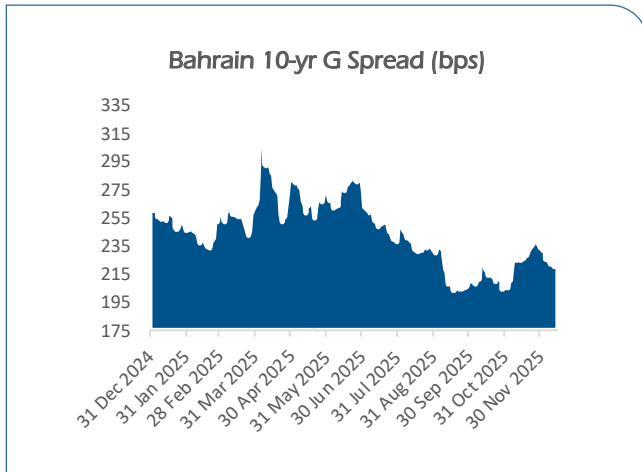
SOURCE Bloomberg



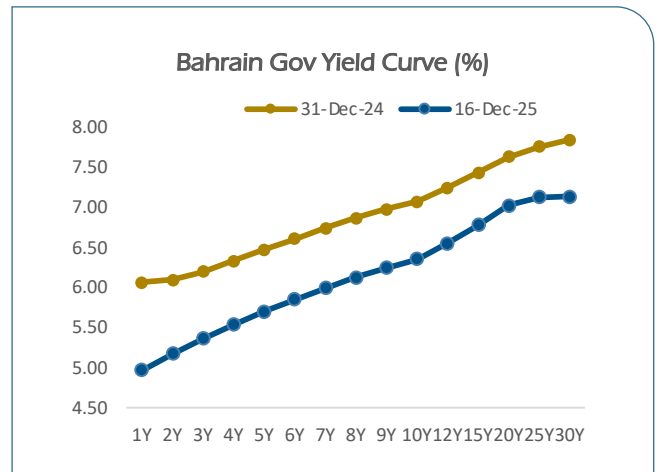
SOURCE Bloomberg

The Bahrain government yield curve defied the recent credit rating downgrade, recording an average yield decline of approximately 76 bps. The compression was most pronounced at the front end, where yields tightened by around 95 bps, followed by the belly of the curve, which compressed by approximately 75 bps. In contrast, the long end lagged, with yields declining by 66 bps.

Bahrain's 10-year G-spread compressed sharply to around 226 bps, reflecting investor confidence in continued financial support from fellow GCC countries.



SOURCE Bloomberg

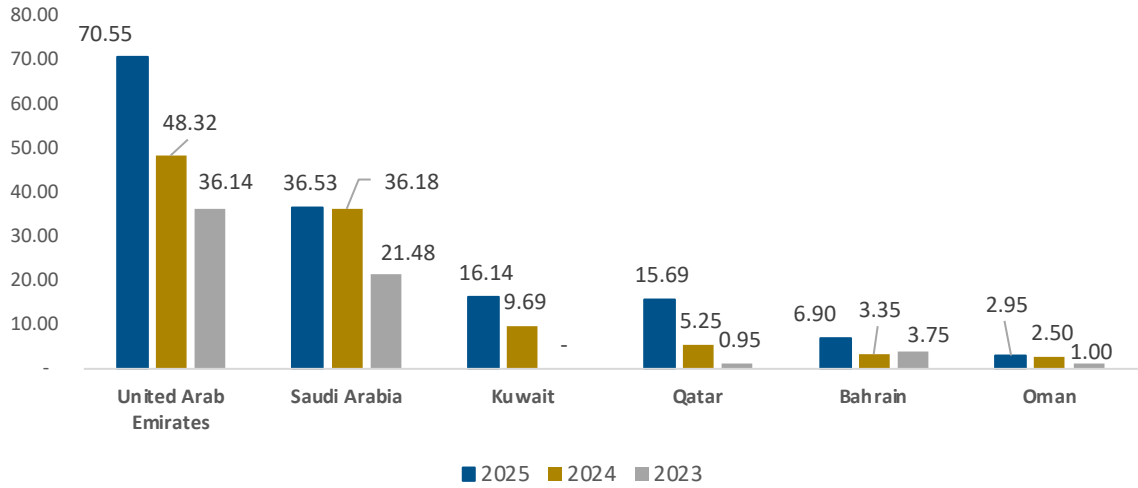


SOURCE Bloomberg

### GCC PRIMARY MARKET – ANOTHER RECORD YEAR LOOMING IN THE HORIZON

Despite lower oil prices, the combination of large-scale infrastructure and mega projects alongside a lower interest-rate environment kept the GCC primary market highly active throughout the year. Notably, the heavy supply did not weigh on spreads; on the contrary, several issuers were able to access funding at record-low levels.

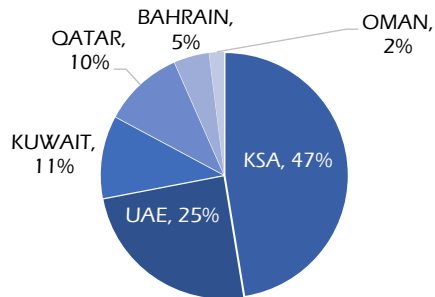
### Issuances by Country (\$ billion)



SOURCE Bloomberg

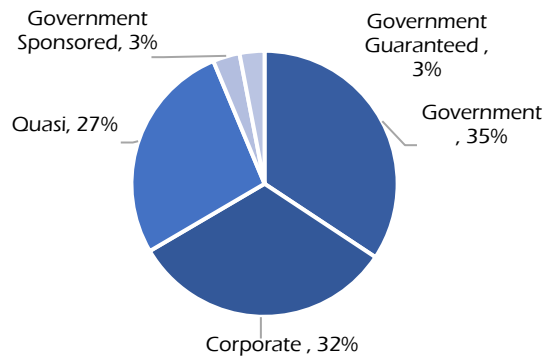
Saudi Arabia once again dominated issuance activity, raising USD 70.5 billion through bonds and Sukuk. Sukuk issuance accounted for 44% of total supply, a significant increase from 38% in the previous year. Corporate issuance also recorded a solid pickup, while the high-yield segment expanded as a share of total market issuance.

### % Issuances by Country, Total Issues YTD \$148.8 bln



SOURCE Bloomberg

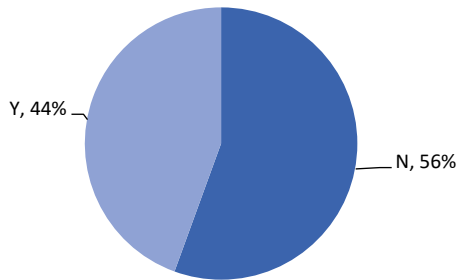
### Issuances by Bond Type



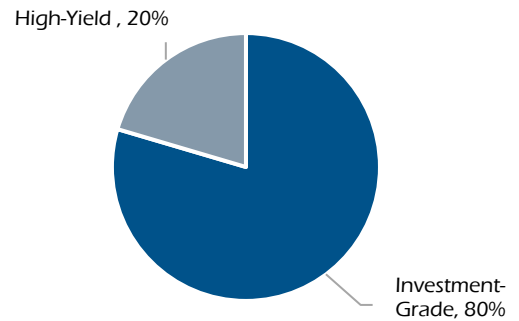
SOURCE Bloomberg

The perpetual segment experienced a record year, with approximately USD 13 billion of new perpetual bonds and Sukuk issued in 2025, largely driven by Saudi Arabian banks. Remarkably, GCC bank perpetuals continued to trade at tighter spreads than their European counterparts, reflecting strong investor demand and confidence in regional banking systems. Issuance remained predominantly USD-denominated, although select issuers also accessed the euro, Australian dollar, and Chinese yuan markets, albeit in smaller volumes.

### Issuances by Shariah Compliance

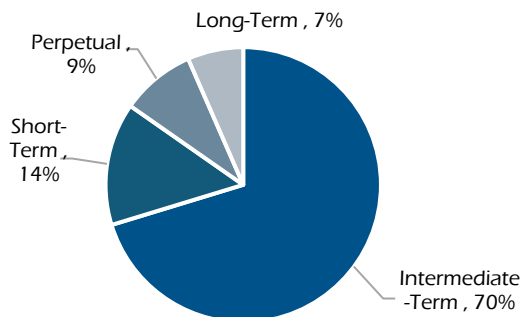


### Issuances by Grade

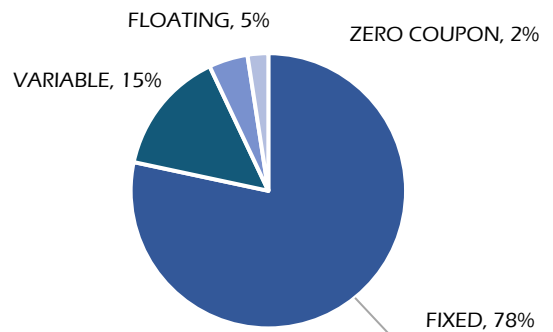


**SOURCE** Bloomberg | Amount Outstanding > \$250m. Short-term: <3y. Intermediate: 3-10y. Long-term: >10y

### Issuances by Term

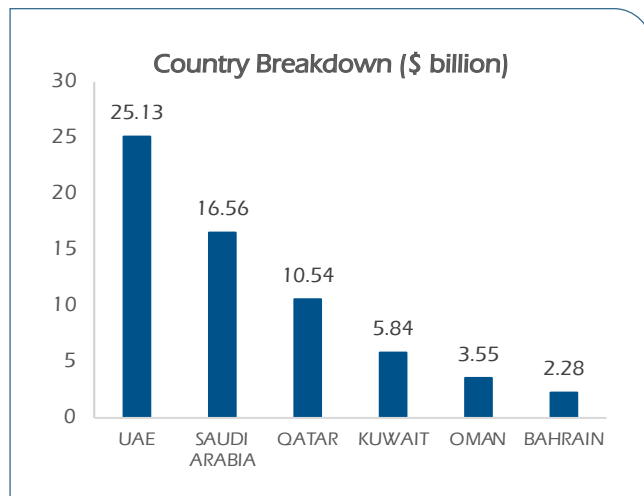
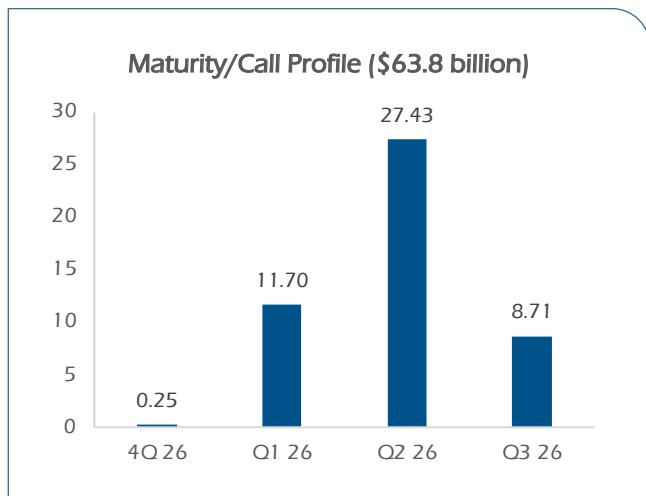


### Issuances by Coupon Type



**SOURCE** Bloomberg | Amount Outstanding > \$250m. Short-term: <3y. Intermediate: 3-10y. Long-term: >10y

Looking ahead to 2026, Fitch expects GCC issuance volumes to continue rising, supported by anticipated Federal Reserve rate cuts, USD 63.8 billion of maturing debt, robust credit growth in Saudi Arabia and the UAE, and persistently tight domestic liquidity conditions in Saudi Arabia. In addition, Kuwait is expected to re-enter the debt capital markets following the government's decision to raise the statutory debt ceiling.



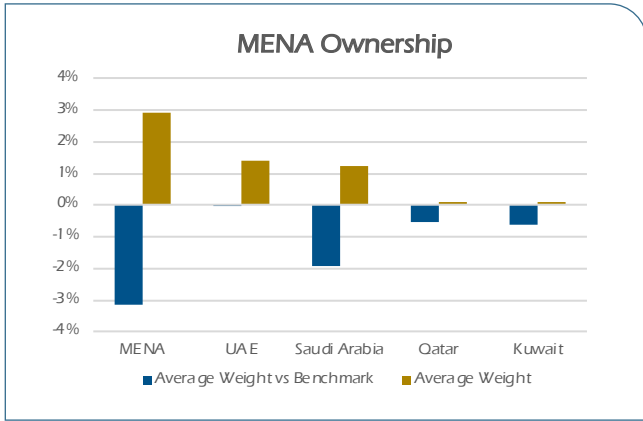
**SOURCE** Bloomberg | Amount Outstanding > \$250m. Short-term: <3y. Intermediate: 3-10y. Long-term: >10y

## FOREIGN ACTIVE FLOWS

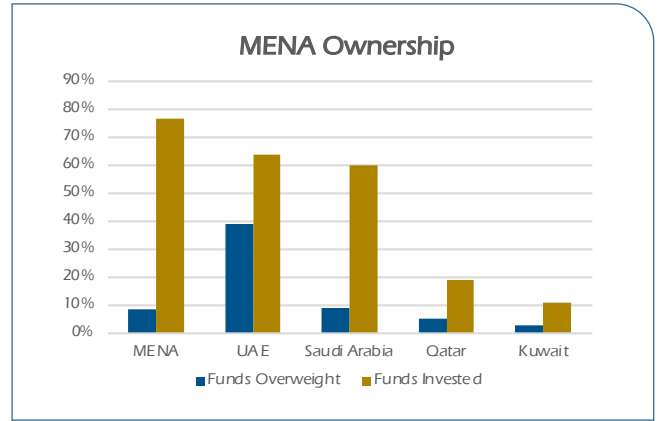
### MARKETS TO REMAIN UNDER-OWNED

Despite rising allocations, the MENA region remains structurally under-owned, with active EM managers consistently maintaining underweight positions relative to benchmarks. Saudi Arabia and the UAE dominate country preferences, yet even Saudi Arabia's active ownership has failed to keep pace with its surging index weight since 2019.

The UAE has been the sole exception: post-pandemic inflows briefly pushed active funds to an aggregate overweight position earlier in the year 2025—a regional first in a decade—though positioning has since reverted to neutral. Ultimately, active capital has yet to fully embrace the region at parity with its growing index prominence.

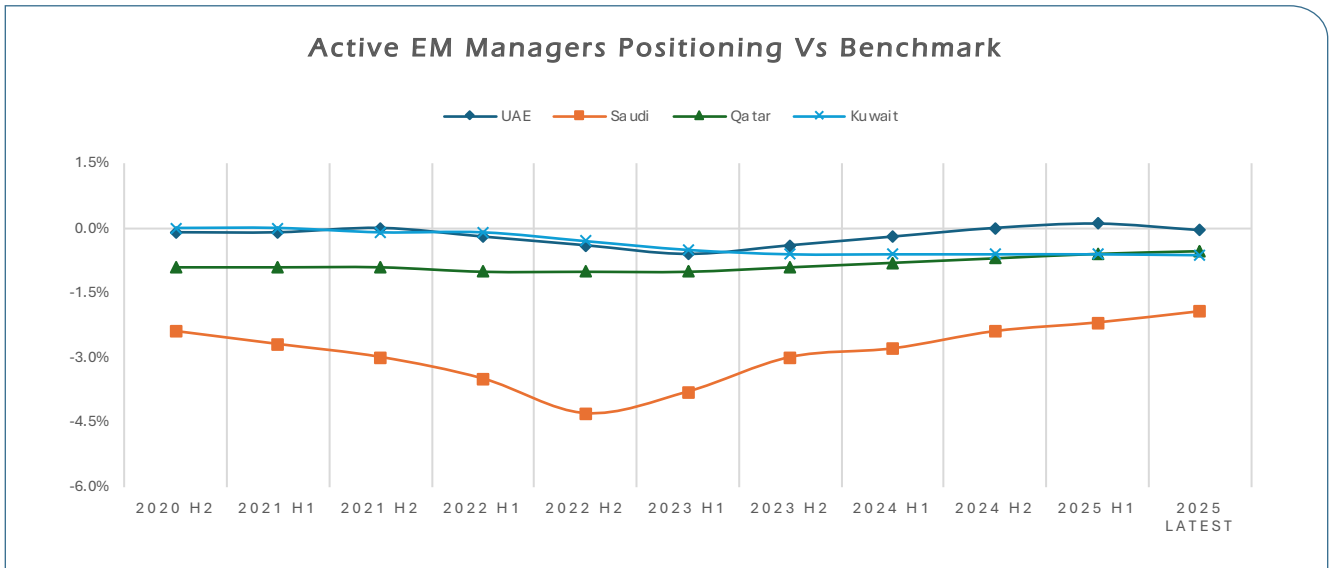


SOURCE Bloomberg



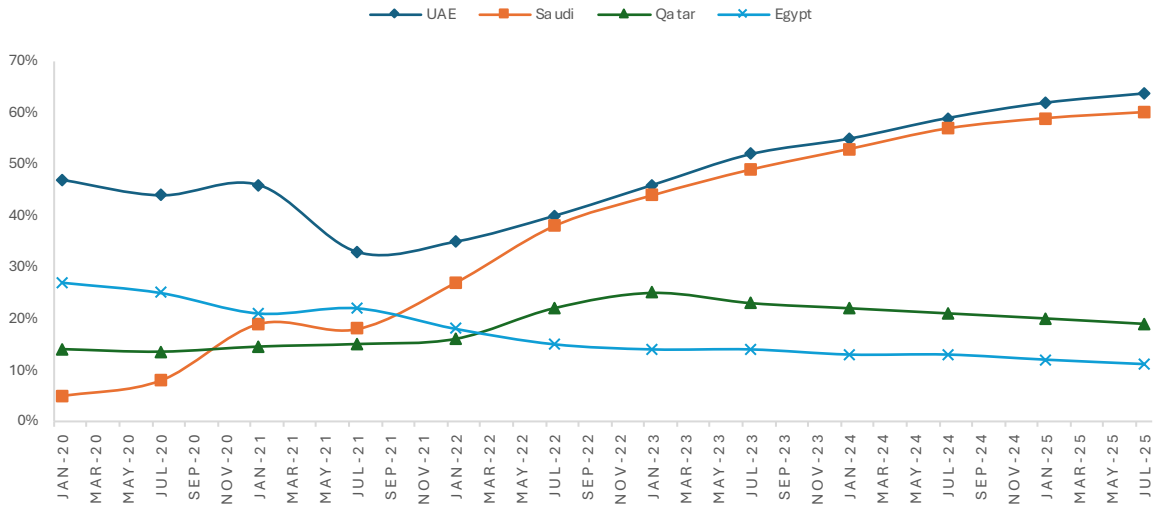
SOURCE Bloomberg

Over the past decade and a half, Egypt's prevalence in EM portfolios has steadily diminished, whereas the oil-rich Gulf states – particularly Saudi Arabia and the UAE – have become the primary MENA holdings for active managers.



SOURCE Bloomberg

## Active Funds Invested, % Of Study Group



SOURCE Bloomberg

# PUBLIC OFFERINGS

## SUSTAINING HEALTHY MOMENTUM

GCC primary equity-market activity in 2025 remained constructive but became more Saudi-led and seasonally back-ended, especially when set against 2024's record year. As of 9M25 data, USD 4.4bn was raised YTD 2025, with 75% of YTD proceeds coming from Tadawul listings (excluding Nomu). For context, 2024 was materially larger: with the region recorded 53 GCC listings raising USD 13.2bn, with Q4 2024 alone raising USD 8.5bn (64% of the full-year total). In that 2024 mix, the UAE accounted for 47% of proceeds (USD 6.2bn), while Tadawul contributed 30% (USD 4.0bn) and Oman 19% (USD 2.5bn).

Looking ahead to 2026, equity issuance is expected to re-accelerate, supported by a lower-rate environment and the revival of the UAE pipeline. We expect 15–20 IPOs, but with larger average deal sizes driven by Saudi and UAE privatisation agendas. The forward pipeline is dominated by logistics and ports, tourism-linked consumer businesses, fintech and digital platforms, and energy-transition utilities. Risks to the 2026 equity outlook include a sustained period of oil below US\$60/bbl, geopolitical instability, or poor aftermarket performance in early-year deals that could temper investor appetite.

The UAE's strategy of listing state-owned assets to deepen capital markets remains a potent theme. The successful IPO of ALEC Holdings in late 2025, which was oversubscribed 21 times, demonstrates the depth of investor appetite.

The pipeline for 2026 includes potential listings from the aviation, logistics, and technology sectors. Speculation surrounds entities like Masdar (potentially late 2026/2027) and Noon.com, which would introduce rare renewable energy and e-commerce exposure to the regional markets.

## CORPORATE EARNINGS

### MID TO HIGH SINGLE DIGIT GROWTH

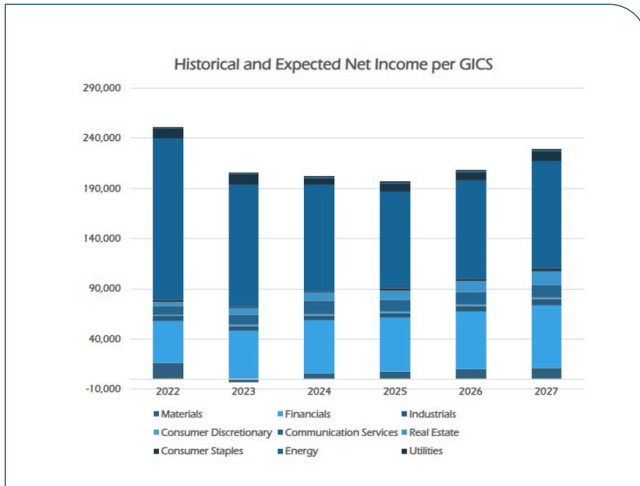
As we enter 2026, the GCC equity markets have delivered modest but positive returns over the previous year, following the exceptionally strong performance seen during the 2021–2023 upcycle. Unlike the earlier period where earnings surged on the back of high oil prices, post-pandemic recovery, and margin expansion, earnings growth has now normalized, reflecting both a softer oil environment and more mature non-oil sector dynamics.

For 2025, GCC corporates delivered mid-single-digit to high-single-digit earnings growth, materially lower than the triple-digit rebound recorded in 2021. Compared with pre-2020 levels, earnings remain structurally higher, though the pace of growth has flattened. Ex-Aramco and other hydrocarbon-heavy names, earnings momentum continues to be supported by banks, logistics, utilities, and select consumer sectors, albeit at a slower rate.

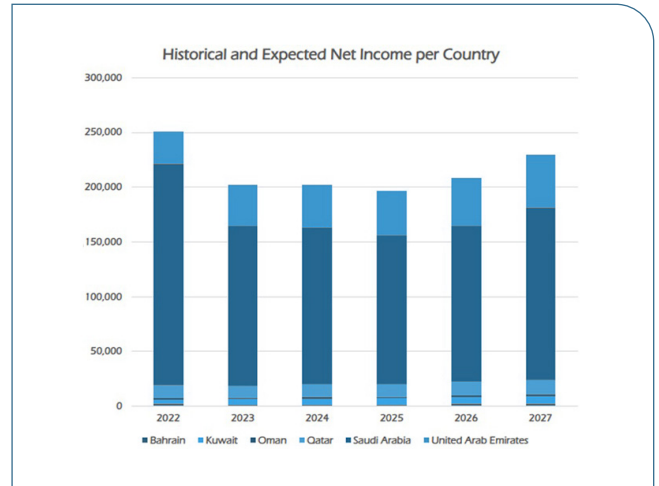
IBES consensus suggests GCC earnings growth of 5–8% for 2026, reflecting the lower oil-price assumption of USD 55–65/bbl and the impact of interest-rate cuts on bank profitability. As a result, GCC market valuations—now trading at c14 trailing and c13x forward earnings—remain broadly in line with historical averages but now at a discount to broader EMs, despite stronger balance sheets, dividend visibility, and lower macro volatility.

Importantly, the cost of equity is expected to decline slightly in 2026 due to the Fed's 75–100 bps rate cut, reversing the previous tightening cycle. While this mechanically supports valuations, the positive effect is partially offset by weaker earnings growth expectations, particularly for banks.

Overall, GCC equities enter 2026 from a position of stability: valuations are reasonable, earnings growth is moderate, and the region continues to attract global capital due to its structural reform story and defensive macro profile.



SOURCE Bloomberg



SOURCE Bloomberg

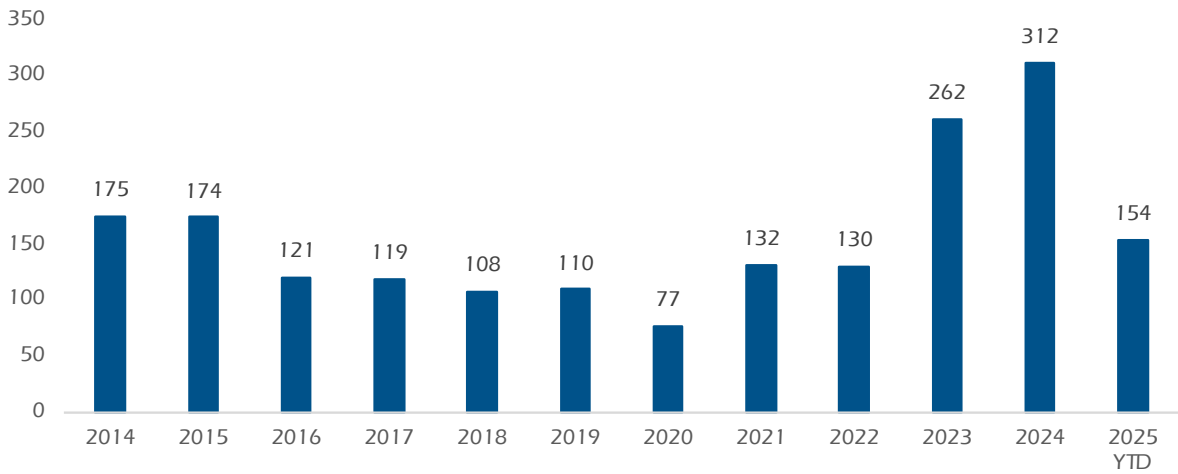
## PROJECTS EXECUTION

### THE GREAT RECALIBRATION AND SHIFT TO DELIVERY

The GCC projects market enters 2025 in a phase of sharp but healthy recalibration after an extraordinary 2024, when contract awards surged to a decade-high USD 312bn. Year-to-date awards have normalised to cUSD 154bn, broadly in line with the long-term average and reflecting a shift from rapid announcement cycles to more disciplined phasing. Saudi Arabia accounts for the bulk of the pullback, with awards falling from USD 161.7bn to USD 62bn, driven by a deliberate re-sequencing of giga-project timelines and a prioritisation of infrastructure with nearer-term economic returns. By contrast, the UAE has remained more resilient, supported by sustained real estate activity, strong utilities demand, and a broadening private-sector pipeline, narrowing the traditional gap with Saudi Arabia to its smallest in years.

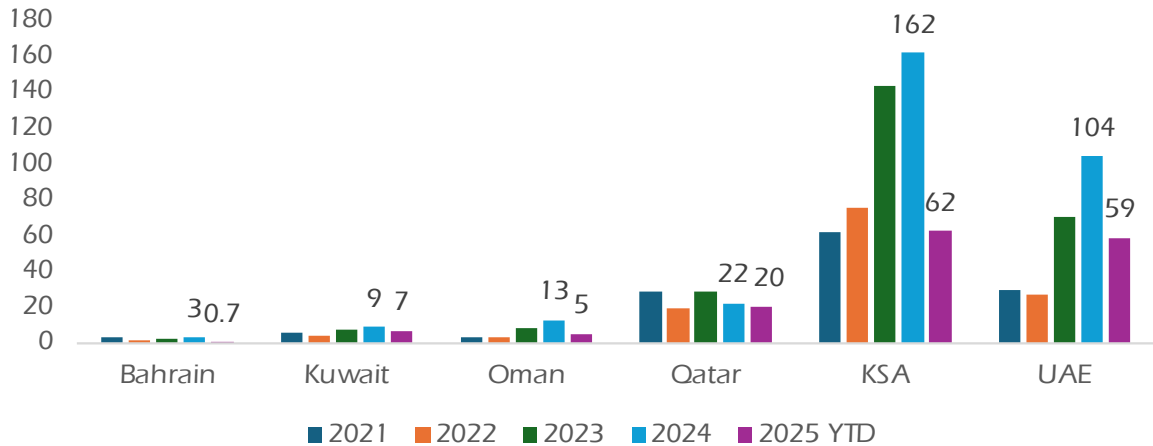
Looking ahead, 2026 is expected to mark the transition from volume to execution, with regional awards stabilising in the USD 160bn–180bn range. The focus will shift toward delivering the large backlog of work awarded during the 2023–24 upcycle, while deadline-driven infrastructure—such as Saudi Arabia’s Expo 2030 and World Cup 2034 requirements—supports a renewed pickup in awards. The UAE will maintain its role as the region’s most predictable projects market, while PPP models gain prominence across the GCC as governments balance fiscal discipline with diversification ambitions. Despite the 2025 slowdown, the medium-term trajectory remains intact: the GCC is entering a more sustainable, delivery-focused phase of its multi-year capex cycle.

### Value of GCC Contracts Awarded (USD billions)



SOURCE MEED Projects

### Value of GCC contracts awarded, 2021-25 (USD billions)



SOURCE MEED Projects



# COUNTRY VIEWS

For equity investors, the correlation between oil prices and equity performance is weakening. In our view, 2026 requires surgical stock selection based on thematic exposure and fundamental quality.

The core theme for 2026 is a **“Liquidity Rotation.”** As the US Federal Reserve cuts rates (projected 100 bps through 2026), liquidity will move from time deposits back into equities.

- **THE SHIFT** GCC markets are decoupling from oil prices. Despite a bearish forecast of USD55–USD65/bbl for Brent crude, non-oil GDP is projected to grow 4.5%.
- **STRATEGY** Investors shall see their convictions pivot from **“Oil Beta”** to **“Legislative Alpha”**—focusing on sectors driven by specific government reforms rather than crude prices.

COUNTRY	2026 THEME	TOP SECTORS	MARKET STYLE
SAUDI ARABIA	Peak giga-project spend; construction super-cycle	Banks, Cement, Contractors, Utilities	High Beta Growth
UAE	Population boom + stable real estate + IPO depth	Utilities, Logistics, Developers, Tourism	Growth + Yield
QATAR	LNG mega-expansion, value re-rating	Industrials, LNG shipping, Banks	Deep Value / High Dividend
KUWAIT	Mortgage law + fiscal reform drive credit cycle	Banks, Industrials, Infrastructure	Reform Re-rating
OMAN	Deleveraging + divestment dividend: structural re-rating investment-grade and accelerates the privatization pipeline continue to deepen MSX liquidity	Utilities / Energy (high-yield regulated/contracted cashflows), Banks (lower sovereign risk premium + credit revival)	Structural Re-rating + High Dividend Value

# UNITED ARAB EMIRATES

## THE DIVERSIFICATION ALPHA

The UAE enters 2026 as the region's economic outperformer, having successfully engineered a decoupling from oil dependency. With non-oil GDP growth forecast nearing 5% for 2026, the UAE markets offer a compelling mix of growth and yield.

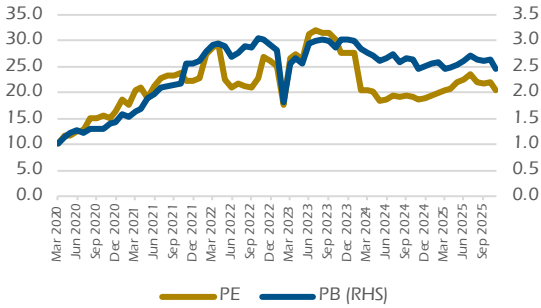
The UAE equity markets delivered stellar performance in 2025. The DFM Index rallied 17.2%, while the ADX posted 6.1% return. This outperformance was driven by a virtuous cycle of real estate appreciation, population growth, and a steady stream of high-quality IPOs.

For 2026, we anticipate a moderation in capital appreciation but a continued strong total return profile. The UAE markets are evolving from a **"high-beta"** emerging market trade into a **"quality/yield"** developed market proxy. The DFM, trading at a dividend yield of c4.8% and a P/E of roughly 9.8x, offers significant value relative to global peers.

Tourism remains the bedrock of the Dubai economy. Visitor numbers hit 11.17 mn in the first seven months of 2025, putting the emirate on track for a record year. In 2026, the sector is projected to grow further in 2026, supported by the expansion of airport capacity and the strategic push to attract 27.6 mn visitors annually. This creates a favorable operating environment for hospitality REITs, airline operators, and airport service providers. The **"experience economy"** is thriving, insulating the sector from manufacturing or industrial slowdowns elsewhere.

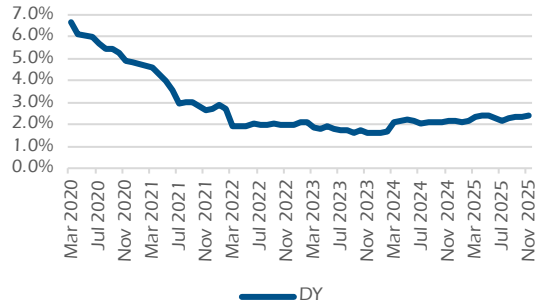
The UAE is set to deliver one of the strongest regional growth profiles, underpinned by a **"two-speed"** real estate cycle and sustained reform momentum. Dubai's property market is moving toward a controlled soft landing—transactions reached a record AED 431bn in H1 2025, yet a supply wave of more than 30,000 units by 2027 is expected to moderate price appreciation and shift investor focus toward income stability. Abu Dhabi, by contrast, remains in acceleration mode, with transaction volumes up 48% YTD and office vacancy tightening to a historic 1.5%, reinforcing the capital's status as a magnet for institutional demand. Energy investment is another macro pillar: ADNOC's USD 150bn CAPEX program for 2026–2030 positions the UAE at the forefront of regional production capacity expansion and downstream integration. From a market strategy perspective, the environment favors yield-oriented positioning; the Dubai Financial Market offers a c4.8% dividend yield, while utilities such as DEWA continue to provide defensive, cash-flow-anchored exposure as the broader economy transitions into its next phase of non-oil growth.

### ABU DHABI



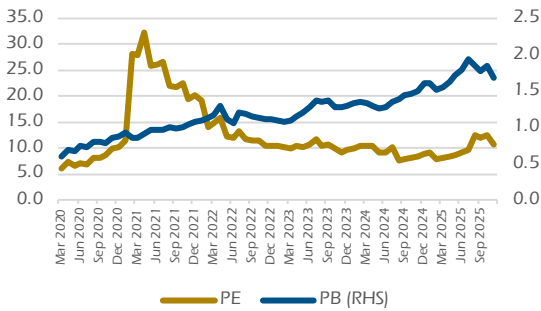
SOURCE Bloomberg

### ABU DHABI



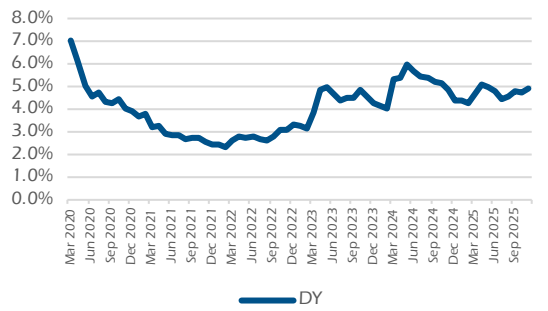
SOURCE Bloomberg

### DUBAI



SOURCE Bloomberg

### DUBAI



SOURCE Bloomberg

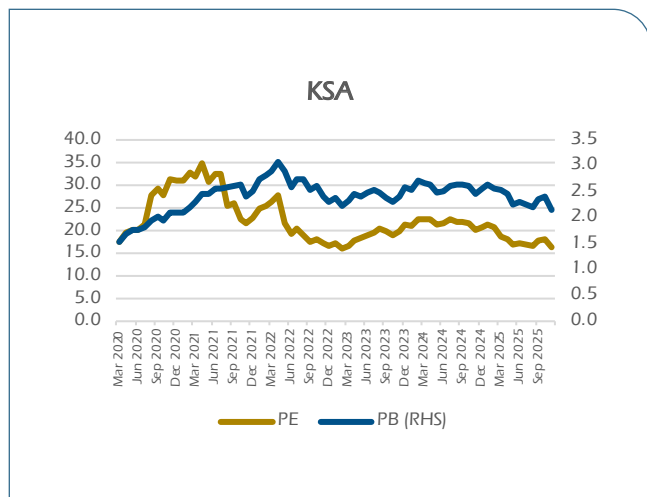
# SAUDI ARABIA

## THE CONSTRUCTION SUPER CYCLE AMID SOFTENING OIL PRICES

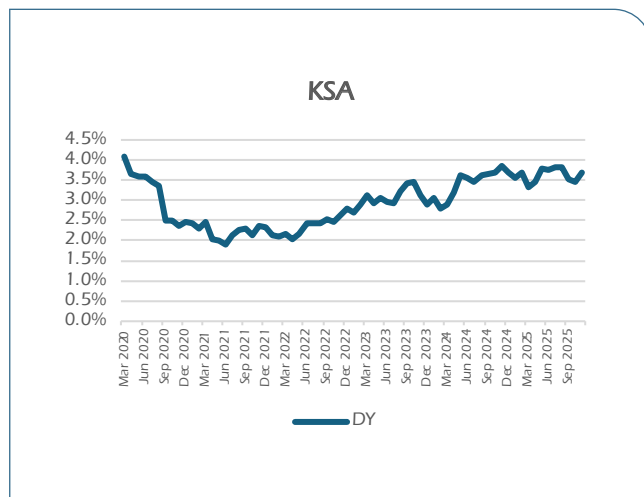
The Saudi Exchange (Tadawul) experienced a challenging 2025. The TASI retreated and returning -12.8% in 2025. This underperformance was not driven by corporate fundamentals—excluding Aramco and petrochemicals, aggregate earnings remained resilient—but by a liquidity squeeze. The average daily traded value plummeted reflecting investor apathy and a flight to safety.

However, the setup for 2026 is technically and fundamentally constructive. TASI's forward P/E ratio has compressed to approximately 17.6x, converging with its 10-year historical average and retreating significantly from the highs seen in early 2024. This valuation reset offers an attractive entry point for long-term investors. Any rebound will be bifurcated: the “Old Economy” (Petrochemicals) may lag due to the USD60 per bbl (average) oil outlook and revised feedstock subsidies, while the “**Vision Economy**” (Construction, Banking, Technology) will benefit from the government’s unwavering commitment to spend SAR1.3 tn in 2026. High deficit spending to fuel “**Peak Execution**” of Vision 2030.

- **CONSTRUCTION** Cement demand to hit 78 mn tons annually by 2030; 2026 marks the shift from earthworks to heavy concrete pouring.
- **BANKING** Corporate credit growth forecast at 13–15% annually to fund giga-projects, compensating for lower interest margins.
- **PIF ACTIVITY** Domestic spending increased to SAR 260bn/year



SOURCE Bloomberg



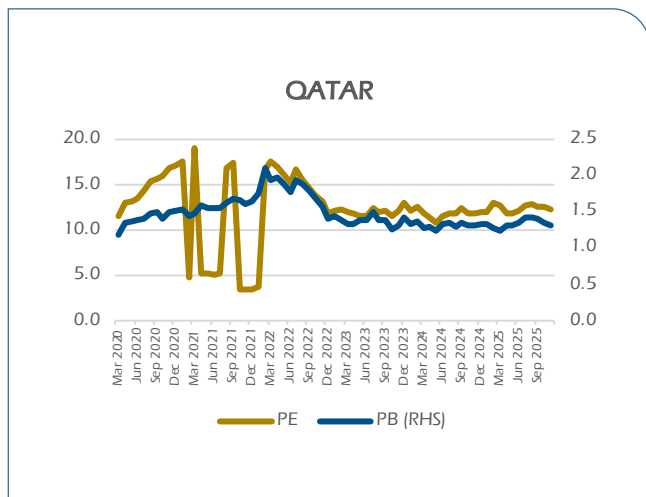
SOURCE Bloomberg

# QATAR

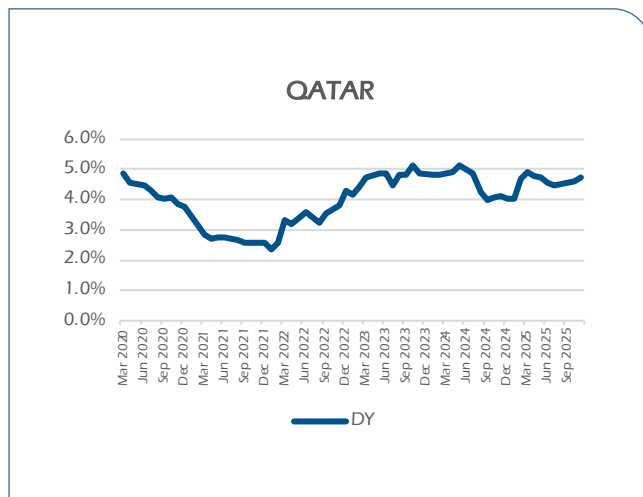
## THE VALUE AND GAS PLAY

The Qatar Stock Exchange (QE) has been a regional laggard in 2025, trading sideways with the index returning 1.8%. However, this underperformance has created a deep value opportunity. The “North Field East” expansion increases LNG capacity by c50% (to 110 mtpa by 2026/27). First gas expected late 2026.

- **VALUATION** The market trades at a P/E ratio of c12.5x, significantly below its historical average and its regional peers, implying a deep value in the region
- **YIELD** Qatar offers some of the highest dividend yields in the emerging markets. Industries Qatar (IQ), a petrochemical and steel conglomerate, offers a dividend yield of approximately 8.4%. In a global environment where risk-free rates are falling to 3–4%, a secure 8% yield from a state-backed champion is a compelling investment proposition



SOURCE Bloomberg



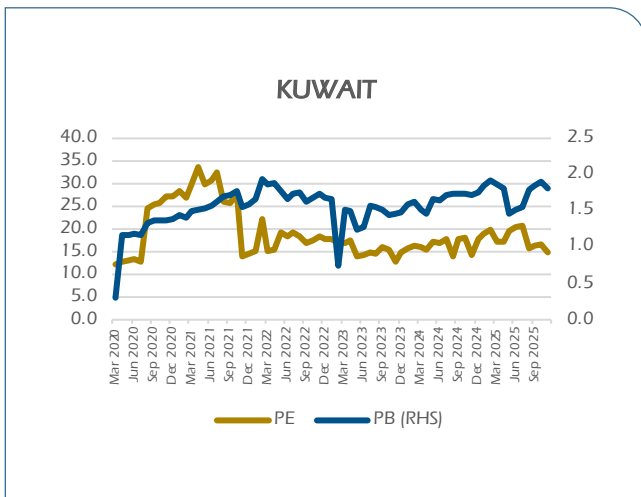
SOURCE Bloomberg

# KUWAIT

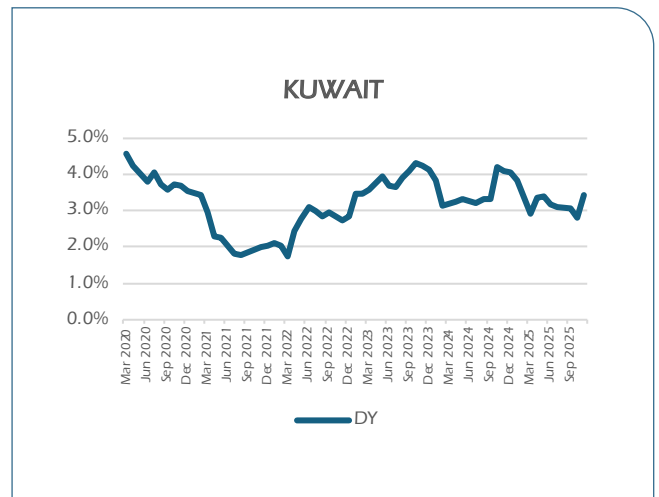
## THE LEGISLATIVE TURNAROUND

In 2025, Bursa Kuwait emerged as one of the strongest performers across the GCC, with the All Share Index gaining 21.0%, supported by broad-based momentum across both the Premier (+21.2%) and Main 50 (+27.7%) segments. Despite the strong rally, valuations implied the market trading at c15.2x trailing P/E and c1.3x P/B, while offering a dividend yield of c2.4%, reflecting a balanced mix of growth and income appeal.

Commercial banks now allowed to issue mortgages (previously only state did). Bank loan growth to outpace GDP in 2026 with high-margin retail lending. Additionally, the implementation of a 15% corporate tax and a new Public Debt Law allowed a USD11.25bn bond issuance preceded by the S&P upgraded Kuwait to AA- citing reform momentum. In Kuwait, infrastructure and oil drilling companies are set to benefit significantly from the government's renewed fiscal reform drive and the implementation of the new mortgage and public debt laws. As state spending accelerates on housing, energy, and large-scale development projects, these sectors will see increased demand for their services, positioning them as key beneficiaries of Kuwait's 2026 credit cycle and capital market expansion.



SOURCE Bloomberg



SOURCE Bloomberg

# OMAN

## DELEVERAGING AND DIVESTMENT DIVIDEND

The narrative for Oman in 2026 is defined by a **“Structural Re-rating,”** as the Sultanate transitions from a period of fiscal rehabilitation to a capital market renaissance. Having successfully navigated the perilous fiscal cliff of 2020-2021, Oman has emerged as the region’s most aggressive deleveraging story, with its credit rating restored to Investment Grade (BBB- by S&P) 1 and its fiscal breakeven price plummeting to approximately USD53.5 per barrel. This turnaround offers a unique **“turnaround”** alpha for investors, underpinned by a **“Privatization Pivot”** where the Oman Investment Authority (OIA) is actively monetizing state assets to deepen capital markets and shift the economy from state-led to market-led dynamics.

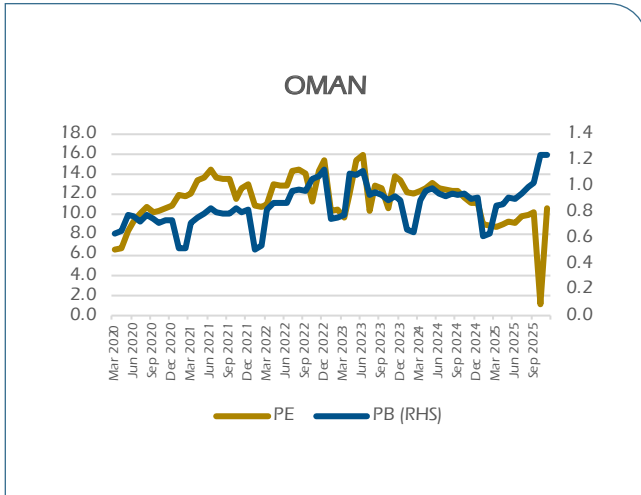
The equity market has responded emphatically to these structural changes. The MSX 30 Index has broken out of a multi-year slumber, returning 28% in 2025. This rally is supported by a fivefold increase in trading volumes, driven largely by foreign institutional inflows chasing the privatization pipeline. A critical catalyst for this liquidity has been the **“network effect”** created by major listings, specifically the IPO of OQ Exploration & Production (OQEP) and the subsequent listing of OQ Base Industries (OQBI). These events have fundamentally altered market liquidity, attracting passive emerging market flows and re-engaging domestic retail investors.

On the macroeconomic front, Oman displays resilience despite the headline risk of lower oil prices in 2026. The non-oil economy is projected to grow at roughly 3.7%–4.0%, outpacing the hydrocarbon sector. This growth is anchored by rigorous government fiscal discipline, which has seen public debt fall from approximately 68% of GDP in 2020 to below 35% in 2025, effectively moving the sovereign towards a net asset position. While the budget remains more sensitive to oil price shocks than peers like the UAE or Qatar, with a sustained drop below USD55/bbl posing pressure, the nation’s fiscal buffers are now significantly stronger than in previous cycles.

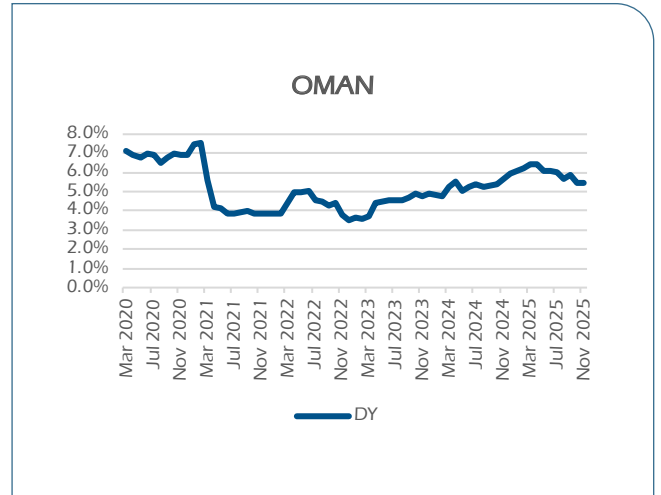
Investors should focus on a watchlist of key sectors poised to benefit from this environment. In Energy and Utilities, high-yield plays like OQ Gas Networks (OQGN) and newly listed OQ entities offer defensive cash flows protected by regulation or long-term offtake agreements. The Logistics sector is another key beneficiary, with the Asyad Group slated for a potential future listing to leverage Oman’s “Vision 2040” push for port infrastructure. Meanwhile, the Banking sector is set for a credit cycle revival; banks are capitalizing on the sovereign’s return to investment-grade status to lower funding costs, while credit growth to the private sector remains robust.

Ultimately, our investment verdict for Oman is Neutral to Overweight. The market represents the “value trade” of the GCC, offering the dual benefits of a sovereign re-rating—which lowers the risk-free rate—and a continuing privatization wave that increases equity supply and liquidity. Ideally positioned as a structural reform play, Oman stands out for its aggressive fiscal repair and the unlocking of state value through its public markets.

Overall, Oman's 2026 outlook is defined by steady opportunity rather than high-beta volatility. The country offers a compelling mix of value, dividend yield, fiscal stability, and structural reform momentum. It is not a liquidity-driven growth market like the UAE, nor a giga-project momentum story like Saudi Arabia, nor a pure yield play like Qatar. Instead, Oman represents a balanced, reform-led investment case—one where gradual but consistent progress across fiscal policy, diversification, and capital-market development underpins a credible and improving investment profile within the broader GCC landscape.



SOURCE Bloomberg



SOURCE Bloomberg

# BAHRAIN

## THE EMERGING FRONTIER

The Bahrain Bourse All Share Index rose 4.1% in 2025. On valuation, Bahrain traded at c14.3x TTM P/E and c1.4x TTM P/B, with a c9.3% dividend yield. While Saudi Arabia and the UAE represent the “growth” engines of the GCC in 2026, Bahrain stands as the region’s quintessential “value and yield” play. Entering 2026, the Kingdom offers a distinct proposition: high dividend yields and attractive valuations, set against a backdrop of necessary fiscal consolidation and strategic industrial modernization.

The narrative for Bahrain in 2026 is defined by resilience through reform. With an estimated fiscal breakeven oil price exceeding USD130/bbl—the highest in the GCC—Bahrain is most exposed to the projected softening of oil prices. However, the completion of major capital projects (Bapco Modernization) and the acceleration of financial sector consolidation (NBB-BBK) provide tangible catalysts that decouple corporate earnings from the sovereign’s fiscal constraints.

The Bahrain All Share Index (BAX) offers a defensive harbor with a dividend yield historically hovering around 5-6%, significantly higher than the emerging market average. For 2026, we identify three structural drivers for equity returns:

### 1. THE CONSOLIDATION ALPHA (BANKING)

The potential merger between National Bank of Bahrain (NBB) and Bank of Bahrain and Kuwait (BBK) is the defining event for 2026. This consolidation creates a national champion capable of competing regionally, improving cost-to-income ratios through synergy realization. We favor the banking sector not just for yield, but for the “**efficiency dividend**” arising from M&A. As rates fall, net interest margins (NIMs) will compress, making volume growth and operational efficiency the primary earnings drivers. The merged entity will be better positioned to fund large-scale infrastructure projects.

### 2. INDUSTRIAL RENAISSANCE (MATERIALS & ENERGY)

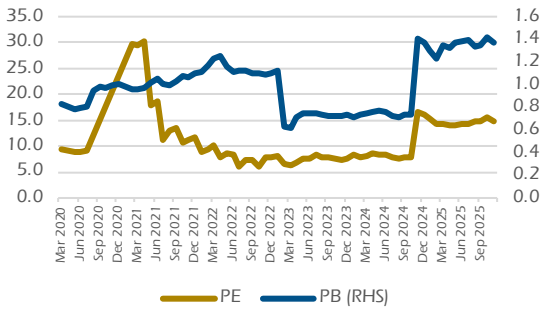
Aluminium Bahrain (Alba) remains a global Tier-1 asset. 2026 is a transition year where the focus shifts from the “**Line 7**” expansion to a comprehensive replacement of Lines 1-3. This modernization improves efficiency and reduces carbon intensity, crucial for maintaining export competitiveness to Europe (CBAM compliance). With aluminum prices forecast to stabilize between USD2,600-USD2,700/t in 2026, Alba’s focus on value-added products (VAP) and cost optimization (Al Hassalah program) supports free cash flow generation, sustaining its dividend-paying capacity.

### 3. THE DIGITAL YIELD (TELECOMS)

Beyon (Batelco) has transcended the traditional telco model. The development of the USD1.5 bn Digital City masterplan in Hamala transforms the company into a digital real estate and technology infrastructure play. Beyon retains dominant market share (approx. 40% mobile, 70% broadband) while diversifying revenue streams. For 2026, it remains a core holding for income-focused portfolios, with upside potential from its digital transformation initiatives.

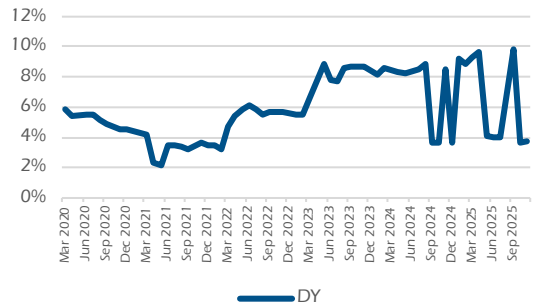
For the 2026 allocator, Bahrain is not a high-beta growth bet like Saudi Arabia. It is a strategic income generator. The market trades at attractive valuations (P/E multiples often at a discount to GCC peers) while offering exposure to a stabilized non-oil economy. The Bahraini Banks and Industrials provide defensive yield and exposure to structural reform.

### BAHRAIN



SOURCE Bloomberg

### BAHRAIN



SOURCE Bloomberg

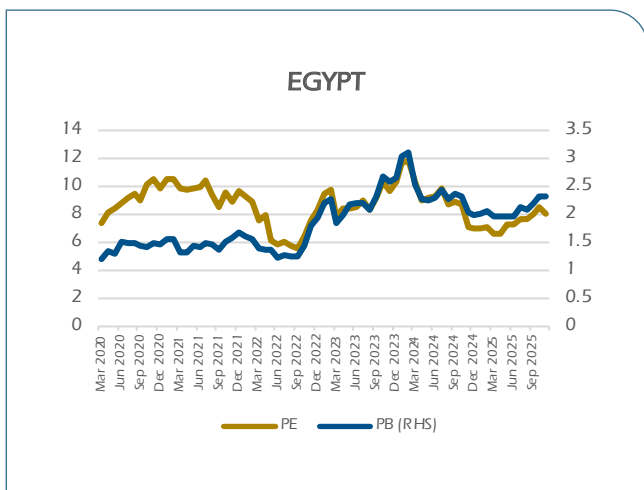
# EGYPT

## FROM SURVIVAL BETA TO EARNINGS VISIBILITY

Egypt enters 2026 with a cleaner macro set-up than the 2022–24 period, and that matters for equities because it re-opens the path to earnings visibility and a potential re-rating if FX stability holds and disinflation continues. The equity market story is therefore less about “survival beta” and more about risk premium compression: sustained inflation downtrends and a credible easing cycle would support multiple expansion, improve funding conditions, and revive foreign/regional participation—especially if the privatization and IPO pipeline executes and deepens market liquidity. In this environment, the most resilient equity opportunities sit in companies with pricing power, FX-linked revenues (exports, tourism, USD contracts), low leverage, and strong working-capital discipline; sectorally, that points to selective banks (benefiting from normalization and credit recovery), staples/value retail (volume recovery as real incomes stabilize), and tourism-linked names, with infrastructure/building materials attractive but balance-sheet and execution risk sensitive. Real estate and consumer discretionary offer upside optionality if rates fall meaningfully and confidence strengthens, but remain the first to de-rate if currency volatility returns.

Egypt’s net international reserves rose to USD 51.5bn at end-December 2025, up 9.2% YoY, driven by stronger remittances, tourism receipts, improved external funding under the post-March 2024 IMF-backed reset, and renewed foreign investor inflows. Reserves now cover above 6.5 months of merchandise imports (end-Sep 2025 levels), exceeding adequacy thresholds amid a stabilising EGP and resilient banking liquidity.

Key 2026 catalysts to watch are the pace of disinflation and rate cuts, confirmation of FX market stability, progress on state asset sales, tourism season strength and Suez-related hard-currency signals, and the continuation of GCC strategic investments—while the primary downside risks remain a renewed FX shock, stop-start policy or reform fatigue, and external shocks that revive inflation or undermine confidence.



SOURCE Bloomberg



SOURCE Bloomberg



# 2026 GCC SECTOR VIEWS

COUNTRY	MARKET P/E (TTM)	DIVIDEND YIELD (AVG)	HIGH-CONVICTION “ALPHA” SECTORS
SAUDI ARABIA	17.6x	3.7%	Construction (Vision 2030 execution), Banking (13–15% credit growth)
UAE ADX/ DFM	19.6x/ 9.8x	2.4%/ 4.7%	Logistics/Mobility, Utilities, Real Estate (Abu Dhabi)
QATAR	12.5x	4.7%	Industrials (LNG expansion), Energy shipping
KUWAIT	15.6x	2.3%	Banking (New Mortgage Law), Consumer Staples
OMAN	9.6x	5.2%	Utilities, Logistics, Energy
BAHRAIN	14x	9.3%	Banking (M&A consolidation), Telecom, Materials

**NOTE** Data as of end Dec-2025

The 2026 sector playbook is built around a rotation from “Oil Beta” to “Legislative Alpha.” With Brent assumed at USD55–65/bbl and non-oil GDP growth running at c4.5%, the GCC’s growth engine is increasingly driven by policy-backed diversification—tourism, logistics, manufacturing, housing, and digital infrastructure—rather than the oil price alone. The second pillar is liquidity rotation: as the Fed pivots (base-case c75–100 bps of cumulative cuts), capital should progressively unlock from high-yield deposits into high-dividend equities and select growth pockets. In this regime, the highest-conviction opportunities sit in sectors where governments are mandating outcomes (delivery, capacity, privatization, grid upgrades) and where cash flows are either regulated or structurally volume-linked.

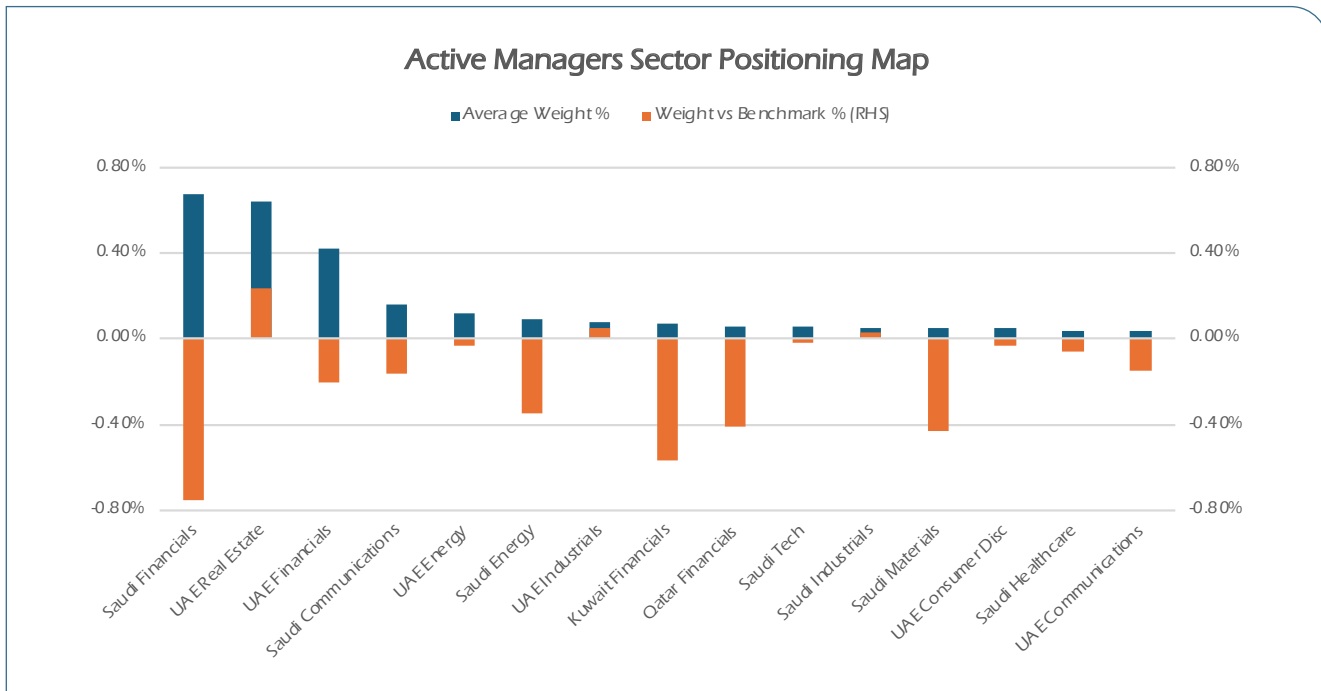
## THE UNIFIED VIEW SUGGESTS A BALANCED STRATEGY

- 1. GROWTH WING (OVERWEIGHT)** Saudi Construction (Volume play) & Kuwaiti Banks (Mortgage reform play).
- 2. YIELD WING (OVERWEIGHT)** Qatar Industrials (8% yields) & UAE Utilities (Defensive flows).
- 3. UNDERWEIGHT** Pure-play Petrochemicals (due to USD60/bbl oil and rising feedstock costs).

# FOREIGN ACTIVE FLOWS

## OVERWEIGHT FINANCIALS AND REAL ESTATE

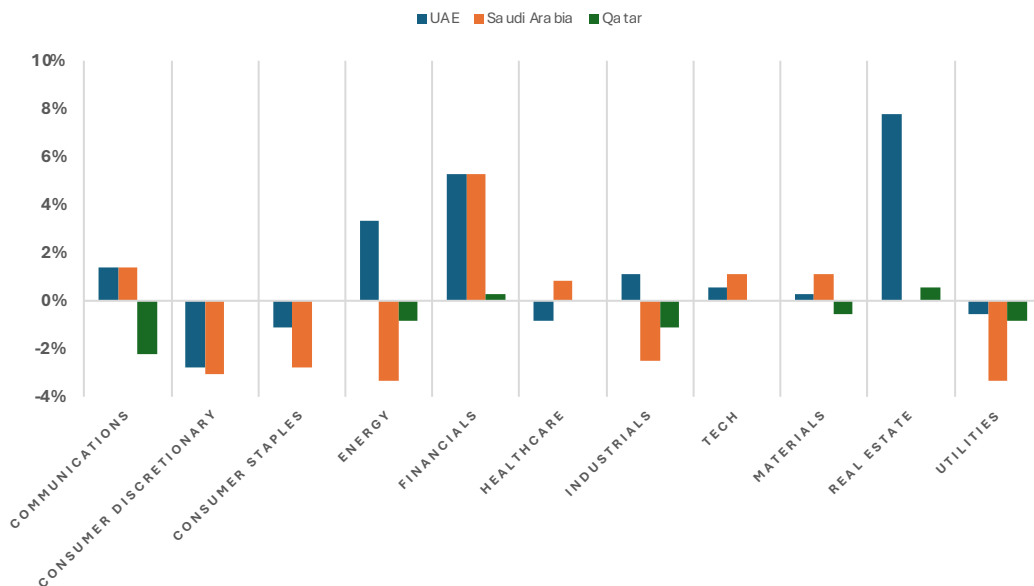
Active EM fund exposure to the GCC is not diversified across all industries – it is largely piled into two sectors: Financials and Real Estate. In the UAE, banks and property developers make up the vast majority of what EM funds hold in that market, while Saudi exposure is similarly skewed toward its large financial sector (e.g. banks). EM investors are concentrating bets on Gulf banks and developers, presumably where they see the most liquidity, index representation, or conviction, while leaving much of the region’s other industries under-owned.



SOURCE Bloomberg

This year, UAE real estate exposure saw the largest rise in 2025, reflecting strong property market performance and improved fundamentals. Likewise, allocations to financials in both Saudi Arabia and the UAE have grown during the year, aided by factors such as recovering bank profit margins. In the UAE, banks also enjoyed robust loan growth, further supporting their appeal. In contrast, fund positions in Saudi consumer-related stocks have been trimmed back. The net result is an even more pronounced focus on **Gulf financial and property names** by EM funds in 2025.

## Active Managers Positioning Changes YTD

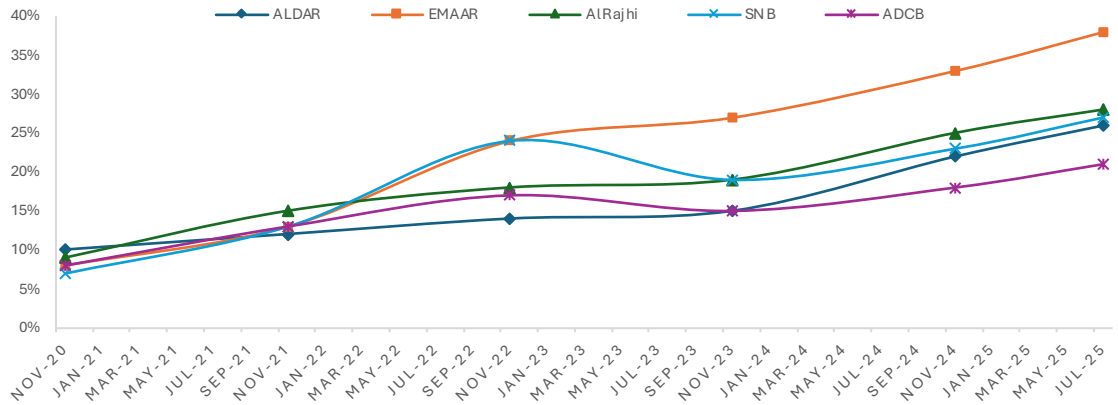


SOURCE Bloomberg

A handful of large-cap Gulf companies have risen to become main stock picks for EM-dedicated funds such as **Emaar Properties**, a real estate developer that now ranks as one of the most widely held stocks by EM active managers in the entire EMEA region. The ownership of Emaar by EM funds has climbed to record levels, making Emaar the third-most popular EMEA stock. Other UAE names like **Aldar Properties / and Abu Dhabi Commercial Bank (ADCB)**, as well as Saudi heavyweights **Al Rajhi Bank and Saudi National Bank (SNB)**, also feature prominently in EM portfolios.

Notably, the UAE real estate names (**Emaar and Aldar**) are held in overweight positions relative to the index, whereas the big Saudi banks (**Al Rajhi and SNB**) are still generally underweighted by funds. Even beyond the top five, several other Gulf stocks (e.g. **Saudi's Aramco** and EEC, or UAE banks like **ENBD and ADIB**) are held by a meaningful minority of EM managers. This pattern shows that while no single MENA stock is as universally owned as, say, a **TSMC or Samsung globally**, a select group of GCC blue chips – particularly in the UAE – have secured a firm place in many EM fund portfolios.

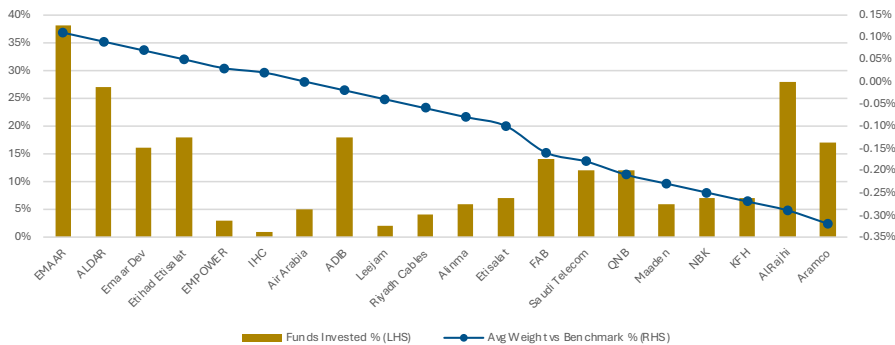
## EM Active Managers Funds Invested, MENA Analysis



SOURCE Bloomberg

Active EM funds still shy away from some of the region's **largest index constituents**. Key examples include Saudi Arabia's national oil company (Aramco) and its top banks (such as Al Rajhi), as well as Kuwait's leading financial institutions (e.g. KFH and NBK) – all of which carry significant weight in the EM index but are held by relatively few EM funds, and in smaller allocations, than their index representation would suggest. In contrast, the stocks where EM funds take an overweight stance tend to be niche or mid-sized names (for instance, certain UAE property and telecom names) whose index weights are small. This highlights a lingering reluctance among active EM managers to fully embrace the region's biggest companies, leaving a gap between the GCC's market capitalization and its actual presence in active EM portfolios.

## Top 10 MENA Underweights and Overweights



SOURCE Bloomberg

# BANKING

## CREDIT EXPANSION, QUALITY BOOKS AND COMPRESSING NIMS

Historically, every 50-bps rate cut reduces sector-wide NIMs by approximately 10–12 bps, depending on the deposit mix and repricing speed. With policy rates declining, we expect lower earnings growth across the region's banking systems, particularly in Saudi Arabia and the UAE, where the proportion of floating-rate loans is highest. Funding costs will fall but at a slower pace than asset yields, as CASA balances are already optimized and cannot be repriced further downward. Consequently, the net effect is negative for profitability.

COUNTRY	2026 OUTLOOK	NIM IMPACT	KEY DRIVERS
<b>SAUDI ARABIA</b>	Volume Growth	Neutral/Slight Compression: Lower rates reduce asset yields, but massive corporate loan volume for Giga-projects (15% growth) compensates.	Vision 2030 Project Finance
<b>UAE</b>	Stable/Defensive	Compression: Competitive pricing in a crowded market and exposure to real estate refinancing may squeeze margins.	Non-Interest Income (Fees/Trade)
<b>QATAR</b>	Margin Expansion	Positive: Heavy reliance on foreign wholesale funding means liabilities reprice lower faster than assets.	LNG-related corporate activity
<b>KUWAIT</b>	Structural Growth	Expansion: The introduction of high-yield retail mortgage products creates a new, profitable asset class.	Mortgage Law Implementation

Liquidity conditions in the banking sector remain healthy but less abundant than in the high-oil-price years. With oil expected at USD 55–65/bbl, deposit inflows from government and GREs are likely to moderate, reducing the liquidity cushion that supported the sector in earlier years. This makes margin compression even more impactful.

Overall, the 2026 rate environment marks a shift from the tailwinds of the prior cycle. We expect banks to rely more on volume growth, fee income, and cost control to offset the negative impact of rate cuts on profitability.

The monetary environment of 2025 was defined by “higher-for-longer” interest rates, which suppressed equity valuations by raising the risk-free rate. Investors flocked to time deposits and Tier-1 Sukuk offering yields of 5.5%–6.5%, draining liquidity from the secondary equity markets. The volume of time and savings deposits in Saudi Arabia, for instance, reached levels not seen since 2009.

The outlook for 2026 is radically different. With the US Federal Reserve expected to cut rates by 75-100 basis points through the end of 2026, GCC central banks—bound by the dollar peg—will follow suit.

For Saudi, the banking sector acts as the primary conduit for Vision 2030 liquidity. Despite the potential for NIM compression due to Fed rate cuts, the sector's outlook for 2026 is positive, driven by volume.

- **CREDIT EXPANSION** Corporate lending is forecast to grow at 13%–15% annually through 2026. S&P Global estimates that Saudi banks will extend between SAR 244 billion and SAR 281 billion in new corporate loans annually in 2025 and 2026, primarily to the real estate and utilities sectors.
- **ASSET QUALITY** Non-performing loan (NPL) ratios remain near cyclical lows at 1.2%, indicating that the rapid credit growth has not yet compromised asset quality.
- **LIQUIDITY MANAGEMENT** The Loan-to-Deposit Ratio (LDR) remained comfortable at 105.9% in Q2 2025. As interest rates fall in 2026, the migration of deposits from time/savings accounts back to demand deposits (CASA) will lower the banks' cost of funds, helping to buffer the impact of lower asset yields.
- **NET INTEREST MARGINS (NIMS)** As the US Federal Reserve cuts rates, GCC central banks will follow suit to maintain the peg. This repricing of assets will compress NIMs, which have been buoyant during the high-rate cycle of 2023-2025. Consensus forecast a NIM contraction of 5-8 basis points for Saudi banks in 2026. The "endowment effect" of non-interest-bearing deposits, which boosted profits when rates were rising, will fade.

**Qatari banks** faced pressure from real estate exposure post-World Cup. However, the outlook for 2026 is stable. Loan growth is forecast at roughly 5%, supported by the Third National Development Strategy (NDS3). Crucially, Qatari banks have significant foreign liabilities; as US interest rates fall in 2026, their cost of funding will decrease, potentially expanding net interest margins.

For the **UAE**, the 2026 setup is defensive but margin-negative, with profitability increasingly hinging on fee income, balance-sheet mix, and cost discipline rather than pure NIM expansion. Recent data already shows the "sticky funding" issue: in Q3 2025, UAE banks' aggregate NIM edged up to 2.45% (+2 bps QoQ), but this occurred alongside a +11 bps QoQ rise in cost of funds to 4.0%, while spreads still tightened—i.e., funding costs were not falling cleanly even as rates started to ease. Looking into 2026, NIMs are expected to soften further (and to normalize around 2.5%–2.7% longer term), implying that even with lower policy rates, competitive lending and deposit pricing dynamics cap margin support. The UAE banking "hedge" is non-interest income (fees/wealth, trade, transaction banking) and scale efficiency, rather than NIM in 2026.

For **Kuwait**, the key 2026 swing factor is the mortgage reform channel, which could create a new, profitable retail asset class and structurally lift loan growth/mix. Fitch highlights that proposed reforms would, for the first time, allow banks to offer mortgage loans potentially up to KWD 200,000, with tenors up to 25 years, and an element of state support/subsidy—a material widening of addressable retail credit versus the historical system where housing finance was more state-led. If implemented as framed, the NIM implication is positive versus the region: higher-yielding mortgages and longer-duration assets can offset rate-cut compression, while also building a durable cross-sell engine (cards, insurance, payments). For **Oman**, the 2026 outlook is steady growth with mild NIM pressure, supported by construction-linked corporate lending and gradual retail expansion, but still sensitive to a lower-rate environment.

# ENERGY & PETROCHEMICALS

UPSTREAM RESILIENCE; DOWNSTREAM CHALLENGED

The most durable 2026 theme is that AI and digitization are ultimately energy, grid, and cooling infrastructure stories. This shifts “AI exposure” away from pure tech and toward utilities, gas-to-power, transmission upgrades, and water/cooling capacity—sectors that compound through regulated asset bases and high cash-flow visibility.

The UAE’s broader capacity build-out is reinforced by ADNOC’s multi-year capex ambitions, while Qatar and the UAE are positioned as structural beneficiaries of AI’s gas and power intensity. In Oman, the appeal of utility-like infrastructure is enhanced by a lower sovereign risk premium following rating normalization, supporting defensive, yield-oriented positioning in contracted cash flows.

In Saudi Arabia, utilities remain a direct beneficiary of the Vision 2030 investment cycle, as large-scale delivery requires sustained power generation, transmission, and water capacity. In Qatar, companies like Nakilat (LNG shipping) are direct beneficiaries of the NFE expansion. As export volumes ramp up starting late 2026, the utilization of Nakilat’s massive LNG fleet will be maximized, ensuring earnings visibility for the next decade.

The negative oil price outlook, driven by subdued global demand and supply dynamics, creates a challenging environment for upstream-heavy portfolios. Pure upstream energy players face a negative outlook as high sensitivity to price volatility and production levels weighs on their overall performance. While strategic capex provides some insulation, the broader crude environment remains a persistent and fundamental headwind for these regional producers.

## PETROCHEMICALS: MARGINS UNDER SIEGE

The petrochemical sector, a key diversification pillar for the GCC, faces a “perfect storm” in 2026. The industry is grappling with a severe supply glut, primarily driven by China’s aggressive build-out of domestic capacity to achieve self-sufficiency.

- **MARGIN COMPRESSION** Spreads for key products like Polyethylene (PE) and Polypropylene (PP) are expected to remain compressed through 2026. The spread between PE prices and naphtha feedstock costs has collapsed to historical lows. The “Golden Age” of margins seen in 2021-2022 is a distant memory.
- **STRUCTURAL SHIFT** China is moving from a net importer to a net exporter in several chemical chains. This forces GCC producers like SABIC and Borouge to pivot their export strategies towards other markets in Asia (India, Vietnam), Africa, and Europe, or move further downstream into higher-value specialty chemicals where competition is based on technology rather than just feedstock advantage.

# MINING

## HIGH GROWTH AND INVESTMENT

**Saudi Arabia's** mining sector is emerging as a critical component of its diversification strategy. With mineral wealth estimated at USD2.5 trillion, the Kingdom is investing heavily in exploration and processing. The goal is to triple the mining sector's contribution to GDP. In 2026, we expect to see significant milestones in the development of phosphate and gold resources, as well as the initial operational phases of copper and zinc projects. This aligns with the global scramble for critical minerals needed for the energy transition, positioning Saudi Arabia as a key supplier outside of the China-dominated supply chain.

# CONSUMER & RETAIL

## CONSOLIDATING FOR SYNERGIES

The consumer opportunity is real across the GCC, but it is segmented by income mix and behavioral trends.

**Saudi Arabia** remains the volume anchor (consumer spending SAR529bn in 2025), yet the key insight is trade-down: 41% of consumers shop discount, implying the 2026 winners are value formats and efficient operators rather than broad-based "premium" exposure.

The **UAE** is structurally different: growth is driven by high-salary inflows and tourism conversion, supporting premium and service-economy compounders—education, healthcare, hospitality, and select premium retail—more than mass-market narratives.

**Kuwait's** consumer setup is tied to the housing finance cycle and the wealth effect as mortgage accessibility improves.

**Qatar** is a smaller but higher-income market where LNG-linked activity supports stability, while **Oman** is a value-led recovery where confidence and real income stabilization matter more than premiumization. A cross-cutting 2026 overlay is that AI-enabled retail execution (demand sensing, shrink reduction, dynamic promotions) becomes a margin and working-capital differentiator for modern operators.

# CONSTRUCTION & MATERIALS

## THE DELIVERY TRADE

After the 2024 awards surge (USD312bn) and the 2025 normalization (cUSD154bn YTD), the projects cycle in 2026 becomes less about announcements and more about execution and award stabilization (USD160–180bn). That matters for equities: delivery phases tend to reward contractors and materials producers with visible backlogs, disciplined pricing, and working-capital control. Saudi Arabia is the epicenter of execution intensity, with 2026 framed as a peak year for project delivery (cSAR1.3tn), and cement demand expected to climb toward 78mn tonnes by 2030 as projects move from enabling works into structural builds.

The UAE remains the region's most predictable projects market, supported by a USD13.6bn federal transport plan and a broad capex base across roads, ports, airports, and utilities. Qatar adds an LNG-driven industrial capex impulse, as the North Field expansion approaches first gas in late 2026 and pulls forward demand across industrial services, fabrication, and logistics. Oman is structurally different: the upside is less a single giga-cycle and more the combination of infrastructure modernization and asset monetization, with privatization and capital market deepening improving funding pathways for long-duration projects.

The construction sector is the epicenter of Saudi Arabia's non-oil growth. 2026 represents the "peak execution" phase for the Kingdom's flagship Giga-projects, including NEOM, Red Sea Global, Qiddiya, and Diriyah.

- **DEMAND SHOCK** The demand for cement is forecast to surge to 78 mn tonnes annually by 2030, with 2026 marking a sharp inflection point as projects transition from earthworks to structural concrete pouring.
- **CORPORATE IMPLICATIONS** Cement producers in the Central and Western regions (e.g., Yamama Cement, Saudi Cement) are prime beneficiaries of this volume growth. However, investors must navigate margin pressures; energy input costs (fuel oil/diesel) have risen, squeezing profitability per ton. Efficiency and proximity to Giga-project sites will be the key differentiators for stock performance.
- **INFRASTRUCTURE CATALYSTS** Beyond the Giga-projects, the deadline pressures of the 2029 Asian Winter Games (Trojena) and the 2034 FIFA World Cup necessitate immediate and rapid infrastructure rollout, ensuring that order books for major contractors remain full through 2026. The construction market landscape is valued at over USD91 billion, providing a massive runway for revenue growth.

# REAL ESTATE

## MATURITY VS. ACCELERATION

The GCC real estate trade is city-specific. Dubai is entering a controlled soft-landing phase: transactions reached AED431bn in H1 2025, but a visible future supply wave (including 30,000+ units by 2026) should cap speculative upside and reward developers with execution discipline, strong balance sheets, and product segmentation. Abu Dhabi remains in acceleration mode, with transaction volumes up 48% YTD and office vacancy tightening to c1.5%, supporting a stronger rental and pricing backdrop. Saudi real estate is inseparable from Vision 2030 delivery (housing, hospitality, mixed-use around giga-projects), while Kuwait offers structural optionality through housing finance reforms. Qatar is steadier and more income-linked, and Oman is selective—more tied to Muscat's service economy and infrastructure-led development than speculative supply.

# TELECOMS

## THE DIGITAL UTILITY IN A DIVERSIFICATION ECONOMY

Telcoms across the GCC increasingly behave like defensive cash compounders with embedded optionality. The 2026 focus is less on subscriber growth and more on monetizing broadband intensity, enterprise solutions, and digital adjacency (data centers, fintech, cloud services). In markets with strong population inflows (notably the UAE), telcos also benefit mechanically from higher fixed and mobile usage, while the sector's cash-flow characteristics make it a natural beneficiary of liquidity rotation back into dividend equities.

# 2026 PARALLEL UNIVERSE PLAYBOOK

## BASE CASE

We assume a benign setup:

- **DISINFLATION HOLDS** inflation cools without breaking growth, so the “last mile” doesn’t force new tightening.
- **FED CUTS C75–100BPS** policy easing arrives gradually, lowering the risk-free rate and easing financial conditions.
- **BRENT STAYS MUTED AT CUSD55–65** oil is stable-but-unexciting; good enough for most GCC buffers, not a windfall.

What that means for markets: cash that hid in high-yield deposits starts to look less attractive, and flows rotate toward dividends, quality balance sheets, and growth with fundamentals, this means liquidity rotation.

## WHAT CAN DERAIL THE BASE CASE?

Three variables matter most because they directly flip our base case:

1. **INFLATION PATH (DISINFLATION VS RE-ACCELERATION)** If inflation re-accelerates, the market reprices the entire rate path: real yields rise, multiples compress, and “duration” becomes toxic again.
2. **FED REACTION FUNCTION (CUTS VS HIGHER-FOR-LONGER / RE-TIGHTENING)** The critical question isn’t “what the data says,” it’s “how the Fed reacts.” A hesitant or hawkish Fed keeps the discount rate high and tightens the financial conditions channel.
3. **OIL TAPE (MUTED VS UPSIDE SHOCK VIA OPEC+ DISCIPLINE / SUPPLY CUTS)** A higher oil price changes GCC liquidity and fiscal math quickly—often faster than it changes global risk appetite.

## CONTRARIAN OUTCOME (IF THE PILLARS FLIP)

If inflation re-accelerates, jobless claims rise (growth scare), the Fed stays tight, and oil shocks higher:

- **HIGHER DISCOUNT RATES RESULTING IN GLOBAL VALUATION COMPRESSION** Long-duration equities and leveraged balance sheets get hit first.
- **THIS MEANS A STRONGER USD WHICH MAKES THE EM/GCC FLOWS WOBBLE** Investors retreat to perceived safety; funding becomes more selective.
- **WEAKER GLOBAL RISK APPETITE LEADING TO BETA GETS PUNISHED** “Story stocks” fade and liquidity thins.

**But the GCC has an offset:** upside oil strengthens fiscal revenues and system liquidity, reducing deficit anxiety and stabilizing sovereign/GRE funding conditions.

**Net effect:** global multiples de-rate, yet the Gulf’s macro “floor” strengthens resulting in the Resilience Rotation.

## PORTFOLIO RESPONSE

1. **MINIMIZE DURATION** Reduce exposure to long-duration growth and rate-sensitive cyclicals; avoid business models that depend on falling yields or cheap refinancing.
2. **MAXIMIZE CASH-FLOW CERTAINTY + PRICING POWER** Prefer companies with regulated/contracted revenues, strong pricing power, and visible free cash flow that can defend dividends through volatility.
3. **OWN THE INFLATION HEDGE EXPLICITLY** Don’t rely on “quality” alone—hold direct hedges that benefit when inflation and oil surprise higher.

## UNDERWEIGHT

- High-beta developers: most exposed to funding costs, refinancing cycles, and sentiment-driven demand.
- Highly levered contractors dependent on cheap funding: margin risk rises and working capital stress shows up fast when liquidity tightens.
- Long-duration thematic growth: ideas that only work when the risk-free rate falls are the first to get repriced in stagflation.

In this regime, alpha is less about chasing the next narrative and more about surviving volatility while harvesting carry—a barbell of cash-generative defensives + energy-linked upside that still works when the base-case playbook fails.

# THE OIL CRASH SCENARIO

FLIGHT TO QUALITY, REBALANCE TO CASH GENERATIVE EXPOSURES

Oil doesn't need an "accident" to fall. In this tape, it can fall by design. Political pressure to keep energy prices low can express itself through multiple channels – OPEC dynamics, surprise supply returns (Venezuela/Iran), Russia's incentives, or simply a global willingness to tolerate lower prices for longer. In unpredictable regimes, the trigger matters less than the outcome: a sustained oil drawdown that tightens GCC fiscal space and forces a repricing of confidence around the "delivery economy."

A deep oil sell-off weakens the GCC's macro floor and slows execution where growth is most dependent on state-led capex and sentiment. Saudi becomes the pressure point: project pacing is re-sequenced, the "Vision trade" de-rates, and high-beta cyclicals tied to capex momentum underperform.

UAE and Qatar should hold up better on a relative basis, supported by stronger buffers and a higher ability to absorb the shock without abrupt policy tightening. This is not a two-week headline – it is a multi-quarter regime. The response is not "head for the doors," but a rebalance: reduce fragility, upgrade quality, and rotate toward cash-generative carry until visibility returns.

# GEOPOLITICAL ESCALATION

SKIP LIQUIDATION AND ACTIVELY DE-RISK

Geopolitical risk is already embedded in GCC valuations – that's part of why the region screens attractive. What is not priced is a true doomsday scenario: an escalation large enough to force markets to price tail-risk, not just "noise risk." In that environment, the immediate driver is not fundamentals, it is the cost of uncertainty: risk premia expand, liquidity thins, and correlations jump.

Even if oil spikes, equities can still sell off because investors don't pay for upside when safety dominates. The shock phase is measured in days and weeks – flows dictate outcomes, and high-beta and foreign-flow-sensitive exposures get hit first.

The second phase is measured in months – normalization begins, and cash-flow visibility starts to win again. In this scenario, the right move is not liquidation; it is risk compression. We reduce leverage and long-duration exposure, add explicit hedges (energy), and lean into regulated/contracted cash flows and high-quality balance sheets, preserving the option to re-risk once volatility breaks and flows stabilize.

# US FEDERAL RESERVE POLICY ERROR

PACE TOWARDS DIVIDEND EXPOSURES, RETAIN FLEXIBILITY TO ADD BETA

The risk isn't just "the Fed doesn't cut." The risk is also that the Fed behaves like Friedman's "fool in the shower" – staying tight for longer, or even re-tightening. The real risk is that the Fed gets the sequence wrong, and the probability rises in 2026 because the backdrop is messy: chair rotation risk, tariff volatility, fiscal noise, and political instability. From mis-timed reactions under pressure, which can keep the cost of capital higher than markets expect.

The Liquidity Rotation thesis relies on falling cash yields and easing financial conditions; a policy error delays that rotation. In this scenario, markets may not collapse – they simply fail to re-rate, and upside becomes capped, choppy, and highly selective.

The duration is typically 6–12 months: long enough to punish long-duration growth and refinancing-dependent names, but not long enough to justify abandoning the region. The correct response is pacing: shift from re-rating exposure to cash-flow exposure, prioritize dividends and pricing power, keep energy as a hedge, and retain flexibility to add beta only once cuts become visible and deposits stop dominating flows.



# APPENDIX: SOME EMERGING THEMES IN THE GCC MARKETS

## THEME 1

DELEVERAGING OF THE GCC ECONOMIES: 2025 IS PIVOT, NOW THE PEAK?

### THE MACRO-FISCAL LANDSCAPE: DIVERGENT TRAJECTORIES

Entering 2026, the narrative of GCC deleveraging has matured from a post-pandemic recovery phase into a period defined by strategic fiscal management and capital market deepening. While debt levels across the region remain low by global standards, national trajectories became increasingly divergent throughout 2025. **Saudi Arabia** saw a deliberate, modest increase in government debt to 30.8% of GDP as of late 2025, reflecting a strategic front-loading of issuance to fund Vision 2030 “**Giga-projects**” while maintaining a robust net-debt position. In contrast, the **UAE** maintained a moderate 30% debt-to-GDP ratio, leveraging oil windfalls to secure fiscal surpluses even as its government-related entities (GREs) tapped markets to fuel diversification.

Regional “**turnaround**” stories have been particularly prominent over the last year. **Oman** successfully reduced its debt to 35.4% of GDP, a remarkable decline from over 60% in 2020, effectively cementing its investment-grade status. **Qatar** followed a similar path of deleveraging, with central government debt reaching approximately 40.8% as the state utilized gas revenues from the North Field expansion to retire older obligations. Conversely, Bahrain remains the region’s primary fiscal outlier, with debt levels at 96.6% of GDP by mid-2025, leaving it more sensitive to global interest rate volatility. Meanwhile, **Kuwait** maintained the region’s lowest debt ratio (1.1% to 3%), though 2025 marked its significant return to the international debt markets following the passage of its long-awaited debt law.

### CAPITAL MARKET EVOLUTION AND RECORD ISSUANCE

2025 was a landmark year for GCC primary bond markets, characterized by a shift from sovereign-led borrowing to corporate dominance. Total regional issuance reached a record USD206.6 bn, with corporate and private sector activity accounting for more than 60% of that total (USD128.6 bn). This surge underscores a fundamental shift in how the region’s transformation is being financed. Furthermore, the market saw a notable green tilt, with sustainability-linked bond issuance climbing to USD12.5 bn, led by high demand for ESG-compliant assets in Saudi Arabia and the UAE. Kuwait’s market re-entry was also a key highlight, with the state issuing USD20.5 bn in 2025, representing the sharpest issuance increase in the region.

## BANKING SECTOR RESILIENCE AMID LIQUIDITY TIGHTENING

The deleveraging cycle, coupled with the high-interest-rate environment of 2025, has placed new pressures on regional banking liquidity. The regional Loan-to-Deposit Ratio (LDR) climbed to 94.1% in the first half of 2025, up from 90.7% the previous year, as credit demand for infrastructure projects began to outpace new deposit growth. While Net Interest Margins (NIMs) eased slightly to 2.6% following global rate cuts in late 2024 and September 2025, banks have successfully offset this by diversifying into non-interest income streams. Despite these liquidity shifts, the fundamental health of the sector remains strong; asset quality has improved, with the regional Non-Performing Loan (NPL) ratio falling to a healthy 2.4%.

## STRATEGIC RISKS AND THE PIVOT TO “SMART SPENDING”

As we look ahead through 2026, the transition toward “**Smart Spending**” introduces structural risks for sectors historically reliant on direct government support. The state is increasingly favoring Public-Private Partnerships (PPPs) for social infrastructure, such as healthcare and education, forcing contractors and developers to adapt to more competitive, private-sector-led models.

Furthermore, high fiscal breakeven in certain states have necessitated the continued rationalization of energy and utility subsidies. This pivot places immense pressure on energy-intensive industrial sectors to improve operational efficiency. Currently, capital is being concentrated on “**concrete deliverables**” – primarily event-driven projects like Expo 2030 and the 2034 World Cup – leaving sectors outside these high-priority areas at risk of project delays as fiscal discipline remains the regional watchword.

# THEME 2

AI AS A MACRO FORCE: FROM INFRASTRUCTURE BUILD-OUT TO OPERATIONAL ALPHA

## THE SHIFT TO A CAPEX-LED CYCLE

By early 2026, the regional narrative surrounding Artificial Intelligence has matured from speculative experimentation into a disciplined, capex-led cycle that is fundamentally reshaping infrastructure spending and corporate operating models. This transition is characterized by a massive build-out of “digital bedrock” – data centers, high-performance compute capacity, and the necessary power and cooling infrastructure.

The GCC has successfully positioned AI as a strategic sovereign industry, evidenced by Saudi Arabia’s Humain initiative and the UAE’s maturing G42 ecosystem. These are no longer just technology investments; they represent an explicit ambition to capture a greater share of the global digital value chain, effectively decoupling the region’s growth from traditional commodity cycles.

## THE INFRASTRUCTURE LAYER: A POWER AND COOLING PLAY

The immediate investable implication of this cycle is two-layered, beginning with the “build-out beneficiaries.” In the current 2026 environment, AI is recognized as a power and cooling story long before it is a software story. The structural energy hunger of local LLMs and regional data hubs has reinforced a durable floor under natural gas demand and accelerated the urgency for grid reinforcement and water-intensive cooling infrastructure. Consequently, the most robust way to play the AI theme is through Utilities and Energy Enablers. These entities provide the mission-critical “picks and shovels” for the digital age, offering investors a defensive pathway to AI exposure through stable, regulated asset bases that are seeing unprecedented utilization rates.

## DIRECT EXPOSURE AND THE PRODUCTIVITY DIVIDEND

Beyond the physical layer, the region offers concentrated exposure via listed analytics and digital enablement platforms, most notably **Presight**, which acts as a bridge for sovereign digitalization, cybersecurity, and big data management. However, the most profound impact of AI in 2026 is the “**productivity dividend**” being harvested within “old economy” sectors. We are seeing a widening valuation gap between firms that treat AI as a peripheral IT function and those that use it to drive measurable operational leverage. In the retail and supermarket segments, AI-driven demand sensing and dynamic promotion engines are now optimizing inventory turns and reducing “**shrink**,” directly improving working-capital efficiency as consumer behavior becomes more algorithmically influenced and data-captured.

## SECTORAL REALITIES: MARGIN PROTECTION AND LOGISTICS

In the industrial and chemicals space, the focus has shifted toward margin protection in a cyclical environment. Leading entities like Fertiglobe have integrated predictive maintenance and advanced process-control models to anticipate equipment failures and stabilize yields, effectively insulating the bottom line from unplanned downtime. Similarly, in the downstream energy and distribution sector, ADNOC Distribution has demonstrated the power of AI-led logistics. By optimizing tanker routing and replenishment timing, the firm has successfully reduced unit delivery costs while simultaneously improving station service levels.

## THE 2026 STRATEGIC FRAMEWORK

For the 2026 outlook, the investment framework is clear: it is a “**Two-Phase Trade**.” The first priority is to own the capex and power value chain—comprising utilities, grid infrastructure, gas-to-power, and cooling. The second priority is the selective ownership of “**Productivity Adopters**”—companies that can move beyond generic AI narratives to demonstrate hard KPIs, such as lower unit costs, higher facility uptime, and superior inventory turns. In an era of fiscal discipline, the market is increasingly rewarding these tangible efficiency gains with a “**digital premium**,” marking 2026 as the year AI moved from the back office to the heart of the balance sheet.

# THEME 3

## GOVERNMENT POLICY SUPPORT FOR THE BUSINESS ENVIRONMENT

Since 2022, GCC policy support has evolved from a headline “**IPO push**” into a full-stack incentive model to attract capital, HQs, and talent—special economic zones, faster licensing, residency pathways, and trade-led market access. The UAE is the clearest example of this “**platform strategy**”: an expanding CEPA network strengthens global connectivity for private-sector exporters and services firms, while the country continues to score at the top end of global digital government / telecom infrastructure benchmarks—lowering friction for startups and multinationals scaling operations.

The incentives are increasingly fiscal and operational, not just regulatory. The new corporate-tax era is being paired with explicit rewards for innovation: a planned R&D tax incentive (expenditure-based, potentially 30–50% refundable credit mechanics) and preferential treatment for qualifying IP income in the free-zone framework (a “patent-box style” benefit). Capital markets also stayed policy-backed beyond 2022: 2024 was a high-water mark for regional listings (Middle East IPO proceeds cUSD13.4bn), but 2025 delivered the needed reality check—proceeds fell to cUSD6.5bn by November as higher-for-longer rates, softer sentiment, and mixed post-IPO performance made investors more selective. The pro is a more mature market: better governance, higher free-float, and deeper benchmarks. The con is that liquidity is no longer guaranteed by pipeline headlines—pricing discipline and earnings delivery now determine outcomes.

The 2026 reality is dual-edged. On the upside, the region offers unmatched connectivity and enablement—CEPAs, gold-standard digital rails, and targeted incentives that directly improve competitiveness. On the downside, the end of the “tax-free” era introduces real compliance cost and process risk (the UAE is tightening and clarifying tax procedures effective 1 January 2026), while the broader pivot toward PPPs means “old economy” firms can no longer rely on automatic, state-funded contract pipelines—more risk is being transferred, and procurement is becoming more performance-driven. Winners in 2026 will be the operators who actively arbitrage the incentive stack to offset the new cost base—using tools such as Abu Dhabi’s Energy Support Program (industrial tariff support) alongside workforce nationalisation schemes like Nafis/Emiratization to stay cost-competitive and policy-aligned.

# THEME 4

## POPULATION AND ATTRACTION OF THE HUMAN CAPITAL TO THE REGION

The GCC's new human capital initiatives are gradually diversifying the makeup of Gulf societies and economies. Longer-term visas and residency rights are encouraging expatriates to invest in local property, start businesses, and integrate more fully, moving the GCC away from the transient "expat turnover" model. This is boosting sectors like real estate (home ownership by foreigners is up, driving construction and home financing), education (demand for international schools and universities is rising as expat families settle), and knowledge industries (skilled migrants are filling roles in finance, consulting, IT, research and development, etc., helping incubate those sectors).

At the same time, the push to employ nationals in private firms is slowly reducing the public-sector employment burden and unleashing entrepreneurial ambitions among Gulf youth. For example, Saudi Arabia's private-sector employment of Saudis has hit record highs and female workforce participation has doubled in the last few years as barriers fall. The interplay of imported talent and growing local skills is also fostering innovation –e.g. collaborations between foreign experts and local teams in UAE's tech startups or Qatar's research labs.

In terms of demographics, these policies are mitigating the historic stark divide between citizen and expatriate populations: more gradations of residency status are emerging, and some expatriates may spend decades in the Gulf, contributing to a more stable labor force. Over time, this supports economic diversification, as human capital is a critical ingredient for moving beyond oil. The main risk is managing social integration and ensuring that national workforce gains keep pace with expatriate-led growth.

Thus far, the GCC seems to be striking a careful balance – leveraging foreign expertise to drive new industries (from fintech in Bahrain to tourism in Saudi Arabia) while opening avenues for citizens to participate in these industries. If sustained, this approach will lead to a more sustainable development model where the economy is both globally competitive and increasingly inclusive of Gulf nationals, fulfilling the vision of diversified, knowledge-driven economies.

## RECENT POPULATION TRENDS IN THE UAE SUPPORTING NON-OIL GROWTH

The UAE's population rebounded sharply after the COVID-19 dip, rising from 9.3 mn in 2020 to 11.2–11.3 mn by 2025, adding nearly 1.9 mn residents in five years. Growth peaked at c5% in 2022, eased to c3% by 2025, but remains strong. Abu Dhabi and Dubai dominate with c4 mn each, accounting for two-thirds of the total. The demographic profile is highly expatriate (c75%) and male-skewed (68% male vs 32% female), concentrated in the 35–39 age group.

Several factors have fueled the UAE's recent population growth, including a strong post-pandemic economic recovery, the influx of foreign professionals attracted by competitive salaries and visa reforms like the Golden Visa, and major government incentives and projects such as Expo 2020. Additionally, the country's stability and reputation as a secure investment hub have drawn high-net-worth individuals and professionals from regions experiencing geopolitical and economic instability.



## OUTLOOK: POPULATION GROWTH SCENARIOS FOR 2026

Looking ahead, the UAE's population is expected to continue growing into 2026, though the pace may moderate compared to the post-pandemic surge. Forecasting population involves some uncertainty, especially since migration (the main driver) can fluctuate with economic or policy changes. It is useful to consider a range of scenarios for 2026:

- **HIGH-GROWTH SCENARIO** In a high-case scenario, the UAE sustains strong expatriate inflows as in 2022–2024. This could happen if the economy out-performs (e.g. oil prices remain high, new mega-projects launch, global crises drive more migrants to the UAE) and the government further relaxes residency rules. Under these conditions, the annual growth rate might remain around **3%**. That would add roughly 330,000+ people in a year. By the end of 2026, the UAE population could reach on the order of **11.6-11.7 mn** in this optimistic scenario.
- **BASE/MEDIUM SCENARIO** The most likely scenario (barring shocks) is a moderate growth path. International institutions like the UN project UAE population growth slowing to 2% and below annually starting 2026. According to the UN World Population Prospects (2024 revision), the UAE's population is projected to be around 11.5 mn by 2026, which is roughly **2%** annual increase from 2025. This corresponds to an increase of c260 thousand people in 2026.

In this base case, net migration remains positive but slightly lower than the peak post-Covid years, perhaps as the immediate boom moderates and housing/cost of living constraints temper inflows. This scenario assumes steady, healthy economic growth (c3% GDP as S&P forecasts for Dubai) and continuation of current visa policies, with no major disruptions.

- **LOW-GROWTH SCENARIO** In a low-case scenario, population growth could slow significantly, for example if global or regional economic conditions worsen due to unforeseen shocks. Potential dampening factors might include a global recession reducing job opportunities, a slump in oil or real estate that leads to expatriate outflow, or if the cost of living in the UAE rises to a point that deters some migrants.

In such a case, the UAE might see growth drop to **1% or less** annually, or even a temporary population decline if outflows outpace inflows. A 1% growth for 2026 would add only c112,000 people. That would put the end-2026 population around **11.3 mn** (nearly flat relative to 2025). While this scenario is less likely given current momentum, it's not impossible – the UAE saw essentially no growth or slight decline around 2019–2020 when external conditions were unfavorable.

Current signals suggest that the base case of moderate growth is most plausible for 2026. The UN medium projection implies the UAE will reach approximately 11.5 mn in 2026. This aligns with the notion that the extraordinary influx of 2021–2023 will normalize somewhat, yet remain positive.

We also see the government pursuing policies to sustain growth: new visa categories (for skilled professionals, freelancers, etc.), and initiatives like the “We the UAE 2031” vision that aims to attract talent in emerging sectors, all of which indicate an official stance favoring continued population increase. From the standpoint of companies whose growth relies on population (like Salik, DTC, du, e&), even the low scenario represents a stabilization at a high plateau, and the medium/high scenarios point to continuing market expansion.

## IMPACT ON AND REFLECTIONS FROM KEY INDUSTRIES

### CONSUMER & PUBLIC SERVICES

A larger population boosts consumption of everything, and retailers track population for market size. Government services (healthcare, education) also adjust capacity – e.g. Dubai and Abu Dhabi have expanded schools and hospitals to serve the growing population. The education sector has grown enrolment significantly since 2019, and healthcare facilities have increased by nearly **10x** since 1975 to keep up with population needs.

For instance, **Taaleem** reached 38 new schools during H1 2024/25 period (+6 new schools YoY), student enrolment rose to 41,117 (+3,156 new enrolments, c+8% YoY) and total student capacity rose to 55,292 (+12,341 new seats, c+28% YoY). **Burjeel** patient footfall rose to around 6.5 mn (+7.5% YoY) as of 2024 and 5.1 mn (+7.3% YoY) as of 9M 2025. Year-to-date, **Spinneys** expanded its UAE footprint with 10 new stores, supporting a solid c11.8% YoY increase in UAE revenue as of 9M 2025. **LuLu** likewise opened 6 new UAE stores, contributing to a c5.1% YoY uplift in UAE segment revenue over 9M 2025.

These trends underscore why population projections are crucial for planning across both private and public sectors. These patterns also suggest that the composition of new migrants is skewing more affluent: higher growth at Spinneys relative to mass-market LuLu points to rising demand in the premium grocery segment, while stronger performance at quaternary-care facilities such as Burjeel Medical City compared with more value-oriented brands like LLH/Lifeline indicates increasing utilization of higher-end healthcare. Together, these signals imply that recent population inflows are disproportionately driven by higher-income professionals and households, not only expanding the population base but also lifting its average purchasing power.

## TELECOMMUNICATIONS

Telecom providers Du and e& (Etisalat) benefit directly from more residents needing mobile and internet services. UAE fixed broadband subscriptions (home internet, branded “eLife” for consumer fiber bundles, plus corporate DSL) reached 2.07 mn in 2024 (+5% YoY), and +2.5% YTD as of 3Q 2025, in line and even slightly higher than population growth for the same periods. UAE mobile phone subscriptions (SIM connections) reached 23 mn in 2025 (over 200% of population due to many users having multiple lines). Both major telcos have seen subscriber growth in tandem with population gains and often cite demographic expansion in guidance.

## TRANSPORTATION & MOBILITY

More people mean more commuters and travelers. For example, the **Dubai Taxi Corporation (DTC)**, which operates taxis and ride-hailing, reported surging ridership and revenue, attributing its positive outlook in part to the rising population. For example, the number of taxi vehicles grew by 744 new taxis from 5,216 in 2023. Similarly, **Salik**, Dubai’s toll gate operator, has experienced traffic volume growth; its investor reports highlight population growth as a tailwind for future toll road usage.

For instance, the revenue generation trips grew to about 498.1 mn trips (+8% YoY, and roughly 65% from the 2020 levels) and added 2 new toll gates in 2024. As for **Parkin**, the total active spaces reached 206.4 thousand (9.4 new parking spaces, and 10.9% YoY growth in number of transactions). More broadly, the government’s USD13.6 billion federal transport infrastructure plan is designed to accommodate “rapid population growth” and avoid congestion.

## REAL ESTATE & HOUSING

Perhaps no other sector is directly affected by population than housing. The surge of residents since 2021 created a housing shortage and rent spikes in hot markets like Dubai. Property developers (e.g. **Emaar, Aldar**) have launched new projects, and analysts expect over **150,000** new housing units to be delivered 2025–2027 in Dubai to accommodate growth.

Knight Frank estimates 33,074 homes under construction scheduled for delivery by 2029 in Abu Dhabi, with 890 units delivered in H12025. Companies like Aldar in Abu Dhabi reported high sales, explicitly linking it to population and investor inflows.

# THEME 5

## THE TALE OF FOUR CITIES

### **RIYADH – MEGA-PROJECTS AND DELIVERY.**

Riyadh has become the clearest expression of Saudi Arabia’s “build at scale” strategy under Vision 2030. A vast pipeline of giga- and mega-developments—spanning NEOM, Qiddiya, Diriyah Gate and large national infrastructure programs—has shifted the story from announcement to execution. Saudi Arabia has launched USD 1.3tn of real estate and infrastructure projects over the past eight years, underlining both the ambition and the urgency of delivery as the Kingdom accelerates diversification and positions Riyadh as a top-tier global city.

### **DUBAI – CROWDED YET EXPANDING.**

Dubai is a mature global hub that keeps finding capacity in a constrained footprint. The Dubai 2040 Urban Master Plan targets population growth to c5.8m by 2040 (from c4m in 2025), with expansion increasingly driven by densification, mixed-use infill, vertical growth, and selective land reclamation—rather than unlimited sprawl. The narrative is a controlled reinvention: Dubai compounds its advantage in trade, tourism and finance by upgrading infrastructure, re-platforming districts (e.g., Expo City) and expanding “usable city” supply even as it remains one of the region’s most built-out urban environments.

### **ABU DHABI – SMART CAPITAL AND THEMATIC AI INVESTING.**

Abu Dhabi is positioning itself as the region’s financial engine—deploying sovereign capital with a clearer thematic edge. Its major investment platforms (ADIA, Mubadala and ADQ) collectively manage cUSD 1.7tn, providing the scale to underwrite long-duration strategy rather than cyclical spending. (Financial Times) Momentum is increasingly tilting toward technology and AI: Abu Dhabi launched MGX, an AI-focused investment vehicle created with Mubadala and G42 as foundational partners and targeting cUSD 100bn in assets, while also backing large-scale AI infrastructure investment initiatives.

### **MUSCAT – HERITAGE REBUILDER WITH FOUNDATIONAL REFORM.**

Muscat’s approach is intentionally distinct: modernization without sacrificing identity. The capital’s built form remains heritage-led, shaped by long-standing rules that preserve a low-rise, whitewashed skyline (including a 40m height cap instituted under Sultan Qaboos), even as policy shifts gradually create room for more growth-oriented development. (Monocle) Under Vision 2040, the emphasis is on “fixing the fundamentals”—fiscal and regulatory reform, investment facilitation, and targeted diversification (tourism, logistics, mining, fisheries). Oman has already introduced 5% VAT (2021) and has legislated a 5% personal income tax from 1 Jan 2028 for high earners (income above OMR 42,000), reinforcing a measured, credibility-building reform path rather than a headline mega-project cycle.

# DISCLAIMER

This document is for information purposes only – not an offer or solicitation.

This document has been prepared by ARAM CAPITAL (“ARAM”), the asset management arm of the Al Ramz Corporation PJSC regulated by the UAE Capital Market Authority.

This document is provided for information purposes only and does not constitute, and should not be construed as, an offer, invitation, solicitation, recommendation, or inducement to engage in any investment activity.

This document is directed solely to selected professional clients and/or institutional counterparties. It is not intended for distribution to, or use by, the general public, and no other person should act or rely on the information contained herein.

No authority or regulator in the ADGM, GCC or MENA region has approved or endorsed the information contained herein. This document (and any accompanying materials) is provided for your exclusive use. This document (and any accompanying materials) is provided for your exclusive use and may not be reproduced, copied, forwarded, redistributed or otherwise disseminated, in whole or in part, without the prior written consent of ARAM.

This document is not intended for distribution to, use by, or reliance upon by any person or entity in any jurisdiction where such distribution or use would be contrary to applicable laws or regulations. Any copying, forwarding, redistribution or other dissemination of this document and related materials, by any means, to persons other than those referred to above is strictly prohibited.

Nothing in this document constitutes investment advice, investment research, a solicitation, an offer, or a personal recommendation by ARAM or any related ARAM entity (which, for the purposes of this disclaimer, includes any employee, director, officer or representative of any ARAM entity) to buy or sell any security, product, service or investment, or to engage in (or refrain from engaging in) any transaction, including in any jurisdiction where such advice, offer, solicitation or recommendation would be unlawful or would require registration, licensing or other approvals.

The information in this document may reflect certain assumptions used in preparing analyses, projections, results and/or returns. Views and opinions expressed are subject to change and may be revised without notice. The information and opinions are derived from proprietary and non-proprietary sources that ARAM considers reliable; however, they may not be complete and are not guaranteed as to accuracy, timeliness or completeness. Accordingly, no representation or warranty (express or implied) is made as to the accuracy or reliability of the information, and ARAM, its officers, employees and agents accept no responsibility or liability for any errors or omissions (including by reason of negligence) or for any other reason.

This material may include forward-looking statements and information that are not purely historical in nature, including projections and forecasts. Such statements are inherently subject to risks and uncertainties, and there can be no assurance that any forecast, projection or expectation will be achieved.

This document is not intended to be relied upon as a forecast, investment research, or advice, and it is not a recommendation, offer or solicitation to buy or sell any financial instrument or to adopt any investment strategy. Any reliance on this document is at the sole discretion and risk of the Professional Client/reader. Investing involves risk.

Professional Clients should conduct their own independent evaluation and, where appropriate, obtain financial, legal, tax and regulatory advice to determine whether any investment or strategy is suitable in light of their experience, objectives, financial resources and other relevant circumstances.

To the fullest extent permitted by applicable law, neither ARAM nor any related entity shall be liable for any direct, indirect, incidental, consequential or other loss arising out of or in connection with the use of this document and/or any further communication relating to it, except to the extent such loss is caused by ARAM's gross negligence or wilful misconduct.

ARAM and any related entity have no obligation to correct, update or otherwise revise the information or opinions contained in this document, and any opinion expressed herein may change without notice.

Any terms referenced in this document are indicative only and do not constitute a solicitation or an offer to sell to the public, whether on any particular terms or at all. This document does not purport to set out all terms and conditions of any transaction, nor does it identify all material considerations or risks (whether direct or indirect) that may be associated with any such transaction.

## ABOUT ARAM CAPITAL

ARAM Capital is a UAE-based asset manager focused on delivering disciplined, research-driven investment solutions across GCC and broader MENA capital markets. The firm serves local, regional, and international investors seeking long-term capital growth and preservation.

Our investment approach is anchored in a clear philosophy, robust processes, and strong governance, guided by the core principles of Knowledge, Ethics & Effort. We combine bottom-up fundamental research with top-down macro insights to identify mispriced opportunities while maintaining a strong emphasis on risk management and portfolio construction.

## OUR TEAM

Our team brings together over 120 years of collective experience in GCC financial markets, covering equities, fixed income, and multi-asset strategies. This deep regional expertise, reinforced by adherence to global best practices, enables the firm to skilfully manage market cycles and deliver sustainable results for its clients. The disciplined, performance-driven professionals at ARAM Capital further distinguish themselves through independent thought leadership and insightful market perspectives, ensuring comprehensive guidance and sound investment decisions.

### YAZAN ABDEEN

CHIEF EXECUTIVE OFFICER

### VISHAL GUPTA CFA

HEAD OF EQUITIES

### RAED ALMOMANI

HEAD OF FIXED INCOME

### ANKUR KHETAWAT CFA, CFTe

HEAD OF RESEARCH

### ALI SROUR CFA

ANALYST

## EMAIL

[contactus@aramcapital.ae](mailto:contactus@aramcapital.ae)

## ABOUT AL RAMZ

Founded in 1998, Al Ramz is a UAE domiciled public joint stock company listed on the Dubai Financial Market and regulated by the UAE Capital Market Authority. Al Ramz is a premier financial institution with a distinguished group of subsidiaries offering a broad spectrum of services including asset management, corporate finance, brokerage, security margins, market making, liquidity providing, public offering management and financial research.



**aram**  
CAPITAL

ANNUAL LETTER  
2026