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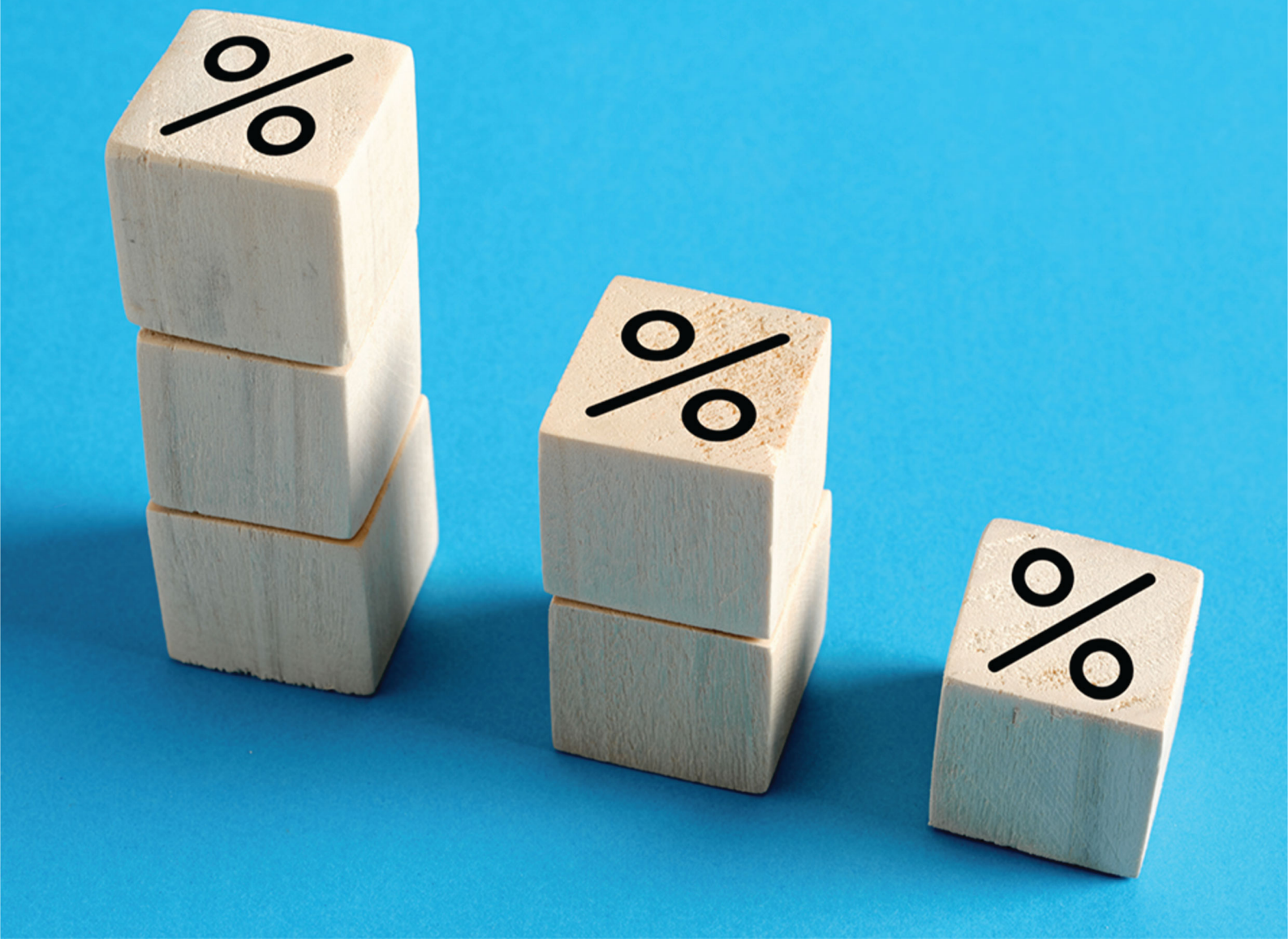
GCC BONDS AND SUKUK MARKET ANALYSIS – Q1 2025.



GCC Bonds and Sukuk Market Analysis
Q1 2025 Highlights

April 2025:
GCC Fixed Income Research

Markaz Research is available on Bloomberg
Type "MRKZ" <Go>

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Terminology and notes to consider before reading this report:

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

Executive Summary:

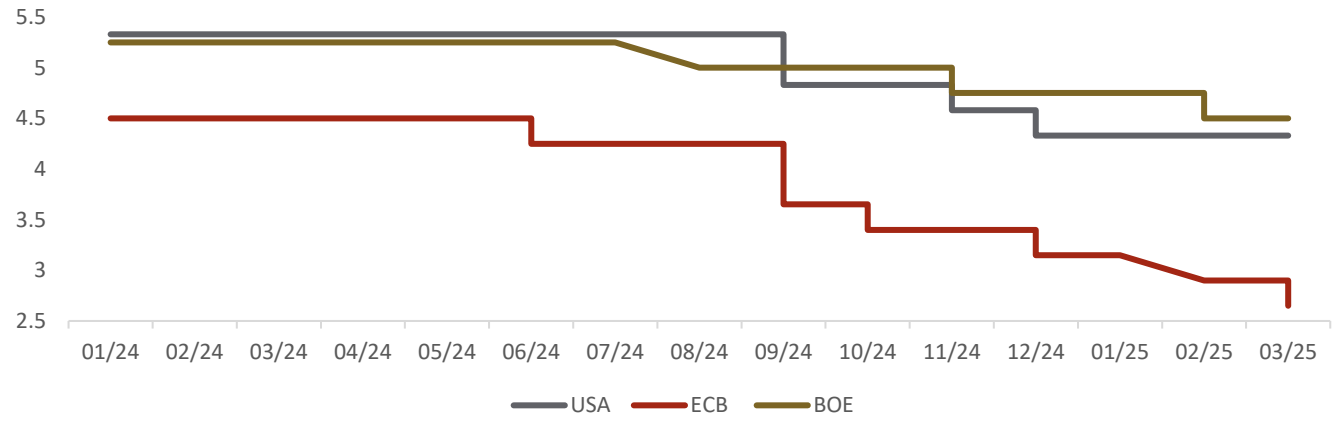
Most major central banks began a rate cut cycle during the second half of 2024, with the trend expected to continue in 2025. In fact, the European Central Bank and the Bank of England have already cut rates during the first quarter of 2025. Trade tariffs from the US have depreciated the US dollar, affecting the return of Global USD based indices. In contrast, Emerging market indices and GCC indices have performed better than their peers during the quarter.

GCC bonds and sukuk primary issuances in Q1 2025 amounted to USD 51.5 billion raised through 125 issuances, a decline of 7.1% compared to Q1 2024. Issuances during the quarter also saw a change in issuance trends, with more corporate bonds/sukuk being issued than sovereign bonds/sukuk (61.3% vs 38.7%). Conventional bonds continued to be issued at a higher pace than sukuk, with USD 33.8 billion conventional bonds being issued versus USD 17.8 billion sukuk issuances.

As of Q1 2025, Saudi Arabian issuances accounted for 60.2% of all primary issuances, followed by UAE representing 19.7% of issuances. As for market performance, all indices posted a positive return for the quarter, with the S&P MENA Bond & Sukuk index and the Bloomberg GCC index recording the highest returns during the first three months of the year.

Global Central Bank Rates Q1 2025

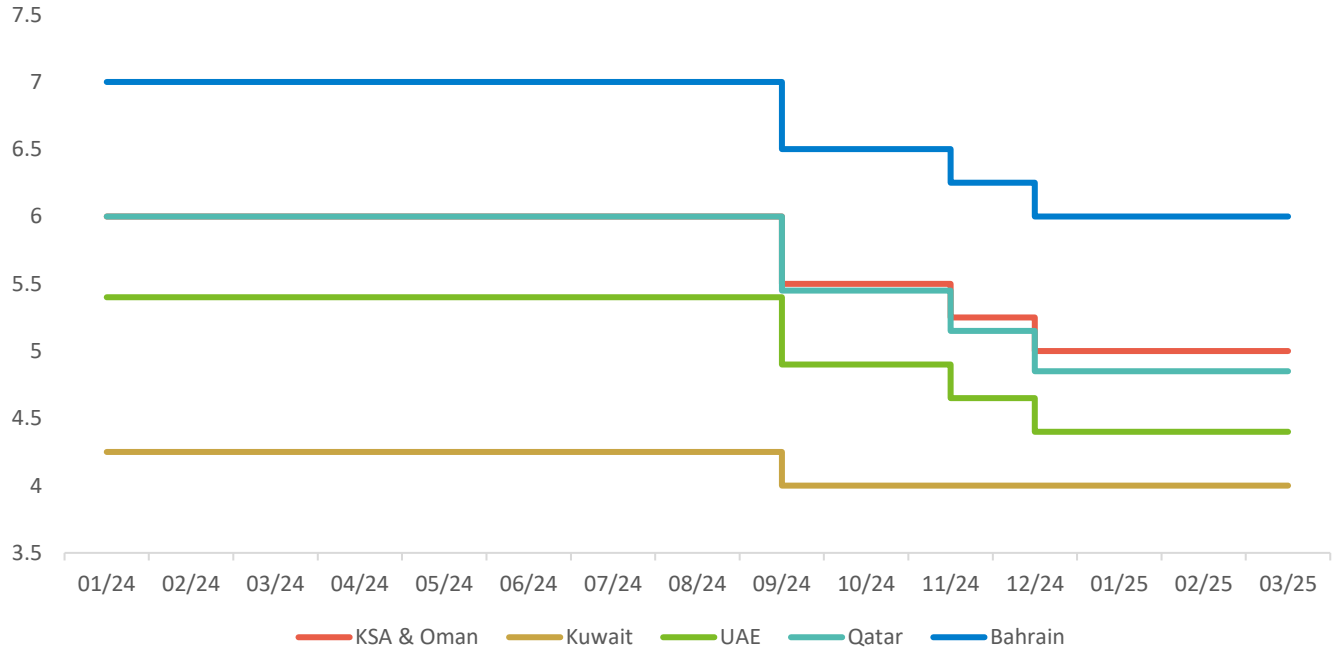
Global Discount Rates (Jan 2024 - Mar 2025)



Source: Bloomberg, Markaz Analysis

As seen above, global central banks have been lowering the levels of interest throughout the second half of last year, with the European Central Bank (ECB) and the Bank of England (BOE) also cutting in the first quarter of 2025 and are expected to cut more during the course of the year. The ECB has been the more aggressive, having already lowered their interest rates during the January 30th meeting and the March 6th meeting, while the BOE cut rates once this year, on February 6th.As for the US Federal Reserve (FED), it still has not cut rates, with expectations of a first rate cut for the year to happen at the July 30th meeting.

GCC Discount Rates - (Jan 2024 - Mar 2025)

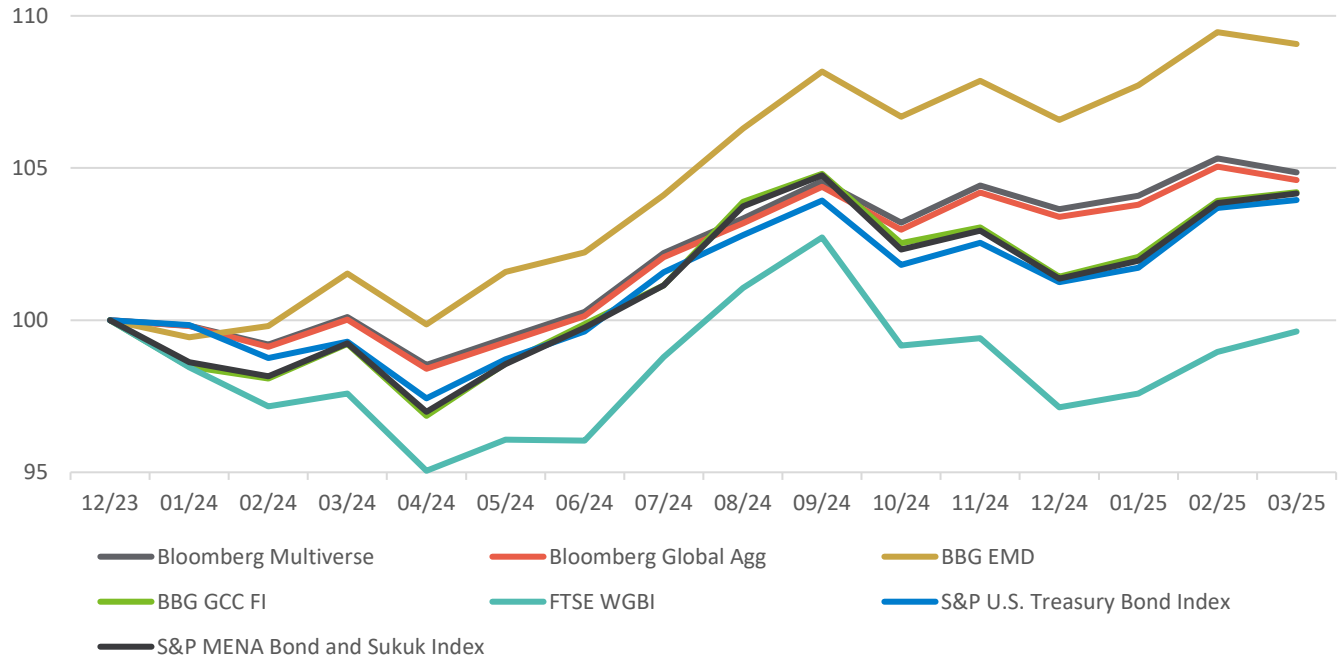


Source: Bloomberg, Markaz Analysis

In-line with the US FED, most GCC central banks have cut rates shortly after the US has cut rates, this is due to the peg of most GCC currencies (excl. Kuwait) to the US Dollar. All GCC central banks (excl. Kuwait) have cut rates three times over the last year, with expectation of more cuts to follow the US FED. The chart above shows the movement of GCC central bank rates, and one thing to note is that Saudi Arabia and Oman have the same exact levels of interest rates and had the same central bank meeting dates.

Global Indices Q1 2025

Global fixed income indices had a positive start to the year given falling interest rates, political tensions, and currency fluctuations during the quarter. In contrast to 2024 where GCC indices were the worst performing indices, 2025 has been a positive year so far, with both GCC indices outperforming their peers. The GCC debt markets are being seen as a safe haven amidst global market fluctuations, with yields relative to the quality of the issuers giving better risk adjusted returns than other markets.



Source: Bloomberg, Markaz Analysis

Index Name	Jan-25	Feb-25	Mar-25	Q1-25
Bloomberg Multiverse	0.43%	1.18%	-0.44%	1.17%
Bloomberg Global Agg	0.39%	1.20%	-0.42%	1.17%
Bloomberg EMD	1.06%	1.62%	-0.36%	2.34%
Bloomberg GCC	0.64%	1.80%	0.27%	2.73%
FTSE WGBI	0.46%	1.40%	0.68%	2.57%
S&P U.S. Treasury Bond Index	0.47%	1.93%	0.25%	2.67%
S&P MENA Bond and Sukuk Index	0.59%	1.85%	0.30%	2.76%

Source: Bloomberg, Markaz Analysis

During the first three months of the year, all indices have performed positively. However, there was a significant difference between the returns of emerging market indices and global/developed indices. Given the fall in the US dollar this year, the Bloomberg Multiverse and the Bloomberg Global Agg have greatly underperformed the other indices. However, the S&P US Treasury Bond index has performed relatively well when compared to other indices, with the index benefitting from the "flight-to-quality" that the markets have been experiencing. This is due to the index's holdings being US treasuries, highly rated instruments.

Credit Default Swaps (CDS)

During the first quarter of 2025, CDS spreads for GCC countries experienced mixed performances, with the spreads of both Kuwait and Qatar narrowing by 6.8% and 0.7% respectively. On the other hand, the rest of the GCC countries experienced widening CDS spreads, with Oman and Saudi widening by 17.0% and 14.2% respectively. They are followed by Bahrain and Dubai, widening by 9.4% and 2.0% respectively. Finally, Abu Dhabi recorded marginal widening, with a quarter to date change of 0.5%.

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

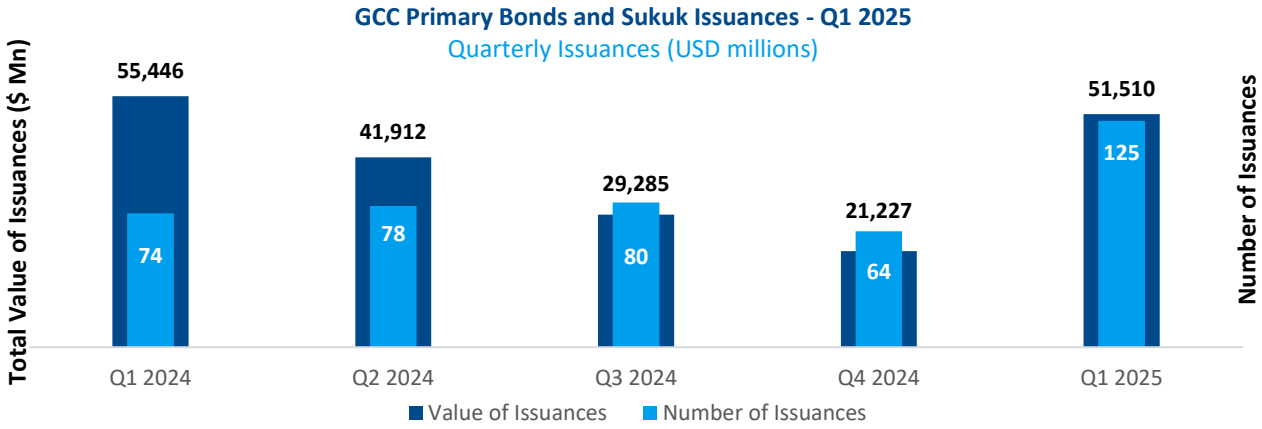
GCC 5Y Sovereign CDS Spread and Credit Rating – Q1 2025

Country	*31/12/2024* CDS (Bps)	*31/03/2025* CDS (Bps)	QTD % Change	Sovereign Credit Ratings		
				S&P	Moody's	Fitch
Abu Dhabi	41.61	41.82	0.51%	AA	Aa2	AA
Qatar	41.27	40.99	-0.68%	AA	Aa2	AA
Kuwait	64.41	60.05	-6.77%	A+	A1	AA-
Saudi Arabia	62.19	70.99	14.15%	A+	Aa3	A+
Oman	95.76	112.06	17.02%	BBB-	Ba1	BB+
Bahrain	181.22	198.17	9.35%	B+	B2	B+
Dubai	59.39	60.59	2.02%	-	-	-

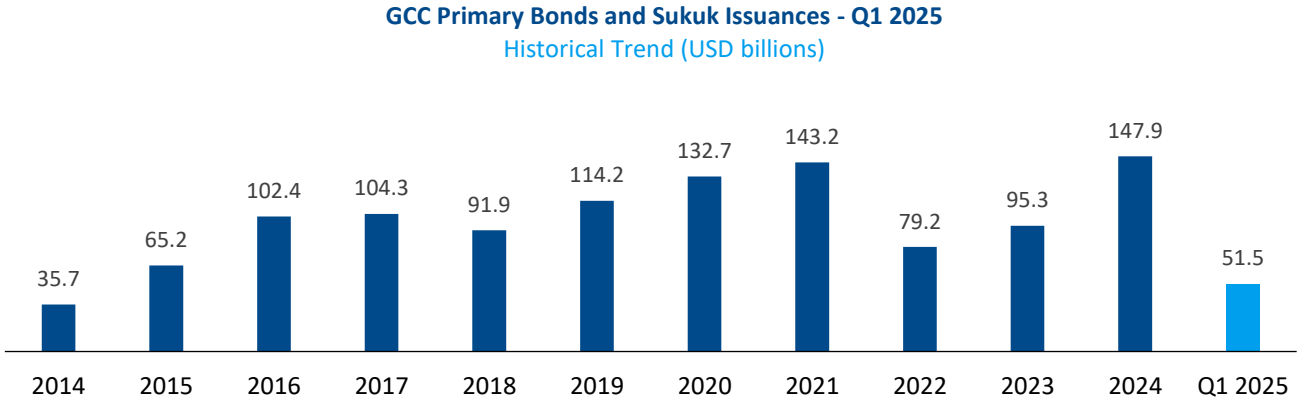
Source: Bloomberg, Markaz Analysis

GCC Bonds and Sukuk Primary Market

GCC Bonds and Sukuk primary issuances amounted to USD 51.5 billion during Q1 2025, which represents a decrease of 7.1% from USD 55.5 billion raised during Q1 2024. However, the number of issuances during Q1 2025 far exceeded that of Q1 2024, increasing by 68.9% i.e. from 74 issuances to 125 issuances when compared to Q1 2024. The average issuance size in Q1 2025 (USD 412.1 million) was significantly lower when compared to average issuance size during Q1 2024 (USD 749.3 million).



Source: Bloomberg, Markaz Analysis

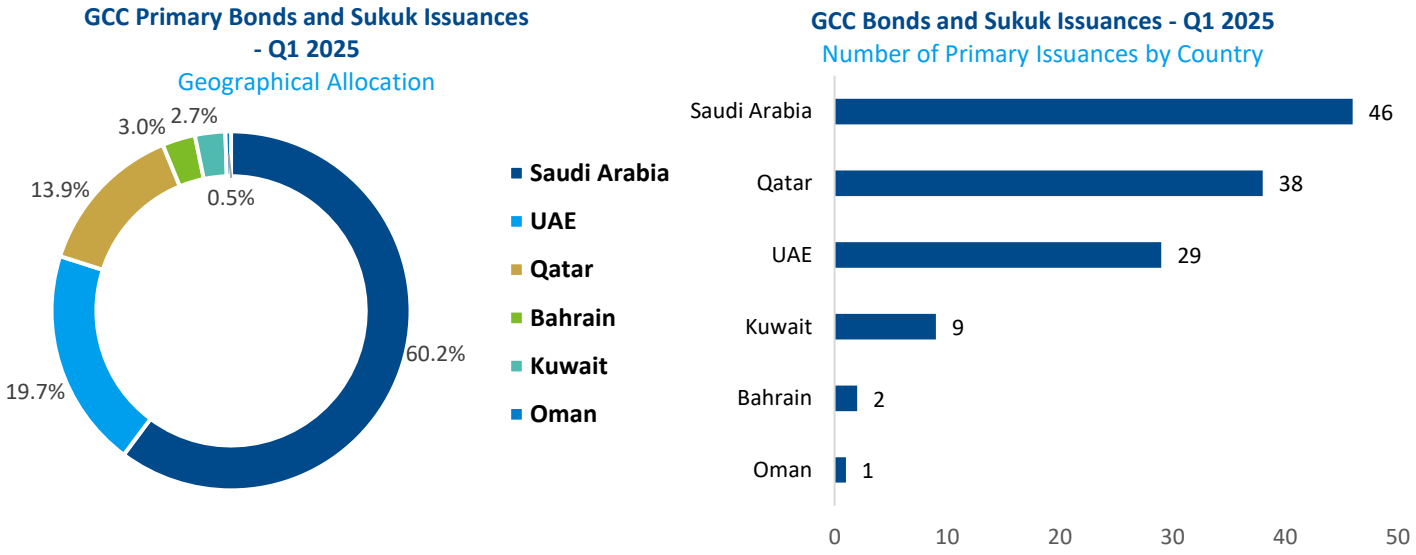


Source: Bloomberg, Markaz Analysis

Even though the value of issuances in Q1 2025 fell below the value of issuances in Q1 2024, issuances during the quarter still remain high historically. With most central banks already lowering the level of interest rates, and given expectations of more rate cuts, we should expect issuance in the GCC to pick up during the year, with companies looking to take advantage of lower interest rates. As of March 31st, the market expects the US Federal Reserve to cut rates three more times during the year and given the peg of most GCC currencies to the US Dollar, GCC central banks are also expected to cut rates in line with the US Federal Reserve.

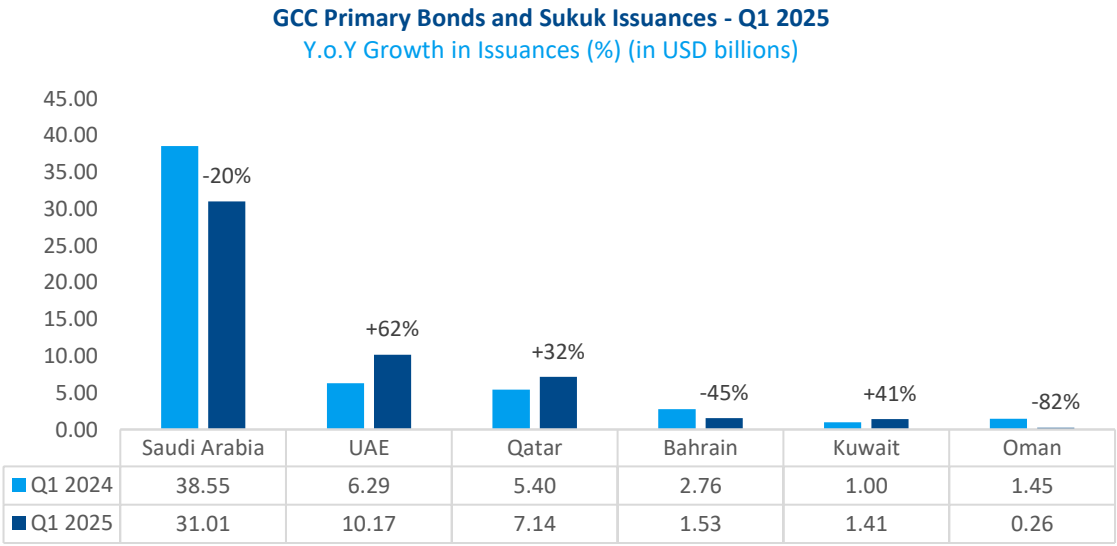
Geographical Allocation

Saudi Arabian entities were the leading issuers in the GCC during Q1 2025, raising a total of USD 31.0 billion through 46 issuances, representing 60.2% of the total value of primary GCC bonds and sukuk issuances. UAE entities ranked second with USD 10.2 billion through 29 issuances, representing 19.7% of total issuances for the year. Qatari entities follows rank with USD 7.1 billion through 38 issuances, followed by Bahrain with USD 1.5 billion through 2 issuances. Kuwait and Oman issued USD 1.4 billion and USD 0.3 billion through 9 and 1 issuances respectively.



Source: Bloomberg, Markaz Analysis

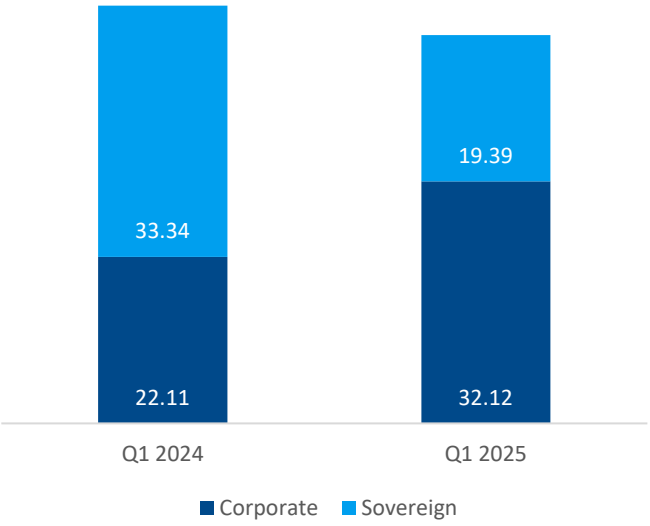
In terms of growth in the value of issuances, UAE issuances experienced the biggest growth year-on-year, with a 61.6% increase in issuances, followed by Kuwait with an increase of 40.7% when compared to Q1 2024. Qatari issuances also experienced significant growth in issuance values when compared to Q1 2024, with an increase of 32.2%. Saudi Arabian issuances experienced a decrease in issuances when compared to Q1 2024, decreasing by 19.6%. Bahraini and Omani issuances experienced the largest decrease from Q1 2024, decreasing by 44.5% and 82.1% respectively.



	Saudi Arabia	UAE	Qatar	Bahrain	Kuwait	Oman
Q1 2024	38.55	6.29	5.40	2.76	1.00	1.45
Q1 2025	31.01	10.17	7.14	1.53	1.41	0.26

Source: Bloomberg, Markaz Analysis

Sovereign vs. Corporate (USD billions)



Source: Bloomberg, Markaz Analysis

In contrast with Q1 2024, issuances in Q1 2025 saw an increased appetite for corporate issuances versus sovereign issuances.

Total GCC corporate primary issuances (including Government Related Entities) increased by 45.3% in Q1 2025 compared to Q1 2024, reaching USD 32.1 billion. Corporate issuances represented 62.4% of all issuances in Q1 2025, compared to 39.9% for Q1 2024.

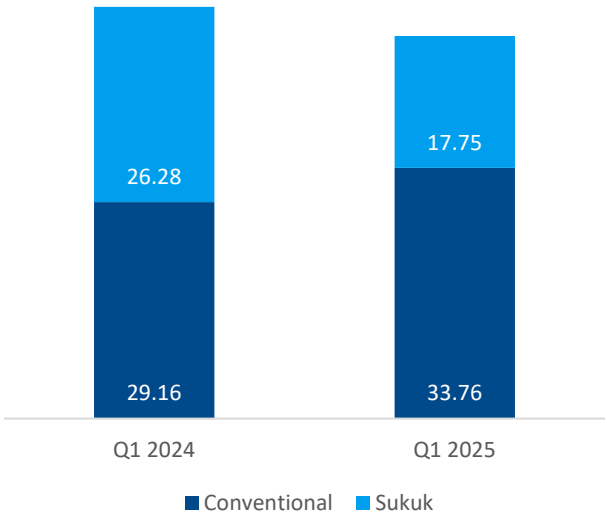
Government related corporate entities raised USD 6.8 billion through 6 issuances during the quarter, a decrease of 11.9% from Q1 2024 (USD 7.7 billion through 6 issuances)

Sovereigns raised a total of USD 19.4 billion during Q1 2025, a decrease of 41.8% from Q1 2024 (USD 33.3 billion). Sovereign issuances represented 37.6% of all issuances during the quarter, down from 60.1% in Q1 2024.

The GCC country with the highest value of corporate issuances was Saudi Arabia with USD 16.6 billion, whereas the single largest corporate issuance was by the Saudi Public Investment Fund, with a value of USD 2.4 billion. In fact, the top 5 corporate issuances in terms of size for the quarter were dominated by Saudi issuers.

The largest sovereign issue of the quarter was also issued by Saudi Arabia with a value of USD 5 billion.

Conventional vs. Sukuk (USD billions)



Source: Bloomberg, Markaz Analysis

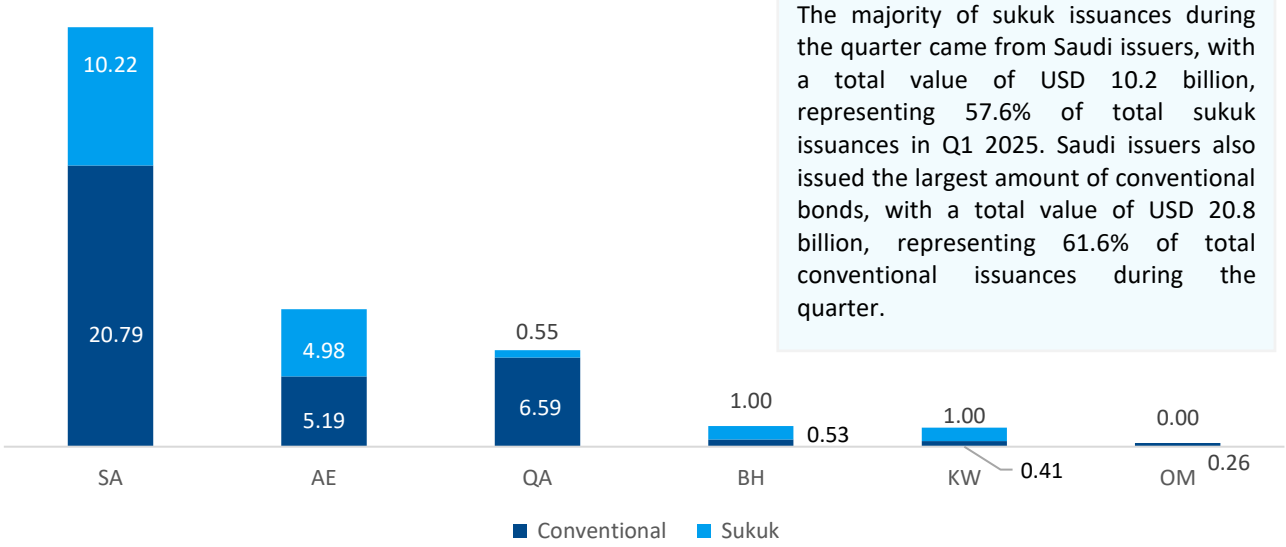
GCC conventional issuances increased by 15.8% in Q1 2025 in comparison to Q1 2024, resulting in a total value USD 33.8 billion for the quarter.

The largest single issue of a conventional bond in Q1 2025 was by the Saudi Arabian government, with an issue size of USD 5.0 billion.

On the other hand, Sukuk issuances recorded a decrease of 32.5% compared to the year before, resulting in a total value of USD 17.8 billion for the quarter.

The largest sukuk issuance in Q1 2025 was by the Saudi Electricity Co. with an issue size of USD 1.5 billion.

GCC Primary Bonds and Sukuk Issuances - Q1 2025
Conventional vs Sukuk (USD billion)



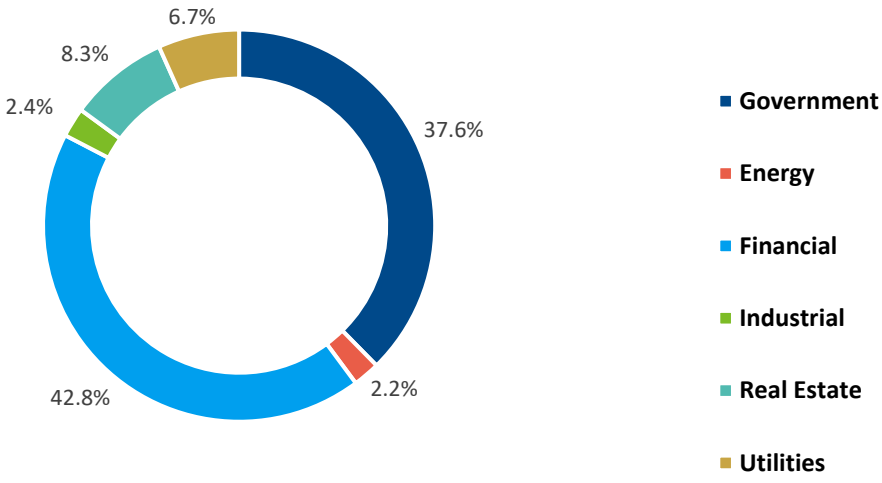
The majority of sukuk issuances during the quarter came from Saudi issuers, with a total value of USD 10.2 billion, representing 57.6% of total sukuk issuances in Q1 2025. Saudi issuers also issued the largest amount of conventional bonds, with a total value of USD 20.8 billion, representing 61.6% of total conventional issuances during the quarter.

Source: Bloomberg, Markaz Analysis

Sector Allocation

The first quarter of the year saw the financial sector leading bonds and sukuk issuances, with USD 22.0 billion through 100 issuances, followed by government issuances with USD 19.4 billion through 12 issuances. However, this quarter, financial sector issuances lead government issuances in both size and number of issuances, a contrast to Q1 2024, where government issuances lead both in terms of size and number of issuances. The real estate sector follows the financial and government issuances, with USD 4.3 billion through 5 issuances, with the remaining sectors representing a small portion of issuances as seen below.

GCC Primary Bonds and Sukuk Issuances - Q1 2025
Sector Breakdown by Value

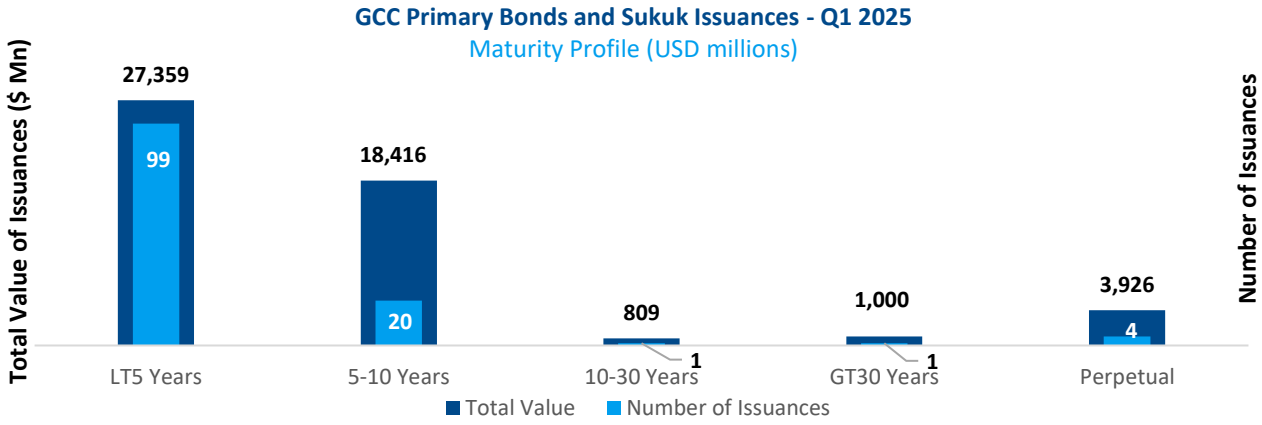


Source: Bloomberg, Markaz Analysis

Maturity Profile

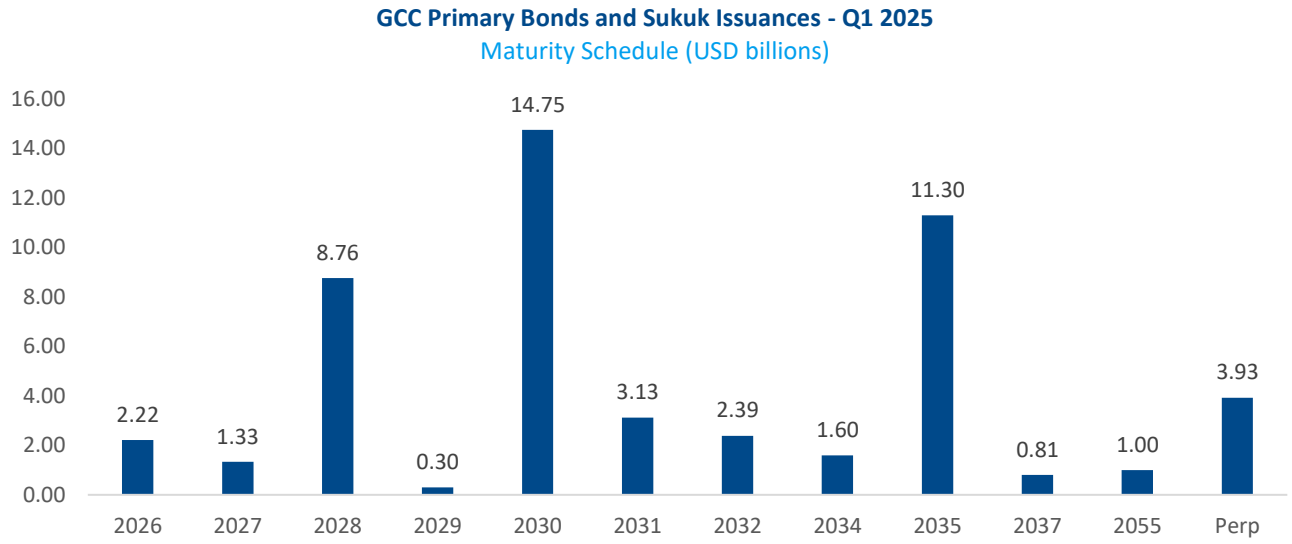
In Q1 2025, primary issuances with less than ("LT") 5-tear tenors represented 53.1% of total issuances for the quarter with a total value of USD 27.4 billion through 99 issuances, a significant increase from the previous year (Q1 2024: USD 20.3 billion through 58 issuances). Primary issuances with 5–10-year tenors came in second, representing 35.8% of total issuances for the year with a total value of USD 18.4 billion through 20 issuances, a significant decrease from the previous year (Q1 2024: USD 25.0 billion through 12 issuances). Perpetual bond/sukuk issuances were the third largest bucket for the quarter, with 4 issuances with a value of USD 3.9 billion.

During the quarter, there was one issuance with a maturity between 10-30 years, with a value of USD 809 million, while there was also one issuance with a maturity greater than 30 years (GT30), with a value of USD 1 billion.



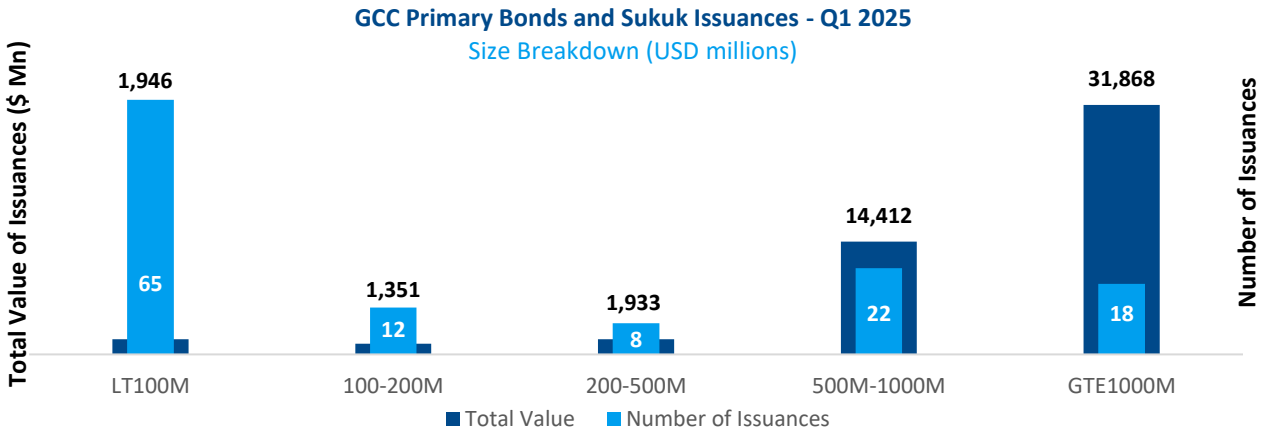
Source: Bloomberg, Markaz Analysis

Based on issuances during the year, the GCC market is expected to witness elevated levels of redemptions and potential refinancing during the period from 2028 to 2035 compared to the years prior, as issuances amounting to USD 42.2 billion (82.0% of total Q1 2025 issuances) are expected to mature during the period.



Source: Bloomberg, Markaz Analysis

Issue Size Profile

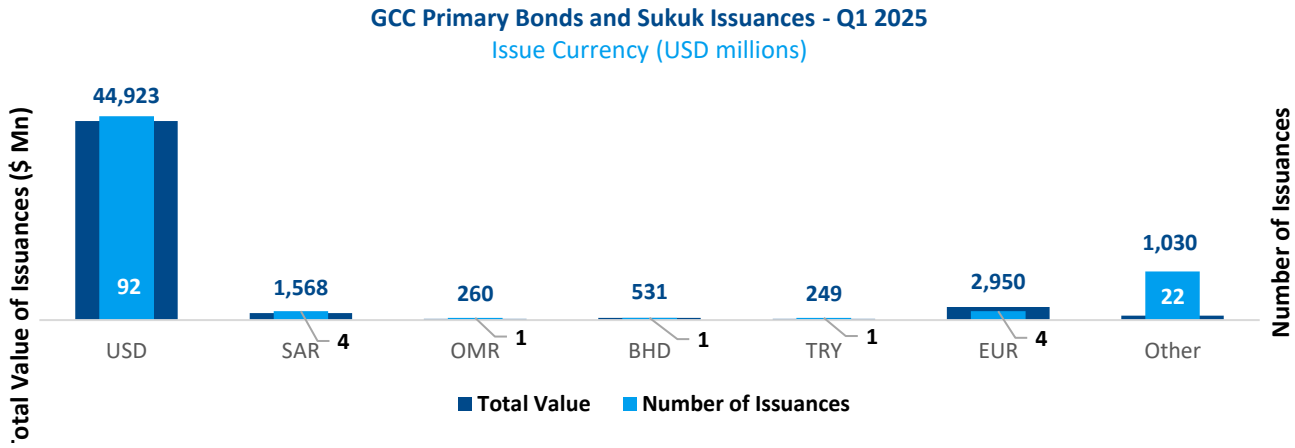


Source: Bloomberg, Markaz Analysis

During Q1 2025, primary issuances ranged in issue size from USD 2.0 million to USD 5.0 billion. Issuances with issue size of USD 1 billion or greater raised the largest amount, totaling USD 31.9 billion through 18 issuances and representing 61.9% of the total amount issued in the GCC.

The highest number of issuances was under USD 100 million issue size, where there were 65 issuances that raised a total amount of USD 1.9 billion during Q1 2025.

Currency Profile

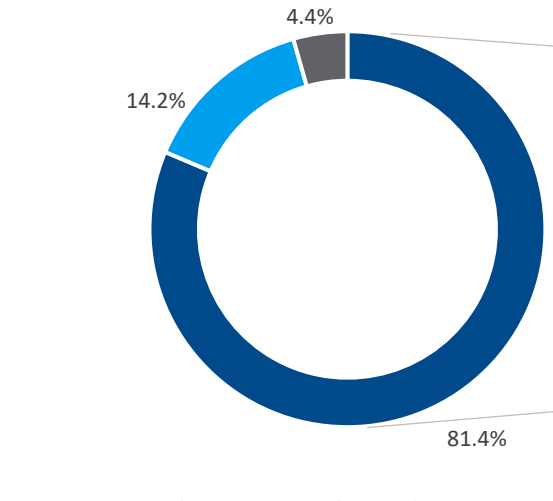


Source: Bloomberg, Markaz Analysis

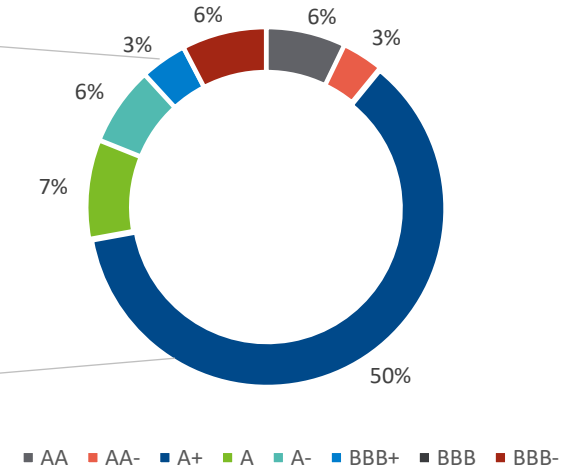
US Dollar-denominated issuances led the GCC Bonds and Sukuk market in Q1 2025, raising a total of USD 44.9 billion through 92 issuances, representing a substantial 87.2% of the total value raised in primary issuances during the quarter. The second largest issue currency was the Euro, with 4 issuances with a value of USD 3.0 billion for the quarter, with more issuers tapping global markets and investors.

Credit Rating

GCC Primary Bonds and Sukuk Issuances – Q1 2025
Credit Rating Distribution



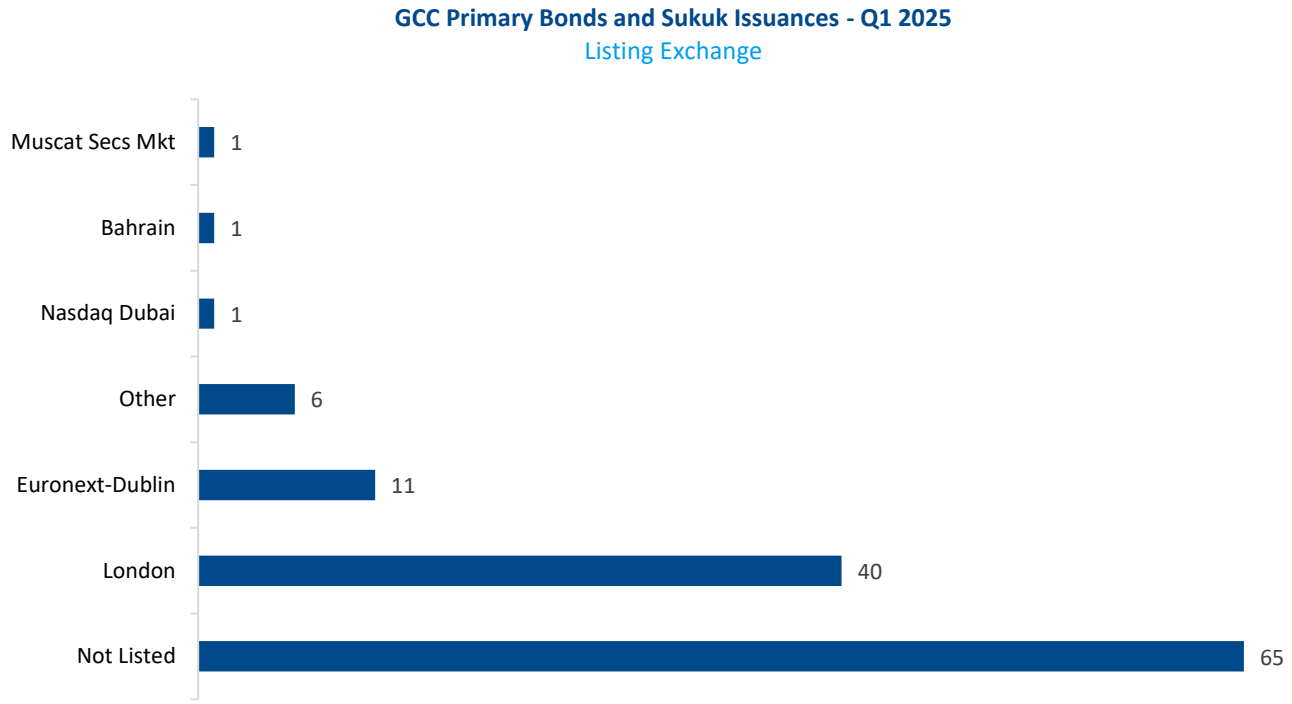
GCC Primary Bonds and Sukuk Issuances – Q1 2025
Investment Grade-Rated Issuances



Source: Bloomberg, Markaz Analysis

In terms of value, a total of 85.8% of GCC Conventional and Sukuk bonds were rated in Q1 2025 by either one of the following rating agencies: Standard & Poor's, Moody's, Fitch and/or Capital Intelligence, as compared to 57.8% during the previous year. Issuances rated within the Investment Grade accounted for 81.4% of the total issuances during the quarter, while sub-investment grade issuances represented 4.4% of total issuances.

Listing Exchange



Source: Bloomberg, Markaz Analysis

London was the most preferred listing exchange during Q1 2025, with 40 issuances totaling USD 36.7 billion being listed in London (71% of total issuance value). Dublin was the second most popular exchange market for GCC primary issuances during the quarter, with 11 issuances with a value of USD 3.3 billion.

Appendix 1: Key GCC Sovereign and Corporate Bonds and Sukuk Issuances in Q1 2025

Type	Issuer	Security Description	Country	Issue Date	Maturity Date	Issue Size (US$ mn)	Coupon Rate	Sector	Rating
Conventional	Kingdom of Saudi Arabia	KSA 5 1/8 01/13/28	SA	13/01/2025	13/01/2028	5,000	5.13%	Government	A+
Conventional	Kingdom of Saudi Arabia	KSA 5 5/8 01/13/35	SA	13/01/2025	13/01/2035	4,000	5.63%	Government	A+
Conventional	Kingdom of Saudi Arabia	KSA 5 3/8 01/13/31	SA	13/01/2025	13/01/2031	3,000	5.38%	Government	A+
Conventional	Public Investment Fund	PIFKSA 5 1/4 01/29/30	SA	29/01/2025	29/01/2030	2,400	5.25%	Financial	A+
Conventional	State of Qatar	QATAR 4 7/8 02/27/35	QA	27/02/2025	27/02/2035	2,000	4.88%	Government	AA
Conventional	Kingdom of Saudi Arabia	KSA 3 3/8 03/05/32	SA	05/03/2025	05/03/2032	1,618	3.38%	Government	A+
Conventional	Public Investment Fund	PIFKSA 5 5/8 07/29/34	SA	29/01/2025	29/07/2034	1,600	5.63%	Financial	A+
Sukuk	Saudi Electricity Co	SECO 5.225 02/18/30	SA	18/02/2025	18/02/2030	1,500	5.23%	Utilities	A+
Sukuk	Al Rajhi Bank	RJHIAB 6 1/4 PERP	SA	21/01/2025	Perp	1,500	6.25%	Financial	BBB-
Sukuk	Saudi Electricity Co	SECO 5.489 02/18/35	SA	18/02/2025	18/02/2035	1,250	5.49%	Utilities	A+
Sukuk	Emirate of Ras Al Khaimah	RAKS 5 03/12/35	AE	12/03/2025	12/03/2035	1,000	5.00%	Government	A
Conventional	Aldar Properties PJSC	ALDAR 6.6227 04/15/55	AE	15/01/2025	15/04/2055	1,000	6.62%	Real Estate	BBB-
Sukuk	Saudi Real Estate Refinance	SRCSUK 5 3/8 02/27/35	SA	27/02/2025	27/02/2035	1,000	5.38%	Real Estate	A+
Conventional	Emirates NBD Bank PJSC	EBIUH 6 1/4 PERP	AE	25/02/2025	Perp	1,000	6.25%	Financial	NR
Sukuk	BAPCO Energies	BEXBAH 6 1/4 01/29/35	BH	29/01/2025	29/01/2035	1,000	6.25%	Energy	B+
Sukuk	Saudi Real Estate Refinance	SRCSUK 5 02/27/28	SA	27/02/2025	27/02/2028	1,000	5.00%	Real Estate	A+
Sukuk	Kuwait Finance House	KFHKK 5.376 01/14/30	KW	14/01/2025	14/01/2030	1,000	5.38%	Financial	A
Conventional	State of Qatar	QATAR 4 1/2 02/27/28	QA	27/02/2025	27/02/2028	1,000	4.50%	Government	AA
Sukuk	Arab National Bank	ARNBAB 6.2 PERP	SA	03/02/2025	Perp	893	6.20%	Financial	NR
Conventional	Kingdom of Saudi Arabia	KSA 3 3/4 03/05/37	SA	05/03/2025	05/03/2037	809	3.75%	Government	A+

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