Newsletter – GCC Capital Markets 2Q26

aranca

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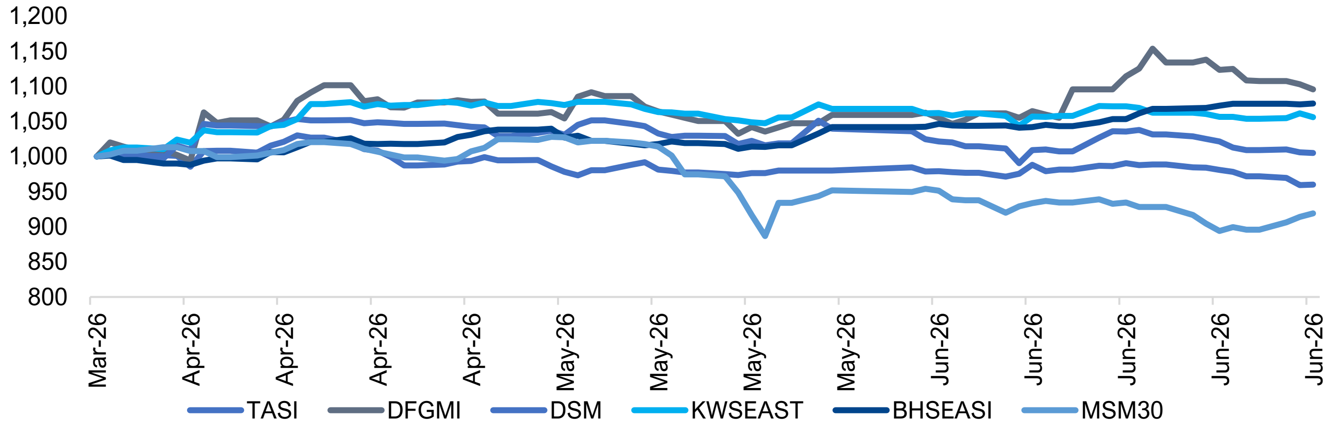
GCC Equity Market Analysis

Geopolitical uncertainty kept GCC markets mixed; Dubai and Bahrain outperformed

Performance of GCC Indices - Q2 26



GCC Countries Equity Returns – Q2 26

Country	Apr	May	June	Q2 26	Q2 25	2025
Saudi Arabia (TASI)	-2.5%	-1.0%	-0.6%	-4.0%	-7.2%	-12.8%
Dubai (DFMGI)	3.4%	-0.1%	6.1%	9.6%	12.0%	17.2%
Qatar (DSM)	-3.0%	0.6%	2.9%	0.5%	5.0%	1.8%
Kuwait (KWSEAST)	-1.1%	-0.4%	7.2%	5.6%	7.5%	25.3%
Bahrain (BHSEASI)	3.2%	0.4%	3.8%	7.6%	-0.4%	4.1%
Oman (MSM 30)	-3.2%	-7.3%	2.5%	-8.1%	3.1%	28.2%

Source: *Aranca Research, Bloomberg*

GCC markets diverged amid regional volatility

- GCC equities delivered mixed returns in Q2 26 amid geopolitical uncertainty, oil-price volatility and shifting foreign investment flows.

Dubai and Bahrain Outperform

- Dubai's outperformance was driven by strong property and banking stocks, resilient economic activity and improved liquidity.
- Bahrain gains were supported by materials and financial stocks, particularly by CBB measures to ease funding constrains.

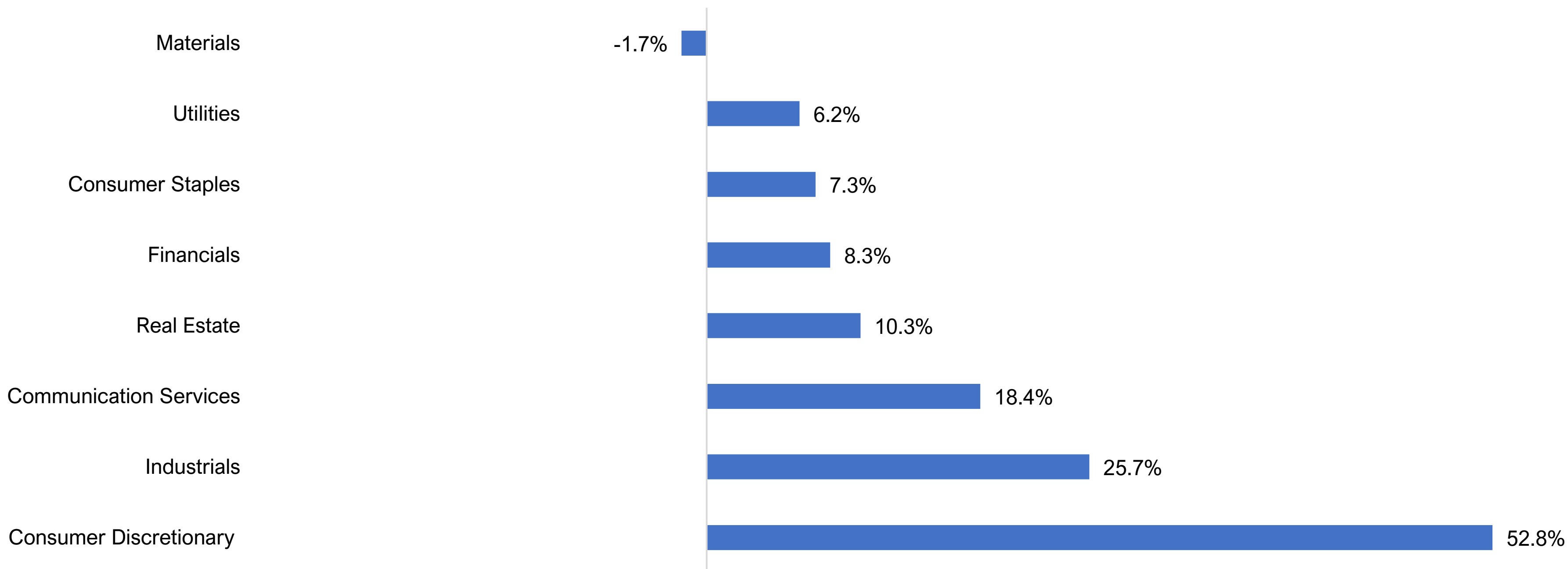
Oman and Saudi Arabia Underperformed

- Saudi Arabia was weighed by geopolitical uncertainty, while Oman was dragged by profit-taking, weaker services stocks and foreign selling.

Dubai Equity Market Analysis

DFMGI outperformed amid robust earnings and lending growth

Dubai (DFMGI) Q2 26 Sectoral Returns

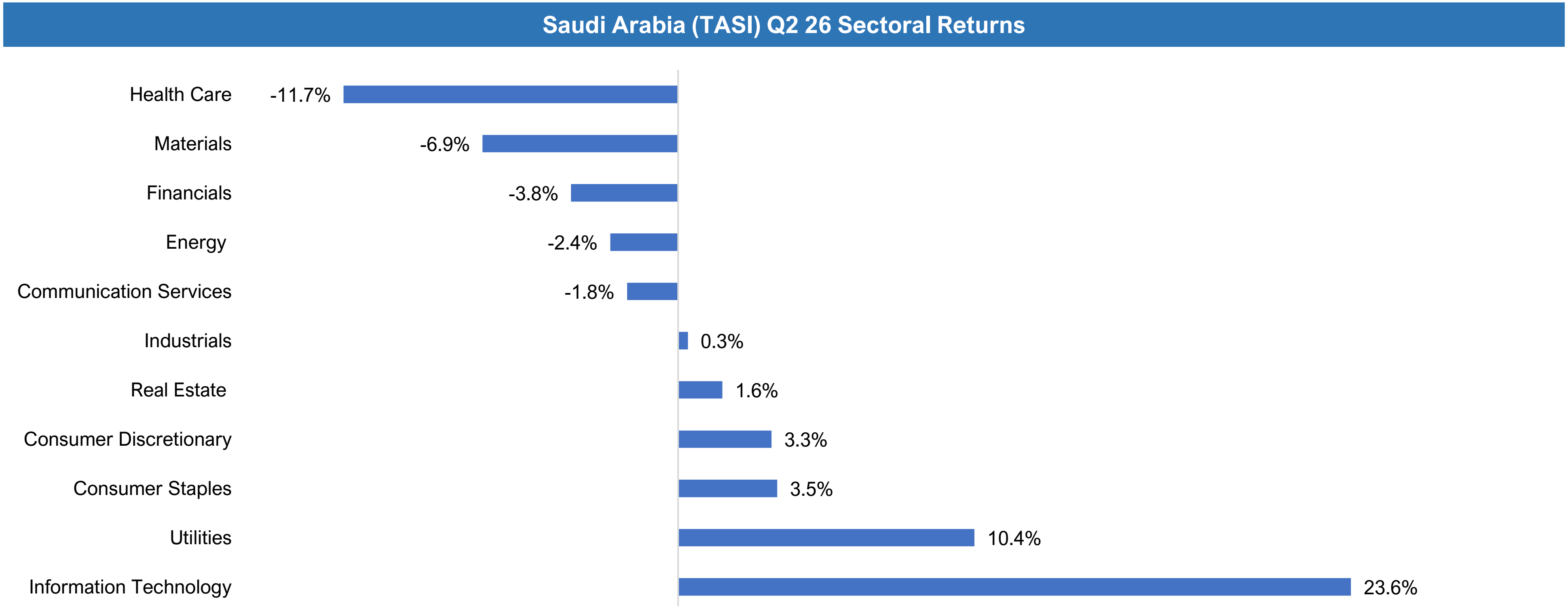


- **Industrials rebound on post-March recovery:** Industrials gained as investors reversed the March sell-off, supported by transport and logistics
- **Financials supported by strong earnings:** Financials advanced on resilient bank earnings, supported by continued lending growth, healthy margins and asset quality at Emirates NBD and DIB.
- **Consumer Discretionary Surges on Strong Demand:** The sector rose as resilient tourism, retail and digital-consumption activity, alongside improving risk appetite after the March sell-off, drove a sharp rerating of consumer-facing stocks.

Source: *Aranca Research, Bloomberg,*

Saudi Equity Market Analysis

TASI edges lower as weak financial sector performance weighs on IT and consumer strength



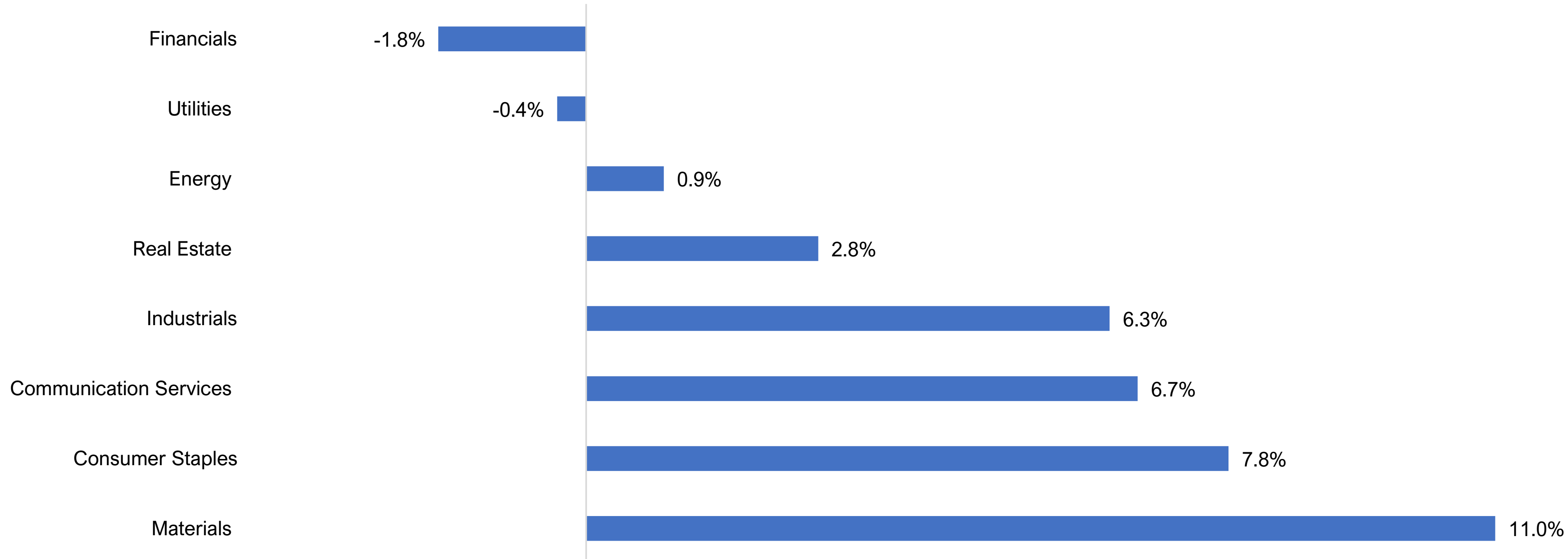
- **Materials** weakened as falling petrochemical and commodity prices pressured earnings expectations.
- **Healthcare** fell during the quarter primarily due to higher operating and financing costs from capacity expansion, prompting a broad valuation reset across hospital operators.
- **IT** surged 23.6%, driven by strong earnings and an expanding data-center project pipeline.

Source: *Aranca Research, Bloomberg. Saudi Index used for sectoral returns*

Qatar Equity Market Analysis

Qatar remains rose primarily due to strong material sector gains

Qatar (DSM) Q2 26 Sectoral Returns



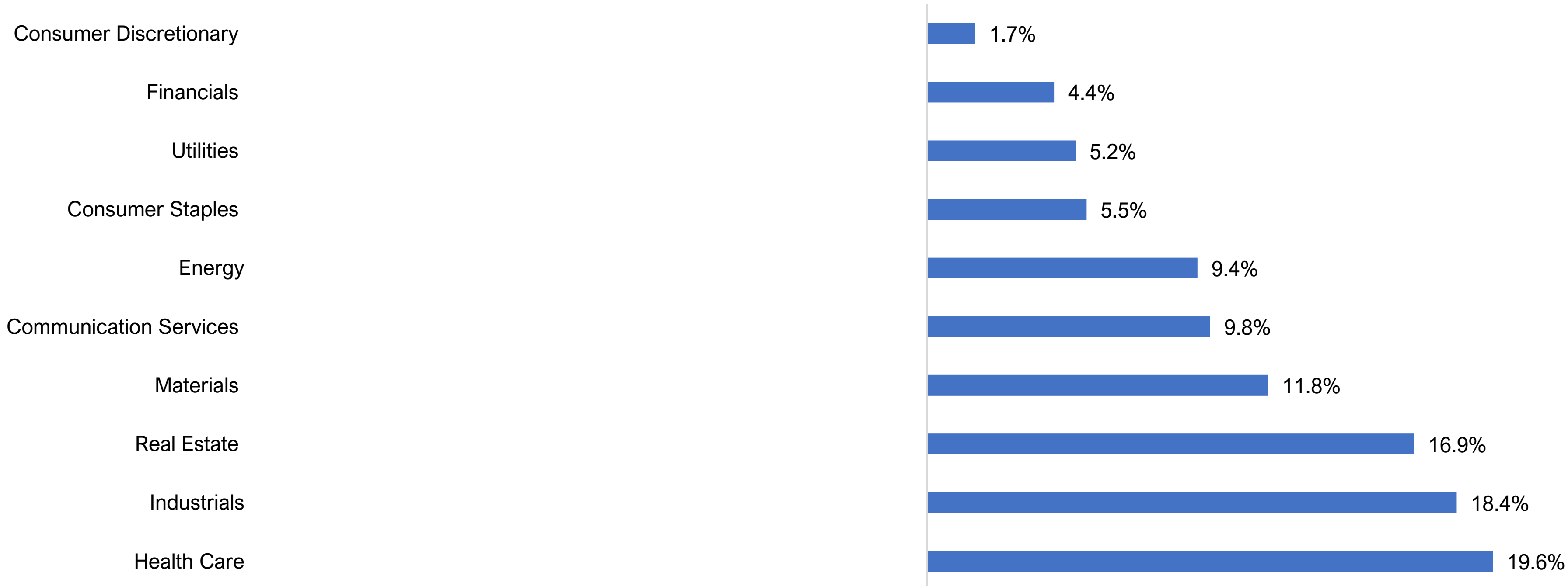
- **Materials** gain 11.0% on higher commodity prices and stronger earnings expectations.
- **Consumer staples** rose 7.8%, supported by defensive buying and easing inflation.

Source: *Aranca Research, Bloomberg. Qatar index used for sectoral returns*

Kuwait Equity Market Analysis

Markets recover on easing geopolitical tensions following the Iran–US ceasefire.

Kuwait (KWSEAST) Q2 26 Sectoral Returns



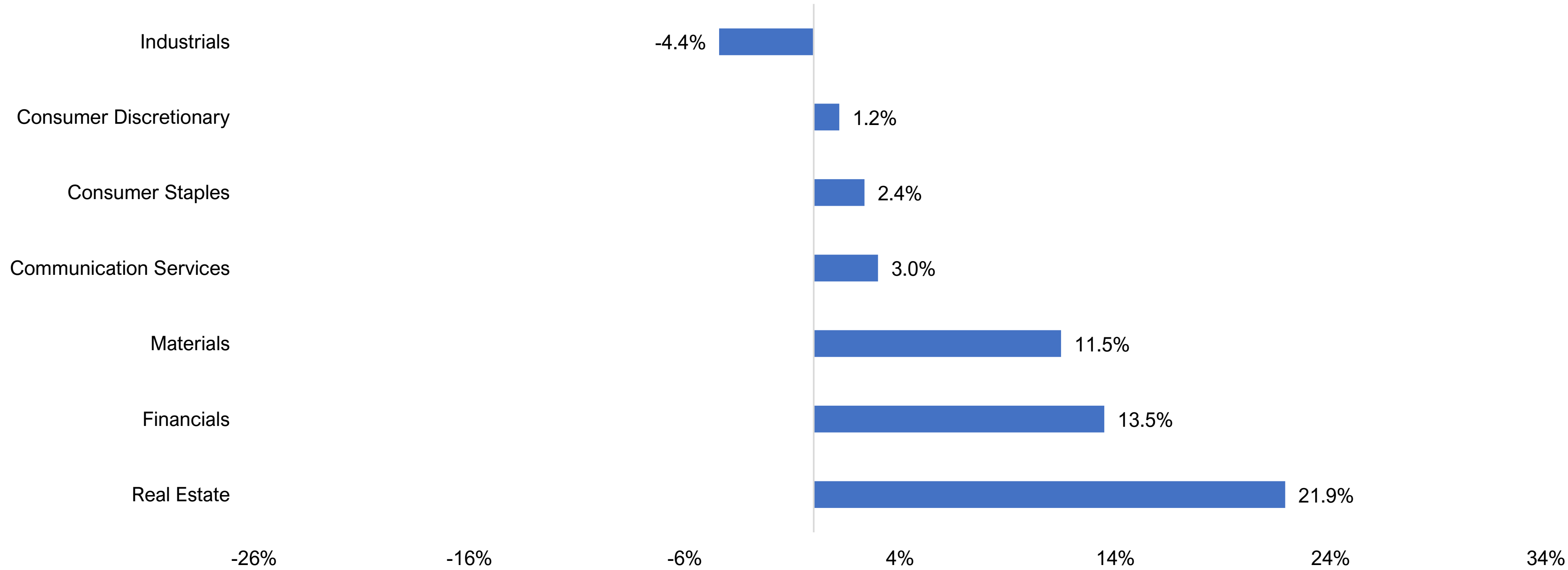
- **Financials** rose 4.4%, supported by strong bank earnings and healthy credit growth.
- **Industrials** gained 18.4%, supported by easing supply-chain risks and strong infrastructure project awards.

Source: *Aranca Research, Bloomberg. Kuwait index used for sectoral returns*

Bahrain Equity Market Analysis

Strong Financials and higher aluminum prices supported earnings

Bahrain (BHSEASI) Q2 26 Sectoral Returns



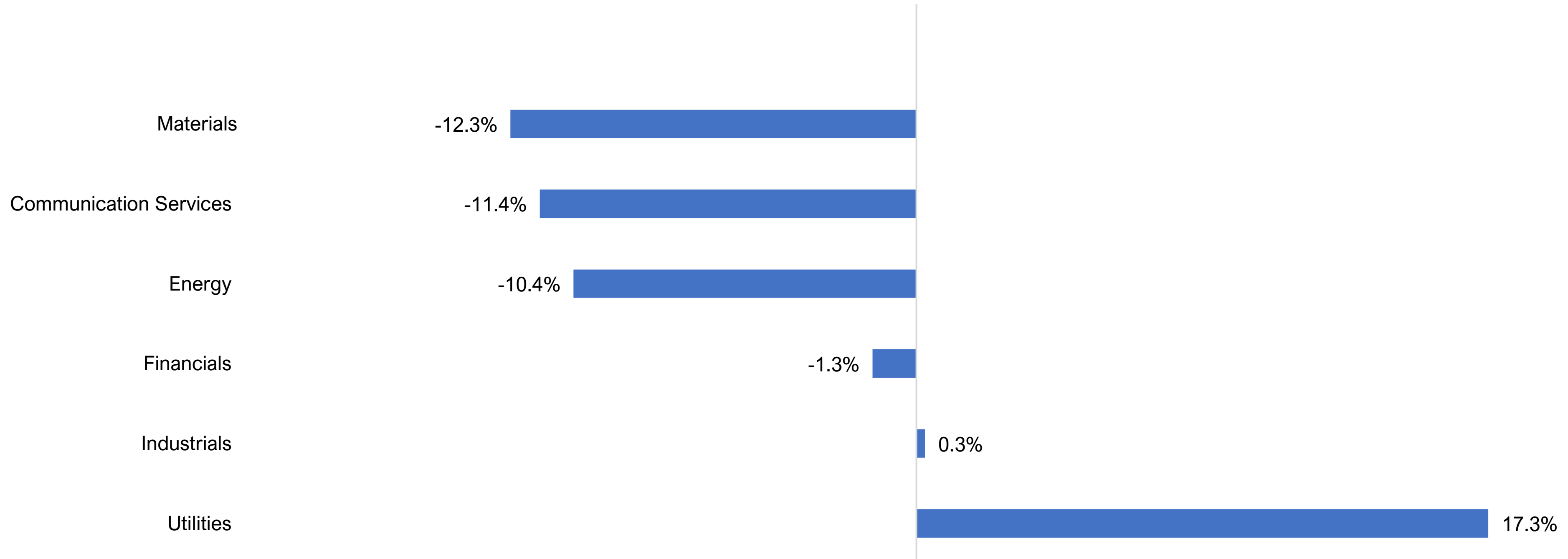
- **Financials** gained 9.1%, supported by the CBB's liquidity measures and healthy deposit and lending growth.
- **Materials** rose 11.5%, supported by elevated aluminum prices and Alba's Dunkerque acquisition announcement.

Source: *Aranca Research, Bloomberg. Bahrain index used for sectoral returns*

Oman Equity Market Analysis

Qatar declines as easing geopolitical tensions trigger profit-taking

Oman (MSM30) Q2 26 Sectoral Returns



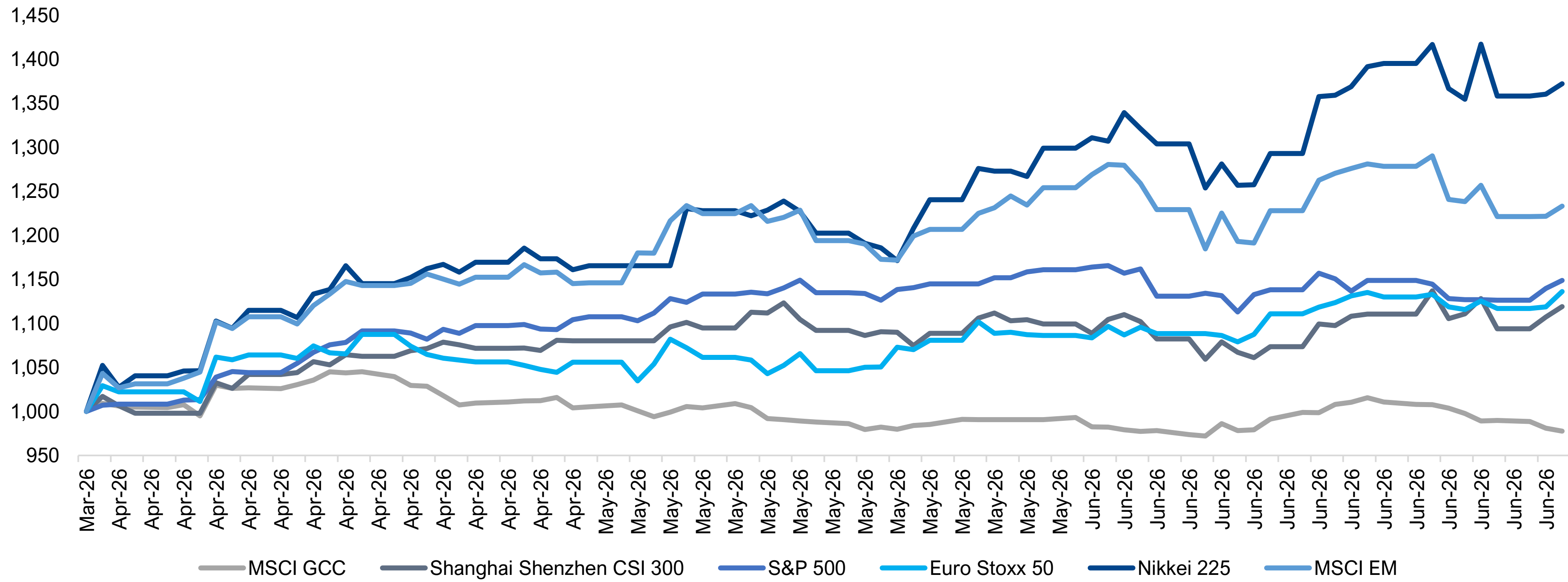
- **Energy** declines 10.4% as easing geopolitical tensions reduced oil prices and triggered profit-taking.
- **Communication services** fell by11.4% as investors locked in gains following the strong Q1 rally.
- **Materials** dropped 12.3% as lower commodity prices and profit-taking weighed on sentiment.

Source: *Aranca Research, Bloomberg. Oman index used for sectoral returns*

GCC vs. Global Equity Market Analysis

Global markets rally on AI and earnings optimism despite hawkish rate expectations

GCC vs. Global Indices – Q2 26



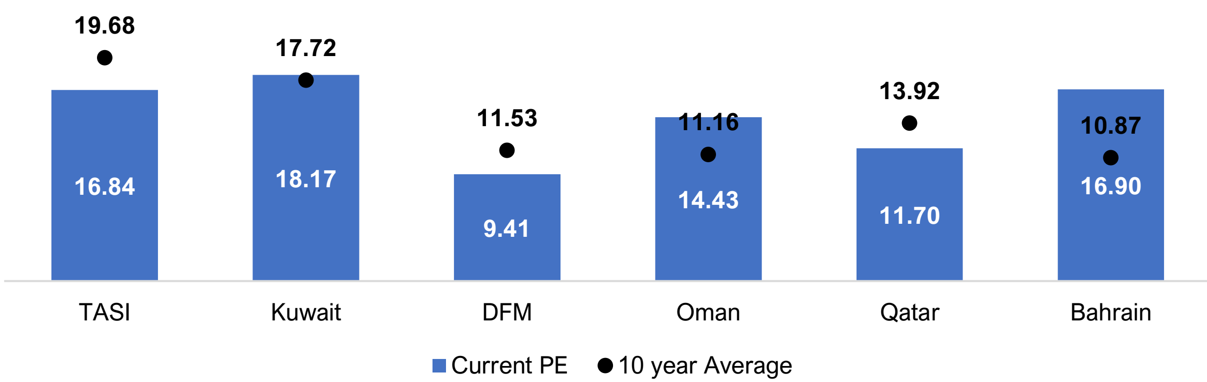
- **Developed Markets Rally on AI and Earnings Optimism:** The S&P 500 (+14.9%) and Euro Stoxx 50 (+13.6%) advanced as resilient earnings, AI investment and easing Middle East energy risks improved investor sentiment.
- **GCC Underperforms as Oil Prices Retreat**: MSCI GCC declined 2.2% as falling crude prices and weakness in Saudi Arabia and Oman outweighed gains across Dubai, Bahrain, Kuwait and Qatar.
- **Asian and emerging markets lead gains:** Nikkei 225 surged 37.2%, while MSCI EM (+23.3%) and CSI 300 (+11.9%) advanced on AI momentum, policy support and improving risk appetite.

Source: *Aranca Research, Bloomberg*

GCC vs. Global Equity Market Valuation

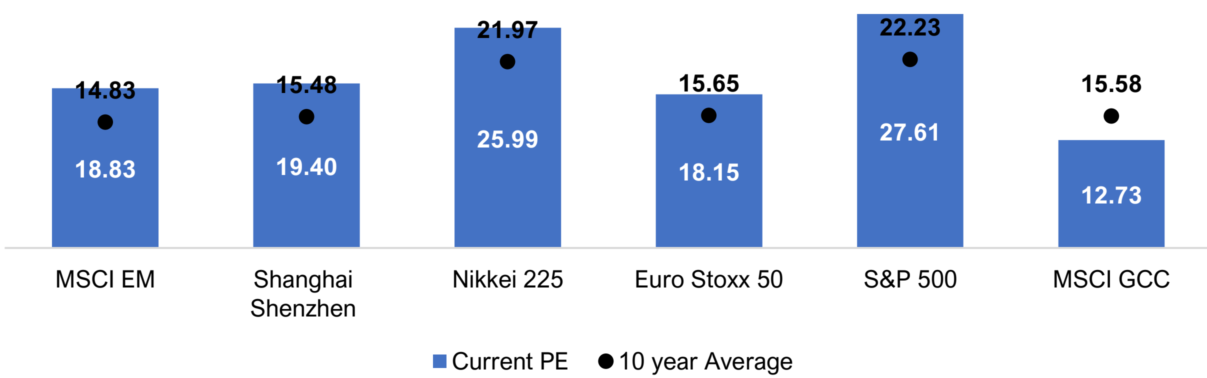
Oman remains above its historical P/E, while Saudi Arabia and Dubai offer valuation opportunities.

GCC vs. Global Indices Forward PE



- Saudi Arabia, Qatar, and DFM continues to trade below historical PE primarily due to the **impact of US Isarel conflict and decreased GDP growth expectations**.
- Kuwait, Oman and Bahrain remain relatively overvalued, supported by improved investor sentiment. Oman continues to benefit from the geopolitical conflict.

GCC Indices Forward PE



- S&P 500 continues to trade at a premium primarily due to **AI related optimism**.
- MSCI GCC remains at a discount as markets recover from US Iran conflict.
- Comparatively higher oil prices could support GCC Performance in the long run

Source: *Aranca Research, Bloomberg*

GCC Macroeconomic Performance

Moderate inflation and healthy business activity support growth

GCC CPI Trends continues to remain in favor despite the conflict

Country	2025									2026					
	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Oman	0.9%	0.6%	0.8%	0.7%	0.5%	1.1%	1.5%	1.7%	1.6%	1.4%	2.0%	3.6%	3.2%	3.8%	2.8%
Kuwait	2.3%	2.3%	2.3%	2.4%	2.4%	2.5%	2.5%	2.4%	2.1%	2.0%	1.9%	2.1%	2.6%	2.5%	2.2%
Bahrain	-0.5%	-1.0%	-0.4%	-0.9%	-0.8%	0.0%	0.1%	1.1%	0.5%	1.3%	0.5%	1.1%	1.4%	2.3%	2.3%
KSA	2.3%	2.2%	2.3%	2.1%	2.3%	2.2%	2.2%	1.9%	2.1%	1.8%	1.7%	1.8%	1.7%	1.8%	1.7%
Qatar	-0.5%	-0.1%	0.1%	0.7%	0.7%	1.2%	1.1%	1.4%	2.0%	2.3%	2.5%	4.2%	2.6%	2.2%	2.2%

Saudi PMI recovers as geopolitical tensions ease, while the UAE weakens

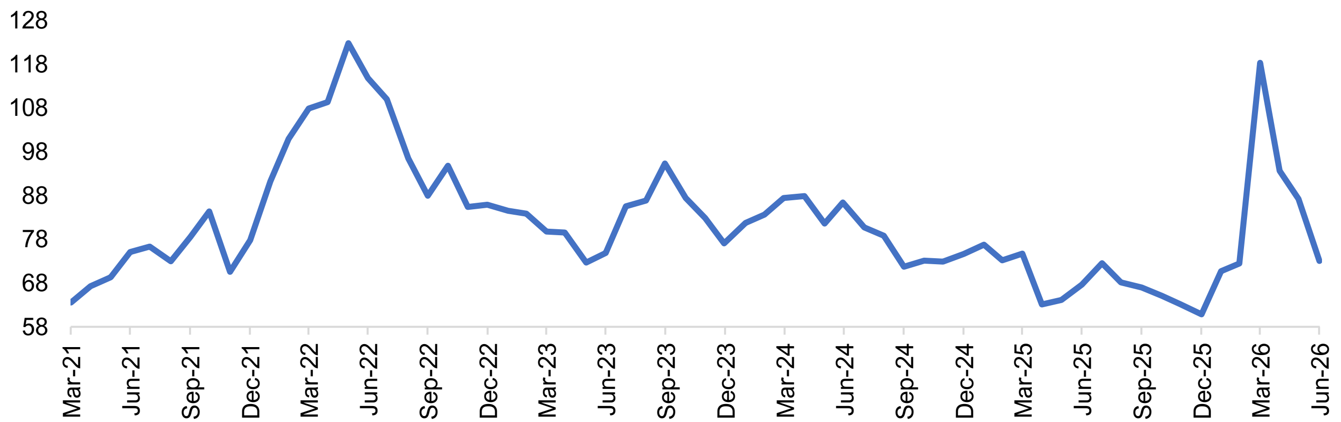
Country	2025									2026					
	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Saudi Arabia PMI	55.6	55.8	57.2	56.3	56.4	57.8	60.2	58.5	57.4	56.3	56.1	48.8	51.5	52.8	53.3
UAE NBD Composite PMI	54	53.3	53.5	52.9	53.3	54.2	53.8	54.8	54.2	52.9	55	52.9	52.1	52.6	50.8
Qatar PMI	50.7	50.8	52	51.4	51.9	51.5	50.6	51.8	50	50.4	50.6	38.7	46.4	45.9	47.6

Source: *Aranca Research, Bloomberg and Reuters*

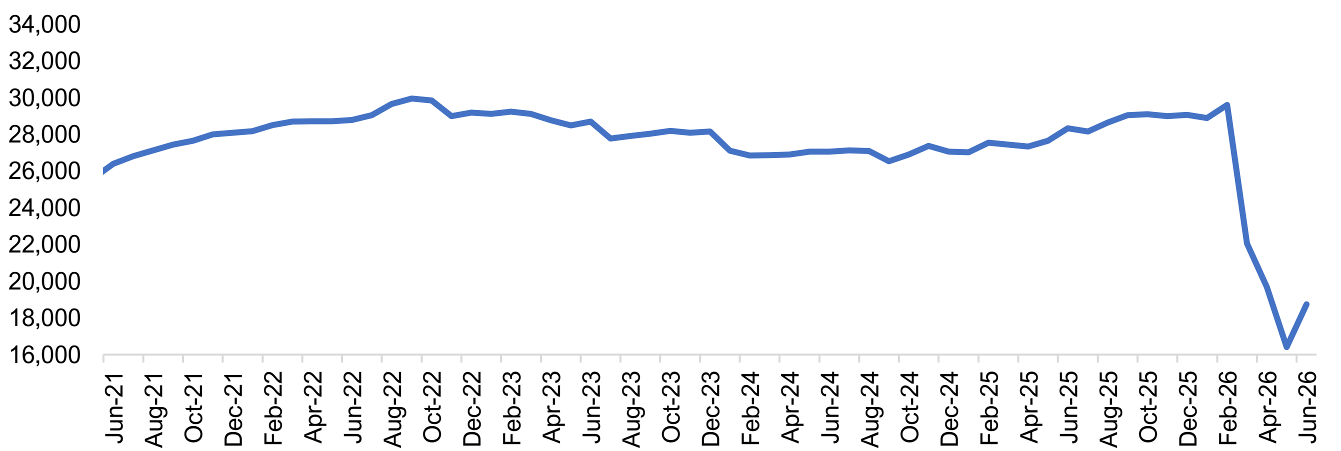
GCC Oil Market

Brent crude oil price declined to USD73/bbl in Q2 26

Brent Crude USD/bbl



OPEC Production Output (000s Barrels Per Day)



Source: *Aranca Research, Bloomberg*

Current Dynamics (Q2 26)

- Global oil supply rebounded 4.1 mb/d m-o-m in June as Strait of Hormuz flows resumed, though output remained below pre-war levels.
- Global demand recovered from May lows, with annual declines easing on seasonal demand and improved product supplies.
- Global oil inventories rose 21 mb in June, driven by higher oil-on-water volumes.

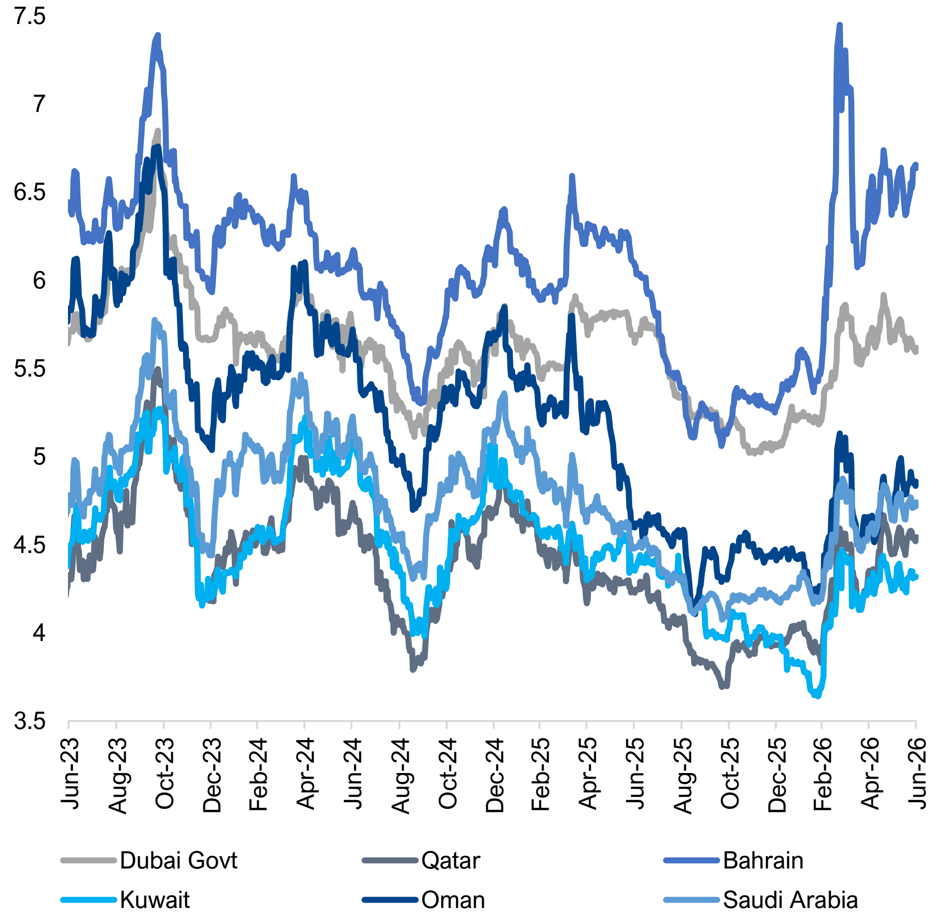
H2 26 Outlook

- Global demand is expected to improve in H2 26, while supply is forecast to decline by 3.7 mb/d in 2026, with recovery dependent on Middle East normalization.
- Refinery throughput is expected to decline by 2.4 mb/d in 2026.

GCC Bond Market Analysis

Government bond yields recovers primarily due to easing geopolitical tensions

GCC Bond Yields (%)



GCC Markets	Yield (BPS)			
Index	**Q2 26**	**Q2 25**	**2025**	**2024**
Saudi 2030 bond	-5	-26	-98	73
Qatar 10-year bond	2	-17	-77	52
Oman 2028 bond	-15	-69	-130	65
Dubai 2043 bond	-24	19	-53	-8
Kuwait 2027 bond	-12	-13	-109	86
Bahrain 2028 bond	-56	10	-86	19

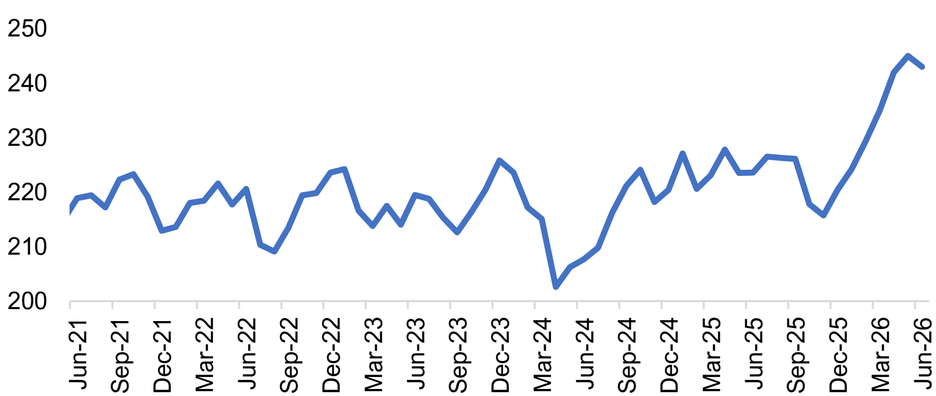
- **Geopolitical Risk Premium Reverses:** GCC yields eased as the April ceasefire and June extension reduced fears of prolonged regional disruption, prompting investors to rebuild exposure and driving credit spreads back toward pre-war levels.
- **Primary Issuance Remains Robust Despite Volatility:** GCC bond and sukuk issuance reached USD103bn in H1 26, up 6.5% yoy, as sovereigns, banks and government-related entities continued refinancing and funding programs, led by Saudi Arabia.

Source: *Aranca Research, Bloomberg*

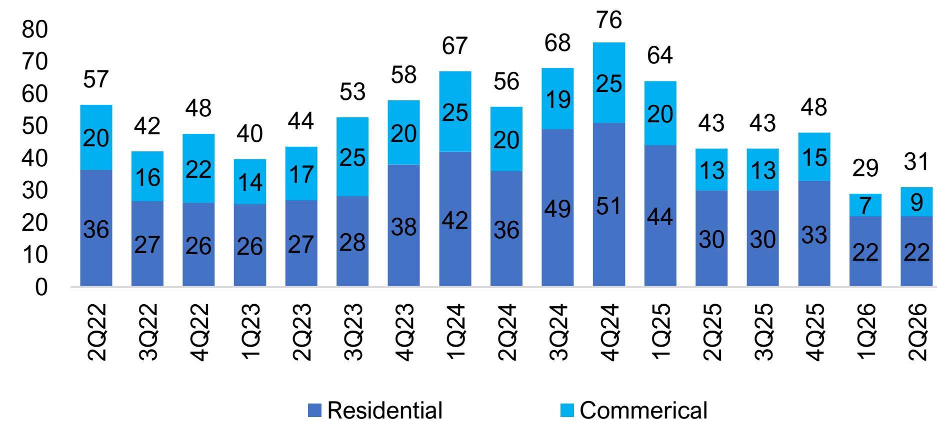
GCC Real Estate

Qatar's real estate sector increased followed by a recovery in Saudi's real estate

Qatar Real Estate Price Index



Saudi Arabia's Real Estate Transactions (SAR Billion)



Real Estate Prices increased

- The Real Estate Price Index increased by 8.7% yoy at 243 points in June 26.

Qatar Real Estate Activity Remains Strong in June 2026

- Qatar property transactions increased to QAR1.69bn across 541 deals, led by Doha, Al Rayyan, and Al Wakrah.
- Mortgage activity totaled QAR3.08bn, while residential unit sales reached QAR232.7mn across 150 transactions.

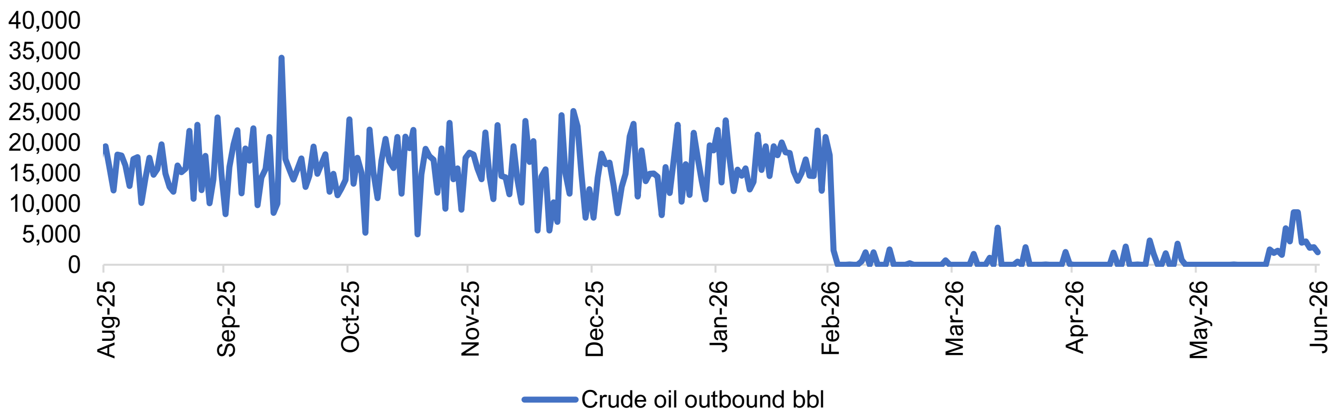
- Saudi Arabia's real estate transaction value increased by 6.9% yoy to SAR31bn in Q2 26 primarily due to strong commercial activity.
- Residential transactions recovered to SAR31bn, primarily due to strong commercial activity to SAR9bn as overall financial activity has recovered.
- Overall real estate price index increased by 1.3% yoy in Q2 26.

***Source:** Aranca Research, Bloomberg*

Activity in the Strait of Hormuz

Brief rebound in activity; prolonged disruption risk remains

Oil Shipping Reflected Slight Recovery in Activity



Shipping in Oil Market Activity

- Strait of Hormuz outbound oil exports recovered briefly after the ceasefire (17–28 Jun 2026), but the rebound faded as the agreement collapsed.
- Additionally, War-risk insurance costs surged to 7.5–10% of a vessel's hull value, up from the normal 1–3%, keeping shipping costs elevated.

Expectations of return to normal activity at the strait

Expected Normalization	Probability
Before Jul 1, 2027	0.69
Before Apr 1, 2027	0.64
Before Jan 1, 2027	0.52
Before Dec 1, 2026	0.43
Before Nov 1, 2026	0.37
Before Oct 1, 2026	0.24
Before Sep 1, 2026	0.11
Before Aug 15, 2026	0.02

Market bets on a prolonged supply risks

- Markets assign a 69% probability that Strait of Hormuz traffic normalizes by Jul-2027, implying a prolonged disruption risk.
- Near-term normalization remains unlikely, with only 24% odds by Oct-2026 and 11% by Sep-2026.

Source: *Aranca Research, Bloomberg*

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