aranca

# GCC Bond & Sukuk Markets – 1H 2026

## Market Structure, Performance & Credit Dynamics

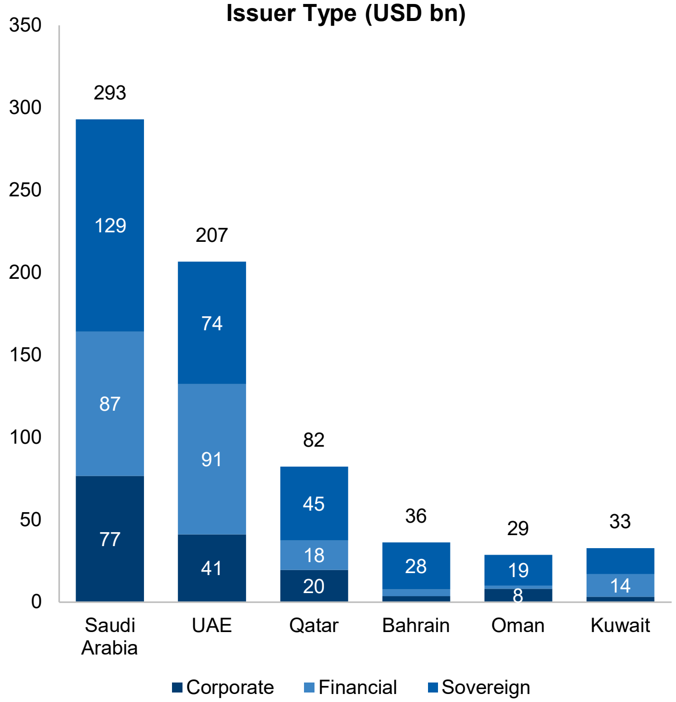
July 2026

# Table of Content

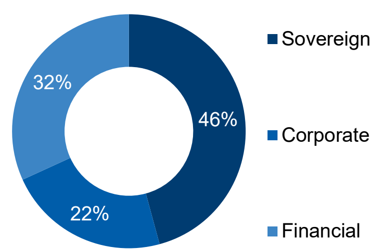
# Market Structure & Country Dominance

## KSA and UAE dominate the ~USD 680bn GCC credit market, with financials leading growth

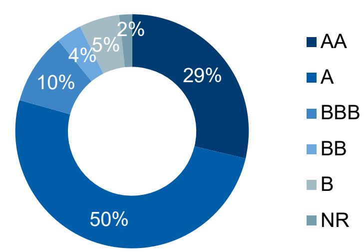
### Outstanding USD Bonds by Country & Issuer Type (USD bn)



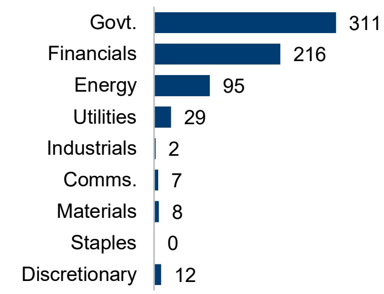

### Issuer Type (USD bn)



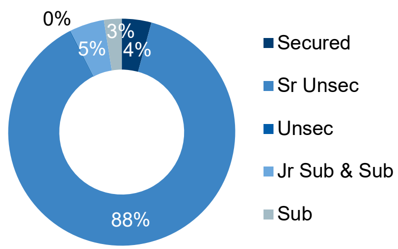

### Rating Distribution (USD bn)



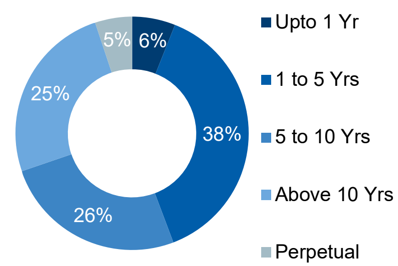

### Sector Exposure (USD bn)



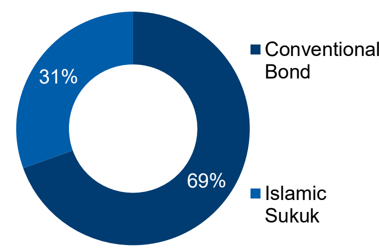

### Payment Rank (USD bn)




### Remaining Maturity (USD bn)



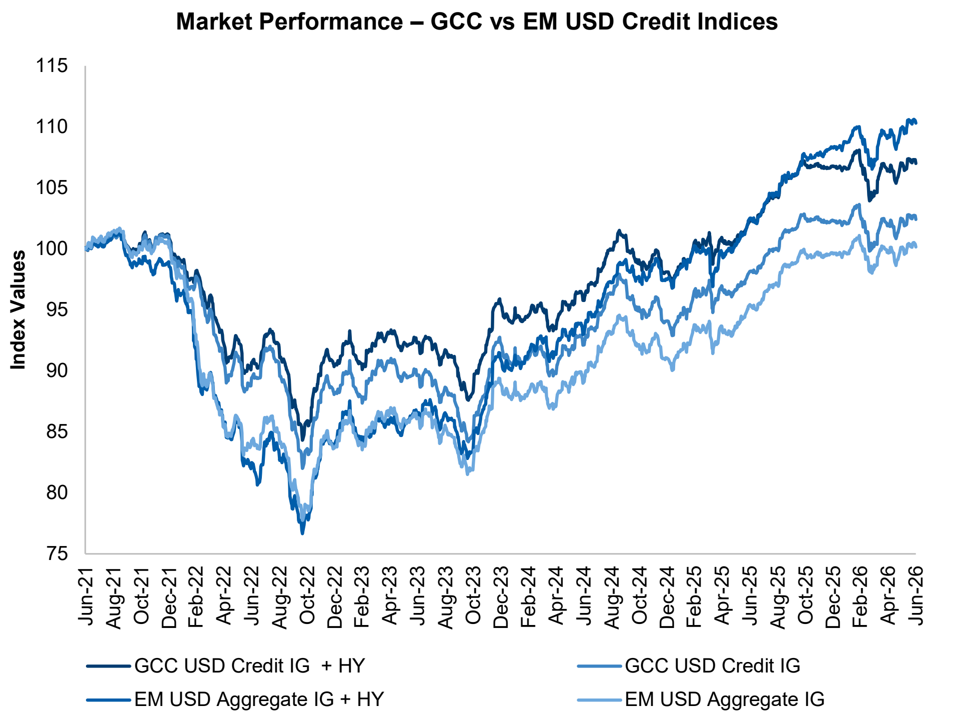

### Issue Type (USD bn)




***Source:*** *Aranca Research, Bloomberg, as of 30 June 2026*
***Note****: Universe includes outstanding USD-denominated fixed- and variable-rate bonds and sukuk (minimum issue size: USD 50mn). Rating distribution is based on issuer/group ratings, or issue ratings where unavailable.*

# Market Performance – GCC vs EM Credit

## GCC credit remains carry-driven, with spreads normalizing following March geopolitical volatility




| Period | GCC USD Credit IG + HY | GCC USD Credit IG | EM USD Aggregate IG + HY | EM USD Aggregate IG |
|---|---|---|---|---|
| | Net % ∆ | Net % ∆ | Net % ∆ | Net % ∆ |
| 1M | -0.0% | -0.1% | 0.3% | 0.0% |
| 3M | 2.2% | 1.8% | 2.8% | 1.5% |
| 6M | 0.2% | 0.1% | 1.9% | 0.6% |
| 1Y | 4.6% | 4.3% | 7.6% | 5.0% |
| 3Y | 15.9% | 14.2% | 27.4% | 16.3% |
| 5Y | 7.0% | 2.4% | 10.3% | 0.2% |

- **Near-term performance has stabilized**, with GCC USD credit broadly flat over 1M and up ~2% over 3M, as spreads normalized following the March geopolitical volatility. The market remains supported by its **carry-driven profile and strong IG bias**.
- Over medium horizons, **GCC continues to underperform EM (IG+HY),** with returns of 4.6% (1Y) and 15.9% (3Y) versus 7.6% and 27.4% for EM, reflecting its **lower-beta positioning**, IG skew, and tighter spread structure.
- Over longer durations, **GCC IG modestly outperforms EM IG** (2.4% vs 0.2% over 5Y), highlighting the benefit of **stronger credit quality**, **system liquidity**, and **resilient sovereign balance sheets** through market cycles.

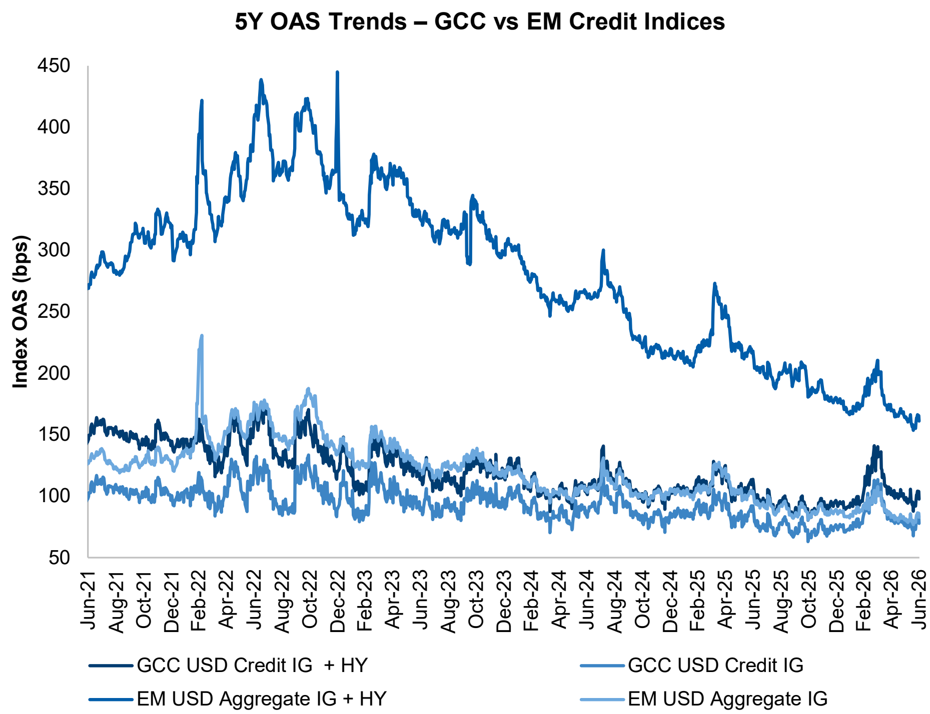
***Source:*** *Aranca Research, Bloomberg, as of 30 June 2026*
***Note:*** *Index values are rebased to 100. The indices used are GCC USD Credit IG+HY (H23117US), GCC USD Credit IG (I21188US), EM USD Aggregate IG+HY (EMUSTRUU), EM USD Aggregate IG (I04276US).*

# Credit Spread Dynamics – GCC vs EM Credit

## GCC spreads have retraced the March widening, remaining structurally tighter than EM

| Period | GCC USD Credit IG + HY | GCC USD Credit IG | EM USD Aggregate IG + HY | EM USD Aggregate IG |
|---|---|---|---|---|
| | Net % Δ | Net % Δ | Net % Δ | Net % Δ |
| 1M | -1.3% | -1.5% | -2.1% | 1.6% |
| 3M | -30.3% | -31.3% | -23.4% | -23.3% |
| 6M | 3.4% | 4.6% | -10.0% | -6.2% |
| 1Y | -14.0% | -15.5% | -26.1% | -20.5% |
| 3Y | -15.7% | -14.8% | -50.4% | -31.6% |
| 5Y | -32.6% | -20.7% | -40.7% | -35.0% |

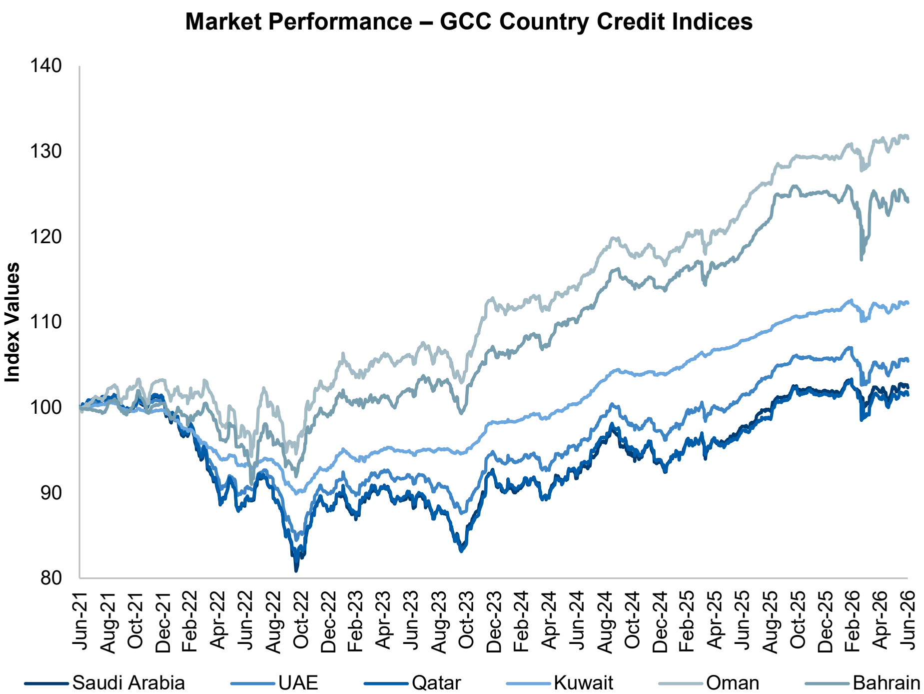
- **Near-term spreads have normalized**, with GCC IG+HY OAS tightening by ~30% over 3M to ~98bps following the March geopolitical volatility, reflecting **easing risk sentiment** and **resilient market fundamentals**.
- **GCC remains structurally tighter than EM**, with spreads at ~98bps vs. ~161bps (IG+HY), supported by stronger sovereign balance sheets, higher IG composition, and lower-beta positioning. **IG spreads** (~78bps GCC vs. ~83bps EM) **have reverted to trading inside EM** after briefly widening in March.
- **Trading near multi-year tights**, GCC credit continues to exhibit a carry-driven, lower-beta profile, supported by resilient fundamentals and stable system liquidity.




***Source:*** *Aranca Research, Bloomberg, as of 30 June 2026*
***Note****: The indices used are GCC USD Credit IG+HY (H23117US), GCC USD Credit IG (I21188US), EM USD Aggregate IG+HY (EMUSTRUU), EM USD Aggregate IG (I04276US).*

# Country-Level Performance – GCC Credit

## Low-beta GCC markets remain resilient; Oman outperforms




| Period | Saudi Arabia | UAE | Qatar | Kuwait | Oman | Bahrain |
|---|---|---|---|---|---|---|
| | Net % Δ | Net % Δ | Net % Δ | Net % Δ | Net % Δ | Net % Δ |
| 1M | -0.1% | 0.1% | -0.1% | 0.2% | -0.0% | -1.1% |
| 3M | 1.7% | 2.3% | 2.2% | 1.6% | 2.3% | 3.5% |
| 6M | 0.4% | -0.3% | -0.1% | 0.8% | 1.6% | -0.9% |
| 1Y | 4.6% | 3.9% | 4.3% | 4.1% | 6.6% | 4.9% |
| 3Y | 14.6% | 14.8% | 13.1% | 18.5% | 24.1% | 21.6% |
| 5Y | 2.3% | 5.4% | 1.5% | 12.2% | 31.5% | 24.1% |

- **Near-term returns converged across GCC markets**, with most markets flat over 1M and up ~2% over 3M following the normalization in regional risk sentiment.
- **Over 1Y, Oman led GCC performance (6.6%),** while **returns across Saudi Arabia, UAE, Qatar and Kuwait remained closely clustered (~4-5%)**, reflecting similar credit fundamentals and tight spread structures.
- **Over longer horizons, Kuwait, Oman and Bahrain have outperformed**, driven by sustained spread compression in Kuwait (18.5% 3Y; 12.2% 5Y) and spread normalization and higher carry in Oman (24.1%; 31.5%) and Bahrain (21.6%; 24.1%).
- **Bahrain remains the most volatile market** in the region, reflecting its weaker credit profile and multiple sovereign downgrades in recent years.
- Overall dispersion remains contained by the region's **strong IG bias.**

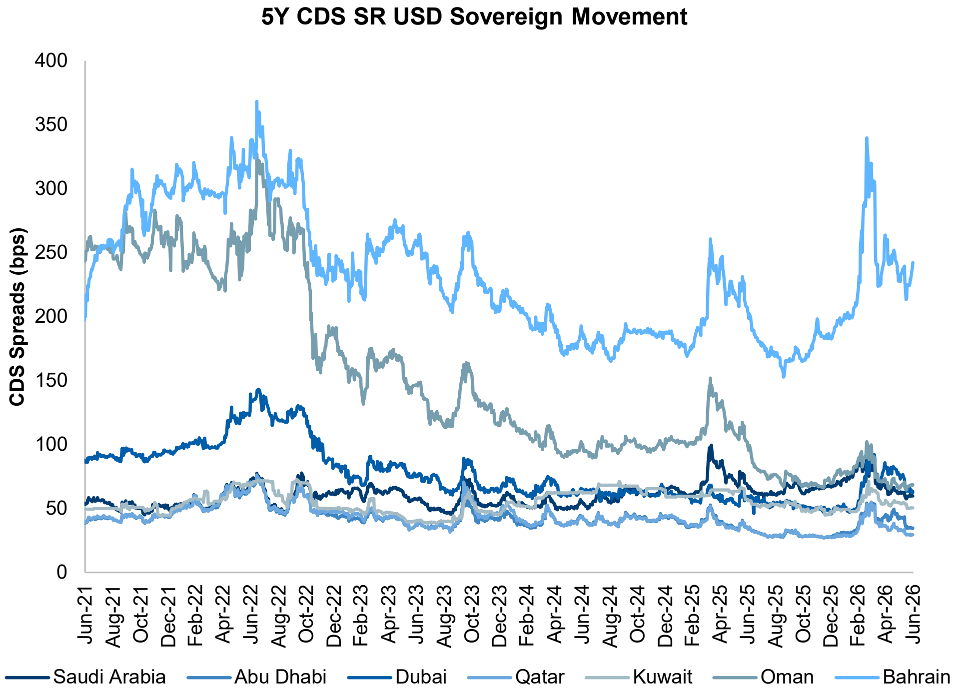
***Source:*** *Aranca Research, Bloomberg, as of 30 June 2026. Index prices are Rebased to 100.*
***Note****: Index values are rebased to 100. Bloomberg GCC USD Credit Benchmark (IG+HY) sub-indices are used: Saudi Arabia (I29134US), UAE (I29135US), Qatar (I29133US), Kuwait (I29132US), Oman (I31504US), Bahrain (I28750US).*

# Sovereign Risk Pricing (CDS)

## GCC sovereign CDS retrace March widening; Oman remains a structural outperformer

| Period | Saudi Arabia | Abu Dhabi | Dubai | Qatar | Kuwait | Oman | Bahrain |
|---|---|---|---|---|---|---|---|
| | Net bps Δ | Net bps Δ | Net bps Δ | Net bps Δ | Net bps Δ | Net bps Δ | Net bps Δ |
| 1M | -3 | -9 | -13 | -4 | -4 | 2 | 11 |
| 3M | -25 | -19 | -28 | -24 | -15 | -28 | -68 |
| 6M | -7 | 7 | 16 | 2 | 3 | -2 | 58 |
| 1Y | -8 | -0 | 3 | -5 | -7 | -33 | 35 |
| 3Y | 2 | -2 | -12 | -8 | 10 | -78 | -14 |
| 5Y | 6 | -4 | -25 | -10 | 1 | -178 | 34 |

- **Most GCC sovereign CDS tightened by ~20-30bps over 3M**, reversing the March widening as regional risk sentiment improved.
- **Saudi Arabia (~60bps) and Abu Dhabi (~35bps)** remain among the **region's strongest sovereign credits**, while **Qatar (~29bps) and Kuwait (~50bps) continue to benefit from strong sovereign balance sheets**. Kuwait's limited widening during the March volatility reinforced its steady spread compression trend.
- Dubai's wider CDS (~63bps) reflect its greater non-oil exposure, while **Oman's CDS (~68bps) remains well below historical levels** following sustained fiscal improvement.
- **Bahrain remains the regional outlier**, with elevated CDS (~242) reflecting weaker fiscal metrics despite continued GCC support.

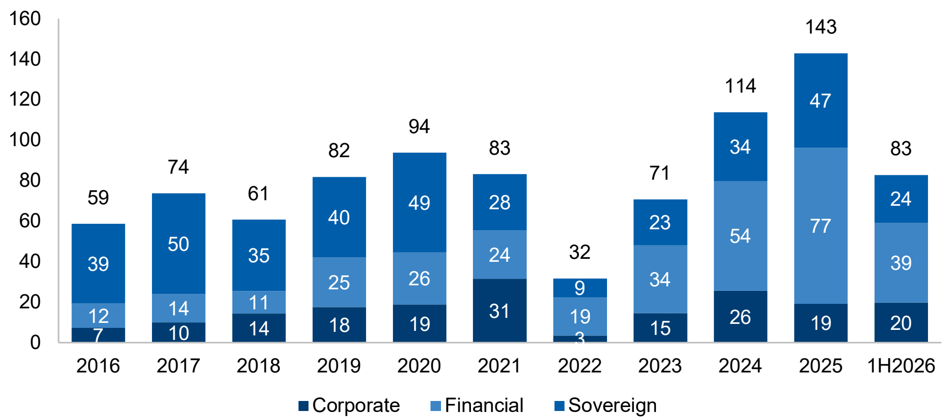



***Source:*** *Aranca Research, Bloomberg, as of 30 June 2026*
***Note****: Sovereign CDS based on USD SR 5Y D14 contracts.*

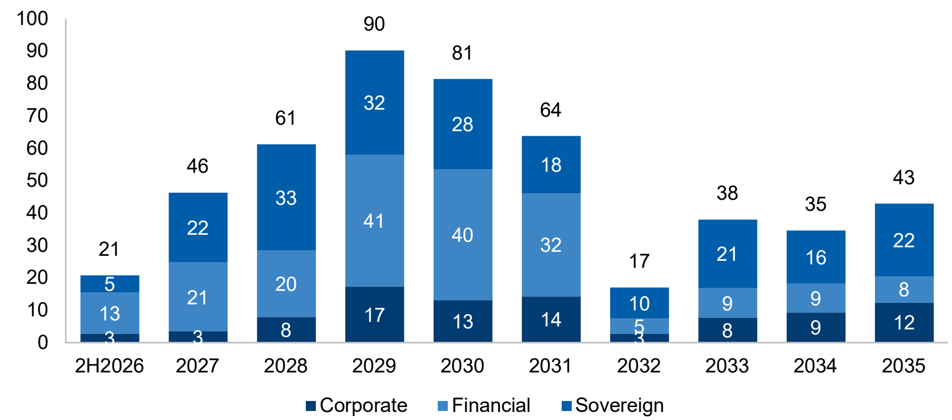
# Supply, Maturity & Re-Issuance Dynamics

## Refinancing needs and bank funding demand anchor sustained GCC issuance activity

**Last 10Y USD Issuance by Country & Issuer Type (USD bn)**




**Next 10Y Maturity & Call Profile (USD bn)**

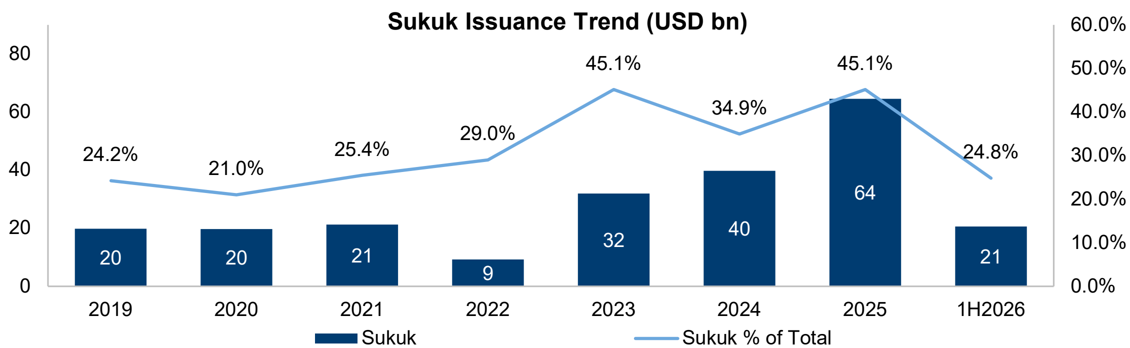


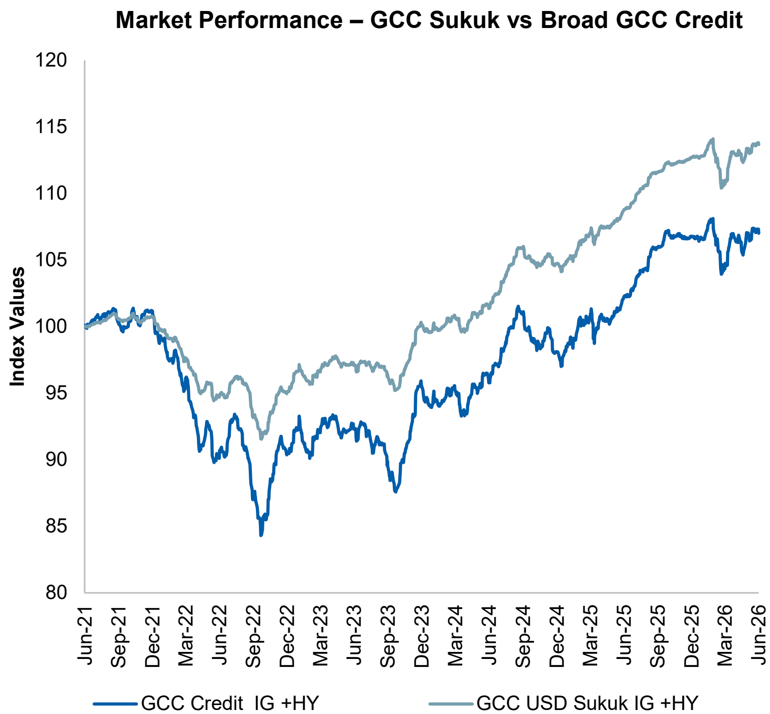

- **GCC primary issuance has expanded structurally**, with USD 893bn issued over the past decade, led by sovereign funding programs and growing bank capital and liquidity needs.
- **Financial institutions have become a key supply driver**, accounting for ~37% of issuance, supported by strong credit growth in Saudi Arabia and the UAE.
- **Maturities remain elevated,** with USD 40-90bn maturing annually through 2031, providing a steady pipeline for refinancing activity.
- **Strong market access has enabled proactive refinancing**, with 2026 issuance of USD 83bn already outpacing USD 57bn in maturities and ongoing funding needs.
- **Higher-for-longer global rates** and **geopolitical uncertainty** are likely to **keep issuance skewed toward refinancing** rather than opportunistic issuance**.**

***Source:*** *Aranca Research, Bloomberg, as of 30 June 2026*
***Note****: Maturity based on earlier of next call date or final maturity.*

# GCC Sukuk vs Broad GCC Credit

## Rising sukuk issuance reflects growing institutional adoption and resilient performance




- **Sukuk issuance is now a core market pillar**, reaching USD 64bn in 2025 and representing over 45% of GCC issuance and **30.5% of outstanding GCC USD credit,** backed by strong institutional demand.
- **Sukuk performance has broadly tracked conventional GCC credit in the near term**, with returns of ~2% over 3M and ~5% over 1Y, reflecting similar credit quality and underlying exposures.
- **Over medium and longer horizons, sukuk have outperformed** (17.1% vs 15.9% over 3Y; 13.7% vs 7.0% over 5Y), supported by resilient institutional demand and a buy-and-hold investor base.
- **Despite modestly wider spreads (114bps vs 98bps), demand remains robust**, underpinned by diversified investor participation and continued market expansion.

***Source:*** *Aranca Research, Bloomberg, as of 30 June 2026*
***Note****: Index values are rebased to 100. The indices used are GCC Credit IG+HY (H23117US); GCC USD Sukuk IG+HY (I30740US).*

# Investment Implications – GCC Credit

## Defensive carry remains attractive, while security selection becomes increasingly important

### Portfolio Opportunities
WHERE TO LEAN IN

**01 Strong sovereign anchors**
Saudi Arabia, UAE, Qatar and Kuwait continue to anchor regional credit quality through strong sovereign balance sheets, supporting defensive GCC allocations and resilient long-term performance.

**02 Selective opportunities within the GCC**
Oman benefits from spread normalization; Kuwait from structural compression and strong sovereign fundamentals.

**03 Robust primary market pipeline**
Elevated sovereign and financial sector funding needs together with sizeable upcoming maturities should continue to support issuance and secondary market liquidity.

**04 Growing strategic role of sukuk**
Rising institutional adoption and a growing share of issuance reinforce sukuk as an important component of the GCC fixed income market.

SELECT LENS

### Key Risks
WHAT TO UNDERWRITE

**01 Limited valuation upside**
Following the retracement from the March widening, scope for further broad-based spread compression appears more limited, increasing the importance of carry and issuer selection.

**02 Higher-for-longer rates**
Elevated global rates are likely to keep issuance focused on refinancing while limiting opportunistic issuance.

**03 Regional geopolitical risks**
Despite improved regional sentiment, renewed geopolitical tensions could widen spreads and disrupt primary issuance.

**04 Security selection becomes increasingly important**
With narrowing dispersion, credit fundamentals and issuer quality become key differentiators, particularly for lower-rated names like Bahrain, where fiscal risks persist.

**Portfolio stance**: Prioritize quality carry | Target selective GCC RV | Capture new issue opportunities | Underwrite lower-rated fiscal risk

**Source:** *Aranca Research*

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## Get In Touch With Us Today!


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