

Special Report

GCC Capital Markets Newsletter – 3Q25



Executive Summary

01

GCC and Global Equities: Strong Momentum Amid Easing Global Risks

- Global equities advanced in 3Q25 as dovish Fed signals and easing trade risks lifted sentiment.
- The MSCI GCC Index rose 4.6%, led by Oman and Kuwait, while Saudi gains were modest amid softer oil prices.
- Attractive valuations and robust corporate earnings continue to support regional markets.

02

Macroeconomic and Oil: Resilient Non-Oil Growth Offsets Energy Weakness

- GCC economies maintained steady growth despite weak oil prices. Inflation stayed contained, and Purchasing Managers' Index (PMIs) reflected solid non-oil expansion in Saudi Arabia and the UAE.
- Global oil demand growth remains subdued, but fiscal buffers and diversification initiatives sustain stability across the region.

03

Bonds and Real Estate: Lower Yields, Divergent Property Trends

- Bond yields declined amid rate-cut expectations, high investor demand despite GCC issuance.
- Real estate performance varied; Qatar saw rising transactions, while Saudi volumes fell amid higher financing costs.
- Reforms allowing greater foreign ownership are set to enhance market depth by 2026.

04

Non-Oil Growth and Outlook: Structural Reforms Support Momentum

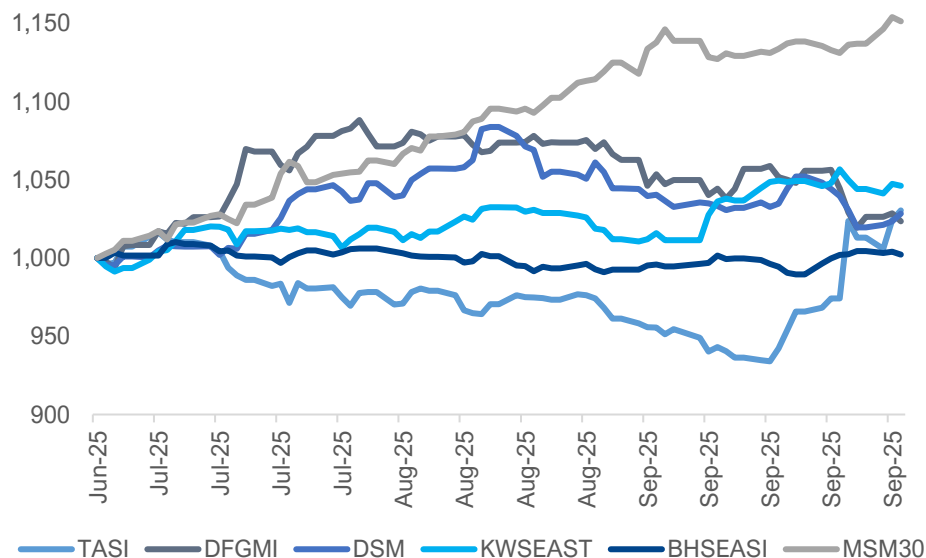
- Non-oil sectors continued to drive GCC GDP, supported by Vision 2030/2040 initiatives and strong investment spending.
- IPO activity stayed resilient, underscoring investor confidence. With fiscal support and diversification progress, regional growth remains on a steady long-term trajectory.

GCC Equity Market Analysis

GCC Equities Gain on Strong Global Sentiment, Oman Outperforms

- **Improved Global Sentiment Supports GCC Equities:** Global sentiment strengthened in 3Q25 as easing trade tensions and dovish US Fed signals lifted investor confidence. The favorable macro backdrop supported most GCC markets despite softer oil prices.
- **Oman Leads GCC Markets on Structural Reforms:** The MSM 30 (Oman) outperformed its peers with a 15.1% gain, driven by non-oil sector growth, fiscal discipline, a ratings upgrade, and investor confidence in Oman Vision 2040 reforms.
- **Kuwait Rises on Earnings and Policy Support:** The Kuwait (KWSEAST) index advanced 4.6%, supported by Fed's rate cuts, strong corporate earnings, and easing global trade tensions.
- **Saudi Arabia, Qatar, and Dubai Track Global Tailwinds:** The Saudi TASI, Qatar DSM, and Dubai DFMGI rose 3.0%, 2.8%, and 2.3%, respectively, amid improved global risk appetite and monetary easing.
- **Bahrain Underperforms:** The BHSEASI index was flat (+0.2%) amid Materials sector weakness.

GCC Countries Equity Returns – 3Q25



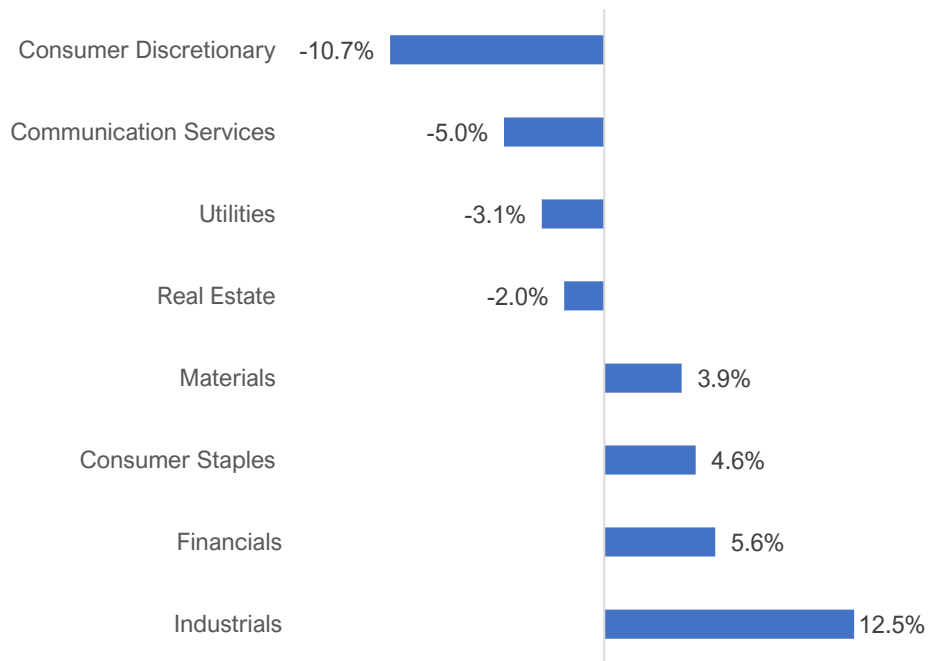
Country	Jul	Aug	Sept	3Q25	3Q24	YTD
Saudi Arabia (TASI)	-2.2%	-2.0%	7.5%	3.0%	4.7%	-4.4%
Dubai (DFMGI)	7.9%	-1.6%	-3.7%	2.3%	11.7%	13.2%
Qatar (DSM)	4.8%	-0.3%	-1.5%	2.8%	6.5%	4.6%
Kuwait (KWSEAST)	1.9%	-0.9%	3.5%	4.6%	3.7%	23.5%
Bahrain (BHSEASI)	0.6%	-1.4%	1.0%	0.2%	-0.6%	-1.9%
Oman (MSM 30)	6.2%	5.2%	3.0%	15.1%	0.5%	13.2%

Source: Bloomberg, Aranca Research

Dubai and Saudi Equity Market Analysis

TASI and DFMGI reflected positive returns amid strong macroeconomic backdrop

Dubai (DFMGI) 3Q25 Sectoral Returns



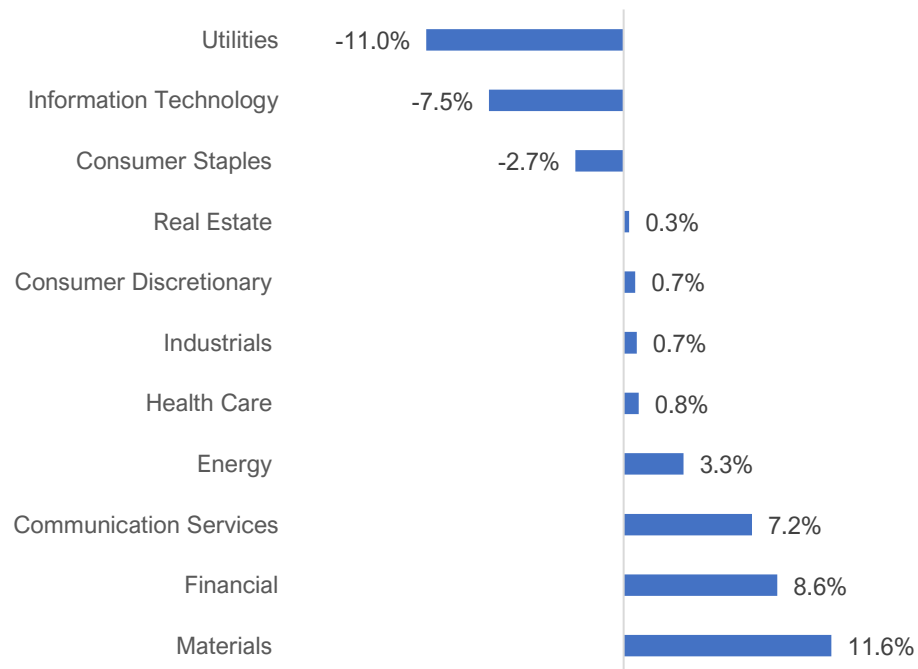
Financials Lead Market Gains: The Financials sector, the highest weighted sector, rose 5.6% on strong earnings and improved sentiment.

Industrials Strengthen on Non-Oil Growth: The Industrials sector increased by 12.5% supported by infrastructure spending and pro-growth policies under Dubai Economic Agenda D33.

Real Estate Remains Weak: The Real Estate sector declined 2.0% as higher transaction volumes were offset by softer valuations.

Source: Bloomberg. UAE and Saudi Indices used for sectoral returns

Saudi Arabia (TASI) 3Q25 Sectoral Returns



Financials Lead on Profit Growth: The Financials sector, the highest weighted sector, rose 8.6% on strong 2Q25 profits, loan growth, and improved non-funded income following rate cuts.

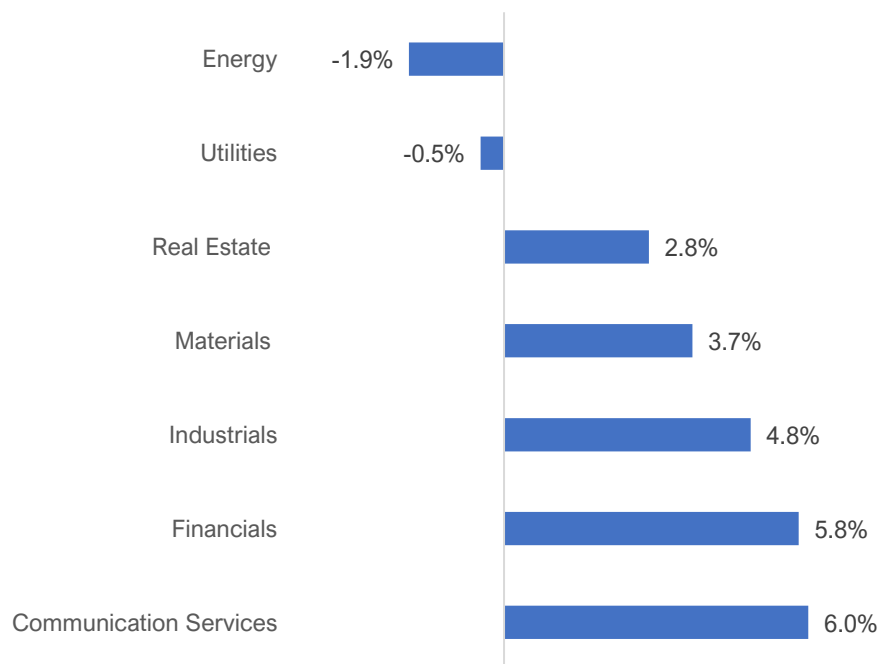
Energy Supported by Output Gains: The Energy sector gained 3.3%, driven by higher oil production and ongoing Vision 2030 investments.

Materials Strengthen on Industrial Demand: The Materials sector advanced 11.6%, supported by strong domestic demand.

Qatar and Bahrain Equity Market Analysis

Financial services performance supported the indices

Qatar (DSM) 3Q25 Sectoral Returns

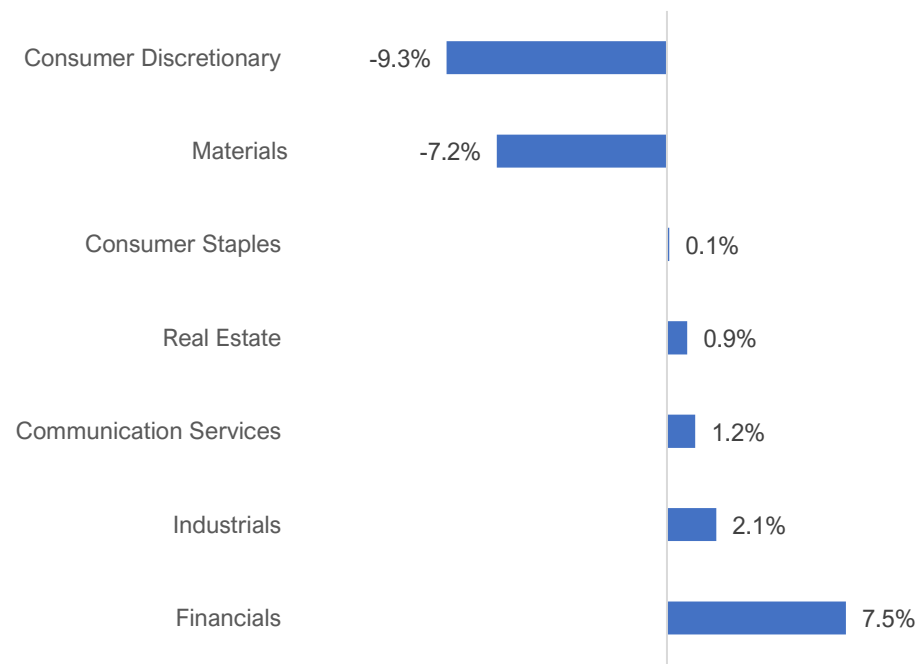


Financials Gain on Digital and Liquidity Strength: The Financials sector, the largest sector by weight, rose 5.8%, supported by expanding digital banking, strong liquidity, and loan growth from major banks.

Industrials Rise on SME and Manufacturing Push: The Industrial sector gained 4.8%, amid rising manufacturing activity and SME growth.

Energy Slips on Margin Pressure: Energy fell 1.9% as lower fuel prices and margin pressure offset LNG expansion gains.

Bahrain (BHSEASI) 3Q25 Sectoral Returns



Financials Advance on Credit Growth and Reforms: The Financials sector gained 7.5%, driven by strong banking and insurance growth, rising credit demand, and Bahrain's Islamic finance strength.

Materials Weaken on Global Aluminum Slowdown: Materials fell 7.2% amid weak global aluminum demand and pricing pressures.

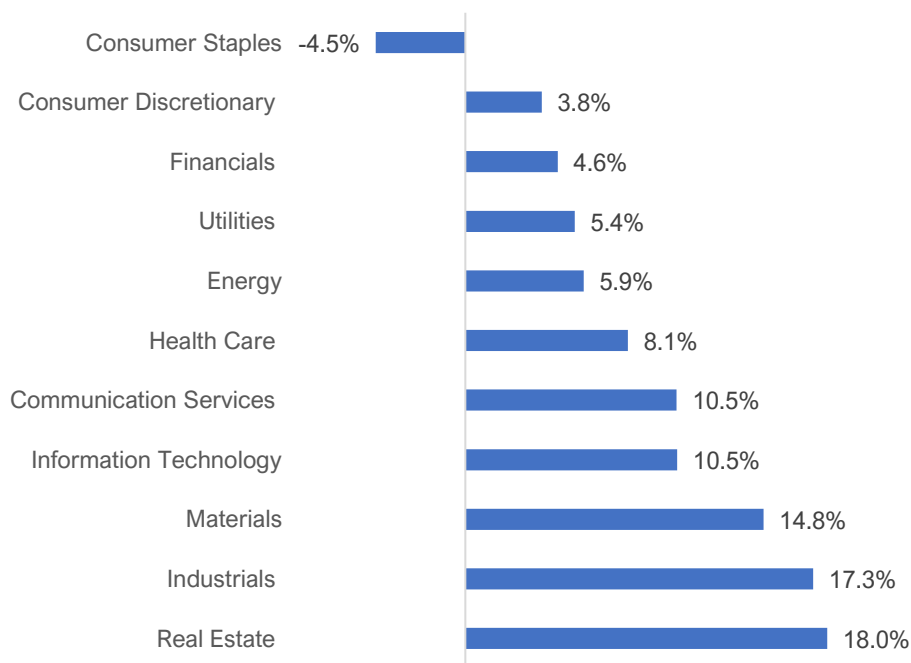
Communication Services Stable: Communication Services gained 1.2%, supported by 5G expansion but capped by telecom competition.

Source: Bloomberg. Qatar and Bahrain Sector indices are used for sectoral returns

Kuwait and Oman Equity Market Analysis

Kuwait and Oman gain on strong earnings and 5G Adoption

Kuwait (KWSEAST) 3Q25 Sectoral Returns



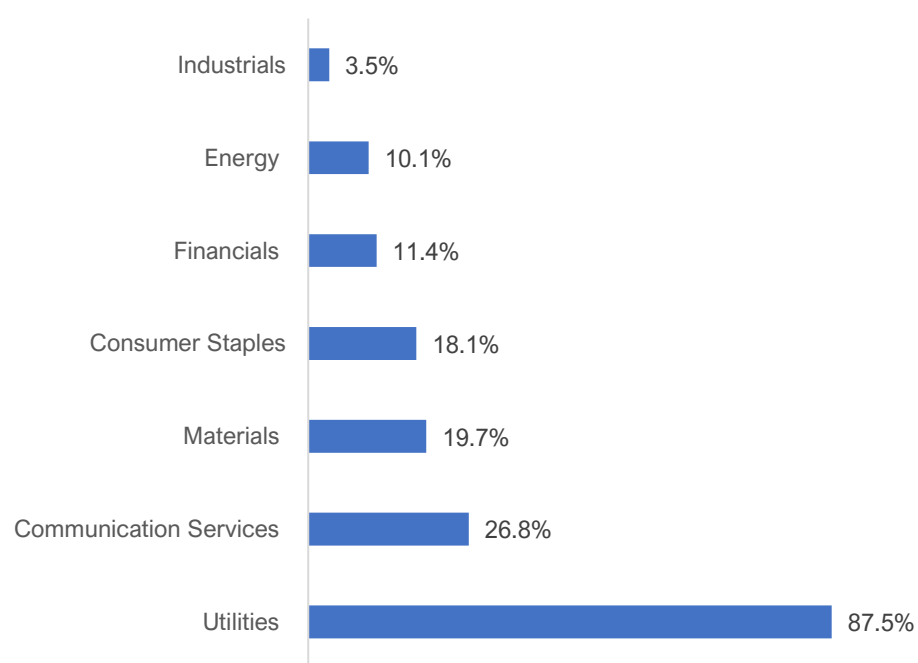
Financials Strengthen on Banking Profit Growth: The Financials sector rose 4.6%, supported by strong banking profits, rising lending, and anticipated mortgage law reforms amid lower rates.

Real Estate Surges on Market Recovery: The Real Estate sector gained 18.0%, driven by higher transaction volumes and rising prices.

Communication Services Gain on Digital Expansion: Communication Services advanced 8.1%, supported by nationwide 5G rollout and growing digital service adoption.

Source: Bloomberg. Kuwait and Oman Sector indices are used for sectoral returns

Oman (MSM30) 3Q25 Sectoral Returns



Financials Rise on Banking and Insurance Strength: The Financials sector gained 11.4%, supported by strong banking profits, rising credit demand, and an insurance sector turnaround driven by higher underwriting efficiency.

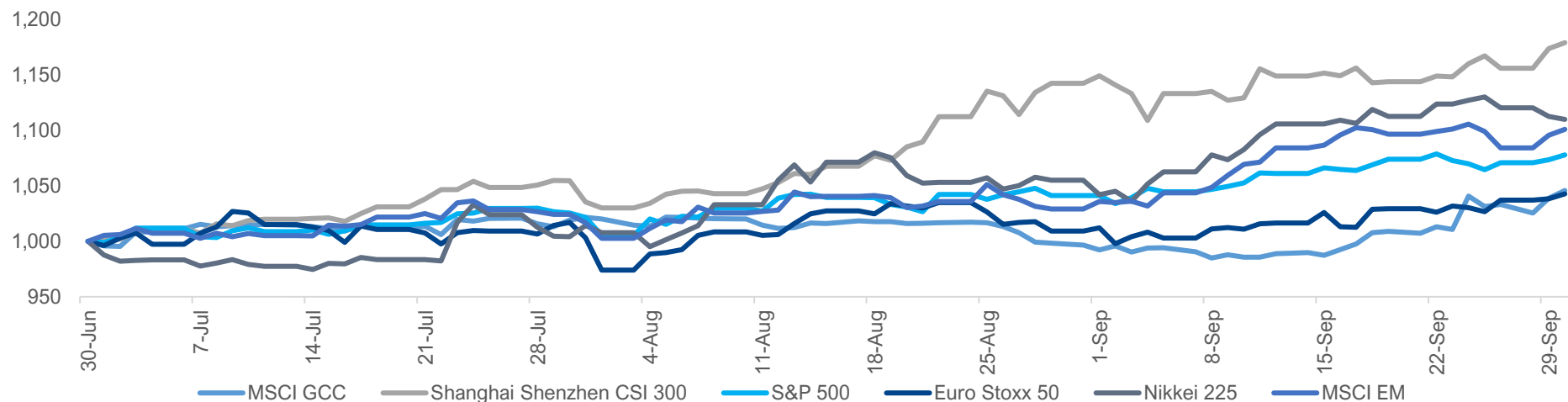
Energy Gains on Gas and Refining Growth: Energy rose 10.1% as record gas output and refining expansion offset softer oil prices.

Communication Services Lead Rally: Communication services surged 26.8%, boosted by 5G rollout, IoT growth, and strong earnings.

GCC vs. Global Equity Market Analysis

Global equities rose on positive AI sentiments and rate cut hopes

GCC vs. Global Indices – 3Q25



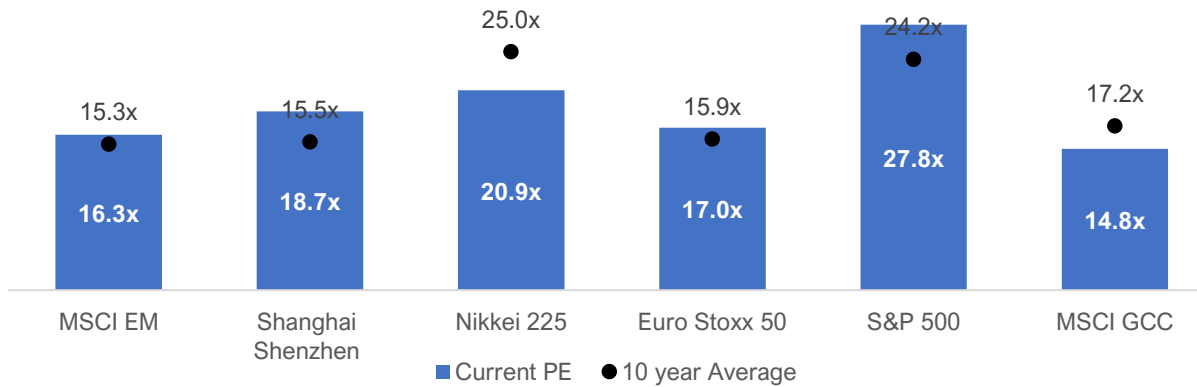
- **Policy Stimulus and Tech Rebound:** Shanghai Shenzhen CSI 300 surged by 17.9% as Beijing ramped up fiscal support, state-backed equity purchases, and credit easing. Robust inflows into semiconductor and AI-linked stocks further buoyed sentiment.
- **Weaker Yen and Reform Momentum:** Nikkei 225 advanced by 11.0% on yen depreciation boosting exporters, strong chip earnings, and optimism around ongoing corporate reforms.
- **USD Weakness and Trade Recovery supported EM:** MSCI EM gained by 10.1% on a softer USD, improving global trade outlook, and strong performance from Korea, Taiwan, India, and Mexico.
- **Rate Cut and Earnings Strength US Markets:** S&P 500 rose by 7.8% on solid Q3 earnings, a Fed rate cut, and continued AI enthusiasm, though valuation concerns limited late-quarter gains.
- **Broader Growth and Market Access Boost Sentiment:** Despite volatile oil prices, the MSCI GCC advanced by 4.6% on resilient non-oil growth, rate cuts, rising infrastructure investment, and expectations of deeper market access.

Source: Bloomberg, Aranca Research

GCC vs. Global Equity Market Valuation

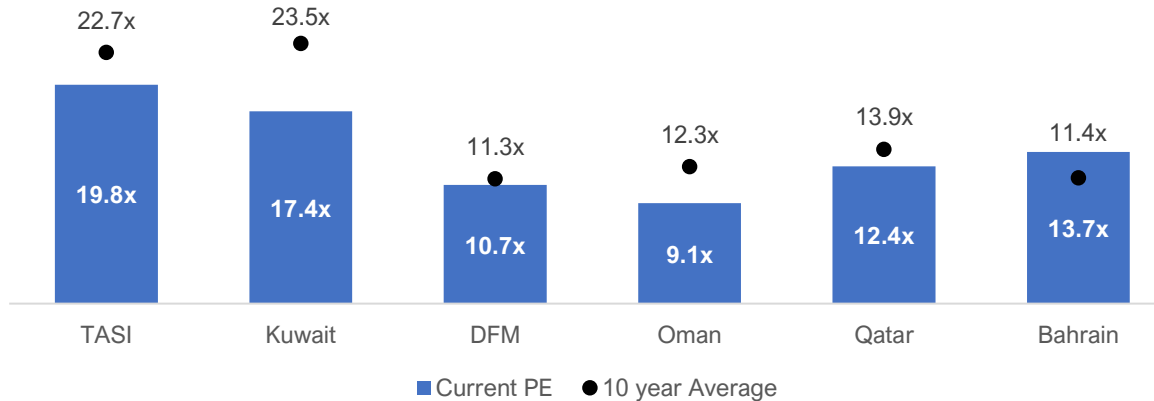
Bahrain trades at a premium, while Qatar and Saudi remain discounted

GCC vs. Global Indices Forward PE



The S&P 500 trades at a premium to its past 10-year average one-year forward P/E, driven largely by AI-led optimism. Likewise, the MSCI GCC index also trades at a premium, supported by resilient non-oil growth and expectations of monetary easing in the coming quarters.

GCC Indices Forward PE



Within the GCC, Bahrain trades at a premium (13.7x vs. 11.4x 10-year avg), while Qatar remains discounted at 12.4x. TASI is below its long-term average (19.8x vs. 22.7x) amid recent correction. Other indices are fairly valued, with Saudi Arabia, the UAE, and Kuwait remaining the most attractive on reform momentum and resilient non-oil growth.

Source: Bloomberg, Aranca Research.

GCC Macroeconomic Performance

Balanced inflation and elevated PMI indicate favorable economic conditions

GCC Inflation Remains Subdued, Underscoring Stable Economic Conditions

Country	2024						2025								
	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Oman	1.5%	1.1%	0.4%	0.8%	0.5%	0.7%	1.0%	1.0%	0.6%	0.9%	0.6%	0.8%	0.7%	0.5%	1.1%
Kuwait	3.0%	2.9%	2.8%	2.4%	2.4%	2.5%	2.5%	2.5%	2.4%	2.3%	2.3%	2.3%	2.4%	NA	NA
Bahrain	1.1%	0.9%	0.4%	0.3%	0.4%	0.5%	0.0%	0.1%	0.1%	-0.5%	-1.0%	-0.4%	-0.9%	-0.8%	0.0%
KSA	1.5%	1.6%	1.7%	1.9%	2.0%	1.9%	2.0%	2.0%	2.3%	2.3%	2.2%	2.3%	2.1%	2.3%	2.2%
Qatar	0.2%	1.2%	0.8%	0.9%	1.0%	0.2%	-1.2%	-0.3%	-0.1%	-0.5%	-0.1%	0.1%	0.7%	0.7%	1.2%

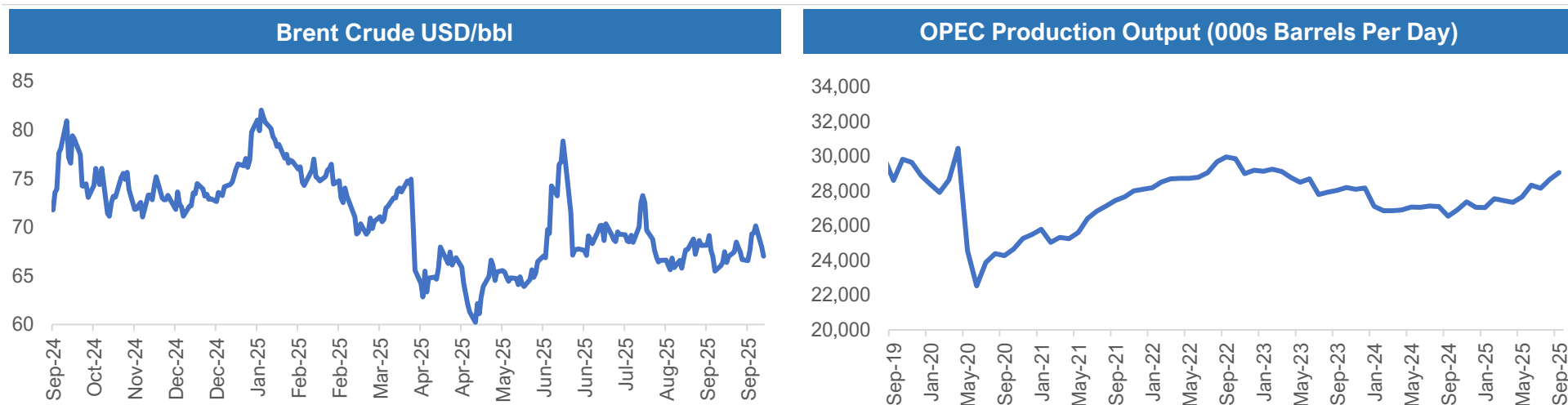
Strong PMI Figures Reflect Robust GCC Economic Momentum

Country	2024						2025								
	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Saudi Arabia PMI	54.4	54.8	56.3	56.9	59	58.4	60.5	58.4	58.1	55.6	55.8	57.2	56.3	56.4	57.8
UAE NBD Composite PMI	53.7	54.2	53.8	54.1	54.2	55.4	60.5	58.4	58.1	54	53.3	53.5	52.9	53.3	54.2
Qatar PMI	51.3	53.1	51.7	52.8	52.9	52.9	50.2	51	52	50.7	50.8	52	52	51.4	51.5

Source: Bloomberg and Reuters

GCC Oil Market

Brent crude oil price stabilized to USD 67.07/bbl at the end of 3Q25



- In 3Q25, Brent crude oil prices remained largely unchanged, as balanced market forces offset each other. On the supply side, higher OPEC+ output particularly from African producers was countered by steady demand recovery in Asia.
- The earlier reversal of production cuts continued to weigh on sentiment, but easing geopolitical tensions following the Israel-Iran ceasefire kept risk premiums low. Overall, stable supply-demand dynamics led to a flat quarter for oil prices.

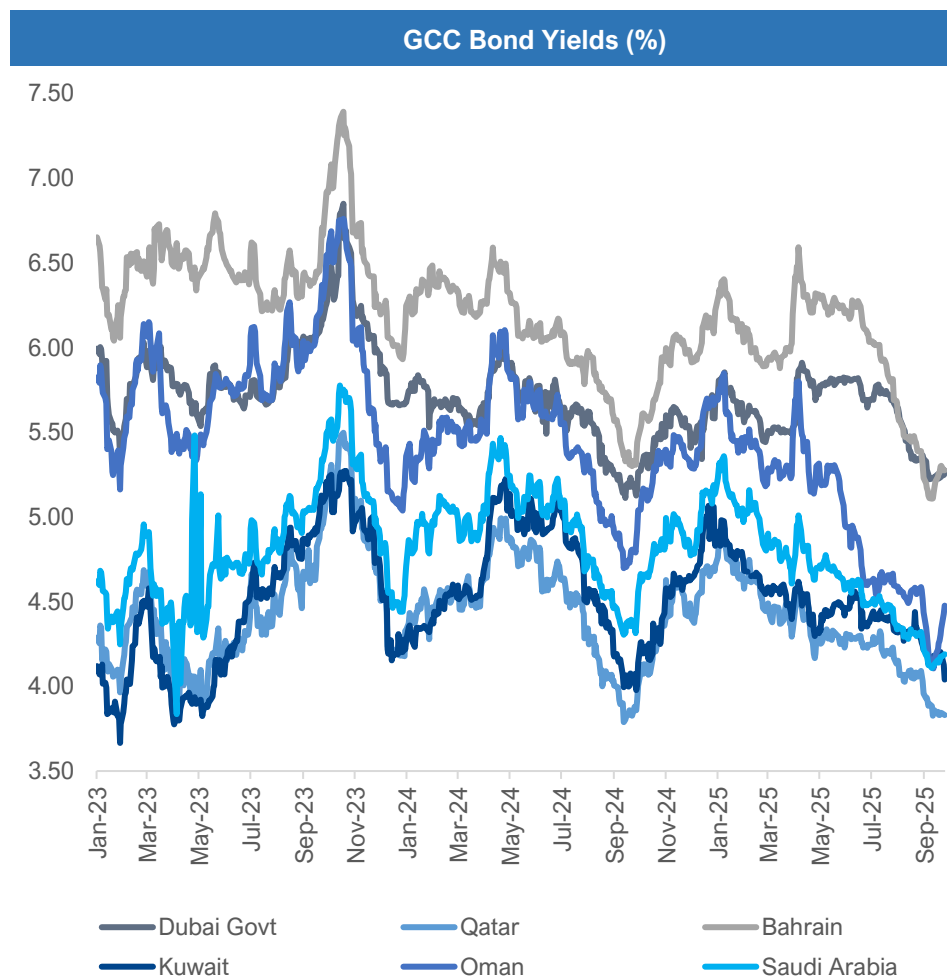
Oil Market Poised for Continued Surplus Through 2026:

- Global oil demand growth to stay weak at 700 (thousand barrels per day) kb/d in 2025–26, restrained by slower economic activity, rising vehicle efficiency, and accelerating EV adoption. The petrochemical sector will continue to drive most incremental demand.
- Global supply to expand by 3 (million barrels per day) mb/d in 2025 and 2.4 mb/d in 2026, led by OPEC+, the US, Brazil, Canada, Guyana, and Argentina. With refinery runs recovering and inventories at a four-year high, Brent price is expected to stay range-bound at USD 65–70/bbl as market surplus persists through 2026.

Source: Bloomberg

GCC Bond Market Analysis

Government bond indices fell in 3Q25, despite robust bond issuances in GCC



GCC Markets	Yield (BPS)				
	Index	3Q25	3Q24	YTD	2024
Saudi 2030 bond		-29	-84	-98	73
Qatar 10-year bond		-41	-79	-87	52
Oman 2028 bond		-14	-82	-123	65
Dubai 2043 bond		-43	-61	-33	-8
Kuwait 2027 bond		-31	-97	-102	86
Bahrain 2028 bond		-82	-78	-86	19

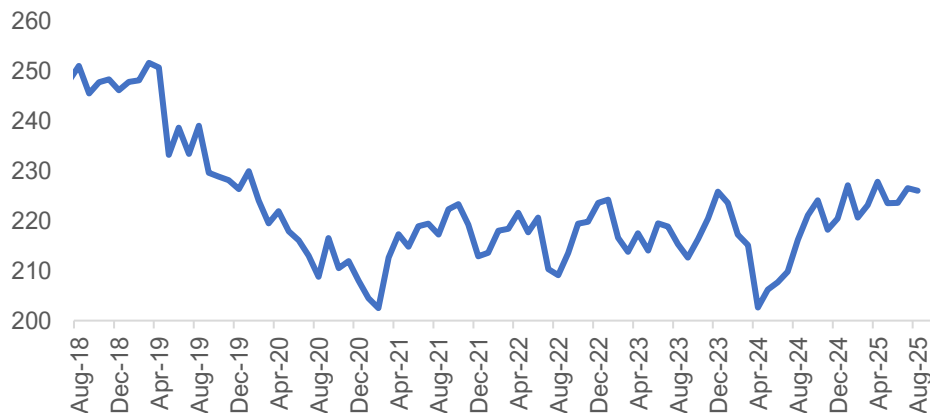
- In 3Q25, yields in the GCC region fell overall, supported by the strong fundamentals, increased demand due to expectations of rate cuts by the US and easing geopolitical tensions.
- **Strong Issuance Momentum in GCC Banking Sector:** GCC banks are on track to exceed USD 60 billion in USD-denominated debt issuance in 2025 (USD 40 billion excluding Credit Default Swaps), surpassing 2024's record levels. The surge reflects elevated maturities, solid credit growth, and favorable funding conditions. Issuance is expected to remain strong in 2026, supported by further US Fed rate cuts, USD 36 billion in upcoming maturities, continued credit expansion in Saudi Arabia and the UAE, and tight domestic liquidity in Saudi Arabia.

Source: Bloomberg

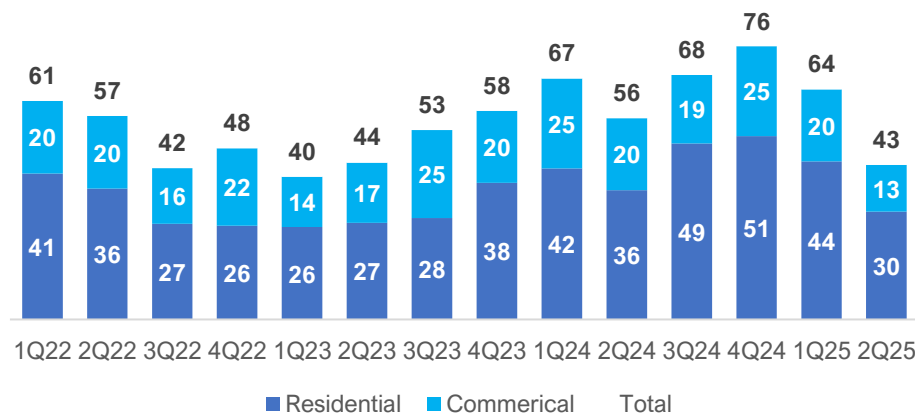
GCC Real Estate

Qatar's real estate sector witnessed continued demand, whereas Saudi transaction value declined

Qatar Real Estate Price Index



Saudi Arabia's Real Estate Transactions (SAR Billion)



Real Estate Prices Edge Upward Despite Quarterly Fall:

The Real Estate Price Index stood at 226 points in Aug-25, rising 4.5% YoY from 216 in Aug-24 but slipping 0.2% MoM from 226.5 in Jul-25.

Transaction Volumes and Values Surge Sharply in 3Q25:

The sector recorded 1,256 property deals worth QAR 4.5 billion in 3Q25, marking a 35% YoY rise in volume and 58% increase in value. Doha led with 338 deals (QAR 1.6 billion), followed by Al Rayyan (369 deals, QAR 1.5 billion) and Al Dhaayen (135 deals, QAR 444 million).

Transaction slowdown amid higher costs:

Saudi Arabia's real estate deals fell 23.2% YoY to SAR 43 billion in 2Q25, hit by higher financing costs and the white-land fee rollout that spurred early land sales and boosted supply. Developer competition and flexible pricing further weighed on values.

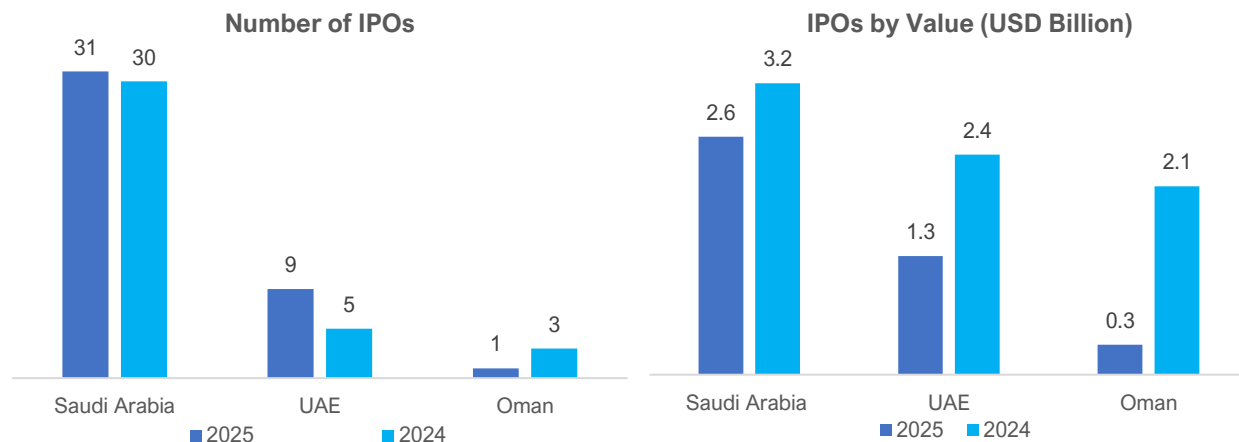
Reform to unlock next growth phase

From 2026, non-Saudis will be allowed to own property a move expected to deepen liquidity, attract foreign capital, and lift investor sentiment as the market enters its next expansion cycle.

GCC IPO Markets

IPO Volumes remained strong in 9M25

Major GCC Markets IPO issues



GCC IPO Volumes Up, Deal Values Down in 9M25

GCC saw 41 IPOs in 9M25 vs 38 in 9M24, but proceeds dropped to USD 4.2 billion from USD 7.8 billion. Saudi Arabia led with 76% of total proceeds, driven by strong consumer listings and robust non-oil growth. Lower oil prices, global tariff risks, and smaller issuers kept valuations muted, though outlook stays cautiously positive.

Non-Oil GDP Growth

Country	2024				2025		
	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25e
KSA	5.30%	6.14%	4.42%	4.83%	4.90%	4.70%	4.50%
UAE	4.10%	4.90%	4.90%	6.20%	5.30%	3.80%	NA

Strong Non-Oil Growth Supports IPO Outlook in the GCC

Non-oil GDP growth in the GCC remains resilient despite global uncertainty and weak oil prices. Saudi Arabia is expected to record 4.6% growth in 2026f, driven by expanding non-oil sectors contributing 56% of real GDP. UAE's non-oil growth is expected to be at 4.8% in 2026f. Historically, stronger non-oil growth precedes improved IPO performance and market sentiment.

Source: Bloomberg, Aranca Research, e-estimate



2500+

Global clients

500+

Strong, professional team across
multi-disciplinary domains

120+

Sectors and sub-sectors
researched by our analysis

80+

Countries where we have
delivered projects

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