Special Report

GCC Capital Markets Newsletter – Q4 2025

aranca

February 2026

Executive Summary

01

Global Equities: AI optimism counters rate cut uncertainty

- Global equities advanced in Q4 2025, supported by AI-led optimism despite uncertainty around the rate-cut trajectory.
- The MSCI GCC Index declined, weighed down by lower oil prices, softer IPO activity, and weakness in Saudi markets.
- Resilient non-oil growth and robust corporate earnings continue to underpin regional market fundamentals.

02

Macroeconomic and Oil: Firm Non-Oil Momentum Mitigates Energy Headwinds

- GCC economies sustained stable growth amid softer oil prices. Inflation remained well anchored, while PMI readings signaled robust non-oil expansion across Saudi Arabia and the UAE.
- Although global oil demand growth continues to moderate, ample fiscal buffers and ongoing diversification efforts underpin macro stability across the region.

03

Bonds and Real Estate: Lower Yields, Slowing Property Markets

- Bond Yields was slightly lower in Q4 2025, mainly driven by rate cuts, however the impact was slightly offset by higher government bond issuance.
- Real estate transactions remained subdued, primarily reflecting the impact of recent regulatory changes. However, reforms permitting broader foreign ownership are expected to deepen market liquidity and expand investor participation by 2026.

04

Subdued IPO Growth and higher bond issuance

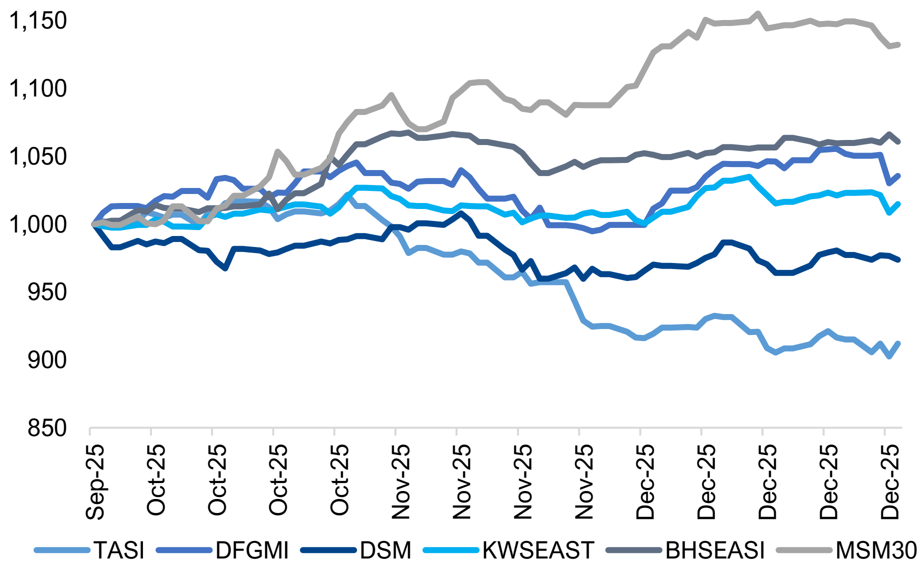
- GCC IPO activity softened in 2025, with total transactions and proceeds declining yoy amid weaker oil prices and global tariff risks, despite resilient non-oil growth.
- Conversely, sovereign debt issuance remained elevated, led by Qatar and Oman, as fiscal deficits and funding requirements sustained borrowing momentum across the region..

GCC Equity Market Analysis

GCC equities were mixed amid weaker oil prices, with Oman emerging as the outperformer

- GCC markets reported a mixed trend despite supportive global cues in Q4 2025. Oman and Bahrain led gains, while Saudi Arabia and Qatar declined; other markets were broadly stable to positive.
- **Oman remains the top performer in Q4 2025:** The MSM 30 surged 13.2%, outperforming peers on privatization momentum, improved liquidity, a sovereign upgrade to BBB-, and strong industrial and manufacturing gains.
- **Bahrain rises supported by strong corporate earnings:** The Bahrain index advanced on solid banking earnings in Q4 2025, aided by high liquidity ratios and a low-base effect, though the overall sentiment remains cautious.
- **Dubai and Kuwait track global tailwinds:** Dubai (+3.6%) and Kuwait (+1.5%) gained on Fed easing expectations and easing trade tensions.
- **Saudi and Qatar underperform:** Saudi (-8.8%) and Qatar (-2.6%) declined amid softer oil prices, material sector weakness, and muted liquidity.

GCC Countries Equity Returns – Q4 2025



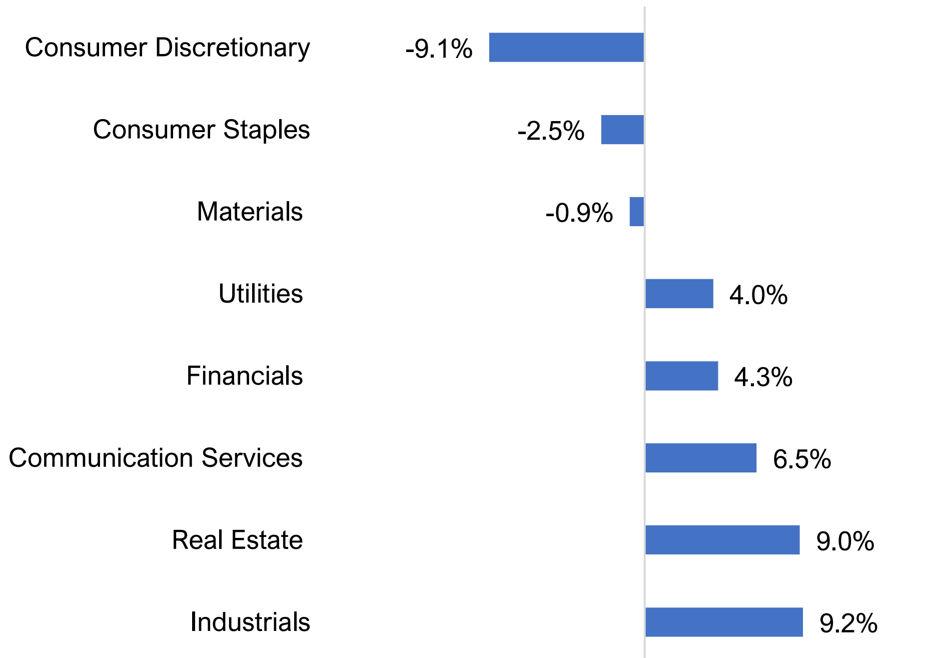
Country	Oct	Nov	Dec	4Q25	4Q24	2025
Saudi Arabia (TASI)	1.3%	-9.1%	-0.9%	-8.8%	-1.6%	-12.8%
Dubai (DFMGI)	3.8%	-3.7%	3.6%	3.6%	14.5%	17.2%
Qatar (DSM)	-0.9%	-3.1%	1.4%	-2.6%	-0.4%	1.8%
Kuwait (KWSEAST)	2.7%	-1.7%	0.6%	1.5%	3.4%	25.3%
Bahrain (BHSEASI)	5.9%	-1.1%	1.3%	6.1%	-1.3%	4.1%
Oman (MSM 30)	8.3%	1.7%	2.8%	13.2%	-2.8%	28.2%

Source: *Bloomberg, Aranca Research*

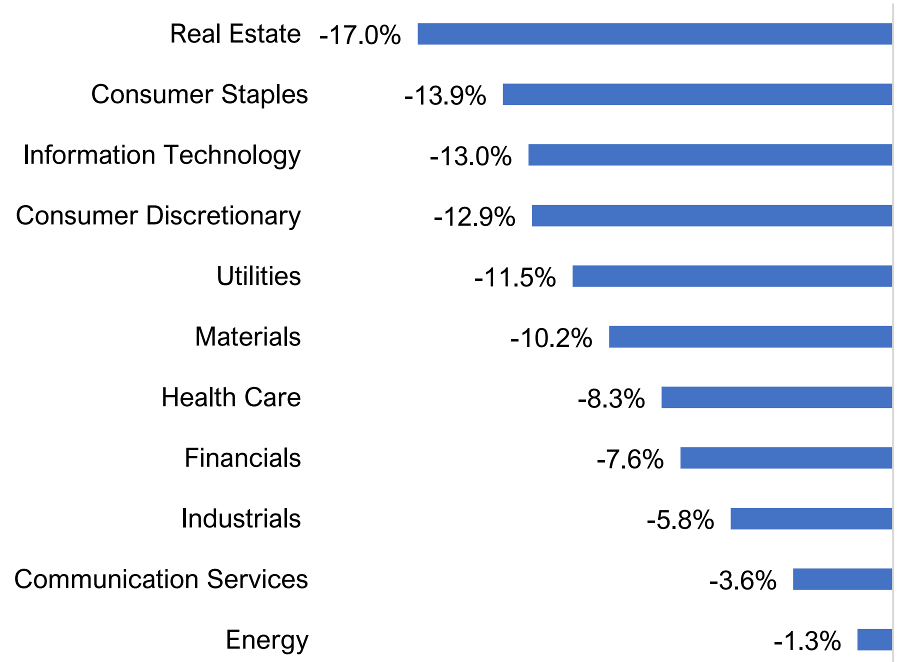
Dubai and Saudi Equity Market Analysis

DFMGI reflected positive returns, whereas TASI declined

Dubai (DFMGI) Q4 2025 Sectoral Returns



Saudi Arabia (TASI) Q4 2025 Sectoral Returns



Industrials Lead Gains: The Industrials sector rose 9.2% in Q4 2025, supported by sustained non-oil GDP expansion, infrastructure acceleration, and continued execution of pro-business initiatives under the Dubai Economic Agenda D33.

Real Estate Strengthens: Real Estate advanced 9.0% on strong volumes and stabilizing valuations, supported by foreign inflows.

Financials Advance: Financials gained 4.3%, backed by solid earnings and healthy credit growth.

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

Financials Under Pressure from Margin Compression: The Financials sector declined 7.6%, impacted by narrowing NIMs following rate cuts and elevated provisioning, despite continued loan growth.

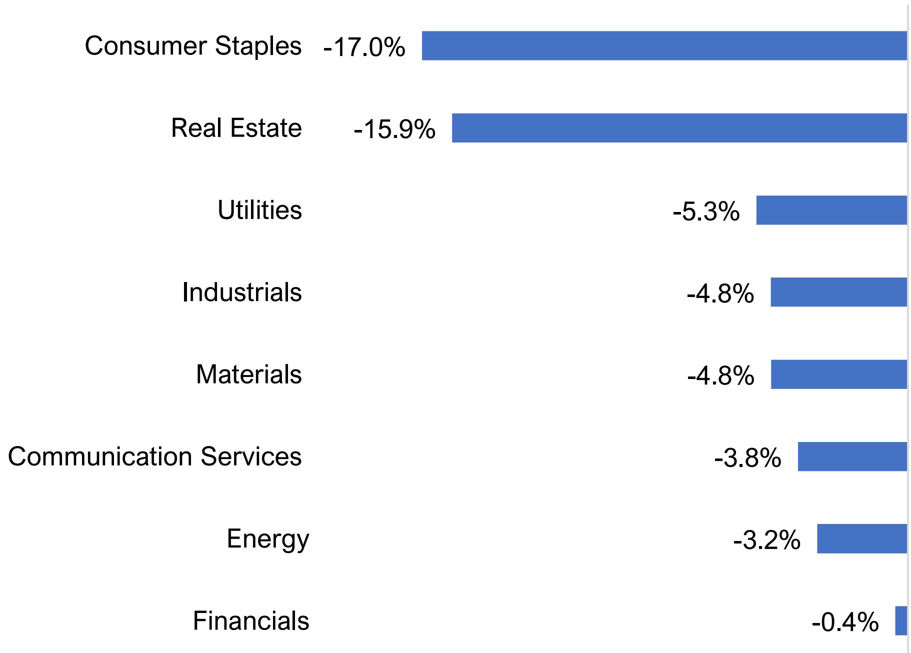
Materials Weighed by Petchem: The Materials sector fell 10.2% as global oversupply and volatile feedstock prices drove margin erosion.

Real Estate Corrected Sharply: Real Estate plunged 17.0%, exacerbated by high inventory, stalled projects, and affordability issues amid Vision 2030 slowdowns.

Qatar and Bahrain Equity Market Analysis

Qatar underperforms on industrial weakness; Bahrain outperforms

Qatar (DSM) Q4 2025 Sectoral Returns

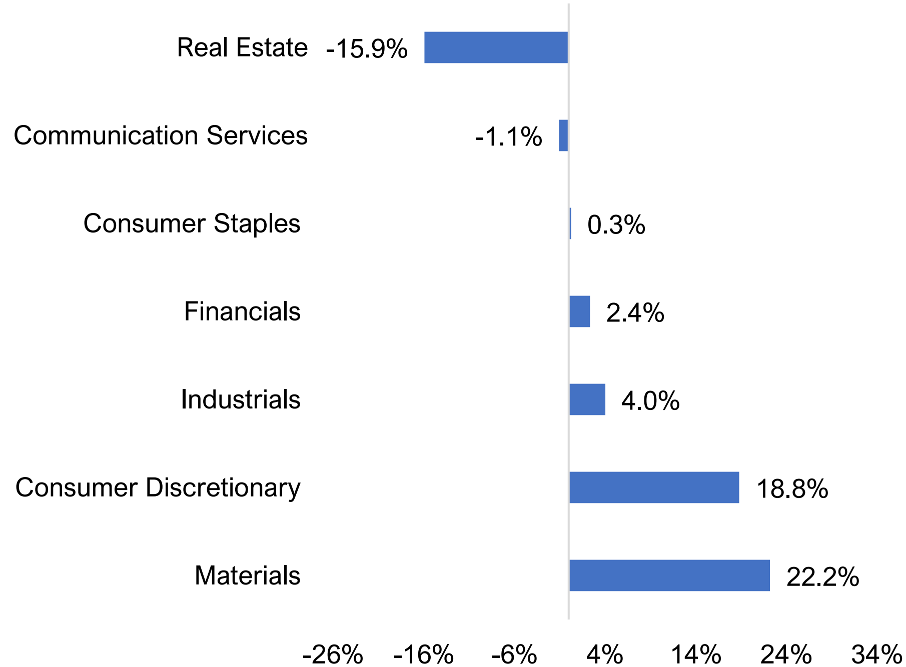


Industrials Weighed by Logistics Pressures: Industrials declined 4.8% in Q4 2025, impacted by weaker container rates and elevated fuel costs.

Energy Softens on Oil and Petchem Headwinds: Energy fell 3.2% amid softer crude prices, petrochemical oversupply, and delays across LNG-linked projects.

Communication Services Under Strain: Communication Services dropped 3.8%, pressured by subscriber saturation, elevated 5G capex, and forex headwinds despite steady data revenue growth.

Bahrain (BHSEASI) Q4 2025 Sectoral Returns



Financials Strengthen on Solid Fundamentals: Financials rose 2.4%, as resilient profitability and strong capital buffers offset modest NIM pressure.

Materials Rally on Improved Margins: Materials gained 22.2%, supported by demand, robust production, and easing input costs.

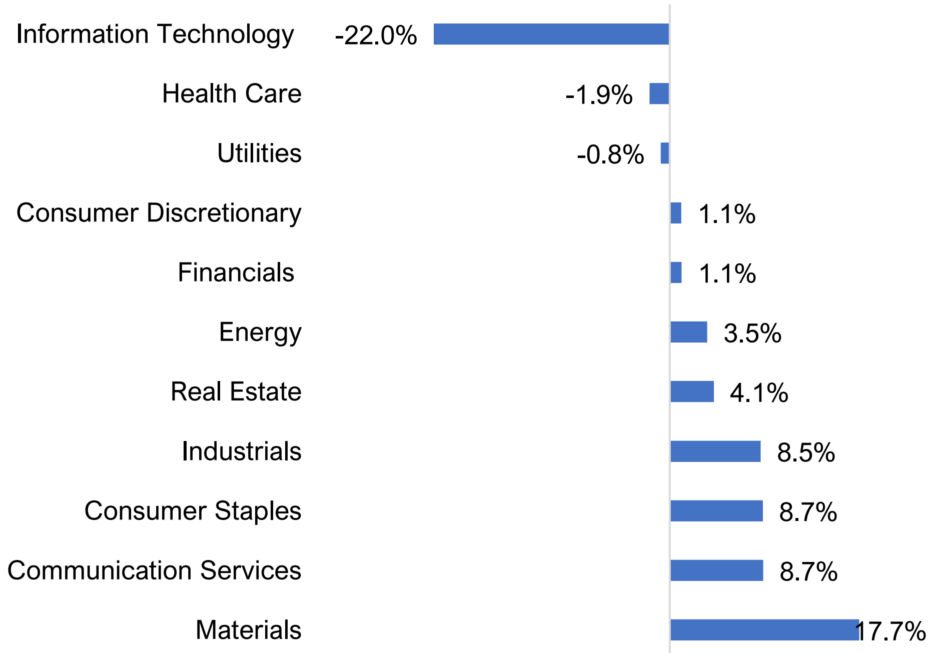
Consumer Discretionary Jumps on Tourism Boost: Consumer Discretionary advanced 18.8%, driven by strong tourism-led spending despite ongoing margin pressure.

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

Kuwait and Oman Equity Market Analysis

Oman and Kuwait gains driven by 5G rollouts and strong gains in the financial sector

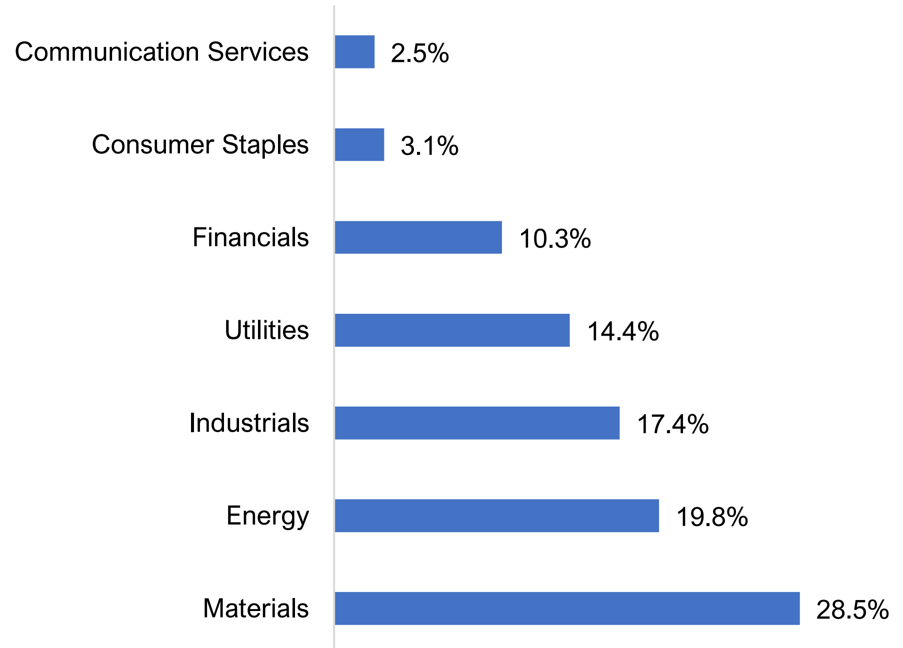
Kuwait (KWSEAST) Q4 2025 Sectoral Returns



Communication Services Rally on Data and 5G Momentum: The sector gained 8.7%, driven by strong earnings, data monetization, and ongoing 5G roll-outs that strengthened cash generation and revenue mix.

Industrials Strengthen on Non-Oil Activity: Industrials climbed 8.5%, aided by recovering non-oil growth, infrastructure investment, improving order backlogs, and margin normalization.

Oman (MSM30) Q4 2025 Sectoral Returns



Financials Rally on Strong FY 2025 Performance: Financials surged 10.3% on strong FY 2025 bank results, double-digit profit growth, and solid capital and asset quality. Balance-sheet expansion, improved efficiency, rising Islamic banking penetration, and rating upgrades compressed risk premia and supported inflows.

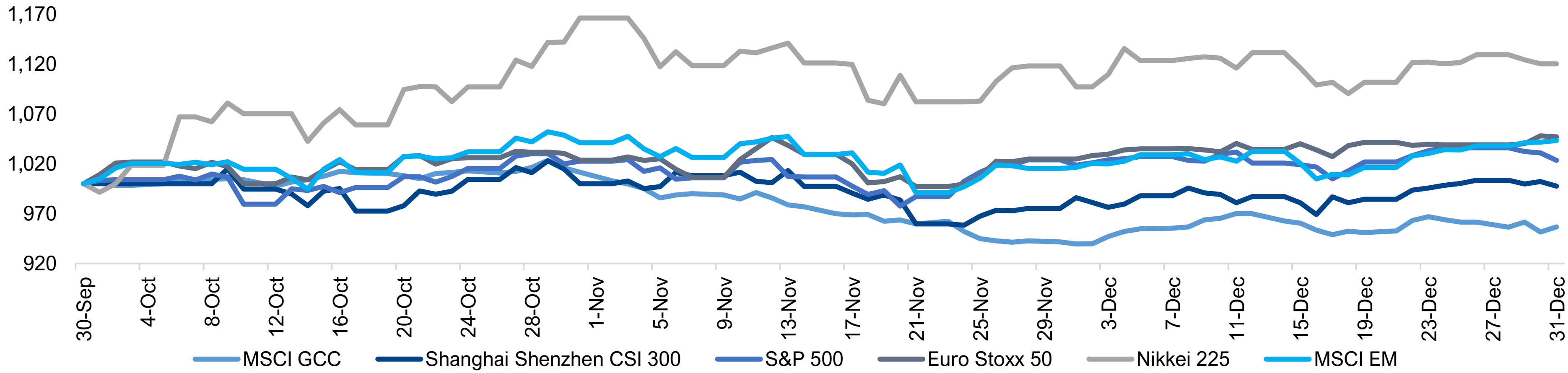
Communication Services Edge Higher on 5G Roll-Outs: Up 2.5%, backed by steady cash flows and data growth, though high capex limited gains.

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

GCC vs. Global Equity Market Analysis

Global equities rose on positive AI sentiments and rate cuts

GCC vs. Global Indices – Q4 2025



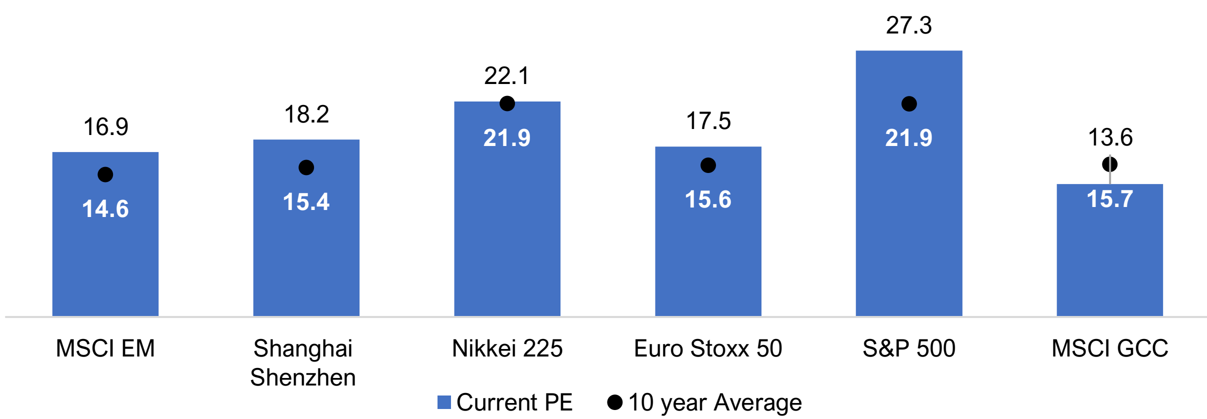
- **Japan Leads on Earnings and Yen Tailwinds (+12.0%)-** Japanese equities outperformed in Q4, driven by strong chipmaker and exporter earnings, a weak yen, and governance reform momentum, with gradual BoJ normalization expectations supporting the rally.
- **Europe Gains on Policy and Earnings Support (+4.7%)-** Eurozone blue chips advanced on improving activity data, weaker dollar dynamics, and expectations of easier ECB policy. Fiscal support, particularly from Germany, reinforced 2026 earnings optimism and lifted investor positioning.
- **Emerging Markets Rebound on Dollar Weakness (+4.3%)-** EM equities benefited from a softer US dollar, easing funding costs, and broad-based earnings recovery across Asia and Latin America, prompting rotation from US mega-caps.
- **US Posts Modest Gains on Earnings Strength (+2.3%)-** Solid Q4 results and AI-led tech strength offset rate-cut uncertainty.
- **China Stalls on Weak Domestic Demand (-0.2%)-** Policy support failed to counter soft consumption and property stress.
- **GCC Lags on Oil Softness and Supply Overhang (-4.3%)-** Lower oil prices, IPO supply, and profit-taking in Saudi and Qatar markets weighed on performance.

Source: *Bloomberg, Aranca Research*

GCC vs. Global Equity Market Valuation

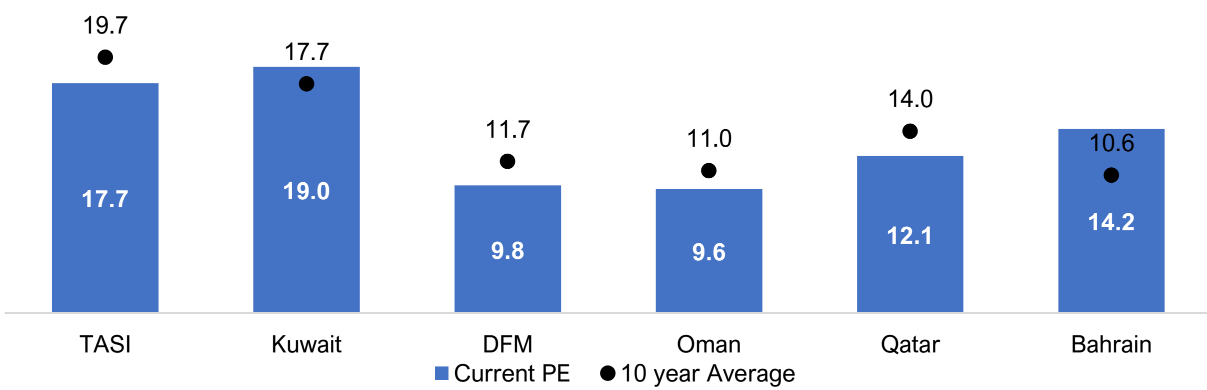
Bahrain and Kuwait trades at a premium, while Oman and Saudi remain discounted

GCC vs. Global Indices Forward PE



The S&P 500 currently trades at a premium to its 10-year average forward P/E, largely reflecting AI-driven optimism and concentrated mega-cap leadership. In contrast, MSCI GCC trades at a discount amid soft oil prices, though resilient non-oil growth and monetary easing could provide a supportive backdrop for market performance.

GCC Indices Forward PE



Within the GCC, Oman is the most attractively valued at ~9.6x forward P/E vs. its 10-year average of ~11.0x, implying a rerating potential as earnings and macro conditions firm up. Kuwait currently trades at a premium (19.0x vs. 17.7x), supported by stronger earnings visibility and institutional participation. Saudi (TASI) (17.7x vs. 19.7x) and DFM (9.8x vs. 11.7x) also trade below their historical trends, pointing to selective value across core GCC markets.

Source: *Bloomberg, Aranca Research.*

GCC Macroeconomic Performance

Easing inflation and elevated PMI readings indicate supportive economic cues

GCC Inflation Remains Subdued, Aiding Supportive Monetary Policy

Country	2024			2025											
	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Oman	0.8%	0.5%	0.7%	1.0%	1.0%	0.6%	0.9%	0.6%	0.8%	0.7%	0.5%	1.1%	1.5%	1.7%	1.6%
Kuwait	2.4%	2.4%	2.5%	2.5%	2.5%	2.4%	2.3%	2.3%	2.3%	2.4%	2.4%	2.5%	2.5%	2.4%	2.1%
Bahrain	0.3%	0.4%	0.5%	0.0%	0.1%	0.1%	-0.5%	-1.0%	-0.4%	-0.9%	-0.8%	0.0%	0.1%	1.1%	0.5%
KSA	1.9%	2.0%	1.9%	2.0%	2.0%	2.3%	2.3%	2.2%	2.3%	2.1%	2.3%	2.2%	1.9%	2.1%	1.8%
Qatar	0.9%	1.0%	0.2%	-1.2%	-0.3%	-0.1%	-0.5%	-0.1%	0.1%	0.7%	0.7%	1.2%	1.1%	1.4%	2.0%

Strong PMI Readings Signal Sustained Economic Momentum Across the GCC

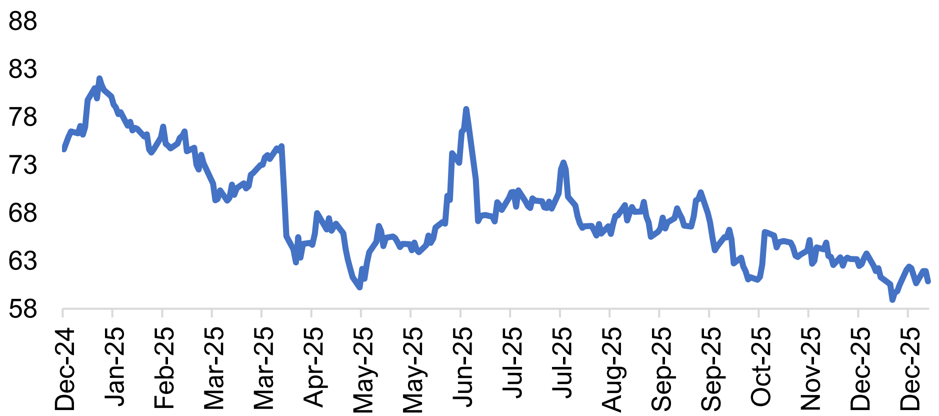
Country	2024			2025											
	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Saudi Arabia PMI	56.9	59	58.4	60.5	58.4	58.1	55.6	55.8	57.2	56.3	56.4	57.8	60.2	58.5	57.4
UAE NBD Composite PMI	54.1	54.2	55.4	55	55	54	54	53.3	53.5	52.9	53.3	54.2	53.8	54.8	54.2
Qatar PMI	52.8	52.9	52.9	50.2	51	52	50.7	50.8	52	51.4	51.9	51.5	50.6	51.8	50

Source: *Bloomberg and Reuters*

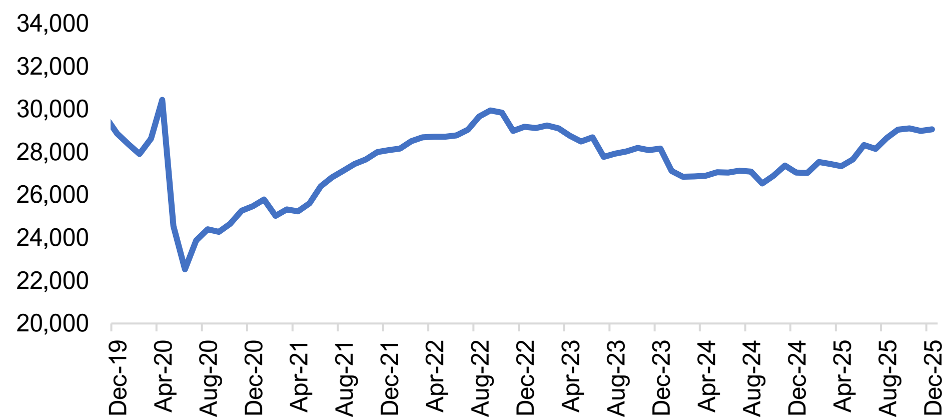
GCC Oil Market

Brent crude oil price declined to USD 60.85/bbl at the end of Q4 2025

Brent Crude USD/bbl



OPEC Production Output (000s Barrels Per Day)



- **2025 Price & Demand Backdrop:** Brent crude closed 2025 at USD 60.85/bbl, reflecting a structurally soft demand environment relative to supply additions; global demand growth slowed to 770 kb/d, with gains concentrated entirely in non-OECD markets and increasingly skewed toward petrochemical feedstocks rather than transport fuels.
- **Supply & Inventory Overhang:** After expanding by nearly 3.1 mb/d in 2025, global supply materially outpaced consumption, driving total stock builds of 477 mb during the year, equivalent to 1.3 mb/d on average; Chinese crude inventories rose 111 mb, oil on water increased 248 mb, and OECD stocks moved above their five-year average, reinforcing downside pressure by the year-end.

2026 Outlook – Supply to Outpace Oil Demand

Global oil demand is expected to rise by 850 kb/d in 2026, up from 770 kb/d in 2025, with growth once again entirely driven by non-OECD economies. China remains the largest contributor at around 200 kb/d, though below its historical trend, while petrochemical feedstocks account for more than half of incremental demand, highlighting the structural shift away from transport-led growth. On the supply side, global output is projected to increase by 2.4 mb/d to 108.6 mb/d, following a 3.1 mb/d expansion in 2025, with growth broadly evenly split between OPEC+ and non-OPEC+ producers. Since supply is expected to grow much faster than demand, the market is likely to remain in surplus, keeping inventories high and limiting any sustained upside in prices unless producers cut output meaningfully or demand surprises on the upside.

Source: *Bloomberg*

GCC Bond Market Analysis

Government bond indices fell in Q4 2025 supported by rate cuts and easing tensions

GCC Bond Yields (%)

GCC Markets	Yield (BPS)			
Index	**4Q25**	**4Q24**	**2025**	**2024**
Saudi 2030 bond	-1	82	-98	73
Qatar 10-year bond	10	82	-77	52
Oman 2028 bond	-7	90	-130	65
Dubai 2043 bond	-20	39	-53	-8
Kuwait 2027 bond	-7	99	-109	86
Bahrain 2028 bond	0	80	-86	19

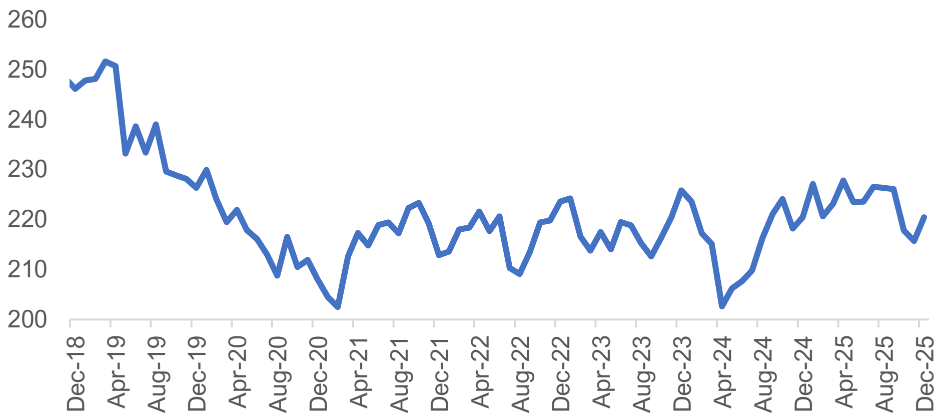
- In 4Q25, yields in the GCC region fell overall, primarily driven by rate cuts across the region and strong economic cues. However, strong bond issuance may impact bond yields in the near term.
- **Record Bond Sales Offset Sukuk Drop:** GCC bond issuances reached a record USD 125bn in 2025, up from USD 106bn in 2024, offsetting a sharp 19.1% decline in sukuk to USD 81.4bn. Total fixed-income issuance remained broadly flat YoY at USD 207bn, as corporate borrowing surged to USD 129bn while government issuance fell to USD 77.9bn. Saudi Arabia remained the largest issuer despite an 18.3% drop, while the UAE and Kuwait posted growth. Qatar issuance declined YoY materially amid softness.

Source: *Bloomberg*

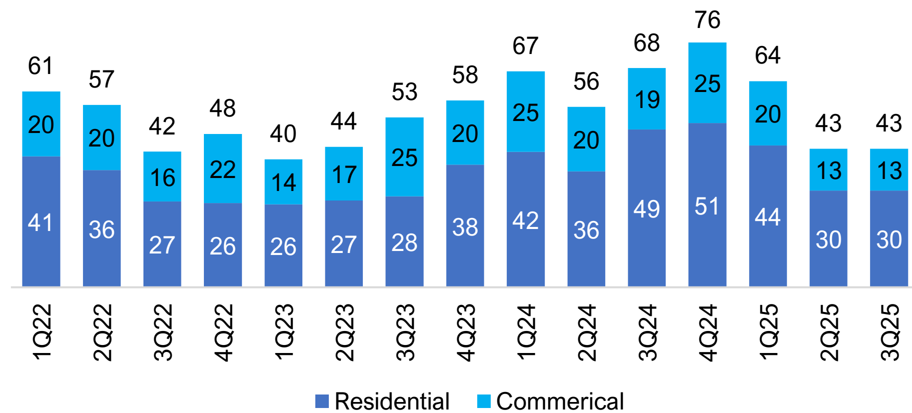
GCC Real Estate

Qatar's real estate sector reported sluggish demand, whereas Saudi's transaction value declined

Qatar Real Estate Price Index



Saudi Arabia's Real Estate Transactions (SAR Billion)



Real Estate Prices Remained Broadly Flat:

The Real Estate Price Index was broadly flat YoY at 220 points in December 2025, while registering a 2.2% MoM increase.

Transaction Values Surge Sharply in Q4 2025:

Qatar's residential sales rose 43.5% YoY to QAR 26.6bn in 2025, driven by a 50% increase in transactions to 6,831 deals despite a 1% YoY dip in average villa prices. In Q4 2025, Doha led activity with 564 transactions worth QAR 2.4bn.

Transaction Momentum Stalls on Cost Pressures:

Saudi's real estate transactions were largely unchanged at SAR 43bn in Q3 2025, constrained by elevated financing costs and the phased implementation of white-land fees, which accelerated land disposals and increased supply. Intensifying developer competition and pricing flexibility further capped value growth.

Regulatory Shift to Catalyze Next Upcycle:

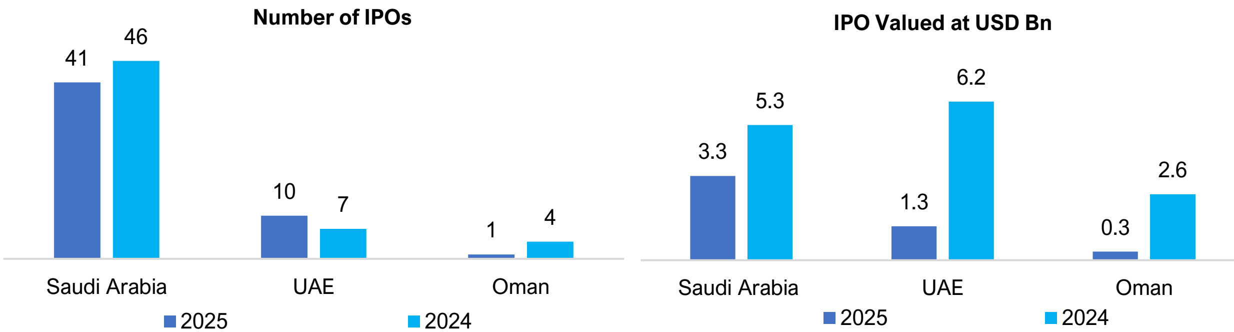
Effective 2026, foreign nationals will be permitted to own property, a structural reform expected to enhance market liquidity, attract incremental capital inflows, and reinforce investor confidence heading into the next growth cycle.

Source: *Bloomberg*

GCC IPO Markets

IPO volumes remained muted in 2025

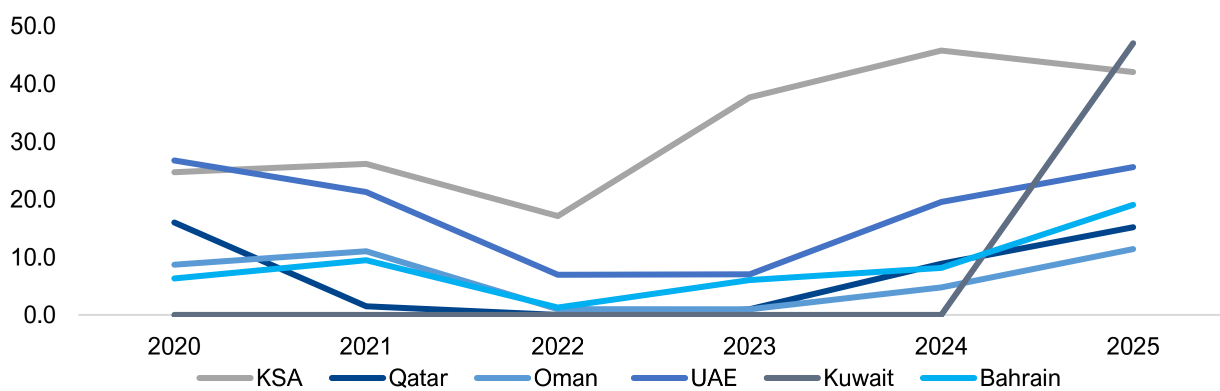
Major GCC Markets IPO issues



GCC IPOs Remained Muted:

GCC IPO volumes remained muted in 2025 as the total volume for Saudi, the UAE, and Oman was 52 transactions in 2025 as compared to 57 in 2024, with a total value of USD 4.9bn. Lower oil prices, global tariff risks, and smaller issuers kept valuations muted, though outlook stays cautiously positive amid strong non-oil performance.

GCC Govt Debt Issuance



Government Debt Issuance Remained Elevated in 2025:

Sovereign issuance across major GCC markets stayed robust, led by Qatar and Oman. Qatar's debt issuance rose 71.4% YoY to USD15.2bn, while Oman recorded a 140% YoY increase to USD11.4bn. Kuwait, amid projected fiscal deficits of USD20 bn in 2025 and USD 30bn in 2026, resumed borrowing following the reinstatement of its debt law in March 2025 after an eight-year pause, raising USD 47bn during the year.

Source: *Bloomberg, Aranca Research*

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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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