

Special Report

GCC Capital Markets Newsletter – 1Q26



Executive Summary

01

GCC Equities Diverged Amid Geopolitical Tensions

- Oman and Saudi Arabia outperformed GCC peers, supported by strong sector earnings and elevated oil prices.
- Dubai, Bahrain, Qatar, and Kuwait declined amid US-Iran conflict concerns and capital outflows linked to Strait of Hormuz disruptions.

02

Macroeconomic Conditions Remained Resilient

- Saudi Arabia and the UAE maintained PMI readings above 50, supported by infrastructure spending, resilient domestic demand, and non-oil sector momentum.
- GCC inflation trends remained relatively balanced. However, Qatar and Oman recorded sharper CPI increases by Mar-26.

03

Bond Yields and Debt Issuance

- GCC bond yields rose sharply in Q1 26 following Iranian missile strikes increasing concerns around inflation and delayed rate cuts.
- Saudi Arabia dominated regional debt markets, raising USD32.5bn across 42 issuances.

04

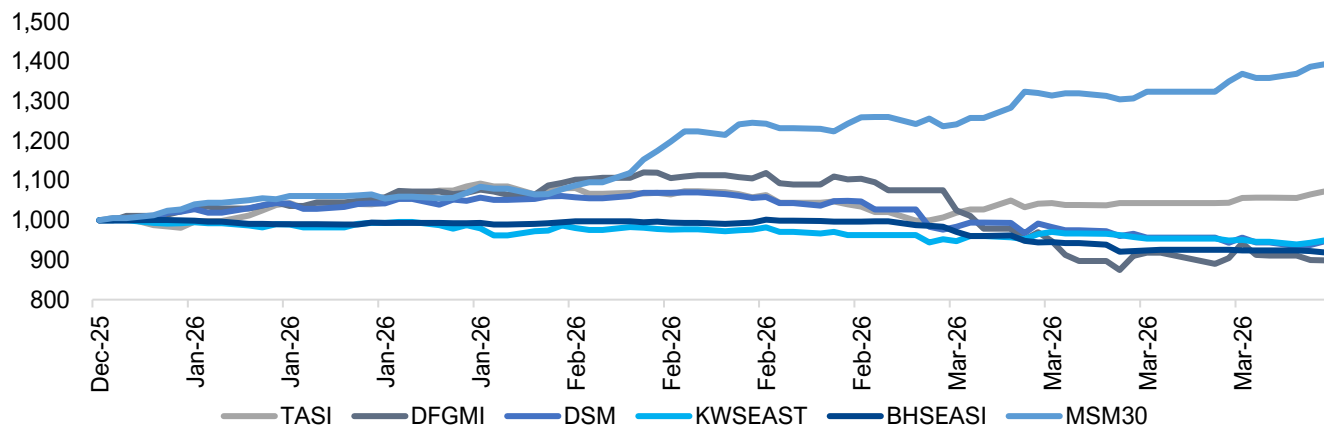
Oil Supply Risks and IMF Downgrades

- Global crude and product inventories could decline by c900mn barrels due to supply disruptions.
- The IMF sharply downgraded GCC growth forecasts for 2026 for Qatar, while Saudi Arabia and the UAE remained relatively resilient at 3.1%.

GCC Equity Market Analysis

GCC markets diverged amid regional uncertainty, with Oman and Saudi outperforming

Performance of GCC Indices - 1Q26



GCC Markets Mixed Amid Geopolitical Tensions

- GCC markets delivered mixed performance amid escalating US-Iran tensions and Hormuz disruption risks.

Oman and Saudi Arabia Outperform

- Oman remained the top performer in Q1 26, supported by strong banking earnings, higher oil prices, and market reforms.
- Saudi Arabia gained on robust performances from Saudi Aramco and Al Rajhi Bank, aided by elevated crude prices and resilient consumer spending.

GCC Countries Equity Returns – 1Q26

Country	Jan	Feb	Mar	1Q26	1Q25	2025
Saudi Arabia (TASI)	8.5%	-5.9%	5.0%	7.2%	-0.1%	-12.8%
Dubai (DFMGI)	6.4%	1.1%	-16.4%	-10.1%	-1.2%	17.2%
Qatar (DSM)	5.1%	-2.3%	-7.8%	-5.3%	-3.2%	1.8%
Kuwait (KWSEAST)	-3.8%	0.1%	-1.4%	-5.1%	9.9%	25.3%
Bahrain (BHSEASI)	-1.1%	0.8%	-7.8%	-8.1%	-1.7%	4.1%
Oman (MSM 30)	7.9%	16.8%	10.5%	39.2%	-4.6%	28.2%

Regional Markets Under Pressure:

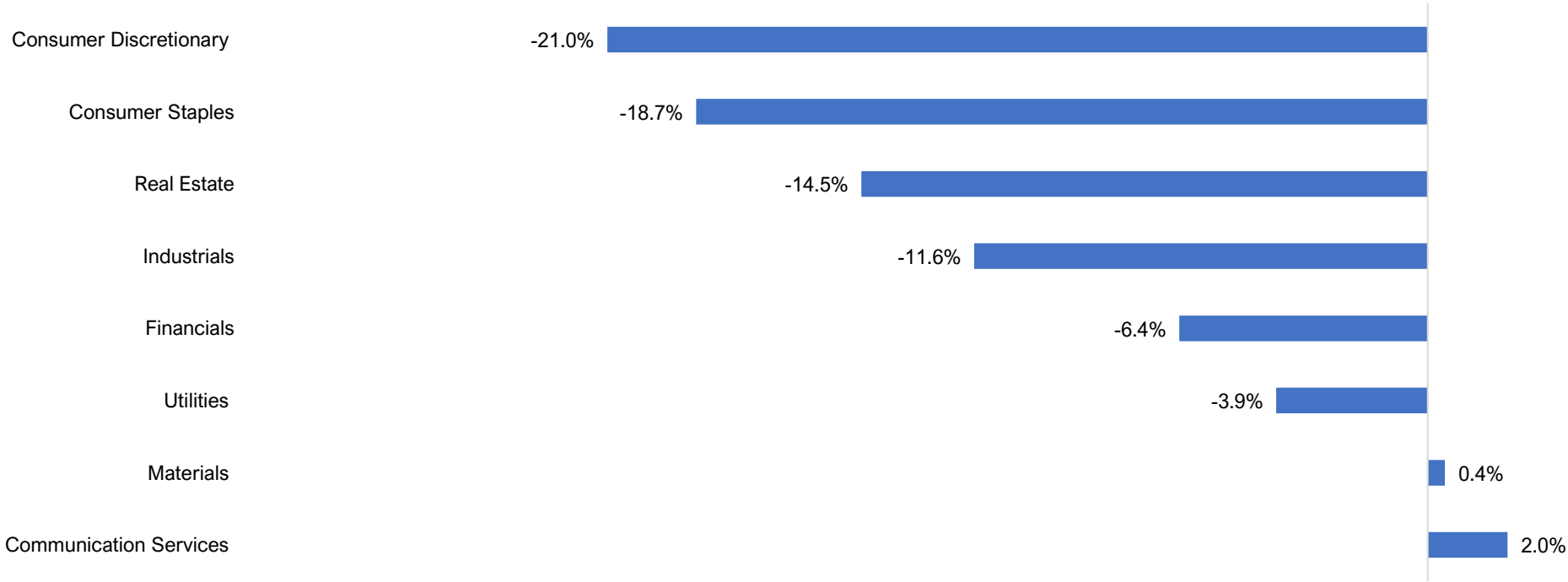
- Dubai, Bahrain, Qatar, and Kuwait declined due to geopolitical concerns, weaker sentiment, and capital outflows.

Source: Bloomberg, Aranca Research

Dubai Equity Market Analysis

DFMGI Declines Amid Rising Geopolitical Uncertainty Following Iranian Missile Strikes

Dubai (DFMGI) 1Q26 Sectoral Returns



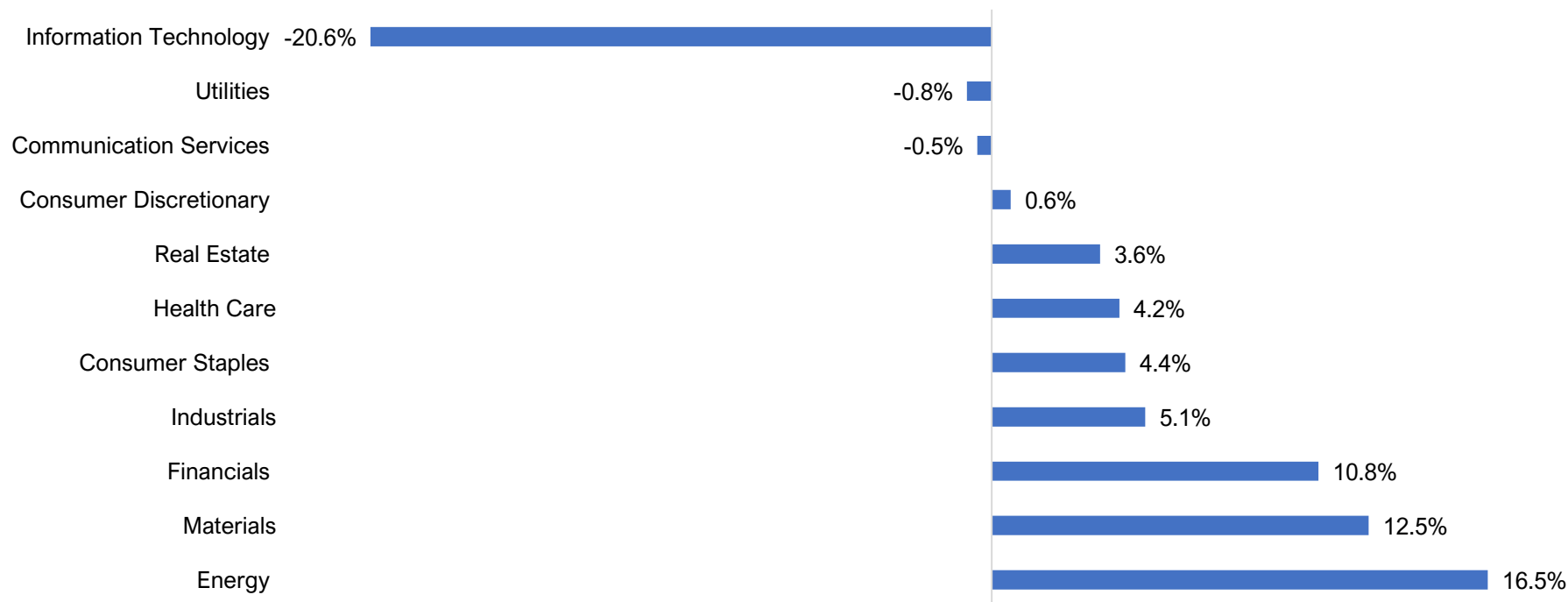
- **Financials decline due to institutional sell offs:** Financial industry fell by 6.4% as geopolitical tensions and institutional sell-offs.
- **Industrials weaken due to logistical uncertainty:** Industrials declined 11.6% driven by weaker logistics sector performance.
- **Real Estate corrects sharply:** Real Estate dropped 14.5% amid weaker property transactions, declining prices, and softer long-term demand expectations.

Source: Bloomberg. UAE index used for sectoral returns

Saudi Equity Market Analysis

TASI witnessed a rise driven by higher oil prices

Saudi Arabia (TASI) 1Q26 Sectoral Returns



- **Financials Lead Gains:** Financials advanced 10.8%, supported by record banking profits, strong credit growth, and continued lending momentum.
- **Energy Surges:** Energy gained 16.5% as higher oil prices primarily due to Hormoz closure through the East-West pipeline boosted Aramco's earnings.
- **Materials Recover:** Materials rose 12.5%, supported by SABIC's return to profitability, cost optimization, and improving petchem margins.

Source: Bloomberg. Saudi Index used for sectoral returns

Qatar Equity Market Analysis

Qatar remained under significant pressure as Iran’s missile strikes impacts Natural Gas

Qatar (DSM) 1Q26 Sectoral Returns

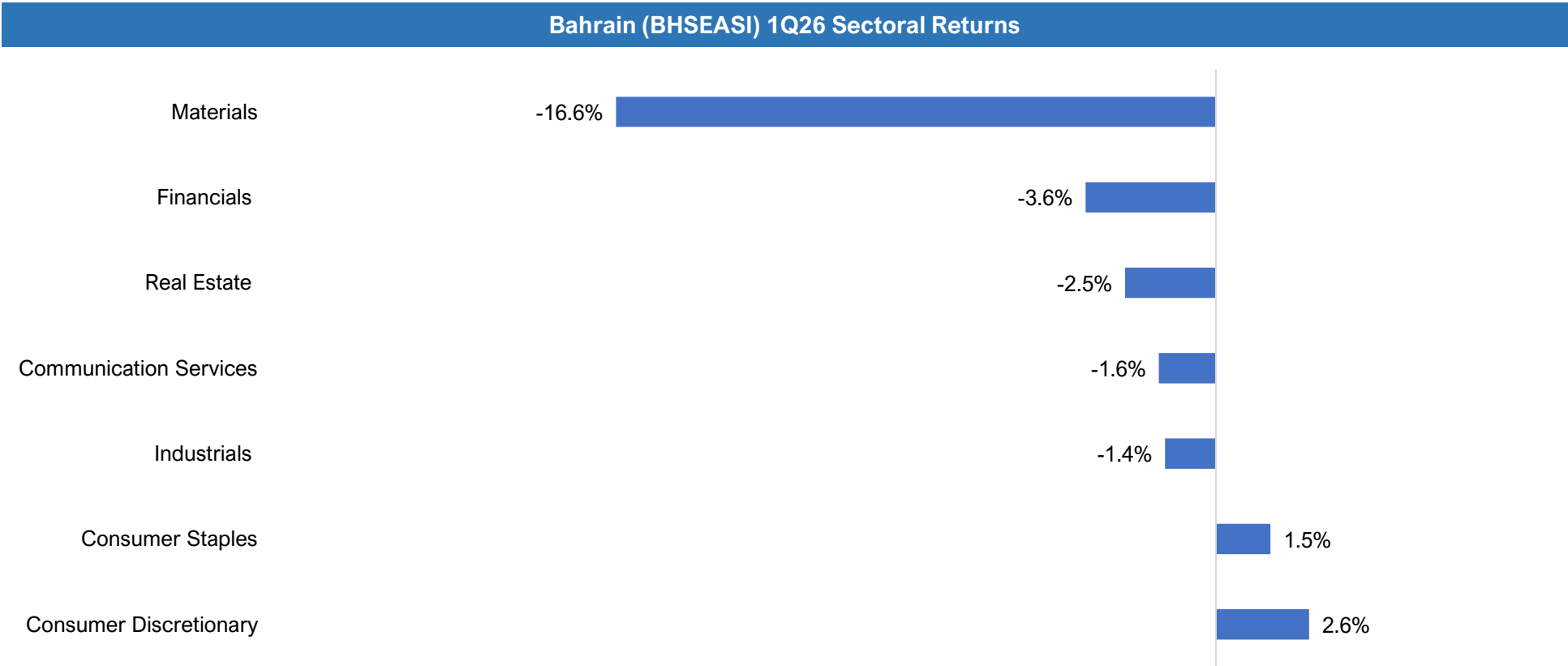


- **Energy Impacted by LNG Disruptions:** Energy declined 5.2% following LNG production disruptions and damage to key gas facilities.
- **Industrials Weaken on Supply Chain Risks:** Industrials fell 6.0% amid downstream production disruptions, weaker construction activity, and analyst downgrades.

Source: Bloomberg. Qatar index used for sectoral returns

Bahrain Equity Market Analysis

Remained under pressure as closure of Strait of Hormuz Impacted Alba's exports

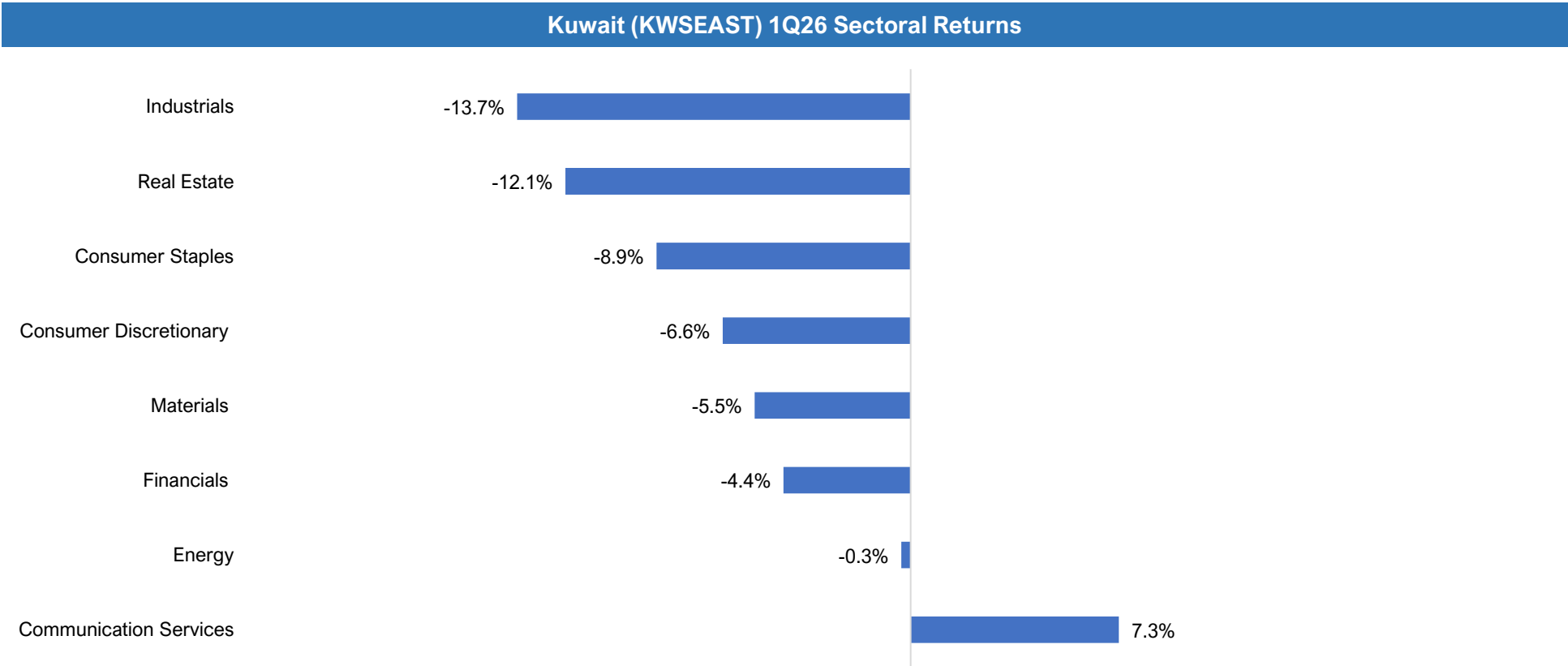


- **Financials Weighed by Risk-Off Sentiment:** Financials declined 3.6% amid geopolitical risk aversion, weaker bank earnings trends, and softer lending activity.
- **Materials Pressured by Export Disruptions:** Materials fell 16.6% as Strait of Hormuz disruptions impacted Alba's exports, logistics operations, and production activity.

Source: Bloomberg. Bahrain index used for sectoral returns

Kuwait Equity Market Analysis

Escalating Iran War volatility triggered heavy selling pressure



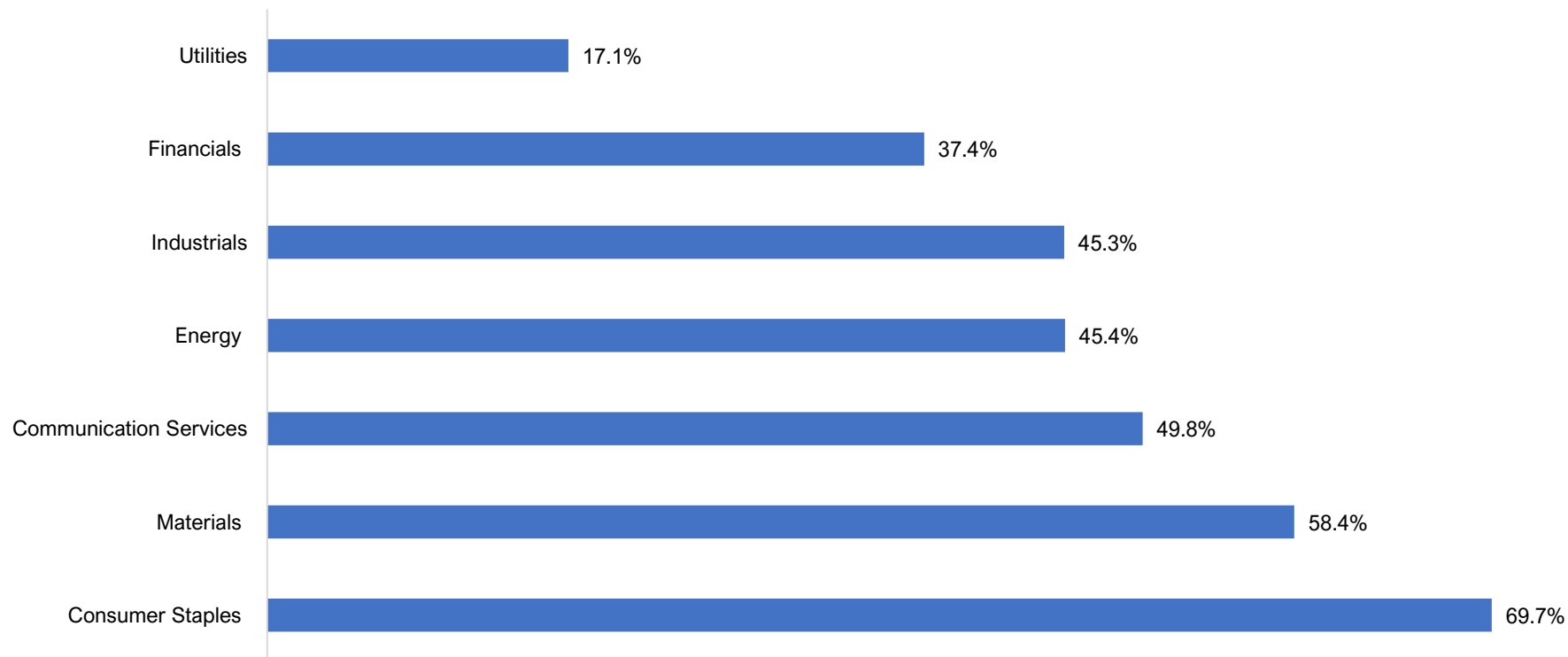
- **Financials Weighed by Foreign Outflows:** Financials declined 4.4% amid Iran war-driven volatility, foreign selling, and banking sector weakness.
- **Communication Services Supported by higher revenue:** Communication Services gained 7.3% on strong earnings, 5G expansion, and higher data revenue growth.

Source: Bloomberg. Kuwait index used for sectoral returns

Oman Equity Market Analysis

Upward momentum amid Iran War driven supply concerns and strategic positioning

Oman (MSM30) 1Q26 Sectoral Returns



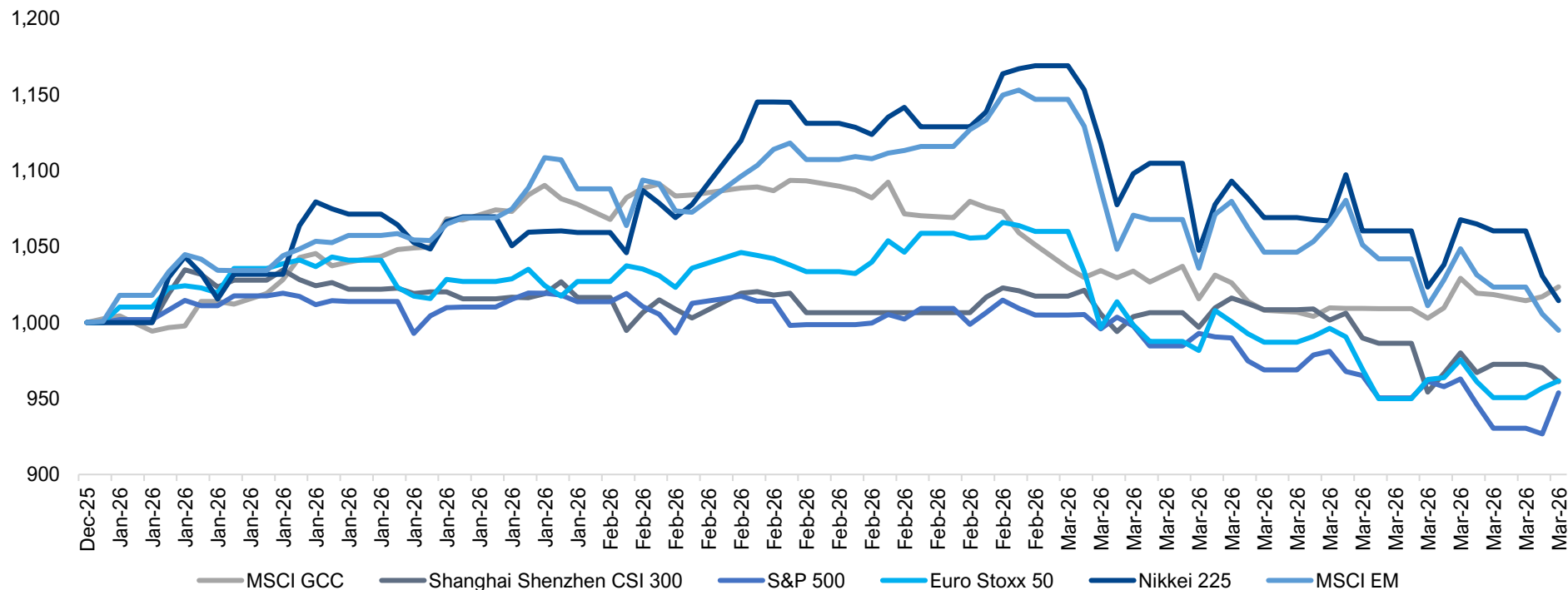
- **Financials Driven by Loan Growth:** Financials surged 37.4% on stronger lending activity, government project financing, and capital expansion plans.
- **Energy Boosted by Oil Price Strength:** Energy rose 45.4% as elevated oil prices supported Oman while the country remained insulated from Hormuz disruptions.

Source: Bloomberg. Oman index used for sectoral returns

GCC vs. Global Equity Market Analysis

Global equities reflected mixed returns amid inflation fears pressuring rate cuts expectations

GCC vs. Global Indices – 1Q26



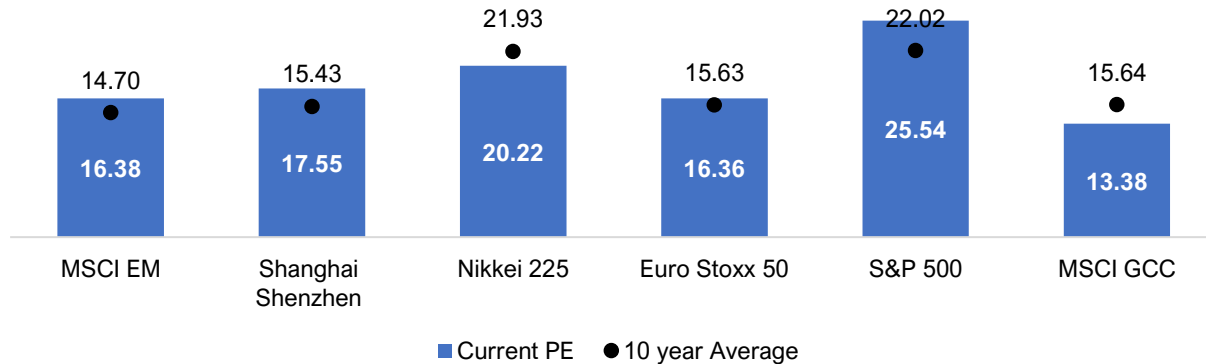
- **Developed Markets Weighed by Tech Weakness and Energy Concerns:** S&P 500 and Euro Stoxx 50 declined amid Big Tech pressure, fading Fed cut hopes, and LNG supply fears.
- **GCC Supported by Saudi Arabia and Oman Strength:** MSCI GCC rose as gains in Saudi Arabia and Oman offset weakness in Qatar and Bahrain.
- **Asian and Emerging Markets Mixed Amid Geopolitical Uncertainty:** Shanghai declined on valuation pressure, while Nikkei gained on yen weakness. MSCI EM remained subdued amid oil market divergence.

Source: Bloomberg, Aranca Research

GCC vs. Global Equity Market Valuation

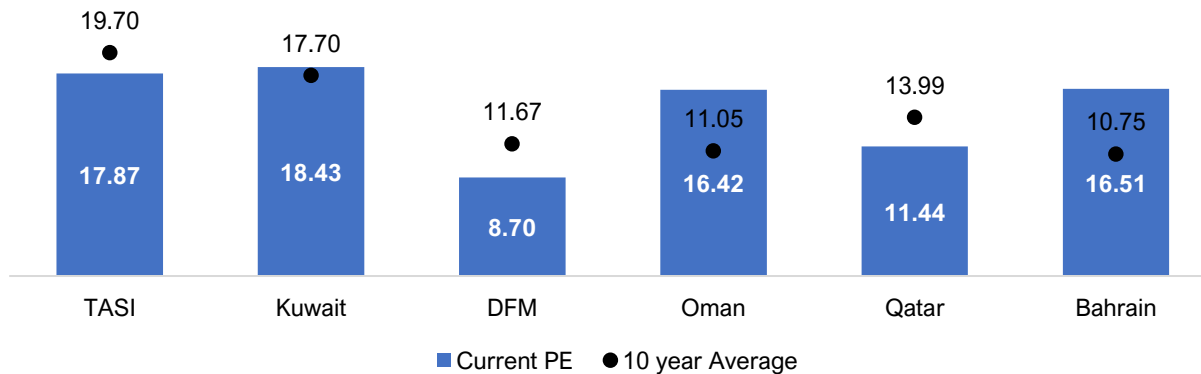
Saudi and UAE reflect selective opportunities while Oman remained higher than its average PE

GCC vs. Global Indices Forward PE



- S&P 500 trades at a premium on AI optimism and mega-cap strength despite Iran war risks.
- MSCI GCC trades at a discount as Iran war pressures regional market sentiment.
- Higher oil prices and economic reforms could support long-term GCC performance.

GCC Indices Forward PE



- Saudi Arabia, Qatar, and DFM trade below historical valuations, indicating selective value opportunities.
- Kuwait, Oman, and Bahrain trade above long-term averages on stronger momentum and investor sentiment.

Source: Bloomberg, Aranca Research.

GCC Macroeconomic Performance

Balanced inflation and elevated PMI indicate favorable economic conditions

GCC CPI Trends Higher Amid Higher Import Cost Pressures

Country	2025												2026		
	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Oman	1.0%	1.0%	0.6%	0.9%	0.6%	0.8%	0.7%	0.5%	1.1%	1.5%	1.7%	1.6%	1.4%	2.0%	3.6%
Kuwait	2.5%	2.5%	2.4%	2.3%	2.3%	2.3%	2.4%	2.4%	2.5%	2.5%	2.4%	2.1%	2.0%	1.9%	2.1%
Bahrain	0.0%	0.1%	0.1%	-0.5%	-1.0%	-0.4%	-0.9%	-0.8%	0.0%	0.1%	1.1%	0.5%	1.3%	0.5%	1.1%
KSA	2.0%	2.0%	2.3%	2.3%	2.2%	2.3%	2.1%	2.3%	2.2%	2.2%	1.9%	2.1%	1.8%	1.7%	1.8%
Qatar	-1.2%	-0.3%	-0.1%	-0.5%	-0.1%	0.1%	0.7%	0.7%	1.2%	1.1%	1.4%	2.0%	2.3%	2.5%	4.2%

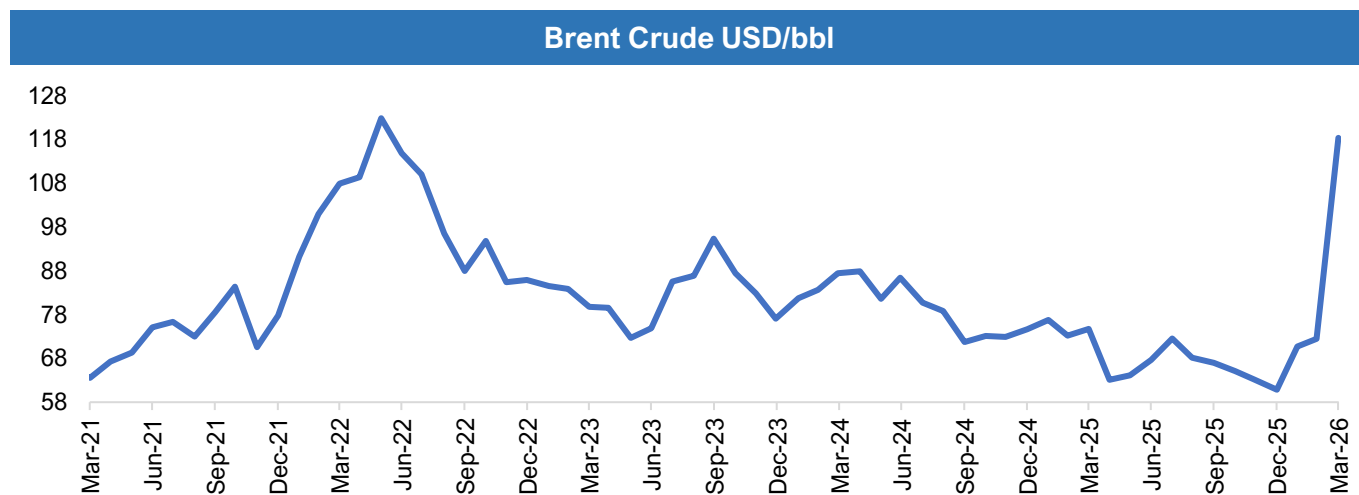
Qatar PMI Softens Amid Missile Strike Disruptions; Saudi Arabia and UAE Remain Resilient

Country	2025												2026		
	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Saudi Arabia PMI	60.5	58.4	58.1	55.6	55.8	57.2	56.3	56.4	57.8	60.2	58.5	57.4	48.8	56.1	56.3
UAE NBD Composite PMI	55	55	54	54	53.3	53.5	52.9	53.3	54.2	53.8	54.8	54.2	52.9	55	54.9
Qatar PMI	50.2	51	52	50.7	50.8	52	51.4	51.9	51.5	50.6	51.8	50	50.4	50.6	38.7

Source: Bloomberg and Reuters

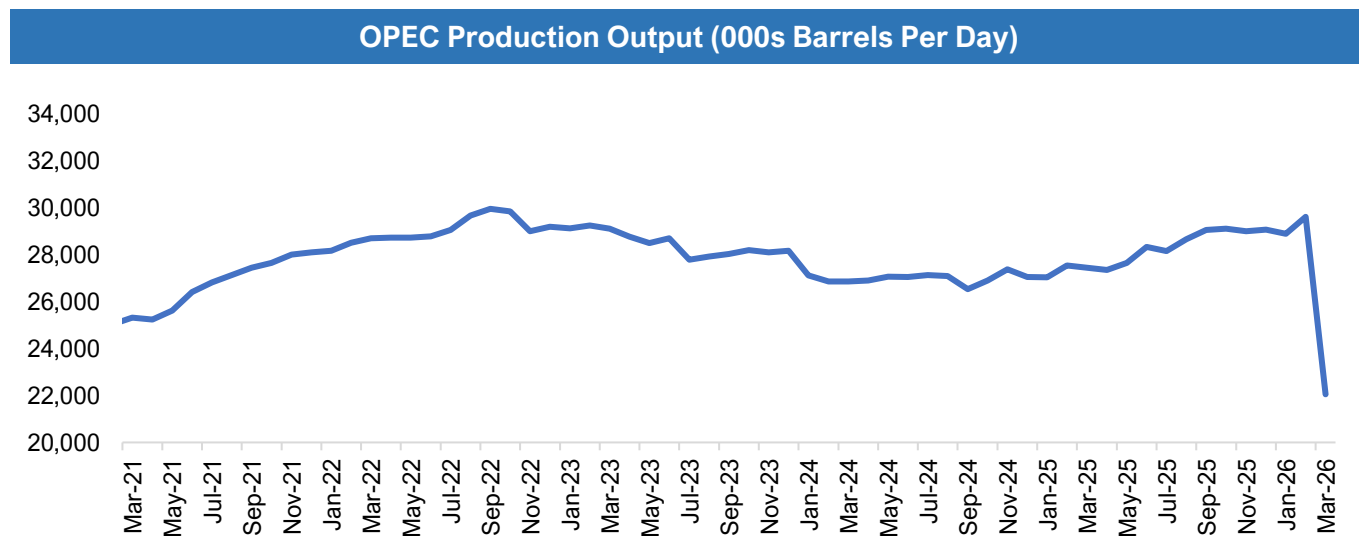
GCC Oil Market

Brent crude oil price increased to USD118/bbl at the end of 1Q26



Current Dynamics (1Q26)

- Global oil supply fell 10.1 mb/d mom due to Middle East disruptions and restricted Strait of Hormuz flows.
- Global demand declined 800 kb/d yoy amid higher crude prices and weaker aviation and petrochemical demand.
- Inventories fell 85 mb as refinery cuts and export disruptions tightened market balances.



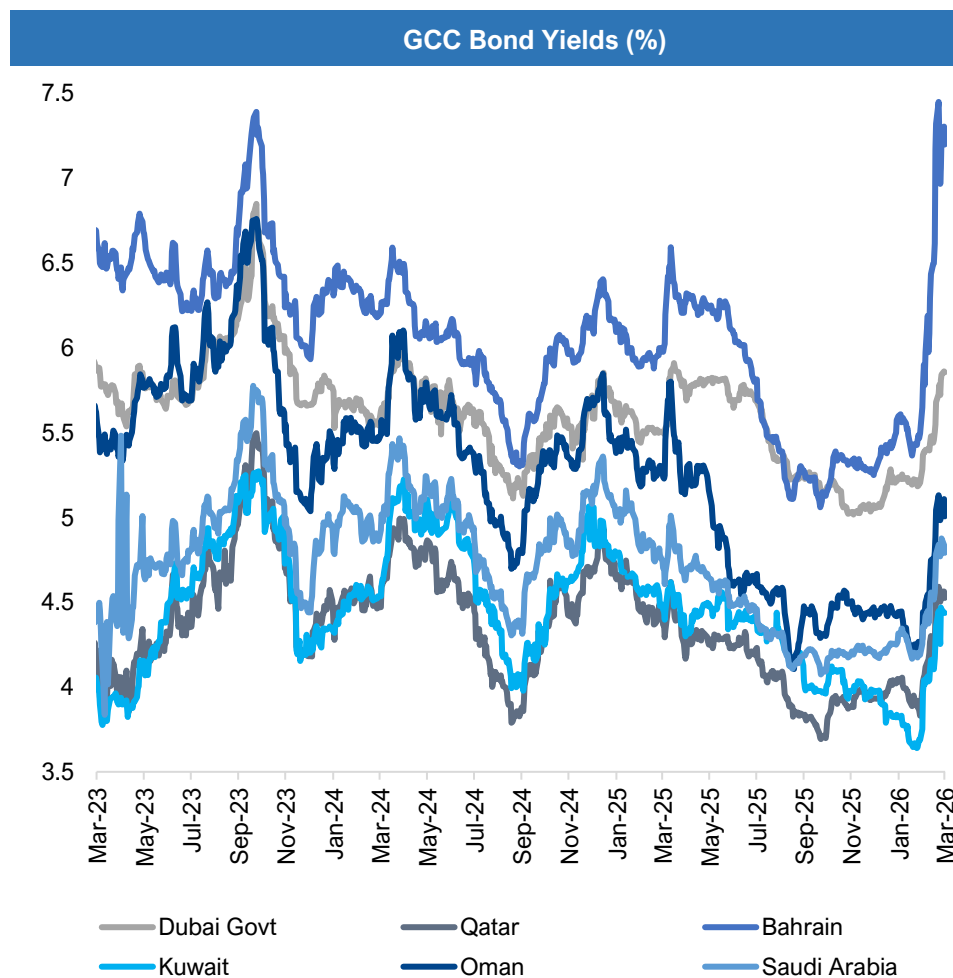
2H26 Outlook

- Global demand is expected to decline 420 kb/d yoy to c104 mb/d, while supply could fall 3.9 mb/d to 102.2 mb/d in 2026.
- Refinery throughput may decline 1.6 mb/d yoy to 82.3 mb/d, supporting elevated refining margins and oil price volatility.

Source: Bloomberg, Aranca Research

GCC Bond Market Analysis

Government bond yields rose sharply as closure of strait of Hormuz triggers fiscal concerns



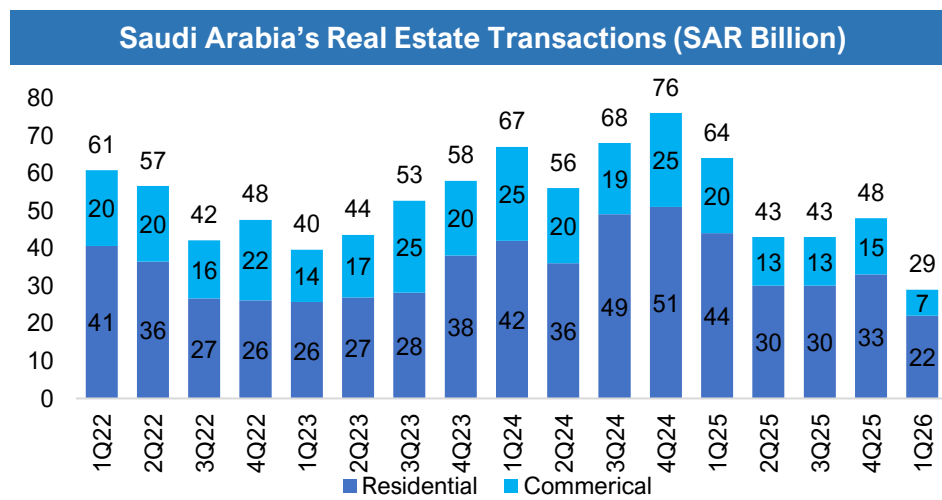
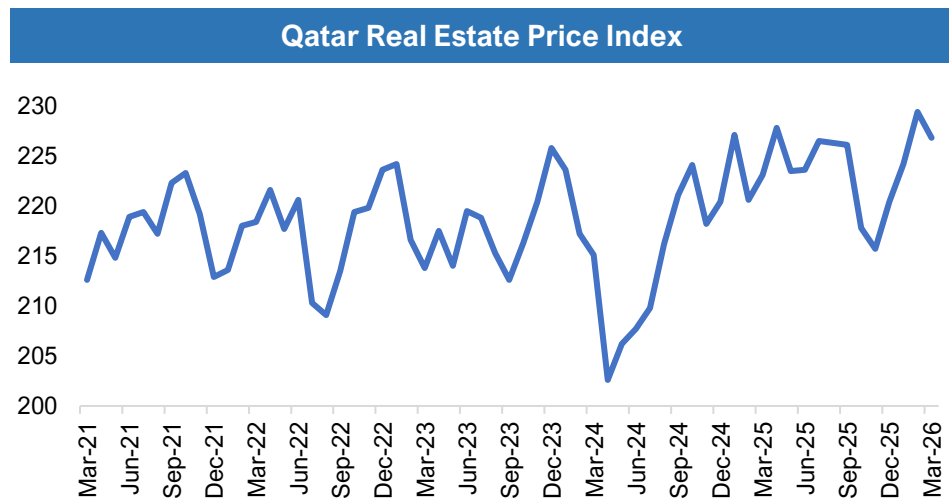
GCC Markets	Yield (BPS)			
	1Q26	1Q25	2025	2024
Saudi 2030 bond	61	-42	-98	73
Qatar 10-year bond	59	-30	-77	52
Oman 2028 bond	60	-41	-130	65
Dubai 2043 bond	80	-8	-53	-8
Kuwait 2027 bond	47	-57	-109	86
Bahrain 2028 bond	192	-13	-86	19

- GCC bond yields rose sharply in 1Q26 following Iranian missile strikes and the Strait of Hormuz closure, raising concerns over inflation and fiscal balances.
- **Iran War Triggers Bond Issuance:** Saudi Arabia led GCC debt markets, raising USD32.5bn across 42 issuances, while total regional issuances rose 5.6% yoy to USD55bn.

Source: Bloomberg

GCC Real Estate

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



Real Estate Prices Edge Increased Slightly

- The Real Estate Price Index increased by 1.6% yoy at 227 points in Mar 26.

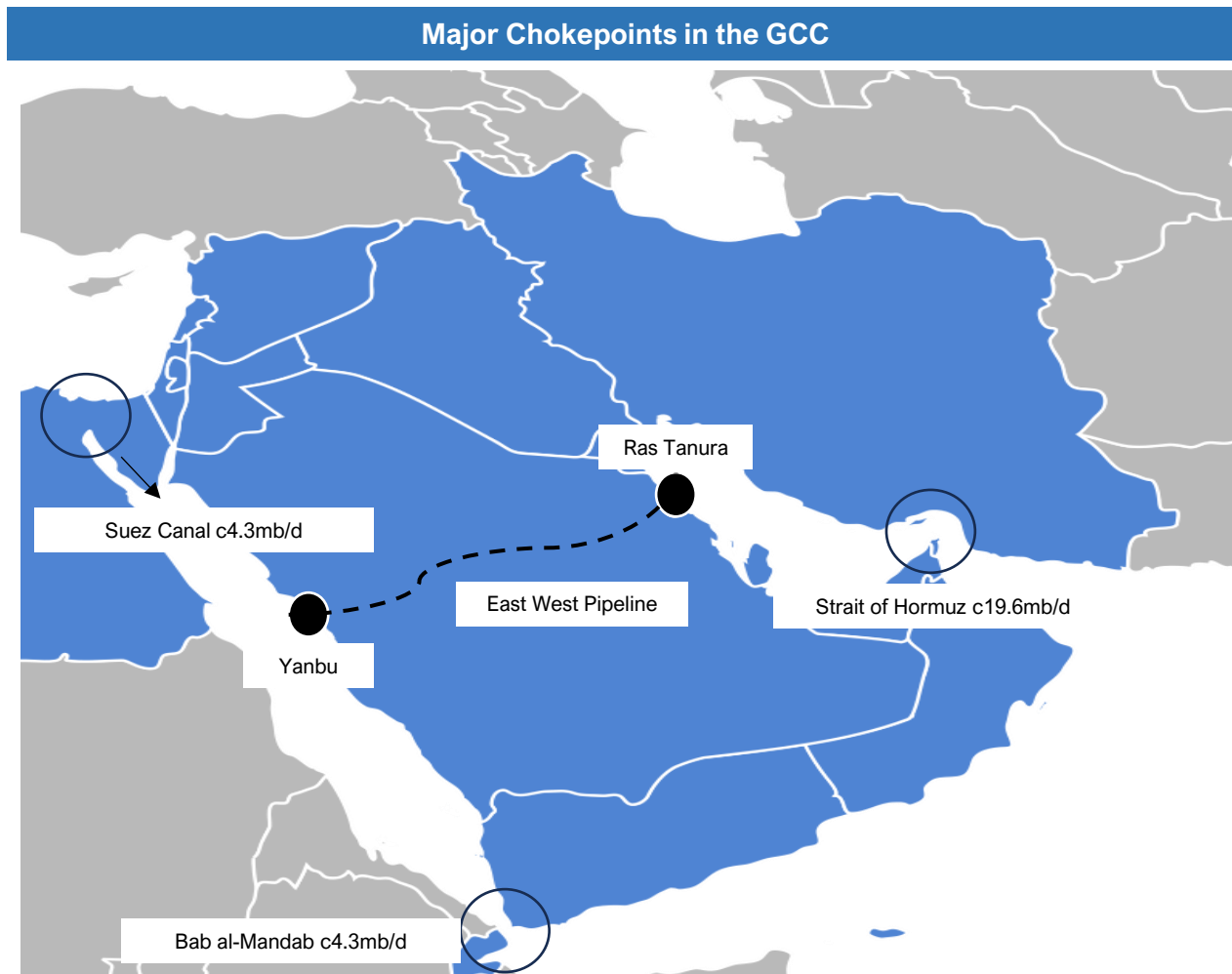
Qatar Real Estate Activity Remains Strong in Mar 2026

- Qatar property transactions reached QAR768.2mn across 226 deals, led by Doha, Al Rayyan, and Al Dhaayen.
- Mortgage activity totaled QAR3.18bn, while residential sales stood at QAR100.2mn.

- Saudi Arabia's real estate transaction value fell 55% yoy to SAR29bn in Q1 2026 amid weaker property demand.
- Residential transactions declined to SAR22bn, while commercial transactions dropped to SAR7bn due to elevated financing costs and softer investment activity.
- Regulatory reforms and improving transparency could support a gradual medium-term recovery.

Middle East Conflict Drives Oil Market Uncertainty

Higher oil prices unlikely to offset supply risks



Supply Risks Keep Oil Elevated:

- The GCC remains highly exposed to the Strait of Hormuz, which handles c19.6mb/d of oil flows versus only c7mb/d of alternative pipeline capacity.
- Citi estimates global inventories could decline by c900mn barrels due to supply disruptions and logistical bottlenecks.
- Oil prices may remain elevated at cUSD90-110/barrel due to uncertainty regarding the reopening of the strait

IMF Cuts GCC Growth Forecasts:

- Qatar saw the largest downgrade, with GDP forecast cut to -8.6%, while Kuwait and Bahrain are also expected to contract.
- Saudi Arabia and Oman remain relatively resilient, with growth forecast at 3.1% and 3.5%, respectively.

Source: Map-Wiki, Goldman Sachs Aranca Research



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