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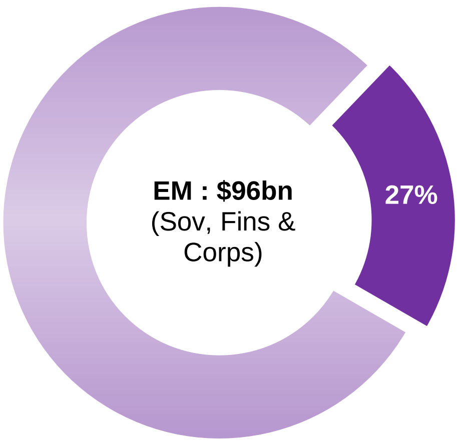
GCC & Egypt Fixed Income Update
$26bn issued in January alone, dominating EM

Emerging markets hard currency bond issuance exploded onto the scene in January, shattering all previous records for the month. Issuers, eager to capitalize on typically strong early-year liquidity, rushed to market ahead of anticipated volatility surrounding the U.S. presidential inauguration on January 20th. A staggering $96bn in hard currency bonds (sovereign, financial, and corporate) were issued by emerging markets in January. The GCC & Egypt (GCC&E) region led the charge, representing a dominant 27% of total EM issuance. Including supranationals, the total new EM issuance reached $116bn, with the GCC's share landing at approximately 22%.

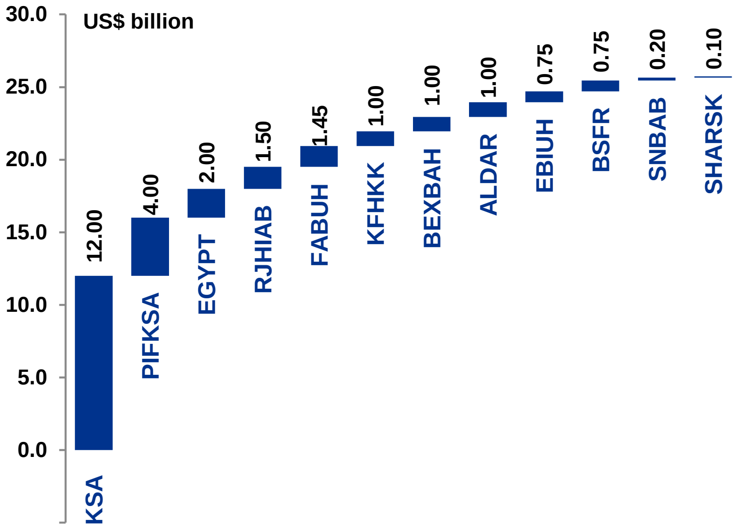
Within the GCC&E, Saudi Arabia was the clear leader, with Saudi issuers accounting for a hefty 72% of issuance. UAE issuers followed with 13% share, Egypt with 8%, and Kuwaiti and Bahraini issuers contributed 4% each. Sovereign issuers, led by the Saudi deal, made up 54% of the total issuance, while financial institutions were the most active issuers, making up 23%, and government-related entities (GREs) comprised the remaining 23%. Notably, sukuk (Islamic bonds) represented around 20% of January's new issues.

GCC&E New Issue: $26bn

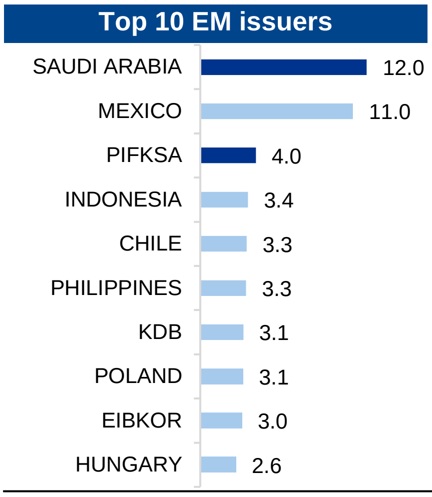
GCC&E dominated EM issuance with 27% market share

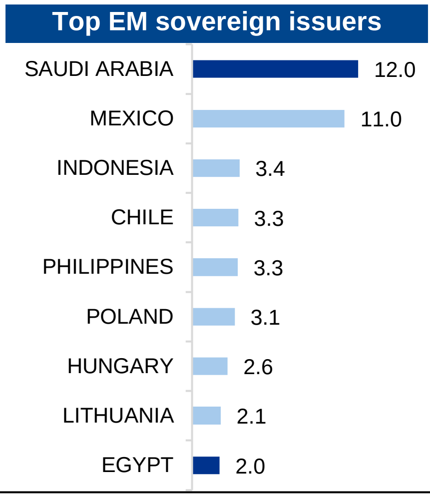


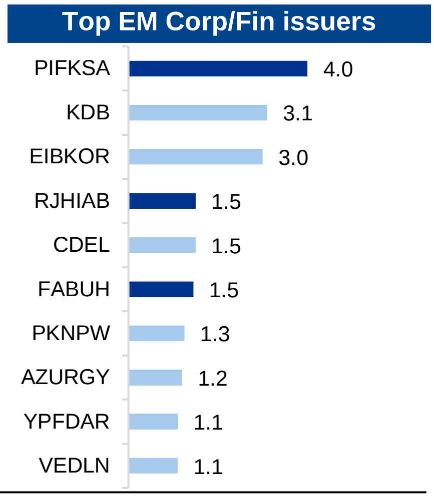
GCC&E deals were led by Saudi issuers



Sources: Bloomberg /FAB







Sources: Bloomberg /FAB

GCC & Egypt (2025) New Issue Monitor

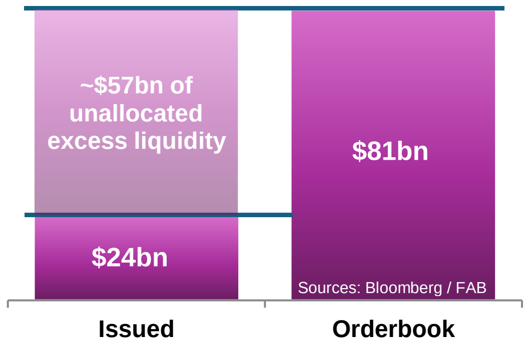
Security	Pricing Date	Issuer Type	Sukuk	ESG	CCY	Issue Tenor	Issue Amount (MM)	Pricing Spread	Current Price	Price Δ	Current Spread	Spread Δ
KSA 5.125 1/28 2.9Y	6-Jan-25	Sov	N	N	USD	3y	5000	T+85	100.955	+1.101	T+54	-31
KSA 5.375 1/31 5.9Y	6-Jan-25	Sov	N	N	USD	6y	3000	T+100	101.190	+1.519	T+88	-12
KSA 5.625 1/35 9.9Y	6-Jan-25	Sov	N	N	USD	10y	4000	T+110	101.736	+2.557	T+97	-13
KFHKK 5.376 1/30 S 4.9Y	7-Jan-25	Fin	Y	N	USD	5y	1000	T+95	100.865	+0.865	T+89	-6
ALDAR 6.6227 4/55 30.2Y	8-Jan-25	Corp-GRE	N	N	USD	30y	1000	T+208	100.812	+0.811	T+212	+4
FABUH 5.153 1/30 S 4.9Y	8-Jan-25	Fin	Y	N	USD	5y	600	T+70	100.619	+0.619	T+75	+5
RJHIAB Perp 7/30 S 5.5Y to Call	14-Jan-25	Fin	Y	Y	USD	Perp	1500	T+159	100.279	+0.279	T+192	+33
BSFR 5.375 1/30 S 5Y	14-Jan-25	Fin	Y	N	USD	5y	750	T+85	100.644	+0.993	T+96	+11
BEXBAH 6.25 1/35 S 10Y	16-Jan-25	Corp-GRE	Y	N	USD	10y	1000	T+162	100.030	+0.030	T+181	+19
PIFKSA 5.25 1/30 5Y	22-Jan-25	Corp-GRE	N	N	USD	5y	2400	T+95	100.204	+0.811	T+94	-1
PIFKSA 5.625 7/34 9.5Y	22-Jan-25	Corp-GRE	N	N	USD	9.5y	1600	T+110	100.638	+1.276	T+110	+0
EGYPT 8.625 2/30 5Y	28-Jan-25	Sov	N	N	USD	5y	1250	T+430	99.581	-0.419	T+445	+15
EGYPT 9.45 2/33 8Y	28-Jan-25	Sov	N	N	USD	8y	750	T+485	98.594	-1.406	T+527	+42

Sources: Bloomberg / FAB

Strong demand seen for GCC&E new issuance

Benchmark primary deals worth $24bn from the GCC&E attracted a robust aggregate orderbook of $81bn, reflecting a healthy average subscription rate of approximately 3.4x. New issuances from the EM/GCC&E were primarily dominated by Sovereigns and high-quality issuers and we notice growing investor selectivity in credit quality, reflecting a preference for credits with strong fundamentals. For example, most GCC&E issuances witnessed strong orderbook and benefited from pricing improvements, with spreads tightening between 25-63bps from the initial guidance. GCC&E issuers indeed offered a variety of choice to investors in terms of capital structure – e.g. – conventional senior bonds, senior sukuk, corporate hybrid bond, Sustainable Sukuk Perp and Formosa bonds to name just a few.

~$81bn of global liquidity chased $24bn of GCC&E benchmark deals with average oversubscription of 3.4x



The Saudi deals demonstrated that investor sentiment towards Saudi debt remain healthy. Indeed the robust order books seen in both the sovereign and sovereign wealth fund deals demonstrated sustained confidence:

- Saudi Arabia's $12bn 3-part (3Y, 6Y & 10Y) conventional bond offering attracted bids worth $37bn, according to the National Debt Management Center, resulting in 3.1x oversubscription. Final pricing tightened by 30-35 basis points against the initial price talks (IPTs).
- PIF’s $4bn 2-part (5Y & 9.5Y) bond deal was 4x oversubscribed, achieving the tightest spreads in PIF's history for comparable tenors (95bps over UST for 2030 and 110bps over UST for 2024).

Notable financial issuers from the GCC&E were FAB, KFH, AlRajhi and BSF. FAB (AA-/AA-/ Aa3) issued a $600m 5Y Sukuk at T+70bps. BSF (A-/A-/ A1) priced a $750m Sukuk at T+85 and KFH (A/A2) priced a $1bn 5Y Sukuk at T+95. AlRajhi Bank (A-/A-/ Aa3) offered a $1.5bn Perpetual Sustainable Sukuk at 6.250% vs IPT of 6.750%. UAE national champions like FAB and ENBD also issued Formosa bonds ($750m each) to diversify their funding and tap the strong liquidity in the Formosa bond market, particularly for GCC borrowers.

Aldar Properties’ (Baa2) $1bn 30-year hybrid note was oversubscribed 3.8x. The offering marked the largest conventional hybrid issued in the Middle East. The transaction achieved the highest rating (Baa3) and tightest spread at issuance for a corporate hybrid in the CEEMEA region. Most corporate hybrid bonds have a two-notch rating differential to the company’s rating, but this has just one. The reason is that the bond has a maturity date, rather than being a perpetual like most hybrids implying that the investors are guaranteed a principal payment, even if it is a long way off.

Bapco Energy’s (B+) $1bn 10-Year sukuk was priced at a yield of 6.25%, 50bps inside the IPTs of 6.75% area. Books were over $4bn making the deal 4x oversubscribed. Bahrain’s Bapco initially said it will issue US$ benchmark 7yr or 10yr senior unsecured sukuk under its $3bn Trust Certificate Issuance Programme and eventually opted for a 10-year sukuk based on investor feedback.

Egypt (B/B-/Caa1) successfully issued a $2bn dual-tranche senior unsecured offering (5Y & 8Y) after a three year hiatus. Strong investor demand enabled the sovereign to tighten the yields on both the bonds more than initially anticipated. The 5-year $1.25bn senior unsecured note was launched at 8.625% vs IPT of 9.250% area, with the order book at $6bn (or 4.8x oversubscription). On the other hand, the 8-year $750m was priced at 9.45% vs IPT of 10%, with the order book at $3.8bn (or 5.1x oversubscription).

Idiosyncratic relative value defines EM high yield burrowers’ success: In today's higher interest rate environment, success for EM high-yield issuers hinges on demonstrating compelling, issuer-specific relative-value attractiveness. Recent successful HY new issuances from GCC&E, such as Bapco and Egypt, illustrate that investors are prioritizing idiosyncratic credit quality and risk-reward profiles. For example, EM high-yield issuers like IIFL Finance (B+) experienced muted investor interest for its $325m 3.5Y bond offering, achieving only 2x orderbook and offered higher risk premiums – such as a 336bps spread over higher-quality comparable credit like Tata Capital (BBB-), which garnered a 4.3x orderbook for its $400m 3.5Y bond, pricing it 32bps inside initial guidance. Some high-yield borrowers also struggled to execute deals due to aggressive pricing strategies, particularly when issuing lower capital structure debt. This dichotomy underscores that while demand for emerging market bonds persists, investors are increasingly gravitating towards top-tier issuers and demanding substantial risk premiums for lower-rated credits. This selective approach underscores the critical importance of robust creditworthiness and a compelling investment narrative in the current market.

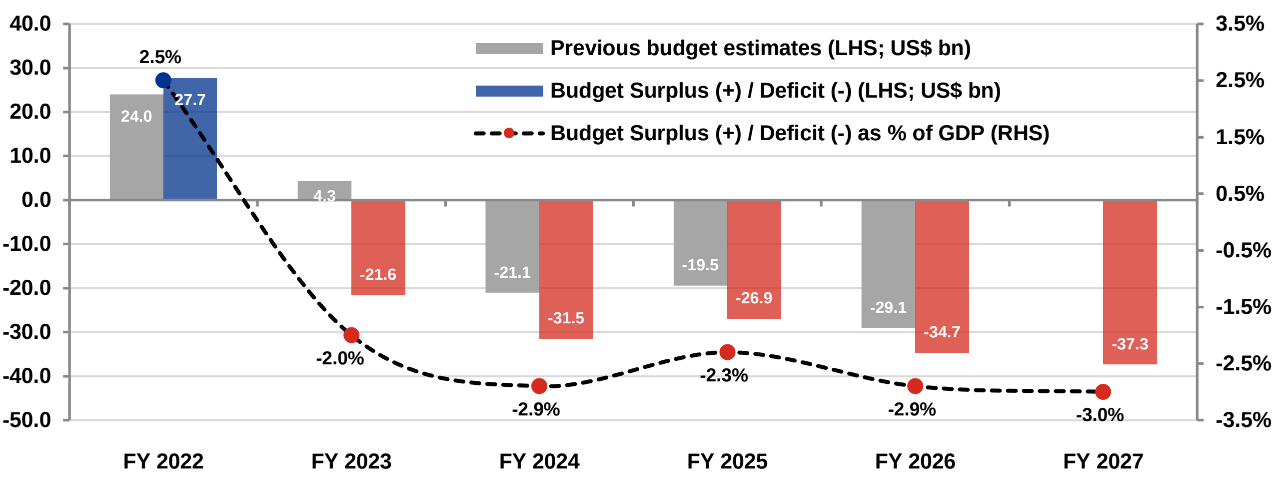
2025 new issuance outlook: *The Saudi Blitz*

FY 2025 could witness another triple-digit billion-dollar issuance from the GCC and Egypt, fueled by Saudi issuers. Much like a "blitz" strategy in football (where the defense sends extra players into the offensive backfield), the Saudi govt is encouraging its government-related entities (GREs) to issue debt at the balance sheet level. This initiative supports their corporate strategies and contributes to Saudi economic diversification under Vision 2030. For instance, the Saudi Arabian Mining Company (Ma'aden) is currently marketing its debut benchmark 5Y and/or 10Y sukuk deal. Saudi Aramco's management has indicated the company's intention to become a more regular bond issuer. The sovereign wealth fund, PIF, is already active in the bond market and is encouraging its subsidiaries - such as Ma'aden and NEOM - to issue bonds and sukuk. Saudi banks, meanwhile, face significant liquidity gaps as they need to fund an estimated $640bn in mega-projects over the next five years and may need to raise $10-$15bn annually in debt issuance until 2028. These banks are also increasingly leveraging Additional Tier 1 (AT1) notes to meet Basel III capital requirements.

Despite some market chatter about the risk of Saudi oversupply, we believe that Saudi debt is well absorbed by the market, and there is sufficient appetite for a variety of Saudi paper. Over the past several years, Saudi has successfully cultivated a reputation as one of the most sophisticated EM sovereign issuers, consistently engaging with its global investor base, which has helped Saudi to execute deals within a single-day window.

Furthermore, the government is simultaneously increasing its non-oil revenue by expanding the non-oil economy and implementing various reforms. Saudi Arabia's robust sovereign balance sheet, its net foreign asset (NFA) position, and adequate room to add debt, place the sovereign in a comfortable position to issue more debt and at the same time maintain its attractiveness (both fundamentally and technically) on a relative value basis compared to its peer sovereigns. As per Moody’s, Saudi Arabia’s debt-to-GDP ratio (currently ~30%) could rise to 35% by 2030, which would still be lower than many of its Aa2-A1 rated peer sovereigns.

Saudi fiscal position (as per govt budget statements)



Sources: Bloomberg / FAB

Significant supply from rest of GCC, led by UAE

A closer look at the broader GCC&E debt maturity profile reveals a significant wall of bond and sukuk maturities to be refinanced this year – approximately $55bn at the beginning of 2025 – along with the additional funding requirements of sovereigns (to support fiscal management and capital market development), corporations (capital expenditure), and banks (to support credit growth).

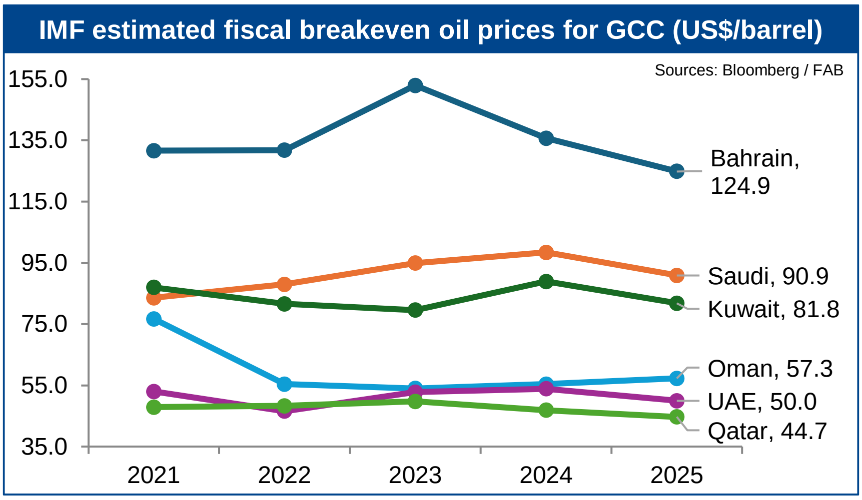
We expect UAE borrowers to remain active in the eurobond market to support their growing capital expenditure and funding needs. Corporations have established robust capital expenditure plans for business expansion to capitalize on growth opportunities, while banks will engage in active liability management to support the anticipated 10% credit growth. Governments, while enjoying balanced budgets (at both federal and state levels), are expected to remain active in the bond market to maintain a government yield curve as a pricing tool to support the growth of local capital markets. Abu Dhabi, with one of the strongest balance sheets globally, continues to issue bonds to maintain engagement with its investors.

Kuwait is working to pass a debt law, and if successful this year, we can expect some jumbo issuance from the sovereign. Bahrain has some refinancing needs and could tap the market. Oman is projecting a fiscal deficit this year and may tap the market after consolidating its debt in recent years, which has earned it multiple rating upgrades. This would ensure Oman has smooth access to the bond market at a lower cost. Meanwhile, we also expect financials and corporations from these countries to remain active in the primary bond market.
We won’t be surprised if some sovereign and quasi-sov GCC issuers tap into the Euro-currency bonds market, considering the fact that they have issued earlier. Moreover, the kind of pricing issuers like Philippines, Chile and Indonesia achieved would encourage GCC issuers, given that they have better credit fundamentals.

Oil and break-even oil price – still relevant but more for the HY borrowers

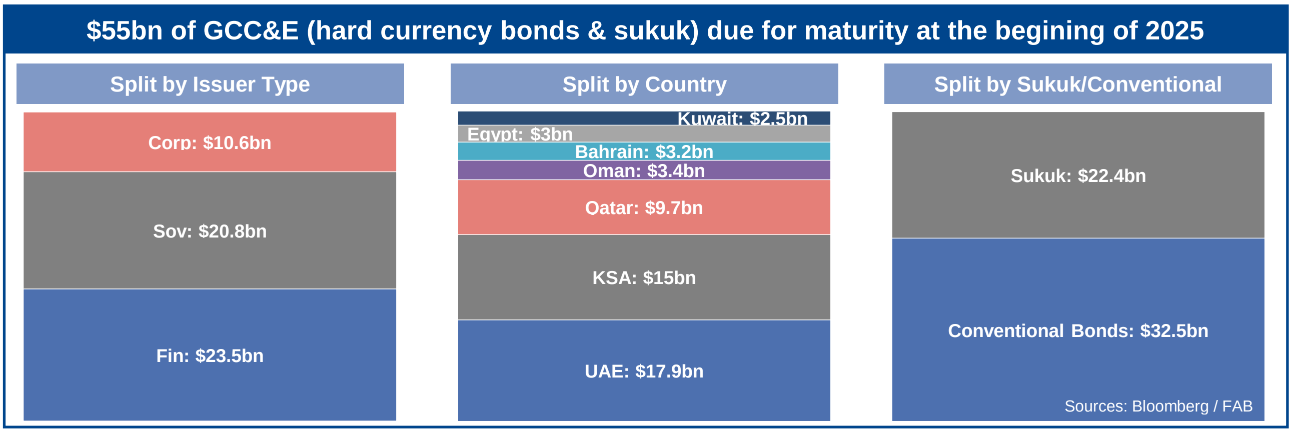
Oil still remains a key source of govt revenues for GCC countries, but lower oil prices (e.g. sub $50/bbl, which is not our base case in the medium-term) are no longer seen as a sole deterrent factor to reprice the credit risk for the bluechip IG sovereigns from the region. The risk posed by lower oil prices are comfortably dwarfed by their balance sheet strengths. Furthermore, the significance of indicators like the "fiscal break-even oil price" has diminished in recent years for countries like the UAE and Saudi Arabia, as they have implemented significant economic diversification and reforms. Consequently, they are less reliant on oil revenue. This is particularly true for the UAE, whose 2025 oil break-even price is estimated by the IMF to be around $50. Saudi Arabia has also made substantial progress in reforms and diversification. As a result, 36% of Saudi government revenue now comes from non-oil sources, such as taxes, profits from government investments, and sales of goods and services etc. The IMF estimates Saudi Arabia's 2025 oil break-even price to be around $91.

For countries like Bahrain and Oman, oil prices remain highly relevant. Oman's reforms and debt consolidation efforts over the past few years have helped it maintain a low Oil B/E price – IMF estimates it at ~$57 for 2025. Bahrain has a very high Oil B/E price (IMF 2025 estimate is ~$125), however, Bahrain's credit risk benefits from GCC support (as demonstrated in 2018) and it has also managed to lower its Oil B/E price by increasing its non-oil revenue share through reforms.



The Sukuk format remains a key choice for issuers

We anticipate that GCC sukuk will continue to gain market share. The format remains a key choice for regional issuers seeking to tap into Islamic liquidity, as demand continues to outweigh the supply. Hard currency Sukuk issuance from GCC&E reached a record high of $46bn last year, up 27% yoy. The Sukuk format accounted 40% of the total issuance in 2024. The number of primary sukuk deals were also the highest for a given year: 54 in 2024 vs 36 in 2023. We expect this trend to continue this year. Even though there has been some debate around the market uncertainty attached to AAOIFI sharia board's ongoing review to standardize the sukuk structures, we have already seen sukuk issuances this year from names like AlRajhi, BSF, KFH, FAB, Bapco. Saudi issuers, in particular, are more inclined towards the Sukuk format. Ma'aden is marketing its debut bond deal and opted for Sukuk format. Saudi Arabian sovereign issues US$ sukuk annually. Around $22bn of sukuk are due this year from GCC&E market, with average yearly maturity of around $22bn through 2028 and ~$39bn in 2029. Moreover, we estimate that the GCC&E Sukuk market needs to reinvest around $42bn annually, based on coupon and principal repayments. This means the Sukuk market requires supply exceeding this figure to grow, and this figure remains relatively small considering the available liquidity with Islamic investors.



Please find below a list of upcoming major debt maturities from the GCC&E in 2025. Please refer to our [Fixed Income Chart Book] published on 13th January for a detailed overview on the GCC&E fixed income market.

GCC & Egypt bonds and sukuk maturities in 2025

Short Name	Maturity or Call Date	Issuer Type	Sukuk	ESG	CCY	Country	O/S Amt $(MM)	Moody's	S&P	Fitch	Comp Rating
QIBKQD Flt 2/25 S	7-Feb-25	Fin	Y	N	USD	Qatar	800	A1	NR	A	A
DARALA 6.75 2/25 S	15-Feb-25	Corp - GRE	Y	N	USD	KSA	600	B1	NR	NR	B+
EBIUH 2.625 2/25	18-Feb-25	Fin	N	N	USD	UAE	500	A2	NR	A+	A
BOUSUK 2.593 2/25 S	18-Feb-25	Fin	Y	N	USD	Kuwait	750	A2	A	A	A
DIBUH 2.95 2/25 S	20-Feb-25	Fin	Y	N	USD	UAE	750	A3	NR	A	A-
ISDB 1.809 2/25 S	26-Feb-25	Fin	Y	N	USD	KSA	2000	Aaa	AAA	AAA	AAA
DUGB 3.89 3/25 S	20-Mar-25	Sov	Y	N	USD	UAE	569	NR	NR	NR	NA
BHRAIN 5.25 3/25 S	20-Mar-25	Sov	Y	N	USD	Bahrain	850	B2	B+	B+	B+
EBIUH Perp 3/25	20-Mar-25	Fin	N	N	USD	UAE	1000	A2	NR	A+	A
RAKS 3.094 3/25 S	31-Mar-25	Sov	Y	N	USD	UAE	1000	NR	A	A+	A
EGYPT 4.75 4/25	11-Apr-25	Sov	N	N	EUR	Egypt	794	Caa1	B-	B	B-
QATAR 3.4 4/25	16-Apr-25	Sov	N	N	USD	Qatar	2000	Aa2	AA	AA	AA
ADGB 2.5 4/25	16-Apr-25	Sov	N	N	USD	UAE	3000	Aa2	AA	AA	AA
KSA 4 4/25	17-Apr-25	Sov	N	N	USD	KSA	4251	Aa3	A	A+	A+
TAQAUH 4.375 4/25	23-Apr-25	Corp - GRE	N	N	USD	UAE	750	Aa3	NR	AA	AA-
OMGRID 3.958 5/25	7-May-25	Corp - GRE	N	N	USD	Oman	1000	Ba1	NR	BB+	BB+
QNBK 2.625 5/25	12-May-25	Fin	N	N	USD	Qatar	1000	Aa3	A+	A+	A+
EQPTRC 5 5/25	18-May-25	Corp - GRE	N	N	USD	Kuwait	1000	Baa2	BBB	NR	BBB
EGYPT 5.875 6/25	11-Jun-25	Sov	N	N	USD	Egypt	1500	Caa1	B-	B	B-
SIB 2.85 6/25 S	23-Jun-25	Fin	Y	N	USD	UAE	500	Baa2	A-	BBB+	BBB+
ISDB 0.908 6/25 S	25-Jun-25	Fin	Y	Y	USD	KSA	1500	Aaa	AAA	AAA	AAA
APICOR 1.46 6/25	30-Jun-25	Fin	N	N	USD	KSA	1000	Aa2	AA-	AA+	AA
SIB Perp 7/25 S	2-Jul-25	Fin	Y	N	USD	UAE	500	Baa2	A-	BBB+	BBB+
NTBKKK Perp 8/25	27-Aug-25	Fin	N	N	USD	Kuwait	750	WR	A	A+	A
MAALRA 2.21 9/25 S	2-Sep-25	Fin	Y	N	USD	Qatar	750	A2	NR	NR	A
ABQKQD 1.875 9/25	8-Sep-25	Fin	N	N	USD	Qatar	500	A2	NR	A	A
COMQAT 2 9/25	15-Sep-25	Fin	N	N	USD	Qatar	500	A3	A-	A	A-
SECO 1.74 9/25 S	17-Sep-25	Corp - GRE	Y	Y	USD	KSA	650	Aa3	A	A+	A+
QNBK 1.625 9/25	22-Sep-25	Fin	N	Y	USD	Qatar	600	Aa3	A+	A+	A+
GULINT 2.375 9/25	23-Sep-25	Fin	N	N	USD	Bahrain	500	A2	NR	A-	A-
EIBUH 1.827 9/25 S	23-Sep-25	Fin	Y	N	USD	UAE	500	A2	NR	A+	A
DPWDU Perp 10/25 S	1-Oct-25	Corp - GRE	Y	N	USD	UAE	1500	Baa2	NR	BBB+	BBB
BHRAIN 6.875 10/25 S	5-Oct-25	Sov	Y	N	USD	Bahrain	1000	B2	B+	B+	B+
EGYPT 5.25 10/25	6-Oct-25	Sov	N	Y	USD	Egypt	750	Caa1	B-	B	B-
ISCODV 1.81 10/25 S	15-Oct-25	Fin	Y	N	USD	KSA	600	A2	A-	A+	A
QTELQD 5 10/25	19-Oct-25	Corp - GRE	N	N	USD	Qatar	750	A2	A	A	A
KSA 2.9 10/25	22-Oct-25	Sov	N	N	USD	KSA	2330	Aa3	A	A+	A+
QIBKQD 1.95 10/25 S	27-Oct-25	Fin	Y	N	USD	Qatar	900	A1	NR	A	A
OMANGS 5.932 10/25 S	31-Oct-25	Sov	Y	N	USD	Oman	1500	Ba1	BBB-	BB+	BB+
MAFUAE 4.5 11/25 S	3-Nov-25	Corp	Y	N	USD	UAE	500	NR	BBB	BBB	BBB
UNITYL 2.394 11/25 S	3-Nov-25	Corp - GRE	Y	Y	USD	UAE	600	NR	NR	A+	A+
ARAMCO 1.625 11/25	24-Nov-25	Corp - GRE	N	N	USD	KSA	1000	Aa3	NR	A+	A+
QNBK 5.15 11/25	26-Nov-25	Fin	N	N	USD	Qatar	500	Aa3	A+	A+	A+

Source: Bloomberg/FAB

GCC&E secondary bond market color

GCC credits have demonstrated resilience during the global risk-off events in January, including Trump's inauguration, tariff announcements, and macro repricing. We witnessed limited panic selling despite global equity weakness and fluctuations in US Treasury yields, which demonstrates investors confidence in the credit fundamentals. Flows remained centered around Saudi and UAE sovereigns, quasis, and financials, indicating investor confidence in regional credits. Some of the trend we observed in January:

- Credit spreads compressed as demand for bonds increased
    - Strong inflows into credit funds led to spread compression between Investment Grade and High Yield bonds, as well as within capital structures.
    - Bull flattening across IG curves, particularly in Saudi quasis (PIFKSA, ARAMCO) and UAE sovereigns.
    - In the High Yield space, Bahrain, Egypt, and Jordan saw significant spread tightening due to strong demand.

- Rotation towards short-dated bonds in IG, but duration appetite in HY
    - Strong demand for short-dated IG sovereign and financials, with preference for bonds maturing in 2025-2026.
    - In HY, investors shifted from short-dated bonds to longer maturities, flattening the yield curve.
    - Sukuks remained well bid, particularly short-end, as local investors continued to add exposure.

- Outlook for February & beyond:
    - Issuance expected to pick up with many IG issuers waiting for the right window. HY sovereigns would try to capitalize on strong demand and supportive macro conditions. Egypt already did and Bahrain could be the next
    - GCC credit spreads likely to tighten further, as buyers step in at attractive levels, especially post-FOMC.
    - Continued investor interest expected in Sukuk and front-end risk, with strong preference for high-quality IG financials and sovereigns.
    - Potential volatility in HY names like Jordan and Egypt, driven by policy developments and economic aid packages.

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