

Global Markets Asset Allocation & Outlook 2026



Highlights

- Fiscal policy to turn supportive in US, Germany and Japan, and the Fed to deliver two rate cuts
- Inflation to moderate as tariff impact fades and AI adoption reduces costs
- Global economic growth to remain healthy, with US real GDP growing at 2.6%
- AI capex and productivity gains to drive US GDP
- Second-order effects of AI to emerge via productivity gains and growth in AI enablers
- US Treasury yield curve to steepen on higher fiscal deficit and elevated debt concerns
- US 10-Year Treasury Yield to stay above 4% in H1 2026 but close around 4% by end-2026
- US dollar to remain broadly stable as resilient economic growth offset rate cut impact
- Equities to outperform bonds on non-recessionary rate cuts and healthy economic growth
- We remain overweight equities and equalweight bonds
- US equity bull market extends into year 4, with performance continuing to broaden
- EM equities to outperform DM on AI optimism, stable dollar and lower rates
- In the GCC equities, we stay overweight UAE and Kuwait; expect FOL increase to act as catalyst for Saudi
- Maintain underweight duration and overweight high yield bonds on resilient global growth
- Precious and industrial metals to outperform in commodities
- Brent Oil price to average \$60/bbl on oversupply concerns
- Key downside risk will be sticky inflation and Fed overeasing



Global Outlook

2025 was another strong year for risk assets, despite persistent macroeconomic, geopolitical, and fiscal concerns. Global growth proved more resilient than expected, inflation continued to ease, central banks shifted toward rate cuts, and volatility remained contained.

Equities led performance, driven by AI-related optimism and a broadening of market leadership. The MSCI All Country World Index rose 20.6%, with international and emerging markets outperforming and gains recorded across all S&P 500 sectors. Industrials and Utilities were notable contributors. The MSCI Emerging Markets Index gained 30.6%, while the S&P 500 returned 16.4%.

Fixed income delivered solid returns, supported by declining yields. Investment-grade bonds rose 8.2%, and high-yield bonds gained 12.1%. Commodities outperformed, led by precious metals, with gold up 64.6% and silver surging 148%. While tariff concerns dominated the first half of the year, the second half highlighted the agility of U.S. corporates, as earnings surprised to the upside and reinforced the strength of the rally.

Looking ahead to 2026, the backdrop remains constructive, but more nuanced. Easier financial conditions, resilient corporate balance sheets, and ongoing AI-driven productivity gains should continue to support growth and earnings. However, elevated valuations and ongoing policy uncertainty suggest returns are likely to be more moderate and differentiated. In this environment, active asset allocation, regional and sector selectivity, and a focus on quality and income will be increasingly important drivers of portfolio outcomes. Here are our key views for 2026:

1. Fiscal policy to turn supportive in US, Germany and Japan
2. Inflation to moderate as tariff impact fades and AI adoption reduces costs
3. The Fed to deliver two rate cuts
4. Global economic growth to remain healthy, with US real GDP growing at 2.6%
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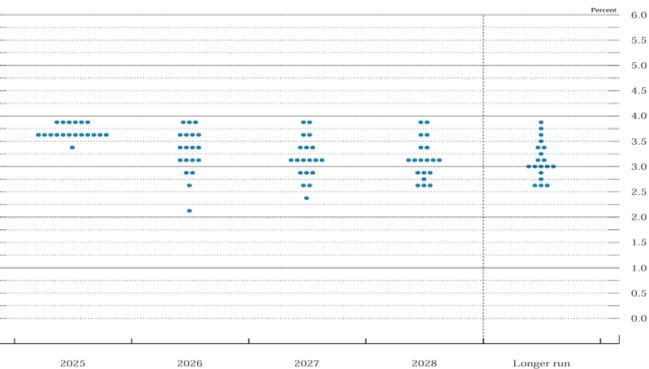


Fiscal policy to turn supportive in US, Germany and Japan: One Big Beautiful Bill Act in the US is expected to lead to \$129 billion in tax savings/refunds for consumers and corporates. For consumers tax refunds will be equivalent to 0.4% of the disposable income. Germany has shifted to an expansionary fiscal stance, loosening debt-brake rules to support large-scale infrastructure, defense, and climate investment. The stimulus aims to revive growth after stagnation and generate positive euro-area spillovers. Fiscal support in 2026 is estimated at around 1.3% of GDP, anchored by a €500bn off-budget investment fund targeting infrastructure, energy transition, education, and digitalisation. Japan’s new PM Sanae Takaichi has rolled out a large fiscal stimulus package worth about \$130 billion to support the economy under her “responsible proactive fiscal policy.” The package is the largest extra budget since the pandemic, aiming to cushion households from inflation and rising costs

Inflation to moderate further as tariff impact fades and AI adoption lowers costs: Global inflation should ease further in 2026. Fading supply shocks, softer labor markets, AI-driven productivity gains, and ample energy supply point to lower core inflation across most DM and EM economies. US tariff effects should wane combined with productivity gains and moderation in wages, UK disinflation should accelerate. We expect US core PCE to decline to 2.4% by end-2026 from 2.8% by end-2025. Inflation will remain sticky during H1 2026 due to the tariffs. However, as the base effect fades inflation should decline in H2 2026. Shelter inflation and service inflation should continue to trend downwards throughout the year.

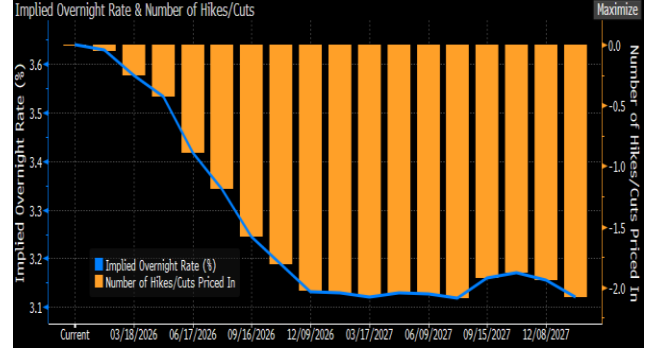
The Fed to deliver 2 rate cuts: We expect the Fed to implement two rate cuts in 2026, given continued labor market weakness and inflation (core PCE) gradually moving towards fed 2% target by 2027. We view the Fed’s ability to combat inflation as limited in a scenario where a significant portion of price pressures stem from tariffs. The no. of rate cuts could be higher in a scenario where the composition of FOMC committee turns dovish. We expect BoE to also deliver 2 rate cuts and ECB to keep the rate unchanged. The expect Japan to increase rate by 25bps in 2026 on both wage growth and inflation remaining above 2%. Consensus expects China to grow at 4.8% and Europe to grow at 1.3%

While FOMC is projecting only 1 rate cut in 2026...



Source: FOMC Summary of Economic Projections

... Market is anticipating 2 rate cuts



Source: Bloomberg



Global economic growth to remain healthy with US real GDP growth remaining above 2%: Despite tariff concerns, global real GDP growth held up well at an estimated 3% as major economies such as US, China and Europe outperformed consensus expectations. Global growth is expected to remain strong at 2.9% in 2026 based on Bloomberg consensus. US growth is expected to be 2.6% in 2026, up from an estimated 2.3% in 2025. 0.3 pps pickup reflects the impact of the government shutdown, which depresses the level of GDP in Q4 2025 and boosts Q1 2026 growth. However, fundamentally growth will remain resilient due to reduced drag from tariffs, tax cuts, increased AI capex (+20% YoY) and further Fed rate cuts. Chinese GDP growth is expected to moderate to 4.7% from 5% in 2025. Europe's GDP growth is expected to remain at 1.3%. UK's and Japan's growth are expected to slow down to 1% and 0.8% from 1.3% and 1.2%, respectively

Global GDP growth to moderate

Real GDP %	2025e	2026e
Global	3.0	2.9
US	2.3	2.6
Euro Area	1.3	1.3
UK	1.3	1.0
China	5.0	4.7
Japan	1.2	0.8
India	7.6	6.7

Source: Bloomberg, Daman Investments

S&P 500 cash spending

Cash use (USD bn)	2022	2023	2024	2025E	2026E
CAPEX	892	958	1077	1260	1474
Share buyback	950	823	982	1031	1124
Dividends	598	621	676	717	760
R&D	516	582	650	695	758
Cash acquisitions	288	318	255	255	293
Total	3244	3302	3640	3958	4409

Source: Bloomberg, Daman Investments

AI capex and increase in productivity will be the key drivers of US GDP: Generative AI is transforming the way individuals and businesses operate. While 2025 was primarily focused on the build-out of data-center infrastructure, the debate is now shifting toward return on investment (ROI). As a result, we believe selectivity will be increasingly important going forward. AI-related infrastructure capex is expected to remain robust, with hyperscalers within the Magnificent Seven projected to spend approximately USD 500 billion in 2026 (+20% YoY). Productivity gains from AI adoption, particularly across financials and healthcare. AI enablers benefiting industrials and utilities.

US Treasury yield curve to further steepen during H1 on fiscal deficit and high debt concerns: Short end rates will remain anchored by the market's expectation of 2 rate cuts in 2026. However, long term yields would continue to stay above 4% and potentially touching 4.4% during H1 on fiscal deficit and high debt concern, and growth remaining resilient. However, as inflation slides during 2H 2026, we expect 10 year yield to slide towards 4%.

Key Risks:

Sticky inflation: If inflation fails to ease or the impact of tariffs persists into H2 2026, especially if the US administration introduces additional tariffs, it could derail the forecast of moderating inflation.

Fed overeasing: If the FOMC becomes overly dovish and eases policy more than warranted by inflation and employment trends, it could unsettle markets and push long-term bond yields higher.



Global Asset Allocation

- Equities to outperform bonds on non-recessionary rate cuts and healthy economic growth
- We remain overweight equities and equal weight bonds
- EM equities to outperform DM on AI optimism, stable dollar and lower rates
- Maintain underweight duration and overweight high yield bonds on resilient global growth
- With in DM, we maintain overweight US, equal weight Europe and underweight Japan
- In US, we expect the performance continuing to broaden and we favor greater diversification toward financials, industrials, healthcare, and materials, as well as small-cap equities, given the improved earnings growth outlook for 2026
- In EM, we are overweight Asia (China, Korea and Taiwan) and Latam (Brazil, Chile and Peru) and underweight EMEA. Asia to benefit from AI optimism and Latam from strong outlook for metals
- In the EMEA we like exposure to UAE, Kuwait and Turkey
- Precious and industrial metals to outperform In commodities
- Brent Oil price to average \$60/bbl on oversupply concerns
- In fixed income we are overweight EMEA and Latam
- We continue to remain well-diversified across asset classes, countries, and sectors

We stay overweight on equities, as we continue to see the following catalysts supporting the market – i) Fiscal stimulus in DM economies ii) Monetary stimulus with further rate cuts in US and UK and some EM markets iii) Earnings growth to remain strong on resilient economic growth and AI linked capex and companies benefiting from productivity gains on AI adoption iv) Continued momentum in AI-related stocks vi) US 10-year treasury yields remaining well behaved with 4.50% level acting as a cap

We upgrade EM equities to overweight and downgrade DM equities to underweight. EM equities will continue to benefit from AI optimism, stable dollar, moderating inflation and lower rates. A moderating inflation tied to lower oil prices would give the EM central banks to cut the rates further which in turn will support economic and earnings growth. EM economies also have better fiscal dynamics and lower debt to GDP vs DM economies. Based on FactSet, consensus expects EM earnings growth of 17% YoY in 2026 (after growing at 9% YoY in 2025) and is expected to outpace both the U.S. and Europe in 2026 (14% for the U.S. and 11% for Europe)

We stay neutral on bonds. We expect yields to head higher in the near-term on increasing fiscal deficit and high debt to GDP concerns. We believe this is an opportune time to lock in high yields by investing in quality companies with strong balance sheets, robust operating cash flows, and controlled leverage across both the investment-grade and high-yield segments. We remain underweight duration and see an average portfolio duration of 5-year fixed as the sweet spot.

We continue to remain well-diversified across asset classes, countries, and sectors.

	Underweight	Neutral	Overweight
By Asset class:			
Equities			
Fixed Income			
Alternatives			
Cash			

Source: Daman Investments



Global Equities

With in DM we stay overweight on the US and neutral on Europe and underweight on Japan.

US Equities: AI-Driven Growth with Broadening Market Leadership in 2026. Generative AI is transforming the way individuals and businesses operate. While 2025 was primarily focused on the build-out of data-center infrastructure, the debate is now shifting toward return on investment (ROI). As a result, we believe selectivity will be increasingly important going forward.

AI-related infrastructure capex is expected to remain robust, with hyperscalers within the Magnificent Seven projected to spend approximately USD500 bn in 2026 (+20% YoY). Among hyperscalers, we continue to favor the ones which are funding the majority of their capex through strong internal cash-flow generation. We prefer to avoid companies that are financing AI investments through significant balance-sheet leverage.

	Underweight	Neutral	Overweight
Equities - by region:			
DM			
US			
Japan			
Euro Area			
EM			
EM Asia			
EM Europe			
EM MENA			
EM LatAm			

Source: Daman Investments

In addition, we favor exposure to key AI and memory chip designers and manufacturers, including which remain critical beneficiaries of sustained AI demand. We expect market performance to broaden further in 2026, supported by the following factors:

- Productivity gains from AI adoption, particularly across financials and healthcare
- Magnificent Seven earnings to grow at 22% YoY again in 2026 with earnings growth of other 493 stocks in S&P 500 also improving
- AI enablers benefiting industrials and utilities
- Further Federal Reserve rate cuts to support a moderating labor market; we expect two rate cuts in 2026
- USD129 bn in tax savings for consumers and corporates from the “One Big Beautiful Bill Act”
- Improved monetary liquidity, as the Fed has begun purchasing USD40 bn of short-term U.S. Treasuries per month.
- U.S. GDP growth remaining above 2%, supported by AI capex, tax cuts, and lower interest rates

We favor greater diversification toward financials, industrials, healthcare, and materials, as well as small-cap equities, given the improved earnings growth outlook for 2026.

Despite elevated valuations, we maintain an equal-weight allocation to information technology and communication services, as combined earnings growth in these sectors is expected to remain above 20%. Overall S&P 500 earnings are expected to grow 14% in 2026.



Preferred Picks:

Technology and communication services: Microsoft, Nvidia, Amazon, META, Netflix, Broadcom, Alphabet, Salesforce, Flex

Healthcare: Pfizer, Gilead Sciences, Boston Scientific Corp, Abott Laboratories

Industrials/Auto: GM, Ford, Caterpillar, Deere, GE Vernova, Vertiv Holdings, Eli Lilly & Co.

Financials: JPM, Citi, Visa and Mastercard

Airlines: Delta Airlines, United Airlines

Utilities: Nextra Energy

Consumer Staples: Walmart

In EM, we are overweight Asia (China, Korea and Taiwan) and LatAm (Brazil, Chile and Peru) and underweight EMEA. Asia to benefit from AI optimism and LatAm from strong outlook for metals.

Korea: Korean equities should be supported by a combination of a strengthening memory upcycle and rising expectations that the new government will continue to push through market reforms and legislation under the Value-Up program. As AI workloads increasingly shift from training to inferencing, memory becomes more critical, with DRAM and NAND demand expected to grow by around 60% YoY in 2026. DRAM pricing should remain firm given limited capacity additions across the industry. High Bandwidth Memory (HBM), a specialized high-performance form of DRAM, is expected to grow significantly faster due to its essential role in AI accelerators, high-performance computing and advanced graphics applications where extreme bandwidth is required.

The Value-Up program is already having a tangible impact on corporate behavior. Share buybacks are accelerating, with KOSPI-listed companies repurchasing more than KRW14 tn of shares in 2025, up 33% YoY. In July and August 2025, the National Assembly approved several amendments to the Commercial Act that broaden directors' fiduciary duties beyond the abstract notion of the company to explicitly include all shareholders, enhance minority shareholder influence in board and audit committee elections, and modernize shareholder meeting procedures.

Tax reform is another key pillar. While Korea's dividend tax rate of up to 45% remains among the highest globally, the government's newly approved dividend tax reform should encourage companies to release excess cash and increase shareholder returns over time.

Preferred Picks:

Memory Chips: Samsung, SK Hynix

Auto: Hyundai

EV battery/Supply Chain: LG Energy Solution

Taiwan: Taiwan is central to the global AI supply chain, led by Taiwan Semiconductor Manufacturing Company's (TSMC) dominance in advanced logic chips at the 3nm and upcoming 2nm nodes, benefiting from sustained AI-related capital expenditure. Long-term customer contracts, high utilization rates, and strong pricing power continue to support resilient and visible earnings growth across the semiconductor value chain. In addition, demand for AI servers, high-performance computing and advanced packaging technologies such as CoWoS is expected to underpin a multi-year investment cycle.

Despite these strong structural tailwinds, Taiwan equities trade at a reasonable premium relative to global technology peers, reflecting their superior return on equity and earnings growth profile. MSCI Taiwan trades on a 2026e PE of around 19.2x, compared with approximately 25.9x for the Nasdaq-100 Index. Consensus forecasts point to Taiwan earnings growth of about 20% YoY in 2026, supporting the case for continued outperformance.

Preferred Picks:

Technology: TSMC, Foxconn

Industrials: Delta Electronics



China: China's strategic priorities in chipmaking and artificial intelligence (AI) are closely tied to technological self-reliance primarily in the following areas:

- Advanced logic chips
- AI accelerators
- Semiconductor manufacturing equipment

This objective is embedded in the 14th Five-Year Plan, Made in China 2025, and the New Quality Productive Forces narrative. To achieve this goal, the Chinese government is providing substantial capital and policy support to accelerate the localization of AI chip production and semiconductor manufacturing capabilities. Key policy measures include:

- The National Integrated Circuit Industry Investment Fund (Big Fund) Phase III (USD 50 bn), which provides equity financing to domestic chipmakers and equipment suppliers
- Local government and regional funds, such as Shenzhen's semiconductor fund (USD 0.7 bn), aimed at supporting early-stage and growth-stage companies
- Government subsidies, low-interest loans, tax incentives, and guaranteed demand from state-owned enterprises (SOEs)
- A 50% domestic equipment requirement

Preferred Picks:

AI enablement and infrastructure (cloud services, platforms, and data centers): Alibaba, Tencent, Baidu

Chips and equipment manufacturers: Hua Hong Semiconductor, Biren Intelligent Technology, ASMPT, Horizon Robotics

Brazil and Chile: We see the outlook for Brazil turning more constructive from Q2–Q3 2026 as the end of the central bank's rate-hiking cycle opens the door to an equity market re-rating. Valuations remain attractive, with the market trading at around 8.4x 2026e PE, roughly 20% below its 10-year average. Brazil's benchmark Selic rate is still exceptionally high at 15%, but we expect it to decline to 12.5% by end-2026. If delivered, this would position Brazil as a global standout in 2026 in terms of cost-of-equity relief and potential multiple expansion.

Historically, Brazil's 12-month forward PE expands by roughly 21% once rate cuts begin, underscoring the re-rating potential ahead. Brazil should also benefit from a supportive outlook for industrial and precious metals, as it is a key global producer of iron ore, copper, aluminum, gold, and nickel, with metal exports accounting for roughly 6% of GDP.

In the broader LatAm context, Chile remains a critical beneficiary of the global energy transition. It produces around 24% of global copper output, making it the world's largest producer, with copper and mining accounting for approximately 13–14% of GDP and more than half of total exports. In addition, strong secular growth in electric vehicles and battery storage supports long-term lithium demand, with Chile's low-cost brine resources remaining central to the global lithium supply chain.

With a USD 105bn mining investment pipeline planned over the next nine years, there is meaningful scope for faster growth. Historically, mining investment has been constrained not only by commodity price cycles, but also by permitting delays, execution challenges, and uncertainty around the regulatory framework. Right-wing candidate Jose Antonio Kast secured a decisive victory in the second round of Chile's presidential election, winning 58.2% of the vote on 14 December 2025. Kast will take office in March 2026. The Kast administration has emphasized accelerating permitting and reducing bureaucracy, particularly around environmental and water-related approvals, which have traditionally been key bottlenecks and a major drag on project timelines.

Preferred Picks:

Brazil: Vale, Nexa Resources, CSN, AngloGold Ashanti Brasil, Mineração Rio do Norte, Itaú Unibanco, Banco do Brasil

Chile: Antofagasta plc, CAP S.A., Sociedad Química y Minera de Chile



South Africa: South Africa enters 2026 with a rare alignment of improving monetary credibility, falling inflation, and declining sovereign risk, setting the stage for a meaningful repricing of the cost of equity. The SARB's adoption of a tighter 3% inflation target, easing inflation dynamics, further scope for rate cuts, and a sharp fall in bond yields have not yet been fully reflected in equity valuations, implying scope for a ~10% catch-up, particularly in domestic cyclicals such as banks, industrials and consumers. Improvements in fiscal metrics, credit ratings, power supply stability, and logistics reform—alongside rising private sector participation in energy and transport—strengthen the medium-term outlook, although political risks around the 2026 municipal elections could slow reform momentum later in the year.

South Africa has one of the world's most diversified mining sectors, producing platinum group metals (platinum, palladium, rhodium), gold, coal, iron ore, manganese, chrome, vanadium, diamonds, and base metals. It is the world's largest producer of platinum, manganese, and chrome, making it a critical supplier to global automotive, steel, and energy-transition supply chains. Mining contributes around 7–8% of GDP directly, rising to 12–15% including downstream industries, and accounts for approximately 50–55% of total merchandise exports. Strong upcycle in industrial metals bodes well for South Africa.

Preferred Picks:

Banks: Standard Bank, FirstRand, Absa Group

Consumer: Mr. Price Group, Shoprite

Mining: Anglo American, Harmony Gold Mining, AngloGold Ashanti, Sibanye Stillwater

India: We remain neutral on India as we see better opportunities in East Asia, GCC and LaTam. Despite rate cuts and fiscal measures, Indian market underperformed on tariff issues with the U.S.. Earnings downgrades, the country becoming a funding trade as the foreign money chased the AI beneficiaries in Asia and commodities names in LaTam.

The risk of further earnings downgrades is lower and inflation continue to remain benign, however, we believe lack of trade deal with the US and lack of opportunities to play the AI trade will continue to remain an overhang on the market. We will watchout for a potential trade deal with the U.S. as it could be potential investor sentiment booster.



Commodities:

Copper: Copper is our preferred industrial metal for 2026. The metal is experiencing structurally strong demand while supply remains tight. Prices are projected to reach up to USD 14,000 per tonne in 2026, representing an increase of approximately 15% relative to the current spot price of USD 12,182 per tonne. The average copper price in 2026 is expected to be around USD 12,800 per tonne, which is 28% above the 2025 average.

Annual refined copper demand is estimated at approximately 27–29 million tonnes. Over the past 15 years, annual demand growth has remained subdued at around 1.9%, lagging global GDP growth. However, during the 2025–2030 period, annual demand growth is expected to accelerate to approximately 2.5%.

Key structural drivers of this demand include:

- The rapid growth of AI-ready data centers and high-technology infrastructure. Data centers require vast amounts of power and extensive copper cabling within facilities for power distribution, cooling systems, and high-speed connectivity
- The expansion of electric vehicles (EVs)
- Grid modernization initiatives
- Increased investment in renewable energy sources such as wind and solar

On the supply side, several structural constraints persist. These include:

- Slower permitting and new mine development due to high capital expenditure requirements and environmental concerns
- Extended mine development timelines that often exceed 7–10 years
- Declining ore grades
- Recurring mine disruptions in major producing regions such as Indonesia, Chile, and Peru.

As a result, the annual supply shortfall is projected to range between 0.15 and 0.41 million tonnes in 2026 and is expected to widen further as the decade progresses. A key risk to this outlook stems from the accumulation of copper inventories in the United States in anticipation of potential additional tariffs in 2026. If these tariffs fail to materialize or are delayed, the resulting inventory overhang could introduce short-term volatility into copper prices.

Preferred Picks:

Mining Exchange-traded funds (ETFs): Global X Copper Miners ETF (COPX) and the iShares Copper and Metals Mining ETF (ICOP)

Direct equities: Freeport-McMoRan, Southern Copper, Antofagasta, BHP, Rio Tinto, First Quantum Minerals, Ivanhoe Mines, and Teck Resources

Gold: We expect gold price to reach \$5,000 per ounce in 2026. Our bullish view on gold is driven by concerns over high fiscal deficits in developed economies, elevated debt-to-GDP ratios, and questions regarding Fed independence, which are likely to continue prompting EM central banks to diversify away from developed-market (DM) sovereign holdings.

Silver: We expect silver price to reach \$100 per ounce in 2026. Silver is an industrial metal and 50–60% of its demand coming from industries such as advanced electronics, solar panels, EVs. Market is in structural deficit for 5 straight years. New mines take 10+ years to build, and ore quality is plummeting. Deficit in 2025 reached almost 20% of the demand. Physical inventories are at a 10-year low in China resulting in China increasing export controls.

Brent Oil: We expect oil to remain range bound and average \$60/bbl in 2026. The market is expected to remain in surplus. Market can be in surplus of around 1mn bpd. While geopolitical tensions are expected to cause price volatility and short-lived spikes, the supply concerns will cap any lasting rally.



Global Fixed Income

Federal reserve policy and interest rates

2025 was a transitional year for U.S. monetary policy, marked by cautious easing amid mixed economic signals. The Federal Reserve gradually moved away from peak restrictiveness, implementing a total of 75 basis points in rate cuts over the year, lowering the federal funds rate to approximately 3.50%–3.75% by year-end. Inflation moderated from the elevated levels seen in previous years but remained modestly above the 2% target, with the latest available core CPI of 2.6% (for November 2025) and core PCE showing persistent price pressures with 2.8% for September 2025, however lower than the Fed’s SEP projection of around 3% for the year. Despite the softening in the labour market (as nonfarm payroll growth slowed, job creation weakened, and the unemployment rate edged higher) the conditions remained broadly resilient rather than recessionary. Overall, 2025 reflected a careful balancing act by the Fed, easing policy in response to a cooling labour market while remaining vigilant against lingering inflationary pressures, setting the stage for a cautious move toward neutral policy in 2026.

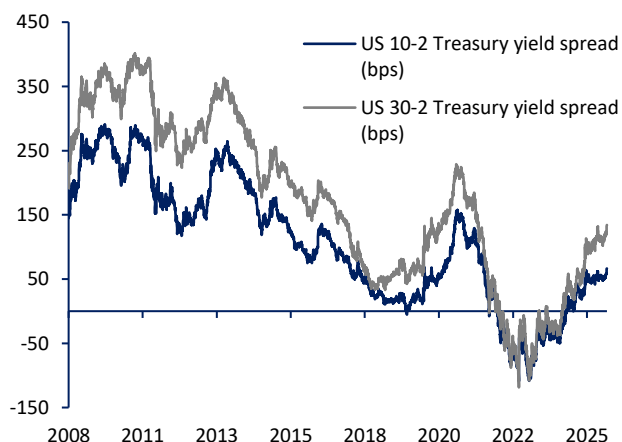
Looking ahead to 2026, Fed policy is expected to move closer to neutral but remain cautious rather than aggressively accommodative. While the Fed’s own SEP points to only limited easing, we expect two rate cuts in 2026, driven primarily by emerging weakness in the labour market and a gradual cooling in growth. That said, the path to lower rates is unlikely to be smooth. Sticky inflation remains a key upside risk, potentially constraining the Fed’s ability to ease more decisively, especially if price pressures prove persistent. This policy uncertainty may be further amplified by a change in Fed leadership, which could introduce shifts in reaction functions and communication. As a result, 2026 is likely to be characterized by measured, data-dependent rate cuts rather than a full easing cycle, with policy hovering around neutral for much of the year.

Yield curve dynamics: Fiscal policy is expected to take center stage in 2026, with major economies—including the EU—placing increased emphasis on defense and infrastructure spending. This is likely to reinforce the “steeper-for-longer” theme across global yield curves.

In the U.S., we expect the yield curve to experience a bull steepening in 2026, driven primarily by market expectations of Federal Reserve rate cuts in response to a cooling labor market. Short-term yields are likely to decline, while long-term yields remain elevated due to term premia, ongoing fiscal pressures, and persistent inflationary risks. We expect the 10-year Treasury yield to finish the year at 4.0%, maintaining a significant spread above the front end of the curve.

The risk environment, however, remains asymmetric. Sticky inflation or additional fiscal pressures could trigger a bear steepening scenario, where long-term yields rise despite falling short-term rates. Nevertheless, the base case continues to favor bull steepening, supporting opportunities for active duration management, yield curve positioning, and targeted fixed-income strategies.

Step US curve



Source: Bloomberg, Daman Investments



Global Fixed Income

Globally, 2025 was a strong year for fixed income markets. Investment-grade bonds, as represented by the Barclays Global Aggregate Index, delivered solid total returns of 8.2%, while high-yield bonds, tracked by the Barclays Global High Yield Index, produced equity-like gains exceeding 12%, reflecting supportive macroeconomic conditions and a moderate decline in interest rates.

Emerging and frontier market dollar bonds were among the top gainers yet again in 2025, delivering a total return of 11%, extending their gains from 2024 where they rallied almost by 7%. The top performers included dollar bonds of Pakistan, Sri Lanka and the Maldives from the APAC region; Egypt, Nigeria and Kenya from the MENA region.

Fixed and floating rate USD denominated debt issued by EM government returned 13.1% in 2025, marking one of the strongest years. This robust performance was driven by declining yields, weaker USD, supportive global liquidity, and a stable U.S. interest rate backdrop.

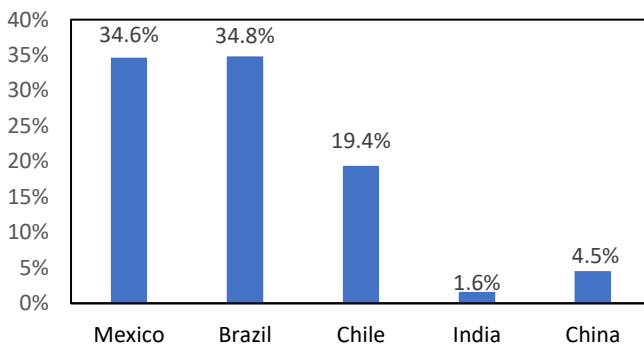
Looking ahead, the exceptional gains of 2025 are unlikely to be repeated in 2026. Markets may become more selective, with economies reliant on external funding facing greater scrutiny, while those with stronger domestic funding bases may remain relatively insulated from volatility.

Total returns in investment-grade credit in 2026 are expected to be driven predominantly by rate cuts as credit spreads are starting the year at historically tight levels. With spreads near multiyear lows and limited room for further compression, return profiles are likely to be income-driven. Meanwhile, gross IG issuance is anticipated to remain elevated, supported by continued M&A and capex financing as corporates tap debt markets in a lower-rate environment, which may moderate potential price gains and keep spreads range-bound rather than sharply tightening.

HY credit is positioned to benefit from strong carry and stable fundamentals, with robust income and relatively benign default expectations remaining supportive. Even with some spread widening, HY still offers attractive yields relative to cash and sovereigns. We generally see credit fundamentals as stable, with default rates not anticipated to spike with global economic growth remaining resilient. This supports HY performance, particularly in the higher-quality BB segment. Tight spread conditions call for selective credit selection, especially as near-term refinancing waves are manageable but sector dispersion is expected to increase.

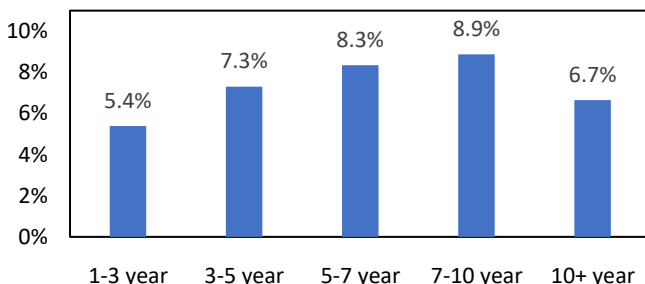
With spreads tight, portfolios may benefit from an up-in-quality tilt within both IG and HY, emphasizing stronger balance sheets, shorter effective duration, and credit selection.

2025 Bond returns - Local currency USD returns



Source: Bloomberg, Daman Investments

US Aggregate returns in 2025: Tenor wise



Source: Bloomberg, Daman Investments



Global Fixed Income

Fixed income positioning for 2026

- We maintain an underweight stance on duration, favoring a “sweet spot” around 5 years along the curve. This positioning balances the potential for modest rate cuts with term premium considerations, while mitigating exposure to long-end yield volatility amid ongoing fiscal pressures in developed markets. Shortening duration selectively allows portfolios to capture carry without excessive interest rate risk
- We favor high quality HY names with solid fundamentals. The focus will largely be on quality names with strong operating cash flow visibility, contained or improving net debt to EBITDA, and with a strong market visibility
- We view EM fixed income as attractive, particularly sovereign and quasi-sovereign issuers with robust fiscal profiles, manageable external debt, and access to domestic liquidity. Within EM corporates, selection focuses on strong operating cash flows, improving leverage ratios, and transparent governance practices. These attributes are critical to mitigating idiosyncratic risk in a selective market environment.

Our 2026 fixed income positioning reflects a selective, quality-focused approach that balances income generation with risk management. By prioritizing high-quality HY, disciplined EM exposure, and carefully targeted duration, we aim to capture attractive returns while mitigating potential downside in a complex macro and policy environment.

	Underweight	Neutral	Overweight
Fixed Income - Rates, Spreads and Duration			
Rates			
Spreads			
Duration			
Fixed Income - Credit:			
Global Investment Grade			
Global High Yield			

Source: Daman Investments

	Underweight	Neutral	Overweight
Fixed Income - by region:			
South Asia			
Far East Asia			
Latin America			
MENA			
Sub-Saharan Africa			
Central & Eastern Europe			

Source: Daman Investments



Revenue and Expenditure MENA

Saudi Arabia-SARbn	2024A	2025A	2026E
Revenue SARbn	1,259	1,184	1,147
Expenditure SARbn	1,375	1,285	1,313
Total debt raised USDbn	100	82	57.9

Qatar	2024A	2025A	2026E
Revenue QARbn	202	197	199
Expenditure QARbn	200.9	210	220.8

Dubai	2024A	2025A	2026E
Revenue AEDbn	90.6	98.8	101.6
Expenditure AEDbn	79.1	83.7	83.7

Kuwait	2024A	2025A	2026E
Revenue KWDbn	22.06	18.23	20.3
Expenditure KWDbn	23.11	24.538	26.8

Oman	2024A	2025A	2026E
Revenue OMRbn	11.1	11.18	11.45
Expenditure OMRbn	11.65	11.8	11.9

Source: Daman Investments

GCC+ Egypt (USDbn)	Hard currency total bond issuance	Sovereign bond issuance
2015	24.7	5.2
2016	73.2	40.0
2017	91.0	57.1
2018	88.0	44.2
2019	106.9	50.6
2020	117.5	55.2
2021	107.5	36.8
2022	40.2	10.5
2023	73.9	25.2
2024	116.3	32.0
2025	160.2	55.0

Source: Daman Investments

EM Fixed Income – Country Focus (EMEA)

SAUDI ARABIA: Supply dynamics remain a key theme for Saudi credit going into 2026. Market participants expect more than USD 45bn in gross issuance across the sovereign, GREs, banks and corporates, with funding needs driven by Vision 2030 project execution, refinancing pipelines and continued deepening of the domestic sukuk market. The elevated supply backdrop, while indicative of ongoing capital formation, is likely to exert pressure on spreads and valuations, which already screen tight relative to historical levels.

Despite expectations of higher issuance and modest fiscal deficits, Saudi Arabia retains meaningful buffers that provide comfort against cyclical deterioration in credit metrics. Low direct government debt, strong reserve coverage, sovereign wealth assets via PIF, and access to both local and global funding channels collectively reinforce financing flexibility.



Valuations, however, appear increasingly tight given the volume of supply expected, suggesting that new issue concessions will likely be required to absorb incremental issuance. Secondary spreads offer limited room for compression absent a positive macro surprise, and relative value is becoming more idiosyncratic within the corporate and GRE complex.

Risks: Excessive spending and lower oil prices will remain a drag on both the economy and yields in 2026.

What we like: ARACEN, DAR AL-ARKAN, SAUDI Govt, SECO, KSA Sukuk, PIF, SNB Perp, Al Rajhi Perp, MAADEN

UAE – The UAE continues to deepen its fixed-income market, with sovereign, GRE, financials and high-yield real estate issuers forming the bulk of supply. Issuance remains elevated as entities address refinancing needs, fund capital programs, and support ongoing market development. Abu Dhabi GREs are expected to tap markets opportunistically to fund inorganic growth, while the broader pipeline continues to benefit from strong investor demand for high-quality GCC credit.

The policy framework remains aligned with the government's strategic targets under Vision 2031, which aims to double national GDP from AED 1.5 tn to AED 3.0 tn through diversification, capital market reforms, and increased private-sector participation. From a market's perspective, UAE credit spreads remain tight relative to emerging-market comparables, reflecting its status as a high-quality, low-volatility credit. With valuations already compressed and supply remaining heavy, we expect total returns in 2026 to be driven primarily by rate movements rather than spread tightening.

The credit universe continues to be dominated by banks and high-yield real estate. Bank fundamentals remain exceptionally strong, underpinned by robust capitalization, liquidity buffers, and healthy asset quality. Conversely, the high-yield real estate segment faces supply risks amid aggressive project launches, increasing the importance of credit differentiation. Our approach remains selective, favoring developers with strong pre-sales visibility, liquidity management discipline, and a track record of delivery over broad sector exposure.

Risks: Lower than expected oil prices

What we like: ENBD, ADCB, Mashreq, FAB, Bank of Sharjah, Aldar, National bank of RAK, Sobha, Arada, Abu Dhabi Gov, Binghatti, Damac, DP World, Emaar

QATAR – Qatar remains one of the strongest macro stories in the GCC, with LNG expansion driving an acceleration in growth across both forecast years. Output is expected to reach ~125mt/y by end-2027 (+60%), lifting industrial production and net exports and pushing GDP growth to ~4% in 2026 and >6% in 2027. The stronger trade position keeps the current account in large surplus (~15% of GDP in 2026-27), building on an already strong base (annualised trade surplus >24% of GDP in the first 10 months of 2025), and should support a further rise in QIA assets (estimated at ~USD560bn). Fiscal balances also improve as LNG receipts rise and post-World Cup capex rolls off, with the small 2025 deficit expected to move into surplus in 2026-27 and public debt declining in both gross and net terms. Balance sheet strength is reinforced by S&P's AA affirmation and Qatar's continued regional and global reach.

What we like: ABQ Finance, CBQ Finance, State of Qatar, QNB Finance, Doha Finance, Qatar Energy

OMAN – Oman continues to trade as a convergence story, with valuations already reflecting significant improvement in credit fundamentals. The medium-term thesis now hinges on the sovereign's ability to transition toward A-category ratings, rather than purely on cyclical carry. Real GDP growth is expected to hover around 4%, supported by non-oil sector development and investment programs. Fiscal consolidation remains credible, with Public Debt/GDP expected to settle in the low-30% range, materially below historical peaks. With much of the credit repair already embedded in spreads, upside from here remains more structural than tactical.

What we like: Mazoon, Oman Govt, OQ SAOC, Oman Sovereign Sukuk, OMGRID



KUWAIT – We remain cautiously optimistic on Kuwait for 2026-27, expecting a gradual pickup in growth as delayed reforms gain traction. The FY24/25 deficit narrowed to 2.1% of GDP, helped by a 28% rise in non-oil income and lower spending despite weaker oil receipts. Reform-led steps to liberalise government service fees and contain wages were politically difficult but delivered. The new debt law enabled Kuwait's first external issuance since 2017, raising 7% of GDP in a single day. S&P upgraded the sovereign to AA-, citing stronger fiscal management, improved funding flexibility, low debt and substantial sovereign wealth. The current account should remain in double-digit surplus, further strengthening the external balance sheet. Non-oil GDP rose above 3% in Q2 and headline growth reached 1.7%, supported by firmer PMI readings and rising project activity. However, gains come off a low base and consumer sentiment remains soft amid tighter fiscal policy. The mortgage law will be the next key test for reform momentum. Broader structural measures — wage restraint, subsidy rationalisation, VAT and infrastructure plans — remain essential but politically challenging.

What we like: NBK, KIB, Burgan Bank

BAHRAIN – Bahrain remains a challenging credit for offshore investors. Issuance is concentrated in the sovereign and select GREs (e.g., BEXBAH), where the strong domestic “perma-bid” supports spreads and keeps valuations decoupled from fundamentals. Recent rating actions by S&P have highlighted Bahrain's unsustainable debt trajectory, with 2026 Real GDP growth estimated at 2.4% and Net Debt/GDP projected around 131%, underscoring the scale of fiscal consolidation required over the medium term.

In our view, valuations are not reflective of the underlying risks, even when assuming an implied level of GCC support. Spread compensation screens tight relative to the broader BB/B universe, where cleaner credit stories and more attractive carry opportunities exist. As such, relative value is difficult to justify for non-Bahraini investors at current levels.

What we like: AUB Sukuk, Bank Bahrain and Kuwait, CBB Sukuk, Kingdom of Bahrain, GFH Sukuk, Gulf International Bank, Mumtalakat, Oil & Gas Holding

EGYPT – Egypt continues to show gradual improvement, helped by support from the UAE, Qatar and Kuwait and by its ongoing IMF program. Privatization remains the main sticking point for the Fund, but the program is likely to remain in place. External funding needs are still large, though access to markets has improved and FX buffers are more stable than a year ago. Inflation has started to cool, giving local rates room to come down. Egypt's external accounts would benefit from lower oil prices, and any resolution of the “Yemen” issue could help Suez Canal revenues recover.

For investors, Egypt is still a reform story. As long as the authorities maintain reserve buffers, attract FDI and continue to make progress even if slow on the IMF's privatization agenda, we are comfortable participating in new issuance and holding the paper.

What we like: EGYSK and EGYPT GOVT

TURKEY – Turkey credit universe continues to broaden beyond the sovereign, with more corporates and subordinated financials issuing in USD and current inflation at 30%. The slower pace. Inflation remains the main challenge: the 2026 target of 16% looks optimistic with market estimates closer to 22% of rate cuts should help keep FX stable. Lower oil prices would also support the fiscal and external position. Dollar issuance is expected to be around USD 13bn in 2026. Political and geopolitical risk remains the key source of volatility heading into elections, even as the market continues to deepen. With our expectation of further rate easing by 10pps we also like exposure to local currency bills and bonds. We also like exposure to Turkish banks on strong capital buffers and stable credit quality.

What we like: TURKGBs (Local currency), ISTNBL Municipality, TURKSKs, Yepi Kredi Perp, Akbank Perp, Vafik Perp



EM Fixed Income – Country Focus (Asia)

CHINA – China’s GDP growth remains on track to reach the government’s 2025 target of “around 5%” (HSBC: 4.9%), before moderating to 4.7% in 2026 and 4.6% in 2027. Momentum softened into late-2025 as property indicators weakened, consumer sentiment stayed subdued and capex slowed, prompting a continued pro-growth policy tone at the December Politburo and CEWC. Domestic consumption will be a key focus under the 15th FYP, with subsidies and credit support in the near term and structural welfare improvements longer term. Investment should accelerate, backed by RMB500bn in policy financing supporting RMB7trn in projects, though property remains a persistent drag. Trade flows look resilient, supported by improved US-China relations and competitiveness, though export contributions should moderate.

The 2026 policy mix centers on proactive fiscal and “moderately loose” monetary policy, with the deficit near 4% of GDP, RMB1.8trn in special CG bonds, RMB4.4trn in LG bonds and continued RRR cuts, rate cuts and PBoC treasury purchases. Policy coordination remains tight as China seeks to lift the economy out of deflation and initiate the first year of the 15th FYP. Risks are balanced: upside from improved relations, tariff relief and confidence; downside from property stress, weaker global demand and renewed trade tensions.

Risks: Downside risks stem from a deeper property downturn, weaker global demand or renewed trade tensions that constrain exports and investment. Upside risks come from stronger policy transmission, tariff relief and faster improvement in business and household confidence.

Rationale: We remain cautiously constructive as policy support remains firmly pro-growth heading into the first year of the 15th FYP, with fiscal and monetary coordination aimed at stabilising demand. Consumption, investment pipelines and improved US-China relations offer incremental upside to the baseline.

INDIA – India has moved materially from fears of stagflation in 2024 to a near-sweet spot, with inflation at historic lows, a record trade deficit, and GDP growth printing above the aspirational 8% mark. The strong September quarter (8.2%) reflected both cyclical support (rains, fiscal, GST cuts, easing) and statistical factors, with deflators likely overstating real growth; we estimate true activity closer to 7%. Growth should stay firm into year-end before softening in early 2026 as GST effects fade, fiscal spending tightens to meet deficit targets, and exports slow under US 50% tariffs. We forecast FY26 official GDP at 7.7% (6.7% underlying), noting possible downward revisions after the February 2026 GDP series update.

Medium-term, growth convergence between lower-income and richer states is a positive tailwind, driven by state capex, though slowing state revenues and new transfer schemes add risk. Inflation is likely to stay below the RBI’s 2% lower bound for several months, giving space for easing after the December 25bps cut to 5.25%. Fiscal room is limited as authorities remain sensitive to global fiscal intolerance and committed to consolidation. The record USD42bn October trade deficit highlights competitiveness challenges, with INR depreciation acting as the shock absorber amid weak FDI/FII flows. The external mix and tariff landscape will influence how durable India’s manufacturing push and growth narrative will be in 2026–27.

Risks: Downside risks stem from prolonged US tariffs, weak external demand, and a deeper property/capex slowdown

Rationale: We remain constructive on India’s medium-term growth story, supported by convergence dynamics, benign inflation, and a credible consolidation path. Policy coordination between RBI easing and capex-led supply reforms strengthens the investment case.

What we like: Adani Ports, Shriram Finance, JSW Infra, IRFC



EM Fixed Income – Country Focus (LATAM)

MEXICO – Mexico's GDP has been soft in 2025 amid external and domestic headwinds, though resilience in parts of the year helped avoid more severe contraction risks. We have trimmed 2025 growth to 0.5% and still expect 1.5% in 2026, supported by gradually recovering services and stabilizing industrial output. The sectoral breakdown remains uneven with industrial activity weakened by trade uncertainty and global risks, while services and agriculture hold up. The USMCA review introduces volatility, but a positive outcome could unlock growth drivers in late-2026. Inflation dynamics are turning more complex: non-core components are set to normalize higher; core remains sticky and administrative price adjustments add upside. We have lifted our end-2026 inflation forecast to 4.4% (from 3.5%) and end-2027 to 4.0% (from 3.6%).

Banxico has cut twice to 7.0% but is now constrained by higher inflation forecasts, narrower output gaps and weaker room to ease. We expect the policy rate to remain at 7.0% through 2026, with limited scope for cuts absent stronger disinflation, a softer Fed, firmer MXN or weaker activity. Fiscal policy remains constructive, with primary surpluses and consolidation sustaining debt stability despite structural tax challenges.

Risks: Downside risks stem from USMCA tensions, trade frictions, and persistent inflation that limits monetary flexibility

What we like: PEMEX, CFELEC, MEX Govt

BRAZIL – The surprise announcement of Flavio Bolsonaro's candidacy for 2026 triggered market volatility, with BRL weakness and repricing across fixed income and equities, underscoring how election dynamics will dominate the narrative into 1Q26. His entry reinforces a polarised scenario and increases the likelihood of a second-round matchup versus President Lula, while centre/centre-right candidates navigate alignment and coalition calculus. Meanwhile, 3Q25 sequential GDP disappointed slightly, but revisions support our above-consensus 2.4% growth forecast for 2025; we trim 2026 to 2.0% on weaker crop output. Domestic demand remains broadly resilient despite slower household consumption.

Market focus now shifts to the BCB, where base rates at 15.0% have attracted receiving positions, though the Bank's hawkish messaging and delayed disinflation have constrained expectations. We continue to expect cuts only from March 2026 (-25bp initially, followed by 50bp steps), with year-end Selic at 12.25% in 2026 and 11.75% in 2027. Fiscal uncertainty rises ahead of elections as one-offs exhaust, spending accelerates, and tax approvals become harder to secure.

Risks: Election-driven fiscal deterioration, unanchored inflation expectations and weaker external demand.

What we like: Brazil Govt



GCC Equities (Country level)

GCC RECAP:

GCC equity markets experienced a challenging year in 2025, shaped by softer oil price expectations, shifting global monetary conditions, and widening divergence in domestic growth drivers across countries. After several years of strong performance, elevated starting valuations left markets more exposed to sentiment shifts, particularly as oil prices failed to provide a supportive backdrop.

Saudi Arabia was the key laggard, with the Tadawul index declining meaningfully over the year. Weaker oil price expectations, combined with rising competition across consumer, healthcare, and petrochemical sectors, weighed on earnings momentum and margins. While the correction reflected cyclical and sector-specific pressures rather than macro instability, it dampened investor confidence and led to weaker foreign inflows for much of the year. In contrast, the UAE remained the most resilient GCC market, supported by strong non-oil growth, population inflows, and robust activity across real estate, tourism, logistics, and services. With non-hydrocarbon activity now accounting for the majority of GDP, UAE equities were far less sensitive to oil price movements, allowing sectors such as banks, utilities, developers, and transport to maintain earnings visibility. Qatar continued to serve as a defensive anchor within GCC portfolios. LNG-linked revenues, long-term gas contracts, and strong fiscal buffers insulated the economy from oil volatility. However, the post-World Cup normalization phase meant fewer near-term domestic growth catalysts, reinforcing Qatar's role as an income and stability market rather than a growth-driven one. Kuwait and Oman showed gradual but meaningful improvement in fiscal discipline and policy credibility. Kuwait benefited from reform momentum, including progress on fiscal legislation and housing finance, though execution risks and oil dependence continued to cap equity upside. Oman made notable progress in debt reduction and fiscal consolidation, significantly improving resilience compared with prior cycles, even as economic growth remained modest.

Across the region, banks stood out as relative outperformers, supported by strong capital positions, healthy asset quality, and attractive dividend yields. However, performance dispersion widened, with outcomes increasingly driven by funding structure, loan mix, and execution rather than broad macro tailwinds.

GCC OUTLOOK:

Looking ahead to 2026, the GCC equity outlook is best described as stable but selective, with returns increasingly driven by stock- and sector-specific fundamentals rather than index-level direction. Oil prices are expected to exhibit volatility on oversupply concerns.

Global monetary conditions are gradually easing. The US Federal Reserve cut policy rates by 75bps in 2025, and markets are pricing in further cuts into 2026. For GCC banks, this creates a mixed backdrop: while lower rates may support credit demand, net interest margins will depend on balance-sheet structure, asset repricing speed, and deposit composition. As a result, bank performance will diverge meaningfully by country and by name.

UAE remains best positioned for 2026, combining diversified growth, strong population inflows, and visible earnings streams. Banks, utilities, logistics, mobility, and select real estate developers are well placed to deliver steady growth and income, even in a stable oil price environment. Saudi Arabia's outlook is more nuanced. While oil prices are expected to remain range-bound, the government continues to prioritize investment-led growth under Vision 2030, even at the cost of wider fiscal deficits. Non-oil activity remains resilient, supported by regulatory reforms, real estate liberalization, and higher foreign participation limits. Saudi market performance is highly correlated to oil price. Hence with the oil price expected to face oversupply concerns fundamental backdrop remains weak. However, FOL increase will be a key catalyst driving inflows.

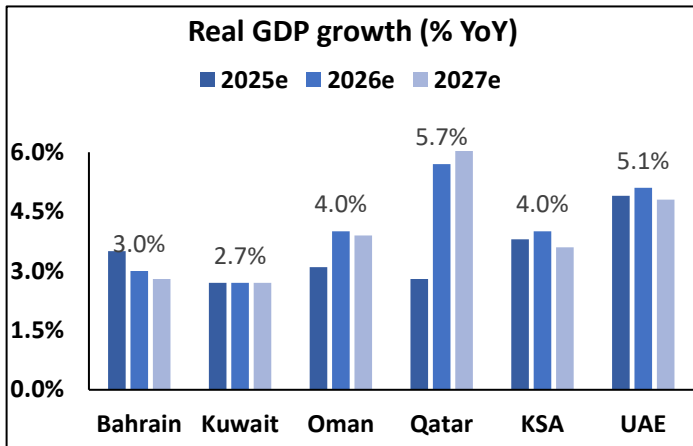


GCC Equities (Country level)

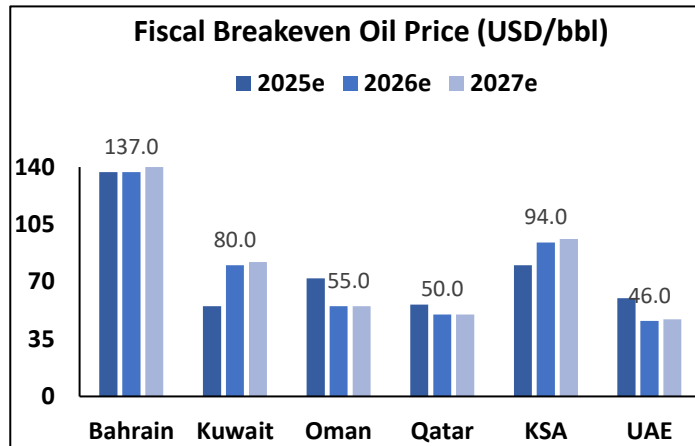
GCC OUTLOOK:

Qatar is expected to retain its defensive profile, underpinned by LNG expansion, long-term contracts, and strong external balances. While equity upside may be limited, dividend sustainability and low volatility make it attractive during periods of global uncertainty. Kuwait and Oman should continue to benefit from improved fiscal frameworks and policy discipline, but both remain more sensitive to oil prices and execution risks than UAE or Qatar. Equity opportunities are likely to remain concentrated in banks and defensive cash-flow businesses rather than growth sectors.

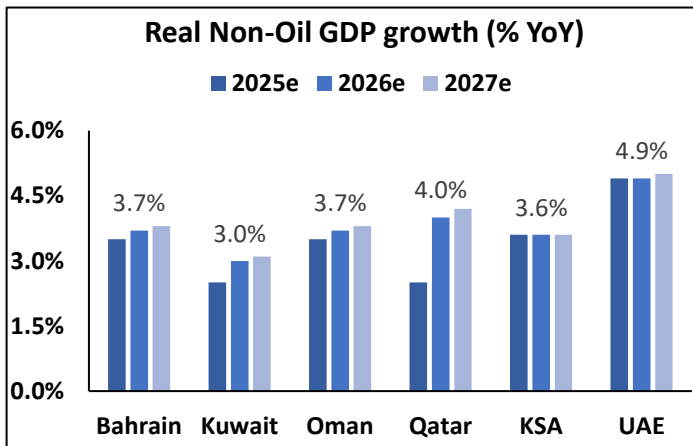
Overall, 2026 is shaping up as a year of dispersion rather than direction for GCC equities. Markets and sectors with diversified growth drivers, strong balance sheets, and clear earnings visibility are best positioned to outperform, while oil-dependent and execution-constrained markets may lag unless oil prices surprise materially to the upside.



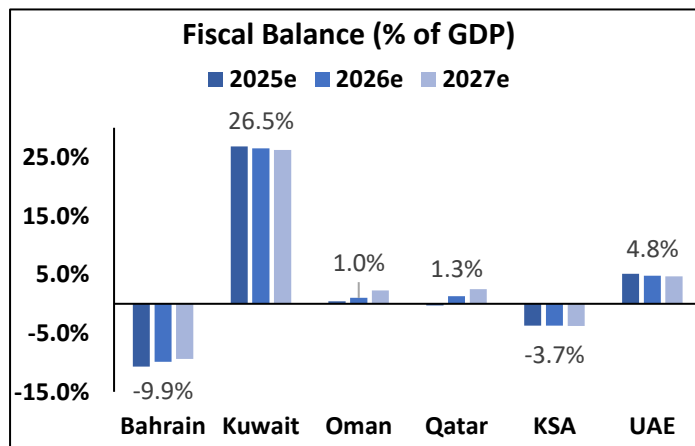
Source: IMF, Daman Investments



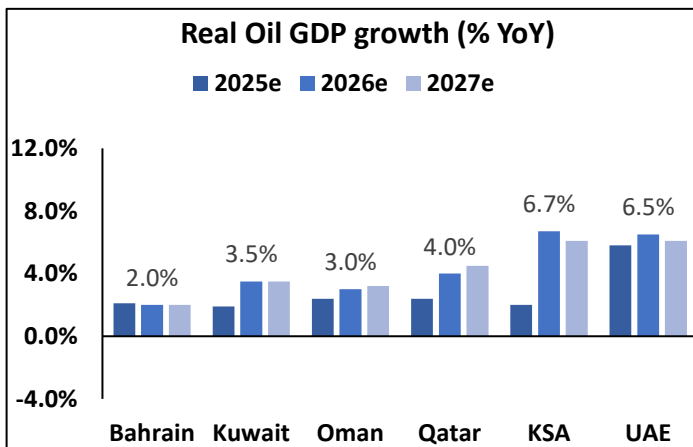
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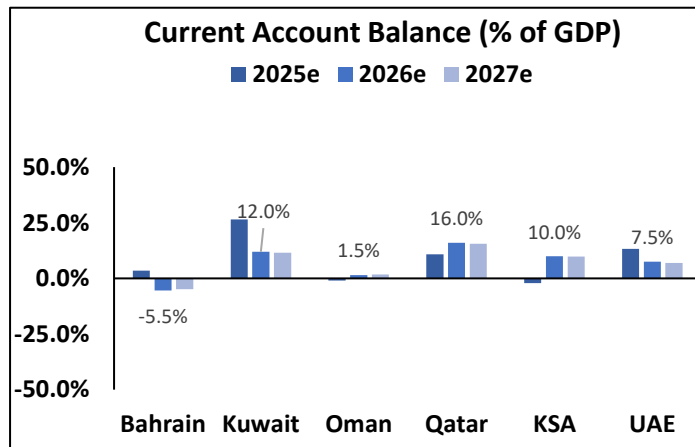
Source: IMF, Daman Investments



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Source: IMF, Daman Investments



Source: IMF, Daman Investments



Saudi Arabia: Saudi equities experienced a challenging year in 2025, with the Tadawul All Share Index declining by approximately 13.2% YTD by end-December. Market performance was weighed down by a bearish oil price outlook, heightened competitive pressures across consumer, healthcare, and petrochemical sectors, and moderating consumer disposable income, which collectively pressured earnings momentum and margins. Consumer-facing sectors were particularly affected by promotional intensity, while healthcare margins were compressed as new hospital capacity came online ahead of utilization ramp-up. Petrochemicals remained under pressure due to global oversupply and lower Brent prices. Importantly, this weakness reflected cyclical and sector-specific pressures rather than broad economic deterioration, as non-oil activity remained resilient. Saudi Arabia continues to run investment-led fiscal deficits under Vision 2030, prioritizing infrastructure, tourism, logistics, housing, and new economic platforms to sustain non-oil growth. While foreign participation slowed in 2025, sentiment improved following the lifting of the foreign ownership limit (FOL), which is expected to support market stabilization into 2026. Looking ahead, equity returns are likely to be stock- and sector-driven rather than index-led, favoring balance-sheet strength, execution capability, and alignment with national priorities.

We see the following macro drivers for Saudi Arabia

- Continued execution of Vision 2030, supporting non-oil GDP growth (~4%+ through 2026)
- Major Global events like Asian Winter Games 2029, Expo 2030 and FIFA World Cup 2030.
- Mega & Giga Projects into tourism hubs & cities, expected to create million jobs & attract new industries.
- Tourism targets: 100 million visitors annually by 2030, where in 2025 Saudi welcomed 60.9mn visitors in first half alone.
- PIF: aim to grow AUMs to \$2 TR by 2030.
- Foreign ownership limit (49%) expected to unlock up to USD10 bn in foreign inflows, with banks as key beneficiaries

- Gradual reprioritization (not cancellation) of giga projects across infrastructure, tourism, and logistics
- Real estate regulatory reforms, including land release, white land tax, and foreign ownership framework
- Increasing contribution from non-oil sectors, reducing reliance on oil price direction

United Arab Emirates: The UAE equity market remained one of the most structurally resilient markets in the GCC in 2025, supported by strong non-oil economic momentum, sustained population inflows, and robust activity across real estate, tourism, logistics, and services. Unlike more oil-sensitive peers, the UAE's growth model is increasingly decoupled from oil prices, providing greater earnings stability across listed sectors. Non-hydrocarbon services accounted for approximately 77% of GDP in Q1-2025, reflecting steady diversification over recent years. Fiscal policy remains supportive, with the UAE approving a AED 92.4bn federal budget for 2026 and Dubai maintaining a prudent surplus. The UAE's relatively low fiscal breakeven oil price further enhances resilience. With real GDP growth forecast at around 5% in 2026, driven by non-oil activity and rising oil production, the UAE remains one of the least oil-sensitive markets in the GCC. Equity performance into 2026 is therefore expected to be sector- and stock-driven, favoring companies with strong balance sheets, pricing power, and execution capability.

We see the following macro drivers for UAE

- High non-oil GDP contribution (~77.5%), supporting earnings visibility across sectors
- Real GDP in UAE is expected to grow by 5.1% in 2026e & 4.8% in 2027e. Vision 2030 targets to double GDP from AED1.5 tn in 2024 to AED3.0 tn in 2031.
- 30+ IPOs have taken place in the UAE over the last five years & the current pipeline for IPOs remain strong
- Strong population inflows: Dubai 2040 Urban Master Plan to grow population from 3.3 mn in 2021 to 5.8 mn in 2040.



- Tourism strategy 2031: to raise the tourism contribution to GDP from 11.7% in 2023 to 15% by 2031.
- Oil production to be increased from 4.5mn bpd to 5mn bpd by 2026.
- Gas production to grow by 4% CAGR 24-29e & LNG exports to witness CAGR of 12% 24-29e.
- Expanding AI, fintech, crypto, blockchain sectors.
- Supportive fiscal stance, with diversified revenue sources and low fiscal breakeven oil price
- Continued expansion in real estate, utilities, logistics, and infrastructure
- Structural growth in logistics and trade, reinforcing the UAE's role as a regional hub
- Stable regulatory environment supporting banks, utilities, and transport operators.

Qatar: We remain underweight on Qatar with the market lacking any catalysts besides the LNG expansion story.

Qatar's macro environment in 2025 is underpinned by its dominant position in global LNG markets, North Field expansion, low public debt & strong external positions globally. Even in a lower oil price environment, fiscal balances remain comfortably in surplus due to the structure of gas pricing and export contracts making it less sensitive to short-term oil price fluctuations. In 2025, LNG export volumes were stable & long-term contracts provided revenue visibility. However, following the post-World Cup investment peak, domestic growth moderated, with fewer catalysts compared to earlier years & investment shifted from mega-projects to maintenance, optimization, and selective industrial expansion. For equities, this translated into stable but unspectacular domestic demand, reinforcing Qatar's defensive profile. Looking into 2026, Qatar's outlook remains structurally strong but growth-light as the absence of major domestic investment cycles and limited population growth constrains upside potential for equities. Equity market performance is therefore expected to be driven by dividend yield, earnings durability rather than cyclical expansion or multiple re-rating. Therefore, Qatar fits with in GCC portfolio as defensive and income focused allocation.

Qatar LNG production expansion is a bold move that will reshape the global energy market. By doubling output by 2030 to an estimate of 126 million tons of LNG annually through the North field East & North Field South Projects. Qatar is not only meeting increasing global demand but also securing its role as a key energy player. The expansion promises economic growth, job creation, investment opportunities as this would attract higher foreign investments & promoting further development in energy, logistics & technology sectors. This will also lead to strengthened international partnerships in: Asia-Pacific Markets (Japan, South Korea & China as they are major LNG importers), Europe; where Europe is shifting from coal & Russian gas. EM; developing nations are turning to LNG for cleaner energy solutions creating long-term opportunities for Qatar.

Qatar's real GDP growth is expected to increase 5-6% in 2026 where 12% hydrocarbon GDP growth as North Field phases come online & non-oil GDP slows to 2.8%, which is the key point: the "lift" is hydrocarbon-led on significant LNG output through North Field expansion, boosting fiscal surpluses where LNG production trends are supportive of exports. The first production boost will come from the North Field East project by mid-2026, followed by the North Field South phase of the expansion. The North Field West phase is in its early stages, with construction likely to begin in 2027.

Kuwait: Kuwait continued to benefit from positive sentiment driven by reforms, including the public debt law & Mortgage law. Kuwait government announcing a new public debt law enabling market borrowing for long term mortgage plans is a progress. However, there is also uncertainty around the implementation timing & how housing projects activity accelerate in sync with the new law implementation. Therefore, Kuwait can afford a low oil price environment in 2026 but there is uncertainty around it. Progress towards Kuwait announced reforms is a key boost to the outlook of property developers & contracts, as well as banks as mortgage activity pick up following the approval of the Mortgage law.



In Kuwait banks, there is typically a lag between award of projects and drawdown of lending facilities, it is expected that corporate loans to boost growth in H1-2026 & then followed by accelerated mortgage loans. Kuwait's economy continues to be heavily influenced by oil revenues with limited traction from non-oil sectors. While elevated oil prices in prior years supported sizeable fiscal surpluses in 2024 & 2025, this surplus is expected to narrow, limited policy, & limited private sector participation constrain economic acceleration & poses a structural challenge relative to regional peers that's why Kuwait has struggled to translate fiscal strength into sustained economic momentum.

Oman: Oman continued to strengthen its macro resilience in 2025, supported by fiscal consolidation, sharp debt reduction, and improved policy credibility. While economic growth remains moderate relative to GCC peers and the economy remains smaller and more oil-sensitive, conservative fiscal management has materially reduced vulnerability to lower oil prices. Public debt has declined to around 35% of GDP (from over 67% in 2020), and lower fiscal breakeven levels and restrained spending helped cushion the impact of softer oil prices in 2025.

The approved 2026 budget, based on USD 60/bbl oil, targets a narrower deficit and supports Vision 2040 priorities focused on non-oil growth, fiscal sustainability, and job creation. Looking ahead, Oman's outlook is stable but structurally constrained: downside risks are contained, but upside remains limited by modest non-oil growth, weaker population inflows, and a smaller private sector. Within GCC portfolios, Oman remains a defensive, income-oriented allocation, with equity opportunities concentrated in banks and other stable cash-flow generators rather than high-growth themes.

Turkey: Turkey equities materially lagged EM in 2025 (-28% vs EM), as the market digested a volatile macro environment and elevated political noise. However, the 2026 set up is about restored policy credibility through earlier tightening and transitioning to a measured easing cycle as inflation declines & rate cuts acting as the key re-rating mechanism.

In 2025, the CBRT cut rates by 950 bps, taking the policy rate to 38%, the projected rate cuts for 2026 are 10 ppts taking the policy rate to 28%. Inflation has been easing (around 31% YoY for November & December). If disinflation continues, the market starts to price a world where the cost of capital falls meaningfully, which tends to lift equity valuations (especially rate-sensitive sectors). For 2026, base case is that inflation falls toward 22% by end-2026, enabling 1000 bps of additional cuts. The sector transmission is important: banks are framed as the clearest beneficiaries, because deposit costs typically adjust faster than lending yields during easing cycles, and because macro-prudential burdens are gradually being unwound — together supporting a sharp earnings inflection & meaningful NIM expansion. Main risk is politics & policy credibility: the bull case depends on orthodox policy continuity and sustained disinflation.

Preferred Picks: Akbank, Yapi Kredi, Garanti Bank

Egypt: Egypt's 2025 narrative was about stabilization after prior FX/inflation stress, with improving external conditions feeding into a clearer disinflation path. In 2025, net inflows into the domestic carry trade helped confidence in the currency; alongside improved FX availability, food inflation eased and headline inflation ended 2025 in the low-teens. That macro stabilization matters for equities because it reduces "tail risk" (FX/funding shocks). Looking to 2026, we expect continued disinflation where forecasted inflation averaging between 10–11% in 2026, with year-end in high single digits, creating room for the CBE to cut 600–700bps. For equities, this is typically supportive for domestically exposed cyclicals as cost of capital falls, and sectors whose demand is sensitive to liquidity/credit. But there's an important point to flag is as rates fall, bank ROEs/NIMs normalize to lower versus peak conditions, so listed banks' performance can go sideways if the market begins to price that margin compression. In 2026, stronger FX-generating channels like tourism, non-oil exports & remittances are tied to macro stabilization & improving current account balance. The FX availability & inflows reduce stress & support disinflation, also the prior regulatory approved price increases for some sectors aid margins. The risk comes from implementation, lower investor confidence, FX rates, & policy risk.



GCC Equities (Sector level)

Banks & Financial Services – GCC

US Fed cut policy rates 75 bps in 2025, and the market prices two more rate cuts into 2026e. Post lower policy rates, this is dependent on the inflation, US job market, uncertainty around tariffs, and how oil prices move in 2026. NIM sensitivity to Fed rate cuts across GCC banks is primarily driven by balance-sheet repricing mismatches over the next 12 months. Banks with a negative ALM gap, where liabilities reprice faster than assets, benefit from rate cuts as funding costs decline ahead of asset yields, supporting margins. Conversely, asset-sensitive banks experience NIM compression as loan yields reprice down more quickly than deposit costs, particularly where deposits are sticky or already low-cost. As a result, NIM outcomes vary meaningfully across GCC markets depending on funding mix, loan repricing structure, and deposit betas. In an easing cycle, GCC banks with liability-sensitive balance sheets and rate-responsive funding are better positioned to defend margins, while asset-sensitive banks with floating-rate loan books face near-term NIM compression. UAE banks are expected to see continued loan growth momentum driven by ongoing projects & driven by rising population as well as UAE economy isn't dependent only on oil activity due to favorable real estate conditions & tourism activity.

Kuwait presents an opportunity post the debt law/Mortgage law; this is expected to roll out gradually. With in KSA banks SNB maintains a 47.5% (2024A) of its loan book as corporate loan book and a sizable portion of that is floating rate, therefore SNB's rate-cut benefit reflects liability responsiveness rather than asset rigidity, distinguishing it from retail-CASA-heavy Saudi peers. In Qatar, rate sensitivity is better than UAE & Saudi driven by lower CASA deposits as well as asymmetry in pricing between deposits & loans.

UAE banks: UAE banks delivered exceptional credit growth in 2025, supported by non-oil GDP expansion, population inflows, and strong corporate activity. As of Q3-2025, system loan growth stood at +19% YoY and +17% YTD, with broad-based momentum across retail and corporate segments. Post-Q3-2025, several banks upgraded guidance. Retail-heavy banks benefited from mortgage and personal lending growth, while corporate-focused banks saw improved pipelines linked to trade, logistics, and infrastructure. Net interest margins varied, reflecting differing balance-sheet mixes, but dividend yields across the sector remained attractive at around 4–5%. The introduction of a 50bps countercyclical capital buffer from January 2026 represents normalization rather than tightening, signaling regulatory confidence in the cycle. **Preferred picks:** ADCB for balanced retail/corporate exposure and strong capital ratios. ADIB for high-margin retail growth and Islamic finance tailwinds.

KSA Banks: Saudi banks remain a cornerstone of the equity market, combining strong capitalization, improving asset quality, and stable profitability. Regulatory developments, notably the expected 100bps countercyclical capital buffer (CCyB) from May 2026 are likely to moderate loan growth, but this should not be interpreted as a negative credit event.

Preferred picks: Saudi National Bank and Al Rajhi Bank. Both stocks saw a modest rebound at the beginning of 2026, reflecting improved sentiment around rate expectations and regulatory clarity. However, performance should be viewed as stabilization rather than a full re-rating, with longer-term returns driven by capital management and asset quality.



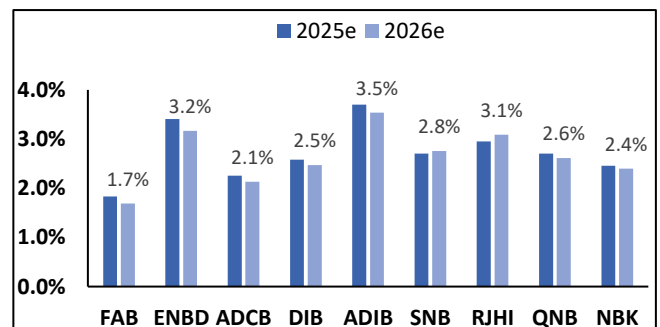
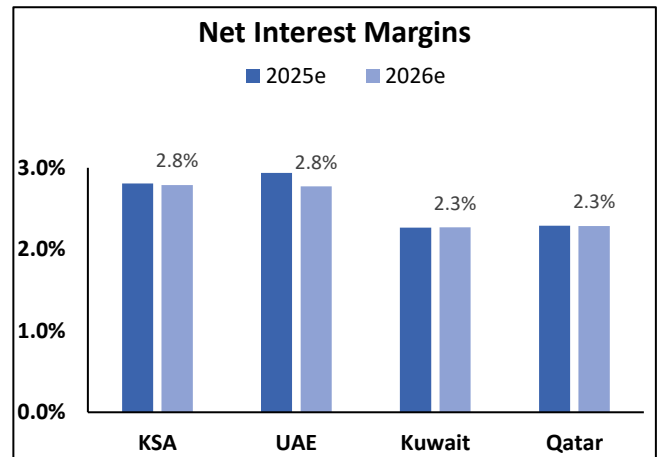
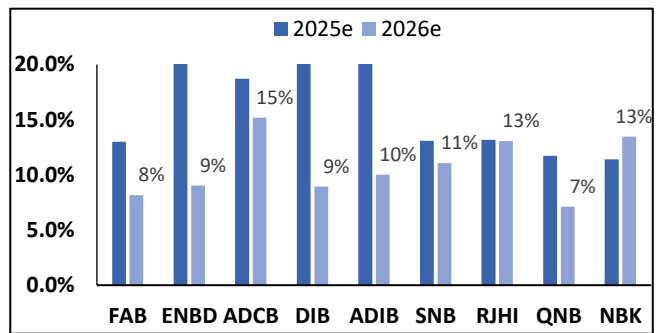
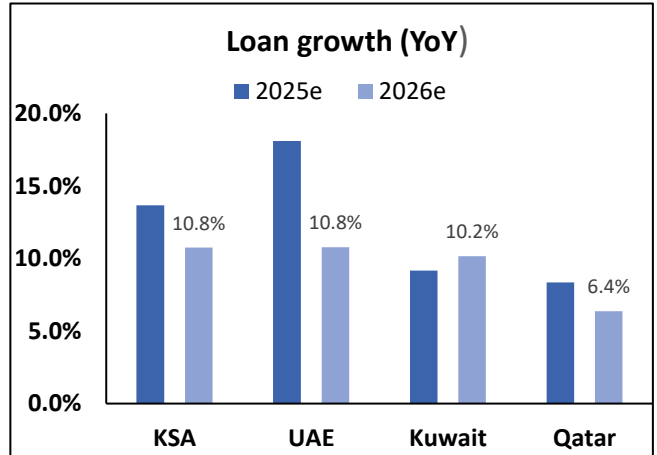
Banks & Financial Services – GCC

Qatar Banks: The banking sector dominates Qatar’s equity market and remains the primary transmission channel of macro stability into equity returns. In 2025, banks benefited from strong liquidity, stable funding costs, and limited credit stress, supported by government-linked deposits and a conservative lending framework. Loan growth moderated following the World Cup cycle, reflecting reduced project-related financing and cautious private-sector expansion. Looking ahead to 2026, bank earnings are expected to remain stable, credit growth is likely to remain modest, driven by government-related entities, trade finance, and selective corporate lending. Dividend sustainability remains the sector’s key attraction, with leading banks maintaining high payout ratios supported by excess capital.

The Kuwaiti banking sector remains the backbone of the equity market, accounting for a significant share of market cap and earnings. In 2025, bank earnings were supported by stable net interest margins and controlled credit costs, while loan growth remained modest due to soft private-sector activity. Looking ahead to 2026, banking sector loan growth is expected to be around 10% driven mainly by government-linked activity, selective corporate lending and some initial impact from mortgage lending. Dividend sustainability remains a key attraction, with leading banks offering consistent payout profiles supported by excess capital.

Preferred picks: NBK, KFH and GBK

Oman banks: The banking sector remains one of the main sectors in Oman’s listed equity universe. In 2025, banks benefited from improved asset quality, stable margins, and declining sovereign risk. Credit growth remained modest, constrained by cautious corporate investment and subdued private-sector expansion. Looking into 2026, loan growth is expected to remain in the low-to-mid single digits, driven by government-linked entities, infrastructure-related activity, and selective corporate lending. **Preferred pick:** Bank Muscat, offering balance-sheet strength, consistent dividends, and defensive earnings rather than high growth.



Source: Bloomberg, Daman Investments



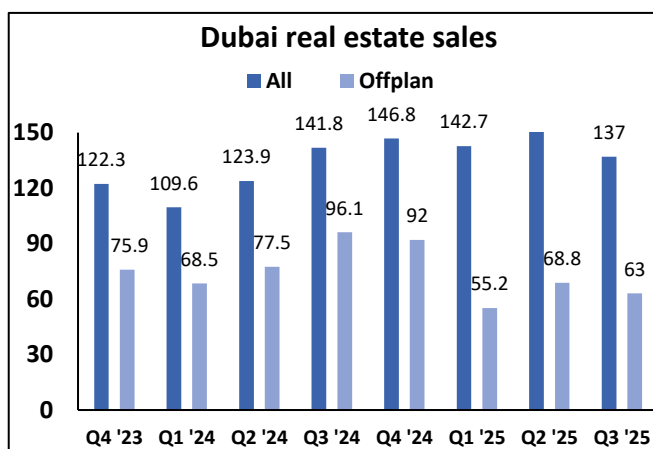
Real Estate - UAE

UAE Real estate: The UAE real estate sector continued to benefit from population inflows, sustained tourism demand, and foreign investor interest throughout 2025. Transaction activity and project launches remained elevated, particularly in Dubai and Abu Dhabi, supported by strong off-plan sales and investor appetite. Unlike Saudi Arabia, UAE real estate pricing remains largely market-driven within a regulated but flexible framework, allowing faster price discovery and absorption. Dubai real estate transactions reached AED139.7bn across 56,723 units in Q3-2025, with transaction volumes up 11% YoY, driven primarily by off-plan sales of AED 103.8bn. Average prices continued to edge higher, with apartments at AED 1,814/sqft (+2.5% QoQ) and villas at AED 2,276/sqft (+3.5% QoQ). Supply additions remain manageable in the near term, though expectations of higher completions in 2027 point to softer price appreciation further out.

Preferred picks: Emaar Properties for its flagship asset quality, strong presales visibility, and pricing power. Emaar Development offers direct leverage to Dubai's residential cycle, supported by strong off-plan demand, a sizeable sales backlog, and a capital-light development model that underpins earnings visibility and dividend capacity. Aldar Properties for its diversified income base and exposure to Abu Dhabi and Dubai population growth. TECOM Group for its annuity-style leasing revenues linked to non-oil sectors. RAK Properties as a beneficiary of Ras Al Khaimah's rising foreign interest. Dubai Residential REIT a play on high dividend yield offering cash flow and earnings visibility on rents gradually aligning with the current market levels.

KSA Real estate: Saudi Arabia's real estate reforms represent a key macro driver into 2026. The release of land subdivision restrictions in North Riyadh unlocks significant land supply, enabling new development and supporting construction activity. The white land tax incentivizes owners of idle land to develop or sell, increasing supply. The approval of a foreign ownership framework for designated areas, expected to be implemented in early 2026, should attract incremental capital, while the five-year rent freeze in Riyadh (from September 2025) dampens speculative activity and

stabilizes affordability. In the near-term outlook is weak on expected price decline and investors postponing purchases.



Source: DLD, Daman Investments

Transportation

UAE Transportation: Transportation sector in the UAE act as direct proxies for domestic demand, benefiting from population growth, tourism inflows, and rising economic activity. Toll roads, taxi services, and mobility platforms continue to see steady volume growth, translating into cash flows and operating leverage. Looking into 2026, the sector's appeal lies in earnings visibility and regulatory clarity. **Preferred picks:** Salik for its inflation-linked tariffs, volume growth, and strong free cash flow. Dubai Taxi Company (DTC) for steady demand, regulated pricing, and population-driven utilization gains, as well as new contracts won since IPO which was higher than promised. Parkin a play on population growth, increasing premiumization of the parking spaces and tourism growth.

KSA Transportation: Transportation sector in Saudi Arabia are closely linked to domestic travel normalization, tourism expansion, logistics growth, and government-led mobility initiatives. In 2025, rising travel volumes supported utilization rates across car rental and leasing operators, but competition and pricing discipline limited margin expansion. The medium-term outlook remains constructive, underpinned by structural drivers such as Hajj and Umrah flows, Riyadh Season, domestic tourism initiatives, and rising corporate mobility demand.



KSA Transportation:

Saudi transportation remains more fragmented, resulting in higher execution risk and greater earnings dispersion across operators. **Preferred picks:** Budget Saudi benefits from scale, corporate leasing exposure, and improving utilization. Beyond direct mobility plays, the expansion of the airline ecosystem including Riyadh Air supports ancillary beneficiaries such as Saudi Catering, which stands to gain from increased passenger volumes and airline capacity growth. In summary, transportation is a selective growth sector, where volume growth is visible, but execution and pricing discipline determine returns. Saudi Ground Services is expected to be another beneficiary from increased opportunity in ground handling operations despite increasing competition.

Healthcare & Insurance

The UAE healthcare sector continues to benefit from favorable demographics, population growth, mandatory insurance coverage. In 2025, margin pressure emerged in select segments due to some capacity expansion and competition; however, utilization rates continued to improve. Moving into 2026, the focus shifts toward operational efficiency, case-mix optimization, and pricing discipline, as providers scale existing assets rather than pursue aggressive expansion. Healthcare remains structurally attractive as a non-cyclical sector with long-term demand visibility. **Preferred pick:** PureHealth for scale, integrated services, broad range of subsidiaries and government-linked demand.

KSA healthcare and insurance: The Saudi healthcare sector is undergoing a capacity-driven transition phase where the significant investment has resulted in intensifying competition and placing short-term pressure on margins as facilities ramp up utilization this contributed to earnings volatility across the sector in 2025. Population growth, higher chronic disease prevalence, and the continued expansion of mandatory health insurance support volume growth. Importantly, the insured population as a percentage of total residents continues to rise, improving demand visibility. Government-led privatization initiatives further reinforce the medium-term outlook by shifting service provision toward private operators.

Looking head, as utilization rates normalize and newly added capacity matures, margins are expected to recover only if hospitals capacity expansion story slows down. Therefore, 2026 performance will depend on how quickly new capacity converts into profitable utilization, making stock selection critical. **Preferred pick:** Mouwasat as it should increase bed capacity by 2030e by 1,200 beds through 7 greenfield/brown field projects, with price increases with insurance companies implemented beg of 2024 for 3 years. The stock trades at a P/E multiple of 16x which is below sector avg.

Health insurance in Saudi Arabia continues to benefit from structural expansion in coverage, with insured lives rising 12% YoY to 13.8mn as of Oct-2025, driven by stronger enforcement, rising employment, and mandatory coverage initiatives. However, medical inflation remains elevated at 8–12% in 2025–26, reflecting higher treatment costs and the growing share of premium private hospitals. This creates a timing mismatch, as insurers typically face a lag between cost inflation and premium repricing, weighing on near-term underwriting margins. Preferred pick is Tawuniya where it outperformed, gaining +2.1pp market share YoY in H1-2025, supported by improved pricing discipline and product mix. In motor insurance, the strategy has been deliberately defensive: Tawuniya has ceded lower-margin contracts to repair profitability, with early signs of price stabilization emerging. Medium-term upside is supported by stronger enforcement, as an estimated 25% of vehicles remain uninsured, representing a structural volume opportunity. Life insurance remains an underpenetrated but long-duration growth theme, supported by Saudi Arabia's young demographics (over 50% of the population under 30), rising income formalization, and growing awareness of retirement and protection products. This underpins gradual demand for savings, protection, and annuity products over time. P&C insurance (ex-motor) remains stable rather than high growth, supported by infrastructure activity, compulsory lines (medical, motor), and gradual normalization of pricing discipline. Profitability is increasingly defined by underwriting selectivity rather than volume expansion.



Utilities

UAE Utilities: Utilities across the UAE offer a defensive earnings profile, underpinned by long-term contracts, regulated or quasi-regulated pricing, and structurally rising demand linked to urban development. District cooling, power, and water consumption continue to benefit from residential and commercial expansion, delivering predictable cash flows and attractive dividend yields. **Preferred picks:** Empower, driven by capacity additions of 97k–122k RT in 2025–26, supporting utilization growth and a 5–6% dividend yield. DEWA, offering strong visibility with a guided minimum dividend of AED 875mn in 2025E (4.5% yield). DEWA's regulated framework, scale advantages, and stable demand profile make it a core defensive holding, particularly as investors increasingly prioritize income stability.

KSA Infrastructure & Utilities: Infrastructure and utilities stand out as primary beneficiaries of real estate unlocking and population growth. Even if giga-projects are re-sequenced, basic urban infrastructure must expand. **Preferred Picks:** East Pipes and Electrical Industries, which benefit from demand for water pipelines, power connections, and grid expansion. Also, AWPT provides leveraged exposure to Saudi Arabia's long-term water, wastewater, and irrigation investment cycle.

Consumer Staples Distribution & Consumer Services

UAE Consumers: Consumer spending in the UAE is driven primarily by population growth, employment stability, and tourism, rather than direct oil-price sensitivity. In 2025, consumption remained resilient despite global macro uncertainty. Looking into 2026, growth is expected to normalize but remain positive, with performance increasingly differentiated by pricing power, scale, and execution. Defensive and essential retail formats are better positioned than discretionary-heavy concepts, particularly as household spending becomes more selective. **Preferred picks:** Spinneys for its differentiated offering and Lulu Retail for essential consumption exposure & scale.

KSA Consumers: Saudi consumer sectors faced a difficult operating environment in 2025, driven by lower real disposable income growth, promotional intensity, and heightened competition, particularly in discretionary categories. Margin pressure was most visible in segments with limited pricing power and fragmented competition. Looking into 2026, we expect gradual stabilization rather than a sharp rebound, with performance increasingly differentiated by pricing power, scale, and cost discipline. Companies operating in essential consumption categories or with strong brands are better positioned to protect margins, particularly where selective price increases can be implemented without materially impacting volumes.

Consumer sectors in Kuwait remain constrained by limited population growth, wage rigidity, and elevated household leverage. In 2025, consumer spending showed little acceleration, reflecting cautious sentiment and limited income growth outside the public sector. Retail and discretionary names continue to face promotional intensity and margin pressure, with few visible catalysts for a meaningful recovery in 2026.

Industrials – UAE

Logistics remains one of the UAE's strongest structural growth themes, underpinned by rising non-oil exports, robust re-export activity, and sustained investment in ports, free zones, and industrial infrastructure. Sector revenues are largely volume- and contract-driven, providing strong visibility and insulation from oil price volatility. **Preferred pick:** AD Ports. We view AD Ports as a key beneficiary across the logistics value chain and industrial zones. Importantly, even in a softer oil environment, logistics activity is expected to remain resilient, leaving AD Ports well-positioned to capture growth linked to the UAE's expanding non-oil GDP and its role as a regional trade hub. Balance sheet strength is further supported by ongoing asset monetization. AD Ports has announced three divestments aimed at monetizing non-core assets and deleveraging, with transactions expected to release approximately AED 4.6bn (AED 2.6bn received in 2025). This should reduce leverage from 3.6x to 3.3x by FY2025E and translate into meaningful interest cost savings.



Commodities:

KSA commodities: **Preferred Picks:** AMAK and Maaden. **Arabian Mining Company (AMAK)** represents one of the clearest examples of Saudi Arabia's mining diversification strategy translating into listed equity opportunity. AMAK operates a multi-metal portfolio spanning precious metals (gold and silver) and base metals (copper and zinc), with earnings driven by a combination of commodity prices, production volumes, and operational efficiency. A key differentiator for AMAK is that less than 10% of its licensed exploration area has been drilled, leaving substantial scope for further resource additions. Recent drilling results indicate a material expansion in copper–zinc–gold mineralization, with management estimating that additional discoveries could meaningfully enhance long-term reserves and mine life. This shifts the AMAK story from a mature producer into a growth-through-exploration profile, coupled with capital intensity in the near term. From a revenue mix perspective, precious metals contributed approximately 33.6% of revenues in 2024, with this share expected to increase to north of 40% in 2025E, driven by higher gold and silver prices.

This provides partial downside protection relative to base-metal cycles while preserving upside in stronger commodity environments. However, profitability and free cash flow in the short term are expected to remain somewhat pressured by ongoing exploration and development expenditures, as AMAK advances feasibility and development studies to convert exploration licenses into mining licenses, with further updates expected through 2026. Overall, AMAK offers operational leverage, commodity price exposure, and asymmetric exploration upside, making it a higher-risk, higher-return component within Saudi's mining universe.

Maaden: Maaden's revenues are dominated by phosphate and downstream fertilizer products, which account for roughly half of group revenues and drive the bulk of earnings volatility. Aluminum contributes around a quarter of revenue, providing industrial diversification but retaining exposure to global growth cycles. Gold represents a smaller, high-margin component that improves earnings resilience and offers downside protection during periods of macro stress, while copper and other metals remain limited contributors today but represent long-term exploration and valuation optionality. Maaden's investment case rests on scale, diversification across commodities, and pipeline depth. Recent partnership announcements, including joint ventures targeting large exploration belts such as the Nabta Duwaihi gold belt, reflects a strategic pivot toward accelerated exploration throughput and de-risked pipeline expansion. These partnerships allow Maaden to expand its resource base while sharing upfront exploration risk and capital requirements, improving capital efficiency. While Maaden's earnings remain sensitive to global aluminum, phosphate, and gold markets, the company's alignment with Vision 2030 gives policy backing and funding visibility, even in a lower oil price environment. The key medium-term catalyst is not just higher commodity prices, but the ability to turn exploration discoveries into approved projects, which would support production growth beyond existing assets.

Oil & Gas

Oil markets are expected to remain within range of into 2026 with oil averaging around \$60/bbl as OPEC+ supply additions of approximately 2.2mbpd have outpaced demand growth of around 1.1–1.3mbpd, keeping the market in mild surplus. With a further approx. 1.2mbpd of OPEC+ supply can be produced as OPEC+ has the capacity to. As a result, prices are likely to stabilize rather than rebound sharply, with rebalancing pushed into late 2026 or beyond. However, OPEC+ countries are not the only producers & they would react with a lag as there are projects already signed for delivery, therefore global oil inventory is expected to keep rising in 2026.



Oil & Gas

GCC countries' oil prices effect: Saudi: Government spending is expected to be further rationalized – especially on projects such as giga projects, metro lines, new cities, and big infrastructure projects. However, the Saudi government may be more comfortable with running a budget deficit for a few years vs others as it has a low cost of production of oil, making the oil breakeven price lower vs others. UAE: UAE government non-oil GDP is now around 77.5% and real GDP growth is expected to continue around 5% in 2026. UAE is less sensitive in the GCC because it has revenue diversification due to tourism. Qatar: Qatar benefits from LNG making them less sensitive to oil price movements. Kuwait government announcing a new public debt law enabling market borrowing for long term mortgage plans is a progress, however there is also uncertainty around the implementation timing & how housing projects activity accelerate in sync with the new law implementation. Therefore, Kuwait can afford a low oil price environment in 2026 but there is uncertainty around it. Oman: Oman has improved public debt position at 35% of GDP vs >67% in 2020, stock market liquidity has also improved, as well as non-oil expansion giving it more room to manage weak oil prices. Oman has better diversification vs before but more price sensitive than UAE/Qatar.

MENA region oil prices effect: : Generally, beneficiaries of oil prices are net oil importers like Egypt, Morocco, Jordan & Turkey, as their import cost falls leading to lower inflation pressure. Countries that can suffer are oil dependent exporters with limited other revenue sources & higher debt like Nigeria and Iraq.

Qatar Energy & Gas remains the backbone of the economy and a key source of stability for the equity market, supported by Qatar's long-term LNG expansion strategy and long-term contract renewals with Asian and European buyers.

Gas-linked equities offer defensive exposure, underpinned by long-term LNG contracts, volume-driven growth, and pricing formulas that significantly reduce earnings volatility.

While upstream LNG production is not listed, the ongoing North Field East and South expansions provide important second-order benefits to listed energy, utility, and industrial names through higher volumes and infrastructure utilization.

Preferred Pick: QGTS (Nakilat) - Nakilat stands out as the purest listed LNG exposure via transportation and logistics, with long-term (15-25 years) fixed-rate charters insulating earnings from commodity price volatility. The company owns and operates one of the world's largest LNG shipping fleets, sitting on long-term, fixed-rate contracts to QatarEnergy and international counterparties. Nakilat fleet expansion is also promising through entering long-term contracts with Qatar Energy to charter & operate 27 LNG carriers with 174,000 cbm & 9 QC-Max LNG carriers with 271,000 cbm. As well as four LPG/Ammonia gas carriers with 88,000 cbm. The total vessel count to then reach 112 once all vessels are delivered. Looking into 2026, the sector's outlook remains stable, characterized by predictable revenues, low earnings volatility, and sustained dividend distributions.

AI & Data centers:

With-in data centers framework within Qatar: Meeza represents the most direct listed exposure to Qatar's digital infrastructure and data-center expansion, with the company transitioning from an IT services provider into a data-center-led infrastructure platform. Meeza can be an addition after seeing how investors react to higher expected net debt/ebitda expected to peak at 6.7x in 2027e as the company increases its data center investments as the company announced signing a contract with a major company worth of QAR750mn to provide 6MW of capacity. Therefore, near term EPS is expected to be under pressure from heavy finance cost & D&A despite higher revenue expectations however post ramp up (2027), EPS acceleration is expected. Investors can support share price as a result of data center demand, however investors may not overlook short term EPS weakness & could become the focus instead of long-term growth projections. Valuation is also a bit demanding at the current levels.



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