Monthly Asset Allocation, Outlook & Review

October 2026

ضمان للإستثمار
DAMAN INVESTMENTS



Highlights of the Month

- Global markets in October showed divergence across global asset classes.
- Global equities declined during the month, with the MSCI ACW Index down 1.7% and MSCI World Index down 0.8%.
- Emerging markets (-8.1%) underperformed developed markets (-0.8%).
- The S&P 500 Index & Nasdaq Index declined 0.9% and 5.3% respectively, while DJIA Index advanced 4.3%.
- U.S. Treasury yields moved sharply lower, with the 2Y and 10Y down 30bps and 36bps, respectively.
- Fixed income returns were mixed, with Barclays Global Agg. and High Yield indices at +1.4% and -0.2%, respectively.
- Gold declined 6.8% driven primarily by profit-taking and currency defense by EMs.
- Dubai (-3.2%), Abu Dhabi's (-6.0%) & Saudi (-5.0%) equities declined.
- The FTSE MENA Broad Bond Index ended the month 1.6% higher.
- We remain overweight on equities, while keeping the portfolio well diversified across sectors.
- We continue to favor a well-diversified portfolio to navigate near-term inflation risk and geopolitical uncertainties.
- In fixed income, we remain underweight on duration, prioritizing 2-5 year maturities.



Global Asset Allocation and Outlook

Fed remains cautious as persistent inflation has increased the chances of further hikes:

Since our last update, the Federal Reserve has maintained a cautious policy stance, keeping rates unchanged at its October meeting. While economic activity remains resilient, persistent inflation and higher energy prices continue to limit the scope for monetary easing. Recent Fed communication suggests that policymakers remain focused on bringing inflation back towards the 2% target, with market implying more than 100% probability of further tightening in December as October inflation came above expectation (Core CPI rose 0.3% MoM vs consensus expectation of 0.2% MoM.

Our views on long-term yields and interest rates:
We continue to believe that structurally higher long-term yields are likely to remain a feature of the investment landscape. The recent decline in yields was driven by safe-haven demand as investor rotated out of equities, however, persistent inflation, elevated fiscal deficits, increased government borrowing and strong nominal economic growth continue to place upward pressure on bond yields. The US 10-year Treasury yield ended October at 4.93% and has subsequently moved above 5%, reinforcing our view that the market is unlikely to return to the low-yield environment of the previous decade. We expect the Fed to maintain a restrictive policy stance, with the possibility of further rate increases if inflation remains elevated. Hence, we continue to see better value in the short end of the yield curve, particularly the 2–5-year segment, while remaining cautious on long-duration government bonds. We do not see policy as restrictive and expect the fed to hike 2 more times for the real rate to go above 1%.

We remain constructive on risk assets:

The global macroeconomic backdrop remains reasonably resilient, supported by corporate profitability and continued investment in artificial intelligence and digital infrastructure. However, the October correction in technology and emerging-market equities highlights increasing concerns around valuations, financing requirements and the sustainability of AI-related capital expenditure. We view this correction as a valuation reset rather than necessarily the end of the AI investment cycle. We continue to favor companies with strong balance sheets, established competitive advantages and visible free-cash-flow generation. Democrats can slow down the permits, however, a broader interference could lead to slower economic growth, arbitrage between different states and countries with US being a net loser. Hence, we believe the AI investment cycle should continue albeit at a slightly lower pace.

We continue to favour a diversified multi-asset portfolio with an overweight allocation to global equities, focusing on high-quality companies benefiting from long-term structural themes such as artificial intelligence, digital infrastructure and electrification.

Within fixed income, we prefer credit over duration, with high-yield and emerging-market bonds continuing to offer attractive carry. We remain constructive on industrial metals, particularly copper, given structural demand from electrification, data centers and infrastructure investment. Gold remains a strategic portfolio diversifier amid geopolitical uncertainty and elevated fiscal deficits, although we remain cautious on its near-term performance following the October correction.

We remain overweight on equities, supported by resilient earnings growth and structural investment in AI and digital infrastructure. With However, we favor a more balanced approach, diversifying beyond large-cap technology into selected value-oriented and defensive sectors.

We stay neutral on fixed income, with 2–5 years remaining our preferred maturity segment to avoid excessive exposure to volatility in long-duration bonds. We remain overweight on high-yield and underweight on investment-grade credit. GCC high-yield continues to offer selective opportunities, particularly in bank perpetuals and real estate issuers, where investors can lock in attractive yields.

Global Equities:
We remain overweight on developed-market equities and neutral on emerging markets. Higher energy prices and geopolitical risks present challenges for energy-importing emerging economies, while the recent correction across Asian technology markets warrants greater selectivity.

Within developed markets, we remain overweight on the US and neutral on Europe. The US continues to offer exposure to leading technology companies and structural growth opportunities in AI infrastructure. However, the October correction reinforces the importance of focusing on companies with strong balance sheets, sustainable earnings and attractive valuations. We also see opportunities in financials, healthcare, industrials and selected defensive sectors as market leadership broadens.

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Global Asset Allocation and Outlook

Within emerging markets, we remain overweight on Korea and Taiwan, given their strategic importance in the global semiconductor and AI supply chains, although we favour disciplined position sizing following the recent correction. We remain overweight on selected Latin American markets, particularly Brazil, Chile and Peru, and underweight on EMEA, given geopolitical uncertainty and macroeconomic risks. We also prefer exposure to India as we see it as a major portfolio diversifier away from AI linked Asian markets.

We expect the pick and shovel sectors (memory chip makers, GPU and ASIC chips designers and makers, and power equipment makers) across both DM and EM markets to continue to attract further investor inflows.

Preferred Picks:

Technology and communication services: Microsoft, Nvidia, Amazon, META, Netflix, Broadcom, Alphabet, Micron, SK Hynix, Coherent, Lumentum

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

Industrials/Auto: GM, Ford, Caterpillar, Deere, GE Vernova, Vertiv Holdings

Financials: JPM, Citi, Visa and Mastercard

Utilities: Nextra Energy

Consumer Staples: Walmart

Energy: Chevron, Exxon, Valero, Occidental Petroleum

MENA Equities:

We keep a positive medium-term outlook on GCC equities, supported by resilient earnings, strong banks and government investment. In the near term, we remain cautious about geopolitical risk, particularly in the UAE, and about a possible Fed hike in December. Valuations are now more supportive, and we remain selective, favouring companies with strong cash generation, and healthy balance sheets.

We continue to favour leading UAE and Saudi banks, which have solid capital positions and healthy asset quality. Q3 results were broadly resilient, although higher provisions weighed on some lenders. In Saudi, elevated funding costs and higher government borrowing needs call for a more measured growth outlook. A possible easing of foreign-ownership limits remains a catalyst, but its timing is uncertain.

We remain constructive on leading UAE developers, particularly Aldar and Emaar Development, whose sizeable backlogs support medium-term earnings visibility. Aldar is positioned for a stronger Q4, with approximately AED5bn of late-September bookings due to be recorded and further launches supporting its reiterated FY26 sales guidance, while Emaar Development's AED119.8bn backlog supports continued revenue recognition. In Saudi, we favour Masar's exposure to Makkah's development pipeline and potential demand from foreign buyers, demonstrating land monetisation potential. We keep our preference for UAE energy and infrastructure companies benefiting from capacity expansion. ADNOC Gas has restored 85% of Habshan's gas supply, ahead of schedule. Export constraints through Hormuz remain the main near-term risk.

Our preferred plays include:

- **Banks**: ADCB, ADIB, ENBD, KFH, NBK, SNB
- **Consumer Discretionary**: Spinneys, Almarai
- **Energy**: ADNOC Drilling, ADNOC L&S, NMDC Energy
- **Healthcare/Insurance**: HMG, Tawuniya
- **Real Estate**: TECOM, Aldar Prop, Dubai Residential, Emaar Dev, Emaar Prop., MASAR
- **Industrials**: Riyadh Cables
- **Transportation**: Parkin
- **Utilities**: DEWA, Empower

Global Fixed Income:

We remain neutral on bonds for the rest of 2026 and underweight duration, as current higher yields, with the 10-year Treasury still close to 5%, provide attractive income and improve long-term return prospects. In our view, a selective yield-spread approach may offer opportunities, while diversification across geographies could help mitigate country-specific risks. We remain selective on duration and continue to view an average portfolio duration of around two to five years as optimal to balance carry, roll-down potential, and volatility, while avoiding overexposure to the long end. With the 2-year Treasury yield pricing in more tightening than we expect, we see value at the short end of the curve. We prioritize earning carry from high-quality fixed income and remain active and flexible in managing duration and sector allocation, mindful of ongoing risks from persistent inflation, the oil-price shock, fiscal deficits, and geopolitical uncertainty that could continue to drive interest rate volatility through year-end. Within credit, we continue to prefer high yield over investment grade for carry, but remain selective as spreads widen from tight levels and the correction in equity markets tests risk appetite. Rising government deficits with the U.S. debt above $40 trillion continue to reinforce investor caution toward the long end of the Treasury curve, even after October's rally.

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Global Asset Allocation and Outlook

EM Fixed Income:
Emerging Market and GCC credit recovered in October, Tensions in the Strait of Hormuz pushed Brent crude up 13.6% to $117.6/bbl, a six-month high. GCC sovereign yields fell less than U.S. Treasuries, with 10-year Saudi and Abu Dhabi USD bond yields down 22bp and 28bp to 5.83% and 5.45%, respectively, while sovereign CDS widened, with Saudi Arabia's 5-year CDS up 7bp to 73bp and Qatar's up 9bp to 49bp. Egypt underperformed, with its 8-year USD bond yield rising 24bp to 8.78% as the Egyptian pound weakened 6.8% against the dollar and the central bank delivered a surprise 100bp rate hike to 20%. Regional central banks held rates following the Fed's pause, with 3-month EIBOR broadly unchanged at 4.34%.

We maintain a cautious but more balanced stance on EM and GCC fixed income for October, as global rates stabilized after September's sharp sell-off while domestic tightening and elevated oil kept pressure on parts of the EM universe. At its October 27–28 meeting the Fed held the target range at 3.75%–4.00% by a 10–2 vote, with two members dissenting in favour of another 25bp hike. Chair Warsh described the pause as a chance to gather more information and offered limited forward guidance, with markets still pricing a further hike in December. U.S. Treasury yields eased from September's highs, with the 10-year around 5.0% (from about 5.3% at the end of September), and the curve steepened on the decision. Brent crude stayed above $100 a barrel for much of the month, and hopes of de-escalation emerged late in the month. The Emerging Markets Aggregate Index (EMUSTRUU) and the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) rose 1.26% and 1.2% respectively, broadly in line with the 1.4% gain in the Bloomberg Global Aggregate Index, though U.S. high yield slipped 0.2%. GCC issuance recovered from September's lull, with Saudi Arabia's domestic sukuk program more than quadrupling and the UAE and Kuwait both completing auctions at materially higher yields than earlier in the year.

Bonds at elevated yields continue to provide healthy income and diversification, playing a core role in portfolios. With the Fed on hold but not done, and regional tensions still driving oil, we continue to favour quality and selectivity.

Saudi Arabia remains the dominant issuer in the GCC. It raised $15.73 billion through 17 issuances in Q3 2026, roughly 45% of the region's $34.8 billion total, while overall GCC primary issuance fell 13.5% year-on-year as higher yields dampened supply. Kuwait was the standout, with issuance up 106% to $8.73 billion.

The NDMC closed its October SAR-denominated sukuk issuance, raising SR 6.749 billion ($1.8 billion) across four tranches maturing between 2031 and 2039. That is more than four times September's SR 1.64 billion, although still below August's SR 9.52 billion. The 2036 tranche was the largest at SR 3.446 billion, followed by SR 2.735 billion in 2033 paper.

UAE: The UAE Ministry of Finance completed its October auction of dirham-denominated Treasury Sukuk and Treasury Bonds, raising AED 1.1 billion against bids of AED 4.54 billion, an oversubscription of 4.1 times. The new T-Sukuk tranche maturing October 2029 priced at a 4.95% YTM and the T-Bond maturing January 2031 at 5.05%, spreads of 19bp and 26bp over comparable U.S. Treasuries. The January 2031 T-Bond yield is about 57bp above July's 4.48%, which shows how far dirham funding costs have risen since mid-year.

What we like: Emaar Properties, Aldar Properties, Binghatti Holding, Emirates NBD.

KUWAIT: Kuwait continued to fund its fiscal shortfall in the domestic market. The Central Bank of Kuwait issued KD 150 million (about $486 million) of seven-year Treasury bonds and Tawarruq at a uniform yield of 4.125%, with bids of KD 386 million, 2.57 times the amount offered. The yield is 50bp above September's 3.625% for the same tenor, and the larger KD 150 million size follows KD 100 million in September. Demand remained solid even as pricing moved higher, consistent with Kuwait's strong Q3 issuance pace.

INDIA – India's 10-year G-Sec yield rose about 23bp over the month to roughly 7.4%, its highest level in about three years, as domestic tightening dominated the global easing in yields. On October 7 the RBI raised the repo rate by 25bp to 5.50%, its first hike in nearly four years, and shifted to a "calibrated tightening" stance. It also raised banks' daily cash reserve maintenance requirement to 99% from 90% and continued open-market bond sales to absorb surplus liquidity. September CPI accelerated to 5.54%, and Brent near $104–107 added to inflation concerns. The India–U.S. 10-year spread widened to about 250bp from about 190bp at the end of September, but foreign investors continued to sell in the secondary market.

What we like: INCLEN, Adani Ports, Indiabulls Housing, Adani Green, Axis Bank, IIFL, Capri Global.

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Global Asset Allocation and Outlook

	Underweight	Neutral	Overweight
By Asset class:			
Equities			
Fixed Income			
Alternatives			
Cash			
Equities - by region:			
DM			
US			
Japan			
Euro Area			
EM			
EM Asia			
EM Europe			
EM MENA			
EM LatAm			
Fixed Income - by region:			
South Asia			
Far East Asia			
Latin America			
MENA			
Sub-Saharan Africa			
Central & Eastern Europe			
Fixed Income - Rates, Spreads and Duration			
Rates			
Spreads			
Duration			
Fixed Income - Credit:			
Global Investment Grade			
Global High Yield			

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Monthly Review

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Global Markets

October was characterized by a significant divergence across global asset classes, with a sharp correction in technology and emerging-market equities contrasting and sharp move higher in investment grade fixed income on safe-haven demand and strength in energy markets. Global equity performance were negative, as the MSCI All Country World Index declined 1.7%, while the MSCI World Index fell 0.8%, however, headline returns masked the sharp rotation beneath the surface. Emerging markets significantly underperformed, declining 8.1%, reflecting weakness across Asian technology markets and several major emerging economies. In contrast, developed European markets delivered positive returns, supported by stronger performance in defensive sectors and a rotation away from growth-oriented stocks.

Fixed income markets staged a meaningful recovery during the month as government bond yields declined across major markets. The US 10-year Treasury yield fell 36 basis points to 4.93%, while the 2-year yield declined 30 basis points to 4.59% and the 30-year yield fell 32 basis points to 5.31%. Real yields declined 33 basis points to 2.59%, while the 10-year inflation breakeven rate eased 3 basis points to 2.34%. The decline in yields supported positive returns across sovereign and investment-grade credit markets, with the Bloomberg Global Aggregate Index gaining 1.4%, the US Treasury Index rising 2.4% and the US Corporate Index advancing 2.2%. Emerging-market hard-currency debt also performed positively, gaining 1.3%, while the GCC Credit and High Yield Index rose 1.2%. The relatively muted performance of high-yield markets, particularly global high yield, which declined 0.2%, highlights the continued differentiation between investment-grade and lower-rated credit.

The decline in Treasury yields was broad-based across the maturity spectrum, with the 2–10-year spread narrowing by 6 basis points to 34 basis points. The decline in real yields provided support to duration-sensitive assets, while lower inflation breakevens suggested a moderation in market-implied inflation expectations. Within the GCC, sovereign yields also declined, with 10-year Abu Dhabi and Saudi government bond yields falling 28 and 22 basis points, respectively. Credit spreads remained relatively contained, although CDS movements were mixed across the region.

October's bond market recovery was driven by a combination of increased demand for safe-haven assets amid heightened equity-market volatility and a reassessment of the interest-rate outlook. Importantly, the rally in government bonds occurred despite resilient economic activity and renewed inflationary pressures from higher energy prices. This suggests that investors increasingly prioritized capital preservation and portfolio diversification over near-term inflation concerns. We continue to favor credit over duration within fixed income, given the attractive carry available in investment-grade and selected high-yield markets. However, the October decline in yields reinforces the diversification benefits of high-quality government bonds, particularly during periods of equity-market stress.

Commodity markets were mixed, with the Bloomberg Commodity Index declining 0.4% during October. Energy was the strongest component, with Brent crude rising 13.6% to USD 117.64 per barrel, while natural gas declined 4.2%. In contrast, precious and industrial metals remained under pressure, with gold falling 6.8% to USD 3,875 per ounce, copper declining 0.9%, aluminum falling 1.7% and nickel declining 4.1%. The strength in crude oil contrasted with weakness across most other commodity segments, reflecting the influence of geopolitical supply risks on energy prices.

Energy markets strengthened significantly during the month as escalating geopolitical tensions in the Middle East heightened concerns around global oil supply and transportation routes. Brent crude climbed above USD 118 per barrel during October, its highest levels in several months. The increase in energy prices presents an additional inflationary risk, particularly given the potential for higher transportation, manufacturing and input costs to feed through into consumer prices. European natural gas prices also strengthened considerably, with TTF rising 41.1%, highlighting the sensitivity of global energy markets to geopolitical developments and supply disruptions.

Petrochemical markets were relatively resilient despite weakness across the broader commodity complex. Southeast Asian polyethylene prices increased 3.8%, while polypropylene gained 5.6%. HDPE and LLDPE also advanced 3.8%, whereas LDPE remained unchanged. In contrast, methanol declined 3.1% and MEG fell 13.3%. Naphtha prices increased sharply by 22.1%, reflecting the strength in underlying energy feedstock prices. Urea markets weakened, with Middle East urea declining 4.5%, while Egyptian urea remained unchanged.

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The divergence across the petrochemical complex suggests that higher feedstock costs are providing support to selected product prices, although the sustainability of margins will depend on the extent to which producers can pass on higher input costs amid uneven global demand.

Agricultural commodities weakened during October. Wheat declined 10.7%, corn fell 10.6% and soybean prices decreased 5.5%. The broad-based decline reflects easing agricultural commodity prices, although weather conditions, geopolitical disruptions and global supply developments remain important sources of volatility.

Gold declined sharply by 6.8% during October to USD 3,875 per ounce, despite the heightened geopolitical uncertainty and weakness in global equity markets. The decline suggests that traditional safe-haven demand was insufficient to offset the impact of currency movements, liquidity considerations and profit-taking following the substantial rally in previous periods. The US Dollar Index increased 0.4% during the month, while the US dollar strengthened against the euro by 1.5%. We continue to view gold as an important strategic portfolio diversifier, although the near-term price trajectory remains sensitive to movements in real yields and the US dollar.

Global Equities:

Emerging markets significantly underperformed developed markets during October, with the MSCI Emerging Markets Index declining 8.1%, compared with a 0.8% decline in the MSCI World Index. The weakness was particularly pronounced across Asian technology markets, which had been among the strongest performers earlier in the year. South Korea declined 16.8%, Taiwan fell 6.2%, China declined 7.2% and Indonesia fell 12.7%. Brazil also experienced a significant correction, declining 12.1%, while Turkey fell 8.1%. In contrast, Mexico gained 4.4%, India advanced 0.3% and Qatar increased 0.5%.

The sharp correction across Asian technology markets reflected growing investor concerns around the sustainability of the AI investment cycle. Following substantial gains in semiconductor and AI-related equities, investors increasingly questioned whether the scale of capital expenditure across data centres and AI infrastructure would translate into adequate returns on invested capital. Concerns around financing requirements, cash burn and the monetisation of AI investments contributed to a significant reassessment of valuations across the semiconductor ecosystem. Foreign investors also withdrew substantial capital from Asian equity markets during the month, adding to the selling pressure in Taiwan and South Korea.

Despite the correction, we do not view the October weakness as a structural reversal of the AI investment theme. Rather, it highlights the growing differentiation between companies with sustainable competitive advantages, strong balance sheets and visible cash-flow generation and those relying on continued access to capital to fund aggressive expansion. We remain constructive on the long-term AI infrastructure opportunity, particularly across semiconductors, memory, networking, optical connectivity, power infrastructure and cooling. However, we continue to favour established companies with strong balance sheets, pricing power and demonstrable free-cash-flow generation, while remaining cautious on highly leveraged AI infrastructure businesses.

U.S. equities were mixed during October, with the S&P 500 declining 0.9%, while the Nasdaq Composite fell 5.3%. In contrast, the Dow Jones gained 1.7% and the Russell 2000 advanced 0.5%, highlighting a significant rotation away from large-cap technology stocks towards value-oriented and defensive segments of the market. Sector performance reflected this divergence. Energy was the strongest sector, gaining 14.0%, followed by Consumer Staples, which rose 11.4%, Utilities, which advanced 10.1%, and Healthcare, which gained 9.7%.

Financials also performed well, increasing 5.8%, while Information Technology declined 6.8% and Communication Services fell sharply by 15.2%.

The divergence between the Nasdaq and broader U.S. equity benchmarks highlights the concentration risk associated with the technology-heavy segments of the market. The market increasingly rewarded companies with established earnings, resilient cash flows and lower dependence on external financing, while penalising businesses where valuations had become increasingly dependent on expectations of future AI-related growth. We believe this rotation reinforces the importance of diversification within equity portfolios rather than relying excessively on a narrow group of large-cap technology stocks. We remain constructive on secular technology opportunities but favour a more selective approach, with an emphasis on companies that can convert AI-related investment into sustainable earnings and cash flows.

European equities outperformed most major markets during October. The STOXX Europe 600 gained 1.9%, while Germany's DAX rose 2.5%, France's CAC increased 0.1% and the FTSE 100 advanced 1.2%. MSCI Europe ex-UK also gained 1.5%. The relative resilience of European markets reflected their lower exposure to the large-cap technology sell-off and greater representation of traditional value-oriented and defensive sectors. Nevertheless, fiscal and

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political uncertainty in France and the potential inflationary consequences of higher energy prices remain important risks for the region.

Japan underperformed during October, with the Nikkei 225 declining 5.2%, reversing part of its earlier gains. Chinese equities also remained under pressure, with the Shanghai Composite declining 6.3%, the Hang Seng China Enterprises Index falling 4.4% and the MSCI China Index declining 7.2%. The weakness in Chinese equities reflected the broader deterioration in investor sentiment towards Asian markets, particularly technology-related companies.

Within the GCC, equity markets recorded broad-based declines during October, with the S&P Pan Arab Composite Index falling 4.7%. Saudi Arabia declined 5.0%, Abu Dhabi fell 6.0% and Dubai declined 3.2%. Kuwait and Bahrain also weakened, falling 3.7% and 4.1%, respectively, while Oman declined 2.9%. Qatar was relatively more resilient, declining only 1.0%. The weakness in regional equities reflected the broader global risk-off environment, with investor caution towards emerging markets and heightened geopolitical uncertainty weighing on sentiment.

Saudi Arabia remained under pressure, with the TASI declining 5.0% during the month. Weakness was broad-based across major sectors, particularly real estate, which fell 7.8%, banks, which declined 7.1%, telecommunications, which fell 7.0%, and insurance, which declined 6.0%. Materials and food & beverage also weakened, declining 3.6% and 3.9%, respectively. Energy was the notable exception, gaining 2.6% and benefiting from the sharp increase in global oil prices. The broad-based weakness suggests that higher oil prices alone were insufficient to offset the impact of weaker investor sentiment and concerns around regional geopolitical and global market conditions.

UAE equities also experienced a correction, with Dubai's DFM General Index declining 3.2% and Abu Dhabi's ADX General Index falling 6.0%. The MSCI UAE Index declined 4.6%. The weakness represented a reversal from the relative resilience demonstrated by UAE markets in previous months and reflected the broader correction across regional equities. Nevertheless, the UAE continues to benefit from a diversified economic base, strong domestic liquidity and structural growth drivers. We therefore maintain our constructive medium- to long-term outlook on UAE equities within the GCC, while remaining selective in the near term given elevated geopolitical uncertainty and the prevailing global risk-off environment.

Fixed Income:

U.S. Treasuries staged a strong recovery in October, reversing much of September's selloff as a sharp correction in equity markets, softer labor-market data and a Federal Reserve pause drove a broad-based bull rally. The 2-year yield fell 30bp to 4.59%, the 5-year fell 37bp to 4.72%, the 10-year fell 36bp to 4.93% and the 30-year fell 32bp to 5.31%. Similar to the earlier month, the move was driven by real yields rather than inflation expectations, where the 10-year real yield fell 33bp to 2.59%, while the 10-year breakeven fell only 3bp, pointing to a repricing of the policy path rather than of inflation. The U.S. Dollar Index was broadly stable, up 0.4%. The Bloomberg Global Aggregate Index rose 1.4% MTD (-1.3% YTD), while the Bloomberg Global High Yield Index fell 0.2% MTD (-0.4% YTD), lagging the 2.4% gain in the U.S. Treasury Index as high-yield spreads widened amid the equity selloff and higher oil prices.

The FOMC Committee held the federal funds target range at 3.75%–4.00% in a 10–2 vote, with Governor Cook and Cleveland Fed President Hammack dissenting in favor of an immediate 25bp hike. The statement upgraded its description of economic activity to expanding at a "strong" pace from "solid", retained that inflation "remains elevated", and replaced the sentence explaining September's hike with language that accumulating more information will help the Committee determine the appropriate stance of policy. Chair Warsh declined to pre-commit to a December move, describing the decision as data-dependent and financial conditions as "tighter, but not tight", and announced that from 2027 one of the FOMC's eight meetings will be devoted solely to monetary policy strategy, with no rate decision. Rate expectations shifted materially over the month: the probability of an October hike fell to below 10% ahead of the meeting, from about 39% at the end of September, while a hike by December remained the market's base case. In Europe, the ECB held its deposit rate at 2.50% on October 29 following September's hike, keeping further tightening conditional on incoming data, and the 10-year Bund yield fell 26bp to 3.32%.

Economic data released throughout October, pointed to a cooling labor market alongside firmer energy-driven inflation. September nonfarm payrolls rose just 29,000, well below expectations of around 90,000, with July and August revised down by a combined 60,000; the unemployment rate rose to 4.2% from 4.1%, and wage growth slowed to 3.0% year-on-year, its slowest pace in five years. September CPI rose 0.6% month-on-month and 3.7% year-on-year, above the 3.6% consensus, due to high gasoline prices, while core CPI rose 0.3%, lifting the annual rate to 2.6%. Growth remained robust, with the advance estimate of Q3 GDP showing annualized growth of 3.4%, above the 3.2% expected, and the S&P Global flash composite PMI easing only slightly to 57.6 in October from 58.4. September PCE, released October 29, came in line with expectations.

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MENA Equities:

Regional equities extended their decline in October as renewed increase in geopolitical risks and profit-taking weighed on sentiment. The S&P Pan Arab Composite fell 4.7% MoM, outperforming MSCI Emerging Markets (−8.1%) but trailing MSCI World (−1.7%). Saudi Arabia's TASI declined 5.0% to 9,922, led by banks, touching a 43-month closing low during the month. Abu Dhabi underperformed GCC peers (−6.0%), while Dubai fell 3.2%, with trading volumes weakening across both exchanges. Qatar proved relatively resilient (−1.0%), supported by late-month diplomatic efforts, while Kuwait, Oman and Bahrain declined 3.7%, 2.9% and 4.1%, respectively. Egypt's EGX30 fell 4.4% as the pound depreciated 6.8% against the dollar; the central bank subsequently surprised with a 100bp rate increase to 20%, its first hike since March 2024. Morocco declined 6.7%.

UAE and Saudi non-oil activity remained expansionary despite moderating PMIs of 54.8 and 54.0, respectively, although UAE selling-price inflation reached a survey high. Regional disruptions continued to weigh on output: UAE GDP contracted 2.1% YoY in 2Q26, including a 1.1% decline in non-oil activity, while Saudi GDP fell 3.8% in 3Q26. Both economies are expected to rebound strongly in 2027.

Banking trends highlighted robust UAE credit demand, most banks held up well despite the regional tensions, continued deposit competition and resilient asset quality, although provisioning and funding costs drove earnings divergence. ADCB's lending grew 16% YTD and Emirates NBD's rose 18% excluding RBL Bank, outpacing deposit growth of 12% at both banks. UAE banks are expected to lead the region with loan growth of 19% YoY, but higher funding costs should squeeze their margins, as the recent rate hike will not feed into higher asset yields until 4Q26.
Saudi banks also face some downside risk to margins after deposit growth slowed in July–August, while liquidity support in Kuwait and very slow loan growth in Qatar should keep margins there broadly stable. In Saudi, Al Rajhi's profit rose 11.7% to SAR7.11bn, while SNB's remained broadly flat at SAR6.45bn.

Dubai property activity showed sequential improvement despite subdued launches. October sales reached AED35.0bn (+18% MoM, −40% YoY), led by secondary transactions (+34% MoM, −31% YoY), while off-plan sales remained weak (−1% MoM, −51% YoY). Emaar's 3Q26 property sales recovered to AED3.8bn from AED2.3bn in 2Q but remained well below 1Q's AED20bn amid limited launches. Subsequently, on 4 November, Emaar proposed acquiring Emaar Development's minority shares for AED15/share in cash, a transaction viewed as EPS-accretive. Commercial and industrial property remained more resilient: TECOM's 3Q net profit rose 12% YoY to AED417mn, supported by higher rents and land leasing with occupancy of 97% across commercial and industrial. In Saudi, Masar's reservations from buyers across more than 50 countries offered early evidence of demand following foreign-ownership reforms, while accelerated plot sales and higher average values supported strong 3Q revenue and profit.

UAE energy sector earnings reflected differing operating drivers. ADNOC Distribution's recurring 3Q earnings increased 10% YoY on stronger fuel margins, while ADNOC Drilling's net profit rose 2% QoQ, benefiting from the first full-quarter contribution of its new offshore island rig. Its targeted fleet expansion to approximately 200 rigs, from 172 at end-3Q, incorporates growth in Oman and Kuwait. ADNOC Logistics & Services benefited from elevated tanker rates, although normalisation remains a risk as geopolitical tensions ease. Consumer-facing businesses also showed resilience: Americana's 3Q net profit grew 63% YoY, while private-school enrolments increased 4.6% in Dubai and 12.9% in Abu Dhabi for AY2026/27. Taaleem's Dubai enrolments grew 8%, outpacing the market.

Saudi insurance results highlighted diverging underwriting trends. Tawuniya's attributable 3Q profit rose 74% YoY to SAR302mn, supported by health repricing, P&C reinsurance recoveries, a return to motor underwriting profitability. By contrast, Bupa's profit fell 5% to SAR345mn as higher operating expenses and zakat outweighed modest underwriting improvement, despite 16% GWP growth. Medical inflation remains the key sector challenge: Bupa expects 12.2–18.2% in 2027, versus 11.6% in 2026, as wider public-provider billing under Article 11 increases claims pressure.

Higher commodity prices offered support to Saudi industrial earnings, but export constraints and slower project execution limited the upside. AMAK, Maaden and Riyadh Cables benefited from stronger gold and copper prices, while government spending rationalisation weighed on project awards. East Pipes secured approximately 260k tonnes against 2.1mn tonnes of visible oil and gas demand; a further 1.5mn tonnes of gas pipelines expected to be tendered from late 2026 through 2027 provide a potential recovery catalyst. AWPT also faced slower EPC awards and execution, with its revenue shortfall partly reflecting project timing rather than a structural weakening in demand.

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Major Indices Performance

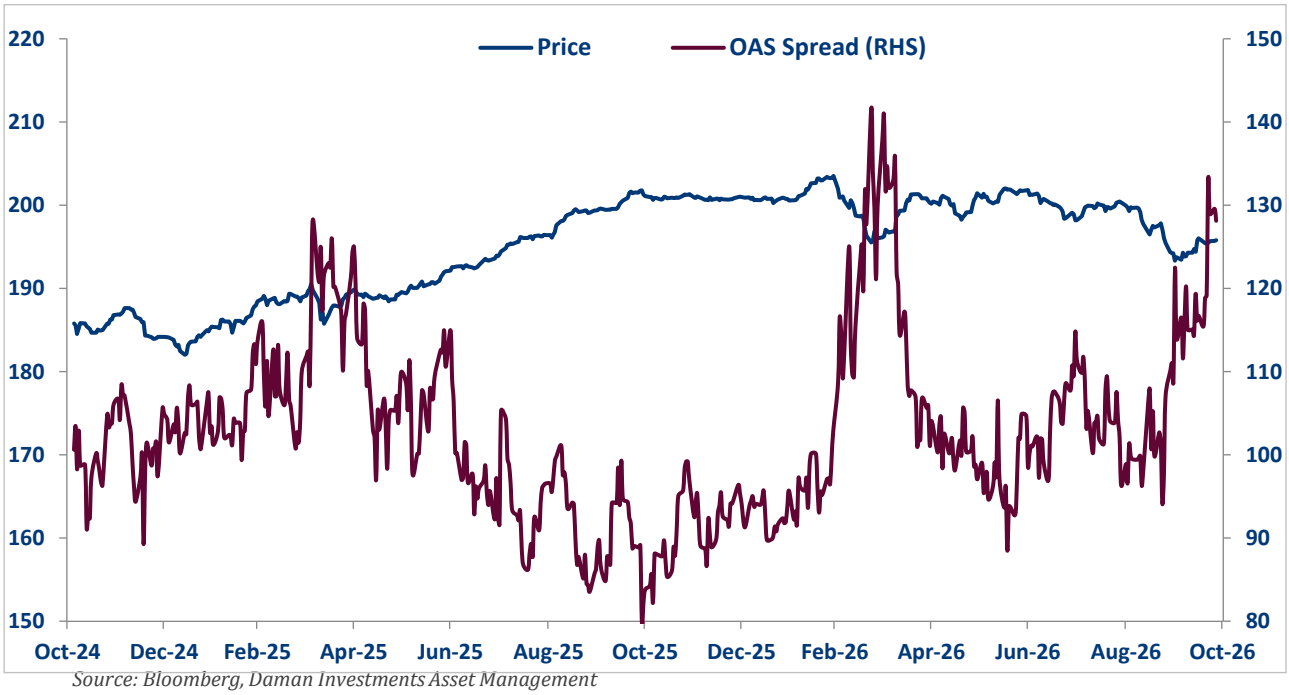
Major Indices Performance	Value	MTD Return	YTD Return	PE (x) 1Yr Fwd	PB (x) 1Yr Fwd	Div. Yield 1Yr Fwd
Saudi Arabia - TASI	9,922	-5.0%	-5.4%	13.7	2.0	4.3%
Dubai - DFMGI	5,771	-3.2%	-4.6%	10.5	1.7	5.1%
Abu Dhabi – FADGI	9,466	-6.0%	-5.3%	11.1	1.8	4.2%
Qatar – DSM	9,151	-1.0%	-15.0%	13.0	1.3	4.7%
Kuwait - All Share	8,454	-3.7%	-5.1%	16.5	0.2	3.8%
Oman - MSM30	7,346	-2.9%	25.2%	12.4	1.0	4.7%
Bahrain – BHSEASI	1,830	-4.1%	-11.4%	11.7	0.6	4.4%
Egypt - EGX30	49,596	-4.4%	18.6%	8.8	2.3	3.8%
Morocco - MOSENEW	16,538	-6.7%	-12.2%	17.5	3.5	3.5%
S&P Pan Arab Composite	164	-4.7%	-4.7%	12.6	1.8	4.2%
Israel - TA35	4,059	-3.4%	11.8%	16.0	2.3	2.5%
Turkey - XU100	10,760	-9.9%	-4.5%	5.3	0.1	7.0%
Pakistan - KSE100	166,409	-2.1%	-4.5%	6.4	1.5	5.9%
S&P 500	7,580	-0.9%	10.7%	20.9	5.1	1.1%
STOXX 600	647	1.9%	9.2%	15.5	2.4	3.1%
MSCI EM	1,567	-8.1%	11.6%	10.5	2.0	2.9%
MSCI All Country World	1,116	-1.7%	9.9%	17.9	3.5	1.7%
MSCI World	4,862	-0.8%	9.8%	19.6	3.8	1.6%

Major Indices Performance	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	197	1.2%	-2.2%
FTSE MENA Broad Bond Index	183	1.6%	-1.8%
Dow Jones Sukuk	96	0.6%	-4.4%
Barclays Global Aggregate Index	495	1.4%	-1.3%
Barclays Global High Yield Index	1,856	-0.2%	-0.4%
Barclays US Treasury Index	2,423	2.4%	-0.5%
Barclays US Corporate Index	3,509	2.2%	-1.0%
Barclays US Corporate High Yield index	2,926	0.3%	0.4%
JPM EM Global Bond Index	686	1.5%	-0.4%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,383	1.26%	-0.3%
Bloomberg Barclays US Aggregate Bond Index	2,336	2.4%	-0.5%
Markit CDX Emerging Markets Index	97	-0.4%	-2.0%
Barclays EM High yield	1,853	0.4%	1.5%
Barclays EM Corporate Index	323	0.6%	0.0%
10-year US Treasury yield* (%)	4.93	-36	76
30-year US Treasury yield* (%)	5.31	-32	46
US Treasury 2-10 Spread*	33.72	-6	-35
US Treasury 2-30 Spread*	71.65	-2	-65
10-year US Treasury Real yield* (%)	2.59	-33	69
10-year Germany Treasury yield* (%)	3.32	-26	47
US Breakeven 10 Year*	2.34	-3	10
10-year Saudi Arabia Govt USD Bond yield* (%)	5.83	-22	88
10-year Abu Dhabi Govt USD Bond yield* (%)	5.45	-28	111
10-year Kuwait Govt USD Bond yield* (%)	5.95	-13	41
6-year Oman Govt USD Bond yield* (%)	5.62	-35	82
10-year Bahrain Govt USD Bond yield* (%)	8.34	-27	114
9-year Qatar Govt USD Bond yield* (%)	5.35	-20	98
8-year Egypt Govt USD Bond yield* (%)	8.78	24	128
EIBOR 3M* (%)	4.34	2	87
QAIBOR 3M* (%)	4.45	15	48
Dubai 5 Year CDS* (bps)	73	7	6
Qatar 5 Year CDS* (bps)	63	1	16
2-year US Treasury yield* (%)	49	9	22

Source: Bloomberg, Daman Investments Asset Management *Note: *In basis points*

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Barclays GCC Credit +HY Index



Source: Bloomberg, Daman Investments Asset Management

Major Commodities and Currencies

Performance

	Value	MTD Change	YTD Change
Brent crude oil (USD/bbl)	117.64	13.6%	93.3%
Natural Gas (USD/mmbtu)	2.90	-4.2%	-21.4%
Gold (USD/Ounce)	3,875	-6.8%	-10.3%
Copper (USD/MT)	14,329	-0.9%	15.1%
Aluminium (USD/MT)	3,106	-1.7%	4.6%
Nickel (USD/MT)	15,090	-4.1%	-8.5%
Urea Middle East (USD/MT)	420	-4.5%	9.8%
Methanol China (USD/MT)	470	-3.1%	88.8%
SE Asia Polyethylene (USD/MT)	1,380	3.8%	58.6%
Polypropylene (USD/MT)	1,510	5.6%	77.6%
US Dollar Index	101.88	0.4%	3.6%
MSCI EM Currency index	1,923.04	-0.2%	3.8%
JPM EM Currency index	45.19	-1.1%	-3.0%
EGP/USD	0.018	-6.8%	-14.8%
TRY/USD	0.020	-1.9%	-14.0%
PKR/USD	0.361	0.0%	1.1%
ILS/USD	0.318	-2.1%	1.4%
EUR/USD	1.12	-1.5%	-5.0%
GBP/USD	1.34	0.9%	-0.6%
USD/JPY	157.56	0.1%	0.5%

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Performance of our Funds

Concerto IS Daman MENA UCITS Fund

The Fund's investment objective to achieve medium to long-term capital appreciation by investing primarily in securities of issuers listed in the MENAPT Region or investing in securities of issuers listed outside of MENAPT but deriving most of their revenues from MENAPT.

The fund lost 4.2% for the month. ADIB, Boursa Kuwait, EMAAR and ALDAR were the key detractors to return. MNT Halan, QNB, and Parkin were the key positive contributors. Meanwhile In fixed income Binghatti, ARACEN & Omniyat were key detractors while Vakif & YK Bank were positive contributors.

	2026	Inception (30 Jul 2020) (Class I)
Total Return	-6.5%	85.5%
Annualized Return	-	10.4%
Annualized Volatility	-	9.3%
Sharpe Ratio	-	0.8

NAV as of 29th October 2026

Daman UAE IPO Fund

The Fund's investment objective is to generate medium term capital growth by investing in securities issued by companies that are undertaking an initial public offering or by investing in companies that have been listed in the previous 5 years.

The fund lost 4.7% for the month. During the month Pure Health, Presight, Tecom and NMDC Energy were the key detractors to returns. Parkin, DEWA, ADNOC Drilling and Airtel contributed positively to the returns.

	2026	Inception (Aug 2022) (Class A)
Total Return	-1.5%	18.5%
Annualized Return	-	4.0%
Annualized Volatility	-	10.6%
Shape Ratio	-	-

NAV as of 30th October 2026

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About Daman Investments

Daman Investments stands as a preeminent regional investment firm, distinguished for its comprehensive suite of non-banking financial services catering to institutional clients, corporations, SMEs, and high-net-worth individuals. Our overarching objective is to assume a pivotal role in the burgeoning new Arab World Economy. Propelled by unwavering commitment to ethics, excellence, and client-centricity, we offer innovative and bespoke solutions to assist you in not only meeting but surpassing your financial aspirations. With a legacy spanning over 27 years, Daman Investments has consistently redefined the contours of the financial services landscape.

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