

Monthly Capital Markets Review

October 2025



Central Bank Policies

US Federal Reserve

- FED cuts rates to lowest levels in three years:** FOMC lowered the federal funds rate by 25 basis points for the second time in 2025 to a range of 3.75% -4.00%, to the lowest levels in three years.
- Fed Navigates “Data Blackout” Amid Shutdown:** The Federal Reserve cut rates by 25 basis points despite lacking access to key government data—such as jobs and inflation reports—due to the ongoing shutdown. Chair Jerome Powell acknowledged the challenge of “flying blind,” relying instead on private-sector indicators to assess economic conditions. This uncertainty has clouded the Fed’s outlook for future policy moves, including the December meeting, where another rate cut is no longer seen as guaranteed.
- Uncertainty Over Future Cuts:** Fed Chair Jerome Powell emphasized that another rate cut in December is “**not a foregone conclusion**”, citing diverging views within the FOMC and limited economic data due to the ongoing government shutdown. This cautious stance led to mixed market reactions, with equities slipping and bond yields rising.

Key Central Banks

- GCC Central Banks:** in-line with US FED decision, Saudi Central Bank, reduced its Repo rate to **4.50%** and reverse repo to **4.00%**. UAECB cut overnight deposit rate from **4.15%** to **3.90%**, while Bahrain lowered its overnight deposit rate to **4.50%**. **The Central Bank of Kuwait kept rates unchanged**, stating that its monetary policy remains aligned with domestic economic conditions.
- Bank of Canada (BOC):** On 29th October the BOC reduced its key policy rate by 25 bps to 2.25%, amid the structural damage caused by trade conflict.
- European Central Bank (ECB):** On 30th October, the ECB kept its three key interest rates unchanged. for a third consecutive meeting, signaling confidence in a resilient eurozone economy and easing inflation pressures
- Bank of Japan (BOJ):** On October 29, the BOJ maintained its benchmark rate at 0.5% in a 7–2 vote, with board members Naoki Tamura and Hajime Takata once again proposing an increase to 0.75%, as they had in September.

Performance Summary

CB Policy Rates	Oct-25	Monthly Change bps	YTD Change bps
US Fed range	3.75-4.00%	-25bp	-50bp
Japan	0.50%	-	+25bp
ECB	2.00%	-	-100bp
UK	4.00%	-	-75bp
UAE	3.90%	-25bp	-50bp
KSA range	4.00%- 4.50%	-25bp	-50bp

CDS Spreads	Oct-25	Monthly Change bps	YTD Change bps
US 5Y	40	-2bp	+6bp
Abu Dhabi 5Y	28	-4bp	-15bp
Dubai 5Y	52	-4bp	-11bp
Kingdom of Saudi Arabia 5Y	61	-6bp	-3bp
France 5Y	35	-3bp	-4bp
Germany 5Y	9	-0bp	-5bp
Korea 5Y	22	-3bp	-16bp
China 5Y	40	+2bp	-26bp
Japan 5Y	20	+1bp	-0bp
Indonesia 5Y	74	-8bp	-5bp

Fixed Income

Market Monitor

- **US Treasury yields continued to trend downwards** as the 10-year Treasury yield fell below 4.00% mid-month before closing at 4.08%. The 2-year yield ended at 3.60%, decreasing the 2s/10s spread to +47 bps. Inflation data for September (released in October) showed headline CPI at 3.0% YoY, supporting the Fed's easing bias but reinforcing Powell's cautious tone.
- **U.S. Government Debt Surges Past \$38 Trillion:** In October 2025, total federal debt climbed above \$38 trillion, increasing by roughly \$1 trillion in two months. Debt-to-GDP reached 122.6%, while annual interest costs hit \$970 billion, making it the third-largest federal expense after Social Security and Medicare.
- **September Sukuk performance continued its positive run.** Investment grade sukuks recorded a 0.6% monthly return as measured by the Dow Jones Sukuk IG Index, while high yield sukuks yielded a 0.6% monthly return as measured by the S&P HY Sukuk Index.

DCM Issuance

- **Government of Egypt** raised \$750 million from sale of 5-year USD green sukuk issue. The final return was set at 7.125% per annum.
- **Government of Egypt** raised \$400mn from sale of 3-year USD sukuk issuance. The final return was priced at 7.25% per annum.
- **CBB International Sukuk** raised \$1bn from sale of Tier 2 sukuk issuance. The final return was priced at 5.651% per annum.
- **Vakif Katilim Bankasi** raised \$500mn from sale of USD-denominated additional Tier 1 (AT1) sukuk. Final return was set at 6.50% per annum.
- **DAE Sukuk (DIFC) Ltd** raised \$500mn from sale of 5-year USD sustainability linked sukuk issue. Final return was set at 4.54% per annum.
- **KIB Sukuk LTD** raised \$500mn from sale of new 5-year USD sukuk. Final return was set at 4.45% per annum.
- **Government of Oman** raised \$500mn from sale of 5-year US Senior Unsecured sukuk. The issuance was priced with a profit rate of 7.75%.
- **Majid Al Futtaim** raised \$500mn from sale of 10-year senior unsecured sukuk. The issuance was priced at a profit rate of 4.875%.

Performance Summary

Key Interest Rates	Oct-25	Monthly Change bps	YTD Change bps
AED Rates			
UAE 1 Month	3.97%	-22bp	-27bp
UAE 3 Month	3.58%	-30bp	-86bp
UAE 6 Month	3.69%	-28bp	-76bp
UAE 12 Month	3.74%	-9bp	-61bp
USD Rates			
US 1 Month	3.94%	-17bp	-36bp
US 3 Month	3.73%	-5bp	-57bp
US 6 Month	3.82%	-3bp	-41bp
US 1 Year	3.69%	+6bp	-34bp
US 5 Year	3.69%	-5bp	-69bp
US 10 Year	4.08%	-7bp	-49bp
US 30 Year	4.65%	-8bp	-13bp
Sukuk Movement	Oct-25	Monthly Change %	YTD Change %
Dow Jones Sukuk IG Index	151.034	0.58%	7.05%
S&P Global HY Sukuk Index	198.058	0.62%	8.35%

FX Monitor

FX Chart of the Month: Japanese YEN

Performance Summary

- US Dollar Index rose by 1.9% in October**, rising by from 97.8 at the start of the month to 99.8 by month-end, marking the first monthly gain since July and reversed September's weakness. The greenback traded in a volatile range as it dipped to a mid-month low of 97.5 as markets priced in aggressive Fed easing, then surged after the October 29 FOMC meeting, where Powell's cautious tone on future cuts supported dollar sentiment.
- JPY depreciated 4.1% vs USD** in October 2025 primarily due to change in political structure in Japan. Concerns arose that the new administration, led by Sanae Takaichi, would prioritize fiscal expansion over monetary tightening, leading investors to push back expectations for a BOJ rate hike from December 2025 to March 2026.
- The Euro fell by +1.7% vs USD**, primarily driven by strengthening USD and as European economic sentiment weakened. **GBP fell by 2.2%** in Oct as Bank of England's narrow decision, signaled that a rate cut could come in December depending on the November budget outcome.



Forex Rates	Oct-25	Monthly Change %	YTD Change %
EUR – USD	1.154	-1.7%	11.4%
USD - JPY	153.990	4.1%	-2.0%
GBP - USD	1.315	-2.2%	5.1%
AUD - USD	0.655	-1.0%	5.8%
USD - CHF	0.805	1.0%	-11.3%
USD - CNH	7.123	-0.1%	-2.9%
USD - INR	88.773	0.0%	3.7%
USD - PKR	280.975	-0.2%	0.9%
USD - MAD	9.297	2.2%	-8.2%
USD - TND	2.951	1.6%	-7.5%
USD - EGP	47.233	-1.4%	-7.1%
USD - DZD	130.165	0.6%	-4.0%
USD - MXN	18.550	1.3%	-10.9%

Equities

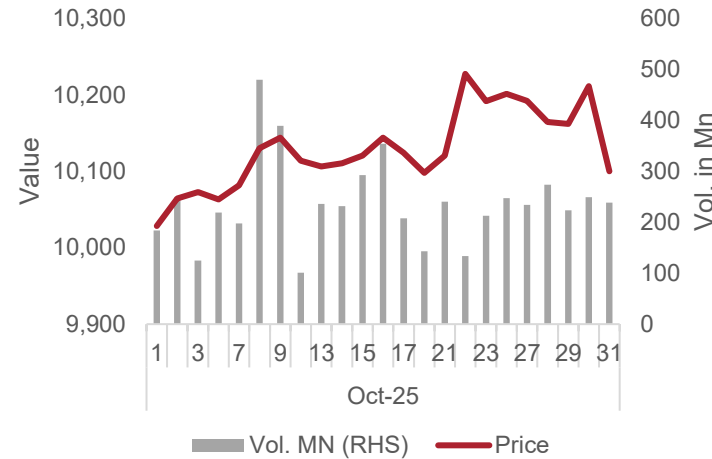
UAE Markets

- **FTSE ADXGI** increased by 0.9% in October-25 with 54 securities advancing and 47 declining. Turnover for Oct-25 increased by 144.3% on Month-on-month and was impacted by the acquisition of Modon by L'imad Holding.
ADPORTS (23%) & FAB (12%) were key winners, while ESHRAQ (-18%) & GHITHA (-13%) were key losers.
- **DFMGI** increased by 3.8% in October-25 with 32 shares advancing and 21 shares declining. AED 13.0Bn worth of shares were traded resulting in 6.7% decrease in turnover vs previous month.
 - ENBD (16%) & AGILITY (14%) were key winners while TALABAT (-15%) & ALEC (-4%) were key losers.

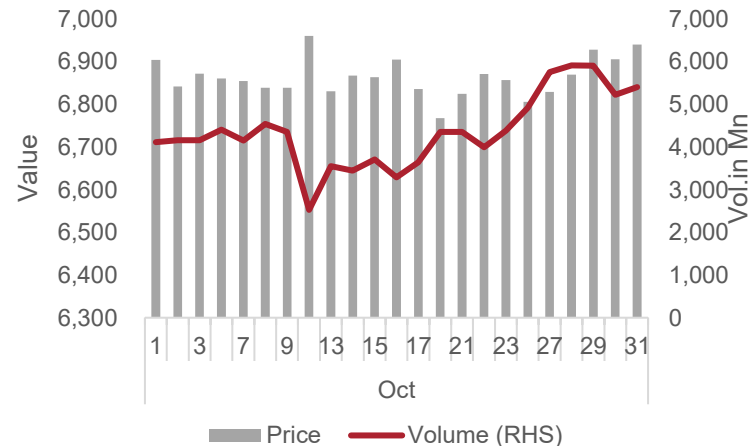
Global Monitor

- **The S&P 500 rose 2.3% in October**, marking its sixth straight monthly gain and hitting a record close of **6,891** on October 28. Year-to-date gains reached 17.5%, as rally was fueled by robust Q3 earnings, with nearly two-thirds of companies reporting results that beat expectations. Optimism was supported by the Fed's second rate cut, and easing U.S.-China tensions.
- **Japanese stocks extended their rally for a seventh straight month**, with the Nikkei 225 to a record above 52,000. Momentum was driven by expectations of expansionary fiscal policy of new government, and strong global tech momentum.

ADXGI Monthly Price-Volume



US S&P500 Monthly Price-Volume



Performance Summary

Markets Performance	Oct-25	Monthly Change %	YTD Change %
Regional			
ADX (Abu Dhabi)	10,099.90	0.9%	7.2%
DFM (Dubai)	6,059.43	3.8%	17.5%
TASI (Tadawul)	11,655.85	1.3%	-3.2%
QSI (Qatar)	10,956.78	-0.9%	3.6%
BKM (Kuwait)	9,031.88	2.7%	22.7%
MSX (Oman)	5,610.34	8.3%	22.6%
Global			
S&P 500 (US)	6,840.20	2.3%	16.3%
DAX (Germany)	23,958.30	0.3%	20.3%
Nikkei 225 (Japan)	52,411.34	16.6%	31.4%
Hang Seng (Hongkong)	25,906.65	-3.5%	29.1%
Nifty 50 (India)	25,722.10	4.5%	8.8%
S&P/ASX 200 (Australia)	8,881.86	0.4%	8.9%

UAE Equities Key Developments

- L'imad Holding, acquired majority stakes from **IHC** and **ADQ** to hold **84.76% of Modon Holding shares**.
- **Aldar** delivered 30% net profit growth to AED6bn during 9M25 driven by high demand for its real estate launches.
- **DIB** reported 8.2% YoY decline in net profit to AED1.9bn as total assets reached AED 393bn.
- **ENBD** reported 22.8% YoY increase in net profit to AED6.4bn driven by robust operating income and provision reversals.
- **FAB** reported 20.8% YoY increase in net profit to AED5.4bn driven by operating income growth.

Commodities

Oil Price Movement – October 2025



Performance Summary

Commodities	Oct-25	Monthly Change %	YTD Change %
Brent (USD/bbl)	64.80	-1.9%	-14.1%
WTI (USD/bbl)	61.48	-2.9%	-15.2%
Nat. Gas (USD/MMBtu)	4.12	24.9%	13.5%
Gold (USD/oz)	4,002.92	3.7%	52.5%
Silver (USD/oz)	48.69	4.4%	68.5%
Copper (USD/MT)	10,887.50	6.0%	24.2%
Wheat (USD/bu)	534.00	5.1%	-3.2%
Corn (USD/bu)	431.50	3.9%	-5.9%
Bitcoin	109,428.01	-4.5%	16.8%

Oil & Gold Commentary – October 2025

- Oil prices continued its decline in October**, with Brent averaging \$65/bbl and WTI near \$61/bbl. Early in the month, prices slid to multi-month lows on concerns over oversupply and weak demand, as OPEC+ modestly raised output and U.S. inventories posted a surprise build. Saudi Arabia cut official selling prices for Asia, reinforcing bearish sentiment. Later in the month, Brent rebounded about 5% toward \$65 after new U.S. sanctions on Russian oil firms.
- Gold posted a strong month in October, rising 3.7%** and marking its third consecutive monthly gain, with year-to-date gains exceeding 52%. Prices surged to an all-time high near \$4,382 per ounce between October 7 and 20, driven by safe-haven demand amid global economic uncertainty, persistent inflation concerns, and geopolitical tensions. The Federal Reserve’s second rate cut of the year also boosted sentiment, reducing the opportunity cost of holding gold. However, after peaking mid-month, prices corrected on profit-taking and Fed signals of a cautious policy path.

Chart of the Month

2025: Year of the Data Center



Source: Bloomberg

- Data center stocks as measured by Bloomberg data center index have surged over 74% year-to-date, driven by AI infrastructure demand and hyperscale expansion, far outpacing the S&P 500's ~16% gain.
- **Their performance also eclipsed the Magnificent Seven**, whose outperformance narrowed to the smallest gap since 2018 as tech earnings growth normalized and valuations stretched.
- **Data center companies** have surged on structural tailwinds, including explosive demand for AI-driven computing, cloud infrastructure, and hyperscale capacity. These companies benefit from long-term contracts, high barriers to entry, and accelerating capital expenditure from tech giants seeking to expand AI capabilities. This trend underscores a shift in investor focus from pure-play tech to critical infrastructure enabling the AI revolution.

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