Monthly Capital Markets Review

September 2025

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Central Bank Policies

US Federal Reserve

- **First rate cut for 2025:** FOMC lowered the federal funds rate by 25 basis points to a range of 4.00% - 4.25%, marking the first cut since December 2024.

- **Downside risks to employment have risen:** As highlighted in the Jackson Hole speech, the FOMC justified the 25-basis-point rate cut by noting that the balance of risks was shifting, with employment risks now outweighing upside inflation risks. The Fed Chair also remarked that he could no longer describe the labor market as 'solid,' attributing this change to factors such as, tariffs, immigration, and AI.

- **FOMC members provide a cautiously optimistic outlook:** Participants modestly upgraded their outlook for GDP forecasts for 2025 and 2026, while unemployment rate projection for 2025 remained steady at 4.5%, while a slight decease is expected over the following two years. Inflation expectations is now seen moderating more slowly than June forecast ending 2025 at 2.6% versus 2.4%. The dot plot revealed a divided Committee, with the median projection pointing to two more rate cuts this year, but a wide dispersion of views for 2026.

Key Central Banks

- **GCC Central Banks:** in-line with US FED decision, Saudi Central Bank, reduced its Repo rate to **4.75%** and reverse repo to **4.25%**. UAECB cut overnight deposit rate from **4.40%** to **4.15%**, while Bahrain lowered its overnight deposit rate to **4.75%.**

- **European Central Bank (ECB):** On 11th September, the ECB kept its three key interest rates unchanged. This decision was based on inflation and GDP growth being in line with targets, thereby dampening expectations for additional rate cuts.

- **Bank of Canada (BOC):** On 17th September the BOC reduced its key policy rate by 25 bps to a three year low of 2.5%, amid a weakening job market with unemployment rate at a nine year high.

- **Bank of England (BOE):** On 18th September, the BOE voted 7-2 to keep rates unchanged at 4% and to slow quantitative tightening. Policymakers flagged upside risks to inflation but noted subdued GDP growth as rationale for decision.

- **Bank of Japan (BOJ):** On 18th September, the BOJ kept its benchmark rate at 0.5% in a 7-2 vote amid Japan's uncertain political outlook and Impact of U.S. Tariffs.

Performance Summary

CB Policy Rates	Sep-25	Monthly Change bps	YTD Change bps
US Fed range	4.00-4.25%	-25bp	-25bp
Japan	0.50%	-	+25bp
ECB	2.00%	-	-100bp
UK	4.00%	-	-75bp
UAE	4.15%	-25bp	-25bp
KSA range	4.25%- 4.75%	-25bp	-25bp

CDS Spreads	Sep-25	Monthly Change bps	YTD Change bps
US 5Y	41	+1bp	+9bp
Abu Dhabi 5Y	32	-5bp	-12bp
Dubai 5Y	56	-5bp	-8bp
Kingdom of Saudi Arabia 5Y	67	-7bp	-4bp
France 5Y	39	-2bp	-7bp
Germany 5Y	9	-1bp	-5bp
Korea 5Y	25	-5bp	-16bp
China 5Y	38	-10bp	-25bp
Japan 5Y	19	+1bp	+1bp
Indonesia 5Y	82	-6bp	-6bp

Fixed Income

Market Monitor

- **US Treasury yields continued its decrease in September** with short and long-term yields decreasing by 20 bps and resulting in a flattening yield curve. Short-end of the yield curve was impacted by Fed rate cut. The Fed's decision, framed as a "risk management" move, shifted market expectations toward further easing, prompting a rally in longer-dated Treasuries. Additionally, weaker-than-expected private payrolls and concerns over a government shutdown added to safe-haven demand, pushing yields lower on the long end.

- **September Sukuk performance continued its positive run.** Investment grade sukuks recorded a 0.8% monthly return as measured by the Dow Jones Sukuk IG Index, while high yield sukuks yielded a 1.3% monthly return as measured by the S&P HY Sukuk Index.

- **In High-yield names like Bahrain and Oman outperformed,** while core GCC issuers such as Saudi Arabia and UAE saw robust investor appetite; primary issuance remained active, with quality and carry trades driving performance.

DCM Issuance

- **Sobha Realty** raised $750 million from sale of 5-year USD green sukuk issue. The final return was set at 7.125% per annum.
- **Omniyat** raised $400mn from sale of 3-year USD sukuk issuance. The final return was priced at 7.25% per annum.
- **Al Rajhi Bank** raised $1bn from sale of Tier 2 sukuk issuance. The final return was priced at 5.651% per annum.
- **Bank Al Jazira** raised $500mn from sale of USD-denominated additional Tier 1 (AT1) sukuk. Final return was set at 6.50% per annum.
- **Emirates Islamic Bank** raised $500mn from sale of 5-year USD sustainability linked sukuk issue. Final return was set at 4.54% per annum.
- **AlMarai** raised $500mn from sale of new 5-year USD sukuk. Final return was set at 4.45% per annum.
- **Binghatti** raised $500mn from sale of 5-year US Senior Unsecured sukuk. The issuance was priced with a profit rate of 7.75%.

Performance Summary

Key Interest Rates	Sep-25	Monthly Change bps	YTD Change bps
AED Rates			
UAE 1 Month	4.19%	+2bp	+10bp
UAE 3 Month	3.88%	+6bp	-25bp
UAE 6 Month	3.97%	+2bp	-33bp
UAE 12 Month	3.83%	+7bp	-19bp
USD Rates			
US 1 Month	4.11%	+15bp	+5bp
US 3 Month	3.78%	-2bp	-10bp
US 6 Month	3.84%	+2bp	+5bp
US 1 Year	3.62%	+13bp	+8bp
US 5 Year	3.74%	+18bp	-41bp
US 10 Year	4.15%	+15bp	-20bp
US 30 Year	4.73%	+13bp	+12bp

Sukuk Movement	Sep-25	Monthly Change %	YTD Change %
Dow Jones Sukuk IG Index	150.158	0.83%	6.43%
S&P Global HY Sukuk Index	196.843	1.33%	7.68%

FX

FX Monitor

- **US Dollar Index fell by 0.2% in September:** The U.S. dollar faced downward pressure for most of the month with the US Dollar index closing at 97.451 or -0.2% in September as markets priced in a 25bp Fed rate cut, which was delivered on September 17. Softer labor data and political uncertainty weighed on sentiment, though a late-month GDP upgrade (+3.8%) helped the dollar recover some ground. Overall, USD ended mixed, weaker against EUR and AUD, but firmer versus JPY and GBP.

- The Japanese yen slightly improved **vs USD**, given the Bank of Japan's "hawkish hold" and plans to unwind ETF/REIT holdings. However wide U.S.–Japan yield differentials and political uncertainty in Japan kept yen demand subdued.

- The euro remained resilient, gaining **+0.4% vs USD**, supported by steady Eurozone growth, reduced policy uncertainty, and the late-July EU–US trade deal. EUR/USD touched a high of **1.1837** mid-month before consolidating.

FX Chart of the Month: USD Index

Performance Summary

Forex Rates	Sep-25	Monthly Change %	YTD Change %
EUR – USD	1.173	0.4%	13.3%
USD - JPY	147.900	0.6%	-5.9%
GBP - USD	1.345	-0.4%	7.4%
AUD - USD	0.661	1.1%	6.9%
USD - CHF	0.796	-0.5%	-12.2%
USD - CNH	7.128	0.1%	-2.9%
USD - INR	88.789	0.7%	3.7%
USD - PKR	281.400	-0.1%	1.0%
USD - MAD	9.098	0.9%	-10.2%
USD - TND	2.904	0.1%	-8.9%
USD - EGP	47.890	-1.5%	-5.8%
USD - DZD	129.404	0.0%	-4.5%
USD - MXN	18.312	-1.8%	-12.1%

Equities

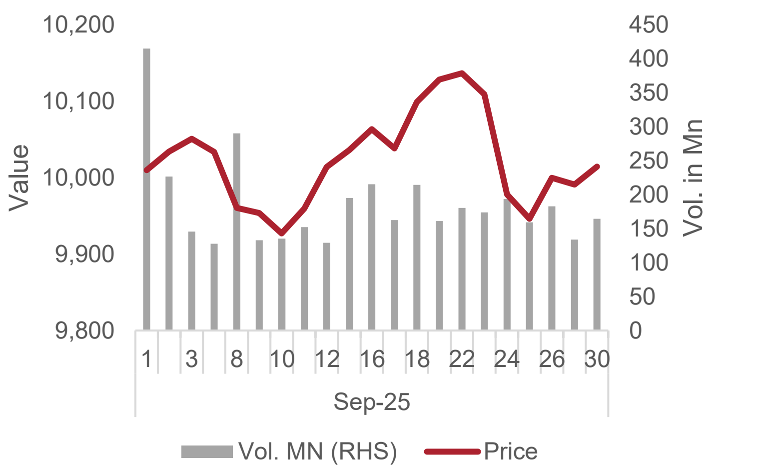
UAE Markets

- **FTSE ADXGI** decreased by 0.8% in September-25 with 33 securities advancing and 67 declining. Turnover for Sep-25 increased by 18.8% on Month-on-month basis.
  ADNOCGAS (6%) & ADNOCLS (6%) were key winners, while ADPORTS (-10%) & BURJEEL (-9%) were key losers.
- **DFMGI** decreased by 3.7% in September-25 with 12 shares advancing and 41 shares declining. AED 14.0Bn worth of shares were traded resulting in 15.4% increase in turnover vs previous month.
  - GULFNAV (25%) & DIC (6%) were key winners while DU (-12%) & TAALEEM (-10%) were key losers.

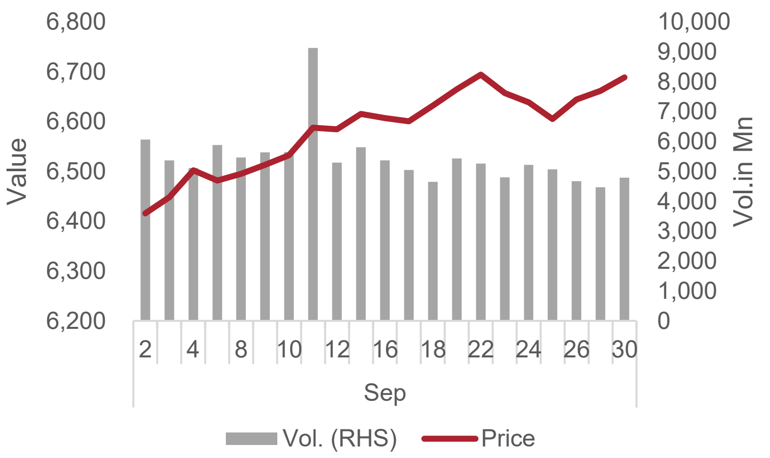
Global Monitor

- **In September 2025, the S&P 500 posted a strong monthly** gain of 3.5%, marking its best September in 15 years. The rally was fueled by potential Federal Reserve rate cuts, robust earnings revisions, and continued momentum in the AI and technology sectors. Energy lagged as weakest performing sector while concerns remained over a looming government shutdown and persistent inflationary pressures.
- **Japanese equities surged**, with the Nikkei 225 up 5.2% on strong foreign inflows and tech optimism, while Chinese markets rallied as the CSI 300 approached a three-year high.

ADXGI Monthly Price-Volume



US S&P500 Monthly Price-Volume



Performance Summary

Markets Performance	Sep-25	Monthly Change %	YTD Change %
Regional			
ADX (Abu Dhabi)	10,014.60	-0.8%	6.3%
DFM (Dubai)	5,839.64	-3.7%	13.2%
TASI (Tadawul)	11,502.97	7.5%	-4.4%
QSI (Qatar)	11,052.82	-1.5%	4.6%
BKM (Kuwait)	8,795.74	3.5%	19.5%
MSX (Oman)	5,181.62	3.0%	13.2%
Global			
S&P 500 (US)	6,688.46	3.5%	13.7%
DAX (Germany)	23,880.72	-0.1%	19.9%
Nikkei 225 (Japan)	44,932.63	5.2%	12.6%
Hang Seng (Hongkong)	26,855.56	7.1%	33.9%
Nifty 50 (India)	24,611.10	0.8%	4.1%
S&P/ASX 200 (Australia)	8,848.77	-1.4%	8.5%

UAE Equities Key Developments

- ***Du*** announced secondary share sale held by Mamoura representing 7.55% of the share capital at AED 9.20 per share.
- ***ADCB's*** Board of Directors approved to increase the Bank's share capital up to AED592.2mn.
- ***Alec Holdings*** announced IPO at a price range between AED 1.35 to 1.40 per share.
- ***ADNOC Distribution*** Board approved interim cash dividend of AED 1.285bn or 10.285 fils for 1H 2025.

Commodities

Oil Price Movement – September 2025

Performance Summary

Commodities	Sep-25	Monthly Change %	YTD Change %
Brent (USD/bbl)	66.04	-2.0%	-12.5%
WTI (USD/bbl)	63.29	-2.6%	-12.7%
Nat. Gas (USD/MMBtu)	3.30	10.2%	-9.1%
Gold (USD/oz)	3,858.96	11.9%	47.0%
Silver (USD/oz)	46.65	17.4%	61.4%
Copper (USD/MT)	10,268.50	3.7%	17.1%
Wheat (USD/bu)	508.00	-4.9%	-7.9%
Corn (USD/bu)	415.50	-1.1%	-9.4%
Bitcoin	114,640.81	6.3%	22.3%

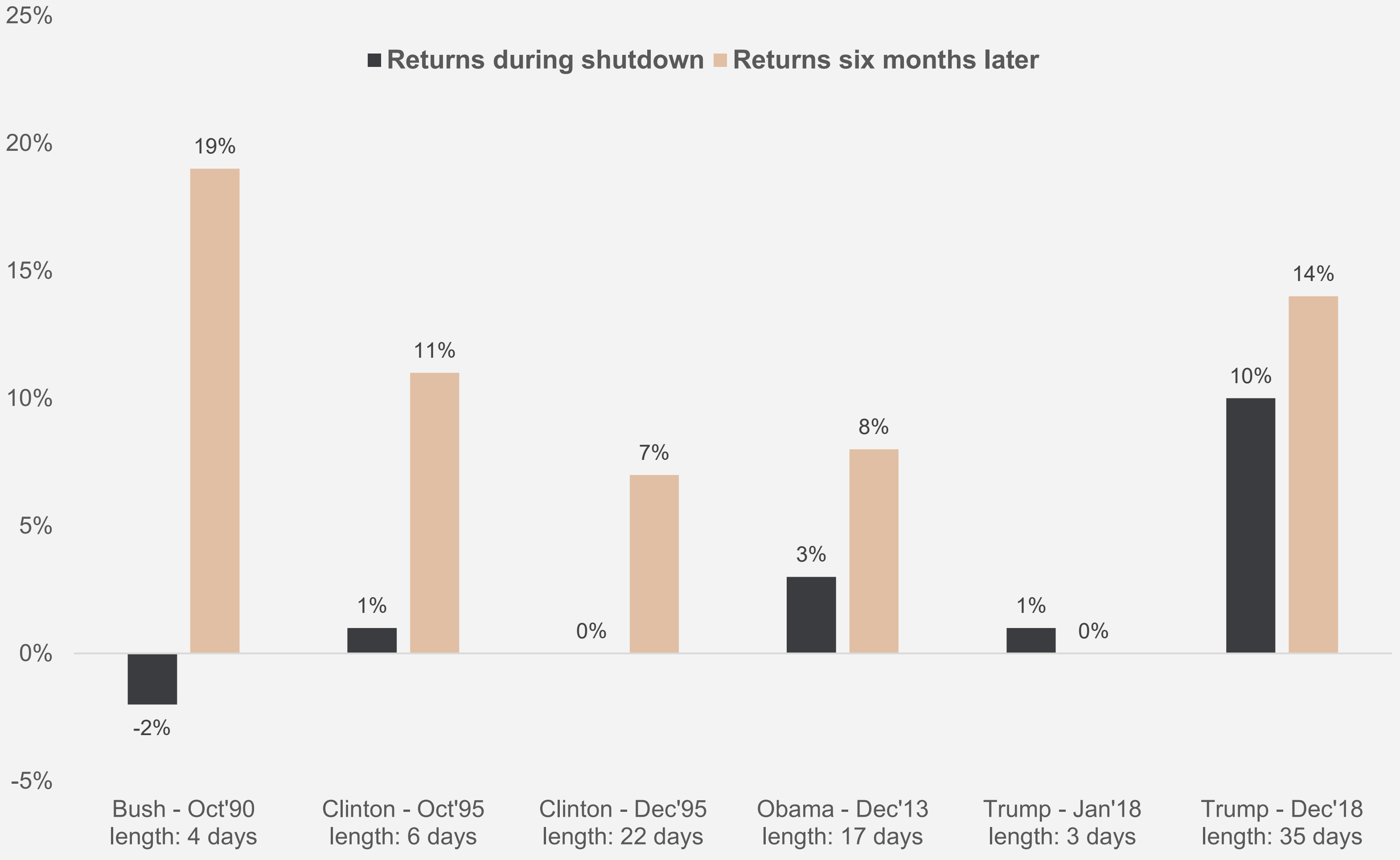
Oil & Gold Commentary – September 2025

- **Oil prices fell in September,** with Brent averaging $67/bbl and WTI at $63/bbl. OPEC+ modestly increased supply, while non-OPEC producers like Brazil and the U.S. added pressure. Demand growth slowed to 740,000 bpd year-on-year, and geopolitical tensions—especially in the Middle East and Russia—added a risk premium. Inventories rose slightly, and investor sentiment turned bearish. Prices are expected to soften in Q4 amid oversupply concerns and seasonal demand weakness.

- **Gold surged to a record $3,870/oz** in September, up 12% monthly and 47% year-to-date. Key drivers included geopolitical tensions, a weaker U.S. dollar, and the Federal Reserve's rate cut to 4.0–4.25%. Record ETF inflows and safe-haven demand amid global uncertainty fueled momentum. Despite brief profit-taking, investor sentiment remained bullish. Gold's role as a hedge against inflation and policy risk continues to support its strong performance.

Chart of the Month

US Equites impact on Shutdowns: Volatility in the Short Term, Recovery in the Long Run



Source: Bloomberg

The current U.S. government shutdown began on October 1, 2025, has now entered Day 10. It was triggered by a failure to pass funding legislation due to partisan disagreements over healthcare subsidies and spending levels. Despite the shutdown, the S&P 500 has remained resilient with the index rising by 0.7% during the said 9 days and even hitting record highs during the first week.

- Based on historical data market returns during U.S. government shutdowns showed mixed results, ranging from a -2% drop (Bush, 1990) to a 10% gain (Trump, Dec 2018), indicating that immediate investor reactions depend on broader economic and political contexts.
- Six months post-shutdown, markets generally rebounded, with returns as high as 19% (Bush, 1990), suggesting shutdowns may create short-term volatility but rarely derail long-term performance.

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