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MUFG Bank, Ltd. and MUFG Securities plc
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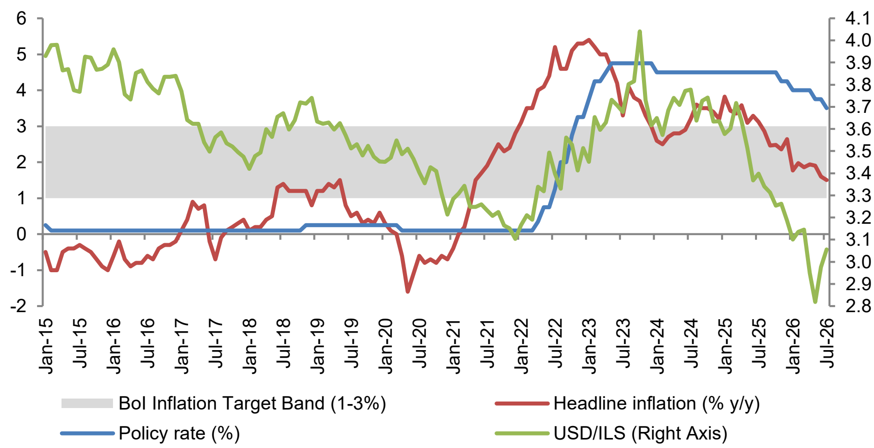
COMMODITIES / ENERGY

Oil rises as Middle East tensions threaten supply. Oil prices advanced as renewed fighting in Lebanon and further tanker attacks in the Strait of Hormuz clouded prospects for ending the US-Iran war. Brent rose toward USD89/b, while WTI traded near USD82/b, with the benchmarks supported by persistent risks to regional supply. Several vessels, including ships linked to ADNOC, were attacked in Hormuz, although Gulf producers continue to move significant volumes through the waterway. Iran and Oman are moving closer to an agreement over managing Hormuz, but the US is not involved and continues to demand unrestricted passage through a route. Meanwhile, the US is preparing additional economic measures against Iran, while Iran is reportedly strengthening its military capabilities and regional alliances. Overall, continued geopolitical uncertainty and risks to key shipping routes are keeping a substantial risk premium embedded in crude prices.

Gold extends gains on softer US data and weaker dollar. Gold extended its two-week advance, trading near USD4,400/oz, as weaker US retails sales and consumer sentiment weighed on the dollar rand reduced expectations of an imminent Fed rate hike. Gold continues to benefit from renewed investor demand and sustained central bank purchases, particularly from China. However, Middle East tensions remain an upside risk to energy prices and inflation, with further vessel attacks in the Strait of Hormuz and the US preparing additional economic measures against Iran, keeping the possibility of future monetary tightening alive. Iran-Oman negotiations over Hormuz and continued oil flows through the Strait have so far helped contain energy prices. Wednesday's Fed minutes, US economic data and developments around Hormuz will be key drivers of gold, particularly through their impact on rate expectations.

ISRAEL INFLATION REMAINS COMFORTABLY WITH IN BOI TARGET



Source: Bloomberg, BoI, MUFG Research

MIDDLE EAST – CREDIT TRADING

End of day comment – 14 August 2026. A bit of a replay of yesterday where volumes were typically low and longer duration bonds across liquid curves outperformed. Otherwise, flows were not worth much commentary. AT1 bonds are still very bid from retail, and they seem to be happy to inch the bids higher daily even though spreads are going tighter. KSA/ARAMCO/PIFKSA were all generally flat except at the long end where bonds were 2-3bps tighter. Bahrain was generally unchanged in cash price across the curve keeping spreads 2-3bps tighter. Inquiry was limited. Turkey's general buying in retail across names with a focus on sukuks even on the Friday. We traded more TCELLT today. *(Source: Matthew Dunker, Credit Trader)*

MIDDLE EAST – MACRO / MARKETS

Israel's economy rebounds strongly in Q2. Israel's economy rebounded sharply in Q2 2026, expanding 15.4% annualized (3.6% q/q), significantly above market expectations and reversing the revised 2.2% contraction in Q1, when the war with Iran disrupted trade, employment and domestic demand. The recovery was broad-based as postponed activity resumed, with exports surging 35.2%, business-sector output rising 16.6%, private consumption increasing 14.7%, government consumption 19.5% and fixed investment 6.3%. The strong growth print was accompanied by easing inflation, with July CPI slowing to 1.5% y/y, remaining comfortably within the Bank of Israel's 1%-3% target range and strengthening the case for renewed rate cuts. The rebound again demonstrates the economy's ability to recover relatively quickly from conflict-related disruptions, supported by resilient exports and the high-tech sector. Looking ahead, the durability of the export and domestic-demand recovery, the pace of Bank of Israel monetary easing and geopolitical developments will be the key sustaining momentum. We forecast real GDP growth of 3.3% in 2026, accelerating to 4.4% in 2027, while inflation is expected to rise to 2.0%by year-end. The Bank of Israel currently projects CPI inflation of 1.8% in both 2026 and 2027.

S&P affirms Lebanon at 'CCC+' as conflict weighs on recovery. S&P Global Ratings affirmed Lebanon's 'CCC+/C' local-currency ratings with a Stable Outlook, while keeping its foreign-currency rating at 'SD/SD' due to the continuing Eurobond default. Renewed Israel-Hezbollah fighting since March has disrupted economic activity and slowed banking, fiscal and IMF-related reforms, leading S&P to forecast GDP contraction of 8-9% in 2026, versus its previous 3% growth forecast, with reconstruction needs estimated at around USD5bn (13% of GDP). Despite the shock, the government remains current on its limited commercial local-currency debt and is expected to post a fiscal surplus of around 3% of GDP in 2026, largely reflecting tight financing constraints. S&P sees only limited near-term progress on debt restructuring and banking reforms given persistent security risks. Going forward, an easing of hostilities and progress on IMF-backed reforms, banking restructuring and Eurobond negotiations could support a 2%-3% recovery in 2027-29, while renewed escalation remains the key downside risk.

CALENDAR – DATA / EVENTS / MEETINGS

	Country	Date and time	Indicator/Event	Period	Consensus	Previous	Market Moving*
	TU	8/17/2026 12:00	Central Gov't Budget Balance	Jul	--	114.2b	!
	IS	8/17/2026 14:00	Unemployment Rate	Jul	--	2.90%	!

*Source: Bloomberg, MUFG Research; * Bloomberg Relevance Score between "!", "!!" and "!!!"*

MARKET INDICATORS

Stock markets	Index	Chg, %	
		Daily	YTD
Regional			
MSCI GCC	752	0.66	2.38
Bahrain	1,952	-0.08	-5.52
Kuwait	10,512	0.84	20.98
Oman	7,535	0.35	28.43
Qatar	10,045	0.24	-6.67
Saudi Arabia	10,920	0.89	4.09
Dubai	5,886	-0.38	-2.67
Abu Dhabi	10,047	0.02	0.55
Egypt	55,855	1.09	33.53
Israel	4,203	-0.33	15.73
Turkey	14,172	0.28	25.85
Jordan	202	0.08	10.43
International			
MSCI World	5,029	-0.09	13.52
MSCI EM	1,701	0.34	21.13
CSI 300	4,688	0.47	1.25
DAX	26,440	0.53	7.96
DJIA	53,732	-0.20	11.80
EURO STOXX 50	6,540	-0.09	12.92
FTSE 100 Index	10,750	-0.21	8.24
Nikkei 225	68,721	0.01	36.52
S&P 500	7,786	-0.17	13.74

3m interbank rates	%	Chg, bp	
		Daily	YTD
Bahrain	5.16	0.00	3.48
Kuwait	3.56	0.00	0.00
UAE	3.95	0.21	13.56
Qatar	4.10	-0.59	3.14
Saudi Arabia	4.86	0.91	-0.07
Turkey	16.01	0.00	0.00
SOFR	3.73	-0.34	2.08

Exchange rates	Rate	Chg, %	
		Daily	YTD
USD/BHD 1yr fwd	172.34	-0.14	-7.66
USD/KWD 1yr fwd	-150.00	1.21	23.08
USD/OMR 1yr fwd	3.00	-60.00	-80.00
USD/QAR 1yr fwd	0.35	103.75	-99.13
USD/SAR 1yr fwd	90.00	2.86	-74.46
USD/AED 1yr fwd	-18.90	-1.50	49.65
USD/EGP 1yr fwd	19.94	0.05	-13.49
USD/TRY 1yr fwd	39.74	0.01	-9.60
USD/ILS 1yr fwd	-428.00	0.23	-204.84

Sovereign bonds	Yields, %	G-S*, bp	Chg, bp		Coup, %
		Daily	Daily	YTD	
Short-term bonds (1-2 years)					
Bahrain 2028	7.047	287.44	-0.03	1.58	7.000
Kuwait 2027	4.407	48.99	0.00	0.09	3.500
Oman 2027	4.793	78.60	0.01	0.30	6.750
Qatar 2028	4.559	45.49	0.02	0.56	4.500
KSA 2027	2.986	23.76	0.05	0.60	0.750
UAE 2027	4.347	34.90	0.01	0.36	3.125
Egypt 2027	5.762	177.01	0.04	-0.89	5.800
Turkey 2027	5.388	139.95	-0.04	0.13	8.600
Israel 2027	3.207	62.86	0.03	0.33	1.500
Jordan 2027	5.054	116.22	0.08	-0.70	5.750
Medium-term bonds (3-5 years)					
Bahrain 2030	7.179	290.04	-0.02	1.32	7.375
Oman 2030	5.007	72.29	0.00	0.71	4.875
Qatar 2030	4.808	52.44	0.00	0.74	9.750
KSA 2030	4.875	61.56	-0.02	0.57	4.750
UAE 2030	4.658	38.41	0.00	0.74	3.125
Egypt 2030	7.357	304.86	-0.03	-1.23	7.625
Turkey 2030	6.304	201.54	-0.04	0.27	9.125
Israel 2030	5.086	79.88	0.01	0.31	2.750
Jordan 2030	5.615	132.81	-0.04	-0.63	5.850
Long-term bonds (6+ years)					
Bahrain 2035	7.527	292.19	-0.01	-0.08	7.750
Qatar 2035	4.960	36.33	0.02	-0.06	4.875
KSA 2035	5.213	68.25	0.02	-0.04	5.000
UAE 2034	4.953	40.52	0.00	-0.05	5.000
Turkey 2035	6.954	236.61	0.00	-0.04	6.500
Israel 2037	4.297	106.75	0.00	-0.02	2.375
International bonds (10 years)					
US Treasury	4.683	---	-0.01	0.36	4.625
German Bund	3.203	---	0.07	0.42	3.000
UK Gilt	5.038	---	0.09	0.34	4.750
Japan Government Bond	2.923	---	0.05	1.36	2.700

Commodities	USD	Chg, %	
		Daily	YTD
Brent	100.30	0.49	47.83
WTI	91.64	0.19	44.82
Gold	4,028	0.38	1.70
Copper	13,595	0.08	13.98
Aluminium	3,188	-0.20	8.56
EU natural gas	4,028	0.38	1.70
US natural gas	62.55	1.37	130.35
Iron ore	98.15	-0.31	-11.19
Coal	227.00	1.35	6.16
Commodities (BCOM)	706.13	0.65	19.60
Energy (BCOMEN)	460.39	0.33	38.29
Base metals (BCOMIN)	174.46	1.07	11.07
Precious metals (BCOMPR)	1,258.09	0.39	1.19
Agriculture (BCOMAG)	4,028	0.38	1.70

*Source: Bloomberg, MUFG Research; * G-spread = interpolated bond spread to sovereign curve of matching currency*

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