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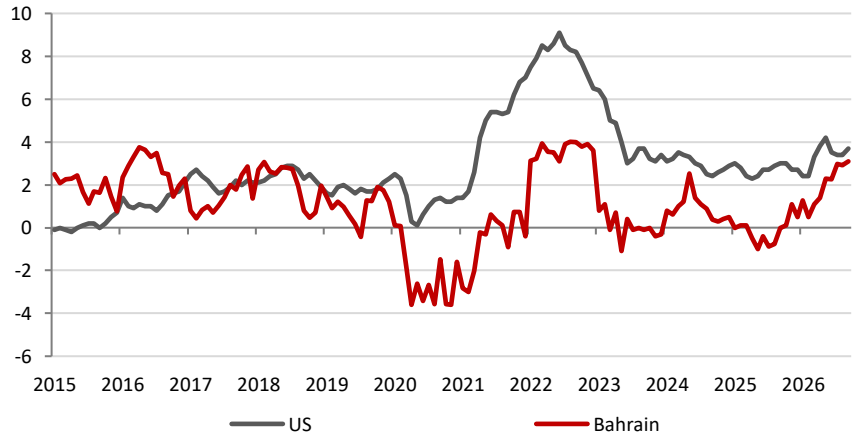
28 October 2026

COMMODITIES / ENERGY

Oil rises as Middle East tensions reinforce geopolitical risk premium. Oil prices are trading higher after a choppy session overnight. Brent futures are up around 2% near USD 116/b while WTI has added around the same amount to trade near USD 101.88/b. Markets have geopolitical dynamics in the Middle East squarely in focus with reports that the US and Israel are preparing a new offensive against Iran to take place after the US midterms while the outcome of the Israeli legislative election still remains unclear. Saudi Aramco also said that it had contained at fire close to the Ras Tanura oil export terminal after an attack while further missile attacks against the oil producing eastern region of Saudi Arabia were reported overnight. Elsewhere in fundamentals, the API reported a draw of 2m bbl in crude inventories last week while gasoline and distillate stockpiles both increased.

Gold steadies around USD 4,040 ahead of key Fed decision. Gold prices edged higher overnight but are drifting lower in early trade today at around USD 4,041/oz. Markets are watching the outcome of the FOMC later today with no expectation of a hike from the Fed but focus on whether commentary shifts to a more hawkish stance and if there is any clarity on where rates head in 2027. Later this week the release of the PCE inflation index will affirm whether the Fed is odds in for a December hike or if rate hike expectations for the December meeting fade further. Markets are currently pricing in around 23bps of hikes for the December FOMC.

BAHRAIN'S INFLATION AT ITS HIGHEST SINCE DECEMBER 2022



Source: Bloomberg, MUFG Research

MIDDLE EAST – CREDIT TRADING

End of day comment – 27 October 2026. Strong close. The morning was a bit more of the same. We saw sovgn curves stabilising but the market still seller in non sovgn bonds, especially financials where the market remains reluctant to put bids against. Later morning a bit of headline ping pong started around Iran, the headlines kept on coming well into the close with some Russia/ Ukraine related joining. That clearly lifted risk sentiment and we saw some short covering in benchmarks. With macro risk further strengthening in the US session we finally saw flows turning and the market quickly became risk on. The bid was led by long bonds, ADGB 54s closed +0.375pt/-4bp. QATAR 36s quickly saw short covering as well going out +0.25pt/-4bp. The KSA complex was -2/4bp also led by long end, KSA 54s closed +0.375pt/-4bp. The outperformer in the sovgn space was OMAN though, a few buyers of long end bonds brought short covering out here as well with 51s squeezing most closing +0.875pt/-8bp. It was less of a rush in quasi sovgn (-2/3bp) and financials, but we saw the first bonds recovering a bit from the lows, new DHBKQD 31s closed +0.125pt/-3bp. Overall a much better feel to risk into the close albeit the moves are mostly driven by short covering, whilst we have seen flows turning a bit more +ve in the last 2 hours the market is still lacking broad based buying interest from RM. (*Source: Dominik Roth, Credit Trader)*

MIDDLE EAST – MACRO / MARKETS

Bahrain's inflation rises to 3.1% in September. Bahrain's annual inflation increased to 3.1% y/y in September 2026 from 3.0% y/y in August, reaching its highest level since December 2022 amid rising transport and food costs. Consumer prices rose 0.7% m/m, accelerating from 0.2% in August, reflecting renewed price pressures across several expenditure categories. Transport inflation surged to 11.6% y/y from 7.8%, emerging as the primary driver of the increase, while food and non-alcoholic beverage inflation remained elevated at 8.0%. Price pressures also strengthened in household furnishings and communications, although recreation and culture inflation moderated sharply to 2.9% from 10.1%. Meanwhile, housing and utilities prices declined 1.3% y/y, while clothing and footwear fell 9.1%, helping contain headline inflation. Bahrain's inflation now exceeds Saudi Arabia's 1.9% and approaches Oman's 3.2%. Persistent transport and food price pressures could keep inflation elevated through Q4, although declining housing costs and easing inflation in selected categories may help limit further increases.

CALENDAR – DATA / EVENTS / MEETINGS

	Country	Date and time	Indicator/Event	Period	Consensus	Previous	Market Moving*
	TU	10/28/2026 11:00	Trade Balance	Sep	-5.20b	-5.24b	!!!
	KU	10/21/2026-11/04/2026	CPI YoY	Aug	--	2.19%	!

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

MARKET INDICATORS

Stock markets	Index	Chg, %	
		Daily	YTD
Regional			
MSCI GCC	711	2.22	-3.22
Bahrain	1,840	-0.29	-10.95
Kuwait	9,381	-0.72	7.96
Oman	7,348	-0.14	25.24
Qatar	9,151	0.00	-14.97
Saudi Arabia	9,986	2.30	-4.81
Dubai	5,864	1.96	-3.02
Abu Dhabi	9,746	1.09	-2.47
Egypt	50,105	3.49	19.78
Israel	4,206	1.99	15.83
Turkey	11,151	-0.01	-0.98
Jordan	202	0.23	10.18
International			
MSCI World	4,927	0.53	11.22
MSCI EM	1,579	1.02	12.41
CSI 300	4,082	0.81	-11.83
DAX	25,591	0.71	4.49
DJIA	52,378	0.03	8.98
EURO STOXX 50	6,165	0.79	6.45
FTSE 100 Index	10,687	-0.75	7.60
Nikkei 225	64,099	1.31	27.33
S&P 500	7,723	0.60	12.81

3m interbank rates	%	Chg, bp	
		Daily	YTD
Bahrain	5.47	0.06	9.87
Kuwait	3.62	-0.14	1.61
UAE	4.32	3.94	24.24
Qatar	4.35	-1.64	9.31
Saudi Arabia	5.21	-1.34	7.12
Turkey	16.01	0.00	0.00
SOFR	4.06	0.24	11.05

Exchange rates	Rate	Chg, %	
		Daily	YTD
USD/BHD 1yr fwd	175.10	-1.79	-6.18
USD/KWD 1yr fwd	71.25	-11.27	136.54
USD/OMR 1yr fwd	7.88	-7.29	-47.47
USD/QAR 1yr fwd	-4.02	-24.07	-110.04
USD/SAR 1yr fwd	180.00	0.34	-48.92
USD/AED 1yr fwd	-11.24	1.23	70.06
USD/EGP 1yr fwd	19.88	0.86	-13.23
USD/TRY 1yr fwd	39.92	-0.35	-10.01
USD/ILS 1yr fwd	-691.00	0.24	-392.17

Sovereign bonds	Yields, %	G-S*, bp	Chg, bp		Coup, %
		Daily	Daily	YTD	
Short-term bonds (1-2 years)					
Bahrain 2028	7.962	322.03	-0.03	2.83	7.000
Kuwait 2027	4.684	40.38	0.00	0.72	3.500
Oman 2027	5.345	84.60	0.00	1.09	6.750
Qatar 2028	5.073	45.09	0.00	1.36	4.500
KSA 2027	3.622	37.43	0.01	1.18	0.750
UAE 2027	4.972	48.57	-0.01	1.41	3.125
Egypt 2027	7.031	255.37	0.00	1.49	5.800
Turkey 2027	5.722	124.97	0.00	1.19	8.600
Israel 2027	3.882	114.27	0.03	1.18	1.500
Jordan 2027	5.269	112.71	-0.05	0.15	5.750
Medium-term bonds (3-5 years)					
Bahrain 2030	8.032	319.80	0.00	2.72	7.375
Oman 2030	5.625	78.92	-0.01	1.48	4.875
Qatar 2030	5.332	49.64	0.00	1.64	9.750
KSA 2030	5.681	85.44	-0.02	1.58	4.750
UAE 2030	5.375	54.22	0.01	1.69	3.125
Egypt 2030	7.962	311.70	0.01	0.39	7.625
Turkey 2030	6.897	205.90	0.00	1.21	9.125
Israel 2030	5.618	78.10	0.01	1.31	2.750
Jordan 2030	6.405	156.73	-0.03	0.91	5.850
Long-term bonds (6+ years)					
Bahrain 2035	8.293	330.98	0.00	-0.13	7.750
Qatar 2035	5.614	63.46	0.01	-0.10	4.875
KSA 2035	5.895	94.95	0.00	-0.07	5.000
UAE 2034	5.521	56.73	0.00	-0.08	5.000
Turkey 2035	7.574	260.00	0.00	-0.07	6.500
Israel 2037	5.820	84.16	0.00	-0.06	5.625
International bonds (10 years)					
US Treasury	5.023	---	0.02	1.05	4.625
German Bund	3.358	---	-0.01	0.74	3.000
UK Gilt	5.345	---	0.00	0.95	4.875
Japan Government Bond	2.827	---	0.03	1.19	3.100

Commodities	USD	Chg, %	
		Daily	YTD
Brent	115.46	1.39	91.73
WTI	101.28	1.38	77.93
Gold	4,035	-0.61	-6.58
Copper	14,475	1.03	16.51
Aluminium	3,087	1.53	3.05
EU natural gas	4,035	-0.61	-6.58
US natural gas	97.10	1.08	253.30
Iron ore	90.60	0.00	-15.48
Coal	266.75	0.09	25.86
Commodities (BCOM)	731.02	-0.72	25.00
Energy (BCOMEN)	513.46	-1.75	65.97
Base metals (BCOMIN)	176.11	0.08	7.79
Precious metals (BCOMPR)	1,235.89	0.80	-8.77
Agriculture (BCOMAG)	4,035	-0.61	-6.58

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

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