



Global Markets

Resilient Earnings Support Q3 Equity Gains

Global equities delivered positive returns in Q3 despite rising geopolitical tensions, persistent inflation and tighter monetary policy. Developed-market equities gained 2.9% in USD terms, supported by resilient economic activity and strong corporate earnings, while emerging markets declined marginally by 0.2%. Japan's TOPIX led major developed markets with a 3.8% quarterly gain, followed by the S&P 500 at 2.3%. However, September saw a more challenging environment, with the MSCI World declining 1.2% MoM and emerging markets falling 0.5% MoM. Earnings revisions remained positive, particularly in the US and emerging markets, allowing valuations to moderate despite quarterly equity gains. The S&P 500 ended the quarter trading at approximately 19x forward earnings, broadly in line with its historical average.

Bond Sell-off Drives Borrowing Costs Higher

Government bonds faced significant selling pressure in September as resilient growth, renewed inflation concerns and fiscal deficits pushed yields sharply higher. Both the Federal Reserve and European Central Bank raised policy rates by 25 bps, while the US 10-year Treasury yield surged 53 bps to 5.28%, its largest monthly increase since 2022. The Bloomberg Global Aggregate Bond Index declined 2.4% MoM and 2.5% over Q3, with investment-grade credit also underperforming as spreads widened. Rising government borrowing requirements and increasing debt issuance to finance AI infrastructure intensified competition for capital, pushing long-term borrowing costs higher. Although elevated yields offer more attractive income opportunities, the higher cost of capital is becoming an increasingly important constraint on equity valuations and investment returns.

AI Investment and Energy Shocks Reshape Markets

Artificial intelligence remained a key driver of corporate earnings and investment throughout Q3, although investor attention increasingly shifted towards financing requirements and returns on capital. US hyperscalers have issued more than USD 200 billion in long-term bonds during 2026 to support AI infrastructure, highlighting the growing capital intensity of the investment cycle. Meanwhile, renewed Middle East tensions pushed Brent crude up approximately 14% MoM in September to above USD 100 per barrel, contributing to a 16.2% Q3 gain in the Bloomberg Commodity Index. Higher energy prices reinforced inflation concerns and expectations of further monetary tightening,

while gold declined 6.3% MoM as rising real yields and a stronger US dollar outweighed safe-haven demand. Together, these developments reinforced the importance of earnings quality, capital discipline and diversification in an increasingly selective investment environment.



Regional Markets

Foreign Selling Reverses Saudi Equity Market Gains

Saudi equities declined sharply in September, with the TASI falling 6.2% MoM to 10,441 points, erasing August's rebound and bringing its YTD return to -0.5%. Market activity weakened significantly, with total traded value declining 29.6% MoM to SAR 79.2 billion. All 21 sectors recorded losses, led by Media (-14.9%), Consumer Durables (-12.8%) and Diversified Financials (-10.3%), while Energy (-3.1%) proved relatively defensive. Foreign investors recorded net outflows of SAR 4.29 billion, with foreign institutional ownership of free-float shares declining to 11.72% from 11.94% in August. Saudi Arabia's underperformance contrasted with MoM gains in Kuwait (+4.1%), Oman (+4.0%) and Dubai (+2.1%), highlighting diverging regional market dynamics. Rising global bond yields, renewed geopolitical tensions and persistent foreign selling contributed to weaker investor sentiment despite higher oil prices.

Non-Oil Growth Strengthens Despite Tighter Financial Conditions

Saudi Arabia's non-oil economy accelerated in September, with the PMI rising to 55.3 from 53.8 in August, supported by the strongest growth in new orders since February. Consumer spending remained resilient, increasing 6.4% YoY in August, although declining 2% MoM. Inflation remained contained at 1.8% YoY, while housing rental inflation moderated to 3.9% YoY. Banking-sector liquidity conditions tightened as deposit growth slowed to 5.7% YoY, while private-sector credit growth accelerated to 6.1% YoY, pushing the loan-to-deposit ratio to 112.5%. Meanwhile, Brent crude rose 14.4% MoM in September to USD 103.5 per barrel, supporting Saudi oil revenues, which increased 8% YoY during January-July. The government's preliminary 2027 budget projects a narrower fiscal deficit of 3.6% of GDP, compared with 4.9% in 2026, alongside a 3% reduction in spending. Overall, resilient domestic activity and stronger oil revenues remain supportive, although tighter financing conditions and fiscal consolidation could moderate growth momentum.



Global Market Indices

Global Data: As End Of: 30-September-26

Saudi Market Data: As End Of: 30-September-26

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2023 (%)	2024 (%)	2025 (%)
World	DJIM World TR	15,146.8	0.4	16.3	20.6	17.4	22.2	11.4	13.8	27.0	18.0	19.4
Developed	DJIDEV TR	8,716.6	0.6	16.1	20.8	17.5	22.4	12.0	14.4	29.4	18.5	19.2
Emerging Markets	DJIEMG TR	7,546.2	(1.4)	17.6	18.4	16.8	20.2	5.2	8.9	6.4	13.3	21.8
Saudi	TASI	10,440.6	(6.2)	(0.5)	(9.2)	(7.6)	(1.9)	(1.7)	6.6	14.2	0.6	(12.8)
NAREIT	AI REITS TR	3,427.4	(5.3)	3.3	2.8	1.8	10.2	1.3	3.3	9.8	1.6	11.0
GSCI	All Commodities	730.4	1.9	33.2	32.8	17.1	6.2	5.5	7.2	(12.2)	2.6	(0.2)
Currencies	Euro	1.13	(2.5)	(3.5)	(3.4)	0.9	2.3	(0.4)	0.1	3.1	(6.2)	13.4
	Yen	157.41	1.5	(0.4)	(6.0)	(4.5)	(1.7)	(6.7)	(4.3)	(7.0)	(10.3)	0.3
	GBP	1.33	(2.1)	(1.6)	(1.3)	(0.4)	2.8	2.2	1.5	5.4	(1.7)	7.7

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