HAKEEMA RESEARCH
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The global yield reset: what higher rates and AI debt supply mean for GCC bonds and sukuk

A MENA reading of BlackRock's Q4 2026 fixed income outlook and EFG's Outlook 2027 — higher-for-longer policy, AI-driven bond issuance, fragile long ends and why selection now matters more than beta.

Executive assessment

Both houses describe a resilient but less predictable world. BlackRock notes the Fed raised rates by 25 bps to 3.75%–4.00% in September 2026 as core inflation stayed sticky; EFG sees global growth around 3.5% in 2027, US-led, but with a wider 'cone of uncertainty' — energy, overtightening and an AI-related shock on the downside. [1] [2, pp. 5–7]

Yield is back, but judgment matters more

BlackRock's theme is 'more yield, more judgment': higher starting yields improve income, yet positive stock–bond correlations mean long government bonds no longer reliably hedge equity drawdowns. EFG reaches a similar conclusion, favouring short-to-intermediate duration and caution on long-dated US, UK and French bonds where fiscal risk premia are rising. [1] [2, p. 10]

AI capex is now a bond-market story

Hyperscaler financing is moving from private credit and banks into public bond markets, competing with record Treasury supply. EFG notes that the largest technology issuers are now comparable to a large sovereign in market capitalisation and estimated issuance, adding pressure to the long end. [1] [2, pp. 8, 15]

Emerging markets: selection over beta

BlackRock puts emerging-market debt yields near 7% with sound fundamentals, but sees index beta largely exhausted — returns depend on sovereign selection, oil sensitivity and hedging costs. EFG similarly advises diversified EM exposure, noting hard-currency EM debt remains sensitive to high US rates and a strong dollar. [1] [2, p. 10]

The rise of middle powers

EFG names Saudi Arabia among the 'middle powers' — alongside India, Turkey, Brazil and Indonesia — increasingly central to how geopolitical risk is managed, and highlights trade agreements between Southeast Asian economies and Gulf states. It also shows Saudi debt

near 30% of GDP, among the lowest in its sample, though projected to rise about 9 points over five years. [2, pp. 9, 11–12]

Hakeema interpretation — GCC sovereigns and sukuk

Low starting debt, external buffers and dollar pegs place GCC sovereign and investment-grade sukuk paper closer to the 'quality carry' both houses describe than to stressed EM issuers. The offsets are rising issuance to fund diversification and AI infrastructure, and imported US rate conditions through the pegs. This is Hakeema's interpretation, not a view stated by either source.

Hakeema interpretation — the AI financing pipeline

As Gulf sovereign investors fund regional data centres and power, the global shift from private to public debt markets suggests more Gulf AI and energy infrastructure will be financed through syndicated bonds and sukuk. EFG's energy-security theme — grids, generation and storage — points the same way. Hakeema interpretation.

Hakeema interpretation — importers

For Jordan, Egypt and Morocco, an energy-driven inflation impulse and higher US rates tighten external financing. A Middle East settlement, which EFG lists as an upside scenario, would ease both energy bills and risk premia. Hakeema interpretation.

Sources
[1] BlackRock, Fixed Income Outlook Q4 2026 — 'More yield, more judgment' (supplied document).
[2] EFG, Outlook 2027 — Our top 10 themes for the year ahead (supplied document).

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