Fixed Income Commentary

Asset Management

November 13, 2026

Rates – a sigh of relief?

Markets confidence in the growth outlook remained broadly intact in October, although questions around the sustainability and quality of growth became more prominent. Strong US economic activity, rising AI-related capex and higher energy prices initially reinforced expectations of structurally higher interest rates. However, sentiment shifted in the second half of the month as investors began questioning the returns on substantial data centre investments and trimmed exposure to AI stocks. Global equities declined, tech-heavy EM underperformed, while government bonds regained their diversification role. Renewed tensions in the Middle East added to inflationary concerns, pushing Brent to ~US$117/bbl. Despite this, US Treasuries staged a meaningful rally from their early-October highs. Resilient demand, mixed labor market and renewed inflationary pressures continued to pull markets in different directions, making the outlook for monetary policy less clear. Overall, October witnessed a rotation away from crowded growth trades rather than a broad based risk-aversion along with a rally in US Treasuries.

Numbers Behind the Narrative

US economic data continued to paint a mixed picture, although the latest employment figures suggest the labor market is holding up better than previously thought. The October payroll report, showed an increase of 165k jobs, well above market expectations of 65k, along with upward revisions to previous months figures. The unemployment rate edged down to 4.1%, while average hourly earnings rose 0.4% MoM (3.1% YoY), pointing to continued resilience of the labor market. Inflation remains the biggest concern for policy makers given the ongoing conflict and its impact on energy prices. September headline CPI rose 0.6% MoM and 3.7% YoY, largely driven by higher gasoline prices. Core CPI increased 0.3% MoM and 2.6% YoY. The Fed's preferred PCE measure also pointed to persistent inflationary pressures with headline and core PCE at 3.6% and 3.1% YoY respectively. Meanwhile, the US economic growth remained firm, with third quarter GDP expanding at an annualised rate of 3.4%, (up from 2.2%).

Central Bank Watch

Persistent inflation along with stronger economic growth leaves the Federal Reserve with less room to ease policy (than what's priced in). This is likely to keep interest rate expectations sensitive to incoming data points. Against this backdrop, the Federal Reserve kept interest rates unchanged at 3.75%–4.00% on 28 October, following the September rate increase. The decision was supported by a 10–2 vote, with two members favoring a further 25bps hike. The Fed upgraded its assessment of economic activity from “solid” to “strong”, while highlighting robust investment and noting that inflation remained elevated. The decision was therefore seen as a hawkish pause. Other major central banks also remained cautious. The ECB kept rates unchanged at its 29 October meeting, noting that higher energy prices posed upside risks to inflation and downside risks to growth. The BOJ also held its policy rate at 1.25% but maintained its guidance that further increases could follow.

After a significant sell-off in September, US Treasuries recovered in October, with yields declining across the curve. The 5-year, 10-year and 30-year US Treasury yields ended the month at 4.72% (-37bps), 4.93% (-36bps) and 5.31% (-32bps) respectively. The rally was supported by safe-haven demand amid the sell-off in Technology stocks. However, markets continue to expect a tight monetary policy, with over 80% probability of a 25bps rate hike priced in at December meeting. Despite the decline in yields, concerns around persistent inflation, energy prices and government debt supply continue to weigh on the longer end of the curve.

#1 MENA Asset Manager investing in Asian G3 bonds for 2026 by The Asset Magazine

Quote of the Month

“The investor’s chief problem, and even his worst enemy, is likely to be himself.”

Benjamin Graham

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Equity markets saw a clear rotation, with technology shares facing the most pressure. The S&P 500 declined 0.87%, while Nasdaq composite fell 5.28%, as investors took profits and became more cautious about the returns expected from large AI-related investments. The Dow Jones Industrial Average, in contrast, gained 1.76%, suggesting that the weakness was concentrated in certain sectors rather than across the broader US equity market. Emerging markets performed considerably worse, with the MSCI EM Index falling around 8.05%, led by weakness in technology-heavy Asian markets. Fixed income markets provided a positive offset, supported by lower US Treasury yields. The Bloomberg US Corporate Total Return Index returned 2.16%, while the JPM EMBI, Dow Jones Sukuk and JACI Asia indices gained 1.44%, 0.98% and 1.08%, respectively. Returns across credit markets were supported by both the Treasury rally and coupon income.

The Final Word

Looking ahead, we remain positive on the fixed income asset class, although uncertainties around inflation and geopolitics remain. The October rally showed that bonds can provide protection during periods of equity market stress. However, strong US economic growth and persistent inflation suggest that interest rates may remain higher for longer. Brent crude has retraced sharply since the end of October, falling around 15% amid hopes of easing US-Iran tensions. The US midterm election results, with Democrats gaining control of both the House and Senate, have also added to uncertainty around the Trump administration's policy direction and its approach to the Middle East. With no crystal ball to predict how geopolitical developments will unfold, we continue to favor high-quality investment grade credit where yields remain attractive, and issuers have strong balance sheets. We remain selective on lower-rated credits, where the additional yield may not adequately compensate for the risks. Elevated yields and strong carry (interest income) provide a meaningful cushion against potential mark-to-market volatility. We therefore maintain a positive stance on fixed income, with a continued focus on credit quality, attractive carry and disciplined risk management.

FI Conventional Portfolio

A diversified portfolio of USD denominated securities, primarily Investment grade, both in the Middle East & North Africa (MENA) region and globally. The portfolio aims to achieve a steady level of interest income with moderate capital appreciation.

A-	3.39	6.21%
Avg. Portfolio Rating	Modified Duration	Yield to Maturity

Managed Account Performance – October 31, 2026

	1M	3M	YTD	1Y	3Y	5Y	ITD
FI Conventional Portfolio	0.89%	-0.21%	0.95%	1.82%	21.63%	19.34%	104.83%
Benchmark[1]	1.17%	-0.06%	0.55%	1.22%	20.57%	9.34%	75.20%

Global Sukuk Fund

A US Dollar denominated Shariah compliant open-ended fund that that will invest in a diversified portfolio of Sukuks globally. The Fund aims to achieve a high level of income with moderate capital growth. The fund targets a semi-annual dividend payout.

BBB+	4.33	6.43%
Avg. Portfolio Rating	Modified Duration	Yield to Maturity

Managed Account Performance – October 31, 2026

	2025	1M	3M	YTD	1Y	ITD
Sukuk Fund[2]	7.90%	0.52%	-0.74%	-0.48%	0.26%	7.92%
Benchmark[3]	7.59%	0.98%	-0.50%	-0.53%	-0.17%	7.15%

Notes: The QIC Global Sukuk Fund is managed by QIC Islamic Asset Management LLC, an affiliate company of QIC Asset Management LLC (company registration no. 00602), which is also authorized and regulated by the Qatar Financial Centre Regulatory Authority (QFCRA). (1) *Blended benchmark- Pre 2023: JPM MECI GCC (JCADGCTR) Index (60%) & JPM Asia (JACIIGTR) Index (20%) & US Bloomberg Aggregate (LBUSTRUU) Index (20%), 2023 onwards the benchmark is changed to reflect a change in the mandate and duration requirements of the portfolio: Bloomberg Eurodollar Global Aggregate (I02953US) Index (35%), Bloomberg EM USD Aggregate 1-3 (I12885US) Index (25%), Bloomberg EM USD Aggregate EMEA (I13292US) Index (20%), Bloomberg Intermediate US Aggregate (LC08TRUU) Index (20%). (2) Assumes reinvestment of dividends. (3)Dow Jones Sukuk Total Return ex-Reinvestment DJSUKTXR Index

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