بنك الاستثمار العُماني
Oman Investment Bank

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Fixed Income Research

# Oman Bonds: 3 Green Lights

## Progress under way; paid to own the carry

**2026 will be remembered for the disruption caused by the conflict in the Middle East and its impact on bond markets. Before the conflict, central bank policy rates across the GCC, the US and most developed economies were expected to decline, a backdrop that would likely have supported monetary easing by the CBO and further appreciation in Omani bonds. The conflict has complicated this outlook, creating headwinds for fixed-income markets. Nevertheless, we believe Omani debt continues to offer attractive relative value for both international and domestic investors, supported by its underlying fundamentals and potential for further gains, while recognising the risks posed by the evolving regional environment.**

The conflict has increased inflationary pressures and raised the risk of further monetary tightening, potentially extending the rate cycle for major central banks, including the Federal Reserve, with implications for GCC monetary policy. Higher oil and natural gas prices, particularly LNG, feed through to production, transport and electricity costs, putting upward pressure on prices across the economy. While the scale and duration of these pressures remain uncertain, the risk of a renewed rise in inflation is clear.

Against this backdrop, we believe Omani government bonds offer attractive relative value for both domestic and international investors. High absolute yields and attractive carry, supported by favourable yield differentials, make a strong case for medium- and long-term investors. Market volatility may create opportunities to lock in these yields at more attractive levels. Investors should therefore view periods of rising yields as opportunities to add exposure, rather than assume that current yield levels will remain available in the future.

- **Credit improvement is real and recognised:** public debt/GDP down to 34.8% in 2025 from 67.8% in 2020 (see fiscal charts to the right), H1 2026 execution close to balance, and investment grade restored by all three agencies — Oman has left the GCC high-beta bucket.
- **Investors are paid to wait:** with the 10Y now trading around 85bp above US Treasuries, carry and credit resilience are earned today while further convergence toward the stronger GCC cluster is still to come.
- **Oman macro:** Non-oil GDP growth is set to accelerate to 4.0% in 2027 from 1.5% in 2026, supporting further solid performance beyond hydrocarbons. Our detailed analysis, underlying assumptions and full forecasts through 2030 are available in *GCAT – The New Geography of Trade.*

### Key market signals for Oman sovereigns

| Driver | What we watch | Why it matters |
|---|---|---|
| **UST 10Y** | Direction and volatility | Main driver of outright duration returns |
| **Oman CDS vs GCC** | Relative spread performance | Separates Oman-specific risk from regional repricing |
| **Curve carry / roll** | Short/intermediate vs long end | Determines where risk-adjusted value sits |
| **Oil / fiscal** | Sustained oil vs fiscal assumptions | Tests the debt and funding trajectory |

Source: Bloomberg, Oman Investment Bank Research.

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**This is a synopsis of our 18 page report. Please contact our research team at: researchteam@oib.om for the full version of the report.**

### Debt burden has nearly halved since 2020 (Public debt to GDP)

Available in the full version of the report.

Source: Oman Investment Bank Research

### Fiscal balance — % of GDP

Available in the full version of the report.

Source:Oman Investment Bank Research

### Oman 10Y spread has compressed sharply

Source: Bloomberg, Investment Bank Research


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