



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

Weekly Market Brief

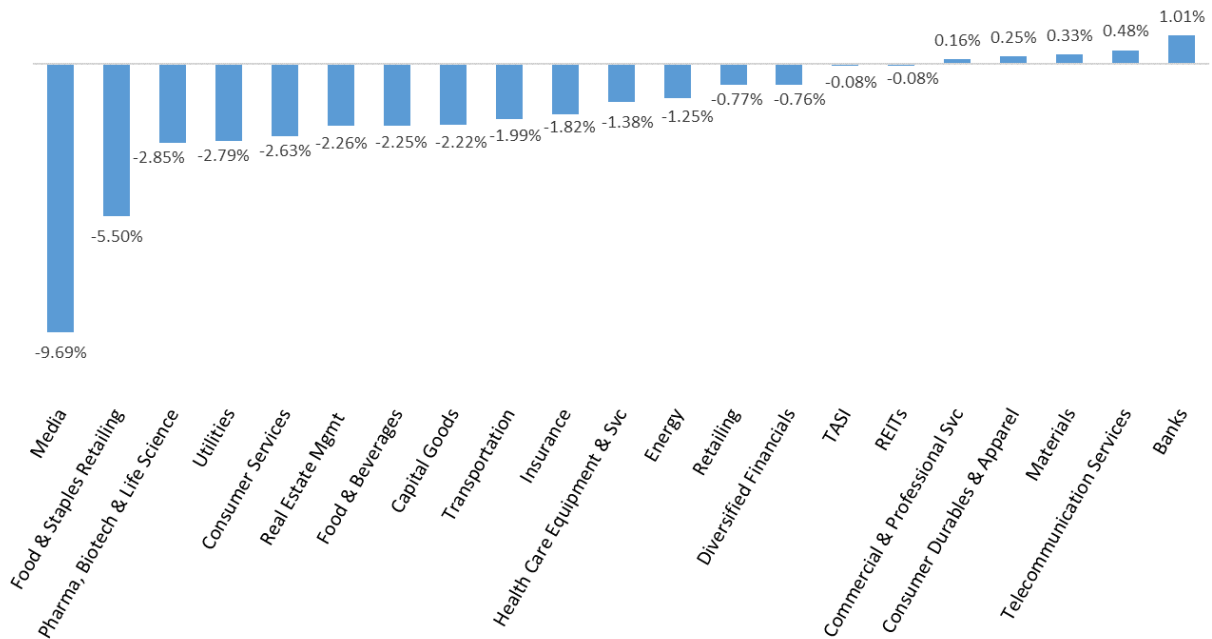
Week Ending 18 May 2018

Saudi Arabian Markets

TADAWUL

Over the past week, the TASI decreased by 0.08 percent. The media and the food and staples retailing sectors had the largest losses, decreasing by 9.69 percent and 5.50 percent, respectively. The banks sector had the largest gains of 1.01 percent.

Tadawul Weekly Indices Performance, as of May 18 2018



Source: The Council, Tadawul

Over the past week, the NOMU parallel market declined by 1.87 percent.



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

INVESTMENT

- With investments of over SR600 million (\$160 million), the Saudi company Dar Al Arkan Real Estate Development launched the Mirabilia residential villas.
- Japan's Softbank Group said that it will launch a second Vision Fund jointly with Saudi Arabia. Capital for the fund may come from investors in the first Vision Fund or separately from institutional investors.
- A new Fitch Ratings report on the money market fund industry in Saudi Arabia noted that Saudi Arabia has established "the foundations of an institutional money fund industry." Fitch says that over the past three years, the Kingdom's money fund sector advanced by 10 percent in U.S. dollar terms. In comparison, money fund growth was 5 percent globally during the same period. While retail investors comprise the largest share of money fund investors in the Kingdom, Fitch notes "*an increasing number of funds offering high minimum initial investment share classes, which are typically accessible only to large or sophisticated, ie non-retail, investors. The growth of this nascent institutional segment is supported by the growth of the money fund sector in Saudi Arabia and the solid regulatory framework already in-place for these funds.*"
- Reflecting a growing interest in Saudi Arabia among fund managers, the equity index compiler S&P Dow Jones reported that it was consulting with investors on possibly upgrading Saudi Arabia to emerging market status.

BANKING

- According to SAMA's weekly money supply update, M1, M2, and M3 decreased by 0.58 percent, 0.50 percent, and 0.52 percent, respectively.
- The proposed merger between Saudi British Bank (SABB) and Alawwal Bank moved to the next stage of discussions, during which, the two parties agreed upon a preliminary share exchange ratio. This agreement outlined that shareholders in Alawwal Bank would receive 0.485 SABB shares for each Alawwal share.



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

- The Saudi Arabian Monetary Authority (SAMA) launched the e-Invoicing business payment platform Esal. The payment platform aims to revolutionize payment processes for Saudi Arabian government entities and businesses. Several business spanning the retail, insurance, healthcare, logistics, and industrial goods sectors have already registered with the platform.
- Saudi Arabia's National Commercial Bank announced a change in CEO upon the resignation of Saeed al-Ghamdi, who is reportedly set for appointment to chairman. NCB's former head of strategy and business development, Faisal Omar al-Sakkaf, was appointed as acting CEO and is expected to be appointed to the position permanently following formal procedures.

NATIONAL

The holy month of Ramadan began on Thursday.

U.S. Markets

LABOR AND COMMERCE

- New data displayed the U.S. economy's solid growth in the month of April. Industrial production posted a 0.7 percent rise, and retail sales increased by 0.3 percent. The Leading Economic Index gained 0.4 percent, increasing six months in row.
- Saudi Aramco's subsidiary Aramco Products Trading Co. (ATC) reportedly made its first shipments of U.S. oil to the U.A.E. The U.S.-based Motiva Enterprises unit sourced the two shipments.
- According to the Wall Street Journal, S&P 500 members' capital expenditures are forecasted to increase at the quickest pace since 2011, with a 24 percent increase in corporate spending compared with the first quarter of 2017. Over the short horizon, capex takes away from payouts to investors, though in the long-term, increasing capex supports profits and economic productivity.
- President Trump asked the U.S. Department of Commerce to ease restrictions on China's telecom company ZTE. ZTE was banned from sourcing U.S. products because the company did not follow sanctions against North Korea and Iran. China ended its U.S.



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

sorghum anti-dumping investigation and approved the sale of Toshiba's memory chip business to a private equity group led by U.S.'s Bain Capital. During the week, China's Vice Premier Liu He resumed trade negotiations with the U.S.

FIXED INCOME

The yield on the benchmark ten-year Treasury increased to 3.08 percent amid rising interest rates and concerns around rising inflation (driven by stronger oil prices and firm U.S. economic growth). The ten-year Treasury reached 3.12 percent midweek, the highest yield since 2011.

EQUITY

The three major U.S. indices posted gains for the week. The Dow decreased by 0.47 percent and the S&P 500 decreased by 0.54 percent. Meanwhile, the NASDAQ fell by 0.66 percent for the week.

The CBOE's Volatility Index (VIX) ended the week at levels near 13.5.

NATIONAL

NAFTA negotiators from the U.S., Mexico, and Canada did not meet the U.S.-imposed May 17 deadline for an agreement to go through legislation prior to the close of this congressional session. U.S. trade official have stated that the parties are not close to reaching a mutual agreement given unresolved disputes around energy, labor, intellectual property, and agriculture.

Global Markets

- West Texas Intermediate reached \$72.15 on Thursday and closed the week at \$71.35. Brent crude prices also notched upwards, reaching \$78.26 per barrel at the end of the week after reaching over \$80 per barrel mid-week. OPEC raised its 2018 forecast for member and non-member oil supply and upwardly revised its outlook for demand.
- Following weeks of discussions in lead up to the June 12 meeting between U.S. President Donald Trump and North Korea's Kim Jong Un, North Korean officials said they would cancel the summit if required to give up their nuclear program in its entirety. North Korea also pulled out of talks with South Korea this week after the U.S. and South Korea resumed pre-planned military exercises. U.S. officials remain optimistic that the summit will continue as planned, and South Korea's president Moon Jae-in is scheduled to meet with President Trump next week to prepare for the June meeting.



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

THE WEEK AHEAD

- The Federal Open Markets Committee (FOMC) issues meeting minutes on May 23.
- On May 23, the U.K. reports its consumer price index.
- The United States reports new homes sales on May 23.
- The U.S. reports existing home sales on May 24.
- On May 24, the U.K. releases retail sales figures.
- The European Central Bank (ECB) issues meeting minutes on May 24.
- The U.K. reports updated GDP figures on May 24.
- Durable goods orders for the U.S. are reported on May 24.

Disclaimer: *The information contained in this document was gathered from sources believed to be accurate at the time, and the U.S.-Saudi Arabian Business Council accepts no liability from errors or omissions in any part due to human or mechanical error. The above information should not be taken as investment advice or as trading recommendation on behalf of the U.S.-Saudi Arabian Business Council.*

Sources: *The Wall Street Journal, Bloomberg, The Washington Post, CNBC, The New York Times, Financial Times, Forbes.com, Tadawul Market Watch, TradeArabia, SAMA, Al Rajhi Capital, Saudi Gazette, MEED.*