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U.S.-Saudi Arabian Business Council

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## **Weekly Market Brief**

*Week Ending September 21, 2018*

### **SAUDI ARABIAN MARKET**

#### **Saudi Arabia Macroeconomic Developments**

- Saudi Arabia's economy grew 1.2 percent during the first quarter of this year and currency reserves grew 1.4 percent reaching \$480 billion, according to the Saudi Arabian Monetary Authority (SAMA). In addition, current account data improved with a surplus of \$18.9 billion in the second quarter of this year compared to \$9.3 billion last year.
- According to SAMA, deposit rates were up to 78 percent, versus the 90 percent ceiling. Liquidity coverage rate is 197 percent, while the benchmark is still 100 percent and the ratio of non-performing loans has risen from 1 to 1.8 percent.
- According to national accounts, private expenditures rose by 5 percent during the first quarter of 2018, while the per capita consumption of indicators monitored by SAMA has recently risen to higher levels than in previous years. Average consumption per capita reached \$9,700, surpassing previous periods between 2014 and 2016.
- According to the Joint Organizations Data Initiative (JODI), Saudi Arabia set two new records in July, producing its highest ever level of refined products and exporting more than 2 million barrels a day (b/d) of oil products for the first time in its history.

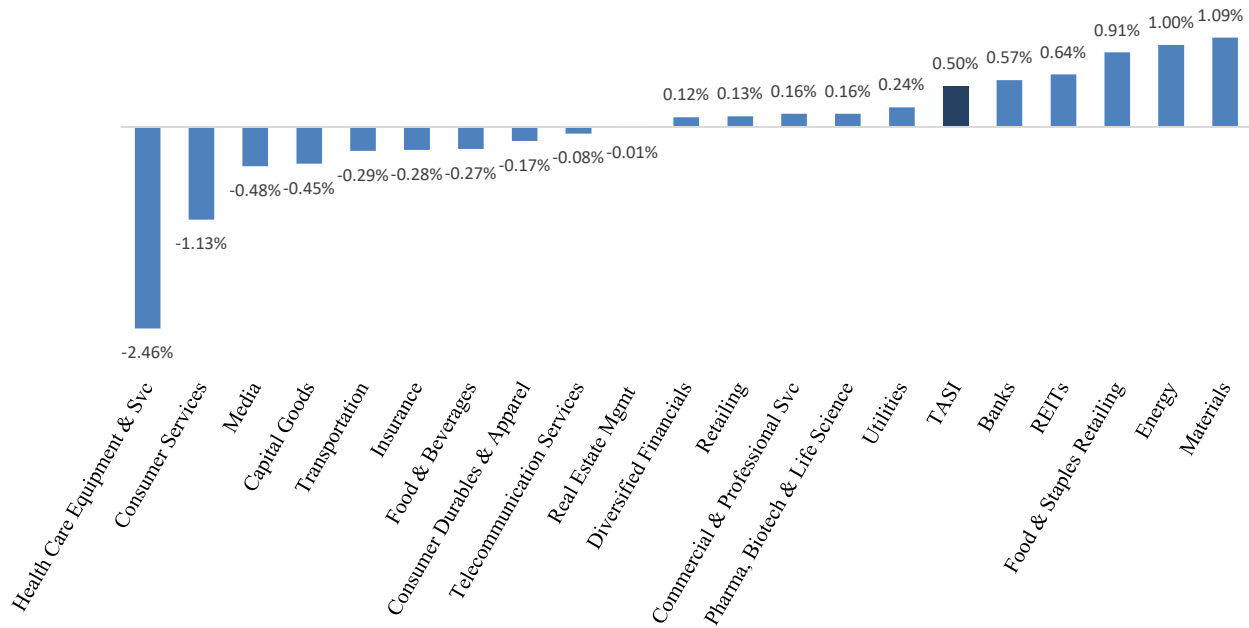


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**Tadawul**

The TASI rebounded to grow by 0.50 percent after five weeks of steady decline. The Tadawul's weekly growth was split as 10 sectors ended the week on a positive note. 'Materials,' 'Energy,' and 'Food & Staples Retailing' garnered the strongest growth, while 'Healthcare Equipment' and 'Consumer Services' dragged the Tadawul down.

**Tadawul *Weekly* Index Performance - September 21, 2018**



Source: Tadawul, USSABC

The NOMU parallel market ended the week with a 0.60 percent decline.



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## Investment and Trade

- Saudi Arabia's Public Investment Fund (PIF) signed an \$11 billion syndicated loan with global banks, as the government institution prepares to invest in new industries and spend overseas to diversify the oil-dependent economy. The cash is expected to be used to help the PIF meet tens of billions of dollars of commitments it has made to development projects at home and to outside investment funds, such as SoftBank Group Corp.'s \$100 billion Vision Fund and a \$40 billion Blackstone LP infrastructure investment vehicle.
- Saudi Arabia's Al Akaria Saudi Real Estate Co (Sreco) has awarded a \$292 million (SAR1.1 billion) infrastructure contract for its 700ha Al Widyan development to Binyah. The scope of works under the contract – expected to generate more than 2,000 jobs in Saudi Arabia – includes 80km of roads, 272km of power supply cabling, 250km of telecoms cabling, 100km of potable water pipework, and a 200km irrigation network, among other major works.
- Saudi Arabia's PIF has made its second major investment in a U.S. electric vehicles maker, striking a \$1 billion deal to provide financing for Tesla-rival Lucid Motors. The PIF said the deal would provide funding to help Lucid launch its first electric vehicle in 2020, ending months of speculation over whether the private Silicon Valley-based company would be able to secure the backing needed to allow further development of its products.
- According to the Tourism Information and Research Center (MAS) and the Saudi Commission for Tourism & National Heritage (SCTH), the number of incoming tourist trips reached 2.3 million, a growth rate of 21.2 percent compared to the previous year while revenues from tourist trips this summer amounted to 8.7 billion riyals (\$2.23 billion), excluding religious tourism expenses.
- Reports indicate that the Saudi Electricity Company (SEC) is set to issue \$2 billion in sukuk, or Islamic bonds. The sukuk proceeds would be used to partly refinance a \$2.6 billion bridge the company raised in January for general corporate purposes and to back its capital expenditure program.



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## **Banking**

Over the past week, Money Supply M1 and M2 declined, while M3 grew. M1 dropped by 0.22 percent and money supply M2 slipped by 0.14 percent. Money supply M3 grew by 0.24 percent.



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## **U.S. MARKET**

### **U.S. Macroeconomic Developments**

- The current account deficit narrowed in the second quarter of 2018. The \$20.3 billion narrowing in the current account deficit was mainly the result of a decrease in the goods deficit that added up to \$17.6 billion during the quarter.
- Housing starts rose 9.2% in August, with most of the gain coming from a 27.3% rise in multifamily starts. Single-family starts rose 1.9%. Building permits fell, however, which dents the news of the rebound in starts.
- After falling for four consecutive months, sales of existing homes were unchanged in August at a 5.34 million unit annual pace. The median price of an existing home rose 4.6% year-over-year, up from 4.5% a month earlier.

### **Fixed Income**

The yield on the ten-year Treasury climbed this past week, closing at 3.07 percent.



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## **Equity**

Over the past week, the Dow increased by approximately 1.92 percent to level at 26,656.98. The S&P 500 also grew, climbing by 0.89 percent to reach 2,930.75. The NASDAQ was also in positive territory as it inched up by 0.23 percent for the week to settle at 8,028.23.

## **GLOBAL MARKETS**

- Oil prices rose ahead of a meeting of the Organization of Petroleum Exporting Countries (OPEC) and other large crude exporters that is expected to focus on production increases as



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U.S. sanctions restrict exports from Iran. Brent crude oil settled up 10 cents at \$78.80 a barrel.  
U.S. light crude gained 46 cents to settle at \$70.78.

- The consumer confidence indicator in the Euro Area decreased by 1 point to -2.9 in September 2018, the lowest reading since May 2017 and below market expectations of -2, a preliminary estimate showed. Considering the European Union as a whole, the consumer sentiment indicator dropped by 1 point to -2.8 in September, also the weakest in over a year.
- Japan's consumer price inflation rose to 1.3 percent year-on-year in August 2018 from 0.9 percent in the previous month and above market consensus of 1.1 percent. It was the highest rate since February, due to a jump in prices of food and a faster rise in cost of transport. On a monthly basis, consumer prices went up by 0.5 percent in August, after a 0.3 percent rise in July and reaching the highest monthly figure since November 2017.

### **THE WEEK AHEAD**

- The U.S. releases New Home Sales on September 26.
- The U.S. releases Fed Interest Rate Decision on September 26.
- The U.S. releases GDP Growth Rate September 27.
- The U.S. releases Personal Income and Spending September 28.

**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, Financial Times, Reuters, Wells Fargo, Forbes.com, Tadawul Market Watch, Trading Economics, TradeArabia, SAMA, National Commercial Bank, Al Rajhi Capital, Saudi Gazette, MEED.