



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

Weekly Market Brief

Week Ending October 12, 2018

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- The International Monetary Fund (IMF) forecasts that the Saudi Arabian economy in 2018 will grow from the 1.9 percent it forecasted in July to 2.2 percent. Its growth forecast for 2019 increased from its previously forecasted 1.9 percent to 2.4 percent. This compares to the 0.9 percent contraction in 2017.
- Saudi Arabia boosted oil supplies by 250,000 barrels in September to bring total production to 10.5 million barrels per day. For OPEC, production rose month over month by 132,000 barrels a day to a daily average of 32.76 million barrels.

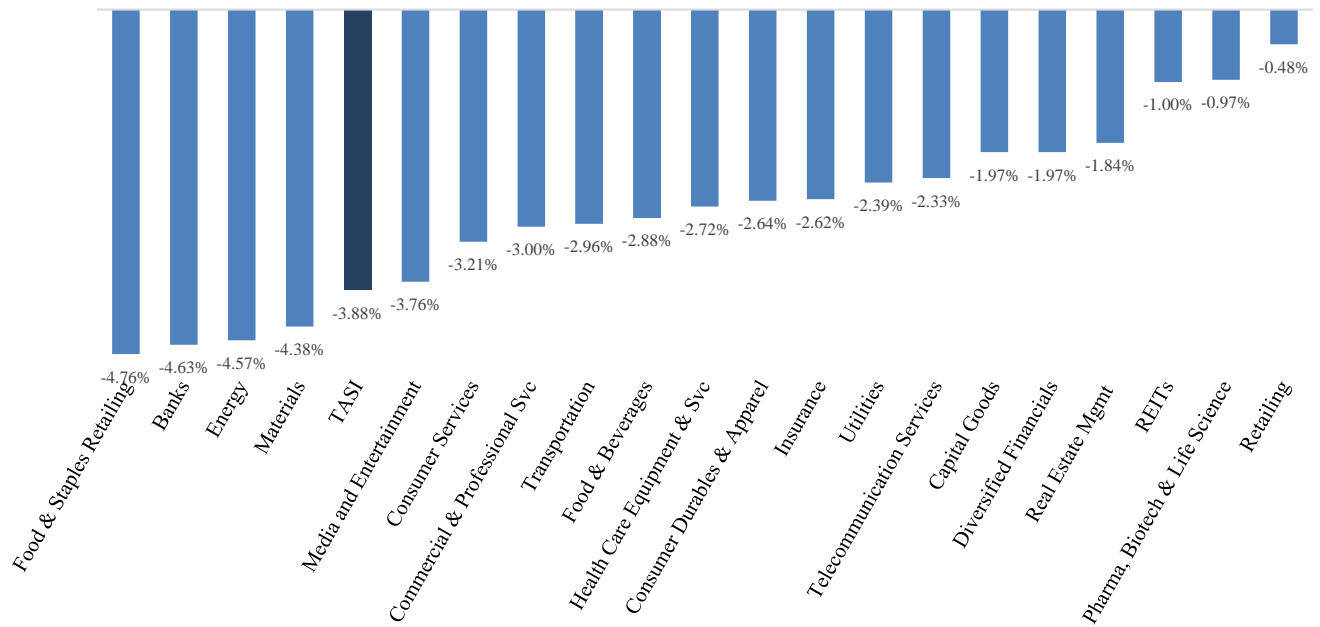


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Tadawul

The TASI witnessed significant losses as it dropped by 3.88 percent to conclude the week. All 20 sectors were in negative territory. Four sectors, ‘Food Staples Retailing,’ ‘Banks,’ ‘Energy,’ and ‘Materials’ weighed down the TASI as they accounted for the largest losses.

Tadawul *Weekly* Index Performance - October 12, 2018



Source: Tadawul, USSABC

The NOMU parallel market ended the week down 6.84 percent.



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Investment and Trade

- Saudi Aramco and Total signed a joint development agreement for a large petrochemical complex in the Kingdom's Jubail Industrial City. The approximately \$5 billion (SAR18.75 billion) project will comprise of a mixed-feed cracker with a capacity of 1.5 million tons per year of ethylene and related high-added-value petrochemical units.
- Saudi Arabia's Almarai plans to arrange a sale of U.S. dollar denominated sukuk in excess of \$500 million. Almarai hired HSBC and First Abu Dhabi Bank to arrange the sale. The sale will mark Almarai's first time issuing debt in international markets.
- Saudi Arabia will supply the Indian market with an additional 4 million barrels of crude oil in November as U.S. imposed sanction on Iran takes place. India is Iran's top oil client after China.
- The United Arab Emirates (UAE) commanded approximately 72 percent of Saudi Arabia's trade exchange with the Gulf Cooperation Council (GCC), amounting to \$1.4 billion (SAR5.26 billion) in July. Trade exchange between the two countries posted a \$645 million (SAR2.42 billion) surplus for the UAE as the Kingdom's export stood at \$379 million (SAR1.42 billion) compared to \$1.02 billion (SAR3.84 billion) in imports.

Banking

Over the past week, Money Supply M1 declined while M2 and M3 increased. M1 dropped by 1.15 percent. Money Supply M2 and M3 grew by 0.12 percent and 0.35 percent, respectively.



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U.S. MARKET

U.S. Macroeconomic Developments

- Small Business Optimism slipped 0.9 points in September to 107.9 but remains near an all-time high. Tighter labor markets are pushing compensation costs higher. Consequently, employers are passing those higher costs to end users.
- CPI came in soft in September with headline and core inflation each advancing 0.1 percent. However, inflation pressures are gaining momentum as higher oil prices and tariffs become more of a factor.
- The University of Michigan's consumer sentiment for the U.S. fell to 99 in October of 2018 from 100.1 in September and below market expectations of 100.4, preliminary estimates showed. The decline was due to less favorable assessments by consumers of their personal finances as upward revisions in the year-ahead expected inflation rate weakened real income expectations.

Fixed Income

The yield on the ten-year Treasury dipped this past week, closing at 3.15 percent.

Equity

Over the past week, all three indexes were battered by rising interest rates and ongoing trade tensions. The Dow had a steep decline of approximately 4.2 percent to level at 25,339.99. The S&P 500 also dropped, reaching 4.1 percent to level at 2,767.13. The NASDAQ dropped by 3.74 percent to settle at 7,496.89.



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GLOBAL MARKETS

- In the October 2018 update of its [Short-Term Energy Outlook](#) (STEO), the U.S. Energy Information Administration (EIA) increased the forecast spot price for Brent crude oil to \$74 per barrel (b) in 2018 and to \$75/b in 2019, up by \$2/b and \$1/b, respectively, from last month's forecast. EIA expects West Texas Intermediate (WTI) crude oil prices will average about \$68/b in 2018 and \$70/b in 2019.
- China's trade surplus widened to \$31.69 billion in September of 2018 from \$27.38 billion in the same month a year earlier and easily beating market consensus of \$19.4 billion. It was the largest trade surplus since June, as exports increased at a faster 14.5 percent year-on-year to \$226.5 billion, while imports grew by 14.3 percent to \$189.49 billion. The trade surplus with the U.S., China's largest export market, widened to a record high of \$34.13 billion in September from \$31.05 billion in August. Over the first nine months of the year, the trade surplus fell to \$225.7 billion from \$303.43 billion in the same period 2017.

THE WEEK AHEAD

- The U.S. releases Retail Sales October 15.
- The U.S. releases FOMC Minutes October 17.
- The U.S. releases Existing Home Sales October 19.

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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.*