



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

Weekly Market Brief

Week Ending October 19, 2018

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- The International Monetary Fund (IMF) forecasts that Saudi Arabia’s GDP will jump 29.53 percent to \$889.5 billion by 2023, compared to 2017. This strong growth forecast strengthens the Kingdom’s position as a Group 20 country, which are considered the largest economies in the world.
- The Saudi Arabian Ministry of Housing signed agreements with two real estate development companies to add more than 11,000 new homes in Jeddah, as part of the Sakani program. The first project, Rawabi Hijaz, is on private sector land and will include 9,502 units. The second project, Jeddah airport housing, is on land owned by the Ministry and will include 2,203 units.
- Moody’s has raised Saudi Arabia’s GDP growth forecast for 2018 to 2.5 percent from 1.3 percent as it maintains a “stable outlook” for the Saudi economy. The rating agency also increased its 2019 GDP forecast to 2.7 percent, well above the 1.5 percent previously forecasted, allowing the Kingdom to maintain its A1 rating.
- Unemployment stayed at 12.9 percent in the second quarter of 2018 as private companies remained apprehensive to hire despite rising oil prices.

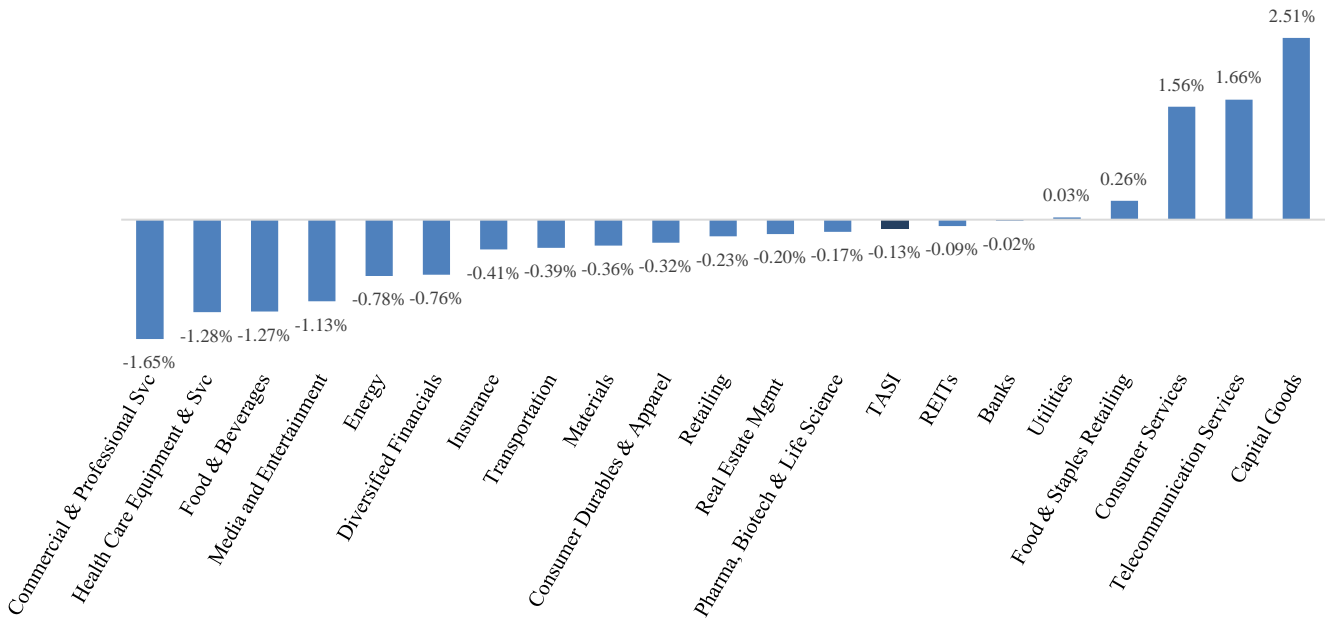


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Tadawul

The TASI continued its weekly slide, albeit in better shape as it ended at -0.13 percent. Three sectors accounted for positive growth this past week. These sectors were ‘Capital Goods,’ ‘Telecommunication Services,’ and ‘Consumer Services.’ The remaining sectors fared better this past week after a tumultuous prior week.

Tadawul *Weekly* Index Performance - October 19, 2018



Source: Tadawul, USSABC

The NOMU parallel market rebounded significantly from a week ago to grow by 2.94 percent.



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Investment and Trade

- Saudi Aramco’s Yanbu South Terminal added 3 million barrels per day of crude oil to its west coast export capacity after a rehabilitation and upgrade program. The terminal consists of a tank farm and offshore facilities to receive, store, and load Arabian Light and Arabian Super Light crude oil.
- Saudi Aramco signed an agreement with Zhejiang province in China to invest in a petrochemical refinery project as part of its strategy to expand downstream operation globally. Along with the investment, both entities plan on co-operating in crude oil supply, storage, and trading.
- Franklin Templeton launched three new geographically focused exchange traded funds (ETF), one of which is the Franklin FTSE Saudi Arabia ETF. The ETFs are linked to market cap weighted foreign stock indexes and listed on the NYSE. The FTSE Saudi Arabia Capped Index tracks the price performance of Saudi Arabia large and mid-cap stocks.

Banking

Over the past week, all three money supplies, M1, M2 and M3 decreased. M1 dropped by 1.00 percent, M2 slipped by 0.50 percent and M3 fell by 0.81 percent.



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U.S. MARKET

U.S. Macroeconomic Developments

- Mixed retail pickup by 0.1% as auto sales and core spending improved. The annualized pace of wholesale auto sales hit 17.4 million, which tied March for the fastest bump in 2018.
- The federal government ran a \$779 billion deficit for fiscal year 2018. This was \$4 billion higher than some forecasts from major banks. Tax collection rose just 0.4 percent.
- Industrial production rose 0.3 percent in September as mining and durable goods manufacturing advanced. Strong production of business equipment bodes well for Q3 GDP.
- Housing starts dropped 5.3 percent to a 1.201-million-unit pace in September. Most of the weakness occurred in the South, likely a result of Hurricane Florence.
- Existing home sales continued to slide in September, with closings tumbling a much larger than expected 3.4 percent during the month. Sales fell throughout the country, and the median price of a home moderated as well.

Fixed Income

The yield on the ten-year Treasury rebounded this past week, closing at 3.20 percent.

Equity

Over the past week, all but the NASDAQ indexes rebounded from the previous week's downturn. The Dow grew by 0.41 percent to level at 25,444.34. The S&P 500 also marginally increased, reaching 0.02 percent to level at 2,767.78. The NASDAQ dropped by 0.64 percent to settle at 7,449.03.



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GLOBAL MARKETS

- Oil prices rose on Friday on signs of surging demand in China, the world's No. 2 consumer, although prices were headed for a second weekly decline on swelling U.S. inventories and concern that trade wars were curbing economic activity. Brent crude futures rose 49 cents to settle at \$79.78 a barrel. West Texas Intermediate (WTI) crude futures rose 47 cents to settle at \$69.12 a barrel.
- The Chinese economy advanced 6.5 percent y-o-y in the third quarter of 2018, after a 6.7 percent growth in the previous period and missing market consensus of 6.6 percent. It was the lowest growth rate since the first quarter of 2009 during the global financial crisis. The drop can be attributed to an intense tariff dispute with the U.S. and alarming off-balance sheet borrowings by local governments.
- Japan's annual inflation rate edged down to 1.2 percent in September 2018 from 1.3 percent in August, mainly due to lower prices of food. It is the second highest figure in the last seven months.

THE WEEK AHEAD

- The U.S. releases New Home Sales October 24.
- The U.S. releases Durable Goods Orders October 25.
- The U.S. releases Personal Income October 29.
- The U.S. releases Personal Spending October 29.

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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.