



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

Weekly Market Brief

Week Ending October 26, 2018

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- The Ministry of Finance stated that Saudi Arabia's third quarter non-oil revenue jumped 48 percent compare to the same period last year, reaching \$56.25 billion (SAR211 billion). The Kingdom's non-oil revenues reached revenues of \$23.8 billion (SAR89.4 billion) in the second quarter, up 42 percent year on year.
- The Saudi Arabian government is signing deals worth \$4.4 billion (SAR16.5 billion) to develop its housing and construction sectors. Part of the deals involved a \$2.7 billion (SAR10.13 billion) memorandum between the Ministry of Housing and China's Power China International Group to build 17,000 homes over the next six years.
- Saudi Arabia's sovereign wealth fund, the Public Investment Fund (PIF), is set to join Russia's sovereign wealth fund, RDIF, as a new partner in the Russia-China Investment Fund. As part of the agreement, the PIF will contribute \$500 million (SAR1.88 billion) to the investment fund, raising its total capital under management to \$2.5 billion (SAR9.4 billion).
- The General Authority for Statistics released its unemployment and participation rates for the second quarter of 2018. The unemployment rate for the total population reached 6 percent compared to 6.1 percent in the first quarter of 2018. The unemployment rate of Saudi females edged up to 31.1 percent compared to 30.9 percent from the previous quarter. However, the unemployment rate of Saudi males stabilized at 7.6 percent.

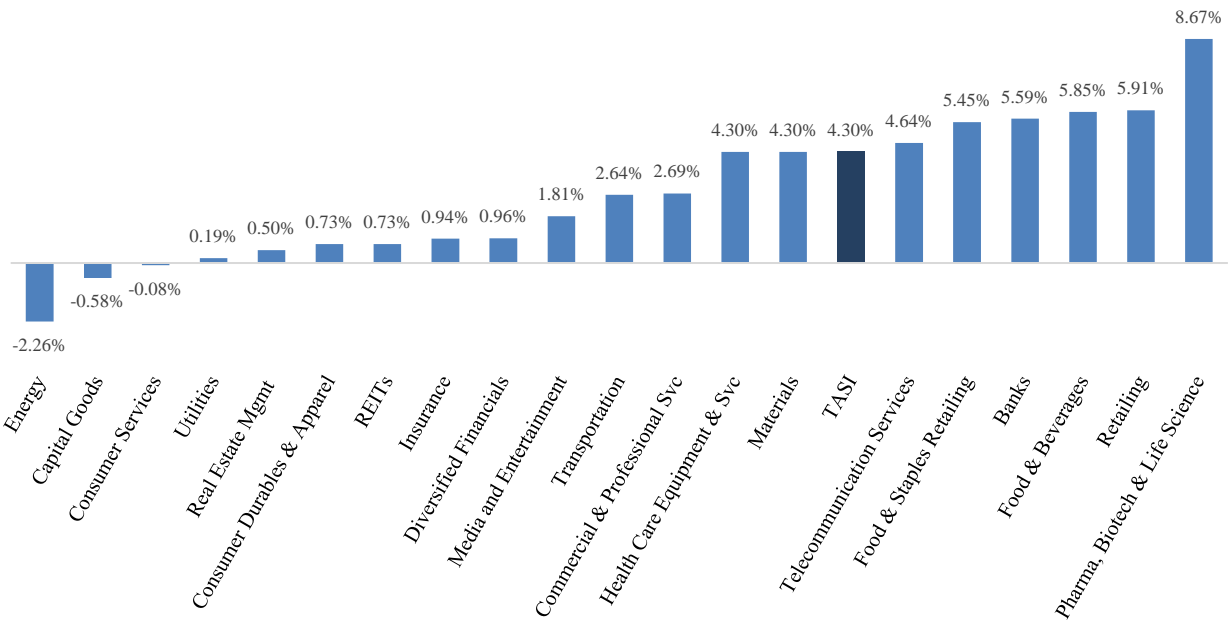


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Tadawul

The TASI witnessed significant gains over the last week as it grew by 4.3 percent. These gains were spearheaded by 17 sectors that ended in positive territory. ‘Pharma, Biotech & Life Science’ sector witnessed the biggest jump from -0.17 percent from the prior week to 8.67 percent this past week. ‘Energy’ continued its slide from the previous week as it finished at -2.26 percent.

Tadawul *Weekly* Index Performance - October 26, 2018



Source: Tadawul, USSABC

The NOMU parallel market continued to grow from a week ago to 0.3 percent.



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Investment and Trade

- Approximately 25 deals worth more than \$50 billion (SAR187.5 billion) were signed at the Future Investment Initiative in Riyadh. 12 of the 25 deals are described as mega deals. The agreed deals cover the energy, transportation, and infrastructure sectors.
- Saudi Aramco signed 15 deals worth more than \$30 billion (SAR112.5 billion) as part of the Kingdom's agreements during the FII.
- A new \$667 million (SAR2.5 billion) airport project, called King Abdullah airport, is set to be launched in the city of Jizan. The project, which will be implemented at a site located 30 km north of the center of Jizan city, is located on a total area of 57,500 square meters. The airport is expected to handle up to 3.6 million passengers annually.
- A special economic zone was announced to attract additional foreign investments into the Kingdom. The zone, which will be located in King Khalid International Airport in Riyadh, will focus on integrated logistics that will lead to favorable rules and regulations aiming to attract more multinational companies to the Kingdom.
- Saudi Arabia plans to acquire a 30 percent stake in Russian gas producer Novatek's \$21 billion (SAR 78.8 billion) liquified natural gas project in the Arctic.

Banking

Over the past week, Money Supply M1 had a positive weekly change, while M2 and M3 were negative. M1 grew by 0.25 percent. M2 and M3 contracted by 0.72 percent and 1.08 percent, respectively.



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U.S. MARKET

U.S. Macroeconomic Developments

- Sales of new homes fell 5.5 percent in September to a 553,000-unit pace. With downward revisions to previous months, sales have now fallen for five out of the last six months. Inventory levels continue to improve.
- Orders for defense aircraft more than doubled in September (+119 percent) lifting overall durable goods orders 0.8 percent despite expectations of a contraction.
- U.S. real GDP grew at an annualized rate of 3.5 percent in Q3'18. This beat consensus forecasts; however, it represents a modest downshift from the 4.2 percent rate that was achieved in Q2. The growth was largely attributed to robust growth in real personal consumption expenditures. The strong growth will likely induce the Federal Reserve to continue raising rates at a gradual pace.
- The University of Michigan's Consumer Sentiment Index fell 1.5 points in October. The index reading of 98.6 might be a reflection of recent stock market volatility and higher gasoline prices.
- According to the EIA's October 2018 [Monthly Energy Review](#) (MER), preliminary estimates for July 2018 indicate that:
 - U.S. exports of petroleum rose from 6.3 million barrels per day (b/d) in July 2017 to 7.8 b/d in July 2018, a 24 percent increase
 - Crude oil accounted for 27 percent of U.S. petroleum exports, distillate fuel oil accounted for 17 percent, and propane accounted for 14 percent.
 - Mexico accounted for 17 percent of U.S. petroleum exports, Canada accounted for 12 percent, and China accounted for 7 percent.



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Fixed Income

The yield on the ten-year Treasury decreased this past week, closing at 3.08 percent.

Equity

Over the past week, the U.S. stock market was battered as all indexes ended in negative territory. The Dow closed last Friday at 24,688.31 points, reflecting a 2.98 percent slide. The S&P 500 ended the week at 2,658.69 points, reflecting a 3.94 drop. The NASDAQ ended the week at 7,167.21 points, reflecting a 3.78 percent contraction.

GLOBAL MARKETS

- Oil prices rose on Friday, supported by expectations that sanctions on Iran would tighten global supplies, but futures posted a weekly drop as a slump in stock markets and concerns about trade wars clouded the fuel demand outlook. Brent crude futures rose 73 cents, or 1 percent, to settle at \$77.62 a barrel. The global benchmark marked a weekly loss of about 2.7 percent and is down about \$10 in three weeks. U.S. West Texas Intermediate (WTI) crude futures rose 26 cents, or 0.4 percent, to end at \$67.59 a barrel. It posted a weekly loss of about 2.3 percent.
- The ECB held its benchmark refinancing rate at 0 percent on October 25th and said it will continue to make net purchases under the asset purchase program at the new monthly pace of €15 billion until the end of December. Policymakers expect key interest rates to remain at record low levels at least through the summer of 2019.
- The unemployment rate in Japan edged down to 2.4 percent in August of 2018 from 2.5 percent in the previous month and slightly below market expectations of 2.5 percent. Meanwhile, the jobs-to-applicant's ratio stood at 1.63, the same as in July and the highest since January 1974.



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THE WEEK AHEAD

- The U.S. releases Personal Income October 29.
- The U.S. releases ISM Manufacturing PMI November 1.
- The U.S. releases Non-Farm Payrolls November 2.
- The U.S. releases Unemployment Rate November 2.

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.*