



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

Weekly Market Brief

Week Ending November 16, 2018

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia has launched four incentive packages to further boost its economic growth next year. According to the Minister of Economy and Planning, “The new packages unveiled to stimulate the private sector included financial and legislative measures. Development funds will be also established to enhance the private sector investments in new industries.”
- The Saudi Arabian Ministry of Transport will implement eight road safety projects at a total cost of \$206 million (SAR773 million). The eight projects include the establishment of the National Road Safety Center, three traffic safety equipment projects, and three rumble strip projects to alert motorists to changing road conditions.

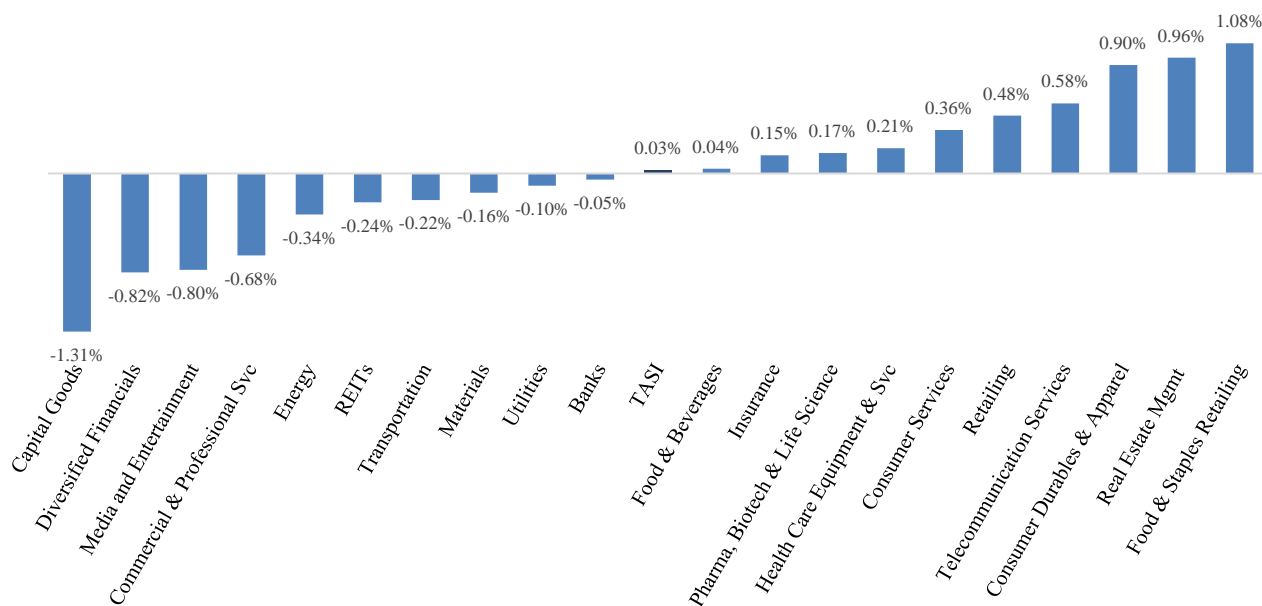


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Tadawul

The TASI witnessed a rebalancing of gains this past week as 9 of 20 sectors ended in positive territory. The positive gains were attributed to the ‘Food & Staples Retailing,’ ‘Real Estate Management,’ and ‘Consumer Durables & Apparel.’ However, ‘Capital Goods’ decreased significantly this past week to anchor the TASI down to marginal growth.

Tadawul *Weekly* Index Performance - November 16, 2018



Source: Tadawul, USSABC

The NOMU parallel market declined this past week by 0.06 percent.

Earnings of Saudi companies grew by 1% y-o-y in Q3 2018. However, excluding mainstay Banks and Petrochemicals sectors, Q3 earnings declined by 13% y-o-y, reflecting the weight of these two sectors in overall earnings. In fact, top 5 companies reported 4% earnings growth in Q3.



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Investment and Trade

- King Abdullah Economic City (KAEC) has awarded new contracts worth over SR1.2 billion for the construction and development of several sectors in the city during the year 2018. 20 percent of the value of the contracts was for the development of the industrial valley, residential areas and facilities. About 80 percent of the value of the contract was for the development of a range of projects, services and products in a number of areas, notably the tourism sector, entertainment and sports.
- Saudi Arabia plans to spend more than \$400 billion (SAR1.5 trillion) on its In Kingdom Total Value Add (IKTVA) program in the next 10 years with plans to prepare 360,000 trainees for the labor market by 2030. IKTVA was designed and launched in December 2015 with the aim of leveraging the relationship between Saudi Aramco and its suppliers to support the company's goals to increase local content to 70 per cent by the end of 2021.
- Saudi Arabia's ACWA Power closed on financing in the amount of \$319.85 billion (SAR1.2 billion) for Saudi Arabia's first utility-scale solar project. The firm was selected for the 300MW Sakaka project, which spans 6km in Al Jouf, in February with a record bid of 2.3417 U.S. cents per kilowatt-hour.

Banking

Over the past week, Money Supply M1, M2 and M3 all declined. M1 dropped by 0.58 percent. M2 contracted by 0.50 percent. M3 slipped by 0.35 percent.



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U.S. MARKET

U.S. Macroeconomic Developments

- The NFIB Small Business Optimism Index fell 0.5 points to 107.4 in October. Confidence remains high and businesses are still inclined to expand their operations if they can find the workers they need.
- Lifted by higher energy costs, CPI inflation rose 0.3 percent in October. Core Inflation strengthened after a couple of balancing periods. October's pickup suggests inflation continues to gradually firm and should keep the Fed on course.
- Retail sales surged 0.8 percent in October. Not accounting for volatile components such as gasoline and motor vehicle sales, consumer sales should remain solid but more modest in Q4.
- October industrial production came in a little soft, up just a tenth of a percent. The details show utilities output slowed 0.5 percent and mining slipped 0.3 percent. The key manufacturing category extended its streak, adding 0.3 percent.

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 plunged across in all major indexes. The Dow closed last Friday at 25,413.22 points, reflecting a 2.22 percent decrease. The S&P 500 ended the week at 2,736.27 points, reflecting a 1.61 percent drop. The NASDAQ ended the week at 7,247.87 points, reflecting a 2.19 percent slip.



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GLOBAL MARKETS

- Oil ended slightly firmer after volatile trading on Friday, supported by expectations that the Organization of the Petroleum Exporting Countries would agree to cut output next month, though prices fell for the sixth straight week amid global oversupply concerns. Brent settled up 14 cents, or 0.2 percent, at \$66.76 a barrel. The global benchmark fell 4.6 percent in the week, the sixth consecutive decline. U.S. crude settled unchanged at \$56.46 a barrel after trading between \$55.89 and \$57.96. The contract, which had its steepest one-day loss in more than three years on Tuesday, fell 5.6 percent in the week, also its sixth straight weekly decline.
- The Eurozone economy grew 0.2 percent on quarter in the three months to September 2018, unrevised from a preliminary estimate and following a 0.4 percent expansion in the previous period. It was the weakest growth rate since the second quarter of 2014 as the German economy contracted for the first time in three-and-a-half years and Italy's GDP showed no growth.
- Japan recorded a trade deficit of JPY 449 billion in October 2018 compared to a JPY 278.6 billion surplus in the same month a year ago, much worse than market expectations of a JPY 70 billion gap. Imports jumped the most since 2014, as rising energy prices boosted oil imports while exports rebounded less than expected. The trade surplus with the U.S. shrank 11 percent year-on-year to JPY 573.4 billion while the trade gap with China jumped 52.1 percent to JPY 406.2 billion.

THE WEEK AHEAD

- The U.S. releases Housing Starts November 20.
- The U.S. releases its Durable Goods Orders November 21.
- The U.S. releases Existing Homes Sales November 21.

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.