



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

Weekly Market Brief
Week Ending February 19th, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

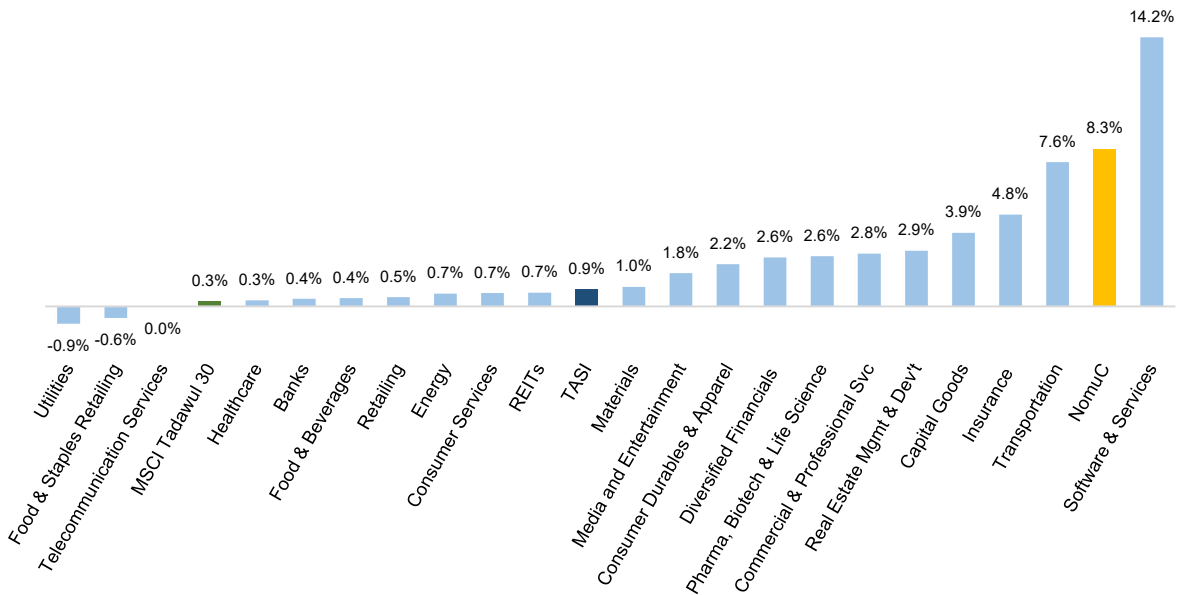
- Saudi Arabia lowered its U.S. Treasury holdings by SAR4.5 billion (\$1.2 billion) in December after four months of successive increases. The Kingdom's U.S. Treasury holdings totaled SAR511.5 billion (\$136.4 billion) at the end of 2020. Saudi Arabia remains the 14th largest sovereign holder of U.S. debt.
- The Ministry of Finance closed its February 2021 riyal-denominated sukuk issuance at SAR3.16 billion (\$840 million). The issuance was divided into two tranches with the first sized at SAR1.93 billion (\$515 million) maturing in 2028 and the second sized at SAR1.23 billion (\$328 million) maturing in 2033. Read more about the Kingdom's domestic debt financing program in USSBC's [Sukuk Market Update](#).
- Point of sale (POS) transactions fell 11 percent to SAR7.6 billion (\$2 billion) during the week ending February 13. All sectors aside from construction materials and fuel stations saw declines in sales. Service and retail sectors including hotels (-26 percent), restaurants & cafes (-18 percent), and clothes & footwear (-14 percent) saw the biggest declines after Saudi Arabia suspended in-person activities in most service sector businesses to combat the spread of the coronavirus.
- The Saudi Cabinet approved the establishment of a bank for small and medium enterprises (SMEs) under the administration of the National Development Fund. The SME bank will be fully digital and looks to partner with international and local players to build a portfolio of financing products.



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The TASI rose 0.9 percent to reach 9,024 points and was once again led by Software & Services, which rose 14 percent. Other leading sectors were Transportation and Insurance, which rose 7.6 percent and 4.9 percent, respectively. Despite renewed restrictions on international travel and dine-in services, Saudi equity markets have bounced back strongly from an initial selloff as global oil markets continue to improve. The NomuC parallel market index rose 8.3 percent while the MSCI Tadawul 30 index rose 0.3 percent and finished the week at 1,212 points.

Tadawul Weekly Index Performance - February 19, 2021



Source: Tadawul, USSBC

Investment and Trade



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- Saudi Arabia's Public Investment Fund (PIF) has signed contracts exceeding SAR8 billion (\$2.1 billion) for construction works at the King Abdullah Financial District (KAJD), according to the head of PIF's Local Real Estate Division.
- PIF's Q4 SEC filing showed new investments into major U.S. video game companies, including \$1.4 billion into Activision Blizzard, \$1 billion into Electronic Arts, and \$826 million into Take-Two. The PIF also maintained its 72.8 million-share stake in Uber worth \$3.7 billion and its 50.8 million-share stake in Carnival Corp worth \$1.1 billion, among other holdings.
- Warner Music Group announced it had acquired a minority stake in Riyadh-based Rotana Music, the region's largest independent record label. Warner stated the deal will expand its growing presence in the MENA region and also enable distribution of Rotana's music outside the region.
- Dr. Sulaiman Al Habib Medical Group awarded a SAR71 million (\$19 million) construction contract to MASAH Construction Company for a new maternity and pediatric hospital under its subsidiary Gharb Al-Takhassusi Hospital in Riyadh. The new clinic has an estimated total cost of SAR472 million (\$126 million).
- Al Sharif Group for Contracting signed a SAR198 million (\$53 million) EPC contract with Saudi Electricity Company (SEC) for the construction of Saad solar photovoltaic 380/132kV substation outside Riyadh. The Saad solar PV project is part of the Renewable Energy Project Development Office's Round Three, covered in USSBC's [Renewable Energy Brief](#).
- Saudi real estate developer El-Safwa Buildings Company Ltd. awarded China Gezhouba Group a SAR375 million (\$100 million) contract to develop the Al Khamis Garden housing project located in Abha Province. The project includes the construction of 47 apartment buildings and related facilities. Read more about Saudi Arabia's housing sector plans and development in our [Housing & Mortgage Market Review](#).

Banking



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Weekly money supply M1 declined 0.3 percent while M2 and M3 increased 0.2 percent and 0.8 percent, respectively, during the week ending February 11.

U.S. MARKETS

U.S. Macroeconomic Developments

- Retail sales rose 5.3 percent in January, the biggest gain in seven months. Sales rose across all store types with electronics (+15 percent) and furniture (+12 percent) posting the strongest gains while health & personal (+1 percent) and automotive (+3 percent) sales increased at a lower pace. Notably, restaurants saw a 7 percent gain in sales but remain down 17 percent from January 2020 levels.
- Industrial production rose 0.9 percent with broad-based gains across the manufacturing sector. A global shortage of semiconductors has led to slower growth in motor vehicle and parts production which fell 0.7 percent in January. Production at U.S. mines rose 2.3 percent with scope for continued improvement as it remains well behind pre-lockdown levels.
- Housing starts fell 6 percent in January as colder weather slows construction. Housing permits were up 10.4 percent in January, hitting the highest level since 2006, suggesting starts will pick up again once weather warms. Home sales in January were up 0.6 percent from the prior month and stand 17.7 percent above last January's level.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 1.34 percent.



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Equity Markets

The Dow Jones Industrial Average gained 0.1 percent and finished the week at 31,494 points. The S&P 500 meanwhile fell 0.7 percent and finished at 3,906 points while the NASDAQ lost 1.6 percent and closed at 13,874 points.

GLOBAL MARKETS

- Arab Light crude rose 2.7 percent last week and closed at \$62.27 per barrel. Global benchmark Brent crude rose 0.8 percent and finished the week at \$62.91 while West Texas Intermediate (WTI) declined 0.4 percent and closed the week at \$59.24. Oil prices turned negative in the last two days of the week as Texas energy companies began restarting operations in oil & gas fields that were shuttered by freezing weather and power outages. Texas refiners had reportedly halted roughly a fifth of the nation's oil processing capacity. With most bullish factors priced into the current oil market, focus has shifted to the approaching March 4 OPEC+ meeting. Saudi Arabia has urged members to be "extremely cautious" while Russia has signaled its interest in a supply increase after March.
- Bahrain's exports increased by 25 percent YoY to \$530.4 million in January while imports declined by 9 percent. The trade deficit narrowed by 27 percent to \$408.4 million. Bahrain's top export partners were Saudi Arabia, UAE and Oman which together accounted for more than 45 percent of total exports.
- Japan's composite PMI improved slightly but the private sector economy remains in contraction as output and new orders in the service sector declined. February's PMI registered at 47.6 points compared to January's 47.1 points. The manufacturing sector has shown signs of improvement and employment levels in the service sector unexpectedly grew after there were no changes in January's survey.

THE WEEK AHEAD

- Saudi Arabia releases international trade figures for December on February 24
- U.S. releases durable goods orders for January on February 25
- Saudi Arabia releases SAMA monthly stats for January on February 28



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