



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

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Weekly Market Brief  
*Week Ending May 21<sup>st</sup>, 2021*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia resumed international travel on May 17 for the first time in more than a year. Vaccinated Saudi citizens are permitted to travel while foreigners from 20 countries, including the U.S., will remain exempt from travelling to the Kingdom. The government announced COVID-19 vaccinations will be required for individuals planning to attend any public event after August 1.
- Saudi Arabia's inflation rate rose to 5.3 percent YoY in April, according to the General Authority for Statistics (GStat). The yearly figure continues to reflect the effect of the value-added tax (VAT) increase from last July. On a monthly basis, prices rose 0.2 percent amid higher food prices (+0.4 percent).
- Wholesale prices rose 13.2 percent YoY and 2.2 percent MoM in April as industrial inputs such as basic chemicals and metals continue to rise. On a yearly basis, 'basic chemicals' rose 28.4 percent followed by 'metal products, machinery, and equipment' (+16.5 percent) and 'food products, beverages, tobacco, and textiles' (+10.3 percent).
- Saudi Arabia reduced its holdings of U.S. Treasuries by SAR7.9 billion (\$2.1 billion) in March, according to the Department of the Treasury. The Kingdom remained the 14<sup>th</sup> largest sovereign holder of U.S. debt, though its Treasury holdings reached the lowest level in seven months.
- Saudi Arabia's March crude oil exports, 5.4 million barrels per day (bpd), fell to the lowest level since June 2020. The Kingdom retained its position as China's top supplier of crude oil for an eighth consecutive month, though exports (1.57 million bpd) slowed to the lowest level since October.

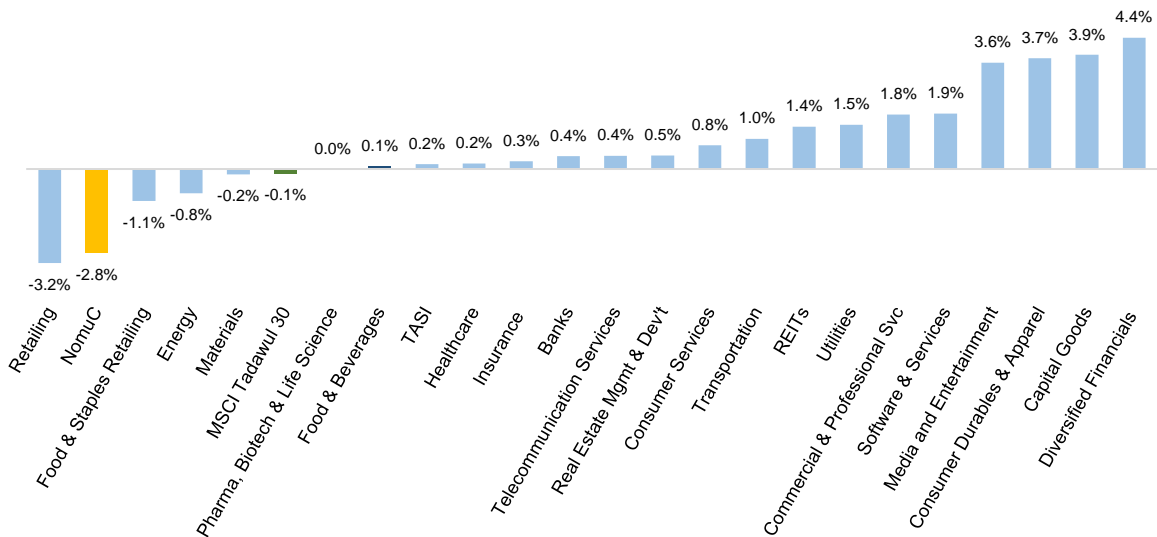


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Tadawul

The TASI rose 0.1 percent and closed at 10,340 points with most sectors finishing in positive territory after a trading hiatus for the Eid holiday. 'Diversified Financials' led with a 4.4 percent increase followed by 'Capital Goods' and 'Consumer Durables & Apparel' which rose 3.9 percent and 3.7 percent, respectively. 'Retailing' declined 3.2 percent. The NomuC index also fell 2.8 percent while the MSCI Tadawul 30 index finished the week down 0.1 percent to close at 1,392 points.

Tadawul Weekly Index Performance - May 21, 2021



Source: Tadawul, USSBC

Tadawul trading was closed on May 16 for the Eid holiday. Trading resumed on May 17.



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## Investment and Trade

- The Public Investment Fund (PIF) increased its U.S. stock holdings to SAR57.8 billion (\$15.4 billion) in Q1 from SAR48 billion (\$12.8 billion) at the end of 2020. PIF increased its holdings in U.S. gaming companies Activision Blizzard and Electronic Arts and bought 2.9 million class A shares in South Korea e-commerce firm Coupang. PIF also maintained its nearly SAR15 billion (\$4 billion) stake in Uber.
- Saudi Arabia was the top MENA destination for foreign investment last year, attracting 18 percent of the region's total, according to the Financial Times' FDI Intelligence. The value of investments totaled SAR39 billion (\$10.4 billion) across 73 separate projects.
- Prosperity7 Ventures, a Saudi Aramco venture fund, invested SAR94 million (\$25 million) in Boston-based cloud storage startup Wasabi Technologies.
- The Jeddah Municipality awarded a SAR115 million (\$31 million) contract to Alkhorayef Water and Power Technologies Company to manage stormwater drains and reduce ground water levels over a three-year period in north Jeddah.
- Spain's PV Hardware announced it would open a new manufacturing facility in Saudi Arabia under a new subsidiary, PV Hardware Middle East. The factory will produce trackers, mounting structures, and cleaning robots for the Saudi solar market in partnership with the recent 'Made in Saudi' initiative.
- The European Commission announced proposed anti-dumping duties on monoethylene glycol imports from Saudi Arabia and the U.S. at 11.1 percent.
- Saudi startup Retailo, a B2B online marketplace that serves SMEs, closed a SAR25 million (\$7 million) seed investment round. The funding round was the largest seed stage financing by a Saudi startup to date.



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## Banking

Weekly money supply M1, M2, and M3 fell 0.4 percent, 0.2 percent, and 0.1 percent, respectively, during the week ending May 13.

## U.S. MARKETS

### U.S. Macroeconomic Developments

- Housing starts fell 9.5 percent in April to a 1.57-million-unit pace despite strong demand as builders face supply shortages and rising material costs. Single-family starts fell 13.4 percent to a 1.1-million-unit pace. Building permits rose 0.3 percent over the same period, led by a 3.8 percent gain for single-family homes.
- Existing home sales fell 2.7 percent in April to a 5.85-million-unit pace as home sales continued to be constrained by low inventories. The number of available homes for sale remains 21 percent below its level last year. The median home price has surged 19 percent YoY to a record \$341,600.
- U.S. manufacturing PMI rose to a record high of 61.5 points while services PMI shot up to 70.1 points in April. The latest IHS Markit survey indicates private sector businesses are expanding at a record pace amid higher manufacturing output and stronger service sector demand. Input price inflation rose to a survey record, most notably fuel, PPE, metals, and freight shipping costs.

## Fixed Income

The yield on the ten-year U.S. Treasury remained flat at 1.63 percent.

## Equity Markets

The Dow Jones Industrial Average fell 0.5 percent and finished the week at 34,208 points. The S&P 500 declined 0.4 percent and finished at 4,156 points while the NASDAQ rose 0.3 percent and closed at 13,471 points.



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## GLOBAL MARKETS

- Arab Light crude prices decreased a further 2.3 percent last week and closed at \$64.72 per barrel after Saudi Aramco cut its June official selling prices for Asia and Europe while raising U.S. prices. Brent crude fell 3.3 percent and finished the week at \$66.44 while West Texas Intermediate (WTI) fell 2.7 percent and closed the week at \$63.58. Global oil prices saw the worst week in a month as the U.S. considers rejoining a nuclear deal with Iran that would potentially lift U.S. sanctions on the country's crude output. The prospect of an additional source of crude production as OPEC+ eases its supply cuts added downward pressure to prices even as U.S., European, and Asian economies see growing gasoline demand.
- Eurozone business activity grew sharply in May as the PMI rose to 56.9 points compared to last month's 53.8 points. Business optimism reached year-to-date highs, though price concerns have emerged. Demand improved at the fastest rate in 15 years with the services PMI rising to 55.1 points as governments ease COVID-related business restrictions. Manufacturing PMI remained high at 61.9 points but eased slightly from last month's 63.2 points.
- Japan's GDP declined 1.3 percent QoQ after two quarters of positive growth. In annualized terms, GDP fell 5.1 percent in Q1. As the country deals with a resurgence of COVID cases, Japan's private sector slipped back into contraction territory as Jibun Bank's composite PMI fell to 48.1 points from last month's 51 points. Manufacturing activity continued to grow and the future outlook indicates a split between positive manufacturing expectations and negative service sector expectations.

## THE WEEK AHEAD

- Saudi Arabia releases international trade for March on May 26
- U.S. releases durable goods orders for April on May 27
- Saudi Arabia releases the SAMA monthly bulletin on May 28