



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

Weekly Market Brief
Week Ending June 18, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia closed its June 2021 sukuk issuance at SAR8.3 billion (\$2.2 billion). The debt sale was divided into three tranches: the first tranche sized at SAR2.7 billion (\$720 million) maturing in 2028, the second tranche sized at SAR4.7 billion (\$1.3 billion) maturing in 2031, and the third tranche sized at SAR860 million (\$229 million) maturing in 2035. Through the first six months of 2021, the Kingdom has issued SAR37.3 billion (\$9.9 billion) in new debt under the government's riyal-denominated sukuk program.
- Consumer prices in Saudi Arabia rose 5.7 percent YoY and 0.2 percent MoM in May, according to the General Authority for Statistics (GASat). Annual inflation figures still reflect the three-fold increase in the value-added tax (VAT) in July 2020. Food prices were the main drivers of inflation (+7.4 percent YoY).
- Wholesale prices in Saudi Arabia rose 17.5 percent YoY and 1.8 percent MoM in May. The fastest rising goods compared to last month were basic chemicals (+11 percent), basic metals (+4 percent), and agricultural products (+2.4 percent). Low base effects related to the pandemic and the impact of the VAT hike are expected to subside following the June inflation report that will be issued next month.
- Goldman Sachs raised its 2021 GDP growth expectations for Saudi Arabia to 4.5 percent, up from an earlier 2.5 percent forecast. The bank also expects the Saudi economy to expand a further 7 percent in 2022 amid an oil market recovery and improvements in the Saudi non-oil sector.
- Saudi Arabia lowered its U.S. Treasury holdings by 0.4 percent in April, according to the Department of the Treasury. The Kingdom remains the 14th largest sovereign holder of U.S. debt, though the Kingdom's holdings hit an eight-month low in April. Through the first four months of 2021, Saudi Arabia lowered its U.S. debt holdings by 4.5 percent, or SAR22.9 billion (\$6.1 billion).
- Saudi Arabia announced that its two state-run pension and unemployment insurance funds - the Public Pension Agency (PPA) and the General Organization for Social



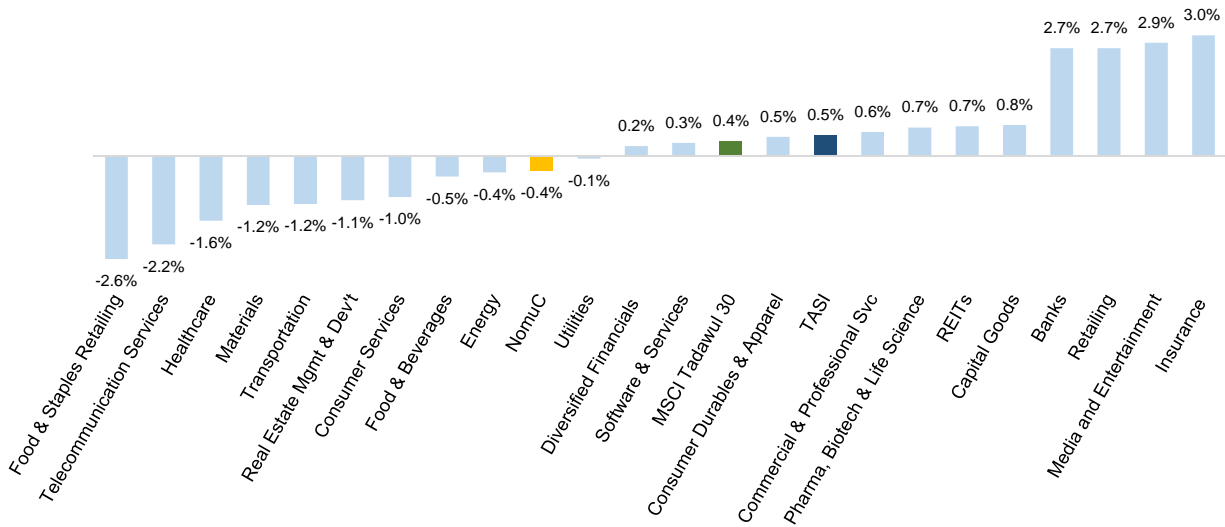
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Insurance (GOSI) would merge into a single entity with SAR109 billion (\$29 billion) in equity holdings.

Tadawul

The TASI rose 0.5 percent and closed at 10,853 points for its sixth consecutive weekly gain. 'Insurance' led other sectors last week with a 3 percent increase followed by 'Media & Entertainment' and 'Retailing' which rose 2.9 percent and 2.7 percent, respectively. 'Food & Staples Retailing' declined 2.6 percent and the NomuC parallel market index fell 0.4 percent. The MSCI Tadawul 30 index rose 0.4 percent to close the week at 1,451 points.

Tadawul Weekly Index Performance - June 18, 2021



Source: Tadawul, USSBC

Dur Hospitality Company and Taiba Investment Company announced talks to enter a SAR9 billion (\$2.4 billion) merger deal. The proposed deal would create one of the largest hotel, tourism, and property companies in the Kingdom.



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Investment and Trade

- Saudi Aramco completed the sale of a 49 percent stake in Aramco Oil Pipelines Co. for SAR46.5 billion (\$12.4 billion) to a consortium led by Washington-based EIG Global Energy Partners. As part of the deal, a newly formed Aramco subsidiary will lease usage rights in Saudi Aramco's stabilized crude oil pipeline network for a 25-year period.
- Ma'aden awarded a SAR3.3 billion (\$880 million) contract to Jac Rijk Al-Rushaid Contracting and Services to provide mining operational services at the Mansourah-Massarrah gold mines. The deal represents Ma'aden's largest investment in the gold sector to date. Read more about Saudi Arabia's growing mining sector in [USSEC's Mining Sector Report](#).
- Saudi Arabia plans to auction two major mining licenses in 2022 amid a push for foreign investment into the sector. The licenses will reportedly be for activities related to gold, copper, and zinc mining, according to the Ministry of Industry and Mineral Resources.
- General Electric signed a contract with Doosan Heavy Industries and Construction Co. to build a turnkey, clean energy-powered substation at the Yanbu-4 independent water producer plant (IWPP). The project will be the first integrated, seawater reverse osmosis project in Saudi Arabia powered by renewable energy.
- Saudi Aramco's entrepreneurship arm Wa'ed launched a SAR100 million (\$27 million) roadshow initiative that will host events in six Saudi cities starting in Q3 2021 to identify promising Saudi startups for investment. The initiative will focus on fintech, agricultural and environmental tech, industrial, reverse engineering, drones, petrochemicals, and tourism.
- Saudi Aramco awarded an estimated SAR1.9 billion (\$500 million) contract to a consortium of local firms including Lamar Holding, Asyad Holding, and Wisayah Investment Company to develop six residential compounds along its 1,200-kilometer East-West pipeline.
- ACWA Power closed its inaugural sukuk issuance at SAR2.8 billion (\$750 million). The debt sale was 1.8 times oversubscribed and follows a SAR469 million (\$125 million) financing deal signed between ACWA Power and Arab Petroleum Investments Corporation in January.



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- Red Sea International Co. (RSI) signed a SAR53 million (\$14 million) contract with the Royal Commission for Al Ula to construct a turnkey housing complex in Al Ula that comprises 150 modular accommodation units.
- Saudi Arabia issued a request for information (RFI) relating to a new foreign military sales (FMS) contract for all Saudi Air National Guard rotary-wing training and support functions. The contract would enter into effect in 2022 and have a performance period of one base year with four one-year options.

Banking

Weekly money supply M1 and M2 fell 0.7 percent and 0.4 percent, respectively, while M3 rose 0.1 percent during the week ending June 10.

U.S. MARKETS

U.S. Macroeconomic Developments

- The Federal Reserve signaled interest rates could rise from record-low levels sooner than expected, with 13 of the 18-member FOMC expecting rates to rise in 2023. The Fed raised the interest on excess reserves (IOER) by 5 basis points to 0.15 percent.
- Retail sales declined by 1.3 percent in May, though April's number were revised up to a 0.9 percent gain. Building materials and garden equipment (-5.9 percent), autos (-3.9 percent), and electronics (-3.4 percent) recorded the biggest decreases.
- Producer prices increased to 6.6 percent YoY in May, the fastest surge since tracking began in November 2010. Core producer prices, which exclude volatile food and energy prices, still rose 5.3 percent, marking the largest core producer inflation rate on record.
- Housing starts rebounded by 3.6 percent in May to a seasonally adjusted annual rate of 1.57 million, following a substantial 12.1 percent decline in April. Expensive lumber and supply shortages of other building materials is hindering construction, according to an industry survey. Building permits declined by 3 percent in May.



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Fixed Income

The yield on the ten-year U.S. Treasury declined to 1.45 percent.

Equity Markets

The Dow Jones Industrial Average fell 3.5 percent and finished the week at 33,290 points. The S&P 500 lost 1.9 percent and finished at 4,167 points while the NASDAQ fell 0.3 percent and closed at 14,030 points.

GLOBAL MARKETS

- Arab Light crude prices declined 0.2 percent last week and closed at \$72 per barrel. Brent crude meanwhile rose 1.1 percent and finished the week at \$73.51 while West Texas Intermediate (WTI) rose 1 percent and closed the week at \$71.64. OPEC officials indicated that U.S. oil output growth will likely remain limited in 2021 despite an upward trend in oil prices, giving OPEC and OPEC+ further leverage in managing global supply over the near-term. Meanwhile, U.S. energy firms added eight rigs last week to reach a total of 373, the highest rig count since April 2020.
- China's industrial production grew 8.8 percent in May, slowing to the lowest rate in five months. Retail sales grew by 12.4 percent in May. FDI into China increased by 35.4 YoY during the first five months of 2021, according to official figures. Fixed asset investment during the same period rose by 15.4 percent YoY.
- Industrial production in the Eurozone ticked up 0.8 percent MoM and 39.3 percent YoY in April with support across durable consumer goods production (+3.4 percent), energy (+3.2 percent), capital goods (+1.4 percent) and intermediate goods (+0.8 percent). Consumer prices in the Eurozone rose 0.3 percent MoM and 2 percent YoY in May. The annual inflation rate was the highest since October 2018.

THE WEEK AHEAD

- Saudi Arabia releases international trade figures for April on June 24
- U.S. releases durable goods orders for May on June 24
- Saudi Arabia releases SAMA monthly bulletin on June 28