



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

Weekly Market Brief
Week Ending February 18, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Consumer prices in Saudi Arabia rose 1.2 percent YoY in January, remaining unchanged from the previous month. Transportation prices (+4.9 percent) primarily drove inflation, mainly due to a 35 percent increase in gasoline prices. Food prices rose 2 percent while 'housing, water, & electricity' prices declined 1.3 percent. On a monthly basis, consumer prices were relatively stable and rose 0.2 percent from December.
- Wholesale prices in Saudi Arabia increased 12.3 percent YoY in January, remaining high but slowing from last month's 13.2 percent increase. Wholesale inflation was driven by a 63.3 percent price increase in basic chemicals and a 29 percent increase in refined petroleum products. 'Metal products, machinery, & equipment' prices rose 7.7 percent due to higher prices for basic metals (+17.3 percent). On a monthly basis, wholesale prices were stable and rose just 0.1 percent.
- The Ministry of Finance issued SAR13.18 billion (\$3.5 billion) under its riyal-denominated sukuk program for February. The issuance was divided into two tranches of SAR7.5 billion (\$2 billion) and SAR5.6 billion (\$1.5 billion) maturing in 2030 and 2034, respectively.
- Net foreign assets in Saudi Arabia fell by SAR65.6 billion (\$17.5 billion) during the December-January period, according to data from the Saudi Central Bank (SAMA). The Kingdom's total net foreign assets stood at SAR1.61 trillion (\$429.7 billion) at the end of January 2022. By comparison, the highest level on record was SAR2.76 trillion (\$737.1 billion) in August 2014.

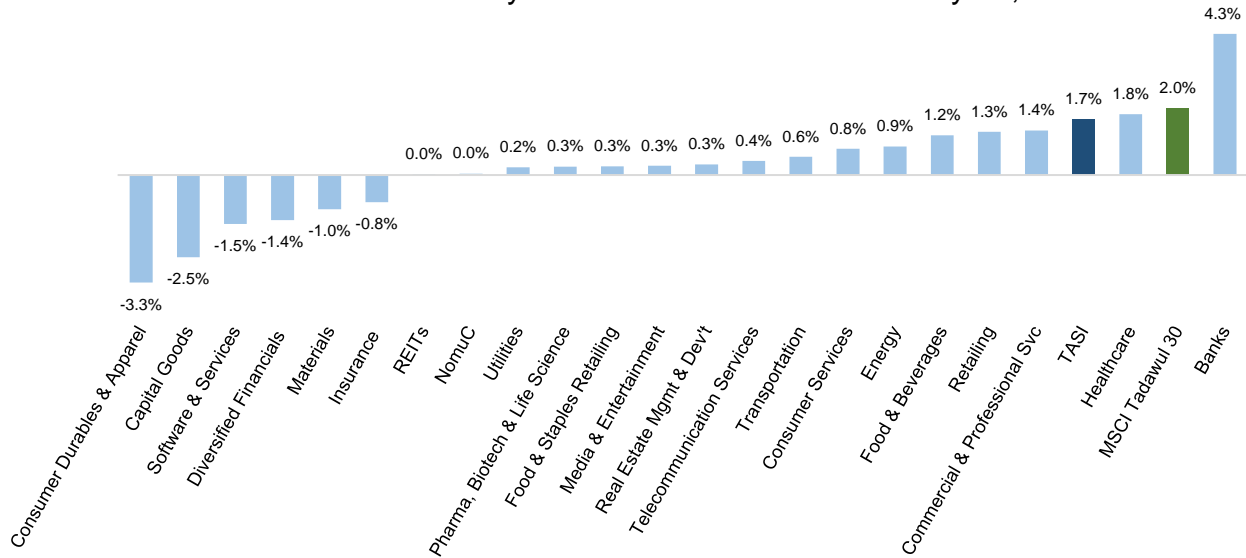


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Tadawul

The TASI rose 1.7 percent last week and closed at 12,477 points. Saudi stocks on Wednesday recorded the highest closing since July 2006. 'Banks' led with a 4.3 percent gain, followed by 'Healthcare' and 'Commercial & Professional Services,' which rose 1.8 percent and 1.4 percent, respectively. 'Consumer Durables & Apparel' led losses and fell by 3.3 percent. The NomuC parallel market index was flat again last week while the MSCI Tadawul 30 rose 2 percent, closing at 1,744 points.

Tadawul Weekly Index Performance - February 18, 2022



Source: Tadawul, USSBC

- Saudi Parts Center Co. and Raoom Trading Co. began trading on the Nomu on February 21.
- The Saudi Exchange (Tadawul) will be closed February 22 for Saudi Founding Day.



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Business, Trade, & Investment

- The Public Investment Fund (PIF) raised its holdings of U.S. equities by SAR47 billion (\$12.5 billion) at the end of Q4 2021, according to SEC filings. PIF holdings totaled SAR209.6 billion (\$55.9 billion) as the sovereign wealth fund increased its stake in four companies – Visa, Pinterest, Farfetch Ltd, and Alibaba. The increase in value was primarily due to the share price of Lucid Motors in which PIF holds an ownership stake. PIF also maintained significant investments in Uber, Live Nation, Activision Blizzard, and Electronic Arts, among several other U.S. companies.
- South Korea's Doosan Heavy Industries & Construction Company was awarded a SAR3.5 billion (\$843 million) contract from Tuwaiq Casting & Forging for the construction of a 60,000 ton per annum plant within the King Salman International Maritime Industries Complex at Ras Al Khair. The plant will be Saudi Arabia's largest casting and forging facility with construction due for completion by Q1 2025.
- The Ministry of Industry and Mineral Resources (MIMR) opened the Khnaiguiyah project, which is the largest mining exploration site in the Kingdom, for expressions of interest and pre-qualification. The 350-square-kilometer site is being opened for commercial exploration under the new Mining Investment Law that went into effect in January 2021.
- NEOM selected local firm Mofarreh Al-Harbi Contracting to deliver access platform works for the tunnel openings and access points linked to The Line component of Saudi Arabia's gigaproject in Tabuk Province. The scope of the contract includes earthworks, concrete, fencing, and slope protection.
- Prince Sultan University and U.S. tech company VMware signed an agreement launching an innovation center in Saudi Arabia to support education and research on cloud computing and digital security skills for Saudi students.
- Saudi Arabia's Zakat, Tax, and Customs Authority (ZATCA) will end fees for issuing customs statements on Saudi exports, according to local media. The exemption will apply to all Saudi exports to support the international competitiveness of domestic industries.
- Saudi Arabia approved the license for a local digital bank to be established with initial capital of SAR1.65 billion (\$440 million), according to SAMA. The D360 Bank will be established by a consortium of individual and corporate investors led by Derayah Financial Company and the PIF.



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- The Saudi Tourism Authority signed an agreement with Emirates Airline to boost inbound travel into various destinations within Saudi Arabia including Riyadh, Jeddah, Madinah and Dammam.

Banking

Weekly money supply M1, M2, and M3 rose 0.1 percent, 0.2 percent, and 0.2 percent, respectively, during the week ending February 10.

U.S. MARKETS

U.S. Macroeconomic Developments

- Sales of existing homes rose 6.7 percent in January to a 6.5-million-unit pace. Condominiums and co-ops (+8.8 percent) outpaced single-family homes (+6.5 percent) despite low inventories. The median sale price fell slightly from last month to \$350,300 but is up 15.4 percent from last year.
- Retail sales increased 3.8 percent MoM, outpacing market expectations of a 2 percent rise. It was the biggest increase in retail sales in ten months, led by non-store retailers (+14.5 percent), furniture stores (+7.2 percent), and auto dealers (+5.9 percent).
- Housing starts fell 4.1 percent in January to a 1.64-million-unit pace, led by a 5.6 percent decline in single-family starts. Multi-family housing starts slipped just 0.8 percent but remain ahead of last year's pace. Home builder confidence remains near record highs as strong demand persists.
- Federal Open Market Committee (FOMC) minutes showed policymakers broadly agreed that an increase in the federal funds target rate would be appropriate given macroeconomic conditions. A majority of the committee supported a faster pace of increases than the post-2015 period. The Fed also reiterated its plan to bring net asset purchases to an end by early March.



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Fixed Income

The yield on the ten-year U.S. Treasury remained flat at 1.92 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) fell 1.9 percent and finished the week at 34,079 points. The S&P 500 lost 1.6 percent and finished at 4,349 points, and the NASDAQ fell 1.8 percent and finished at 13,548 points.

GLOBAL MARKETS

- Arab Light crude rose 0.5 percent and finished the week at \$91.50. Global benchmark Brent crude meanwhile fell 1 percent and finished the week at \$93.54 and West Texas Intermediate (WTI) lost 2.2 percent and closed at \$91.07. Brent and WTI snapped an eight-week rally amid news of a potential U.S.-Iran deal that would see the lifting of oil sanctions. Geopolitical tensions in Europe have continued to elevate concerns about potential supply disruptions. On Sunday, OPEC+ producers met in Saudi Arabia and resisted pressure to increase the pace of production hikes.
- Japan's economy grew 1.3 percent in Q4 with the strongest pace of quarterly growth in a year. Both household consumption (+2.8 percent) and business investment (+0.4 percent) bounced back amid a decline in COVID-19 cases and eased restrictions. Net external demand also contributed positively to GDP growth as exports recovered (+1 percent) while imports continued to fall (-0.3 percent).
- China's annual inflation rate fell to 0.9 percent in January from 1.5 percent last month. The pace of inflation tempered more than expected as food prices declined the most in four months (-3.8 percent). Non-food inflation remained unchanged at 2 percent. On a monthly basis, consumer prices rose 0.4 percent, increasing from a 0.3 percent drop in December.

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 bulletin on February 27