



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

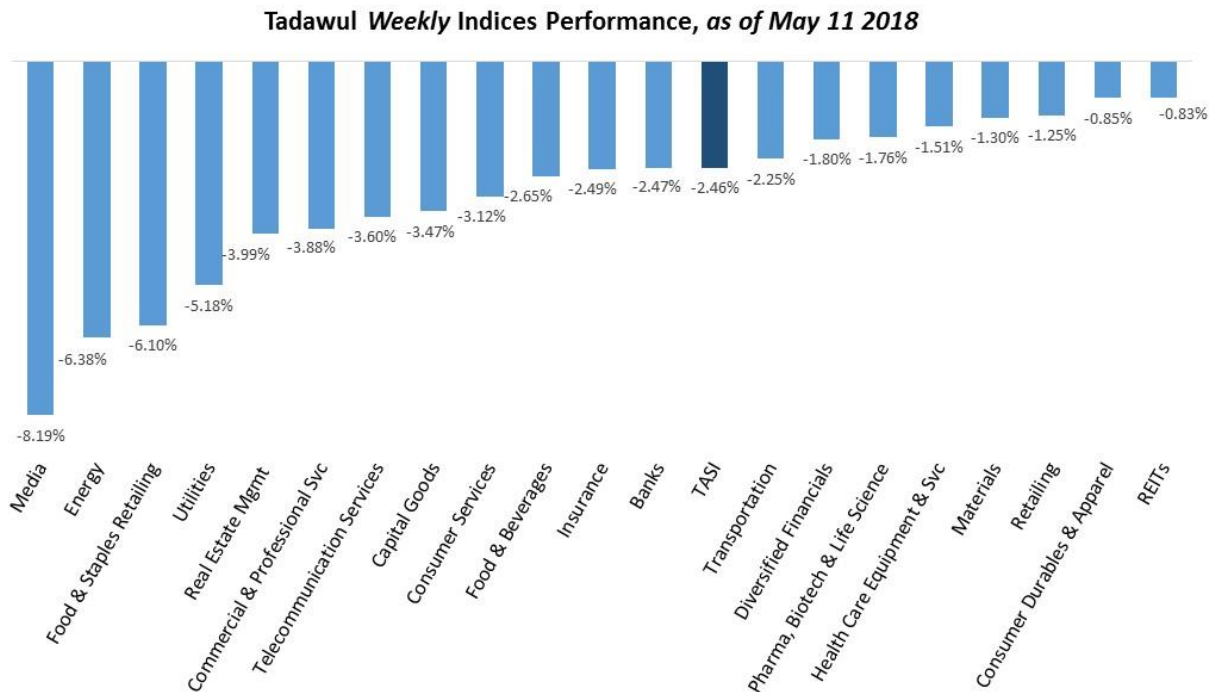
Weekly Market Brief

Week Ending 11 May 2018

Saudi Arabian Markets

TADAWUL

Over the past week, the TASI decreased by 2.46 percent, with declines across all sectors. The media and energy sectors had the largest losses, decreasing by 8.19 percent and 6.38 percent, respectively.



Source: The Council, Tadawul

Over the past week, the NOMU parallel market declined by 2.92 percent.

The Tadawul announced its trading hours for the Holy Month of Ramadan and Eid Al Fiter, [here](#).



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INVESTMENT

- In line with Saudi Aramco's commitment to support small and medium enterprises in the Kingdom, Saudi Aramco has awarded purchase agreements worth a combined value of nearly \$6.3 billion to 16 local manufacturers of pressure vessels.
- Savola Group signed a share purchase agreement to acquire 51 percent of Al Kabeer Group for SR565.5 million (\$150.8 million).
- Reportedly, Saudi Arabia's PIF will establish entertainment centers throughout the Kingdom to support domestic tourism. Approximately 20 centers, planned across 15 cities, will provide cinemas, spaces for public performances, cultural activities, restaurants and shopping. The Development and Investment Entertainment Company (DIEC), which was established in January, invites commercial investment from the private sector.
- Gulf Capital, a private equity firm in the U.A.E., reported that it bought a stake in Saudi firm Geidea for over SR1 billion (\$267 million). Established in 2008, Geidea has emerged as a leader among Saudi Arabia's financial technology providers.

BANKING

- According to SAMA's weekly money supply update, M1, M2, and M3 decreased by 1.12 percent, 0.44 percent, and 0.76 percent, respectively.
- In stride with Saudi Arabia's recent interest in blockchain technologies, the Saudi Ministry of Communications and Information Technology launched a partnership with the U.S. company ConsenSys. The company focuses on creating Ethereum-powered enterprise software.
- The Council of Economic and Development Affairs (CEDA) formally approved the Financial Sector Development Program – one of the 12 CEDA programs announced as part of Vision 2030. H.E. Mohammed Al-Jadaan, the Minister of Finance of Saudi Arabia, said, *"The program supports the national economy by developing the financial*



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sector and enhancing its effectiveness. The objective is to increase the financial sector's size relative to the GDP by 280 percent. The program will create a deep, diversified, digitized, and stable financial sector capable of attracting financial technology companies and focusing on financial literacy to bring the savings rates in line with leading international rates."

- Reportedly, at least three commercial banks in Saudi Arabia – including Riyadh Bank, National Commercial Bank, and Samba Financial Group – will issue U.S. dollar debt in the first hard currency issuance made by banks since several years ago. Reflecting Saudi Arabia's recent reliance on international debt to boost liquidity of local banks, the issuance would allow for diversified financing and increased levels of capital.

NATIONAL

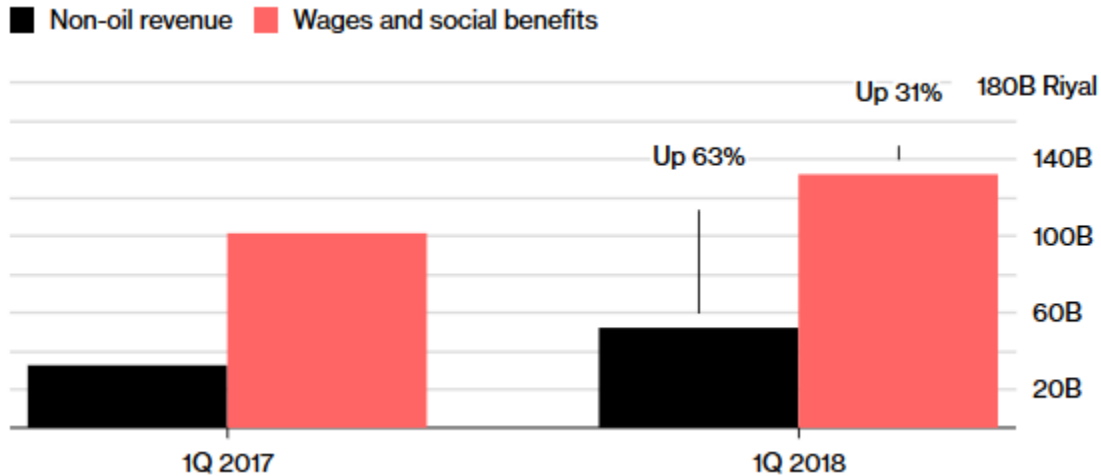
The Saudi Government reported its fiscal update for Q1 2018. Total revenue increased 15 percent over the year to SR166.2 billion (\$44.3 billion). The non-oil economy drove revenue growth, supported by regulatory changes such as an expatriate levy, VAT, and tax on tobacco and sugary drinks. Meanwhile, oil revenues increased by 2 percent over the year to SR114 billion (\$30.4 billion) even with a 16.5 percent increase in oil price. Economists expect Saudi Arabia to continue an expansionary fiscal policy into 2018 amid a higher non-oil revenue and an expected 2018 oil revenue that exceeds its target.

Saudi Arabia's budget deficit for Q1 2018 was SR34.3 billion (\$9.2 billion), up from SR26.2 billion (\$7 billion) one year ago. Economists report that Saudi Arabia's higher spending on social benefits and wages outpaced the capital saved by lower subsidies and higher taxes. For 2018, the budget deficit is projected to be SR195 billion (\$52 billion).



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Higher wages offset the benefits of extra revenues during the first quarter



Source: Bloomberg, Saudi Arabian Ministry of Finance.

The IMF revised Saudi Arabia's economic growth forecast for 2018 to 1.7 percent from 1.6 percent upon an increase in crude oil prices.

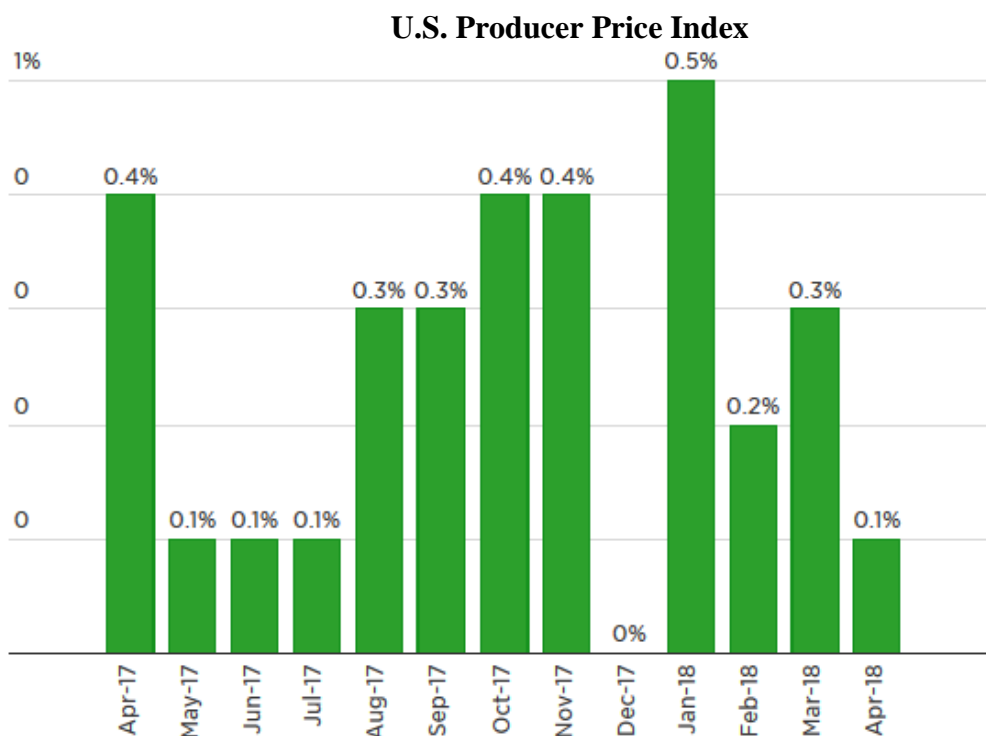
U.S. Markets

LABOR AND COMMERCE

- The U.S. consumer price index increased by 0.2 percent in April compared with the 0.3 percent expected increase.
- The pace of wholesale inventories decelerated, increasing by 0.3 percent in March compared with the 0.9 percent increase in February.
- During the month of March, import prices were unchanged. Meanwhile, prices for U.S. exports increased by 0.3 percent.
- U.S. producer prices remained steady, only rising by 0.1 percent in the month of April, below the 0.3 percent expected increase. PPI increased by 2.6 percent y-o-y.



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Notes: Producer Price Index measures the average change over time in prices by producers for domestically produced goods, services, and construction.

Source: CNBC, Bureau of Labor Statistics

FIXED INCOME

The yield on the benchmark ten-year Treasury notched upwards to 2.968 percent.

EQUITY

The three major U.S. indices posted gains for the week. The Dow advanced by 2.34 percent and the S&P 500 advanced by 2.41 percent. The NASDAQ gained 2.68 percent for the week.

The CBOE's Volatility Index (VIX) declined for the week to 12.7 from 14.7 last week.

NATIONAL

U.S. secretary of state Mike Pompeo traveled to Pyongyang and returned with three Americans who were detained by the North Korean regime. U.S. President Trump is scheduled to meet with North Korean leader Kim Jong Un on June 12 to discuss denuclearization.



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Speaker of the U.S. House Paul Ryan imposed a May 17 deadline for NAFTA negotiators to reach a new agreement in order to be considered during the next legislative session.

Global Markets

- During the week, West Texas Intermediate reached its highest price since December 2014. The price of West Texas Intermediate traded over \$71 per barrel on Friday. Meanwhile Brent crude prices reached over \$77 per barrel. Prices climbed amid U.S. President Trump's move to end the U.S.'s involvement in the Iran nuclear agreement. Without this agreement, sanctions will be imposed on Iran during the next 90 to 180 days. In 2016, Iran raised oil production once sanctions were lifted, and analysts expect Iran's production to decrease upon new sanctions. Saudi Arabia reported it would try to bridge any supply gap.

For Q1 2018, the average WTI price was \$62.9 per barrel, an increase of 21.9 percent from the \$51.6 per barrel in Q1 2017.

- China's consumer price index increased by 1.8 percent y-o-y compared with a 2.1 percent y-o-y increase in March. Meanwhile, the producer price index increased by 3.4 percent compared with the previous month's 3.1 percent rise.
- Argentina's President Mauricio Macri approached the International Monetary Fund for a capital support package after confidence degraded in the country's fiscal reforms.



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THE WEEK AHEAD

- On May 15, the U.S. Bureau of Census reports retail sales data for April 2018.
- China reports retail sales and industrial production on May 15.
- The United Kingdom releases unemployment figures on May 15.
- On May 15, the Eurozone publishes updated GDP and industrial production.
- The U.S. Bureau of Census reports business inventories on May 15.
- The U.S. reports industrial production and housing starts on May 16.
- On May 16, the Eurozone publishes its consumer price index.
- The U.S. releases industrial production figures on May 16.
- Japan reports its consumer price index on May 18.

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Sources: *The Wall Street Journal, Bloomberg, The Washington Post, CNBC, The New York Times, Financial Times, Forbes.com, Tadawul Market Watch, TradeArabia, SAMA, Al Rajhi Capital, Saudi Gazette, MEED.*