



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

Weekly Market Brief

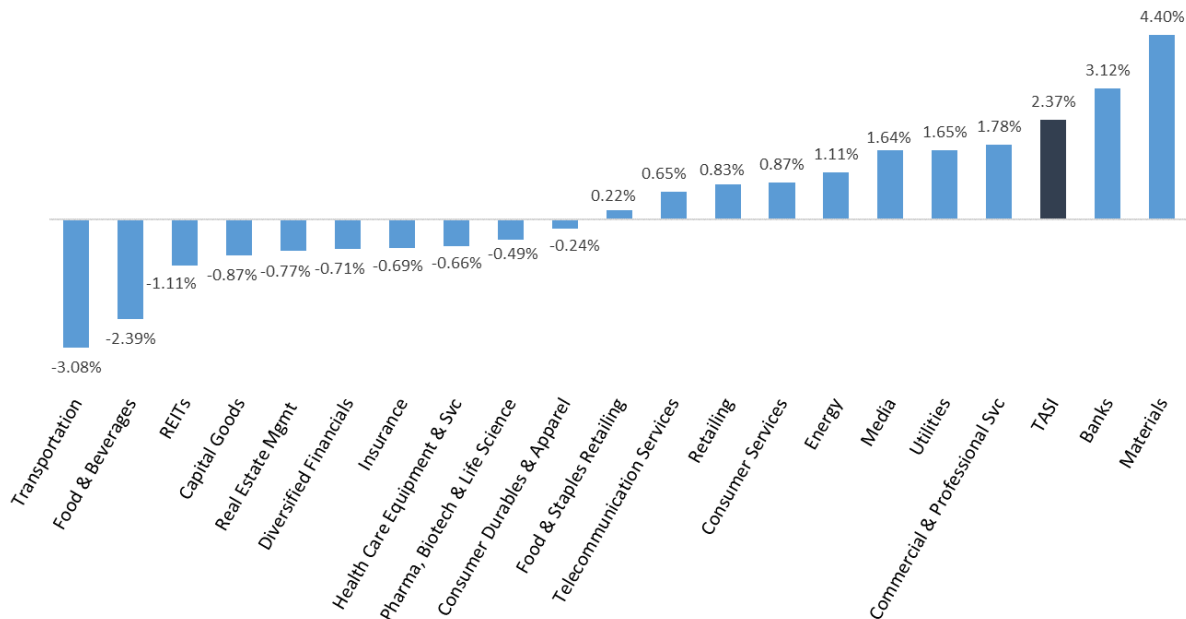
Week Ending 1 June 2018

Saudi Arabian Markets

TADAWUL

The TASI saw another weekly increase, advancing by 2.37 percent. The materials and banks sectors had the largest gains, rising by 4.40 percent and 3.12 percent, respectively. Meanwhile, the transportation sector had the largest decline with a decrease of 3.08 percent for the week.

Tadawul Weekly Indices Performance, as of June 1, 2018



Source: The Council, Tadawul

Meanwhile, the NOMU parallel market decreased by 0.94 percent over the past week.

The Tadawul has approved the listing of debt instruments issued by the Saudi Arabian government worth SR8.95 billion (\$2.39 billion). Listing and trading of these instruments will begin on June 4, 2018.



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INVESTMENT AND TRADE

- For Q1 2018, Saudi Arabia had a 54.3 percent increase in trade y-o-y. GASTAT data showed that the Kingdom's surplus for the first quarter was SR125.5 billion (\$33.5 billion), an annual increase of 54 percent from the SR81.3 billion (\$21.7 billion) in Q1 2017.
- The Saudi Arabian Ministry of Commerce and Investment has registered the Red Sea Development Company (RSDC). RSDC is a closed joint-stock company and wholly owned by the PIF. Establishment of RSDC highlights the future importance of the Red Sea project and tourism to Saudi Arabia's economic development more broadly.
- The Saudi Arabian jewelry company L'azurde reported that it is finalizing legal procedures and has delayed its plan to fully acquire Izdiad Commercial Co. of Arabia until the end of July 2018.

BANKING

- SAMA's weekly money supply update reported that M1, M2, and M3 increased by 2.14 percent, 1.16 percent, and 0.79 percent, respectively. Near the end of May, money supply M3 stood at SR1797.2 billion.
- SAMA reported that foreign exchange reserves increased to \$506 billion in May, an increase of \$19.3 billion from the previous month.
- Arab National Bank reached an agreement with Al Hammadi Company for Development and Investment, increasing the company's credit limit facilities to SR540.5 million (\$144.1 million). Pharma Serve, a subsidiary of Al Hammadi Company, also signed an Islamic financing facilities agreement of SR125 million (\$33.3 million) with Samba Financial Group to finance unified procurement of vaccines for all participating government health authorities.
- Al Tayyar Travel Group Holding Co made early installment loan repayments totaling SR307 million (\$81.9 million). The company noted that payments made by the government increased liquidity levels, and that this capital inflow along with its own funds were used to finance the payments.

NATIONAL

- Reportedly, Saudi Arabia and the U.A.E signed a deal that would prevent double income taxation and that would also mitigate tax evasion.



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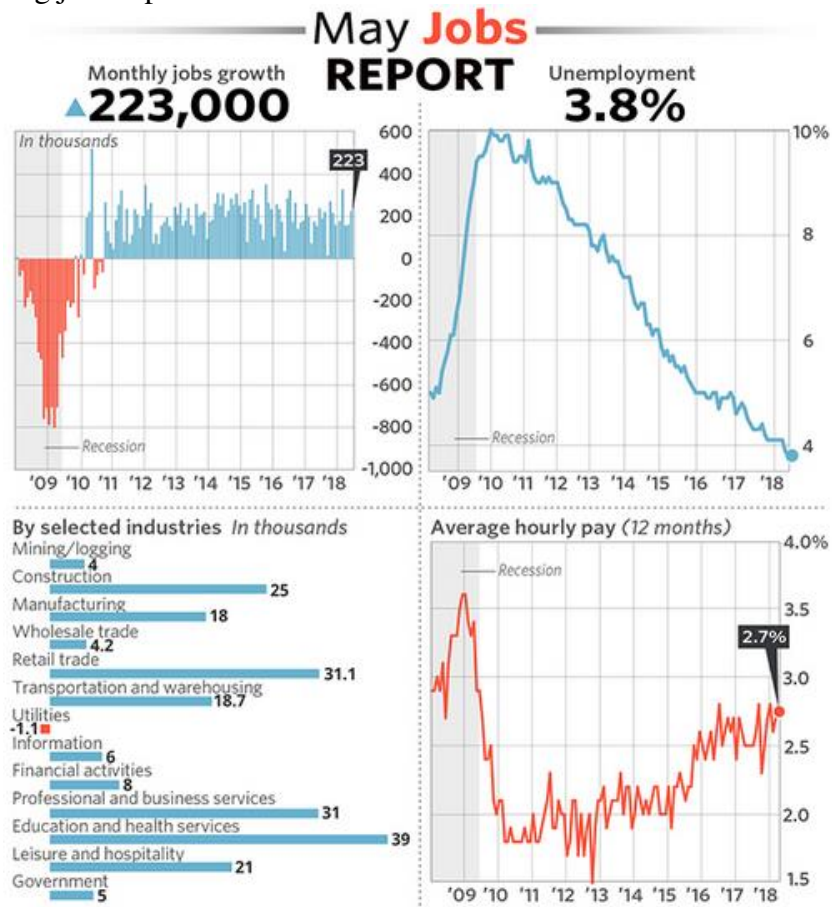
U.S. Markets

LABOR AND COMMERCE

In the month of May, the U.S. added 223,000 new jobs (exceeding the 200,000 forecasted) such that unemployment reached an 18-year low of 3.8 percent. Retailers, professional service firms, health and education services, and construction firms added the greatest number of jobs. Average earnings increased at an annual rate of 2.7 percent.

On average in 2018, the economy has added 207,000 jobs per month.

In a controversial and unprecedented statement on Twitter, U.S. President Trump suggested he was looking forward to May jobs figures prior to the report’s release – investors read this as expectations of a strong jobs report.



Source: Bureau of Labor Statistics



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- President Trump did not renew steel and aluminum tariff exemptions, and this expiration put in place 25 percent levies on steel imports from Canada, Mexico, and the E.U. Meanwhile, a 10 percent duty will be applied to aluminum imports. In response to this action, the E.U. imposed tariffs on €2.8 billion of imports from the U.S., including levies on motorcycles, blue jeans, and bourbon. Many economists were surprised by tariffs placed on NAFTA parties amid ongoing negotiations of the agreement.
- President Trump's administration changed its course regarding China and reinstated tariffs on \$50 billion worth of Chinese imports. The U.S. also instated a restriction on investment by China in some U.S. tech companies with the rationale to protect intellectual property. In response, China said it would instate tariffs on agricultural products from the United States.

FIXED INCOME

The yield on the ten-year Treasury declined to 2.89 percent near the end of the week from 2.93 percent one week ago. Midweek, the yield decreased to as low as 2.82 percent.

EQUITY

Over the week, global equities remained steady, having recovered from losses sustained early in the week that were triggered by political instability in Italy. Near the end of the week, the Dow was down by 0.62 percent. Meanwhile, the S&P 500 increased by 0.34 percent and the NASDAQ advanced by 1.45 percent.

The CBOE's Volatility Index (VIX) increased to a level near 13.7 at the end of the week from last week's measure of 13.2.

NATIONAL

- According to the Bureau of Economic Analysis, the U.S. economy expanded at an annual rate of 2.2 percent during Q1 2018, down slightly from an earlier estimate of 2.3 percent. The Fed forecasts GDP growth between 3 percent and 4.7 percent in the second quarter. Robust manufacturing data and a purchasing managers' index reading of 58.7 support predictions for accelerated economic expansion.



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- The Federal Reserve Board voted unanimously to ease the Volcker Rule – limiting proprietary trading by banks – a rule that was instated during the global financial crisis. Small banks will see the most benefit from the change.
- The Trump administration has resumed planning for a June 12 meeting with Kim Jong Un in Singapore. President Trump noted positive sentiments around the conversation between U.S. secretary of state Mike Pompeo and North Korean officials visiting New York. After receiving a letter from Kim Jong Un, President Trump stated "*relationships are building and that's a very positive thing.*" Analysts suggest that it may take a series of meetings in order to have North Korea agree to complete denuclearization.

Global Markets

- The price of West Texas Intermediate declined to approximately \$65.64 per barrel near the end of the week from \$67.50 per barrel last week.
- It was a turbulent week for Italy and the E.U.'s geopolitical environment, triggering volatility in global markets. The anti-establishment Florence law professor Giuseppe Conte was sworn into office as Italy's new Prime Minister following President Sergio Mattarella's rejection of a populist government earlier in the week. A proposed finance minister who has supported removing Italy from the Euro was moved to a lower post. While Italy's leaders have assured the world that they do not wish to leave the Euro, many E.U. analysts remain uncertain about the country's future.
- Following a corruption scandal in his party, Spain's longstanding Prime Minister Mariano Rajoy lost the vote and was replaced by the Socialist Workers' Party leader Pedro Sanchez.

THE WEEK AHEAD

- From June 2-4, U.S. Commerce Secretary Wilbur Ross is due in Beijing, China to discuss Chinese trade and economic practices.
- The U.S. releases factory orders data on June 4.
- The Eurozone reports its producer price index on June 4.
- Global service sector purchasing managers' indices are reported on June 5.
- Eurozone retail sales data is reported on June 5.



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- U.S. international trade figures for the month of April are released on June 6.
- The Eurozone reports GDP estimates on June 7.
- The U.S. reports wholesale trade figures for April on June 8.

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.*

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