



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

Weekly Market Brief

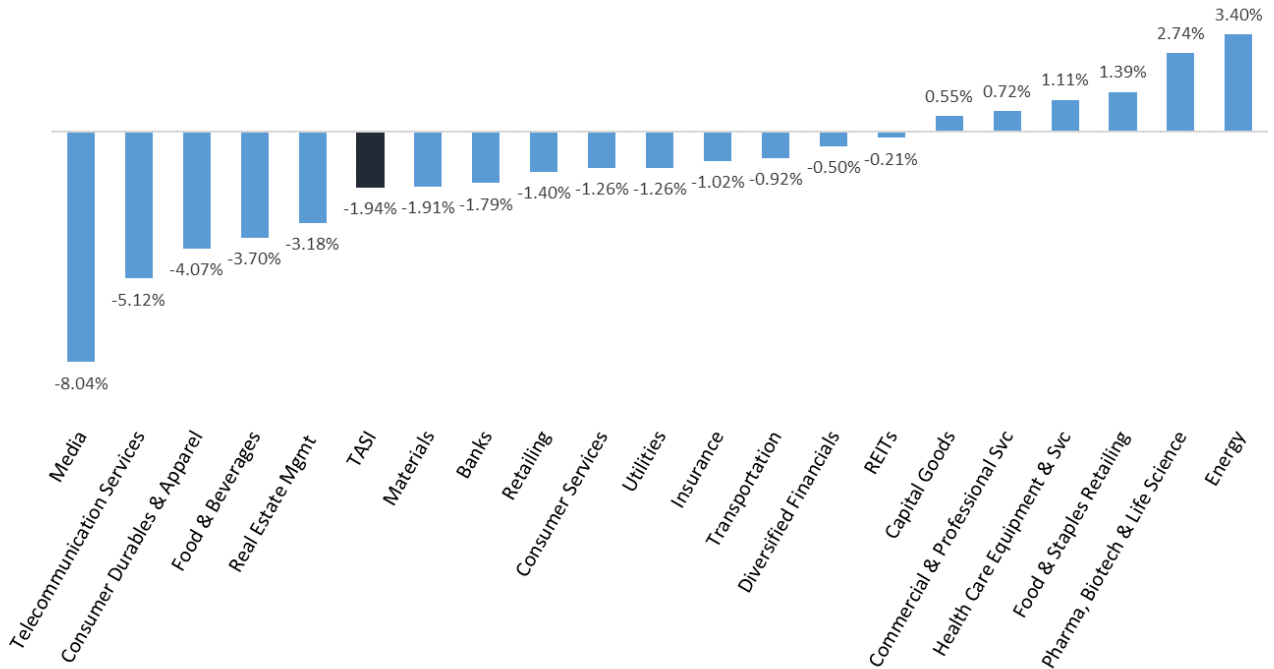
Week Ending 8 June 2018

Saudi Arabian Markets

TADAWUL

Over the past week, the TASI decreased by 1.94 percent. The energy sector and the pharma, biotech and life science sector had the largest gains, rising by 3.40 percent and 2.74 percent, respectively. Meanwhile, the media sector and telecommunication services sector had the largest declines of 8.04 percent and 5.12 percent for the week, respectively.

Tadawul Weekly Indices Performance, as of June 8, 2018



Source: The Council, Tadawul

Meanwhile, the NOMU parallel market decreased by 0.15 percent over the past week.



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The Tadawul published its *Weekly Stock Market Ownership and Trading Activity Report*, found [here](#).

With the CMA's efforts to develop Saudi Arabia's capital market, expand its institutional investments base, and increase attractiveness for all investors, the CMA published its updated *Frequently Asked Questions on the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities*, found [here](#).

In observance of the Eid Al-Fitr holiday, Tadawul trading will discontinue at the close of June, 12 and will resume after the holiday on June, 20.

INVESTMENT AND TRADE

- Reportedly, Saudi Aramco is seeking additional engineering firms 'to provide hook-up and commissioning services' for infrastructure and offshore projects, as the company looks to expand the group of contractors that it hires.
- Saudi Aramco established a subsidiary to manage its multibillion-dollar pension fund. Reportedly, the company could also make a similar move with its aviation division. Analysts note that this restructuring of non-oil assets could be a move ahead of the company's pending IPO.
- Al Yamamah Steel Industries Co. made a SR17 million (\$4.5 million) purchase of a solar power plant in Jeddah's First Industrial City that is expected to be operational in Q2 2019.

BANKING

- SAMA's weekly money supply update reported that M1 and M3 decreased by 0.21 percent and 0.28 percent, respectively. Meanwhile, M2 increased by 0.17 percent for the week. At the close of May, money supply M3 stood at SR1792.2 billion.
- Three major Japanese banks – providing advisory services to Japanese companies looking to enter Saudi Arabia – are set to become operational in Saudi Arabia by October 2018.
- SABIC is discussing the possibility of a U.S. dollar-denominated bond issuance with banks including BNP Paribas, Citi, MUFG and Standard Chartered.
- Musharaka REIT signed a deal to obtain facilities worth SR400 million (\$106.7 million) from Al Rajhi Bank. The agreement includes a six-month SAIBOR rate and 1.85 percent.



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- Saudi Real Estate Co. signed an agreement with Riyadh Bank worth SR650 million (\$173.3 million). The seven-year Islamic financing contract starts from the date of withdrawal and includes a two-year grace period before the first installment.

NATIONAL

Beginning in July, Saudi Arabia reportedly plans to increase the official selling prices for the majority of crude grades purchased by Asia. The move to raise prices would follow a trend of increasing demand for Middle East crude.

U.S. Markets

LABOR AND COMMERCE

For the first time in the history of the *Job Openings and Labor Turnover Survey* (released by the U.S. Bureau of Labor Statistics), the number of available U.S. job openings exceeded the number of available unemployed workers. In May, the U.S. unemployment rate was 3.8 percent, while average hourly earnings increased by 2.7 percent.

U.S. purchasing managers' indices reflected strong economic growth as the U.S. composite PMI – that includes the service sector and manufacturing sector – increased to 56.6 in May from a reading of 54.9 in April.

FIXED INCOME

The yield on the ten-year Treasury notched upwards to 2.94 percent near the end of the week.

EQUITY

Over the week, the Dow advanced by 2.01 percent. The S&P 500 increased by 1.29 percent while the NASDAQ advanced by 0.55 percent.

The CBOE's Volatility Index (VIX) decreased to a level near 12.2 at the end of the week from last week's measure of 13.7.

New Global Industry Classification Standard (GICS) sectors are scheduled for September 28, 2018. The change is expected to prompt sector-focused funds into significant trading as certain firms are removed or reclassified into new sectors. The shift will reclassify popular U.S. stocks into new sectors. Alphabet and Facebook, for example, would be moved from information



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technology and put into communication services along with companies such as Netflix and Comcast.

NATIONAL

Economists suggest that investors have begun to take a long-term approach as countries have started frequently reversing their positions on trade dealings. Over the past week, the U.S. again reversed its stance on tariffs with China, stating that the U.S. would consider re-imposing earlier considered tariffs. In response, China made an announcement to void agreements it had made with the U.S. over past weeks. However, later in the week, China's Ministry of Commerce said that the two countries had made progress. Despite this statement, some reports noted that China had suspended its proposal to buy \$70 billion worth of additional agricultural products, energy products, and manufactured goods from the U.S.

Global Markets

- The price of West Texas Intermediate remained steady for the week, trading at approximately \$65.75 per barrel near the end of the week. Following a surge in U.S. retail gasoline prices to a three-year high, the United States requested that Saudi Arabia and other OPEC parties raise oil production by nearly one million barrels per day.
- Leaders of G7 countries met in Quebec, Canada to discuss trade among other geopolitical issues. France's president as well as the prime ministers of Canada, the U.K., Japan, and Germany all oppose U.S. imposed tariffs. Before the meeting began, U.S. President Trump suggested the possibility of Russia rejoining the G7 despite the country's removal after invading the Ukraine in 2014. Following the meeting, President Trump, his economic advisor Larry Kudlow, and his trade advisor Peter Navarro all made public comments attacking Canada's prime minister around trade issues.
- The Euro Area's composite purchasing managers' index declined to 54.1 in May from April's reading of 55.1. Meanwhile, new and unrevised estimates showed the Eurozone economy expanded by 0.4 percent in the first quarter, compared with 0.7 percent expansion in the previous quarter.

THE WEEK AHEAD

- The U.K. reports industrial production on June 11.
- The United States releases its updated Consumer Price Index (CPI) on June 12.



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- North Korea's leader Kim Jong Un and U.S. President Donald Trump are scheduled to meet in Singapore on June 12 for discussions around denuclearization.
- On June 13, China reports its updated GDP figures.
- The U.K. reports its Consumer Price Index on June 13.
- Industrial production figures for the Eurozone are released on June 13.
- The U.S. Federal Open Markets Committee (FOMC) meets on June 13.
- China reports industrial production and retail sales on June 14.
- On June 14, the European Central Bank (ECB) holds its rate-setting meeting. Many analysts expect the ECB to announce the end of its quantitative easing program.
- The Eurozone reports updated trade balances and CPI on June 15.
- The United States releases industrial production figures on June 15.

Disclaimer: *The information contained in this document was gathered from sources believed to be accurate at the time, and the U.S.-Saudi Arabian Business Council accepts no liability from errors or omissions in any part due to human or mechanical error. The above information should not be taken as investment advice or as trading recommendation on behalf of the U.S.-Saudi Arabian Business Council.*

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.*