



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

Weekly Market Brief

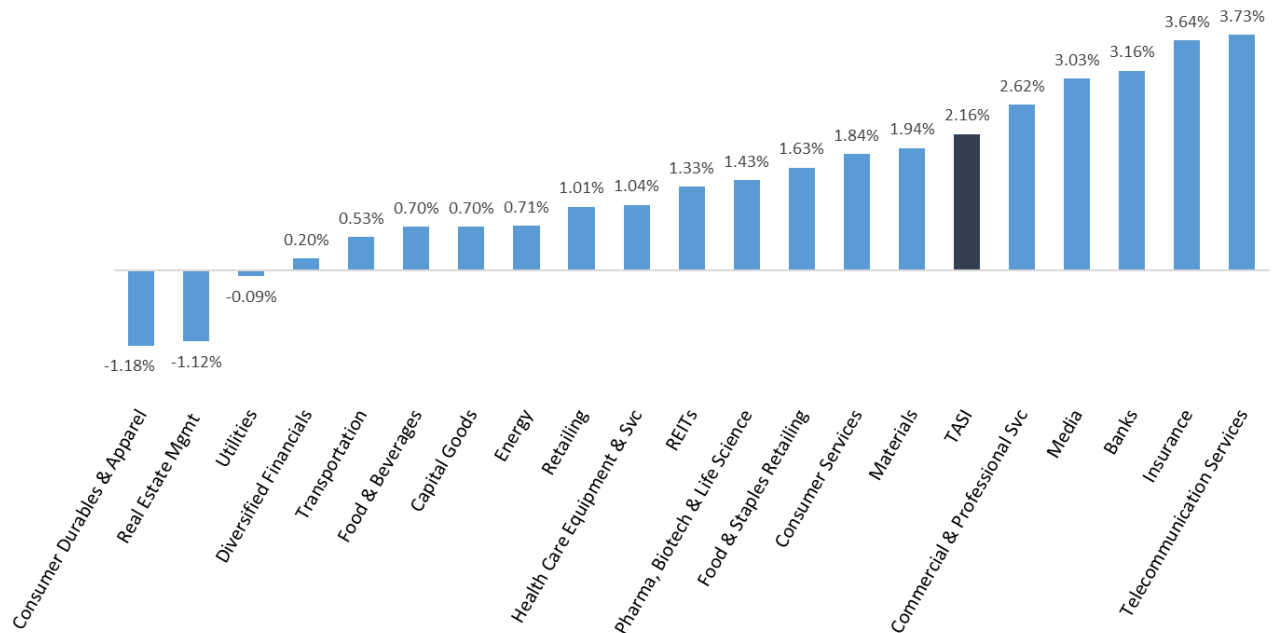
Week Ending 22 June 2018

Saudi Arabian Markets

TADAWUL

During the past trading week, the TASI increased by 2.16 percent. The majority of sectors saw moderate gains. The telecommunication services sector had the largest increase, rising by 3.73 percent. Meanwhile, the consumer durables and apparel sector had the largest decline, slipping by 1.18 percent.

Tadawul *Weekly* Index Performance - June 22, 2018



Source: The Council, Tadawul

Over the past week of trading, the NOMU parallel market decreased by 0.88 percent.



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

MSCI, the global provider of equity indices, upgraded Saudi Arabia to *Emerging Market* status from its previous *Standalone Market* status in its Annual Market Classification Review. The Tadawul will be included in MSCI's Emerging Market Index in two phases concurring with the May 2019 Semi Annual Index Review and the August 2019 Quarterly Index Review. The Tadawul will be weighted 2.6 percent in the Index.

INVESTMENT AND TRADE

- Reportedly, the European Union's antitrust regulators are set to approve Tronox's purchase of Cristal's titanium dioxide business. The conditions specify that both companies sell certain assets in order address competition concerns. Cristal is 79 percent owned by National Industrialization Co (Tasnee).
- Al Hammadi Company for Development and Investment announced that it would discontinue its merger discussions with the National Medical Care Company.

BANKING

- SAMA announced that it will raise its repo rate from 225 basis points to 250 basis points and will also raise its reverse repo rate from 175 basis points to 200 basis points.
- Moody's Investors Service reported that 'the additional provisioning requirements for Saudi banks under IFRS 9 standards will remain 'modest' in 2018 and result in higher net profits due to gradual economic recovery.'
- JPMorgan Chase & Co. announced plans to sell its 7.5 percent stake in Saudi Investment Bank back to the Kingdom's lender. The Saudi Investment Bank signed a deal to buy the stake at a 24 percent discount for a total of \$203 million.

NATIONAL

- The law allowing Saudi women the right to drive became effective on June 24. Saudi Arabia's Ambassador to the United States, H.R.H. Prince Khaled bin Salman, said that



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

women would not be required to get permission for driving lessons and would have the option to drive anywhere they wish.

- Reportedly, the Saudi Contractors Authority (SCA) is working with the Council of Saudi Chambers to establish a mechanism to pay outstanding compensation to firms that signed contracts with the government prior to December 23, 2016.

U.S. Markets

LABOR AND COMMERCE

- After a new set of tariffs, the U.S. currently levies a 2.5 percent tariff on autos imported from the E.U., and the E.U. now charges a 10 percent tariff on auto imports from the United States. The U.S. has further proposed raising the tariff to 25 percent on European auto imports. German automakers have suggested the idea that both parties eliminate all tariffs on auto imports rather than increasing them.
- The European Union announced new retaliatory tariffs on \$3.2 billion worth of U.S. goods, including products such as motorcycles, bourbon, and cranberries. In response, the U.S. motorcycle manufacturer Harley Davidson said it would move production to Europe to avoid tariffs since the duty would raise the cost of each motorcycle shipped from the U.S. by \$2,200.
- In the case that China retaliates as a result of \$250 billion in tariffs already proposed by the United States, President Donald Trump's administration made a threat of an additional \$200 billion in tariffs on imports from China. The initial tariffs on Chinese imports are effective as of July 6. In the case that the entire \$450 billion value of proposed tariffs by the United States go into effect, China would not be able to fully retaliate with new tariffs. In 2017, China imported only \$130 billion of U.S. goods. Economists suggest that China may end up enacting non-tariff retaliation measures, including increased regulatory oversight on U.S. multinationals operating in China. Another potential measure may be further currency depreciation. Reportedly, Chinese negotiators reached out to U.S. officials to talk about further solutions in attempt to deescalate a trade war.



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

FIXED INCOME

The yield on the ten-year Treasury remained steady for the week, closing near 2.90 percent.

EQUITY

Global equities declined for the week amid escalating trade tensions. Over the week, the Dow declined by approximately 3.3 percent. Meanwhile, the S&P 500 decreased by 2.5 percent while the NASDAQ declined by 3.2 percent.

The CBOE's Volatility Index (VIX) ended the week at a reading near 14.

NATIONAL

In order to maintain the ability to return capital to shareholders through share buybacks and dividends, U.S. banks are required to pass a Federal Reserve stress test. After the first quantitative round, the entire set of large banks subject to the test passed. The qualitative results are expected to be released in the next week.

Global Markets

- Following OPEC's Friday meeting, oil prices climbed by the largest amount in two years as OPEC members agreed to boost production by 600,000 barrels per day, less than the one million barrels per day expected by investors. The price of West Texas Intermediate closed the week at \$69.28 per barrel at the end of the week, up from \$64.38 per barrel one week ago.
- Prior to the OPEC meeting, Russia's Minister of Energy Alexander Novak called for an end to oil supply curbs from the world's largest oil producers. Novak noted, *'given the rising demand and the balance in a growing market, Russia would propose the possibility of an increase.'* Meanwhile, Minister of Energy, Industry and Mineral Resources H.E. Khalid Al-Falih invited Russia to join the Organization of the Petroleum Exporting Countries (OPEC) as an observer.
- In advance of the upcoming European Union summit, the E.U. held an emergency mini-summit to resolve a growing immigration crisis as a result of an inflow of refugees into Europe from the Middle East and North Africa. German Chancellor Angela Merkel said that bilateral and multilateral deals should quickly be reached. Italian Prime Minister



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

Giuseppe Conte put forth a proposal, the *European Multilevel Strategy for Migration* that would overtake the E.U.'s Dublin agreement on asylum cases. The proposal called for 'shared responsibility among member states' in responding to migrants arriving by sea to the E.U.

- The U.K.'s Prime Minister Theresa May passed the E.U. Withdrawal Bill by a narrow margin. Britain is scheduled to depart from the European Union in nine months, though an agreement has not yet been reached on dealing with the E.U. land border between Northern Ireland and the Republic of Ireland.

THE WEEK AHEAD

- The United States reports new homes sales on June 25.
- The U.S. releases durable goods orders data and international trade data on June 27.
- On June 28, the U.S. reports its GDP estimate.
- The European Council summit is scheduled for June 28.
- On June 29, the United Kingdom reports its GDP estimate.
- The Eurozone releases CPI on June 29.
- The United States reports personal income and spending on June 29.

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.