



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

Weekly Market Brief

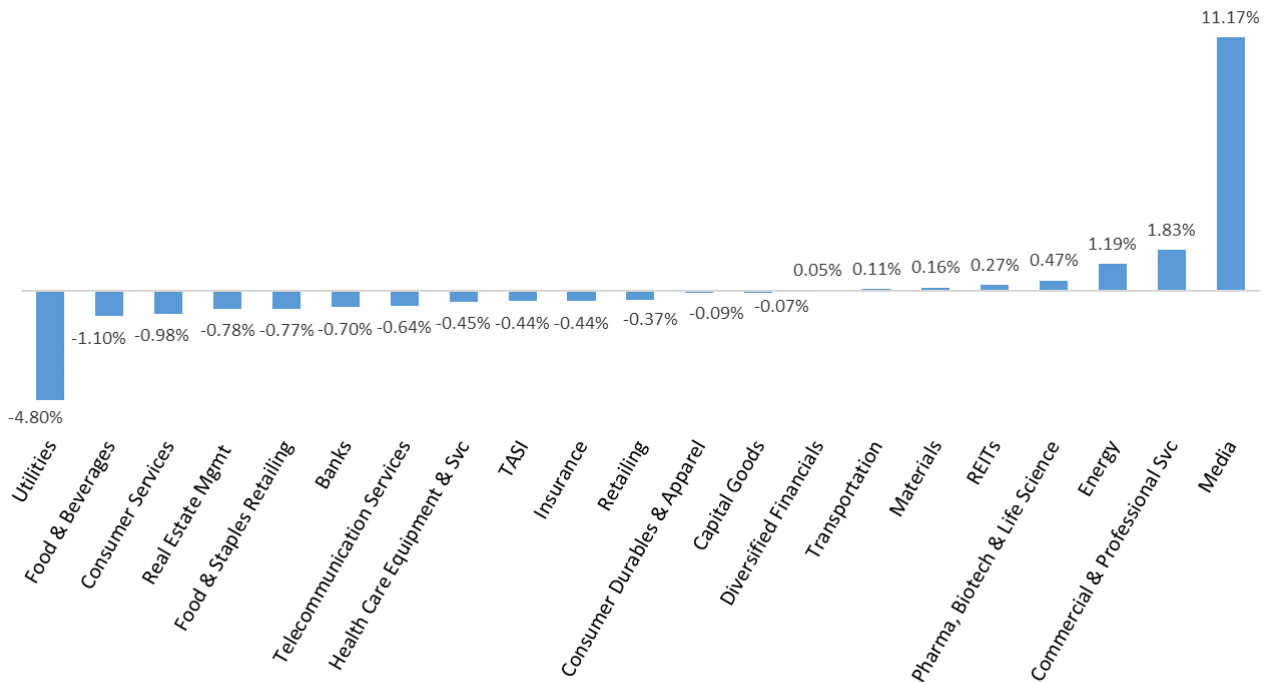
Week Ending 29 June 2018

Saudi Arabian Markets

TADAWUL

During the past trading week, the TASI decreased by 0.44 percent. The sectors were split across gains and losses. The media sector had the largest increase, advancing by 11.17 percent. Meanwhile, the utilities sector had the largest decline, slipping by 4.80 percent.

Tadawul *Weekly* Index Performance - June 29, 2018



Source: The Council, Tadawul

Over the past week of trading, the NOMU parallel market decreased by 3.34 percent.



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For the month ending 28 June 2018, the total value of traded shares was SR46.43 billion (\$12.38 billion), a decrease of 44.7 percent over the previous month. Total stock market capitalization reached SR1,982.3 billion (\$528.61 billion) at the end of this period, an increase of 1.3 percent over the previous month.

The Tadawul's *Monthly Stock Market Ownership and Trading Activity Report* can be found, [here](#). The performance report for the first half of 2018 can be found, [here](#).

The CMA has authorized BlackRock Saudi Arabia to conduct arranging and advising activities in the securities business.

INVESTMENT AND TRADE

- Blackstone Group reported that it was close to raising \$5 billion to launch its inaugural infrastructure fund in collaboration with Saudi Arabia's PIF.
- Franklin Templeton Investments is seeking approval to launch a Saudi Arabian exchange traded fund (ETF). Presently, the iShares MSCI Saudi Arabia ETF is the only similar fund.
- JP Morgan began consultation to include gulf states in its widely tracked emerging market government bond index (EMBI). For many emerging market investors, this index is a key performance benchmark. For Saudi Arabia, inclusion in the index has the potential to attract hundreds of billions of dollars into the Kingdom's bonds that would ultimately lower borrowing costs.
- SABIC is reportedly exploring joint ventures and considering increasing its holding in the Swiss chemical company Clariant.

BANKING

- Near the end of June, money supply M3 stood at approximately SR1811.5 billion. Over the past week, money supply M1 increased by 0.85 percent while money supply M3 increased by 0.50 percent. Meanwhile, money supply M2 declined by 0.01 percent.



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- Reportedly, the amount of retail loans that Saudi banks issue has increased following last year's royal decree that allows women to drive.

NATIONAL

- According to an Institute of International Finance report, Saudi Arabia's GDP growth in 2018 is expected to be approximately 2.2 percent amid a steady increase oil prices. Economists also expect an increase in the breakeven oil price in the context of increasing public spending.
- Reportedly, Saudi Aramco is currently producing 10 million barrels per day of oil and has the capability to produce approximately 12 million barrels per day. Saudi Aramco reported that it would further add 2 million barrels per day in a bid to cover the required demand in the case of supply interruptions.
- According to recent figures from the General Authority for Statistics (GaStat), Saudi Arabia's inflation rate advanced in the month of May by 2.3 percent y-o-y following hikes in energy prices and VAT implementation.

U.S. Markets

LABOR AND COMMERCE

- Sales of new homes in the United States increased by 6.7 percent in the month of May driven by purchases in the South. During the beginning five months of 2018, new home sales climbed by 8.8 percent, supported by a strong job market along with shortage of existing properties available on the market. Broadly, buyers are facing additional pressures as home values are rising faster than incomes, and the average 30-year mortgage rate has increased to nearly 4.6 percent from 3.9 percent one year ago.
- The U.S. revised its Q1 GDP estimate lower to 2 percent from 2.2 percent. In line with a more narrow trade deficit, economists expect stronger growth in Q2, with some projections above 4 percent.
- There is a short window of time for further trade negotiations with China as approximately \$35 billion worth of tariffs on Chinese goods are scheduled to go into effect next week. Discussions around limiting Chinese investment in U.S.-based



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technology companies were discontinued, while the Committee on Foreign Investment in the United States now plans to take on a more rigorous review process

- In retaliation to U.S. tariffs on aluminum and steel, Canada announced it would levy \$19 billion worth of tariffs on imports from the U.S.
- U.S. Treasury Secretary Mnuchin denied rumors that President Trump intended to remove the United States from the World Trade Organization.

FIXED INCOME

The yield on the ten-year Treasury declined slightly for the week, closing near 2.86 percent.

EQUITY

Over the past week, the Dow declined by approximately 0.19 percent. Meanwhile, the S&P 500 decreased by 0.14 percent while the NASDAQ declined by 0.26 percent.

The CBOE's Volatility Index (VIX) ended the week at a reading near 16.

NATIONAL

U.S. mergers and acquisitions totaled approximately \$1 trillion in H1 2018, contributing to a global record of \$2.5 trillion (previous record was \$2.3 trillion in H1 2007). At the same time, U.S. corporate debt reached a record level of \$6.3 trillion.

Global Markets

- Given the U.S.'s promotion of discontinuing oil imports from Iran, the price of West Texas Intermediate closed the week at \$74.25 per barrel, up from \$69.28 per barrel at the end of last week.
- During the European Council Summit, E.U. leaders reached a migration agreement but were unsuccessful in making Brexit progress. Member states of the European Union decided to voluntarily open centers to determine whether individual migrants are granted asylum or are returned home. Amid this news, the euro increased more than half percentage point.



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- Analysts expect that the European Central Bank (ECB) will end its program to buy bonds at the end of 2018, though the ECB expects to start a reinvestment program next year that would lengthen the duration of its portfolio. The ECB noted that it would trade shorter-dated maturities for those that are longer-dated in order to lower interest rates in the long horizon and to support the region's economy.

THE WEEK AHEAD

- Global purchasing managers' indices are reported on July 2.
- The Eurozone reports retail sales on July 3.
- Wednesday, July 4 is the Independence Day holiday in the United States.
- The United States releases a non-manufacturing PMI on July 5.
- The U.S. Federal Open Market Committee (FOMC) issues meeting minutes on July 5.
- On July 6, the United States releases its monthly employment report.

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.