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U.S.-Saudi Arabian Business Council

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## **Weekly Market Brief**

*Week Ending September 14, 2018*

### **SAUDI ARABIAN MARKET**

#### **Saudi Arabia Macroeconomic Developments**

- The Saudi Arabian cabinet has given approval for converting the State Property Department into a general authority, which will be named General Real Estate Authority. The new entity would oversee the state properties and would define the best investment opportunities, lay out policies and develop the necessary research infrastructure.
- Saudi Arabian Monetary Authority (SAMA), disclosed that the current account data of the Kingdom of Saudi Arabia improved and is expected to record a surplus of SR71 billion in the second quarter of this year, adding that the current account is expected to achieve a surplus this year.

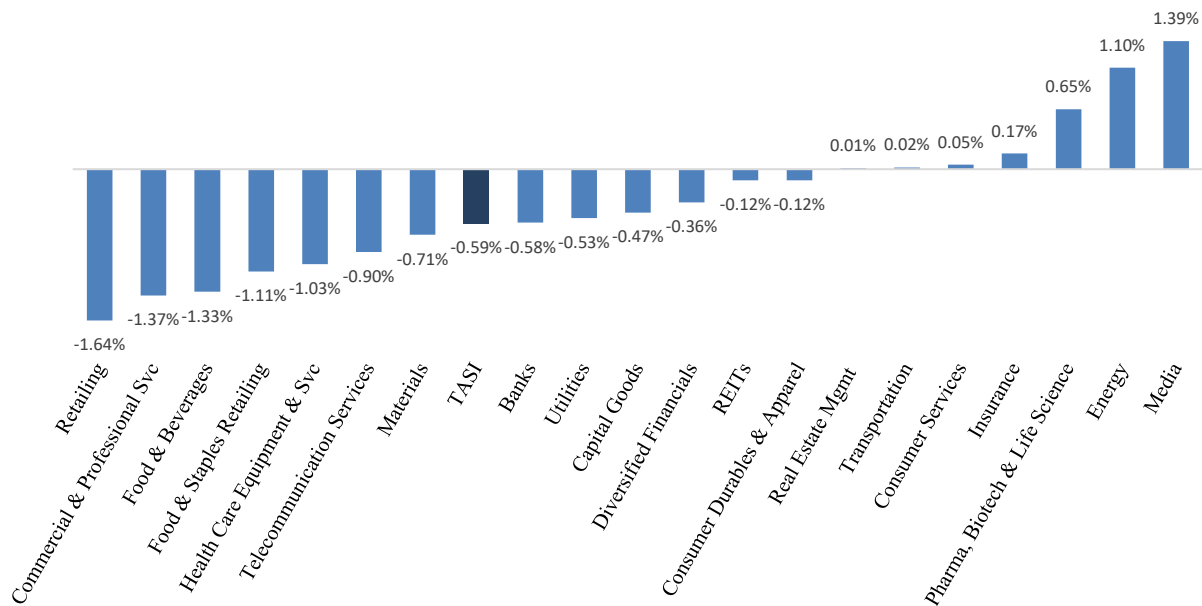


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**Tadawul**

During the past trading week, the TASI decreased by 0.59%. The Tadawul witnessed another drop as only 7 out of the 20 sectors ended the week with positive growth. ‘Media’ and ‘Energy’ saw big gains as the former continues its positive growth, and the latter reversed from last week’s losses. ‘Retailing’ continued its slide, while ‘Food & Beverages’ reversed the positive trend that was witnessed last week.

**Tadawul *Weekly* Index Performance - September 14, 2018**



Source: Tadawul, USSABC

The NOMU parallel market ended the week with a 0.09 percent decline.



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## Investment and Trade

- The value of awarded contracts in Saudi Arabia's construction sector is likely to surge to \$44.1 billion in 2019 from \$26.3 billion this year, according to recent studies. According to Project Intelligence Platform Ventures Onsite, the total value of Saudi construction-related projects, comprising buildings, industrial, power and water, oil and gas, and infrastructure, is estimated to be worth \$1.4 trillion.
- According to Minister of Health Tawfiq Al-Rabiah, the health sector in Saudi Arabia is the largest among all Middle Eastern countries with an expenditure exceeding SR150 billion (\$40 billion).
- Saudi Aramco has pressed ahead with plans to increase production from offshore fields to maintain its capacity of producing 12 million bpd in the coming years. The company has set a \$300 billion budget for oil and gas projects in the next 10 years.
- Investcorp announced the successful listing of portfolio company, Leejam Sports Company on the Saudi Stock Exchange (Tadawul). Leejam is considered the largest fitness center operator in Saudi Arabia and the MENA region, and was ranked the 17th largest company globally by the International Health, Racquet & Sports Club Association (IHRSA) in its 2017 “Global 25” list in terms of number of fully owned fitness centers
- Saudi Arabia has raised \$2 billion in new sukuk, completing its external funding requirements for 2018. The transaction is the kingdom's second international sale of sukuk after a \$9bn issue last year. The price guidance was tightened to a final spread of 127 basis points over mid-swap, equivalent to a 4.3 per cent yield, signaling wide investor appetite for the deal.
- Saudi Arabia’s sovereign wealth fund agreed Monday to invest \$1 billion in Lucid Motors, an upstart electric-car maker that aims to rival Tesla in the luxury vehicle market. The Saudi Public Investment Fund (PIF) said the investment will help the 11-year-old company launch its first electric vehicle, the Lucid Air, by 2020.



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## **Banking**

Over the past week, all three money supply figures declined. M1 dropped by 0.86 percent while money supply M2 slipped by 0.24 percent. Money supply M3 also declined, falling by 0.10 percent.



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## **U.S. MARKET**

### **U.S. Macroeconomic Developments**

- Producer prices came in softer than expected in August, falling 0.1%. The miss stemmed largely from the volatile trade-services sector, which measures margins. The underlying trend in inflation continues to inch higher.
- Consumer prices rose 0.2% in August, but moderated to 2.7% on a year-ago basis as gains in energy have eased. Core inflation came in a bit soft, but the trend remains gradually higher and should keep the Fed on track.
- Retail sales in the US edged up 0.1 percent month-over-month in August of 2018, following an upwardly revised 0.7 percent rise in July and well below market expectations of a 0.4 percent increase. It is the smallest gain in retail sales in six months, mainly due to falls in purchases of motor vehicles, clothing and furniture.
- The University of Michigan's consumer sentiment for the US jumped to 100.8 in September of 2018 from 96.2 in August, beating market expectations of 96.7. It is the second highest level since 2004, only behind the March 2018 reading of 101.4, preliminary estimates showed. Expectations were the strongest since July of 2004, largely due to more favorable prospects for jobs and incomes and current conditions were also assessed more favorable.



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### **Fixed Income**

The yield on the ten-year Treasury climbed this past week, closing at 2.99 percent.

### **Equity**

Over the past week, the Dow increased by approximately 0.92 percent. The S&P 500 also grew, climbing by 1.16 percent. The NASDAQ was also in positive territory as it jumped by 1.36 percent for the week.



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## **GLOBAL MARKETS**

- Oil prices pulled back last week on concerns additional U.S. tariffs would be placed on Chinese imports, after an earlier rally triggered by worries that more sanctions on Iran might constrict supply. After a volatile week, Brent was set for a 1.6 percent weekly rise and WTI 1.8 percent.
- The ECB left its benchmark refinancing rate at 0 percent on September 13th, 2018, in line with market expectations. Policymakers reiterated that the monthly pace of the net asset purchases will be reduced to €15 billion from September to December 2018, and will then end. The central bank also said it expects key interest rates to remain at record low levels at least through the summer of 2019.
- The Turkish economy grew by 5.2 percent year-on-year in the second quarter of 2018, easing from a downwardly revised 7.3 percent expansion in the previous three-month period. It was the weakest growth rate since the last quarter of 2016, as household consumption and fixed investment increased at a softer pace. Meanwhile, government spending jumped and net external demand contributed positively to the expansion as a slump in the lira boosted exports.

## **THE WEEK AHEAD**

- The U.S. releases Building Permits report on September 19.
- The U.S. releases Housing Starts on September 19.
- The U.S. releases Existing Home Sales September 20.

**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, Financial Times, Reuters, Wells Fargo, Forbes.com, Tadawul Market Watch, Trading Economics, TradeArabia, SAMA, National Commercial Bank, Al Rajhi Capital, Saudi Gazette, MEED.