



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

Weekly Market Brief

Week Ending November 9, 2018

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil economy managed to record an uptick in October, thanks to higher employment and growth in new orders because of increased demand from overseas, according to the Emirates NBD Purchasing Managers' Index (PMI). The PMI rose slightly to 53.8 in October from 53.4 in September.
- King Salman announced the implementation of 600 development projects worth \$4.4 billion (SAR16.5 billion). These projects cover the areas of education, housing, road, environment, tourism, water, electricity and public utilities.

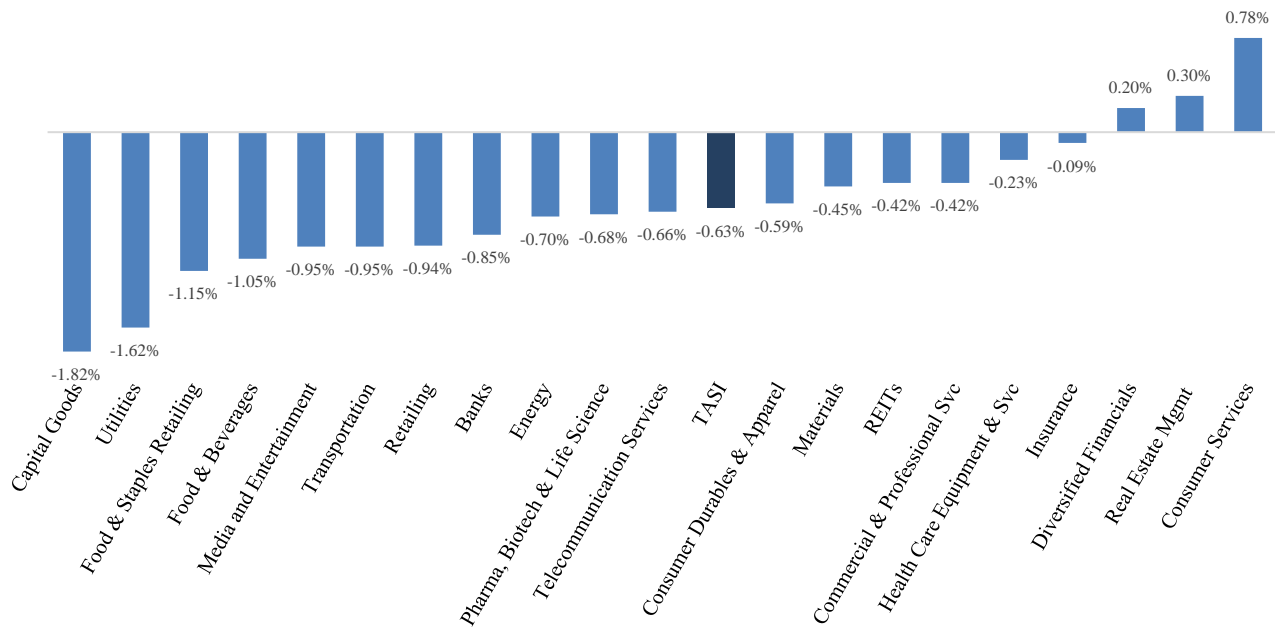


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Tadawul

The TASI witnessed a continuation of declines this past week as only three out of 20 sectors ended in positive territory. Those three sectors were ‘Consumer Services,’ ‘Real Estate Management,’ and ‘Diversified Financials.’ The Tadawul was anchored down by the drop in ‘Capital Goods,’ ‘Utilities,’ and ‘Food & Staples Retailing’ among others

Tadawul *Weekly* Index Performance - November 9, 2018



Source: Tadawul, USSABC

The NOMU parallel market declined this past week by 0.08 percent.

Saudi's Arabian Cement has posted a 51.2 per cent Y-o-Y decline in net profit during the Q3, falling from \$7.86 million (SAR29.5 million) to \$3.84 million (SAR14.4 million). Furthermore, sales decreased 27.7 per cent to \$31.44 million (SAR117.9 million) from \$43.5 million (SAR163 million).

Real Estate Developer Dar Al Arkan suffered a decline in profits because of declines in sales. Net profit after zakat and tax dropped to \$9.6 million (SAR36.7 million), a decline of 82 percent compared to profits in the same quarter last year.



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Investment and Trade

- SoftBank Group Corp. is planning to develop a \$1.2 billion (SAR4.5 billion) solar power plant in Saudi Arabia. The plant, to the north of Riyadh, would generate 1.8 gigawatts of power a year. SoftBank has started preliminary talks with banks and developers to gauge interest in the facility.
- Saudi Arabian Military Industries and Spain's state-owned Navantia have started a joint venture to manufacture warships in the Kingdom. SAMI Navantia Naval Industries will design and build five combat frigates of the "Avanti 2200" variety, equipped with a combat management system, for the Saudi Ministry of Defense.
- Saudi Arabia has made a \$1 billion bid for a broad partnership with South African state-owned defense group Denel that would include acquisition of a minority stake in a joint venture with Germany's Rheinmetall. Saudi Arabia is targeting Denel's 49 percent stake in Rheinmetall Denel Munition (RDM).
- China's Norinco Huajin refinery in northeastern Liaoning province has signed a contract with Saudi Aramco for the delivery of 10 million barrels of crude in 2019. Norinco Huajin had initially planned to take 12 million barrels in 2018 but lowered it to 10 million barrels due to month-long full maintenance over June-July. Of the total volume for 2019, Arab Extra Light will account for about 60-70%, with the rest Arab Heavy and a very small portion of Arab Medium.
- Saudi Arabia plans to reduce oil supply to world markets by 0.5 million barrels per day in December. Saudi Aramco's customer crude oil nominations would fall by 500,000 bpd in December versus November due to seasonal lower demand. The cut represents a reduction in global oil supply of about 0.5 percent.

Banking

Over the past week, Money Supply M1 and M3 had a positive weekly change, while M2 was negative. M1 grew by 0.12 percent. M2 contracted by 0.34 percent. M3 grew by 0.38 percent.



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U.S. MARKET

U.S. Macroeconomic Developments

- U.S. regular gasoline retail prices averaged \$2.86 per gallon (gal) in October, an increase of 2 cents/gal from the average in September, marking the sixth consecutive month that U.S. prices averaged between \$2.85/gal and \$2.90/gal. EIA forecasts the average U.S. regular gasoline retail price will fall to \$2.57/gal in December 2018. EIA forecasts that regular gasoline retail prices will average \$2.75/gal in 2018 and in 2019.
- EIA expects total U.S. solar generation will rise from 212,000 Megawatt hours per day (MWh/d) in 2017 to 268,000 MWh/d in 2018 (an increase of 27%) and to 303,000 MWh/d in 2019 (an increase of 13%).
- Although the ISM non-manufacturing index slipped in October, at 60.3 the index continues to signal a robust pace of activity. Input costs moderated slightly, but a tight supply chain suggests inflation pressures continue.
- As expected, the FOMC remained on hold at its policy meeting last week, though improvements in the economy keeps expectations high for another rate hike in December.
- The University of Michigan's consumer sentiment for the U.S. fell to 98.3 in November of 2018 from 98.6 in October but slightly higher than market expectations of 98. It is the lowest reading in three months, mainly due to a fall in consumer expectations, preliminary estimates showed.



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Fixed Income

The yield on the ten-year Treasury decreased this past week, closing at 3.19 percent.

Equity

Over the past week, the U.S. stock market continued its upward climb across in all major indexes. The Dow closed last Friday at 25,989.30 points, reflecting a 2.84 percent increase. The S&P 500 ended the week at 2,781.01 points, reflecting a 2.13 percent jump. The NASDAQ ended the week at 7,406.90 points, reflecting a 0.68 percent bump.



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GLOBAL MARKETS

- In the November 2018 update of its [*Short-Term Energy Outlook*](#) (STEO), the U.S. Energy Information Administration (EIA) decreased its Brent spot price forecast from last month to \$73 per barrel (b) in 2018, down \$1/b, and \$72/b in 2019, down \$3/b. EIA expects that West Texas Intermediate (WTI) crude oil prices will average about \$7/b lower than Brent prices next year. Brent crude oil spot prices averaged \$81/b in October, up \$2/b from September. Despite the increase in monthly average prices, Brent spot prices declined from \$85/b on October 1 to \$75/b on October 31.
- China's trade surplus narrowed to \$34.01 billion in October of 2018 from \$36.89 billion in the same month a year earlier and slightly below market consensus of \$35 billion. Imports jumped 21.4 percent year-on-year to \$131.83 billion while exports increased at a slower 15.6 percent to \$159.72 billion. The trade surplus with the U.S., China's largest export market, narrowed to \$31.78 billion in October from a fresh record high of \$34.13 billion in September. Over the first ten months of the year, the trade surplus came in at \$258.15 billion.
- The IHS Markit Eurozone Composite PMI came in at 53.1 in October 2018, above the preliminary estimate of 52.7 but below September's final 54.1. The reading pointed to the weakest growth rate in the private sector since September 2016 as manufacturing expansion eased to a near four-year low (PMI at 52.0 vs 53.2 in September) and services output rose the least since January 2017 (PMI at 53.7 vs 54.7 in September). By nation, output growth slowed in Germany (5-month low), Italy (59-month low) and Ireland (7-month low), but picked up in France (2-month high) and Spain (4-month high).



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THE WEEK AHEAD

- OPEC releases its Monthly Report November 13.
- The U.S. releases Core/Non-core Inflation Rates November 14.
- The U.S. releases Retail Sales November 15.

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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.*