



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

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Weekly Market Brief  
Week Ending October 23<sup>rd</sup>, 2020

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Real estate prices rose 0.5 percent in Q3 compared to the same quarter last year, according to the General Authority for Statistics (GASat). Residential real estate prices increased (+2.1 percent) amid a surge in mortgage lending. Agricultural real estate prices saw a marginal increase (+0.3 percent) while commercial real estate prices declined (-2.5 percent) as private sector business recovers from the impact of lockdowns in Q2.
- Saudi Arabia's exports were down 25 percent in August compared to last year as oil exports, down 34 percent, remain low due to weak demand and OPEC+ output cuts. Non-oil exports increased by 5.7 percent. While the largest categories of non-oil exports (plastics and chemicals) declined, an increase in base and precious metal exports drove Saudi non-oil exports to the highest level in eight months.
- The U.S. was Saudi Arabia's second largest source of imports during August, though imports dropped 56 percent YoY to reach SAR4.5 billion (\$1.2 billion). Saudi exports to the U.S. declined 28 percent, reaching SAR2.6 billion (\$700 million) during August. Despite the decline in oil deliveries to North America during August, the U.S. counted as Saudi Arabia's sixth biggest export destination.
- Saudi Arabia's seaborne crude exports for the week through October 25 were up 4.2 million barrels (bbl) to reach 46.4 million bbl total. Weekly volumes to all major Asian exporters declined except for Japan which imported 6.7 million bbl of Saudi crude compared to 2.9 million bbl the prior week. No volumes of Saudi crude were delivered to the U.S. for the second time in four weeks.
- Saudi Arabia's holdings of U.S. Treasuries increased by SAR20.3 billion (\$5.4 billion) in August to reach SAR487.5 billion (\$130 billion). It was the largest increase in the Kingdom's U.S. Treasury holdings in more than a year. Saudi Arabia is the 16<sup>th</sup> largest holders of U.S. debt.



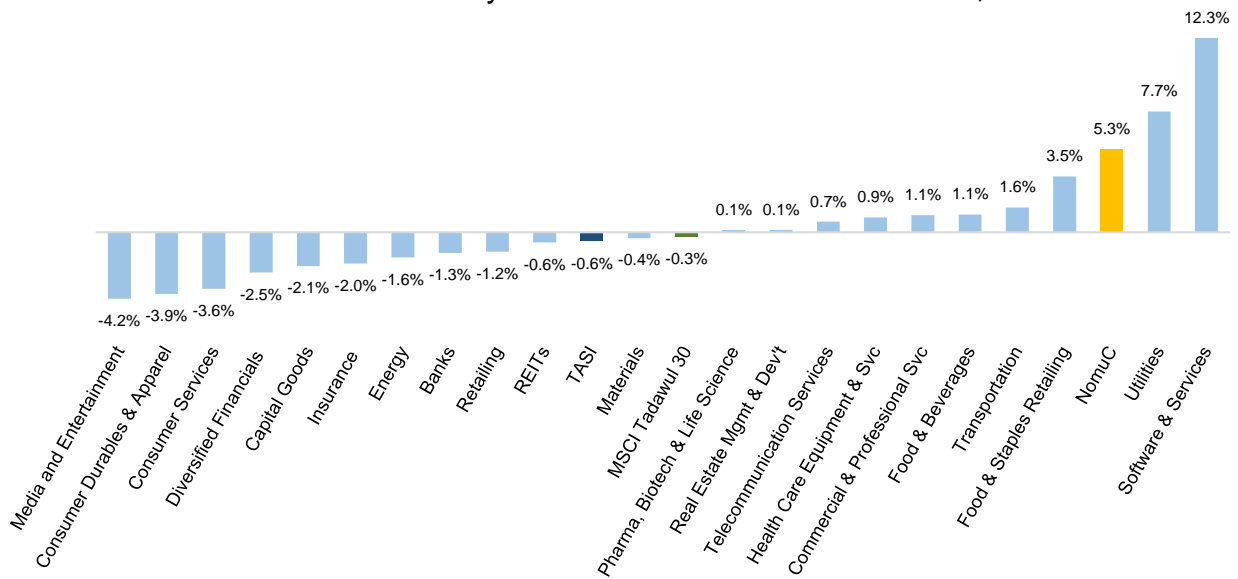
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**Tadawul**

The TASI fell 0.6 percent and finished trading at 8,652.5 points. Sectoral performance was mixed with ‘Software & Services’ rising 12.3 percent followed by ‘Utilities’ and ‘Food & Staples Retailing’ which rose 7.7 percent and 5.3 percent, respectively. ‘Media & Entertainment’ fell 4.2 percent. The NomuC index returned to a growth footing, rising 5.3 percent. The MSCI Tadawul 30 Index meanwhile fell 0.3 percent and finished the week at 1,133.2 points.

During Sunday’s opening trading day this week, the TASI fell 4.1 percent, or 351 points, in the largest single-day decline since the selloff in March as coronavirus cases surge internationally.

Tadawul Weekly Index Performance - October 23, 2020



Source: Tadawul, USSBC

Saudi retailer BinDawood Holding officially listed on the Tadawul at SAR96 (\$25.60) per share. BinDawood, one of the largest grocery store retail operators in Saudi Arabia, raised SAR2.2 billion (\$584 million) in its initial public offering (IPO) that was more than 49 times oversubscribed.



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## Investment and Trade

- The Saudi Data and AI Authority (SDAIA) announced agreements with IBM, Alibaba, and Huawei at the virtual Global Artificial Intelligence (AI) Summit in Riyadh pertaining to the development of smart city technology, health and energy sector innovation, and Arabic language processing.
- The U.S.-Saudi Business Council (USSBC) signed an agreement with the Saudi Export Authority (SEDA) to identify and pursue new non-oil export opportunities and grow longstanding trade relationships between the U.S. and Saudi Arabia.
- Saudi Electricity Company (SEC) awarded a SAR191 million (\$51 million) contract to Pakistan's National Power Construction Corporation to build a 380kV overhead transmission line between Al Aseelh and Suhqaiq substations in Jizan Province.
- Fintech Saudi launched the Fintech Ecosystem Directory last week, providing a comprehensive database divided between investors and financial institutions, along with IT infrastructure and service providers. Saudi Arabia has undertaken a number of initiatives to support an emerging fintech sector recently, covered in [USSBC's August Economic Brief](#).

## Banking

Weekly money supply M1, M2, and M3 fell 0.6 percent, 0.6 percent, and 0.4 percent, respectively.



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## U.S. MARKETS

### U.S. Macroeconomic Developments

- Weekly jobless claims fell to 787,000 during the week ending October 17, while the previous week's figures were also revised downward by 56,000. While initial claims remain elevated, the downward trend has returned as California lifted a processing pause that forced analysts to hold the state's figures constant. Continuing claims of unemployment fell by 1 million, but recipients of the Pandemic Unemployment Assistance program again increased. Continuing claims now total 8.4 million seven months since the initial pandemic lockdowns.
- Existing home sales jumped 9.4 percent in September to a 6.54 million-unit pace, the fastest pace since May 2006. Low inventories and rising prices suggest demand for homes is even stronger than realized. Sales of single-family homes rose 9.7 percent while condos and co-ops rose 6.3 percent.
- Homebuilder confidence reached a record high as low mortgage rates and growing consumer desire for more space continues to drive sales. Builders reported increases in present and future new home sales amid favorable conditions for prospective buyers. Confidence was concentrated in the Northeast and West while the South and Midwest ticked down, though all regions remain elevated.
- The Leading Economic Index (LEI) rose 0.7 percent in September to its fifth monthly gain, suggesting Q3 GDP will recover strongly. While declining unemployment claims and rising housing permits drove the index higher, consumer activity slowed down in September, suggesting the economic recovery is losing momentum heading into the final quarter of 2020.

### Fixed Income

The yield on the ten-year U.S. Treasury increased this week to 0.85 percent.



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## Equity Markets

The Dow Jones Industrial Average (DJIA) fell 1 percent and finished at 28,335.6 points as coronavirus cases in the U.S. and Europe sharply increased. The S&P 500 lost 0.5 percent and finished at 3,465.4 points while the NASDAQ fell 1.1 percent and closed at 11,548.3 points. U.S. equities finished lower as hopes dimmed for a potential stimulus deal before the election and COVID-19 cases surged in the U.S. and internationally.

## GLOBAL MARKETS

- Arab light crude fell 0.4 percent last week and closed at \$41.56 per barrel. Global benchmark Brent crude dropped 2.7 percent and finished the week at \$41.77 while West Texas Intermediate (WTI) fell 2.5 percent and closed the week at \$39.85 amid rising COVID-19 cases in the U.S. and Europe. Libya's National Oil Corp announced its output would reach 1 million bpd within four weeks, putting additional strain on an already oversupplied market. Italy, France, and several U.S. states reported record daily increases in infections as a second wave of the COVID-19 pandemic suggests a recovery in oil demand will not materialize in the near-term.
- Eurozone composite PMI slipped back into contraction territory in October as accelerating manufacturing output was overtaken by a deterioration in the services sector. IHS Markit's indicator of private sector business activity fell to 49.4 compared to 50.4 in September. Germany, the Eurozone's largest economy, reported steady growth and historically strong manufacturing output while France saw a further decline in business activity, including a weakening rate of factory output growth.
- Japan's private sector downturn persisted in October (composite PMI of 46.7 in October, 46.6 in September), though business sentiment improved and employment stabilized. The manufacturing sector showed the slowest deterioration since January, but production and new orders continued to fall. Demand for exports continued to weaken in October and is expected to face additional pressure in Q4 as COVID-19 cases resurge internationally.



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## THE WEEK AHEAD

- U.S. releases durable goods orders for September on October 27
- U.S. releases Q3 GDP growth rate estimate on October 29
- Saudi Arabia releases SAMA monthly statistical bulletin on October 29