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مجلس الأعمال السعودي الأمريكي

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Weekly Market Brief  
*Week Ending November 20<sup>th</sup>, 2020*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

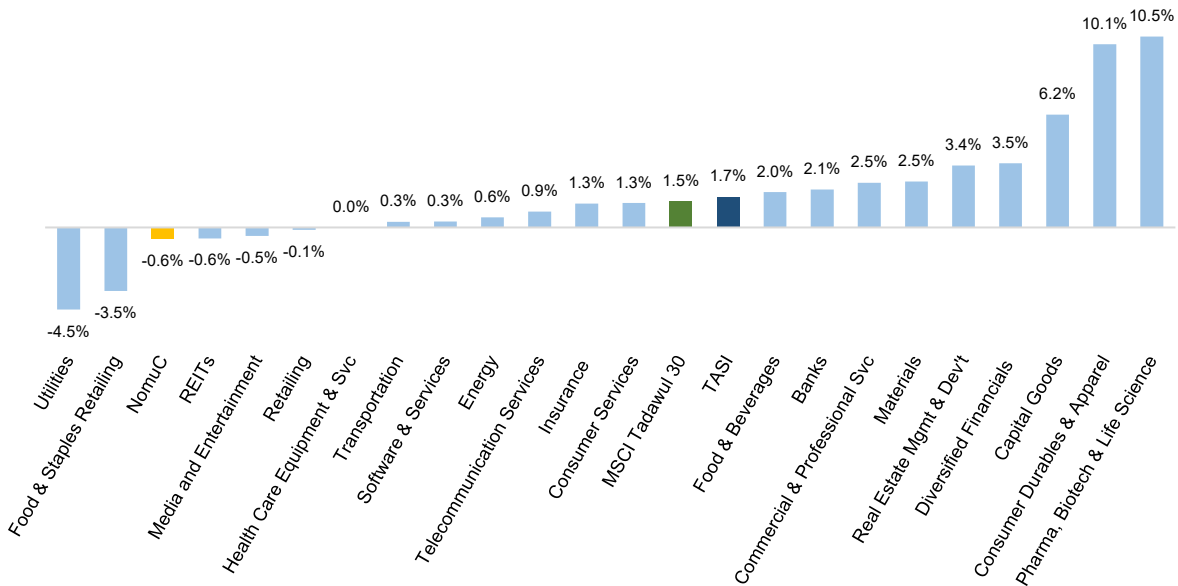
- Saudi Arabia's investments in U.S. Treasuries increased by SAR4.5 billion (\$1.2 billion) in September to reach SAR492 billion (\$131.2 billion). The Kingdom's U.S. Treasury holdings rose 5.3 percent in the past two months, surpassing Canada to become the 15<sup>th</sup> largest holder of U.S. debt.
- Saudi weekly seaborne crude exports fell to 4.7 million barrels per day (bpd) from 5.6 million bpd the week prior. Volumes to the major Asian importers were lower except for India. The U.S. received 3 million bbl of Saudi crude, the most since September, while the Mediterranean region received 2 million bbl.
- Point-of-sale (POS) transactions fell 7 percent to SAR7.5 billion (\$2 billion) during the week ending November 14. The education sector fell the most (-22 percent) while telecommunications (+6 percent) and jewelry (+1 percent) sales increased. Consumer spending focused on food & beverages during the week, valued at SAR1.16 billion (\$309 million).
- Saudi Arabia will raise the minimum monthly wage for citizens from SAR3,000 (\$800) to SAR4,000 (\$1,066), a 33 percent increase. The change will enter into effect in April 2021.



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The TASI rose 1.5 percent this week to reach 8,578 points, a new yearly high. ‘Pharma, Biotech, & Life Science’ surged 10.5 percent followed by ‘Consumer Durables & Apparel’ and ‘Capital Goods’ which grew 10.1 percent and 6.2 percent, respectively. Most sectors posted solid growth but ‘Utilities’ declined by 4.5 percent. The NomuC slipped 0.6 percent. The MSCI Tadawul 30 gained 1.5 percent and finished the week at 1,145 points.

Tadawul Weekly Index Performance - November 20, 2020



Source: Tadawul, USSBC



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- Western Union acquired a 15 percent stake in STC Pay, a subsidiary of Saudi Telecom Company (STC). The American financial services and communications company will pay SAR500 million (\$133.3 million) for a 10 percent equity stake. Another SAR250 million (\$66.7 million) will be paid by Western Union if STC Pay obtains a digital banking license, raising its equity to 15 percent.
- The Royal Commission for Jubail and Yanbu (RCJY) signed two investment agreements worth SAR7 billion (\$1.9 billion). The first agreement, signed by Jubail and Yanbu Industrial Estates Services Company and worth SAR3.4 billion (\$901 million), will set up an LED factory. The second agreement, signed by Saudi Silk Road Industrial Services and worth SAR3.8 billion (\$1 billion), will set up a polycarbonate and polyethylene factory in Jubail.
- The Public Investment Fund (PIF) reduced its holdings in U.S. public companies to SAR26.4 billion (\$7.1 billion) in Q3 from SAR37.9 billion (\$10.1 billion) in Q2. The PIF maintained ownership in Uber, Live Nation, Carnival, Suncor Energy Inc., and Automatic Data Processing Inc. while exiting investments in Cisco, Berkshire Hathaway, Union Pacific Corp., and other index funds.
- The PIF increased its ownership stake in ACWA Power from 33.3 percent to 50 percent as part of its strategy to drive the renewable energy sector in Saudi Arabia. An ACWA Power consortium was recently awarded the design, build, operate, and transfer contract for the Red Sea Project's utilities infrastructure which includes 210MW of solar and wind power generation.
- Lockheed Martin and King Abdulaziz University signed a research agreement to sponsor and perform collaborative applied research to provide opportunities develop Saudi Arabia's industrial capabilities. The agreement provides a framework to support future projects with an immediate focus on technology development in areas such as industrial engineering, additive manufacturing, and air vehicle research.
- Saudi Arabia's National Housing Company (NHC) awarded Al Rawaf a SAR413 million (\$110 million) for infrastructure works at the Orchid Housing Project in Riyadh. NHC awarded a separate SAR341 million (\$91 million) to Al Fahd Company for infrastructure works at the Al-Mashriqiya Housing Project in Riyadh.

## Banking



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Weekly money supply M1 and M3 both rose 0.08 percent while M2 fell 0.05 percent.

## U.S. MARKETS

### U.S. Macroeconomic Developments

- Existing home sales jumped 4.3 percent to a 6.85 million-unit pace in October, the fastest since 2006. Single-family home sales rose 4.1 percent while condo sales increased 5.8 percent. Low mortgage rates and COVID-induced consumer demand for more space continues to fuel robust growth in the housing market. However, mortgage purchase applications have started to decline amid fast-rising prices and falling inventories.
- The Leading Economic Index rose 0.7 percent in October, boosted by strong ISM new order figures and a drop in jobless claims but weighed down by softening consumer expectations. The slowing pace of consumer goods purchases alongside a significant increase in COVID cases adds uncertainty as to whether consumption will hold up in the next phase of the pandemic.
- Initial jobless claims rose to 742,000 last week as some states imposed new business restrictions amid a surge in COVID-19 cases. Continuing claims for regular benefits fell by 429,000 while claims under the PUA program rose by 24,000 individuals. During the last week of October, 20.3 million workers collected benefits.
- Housing starts rose 4.9 percent in October to a 1.53 million-unit pace and starts were also revised higher for September. Single-family homes accounted for all of October's increase as builder confidence hits another record high. Single-family starts are now at their highest level since April 2007.
- Industrial production rose by 1.1 percent in October while manufacturing output also gained 1 percent. September's decline in output was revised to show a slight increase. The manufacturing sector is expected to remain more insulated from new COVID restrictions and new restrictions have targeted high-contact service industries.

### Fixed Income

The yield on the ten-year U.S. Treasury declined this week to 0.83 percent.

### Equity Markets



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The Dow Jones Industrial Average (DJIA) lost 0.7 percent and finished at 29,263 points. The S&P 500 fell 0.8 percent and finished at 3,557.5 points while the NASDAQ ticked up 0.2 percent and closed at 11,855 points.

### GLOBAL MARKETS

- Arab light crude rose 2.8 percent last week and closed at \$43.65 per barrel. Global benchmark Brent crude gained 5.1 percent and finished the week at \$44.96 while West Texas Intermediate (WTI) rose 5 percent and closed the week at \$42.15. Oil prices posted their third consecutive weekly rise despite rising COVID cases and new lockdowns in several countries. Further positive vaccine news from Pfizer and Moderna last week bolstered oil markets while key OPEC producers suggested they will seek to further the supply cut agreement at their December 1 meeting. OPEC+ is due to raise oil production by 2 million bpd on January 1 without a change in its current agreement.
- Japan's private sector economy continued to struggle in November with PMI slipping to 47 from 48 in October. Readings for output, new orders, employment, and future expectations all showed stronger declines than the previous month. Demand conditions continue to weaken, and new business inflows fell for a tenth month in a row.
- Eurozone PMI fell to 45.1 in November from 50 in October, indicating a sharp decline in business activity as the region's largest economies instituted new lockdowns amid a spike in COVID cases. Unexpectedly, Germany's economy continued to expand as PMI fell to 52, above the 50-point mark separating growth from contraction. All other countries in the Eurozone posted a decline in the private sector economy with the service sector hardest hit.

### THE WEEK AHEAD

- Saudi Arabia releases international trade figures for September on November 25
- U.S. releases durable goods orders for October on November 25
- U.S. releases personal income and spending figures for October on November 25
- Saudi Arabia releases SAMA monthly statistical bulletin for October on November 28