



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

Weekly Market Brief
Week Ending November 6th, 2020

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil private sector economy expanded for the second consecutive month as IHS Markit's PMI reached 51 in October, up from 50.7 in September. The 50-point mark separates growth from contraction. The upturn in PMI was supported by a stronger rise in output while continued declines in export demand and employment levels signals future pressure on business activity.
- Fitch Ratings affirmed Saudi Arabia's credit rating at 'A' while revising its outlook to negative, reflecting a weakening in the government's fiscal and external balance sheets. The report noted the government's strong commitment to fiscal consolidation, but the ongoing pandemic and continued low oil prices have put increased pressure on the Kingdom's credit rating.
- Point-of-sale transactions rose by 36 percent during the week ending October 31 to reach SAR9.2 billion (\$2.4 billion), the highest value since the introduction of the 15 percent value-added tax (VAT) in early July. Education spending (+74 percent) led other sectors compared to the previous week, followed by electronics (+62 percent) and clothes & footwear (+56 percent). Food, beverage, and restaurant spending accounted for 29 percent of the total value of transactions.
- Saudi Arabia ranked second globally in total value of outstanding sukuk through Q3 YTD, totaling SAR558 billion (\$149 billion). The Kingdom issued SAR122.6 billion (\$32.7 billion) in sukuk through Q3 2020, of which SAR84 billion (\$22.4 billion) was issued by the government. The Saudi government was the top sukuk issuer globally through Q3 2020 as riyal-denominated issuances though Q3 YTD outpaced any of the previous four years, according to data from Refinitiv.
- Saudi Arabia's weekly seaborne crude exports through November 8 declined 3.1 million barrels (bbl) to reach 42.1 million bbl. Volumes to China and South Korea declined while volumes to India and Japan rose sharply. After two weeks of no shipments to North America, the Kingdom delivered 1 million bbl to the U.S. Last week, Saudi Aramco cut its official selling prices to the U.S. for December by \$.02/bbl across all grades.

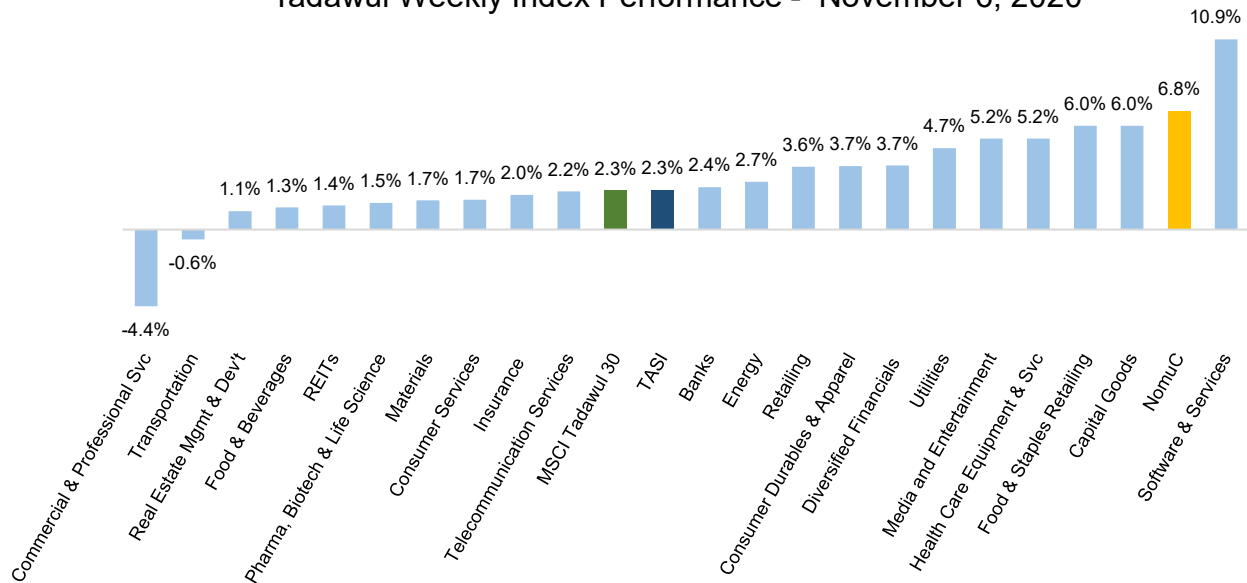


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Tadawul

The TASI rose 2.3 percent this week to reach 8,089 points, recovering from one of the year's biggest selloffs last week as COVID-19 cases surge internationally. 'Software & Services' rose 10.9 percent while 'Capital Goods' and 'Food & Staples Retailing' both rose 6 percent. 'Commercial & Professional Services' was one of only two sectors to record a decline, losing 4.4 percent. The NomuC parallel market meanwhile rose 6.8 percent. The MSCI Tadawul 30 gained 2.3 percent and finished the week at 1,086 points.

Tadawul Weekly Index Performance - November 6, 2020



Source: Tadawul, USSBC



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

Investment and Trade

- International Maritime Industries (IMI), a joint venture between Saudi Aramco, Lamprell, Hyundai Heavy Industries, and Bahri, awarded Lamprell an engineering and design contract valued between \$6 million and \$50 million to establish an autonomous, maritime yard in Ras Al-Khair. The facility would provide maintenance, repair, and overhaul of newbuild rigs and ships and constitute the largest, full-service maritime facility in the MENA region.
- The Public Investment Fund (PIF) announced a \$1.3 billion stake in Reliance Retail Ventures Ltd, joining a growing list of international investors supporting India's largest retail chain. The equity stake is worth a reported 2.04 percent. Earlier this year, PIF invested \$1.5 billion, or a 2.32 percent stake, in Reliance's Jio Platforms.
- The Red Sea Development Company (TRSDC) announced it plans to award SAR15 billion (\$4 billion) in contracts by the end of 2020. The PIF-owned megaproject company said it has thus far awarded more than 500 contracts exceeding SAR7.5 billion (\$2 billion) in total value to local and international companies.
- Formula 1 added a new race in Saudi Arabia to the 2021 calendar as part of a long-term partnership between Formula 1 and the Saudi Automobile and Motorcycle Federation. The inaugural Saudi Arabian Grand Prix will be held in Jeddah in November 2021.
- Marafiq, the power and water utilities company for Jubail and Yanbu, signed a SAR754 million (\$201 million) contract with the Saudi Electrical and Mechanical Services Company to expand one of its industrial wastewater treatment plants in Jubail (IWTP-8) to handle a further 125,000 cubic meters per day over the next three years.
- Saudi Aramco signed a SAR188 million (\$50 million) contract with Malaysia's Sapura Energy Berhad to undertake the installation of three jackets at the Abu Safah, Ribyan, and Zuluf fields in Saudi Arabia.
- The Saudi Export Import Bank (EXIM) signed a cooperation agreement with Bank AlJazira to boost the role of commercial banks in financing exports to ensure the competitiveness of Saudi products in foreign markets while maintaining regional competitiveness.



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

Banking

Weekly money supply M1, M2, and M3 rose 1.3 percent, 2.4 percent, and 1.9 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy netted 638,000 jobs in October, surpassing market expectations. The private sector alone added 906,000 jobs and the overall unemployment rate fell to 6.9 percent. Job gains were offset by a 268,000 drop in the public sector as census workers' employment contracts gradually ended throughout October. Manufacturing, construction, and logistics were all bright spots as businesses faced growing demand. Leisure and hospitality added 271,000 jobs as the service sector recovered at a slower rate.
- Weekly jobless claims fell to 751,000 last week, a modest decrease from the prior week's level as total benefit recipients remains elevated at 22 million. With virus cases surging across the country, initial claims are expected to remain stubbornly high through winter. New Pandemic Unemployment Assistance claims rose for a second straight week but are still trending lower as more workers file for extended benefits.
- The U.S. trade balance narrowed to a \$63.9 billion deficit at the end of Q3 as exports outpaced imports. Exports rose 2.6 percent in September as international demand continued to pick up from pandemic lows while imports rose only 0.5 percent amid declines in industrial supplies and consumer goods. The strength of exports was broad-based with every major goods category increasing.
- Construction spending rose 0.3 percent during September as strong gains in the residential sector offset a drop in nonresidential spending. September marked the fourth consecutive monthly gain in construction spending as record low mortgage rates and shifting consumer preferences has fueled strong growth in new, single-family construction.
- The ISM manufacturing index jumped to 59.3 in October with strong gains in new orders, inventories, and employment. The headline index outpaced expectations and marked the highest reading since 2018 before the trade war began. The ISM Services index



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

meanwhile fell to 56.6 from 57.8 a month earlier as new orders slipped and employment increased only marginally.

Fixed Income

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

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 6.9 percent and finished at 28,323 points following a stronger-than-expected October jobs report. The S&P 500 gained 7.3 percent and finished at 3,509 points while the NASDAQ surged 9 percent and closed at 11,895 points despite uncertainty surrounding the result of the U.S. presidential election.

GLOBAL MARKETS

- Arab light crude rose 7.1 percent last week and closed at \$39.45 per barrel. Global benchmark Brent crude gained 5.3 percent and finished the week at \$39.45 while West Texas Intermediate (WTI) rose 3.8 percent and closed the week at \$37.14 after reaching the lowest levels since May last week. U.S. energy firms meanwhile added more oil and gas rigs for an eighth week in a row, reaching the highest level since May. As several countries enter new lockdowns amid a second wave of COVID-19 infections across the globe, pressure has mounted on Saudi Arabia and other OPEC+ members to consider further oil production cuts at their November meeting.
- The Eurozone's private sector economy stagnated in October as IHS Markit's PMI reading fell to 50 after edging into growth territory (50.4) in September. Among the top Eurozone economies, only Germany registered a positive composite PMI (55) while Italy (49.2), France (47.5) and Spain (44.1) registered declines in business activity. Manufacturing growth was largely sustained across the Eurozone, in stark contrast to the service sector which contracted at the fastest rate since May.
- The UAE's non-oil private sector economy weakened in October as headline PMI declined to 49.5 compared to 51 in September. The first decline new business since May signaled a stalling of growth momentum. Business sentiment towards the 12-month outlook



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

reached a record low as concern mounts that virus resurgence will further diminish business activity and spending.

THE WEEK AHEAD

- Saudi Arabia releases Q3 GDP flash estimate on November 11
- U.S. releases weekly jobless claim figures on November 12
- Saudi Arabia releases consumer and producer prices on November 15